

INTERIM REPORT THIRD QUARTER 2017

Third quarter

- In our previous second quarter report we noted the results should be considered against a strong comparative in the second quarter of 2016. The third quarter results should now however be considered against a weaker comparative in the third quarter of 2016.
- Net sales increased by 6% to SEK 95.6 (90.0) million. Adjusted to fixed exchange rates, net sales increased by 9%.
- Adjusted operating profit increased by 7% to SEK 28.8 (26.9) million.
- Adjusted profit before tax increased by 24% to SEK 21.8 (17.6) million.
- In September 2017, Diamorph AB (publ) redeemed all of its remaining SEK 450 million of outstanding bonds. The transaction required the payment of an early redemption premium of 3% (SEK 13.5 million) to bondholders. The bonds were redeemed using a combination of existing surplus cash accumulated within the Group as well as from proceeds drawn down through a new senior secured bank facility.
- Operating profit (as reported under IFRS) increased by 8% to SEK 27.8 (25.8) million.
- Profit before tax (as reported under IFRS) decreased by 64% to SEK 7.1 (19.7) million.

First nine months

- Net sales increased by 1% to SEK 317.1 (313.0) million. Adjusted to fixed exchange rates, net sales increased by 1%.
- Adjusted operating profit increased by 3% to SEK 108.1 (104.7) million.
- Adjusted profit before tax increased by 9% to SEK 83.5 (76.8) million.
- In February 2017, Diamorph AB (publ) acquired the final 10% of Diamorph Bearings AB and so today controls 100% of each of its subsidiaries.
- Operating profit (as reported under IFRS) increased by 9% to SEK 110.2 (101.2) million.
- Profit before tax (as reported under IFRS) decreased by 29% to SEK 82.8 (116.0) million.

Amounts in SEK millions (unless stated otherwise)	Q3 2017	Q3 2016	Δ%	Q1-Q3 2017	Q1-Q3 2016	Δ%	2016
		Restated ²			Restated ²		Restated ²
Net sales	95.6	90.0	9 ¹	317.1	313.0	1 ¹	423.6
Adjusted operating profit ¹	28.8	26.9 ²	7	108.1	104.7 ²	3	144.1 ²
Adjusted operating profit margin, % ¹	30.1	29.9 ²		34.1	33.5 ²		34.0 ²
Adjusted profit before tax ¹	21.8	17.6 ²	24	83.5	76.8 ²	9	106.7 ²
Operating cash flow	19.7	34.3	-43	89.8	86.0	4	115.8
Operating cash conversion, %	71	133		81	85		83
Adjusted earnings per share ¹ (SEK)	0.33	0.25 ²	32	1.26	1.12 ²	13	1.55 ²
Average number of shares in issue ('000)	52 847	52 847		52 847	52 706		52 741

¹ Diamorph uses adjusted figures as key performance measures in addition to those reported under IFRS. Reconciliations showing how the adjusted performance measures are derived from those reported under IFRS are shown on pages 8 and 15.

² Adjusted performance measures for 2016 have been restated to exclude acquisition-related intangible asset amortisation charges and associated tax credits.

Operating profit - reported (IFRS)	27.8	25.8	8	110.2	101.2	9	139.6
Profit before tax - reported (IFRS)	7.1	19.7	-64	82.8	116.0	-29	141.1
Earnings per share - reported (IFRS) (SEK)	0.11	0.29	-62	1.15	1.72	-33	2.08

Operations

Significant events during the quarter

Strategic refinancing and redemption of bonds

After making a voluntary partial repayment of SEK 50 million of bonds earlier in March 2017, Diamorph AB (publ) redeemed all of its remaining SEK 450 million of outstanding bonds in September 2017. The transaction required the payment of an early redemption premium of 3% (SEK 13.5 million) to bondholders.

The bonds were redeemed using a combination of existing surplus cash accumulated within the Group as well as from proceeds drawn down through a new senior secured bank facility. Further information on the new bank facility is set out on page 4.

The completion of this refinancing transaction represents an important step in the development of Diamorph. It followed a review of the Group's borrowing structure to ensure it balanced the certainty of availability of finance, borrowing costs, and flexibility to support growth ambitions.

Repayment of bank loan in Hob Certec

Separately, on 3 August 2017, the Hob Certec business in the Czech Republic made its final balloon payment to fully repay the bank loan with Unicredit taken out at the time of the acquisition by Diamorph in 2011. This loan was repaid using surplus cash within the Group.

Sales

In our previous second quarter report we noted the results should be considered against a strong comparative in the second quarter of 2016. The third quarter results should now however be considered against a weaker comparative in the third quarter of 2016.

