

# YEAR-END REPORT

1 January – 31 December 2018



## THE FULL YEAR

- Net revenue totalled SEK 2,044 million (1,663)
- Operating profit amounted to SEK 236 million (220)
- Profit before tax amounted to SEK 219 million (200)
- Profit after tax amounted to SEK 171 million (158)
- Earnings per share were SEK 12.27 (11.44)

## Important events during the year

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

## THE FOURTH QUARTER

- Net revenue totalled SEK 549 million (432)
- Operating profit amounted to SEK 63 million (54)
- Profit before tax amounted to SEK 57 million (50)
- Profit after tax amounted to SEK 45 million (42)
- Earnings per share were SEK 3.23 (3.07)

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

The Group's operations finished the year positively, with both higher invoicing and strong operating profit in relation to the comparison period. The market situation was stable and demand remained good. For the full year, sales growth stopped at 23 per cent, of which the new acquisitions Blowtech and Polyketting jointly accounted for 21 per cent. Operating profit improved by just over 7 per cent, a result that entails a new peak for the Group, calculated in Swedish kronor. The profit margin amounted to 10.7 per cent. The new companies performed on a par with our expectations and contributed to new business opportunities.

The acquisition of Blowtech in January meant that sales within Industrial Products almost doubled. At the same time, the business unit's operating profit exceeded the previous year's result by 74 per cent. Alongside Blowtech, Cipax increased its volumes slightly, although the margins were adversely affected by exchange rate effects and a less favourable product mix. Ackurat strengthened its position on several markets and reported continued strong figures.

The increase in volume within the Industrial Solutions business unit amounted to just over 5 per cent. Operating profit fell by 9 per cent compared to the previous year, principally as a result of an altered assignment structure. Deliveries to major contract customers increased steadily for the Fredriksons companies, undertakings that will have a favourable impact in future as well. The extent of the project-based operations decreased overall in relation to the outcome during the comparison period. NPB stands out positively, however, presenting new, strong full year figures at the same time as having an order situation for the coming year that is satisfactory.

The companies within the Precision Technology business unit reported 14 per cent higher invoicing and an operating profit that exceeded that of the comparison period by 19 per cent. The year was characterised by a favourable market climate, with the companies achieving a good return on the streamlining work they have carried out. Ongoing strengthening of resources through investments in new machinery and extended production areas was also successful.

## FUTURE DEVELOPMENT

During 2018, the Group's growth principally was the result of acquisitions, although many of our companies also grew organically, particularly within the Precision Technology business unit. The acquired companies are successfully supplementing existing operations and also contributing with new points of contact. Throughout the organisation, there is a strong drive to achieve progress. In terms of the market, we are not currently witnessing any general decline, and

therefore consider that the conditions for continued positive development in the near future are good.

## REVENUE AND PROFIT

### *The full year*

Net revenue totalled SEK 2,044 million (1,663). Operating profit amounted to SEK 236 million (220), corresponding to an operating margin of 11.6 per cent (13.2). Profit before tax was SEK 219 million (200).

### *The fourth quarter*

Net revenue totalled SEK 549 million (432). Operating profit amounted to SEK 63 million (54), corresponding to an operating margin of 11.6 per cent (12.5). Profit before tax was SEK 57 million (50).

## SHARE DATA AND KEY FIGURES

### *The full year*

Basic earnings per share were SEK 12.27 (11.44). Equity per share was SEK 49.16 (39.19). The average number of outstanding shares was 13,946,901 during the year. The equity/assets ratio was 34 per cent (36) at the end of the year. The average number of employees was 1,015 (807).

## 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. 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 the 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 full year*

Net investments in non-current assets came to SEK 283 million (46), of which SEK 206 million related to corporate transactions, SEK 7 million to intangible non-current assets, SEK 36 million to real estate and SEK 34 million to machinery and equipment.

*The fourth quarter*

Net investments in non-current assets came to SEK 30 million (23), of which SEK 2 million related to intangible non-current assets, SEK 14 million to real estate and SEK 14 million to machinery and equipment.

**CASH FLOW AND LIQUIDITY**

Cash flow from operating activities amounted to SEK 150 million (117) for the full year. During 2018, the Group's working capital, such as stock levels and accounts receivable, gradually increased. Compared to the previous year, however, the overall outflow attributable to working capital was lower.

