

Interim report

1 January – 30 June 2017



THE INTERIM PERIOD

- Net revenue totalled SEK 853 million (557)
- Operating profit amounted to SEK 114 million (62)
- Profit before tax amounted to SEK 100 million (58)
- Profit after tax amounted to SEK 77 million (45)
- Earnings per share were SEK 5.61 (3.27)

Important events

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

THE SECOND QUARTER

- Net revenue totalled SEK 443 million (295)
- Operating profit amounted to SEK 62 million (36)
- Profit before tax amounted to SEK 52 million (36)
- Profit after tax amounted to SEK 40 million (28)
- Earnings per share were SEK 2.94 (2.01)

CEO's comments on the Group's development during the period

The strong start to the year was followed by a second quarter characterised by increasing volumes and retained good profitability in all business units. Viewed over the whole interim period, the increase in revenue exceeded 50 per cent, while operating profit grew by 84 per cent compared to the first half of 2016. The profit margin rose from 10.4 to 11.8 per cent.

During the first six months of the year, the companies in the Industrial Solutions business unit exceeded invoicing in the comparison period by 89 per cent. The addition of Jorgensen was a major contributory factor to the increase, although other companies also reported significantly higher volumes than in the corresponding period last year. At the same time, profitability improved substantially. The market conditions were favourable within most of the affected sectors, and project deliveries to the packaging industry were considerably more extensive than in the previous year. The project order stock remains good and there is a high rate of new enquiries. The order horizon is relatively short, but the order situation is generally more stable than at the corresponding time last year.

A positive outcome from implemented marketing activities, combined with a continued favourable economic situation, resulted in further growth in revenue for the companies in the Precision Technology business unit. The sales volumes within the medical technology sector remained at a good level. At the same time, the assignments for major contract customers generally grew in size, and these were supplemented by projects in new customer segments. A high degree of automation and effective utilisation of resources in the business unit's companies contributed to a continued improvement in the profit margins.

Operations in the Rotational Moulding business unit also demonstrated improved profitability. The second quarter was slightly weaker than the corresponding period last year in terms of volume, although on the whole for the interim period both revenue and operating profit exceeded the figures for the comparison period by a clear margin. The positive trend related to both customer-specific and proprietary products and encompassed just about all industry segments.

There is currently nothing to indicate any significant changes to the market conditions for the Group's companies. With the current composition, the outcome of the Group's combined operations is normally weaker during the second half of the year. Ahead of the remaining six months of the year, the Group as a whole has a slightly better order situation compared to last year, and the conditions are more favourable in particular with regard to project-related sales to the packaging industry.

Revenue and profit

The interim period

Net revenue totalled SEK 853 million (557). Operating profit amounted to SEK 114 million (62), corresponding to an operating margin of 13.4 per cent (11.1). Profit before tax was SEK 100 million (58).

The second quarter

Net revenue totalled SEK 443 million (295). Operating profit amounted to SEK 62 million (36), corresponding to an operating margin of 14.0 per cent (12.3). Profit before tax was SEK 52 million (36).

Share data and key figures

The interim period

Basic earnings per share were SEK 5.61 (3.27). Equity per share was SEK 33.04 (27.20). The average number of outstanding shares was 13,813,490 during the period. The equity/assets ratio was 31 per cent (39) at the end of the period. The average number of employees was 794 (649).

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.

Events after the end of the period

There are no individual events of major significance to report after the balance sheet date.

Investments

The interim period

Net investments in non-current assets amounted to SEK 13 million (20), of which SEK 1 million related to intangible assets and SEK 12 million to machinery and equipment.

The second quarter

Net investments in non-current assets amounted to SEK 3 million (14) relating to machinery and equipment.

Cash flow and liquidity

Cash flow from operating activities amounted to SEK 40 million (39) in the interim period.

Liquid assets, including lines of credit granted but not utilised, totalled SEK 350 million (178) on the balance sheet date.

Number of shares and voting rights

At the Annual General Meeting on 10 May 2017, 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 9 June as the record date.

After the share split, the total number of shares stands at 14,093,490, divided between 3,644,400 class A shares and 10,449,090 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 46,893,090. The company holds 280,000 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 78–80 of the annual report for 2016. No additional significant risks are deemed to have arisen.

Accounting policies

As with the annual financial statements for 2016, the consolidated financial statements for 2017 have been prepared in accordance with the International Financial

Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and the recommendations and statements of the Swedish Financial Reporting Board. This interim report has been prepared in accordance with IAS 34.

