

“A sustainable way of doing
business is essential for
future-proofing our operations.”

Lennart Persson
President and CEO

XANO – ANNUAL REPORT 2019

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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. The XANO Group is made up of niche engineering companies whose main market is industry in Europe. XANO creates value for shareholders by exercising both active ownership and management by objectives.

CORE VALUES

ENTREPRENEURIAL DRIVE

Entrepreneurship combined with strong drive is the most important common denominator for the companies in the Group. 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.

LONG-TERM THINKING

The long-term approach characterises all activities and decisions within the Group. XANO conducts long-term investment in its companies, giving each unit the resources and space to develop. The companies in turn strive to achieve long-term relationships and close collaboration with all stakeholders.

TECHNICAL KNOW-HOW

The Group's companies are niche operations, possessing sound technical know-how within their respective specialist areas. Continuous skills and technical development ensure quality and delivery reliability. A high degree of innovation creates efficiency and business benefits for both Group companies and their customers.



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 8% over time. The equity/assets ratio will exceed 30%.

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 components 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 the Group to create added value for its customers.

CORE VALUES

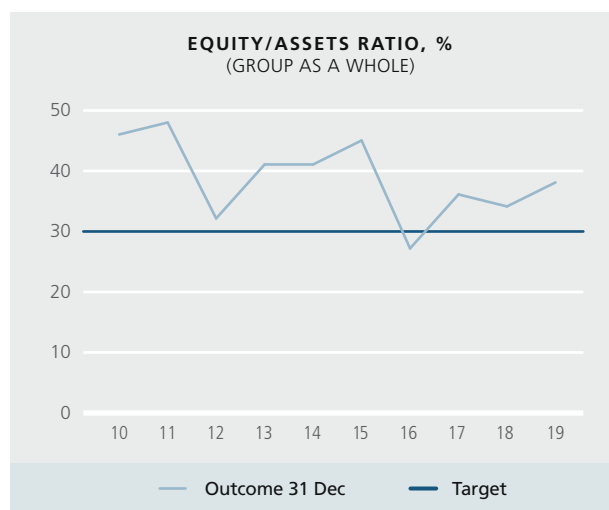
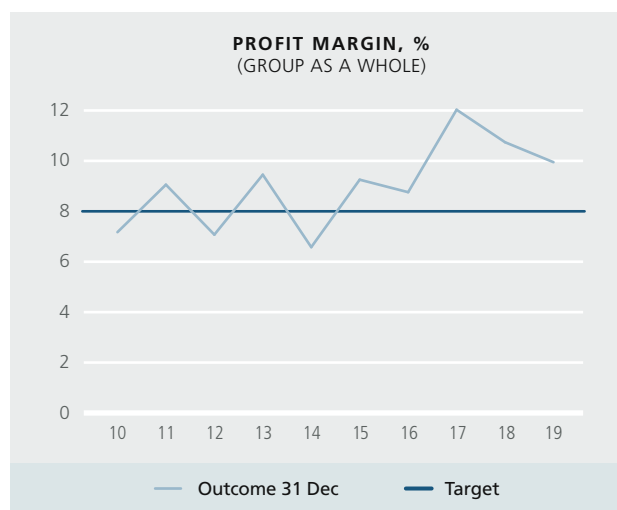
EMOTIONAL AND FUNCTIONAL ADDED VALUES

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

TARGET ACHIEVEMENT

RESULTS EXCEEDING STATED FINANCIAL TARGETS

The Group's organic growth stood at 3%, while acquisitions contributed a further 1% in volume during 2019. The profit margin was lower than the previous year, yet still exceeded the target value, amounting to 9.9%. The equity/assets ratio was strengthened from 34 to 38%.



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

XANO INDUSTRI AB		
INDUSTRIAL PRODUCTS	INDUSTRIAL SOLUTIONS	PRECISION TECHNOLOGY
Ackurat <i>Finland Poland Sweden</i> Blowtech <i>Norway Sweden</i> Cipax <i>Estonia Finland Norway Sweden</i>	Canline <i>The Netherlands The USA</i> Fredriksons <i>China Sweden</i> Jorgensen <i>Denmark</i> NPB <i>Sweden</i> Polyketting <i>The Netherlands</i>	Kuggteknik <i>Sweden</i> KMV <i>Sweden</i> LK Precision <i>Sweden</i> Mikroverktyg <i>Sweden</i> Resinit <i>Sweden</i>

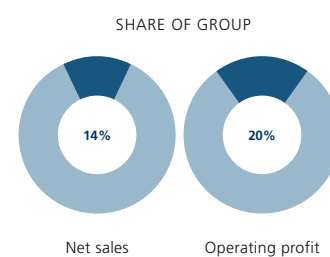
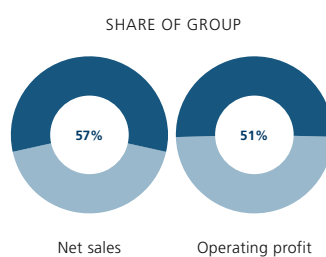
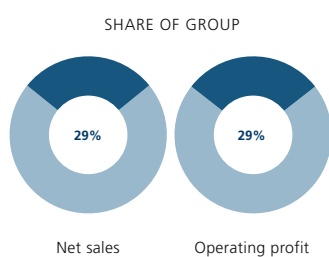
		2019	2018
Net sales	SEK m	610	583
Growth	%	+4.6	+96.9
Operating profit	SEK m	75	64
Operating margin	%	12.4	11.1
Employees	average	312	302

		2019	2018
Net sales	SEK m	1,214	1,172
Growth	%	+3.5	+5.3
Operating profit	SEK m	129	147
Operating margin	%	10.6	12.5
Employees	average	581	541

Polyketting is included from 1 May 2018.

		2019	2018
Net sales	SEK m	310	294
Growth	%	+5.5	+13.7
Operating profit	SEK m	50	52
Operating margin	%	16.2	17.7
Employees	average	183	164

Kuggteknik is included from 1 July 2019.





THE GROUP IN BRIEF

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. Each unit is anchored locally and is developed according to its own circumstances. At the same time, being part of the Group creates economies of scale for the companies and their business partners.

XANO is a decentralised industrial group that is run by entrepreneurs. The strategic work is well prepared and established in every unit. The Group's companies endeavour to be market leaders within their respective sectors, and are able to satisfy demanding customers through a high level of technology and flexibility. In addition to customer-specific assignments, our operations also encompass the development of proprietary products and solutions. Our businesses focus on sustainability and a long-term approach. Our employees are our most important resource, with respect, commitment and loyalty all being highly valued. Through training activities within XANO Academy, we are safeguarding our future skills provision.

Profitable growth is our financial guiding principle. In addition to any extra growth in volume achieved through acquisitions, our growth target is an annual organic expansion that exceeds general market growth. The profit margin should amount to at least eight per cent over time. Our aim is to have a strong financial position with an equity/assets ratio exceeding 30 per cent.

The Group was listed on the Stock Exchange in 1988, and can now be found on Nasdaq Stockholm in the Mid Cap segment.

Acquisitions are an important part of the business concept. Since 1980, more than 60 businesses have been acquired that complement the existing operations, add technical expertise or provide access to new market segments. In order to streamline the business and also create added value for the shareholders, two operations have been spun off: ITAB Shop Concept in 2004 and AGES in 2014, now listed separately on Nasdaq Stockholm and First North respectively.

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.

2019 IN BRIEF

Net revenue, SEK m	2,128	(2,044)
Profit after tax, SEK m	163	(171)
Earnings per share, SEK	5.85	(6.13)

FIGURES IN SUMMARY		2019	2018
Net revenue	SEK m	2,128	2,044
Growth	%	+4	+23
Gross margin	%	22.1	22.5
Operating profit	SEK m	229	236
Operating margin	%	10.8	11.6
Profit before tax	SEK m	211	219
Profit margin	%	9.9	10.7
Profit after tax	SEK m	163	171
Earnings per share	SEK	5.85	6.13
Proposed dividend per share	SEK	2.00	2.00
Equity/assets ratio	%	38	34

For definitions, see page 79.

FULL YEAR

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

Q1

During the first quarter of the year, the Group reported both growth and clearly improved operating profit compared to the previous year. The market situation was stable, with demand at a generally high level. For our project-based operations, however, protracted decision-making processes for investments within the packaging industry entailed continued large fluctuations in respect of incoming orders and business transactions.

Q2

The Group's companies reported strong figures during the second quarter, with excellent results being achieved as regards revenue and earnings. The market conditions remained generally good, with incoming orders at a stable, satisfactory level. Extended assembly premises for automation equipment developed in-house were taken into operation in Jönköping.

Q3

All the business units reported slightly higher volumes during the third quarter compared to the corresponding period last year, while the earnings trend varied from segment to segment. The market conditions also shifted within affected sectors, with incoming orders generally being more cautious than during the first half-year.

ACQUISITION OF KUGGTEKNIK

Kuggteknik in Leksand was acquired on 1 July. Kuggteknik works with cutting machining and possesses specialist expertise regarding the manufacture of geared products made of metallic materials. The business has resources at its disposal for the production of both prototypes and large volumes with narrow tolerances. The company's customers are mainly found within the fields of tool and machine manufacture, medical technology, packaging solutions and defence.

Q4

The results during the final three months of the year were unable to match the high comparative figures from the corresponding period in the previous year. The uncertainty that characterised the market conditions prior to the end of the year was alleviated slightly, and we witnessed a general stabilisation with an improved order situation overall.

ENTREPRENEURIAL SPIRIT AND INNOVATION DRIVING OUR DEVELOPMENT

The Group's strong figures reflect the performance of our companies over the past year. One common focus has been our development in the field of sustainable business. For us, this is a matter of future-proofing our business on all levels.

GROUP DEVELOPMENT DURING THE YEAR

I can look back with satisfaction at the past year and what we have achieved in the Group. Our market shares increased within all business units in 2019. All in all, our operations surpassed the Group's target of a profit margin of at least 8 per cent, and our financial position was further strengthened. Through innovation, rewarding collaborations and long-term customer relations, we have also jointly laid the foundations for continued profitable growth.

As regards our individual business units and their development within various market segments, we can state that Industrial Products and Precision Technology experienced relatively stable conditions throughout the year. These companies have a broad customer base within many different sectors that successfully balance out economic fluctuations. Within Industrial Solutions, the dominant automation business began the year strongly, but faced significant challenges during the second half of the year. However, the customer-specific volumes gradually increased, thanks to several new, long-term assignments.

OPERATIONS WITHIN OUR BUSINESS UNITS

At the companies within Industrial Products, the work in relation to organisational development and efficiency improvements had a high priority during the year. These activities produced results and the companies' profitability was strengthened. On the marketing side, a positive trend, above all within the infrastructure area, contributed to several long-term cooperation agreements being entered into. Sales to furniture and fittings manufacturers also developed well, primarily on the export markets, whereas deliveries to the automotive sector decreased overall. The companies within the business unit manufacture plastic products, and they are working

hard to increase the proportion of bioplastics and recycled material as well as to design new, more resource-efficient solutions.

The customer-specific operations within the Industrial Solutions business unit developed positively during the year. Many new assignments that have considerable potential to gradually achieve an ever greater impact are being received from customers, principally global companies in the fields of medical technology and environmental engineering. The level of activity was initially also high in respect of automation projects for the packaging and food industries. After the summer, however, we were adversely affected by deferred investments and the small number of business transactions at our customers. It was only towards the end of the year that we saw a positive change, with an increased number of enquiries and a few larger orders.

Within the Precision Technology business unit, our companies continued their work of increasing the degree of automation and further improving the utilisation of resources. In combination with a balanced mix of assignments, this meant that profitability remained good, despite something of a decline during the autumn. The medical technology industry was still the dominant sector, and its development also helped to minimise the effects of a general decline in incoming orders. Capacity reinforcements were carried out over the past year, both through investments in machinery and expanded production areas. In addition, the business unit's operations were further supplemented via the acquisition of Kuggteknik.

ACQUISITIONS THAT CREATE OPPORTUNITIES

On 1 July 2019, we acquired Kuggteknik in Leksand. Kuggteknik works with cutting machining and possesses specialist expertise regarding the manufacture of geared products made of metal. The company's customers are mainly found within the fields of tool and

machine manufacture, mechanical engineering, packaging solutions and defence. Through this acquisition, the Precision Technology business unit is being strengthened in the form of additional technical expertise, and opportunities are opening up within new market segments. Acquisitions are a part of our business concept, and we are always working actively to look for niche operations that can complement our existing business.

OUR ONGOING SUSTAINABILITY WORK

Sustainable business is one of our most important areas of focus. A sustainable way of doing business, from both an environmental as well as a social and economic perspective, is essential in order to future-proof our operations. We will contribute to sustainable development through innovation, new technology, new materials and new ways of producing, and not forgetting through strategic collaborations. Within the Group, we worked actively during the year to reduce our own and our customers' combined environmental footprint.

We did this in part by offering lightweight materials to the automotive sector, increasing the share of production using recycled plastic and by successively adapting our product portfolios to achieve a lower environmental impact.

XANO ACADEMY INCREASING SKILLS WITHIN THE GROUP

We are constantly working to increase skills and knowledge within the Group, for example by offering courses within XANO Academy. During 2019, many of our current and future managers have taken part in a training programme focusing on leadership, values, culture, innovation and development. Our values are the platform for the entire Group's operations, they permeate everything we do and they provide us with guidance on each and every working day.

OUR FUTURE FOCUS

Developments in the world around us have meant that the trend from the previous year, with major variations between both industrial segments and different periods, has been reinforced and has almost become the norm. Our strategic work aimed at extending our customer relationships and selecting assignments that ensure optimum utilisation of resources in the long term is therefore becoming increasingly important. We have developed our innovation model, which will provide further coordination benefits and more efficient processes. After the end of the year, we have won several major orders in respect of automation projects, deals that relate in part to new markets where we are seeing further potential for growth. The same applies to several of the long-term collaboration agreements that were entered into over the past year. We are also continually evaluating new potential acquisitions. Our focus on profitability remains, and we believe that the trend for the Group's operations will remain positive.

The outbreak of the COVID-19 coronavirus has only had a limited impact on the Group so far. We are monitoring developments carefully and are taking steps to minimise negative effects. At the time of writing, it is not possible to assess what consequences the spread of the virus will have on our business in future.

OUR ENTREPRENEURIAL SPIRIT IS A SUCCESS FACTOR

We are proud of the entrepreneurial spirit that characterises our entire Group. We are also aware that, in many respects, it is the key to our profitability as well as a contributory factor to our strong growth. The knowledge and the service-minded approach that exist within all the Group's companies are clear. Our customers demand a partner with a good understanding of their business and strong technical expertise that can create genuine benefits. These attributes can be found in our operations, and I would like to say a big thank you to all our employees who, through their skills and commitment, are making our journey of success possible.

Jönköping, February 2020



Lennart Persson
President 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 7,288,800 class A shares and 20,898,180 class B shares, a total of 28,186,980 shares, with a nominal value of SEK 1:25. 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 93,786,180. All shares have equal rights to dividends.

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.

CHANGE IN THE NUMBER OF SHARES

At the Annual General Meeting on 9 May 2019, it was decided to increase the number of shares by splitting each existing share into two new shares of the same type (2:1 share split). The split was conducted in June, with 12 June as the record date.

KEY PERFORMANCE INDICATORS		2019	2018	2017	2016	2015
Net profit for the year	SEK m	163	171	158	70	78
Equity	SEK m	800	686	541	412	416
Balance sheet total	SEK m	2,081	1,994	1,520	1,509	919
Return on equity	%	21.8	27.6	33.6	17.1	20.0
Equity/assets ratio	%	38	34	36	27	45
Portion of risk-bearing capital	%	43	39	40	31	48
Cash flow from operating activities	SEK m	307	150	117	128	158
Average number of outstanding shares ¹⁾	thousands	27,895	27,894	27,627	27,406	27,156
Average number of outstanding shares after dilution ¹⁾	thousands	29,035	29,034	28,767	29,087	29,509
Average number of shares in own custody ¹⁾	thousands	292	292	560	560	560
Basic earnings per share ¹⁾	SEK	5.85	6.13	5.72	2.55	2.87
Diluted earnings per share ¹⁾	SEK	5.70	5.97	5.57	2.46	2.68
Cash flow from operating activities per share ¹⁾	SEK	11.02	5.37	4.26	4.66	5.84
Total number of shares on the closing day ¹⁾	thousands	28,187	28,187	28,187	28,187	27,716
Number of shares in own custody on the closing day ¹⁾	thousands	292	292	560	560	560
Number of outstanding shares on the closing day ¹⁾	thousands	27,895	27,895	27,627	27,627	27,156
Equity per share on the closing day ¹⁾	SEK	28.68	24.58	19.59	14.90	15.34
Share price on the closing day ¹⁾	SEK	113.00	76.50	74.88	52.38	38.88
Share price in relation to equity per share	%	394	311	382	351	253
Proposed dividend per share ¹⁾	SEK	2.00	2.00	2.00	1.12	1.12
Direct yield	%	1.8	2.6	2.7	2.1	2.9

¹⁾ The comparative figures have been translated at a rate of 2:1 in line with share splits conducted in 2017 and 2019.

This relates to the Group as a whole, including spun-off/discontinued operations.

DEFINITIONS

Basic earnings per share

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

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 closing day.

Equity per share

Equity in relation to the number of outstanding shares on the closing day.

Equity/assets ratio

Equity in relation to total capital.

Portion of risk-bearing capital

Equity plus provisions for tax in relation to total capital.

Return on equity

Profit for the year in relation to average equity.

Share value

Total number of shares multiplied by the share price on the closing day.

Total yield

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

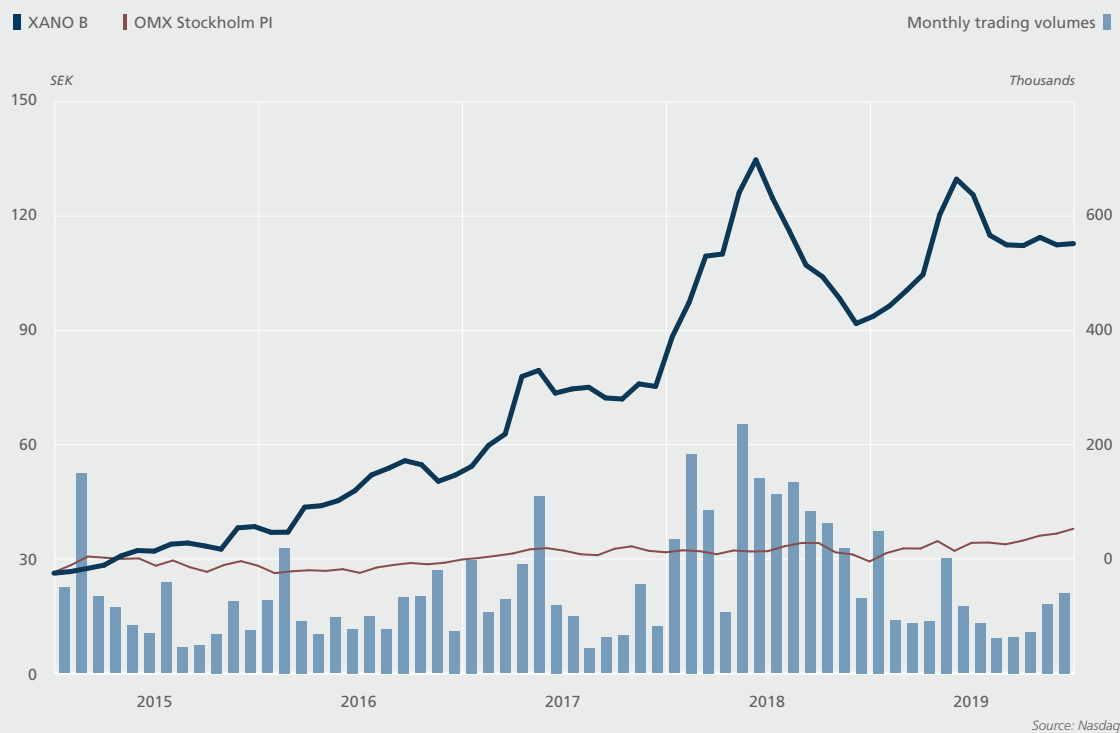
Further definitions can be found on page 79.

PRICE TRENDS

During 2019, XANO's share price rose by 47.7 percent from SEK 76.50 (adjusted as a result of the share split) to SEK 113.00. The highest price paid during the year was SEK 141.00 on 12 June, while the lowest price paid was SEK 74.00 (SEK 148.00 before recalculation) on 4 January. The highest closing price was recorded on 20 June at SEK 137.00, with the lowest closing price being recorded on 3 January at SEK 76.25 (SEK 152.50 before recalculation).

The number of shares sold totalled 1,373,097 (adjusted for the split), which corresponds to a turnover rate of 6.6 per cent, and the combined value of the trading amounted to SEK 149.1 million. As at 31 December 2019, XANO's share value amounted to SEK 3,185 million, based on the latest closing price and the total number of shares. The total yield for the year amounted to just over 50 per cent. The average over the past ten years has been approx. 26 per cent, excluding the value of spun-off operations.

PRICE DEVELOPMENTS AND SHARE TRADING VOLUME 2015-2019



In June 2017 and June 2019, a 2:1 share split was conducted. Historic prices have been adjusted.

SHAREHOLDERS

The number of shareholders increased further during the year. At the end of 2019, XANO had 4,326 shareholders, compared to 3,822 shareholders at the same time in the previous year. Of these, 4,124 were physical persons living in Sweden. The ten largest shareholders jointly held 94.2 per cent of the votes and 80.7 per cent of the capital. Institutional ownership made up 2.9 per cent of the votes and 9.5 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 2019 financial year, the Board is proposing a regular dividend of SEK 2.00 (2.00) per share, totalling SEK 55.8 million (55.8) based on the number of outstanding shares at the end of the year. The previous year's amount has been translated as a result of the implemented share split. The proposed dividend corresponds to approx. 34 per cent (33) of the profit for the year and a direct yield of 1.8 per cent (2.6) calculated from the share price at the end of the year.

