

# Interim report

## 1 January – 31 March 2011



- Net sales for continuing operations increased to SEK 96.7 M (85.4), up approximately 19%. Order bookings rose approximately 34% to SEK 122.9 M (96.4).\*
- During the quarter, deliveries from the facility in Tianjin, China, have been implemented.
- Operating profit for continuing operations rose 25% and improved to SEK 6.9 M (5.5). The improvement was due to a strong quarter for the Metrology business area. Operating profits were negatively affected by the commissioning of a number of new products, as well as the establishment of Medical Technology operations in Tianjin, China.
- Consolidated profit for continuing operations after tax rose 34% and amounted to SEK 3.9 M (2.9), corresponding to earnings of SEK 0.64 (0.48) per share.

### **President Göran Brorsson's comments:**

*"We are now seeing an increase in activities in Medical Technology, particularly within the Dental Implant segment where several new introductions have been planned in conjunction with an improvement in demand. The strong growth in order bookings for Medical Technology means that we will now increase the capacity at Scandinavian plants through expanded staffing. The establishment of the unit in Tianjin, China, is proceeding according to plans. Expectations remain for the operations in Tianjin to show profits during the second half of 2011."*

*"It is very gratifying to see the positive performance of the Metrology business area. We are now seeing the results of several years of goal-oriented efforts in the development of our product portfolio which is the most modern in the market."*

	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Net sales, SEK M	96.7	85.4	369.5	358.2
Growth, %	18.9	0.6	21.3	17.2
Operating profit, SEK M	6.9	5.5	24.3	22.9
Operating margin, %	7.2	6.4	6.6	6.4
Profit after financial items, continuing operations, SEK M	5.2	3.7	17.7	16.2
Profit after tax, continuing operations, SEK M	3.9	2.9	12.6	11.6
Earnings per share before dilution, continuing operations, SEK	0.64	0.48	2.08	1.92

\* Adjusted for exchange-rate fluctuations.

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## Operations in general

The Group is active in two business areas – Medical Technology and Metrology, with an emphasis on Medical Technology. A Medical Technology operation is currently being established in Tianjin, China.

Market conditions for the Group have continued to develop positively at the start of 2011. The underlying demand trend has led to an improvement in the Group's net sales and consolidated profit.

## Invoicing and earnings January – March 2011

The Group's net sales for continuing operations rose during the quarter and amounted to SEK 96.7 M (85.4). Adjusted for exchange-rate fluctuations, the increase amounted to approximately 19%. Order bookings for continuing operations rose to SEK 122.7 M (96.4). Adjusted for exchange-rate fluctuations, the increase amounted to approximately 34%.

Operating profit for continuing operations rose 25% and amounted to SEK 6.9 M (5.5). The Group's net financial items was negatively affected by interest rate changes and exchange rate differences and amounted to an expense of SEK 1.7 M (1.8). The profit after financial items for continuing operations rose 41% and was SEK 5.2 M (3.7). The improvement in earnings was a result of a strong quarter for the Metrology business area. Operating profit was adversely affected by a number of new product commissions, as well as the establishment of Medical Technology operations in Tianjin, China.

Profit after tax for continuing operations amounted to SEK 3.9 M (2.9), corresponding to SEK 0.64 (0.48) per share before dilution. Exchange rate fluctuations affected after-tax profits by neg: SEK -0.3 M (0.3).

Total profit for the Group's came to SEK 2.4 M (2.2). The profit per share before dilution amounted to SEK 0.40 (0.36).

## Elos Medical Technology

This business area is one of Europe's leading partners in the development and production of precision products used in medical technology and components, such as dental and orthopaedic implants and instruments. The organization is divided into three business segments: Dental, Orthopaedics and Medical Devices. The business area is collectively marketed as Elos Medtech.

SEK M	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Net sales	68.4	63.0	263.8	258.4
Growth,%*	16.1	-1.9	14.0	9.3
Operating profit	2.5	4.0	11.8	13.3
Operating margin,%	3.6	6.3	4.5	5.1

2011 began with a marked increase in activities for most segments connected to Elos Medtech operations. The increase was particularly sharp in the business area's largest segment, Dental implants. Major players in the dental implant market are expecting a significant increase in volume (> 5%) during 2011, which has resulted in increased order bookings during the quarter. The Trauma and Spine orthopaedics segment continued to show a growth of > 5%. A number of new products have been introduced to customers with significant growth potential. The Diabetes segment continues to show stable, positive development.

