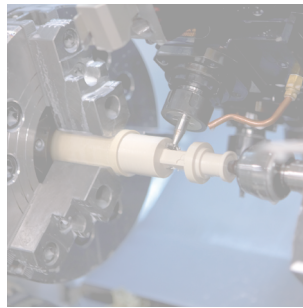




Interim report

1 January - 30 June 2012



Interim report 1 January - 30 June 2012

THE INTERIM PERIOD

- Net revenue totalled SEK 658 million (630)
- Profit after tax amounted to SEK 42 million (39)
- Earnings per share were SEK 6.20 (5.75)
- Acquisition of Kungsörs Mekaniska Verkstad AB and Albins Mekaniska Verkstad AB

THE SECOND QUARTER

- Net revenue totalled SEK 349 million (321)
- Profit after tax amounted to SEK 21 million (19)
- Earnings per share were SEK 3.10 (2.75)

Since the balance sheet date, all the shares in the subsidiary EMEK have been sold.

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

The uncertainty which prevailed ahead of the second quarter was not reflected in the Group's results. The company reports continued good invoicing with generally maintained margins. The concerns surrounding the Group's general order situation have been somewhat reduced and during the past few months, sales have not fallen any further but stabilised at a level slightly below that of the previous year. A certain reluctance in the order situation can still be noted from customers, but the number of enquiries is increasing. The companies' market positions have been successively strengthened and new business provides confidence for the future. The short-sightedness of the market remains, but the situation appears more under control now than it did at the end of the previous quarter.

Revenue and profit

The interim period

Net revenue amounted to SEK 658 million (630). The operating profit amounted to SEK 61 million (59), corresponding to an operating margin of 9.3 per cent (9.3). Profit before tax was SEK 56 million (52).

The second quarter

Net revenue amounted to SEK 349 million (321). The operating profit amounted to SEK 29 million (28). Profit before tax was SEK 28 million (25).

Share data and key figures

The interim period

Earnings per share were SEK 6.20 (5.75). Equity per share was SEK 76.25 (67.95). The average number of outstanding shares was 6,788,974 during the period. The equity/assets ratio was 45 per cent (47) at the end of the period. The average number of employees was 780 (731).

Important events during the period

In February, XANO acquired all the shares in Kungsörs Mekaniska Verkstad AB and Albins Mekaniska Verkstad AB.

Kungsörs Mekaniska specialises in internal processing, primarily precision drilling, and is a unique company within its niche in the Nordic countries. Albins Mekaniska works with contract manufacturing within cutting machining of fundamentally large products in short production runs. Together the companies employ about 40 people and have an annual revenue of approx. SEK 60 million.

The companies form part of XANO's Precision Technology business unit and were consolidated in the Group from 1 January 2012. The purchase price, which was paid in cash, was SEK 115 million. After deducting the liquid assets acquired, the net impact on the Group's cash flow was SEK 93 million. The balance sheet for the acquired companies totals around SEK 70 million, SEK 54 million of which is equity.

The acquisition will provide the XANO Group's existing operations in cutting machining with additional expertise and access to new market segments.

Events after the end of the period

Since the balance sheet date, all shares in the subsidiary Eslöv Mekaniska Verkstad AB (EMEK) have been sold.

EMEK operates as a subcontractor to the mechanical engineering industry with advanced cutting processes, with stainless steel as its primary area of specialisation. The company formed part of XANO's Precision Technology business unit.

The sale will have relatively little long-term impact on XANO's profits and financial position. EMEK achieved revenue of SEK 42 million during 2011. Divested assets and liabilities amount to SEK 31 million and SEK 10 million respectively. The purchase price, which was received in cash, amounts to SEK 15.5 million and consists of a fixed purchase price of SEK 12.3 million and a conditional supplementary purchase price calculated at SEK 3.2 million. The supplementary purchase price will be settled in August 2013. The sale carries a calculated capital loss of approx. SEK 6 million.

The sale is part of XANO's work to refine the Group's operations and build strong business units where synergies can be properly utilised.