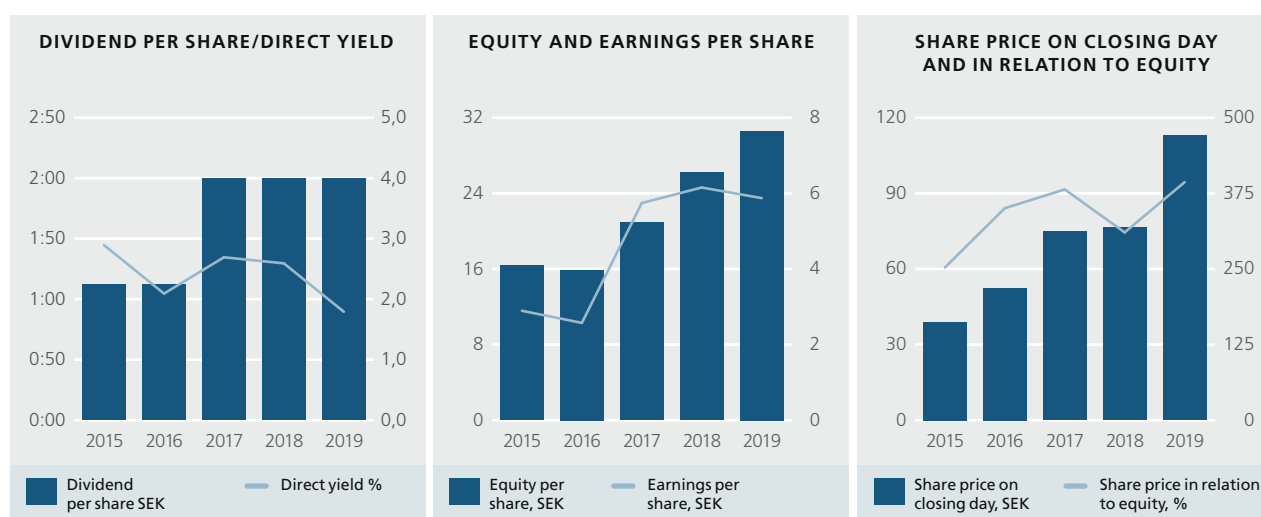
SHARES IN OWN CUSTODY

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 2:1 share split in 2017 and the transfer of 133,778 own class B shares in conjunction with business acquisitions in 2018, the number of shares in the company's custody at the start of 2019 amounted to 146,222 with a nominal value of SEK 2:50. A further 2:1 share split was conducted in June 2019, after which the number of shares in the company's custody amounted to 292,444 class B shares, which corresponds to 1.0 per cent of total share capital. Minus the shares held by the company, the number of outstanding shares amounted to 27,894,536 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 2:1 share splits implemented in 2017 and 2019, the conversion rate has been translated in accordance with § 8 B in the terms and conditions. The recalculated conversion rate is SEK 54.50. During the period 1 June to 12 June 2020, each convertible may be converted to 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.



LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2019

Shareholders	Class A shares	Class B shares	Total number of shares	Proportion (%) of share capital	Proportion (%) of voting rights
Anna Benjamin and related parties	5,128,800	2,951,200	8,080,000	28.67	57.83
Pomona-gruppen AB	2,160,000	6,254,180	8,414,180	29.85	29.70
Kennert Persson	–	1,558,902	1,558,902	5.53	1.66
Svolder AB	–	1,233,190	1,233,190	4.38	1.31
Stig-Olof Simonsson and related parties	–	949,924	949,924	3.37	1.01
Petter Fägersten and related parties	–	600,800	600,800	2.13	0.64
Sune Lantz	–	593,268	593,268	2.10	0.63
Europea i Malmö AB	–	488,082	488,082	1.73	0.52
Christer Persson and related parties	–	440,508	440,508	1.56	0.47
Spiltan Fonder AB	–	401,888	401,888	1.43	0.43
Total, ten largest shareholders	7,288,800	15,471,942	22,760,742	80.75	94.21
Other shareholders	–	5,133,794	5,133,794	18.21	5.47
Total number of outstanding shares	7,288,800	20,605,736	27,894,536	98.96	99.69
Shares in own custody	–	292,444	292,444	1.04	0.31
Total number of shares	7,288,800	20,898,180	28,186,980	100.0	100.0

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 2019

Share type	Number of shares	Proportion (%)	No. of votes	Proportion (%)
Class A shares	7,288,800	26	72,888,000	78
Class B shares	20,898,180	74	20,898,180	22
Total	28,186,980	100	93,786,180	100
Of which in own custody	-292,444		-292,444	
Total outstanding	27,894,536		93,493,736	

Number of shares	Number of shareholders	Proportion of shareholders (%)	Proportion of votes (%)	Proportion of shares (%)
1 – 500	3,403	78.8	0.3	1.0
501 – 1,000	278	6.4	0.2	0.8
1,001 – 5,000	472	10.9	1.2	3.9
5,001 – 10,000	70	1.6	0.5	1.8
10,001 – 50,000	70	1.6	1.4	4.5
50,001 – 100,000	9	0.2	0.7	2.3
100,001 –	16	0.4	95.4	84.6
Total outstanding	4,318	100.0	99.7	99.0
Shares in own custody			0.3	1.0
Total			100.0	100.0

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
2019	2:1 split	0	35,234	28,186,980	1.25

OUR SUSTAINABILITY WORK

XANO has opted to prepare the Sustainability Report for 2019 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.

Our financial goals for the Group are an annual organic growth above the general market trend, a profit margin of at least 8 per cent and an equity/assets ratio exceeding 30 per cent. In order to achieve profitable growth, it is necessary to employ sustainable enterprise through resource optimisation and efficiency at every stage. This is a natural way of working for XANO, and the sustainability work has consequently always been at the heart of the Group's operations.

Prior to our first sustainability report, which related to the 2017 financial year, we introduced a number of Group-wide procedures aimed at systematising the work and reinforcing corporate governance in respect of sustainability. We wanted to obtain a combined picture of the sustainability activities in our companies, and we developed a central sustainability policy that all the units implemented. At the same, we launched the process of incorporating the sustainability aspects in each Group company's business plan. In 2018, the Board of Directors adopted a sustainability strategy that describes the overall focus of the ongoing work. Furthermore, directional goals were formulated relating to improvements with selected areas in respect of personnel and the environment. The task for the individual Group companies

is, on the basis of the common guidelines, to formulate their own quantified goals regarding materiality and business benefits.

During 2019, we have conducted risk analyses, stakeholder analyses and materiality analyses from a sustainability perspective. The purpose was to identify areas of focus and to delimit the direction of future activities.

During 2020, our companies will be continuing to focus on those issues that they themselves and their respective stakeholders view as most pressing. At Group level, we will be further developing the follow-up process and clarifying the procedures regarding reporting data in respect of selected sustainability indicators.

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, and specifies clear demands for the

involvement of all employees. The working climate and stakeholder relations are 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 energy and materials, although the occurrence of waste and generated climate emissions also entail a load on the environment. The Group also sees risks principally in respect of access to more sustainable materials from an environmental perspective, as well as 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. ■

GLOBAL ENVIRONMENTAL WORK CREATING BUSINESS OPPORTUNITIES

The collaboration between Fredriksons and Alfa Laval was launched in 2011 on the basis of an international convention initiated by the UN's shipping organisation, the IMO. This convention, which has been signed by 47 countries around the world and must be complied with by the member states, is creating benefits for the environment as well as opening the door to new business opportunities.

The joint BWM (Ballast Water Management) convention is an international effort in the development of more sustainable shipping. By 2024 at the latest, all vessels using ballast water that are in service on the world's seas and oceans must be equipped with their own onboard treatment system. This relates ultimately to safeguarding biodiversity.

GLOBAL ENVIRONMENTAL WORK

The Alfa Laval PureBallast system, which has been developed jointly by Alfa Laval and Wallenius Water on the basis of Wallenius Water's technology, treats a vessel's ballast water so that no foreign organisms are spread when it is pumped out into the sea.

"Living organisms from the biological environment where the vessels originally come from can cause major problems if they are released in other locations around the world. A good example of this is the Asian shore crab, which ate almost everything in its path along the west coast of Sweden a few

years ago. Treating the ballast water is quite simply global environmental work," says Kjell Hjalmarsson, Key Account Manager at Fredriksons.

The UV reactor that Fredriksons manufactures is a central part of the treatment system. The reactor clears the water of the very smallest microorganisms using UV light, which has major benefits compared to the alternative, i.e. chemical treatment. With UV light, there are no residual products that have to be separated from the ballast water and that risk creating new environmental problems.

CUSTOMER BENEFIT IS KEY

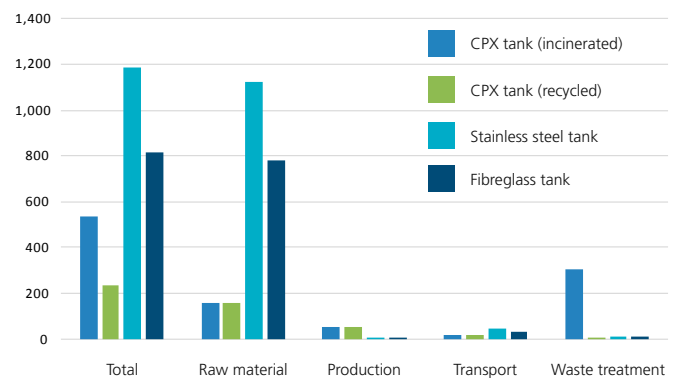
"For a number of years, the product has mainly been supplied to newly built vessels, which have had to have their own treatment system on board since the end of 2017. We are now witnessing a steady upturn with even larger volumes, as the ships that are already in service have to be fitted with

the same type of system by 2024 at the latest," says Kjell Hjalmarsson, who goes on to explain that Fredriksons' investments in automation, new technology, robots and new machinery are a precondition for successfully being able to meet the demand.

The UV reactor is produced in a number of sizes and variants. For the existing fleet, it is difficult to predict when installations will take place. It is therefore a challenge to forecast the volumes for the various models and reactor sizes.

"By preprocessing reactors as far as possible within our production process and then customising them when the final decision arrives, we can ensure rapid deliveries. This is all about customer benefit, and by creating the right conditions in our manufacturing process, we can successfully satisfy our customers' needs and wishes," says Kjell Hjalmarsson. ■



Environmental impact (kg CO₂e)

POLYETHYLENE – A GOOD ENVIRONMENTAL CHOICE

Helping to reduce the environmental footprint is important for Cipax. All types of production have an impact on the environment, so anything that helps to reduce this impact will generate positive effects for our shared environment.

“For us, it is valuable to understand our products’ footprint compared to the same types of products made from other materials available on the market. This knowledge also helps us in our sustainability work,” says Lars-Erik Andersson, CEO of Cipax.

To get a clear picture of the current situation, Cipax therefore commissioned the consultancy company Ramboll, in collaboration with WSP, to perform a life cycle analysis on one of its standard products, a storage tank made from the recyclable plastic material polyethylene.

“It was important for us that the report was independent and reviewed,” considers Lars-Erik Andersson. “In a life cycle analysis, you are monitoring the product’s entire life cycle and its total environmental impact – from raw material extraction to waste management. The task for Ramboll was to

conduct an independent investigation and comparison, and the results were pleasing for us,” continues Lars-Erik Andersson.

In order to produce a fair comparison in the analysis, it was assumed that all the storage tanks are produced in the same place and delivered to an average European customer. Furthermore, the stainless steel tank consisted of 72% recycled steel, which is the average recycling level in the sector. Depending on what has been stored in a Cipax polyethylene tank, it can either be recycled or incinerated, which has also been presented separately in the report. In all cases, Cipax’s tanks have the lowest environmental impact in respect of climate, acidification, eutrophication, ground level ozone and primary energy consumption.

“The report shows that polyethylene is a better alternative than both stainless steel and fibreglass from a sustainability perspective. Polyethylene has a significantly lower environmental impact, and in the case of polyethylene that is recycled, the climate impact is five times lower than that of stainless steel and almost four times lower than fibreglass,” concludes Lars-Erik Andersson. ■

The full life cycle analysis can be found in the report “Comparative LCA of storage tanks”, produced by Ramboll and verified by WSP. The study conforms to the applicable LCA standards, ISO 14040-44.

A life cycle analysis is an accepted method for calculating the environmental impact of products and services by quantifying emissions throughout a product’s entire life cycle, from raw material extraction to waste management.

A summary of the report can be found at <http://www.cipax.com/quality-environment>.



ACCEPTING FINANCIAL RESPONSIBILITY

In order to be profitable, it is important to use all your resources with care and to work efficiently at every stage. For many years, XANO has had a clear focus on long-term, profitable growth. The long-term approach permeates all parts of the business, and XANO therefore accepts responsibility for and helps to improve the society in which we are operating. Our social responsibility means that, as far as possible, we must ensure that our processes and products do not have a negative effect on people's health or our environment. By constantly adopting new technology and being at the forefront as regards product development, we aim to ensure that the Group's production has the least possible impact on health and the environment, at the same time as being conducted efficiently and profitably.

BUSINESS ETHICS

Good business ethics are a precondition for continued trust in stakeholder relations and long-term, sustainable commitments. Ethics is about doing the right things – respecting laws and paying tax in accordance with applicable regulations, as well as having zero tolerance of corruption.

We respect good business ethics and follow the rules of the Swedish Anti-Corruption Institute regarding the way gifts, rewards and other benefits associated with the business world may be used to promote operations. We actively choose business partners who stand for the same values.

A more structured working method for ensuring the acceptance of responsibility among suppliers was initiated during the previous year. Several of the Group's companies already had codes of conduct for suppliers as part of their business agreements. With the implementation of our Group-wide supplier code, the objective was for each Group company's 20 largest suppliers to have accepted and signed up to this code at the latest by the end of 2019. We have not fully succeeded in achieving this interim goal, and the work is continuing. The goal for 2020 remains for all long-term suppliers to have signed our code of conduct, or to be able to present their own code with equivalent requirements, at the latest by the end of the year.

ANTI-CORRUPTION

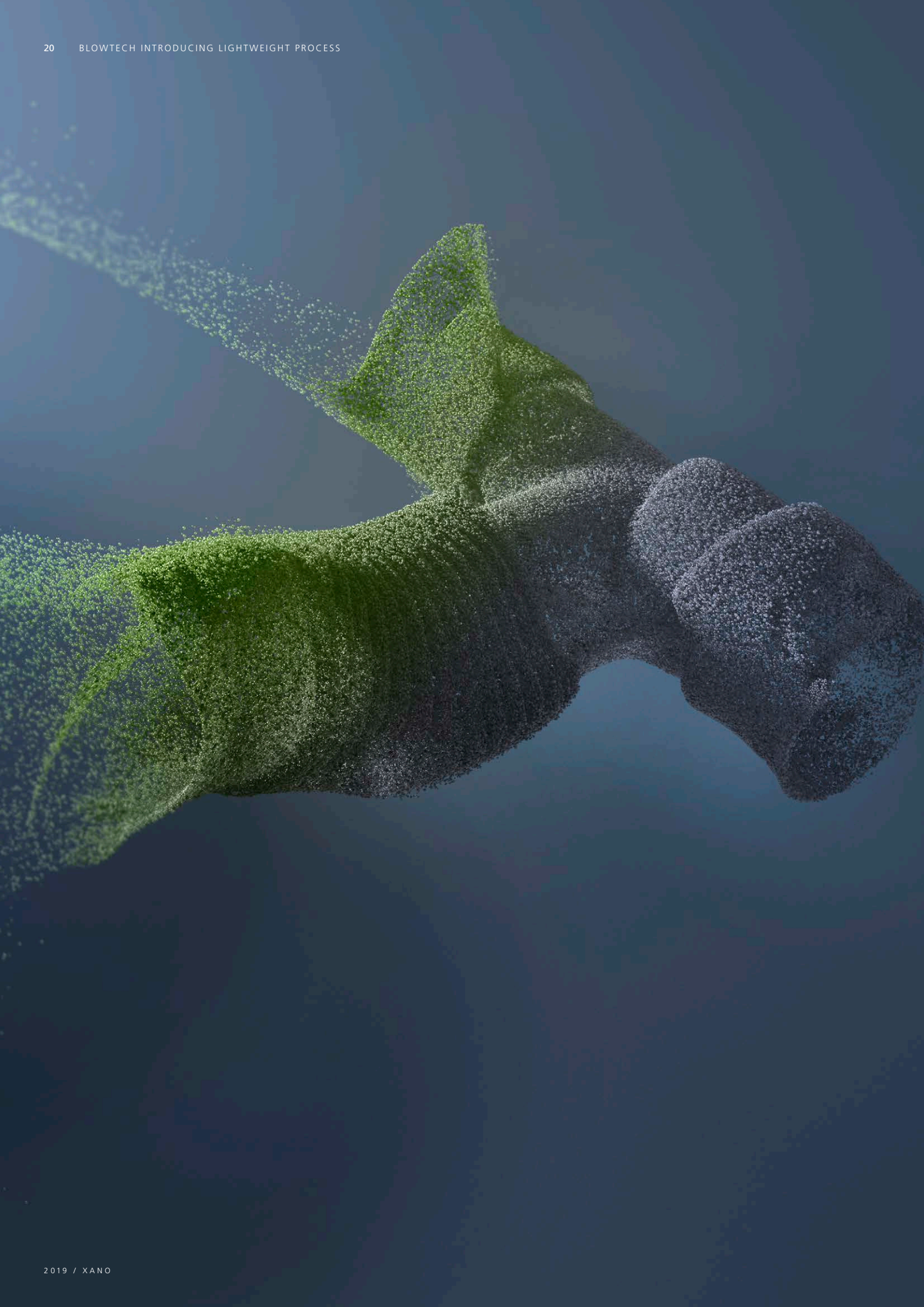
Within XANO, there is zero tolerance of bribery and corruption. Based on the Group's

sustainability policy and code of conduct, we are working actively and consciously to combat corruption. Particular risk areas are identified in our work on internal control. Payment processes and other sensitive operations are continually reviewed and safeguarded. No cases of suspected corruption have been reported during the year. However, one case of unethical behaviour by an employee in relation to the employer has resulted in immediate dismissal.

All employees with financial responsibility underwent online training in anti-corruption during the previous year. As from 2019, all personnel with any form of customer and/or supplier contact were also included in this preventive work. This will be monitored continually.

TRANSPARENCY & OPENNESS

We are striving to achieve transparency and openness in all communication with both employees and the outside world, without breaching applicable regulations or jeopardising confidentiality in respect of business-critical and personal data. ■



“The reduction in material is possible without us having to compromise on product quality.”

RECYCLABLE LIGHTWEIGHTS

Using a new method, lightweight products are being created from a 100% recyclable plastic material. The lightweight variants, which can replace some of a vehicle's plastic parts, are generating many benefits. In addition to the positive environmental aspect, the new processing method entails a reduction in weight, higher sound absorption capacity and better heat insulation for the products.

Blowtech is the first supplier in the Nordic region, and one of only a few in Europe, to offer lightweight blow-moulded plastic parts.

“Our customers in the automotive industry recognise the benefits and are showing considerable interest in the new process. At the same time, we are convinced that the advantages that exist within the vehicle sector can also be achieved for other industries. Not to mention the benefits this will entail for the environment thanks to a circular economy, where the recycled material is used in the manufacture of new products,” says Peter Didriksson, CEO of Blowtech.

However, it is not only the fact that the material is recyclable that is contributing to a reduced environmental footprint – the amount of material required in the process is also reduced. This leads to lower carbon dioxide emissions.

“We are able to reduce the amount of material without having to compromise on the quality of the products. In fact, it improves the quality. In addition, the manufacturing process is more energy-efficient than before, which also delivers environmental benefits,” says Peter.

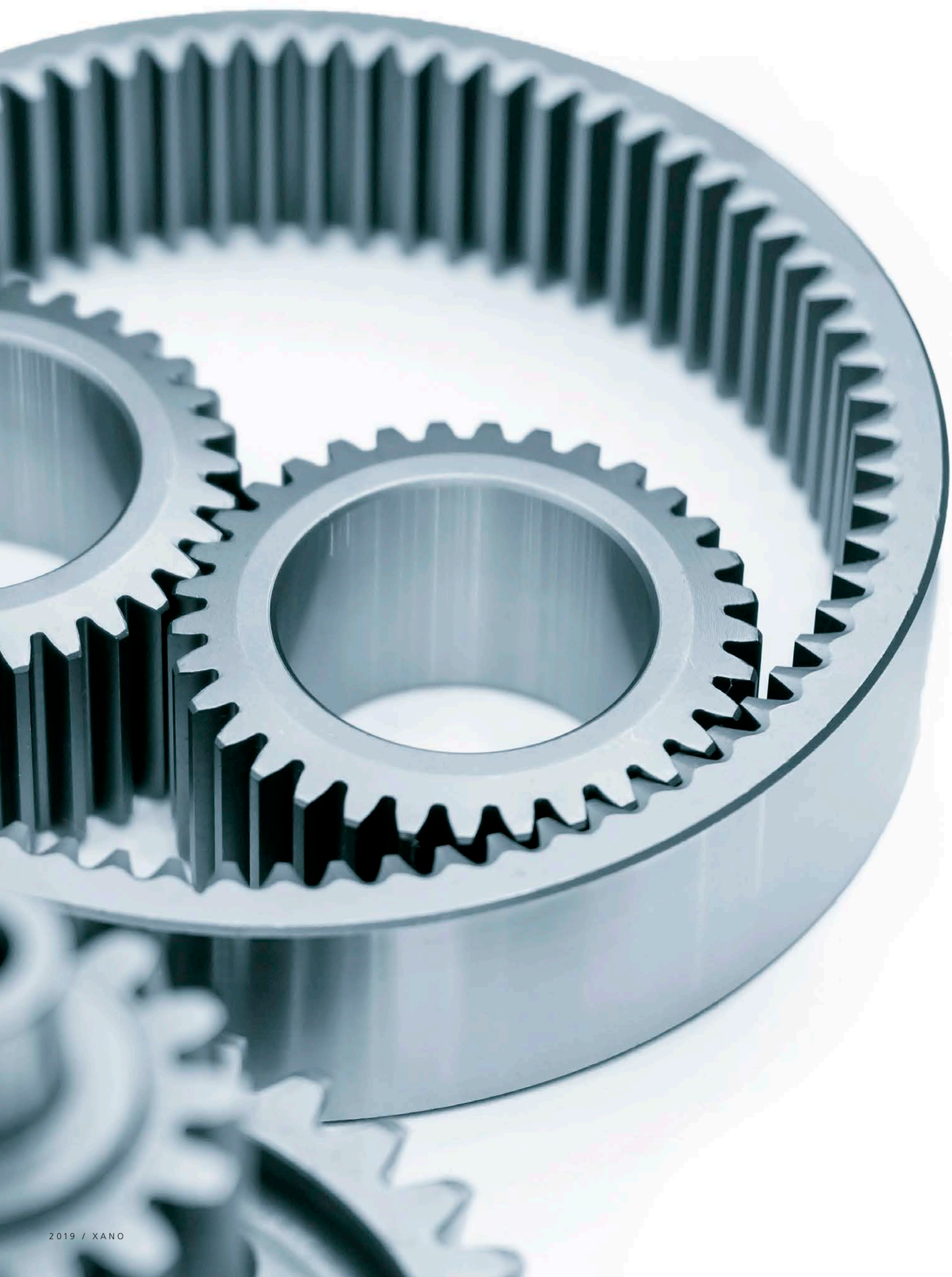
It is common knowledge that reducing weight is important for the automotive industry. By using the new method when manufacturing a plastic part, the weight of that part can be reduced by 30-40%.

