



Annual Report 2012





Active ownership in niche engineering companies

XANO in brief

BUSINESS CONCEPT

XANO will develop, acquire and operate manufacturing businesses with unique or market-leading products and systems with related services.

XANO will own niche engineering companies that have industries in northern Europe as their principal markets. XANO will generate value for shareholders by exercising both active ownership and management by objectives.

XANO consists of engineering companies in Sweden, Norway, Estonia, Finland, Poland and China. These companies provide manufacturing and development services for industrial products and automation equipment. They operate within well-defined niches and possess a high level of expertise within their respective technical fields. 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.



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2012 in brief

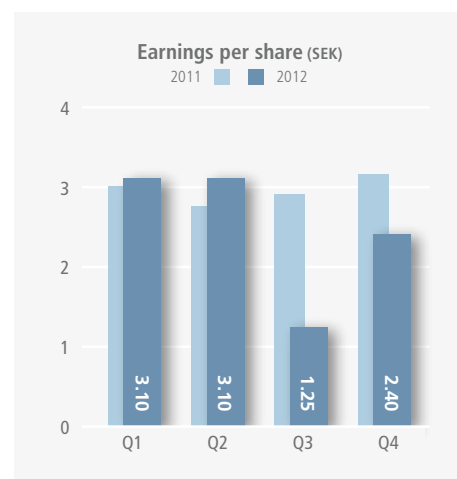
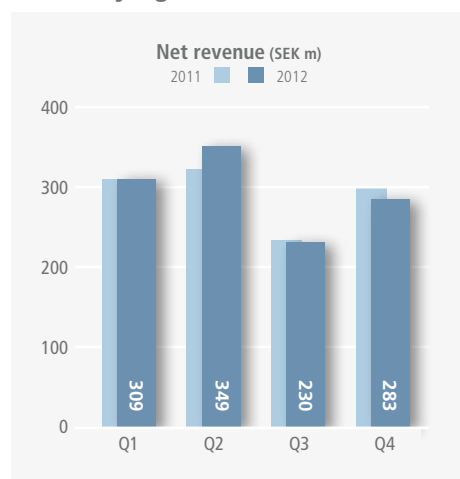
The full year

Net revenue, SEK m	1,171	(1,162)
Profit after tax, SEK m	67	(81)
Earnings per share, SEK	9.85	(11.80)



Long hole drilling
in lengths up to 13 metres
at KMV in Kungsör.

Quarterly figures



Important events during the year

Q1

Acquisition of KMV and Albins

In February, XANO acquired Kungsörs Mekaniska Verkstad AB (KMV) and Albins Mekaniska Verkstad AB.

KMV specialises in internal processing, primarily precision drilling, and is a unique company within its niche in the Nordic countries. Albins works with contract manufacturing within cutting machining of mainly large products in short production runs.

Q3

Sale of EMEK

In July, the subsidiary Eslöv Mekaniska Verkstad AB (EMEK) was sold. EMEK operates as a subcontractor to the mechanical engineering industry with advanced cutting machining in stainless steel as its primary area of specialisation. The sale was part of XANO's work to refine the Group's operations and build strong business units where synergies can be properly utilised.

Q4

Acquisition of ÅGES and ITB Teknik

In December, ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were acquired. Since the mid-1950s, ÅGES has been manufacturing and marketing parts made from aluminium castings. ITB Teknik was founded in the 1980s with the aim of increasing the degree of finishing of the cast aluminium through machining and assembly. Collectively, the companies employ around 250 people. ÅGES/ITB Teknik were consolidated in the XANO Group with effect from 31 December and did not contribute any profit during 2012. The companies are expected to have revenue of approx. SEK 400 million and generate SEK 4-5 in earnings per share during 2013.



ITB Teknik machines and assembles cast aluminium parts for customers within the automotive and engineering industry.

Key figures in brief		2012	2011
Net revenue	SEK m	1,171	1,162
Operating profit	SEK m	94	115
Profit after financial items	SEK m	82	105
Investments in non-current assets	SEK m	512	55
Gross margin	%	20.3	20.6
Operating margin	%	8.0	9.9
Profit margin	%	7.0	9.0
Capital employed	SEK m	1,295	741
Equity	SEK m	539	499
Balance sheet total	SEK m	1,665	1,036
Return on equity	%	12.9	17.6
Return on capital employed	%	10.8	16.6
Return on total capital	%	8.0	12.3
Equity/assets ratio	%	32	48
Proportion of risk-bearing capital	%	37	52
Interest coverage ratio	multiple	6.3	7.8
Average number of employees		768	732

For definitions, see page 92.

XANO is strengthening its position with several strategic acquisitions

It has been a year full of activity. With regard to management tasks, there has been a great deal of focus on assessing and carrying out acquisitions. For the Group companies most of the year has been characterised by a good level of incoming orders and high capacity utilisation. In the last few months of the year market conditions deteriorated significantly. Although this downturn has had an impact on financial results, several of the companies are now in a better position for the future thanks to active marketing, internationalisation, product development and greater automation.

Developments during the year

Demand for XANO's components and products was high in the first half of the year. During the third quarter there was a definite decline, and the final quarter, particularly December, generated a weak profit.

Despite the severe downturn, full-year revenue was higher than the previous year, which shows that our long-term strategies are successful. Full-year operating profit, on the other hand, was worse than for 2011. The main reasons for the lower profit level are the capital loss associated with the sale of a subsidiary, negative exchange rate effects on export sales and extraordinary costs incurred due to acquisitions and setting up operations abroad.

Growth in new markets

In the last few years we have increasingly established a presence in our neighbouring countries as well as in regions such as Asia. During the summer Cipax set up a unit in Poland. For many years the Cipax Group has enjoyed a market-leading position within rotational moulding in the Nordic and Baltic regions. Thanks to the establishment of the Polish unit, the organisation now meets demand from throughout northern Europe, and as early as the autumn a series of strategic customer agreements were signed.

Ackurat's sales initiatives in Poland have also developed positively. Over the course of the year the company also intensified its activities in order to win assignments from the furniture industries in

Italy and the United Kingdom, where there is good potential for expansion.

NPB has made a breakthrough in the Asian market. The company launched a sales campaign at the start of the year and by the spring had already signed its first agreement to supply automated packaging equipment to Thailand.

Greater degree of automation

Continual investments in modern production equipment represent a key part of XANO's market offering.

In the past year Fredriksons has invested approx. SEK 20 million in fully automated machinery for sheet metal processing for the unit in Vadstena. These investments, which significantly increase the efficiency and degree of automation in production, mean that the company has strengthened its competitiveness for the future.

Machines central to Mikroverktyg's production have also been replaced with automated solutions, something which has made more rational flows possible. These investments have been made at a strategic time, in parallel with the company making generational changes in several key posts within production.

Acquisitions

Strategic acquisitions continue to be an important part of XANO's pursuit of profitable growth. During the year several acquisitions have been completed.

In February, the machining companies Kungsörs Mekaniska Verkstad and Albins Mekaniska Verkstad were acquired. These acquisitions will provide our existing operations in cutting machining with additional expertise and access to new market segments. The companies are part of the Precision Technology business unit and their integration into the Group's structure and working methods has continued over the year.

In December, ÅGES Industrier and ITB Teknik were acquired. ÅGES manufactures and sells parts made from aluminium castings. ITB Teknik increases the degree of finishing of the cast aluminium through machining and assembly. The companies' customers are primarily found in the automotive and engineer-

ing industry and other industry sectors. These new acquisitions employ a total of almost 300 people. In recent years revenue has been around SEK 500 million and generated a good profit.

We also decided during the year to incorporate Metall Göte's operations into VIAB's so as to further develop the economies of scale achieved between these neighbouring businesses.

Eslöv Mekaniska Verkstad was sold as part of the work to refine the Group's operations. The sale was completed in the summer and the deal will have relatively little long-term impact effect on the Group's profits.

At the turn of the year Mikroverktyg acquired the operations of Skandinaviska Verktygfabriken (SVA) with a view to securing the continued manufacture and supply of the company's gear machining tools for the Swedish and international manufacturing industry.

Operations within the Group's business units

The strategic sales campaign work carried out by the Group in recent years has contributed to companies within all business units taking market shares in the recession of 2012. As part of the continuation of this work, a special training initiative for our sales staff – XANO Sales School – was launched during the year.

For the Industrial Solutions business unit, the market situation has generally been stable for the whole year. At Fredriksons, the product development of a new conveyor system for the packaging industry is now complete. Both the Swedish and Chinese units have made major investments in new production equipment. NPB has produced and delivered a couple of large orders during the year. The company has also maintained a good level of incoming orders in its main markets of the USA and Europe, in addition to making a breakthrough in the Asian market. An active and long-term marketing approach has generated a lot of new customers for Accurat and boosted export sales in new markets.

Several of the companies within Precision Technology managed to maintain, and in a couple of cases improve, their operating margins compared to the previous year despite a declining market. A contributory factor here is the intensified sales initiatives targeted at customers and assignments that result in better utilisation of capacity.

The companies within Rotational Moulding have enjoyed a high rate of product development, which has increased the costs but contributed to the

sales of in-house products remaining stable while the volumes for contract manufacturing have gone down slightly. The work to establish a manufacturing unit in Poland has been intensive and production is expected to start in the spring. Cipax has also enhanced its position in the boat market.

Outlook for 2013

The trend from the fourth quarter of 2012, with somewhat lower order stock and fewer incoming orders, seems to be continuing into the start of this year. The future development is still very difficult to judge. With positive signals from some of our key customers, we believe that the general market situation will become more favourable through the gradual recovery of demand in the first half of the year. The extra profit from recently acquired companies will compensate for the lower profit level during this period.

The introduction of ÅGES and ITB Teknik to the Group has given us a reason to expand the number of business units from three to four by dividing up the companies in Precision Technology. Segerströms and VIAB, together with the new acquisitions, now form the Precision Components business unit. These companies manufacture components in large production runs with a high proportion of sales to the automotive industry. Our aim is to develop the economies of scale within the business unit, which has the potential to become an important player in its market segment.

Active marketing this year also represents a priority development area within the Group. The training initiatives for the sales staff launched last autumn will continue over the course of the year.

In addition to the work integrating the most recent acquisitions into the Group, we will also continue to consider other potential acquisitions.

Jönköping, February 2013

Sune Lantz
Sune Lantz



The XANO share

XANO's Class B shares were registered on the stock exchange on 5 December 1988.

The share is listed on NASDAQ OMX Stockholm in the Small Cap segment.

The share capital in XANO amounts to SEK 34.6 million, distributed between 1,950,000 Class A shares and 4,978,974 Class B shares.

The quotient value is SEK 5 per share.

Each Class A share gives entitlement to ten votes and each Class B share to one vote.

All shares give equal rights to dividends.

Price developments

During 2012, XANO's share price rose by 28 per cent from SEK 81.75 to SEK 105.00. The highest price paid during the year was SEK 113.00 on 5 March. The lowest price paid was SEK 82.50 on 16 January and 20 June respectively. At the end of 2012, XANO's market value amounted to SEK 728 million, based on the most recent price paid and the total number of shares.

Shareholders

The number of shareholders decreased somewhat during the year. At the end of 2012, XANO had 1,274 shareholders, of which 1,166 were Swedish physical persons, compared with 1,299 at the same time the previous year. The ten largest shareholders accounted for 95.1 per cent of the votes and 82.9 per cent of the share capital. Institutional holdings constituted 2.9 per cent of the votes and 10.3 per cent of the share capital.

Key figures		2012	2011	2010	2009	2008
Net profit for the year	SEK m	67	83	72	-9	45
Equity	SEK m	539	499	446	390	414
Balance sheet total	SEK m	1,665	1,036	976	1,158	1,258
Return on equity	%	12.9	17.6	17.4	-2.2	11.2
Equity/assets ratio	%	32	48	46	34	33
Proportion of risk-bearing capital	%	37	52	49	38	36
Cash flow from operating activities	SEK m	73	165	126	124	77
Average number of outstanding shares	thousands	6,789	6,789	6,789	6,789	6,755
Average number of outstanding shares after dilution	thousands	7,037	7,009	7,009	7,009	6,950
Average number of shares in own custody	thousands	140	140	140	140	166
Basic earnings per share	SEK	9.85	12.15	10.60	-1.30	6.70
Diluted earnings per share ¹⁾	SEK	9.70	11.95	10.40	-1.30	6.70
Cash flow from operating activities per share	SEK	10.75	24.30	18.50	18.35	11.45
Total number of shares on balance sheet date	thousands	6,929	6,929	6,929	6,929	6,929
Number of shares in own custody on balance sheet date	thousands	140	140	140	140	140
Equity per share on balance sheet date	SEK	79.45	73.50	65.70	57.50	61.05
Share price on balance sheet date	SEK	105.00	81.75	83.00	56.00	30.50
Share price in relation to equity	%	132	111	126	97	50
Proposed dividend per share	SEK	3.50	3.50	3.50	1.50	1.50
Direct yield	%	3.3	4.3	4.2	2.7	4.9

¹⁾ No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

Refers to the Group as a whole including discontinued operations.

Basic earnings per share

Net profit in relation to the average number of outstanding shares.

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 in relation to the average number of outstanding shares plus the average number of shares added at conversion of outstanding convertibles.

Direct yield

Proposed dividend in relation to the share price on the balance sheet date.

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.

Proportion of risk-bearing capital

Equity plus provisions for taxes in relation to total capital.

Return on equity

Net profit in relation to average equity.

Additional definitions are found on page 92.

Dividend policy

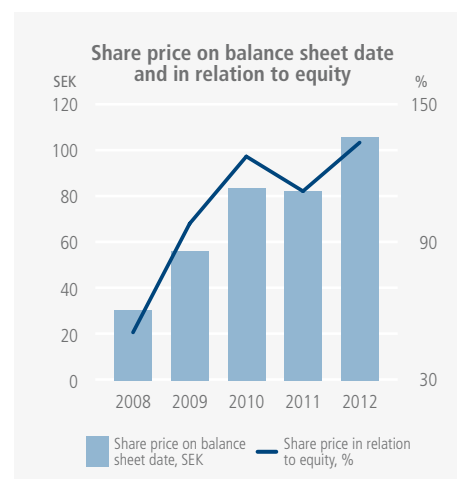
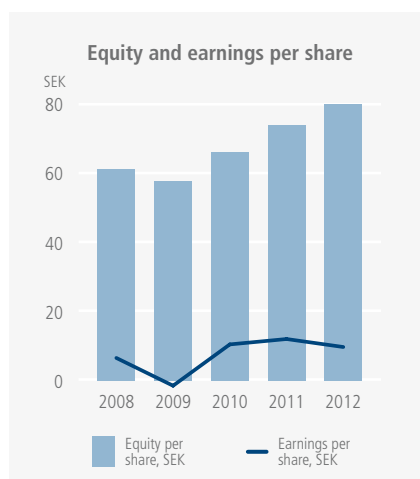
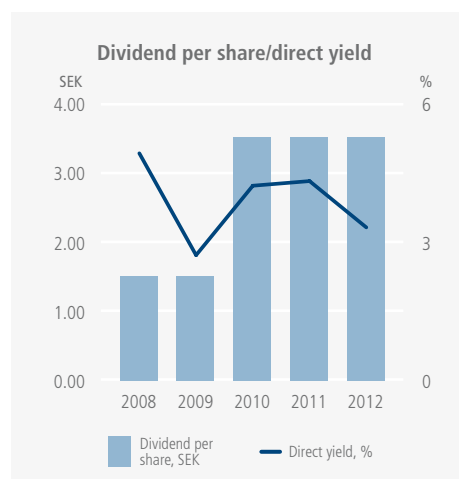
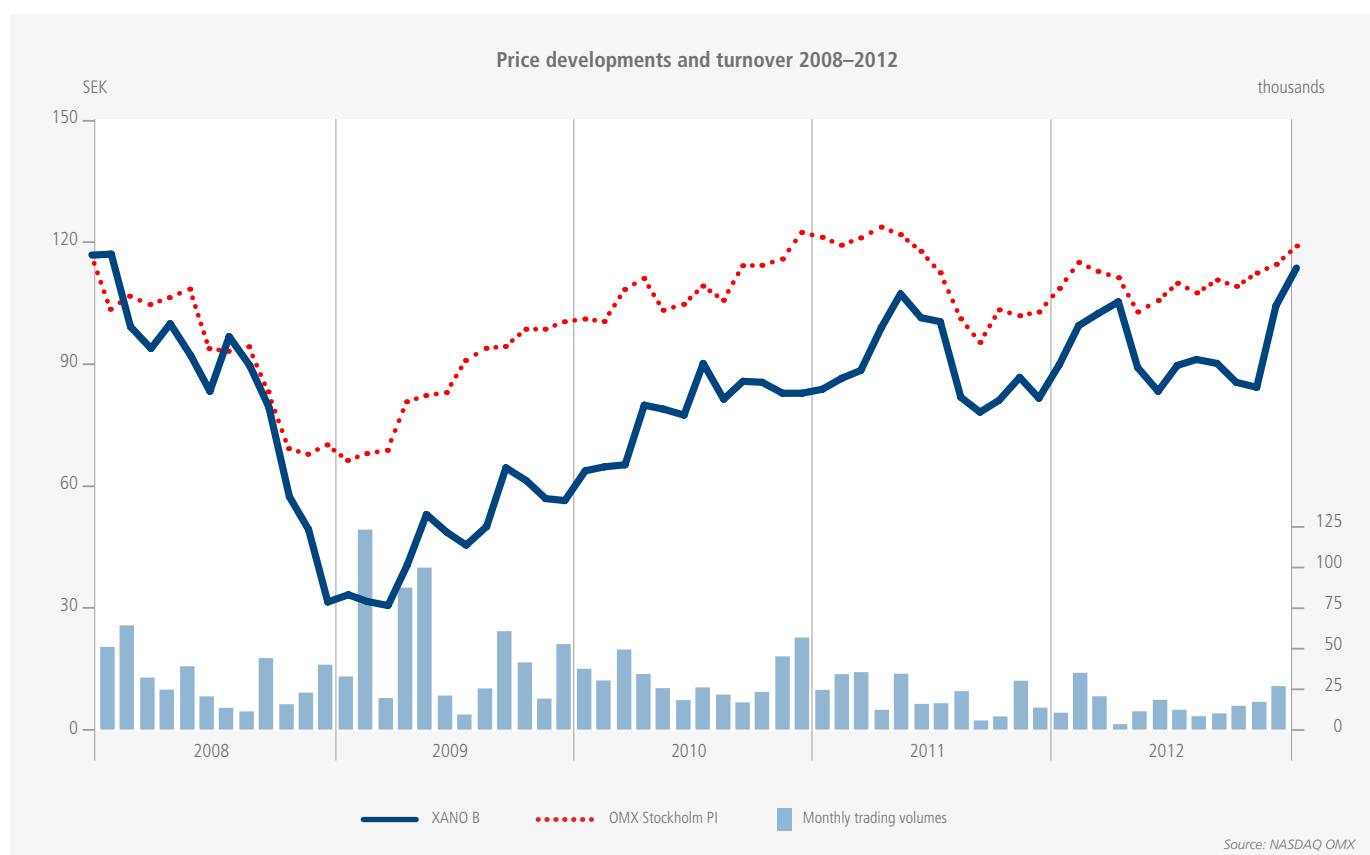
The Board of Directors proposes to the Annual General Meeting a dividend of SEK 3.50 (3.50) per share for the 2012 financial year. The proposed dividend represents a direct yield of 3.3% per share, based on the share price at the end of the year.

It is the aim of the Board of Directors that over an extended period of time, the dividend will follow developments in results and correspond to 20 to 40 per cent of profit after tax. The annual dividend pay-

out ratio should, however, be viewed in relation to any share repurchases.

Shares in own custody

A total of 415,000 Class B shares were acquired during 2003. In 2006, a reduction in the share capital was carried out by cancelling 198,000 of the shares which were repurchased. A total of 47,000 and 30,000 own shares were transferred during 2007 and 2008 respectively in connection with company



acquisitions. The number of shares in own custody after these transactions amounts to 140,000, corresponding to 2.0 per cent of the share capital. After deduction of the company's own holding, the number of outstanding shares amounts to 6,788,974 as of the balance sheet date.

Convertible bond programme

In accordance with the decision of the Annual General Meeting for XANO Industri AB on 10 May 2012, employees of the XANO Group have subscribed to convertibles totalling SEK 29,999,961 corresponding to 275,229 convertibles at a conversion rate of SEK 109. The convertibles run from 1 July 2012

to 30 June 2016. If all convertibles are converted to shares, share capital will be increased by SEK 1,376,145. The dilution will then be approx. 4 per cent of the share capital and approx. 1 per cent of the number of votes. The convertible interest is paid annually in arrears and is equivalent to STIBOR 3M plus 2.7 per cent. During the period 1 June to 10 June 2016, each convertible may be converted to one Class B share in XANO Industri AB.

No conversion was requested in relation to XANO Convertible 2008/2012, with a conversion rate of SEK 125 and maturity up to and including 30 June 2012. The full nominal amount was repaid.

XANO's ten largest shareholders as of 31 December 2012

	Class A shares	Class B shares	Total number of shares	Percentage of voting rights	Percentage of share capital
Tord Johansson and related parties	1,282,200	585,575	1,867,775	55.1	27.5
Pomona-gruppen AB	540,000	1,563,545	2,103,545	28.6	31.0
Kennert Persson	103,100	303,700	406,800	5.5	6.0
Svolder AB	–	471,960	471,960	1.9	7.0
Christer Persson and related parties	20,700	159,370	180,070	1.5	2.7
Stig-Olof Simonsson and related parties	–	181,245	181,245	0.7	2.7
Petter Fägersten and related parties	–	150,200	150,200	0.6	2.2
Anna Benjamin	–	150,000	150,000	0.6	2.2
Sune Lantz and related parties	–	97,400	97,400	0.4	1.4
Christoffer Persson	4,000	12,700	16,700	0.2	0.2
Total ten largest shareholders	1,950,000	3,675,695	5,625,695	95.1	82.9
Other	–	1,163,279	1,163,279	4.9	17.1
Total number of outstanding shares	1,950,000	4,838,974	6,788,974	100.0	100.0
Shares in own custody	–	140,000	140,000		
Total number of shares	1,950,000	4,978,974	6,928,974		

Each class A share entitles ten votes and each class B share one vote.

Source: Euroclear



Share capital trend

Year	Transaction	Change in share capital, SEK 000	Total share capital, SEK 000	Total number of shares	Quotient value, SEK
	Opening value	50	50	500	100
1985	Bonus issue	1,150	1,200	12,000	100
1986	Bonus issue	6,800	8,000	800,000	10
1987	New share issue	500	8,500	850,000	10
1988	New share issue	2,000	10,500	1,050,000	10
1992	New share issue through conversion	91	10,591	1,059,100	10
1993	New share issue through conversion	536	11,127	1,112,700	10
1995	New subscription through options	725	11,852	1,185,200	10
1997	2:1 split	0	11,852	2,370,400	5
1998	Bonus issue 2:1	23,704	35,556	7,111,200	5
2006	Reduction in share capital	-990	34,566	6,913,200	5
2008	New share issue through conversion	79	34,645	6,928,974	5

Share distribution and shareholders structure as of 31 December 2012

Share class	Number of shares	Percentage	Number of votes	Percentage
A	1,950,000	28	19,500,000	80
B	4,978,974	72	4,978,974	20
Total	6,928,974	100	24,478,974	100
Of which in own custody	-140,000		-140,000	
Total outstanding	6,788,974		24,338,974	

Holding	Number of shareholders	Percentage of shares
1 – 500	846	2.0
501 – 1,000	224	2.6
1,001 – 5,000	144	4.7
5,001 – 10,000	25	2.7
10,001 – 50,000	17	5.7
50,001 – 100,000	1	1.4
100,001 –	8	80.9
Total	1,265	100.0

In owner groups and excluding shares in own custody.

Source: Euroclear





Active ownership in niche engineering companies

BUSINESS CONCEPT

XANO will develop, acquire and operate manufacturing businesses with unique or market-leading products and systems with related services.

XANO will own niche engineering companies that have industries in northern Europe as their principal markets. XANO will generate value for shareholders by exercising both active ownership and management by objectives.

Entrepreneurial drive

The most important common denominator of XANO companies is a profound entrepreneurial drive. The units have flat organisations, swift decision-making procedures and short solution lead times. Management is down-to-earth and accessible, and makes clear that all employees are expected to make an active contribution. XANO's role is to support the companies so that their innate driving forces produce the best possible results.

Long-term thinking

XANO believes in strong relationships. Consequently, the Group invests long-term in its companies. This gives each unit opportunities to develop and maximise their resources. This approach is reflected in customer and supplier contacts, in which long assignments and close collaboration result in successful projects.

Technical know-how

Each company in the XANO Group is unique and the products cover a broad spectrum, ranging from components for analysis instruments to complex packaging equipment. The companies are market leaders and at the forefront of their niche. Several have in-house-developed products that no other company delivers. All XANO companies are distinguished by their advanced technical content, dedication to service and expert engineering advice.



Advanced technical expertise within niche areas

FINANCIAL TARGETS

Stable profitability and high growth

XANO's organic growth will surpass general market growth. In addition, businesses and companies will be acquired. The profit margin will amount to 8 per cent during an economic cycle. The equity/assets ratio will exceed 30 per cent.

VISION

Market leader within selected segments

XANO will be a leading player within selected market segments. XANO will create strong units of companies with optimal synergy utilisation.

STRATEGY

Develop, acquire and operate niche companies

XANO will develop, acquire and operate niche companies and through active ownership create added value for shareholders. Manufacturing will have a high technical content in order to satisfy customers' demands. This requires XANO to operate within well-defined niches. XANO companies will be locally based; being close to customers ensures the company is familiar with the customers' processes and needs, and also eliminates language barriers. The level of service and delivery readiness will be high. XANO companies will strive to develop long-lasting relationships with both customers and suppliers. XANO will have a sufficiently large market share within each niche to be an interesting partner for both customers and suppliers.

MARKET OFFERING AND OPERATIONS

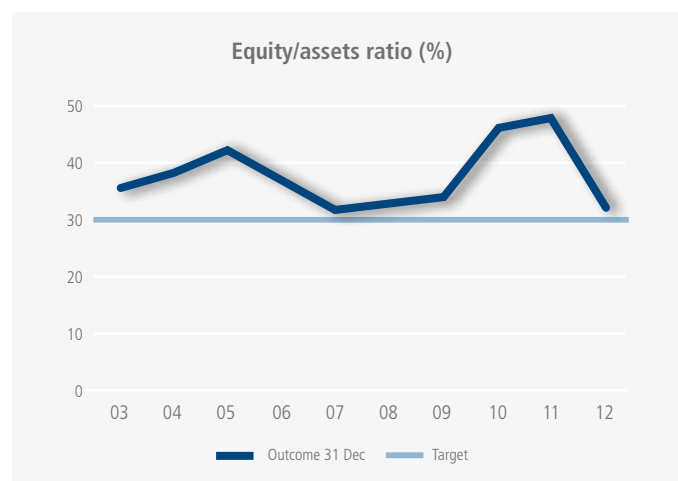
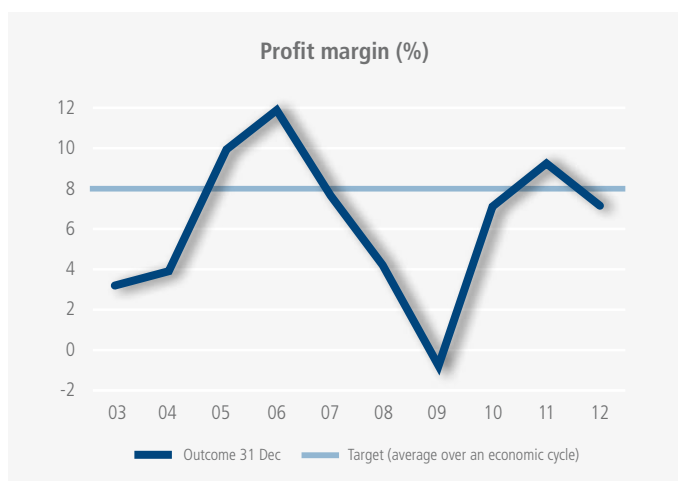
Advanced technology for selected target groups

XANO's market offering consists of the production and assembly of components and systems with related services, as well as the development, manufacture and marketing of in-house products. The Group currently operates in Sweden, Estonia, Finland, Norway, China and Poland. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. This advanced technical expertise enables the companies to create added value for customers.

CORE VALUES

Emotional and functional added values

XANO's core values are entrepreneurial drive, long-term thinking and technical know-how. They form the basis for all decisions that could impact on the Group.



Development and manufacturing services

Major undertakings demand broad knowledge and specialist expertise in everything from product development to logistics solutions. Contract manufacturing, system supply or partner production – the form of cooperation varies according to the scope and size of the project. We strive for long and lasting relationships with both customers and suppliers.

