

# Q3

## INTERIM REPORT 2018

### Strategic target of double-digit growth achieved

#### July – September 2018

- Net sales for the quarter increased and amounted to SEK 154.1 million (132.5), corresponding to organic growth of 16.3%. After currency adjustments, growth was 8.9%.
- Operating profit amounted to SEK 11.8 million (9.3). Operating margin for the third quarter of 2018 was 7.7%, compared to 7.0% for the same period last year.
- Profit after financial items amounted to SEK 7.7 million (5.2). Net financial items were adversely affected by foreign exchange effects in the amount of SEK -0.9 million (-1.7).
- Profit after tax amounted to SEK 6.4 million (3.0), which corresponds to SEK 0.79 (0.50) per share.
- Cash flow from operations was SEK 18.4 million (10.4), and amounted to SEK -7.6 million (4.9) after investments.

#### Events during the quarter

- We implemented our global strategic plan in the Dental Implant Systems business area during the quarter. This reorganisation and associated efficiency measures will lead to annual savings of SEK 6 million.

#### January – September 2018

- Net sales for the first nine months of the year increased and amounted to SEK 475.8 million (429.0), corresponding to organic growth of 10.9%. After currency adjustments, growth was 7.9%.
- Operating profit amounted to SEK 27.9 million (36.1). Operating margin for the first nine months of 2018 was 5.9%, compared to 8.4% for the same period last year. There was a negative impact on operating profit from non-recurring costs of SEK 5.6 million.
- Profit after financial items amounted to SEK 22.5 million (20.7). Net financial items were positively affected by foreign exchange effects in the amount of SEK 2.3 million (-8.4).
- Profit after tax amounted to SEK 16.9 million (15.1), which corresponds to SEK 2.09 (2.50) per share.
- Cash flow from operations was SEK 46.7 million (42.9), and amounted to SEK -11.6 million (25.2) after investments.

Key performance indicators	July–Sept 2018	July–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Oct–Sept 2017/18	Jan–Dec 2017
Net sales, SEK m	154.1	132.5	475.8	429.0	624.7	577.9
Growth, %	16.3	4.5	10.9	2.5	11.1	4.7
EBITDA, SEK m	25.1	22.1	66.6	75.6	85.0	94.0
EBITDA, %	16.3	16.7	14.0	17.6	13.6	16.3
EBIT, SEK m	11.8	9.3	27.9	36.1	34.5	42.7
EBIT, %	7.7	7.0	5.9	8.4	5.5	7.4
Profit after financial items, SEK m	7.7	5.2	22.5	20.7	28.2	26.4
Profit after tax, SEK m	6.4	3.0	16.9	15.1	24.4	22.6
Earnings per share after tax, SEK	0.79	0.50	2.09	2.50	3.02	3.74

Annual growth  
**+10.9%**  
After currency adjustments,  
growth was 7.9%.



## Comments from the CEO, Jan Wahlström

During the third quarter of 2018, we continued to deliver growth in line with our strategic targets. We are pleased to say that all our business areas are developing positively. Growth in the quarter amounted to 16 per cent and it was the seventh consecutive quarter of growth. The business areas Orthopedics and Dental Implant Systems are the drivers of our growth. Accumulated sales after nine months is 11 per cent higher than last year. We are proud to have achieved our strategic growth target and we are intensifying our work to achieve other strategic targets.

So far in 2018, we have further consolidated our position as key partner in the global medical technology market. We are seeing a trend towards capacity and delivery reliability being the most important factors in choosing a partner. This trend benefits Elos Medtech, which represents quality, expertise and innovation. We have noticed an increased inflow of enquiries, and we are also seeing more interest from our global customers in giving projects to more than one of our units. This is clear confirmation of the value of our global offering. There is also continued consolidation in the industry, especially in the orthopedics area, where we have recently seen further acquisitions among our customers. Internally, we anticipate there being more opportunities for improvement in the future, primarily through increased specialisation within our strategic focus areas.

Within Dental Implant Systems, we saw growth of 9 per cent in the third quarter, with a figure of 5 per cent growth for the first three quarters of the year. This is slightly lower than our ambitions but in line with how the dental implant market as whole is developing. We implemented our global strategic plan, which encompasses several of our units, in this quarter. This change in strategy entails a clearer focus, reorganisation and associated efficiency measures that will lead to annual savings of SEK 6 million.

Orthopedics has undergone very positive development during the quarter, with growth of 25 per cent. The accumulated growth for the year is 16 per cent even though we do not yet have the capacity to accept all enquiries. We have now begun the expansion of production in Memphis to deal with the increased demand from American customers in trauma and robotic surgery. In October, our global Business Director for Orthopedics, Jodie Gilmore, was elected as an Advisory Council Member

of the Herff College of Engineering at the University of Memphis, giving a clear signal of our position in the orthopedics segment in the most important market, namely the USA.

