

“We can look back over a positive year characterised by market success and complementary acquisitions, as well as excellent results as regards sales and earnings.”

Lennart Persson  
*Managing Director and CEO*

## XANO – ANNUAL REPORT 2018

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# BUSINESS CONCEPT

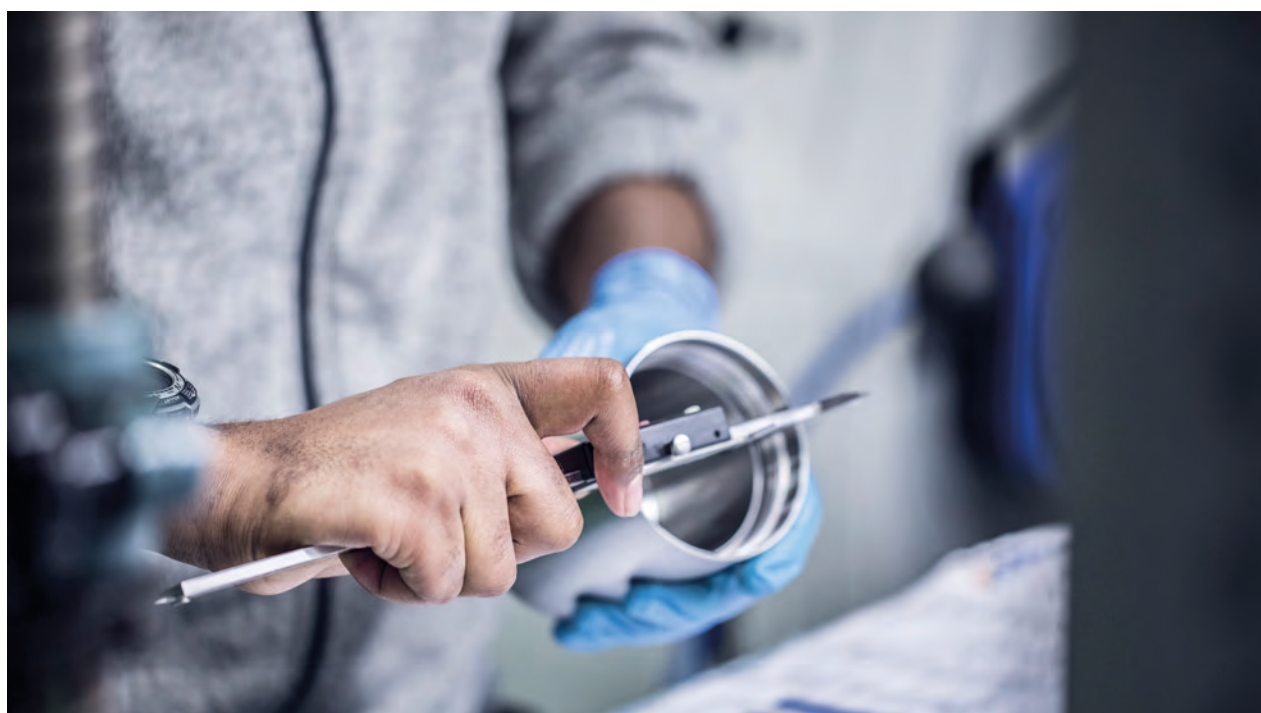
## BUSINESS CONCEPT

XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services. XANO owns niche engineering companies whose main market is industry in Europe. The Group creates value for shareholders by exercising both active ownership and management by objectives.

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## CORE VALUES

<b>ENTREPRENEURIAL DRIVE</b>	The most important common denominator for the companies within XANO is entrepreneurial spirit with a strong drive. The units have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for the involvement of all employees. XANO's role is to support the companies so that their inherent energy produces the best possible results.
<b>LONG-TERM THINKING</b>	XANO believes in strong relations. For this reason, the Group is investing in its companies in the long term, providing each unit with the scope to develop its resources. This is reflected in contacts with customers and suppliers, where prolonged assignments and close collaboration are leading to successful projects.
<b>TECHNICAL KNOW-HOW</b>	Each company in the XANO Group is unique and the products span a broad spectrum, from components in analysis instruments to complex packaging machines. The companies are market leaders and are at the forefront in their respective niches. Features that all the companies have in common are high technical and service levels, as well as advanced technical advice.



# STRATEGIES AND TARGETS

## Financial objectives

### STABLE PROFITABILITY AND HIGH GROWTH

XANO's organic growth will be at a higher level than general market growth. Growth will also take place through the acquisition of operations and companies. The profit margin will amount to eight per cent over time. The equity/assets ratio will exceed 30 per cent.

## Vision

### MARKET LEADER WITHIN SELECTED SEGMENTS

XANO will be a market leader within selected market segments. XANO will create strong units from companies, where economies of scale are utilised optimally.

## Strategy

### DEVELOP, ACQUIRE AND RUN NICHE ENGINEERING COMPANIES

XANO will develop, acquire and run niche companies and, through active ownership, create added value for the shareholders. The manufacturing process must have a high technical content with the aim of satisfying the customer's needs. In order to achieve this, XANO needs to work within well defined niches. The level of service and delivery capability have to be high. The companies must strive to achieve long-lasting relationships with both customers and suppliers. XANO must have a sufficiently large market share within each niche in order to be an interesting partner for both customers and suppliers.

## Market offer and operations

### ADVANCED TECHNOLOGY FOR SELECTED TARGET GROUPS

XANO's market offering includes the manufacture and assembly of component and systems with associated services, as well as the development, manufacture and marketing of the companies' own products. The Group currently has operations in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. Possessing such advanced technical expertise enables XANO to create added value for its customers.

## Core values

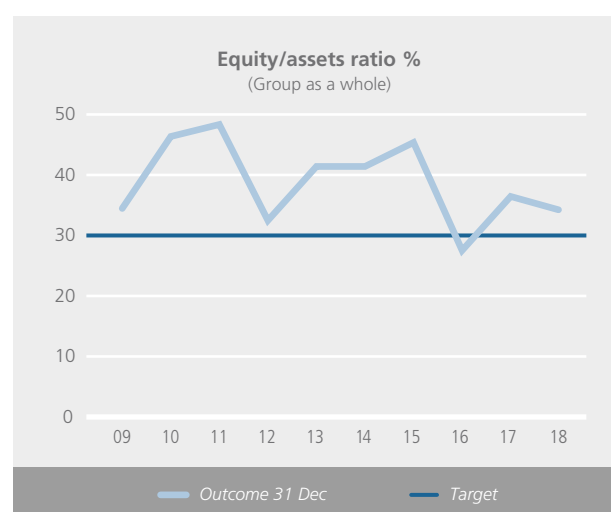
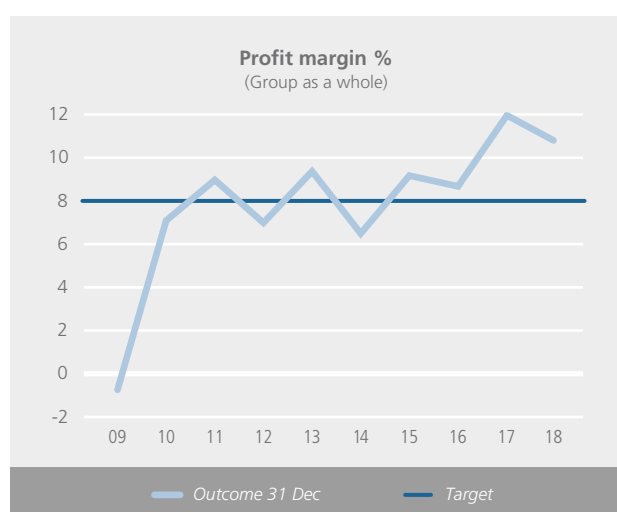
### EMOTIONAL AND FUNCTIONAL ADDED VALUES

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

## Target achievement

### RESULTS EXCEED STATED TARGETS

The Group's organic growth stood at just over 2 per cent, while acquisitions contributed a further 21 per cent in volume during 2018. The profit margin was lower than the previous year, yet still exceeded the target value, amounting to 10.7 per cent. As a result of the business acquisitions during the year, the equity/assets ratio dropped from 36 to 34 per cent.

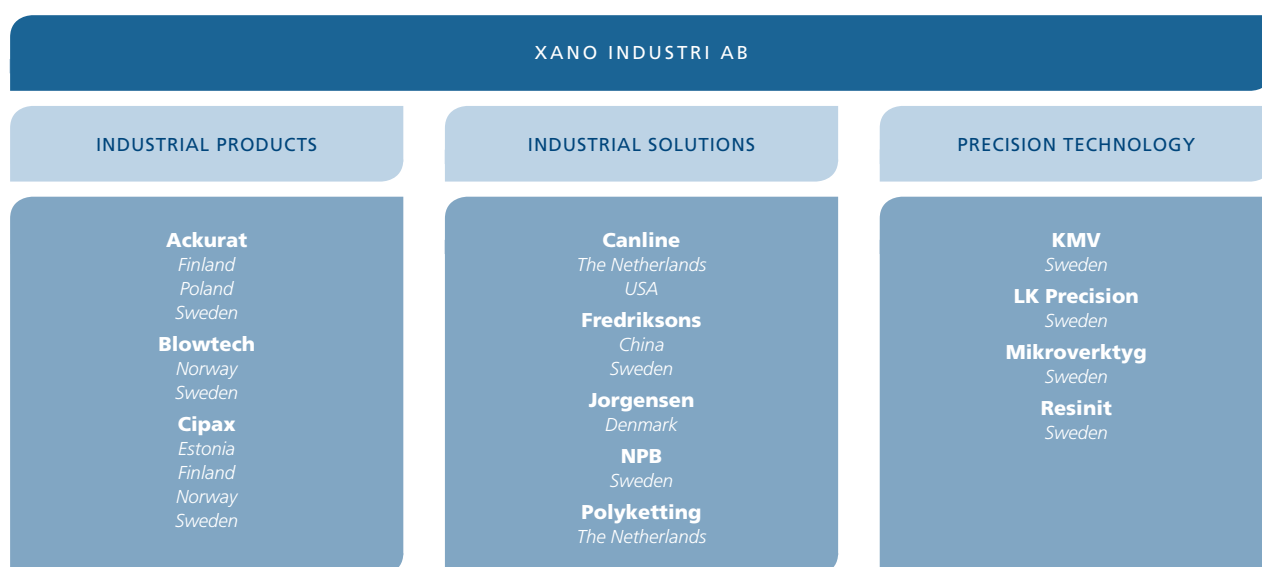


# GROUP OVERVIEW

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment.

The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Each unit is anchored locally and is developed according to its own circumstances. At the same time, the Group affinity creates economies of scale for the companies and their customers.

The Group's operations are divided up into the Industrial Products, Industrial Solutions and Precision Technology business units.



		2018	2017 <sup>1)</sup>
Net sales	SEK m	583	296
Growth	%	+96.9	N/A
Operating profit	SEK m	64	37
Operating margin	%	11.1	12.5
Employees	average	302	184

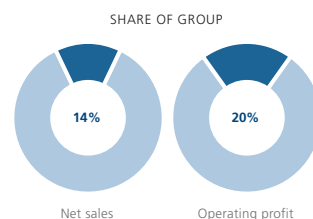
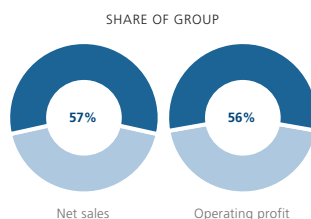
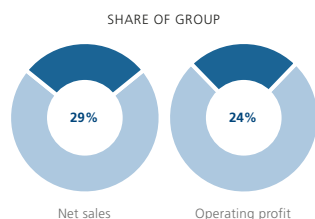
Blowtech is included from the acquisition date 2 January 2018.

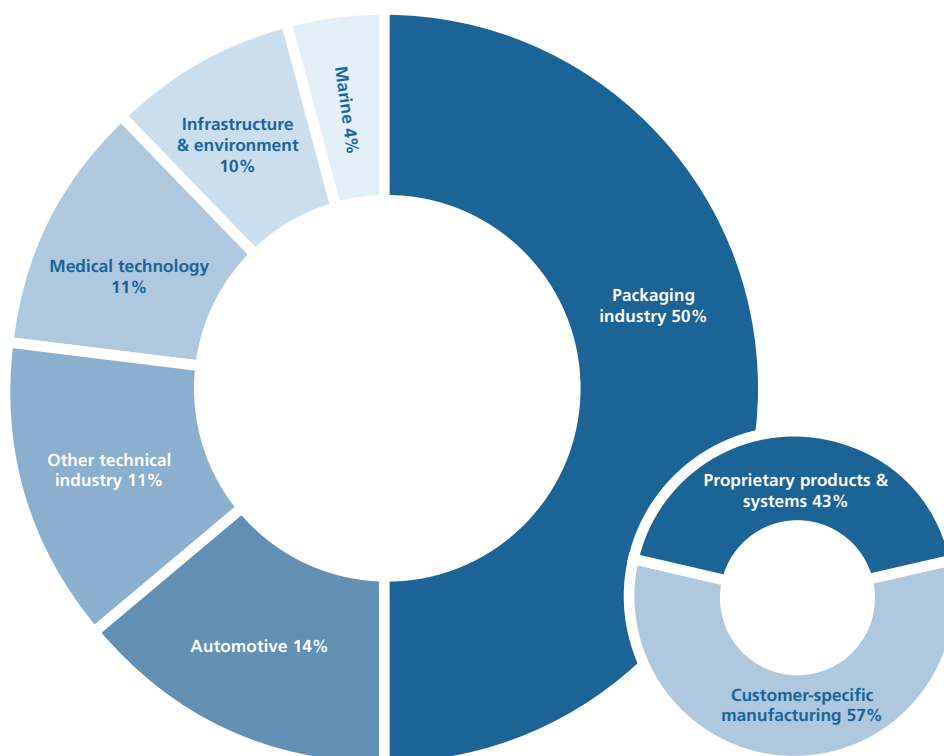
		2018	2017 <sup>1)</sup>
Net sales	SEK m	1,172	1,113
Growth	%	+5.3	N/A
Operating profit	SEK m	147	161
Operating margin	%	12.5	14.5
Employees	average	541	461

Polyketting is included from 1 May 2018.

		2018	2017
Net sales	SEK m	294	259
Growth	%	+13.7	+12.5
Operating profit	SEK m	52	44
Operating margin	%	17.7	17.0
Employees	average	164	154

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





#### PROPRIETARY PRODUCTS AND SYSTEMS

Thanks to focused efforts on complementing and refining the Group's own product range, growth for these has been strong in recent years. The proportion has further increased as a result of the strategic acquisitions that have been implemented. Many of the Group's companies have successfully developed their own solutions within their respective fields of expertise. Within Industrial Products, for example, there is a wide range of proprietary products such as boats and marine products, as well as containers, tanks and material handling solutions intended for industrial use. Parts that deliver new functions and the potential to design furniture, fittings and rehabilitation equipment, for example, are also continually being developed within the business unit. Within Industrial Solutions, project-related operations dominate, including systems developed in-house that

are intended to automate and rationalise customers' production processes. Design work, development of control systems and electronics as well as fine mechanical assembly are carried out in-house.

#### CUSTOMER-SPECIFIC MANUFACTURING

Just over half of the Group's operations are currently made up of manufacturing in the form of direct assignments from customers. The majority of the Group's companies have service functions at their disposal, which make it possible to carry out complete assignments for customers, covering areas such as project management, design, manufacturing, assembly and distribution. The goal is always to achieve the best production economics and functionality, regardless of whether this relates to an individual product or a total solution.

The manufacturing services within the Group are concentrated around various methods of producing products from metal and plastic. The Group includes companies that process plastic through blow moulding, 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 processed for example through pressure-turning, laser-cutting, edge-bending and welding. Products with special purity requirements are manufactured and assembled in a clean room environment. The Group also possesses extensive experience of the system assembly of complex products.

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

## 2018 IN BRIEF

Net revenue, SEK m	<b>2,044</b>	(1,663)
Profit after tax, SEK m	<b>171</b>	(158)
Earnings per share, SEK	<b>12.27</b>	(11.44)

FIGURES IN SUMMARY		2018	2017
Net revenue	SEK m	2,044	1,663
Growth	%	+23	+58
Gross margin	%	22.5	24.3
Operating profit	SEK m	236	220
Operating margin	%	11.6	13.2
Profit before tax	SEK m	219	200
Profit margin	%	10.7	12.0
Profit after tax	SEK m	171	158
Earnings per share	SEK	12.27	11.44
Proposed dividend per share	SEK	4.00	4.00
Equity/assets ratio	%	34	36

For definitions, see page 79.

## THE FULL YEAR

2018 was another good year for XANO. Sales growth stood at 23 per cent, of which the new acquisitions Blowtech and Polyketting jointly accounted for 21 per cent. Operating profit improved by just over 7 per cent, a result that entailed a new peak for the Group, calculated in Swedish kronor. Compared to the previous year, profitability weakened slightly as a result of an altered assignment structure within the Industrial Solutions business unit and comparatively lower margins in acquired units. The market climate was generally favourable, with the companies achieving a good return on the streamlining work they had carried out. Ongoing strengthening of resources through investments in new machinery and extended production areas was also a success.



## Q1

The Group companies started the year with a good order situation, but initially experienced slightly larger fluctuations in the sectors than in the comparison period. As a result of the decrease in incoming orders relating to new automation projects witnessed during the autumn, fewer installations were conducted during the first quarter. Production volumes for several major contract customers increased significantly, however.

#### ACQUISITION OF BLOWTECH

The acquisition of Blowtech Group was concluded in January. Blowtech is a leading Nordic player in technical blow moulding of plastics, producing complex components for vehicles, construction machinery and infrastructure equipment.

In conjunction with the acquisition of Blowtech, the Rotational Moulding business unit was restructured and changed its name to Industrial Products.

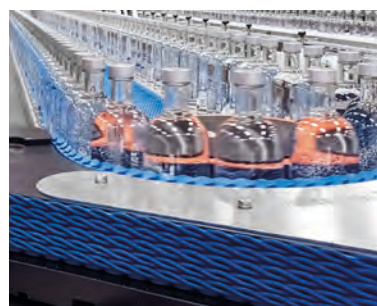


## Q2

Net sales rose and profitability remained good during the second quarter. With the exception of project-related operations, the demand situation was slightly cautious up to the end of the first half-year. The capacity was strengthened through additional machinery investments and expanded production space. The integration of newly acquired companies was a high priority.

#### ACQUISITION OF POLYKETTING

In May, the Dutch company Polyketting was acquired. Polyketting works with the development, manufacture and sale of automation equipment, mainly conveyor systems and accumulator units, for the packaging industry.



## Q3

Rising order volumes and overall strong results were reported during the third quarter. There were still only a small number of project deliveries, although the number of order completions increased markedly. Otherwise, demand for the Group's products and services remained largely unchanged, while the fluctuations in incoming orders declined slightly.

## Q4

The Group's operations finished the year positively, with both higher invoicing and stronger operating profit during the fourth quarter. Increased deliveries to major contract customers and more implemented automation projects contributed to a great extent to the good results. The market situation was stable and demand remained good.



# Stable positive development

A generally favourable market climate, combined with a high level of efficiency in our operations, meant that we once again achieved excellent results as regards sales and earnings. We conducted two complementary acquisitions and capacity improvements through machinery investments as well as expanding our production space.

## GROUP DEVELOPMENT DURING THE YEAR

During 2018, the Group's growth principally was the result of acquisitions, although many of our companies also grew organically, and the profit level remained good. The slightly weaker profitability compared to the previous year was a result of an altered assignment structure within the Industrial Solutions business unit and slightly lower margins in newly acquired units. However, the latter performed on a par with our expectations and contributed to new business opportunities for their sister companies. Compared to the previous year's even capacity utilisation, we saw a return to what we consider to be more normal conditions, with larger variations between the periods.

Our staff are absolutely vital to us being able to conduct operations. We have a core of loyal employees within all our business units, who are being supplemented with new, enthusiastic colleagues. Together they are generating positive energy and drive towards constant improvements.

## OPERATIONS WITHIN OUR BUSINESS UNITS

In conjunction with the acquisition of Blowtech, the Rotational Moulding business unit was restructured and changed its name to Industrial Products. The acquisition of Blowtech resulted in net sales for the business unit more or less doubling. The companies strengthened their positions on several markets, and volumes increased overall. However, we had slightly higher expectations as regards results for certain parts of the business, and initiated targeted improvement activities during the year.

Within the Industrial Solutions business unit, Polyketting supplied additional expertise in respect of the handling of packaging. The extent of the project-based operations decreased overall, however, and the altered assignment structure had a negative impact on operating profit. At the same time, deliveries to major contract customers increased. This relates to long-term commitments that will continue to have a positive impact in future years.

The companies within the Precision Technology business unit once again reported higher invoicing and improved operating profit. Under market conditions that remain favourable, the companies achieved a good return on the streamlining work they had carried out. They were also successful with the strengthening of resources that has been carried out through investments in new machinery and extended production areas.

## ACQUISITIONS THAT CREATE OPPORTUNITIES

We completed the acquisition of Blowtech at the start of the year. Blowtech's expertise within technical blow moulding successfully complements Cipax's rotational moulding operation within the Industrial Products business unit. Together, the two companies are able to offer customers the best production economics and the capacity for a variety of assignments. Shared resources for cultivating the industrial

segment have been added, with the aim of increasing the share by volume to customers outside of the automotive sector, which is where the majority of Blowtech's deliveries end up at present.

The Dutch automation company Polyketting was acquired in May and complements Fredriksons' solutions for handling packaging. Through this acquisition, the business unit acquired new product versions in the field of accumulation equipment, as well as access to new customer segments. Several collaborative projects are in progress between sister companies in areas such as product and technological development. An exchange is also taking place with Canline and Jorgensen, which have now been with us for a couple of years and have enjoyed positive development.

## OUR SUSTAINABILITY WORK

Our first sustainability report was an important tool in the process of approaching our sustainability work in a more systematised manner. During 2018, we have determined the focus of future activities. The sustainability aspects have been given more space in each Group company's business plan, where quantified goals must be defined on the basis of our joint directional goals. The focus is on integrating the sustainability issues through a business-driven approach, as well as ensuring that they become a natural part of our corporate governance.

## FUTURE FOCUS

We believe in ongoing, stable, positive development and are maintaining our focus on profitability, with productivity, delivery precision and quality as keywords. We have increased the rate of investment – for example, Jorgensen has expanded its production space during the year. Additional capacity reinforcements are being implemented through extensions and the installation of more efficient machinery.

Our strategic work aimed at extending customer relationships and selecting assignments that allow the best possible utilisation of resources in the long term is continuing. In line with this, we are also working to reinforce our sales and marketing teams. Within Industrial Solutions, we are adding resources in areas such as after-sales services, where we have clear potential for improvement. We view product development as a strong competitive factor. Here we are adding the capacity that is required to complete key projects and further refine our solutions. We are also continually evaluating potential acquisitions that can complement our current operations.

Finally, I would like to say a big thank you to all our employees for the excellent work they have put in.

Jönköping, February 2019

  
Lennart Persson  
Managing Director and CEO

## THE XANO SHARE

XANO's class B shares were registered on the Stockholm Stock Exchange on 5 December 1988 and are now listed on Nasdaq Stockholm in the Mid Cap segment. The share capital amounts to SEK 35.2 million distributed between 3,644,400 Class A shares and 10,449,090 Class B shares, a total of 14,093,490 shares, with a nominal value of SEK 2.50. Each Class A share entitles the holder to ten votes and each Class B share to one vote. The total number of votes amounts to 46,893,090. All shares have equal rights to dividends.

### PRICE TRENDS

During 2018, XANO's share price rose by 2.2 per cent from SEK 149.75 to SEK 153.00. The highest price paid during the year was SEK 301.00 on 31 May, while the lowest price paid was SEK 147.00 on 27 and 28 December. The highest closing price was recorded on 1 June at SEK 292.00, with the lowest closing price being recorded on 27 December at SEK 150.50.

The number of shares sold totalled 1,652,312, which corresponds to a turnover rate of 15.8 per cent, and the combined value of the trading amounted to SEK 368.7 million. As at 31 December

2018, XANO's share value amounted to SEK 2,156.3 million, based on the latest closing price and the total number of shares. The total yield for the year amounted to almost 5 per cent. The average over the past ten years has been approx. 33 per cent, excluding the value of spun-off operations.

### SHAREHOLDERS

The number of shareholders increased further during the year. At the end of 2018, XANO had 3,822 shareholders, compared to 2,439 shareholders at the same time in the previous year. Of these,

Key performance indicators		2018	2017	2016	2015	2014
Net profit for the year	SEK m	171	158	70	78	61
Equity	SEK m	686	541	412	416	355
Balance sheet total	SEK m	1,994	1,520	1,509	919	860
Return on equity	%	27.6	33.6	17.1	20.0	13.1
Equity/assets ratio	%	34	36	27	45	41
Portion of risk-bearing capital	%	39	40	31	48	45
Cash flow from operating activities	SEK m	150	117	128	158	93
Average number of outstanding shares <sup>1)</sup>	thousands	13,947	13,813	13,703	13,578	13,578
Average number of outstanding shares after dilution <sup>1)</sup>	thousands	14,517	14,383	14,543	14,754	14,549
Average number of shares in own custody <sup>1)</sup>	thousands	146	280	280	280	280
Basic earnings per share <sup>1)</sup>	SEK	12.27	11.44	5.09	5.73	4.53
Diluted earnings per share <sup>1)</sup>	SEK	11.95	11.14	4.91	5.35	4.33
Cash flow from operating activities per share <sup>1)</sup>	SEK	10.73	8.51	9.33	11.67	6.83
Total number of shares on the balance sheet date <sup>1)</sup>	thousands	14,093	14,093	14,093	13,858	13,858
Number of shares in own custody on the balance sheet date <sup>1)</sup>	thousands	146	280	280	280	280
Number of outstanding shares on the balance sheet date <sup>1)</sup>	thousands	13,947	13,813	13,813	13,578	13,578
Equity per share on the balance sheet date <sup>1)</sup>	SEK	49.16	39.19	29.80	30.67	26.18
Share price on the balance sheet date <sup>1)</sup>	SEK	153.00	149.75	104.75	77.75	52.00
Share price in relation to equity per share	%	311	382	351	253	199
Proposed dividend per share <sup>1)</sup>	SEK	4.00	4.00	2.25	2.25	1.25
Direct yield	%	2.6	2.7	2.1	2.9	2.4

<sup>1)</sup> The comparative figures for 2016, 2015 and 2014 have been recalculated in line with the 2:1 share split conducted in 2017. This relates to the Group as a whole, including spun-off/discontinued operations.

### DEFINITIONS

#### Basic earnings per share

Net profit for the year 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 for the year plus costs attributable to convertible loans in relation to the average number of outstanding shares, plus the average number of shares that are added on 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.

#### Portion of risk-bearing capital

Equity plus provisions for tax in relation to total capital.

#### Return on equity

Net profit for the year in relation to average equity.

#### Share value

Total number of shares multiplied by the share price on the balance sheet date.

#### Total yield

Change in the share price for the year plus paid dividend.

Further definitions can be found on page 79.



3,624 were physical persons living in Sweden. The ten largest shareholders jointly held 94.0 per cent of the votes and 80.1 per cent of the capital. Institutional ownership made up 2.9 per cent of the votes and 9.8 per cent of the capital.

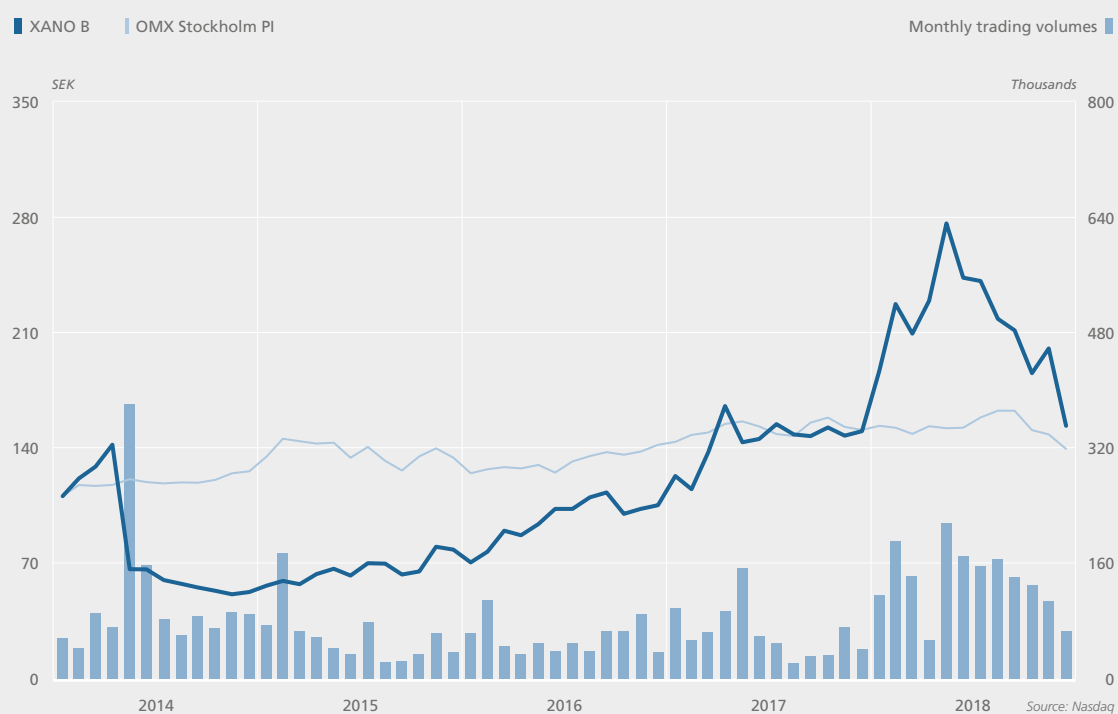
#### DIVIDEND POLICY

It is the aim of the Board of Directors that dividends over an extended period will follow the earnings trend and correspond to at least 30% of profit after tax. The annual dividend proportion

must however be viewed in relation to investment needs and any repurchase of shares.

For the 2018 financial year, the Board is proposing a dividend of SEK 4.00 (4.00) per share, totalling SEK 55.8 million (55.8) based on the number of outstanding shares at the end of the year. The proposed dividend corresponds to approx. 33 per cent (35) of the profit for the year and a direct yield of 2.6 per cent (2.7) calculated from the share price at the end of the year.