Liquid assets, including lines of credit granted but not utilised, totalled SEK 260 million (343) 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 amounts 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 performance and position, and no transitional effects associated with the implementation of these standards have arisen. The standards have introduced 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 adopt the new standard using the modified retroactive approach, which means that the comparison year will not be restated and that the cumulative effect of initially applying IFRS 16 is 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, will be applied at the time of the transition. In addition, the exemptions to not report short-term leases and assets of a low value will be applied. The value of additional right-of-use assets and leases amounts preliminarily to SEK 86 million as at 1 January 2019, and the equity/assets ratio is thereby decreasing by approximately 1.5 percentage points. Financial key performance indicators (covenants) agreed with the Group's main bank are not affected by the introduction of the new standard.

**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 4.00 (4.00) per share, totalling SEK 55.8 million (55.8) based on the current number of outstanding shares.

The proposed dividend represents approx. 33 per cent (35) of net profit for the year.

**SHARE SPLIT**

The Board of Directors is proposing that the Annual General Meeting should decide to increase the number of shares by means of each existing share being split into two shares (share split 2:1). If the AGM decides in accordance with the proposal, the split will be effected in June 2019.

### **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 2019**

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

At the 2018 AGM, 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 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.

The annual report for 2018 (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.

### **CHANGE OF LISTING FOR THE XANO SHARE**

Since 2 January 2019, XANO's Class B shares are being traded in the Mid Cap segment on Nasdaq Stockholm.

### **NEXT REPORT DATE**

The interim report for the period 1 January to 31 March 2019 will be presented on Thursday 9 May 2019.

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, 7 February 2019

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<br>OF COMPREHENSIVE INCOME<br>(SEK million)   | 2018              | 2017              | 2018               | 2017               |
|--|-------------------|-------------------|--------------------|--------------------|
|  | 3 mths<br>Oct-Dec | 3 mths<br>Oct-Dec | 12 mths<br>Jan-Dec | 12 mths<br>Jan-Dec |
| Net revenue  | 549               | 432               | 2,044              | 1,663              |
| Cost of goods sold   | -421              | -333              | -1,585             | -1,259             |
| <b>Gross profit</b>  | <b>128</b>        | <b>99</b>         | <b>459</b>         | <b>404</b>         |
| Selling expenses <sup>1)</sup>                                       | -43               | -26               | -145               | -115               |
| Administrative expenses  | -23               | -19               | -83                | -68                |
| Other operating income   | 5                 | 4                 | 19                 | 9                  |
| Other operating expenses   | -4                | -4                | -14                | -10                |
| Profit from participations in associated companies                   | 0                 | 0                 | 0                  | 0                  |
| <b>Operating profit</b>  | <b>63</b>         | <b>54</b>         | <b>236</b>         | <b>220</b>         |
| Financial income   | 1                 | 1                 | 8                  | 4                  |
| Financial expenses   | -7                | -5                | -25                | -24                |
| <b>Profit before tax</b>   | <b>57</b>         | <b>50</b>         | <b>219</b>         | <b>200</b>         |
| Tax  | -12               | -8                | -48                | -42                |
| <b>Net profit for the period</b>                                     | <b>45</b>         | <b>42</b>         | <b>171</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>                | 0                 | 1                 | 1                  | 2                  |
| Translation differences <sup>3)</sup>                                | -2                | 5                 | 9                  | 0                  |
| Other comprehensive income   | -2                | 6                 | 10                 | 2                  |
| <b>Comprehensive income for the period</b>                           | <b>43</b>         | <b>48</b>         | <b>181</b>         | <b>160</b>         |
| <i>– of which attributable to shareholders of the Parent Company</i> | <i>43</i>         | <i>48</i>         | <i>181</i>         | <i>160</i>         |
| Basic earnings per share, SEK <sup>4)</sup>                          | 3.23              | 3.07              | 12.27              | 11.44              |
| Diluted earnings per share, SEK <sup>4)</sup>                        | 3.15              | 2.98              | 11.95              | 11.14              |
| Depreciation constitutes   | -16               | -13               | -64                | -52                |

Net revenue refers to revenue from contracts with customers, see also page 6.

Tax amounts to 22 per cent (21) for the full year.

<sup>1)</sup> Amounts for the full year include non-recurring items of SEK 3 million (10) regarding the reversal of anticipated bad debt losses, as well as non-recurring items of SEK 0 million (-6) 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 271 million in net revenue and approx. SEK 18 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 70 million in net revenue and approx. SEK 4 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 2,071 million, while net profit would have been unchanged at SEK 171 million.