“It isn't possible to manufacture all plastic components in a vehicle using this new method, but we can make a significant proportion,” says Peter, who also explains that Blowtech has specialised in products with complex forms and cavities for either liquids or air.

Technical developments in the automo-

tive industry are proceeding at a rapid pace. The new technology is leading to increasing demands, while at the same time also generating additional business opportunities. Demand for electric cars is increasing globally, and in this respect the lightweight products offer benefits that make a considerable difference in terms of the driving experience.

“Using the new method, the components benefit from improved sound absorption capacity, which is particularly interesting for the automotive industry as sales of electric cars increase. When the engine sound disappears, other sounds become more evident, and so it is important for the car's parts to be made of a sound damping material so that you avoid disruptive noise,” says Peter, who sees considerable opportunities and many areas of application for lightweight products, both now and in the future. ■



KUGGTEKNIK COMPLEMENTS MIKROVERKTYG

On 1 July 2019, Kuggteknik became part of the XANO Group. The acquisition is bringing about many synergies, particularly when viewed from an overall perspective. The collaboration with its sister company, Mikroverktyg, is creating the potential for a frequent exchange of expertise and mutual utilisation of both mechanical and personnel resources. In this way, the companies' joint market offering covers the entire chain, from product development and preproduction series to volume production and the recycling of materials.

PRECISION IN EVERY DETAIL

Kuggteknik, the latest addition to the Group, manufactures transmission products and gears in recurring series. For example, the components are used in tools and various automation solutions. The company's customers are mainly found within the tool, mechanical and other technical industries.

The acquisition of Kuggteknik means that the operations within the Precision Technology business unit are being supplemented with both additional technical expertise as well as access to new market segments. Positive synergies can be seen, above all alongside Mikroverktyg. Mikroverktyg's strong market presence at an early stage of the assignment phase can generate cost-effective volume production at Kuggteknik at a later stage of the production cycle. This means that equipment and technology that is

introduced in development components or new processes can then be effectively utilised in series manufacture.

"The efficiency of Kuggteknik's automated production will increase further, now that prototypes and small volumes can be produced at Mikroverktyg. In this way, we are utilising our respective core skills in the best possible manner," states Kjell Wallin, CEO of Mikroverktyg and Kuggteknik.

The manufacture of gears is a precision industry, with tolerances down to a few μm . This requires advanced machinery and a high level of knowledge.

"Through the acquisition of Kuggteknik, we can get the best out of our joint skills and level of technology. This increases our own efficiency, as well as entailing major benefits for our customers," says Kjell Wallin.

ABOUT KUGGTEKNIK

Manufacture of gears and transmission products for tool and automation solutions. Automated and robotised production unit for high volume items in a stock-controlled production system. The company is located in Leksand, in the heart of the Swedish province of Dalarna.

ABOUT MIKROVERKTYG

Manufacture of tools, precision engineering and transmission products in small series, preproduction series and prototypes. Development, calculation and design assignments in the field of transmission. In the factory in Södertälje, the production process is governed by customer orders for components with a high degree of complexity. The company's unit in Valskog deals with repeat items with fewer work procedures. ■





NEW TECHNOLOGY MAKING THE WORLD SMALLER

Jorgensen Engineering installs complete production facilities for the international food industry all over the world. The facilities' capacity and efficiency are ranked among the very best in the sector, contributing to safe, reliable production for customers. "At Jorgensen, we know how important it is for the customer's facility to be able to produce 24/7, all year round, and through new technology we are effectively minimising the risk of costly operational stoppages. With the aid of AR technology, our experts can now rapidly be 'on site' with the customer," says Jens Nyeng, CEO of Jorgensen.

The AR technology means that the customer's operator can easily get in direct contact with Jorgensen's experts in Denmark, in real time. Using special AR glasses, Jorgensen's employees can see exactly what the person on the site is seeing, which makes the work considerably easier. These glasses also provide the customer with information about the efficiency of the facility and any maintenance requirements, as well as access to manuals.

"You could say that our AR solutions reduce the geographic distance, and when you have customers all over the world, like we do, this entails major benefits for both

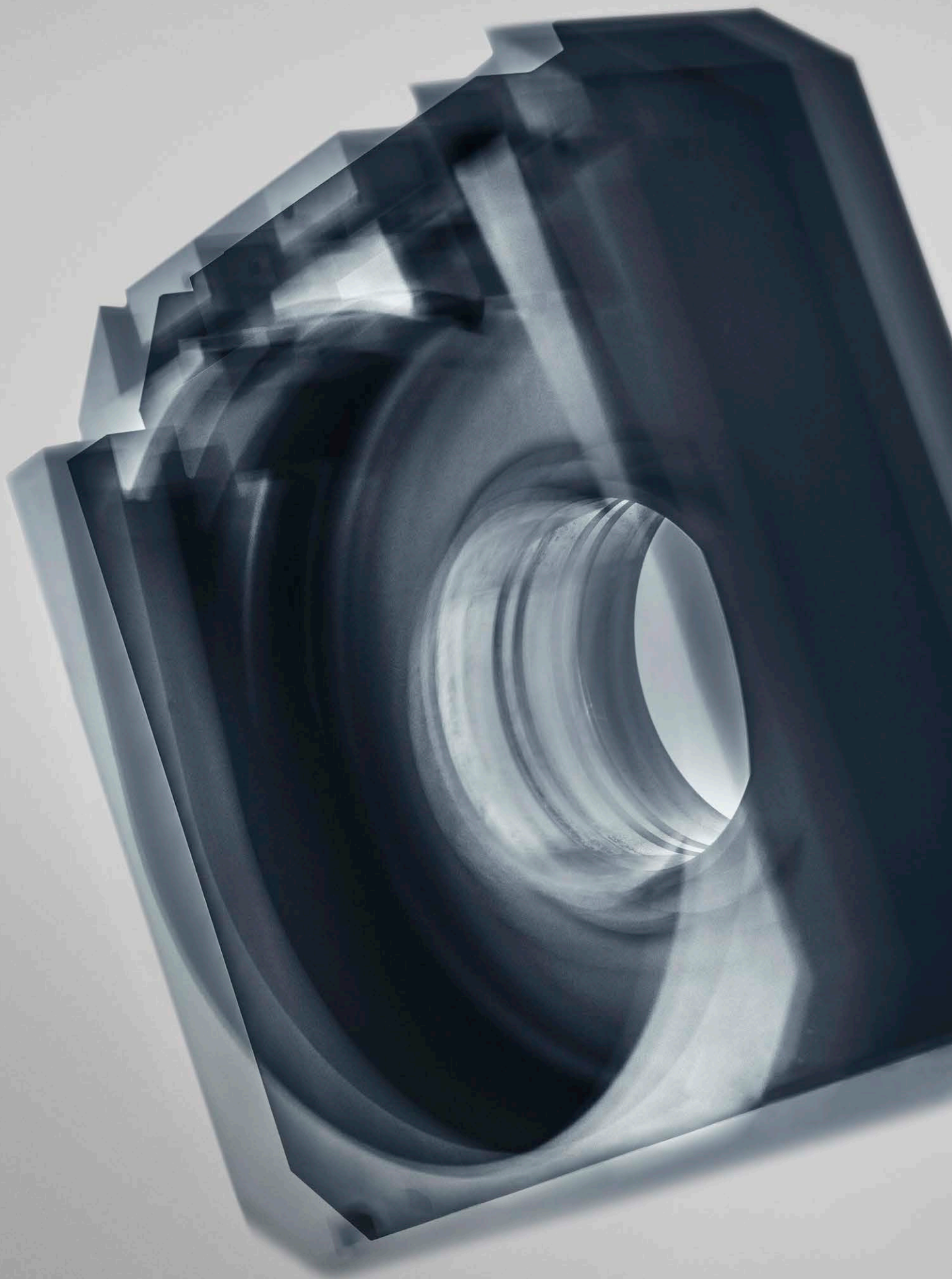
them and us. We can now provide effective support in real time, no matter where in the world our customers are located," says Jens, who also emphasises the significant environmental benefits due to the reduction in air travel.

VR technology has also produced substantial benefits for Jorgensen's customers. Large amounts of data can be analysed much more quickly than was possible just a few years ago, which is creating increased efficiency and customer benefit.

"When we are designing large-scale facilities for our customers, we can present

them in a VR environment in advance. This allows the customer to get a feel for what the system will look like before it is produced and installed," says Jens.

All in all, this technology means that the customer's investment is optimised, the installation time is minimised and any faults can be rectified before the facility is put into production. To all intents and purposes, the customer can test new products in a virtual environment before they are produced in a real one. This increases food safety, delivery reliability and, not least, the security of Jorgensen's customers. ■



INDUSTRIAL SOLUTIONS

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 and food industries.

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

2019 IN BRIEF

The growth in sales within the Industrial Solutions business unit amounted to almost 4 per cent, of which half was organic. A less favourable assignment structure in respect of automation projects had an adverse impact on profitability. Operations related to customer-specific assignments developed well in a favourable market climate and generated new deals, gradually producing an ever greater impact.

1,214

Net sales, SEK m

+3.5

Growth, %

129

Operating profit, SEK m

10.6

Operating margin, %

581

Employees, average

THE PAST YEAR

Fredriksons enjoyed good development in both Sweden and China over the past year. The development was particularly positive for the Chinese operation's customer-specific products, where the investments in the medical and food segments resulted in strong growth. Fredriksons manufactures high-quality products for demanding customers. Factors such as increased quality demands and more pronounced environmental considerations among customers in China have therefore contributed to better positioning for the company's operations in the country. The Swedish unit reported a marginal upturn in sales and distinguished itself particularly in respect of sustainable business. International regulations, such as the BWM ballast convention, had a positive impact on incoming orders, and the volumes within the segment are expected to grow further over the next five-year period. At the same time, a strategic restructuring of the company's product portfolio is under way, with existing products being replaced by new ones with a lower environmental impact.

International players in the food segment are stipulating ever higher demands as regards safety and traceability throughout the food chain. In parallel with this, the trend of increased demands for flexibility and rapid adjustments is continuing. Through digitalisation and new technology, Jorgensen has strengthened its position on the market and developed collaborations with major international groups that stipulate high demands for quality, efficiency and complete solutions.

NPB had high incoming orders during the year and reported strong growth. The company demonstrated a clear presence on existing markets, with South America standing out in particular with a significant increase in volume. NPB's operations are project-oriented and, in combination with the high rate of growth, this resulted in an increased need for hired personnel, which in turn had a dampening effect on profitability.

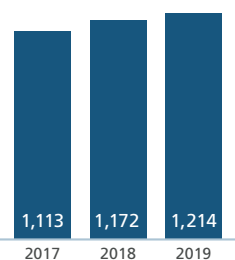
Canline's sales decreased compared to the previous year. The primary reason for this was the fact that two of the company's major customer projects were delayed. These are still current and will have a positive impact on

both sales and profitability when they start up during 2020. The company collaborates with global players in the beverage industry, finding itself in a segment that has good opportunities for growth. The beverage industry's phasing out of plastic bottles in favour of aluminium cans is expected to contribute to increased volumes for the company, although it is also entailing greater competition on the market as new players join the field.

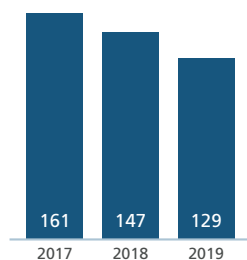
Polyketting's operations were characterised by both organisational and market-related challenges, and the company's sales declined compared to the previous year. Following the implementation of a business analysis, changes have been carried out in respect of working methods and production focus. One effect of these measures was that the collaboration with major OEM customers regarding deliveries of hygienic conveyors was further developed and extended during the year.



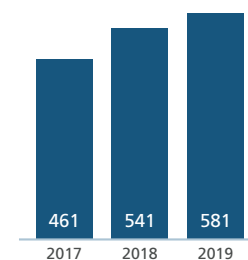
NET SALES (SEK M)



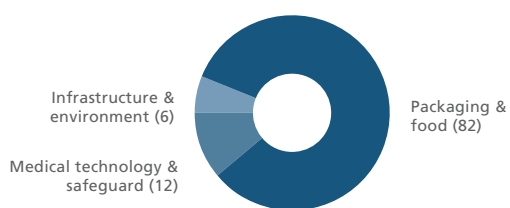
OPERATING PROFIT (SEK M)



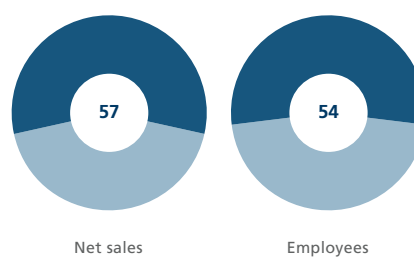
EMPLOYEES (AVERAGE)



SECTOR BREAKDOWN (%)



SHARE OF GROUP (%)





TECHNICAL AND PRODUCT DEVELOPMENT

Fredriksons' Swedish operation launched and delivered an advanced conveyor system to the Norwegian dairy industry during the year. Further orders have been received from a number of large facilities in Norway.

Jorgensen developed and introduced a new type of machine, which sterilises and preserves milk powder in a process that satisfies the food industry's high hygiene demands. Furthermore, the company has developed solutions based on both AR and VR technology, which simplify the customer's installation and contribute to both streamlining and shortened response times for service and maintenance. For Jorgensen, the sales process is made easier when customers can see in full the opportunities offered by the new solutions.

NPB has completed the development of a fully automated debagger, which is providing the company with access to a new industrial segment.

Canline launched a drive station developed in-house for transporting lids on tracks. Together with its sister company, Polyketting, work is also in progress on a new accumulator system and a spiral conveyor, the later as part of an assignment from an external partner. With a view to the US market, Polyketting is developing new control systems for accumulator units.

PRIORITISED INVESTMENTS

In China, Fredriksons has invested in equipment that makes it possible to produce more components in the systems that are supplied. Along with a solution that visualises and systematises constant improvements, this will lead to margins being strengthened. In the Swedish operation, significant resources have been invested in a new department for the manufacture of reactors for water treatment, a segment that is displaying strong growth. Other investments have been focused on automated processes to allow unmanned production during evenings and weekends.

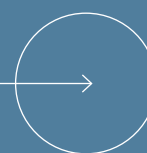
Jorgensen has developed digitalised solutions and new technology during the year. The visualisation of the customer-specific solutions has generated new business opportunities and contributed to streamlining in respect of development and production. The risk of faults has diminished and deliveries to customers have been simplified. The company has also developed its service offer to the market, offering support 24/7.

With several extensive projects and continued high levels of incoming orders, NPB has primarily focused on reinforcing its capacity. At the same time, considerable focus has been placed on the growing after-sales market, and the company has implemented a new department for service and support during the year. With the new organisation, the company is expanding its offering within

after-sales, and initiatives aimed at achieving long-term customer collaborations will be prioritised, with ageing facilities being phased out in favour of new machinery.

At Canline, too, the priorities have largely focused on after-sales. During the latter part of the year, the company began offering proactive servicing and maintenance to its customers. This service adopts a holistic approach to the customer's production facility, thereby reducing the risk of costly disruptions and operational stoppages. Adaptations have also been implemented within the business to meet the demands set out in Industry 4.0, such as optimising systems and training personnel regarding automated processes.

For Polyketting, the work has largely focused on restructuring work during the year. The market resources have been fine-tuned in favour of selected industries, as well as within after-sales and service. From a production perspective, there has been a shift from the manufacture of solutions for specific projects to product-based accumulator systems. During the year, Polyketting has assisted Canline with production and assembly services. The sister companies are also conducting product development projects together.



OUTLOOK FOR 2020

After a period characterised by deferred investments by customers within the packaging and food industries, the conditions now exist for a higher level of activity during 2020.

Both of Fredriksons' units are concentrating on increased strategic sales of in-house products within the aim of strengthening their margins. There is also considerable focus on the launch and marketing of the sustainable product portfolio, which has been developed to reduce the companies' and their customers' environmental footprint.

Jorgensen is implementing the same adaptation, where the food segment is imposing ever higher requirements regarding safety and traceability. The adjustments within the packaging segment are also giving rise to new business opportunities for the company, with traditional materials being phased out in favour of more environmentally friendly alternatives.

NPB believes in a continued high rate of growth and, in order to achieve this, it is vital to develop and retain its existing skills. Enhanced initiatives within employer branding, such as by offering trainee places, will also attract new abilities to the company.

For Canline, there are considerable business opportunities arising from the global trend whereby the beverage industry is increasingly opting to switch to aluminium packages. The company is also investing strategically in aftersales, in the form of a broader service offer and extended support services.

At Polyketting, the year began with a low order stock, yet with many relevant quotes and contacts. The further development of relations with major OEM customers has been prioritised, as has the evaluation of international sales opportunities alongside other companies within the business unit.

One thing that all the companies within Industrial Solutions have in common is the adaptation to Industry 4.0, as well as investments in digitalisation, innovation and sustainable business. For the companies in the business unit, it is important to be at the forefront of advances in technology in order to ensure long-term profitability. The sister companies are also working together on organisational development within those areas where there are clear synergies, for example by implementing a common project management model.



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 and food industries 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, infrastructure and environmental engineering. Fredriksons also develops 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 bioprocesses.

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.

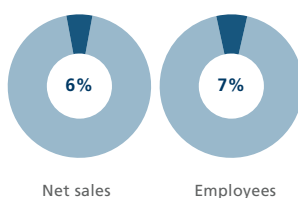
Polyketting works with the development and manufacture of automation equipment, primarily accumulator units and conveyor systems, for the handling of packages. Customers are mainly made up of companies within the food industry. Polyketting's automation solutions are intended to generate the maximum possible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

CANLINE

Eersel / Roanoke

Net sales	SEK m	80
Growth	%	-6.8
Employees	average	43

Share of business unit



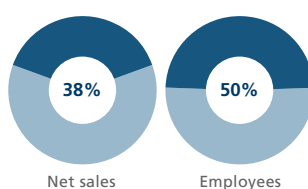
Conveyor system for metal food packaging.

FREDRIKSSONS

Vadstena / Suzhou

Net sales	SEK m	490
Growth	%	+3.8
Employees	average	283

Share of business unit



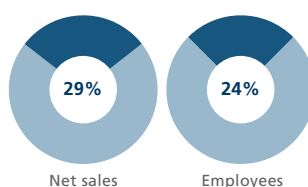
Pipes and drain valves with high hygienic demands for bioprocesses.

JORGENSEN

Odense

Net sales	SEK m	362
Growth	%	-2.1
Employees	average	142

Share of business unit



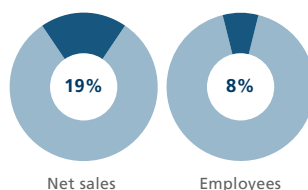
Automated handling equipment for bag packaging.

NPB

Jönköping

Net sales	SEK m	238
Growth	%	+0.1
Employees	average	49

Share of business unit



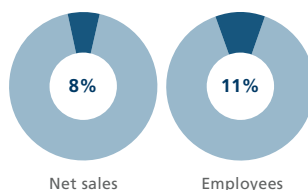
Accumulation and distribution solution for lid handling.

POLYKETTING

Zelhem

Net sales	SEK m	88
Growth	%	-12.1
Employees	average	64

Share of business unit



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



PRECISION TECHNOLOGY

The business unit comprises Kuggteknik, 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. Kuggteknik complements Mikroverktyg with automated operations for higher volumes.

2019 IN BRIEF

The growth in sales within the Precision Technology business unit amounted to almost 6 per cent, of which one-third was organic. The profitability level remained high. The precision companies have a broad customer base and a good sector spread, with the medical technology industry as the dominant sector, which helped to minimise the effects of the general decline during the second half of the year. Kuggteknik in Leksand was acquired as a complement to Mikroverktyg.

310

Net sales, SEK m

+5.5

Growth, %

50

Operating profit, SEK m

16.2

Operating margin, %

183

Employees, average

THE PAST YEAR

For Mikroverktyg, the year began with a strong order situation. Demand remained high during the first half of the year, before weakening to a more normal level during the autumn. Both sales and earnings developed well, resulting in another record year for the company. Mikroverktyg has achieved positive effects from the investments that have been made, and the strengthening of capacity has facilitated this strong development. The specialisation involving the production of prototypes and short series of items with many work procedures in the Södertälje unit, as well as the production of repeat items with few work procedures in Valskog, has resulted in efficient production and good utilisation of resources.

The newly acquired company Kuggteknik complements Mikroverktyg's manufacture of prototypes with volume manufacture of small transmission products. The business in Leksand has been affected by a weakening economic situation, resulting in falling

volumes. In order to create the conditions for growth, streamlining and the securing of capacity have been carried out following the take-over. The collaboration and integration with Mikroverktyg are going well.

Resinit's operation, involving complex services primarily for the medical technology sector, has demonstrated stable growth and good profitability for many years. During the year, the company has noticed that customers have been affected by events in the outside world that have led to greater restraint in the placing of orders. In terms of volume, the year saw marginal growth, although with larger month-to-month fluctuations than previously. After being very close to the capacity ceiling for a period of time, Resinit has extended its production areas and machine resources over the past two years in order to cope with future growth.

