



Annual Report 2021

XANO in brief

XANO acquires, manages and develops niche engineering companies with an entrepreneurial background.

With the ultimate goal of further developing each new business that joins the XANO family, our decentralised business model promotes responsibility, preserves entrepreneurial drive, nurtures expertise and allows each subsidiary to focus on what they do best. It is a winning combination that enables us to discover new ways to exceed our stakeholders' expectations and continue developing as a group.

At XANO, we strive to be the best we possibly can in all areas of business. We came from humble beginnings and, although we have grown in both size and confidence, we are no less humble.

We are the XANO Group.

XANO – Annual Report 2021

OPERATIONS 4–55

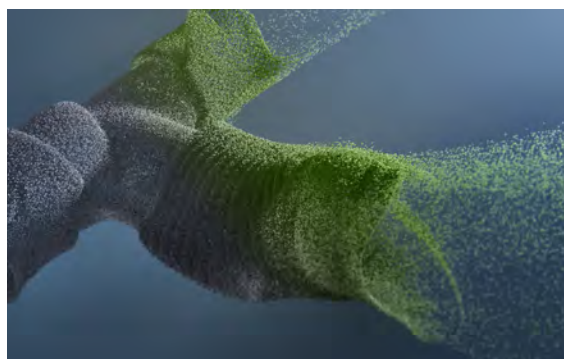
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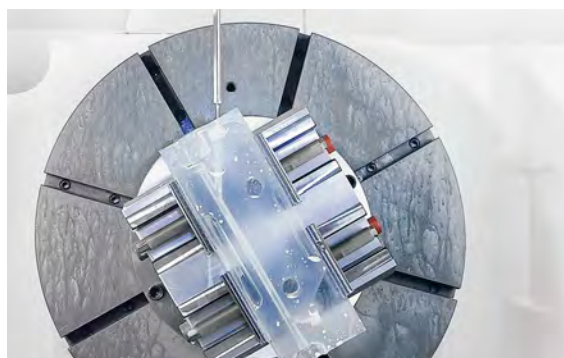
6 TURNING CHALLENGES INTO OPPORTUNITIES



26 BUSINESS UNIT INDUSTRIAL PRODUCTS



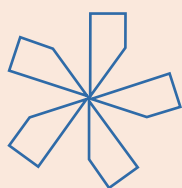
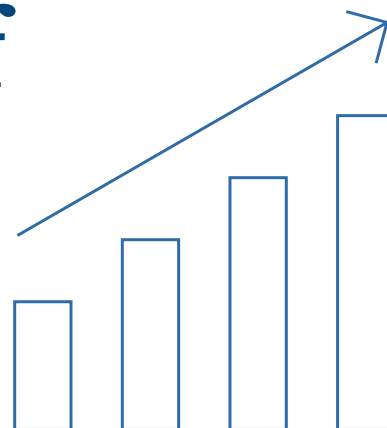
36 BUSINESS UNIT INDUSTRIAL SOLUTIONS



46 BUSINESS UNIT PRECISION TECHNOLOGY

The year in brief

- » Good organic growth
- » Strengthened margins
- » Positive trend in order intake
- » Establishment in new market segments
- » Three more acquisitions



PROFITABLE GROWTH

Vital subjects within the Group 2021 were good innovation capacity and adaptability. Versatile operations with dedicated, conscientious employees have once again demonstrated that challenges can be turned into opportunities.

NET REVENUE

3,151

(SEK m)

GROWTH

+41

(%)

NET PROFIT

342

(SEK m)

OPERATING MARGIN

14.4

(%)

EARNINGS PER SHARE

11.80

(SEK)

PROFIT MARGIN

13.8

(%)

Q1

Increasing project volumes, continued strong growth in MedTech industry and recovery for the automotive industry.

Q2

Acquisitions of CPS and CIM. Generally favorable market development. Comprehensive orders for automation solutions for electric vehicle batteries.



ACQUISITIONS 2021

CPS

The Netherlands

Included in the Industrial
Solutions business unit

CIM

Denmark

PRM

The Netherlands

Included in the Industrial
Products business unit

Q3

Good development for the project-related activities. Periodic production breaks in the automotive sector.

Q4

Acquisition of PRM. Strong order intake. Challenges due to a lack of materials and components and increasing sick leave.



We have managed
to turn challenges
into opportunities.

Lennart Persson
PRESIDENT AND CEO

The drive that lifts us up

We can sum up yet another year as the Group's strongest to date. With good innovation capacity and adaptability, we have been able to maintain high quality and delivery precision, even under pressured conditions.



Completed acquisitions create further business opportunities.

THE GROUP'S DEVELOPMENT DURING THE YEAR

With good organic growth and the addition of acquired businesses, we exceeded the previous year's outcome by more than 40 per cent in terms of sales. Profitability improved at the same time, enabling us to sum up another year as the Group's strongest to date. Our flexible operations with committed and responsible employees have once again shown that it is possible to turn challenges into opportunities. Good innovation capacity and adaptability have enabled Group companies to maintain high quality and delivery precision, even under strenuous conditions.

DEVELOPMENT WITHIN OUR BUSINESS UNITS

Within Industrial Products, the growth trend was positive above all for our proprietary products, where the range is constantly being developed with a focus on sustainability. Sustainability is becoming increasingly important as a competitive factor among the companies in the business unit, in line with their customers' growing focus on reducing their climate emissions. Within the automotive sector, postponed projects and production stoppages at customers due to the shortage of input goods have been challenging at times. Thanks to active cost control and an overall favourable production mix, the business unit still managed to retain a good level of profitability.

The influx of project orders at Industrial Solutions has been high during the year, and implemented deliveries produced strong financial results. New projects are involving a number of the sister companies to a large extent, and collaboration within the business unit was further intensified. Several of the projects relate to neighbouring market segments that enjoy good potential for development. After being impeded for some time by restrictions as a consequence of the pandemic, the market investments in North America picked up speed towards the end of the year.

There was a significant increase in volumes within Precision Technology, principally in relation to the medical technology sector, which is a dominant customer segment for this business unit. The companies successfully managed the business opportunities that were generated, and on the whole performed above our expectations. Smart investments and a high level of flexibility minimised the impact of the increasingly widespread component shortage and, despite its robust growth, the business unit continued to demonstrate good profitability.

COMPLEMENTARY ACQUISITIONS CREATE NEW BUSINESS OPPORTUNITIES

We completed two acquisitions in the Netherlands, CPS and PRM, as well as one in Denmark, CIM, over the past year. CPS develops and manufactures systems for fully automated handling, primarily in relation to food packaging. CIM is a leading software specialist in the field of industrial digitalisation. PRM works with rotational moulding of polymer materials. CPS and CIM are part of the Industrial Solutions business unit, while PRM comes under Industrial Products.

These acquisitions complement our other operations well, and in certain cases add something completely new. This relates, for example, to access to neighbouring customer and market segments, as well as expertise within niche technical fields. Using shared resources, the Industrial Solutions business unit is able, via CPS and CIM, to supply the market with complete automation solutions. PRM has in-house capacity for recycling and reusing plastic material, further strengthening the environmental profile of the Industrial Products business unit.

SUSTAINABILITY

Sustainable business has been a Group-wide area of focus in recent years. For us, the concept encompasses everything that affects our potential to run viable businesses without compromising on our responsibility for people and the environment. Collaboration on all levels is a precondition for sustainable business. We cooperate closely with our customers and participate in various networks that promote the work towards more circular processes. With efficient production processes, a good knowledge of materials, technical expertise, innovations and smart solutions, we are able to contribute to more sustainable business. Our business model generates a driving force that can be developed within all areas.

FUTURE OUTLOOK

The good results we achieved in 2021 are reinforcing our already solid financial position. At the same time, the positive trend as regards incoming orders indicates a favourable market development going forward. The primary issue concerning us at the moment is the current global shortage of materials and components. Already long lead times are at risk of being further extended, at the same time as costs are increasing. It is difficult at this point to judge how the ongoing conflict in Ukraine will affect us. The Group does not have any operations of its own in Russia, Belarus or Ukraine, and is not supplying any new projects to customers in the affected area. Ongoing activities are being evaluated, as are the possible effects on the Group's supply of materials.

Yet despite these challenges, we are seeing opportunities. Our long-term plans remain unchanged and, by means of focused strategic work, we have continually been able to advance our market positions. Further business opportunities are being generated through our implemented acquisitions. We are supplying resources through extensive investments in the form of marketing initiatives and increased capacity. These activities entail increased costs in the short term, but in the longer term we are strengthening our platform for continued development. Our plans for the future also include more acquisitions, and we are constantly evaluating companies that might potentially reinforce and complement the Group's operations.

THANK YOU

Finally, I would once again like to say a huge thank you to all the Group's employees, who jointly are doing an amazing job.

Jönköping, February 2022

Lennart Persson
President and CEO

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

Our core values are entrepreneurial drive, long-term thinking and technical know-how. They form the basis for all decisions that may affect the Group.



ENTREPRENEURIAL DRIVE

Entrepreneurship combined with strong drive is the most important common denominator for the companies in the Group. 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 invests long-term in its companies, which 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 expertise within their respective specialist areas. A high degree of innovation creates efficiency and mutual business advantages.

HOW OUR CORE VALUES CREATE ADDED VALUE

Two of our main focus areas are profitable growth and sustainable business. Having the entrepreneurial spirit and the innovation power close at hand in our companies, we create long-term relationships that lead to sustainable business and profitable growth.



SUSTAINABLE BUSINESS

With constant technical developments and a high level of innovation, we are generating confidence among our stakeholders. Working together, we are finding solutions that are promoting both people and the environment.



PROFITABLE GROWTH

Strategic investments within selected segments and carefully implemented acquisitions are providing us with the conditions to continue our journey of growth without jeopardising profitability.



XANO will be a leading player within selected market segments.

Vision

MARKET LEADER WITHIN SELECTED SEGMENTS

XANO will be a leading player 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 customers' 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 proprietary products. The Group currently has operations in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. Possessing such advanced technical expertise enables XANO to create added value for its customers.

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%.

Goal fulfilment

RESULTS EXCEEDING STATED FINANCIAL TARGETS

The Group's organic growth stood at 25%, while acquisitions contributed a further 16% in revenue during 2021. The profit margin amounted to 13.8%. The equity/assets ratio was 38% at the end of the year.

Success factors

Our leading strengths are our people, our entrepreneurship and our commitment to long-term partnerships. These represent a winning combination that makes it possible for us to meet our stakeholders' expectations and continue to develop.



SUSTAINABLE COLLABORATIONS

We endeavour to run our businesses in a sustainable manner, with a long-term perspective and on every level. Our aim is to have long-lasting relationships with our stakeholders. Through collaboration with strategic customers in selected sectors, we are involved in unique assignments. This strengthens our credibility, at the same time as we are able to guarantee long-term, sustainable growth.



DECENTRALISED ORGANISATION

Each company in the Group stakes out its own route and manages its own areas of responsibility. In parallel with this, the benefits of being part of a bigger picture are always on hand through various opportunities for collaboration and coordination.



KNOWLEDGE AND INNOVATION

The commitment of our employees, in combination with their specialist expertise and innovative capacity, are creating endless opportunities for us to continue developing and ensure credibility in relation to our stakeholders.

1979

The entrepreneur Tord Johansson, becomes a partner.

1988

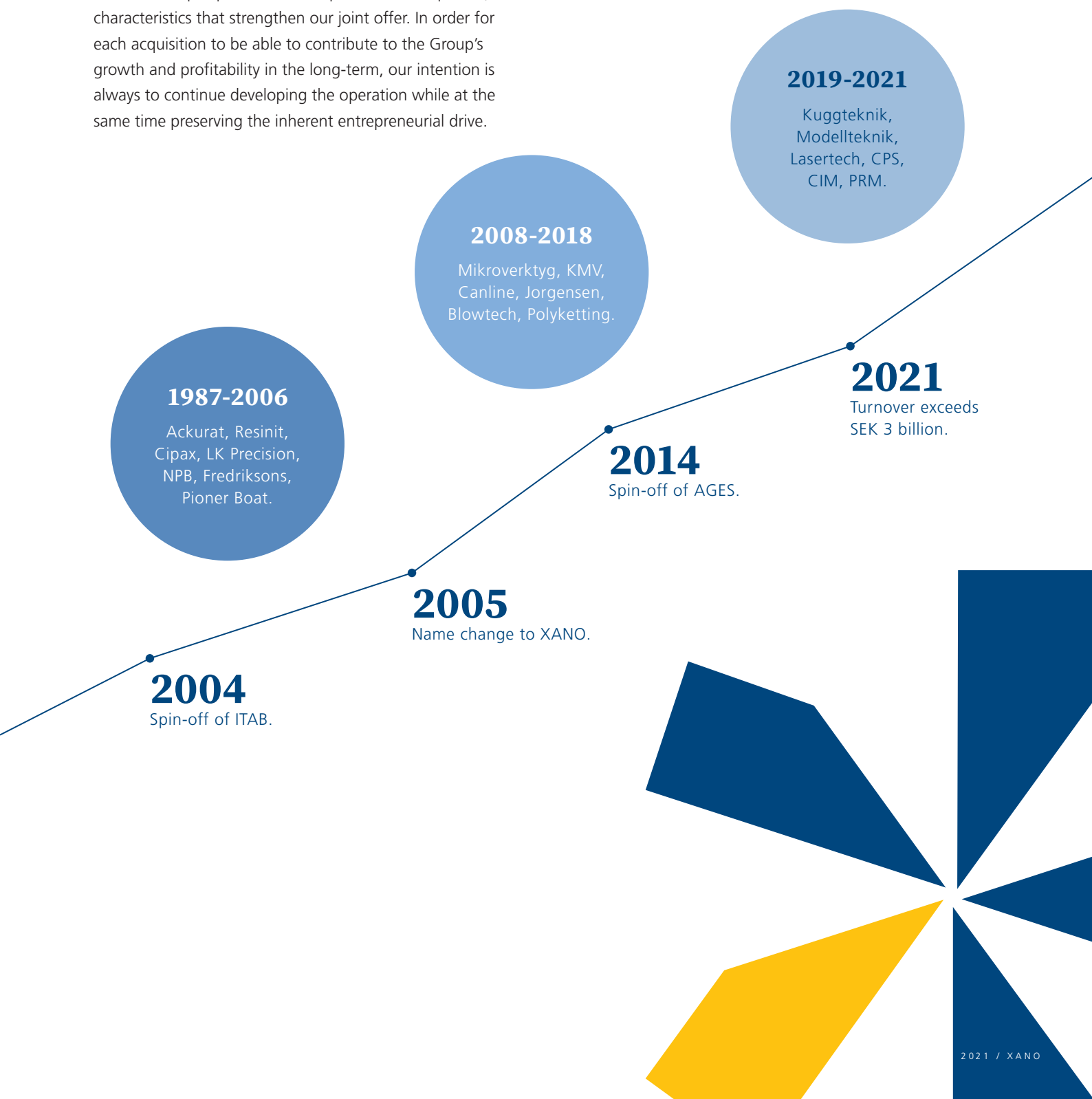
Stock exchange listing.

ACQUISITION STRATEGY

Acquisitions constitute an essential part of our business concept, and we are always working actively to look for and evaluate niche companies that can reinforce and complement the Group's existing operations.

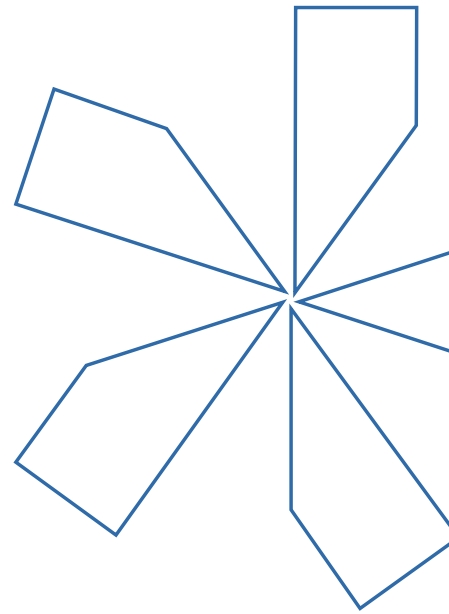
Every new unit that is incorporated into the Group adds its own perspective and unique technical expertise, characteristics that strengthen our joint offer. In order for each acquisition to be able to contribute to the Group's growth and profitability in the long-term, our intention is always to continue developing the operation while at the same time preserving the inherent entrepreneurial drive.

As well as the goal of adding capacity to satisfy demands on rapidly growing markets, our acquisition strategy includes the ambition of expanding our range of services and specialist skills in order to offer our customers more comprehensive solutions.



A long-term sustainable business model

At its core XANO has always been an engineering company, but our entrepreneurial, decentralised business model is what sets us apart. We acquire, manage and develop niche engineering companies with an entrepreneurial background, and each new business to join the ever-growing XANO family brings with it a new perspective and unique technical expertise.



OUR BUSINESS MODEL BREEDS SUCCESS

With three clear business units – Industrial Products, Industrial Solutions and Precision Technology – our management structure is designed to nurture that expertise and preserve the entrepreneurial drive while also optimising the benefits of collaboration. In addition to accumulating complementary expertise and technology, expanding into new geographic markets and increasing capacity, our business model enables us to extend our portfolio of services and, as a result, offer more comprehensive solutions to our customers. Where we once were individual suppliers of engineering products and

systems, we are now a development partner offering a range of related niche products and services, making us an essential part of our customers' competitive advantage.