Industrial Solutions

Industrial Solutions supplies automation solutions to the food and medical technology industries, in addition to packaging machines for beverage and other food packaging. The unit also supplies manufacturers of furniture and shop fittings with parts such as hand wheels, handles and adjustable feet.

	2012 Q1-Q2	2011 Q1-Q2	2011 Full year
Sales, SEK m	316	320	595
Operating profit, SEK m	32	35	67
Operating margin, %	10.1	11.1	11.3

Revenues were reduced marginally and operating profit fell by nine per cent compared to the same period the previous year.

The project related operations, particularly those for the packaging industry, can sometimes bring wide fluctuations in results from month to month. Several larger deliveries were made during the second quarter, which led to profit for the first half of the year coming more or less in line with that of the previous year. Sales of standard products for items such as furniture and shop fittings remained good. As for the rest, margins were also improved in comparison with the first quarter, in spite of the resource-hungry implementation work in connection with the new investments in production. The market situation is stable for the business unit as a whole.

Precision Technology

Precision Technology comprises component and system manufacture through advanced cutting machining of metal and plastic for the production of components with stringent requirements for quality and precision.

	2012 Q1-Q2	2011 Q1-Q2	2011 Full year
Sales, SEK m	242	207	396
Operating profit, SEK m	21	13	34
Operating margin, %	8.5	6.4	8.5

The business unit's invoicing was 17 per cent higher than for the same period last year. At the same time, the operating profit rose by 54 per cent.

The growth is attributable to the recently acquired companies Metall Göte, Albins and KMV. Other companies within the business unit saw a slight reduction in revenues, but generally maintained their margins. After some concerns at the start of the second quarter, incoming orders stabilised towards the end of the period. The order stocks are somewhat lower than for the same time the previous year, but customers are not planning far ahead and conditions can change quickly. The work on strengthening the companies' relative market positions is still a high priority.

Rotational Moulding

Rotational Moulding manufactures plastic products in the form of components and systems through rotational moulding. Deliverables include both customer-specific and in-house developed products.

	2012 Q1-Q2	2011 Q1-Q2	2011 Full year
Sales, SEK m	101	104	174
Operating profit, SEK m	18	19	28
Operating margin, %	18.0	17.8	15.9

The revenue and profit for the business unit during the first half of the year was on a level with the corresponding period the previous year.

Despite wide fluctuations in order inflow and production, the business unit's businesses have successfully managed to collectively increase the operating margin further. The rate of sales however, has slackened off and at the half-way point of the year order stocks are slightly lower than at the same time last year. The uncertainty surrounding future development has led to an increase in targeted market-oriented activities, including the establishment of a sales organisation in Poland. The previously difficult raw-materials situation has stabilised.

Investments

During the interim period, the Group's net investments in non-current assets amounted to SEK 123 million (19), of which SEK 92 million related to corporate transactions, SEK 2 million to real estate, SEK 28 million to machinery and equipment and SEK 1 million to intangible assets.

Net investments during the second quarter were SEK 9 million (14), of which SEK 2 million related to real estate and SEK 7 million to machinery and equipment.

Cash flow and liquidity

Cash flow after investments, excluding corporate transactions, totalled SEK 30 million (50) in the interim period.

The Group's liquid assets, including lines of credit granted but not utilised, totalled SEK 257 million (304) on the balance sheet date.

Convertible bond programme

The Annual General Meeting for XANO Industri AB decided on 10 May 2012 to approve the Board's proposal for an issue of maximum 300,000 convertibles with a total maximum nominal value of SEK 30,000,000 with maturity from 1 July 2012 to 30 June 2016. Employees of the XANO Group have subscribed to convertibles for a total of SEK 29,999,961 corresponding to 275,229 convertibles at a conversion rate of SEK 109. If all convertibles are converted to shares, share capital will be increased by SEK 1,376,145. The dilution will then be approx. 4 per cent of the share capital and approx. 1 per cent of the number of votes. The convertible interest is paid annually in arrears and is equivalent to STIBOR 3M plus 2.7 per cent. During the period 1 June to 10 June 2012, each convertible may be converted to a Class B share in XANO Industri AB. Transactions relating to XANO Convertibles 2012/2016 have been carried out at the beginning of July and are thus not included in the figures in the half-year report.