The establishment of the unit in Tianjin, China, is mostly proceeding according to plan. As a part of the Group's strategy for growing geographically, the unit will be a base for deliveries to the Group's Medical Technology customers who are now establishing themselves in the Chinese market. Production capacity was increased during the quarter and the pace of deliveries is now increasing gradually.

The Group's strategy for this business area is to develop an increasing range of proprietary products that will complement the Group's contracting operations. A new product from the Dental segment, Elos Accurate, was introduced during the quarter. Elos Accurate is a range of scanning abutments used in conjunction with 3D scanning for the purpose of producing customized dental bridges. The target group is OEM (original equipment manufacturer) companies and dental laboratories.

Net sales amounted to SEK 68.4 M (63.0), corresponding to an increase of 16% after adjustment for exchange-rate fluctuations. The increase in volume is primarily attributable to the Dental Implant segment.

Order bookings increase during the quarter to SEK 97.3 M (69.4), corresponding to an increase of 50% after adjustment for exchange-rate fluctuations. Operating profits were negatively affected by a number of new product launches, as well as the establishment of Medical Technology operations in Tianjin, China. Operating profit totalled SEK 2.5 M (4.0), giving an operating margin of 3.6% (6.3).

### **Elos Metrology**

This business area comprises the Elos Fixturlase unit which develops, manufactures and markets laser-based alignment and positioning systems. The company is considered a market leader in its segment with a global market share of approximately 30%. Products are primarily sold through a world-wide network of distributors.

SEK M	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Net sales	28.3	22.4	105.7	99.8
Growth, %*	26.3	29.5	38.7	40.4
Operating profit	6.5	3.5	20.7	17.7
Operating margin, %	23.0	15.6	19.6	17.8

The positive growth seen in 2010 has continued into the beginning of 2011. Demand is on the rise in North and South America and Asia, while demand in Europe continues to be moderate. Product launches in the past year strongly contributed to successes in the business area. There was an increase in delivery capacity during the quarter, which has resulted in a shortening of delivery times. A sales company was established in Hungary.

Net sales for the business area amounted to SEK 28.3 M (22.4), corresponding to an increase of 26%. Order bookings amounted to SEK 25.6 M (26.9). The business area's operating profit improved to SEK 6.5 M (3.5). The operating margin was 23.0% (15.6).

### **Investments**

The Group's investments for continued operations in buildings, land, machinery and equipment totalled SEK 19.3 M (7.8). A total of SEK 5.8 M of these investments was attributable to the establishment of medical technology operations in China. In addition, SEK 0.8 M (0.3) was invested in capitalized development expenditures.

### **Financial position and liquidity**

Total consolidated assets increased SEK 16 M during the quarter to SEK 503 M (487).

Consolidated shareholders' equity amounted to SEK 213 M (210). Shareholders' equity per share amounted to SEK 35.15 (34.75).

Risk-bearing shareholders' equity at year-end amounted to SEK 232 M (230), corresponding to 46.2% (47.3) of total capital. The Group's equity/assets ratio was 42.3% (43.2).

The Group's cash flow from operating activities of continuing operations amounted to SEK 0.9 M (5.5). Cash flow after investments and sales of fixed assets amounted to a loss of SEK 7.8 M (neg: -2.6).

The Group's net borrowing increased during the quarter and amounted to SEK 156 M (138) at the close of the first quarter.

The Group's cash and cash equivalents, including unutilised overdraft facilities, totalled SEK 101.9 M (113.4).

### **Human resources**

At the end of the quarter, the Group had 345 (314) full-time employees.

### **Discontinued operations**

The subsidiary, Elos Precision, which was part of the former business area Precision Technology, was discontinued in December 2010.

### **Convertibles program**

The Annual General Meeting of Elos AB of 28 April 2008 approved the Board's motion to issue a maximum of 200,000 convertibles in a nominal maximum amount of SEK 16,000,000, with a lifetime extending from 1 July 2008, through 30 June 2011. Disapplying the preferential rights of shareholders, the right to subscribe for the convertible debentures accrued to persons who at the expiration of the subscription period were permanently employed in the Group. Employees in the Elos Group have subscribed for convertibles in a total amount of SEK 13,920,000, corresponding to 185,600 convertibles at a conversion price of SEK 75. If all convertibles are converted to shares, the dilution effect will be 3.1% of the share capital and 1.2% of the voting rights, based on the current number of registered shares. The interest rate on the convertibles is set at 4.45%. During the period from 1 May to 15 June 2011, each convertible may be converted to one Series B share in Elos. Transactions in conjunction with the convertibles were conducted in July 2008 and are included in the Group's subsequent reporting. The equity share was calculated according to IAS 32. Since the interest rate on the convertibles largely corresponds to the market rate, the impact on consolidated shareholders' equity is not significant.