The critical assessments and the sources of estimates when preparing this interim report are the same as in the most recent annual report. The Group applies the same accounting policies as described in the annual report for 2016 with the exception of new or revised standards, interpretations and improvements, which are applied as from 1 January 2017. The application of these has not had any effect on the Group's financial performance or position.

With a view to achieving a clearer presentation, the layout of the income statements has been altered as from 2017 as regards the order in which the entries are presented. The comparison year has been changed accordingly.

Next report date

The interim report for the period 1 January to 30 September 2017 will be presented on Wednesday 1 November 2017.

The undersigned declare that this half-yearly interim report provides a true summary of the Parent Company's and the Group's activities, position and results. It also describes significant risks and uncertainty factors facing the Parent Company and the companies that form the Group.

Jönköping, 12 July 2017

Fredrik Rapp
Chairman of the Board

Anna Benjamin
Vice Chairman of the Board

Petter Fägersten
Board member

Stig-Olof Simonsson
Board member

Eva-Lotta Kraft
Board member

Per Rodert
Board member

Sune Lantz
Board member

Lennart Persson
CEO

This report has not been reviewed by the company's auditor.

Consolidated statement of comprehensive income	2017 3 mths Apr-Jun	2016 3 mths Apr-Jun	2017 6 mths Jan-Jun	2016 6 mths Jan-Jun	16/17 12 mths Jul-Jun	2016 12 mths Jan-Dec
(SEK million)						
Net revenue	443	295	853	557	1,348	1,052
Cost of goods sold	-331	-219	-641	-418	-1,027	-804
Gross profit	112	76	212	139	321	248
Selling expenses	-32	-28	-63	-53	-110	-100
Administrative expenses	-18	-13	-35	-25	-63	-53
Other operating income	2	2	3	4	7	8
Other operating expenses	-2	-1	-3	-3	-7	-7
Profit from participations in associated companies	0	-	0	-	0	-
Operating profit	62	36	114	62	148	96
Financial income	-1	3	1	3	9	11
Financial expenses	-9	-3	-15	-7	-23	-15
Profit before tax	52	36	100	58	134	92
Tax	-12	-8	-23	-13	-32	-22
Net profit for the period	40	28	77	45	102	70
OTHER COMPREHENSIVE INCOME						
<i>Items that may be reclassified to net profit for the period</i>						
Change in hedging reserve including tax ¹⁾	1	-4	1	-5	4	-2
Translation differences ²⁾	-2	3	-3	3	0	6
Other comprehensive income	-1	-1	-2	-2	4	4
Comprehensive income for the period	39	27	75	43	106	74
– of which attributable to shareholders of the Parent Company	39	27	75	43	106	74
Basic earnings per share, SEK ³⁾	2.94	2.01	5.61	3.27	7.43	5.09
Diluted earnings per share, SEK ³⁾	2.86	1.88	5.46	3.06	7.31	4.91
Depreciation constitutes	-13	-11	-26	-23	-50	-47

¹⁾ Refers to the effective component of the change in value of derivative instruments used for hedge accounting.

²⁾ Refers 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.

³⁾ Based on net profit for the period. A 2:1 share split was carried out in June 2017. The comparison figures have been recalculated accordingly.

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

Jorgensen Engineering A/S is included in the consolidated results from the acquisition date 24 November 2016. For the 2016 full year, the acquired unit contributed SEK 38 million in net revenue and SEK 1 million in net profit after the deduction of write-offs from surplus values and financial costs attributable to the acquisition. In addition, SEK 1 million relating to transaction costs for the acquisition was charged to the consolidated results. If the acquired unit had been included in the Group throughout the whole of 2016, revenue would have amounted to approx. SEK 1,372 million, while net profit would have been approx. SEK 93 million.

Net revenue and profit/loss by segment

(SEK million)	Q1–Q2 2017				Q1–Q2 2016				Q1–Q4 2016			
	External	Net revenue Internal	Total	Profit before tax ¹⁾	External	Net revenue Internal	Total	Profit before tax ¹⁾	External	Net revenue Internal	Total	Profit before tax ¹⁾
Industrial Solutions	588	0	588	73	310	0	310	34	613	0	613	64
Precision Technology	130	2	132	21	119	2	121	17	226	4	230	28
Rotational Moulding	135	-	135	22	128	0	128	19	213	0	213	26
Elimination	-	-2	-2	-	-	-2	-2	-	-	-4	-4	-
Undistributed items	-	-	-	-16	-	-	-	-12	-	-	-	-26
Continuing operations	853	-	853	100	557	-	557	58	1,052	-	1,052	92

¹⁾ The figure refers 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.