Services

PROJECT MANAGEMENT aims to satisfy the unique needs of each individual customer in the best possible way.

DESIGN comprises designing products and determining structural strength criteria as well as selecting material and production methods on the basis of these conditions. The objective is to achieve the best economy and functionality in the manufacturing of each individual product.

INDUSTRIALISATION means that capable and responsible personnel assure the entire production process through verification of production equipment, materials and purchased components.

LOGISTICS SERVICES include storage, packaging and distribution – using the customer's own packaging or delivered directly into the customer's manufacturing process.

Production resources

CUTTING MACHINING means that the material – plastic or metal in the shape of bars or blocks – is loaded in the machine and processed through turning, milling and long hole drilling. Drilling, thread-cutting and burring is performed in the same sequence in order to meet quality requirements. Examples of applications which use machined components include medical device systems, hydraulic systems, telecoms equipment and safety devices in cars.

SHEET METAL MACHINING is performed through laser cutting, edge pressing, pressure turning and welding. Sheet metal components are used in submersible pumps, X-ray equipment and food handling equipment, for example.

ROTATIONAL MOULDING enables complex plastic parts to be manufactured in one piece, resulting in products with high abrasion resistance, such as boats, industrial tanks and buoyancy devices.

DIE CASTING of aluminium allows complicated parts to be produced with a high degree of accuracy and surface finish. The aluminium components are used in, for example, engines and gearboxes in the automotive industry.

INJECTION MOULDING is used for manufacturing parts for furniture etc. The injection unit is fed with granulated plastic that is melted and poured into the mould. The plastic is then cooled and hardened.

SYSTEM ASSEMBLY creates complete products, sub-systems and systems from in-house-developed components and purchased components. Examples of system assembly are conveyor systems for the food industry and automation equipment for the packaging industry.



Examples of components and products within each sector

SECTOR	CUSTOMER-SPECIFIC MANUFACTURING	IN-HOUSE-DEVELOPED PRODUCTS
Packaging industry	Components for conveyor belts. Plastic packaging, covers, boxes.	Automation equipment, conveyor belts, packaging machines, containers
Medical technology	Components and systems for cardiac pumps, respirators, dialysis apparatus, lifting aids, stereotactic equipment, speech aids, water treatment. Complete X-ray machines.	Tanks, containers.
Automotive	Components for engines, gearboxes, control valves, chassis, transmission mechanisms. Fuel and oil tanks, pipes, covers, toolboxes, special packaging, fastenings, end shields, bushings.	
Industry	Components for optical equipment, radar interference, tools, electric plugs, transmission mechanisms, furniture, rehabilitation products, shop fittings. Fastenings, shafts, cylinders, piston rods, drilling tubes, casings, covers, pipes, pumps.	Book sorting machines. Vessels, containers, tanks. Hand wheels, handles, adjustable feet.
Infrastructure & engineering	Components for trains, stone crushers, fuel pumps, pumping stations, cesspools, sludge separators. Fastenings, shafts, pins, bushings, transmission products.	Catchment and septic tanks.
Marine	Components for service equipment, drive lines, transmission products, transmission solutions, instrument panels, propeller shafts, piston rods.	Boats, buoys, floats, seating, water tanks, septic tanks.



Responsibility for environment and

ENVIRONMENTAL OBJECTIVES

Group companies will continuously strive to reduce environmental impact through conscious selection of raw materials, processes and transport methods. The companies must also be sensitive to the wishes of customers and conform to the market's environmental requirements.

Environmental factors

Factors affecting the environment resulting from the Group's operations include, for example, emissions into the air and water, waste, wastewater, noise, packaging and transport. The Group's business, manufacturing processes and products are of such a nature that the environmental risks are considered to be limited.

Operations with a reporting obligation

As of 31 December 2012, the Group was engaged in activities with a reporting obligation or permit requirement in accordance with the Swedish Environmental Code at nine and three Swedish subsidiaries respectively. The reporting obligation relates to the manufacture of plastic products (three companies) and engineering industry with metal finishing (six companies). The permit requirement relates to the engineering industry for metal finishing (two companies) and also the casting and barrelling of aluminium parts (one company). Activities affect the external environment mainly through waste.

Environmental certification

Environmental management systems in accordance with ISO 14001 are used at most Group companies in an effort to ensure active environmental work. The Group had 18 operational companies as at 31 December 2012; 12 of these are environmentally certified and one has been awarded an environmental diploma.

Environmental measures

Each company within the XANO Group is responsible for and actively strives to reduce its environmental impact. The companies are continually implementing improvements through quality and environmental goals for scrapping and increased sorting of waste according to source. At a general level, investments in machinery have improved the efficiency and reduced the electricity consumption of many of the Group's companies. Improved processes within many production units have also reduced the impact on the environment.

Amongst other action taken in 2012, the following specific measures have been implemented:

- Several companies have improved their chemical registers by reducing the number of chemicals used and working with preventive measures in the handling of chemicals.
- Kungsörs Mekaniska has improved how it handles metal shavings.
- Mikroverktyg has switched to more environmentally friendly strip-light fittings.
- At LK Precision and Mikroverktyg, compressors are being replaced in favour of versions that use less energy and recover heat.
- Fredriksons has installed a corrugated cardboard compactor.

quality

Ongoing quality improvements

In order to achieve quality targets, ongoing investments are being made in the form of skills development and the upgrading of production equipment and processes. Suppliers and other joint venture partners are selected on the basis of quality and activities within marketing and sales are carried out in such a way that the expectations created amongst customers can be met. Most of the Group's companies are quality-certified in accordance with ISO 9001 with internal and external controls and auditing. Several companies are also certified within certain fields, such as welding to international standard ISO 3834 and deliveries to the automotive industry to international standard ISO TS 16949.

QUALITY OBJECTIVES

The work relating to quality within the Group is decentralised and each company has its own quality organisation. The quality and delivery reliability of the products and services of the Group's companies is a vital competitive factor. The Group has therefore established an overall goal of consistently offering products and services of a high, uniform-quality on time.



Verification of tooth data for toothed gears at Mikroverktøy, where each thousandth of a millimetre makes a difference.

Fredriksons is honing its competitive

2012 saw the Fredriksons unit in Vadstena invest approx. SEK 20 million in new, automated equipment for sheet metal processing for the purpose of further developing the business and increasing competitiveness in both the Swedish market and internationally. This investment has resulted in a more uniform quality and shorter lead times as well as raising the level of technology at the company.

From sheet metal to finished welded part

The new equipment means that the entire chain from CAD/CAM to laser-punched, bent and welded sheet metal part is automated. The technology provides narrower tolerances compared to manual handling and thus a more uniform production quality.

"It's unique to automate small-scale volume production in this way. A lot of our work is for an international market, and for us this investment is the key to increasing efficiency and continuing to be



Fredriksons works with the design, development and manufacture of contracted components and systems in stainless materials. These are used in areas such as food processing, X-ray and radiation equipment, environment and transport. Fredriksons also manufactures its own in-house-developed products.



Cipax expanding the market

2012 saw Cipax expand its geographic strategy to include northern Europe by setting up its own development and sales organisation – Ornplast – in Poland. Cipax has for some time been a market leader in the Nordic and Baltic regions. Over the autumn, several strategic agreements have been signed and Ornplast has prepared for production starting in the first quarter of 2013.

Greater internationalisation

For some time now Cipax has been monitoring and mapping the conditions for setting up in Poland to enable the company to meet demand there and in neighbouring markets.

"After giving it some consideration we realised that the time was ripe. Our seriousness as a supplier and the high quality of the products are appreciated on the Polish market," says Matz Svensson, MD of the Cipax Group.

Key staff for the Polish sales company Ornplast had been recruited by June and business was underway. From here the Polish market is served with Cipax's in-house-developed products as well as customer-specific products. Primarily customer-specific solutions are sold to customers in the neighbouring countries.

Among other things, Ornplast has made a deal with a German player to produce and supply mini

edge through greater automation

highly competitive in the future,” says MD Kristian Rustan. “This is an aggressive investment that enables growth.”

Lead time reduction and cost efficiency

The investment also provides benefits for Fredriksons’ customers in the form of shorter lead times, not to mention cost savings.

“We’ve held training sessions with our customers on the possible ways to reduce the production costs thanks to our new technology. It’s all about designing the parts in a smarter way,” explains Kristian Rustan.

Attracting young people to the industry

The machines were installed during the summer with commissioning taking place later in the season. Since then they have been in operation 24 hours a day on week days and are expected to generate growth and margin-enhancing effects in the current year.

“We also believe that this investment will promote the supply of skills to the company. It makes us an interesting workplace for young and talented people who are looking for a job, and creates a long-term platform for profitable growth for the company.”



New automated machinery for sheet metal processing means shorter lead times and cost efficiency.

– establishing unit in Poland

treatment works for submersible installation. Ornpplast will be responsible for selling the product on the Polish market. The company has also entered into a partnership with a company from New Zealand concerning the production of agricultural feed solutions for the entire European market.



Starting own production

Since the start in the summer, the investment is considered to have gone so well that Ornpplast has decided to plan the establishment of its own production facility in the Polish city of Lodz.

“The order stock already testifies to the fact that the first machine, which goes into production in March, will have a good degree of utilisation for the rest of the year. If the trend lasts, we will have another machine ready for the autumn,” says the company’s MD Iwona Sawicka.

The new premises encompass 2,500 m² and are situated in Lodz, which has a central logistics location in Poland.



Iwona Sawicka

XANO Sales School

Creating a holistic view and long-term approach to marketing

In recent years XANO has worked to reinforce the strategic marketing approach at all Group companies. An element of this initiative is the internal sales training known as XANO Sales School (XSS), with the first sessions being held in November 2012. There are 16 participants from nine companies involved. Besides the skills development, building networks between employees from different Group companies is an important part of the initiative.



An essential success factor for XANO, both today and thinking of the future, is continuously developing the sales work.

“To my mind, the marketing conditions have changed in the last few years. Today better control of targets is required in the sales work. The sudden changes in the economy we have seen recently have probably led to a sharp awakening in many sectors, where the sales reps have had to go from order recipient to order generator,” says Tomas Lidbacken, head of sales at VIAB and an XSS participant.

A common sales culture

During the training the entire sales cycle is discussed, from first contact to completed delivery, but it is also a question of increasing the focus on long-term goals and strategies.

“We have a great deal to learn from each other within the Group and the meetings are giving a lot

back because we are building a common sales culture. Much of the discussions concern taking our focus away from individual enquiries and business deals to looking at the big picture and following a more long-term perspective,” explains Tomas Lidbacken.

The training also provides the opportunity to analyse customer relations with new eyes.

“When people ask us for a quote we don’t want to be assessed simply on the price. Both we and the customers do better business if we work differently, if our expertise and desire to sell a greater responsibility are included in the calculation.”

The training plan for XSS extends over a year. The meetings are held at the companies where the participants work, which is a good way of getting to know the different operations. In between these times, the participants work on in-depth tasks.



XANO Sales School is part of XANO’s comprehensive training initiatives – XANO Academy. A third round of XANO Production School will also take place in 2013.

Our personnel

Personnel structure

As of 31 December 2012, the Group had 963 full-time employees, 149 (15 per cent) of whom were women. The average number of employees ¹⁾ during the year was 768, of whom 110 (14 per cent) were women.

The average age of employees in the Group was 44 for women and 42 for men at the end of the year. The average period of employment was about eight years for women and seven years for men.

Absence due to illness

Absence due to illness during the year amounted to an average of 3.7 per cent at the Group's Swedish companies ¹⁾, which is on a par with the previous year. The proportion of long-term absence due to illness was 38 per cent of all absence due to illness at these units.

Continuous skills development

Skills development initiatives are continuously in progress within the areas in which the various companies operate. The emphasis is on software training for handling the advanced equipment that is required for the increasingly automated manufacturing processes. During the year the focus remained on broadening the general skill sets of the companies and as a result achieving a greater level of production flexibility.

Preventive efforts

Most Group companies are affiliated to occupation-



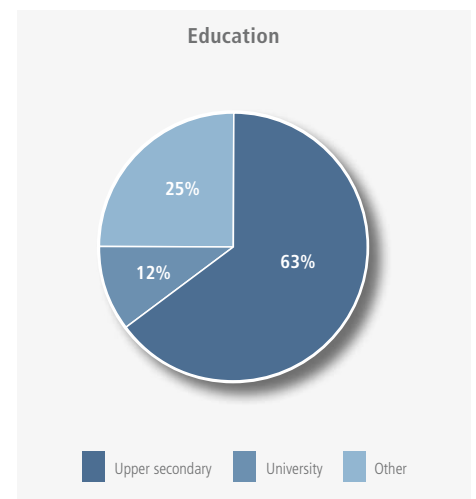
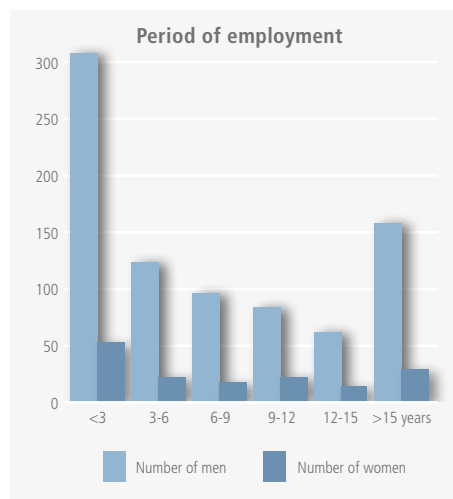
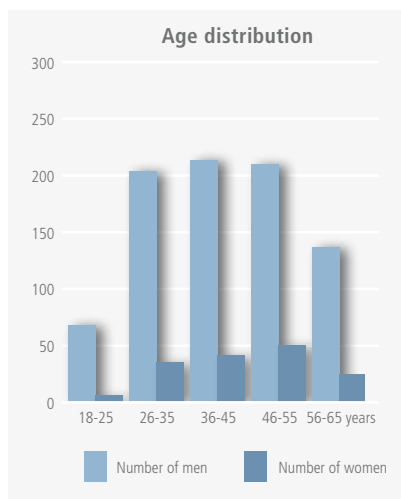
al healthcare services where employees are offered regular health check-ups and, if necessary, a review of workplace ergonomics, rehabilitation studies, etc. In addition, Group companies provide fitness benefits adapted to each company's specific personnel composition and workplace conditions.

Key figures for personnel		2012	2011
Average number of employees ¹⁾		768	732
– in Sweden		586	548
– in other countries		182	184
– women		110	98
– men		658	634
Average age, women ²⁾	years	44	44
Average age, men ²⁾	years	42	42
Average employment time, women ²⁾	years	8	7
Average employment time, men ²⁾	years	7	7
Absence due to illness ^{1, 3)}	%	3.7	3.7
– of which long-term ^{1, 3)}	%	38	10

¹⁾ Excluding newly acquired ÅGES and ITB Teknik.

²⁾ Refers to employees at year-end.

³⁾ Refers to Swedish companies.



ÅGES and ITB Teknik enhance the Group's offering

Just before the turn of the year, ÅGES Industrier and ITB Teknik in Unnaryd, Sweden were acquired. Since the mid-1950s, ÅGES has been manufacturing and marketing parts made from aluminium castings. ITB Teknik was founded in the 1980s with the aim of increasing the degree of finishing of the cast aluminium through machining and assembly. The companies' customers are primarily found in the automotive and engineering industry and other industry sectors in the Swedish market. ÅGES/ITB Teknik were consolidated in the XANO Group with effect from 31 December and did not contribute any profit during 2012. Collectively, the companies employ around 250 people.

Business activities

The applications of aluminium range from small, simple components to large, heavily loaded structures. Within the automotive industry, for example, properties such as low weight, good workability and corrosion resistance as well as high recycling rate have led to a dramatic growth in the use of aluminium. Demand is expected to increase still further.

The aluminium is cast in ÅGES' robot-operated machinery. Die casting accounts for the majority of production. The technique has fast throughput

times and provides good opportunities to manufacture parts with complicated geometry. ÅGES also works with gravity die casting in which molten aluminium is handled manually. Gravity die casting is used for components that will be exposed to high stresses and for which there are strict requirements for pressure resistance and density.

After casting and finishing, ITB Teknik handles the machining, surface treatment and assembly to customer specifications.

Developments

Production volumes fell slightly towards the end of 2012 as a result of the general slump in the market. The trend of lower volumes has persisted into the start of 2013. Yet with many new assignments in the pipeline, the conditions for a positive trend in the longer term are considered to be very good.

To cope with the gradually increasing demand and prepare for future growth, the companies intend to expand the production capacity over the course of the year.

With the support gained from now being part of a group of companies, it is also ÅGES/ITB Teknik's target to increase the proportion of sales to sectors other than the automotive industry and even to new geographic markets.



At ÅGES aluminium parts are cast in production equipment with a high technical level.



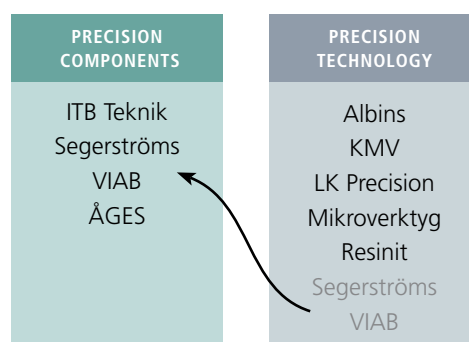
ITB Teknik machines cast aluminium parts, primarily for customers within the automotive and engineering industry.

A new business unit

With effect from 1 January 2013, Segerströms and VIAB together with ÅGES and ITB Teknik form a fourth business unit within XANO – Precision Components. The activities within the new unit are concentrated on component manufacture in larger runs with a high proportion of sales to the automotive industry. The new business unit consists of Group companies with similar markets and activities. One objective is to develop the synergies and economies of scale that can be achieved from now on.

Albins, KMV, LK Precision, Mikroverktyg and Resinit remain within Precision Technology with component and system manufacture through advanced cutting machining of metal and plastic. The

production primarily concerns small to medium runs of components and systems for medical technology, infrastructure, etc.



ITB TEKNIK



SEGERSTRÖMS



VIAB



ÅGES



Group overview

This is XANO

XANO consists of engineering companies in Sweden, Norway, Estonia, Finland, Poland and China. These companies provide manufacturing and development services for industrial products and automation equipment. They operate within well-defined niches and possess a high level of expertise within their respective technical fields. Each unit is locally based and developed according to its own potential. At the same time, the Group affinity creates economies of scale for the companies and their customers. In 2012 the Group was divided into three business units: Industrial Solutions, Precision Technology and Rotational Moulding. From 1 January 2013 there will be a fourth business unit – Precision Components.

Customer-specific manufacturing

The majority of the Group's companies have service functions at their disposal, which enables them to carry out complete customer assignments. The aim is to achieve the best production economics and functionality for each individual product.

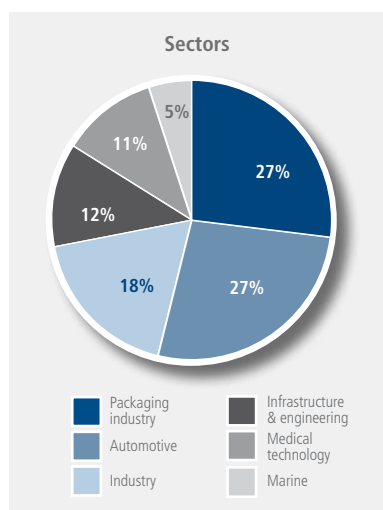
The Group includes companies which process plastic through rotational moulding, machining and injection-moulding. Several of the Group's companies process metal using methods such as turning, milling and long hole drilling. Sheet metal is pro-

cessed through pressure turning, laser cutting, edge pressing and welding. Die casting is used to make complex aluminium parts. Products with special purity requirements are manufactured and assembled in clean environments. The Group also possesses extensive experience of the system assembly of complex products.

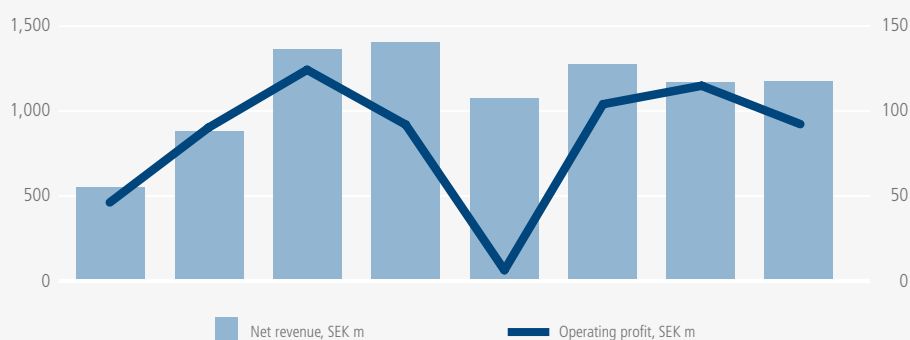
Logistics services include storage, packaging and distribution, either using the customer's own packaging or directly into the customer's manufacturing process.

In-house-developed products

Several of the Group's companies have developed their own product ranges within their respective fields of expertise. Rotational Moulding offers a broad range of proprietary products covering boats, marine parts, containers and materials handling solutions for industrial use. Industrial Solutions manufactures systems which are designed to rationalise customers' production processes. Design, development of control systems and electronics, and precision mechanical assembly are carried out in-house. The business unit also continuously develops components that bring additional functionality and creates possibilities in terms of the designing of, for example, furniture, shop fittings and rehabilitation aids.



Financial development and acquisition history (Group total)



- 2004** Acquisitions: LK Precision.
- 2005** Acquisitions: NPB, Segerströms, Baltic Components (merged with Bladhs).
- 2006** Acquisitions: Fredriksons, Cipax Björkelangen.
- 2007** Acquisitions: Värnamo Industri, Cipax Saue (merged with Cipax Eesti), Eslöv Mekaniska Verkstad.
- 2008** Acquisitions: Mikroverktyg.
- 2010** Disposals: Inmedic, Bladhs, Profilspecialisten.
- 2011** Acquisitions: Metall Göte.
- 2012** Acquisitions: Albins Mekaniska Verkstad, Kungsörs Mekaniska Verkstad. ÅGES and ITB Teknik were acquired in December but do not contribute any profit during 2012. Disposals: Eslöv Mekaniska Verkstad.

GROUP

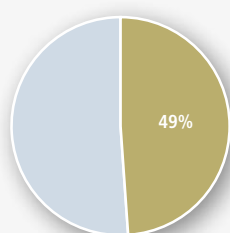
Net revenue	Operating profit	Average number of employees	Operating margin	Growth
SEK 1,171 m	SEK 94 m	768	8.0%	+0.8%

SHARE OF GROUP

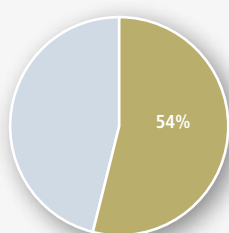
KEY INFORMATION

COMPANIES

INDUSTRIAL SOLUTIONS



Net sales



Operating profit

Industrial Solutions comprises companies that supply automation solutions for the food and medical technology industries, in addition to packaging machines for food packaging. The unit also provides parts such as hand wheels, handles and adjustable feet to furniture and shop fitting manufacturers.

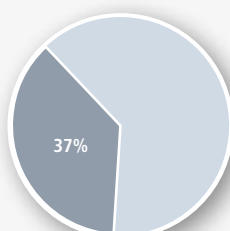
		2012	2011
Net sales	SEK m	580	595
Growth	%	-2.5	+9.1
Operating profit	SEK m	59	67
Operating margin	%	10.2	11.3
Employees		350	371

Ackurat
Sweden
Finland
Poland

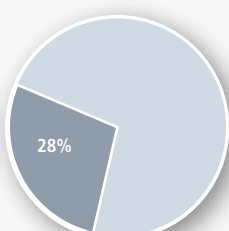
Fredriksons
Sweden
China

NPB

PRECISION TECHNOLOGY



Net sales



Operating profit

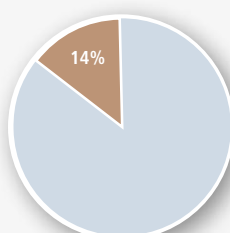
Precision Technology includes companies that handle component and system manufacture through advanced cutting machining of metal and plastic for the production of components which are subject to demanding requirements for quality and precision. Customers are mainly Swedish companies within the medical technology, infrastructure & engineering and automotive sectors.

		2012	2011
Net sales	SEK m	430	396
Growth	%	+8.5	+16.7
Operating profit	SEK m	31	34
Operating margin	%	7.1	8.5
Employees		294	235

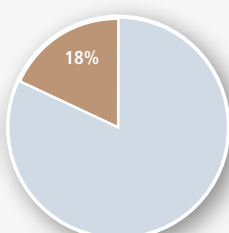
Operating profit includes non-recurring items totalling SEK m -6 -

Albins
KMV
LK Precision
Mikroverktyg
Resinit
Segerströms
VIAB
Sweden
China

ROTATIONAL MOULDING



Net sales

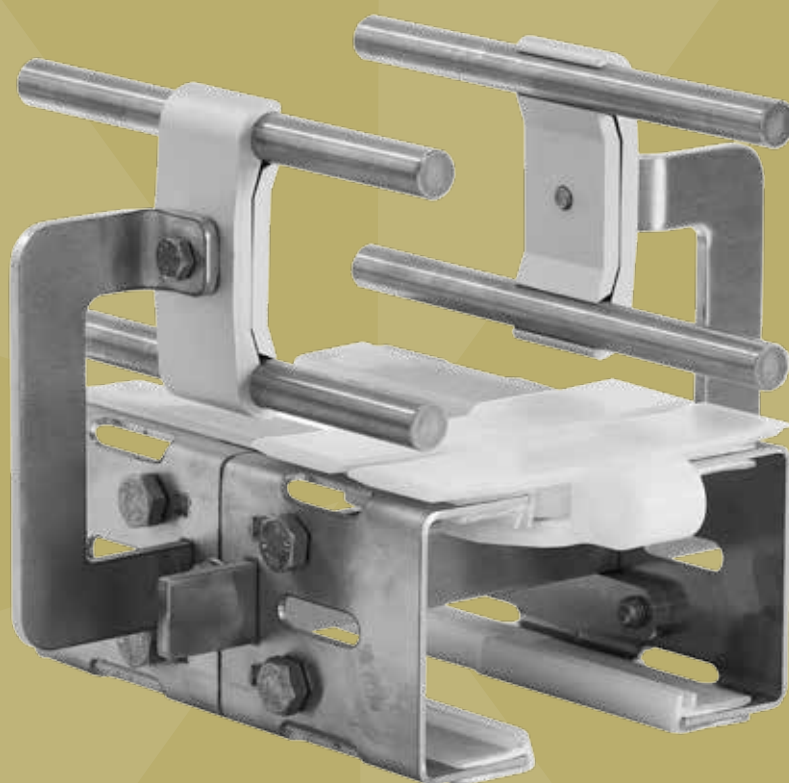


Operating profit

Rotational Moulding consists of companies that manufacture plastic products in the form of components and systems through rotational moulding. The companies supply both customer-specific and in-house-developed products. The primary product segments include boats and products for the automotive industry, as well as industrial tanks and buoyancy devices.

		2012	2011
Net sales	SEK m	164	174
Growth	%	-5.6	+5.1
Operating profit	SEK m	20	28
Operating margin	%	12.3	15.9
Employees		115	116

Cipax
Sweden
Estonia
Norway
Finland
Poland



Industrial Solutions

The Industrial Solutions business unit comprises Fredriksons, NPB and Ackurat. Fredriksons not only fulfils contract assignments within sheet metal processing with a high degree of finishing and extensive technical content, it also supplies in-house-developed conveyor systems. NPB supplies packaging machinery developed in-house for the automated handling of packaging. Ackurat supplies customers that include furniture and shop fittings manufacturers with parts such as hand wheels, handles and adjustable feet.

Industrial Solutions

Activities and markets

Fredriksons fulfils contract assignments within sheet metal processing with a high degree of finishing and extensive technical content. The company also supplies its own in-house products in the form of conveyor systems for items such as food. NPB sells automation equipment developed in-house for handling packaging as well as book sorting machinery for libraries. The products are sold on the global market. Ackurat has its own standard range of components for industrial use and also offers the development of customised products. Its customers are mainly based in northern Europe.

2012 in brief

The overall market situation for the companies within the business unit remained stable. Despite some slowing down in the economy, revenue only fell marginally compared to the previous year and oper-

ating activities performed well. The strong Swedish krona has led to a tougher competitive situation for the companies with regard to export sales and also resulted in negative exchange rate effects on the year's business, which contributed to the somewhat lower operating profit. The initial effects of the extensive investments made also resulted in a burden. Yet the investments have actually further increased competitiveness for the future.

The **Fredriksons** units in Vadstena, Sweden and Suzhou, China each experienced a good level of incoming orders in the first half of the year; after that demand went down. The Swedish unit reported slightly lower revenue and operating profit for the full year, while the Chinese unit surpassed the previous year's figures.