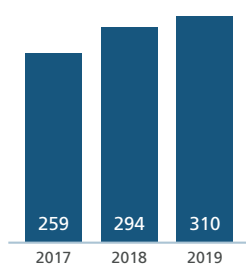
LK Precision's sales and profits declined somewhat, although profitability remained at a high level. In terms of volume, the company was affected indirectly by a weaker order

situation at the company's customers, above all in the electronics sector. Sales linked to medical technology increased further, in part thanks to an entirely new customer. The sector spread has gradually increased, with the result that dependence on the economic cycle has decreased. LK Precision is focusing on long-term projects alongside technically demanding customers, by shifting from a supplier of products to a supplier of services.

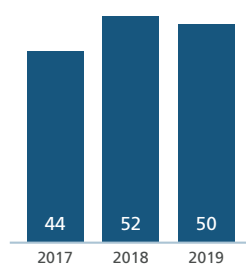
During the spring, one of KMV's major customers warned about future delays in deliveries as a result of a shortage of materials. This contributed to a great extent to lower volumes overall, as well as weaker profitability for the company. At the same time, the restructuring work that commenced in the previous year has continued. New conditions on the market are demanding extended machining services and a greater refinement content in the delivery. Further work to strengthen the organisation has therefore been carried out.



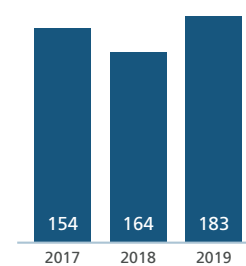
NET SALES (SEK M)



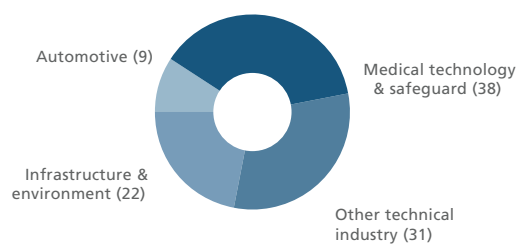
OPERATING PROFIT (SEK M)



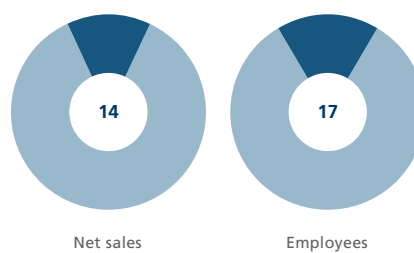
EMPLOYEES (AVERAGE)

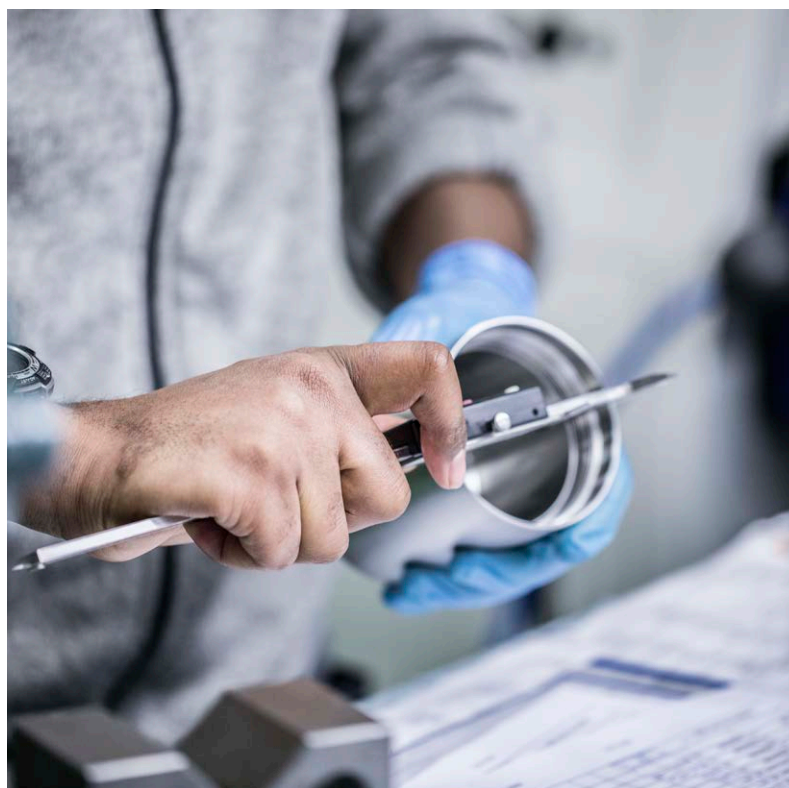


SECTOR BREAKDOWN (%)



SHARE OF GROUP (%)





PRIORITISED INVESTMENTS

One thing that all the companies in the business unit have in common is the intensive work aimed at strengthening their respective profiles as attractive employers. The companies have extended their presence on social media and enhanced their collaboration with various players in the local region, for example when it comes to employing new arrivals and accepting work experience placements. Generally speaking, the companies consider that the conditions for recruitment have improved during the year. The figures for staff turnover and sick leave are low.

LK Precision has carried out recruitment days once a quarter, which have contributed to a large number of people registering their interest in a position at the company. As part of the business plan, there is also an employment package that is aimed at both new employees and potential employees.

Mikroverktyg visited EMO, a major machine trade fair, with a very high level

of participation from its personnel. The trip related primarily to creating a greater understanding of digitalisation and trends within the processing industry, although the participants were also given opportunities to develop social contacts.

Together with a number of other manufacturers in the region, Mikroverktyg and LK Precision are reviewing their potential to secure future skills provision.

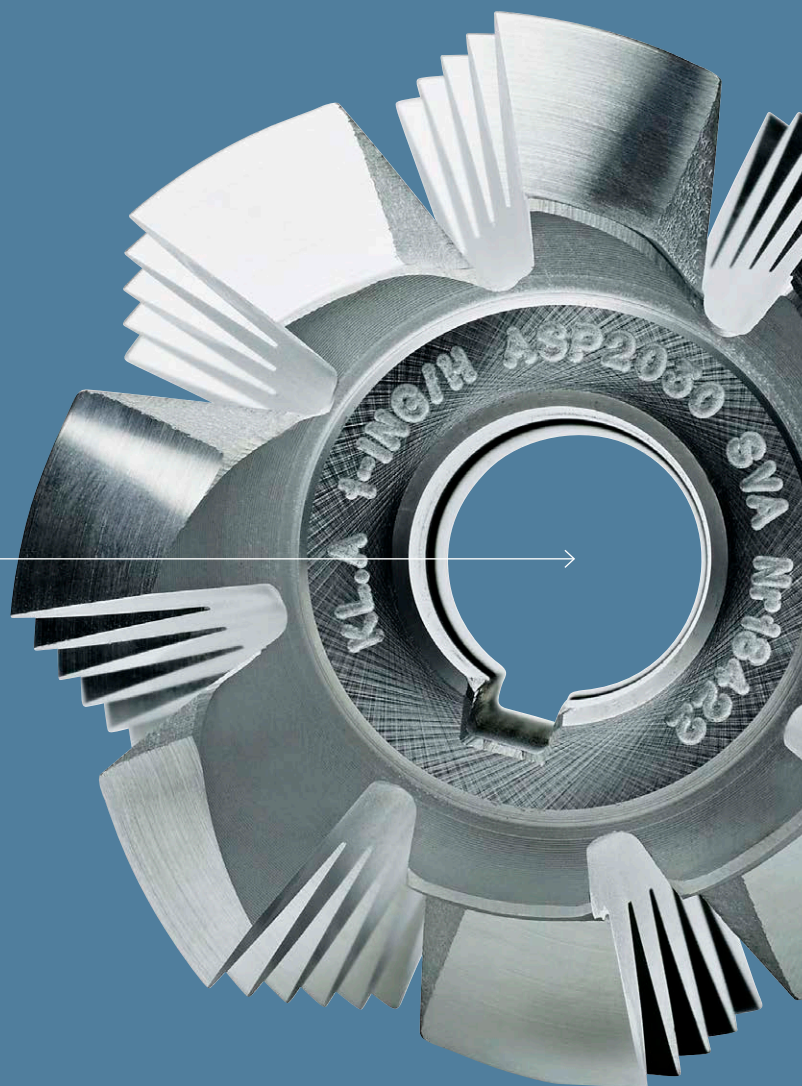
Generally speaking, a high level of technology is extremely important for precision companies. Substantial investments are continually being made, and the technical expertise that has been built up in recent years is creating good opportunities for doing new business.

Resinit has supplemented its production area by means of an extension to the workshop hall. The production flows have been improved and the company now has the capacity to grow further. In addition, the company's technical expertise has been rein-

forced in the form of a collaborative robot, which carries out some assembly work in cooperation with the personnel. This investment is part of the adaptation work in accordance with Industry 4.0, and means that personnel capacity is freed up while at the same time eliminating monotonous work procedures.

LK Precision has invested in two new milling machines in order to raise the level of automation and increase capacity. This addition is improving the conditions for unmanned production during inconvenient working hours.

KMV has installed a new CNC lathe that is strengthening capacity and adding complementary technology. The investment is linked to new products with manufacturing operations that, without the new technology, would have been outsourced to subcontractors.



OUTLOOK FOR 2020

For the companies in the business unit, the work on skills assurance and activities linked to employer branding has remained a priority, as have further automation and technical developments. New business opportunities and increased customer value must be generated through organisational development at every stage. For example, quality certification is planned within medical technology as well as the aviation and space industries.

As a result of the decline witnessed during the autumn, Mikroverktyg is anticipating a weaker start than last year. However, the company's unique technical expertise is creating good opportunities for new projects and collaborations. Further investments in mechanical equipment and expertise are also key factors moving forward. Through frequent exchanges with Kuggteknik, it is anticipated that the companies' combined resources will be able to produce strong development for both companies. Kuggteknik is also starting the year with demand at a relatively low level, although it is receiving positive signals from relevant sectors. Intensive marketing initiatives will be conducted during 2020 with the aim of creating volume and making use of the company's full potential. KVM is coming from a weak order

situation, but is receiving a good flow of enquiries from a range of sectors. Implemented and ongoing organisational reinforcements, with the focus on productivity and efficiency, are expected to have a positive impact on profitability.

For LK Precision and Resinit, the starting position is slightly more favourable than last year, although both companies are expecting the placing of orders to remain extremely uneven. LK Precision is in the process of starting up a number of new customer projects that are displaying good potential. The focus is initially on the marketing efforts, and the company is continuing to work towards selecting industries and customer assignments that match its own organisation optimally. Resinit will be working with strategic organisational changes in order to meet future requirements regarding the business's technical content. This includes quality work in line with new standards in order for the deliveries to satisfy the customers' conditions, primarily within medical technology. Other areas of focus include continued automation and identifying new areas of application for the company's technical capacity.



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.

Kuggteknik works with cutting machining and manufactures geared products made of metal. The business specialises in small gears and transmission products, primarily industrial tools, in recurring series for demanding customers. The production includes both prototypes and volume manufacture with narrow tolerances. The company's customers are mainly found within the fields of tool and machine manufacture, medical technology, packaging solutions and defence.

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 leading edge technology in the field of cutting machining means 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 industries.

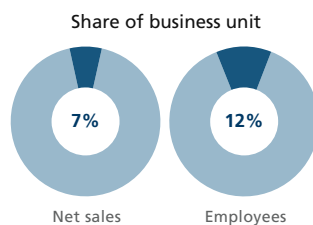
Resinit's speciality is difficult-to-handle plastic materials with high demands regarding quality and delivery reliability. The company offers all-inclusive solutions where mechanical processing is supplemented with associated services, primarily assembly, and mainly targets international players within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

KUGGTEKNIK

Leksand

Net sales	SEK m	24
Growth	%	-13.9
Employees	average	24

(Pro forma)

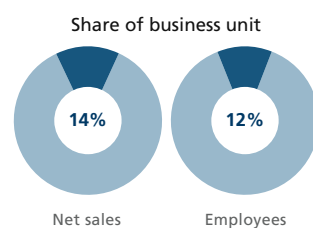


Conical gears and bevel gears in small dimensions.

KUNGSÖRS MEKANISKA (KMV)

Kungsör

Net sales	SEK m	44
Growth	%	-6.9
Employees	average	23

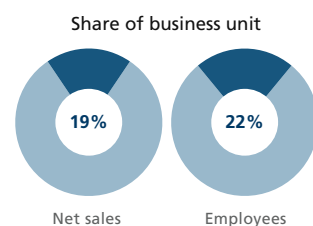


Test cylinder made of titanium for extraction of crude oil.

LK PRECISION

Skogås

Net sales	SEK m	62
Growth	%	-4.6
Employees	average	43

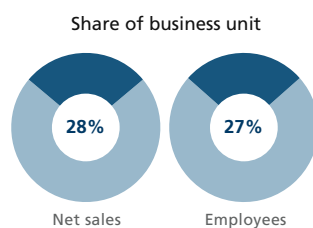


Camera housing for 3D scanner, milled from a single piece of aluminium.

MIKROVERKTYG

Södertälje / Valskog

Net sales	SEK m	90
Growth	%	+14.8
Employees	average	52

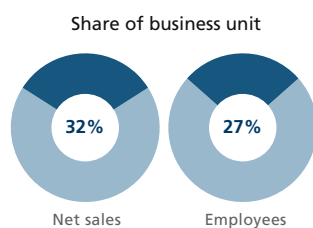


Gears for double-clutch gearbox for the automotive industry.

RESINIT

Västervik

Net sales	SEK m	104
Growth	%	+0.6
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.

2019 IN BRIEF

The growth in sales within the Industrial Products business unit amounted to almost 5% and operating profit was strengthened by 17%. On the marketing side, the trend remained good, above all within the infrastructure area, where several long-term cooperation agreements were entered into. Sales to furniture and fittings manufacturers also developed strongly, primarily on the export markets, whereas deliveries to the automotive sector decreased overall.

610

Net sales, SEK m

+4.6

Growth, %

75

Operating profit, SEK m

12.4

Operating margin, %

312

Employees, average

THE PAST YEAR

Cipax recorded stable growth during the year, although some restraint as regards incoming orders was noticed during the third and fourth quarters. The slowdown in the economy affected the company's Norwegian operation the most, with the result that this part of the business failed to match the previous year in terms of sales. The export share increased steadily during the year and the company's proprietary products, which account for half of sales, enjoyed a high rate of growth. Cipax launched several new products aimed at the industrial and infrastructure segments, with particularly strong expansion within the latter. The majority of customer-specific manufacture was made up of deliveries to the heavy vehicle sector.

For Blowtech, the trade war between the USA and China had a positive impact on operations, as several customers with production operations in China moved parts of these operations to other countries, such as Sweden, in order to avoid export problems. On the other hand, other external factors led to a decline in the heavy vehicle segment, which had a direct adverse effect on the

company's operations. Within infrastructure and other industry segments, Blowtech retained a stable position during the year, and there was a slight upturn for production linked to cars.

Ackurat once again recorded strong growth and good profitability. On the prioritised export markets in the UK and Italy, the company's volumes increased significantly during 2019. With expansions of 50 and just over 25 per cent respectively, the company strengthened its positions in both countries. Developments on the Nordic market remained stable, with Finland and Denmark distinguishing themselves. The Baltic market also reported good growth following many years of cultivation and activities aimed at strengthening Ackurat's profile as a secure business partner.

PRIORITISED INVESTMENTS

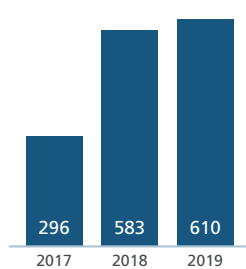
Cipax extended its range within industry and infrastructure during 2019, as well as supplementing its offering with specially manufactured tanks and more accessories. The infrastructure segment increased by around 60 per cent, making it the segment that has

grown most during the year. The recycling company Nordic Plastic Recycling is run in collaboration with four Norwegian players. This constellation will drive the development of recycled plastic raw materials, enabling them to reach the same high level of quality as virgin raw materials. The aim is to achieve circularity for plastic materials. Cipax has also decided to introduce bioplastic products to its offering, as tests show that the mechanical properties of bioplastic are fully comparable with those of fossil-based materials. The company has also invested in automation, robotisation and more energy-efficient machinery in its own production processes.

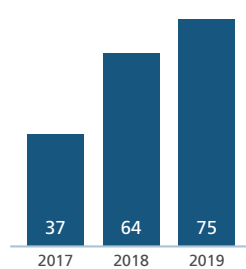
Ackurat's cultivation of the Baltic region over many years, including with its own personnel on site, started to produce positive results during the year. Generally speaking, external factors have also had a favourable impact on operations, for example with increased exports of furniture from Europe to Asia meaning that the company's order situation has been strengthened.



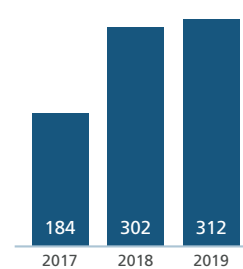
NET SALES (SEK M)



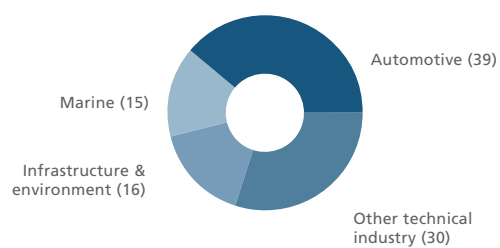
OPERATING PROFIT (SEK M)



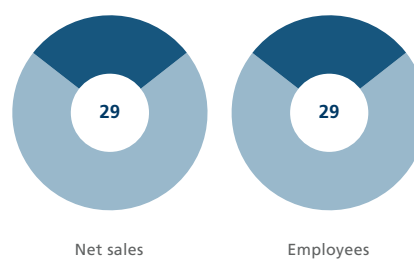
EMPLOYEES (AVERAGE)



SECTOR BREAKDOWN (%)



SHARE OF GROUP (%)





In order to meet the strong demand, Ackurat has invested in a number of new machines to improve the efficiency of its own production. The company is also working in a focused manner to increase the proportion of recycled plastic raw materials in its products, although it has been challenging to find the high material quality that is ideally required. Regranulate is currently in short supply, which is why Ackurat has e.g. begun using materials recycled from plastic collected from the sea.

Blowtech has invested in an entirely new production department for the production of lightweight products. As part of this sustainability initiative, the company has also reinforced the organisation within the Swedish unit. A collaboration has been launched with a global forklift truck manufacturer during the year, entailing a breakthrough on

a new market. Blowtech has also expanded its range of services with manufacturing in a conductive material.

INHOUSE-DEVELOPED PRODUCTS

Cipax launched a number of new products for the industrial and infrastructure segments during 2019, for example within water treatment, water collection and pump systems. The new products were introduced onto the market with good results and have contributed to a number of new agreements being entered into, including with players within HVAC services. Cipax has also launched a new boat model, the Pioneer 15 Allround. This was presented at the end of the year and has been very well received.

Ackurat launched around ten new products to the furniture and fittings sector

in 2019. Through close collaboration with customers and selected designers, the company ensures that its offering and its product development are in line with the market's needs and expectations. Ackurat also performs customer-specific manufacturing, although its standard products dominate.

During the year, Blowtech has launched a process for the manufacture of lightweight products in blow-moulded, recyclable plastic. This new processing method makes it possible to produce components with reduced weight as well as both higher sound absorption capacity and better insulation properties than previously. These unique qualities have attracted considerable interest, principally from vehicle manufacturers.



OUTLOOK FOR 2020

The companies in the Industrial Products business unit have enjoyed consistently stable development compared to the previous year, and are starting the new year very hopeful of profitable growth. One thing that the companies in the business unit have in common is that they are continuing to work on adaptation in accordance with Industri 4.0, the employer branding initiative and staff skills development, as well as targeted sustainability work.

Ackurat is continuing to work to increase the share of recycled plastic raw materials in its products without the risk of any loss of quality. The company will also be an active player in the development of new, sustainable materials, in order to extend its offering to its customers as well as strengthen its position on the market. Ackurat will be implementing an organisational change within marketing and sales during the year, with the aim of streamlining the cultivation of both existing and potential customers. At the same time, this will contribute to the optimal usage of the operation's resources.

For Blowtech, developments in respect of the lightweight process are continuing, with marketing and sales to various industrial segments being intensified during the year. In addition, the company is planning to strengthen its resources in the form of a large blow-moulding machine, with the aim of creating new business opportunities in respect of vehicle manufacturers. This relates to the sector's demands for the larger tanks that are required in order for heavy goods vehicles to be able to reduce their emissions.

Sustainable business is vital to Cipax, with the company focusing on profitable growth centred on customer benefits, a broader range of environmentally sustainable products and development opportunities within Industry 4.0. Cipax is starting the year with many interesting customer enquiries, and has recently entered into agreements with players in areas such as HVAC services and infrastructure. Within the heavy vehicle segment, the company is anticipating relatively low volumes during the year. The decline in relation to customer-specific assignments is expected to be compensated by increased sales of proprietary products.



ACTIVITIES AND MARKETS

Ackurat 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 recyclable plastic materials that have a low impact on the environment. 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

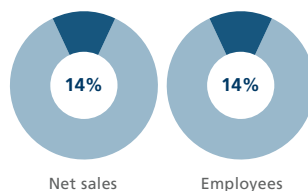
medium series due to low tool costs and flexible production. The flexibility in product design facilitates the manufacture of complex items. Examples of customer-specific products include various tanks, pipes and casings with considerable breadth in respect of working temperatures and chemical resistance. In addition to 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	87
Growth	%	+9.4
Employees	average	43

Share of business unit



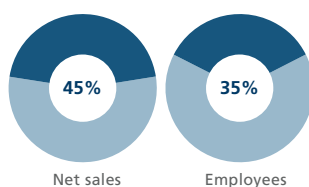
Tool insert suitable for small plastic components in short production runs.

BLOWTECH

Gnosjö / Kongsvinger

Net sales	SEK m	276
Growth	%	+2.0
Employees	average	110

Share of business unit

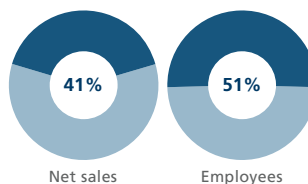


Machining cell for steering servo container made of polyamide.

CIPAXBjörkelangen / Helsinki /
Skebobruk / Taebila

Net sales	SEK m	249
Growth	%	+6.8
Employees	average	159

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 2019 financial year.