Within Diagnostics, we received a sales boost during the quarter with continued very good profitability for the entire business area. Sales during the first nine months of the year has increased by 17 per cent compared to last year.

2017 saw moderate recovery in Hearing Device & Vibration and we predicted stronger growth in 2018. Sales growth for the three quarters was 23 per cent. We expect the growth in Hearing Device & Vibration to level out in the future, because we will be focusing on raising the level of service for our existing customers.

Unlike other business areas, the market for Other Medical Areas is characterised by major price pressure. Despite a positive trend, it is not as high as in other business areas.

The quarter demonstrated improved profitability. Profit amounted to SEK 11.8 million with an operating margin of 7.7 per cent. With the exception of one unit, all units reported better profit than we had planned for. We are implementing a range of improvement measures that to a lesser extent we see the effects of in Q3; we do not expect to see the full effect on the profit until 2019.

In terms of the third quarter, we have continued to deliver performance in line with our plan for growth and expansion. We are continuing our journey towards specialization and our objective is for all business areas to increase their degree of specialization and offer products that are best-in-class. Our long-term and sustained improvement efforts are still a work in progress. We aim to achieve improved efficiency and thus higher profitability.

Gothenburg, October 2018

Jan Wahlström  
Chief Executive Officer

# Directors' report

## Information about the operations

The Group's operations are conducted at facilities in Sweden, Denmark, China and the USA. The company is one of Europe's leading development and production partners of medical technology products and components such as dental and orthopaedic implants and instruments. Customers consist mainly of internationally active medical technology companies in the market segments Dental Implant Systems, Diagnostics, Hearing Device & Vibration, Orthopedics and Other Medical Areas.

## Segment reporting

The Group's operations are undertaken within a single line of business consisting of the development, manufacture and sale of medical devices. Operations are managed, developed and marketed as a single entity, i.e. Elos Medtech. The consolidated income statement and the statement of financial position in their entirety therefore refer to one operating segment.

## Revenue

### July – September 2018

Consolidated net sales for the quarter increased and amounted to SEK 154.1 million (132.5). The increase of 16.3 per cent compared to last year can be attributed to all the market segments: Dental Implant Systems (+9 per cent), Diagnostics (+26 per cent), Hearing Device & Vibration (+17 per cent), Orthopedics (+25 per cent) and Other Medical Areas (+10 per cent). Currency-adjusted growth in the quarter was 8.9 per cent.

## Revenue

### January – September 2018

Consolidated net sales for the first nine months of the year increased and amounted to SEK 475.8 (429.0) million. The increase of 10.9 per cent compared to last year can be attributed to all the market segments: Dental Implant Systems (+5 per cent), Diagnostics (+17 per cent), Hearing Device & Vibration (+23 per cent), Orthopedics (+16 per cent) and Other Medical Areas (+2 per cent).

Currency-adjusted growth for the first nine months of the year was 7.9 per cent. For own products, growth is at approximately the same rate as consolidated net sales. Own products now account for 10.0 per cent (9.6) of consolidated net sales.

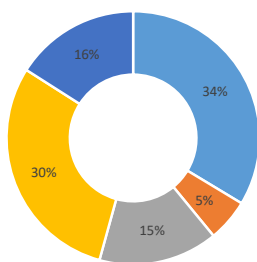
## Performance

### July – September 2018

For the third quarter, operating profit amounted to SEK 11.8 (9.3) million, which corresponds to an operating margin of 7.7 per cent (7.0). Consolidated net financial items amounted to SEK -4.1 (-4.1) million after the negative impact from exchange differences, which was SEK -0.9 million (-1.7). Profit after financial items amounted to SEK 7.7 million (5.2). Profit after tax amounted to SEK 6.4 million (3.0), which corresponds to SEK 0.79 (0.50) per share.\* Consolidated comprehensive income was SEK -2.6 million (-7.9).

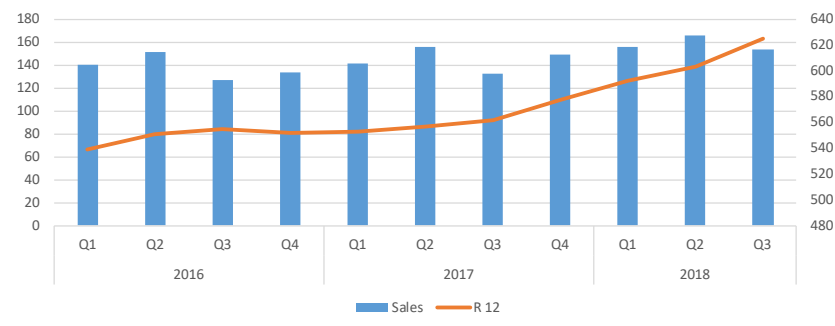
\* After the new share issue in the first quarter of 2018, the Group's average number of shares was 8,068,000 in the third quarter, compared to 6,051,000 shares in the same period last year.