We are constantly re-evaluating our strategies and goals, regularly adopting new technologies and welcoming new expertise into our three business units. To us, these are core activities and critical to our success as a long-term sustainable business group. Not only do they ensure we remain profitable for our shareholders and investors, but they prevent complacency and preserve our inherent curiosity, drive and adaptability.

INNOVATION IS A PART OF OUR FUTURE

Innovation is a big part of our ancestry, but it is an even bigger part of our future and continues to play a central role in our business model. Being at the leading edge of development keeps us relevant, streamlines our processes, creates a better working environment, minimises our carbon footprint and helps us remain profitable.

It is easy to overlook the agility of the XANO Group, particularly when we often talk about developments in terms of long-term profitable growth. But long-term thinking and agility are not mutually exclusive, especially when you have a

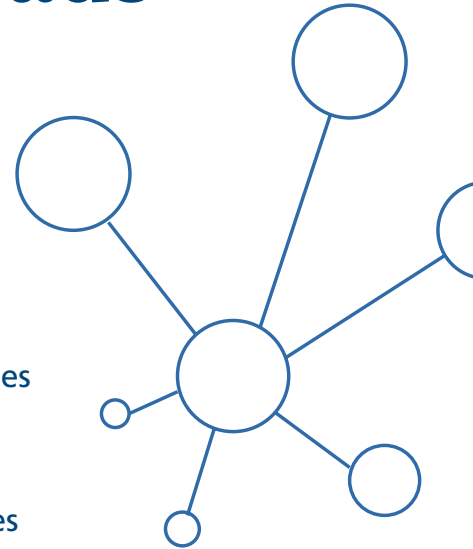


business model like ours. Our ability to see opportunities and adapt accordingly, combined with the security of long-standing partnerships and a talent for innovations that streamline and create added value has made us profitable and strong. And by continuing to invest in important areas like sustainability and technical progress, we are further cementing our long-term stability and, as a result, our healthy financial position.



A smart acquisition strategy ultimately leads to profitable growth

Our acquisition strategy is based on intuition, long-term thinking and an unwavering focus on delivering profitable growth for our investors. Integrating entrepreneurial businesses into an existing group of engineering companies is a delicate balancing act. Which is why our primary mission, right from the very start, is to provide support and furnish our subsidiaries with the tools to help them thrive without restricting their entrepreneurial drive.



ENTREPRENEURSHIP – THE BEATING HEART AT XANO

Entrepreneurship has always been a big part of our DNA and you could say it is the beating heart at the centre of everything we do. It is something that has guided us over the years and continues to drive us today. Not least when it comes to our subsidiary selection and acquisition process.

It is no secret that we are fastidious about the businesses we acquire and very interested in the people behind them. We don't just evaluate companies based on their data and merits alone. Naturally, they must fulfil certain criteria, such as offering closely related products or services, demonstrating growth potential and contributing to the XANO Group as a whole. But we are also searching for entrepre-

neurial spirit, i.e. the people behind the company, and trying to ascertain whether their values, hopes and goals are in line with ours.

FINDING THE RIGHT COMPANY

Before moving forward in our selection process, we ask three basic questions about the business: is it a niche engineering company, is it entrepreneurial and does it have market-leading potential? If the answer to all three of those questions is yes, then we start taking a closer look.

During the evaluation period, we look for evidence of our three core values: entrepreneurial drive, long-term thinking and technical know-how. Key areas here are profitability, efficiency, scalability, development potential, technology level and niche-industry knowledge.

Although the companies we acquire are already successful in their niche markets, they have reached a certain point in their development where they are unable to take the next step without assistance. This could be because they lack the resources to scale up, are struggling to keep up with technological developments or are unable to envisage the feasibility, direction or methods for expansion into new markets.

MUTUAL TRUST

During evaluation, we spend a lot of time really getting to know the people behind the companies. Where they come from, what drives them and how they want to see their company develop. And, at this stage, it's also important that they understand who we are, how we operate and what our values mean to us.



The entrepreneurs and their teams are doing a lot of adapting and compromising, placing their trust in us and our business model. But at the same time, we are placing a lot of trust in them. We are relying heavily on their ability to follow our strategies and business plans, and to cooperate smoothly without losing momentum or enthusiasm. So establishing mutual trust at an early stage is key to a successful transition period.

INCORPORATION

Each new subsidiary is assigned to one of our three business units. This is determi-

ned by the profile of the acquisition object long before the actual deal is finalised, and the business unit manager concerned is highly involved in the acquisition process.

Together with the Group management team, the business unit manager is responsible for the onboarding and integration process. Drawing up strategies is a crucial part of this work with the ultimate goal of further developing the new company and ensuring it remains profitable – by doing what it does best.

6

**NEW COMPANIES
2019-2021**

Sustainability in focus

A sound corporate culture, a healthy working environment and committed employees are the basic preconditions for development and success. They are also the core of the Group's operations and, at the same time, the very definition of sustainability for XANO.

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 expertise, 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.

OUR SUSTAINABILITY WORK

The focus for the Group's sustainability work is that it should be an obvious part of the corporate governance. Through the involvement of stakeholders, in combination with implemented

risk and materiality analyses, we have identified areas that unite the expectations of our stakeholders and our conditions for making a difference.

When it comes to activities that affect the environment, our overall focus is on reducing climate emissions. In this respect, our work includes improving energy efficiency, selecting materials that have the smallest possible environmental footprint as well as increasing recycling. We aim to minimise our waste, and the waste that is generated by our operations must be dealt with in a manner that promotes circular material handling.

In order to attract new employees and be able to offer our staff opportunities to develop, regular activities will be carried out in all Group companies aimed at strengthening our brand as an employer. Systematic stakeholder involvement must be carried out to maintain long-term relationships with employees, customers and suppliers. We must ensure good business ethics by stipulating demands and through control in the supplier chain, as well as through ongoing internal training initiatives and following-up. Our companies must achieve and retain profitability through constant improvements, resource optimisation and cost awareness.

The Sustainability Report for 2021 has been prepared as a separate document from the Annual Report, and is published on the website, xano.se.





SIGNIFICANT SUSTAINABILITY ISSUES

- » Climate emissions and energy consumption
- » Material consumption and waste management
- » Employer branding
- » Responsible purchasing and quality
- » Financial results



SUSTAINABLE COLLABORATIONS

Through collaboration with customers, our companies explore new technologies that may contribute to a long-term sustainable development.

Read more on pages 34–35 and 44–45.



SMART MANUFACTURING MINIMISES CLIMATE EMISSIONS

We use smart production methods and manufacture products that are simple and versatile to gather in, sort and recycle. In this way, our companies are helping to minimise climate emissions.

Read about Industrial Products' work on pages 26–31.

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 36.6 million distributed between 7,288,800 Class A shares and 21,958,307 Class B shares, a total of 29,247,107 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 94,846,307. All shares have equal rights to dividends.

SHARE PRICE
2021

+151%



KEY FIGURES		2021	2020	2019	2018	2017
Net profit for the year	SEK m	342	195	163	171	158
Equity	SEK m	1,341	1,051	800	686	541
Balance sheet total	SEK m	3,495	2,486	2,081	1,994	1,520
Return on equity	%	28.8	21.1	21.8	27.6	33.6
Equity/assets ratio	%	38	42	38	34	36
Portion of risk-bearing capital	%	41	46	43	39	40
Cash flow from operating activities	SEK m	353	402	307	150	117
Average number of outstanding shares ¹⁾	thousands	28,992	28,435	27,895	27,894	27,627
Average number of outstanding shares after dilution ¹⁾	thousands	29,566	29,140	29,035	29,034	28,767
Average number of shares in own custody ¹⁾	thousands	255	291	292	292	560
Earnings per share ¹⁾	SEK	11.80	6.86	5.85	6.13	5.72
Earnings per share after dilution ¹⁾	SEK	11.69	6.76	5.70	5.97	5.57
Cash flow from operating activities per share ¹⁾	SEK	12.18	14.14	11.02	5.37	4.26
Total number of shares on the closing day ¹⁾	thousands	29,247	29,247	28,187	28,187	28,187
Number of shares in own custody on the closing day ¹⁾	thousands	255	255	292	292	560
Number of outstanding shares on the closing day ¹⁾	thousands	28,992	28,992	27,895	27,895	27,627
Equity per share on the closing day ¹⁾	SEK	46.25	36.25	28.68	24.58	19.59
Share price on the closing day ¹⁾	SEK	325.00	129.50	113.00	76.50	74.88
Share price in relation to equity per share	%	703	357	394	311	382
Proposed dividend per share ¹⁾	SEK	3.50	2.50	— ²⁾	2.00	2.00
Direct yield	%	1.1	1.9	—	2.6	2.7

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

²⁾ In order to safeguard financial latitude during the ongoing coronavirus pandemic, no dividend was paid out for 2019.

DEFINITIONS

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.

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.

Cash flow from operating activities per share

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

Earnings per share

Profit for the year in relation to the average number of outstanding shares.

Earnings per share after dilution

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.

Equity/assets ratio

Equity in relation to total capital.

Total yield

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

Further definitions can be found on page 85.

PRICE TREND

During 2021, XANO's share price rose by 151 per cent from SEK 129.50 to SEK 325.00. The highest price paid during the year was SEK 397.00 in August, while the lowest price paid was SEK 127.00 in January. The highest closing price was recorded on 4 August at SEK 386.00, while the lowest closing price being recorded on 4 January at SEK 132.00.

The number of shares sold totalled 3,312,775, which corresponds to a turnover rate of 15.1 per cent, and the combined value of the trading amounted to SEK 890 million. As at 31 December 2021, XANO's share value amounted to SEK 9,505 million, based on the latest closing price and the total number of

shares. The total return for the year amounted to 153 per cent. The average over the past ten years has been approx. 30 per cent, excluding the value of spun-off operations.

SHAREHOLDERS

The number of shareholders increased significantly during the year. At the end of 2021, XANO had 7,032 shareholders, compared to 4,422 shareholders at the corresponding time in the previous year. Of these, 6,726 were physical persons living in Sweden. The ten largest shareholders jointly held 93.7 per cent of the votes and 79.7 per cent of the capital. Institutional ownership made up 3.9 per cent of the votes and 12.7 per cent of the capital.

PRICE TREND AND TRADING VOLUMES 2017–2021



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

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 2021 financial year, the Board is proposing a regular dividend of SEK 3.50 (2.50) per share, totalling SEK 101.5 million (72.5) based on the number of outstanding shares at the end of the year. The proposed dividend corresponds to approx. 30 per cent (37) of the profit for the year and a direct yield of 1.1 per cent (1.9) calculated from the share price at the end of the year.

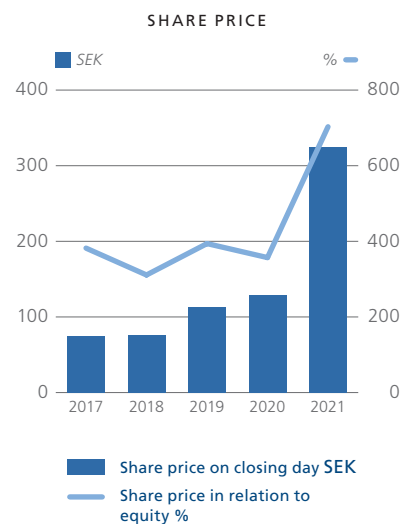
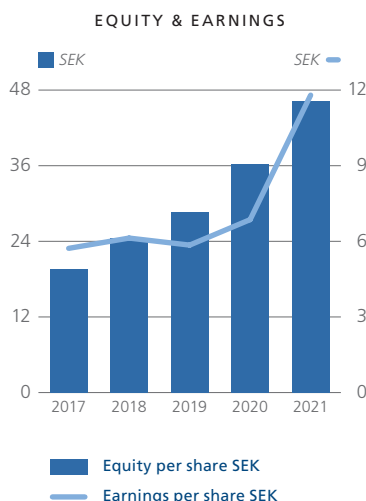
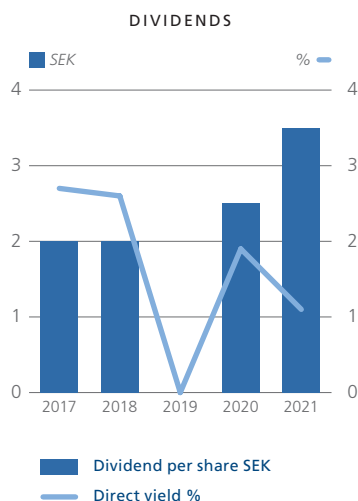
SHARES IN OWN CUSTODY

On closing day, the number of shares in own custody amounted to 254,566 of class B shares, corresponding to 0.9 per cent of total

share capital. Minus the shares held by the company, the number of outstanding shares amounted to 28,992,541 on the closing day. There have been no changes during the year.

CONVERTIBLE BOND PROGRAM

On 1 October 2020, 573,756 personnel convertibles were issued at a price of SEK 122 corresponding to a nominal SEK 69,998,232. The convertible bond runs from 1 October 2020 to 30 September 2023 at interest corresponding to STIBOR 3M with the addition of 1.75 percentage points. Each convertible can during the period 1 September to 12 September 2023 be converted into one class B share in XANO Industri AB. If all convertibles are converted into shares, the dilution will be approx. 1.9 per cent of the share capital and approx. 0.6 per cent of the voting rights based on today's total number of shares.



LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2021

Shareholder	Class A shares	Class B shares	Total number of shares	Proportion (%) of share capital	Proportion (%) of votes
Anna Benjamin and related parties	5,128,800	2,951,200	8,080,000	27.63	57.19
Pomona-gruppen AB	2,160,000	6,254,180	8,414,180	28.77	29.37
Stig-Olof Simonsson and related parties	–	2,037,546	2,037,546	6.97	2.15
Svolder AB	–	1,730,500	1,730,500	5.92	1.82
Kennert Persson	–	808,826	808,826	2.77	0.85
Petter Fägersten and related parties	–	600,800	600,800	2.05	0.63
Sune Lantz	–	485,000	485,000	1.66	0.51
Europea i Malmö AB	–	470,250	470,250	1.61	0.50
Christer Persson and related parties	–	376,800	376,800	1.29	0.40
Försäkringsaktiebolaget Avanza Pension	–	308,636	308,636	1.06	0.33
Total ten largest shareholders	7,288,800	16,023,738	23,312,538	79.71	93.74
Other owners	–	5,680,003	5,680,003	19.42	5.99
Total number of outstanding shares	7,288,800	21,703,741	28,992,541	99.13	99.73
Shares in own custody	–	254,566	254,566	0.87	0.27
Total number of shares	7,288,800	21,958,307	29,247,107	100.00	100.00

Each Class A share carries ten votes and each Class B share one vote.

Source: Euroclear

SHARE DISTRIBUTION AS AT 31 DECEMBER 2021

Share type	Number of shares	Proportion (%)	Number of votes	Proportion (%)
Class A shares	7,288,800	25	72,888,000	77
Class B shares	21,958,307	75	21,958,307	23
Total	29,247,107	100	94,846,307	100
Of which in own custody	-254,566		-254,566	
Total outstanding	28,992,541		94,591,741	

Number of shares	Number of shareholders	Proportion of shareholders (%)	Proportion of shares (%)	Proportion of votes (%)
1 – 500	6,080	86.62	1.41	0.43
501 – 1,000	311	4.43	0.81	0.25
1,001 – 5,000	462	6.58	3.57	1.10
5,001 – 10,000	70	1.00	1.75	0.54
10,001 – 50,000	67	0.95	4.40	1.35
50,001 – 100,000	11	0.16	2.71	0.84
100,001 –	18	0.26	84.48	95.22
Total outstanding	7,019	100.00	99.13	99.73
Shares in own custody			0.87	0.27
Total			100.00	100.00

In owner groups.

Source: Euroclear

SHARE CAPITAL TREND

Year	Transaction	Change in share capital, TSEK	Total share capital, TSEK	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	589	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
2020	New share issue due to conversion	1,325	36,559	29,247,107	1.25

Group overview

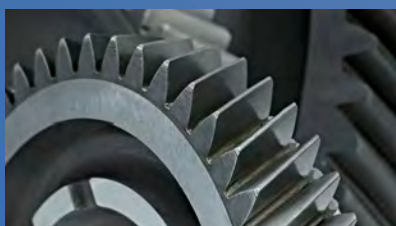
The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The operations are divided into the Industrial Products, Industrial Solutions and Precision Technology business units.



4%

MARINE

Boats for the public sector and private use, buoys and other floating elements to marinas and fish farms. Components for power transmission in ships.



11%

AUTOMOTIVE

Metal and plastic components for passenger cars and heavy vehicles, such as transmission parts, air ducts, pipes, tanks and containers.



11%

OTHER TECHNICAL INDUSTRY

Components for the electronics and power industry as well as for tool making and material handling, furniture accessories and consumer products.





55%

PROPRIETARY PRODUCTS & SYSTEMS

Automation equipment and software solutions, boats and float elements, industrial tanks, water purification systems and furniture accessories.

45%

CUSTOMER-SPECIFIC MANUFACTURING

Metalworking through drilling, turning, milling, edge bending, laser cutting and 3D printing. Production of plastic components using blow moulding, injection molding and rotational moulding technology.

45%

PACKAGING & FOOD

Automation solutions for packaging and food handling in the form of conveyors, accumulators, packaging machines and control systems.