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

OPERATIONS

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

REVENUE AND PROFIT

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

SHARE DATA AND KEY FIGURES

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

IMPORTANT EVENTS DURING THE YEAR

Following a decision at the Annual General Meeting, a 2:1 split of the Parent Company's shares was conducted in June.

On 1 July, AB Kuggteknik in Leksand, Sweden, was acquired. Kuggteknik works with cutting machining and has specialist expertise regarding the manufacturing of toothed products in metal. The business possesses resources for production of both prototypes and large volumes to exacting tolerances. Its customers are found primarily within the tool and machinery manufacturing, medical technology, packaging industry and defence sectors. The company has 25 employees and annual sales totalling approx. SEK 30 million. Kuggteknik is a part of XANO's Precision Technology business unit and supplements existing operations at Mikroverktyg. The acquisition has brought additional technical expertise as well as access to new market segments. Kuggteknik is included in the consolidated results from 1 July 2019.

In November, a new credit agreement was entered into with the Group's main bank. The agreement runs for three years, with the option of extending for a further one plus one years.

EVENTS AFTER THE END OF THE YEAR

The outbreak of the COVID-19 coronavirus has only had a limited impact on the Group so far. As a result of official decisions, our Chinese unit has been kept closed for a few additional days in connection with the Chinese New Year holiday. The unit has been back in operation since 11 February, initially with a limited workforce. Other companies have not experienced any major disruptions in respect of incoming or outgoing deliveries. We are monitoring developments carefully and are taking the necessary steps to limit negative effects. Bearing in mind the great many variables that exist, it is not currently possible to assess the extent of any indirect impact from the spread of the virus.

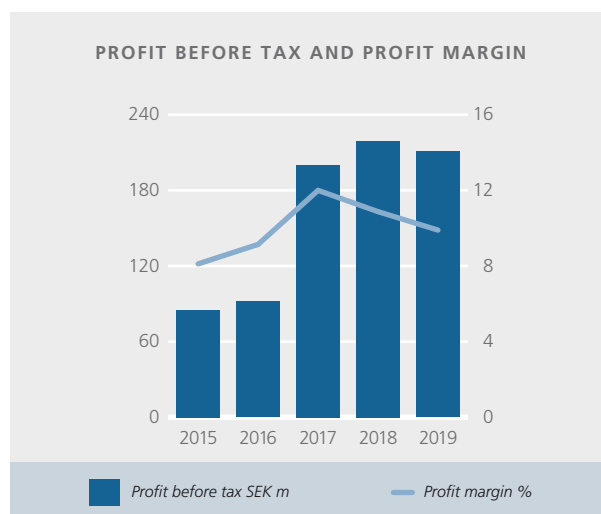
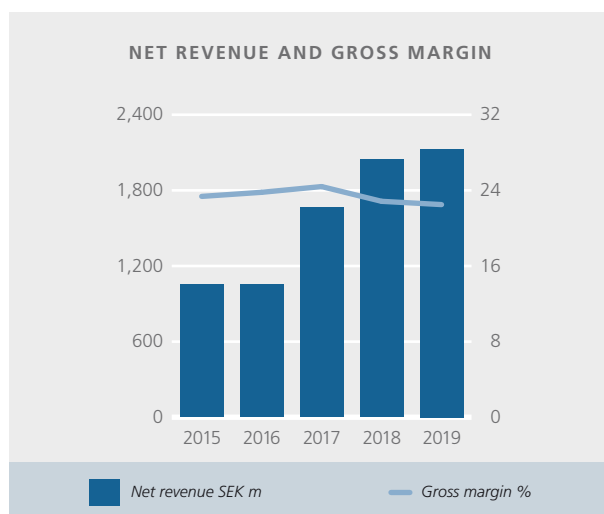
ACTIVITIES AND ORGANISATION

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 2019, 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 Kuggteknik, 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.

THE GROUP'S DEVELOPMENT DURING THE YEAR

The Group's operations began the year in a positive manner, generally reporting both higher revenue and stronger profitability in relation to the first quarter of last year. The market situation remained stable, while demand remained at a generally high level.

The Group companies once again reported strong figures, and excellent results for both the second quarter and the whole of the first half-year were achieved. The market conditions remained generally good, with incoming orders at a stable, satisfactory level.

Weaker earnings reported by some of our companies with project-based operations within Industrial Solutions during the third quarter, led to a weakened profit margin in relation to the comparison period. The market conditions shifted within affected sectors, with incoming orders generally being more cautious than during the first half-year. Kuggteknik in Leksand was acquired as a supplement to Mikroverktyg.

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

For the whole year, sales growth amounted to 4 per cent, of which 3 per cent was organic. Compared to last year's peak, operating profit declined by almost 3 per cent, calculated in Swedish kronor, while the operating margin fell from 11.6 to 10.8 per cent. The profit margin stood at 9.9 per cent (10.7), which means that the Group's stated goal of 8 per cent was clearly surpassed, and the financial position was further strengthened.

INDUSTRIAL PRODUCTS

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

INDUSTRIAL SOLUTIONS

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

PRECISION TECHNOLOGY

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

FUTURE DEVELOPMENT

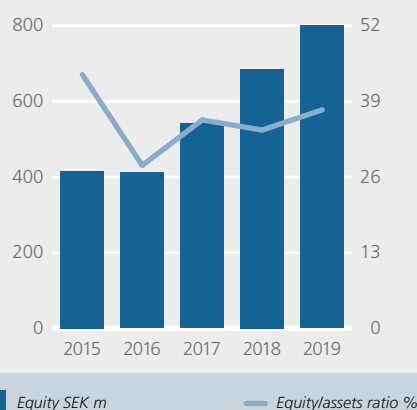
The uncertainty that characterised the market conditions prior to the end of the year was alleviated slightly during the past quarter, but is still expected to persist for a while. At the same time, we consider that the negative trend of constantly deferred decisions in respect of automation projects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

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

EARNINGS PER SHARE AND DIRECT YIELD
(GROUP AS A WHOLE)



EQUITY AND EQUITY/ASSETS RATIO
(GROUP AS A WHOLE)



INVESTMENTS

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

CASH FLOW AND LIQUIDITY

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

Liquid assets, including lines of credit granted but not utilised, stood at SEK 510 million (260) on the closing day.

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 762 million (785) on the closing day. 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, at the same time as the Annual Report.

ENVIRONMENTAL IMPACT

The Group is engaged in activities with a reporting obligation in six 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 the Group's environmental activities can be found in the 2019 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 closing day, the total number of shares is 28,186,980, divided between 7,288,800 class A shares and 20,898,180 class B shares. Class A shares give entitlement to ten votes, while class B shares give entitlement to one vote. As of the closing day, the company holds 292,444 class B shares in own custody.

As of the closing day, 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 57.8 per cent of the votes and 28.7 per cent of the capital. Pomona-gruppen AB holds 29.7 per cent of the votes and 29.9 per cent of the capital.

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 2:1 share splits in 2017 and 2019 respectively, the conversion rate has been recalculated in accordance with section 8B of the terms and conditions. The recalculated conversion rate is SEK 54.50. During the period 1 June to 12 June 2020, each convertible may be converted to one class B share in XANO Industri AB. If all convertibles are converted to shares, the dilution will be approx. 4 per cent of the share capital and 1.2 per cent of the number of votes based on the total number of shares on the closing day.

WORK OF THE BOARD OF DIRECTORS

The 2019 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 2019 financial year, the Board of Directors held six 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 2019 AGM consisting of Ulf Hedlundh (chairman), Anders Rudgård and Anna Benjamnin. The task of the committee prior to the 2020 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and to propose fees for the Board, committees and auditor. The nomination committee has held three meetings prior to its proposal to the 2020 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.

FIVE-YEAR OVERVIEW

	2019	2018	2017	2016	2015
INCOME STATEMENT, SEK M					
Net revenue	2,128	2,044	1,663	1,052	1,052
Cost of goods sold	-1,658	-1,585	-1,259	-804	-809
Gross profit	470	459	404	248	243
Selling expenses	-158	-145	-115	-100	-101
Administrative expenses	-85	-83	-68	-53	-48
Other operating income/expenses	2	5	-1	1	2
Operating profit	229	236	220	96	96
Financial income	9	8	4	11	5
Financial expenses	-27	-25	-24	-15	-16
Profit before tax	211	219	200	92	85
Tax	-48	-48	-42	-22	-19
Profit from continuing operations	163	171	158	70	66
Profit from discontinued/spin-off operations	–	–	–	–	12
Net profit for the year	163	171	158	70	78
FINANCIAL POSITION 31 DECEMBER, SEK M					
Non-current assets	1,262	1,131	905	910	543
Current assets	819	863	615	599	376
Equity	800	686	541	412	416
Non-current liabilities	690	587	501	512	175
Current liabilities	591	721	478	585	328
Balance sheet total	2,081	1,994	1,520	1,509	919
CASH FLOW, SEK M					
Cash flow from operating activities	307	150	117	128	158
Cash flow from investing activities	-108	-243	-42	-319	-58
Cash flow after investments	199	-93	75	-191	100
Cash flow from financing activities	-188	109	-189	315	-91
Cash flow for the year	11	16	-114	124	9
KEY RATIOS					
Operating margin, %	10.8	11.6	13.2	9.1	9.1
Profit margin, %	9.9	10.7	12.0	8.7	8.0
Return on equity, % ¹⁾	21.8	27.6	33.6	17.1	20.0
Return on capital employed % ¹⁾	15.4	17.9	20.7	13.6	15.9
Return on total capital, % ¹⁾	11.4	13.0	14.8	10.1	12.1
Interest coverage ratio, multiple ¹⁾	8.8	9.9	9.3	7.1	6.8
Average equity, SEK m ¹⁾	750	620	470	407	389
Average capital employed, SEK m ¹⁾	1,549	1,363	1,083	786	715
Average total capital, SEK m ¹⁾	2,084	1,876	1,512	1,063	940
Equity/assets ratio, % ¹⁾	38	34	36	27	45
Proportion of risk-bearing capital, % ¹⁾	43	39	40	31	48
Basic earnings per share, SEK ^{2, 3)}	5.85	6.13	5.72	2.55	2.41
Basic earnings per share (Group as a whole), SEK ^{1, 2, 3)}	5.85	6.13	5.72	2.55	2.87
Costs related to convertible bonds, SEK m	2	2	2	2	1
Equity per share, SEK ^{1, 3)}	28.68	24.58	19.59	14.90	15.34
Cash flow from operating activities per share, SEK ^{1, 3)}	11.02	5.37	4.26	4.66	5.84
Proposed dividend per share, SEK ³⁾	2.00	2.00	2.00	1.12	1.12
MISCELLANEOUS					
Scheduled depreciation, SEK m	84	64	52	47	48
Interest-bearing liabilities, SEK m ¹⁾	762	785	535	690	259
Deferred tax liability, SEK m ¹⁾	96	91	71	52	28
Net investments excl. corporate transactions, SEK m	113	77	46	45	36
Average number of employees	1,085	1,015	807	666	660

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

²⁾ Based on net profit for the year.

³⁾ The comparison figures have been recalculated due to the 2.1 share splits carried out in 2017 and 2019.

⁴⁾ Attributable to discontinued/spin-off operations.

For definitions and information on key figures, see pages 79-80. For details on the number of shares, see page 12.

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.

AUTHORISATION FOR REPURCHASE OF OWN SHARES

After the 2:1 share split in June 2019, the number of shares in the company's custody amounts to 292,444 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.

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 2019 AGM 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.

To the 2020 AGM, the Board proposes that the above guidelines remain unchanged. According to new legal requirements, the guidelines must explain how they are contributing to the company's business strategy, long-term interests and sustainability. The Board of Directors' full proposals regarding decisions are set out in the notice to the Annual General Meeting.

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	92,330,625
Net profit for the year	87,963,272
Total	192,823,063

THE BOARD OF DIRECTORS AND THE CEO PROPOSE THAT THE SURPLUS BE DISTRIBUTED AS FOLLOWS:	(SEK)
Payment of a cash dividend of SEK 2.00 per share to shareholders (27,894,536 shares ¹⁾)	55,789,072
To be carried forward	137,033,991
Total	192,823,063

¹⁾ After deduction for the company's own holding, the number of outstanding shares is 27,894,536.

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	2019	2018
Net revenue	3, 4	2,128,023	2,043,932
Cost of goods sold	6, 7, 8	-1,657,896	-1,584,508
Gross profit		470,127	459,424
Selling expenses	6, 7, 8	-158,212	-145,518
Administrative expenses	6, 7, 8, 9	-84,811	-82,892
Other operating income	10	14,115	18,843
Other operating expenses	11	-11,728	-13,602
Profit/loss from participations in associated companies	17	-48	-30
Operating profit	3, 4, 5	229,443	236,225
Financial income	12	9,077	7,542
Financial expenses	13, 26	-27,084	-24,591
Profit before tax		211,436	219,176
Tax	14	-48,327	-48,056
NET PROFIT FOR THE YEAR		163,109	171,120
<i>– of which attributable to shareholders of the Parent Company</i>		<i>163,109</i>	<i>171,120</i>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to net profit for the year</i>			
Change in hedging reserve	24, 28	857	797
Tax relating to change in hedging reserve	24, 28	-183	-256
Translation differences	24	6,191	8,520
OTHER COMPREHENSIVE INCOME		6,865	9,061
COMPREHENSIVE INCOME FOR THE YEAR		169,974	180,181
<i>– of which attributable to shareholders of the Parent Company</i>		<i>169,974</i>	<i>180,181</i>
SHARE DATA			
Basic earnings per share	SEK 22, 23	5.85	6.13
Diluted earnings per share	SEK 22, 23	5.70	5.97

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

GROUP (SEK THOUSANDS)	NOTE	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>	15		
Goodwill		576,426	575,164
Other intangible non-current assets		32,361	31,842
Construction in progress and advance payments for intangible non-current assets		11,957	6,990
		620,744	613,996
<i>Property, plant and equipment</i>	16		
Land and buildings		320,353	299,970
Plant and machinery	32	126,504	161,452
Equipment, tools, fixtures and fittings		27,402	26,403
Construction in progress and advance payments for property, plant and equipment		29,007	26,726
Right-of-use assets	32	135,421	–
		638,687	514,551
<i>Other non-current assets</i>			
Participations in associated companies	17	1	47
Non-current receivables		1,640	1,134
Deferred tax asset	28	808	767
		2,449	1,948
Total non-current assets		1,261,880	1,130,495
Current assets			
<i>Inventories</i>	18	317,590	288,025
<i>Current receivables</i>			
Accounts receivable – trade and other current assets	4, 19, 20, 35	401,138	482,912
Prepaid expenses		17,745	21,893
		418,883	504,805
<i>Cash and cash equivalents</i>	20, 21	82,295	70,569
Total current assets		818,768	863,399
TOTAL ASSETS		2,080,648	1,993,894

Right-of-use assets include rights of use in finance and operating leases. During 2018 and in interim reports for 2019, right-of-use assets in finance leases have been reported as machinery and equipment.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

GROUP (SEK THOUSANDS)	NOTE	31/12/2019	31/12/2018
EQUITY AND LIABILITIES			
Equity			
Share capital	23	35,234	35,234
Other contributed capital		45,993	45,993
Reserves	24	24,974	18,109
Retained earnings		693,682	586,362
Total equity		799,883	685,698
<i>– of which attributable to shareholders of the Parent Company</i>		<i>799,883</i>	<i>685,698</i>
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	20, 26, 30, 32	586,827	491,804
Other non-current liabilities		4,218	–
Other provisions	27	3,495	4,367
Deferred tax liability	28	95,581	90,576
		690,121	586,747
Current liabilities			
Accounts payable – trade and other current liabilities	4, 20, 29	388,486	384,276
Provisions	27	4,024	5,631
Derivative instruments	20	12,869	15,127
Current interest-bearing liabilities	20, 25, 30, 32	175,237	293,193
Deferred income		–	22
Current tax liability		10,028	23,200
		590,644	721,449
Total liabilities		1,280,765	1,308,196
TOTAL EQUITY AND LIABILITIES		2,080,648	1,993,894

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP (SEK THOUSANDS)	NOTE	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Equity, 1 January 2018		35,234	25,993	9,048	471,031	541,306
Net profit for the year		–	–	–	171,120	171,120
Other comprehensive income		–	–	9,061	–	9,061
Comprehensive income for the year		–	–	9,061	171,120	180,181
Transfer of own shares in connection with business combinations		–	20,000	–	–	20,000
Dividend paid in cash		–	–	–	-55,789	-55,789
Total transactions with shareholders		–	20,000	–	-55,789	-35,789
Equity, 31 December 2018	23, 24	35,234	45,993	18,109	586,362	685,698
Net profit for the year		–	–	–	163,109	163,109
Other comprehensive income		–	–	6,865	–	6,865
Comprehensive income for the year		–	–	6,865	163,109	169,974
Dividend paid in cash		–	–	–	-55,789	-55,789
Total transactions with shareholders		–	–	–	-55,789	-55,789
EQUITY, 31 DECEMBER 2019	23, 24	35,234	45,993	24,974	693,682	799,883
<i>– of which attributable to shareholders of the Parent Company</i>		<i>35,234</i>	<i>45,993</i>	<i>24,974</i>	<i>693,682</i>	<i>799,883</i>

CONSOLIDATED CASH FLOW STATEMENTS

GROUP (SEK THOUSANDS)	NOTE	2019	2018
OPERATING ACTIVITIES			
Operating profit		229,443	236,225
<i>Adjustments for non-cash items etc.</i>			
Depreciation and amortisation		83,864	64,281
Capital gain from sale of non-current assets		-246	-874
Revaluation/write-down of inventories		-2,214	4,124
Other		-254	2,715
Interest paid/received, net value	33	-17,712	-15,914
Income tax paid		-62,364	-27,052
Cash flow from operating activities before changes in working capital		230,517	263,505
Changes in working capital			
Increase (-) / decrease (+) in inventories		-18,001	-20,149
Increase (-) / decrease (+) in current receivables		109,588	-74,256
Increase (+) / decrease (-) in current liabilities		-9,869	-20,631
Increase (+) / decrease (-) in other provisions		-4,574	1,189
Cash flow from operating activities		307,661	149,658
INVESTING ACTIVITIES			
Purchase of intangible non-current assets		-11,558	-6,919
Purchase of property, plant and equipment		-89,006	-75,875
Sale of property, plant and equipment		421	1,584
Acquisition of shares in associated companies		-	-61
Indirect investments through acquisition of subsidiaries/assets and liabilities	33, 34	-8,166	-162,001
Increase (+) / decrease (-) in other non-current receivables		-95	369
Cash flow from investing activities		-108,404	-242,903
FINANCING ACTIVITIES			
Dividend paid		-55,789	-55,789
Borrowings		309,765	158,968
Repayment of debt and lease liabilities		-319,872	-154,026
Change in other non-current liabilities		4,218	-
Change in bank overdraft facilities		-127,100	160,317
Cash flow from financing activities		-188,778	109,470
CASH FLOW FOR THE YEAR		10,479	16,225
Cash and cash equivalents at the beginning of the year		70,569	53,146
Exchange rate differences in cash and cash equivalents		1,247	1,198
Cash and cash equivalents at the end of the year	21	82,295	70,569

NOTES, GROUP

■ 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 2019 inclusive. With the exception of IFRS 16 Leases, which is described below, these new items have not had any significant impact on the Group's accounts.

The new or revised standards with application from 2020 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 16 LEASES

IFRS 16 Leases is applied from 2019. According to the new standard, most leased assets will be recognised in the balance sheet. For XANO, this means that rights of use for operational leases, for example in respect of premises and cars, are recognised as fixed assets, and that corresponding undertakings are recognised as interest-bearing liabilities. At the same time, the depreciation of rights of use and interest expenses for lease liabilities are recognised in the income statement instead of rental costs. The Group has adopted the new standard using the modified retroactive approach, which means that the comparison year has not been restated and that the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to opening balances at the date of initial application. The simplification rule, whereby the right-of-use asset corresponds to the lease liability adjusted by the amount of any prepaid lease payments, was applied at the time of the transition. In addition, the exemptions to not reporting short-term leases and assets of a low value are applied. The value of additional right-of-use assets and lease liabilities was SEK 86 million as at 1 January 2019, and the equity/assets ratio thereby decreased by approximately 1.5 percentage points. An average incremental borrowing rate of 3 per cent has been applied when calculating the lease liability. Regarding reconciliation of lease liabilities and effects on reported performance indicators, please refer to the description in Note 32. The application has not had 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 closing day, 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 closing day.
- (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 prices are mainly made up of fixed prices.

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 income at the most likely value.

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. Preliminary estimates are used initially to assess income and expenditure. When a more accurate forecast can be determined, the forecast values are used instead to assess profit. 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 anticipated 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 entitlement to payment 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.

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

RIGHT-OF-USE ASSETS

The right-of-use assets in lease contracts are initially recognised at the value of the lease liabilities, adjusted for any prepaid lease payments. See also the Leasing paragraph.

Amortisation is included in the costs for each function. Amortisation is calculated systematically over the expected utilisation period or, if it is shorter, the contract period as per the list below.

Premises	2–12 years
Machinery and equipment	2–10 years

CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Group has supplied the product/service to a customer, or fulfilled a commitment, 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.

Impairment testing is performed continually for contract assets. Testing takes place individually and takes factors such as the customer's financial difficulties into account. In addition, an assessment is conducted for each segment, during which anticipated credit losses are assessed primarily from a historical perspective. Impairment testing for losses for the year has not entailed any reserve, as these are not deemed to amount to a significant sum.

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 closing day, 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 closing day, a financial asset is reported as a non-current asset. Financial liabilities which are expected to be settled more than 12 months after the closing day 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 closing day rate. Translation differences for operating receivables and liabilities are reported under operating profit, while translation differences attributable to liquid assets, 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 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. Leases mean that the right of use for the object in question is reported as a right-of-use asset. At the same time, the corresponding commitments are reported as interest-bearing liabilities. Assets and liabilities are valued at the start of the lease period at the current value of agreed lease payments, discounted using the lessee's incremental borrowing rate. Lease payments that are included in the calculation cover e.g. fixed payments, variable lease payments that are dependent on an index or a price initially valued with the aid of an index, amounts that are expected to be paid out according to residual value guarantees, redemption prices for options to buy, etc. An option to extend a lease or an option to buy is taken into account in the calculation, if the lessee is reasonably sure of utilising such an opportunity. In subsequent periods, the asset is reported at cost less depreciation and impairment, and the liability is revalued to reflect the effect of interest and lease payments. Depreciation for the non-current asset/right-of-use asset and interest expenses for the lease liability are reported in the income statement.