#### PRICE DEVELOPMENTS AND SHARE TRADING VOLUME 2014–2018



In May 2014, the business unit Precision Components (AGES) was spun-off through dividends to the shareholders of XANO. After this, the AGES shares were listed on First North. The acquisition value of the shares was distributed according to the Swedish Tax Agency's general advice, with 51% for the XANO share and 49% for the AGES share. In June 2017, a 2:1 share split was conducted. Historic prices have been adjusted in line with the split.





#### SHARES IN OWN CUSTODY

In 2003, 415,000 Class B shares were acquired. During 2006, a reduction in the share capital was carried out through the withdrawal without repayment of 198,000 of the repurchased shares. 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 thereafter amounted to 140,000, with a nominal value of SEK 5.00. As a result of the share split conducted in 2017, the number of shares in the company's custody at the start of 2018 amounted to 280,000, with a nominal value of SEK 2.50. In January 2018, 133,778 own class B shares were transferred in conjunction with an acquisition. After the transaction, the number of shares in the company's custody amounts to 146,222 class B shares, corresponding to 1.0 per cent of total share capital. Minus the shares held by the company, the number of outstanding shares amounted to 13,947,268 on the closing day.

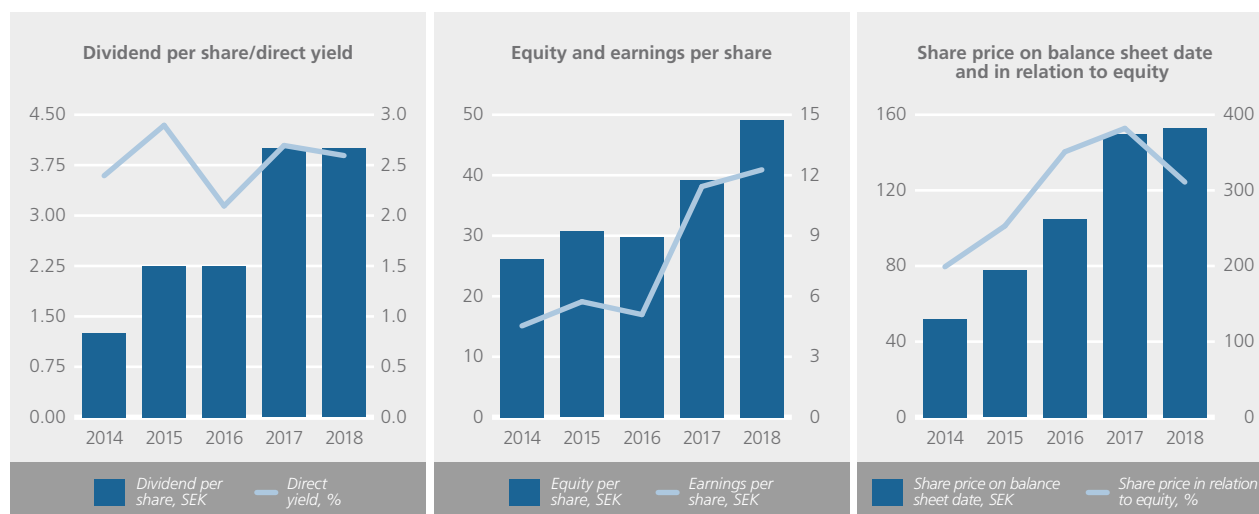
#### CONVERTIBLE BOND PROGRAMME

As of 1 July 2016, convertibles with a nominal value of SEK 62,130 thousand were issued to employees in the XANO Group.

The convertibles accrue interest corresponding to STIBOR 3M plus 2.20 per cent and fall due for payment on 30 June 2020. The conversion rate was originally SEK 218. As a result of the implemented share split, the conversion rate was translated in accordance with § 8 B in the terms and conditions. The recalculated conversion rate is SEK 109. During the period 1 June to 12 June 2020, each convertible may be converted to a Class B share in XANO Industri AB. If all the convertibles are converted into shares, the dilution effect on the share capital will be approximately 4 per cent, and on the voting rights approximately 1.2 per cent, based on the total number of shares on the closing day.

#### CHANGE OF LISTING

As from 2 January 2019, XANO's Class B shares are being traded in the Mid Cap segment on Nasdaq Stockholm. The subdivision into segments is based on the share value and is revised annually. The Mid Cap segment includes companies with a share value corresponding to between EUR 150 million and EUR 1,000 million. This calculation takes into consideration all the shares in the company, in XANO's case also the unlisted Class A shares.



## LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2018

Shareholders	Class A shares	Class B shares	Total number of shares	Percentage of voting rights	Percentage of share capital
Anna Benjamin and related parties	2,564,400	1,475,600	4,040,000	57.8	28.7
Pomona-gruppen AB	1,080,000	3,127,090	4,207,090	29.7	29.9
Kennert Persson	–	781,451	781,451	1.7	5.5
Svolder AB	–	583,500	583,500	1.2	4.1
Stig-Olof Simonsson and related parties	–	474,962	474,962	1.0	3.4
Petter Fägersten and related parties	–	300,400	300,400	0.6	2.1
Sune Lantz	–	296,634	296,634	0.6	2.1
Christer Persson and related parties	–	215,554	215,554	0.5	1.5
Spiltan Fonder AB	–	200,944	200,944	0.4	1.4
Europea i Malmö AB	–	189,700	189,700	0.4	1.3
<b>Total, ten largest shareholders</b>	<b>3,644,400</b>	<b>7,645,835</b>	<b>11,290,235</b>	<b>94.0</b>	<b>80.1</b>
Other shareholders	–	2,657,033	2,657,033	5.7	18.9
<b>Total number of outstanding shares</b>	<b>3,644,400</b>	<b>10,302,868</b>	<b>13,947,268</b>	<b>99.7</b>	<b>99.0</b>
Shares in own custody	–	146,222	146,222	0.3	1.0
<b>Total number of shares</b>	<b>3,644,400</b>	<b>10,449,090</b>	<b>14,093,490</b>	<b>100.0</b>	<b>100.0</b>

Class A shares grant entitlement to ten votes and Class B shares grant entitlement to one vote.

Source: Euroclear

## SHARE DISTRIBUTION AS AT 31 DECEMBER 2018

Share class	Number of shares	Percentage	Number of votes	Percentage
Class A shares	3,644,400	26	36,444,000	78
Class B shares	10,449,090	74	10,449,090	22
<b>Total</b>	<b>14,093,490</b>	<b>100</b>	<b>46,893,090</b>	<b>100</b>
Of which in own custody	-146,222		-146,222	
<b>Total outstanding</b>	<b>13,947,268</b>		<b>46,746,868</b>	

Number of shares	Number of shareholders	Shareholder percentage	Vote percentage	Share percentage
1 – 500	3,137	82.3	0.5	1.7
501 – 1,000	277	7.3	0.5	1.5
1,001 – 5,000	302	7.9	1.4	4.5
5,001 – 10,000	52	1.4	0.8	2.6
10,001 – 50,000	29	0.8	1.3	4.4
50,001 – 100,000	4	0.1	0.6	1.8
100,001 –	12	0.3	94.7	82.3
<b>Total outstanding</b>	<b>3,813</b>	<b>100.0</b>	<b>99.7</b>	<b>99.0</b>
Shares in own custody			0.3	1.0
<b>Total</b>			<b>100.0</b>	<b>100.0</b>

In owner groups.

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	100.00
1985	Bonus issue	1,150	1,200	12,000	100.00
1986	Bonus issue	6,800	8,000	800,000	10.00
1987	New share issue	500	8,500	850,000	10.00
1988	New share issue	2,000	10,500	1,050,000	10.00
1992	New share issue due to conversion	91	10,591	1,059,100	10.00
1993	New share issue due to conversion	536	11,127	1,112,700	10.00
1995	New subscription through options	725	11,852	1,185,200	10.00
1997	2:1 split	0	11,852	2,370,400	5.00
1998	2:1 bonus issue	23,704	35,556	7,111,200	5.00
2006	Reduction in share capital	-990	34,566	6,913,200	5.00
2008	New share issue due to conversion	79	34,645	6,928,974	5.00
2016	New share issue due to conversion	598	35,234	7,046,745	5.00
2017	2:1 split	0	35,234	14,093,490	2.50



# Our sustainability work

XANO has opted to prepare the Sustainability Report for 2018 as a separate document from the Annual Report. This and the next spread present extracts from the Sustainability Report, which is published on our website, [www.xano.se](http://www.xano.se).

**T**he 2017 Sustainability Report was the Group's first, and was an important tool for us in the process of systematising our sustainability work.

During 2018, the Board of Directors has adopted an overall sustainability strategy that describes the focus of the ongoing work. The Board has also formulated directional goals within various areas. The individual subsidiaries set their own quantified goals on the basis of these, with the focus on materiality and business benefits.

We will continue the implementation of systematic and strategic stakeholder analyses in 2019, as well as continuing our work with materiality and risk analyses.

## THE XANO SPIRIT

Our core values – entrepreneurial drive, long-term thinking and technical know-how – characterise the XANO spirit, which is based on the Group's origins in the southern Swedish province of Småland. The most important common denominator for the Group's companies is entrepreneurial spirit with a strong drive. The companies have flat

organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for participation from all employees, a working climate with stakeholder relations characterised by openness and a high ceiling.

We believe that strong relations lead to success, which is the reason behind our long-term investments in our companies. This provides each unit with opportunities to develop its own resources optimally. With genuine technical know-how, we also have the conditions to develop and use new machinery and methods in a manner that contributes to more efficient manufacturing and sustainable products.

## ENVIRONMENTAL IMPACT

The companies in the XANO Group are manufacturing industries with operations that lead to various kinds of environmental impact. The main impact occurs as a result of the use of materials and energy, although the occurrence of waste and generated climate emissions also entail an environmental load. The Group also sees environmental risks prin-

cipally in respect of access to environmentally friendly materials and the potential to make adjustments in accordance with the UN's sustainability goals. In order to manage these risks, the Group's companies are constantly working to improve their environmental performance.

## ATTRACTIVE EMPLOYER

There is considerable competition for employees on the labour market, particularly within the manufacturing sector. Our ambition is to be an attractive employer with a good reputation on the labour market, as well as to have a strong and attractive employer brand.

Employer branding has been one of the Group's areas of focus during 2018. XANO's employer branding work covers issues and activities linked to how the Group companies are perceived as employers by current, future and former employees. On the basis of strategies established in the Group companies' business plans, we are now working actively within various areas in order to attract, recruit, motivate and retain personnel. ■





## INVESTMENTS FOR LOWER ENERGY CONSUMPTION

Mikroverktyg's production facility in Södertälje comprises large premises that have a considerable need for both heating and cooling in order to keep operations going. The company has previously had separate systems for heating and cooling, which have proven to be relatively ineffective. For example, some parts of the premises have had a heat surplus, while in other parts it has been too cold at the same time. In order to utilise the energy more efficiently, a new ground-source heating system was installed in October 2018.

"With this new system, our energy consumption will diminish by 360 MWh a year, which will give annual cost savings of SEK 390,000," says Kjell Wallin, Managing Director. "This also means that our carbon dioxide emissions will decrease by 17.5 tonnes annually, while significantly improving the indoor climate."

The installation is also enabling Mikroverktyg to monitor its energy consumption easily, which was not possible before.

"The checks regarding the way we use energy are now much better. We can see that there are great opportunities for continued optimisation of our facility in order to further reduce energy consumption," concludes Kjell. ■

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## RECOVERY OF PROPANE PRODUCES ENVIRONMENTAL BENEFITS

By collaborating with a neighbouring company, Cipax in Norway gains rapid access to propane in its production. Residual propane from used gas cylinders is recovered and transported directly to one of Cipax's production lines via a gas line.

"We can see several environmental benefits," says Dag Eirik Thomassen, Managing Director. "We make use of residual propane that would otherwise have gone to waste. At the same time, the number of transport operations is also reduced, as the residual propane does not need to be transported for destruction."

Deliveries of used cylinders arrive at Cipax's neighbouring company, where they are emptied of residual propane. After oil separation and particle filtration, it is then transported to Cipax through an underground gas line that runs between the companies.

In order to succeed with the recovery, several different technical solutions have been tested. It has been essential to find the right mix and perform risk assessments. The gas that is used must be stable and must satisfy particular specifications.

Today, the residual propane makes up 10–15 per cent of the gas that is used in Cipax's production. The recovery operation works extremely well, and Cipax believes that the conditions exist to increase the use of residual gas in future. It could act as a potential energy source for other processes within manufacturing. ■



## MEANINGFUL EMPLOYMENT TO THE BENEFIT OF ALL

For many years, Ackurat has been collaborating with Växjö Municipality and taking on people with disabilities in its operation. These individuals benefit from a meaningful working day, at the same time as providing Ackurat with assistance in its production.

As early as the 1970s, Ackurat's then owners were demonstrating their social responsibility by being in contact with the municipality and employing people with disabilities for more basic tasks. This commitment is now an established and obvious part of Ackurat's operations.

Every day, a group of around eight people comes to Ackurat together with their two supervisors. The group carries out various work duties within assembly and packing. They are based in a separate area, with each person being able to work at his or her own speed.

"It is so valuable for these people to have a rewarding and structured working day," considers Joakim Andersson, one of

the municipality's supervisors who has been working alongside Ackurat since 2011.

"Through these daily activities, they benefit from social training as well as collaboration and responsibility. They get the chance to develop at their own speed and according to their own specific situation."

The municipality's supervisors have an important role to play in the contacts with Ackurat and in order for the day-to-day work to function smoothly. The objective from the municipality's side is to create security for people with disabilities, and to ensure that they have meaningful employment. If the collaboration works well and the individual develops, it may be appropriate to arrange a more permanent solution via employment with a salary subsidy.

"For us at Ackurat, it is very important to be able to support these people," says Fredric Fagerberg, Managing Director. "It is just as satisfying every time we see someone growing socially and daring to help themselves. It is also an important part of our day-to-day

operations, as it takes the drama out of contacts with people who have disabilities."

Other personnel may have concerns that their work duties will disappear, but clear information regarding the purpose of the arrangement generates acceptance for Ackurat's decision to conduct this social initiative. These slightly more basic duties might otherwise have needed to be outsourced to low-wage countries, for instance. They now stay here and can be carried out on site with a positive purpose.

Ackurat will continue this important initiative in future years, and is looking forward to a long-term exchange with Växjö Municipality.

"It is actually remarkable that more companies are not showing an interest in this opportunity. The collaboration genuinely benefits everyone: the municipality, the company and the people who come here every day," concludes Fredric. ■



## INCREASED AWARENESS OF BUSINESS ETHICS

**M**any of XANO's employees have undertaken online training in respect of anti-corruption during the year. A code of conduct for suppliers has also been taken into use. Awareness and expertise in the Group's companies regarding business ethics has consequently increased.

A few years ago, XANO introduced a code of conduct for all its employees. The code, which follows the rules of the Swedish Anti-Corruption Institute, is part of the employment contract and contains guidelines for good business ethics and internal working methods.

During the year, all the employees who are part of a management team, as well as those who have a financial responsibility, have undergone online training in respect of anti-corruption.

"The training has been greatly appreciated," says Marie Ek Jonson, CFO. "It is good

to be reminded about these important issues and to be notified about how we can prevent fraud in our business."

Good business ethics should be a matter of course in all companies, and the code of conduct is also part of the introduction in conjunction with acquisitions. Another preventive measure is the review of the companies' payment procedures, which is carried out regularly within the framework of internal control. In addition to guidelines and procedures, it is also important for the Group management to demonstrate transparency and to be visible at company sites.

"Within XANO, we are endeavouring to achieve open, positive relations between those of us in senior roles and the subsidiaries. Both the Group management and the relevant business unit manager often take the time to visit our operations in order to meet employees in various positions," points out Marie. "During these meetings, there are many opportunities for dialogue regarding

any problems and how they can be dealt with."

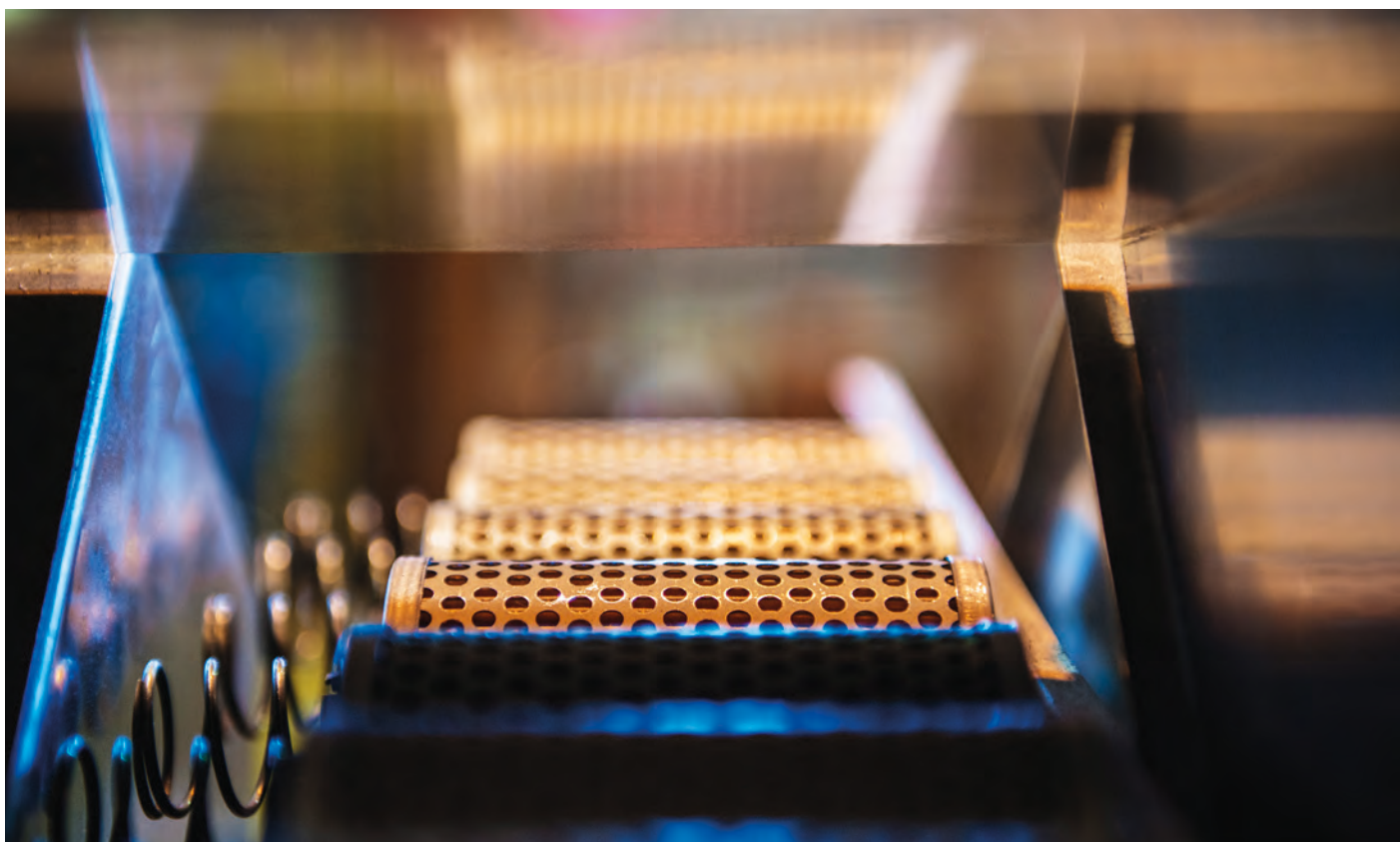
During 2018, XANO has also introduced a code of conduct for suppliers that includes a clause about anti-corruption. The code of conduct has been sent out to all the Group companies' 20 largest suppliers. The aim is for the code to be part of all supplier agreements.

"In order to maintain awareness in future, it will be important to have continued open dialogue and to raise issues relating to business ethics regularly at management team meetings, as well as in other situations where we consider it to be necessary. It is also our aim for all employees, both in senior positions and those with some form of contact with customers or suppliers, to undergo anti-corruption training. The suppliers' compliance with the code of conduct also needs to be followed up and guaranteed," concludes Marie. ■





*"All of our products comprise a hollow body with air in the middle, and we are actually only limited by our imagination when it comes to what we can make."*



# Acquisition that provides breadth and strength

In January 2018, XANO completed the acquisition of Blowtech. The company is a leading player in the field of blow moulding on the Nordic market and is extending the Group's expertise in the field of plastics processing.

**B**lowtech's business history extends back to the 1960s, although the company was established in its current form in 1999. Blowtech is now the largest player in the field of technical blow moulding in Scandinavia, producing components for vehicles, construction machinery, infrastructure and industry. The company's recipe for success has above all focused on automation and high levels of blow moulding expertise.

"We are highly skilled within our process and have worked extensively with quality assurance. During the last financial crisis, Blowtech was probably the only blow moulding company that was able to report profitability," says Peter Didriksson, Managing Director.

## **WIDE-RANGING PRODUCTION OPPORTUNITIES**

The production facilities, which employ a total of around 130 people, are located in Gnosjö, Sweden and Kongsvinger, Norway. The products come under four headings – lead, distribute, store and protect – including everything from small components and day-to-day items to extensive, complex industrial products. Customers include major vehicle manufacturers, which Blowtech supplies with air ducts for various car models.

"All of our products comprise a hollow body with air in the middle, and with this as a starting point we are actually only limited by our imagination when it comes to what we can make," considers Peter Didriksson.

## **A COMBINED OFFER**

The acquisition of Blowtech is providing good conditions for extended customer commitment within XANO's Industrial Products business unit. Working together, Blowtech and Cipax, which manufactures plastic products through rotational moulding, can now offer their customers a wider range of expertise.

"We can see considerable opportunities in the collaboration with Cipax. The fact that we complement each other means that we can provide customers with the very best offers in terms of volumes and product design. Blow moulding normally entails slightly larger investments in the initial phase and a lower unit price, while the opposite is true in the case of rotational moulding," concludes Peter Didriksson. ■

## EXTENDED OPPORTUNITIES FOR FREDRIKSONS IN CHINA

Fredriksons' unit in China is positive about the market opportunities over the next few years. Strengthened legislation in respect of standards and increased demand for quality are just two of the factors that are expected to benefit the company's position.

Fredriksons' Chinese unit manufactures conveyor systems in parallel with sub-systems and all-inclusive solutions for customers working in the packaging and food industries, bioprocessing and the environmental segment. Several tangible trends on the Chinese market mean that we are now very hopeful that the company's positive trend will continue.

"We are witnessing an interesting development in the country when it comes to standards as a result of the strengthened legislation. Increased requirements regarding hygiene, document management and traceability mean that quality is a leading issue in the production of e.g. dairy products, cosmetics and medical products. Fredriksons

has a strong focus on quality, and we will be implementing further investments with the aim of automating and raising the technological level within production," says Shpetim Arifi, Managing Director of Fredriksons in China.

When it comes to contact manufacture, Fredriksons will also continue to focus on marketing its advantage as a manufacturing systems supplier focusing on quality-aware customers in segments such as food, beverages and medicine.

"Other segments that we are intending to analyse in future years include cosmetics and personal hygiene, as well as general industry," concludes Shpetim Arifi. ■



## FULLY OPERATIONAL CLEAN ROOM

The clean room that Resinit completed in 2017 was an important investment as regards being able to offer the service in-house. During 2018, the clean room process was validated by the customer who had requested the service in the first instance.



"The demands are high, and the fact that we have completed the validation of the process therefore feels particularly good. Companies working with cutting machining rarely have clean rooms, which means that we have a fairly unique offer now that the room is fully operational," says Per Alne, Managing Director.

The clean room achieves ISO class 8 and GMP class D. It has been specially built for particular types of processes, including delicate washing, drying, assembly and packaging. With validation complete, machined and assembled products are delivered directly to customers. Clean room services have previously been purchased from subcontractors, but Resinit is now able to control the entire process optimally and thereby shorten lead times.

"In the long term, the idea is for us to be able to offer this service to other customers as well, now that we have this technology in-house," concludes Per. ■



## NEW ROLES – NEW CHALLENGES

There is still a substantial need for staff within the industry, and several companies in the XANO Group have been recruiting for the future. Meet three new faces at Jorgensen, Fredriksons and Resinit.

### EXCITING STRATEGIC WORK

International customers and an established employer with considerable opportunities – that was what attracted Joachim Kjær Christensen from his position as a designer at a small company to the role of project manager at Jorgensen in Odense.

“Jorgensen’s ambition to grow within automation attracted me, as did the fact that they wanted to invest in employees who want to advance in their careers,” says Joachim Kjær Christensen.

And Joachim has advanced. After two years as a project manager, he took up a new position in the company and is now working as a design manager with responsibility for 16 employees.

“My background is as a design engineer, so I was interested when the position cropped up. The position focuses largely on developing my employees and getting as much as possible out of their skills, enabling Jorgensen to live up to our customers’ requirements.”

Alongside the day-to-day work, the position also involves taking part in the company’s more long-term work. This provides a further dimension to the role as design manager.

“Jorgensen is now focusing even more strongly on long-term strategies than before. For example, we are setting aside resources for development projects that are not intended for a particular customer, and this will strengthen our market position in the

longer term. Being involved in and contributing to this strategic work is incredibly exciting.”

### ATTRACTED BY PARTICIPATION

During autumn 2018, Linda Edberg Virsén took up the position of quality manager at Fredriksons in Vadstena. After previously having worked in a more specialist role as a design quality engineer at Toyota Material Handling, she now has a more general focus on quality issues.

“It was the right time to take a new step in my career. I am now involved in all the quality issues at the company, which is extremely interesting and rewarding,” says Linda Edberg Virsén.

As quality manager, Linda works with various functions within the company in order to identify optimum solutions for purchasing, preparation and production. The extent of Fredriksons’ manufacturing processes entails a growing challenge.

“We have many different customer demands to deal with, and the things I do have to work in all parts of the company. However, we work very closely together, and there is a strong desire to resolve problems and listen to each other. Generally speaking, quality demands are constantly on the increase, which means for example that we have to obtain certification in relation to new standards. Fredriksons has to be moving forward constantly, and that is the aim of my role.”

### COORDINATING THE BIGGER PICTURE

Stefan Bergh’s impression of Resinit was a well-functioning company undergoing strong expansion. This made it a very easy choice when he was given the opportunity to step in as the new production manager.

“I really wanted to take part in Resinit’s journey of growth and positive challenges,” says Stefan Bergh.

Previously in his career, Stefan, who is a chemist at heart, has worked as a technical manager, production manager, Lean Six Sigma Black Belt and acting factory manager. He is now focusing on coordinating the various aspects of Resinit’s production.

“My role is to hold everything together, both in terms of communication and recruitment, as well as with regard to automation, robotisation and digitalisation. I was already very enthusiastic about these issues and I am driven by fact-based decisions.”

In a sector where customers are making ever greater demands for faster deliveries, the role of the production manager is becoming increasingly significant. However, Resinit is well equipped to cope with this development.

“When customer demands increase, costs, delivery quality and service in relation to the customer all have to work well. Companies usually manage to achieve two sides of this triangle, but Resinit has been highly successful in holding together all three elements.” ■



Joachim Kjær Christensen, Jorgensen



Linda Edberg Virsén, Fredriksons



Stefan Bergh, Resinit



# Accumulated success

XANO's Industrial Solutions business unit was expanded in May 2018 through the acquisition of Polyketting. The company, which is based in Zelhem in the Netherlands, develops automation equipment for the packaging industry, primarily conveyor systems and accumulator units.

**P**olyketting was established in 1956 and, over the years, has gradually developed its operation with new skills. The company has now gathered the development and manufacture of conveyor systems and accumulator systems under the same roof. There the company has control over the entire chain, from system design and production of all the components, to assembly and service.

"Our success is not solely down to the fact that our systems are reliable, rather it is

founded above all on an understanding of our customers' products, markets and processes," says Henk-Jan Visser, Sales Director.

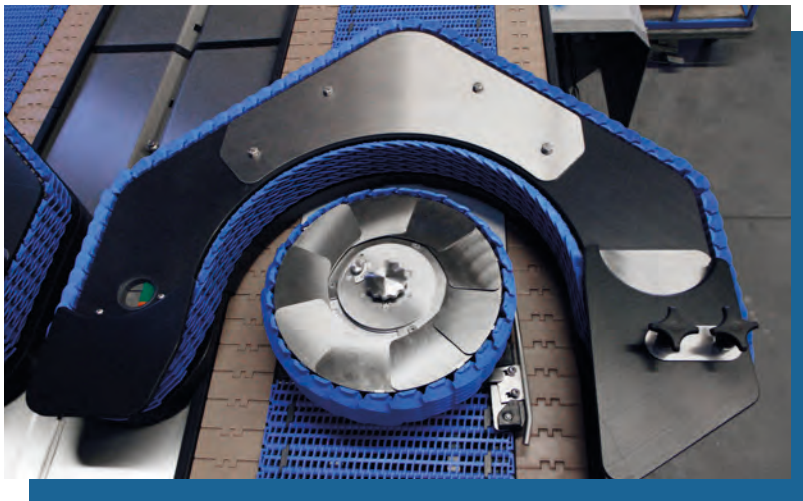
## **SOLUTIONS ALONG THE ENTIRE LINE**

For many years, Polyketting has had strong links to the dairy and juice industries, in part through good business relations with dominant customers in the segment. The company is now supplying the packaging sector with accumulator solutions for bottles, cans, other containers and packages in various materials. Even though the business's main focus is the

primary packaging flow, Polyketting also has solutions for the secondary flow, including cardboard boxes and palletising.

"A production line is made up of a number of different machines, all of which have specific capacities and requirements. In order to achieve the best possible effect all along the line, we convert data in a process that takes account of challenges such as limited space, budget, time or unusual product forms. At the end of the day, this results in unique solutions and an optimum production flow," considers Henk-Jan Visser.



