

# INTERIM REPORT

## 1 January – 30 September 2019



### THE INTERIM PERIOD

- Net revenue totalled SEK 1,608 million (1,495)
- Operating profit amounted to SEK 184 million (173)
- Profit before tax amounted to SEK 172 million (162)
- Profit after tax amounted to SEK 133 million (126)
- Earnings per share were SEK 4.75 (4.52)

### Important events during the period

- A 2:1 share split was carried out in June
- Acquisition of Kuggteknik

### THE THIRD QUARTER

- Net revenue totalled SEK 463 million (450)
- Operating profit amounted to SEK 39 million (51)
- Profit before tax amounted to SEK 36 million (47)
- Profit after tax amounted to SEK 27 million (36)
- Earnings per share were SEK 0.95 (1.30)

## CEO'S COMMENTS ON THE GROUP'S DEVELOPMENT DURING THE PERIOD

All three business units reported slightly higher volumes during the third quarter compared to the corresponding period last year. The earnings trend varied from segment to segment, with improved profit margin for Industrial Products and continued good profitability for Precision Technology. However, the weaker earnings reported during the quarter, by some of our companies with project-based operations within Industrial Solutions, had a bigger impact. Overall, the profit margin weakened compared to the comparison period. The market conditions shifted within affected sectors, with incoming orders generally being more cautious than during the first half-year. For the interim period (nine months), sales growth amounted to just under 8 per cent, of which just over 5 per cent was organic. Operating profit improved by 7 per cent, while the operating margin fell marginally from 11.6 to 11.5 per cent. The profit margin stood at 10.7 per cent (10.8).

Within the Industrial Products business unit, sales increased by 5 per cent, while operating profit exceeded last year's figure by 23 per cent. Profitability was further strengthened as a result of targeted work in relation to organisational development and efficiency improvements. Sales of proprietary products demonstrated a continued positive trend, principally in respect of the infrastructure area. Growth was also stable for standard products targeted at furniture and fittings manufacturers, primarily on the export markets. However, we are experiencing falling volumes to the automotive industry. On the materials side, work is continuing to increase the share of production using fossil-free and recyclable plastics, as well as designing new, more resource-efficient solutions.

The growth in sales within the Industrial Solutions business unit amounted to 9 per cent, of which just over 5 per cent was organic. Operating profit declined by 1 per cent compared to last year. The accumulated project volumes were higher than those during the comparison period, but generated weaker earnings. Above all, profitability was poorer during the third quarter, in part as a consequence of a less favourable content mix in the project deliveries. Sales linked to customer-specific assignments increased in scope somewhat. The demand situation has become increasingly cautious in several customer segments and has resulted in generally weaker incoming orders, above all in respect of automation projects.

The operations within the Precision Technology business unit reported 8 per cent higher sales, of which 6 per cent was organic growth, and an operating profit that surpassed that of the comparison period by 4 per cent. There was continued high pressure on sales, primarily to the medical technology sector, while demand fell within several other sectors after the summer. Profitability remained at a good level, largely thanks to the companies' high degree of automation and resource-efficient manufacturing. The integration of Kuggteknik in Leksand, which was acquired in

July as a complement to Mikroverktyg, is taking place through frequent exchanges between the units which are being conducted in a positive spirit.

The start of the third quarter in particular was characterised by more tangible uncertainty within parts of the Group's industry segments. We experienced something of a general improvement in stability towards the end of the period, with the exception of project-related operations where incoming orders remained weak. For the immediate future, the focus of our investments remains on the long-term work on capacity reinforcements and optimum utilisation of resources, taking into account any changes in market conditions. Considerable efforts are also being focused on the development of after-sales services and new products. We are noticing a generally more cautious attitude on the part of several of our customers, although we are nevertheless witnessing continued good business opportunities within the Group's business areas.

## GENERAL INFORMATION

All amounts are reported in millions of Swedish kronor and relate to the Group, unless otherwise indicated. Amounts in brackets refer to the corresponding period last year.

## REVENUE AND PROFIT

### *The interim period*

Net revenue totalled SEK 1,608 million (1,495). Operating profit amounted to SEK 184 million (173), corresponding to an operating margin of 11.5 per cent (11.6). Profit before tax was SEK 172 million (162).

### *The third quarter*

Net revenue totalled SEK 463 million (450). Operating profit amounted to SEK 39 million (51), corresponding to an operating margin of 8.5 per cent (11.2). Profit before tax was SEK 36 million (47).

## SHARE DATA AND KEY FIGURES

### *The interim period*

Basic earnings per share were SEK 4.75 (4.52). Equity per share was SEK 27.70 (23.05). The average number of outstanding shares was 27,894,536 during the period. The equity/assets ratio was 37 per cent (32) at the end of the period. The average number of employees was 1,074 (1,009).

## IMPORTANT EVENTS DURING THE PERIOD

Following a decision at the Annual General Meeting, a 2:1 split of the Parent Company's shares was conducted in June.