## Sales by Market



- Dental Implant Systems
- Diagnostics
- Hearing Device & Vibration
- Orthopedics
- Other Medical Areas

## Elos Medtech – Sales



## Performance

### January – September 2018

Operating profit for the first nine months of the year amounted to SEK 27.9 million (36.1), which corresponds to an operating margin of 5.9 per cent (8.4). There was a negative impact on operating profit from non-recurring costs of SEK 5.6 million. The non-recurring costs can mainly be attributed to the restructuring of the Group's production unit in Timmersdala, and to legal costs for the legal dispute in the United States that was settled in the second quarter. Consolidated net financial items amounted to SEK -5.4 million (-15.4) after the positive impact from exchange differences, which was SEK 2.3 million (-8.4). Profit after financial items amounted to SEK 22.5 million (20.7). Profit after tax amounted to SEK 16.9 million (15.1), which corresponds to SEK 2.09 (2.50) per share.\* Consolidated comprehensive income was SEK 33.5 million (-2.2).

\* After the new share issue in the first quarter of 2018, the Group's average number of shares was 7,440,000 in the first nine months of the year, compared to 6,051,000 shares in the same period last year.

### Investments

The Group's investments in buildings, land, machinery, machinery, inventories, capitalised development costs and other property, plant and equipment amounted to SEK 58.3 million (17.7) during the period and mainly refer to increased machine capacity. The Group's third-quarter investments in buildings, land, machinery, equipment, capitalized development costs and other property, plant and equipment amounted to SEK 26.0 million (5.5).

### Financial position and liquidity

The Group's balance sheet total has increased during the period and amounted to SEK 960.7 million (839.8). Consolidated equity amounted to SEK 503.8 million (356.7). Equity per share, calculated on 8,068,000 shares, amounted to SEK 62.44 (58.95). At the end of the quarter, own risk-bearing capital amounted to SEK 533.4 million (390.9), corresponding to 55.5 per cent (46.5) of total capital. The Group's equity/assets ratio amounted to 52.4 per cent (42.5).

The Group's cash flow from operating activities during the first nine months of the financial year amounted to SEK 46.7 million (42.9). Cash flow after investments and sales of fixed assets amounted to SEK -11.6 million (25.2).

The Group's net debt decreased during the period and amounted to SEK 287.5 million (352.6). The Group's cash and cash equivalents, including unutilised overdraft facilities, amounted to SEK 114.9 million (44.6).

### Personnel

The average number of employees in the Group during the first nine months of the year was 562, compared to 519 in the previous year.

### Prospects

The global market for medical technology is growing in all of our business areas and we see good growth opportunities.

## Net sales by market segment

SEK m	July–Sept 2018	July–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Oct–Sept 2017/18	Jan–Dec 2017
Dental Implant Systems	46.1	42.2	155.8	147.7	210.1	202.0
Diagnostics	7.3	5.8	25.3	21.6	33.9	30.2
Hearing Device & Vibration	24.3	20.7	73.7	59.9	95.2	81.4
Orthopedics	51.3	41.0	145.7	125.9	185.8	166.0
Other Medical Areas	25.1	22.8	75.3	73.9	99.7	98.3
<b>Total net sales</b>	<b>154.1</b>	<b>132.5</b>	<b>475.8</b>	<b>429.0</b>	<b>624.7</b>	<b>577.9</b>

Performance	July–Sept 2018	July–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Oct–Sept 2017/18	Jan–Dec 2017
EBITDA, SEK m	25.1	22.1	66.6	75.6	85.0	94.0
EBITDA, %	16.3	16.7	14.0	17.6	13.6	16.3
EBIT, SEK m	11.8	9.3	27.9	36.1	34.5	42.7
EBIT, %	7.7	7.0	5.9	8.4	5.5	7.4
Profit after financial items, SEK m	7.7	5.2	22.5	20.7	28.2	26.4
Profit after tax, SEK m	6.4	3.0	16.9	15.1	24.4	22.6

### Events during the quarter

We implemented our global strategic plan in the Dental Implant Systems business area during the quarter. This reorganisation and associated efficiency measures will lead to annual savings of SEK 6 million.

### Parent Company

In addition to the administration of central management issues, the Parent Company also engages in Group support operations such as market support, production and quality management, risk management, financing and financial control.