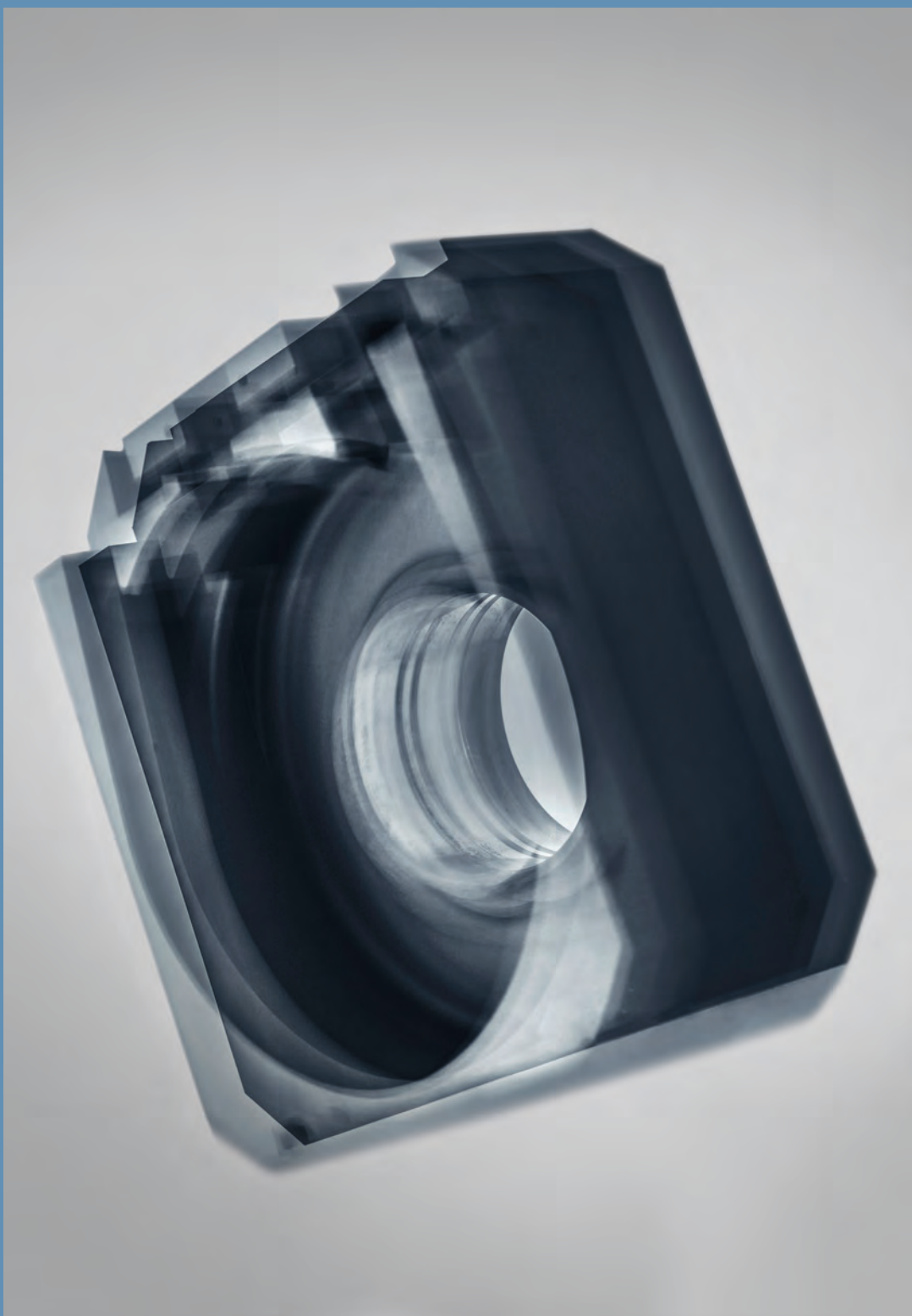


***“Our success is not solely down to the fact that our systems are reliable, rather it is founded above all on an understanding of our customers’ products, markets and processes.”***

#### INNOVATIVE PHASE

Over the past five years, Polyketting has carried out extensive investments in product development, focusing on flow regulation and stable conveyor solutions. This has resulted in highly efficient accumulator units, combining patented conveyor technology with maximum product traceability. The attention the company has attracted on the market means that it is now ready to expand geographically and further develop its operations. These opportunities are being strengthened now that the company is part of the XANO Group, in particular through the collaboration with Fredriksons, whose automation solutions are closely related to Polyketting’s.

“The timing was right, and belonging to the Group means that we can raise our global ambitions. In addition, the collaboration with Jorgensen and Canline as regards accumulation technology and production will contribute to the next phase of Polyketting’s development,” concludes Henk-Jan Visser. ■



## INDUSTRIAL SOLUTIONS

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The business unit is made up of Canline, Fredriksons, Jorgensen, NPB and Polyketting. The companies supply automation solutions developed in-house, such as packaging equipment, accumulators and conveyor systems, above all to the packaging industry.

Fredriksons also conducts contract assignments in respect of advanced industrial products in small and medium-sized series, for applications primarily within the packaging industry, medical technology and infrastructure.



## 2018 IN BRIEF

Deliveries to major contract customers increased steadily for the Fredriksons companies, whereas the extent of project-based operations declined overall. The exception to this was NPB, which once again recorded strong figures. The Dutch automation company Polyketting was acquired in May.

1,172

Net sales, SEK m

+5.3

Growth, %

147

Operating profit, SEK m

12.5

Operating margin, %

541

Employees average

### DEVELOPMENTS DURING THE YEAR

Fredriksons enjoyed positive development in both Sweden and China. The growth in Sweden was mainly linked to large, existing customers that are striving to reduce their number of suppliers and therefore placed more orders with Fredriksons. In terms of customer segments, the environmental sector and the food industry both increased, while volumes within medical technology remained at the same level as before. The unit in China benefited from the general growth taking place in the country, as well as a market trend involving a shift of focus from quantity to quality. The entire organisation here has also implemented a number of improvement measures, resulting in a gradual increase in efficiency.

After relatively weak incoming orders in the previous year, Jorgensen experienced a period of consolidation with the focus on the development of internal processes. The company noted continued restraint and longer decision-making times within several industry segments, which delayed the placing of orders for some major projects. Both

sales and profit were lower than the year before. The work of integrating Industry 4.0 in the business was a clear internal topic, and there is still a considerable need for new recruitment, above all within programming. On the market, the trend towards increased demands for documentation and traceability is continuing, as well as ever shorter delivery times.

Among the companies in the business unit conducting project-based operations, NPB stood out with a growth in sales of almost 12 per cent. After a relatively weak first half of the year, incoming orders increased significantly during the autumn, with the result that the starting position ahead of the coming year is therefore satisfactory. A number of development projects ran during the year, both in collaboration with customers and in respect of the in-house product range. Periodic difficulties in recruiting staff resulted in large element of hired labour.

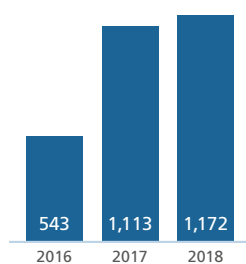
Canline was unable to match the level of sales achieved in the previous year, and its market share also decreased slightly, above

all in North America. The competition from players with turn-key solutions has stiffened and the trend is moving increasingly towards customer-developed packaging, which is resulting in a wider variety of cans on the market. The general growth within the can segment, which is based on the status of the can as a sustainable form of packaging, is generally a positive factor for Canline's future development, however. In collaboration with NPB, the marketing activities were concentrated on existing segments where there is further potential for growth.

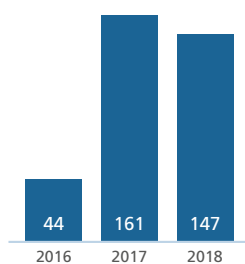
The newly acquired company Polyketting delivered results on a par with expectations, reporting its highest sales for many years. A favourable market situation both for itself and for several of the company's major customers contributed to a large extent to this positive trend. During the year, Polyketting moved into a new production facility in Zelhem. In conjunction with this, investments were also implemented which, in combination with the more suitable premises, are expected to raise the level of efficiency in the business.



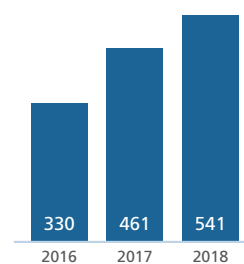
NET SALES (SEK M)



OPERATING PROFIT (SEK M)



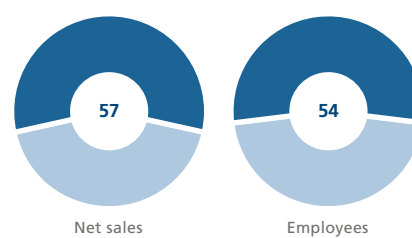
EMPLOYEES (AVERAGE)



SECTORS (%)



SHARE OF GROUP (%)





#### DEVELOPMENT OF PROPRIETARY PRODUCTS

Fredriksons developed and supplied an advanced handling solution for dairy products. In addition, a new intelligent product handling system was installed at a customer within the bioprocess sector.

Jorgensen is making preparations for the launch of a new gas chamber that is intended for the sterilisation of dairy products. The gas chamber's properties deliver a more hygienic process that lives up to the ever higher demands within the food sector.

In collaboration with Canline, NPB has continued its work on a couple of large-scale development projects in respect of an entirely new machine type for product areas bordering on the company's existing solutions.

Polyketting's product development work was concentrated on the upgrading of software solutions in respect of the company's buffer table.

#### PRIORITISED INVESTMENTS

Fredriksons' growing volumes resulted in investments in automated grinding and welding processes, which means that the

company is now able to satisfy incoming orders and handle new types of assignments. In China, the unit was augmented with a CNC machine and programming software, which will strengthen margins in the long term. In-house products, such as customised tanks and integrated systems, are new market segments where Fredriksons is working to increase its brand value in China.

Jorgensen has a strategic focus on the growing Asia market, although there are also considerable opportunities for growth within several other areas outside of the European domestic market. In order to satisfy increased demand, as well as both take on more extensive assignments and improve efficiency, the company has invested in a new production hall, which became ready for use in 2018.

With several extensive projects in progress, activities at NPB have principally focused on strengthening capacity in various ways. The company has extended its expertise within areas such as project management and design. At the same time, the production premises are being extended. The collaboration with Canline has been further developed in order to get the greatest possible benefit

from the companies' joint resources, in particular within product innovation.

Canline's main priorities were the development of a standardised working method along with the shift to an order-configured manufacturing process (CTO). The latter should increase flexibility by means of components being made independent of projects. The investments related primarily to software and, in line with the CTO strategy, systems were implemented for handling product information in the business. The building up of a department for line control with the focus on integrated solutions also commenced during the year, as well as an expansion of the in-house product range.

For Polyketting, the work on integration within the Group was a priority, and the coordination with the sister companies has been gradually expanded within areas such as marketing as well as product and technical development. An overview of functions such as planning and programming has initiated measures aimed at achieving a better organisational structure.





## OUTLOOK FOR 2019

At the start of 2019, several of the companies within Industrial Solutions had an order situation that exceeded that recorded in the previous year. Fredriksons' two units are going to be working on a number of long-term projects, primarily in the food and environmental sectors. In this respect, 2019 will largely be a start-up year, with growth therefore expected to be marginal initially, before gradually increasing in future. Jorgensen has several assignments in progress, for example in the USA and Asia, where there is a considerable need for automation. Generally speaking, demand for data collection is also increasing, and Jorgensen is continuing to market itself more and more as a turn-key supplier. NPB experienced a strong influx of orders during the autumn, and is looking forward to a period of high growth and continued good profitability. With new projects already in place and the positive effects of the coordination within the business unit, Polyketting is also expecting positive growth. Canline's order situation was on a par with that witnessed in the previous

year, although more completions are within reach. Thanks to improvement activities that have been carried out as well as extended collaboration with NPB, there are good opportunities to continue to grow and strengthen the margins.

The business unit has many interesting customer projects in progress, often within new product segments, which is giving rise to extensive investments in machinery and processes. Jorgensen extended its production areas in 2018, and during the first half of 2019 NPB will be gaining access to a further 1,900 m<sup>2</sup> of assembly premises. In parallel with this, the companies are continuing to work to increase skills and achieve efficiency improvements. The product development rate will be maintained at a high level, with frequent exchanges between the sister companies. All the units intend to strengthen their sales and technical resources, including by focusing on after-sales.



#### ACTIVITIES AND MARKETS

The majority of operations within the business unit comprise the development, manufacture and sale of automation equipment, principally for the handling of food packaging, with the international packaging industry as the dominant segment.

Fredriksons works with customer-specific manufacture, including sheet metal processing, cutting machining and assembly. Customers are primarily active within food handling, medical technology, the environment and energy. Fredriksons also develops and manufactures conveyor solutions, principally for large Swedish companies with international operations. Fredriksons' Chinese unit primarily manufactures and supplies sub-systems and complete solutions intended for food handling and bio-processes.

Jorgensen develops and manufactures automation equipment and complete packaging handling systems. Through a high level of technology and extensive automation expertise, both mechanical equipment and control systems are optimised for maximum efficiency at every stage. Jorgensen's strength is its flexibility combined with a solutions-oriented approach and targeted project management. Its customers are world-leading players within the milk powder, food, pharmaceuticals and pet food segments. The company conducts installations all over the world, but Europe constitutes its main market.

NPB and Canline develop and manufacture automation equipment, primarily for handling metal lids and cans. The equipment is based on proprietary technology that is unique in the sector, and the companies pos-

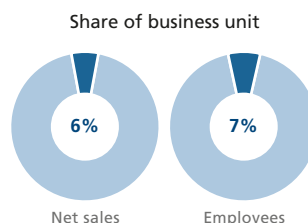
sess specialist expertise in design, mechanics and electrical control. Installations are performed all over the world, above all for customers in the packaging industry. NPB focuses primarily on lid handling solutions for can-related products. Canline mainly works with conveyor systems for metal packaging.

Polyketting works with the development and manufacture of automation equipment, primarily accumulator units and conveyor systems, for the handling of packages. Customers are mainly made up of companies within the food industry. Polyketting's automation solutions are intended to generate the maximum possible efficiency in their customers' production lines, where large volumes of packages are filled and transported. ■



**CANLINE**  
 Eersel / Lynchburg

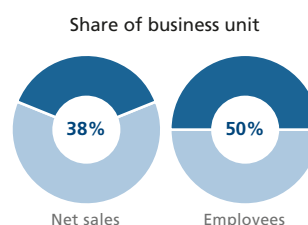
Net sales	SEK m	84
Growth	%	-26.9
Employees	average	41



Conveyor systems for metal food packaging.

**FREDRIKSSONS**  
 Vadstena / Suzhou

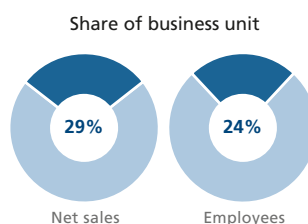
Net sales	SEK m	472
Growth	%	+14.1
Employees	average	278



Pipes and drain valves for bio-processes with high hygienic demands.

**JORGENSEN**  
 Odense

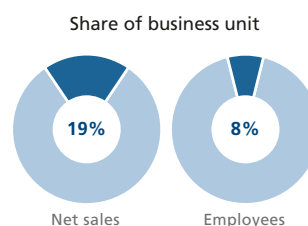
Net sales	SEK m	359
Growth	%	-13.8
Employees	average	135



Automated handling equipment for bag packaging.

**NPB**  
 Jönköping

Net sales	SEK m	238
Growth	%	+11.8
Employees	average	45

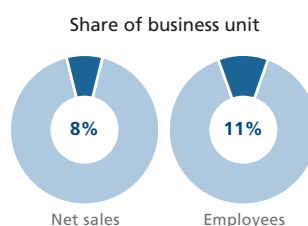


Accumulation and distribution solution for lid handling.

**POLYKETTING**  
 Zellhem

Net sales	SEK m	98
Growth	%	+12.3
Employees	average	63

(Pro forma)



Buffer solution for glass bottles that regulates the flows in production lines.



## PRECISION TECHNOLOGY

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The business unit comprises KMV, LK Precision, Mikroverktyg and Resinit. These companies cover component and system manufacture using advanced cutting processes on metal and plastics for the production of parts involving demanding quality and precision requirements.

KMV specialises in internal machining, particularly precision drilling, for Nordic industrial customers. LK Precision and Resinit produce parts, mainly for medical technical equipment, in low to medium-volume production runs. Mikroverktyg manufactures precision components and transmission parts, as well as tools, fixtures, prototypes and special equipment, all in short production runs.

## 2018 IN BRIEF

The business unit recorded strong growth and good profitability. Investments in machine capacity and personnel made it possible to draw benefit from the positive economic situation. The increase in sales was principally related to existing clients, although new customer projects also contributed to the positive trend.

294

Net sales, SEK m

+13.7

Growth, %

52

Operating profit, SEK m

17.7

Operating margin, %

164

Employees average

### DEVELOPMENTS DURING THE YEAR

Resinit enjoyed a stable year, with volumes and profitability on a par with the previous year. Operations were initially characterised by the start-up of a number of projects and a general increase in demand for advanced machining services, while incoming orders declined to a more normal level during the autumn. The favourable market situation had a positive impact on Resinit's development, although other external factors resulted in a certain amount of restraint among some of the company's customers. The company saw the results of previously implemented organisational changes in the form of more efficient internal flows. In addition, a strong trend towards ever faster product development phases among customers was noted, along with demands for shorter delivery times for both components and services.

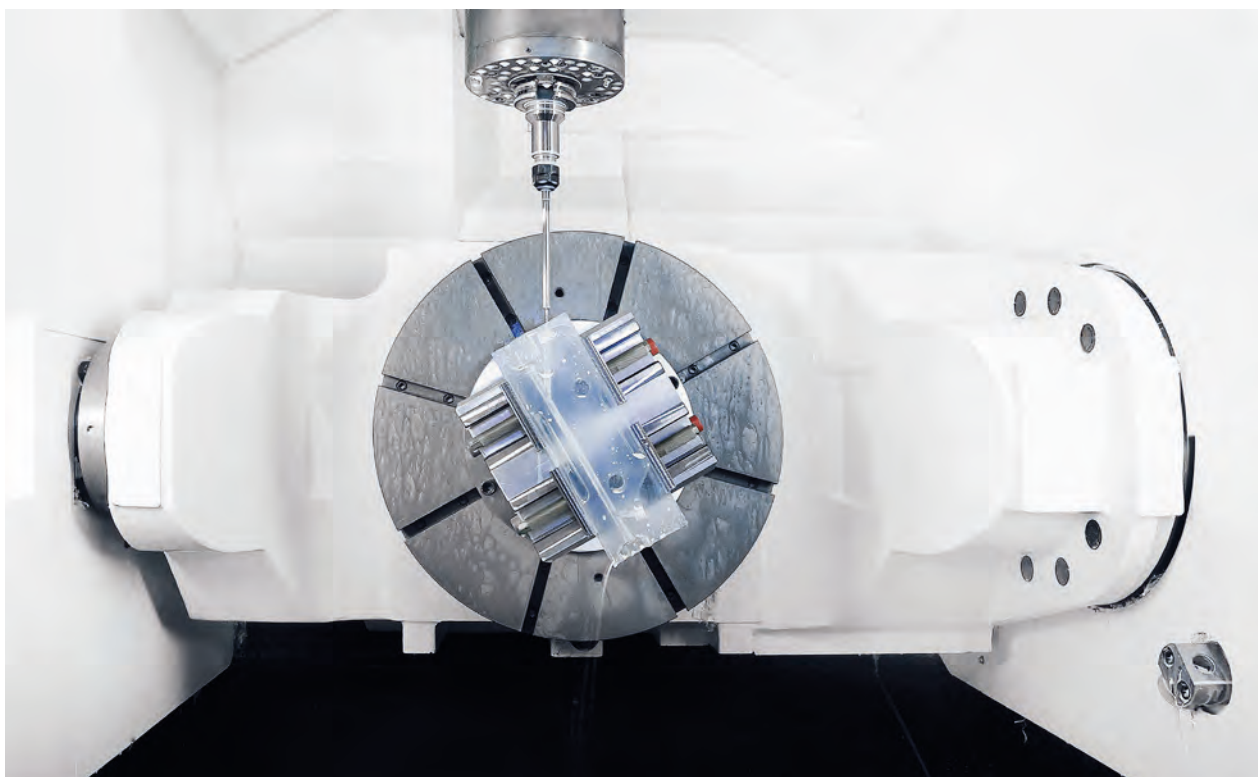
Mikroverktyg reported record-high sales and strong profits for the year. The positive

market situation was a contributory factor, although the company also benefited from the trend towards more energy-efficient drive lines within the automotive industry as well as the growth trend for the energy sector. The level of movement between different product areas and markets was marginal, with the exception of a slight increase in the number of projects linked to the heavy vehicle sector. Mikroverktyg also noticed increased interest in its power skiving products, which were launched on the market during the year.

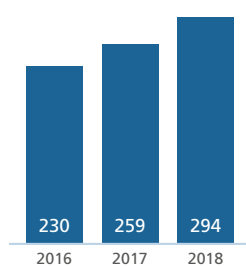
LK Precision also enjoyed a positive year, with increased sales and improved profits. Stable sales to repeat clients were supplemented with the addition of projects from several new customers in the space industry, medical technology and other technical industry. Generally speaking, the market situation was beneficial for all the sectors. Thanks to capacity reinforcements achieved

through machinery investments and streamlining, LK Precision was able to match this growth satisfactorily.

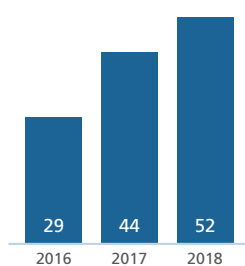
KMV experienced generally high incoming orders and recorded good figures for the year. The majority of the customers generated more orders, at the same time as new clients made an additional contribution. The redistribution between markets witnessed in recent years has resulted in the majority of KMV's manufacturing now being concentrated on larger volumes and smaller product sizes. Customer wishes regarding extended machining services and a greater refinement content have also changed the nature of the assignments and placed new demands on the business. In connection with this adjustment, activities for increased flexibility have been initiated in parallel with more structured efficiency measurements.



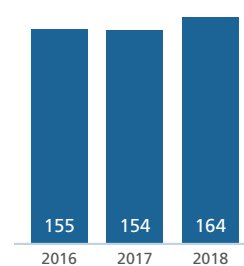
NET SALES (SEK M)



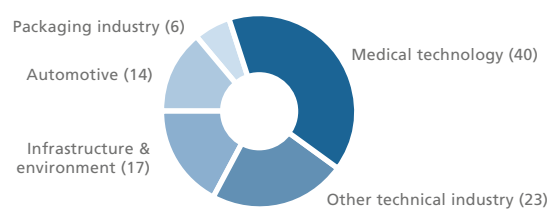
OPERATING PROFIT (SEK M)



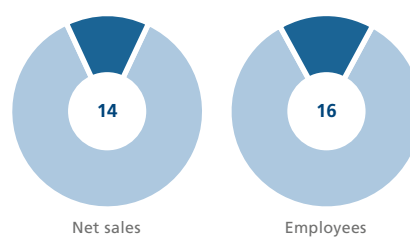
EMPLOYEES (AVERAGE)



SECTORS (%)



SHARE OF GROUP (%)





#### PRIORITISED INVESTMENTS

Resinit expanded its capacity by means of more staff as well as investments in machinery. For example, a new lathe delivering greater functionality was installed. Training initiatives were mainly implemented internally, although they were also supplemented with targeted external training linked to clean room production, for example. Sustainability is a topic that has increasingly been realised. In order to satisfy customer demands, Resinit has reviewed its internal processes as well as changed the demands it places on its suppliers. One ongoing environmental project is linked to the handling of the waste that the machines generate, where Resinit is working to find a compression solution that gives more efficient transport.

Mikroverktyg achieved a high rate of investment, both in relation to equipment

and skills. In all, this resulted in the capacity shortage that existed initially being largely eliminated during the year. The recruitment of new staff strengthened the organisation, although developments in the business mean that Mikroverktyg still needs to recruit in future. The training activities covered a broad range and various levels, improving skills in areas such as calculation and programming. Cost-saving and energy-efficiency investments were conducted in the company's premises.

The investments during the year in a milling machine and a marking laser further increased capacity and operational reliability at LK Precision. In addition to machine investments, the growth was also managed by means of recruitment, mainly of production personnel. Skills levels were raised through training programmes within XANO Academy

and via internal training in cutting techniques, as well as within the working environment in order to strengthen the profile as an attractive employer. Marketing activities during the year, above all digital, generated increased visibility in relation to potential customers.

KMV also reinforced both its staff-related and mechanical resources during the year. The production organisation acquired new functions and extended skills. The investments in machinery included new measuring equipment and, in conjunction with its installation, flow changes were conducted to bring about improved efficiency. An additional lathe is being delivered. Internal and, to some extent, external training is an important element in the transfer of skills within the organisation and the further development of machining techniques, for example.





## OUTLOOK FOR 2019

All the companies in the business unit started 2019 with an order situation that was on a par with or exceeded the situation at the start of the previous year.

Resinit's order situation is expected to generate stable volumes on a par with the previous year. A number of pilot projects that have been run over the past three years will be switching to series production. Resinit is sticking to its strategy of investing in line with customer requirements. In parallel with this, the company is continuing its work on the rationalisation of areas throughout the business by means of new technology and smart solutions. One important and recurring element is the activities being implemented to increase the company's attractiveness in relation to potential employees.

Mikroverktyg is anticipating strong growth in respect of both repeat assignments and project-related manufacturing. The investment in products in the field of gear machining with Power Skiving is continuing. During the year, the system will mainly be used to streamline the company's own operation, although in the longer term it will also contribute with external sales. This is a niche product principally for customers within the automotive industry who need additional efficiency and lower

investment costs. During 2019, a digital marketplace will be implemented for these products.

LK Precision started the year with a considerable order stock that was evenly distributed across the company's various industry segments. The conditions for further expansion are deemed to be good, although they are dependent in part on additional personnel resources. During the year, there will be particular market focus on the medical technology and space industry sectors, where there are significant opportunities for growth. Other priorities include more digitalised sales work, activities linked to employer branding and in-depth analyses of business transactions in order to identify resource-optimised projects.

With a favourable order situation and a good spread of assignments across its customer groups, KMV is anticipating continued positive development. The company is supplying increasingly complete machining services and products with a greater refinement content, which has generated new business opportunities. The investment in more structured measurements of productivity and efficiency that was launched during the autumn will also be an area of focus in future.



#### ACTIVITIES AND MARKETS

The activities within the business unit are focused on component and system manufacture based on advanced cutting and machining of metal and plastic involving exacting quality and precision requirements. The customers are found primarily within medical technology and other technical industry. The majority of sales relate to the Nordic market, although the proportion of international assignments is growing steadily.

KMV specialises in internal machining of long components, primarily precision drilling. The company drills holes in lengths of up to 14 m with diameters ranging from 2 mm up to 600 mm. Examples of products that the company manufactures are machine tubes, pistons and drill pipes for the mining industry

as well as cylinders and piston rods for the hydraulic industry. Manufacturing also covers piston rods for the offshore industry.

LK Precision is a precision company that produces complicated components from metallic materials. Production centres on small to mid-sized runs. High-tech expertise combined with cutting edge technology mean that the company can offer tailored production solutions, above all as a contract manufacturer for the large medical technology companies as well as within the defence, aviation and space industries.

Mikrovertyg is a prototype manufacturer that focuses on cutting machining, with specialist expertise regarding precision components and transmission parts such as toothed gears, splines and racks. The

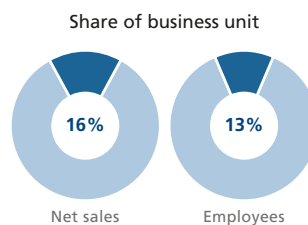
company also manufactures fixtures, tools, measuring devices, hydraulic components, spare parts and other components demanding high levels of precision. The most important target groups are the automotive and defence sectors.

Resinit's speciality is difficult-to-handle plastic materials with high demands regarding quality and delivery reliability. The company offers all-inclusive solutions where mechanical processing is supplemented with associated services, primarily assembly, and mainly targets international players within sectors such as food and medical technology, defence and power, as well as other technical industry. ■



**KUNGSÖRS MEKANISKA (KMV)**  
 Kungsör

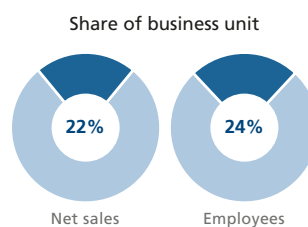
Net sales	SEK m	47
Growth	%	+43.3
Employees	average	21



Test cylinder made of titanium for extraction of crude oil.

**LK PRECISION**  
 Skogås

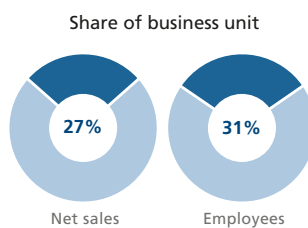
Net sales	SEK m	65
Growth	%	+9.4
Employees	average	40



Camera housing for 3D scanner, milled from a single piece of aluminium.

**MIKROVERKTYG**  
 Södertälje / Valskog

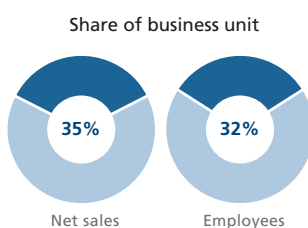
Net sales	SEK m	79
Growth	%	+11.8
Employees	average	50



Gears for dual clutch transmission for the automotive industry.

**RESINIT**  
 Västervik

Net sales	SEK m	103
Growth	%	+7.9
Employees	average	53



Machined thermoplastic component for regulating the airflow.



## INDUSTRIAL PRODUCTS

---

The business unit is made up of Ackurat, Blowtech and Cipax. Ackurat supplies customers including furniture and fittings manufacturers with injection-moulded parts such as slide stops, handles and adjustable feet. Blowtech is a leading Nordic player in technical blow moulding, producing plastic components for vehicles, construction machinery and infrastructure equipment. Cipax is a market leader within rotational moulding in the Nordic and Baltic regions, with product segments including boats, industrial tanks and infrastructure solutions.

## 2018 IN BRIEF

The Industrial Products business unit was previously called Rotational Moulding, and at the time was made up of the Cipax Group. In conjunction with the acquisition of Blowtech, the business unit was restructured and expanded with Ackurat (previously part of Industrial Solutions). Cipax achieved increased growth during the year, but recorded slightly lower margins. Ackurat reported strong figures that were on a par with the previous year. After a relatively weak first half of the year followed by a recovery during the second half, Blowtech achieved results on a par with expectations.

**583**

Net sales, SEK m

**+96.9**

Growth, %

**64**

Operating profit, SEK m

**11.1**

Operating margin, %

**302**

Employees average

### DEVELOPMENTS DURING THE YEAR

Ackurat's year was in line with the previous one, in terms of both sales and profitability. Its market share shifted slightly, with a small decline in Sweden and Finland that was offset by sales increases in a number of other EU countries. The export share of sales now stands at almost 50 per cent, and the company sees further potential for growth here. The market trend is moving towards demand for wide-ranging suppliers possessing specialist expertise within several areas, which favours Ackurat's position with its focus on continual product development.

