

# YEAR-END REPORT

## 1 January – 31 December 2019



### THE FULL YEAR

- Net revenue totalled SEK 2,128 million (2,044)
- Operating profit amounted to SEK 229 million (236)
- Profit before tax amounted to SEK 211 million (219)
- Profit after tax amounted to SEK 163 million (171)
- Earnings per share were SEK 5.85 (6.13)

### Important events during the year

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

### THE FOURTH QUARTER

- Net revenue totalled SEK 520 million (549)
- Operating profit amounted to SEK 45 million (63)
- Profit before tax amounted to SEK 39 million (57)
- Profit after tax amounted to SEK 30 million (45)
- Earnings per share were SEK 1.10 (1.61)

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



### THE GROUP

Now, as we sum up 2019, we can state that the Group's operations have once again generated good results, all in all. Our Industrial Products and Precision Technology business units enjoyed consistently stable development, while the dominant automation section within Industrial Solutions began the year strongly, but experienced a more challenging market situation during the second half of the year. For the whole year, sales growth amounted to 4 per cent, of which 3 per cent was organic. Compared to last year's peak, operating profit declined by almost 3 per cent, calculated in Swedish kronor, while the operating margin fell from 11.6 to 10.8 per cent. The profit margin stood at 9.9 per cent (10.7), which means that our stated goal of 8 per cent was clearly surpassed, and the Group's financial position was further strengthened.

The results during the fourth quarter were unable to match the high comparative figures from the corresponding period in the previous year. In terms of the market, however, we witnessed a general stabilisation and a generally improved order situation.

### THE INDUSTRIAL PRODUCTS BUSINESS UNIT

Within the Industrial Products business unit, sales increased by almost 5 per cent, while operating profit exceeded last year's figure by 17 per cent. The work in relation to organisational development and efficiency improvements further enhanced profitability. On the marketing side, we witnessed a continued positive trend, above all within the infrastructure area, where several long-term cooperation agreements were entered into. Sales to furniture and fittings manufacturers also developed well, primarily on the export markets, whereas deliveries to the automotive sector decreased overall. Adaptations to production in order to handle an increased proportion of bioplastics and the use of recycled materials remained a high priority.

### THE INDUSTRIAL SOLUTIONS BUSINESS UNIT

The growth in sales within the Industrial Solutions business unit amounted to 4 per cent, of which half was organic. Operating profit declined by almost 12 per cent compared to the previous year, mainly as a result of a less favourable assignment structure in respect of automation projects during the year. Operations related to customer-specific assignments reported positive development, with a favourable market climate and many new deals, gradually producing an ever greater impact. After an extended period of deferred investments and a small number of business transactions at our customers in the packaging and food industries, we experienced a slightly higher level of activity towards the end of the year.

### THE PRECISION TECHNOLOGY BUSINESS UNIT

The operations within the Precision Technology business unit reported almost 6 per cent higher sales, of which 2 per cent was organic growth, and an operating profit that was 3 per cent lower than that of the comparison period. The operating profit did not quite match last year's record level, yet profitability remained good. Our precision companies have a broad customer base and a good sector spread, with the medical technology industry as the dominant sector, which helped to minimise the effects of the general decline during the second half of the year. The newly acquired company Kuggteknik in Leksand contributed just over SEK 10 million in revenue and had a marginal impact on profit.

### FUTURE DEVELOPMENT

The uncertainty that characterised the market conditions prior to the end of the year was alleviated slightly during the past quarter, but is still expected to persist for a while. At the same time, we consider that the negative trend of constantly deferred decisions in respect of automation projects has been broken, as we have received several major orders after the turn of the year that will have a positive impact on sales and earnings during the latter part of this year. These transactions relate in part to new markets, where we are also witnessing further potential for growth.

Developments in the world around us have meant that the trend from the previous year, with major variations between both industrial segments and different periods, has been reinforced and has almost become the norm. Our strategic work aimed at extending our customer relationships and selecting assignments that ensure optimum utilisation of resources in the long term is consequently becoming increasingly important. We are continuing to focus on profitability, and believe that the trend for the Group's operations will remain positive.

Jönköping, 4 February 2020

Lennart Persson  
President and CEO

**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 full year*

Net revenue totalled SEK 2,128 million (2,044). Operating profit amounted to SEK 229 million (236), corresponding to an operating margin of 10.8 per cent (11.6). Profit before tax was SEK 211 million (219).