The reduction in volume affecting the Vadstena unit is partly explained by the fact that projects have been transferred from Sweden to China. A new, key customer that works with water treatment in vessels has to some extent compensated for the drop in volume.

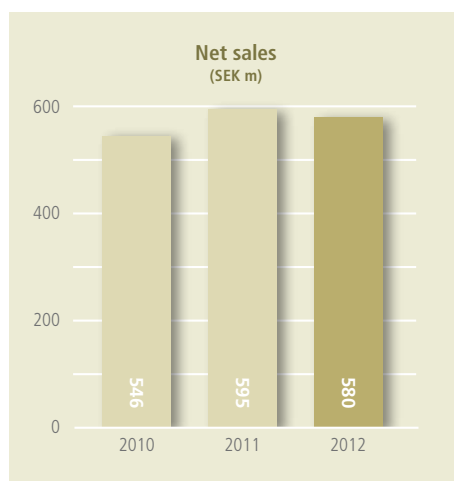
Radical changes to production were made in the summer, when new automated machinery for sheet metal processing was installed. The investment means a reduction in lead time and more uniform quality, while also strengthening competitiveness for the future.

New investments in machinery have also been made at the Chinese unit as preparation for further expansion. A collaboration was started with an American player in medical technology during the

Ackurat injection moulds thousands of standard products, including adjustable feet for the furniture industry.



NPB's tray system for handling lids.





Production in fully automated machining cell for bending at Fredriksons.

first quarter. This is the unit's first assignment involving complete assembly within the segment.

Product development of a new conveyor system for the packaging industry is underway, and the system will be launched onto the market during the course of the current year.

Training initiatives covering production technology, sales, automation and welding have been implemented at both units. With a view to adapting the organisations to the economic downturn, Fredriksons cut staffing levels by around 10% in both Sweden and China in the second half of the year. Production was also brought back in-house from subcontractors.

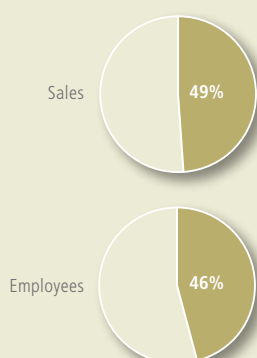
NPB had a good level of incoming orders and plenty of work in hand for the whole year, reporting an operating profit on a par with 2011. Delivery and

installation of a large order for the USA was completed efficiently. Part deliveries of another extensive project for an American player have also been made, as has delivery of three complete plants for France.

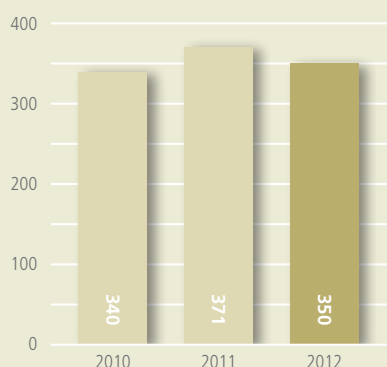
After a few years of restraint in terms of investments in the packaging industry, the situation improved for the European market. At the same time, the marketing efforts in Asia generated a breakthrough deal, when an agreement to supply automated packaging equipment to Thailand was signed in the second quarter. The value of the order amounts to SEK 7 million and delivery is planned for the summer of 2013. The installation will be the first of its kind in the area.

The rate of product development has remained high. Among other things, a packaging opener has been further developed in order to cope with opera-

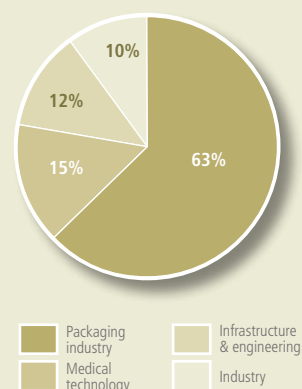
Share of Group



Average number of employees



Sectors



tion in a wet environment, which is a requirement for supplying machinery to food producers. NPB has also come up with a counting sensor unique to the sector which will be launched in 2013.

Sales of book sorting machines, where NPB is represented in the Nordic market, have been stable and on a par with recent years.

Ackurat had very good incoming orders in the first half of the year but experienced a certain decline in the autumn months due to the general economic downturn. Towards the end of the year the company saw a recovery in volumes.

Overall, Ackurat reported revenue and operating profit on a par with 2011, while the sector as a whole saw a fall. The background for this is that for several years Ackurat has worked very actively on its marketing, which steadily provides a large number of new customers. These have compensated for the lower order volumes from existing customers.

In spite of the strong Swedish krona the company's export sales to new markets have risen. Ackurat's investment in Poland has also developed positively. As a result of active and long-term sales campaigns, the company has also achieved a decent breakthrough in the Danish market. During the year the work to win assignments from the furniture industry in Italy and the United Kingdom was intensified.

Looking forward to 2013

Fredriksons is forecasting some growth for the Swedish unit. The unit in China is expected to maintain the level of revenue but with improved margins thanks to the efficiency measures implemented. The introduction of the new conveyor system for the packaging industry is expected to generate interesting and profitable business.

Thanks to a good and long-term level of order stock and also a favourable sales situation, NPB anticipates a continued positive trend. The activities in Asia and in other new markets with a great deal of potential are expected to generate more business projects. Competitiveness must be strengthened further by continued product development. The anticipated expansion has led the company to reinforce the organisation even more in key positions within project management and programming.

For Ackurat the start of the year has been characterised by continued stable incoming orders, and with additional sales growth on the export side it should be possible for revenue to exceed the previous year's figure. The company's intensive marketing approach will continue. Among other measures, participation in a couple of international trade fairs for furniture manufacturers is expected to generate more interest in Ackurat's products. An investment programme in which the company's injection moulding machines are gradually replaced will begin in the summer.



COMPANIES WITHIN THE INDUSTRIAL SOLUTIONS BUSINESS UNIT



End caps with sound absorbing felt for chair legs.

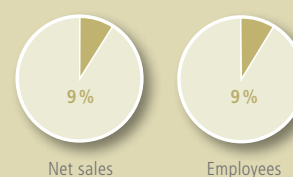
ACKURAT

Ackurat manufactures and sells standard injection-moulded plastic components and stocks more than 9,000 items, including hand wheels, adjustable feet, levers, handles and different types of pipe stoppers. In addition to purely plastic components, the company supplies products with metal screws and bushings. Ackurat also offers the option of manufacturing customised products. Ackurat sells mainly to customers in Northern Europe. The company has sales organisations in Finland and Poland, as well as retailers in Norway. The company's customers are primarily manufacturers of furniture, shop fittings and machinery, in addition to companies that supply equipment within the fields of health and leisure.

Ackurat 2012

Net sales	SEK m	53
Growth	%	+0.6
Employees		30

Share of business unit



Conveyor system for dairy products.

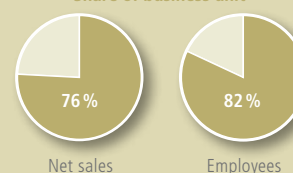
FREDRIKSONS

Fredriksons offers contract assignments from ideas to finished products in small and medium series production. Such assignments can include design, manufacturing prototypes, series production and documentation. The company works with customers within food processing, medical technology, environment and energy. Fredriksons strives for a high degree of finishing and makes extensive use of technology in projects. Fredriksons also develops, manufactures and markets conveyor solutions. The products are sold under their own brand name or as OEM products to customers operating within food products and medical technology. Fredriksons' customers are primarily based in Sweden. The company is able to serve customers with operations in Asia through its own manufacturing unit in China.

Fredriksons 2012

Net sales	SEK m	444
Growth	%	-1.7
Employees		288

Share of business unit



Detail from lid-handling equipment.

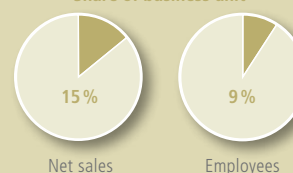
NPB

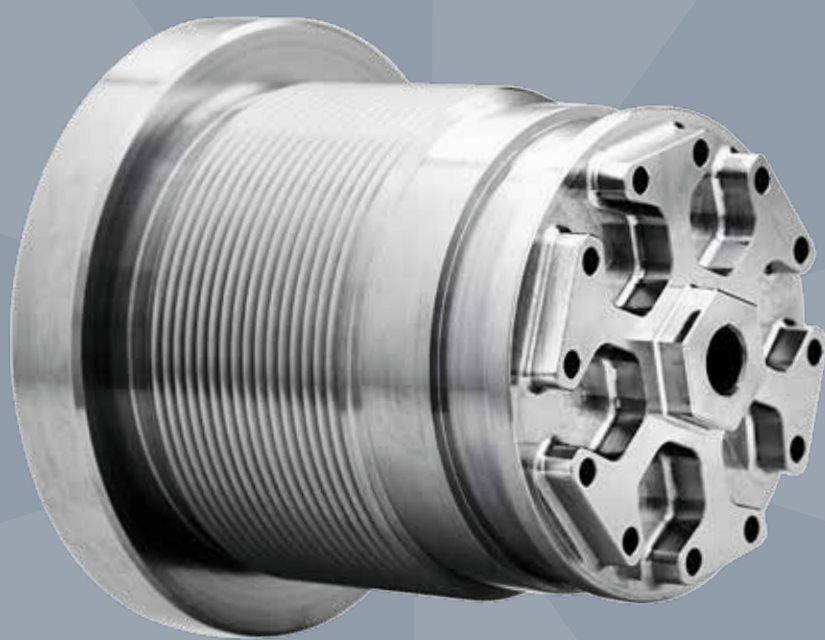
NPB develops, designs and manufactures automation equipment for lid handling in can-related products on the global market. The company also develops, designs and manufactures book-sorting solutions for libraries, with Europe as the primary market. NPB possesses specialist expertise in mechanics and design, as well as know-how dating back many years on the development and manufacture of automation equipment. The organisation is flexible and customer-oriented. NPB's equipment aim to improve the efficiency of the customer's manufacturing processes and also minimise maintenance costs.

NPB 2012

Net sales	SEK m	84
Growth	%	-8.0
Employees		32

Share of business unit





Precision Technology

The Precision Technology business unit consists of seven companies with manufacturing units in Sweden. Albins works with contract manufacturing within cutting machining of mainly large products in short production runs. KMV specialises in internal processing, primarily precision drilling, for industries in the Nordic countries. LK Precision and Resinit manufacture parts primarily for medical technical equipment in small to medium production runs. Mikroverktyg manufactures fine-mechanical parts in small to medium production runs for different areas of application. Segerströms and Värnamo Industri specialise in larger runs, with a high proportion of sales being made to the automotive industry.

Precision Technology

Activities and markets

The companies within Precision Technology specialise in component and system manufacture through the advanced cutting machining of metal and plastic with exacting requirements for quality and precision. Customers primarily come from the medical technology, infrastructure & engineering, automotive and other industrial sectors, with a focus on the Swedish market.

2012 in brief

The companies within the business unit experienced a stable market with a good level of incoming orders. Gradually the market conditions did worsen for some of the companies because of the general economic downturn. Despite this, a combination of increased sales efforts, more rational and efficient production and adaptation of the cost base in re-

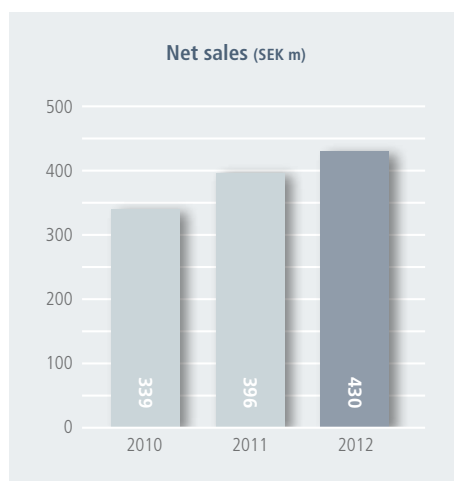
cent years, did, however, mean that most of the business unit's companies still reported good operating margins.

As part of the process to further enhance competitiveness, employees from several of the companies are taking part in the corporate training initiatives XANO Sales School and XANO Production School.

Eslöv Mekaniska Verkstad (EMEK) was sold in July. EMEK operates as a subcontractor to the mechanical engineering industry with advanced cutting machining in stainless steel as its primary area of specialisation. In 2011 the company had revenue of SEK 42 million and 20 employees.

Albins Mekaniska had good incoming orders in the first quarter of the year. After this the incoming orders slowed from one of the company's key cus-

Machining a propeller shaft weighing 15 tonnes at KMV.



tomers – a Danish player in the wind power industry – which led to lower revenue and operating profit than forecast for the full year. Marketing efforts were intensified to counteract the reduction in volume. The company also carried out major changes within the organisation. The effects of these measures are expected to give results in 2013.

KMV's level of incoming orders was stable and the production equipment utilised well during the first three quarters of the year. Towards the end of the year operating problems led to delayed deliveries and extra costs, resulting in revenue and operating profit somewhat lower than the expectations for the year as a whole. To meet future customer obligations and also properly utilise the resources, the company has hired a few more members of staff in conjunction with an increase in shift work. Besides participating in XANO's Group-wide training programme, the employees have completed further training in company-specific areas of expertise.

LK Precision had plenty of work in hand during the year as a whole and reported revenue on a par with the previous year but with an improved operating margin. Intensive marketing generating new business has compensated for one of the company's key customers within medical technical equipment reducing their order volumes. The company has worked actively to further improve its production flows. During the autumn LK Precision invested in a new measurement room. Several machines have also been updated so that components can be verified with greater precision. During the year LK Precision



was awarded ISO certification for quality, environmental management and work environment.

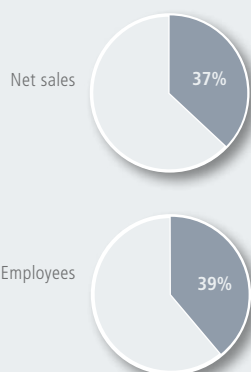
Titanium silencer from Albins.

Mikroverktyg reported revenue and profit that were slightly lower than the previous year. The reduction in volume relates to all customer segments and is due to the general downturn in the economy. Substantial investments have been made in machinery and administrative systems with the aim of streamlining production, reducing lead times and improving delivery reliability. These measures are expected to have an impact on the profit for 2013.

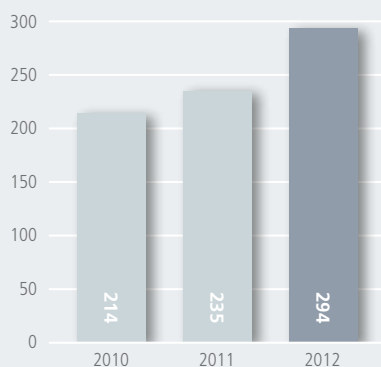


Rigging for new item in multi-operation lathe at LK Precision.

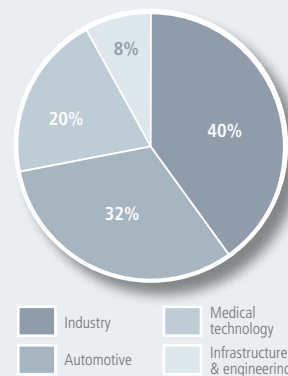
Share of Group



Average number of employees



Sectors



Over a three-year period a number of people retired from Mikroverktyg, meaning that internal training programmes were required in conjunction with the generational change in key posts. At the turn of the year the majority of the generational change had been completed.

Developments in hybrid technology for different types of vehicles have driven demand for transmission parts, an area in which Mikroverktyg is involved in the production of prototypes and preproduction series.

At the turn of the year Mikroverktyg acquired the operations of SVA, Skandinaviska Verktygsfabriken. SVA is a well-known manufacturer of gear machining tools for the Swedish and international manufacturing industry. The business is now part of Mikroverktyg but will continue to be marketed under the SVA name.

Resinit Thanks to good volume growth and an improved operating margin, 2012 was Resinit's best year so far. To begin with customers were fairly cautious with incoming orders but there was then a gradual increase. The increase in revenue was mainly composed of assignments from a couple of players in medical technical equipment in the US market. There were also several new customers from other segments, and the pressure in production was high throughout the year. Previous investments and lay-

out improvements have led to efficient production flow. To meet the greater demand, the company invested in additional machine capacity and also introduced more shift work in production.

Segerströms had a good level of incoming orders in the first half of the year. The company then experienced a decline, above all in the automotive industry. Thanks to efficiency measures carried out previously, as well as intensified marketing, the company managed to report operating profit on a par with the previous year despite lower revenue.

Segerströms has increased its undertakings for the electronics sector and taken on new work from the automotive industry. The company has also added additional measurement functions to the production equipment as well as completing preparations to enable it to handle tougher materials in order to broaden its offering.

VIAB In 2012 the decline in the automotive industry led to lower volumes for VIAB. To compensate for this loss, the company has worked very actively on its marketing campaign. This led to several new customer undertakings during the course of the year, which will make a positive contribution to earnings for the coming years. The commissioning of these new projects and other extraordinary costs, in combination with the lower revenue, resulted in a sharp fall in operating profit compared to the previous year.

Halfway through the year, the work on benefiting from the economies of scale with Metall Göte led to company operations being merged with those of VIAB. Autumn saw the production of test series for a major player in the automotive industry. The components are expected to go into series production in the autumn of 2013.

Looking forward to 2013

Incoming orders at Albins in the start of year have been lower than in the same period last year. The active sales work begun in 2012 still remains a priority. The company is also preparing quality training for the employees.

KMV's customer forecasts for the first half of the year bode well and the company believes incoming orders will remain stable for the year as a whole. Future customer projects justify investment in a new machine for drilling long holes and mean

VIAB's business is characterised by great flexibility and a high level of technical expertise.



there is a need for new staff in production.

LK Precision has begun the year with a somewhat weaker order situation than the year before. Production for two new, key players in medical technical equipment will, however, begin in the first quarter and the company is starting to see the effects of previously implemented production efficiency measures. The work on improving production flows will continue during the course of the year.

Incoming orders at Mikroverktyg were lower at the start of the year compared to the same period last year. The volumes are expected to remain conservative in the first quarter before then increasing gradually. The possibilities of taking part in more assignments within research and development projects are considered to be good.

At Resinit incoming orders within medical technical equipment are good and stable, while the volumes from other market segments are slightly lower than in the same period of 2012. The company expects orders to increase gradually.

Segerströms is forecasting a lower rate of production in the first half of the year compared with the previous year, to be followed by a conservative and gradual increase. The calculation includes high-volume components for a customer in the automotive industry which are scheduled to go into produc-



The companies within the Precision Technology business unit specialise in advanced cutting machining (toothed gear from Mikroverktyg).

tion halfway through the year. On the electronics side test production is also ongoing, where volume manufacturing may start halfway through the year.

VIAB believe there will be a positive development during the year although the company has received fewer orders at the start of the year than this time last year. VIAB and Segerströms are planning to further optimise the economies of scale between the companies. Through closer cooperation and greater exchange of expertise, additional efficiency improvements are expected to be achievable.



COMPANIES WITHIN THE PRECISION TECHNOLOGY BUSINESS UNIT



Stainless coupling for pump housing.

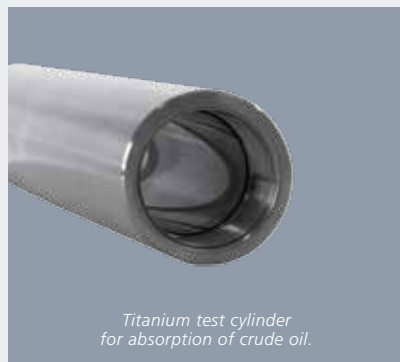
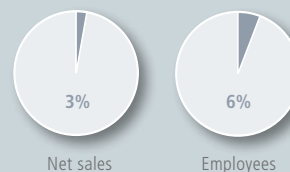
ALBINS MEKANISKA VERKSTAD

Albins work involves cutting machining in metallic materials such as aluminium, steel and titanium. The manufacturing is characterised by large components in short series with exacting requirements for quality and precision. The production encompasses items including tools for the engineering industry and rotor shafts for the wind power industry, and takes place using modern production equipment. The business possesses a great deal of technical know-how and extensive experience of meeting customer-specific requirements. Most of the company's customers are located in Sweden.

ALBINS 2012

Net sales	SEK m	14
Growth	%	–
Employees		16

Share of business unit



Titanium test cylinder for absorption of crude oil.

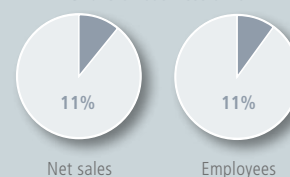
KUNGSÖRS MEKANISKA VERKSTAD (KMV)

KMV specialises in internal processing of long parts, primarily precision drilling, and is a unique company within its niche in the Nordic countries. The company drills holes in lengths of up to 13 m with diameters ranging from 2 mm up to 60 cm. Examples of products that the company manufactures are machine tubes, pistons and drill pipes for the Swedish mining industry as well as cylinders and piston rods for the hydraulic industry. Manufacturing also covers acidproof stainless piston rods for the Norwegian offshore industry. KMV's clients primarily come from Nordic industry.

KMV 2012

Net sales	SEK m	44
Growth	%	–
Employees		29

Share of business unit



Printer head for mounting of electrical components.

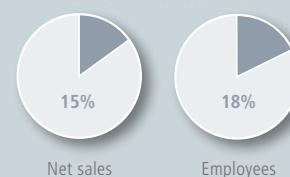
LK PRECISION

LK is a precision-mechanical engineering company with a focus on the manufacture of complex components made from metals such as aluminium, brass, steel and titanium. Manufacturing is concentrated on small and medium production runs using advanced production equipment. A high level of technical expertise in combination with cutting edge technology means that the company can offer tailored production solutions. The company's customers are primarily within the medical technology and other industry sectors on the Swedish market.

LK Precision 2012

Net sales	SEK m	61
Growth	%	-2.6
Employees		51

Share of business unit



Precision toothed gear for the machine industry.

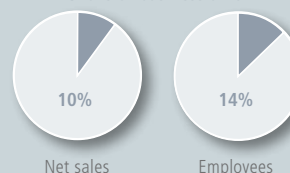
MIKROVERKTYG

Mikroverktyg is active in cutting machining and specialises in small to medium-sized fine mechanical components and transmission components such as toothed gears, splines and racks which are subject to demanding requirements for quality and precision. The manufacturing also comprises fixtures, prototypes, special tools, measuring devices, components for the aviation and defence industries, hydraulic components, spare parts and other components subject to demanding requirements. Mikroverktyg's customers primarily come from Nordic manufacturing industry.

Mikroverktyg 2012

Net sales	SEK m	41
Growth	%	-5.9
Employees		38

Share of business unit



COMPANIES WITHIN THE PRECISION TECHNOLOGY BUSINESS UNIT



Plastic column for medical protein separation.

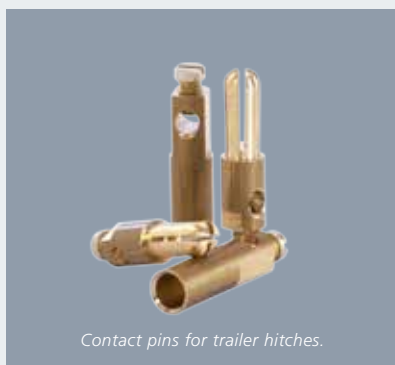
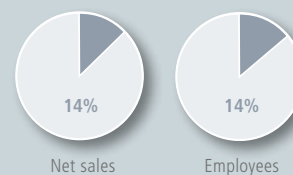
RESINIT

Resinit offers complete solutions where the mechanical processing of plastic materials is supplemented with associated services, primarily assembly. The company specialises in difficult plastic materials subject to demanding requirements for dimensional accuracy and surface finish. As a supplier of components for medical equipment and analysis, total precision and extensive material knowledge are required to ensure that the end customer's requirements are met. More than 70 per cent of the company's products are sold within the medical technology sector to Swedish as well as global customers.

Resinit 2012

Net sales	SEK m	56
Growth	%	+24.5
Employees		39

Share of business unit



Contact pins for trailer hitches.

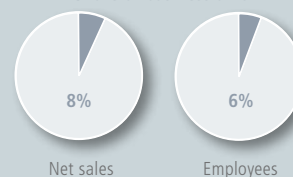
SEGERSTRÖMS

Segerströms uses cutting processes and supplies small metal components made from brass, steel and aluminium in large production runs. Examples of the company's products include casings, pins and specialised items for electrical and electronics applications as well as components for safety devices in cars. A dedicated tools division and solid know-how guarantees excellent service and customised solutions. Most of the company's customers are manufacturers within the automotive, electrical and electronics industries located in the Nordic countries.

Segerströms 2012

Net sales	SEK m	30
Growth	%	-13.7
Employees		17

Share of business unit



Steel component for oil filters in heavy vehicles.

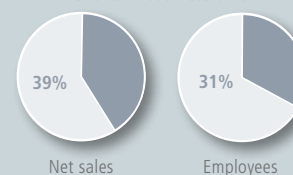
VÄRNAMO INDUSTRI (VIAB)

VIAB supplies components manufactured using advanced cutting processes. The company machines stainless steel, iron and aluminium and also provides in-house grinding and external services such as hardening and surface treatment. In addition, VIAB assembles sub-systems and complete units. The business is characterised by extreme flexibility and a high level of technical expertise with access to advanced control systems that guarantee the right quality. The company's sales are made mainly to the Swedish market. The company's customers primarily consist of manufacturers of heavy vehicles and machine builders.

VIAB 2012

Net sales	SEK m	155
Growth	%	-5.5
Employees		95

Share of business unit





Rotational Moulding

The Rotational Moulding business unit is made up of Cipax, which consists of three manufacturing units that have their own development and sales organisations, as well as two separate sales companies. Cipax has a leading position within rotational moulding in the Nordic and Baltic regions.

Long-standing experience of the industry and close cooperation with leading industrial companies have created a good level of confidence in the company as a supplier. Cipax also has a major competitive advantage due to its high level of technical expertise and access to several production sites with different specialisations.

Rotational Moulding

Activities and markets

Cipax works on both customer-specific production and proprietary products within plastic rotational moulding. The company's own products are divided into the following segments: boats, marine products and industrial products. Customer-specific manufacturing takes place for the following sectors: marine, infrastructure & engineering, automotive and other industry. Cipax is primarily active on the markets in the Nordic and Baltic regions. By setting up operations in Poland in 2012, the company hopes to expand the market further.

2012 in brief

The revenue and profit for the business unit fell somewhat relative to the previous year. The weaker result was mainly due to a declining number of incoming orders in the second half of the year as a

consequence of the general economic downturn. This slump affected customer-specific manufacturing while sales of in-house products were on a par with the previous year. In addition to the effect of lower volumes, the profit was adversely affected by increased costs for the intensified focus on marketing and sales, plus product development, along with the establishment of the unit in Poland.

Establishment in Poland

The sales organisation Ornplast was founded in Poland in June. This investment provides the opportunity to expand the business unit's market by meeting demand from industry in northern Europe. As early as the autumn agreements were signed with a number of strategic customers. Preparations for setting up a production facility in Lodz, Poland, continued for the second half of the year and manufacturing is expected to get underway in the spring of 2013.

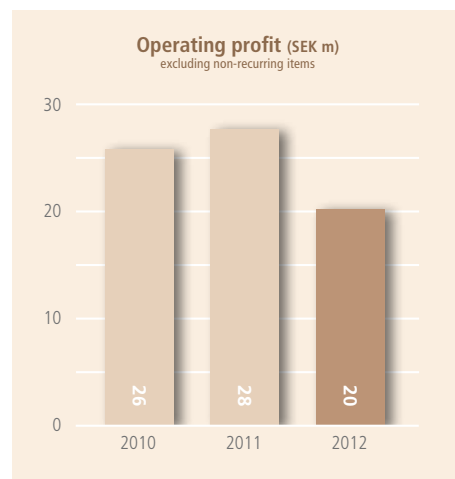
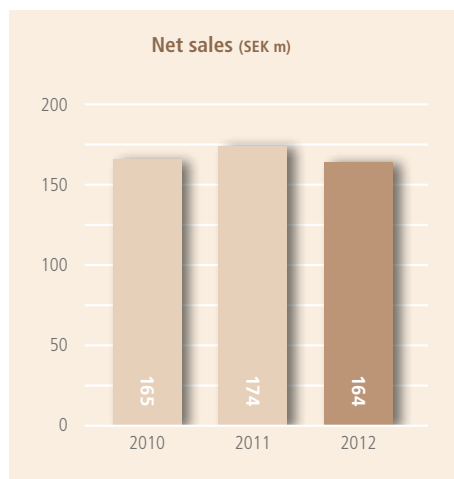
Strong position in the boat market

Despite a tough year for the boat market as a whole, Cipax increased its sales by 10 per cent. The new boat models launched during the year received a positive reception in the market. This growth is also because of the collaboration in which Cipax boats are sold together with Yamaha's boat motors has been a success. The boats are sold in Yamaha's distribution network in Sweden, Norway, Denmark, Iceland, the Baltic countries and the Faeroe Islands.