## NET REVENUE AND PROFIT/LOSS BY SEGMENT

| (SEK million)                      | Q1-Q4 2018   |                         |              |                                    | Q1-Q4 2017   |                         |              |                                    |
|------------------------------------|--------------|-------------------------|--------------|------------------------------------|--------------|-------------------------|--------------|------------------------------------|
|                                    | External     | Net revenue<br>Internal | Total        | Profit<br>before tax <sup>1)</sup> | External     | Net revenue<br>Internal | Total        | Profit<br>before tax <sup>1)</sup> |
| Industrial Products <sup>2)</sup>  | 583          | 0                       | 583          | 59                                 | 296          | 0                       | 296          | 35                                 |
| Industrial Solutions <sup>2)</sup> | 1,172        | 0                       | 1,172        | 139                                | 1,112        | 1                       | 1,113        | 150                                |
| Precision Technology               | 289          | 5                       | 294          | 50                                 | 255          | 4                       | 259          | 43                                 |
| Elimination                        | –            | -5                      | -5           | –                                  | –            | -5                      | -5           | –                                  |
| Undistributed items                | –            | –                       | –            | -29                                | –            | –                       | –            | -28                                |
| <b>Group total</b>                 | <b>2,044</b> | <b>–</b>                | <b>2,044</b> | <b>219</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 12. 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 working capital, such as stock levels and accounts receivable.

| BREAKDOWN OF REVENUE<br>(SEK million)              | INDUSTRIAL PRODUCTS |               | INDUSTRIAL SOLUTIONS |               | PRECISION TECHNOLOGY |               | GROUP TOTAL   |               |
|--|---------------------|---------------|----------------------|---------------|----------------------|---------------|---------------|---------------|
|  | 2018<br>Q1-Q4       | 2017<br>Q1-Q4 | 2018<br>Q1-Q4        | 2017<br>Q1-Q4 | 2018<br>Q1-Q4        | 2017<br>Q1-Q4 | 2018<br>Q1-Q4 | 2017<br>Q1-Q4 |
| <b>Geographic markets <sup>1)</sup></b>            |                     |               |                      |               |                      |               |               |               |
| Sweden   | 174                 | 121           | 424                  | 363           | 244                  | 203           | 837           | 682           |
| Rest of the Nordic countries                       | 126                 | 116           | 67                   | 26            | 3                    | 2             | 196           | 144           |
| Rest of Europe                                     | 278                 | 58            | 494                  | 552           | 16                   | 21            | 788           | 631           |
| Rest of the world                                  | 5                   | 1             | 187                  | 172           | 31                   | 33            | 223           | 206           |
| <b>Total</b>                                       | <b>583</b>          | <b>296</b>    | <b>1,172</b>         | <b>1,113</b>  | <b>294</b>           | <b>259</b>    | <b>2,044</b>  | <b>1,663</b>  |
| <b>Type of product</b>                             |                     |               |                      |               |                      |               |               |               |
| Proprietary products                               | 149                 | 143           | 719                  | 732           | 3                    | 4             | 871           | 878           |
| Customer-specific manufacturing                    | 434                 | 153           | 453                  | 381           | 291                  | 255           | 1,173         | 785           |
| <b>Total</b>                                       | <b>583</b>          | <b>296</b>    | <b>1,172</b>         | <b>1,113</b>  | <b>294</b>           | <b>259</b>    | <b>2,044</b>  | <b>1,663</b>  |
| <b>Timing of revenue recognition</b>               |                     |               |                      |               |                      |               |               |               |
| Sale of product or service (at a point of time)    | 583                 | 296           | 553                  | 458           | 294                  | 259           | 1,425         | 1,008         |
| Sale of service (over time)                        | –                   | –             | 13                   | 8             | –                    | –             | 13            | 8             |
| Project using percentage of completion (over time) | –                   | –             | 606                  | 647           | –                    | –             | 606           | 647           |
| <b>Total</b>                                       | <b>583</b>          | <b>296</b>    | <b>1,172</b>         | <b>1,113</b>  | <b>294</b>           | <b>259</b>    | <b>2,044</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<br>3 mths<br>Oct-Dec | 2017<br>3 mths<br>Oct-Dec | 2018<br>12 mths<br>Jan-Dec | 2017<br>12 mths<br>Jan-Dec |
|--|---------------------------|---------------------------|----------------------------|----------------------------|
| Average number of outstanding shares, thousands                  | 13,947                    | 13,813                    | 13,947                     | 13,813                     |
| Average number of outstanding shares after dilution, thousands   | 14,517                    | 14,383                    | 14,517                     | 14,383                     |
| Average number of shares in own custody, thousands               | 146                       | 280                       | 146                        | 280                        |
| Basic earnings per share, SEK <sup>1)</sup>                      | 3.23                      | 3.07                      | 12.27                      | 11.44                      |
| Diluted earnings per share, SEK <sup>1, 2)</sup>                 | 3.15                      | 2.98                      | 11.95                      | 11.14                      |
| Cash flow from operating activities per share, SEK               | 4.23                      | 6.78                      | 10.73                      | 8.51                       |
| Total number of shares on balance sheet date, thousands          |                           |                           | 14,093                     | 14,093                     |
| Number of shares in own custody on balance sheet date, thousands |                           |                           | 146                        | 280                        |
| Number of outstanding shares on balance sheet date, thousands    |                           |                           | 13,947                     | 13,813                     |
| Equity per share on balance sheet date, SEK                      |                           |                           | 49.16                      | 39.19                      |
| Share price on balance sheet date, SEK                           |                           |                           | 153.00                     | 149.75                     |

