

# INTERIM REPORT

## 1 January – 30 September 2018



### THE INTERIM PERIOD

- Net revenue totalled SEK 1,495 million (1,231)
- Operating profit amounted to SEK 173 million (166)
- Profit before tax amounted to SEK 162 million (150)
- Profit after tax amounted to SEK 126 million (116)
- Earnings per share were SEK 9.04 (8.37)

### Important events during the period

- The acquisition of Blowtech Group was concluded
- The Dutch enterprise Polyketting was acquired

### THE THIRD QUARTER

- Net revenue totalled SEK 450 million (378)
- Operating profit amounted to SEK 51 million (52)
- Profit before tax amounted to SEK 47 million (50)
- Profit after tax amounted to SEK 36 million (39)
- Earnings per share were SEK 2.60 (2.76)

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

The Group reported rising order volumes and overall continuing strong results during the third quarter. For the entire nine-month period, sales growth stood at just over 21 per cent, of which the new acquisitions Blowtech and Polyketting jointly contributed 20 per cent. Operating profit improved by 4 per cent and the profit margin amounted to 10.8 per cent.

The increase in volume of just over 90 per cent within Industrial Products was primarily attributable to Blowtech, which was acquired at the start of the year. The addition of Blowtech also resulted in the business unit's operating profit exceeding last year's figure by 62 per cent. Ackurat reported figures on a par with the comparison period, while Cipax's profitability weakened slightly as a result of negative currency effects and a different product mix.

The Industrial Solutions business unit reported a growth in sales of almost 3 per cent. At the same time, operating profit fell by 17 per cent as a result of a higher proportion of customer-specific deliveries compared to the previous year. Invoicing related to project-based operations remained relatively low, although an increased number of order completions during the third quarter will produce higher volumes in future.

The companies within the Precision Technology business unit reported 16 per cent higher invoicing and an operating profit that exceeded that of the comparison period by 35 per cent. This positive development is based on an ongoing favourable market climate combined with efficient production. Machine investments and other capacity-raising activities are continually being conducted.

Since the end of June, the order situation for the Group's project-related operations has improved and, bearing in mind the favourable market situation, we are anticipating that this trend will continue. Otherwise, demand for the Group's products and services remains largely unchanged, while the fluctuations in incoming orders have been reduced. For the Group as a whole, the conditions for continued positive development in the immediate future are therefore deemed to be good.

## REVENUE AND PROFIT

### *The interim period*

Net revenue totalled SEK 1,495 million (1,231). Operating profit amounted to SEK 173 million (166), corresponding to an operating margin of 11.6 per cent (13.5). Profit before tax was SEK 162 million (150).

### *The third quarter*

Net revenue totalled SEK 450 million (378). Operating profit amounted to SEK 51 million (52), corresponding to an operating margin of 11.2 per cent (13.8). Profit before tax was SEK 47 million (50).

## SHARE DATA AND KEY FIGURES

### *The interim period*

Basic earnings per share were SEK 9.04 (8.37). Equity per share was SEK 46.09 (35.66). The average number of outstanding shares was 13,946,778 during the period. The equity/assets ratio was 32 per cent (32) at the end of the period. The average number of employees was 1,009 (799).

## IMPORTANT EVENTS DURING THE PERIOD

The acquisition of Blowtech Group, with production facilities in Gnosjö, Sweden, and Kongsvinger, Norway, was concluded in January. Blowtech is a leading Nordic player in technical blow moulding of plastics. Blowtech produces complex components for vehicles, construction machinery and infrastructure equipment. The business has a turnover of SEK 250 million with an operating margin of approximately 12 per cent. The acquired operations are expected to contribute annual earnings per share of SEK 1.25. Blowtech is a part of the Industrial Products business unit along with Cipax and Ackurat (formerly a part of Industrial Solutions). The purchase sum, which was paid partly in cash and partly through the transfer of XANO shares, amounted to SEK 238 million on a debt-free basis. For settlement of the equivalent of SEK 20 million of the purchase sum, 133,778 of the company's own class B shares were transferred.

In May, Polyketting Holding B.V. with subsidiaries, located in Zelhem in the Netherlands, was acquired. The operations of the acquired companies comprise the development, manufacture and sale of automation equipment, primarily conveyor systems and accumulator units, for the packaging industry. During 2017, net sales totalled just over EUR 8 million with an operating margin, non-recurring items excluded, of 8 per cent. Polyketting is a part of XANO's Industrial Solutions business unit. The purchase price, paid in cash, amounted to EUR 2.7 million.