On 1 July, AB Kuggteknik in Leksand, Sweden, was acquired. Kuggteknik works with cutting machining and has specialist expertise regarding the manufacturing of toothed products in metal. The business possesses resources for production of both prototypes and large volumes to exacting tolerances. Its customers

are found primarily within the tool and machinery manufacturing, medical technology, packaging industry and defence sectors. The company has 25 employees and annual sales totalling SEK 30 million. Kuggteknik is a part of XANO's Precision Technology business unit and supplements existing operations at Mikroverktyg. The acquisition has brought additional technical expertise as well as access to new market segments. Kuggteknik is included in the consolidated results from 1 July 2019. The acquisition is expected to have a marginal effect on XANO's earnings per share.

#### EVENTS AFTER THE END OF THE PERIOD

After the closing day, a new credit agreement has been entered into with the Group's main bank. The agreement runs for three years, with the option of extending for a further one plus one years.

#### INVESTMENTS

##### *The interim period*

Net investments in non-current assets came to SEK 79 million (253), of which SEK 10 million related to corporate transactions, SEK 7 million to intangible non-current assets, SEK 22 million to real estate, SEK 29 million to machinery and equipment and SEK 11 million to right-of-use assets.

##### *The third quarter*

Net investments in non-current assets came to SEK 35 million (13), of which SEK 10 million related to corporate transactions, SEK 2 million to intangible non-current assets, SEK 8 million to real estate, SEK 12 million to machinery and equipment and SEK 3 million to right-of-use assets.

#### CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to SEK 255 million (91) for the interim period. The stronger cash flow in relation to the comparison period is a consequence of the year's higher profits in combination with a decrease in working capital, principally in respect of accounts receivable and contract assets.

Liquid assets, including lines of credit granted but not utilised, totalled SEK 376 million (314) on the closing day.

#### NUMBER OF SHARES AND VOTING RIGHTS

At the Annual General Meeting on 9 May 2019, it was decided to increase the number of shares by splitting each existing share into two new shares of the same type (2:1 split). The split was conducted in June, with 12 June as the record date.

After the share split, the total number of shares stands at 28,186,980, divided between 7,288,800 class A shares and 20,898,180 class B shares. Each class A share entitles ten votes and each class B share entitles one vote. The total number of votes amounts to 93,786,180. The company holds 292,444 of its own class B shares.

#### RISKS AND UNCERTAINTY FACTORS

The Group's main risks and uncertainty factors include operational risks associated with customers and suppliers and other external factors such as price risks for input goods. In addition, there are financial risks as a result of changes in exchange rates and interest rate levels.

A statement on the Group's main financial and operational risks can be found on pages 77–78 of the annual report for 2018. No additional significant risks are deemed to have arisen.

#### ANNUAL GENERAL MEETING 2020

The upcoming AGM will take place in Jönköping on Thursday 7 May 2020.

At the AGM on 9 May 2019, a Nomination Committee consisting of Ulf Hedlundh (Chairman), Anders Rudgård and Anna Benjamin was appointed. The task of this committee prior to the 2020 AGM is to nominate a Chairman of the Board and other Board members, auditors, a Chairman for the AGM and to propose fees for the Board and auditors. Shareholders wishing to nominate candidates for XANO's Board of Directors may contact Ulf Hedlundh, Chair of the Nomination Committee, on tel. +46 8-440 37 70 or e-mail [ulf.hedlundh@svolder.se](mailto:ulf.hedlundh@svolder.se). In order for received proposals to be able to be handled properly, these should be received by the Nomination Committee no later than 31 January 2020.

Shareholders wishing to have an issue dealt with at the Annual General Meeting must have submitted such a request in writing to the company no later than 19 March 2020 in order for the issue to be included in the notice. The request must be sent to the company at the address: XANO Industri AB, Att. AGM 2020, Industriegatan 14 B, SE-553 02 Jönköping, or by e-mail to [ir@xano.se](mailto:ir@xano.se) with "AGM 2020" as the subject.

#### NEXT REPORT DATE

The year-end report for the 2019 financial year will be presented on Tuesday 4 February 2020. Please note that this date differs from what has previously been announced.