### **Parent Company**

In addition to central management issues, the Parent Company also provides Group-wide support activities, such as technical support, finance and financial control.

The Parent Company's net sales amounted to SEK 1.3 M (1.5). Profit after financial items amounted to an expense of SEK 2.3 M (expense: 2.1).

The share of risk-bearing equity was 77.2% (80.2). The equity/assets ratio amounted to 77.1% (79.6). The Parent Company's cash and cash equivalents including unutilized overdraft facilities amounted to SEK 88.2 M (99.4).

### **Significant risks and uncertainties**

The Group's significant risks and uncertainties include business risks associated with customers and suppliers and other external factors, such as risks related to the prices of input goods. In addition, there are financial risks associated with changes in exchange and interest rates. A detailed description of the Group's risks and uncertainty factors, and of how they are managed, is presented in the Board of Directors' Report in the 2010 Annual Report.

### **Accounting principles**

The consolidated accounts for the first quarter of 2011, similar to the year-end accounts for 2010, were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with the Annual Accounts Act and recommendation RFR 2.3 Reporting of Legal Entities issued by the Swedish Financial Reporting Board.

This interim report was prepared in accordance with IAS 34. The term IFRS in this document includes application of both IAS and IFRS, as well as interpretations of these standards as published by the IASB's Standards Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The Group applies the same accounting principles as those described in the 2010 Annual Report. New or revised recommendations with application from 2011 are not considered to have any significant impact on the financial statements.

### **Forecast 2011**

Market conditions for the Group are expected to be positive during 2011.

**Financial information 2011**

Interim report for the second quarter of 2011 will be published on 18 August 2011.  
Interim report for the third quarter of 2011 will be published on 26 October 2011.

Lidköping, 3 May 2011

Elos AB (publ)

The Board of Directors

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## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Net sales	96,7	85,4	369,5	358,2
Cost of goods sold	-64,0	-58,5	-252,4	-246,9
<b>Gross profit</b>	<b>32,7</b>	26,9	<b>117,1</b>	111,3
Selling expenses	-9,1	-7,7	-34,1	-32,7
Administration expenses	-10,7	-8,6	-37,1	-35,0
Development expenses	-6,6	-6,0	-23,0	-22,4
Other operating income/expenses	0,6	0,9	1,4	1,7
<b>Operating profit</b>	<b>6,9</b>	5,5	<b>24,3</b>	22,9
Financial income	0,3	0,0	0,5	0,2
Financial expenses	-2,0	-1,8	-7,1	-6,9
<b>Profit before taxes</b>	<b>5,2</b>	3,7	<b>17,7</b>	16,2
Income tax	-1,3	-0,8	-5,1	-4,6
<b>Net profit for the year from remaining operations</b>	<b>3,9</b>	2,9	<b>12,6</b>	11,6
<b>Profit from discontinued operations</b>	<b>0,0</b>	2,5	<b>14,6</b>	17,1
<b>Net profit for the year</b>	<b>3,9</b>	5,4	<b>27,2</b>	28,7
<b>Profit attributable to:</b>				
Parent company shareholders	3,9	5,4	27,2	28,7
<b>Statements of comprehensive income</b>				
<b>Result for the period</b>	<b>3,9</b>	5,4	<b>27,2</b>	28,7
<b>Other comprehensive income</b>				
Translation difference	-2,2	-6,0	-10,7	-14,5
Hedging of net investment	0,7	2,8	5,5	7,6
<b>Total comprehensive income</b>	<b>2,4</b>	2,2	<b>22,0</b>	21,8
<b>Result attributable to:</b>				
Equity holders of the parent	2,4	2,2	22,0	21,8
<b>EBITDA</b>	<b>15,1%</b>	14,8%	<b>14,2%</b>	14,1%
<b>EBIT</b>	<b>7,2%</b>	6,4%	<b>6,6%</b>	6,4%
Depreciation charged against earnings, remain. operations	7,7	7,1	28,3	27,7
Earnings per share, remaining operations, before dilution	0:64	0:48	2:08	1:92
Earnings per share, discontinued operations, before dilution	-	0:41	2:42	2:83
Earnings per share, total, before dilution	0:64	0:89	4:50	4:75
Earnings per share, remaining operations, after dilution*	0:63	0:47	2:02	1:86
Earnings per share, discontinued operations, after dilution*	-	0:40	2:34	2:74
Earnings per share, total, after dilution*	0:63	0:87	4:36	4:60
Number of shares (thousands) before dilution	6 051	6 051	6 051	6 051
Number of shares (thousands) after dilution*	6 237	6 237	6 237	6 237
Number of shares end of period (thousands)	6 051	6 051	6 051	6 051