16%

MEDTECH / PHARMA

Components for X-ray and dialysis equipment, products for handling and storage of pharmaceuticals, software solutions for controlling production flows.

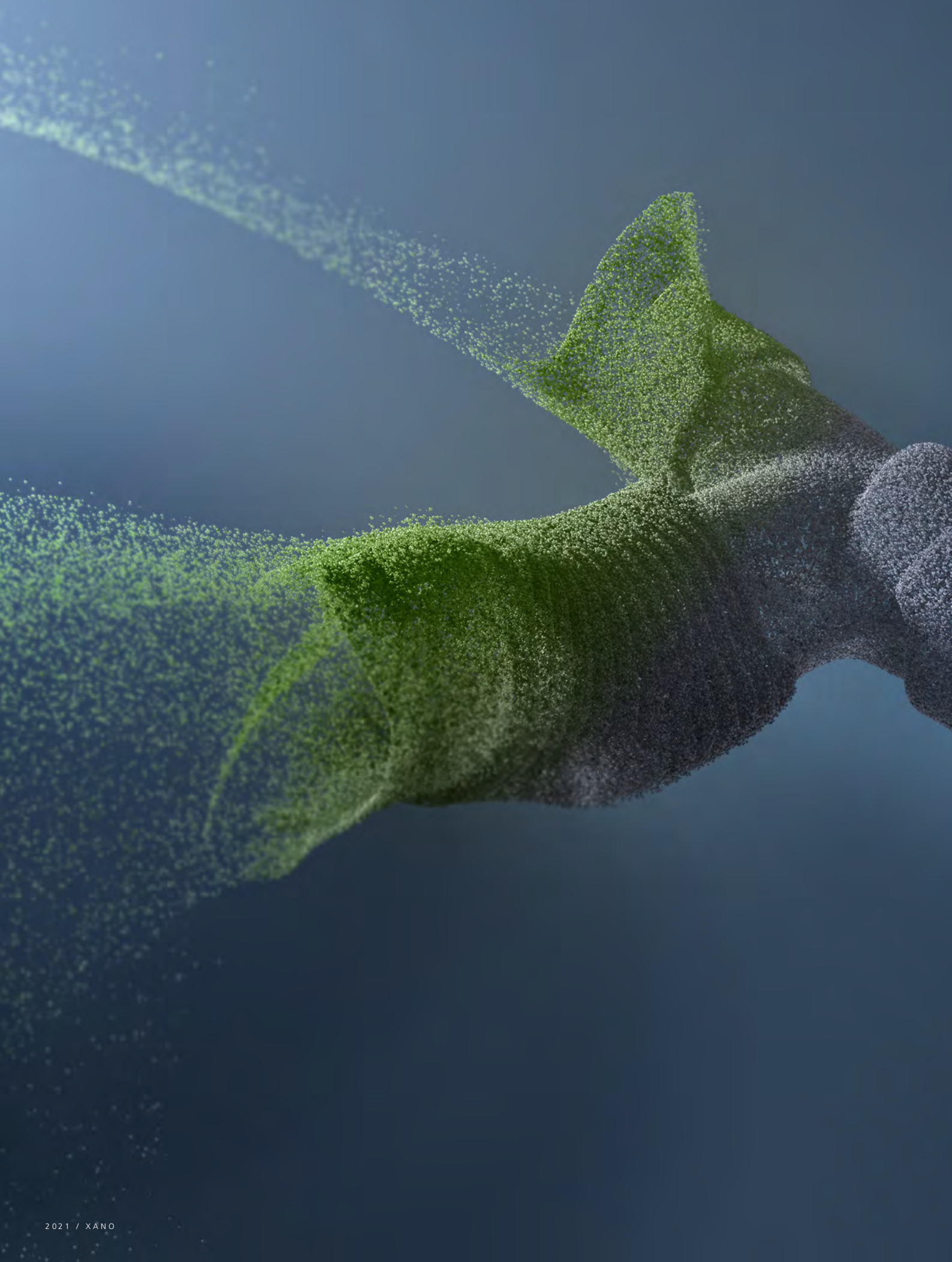


13%

INFRASTRUCTURE & ENVIRONMENT

Water purification systems and pumps for environmental protection. Components for agricultural and civil engineering equipment, defence equipment, measuring equipment and climate systems.





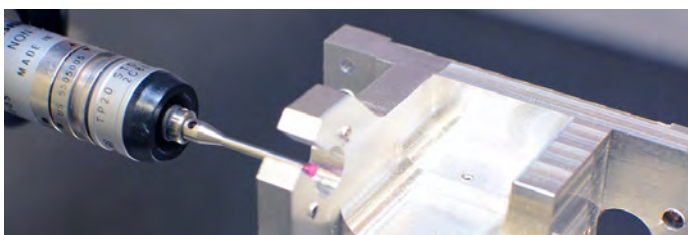
Our business units



26 INDUSTRIAL PRODUCTS



36 INDUSTRIAL SOLUTIONS

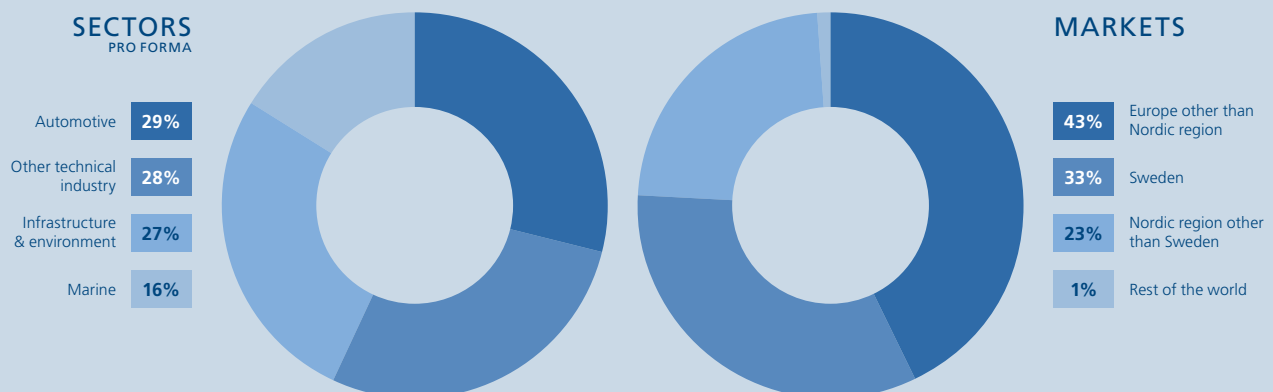


46 PRECISION TECHNOLOGY



Industrial Products

The business unit is made up of Ackurat, Blowtech, Cipax and PRM. 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 and other technical industry. Cipax is a market leader within rotational moulding in the Nordic and Baltic regions, with product segments including boats, industrial tanks and infrastructure solutions. PRM manufactures products through rotational moulding of polymer materials, and has Europe's largest moulding machine at its disposal.





CUSTOMER-SPECIFIC ASSIGNMENTS

The business unit's companies have production and service functions at their disposal, which make it possible to carry out complete assignments for customers, covering everything from project management and design to manufacturing, assembly and distribution. The goal of each assignment is to achieve the best production economics and functionality, regardless of whether this relates to an individual product or a total solution.

The processing of polymer materials constitutes the foundation for the operations within Industrial Products. The companies employ production methods such as blow moulding, rotational moulding and injection moulding. A wide range of post-machining services are also offered, and the business unit possesses extensive experience of the system assembly of complex product solutions.

PRODUCTS DEVELOPED IN-HOUSE

Industrial Products has several proprietary product ranges, such as boats and marine products, as well as containers, tanks and material handling solutions intended for industrial use. In-house solutions for sustainable individual drains are also being developed. In addition, the business unit produces a wide range of small components that add functionality in the design of products such as furniture, fittings and rehabilitation equipment.

CUSTOMER STRUCTURE

Global manufacturers of heavy vehicles and cars make the largest single customer segment for the companies in the business unit. The infrastructure sector includes customers that manufacture agricultural and construction machinery, as well as climate systems and water treatment solutions. Other major customer groups include marinas, furniture and fittings producers and other technical industries. The proprietary boat range is sold to the public sector as well as to private individuals via a network of dealers.



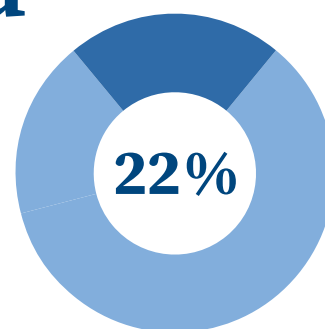
LATEST ACQUISITION

PRM ROTOMOULDING

PRM is a technical rotational moulding company with operations in Rijssen, in the Netherlands. The operations include the development and manufacture of products and systems through the rotational moulding of polymer materials. The company has Europe's largest moulding machine at its disposal. Its customers are made up of leading European companies in sectors such as infrastructure and agriculture. PRM has 54 employees and a turnover of approx. EUR 11 million.

Sustainable growth through reinforced collaborations

The business unit experienced a generally rising level of activity on affected markets. Growth stood at 28 per cent compared to the previous year, of which 4 per cent related to newly acquired operations. Operating profit improved by 26 per cent.



PROPORTION OF
THE GROUP'S REVENUE

2021 IN BRIEF

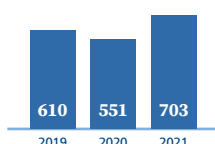
Good market development overall resulted in higher volumes in respect of both customer-specific assignments and products developed in-house. The rate of growth was relatively even across the primary geographic markets, i.e. Sweden, the rest of the Nordic region and the rest of Europe. In the wake of the Corona-virus pandemic, the supply of materials has been a high-priority topic. Thanks to long-term collaborations and active purchasing work, the business unit's companies were still able to deliver with good quality and a high level of precision. With large-scale assignments, for example within the automotive sector, parts of the operation were challenged by postponed project deliveries when

customers were affected by the shortage of input goods. The impact of this was limited by good cost control and a favourable product mix overall, with a high share of proprietary products.

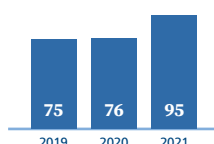
COLLABORATIONS FOR SUSTAINABLE DEVELOPMENT

The companies in the business unit are working closely together regarding the development of sustainable manufacturing methods and product solutions. The joint activities are linked in the first instance to material recycling, energy efficiency and reduced emissions. More and more strategic discussions regarding climate-smart deliveries are also being conducted with customers, includ-

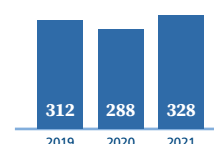
NET SALES (MSEK)



OPERATING PROFIT (MSEK)



EMPLOYEES (AVERAGE)



703

Net sales MSEK

+27.6

Growth %

95

Operating profit MSEK

13.6

Operating margin %

328

Employees average



ing automotive manufacturers, and a number of collaborative projects are under way with sustainability being one of the most significant business criteria. Collaborations of this type are fully in line with the business unit's sustainability focus, and are also generating new business opportunities. Through the acquisition of PRM, which has its own resources for recycling plastic material at high quality, the business unit has further strengthened its environmental profile. This is an important competitive factor, as both industrial customers and consumers are increasingly demanding products and solutions with the least possible environmental impact.

NEW ACQUISITIONS STRENGTHENING OPERATIONS

In November, the business unit was expanded with yet another niche, market-leading company, which is supplying complementary technical expertise and sustainable production solutions. The Dutch rotational moulding specialist, PRM, represents a good complement to the existing operation, and at the same time is strengthening the business unit's market position in Northern Europe. With Europe's largest moulding machine in their factory, PRM is also expanding the joint offering. Two of the business unit's areas of focus are collaboration and the exchange of knowledge, particularly when it comes to sustainable production. The expertise that PRM is bringing will have a very positive impact on the work of developing sustainable solutions for the recycling and reuse of plastic material.

OPPORTUNITIES & CHALLENGES

The order situation is generally good. The proprietary product offering is continually being strengthened, and the positive trend is expected to continue above all for infrastructure solutions and boats. The newly acquired company PRM has expanded the market opportunities in Europe, as well as adding capacity to manufacture really large products. The digital investment is continuing, and the "Build your tank" concept has provided designers in various segments with the tools to easily design and order industrial tanks in line with specific requirements.

Cipax's operations in Norway have been divided up into two operational units, with boat manufacture being separated out under the company name Pioner. This refinement process is creating the conditions to focus fully on the activities that provide the best return for each operation.

The business unit's sustainability profile has been further strengthened through the addition of PRM and the collaboration within NPR. Solutions that are reducing the climate footprint are being developed through both in-house initiatives and long-term partnerships.

The current shortage of materials has been successfully managed through agreements with raw material suppliers, although the delivery times have been significantly extended. The shortage of components at customers is also resulting in projects being postponed at short notice. There is a risk that the price increases witnessed in recent months will remain in force. Adjustments in relation to customers are continually being made in order to compensate for the higher purchasing costs. In the wake of the pandemic, sickness absence has also been higher than normal at the start of 2022, and there have been challenges associated with the recruitment of new personnel.

Reflections & Insights

Interview with business unit manager Matz Svensson as he shares his thoughts on the past year with a few personal reflections and insights.



WHAT HAS BEEN THE BIGGEST CHALLENGE FOR YOUR BUSINESS UNIT THIS YEAR?

Faced with a combination of two contrasting extremes – significant growth combined with a global material shortage in the wake of the pandemic – we had to find solutions that enabled us to meet our customers' demands. Despite these challenging conditions, not only did we keep up our delivery performance, we also managed to generate organic growth and improve our market position.

WHAT ELSE HAVE YOU BEEN FOCUSING ON?

Our biggest development within the Industrial Products business unit this year has been the acquisition of Dutch plastic rotomoulding specialist PRM, owner of Europe's largest rotational moulding machine. A development that will enable us to supply even larger products, offer our customers a more comprehensive range and significantly increase our market presence throughout Northern Europe.

The various processes involved with bringing this new acquisition onboard has therefore been one of my main priorities. Another priority has been the ongoing development of our proprietary products, for which we see steadily increased business opportunities.

An important recurring priority topic every year, for all of the companies in XANO Group, is collaboration and knowledge sharing. In particular with regard to sustainability for the companies within my business unit, who are constantly pursuing new ideas for more sustainable products and processes. It is something we have been doing to a greater or lesser extent for the past ten years. But we are now witnessing a more tangible urgency throughout our industry in response to the growing environmental awareness.

SO YOU NOTICE AN INCREASE IN DEMAND FOR SUSTAINABLE SOLUTIONS?

Absolutely, but only in recent years, even though we have been making quite some progress with the sustainability of our own products for a long time. Due to global sustainability goals, more and more companies are now looking for ways to reduce their carbon footprint. So we are thankful we began developing sustainable solutions as early as we did. Because it meant we were well prepared when customers first started asking us for solutions to help them reach their own emission targets. There are, in fact, a lot of opportunities for growth already emerging in this area. For example, we are currently developing a carbon footprint evaluation model that will enable businesses to make informed decisions about their sustainability choices.

Circularity is a popular word in my business unit, and a lot of our work is centred around achieving a circular economy. Our goal is to keep all of our materials within the loop, by using the right materials from the start and ensuring everything is possible to recycle with a focus on quality. We have been collaborating with industry colleagues since 2016 to develop sustainable solutions for the recovery and recycling of plastics. However, establishing an efficient ecosystem for collection, sorting and recycling processes takes time.

HOW HAS THE ACQUISITION OF PRM CONTRIBUTED IN THIS AREA?

PRM had already accumulated extensive knowledge of sustainability and circularity before joining the XANO Group. Which, when combined with both the capacity and the resources to recycle their own high-quality raw materials, makes PRM an ideal complement to our existing operations. Their skills and resources will contribute greatly in our efforts to take control of the entire value chain and reduce our own carbon footprint.

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Collaboration and knowledge sharing are important recurring priority topics.



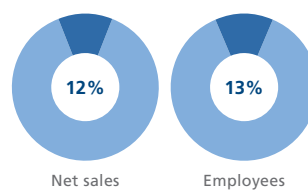
PRM ROTOMOULding	2021
BLOWTECH	2018
PIONER BOAT	2006
CIPAX	1994
ACKURAT	1987

ACKURAT

Bąkowo / Helsinki / Lammhult

Net sales	SEK m	95.6
Growth	%	+19.1
Employees	average	45

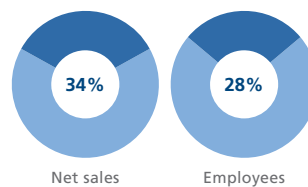
Share of business unit

**BLOWTECH**

Gnosjö / Kongsvinger

Net sales	SEK m	272.0
Growth	%	+23.6
Employees	average	103

Share of business unit

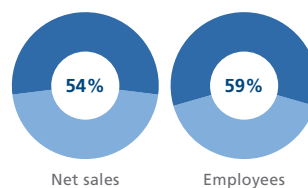
**CIPAX (incl. PRM)**

Bjørkelangen / Helsinki / Skebobruk / Taebå / Rijssen

Net sales	SEK m	439.6
Growth	%	+28.1
Employees	average	215

Pro forma

Share of business unit





ACKURAT

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, fittings and machinery.



BLOWTECH

Blowtech works with technical blow moulding of plastic. The production facilities in Sweden and Norway produce components for vehicles and construction machinery, as well as for systems within infrastructure, in medium to large series. The blow moulding method has a certain amount in common with glassblowing, 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.