Initiatives and adaptations

Staffing levels have gradually been reduced during

Cipax manufactures durable, specially-adapted plastic containers and plastic tanks for street cleaning machines and wheel loaders.





The collaboration with Yamaha has strengthened Cipax's Pioneer brand in the Nordic market.

the year in order to adapt production to demand. As a consequence of previous capacity expansion in Estonia, production at the company's Swedish unit in Skebobruk has been wound up, although sales, development and logistics are still in place. Cipax is one of the few rotational moulding companies in Europe to achieve certification of its quality management systems for the automotive industry – ISO/TS – in Sweden and Estonia. At the Norwegian unit, Lean Production activities have been carried out.

Looking forward to 2013

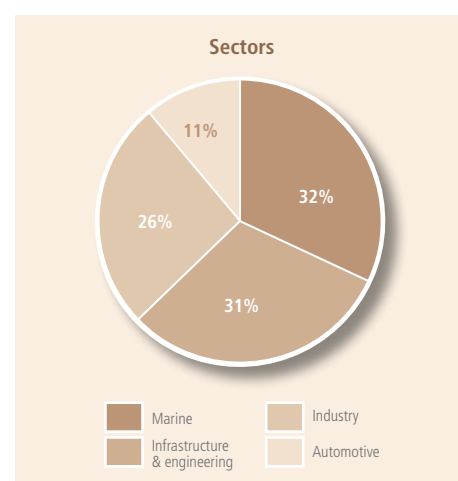
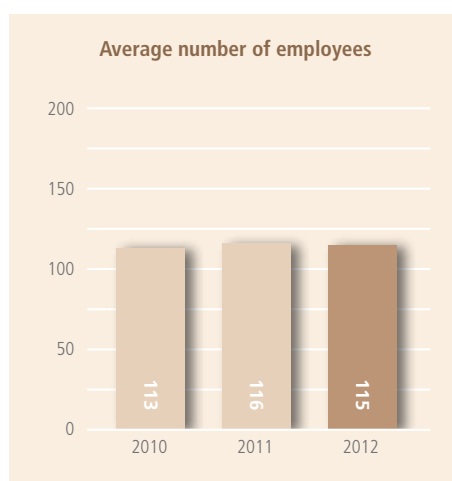
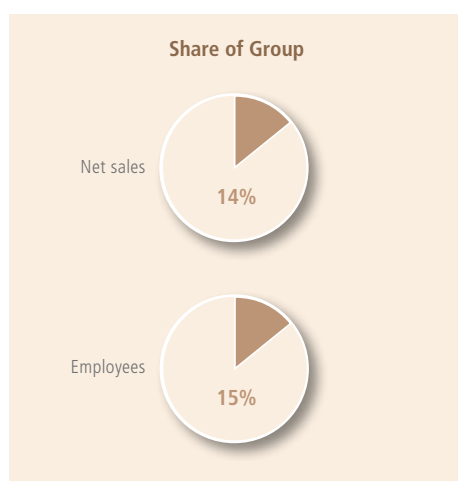
Despite the downturn in the economy, Cipax anticipates growth during the year, mainly thanks to the extra potential that the investment in Poland is ex-

pected to bring. Due to the strategic supply agreements already signed for the business, the company expects there to be plenty of work in hand as early as this first year.

Finland remains a priority development market. This is where Cipax has previously sold standard products via retailers. Since the previous half-year came to an end, the organisation has been responsible for all its own sales and sees good opportunities for growth. The Swedish and Norwegian market is expected to perform at the same level as in 2012.

Cipax has a large number of in-house products ready for launch in 2013, including a new range for marine use. New Pioneer models are being launched within the boat segment.

Submersible tanks for treating wastewater are examples of products within infrastructure & engineering.



COMPANIES WITHIN THE ROTATIONAL MOULDING BUSINESS UNIT



CIPAX

Cipax designs, develops and manufactures plastic components and systems through rotational moulding using environmentally friendly, recyclable materials. The primary product segments include boats, products for the automotive and infrastructure industries, industrial containers and buoyancy devices.

The manufacturing process is characteristically cost-efficient for small-scale production runs due to low tool costs and flexible production. The flexibility of the product design process enables complex items to be created. Examples of customer-specific products include tanks, pipes and covers with specific requirements such as heat- or cold-resistance and chemical resistance. In addition to customer-specific manufacturing, which accounts for half of the company's revenue, the company works on in-house-developed products within the boat, marine and industry segments.

Deliveries mainly take place to leading companies in the Nordic and Baltic countries within the marine, automotive and other industry sectors.

Cipax 2012		
Net sales	SEK m	164
Growth	%	-5.6
Employees		115



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Directors' report

The Board of Directors and the CEO of XANO Industri AB (publ), with corporate identity no. 556076-2055 and registered office in Jönköping, Sweden, hereby submit the Annual Report and consolidated financial statements for the 2012 financial year.

Operations

XANO develops, acquires and manages manufacturing businesses with unique or market-leading products and systems with related services.

Sales and profit

Net revenue was SEK 1,171 million (1,162) and profit after tax amounted to SEK 67 million (81).

Share data and key ratios

Earnings per share amounted to SEK 9.85 (11.80). At year-end, equity per share was SEK 79.45 (73.50) and the equity/assets ratio 32 per cent (48).

Important events during the year

In February, XANO acquired all the shares in Kungsörs Mekaniska Verkstad AB (KMV) and Albins Mekaniska Verkstad AB. KMV specialises in internal processing, primarily precision drilling, and is a unique company within its niche in the Nordic countries. Albins works with contract manufacturing within cutting machining of mainly large products in short production runs. Together the companies employ about 40 people and have annual revenue of approx. SEK 60 million. The companies form part of XANO's Precision Technology business unit and were consolidated in the Group from 1 January 2012. The purchase price, which was paid in cash, was SEK 115 million. After deducting the liquid assets acquired, the net impact on the Group's cash flow was SEK 93 million. The balance sheet for the acquired companies totals around SEK 70 million, SEK 54 million of which was equity.

In July, all shares in the subsidiary Eslöv Mekaniska Verkstad AB (EMEK) were sold. EMEK operates as a subcontractor to the mechanical engineering industry with advanced cutting machining in stainless steel as its primary area of specialisation. The company formed part of XANO's Precision Technology business unit. The sale will have relatively little long-term impact on XANO's profits and financial position. EMEK achieved revenue of approx. SEK 42 million in 2011. Divested assets and liabilities amount to approx. SEK 31 million and SEK 10 million respectively. The purchase price amounted to approx. SEK 15.5 million and consisted of a fixed purchase price of SEK 12.3 million and a conditional additional purchase price calculated at SEK 3.2 million. The additional purchase price will be settled in August 2013. The sale carried a

calculated capital loss of approx. SEK 6 million, which had an impact on the Group's profit for 2012.

In December, all the shares in ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were acquired. Since the mid-1950s, ÅGES has been manufacturing and marketing parts made from aluminium castings. ITB Teknik was founded in the 1980s with the aim of increasing the degree of finishing of the aluminium castings through machining and assembly. The companies' customers primarily operate within the automotive, engineering and other industrial sectors. Collectively, the companies employ around 250 people. Revenue in recent years has amounted to approx. SEK 450 million and generated a good profit. The purchase price was paid partly in cash in the amount of SEK 366 million and partly in the form of a bond for SEK 100 million with a maturity of five years. After the deduction of acquired liquid assets, the Group's cash flow was affected by SEK 320 million during 2012. The acquired balance sheet total amounted to SEK 271 million, of which SEK 159 was equity. The newly acquired companies were consolidated in the XANO Group with effect from 31 December 2012 and are expected to contribute SEK 4–5 in earnings per share during 2013.

The year's acquisitions and disposals are intended to refine the Group's operations and build strong business units where synergies can be properly utilised. The acquisitions also provided the XANO Group's existing operations in cutting machining with additional expertise and access to new market segments.

Events after the end of the year

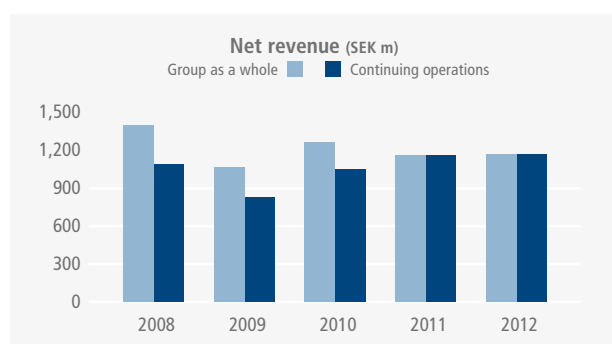
In February 2013 an industrial property in Tallinn, Estonia, was sold. The purchase price, which was paid in cash, was EUR 6.9 million excluding VAT and brings about a capital gain of approx. SEK 43 million. Historically the property has each year generated a small profit and the sale will have relatively little long-term impact on XANO's profits and financial position.

Organisation

XANO comprises industrial companies with operations in Sweden, Estonia, Finland, Norway, China and Poland. The units all operate within well-defined niches and possess a high level of expertise within their respective technical areas. During the year, the Group's operations were divided into three business units: Industrial Solutions, Precision Technology and Rotational Moulding.

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

Precision Technology includes Albins, KMV, LK Precision, Mikroverktyg,



Resinit, Segerströms and Värnamo Industri. These companies cover component and system manufacture through advanced cutting machining of plastic and metal for the production of components which are subject to demanding requirements for quality and precision.

Rotational Moulding consists of the Cipax Group, which manufactures plastic products in the form of components and systems through rotational moulding. These companies supply both customer-specific and proprietary products. The primary product segments include boats and products for the automotive industry, as well as industrial tanks and buoyancy devices.

As a result of the acquisitions of ÅGES and ITB Teknik, the companies within the Precision Technology business unit are being split up with effect from 1 January 2013. Together with the new acquisitions, Segerströms and VIAB form a fourth business unit, Precision Components. The activities within the new unit are concentrated on component manufacture in larger runs with a high proportion of sales to the automotive industry. Albins, KMV, LK Precision, Mikroverktyg and Resinit remain within Precision Technology with component and system manufacture through advanced cutting machining of metal and plastic. The production primarily concerns small to medium runs of components and systems for medical technology, infrastructure, etc.

The Group's development during the year

During the first quarter both revenue and profit were on a par with the previous year. The recently acquired companies Albins Mekaniska Verkstad and Kungsörs Mekaniska Verkstad (Q1 2012), as well as Metall Göte (Q3 2011), contributed approx. SEK 25 million in revenue and approx. SEK 4.5 million in operating profit. The injection compensated for the reduction in volume within the Industrial Solutions business unit, where the comparison period of the first quarter of 2011 was strong. After a slightly cautious start to the year, the market position for the Group companies was satisfactory for the remainder of the quarter. Several of the Group's major customers did, however, report their reluctance to place orders for the coming quarter. During the second quarter the companies reported continued good invoicing with margins maintained on the whole. Concerns surrounding the Group's general order situation eased and sales stabilised at a level slightly below that of the previous year. A certain reluctance in the order situation was still noted from customers, but the number of enquiries increased. The companies' market positions gradually became stronger. The short-sightedness of the market remained, but the situation was under more control at the end of the second quarter. The Group's operating activities also performed satisfactorily during the third quarter. Compared to the previous year, the accumulated operating profit was lower, but it was affected both by a capital loss of SEK 6 million attributable to the sale of EMEK and by extraordinary costs relating to strategic investments in locations including Poland and China. The fourth quarter, particularly December, generated a weak profit. Compared to the corresponding

period in the previous year, invoicing fell by 5 per cent and operating profit by 38 per cent. Full-year revenue was slightly higher than in 2011 while operating profit fell from SEK 115 million to SEK 94 million. The main reasons for the lower profit were the capital loss associated with the sale of EMEK, negative exchange rate effects and extraordinary costs incurred, including for establishing operations in Poland and China. The acquisition of ÅGES and ITB Teknik in December also affected the profit in the form of transaction and interest expenses. The profit from the newly acquired companies will not be included until 1 January 2013 onwards.

Industrial Solutions

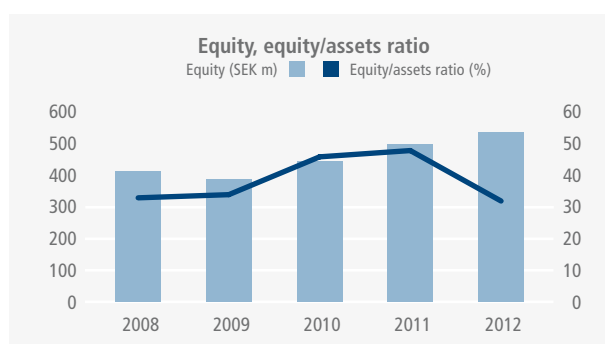
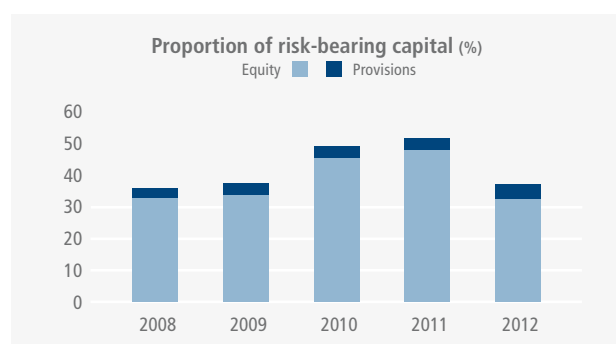
The market situation for standard products for items such as furniture and shop fittings remained good during the year and both sales and profit were on a par with the previous year. The project-related operations, particularly those for the packaging industry, sometimes led to high fluctuations in results from month to month. After a weak first quarter, several larger deliveries were made during the second quarter, which led to profit for the first half of the year coming more or less in line with that of the previous year. Despite lower revenue as a whole in the second half of the year, profit in the last months of the year was good. The market situation was in general stable throughout the year for the majority of the business unit's segments. In addition to the impact on profit made by the decline in volume, the drop in margin was mainly due to negative exchange rate effects and the extent of the investments made.

Precision Technology

The majority of the companies within the business unit continued to show strong margins in the first half of the year, primarily achieved through adaptation of the customer and assignment structure according to available production resources, resulting in increased efficiency. Including the year's corporate transactions, which resulted in a net increase in revenue of approx. SEK 30 million, invoicing for the full year was on a par with that of the previous year. The new acquisitions contributed good results and of the other companies in the business unit most of them managed to maintain, and in a couple of cases improve, their operating margin compared to the previous year. And this was despite a declining market and extraordinary costs during the year. Overall, however, the profit level was significantly weaker than in 2011. Besides the capital loss from the sale of EMEK, the profit for the year was adversely affected by the establishment of operations in China and the merging of Metall Göte's operations with those of VIAB.

Rotational Moulding

During the first half of the year most of the companies within the business unit experienced continued stable development. Work continued intensively



on product development and other marketing activities. The raw material situation was difficult, with high price increases and somewhat limited availability, leading to expensive disruptions to production. The rate of sales gradually slackened and a weak end to the year meant both accumulated revenue and profit were lower than in the previous year. For the year as a whole, in addition to the decline in volume, it was above all extraordinary costs for establishing premises in Poland and other targeted marketing initiatives that had an adverse effect on the operating margin. The high rate of product development also increased the costs but contributed to the sales of in-house products remaining stable while the volumes for contract manufacturing reduced slightly. The work to establish the unit in Poland was intensive and production is expected to start in the spring of 2013.

Investments

The Group's net investments in non-current assets amounted to SEK 512 million (55), of which SEK 455 million is attributable to corporate transactions, SEK 7 million to real estate, SEK 47 million to machinery and equipment and SEK 3 million to intangible assets.

Cash flow and liquidity

Cash flow after investments, excluding corporate transactions, totalled SEK 42 million (139) for the year. In addition to the lower profit level, the weaker cash flow during 2012 is primarily explained by stockpiling linked to projects and higher tax payments. The previous year's cash flow also included extraordinary advances from customers.

The Group's liquid assets, including lines of credit granted but not utilised, totalled SEK 283 million (375) on the balance sheet date.

Risks and uncertainty factors

The Group's major risk and uncertainty factors include operational risks associated with customers and suppliers and other external factors such as price risks for input goods. In addition, there are financial risks as a result of changes in exchange rates and interest rate levels. A statement on the Group's main financial and operational risks can be found in Note 32 on pages 70 and 71.

Convertible bond programme

In accordance with decision of the Annual General Meeting for XANO Industri AB on 10 May 2012, employees of the XANO Group have subscribed to convertibles totalling SEK 29,999,961 corresponding to 275,229 convertibles at a conversion rate of SEK 109. The convertibles run from 1 July 2012 to 30 June 2016. If all convertibles are converted to shares, share capital will be increased by SEK 1,376,145. The dilution will then be approx. 4 per cent of the share capital and approx. 1 per cent of the number of votes. The convertible interest is paid annually in arrears and is equivalent to STIBOR 3M plus 2.7 per cent. During the period 1 June to 10 June 2016, each convertible may be converted to one Class B share in XANO Industri AB.

No conversion was requested in relation to XANO Convertible 2008/2012, with a conversion rate of SEK 125 and maturity up to and including 30 June 2012. The full nominal amount was repaid.

Currency and interest rates

As a result of its international activities, XANO is particularly exposed to currency fluctuations in both EUR and USD relative to SEK. Financing primarily takes place through borrowings from banks in the local currency of each subsidiary. The Group's interest-bearing liabilities amounted to SEK 756 million (242) on the balance sheet date. A detailed description of the Group's financial risks can be found in Note 32 on pages 70 and 71.

Environmental impact

The Group conducts operations with a reporting duty or that require a permit under the Swedish Environmental Code in nine and three Swedish subsidiaries respectively. The Parent Company does not conduct any activities that require a permit. A report on the Group's environmental activities can be found on page 18.

Research and development

The Group does not conduct in-house research. Within the framework of each subsidiary, products and processes are continuously developed. The development costs, which are not significant, are normally written off as they arise. Under certain circumstances, expenses can be capitalised, provided that future economic benefits can be demonstrated and the expense is of considerable value.

The share and shareholders

As of the balance sheet date, the company holds 140,000 of its own shares with a quotient value of SEK 5, which were acquired in 2003 for SEK 66 per share. The total number of shares as of the balance sheet date was 6,928,974, distributed between 1,950,000 Class A shares and 4,978,974 Class B shares. Each Class A share gives entitlement to ten votes and each Class B share to one vote.

There are currently two shareholders who each own and control more than 10 per cent of the votes for all shares in the company. Tord Johansson controls 27.5 per cent of the capital and 55.1 per cent of the votes through his own holdings and through holdings via related parties. Pomona-gruppen holds 31.0 per cent of the capital and 28.6 per cent of the votes. Information concerning holdings relates to share after deduction of the company's own holdings.

Work of the Board of Directors

XANO's board of directors consists of six board members. The members elected at the AGM include both representatives of XANO's largest shareholders and independent representatives. The CEO and other salaried employees in the Group participate in Board meetings to present reports or in an administrative capacity.

During the 2012 financial year, the Board of Directors held ten meetings. Each regular meeting deals with the reports and items for decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as major investments.

The Board's control function is dealt with by the audit committee. One of the company's auditors attends at least one Board meeting each year to report the auditors' observations following their examination of the company's accounts, procedures and internal controls.

Nomination committee

A nomination committee was appointed at the 2012 AGM consisting of Ulf Hedlundh (chairman), Johan Rapp and Anders Rudgård. Johan Rapp passed away on 9 January 2013. The nomination committee's remaining members have appointed Fredrik Rapp as a new member.

The task of the committee prior to the 2013 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and fees for the Board, committees and auditors. Prior to the 2013 AGM, the nomination committee has so far had one meeting, during which minutes were taken, in addition to a number of contacts.

Five-year overview

Income statement, SEK m	2012	2011	2010	2009	2008
Net sales	1,171	1,162	1,049	828	1,093
Cost of goods sold	-934	-923	-857	-701	-894
Gross profit	237	239	192	127	199
Selling expenses	-94	-86	-78	-73	-75
Administrative expenses	-50	-47	-42	-41	-45
Other operating income/expenses	1	9	11	2	0
Operating profit	94	115	83	15	79
Financial items	-12	-10	-14	-13	-26
Profit before tax	82	105	69	2	53
Tax	-15	-24	-16	-1	-13
Profit from continuing operations	67	81	53	1	40
Profit/loss from discontinued operations	–	2	19	-10	5
Net profit for the year	67	83	72	-9	45

Financial position, SEK m ¹⁾	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Non-current assets	1,051	600	594	759	802
Current assets	614	436	382	399	456
Equity	539	499	446	390	414
Non-current liabilities	476	149	216	329	358
Current liabilities	650	388	314	439	486
Balance sheet total	1,665	1,036	976	1,158	1,258

Cash flow, SEK m ¹⁾	2012	2011	2010	2009	2008
Cash flow from operating activities	73	165	126	124	77
Cash flow from investing activities	-431	-42	30	-18	-92
Cash flow after investing activities	-358	123	156	106	-15
Cash flow from financing activities	367	-79	-156	-113	28
Cash flow for the year	9	44	0	-7	13

Key ratios	2012	2011	2010	2009	2008
Operating margin (continuing operations), %	8.0	9.9	8.0	1.8	7.2
Profit margin (continuing operations), %	7.0	9.0	6.6	0.3	4.8
Return on equity, % ¹⁾	12.9	17.6	17.4	-2.2	11.2
Return on capital employed, % ¹⁾	10.8	16.6	12.4	1.7	9.7
Return on total capital, % ¹⁾	8.0	12.3	9.6	1.4	7.7
Interest coverage ratio, multiple ¹⁾	6.3	7.8	5.8	0.7	2.6
Equity, SEK m ¹⁾	539	499	446	390	414
Equity/assets ratio, % ¹⁾	32	48	46	34	33
Proportion of risk-bearing capital, % ¹⁾	37	52	49	38	36
Basic earnings per share (continuing operations), SEK ²⁾	9.85	11.80	7.80	0.25	5.85
Basic earnings per share, SEK ^{1, 2)}	9.85	12.15	10.60	-1.30	6.70
Equity per share, SEK ¹⁾	79.45	73.50	65.70	57.50	61.05
Cash flow from operating activities per share, SEK ¹⁾	10.75	24.30	18.50	18.35	11.45
Proposed dividend per share, SEK	3.50	3.50	3.50	1.50	1.50

Miscellaneous	2012	2011	2010	2009	2008
Scheduled depreciation (continuing operations), SEK m	56	50	52	59	53
Scheduled depreciation, SEK m ¹⁾	56	50	63	71	69
Interest-bearing liabilities, SEK m ¹⁾	756	242	282	540	634
Net investments (continuing operations), SEK m	512	55	25	25	120
of which attributable to corporate transactions	455	13	–	–	44
Average number of employees (continuing operations)	768	732	677	606	710

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

²⁾ Based on net profit for the year.

ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB, which were acquired in December 2012, are included in the balance sheet values as of 31 December but do not contribute any profit for 2012.

For definitions, see page 92.

Corporate governance

XANO's corporate governance is based on Swedish legislation and the listing agreement with NASDAQ OMX Stockholm. Directives issued by authorities and stakeholders within Swedish industry and on the financial market are also applied for various issues.

Governance, management and control are divided between shareholders at the AGM, the Board and the CEO in accordance with the Swedish Companies Act and the company's articles of association and rules of procedure.

From 1 July 2008, all companies listed on NASDAQ OMX Stockholm must follow the "Swedish Code for Corporate Governance", the so-called "Code". XANO's corporate governance report has been prepared separately from the directors' report and can be found on pages 84–87.

Future development

The trend from the fourth quarter of 2012 seems to be continuing into early 2013, which is expected to result in a lower profit level in comparable units than during the beginning of the previous year. This is compensated by the profit contributed by newly acquired companies. Future developments remain very difficult to predict.

Repurchase of own shares

In April 2003, 415,000 Class B shares with a quotient value of SEK 5 were acquired at the rate of SEK 66. In 2006, share capital was reduced by cancelling 198,000 of the repurchased shares. A total of 47,000 and 30,000 of the company's own shares were transferred during 2007 and 2008 respectively in connection with company acquisitions. The number of shares in own custody after these transactions amounts to 140,000, corresponding to 2.0 per cent of the share capital. After deduction of the company's own holding, the number of outstanding shares amounts to 6,788,974 as of the balance sheet date.

The Board of Directors proposes that the AGM renews the Board's authorisation to approve repurchases of own shares. Such a mandate would empower the Board, during the period up until the next AGM, to make decisions regarding the repurchase of the company's shares. Any such repurchase could be effected both via the stock market and by offers to the shareholders. It is proposed that the mandate of the Board should also include scope for assigning repurchased shares within the constraints of relevant legislation.

Remuneration and employment conditions for senior executives

The Board of Directors proposes that the 2013 AGM reach a decision concerning guidelines for the determination of salaries and other remuneration to the CEO and other senior executives. It is proposed that the guidelines that were approved by the 2012 AGM remain principally unchanged. These guidelines are as follows:

The conditions are to be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of three months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice being given to the CEO, severance pay totalling 18 months' salary shall be payable. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case.

According to the current employment contract, the company and the CEO have a mutual six-month period of notice. In the event of notice being given to the CEO, severance pay totalling 18 months' salary shall be payable. Severance pay will be offset against other income. In the event of notice on the part of the CEO, no severance pay is payable. For other senior executives, there is a period of notice of six months by either party. In the event of notice on the part of the company, severance pay totalling six months' salary is payable. Severance pay will be offset against other income. In the event of notice on the part of the senior executives, no severance pay is payable.

Proposal for the appropriation of profits

Parent Company

The following amounts are at the disposal of the Annual General Meeting:		SEK
Share premium reserve		4,294,700
Retained earnings		198,328,257
Net profit for the year		77,202,712
Total		279,825,669

The Board of Directors and the CEO propose that the surplus be distributed as follows:		SEK
Payment of a dividend of SEK 3.50 per share to shareholders (6,788,974 shares)		23,761,409
To be carried forward		256,064,260
Total		279,825,669

Statement by the Board of Directors regarding the proposed dividend

Based on the proposed dividend, the equity/assets ratio is adequate as company and Group activities are still being operated profitably. It is judged that the liquidity in the company and Group can be maintained at a satisfactory level.

The Board believes that the proposed dividend does not prevent the Parent Company or the other Group companies from fulfilling their obligations in the short- and long-term, or from meeting their required investments. The proposed dividend can thus be justified with reference to the provisions of Section 3(2–3) in Chapter 17 of the Swedish Companies Act (the prudence rule).

Consolidated statements of comprehensive income

GROUP (SEK thousands)	Note	2012	2011
Net sales	2	1,171,496	1,162,086
Cost of goods sold	4, 5, 6	-934,080	-923,148
Gross profit		237,416	238,938
Other operating income	8	14,893	16,833
Selling expenses	4, 5, 6	-94,419	-86,305
Administrative expenses	4, 5, 6, 7	-49,946	-46,596
Other operating expenses	9	-14,186	-8,216
Operating profit	2, 3	93,758	114,654
Financial income and similar profit/loss items	10	3,664	5,453
Financial expenses and similar profit/loss items	11	-15,354	-15,782
Profit before tax		82,068	104,325
Tax	12	-15,143	-24,058
Profit from continuing operations	1	66,925	80,267
Profit from discontinued operations	1	–	2,291
NET PROFIT FOR THE YEAR		66,925	82,558
– of which attributable to shareholders of the Parent Company		66,925	82,558
Other comprehensive income			
Change in hedging reserve ¹⁾	20, 24	-3,193	-11,203
Tax relating to change in hedging reserve	20, 24	345	2,946
Translation differences ²⁾	20	-3,505	2,333
Effect of change in corporation tax ³⁾		1,579	–
COMPREHENSIVE INCOME FOR THE YEAR		62,151	76,634
– of which attributable to shareholders of the Parent Company		62,151	76,634
Share data			
Basic earnings per share for continuing operations ⁴⁾	SEK 18	9.85	11.80
Diluted earnings per share for continuing operations ⁴⁾	SEK 18	9.70	11.60
Basic earnings per share for the Group as a whole ⁴⁾	SEK 18	9.85	12.15
Diluted earnings per share for the Group as a whole ⁴⁾	SEK 18	9.70	11.95
Average number of outstanding shares	19	6,788,974	6,788,974
Average number of outstanding shares after dilution	19	7,036,739	7,008,974
Average number of shares in own custody	19	140,000	140,000

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

²⁾ Translation differences refer to changes in exchange rates when net investments in non-Swedish subsidiaries are translated to SEK. The amount is reported net of hedging contracts.

³⁾ Refers to the effect of change in corporation tax for items recognised against equity.

⁴⁾ Based on net profit for the year as above.