*The fourth quarter*

Net revenue totalled SEK 520 million (549). Operating profit amounted to SEK 45 million (63), corresponding to an operating margin of 8.7 per cent (11.6). Profit before tax was SEK 39 million (57).

**SHARE DATA AND KEY FIGURES***The full year*

Basic earnings per share were SEK 5.85 (6.13). Equity per share was SEK 28.68 (24.58). The average number of outstanding shares was 27,894,536 during the year. The equity/assets ratio was 38 per cent (34) at year-end. The average number of employees was 1,085 (1,015).

**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.

In November, a new credit agreement was 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.

**EVENTS AFTER THE END OF THE PERIOD**

There are no individual events of major significance to report after the closing day.

**INVESTMENTS***The full year*

Net investments in non-current assets came to SEK 123 million (283), of which SEK 10 million related to corporate transactions, SEK 12 million to intangible non-current assets, SEK 32 million to real estate, SEK 52 million to machinery and equipment and SEK 17 million to right-of-use assets.

*The fourth quarter*

Net investments in non-current assets came to SEK 44 million (30), of which SEK 5 million related to intangible non-current assets, SEK 10 million to real estate, SEK 23 million to machinery and equipment and SEK 6 million to right-of-use assets.

**CASH FLOW AND LIQUIDITY**

Cash flow from operating activities amounted to SEK 307 million (150) during the year. The stronger cash flow in relation to the comparison period is a consequence of the year's decrease in working capital, principally in respect of contract assets in project-related operations.

Liquid assets, including lines of credit granted but not utilised, totalled SEK 510 million (260) 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.

**RELATED PARTY TRANSACTIONS**

During the year, no transactions have been conducted between XANO and related parties that have significantly affected the Group's financial performance and position.

**PROPOSED DIVIDEND**

The Board of Directors proposes that the Annual General Meeting allocates a dividend of SEK 2.00 (2.00) per share, totalling SEK 55.8 million (55.8) based on the current number of outstanding shares. The dividend amount per share in respect of the previous year has been recalculated as a result of the implemented share split.

The proposed dividend represents approx. 34 per cent (33) of net profit for the year.

**AUTHORISATION FOR REPURCHASE OF OWN SHARES**

The Board of Directors proposes that the Annual General Meeting renew the Board's authorisation to decide on the repurchase of the company's own shares. Such a mandate would authorise the Board to make decisions regarding the repurchase of the company's shares during the period until the next Annual General Meeting.

Any such repurchase could be effected both via the stock market and by offers to the shareholders. The proposal is that the mandate to the Board should also include the scope for assigning repurchased shares within the constraints of relevant legislation.

**AUTHORISATION FOR A NEW SHARE ISSUE**

The Board of Directors proposes that the Annual General Meeting renew the Board's authorisation to decide on a new issue of Class B shares corresponding to a maximum of one tenth of the company's issued shares. Such a mandate would entail the Board being able to make a decision on a new share issue during the period until the next Annual General Meeting.

The terms of the issue, including the issue price, must be based on a market assessment in which the issue price in each case is set as close to the market value as possible, less the discount which may be necessary to generate interest in the subscription.

**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 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.

The annual report for 2019 (in Swedish) will be available in week 15, as a printed version from the head office and in digital format on the website [www.xano.se](http://www.xano.se). The annual report is distributed to those shareholders who have actively notified the company that they wish to receive a copy.

**NEXT REPORT DATE**

The interim report for the period 1 January to 31 March will be presented on Thursday 7 May 2020.

The undersigned declare that the year-end report provides an accurate summary of the Parent Company's and the Group's activities, position and results. It also describes significant risks and uncertainty factors faced by the Parent Company and the companies that form the Group.