AVERAGE NUMBER OF
EMPLOYEES

328



CIPAX

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 of product design facilitates the manufacture of complex items in sectors such as marine, infrastructure, automotive and other technical industry.



PRM

PRM is a technical rotational moulding company with a strong focus on quality, flexibility and sustainability. The company has its own resources for recycling plastic raw materials to high quality. Over 30 years of experience in the industry has resulted in extensive technical and material knowledge. PRM has Europe's largest moulding machine and can handle products with dimensions of up to 6.5 meters. Customers are leading European companies in sectors such as infrastructure and agriculture.

A genuine passion for sustainability

We are constantly looking for innovative ways to improve our sustainability performance and that of our customers, with the ultimate goal of minimising our combined environmental impact. A significant part of this work involves helping customers achieve their emission targets but, as with much else in this world, progress usually begins at home.

INNOVATIVE SOLUTIONS FOR SUSTAINABLE BUSINESS

As part of our efforts to reduce our combined carbon footprint there has been a major focus on sustainable products and sustainable production methods in the Industrial Products business unit lately. We are currently involved in several collaboration projects to reduce energy consumption and increase recycling volumes. This includes tasks like product design analysis, which enables us to identify potential improvements that minimise material usage and reduce transportation emissions.

Another crucial issue from an environmental perspective is choosing the right material. We work with 100% recyclable polymers and offer lightweight alternatives. Unfortunately, access to high-quality recycled plastic is still limited but, through various recycling initiatives, we are steadily helping to increase this share.

We also began looking at ways to reduce our own post-industrial waste a few years ago to ensure that we were never discarding virgin plastic. Keeping all of our material in the loop, where we are either able to use it ourselves or it is used by one

of our partners, is something we really strive for.

HELPING COMPANIES MAKE INFORMED DECISIONS

There have also been several groupwide circular initiatives, such as the carbon footprint evaluation model that will be used by companies in the Industrial Products business unit. By providing detailed production data for our proprietary products, including the proportion of recycled material and the type of energy that was used in the manufacturing process, our emissions evaluation model enables us to help our customers make informed decisions about their choices and easily measure their own carbon footprint.

Some of these initiatives do require investments, because a lot of the technology we are currently working with is cutting edge and sometimes even unique. But they are investments that are essential for the survival of the planet, the survival of the manufacturing industry and the survival of a lot of companies if they are to achieve their emissions targets in time.

“We work with 100% recyclable polymers and offer lightweight alternatives that minimise material usage and reduce emissions.”



PLASTIC IS AN AMAZING MATERIAL – WHEN USED THOUGHTFULLY

For a long time, plastic suffered a less than ideal reputation from a sustainability perspective. But things have finally started to turn around, thanks to a shift in focus towards the actual problem, i.e. how we discard or reprocess the material once we are done with it. An increasing number of organisations are now focusing on using the right plastic and disposing of it in the right place, which means there are more and more opportunities for us to be part of that journey.

At XANO we are making real progress in the areas of plastic recycling, waste reduction and optimisation of material consumption. And we are constantly developing new solutions and products that enable convenient recycling options, moving more manufacturing towards recycled products and designing better markings to make products easier to recycle.

HELPING TO PREVENT WASTED RESOURCES

The growing challenge now, however, is that the global demand for high-quality recycled

plastic supply far outweighs current supply levels as a result of inadequate collection, sorting and recycling processes. By sharing what we know, our ambition is to help the recycling industry reduce the amount of valuable and reusable materials currently being incinerated unnecessarily.

”

Our ultimate goal is to minimise our combined environmental impact.

These days, a product made from recycled material is of greater value than one made with completely virgin material, and this is particularly true when it comes to plastic. Therefore, by actively contributing to the development of the recycling industry and by helping to reduce each product's carbon footprint, we are in turn helping our customers and their consumers to reduce their own carbon footprint while also creating more marketable products.

THE VALUE OF PLASTIC RECYCLING



When we use 1 kg of virgin polyethylene (PE) in the manufacture of plastic products, almost 2 kg of carbon dioxide emissions are generated. If we recycle the material and use it again, the amount of emissions is reduced by roughly half.

By using smart production methods, the amount of material can be reduced and energy efficiency can be raised. If the products are also designed in a way that makes them easy to gather in, sort and recycle, the total amount of greenhouse gas emissions can be further minimised.



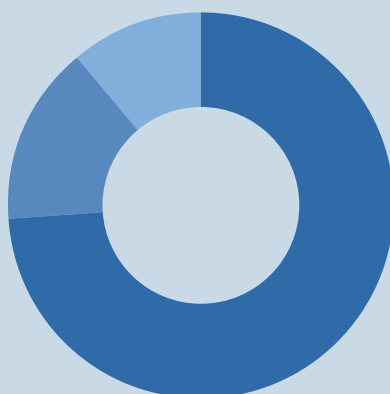


Industrial Solutions

The business unit is made up of Canline, Case Packing Systems (CPS), CIM, 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. CIM provides end-to-end production software solutions. 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 the environment.

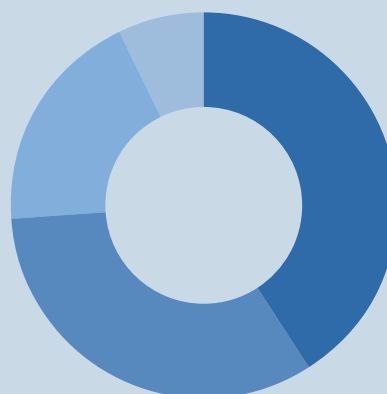
SECTORS PRO FORMA

Packaging & food	74%
MedTech/Pharma	15%
Infrastructure & environment	11%



MARKETS

41%	Europe other than Nordic region
33%	Rest of the world
19%	Sweden
7%	Nordic region other than Sweden





PRIMARY, SECONDARY AND TERTIARY PACKAGING

A can is primary packaging because the liquid is in the can. If you put the can in a box, that's secondary packaging. When you put the box on a pallet, it becomes tertiary packaging.

BUSINESS UNIT OFFERING

Automation equipment is the principal line of business for the Industrial Solutions companies. Both separate units and full turnkey solutions are developed, built and installed at customer sites all over the world. Conveying and buffering systems, packaging machines and trays are a few examples of included elements. Some machines control production flows of carton packaging, metal cans and ends, while others handle all kinds of packages for liquids such as pouches, bags and bottles. Business unit companies offer customised end-to-end solutions for various production environments. General demands are high-speed, gentle handling, flexible transport, clean environment requirements and product quality check.

CROSS-SECTOR SERVICES

The combined offering covers a wide range of services. These include advanced product solutions using automated sheet metal processing and system assembly as well as end-to-end software solutions enabling customers to make business critical decisions based on reliable data. The development and manufacture of automation equipment is supported by rapid prototyping using 3D printing, robot integration and line control. Digital technologies provide instant remote access and constant availability. From single unit to pallet level, business unit solutions offer unique identification and full traceability.

PRIMARY CUSTOMER PROFILE

The business unit serves global players in the packaging, food and pharmaceuticals industries. Other important customer segments are medical technology, infrastructure and energy. The collective demanding drivers in the business are efficiency, flexibility, quality, hygiene and traceability.



LATEST ACQUISITIONS

CASE PACKING SYSTEMS

CPS develops, manufactures and sells systems for fully automated handling primarily of food packaging. Sales take place globally with Europe as the main market. CPS delivers efficient packaging machines, that substantially improve the customers' packaging process while reducing material usage and costs.

CPS is located in Stramproy, the Netherlands. The company has 70 employees and annual turnover amounts to approx. EUR 25 million.

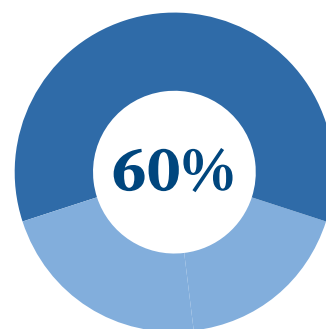
CIM INDUSTRIAL SYSTEMS

CIM is a leading production software specialist.

Based on own frameworks and products, CIM provides end-to-end production software solutions within Industrial IoT, Track & Trace/Serialisation, Machine Vision and Test & Measurement, as well as related custom work. CIM's solutions enable their customers to make business critical decisions based on reliable data. Customers include blue-chip pharmaceutical and infrastructure companies.

CIM is located in Denmark and employs 50 people. Annual sales totals approx. DKK 65 million.

Significant growth and strong profits



PROPORTION OF
THE GROUP'S REVENUE

An extended period with a high influx of project orders generated significant growth and strong profits. Sales rose by 41 per cent, of which 16 per cent related to newly acquired companies. Operating profit improved by 66 per cent compared to the previous year.

2021 IN BRIEF

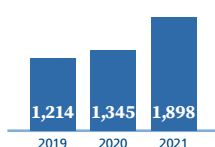
Overall, the financial results for the business unit exceeded our initial expectations and we achieved higher intake and revenue levels than last year. Previously implemented organisational changes and continued work focusing on efficiency at every stage resulted in strengthened profitability. Several markets developed well, and the companies in the business unit reached considerable success geographically, including the USA. A number of new automation assignments were won within neighbouring business areas, for example in relation to batteries for electric vehicles. These projects affect several of the business unit companies, and there are good opportunities for coordination. Although travelling in the beginning of 2021 was still problematic, the progress in vaccinations against the Coronavirus has given us the opportunity

to finish projects more efficiently. We were, however, affected by more supply chain issues and the shortages on the labour markets.

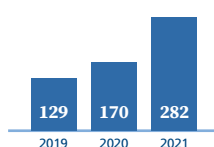
ONBOARDING NEW COMPANIES

In May, we had the opportunity to welcome two new companies to our business unit. Dutch enterprise CPS develops systems for automated handling primarily of food packaging. The solutions adjoin and complement existing business unit operations. Danish enterprise CIM is a leading production software specialist providing end-to-end solutions based on own frameworks and products. Both companies traditionally work in segments where our presence were low before. CPS adds specialist expertise in its automation niche. The introduction of CIM in the business unit

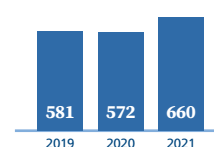
NET SALES (SEK M)



OPERATING PROFIT (SEK M)



EMPLOYEES (AVERAGE)



1,898

Net sales SEK m

+41.2

Growth %

282

Operating profit SEK m

14.8

Operating margin %

660

Employees average



has already proved that we touch new dimensions. We see great potential in further servitisation and in-depth connections with customers. The business unit now has the potential to provide complete turnkey solutions with its own added software intelligence and with that the strength to carry out extensive and complex automation assignments.

NEW MARKETS AND BUSINESS AREAS

Sectors such as food, medical technology and sustainable energy solutions have developed strongly. Through increased exchanges with new players in these sectors, there are great business opportunities to be explored for the Industrial Solutions companies. Here it is important to use innovative approaches and respond to the expectations related to each stakeholder.

Automation solutions for the manufacture of electric vehicle batteries are a new operational area for the business unit. With the aim of creating a network for the exchange of knowledge and information about development projects, we launched the BatteryLine collaboration portal. In the beginning of the year, large orders were received within this segment. To take the next step will take some time due to extended decision making by the main players for investments in Europe and the US.

Overall, we see more business opportunities in the US and our marketing efforts in North America picked up towards the end of the year, after previously having been hampered by pandemic restrictions. We can really see the potential of this market in the different customer segments we are serving. A fair share of the business unit's future growth is expected to come from this market and the decision makers for worldwide projects in it.

OPPORTUNITIES & CHALLENGES

For the companies in Industrial Solutions, there are opportunities to contribute to responsible development in many industries. With our combined expertise and in collaboration with customers in industries such as packaging, food, pharmaceuticals and infrastructure we can create sustainable business. This concerns both projects that are already underway and new initiatives focusing on the transition to environmentally friendly technology, where we can contribute our expertise and experience.

Linked to the transition from fossil-based to renewable energy, there is rapid growth in new business areas such as manufacturing electric vehicle batteries. Our companies have extensive knowledge of automation processes in related sectors and participate in the work of developing solutions that facilitate the transformation.

Collaborations within the business unit drive the development of new business models for aftermarket and advanced services. Tailored software applications are added to our offering to increase value to our customers through optimised product solutions and lower operating costs.

As we enter new geographic markets outside Europe, our competitiveness increases. Our efforts to strengthen our presence in, for example, the US have entailed initial costs, but here we see good business opportunities in the future.

Rising prices and increasing shortages of materials and components pose major challenges to our strategic supply chain partnerships. Active work is underway here to maintain a close dialogue with critical parties and secure deliveries to our customers.

Reflections & Insights

Interview with business unit manager Frans Augustijn as he shares his thoughts on the past year with a few personal reflections and insights.



WHAT HAVE BEEN YOUR MAIN FOCUS AREAS WITHIN INDUSTRIAL SOLUTIONS THIS YEAR?

That would have to be the acquisitions of Dutch company Case Packing Systems (CPS) and Danish company CIM Industrial Systems (CIM). CPS, who became part of the XANO Group in May 2021, specialise in secondary packaging and supply fully automated solutions for the handling of sensitive products like fresh vegetables and frozen food. CIM, who also joined the XANO Group in May, provide end-to-end software solutions within industrial IoT, track & trace/serialisation, machine vision and test & measurement.

WHAT WAS THE STRATEGY BEHIND THE ACQUISITION OF CPS?

Although we have a lot of experience in packaging, our focus up until recently has been on primary packaging and the related industries. But when it comes to new acquisitions, not only do we look for companies with excellent growth potential, we are also interested in companies that can contribute to a better market position for our other subsidiaries.

So when we're evaluating potential acquisitions for this business unit, one of our main criteria is that they're strong within packaging specifically. This is in addition to other XANO Group requirements like expertise, long-term approach, entrepreneurial drive, niche market leadership, etc. We try to imagine how our combined expertise and technology might benefit our customers and, consequently, our investors. CPS was very interesting because it ticked all the boxes despite not being in the primary packaging industry.

WHAT WAS THE STRATEGY BEHIND THE ACQUISITION OF CIM?

As a leading production software specialist, CIM is doing a lot of work in data mining, data analysis, artificial intelligence, vision inspection, track & trace applications, in addition to related

custom work. Basically, they enable blue-chip pharmaceutical and infrastructure companies to make business-critical decisions based on reliable data.

We had been looking into developing this kind of technology ourselves for several years, with the objective of introducing time-saving systems and industry 4.0 solutions throughout the XANO Group. But then we found CIM and our plans changed, because we were so impressed with what they had developed.

CIM is already a profitable business that will continue to grow, simply by supplying systems to the company's existing markets. But another, more important benefit for the XANO Group is the difference CIM's technology can make for all of the other companies in the Group.

HOW WILL THIS NEW TECHNOLOGY BENEFIT THE XANO GROUP?

Take servitisation, for example, which could be described as earning money from equipment you have already installed. Normally, machine builders will visit the site, install the machinery and then receive payment. But with servitisation, we continue to generate revenue from each machine long after it has been installed.

Then, of course, there is the business intelligence dimension which has enormous potential for revenue generation. Not to mention the added value this type of supplementary service provides. The technology is similar to something we used during an installation project in Australia, where distance and time differences were creating challenges. Using remote data collection, we were able to see how the line was running and make any necessary adjustments from Europe during their downtime.

This means you're more or less on site all the time, which is a major advantage when setting up new machines. Starting up new equipment is a difficult period because a lot of things need to fit together and synchronise, and if something isn't going according to plan then it will affect the whole system. But finding the

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The time-saving potential of using new technology is huge.



problem isn't always easy, even when you are on site. These lines are sometimes 100m long, so how do you locate the problem?

When you're collecting data, however, you can immediately see where the system is not running well or when something needs to be rectified. The time-saving potential of using CIM's technology is huge. Imagine the savings you can make just by reducing the amount of time people need to spend on site.

Then of course, and perhaps most important of all right now, are the environmental benefits of having complete control over your production line. Being able to see where the problems are shortens the learning curve and any issues can be remedied before they produce piles of unnecessary waste.

