

INTERIM REPORT FIRST QUARTER 2015

First quarter

- Net sales increased by 32% to SEK 116.9 (88.6) million. Adjusted to fixed exchange rates, net sales increased by 15%.
- Operating profit increased by 44% to SEK 45.4 (31.6) million.
- Profit before tax, excluding non-recurring items, increased by 106% to SEK 36.0 (17.5) million.

Amounts in SEK millions (unless stated otherwise)	Q1 2015	Q1 2014	Δ%	2014
Net sales	116.9	88.6	15 ¹	383.7
Operating profit ¹	45.4	31.6	44	127.8
Operating profit margin, % ¹	38.8	35.7		33.3
Profit before tax ¹	36.0	17.5	106	76.4
Operating cash flow	35.2	23.1	52	135.3
Operating cash conversion, %	78	73		109
Earnings per share ¹ (SEK)	0.55	0.25	120	1.07
Average number of shares ('000)	52 594	52 594		52 594
¹ Adjusted to fixed exchange rates and excluding non-recurring items - see adjusted performance measures on page 4.				
Operating profit - reported	45.4	31.6		124.4
Profit/loss before tax - reported	19.0	13.2		-4.7
Earnings/loss per share - reported (SEK)	0.29	0.17		-0.15

Operations

First quarter

Market

The demand in the markets in which we operate has continued to develop in line with the previous quarter. The market for our products in the UK and USA has been strong. We are nonetheless cautious about the general pace of economic activity in Europe and also the degree of customer expenditure in the oil and gas sectors following the decline in commodity prices.

The strong sales growth noted below also needs to be considered in the context of softer market conditions in the first quarter last year, being the weakest quarter of 2014.

Sales

Sales for the first quarter amounted to SEK 116.9 (88.6) million delivering an increase of 32% as reported. At fixed exchange rates sales increased by 15% compared with the same period last year and by 10% compared with the fourth quarter of 2014.

Sales of high temperature materials amounted to SEK 69.0 (48.3) million delivering an increase of 43% as reported. At fixed exchange rates sales increased by 26% compared with the same period last year and by 9% compared with the fourth quarter of 2014. The performance was driven by continued strong sales of fire protection products in the US and UK markets as well as very strong sales of ceramic conveyor rollers.

Sales of wear parts and bearings amounted to SEK 47.9 (40.3) million delivering an increase of 19% as reported. At fixed exchange rates sales increased by 2% compared with the same period last year and by 12% compared with the fourth quarter of 2014. The sales result benefitted from tanker pad wear part sales that were largely absent in 2014.

Tenmat management transition

After joining the company in November 2014 and following a period of orderly transition, Gordon MacLeman has recently taken over the position of Managing Director for the Tenmat business. Anthony Moore remains actively engaged in the business having assumed the position of Chairman of Tenmat as well as continuing in his role as a director of Diamorph AB (publ).

Gordon has a degree in Finance from Glasgow University and has spent the last 31 years in the coatings and chemicals industry, working for Courtaulds plc and Akzo Nobel. He held various senior leadership positions in Akzo Nobel, most recently as Managing Director of one of its European performance coatings businesses.

Financial performance

Revenues and profits

The net sales amounted to SEK 116.9 (88.6) million in first quarter delivering an increase of 32% as reported. Adjusted to fixed exchange rates sales increased by 15%.

The gross profit amounted to SEK 65.8 (49.5) million in the first quarter and the gross profit of 56.3% (55.9%) margin was maintained at a similar level to the previous year.

Operating expenses in the first quarter amounted to SEK 20.4 (17.9) million representing an increase of 14% as reported. At fixed exchange rates operating expenses remained level as the cost reduction actions taken at the end of 2014 offset increases in the Tenmat and Hob Certec businesses needed to support growth.

Operating profit amounted to SEK 45.4 (31.6) million in the first quarter. This delivered an improved operating profit margin of 39% (36%) largely as a consequence of increased sales volumes.

Net financial expenses amounted to SEK 26.4 (18.4) million in the first quarter. Underlying net financing charges reduced to SEK 9.4 million (14.1) million in the first quarter, a result of the strategic refinancing of the bond in September 2014. Non-recurring financial charges totalled SEK 17.0 (4.3) million in the first quarter. They mainly comprise exchange gains and losses on third party and intercompany financing balances.

