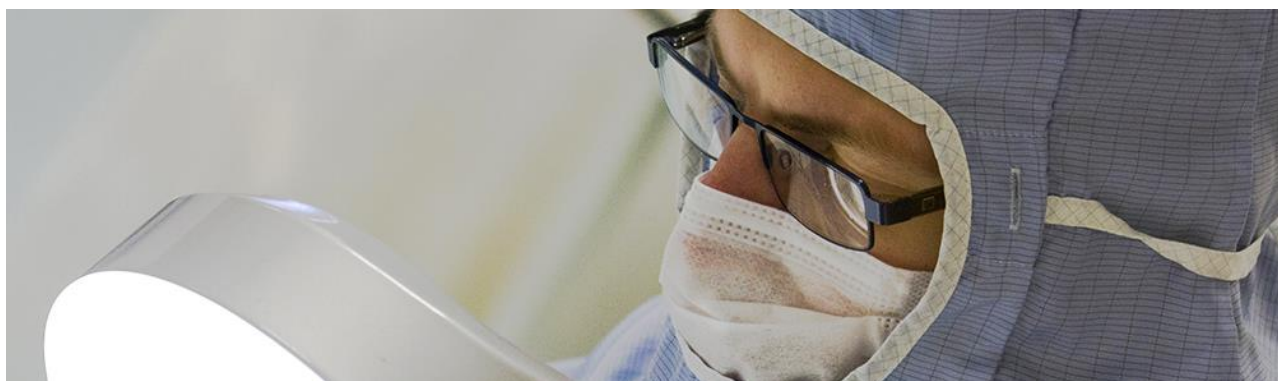


Interim report, 1 January – 31 March 2016



- **Net sales** amounted to SEK 140.4 M (105.5), which adjusted for exchange-rate fluctuations corresponds to an increase of 34.5%, of which organic growth was negative 2.0%.
- **Operating profit** totalled SEK 12.0 M (10.2 before non-recurring items of 4.5).
- **Profit after net financial items** totalled SEK 6.8 M (7.6). Net financial items were negatively impacted by exchange-rate differences of SEK negative 1.7 M (2.9).
- **Profit after tax** amounted to SEK 4.9 M (5.6), corresponding to SEK 0.80 (0.93) per share.
- **Cash flow** from operating activities was SEK 20.5 M (12.1) and, after investments, amounted to SEK 7.0 M (negative 13.3).

“Sharp rises in Trauma & Spine and Diagnostics”. Read CEO’s comments on page 3.

	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/16	Jan-Dec 2015
Net sales, SEK M	140,4	105,5	538,6	503,7
Growth, %*	34,5	11,7	32,7	26,4
EBITDA, SEK M	25,4	15,3	89,4	79,3
EBITDA, %	18,1	14,5	16,6	15,7
Operating profit, SEK M	12,0	5,7	36,8	30,5
Operating profit, %	8,5	5,4	6,8	6,1
Profit after financial items, SEK M	6,8	7,6	21,7	22,5
Profit after tax, SEK M	4,9	5,6	15,4	16,1
Profit after tax per share, SEK	0:80	0:93	2:54	2:66

* Adjusted for exchange-rate fluctuations.



CEO, Johannes Lind-Widestam, comments

“The start of 2016 was marked by a wait-and-see approach to demand for medical technology products, but demand did eventually increase during the quarter in all of the Group’s market segments. As a whole, strong demand was noted in North America, satisfactory demand in Europe and a continued weaker trend in Asia in the first quarter.

In Elos Medtech’s market segments, the trend was generally stable, with sharp rises in Trauma & Spine and Diagnostics, while slight reverses were noted for Dental Implant Systems and Medical Devices. During the quarter, the Trauma & Spine market segment noted growth of 370%, primarily driven by Onyx Medical – which is living up to our extremely high expectations – and also to good progress at the operations in Timmersdala. The Diagnostics market segment also reported a very strong quarter, with growth of 32%. The Dental Implant Systems market segment started the year sluggishly, with a 5% downturn, which was an effect of lower volumes for own products. However, the trend for the major contract accounts was stable. The Medical Devices market segment reports an 8% decline, which was primarily due to lower demand at the operations in Tianjin, China, where the corresponding quarter in 2015 was very strong. However, on a positive note, deliveries from the operations in Tianjin have stabilised. Compared with the weak second half of 2015, this means that a negative trend has been broken and market conditions in the market segment going forward are expected to be stable.