## 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 came to SEK 253 million (23), of which SEK 206 million related to corporate

transactions, SEK 5 million to intangible non-current assets, SEK 22 million to real estate and SEK 20 million to machinery and equipment.

#### *The third quarter*

Net investments in non-current assets came to SEK 13 million (10), of which SEK 3 million related to intangible non-current assets, SEK 5 million to real estate and SEK 5 million to machinery and equipment.

#### **CASH FLOW AND LIQUIDITY**

Cash flow from operating activities amounted to SEK 91 million (23) in the interim period. During 2018, the Group's working capital, such as stock levels and accounts receivable, has gradually increased. Compared to the previous year, however, the overall outflow attributable to working capital has been lower.

Liquid assets, including lines of credit granted but not utilised, totalled SEK 314 million (312) on the balance sheet date.

#### **HOLDING OF OWN SHARES**

In January 2018, 133,778 own class B shares were transferred in conjunction with business acquisitions. After the transaction, the number of shares in the company's custody amounted to 146,222 class B shares, corresponding to 1.0 per cent of total share capital.

#### **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 88–89 of the annual report for 2017. No additional significant risks are deemed to have arisen.

#### **ACCOUNTING POLICIES**

As with the annual financial statements for 2017, the consolidated financial statements for 2018 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

2017 with the exceptions of new or revised standards, interpretations and improvements, which are applied as from 1 January 2018.

The application of the new standards IFRS 9, Financial instruments, and IFRS 15, Revenue from contracts with customers, starting in 2018, will not have any significant impact on the Group's financial results and position, and no transitional effects associated with the implementation of these standards have been identified. The standards are introducing new terms and extended disclosure requirements, however.

Regarding the application of IFRS 16, Leases, which enters into force in 2019, please refer to the description in the 2017 annual report. The Group intends to apply the simplified method during the transition to the new standard.

#### **ANNUAL GENERAL MEETING 2019**

The upcoming AGM will take place in Jönköping on Thursday 9 May 2019.

At the AGM on 8 May 2018, a Nomination Committee consisting of Ulf Hedlundh (Chairman), Anders Rudgård and Anna Benjamin was appointed. The task of this committee prior to the 2019 AGM is to nominate a Chairman of the Board and other Board members, auditors, a Chairman for the AGM and to propose fees for the Board and auditors. Shareholders wishing to nominate candidates for XANO's Board of Directors may contact Ulf Hedlundh, Chair of the Nomination Committee, on tel. +46 8-440 37 70 or e-mail [ulf.hedlundh@svolder.se](mailto:ulf.hedlundh@svolder.se). In order for received proposals to be able to be handled properly, these should be received by the Nomination Committee no later than 31 January 2019.

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 21 March 2019 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 2019, Industrigatan 14 B, SE-553 02 Jönköping, or by e-mail to [ir@xano.se](mailto:ir@xano.se) with "AGM 2019" as the subject.

#### **NEXT REPORT DATE**

The year-end report for the 2018 financial year will be presented on Thursday 7 February 2019.