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 Solutions, Precision Technology and Rotational Moulding. The operations within each segment are described on page 9. The segments are reported in accordance with the same accounting policies as the Group. Market conditions are applied to transactions between the segments.

In 2017, all segments have boosted their total operating assets, such as inventories and trade receivables.

Consolidated statement of financial position (SEK million)	2017 30 Jun	2016 30 Jun	2016 31 Dec
ASSETS			
Goodwill	483	209	484
Other intangible non-current assets	34	15	34
Property, plant and equipment	376	316	390
Other non-current assets	2	3	2
Total non-current assets	895	543	910
Inventories	189	168	177
Current receivables	315	196	256
Cash and cash equivalents	53	51	165
Total current assets	557	415	598
Assets held for sale	1	1	1
TOTAL ASSETS	1,453	959	1,509
EQUITY AND LIABILITIES			
Equity	456	376	412
Non-current liabilities	497	177	512
Current liabilities ^{1, 2)}	500	406	585
TOTAL EQUITY AND LIABILITIES	1,453	959	1,509
Interest-bearing liabilities constitute	582	333	690
Deferred tax liabilities constitute	58	26	52
Lines of credit granted but not utilised total	297	127	193

¹⁾ Current liabilities include currency derivatives measured at fair value of SEK 1 million (–) for the interim period. The amount for the 2016 full year includes no currency derivatives. 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.

²⁾ Current liabilities include interest derivatives measured at fair value of SEK 15 million (21) for the interim period and SEK 17 million for the 2016 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.

Jorgensen Engineering A/S was acquired in November 2016. Acquired assets and liabilities, including surplus values and after revaluation to fair value, amounted to SEK 578 million and SEK 207 million respectively.

Statement of changes in equity (SEK million)	2017 30 Jun	2016 30 Jun	2016 31 Dec
Opening balance	412	416	416
Net profit for the period	77	45	70
Other comprehensive income	-2	-2	4
Comprehensive income for the period	75	43	74
Effects of convertible loan issued	–	–	5
Conversion of personnel convertibles	–	6	6
Acquisition of own personnel convertibles	–	-58	-58
Dividend paid in cash	-31	-31	-31
Total transactions with shareholders	-31	-83	-78
Closing balance	456	376	412
– of which attributable to shareholders of the Parent Company	456	376	412

Cash flow statement	2017	2016	16/17	2016
(SEK million)	6 mths Jan-Jun	6 mths Jan-Jun	12 mths Jul-Jun	12 mths Jan-Dec
Operating profit	114	62	148	96
Interest and income tax paid/received and adjustments for non-cash items	5	3	17	15
Change in working capital	-79	-26	-36	17
Cash flow from operating activities	40	39	129	128
Investments ¹⁾	-9	-21	-307	-319
Cash flow after investments	31	18	-178	-191
Dividend paid	-31	-31	-31	-31
Acquisition of own personnel convertibles	–	-81	–	-81
Cash flow from other financing activities	-112	103	212	427
Cash flow for the year	-112	9	3	124
Cash and cash equivalents at the start of the period	165	41	51	41
Exchange rate differences in cash and cash equivalents	0	1	-1	0
Cash and cash equivalents at the end of the period	53	51	53	165

¹⁾ The amounts for 2017 include a repayment of SEK 4 million that was received in conjunction with the final settlement of the purchase sum for Jorgensen Engineering A/S, which was acquired in November 2016.

Share data	2017	2016	2017	2016	2016
	3 mths Apr-Jun	3 mths Apr-Jun	6 mths Jan-Jun	6 mths Jan-Jun	12 mths Jan-Dec
Average number of outstanding shares, thousands	13,813	13,604	13,813	13,591	13,703
Average number of outstanding shares after dilution, thousands	14,383	14,656	14,383	14,705	14,543
Average number of shares in own custody, thousands	280	280	280	280	280
Basic earnings per share, SEK ¹⁾	2.94	2.01	5.61	3.27	5.09
Diluted earnings per share, SEK ^{1, 2)}	2.86	1.88	5.46	3.06	4.91
Cash flow from operating activities per share, SEK	2.46	4.08	2.87	2.84	9.33
Total number of shares on balance sheet date, thousands			14,093	14,093	14,093
Number of shares in own custody on balance sheet date, thousands			280	280	280
Number of outstanding shares on balance sheet date, thousands			13,813	13,813	13,813
Equity per share on balance sheet date, SEK			33.04	27.20	29.80
Share price on balance sheet date, SEK			145.00	102.50	104.75

¹⁾ Based on net profit for the period.