Third quarter

Sales for the third quarter amounted to SEK 95.6 (90.0) million delivering an increase of 6% as reported and 9% at fixed exchange rates. Sales decreased by 6% at fixed exchange rates compared with the second quarter of 2017 as traditionally the third quarter is the quietest quarter in the year due to factory shutdowns during the summer and impacts from customer vacation especially in Europe. The relative performance of each business area is explained below.

Sales of high temperature materials amounted to SEK 64.9 (62.7) million delivering an increase of 4% as reported and 6% at fixed exchange rates. The increase is driven mainly by stronger ceramic conveyor roller sales and higher fire protection product sales in the UK and the rest of Europe. Although we are still experiencing declining sales in fire protection products in North America, the pace of the decline slowed in the third quarter when compared to the previous year.

Sales of wear parts and bearings amounted to SEK 30.7 (27.3) million delivering an increase of 12% as reported and 16% at fixed exchange rates. The performance was driven by an improvement in rotor vane and other high performance engineering component product sales, as well as a continuation of recent growth in the rail business.

First nine months

Sales in the first nine months amounted to SEK 317.1 (313.0) million, an increase of 1% as reported and also at fixed exchange rates. The relative performance of each business area is explained below.

Sales of high temperature materials amounted to SEK 205.7 (201.3) million delivering an increase of 2% as reported and also at fixed exchange rates. Demand for our ceramic conveyor roller products has continued to be healthy through the first nine months, as has demand for our fire protection products in the UK and rest of Europe. However the effect of this has been partially offset by lower sales of fire protection products in the USA where there has been a combination of challenges posed by competition and substitution from LED lighting/lower priced alternatives.

Sales of wear parts and bearings amounted to SEK 111.4 (111.7) million meaning sales were flat as reported and also at fixed exchange rates. We have continued to see growth in our rail and marine tanker support businesses, and have experienced some level of recovery in the rotor vane business (more recently impacted by the downturn in the oil and gas industry). However this has been offset by lower marine bearing product sales due to certain projects in early 2016 not repeating and generally weak levels of activity within marine industries.

Financial performance

Revenues and profits

Revenue and operating profit performance

As described above, sales for the third quarter amounted to SEK 95.6 (90.0) million, representing an increase of 6% as reported and an increase of 9% at fixed exchange rates. Sales in the first nine months amounted to SEK 317.1 (313.0) million, representing an increase of 1% as reported and an increase of 1% at fixed exchange rates.

Driven by the sales performance gross profit amounted to SEK 50.9 (49.5) million in the third quarter and to SEK 179.0 (175.2) million in the first nine months. The gross profit margin was 53.2% (55.0%) in the third quarter and 56.4% (56.0%) in the first nine months. The gross margin performance is quite consistent with previous periods and is impacted by a combination of factors including the product mix as well as the influence of the relative sales performance on the fixed overhead base.

In the third quarter operating expenses excluding acquisition-related and non-recurring items amounted to SEK 22.1 (22.6) million representing a decrease of 2% as reported and also at fixed exchange rates. In the first nine months operating expenses excluding acquisition-related and non-recurring items were SEK 70.9 (70.5) million representing an increase of 1% as reported and also at fixed exchange rates.

Adjusted operating profit therefore amounted to SEK 28.8 (26.9) million in the third quarter and to SEK 108.1 (104.7) million in the first nine months. Overall adjusted operating profit margins remained steady at 30.1% (29.9%) in the third quarter and 34.1% (33.5%) in the first nine months.

There were no items of non-recurring income or expenditure in the third quarter. In the first nine months Diamorph recognised net non-recurring operating income of SEK 5.2 (expenses of 0.2) million which mainly relate to a legal settlement in Diamorph's favour as explained in the second quarter report.

Acquisition-related intangible asset amortisation charges in the third quarter remained flat at SEK 1.0 (1.1) million and SEK 3.1 (3.3) million in the first nine months.

Operating profit (as reported under IFRS) therefore increased to SEK 27.8 (25.8) million in the third quarter and to SEK 110.2 (101.2) million in the first nine months.

Financing charges and profits before tax

Net financial items amounted to expenses of SEK 20.7 (6.1) million in the third quarter and SEK 27.4 (income of 14.8) million in the first nine months.

The changes in net financial items arise mainly from changes in

non-recurring financing charges as underlying net financial expenses reduced in the third quarter to SEK 7.0 (9.3) million and SEK 24.6 (27.9) million in the first nine months following the voluntary partial repayment of SEK 50 million of outstanding bonds in March 2017 and the refinancing of the remaining SEK 450 million of outstanding bonds in September 2017.