Jönköping, 6 November 2018

Lennart Persson  
CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK million)	2018	2017	2018	2017	17/18	2017
	3 mths Jul-Sep	3 mths Jul-Sep	9 mths Jan-Sep	9 mths Jan-Sep	12 mths Oct-Sep	12 mths Jan-Dec
Net revenue	450	378	1,495	1,231	1,927	1,663
Cost of goods sold	-354	-285	-1,164	-926	-1,497	-1,259
<b>Gross profit</b>	<b>96</b>	<b>93</b>	<b>331</b>	<b>305</b>	<b>430</b>	<b>404</b>
Selling expenses <sup>1)</sup>	-29	-26	-102	-89	-128	-115
Administrative expenses	-18	-14	-60	-49	-79	-68
Other operating income	4	2	14	5	18	9
Other operating expenses	-2	-3	-10	-6	-14	-10
Profit from participations in associated companies	0	0	0	0	0	0
<b>Operating profit</b>	<b>51</b>	<b>52</b>	<b>173</b>	<b>166</b>	<b>227</b>	<b>220</b>
Financial income	1	2	7	3	8	4
Financial expenses	-5	-4	-18	-19	-23	-24
<b>Profit before tax</b>	<b>47</b>	<b>50</b>	<b>162</b>	<b>150</b>	<b>212</b>	<b>200</b>
Tax	-11	-11	-36	-34	-44	-42
<b>Net profit for the period</b>	<b>36</b>	<b>39</b>	<b>126</b>	<b>116</b>	<b>168</b>	<b>158</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Items that may be reclassified to net profit for the period</i>						
Change in hedging reserve including tax <sup>2)</sup>	2	0	1	1	2	2
Translation differences <sup>3)</sup>	-6	-2	11	-5	16	0
Other comprehensive income	-4	-2	12	-4	18	2
<b>Comprehensive income for the period</b>	<b>32</b>	<b>37</b>	<b>138</b>	<b>112</b>	<b>186</b>	<b>160</b>
– of which attributable to shareholders of the Parent Company	32	37	138	112	186	160
Basic earnings per share, SEK <sup>4)</sup>	2.60	2.76	9.04	8.37	12.11	11.44
Diluted earnings per share, SEK <sup>4)</sup>	2.53	2.70	8.80	8.16	11.78	11.14
Depreciation constitutes	-17	-13	-48	-39	-61	-52

Net revenue refers to revenue from contracts with customers, see also page 5.

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

<sup>1)</sup> Amounts for the interim period include non-recurring items of SEK 3 million (6) regarding the reversal of anticipated bad debt losses, as well as non-recurring items of SEK 0 million (-6) in respect of complaints. Amounts for the 2017 full year include non-recurring items of SEK 10 million regarding the reversal of anticipated bad debt losses, as well as non-recurring items of SEK -6 million in respect of complaints.

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

<sup>3)</sup> 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.

<sup>4)</sup> Based on net profit for the period.

Blowtech Group AB with subsidiaries and Blowtech Fastigheter AB are included in the consolidated results from the acquisition date 2 January 2018. Blowtech contributed SEK 203 million in net revenue and approx. SEK 13 million in net profit after the deduction of write-offs from surplus values and financial costs attributable to the acquisition.

Polyketting B.V. with subsidiaries is included in the consolidated results from 1 May 2018. Polyketting contributed SEK 43 million in net revenue and approx. SEK 2 million in net profit after the deduction of write-offs from surplus values and financial costs attributable to the acquisition.

If the acquired units had been included in the Group throughout the whole of 2018, revenue would have amounted to approx. SEK 1,522 million, while net profit would have been unchanged at SEK 126 million.

## NET REVENUE AND PROFIT/LOSS BY SEGMENT

(SEK million)	Q1-Q3 2018				Q1-Q3 2017				Q1-Q4 2017			
	External	Net revenue Internal	Total	Profit before tax <sup>1)</sup>	External	Net revenue Internal	Total	Profit before tax <sup>1)</sup>	External	Net revenue Internal	Total	Profit before tax <sup>1)</sup>
Industrial Products <sup>2)</sup>	444	0	444	49	233	0	233	30	296	0	296	35
Industrial Solutions <sup>2)</sup>	839	0	839	94	815	1	816	111	1,112	1	1,113	150
Precision Technology	212	4	216	40	183	3	186	30	255	4	259	43
Elimination	–	-4	-4	–	–	-4	-4	–	–	-5	-5	–
Undistributed items	–	–	–	-21	–	–	–	-21	–	–	–	-28
<b>Group total</b>	<b>1,495</b>	<b>–</b>	<b>1,495</b>	<b>162</b>	<b>1,231</b>	<b>–</b>	<b>1,231</b>	<b>150</b>	<b>1,663</b>	<b>–</b>	<b>1,663</b>	<b>200</b>

<sup>1)</sup> 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.

<sup>2)</sup> The comparison periods have been recalculated as a result of the altered subdivision into business units.

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 11. The segments are reported in accordance with the same accounting policies as the Group. Market conditions are applied to transactions between the segments.

In 2018, all segments have boosted their total operating assets, such as inventories and trade receivables.