The Parent Company's net sales during the third quarter amounted to SEK 6.2 million (5.7). Profit after financial items amounted to a loss of SEK -1.7 million (-4.5). The Parent Company's comprehensive income was SEK -1.4 million (-3.5). The share of own risk-bearing capital was 80.7 per cent (64.7). The equity/assets ratio amounted to 80.3 per cent (64.4).

### Significant risks and factors of uncertainty

The Group's significant risks and factors of uncertainty include the business risks associated with customers and suppliers and other external factors, such as price risks for input goods. In addition, the Group manages the financial risks associated with fluctuations in exchange rates and interest rates. A detailed description of the Group's risks, factors of uncertainty and their management can be found in the administration report as well as notes 1 and 42 of the annual report for 2017.

### Related party transactions

During the reporting period, the company has executed transactions with senior executives. In the second quarter, the last instalment of the additional purchase price of SEK 10.0 million for the acquisition of Onyx Medical LLC was paid. No further transactions have occurred during the third quarter.

### Accounting policies

The consolidated financial statements for 2018, similarly to the annual financial statements for 2017, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities".

This interim report has been prepared in accordance with IAS 34. The information on pages 1–14 constitutes an integral part of this financial report. The term "IFRS" in this document includes the application of both IAS and IFRS, as well as interpretations of these standards published by IASB's Standards Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The Group applies the same accounting policies as described in the annual report for 2017. New or amended recommendations applying from 2018 have not had any material impact on the financial statements. As of 1 January 2018, IFRS "9 Financial instruments" and IFRS 15 "Revenue from Contracts with Customers" are applied. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities.

The Group's analysis has shown that the implementation of IFRS 9 and IFRS 15 will not have any material impact on the Group's financial statements. No transitional effects have therefore arisen as a result of the introduction of these accounting standards.

The guidelines issued by ESMA (European Securities and Markets Authority) on "Alternate performance measures" apply from 3 July 2016 and entail disclosure requirements for financial measures that are not defined according to IFRS.

### Auditor's review

This interim report has been subject to a review by the company's auditors.

The Board of Directors and CEO certify that this interim report provides a true and fair view of the company's and the Group's operations, financial position and performance and describes the material risks and uncertainties faced by the company and the companies in the Group.

Elos Medtech AB (publ)  
Gothenburg, 25 October 2018

Yvonne Mårtensson                      Agneta Bengtsson Runmarker  
Chairman of the Board                      Board Director

Anders Birgersson                      Jeppe Magnusson  
Board Director                      Board Director

Mats Nilsson                      Jon Risfelt  
Board Director                      Board Director

Jan Wahlström                      Christian Bergaust  
President and CEO                      Group CFO

## **Auditor's report**

Elos Medtech AB (publ) corp. reg. no. 556021-9650

### **Introduction**

We have reviewed the condensed interim financial information (interim report) of Elos Medtech AB (publ) as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