Jönköping, 4 February 2020

Fredrik Rapp  
*Chairman*

Anna Benjamin  
*Vice Chairman*

Petter Fägersten  
*Board member*

Eva-Lotta Kraft  
*Board member*

Stig-Olof Simonsson  
*Board member*

Per Rodert  
*Board member*

Lennart Persson  
*CEO*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SUMMARY, SEK million)		2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
	Note				
Net revenue	2	520	549	2,128	2,044
Cost of goods sold		-411	-421	-1,658	-1,585
<b>Gross profit</b>		<b>109</b>	<b>128</b>	<b>470</b>	<b>459</b>
Selling expenses	3	-41	-43	-158	-145
Administrative expenses		-22	-23	-85	-83
Other operating income		4	5	14	19
Other operating expenses		-5	-4	-12	-14
Profit from participations in associated companies		0	0	0	0
<b>Operating profit</b>		<b>45</b>	<b>63</b>	<b>229</b>	<b>236</b>
Financial income		1	1	9	8
Financial expenses		-7	-7	-27	-25
<b>Profit before tax</b>	2	<b>39</b>	<b>57</b>	<b>211</b>	<b>219</b>
Tax	4	-9	-12	-48	-48
<b>Net profit for the period</b>		<b>30</b>	<b>45</b>	<b>163</b>	<b>171</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>30</i>	<i>45</i>	<i>163</i>	<i>171</i>
<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	4	0	1	1
Translation differences	5	-7	-2	6	9
<b>Other comprehensive income</b>		<b>-3</b>	<b>-2</b>	<b>7</b>	<b>10</b>
<b>Comprehensive income for the period</b>		<b>27</b>	<b>43</b>	<b>170</b>	<b>181</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>27</i>	<i>43</i>	<i>170</i>	<i>181</i>
Basic earnings per share, SEK	6	1.10	1.61	5.85	6.13
Diluted earnings per share, SEK	6	1.07	1.57	5.70	5.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (SUMMARY, SEK million)		Note	2019 31 Dec	2018 31 Dec
<b>ASSETS</b>				
Goodwill			577	575
Other intangible non-current assets			44	39
Property, plant and equipment			551	515
Right-of-use assets			88	–
Other non-current assets			2	2
<b>Total non-current assets</b>			<b>1,262</b>	<b>1,131</b>
Inventories			318	288
Current receivables			419	505
Cash and cash equivalents			82	70
<b>Total current assets</b>			<b>819</b>	<b>863</b>
<b>TOTAL ASSETS</b>			<b>2,081</b>	<b>1,994</b>
<b>EQUITY AND LIABILITIES</b>				
Equity			800	686
Non-current liabilities			690	587
Current liabilities		7	591	721
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>2,081</b>	<b>1,994</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SUMMARY, SEK million)	2019 31 Dec	2018 31 Dec
Opening balance	686	541
Net profit for the period	163	171
Other comprehensive income	7	10
<b>Comprehensive income for the period</b>	<b>170</b>	<b>181</b>
Transfer of own shares	–	20
Dividend paid in cash	-56	-56
<b>Total transactions with shareholders</b>	<b>-56</b>	<b>-36</b>
<b>Closing balance</b> <i>– of which attributable to shareholders of the Parent Company</i>	<b>800</b> 800	<b>686</b> 686

CONSOLIDATED CASH FLOW STATEMENT (SUMMARY, SEK million)	Note	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Operating profit		229	236
Interest and income tax paid/received and adjustments for non-cash items		1	27
Change in working capital		77	-113
<b>Cash flow from operating activities</b>		<b>307</b>	<b>150</b>
Investments			
Acquisitions of subsidiaries	8	-8	-162
Other		-100	-81
<b>Cash flow after investments</b>		<b>199</b>	<b>-93</b>
Dividend paid		-56	-56
Cash flow from other financing activities		-132	165
<b>Cash flow for the period</b>		<b>11</b>	<b>16</b>
Cash and cash equivalents at the start of the period		70	53
Exchange rate differences in cash and cash equivalents		1	1
<b>Cash and cash equivalents at the end of the period</b>		<b>82</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
	12 mths Jan-Dec	12 mths Jan-Dec	12 mths Jan-Dec	12 mths Jan-Dec
(SEK million)	OUTCOME	IFRS 16 EFFECT	WITHOUT IFRS 16	OUTCOME
Operating profit	229.4	+1.6	227.8	236.2
Financial items	-18.0	-2.8	-15.2	-17.0
<b>Profit before tax</b>	<b>211.4</b>	<b>-1.2</b>	<b>212.6</b>	<b>219.2</b>
Tax	-48.3	+0.3	-48.6	-48.1
<b>Net profit for the period</b>	<b>163.1</b>	<b>-0.9</b>	<b>164.0</b>	<b>171.1</b>
Depreciation constitutes	-83.9	-17.8	-66.1	-64.3
Operating margin, %	10.8	+0.1	10.7	11.6
Profit margin, %	9.9	-0.1	10.0	10.7

For definitions, see page 13.