BREAKDOWN OF REVENUE (SEK million)	INDUSTRIAL PRODUCTS			INDUSTRIAL SOLUTIONS			PRECISION TECHNOLOGY			GROUP TOTAL		
	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4	2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4
<b>Geographic markets <sup>1)</sup></b>												
Sweden	132	91	121	326	250	363	177	147	203	631	484	682
Rest of the Nordic countries	96	88	116	52	19	26	2	2	2	150	109	144
Rest of Europe	155	52	58	317	441	552	10	15	21	482	508	631
Rest of the world	61	2	1	144	106	172	27	22	33	232	130	206
<b>Total</b>	<b>444</b>	<b>233</b>	<b>296</b>	<b>839</b>	<b>816</b>	<b>1,113</b>	<b>216</b>	<b>186</b>	<b>259</b>	<b>1,495</b>	<b>1,231</b>	<b>1,663</b>
<b>Type of product</b>												
Proprietary products	119	117	143	492	543	732	2	3	4	613	663	878
Customer-specific manufacturing	325	116	153	347	273	381	214	183	255	882	568	785
<b>Total</b>	<b>444</b>	<b>233</b>	<b>296</b>	<b>839</b>	<b>816</b>	<b>1,113</b>	<b>216</b>	<b>186</b>	<b>259</b>	<b>1,495</b>	<b>1,231</b>	<b>1,663</b>
<b>Time for revenue recognition</b>												
Sale of product or service (at a specific time)	444	233	296	417	330	458	216	186	259	1,073	745	1,008
Sale of service (over time)	–	–	–	8	5	8	–	–	–	8	5	8
Project using percentage of completion (over time)	–	–	–	414	481	647	–	–	–	414	481	647
<b>Total</b>	<b>444</b>	<b>233</b>	<b>296</b>	<b>839</b>	<b>816</b>	<b>1,113</b>	<b>216</b>	<b>186</b>	<b>259</b>	<b>1,495</b>	<b>1,231</b>	<b>1,663</b>

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

SHARE DATA	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
Average number of outstanding shares, thousands	13,947	13,813	13,947	13,813	13,813
Average number of outstanding shares after dilution, thousands	14,517	14,383	14,517	14,383	14,383
Average number of shares in own custody, thousands	146	280	146	280	280
Basic earnings per share, SEK <sup>1)</sup>	2.60	2.76	9.04	8.37	11.44
Diluted earnings per share, SEK <sup>1, 2)</sup>	2.53	2.70	8.80	8.16	11.14
Cash flow from operating activities per share, SEK	2.94	-1.14	6.50	1.73	8.51
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			146	280	280
Number of outstanding shares on balance sheet date, thousands			13,947	13,813	13,813
Equity per share on balance sheet date, SEK			46.09	35.66	39.19
Share price on balance sheet date, SEK			211.00	146.75	149.75

<sup>1)</sup> Based on net profit for the period.

<sup>2)</sup> Costs related to convertible bonds amount to SEK 1,714 thousand (1,714) for the interim period and SEK 2,292 thousand for the 2017 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. The total number of votes amounts to 46,893,090. After deduction for the company's own holding, 146,222 class B shares, the number of outstanding shares is 13,947,268.

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 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (SEK million)	2018 30 Sep	2017 30 Sep	2017 31 Dec
<b>ASSETS</b>			
Goodwill	577	483	483
Other intangible non-current assets	38	32	31
Property, plant and equipment	504	375	389
Other non-current assets	2	2	2
<b>Total non-current assets</b>	<b>1,121</b>	<b>892</b>	<b>905</b>
Inventories	300	201	206
Current receivables	509	379	355
Cash and cash equivalents	57	45	53
<b>Total current assets</b>	<b>866</b>	<b>625</b>	<b>614</b>
Assets held for sale	1	1	1
<b>TOTAL ASSETS</b>	<b>1,988</b>	<b>1,518</b>	<b>1,520</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	643	493	541
Non-current liabilities	644	497	501
Current liabilities <sup>1, 2)</sup>	701	528	478
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,988</b>	<b>1,518</b>	<b>1,520</b>
Interest-bearing liabilities constitute	802	601	535
Deferred tax liabilities constitute	94	64	71
Lines of credit granted but not utilised total	257	267	290

<sup>1)</sup> Current liabilities include interest derivatives measured at fair value of SEK 13 million (15) for the interim period and SEK 15 million for the 2017 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.

<sup>2)</sup> Current liabilities include currency derivatives measured at fair value of SEK 1.2 million (0.4) for the interim period. The amount for the 2017 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.

