



## Interim Report January 1 – March 31, 2009

### Lower volumes and reduced earnings due to weaker demand

- Net sales declined by 8%\* and amounted to SEK 112 M (115). Order bookings declined by about 10%\* and amounted to SEK 111 M (116).
- An operating loss of SEK 0.8 M (profit: 12.8) was reported and included costs for capacity adjustments totaling SEK 3.3 M, which will reduce the costs yearly with SEK 12 M. The loss after financial items was SEK 3.5 M (profit: 9.8).
- The loss after tax amounted to SEK 0.8 M (profit: 7.0), corresponding to a loss of SEK 0.13 (profit: 1.16) per share.
- In Medical Technology the volume trend will stabilize.

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

“The year 2009 began with a weaker demand trend. Several of the Group’s major customers focused on adjusting inventory levels. During the latter part of 2008 and the first quarter of 2009, capacity adjustments were implemented in response to lower demand. At the same time, we are working actively to take advantage of the market opportunities that arise. Our assessment is that the volume trend has now stabilized in a positive direction. This applies particularly in Medical Technology, where new and expanded business will contribute to improvements from the second half of the year.”

	Jan.- march 2009	Jan.- march 2008	April- march 2008/2009	Jan.- Dec. 2008
Net sales, SEK M	111.7	115.3	495.8	499.4
Growth, %	-8.4 *	13.5	-2.0 *	11.3*
Operating profit, SEK M	-0.8	12.8	36.7	50.3
Operating margin, %	-0.7	11.1	7.4	10.1
Profit/loss after financial items	-3.5	9.8	23.7	37.0
Profit/loss after tax	-0.8	7.0	20.1	27.9
Earnings per share before dilution, SEK	-0.13	1.16	3.33	4.62

\* Adjusted for exchange-rate fluctuations.

### Operations in general

The Group is active in two business areas – Medical Technology and Precision Technology. The emphasis is on Medical Technology.

The Elos B share is classified among companies in the Health Care sector on the Nasdaq OMX Stockholm Exchange. The complete designation is 35101010 – Health Care Equipment. The company's name was changed during 2008 from AB Westergyllen to Elos AB following decision by the Annual General Meeting.

### Invoicing and earnings, January - March 2009

The Group's net sales declined during the beginning of the year and amounted to SEK 111.7 M (115.3). Adjusted for exchange-rate fluctuations, sales were about SEK 10 M lower than in the preceding year. Order bookings fell during the quarter and amounted to SEK 111 M (116). Adjusted for exchange-rate effects, the decline was 10%.

An operating loss of SEK 0.8 M (profit: 12.8) was reported. In addition to costs for capacity adjustments totaling SEK 3.3 M, earnings were affected by lower volumes during the quarter. The Group's net financial items amounted to a loss of SEK 3.5 M (income: 9.8).

The loss after tax amounted to SEK 0.8 M (profit: 7.0), corresponding to a loss of SEK 0.13 (profit: 1.16) per share before dilution.

### Medical Technology

This business area consists of the units Elos Medical and Elos Pinol. Combined, these units are one of Europe's leading development and production partners in precision products used in medical technology and components, such as dental and orthopedic implants and instruments.

SEK M	Jan.-March 2009	Jan.-March 2008	April-March 2008/2009	Jan.-Dec. 2008
Net sales	67.6	70.0	304.7	307.1
Growth, %	-11.9 *	13.3	-2.9 *	7.4*
Operating profit	0.2	9.3	27.3	36.4
Operating margin, %	0.3	13.3	9.0	11.9

Medical Technology, which is a priority growth area within the Group, was negatively affected during the beginning of the year by decreased demand from customers that had prioritized adapting inventory levels to a weaker demand scenario. The underlying demand situation varied between the different prioritized market segments during the year. Growth in market segments that are wholly or partially financed by the consumer, such as dental implants and hearing aids, were affected by general trends, while areas in which public healthcare services carry the costs were affected to a lesser extent.

The orthopedic segment, Trauma and Spine, continued to show stable demand. Elos Medical continued its work to develop business relations with several new customers that have significant growth potential in the area of orthopedics. The diabetes segment also showed a stable and positive trend. The dental segment continued to show sharp variations in demand, which had a negative impact on Elos Pinol's delivery and earnings trends. As a consequence, additional measures were implemented during the quarter to adapt costs to a weaker volume trend. This resulted in staff reductions within Elos Pinol during the quarter.