Non-recurring financial items totalled expenses of SEK 13.7 (income of 3.2) million in the third quarter and SEK 2.8 (income of 42.7) million in the first nine months. These include the early redemption charges relating to the bond of SEK 13.5 million in the third quarter and SEK 14.5 million in the first nine months. They also include exchange gains and losses on third party and intercompany financing balances and changes in the fair value of derivative financial instruments. In the previous year, significant foreign exchange gains arose on intercompany balances as GBP weakened against SEK both in the run up to and subsequent to the UK referendum on EU membership.

Adjusted profit before tax (adjusted to remove the effect of acquisition-related and non-recurring operating and financing items) therefore increased by 24% to SEK 21.8 (17.6) million in the third quarter and by 9% to SEK 83.5 (76.8) million in the first nine months.

Profit before tax (as reported under IFRS) reduced to SEK 7.1 (19.7) million in the third quarter and SEK 82.8 (116.0) million in the first nine months.

Taxes

Income taxes amounted to a charge of SEK 1.4 (3.9) million in the third quarter and SEK 22.1 (23.2) million in the first nine months. As for the net financial items income taxes comprises tax on the underlying business performance as well as non-recurring tax items.

The underlying tax charge was SEK 4.4 (3.6) million in the third quarter and SEK 16.6 (15.4) million in the first nine months. The underlying tax charge represents an effective tax rate of 20% (20%) of adjusted profits before tax.

The non-recurring tax charges in the third quarter amounted to credits of SEK 3.0 (charge of 0.3) million and charges of SEK 5.5 (7.8) million in the first nine months. These relate to tax effects on the non-recurring operating and financing items described above. In the first nine months of 2017, the charges also include the payment of SEK 5.9 million of withholding taxes to the Swiss tax administration as part of the process to liquidate KHP Marketing GmbH. The decision to liquidate this company has been taken to simplify the Group structure and eliminate unnecessary administrative costs.

Earnings per share

After allowing for the profits after tax attributable to minority interests, adjusted earnings per share increased by 32% to SEK 0.33 (0.25) per share in the third quarter and by 13% to SEK 1.26 (1.12) in the first nine months.

Earnings per share (as reported under IFRS) decreased by 62% to SEK 0.11 (0.29) per share in the third quarter and by 33% to SEK 1.15 (1.72) in the first nine months.

Cash flow and financial position

Net cash flow from operating activities before changes in working capital amounted to SEK 10.6 (3.8) million in the third quarter and SEK 60.9 (55.1) million in the first nine months. The increases are driven mainly by the increases in operating profit referred to above, however there are also changes in the amount of tax payments. Tax payments in the third quarter are lower than the previous year partly since bond refinancing costs will reduce the 2017 tax charge. However, tax payments in the first nine months are higher than the previous year as they include payments arising on large foreign exchange gains in 2016.

Changes in working capital decreased cash flow by SEK 2.0 (increase of 9.4) million in the third quarter and by SEK 8.2 (11.5) million in the first nine months. Changes in working capital are mostly influenced by the phasing of sales but have also been influenced by increases in strategic stock holding during 2017.

Cash outflows from investing activities were SEK 9.2 (11.9) million in the third quarter and SEK 33.6 (41.7) million in the first nine months. Cash outflows in the first nine months include SEK 32.0 (19.0) million relating to the acquisition of shares from minority shareholders of Diamorph Bearings AB; the purchase in the first quarter of 2017 also caused a restriction over SEK 22.6 million of cash to be released. Cash outflows in the third quarter and first nine months also include investments in tangible fixed assets of SEK 9.2 (3.8) million and SEK 21.6 (11.9) million respectively; in the current year the expenditure includes the initial expenditure to create and expand capacity for the production of longer ceramic conveyor rollers by the Hob Certec business in the Czech Republic. In both periods, cash outflows also include payments of GBP 230,000 into the Tenmat defined benefit pension scheme.

Cash flows from financial activities amounted to an outflow of SEK 143.4 (1.8) million in the third quarter and SEK 198.2 (5.5) million in the first nine months. This cash flow is driven by the use of much of the Group's surplus cash to partially finance the redemption of bonds.

In more detail, the net cash flow comprises:

- funds raised from the new bank facility in the third quarter of SEK 343.0 million, before transaction costs of SEK 2.9 million. Further transaction costs will be incurred in the fourth quarter;
- repayment of bonds including associated early redemption charges of SEK 463.5 million in the third quarter and, including

the voluntary repayment earlier in the year, SEK 514.5 million in the first nine months; and

- amortisation of the bank loan in the Hob Certec business including a final balloon payment in August 2017. Repayments of SEK 20.0 (1.8) million were made in the third quarter and SEK 23.8 (5.5) in the first nine months.