## ■ 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 15. 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 Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
<b>INDUSTRIAL PRODUCTS</b>	<b>143</b>	<b>139</b>	<b>610</b>	<b>583</b>
<b>Breakdown by geographic market<sup>1)</sup></b>				
Sweden	43	42	182	174
Rest of the Nordic countries	30	30	135	126
Rest of Europe	68	67	286	278
Rest of the world	2	0	7	5
<b>Breakdown by type of product</b>				
Proprietary products	33	30	164	149
Customer-specific manufacturing	110	109	446	434
<b>Breakdown by timing of revenue recognition</b>				
Goods and services transferred at a point in time	143	139	610	583
<b>INDUSTRIAL SOLUTIONS</b>	<b>303</b>	<b>333</b>	<b>1,214</b>	<b>1,172</b>
<b>Breakdown by geographic market<sup>1)</sup></b>				
Sweden	108	98	389	424
Rest of the Nordic countries	21	15	71	67
Rest of Europe	105	177	506	494
Rest of the world	69	43	248	187
<b>Breakdown by type of product</b>				
Proprietary products	181	227	740	719
Customer-specific manufacturing	122	106	474	453
<b>Breakdown by timing of revenue recognition</b>				
Goods and services transferred at a point in time	161	136	584	553
Services transferred over time	6	5	13	13
Projects transferred over time	136	192	617	606
<b>PRECISION TECHNOLOGY</b>	<b>75</b>	<b>78</b>	<b>310</b>	<b>294</b>
<b>Breakdown by geographic market<sup>1)</sup></b>				
Sweden	62	67	254	244
Rest of the Nordic countries	2	1	5	3
Rest of Europe	4	6	22	16
Rest of the world	7	4	29	31
<b>Breakdown by type of product</b>				
Proprietary products	1	1	3	3
Customer-specific manufacturing	74	77	307	291
<b>Breakdown by timing of revenue recognition</b>				
Goods and services transferred at a point in time	75	78	310	294
<b>GROUP TOTAL</b>	<b>520</b>	<b>549</b>	<b>2,128</b>	<b>2,044</b>
<b>Breakdown by geographic market<sup>1)</sup></b>				
Sweden	212	206	819	837
Rest of the Nordic countries	53	46	211	196
Rest of Europe	177	250	814	788
Rest of the world	78	47	284	223
<b>Breakdown by type of product</b>				
Proprietary products	215	258	907	871
Customer-specific manufacturing	305	291	1,221	1,173
<b>Breakdown by timing of revenue recognition</b>				
Goods and services transferred at a point in time	378	352	1,498	1,425
Services transferred over time	6	5	13	13
Projects transferred over time	136	192	617	606

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



NET REVENUE BY SEGMENT	2019	2018	2019	2018
(SEK million)	3 mths Oct-Dec	3 mths Oct-Dec	12 mths Jan-Dec	12 mths Jan-Dec
Industrial Products	143	139	610	583
Industrial Solutions	303	333	1,214	1,172
Precision Technology	75	78	310	294
Eliminations	-1	-1	-6	-5
<b>Group total</b>	<b>520</b>	<b>549</b>	<b>2,128</b>	<b>2,044</b>

PROFIT/LOSS BEFORE TAX BY SEGMENT <sup>1)</sup>	2019	2018	2019	2018
(SEK million)	3 mths Oct-Dec	3 mths Oct-Dec	12 mths Jan-Dec	12 mths Jan-Dec
Industrial Products	11	10	69	59
Industrial Solutions	28	45	123	139
Precision Technology	5	10	47	50
Undistributed items	-5	-8	-28	-29
<b>Group total</b>	<b>39</b>	<b>57</b>	<b>211</b>	<b>219</b>

<sup>1)</sup> 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

Amount for the 2018 full year includes 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 full year.