\* Considerations to convertibles issued 2008-07-01

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	2011-03-31	2010-03-31	2010-12-31
<b>Assets</b>			
Intangible fixed assets	48,3	51,0	49,6
Tangible fixed assets	212,9	243,2	202,1
Other current assets	182,6	220,3	171,9
Cash and bank balances	58,8	17,6	62,7
Asset for sale	0,6	1,5	0,6
<b>Total assets</b>	<b>503,2</b>	<b>533,6</b>	<b>486,9</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	212,7	190,7	210,3
Long-term liabilities	171,2	214,4	161,8
Current liabilities	119,3	128,5	114,8
<b>Total shareholders' equity and liabilities</b>	<b>503,2</b>	<b>533,6</b>	<b>486,9</b>

## KEY FIGURES

SEK M		Jan-Mar 2011	Jan-Mar 2010 *	Jan-Dec 2010
Return on capital employed	%	6,3	8,9	7,8
Return on shareholders' equity	%	7,3	11,4	19,2
Share of risk-bearing capital	%	46,2	40,8	47,3
Equity/assets ratio	%	42,3	35,7	43,2
Net debt	SEK M	155,9	228,2	137,6
Investments excluding shares remaining operations	SEK M	20,1	8,1	57,7
Number of employees remaining operations		330	270	298
Shareholders' equity per share	SEK M	35:15	31:52	34:75
Dividends	SEK M	-	-	-

\* Comparative figures are unchanged from previous reports where otherwise indicated.

## CHANGES IN SHAREHOLDERS' EQUITY

SEK M	31 Mar 2011	31 Dec 2010
Opening balance	210,3	188,5
Dividends	0,0	0,0
Total earnings	2,4	21,8
<b>Closing balance, shareholders' equity</b>	<b>212,7</b>	<b>210,3</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEK M	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Profit after net financial items	5,2	3,7	16,2
Adjustment items	7,7	6,6	28,3
Income tax paid	-1,3	-0,5	-4,6
Change in working capital	-10,7	-4,3	8,4
<b>Cash flow from remaining operations</b>	<b>0,9</b>	5,5	48,3
Investments in other fixed assets	-8,7	-8,1	-43,7
Sales of other fixed assets	0,0	0,0	0,8
<b>Balance after investments in fixed assets</b>	<b>-7,8</b>	-2,6	5,4
Change in interest-bearing loans	3,9	-1,2	-21,2
Dividends	0,0	0,0	0,0
<b>Cash flow for the year from remaining operations</b>	<b>-3,9</b>	-3,8	-15,8
<b>Cash flow from discontinued operations</b>	<b>0,0</b>	0,0	57,2
<b>Cash flow for the year</b>	<b>-3,9</b>	-3,8	41,4
Liquid funds at beginning of the year	62,7	21,4	21,4
Liquid funds in remaining operations	0,0	0,0	0,0
Exchanges-rate differences in liquid funds	0,0	0,0	-0,1
<b>Liquid funds at end of the period</b>	<b>58,8</b>	17,6	62,7

## NET SALES AND OPERATING PROFIT/LOSS PER BUSINESS AREA

Net sales SEK M	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Medical Technology	68,4	63,0	263,8	258,4
Metrology	28,3	22,4	105,7	99,8
Other	0,0	0,0	0,0	0,0
<b>Total net sales remaining operations</b>	<b>96,7</b>	85,4	369,5	358,2

Operating profit/loss SEK M	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Medical Technology	2,5	4,0	11,8	13,3
Metrology	6,5	3,5	20,7	17,7
Other	-2,1	-2,0	-8,2	-8,1
<b>Total operating profit/loss remaining operations</b>	<b>6,9</b>	5,5	24,3	22,9