No conversion has been requested in relation

to XANO Convertible 2008/2012, with a conversion rate of SEK 125 and maturity up to and including 30 June 2012. Since the balance sheet date, the full nominal amount has been repaid.

Risks and uncertainty factors

The Group's major risk 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 68 and 69 of the annual report for 2011. No additional significant risks are deemed to have arisen.

Accounting policies

As with the accounts for 2011, the consolidated financial statements for 2012 were 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 Group applies the same accounting policies as described in the annual report for 2011 with the following exceptions as a result of new or revised standards, interpretations and improvements, which are applied as of 1 January 2012:

» IFRS 7 Financial Instruments: Disclosures

The change means, among other things, additional quantitative and qualitative information when removing financial instruments from the balance sheet.

The application has not had any effect on the Group's financial position.

Next report date

The interim report for the period 1 January to 30 September 2012 will be presented on Wednesday 7 November 2012.

The undersigned declare that this six-monthly 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, 10 July 2012

Tord Johansson
Chairman of the Board

Fredrik Rapp
Vice Chairman of the Board

Stig-Olof Simonsson
Board member

Christer Dahlström
Board member

Petter Fägersten
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
CEO

Consolidated statement of comprehensive income (SEK million)	2012	2011	2012	2011	11/12	2011
	3 mths Apr-Jun	3 mths Apr-Jun	6 mths Jan-Jun	6 mths Jan-Jun	12 mths Jul-Jun	12 mths Jan-Dec
Net revenue	349	321	658	630	1,190	1,162
Cost of goods sold	-279	-257	-522	-504	-941	-923
Gross profit	70	64	136	126	249	239
Other operating income	4	4	7	10	14	17
Selling expenses	-29	-25	-52	-48	-90	-86
Administrative expenses	-14	-13	-26	-25	-48	-47
Other operating expenses	-2	-2	-4	-4	-8	-8
Operating profit	29	28	61	59	117	115
Financial items	-1	-3	-5	-7	-8	-10
Profit before tax	28	25	56	52	109	105
Tax	-7	-6	-14	-13	-25	-24
Profit from continuing operations for the period	21	19	42	39	84	81
Profit from discontinued operations ¹⁾	0	0	0	2	0	2
Net profit for the period	21	19	42	41	84	83
Other comprehensive income						
Change in hedging reserve including tax ²⁾	-2	-1	1	-2	-5	-8
Exchange rate differences ³⁾	1	2	-1	0	1	2
Comprehensive income for the period	20	20	42	39	80	77
Depreciation constitutes	-14	-13	-28	-25	-53	-50

Tax totals 25% (24) for the interim period.

¹⁾ Profit from discontinued operations includes non-recurring items totalling SEK 0 million (2) in the interim period and SEK 2 million in the 2011 full year. These items constitute capital gains from the sale of shares in subsidiaries. See specification on page 8.

²⁾ Refers to the effective component of the change in value of derivative instruments used for hedge accounting.

³⁾ 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. Kungsörs Mekaniska Verkstad AB and Albins Mekaniska Verkstad AB, which were acquired in February, are included in the consolidated results as of 1 January 2012. These businesses have contributed SEK 31 million in net revenue and SEK 4 million in net profit after the deduction of write-offs from surplus values and financial costs attributable to the acquisition. The acquisition has not resulted in any transaction costs.

During 2012, XANO has established operations in Hong Kong and China. The transaction costs for these newly established companies amount to SEK 90 thousand.