### ■ 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 Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Net profit for the period, SEK million	30.5	45.0	163.1	171.1
Average number of outstanding shares, thousands	27,895	27,895	27,895	27,894
<b>Basic earnings per share, SEK</b>	<b>1.10</b>	<b>1.61</b>	<b>5.85</b>	<b>6.13</b>

  

DILUTED EARNINGS PER SHARE	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Net profit for the period, SEK million	30.5	45.0	163.1	171.1
Interest expense on convertible bonds, SEK million <sup>1)</sup>	0.6	0.6	2.3	2.3
Issue expenses for convertible bonds, SEK million	0.0	0.0	0.0	0.0
<b>Adjusted income, SEK million</b>	<b>31.1</b>	<b>45.6</b>	<b>165.4</b>	<b>173.4</b>
Average number of outstanding shares, thousands	27,895	27,895	27,895	27,894
Adjustment for presumed conversion of convertible bonds, thousands	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>Diluted earnings per share, SEK</b>	<b>1.07</b>	<b>1.57</b>	<b>5.70</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, corresponding to 1,140,000 Class B shares in the event of full conversion, 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 13 million (14). 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). 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.

## ■ 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 2,142 million, while net profit would have been unchanged at SEK 163 million for the 2019 full year.

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	2018	2019	2018
	3 mths Oct-Dec	3 mths Oct-Dec	12 mths Jan-Dec	12 mths Jan-Dec
Average number of outstanding shares, thousands	27,895	27,895	27,895	27,894
Average number of outstanding shares after dilution, thousands	29,035	29,035	29,035	29,034
Basic earnings per share, SEK	1.10	1.61	5.85	6.13
Diluted earnings per share, SEK	1.07	1.57	5.70	5.97
Cash flow from operating activities per share, SEK	1.89	2.12	11.02	5.37
Total number of shares on closing day, thousands			28,187	28,187
Number of shares in own custody on closing day, thousands			292	292
Number of outstanding shares on closing day, thousands			27,895	27,895
Equity per share on closing day, SEK			28.68	24.58
Share price on closing day, SEK			113.00	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 10.

KEY FIGURES, GROUP	2019	2018	2019	2018
	3 mths Oct-Dec	3 mths Oct-Dec	12 mths Jan-Dec	12 mths Jan-Dec
Operating margin, %	8.7	11.6	10.8	11.6
Profit margin, %	7.6	10.5	9.9	10.7
Interest-bearing liabilities, SEK million <sup>1)</sup>			762	785
Deferred tax liabilities, SEK million			96	91
Lines of credit granted but not utilised, SEK million			428	190
Return on equity, %			21.8	27.6
Return on capital employed, %			15.4	17.9
Return on total capital, %			11.4	13.0
Average equity, SEK million			750	620
Average capital employed, SEK million			1,549	1,363
Average total capital, SEK million			2,084	1,876
Interest coverage ratio, multiple			8.8	9.9
Equity/assets ratio, %			38	34
Proportion of risk-bearing capital, %			43	39
Depreciation, SEK million	22	16	84	64
Net investments in non-current assets, SEK million	44	30	123	283
Employees, average number	1,118	1,033	1,085	1,015

<sup>1)</sup> Lease liabilities related to right-of-use assets constitute SEK 87 million (-) for the full year.

QUARTERLY SUMMARY, GROUP	2019	2018	2019	2018	2019	2018	2019	2018
	Q4	Q4	Q3	Q3	Q2	Q2	Q1	Q1
Net revenue, SEK m	520	549	463	450	581	541	564	504
Gross profit, SEK m	109	128	90	96	139	120	132	115
Operating profit, SEK m	45	63	39	51	74	61	71	61
Profit before tax, SEK m	39	57	36	47	69	59	67	56
Net profit for the period, SEK m	30	45	27	36	54	47	52	43
Comprehensive income for the period, SEK m	27	43	29	32	54	50	60	56
Operating margin, %	8.7	11.6	8.5	11.2	12.8	11.3	12.5	12.1
Profit margin, %	7.6	10.5	7.8	10.3	11.9	10.9	11.9	11.2
Equity/assets ratio, %	38	34	37	32	35	31	35	32
Basic earnings per share, SEK <sup>1)</sup>	1.10	1.61	0.95	1.30	1.93	1.67	1.87	1.55
Cash flow from operating activities per share, SEK <sup>1)</sup>	1.89	2.12	4.60	1.47	1.82	1.21	2.71	0.57

<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 13.