## QUARTERLY FIGURES - GROUP

	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
SEK M	2011	2010	2010	2010	2010	2009	2009	2009	2009
Net sales	96,7	99,9	78,6	94,3	85,4	87,3	65,6	83,1	84,9
Cost of goods sold	-64,0	-68,6	-54,7	-65,1	-58,5	-65,4	-49,5	-59,1	-63,8
<b>Gross profit</b>	<b>32,7</b>	31,3	23,9	29,2	26,9	21,9	16,1	24,0	21,1
Selling adm. and developm.expens.	-26,4	-26,2	-18,6	-22,9	-22,4	-21,3	-16,0	-21,2	-20,9
Other operating items	0,6	-0,5	1,1	0,1	1,0	0,4	0,2	0,9	0,1
<b>Operating profit/loss</b>	<b>6,9</b>	4,6	6,4	6,4	5,5	1,0	0,3	3,7	0,3
Net financial items	-1,7	-1,6	-1,6	-1,7	-1,8	-1,9	-1,8	-2,1	-2,5
<b>Profit/loss after financial items</b>	<b>5,2</b>	3,0	4,8	4,7	3,7	-0,9	-1,5	1,6	-2,2
<b>Taxes</b>	<b>-1,3</b>	-1,2	-1,7	-0,9	-0,8	0,2	-0,1	-0,5	2,3
<b>Profit/loss after taxes remaining operations</b>	<b>3,9</b>	1,8	3,1	3,8	2,9	-0,7	-1,6	1,1	0,1

## QUARTELY FIGURES - BUSINESS AREAS

Net sales	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
SEK M	2011	2010	2010	2010	2010	2009	2009	2009	2009
Medical Technology	68,4	67,2	58,3	69,9	63,0	68,0	49,6	66,6	67,6
Metrology	28,3	32,7	20,3	24,4	22,4	20,9	16,4	16,5	17,3
Other	0,0	0,0	0,0	0,0	0,0	-1,6	-0,4	0,0	0,0
<b>Total remaining operations</b>	<b>96,7</b>	99,9	78,6	94,3	85,4	87,3	65,6	83,1	84,9
<b>Operating profit/loss</b>	<b>Q 1</b>	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
SEK M	2011	2010	2010	2010	2010	2009	2009	2009	2009
Medical Technology	2,5	-0,3	4,9	4,7	4,0	-0,6	-1,1	4,1	0,2
Metrology	6,5	7,0	3,4	3,8	3,5	3,0	3,1	1,6	2,1
Other	-2,1	-2,1	-1,9	-2,1	-2,0	-1,4	-1,7	-2,0	-2,0
<b>Total remaining operations</b>	<b>6,9</b>	4,6	6,4	6,4	5,5	1,0	0,3	3,7	0,3

## PARENT COMPANY INCOME STATEMENT

SEK	Jan-Mar 2011	Jan-Mar 2010	Apr-Mar 2010/11	Jan-Dec 2010
Net sales	1,3	1,5	5,4	5,6
Cost of goods sold	0,0	0,0	0,0	0,0
<b>Gross profit</b>	<b>1,3</b>	<b>1,5</b>	<b>5,4</b>	<b>5,6</b>
Administration expenses	-3,5	-3,3	-13,9	-13,7
Other operating income/expenses	0,0	0,0	0,0	0,0
<b>Operating profit</b>	<b>-2,2</b>	<b>-1,8</b>	<b>-8,5</b>	<b>-8,1</b>
Result fr. participations in group comp.	0,0	0,0	35,4	35,4
Result fr. participations in associated comp.	0,0	0,0	-0,9	-0,9
Financial income	0,3	0,0	7,6	7,3
Financial expenses	-0,4	-0,3	-1,4	-1,3
<b>Result after financial items</b>	<b>-2,3</b>	<b>-2,1</b>	<b>32,2</b>	<b>32,4</b>
Appropriations	0,0	0,0	-0,1	-0,1
Taxes	0,6	0,6	0,5	0,5
<b>Result for the year*</b>	<b>-1,7</b>	<b>-1,5</b>	<b>32,6</b>	<b>32,8</b>

\* Corresponds with parent company's total result.

## PARENT COMPANY BALANCE SHEET

SEK	2011-03-31	2010-03-31	2010-12-31
<b>Assets</b>			
Tangible fixed assets	1,6	0,3	1,7
Financial fixed assets	166,5	164,9	160,5
Other current assets	22,7	22,7	15,7
Cash and bank balances	53,4	8,0	59,4
<b>Total assets</b>	<b>244,2</b>	<b>195,9</b>	<b>237,3</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	187,2	151,6	188,9
Untaxed reserves	1,5	1,4	1,5
Provisions	5,0	5,1	5,0
Long-term liabilities	6,8	23,8	7,2
Current liabilities	43,7	14,0	34,7
<b>Total shareholders' equity and liabilities</b>	<b>244,2</b>	<b>195,9</b>	<b>237,3</b>

The information in this interim report is that which Elos AB (publ) must publish pursuant to the Swedish Securities Market Act and/or the Trading in Financial Instruments Act. The information was published on May 3, 2011 at 13:00 (CET).

The interim report has not been subject to review by the company's auditors