Cash flow for the period, therefore, amounted to a cash outflow of SEK 144.0 (0.5) million in the third quarter and SEK 179.1 (3.6) million in the first nine months. After adjusting for exchange rate differences, cash and cash equivalents at the end of the period amounted to SEK 36.2 (189.9) million.

Net debt

Net debt at the end of the period amounted to SEK 300.8 (330.8) million, a decrease of SEK 5.1 (increase of 1.6) million during the first nine months.

New bank facility

On 10 August 2017, Diamorph AB (publ) entered into a new senior secured bank facility agreement with Nordea Bank AB ("Nordea") to facilitate redemption of the Company's bonds in September 2017.

The Nordea facility comprises a USD 5.7 million 3 year amortising term loan and EUR 36 million revolving credit facility, giving an initial total facility of approximately 392 MSEK. The revolving credit facility is for an initial term of 3 years (with further extensions of up to 2 years possible under certain conditions) and it can be drawn in a combination of SEK, EUR, USD and GBP currencies. Interest on the borrowings will be based on a margin above floating interest rates, where the margin is linked to the Group's leverage position.

The Company expects to derive a number of benefits from this refinancing including:

- a reduction in financing costs. Depending on future movements in market interest rates, after taking account of transaction costs (including bank arrangement fees, legal fees and SEK 13.5 million early redemption fee payable to bondholders), the payback period is expected to be approximately one year;
- improved flexibility to efficiently manage the surplus cash generated by the Group; and
- the opportunity to better manage the currency exposures in the business since much of the Group's net operating income is derived in EUR and USD.

As part of the security arrangements associated with the bank facility, Diamorph must maintain its leverage (net debt: EBITDA ratio) and interest cover (EBITDA: financing costs) within agreed covenant limits.

Equity and number of shares

The parent company's share capital at 30 September 2017 consisted of SEK 1 105 608 divided into 52 846 841 shares with a quota value of SEK 0.0209.

Group equity at 30 September 2017 amounted to SEK 469.1 (435.3) million, an increase of SEK 7.5 (decrease of 80.3) million during the first nine months of the year. In addition to the net profit of SEK 60.7 (92.8) million reported for the period, foreign exchange losses of SEK 30.7 (123.3) million arose primarily on GBP denominated net assets within the business.

In the first nine months of 2017, additional movements through equity have included a net SEK 23.1 million effect of the transaction with a minority shareholder to acquire a further 10% of Diamorph Bearings AB (SEK 32.0 million consideration paid, net of SEK 8.9 million for the previously recognised carrying value of a put option now extinguished).

In the first nine months of 2016, additional movements through equity arose from a) actuarial losses of SEK 31.0 million (net of deferred tax effects) on the Tenmat defined benefit pension scheme as a result mainly of significant changes to long-term UK interest rates after the UK's referendum on EU membership, and b) the transaction with a shareholder to acquire a further 10% of Diamorph Bearings AB for total consideration of SEK 22.8 million which was closely linked also with a directed share issue of SEK 3.8 million.

Related party transactions

As disclosed in note 26 of the Annual Report for 2016, Latour-Gruppen AB, a significant shareholder, previously held SEK 144 million of outstanding bonds issued by Diamorph AB (publ) which it had previously purchased in the open market. As part of the Company's redemption of its bonds in September 2017 a payment of SEK 144 million together with the associated 3% early redemption fee (SEK 4.3 million) was made to Latour-Gruppen AB on exactly the same terms as for other bondholders.

Significant events after the end of third quarter

Defined benefit pension scheme

As described in the Annual Report for 2016, the Group operates a defined benefit pension plan related to Modular Stock Ltd and its subsidiary Tenmat Ltd. Although the pension scheme is closed to future accrual of benefits by employees, funding the pension scheme remains an obligation of the Group. Under UK pension regulations, defined benefit pension schemes are required to undergo formal actuarial valuations of the funding position every three years. The most recent valuation, as at 3 August 2016, has been finalised during October 2017 and determined a deficit of GBP 5,294,000 (approximately SEK 58 million based on the exchange rate at the end of September 2017). Subject to review and approval by the UK pension regulator, payments of GBP 1,150,000 (approximately SEK 12.6 million) are expected to be made by the Company to the pension

scheme over the next 5 years starting in January 2018.