Jönköping, 7 November 2019

Lennart Persson  
President and CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SUMMARY, SEK million)		2019	2018	2019	2018	18/19	2018
		3 mths	3 mths	9 mths	9 mths	12 mths	12 mths
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
	Note						
Net revenue	2	463	450	1,608	1,495	2,157	2,044
Cost of goods sold		-373	-354	-1,247	-1,164	-1,668	-1,585
<b>Gross profit</b>		<b>90</b>	<b>96</b>	<b>361</b>	<b>331</b>	<b>489</b>	<b>459</b>
Selling expenses	3	-34	-29	-117	-102	-160	-145
Administrative expenses		-19	-18	-63	-60	-86	-83
Other operating income		3	4	10	14	15	19
Other operating expenses		-1	-2	-7	-10	-11	-14
Profit from participations in associated companies		0	0	0	0	0	0
<b>Operating profit</b>		<b>39</b>	<b>51</b>	<b>184</b>	<b>173</b>	<b>247</b>	<b>236</b>
Financial income		3	1	8	7	9	8
Financial expenses		-6	-5	-20	-18	-27	-25
<b>Profit before tax</b>	2	<b>36</b>	<b>47</b>	<b>172</b>	<b>162</b>	<b>229</b>	<b>219</b>
Tax	4	-9	-11	-39	-36	-51	-48
<b>Net profit for the period</b>		<b>27</b>	<b>36</b>	<b>133</b>	<b>126</b>	<b>178</b>	<b>171</b>
<i>– of which attributable to shareholders of the Parent Company</i>		27	36	133	126	178	171
<b>OTHER COMPREHENSIVE INCOME</b>							
<i>Items that may be reclassified to net profit for the period</i>							
Change in hedging reserve including tax	5	-1	2	-3	1	-3	1
Translation differences	5	3	-6	13	11	11	9
<b>Other comprehensive income</b>		<b>2</b>	<b>-4</b>	<b>10</b>	<b>12</b>	<b>8</b>	<b>10</b>
<b>Comprehensive income for the period</b>		<b>29</b>	<b>32</b>	<b>143</b>	<b>138</b>	<b>186</b>	<b>181</b>
<i>– of which attributable to shareholders of the Parent Company</i>		29	32	143	138	186	181
Basic earnings per share, SEK	6	0.95	1.30	4.75	4.52	6.36	6.13
Diluted earnings per share, SEK	6	0.94	1.26	4.63	4.40	6.20	5.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (SUMMARY, SEK million)		2019	2018	2018
		30 Sep	30 Sep	31 Dec
	Note			
<b>ASSETS</b>				
Goodwill		577	577	575
Other intangible non-current assets		41	38	39
Property, plant and equipment		539	504	515
Right-of-use assets		88	–	–
Other non-current assets		2	2	2
<b>Total non-current assets</b>		<b>1,247</b>	<b>1,121</b>	<b>1,131</b>
Inventories		324	300	288
Current receivables		428	509	505
Cash and cash equivalents		77	57	70
<b>Total current assets</b>		<b>829</b>	<b>866</b>	<b>863</b>
Assets held for sale		–	1	–
<b>TOTAL ASSETS</b>		<b>2,076</b>	<b>1,988</b>	<b>1,994</b>
<b>EQUITY AND LIABILITIES</b>				
Equity		773	643	686
Non-current liabilities	7	207	644	587
Current liabilities	7	1,096	701	721
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,076</b>	<b>1,988</b>	<b>1,994</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SUMMARY, SEK million)	2019 30 Sep	2018 30 Sep	2018 31 Dec
Opening balance	686	541	541
Net profit for the period	133	126	171
Other comprehensive income	10	12	10
<b>Comprehensive income for the period</b>	<b>143</b>	<b>138</b>	<b>181</b>
Transfer of own shares	–	20	20
Dividend paid in cash	-56	-56	-56
<b>Total transactions with shareholders</b>	<b>-56</b>	<b>-36</b>	<b>-36</b>
<b>Closing balance</b>	<b>773</b>	<b>643</b>	<b>686</b>
– of which attributable to shareholders of the Parent Company	773	643	686

CONSOLIDATED CASH FLOW STATEMENT (SUMMARY, SEK million)	Note	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	18/19 12 mths Oct-Sep	2018 12 mths Jan-Dec
Operating profit		184	173	247	236
Interest and income tax paid/received and adjustments for non-cash items		5	13	19	27
Change in working capital		66	-95	48	-113
<b>Cash flow from operating activities</b>		<b>255</b>	<b>91</b>	<b>314</b>	<b>150</b>
Investments					
Acquisitions of subsidiaries	8	-8	-162	-8	-162
Other		-62	-50	-93	-81
<b>Cash flow after investments</b>		<b>185</b>	<b>-121</b>	<b>213</b>	<b>-93</b>
Dividend paid		-56	-56	-56	-56
Cash flow from other financing activities		-125	178	-138	165
<b>Cash flow for the period</b>		<b>4</b>	<b>1</b>	<b>19</b>	<b>16</b>
Cash and cash equivalents at the start of the period		70	53	57	53
Exchange rate differences in cash and cash equivalents		3	3	1	1
<b>Cash and cash equivalents at the end of the period</b>		<b>77</b>	<b>57</b>	<b>77</b>	<b>70</b>

## NOTES, GROUP

■ **NOTE 1**  
**ACCOUNTING POLICIES**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations of the Swedish Annual Accounts Act. The Group and the Parent Company apply the same accounting policies as described in the annual report for 2018 with the exceptions of new or revised standards, interpretations and improvements, which are applied as from 1 January 2019. The critical assessments and the sources of estimates when preparing this interim report are the same as in the most recent annual report.

IFRS 16 Leases is applied from 2019. According to the new standard, most leased assets will be recognised in the balance sheet. For XANO, this means that rights of use for operational leases, for example in respect of premises and cars, are recognised as fixed assets, and that corresponding undertakings are recognised as interest-bearing liabilities. At the same time, the depreciation of rights of use and interest expenses for lease liabilities are recognised in the income statement instead of rental costs. The Group has adopted the new standard using the modified retroactive approach, which means that the comparison year has not been restated and that the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to opening balances at the date of initial application. The simplification rule, whereby the right-of-use asset corresponds to the lease liability adjusted by the amount of any prepaid lease payments, was applied at the time of the transition. In addition, the exemptions to not reporting short-term leases and assets of a low value are applied. The value of additional right-of-use assets and lease liabilities was SEK 86 million as at 1 January 2019, and the equity/assets ratio thereby decreased by approximately 1.5 percentage points. An average incremental borrowing rate of 3 per cent has been applied when calculating the lease liability. Regarding reconciliation of lease liabilities, please refer to the description on page 75 in the 2018 annual report. The application is not expected to have any significant impact on the Group's income statement. Financial key performance indicators (covenants) agreed with the Group's main bank are not affected by the introduction of the new standard.