For Blowtech, the first half of the year was characterised by a decline on the Norwegian and Swedish markets. Incoming orders remained at a healthy level, however, and recorded a positive trend. Thanks to a gradual improvement of Swedish industry, a recovery took place during the second half of the year, which ultimately produced results that were in line with expectations. Above all, it was the large automotive customers' redistribution of production to Sweden that had a beneficial impact, as Blowtech supplies products for a number of different car models.

For Cipax, incoming orders during the year did not meet expectations, although the growth level was still slightly higher than the year before. Within the boat segment, which is generally a declining market, Cipax

managed to increase its sales by 10 per cent and win additional market share in both Norway and Finland, while the level remained constant in Sweden. As regards the other proprietary products, sales decreased slightly in Sweden and Norway, but increased on other markets. In Finland, which is a prioritised area, the position was strengthened in respect of both proprietary and customer-specific products. The sustainability trend is also having a positive impact on Cipax's position, as the company's environmentally friendly plastic products are often in demand as a replacement for equivalent components made of fibreglass and metal, for example. Together with Blowtech, Cipax is now able to offer both rotational moulding and blow moulding, and can thereby satisfy a larger proportion of its customers' needs.

### PRIORITISED INVESTMENTS

During 2018, Ackurat's marketing activities were concentrated on prioritised areas such as Poland, the UK, the Baltic region and Italy, resulting in increased sales. The launch of the company's new website has had a positive impact, particularly within the furniture sector. In the environmental area, work is in progress on material evaluation in order gradually to be able to replace traditional plastic substances with more environmentally friendly alternatives. The hope is to launch replacement prod-

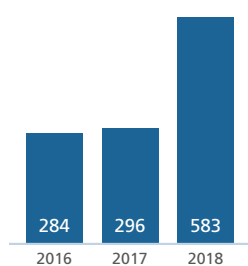
ucts on an ongoing basis, thereby attracting additional customer segments.

Blowtech is focusing on streamlining its operations as well as growing within infrastructure and industrial products, without shrinking in the automotive sector. As regards personnel, the number of employees decreased in Norway, while the sales side expanded in Sweden. Within production, Blowtech is evaluating a new process that will make it possible to manufacture lighter, more environmentally optimised products.

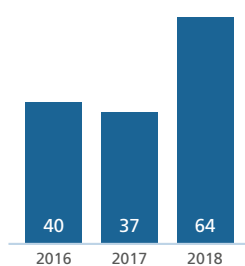
Implemented streamlining efforts within Cipax's operation meant that the growth could be managed with only minor personnel reinforcements. Rationalisation work designated as Industry 4.0 is being implemented in the factories in the form of connected equipment, real-time reporting and automation of processes. One ongoing environmental project relates to the recovery of products that have reached the end of their service life. In this respect, Cipax has initially focused on utilising the plastic in boats. Tests have been conducted to evaluate the material in recycled form. Other prioritised initiatives have included a large-scale digitalisation project within marketing, raising skills levels in respect of processes, materials and technology, as well as training within XANO Academy.



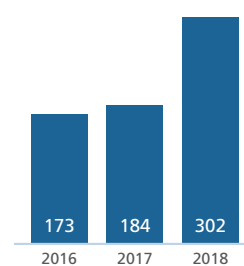
NET SALES (SEK M)



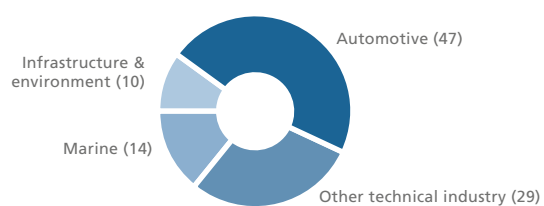
OPERATING PROFIT (SEK M)



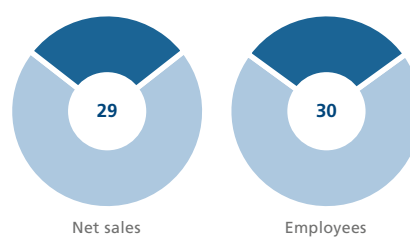
EMPLOYEES (AVERAGE)



SECTORS (%)



SHARE OF GROUP (%)







#### INHOUSE-DEVELOPED PRODUCTS

Ackurat has a strong profile as an active product developer and the company's range was expanded with several new components during the year. For example, the company has great expectations regarding the sale of a board connecting fitting designed in-house, which has attracted considerable attention around Europe. It is expected that this new fitting will also be able to generate increased business opportunities for other product groups.

Blowtech has intensified its efforts regarding an expansion of its proprietary product range. These activities are mainly concentrated on components within infrastructure and technical industry.

In the boat segment, Cipax focused on further development and upgrading work during the year. Water cleaning products were introduced within infrastructure, with new products also being launched in the industrial segment, including containers and tanks for storage. Sales of industrial products produced slightly weaker results than anticipated, as the investment in welded tanks that was launched in the previous year has not yet achieved the expected impact.

#### CUSTOMER-SPECIFIC MANUFACTURING

Within the automotive segment, Blowtech is supplying a number of components that are related to a limited product niche. One important area of focus for the customer-

specific products is therefore to monitor developments in respect of the content in newly manufactured vehicles, and to find access routes for deliveries of other types of items. The geographic redistribution of one dominant customer's production operations has entailed increased business opportunities for Blowtech.

In order to achieve an optimal end product, Cipax is launching assignment-based manufacturing as early as in its customers' product development processes, including services such as project management and design. An increase in customer-specific commitments was noted in Sweden and Finland during the year, whereas corresponding sales decreased slightly in Norway.



## OUTLOOK FOR 2019

All the companies in the business unit started 2019 with an order situation that was better than at the same time in the previous year.

Ackurat's higher order stock was principally related to new customers on the European market. This positive trend is expected to continue, mainly in relation to geographic areas outside of Sweden. Digital marketing will be a strong area of focus in future, with the website increasingly being viewed as a tool for achieving increased sales. In addition, Ackurat is continuing to concentrate on a high rate of product development and proactive cultivation of prioritised markets.

For Blowtech, the increase in the total order value at the end of the year was evenly distributed between its customers. With the impact of executed streamlining and automation work, the company is seeing good opportunities to strengthen its margins. The automotive sector has previously been a strong growth area for Blowtech.

However, the changes taking place within the sector constitute a risk factor, resulting in a natural shift of focus towards other business niches. In order to achieve profitable growth, activities are being carried out to achieve simple process solutions as well as optimisation between blow moulding and rotational moulding.

Cipax considers that the conditions for continued growth are good, primarily in respect of the infrastructure and boat segments on the export markets. Several interesting assignments within customer-specific manufacturing will also make a contribution during the year. New components are being developed within all product areas, including a continued focus on specially adapted tanks. New materials are also being evaluated in parallel with this. At the top of the agenda as regards marketing activities is an extensive digitalisation project and the associated development of the organisation.





#### ACTIVITIES AND MARKETS

Akurat manufactures and sells standard injection-moulded plastic components and stocks thousands of items, such as slide stops and glides for furniture, hand wheels, adjustable feet, levers, handles and various pipe stoppers. The company also offers customised solutions. Ackurat has units in Sweden, Finland and Poland, with sales concentrated in Northern Europe. Its customers are primarily manufacturers of furniture and fittings.

Blowtech works with technical blow moulding of plastic. The production facilities in Gnosjö and Kongsvinger produce components for vehicles and construction machinery, as well as for equipment within

infrastructure, in medium to large series.

The blow moulding method has a certain amount in common with glass-blowing, although with high industrial precision in the manufacturing process. The technique is very useful when manufacturing complex forms of polymer products, such as petrol tanks, air ducts, various types of containers and other technical components.

Cipax develops and manufactures components and systems through rotational moulding using environmentally friendly, recyclable plastic materials. The primary product segments include boats, components for vehicles and infrastructure, as well as industrial tanks and buoyancy elements. The

manufacturing process is characteristically cost-efficient for small to medium series due to low tool costs and flexible production.

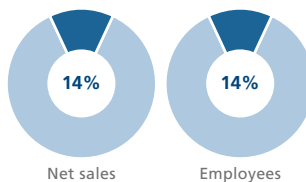
The flexibility in product design facilitates the manufacture of complex items. Examples of customer-specific products include various tanks, pipes and casings with considerable breadth in respect of working temperatures and chemical resistance. As well as customer-specific manufacturing, which makes up half of all sales, Cipax also works with proprietary products such as boats and tanks that can be buried. Most deliveries are made to leading companies in the Nordic and Baltic regions within the marine, infrastructure, automotive and other technical industry sectors. ■

**ACKURAT**

Gdansk / Helsinki / Lammhult

Net sales	SEK m	80
Growth	%	+2.0
Employees	average	43

## Share of business unit



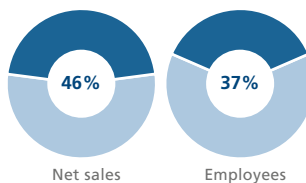
Tool insert adapted for small plastic components in short production runs.

**BLOWTECH**

Gnosjö / Kongsvinger

Net sales	SEK m	271
Growth	%	+1.1
Employees	average	112

## Share of business unit



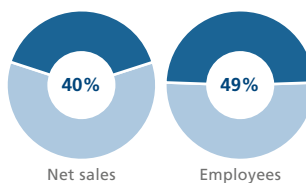
Machining cell for steering servo container made of polyamide.

**CIPAX**

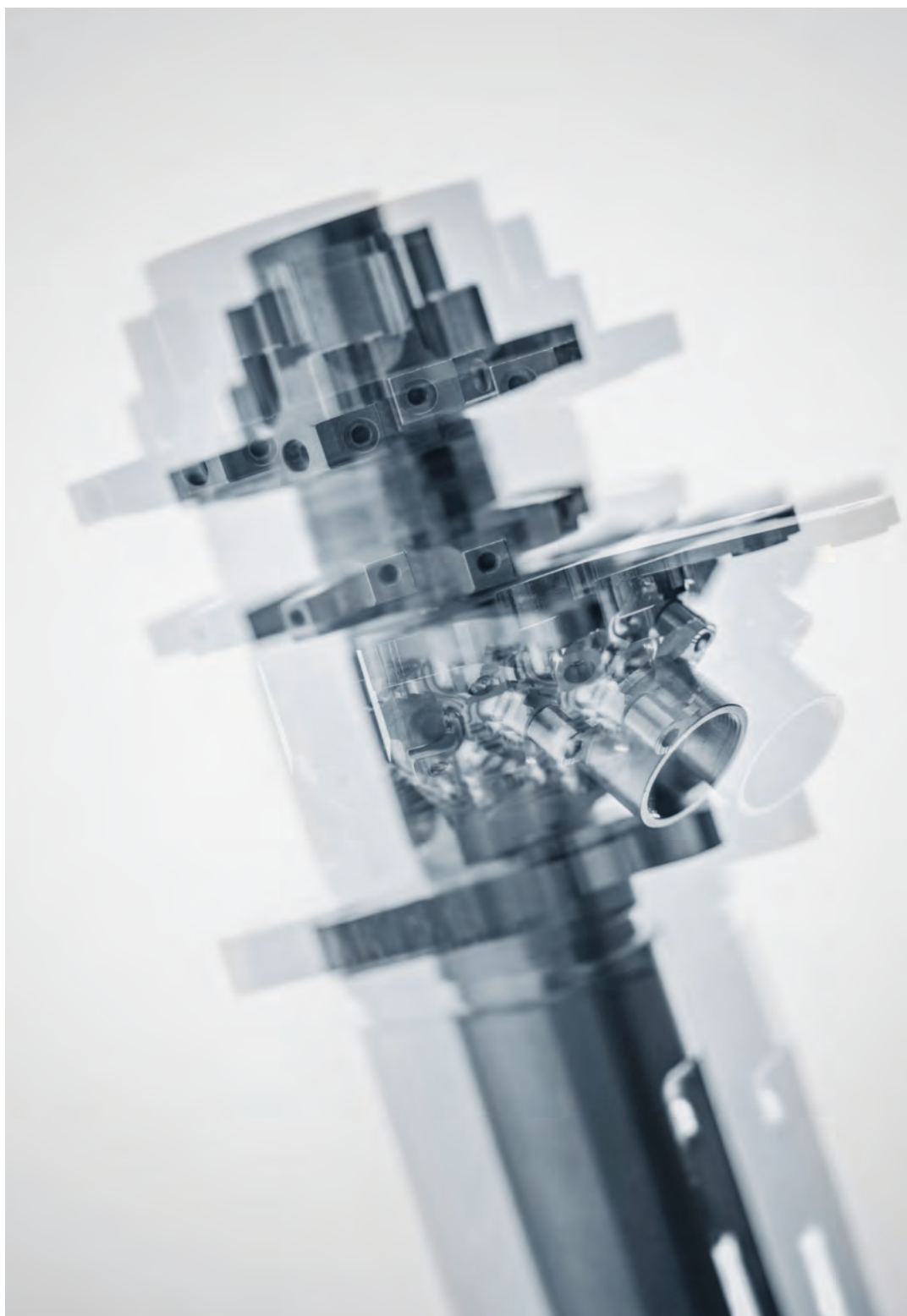
Björkelangen / Helsinki / Skebobruk / Taebila

Net sales	SEK m	233
Growth	%	+6.6
Employees	average	147

## Share of business unit



Dosing silo in food grade and recyclable materials.



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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 2018 financial year.

The information in this annual report refers to continuing operations unless otherwise indicated.

### OPERATIONS

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

### REVENUE AND PROFIT

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

### SHARE DATA AND KEY FIGURES

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

### IMPORTANT EVENTS DURING THE YEAR

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

In May, Polyketting Holding B.V. with subsidiaries, located in Zelhem in the Netherlands, was acquired. The operations of the acquired companies comprise the development, manufacture and sale of automation equipment, primarily conveyor systems and accumulator units, for the packaging industry. During 2017, net sales totalled just over EUR 8 million with an

operating margin of approx. 8 per cent. Polyketting is a part of the Industrial Solutions business unit. The purchase price, paid in cash, amounted to EUR 2.7 million.

### EVENTS AFTER THE END OF THE YEAR

There are no individual events of major significance to report after the balance sheet date.

### ACTIVITIES AND ORGANISATION

The XANO Group consists of engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic countries, Estonia, the Netherlands, Poland, China and the USA. The companies all operate within well-defined niches and possess a high level of expertise within their respective technical areas. In 2018, the Group's operations were divided into three business units: Industrial Products, Industrial Solutions and Precision Technology.

The Industrial Products business unit consists of Ackurat, Blowtech and Cipax. Operations comprise the design, manufacture and sale of plastic components and systems produced by means of rotational moulding, injection moulding and blow moulding. Deliverables include both customer-specific and proprietary products mainly for the automotive and infrastructure segments.

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

The Precision Technology business unit includes KMV, LK Precision, Mikroverktyg and Resinit. These companies cover component and system manufacture through advanced cutting machining of metal and plastic for the production of components with stringent requirements for quality and precision. Production primarily comprises low to medium-volume runs of parts and systems within areas such as medical technology and infrastructure.

Net revenue and gross margin



Profit before tax and profit margin





### THE GROUP'S DEVELOPMENT DURING THE YEAR

The Group companies started the year with a good order situation, but initially experienced slightly larger fluctuations in the sector than in the comparison period. As a result of the decrease in incoming orders relating to new automation projects witnessed during the autumn, fewer installations were conducted during the first quarter. Production volumes for several major contract customers increased significantly, however.

The Dutch company Polyketting was acquired during the second quarter. The Group's sales increased by 22 per cent and profitability remained good. With the exception of project-related operations, the demand situation was slightly more cautious towards the end of the first half-year.

The Group reported rising order volumes and overall strong results during the third quarter. There were still only a small number of project deliveries, although the number of completions increased markedly. Otherwise, demand for the Group's products and services remained largely unchanged, while the fluctuations in incoming orders declined slightly.

The Group's operations finished the year positively, with both higher invoicing and strong operating profit in relation to the comparison quarter. The market situation was stable and demand remained good.

For the full year, sales growth stopped at 23 per cent, of which the new acquisitions Blowtech and Polyketting jointly accounted for 21 per cent. Operating profit improved by just over 7 per cent, a result that entailed a new peak for the Group, calculated in Swedish kronor.

### INDUSTRIAL PRODUCTS

In conjunction with the conclusion of the acquisition of Blowtech in January, the Rotational Moulding business unit was restructured and changed its name to Industrial Products. Following this change, the business unit now comprises Accurat, Blowtech and Cipax. The addition of Blowtech meant that sales within Industrial Products almost doubled. At the same time, the business unit's operating profit exceeded the previous year's result by 74 per cent. Alongside Blowtech, Cipax increased its volumes slightly, although the margins were adversely affected by exchange rate effects and a less favourable product mix. Accurat strengthened its position on several markets and reported continued strong figures.

### INDUSTRIAL SOLUTIONS

The increase in volume within the Industrial Solutions business unit amounted to just over 5 per cent. Operating profit fell by 9 per cent compared to the previous year, principally as a result of an altered assignment

structure. Deliveries to major contract customers increased steadily for the Fredriksons companies, undertakings that will have a favourable impact in future as well. The extent of the project-based operations decreased overall in relation to the outcome during the comparison period. NPB stands out positively, however, presenting new, strong full year figures at the same time as having an order situation for the coming year that is satisfactory.

### PRECISION TECHNOLOGY

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

### FUTURE DEVELOPMENT

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

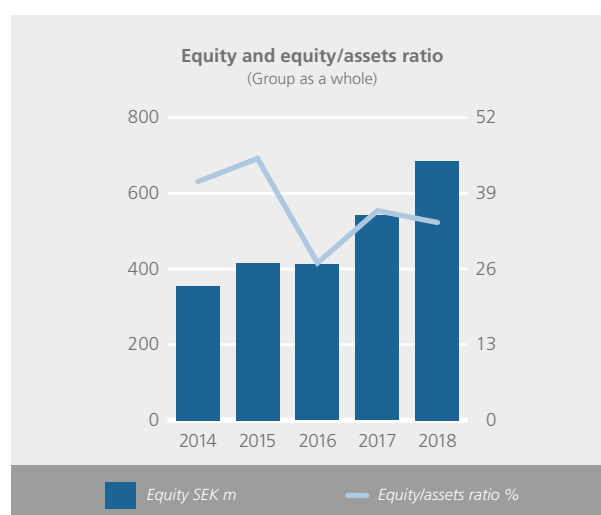
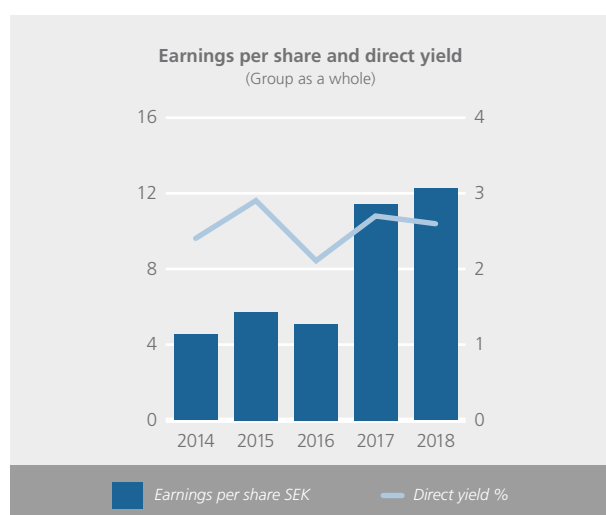
### INVESTMENTS

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

### CASH FLOW AND LIQUIDITY

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

Liquid assets, including lines of credit granted but not utilised, stood at SEK 260 million (343) on the balance sheet date.



## RISKS AND UNCERTAINTY FACTORS

The Group's main 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 35 on pages 77–78.

## CURRENCY AND INTEREST RATES

As a result of its international activities, XANO is particularly exposed to currency fluctuations, mainly in DKK, EUR and USD relative to SEK. The Group's interest-bearing liabilities amounted to SEK 785 million (535) on the balance sheet date. A detailed description of the Group's financial risks can be found in Note 35 on pages 77–78.

## SUSTAINABILITY

In compliance with Chapter 6, Section 11 of the Swedish Annual Accounts Act (ÅRL), XANO has decided to prepare its sustainability report, which is required by law, as a separate document from its Annual Report. The sustainability report is being published on the website, [www.xano.se](http://www.xano.se), at the same time as the Annual Report.

## ENVIRONMENTAL IMPACT

The Group is engaged in activities with a reporting obligation in four Swedish subsidiaries and activities that require a permit under the Swedish Environmental Code in one Swedish subsidiary. The parent company does not conduct any activities that require a permit. The Group's operations subject to a permit or reporting obligation affect the external environment through the use of materials, chemicals, energy and water, which in turn generate climate emissions and waste. There is also an indirect environmental impact as a result of products, packaging and transport. The nature of the Group's operations, manufacturing processes and products is such that the environmental risks are deemed to be limited. A description of the Group's environmental activities can be found in the 2018 sustainability report.

## RESEARCH AND DEVELOPMENT

Within the framework of each subsidiary, products and processes are continually developed. Development expenses, 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 Group does not conduct in-house research.

## THE SHARE AND SHAREHOLDERS

As of the balance sheet date, the total number of shares is 14,093,490, divided between 3,644,400 class A shares and 10,449,090 class B shares. Class A shares give entitlement to ten votes, while class B shares give entitlement to one vote. As of the balance sheet date, the company holds 146,222 class B shares in own custody.

As of the balance sheet date, there are two shareholders who each owns and controls more than 10 per cent of the votes for all shares in the company. Anna Benjamin controls 28.7 per cent of the capital and 57.8 per cent of the votes. Pomona-gruppen AB holds 29.9 per cent of the capital and 29.7 per cent of the votes.

## CONVERTIBLE BOND PROGRAMME

On 1 July 2016, convertibles at a nominal value of SEK 62,130 thousand were issued to employees within the XANO Group. The convertibles accrue

interest corresponding to STIBOR 3M plus 2.20% and fall due for payment on 30 June 2020. The conversion rate was originally SEK 218. Due to the share split, the conversion rate has been recalculated in accordance with section 8B of the terms and conditions. The recalculated conversion rate is SEK 109. During the period 1 June to 12 June 2020, each convertible may be converted to one class B share in XANO Industri AB. If all convertibles are converted to shares, the dilution will be approx. 4 per cent of the share capital and 1.2 per cent of the number of votes based on the total number of shares on the balance sheet date.

## WORK OF THE BOARD OF DIRECTORS

The 2018 AGM decided that the Board of Directors should consist of six 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 2018 financial year, the Board of Directors held seven meetings. Each regular meeting deals with the reports and items requiring a 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 acquisitions and major investments.

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

## NOMINATION COMMITTEE

A nomination committee was appointed at the 2018 AGM consisting of Ulf Hedlundh (chairman), Anders Rudgård and Anna Benjaminn. The task of the committee prior to the 2019 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and to propose fees for the Board, committees and auditor. The nomination committee has held three meetings prior to its proposal to the 2019 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

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.

## AGREEMENTS

There are no agreements between the company and the members of the Board of Directors.

## CORPORATE GOVERNANCE

XANO's corporate governance is based on Swedish legislation and the listing agreement with Nasdaq 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 Stockholm must follow the "Swedish Corporate Governance Code", known as "the Code". XANO's corporate governance report has been prepared separately from the directors' report and can be found on pages 95–98.

## FIVE-YEAR OVERVIEW

	2018	2017	2016	2015	2014
<b>INCOME STATEMENT, SEK M</b>					
Net revenue	2,044	1,663	1,052	1,052	994
Cost of goods sold	-1,585	-1,259	-804	-809	-789
<b>Gross profit</b>	<b>459</b>	<b>404</b>	<b>248</b>	<b>243</b>	<b>205</b>
Selling expenses	-145	-115	-100	-101	-93
Administrative expenses	-83	-68	-53	-48	-44
Other operating income/expenses	5	-1	1	2	1
<b>Operating profit</b>	<b>236</b>	<b>220</b>	<b>96</b>	<b>96</b>	<b>69</b>
Financial income	8	4	11	5	4
Financial expenses	-25	-24	-15	-16	-17
<b>Profit before tax</b>	<b>219</b>	<b>200</b>	<b>92</b>	<b>85</b>	<b>56</b>
Tax	-48	-42	-22	-19	-13
<b>Profit from continuing operations</b>	<b>171</b>	<b>158</b>	<b>70</b>	<b>66</b>	<b>43</b>
Profit from discontinued/spin-off operations	–	–	–	12	18
<b>Net profit for the year</b>	<b>171</b>	<b>158</b>	<b>70</b>	<b>78</b>	<b>61</b>
<b>FINANCIAL POSITION 31 DECEMBER, SEK M</b>					
Non-current assets	1,131	905	910	543	519
Current assets	863	615	599	376	341
Equity	686	541	412	416	355
Non-current liabilities	587	501	512	175	251
Current liabilities	721	478	585	328	254
<b>Balance sheet total</b>	<b>1,994</b>	<b>1,520</b>	<b>1,509</b>	<b>919</b>	<b>860</b>
<b>CASH FLOW, SEK M</b>					
Cash flow from operating activities	150	117	128	158	93
Cash flow from investing activities	-243	-42	-319	-58	-85
<b>Cash flow after investments</b>	<b>-93</b>	<b>75</b>	<b>-191</b>	<b>100</b>	<b>8</b>
Cash flow from financing activities	109	-189	315	-91	-8
<b>Cash flow for the year</b>	<b>16</b>	<b>-114</b>	<b>124</b>	<b>9</b>	<b>0</b>
<b>KEY RATIOS</b>					
Operating margin, %	11.6	13.2	9.1	9.1	7.0
Profit margin, %	10.7	12.0	8.7	8.0	5.6
Return on equity, % <sup>1)</sup>	27.6	33.6	17.1	20.0	13.1
Return on capital employed % <sup>1)</sup>	17.9	20.7	13.6	15.9	10.9
Return on total capital, % <sup>1)</sup>	13.0	14.8	10.1	12.1	8.5
Interest coverage ratio, multiple <sup>1)</sup>	9.9	9.3	7.1	6.8	5.1
Average equity, SEK m <sup>1)</sup>	620	470	407	389	466
Average capital employed, SEK m <sup>1)</sup>	1,363	1,083	786	715	905
Average total capital, SEK m <sup>1)</sup>	1,876	1,512	1,063	940	1,187
Equity/assets ratio, % <sup>1)</sup>	34	36	27	45	41
Proportion of risk-bearing capital, % <sup>1)</sup>	39	40	31	48	45
Basic earnings per share, SEK <sup>2, 3)</sup>	12.27	11.44	5.09	4.81	3.18
Basic earnings per share (Group as a whole), SEK <sup>1, 2, 3)</sup>	12.27	11.44	5.09	5.73	4.53
Costs related to convertible bonds, SEK m	2	2	2	1	1
Equity per share, SEK <sup>1, 3)</sup>	49.16	39.19	29.80	30.67	26.18
Cash flow from operating activities per share, SEK <sup>1, 3)</sup>	10.73	8.51	9.33	11.67	6.83
Proposed dividend per share, SEK <sup>3)</sup>	4.00	4.00	2.25	2.25	1.25
<b>MISCELLANEOUS</b>					
Scheduled depreciation, SEK m	64	52	47	48	43
Scheduled depreciation (Group as a whole), SEK m <sup>1)</sup>	64	52	47	48	52
Interest-bearing liabilities, SEK m <sup>1)</sup>	785	535	690	259	319
Deferred tax liability, SEK m <sup>1)</sup>	91	71	52	28	33
Net investments excl. corporate transactions, SEK m	77	46	45	36	49
Average number of employees	1,015	807	666	660	675

<sup>1)</sup> Refers to the Group as a whole, including discontinued/spin-off operations.

<sup>2)</sup> Based on net profit for the year.

<sup>3)</sup> The comparison figures have been recalculated due to the 2:1 share split carried out in June 2017.

<sup>4)</sup> Attributable to discontinued/spin-off operations.

For definitions and information on key figures, see page 79. For details on the number of shares, see page 12.

**AUTHORISATION FOR REPURCHASE OF OWN SHARES**

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

The Board of Directors proposes that the AGM renews the Board's authorisation to decide on 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.

**AUTHORISATION FOR A NEW SHARE ISSUE**

The Board of Directors proposes that the AGM renews the Board's authorisation to decide on a new issue of class B shares corresponding to a maximum of one tenth of the company's issued shares. Such a mandate would empower the Board to make a decision on a new share issue during the period up until the next AGM. The terms of the issue, including the issue price, must be based on a market assessment in which the issue price in each case is set as close to the market value as possible, less the discount which may be necessary to generate interest in the subscription.

**SHARE SPLIT**

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

**REMUNERATION AND EMPLOYMENT CONDITIONS FOR SENIOR EXECUTIVES**

The AGM decides upon the guidelines for the determination of salaries and other remuneration to the CEO and other senior executives. The guidelines that were approved by the 2018 AGM principally 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 six 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.

The Board proposes that the above guidelines remain unchanged.

**PROPOSAL FOR THE APPROPRIATION OF PROFITS****Parent Company**

THE FOLLOWING AMOUNTS ARE AT THE DISPOSAL OF THE AGM: (SEK)	
Share premium reserve	12,529,166
Retained earnings	57,530,686
Net profit for the year	90,589,011
<b>Total</b>	<b>160,648,863</b>

THE BOARD OF DIRECTORS AND THE CEO PROPOSE THAT THE SURPLUS BE DISTRIBUTED AS FOLLOWS: (SEK)	
Payment of a cash dividend of SEK 4.00 per share to shareholders (13,947,268 shares <sup>1)</sup> )	55,789,072
To be carried forward	104,859,791
<b>Total</b>	<b>160,648,863</b>

<sup>1)</sup> After deduction for the company's own holding, the number of outstanding shares is 13,947,268.