Blowtech Group AB with subsidiaries and Blowtech Fastigheter AB were acquired in January 2018. Acquired assets and liabilities, including surplus values and after revaluation to fair value, amounted to SEK 297 million and SEK 136 million, respectively.

Polyketting B.V. with subsidiaries was acquired in May 2018. Acquired assets and liabilities, including surplus values and after revaluation to fair value, amounted to SEK 57 million and SEK 28 million, respectively.

STATEMENT OF CHANGES IN EQUITY (SEK million)	2018 30 Sep	2017 30 Sep	2017 31 Dec
Opening balance	541	412	412
Net profit for the period	126	116	158
Other comprehensive income	12	-4	2
<b>Comprehensive income for the period</b>	<b>138</b>	<b>112</b>	<b>160</b>
Transfer of own shares	20	–	–
Dividend paid in cash	-56	-31	-31
<b>Total transactions with shareholders</b>	<b>-36</b>	<b>-31</b>	<b>-31</b>
<b>Closing balance</b>	<b>643</b>	<b>493</b>	<b>541</b>
– of which attributable to shareholders of the Parent Company	643	493	541

CASH FLOW STATEMENT (SEK million)	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	17/18 12 mths Oct-Sep	2017 12 mths Jan-Dec
Operating profit	173	166	227	220
Interest and income tax paid/received and adjustments for non-cash items	13	8	19	14
Change in working capital	-95	-151	-61	-117
<b>Cash flow from operating activities</b>	<b>91</b>	<b>23</b>	<b>185</b>	<b>117</b>
Investments				
Acquisitions and sale of subsidiaries <sup>1)</sup>	-162	4	-162	4
Other	-50	-23	-73	-46
<b>Cash flow after investments</b>	<b>-121</b>	<b>4</b>	<b>-50</b>	<b>75</b>
Dividend paid	-56	-31	-56	-31
Cash flow from other financing activities	178	-92	112	-158
<b>Cash flow for the period</b>	<b>1</b>	<b>-119</b>	<b>6</b>	<b>-114</b>
Cash and cash equivalents at the start of the period	53	165	45	165
Exchange rate differences in cash and cash equivalents	3	-1	6	2
<b>Cash and cash equivalents at the end of the period</b>	<b>57</b>	<b>45</b>	<b>57</b>	<b>53</b>

<sup>1)</sup> 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.

In January 2018, Blowtech Group AB with subsidiaries and Blowtech Fastigheter AB were acquired. 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 BLOWTECH (SEK million)	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	75	75
Property, plant and equipment	68	32	100
Financial assets	0	–	0
Current assets	122	–	122
Non-current liabilities	-45	-7	-52
Current liabilities	-84	–	-84
<b>Net assets/purchase price</b>	<b>61</b>	<b>100</b>	<b>161</b>
Liquid assets in acquired businesses			-8
Transfer of own shares			-20
<b>Total cash flow attributable to acquired businesses</b>			<b>133</b>

The total purchase price for the Blowtech companies amounted to SEK 161 million. For the settlement of an amount corresponding to SEK 20 million of the purchase price, own shares were transferred. The remaining amount was paid in cash.

The acquisition of the Blowtech companies brings surplus values totalling SEK 107 million distributed between goodwill (SEK 75 million) and real estate (SEK 32 million). The transaction costs amount to SEK 0.5 million.

Goodwill relates to customer relations and synergy effects. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only additional technical expertise within plastic machining to existing operations at the Industrial Products business unit, but also access to new market segments. The utilisation of common resources will also entail synergies.

In May 2018, Polyketting B.V. with subsidiaries was acquired. 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 POLYKETTING (SEK million)	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	1	20	21
Property, plant and equipment	9	2	11
Financial assets	0	–	0
Current assets	25	–	25
Non-current liabilities	-3	-1	-4
Current liabilities	-24	–	-24
<b>Net assets/purchase price</b>	<b>8</b>	<b>21</b>	<b>29</b>
Liquid assets in acquired businesses			–
<b>Total cash flow attributable to acquired businesses</b>			<b>29</b>

The total purchase price for the Polyketting companies amounted to SEK 29 million and was paid in cash.