It is extremely gratifying that we, the very same day that Elos Medtech holds its Annual General meeting and presents the interim report for the first quarter of 2016, also

have the inauguration of Microplast’s extended production unit in Skara. Throughout the expansion of the facility, we have continued to attract new customers, at the same time as a number of existing customers continue to grow through new projects, thus emphasising the importance of this expansion.

Elos Medtech continues to invest in its range of own products and has enhanced the marketing organisation with an addition five employees who were recruited at the beginning of the year. For the first time in several years, the sales trend has shown a decline, primarily due to shifts in sales resulting from delays in the market launches of major customers, combined with the fact that the first quarter of 2015 was very strong. We expect to again report growth in the second quarter and onwards.

The operating margin is now rising again, to 8.5%, which is a healthy step in the right direction following a weak fourth quarter, although we have some way to go before achieving our objective. We are working continuously through a number of actions to improve our margins. Cash flow from operating activities amounted to SEK 20.5 M, which is an increase of 69%.

In conclusion, the trend is positive for our operations, and within the entire Group, we are now continuing our efficiency and product development efforts coupled with increasing intensity in sales and marketing activities.”



Johannes Lind-Widestam
President and CEO

This feature about Elos Medtech’s torque wrench is separate information and is not part of the official interim report Jan-Mar 2016.

Elos Medtech’s torque wrench – a success story

The most successful of Elos Medtech’s own products is the torque wrench, designed in 2006/2007. Elos Medtech’s torque wrench has become the gold standard in the world of dental implants. Due to its simple design – i.e. that it easy to take apart and clean – and its clear functionality, Elos Medtech’s torque wrench is the most sold and used torque wrench in the dental implant market.

A torque wrench is an instrument used for multiple applications in dental implants, bone-anchored hearing implants and orthopaedics. Elos Medtech’s torque wrench is sold both as an OEM/private label product and under our own brand, such as the Cresco range. Today, we have customers in multiple application areas and deliver thousands of torque wrenches worldwide.



Operations in general

The Group's operations are conducted at facilities in Sweden, Denmark, China and the US. The company is one of Europe's leading partners in the development and production of medical technology products and components, such as dental and orthopaedic implants and instruments. Customers consist primarily of internationally active medical technology companies in the market segments of Dental Implant Systems, Diagnostics, Medical Devices and Trauma & Spine.

Continued growth and expansion is the focus for the Group going forward. The ambition is to continue to implement global processes, Group-wide quality systems and certifications. The Group is working systematically to implement a higher degree of automated flow and measurements, and to utilise shifts better in an attempt to use the machines more effectively. The Group's strategy is to develop its own products that complement our customers' product ranges, such as various types of instruments. The range of these products is being developed continuously and new products are introduced progressively.

In addition to investments in our own products, the Group continues to strengthen relationships with the company's key accounts within the four market segments. The organisation devoted to the sale of our own products was reinforced at the beginning of the year through the recruitment of five new employees. The investment is expected to gradually have an impact through closer collaboration with strategic customers that contribute to continued high sales growth.

One stage of this expansion is growth through acquisitions that complement the existing structure, which has been partially realised through the acquisition of the North American company Onyx Medical LLC that was concluded in the second quarter of 2015. Expansion through acquisition will continue to be part of the strategy when opportunities permit.

Sales

January-March 2016

Consolidated net sales during the quarter rose to SEK 140.4 M (105.5). Adjusted for changes in exchange rates, the increase was 34.5%. Onyx Medical still accounted for the greater part of the increase in sales, and the first quarter this year will be the final quarter before the acquisition switches to organic growth. The trend for the other units has been mixed, with positive growth for the Swedish units and a decline for operations in Denmark and China. In total, organic growth is negative at 2.0%, adjusted for exchange-rate fluctuations.