Göteborg, 25 October 2018

Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorized Public Accountant

# Condensed consolidated income statement and statement of comprehensive income

SEK m	July-Sept 2018	July-Sept 2017	Jan-Sept 2018	Jan-Sept 2017	Oct-Sept 2017/18	Jan-Dec 2017
<b>Income statement</b>						
Net sales	154.1	132.5	475.8	429.0	624.7	577.9
Cost of goods sold	-110.3	-97.1	-345.4	-303.0	-457.8	-415.4
<b>Gross profit</b>	<b>43.8</b>	<b>35.4</b>	<b>130.4</b>	<b>126.0</b>	<b>166.9</b>	<b>162.5</b>
Selling expenses	-9.5	-8.0	-30.2	-28.7	-39.4	-37.9
Administrative expenses	-19.4	-16.0	-61.3	-51.1	-78.3	-68.1
Development costs	-3.8	-2.9	-11.2	-10.9	-14.1	-13.8
Other operating income/expenses	0.7	0.8	0.2	0.8	-0.6	-
<b>Operating profit</b>	<b>11.8</b>	<b>9.3</b>	<b>27.9</b>	<b>36.1</b>	<b>34.5</b>	<b>42.7</b>
Financial income	0.1	0.0	0.1	0.1	0.2	0.2
Financial expenses	-3.3	-2.4	-7.8	-7.1	-10.0	-9.3
Foreign exchange effects	-0.9	-1.7	2.3	-8.4	3.5	-7.2
<b>Profit after financial items</b>	<b>7.7</b>	<b>5.2</b>	<b>22.5</b>	<b>20.7</b>	<b>28.2</b>	<b>26.4</b>
Taxes	-1.3	-2.2	-5.6	-5.6	-3.8	-3.8
<b>Profit after tax</b>	<b>6.4</b>	<b>3.0</b>	<b>16.9</b>	<b>15.1</b>	<b>24.4</b>	<b>22.6</b>
<b>Profit attributable to:</b>						
Shareholders in the Parent Company	6.4	3.0	16.9	15.1	24.4	22.6
<b>Statement of comprehensive income</b>						
<b>Profit after tax</b>	<b>6.4</b>	<b>3.0</b>	<b>16.9</b>	<b>15.1</b>	<b>24.4</b>	<b>22.6</b>
<b>Other comprehensive income</b>						
Items that will not be reclassified to the income statement						
Actuarial gains and losses	-2.8	-3.4	-2.8	-3.0	-6.4	-6.6
Tax	0.6	0.8	0.6	0.7	1.3	1.4
	<b>-2.2</b>	<b>-2.6</b>	<b>-2.2</b>	<b>-2.3</b>	<b>-5.1</b>	<b>-5.2</b>
Items that may be reclassified to the income statement						
Translation differences for the period	-7.1	-8.8	20.3	-15.6	28.2	-7.7
Tax	0.3	0.5	-1.5	0.6	-1.7	0.4
	<b>-6.8</b>	<b>-8.3</b>	<b>18.8</b>	<b>-15.0</b>	<b>26.5</b>	<b>-7.3</b>
<b>Other comprehensive income, net</b>	<b>-9.0</b>	<b>-10.9</b>	<b>16.6</b>	<b>-17.3</b>	<b>21.4</b>	<b>-12.5</b>
<b>Comprehensive income</b>	<b>-2.6</b>	<b>-7.9</b>	<b>33.5</b>	<b>-2.2</b>	<b>45.8</b>	<b>10.1</b>
Comprehensive income attributable to:						
Shareholders in the Parent Company	-2.6	-7.9	33.5	-2.2	45.8	10.1
Operating margin before depreciation and amortisation (EBITDA)						
	16.3%	16.7%	14.0%	17.6%	13.6%	16.3%
Operating margin after depreciation and amortisation (EBIT)						
	7.7%	7.0%	5.9%	8.4%	5.5%	7.4%
Depreciation and amortisation charged to the income statement						
	13.3	12.8	38.7	39.5	50.5	51.3
Earnings per share after tax (SEK)*	0.79	0.50	2.09	2.50	3.02	3.74
Average number of shares (thousand)	8,068	6,051	7,440	6,051	7,090	6,051
Number of shares (thousand) at the end of the period	8,068	6,051	8,068	6,051	8,068	6,051

\* Attributable to Parent Company shareholders' share of profit after tax.



# Condensed consolidated statement of financial position

SEK m

Balance sheet	2018-09-30	2017-09-30	2017-12-31
<b>Assets</b>			
Intangible fixed assets	281.2	262.3	267.0
Property, plant and equipment	368.4	321.7	334.6
Financial assets	8.5	8.0	7.7
Other current assets	260.7	226.1	228.6
Cash and bank balances	41.9	21.7	9.6
<b>Total assets</b>	<b>960.7</b>	<b>839.8</b>	<b>847.5</b>
<b>Equity and liabilities</b>			
Equity	503.8	356.7	369.0
Non-current liabilities	281.0	258.3	273.4
Current liabilities	175.9	224.8	205.1
<b>Total equity and liabilities</b>	<b>960.7</b>	<b>839.8</b>	<b>847.5</b>

## Key performance indicators

		Jan-Sept 2018	Jan-Sept 2017	Jan-Dec 2017
Return on operating capital	%	4.9	6.7	5.8
Return on equity	%	5.2	5.7	6.1
Share of risk-bearing capital	%	55.5	46.5	47.2
Equity/assets ratio	%	52.4	42.5	43.5
Net debt *	SEK m	287.5	352.6	358.6
Investments excl. acquisitions	SEK m	58.3	17.7	37.6
Average number of employees		562	519	527
Equity per share	SEK	62.44	58.95	60.98
Dividend	SEK	0.00	0.00	0.00

\* Net debt includes non-interest-bearing financial liabilities



# Condensed statement of changes in equity

SEK m	2018-09-30	2017-09-30	2017-12-31
Opening balance	369.0	366.8	366.8
New share issue	101.5	-	-
Redemption of warrants	-0.2	-	-0.1
Dividend	-	-7.9	-7.9
Total comprehensive income	33.5	-2.2	10.1
<b>Total equity</b>	<b>503.8</b>	<b>356.7</b>	<b>369.0</b>