The acquisition of the Polyketting companies brings surplus values totalling SEK 22 million distributed between goodwill (SEK 17 million), other intangible assets (SEK 3 million) and machinery (SEK 2 million). The transaction costs amount to SEK 0.5 million.

Goodwill relates to customer relations and synergy effects. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only additional product technology expertise to existing operations at the Industrial Solutions business unit, but also access to new market segments. The utilisation of common resources will also entail synergies.

Other intangible assets relate to product concepts with an estimated period of use of 10 years.

KEY FIGURES	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	17/18 12 mths Oct-Sep	2017 12 mths Jan-Dec
Operating margin, %	11.6	13.5	11.8	13.2
Profit margin, %	10.8	12.2	11.0	12.0
Return on equity p.a., %	27.9	34.1	29.0	33.6
Return on capital employed p.a., %	17.9	20.8	18.2	20.7
Return on total capital p.a., %	13.0	15.0	13.2	14.8
Average equity, SEK m	603	452	581	470
Average capital employed, SEK m	1,336	1,084	1,288	1,083
Average total capital, SEK m	1,846	1,510	1,781	1,512
Interest coverage ratio, multiple	9.9	8.8	10.2	9.3
Equity/assets ratio, %	32	32	32	36
Proportion of risk-bearing capital, %	37	37	37	40
Net investments in non-current assets, SEK m	253	23	276	46
Average number of employees	1,009	799	965	807

For definitions, see page 9.

QUARTERLY SUMMARY	2018 Q3	2017 Q3	2018 Q2	2017 Q2	2018 Q1	2017 Q1	2017 Q4	2016 Q4
Net revenue, SEK m	450	378	541	443	504	410	432	269
Gross profit, SEK m	96	93	120	112	115	100	99	52
Operating profit, SEK m	51	52	61	62	61	52	54	10
Profit before tax, SEK m	47	50	59	52	56	48	50	13
Net profit for the period, SEK m	36	39	47	40	43	37	42	9
Comprehensive income for the period, SEK m	32	37	50	39	56	36	48	12
Operating margin, %	11.2	13.8	11.3	14.0	12.1	12.7	12.5	3.6
Profit margin, %	10.3	13.1	10.9	11.9	11.2	11.7	11.6	4.9
Equity/assets ratio, %	32	32	31	31	32	29	36	27
Basic earnings per share, SEK <sup>1)</sup>	2.60	2.76	3.33	2.94	3.11	2.67	3.07	0.66
Cash flow from operating activities per share, SEK <sup>1)</sup>	2.94	-1.14	2.41	2.46	1.15	0.41	6.78	5.20

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

For definitions, see page 9.



## 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 balance sheet date.

### 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.

### 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.

### 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 measures, 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 possibilities 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.

INCOME STATEMENT, PARENT COMPANY (SEK million)	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
Net revenue	11.4	10.2	16.5
Selling and administrative expenses	-19.1	-16.4	-22.7
<b>Operating profit/loss</b>	<b>-7.7</b>	<b>-6.2</b>	<b>-6.2</b>
Profit from participations in Group companies	20.0	–	113.1
Other financial items	-3.2	-3.1	-3.2
<b>Profit/loss after financial items</b>	<b>9.1</b>	<b>-9.3</b>	<b>103.7</b>
Appropriations	–	–	-12.9
Tax	2.4	2.0	-19.9
<b>Net profit for the period</b>	<b>11.5</b>	<b>-7.3</b>	<b>70.9</b>
<i>Statement of comprehensive income</i>			
Net profit for the period	11.5	-7.3	70.9
Other comprehensive income	–	–	–
<b>Comprehensive income for the period</b>	<b>11.5</b>	<b>-7.3</b>	<b>70.9</b>

Net revenue refers to revenue from contracts with customers.

Income tax amounts to -26 per cent (22) for the interim period. Income tax-exempt dividends have contributed to the year's lower tax rate.

100 per cent (100) of the Parent Company's net revenue comes from invoicing to subsidiaries.