Consolidated statements of financial position

GROUP (SEK thousands)	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
<i>Intangible assets</i>	13		
Goodwill		500,741	178,025
Other intangible assets		6,872	5,326
		507,613	183,351
<i>Property, plant and equipment</i>	14		
Land and buildings		301,436	250,446
Plant and machinery	29	215,539	142,191
Equipment, tools, fixtures and fittings		19,818	19,847
Construction in progress and advance payments for property, plant and equipment		6,639	3,671
		543,432	416,155
<i>Financial assets</i>			
Non-current receivables		45	94
		45	94
Total non-current assets		1,051,090	599,600
Current assets			
<i>Inventories</i>	15	254,227	189,124
<i>Current receivables</i>			
Trade receivables	16, 17	276,697	176,860
Deferred tax asset	24	8,426	8,947
Prepaid expenses		10,692	6,395
		295,815	192,202
<i>Short-term investments</i>	17	2,537	1,742
<i>Cash and bank balances</i>	17	61,315	52,967
Total current assets		613,894	436,035
TOTAL ASSETS		1,664,984	1,035,635

GROUP (SEK thousands)	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Equity			
Share capital	19	34,645	34,645
Other contributed capital		20,259	18,245
Other reserves	20	-12,041	-5,688
Retained earnings		496,452	451,709
Total equity		539,315	498,911
Liabilities			
<i>Non-current liabilities</i>			
Liabilities to credit institutions	21, 26, 29	263,916	106,955
Other liabilities	21, 22, 26	128,240	–
Other provisions	23	3,936	3,411
Deferred tax liability	24	79,892	38,673
		475,984	149,039
<i>Current liabilities</i>			
Trade payables	25, 26	277,969	243,918
Borrowings	21, 22, 26	271,638	80,354
Current portion of non-current liabilities	21, 26, 29	91,884	54,822
Deferred income		125	523
Current tax liability		8,069	8,068
		649,685	387,685
Total liabilities		1,125,669	536,724
TOTAL EQUITY AND LIABILITIES		1,664,984	1,035,635
Pledged assets	27	872,649	430,086
Contingent liabilities	28	2,415	1,843

Statement of changes in equity

GROUP (SEK thousands)	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Equity, 1 January 2011		34,645	18,245	236	392,912	446,038
Net profit for the year		–	–	–	82,558	82,558
Other comprehensive income		–	–	-5,924	–	-5,924
Comprehensive income for the year		–	–	-5,924	82,558	76,634
Dividend paid		–	–	–	-23,761	-23,761
Total transactions with shareholders		–	–	–	-23,761	-23,761
Equity, 31 December 2011		34,645	18,245	-5,688	451,709	498,911
Net profit for the year		–	–	–	66,925	66,925
Other comprehensive income		–	–	-6,353	1,579	-4,774
Comprehensive income for the year		–	–	-6,353	68,504	62,151
Effects of convertible loan issued		–	2,014	–	–	2,014
Dividend paid		–	–	–	-23,761	-23,761
Total transactions with shareholders		–	2,014	–	-23,761	-21,747
Equity, 31 December 2012	19, 20	34,645	20,259	-12,041	496,452	539,315

Cash flow statements

GROUP (SEK thousands)	Note	2012	2011
Operating activities			
Operating profit		93,758	116,945
<i>Adjustments for non-cash items etc.</i>			
Depreciation		56,186	50,224
Capital gain from sale of non-current assets		3,626	-1,412
Write-down of inventories		-897	3,259
Other		1,281	–
Interest paid/received, net value	30	-11,484	-10,851
Income tax paid		-31,557	-18,698
Cash flow from operating activities before changes in working capital		110,913	139,467
Changes in working capital			
Increase (-) / decrease (+) in inventories		-14,267	-2,022
Increase (-) / decrease (+) in current receivables		12,853	-2,081
Increase (+) / decrease (-) in current liabilities		-36,684	29,505
Cash flow from operating activities		72,815	164,869
Investing activities			
Purchase of intangible assets		-3,308	-1,139
Purchase of property, plant and equipment ¹⁾		-30,609	-26,012
Sale of property, plant and equipment		2,902	2,046
Indirect investments through acquisition of subsidiaries/assets and liabilities	30	-413,448	-14,952
Indirect investments through sale of subsidiaries/assets and liabilities	30	13,362	-1,527
Decrease in other non-current receivables		49	–
Cash flow from investing activities		-431,052	-41,584
Financing activities			
<i>Increase (+) / decrease (-) in non-current liabilities ¹⁾</i>			
Borrowings		190,000	2,135
Repayment of debt		-26,359	-38,180
Re-classification to current borrowings		–	-50,054
Other		-1,702	-88
Dividend paid		-23,761	-23,761
<i>Increase (+) / decrease (-) in current borrowings and liabilities to credit institutions ¹⁾</i>			
Borrowings		41,179	3,401
Repayment of debt		-30,900	-2,042
Re-classification from non-current borrowings		–	50,054
Change in bank overdraft facilities		219,442	-21,414
Cash flow from financing activities		367,899	-79,949
Cash flow for the year		9,662	43,336
Cash and cash equivalents at the beginning of the year		54,709	10,903
Exchange rate differences in cash and cash equivalents		-519	470
Cash and cash equivalents at the end of the year	30	63,852	54,709

¹⁾ The reporting of finance leases is reversed so that the cash flow corresponds to incoming and outgoing payments.

Accounting policies

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendations and statements.

General

The accounting and valuation policies that have been applied are unchanged compared with the previous year with the following exceptions as a result of new or revised standards, interpretations and improvements, which are applied from 1 January 2012 inclusive.

» IFRS 7 Financial Instruments: Disclosures

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

» IAS 12 Income Taxes

The change affects the calculation of deferred tax on properties valued at fair value.

The following new and revised IFRS standards effective from 2013 in accordance with IASB but applied from 2013 or 2014 in accordance with decisions by the EU have not been applied in the preparation of these financial reports.

Applied from 2013:

- » IFRS 13 Fair Value Measurement
- » Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income
- » Amendments to IAS 19 Employee Benefits

Applied from 2014:

- » IFRS 10 Consolidated Financial Statements
- » IFRS 11 Joint Arrangements
- » IFRS 12 Disclosures of Interests in Other Entities
- » IAS 27 Separate Financial Statements
- » IAS 28 Investments in Associates and Joint Ventures

The application of these new standards is not considered to have a significant impact on the Group's financial performance or position but does involve expanded disclosure requirements and a revised presentation format.

Consolidated financial statements

General

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). As the Parent Company is a company within the EU, only IFRS standards approved by the EU are applied. The consolidated financial statements have also been prepared in accordance with Swedish law through the application of the Swedish Financial Reporting Board's recommendation RFR 1.

The consolidated financial statements cover the Parent Company and the companies in which the Parent Company possesses more than 50 per cent of the votes or has a controlling interest in some other way. The consolidated financial statements have been prepared in accordance with the acquisition method. This means that the Parent Company indirectly acquires the subsidi-

ary's assets and assumes its liabilities, valued at the fair value. The difference between acquisition costs for shares and the fair value of acquired identifiable net assets constitutes goodwill. All intra-Group balances, income, costs, profits or losses that arise in transactions between companies covered by the consolidated financial statements are eliminated in their entirety. Only the profit or loss that has come about after acquisition is included in the consolidated income statement. The financial performance of divested companies is reported up to the date of sale.

Business combinations

IFRS 3 is applied to business combinations. This means, amongst other things, that transaction fees on business combinations must be reported as a cost and also that conditional purchase prices must be set at the fair value at the time of acquisition and that the effects of revaluations of these purchase prices must be reported in the profit for the year.

Translation of non-Swedish subsidiaries

Non-Swedish subsidiaries are translated to SEK as per the "current rate" method, which means that the balance sheets are recalculated at the balance sheet date rate, while the income statement is recalculated at the average rate for the financial year. The resulting translation difference is reported as other comprehensive income.

In the case of the disposal of foreign subsidiaries, the total translation differences attributable to the foreign company are reported as part of the capital result in the consolidated statement of comprehensive income.

Income

The Group offers products and systems with related services. Sales of goods are reported on delivery of the products to the customer in accordance with the sales terms. The risks and benefits associated with the sale of goods normally transfer to the customer upon delivery. Income from services is reported during the period in which the service was performed. Any discounts have been deducted from the net revenue. Intra-Group sales take place at market prices.

Pensions

Pensions and other benefits after the termination of employment are classified as either defined contribution or benefit plans. With a defined contribution plan, the company's obligation is limited to paying fixed fees to a separate legal entity (insurance company) and the company has no other obligations. A defined benefit plan is a pension plan that stipulates an amount for the pension benefit that an employee will receive after retirement. This is normally based on factors such as age, length of employment and salary. An independent actuary calculates the size of the obligations linked to each respective defined benefit plan. The actuary revalues the pension plan's obligation every year and distributes the costs over the employee's working life. The obligation is reported as a liability in the balance sheets. The Group primarily has defined contribution pension plans.

The majority of the Group's Swedish salaried employees are covered by the ITP plan, which is financed through pension insurance with Alecta or SPP. According to a statement from the Swedish Financial Reporting Board, this is a defined benefit plan. The Group has not had access to information that makes it possible to report this plan as a defined benefit plan. The pension plan as per ITP is therefore reported as a defined contribution plan in accordance with IAS 19. In addition, there are pension obligations which are subject to fixed contributions and which are hedged through payment of premiums to insurance companies.

The Group's Norwegian company has pension obligations regarding an early retirement pension (AFP), which is classified as a defined benefit plan. During 2010, a new pension scheme was adopted, which means that future pension obligations will be hedged through the payment of fees to an external party rather than being recognised as a liability in the company. Residual debt covers only pension obligations for individuals who have retired early and started to draw their pension as well as a reserve designed to cover the transition to the new system. This liability is not a significant item, and no actuarial calculation has therefore been carried out for 2012. The liability calculation has instead been based on a statement issued by the Norwegian Institute of Public Accountants.

One of the Group's Swedish companies has a pension obligation classified as a defined benefit plan. This commitment is hedged through being recognised as a liability in the company. This obligation does not represent a significant item and has been calculated using the standard method.

Taxes

Reported income taxes include tax that will be paid for the current year and any changes to deferred tax. Tax claims and liabilities are valued at nominal amounts and according to the applied tax rules and tax rates. Deferred tax is calculated on temporary differences that arise between reported values and the tax base for assets and liabilities. The temporary differences refer mainly to untaxed reserves in Swedish companies.

Deferred tax liabilities are normally reported for all taxable temporary differences, while deferred tax claims are reported to the extent it is likely that the sums may be utilised.

Non-current assets

Non-current assets are valued at the acquisition value with deductions for accumulated depreciation and impairment costs. If there is an indication of impairment then the asset's recoverable amount is estimated. If the reported value exceeds the recoverable amount, an impairment loss is recognised. If an asset cannot be tested for impairment separately, the asset must be allocated to a cash-generating unit for impairment testing. Future expenses are only recognised at their acquisition value if it is probable that the financial benefits that are associated with the asset will fall to the company and that the acquisition value can be calculated reliably. All other future expenses are reported as a cost during the period in which they arise.

A non-current asset that will primarily be recovered through disposal and not through continual use in the business, is segregated and reported separately in the balance sheet. Non-current assets for sale are valued at the lower of the reported value and the fair value following deductions for sales costs.

Intangible assets

Costs for product and process development are normally charged to the income statement continuously. Expenses for major projects, which are directly linked to identifiable products controlled by the Group and which will probably give financial benefits in future years, are recognised in the balance sheet as intangible assets. Other intangible assets include both acquired assets and internally developed assets. The latter consist mainly of direct costs for own work as well as attributable shares of indirect costs.

Impairment tests for goodwill are performed every year. The Group's goodwill is divided between the Group's cash-generating units. Recoverable amounts for a cash-generating unit are determined based on calculations of values in use. These calculations are based on the Group's annual forecasting process, where future cash flows for the existing business are forecasted for

the current year and the coming four-year period. The cash flow beyond the five-year period is extrapolated. XANO uses a current weighted capital cost for discounting estimated future cash flows. Discounted flows are compared with the carrying amount.

Depreciation is included in the costs for each function. Depreciation is calculated systematically over the expected utilisation period as per the list below.

Other intangible assets	3–10 years
-------------------------	------------

Property, plant and equipment

Properties are classified as investment properties when the component that is used for production purposes, for the supply of goods and services or for administrative purposes is less than 10 per cent. Investment properties are valued at the acquisition value with deductions for accumulated depreciation and impairment costs.

Depreciation is included in the costs for each function. Depreciation is calculated systematically over the expected utilisation period as per the list below.

Buildings	33 years
Land improvements	20 years
Machinery and equipment	3–10 years

Inventories

Inventories are valued as per the principle of lowest value and the first-in-first-out (FIFO) method. This means that inventories are recorded at the lower of the acquisition value as per the FIFO method and the fair value. The acquisition value of own-labelled finished and semi-finished goods consists of direct manufacturing costs and a reasonable mark-up for indirect manufacturing costs.

Liquid assets

Liquid assets constitute cash and bank balances and investments with a term of no more than three months.

Financial assets and liabilities

Financial assets and liabilities cover cash and bank deposits, short-term investments, trade receivables, loan receivables, loan liabilities, trade payables and any derivatives. Their reporting depends on how the instrument is classified.

Financial assets and liabilities valued at fair value via the profit for the year cover assets which are held for trading and assets and liabilities which are classified for reporting at fair value via the income statement. Hedge accounting takes place in accordance with IAS 39. Any instruments classified as assets for sale and liabilities with a direct link to assets for sale are reported at their fair value.

Loan receivables and trade receivables are valued at their accrued acquisition value. Write-down is assessed on an on-going basis based on objective criteria for these assets.

In addition to this, financial assets may be classified as investments held to maturity. XANO does not recognise any assets belonging to this category.

Other financial liabilities, such as borrowings and trade payables, are valued at their accrued acquisition value.

XANO uses interest-rate swaps to control the uncertainty in the future interest-rate fluctuations in regard to borrowings with variable interest rates. These derivatives are valued at their fair value (listed market price) in the balance sheet. The interest coupon share is regularly reported as either interest income or interest expense in the income statement. Value changes are

reported in other comprehensive income as long as the criteria for hedge accounting and efficiency are fulfilled. The inefficient part is recognised at the fair value as a financial item in the profit for the year.

Receivables and liabilities in foreign currency have been translated at the balance sheet date rate in accordance with IAS 21. Translation differences for receivables and liabilities are reported under operating profit, while translation differences attributable to financial receivables and liabilities are included in the net financial income. XANO uses currency derivatives to hedge sales in foreign currency. These contracts are valued at their fair value (listed market price) in the balance sheet. The change in value is recognised in other comprehensive income until the hedged flow is entered in the income statement and for as long as the criteria for hedge accounting and efficiency are satisfied. The inefficient part is recognised at the fair value in the profit for the year.

XANO uses borrowings in foreign currency to hedge net investments in foreign enterprises. The component of profit or loss which is deemed to constitute an effective hedge is reported as other comprehensive income. The profit or loss that is attributable to the inefficient part is recognised immediately in the profit for the year.

Convertible bonds consist of a composite financial instrument with the character of both a liability and of equity. In accordance with IAS 32, these are reported partly as a financial liability and partly as an equity instrument.

When settlement or disposal is expected to take place more than 12 months after the balance sheet date, a financial asset is reported as a non-current asset. Financial liabilities which fall due more than 12 months after the balance sheet date are reported as non-current liabilities.

Provisions

Provisions are recognised in the balance sheet when the company has a legal or informal commitment as a result of an event that has occurred and it is probable that an outflow of resources is required in order to regulate the commitment and a reliable assessment of the amount can be made.

Lease contracts

The Group applies IAS 17 when reporting important contracts. According to this standard, lease contracts are classified as either financial or operational in the consolidated financial statements. A finance lease takes place when the financial risks and benefits associated with ownership are, in essence, transferred to the lessee. If this is not the case, the contract is considered operational in nature. A finance lease involves the relevant object being reported as property, plant and equipment, while corresponding borrowings are entered as liabilities. Assets and liabilities are valued at the start of the lease period at the present value of the contractual leasing charges. In the income statement, lease costs are divided between a depreciation element and an element amongst interest costs.

Borrowing costs

Borrowing costs which are directly attributable to procurement, construction or production of a qualified asset constitute part of the asset's acquisition value. Other borrowing costs are written off in the period as they arise. No borrowing costs have been capitalised in 2012.

Cash flow

Cash flow is reported by applying the indirect method. This means that the net profit/loss is adjusted for transactions that have not resulted in deposits or withdrawals during the period and for any income and costs related to the cash flow of investing or financing activities.

In the cash flow statement, purchase prices for companies that are either acquired or disposed of are presented on a separate line. The assets and liabilities that the acquired or sold company had at the time of the acquisition/disposal are therefore not included in the cash flow.

Segments

The standard applied, IFRS 8 Operating Segments, requires that information be provided from the management's perspective, which means that the reporting must correspond to the way in which the information is presented internally. The Group reports on the following segments: Industrial Solutions, Precision Technology and Rotational Moulding. The segments are defined on the basis of the Group's business units, which are organised according to production method and type of products and services.

Important assessments and estimates

Preparation of the financial statements and application of the accounting policies are based on assessments and estimates about the future. Below is a description of the assumptions that entail a risk of significant adjustments during the coming period.

Impairment tests for goodwill

Every year, or when there is an indication that an asset has fallen in value, the Group performs impairment tests for goodwill. The recoverable amount is determined by calculating the value in use. Certain estimates must be made for these calculations.

Provisions

Provisions are defined as liabilities that are uncertain in terms of the date of settlement or the amount. This means that estimates are always made when provisions are reported. Estimates are assessed on an on-going basis based on both historical experience and reasonable future expectations. The Group's provisions refer to pensions and guarantee commitments.

Deferred tax assets and liabilities

Assessments are made to determine current and deferred tax items, particularly with regard to deferred tax claims. In this manner, it is assessed how probable it is that the deferred tax claims will be used for settlement against future profits. The fair value of these future taxable profits may deviate due to the future business climate and earnings potential or changes to tax regulations.

Exposure with respect to foreign currencies

Changes in currency exchange rates can have a relatively major impact on the profit and position of XANO. Note 32 describes the Group's exposure with respect to foreign currencies, in addition to the risks associated with exchange rate fluctuations.

Notes

(All amounts in SEK thousands unless otherwise indicated.)

Note 1

Discontinued operations

	Continuing operations		Profit from disposals ¹⁾		Total	
	2012	2011	2012	2011	2012	2011
Net sales	1,171,496	1,162,086	–	–	1,171,496	1,162,086
Cost of goods sold	-934,080	-923,148	–	–	-934,080	-923,148
Gross profit	237,416	238,938	–	–	237,416	238,938
Other operating income	14,893	16,833	–	2,291	14,893	19,124
Selling expenses	-94,419	-86,305	–	–	-94,419	-86,305
Administrative expenses	-49,946	-46,596	–	–	-49,946	-46,596
Other operating expenses ²⁾	-14,186	-8,216	–	–	-14,186	-8,216
Operating profit	93,758	114,654	–	2,291	93,758	116,945
Financial items	-11,690	-10,329	–	–	-11,690	-10,329
Profit before tax	82,068	104,325	–	2,291	82,068	106,616
Tax	-15,143	-24,058	–	–	-15,143	-24,058
Net profit for the year	66,925	80,267	–	2,291	66,925	82,558
Basic earnings per share, SEK ³⁾	9.85	11.80	–	0.35	9.85	12.15
Diluted earnings per share, SEK ^{3, 4)}	9.70	11.60	–	0.35	9.70	11.95

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

²⁾ Other operating expenses include non-recurring items totalling SEK -6 million (0). This year's amount is attributable to a capital loss from the sale of the shares in Eslöv Mekaniska Verkstad AB.

³⁾ Based on net profit for the year.

⁴⁾ No dilution effect is taken into account if diluted earnings per share are higher than basic earnings per share.

Note 2

Segment reporting

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Solutions, Precision Technology and Rotational Moulding. The operations within each segment are described on pages 48 and 49. The segments are reported in accordance with the same accounting policies as the Group. Undistributed items mainly refer to the Parent Company.

Newly acquired ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were consolidated from 31 December 2012 inclusive and do not contribute any profit during 2012.

Net sales by segment

	2012				2011		
	Net sales			of which customer-specific products and systems ¹⁾	Net sales		
	External	Internal	Total		External	Internal	Total
Industrial Solutions	579,933	315	580,248	74%	594,699	255	594,954
Precision Technology	427,563	2,300	429,863	100%	393,540	2,583	396,123
Rotational Moulding	164,000	109	164,109	52%	173,847	15	173,862
Eliminations	–	-2,724	-2,724	–	–	-2,853	-2,853
Group total	1,171,496	0	1,171,496	80%	1,162,086	0	1,162,086

¹⁾ Products and systems with associated services are sold both as customer specific and proprietary products.

Market conditions are applied to transactions between the segments. XANO has one customer from whom the income accounts for more than 10 per cent of the Group's total income. Income from this customer amounts to SEK 254 million, the main part of which is reported through the Industrial Solutions segment.

Profit/loss items by segment

	2012			2011		
	Intra-Group reported profit before tax	Distribution of Group-wide costs	Profit before tax	Intra-Group reported profit before tax	Distribution of Group-wide costs	Profit before tax
Industrial Solutions	54,685	-2,760	51,925	63,245	-8,964	54,281
Precision Technology	21,683	-4,502	17,181	25,511	-3,708	21,803
Rotational Moulding	18,367	-1,956	16,411	24,423	-1,884	22,539
Undistributed items	-12,667	9,218	-3,449	-8,854	14,556	5,702
Continuing operations	82,068	0	82,068	104,325	0	104,325
Discontinued operations	–	–	–	2,291	–	2,291
Group total	82,068	0	82,068	106,616	0	106,616

	2012				2011			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Solutions	1,570	-5,490	-11,154	-17,674	1,616	-7,417	-13,736	-16,435
Precision Technology	829	-9,585	-4,204	-28,788	760	-8,991	-5,748	-22,248
Rotational Moulding	344	-2,329	-3,124	-7,084	409	-3,390	-3,262	-8,628
Undistributed items	-2,263	4,545	3,339	-2,640	199	4,573	-1,312	-2,913
Group total	480	-12,859	-15,143	-56,186	2,984	-15,225	-24,058	-50,224

Assets and liabilities by segment

	2012				2011			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Solutions	423,252	139,892	19,659	8,409	401,037	157,979	17,146	10,823
Precision Technology	1,044,305	186,627	480,817	61,786	391,113	82,375	30,597	19,430
Rotational Moulding	145,128 ¹⁾	21,598	11,423	1,531	140,560 ¹⁾	24,260	4,247	1,574
Undistributed items	52,299	21,874	193	8,166	102,925	29,979	2,830	6,846
Group total	1,664,984	369,991	512,092	79,892	1,035,635	294,593	54,820	38,673

¹⁾ Deferred tax assets constitute SEK 8,426 thousand (8,947).

Assets by segment refer to all assets. Liabilities by segment consist of operating liabilities excluding interest-bearing liabilities. Investments consist of purchases and sales of property, plant and equipment as well as intangible assets, including increases and reductions resulting from the acquisition and disposal of subsidiaries.

During 2012, the stock assets within Industrial Solutions increased by approx. SEK 18 million. No other significant changes occurred as regards the segment's total operating assets, with the exception of the effects of corporate transactions. Investments in non-current assets were made mainly within the Precision Technology segment where, in addition to investments in machinery, corporate transactions have increased non-current assets by SEK 455 million. ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were consolidated with effect from 31 December 2012 and are incorporated in the balance sheet value of Precision Technology.

Sales by geographic market

	2012		2011	
Sweden	831,581	71%	832,727	72%
Norway	74,607	7%	81,286	7%
North America	72,377	6%	71,681	6%
Germany	38,030	3%	59,189	5%
China	21,703	2%	15,693	1%
Rest of Europe	130,289	11%	93,850	8%
Other	2,909	0%	7,660	1%
Group total	1,171,496	100%	1,162,086	100%

Sales by geographic market refer to total income from external customers according to where the customers are located.

Assets by geographic market

	2012		2011	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	888,507	495,270	450,201	43,654
Estonia	96,145	7,112	84,894	1,779
Norway	44,809	2,810	44,728	2,135
China	21,573	6,834	19,723	7,225
Rest of Europe	56	66	54	27
Group total	1,051,090	512,092	599,600	54,820

Reported value of assets and investments by geographic market according to where the assets are located.

Note 3

Employees and personnel costs

Average no. of employees	2012	of which men	2011	of which men
Sweden	586	86%	548	87%
China	78	82%	79	93%
Estonia	59	90%	59	92%
Norway	37	92%	41	82%
Poland	4	50%	2	0%
Finland	3	67%	3	67%
Hong Kong	1	100%	–	–
Group total	768	86%	732	87%

Proportion of men amongst Board members/senior executives	2012	2011
Group		
Board members	83%	83%
Other senior executives	67%	100%
Operating subsidiaries		
Board members	98%	97%
Other senior executives	80%	84%

Salaries, other remuneration and social security costs	2012	2011
Salaries and remuneration	251,117	228,616
Social security costs	94,029	84,539
(of which pension costs) ^{1, 2, 3, 4, 5, 6, 7)}	(21,286)	(17,477)
	345,146	313,155

¹⁾ The cost for the year has been reduced by repaid FORA insurance premiums for 2007 and 2008, totalising SEK 2,436 thousand.

²⁾ Of the Group's pension costs, SEK 4,343 thousand (4,295) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

³⁾ The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 5,929 thousand (4,895). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2012, Alecta's surplus in the form of the collective insurance level amounted to 129 per cent (113).

⁴⁾ Pension costs do not cover special employer's contributions.

⁵⁾ The Group's Norwegian company has a pension obligation concerning early retirement from the age of 62, which is classified as a defined benefit pension plan. Costs concerning the pension plan are reported as personnel costs and amount to SEK -170 thousand (0).

⁶⁾ One of the Group's Swedish subsidiary companies has a pension obligation classified as a defined-benefit pension plan. No information concerning this has been submitted, as the liability which amounts to a total of SEK 77 thousand is not considered to be significant.

⁷⁾ One of the Group's Swedish subsidiary companies has a pension obligation secured through endowment insurance. The sum paid is recognised as an asset and pension obligation and amounts to SEK 400 thousand.

Applied assumptions, Norway	2012	2011
Discount rate ¹⁾	4.30%	3.80%
Anticipated salary increase	4.30%	3.80%
Withdrawal share	100%	100%

Change in pension obligation, Norway	2012	2011
Opening balance	1,936	2,684
Difference in estimate	-170	0
Remuneration paid	-670	-749
Translation differences	26	1
Closing balance	1,122	1,936

¹⁾ Based on interest according to statement from the Norwegian Institute of Public Accountants.

Breakdown of salaries and other remuneration	2012		2011	
	Board and MD	Other employees	Board and MD	Other employees
Sweden	17,097	196,977	16,360	177,383
(of which bonuses)	(231)		(941)	
Norway	1,029	17,176	914	18,661
(of which bonuses)	(-64)		(103)	
China	974	8,738	692	6,997
(of which bonuses)	(-)		(0)	
Estonia	296	5,458	307	5,736
(of which bonuses)	(-)		(0)	
Finland	-	1,323	-	1,201
(of which bonuses)	(-)		(-)	
Hong Kong	1,054	-	-	-
(of which bonuses)	(-)		(-)	
Poland	277	718	-	365
(of which bonuses)	(-)		(-)	
Group total (of which bonuses)	20,727 (167)	230,390	18,273 (1,044)	210,343

Remuneration for Board members and other senior executives

The Annual General Meeting decided to approve the Board's proposal for guidelines for remuneration and other employment conditions for senior executives. The conditions must be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of three months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary shall be payable to the CEO. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons

for doing so in an individual case. The Board has appointed a remuneration committee, which during the year consisted of Chairman Tord Johansson and Directors Fredrik Rapp and Christer Dahlström.

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension premiums. "Other senior executives" refers to the deputy CEO and CFO who, together with the CEO, makes up the Group management. The division between basic salary and variable remuneration is determined in proportion to the responsibilities and authority of the executive in question. The variable remuneration is based on results in relation to individually set targets.

The Annual General Meeting decided that the Board's fee of SEK 1,200 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 100 thousand payable to each of the other Board members for the period up to and including the next Annual General Meeting. The Annual General Meeting further decided that remuneration for tasks undertaken in the remuneration committee and audit committee should amount to SEK 20 thousand per person and per task. During 2012, SEK 120 thousand was paid for these tasks.

In 2012, the Group management consisted of the CEO Sune Lantz, deputy CEO Lenart Persson and CFO Marie Ek Jonson. The CEO received a salary and car benefit worth SEK 2,434 thousand (2,383). Other senior executives (two people (one)) received salary and car benefits worth SEK 2,735 thousand (1,861).