Adjusted profits before tax (adjusted to remove the effect of non-recurring financing items) increased by 106% to SEK 36.0 (17.5) million in the first quarter.

Income taxes amounted to a charge of SEK 3.8 (3.8) million in the first quarter. The underlying tax charge was SEK 7.2 (3.8) million in the first quarter, the increase largely due to an increase in underlying profits before tax. Non-recurring tax credits (arising on the non-recurring financing items) totalled SEK 3.4 (-) million in the first quarter.

After allowing for the profits after tax attributable to minority interests, adjusted earnings per share (adjusted for non-recurring financing and tax items) increased by 120% to SEK 0.55 (0.25) per share in the first quarter.

Cash flow and financial position

Cash flow from operations before changes in working capital amounted to SEK 28.9 (3.9) million in the first quarter. This is influenced by both the improvement in operating profit performance and the reduction in interest payments arising from the strategic refinancing of the bond.

Changes in working capital reduced cash flow by SEK 10.0 (8.4) million in the first quarter primarily due to the impact of higher trade receivables arising from increased sales.

Cash outflows from investment activities were SEK 18.7 (2.3) million in the first quarter. This included the final cash flow of SEK 14.4 million relating to the acquisition of the Tenmat business and the first annual payment of GBP 230,000 (SEK 2.9 million) agreed with the trustees of the Tenmat defined benefit pension scheme.

Cash flows from financial activities amounted to an outflow of SEK 1.9 (1.9) million in the first quarter. This relates to the continued amortisation of the bank loan in the Hob Certec business.

Cash flow for the period therefore amounted to a cash outflow of SEK 1.7 (8.7) million in the first quarter. After adjusting for exchange rate differences, cash and cash equivalents at the end of the period amounted to SEK 102.9 (133.5) million.

Equity and number of shares

The parent company's share capital at March 31, 2015 consisted of SEK 1,100,313 divided into 52,593,751 shares with a quota value of SEK 0.0209.

Group equity at March 31, 2015 amounted to SEK 458.8 (326.9) million, an increase of SEK 73.6 (15.1) million since the start of the year. In addition to the net profit of SEK 15.2 (9.4) million reported for the period, foreign exchange gains of SEK 58.4 (5.7) million arose primarily on GBP denominated net assets within the business.

Employees

As of March 31, 2015 the Diamorph group had 251 (261) employees.

Parent company

The parent company's net revenue for the first quarter amounted to SEK 1.0 (0.8) million. The operating profit amounted to SEK 0.2 (loss of 2.4) million, the improvement reflecting cost reduction actions taken.

Cash and cash equivalents at the end of the period amounted to SEK 1.9 (19.3) million and investments in marketable securities amounted to SEK 7.5 (-) million.

Risks and uncertainties

The risk assessment is unchanged compared to the risk situation presented in the Annual Report for 2014.

Accounting principles

The accounting policies are unchanged since the last annual report. For a detailed description of the accounting policies applied to the Group and the parent company in this report, see the Annual Report for fiscal year 2014, page 28.

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 29 and 30 in the Annual Report for fiscal year 2014 and are unchanged.