²⁾ Costs related to convertible bonds amount to SEK 1,136 thousand (503) for the interim period and SEK 1,659 thousand for the 2016 full year.

A 2:1 share split was carried out in June 2017. After the share split, the total number of shares stands at 14,093,490, divided between 3,644,400 class A shares and 10,449,090 class B shares. After deduction for the company's own holding, 280,000 class B shares, the number of outstanding shares is 13,813,490. 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 split, the conversion rate has been recalculated in accordance with section 8B of the terms and conditions. The recalculated conversion rate is SEK 109. 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 balance sheet date.

For definitions, see page 10.

Key figures	2017 6 mths Jan-Jun	2016 6 mths Jan-Jun	16/17 12 mths Jul-Jun	2016 12 mths Jan-Dec
Operating margin, %	13.4	11.1	11.0	9.1
Profit margin, %	11.8	10.4	10.0	8.7
Return on equity p.a., %	35.3	21.8	24.6	17.1
Return on capital employed p.a., %	21.3	18.6	16.8	13.6
Return on total capital p.a., %	15.3	13.7	12.2	10.1
Average equity, SEK m	439	408	418	407
Average capital employed, SEK m	1,081	702	934	786
Average total capital, SEK m	1,507	951	1,286	1,063
Interest coverage ratio, multiple	7.9	8.8	7.1	7.1
Equity/assets ratio, %	31	39	31	27
Proportion of risk-bearing capital, %	35	42	35	31
Net investments in non-current assets, SEK m	13	20	403	410
Average number of employees	794	649	739	666

For definitions, see page 10.

Quarterly summary	2017 Q2	2016 Q2	2017 Q1	2016 Q1	2016 Q4	2015 Q4	2016 Q3	2015 Q3
Net revenue, SEK m	443	295	410	262	269	267	226	256
Gross profit, SEK m	112	76	100	63	52	56	57	59
Operating profit, SEK m	62	36	52	26	10	18	24	26
Profit before tax, SEK m	52	36	48	22	13	15	21	22
Net profit for the period, SEK m	40	28	37	17	9	12	16	17
Comprehensive income for the period, SEK m	39	27	36	16	12	9	19	16
Operating margin, %	14.0	12.3	12.7	9.8	3.6	6.8	10.6	10.2
Equity/assets ratio, %	31	39	29	44	27	45	42	43
Earnings per share, SEK ¹⁾	2.94	2.01	2.67	1.26	0.66	0.89	1.16	1.24
Cash flow from operating activities per share, SEK ¹⁾	2.46	4.08	0.41	-1.24	5.20	3.31	1.29	2.99

¹⁾ The comparison figures have been recalculated due to the 2:1 share split carried out in June 2017.

For definitions, see page 10.

Income statement, Parent Company (SEK million)	2017 6 mths Jan-Jun	2016 6 mths Jan-Jun	2016 12 mths Jan-Dec
Net revenue	6.8	4.4	8.7
Selling and administrative expenses	-12.0	-8.6	-17.6
Operating profit/loss	-5.2	-4.2	-8.9
Profit from participations in Group companies	–	12.0	56.0
Other financial items	-2.5	-11.4	-12.1
Profit/loss after financial items	-7.7	-3.6	35.0
Appropriations	–	–	4.1
Tax	1.7	3.4	-7.2
Net profit for the period	-6.0	-0.2	31.9
Statement of comprehensive income			
Net profit for the period	-6.0	-0.2	31.9
Other comprehensive income	–	–	–
Comprehensive income for the period	-6.0	-0.2	31.9

Income tax amounts to 22 per cent (95) for the interim period. Income tax-exempt dividends contributed to the previous year's deviating tax rate. 100 per cent (100) of the Parent Company's net revenue comes from invoicing to subsidiaries.