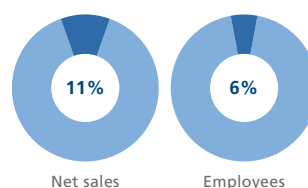
CIM INDUSTRIAL SYSTEMS	○	2021
CASE PACKING SYSTEMS	○	2021
POLYKETTING	○	2018
JORGENSEN ENGINEERING	○	2016
CANLINE	○	2015
FREDRIKSONS	○	2006
NPB AUTOMATION	○	2005

CANLINE

Eersel / Chicago

Net sales	SEK m	240.0
Growth	%	+68.5
Employees	average	42

Share of business unit

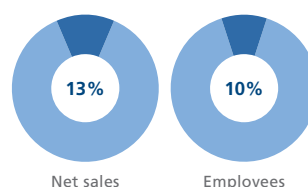
**CASE PACKING SYSTEMS (CPS)**

Stramproy

Net sales	SEK m	287.9
Growth	%	+34.4
Employees	average	74

Pro forma

Share of business unit

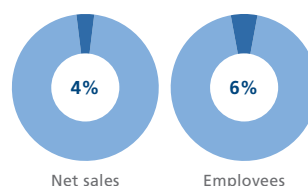
**CIM INDUSTRIAL SYSTEMS**

Fredericia / Hørsholm / Viby

Net sales	SEK m	90.8
Growth	%	+4.3
Employees	average	41

Pro forma

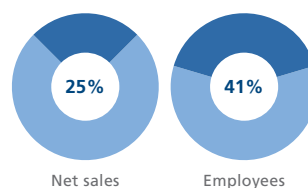
Share of business unit

**FREDRIKSSONS**

Vadstena / Suzhou

Net sales	SEK m	551.7
Growth	%	+3.9
Employees	average	291

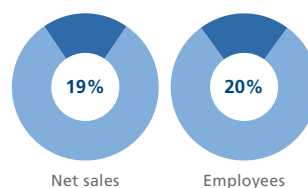
Share of business unit

**JORGENSEN ENGINEERING**

Odense / Houston

Net sales	SEK m	411.6
Growth	%	+12.8
Employees	average	139

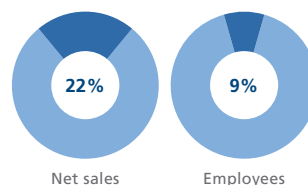
Share of business unit

**NPB AUTOMATION**

Jönköping / Chicago

Net sales	SEK m	473.2
Growth	%	+54.8
Employees	average	64

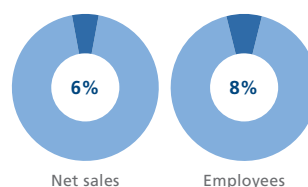
Share of business unit

**POLYKETTING**

Zelhem

Net sales	SEK m	124.6
Growth	%	+47.3
Employees	average	57

Share of business unit





CANLINE

Canline develops and manufactures automation equipment, primarily conveyor systems for metal packaging. The equipment is based on proprietary technology that is unique in the sector, and the company possesses specialist expertise in design, mechanics and electrical control. Installations are performed all over the world, above all for customers in the packaging industry.



CASE PACKING SYSTEM (CPS)

CPS develops and manufactures systems for fully automated handling primarily of food packaging. Sales take place globally with Europe as the main market. CPS delivers efficient packaging machines, that substantially improve the customers' packaging process while reducing material usage and costs.



CIM INDUSTRIAL SYSTEMS

CIM is a leading production software specialist. Based on own frameworks and products, CIM provides end-to-end production software solutions within Industrial IoT, Track & Trace/Serialisation, Machine Vision and Test & Measurement, as well as related custom work. CIM's solutions enable their customers to make business critical decisions based on reliable data.



FREDRIKSONS

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 the environment. Fredriksons also develops and manufactures conveyor solutions, principally for large Swedish companies with international operations. Fredriksons' Chinese unit primarily manufactures and supplies sub-systems and complete solutions intended for food handling and bio-processes.



JORGENSEN ENGINEERING

Jorgensen develops and manufactures automation equipment and complete packaging handling systems. Through extensive automation expertise, both mechanical equipment and control systems are optimised for maximum efficiency at every stage. The customers are world-leading players within the infant formula, food, healthcare and pet food segments. The company conducts installations all over the world, but Europe constitutes its main market.



NPB AUTOMATION

NPB develops and manufactures automation equipment, primarily end-handling solutions for can-related products. The equipment is based on proprietary technology that is unique in the sector, and the company possesses specialist expertise in design, mechanics and electrical control. Installations are performed all over the world, above all for customers in the packaging industry.



POLYKETTING

Polyketting develops and manufactures 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.

AVERAGE NUMBER
OF EMPLOYEES

660

Joining forces, sharing expertise and furthering sustainable mobility

Due to the rapid developments in the electric vehicle market over the past few years there is now a considerable demand for EV batteries, and manufacturers are scrambling to increase their production capacity and meet those demands. There is a lot of potential for growth in this relatively new niche market, but most of the expertise and necessary technology is yet to be developed.

DEVELOPING A NEW NICHE MARKET

XANO Group companies have been supplying advanced, state-of-the-art production lines for a long time, gradually adapting equipment and technology with each new market development. Developing a production line solution for a completely new product category requires extensive product research, and EV batteries is no exception.

In order to meet rising demands, the battery manufacturing industry is currently undergoing a shift away from semi-automatic factories towards large, high-tech manufacturing units and highly automated data-driven solutions. However, the industry is also constantly developing different types of batteries, in different sizes and using different raw materials, offering manufacturers and their clients a vast range of options to choose from. Which is one of the biggest challenges right now for manufacturers wishing to become fully automated, as these constant production line changes to accommodate each new attribute require an unusually high degree of flexibility.

SHARING EXPERTISE

Due to the urgency surrounding EV battery production volumes, combined with the specific demands of this emerging branch of manufacturing, experts from various disciplines and industries are now having to collaborate over production processes, automation systems and other industry 4.0 solutions to meet growing market needs.

Sharing knowledge throughout the XANO Group, as well as with our industry partners, has always come naturally to us. Which is why we felt that the obvious solution to the challenges faced by EV battery manufacturers was to create a knowledge hub for experts in the battery production industry.

Using our existing knowledge of production lines and, together with experts from the various disciplines, we are now sharing our expertise and furthering the development of sustainable mobility through our Batteryline Network – the only platform for experts to go for the latest information about battery production and recycling processes.



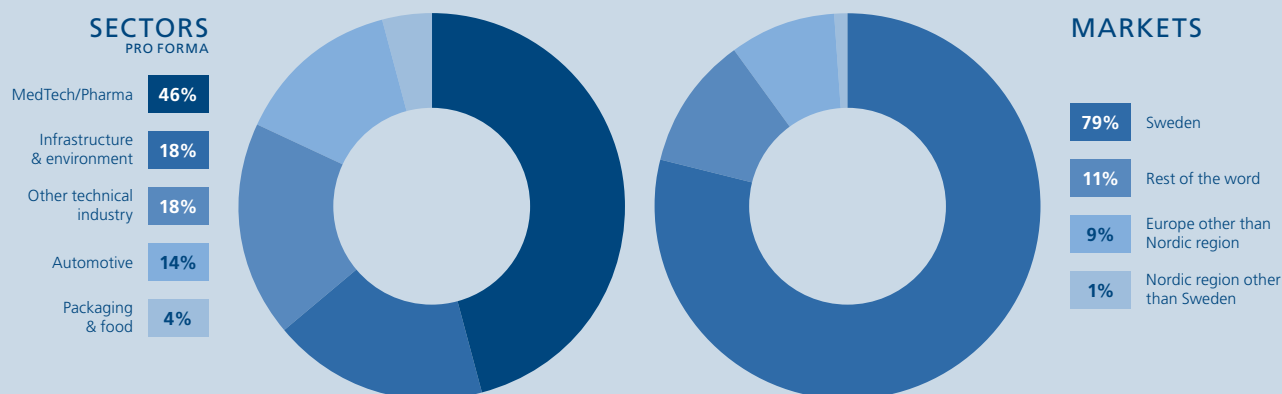
BATTERYLINE | .COM

Automation solutions for the manufacture of electric vehicle batteries are a new operational area for the Group. Some of the companies within the Industrial Solutions business unit have launched the BatteryLine collaboration portal, with the aim of creating a network for the exchange of knowledge and information about development projects.



Precision Technology

The companies within the Precision Technology business unit work with component and system manufacture using advanced cutting processes, laser welding and 3D printing for the production of parts involving extremely demanding quality and precision requirements. KMV specialises in internal machining, primarily precision drilling. LK Precision and Resinit produce parts in metal and plastic, mainly for medical technical equipment. Mikroverktyg manufactures precision components and transmission parts in short production runs. Kuggteknik complements Mikroverktyg with automated operations for higher volumes. Modellteknik specialises in the manufacture of prototypes, forming tools and the production of short series of items. Lasertech is a leader within industrial 3D printing and laser welding in metal.





BUSINESS UNIT'S OFFERING

The companies in the business unit work primarily with cutting machining in metal and plastic. The joint offering encompasses the manufacture of complex components in short and long production runs, as well as the production of models, prototypes, tools and fixtures. Other production services supplied include industrial 3D printing (also known as additive manufacturing) and laser welding.

Cutting machining is performed using various methods and for products in many different industrial segments. One thing that the processes have in common is that material is machined away from solid pieces to produce components with specific geometric shapes. During manufacturing, multi-operation machines are normally used that are controlled by a CNC system (Computer Numerical Control). A multi-operation machine is an advanced equipment with automatic tool changes, which carries out operations such as milling, drilling and thread-cutting. Tools and methods are selected based on the design, function and finish of the final component, as well as the quantity that are to be produced.

3D printing is a flexible manufacturing process for producing components regardless of their geometry, which also delivers

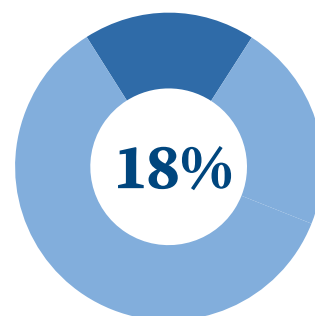
several other benefits. The method does not require any tools, there is no material waste and it is possible to integrate functions in a way that is not possible using more conventional production methods. Laser welding offers the potential to join different components together, either edge-to-edge or with an overlap.

The business unit offers all-inclusive solutions including everything from technical innovation and project management to production and verification. Mechanical machining is supplemented with associated services such as non-destructive testing, laser marking and laser hardening, 3D construction, control measurement and assembly.

CUSTOMER STRUCTURE

The dominant customer sector is the medical technology and pharmaceuticals industry, with world-leading companies making challenging demands. Within the infrastructure sector, deliveries are made to high-tech customers within e.g. the aerospace industry. Customers within the automotive sector comprise global companies, with the emphasis on heavy vehicles. Long-term collaborations also exist within the offshore and power industry, as well as in relation to innovative energy solutions, food handling, safety and protection.

High flexibility and smart investments



PROPORTION OF THE GROUP'S REVENUE

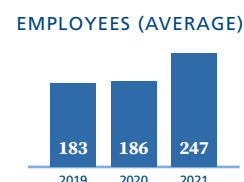
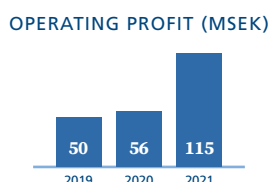
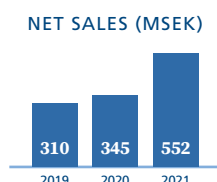
The business unit benefited from a strong development in the medical technology sector. Sales growth stood at 60 per cent, of which 29 per cent related to acquired operations. Operating profit exceeded that of the previous year by 105 per cent.

2021 IN BRIEF

The growth within the medical technology sector, which is a dominant customer segment within the business unit, resulted in significantly higher volumes than the previous year. The companies were able to successfully manage the business opportunities that were hereby generated, and on the whole performed above all expectations. Developments varied for the other sectors in the business unit, and during the latter part of the year most customer segments were affected by an increasingly widespread shortage of components. Smart investments and good adaptability on the part of our companies restricted the negative effects during the year, and on the whole the business unit was able to report continued good growth and profitability. Several

large-scale assignments switched from prototype stage to series production, which also contributed to stronger margins.

The marketing work has continued to have a high priority, with greater collaboration between the companies and the recruitment of several new individuals. The market situation stabilised, generally speaking, even though some areas continued to be affected by uncertainty factors associated with the pandemic. The level of activity among customers in the field of medical technology remained high, while the number of enquiries and projects, for example in the automotive and defence sectors, also increased. However, the shortage of input goods has had a somewhat restrictive impact on lead times and deliveries, primarily within the automotive industry.



552

Net sales MSEK

+59.8

Growth %

115

Operating profit MSEK

20.9

Operating margin %

247

Employees average



EXTENDED OFFERING

Modelltechnik and Lasertech were acquired at the end of 2020, both of which conduct operations in Sweden. The new companies have supplied additional capacity and technical expertise, providing the business unit with the potential to meet customer wishes for a partner that takes responsibility for the entire value chain, from prototype to series production. This is creating increased growth opportunities within existing as well as new market sectors and customer segments. The ongoing implementation work with the new operations has laid the foundations for a new level of collaboration within the business unit.

RESOURCE OPTIMISATION AND CAPACITY STRENGTHENING

The increase in volume resulted in significant pressure on the organisation, and the companies in the business unit worked intensively with resource optimisation to safeguard the working environment at the same time as living up to customers' expectations optimally. Thanks to high efficiency and flexibility, in combination with smart investments, it was still possible to maintain high levels of delivery precision and quality. In addition to the resources supplied by the previous year's acquisitions, capacity reinforcements have been achieved through organisational development, recruitment, investments in machinery and the expansion of production areas.

OPPORTUNITIES & CHALLENGES

The companies in the business unit are starting 2022 with a better order situation overall than at the start of the previous year, and are anticipating continued strong growth for the majority of the affected customer segments. Demand within the dominant medical technology sector is expected to remain at a high level, although with a growth curve that is flattening out somewhat.

The strategic work in the newly added companies has initiated more frequent exchanges within the business unit, and networks have been established for different business niches. The primary purpose is to explore potential common development areas and to identify coordination projects in order to generate new business opportunities.

The most recent acquisitions have provided additional capacity as well as complementary technical expertise. Working together, the companies can take on assignments covering the entire chain, from prototype to series production. It is therefore only natural for the proactive marketing work to continue, with a heavy focus on strategic collaborations. By being involved in the customer's process right from an early stage, it is possible to allocate available resources more effectively.

Constant organisational development is required to ensure continued success. This entails a number of challenges linked to areas such as recruitment, production capacity and efficiency. In the wake of the pandemic, factors such as a shortage of input materials and generally longer lead times are having an impact. The business unit is working intensively with resource optimisation and coordination to safeguard the working environment at the same time as living up to customers' expectations.

Reflections & Insights

Interview with business unit manager Peter Elgh as he shares his thoughts on the past year with a few personal reflections and insights.



WHAT HAVE BEEN YOUR MAIN FOCUS AREAS WITHIN PRECISION TECHNOLOGY THIS YEAR?

Towards the end of last year we acquired two new Swedish companies, Modellteknik and Lasertech. And as business unit manager it has been my job to ensure their smooth transition into the XANO Group, so that has been one major focus area.

Another recurring theme affecting most companies this year has been the appointment of new managing directors. As managing director of an XANO Group company, you are given a huge amount of freedom and with that comes a lot of responsibility. Which is why we are so thorough in selecting the right person for the assignment.

ARE THESE CHANGES PART OF THE DEVELOPMENT STRATEGY?

Our primary goal is to help each new company develop and ensure it remains profitable. We focus on specific developments and changes that each individual subsidiary requires. For example, sometimes structure is needed, sometimes we have to expand production to increase capacity and sometimes we need to establish a new management team. It's not about imposing a fixed set of processes or strategies. Most of the time these appointments, investments and strategic changes are ongoing,

not just something we implement overnight the minute we acquire a company.

Each XANO Group company is acquired for a reason. They are usually already successful in their niche market but have reached a point where they require assistance to take the next step in their development. And these aren't just financial investments to us. We invest a lot of time getting to know the people within the new subsidiary and finding new ways to develop the business – together. We care and truly want every subsidiary to do well.

That's why we spend time ensuring potential acquisitions know exactly who we are, long before they join the XANO Group. We believe that personal meetings are important when you're getting to know people, and we always make a point of chatting with the new team face to face.

WHAT WAS THE STRATEGY BEHIND THE ACQUISITION OF MODELLTEKNIK?

It was a reaction to the market at the end of the day, in response to an increasing demand. Modellteknik brings completely new expertise into our business unit, and the XANO Group as a whole. Modellteknik offers a wide range of services within machining, model making, prototype production, toolmaking and fixture manufacture as well as 3D scanning and control measurement.

In addition to a new set of skills, we have also increased our capacity and are now able to take on more comprehensive projects and get involved much earlier in the process, from prototype through to full-scale series.

DESCRIBE THE NEW TECHNOLOGY THAT LASERTECH BROUGHT INTO THE GROUP

Lasertech has extensive knowledge of laser welding, primarily for the automotive, defence and medtech industries, and also brought with them crucial expertise in the area of industrial 3D printing.

Both of these technologies strengthen our combined market offering but additive manufacturing, in particular, presents new opportunities in various sectors for the entire business unit.

WHAT HAS THE BIGGEST ACHIEVEMENT FOR PRECISION TECHNOLOGY BEEN THIS YEAR?

That has to be our overall strong performance despite a raging pandemic. One perfect example of this is Resinit who, thanks to intuition, decisiveness and a thorough understanding of their market, were able to act fast without losing sight of their long-term goals.

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We spend a lot of time getting to know the people within our new subsidiaries.