The demand trend remains generally positive, although a temporary decline was noted in the Medical Devices market segment. The Dental Implant Systems market segment started the year with a weak downturn, mainly in terms of own products, while the trend for contract customers was stable. The trend for own products in the first quarter shows a decline of about 21% (115). This downturn is partly an effect of delayed launches among major customers and partly an effect of a strong comparative quarter in 2015 that boasted growth of 116%, the largest-ever growth to date. Own products accounted for about SEK 10.3 M (13.1) of consolidated net sales. In the Diagnostics market segment, the company's major customers are performing according to plan and new business is being implemented progressively. In the Trauma & Spine market segment, the acquisition of Onyx Medical was the main contributing factor behind the strong performance. Customers in this market segment performed on par with expectations.

Net sales by market segment	Jan-Mar	Jan-Mar	Apr-Mar	Jan-Dec
SEK M	2016	2015	2015/16	2015
Dental Implant Systems	36,1	38,3	151,5	153,7
Diagnostics	8,2	6,3	25,5	23,6
Medical Devices	45,3	50,1	163,9	168,7
Trauma & Spine	50,8	10,8	197,7	157,7
Total net sales	140,4	105,5	538,6	503,7

Earnings

January-March 2016

Operating profit during the quarter was SEK 12.0 M (10.2 before non-recurring items), corresponding to an operating margin of 8.5% (9.7). The quarter's lackluster opening had a negative impact on operating profit. Onyx Medical continues to report strong earnings. The year-earlier profit was charged with non-recurring expenses of SEK 3.4 M (0) in conjunction with acquisitions, as well as twofold CEO expenses of SEK 1.1 M. Consolidated net financial items were adversely impacted by translation differences corresponding to SEK -1.7 M (2.9) and amounted to SEK -5.2 M (1.9). Profit after financial items totalled SEK 6.8 M (7.6). Profit after tax amounted to SEK 4.9 M (5.6), corresponding to SEK 0.80 (0.93) per share. The Group's comprehensive income was SEK 3.3 M (5.6). Comprehensive earnings per share were SEK 0.54 (0.93).

Investments

Group investments in buildings, land, machinery and equipment amounted to SEK 13.5 M (24.0) and primarily pertained to increased machinery capacity and the expansion of Microplast's property. In addition, SEK 0 M (1.0) was invested in capitalised development costs and SEK 0 M (0.5) in other intangible fixed assets.

Financial position and liquidity

Consolidated assets increased during the quarter to SEK 896.1 M (881.6). The Group's shareholders' equity totalled SEK 333.8 M (330.5). Shareholders' equity per share was SEK 55.18 (54.63). Risk-bearing equity at the end of the quarter was SEK 357.1 M (353.4), corresponding to 39.8% (40.0) of total capital. The Group's equity/assets ratio was 37.3% (37.5).

The Group's cash flow from operating activities during the quarter was SEK 20.5 M (12.1). Cash flow after investments and sales of non-current assets amounted to SEK 7.0 M (negative 13.3). The quarter's cash flow was impacted by payment of the additional purchase consideration of SEK 38.3 M.

The Group's net borrowing declined during the quarter to SEK 418.1 M (427.3). The Group's cash and cash equivalents, including unutilised overdraft facilities, totalled SEK 72.4 M (111.6).

Personnel

At the end of the quarter, the Group had 509 full-time employees, compared with 505 at year-end.

Forecast 2016

The Group's position in its selected market segments constitutes a foundation for continued growth.

Parent Company

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

The Parent Company's net sales amounted to SEK 4.5 M (3.7). Profit after financial items totalled SEK 9.9 M (7.0). Profit includes an intra-Group dividend of SEK 12.5 M (9.9). The Parent Company's comprehensive income amounted to SEK 10.4 M (4.5). The percentage of risk-bearing capital was 71.0% (73.5). The equity/assets ratio was 71.0% (73.4). The Parent Company's cash and cash equivalents, including unutilised overdraft facilities, amounted to SEK 14.0 M (34.2).

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. Financial risks also arise in conjunction with changes in exchange and interest rates. A detailed description of the Group's risks and uncertainties, and how they are managed, is presented in the Board of Directors' Report in the 2015 Annual Report.