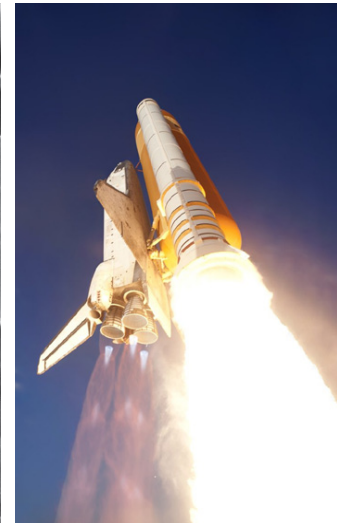
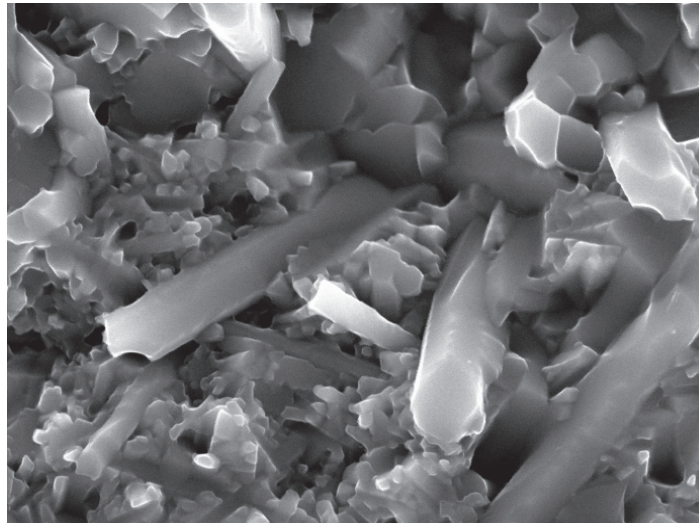
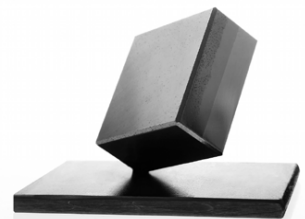
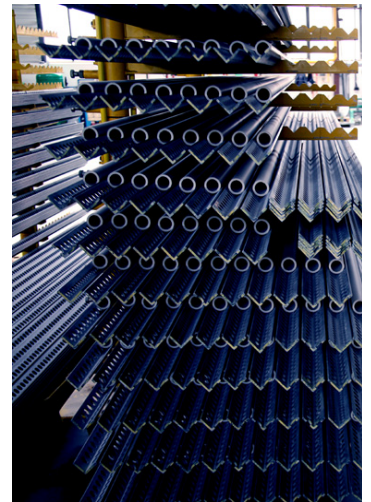
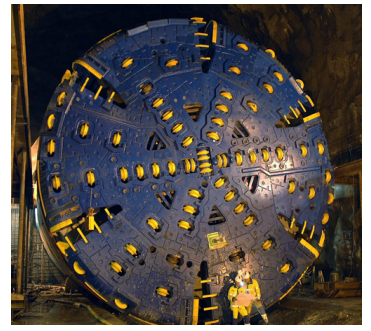
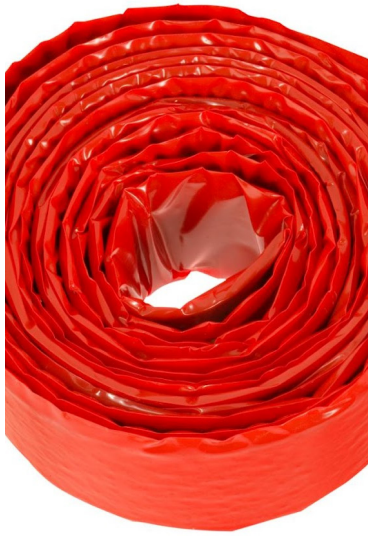
Approval and audit

The interim financial statements were approved by the board of directors on May 20, 2015.

The interim financial statements have not been audited.

Stockholm May 20, 2015.

Fredrik Svedberg
CEO



Group income statement

Amounts in Swedish Krona (SEK) millions	Q1 2015	Q1 2014	2014
Net sales	116.9	88.6	383.7
Cost of goods sold	-51.1	-39.1	-171.1
Gross profit	65.8	49.5	212.6
<i>Operating expenses</i>			
Sales	-11.1	-9.3	-42.5
Admin	-7.2	-5.5	-30.2
R&D	-2.1	-3.1	-12.4
Other operating income	-	-	0.3
Operating expenses	-20.4	-17.9	-84.8
Operating profit before non-recurring items	45.4	31.6	127.8
Non-recurring items	-	-	-3.4
Operating profit	45.4	31.6	124.4
<i>Financial items</i>			
Financial income	-	0.1	0.3
Financial expenses	-9.4	-14.2	-51.7
Non-recurring financial charges	-17.0	-4.3	-77.7
Net financial	-26.4	-18.4	-129.1
Profit/loss before income tax	19.0	13.2	-4.7
Income taxes	-3.8	-3.8	-1.1
Profit/loss for the period	15.2	9.4	-5.8
Consolidated statement of comprehensive income			
Profit/loss for the period	15.2	9.4	-5.8
<i>Other comprehensive profit/loss for the period</i>			
Actuarial loss, net after tax	-	-	-34.2
Exchange rate differences	58.4	5.7	117.7
Other comprehensive profit for the period	58.4	5.7	83.5
Total comprehensive profit for the period	73.6	15.1	77.7
<i>Profit/loss for the period attributable to:</i>			
Parent Company shareholders	15.0	8.8	-8.1
Non-controlling interests	0.2	0.6	2.3
<i>Total comprehensive profit attributable to:</i>			
Parent Company shareholders	72.8	14.6	74.3
Non-controlling interests	0.8	0.5	3.4