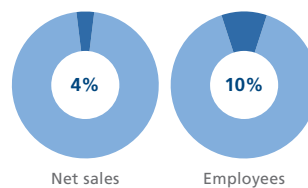
LASTERTECH	○	2020
MODELLTECHNIK	○	2020
KUGGTECHNIK	○	2019
KMV	○	2012
MIKROVERKTYG	○	2008
LK PRECISION	○	2004
RESINIT	○	1988

KUGGTEKNIK

Leksand

Net sales	SEK m	24.4
Growth	%	+22.9
Employees	average	24

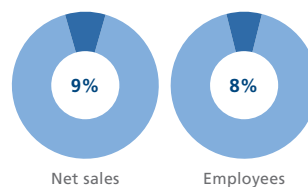
Share of business unit

**KUNGSÖRS MEKANISKA (KMV)**

Kungsör

Net sales	SEK m	50.7
Growth	%	+14.5
Employees	average	20

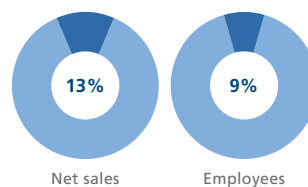
Share of business unit

**LASERTECH**

Karlskoga

Net sales	SEK m	72.1
Growth	%	+18.4
Employees	average	22

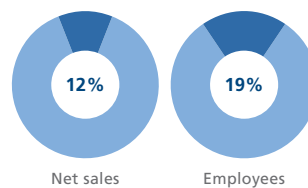
Share of business unit

**LK PRECISION**

Skogås

Net sales	SEK m	67.9
Growth	%	+2.3
Employees	average	48

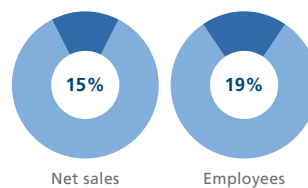
Share of business unit

**MIKROVERKTYG**

Södertälje / Valskog

Net sales	SEK m	82.3
Growth	%	+28.7
Employees	average	46

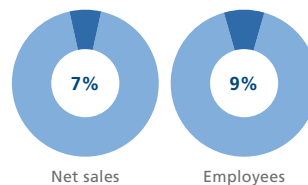
Share of business unit

**MODELLTEKNIK**

Eskilstuna

Net sales	SEK m	37.1
Growth	%	+12.4
Employees	average	22

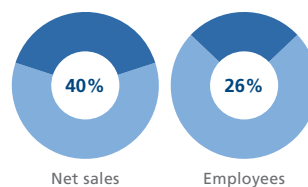
Share of business unit

**RESINIT**

Västervik

Net sales	SEK m	223.2
Growth	%	+52.4
Employees	average	65

Share of business unit





KUGGTEKNIK

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



KUNGSÖRS MEKANISKA (KMV)

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.



LASERTECH

Lasertech is a leading company within industrial 3D printing and laser welding in metal. The range of services also includes non-destructive testing, laser marking and laser hardening. Lasertech's customer structure includes companies in the automotive, defence and medical technology sectors.



LK PRECISION

LK Precision is a precision company that produces complicated components from metallic materials. Production centres on small to mid-sized series. 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.



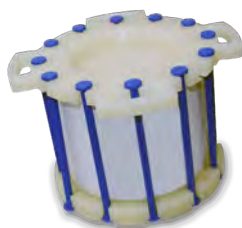
MIKROVERKTYG

Mikrovertyg is a prototype manufacturer that focuses on cutting machining, with specialist expertise regarding precision components and transmission parts such as toothed gears, splines and racks. The company also manufactures fixtures, tools, measuring devices, hydraulic components, spare parts and other components demanding high levels of precision. The most important target groups are the automotive and defence sectors.



MODELLTEKNIK

Modellteknik is an engineering company possessing leading-edge expertise in advanced cutting machining and mould manufacturing. The business possesses resources for the manufacture of prototypes, 3D design, control measurement and product development, as well as cutting machining in short and medium-sized runs. Its customers are primarily in the automotive and defence segments.



RESINIT

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 medical technology and food, defence and power, as well as other technical industry.

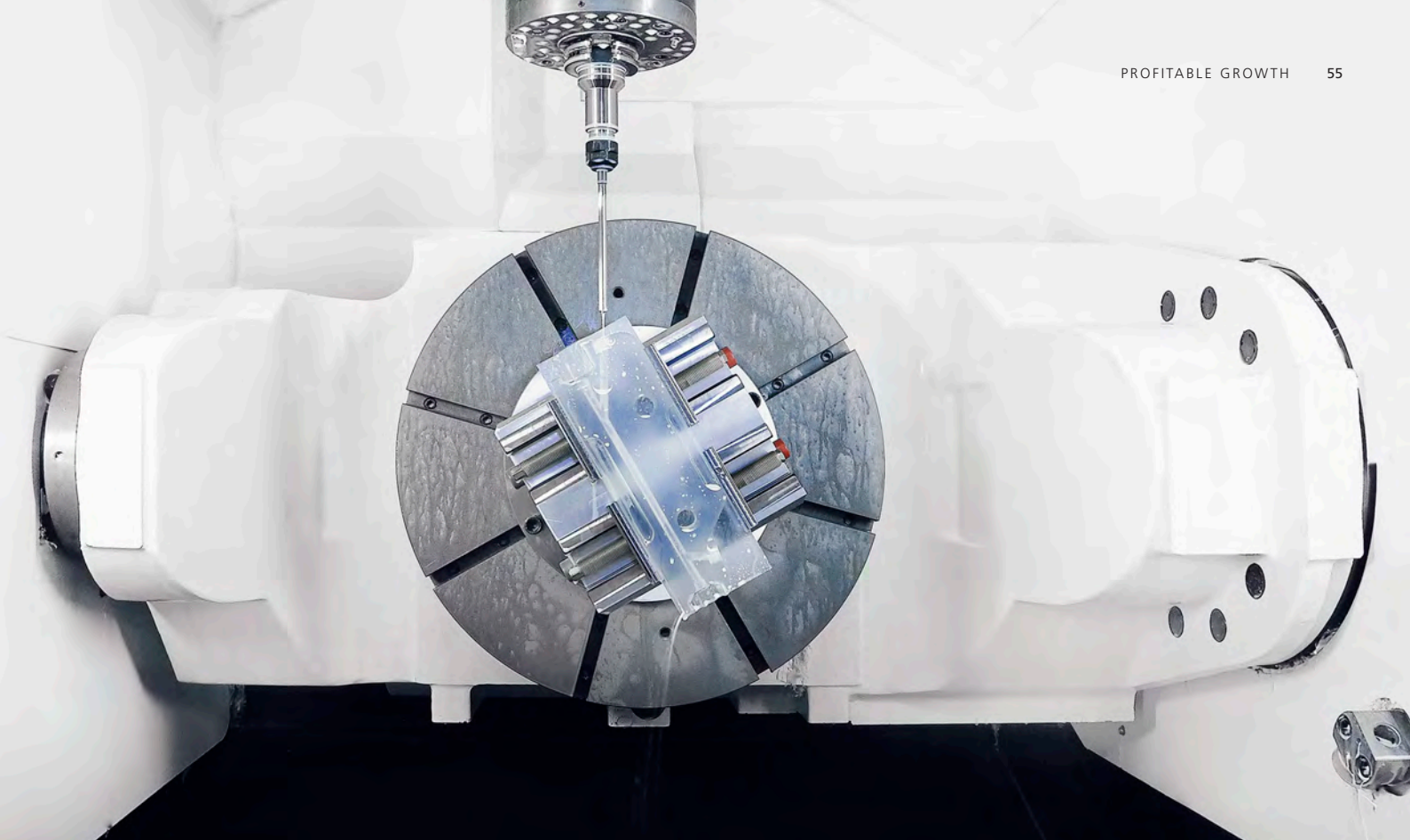
AVERAGE NUMBER OF
EMPLOYEES

247

Combining agility with long-term thinking

Our business model is the key to our lasting success and one of the reasons for Precision Technology's strong results. In a decentralised organisation, it's easier to quickly find solutions and make decisions. In order to respond to the needs of a rapidly growing medical technology industry, the companies within the business unit have worked intensively to optimise their resources.





There is one of the business unit's companies in particular that has exceeded all expectations this year. Resinit, a precision machining component manufacturer, reported a rise in sales exceeding 50% with preserved good profitability. More than 90% of Resinit's business comes from the medtech/pharma industry, which has experienced significant growth not least as a result of the ongoing pandemic. But that is definitely not the whole story behind Resinit's considerable growth this year.

A lot of that success is also due to the team's agility, intuitive reactions and quick thinking. Not to mention a confidence and unflinching determination that only comes from experience and a thorough understanding of one's niche market. They listened to their customers, analysed their options and immediately made some crucial decisions.

Because Resinit reacted fast, they were able to quickly begin expanding production areas, investing in additional machinery and recruiting enough staff to cope with the rising volume of orders and meet the rapidly

increasing demand for their products. But there is another, less obvious, dimension to Resinit's success that we are humbly proud of, and one we truly believe is the key to our lasting success: our entrepreneurial, decentralised business model.

A DECENTRALISED ORGANISATION IS AN AGILE ORGANISATION

At the core of every XANO company is a flat organisational structure where everyone's opinion matters. This breeds a down to earth, open working climate and enables solutions to be resolved promptly and decisions to be made fast.

Our goal within the XANO Group is to further develop each company in its existing form and ensure it remains profitable – in the long term. Apart from a few strategic and structural changes, we prefer the companies to make their own decisions and continue managing the business as they see fit. We also encourage our subsidiaries to explore areas where their unique expertise may create business advantages.

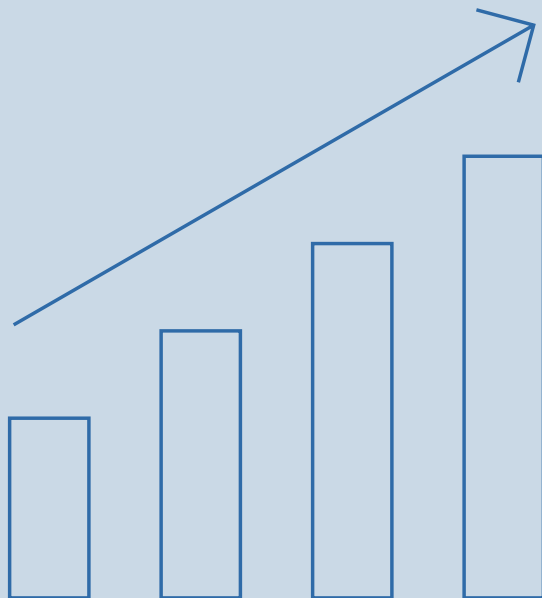
In other words, we are a decentralised organisation. Which means that every subsidiary is free to make their own executive decisions, taking into account our core values and jointly formulated strategies. We focus on growth where we see potential and expect our subsidiary management teams to do the same.

SMART INVESTMENTS FOR LONG-TERM PROFITABLE GROWTH

At XANO, we strive to be the best we possibly can in all areas of our business. Which means being at the forefront of global developments in areas such as technology and sustainability. Becoming and remaining a market leader, however, is something that often necessitates tough decisions, not to mention timely investments.

This year, the team at Resinit did both – superbly. Their intuition, decisiveness and understanding of the market enabled them to act fast without losing sight of their long-term goals.

Financial information



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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 2021 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 3,151 million (2,239). Operating profit amounted to SEK 453 million (274), corresponding to an operating margin of 14.4 per cent (12.2). Profit before tax was SEK 433 million (251). The profit includes non-recurring items totalling SEK 8 million, see also Note 10.

SHARE DATA AND KEY FIGURES

Basic earnings per share were SEK 11.80 (6.86). Equity per share was SEK 46.25 (36.25). The average number of outstanding shares was 28,992,541 during the year. The equity/assets ratio was 38 per cent (42) at year-end. The average number of employees was 1,245 (1,055).

IMPORTANT EVENTS DURING THE YEAR

The Coronavirus pandemic had only limited negative consequences for the Group. Local restrictions led to occasional instances of delays in the completion of projects. No major disruptions were experienced regarding material supplies, and our delivery capacity remained good.

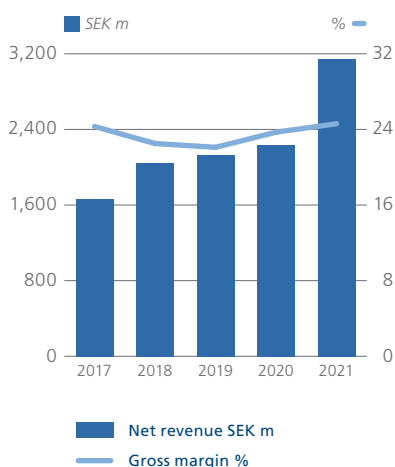
On 19 May, PiWi Beheer B.V. with subsidiaries, located in Stamproy, The Netherlands were acquired. The operations, which are mainly conducted within the subsidiary Case Packing Systems B.V. (CPS), include the development and manufacturing of systems for fully automated handling primarily of food packaging. Sales take place globally with Europe as the main market. CPS' solutions adjoin and complement existing operations within the XANO Industrial Solutions business unit. The acquisition adds additional technical expertise and access to new market segments. With common resources, the business unit's companies have the opportunity to offer the market more complete solutions and capacity to carry out extensive automation assignments and hereby achieve further coordination benefits. The purchase sum, paid in cash, totals EUR 31 million on a debt free basis. Turnover totals approx. EUR 25 million with an EBITDA margin of 20 per cent. The number of employees is 70. The acquired units are expected to contribute SEK 1.20 in earnings per share on a yearly basis. Consolidation is

effective as from 31 May 2021.

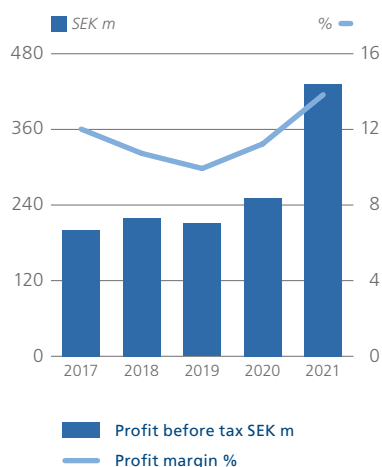
On 31 May, CIM Industrial Systems A/S with subsidiary, located in Aarhus, Copenhagen and Fredericia, Denmark were acquired. CIM is a leading production software specialist. Based on own frameworks and products, CIM provides end-to-end production software solutions within Industrial IoT, Track & Trace/Serialisation, Machine Vision and Test & Measurement, as well as related custom work. CIM's solutions enable their customers to make business critical decisions based on reliable data. Customers include blue-chip pharmaceutical and infrastructure companies. CIM employs approx. 50 people, of which the majority has an engineering background. Sales totals DKK 65 million. CIM's industrial software products and development resources will complement and complete existing automation operations within the XANO Industrial Solutions business unit. The acquisition adds technical software expertise and brings access to new market segments. There are positive development opportunities for the business concept internationally and many of CIM's services are directly applicable to the proprietary systems within the business unit. With common resources, the business unit's companies now have the potential to provide complete turnkey solutions with its own added software intelligence and with that the strength to carry out extensive and complex automation assignments. CIM's products and services may also be offered to customer in the Group's other business units. Consolidation is effective as from 31 May 2021. The acquired units are expected to have a marginal positive impact on XANO's earnings per share.

On 12 November, Tussenholding Lankamp B.V. with subsidiaries, located in Rijssen, the Netherlands, were acquired. The operations, which are mainly conducted within the subsidiary PRM Kunststoffen B.V. (PRM), include the development and manufacturing of products and systems through rotational moulding of polymer materials. The company possesses Europe's largest moulding machine. Sales are made to leading companies in Europe, with the Netherlands and Germany as primary markets. PRM has 54 employees and a turnover of approx. EUR 11 million with good profitability. PRM complements existing operations within XANO's business unit Industrial Products. An important area for future coordination activities is sustainable production. As one of the few companies in the rotational moulding industry, PRM has the capacity and complete resources for its own recycling of high-quality plastic raw materials. The acquisition means that the business unit's ongoing work with the development of sustainable solutions for

NET REVENUE & GROSS MARGIN



PROFIT BEFORE TAX & PROFIT MARGIN



recycling and reuse of plastic materials takes another step forward. PRM also brings additional expertise and strengthens the business unit's market presence in Northern Europe. The acquisition creates a good base for manufacturing and marketing of the company's own industry and infrastructure product segments in the European market. Coordination advantages can be achieved by the business unit's companies with common resources having the opportunity to offer both expanded capacity and greater proximity to leading customers. Consolidation is effective as from 1 November 2021. The acquired units are expected to have a marginal positive impact on XANO's earnings per share.

EVENTS AFTER THE END OF THE YEAR

There is uncertainty about how and to which extent XANO's operations will be affected by the ongoing conflict in Ukraine. XANO do not run any own business in Ukraine or Russia but is currently evaluating the extent of ongoing projects to customers in this area as well as any impact on the supply of raw materials.

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 2021, 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, Cipax and PRM. 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 in-house developed automation solutions, such as packaging machines, accumulators and conveyor systems, to the packaging and food industries. Operations also comprise industrial end-to-end production software solutions as well as contract assignments for advanced industrial products in small and medium-sized production runs. The business unit comprises Canline, Case Packing Systems (CPS), CIM, Fredriksons, Jorgensen, NPB and Polyketting.

The Precision Technology business unit includes Kuggteknik, Kungsörs

Mekaniska (KMV), Lasertech, LK Precision, Mikroverktyg, Modellteknik and Resinit. Operations cover advanced cutting machining, laser welding and 3D printing 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 summarise yet another year as the strongest to date. Through the expansion of existing operations and the acquisition of new businesses, net revenue increased more than 40 per cent compared to last. Overall, stronger margins were also achieved. Versatile operations with dedicated, conscientious employees have once again demonstrated that challenges can be turned into opportunities. Group companies managed to keep up with deliveries and maintain a high standard of quality, despite the challenging circumstances. Thanks to the constant development and improvement of our proprietary products and solutions, sales have continued to grow steadily, which has had a positive impact on profitability. All of the business units are performing well, but there are still areas that could be improved.