IFRS 16 EFFECTS ON REPORTED PERFORMANCE INDICATORS	2019	2019	2019	2018
	9 mths Jan-Sep	9 mths Jan-Sep	9 mths Jan-Sep	9 mths Jan-Sep
(SEK million)	OUTCOME	IFRS 16 EFFECT	WITHOUT IFRS 16	OUTCOME
Operating profit	184.3	+1.3	183.0	172.8
Financial items	-12.1	-2.1	-10.0	-11.1
<b>Profit before tax</b>	<b>172.2</b>	<b>-0.8</b>	<b>173.0</b>	<b>161.7</b>
Tax	-39.6	+0.2	-39.8	-35.6
<b>Net profit for the period</b>	<b>132.6</b>	<b>-0.6</b>	<b>133.2</b>	<b>126.1</b>
Depreciation constitutes	-62.3	-13.2	-49.1	-47.7
Operating margin, %	11.5	+0.1	11.4	11.6
Profit margin, %	10.7	-0.1	10.8	10.8

For definitions, see page 12.

## NOTE 2

### NET REVENUE AND PROFIT/LOSS BEFORE TAX

Net revenue refers to revenue from contracts with customers. The information on segments is provided from the management's perspective, which means that reporting corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Products, Industrial Solutions and Precision Technology. The operations within each segment are described on page 14. The segments are reported in accordance with the same accounting policies as the Group. Market conditions are applied to transactions between the segments.

NET REVENUE AND BREAKDOWN OF INCOME BY SEGMENT (SEK million)	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
<b>INDUSTRIAL PRODUCTS</b>	<b>125</b>	<b>121</b>	<b>467</b>	<b>444</b>	<b>583</b>
<b>Breakdown by geographic market <sup>1)</sup></b>					
Sweden	38	36	139	132	174
Rest of the Nordic countries	27	23	105	96	126
Rest of Europe	57 <sup>2)</sup>	59 <sup>2)</sup>	218	211 <sup>2)</sup>	278
Rest of the world	3 <sup>2)</sup>	3 <sup>2)</sup>	5	5 <sup>2)</sup>	5
<b>Breakdown by type of product</b>					
Proprietary products	31	30	131	119	149
Customer-specific manufacturing	94	91	336	325	434
<b>Breakdown by timing of revenue recognition</b>					
Goods and services transferred at a point in time	125	121	467	444	583
<b>INDUSTRIAL SOLUTIONS</b>	<b>269</b>	<b>267</b>	<b>911</b>	<b>839</b>	<b>1,172</b>
<b>Breakdown by geographic market <sup>1)</sup></b>					
Sweden	80	102	281	326	424
Rest of the Nordic countries	27	10	50	52	67
Rest of Europe	123	123	401	317	494
Rest of the world	39	32	179	144	187
<b>Breakdown by type of product</b>					
Proprietary products	162	165	559	492	719
Customer-specific manufacturing	107	102	352	347	453
<b>Breakdown by timing of revenue recognition</b>					
Goods and services transferred at a point in time	128	122	423	417	553
Services transferred over time	1	3	7	8	13
Projects transferred over time	140	142	481	414	606
<b>PRECISION TECHNOLOGY</b>	<b>70</b>	<b>63</b>	<b>235</b>	<b>216</b>	<b>294</b>
<b>Breakdown by geographic market <sup>1)</sup></b>					
Sweden	55	53	192	177	244
Rest of the Nordic countries	0	1	3	2	3
Rest of Europe	8	2	18	10	16
Rest of the world	7	7	22	27	31
<b>Breakdown by type of product</b>					
Proprietary products	0	0	2	2	3
Customer-specific manufacturing	70	63	233	214	291
<b>Breakdown by timing of revenue recognition</b>					
Goods and services transferred at a point in time	70	63	235	216	294
<b>GROUP TOTAL</b>	<b>463</b>	<b>450</b>	<b>1,608</b>	<b>1,495</b>	<b>2,044</b>
<b>Breakdown by geographic market <sup>1)</sup></b>					
Sweden	172	190	607	631	837
Rest of the Nordic countries	54	34	158	150	196
Rest of Europe	188	184	637	538	788
Rest of the world	49	42	206	176	223
<b>Breakdown by type of product</b>					
Proprietary products	193	195	692	613	871
Customer-specific manufacturing	270	255	916	882	1,173
<b>Breakdown by timing of revenue recognition</b>					
Goods and services transferred at a point in time	322	305	1,120	1,073	1,425
Services transferred over time	1	3	7	8	13
Projects transferred over time	140	142	481	414	606

<sup>1)</sup> Revenue by geographic market refers to revenue from customers according to where the customers are located.

<sup>2)</sup> The amounts have been adjusted for sales within Europe, which have previously been incorrectly recognised as sales within the rest of the world.