**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 profitable. It is the opinion of the Board 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	2018	2017
Net revenue	3, 4	2,043,932	1,663,197
Cost of goods sold	6, 7, 8	-1,584,508	-1,259,317
<b>Gross profit</b>		<b>459,424</b>	<b>403,880</b>
Selling expenses	6, 7, 8	-145,518	-115,065
Administrative expenses	6, 7, 8, 9	-82,892	-67,902
Other operating income	10	18,843	9,020
Other operating expenses	11	-13,602	-9,573
Profit from participations in associated companies	17	-30	-8
<b>Operating profit</b>	3, 4, 5	<b>236,225</b>	<b>220,352</b>
Financial income	12	7,542	4,089
Financial expenses	13, 26	-24,591	-24,251
<b>Profit before tax</b>		<b>219,176</b>	<b>200,190</b>
Tax	14	-48,056	-42,179
<b>NET PROFIT FOR THE YEAR</b>		<b>171,120</b>	<b>158,011</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>171,120</i>	<i>158,011</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to net profit for the year</i>			
Change in hedging reserve	24, 28	797	2,627
Tax relating to change in hedging reserve	24, 28	-256	-578
Translation differences	24	8,520	647
<b>OTHER COMPREHENSIVE INCOME</b>		<b>9,061</b>	<b>2,696</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>180,181</b>	<b>160,707</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>180,181</i>	<i>160,707</i>
<b>SHARE DATA</b>			
Basic earnings per share	SEK 22, 23	12.27	11.44
Diluted earnings per share	SEK 22, 23	11.95	11.14



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

GROUP (SEK THOUSANDS)	NOTE	31/12/2018	31/12/2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible non-current assets</i>	15		
Goodwill		575,164	483,046
Other intangible non-current assets		31,842	30,831
Construction in progress and advance payments for intangible non-current assets		6,990	3,368
		<b>613,996</b>	<b>517,245</b>
<i>Property, plant and equipment</i>	16		
Land and buildings		299,970	214,392
Plant and machinery	32	161,452	128,424
Equipment, tools, fixtures and fittings		26,403	19,882
Construction in progress and advance payments for property, plant and equipment		26,726	22,875
		<b>514,551</b>	<b>385,573</b>
<i>Other non-current assets</i>			
Participations in associated companies	17	47	16
Non-current receivables		1,134	996
Deferred tax asset	28	767	854
		<b>1,948</b>	<b>1,866</b>
<b>Total non-current assets</b>		<b>1,130,495</b>	<b>904,684</b>
<b>Current assets</b>			
<i>Inventories</i>	18	288,025	205,728
<i>Current receivables</i>			
Accounts receivable – trade and other current assets	4, 19, 20, 35	482,912	343,572
Prepaid expenses		21,893	12,223
		<b>504,805</b>	<b>355,795</b>
<i>Cash and cash equivalents</i>	20, 21	70,569	53,146
<b>Total current assets</b>		<b>863,399</b>	<b>614,669</b>
<i>Assets held for sale</i>		–	964
<b>TOTAL ASSETS</b>		<b>1,993,894</b>	<b>1,520,317</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

GROUP (SEK THOUSANDS)	NOTE	31/12/2018	31/12/2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	35,234	35,234
Other contributed capital		45,993	25,993
Reserves	24	18,109	9,048
Retained earnings		586,362	471,031
<b>Total equity</b>		<b>685,698</b>	<b>541,306</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>685,698</i>	<i>541,306</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	20, 26, 30, 32	491,804	427,377
Other provisions	27	4,367	2,609
Deferred tax liability	28	90,576	71,126
		<b>586,747</b>	<b>501,112</b>
<b>Current liabilities</b>			
Accounts payable – trade and other current liabilities	4, 20, 29	384,276	341,792
Provisions	27	5,631	10,045
Derivative instruments	20	15,127	14,537
Current interest-bearing liabilities	20, 25, 30, 32	293,193	107,721
Deferred income		22	463
Current tax liability		23,200	3,341
		<b>721,449</b>	<b>477,899</b>
<b>Total liabilities</b>		<b>1,308,196</b>	<b>979,011</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,993,894</b>	<b>1,520,317</b>

## STATEMENT OF CHANGES IN EQUITY

GROUP (SEK THOUSANDS)	NOTE	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
<b>Equity, 1 January 2017</b>		<b>35,234</b>	<b>25,993</b>	<b>6,352</b>	<b>344,100</b>	<b>411,679</b>
Net profit for the year		–	–	–	158,011	158,011
Other comprehensive income		–	–	2,696	–	2,696
<b>Comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>2,696</b>	<b>158,011</b>	<b>160,707</b>
Dividend paid in cash		–	–	–	-31,080	-31,080
<b>Total transactions with shareholders</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>-31,080</b>	<b>-31,080</b>
<b>Equity, 31 December 2017</b>	23, 24	<b>35,234</b>	<b>25,993</b>	<b>9,048</b>	<b>471,031</b>	<b>541,306</b>
Net profit for the year		–	–	–	171,120	171,120
Other comprehensive income		–	–	9,061	–	9,061
<b>Comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>9,061</b>	<b>171,120</b>	<b>180,181</b>
Transfer of own shares in connection with business combinations		–	20,000	–	–	20,000
Dividend paid in cash		–	–	–	-55,789	-55,789
<b>Total transactions with shareholders</b>		<b>–</b>	<b>20,000</b>	<b>–</b>	<b>-55,789</b>	<b>-35,789</b>
<b>Equity, 31 December 2018</b>	23, 24	<b>35,234</b>	<b>45,993</b>	<b>18,109</b>	<b>586,362</b>	<b>685,698</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>35,234</i>	<i>45,993</i>	<i>18,109</i>	<i>586,362</i>	<i>685,698</i>

## CASH FLOW STATEMENTS

GROUP (SEK THOUSANDS)	NOTE	2018	2017
<b>Operating activities</b>			
Operating profit		236,225	220,352
<i>Adjustments for non-cash items etc.</i>			
Depreciation and amortisation		64,281	52,223
Capital gain from sale of non-current assets		-874	108
Write-down of inventories		4,124	849
Other		2,715	993
Interest paid/received, net value	33	-15,914	-16,683
Income tax paid		-27,052	-23,640
<b>Cash flow from operating activities before changes in working capital</b>		<b>263,505</b>	<b>234,202</b>
<b>Changes in working capital</b>			
Increase (-) / decrease (+) in inventories		-20,149	-30,893
Increase (-) / decrease (+) in current receivables		-74,256	-108,660
Increase (+) / decrease (-) in current liabilities		-20,631	29,643
Increase (+) / decrease (-) in other provisions		1,189	-6,697
<b>Cash flow from operating activities</b>		<b>149,658</b>	<b>117,595</b>
<b>Investing activities</b>			
Purchase of intangible non-current assets		-6,919	-3,368
Purchase of property, plant and equipment		-75,875	-43,544
Sale of property, plant and equipment		1,584	289
Acquisition of shares in associated companies		-61	-
Indirect investments through acquisition of subsidiaries/assets and liabilities	33, 34	-162,001	3,830
Increase (+) / decrease (-) in other non-current receivables		369	641
<b>Cash flow from investing activities</b>		<b>-242,903</b>	<b>-42,152</b>
<b>Financing activities</b>			
Dividend paid		-55,789	-31,080
<b>Non-current liabilities</b>	33		
Borrowings		136,406	180,993
Repayment of debt and lease liabilities		-121,669	-210,767
<b>Current interest-bearing liabilities</b>	33		
Borrowings		22,562	56,209
Repayment of debt and lease liabilities		-32,357	-157,163
Change in bank overdraft facilities		160,317	-27,757
<b>Cash flow from financing activities</b>		<b>109,470</b>	<b>-189,565</b>
<b>Cash flow for the year</b>		<b>16,225</b>	<b>-114,122</b>
Cash and cash equivalents at the beginning of the year		53,146	165,107
Exchange rate differences in cash and cash equivalents		1,198	2,161
<b>Cash and cash equivalents at the end of the year</b>	21	<b>70,569</b>	<b>53,146</b>

## NOTES

### ■ NOTE 1

#### GENERAL INFORMATION

The Parent Company, XANO Industri AB (publ) with corporate identity number 556076-2055, is a public limited liability company with its registered office in Jönköping, Sweden. The Parent Company's class B shares are listed on Nasdaq Stockholm.

All amounts are reported in SEK thousands unless otherwise indicated.

### ■ NOTE 2

#### ACCOUNTING POLICIES

The consolidated financial statements have 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

Applied accounting policies and valuation principles are unchanged compared with the previous year, with the exceptions due to new or revised standards, interpretations and improvements, which are applied from 1 January 2018 inclusive. None of the changes and interpretations of existing standards applied from 2018 has had any effect on the Group's financial performance and position at transition but requires additional disclosure.

The new or revised standards with application from 2019 and later, have not been applied in connection with the preparation of these financial statements. The application of these new standards is not considered to have a significant impact on the Group's financial performance or position.

##### IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 has replaced IAS 39. The standard relates to classification and valuation, hedge accounting and the impairment of financial assets and liabilities, and has come into force in 2018. The new regulations entail, in the same way as in IAS 39, that financial assets are classified in various categories, some of which are valued at their accrued acquisition value and some at their fair value. The standard introduces new categories, where classification is based in part on the instrument's contractual cash flows and in part on the company's business model. For financial liabilities, IFRS 9 largely corresponds with IAS 39. XANO has chosen to continue applying IAS 39 for hedge accounting. An investigation is being conducted into the effects of a switch to IFRS 9 in this respect. XANO has not identified any need for a change of principle regarding the valuation of financial assets and liabilities, and has therefore not identified any changes in book value in conjunction with the transition.

##### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 has entered into force in 2018 and establishes a new set of regulations for determining obligations and transaction prices, as well as when a company will recognise revenue from contracts with customers.

The standard is based on the principle that revenue must be recognised when the company satisfies a performance obligation by transferring goods or services to a customer, i.e. when the customer has gained control over the goods or services. This may take place at a point in time or over time. The Group's essential revenue flows come mainly from obligations where control is transferred at a point in time: on delivery of goods. The standard does not entail a change in the recognition of revenue for these deliveries. The Group has earlier been applying the percentage of completion method to project deliveries made to the packaging industry. For these deliveries, revenue recognition will take place over time in a similar way to before.

XANO has chosen to apply the standard with a modified retroactive method, with the combined effect of the first application being recognised as an adjustment of the opening balance for equity on 1 January 2018. XANO has chosen solely to convert agreements that had not been concluded at the time of the transition. XANO has not identified any transitional effects on equity associated with the implementation. The standard is, however, introducing new policies, terms and extended disclosure requirements. See also Note 3 and 4.

##### IFRS 16 LEASES

IFRS 16 replaces IAS 17 and enters into force in 2019. According to the new standard, most leased assets will be recognised in the balance sheet. For XANO, this means that rights of use for operational leases, for example in respect of premises and cars, are recognised as fixed assets, and that corresponding undertakings are recognised as borrowings. At the same time, the depreciation of rights of use and interest expenses for lease liabilities are recognised in the income statement instead of rental costs.

The Group intends to adopt the new standard using the modified retroactive approach, which means that the comparison year will not be restated and that the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to opening balances at the date of initial application. The simplification rule, whereby the right-of-use asset corresponds to the lease liability, will be applied at the time of the transition. In addition, the exemptions to not report short-term leases and assets of a low value will be applied. The value of additional right-of-use assets and lease liabilities is preliminarily SEK 86 million as at

1 January 2019, and the equity/assets ratio is thereby decreasing by approximately 1.5 percentage points. The application is not expected to have any significant impact on the Group's income statement. Financial key performance indicators (covenants) agreed with the Group's main bank are not affected by the introduction of the new standard.

#### CONSOLIDATED FINANCIAL STATEMENTS

##### GENERAL

The consolidated financial statements cover the parent company, XANO Industri AB, and the companies over which the parent company has a direct or indirect controlling interest as at year-end. Controlling interest is defined on the basis of whether the shareholder is capable of controlling the company, entitled to a return and in a position to manage the activities that influence the return. This is usually achieved if the holding corresponds to more than 50 per cent of the number of votes. As of the balance sheet date, all subsidiaries included in the consolidated financial statements are owned to 100 per cent.

The consolidated financial statements have been prepared in accordance with the acquisition method. This means that in the consolidated financial statements, shares in subsidiaries are replaced with the subsidiary's identifiable assets, liabilities and contingent liabilities, valued at fair value at the time of acquisition. The equity of the acquired subsidiary is eliminated in its entirety, which means that the consolidated equity includes only that portion of the subsidiary's equity which has accrued after the acquisition. If the consolidated acquisition value of the shares exceeds the acquisition analysis' value of the company's net assets, the difference is recognised as consolidated goodwill. If the consolidated acquisition value of the shares is instead lower than the value of the company's net assets, the difference is recognised directly in the profit/loss for the year. 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 FOREIGN CURRENCIES

###### – Functional currency and presentation currency

Items included in the financial statements for the various entities belonging to the Group are valued in the currency used in the primary economic environment in which each company operates (functional currency). The Swedish krona (SEK), which is the parent company's functional currency and presentation currency, is used in the consolidated financial statements.

###### – Foreign subsidiaries

The profit and financial position of all Group companies with a functional currency other than the presentation currency are translated to the Group's presentation currency as follows:

- (i) Assets and liabilities for each of the balance sheets are translated at the exchange rate on the balance sheet date.
- (ii) Income and expenses for each of the income statements are translated at the average exchange rate.
- (iii) All translation differences that arise are recognised in other comprehensive income.

In the case of the disposal of foreign operations, the total translation differences attributable to the foreign company are recognised as part of the capital gain/loss in the consolidated statement of comprehensive income.

#### RECOGNITION OF ASSOCIATED COMPANIES

Associated companies are those companies that are not subsidiaries, but where the parent company has significant influence. The consolidated financial statements present participations in associated companies according to the equity accounting method. The equity accounting method means that participations in companies are recognised at the acquisition value at the time of acquisition, and then adjusted by the Group's share of the change in the associated company's net assets. The consolidated income statement includes the Group's share of the associated company's profit after tax.

#### REVENUE

The Group supplies products and systems with associated services. Revenue is recognised when control of the product/service has been transferred to the customer. The transaction price is determined on the basis of an anticipated cost with the addition of a profit margin.

##### GOODS AND SERVICES

The majority of the Group's deliveries relate to goods. The deliveries comprise both customer-specific products manufactured in the form of direct assignments from customers, as well as proprietary products. In addition to the end product, a delivery can include closely integrated elements such as design and freight, and is therefore normally jointly deemed to constitute one performance obligation. In the case of the sale of



goods, the customer gains control on delivery in accordance with the freight terms, and the revenue is recognised at this time. The Group does not apply uniform freight terms. Volume discounts and other bonuses are deducted from revenue if it is very likely that these will be granted.

In the case of the sale of services, the revenue is normally recognised over time in line with the fulfilment of the performance obligation. The Group provides separate services such as the monitoring of customers' production lines and consultation. Service agreements are primarily fixed price assignments.

For deliveries of goods and services, payment terms of 30 to 90 days after delivery are normally applied.

#### PROJECT DELIVERIES

The Group conducts project deliveries to the packaging industry. These deliveries consist of proprietary products and systems. The projects are customer unique and consequently do not create an asset with any alternative usage. The customer agreements are such that they provide the company with the right to receive payment for performance completed to date. The projects can consist of several components, such as design, machines, control systems, installation and warranty commitments. The warranties are standard in nature, but cannot be supplied by another party. Bearing in mind the close integration between the components, the project deliveries are normally deemed to constitute one performance obligation. The agreements are primarily fixed price assignments. The contracts normally run for less than 12 months. The warranty commitments are normally time-limited to between 12 and 36 months. For these deliveries, revenue recognition takes place over time. Revenue is recognised on the basis of an input method based on the company's efforts to fulfil the performance obligation (degree of completion) on the closing day, when the company can reliably calculate the financial outcome of the assignment. The degree of completion is based on expenditure incurred in relation to estimated total expenditure. For projects that are initially difficult to forecast, income is recognised at an amount corresponding to the established cost, i.e. profit is recognised at SEK 0 pending the implementation of profit determination. An adjustment is made for losses as soon as these are known. Anticipated fines or penalties to customers as a result of e.g. delivery delays reduce the revenue by the amounts that are expected to be paid out. The subsidiaries have established procedures for following up the projects. In the company's judgement, the selected method provides a good picture of the company's performance and entitlement to payment. Normal payment terms for these deliveries entail part at the time of the order, part on delivery and part following approved installation. The difference between received payment and claims as a result of executed performance is recognised net in the balance sheet for each agreement, either as a contract asset or a contract liability.

#### PENSIONS

Pensions and other benefits after the termination of employment are classified as either defined contribution plans or defined benefit plans. With a defined contribution plan, the company's obligation is limited to paying fixed contributions 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.

#### TAXES

Reported income taxes include tax that will be paid for the current year and any changes to deferred tax. Tax assets and liabilities are valued at nominal amounts and in accordance with the current 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 assets are reported to the extent it is likely that the sums may be utilised. When a legal right of offset exists, the receivable or liability is reported at net value.

#### NON-CURRENT ASSETS

Non-current assets are valued at the acquisition value less 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. 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 NON-CURRENT ASSETS

Expenditure for product and process development is 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 non-current 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, in which the forecast is determined by the Board of Directors, 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.

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

Other intangible non-current assets	3–10 years
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#### PROPERTY, PLANT AND EQUIPMENT

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

Buildings	25–50 years
Land improvements	20 years
Machinery and equipment	3–10 years

#### CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Group has supplied the product/service to a customer, but has not yet invoiced the customer. A contract liability is recognised when the Group has received or will receive payment, but has not yet supplied the product/service to the customer.

#### ACCOUNTS RECEIVABLE – TRADE

Accounts receivable are recognised when the company has completed an undertaking and/or is entitled to unconditional payment and has invoiced the customer.

#### 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 net realisable 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.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents constitute cash and bank balances as well as investments with a term of no more than three months.

#### FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities cover cash and bank balances, current investments, accounts receivable, loan receivables, loan liabilities, accounts payable and any derivatives. A financial asset or liability is recognised on the balance sheet when the company becomes party to the instrument's contractual terms. A financial asset is removed when the right to receive cash flows from the asset has expired or been transferred to another party. A financial liability is removed from the balance sheet once the obligation has been discharged, revoked or transferred.

Financial instruments are recognised at their accrued acquisition value, fair value via the income statement or fair value in other comprehensive income depending on how the instrument is classified. The company's business model for the management of financial instruments and the characteristics of the contractual cash flows from the instrument constitute the basis for the classification.

#### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT

Financial assets and liabilities measured at fair value via the profit and loss statement cover assets held for trading and assets and liabilities which are classified for reporting at fair value via net profit for the year, such as derivatives that are not covered by hedge accounting.

#### FINANCIAL ASSETS AND LIABILITIES MEASURED AT ACCRUED ACQUISITION VALUE

Loan receivables and accounts receivable are valued at their accrued acquisition value. Credit risk is managed by each subsidiary through adopted procedures for credit control and dunning management. Impairment testing is carried out on an ongoing basis for these assets. Testing takes place individually and considers factors such as the financial difficulties of the debtor. In addition, an assessment is conducted for each segment, during which anticipated credit losses are assessed primarily from a historical perspective. Other financial liabilities, such as borrowings and accounts payable, are valued at their accrued acquisition value.

#### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE IN OTHER COMPREHENSIBLE INCOME

Financial assets and liabilities measured at fair value in other comprehensive income include assets and liabilities for which hedge accounting is applied.

XANO uses hedge accounting in accordance with IAS 39. In order for it to be possible to use hedge accounting, a number of criteria must be fulfilled: the position to be hedged is identified and exposed to exchange rate or interest rate fluctuations, the purpose of the instrument is to serve as a hedge, and a hedge effectively protects the underlying position against changes in its value.

XANO uses interest rate swaps to change the fixed-rate interest period in the desired direction as well as to reduce the effect of interest rate fluctuations. These derivatives are measured at their fair value in the balance sheet. The valuation is based on forward interest rates produced on the basis of observable yield curves. The valuation system detects which day count convention is being traded and adjusts the valuation accordingly. The relationship between the hedging instrument and the hedged item is documented when the transaction is entered into. The efficiency of the hedging relationship is measured regularly thereafter. The interest coupon share is regularly reported as either interest income or interest expense in the income statement. Other 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 fair value as a financial item in net profit for the year.

XANO uses currency derivatives to hedge sales in a currency other than the relevant entity's functional currency, as well as to reduce the effect of interest rate fluctuations between currencies. These contracts are valued at their fair value in the balance sheet. Valuation of the derivatives is based on observable data such as fixing rates and swap rates for the currency in question. The change in value for derivatives to hedge sales 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. When the hedged flow meets the income statement, the change in value is recognised as net sales in relation to the way the hedged flow has been recognised as income, and in addition as exchange rate differences in net profit for the year. For other derivatives, the 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 fair value as a financial item in net profit for the year. As of the balance sheet date, there were no currency derivatives with the aim to reduce interest rate fluctuations.

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 as a financial item in net profit for the year.

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.

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 are expected to be settled more than 12 months after the balance sheet date are reported as non-current liabilities.

#### TRANSLATION OF FOREIGN CURRENCIES

Receivables and liabilities in foreign currency have been translated to the functional currency at the balance sheet date. Translation differences for operating receivables and liabilities are reported under operating profit, while translation differences attributable to loan receivables and liabilities are included in the net financial income.

#### 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 more probable than not that an outflow of resources is required in order to settle the commitment and a reliable assessment of the amount can be made. The amounts are assessed on an ongoing basis based on both historical experience and reasonable future expectations. XANO's operation

includes products covered by a guarantee that is normally limited to between 12 and 36 months. The Group's provisions mainly refer to guarantee and complaint commitments and pensions.

#### LEASES

Lease contracts are classified as either financial or operational. 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 lease charges. In the income statement, depreciation of right-of-use assets and interest expenses for lease liabilities are reported. Costs relating to operational leasing agreements are recognised in the income statement linearly over the leasing period.

#### 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 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 segments Industrial Products, Industrial Solutions and Precision Technology. 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.

#### SIGNIFICANT 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.

#### REVENUE RECOGNITION

The Group conducts project deliveries to the packaging industry. For these projects, income is recognised on the basis of the degree of completion on the balance sheet date when it is possible to reliably calculate the financial result of the assignment. This method means that assessments must be performed of the projects' total income and expenditure, and changes to these items entail that the profit for future periods will be affected. It is particularly difficult to assess the profit at the start of projects and for projects that are technically complicated. In addition, it is necessary to assess whether the conditions are satisfied in order for the project deliveries to be recognised over time. Recognised income for ongoing assignments amounts to SEK 334 million (597). See also Note 4.

#### 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. The Group's reported goodwill amounts to SEK 575 million (483). See also Note 15.

#### 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. Liabilities in respect of guarantee commitments are based primarily on historical experience. For complaints, the amounts that are expected to be paid out are reserved. The Group's reported other non-current provisions amount to SEK 4.4 million (2.6) and other current provision amount to SEK 5.6 million (10.0). See also Note 27.

#### DEFERRED TAX ASSETS AND LIABILITIES

Assessments are made to determine current and deferred tax items, particularly with regard to deferred tax assets. In this respect, it is assessed how probable it is that the deferred tax assets 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. The Group's reported deferred tax assets amount to SEK 0.8 million (0.9). See also Note 28.

#### DERIVATIVE INSTRUMENTS

The Group holds derivatives that are measured at their fair value. Their valuation is based on estimates and comprises the market value that fluctuates over time. In addition to this, the accounting may be affected if the criteria for hedge accounting and effectiveness are not met. As of 31 December 2018, the Group's reported liabilities with regard to derivative instruments amount to SEK 15.1 million (14.5). See also Note 20.

## ■ NOTE 3

## SEGMENT REPORTING ETC.

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. As from 2018, the Group reports on the following segments: Industrial Products, Industrial Solutions and Precision Technology. The operations within each segment are described on pages 52-53. The segments are reported in accordance with the same accounting policies as the Group. Undistributed items mainly refer to the Parent Company. The comparison year has been recalculated as a result of the altered subdivision into business units, see page 53.

BREAKDOWN OF REVENUE	INDUSTRIAL PRODUCTS		INDUSTRIAL SOLUTIONS		PRECISION TECHNOLOGY		ELIMINATIONS		GROUP TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Geographic markets <sup>1)</sup></b>										
Sweden	173,567	120,691	424,689	363,031	243,884	203,200	-5,601	-4,763	836,539	682,159
Rest of the Nordic countries	125,893	115,760	67,478	26,134	3,042	2,716	–	-118	196,413	144,492
Rest of Europe	278,175	58,564	493,842	551,788	15,696	20,402	–	–	787,713	630,754
Rest of the world	5,364	1,074	186,442	172,324	31,461	32,394	–	–	223,267	205,792
<b>Total</b>	<b>582,999</b>	<b>296,089</b>	<b>1,172,451</b>	<b>1,113,277</b>	<b>294,083</b>	<b>258,712</b>	<b>-5,601</b>	<b>-4,881</b>	<b>2,043,932</b>	<b>1,663,197</b>
<b>Type of product</b>										
Proprietary products	149,197	142,670	719,424	732,064	2,963	3,803	-162	–	871,422	878,537
Customer-specific manufacturing	433,802	153,419	453,027	381,213	291,120	254,909	-5,439	-4,881	1,172,510	784,660
<b>Total</b>	<b>582,999</b>	<b>296,089</b>	<b>1,172,451</b>	<b>1,113,277</b>	<b>294,083</b>	<b>258,712</b>	<b>-5,601</b>	<b>-4,881</b>	<b>2,043,932</b>	<b>1,663,197</b>
<b>Timing of revenue recognition</b>										
Goods/services transferred at a point in time	582,999	296,089	553,535	458,741	294,083	258,712	-5,601	-4,881	1,425,016	1,008,661
Services transferred over time	–	–	12,540	7,783	–	–	–	–	12,540	7,783
Projects transferred over time	–	–	606,376	646,753	–	–	–	–	606,376	646,753
<b>Total</b>	<b>582,999</b>	<b>296,089</b>	<b>1,172,451</b>	<b>1,113,277</b>	<b>294,083</b>	<b>258,712</b>	<b>-5,601</b>	<b>-4,881</b>	<b>2,043,932</b>	<b>1,663,197</b>

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

Market conditions are applied to transactions between the segments.

The XANO Group has one major customer which generates revenue accounting for more than 10 per cent of the Group's total revenue. Income from this customer amounted to SEK 239 million (181), mainly reported through the Industrial Solutions segment.

PROFIT/LOSS ITEMS BY SEGMENT	2018			2017		
	Intra-group reported profit before tax	Distribution of group-wide costs and group contribution	Profit before tax	Intra-group reported profit before tax	Distribution of group-wide costs and group contribution	Profit before tax
Industrial Products	59,184 <sup>1)</sup>	-24,731	34,453	35,169 <sup>1)</sup>	-25,420	9,749
Industrial Solutions	139,380 <sup>2)</sup>	-66,152	73,228	150,334 <sup>2)</sup>	-57,323	93,011
Precision Technology	50,074	-46,924	3,150	42,594	-46,169	-3,575
Undistributed items	-29,462	137,807	108,345	-27,907	128,912	101,005
<b>Group total</b>	<b>219,176</b>	<b>0</b>	<b>219,176</b>	<b>200,190</b>	<b>0</b>	<b>200,190</b>

<sup>1)</sup> Including non-recurring items totalling SEK 0 thousand (-6,488) attributable to complaints.

<sup>2)</sup> Including non-recurring items totalling SEK 3,000 thousand (10,777) attributable to the reversal of anticipated bad debt losses.

PROFIT/LOSS ITEMS BY SEGMENT	2018				2017			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Products	183	-5,895	-8,511	-21,013	142	-1,127	-286	-9,473
Industrial Solutions	460	-7,940	-14,829	-25,316	413	-8,185	-19,841	-24,384
Precision Technology	58	-2,115	-564	-17,367	20	-1,324	669	-17,802
Undistributed items	-305	-2,548	-24,152	-585	-227	-5,809	-22,721	-564
<b>Group total</b>	<b>396</b>	<b>-18,498</b>	<b>-48,056</b>	<b>-64,281</b>	<b>348</b>	<b>-16,445</b>	<b>-42,179</b>	<b>-52,223</b>

ASSETS AND LIABILITIES BY SEGMENT	2018				2017			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Products	534,841 <sup>1)</sup>	98,925	182,180	22,646	218,531 <sup>1)</sup>	40,311	5,588	5,144
Industrial Solutions	1,158,009 <sup>2)</sup>	321,813	75,277	39,090	999,891 <sup>2)</sup>	312,347	24,906	40,711
Precision Technology	308,601	52,462	23,362	11,111	294,357	53,247	15,449	11,511
Undistributed items	-7,557 <sup>3)</sup>	49,999	2,494	17,729	7,538 <sup>3)</sup>	38,008	229	13,760
<b>Group total</b>	<b>1,993,894</b>	<b>523,199</b>	<b>283,313</b>	<b>90,576</b>	<b>1,520,317</b>	<b>443,913</b>	<b>46,172</b>	<b>71,126</b>

<sup>1)</sup> Including deferred tax assets totalling SEK 416 thousand (706).

<sup>2)</sup> Including deferred tax assets totalling SEK 21 thousand (148).

<sup>3)</sup> Including deferred tax assets totalling SEK 330 thousand (0).

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 non-current assets, including increases and reductions resulting from the acquisition and disposal of subsidiaries. In 2018, all segments have boosted their total operating assets, such as inventories and trade receivables.

The comparison periods have been recalculated as a result of the altered subdivision into business units.

ASSETS AND INVESTMENTS BY GEOGRAPHIC MARKET	2018		2017	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	551,683	209,146	381,700	24,645
Rest of the Nordic countries	443,784	37,741	412,649	16,810
Rest of Europe	123,379	35,630	97,121	3,859
Rest of the world	11,649	796	13,214	858
<b>Group total</b>	<b>1,130,495</b>	<b>283,313</b>	<b>904,684</b>	<b>46,172</b>

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

#### ■ NOTE 4

##### REVENUE, CONTRACT ASSETS AND CONTRACT LIABILITIES

CONTRACT ASSETS	2018	2017
Contract assets for ongoing assignments	88,654	59,959
Accrued income	4,239	1,035
	<b>92,893</b>	<b>60,994</b>
CONTRACT LIABILITIES	2018	2017
Contract liabilities for ongoing assignments	78,790	61,521
Advance payment from customers	16,390	30,300
Deferred income	22	463
	<b>95,202</b>	<b>92,284</b>

The Group conducts project deliveries to the packaging industry. For these projects, income and expenses are recognised on the basis of the degree of completion on the balance sheet date. Estimates are initially used for assessment of revenue and expenditure. When a more reliable forecast can be determined, forecast values are used for performance assessment. The contracts constitute mainly fixed price assignments. The degree of completion is based on expenditure incurred in relation to estimated total expenditure. For projects that are difficult to forecast, income is recognised at a corresponding amount to the processed cost, i.e. profit is recognised at SEK 0 pending the implementation of profit determination.

The total assignment income that has been recognised as revenue amounts to SEK 606,376 thousand (646,753).

During the period, revenue has been recognised from performance obligations fulfilled in earlier periods at SEK 6 thousand.

In 2018, the introduction of IFRS 15 has affected revenue recognition by SEK 297 thousand in respect of levied or anticipated contract fines, which have reduced net revenue instead of being recognised as costs in line with previous standards.