Share data	2012	2011	2012	2011	2011
	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	6,789	6,789	6,789	6,789	6,789
Average number of outstanding shares after dilution, thousands	7,009	7,009	7,009	7,009	7,009
Average number of shares in own custody, thousands	140	140	140	140	140
Basic earnings per share, SEK ¹⁾	3.10	2.75	6.20	5.75	11.80
Diluted earnings per share, SEK ^{1, 2)}	3.05	2.75	6.10	5.65	11.60
Cash flow from operating activities per share, SEK	2.95	7.00	6.15	9.10	24.30
Total number of shares on balance sheet date, thousands			6,929	6,929	6,929
Number of shares in own custody on balance sheet date, thousands			140	140	140
Equity per share on balance sheet date, SEK			76.25	67.95	73.50
Share price on balance sheet date, SEK			83.50	102.00	81.75

After deduction for the company's own holding, 140,000 Class B shares, the number of outstanding shares is 6,788,974.

In 2008, convertibles with a nominal value of SEK 27,500,000, corresponding to 220,000 Class B shares in the event of full conversion, and maturity on 30 June 2012, were issued. No conversion was requested and the total nominal amount was repaid after the end of the period.

As at 1 July 2012, new convertibles for a nominal value of SEK 29,999,961, equivalent to 275,229 Class B shares with full conversion, have been issued. The convertibles accrue interest corresponding to STIBOR 3M plus 2.7 per cent and are due for payment on 30 June 2016. The conversion rate is SEK 109. If all convertibles are converted to shares, share capital will be increased by SEK 1,376,145. The dilution will then be approx. 4 per cent of the share capital and approx. 1 per cent of the number of votes.

¹⁾ Based on profit from continuing operations for the period.

²⁾ No dilution effect is taken into account if diluted earnings per share are higher than basic earnings per share. Earnings are based on a dilution effect of the convertible loan 2008/2012.

Consolidated statement of financial position (SEK million)	2012 30 Jun	2011 30 Jun	2011 31 Dec
ASSETS			
Goodwill	234	179	178
Other intangible non-current assets	5	6	5
Property, plant and equipment	453	405	417
Non-current financial assets	0	0	0
Total non-current assets	692	590	600
Inventories	191	175	189
Current receivables	224	198	192
Cash and bank balances	38	9	55
Total current assets	453	382	436
TOTAL ASSETS	1,145	972	1,036
EQUITY AND LIABILITIES			
Equity	517	461	499
Non-current liabilities	161	170	149
Current liabilities	467	341	388
TOTAL EQUITY AND LIABILITIES	1,145	972	1,036

Interest-bearing liabilities constitute	331	264	242
Deferred tax liabilities constitute	45	34	39

In February 2012, Kungsörs Mekaniska Verkstad AB and Albins Mekaniska Verkstad AB were acquired. Acquired assets and liabilities are specified under the cash flow statement below.

Metall Göte AB was acquired in September 2011. Acquired assets and liabilities were SEK 28 million and SEK 7 million respectively.

Statement of changes in equity (SEK million)	2012 30 Jun	2011 30 Jun	2011 31 Dec
Opening balance	499	446	446
Comprehensive income for the period	42	39	77
Dividend paid	-24	-24	-24
Closing balance	517	461	499

Cash flow statement (SEK million)	2012 6 mths Jan-Jun	2011 6 mths Jan-Jun	11/12 12 mths Jul-Jun	2011 12 mths Jan-Dec
Operating profit	61	61	117	117
Adjustments for non-cash items etc.	1	2	22	23
Change in working capital	-21	-1	5	25
Cash flow from operating activities	41	62	144	165
Investments	-104	-12	-134	-42
Cash flow after investments	-63	50	10	123
Financing	46	-52	19	-79
Change in liquid assets	-17	-2	29	44

The cash flow statement refers to the Group as a whole, including discontinued operations.

In 2012, the total value of acquired assets and liabilities, purchase prices and the effect on the Group's liquid assets, according to preliminary acquisition calculations, was as follows:

(SEK million)	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible assets	0	55	55
Property, plant and equipment	28	8	36
Financial assets	1	0	1
Current assets	41	0	41
Non-current liabilities	-5	-2	-7
Current liabilities	-11	0	-11
Net assets/purchase price	54	61	115
Liquid assets in acquired businesses			-22
Total cash flow attributable to acquired businesses			93

The acquisitions bring surplus values totalling SEK 63 million distributed amongst buildings (SEK 3 million), machinery (SEK 5 million) and goodwill, referring to customer relations and synergies, (SEK 55 million).