BALANCE SHEET, PARENT COMPANY (SEK million)	2018 30 Sep	2017 30 Sep	2017 31 Dec
<b>ASSETS</b>			
Non-current assets	229.7	52.9	52.9
Current assets	502.5	483.3	634.4
<b>EQUITY AND LIABILITIES</b>			
Equity	125.7	71.8	150.0
Untaxed reserves	76.9	64.0	76.9
Non-current liabilities	180.5	74.2	119.4
Current liabilities	349.1	326.2	341.0
<b>BALANCE SHEET TOTAL</b>	<b>732.2</b>	<b>536.2</b>	<b>687.3</b>

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY (SEK million)	2018 30 Sep	2017 30 Sep	2017 31 Dec
Opening balance	150.0	110.2	110.2
Comprehensive income for the period	11.5	-7.3	70.9
Transfer of own shares	20.0	–	–
Dividend paid in cash	-55.8	-31.1	-31.1
<b>Closing balance</b>	<b>125.7</b>	<b>71.8</b>	<b>150.0</b>

CASH FLOW STATEMENT, PARENT COMPANY (SEK million)	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
Operating profit/loss	-7.7	-6.2	-6.2
Interest and income tax paid/received and adjustments for non-cash items	1.1	-11.3	95.2
Change in working capital	23.7	53.8	-22.0
<b>Cash flow from operating activities</b>	<b>17.1</b>	<b>36.3</b>	<b>67.0</b>
Investments	-155.9	–	–
<b>Cash flow after investments</b>	<b>-138.8</b>	<b>36.3</b>	<b>67.0</b>
Financing	135.4	-33.3	-63.8
<b>Cash flow for the period</b>	<b>-3.4</b>	<b>3.0</b>	<b>3.2</b>
Cash and cash equivalents at the start of the period	5.9	2.7	2.7
Exchange rate differences in cash and cash equivalents	0.0	0.0	0.0
<b>Cash and cash equivalents at the end of the period</b>	<b>2.5</b>	<b>5.7</b>	<b>5.9</b>

## 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. As from 2018, the Group's operations are divided into the business units Industrial Products, Industrial Solutions and Precision Technology.

### INDUSTRIAL PRODUCTS



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

		2018 Q1-Q3	2017 <sup>1)</sup> Q1-Q3	2017 <sup>1)</sup> Q1-Q4
Net sales	SEK m	444	233	296
Operating profit	SEK m	51	31	37
	– of which non-recurring items	–	-6	-6
Operating margin	%	11.4	13.5	12.5

Blowtech is included from the acquisition date 2 January 2018.

#### Companies

**Ackurat**  
Sweden  
Finland  
Poland

**Blowtech**  
Sweden  
Norway

**Cipax**  
Sweden  
Estonia  
Norway  
Finland

### INDUSTRIAL SOLUTIONS



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

		2018 Q1-Q3	2017 <sup>1)</sup> Q1-Q3	2017 <sup>1)</sup> Q1-Q4
Net sales	SEK m	839	816	1,113
Operating profit	SEK m	100	120	161
	– of which non-recurring items	3	6	10
Operating margin	%	11.9	14.7	14.5

Polyketting is included from 1 May 2018.

#### Companies

**Canline**  
Netherlands  
USA

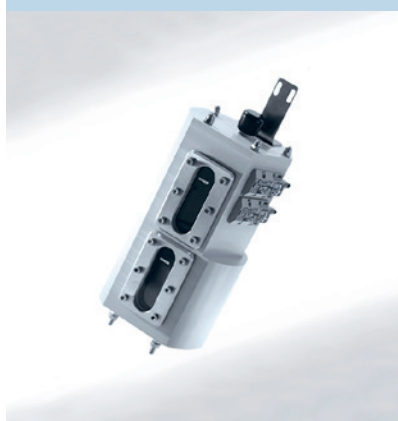
**Fredriksons**  
Sweden  
China

**Jorgensen**  
Denmark

**NPB**  
Sweden

**Polyketting**  
Netherlands

### 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.

		2018 Q1-Q3	2017 Q1-Q3	2017 Q1-Q4
Net sales	SEK m	216	186	259
Operating profit	SEK m	42	31	44
Operating margin	%	19.4	16.8	17.0

#### Companies

**KMV**  
Sweden

**LK Precision**  
Sweden

**Mikroverktyg**  
Sweden

**Resinit**  
Sweden

<sup>1)</sup> The comparison periods have been recalculated as a result of the altered subdivision into business units.

# Auditor's review report

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

## Introduction

We have reviewed the condensed interim report for XANO Industri AB (publ) as at September 30, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Jönköping, 6 November 2018

Ernst & Young AB

Joakim Falck

*Authorised Public Accountant*

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