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 35 per cent of the pensionable salary. There is a pension agreement for the other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals to additional pension contributions. The pension premium for other senior executives amounted to an average of 25 per cent (24) of the pensionable salary. "Pensionable salary" refers to the basic salary plus an average of the last three years' variable remuneration. Pension costs for the CEO amounted to SEK 811 thousand (790) and for other senior executives (two people (one)) to SEK 639 thousand (463).

The company and CEO have a mutual six-month period of notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary is payable. Severance pay will be offset against other income. In the event of notice on the part of the CEO, no severance pay is payable. For other senior executives, there is a period of notice of six months by either party. In the event of notice on the part of the company, severance pay totalling six months' salary is payable. Severance pay will be offset against other income. In the event of notice on the part of the senior executive, no severance pay is payable.

Note 4

Personnel costs

Personnel costs by function	2012	2011
Cost of goods sold	-272,202	-245,742
Selling expenses	-52,643	-46,289
Administrative expenses	-34,000	-31,689
	-358,845	-323,720

Note 5

Depreciation

Depreciation by function	2012	2011
Cost of goods sold	-51,035	-44,345
Selling expenses	-3,892	-4,674
Administrative expenses	-1,259	-1,205
	-56,186	-50,224

Depreciation by type of asset	2012	2011
Other intangible assets	-2,101	-2,206
Land and buildings	-10,588	-9,758
Plant and machinery	-36,595	-30,701
Equipment, tools, fixtures and fittings	-6,902	-7,559
	-56,186	-50,224

Note 6

Other costs

Other costs by function	2012	2011
Cost of goods sold	-95,167	-88,749
Selling expenses	-37,884	-35,342
Administrative expenses	-14,687	-13,702
	-147,738	-137,793

Note 7

Auditors' remuneration

	2012	2011
<i>Ernst & Young</i>		
Audit assignment	-1,007	-1,078
Audit activities other than audit assignment	-31	-36
Tax consultancy services	-74	-42
Other services	-4	-26
	-1,116	-1,182
<i>Other auditors</i>		
Audit assignment	-160	-120
Tax consultancy services	-1	–
Other services	-142	–
	-303	-120
Total	-1,419	-1,302

"Audit assignments" refers to the review of the annual report, interim reports, the management by the board and CEO and the corporate governance report.

Note 8

Other operating income

	2012	2011
Rental income	9,391	8,929
Exchange gains on operating receivables/liabilities	1,884	5,309
Other	3,618	2,595
	14,893	16,833

Note 9

Other operating expenses

	2012	2011
Loss on sale of shares in subsidiary	-5,768	–
Cost of leased premises	-4,957	-5,000
Exchange losses on operating receivables/liabilities	-3,150	-2,272
Other	-311	-944
	-14,186	-8,216

Note 10

Financial income

	2012	2011
Profit from other securities	70	21
Interest income	3,114	2,984
Exchange rate differences	480	2,448
	3,664	5,453

Note 11

Financial costs

	2012	2011
Interest expenses	-12,859	-15,225
Exchange rate differences	-2,495	-557
	-15,354	-15,782

Note 12

Tax on profit for the year

	2012	2011
Current tax	-18,064	-20,698
Deferred tax	2,921	-3,360
	-15,143	-24,058

The effect of the impending reduction in Swedish corporation tax from 26.3% to 22%, approx. SEK 6 million, contributed to the lower tax cost for 2012.

The difference between the Swedish income tax rate (26.3%) and the effective tax rate arises as follows:

	2012		2011	
Reported profit before tax	82,068		106,616	
Tax according to Swedish income tax rate	-21,584	26%	-28,040	26%
<i>Tax effect of</i>				
– consolidated amortisation of surplus values	-7	0%	-7	0%
– deviation in tax rate in non-Swedish companies	2,755	-3%	3,902	-3%
Change in Swedish income tax rate	6,440	-8%	–	–
Capital gain from sale of shares	-1,517	2%	602	0%
Adjustment of current tax for previous periods	-150	0%	58	0%
Other fiscal adjustments	-1,080	1%	-573	0%
Reported tax	-15,143	18%	-24,058	23%

Note 13

Intangible assets

Goodwill

Accumulated acquisition values	2012	2011
Opening balance	179,751	179,804
Acquisition of subsidiaries	339,557	–
Sale of subsidiaries	-17,025	–
Adjustments	1	–
Translation differences for the year	183	-53
Closing balance	502,467	179,751

Accumulated amortisation	2012	2011
Opening balance	-1,624	-1,624
Closing balance	-1,624	-1,624

Accumulated impairment costs	2012	2011
Opening balance	-102	-102
Closing balance	-102	-102

Closing residual value	500,741	178,025
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Goodwill is distributed between the Group's cash-generating units, which consist of segments. Estimates of the recovery value include assumptions regarding growth, income trends and investments, including investments in working capital. Assumed growth, depending on the segment, amounts to 2–9 per cent (3–5) for the forecast period and thereafter staying at 3 per cent (3). Due to the new establishment in Poland, however, higher growth is expected within Rotational Moulding in 2013. Assumed operating margins amount to 9–13 per cent (9–12) in the long term. The assumptions concerning growth and margins are based on the results of previous years and the management's expectations concerning market developments.

Every year, the Group performs impairment tests for goodwill. A discount rate (WACC) of 10.5 per cent (10) before tax was used for this year's test¹⁾. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the growth rate was set at 0 per cent, the operating margin was reduced by 25 per cent relative to the forecast level or the discount rate was increased by 2 per cent. None of the analyses show any impairment indication.

¹⁾ The discount rate consists of a risk-adjusted return requirement, which in addition to risk-free interest, includes a risk premium based on the average market risk premium on the Swedish equity market with a premium supplement based on the size of the company and the company's costs for borrowed capital, adjusted for the gearing ratio derived from market data.

Goodwill by segment	2012	2011
Industrial Solutions	69,065	69,065
Precision Technology	404,509	81,990
Rotational Moulding	27,167	26,970
	500,741	178,025

Other intangible assets

Accumulated acquisition values	2012	2011
Opening balance	14,615	13,481
New acquisitions	3,124	–
Reclassifications	789	1,139
Translation differences for the year	32	-5
Closing balance	18,560	14,615

Accumulated scheduled amortisation	2012	2011
Opening balance	-9,289	-7,088
Reclassifications	-280	–
Amortisation according to plan for the year	-2,101	-2,206
Translation differences for the year	-18	5
Closing balance	-11,688	-9,289

Closing residual value according to plan ¹⁾	6,872	5,326
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Remaining amortisation period, years

¹⁾ of which

Trademarks	4	1,363	1,698
Patents	4	480	600
Capitalised expenditure for research and development	4	4,682	3,028
Other	3	347	–

Note 14

Property, plant and equipment

Land and buildings

Accumulated acquisition values	2012	2011
Opening balance	336,191	326,048
New acquisitions	1,173	1,125
Acquisition of subsidiaries	109,233	9,089
Divestments and disposals	-35	-44
Reclassifications	5,997	150
Translation differences for the year	-2,950	-177
Closing balance	449,609	336,191

Accumulated scheduled depreciation	2012	2011
Opening balance	-85,745	-72,842
Acquisition of subsidiaries	-49,276	-3,169
Divestments and disposals	35	19
Depreciation according to plan for the year	-10,588	-9,758
Translation differences for the year	479	5
Closing balance	-145,095	-85,745

Accumulated impairment losses	2012	2011
Opening balance	–	–
Acquisition of subsidiaries	-3,078	–
Closing balance	-3,078	–

Closing residual value according to plan ¹⁾	301,436	250,446
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¹⁾ of which land	37,787	35,470
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As of the balance sheet date, the Group owns two properties which are classified as investment properties. The carrying amount for these properties is SEK 52 million. According to independent estate agents, the market value is SEK 67 million.

Plant and machinery

Accumulated acquisition values	2012	2011
Opening balance	542,627	471,328
New acquisitions	40,059	28,228
Acquisition of subsidiaries	397,351	46,207
Sale of subsidiaries	-16,485	–
Divestments and disposals	-26,522	-11,054
Reclassifications	2,068	6,932
Translation differences for the year	-1,349	986
Closing balance	937,749	542,627

Accumulated scheduled depreciation	2012	2011
Opening balance	-400,436	-337,141
Acquisition of subsidiaries	-321,674	-39,721
Sale of subsidiaries	12,583	–
Divestments and disposals	23,533	6,409
Reclassifications	156	884
Depreciation according to plan for the year	-36,595	-30,701
Translation differences for the year	223	-166
Closing balance	-722,210	-400,436

Closing residual value according to plan	215,539	142,191
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Equipment, tools, fixtures and fittings

Accumulated acquisition values	2012	2011
Opening balance	98,069	85,670
New acquisitions	3,886	6,945
Acquisition of subsidiaries	13,154	5,861
Sale of subsidiaries	-1,045	–
Divestments and disposals	-6,843	-2,187
Reclassifications	1,824	1,487
Translation differences for the year	37	293
Closing balance	109,082	98,069

Accumulated scheduled depreciation	2012	2011
Opening balance	-78,222	-66,201
Acquisition of subsidiaries	-11,413	-5,395
Sale of subsidiaries	924	–
Divestments and disposals	6,424	1,920
Reclassifications	124	-884
Depreciation according to plan for the year	-6,902	-7,559
Translation differences for the year	-199	-103
Closing balance	-89,264	-78,222

Closing residual value according to plan	19,818	19,847
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Construction in progress

Accumulated acquisition values	2012	2011
Opening balance	3,671	2,812
New acquisitions/advance payments	12,739	11,583
Acquisition of subsidiary	913	–
Divestments and disposals	–	-996
Reclassifications	-10,677	-9,708
Translation differences for the year	-7	-20
Closing balance	6,639	3,671

Note 15

Inventories

	2012	2011
Raw material and consumables	73,903	60,262
Work in process	113,373	53,882
Finished products and goods for resale	61,377	73,832
Advance payments to suppliers	5,574	1,148
	254,227	189,124

Inventories are recognised at the lower of the purchase price and the fair value. The fair value of the inventories is therefore considered to match the carrying amount. Write-downs totalling SEK -897 thousand (3,259) have been made. The year's negative amount has arisen as a result of reversing the anticipated obsolescence.

Note 16

Trade receivables etc.

	2012	2011
Trade receivables	264,195	166,134
Other receivables	8,059	8,979
Accrued income	4,443	1,747
	279,697	176,860

As of 31 December 2012, there were no outstanding currency derivatives.

Note 17

Financial receivables

Cash equivalents include the balance in the current account (Group currency account).

Age distribution as of 31.12.2012 Maturity term	Total
	–30 days 31–90 days 91–360 days	
Trade receivables	193,589 68,902 1,704	264,195
Percentage distribution	73 26 1	100
Cash equivalents	63,852 – –	63,852
Percentage distribution	100 – –	100

The reported value represents a reasonable assessment of the fair value.

Distribution by currency as of 31.12.2012	Trade receivables	Cash equivalents
SEK	211,405	47,524
USD	30,801	2,153
EUR	16,261	2,737
NOK	3,386	8
Other currencies	2,342	11,430
	264,195	63,852

Age distribution as of 31.12.2012 Time since maturity	Total
	6–30 days 31–90 days > 90 days	
Trade receivables overdue	12,960 4,340 4,307	21,607
Percentage distribution	60 20 20	100

Losses reported on trade receivables for the year amount to SEK 1,038 thousand (903), of which SEK 692 thousand constitutes actual losses. Required write-down of outstanding receivables has been carried out at SEK 1,333 thousand (677).

Note 18

Earnings per share

Continuing operations

Basic earnings per share	2012	2011
Net profit for the year, SEK thousands	66,925	80,267
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	9.85	11.80

Diluted earnings per share	2012	2011
Net profit for the year, SEK thousands	66,925	80,267
Interest expense on convertible bonds, SEK thousands ¹⁾	1,419	1,129
Issue expenses for convertible bonds, SEK thousands	44	46
Adjusted income, SEK thousands	68,388	81,442
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	248	220
Average number of shares at the calculation of earnings per share, thousands	7,037	7,009
Diluted earnings per share, SEK	9.70	11.60

Group total

Basic earnings per share	2012	2011
Net profit for the year, SEK thousands	66,925	82,558
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	9.85	12.15

Diluted earnings per share	2012	2011
Net profit for the year, SEK thousands	66,925	82,558
Interest expense on convertible bonds, SEK thousands ¹⁾	1,419	1,129
Issue expenses for convertible bonds, SEK thousands	44	46
Adjusted income, SEK thousands	68,388	83,733
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	248	220
Average number of shares at the calculation of earnings per share, thousands	7,037	7,009
Diluted earnings per share, SEK	9.70	11.95

¹⁾ Constitutes current interest for convertible loans adjusted to market interest rate.

With regard to the number of shares and convertible bonds, see Note 19.

Note 19

Share capital

Distribution of share capital	31.12.2012	1.1.2012
Class A shares	1,950,000	1,950,000
Class B shares	4,978,974	4,978,974
Total number of shares	6,928,974	6,928,974
Quotient value, SEK	5	5
Share capital, SEK	34,644,870	34,644,870

The total number of shares is 6,928,974, of which 140,000 are held by the company. The average number of outstanding shares amounts to 6,788,974.

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

On 1 July 2012, convertible bonds with a nominal value of SEK 30,000 thousand, corresponding to 275,229 Class B shares at full conversion, were issued.

Class A shares give entitlement to ten votes and Class B shares to one vote. The number of votes, following deductions for the company's own holding, amounts to 24,338,974. The proposed dividend amounts to SEK 3.50 per share.

Note 20

Other reserves

Cumulative translation difference	2012	2011
Opening balance	444	-1,889
Translation differences for the year	-3,327	2,318
Hedging of currency risk in non-Swedish activities	-178	15
Closing balance	-3,061	444

Investment in shares in the subsidiary in Norway has partly been hedged by taking out a loan in NOK.

Hedging reserve	2012	2011
Opening balance	-6,132	2,125
Changes for the year	-2,848	-8,257
Closing balance	-8,980	-6,132

The amounts concern the effective component of value change in derivative instruments used for hedge accounting. When the transaction is entered into, the relationship between the hedging instrument and the hedged item is documented. The efficiency of the hedging relationship is measured regularly.

On the balance sheet date of 31 December 2012, there were fixed lock-in interest-rate swaps with a total nominal amount of SEK 200 million. Because the Group had loans in 2012 with variable interest rates and corresponding terms exceeding this amount, the entire holding was considered to be hedged effectively.

Total other reserves	-12,041	-5,688
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Note 21

Borrowings etc.

Utilised overdraft facilities are reported as current liabilities.

Non-current liabilities	2012	2011
Maturity date between one and five years after balance sheet date	378,036	97,542
Maturity date more than five years after balance sheet date	14,120	9,413
	392,156	106,955

Bank overdraft facilities	2012	2011
Bank overdraft facilities granted	403,015	340,200
Unutilised amount	-131,377	-287,162
Utilised amount	271,638	53,038

Current convertible loans	-	27,316
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Current portion of non-current liabilities	91,884	54,822
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Total interest-bearing liabilities	755,678	242,131
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With regard to interest rate risks, see Note 32.

Maturity analysis of undiscounted cash flow

Non-current liabilities	2012	2011
<i>Calculated outflow</i>		
Between one and five years after balance sheet date	385,601	102,944
More than five years after balance sheet date	17,569	12,051
	403,170	114,995

Note 22

Other liabilities

XANO Industri has an outstanding convertible loan reported at SEK 28,240 thousand. The nominal value is SEK 30,000 thousand. The convertible loan runs until 30 June 2016 with an annual interest rate corresponding to STIBOR 3M plus 2.7 per cent (4.64 per cent for the current period). During the period 1–10 June 2016, convertible bonds can be redeemed against shares at the conversion rate of SEK 109 per share. The nominal value of the loan is SEK 109 per convertible bond. Given that the loan is subordinate to other liabilities and the Group's financial position in general, the interest rate cannot be regarded as corresponding to a market interest rate. The market interest rate for this loan was assessed at 7.08 per cent (government bonds interest rate at the time of issue, 1.08 per cent, with a 6.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are taken up at the market value and the difference is added to other contributed capital. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible debenture loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest for the year is SEK 956 thousand and constitutes 6.3 per cent of the actual liability. The income statement is also charged with issue costs which arose in connection with taking out the convertible loan and costs referring to a convertible loan with maturity on 30 June 2012.

Note 23

Other provisions

Non-current	2012	2011
Guarantee commitments	1,920	1,395
Pension commitments	1,696	2,016
Deferred land registration costs	320	–
	3,936	3,411
<i>Estimated maturity time</i>		
Between one and five years after the balance sheet date	3,616	3,411
More than five years after the balance sheet date	320	–

Note 24

Deferred tax liability

Temporary differences

Temporary differences arise if the reported and taxable values of assets or liabilities are different. Temporary differences for the following items have resulted in deferred tax liabilities and deferred tax assets.

	2012	2011
Property, plant and equipment	141,019	86,354
Tax allocation reserves	234,696	74,090
Derivative instruments	-11,513	-8,320
Items entered as liabilities	-1,052	-5,069
Total	363,150	147,055
Tax at 22% (26.3)	79,893	38,675
Rounding	-1	-2
Deferred tax liability	79,892	38,673
Non-Swedish items with diverging tax rate ¹⁾	-8,426	-8,947
Net deferred tax liability	71,466	29,726
Deferred tax liability brought forward	-29,726	-27,171
Acquisition of subsidiary	-47,652	-2,127
Sale of subsidiary	930	–
Effect of change in corporation tax rate	1,579	–
Translation differences	136	-12
Rounding	1	-2
Deferred tax expense relating to temporary differences	-3,266	414
<i>– of which reported in</i>		
Net profit for the year	-2,921	3,360
Other comprehensive income	-345	-2,946

¹⁾ Relates to the business in Norway. In view of actions taken and expected future development, the businesses are expected to generate positive results in coming years; hence the loss carry forward is fully utilised. As there is no legal right of offset, the asset is reported as a deferred tax claim in the balance sheet.

XANO's judgement is that deferred tax not is covered by the disclosure requirement regarding maturity date according to IAS 1.61, since there is often uncertainty as regards when a deferred tax triggers a payment.

Note 25

Trade payables etc.

	2012	2011
Advance payments from customers	69,337	71,422
Trade payables	102,507	86,221
Salary and holiday pay liabilities	41,492	32,010
Accrued social security contributions	25,258	18,603
Other accrued liabilities	8,316	9,309
Derivative instruments	12,768	9,129
Other non-interest-bearing liabilities	18,291	17,224
	277,969	243,918

The derivatives relate to interest-rate swaps valued at the market value. The year's change in value, SEK -3,193 thousand (-8,671) excluding tax, is effectively hedged and has been reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

Note 26

Financial liabilities

Age analysis of current liabilities

As of 31.12.2012	Maturity term			Total
	<30 days	31–90 days	91–360 days	
Trade payables	92,109	10,068	330	102,507
Percentage distribution	90	10	0	100
Derivative instruments	-321	–	13,089	12,768
Percentage distribution	-3	–	103	100
Borrowings ¹⁾	–	–	271,638	271,638
Percentage distribution	–	–	100	100
Current portion of non-current liabilities ²⁾	1,405	39,410	51,069	91,884
Percentage distribution	1	43	56	100
				478,797

¹⁾ Refer to bank overdraft facilities.

²⁾ The total value of the undiscounted cash flow is SEK 92,492 thousand.

Distribution by currency

As of 31.12.2012	Current	Non-current
SEK	374,031	366,377
EUR	63,679	17,118
NOK	45,778	7,003
USD	-14,600	1,658
Other currencies	9,909	–
	478,797	392,156

Valuation

As of 31.12.2012	Reported value	Fair value
Borrowings	380,852	380,852
Convertible loan	28,240	30,000
Leasing liabilities	74,948	–
Bank overdraft facilities	271,638	271,638
Trade payables	102,507	102,507
Derivatives ¹⁾	12,768	12,768
	870,953	

¹⁾ Derivatives refer to interest-rate swaps valued at fair value and belonging to value level two under IFRS 7.

The amounts reported for financial liabilities, with the exception of the convertible loan and leasing liabilities, represent a reasonable assessment of the fair value.

Note 27

Pledged assets

	2012	2011
For own liabilities		
Property mortgages	82,055	80,346
Floating charges	76,198	71,125
Assets with ownership reservation	2,587	5,131
Shares in subsidiaries	711,409	273,484
	872,249	430,086
Other pledged assets		
Pledged endowment insurance with pension obligation	400	–
	400	–
Total	872,649	430,086

Note 28

Contingent liabilities

	2012	2011
Guarantees	85	303
Pension obligations	2,330	1,540
	2,415	1,843

Note 29

Leases

Finance leases

Items covered by finance lease contracts are reported in the consolidated financial statements as below. Finance lease refers to the lease of machinery.

The standard terms for the Group's finance lease contracts are adjustable rate of interest and a lease term of seven years, with a residual value of 25 per cent of the acquisition value.

During the year, lease payments in respect of finance leases amounted to SEK 13,213 thousand (10,605).

Plant and machinery

Accumulated acquisition values	2012	2011
Opening balance	112,204	96,732
New acquisitions	27,064	21,501
Acquisition of subsidiaries	2,316	–
Sale of subsidiaries	-5,337	–
Divestments and disposals	-9,112	-6,029
Closing balance	127,135	112,204

Accumulated scheduled depreciation	2012	2011
Opening balance	-51,982	-44,443
Acquisition of subsidiaries	-139	–
Sale of subsidiaries	1,857	–
Divestments and disposals	6,396	2,229
Depreciation according to plan for the year	-11,112	-9,768
Closing balance	-54,980	-51,982

Closing residual value according to plan	72,155	60,222
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Borrowings, finance leases	2012	2011
Current component, maturity date within one year	14,318	12,979
Non-current component, maturity date between one and five years	42,684	35,085
Non-current component, maturity date in excess of five years	14,120	9,413
	71,122	57,477

Borrowings are estimated at the current value of future lease fees.

Operating leases

Lease payments in respect of operating lease contracts amounted to SEK 7,207 thousand (4,705) during the year.

Contracted future fees for operating leases	2012	2011
Maturity date within one year	6,035	4,697
Maturity date between one and five years	8,979	9,644
Maturity date in excess of five years	–	–
	15,014	14,341

Operating leases refer mainly to rent for premises and car leases.

Note 30

Cash flow

The income statement and balance sheet items for transactions which were not carried out as deposits or withdrawals were adjusted in the cash flow. In addition to the adjustment for actual interest and taxes paid, consideration is given to exchange rate effects, profit on sales of non-current assets, write-downs, effects of finance leases, reclassification between short- and long-term items, etc.

Acquisitions of subsidiaries/assets and liabilities

In 2012, all the shares in Kungsörs Mekaniska Verkstad AB, Albins Mekaniska Verkstad AB, ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were acquired. In 2011, all the shares in Metall Göte AB were acquired.

According to preliminary acquisition calculations, the total value of acquired assets and liabilities during 2012 is as follows:

KMV/Albins	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible assets	–	55,501	55,501
Property, plant and equipment	28,070	8,255	36,325
Financial assets	850	–	850
Current assets ¹⁾	40,672	–	40,672
Non-current liabilities	-5,468	-2,171	-7,639
Current liabilities	-10,709	–	-10,709
Net assets/purchase price	53,415	61,585	115,000

¹⁾ Trade receivables are recognised in the amount of SEK 14 million and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 22 million.

ÅGES/ITB Teknik	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible assets	–	284,407	284,407
Property, plant and equipment	67,704	31,146	98,850
Current assets ¹⁾	203,213	–	203,213
Non-current liabilities	-34,532	-8,742	-43,274
Current liabilities	-76,832	–	-76,832
Net assets/purchase price	159,553	306,811	466,364

¹⁾ Trade receivables are recognised in the amount of SEK 100 million and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 46 million.

In addition to the above acquisitions, in 2012 XANO established operations in Hong Kong, China and Poland, for which purchase prices totalling SEK 140 thousand have been paid.

The total value of divested assets and liabilities, purchase prices and the effect on the Group's liquid assets was as follows:

Acquisitions	2012	2011
Intangible assets	340,038	–
Property, plant and equipment	135,175	12,872
Financial assets	850	9
Current assets	243,895	15,510
Non-current liabilities	-50,913	-2,210
Current liabilities	-87,541	-5,181
Total purchase price	581,504	21,000
Liquid assets in acquired businesses	-68,056	-6,048
Bond from sellers	-100,000	–
Total cash flow attributable to acquired businesses	413,448	14,952

Divestments of subsidiaries/assets and liabilities

All shares in Eslöv Mekaniska Verkstad AB were sold in 2012. The profit from disposals was adjusted in 2011 mainly as a result of a settlement with the purchaser of Bladhs Industri AB with regard to guarantees provided.

The total value of divested assets and liabilities, purchase prices and the effect on the Group's liquid assets was as follows:

Divestments	2012	2011
Intangible assets	17,025	–
Property, plant and equipment	3,988	–
Financial assets ¹⁾	50	–
Current assets	7,229	–
Non-current liabilities	-2,343	–
Current liabilities	-6,811	-3,818
	19,138	-3,818
Capital loss/gain ²⁾	-5,768	2,291
Total divestment ^{1, 2)}	13,370	-1,527
Liquid assets in divested businesses	-8	–
Total cash flow attributable to divested businesses	13,362	-1,527

¹⁾ Albins Mekaniska Verkstad AB has sold its share in the associate Västerviks Produktionsteknik AB. The purchase price was SEK 50 thousand.

²⁾ For the divestment of Eslöv Mekaniska Verkstad AB, the total purchase price was calculated at SEK 15.5 million. This sum consisted of a fixed purchase price of SEK 12.3 million, which was paid in 2012, and a conditional additional purchase price calculated at SEK 3.2 million. The additional purchase price will be settled in August 2013. The cash flow for the year comprises, besides the purchase price of SEK 12.3 million, future income totalling SEK 1,020 thousand for items including dividend. The additional purchase price relates to revenue in the sold-off company and may be paid out in amounts of SEK 0 upwards.

Interest

During the financial year, interest paid amounted to SEK 12,356 thousand (12,980) and interest received to SEK 872 thousand (2,129).

Liquid assets	2012	2011
Cash and bank balances	61,315	52,967
Short-term investments	2,537	1,742
Amount at year-end	63,852	54,709

Note 31

Business combinations/divestments

In February 2012, all the shares in Kungsörs Mekaniska Verkstad AB and Albins Mekaniska Verkstad AB were acquired. The purchase price was SEK 115 million and was paid in cash. The acquisitions have not resulted in any transaction costs. The acquired businesses are included in the consolidated financial statements as of 1 January 2012 and contributed SEK 56 million in net revenue and SEK 5 million in net profit after the deduction of write-offs from the surplus value and financial costs attributable to the acquisitions. The acquisitions bring surplus values totalling SEK 63 million distributed amongst buildings (SEK 3 million), machinery (SEK 5 million) and goodwill relating to customer relations and synergies (SEK 55 million).

ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB, which were acquired in December 2012, will be included in the Group results as of 1 January 2013. The acquisition affected the net profit by SEK 0.5 million concerning financial costs. The transaction costs provisionally amount to SEK 0.4 million. If the acquired units had been part of the Group during 2012, revenue would have amounted to approx. SEK 1,592 million and the profit approx. SEK 119 million after tax and the effect of write-offs from surplus values and financial costs attributable to the acquisitions. The acquisitions bring surplus values totalling SEK 316 million distributed amongst buildings (SEK 5 million), machinery (SEK 26 million) and goodwill relating to customer relations and synergies (SEK 285 million).

In July 2012, all the shares in Eslöv Mekaniska Verkstad AB were sold. The purchase price was calculated at SEK 15.5 million and consisted of a fixed purchase price of SEK 12.3 million, which was paid in 2012, and a conditional additional purchase price calculated at SEK 3.2 million. The additional purchase price will be settled in August 2013. The business contributed SEK 18 million in net revenue and SEK 1 million in net profit for operating activities and SEK -6 million on its sale.

During 2012, XANO has established operations in Hong Kong, China and Poland via subsidiaries. The transaction costs for these newly established and acquired companies amount to SEK 117 thousand.

During 2011, all the shares in Metall Göte AB were acquired.

The acquired assets and liabilities are specified in Note 30 Cash flow. Transaction costs are reported as administrative expenses in the operating profit.

Note 32

Risks

FINANCIAL RISKS

XANO is exposed to financial risks through its international activities. Financial risks refer to changes in the Group's cash flow resulting from changes in exchange rates and interest levels as well as liquidity, financing and credit risks.

The Group's policy for managing financial risks is determined by the Board and creates a framework for risk management. The aim is to reduce the cost of capital procurement as well as the financial risk in a cost-efficient manner. The Parent Company has a central role in managing financial activities, which means that the Group can make use of economies of scale and better examine financial risks.