## Quarterly values, Group

SEK m	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Quarterly values	2018	2018	2018	2017	2017	2017	2017
<b>Net sales</b>	<b>154.1</b>	<b>166.0</b>	<b>155.7</b>	<b>148.9</b>	<b>132.5</b>	<b>155.6</b>	<b>140.9</b>
Cost of goods sold	-110.3	-123.3	-111.8	-112.4	-97.1	-108.3	-97.6
<b>Gross profit</b>	<b>43.8</b>	<b>42.7</b>	<b>43.9</b>	<b>36.5</b>	<b>35.4</b>	<b>47.3</b>	<b>43.3</b>
Sales, admin and dev. expenses	-32.7	-36.8	-33.2	-29.1	-26.9	-33.6	-30.2
Other operating items	0.7	-0.7	0.2	-0.8	0.8	-0.2	0.2
<b>Operating profit</b>	<b>11.8</b>	<b>5.2</b>	<b>10.9</b>	<b>6.6</b>	<b>9.3</b>	<b>13.5</b>	<b>13.3</b>
Net financial items	-3.2	-2.4	-2.1	-2.1	-2.4	-1.9	-2.3
Foreign exchange effects	-0.9	2.4	0.8	1.2	-1.7	-5.7	-1.4
<b>Profit after financial items</b>	<b>7.7</b>	<b>5.2</b>	<b>9.6</b>	<b>5.7</b>	<b>5.2</b>	<b>5.9</b>	<b>9.6</b>
Taxes	-1.3	-1.8	-2.5	1.8	-2.2	-1.0	-2.4
<b>Profit after tax</b>	<b>6.4</b>	<b>3.4</b>	<b>7.1</b>	<b>7.5</b>	<b>3.0</b>	<b>4.9</b>	<b>7.2</b>

# Condensed consolidated statement of cash flows

SEK m	July–Sept 2018	July–Sept 2017	Jan–Sept 2018	Jan–Sept 2017	Oct–Sept 2017/18	Jan–Dec 2017
<b>Cash flow</b>						
Profit after net financial items	7,7	5,2	22,5	20,7	28,2	26,4
Reversed depreciation, amortisation and impairment	13,3	12,9	38,7	39,5	50,5	51,3
Adjustment entries	1,9	3,1	-0,8	7,9	-1,7	7,0
Tax paid	2,1	-0,3	-1,0	-2,7	-0,5	-2,2
Change in working capital	-6,6	-10,5	-12,7	-22,5	-10,6	-20,4
<b>Cash flow from operating activities</b>	<b>18,4</b>	<b>10,4</b>	<b>46,7</b>	<b>42,9</b>	<b>65,9</b>	<b>62,1</b>
Investments in fixed assets	-26,0	-5,5	-58,3	-17,7	-78,2	-37,6
<b>Remaining after construction investments</b>	<b>-7,6</b>	<b>4,9</b>	<b>-11,6</b>	<b>25,2</b>	<b>-12,3</b>	<b>24,5</b>
New share issue	0,1	-	101,5	-	101,5	-
Issue/redemption of warrants	-0,2	-	-0,2	-	-0,3	-0,1
Change in bank overdraft facility	4,9	10,7	-41,9	28,3	-60,6	9,6
Borrowings	31,9	2,7	45,1	3,5	60,5	18,9
Repayment of loans	-33,6	-12,8	-60,4	-65,5	-68,7	-73,8
Dividend	-	-	-	-7,9	-	-7,9
<b>Cash flow for the period</b>	<b>-4,5</b>	<b>5,5</b>	<b>32,5</b>	<b>-16,5</b>	<b>20,1</b>	<b>-28,8</b>
<b>Cash flow for the period, total</b>	<b>-4,5</b>	<b>5,5</b>	<b>32,5</b>	<b>-16,5</b>	<b>20,1</b>	<b>-28,8</b>
Cash and cash equivalents at the beginning of the period	47,0	16,4	9,6	38,5	21,7	38,5
Exchange rate differences in cash and cash equivalents	-0,6	-0,2	-0,2	-0,4	0,1	-0,1
<b>Cash and cash equivalents at the end of the period</b>	<b>41,9</b>	<b>21,7</b>	<b>41,9</b>	<b>21,7</b>	<b>41,9</b>	<b>9,6</b>