The Group assesses whether a contract is or contains a lease at the start of the agreement. The Group reports all leases in which the Group is the lessee, apart from short-term leases (leases with a lease term of less than 12 months) as well as leases where the underlying asset is of a low value. For leases that satisfy the requirements for the relief

rules (short-term agreements and assets of a low value), lease payments are reported as an operating expense on a straight-line basis over the term of the lease. Variable lease payments that are not dependent on an index or a price are not included in the valuation. Such lease payments are reported as a cost in the operating profit in the period in which they arise.

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 closing day 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 373 million (334). 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 577 million (575). 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 other provisions, the amounts that are expected to be paid out are reserved. The Group's reported other non-current provisions amount to SEK 3.5 million (4.4) and other current provision amount to SEK 4.0 million (5.6). 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 (0.8). 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 2019, the Group's reported liabilities with regard to derivative instruments amount to SEK 12.9 million (15.1). See also Note 20.

OPERATING LEASE CONTRACTS

The application of IFRS Leases requires a high degree of assessment when determining the value of the right-of-use assets and the lease liabilities, for example in order to assess the lease term and discount rate. The Group's right-of-use assets relating to operating leases amount to SEK 88 million. See also Note 32.

■ 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. 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.

BREAKDOWN OF REVENUE	INDUSTRIAL PRODUCTS		INDUSTRIAL SOLUTIONS		PRECISION TECHNOLOGY		ELIMINATIONS		GROUP TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Geographic markets ¹⁾										
Sweden	182,392	173,567	388,626	424,689	254,211	243,884	-5,986	-5,601	819,243	836,539
Rest of the Nordic countries	134,764	125,893	70,655	67,478	5,122	3,042	-52	-	210,489	196,413
Rest of Europe	286,312	278,175	506,020	493,842	22,200	15,696	-	-	814,532	787,713
Rest of the world	6,344	5,364	248,611	186,442	28,824	31,461	-20	-	283,759	223,267
Total	609,812	582,999	1,213,912	1,172,451	310,357	294,083	-6,058	-5,601	2,128,023	2,043,932
Type of product										
Proprietary products	164,211	149,197	739,816	719,424	2,988	2,963	-92	-162	906,923	871,422
Customer-specific manufacturing	445,601	433,802	474,096	453,027	307,369	291,120	-5,966	-5,439	1,221,100	1,172,510
Total	609,812	582,999	1,213,912	1,172,451	310,357	294,083	-6,058	-5,601	2,128,023	2,043,932
Timing of revenue recognition										
Goods/services transferred at a point in time	609,812	582,999	584,027	553,535	310,357	294,083	-6,058	-5,601	1,498,138	1,425,016
Services transferred over time	-	-	12,520	12,540	-	-	-	-	12,520	12,540
Projects transferred over time	-	-	617,365	606,376	-	-	-	-	617,365	606,376
Total	609,812	582,999	1,213,912	1,172,451	310,357	294,083	-6,058	-5,601	2,128,023	2,043,932

¹⁾ 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 255 million (239), mainly reported through the Industrial Solutions segment.

PROFIT/LOSS ITEMS BY SEGMENT	2019			2018		
	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	68,863	-39,708	29,155	59,184	-24,731	34,453
Industrial Solutions	123,050	-45,260	77,790	139,380 ¹⁾	-66,152	73,228
Precision Technology	47,703	-42,282	5,421	50,074	-46,924	3,150
Undistributed items	-28,180	127,250	99,070	-29,462	137,807	108,345
Group total	211,436	0	211,436	219,176	0	219,176

¹⁾ Including non-recurring items totalling SEK 3,000 thousand attributable to the reversal of anticipated bad debt losses.

PROFIT/LOSS ITEMS BY SEGMENT	2019				2018			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Products	259	-6,974	-6,884	-26,773	183	-5,895	-8,511	-21,013
Industrial Solutions	3,279	-11,455	-18,609	-36,492	460	-7,940	-14,829	-25,316
Precision Technology	56	-2,687	-1,304	-19,868	58	-2,115	-564	-17,367
Undistributed items	-238	-2,160	-21,530	-731	-305	-2,548	-24,152	-585
Group total	3,356	-23,276	-48,327	-83,864	396	-18,498	-48,056	-64,281

ASSETS AND LIABILITIES BY SEGMENT	2019				2018			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Products	583,788 ¹⁾	92,995	29,476	23,790	534,841 ¹⁾	98,925	182,180	22,646
Industrial Solutions	1,132,972 ²⁾	321,879	50,468	38,199	1,158,009 ²⁾	321,813	75,277	39,090
Precision Technology	357,593	58,237	41,112	13,025	308,601	52,462	23,362	11,111
Undistributed items	6,295 ³⁾	45,590	1,563	20,567	-7,557 ³⁾	49,999	2,494	17,729
Group total	2,080,648	518,701	122,619	95,581	1,993,894	523,199	283,313	90,576

¹⁾ Including deferred tax assets totalling SEK 29 thousand (416).

²⁾ Including deferred tax assets totalling SEK 427 thousand (21).

³⁾ Including deferred tax assets totalling SEK 352 thousand (330).

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 2019, all segments have boosted their total operating assets, such as inventories and trade receivables.

ASSETS AND INVESTMENTS BY GEOGRAPHIC MARKET	2019		2018	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	597,574	82,566	551,683	209,146
Rest of the Nordic countries	484,240	16,174	443,784	37,741
Rest of Europe	163,877	21,234	123,379	35,630
Rest of the world	16,189	2,645	11,649	796
Group total	1,261,880	122,619	1,130,495	283,313

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	2019	2018
Contract assets for ongoing assignments	12,726	88,654
Accrued income	2,917	4,239
	15,643	92,893
CONTRACT LIABILITIES	2019	2018
Contract liabilities for ongoing assignments	100,096	78,790
Advance payment from customers	27,394	16,390
Deferred income	0	22
	127,490	95,202

The total assignment income that has been recognised as revenue amounts to SEK 617,365 thousand (606,376).

During the year, revenue has been recognised from performance obligations fulfilled in earlier periods at SEK 2,304 thousand (5,468).

FOR ONGOING ASSIGNMENTS	2019	2018
Income from deliveries recognised as revenue over time	372,700	333,542
Expenditure for deliveries recognised as expenses over time	-292,383	-274,943
Reported profit	80,317	58,599
Advance payments received	839,060	719,613
Contract assets	12,726	88,654
Contract liabilities	100,096	78,790

Unfulfilled performance obligations that are expected to be recognised as revenue later than within one year do not amount to significant figures. For details on impairment testing, see Note 35.

CONTRACT ASSETS AND CONTRACT LIABILITIES	Assets	Liabilities
Opening balance	92,893	95,202
Assets at the start of the year reclassified to accounts receivable or contract liabilities	-93,994	–
Liabilities at the start of the year recognised as income in 2019	–	-90,631
Additional assets/liabilities	15,352	122,041
Translation differences	1,392	878
Closing balance	15,643	127,490

■ NOTE 5 EMPLOYEES AND PERSONNEL COSTS

AVERAGE NO. OF EMPLOYEES	2019	of which men	2018	of which men
Sweden	530	83%	511	83%
Denmark	142	90%	135	90%
Netherlands	106	93%	80	92%
Norway	102	89%	103	89%
Estonia	100	88%	87	90%
China	91	81%	83	81%
Poland	9	44%	9	44%
Finland	4	75%	4	75%
USA	1	100%	3	67%
Group total	1,085	85%	1,015	85%

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2019	2018
<i>Parent Company</i>		
Board members	67%	67%
Senior executives	50%	50%
<i>Operating subsidiaries</i>		
Board members	74%	73%
Senior executives	79%	78%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2019	2018
Salaries and remuneration	493,407	457,851
Social security costs	144,752	133,786
(of which pension costs ^{1, 2, 3, 4)})	(44,285)	(38,869)
Group total	638,159	591,637

¹⁾ Of the Group's pension costs, SEK 5,907 thousand (5,487) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

²⁾ The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 10,121 thousand (8,700). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2019, Alecta's surplus in the form of the collective insurance level amounted to 148 per cent (142). The fee for the coming year is estimated to be on a par with that charged for 2019.

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

⁴⁾ Two of the Group's Swedish subsidiary companies have pension obligations secured through endowment insurance. The remaining balance was recognised as an asset and a pension liability, respectively, and amounts to SEK 678 thousand (183).

BREAKDOWN OF SALARIES AND OTHER REMUNERATION	2019		2018	
	Board and MD ¹⁾	Other employees	Board and MD ¹⁾	Other employees
Sweden (of which bonuses)	20,088 (1,891)	210,108	20,008 (2,839)	198,476
Denmark (of which bonuses)	3,597 (-)	116,990	6,987 ²⁾ (798)	103,807
Norway (of which bonuses)	1,182 (-)	52,378	1,137 (-)	49,860
Netherlands (of which bonuses)	1,017 (-)	49,918	964 (41)	43,253
Estonia (of which bonuses)	476 (-42)	16,615	482 (41)	13,190
China (of which bonuses)	1,796 (-)	15,084	1,780 (137)	13,074
Finland (of which bonuses)	- (-)	2,097	- (-)	2,000
Poland (of which bonuses)	- (-)	1,796	- (-)	1,668
USA (of which bonuses)	- (-)	265	591 (-)	574
Group total (of which bonuses)	28,156 (1,849)	465,251	31,949 (3,856)	425,902

¹⁾ Includes remuneration for board members, Group management and managing directors.

²⁾ In addition, the CEO 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 1,090 thousand should be distributed with SEK 290 thousand payable to the Chairman and SEK 160 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 ordinary member and SEK 50 thousand to the committee chairman. During 2019, SEK 150 thousand was carried as an expense for these tasks.

In 2019, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 6,069 thousand (5,999), of which SEK 1,200 thousand (1,800) constitutes variable remuneration. Other senior executives received salary, salary sacrifice excluded, totalling SEK 1,686 thousand (1,473). 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 (30) 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 for the CEO amounted to SEK 1,729 thousand (1,470). Pension costs including salary sacrifice for other senior executives amounted to SEK 474 thousand (501).

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

	2019	2018
Material costs	-895,623	-851,734
Personnel costs	-699,312	-664,547
Depreciation	-83,864	-64,281
Other external costs	-222,120	-232,356
	-1,900,909	-1,812,918

■ NOTE 7 PERSONNEL COSTS

PERSONNEL COSTS BY FUNCTION	2019	2018
Cost of goods sold	-542,729	-522,137
Selling expenses	-93,884	-81,950
Administrative expenses	-62,699	-60,460
	-699,312	-664,547

■ NOTE 8 DEPRECIATION

DEPRECIATION BY FUNCTION	2019	2018
Cost of goods sold	-73,481	-59,373
Selling expenses	-7,908	-4,183
Administrative expenses	-2,475	-725
	-83,864	-64,281

DEPRECIATION BY CLASS OF ASSET	2019	2018
Other intangible non-current assets	-6,110	-6,019
Land and buildings	-13,641	-12,541
Plant and machinery	-25,235	-36,099
Equipment, tools, fixtures and fittings	-9,404	-9,622
Right-of-use assets	-29,474	–
	-83,864	-64,281

■ NOTE 9 AUDITORS' REMUNERATION

	2019	2018
Ernst & Young		
Audit assignment	-1,527	-1,397
Audit activities other than audit assignment	19	-30
Tax consultancy services	-39	-26
Other services	-30	-22
	-1,577	-1,475
Other auditors		
Audit assignment	-507	-624
Audit activities other than audit assignment	-5	-28
Tax consultancy services	–	-21
Other services	-50	-2
	-562	-675
Total	-2,139	-2,150

"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

	2019	2018
Rental income	719	927
Exchange gains on operating receivables/liabilities	11,485	14,825
Other	1,911	3,091
	14,115	18,843

■ NOTE 11 OTHER OPERATING EXPENSES

	2019	2018
Cost of leased premises/personnel	-719	-927
Exchange losses on operating receivables/liabilities	-10,921	-11,264
Other	-88	-1,411
	-11,728	-13,602

■ NOTE 12 FINANCIAL INCOME

	2019	2018
Interest income	3,356	396
Exchange gains on financial assets/liabilities	5,721	7,146
	9,077	7,542

■ NOTE 13 FINANCIAL EXPENSES

	2019	2018
Interest expenses	-23,276	-18,498
Exchange losses on financial assets/liabilities	-3,808	-6,093
	-27,084	-24,591

■ NOTE 14 TAX ON PROFIT FOR THE YEAR

	2019	2018
Current tax	-41,558	-45,500
Deferred tax	-3,430	-2,556
Tax on dividends from non-Swedish subsidiaries	-3,339	–
	-48,327	-48,056

The difference between the Swedish income tax rate 21.4% (22) and the effective tax rate arises as follows:

	2019		2018	
Reported profit before tax	211,436		219,176	
Tax according to Swedish income tax rate	-45,247	21%	-48,219	22%
<i>Tax effect of</i>				
Consolidated amortisation of surplus values	-5	0%	-6	0%
Deviation in tax rate in non-Swedish subsidiaries	1,093	-0%	1,440	-1%
Transaction costs at business combinations	-36	0%	-230	0%
Altered corporation tax in Sweden	–	–	908	-0%
Dividends from non-Swedish subsidiaries	-3,590	2%	-2,055	1%
Adjustment of current tax in previous periods	-416	0%	–	–
Other tax-related adjustments	-126	0%	106	-0%
Reported tax	-48,327	23%	-48,056	22%

■ NOTE 15 INTANGIBLE NON-CURRENT ASSETS

GOODWILL	2019	2018
Accumulated acquisition values		
Opening balance	576,905	484,781
Acquisition of subsidiaries	560	91,488
Translation differences for the year	704	636
Closing balance	578,169	576,905
Accumulated amortisation		
Opening balance	-1,639	-1,633
Translation differences for the year	-2	-6
Closing balance	-1,641	-1,639
Accumulated impairment costs		
Opening balance	-102	-102
Closing balance	-102	-102
Closing residual value	576,426	575,164

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 2–7 per cent (3–6) for the forecast period and thereafter staying at 2 per cent (3). Assumed operating margins amount to 11–15 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.¹⁾ 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 rate²⁾ (WACC) of 10.5 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.

¹⁾ 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.

²⁾ 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	2019	2018
Industrial Products	100,446	99,746
Industrial Solutions	399,475	399,473
Precision Technology	76,505	75,945
	576,426	575,164

OTHER INTANGIBLE NON-CURRENT ASSETS	2019	2018	
Accumulated acquisition values			
Opening balance	64,415	57,239	
New acquisitions	3,557	2,039	
Acquisitions of subsidiaries	–	3,630	
Divestments and disposals	-6,289	–	
Reclassifications	3,099	1,336	
Translation differences for the year	130	171	
Closing balance	64,912	64,415	
Accumulated scheduled amortisation			
Opening balance	-32,573	-26,408	
Divestments and disposals	6,289	–	
Amortisation according to plan for the year	-6,110	-6,019	
Translation differences for the year	-157	-146	
Closing balance	-32,551	-32,573	
Closing residual value according to plan ¹⁾	32,361	31,842	
Remaining amortisation period, years			
^{1) of which}			
Capitalised expenditure for research and development	6	29,088	30,442
Patents	4	275	217
Other	3	2,998	1,183

CONSTRUCTION IN PROGRESS	2019	2018
Accumulated acquisition values		
Opening balance	6,990	3,368
New acquisitions/advance payments	8,147	5,319
Disposals	-146	-439
Reclassifications	-3,099	-1,162
Translation differences for the year	65	-96
Closing balance	11,957	6,990

■ NOTE 16 PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS	2019	2018
Accumulated acquisition values		
Opening balance	436,961	338,257
New acquisitions	5,464	8,682
Acquisitions of subsidiaries	6,002	57,020
Divestments and disposals	–	-485
Reclassifications	20,323	28,721
Translation differences for the year	2,767	4,766
Closing balance	471,517	436,961
Accumulated scheduled depreciation		
Opening balance	-136,991	-123,865
Divestments and disposals	–	360
Depreciation according to plan for the year	-13,641	-12,541
Translation differences for the year	-532	-945
Closing balance	-151,164	-136,991
Closing residual value according to plan ¹⁾	320,353	299,970
¹⁾ of which land	30,919	30,488

PLANT AND MACHINERY	2019	2018
Accumulated acquisition values		
Opening balance	540,049	486,275
New acquisitions	36,652	19,395
Acquisitions of subsidiaries	2,643	46,345
Divestments and disposals	-2,865	-24,171
Reclassifications	-104,988	7,337
Translation differences for the year	3,866	4,868
Closing balance	475,357	540,049
Accumulated scheduled depreciation		
Opening balance	-378,597	-357,851
Divestments and disposals	2,789	18,717
Reclassifications	55,343	31
Depreciation according to plan for the year	-25,235	-36,099
Translation differences for the year	-3,153	-3,395
Closing balance	-348,853	-378,597
Closing residual value according to plan	126,504	161,452

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2019	2018
Accumulated acquisition values		
Opening balance	121,390	106,005
New acquisitions	12,129	8,282
Acquisitions of subsidiaries	462	7,848
Divestments and disposals	-620	-2,493
Reclassifications	-2,628	393
Translation differences for the year	1,567	1,355
Closing balance	132,300	121,390
Accumulated scheduled depreciation		
Opening balance	-94,987	-86,123
Divestments and disposals	544	1,962
Reclassifications	302	-31
Depreciation according to plan for the year	-9,404	-9,622
Translation differences for the year	-1,353	-1,173
Closing balance	-104,898	-94,987
Closing residual value according to plan	27,402	26,403

CONSTRUCTION IN PROGRESS	2019	2018
Accumulated acquisition values		
Opening balance	26,726	22,875
Acquisitions of subsidiaries	–	298
New acquisitions/advance payments	34,738	39,516
Reclassifications	-32,440	-36,625
Translation differences for the year	-17	662
Closing balance	29,007	26,726

Additional contractual obligations to acquire property, plant and equipment amount to SEK 17,214 thousand (8,221).

RIGHT-OF-USE ASSETS	2019
Opening balance	0
Reclassifications	64,088
Effect of IFRS 16	85,782
Acquisitions and adjustments	19,274
Terminated contracts	-6,711
Amortisation	-29,474
Translation differences	2,462
Closing balance	135,421

■ NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

	2019	2018
Accumulated acquisition values		
Opening balance	287	16
Acquisitions/capital contribution for the year	–	312
Profit participation for the year	-48	-30
Translation differences for the year	10	-11
Closing balance	249	287
Accumulated write-downs		
Opening balance	-240	–
Write-down for the year	–	-250
Translation differences for the year	-8	10
Closing balance	-248	-240
Carrying amount	1	47

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 Ådalsnes, Norway	24%	24%	2,326	1,000 ¹⁾	– ¹⁾

¹⁾ The amounts are preliminary, as the final accounts for 2019 have not yet been adopted.

■ NOTE 18 INVENTORIES

	2019	2018
Raw material and consumables	137,496	124,146
Work in process	82,114	70,796
Finished products and goods for resale	91,334	87,748
Advance payments to suppliers	6,646	5,335
Closing balance	317,590	288,025

Write-downs totalling SEK 1,966 thousand (4,124) have been made. Total expenditure for goods reported as costs amounts to SEK 895,623 thousand (851,734).

■ NOTE 19 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2019	2018
Accounts receivable	359,905	359,355
Tax asset	8,172	1,316
Other receivables	17,408	29,348
Accrued income ¹⁾	2,927	4,239
Contract assets	12,726	88,654
Closing balance	401,138	482,912

■ 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 ¹⁾
2019							
Financial assets							
Accounts receivable ²⁾	–	359,905				359,905	359,905
Cash and cash equivalents	–	82,295				82,295	82,295
Total financial assets	–	442,200				442,200	
Financial liabilities							
Borrowings			–	–	512,612	512,612	512,612
Lease liabilities ³⁾			–	–	119,593	119,593	
Convertible loan			–	–	61,529	61,529	62,130
Bank overdraft facilities			–	–	68,330	68,330	68,330
Total interest-bearing liabilities			–	–	762,064	762,064	
Accounts payable			–	–	126,849	126,849	126,849
Derivative instruments ^{4, 5)}			– ⁴⁾	12,869 ⁵⁾	–	12,869	12,869
Total financial liabilities				12,869	888,913	901,782	

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 ¹⁾
2018							
Financial assets							
Accounts receivable ²⁾	–	359,355				359,355	359,355
Cash and cash equivalents	–	70,569				70,569	70,569
Total financial assets	–	429,924				429,924	
Financial liabilities							
Borrowings			–	–	485,570	485,570	485,570
Lease liabilities ³⁾			–	–	50,240	50,240	
Convertible loan			–	–	60,319	60,319	62,130
Bank overdraft facilities			–	–	188,868	188,868	188,868
Total interest-bearing liabilities			–	–	784,997	784,997	
Accounts payable			–	–	161,836	161,836	161,836
Derivative instruments ^{4, 5)}			1,359 ⁴⁾	13,769 ⁵⁾	–	15,128	15,128
Total financial liabilities			1,359	13,769	946,833	961,961	

¹⁾ 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.

²⁾ Losses reported on accounts receivable for the year amount to SEK -151 thousand (982), of which SEK 56 thousand (132) constitutes realised losses. The reversal of anticipated bad debt losses has been reported in net profit for the year at the amount of SEK 366 thousand (3,000). Required write-downs of outstanding receivables amounts to SEK 2,493 thousand (2,656), see also Note 35.

³⁾ For details on financial and operational lease contracts, see Note 32.

⁴⁾ 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 (-1,359) excluding tax. The item is not effectively hedged and is reported as financial expenses in the profit and loss statement.

⁵⁾ 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 857 thousand (797) 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	2019	2018
Opening balance	2,656	5,269
Provision for anticipated bad debt losses	159	337
Reversal of anticipated bad debt losses	-366	-3,000
Translation differences for the year	44	50
Closing balance	2,493	2,656

Impairment has been assessed on the basis of a historical perspective at 0.1% of total revenue, see also Note 35.