Earnings	Jan-Mar	Jan-Mar	Apr-Mar	Jan-Dec
	2016	2015	2015/16	2015
EBITDA, SEK M	25,4	15,3	89,4	79,3
EBITDA, %	18,1	14,5	16,6	15,7
EBIT, SEK M	12,0	5,7	36,8	30,5
EBIT, %	8,5	5,4	6,8	6,1
Profit after financial items, SEK M	6,8	7,6	21,7	22,5
Profit after tax, SEK M	4,9	5,6	15,4	16,1

Related-party transactions

The company engaged in transaction with senior executives during the reporting period. This transaction comprises partial payment of the additional purchase consideration in the amount of SEK 38.3 M for the acquisition of Onyx Medical LLC.

Segment reporting

The Group has only one operating segment, which comprises the development, production and sale of medical technology products, components and services. The operations are managed, developed and marketed as a single unit, namely Elos Medtech. Accordingly, the consolidated statement of comprehensive income and statement of financial position pertain in all respects to one business segment.

Accounting policies

The consolidated financial statements for 2016, similar to the year-end accounts for 2015, were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and with the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with the Annual Accounts Act and recommendation RFR 2 Reporting for 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 standards, 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 policies as those described in the 2015 Annual Report. New or revised recommendations with application from 2016 are not considered to have any significant impact on the financial statements

Audit review

This interim report has not been reviewed by the company's auditor.

Financial information

Interim report Jan–June 2016 - publish day 24 August 2016.
Interim report Jan–Sep 2016 - publish day 26 October 2016.
Year-end report 2016 - publish day February 2017.
Annual Report 2016 - publish in March/April 2017.

Press and analyst conference

Due to the publication of the interim report, a press and analyst conference will be held on Wednesday, 27 April at 12:00 a.m. (CET) at Remium's premises on Kungsgatan 12–14 in Stockholm, Sweden. The report will be presented and commented in Swedish by President and CEO Johannes Lind-Widestam.

Information in English will be available on Elos Medtech's website shortly after the presentation via the link <http://elosmedtech.com/investor-relations/presentations-and-images/presentations-and-images/>. A brief interview in Swedish with Johannes Lind-Widestam will be available later during the day via the link <http://www.introduce.se/foretag/elos/> on Remium's website

Lidköping, 26 April 2016

Elos Medtech AB (publ)
Johannes Lind-Widestam
President and CEO

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The information in this interim report is such that Elos Medtech AB (publ) is required to disclose in accordance with the Swedish Securities Market and/or the Financial Instruments Trading Act. The information was issued for publication on 26 April 2016, at 1 p.m. (CET).

Consolidated income statement and statement of comprehensive income

SEK M	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/16	Jan-Dec 2015
Income statement				
Net sales	140,4	105,5	538,6	503,7
Cost of goods sold	-100,8	-74,2	-394,2	-367,6
Gross profit	39,6	31,3	144,4	136,1
Selling expenses	-8,0	-6,0	-32,0	-30,0
Administration expenses	-15,8	-17,2	-61,8	-63,2
Development expenses	-3,6	-2,8	-14,7	-13,9
Other operating income/expenses	-0,2	0,4	0,9	1,5
Operating profit	12,0	5,7	36,8	30,5
Financial income	0,0	0,2	0,2	0,4
Financial expenses	-3,5	-1,2	-10,3	-8,0
Exchange-rate differences	-1,7	2,9	-5,0	-0,4
Profit after net financial items	6,8	7,6	21,7	22,5
Income taxes	-1,9	-2,0	-6,3	-6,4
Net profit after taxes	4,9	5,6	15,4	16,1
Profit attributable to:				
Parent company shareholders	4,9	5,6	15,4	16,1
Statement of comprehensive income				
Net profit after taxes	4,9	5,6	15,4	16,1
Other comprehensive income				
Items that will not be reclassified to the income statement				
Actuarial gains and losses	-	-	0,4	0,4
Taxes	-	-	-0,1	-0,1
	0,0	0,0	0,3	0,3
Items that may be reclassified to the income statement				
Translation differences	-1,7	3,6	-10,9	-5,6
Translation of hedging of net investments	-	-4,0	3,3	-0,7
Taxes	0,1	0,4	-0,3	0,0
	-1,6	0,0	-7,9	-6,3
Other comprehensive income, net	-1,6	0,0	-7,6	-6,0
Comprehensive income for the period	3,3	5,6	7,8	10,1
Comprehensive income for the period attributable to:				
Parent company shareholders	3,3	5,6	7,8	10,1
EBITDA	18,1%	14,5%	16,6%	15,7%
EBIT	8,5%	5,4%	6,8%	6,1%
Depreciation charged against earnings	13,4	9,6	52,6	48,8
Earnings per share (SEK)	0:80	0:93	2:54	2:66
Number of shares (thousands) *	6 051	6 051	6 051	6 051
Number of shares end of period (thousands)	6 051	6 051	6 051	6 051