Net sales amounted to SEK 67.6 M (70.0), which was a decline of 12% after adjustment for exchange-rate fluctuations. Order bookings amounted to SEK 70.6 M (70.5), corresponding to a decline of 9% adjusted for exchange-rate fluctuations. The volume decline was primarily attributable to Dental and Sound & vibration. Lower capacity utilization and costs for capacity adjustments totaling SEK 2.1 M depressed operating profit, which amounted to SEK 0.2 M (9.3). Adjusted for capacity-adjustment measures, the operating margin amounted to 3.4% (13.3).

### *Precision Technology*

The business area comprises the Elos Precision and Elos Fixturlaser units. Elos Precision specializes in the manufacture of small complex components with stringent precision and quality requirements. Elos Fixturlaser manufactures and markets laser-based alignment and positioning systems.

<b>SEK M</b>	<b>Jan.-March 2009</b>	Jan.-March 2008	<b>April-March 2008/2009</b>	<b>Jan.-Dec. 2008</b>
Net sales	44.5	45.5	193.2	194.2
Growth, %	-2.2	11.5	-0.5	16.6
Operating profit	1.0	5.0	17.0	21.0
Operating margin, %	2.2	11.0	8.8	10.8

The Precision Technology business area presents a fragmented picture. The portion of operations related to the energy sector (turbines, offshore and wind power) continued to experience satisfactory demand. Other market segments (process and engineering industries) were clearly affected by general market trends.

For Elos Precision, this meant that the turbine and offshore segments continued to develop positively. Other market segments showed a very weak trend, with the result that additional measures were implemented to adjust costs to prevailing volume trends through staff reductions.

Elos Fixturlaser's order bookings were negatively affected by general market trends. The decline in activity and willingness to invest was particularly evident in the US and Western Europe.

Net sales for the business area amounted to SEK 44.5 M (45.5). Order bookings declined during the quarter by 12% to SEK 40.2 M (45.7). Operating profit fell and amounted to SEK 1.0 M (5.0). The decline was due to reduced volumes, uneven capacity utilization and costs for capacity adjustments totaling SEK 1.1 M. Adjusted for capacity-adjustment measures, the operating margin was 4.7% (11.0).

### **Investments**

The Group's investments in buildings, land, machinery and equipment totaled SEK 17.1 M (9.9). Most of these investments, SEK 12.6 M (1.1), were attributable to Elos Pinol and the turbine segment. In addition, SEK 2.1 M (0.6) was invested in capitalized development expenditures.

### **Financial position and liquidity**

The Group's total assets rose SEK 18 M and amounted to SEK 589 M (571). The increase is partly attributable to an increase in working capital, as well as increased fixed assets.

Consolidated shareholders' equity amounted to SEK 198 M (199). Shareholders' equity per share amounted to SEK 32.66 (32.91).

Risk-bearing shareholders' equity amounted to SEK 227 M (229) on March 31, 2009, corresponding to 38.6% (40.0) of total capital. The Group's equity/assets ratio was 33.5% (34.9).

The Group's cash flow from operating activities declined and was negative in an amount of SEK 2.0 M (pos: 6.6). Cash flow after investments and sales of fixed assets was negative in an amount of SEK 8.9 M (pos: 1.2).

The Group's net borrowing increased during the quarter and amounted to SEK 247 M (226). The Group's cash and cash equivalents, including unutilized overdraft facilities, totaled SEK 102.2 M (109.8) on March 31, 2009.

### **Human resources**

The number of employees declined during the quarter, and on March 31, 2009, the Group had 344 (373) full-time employees.

### **Convertibles program**

The Annual General Meeting of Elos AB of April 28, 2008, approved the Board's proposal to issue a maximum of 200,000 convertibles in a nominal maximum amount of SEK 16,000,000, with a lifetime extending from July 1, 2008, through June 30, 2011. Notwithstanding the preferential rights of shareholders, the right to subscribe for the convertibles accrues to persons who at the expiration of the subscription period were permanently employed in the Group. Employees in the Elos Group have subscribed for convertibles in a total amount of SEK 13,920,000, corresponding to 185,600 convertibles at a conversion price of SEK 75. If all convertibles are converted to shares, the dilution effect will be 3.1% of the share capital and 1.2% of the voting rights, based on the current number of registered shares. The interest rate on the convertibles is set at 4.45%. During the period from May 1 to June 15, 2011, each convertible may be converted to one Series B share in Elos. Transactions in conjunction with the convertibles were conducted in July 2008 and are included in the Group's subsequent reporting. The share of shareholders' equity was calculated according to IAS 32.

### **Parent Company**

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

The Parent Company's net sales amounted to SEK 1.2 M (1.1). Earnings after financial items amounted to a loss of SEK 9.0 M (loss: 1.8). This includes a currency loss from hedging of a net investment in foreign operations of SEK 6.7 M (gain: 0.1).