Group balance sheet

Amounts in Swedish Krona (SEK) millions	Q1 2015	Q1 2014	2014
ASSETS			
<i>Fixed assets</i>			
Intangible assets	777.4	661.9	741.9
Tangible assets	68.1	62.5	65.1
Financial assets	-	24.1	-
Total fixed assets	845.5	748.5	807.0
<i>Current assets</i>			
Inventories	29.3	30.6	28.8
Accounts receivable	81.7	62.4	69.0
Other receivables	7.4	8.0	10.9
Investments in marketable securities	7.5	-	9.0
Restricted cash	8.1	3.1	8.2
Cash and cash equivalents	102.9	133.5	104.2
Total current assets	236.9	237.6	230.1
TOTAL ASSETS	1082.4	986.1	1037.1
EQUITY			
<i>Equity</i>	458.8	326.9	385.2
Total equity	458.8	326.9	385.2
LIABILITIES			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	521.0	439.8	522.8
Pension liability	15.5	-	17.5
Deferred tax liability	32.4	36.4	30.9
Provisions	-	28.5	-
Other non-current financial liabilities	4.3	-	4.3
Total long-term liabilities	573.2	504.7	575.5
<i>Current liabilities</i>			
Interest-bearing liabilities	7.3	7.0	7.5
Accrued interest	2.5	11.9	11.3
Accounts payable	23.7	24.6	22.1
Other liabilities and provisions	16.9	111.0	35.5
Total current liabilities	50.4	154.5	76.4
TOTAL LIABILITIES AND EQUITY	1082.4	986.1	1037.1

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 2015-01-01	365.9	19.3	385.2
Profit/loss for the period	15.0	0.2	15.2
<i>Other comprehensive income</i>			
Exchange differences	57.8	0.6	58.4
Balance on 2015-03-31	438.7	20.1	458.8
Opening balance as per 2014-01-01	295.4	16.4	311.8
Profit/loss for the period	8.8	0.6	9.4
<i>Other comprehensive income</i>			
Exchange differences	5.8	-0.1	5.7
Balance on 2014-03-31	310.0	16.9	326.9
Opening balance as per 2014-01-01	295.4	16.4	311.8
Profit/loss for the period	-8.1	2.3	-5.8
<i>Other comprehensive income</i>			
Actuarial profit/loss on defined benefit pension schemes	-42.7	-	-42.7
Tax on actuarial gain/loss on defined benefit pension schemes	8.5	-	8.5
Exchange differences	116.6	1.1	117.7
<i>Transactions with shareholders</i>			
Revaluation of put option over non-controlling interests	-3.8	-0.5	-4.3
Balance on 2014-12-31	365.9	19.3	385.2

Group cash flow

Amounts in Swedish Krona (SEK) millions	Q1 2015	Q1 2014	2014
<i>Cash flow from operations</i>			
Operating profit	45.4	31.6	124.4
<i>Adjustments for items not included in cash flow:</i>			
Depreciation & amortisation	2.7	2.2	13.0
Interest received	-	-	0.3
Interest paid	-17.8	-26.0	-64.8
Tax paid	-1.4	-3.9	-11.3
Cash flow from operations before change in working capital	28.9	3.9	61.6
Changes in working capital	-10.0	-8.4	4.5
Cash flow from operations	18.9	-4.5	66.1
<i>Cash flow from investment activities</i>			
Payments relating to acquisition of subsidiaries	-14.4	-	-117.9
Transfer of restricted cash relating to acquisition of subsidiaries	-	-	-4.8
Payment to defined benefit pension scheme	-2.9	-	-
Investments in tangible and intangible fixed assets	-2.9	-2.3	-6.6
Investments in/disposable of marketable securities	1.5	-	-9.0
Total cash flow from investment activities	-18.7	-2.3	-138.3
Free cash flow for the period	0.2	-6.8	-72.2
<i>Cash flow from financial activities</i>			
New loans, net of transaction costs	-	-	349.2
Repayment of loans, including early redemption fee	-	-	-314.9
Amortisation of loans	-1.9	-1.9	-10.7
Total cash flow from financial activities	-1.9	-1.9	23.6
Cash flow for the period	-1.7	-8.7	-48.6
Cash and cash equivalents at beginning of period	104.2	141.4	141.4
Exchange rate difference	0.4	0.8	11.4
Cash and cash equivalents at end of period	102.9	133.5	104.2