*Attributable to parent company shareholders' share of net profit after taxes.

Condensed consolidated balance sheet

SEK M	31 Mar 2016	31 Mar 2015	31 Dec 2015
Balance sheet			
Assets			
Intangible fixed assets	270,2	68,0	275,7
Tangible fixed assets	355,0	249,0	356,7
Financial fixed assets	4,4	7,4	4,5
Other current assets	215,3	187,7	204,2
Cash and bank balances	51,4	130,8	40,5
Total assets	896,3	642,9	881,6
Shareholders' equity and liabilities			
Shareholders' equity	333,8	344,2	330,5
Long-term liabilities	273,7	170,9	331,2
Current liabilities	288,6	127,8	219,9
Total shareholders' equity and liabilities	896,1	642,9	881,6

Key figures

		Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Return on operating capital	%	6,4	5,7	5,3
Return on shareholders' equity	%	5,9	6,6	4,8
Share of risk-bearing capital	%	39,8	56,7	40,0
Equity/assets ratio	%	37,3	53,6	37,5
Net debt	SEK M	418,1	71,5	427,3
Investments excluding acquisition	SEK M	13,5	25,5	75,8
Number of employees		507	388	471
Shareholders' equity per share	SEK	55:18	56:89	54:63
Dividends (2015 proposal, SEK 1)	SEK	-	-	1:00

* Net debt includes non interest-bearing financial liabilities.

Changes in shareholders' equity

SEK M	31 Mar 2016	31 Dec 2015
Opening balance	330,5	338,6
Dividends	-	-18,2
Comprehensive income for the period	3,3	10,1
Closing balance, shareholders' equity	333,8	330,5

Consolidated cash flow statement

SEK M	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/16	Jan-Dec 2015
Cash flow				
Profit after net financial items	6,8	7,6	21,7	22,5
Reversal of depreciation	13,4	9,6	52,6	48,8
Adjustment items	1,0	1,2	3,9	4,1
Income tax paid	-0,1	-4,3	-8,8	-13,0
Change in working capital	-0,6	-2,0	0,6	-0,8
Cash flow from operations	20,5	12,1	70,0	61,6
Investments in fixed assets	-13,5	-25,5	-63,8	-75,8
Acquisition of company	-	-	-160,4	-160,4
Sales of fixed assets	-	0,1	-	0,1
Balance after investments in fixed assets	7,0	-13,3	-154,2	-174,5
Change of bank overdraft facility	54,9	6,4	52,5	4,0
New loans	8,6	21,7	136,3	149,4
Amortization of loans	-20,0	-11,4	-53,6	-45,0
Amortization of additional purchase consideration	-38,3	-	-38,3	-
Realized financial exchange- rate differences	-	-	-2,8	-2,8
Dividends	-	-	-18,2	-18,2
Cash flow for the period	12,2	3,4	-78,3	-87,1
Cash flow from discontinued operations	-	-	1,3	1,3
Cash flow for the period, total	12,2	3,4	-77,0	-85,8
Liquid funds at beginning of the year	40,5	125,5	130,8	125,5
Exchanges- rate differences in liquid funds	-1,3	1,9	-2,4	0,8
Liquid funds at end of the period	51,4	130,8	51,4	40,5