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

<sup>2)</sup> Costs related to convertible bonds amount to SEK 2,292 thousand (2,292) for the 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 10.

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION<br>(SEK million) | 2018<br>31 Dec | 2017<br>31 Dec |
|---|----------------|----------------|
| <b>ASSETS</b>   |                |                |
| Goodwill  | 575            | 483            |
| Other intangible non-current assets                           | 39             | 31             |
| Property, plant and equipment                                 | 515            | 389            |
| Other non-current assets                                      | 2              | 2              |
| <b>Total non-current assets</b>                               | <b>1,131</b>   | <b>905</b>     |
| Inventories   | 288            | 206            |
| Current receivables   | 505            | 355            |
| Cash and cash equivalents                                     | 70             | 53             |
| <b>Total current assets</b>                                   | <b>863</b>     | <b>614</b>     |
| Assets held for sale  | –              | 1              |
| <b>TOTAL ASSETS</b>   | <b>1,994</b>   | <b>1,520</b>   |
| <b>EQUITY AND LIABILITIES</b>                                 |                |                |
| Equity  | 686            | 541            |
| Non-current liabilities                                       | 587            | 501            |
| Current liabilities <sup>1, 2)</sup>                          | 721            | 478            |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           | <b>1,994</b>   | <b>1,520</b>   |
| Interest-bearing liabilities constitute                       | 785            | 535            |
| Deferred tax liabilities constitute                           | 91             | 71             |
| Lines of credit granted but not utilised total                | 190            | 290            |

<sup>1)</sup> Current liabilities include interest derivatives measured at fair value of SEK 14 million (15). 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 million (–). 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<br>(SEK million)               | 2018<br>31 Dec | 2017<br>31 Dec |
|---|----------------|----------------|
| Opening balance   | 541            | 412            |
| Net profit for the period                                     | 171            | 158            |
| Other comprehensive income                                    | 10             | 2              |
| <b>Comprehensive income for the period</b>                    | <b>181</b>     | <b>160</b>     |
| Transfer of own shares  | 20             | –              |
| Dividend paid in cash   | -56            | -31            |
| <b>Total transactions with shareholders</b>                   | <b>-36</b>     | <b>-31</b>     |
| <b>Closing balance</b>  | <b>686</b>     | <b>541</b>     |
| – of which attributable to shareholders of the Parent Company | 686            | 541            |

| CASH FLOW STATEMENT  | 2018               | 2017               |
|--|--------------------|--------------------|
| (SEK million)  | 12 mths<br>Jan-Dec | 12 mths<br>Jan-Dec |
| Operating profit   | 236                | 220                |
| Interest and income tax paid/received and adjustments for non-cash items | 27                 | 14                 |
| Change in working capital  | -113               | -117               |
| <b>Cash flow from operating activities</b>                               | <b>150</b>         | <b>117</b>         |
| Investments  |                    |                    |
| Acquisitions and sale of subsidiaries <sup>1)</sup>                      | -162               | 4                  |
| Other  | -81                | -46                |
| <b>Cash flow after investments</b>                                       | <b>-93</b>         | <b>75</b>          |
| Dividend paid  | -56                | -31                |
| Cash flow from other financing activities                                | 165                | -158               |
| <b>Cash flow for the period</b>  | <b>16</b>          | <b>-114</b>        |
| Cash and cash equivalents at the start of the period                     | 53                 | 165                |
| Exchange rate differences in cash and cash equivalents                   | 1                  | 2                  |
| <b>Cash and cash equivalents at the end of the period</b>                | <b>70</b>          | <b>53</b>          |