Key ratios	2012	2011	11/12	2011
	6 mths Jan-Jun	6 mths Jan-Jun	12 mths Jul-Jun	12 mths Jan-Dec
Operating margin, %	9.3	9.3	9.9	9.9
Profit margin, %	8.6	8.3	9.1	9.0
Return on equity, % ¹⁾	16.5	18.0	16.9	17.6
Return on capital employed, % ¹⁾	15.9	16.9	16.0	16.6
Return on total capital, % ¹⁾	11.5	12.7	11.8	12.3
Interest coverage ratio, multiple ¹⁾	8.5	8.1	7.9	7.8
Equity, SEK m	517	461	517	499
Equity/assets ratio, %	45	47	45	48
Proportion of risk-bearing capital, %	49	51	49	52
Net investments, SEK m	123	19	159	55
Average number of employees	780	731	757	732

For definitions, see page 88 of the 2011 annual report.

¹⁾ Refers to the whole Group, including discontinued operations.

Quarterly summary	2012	2011	2012	2011	2011	2010	2011	2010
	Q2	Q2	Q1	Q1	Q4	Q4	Q3	Q3
Net revenue, SEK m	349	321	309	309	299	295	233	228
Gross profit, SEK m	70	64	66	62	60	50	53	43
Operating profit, SEK m	29	28	32	31	28	22	28	19
Profit before tax, SEK m	28	25	28	27	27	19	26	15
Net profit for the period, SEK m ¹⁾	21	19	21	20	22	16	20	11
Comprehensive income for the period, SEK m ²⁾	20	20	22	19	19	18	19	21
Operating margin, %	8.4	8.7	10.3	10.0	9.2	7.5	12.1	8.6
Equity/assets ratio, %	45	47	46	47	48	46	48	38
Earnings per share, SEK ³⁾	3.10	2.75	3.10	3.00	3.15	2.35	2.90	1.65
Cash flow from operating activities per share, SEK ²⁾	2.95	7.00	3.20	2.10	11.30	5.40	3.90	6.55

¹⁾ Refers to profit from continuing operations for the period.

²⁾ Refers to the whole Group, including discontinued operations.

³⁾ Based on profit from continuing operations for the period.

Net revenue and profit/loss by segment

(SEK million)	Q1-Q2 2012				Q1-Q2 2011				Q1-Q4 2011			
	Net revenue			Profit/loss before tax ¹⁾	Net revenue			Profit/loss before tax ¹⁾	Net revenue			Profit/loss before tax ¹⁾
	External	Internal	Total		External	Internal	Total		External	Internal	Total	
Industrial Solutions	316	–	316	30	320	0	320	33	595	0	595	63
Precision Technology	241	1	242	16	206	1	207	9	393	3	396	26
Rotational Moulding	101	–	101	17	104	0	104	17	174	0	174	25
Eliminations	–	-1	-1	–	–	-1	-1	–	–	-3	-3	–
Undistributed items	–	–	–	-7	–	–	–	-7	–	–	–	-9
Group total	658	0	658	56	630	0	630	52	1,162	0	1,162	105

Segment reporting refers to continuing operations. The information 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 pages 2 and 3. The segments are reported in accordance with the same accounting policies as the Group. Market conditions are applied to transactions between the segments.

In 2012, the Precision Technology and Rotational Moulding segments have boosted their total operating assets, such as inventories and trade receivables, as a result of an increase in incoming orders. Investments in non-current assets were made mainly within the Precision Technology segment. In addition to investments in machinery, corporate acquisitions have increased non-current assets by SEK 92 million.

¹⁾ The profit/loss 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.