Quarterly figures - Group

SEK M	Q 1 2016	Q 4 2015	Q 3 * 2015	Q 2 * 2015	Q 1 2015	Q 4 2014	Q 3 2014	Q 2 ** 2014	Q 1 ** 2014
Quarterly figures									
Net sales	140,4	136,0	123,1	139,1	105,5	106,2	84,9	101,3	88,5
Cost of goods sold	-100,8	-104,4	-92,0	-97,0	-74,2	-75,8	-60,6	-71,3	-65,5
Gross profit	39,6	31,6	31,1	42,1	31,3	30,4	24,3	30,0	23,0
Selling, adm. and dev. exp.	-27,4	-27,5	-25,0	-28,6	-26,0	-21,7	-17,4	-19,2	-16,8
Other operating items	-0,2	0,9	0,0	0,2	0,4	-0,1	0,1	0,3	0,2
Operating profit	12,0	5,0	6,1	13,7	5,7	8,6	7,0	11,1	6,4
Net financial items	-3,5	-2,0	-2,7	-1,9	-1,0	-1,0	-1,1	-1,0	-1,5
Exchange-rate differences	-1,7	-0,5	-0,1	-2,7	2,9	1,4	1,8	0,7	-0,6
Profit after net financial items	6,8	2,5	3,3	9,1	7,6	9,0	7,7	10,8	4,3
Income taxes	-1,9	0,7	-1,7	-3,4	-2,0	-4,4	-0,1	-2,8	-1,1
Net profit after taxes continuing operations	4,9	3,2	1,6	5,7	5,6	4,6	7,6	8,0	3,2

* Due to the effects of the final acquisition analysis, accumulated outcome for the second and third quarters 2015 have been adjusted with higher costs of about SEK 19 M each.

** Quarter 1 and 2 2014 refer to continuing operations.

Parent company income statement and statements of comprehensive income

SEK M	Jan- Mar 2016	Jan- Mar 2015	Apr- Mar 2015/16	Jan- Dec 2015
Income statement				
Net sales	4,5	3,7	16,5	15,7
Cost of goods sold	-	-	-	-
Gross profit	4,5	3,7	16,5	15,7
Selling expenses	-1,9	-1,7	-7,3	-7,1
Administration expenses	-4,3	-5,0	-16,7	-17,4
Other operating income/expenses	0,0	0,0	-0,2	-0,2
Operating profit	-1,7	-3,0	-7,7	-9,0
Result from participations in group company	12,5	9,9	23,0	20,4
Financial income	1,6	0,2	6,2	4,8
Financial expenses	-1,0	-0,1	-2,6	-1,7
Exchange- rate differences	-1,5	0,0	-2,6	-1,1
Profit after net financial items	9,9	7,0	16,3	13,4
Appropriations	-	-	-0,1	-0,1
Income taxes	0,5	0,6	-1,2	-1,1
Net profit/loss after taxes	10,4	7,6	15,0	12,2
Statements of comprehensive income				
Net profit/loss after taxes	10,4	7,6	15,0	12,2
Other comprehensive income				
Items that may be reclassified to the income statement				
Translation of hedging of net investments	-	-4,0	3,3	-0,7
Tax	-	0,9	-0,7	0,2
Other comprehensive income, net	0,0	-3,1	2,6	-0,5
Comprehensive income for the period	10,4	4,5	17,6	11,7

Condensed parent company balance sheet

SEK M	31 Mar 2016	31 Mar 2015	31 Dec 2015
Balance sheet			
Assets			
Intangible fixed assets	3,5	4,5	3,8
Tangible fixed assets	0,5	0,1	0,1
Financial fixed assets	367,6	174,3	342,2
Other current assets	16,0	16,1	13,8
Cash and bank balances	0,1	108,6	1,1
Total assets	387,7	303,6	361,0
Shareholders' equity and liabilities			
Shareholders' equity	271,3	271,8	260,8
Untaxed reserves	5,3	5,2	5,3
Provisions	4,4	4,5	4,5
Long- term liabilities	53,0	0,4	58,5
Current liabilities	53,7	21,7	31,9
Total shareholders' equity and liabilities	387,7	303,6	361,0