The share of risk-bearing equity was 67.7% (70.0). The equity/assets ratio amounted to 67.7% (70.1). The Parent Company's cash and cash equivalents including unutilized overdraft facilities amounted to SEK 85.8 M (89.1).

### **Significant risks and uncertainty factors**

The Group's significant risks and uncertainty factors include business risks associated with customers and suppliers and other external factors, such as risks related to the prices of input goods. In addition, there are financial risks associated with changes in exchange and interest rates. A detailed description of the Group's risks and uncertainty factors, and of how they are managed, is presented in the Board of Directors' Report in the 2008 Annual Report.

### **Accounting principles**

The consolidated accounts for the first quarter of 2009, as well as the year-end accounts for 2008, were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with the Annual Accounts Act and recommendation RFR 2.2 Reporting of Legal Entities issued by the Swedish Financial Reporting Board.

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

The Group applies the same accounting principles as described in the 2008 annual report with the following exceptions due to new or revised standards, interpretations and improvements adopted by the EU that must be applied as of January 1, 2009. Only those changes that affected the Group are included in this description. Further details relating to new standards are provided in the 2008 annual report.

### **New or revised standards**

#### *IFRS 8 Operating Segments*

Implementation of IFRS 8 did not result in any other segments than those reported as primary in accordance with IAS 14.

#### *Revised IAS 1 Presentation of Financial Reports*

This standard introduces the concept "Statement of comprehensive income," which presents all income and expense items that were previously recognized in the statement of equity, either as a separate statement or in two connected statements. The Group has elected to present the statement of comprehensive income in two connected statements.

#### **Forecast 2009**

Overall, the volume trend is expected to stabilize. This applies primarily to the Medical Technology business area where new and expanded business will contribute to improvements from the second half of the year.

#### *Forecast 2009 from the year-end report on February 20, 2009:*

Elos' major focus is within Medical Technology business area, the operations of which are less cyclical. The Precision Technology business area includes areas of operation that are more dependent on trends in the business environment.

#### **Financial information 2009**

The interim report for the second quarter will be published on August 20, 2009.  
The interim report for the third quarter will be published on October 23, 2009.

Lidköping April 29, 2009

Göran Brorsson  
President and CEO

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## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jan-Mar 2009	Jan-Mar 2008	Apr-Mar 2008/2009	Jan-Dec 2008
Net sales	111,7	115,3	495,8	499,4
Cost of goods sold	-89,0	-80,8	-368,4	-360,2
<b>Gross profit</b>	<b>22,7</b>	34,5	<b>127,4</b>	139,2
Selling expenses	-6,8	-6,5	-27,2	-26,9
Administration expenses	-12,0	-10,9	-47,0	-45,9
Development expenses	-4,8	-4,6	-19,1	-18,9
Other operating income/expenses	0,1	0,3	2,6	2,8
<b>Operating profit</b>	<b>-0,8</b>	12,8	<b>36,7</b>	50,3
Financial income	0,2	0,3	1,3	1,4
Financial expenses	-2,9	-3,3	-14,3	-14,7
<b>Result after financial items</b>	<b>-3,5</b>	9,8	<b>23,7</b>	37,0
Taxes	2,7	-2,8	-3,6	-9,1
<b>Result for the period</b>	<b>-0,8</b>	7,0	<b>20,1</b>	27,9
<b>Result attributable to:</b>				
Equity holders of the parent	-0,8	7,0	20,1	27,9
<b>Statements of comprehensive income</b>				
<b>Result for the period</b>	<b>-0,8</b>	7,0	<b>20,1</b>	27,9
<b>Other comprehensive income</b>				
Translation difference	0,0	-0,7	14,6	13,9
Hedging of net investment	-0,6	0,2	-8,8	-8,0
<b>Total comprehensive income</b>	<b>-1,4</b>	6,5	<b>25,9</b>	33,8
<b>Result attributable to:</b>				
Equity holders of the parent	-1,4	6,5	25,9	33,8
EBITDA	7,6%	18,0%	14,6%	17,0%
EBIT	-0,7%	11,1%	7,4%	10,1%
Depreciation charged against earnings	9,3	8,0	35,7	34,4
Earnings per share (SEK) before dilution	-0:13	1:16	3:33	4:62
Earnings per share (SEK) after dilution**	-0:13	-	3:30	4:58
Number of shares (thousands) before dilution	6 051	6 051	6 051	6 051
Number of shares (thousands) after dilution**	6 237	-	6 190	6 144
Number of shares end of period (thousands)	6 051	6 051	6 051	6 051