AGE ANALYSIS

FINANCIAL ASSETS AS OF 31/12/2019	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable ¹⁾	248,573	78,083	33,249	359,905
Cash and cash equivalents	82,295	–	–	82,295
Total financial assets	330,868	78,083	33,249	442,200

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

FINANCIAL LIABILITIES AS OF 31/12/2019	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	4,094	7,899	33,385	45,378	477,238	37,265	72,324	632,205
Convertible loan ²⁾	–	–	61,529	61,529	–	–	–	61,529
Bank overdraft facilities	–	–	68,330	68,330	–	–	–	68,330
Total interest-bearing liabilities	4,094	7,899	163,244	175,237				762,064
Accounts payable	93,762	30,384	2,703	126,849	–	–	–	126,849
Derivative instruments	–	352	12,517	12,869	–	–	–	12,869
Total financial liabilities	97,856	38,635	178,464	314,955	477,238	37,265	72,324	901,782
<i>Total non-discounted cash flows ³⁾</i>				<i>319,273</i>	<i>496,675</i>	<i>40,914</i>	<i>73,684</i>	<i>930,546</i>

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 ²⁾	–	–	–	–	60,319	–	–	60,319
Bank overdraft facilities	–	–	188,868	188,868	–	–	–	188,868
Total interest-bearing liabilities	2,178	10,084	280,931	293,193	257,426	186,194	48,184	784,997
Accounts payable	109,056	46,371	6,409	161,836	–	–	–	161,836
Derivative instruments	–	1,754	13,374	15,128	–	–	–	15,128
Total financial liabilities	111,234	58,209	300,714	470,157	257,426	186,194	48,184	961,961
<i>Total non-discounted cash flows ³⁾</i>				<i>472,781</i>	<i>267,313</i>	<i>195,932</i>	<i>52,036</i>	<i>988,062</i>

¹⁾ Of reported accounts receivable, the overdue amount totals SEK 66,784 thousand (84,502), see also Note 35.

²⁾ Falls due in 2020.

³⁾ Includes estimated future interest payments.

In November 2019, a new credit agreement was entered into with the Group's main bank. The agreement runs for three years, with the option of extending for a further one plus one years.

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			
	31/12/2019	31/12/2018	Non-current		Current ¹⁾	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
DKK	1,215	1,701	171,600	170,294	27,130	26,112
EUR	142,894	150,631	30,611	1,161	-106,918	-32,652
SEK	165,679	152,625	349,737	315,655	300,613	440,414
USD	38,643	47,972	–	–	-4,583	-21,610
Other currencies	93,769	76,995	34,879	4,694	98,713	57,893
	442,200	429,924	586,827	491,804	314,955	470,157

¹⁾ 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	2019	2018
Cash and bank balances	82,290	70,564
Current investments	5	5
Amount at year-end	82,295	70,569

■ NOTE 22 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE	2019	2018
Net profit for the year, SEK thousands	163,109	171,120
Average number of outstanding shares, thousands	27,895	27,894
Basic earnings per share, SEK	5.85	6.13

DILUTED EARNINGS PER SHARE	2019	2018
Net profit for the year, SEK thousands	163,109	171,120
Interest expense on convertible bonds, SEK thousands ¹⁾	2,284	2,272
Issue expenses for convertible bonds, SEK thousands	20	20
Adjusted income, SEK thousands	165,413	173,412
Average number of outstanding shares, thousands	27,895	27,894
Adjustment for presumed conversion of convertible bonds, thousands	1,140	1,140
Average number of shares at the calculation of earnings per share, thousands	29,035	29,034
Diluted earnings per share, SEK	5.70	5.97

¹⁾ 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	31/12/2019	1/1/2019
Class A shares	7,288,800	3,644,400
Class B shares	20,898,180	10,449,090
Total number of shares	28,186,980	14,093,490
Quotient value, SEK	1.25	2.50
Share capital, SEK	35,233,725	35,233,725

The total number of shares is 28,186,980, of which 292,444 was held by the company at year-end. The average number of outstanding shares during 2019 amounted to 27,894,536. 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 93,493,736 at year-end.

A 2:1 share split was carried out in June 2019.

On 1 July 2016, convertibles for a nominal value of SEK 62,130 thousand, corresponding to 1,140,000 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 2.00 per share.

■ NOTE 24 RESERVES

CUMULATIVE TRANSLATION DIFFERENCE	2019	2018
Opening balance	28,621	20,101
Translation differences for the year	8,864	15,395
Hedging of currency risk in non-Swedish operations	-2,673	-6,875
Closing balance	34,812	28,621

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	2019	2018
Opening balance	-10,512	-11,053
Changes for the year, including tax	674	541
Closing balance	-9,838	-10,512

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 closing day of 31 December 2019, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 220 million (219).

	2019	2018
Total reserves	24,974	18,109

■ NOTE 25 BANK OVERDRAFT FACILITIES

Utilised overdraft facilities are reported as current liabilities.

BANK OVERDRAFT FACILITIES	2019	2018
Bank overdraft facilities granted	322,557	290,640
Unutilised amount	-254,227	-101,772
Utilised amount	68,330	188,868

■ NOTE 26 CONVERTIBLE LOAN

The Parent Company has an outstanding convertible loan reported at SEK 61,529 thousand (60,319). 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 (2.24 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 54.50. 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 2,577 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	2019	2018	
Guarantee and complaint commitments	2,593	3,815	
Pension commitments	678	328	
Deferred land registration costs	224	224	
	3,495	4,367	
Estimated maturity time			
Between one and five years after the closing day	3,271	4,143	
More than five years after the closing day	224	224	
CURRENT	2019	2018	
Guarantee and complaint commitments	3,357	5,631	
Termination and education costs	667	–	
	4,024	5,631	
CHANGES IN OTHER PROVISIONS	Non-current		Current
	Guarantee commitments	Pension commitments	Other commitments
Opening balance	3,815	328	5,631
Acquisition of subsidiaries	–	443	–
Provisions for the year	-1,245	52	-1,594
Payments/utilisation for the year	–	-145	-126
Translation differences for the year	23	–	113
Closing balance	2,593	678	4,024

■ 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.

	2019	2018
Non-current assets, Group items ¹⁾	21,783	22,188
Buildings, subsidiaries	3,888	3,487
Untaxed reserves		
Excess depreciation, machinery and equipment	9,280	6,887
Tax allocation reserves	29,180	27,032
Derivative instruments	-2,679	-2,862
Non-Swedish items with diverging tax rate	34,706	34,122
Other items	-577	-278
Deferred tax liability	95,581	90,576
Deferred tax asset ²⁾	-808	-767
Net deferred tax liability	94,773	89,809
Deferred tax liability brought forward	-89,809	-70,272
Acquisition of subsidiaries	-1,051	-15,433
Dissolution of inventory reserve from acquisition	321	–
Translation differences	-619	-1,293
Rounding	-2	1
Deferred tax expense relating to temporary differences	3,613	2,812
– of which reported in		
Net profit for the year	3,430	2,556
Other comprehensive income	183	256

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

²⁾ SEK 417 thousand (394) 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. The reported amount, SEK 417 thousand is limited to use by 2025 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	2019	2018
Deferred tax liability brought forward	90,576	71,126
Non-current assets, Group items	-1,223	-1,605
Buildings, subsidiaries	294	130
Untaxed reserves		
Excess depreciation, machinery and equipment	2,153	802
Tax allocation reserves	2,000	3,248
Derivative instruments	183	256
Other items	-37	-5
Acquisition of subsidiaries	1,051	15,433
Non-Swedish items with diverging tax rate	584	1,191
Deferred tax liability carried forward	95,581	90,576

CHANGES IN DEFERRED TAX ASSET	2019	2018
Deferred tax asset brought forward	767	854
Change in loss carried forward	30	-312
Other	18	219
Translation differences	-7	6
Tax asset carried forward	808	767

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

	2019	2018
Advance payments from customers	27,394	16,390
Accounts payable	126,849	161,836
Salary and holiday pay liabilities	69,654	65,605
Accrued social security contributions	18,501	17,786
Other accrued expenses	15,205	11,523
Other non-interest-bearing liabilities	30,787	32,346
Contract liabilities	100,096	78,790
	388,486	384,276

■ NOTE 30 PLEDGED ASSETS

	2019	2018
For own liabilities		
Property mortgages	112,379	110,248
Floating charges	148,448	139,611
Assets with right of repossession	41,347	36,598
Shares in subsidiaries	698,532	629,794
Other assets	66,500	57,035
	1,067,206	973,286
Other pledged assets		
Pledged endowment insurance with pension obligation	678	183
	678	183
Total	1,067,884	973,469

■ NOTE 31 CONTINGENT LIABILITIES

	2019	2018
Pension obligations	–	598
Contingent liabilities in respect of advance payment and work guarantees	55,865	22,928
	55,865	23,526

■ NOTE 32 LEASES

FINANCE LEASES

Items covered by lease contracts are reported in the consolidated financial statements as below. Finance leases mainly concern the lease of machinery. Operating leases mainly concern premises and cars. The standard terms for the Group's finance lease contracts related to machinery are adjustable rate of interest and a lease term of seven years, with a residual value of 25 per cent of the acquisition value.

RIGHT-OF-USE ASSETS	2019	2018
Premises	76,553	–
Plant and machinery	46,743	61,732
Equipment, tools, fixtures and fittings	12,125	2,356
	135,421	64,088

INTEREST-BEARING LIABILITIES	2019	2018
Current component, within 1 year	32,806	18,245
Non-current component, between 1 and 5 years	59,167	31,913
Non-current component, over 5 years	27,621	82
	119,594	50,240

Effect of adopting IFRS 16 Leases:

RECONCILIATION OF LEASE COMMITMENTS	
Liabilities for financial lease contracts at 31 December 2018	50,240
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
Relief for short-term leases	-307
Adjustment for extension options	7,112
Lease liabilities at 1 January 2019	136,023

CONTRACTED FUTURE LEASE PAYMENTS	Lease contracts	Short-term leases	Low-value leases
Current component, within 1 year	35,525	362	15
Non-current component, between 1–5 years	65,305	–	19
Non-current component, over 5 years	28,757	–	–
Non-discounted amounts	129,587	362	44

AMOUNTS RECOGNISED IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	2019	2018
Depreciation	-29,474	-13,667
Interest expenses	-4,542	-2,083
Leasing expenses on short-term leases	-1,225	–
Leasing expenses on low-value leases	-25	–

DEPRECIATION DISTRIBUTED BY THE UNDERLYING CLASS OF ASSET	2019	2018
Premises	-12,641	–
Plant and machinery	-11,360	-13,114
Equipment, tools, fixtures and fittings	-5,473	-553
	-29,474	13,667

AMOUNTS RECOGNISED IN CONSOLIDATED CASH FLOW STATEMENTS	2019
Interest paid	-3,643
Repayment by instalments	-30,165
Total leasing fees paid	-33,808

IFRS 16 EFFECTS ON REPORTED PERFORMANCE INDICATORS (SEK million)	2019	2019	2019	2018
	Outcome	IFRS 16 effect	without IFRS 16	Outcome
Operating profit	229.4	+1.6	227.8	236.2
Financial items	-18.0	-2.8	-15.2	-17.0
Profit before tax	211.4	-1.2	212.6	219.2
Tax	-48.3	+0.3	-48.6	-48.1
Net profit for the period	163.1	-0.9	164.0	171.1
Depreciation constitutes	-83.9	-17.8	-66.1	-64.3
Operating margin, %	10.8	+0.1	10.7	11.6
Profit margin, %	9.9	-0.1	10.0	10.7

■ NOTE 33 CASH FLOW

ACQUISITIONS OF SUBSIDIARIES/ASSETS AND LIABILITIES

In 2019, AB Kuggteknik was acquired.

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

ACQUISITION KUGGTEKNIK	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	560	560
Property, plant and equipment	6,507	2,600	9,107
Financial non-current assets	443	–	443
Current assets ¹⁾	17,047	-1,500	15,547
Non-current liabilities	-4,422	-235	-4,657
Current liabilities	-13,000	–	-13,000
Net assets/purchase price	6,575	1,425	8,000

¹⁾ Accounts receivable are recognised in the amount of SEK 8,347 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 1 thousand.

ACQUISITIONS IN TOTAL	2019	2018
Intangible non-current assets	560	95,118
Property, plant and equipment	9,107	111,511
Financial non-current assets	443	489
Current assets	15,547	146,625
Non-current liabilities	-4,657	-57,419
Current liabilities	-13,000	-107,646
Total purchase prices	8,000	188,678
Liquid assets in acquired businesses	-1	-7,724
Transfer of own shares	–	-20,000
Transaction costs	167	1,047
Total cash flow attributable to acquired businesses	8,166	162,001

Transaction costs with regard to acquired entities amounted to SEK 167 thousand (1,047) and were recognised as administrative expenses in net profit for the year.

INTEREST

During the financial year, interest paid amounted to SEK 21,058 thousand (16,349) and interest received to SEK 3,346 thousand (435).

CHANGES IN LIABILITIES RELATED TO FINANCING ACTIVITIES	31/12/2018	Cash flow	Non-cash changes					31/12/2019
			Translation differences	Fair value adjustment	Acquisition of subsidiaries	Additional lease liabilities IFRS 16	Other	
Non-current interest-bearing liabilities								
Loan and leasing liabilities	431,485	66,604	4,589	0	3,483	70,663	10,003	586,827
Convertible loan	60,319	–	–	904	–	–	-61,223	0
	491,804	66,604	4,589	904	3,483	70,663	-51,220	586,827
Other non-current liabilities	0	4,218	–	–	–	–	–	4,218
Current interest-bearing liabilities								
Loan and leasing liabilities	104,325	-76,711	159	0	715	15,119	1,771	45,378
Convertible loan	0	–	–	306	–	–	61,223	61,529
Bank overdraft facilities	188,868	-127,100	-1,128	–	7,690	–	–	68,330
	293,193	-203,811	-969	306	8,405	15,119	62,994	175,237
	784,997	-132,989	3,620	1,210	11,888	85,782	11,774	766,282

■ NOTE 34 BUSINESS COMBINATIONS/DIVESTMENTS

In July 2019, AB Kuggteknik in Leksand, Sweden, was acquired. Kuggteknik works with cutting machining and has specialist expertise regarding the manufacturing of toothed products in metal. The business possesses resources for production of both prototypes and large volumes to exacting tolerances. Its customers are found primarily within the tool and machinery manufacturing, medical technology, packaging industry and defence sectors. The company has 25 employees and annual sales totalling approx. SEK 30 million. Kuggteknik is a part of XANO's Precision Technology business unit. The purchase sum, paid in cash, amounted to SEK 8 million. The acquired unit contributed SEK 10 million in net revenue and approx. SEK -1 million in net profit after the deduction of write-offs from surplus values and financial expense attributable to the acquisition. The acquisition brought surplus values totalling SEK 3.2 million distributed between goodwill (SEK 0.6 million) and real estate (SEK 2.6 million). The transaction costs amounted to SEK 0.2 million. Goodwill relates to synergy effects and customer relations. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only additional technical expertise within cutting machining to existing operations in the Precision Technology business unit, but also access to new market segments. The utilisation of common resources will also entail synergies. If the acquired unit had been included in the Group throughout the whole of 2019, revenue would have amounted to approx. SEK 2,142 million, while net profit would have been unchanged at SEK 163 million.

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

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 closing day, there were no forward exchange agreements.

The proportion of invoicing in foreign currency in 2019 was 58 per cent (57). 49 per cent (50) 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 2019 is shown in the table below.

Share (%) of	SEK	EUR	DKK	Other
Invoicing	42	32	1	25
Cost of goods sold	42	27	17	14

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 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 17 million for the corresponding flow, mainly related to USD.

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 2019, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 47 million and net profit by around SEK 3.5 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 795 million (798) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2019 by SEK 6 million (9). 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 2.9 per cent (2.5). On the closing day, the Group's interest-bearing liabilities, excluding operating lease liabilities, amounted to SEK 675 million (785), of which SEK 455 million (566) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 43 months and the average interest rate at year-end was 1.6 per cent (1.6). The Group's liabilities related to operating leases amount to SEK 87 million (0). The net result of a 1 percentage point increase in interest rates is approx. SEK -5 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 closing day, interest rate swap agreements worth a total nominal sum of SEK 220 million (219) were in place.

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

FIXED RATE PERIOD FOR BORROWINGS

Maturity date	Amount (SEK 000)	Average interest rate (%) ¹⁾	Share (%)
2020	–	–	–
2021–2024	50,000	1.42	20
2025 and later	169,840	1.69	80
Total	219,840	1.63	100

¹⁾ 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 24 per cent (13) on the closing day.

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 360 million (359). On the closing day, there was one customer for which outstanding accounts receivable amounted to SEK 40 million.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE

	Not yet due	Time from maturity			Total
		6–30 days	31–90 days	> 90 days	
As of 31/12/2019	293,121	21,779	28,761	16,244	359,905
As of 31/12/2018	274,853	37,851	26,459	20,192	359,355

Losses reported on accounts receivable for the year amounted to SEK -151 thousand (982), of which SEK 56 thousand (132) constituted actual losses. Reversal in respect of anticipated customer losses has had a positive impact on profit for the year of SEK 366 thousand (3,000). Required write-downs of outstanding receivables have been carried out at SEK 2,493 thousand (2,656), see also Note 20.

A credit risk also exists for contract assets. The maximum credit risk attributable to contract assets corresponds to the reported value of SEK 16 million (93). On the closing day, there are no customers for which outstanding contract assets exceed SEK 10 million. Impairment testing for losses for the year has not entailed any reserve, as these are not deemed to amount to a significant sum.

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 38 per cent (34).

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 closing day 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 2019, sales from XANO's subsidiaries to ITAB Shop Concept AB with subsidiaries and AGES Industri AB with subsidiaries amounted to SEK 0.7 million (0.5) and SEK 0.7 million (1.0) respectively. Purchases from companies within the AGES Group to XANO's subsidiaries amounted to SEK 1.0 million (1.3). 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 closing day, 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 closing day.

EQUITY PER SHARE

Equity in relation to the number of outstanding shares on the closing day.

EQUITY/ASSETS RATIO

Equity in relation to total capital.

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.

ORGANIC GROWTH

Growth in net revenue generated by the Group's own efforts and in existing structure. The amount has not been adjusted for exchange rate fluctuations.

PROFIT MARGIN

Profit before tax in relation to net revenue.

PROPORTION OF RISK-BEARING CAPITAL

Equity plus provisions for taxes in relation to total capital.

RETURN ON CAPITAL EMPLOYED

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

RETURN ON EQUITY

Net profit in relation to average equity.

RETURN ON TOTAL CAPITAL

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

REVENUE GROWTH

Net revenue for the period in relation to net revenue for a comparative period.

TOTAL CAPITAL

Total equity and liabilities (balance sheet total).

KEY FIGURES

Key figures included in this report derive primarily from the disclosure requirements according to IFRS. Other 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 potential to carry out strategic investments, fulfil financial commitments and provide yield for shareholders at the same time as achieving comparability with other companies. The margin measures are also presented internally for each segment.

The calculation of the Group's primary alternative key figures is found on page 80.

RECONCILIATION OF ALTERNATIVE KEY FIGURES

Key figures included in this report derive primarily from the disclosure requirements according to IFRS. With the aim of illustrating the Group's profit trend and financial strength, as well as how the Group has invested its capital, reference is also made to a number of alternative key figures that are not defined within the IFRS regulatory framework or directly in the income statement and balance sheet. The calculation of the Group's primary alternative key figures is presented below. The definition of each key figure is found on page 79.

INTEREST COVERAGE RATIO

Relate to financial resistance and shows how much the Group's profit can fall without jeopardizing interest payments.

	2019	2018
Profit before tax plus financial expenses, SEK thousands	238,520	243,767
Financial expenses, SEK thousands	27,084	24,591
Interest coverage ratio, multiple	8.8	9.9

ORGANIC GROWTH

Shows the growth in net revenue generated by the Group's own efforts.

	2019
Net revenue for the period less revenue generated through acquisitions less net revenue for the previous period, SEK thousands	56,713
Net revenue for the previous period, SEK thousands	2,043,932
Organic growth, %	2.8

PROPORTION OF RISK-BEARING CAPITAL

Shows the Group's long-term solvency.

	2019	2018
Equity attributable to shareholders of the Parent Company, SEK thousands	799,883	685,698
Provisions for taxes, SEK thousands	95,581	90,576
Risk-bearing capital, SEK thousands	895,464	776,274
Total capital, SEK thousands	2,080,648	1,993,894
Proportion of risk-bearing capital, %	43.0	38.9

RETURN ON CAPITAL EMPLOYED

Shows how well the operational capital is used to create profitable growth.

	2019	2018
Profit before tax plus financial expenses, SEK thousands	238,520	243,767
Average ¹⁾ total capital employed, SEK thousands	1,549,290	1,362,972
Return on capital employed, %	15.4	17.9

RETURN ON EQUITY

Shows the Group's capacity to generate return on shareholders' equity

	2019	2018
Net profit for the year attributable to shareholders of the Parent Company, SEK thousands	163,109	171,120
Average ¹⁾ equity attributable to shareholders of the Parent Company, SEK thousands	749,609	619,560
Return on equity, %	21.8	27.6

RETURN ON TOTAL CAPITAL

Quantifies how much return the Group generates through the use of its capital structure

	2019	2018
Profit before tax plus financial expenses, SEK thousands	238,520	243,767
Average ¹⁾ total capital, SEK thousands	2,083,936	1,875,812
Return on total capital, %	11.4	13.0

¹⁾ Average capital is calculated as an average of the opening balance and reported quarterly data during the current year. For 2019, this means that the closing balances as of 31 December 2018, 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 were added together and divided by 5.