Currency basket of borrowings

As noted above, the new bank facility has the flexibility to borrow funds in different currencies. Previously the bond was denominated in SEK whilst much of the group's net earnings are EUR and USD denominated, giving rise to potentially unnecessary currency exposures within the business. At the time of repayment of the bond and as at 30 September 2017, the majority of the Group's bank borrowings remained denominated in SEK. During October 2017, the gross borrowings were transitioned to a targeted 75:25 EUR:USD currency basket.

Employees

As of 30 September 2017 the Diamorph Group had 278 (266) employees.

Parent Company

The Parent Company's net revenue amounted to SEK 0.3 (0.3) million in the third quarter and SEK 0.8 (1.3) million in the first nine months. The operating result before non-recurring items amounted to a loss of SEK 0.8 (1.0) million in the third quarter and SEK 2.4 (3.1) million in the first nine months. Cash and cash equivalents at the end of the period amounted to SEK 1.0 (21.9) million.

Risks and uncertainties

The risk assessment is unchanged to the risk situation presented in the Annual Report for 2016 except that the new bank facility adapts the risk environment in a number of respects including the following:

- The new bank facility has the flexibility to borrow funds in different currencies to better match with the earnings of the business. Previously the bond issued by Diamorph was denominated in SEK. Since the end of the third quarter, Diamorph has transitioned its gross borrowings toward a 75:25 EUR:USD currency basket;
- Under the new bank facility Diamorph is now exposed to market movements in floating interest rates where as previously the interest payments on the bonds were fixed. Also market interest rates differ depending on the currency of borrowings;
- As part of the security arrangements associated with the bank facility, Diamorph must maintain its leverage (net debt: EBITDA ratio) and interest cover (EBITDA: financing costs) within agreed covenant limits

Further information will be provided in the Annual Report for 2017.

Accounting principles

The accounting policies are unchanged since the last annual report.

For a detailed description of the accounting policies applied by the Group and the Parent Company in this report see the Annual Report for 2016, page 27.

Adjusted performance measures

Diamorph provides adjusted figures for key performance measures in addition to those reported under IFRS. The definitions of the adjusted measures are set out in notes 28 and 29 in the Annual Report for 2016 and are unchanged except that, as referred to previously in the first quarter report for 2017, the definitions of adjusted operating profit, profit before tax and earnings per share measures have been expanded to additionally exclude acquisition-related items being currently the charges relating to the amortisation of intangible assets; the adjusted earnings per share definition has been further adjusted to exclude tax credits associated with such charges.

The comparative adjusted profit and earnings figures for 2016 have been restated to reflect the changes; the effect of these changes on the adjusted measures reported for the year ended 31 December 2016 has been to increase the adjusted operating profit margin by 1.0%, adjusted profit before tax by SEK 4.3 million and adjusted earnings per share by SEK 0.06 per share.

Reconciliations between the profit and earnings figures reported under IFRS and the adjusted figures are set out on pages 8 and 15.

Audit

The interim financial statements have not been audited.

Stockholm 20 November 2017

Gordon MacLeman
CEO



Group income statement

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	FY 2016
Net sales	95.6	90.0	317.1	313.0	423.6
Cost of goods sold	-44.7	-40.5	-138.1	-137.8	-186.0
Gross profit	50.9	49.5	179.0	175.2	237.6
<i>Operating expenses</i>					
Sales	-12.8	-14.0	-41.8	-42.6	-58.8
Admin	-8.2	-7.3	-25.8	-23.9	-29.2
R&D	-2.1	-2.4	-6.6	-7.5	-10.0
Other operating income	-	-	5.4	-	-
Operating expenses	-23.1	-23.7	-68.8	-74.0	-98.0
Adjusted operating profit (before acquisition-related and non-recurring items)	28.8	26.9	108.1	104.7	144.1
Non-recurring items	-	-	5.2	-0.2	-0.2
Acquisition-related intangible asset amortisation	-1.0	-1.1	-3.1	-3.3	-4.3
Operating profit	27.8	25.8	110.2	101.2	139.6
<i>Financial items</i>					
Financial income	-	0.1	-	0.1	0.1
Financial expenses	-7.0	-9.4	-24.6	-28.0	-37.5
Non-recurring financial items	-13.7	3.2	-2.8	42.7	38.9
Net financial	-20.7	-6.1	-27.4	14.8	1.5
Profit before income tax	7.1	19.7	82.8	116.0	141.1
Income taxes	-1.4	-3.9	-22.1	-23.2	-29.0
Profit for the period	5.7	15.8	60.7	92.8	112.1
Consolidated statement of comprehensive income					
Profit for the period	5.7	15.8	60.7	92.8	112.1
<i>Other comprehensive loss for the period</i>					
Actuarial loss, net after tax	-	-	-	-31.0	-35.4
Exchange rate differences	-6.8	-3.8	-30.7	-123.3	-109.8
Other comprehensive loss for the period	-6.8	-3.8	-30.7	-154.3	-145.2
Total comprehensive profit/loss for the period	-1.1	12.0	30.0	-61.5	-33.1
<i>Profit / loss for the period attributable to:</i>					
Parent Company shareholders	5.7	15.3	60.9	90.7	109.6
Non-controlling interests	-	0.5	-0.2	2.1	2.5
<i>Total comprehensive profit / loss attributable to:</i>					
Parent Company shareholders	-1.1	11.3	30.2	-64.1	-36.2
Non-controlling interests	-	0.7	-0.2	2.6	3.1