NET REVENUE BY SEGMENT	2019	2018	2019	2018	18/19	2018
(SEK million)	3 mths Jul-Sep	3 mths Jul-Sep	9 mths Jan-Sep	9 mths Jan-Sep	12 mths Oct-Sep	12 mths Jan-Dec
Industrial Products	125	121	467	444	606	583
Industrial Solutions	269	267	911	839	1,244	1,172
Precision Technology	70	63	235	216	313	294
Eliminations	-1	-1	-5	-4	-6	-5
<b>Group total</b>	<b>463</b>	<b>450</b>	<b>1,608</b>	<b>1,495</b>	<b>2,157</b>	<b>2,044</b>

PROFIT/LOSS BEFORE TAX BY SEGMENT	2019	2018	2019	2018	18/19	2018
(SEK million)	3 mths Jul-Sep	3 mths Jul-Sep	9 mths Jan-Sep	9 mths Jan-Sep	12 mths Oct-Sep	12 mths Jan-Dec
Industrial Products	11	8	58	49	68	59
Industrial Solutions	20	34	95	94	140	139
Precision Technology	11	10	42	40	52	50
Undistributed items	-6	-5	-23	-21	-31	-29
<b>Group total</b>	<b>36</b>	<b>47</b>	<b>172</b>	<b>162</b>	<b>229</b>	<b>219</b>

The segment figures refer to the profit/loss before the distribution of group-wide costs and tax in accordance with internal reporting. Undistributed items mainly refer to the Parent Company.

### ■ NOTE 3 SELLING EXPENSES

Amounts for the 2018 interim period and the 2018 full year include non-recurring items of SEK 3 million regarding the reversal of anticipated bad debt losses.

### ■ NOTE 4 TAX

Tax amounts to 23 per cent (22) for the interim period.

### ■ NOTE 5 OTHER COMPREHENSIVE INCOME

Change in hedging reserve including tax refers to the effective component of the change in value of derivative instruments used for hedge accounting. Translation differences refer to the effects of changes in exchange rates when net investments in non-Swedish subsidiaries are translated to SEK. The amount is reported net of hedging contracts.

■ **NOTE 6**  
**EARNINGS PER SHARE**

BASIC EARNINGS PER SHARE	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	18/19 12 mths Oct-Sep	2018 12 mths Jan-Dec
Net profit for the period, SEK million	26.5	36.2	132.6	126.1	177.6	171.1
Average number of outstanding shares, thousands	27,895	27,895	27,895	27,894	27,895	27,894
<b>Basic earnings per share, SEK</b>	<b>0.95</b>	<b>1.30</b>	<b>4.75</b>	<b>4.52</b>	<b>6.36</b>	<b>6.13</b>

  

DILUTED EARNINGS PER SHARE	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	18/19 12 mths Oct-Sep	2018 12 mths Jan-Dec
Net profit for the period, SEK million	26.5	36.2	132.6	126.1	177.6	171.1
Interest expense on convertible bonds, SEK million <sup>1)</sup>	0.6	0.6	1.7	1.7	2.3	2.3
Issue expenses for convertible bonds, SEK million	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted income, SEK million</b>	<b>27.1</b>	<b>36.8</b>	<b>134.3</b>	<b>127.8</b>	<b>179.9</b>	<b>173.4</b>
Average number of outstanding shares, thousands	27,895	27,895	27,895	27,894	27,895	27,894
Adjustment for presumed conversion of convertible bonds, thousands	1,140	1,140	1,140	1,140	1,140	1,140
<b>Average number of outstanding shares after dilution, thousands</b>	<b>29,035</b>	<b>29,035</b>	<b>29,035</b>	<b>29,034</b>	<b>29,035</b>	<b>29,034</b>
<b>Diluted earnings per share, SEK</b>	<b>0.94</b>	<b>1.26</b>	<b>4.63</b>	<b>4.40</b>	<b>6.20</b>	<b>5.97</b>

<sup>1)</sup> Constitutes current interest for convertible loan adjusted to market interest rate.

The total number of shares is 28,186,980, of which the company holds 292,444 on the closing day.

A 2:1 share split was carried out in June 2019. After the share split, the total number of shares stands at 28,186,980, divided between 7,288,800 class A shares and 20,898,180 class B shares. After deduction for the company's own holding, 292,444 class B shares, the number of outstanding shares is 27,894,536. The average number of outstanding shares was 27,894,536 during the interim period. The average number of shares in the company's custody was 292,444. Each class A share entitles ten votes and each class B share entitles one vote. The number of votes, following deductions for the company's own holding, was 93,493,736 on the closing day. Due to the share split, all comparison figures have been recalculated.

On 1 July 2016, convertibles at a nominal value of SEK 62,130,000 were issued to employees within the XANO Group. The convertibles accrue interest corresponding to STIBOR 3M plus 2.20% and fall due for payment on 30 June 2020. The conversion rate was originally SEK 218. Due to the share splits in 2017 and 2019, the conversion rate has been recalculated in accordance with section 8B of the terms and conditions. The recalculated conversion rate is SEK 54.50. During the period 1 June to 12 June 2020, each convertible may be converted to one Class B share in XANO Industri AB. If all convertibles are converted to shares, the dilution will be approx. 4 per cent of the share capital and 1.2 per cent of the number of votes based on the total number of shares on the closing day.