FOR ONGOING ASSIGNMENTS	2018	2017
Income from deliveries recognised as revenue over time	333,542	596,764
Expenditure for deliveries recognised as expenses over time	-274,943	-455,034
<b>Reported profit</b>	<b>58,599</b>	<b>141,730</b>
Advance payments received	719,613	982,196
Contract assets	88,654	59,959
Contract liabilities	78,790	61,521

On the closing day, there is one customer for which outstanding contract assets amount to SEK 23.6 million. Otherwise there are no customers for which the contract assets exceed SEK 10 million. Impairment testing for losses for the year has not entailed any reserve.

Unfulfilled performance obligations that are expected to be recognised as revenue later than within one year do not amount to significant figures.

CONTRACT ASSETS AND CONTRACT LIABILITIES	Assets	Liabilities
Opening balance	60,994	92,284
Acquisition of subsidiaries	5,151	4,970
Assets/liabilities at the start of the year/acquired items recognised as income in 2018	-67,212	-81,814
Additional assets/liabilities	92,871	77,363
Translation differences	1,089	2,399
<b>Closing balance</b>	<b>92,893</b>	<b>95,202</b>

#### ■ NOTE 5

##### EMPLOYEES AND PERSONNEL COSTS

AVERAGE NO. OF EMPLOYEES	2018	of which men	2017	of which men
Sweden	511	83%	420	81%
Denmark	135	90%	132	91%
Norway	103	89%	42	93%
Estonia	87	90%	83	90%
China	83	81%	81	83%
Netherlands	80	92%	34	91%
Poland	9	44%	7	57%
Finland	4	75%	4	75%
USA	3	67%	4	75%
<b>Group total</b>	<b>1,015</b>	<b>85%</b>	<b>807</b>	<b>85%</b>

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2018	2017
<b>Parent Company</b>		
Board members	67%	71%
Senior executives	50%	50%
<b>Operating subsidiaries</b>		
Board members	73%	75%
Senior executives	78%	73%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2018	2017
Salaries and remuneration	457,851	347,970
Social security costs	133,786	103,397
(of which pension costs <sup>1, 2, 3, 4)</sup> )	(38,869)	(30,979)
<b>Group total</b>	<b>591,637</b>	<b>451,367</b>

<sup>1)</sup> Of the Group's pension costs, SEK 5,487 thousand (4,827) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

<sup>2)</sup> The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 8,700 thousand (6,180). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2018, Alecta's surplus in the form of the collective insurance level amounted to 142 per cent (154). The fee for the coming year is estimated to be on a par with that charged for 2018.

<sup>3)</sup> Pension costs do not include special employer's contribution. Special employer's contribution is reported amongst social security costs.

<sup>4)</sup> One of the Group's Swedish subsidiary companies has a pension obligation secured through endowment insurance. The remaining balance was recognised as an asset and a pension liability, respectively, and amounts to SEK 183 thousand (400).

BREAKDOWN OF SALARIES AND OTHER REMUNERATION	2018		2017	
	Board and MD <sup>1)</sup>	Other employees	Board and MD <sup>1)</sup>	Other employees
Sweden (of which bonuses)	20,008 (2,839)	198,476	17,115 (2,020)	164,881
Denmark <sup>2)</sup> (of which bonuses)	6,987 (798)	103,807	5,387 (524)	96,033
Norway (of which bonuses)	1,137 (-)	49,860	998 (-41)	18,271
Netherlands (of which bonuses)	964 (41)	43,253	751 (-)	15,094
China (of which bonuses)	1,780 (137)	13,074	1,592 (-)	11,630
Estonia (of which bonuses)	482 (41)	13,190	405 (-)	10,846
Finland (of which bonuses)	- (-)	2,000	- (-)	1,859
Poland (of which bonuses)	- (-)	1,668	- (-)	1,272
USA (of which bonuses)	591 (-)	574	768 (-)	1,068
<b>Group total (of which bonuses)</b>	<b>31,949 (3,856)</b>	<b>425,902</b>	<b>27,016 (2,503)</b>	<b>320,954</b>

<sup>1)</sup> Includes remuneration for board members, Group management and managing directors.

<sup>2)</sup> In addition, the CEO has received SEK 6,110 thousand as a stay-on-bonus agreed in conjunction with the acquisition of Jorgensen Engineering A/S in 2016. The cost of the stay-on-bonus has been spread over the years 2017-2018.

#### REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

The Annual General Meeting (AGM) 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 six months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group 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.

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 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 AGM decided that the Board's fee of SEK 1,020 thousand should be distributed with SEK 270 thousand payable to the Chairman and SEK 150 thousand payable to each of the other ordinary Board members for the period up to and including the next annual general meeting. The AGM further decided that remuneration for tasks undertaken in the remuneration committee should amount to SEK 20 thousand per person and remuneration for tasks undertaken in the audit committee should amount to SEK 30 thousand per person. During 2018, SEK 130 thousand was carried as an expense for these tasks.

In 2018, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 5,999 thousand (4,766), of which SEK 1,800 thousand (1,100) constitutes variable remuneration. Other senior executives received salary, salary sacrifice excluded, totalling SEK 1,473 thousand (1,519), of which SEK 0 thousand (172) constitutes variable remuneration. At the 2016 AGM, it was decided to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

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 30 per cent (30) 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 (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 30 per cent (27) of the pensionable salary. "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs including salary sacrifice for the CEO amounted to SEK 1,470 thousand (1,260). Pension costs including salary sacrifice for other senior executives amounted to SEK 501 thousand (448).

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 6 EXPENSES BY NATURE

	2018	2017
Material costs	-851,734	-712,830
Personnel costs	-664,547	-509,460
Depreciation	-64,281	-52,223
Other external costs	-232,356	-167,771
	<b>-1,812,918</b>	<b>-1,442,284</b>

#### ■ NOTE 7 PERSONNEL COSTS

PERSONNEL COSTS BY FUNCTION	2018	2017
Cost of goods sold	-522,137	-392,545
Selling expenses	-81,950	-67,525
Administrative expenses	-60,460	-49,390
	<b>-664,547</b>	<b>-509,460</b>



## ■ NOTE 8 DEPRECIATION

DEPRECIATION BY FUNCTION	2018	2017
Cost of goods sold	-59,373	-47,417
Selling expenses	-4,183	-4,103
Administrative expenses	-725	-703
	<b>-64,281</b>	<b>-52,223</b>

DEPRECIATION BY CLASS OF ASSET	2018	2017
Other intangible non-current assets	-6,019	-5,602
Land and buildings	-12,541	-9,623
Plant and machinery	-36,099	-29,316
Equipment, tools, fixtures and fittings	-9,622	-7,682
	<b>-64,281</b>	<b>-52,223</b>

## ■ NOTE 9 AUDITORS' REMUNERATION

	2018	2017
<b>Ernst &amp; Young</b>		
Audit assignment	-1,397	-831
Audit activities other than audit assignment	-30	-295
Tax consultancy services	-26	-17
Other services	-22	-194
	<b>-1,475</b>	<b>-1,337</b>
<b>Other auditors</b>		
Audit assignment	-624	-499
Audit activities other than audit assignment	-28	–
Tax consultancy services	-21	-19
Other services	-2	–
	<b>-675</b>	<b>-518</b>
<b>Total</b>	<b>-2,150</b>	<b>-1,855</b>

"Audit assignment" refers to the review of the annual report, interim reports, the administration by the Board and CEO and the corporate governance report.

## ■ NOTE 10 OTHER OPERATING INCOME

	2018	2017
Rental income	927	1,211
Exchange gains on operating receivables/liabilities	14,825	5,488
Other	3,091	2,321
	<b>18,843</b>	<b>9,020</b>

## ■ NOTE 11 OTHER OPERATING EXPENSES

	2018	2017
Cost of leased premises/personnel	-927	-1,211
Exchange losses on operating receivables/liabilities	-11,264	-7,749
Other	-1,411	-613
	<b>-13,602</b>	<b>-9,573</b>

## ■ NOTE 12 FINANCIAL INCOME

	2018	2017
Interest income	396	348
Exchange gains on financial assets/liabilities	7,146	3,741
	<b>7,542</b>	<b>4,089</b>

## ■ NOTE 13 FINANCIAL EXPENSES

	2018	2017
Interest expenses	-18,498	-16,445
Exchange losses on financial assets/liabilities	-6,093	-7,775
Losses on other non-current assets	–	-31
	<b>-24,591</b>	<b>-24,251</b>

## ■ NOTE 14 TAX ON PROFIT FOR THE YEAR

	2018	2017
Current tax	-45,500	-24,454
Deferred tax	-2,556	-17,725
	<b>-48,056</b>	<b>-42,179</b>

The difference between the Swedish income tax rate 22% and the effective tax rate arises as follows:

	2018	2017
Reported profit before tax	219,176	200,190
Tax according to Swedish income tax rate	-48,219 22%	-44,042 22%
<i>Tax effect of</i>		
Consolidated amortisation of surplus values	-6 0%	-6 0%
Deviation in tax rate in non-Swedish companies	1,440 -1%	1,842 -1%
Transaction costs at business combinations	-230 0%	-13 0%
Altered corporation tax in Sweden	908 -0%	–
Dividends from non-Swedish companies	-2,055 1%	–
Other tax-related adjustments	106 -0%	40 -0%
<b>Reported tax</b>	<b>-48,056 22%</b>	<b>-42,179 21%</b>

## ■ NOTE 15

## INTANGIBLE NON-CURRENT ASSETS

GOODWILL	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	484,781	485,667
Acquisition of subsidiaries	91,488	–
Translation differences for the year	636	-886
<b>Closing balance</b>	<b>576,905</b>	<b>484,781</b>
<b>Accumulated amortisation</b>		
Opening balance	-1,633	-1,629
Translation differences for the year	-6	-4
<b>Closing balance</b>	<b>-1,639</b>	<b>-1,633</b>
<b>Accumulated impairment costs</b>		
Opening balance	-102	-102
<b>Closing balance</b>	<b>-102</b>	<b>-102</b>
<b>Closing residual value</b>	<b>575,164</b>	<b>483,046</b>

Goodwill is distributed between the Group's cash-generating units, which consist of segments. Estimates of the recoverable amounts include assumptions regarding growth, income trends and investments, including investments in working capital. Assumed growth, depending on the segment, amounts to 3–6 per cent (3–6) for the forecast period and thereafter staying at 3 per cent (3). Assumed operating margins amount to 11–14 per cent (11–14) 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.<sup>1)</sup> Investment amounts are based on forecasts and subsequently judged to stay at the same level as depreciation.

Every year, the Group performs impairment tests for goodwill. A discount rate<sup>2)</sup> (WACC) of 10.6 per cent (10.6) before tax was used for this year's test. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the sustained growth rate was set at 0 per cent, the operating margin was reduced by 2 percentage points relative to the forecast level or the discount rate was increased by 2 percentage points. None of the analyses showed any impairment indication.

<sup>1)</sup> As the Group's total operating profit includes undistributed items with a negative result, primarily in relation to costs for the parent company, the Group's total operating margin is lower than those assumed for the cash-generating units/segments.

<sup>2)</sup> 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	2018	2017
Industrial Products	99,746	24,496
Industrial Solutions	399,473	382,605
Precision Technology	75,945	75,945
	<b>575,164</b>	<b>483,046</b>

OTHER INTANGIBLE NON-CURRENT ASSETS	2018	2017	
<b>Accumulated acquisition values</b>			
Opening balance	57,239	56,448	
New acquisitions	2,039	874	
Acquisitions of subsidiaries	3,630	–	
Divestments and disposals	–	-1,106	
Reclassifications	1,336	1,237	
Translation differences for the year	171	-214	
<b>Closing balance</b>	<b>64,415</b>	<b>57,239</b>	
<b>Accumulated scheduled amortisation</b>			
Opening balance	-26,408	-22,118	
Divestments and disposals	–	1,106	
Amortisation according to plan for the year	-6,019	-5,602	
Translation differences for the year	-146	206	
<b>Closing balance</b>	<b>-32,573</b>	<b>-26,408</b>	
<b>Closing residual value according to plan <sup>1)</sup></b>	<b>31,842</b>	<b>30,831</b>	
Remaining amortisation period, years			
<sup>1) of which</sup>			
Capitalised expenditure for research and development	7	30,442	30,320
Patents	5	217	–
Other	3	1,183	511

CONSTRUCTION IN PROGRESS	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	3,368	874
New acquisitions/advance payments	5,319	2,494
Disposals	-439	–
Reclassifications	-1,162	–
Translation differences for the year	-96	–
<b>Closing balance</b>	<b>6,990</b>	<b>3,368</b>

## ■ NOTE 16

## PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	338,257	334,553
New acquisitions	8,682	1,983
Acquisitions of subsidiaries	57,020	–
Divestments and disposals	-485	–
Reclassifications	28,721	–
Translation differences for the year	4,766	1,721
<b>Closing balance</b>	<b>436,961</b>	<b>338,257</b>
<b>Accumulated scheduled depreciation</b>		
Opening balance	-123,865	-114,355
Divestments and disposals	360	5
Depreciation according to plan for the year	-12,541	-9,623
Translation differences for the year	-945	108
<b>Closing balance</b>	<b>-136,991</b>	<b>-123,865</b>
<b>Closing residual value according to plan <sup>1)</sup></b>	<b>299,970</b>	<b>214,392</b>
<sup>1)</sup> of which land	30,488	22,430

PLANT AND MACHINERY	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	486,275	477,019
New acquisitions	19,395	14,418
Acquisitions of subsidiaries	46,345	–
Divestments and disposals	-24,171	-5,346
Reclassifications	7,337	2,445
Translation differences for the year	4,868	-2,261
<b>Closing balance</b>	<b>540,049</b>	<b>486,275</b>
<b>Accumulated scheduled depreciation</b>		
Opening balance	-357,851	-335,517
Divestments and disposals	18,717	4,942
Reclassifications	31	-6
Depreciation according to plan for the year	-36,099	-29,316
Translation differences for the year	-3,395	2,046
<b>Closing balance</b>	<b>-378,597</b>	<b>-357,851</b>
<b>Closing residual value according to plan</b>	<b>161,452</b>	<b>128,424</b>

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	106,005	103,601
New acquisitions	8,282	4,952
Acquisitions of subsidiaries	7,848	–
Divestments and disposals	-2,493	-1,699
Reclassifications	393	587
Translation differences for the year	1,355	-1,436
<b>Closing balance</b>	<b>121,390</b>	<b>106,005</b>
<b>Accumulated scheduled depreciation</b>		
Opening balance	-86,123	-81,109
Divestments and disposals	1,962	1,347
Reclassifications	-31	–
Depreciation according to plan for the year	-9,622	-7,682
Translation differences for the year	-1,173	1,321
<b>Closing balance</b>	<b>-94,987</b>	<b>-86,123</b>
<b>Closing residual value according to plan</b>	<b>26,403</b>	<b>19,882</b>

CONSTRUCTION IN PROGRESS	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	22,875	4,651
Acquisitions of subsidiaries	298	–
New acquisitions/advance payments	39,516	22,202
Reclassifications	-36,625	-4,263
Translation differences for the year	662	285
<b>Closing balance</b>	<b>26,726</b>	<b>22,875</b>

Additional contractual obligations to acquire property, plant and equipment amount to SEK 8,221 thousand (17,588).

## ■ NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	16	25
Acquisitions/capital contribution for the year	312	–
Profit participation for the year	-30	-9
Translation differences for the year	-11	–
<b>Closing balance</b>	<b>287</b>	<b>16</b>
<b>Accumulated write-downs</b>		
Opening balance	–	–
Write-down for the year	-250	–
Translation differences for the year	10	–
<b>Closing balance</b>	<b>-240</b>	<b>–</b>
<b>Carrying amount</b>	<b>47</b>	<b>16</b>

Business name Corporate identity number Registered office	Share of equity	Share of voting rights	Number of shares	Equity	Profit after tax
Nordic Plastic Recycling AS 918 069 283 Adalsnes, Norway	24%	24%	2,326	1,161 <sup>1)</sup>	120 <sup>1)</sup>

<sup>1)</sup> The amounts are preliminary, as the final accounts for 2018 have not yet been adopted.

## ■ NOTE 18 INVENTORIES

	2018	2017
Raw material and consumables	124,146	83,696
Work in process	70,796	55,233
Finished products and goods for resale	87,748	55,588
Advance payments to suppliers	5,335	11,211
	<b>288,025</b>	<b>205,728</b>

Write-downs totalling SEK 4,124 thousand (849) have been made. Total expenditure for goods reported as costs amounts to SEK 851,734 thousand (712,830).

## ■ NOTE 19 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2018	2017
Accounts receivable	359,355	260,139
Tax asset	1,316	1,169
Other receivables	29,348	21,270
Accrued income <sup>1)</sup>	4,239	1,035
Contract assets	88,654	59,959
	<b>482,912</b>	<b>343,572</b>

<sup>1)</sup> The amount for 2017 has been adjusted for items reclassified to prepaid expenses.

## ■ NOTE 20

## FINANCIAL ASSETS AND LIABILITIES

DISTRIBUTION BY CATEGORY	Financial assets measured at fair value through profit and loss	Loan and accounts receivable valued at accrued acquisition value	Financial liabilities measured at fair value through profit and loss	Financial liabilities measured at fair value through other comprehensive income	Other financial liabilities	Total carrying amount	Fair value <sup>1)</sup>
<b>2018</b>							
<b>Financial assets</b>							
Accounts receivable <sup>2)</sup>	–	359,355				359,355	359,355
Cash and cash equivalents	–	70,569				70,569	70,569
<b>Total financial assets</b>	–	<b>429,924</b>				<b>429,924</b>	
<b>Financial liabilities</b>							
Borrowings			–	–	485,570	485,570	485,570
Lease liabilities <sup>3)</sup>			–	–	50,240	50,240	
Convertible loan			–	–	60,319	60,319	62,130
Bank overdraft facilities			–	–	188,868	188,868	188,868
<b>Total interest-bearing liabilities</b>			–	–	<b>784,997</b>	<b>784,997</b>	
Accounts payable			–	–	161,836	161,836	161,836
Derivative instruments <sup>4, 5)</sup>			1,359 <sup>4)</sup>	13,769 <sup>5)</sup>	–	15,128	15,128
<b>Total financial liabilities</b>			<b>1,359</b>	<b>13,769</b>	<b>946,833</b>	<b>961,961</b>	

DISTRIBUTION BY CATEGORY	Financial assets measured at fair value through profit and loss	Loan and accounts receivable valued at accrued acquisition value	Financial liabilities measured at fair value through profit and loss	Financial liabilities measured at fair value through other comprehensive income	Other financial liabilities	Total carrying amount	Fair value <sup>1)</sup>
<b>2017</b>							
<b>Financial assets</b>							
Accounts receivable <sup>2)</sup>	–	260,139				260,139	260,139
Cash and cash equivalents	–	53,146				53,146	53,146
<b>Total financial assets</b>	–	<b>313,285</b>				<b>313,285</b>	
<b>Financial liabilities</b>							
Borrowings			–	–	396,690	396,690	396,690
Lease liabilities <sup>3)</sup>			–	–	47,562	47,562	
Convertible loan			–	–	59,113	59,113	62,130
Bank overdraft facilities			–	–	31,733	31,733	31,733
<b>Total interest-bearing liabilities</b>			–	–	<b>535,098</b>	<b>535,098</b>	
Accounts payable			–	–	142,580	142,580	142,580
Derivative instruments <sup>5)</sup>			–	14,537 <sup>5)</sup>	–	14,537	14,537
<b>Total financial liabilities</b>			–	<b>14,537</b>	<b>677,678</b>	<b>692,215</b>	

<sup>1)</sup> The fair value of financial assets and liabilities, with the exception of the convertible loan and lease liabilities, is estimated to be the same as their carrying amount in all material respects.

<sup>2)</sup> Losses reported on accounts receivable for the year amount to SEK 982 thousand (599), of which SEK 132 thousand (62) constitutes realised losses. The reversal of anticipated bad debt losses has been reported in net profit for the year at the amount of SEK 3,000 thousand (10,777). Required write-downs of outstanding receivables amounts to SEK 2,656 thousand (5,269), see also Note 35.

<sup>3)</sup> For details on financial lease contracts, see Note 32.

<sup>4)</sup> The derivative instruments constitute currency derivatives that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK -1,359 thousand (0) excluding tax. The item is not effectively hedged and is reported as financial expenses in the profit and loss statement.

<sup>5)</sup> The derivative instruments constitute interest rate swaps that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK 797 thousand (2,627) excluding tax. The item is effectively hedged and is reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

WRITE-DOWNS OF OUTSTANDING ACCOUNTS RECEIVABLE	2018	2017
Opening balance	5,269	15,442
Provision for anticipated bad debt losses	337	526
Reversal of anticipated bad debt losses	-3,000	-10,777
Translation differences for the year	50	78
<b>Closing balance</b>	<b>2,656</b>	<b>5,269</b>

Impairment has been assessed on the basis of a historical perspective at 0.13% of total revenue.

## AGE ANALYSIS

FINANCIAL ASSETS AS OF 31/12/2018	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable <sup>1)</sup>	240,944	102,754	15,657	359,355
Cash and cash equivalents	70,569	–	–	70,569
<b>Total financial assets</b>	<b>311,513</b>	<b>102,754</b>	<b>15,657</b>	<b>429,924</b>

FINANCIAL ASSETS AS OF 31/12/2017	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable <sup>1)</sup>	190,485	61,715	7,939	260,139
Cash and cash equivalents	53,146	–	–	53,146
<b>Total financial assets</b>	<b>243,631</b>	<b>61,715</b>	<b>7,939</b>	<b>313,285</b>

FINANCIAL LIABILITIES AS OF 31/12/2018	Maturity							Total
	-30 days	31-90 days	91-360 days	Total within 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	
Borrowings and lease liabilities	2,178	10,084	92,063	104,325	197,107	186,194	48,184	535,810
Convertible loan <sup>2)</sup>	–	–	–	–	60,319	–	–	60,319
Bank overdraft facilities	–	–	188,868	188,868	–	–	–	188,868
<b>Total interest-bearing liabilities</b>	<b>2,178</b>	<b>10,084</b>	<b>280,931</b>	<b>293,193</b>	<b>257,426</b>	<b>186,194</b>	<b>48,184</b>	<b>784,997</b>
Accounts payable	109,056	46,371	6,409	161,836				161,836
Derivative instruments	–	1,754	13,374	15,128				15,128
<b>Total financial liabilities</b>	<b>111,234</b>	<b>58,209</b>	<b>300,714</b>	<b>470,157</b>	<b>257,426</b>	<b>186,194</b>	<b>48,184</b>	<b>961,961</b>
<i>Total non-discounted cash flows <sup>3)</sup></i>				<b>472,781</b>	<b>267,313</b>	<b>195,932</b>	<b>52,036</b>	<b>988,062</b>

FINANCIAL LIABILITIES AS OF 31/12/2017	Maturity							Total
	-30 days	31-90 days	91-360 days	Total within 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	
Borrowings and lease liabilities	1,668	4,077	70,243	75,988	144,185	179,452	44,627	444,252
Convertible loan <sup>2)</sup>	–	–	–	–	59,113	–	–	59,113
Bank overdraft facilities	–	–	31,733	31,733	–	–	–	31,733
<b>Total interest-bearing liabilities</b>	<b>1,668</b>	<b>4,077</b>	<b>101,976</b>	<b>107,721</b>	<b>203,298</b>	<b>179,452</b>	<b>44,627</b>	<b>535,098</b>
Accounts payable	94,178	34,851	13,551	142,580				142,580
Derivative instruments	–	366	14,171	14,537				14,537
<b>Total financial liabilities</b>	<b>95,846</b>	<b>39,294</b>	<b>129,698</b>	<b>264,838</b>	<b>203,298</b>	<b>179,452</b>	<b>44,627</b>	<b>692,215</b>
<i>Total non-discounted cash flows <sup>3)</sup></i>				<b>266,221</b>	<b>214,503</b>	<b>183,497</b>	<b>46,615</b>	<b>710,836</b>

<sup>1)</sup> Of reported accounts receivable, the overdue amount totals SEK 84,502 thousand (63,561), see also Note 35.

<sup>2)</sup> Falls due in 2020.

<sup>3)</sup> Includes estimated future interest payments.

With regard to fixed interest rate periods and interest rate risks as well as credit risks, see Note 35.

DISTRIBUTION BY CURRENCY	Financial assets		Financial liabilities			
	31/12/2018	31/12/2017	Non-current		Current <sup>1)</sup>	
			31/12/2018	31/12/2017	31/12/2018	31/12/2017
SEK	152,625	116,101	315,655	261,674	440,414	310,118
USD	47,972	38,590	–	–	-21,610	-16,804
EUR	150,631	132,642	1,161	–	-32,652	-105,147
DKK	1,701	1,879	170,294	165,703	26,112	28,919
Other currencies	76,995	24,073	4,694	–	57,893	47,752
	<b>429,924</b>	<b>313,285</b>	<b>491,804</b>	<b>427,377</b>	<b>470,157</b>	<b>264,838</b>

<sup>1)</sup> Includes utilised bank overdraft facilities with multi-currency accounts.



## ■ NOTE 21

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the balance in bank overdraft facilities, Group currency accounts.

CASH AND CASH EQUIVALENTS	2018	2017
Cash and bank balances	70,564	53,141
Current investments	5	5
<b>Amount at year-end</b>	<b>70,569</b>	<b>53,146</b>

## ■ NOTE 22

### EARNINGS PER SHARE

BASIC EARNINGS PER SHARE	2018	2017
Net profit for the year, SEK thousands	171,120	158,011
Average number of outstanding shares, thousands	13,947	13,813
<b>Basic earnings per share, SEK</b>	<b>12.27</b>	<b>11.44</b>

DILUTED EARNINGS PER SHARE	2018	2017
Net profit for the year, SEK thousands	171,120	158,011
Interest expense on convertible bonds, SEK thousands <sup>1)</sup>	2,272	2,272
Issue expenses for convertible bonds, SEK thousands	20	20
<b>Adjusted income, SEK thousands</b>	<b>173,412</b>	<b>160,303</b>
Average number of outstanding shares, thousands	13,947	13,813
Adjustment for presumed conversion of convertible bonds, thousands	570	570
<b>Average number of shares at the calculation of earnings per share, thousands</b>	<b>14,517</b>	<b>14,383</b>
<b>Diluted earnings per share, SEK</b>	<b>11.95</b>	<b>11.14</b>

<sup>1)</sup> Constitutes current interest for convertible loan adjusted to market interest rate.

With regard to the number of shares and convertible bonds, see Note 23.

## ■ NOTE 23

### SHARE CAPITAL ETC.

DISTRIBUTION OF SHARE CAPITAL	31/12/2018	1/1/2018
Class A shares	3,644,400	3,644,400
Class B shares	10,449,090	10,449,090
<b>Total number of shares</b>	<b>14,093,490</b>	<b>14,093,490</b>
<b>Quotient value, SEK</b>	<b>2.50</b>	<b>2.50</b>
<b>Share capital, SEK</b>	<b>35,233,725</b>	<b>35,233,725</b>

The total number of shares is 14,093,490, of which 146,222 was held by the company at year-end. The average number of outstanding shares during 2018 amounted to 13,946,901. Class A shares give entitlement to ten votes and class B shares entitlement to one vote. The number of votes, following deductions for the company's own holding, was 46,746,868 at year-end.

On 1 July 2016, convertibles for a nominal value of SEK 62,130 thousand, corresponding to 570,000 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 4.00 per share.

## ■ NOTE 24

### RESERVES

CUMULATIVE TRANSLATION DIFFERENCE	2018	2017
Opening balance	20,101	19,454
Translation differences for the year	15,395	4,032
Hedging of currency risk in non-Swedish operations	-6,875	-3,385
<b>Closing balance</b>	<b>28,621</b>	<b>20,101</b>

Investment in shares in subsidiaries in Denmark, the Netherlands and Norway has partly been hedged by taking out loans in DKK, EUR and NOK respectively.

HEDGING RESERVE	2018	2017
Opening balance	-11,053	-13,102
Changes for the year, including tax	541	2,049
<b>Closing balance</b>	<b>-10,512</b>	<b>-11,053</b>

The amounts concern the effective component of value change in derivative instruments used for hedge accounting. There were no reclassifications reported in net profit for the year.

On the balance sheet date of 31 December 2018, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 219 million (150).

	2018	2017
<b>Total reserves</b>	<b>18,109</b>	<b>9,048</b>

## ■ NOTE 25

### BANK OVERDRAFT FACILITIES

Utilised overdraft facilities are reported as current liabilities.

BANK OVERDRAFT FACILITIES	2018	2017
Bank overdraft facilities granted	290,640	225,040
Unutilised amount	-101,772	-193,307
<b>Utilised amount</b>	<b>188,868</b>	<b>31,733</b>

## ■ NOTE 26

### CONVERTIBLE LOAN

The Parent Company has an outstanding convertible loan reported at SEK 60,319 thousand (59,113). The nominal value for the outstanding loan is SEK 62,130 thousand. The convertible loan runs until 30 June 2020 with an annual interest rate corresponding to STIBOR 3M plus 2.20 per cent (2.20 per cent for the current period). During the period 1–12 June 2020, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 109. 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 4.49 per cent (government bonds interest rate at the time of issue, -0.51 per cent, with a 5.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised 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 loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense for the year is SEK 2,573 thousand (2,573). For the outstanding convertible loan, the interest expense corresponds to 4.1 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.

## ■ NOTE 27

### OTHER PROVISIONS

NON-CURRENT	2018	2017	
Guarantee and complaint commitments	3,815	1,583	
Pension commitments	328	802	
Deferred land registration costs	224	224	
	4,367	2,609	
Estimated maturity time			
Between one and five years after the balance sheet date	4,143	2,385	
More than five years after the balance sheet date	224	224	
CURRENT	2018	2017	
Guarantee and complaint commitments	5,631	10,045	
	5,631	10,045	
	Non-current		Current
CHANGES IN OTHER PROVISIONS	Guarantee and complaint commitments	Pension commitments	Guarantee and complaint commitments
Opening balance	1,583	802	10,045
Acquisition of subsidiaries	526	–	–
Provisions for the year	1,664	–	-1,558
Payments/utilisation for the year	–	-474	-3,345
Translation differences for the year	42	–	489
Closing balance	3,815	328	5,631

## ■ NOTE 28

### DEFERRED TAX

#### 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.

	2018	2017
Non-current assets, Group items <sup>1)</sup>	22,188	13,148
Buildings, subsidiaries	3,487	3,357
Untaxed reserves		
Excess depreciation, machinery and equipment	6,887	6,004
Tax allocation reserves	27,032	19,238
Derivative instruments	-2,862	-3,118
Non-Swedish items with diverging tax rate	34,122	32,717
Other items	-278	-220
<b>Deferred tax liability</b>	<b>90,576</b>	<b>71,126</b>
<b>Deferred tax asset <sup>2)</sup></b>	<b>-767</b>	<b>-854</b>
<b>Net deferred tax liability</b>	<b>89,809</b>	<b>70,272</b>
Deferred tax liability brought forward	-70,272	-51,104
Acquisition of subsidiaries	-15,433	–
Translation differences	-1,293	-861
Rounding	1	-4
<b>Deferred tax expense relating to temporary differences</b>	<b>2,812</b>	<b>18,303</b>
– of which reported in		
Net profit for the year	2,556	17,725
Other comprehensive income	256	578

<sup>1)</sup> Relates primarily to consolidated carrying amounts as a result of fair value measurement in connection with the acquisition of subsidiaries.