Group balance sheet

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	FY 2016
ASSETS			
<i>Fixed assets</i>			
Intangible assets	665.1	678.9	684.3
Tangible assets	93.2	72.2	77.4
Total fixed assets	758.3	751.1	761.7
<i>Current assets</i>			
Inventories	36.7	32.9	31.1
Accounts receivable	78.0	67.5	75.1
Other receivables	3.2	3.6	4.0
Restricted cash	-	22.6	22.6
Cash and cash equivalents	36.2	189.9	213.2
Total current assets	154.1	316.5	346.0
TOTAL ASSETS	912.4	1 067.6	1 107.7
EQUITY			
<i>Equity</i>	469.1	435.3	461.6
Total equity	469.1	435.3	461.6
LIABILITIES			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	321.5	494.9	495.3
Pension liability	32.2	31.0	35.7
Deferred tax liability	19.3	18.4	20.1
Other non-current financial liabilities	-	6.6	8.9
Total long-term liabilities	373.0	550.9	560.0
<i>Current liabilities</i>			
Interest-bearing liabilities	15.5	25.8	23.8
Accrued interest	0.8	2.5	11.2
Accounts payable	25.0	24.6	26.9
Other liabilities and provisions	29.0	28.5	24.2
Total current liabilities	70.3	81.4	86.1
TOTAL LIABILITIES AND EQUITY	912.4	1 067.6	1 107.7

Group changes in equity

Amounts in Swedish Krona (SEK) millions	Equity attributable to Parent Company shareholders	Non-controlling interests	Total Equity
Opening balance as per 2017-01-01	447.6	14.0	461.6
Profit for the period	60.9	-0.2	60.7
<i>Other comprehensive income</i>			
Exchange rate differences	-30.7	-	-30.7
<i>Transactions with shareholders</i>			
Share-based payments	0.6	-	0.6
Purchase of non-controlling interest	-18.2	-13.8	-32.0
Revaluation of put option over non-controlling interests	8.9	-	8.9
Balance on 2017-09-30	469.1	-	469.1
Opening balance as per 2016-01-01	493.3	22.3	515.6
Profit for the period	90.7	2.1	92.8
<i>Other comprehensive income</i>			
Actuarial loss on defined benefit pension schemes	-39.5	-	-39.5
Tax on actuarial loss on defined benefit pension scheme	8.5	-	8.5
Exchange rate differences	-123.8	0.5	-123.3
<i>Transactions with shareholders</i>			
Share issue	3.8	-	3.8
Share-based payments	0.2	-	0.2
Purchase of non-controlling interest	-11.4	-11.4	-22.8
Balance on 2016-09-30	421.8	13.5	435.3
Opening balance as per 2016-01-01	493.3	22.3	515.6
Profit for the period	109.6	2.5	112.1
<i>Other comprehensive income</i>			
Actuarial loss on defined benefit pension schemes	-44.2	-	-44.2
Tax credit on actuarial loss on defined benefit pension schemes	8.8	-	8.8
Exchange rate differences	-110.4	0.6	-109.8
<i>Transactions with shareholders</i>			
Share issue	3.8	-	3.8
Share-based payments	0.4	-	0.4
Purchase of non-controlling interest	-11.4	-11.4	-22.8
Revaluation of put option over non-controlling interests	-2.3	-	-2.3
Balance on 2016-12-31	447.6	14.0	461.6