\*\* Coniderations to convertibles issued 2008-07-01

## CONSOLIDATED CASH FLOW STATEMENT

SEK M	Jan-Mar 2009	Jan-Mar 2008	Jan-Dec 2008
Profit after net financial items	-3,5	9,8	37,0
Adjustment items	9,0	7,9	33,8
Income tax paid	-0,6	-1,2	-0,8
Change in working capital	-6,9	-9,9	-0,3
<b>Cash flow from remaining operations</b>	<b>-2,0</b>	6,6	69,7
Investments in other fixed assets	-7,0	-5,6	-18,9
Sales of other fixed assets	0,1	0,2	3,1
<b>Balance after investments in fixed assets</b>	<b>-8,9</b>	1,2	53,9
Change in interest-bearing loans	5,2	1,9	-24,4
Dividends	0,0	0,0	-9,1
<b>Cash flow for the period</b>	<b>-3,7</b>	3,1	20,4
Liquid funds at beginning of the year	41,2	20,8	20,8
Exchanges-rate differences in liquid funds	0,0	0,0	0,0
<b>Liquid funds at end of the period</b>	<b>37,5</b>	23,9	41,2

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	2009-03-31	2008-03-31	2008-12-31
<b>Assets</b>			
Intangible fixed assets	58,5	49,2	57,3
Tangible fixed assets	260,6	230,2	251,9
Financial fixed assets	0,0	0,0	0,0
Other current assets	231,3	220,4	219,5
Cash and bank balances	37,5	23,9	41,2
Asset for sale	1,5	1,5	1,5
<b>Total assets</b>	<b>589,4</b>	525,2	571,4
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	197,7	180,8	199,1
Long-term liabilities	253,4	219,7	238,9
Current liabilities	138,3	124,7	133,4
<b>Total shareholders' equity and liabilities</b>	<b>589,4</b>	525,2	571,4

## CHANGES IN SHAREHOLDERS' EQUITY

SEK M	31 Mar 2009	31 Dec 2008
Opening balance	199,1	174,4
Dividends	-	-9,1
Total earnings	-1,4	33,8
<b>Closing balance, shareholders' equity</b>	<b>197,7</b>	199,1

## KEY FIGURES

SEK M		<b>Jan-Mar 2009</b>	Jan-Mar 2008	Jan-Dec 2008
Return on capital employed	%	<b>-0,5</b>	12,2	11,6
Return on shareholders' equity	%	<b>-1,6</b>	15,9	15,0
Share of risk-bearing capital	%	<b>38,6</b>	38,7	40,0
Equity/assets ratio	%	<b>33,5</b>	34,4	34,9
Net debt	SEK M	<b>247,2</b>	231,2	225,8
Investments excluding shares	SEK M	<b>19,2</b>	10,5	44,7
Number of employees		<b>370</b>	369	368
Shareholders' equity per share	SEK	<b>32:66</b>	29:88	32:91

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

Net sales SEK M	<b>Jan-Mar 2009</b>	Jan-Mar 2008	<b>Apr-Mar 2008/2009</b>	Jan-Dec 2008
Medical Technology	<b>67,6</b>	70,0	<b>304,7</b>	307,1
Precision Technology	<b>44,5</b>	45,5	<b>193,2</b>	194,2
Other	<b>-0,4</b>	-0,2	<b>-2,1</b>	-1,9
<b>Total</b>	<b>111,7</b>	115,3	<b>495,8</b>	499,4

Operatin profit/loss SEK M	<b>Jan-Mar 2009</b>	Jan-Mar 2008	<b>Apr-Mar 2008/2009</b>	Jan-Dec 2008
Medical Technology	<b>0,2</b>	9,3	<b>27,3</b>	36,4
Precision Technology	<b>1,0</b>	5,0	<b>17,0</b>	21,0
Other	<b>-2,0</b>	-1,5	<b>-7,6</b>	-7,1
<b>Total</b>	<b>-0,8</b>	12,8	<b>36,7</b>	50,3