# Condensed income statement and statement of comprehensive income for the Parent Company

SEK m	July-Sept	July-Sept	Jan-Sept	Jan-Sept	Oct-Sept	Jan-Dec
Income statement	2018	2017	2018	2017	2017/18	2017
Net sales	6.2	5.7	18.4	17.3	26.1	25.0
Cost of goods sold	-	-	-	-	-	-
<b>Gross profit</b>	<b>6.2</b>	<b>5.7</b>	<b>18.4</b>	<b>17.3</b>	<b>26.1</b>	<b>25.0</b>
Selling expenses	-2.6	-4.1	-8.1	-9.6	-8.9	-10.4
Administrative expenses	-6.2	-3.9	-20.3	-15.9	-28.4	-24.0
Other operating income/expenses	0.1	-0.1	0.1	0.0	0.2	0.1
<b>Operating profit</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-9.9</b>	<b>-8.2</b>	<b>-11.0</b>	<b>-9.3</b>
Profit from participations in Group companies	-	-	-	-	16.9	16.9
Financial income	3.2	2.5	8.5	6.8	11.4	9.7
Financial expenses	-1.2	-1.0	-2.8	-3.1	-3.6	-3.9
Foreign exchange effects	-1.2	-3.6	8.1	-8.0	9.4	-6.7
<b>Profit after financial items</b>	<b>-1.7</b>	<b>-4.5</b>	<b>3.9</b>	<b>-12.5</b>	<b>23.1</b>	<b>6.7</b>
Appropriations	-	-	-	-	-1.8	-1.8
Taxes	0.3	1.0	-1.0	2.4	-4.9	-1.5
<b>Profit after tax</b>	<b>-1.4</b>	<b>-3.5</b>	<b>2.9</b>	<b>-10.1</b>	<b>16.4</b>	<b>3.4</b>
<b>Statement of comprehensive income</b>						
<b>Profit after tax</b>	<b>-1.4</b>	<b>-3.5</b>	<b>2.9</b>	<b>-10.1</b>	<b>16.4</b>	<b>3.4</b>
<b>Other comprehensive income</b>						
Items that may be reclassified to the income statement						
Translation of hedging of net investments in the period	-	-	-	-	-	-
<b>Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>	<b>-1.4</b>	<b>-3.5</b>	<b>2.9</b>	<b>-10.1</b>	<b>16.4</b>	<b>3.4</b>

# Condensed balance sheet for the Parent Company

SEK m

<b>Assets</b>	<b>2018-09-30</b>	<b>2017-09-30</b>	<b>2017-12-31</b>
Intangible fixed assets	4.2	2.8	3.7
Property, plant and equipment	0.7	0.8	0.8
Financial assets	416.2	383.0	385.4
Other current assets	22.5	11.6	24.8
Cash and bank balances	28.7	6.0	0.8
<b>Total assets</b>	<b>472.3</b>	<b>404.2</b>	<b>415.5</b>
<b>Equity and liabilities</b>	<b>2018-09-30</b>	<b>2017-09-30</b>	<b>2017-12-31</b>
Equity	373.5	255.7	269.2
Untaxed reserves	7.5	5.8	7.5
Provisions	5.3	4.8	4.9
Non-current liabilities	42.5	75.7	52.4
Current liabilities	43.5	62.2	81.5
<b>Total equity and liabilities</b>	<b>472.3</b>	<b>404.2</b>	<b>415.5</b>

# Reconciliation basis for alternative performance measures

SEK m	July-Sept 2018	July-Sept 2017	Jan-Sept 2018	Jan-Sept 2017	Oct-Sept 2017/18	Jan-Dec 2017
<b>Organic growth</b>						
Recognised net sales	154.1	132.5	475.8	429.0	624.7	577.9
Net sales compared to the same period last year	132.5	126.7	429.0	418.7	562.3	552.0
<b>Change in net sales</b>	<b>21.6</b>	<b>5.8</b>	<b>46.8</b>	<b>10.3</b>	<b>62.4</b>	<b>25.9</b>
<b>Growth, %</b>	<b>16.3</b>	<b>4.5</b>	<b>10.9</b>	<b>2.5</b>	<b>11.1</b>	<b>4.7</b>
Net sales from acquired operations	-	-	-	-	-	-
Adjusted net sales from acquisition effects	154.1	132.5	475.8	429.0	624.7	577.9
<b>Organic growth, %</b>	<b>16.3</b>	<b>4.5</b>	<b>10.9</b>	<b>2.5</b>	<b>11.1</b>	<b>4.7</b>
<b>Sales adjusted for fluctuations in exchange rates</b>						
Fluctuations in exchange rates	9.1	-1.9	12.1	-6.2	12.6	1.9
Net sales adjusted for foreign exchange effects compared to the same period last year	141.6	130.6	441.1	422.8	574.9	553.9
<b>Change, %</b>	<b>8.9</b>	<b>3.0</b>	<b>7.9</b>	<b>1.0</b>	<b>8.7</b>	<b>4.3</b>
	July-Sept 2018	July-Sept 2017	Jan-Sept 2018	Jan-Sept 2017	Oct-Sept 2017/18	Jan-Dec 2017
<b>Operating profit before non-recurring items</b>						
Recognised operating profit	11.8	9.3	27.9	36.1	34.5	42.7
Non-recurring items	-	-	5.6	-	5.6	-
<b>Operating profit before non-recurring items</b>	<b>11.8</b>	<b>9.3</b>	<b>33.5</b>	<b>36.1</b>	<b>40.1</b>	<b>42.7</b>
	July-Sept 2018	July-Sept 2017	Jan-Sept 2018	Jan-Sept 2017	Oct-Sept 2017/18	Jan-Dec 2017
<b>EBITDA</b>						
Recognised operating profit	11.8	9.3	27.9	36.1	34.5	42.7
Depreciation, amortisation and impairment	13.3	12.8	38.7	39.5	50.5	51.3
<b>EBITDA</b>	<b>25.1</b>	<b>22.1</b>	<b>66.6</b>	<b>75.6</b>	<b>85.0</b>	<b>94.0</b>