Group cash flow

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	FY 2016
<i>Cash flow from operations</i>					
Operating profit	27.8	25.8	110.2	101.2	139.6
<i>Adjustments for items not included in cash flow :</i>					
Depreciation & amortisation	2.9	2.7	8.8	8.0	11.0
Share-based payment expense	0.2	0.2	0.6	0.2	0.4
Interest received	-	0.1	-	0.1	0.1
Interest paid	-15.8	-17.7	-33.6	-35.6	-35.7
Tax paid	-4.5	-7.3	-25.1	-18.8	-22.3
Cash flow from operations before change in working capital	10.6	3.8	60.9	55.1	93.1
Changes in working capital	-2.0	9.4	-8.2	-11.5	-16.4
Cash flow from operations	8.6	13.2	52.7	43.6	76.7
<i>Cash flow from investment activities</i>					
Acquisition of non-controlling interest	-	-	-32.0	-19.0	-19.0
Release / (transfer) of restricted cash relating to acquisition of subsidiaries	-	-8.1	22.6	-8.1	-8.1
Payment to defined benefit pension scheme	-	-	-2.6	-2.7	-2.7
Investments in tangible and intangible fixed assets	-9.2	-3.8	-21.6	-11.9	-18.8
Total cash flow from investment activities	-9.2	-11.9	-33.6	-41.7	-48.6
Free cash flow for the period	-0.6	1.3	19.1	1.9	28.1
<i>Cash flow from financial activities</i>					
New loans, net of transaction costs	340.1	-	340.1	-	-
Repayment of loans, including early redemption fee	-463.5	-	-514.5	-	-
Amortisation of loans	-20.0	-1.8	-23.8	-5.5	-7.5
Total cash flow from financial activities	-143.4	-1.8	-198.2	-5.5	-7.5
Cash flow for the period	-144.0	-0.5	-179.1	-3.6	20.6
Cash and cash equivalents at beginning of period	178.7	190.5	213.2	194.3	194.3
Exchange rate differences	1.5	-0.1	2.1	-0.8	-1.7
Cash and cash equivalents at end of period	36.2	189.9	36.2	189.9	213.2

Parent Company income statement

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	FY 2016
Net sales	0.3	0.3	0.8	1.3	2.0
Cost of goods sold	-	-	-	-	-
Gross profit	0.3	0.3	0.8	1.3	2.0
<i>Operating expenses</i>					
Sales	-0.3	-0.4	-0.8	-1.4	-1.9
Admin	-0.8	-0.9	-2.4	-3.0	-3.6
Operating expenses	-1.1	-1.3	-3.2	-4.4	-5.5
Operating loss before non-recurring items	-0.8	-1.0	-2.4	-3.1	-3.5
Non-recurring items	-	-	-0.2	-0.2	-0.2
Operating loss	-0.8	-1.0	-2.6	-3.3	-3.7
<i>Financial Items</i>					
Financial income	23.0	9.2	41.3	27.6	36.8
Financial expenses	-23.1	-9.3	-41.7	-28.4	-37.8
Net financial	-0.1	-0.1	-0.4	-0.8	-1.0
Loss before income tax	-0.9	-1.1	-3.0	-4.1	-4.7
Income taxes	-	-	-	-	-
Loss for the period	-0.9	-1.1	-3.0	-4.1	-4.7

Parent Company balance sheet

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	FY 2016
ASSETS			
<i>Fixed assets</i>			
Financial assets	254.1	709.1	709.5
Total fixed assets	254.1	709.1	709.5
<i>Current assets</i>			
Other receivables	0.3	2.4	12.2
Cash and cash equivalents	1.0	21.9	21.0
Total current assets	1.3	24.3	33.2
TOTAL ASSETS	255.4	733.4	742.7
EQUITY			
<i>Equity</i>			
Total equity	217.6	221.2	220.6
LIABILITIES			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	-	494.9	495.3
Total long-term liabilities	-	494.9	495.3
<i>Current liabilities</i>			
Accrued interest	-	2.4	11.2
Accounts payable	0.1	0.1	0.2
Other liabilities and provisions	37.7	14.8	15.4
Total current liabilities	37.8	17.3	26.8
TOTAL LIABILITIES AND EQUITY	255.4	733.4	742.7

Parent Company cash flow

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	FY 2016
<i>Cash flow from operations</i>					
Operating profit	-0.8	-1.0	-2.6	-3.3	-3.7
<i>Adjustments for items not included in cash flow :</i>					
Interest received	15.8	17.5	33.3	46.0	46.0
Interest paid	-15.8	-17.5	-33.3	-35.0	-35.0
Cash flow from operations before change in working capital	-0.8	-1.0	-2.6	7.7	7.3
Changes in working capital	-0.2	-0.5	0.1	9.5	9.0
Cash flow from operations	-1.0	-1.5	-2.5	17.2	16.3
<i>Cash flow from investment activities</i>					
Acquisition of non-controlling interest	-	-	-32.0	-19.0	-19.0
Total cash flow from investment activities	-	-	-32.0	-19.0	-19.0
Free cash flow for the period	-1.0	-1.5	-34.5	-1.8	-2.7
<i>Cash flow from financial activities</i>					
Loan received from subsidiary company	-	-	22.5	-	-
Loan advanced to subsidiary company	-8.0	-	-8.0	-	-
Repayment of bond, including early redemption fee	-463.5	-	-514.5	-	-
Repayment of loan to subsidiary company, including fees	463.5	-	514.5	18.7	18.7
Total cash flow from financial activities	-8.0	-	14.5	18.7	18.7
Cash flow for the period	-9.0	-1.5	-20.0	16.9	16.0
Cash and cash equivalents at beginning of period	10.0	23.4	21.0	5.0	5.0
Cash and cash equivalents at the end of the period	1.0	21.9	1.0	21.9	21.0