Income statement, Parent Company (SEK million)	2012 6 mths Jan-Jun	2011 6 mths Jan-Jun	2011 12 mths Jan-Dec
Net revenue	4.4	4.3	14.6
Selling and administrative expenses	-8.9	-8.3	-15.6
Other operating income/expenses	–	–	0.5
Operating profit/loss	-4.5	-4.0	-0.5
Profit from participations in group companies	51.1	–	57.8
Other financial items	4.2	1.8	-3.3
Profit after financial items	50.8	-2.2	54.0
Appropriations	–	–	-16.0
Tax	0.0	0.6	-12.6
Net profit for the period	50.8	-1.6	25.4
Statement of other comprehensive income			
Net profit for the period	50.8	-1.6	25.4
Other comprehensive income	–	–	–
Comprehensive income for the period	50.8	-1.6	25.4

Income tax totals 0% (26) for the interim period. Tax-exempt dividends have contributed to the lower tax expense in 2012.
100% (100) of the Parent Company's net revenue comes from invoicing to subsidiaries.

Balance sheet, Parent Company (SEK million)	2012 30 Jun	2011 30 Jun	2011 31 Dec
ASSETS			
Non-current assets	63.0	63.1	63.0
Current assets	532.4	398.8	530.8
EQUITY AND LIABILITIES			
Equity	295.0	240.8	267.9
Untaxed reserves	34.8	18.8	34.8
Non-current liabilities	14.3	14.9	14.6
Current liabilities	251.3	187.4	276.5
BALANCE SHEET TOTAL	595.4	461.9	593.8

Statement of changes in equity, Parent Company (SEK million)	2012 30 Jun	2011 30 Jun	2011 31 Dec
Opening balance	267.9	266.2	266.2
Comprehensive income for the period	50.8	-1.6	25.4
Dividend paid	-23.7	-23.7	-23.7
Rounding	–	-0.1	–
Closing balance	295.0	240.8	267.9

Cash flow statement, Parent Company (SEK million)	2012 6 mths Jan-Jun	2011 6 mths Jan-Jun	2011 12 mths Jan-Dec
Cash flow from operating activities	-70.7	44.7	98.5
Investments	0.0	8.1	8.1
Cash flow after investments	-70.7	52.8	106.6
Financing	54.7	-52.8	-63.0
Cash flow for the period	-16.0	0.0	43.6

Income statements (SEK million)	Continuing operations			Profit from disposals ¹⁾			Total		
	2012 6 mths Jan-Jun	2011 6 mths Jan-Jun	2011 12 mths Jan-Dec	2012 6 mths Jan-Jun	2011 6 mths Jan-Jun	2011 12 mths Jan-Dec	2012 6 mths Jan-Jun	2011 6 mths Jan-Jun	2011 12 mths Jan-Dec
Net revenue	658	630	1,162	–	–	–	658	630	1,162
Cost of goods sold	-522	-504	-923	–	–	–	-522	-504	-923
Gross profit/loss	136	126	239	0	0	0	136	126	239
Other operating income	7	10	17	–	2	2	7	12	19
Selling expenses	-52	-48	-86	–	–	–	-52	-48	-86
Administrative expenses	-26	-25	-47	–	–	–	-26	-25	-47
Other operating expenses	-4	-4	-8	–	–	–	-4	-4	-8
Operating profit/loss	61	59	115	0	2	2	61	61	117
Financial items	-5	-7	-10	–	–	–	-5	-7	-10
Profit before tax	56	52	105	0	2	2	56	54	107
Tax	-14	-13	-24	–	–	–	-14	-13	-24
Net profit for the period	42	39	81	0	2	2	42	41	83
Basic earnings per share, SEK ³⁾	6.20	5.75	11.80	–	0.30	0.35	6.20	6.05	12.15
Diluted earnings per share, SEK ^{3,4)}	6.10	5.65	11.60	–	0.30	0.35	6.10	5.95	11.95

¹⁾ Profit from disposals refers to the capital gains made on selling the shares in Inmedic AB and Bladhs Industri AB. The businesses were sold in 2010. The profit from disposals was adjusted in 2011 mainly as a result of a settlement with the purchaser of Bladhs Industri AB with regard to guarantees provided.

²⁾ Based on net profit/loss for the period.

³⁾ No dilution effect is taken into account if diluted earnings per share are higher than basic earnings per share. Earnings are based on a dilution effect of the convertible loan 2008/2012.

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