Balance sheet, Parent Company (SEK million)	2017 30 Jun	2016 30 Jun	2016 31 Dec
ASSETS			
Non-current assets	52.9	52.9	52.9
Current assets	499.7	411.9	437.2
EQUITY AND LIABILITIES			
Equity	73.1	73.2	110.2
Untaxed reserves	64.0	68.1	64.0
Non-current liabilities	73.9	72.6	73.3
Current liabilities	341.6	250.9	242.6
BALANCE SHEET TOTAL	552.6	464.8	490.1

Statement of changes in equity, Parent Company (SEK million)	2017 30 Jun	2016 30 Jun	2016 31 Dec
Opening balance	110.2	156.1	156.1
Comprehensive income for the period	-6.0	-0.2	31.9
Effects of convertible loan issued	–	–	4.9
Conversion of personnel convertibles	–	6.0	6.0
Acquisition of own personnel convertibles	–	-58.1	-58.1
Dividend paid in cash	-31.1	-30.6	-30.6
Closing balance	73.1	73.2	110.2

Cash flow statement, Parent Company (SEK million)	2017 6 mths Jan-Jun	2016 6 mths Jan-Jun	2016 12 mths Jan-Dec
Operating profit/loss	-5.2	-4.2	-8.9
Interest and income tax paid/received and adjustments for non-cash items	-6.2	-1.2	34.5
Change in working capital	76.4	16.9	31.9
Cash flow from operating activities	65.0	11.5	57.5
Investments	–	–	–
Cash flow after investments	65.0	11.5	57.5
Financing	-63.5	-10.9	-59.1
Cash flow for the period	1.5	0.6	-1.6
Cash and cash equivalents at the start of the period	2.7	4.5	4.5
Exchange rate differences in cash and cash equivalents	0.0	0.0	-0.2
Cash and cash equivalents at the end of the period	4.2	5.1	2.7

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 Solutions, Precision Technology and Rotational Moulding.

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. Manufacturers of furniture and fittings are supplied with parts such as hand wheels, handles and adjustable feet. Contract assignments for advanced industrial products in small and medium-sized production runs are also performed.

		2017 Q1-Q2	2016 Q1-Q2	2016 Q1-Q4
Net sales	SEK m	588	310	613
Operating profit	SEK m	81	35	60
Operating margin	%	13.9	11.3	9.7

Jorgensen is included from the acquisition date 24 November 2016.

Companies

Ackurat
Sweden
Finland
Poland

Canline
Netherlands
USA

Fredriksons
Sweden
China

Jorgensen
Denmark

NPB
Sweden

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.

		2017 Q1-Q2	2016 Q1-Q2	2016 Q1-Q4
Net sales	SEK m	132	121	230
Operating profit	SEK m	22	17	29
Operating margin	%	16.4	14.3	12.7

Companies

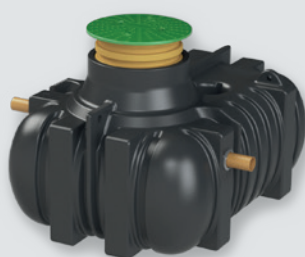
KMV
Sweden

LK Precision
Sweden

Mikroverktyg
Sweden

Resinit
Sweden

ROTATIONAL MOULDING



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

		2017 Q1-Q2	2016 Q1-Q2	2016 Q1-Q4
Net sales	SEK m	135	128	213
Operating profit	SEK m	23	19	25
Operating margin	%	16.7	14.6	11.7

Companies

Cipax
Sweden
Estonia
Norway
Finland

Definitions

Basic earnings per share

Net profit for the period 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 for the period 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 balance sheet date.

Equity/assets ratio

Equity in relation to total capital.

Interest coverage ratio

Profit after financial items plus financial expenses in relation to financial expenses.

Net investments in non-current assets

Closing balance less opening balance plus depreciation, impairment losses and translation differences for the period, pertaining to non-current assets.

Operating margin

Operating profit in relation to net revenue.

Profit margin

Profit after financial items in relation to net revenue.

Proportion of risk-bearing capital

Equity plus deferred tax liability in relation to total capital.

Return on capital employed

Profit after financial items plus financial expenses in relation to average capital employed.

Return on equity

Net profit for the period in relation to average equity.

Return on total capital

Profit after financial items plus financial expenses in relation to average total capital.

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 and the Annual Accounts Act. Other measures, known as alternative key figures, describe e.g. the profit trend, financial strength and how the company 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 at the same time as achieving comparability with other companies. The margin measures are also presented internally.

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.