## ■ NOTE 7 CURRENT LIABILITIES

Current liabilities include interest derivatives measured at fair value of SEK 16 million (13) for the interim period and SEK 14 million for the 2018 full year. The derivatives are used for hedging purposes and belong to value level 2 under IFRS 13. The fair value measurement is based on a number of factors, including forward interest rates produced on the basis of observable yield curves. Current liabilities also include currency derivatives measured at fair value of SEK – million (1) for the interim period and SEK 1 million for the 2018 full year. The derivatives are used for hedging purposes and belong to value level 2 under IFRS 13. The fair value measurement is based on several factors, including observable data such as fixing rates and swap rates for the currency in question.

Agreements with the Group's main bank that are valid on the closing day will expire within 12 months. In accordance with IAS 1, all liabilities to the bank have therefore been recognised as short-term as at 30 September 2019. After the closing day, a new long-term credit agreement has been entered into with the bank. If the liabilities had been recognised after the anticipated payment period, non-current liabilities would have amounted to SEK 577 million (644) and current liabilities to SEK 726 million (701).

## ■ NOTE 8 BUSINESS COMBINATIONS

AB Kuggteknik is included in the consolidated results from 1 July 2019. If the acquired unit had been included in the Group throughout the whole of 2019, revenue would have amounted to approx. SEK 1,622 million, while net profit would have been unchanged at SEK 133 million for the interim period.

According to a preliminary acquisition calculation, the total value of acquired assets and liabilities, purchase price and the effect on the Group's liquid assets was as follows:

ACQUISITION OF KUGGTEKNIK (SEK million)	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	1	1
Property, plant and equipment	7	2	9
Financial assets	0	–	0
Current assets	17	-2	15
Non-current liabilities	-4	0	-4
Current liabilities	-13	–	-13
<b>Net assets/purchase price</b>	<b>7</b>	<b>1</b>	<b>8</b>
Liquid assets in acquired businesses			0
<b>Total cash flow attributable to acquired businesses</b>			<b>8</b>

The purchase price amounted to SEK 8 million and was paid in cash. The acquisition brings surplus values totalling SEK 3.2 million distributed between goodwill (SEK 0.6 million) and real estate (SEK 2.6 million). The transaction costs amount to SEK 0.2 million. Goodwill relates to synergy effects and customer relations. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only additional technical expertise within cutting machining to existing operations in the Precision Technology business unit, but also access to new market segments. The utilisation of common resources will also entail synergies.

Polyketting B.V. with subsidiaries is included in the consolidated results from 1 May 2018. If the acquired units had been included in the Group throughout the whole of 2018, revenue would have amounted to approx. SEK 2,071 million, while net profit would have been unchanged at SEK 171 million for the 2018 full year.

SHARE DATA, GROUP	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	18/19 12 mths Oct-Sep	2018 12 mths Jan-Dec
Average number of outstanding shares, thousands	27,895	27,895	27,895	27,894	27,895	27,894
Average number of outstanding shares after dilution, thousands	29,035	29,035	29,035	29,034	29,035	29,034
Basic earnings per share, SEK	0.95	1.30	4.75	4.52	6.36	6.13
Diluted earnings per share, SEK	0.94	1.26	4.63	4.40	6.20	5.97
Cash flow from operating activities per share, SEK	4.60	1.47	9.13	3.25	11.25	5.37
Total number of shares on closing day, thousands			28,187	28,187	28,187	28,187
Number of shares in own custody on closing day, thousands			292	292	292	292
Number of outstanding shares on closing day, thousands			27,895	27,895	27,895	27,895
Equity per share on closing day, SEK			27.70	23.05	27.70	24.58
Share price on closing day, SEK			111.00	105.50	111.00	76.50

The comparison figures have been recalculated due to the 2:1 share split carried out in June 2019. See also Note 6 on page 9.

KEY FIGURES, GROUP	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	18/19 12 mths Oct-Sep	2018 12 mths Jan-Dec
Operating margin, %	8.5	11.2	11.5	11.6	11.5	11.6
Profit margin, %	7.8	10.3	10.7	10.8	10.6	10.7
Interest-bearing liabilities, SEK million <sup>1)</sup>			772	802	772	785
Deferred tax liabilities, SEK million			89	94	89	91
Lines of credit granted but not utilised, SEK million			299	257	299	190
Return on equity p.a., %			24.0	27.9	24.7	27.6
Return on capital employed p.a., %			16.5	17.9	16.8	17.9
Return on total capital p.a., %			12.3	13.0	12.4	13.0
Average equity, SEK million			737	603	718	620
Average capital employed, SEK million			1,546	1,336	1,526	1,363
Average total capital, SEK million			2,085	1,846	2,065	1,876
Interest coverage ratio, multiple			9.7	9.9	9.8	9.9
Equity/assets ratio, %			37	32	37	34
Proportion of risk-bearing capital, %			42	37	42	39
Depreciation, SEK million	21	17	62	48	78	64
Net investments in non-current assets, SEK million	35	13	79	253	109	283
Employees, average number	1,082	1,029	1,074	1,009	1,064	1,015

<sup>1)</sup> Lease liabilities related to right-of-use assets constitute SEK 86 million (–) for the interim period.