<sup>1)</sup> The figure for 2017 includes 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                                    | Reported values | Fair value adjustment | Consolidated |
|--|-----------------|-----------------------|--------------|
| (SEK million)  | in subsidiary   |                       | 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                                 | Reported values | Fair value adjustment | Consolidated |
|--|-----------------|-----------------------|--------------|
| (SEK million)  | in subsidiary   |                       | 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<br>12 mths<br>Jan-Dec | 2017<br>12 mths<br>Jan-Dec |
|--|----------------------------|----------------------------|
| Operating margin, %                          | 11.6                       | 13.2                       |
| Profit margin, %                             | 10.7                       | 12.0                       |
| Return on equity p.a., %                     | 27.6                       | 33.6                       |
| Return on capital employed p.a., %           | 17.9                       | 20.7                       |
| Return on total capital p.a., %              | 13.0                       | 14.8                       |
| Average equity, SEK m                        | 620                        | 470                        |
| Average capital employed, SEK m              | 1,363                      | 1,083                      |
| Average total capital, SEK m                 | 1,876                      | 1,512                      |
| Interest coverage ratio, multiple            | 9.9                        | 9.3                        |
| Equity/assets ratio, %                       | 34                         | 36                         |
| Proportion of risk-bearing capital, %        | 39                         | 40                         |
| Net investments in non-current assets, SEK m | 283                        | 46                         |
| Average number of employees                  | 1,015                      | 807                        |

For definitions, see page 10.

| QUARTERLY SUMMARY  | 2018 | 2017 | 2018 | 2017  | 2018 | 2017 | 2018 | 2017 |
|--|------|------|------|-------|------|------|------|------|
|  | Q4   | Q4   | Q3   | Q3    | Q2   | Q2   | Q1   | Q1   |
| Net revenue, SEK m   | 549  | 432  | 450  | 378   | 541  | 443  | 504  | 410  |
| Gross profit, SEK m  | 128  | 99   | 96   | 93    | 120  | 112  | 115  | 100  |
| Operating profit, SEK m  | 63   | 54   | 51   | 52    | 61   | 62   | 61   | 52   |
| Profit before tax, SEK m   | 57   | 50   | 47   | 50    | 59   | 52   | 56   | 48   |
| Net profit for the period, SEK m                                 | 45   | 42   | 36   | 39    | 47   | 40   | 43   | 37   |
| Comprehensive income for the period, SEK m                       | 43   | 48   | 32   | 37    | 50   | 39   | 56   | 36   |
| Operating margin, %  | 11.6 | 12.5 | 11.2 | 13.8  | 11.3 | 14.0 | 12.1 | 12.7 |
| Profit margin, %   | 10.5 | 11.6 | 10.3 | 13.1  | 10.9 | 11.9 | 11.2 | 11.7 |
| Equity/assets ratio, %   | 34   | 36   | 32   | 32    | 31   | 31   | 32   | 29   |
| Basic earnings per share, SEK <sup>1)</sup>                      | 3.23 | 3.07 | 2.60 | 2.76  | 3.33 | 2.94 | 3.11 | 2.67 |
| Cash flow from operating activities per share, SEK <sup>1)</sup> | 4.23 | 6.78 | 2.94 | -1.14 | 2.41 | 2.46 | 1.15 | 0.41 |

<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 10.

## 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              | 2018               | 2017               |
|---|--------------------|--------------------|
| (SEK million)                                 | 12 mths<br>Jan-Dec | 12 mths<br>Jan-Dec |
| Net revenue                                   | 21.9               | 16.5               |
| Selling and administrative expenses           | -26.2              | -22.7              |
| <b>Operating profit/loss</b>                  | <b>-4.3</b>        | <b>-6.2</b>        |
| Profit from participations in Group companies | 136.9              | 113.1              |
| Other financial items                         | -4.1               | -3.2               |
| <b>Profit/loss after financial items</b>      | <b>128.5</b>       | <b>103.7</b>       |
| Appropriations                                | -17.1              | -12.9              |
| Tax   | -20.8              | -19.9              |
| <b>Net profit for the period</b>              | <b>90.6</b>        | <b>70.9</b>        |
| <i>Statement of comprehensive income</i>      |                    |                    |
| Net profit for the period                     | 90.6               | 70.9               |
| Other comprehensive income                    | -                  | -                  |
| <b>Comprehensive income for the period</b>    | <b>90.6</b>        | <b>70.9</b>        |

Net revenue refers to revenue from contracts with customers.