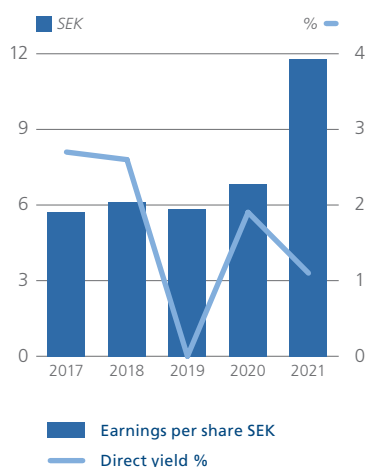
INDUSTRIAL PRODUCTS

The business unit reports significant growth this year, particularly in the area of proprietary products where the range is constantly being developed and expanded, with an increasing focus on sustainability. The acquisition of PRM has further bolstered the business unit's sustainability profile, thanks to their capacity for recycling and reusing plastic materials. Project delays and production shutdowns in the automotive industry, caused by a lack of parts and materials, has been a challenge for some of the business unit companies. Nevertheless, careful financial planning and a favourable production mix overall has ensured profitability remaining at a good level.

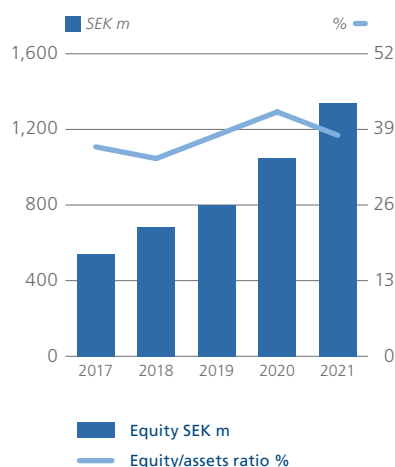
INDUSTRIAL SOLUTIONS

A high influx of project-based assignments and well-executed deliveries throughout the year, generated a healthy result for the business unit. As restrictions were gradually lifted, more installations and service assignments could also be carried out as planned. Collaboration within the business unit further intensified as a result of new project assignments involving several sister companies. Marketing efforts in North America picked up towards the end of the year, after previously having been hampered by widespread restrictions. The pandemic has continued to impact the business unit when it comes to things like staff absences and component shortages at supplier level.

EARNINGS PER SHARE & DIRECT YIELD



EQUITY & EQUITY/ASSETS RATIO



PRECISION TECHNOLOGY

Increased volumes can mostly be attributed to developments in the MedTech industry, which is a dominant segment within the business unit. Quick reactions to business opportunities as they arose generated an outcome exceeding all expectations. Developments in the various other segments were mixed and, during the latter part of the year, customers in several sectors were affected by an increasingly widespread component shortage. The companies in the business unit managed to reduce the impact of these developments through wise investments and a high degree of flexibility, and continued to demonstrate healthy growth and profitability.

FUTURE DEVELOPMENT

The positive result for 2021 has reinforced Group's already solid financial position. The volume of incoming orders has continued to rise over an extended period of time and entering 2022, the backlog of orders is significantly higher than it was at the same time last year. This is an indication of a positive market development in the foreseeable future. There are however a few distinct challenges. The current global shortage of materials and components are considered to be somewhat of a concern. Sustained delays in the delivery of intermediate goods would lead to higher costs and protracted lead times. In the wake of the pandemic, there are a few lingering repercussions that continue to restrict certain operations, not least another increase in staff absences as a result of Covid.

INVESTMENTS

Net investments in non-current assets came to SEK 598 million (166), of which SEK 468 million related to business combinations, SEK 2 million to intangible non-current assets, SEK 26 million to real estate, SEK 61 million to machinery and equipment, SEK 3 million to financial assets and SEK 38 million to right-of-use assets.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to SEK 353 million (402). Despite a higher profit level, the cash flow was weaker than the previous year. Increased working capital, principally in respect of inventories and accounts receivable, had a negative impact on cash flow in 2021.

Liquid assets, including lines of credit granted but not utilised, totalled SEK 740 million (784) 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.

The Group's operations span many different sectors and customer segments, which generally entails a good spreading of risk. We also enjoy a high level of preparedness to make adjustments at short notice. The ongoing Coronavirus pandemic is a risk and uncertainty factor that could have significant consequences for the Group's operations. The health and safety of our employees is our top priority, and we are complying with the guidelines and recommendations issued by the public authorities in the countries where we operate. This may in itself entail restrictions to our ability to carry out installations and maintain services for our customers. At the same time, the extent of our customers' need for products and services may be significantly reduced. There are also risks associated with e.g. material supplies and the purchase of services and transports.

A statement on the Group's main financial and operational risks can be found in Note 35 on pages 83–84.

CURRENCY AND INTEREST RATES

As a result of its international activities, XANO is particularly exposed to currency fluctuations, mainly in DKK, EUR, NOK and USD relative to SEK. The Group's interest-bearing liabilities amounted to SEK 1,116 million (743) on the closing day. A detailed description of the Group's financial risks can be found in Note 35 on pages 83–84.

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 seven Swedish subsidiaries and activities that require a permit under the Swedish Environmental Code in one Swedish subsidiary. The parent company does not conduct any activities that require a permit. The Group's operations subject to a permit or reporting obligation affect the external environment through the use of materials, chemicals, energy and water, which in turn generate climate emissions and waste. There is also an indirect environmental impact as a result of products, packaging and transport. The nature of the Group's operations, manufacturing processes and products is such that the environmental risks are deemed to be limited. A description of the Group's environmental activities can be found in the 2021 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 29,247,107, divided between 7,288,800 class A shares and 21,958,307 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 254,566 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 57.2 per cent of the votes and 27.6 per cent of the capital. Pomona-gruppen AB holds 29.4 per cent of the votes and 28.8 per cent of the capital.

CONVERTIBLE BOND PROGRAMME

As at 1 October 2020, convertibles with a nominal value of SEK 69,998,232 and with a due date of 2 October 2023 were issued to employees in the XANO Group. Refer also to Notes 23 and 26.

WORK OF THE BOARD OF DIRECTORS

The 2021 AGM decided that the Board of Directors should consist of five 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.

Five-year overview

	2021	2020	2019	2018	2017
INCOME STATEMENT, SEK M					
Net revenue	3,151	2,239	2,128	2,044	1,663
Cost of goods sold	-2,375	-1,709	-1,658	-1,585	-1,259
Gross profit	776	530	470	459	404
Selling expenses	-209	-161	-158	-145	-115
Administrative expenses	-127	-90	-85	-83	-68
Other operating income/expenses	13	-5	2	5	-1
Operating profit	453	274	229	236	220
Financial income	12	8	9	8	4
Financial expenses	-32	-31	-27	-25	-24
Profit before tax	433	251	211	219	200
Tax	-91	-56	-48	-48	-42
Net profit for the year	342	195	163	171	158
FINANCIAL POSITION 31 DECEMBER, SEK M					
Non-current assets	1,833	1,325	1,262	1,131	905
Current assets	1,662	1,161	819	863	615
Equity	1,341	1,051	800	686	541
Non-current liabilities	847	790	690	587	501
Current liabilities	1,307	645	591	721	478
Balance sheet total	3,495	2,486	2,081	1,994	1,520
CASH FLOW, SEK M					
Cash flow from operating activities	353	402	307	150	117
Cash flow from investing activities	-558	-143	-108	-243	-42
Cash flow after investments	-205	259	199	-93	75
Cash flow from financing activities	180	38	-188	109	-189
Cash flow for the year	-25	297	11	16	-114
KEY RATIOS					
Operating margin, %	14.4	12.2	10.8	11.6	13.2
Profit margin, %	13.8	11.2	9.9	10.7	12.0
Return on equity, %	28.8	21.1	21.8	27.6	33.6
Return on capital employed %	21.8	17.3	15.4	17.9	20.7
Return on total capital, %	15.6	12.7	11.4	13.0	14.8
Interest coverage ratio, multiple	14.6	9.2	8.8	9.9	9.3
Average equity, SEK m	1,188	925	750	620	470
Average capital employed, SEK m	2,139	1,625	1,549	1,363	1,083
Average total capital, SEK m	2,980	2,223	2,084	1,876	1,512
Equity/assets ratio, %	38	42	38	34	36
Proportion of risk-bearing capital, %	41	46	43	39	40
Basic earnings per share, SEK ^{1, 2)}	11.80	6.86	5.85	6.13	5.72
Costs related to convertible bonds, SEK m	4	2	2	2	2
Equity per share, SEK ²⁾	46.25	36.25	28.68	24.58	19.59
Cash flow from operating activities per share, SEK ²⁾	12.18	14.14	11.02	5.37	4.26
Proposed dividend per share, SEK ²⁾	3.50	2.50	0.00	2.00	2.00
MISCELLANEOUS					
Scheduled depreciation, SEK m	104	86	84	64	52
Interest-bearing liabilities, SEK m ¹⁾	1,116	743	762	785	535
Deferred tax liability, SEK m ¹⁾	102	86	96	91	71
Net investments excl. corporate transactions, SEK m	130	73	113	77	46
Average number of employees, excluding short-term work/temporary layoffs	1,245	1,055	1,085	1,015	807
Average number of employees, including short-term work/temporary layoffs	1,245	1,085	1,085	1,015	807

¹⁾ Based on net profit for the year.

²⁾ The comparison figures have been recalculated due to the 2.1 share splits carried out in 2017 and 2019.

For definitions and information on key figures, see pages 85-86. For details on the number of shares, see page 18.

During the 2021 financial year, the Board of Directors held seven meetings. Each regular meeting deals with the reports and items requiring a decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as acquisitions and major investments.

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

NOMINATION COMMITTEE

A nomination committee was appointed at the 2021 AGM consisting of Ulf Hedlundh (chairman), Stig-Olof Simonsson and Anna Benjammin. The task of the committee prior to the 2022 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 so far held four meetings prior to its proposal to the 2022 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

The Articles of Association do not contain any specific regulations concerning the appointment and dismissal of Board members or changes to the Articles of Association.

AGREEMENTS

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

CORPORATE GOVERNANCE

XANO's corporate governance is based on Swedish legislation and the listing agreement with Nasdaq Stockholm. Directives issued by authorities and stakeholders within Swedish industry and on the financial market are also applied for various issues. Governance, management and control are divided between shareholders at the AGM, the Board and the CEO in accordance with the Swedish Companies Act and the company's Articles of Association and rules of procedure. 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 101–104.

SHARE SPLIT

The Board of Directors is proposing that the Annual General Meeting should decide on increasing the number of shares by means of each existing share being split into two shares (share split 2:1). If the AGM decides in accordance with the proposal, the split will be effected before the end of June 2022.

AUTHORISATION FOR REPURCHASE OF OWN SHARES

The number of shares in the company's custody amounts to 254,566 class B shares, corresponding to 0.9 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 Annual General Meeting decides on the guidelines for determining remuneration for the CEO and other senior executives. The relevant guidelines were adopted by the 2020 Annual General Meeting (AGM). These guidelines cover remuneration and other employment conditions for Board Members, the CEO and other members of the Group management. The guidelines are applied to employment contracts entered into after the 2020 AGM and to changes made thereafter to ongoing employment contracts, and will apply until further notice, although at most until the 2024 AGM. The guidelines do not refer to remuneration that is determined by the AGM. See also to Note 5.

With the aim of achieving a focus on activities that promote the company's business and sustainability strategy, the Board of Directors will present a proposal to the AGM 2022 to change the guidelines for variable remuneration. The proposal means that the variable remuneration may correspond to up to nine months fixed remuneration. The current ceiling is six months. No other changes are proposed.

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Parent Company

THE FOLLOWING AMOUNTS ARE AT THE DISPOSAL OF THE AGM:		(SEK)
Share premium reserve		76,054,929
Retained earnings		172,010,532
Net profit for the year		181,678,703
Total		429,744,164

THE BOARD OF DIRECTORS AND THE CEO PROPOSE THAT THE SURPLUS BE DISTRIBUTED AS FOLLOWS:		(SEK)
Payment of a cash dividend of SEK 3.50 per share to shareholders (28,992,541 shares ¹⁾)		101,473,894
To be carried forward		328,270,270
Total		429,744,164

¹⁾ After deduction for the company's own holding, the number of outstanding shares is 28,992,541.

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	2021	2020
Net revenue	3, 4	3,151,375	2,239,432
Cost of goods sold	6, 7, 8	-2,375,501	-1,709,045
Gross profit		775,874	530,387
Selling expenses	6, 7, 8	-208,748	-161,211
Administrative expenses	6, 7, 8, 9	-127,457	-90,273
Other operating income	10	26,263	19,065
Other operating expenses	11	-12,831	-24,302
Profit/loss from participations in associated companies	17	-173	-38
Operating profit	3, 4, 5	452,928	273,628
Financial income	12	12,420	7,935
Financial expenses	13, 26	-31,866	-30,694
Profit before tax		433,482	250,869
Tax	14	-91,400	-55,736
NET PROFIT FOR THE YEAR		342,082	195,133
– of which attributable to shareholders of the Parent Company		342,082	195,133
SHARE DATA			
Basic earnings per share	SEK 22, 23	11.80	6.86
Diluted earnings per share	SEK 22, 23	11.69	6.76
GROUP (SEK THOUSANDS)	NOTE	2021	2020
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to net profit for the year</i>			
Change in hedging reserve	24, 28	1,981	5,096
Tax relating to change in hedging reserve	24, 28	-408	-1,150
Translation differences	24	18,792	-17,842
OTHER COMPREHENSIVE INCOME		20,365	-13,896
COMPREHENSIVE INCOME FOR THE YEAR		362,447	181,237
– of which attributable to shareholders of the Parent Company		362,447	181,237

Consolidated statements of financial position

GROUP (SEK THOUSANDS)	NOTE	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>	15		
Goodwill		962,843	626,453
Other intangible non-current assets		71,941	29,735
Construction in progress and advance payments for intangible non-current assets		2,119	8,460
		1,036,903	664,648
<i>Property, plant and equipment</i>	16		
Land and buildings		367,744	335,871
Plant and machinery	32	192,353	164,317
Equipment, tools, fixtures and fittings		51,081	32,531
Construction in progress and advance payments for property, plant and equipment		27,785	14,288
Right-of-use assets	32	151,108	111,023
		790,071	658,030
<i>Other non-current assets</i>			
Participations in associated companies	17	152	306
Non-current receivables		1,909	1,746
Deferred tax asset	28	3,574	744
		5,635	2,796
Total non-current assets		1,832,609	1,325,474
Current assets			
<i>Inventories</i>	18	475,626	309,571
<i>Current receivables</i>			
Accounts receivable – trade and other current assets	4, 19, 20, 35	803,171	460,219
Derivative instruments	20	–	5,315
Prepaid expenses		37,346	18,826
		840,517	484,360
<i>Cash and cash equivalents</i>	20, 21	345,864	366,993
Total current assets		1,662,007	1,160,924
TOTAL ASSETS		3,494,616	2,486,398

Consolidated statements of financial position

GROUP (SEK THOUSANDS)	NOTE	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
Equity			
Share capital	23	36,559	36,559
Other contributed capital		114,519	114,519
Reserves	24	31,443	11,078
Retained earnings		1,158,416	888,815
Total equity		1,340,937	1,050,971
<i>– of which attributable to shareholders of the Parent Company</i>		<i>1,340,937</i>	<i>1,050,971</i>
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	20, 26, 30, 32	737,813	700,978
Other provisions	27	6,855	4,142
Deferred tax liability	28	102,309	85,521
		846,977	790,641
Current liabilities			
Accounts payable – trade and other current liabilities	4, 20, 29	863,646	546,575
Provisions	27	4,846	3,327
Derivative instruments	20	5,885	13,174
Current interest-bearing liabilities	20, 25, 30, 32	378,316	42,431
Deferred income		8,179	1,918
Current tax liability		45,830	37,361
		1,306,702	644,786
Total liabilities		2,153,679	1,435,427
TOTAL EQUITY AND LIABILITIES		3,494,616	2,486,398

Consolidated statement of changes in equity

GROUP (SEK THOUSANDS)	NOTE	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Equity, 1 January 2020		35,234	45,993	24,974	693,682	799,883
Net profit for the year		–	–	–	195,133	195,133
Other comprehensive income		–	–	-13,896	–	-13,896
Comprehensive income for the year		–	–	-13,896	195,133	181,237
Conversion of personnel convertibles		1,325	56,452	–	–	57,777
Effect of convertible loan issued		–	7,074	–	–	7,074
Transfer of own shares		–	5,000	–	–	5,000
Total transactions with shareholders		1,325	68,526	–	–	69,851
Equity, 31 December 2020		36,559	114,519	11,078	888,815	1,050,971
Net profit for the year		–	–	–	342,082	342,082
Other comprehensive income		–	–	20,365	–	20,365
Comprehensive income for the year		–	–	20,365	342,082	362,447
Dividends paid in cash		–	–	–	-72,481	-72,481
Total transactions with shareholders		–	–	–	-72,481	-72,481
EQUITY, 31 DECEMBER 2021	23, 24	36,559	114,519	31,443	1,158,416	1,340,937
– of which attributable to shareholders of the Parent Company		36,559	114,519	31,443	1,158,416	1,340,937

Consolidated cash flow statements

GROUP (SEK THOUSANDS)	NOTE	2021	2020
OPERATING ACTIVITIES			
Operating profit		452,928	273,628
<i>Adjustments for non-cash items etc.</i>			
Depreciation and amortisation		103,611	86,098
Capital gain from sale of non-current assets		-1,030	-81
Revaluation/write-down of inventories		1,141	4,030
Other		6,563	6,354
Interest paid	33	-17,847	-16,132
Interest received	33	583	1,347
Income tax paid		-73,712	-37,202
Cash flow from operating activities before changes in working capital		472,237	318,042
Changes in working capital			
Increase (-) / decrease (+) in inventories		-107,716	2,147
Increase (-) / decrease (+) in current receivables		-243,940	-67,267
Increase (+) / decrease (-) in current liabilities		232,908	151,161
Increase (+) / decrease (-) in other provisions		-319	-1,993
Cash flow from operating activities		353,170	402,090
INVESTING ACTIVITIES			
Purchase of intangible non-current assets		-1,940	-4,369
Purchase of property, plant and equipment		-87,509	-72,166
Sale of property, plant and equipment		1,128	707
Acquisition of shares in associated companies		-	-351
Indirect investments through acquisition of subsidiaries/assets and liabilities	33, 34	-467,321	-67,401
Increase (-) / decrease (+) in other non-current receivables		-2,952	-54
Cash flow from investing activities		-558,594	-143,634
FINANCING ACTIVITIES			
Dividends paid		-72,481	-
Transfer of own shares		-	5,000
Borrowings		337,727	159,590
Repayments of borrowings		-62,033	-32,188
Payments of lease liabilities		-23,209	-27,507
Change in other non-current liabilities		-	-4,218
Change in bank overdraft facilities		-	-62,345
Cash flow from financing activities		180,004	38,332
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at the beginning of the year		366,993	82,295
Exchange rate differences in cash and cash equivalents		4,291	-12,090
Cash and cash equivalents at the end of the year	21	345,864	366,993

Notes, Group

■ NOTE 1 GENERAL INFORMATION

XANO Industri AB with corporate identity number 556076-2055, is a public limited liability company with its registered office at Industrigatan 14 B in Jönköping, Sweden. The company's class B share is listed on Nasdaq Stockholm. XANO Industri AB is a subsidiary of Viem Invest AB with corporate identity number 556239-3099 and registered office in Jönköping, Sweden. Viem Invest AB is the ultimate parent of the Group.