QUARTERLY SUMMARY, GROUP	2019 Q3	2018 Q3	2019 Q2	2018 Q2	2019 Q1	2018 Q1	2018 Q4	2017 Q4
Net revenue, SEK m	463	450	581	541	564	504	549	432
Gross profit, SEK m	90	96	139	120	132	115	128	99
Operating profit, SEK m	39	51	74	61	71	61	63	54
Profit before tax, SEK m	36	47	69	59	67	56	57	50
Net profit for the period, SEK m	27	36	54	47	52	43	45	42
Comprehensive income for the period, SEK m	29	32	54	50	60	56	43	48
Operating margin, %	8.5	11.2	12.8	11.3	12.5	12.1	11.6	12.5
Profit margin, %	7.8	10.3	11.9	10.9	11.9	11.2	10.5	11.6
Equity/assets ratio, %	37	32	35	31	35	32	34	36
Basic earnings per share, SEK <sup>1)</sup>	0.95	1.30	1.93	1.67	1.87	1.55	1.61	1.54
Cash flow from operating activities per share, SEK <sup>1)</sup>	4.60	1.47	1.82	1.21	2.71	0.57	2.12	3.39

<sup>1)</sup> The comparison figures have been recalculated due to the 2:1 share split carried out in June 2019.

For definitions, see page 12.

## DEFINITIONS

### AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the period based on working hours.

### BASIC EARNINGS PER SHARE

Net profit in relation to the average number of outstanding shares.

### CAPITAL EMPLOYED

Balance sheet total less non-interest-bearing liabilities.

### CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

Cash flow from operating activities in relation to the average number of outstanding shares.

### DILUTED EARNINGS PER SHARE

Net profit plus costs relating to convertible loan in relation to the average number of outstanding shares plus the average number of shares added at conversion of outstanding convertibles.

### EQUITY PER SHARE

Equity in relation to the number of outstanding shares on the closing day.

### EQUITY/ASSETS RATIO

Equity in relation to total capital.

### INTEREST COVERAGE RATIO

Profit before tax plus financial expenses in relation to financial expenses.

### NET INVESTMENTS

Closing balance less opening balance plus amortisation/ depreciation, impairment costs and translation differences relating to non-current assets.

### OPERATING MARGIN

Operating profit in relation to net revenue.

### ORGANIC GROWTH

Growth in net revenue generated by the Group's own efforts and in existing structure. The amount has not been adjusted for exchange rate fluctuations.

### PROFIT MARGIN

Profit before tax in relation to net revenue.

### PROPORTION OF RISK-BEARING CAPITAL

Equity plus provisions for taxes in relation to total capital.

### RETURN ON CAPITAL EMPLOYED

Profit before tax plus financial expenses in relation to average capital employed.

### RETURN ON EQUITY

Net profit in relation to average equity.

### RETURN ON TOTAL CAPITAL

Profit before tax plus financial expenses in relation to average total capital.

### REVENUE GROWTH

Net revenue for the period in relation to net revenue for a comparative period.

### TOTAL CAPITAL

Total equity and liabilities (balance sheet total).

## KEY FIGURES

Key figures included in this report derive primarily from the disclosure requirements according to IFRS. Other performance indicators, known as alternative key figures, describe e.g. the profit trend, financial strength and how the Group has invested its capital.

Presented key figures take the nature of the business into account, and are deemed to provide relevant information to shareholders and other stakeholders for assessing the Group's potential to carry out strategic investments, fulfil financial commitments and provide yield for shareholders at the same time as achieving comparability with other companies. The margin measures are also presented internally for each segment.

INCOME STATEMENT, PARENT COMPANY		2019	2018	2018
(SUMMARY, SEK million)		9 mths Jan-Sep	9 mths Jan-Sep	12 mths Jan-Dec
	Note			
Net revenue	1	14.5	11.4	21.9
Selling and administrative expenses		-21.4	-19.1	-26.2
<b>Operating profit/loss</b>		<b>-6.9</b>	<b>-7.7</b>	<b>-4.3</b>
Profit from participations in Group companies		25.0	20.0	136.9
Other financial items		-6.9	-3.2	-4.1
<b>Profit/loss after financial items</b>		<b>11.2</b>	<b>9.1</b>	<b>128.5</b>
Appropriations		–	–	-17.1
Tax	2	2.9	2.4	-20.8
<b>Net profit for the period</b>		<b>14.1</b>	<b>11.5</b>	<b>90.6</b>
<i>Statement of comprehensive income</i>				
Net profit for the period		14.1	11.5	90.6
Other comprehensive income		–	–	–
<b>Comprehensive income for the period</b>		<b>14.1</b>	<b>11.5</b>	<b>90.6</b>

BALANCE SHEET, PARENT COMPANY		2019	2018	2018
(SUMMARY, SEK million)		30 Sep	30 Sep	31 Dec
<b>ASSETS</b>				
Non-current assets		230.9	229.7	228.7
Current assets		536.9	502.5	693.4
<b>EQUITY AND LIABILITIES</b>				
Equity		163.1	125.7	204.8
Untaxed reserves		94.0	76.9	94.0
Non-current liabilities		0.1	180.5	172.1
Current liabilities		510.6	349.1	451.2
<b>BALANCE SHEET TOTAL</b>		<b>767.8</b>	<b>732.2</b>	<b>922.1</b>