Parent Company income statement

Amounts in Swedish Krona (SEK) millions	Q1 2015	Q1 2014	2014
Net sales	1.0	0.8	3.4
Cost of goods sold	-	-	-
Gross profit	1.0	0.8	3.4
<i>Operating expenses</i>			
Selling expenses	-0.2	-0.8	-3.8
Administrative expenses	-0.6	-1.2	-5.0
Research and development	-	-1.2	-4.3
Operating expenses	-0.8	-3.2	-13.1
Operating profit/loss before non-recurring items	0.2	-2.4	-9.7
Non-recurring items	-	-	-3.4
Operating profit/loss	0.2	-2.4	-13.1
<i>Financial items</i>			
Financial income	9.6	14.0	95.5
Financial expenses	-9.4	-13.7	-96.3
Net financial	0.2	0.3	-0.8
Profit/loss before income tax	0.4	-2.1	-13.9
Income tax	-	-	-
Profit/loss for the period	0.4	-2.1	-13.9

Parent Company balance sheet

Amounts in Swedish Krona (SEK) millions	Q1 2015	Q1 2014	2014
ASSETS			
<i>Fixed assets</i>			
Tangible assets	-	3.2	-
Financial assets	683.6	604.8	683.2
Total fixed assets	683.6	608.0	683.2
<i>Current assets</i>			
Other receivables	42.0	47.2	49.2
Investments in marketable securities	7.5	-	9.0
Cash and cash equivalents	1.9	19.3	2.9
Total current assets	51.4	66.5	61.1
TOTAL ASSETS	735.0	674.5	744.3
EQUITY AND LIABILITIES			
<i>Equity</i>	224.7	236.1	224.3
Total equity	224.7	236.1	224.3
<i>Long-term liabilities</i>			
Interest bearing liabilities	492.3	413.1	491.8
Total long-term liabilities	492.3	413.1	491.8
<i>Current liabilities</i>			
Accrued interest	2.4	11.9	11.2
Accounts payable	0.1	0.5	0.2
Other liabilities	15.5	12.9	16.8
Total current liabilities	18.0	25.3	28.2
Total liabilities	735.0	674.5	744.3

Parent Company cash flow

Amounts in Swedish Krona (SEK) millions	Q1 2015	Q1 2014	2014
<i>Cash flow from operations</i>			
Operating profit/loss	0.2	-2.4	-13.1
<i>Adjustments for items not included in cash flow:</i>			
Depreciation & amortisation	-	0.1	3.3
Interest received	17.5	-	37.7
Interest paid	-17.5	-25.5	-63.2
Cash flow from operations before change in working capital	0.2	-27.8	-35.3
Changes in working capital	-2.7	-0.7	-2.1
Cash flow from operations	-2.5	-28.5	-37.4
<i>Cash flow from investment activities</i>			
Repayment of long term receivable	-	-	2.0
Increase in long term loan to Group companies	-	-	-34.8
Investments in/disposal of marketable securities	1.5	-	-9.0
Total cash flow from investment activities	1.5	-	-41.8
Free cash flow for the period	-1.0	-28.5	-79.2
<i>Cash flow from financial activities</i>			
New loans, net of transaction costs	-	-	349.2
Repayment of loans, including early redemption fee	-	-	-314.9
Total cash flow from financial activities	-	-	34.3
Cash flow for the period	-1.0	-28.5	-44.9
Cash and cash equivalents at beginning of period	2.9	47.8	47.8
Cash and cash equivalents at end of period	1.9	19.3	2.9

Calendar

Annual General Meeting 20 May 2015
Interim Report Q2 2015 21 August 2015

For more information contact

Fredrik Svedberg, CEO
Telephone: 08 - 612 68 50

Mark Hutchison, CFO
Telephone: +44 7930 118555

Diamorph AB (publ)

The information was submitted for publication on May 20, 2015, 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. Diamorph's vision is to become a globally leading niche supplier of advanced materials. Learn more at www.diamorph.com.



Diamorph AB (publ)

Telephone: 08 - 612 68 50

E-mail: ir@diamorph.com Internet: www.diamorph.com

Visiting address: Roslagstullsbacken 11, 106 91 Stockholm

Registered office: Stockholm Corporate registration number: 556647-5371