<sup>2)</sup> Relates to the business in non-Swedish subsidiaries. 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 reported to the amount that is judged to be utilised. Of the reported amount, SEK 394 thousand must be utilised by 2020 at the latest. If there is no legal right of offset, the asset is reported as a deferred tax asset in the balance sheet.

#### DEFERRED TAX

CHANGES IN DEFERRED TAX LIABILITY	2018	2017
Deferred tax liability brought forward	71,126	52,444
Non-current assets, Group items	-1,605	-834
Buildings, subsidiaries	130	221
Untaxed reserves		
Excess depreciation, machinery and equipment	802	137
Tax allocation reserves	3,248	880
Derivative instruments	256	578
Other items	-5	-24
Acquisition of subsidiaries	15,433	–
Non-Swedish items with diverging tax rate	1,191	17,724
<b>Deferred tax liability carried forward</b>	<b>90,576</b>	<b>71,126</b>

CHANGES IN DEFERRED TAX ASSET	2018	2017
Deferred tax asset brought forward	854	1,340
Change in loss carried forward	-312	-613
Other	219	38
Translation differences	6	89
<b>Tax asset carried forward</b>	<b>767</b>	<b>854</b>

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

## ■ NOTE 29

### ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2018	2017
Advance payments from customers	16,390	30,300
Accounts payable	161,836	142,580
Salary and holiday pay liabilities	65,605	55,673
Accrued social security contributions	17,786	13,370
Other accrued expenses	11,523	14,767
Other non-interest-bearing liabilities	32,346	23,581
Contract liabilities	78,790	61,521
	<b>384,276</b>	<b>341,792</b>

## ■ NOTE 30

### PLEGDED ASSETS

	2018	2017
<b>For own liabilities</b>		
Property mortgages	110,248	91,805
Floating charges	139,611	69,663
Assets with right of repossession	36,598	22,994
Shares in subsidiaries	629,794	375,867
Other assets	57,035	–
	<b>973,286</b>	<b>560,329</b>
<b>Other pledged assets</b>		
Pledged endowment insurance with pension obligation	183	400
	<b>183</b>	<b>400</b>
<b>Total</b>	<b>973,469</b>	<b>560,729</b>

## ■ NOTE 31

### CONTINGENT LIABILITIES

	2018	2017
Pension obligations	598	1,435
Contingent liabilities in respect of advance payment and work guarantees	22,928	24,336
	<b>23,526</b>	<b>25,771</b>

## ■ NOTE 32

### LEASES

#### FINANCE LEASES

Items covered by finance lease contracts are reported in the consolidated financial statements as below. Finance leases concern 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 17,075 thousand (10,911).

PLANT AND MACHINERY	2018	2017
<b>Accumulated acquisition values</b>		
Opening balance	104,001	107,676
Acquisition of subsidiaries	34,073	–
Divestments and disposals	-18,724	-3,675
Translation differences	383	–
<b>Closing balance</b>	<b>119,733</b>	<b>104,001</b>
<b>Accumulated scheduled depreciation</b>		
Opening balance	-54,758	-48,830
Divestments and disposals	12,843	3,332
Depreciation according to plan for the year	-13,667	-9,260
Translation differences	-63	–
<b>Closing balance</b>	<b>-55,645</b>	<b>-54,758</b>
<b>Closing residual value according to plan</b>	<b>64,088</b>	<b>49,243</b>

BORROWINGS, FINANCE LEASES	2018	2017
Current component, maturity date within one year	18,245	14,418
Non-current component		
– maturity date between one and five years	31,913	33,144
– maturity date in excess of five years	82	–
	<b>50,240</b>	<b>47,562</b>

Borrowings are estimated at the current value of future lease fees. Interest expenses of SEK 2,083 thousand (919) relating to finance leases have been charged to the profit and loss statement.

#### OPERATING LEASES

Lease payments in respect of operating lease contracts amounted to SEK 17,678 thousand (10,530) during the year and mainly constituted minimum lease payments.

CONTRACTED FUTURE FEES FOR OPERATING LEASES	2018	2017
Maturity date within one year	17,268	8,613
Maturity date between one and five years	43,136	16,446
Maturity date in excess of five years	32,228	–
	<b>92,632</b>	<b>25,059</b>

Operating leases mainly concern rent for premises and car leases.

Preliminary effect of adopting IFRS 16 Leases:

RECONCILIATION OF LEASE COMMITMENTS	
Operating lease commitments at 31 December 2018	92,632
Effect of discounting using the Group's incremental borrowing rate	-16,344
Additional commitments for operating leases at 31 December 2018 due to lower materiality criteria in IFRS 16	2,690
Liabilities for financial lease contracts at 31 December 2018	50,240
Relief for short-term leases	-307
Adjustment for extension options	7,112
<b>Lease liabilities at 1 January 2019</b>	<b>136,023</b>

### ■ NOTE 33

#### CASH FLOW

##### ACQUISITIONS OF SUBSIDIARIES/ASSETS AND LIABILITIES

In 2018, Blowtech Group AB with subsidiaries, Blowtech Fastigheter AB and Polyketting B.V. with subsidiaries were acquired.

Jorgensen Engineering A/S was acquired in November 2016. Final settlement of the purchase price was made in 2017.

ACQUISITION BLOWTECH	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	74,625	74,625
Property, plant and equipment	67,511	32,538	100,049
Financial non-current assets	69	–	69
Current assets <sup>1)</sup>	122,080	–	122,080
Non-current liabilities	-45,310	-7,651	-52,961
Current liabilities	-83,290	–	-83,290
<b>Net assets/purchase price</b>	<b>61,060</b>	<b>99,512</b>	<b>160,572</b>

<sup>1)</sup> Accounts receivable are recognised in the amount of SEK 58,873 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 7,724 thousand.

ACQUISITION POLYKETTING	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	630	19,863	20,493
Property, plant and equipment	9,009	2,453	11,462
Financial non-current assets	420	–	420
Current assets <sup>1)</sup>	24,545	–	24,545
Non-current liabilities	-2,785	-1,673	-4,458
Current liabilities	-24,356	–	-24,356
<b>Net assets/purchase price</b>	<b>7,463</b>	<b>20,643</b>	<b>28,106</b>

<sup>1)</sup> Accounts receivable are recognised in the amount of SEK 3,931 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 0 thousand.

CHANGES IN LIABILITIES RELATED TO FINANCING ACTIVITIES	2017	Cash flow	Non-cash changes				2018
			Translation differences	Fair value adjustment	Acquisition of subsidiaries	Other	
<b>Non-current liabilities</b>							
Interest-bearing liabilities	427,377	14,737	7,024	1,206	41,460	–	491,804
<b>Current liabilities</b>							
Interest-bearing liabilities	107,721	150,522	-10,269	–	49,742	-4,523	293,193
	<b>535,098</b>	<b>165,259</b>	<b>-3,245</b>	<b>1,206</b>	<b>91,202</b>	<b>-4,523</b>	<b>784,997</b>

ACQUISITIONS IN TOTAL	2018	2017 <sup>1)</sup>
Intangible non-current assets	95,118	–
Property, plant and equipment	111,511	–
Financial non-current assets	489	–
Current assets	146,625	-3,861
Non-current liabilities	-57,419	–
Current liabilities	-107,646	–
Exchange rate difference	–	31
<b>Total purchase prices</b>	<b>188,678</b>	<b>-3,830</b>
Liquid assets in acquired businesses	-7,724	–
Transfer of own shares	-20,000	–
Transaction costs	1,047	–
<b>Total cash flow attributable to acquired businesses</b>	<b>162,001</b>	<b>-3,830</b>

<sup>1)</sup> Relates to the acquisition of Jorgensen Engineering A/S, see also Note 34.

Transaction costs with regard to acquired entities amounted to SEK 1,047 thousand and were recognised as administrative expenses in net profit for the year.

#### INTEREST

During the financial year, interest paid amounted to SEK 16,349 thousand (17,030) and interest received to SEK 435 thousand (347).

**■ NOTE 34****BUSINESS COMBINATIONS/DIVESTMENTS**

In January 2018, the acquisition of Blowtech Group, with production facilities in Gnosjö, Sweden, and Kongsvinger, Norway, and Blowtech Fastigheter AB was concluded. Blowtech is a leading Nordic player in technical blow moulding of plastics. Blowtech produces complex components for vehicles, construction machinery and infrastructure equipment. The business has a turnover of SEK 250 million with an operating margin of approx. 12 per cent. Blowtech is a part of the Industrial Products business unit along with Cipax and Ackurat. The purchase sum, which was paid partly in cash and partly through the transfer of XANO shares, amounted to SEK 238 million on a debt-free basis. For settlement of the equivalent of SEK 20 million of the purchase sum, 133,778 of the company's own class B shares were transferred. The acquired units contributed SEK 271 million in net revenue and approx. SEK 18 million in net profit after the deduction of write-offs from surplus values and financial expense attributable to the acquisition. The acquisition of the Blowtech companies brought surplus values totalling SEK 107 million distributed between goodwill (SEK 78 million) and real estate (SEK 29 million). The transaction costs amounted to SEK 0.5 million. Goodwill relates to customer relations and synergy effects. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only additional technical expertise within plastic machining to existing operations at the Industrial Products business unit, but also access to new market segments. The utilisation of common resources will also entail synergies.

In May 2018, Polyketting Holding B.V. with subsidiaries, located in Zelhem in the Netherlands, was acquired. The operations of the acquired companies comprise the development, manufacture and sale of automation equipment, primarily conveyor systems and accumulator units, for the packaging industry. During 2017, net sales totalled just over EUR 8 million with an operating margin of approx. 8 per cent. Polyketting is a part of XANO's Industrial Solutions business unit. The purchase sum, paid in cash, amounted to EUR 2.7 million. The acquired units contributed SEK 70 million in net revenue and approx. SEK 4 million in net profit after the deduction of write-offs from surplus values and financial expense attributable to the acquisition. The acquisition of the Polyketting companies brought surplus values totalling SEK 22 million distributed between goodwill (SEK 17 million), other intangible assets (SEK 3 million) and machinery (SEK 2 million). The transaction costs amounted to SEK 0.5 million. Goodwill relates to customer relations and synergy effects. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only additional product technology expertise to existing operations at the Industrial Solutions business unit, but also access to new market segments. The utilisation of common resources will also entail synergies. Other intangible assets relate to product concepts with an estimated period of use of 10 years.

If the acquired units had been included in the Group throughout the whole of 2018, revenue would have amounted to approx. SEK 2,071 million, while net profit would have been unchanged at SEK 171 million.

In November 2016, the Danish enterprise Jorgensen Engineering A/S was acquired. The preliminary purchase price was paid in cash at SEK 371 million. The final purchase price was settled at SEK 367 million, and a repayment of SEK 4 million was made in January 2017.

The acquired assets and liabilities are specified in Note 33 Cash flow.

**■ NOTE 35****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-effective 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. According to Group policy, these commercial flows are not typically hedged. Due to any 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. As of the balance sheet date, there were forward exchange agreements related to USD 1.4 million.

The proportion of invoicing in foreign currency in 2018 was 57 per cent (58). 50 per cent (53) of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in countries other than the countries where manufacturing is performed. A transaction risk arises as a result of deliveries from the manufacturing units to foreign end customers, as well as when purchasing materials.

A simplified breakdown by currency of the Group's income and cost structure for 2018 is shown in the table below.

Share (%) of	SEK	EUR	DKK	Other
Invoicing	43	35	1	21
Cost of goods sold	37	41	9	13

The Group is mainly exposed to changes in EUR and USD. In addition to this, subsidiaries hold receivables and borrowings in other currencies than the functional currency, primarily in DKK, EUR and USD. An average change of 5 per cent in all currencies against the Swedish krona would give an impact on profit before tax of approx. SEK 9 million for the corresponding flow.

**RISK FROM TRANSLATION OF SUBSIDIARIES' INCOME STATEMENTS**

Translation of non-Swedish subsidiaries' income statements into SEK takes place at an average rate. If invoicing and net profit are the same as in 2018, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 45 million and net profit by around SEK 3 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 SEK. Foreign subsidiaries' net assets were valued at SEK 798 million (706) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2018 by SEK 9 million (0). The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency. The Group's translation risks relate primarily to changes in EUR and CNY against SEK. A change of 5 per cent in either EUR or CNY against the SEK would have an impact on Group equity of SEK 6 million and SEK 4 million respectively, based on the current net assets.



**INTEREST RATE RISKS**

Interest rate risks refer to the risk that changes in the interest rate level will affect the Group'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 2.5 per cent (2.7). On the balance sheet date, the Group's interest-bearing liabilities amounted to SEK 785 million (535), of which SEK 566 million (385) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 55 months and the average interest rate at year-end was 1.6 per cent (2.2). The net result of a 1 percentage point increase in interest rates is approx. SEK -6 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 reducing the effect of interest rate fluctuations. As of the balance sheet date, interest rate swap agreements worth a total nominal sum of SEK 219 million (150) were in place.

Currency swap agreements are used to reduce the interest charges within the Group's multi-currency accounts. As of the balance sheet date, there were no currency swap agreements.

**FIXED RATE PERIOD FOR BORROWINGS**

Maturity date	Amount (SEK 000)	Average interest rate (%) <sup>1)</sup>	Share (%)
2019	–	–	–
2020–2023	118,800	0.83	28
2024 and later	100,000	2.59	72
<b>Total</b>	<b>218,800</b>	<b>1.63</b>	<b>100</b>

<sup>1)</sup> Exclusive of margin incurred on variable rate loans for swap agreements.

**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 13 per cent (21) on the balance sheet date.

**CREDIT RISKS**

Credit risks refer 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 accounts receivable. The risk of customer losses (bad debt) is managed through defined procedures 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 geographic markets, which has meant that customer losses have historically been low. The maximum credit risk concerning the Group's accounts receivable corresponds to the reported value of SEK 359 million (260). On the closing day, there are no customers for which outstanding accounts receivable exceed SEK 20 million.

**AGE ANALYSIS OF ACCOUNTS RECEIVABLE**

	Not yet due	Time from maturity			Total
		6–30 days	31–90 days	> 90 days	
As of 31/12/2018	274,853	37,851	26,459	20,192	<b>359,355</b>
As of 31/12/2017	196,578	38,647	14,905	10,009	<b>260,139</b>

Losses reported on accounts receivable for the year amounted to SEK 982 thousand (599), of which SEK 132 thousand (62) constituted actual losses. Reversal in respect of anticipated customer losses has had a positive impact on profit for the year of SEK 3,000 thousand (10,777). Required write-downs of outstanding receivables have been carried out at SEK 2,656 thousand (5,269).

**OPERATIONAL RISKS**

Operational risks are associated with both customers and suppliers, as well as other external factors and the Group'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. Project deliveries to the packaging industry account for a large part of the Group's revenue. The high proportion of project-based sales entails an increased risk of volume fluctuations.

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 agreements with customers contain raw material clauses. The management of price risks forms part of day-to-day work and imposes demands concerning ongoing 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 36****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 the year, the equity/assets ratio was 34 per cent (36).

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 outcome for the year has meant that the key ratios concerned are within the agreed levels.

It is the aim of the Board of Directors that dividends over an extended period will follow the earnings trend and correspond to at least 30 per cent of profit after tax. The annual dividend proportion must however be viewed in relation to investment needs and any repurchase of shares.

**■ NOTE 37****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 5, Board members and senior executives have received normal share dividends. The share and convertible holdings of Board members and senior executives as of the balance sheet date are presented on pages 100–101.

Viem Invest AB, controlled by board member Anna Benjamin, 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 2018, sales from XANO's subsidiaries to ITAB Shop Concept AB with subsidiaries and AGES Industri AB with subsidiaries amounted to SEK 0.5 million (1) and SEK 1 million (2) respectively. Purchases from companies within the AGES Group to XANO's subsidiaries amounted to SEK 1 million (0.5). ITAB is under the controlling interest of Board member Petter Fägersten and Pomona-gruppen AB. AGES is under the controlling interest of Viem Invest AB and Pomona-gruppen AB. 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.

## DEFINITIONS

### AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the period based on working hours.

### BASIC EARNINGS PER SHARE

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

### CAPITAL EMPLOYED

Balance sheet total less non-interest-bearing liabilities.

### CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

Cash flow from operating activities in relation to the average number of outstanding shares.

### DILUTED EARNINGS PER SHARE

Net profit plus costs relating to convertible loan in relation to the average number of outstanding shares plus the average number of shares added at conversion of outstanding convertibles.

### 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 revenue.

### INTEREST COVERAGE RATIO

Profit before tax plus financial expenses in relation to financial expenses.

### NET INVESTMENTS

Closing balance less opening balance plus amortisation/depreciation, impairment costs and translation differences relating to non-current assets.

### OPERATING MARGIN

Operating profit in relation to net revenue.

### PROFIT MARGIN

Profit before tax in relation to net revenue.

### PROPORTION OF RISK-BEARING CAPITAL

Equity plus provisions for taxes in relation to total capital.

### RETURN ON CAPITAL EMPLOYED

Profit before tax plus financial expenses in relation to average capital employed.

### RETURN ON EQUITY

Net profit in relation to average equity.

### RETURN ON TOTAL CAPITAL

Profit before tax plus financial expenses in relation to average total capital.

### TOTAL CAPITAL

Total equity and liabilities (balance sheet total).

## KEY FIGURES

Key figures included in this report derive primarily from the disclosure requirements according to IFRS. Other measures, known as alternative key figures, describe e.g. the profit trend, financial strength and how the Group has invested its capital.

Presented key figures take the nature of the business into account, and are deemed to provide relevant information to shareholders and other stakeholders for assessing the Group's possibilities to carry out strategic investments, fulfil financial commitments and provide yield for shareholders at the same time as achieving comparability with other companies. The margin measures are also presented internally.



## INCOME STATEMENTS

PARENT COMPANY (SEK THOUSANDS)	NOTE	2018	2017
Net sales		21,900	16,532
Cost of goods sold		–	–
<b>Gross profit</b>		<b>21,900</b>	<b>16,532</b>
Selling expenses	3, 4	-3,939	-3,407
Administrative expenses	3, 4, 5	-22,323	-19,304
Other operating income		6	–
<b>Operating profit/loss</b>		<b>-4,356</b>	<b>-6,179</b>
Profit from participations in Group companies	6	136,921	113,071
Interest income and similar profit/loss items	7	8,424	6,986
Interest expense and similar profit/loss items	8	-12,545	-10,170
<b>Profit after financial items</b>		<b>128,444</b>	<b>103,708</b>
Appropriations	9	-17,086	-12,928
<b>Profit before tax</b>		<b>111,358</b>	<b>90,780</b>
Tax	10	-20,769	-19,894
<b>NET PROFIT FOR THE YEAR</b>		<b>90,589</b>	<b>70,886</b>

## STATEMENTS OF COMPREHENSIVE INCOME

PARENT COMPANY (SEK THOUSANDS)	NOTE	2018	2017
Net profit for the year		90,589	70,886
Other comprehensive income		–	–
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>90,589</b>	<b>70,886</b>

## BALANCE SHEETS

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2018	31/12/2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Property, plant and equipment</i>	11		
Equipment, tools, fixtures and fittings		69	102
		<b>69</b>	<b>102</b>
<i>Financial non-current assets</i>			
Participations in Group companies	12	228,667	52,761
		<b>228,667</b>	<b>52,761</b>
<b>Total non-current assets</b>		<b>228,736</b>	<b>52,863</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		687,469	627,342
Other receivables		19	6
Prepayments and accrued income		701	1,178
		<b>688,189</b>	<b>628,526</b>
<i>Current investments</i>		<b>5</b>	<b>5</b>
<i>Cash and bank balances</i>	15	<b>5,141</b>	<b>5,858</b>
<b>Total current assets</b>		<b>693,335</b>	<b>634,389</b>
<b>TOTAL ASSETS</b>		<b>922,071</b>	<b>687,252</b>



## BALANCE SHEETS

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2018	31/12/2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	13	35,234	35,234
Statutory reserve		8,899	8,899
		<b>44,133</b>	<b>44,133</b>
<i>Non-restricted equity</i>			
Share premium reserve		12,529	12,529
Profit brought forward		57,531	22,434
Net profit for the year		90,589	70,886
		<b>160,649</b>	<b>105,849</b>
<b>Total equity</b>		<b>204,782</b>	<b>149,982</b>
<b>Untaxed reserves</b>	14	<b>93,966</b>	<b>76,880</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations		145	305
<b>Total provisions</b>		<b>145</b>	<b>305</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	15,16	171,985	119,113
		<b>171,985</b>	<b>119,113</b>
<i>Current liabilities</i>			
Bank overdraft facilities	15,16	188,868	12,114
Current interest-bearing liabilities	15,16	19,167	5,000
Accounts payable		1,397	1,409
Liabilities to Group companies		213,464	298,321
Income tax liability		4,411	3,438
Other liabilities	15	17,235	15,835
Accruals and deferred income		6,651	4,855
		<b>451,193</b>	<b>340,972</b>
<b>Total liabilities</b>		<b>623,178</b>	<b>460,085</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>922,071</b>	<b>687,252</b>

## STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY	NOTE	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		TOTAL EQUITY
		Share capital	Statutory reserve	Share premium reserve	Other non-restricted equity	
(SEK THOUSANDS)						
Equity, 1 January 2017		35,234	8,899	12,529	53,514	110,176
Net profit for the year		–	–	–	70,886	70,886
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	70,886	70,886
Dividend paid in cash		–	–	–	-31,080	-31,080
Equity, 31 December 2017		35,234	8,899	12,529	93,320	149,982
Net profit for the year		–	–	–	90,589	90,589
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	90,589	90,589
Transfer of own shares in connection with business combinations		–	–	–	20,000	20,000
Dividend paid in cash		–	–	–	-55,789	-55,789
Equity, 31 December 2018	13	35,234	8,899	12,529	148,120	204,782

## CASH FLOW STATEMENTS

PARENT COMPANY (SEK THOUSANDS)	NOTE	2018	2017
<b>Operating activities</b>			
Operating profit/loss		-4,356	-6,179
<i>Adjustments for non-cash items etc.</i>			
Depreciation		33	38
Other		–	–
Group contribution		116,921	113,071
Dividend received		20,000	–
Interest paid/received, net value	18	-4,251	-6,643
Income tax paid		-19,893	-11,257
<b>Cash flow from operating activities before changes in working capital</b>		<b>108,454</b>	<b>89,030</b>
<b>Changes in working capital</b>			
Increase (-) / decrease (+) in current receivables		-59,118	-199,549
Increase (+) / decrease (-) in current liabilities		-82,163	177,602
Increase (+) / decrease (-) in other provisions		-160	-130
<b>Cash flow from operating activities</b>		<b>-32,987</b>	<b>66,953</b>
<b>Investing activities</b>			
Acquisition of shares in Group companies		-155,906	–
<b>Cash flow from investing activities</b>		<b>-155,906</b>	<b>–</b>
<b>Financing activities</b>			
Dividend paid		-55,789	-31,080
<i>Increase (+) / decrease (-) in non-current liabilities</i>	18		
Borrowings		70,833	45,000
Repayment of debt		-19,167	–
<i>Increase (+) / decrease (-) in current liabilities</i>	18		
Change in bank overdraft facilities		178,117	-25,937
Borrowings		14,167	5,000
Repayment of debt		–	-56,750
<b>Cash flow from financing activities</b>		<b>188,161</b>	<b>-63,767</b>
<b>Cash flow for the year</b>		<b>-732</b>	<b>3,186</b>
Cash and cash equivalents at the beginning of the year		5,863	2,704
Exchange rate differences in cash and cash equivalents		15	-27
<b>Cash and cash equivalents at the end of the year</b>	18	<b>5,146</b>	<b>5,863</b>

## NOTES

### ■ NOTE 1

#### GENERAL INFORMATION

XANO Industri AB (publ), with corporate identity number 556076-2055, is a public limited liability company with its registered office in Jönköping, Sweden. The company's class B shares are listed on Nasdaq Stockholm.

All amounts are reported in SEK thousands unless otherwise indicated.

### ■ NOTE 2

#### 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 financial statements 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 came from invoicing to subsidiaries. Of the Parent Company's operating expenses, 2 per cent (5) was 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 that 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.

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 12. Viem Invest AB, controlled by Board member Anna Benjamin, 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 less 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
-------------------------	------------

##### LIQUID ASSETS

Liquid assets (cash and cash equivalents) constitute cash and bank balances as well as 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 non-current assets are recognised if a permanent reduction in value has been confirmed.

XANO uses currency derivatives and interest rate swaps to control the uncertainty in currency flows and future interest rate streams 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 is performed. Intra-Group sales occur at market prices.

##### GROUP CONTRIBUTION

Group contributions received from subsidiaries 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 assets and liabilities are valued at nominal amounts 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 assets 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.

## ■ NOTE 3

## EMPLOYEES AND PERSONNEL COSTS

AVERAGE NO. OF EMPLOYEES	2018	of which men	2017	of which men
Sweden	8	38%	7	43%

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2018	2017
Board members	67%	71%
Senior executives	50%	50%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2018	2017
Salaries and remuneration	12,569	10,469
Social security costs	7,301	6,222
(of which pension costs <sup>1, 2)</sup> )	(2,687)	(2,304)
	<b>19,870</b>	<b>16,691</b>

<sup>1)</sup> Of the Parent Company's pension costs, SEK 1,971 thousand (1,708) relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

<sup>2)</sup> Pension costs do not include special employer's contribution.

BREAK-DOWN OF SALARIES AND OTHER REMUNERATION	2018	2017
Board members and senior executives	8,514	7,339
(of which bonuses)	(1,800)	(1,272)
Other employees	4,055	3,130
	<b>12,569</b>	<b>10,469</b>

## REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

The Annual General Meeting (AGM) 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 six months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group 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.

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 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 AGM decided that the Board's fee of SEK 1,020 thousand should be distributed with SEK 270 thousand payable to the Chairman and SEK 150 thousand payable to each of the other ordinary Board members for the period up to and including the next annual general meeting. The AGM further decided that remuneration for tasks undertaken in the remuneration committee should amount to SEK 20 thousand per person and remuneration for tasks undertaken in the audit committee should amount to SEK 30 thousand per person. During 2018, SEK 130 thousand was carried as an expense for these tasks.

In 2018, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 5,999 thousand (4,766), of which SEK 1,800 thousand (1,100) constitutes variable remuneration. Other senior executives received salary, salary sacrifice excluded, totalling SEK 1,473 thousand (1,519), of which SEK 0 thousand (172) constitutes variable remuneration. At the 2016 AGM, it was decided to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

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 30 per cent (30) 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 (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 30 per cent (27) of the pensionable salary. "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs including salary sacrifice for the CEO amounted to SEK 1,470 thousand (1,260). Pension costs including salary sacrifice for other senior executives amounted to SEK 501 thousand (448).

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

## DEPRECIATION

DEPRECIATION BY FUNCTION	2018	2017
Selling expenses	-5	-6
Administrative expenses	-28	-32
	<b>-33</b>	<b>-38</b>

DEPRECIATION BY CLASS OF ASSET	2018	2017
Equipment, tools, fixtures and fittings	-33	-38
	<b>-33</b>	<b>-38</b>

## ■ NOTE 5

## AUDITORS' REMUNERATION

	2018	2017
<b>ERNST &amp; YOUNG</b>		
Audit assignment	-275	-260
Audit activities other than audit assignment	-24	-172
Tax consultancy services	-4	-
Other services	-6	-149
	<b>-309</b>	<b>-581</b>

"Audit assignment" refers to the review of the annual report, interim reports, the administration by the Board and CEO and the corporate governance report.



## ■ NOTE 6

## RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	2018	2017
Dividends from Group companies	20,000	–
Group contributions received	116,921	113,071
	<b>136,921</b>	<b>113,071</b>

## ■ NOTE 7

## INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2018	2017
Interest income, Group companies	5,514	3,892
Interest income, other	867	2,655
Exchange rate differences	2,043	439
	<b>8,424</b>	<b>6,986</b>

Other interest income includes a change in value of SEK 797 thousand (2,627) relating to interest rate swaps measured at their fair value.

## ■ NOTE 8

## INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2018	2017
Interest expense, Group companies	-555	-459
Interest expense, other	-10,511	-9,657
Exchange rate differences	-1,479	-54
	<b>-12,545</b>	<b>-10,170</b>

Exchange rate differences include a change in value of SEK -1,359 thousand (0) relating to derivative instruments measured at their fair value.