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY		2019	2018	2018
(SUMMARY, SEK million)		30 Sep	30 Sep	31 Dec
Opening balance		204.8	150.0	150.0
Comprehensive income for the period		14.1	11.5	90.6
Transfer of own shares		–	20.0	20.0
Dividend paid in cash		-55.8	-55.8	-55.8
<b>Closing balance</b>		<b>163.1</b>	<b>125.7</b>	<b>204.8</b>

CASH FLOW STATEMENT, PARENT COMPANY		2019	2018	2018
(SUMMARY, SEK million)		9 mths Jan-Sep	9 mths Jan-Sep	12 mths Jan-Dec
Operating profit/loss		-6.9	-7.7	-4.3
Interest and income tax paid/received and adjustments for non-cash items		2.1	1.1	112.8
Change in working capital		177.0	23.7	-141.5
<b>Cash flow from operating activities</b>		<b>172.2</b>	<b>17.1</b>	<b>-33.0</b>
Investments		-0.0	-155.9	-155.9
<b>Cash flow after investments</b>		<b>172.2</b>	<b>-138.8</b>	<b>-188.9</b>
Financing		-170.7	135.4	188.2
<b>Cash flow for the period</b>		<b>1.5</b>	<b>-3.4</b>	<b>-0.7</b>
Cash and cash equivalents at the start of the year		5.2	5.9	5.9
Exchange rate differences in cash and cash equivalents		0.0	0.0	0.0
<b>Cash and cash equivalents at the end of the period</b>		<b>6.7</b>	<b>2.5</b>	<b>5.2</b>

#### ■ NOTE 1

Net revenue refers to revenue from contracts with customers. 100 per cent (100) of the Parent Company's net revenue comes from invoicing to subsidiaries.

#### ■ NOTE 2

Income tax amounts to -27 per cent (-26) for the interim period. Income tax-exempt dividends contribute to the deviating tax rate.

## THIS IS XANO

The XANO Group consists of engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic countries, Estonia, the Netherlands, Poland, China and the United States. The companies all operate within well-defined niches and possess a high level of expertise within their respective technical areas. Each unit is anchored locally and developed according to its own potential. At the same time, the Group affinity creates economies of scale for the companies and their customers. The Group's operations are divided into the business units Industrial Products, Industrial Solutions and Precision Technology.

### INDUSTRIAL PRODUCTS



Operations within the Industrial Products business unit comprise the design, manufacture and sale of plastic components and systems produced by means of rotational moulding, injection moulding and blow moulding. Deliverables include both customer-specific and proprietary products.

		2019	2018	2018
		Q1–Q3	Q1–Q3	Q1–Q4
Net sales	SEK m	467	444	583
Operating profit	SEK m	63	51	64
Operating margin	%	13.4	11.4	11.1

#### Companies

**Ackurat**  
Sweden  
Finland  
Poland

**Blowtech**  
Sweden  
Norway

**Cipax**  
Sweden  
Estonia  
Norway  
Finland

### INDUSTRIAL SOLUTIONS



Companies within the Industrial Solutions business unit supply automation solutions developed in-house, such as packaging machines, accumulators and conveyor systems, to the packaging industry. Contract assignments for advanced industrial products in small and medium-sized production runs are also performed.

		2019	2018	2018
		Q1–Q3	Q1–Q3	Q1–Q4
Net sales	SEK m	911	839	1,172
Operating profit	SEK m	98	100	147
– of which non-recurring items		–	3	3
Operating margin	%	10.8	11.9	12.5

#### Companies

**Canline**  
Netherlands  
USA

**Fredriksons**  
Sweden  
China

**Jorgensen**  
Denmark

**NPB**  
Sweden

**Polyketting**  
Netherlands

*Polyketting is included from 1 May 2018.*

### PRECISION TECHNOLOGY



Operations within the Precision Technology business unit cover component and system manufacture through advanced cutting machining of metal and plastic, used for the production of components with stringent requirements for quality and precision.

		2019	2018	2018
		Q1–Q3	Q1–Q3	Q1–Q4
Net sales	SEK m	235	216	294
Operating profit	SEK m	44	42	52
Operating margin	%	18.6	19.4	17.7

#### Companies

**Kuggteknik**  
Sweden

**KMV**  
Sweden

**LK Precision**  
Sweden

**Mikroverktyg**  
Sweden

**Resinit**  
Sweden

*Kuggteknik is included from 1 July 2019.*

# Auditor's review report

XANO Industri AB (publ), corp. ID no. 556076-2055

## Introduction

We have reviewed the condensed interim report for XANO Industri AB (publ) as at September 30, 2019 and for the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report 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 Financial Statements 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 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 in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Jönköping, 7 November 2019

Ernst & Young AB

Joakim Falck

*Authorised Public Accountant*

*The Parent Company, XANO Industri AB (publ) with corporate identity number 556076-2055, is a public limited liability company with its registered office in Jönköping, Sweden.*



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