INCOME STATEMENTS

PARENT COMPANY (SEK THOUSANDS)	NOTE	2019	2018
Net sales		22,460	21,900
Cost of goods sold		–	–
Gross profit		22,460	21,900
Selling expenses	3, 4, 6	-4,058	-3,939
Administrative expenses	3, 4, 5, 6	-22,997	-22,323
Other operating income		–	6
Other operating expenses		-15	–
Operating profit/loss		-4,610	-4,356
Profit from participations in Group companies	7	128,319	136,921
Interest income and similar profit/loss items	8	9,197	8,424
Interest expense and similar profit/loss items	9	-13,544	-12,545
Profit after financial items		119,362	128,444
Appropriations	10	-13,046	-17,086
Profit before tax		106,316	111,358
Tax	11	-18,353	-20,769
NET PROFIT FOR THE YEAR		87,963	90,589

STATEMENTS OF COMPREHENSIVE INCOME

PARENT COMPANY (SEK THOUSANDS)	NOTE	2019	2018
Net profit for the year		87,963	90,589
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		87,963	90,589

BALANCE SHEETS

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	12		
Equipment, tools, fixtures and fittings		81	69
		81	69
<i>Financial non-current assets</i>			
Participations in Group companies	13	225,417	228,667
Receivables from Group companies		10,088	–
		235,505	228,667
Total non-current assets		235,586	228,736
Current assets			
<i>Current receivables</i>			
Income tax asset		1,530	–
Receivables from Group companies		609,121	687,469
Other receivables		97	19
Prepayments and accrued income		3,921	701
		614,669	688,189
<i>Current investments</i>		5	5
<i>Cash and bank balances</i>	16	6,257	5,141
Total current assets		620,931	693,335
TOTAL ASSETS		856,517	922,071

BALANCE SHEETS

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2019	31/12/2018
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	14	35,234	35,234
Statutory reserve		8,899	8,899
		44,133	44,133
<i>Non-restricted equity</i>			
Share premium reserve		12,529	12,529
Profit brought forward		92,331	57,531
Net profit for the year		87,963	90,589
		192,823	160,649
Total equity		236,956	204,782
Untaxed reserves			
	15	107,012	93,966
Provisions			
Provisions for pensions and similar obligations		–	145
Total provisions		–	145
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	16,17	120,000	171,985
		120,000	171,985
<i>Current liabilities</i>			
Bank overdraft facilities	16,17	51,552	188,868
Current interest-bearing liabilities	16,17	61,529	19,167
Accounts payable		1,574	1,397
Liabilities to Group companies		256,839	213,464
Income tax liability		–	4,411
Other liabilities	16	14,725	17,235
Accruals and deferred income		6,330	6,651
		392,549	451,193
Total liabilities		512,549	623,178
TOTAL EQUITY AND LIABILITIES		856,517	922,071

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 2018		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		35,234	8,899	12,529	148,120	204,782
Net profit for the year		–	–	–	87,963	87,963
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	87,963	87,963
Dividend paid in cash		–	–	–	-55,789	-55,789
EQUITY, 31 DECEMBER 2019	14	35,234	8,899	12,529	180,294	236,956

CASH FLOW STATEMENTS

PARENT COMPANY (SEK THOUSANDS)	NOTE	2019	2018
OPERATING ACTIVITIES			
Operating profit/loss		-4,610	-4,356
<i>Adjustments for non-cash items etc.</i>			
Depreciation		20	33
Group contribution		106,569	116,921
Dividend received		25,000	20,000
Interest paid/received, net value	19	-3,557	-4,251
Income tax paid		-25,159	-19,893
Cash flow from operating activities before changes in working capital		98,263	108,454
Changes in working capital			
Increase (-) / decrease (+) in current receivables		76,657	-59,118
Increase (+) / decrease (-) in current liabilities		40,735	-82,163
Increase (+) / decrease (-) in other provisions		-145	-160
Cash flow from operating activities		215,510	-32,987
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-32	-
Acquisition of shares in Group companies		-	-155,906
Cash flow from investing activities		-32	-155,906
FINANCING ACTIVITIES			
Dividend paid		-55,789	-55,789
<i>Increase (+) / decrease (-) in non-current interest-bearing liabilities</i>	19		
Borrowings		181,223	85,000
Repayment of debt		-192,056	-19,167
Change in bank overdraft facilities		-137,657	178,117
Increase (-) / decrease (+) in non-current assets		-10,088	-
Cash flow from financing activities		-214,367	188,161
CASH FLOW FOR THE YEAR		1,111	-732
Cash and cash equivalents at the beginning of the year		5,146	5,863
Exchange rate differences in cash and cash equivalents		5	15
Cash and cash equivalents at the end of the year	19	6,262	5,146

NOTES, PARENT COMPANY

■ 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. Applied accounting principles are unchanged compared to the previous year, with the exception of new or revised standards, interpretations and improvements that are to be applied from 1 January 2019.

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 closing day 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, 3 per cent (2) 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 13. 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
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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.

LEASE CONTRACTS

The parent company recognises all leases, both financial and operational, as operating leases. Expenses for the leases are recognised in the income statement on a straight-line basis over the lease term. Leases refer primarily to the leasing of premises and cars.

■ NOTE 3 EMPLOYEES AND PERSONNEL COSTS

AVERAGE NO. OF EMPLOYEES	2019	of which men	2018	of which men
Sweden	9	44%	8	38%

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2019	2018
Board members	67%	67%
Senior executives	50%	50%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2019	2018
Salaries and remuneration	12,818	12,569
Social security costs	7,716	7,301
(of which pension costs ^{1, 2)})	(2,953)	(2,687)
	20,534	19,870

¹⁾ Of the Parent Company's pension costs, SEK 2,204 thousand (1,971) relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

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

BREAK-DOWN OF SALARIES AND OTHER REMUNERATION	2019	2018
Board members and senior executives	8,842	8,514
(of which bonuses)	(1,200)	(1,800)
Other employees	3,976	4,055
	12,818	12,569

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 1,090 thousand should be distributed with SEK 290 thousand payable to the Chairman and SEK 160 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 ordinary member and SEK 50 thousand to the committee chairman. During 2019, SEK 150 thousand was carried as an expense for these tasks.

In 2019, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 6,069 thousand (5,999), of which SEK 1,200 thousand (1,800) constitutes variable remuneration. Other

senior executives received salary, salary sacrifice excluded, totalling SEK 1,686 thousand (1,473). 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 (30) 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 for the CEO amounted to SEK 1,729 thousand (1,470). Pension costs including salary sacrifice for other senior executives amounted to SEK 474 thousand (501).

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	2019	2018
Selling expenses	-3	-5
Administrative expenses	-17	-28
	-20	-33

DEPRECIATION BY CLASS OF ASSET	2019	2018
Equipment, tools, fixtures and fittings	-20	-33
	-20	-33

■ NOTE 5 AUDITORS' REMUNERATION

	2019	2018
Ernst & Young		
Audit assignment	-294	-275
Audit activities other than audit assignment	19	-24
Tax consultancy services	-16	-4
Other services	-18	-6
	-309	-309
Other auditors		
Other services	-50	-
	-50	-
Total	-359	-309

"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 OPERATING LEASES

	2019	2018
Lease fees recognised as expenses	767	753
Future minimum lease payments related to operating leases		
to be paid within 1 year	1,037	710
to be paid between 2 and 5 years	1,805	1,261

■ NOTE 7 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2019	2018
Dividends from Group companies	25,000	20,000
Impairment losses on shares in subsidiaries	-3,250	–
Group contributions received	106,569	116,921
	128,319	136,921

■ NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2019	2018
Interest income, Group companies	6,520	5,514
Interest income, other	1,188	867
Exchange rate differences	1,489	2,043
	9,197	8,424

Other interest income includes a change in value of SEK 857 thousand (797) relating to interest rate swaps measured at their fair value.

■ NOTE 9 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2019	2018
Interest expense, Group companies	-668	-555
Interest expense, other	-11,005	-10,511
Exchange rate differences	-1,871	-1,479
	-13,544	-12,545

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

■ NOTE 10 APPROPRIATIONS

	2019	2018
Change in excess depreciation	-6	17
Tax allocation reserve, change for the year	-13,040	-17,103
	-13,046	-17,086

■ NOTE 11 TAX ON PROFIT FOR THE YEAR

	2019	2018
Current tax	-18,353	-20,769
	-18,353	-20,769

The difference between the income tax rate 21.4% (22) and the effective tax rate arises as follows:

	2019		2018	
Reported profit before tax	106,316		111,358	
Tax according to current income tax rate	-22,752	21%	-24,499	22%
<i>Tax effect of</i>				
Non-deductible expenses	-1,216	1%	-785	1%
Tax-exempt dividends	5,350	-5%	4,400	-4%
Other tax-exempt income	474	-0%	176	-0%
Adjustment of current tax for previous periods	-10	0%	–	–
Standard income and deviating tax rate for tax allocation reserves	-199	0%	-61	0%
Reported tax	-18,353	17%	-20,769	19%

■ NOTE 12 PROPERTY, PLANT AND EQUIPMENT

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2019	2018
Accumulated acquisition values		
Opening balance	1,239	1,239
New acquisitions	32	–
Closing balance	1,271	1,239
Accumulated scheduled depreciation		
Opening balance	-1,170	-1,137
Depreciation according to plan for the year	-20	-33
Closing balance	-1,190	-1,170
Closing residual value according to plan	81	69

■ NOTE 13 PARTICIPATIONS IN GROUP COMPANIES

	2019	2018
Accumulated acquisition values		
Opening balance	228,667	52,761
Acquisition of subsidiaries	–	175,906
Closing balance	228,667	228,667
Accumulated impairment costs		
Opening balance	–	–
Impairment losses for the year	-3,250	–
Closing balance	-3,250	–
Carrying amount	225,417	228,667

PARENT COMPANY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY	CARRYING AMOUNT
Ackurat Industriplast AB	556076-4564	Växjö, Sweden	10,000	100%	14,855
Blowtech Fastigheter AB	556606-9042	Gnosjö, Sweden	1,000	100%	31,575
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
					225,417

SUBSIDIARY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY
Ackurat Ornpast Sp. z o. o	0000404285	Gdansk, Poland	34,227	100%
Ackurat 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	Roanoke, 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	Taebala, 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%
AB Kuggteknik	556122-2992	Leksand, Sweden	2,500	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%
Mikroverktug 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%

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

■ NOTE 14 SHARE CAPITAL AND NUMBER OF SHARES

DISTRIBUTION OF SHARE CAPITAL	31/12/2019	1/1/2019
Class A shares	7,288,800	3,644,400
Class B shares	20,898,180	10,449,090
Total number of shares	28,186,980	14,093,490
Quotient value, SEK	1.25	2.50
Share capital, SEK	35,233,725	35,233,725

The total number of shares is 28,186,980, of which 292,444 was held by the company at year-end. The average number of outstanding shares during 2019 amounted to 27,894,536. 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 93,493,736 at year-end.

A 2:1 share split was carried out in June 2019.

On 1 July 2016, convertibles for a nominal value of SEK 62,130 thousand, corresponding to 1,140,000 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 2.00 per share.

■ NOTE 15 UNTAXED RESERVES

	2019	2018
Tax allocation reserve, allocated 2013	–	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	31,000
Tax allocation reserve, allocated 2019	28,000	–
	107,006	93,966
Accumulated excess depreciation	6	–
	107,012	93,966

Deferred tax liabilities represent SEK 23,375 thousand (20,673) of untaxed reserves.

■ NOTE 16 LIABILITIES

	2019	2018
NON-CURRENT LIABILITIES		
Maturity date between one and five years after closing day	120,000	171,985
Maturity date more than five years after closing day	–	–
	120,000	171,985
CURRENT LIABILITIES		
Bank overdraft facilities, Group currency accounts	51,552	188,868
Current portion of non-current borrowings	61,529	19,167
	113,081	208,035
Total interest-bearing liabilities	233,081	380,020

BANK OVERDRAFT FACILITIES	2019	2018
Bank overdraft facilities granted, Group currency accounts	300,000	275,000
Unutilised amount	-248,448	-86,132
Utilised amount	51,552	188,868

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 289 million (146) on the closing day.

The Parent Company has an outstanding convertible loan reported at SEK 61,529 thousand (60,319). 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 (2.24 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 54.50. 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 2,577 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 12,869 thousand (15,128) 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 8 and Note 9.

Cash and bank deposits include the balance in the bank overdraft facilities, Group currency accounts, amounting to SEK 6,256 thousand (5,140).

■ NOTE 17 PLEDGED ASSETS

	2019	2018
Shares in subsidiaries	219,918	223,168
	219,918	223,168

■ NOTE 18 CONTINGENT LIABILITIES

	2019	2018
Guarantees in favour of subsidiaries	453,166	394,546
Pension commitments	–	598
	453,166	395,144

■ NOTE 19 CASH FLOW

INTEREST

Interest paid amounted to SEK 10,399 thousand (9,835) and interest received SEK 6,842 thousand (5,584).

LIQUID ASSETS	2019	2018
Cash and bank balances	6,257	5,141
Current investments	5	5
Amount at year-end	6,262	5,146

■ NOTE 20 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 21 PROPOSAL FOR THE APPROPRIATION OF PROFITS

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

	2019	2018
Payment of a cash dividend of SEK 2.00 (2.00) per share to shareholders, calculated on 27,894,536 shares (27,894,536)	55,789	55,789
To be carried forward	137,034	104,860
	192,823	160,649

After deduction for the company's own holding, the number of outstanding shares is 27,894,536 at present. The dividend amount per share and the number of shares in respect of the previous year have been recalculated as a result of the 2:1 share split implemented in June 2019.

■ NOTE 22 EVENTS AFTER THE END OF THE YEAR

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

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 2019 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 7 May 2020 for adoption.

Jönköping, 12 March 2020

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
President and CEO

Our audit report was submitted on 19 March 2020.

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 2019. 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 2019 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 2019 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 MSEK 576 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 2019 amounted to MSEK 2,128. A substantial part of the sales revenue came from deliverables to the packaging industry. The group reports earnings over time in compliance with IFRS 15, which amounted to MSEK 617 in 2019. 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 "Revenues" 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.

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 pages 1–51 and 100–104. 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 2019 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 organization 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 fulfill 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 the 9 May 2019 and has been the company's auditor since the 20 May 1997.

Jönköping, 19 March 2020

Ernst & Young AB

Joakim Falck

Authorised public accountant

XANO INDUSTRI AB (PUBL)

CORPORATE GOVERNANCE REPORT 2019

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 (a new revised version came into force on 1 January 2020). 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

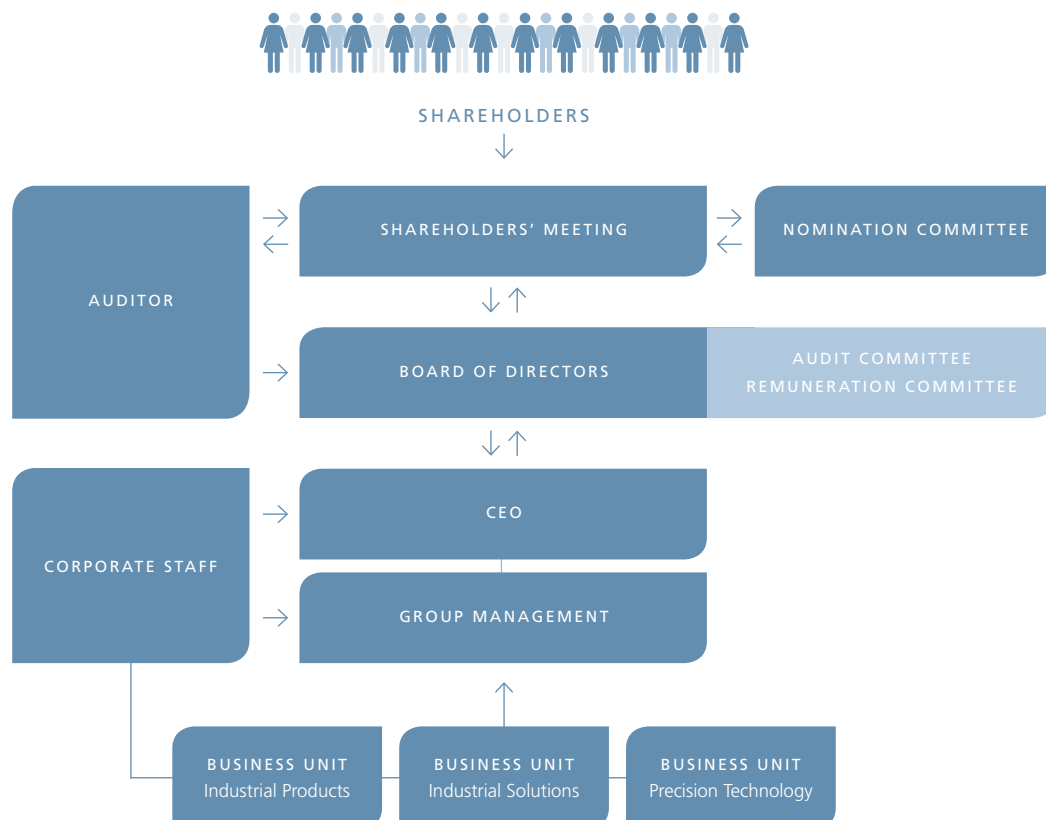
XANO Industri AB (publ) is a Swedish public limited company whose overall goal is to generate long-term value for its shareholders and other stakeholders.

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 2019, there were 4,326 shareholders in XANO, of which 4,141 were physical persons representing 14.2 per cent of the votes and 37.2 per cent of the capital. Institutional holdings constituted 2.9 per cent of the votes and 9.5 per cent of the share capital. The 10 largest shareholders accounted for 94.2 per cent of the votes and 80.7 per cent of the capital. As of the closing day, 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 57.8 per cent of the votes and 28.7 per cent of the capital. Pomona-gruppen AB holds 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 auditors. 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 2019

XANO's 2019 AGM was held on Thursday 9 May. 51 shareholders, whose holdings accounted for 93 per cent of the votes and 77 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 2.00 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 2020 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.
- » A 2:1 share split.

ANNUAL GENERAL MEETING 2020

XANO's 2020 AGM will take place on Thursday 7 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 2019.

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 2019 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 six meetings during the 2019 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 2019 included the following main items:

No. 1 – 7 February

Year-end report 2018, report from audit committee, the auditor's report of the general observations arising from the audit of the 2018 financial statements.

No. 2 – 9 May

Interim report 3 months, revised forecast for 2019, report from the remuneration committee, acquisition discussions, prerequisites prior to the AGM.

No. 3 – 10 July (phone)

Interim report 6 months.

No. 4 – 25–26 September

Group strategy, visit at and deeper information on Jorgensen and the Industrial Solutions business unit.

No. 5 – 7 November

Interim report 9 months.

No. 6 – 12 December

Forecast for 2020, visit at and deeper information on Fredriksons, 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 88 per cent of votes and 59 per cent of the capital in XANO, a nomination committee was appointed by the 2019 AGM composed of Ulf Hedlundh as chairman, along with Anders Rudgård and Anna Benjamin.

The task of the committee prior to the 2020 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 2020 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 2019 for the term of office up until the AGM in 2020. 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.

COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AS OF 31 DECEMBER 2019

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2019	Participation in Remuneration Committee meetings 2019	Participation in Audit Committee meetings 2019 ²⁾	Board fee including committee remuneration, SEK
Fredrik Rapp	2004	Chairman	Yes	No ¹⁾	5 (6)	1 (1)	–	310,000
Anna Benjamin	2016	Vice chairman	Yes	No ¹⁾	6 (6)	–	1 (1)	190,000
Petter Fägersten	2011	Board member	Yes	No ¹⁾	5 (6)	1 (1)	–	180,000
Eva-Lotta Kraft	2012	Board member	Yes	Yes	6 (6)	–	1 (1)	190,000
Per Rodert	2013	Board member	Yes	Yes	6 (6)	–	1 (1)	210,000
Stig-Olof Simonsson	2002	Board member	Yes	Yes	4 (6)	–	–	160,000
								1,240,000

¹⁾ 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.

²⁾ The Audit Committee has conducted one meeting, the decisions of which have been summarised in a decision report. During the year, the members have also participated in a further three meetings together with the Group's auditor.

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

DEVIATIONS FROM THE CODE

There are no deviations to report for 2019.

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

The guidelines that were adopted by the 2019 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 2019, the work on internal control has been focused on following up procedures in respect of suppliers, employer responsibility and VAT. During 2018, the work focused in particular on the introduction of the Group's procedures in newly acquired companies and improvements related to IT security.

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 2020.

Jönköping, 12 March 2020

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 2019 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, 19 March 2020

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

Shareholding in XANO 2,160,000 class A shares and 6,268,180 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 5,128,800 class A shares and 2,951,200 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 600,800 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, INEV 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 949,924 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-Elementa, Strategy and Marketing Director FOI.

Other directorships Member of the board of Försvarshögskolan.

Shareholding in XANO 4,448 class B shares.

Details concerning the number of shares refer to holdings on 31 December 2019 and include, where applicable, holdings via related parties and holdings where the given Board member is able to exert a controlling interest.

GROUP MANAGEMENT



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 148,000 class B shares.

Convertible holding in XANO nom. SEK 6,373,012 corresponding to 116,936 class B shares.

Significant shareholding or ownership interests in associated companies None.

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 20,000 class B shares.

Convertible holding in XANO nom. SEK 3,052,000 corresponding to 56,000 class B shares.

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 7 May 2020 at 3 pm at XANO's premises at Industriegatan 14 B in Jönköping, Sweden.

Shareholders wishing to attend the AGM must be included in the share register managed by Euroclear Sweden AB on 30 April 2020 and must notify the company of their intention to attend the AGM no later than 4 pm on Thursday 30 April 2020 at the following address: XANO Industri AB, Industriegatan 14 B, SE-553 02 Jönköping, Sweden, or by telephone +46 36 31 22 00 or by email at 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 30 April 2020 in order to be entitled to attend the AGM.

DIVIDEND

The Board of Directors proposes that the AGM allocate a dividend of SEK 2.00 per share for the 2019 financial year with record date 11 May 2020. If the AGM approves the proposal, the dividend will be issued by Euroclear on 14 May 2020.

NOMINATION COMMITTEE

A nomination committee was appointed at the 2019 AGM consisting of Ulf Hedlundh (Chairman), Anders Rudgård and Anna Benjamin. The task of this committee prior to the 2020 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

7 May

Interim report 1 January–31 March 2020

10 July

Interim report 1 January–30 June 2020

5 November

Interim report 1 January–30 September 2020

11 February

Year-end report 2020

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, available to read and download.

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