<b>Own risk-bearing capital</b>	2018-09-30	2017-09-30	2017-12-31
Equity	503.8	356.7	369.0
Deferred tax liability	29.6	34.2	30.8
<b>Own risk-bearing capital</b>	<b>533.4</b>	<b>390.9</b>	<b>399.8</b>

<b>Net debt</b>	2018-09-30	2017-09-30	2017-12-31
Long-term interest-bearing provisions for pensions	41.6	32.9	36.9
Non-current interest-bearing liabilities	209.9	191.3	205.8
Current interest-bearing liabilities	77.9	131.0	125.5
Non-interest-bearing financial liabilities	-	19.1	-
<b>Total liabilities</b>	<b>329.4</b>	<b>374.3</b>	<b>368.2</b>
Cash and cash equivalents	-41.9	-21.7	-9.6
<b>Net debt</b>	<b>287.5</b>	<b>352.6</b>	<b>358.6</b>

<b>Cash and cash equivalents, including unutilised overdraft facilities</b>	2018-09-30	2017-09-30	2017-12-31
Cash and cash equivalents	41.9	21.7	9.6
Utilised bank overdraft facilities	-7.9	-67.2	-48.9
Overdraft facility granted and framework agreement	80.9	90.0	72.2
<b>Cash and cash equivalents, including unutilised overdraft facilities and framework agreement</b>	<b>114.9</b>	<b>44.6</b>	<b>32.9</b>

### **Definitions of alternative performance measures**

Alternative performance measures are financial measures for assessing the earnings trend, financial position and cash flow which are not defined in the applicable accounting rules, IFRS. These performance measures are considered to be important supplementary performance measures for the Group's financial performance and position, with the aim of creating an enhanced understanding of the operations. Alternative performance measures presented in the interim report should not be considered substitutes for terms and concepts as defined in IFRS, but instead as a supplement. These performance measures need not be comparable with similar performance indicators used by other companies. The reconciliation basis for the calculation of some of these performance measures is shown on page 13 of this report.

### **Sales adjusted for fluctuations in exchange rates**

Sales adjusted for fluctuations in exchange rates compared to the same period last year.

### **Organic growth**

Change in net sales adjusted for sales from acquired and divested operations compared to the same period last year.

### **Non-recurring items**

Items that are not included in ordinary business transactions and when amounts are of a substantial size and thus have an impact on profit and performance indicators.

### **Operating profit before non-recurring items**

Profit before financial income and expenses and taxes adjusted for non-recurring items.

### **Operating profit (EBIT)**

Profit before financial income and expenses and taxes.

### **Operating margin, %**

Operating profit in relation to operating net sales.

### **EBITDA**

Operating profit before depreciation, amortisation and impairment.

### **EBITDA, %**

Operating profit before depreciation, amortisation and impairment in relation to operating net sales.

### **Own risk-bearing capital**

The total of reported equity, any minority interest and deferred tax liabilities.

### **Net debt**

Interest-bearing financial liabilities, non-interest-bearing financial liabilities and provisions for pensions less cash and cash equivalents.

### **Cash and cash equivalents, including unutilised overdraft facilities**

Cash/bank balances and bank overdraft facility granted, less overdraft facility utilised.

### **Financial information**

Interim Report July – Sept 2018 will be published on 25 October 2018.

Year-end Report 2018 will be published on 18 February 2019.

Annual Report for 2018 will be published in April 2019.

The AGM for 2019 will be held on 23 April 2019.

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### **Publication**

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Elos Medtech AB (publ) is a Swedish limited liability company, whose Class B shares are listed on the Small Cap, NASDAQ Stockholm AB. Elos Medtech's corporate governance is based on Swedish legislation and the listing agreement with NASDAQ Stockholm AB.

### **Future-oriented information**

The future-oriented information in this report is based on management's expectations at the time of preparing the report. Although the Board of Directors and the management deem that the expectations are reasonable, there is no guarantee that the expectations are or will prove to be correct. Consequently, future outcomes may differ significantly from those postulated on the basis of the future-oriented information due to, for example, changing market conditions for the Group's services or more generally changed conditions as regards the economy, market and competition, changes in legal requirements and other policy measures, and fluctuations in exchange rates. The company does not undertake to update or correct any future-oriented information except as stipulated by law.

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