Adjusted key performance measures

In order to better show the underlying performance of the business, Diamorph uses adjusted figures for key performance measures in addition to those reported under IFRS. The adjusted operating profit performance is presented in the income statement on page 8. Reconciliations of adjusted profit before tax and adjusted earnings per share are shown below. Non-recurring items are items which management do not consider reflect the underlying performance of the business. Non-recurring tax items are analysed below and include both the tax effect of non-recurring operating and financing items, as well as non-recurring tax items.

Amounts in Swedish Krona (SEK) millions	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	FY 2016
Group					
Cash flow from operations as reported under IFRS	8.6	13.2	52.7	43.6	76.7
<i>Adjusted for:</i>					
Interest paid and received	15.8	17.6	33.6	35.5	35.6
Tax paid	4.5	7.3	25.1	18.8	22.3
Investments in tangible and intangible fixed assets	-9.2	-3.8	-21.6	-11.9	-18.8
Operating cash flow for purpose of calculating operating cash conversion %	19.7	34.3	89.8	86.0	115.8
Group					
Operating expenses as reported under IFRS	-23.1	-23.7	-68.8	-74.0	-98.0
<i>Adjusted for:</i>					
Non-recurring operating expenses	-	-	-5.2	0.2	0.2
Acquisition-related intangible asset amortisation	1.0	1.1	3.1	3.3	4.3
Operating expenses before acquisition-related and non-recurring items	-22.1	-22.6	-70.9	-70.5	-93.5
Group					
Profit before tax as reported under IFRS	7.1	19.7	82.8	116.0	141.1
<i>Adjusted for:</i>					
Non-recurring expenses within operating profit	-	-	-5.2	0.2	0.2
Acquisition-related intangible asset amortisation	1.0	1.1	3.1	3.3	4.3
Non-recurring items within net financing items	13.7	-3.2	2.8	-42.7	-38.9
Adjusted profit before tax	21.8	17.6	83.5	76.8	106.7
Group					
Tax charge as reported under IFRS	-1.4	-3.9	-22.1	-23.2	-29.0
<i>Adjusted for:</i>					
Tax charge/(credit) on non-recurring operating expenses or income	-	-	1.0	-	-
Tax charge/(credit) on acquisition-related intangible asset amortisation	-0.2	-0.3	-0.6	-0.7	-0.9
Tax charge/(credit) on non-recurring items within net financing items	-2.8	0.6	-0.8	8.5	9.3
Other non-recurring items - charge/(credit)	-	-	5.9	-	-1.7
Tax charge on adjusted basis	-4.4	-3.6	-16.6	-15.4	-22.3
Group					
Profit after tax attributable to parent company shareholders as reported under IFRS	5.7	15.3	60.9	90.7	109.6
<i>Adjusted for (excluding amounts attributable to minority interests where applicable*):</i>					
Non-recurring expense within operating profit	-	-	-5.2	0.2	0.2
Acquisition-related intangible asset amortisation	1.0	1.1	3.1	3.3	4.3
Non-recurring items within net financing items*	13.7	-3.2	2.8	-42.8	-39.0
Tax effect of the above and other non-recurring tax items*	-3.0	0.3	4.9	7.8	6.7
Profit after tax attributable to parent company shareholders on adjusted basis	17.4	13.5	66.5	59.2	81.8
Weighted average number of shares outstanding	52 846 841	52 846 841	52 846 841	52 706 235	52 741 387
Basic earnings per share as reported under IFRS	0.11	0.29	1.15	1.72	2.08
Adjusted earnings per share	0.33	0.25	1.26	1.12	1.55

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Diamorph AB (publ)

The information was submitted for publication on 20 November 2017 at 08:00.

Diamorph supplies advanced material solutions for especially demanding industrial applications. The company is headquartered in Stockholm and has subsidiaries in the Czech Republic and the United Kingdom. Learn more at www.diamorph.com.



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Registered office: Stockholm Corporate registration number: 556647-5371