## QUARTERLY FIGURES - GROUP

	Q 1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2009	2008	2008	2008	2008	2007	2007	2007	2007
Net sales	111,7	139,3	122,1	122,7	115,3	120,8	99,5	110,9	101,6
Cost of goods sold	-89,0	-100,6	-91,1	-87,7	-80,8	-82,5	-68,1	-79,9	-71,2
<b>Gross profit</b>	<b>22,7</b>	38,7	31,0	35,0	34,5	38,3	31,4	31,0	30,4
Selling. Admin. And developm.expens.	-23,6	-25,4	-20,6	-23,7	-22,0	-23,5	-18,6	-20,9	-21,5
Other operating items	0,1	1,5	0,1	0,9	0,3	0,5	1,5	1,3	0,2
<b>Operating profit/loss</b>	<b>-0,8</b>	14,8	10,5	12,2	12,8	15,3	14,3	11,4	9,1
Net financial items	-2,7	-3,8	-3,4	-3,1	-3,0	-3,6	-3,5	-3,2	-2,5
<b>Profit/loss after financial items</b>	<b>-3,5</b>	11,0	7,1	9,1	9,8	11,7	10,8	8,2	6,6
Taxes	2,7	-1,7	-2,1	-2,5	-2,8	-2,1	-3,1	-2,3	-1,9
<b>Profit/loss after taxes for remaining operations</b>	<b>-0,8</b>	9,3	5,0	6,6	7,0	9,6	7,7	5,9	4,7

## QUARTELY FIGURES - BUSINESS AREAS

Net sales	Q 1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2009	2008	2008	2008	2008	2007	2007	2007	2007
Mecial Technology	67,6	85,5	72,8	78,8	70,0	73,2	63,4	71,2	61,8
Precision Technology	44,5	54,7	49,4	44,6	45,5	48,8	36,7	40,3	40,8
Other	-0,4	-0,9	-0,1	-0,7	-0,2	-1,2	-0,6	-0,6	-1,0
<b>Total remaining operations</b>	<b>111,7</b>	139,3	122,1	122,7	115,3	120,8	99,5	110,9	101,6
<b>Operating profit/loss</b>		Kv 4	Kv 3	Kv 2	Kv 1	Kv 4	Kv 3	Kv 2	Kv 1
SEK M	2009	2008	2008	2008	2008	2007	2007	2007	2007
Medical Technology	0,2	10,2	7,3	9,6	9,3	10,2	9,9	11,7	8,1
Precision Technology	1,0	6,4	5,0	4,6	5,0	6,4	5,9	1,1	2,2
Other	-2,0	-1,8	-1,8	-2,0	-1,5	-1,3	-1,5	-1,4	-1,2
<b>Total remaining operations</b>	<b>-0,8</b>	14,8	10,5	12,2	12,8	15,3	14,3	11,4	9,1

## PARENT COMPANY INCOME STATEMENT

SEK	Jan-Mar 2009	Jan-Mar 2008	Apr-Mar 2008/2009	Jan-Dec 2008
Net sales	1,2	1,1	4,1	4,0
Cost of goods sold	0,0	0,0	0,0	0,0
<b>Gross profit</b>	<b>1,2</b>	<b>1,1</b>	<b>4,1</b>	<b>4,0</b>
Administration expenses	-3,2	-2,8	-11,1	-10,7
Other operating income/expenses	0,0	0,0	0,0	0,0
<b>Operating profit</b>	<b>-2,0</b>	<b>-1,7</b>	<b>-7,0</b>	<b>-6,7</b>
Result fr. participations in group comp.	0,0	0,0	7,5	7,5
Financial income	0,2	0,6	1,8	2,2
Financial expenses	-7,2	-0,7	-9,6	-3,1
<b>Result after financial items</b>	<b>-9,0</b>	<b>-1,8</b>	<b>-7,3</b>	<b>-0,1</b>
Taxes	2,4	0,5	4,0	2,1
<b>Result of the year</b>	<b>-6,6</b>	<b>-1,3</b>	<b>-3,3</b>	<b>2,0</b>

## PARENT COMPANY BALANCE SHEET

SEK	2009-03-31	2008-03-31	2008-12-31
<b>Assets</b>			
Tangible fixed assets	0,4	0,5	0,4
Financial fixed assets	139,8	139,9	139,8
Other current assets	20,6	19,4	20,2
Cash and bank balances	35,8	23,0	39,1
<b>Total assets</b>	<b>196,6</b>	<b>182,8</b>	<b>199,5</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	132,1	139,0	138,7
Untaxed reserves	1,4	1,4	1,4
Provision	5,5	5,7	5,4
Long-term liabilities	31,2	22,8	33,1
Current liabilities	26,4	13,9	20,9
<b>Total shareholders' equity and liabilities</b>	<b>196,6</b>	<b>182,8</b>	<b>199,5</b>

The information of this interim report is of the kind that Elos have to make public according to the Securities Markets Act and/or the Financial Instruments Trading Act.

The information was made public on April 29, 2009 at 13.00 (CET)

The company's auditors have not audited this interim report.