## 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
(SUMMARY, SEK million)		12 mths Jan-Dec	12 mths Jan-Dec
	Note		
Net revenue	1	22.5	21.9
Selling and administrative expenses		-27.1	-26.2
<b>Operating profit/loss</b>		<b>-4.6</b>	<b>-4.3</b>
Profit from participations in Group companies		128.3	136.9
Other financial items		-4.3	-4.1
<b>Profit/loss after financial items</b>		<b>119.4</b>	<b>128.5</b>
Appropriations		-13.0	-17.1
Tax	2	-18.4	-20.8
<b>Net profit for the period</b>		<b>88.0</b>	<b>90.6</b>
<i>Statement of comprehensive income</i>			
Net profit for the period		88.0	90.6
Other comprehensive income		-	-
<b>Comprehensive income for the period</b>		<b>88.0</b>	<b>90.6</b>
<b>BALANCE SHEET, PARENT COMPANY</b>		<b>2019</b>	<b>2018</b>
(SUMMARY, SEK million)		31 Dec	31 Dec
<b>ASSETS</b>			
Non-current assets		235.6	228.7
Current assets		620.9	693.4
<b>EQUITY AND LIABILITIES</b>			
Equity		237.0	204.8
Untaxed reserves		107.0	94.0
Non-current liabilities		120.0	172.1
Current liabilities		392.5	451.2
<b>BALANCE SHEET TOTAL</b>		<b>856.5</b>	<b>922.1</b>
<b>STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY</b>		<b>2019</b>	<b>2018</b>
(SUMMARY, SEK million)		31 Dec	31 Dec
Opening balance		204.8	150.0
Comprehensive income for the period		88.0	90.6
Transfer of own shares		-	20.0
Dividend paid in cash		-55.8	-55.8
<b>Closing balance</b>		<b>237.0</b>	<b>204.8</b>
<b>CASH FLOW STATEMENT, PARENT COMPANY</b>		<b>2019</b>	<b>2018</b>
(SUMMARY, SEK million)		12 mths Jan-Dec	12 mths Jan-Dec
Operating profit/loss		-4.6	-4.3
Interest and income tax paid/received and adjustments for non-cash items		102.9	112.8
Change in working capital		117.2	-141.5
<b>Cash flow from operating activities</b>		<b>215.5</b>	<b>-33.0</b>
Investments		-0.0	-155.9
<b>Cash flow after investments</b>		<b>215.5</b>	<b>-188.9</b>
Financing		-214.4	188.2
<b>Cash flow for the period</b>		<b>1.1</b>	<b>-0.7</b>
Cash and cash equivalents at the start of the year		5.2	5.9
Exchange rate differences in cash and cash equivalents		0.0	0.0
<b>Cash and cash equivalents at the end of the period</b>		<b>6.3</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 17 per cent (19). 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

## Companies



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 Q1-Q4	2018 Q1-Q4
Net sales	SEK m	610	583
Operating profit	SEK m	75	64
Operating margin	%	12.4	11.1

**Ackurat**  
Sweden  
Finland  
Poland

**Blowtech**  
Sweden  
Norway

**Cipax**  
Sweden  
Estonia  
Norway  
Finland

## INDUSTRIAL SOLUTIONS

## Companies



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 Q1-Q4	2018 Q1-Q4
Net sales	SEK m	1,214	1,172
Operating profit	SEK m	129	147
– of which non-recurring items		–	3
Operating margin	%	10.6	12.5

*Polyketting is included from 1 May 2018.*

**Canline**  
Netherlands  
USA

**Fredriksons**  
Sweden  
China

**Jorgensen**  
Denmark

**NPB**  
Sweden

**Polyketting**  
Netherlands

## PRECISION TECHNOLOGY

## Companies



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 Q1-Q4	2018 Q1-Q4
Net sales	SEK m	310	294
Operating profit	SEK m	50	52
Operating margin	%	16.2	17.7

*Kuggteknik is included from 1 July 2019.*

**Kuggteknik**  
Sweden

**KMV**  
Sweden

**LK Precision**  
Sweden

**Mikroverktyg**  
Sweden

**Resinit**  
Sweden

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