## ■ NOTE 9

## APPROPRIATIONS

	2018	2017
Change in excess depreciation	17	11
Tax allocation reserve, change for the year	-17,103	-12,939
	<b>-17,086</b>	<b>-12,928</b>

## ■ NOTE 10

## TAX ON PROFIT FOR THE YEAR

	2018	2017
Current tax	-20,769	-19,894
	<b>-20,769</b>	<b>-19,894</b>

The difference between the income tax rate 22% and the effective tax rate arises as follows:

	2018	2017
Reported profit before tax	111,358	90,780
Tax according to current income tax rate	-24,499 22%	-19,972 22%
<i>Tax effect of</i>		
Non-deductible expenses	-785 1%	-450 1%
Tax-exempt dividends	4,400 -4%	– –
Other tax-exempt income	176 -0%	579 -1%
Standard income for tax allocation reserves	-61 0%	-51 0%
<b>Reported tax</b>	<b>-20,769 19%</b>	<b>-19,894 22%</b>

## ■ NOTE 11

## PROPERTY, PLANT AND EQUIPMENT

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2018	2017
Accumulated acquisition values		
Opening balance	1,239	1,239
Closing balance	<b>1,239</b>	<b>1,239</b>
Accumulated scheduled depreciation		
Opening balance	-1,137	-1,099
Depreciation according to plan for the year	-33	-38
Closing balance	<b>-1,170</b>	<b>-1,137</b>
Closing residual value according to plan	<b>69</b>	<b>102</b>

## ■ NOTE 12

## PARTICIPATIONS IN GROUP COMPANIES

	2018	2017
Accumulated acquisition values		
Opening balance	52,761	52,761
Acquisition of subsidiaries	175,906	–
Closing balance	<b>228,667</b>	<b>52,761</b>

## PARENT COMPANY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY	CARRYING AMOUNT
Akkurat Industriplast AB	556076-4564	Växjö, Sweden	10,000	100%	14,855
Blowtech Fastigheter AB	556606-9042	Gnosjö, Sweden	1,000	100%	34,825
Blowtech Group AB	556978-1205	Gnosjö, Sweden	1,000	100%	126,225
Cipax Industri AB	556261-0096	Jönköping, Sweden	1,000	100%	3,483
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%	22,086
					<b>228,667</b>

## SUBSIDIARY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY
Akkurat Ornplast Sp. z o. o	0000404285	Gdansk, Poland	34,227	100%
Akkurat Suomen Oy	0535817-5	Helsinki, Finland	630	100%
Blowtech GP AB	556560-1712	Gnosjö, Sweden	2,000	100%
Blowtech GT AS	994841270	Kongsvinger, Norway	250,000	100%
Canline Holding B.V.	17270976	Eersel, Netherlands	180	100%
Canline Systems B.V.	17270973	Eersel, Netherlands	180	100%
Canline USA Corporation	46-3583603	Lynchburg, USA	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	Taebla, Estonia	400	100%
Cipax Oy	2188914-4	Helsinki, Finland	1,000	100%
Fredriksons Verkstads AB	556420-7537	Vadstena, Sweden	5,000	100%
Fredriksons Industry (Suzhou) Co Ltd	022735	Suzhou, China	–	100%
Jorgensen Engineering A/S	51 45 22 16	Odense, Denmark	30,000,000	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%
Mikroverktyg AB	556020-8828	Södertälje, Sweden	1,000	100%
Nordic Plastic Recycling AS	918 069 283	Ådalsnes, Norway	2,326	24%
NPB Automation AB	556266-7948	Jönköping, Sweden	1,000	100%
Polyketting Automation B.V.	54154067	Zelhem, Netherlands	100	100%
Polyketting B.V.	54154782	Zelhem, Netherlands	1,800	100%
Polyketting Components B.V.	54154068	Zelhem, Netherlands	1,800	100%
Polyketting Holding B.V.	54154065	Zelhem, Netherlands	7,502	100%
Polyketting Special Products B.V.	54154069	Zelhem, Netherlands	1,800	100%
Resinit AB	556332-1263	Västervik, Sweden	1,000	100%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
XANO Fastigheter Ljungarum AB	556202-5220	Jönköping, Sweden	2,796,000	100%

17 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 13

## SHARE CAPITAL AND NUMBER OF SHARES

DISTRIBUTION OF SHARE CAPITAL	31/12/2018	1/1/2018
Class A shares	3,644,400	3,644,400
Class B shares	10,449,090	10,449,090
<b>Total number of shares</b>	<b>14,093,490</b>	<b>14,093,490</b>
Quotient value, SEK	2.50	2.50
Share capital, SEK	35,233,725	35,233,725

The total number of shares is 14,093,490, of which 146,222 was held by the company at year-end. The average number of outstanding shares during 2018 amounted to 13,946,901. Class A shares give entitlement to ten votes and class B shares entitlement to one vote. The number of votes, following deductions for the company's own holding, was 46,746,868 at year-end.

On 1 July 2016, convertibles for a nominal value of SEK 62,130 thousand, corresponding to 570,000 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 4.00 per share.

## ■ NOTE 14

## UNTAXED RESERVES

	2018	2017
Tax allocation reserve, allocated 2012	–	13,897
Tax allocation reserve, allocated 2013	14,960	14,960
Tax allocation reserve, allocated 2014	9,006	9,006
Tax allocation reserve, allocated 2016	10,000	10,000
Tax allocation reserve, allocated 2017	29,000	29,000
Tax allocation reserve, allocated 2018	31,000	–
	<b>93,966</b>	<b>76,863</b>
Accumulated excess depreciation	–	17
	<b>93,966</b>	<b>76,880</b>

Deferred tax liabilities represent SEK 20,673 thousand (16,914) of untaxed reserves.

## ■ NOTE 15

## LIABILITIES

	2018	2017
<b>NON-CURRENT LIABILITIES</b>		
Maturity date between one and five years after balance sheet date	171,985	119,113
Maturity date more than five years after balance sheet date	–	–
	<b>171,985</b>	<b>119,113</b>
<b>CURRENT LIABILITIES</b>		
Bank overdraft facilities, Group currency accounts	188,868	12,114
Current portion of non-current borrowings	19,167	5,000
	<b>208,035</b>	<b>17,114</b>
<b>Total interest-bearing liabilities</b>	<b>380,020</b>	<b>136,227</b>

BANK OVERDRAFT FACILITIES	2018	2017
Bank overdraft facilities granted, Group currency accounts	275,000	185,000
Unutilised amount	-86,132	-172,886
<b>Utilised amount</b>	<b>188,868</b>	<b>12,114</b>

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 146 million (211) on the balance sheet date.

The Parent Company has an outstanding convertible loan reported at SEK 60,319 thousand (59,113). The nominal value for the outstanding loan is SEK 62,130 thousand. The convertible loan runs until 30 June 2020 with an annual interest rate corresponding to STIBOR 3M plus 2.20 per cent (2.20 per cent for the current period). During the period 1–12 June 2020, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 109. 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 4.49 per cent (government bonds interest rate at the time of issue, -0.51 per cent, with a 5.00 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised 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 loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense for the year is SEK 2,573 thousand (2,573). For the outstanding convertible loan, the interest expense corresponds to 4.1 per cent of the actual liability.

Derivative instruments totalling SEK 15,128 thousand (14,537) are included in current liabilities. The item relates to interest rate swaps and currency derivatives measured at their fair value. The year's change in value is reported among financial items in the income statement, see Note 7 and Note 8.

Cash and bank deposits include the balance in the bank overdraft facilities, Group currency accounts, amounting to SEK 5,140 thousand (5,855).

## ■ NOTE 16

## PLEDGED ASSETS

	2018	2017
Shares in subsidiaries	223,168	47,262
	<b>223,168</b>	<b>47,262</b>

## ■ NOTE 17

## CONTINGENT LIABILITIES

	2018	2017
Guarantees in favour of subsidiaries	394,546	459,369
Pension commitments	598	1,256
	<b>395,144</b>	<b>460,625</b>

## ■ NOTE 18

## CASH FLOW

## INTEREST

Interest paid amounted to SEK 9,835 thousand (10,563) and interest received SEK 5,584 thousand (3,920).

LIQUID ASSETS	2018	2017
Cash and bank balances	5,141	5,858
Current investments	5	5
<b>Amount at year-end</b>	<b>5,146</b>	<b>5,863</b>

## ■ NOTE 19

## 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 35 on pages 77–78.

## ■ NOTE 20

## PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Board of Directors and the CEO propose that the surplus be distributed as follows:

	2018	2017
Payment of a cash dividend of SEK 4.00 (4.00) per share to shareholders, calculated on 13,947,268 shares (13,947,268)	55,789	55,789
To be carried forward	104,860	50,060
	<b>160,649</b>	<b>105,849</b>

After deduction for the company's own holding, the number of outstanding shares is 13,947,268 at present.

## ■ NOTE 21

## EVENTS AFTER THE END OF THE YEAR

There are no individual events of major significance to report after the balance sheet date.

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 describes substantial risks and uncertainties that the Group companies face.

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2018 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 9 May 2019 for adoption.

Jönköping, 12 March 2019

Fredrik Rapp  
Chairman

Anna Benjamin  
Vice chairman

Petter Fägersten  
Board member

Per Rodert  
Board member

Stig-Olof Simonsson  
Board member

Eva-Lotta Kraft  
Board member

Lennart Persson  
CEO

Our audit report was submitted on 18 March 2019.

Ernst & Young AB

Joakim Falck  
Authorised public accountant

## AUDITOR'S REPORT

To the general meeting of the shareholders of XANO Industri AB, corporate identity number 556076-2055

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

#### Opinions

We have audited the annual accounts and consolidated accounts of XANO Industri AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 52–91 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

#### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

#### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### GOODWILL

##### Description

As at 31 December, reported value of goodwill amounts to SEK 575 million in the Group's report of its financial standing. The company checks on an annual basis, and if there's an indication of a decrease in value, the company makes sure that the reported

values do not exceed the calculated recoverable amount. The recoverable amount is determined for each cash generating unit through a present value of future cash flows. Future cash flows are based on the management's business plans, forecasts, and include a number of assumptions about earnings, growth, investment requirements and discount rate.

Changes in assumptions have a major impact on the calculation of the recoverable amount, and the assumptions made by the Company are therefore of great importance as to whether there is a need for writing down. We have therefore assessed that the recognition of Goodwill is a specifically important area of the audit.

A description of the write-down test appears in Note 15, "Intangible non-current assets", and in Note 2, "Significant assessments and estimates".

##### How our audit addressed this key audit matter

In our audit, we have assessed and tested the company's procedure for setting up a write-down, i.e. through assessing previous accuracy in forecasts and assumptions. We have also made comparisons with other businesses to assess the likelihood of future cash flows and growth assumptions, and, with the help of our specialists, we have tested the chosen discount rate and long-term growth forecasts. Additionally, we have reviewed the company's model, its method of running a write-down test, as well as evaluating the company's sensitivity analyses. We have reviewed the information obtained in the financial statement.

#### REVENUE RECOGNITION

##### Description

The Group's revenue from sales in 2018 amounted to SEK 2,044 million. A substantial part of the revenue, SEK 606 million, came from deliverables to the packaging industry, for which the Group recognises revenue over time in compliance with IFRS 15. For these projects, we accounted the revenues reported and the company's efforts to comply with its performance obligation, described in Note 4 and in the section "Revenue" in Note 2. The method implies that evaluations must be made to measure progress towards complete compliance, and changes to this imply that future results will be affected. The difficulty of assessing the result is particularly great at the start of the project and for projects that are technically complex, which is why the income reporting is considered to be a particularly important area of the audit.

##### How our audit addressed this key audit matter

In our audit, we have assessed and tested the process for auditing revenues over time, as well as the company's procedures and evaluations to measure progress towards complete compliance. In addition, we have conducted random checks of fundamental documentation and reviewed management's evaluation of the need for reservation concerning onerous contracts. We have reviewed the information obtained in the financial statement.

#### ACQUISITION OF SHARES IN SUBSIDIARIES

##### Description

The Group has in 2018 made two acquisitions of shares in subsidiaries. The total acquisition amounted to SEK 190 million, and acquired intangible assets amounted to SEK 94 million, of which goodwill amounted to SEK 91 million. The company's information regarding the acquisitions is presented in Note 34 "Business combinations/divestments", Note 33 "Cash flow", as well as in the "Consolidated financial statements" in Note 2. The report regarding acquisitions has required significant assessments from the company. The most important evaluation concerns true values on separately identifiable assets and liabilities when allocating the purchase price. In addition, necessary adjustments were made to the Group's accounting principles. While preparing the acquisition analysis, the company has made several assumptions about cash flows, growth, discount rate, as well as a choice of a valuation model. Acquired assets valuations of true values and liabilities are a particularly important area of the audit since they require substantial assumptions by the company and entail significant evaluations in the audit.



#### *How our audit addressed this key audit matter*

In the audit, we have assessed and reviewed the company's processes for setting up an acquisition analysis, through assessing the plausibility of future cash flows and growth forecast, among other things. We have examined the company's models and methods for carrying out acquisition analysis, and how reasonable their choice of valuation model was. We also examined assumptions regarding discount rates, future cash flows and assets' life-span, among other things. Additionally, we reviewed the adjustments made to adapt the acquired companies' accounting policies to the Group's policies. We have reviewed the information obtained in the financial statement.

#### **Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on 1–51 and 100–104 respectively. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of XANO Industri AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### *Basis for opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations 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 Companies Act.

Ernst & Young AB, Box 2224, 550 02 Jönköping, was appointed auditor of XANO Industri AB (publ) by the general meeting of the shareholders on 8 May 2018 and has been the company's auditor since 20 May 1997.

Jönköping, 18 March 2019.

Ernst & Young AB

Joakim Falck  
Authorised public accountant

## XANO INDUSTRI AB (PUBL)

## CORPORATE GOVERNANCE REPORT 2018

## 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 Corporate Governance Code ("the Code") since 2008 with the latest revised version in force from 1 December 2016 ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)).

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.

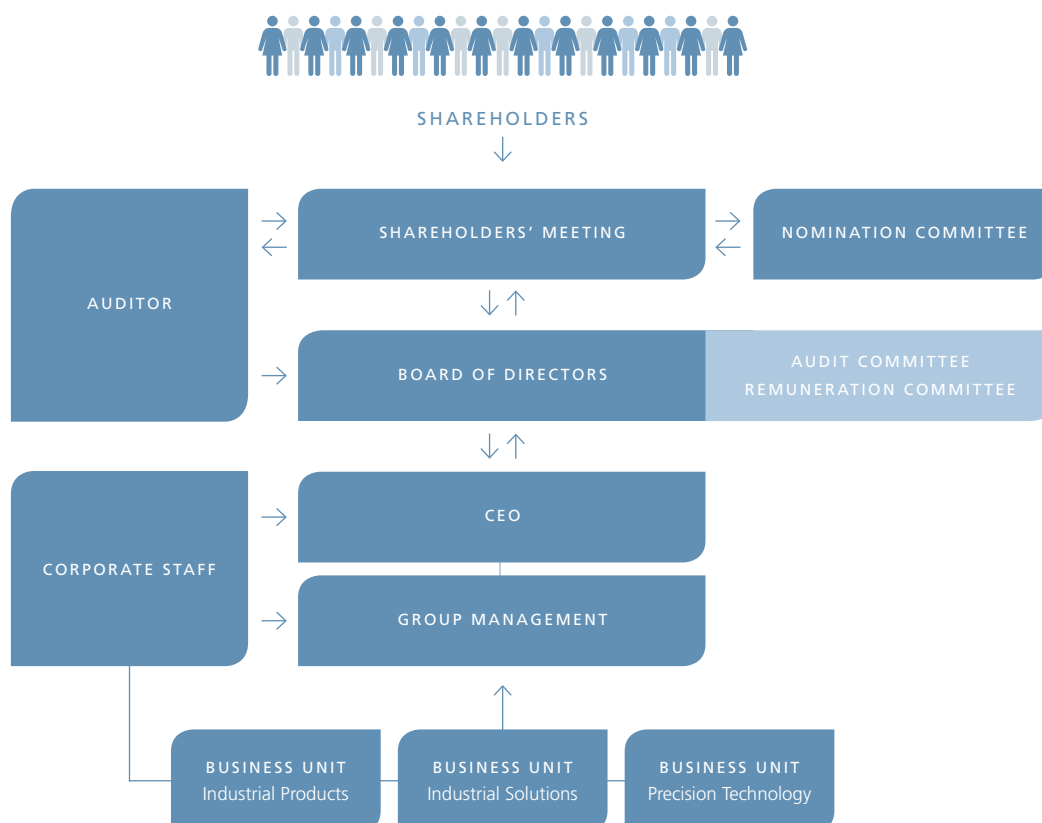
XANO's Class B share is listed on Nasdaq Stockholm in the Mid Cap

segment. The change of listing from Small Cap was conducted on 2 January 2019. The information requirements to which XANO is subject 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 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 2018, there were 3,822 shareholders in XANO, of which 3,643 were physical persons representing 14.3 per cent of the votes and 37.4 per cent of the capital. Institutional holdings constituted 2.9 per cent of the votes and 9.8 per cent of the share capital. The 10 largest shareholders accounted for 94.0 per cent of the votes and 80.1 per cent of the capital. As of the balance sheet date, there were two shareholders who each controlled more than 10 per cent of the capital and the votes for all shares in the company. Anna Benjamin held 57.8 per cent of the votes and 28.7 per cent of the capital. Pomona-gruppen AB held 29.7 per cent of the votes and 29.9 per cent of the capital.



## 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. According to the Articles of Association, notices convening a shareholders' meeting must be issued through advertising in the Official Swedish Gazette and on the company website. Confirmation that notices convening the meeting have been issued must 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, the auditor. All shareholders who are directly registered in the share register and who have notified 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 2018

XANO's 2018 AGM was held on Tuesday 8 May. 52 shareholders, whose holdings accounted for 94 per cent of the votes and 81 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:

- » Cash dividends of SEK 4.00 per share, amounting to a total of SEK 56 million.
- » Re-election of Board members Stig-Olof Simonsson, Fredrik Rapp, Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Anna Benjamin. Election of Fredrik Rapp as Chairman of the Board.
- » Election of the registered auditing company Ernst & Young AB, Jönköping, with authorised public accountant Joakim Falck as auditor in charge.
- » Composition of the nomination committee ahead of the 2019 AGM.
- » Guidelines for remuneration to senior executives.
- » Authority for the Board of Directors to decide on repurchase and transfer of the company's own shares.
- » Authority for the Board of Directors to decide on new share issue.

### ANNUAL GENERAL MEETING 2019

XANO's 2019 AGM will take place on Thursday 9 May at 3 pm at the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 102 of the annual report for 2018.

## BOARD OF DIRECTORS

The task of the Board of Directors is to manage the company's affairs 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. The 2018 AGM decided that there should be six members. The Board of Directors currently consists of Fredrik Rapp (Chairman), Stig-Olof Simonsson, Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Anna Benjamin. Fredrik Rapp, Anna Benjamin and Petter Fägersten are considered dependent in relation to major shareholders. Other members are judged to be independent in relation to both major shareholders and 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 seven meetings during the 2018 financial year. 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, acquisitions and major investments.

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

In addition to the fixed items mentioned above, the programme for 2018 included the following main items:

#### **No. 1 – 8 February**

Year-end report 2017, report from audit committee, the auditor's report of the general observations arising from the audit of the 2017 financial statements.

#### **No. 2 – 26 March (phone)**

Acquisition discussions.

#### **No. 3 – 8 May**

Interim report 3 months, revised forecast for 2018, report from the remuneration committee, prerequisites prior to the AGM.

#### **No. 4 – 12 July (phone)**

Interim report 6 months.

#### **No. 5 – 17–19 September**

Group strategy, visit at and deeper information on Canline and Polyketting, acquisition discussions.

#### **No. 6 – 6–7 November**

Interim report 9 months, visit at and deeper information on Blowtech.

#### **No. 7 – 13 December**

Forecast for 2019, visit at and deeper information on LK Precision, evaluation of the Board's and the CEO's work.

In addition, the Board must set guidelines for the company's conduct in society. As from 2014, a Code of Conduct is applied that will form the basis for the day-to-day decisions in XANO's operations and ensure that the Group is responsible in its contacts with various stakeholders.

In December 2016, the Board adopted a sustainability policy that specifies guidelines for the Group's sustainability work. This policy describes how the Group's companies should act in order to contribute optimally to sustainable development.

## 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 audit's direction and scope, as well as discussing the co-ordination between the external audit and the internal controls and the view of the company's risks, setting guidelines for which services other than auditing may 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 auditor and fees for audit work.

XANO's audit committee comprises the Board members Anna Benjamin, Eva-Lotta Kraft and Per Rodert (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.

XANO's remuneration committee comprises the Chairman of the Board Fredrik Rapp (also Committee Chairman) and Board member Petter Fägersten.

**CEO**

The Board appoints the CEO to take care of the day-to-day administration of the company. The current CEO, Lennart Persson, took up the position on 1 July 2014 after having been Deputy CEO since 2005.

**GROUP MANAGEMENT**

During the year, Group management consisted of 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, communications, 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**

In 2018, the Group was made up of three reporting business units: Industrial Products, Industrial Solutions and Precision Technology. The operational management for the business units reports directly to the CEO. Through Group staff functions, supporting documentation for decisions for the Board and CEO are collated within other areas.

**NOMINATION COMMITTEE**

The nomination committee is the body of the shareholders' meeting tasked with 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.

Following a proposal by the main shareholders Anna Benjamin and Pomona-gruppen AB, which together represented 83 per cent of votes and

58 per cent of the capital in XANO, a nomination committee was appointed by the 2018 AGM composed of Ulf Hedlundh as chairman, along with Anders Rudgård and Anna Benjamin.

The task of the committee prior to the 2019 AGM is to nominate a Chairman of the Board and other Board members, auditor, a chairman for the AGM, and to propose fees for the Board and auditor. In its proposal to the Board, the nomination committee will propose the most qualified Board members for the company, based on an overall assessment of relevant expertise and experience, and must pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. In its proposal, the nomination committee has in particular complied with and taken into account point 4.1 of the Swedish Corporate Governance Code. The nomination committee has evaluated the work of the Board with the aid of a questionnaire as well as personal discussions with the members of the Board. The results of the evaluation have been communicated to the Chairman of the Board. The nomination committee has held three meetings prior to its proposal to the 2019 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

**AUDITOR**

A registered auditing company, or one or two auditors of whom at least one must be an authorised public accountant, must be elected by the shareholders' meeting to examine the company's annual report, the consolidated financial statements and other financial statements as well as the administration by the Board and CEO. The auditor's report to the shareholders will be presented at the AGM.

The ordinary election of an auditor for XANO last took place at the AGM in 2018 for the term of office up until the AGM in 2019. The AGM elected the registered auditing company Ernst & Young AB, Jönköping, with authorised public accountant Joakim Falck as auditor in charge. Alongside the work for XANO Industri AB, Joakim Falck undertakes auditing work for companies including EFG Holding AB, Evry Sweden AB, Garo AB, AB Gyllensvaans Möbler, ITAB Shop Concept AB, Nefab Holding AB, Nolato AB, One Partner Group AB and Scandbio AB.

**DEVIATIONS FROM THE CODE**

There are no deviations to report for 2018.

**COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AS OF 31 DECEMBER 2018**

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2018	Participation in Remuneration Committee meetings 2018	Participation in Audit Committee meetings 2018	Board fee including committee remuneration, SEK
Fredrik Rapp	2004	Chairman	Yes	No <sup>1)</sup>	7 (7)	1 (1)	–	290,000
Anna Benjamin	2016	Vice chairman	Yes	No <sup>1)</sup>	7 (7)	–	1 (1)	180,000
Petter Fägersten	2011	Board member	Yes	No <sup>1)</sup>	7 (7)	1 (1)	–	170,000
Eva-Lotta Kraft	2012	Board member	Yes	Yes	7 (7)	–	1 (1)	180,000
Per Rodert	2013	Board member	Yes	Yes	7 (7)	–	1 (1)	180,000
Stig-Olof Simonsson	2002	Board member	Yes	Yes	6 (7)	–	–	150,000

<sup>1)</sup> Fredrik Rapp and Anna Benjamin are considered to be dependent in relation to major shareholders in their capacity as shareholders. At an overall assessment, Petter Fägersten is also considered to be dependent in relation to major shareholders.

More information on the Board members and company management is given on pages 100–101.



**PRINCIPLES FOR THE REMUNERATION OF SENIOR EXECUTIVES, INCENTIVE SCHEMES, ETC.**

The AGM decides upon the guidelines for the determination of salaries and other remuneration for the CEO and other senior executives. The guidelines that were adopted by the 2018 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 six 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 an individual case.

There are no outstanding share or share price-related incentive schemes.

**INTERNAL CONTROLS CONCERNING FINANCIAL REPORTING**

In accordance with the Act and the Code, 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 of 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 of analysis and action by the management and controllers at different levels. Other important group-wide 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 ongoing 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 documents including CEO instructions, instructions concerning authorisation rights, manuals and other policies, procedures and codes. The Board of Directors establishes the Group's key policies concerning communications, 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 profit/loss 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. XANO policies and guidelines are updated on an ongoing basis both in documents and through meetings. Control activities cover areas such as attestation procedures, account reconciliation, analytical follow-up and the control of IT systems. Every unit is also visited regularly by representatives from the business unit and Group management teams during which the internal controls and financial reporting are evaluated. The Group management reports the result of its work on internal controls to the Audit Committee.

During 2018, the work on internal control was concentrated on the introduction of the Group's procedures in newly acquired companies and improvements related to IT security. During 2017, the work focused in particular on the introduction of the Group's procedures in newly acquired companies, as well as a special review of the payment processes in the Chinese subsidiary company.

**MONITORING**

The Group management and controllers monitor the financial reporting and key business events on an ongoing 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 ongoing basis. The company's auditor participates in at least one of the Board's meetings each year and at every audit committee meeting to present the auditor's observations.

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 ongoing basis. The matter of a separate internal audit function will be reviewed again during 2019.

Jönköping, 12 March 2019

**Fredrik Rapp**  
Chairman

**Anna Benjamin**  
Vice chairman

**Petter Fägersten**  
Board member

**Per Rodert**  
Board member

**Stig-Olof Simonsson**  
Board member

**Eva-Lotta Kraft**  
Board member

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of XANO Industri AB, corporate identity number 556076-2055

### ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 95–98 and that it has been prepared in accordance with the Annual Accounts Act.

### THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

### OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Jönköping, 18 March 2019

**Ernst & Young AB**

**Joakim Falck**

*Authorised public accountant*

## Board of Directors



**FREDRIK RAPP** born 1972

**Chairman** elected 2004.

**Principal education** Graduate economist.

**Principal professional experience** MD Pomona-gruppen, MD Talk Telecom.

**Other directorships** Chairman of the boards of ITAB Shop Concept AB, Eesti Hõövellist AS, Serica Consulting AB and Svenska Handbollförbundet. Member of the boards of AGES Industri AB, Nordic Flow Group AB, PrimeKey Solutions AB and AB Segulah.

**Shareholding in XANO** 1,080,000 class A shares and 3,134,090 class B shares.



**ANNA BENJAMIN** born 1976

**Vice Chairman** elected 2016.

**Principal education** Master's degree in economics.

**Principal professional experience** Project manager in business development ICA Sverige, manager PricewaterhouseCoopers, controller Nobina.

**Other directorships** Member of the boards of ITAB Shop Concept AB, AGES Industri AB, INEV AB and Pegital Investment AB.

**Shareholding in XANO** 2,564,400 class A shares and 1,475,600 class B shares.



**PETTER FÄGERSTEN** born 1982

**Board member** elected 2011.

**Principal education** Graduate economist.

**Principal professional experience** MD and Marketing Manager ITAB Shop Concept Jönköping.

**Other directorships** Member of the boards of ITAB Shop Concept AB, AGES Industri AB, INEV AB, Ravingatan AB, Skanditape AB and Övre Kullen AB.

**Shareholding in XANO** 300,400 class B shares.



**PER RODERT** born 1953

**Board member** elected 2013.

**Principal education** Graduate in business administration.

**Principal professional experience** MD INEV, MD Rörvik Timber, MD and CFO Munksjö.

**Other directorships** Member of the boards of Alfaro AB, DevPort AB, Jönköping Business Development AB, Sport Competence AB and Sulkysport AB.

**Shareholding in XANO** –



**STIG-OLOF SIMONSSON** born 1948

**Board member** elected 2002.

**Principal education** BA.

**Principal professional experience** MD SYSteam.

**Other directorships** Chairman of the boards of Simonssongruppen AB and Tosito AB.

**Shareholding in XANO** 474,962 class B shares.



**EVA-LOTTA KRAFT** born 1951

**Board member** elected 2012.

**Principal education** Graduate engineer, MBA.

**Principal professional experience** Area Manager Alfa Laval and Siemens-Elma, Strategy and Marketing Director FOI.

**Other directorships** Member of the board of Försvarshögskolan.

**Shareholding in XANO** 2,224 class B shares.

*Details concerning the number of shares refer to holdings on 31 December 2018 and include, where applicable, holdings via related parties and holdings where the given Board member is able to exert a controlling interest.*

## Group Management



**MARIE EK JONSON** *born 1967*

**CFO** joined the company in 1992.

**Principal education** Graduate in business administration.

**Principal professional experience** Controller ITAB.

**Shareholding in XANO** 10,000 class B shares.

**Convertible holding in XANO** nom. SEK 3,052,000 corresponding to 28,000 class B shares.

**LENNART PERSSON** *born 1968*

**CEO** joined the company in 1998.

**Principal education** Engineering graduate.

**Principal professional experience** CIO Eldon Vasa, Business Controller ITAB,

Managing Director ITAB Kaluste and ITAB Plast.

**Shareholding in XANO** 74,000 class B shares.

**Convertible holding in XANO** nom. SEK 6,373,012 corresponding to 58,468 class B shares.

**Significant shareholding or ownership interests in associated companies** None.

## Auditor

Auditor in charge **Joakim Falck** *born 1972*  
*Authorised public accountant*

ERNST & YOUNG AB, JÖNKÖPING



## Shareholder information

### ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on Thursday 9 May 2019 at 3 pm at XANO's premises at Industrigatan 14 B in Jönköping, Sweden.

Shareholders wishing to attend the AGM must be included in the share register managed by Euroclear Sweden AB on 3 May 2019 and must notify the company of their intention to attend the AGM no later than 4 pm on Friday 3 May 2019 at the following address: XANO Industri AB, Industrigatan 14 B, SE-553 02 Jönköping, Sweden, or by telephone +46 36 31 22 00 or by email at [ir@xano.se](mailto:ir@xano.se).

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name well in advance of 3 May 2019 in order to be entitled to attend the AGM.

### DIVIDEND

The Board of Directors proposes that the AGM allocate a dividend of SEK 4.00 per share for the 2018 financial year with record date 13 May 2019. If the AGM approves the proposal, the dividend will be issued by Euroclear on 16 May 2019.

### NOMINATION COMMITTEE

A nomination committee was appointed at the 2018 AGM consisting of Ulf Hedlundh (Chairman), Anders Rudgård and Anna Benjamin. The task of this committee prior to the 2019 AGM is to nominate a Chairman of the Board and other Board members, auditor, a chairman for the AGM and to propose fees for the Board and auditors.

### FINANCIAL CALENDAR

Interim report 1 January–31 March 2019	9 May
Interim report 1 January–30 June 2019	10 July
Interim report 1 January–30 September 2019	7 November
Year-end report 2019	6 February

### INFORMATION MATERIAL

Printed and digital information is distributed to those shareholders who notify the company that they wish to receive such information. Reports and press releases can be found on the website [www.xano.se](http://www.xano.se), available to read and download.

# Addresses

## XANO Industri AB (publ)

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## Ackurat Industriplast AB

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