Currency risks

The Group's activities are exposed to currency risks mainly within the following three areas:

- » Transaction risks
- » Risks from translation of subsidiaries' income statements
- » Risks from translation of subsidiaries' balance sheets

Transaction risks

The transaction risk arises due to the commercial payment flows that take place in a currency other than the local currency of each subsidiary. The Group's policy is not to hedge commercial flows. Because of the changes made to the Group's structure and their impact on currency flows, this policy may be amended. The flows are monitored continuously in order to minimise transaction risks. In the beginning of 2013, the policy was departed from in order to partially hedge sales in USD.

The proportion of invoicing in foreign currency in 2012 was 24 per cent. 80 per cent of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in their country of manufacture. The major exceptions are deliveries from Swedish manufacturing units to foreign end customers and deliveries from manufacturing units in Estonia to the Swedish and Norwegian market. The transaction risks occur in the latter cases as well as during the purchase of material.

A simplified breakdown by currency of the Group's income and cost structure for 2012 is shown in the table below.

Share (%) of	SEK	USD	EUR	Other
Invoicing	76	12	5	7
Cost of goods sold	72	1	15	12

The Group is mainly exposed to changes in EUR, where the net flow in 2012 has been negative, and in USD, where the net flow in 2012 has been positive. In addition to this, Swedish subsidiaries hold loan receivables in NOK and USD and borrowings in EUR. An average change of 5 per cent in all currencies with respect to the Swedish krona would give an impact on profit of approx. SEK 1 million for the corresponding flow. In the event of a change of 5 per cent in either EUR or USD against the Swedish krona, the impact on profit over a period of one year would be approx. SEK 5 million and SEK 7 million respectively. As of the balance sheet date, there were no outstanding currency derivatives.

Risk from translation of subsidiaries' income statements

Translation of non-Swedish subsidiaries' income statements into Swedish kronor takes place at an average rate. If invoicing and net income in the remaining Group companies are the same as in 2012, a 5 per cent change to the Swedish krona against all other currencies would affect invoicing by around SEK 9 million and net profit by around SEK 1 million.

Risk from translation of subsidiaries' balance sheets

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into Swedish kronor. Foreign subsidiaries' net assets were valued at SEK 103 million at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income negatively by SEK 4 million. The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency.

Interest rate risks

Interest rate risks refer to the risk that changes in the interest rate level will affect XANO's financial results negatively through increased borrowing costs. Financing mainly takes place through borrowing from banks. The average interest rate (interest expenses in relation to the average interest-bearing liabilities) was 3.4 per cent (4.6). The Group's interest-bearing liabilities amounted on the balance sheet date to SEK 756 million (242), of which SEK 442 million (4) is financed at a variable interest rate. The average fixed rate period for the remaining borrowing is 64 months and the average interest rate at year-end was 3.0 per cent. The net result of a one (1) per cent increase in interest rates is approx. SEK -4 million on an annual basis.

Interest-rate swap agreements are used to change the fixed-rate interest period in the desired direction as well as to reduce the effect of interest rate fluctuations. As of the balance sheet date, interest-rate swap agreements worth a total nominal sum of SEK 200 million were in place.

Fixed rate period for borrowings

Maturity date	Amount (SEK 000)	Average interest rate (%)	Share (%)
2013	14,068	5.88	9
2014	50,000	2.71	14
2015	—	—	—
2016	—	—	—
2017 and later	250,000	2.93	77
Total	314,068	3.03	100

Liquidity and financing risks

Liquidity and financing risks refer to not being able to fulfil payment obligations as a result of insufficient liquidity or difficulty in taking out external loans. XANO actively seeks to ensure a high level of financing preparedness and effective capital procurement by always having confirmed lines of credit. The majority of the Group's borrowing comes from banks and with the loans in each company's local currency. Parent companies also lend funds within the Group at market terms, usually at a variable interest rate. The payment capacity (liquid assets including credit that has been granted but not utilised relative to net revenue) amounted to 24 per cent (32) on the balance sheet day.

Credit risks

"Credit risk" refers to the risk of a contracting party being unable to fulfil its undertakings in a financial transaction. For XANO, credit risks are primarily associated with trade receivables. The risk of customer losses (bad debt) is managed through defined routines for credit controls and claims management. The Group's customers are primarily large, well-established companies with a good ability to pay, spread across a number of industries and geographical markets, which has meant that customer losses have historically been low. The maximum credit risk concerning the Group's trade receivables corresponds to the reported value of SEK 264 million.

OPERATIONAL RISKS

Operational risks are associated with both customers and suppliers, as well as other external factors and XANO's own activities.

From a Group perspective, the customer base is broad and varied in terms of both industry and size. The Group has attempted to minimise the risks that exist in connection with customers' requests for production in low-cost countries by offering production at its own foreign units where capacity has been significantly increased.

As regards input goods, metal represents a dominant raw material together with plastic, often produced from oil-based products. Raw material prices are dependent on world market prices and exchange rate fluctuations, as well as production capacity. The number of raw materials is very large, as metals and plastic raw materials occur in many variants. However, price fluctuations for raw materials have a limited effect on the Group's results, as many client agreements contain raw material clauses. The management of price risks forms part of the daily work and imposes demands concerning on-going cost rationalisation and productivity improvements.

Within the Group's product area there is always a risk that products may need to be recalled due to faults. To avoid these risks, the Group companies use quality control systems.

The Group has satisfactory protection against the traditional insurance risks such as fire, theft, liability, stoppages, etc. through the insurance policies taken out.

Note 33

Capital management

XANO's objective, during strong and stable growth, is to achieve a good return on equity with limited financial risk. In order to achieve this, a stable cash flow and a strong balance sheet are required with an equity/assets ratio greater than 30 per cent. At the end of 2012, the equity/assets ratio was 32 per cent (48). The change compared to the previous year is mainly due to the acquisitions made in 2012.

The Group's financing is dependent on certain financial key ratios agreed with the Group's main bank being achieved. The relevant key ratios relate to the Group's risk capital participation and net liabilities in relation to profit. The earnings for the year have meant that the key ratios concerned are within the agreed levels.

It is the Board's intention that the dividend should follow the earnings trend over an extended period and correspond to between 20 and 40 per cent of the profit after tax.

Note 34

Related party transactions

XANO's related parties consist of senior executives, Board members and companies that are subject to the controlling interest of XANO's Board members or senior executives in subsidiaries.

In addition to the payments referred to in Note 3, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the Annual General Meeting. The share and convertible holdings of Board members and senior executives as of the balance sheet date are presented on pages 88 and 89.

Kieryd Gård AB, controlled by the Chairman of the Board Tord Johansson, and Pomona-gruppen AB, under the controlling interest of Board member Fredrik Rapp, are major XANO shareholders. Apart from the share dividend, no transactions have taken place between these holding companies and XANO.

Transactions take place between XANO's subsidiaries and companies which are subject to the controlling interest of XANO's Board members or senior executives in subsidiaries. These transactions constitute part of the companies' normal activity and take place under market conditions. During 2012, sales from XANO's subsidiaries to ITAB Shop Concept AB and its subsidiaries amounted to SEK 2.5 million. ITAB is under the controlling interest of Tord Johansson. Other related party transactions do not come to any noteworthy sum. As of the balance sheet date, amounts payable to and receivable from related parties do not come to any noteworthy sum.

Income statements

PARENT COMPANY (SEK thousands)	Note	2012	2011
Net sales		9,218	14,556
Cost of goods sold		–	–
Gross profit		9,218	14,556
Selling expenses	1, 2	-2,801	-2,342
Administrative expenses	1, 2, 3	-15,868	-13,274
Other operating income		–	572
Other operating expenses		–	-20
Operating profit/loss		-9,451	-508
Result from participations in Group companies	4	111,033	57,858
Interest income and similar profit/loss items	5	19,006	17,390
Interest expense and similar profit/loss items	6	-18,596	-20,662
Profit after financial items		101,992	54,078
Appropriations	7	-13,824	-16,029
Profit before tax		88,168	38,049
Tax	8	-10,965	-12,613
NET PROFIT FOR THE YEAR		77,203	25,436

Statement of comprehensive income

PARENT COMPANY (SEK thousands)	Note	2012	2011
Net profit for the year		77,203	25,436
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		77,203	25,436

Cash flow statements

PARENT COMPANY (SEK thousands)	Note	2012	2011
Operating activities			
Operating profit/loss		-9,451	-508
<i>Adjustments for non-cash items etc.</i>			
Depreciation		93	163
Capital gain from disposal of non-current assets		–	20
Group contribution		59,933	57,858
Dividends received		51,100	–
Interest paid/received, net value	17	3,905	5,124
Income tax paid		-21,208	-11,036
Cash flow from operating activities before changes in working capital		84,372	51,621
Change in working capital			
Increase (-) / decrease (+) in current receivables		-52,389	38,484
Increase (+) / decrease (-) in current liabilities		-102,106	8,443
Cash flow from operating activities		-70,123	98,548
Investing activities			
Purchase and sale of financial assets		-466,000	8,092
Cash flow from investing activities		-466,000	8,092
Financing activities			
<i>Increase (+) / decrease (-) in non-current liabilities</i>			
Borrowings		290,000	–
Dividend paid		-23,761	-23,761
<i>Increase (+) / decrease (-) in current liabilities</i>			
Borrowings		40,000	–
Repayment of debt		-27,500	–
Change in bank overdraft facilities		212,584	-39,257
Cash flow from financing activities		491,323	-63,018
Cash flow for the year		-44,800	43,622
Cash and cash equivalents at the beginning of the year		44,176	9
Exchange-rate differences in cash and cash equivalents		629	545
Cash and cash equivalents at the end of the year	17	5	44,176

Balance sheets

PARENT COMPANY (SEK thousands)	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	9		
Equipment, tools, fixtures and fittings		342	435
		342	435
<i>Financial assets</i>			
Participations in Group companies	10	528,593	62,593
		528,593	62,593
Total non-current assets		528,935	63,028
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		536,606	484,586
Other receivables	11	557	47
Prepaid expenses and accrued income		2,013	2,012
		539,176	486,645
<i>Short-term investments</i>		5	5
<i>Cash and bank balances</i>	14	0	44,171
Total current assets		539,181	530,821
TOTAL ASSETS		1,068,116	593,849

PARENT COMPANY (SEK thousands)	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	12	34,645	34,645
Statutory reserve		8,899	8,899
		43,544	43,544
<i>Non-restricted equity</i>			
Share premium reserve		4,295	2,281
Profit brought forward		198,328	196,653
Net profit for the year		77,203	25,436
		279,826	224,370
Total equity		323,370	267,914
Untaxed reserves	13	48,625	34,805
Liabilities			
<i>Non-current liabilities</i>			
Interest-bearing liabilities	14, 15	302,308	14,603
		302,308	14,603
<i>Current liabilities</i>			
Bank overdraft facilities	14, 15	233,032	20,448
Liabilities to credit institutions	14, 15	40,000	–
Trade payables		580	448
Liabilities to Group companies		102,497	203,645
Current tax liability		0	9,688
Other liabilities	14	12,159	37,900
Accrued expenses and deferred income		5,541	4,398
		393,809	276,527
Total liabilities		696,117	291,130
TOTAL EQUITY AND LIABILITIES		1,068,116	593,849
Pledged assets	15	523,094	57,094
Contingent liabilities	16	246,785	239,102

Statement of changes in equity

PARENT COMPANY (SEK thousands)	Note	Share capital	Statutory reserve	Share premium reserve ¹⁾	Other non-restricted equity	Total equity
Equity, 1 January 2011		34,645	8,899	2,281	220,414	266,239
Net profit for the year		–	–	–	25,436	25,436
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	25,436	25,436
Dividend paid		–	–	–	-23,761	-23,761
Equity, 31 December 2011		34,645	8,899	2,281	222,089	267,914
Net profit for the year		–	–	–	77,203	77,203
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	77,203	77,203
Effects of convertible loan issued		–	–	2,014	–	2,014
Dividend paid		–	–	–	-23,761	-23,761
Equity, 31 December 2012	12	34,645	8,899	4,295	275,531	323,370

¹⁾ The share premium reserve is part of non-restricted equity.

Accounting policies

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and recommendations and statements of the Swedish Financial Reporting Board.

General

The Parent Company applies the same accounting policies as the Group except for the cases described below. The Parent Company's accounts are prepared in accordance with recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. The deviations that occur between the Parent Company's and the Group's policies are caused by limitations in the scope to apply IFRS to the Parent Company as a result of the Swedish Annual Accounts Act and, in some cases, for tax reasons. The accounting policies are unchanged compared with the previous year.

Receivables and liabilities

Receivables have been recognised at the amount they are expected to accrue. Receivables and liabilities in foreign currency have been translated at the balance sheet date rate. Translation differences relating to operating receivables and liabilities are reported under operating profit, while translation differences attributable to financial receivables and liabilities are included under net financial income.

Related party transactions

100 per cent (100) of the Parent Company's net sales comes from invoicing to subsidiaries. Of the Parent Company's operating expenses, 5 per cent (5) is invoicing from subsidiaries.

There are significant financial receivables and liabilities between the Parent Company and subsidiaries which accrue interest at the market rate.

In addition to what is referred to in Note 1, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the Annual General Meeting.

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 10.

Kieryd Gård AB, controlled by the Chairman of the Board Tord Johansson, and Pomona-gruppen AB, under the controlling interest of Board member Fredrik Rapp, are major XANO shareholders. Apart from the share dividend, no transactions have taken place between these holding companies and XANO.

Participating interests in Group companies

Participating interests are valued according to the cost method. Dividends from subsidiaries are recognised as income. The items are tested for impairment annually and the interests are valued at the highest consolidated value, i.e. the subsidiary's adjusted equity with a supplement for consolidated surplus values.

Non-current assets

Non-current assets are valued at the acquisition value with the deduction of accumulated depreciation and any impairment costs. If there is an indication that an asset has reduced in value, the asset's recoverable amount is calculated. If the reported value exceeds the recoverable amount, the asset is written down to a value corresponding to the recoverable amount.

Depreciation is included in the costs for each function. Depreciation is calculated systematically over the expected utilisation period as follows:

Machinery and equipment	3–10 years
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Liquid assets

Liquid assets consist of cash and bank balances and investments with a term of no more than three months.

Cash flow

Cash flow is reported by applying the indirect method. This means that the net profit/loss is adjusted for transactions that have not resulted in deposits or withdrawals during the period and for any income and costs related to the cash flow of investing or financing activities.

Financial assets and liabilities

Financial assets and liabilities are generally reported at the acquisition value. Impairment costs concerning financial assets are recognised if a permanent reduction in value has been confirmed.

XANO uses interest-rate swaps to control the uncertainty in future interest-rate fluctuations in regard to Group borrowings with variable interest rates. Since these derivatives are not hedged effectively in the company, they are valued at their fair value via the income statement in accordance with Section 14 in Chapter 4 of the Swedish Annual Accounts Act. The interest coupon share is regularly reported as either interest income or interest expense in the income statement.

Convertible bonds consist of a composite financial instrument with the character of both a liability and of equity. These are reported partly as a financial liability and partly as an equity instrument.

Income

The Parent Company offers its subsidiaries services relating to business development, organisation, finance, etc. Income from services is reported under the period in which the service was performed. Intra-Group sales occur at market prices.

Group contribution

Group contributions received for the purpose of tax equalisation are recognised as financial income.

Taxes

Reported income taxes include tax that will be paid for the current year and any changes to deferred tax. Tax claims and liabilities are valued at nominal sums and in accordance with the current tax rules and tax rates. Deferred tax is calculated on temporary differences that arise between reported values and taxable values of assets and liabilities.

Deferred tax liabilities are normally reported for all taxable temporary differences, while deferred tax claims are reported to the extent it is likely that the sums may be utilised.

In the Parent Company, due to the link between reporting and taxation, deferred tax liabilities associated with untaxed reserves are reported as part of untaxed reserves.

Bank overdraft facilities, Group currency accounts

The subsidiaries' claims on and debts to internal lines of credit are recognised as liabilities to and receivables from Group companies. The Group's total claim on/debt to the bank is recognised as an asset/liability in the Parent Company. Interest at the market rate is applied to the subsidiaries' claims and debts.

Notes

(All amounts in SEK thousands unless otherwise indicated.)

Note 1

Employees and personnel costs

Average no. of employees	2012	of which men	2011	of which men
Sweden	6	33%	6	33%

Proportion of men amongst senior executives	2012	2011
Board members	83%	83%
Other senior executives	67%	100%

Salaries, other remuneration and social security costs	2012	2011
Salaries and remuneration	7,738	6,958
Social security costs	4,509	4,429
(of which pension costs) ^{1, 2)}	(1,598)	(1,598)
	12,247	11,387

¹⁾ SEK 1,450 thousand (1,253) of the Parent Company's pension costs relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

²⁾ Pension costs do not comprise special employer's contribution.

Break-down of salaries and other remuneration	2012	2011
Board members and other senior executives	6,281	5,142
(of which bonuses)	(-)	(-)
Other employees	1,457	1,816
	7,738	6,958

Remuneration for Board members and other senior executives

The Annual General Meeting decided to approve the Board's proposal for guidelines for remuneration and other employment conditions for senior executives. The conditions must be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of three months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary shall be payable to the CEO. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case. The Board has appointed a remuneration committee, which during the year consisted of Chairman Tord Johansson and Directors Fredrik Rapp and Christer Dahlström.

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension premiums. "Other senior executives" refers to the deputy CEO and CFO who, together with the CEO, makes up the Group management. The division between basic salary and variable remuneration is determined in proportion to the responsibilities and authority of the executive in question. The variable remuneration is based on results in relation to individually set targets.

The Annual General Meeting decided that the Board's fee of SEK 1,200 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 100 thousand payable to each of the other Board members for the period up to and including the next annual general meeting. The Annual General Meeting further decided that remuneration for tasks undertaken in the remuneration committee and audit committee should amount to SEK 20 thousand per person and per task. During 2012, SEK 120 thousand was paid for these tasks.

In 2012, the Group management consisted of the CEO Sune Lantz, deputy CEO Lenart Persson and CFO Marie Ek Jonson. The CEO received a salary and car benefit worth SEK 2,434 thousand (2,383). Other senior executives (two people (one)) received salary and car benefits worth SEK 2,735 thousand (1,861).

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 35 per cent of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate

salary withdrawals to additional pension contributions. The pension premium for other senior executives amounted to an average of 25 per cent (24) of the pensionable salary. "Pensionable salary" refers to the basic salary plus an average of the last three years' variable remuneration. Pension costs for the CEO amounted to SEK 811 thousand (790) and for other senior executives (two people (one)) to SEK 639 thousand (463).

The company and CEO have a mutual six-month period of notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary is payable. Severance pay will be offset against other income. In the event of notice on the part of the CEO, no severance pay is payable. For other senior executives, there is a period of notice of six months by either party. In the event of notice on the part of the company, severance pay totalling six months' salary is payable. Severance pay will be offset against other income. In the event of notice on the part of the senior executive, no severance pay is payable.

Note 2

Depreciation

Depreciation by function	2012	2011
Selling expenses	-14	-24
Administrative expenses	-79	-139
	-93	-163

Depreciation by type of asset	2012	2011
Equipment, tools, fixtures and fittings	-93	-163
	-93	-163

Note 3

Auditors' remuneration

	2012	2011
<i>Ernst & Young</i>		
Audit assignment	-323	-273
Audit activities other than audit assignment	-31	-25
Tax consultancy services	-50	-12
	-404	-310

"Audit assignments" refers to the review of the annual report, interim reports, the management by the board and CEO and the corporate governance report.

Note 4

Result from participations in Group companies

	2012	2011
Dividends from Group companies	51,100	–
Group contribution received	59,933	57,858
	111,033	57,858

Note 5

Interest income and similar profit/loss items

	2012	2011
Interest income, Group companies	11,853	13,753
Interest income, other	4,468	2,993
Exchange-rate differences	2,685	644
	19,006	17,390

Note 6

Interest expense and similar profit/loss items

	2012	2011
Interest expense, Group companies	-3,316	-4,637
Interest expense, other	-13,759	-16,020
Exchange-rate differences	-1,521	-5
	-18,596	-20,662

Other interest costs include a value change of SEK -3,193 thousand (-8,671) referring to interest-rate swaps valued at market value.

Note 7

Appropriations

	2012	2011
Change in excess depreciation	73	-20
Tax allocation reserve, change for the year	-13,897	-16,009
	-13,824	-16,029

Note 8

Tax on profit for the year

	2012	2011
Current tax	-10,965	-12,673
Current tax relating to previous periods	–	60
	-10,965	-12,613

Tax totals 12 per cent (33). Tax-exempt dividends have contributed to the lower tax expense in 2012.

Note 9

Property, plant and equipment

Equipment, tools, fixtures and fittings

Accumulated acquisition values	2012	2011
Opening balance	1,340	1,464
Divestments and disposals	–	-124
Closing balance	1,340	1,340

Accumulated scheduled depreciation	2012	2011
Opening balance	-905	-846
Divestments and disposals	–	104
Depreciation for the year	-93	-163
Closing balance	-998	-905

Closing residual value according to plan	342	435
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Note 10

Participations in Group companies

Accumulated acquisition values	2012	2011
Opening balance	62,593	70,685
Acquisitions	466,000	–
Disposals	–	-8,092
Closing balance	528,593	62,593

Parent Company holdings

Business name	Corporate identity number	Registered office	Number of shares	Share of equity	Book value
Cipax Industri AB	556261-0096	Jönköping, Sweden	1,000	100%	3,483
ITB Teknik i Unnaryd AB	556345-3637	Hylte, Sweden	10,000	100%	63,000
XANO Automation AB	556432-6329	Jönköping, Sweden	5,000	100%	17,153
XANO Evolution AB	556412-4070	Jönköping, Sweden	46,200	100%	5,499
XANO Fastigheter AB	556237-3265	Jönköping, Sweden	30,500	100%	4,541
XANO Precision AB	556620-3294	Jönköping, Sweden	1,000	100%	22,085
XANO Teknik AB	556234-6204	Jönköping, Sweden	1,100,000	100%	9,832
ÅGES Industrier i Unnaryd AB	556345-9618	Hylte, Sweden	5,000	100%	403,000
					528,593

Subsidiary holdings

Business name	Corporate identity number	Registered office	Number of shares	Share of equity
Ackurat Industriplast AB	556076-4564	Växjö, Sweden	10,000	100%
Ackurat Sp. z o. o	0000357275	Gdansk, Poland	100	100%
Ackurat Suomen Oy	0535817-5	Helsinki, Finland	630	100%
Albins Mekaniska Verkstad AB	556440-4233	Köping, Sweden	1,000	100%
Cipax AB	556065-7875	Norrtälje, Sweden	200	100%
Cipax AS	990 374 031	Bjørkelangen, Norway	10,100	100%
Cipax Eesti AS	10092500	Taebala, Estonia	400	100%
Cipax Oy	2188914-4	Helsinki, Finland	1,000	100%
Fredriksons Automation AB	556548-6882	Vadstena, Sweden	1,000	100%
Fredriksons Verkstads AB	556420-7537	Vadstena, Sweden	5,000	100%
Fredriksons Industry (Suzhou) Co Ltd	022735	Suzhou, China	–	100%
HB Gunnarsson & Ström Fastigheter	916821-7611	Hylte, Sweden	–	100%
Kungsörs Mekaniska Verkstad AB	556141-4243	Kungsör, Sweden	1,500	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Metall Göte AB	556054-5658	Värnamo, Sweden	8,000	100%
Mikroverktyg AB	556020-8828	Södertälje, Sweden	1,000	100%
MPT Gruppen AB	556310-2424	Jönköping, Sweden	12,470	100%
NPB Automation AB	556266-7948	Jönköping, Sweden	1,000	100%
Ornplast Sp. z o. o	0000404285	Warsaw, Poland	2,000	100%
Resinit AB	556332-1263	Västervik, Sweden	1,000	100%
Segerströms i Falkenberg AB	556125-7147	Falkenberg, Sweden	5,000	100%
HB Unnaryds Fastigheter	916821-8288	Hylte, Sweden	–	100%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
VIAB Precision (Suzhou) Co Ltd	320594400031076	Suzhou, China	–	100%
VIAB Precision Asia Ltd.	1668446	Hong Kong, China	10,000	100%
Värnamo Industri AB	556497-2056	Värnamo, Sweden	4,000	100%
XANO Fastigheter Eslöv AB	556605-1529	Eslöv, Sweden	1,000	100%
XANO Fastigheter i Estland AB	556297-2041	Jönköping, Sweden	4,000	100%
XANO Fastigheter Ljungarum AB	556202-5220	Jönköping, Sweden	2,796,000	100%
XANO Fastigheter Länna AB	556176-5271	Stockholm, Sweden	1,000	100%
XANO Industrial Center AS	10994473	Tallinn, Estonia	400	100%
ÅGES Metallgjuteri AB	556179-0717	Hylte, Sweden	2,000	100%
Ögärdet AB	556627-5714	Hylte, Sweden	1,000	100%

18 of the subsidiaries are industrial companies whilst the rest are companies with limited operations such as sales companies, holding companies, real estate companies and dormant companies.

Note 11

Other receivables

	2012	2011
Tax asset included totalling	555	–
	555	–

Note 12

Share capital

Distribution of share capital	31.12.2012	1.1.2012
Class A shares	1,950,000	1,950,000
Class B shares	4,978,974	4,978,974
Total number of shares	6,928,974	6,928,974
Quotient value, SEK	5	5
Share capital, SEK	34,644,870	34,644,870

The total number of shares is 6,928,974, of which 140,000 are held by the company. The average number of outstanding shares amounts to 6,788,974.

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

On 1 July 2012, convertible bonds with a nominal value of SEK 30,000 thousand, corresponding to 275,229 Class B shares at full conversion, were issued.

Class A shares give entitlement to ten votes and Class B shares to one vote. The number of votes, following deductions for the company's own holding, amounts to 24,338,974. The proposed dividend amounts to SEK 3.50 per share.

Note 13

Untaxed reserves

	2012	2011
Tax allocation reserve, allocation for 2009 taxation	3,278	3,278
Tax allocation reserve, allocation for 2010 taxation	1,076	1,076
Tax allocation reserve, allocation for 2011 taxation	14,050	14,050
Tax allocation reserve, allocation for 2012 taxation	16,061	16,061
Tax allocation reserve, allocation for 2013 taxation	13,897	–
	48,362	34,465
Accumulated excess depreciation	267	340
	48,629	34,805

Deferred tax liabilities represent SEK 10,698 thousand (9,154) of untaxed reserves.

Note 14

Liabilities

Non-current liabilities	2012	2011
Maturity date between one and five years after balance sheet date	302,308	14,603
Maturity date more than five years after balance sheet date	–	–
	302,308	14,603

Current liabilities	2012	2011
Bank overdraft facilities, Group currency accounts	233,032	20,448
Current portion of non-current liabilities	40,000	–
Convertible loans	–	27,316
	273,032	47,764

Total interest-bearing liabilities	575,340	62,367
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Bank overdraft facilities	2012	2011
Bank overdraft facilities granted, Group currency accounts	348,921	290,023
Unutilised amount	-115,889	-269,575
Utilised amount	233,032	20,448

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 178 million (302).

The company has an outstanding convertible loan reported at SEK 28,240 thousand. The nominal value is SEK 30,000 thousand. The convertible loan runs until 30 June 2016 with an annual interest rate corresponding to STIBOR 3M plus 2.7 per cent (4.64 per cent for the current period). During the period 1–10 June 2016, convertible bonds can be redeemed against shares at the conversion rate of SEK 109 per share. The nominal value of the loan is SEK 109 per convertible bond. Given that the loan is subordinate to other liabilities and the Group's financial position in general, the interest rate cannot be regarded as corresponding to a market interest rate. The market interest rate for this loan was assessed at 7.08 per cent (government bonds interest rate at the time of issue, 1.08 per cent, with a 6.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are taken up at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible debenture loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest for the year is SEK 956 thousand and corresponds to 6.3 per cent of the actual liability. The profit is also affected by issue costs incurred when the convertible loan was taken out as well as interest relating to convertible loans maturing before 30 June 2012.

Derivatives totalling SEK 12,768 thousand are included in current liabilities. The item relates to interest-rate swaps valued at market value. The year's change in value of SEK -3,193 thousand (-8,671), excluding tax, has been reported as financial costs in the income statement.

Cash and bank deposits include the balance in the current account, Group currency account.

Note 15**Pledged assets**

	2012	2011
Shares in subsidiaries	523,094	57,094
	523,094	57,094

Note 16**Contingent liabilities**

	2012	2011
Guarantees in favour of subsidiaries	244,552	237,562
Pension commitments	2,233	1,540
	246,785	239,102

Note 17**Cash flow****Interest**

Interest paid amounted to SEK 12,829 thousand (10,772) and interest received SEK 16,734 thousand (15,896).