Income tax amounts to 19 per cent (22). 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 | 2018         | 2017         |
|-------------------------------|--------------|--------------|
| (SEK million)                 | 31 Dec       | 31 Dec       |
| <b>ASSETS</b>                 |              |              |
| Non-current assets            | 228.7        | 52.9         |
| Current assets                | 693.4        | 634.4        |
| <b>EQUITY AND LIABILITIES</b> |              |              |
| Equity                        | 204.8        | 150.0        |
| Untaxed reserves              | 94.0         | 76.9         |
| Non-current liabilities       | 172.1        | 119.4        |
| Current liabilities           | 451.2        | 341.0        |
| <b>BALANCE SHEET TOTAL</b>    | <b>922.1</b> | <b>687.3</b> |

| STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY | 2018         | 2017         |
|--|--------------|--------------|
| (SEK million)                                  | 31 Dec       | 31 Dec       |
| Opening balance                                | 150.0        | 110.2        |
| Comprehensive income for the period            | 90.6         | 70.9         |
| Transfer of own shares                         | 20.0         | -            |
| Dividend paid in cash                          | -55.8        | -31.1        |
| <b>Closing balance</b>                         | <b>204.8</b> | <b>150.0</b> |

| CASH FLOW STATEMENT, PARENT COMPANY                                      | 2018               | 2017               |
|--|--------------------|--------------------|
| (SEK million)  | 12 mths<br>Jan-Dec | 12 mths<br>Jan-Dec |
| Operating profit/loss  | -4.3               | -6.2               |
| Interest and income tax paid/received and adjustments for non-cash items | 112.8              | 95.2               |
| Change in working capital  | -141.5             | -22.0              |
| <b>Cash flow from operating activities</b>                               | <b>-33.0</b>       | <b>67.0</b>        |
| Investments  | -155.9             | -                  |
| <b>Cash flow after investments</b>                                       | <b>-188.9</b>      | <b>67.0</b>        |
| Financing  | 188.2              | -63.8              |
| <b>Cash flow for the period</b>  | <b>-0.7</b>        | <b>3.2</b>         |
| Cash and cash equivalents at the start of the period                     | 5.9                | 2.7                |
| 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>5.2</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

## 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.

|                  |                                | 2018<br>Q1-Q4 | 2017 <sup>1)</sup><br>Q1-Q4 |
|------------------|--------------------------------|---------------|-----------------------------|
| Net sales        | SEK m                          | 583           | 296                         |
| Operating profit | SEK m                          | 64            | 37                          |
|                  | - of which non-recurring items | -             | -6                          |
| Operating margin | %                              | 11.1          | 12.5                        |

Blowtech is included from the acquisition date 2 January 2018.

**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.

|                  |                                | 2018<br>Q1-Q4 | 2017 <sup>1)</sup><br>Q1-Q4 |
|------------------|--------------------------------|---------------|-----------------------------|
| Net sales        | SEK m                          | 1,172         | 1,113                       |
| Operating profit | SEK m                          | 147           | 161                         |
|                  | - of which non-recurring items | 3             | 10                          |
| Operating margin | %                              | 12.5          | 14.5                        |

Polyketting is included from 1 May 2018.

**Canline**  
Netherlands  
USA

**Fredriksons**  
Sweden  
China

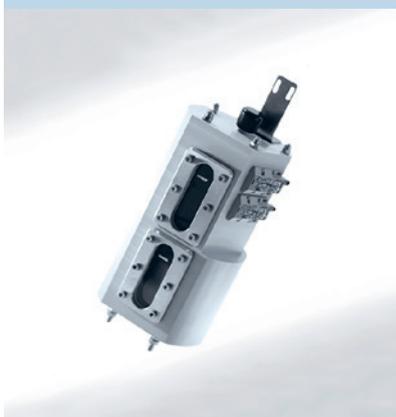
**Jorgensen**  
Denmark

**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.

|                  |       | 2018<br>Q1-Q4 | 2017<br>Q1-Q4 |
|------------------|-------|---------------|---------------|
| Net sales        | SEK m | 294           | 259           |
| Operating profit | SEK m | 52            | 44            |
| Operating margin | %     | 17.7          | 17.0          |

**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.

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



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