	2012	2011
Liquid assets		
Cash and bank balances	–	44,171
Investments	5	5
Amount at year-end	5	44,176

Note 18**Risks**

The Parent Company is exposed to financial risks through its international activities. Financial risks refer to changes in exchange rates and interest levels. A statement on the Group's main financial and operational risks can be found in Note 32 on pages 70 and 71.

The undersigned certify that the consolidated financial statements and the Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting policies respectively, and give a true and fair view of the financial positions and results of the Group and the Company, and that the Directors' Report gives a fair review of the development of the operations, financial positions and results of the Group and the Company and describe substantial risks and uncertainties that the Group companies face.

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2012 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 6 May 2013 for adoption.

Jönköping, 7 March 2013

Tord Johansson
Chairman

Fredrik Rapp
Vice chairman

Stig-Olof Simonsson
Board member

Christer Dahlström
Board member

Petter Fägersten
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
CEO

Our audit report was submitted on 14 March 2013.

Stefan Engdahl
Authorised public accountant

Stefan Landström Andersson
Authorised public accountant

Audit report

To the annual meeting of the shareholders of XANO Industri AB (publ), corporate identity number 556076-2055

Report on the annual report and consolidated financial statements

We have audited the annual report and consolidated financial statements of XANO Industri AB (publ) for the year 2012. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 48–82.

Responsibilities of the Board of Directors and the CEO for the annual report and consolidated financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of an annual report and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of the annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual report and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance that the annual report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the annual report and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the annual report and consolidated financial statements, whether due to fraud or error. In making such risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual report and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual report and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair representation, in all material respects, of the financial position of the parent company as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair representation, in all material respects, of the financial position of the Group as at 31 December 2012 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' report is consistent with the other parts of the annual report and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual report and consolidated financial statements, we have examined the proposed appropriation of the company's profit or loss and the administration of the Board of Directors and the CEO of XANO Industri AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for proposing the appropriation of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Swedish Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion, with reasonable assurance on the proposed appropriation of the company's profit or loss and on the administration, based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual report and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Jönköping, 14 March 2013

Stefan Engdahl
Authorised public accountant

Stefan Landström Andersson
Authorised public accountant

Corporate governance report 2012

Swedish Corporate Governance model

Corporate governance in Swedish listed companies is regulated by a combination of written rules and generally accepted practices. The framework includes the Swedish Companies Act ("the Act") and the rules that apply in the regulated market in which the company's shares are quoted. In addition, all listed Swedish companies have been covered by the Swedish Code of Corporate Governance ("the Code") since 1 July 2008.

The Act stipulates that the company must have three decision-making bodies: the shareholders' meeting, the Board of Directors and the CEO. There must also be a controlling body, an auditor, who is appointed by the shareholders' meeting. The Act stipulates which tasks the respective bodies have and which responsibilities fall upon the people making up the bodies. The Code complements the Act by setting higher requirements in certain areas, but also by making it possible for companies to deviate from these in specific circumstances if this will lead to better corporate governance.

Corporate governance at XANO

XANO Industri AB (publ) is a Swedish public limited company whose overall goal is to generate long-term value for its shareholders and other stakeholders. XANO shares are listed on NASDAQ OMX Stockholm in the Small Cap segment. The information requirements that XANO is subject to as a result of this can be found in the "Rule Book for Issuers" published by the stock exchange.

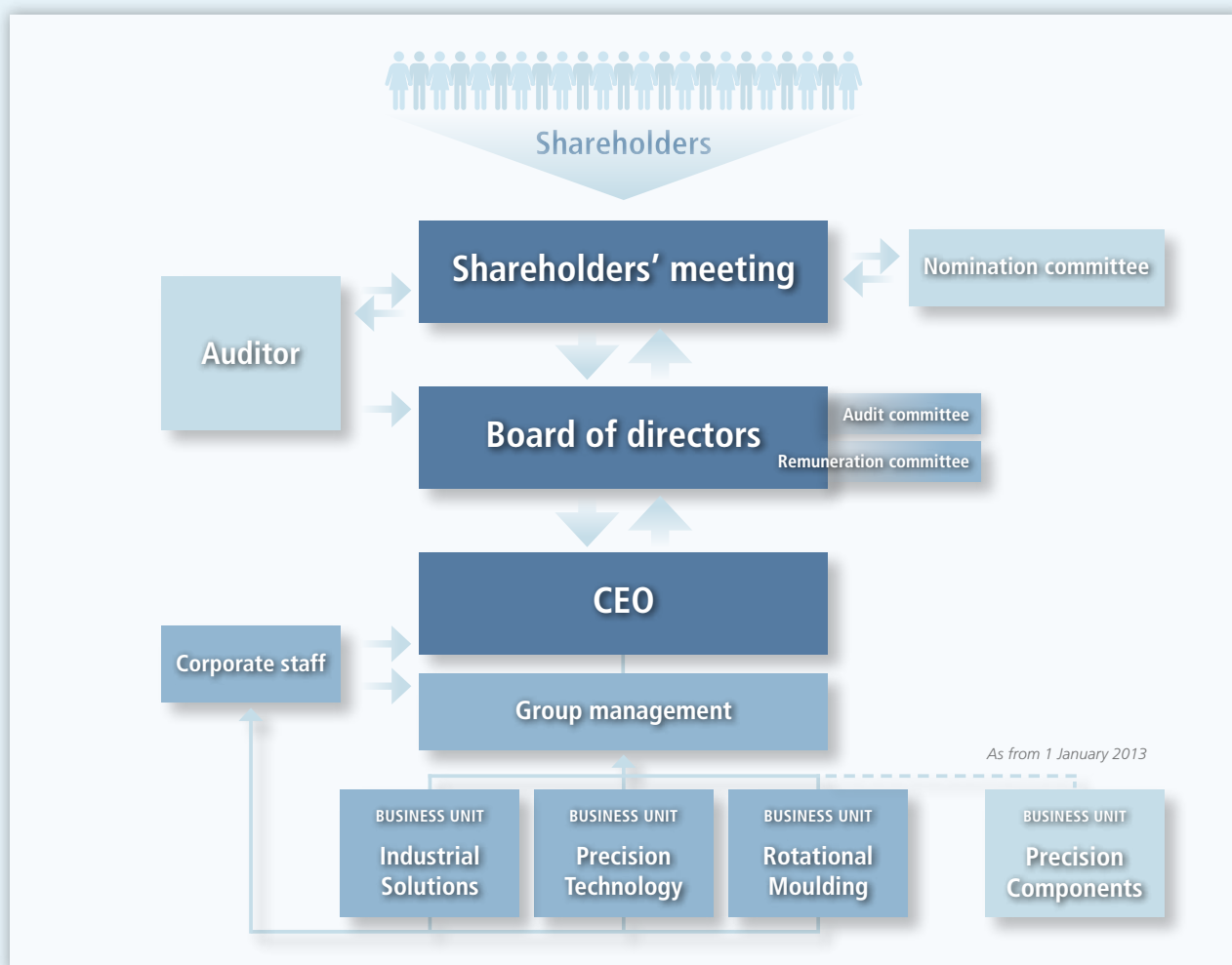
XANO has been covered by the Code since 1 July 2008. This corporate governance report describes XANO's corporate governance, management and administration, in addition to the internal controls that are in place concerning financial reporting.

Shareholders

At the end of 2012, there were 1,274 shareholders in XANO, of which 1,184 were physical persons representing 18.0 per cent of the votes and 37.4 per cent of the capital. Institutional holdings constituted 2.9 per cent of the votes and 10.3 per cent of the share capital. The ten largest shareholders accounted for 95.1 per cent of the votes and 82.9 per cent of the capital. There are currently two shareholders who each own and control more than ten per cent of the votes for all shares in the company. Tord Johansson controls 27.5 per cent of the capital and 55.1 per cent of the votes through his own and related parties' holdings. Pomona-gruppen holds 31.0 per cent of the capital and 28.6 per cent of the votes. Information concerning holdings relates to share after deduction of the company's own holdings.

Shareholders' meeting

The shareholders' meeting is the forum in which the shareholders' influence is exercised. It is the company's highest decision-making body and has a superior position in relation to the company's Board and the CEO. Notices convening a shareholders' meeting must be issued through advertising in



the Official Swedish Gazette and on the company website, according to the Articles of Association. Confirmation that notices convening the meeting have been placed will be published in Dagens Industri.

Annual General Meeting

The Annual General Meeting (AGM) assembles once a year in order to decide on matters such as the adoption of the annual report and consolidated financial statements, the discharge of the Board of Directors and CEO from liability and to decide on the allocation of profits from the previous year. The meeting also elects the Board of Directors and, when necessary, auditors. All shareholders who are directly registered in the share register and who have registered their attendance in time can attend the meeting and vote on behalf of all their shares. Shareholders who are unable to attend themselves may be represented by a proxy.

Annual General Meeting 2012

XANO's 2012 AGM was held on Thursday 10 May. 51 shareholders, whose holdings accounted for 95 per cent of the votes and 83 per cent of the total number of outstanding shares, were represented at the meeting. XANO's Board and management, as well as the company's auditor and representatives from the nomination committee, were present at the meeting. The following key decisions were made:

- » Dividends of SEK 3.50 per share were awarded to shareholders, amounting to a total of SEK 23.8 million.
- » Re-election of Board members Stig-Olof Simonsson, Fredrik Rapp, Christer Dahlström and Tord Johansson. Election of Petter Fägersten and Eva-Lotta Kraft. Re-election of Tord Johansson as Chairman of the Board.
- » Composition of the nomination committee ahead of the 2013 AGM.
- » Authority for the Board of Directors to take decisions concerning acquisitions and transfer of the company's own shares.

Annual General Meeting 2013

XANO's 2013 AGM will take place on Monday 6 May at 3 pm at the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 91 of the annual report for 2012.

Board of Directors

The task of the Board of Directors is to manage the company's assets on behalf of the shareholders. According to the Articles of Association, the Board must be made up of at least three and no more than eight members, with a maximum of eight deputies. According to the Code, deputies are not to be appointed for members elected by the AGM. XANO's Board currently consists of six ordinary members: Tord Johansson (Chairman), Fredrik Rapp, Stig-Olof Simonsson, Christer Dahlström, Petter Fägersten and Eva-Lotta Kraft. Simonsson, Dahlström and Kraft are independent of the company's major shareholders. Tord Johansson controls, through his own and related parties' holdings, more than 10 per cent of the shares and votes in XANO. Through their employment in companies related to the principal owners, both Fredrik Rapp and Petter Fägersten are judged to be dependent in relation to the major shareholders. All members are independent of the company and the company management. The Articles of Association do not contain any specific regulations concerning the appointment and dismissal of Board members or changes to the Articles of Association.

The work of XANO's Board of Directors is governed both by laws and recommendations and by the Board's rules of procedure, which are adopted once a year. These rules of procedure contain rules concerning matters such as the distribution of work between the Board of Directors and the CEO, financial reporting and investments.

The Board of Directors held ten meetings during the 2012 financial year,

six in accordance with the Board's rules of procedure, one for acquisition discussions and three per capsulam. Each ordinary meeting considers the following fixed items: review of the minutes of the previous meeting, general review of the business units with follow-up on the latest report and comparison with the forecast as well as financing and liquidity. In addition to fixed reporting items, the Board of Directors also decides on issues of a more general nature, such as the Group's strategy, structural and organisational matters, policies, guidelines and major investments.

One of the company's auditors participates in at least one of the Board's meetings each year. The auditors' observations arising from the audit of the company's accounts, routines and internal controls are presented at this meeting.

In addition to the fixed items according to the above, the programme for 2012 included the following main items:

No 1 – 7 February

Year-end report 2011, report from audit committee, the auditors' report of their general observations arising from the audit of the 2011 accounts.

No 2 – 19 March (per capsulam)

Proposal for personnel convertible.

No 3 – 10 May

Interim report 3 months, revised forecast for 2012, pre-requisites prior to AGM.

No 4 – 21 May (per capsulam)

Valuation of personnel convertible.

No 5 – 12 June (per capsulam)

Allocation of personnel convertible.

No 6 – 10 July (phone)

Interim report 6 months.

No 7 – 18-19 September

Group strategy, annual programme for 2013, visit to KVM in Kungsör and Albins in Valskog.

No 8 – 11 October (phone)

Acquisition discussions.

No 9 – 7 November (phone)

Interim report 9 months.

No 10 – 6 December

Forecast for 2013, evaluation of the Board's and the CEO's work, visit to Fredriksons in Vadstena.

Audit committee

The task of the audit committee is to prepare the Board's work by quality assuring the company's financial reporting, regularly meeting the company's auditor to inform themselves of the company's direction and scope, as well as discussing the coordination between the external audit and the internal controls and the view of the company's risks, setting guidelines for which services other than auditing must be handled by the company's auditor, evaluating the audit work and informing the company's nomination committee of the outcome of the evaluation as well as assisting the nomination committee in its proposals for auditors and fees for audit work. In 2012, XANO's audit committee comprised the Board members Tord Johansson, Stig-Olof Simonsson and Christer Dahlström (Committee Chairman).

Remuneration committee

The task of the remuneration committee is to prepare issues relating to remuneration and other employment conditions for the company management. The remuneration committee at XANO also has the task of dealing with issues

relating to remuneration and other employment conditions for the managing directors of other companies in the Group. In 2012, XANO's remuneration committee comprised the Board members Tord Johansson, who is also Committee Chairman, Fredrik Rapp and Christer Dahlström.

CEO

The Board appoints the CEO to take care of the day-to-day administration of the company. The current CEO, Sune Lantz, took up the position in February 2003 after having been acting CEO for just under a year and deputy CEO before that since 1989.

Group Management

The Group Management consists of CEO Sune Lantz, deputy CEO Lennart Persson and CFO Marie Ek Jonson.

Corporate staff

There is a staff function reporting directly to the CEO which is responsible for business development, finance, insurance, purchasing, IT, communication, consolidated financial statements and group-wide administration. This is where projects involving all or a number of the Group's companies are managed. Manuals and policies regulating work at the subsidiaries are drawn up in the respective areas.

Business units

During 2012, the Group consisted of three reporting units. These were: Industrial Solutions, Precision Technology and Rotational Moulding. The operational management of the business units reports directly to the CEO. Through corporate staff functions, supporting documentation for decisions for the Board and CEO are collated within other areas.

Nomination committee

The nomination committee is the AGM's body for the preparation of decisions to be made by the meeting concerning appointment matters with the aim of establishing a sound basis for consideration of such matters.

A nomination committee was appointed at the 2012 AGM consisting of Ulf Hedlundh (Chairman), Johan Rapp and Anders Rudgård. Johan Rapp passed away on 9 January 2013. The nomination committee's remaining members have appointed Fredrik Rapp as a new member.

The task of the committee prior to the 2013 AGM is to nominate a Chair-

man of the Board and other Board members, auditors, a chairman for the AGM, and fees for the Board and auditors. The nomination committee has evaluated the work of the Board and held one per capsulam meeting prior to the AGM, during which minutes were taken, in addition to a number of contacts.

Auditors

A registered auditing company, or one or two auditors of whom at least one must be an authorised public accountant, with or without deputy auditors, must be elected by the general meeting to examine the company's annual report, the consolidated report and financial statements as well as the administration by the Board and CEO. The auditors' report to the shareholders will be made at the AGM via the audit report.

The ordinary election of an auditor for XANO last took place at the AGM in 2012 for the term of office up until the AGM in 2013. The current auditors are Stefan Engdahl (head auditor) and Stefan Landström Andersson, both authorised public accountants at Ernst & Young Jönköping. Alongside the work for XANO Industri AB, Stefan Engdahl undertakes auditing work for companies including Hexpol AB, ITAB Shop Concept AB, Kabe AB and Liljedahlsbolagen AB. Stefan Landström Andersson undertakes auditing work for companies including Trioplast Industrier AB.

Deviations from the Code

There are no deviations to report for 2012.

Principles for the remuneration of senior executives, incentive programmes, etc.

The Board of Directors proposes that the AGM reach a decision concerning guidelines for the determination of salaries and other reimbursements for the CEO and other senior executives.

The guidelines that were adopted by the 2012 AGM require the conditions to be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of three months' fixed salary. Senior executives must have market pension conditions, which must be premium-based. Any member of the Group's management can terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary will be payable to the CEO. The Board is entitled to deviate from the guidelines if there are exceptional reasons for doing so in each individual case.

Composition of the Board of Directors and Committees 2012/2013

Name	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2012	Participation in Remuneration Committee 2012	Participation in Audit Committee 2012	Board fee including committee remuneration, SEK
Tord Johansson	Chairman	Yes	No ¹⁾	10 (10)	1 (1)	1 (1)	740,000
Christer Dahlström	Member	Yes	Yes	9 (10)	1 (1)	1 (1)	140,000
Petter Fägersten	Member	Yes	No ¹⁾	10 (10)	–	–	100,000
Eva-Lotta Kraft ²⁾	Member	Yes	Yes	6 (6)	–	–	100,000
Fredrik Rapp	Member	Yes	No ¹⁾	10 (10)	1 (1)	–	120,000
Stig-Olof Simonsson	Member	Yes	Yes	10 (10)	–	1 (1)	120,000
							1,320,000

¹⁾ Tord Johansson controls, through his own and related parties' holdings, more than 10 per cent of both shares and votes in XANO. Through their employment in companies related to the principal owners, both Fredrik Rapp and Petter Fägersten are judged to be dependent in relation to the major shareholders.

²⁾ Eva-Lotta Kraft was appointed by the Annual General Meeting in May 2012.

More information on the Board members and Group management is given on pages 88 and 89.

At the 2012 AGM, it was decided to issue convertible bonds to employees, which also covers the Group management. There are no outstanding share-related or share price-related incentive programmes.

Internal controls concerning financial reporting

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal controls which aim to protect the company's assets and thereby the shareholders' investments.

Financial reporting

All units report their financial results each month. These reports are consolidated and form the basis for quarterly reports and operational monitoring. This operational monitoring is carried out in accordance with an established structure where incoming orders, invoicing, liquidity, capital tie-up and other key ratios of importance for the Group are collated and form the basis for analysis and action by the management and controllers at different levels. Other important corporate elements of the internal controls are business plans and the annual forecasting process.

For communication with external parties, there is an information policy which is intended to ensure that all information obligations are fulfilled correctly and in full.

Control environment

The primary task of the audit committee is to monitor the accounting and reporting processes and to ensure the quality of these reports and processes. Responsibility for maintaining an effective control environment and the on-going work relating to risk management and internal controls concerning financial reporting rests with the CEO. In turn, managers at various levels within the company have this responsibility within their respective areas. Responsibilities and authorities are defined in CEO instructions, instructions concerning authorisation rights, manuals and other policies, routines and codes. The Board of Directors establishes the Group's key policies concerning communication, credit, financing and risk management. The Group management establishes other policies and instructions, and responsible corporate

functions issue guidelines and monitor the application of the regulations.

The Group's accounting and reporting rules are set out in a finance manual which is available to all finance personnel. Together with laws and other external regulations, the organisational structure and internal regulations constitute the control environment.

Risk assessment

XANO regularly analyses risks by reviewing the risk of errors within the financial reporting of important income statement and balance sheet items. Operational risks are also assessed.

Control activities

The purpose of control activities is to identify, prevent and correct errors and deviations. Policies and guidelines are particularly important for accurate accounting, reporting and information provision and also define the control activities that must be carried out. Policies and guidelines are updated on an on-going basis both in documents and through meetings. Control activities cover areas such as authorisation routines, account reconciliation, analytical monitoring and the control of IT systems.

Monitoring

The Group management and controllers monitor the financial reports and key business events on an on-going basis. At each Board meeting, financial developments are reviewed against forecasts and an assessment is made as to what extent approved investments are following established plans. The audit committee evaluates the internal controls, company code and key accounting issues on an on-going basis.

XANO has so far not considered it necessary to establish a separate internal audit function. The work relating to internal controls is carried out within the framework of other activities and primarily takes place using central resources. It is the company's view that this evaluation largely corresponds to the work that is performed by an internal audit function in other companies. Certain aspects of the internal controls are reviewed by the auditors on an on-going basis. The matter of a separate internal audit function will be reviewed again during 2013.

Jönköping, 7 March 2013

Tord Johansson
Chairman

Fredrik Rapp
Vice chairman

Christer Dahlström
Board member

Stig-Olof Simonsson
Board member

Petter Fägersten
Board member

Eva-Lotta Kraft
Board member

Auditor's opinion on the corporate governance statement

To the annual meeting of the shareholders of XANO Industri AB (publ), corporate identity number 556076-2055

It is the Board of Directors that is responsible for the corporate governance statement for 2012 on pages 84-87 and for preparing it in accordance with the Swedish Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been duly prepared and is consistent with the annual report and the consolidated financial statements.

Jönköping, 14 March 2013

Stefan Engdahl
Authorised public accountant

Stefan Landström Andersson
Authorised public accountant

Board of Directors



Tord Johansson

(born 1955)

Chairman, elected in 1979.

Principal education: Technical industrial economics.

Principal work experience: Managing director ITAB.

Other commissions: Chairman of the boards of ITAB Shop Concept AB, Kieryd Gård AB and SW Exergon AB. Member of the boards of Blue Wall Construction AB, Eolus Vind AB and Prolight Försäljning AB.

Shareholding in XANO: 1,282,200 Class A shares and 585,575 Class B shares.



Christer Dahlström

(born 1943)/Board member, elected in 2008.

Principal education: Master of Political Science.

Principal work experience: Managing director Priveq Investment and Skandia Investment.

Other commissions: Member of the boards of Heba Fastighets AB and Svolder AB.

Shareholding in XANO: 6,000 Class B shares.



Eva-Lotta Kraft

(born 1951)

Board member, elected in 2012.

Principal education: Graduate engineer, MBA.

Principal work experience: Area manager Alfa Laval and Siemens-Elrema, strategy and marketing director FOI.

Other commissions: Member of the boards of Boule Diagnostics AB, NIBE Industrier AB, Opus Group AB and ÅF AB.

Shareholding in XANO: –



Fredrik Rapp

(born 1972)

Vice Chairman, elected in 2004.

Principal education: Graduate economist.

Principal work experience: Managing director Pomona-gruppen and Talk Telecom.

Other commissions: Chairman of the boards of Binar AB, Eesti Hõõvelliist AS and Serica Consulting AB. Member of the boards of Nordic Flow Group AB, PrimeKey Solutions AB and TM Web Express AB.

Shareholding in XANO: 3,500 Class B shares.



Stig-Olof Simonsson

(born 1948)/Board member, elected in 2002.

Principal education: BA.

Principal work experience: Managing director SYSteam.

Other commissions: Chairman of the boards of Simonssongruppen AB and TOSITO Invest AB. Member of the board of ITAB Shop Concept AB.

Shareholding in XANO: 181,245 Class B shares.



Petter Fägersten

(born 1982)

Board member, elected in 2011.

Principal education: Graduate economist.

Principal work experience: Marketing director ITAB Shop Concept Jönköping.

Other commissions: Member of the board of ITAB Industrier AS.

Shareholding in XANO: 150,200 Class B shares.

Details concerning the number of shares refer to holdings on 31 December 2012 and include, when applicable, holdings via related parties.

Group Management



Sune Lantz

(born 1953)

CEO, joined the company in 1985.

Principal education: Economics and auditing.

Principal work experience: CEO ITAB, auditor, bank official.

Shareholding in XANO: 97,400 Class B shares.

Convertible holding in XANO: 30,000.

Marie Ek Jonson

(born 1967)

CFO, joined the company in 1992.

Principal education: Graduate in business administration.

Principal work experience: Controller ITAB.

Shareholding in XANO: –

Convertible holding in XANO: 9,000.

Lennart Persson

(born 1968) **Deputy CEO, joined the company in 1998.**

Principal education: Engineering graduate.

Principal work experience: CIO Eldon Vasa, business controller ITAB, managing director ITAB Kaluste and ITAB Plast.

Shareholding in XANO: 11,000 Class B shares.

Convertible holding in XANO: 30,000.

Auditors

Stefan Engdahl

(born 1967)

Authorised public accountant, elected 2008.

Ernst & Young Jönköping.

Stefan Landström Andersson

(born 1963)

Authorised public accountant, elected 2009.

Ernst & Young Jönköping.



Johan Rapp in memoriam

Johan Rapp, one of XANO's major shareholders and a former long-serving Board member, passed away on 9 January 2013 after an illness.

Johan was elected to the Board in 1994 and was its chairman from 1995 to 2006. In May 2012 he stood down from the Board but his strong commitment to XANO endured.

Over the years Johan contributed in a very tangible way to the development of the Group by virtue of his broad skillset and experience. He was also a warm and spiritual person who will be deeply missed.

Definitions

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 in relation to the average number of outstanding shares plus the average number of shares added at conversion of outstanding convertibles.

Direct yield

Proposed dividend in relation to the share price on the balance sheet date.

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.

Gross margin

Gross profit in relation to net sales.

Interest coverage ratio

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

Operating margin

Operating profit in relation to net sales.

Profit margin

Profit after financial items in relation to net sales.

Proportion of risk-bearing capital

Equity plus provisions for taxes in relation to total capital.

Return on capital employed

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

Return on equity

Net profit in relation to average equity.

Return on total capital

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

Total capital

Total equity and liabilities (balance sheet total).

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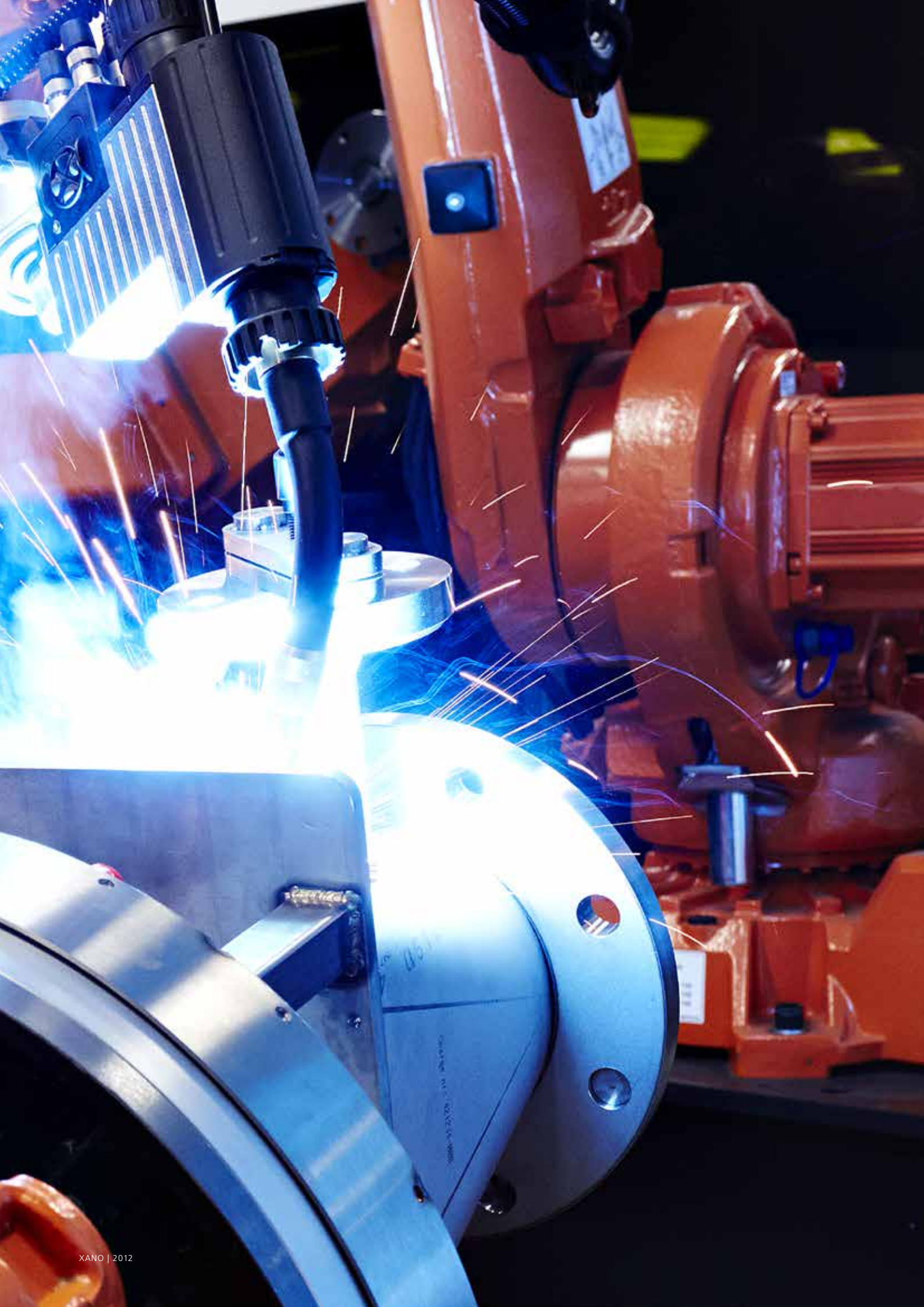
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