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 2021 inclusive. These new items have not had any significant impact on the Group's accounts.

The new or revised standards with application from 2022 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.

The Group has received government support to cover e.g. temporary layoff costs, sick pay, social security contributions and pension costs, in order to reduce the financial effects of the Coronavirus pandemic. When it is reasonably certain that this support is being received, this is recognised as a reduction in costs under each function during the period in which the costs arise. Received and anticipated support amounts to SEK 1 million (21) for the full year.

The Group has received payment of funds for collective AGS insurance via Fora. This payment is based on previous repayments of AGS premiums for the period 2004-2008. Received amount totalled SEK 8 million and was reported as other operating income.

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.

REVENUES

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 forecast 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	3–12 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

As from 2019, right-of-use assets in operating leases are reported amongst assets in accordance with IFRS 16.

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.

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.

MATERIAL VALUATIONS AND ASSESSMENTS

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 957 million (573). 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 963 million (626). 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 6.9 million (4.1) and other current provision amount to SEK 4.8 million (3.3). See also Note 27.

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 2021, the Group's reported liabilities with regard to derivative instruments amount to SEK 5.9 million (13.2) and the Group's reported assets with regard to derivative instruments amount to SEK – million (5.3). 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 122 million (74). 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 59-60. 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Geographic markets¹⁾										
Sweden	230,763	187,212	353,242	307,483	434,874	274,792	-2,005	-1,820	1,016,874	767,667
Rest of the Nordic countries	163,779	134,175	136,889	64,726	3,527	5,990	–	–	304,195	204,891
Rest of Europe	302,487	225,230	779,549	566,818	49,738	20,203	–	–	1,131,774	812,251
Rest of the world	6,377	4,698	628,705	405,742	63,450	44,183	–	–	698,532	454,623
Total	703,406	551,315	1,898,385	1,344,769	551,589	345,168	-2,005	-1,820	3,151,375	2,239,432
Type of product										
Proprietary products	229,854	185,121	1,363,805	843,692	3,999	2,589	-109	-42	1,597,549	1,031,360
Customer-specific manufacturing	473,552	366,194	534,580	501,077	547,590	342,579	-1,896	-1,778	1,553,826	1,208,072
Total	703,406	551,315	1,898,385	1,344,769	551,589	345,168	-2,005	-1,820	3,151,375	2,239,432
Timing of revenue recognition										
Goods/services transferred at a point in time	703,406	551,315	672,861	608,049	551,589	345,168	-2,005	-1,820	1,925,851	1,502,712
Services transferred over time	–	–	49,803	8,283	–	–	–	–	49,803	8,283
Projects transferred over time	–	–	1,175,721	728,437	–	–	–	–	1,175,721	728,437
Total	703,406	551,315	1,898,385	1,344,769	551,589	345,168	-2,005	-1,820	3,151,375	2,239,432

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 currently has no customer that generates revenue accounting for more than 10 per cent of the Group's total revenue.

PROFIT/LOSS ITEMS BY SEGMENT	2021			2020		
	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	89,989	-58,834	31,155	69,357	-11,060	58,297
Industrial Solutions	274,240	-106,943	167,297	158,407	-25,896	132,511
Precision Technology	110,900	-96,688	14,212	53,783	-34,351	19,432
Undistributed items	-41,647	262,465	220,818	-30,678	71,307	40,629
Group total	433,482	0	433,482	250,869	0	250,869

PROFIT/LOSS ITEMS BY SEGMENT	2021				2020			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Products	482	-4,995	-6,702	-28,360	464	-5,631	-11,879	-27,330
Industrial Solutions	1,578	-11,900	-36,902	-45,839	1,398	-8,798	-31,240	-36,970
Precision Technology	72	-4,353	-2,280	-28,960	113	-2,484	-3,693	-21,281
Undistributed items	-1,569	-662	-45,516	-452	-618	-1,407	-8,924	-517
Group total	563	-21,910	-91,400	-103,611	1,357	-18,320	-55,736	-86,098

ASSETS AND LIABILITIES BY SEGMENT	2021				2020			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Products	729,751 ¹⁾	135,479	96,544	18,096	544,576 ¹⁾	103,664	17,082	24,417
Industrial Solutions	2,062,705 ²⁾	722,583	471,271	41,330	1,169,625 ²⁾	441,768	19,154	25,183
Precision Technology	555,751 ³⁾	100,389	28,821	17,055	539,914 ³⁾	98,927	130,723	16,173
Undistributed items	146,409 ⁴⁾	79,099	1,457	25,828	231,983 ⁴⁾	47,659	-506	19,748
Group total	3,494,616	1,037,550	598,093	102,309	2,486,098	692,018	166,453	85,521

¹⁾ Including deferred tax assets totalling SEK 231 thousand (28).

²⁾ Including deferred tax assets totalling SEK 1,570 thousand (0).

³⁾ Including deferred tax assets totalling SEK 725 thousand (680).

⁴⁾ Including deferred tax assets totalling SEK 1,048 thousand (36).

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. During 2021, all business units have increased their total operating assets, such as inventories and accounts receivable.

ASSETS AND INVESTMENTS BY GEOGRAPHIC MARKET	2021		2020	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	664,252	57,609	686,067	142,402
Rest of the Nordic countries	647,913	162,999	475,666	14,224
Rest of Europe	478,218	343,519	150,077	5,341
Rest of the world	42,226	33,966	13,664	4,486
Group total	1,832,609	598,093	1,325,474	166,453

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	2021	2020
Contract assets for ongoing assignments	172,833	63,399
Accrued income	3,368	2,507
	176,201	65,906
CONTRACT LIABILITIES	2021	2020
Contract liabilities for ongoing assignments	328,625	178,423
Advance payment from customers	20,893	5,283
Deferred income	8,179	1,918
	357,697	185,624

The total assignment income that has been recognised as revenue amounts to SEK 1,176,175 thousand (728,437).

During the year, revenue has been recognised from performance obligations fulfilled in earlier periods at SEK 2,708 thousand (-1,660).

FOR ONGOING ASSIGNMENTS	2021	2020
Income from deliveries recognised as revenue over time	956,743	573,404
Expenditure for deliveries recognised as expenses over time	-725,355	-452,668
Reported profit	231,388	120,736
Advance payments received	1,394,780	867,355
Contract assets	172,833	63,399
Contract liabilities	328,625	178,423

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	65,906	185,624
Assets at the start of the year reclassified to accounts receivable or contract liabilities	-99,023	–
Liabilities at the start of the year recognised as income in 2021	–	-198,503
Additional assets/liabilities	173,483	353,196
Acquisitions of subsidiaries	34,346	15,218
Translation differences	1,489	2,162
Closing balance	176,201	357,697

■ NOTE 5 EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES ¹⁾	2021	of which men	2020	of which men
Sweden	613	83%	534	83%
Denmark	163	91%	132	90%
Netherlands	149	91%	97	92%
Estonia	105	90%	94	88%
Norway	101	88%	89	89%
China	100	82%	96	82%
Poland	9	33%	9	33%
Finland	4	75%	4	75%
USA	1	0%	0	–
Group total	1,245	86%	1,055	85%

¹⁾ Employees who are covered by short-term work/temporary layoffs are only included to the extent that relates to actually worked time.

AVERAGE NUMBER OF EMPLOYEES ²⁾	2021	of which men	2020	of which men
Sweden	613	83%	556	84%
Denmark	163	91%	132	90%
Netherlands	149	91%	97	92%
Estonia	105	90%	94	88%
Norway	101	88%	97	89%
China	100	82%	96	82%
Poland	9	33%	9	33%
Finland	4	75%	4	75%
USA	1	0%	0	–
Group total	1,245	86%	1,085	85%

²⁾ Average number of employees according to the Swedish Accounting Standards Board's recommendation, which means that employees who are covered by short-term work/temporary layoffs are included in full.

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2021	2020
Parent Company		
Board members	60%	60%
Senior executives	50%	50%
Operating subsidiaries		
Board members	76%	77%
Senior executives	79%	76%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2021	2020
Salaries and remuneration	618,059	492,524
Social security costs	179,718	141,478
(of which pension costs ^{1, 2, 3, 4)})	(63,196)	(45,287)
Group total	797,777	634,002

¹⁾ Of the Group's pension costs, SEK 7,759 thousand (6,585) 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 13,318 thousand (10,595). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2021, Alecta's surplus in the form of the collective insurance level amounted to 172 per cent (148). The fee for the coming year is estimated to be on a par with that charged for 2021.

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 675 thousand (634).

BREAKDOWN OF SALARIES AND OTHER REMUNERATION	2021		2020	
	Board and MD ¹⁾	Other employees	Board and MD ¹⁾	Other employees
Sweden (of which bonuses)	29,613 (5,891)	259,874	23,403 (3,312)	223,764
Denmark (of which bonuses)	3,954 (237)	141,871	4,021 (703)	107,150
Netherlands (of which bonuses)	2,739 (183)	83,472	2,286 (168)	50,662
Norway (of which bonuses)	2,311 (285)	49,796	1,801 (186)	41,956
China (of which bonuses)	2,154 (148)	19,395	1,886 (-)	16,967
Estonia (of which bonuses)	588 (81)	18,373	608 (105)	14,220
Finland (of which bonuses)	- (-)	2,100	- (-)	2,118
Poland (of which bonuses)	- (-)	1,596	- (-)	1,682
USA (of which bonuses)	- (-)	223	- (-)	-
Group total (of which bonuses)	41,359 (6,825)	576,700	34,005 (4,474)	458,519

¹⁾ Includes remuneration for board members, Group management and managing directors. Bonuses do not include holiday pay.

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

Remuneration to senior executives must be based on market terms, position, individual performance and the Group's earnings. The total remuneration will be made up of fixed remuneration, variable remuneration in the form of short-term incentives based on financial or strategic performance targets, pensions and other benefits. Conditions relating to termination and severance pay are in addition to this. In addition, the Annual General Meeting – irrespective of these guidelines – can decide on share-based and share price-related remuneration. The fixed remuneration must make up at least 50 per cent of the total remuneration. The fixed remuneration must reflect the responsibility that the position entails, and must be competitive on the relevant market. Pay reviews will be conducted annually to ensure continued competitiveness and to reward individual performance. The variable remuneration will make up a maximum of 50 per cent of the fixed remuneration and will correspond to a maximum of six months' fixed remuneration. Variable remuneration will principally relate to financial performance targets, but will also be able to be measured against non-financial targets in order thereby to focus on activities that promote the company's business and sustainability strategies as well as its long-term interests. The targets will be determined by the Board of Directors and must be specific, clearly measurable and for a set period of time. Variable remuneration linked to financial targets is determined annually and paid after the adoption of the annual accounts. All variable remuneration is conditional on positive net earnings for the Group, and will be adjusted retrospectively if it has been paid out on false grounds. Senior executives will have a pension scheme with a retirement age of 65. Pension benefits, including health insurance, must be premium-based. Variable compensation is not qualifying income for pension purposes. Pension premiums, including any salary exchange, must not exceed 35% of pensionable salary. Other benefits may include e.g. medical care insurance and a company car in accordance with the tax rules applicable at the time. Both the company and the CEO will be subject to a notice period of six months. In the case of termination of employment by the company, the CEO will be entitled to severance pay corresponding to 18 months' salary. The amount of severance pay will be adjusted for income from other sources. In the case of resignation by the CEO, no severance pay will be payable. Other senior executives will be subject to a notice period from either side of six months. In the case of termination of employment by the company, the executive will be entitled to severance pay corresponding to 6 months' salary. The amount of severance pay will be adjusted for income from other sources. In the case of resignation by the executive, no severance pay will be payable. In those cases where a Board member carries out services for the company over and above the Board work, a separate fee may be paid for this, provided such services contribute to the implementation of the company's business and sustainability strategy and the addressing of the company's long-term interests. Such consultancy fees may never exceed the annual Board fee for each individual Board member. The fee must be on market terms. Remuneration to the CEO must be determined by the Board based on the recommendation by the Remuneration Committee. Remuneration to other senior executives must be determined by the Remuneration Committee and be reported to the Board. The Remuneration Committee must monitor and evaluate the application of the guidelines for remuneration, as well as

applicable remuneration structures and remuneration levels in the company. Based on a recommendation from the Remuneration Committee, the Board must, every four years or in the event of major changes, draw up proposed new guidelines for ratification by the Annual General Meeting. To the extent that these matters relate to them, the CEO and other senior executives will not attend meetings of the Board where remuneration-related issues are discussed and decided. When preparing the Board's proposals regarding remuneration guidelines, salaries and terms and conditions of employment for the company's other employees must be taken into consideration, and an explanation must be given for the annual change in salary of each individual executive in relation to the average salary for the company's other employees. Any change in the difference between remuneration for senior executives and remuneration for other employees must be presented in the remuneration report. Based on a recommendation by the Remuneration Committee, the Board may deviate from the guidelines if specific reasons for this exist and it is deemed necessary in order to address the company's long-term interests or to safeguard the company's financial strength. Deviations may only be made in exceptional circumstances.

The guidelines are applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts. With the exception of restriction principles for variable remuneration and the definition of pensionable salary, the guidelines are applied in existing agreements with senior executives.

Terms of remuneration for the CEO and other senior executives cover basic salary, variable remuneration, other benefits and pension premiums. Other senior executives refer to the CFO who, together with the CEO, makes up the Group management.

The AGM decided that the Board's fee of SEK 1,130 thousand should be distributed with SEK 330 thousand payable to the Chairman and SEK 200 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 2021, SEK 150 thousand was carried as an expense for these tasks.

In 2021, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and benefits totalling SEK 9,646 thousand (7,594), of which SEK 3,708 thousand (2,376) constitutes variable remuneration. Other senior executives received salary and benefits totalling SEK 2,254 thousand (1,821), of which SEK 300 thousand (-) constitutes variable remuneration. At the 2020 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. According to existing agreement, "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 2,286 thousand (1,969). Pension costs for other senior executives amounted to SEK 547 thousand (511).

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

	2021	2020
Material costs	-1,383,706	-993,167
Personnel costs	-933,249	-666,561
Depreciation	-103,611	-86,098
Other external costs	-291,140	-214,703
	-2,711,706	-1,960,529

■ NOTE 7 PERSONNEL COSTS

PERSONNEL COSTS BY FUNCTION	2021	2020
Cost of goods sold	-715,791	-502,299
Selling expenses	-127,068	-97,313
Administrative expenses	-90,390	-66,949
	-933,249	-666,561

■ NOTE 8 DEPRECIATION

DEPRECIATION BY FUNCTION	2021	2020
Cost of goods sold	-89,527	-74,894
Selling expenses	-10,915	-8,708
Administrative expenses	-3,169	-2,496
	-103,611	-86,098

DEPRECIATION BY CLASS OF ASSET	2021	2020
Other intangible non-current assets	-10,519	-6,660
Land and buildings	-15,911	-14,235
Plant and machinery	-32,526	-27,062
Equipment, tools, fixtures and fittings	-12,190	-9,800
Right-of-use assets	-32,465	-28,341
	-103,611	-86,098

■ NOTE 9 AUDITORS' REMUNERATION

	2021	2020
Ernst & Young		
Audit assignment	-1,614	-1,506
Audit activities other than audit assignment	-74	-70
Tax consultancy services	-107	-206
Other services	-154	-139
	-1,949	-1,921
Other auditors		
Audit assignment	-1,321	-554
Audit activities other than audit assignment	-79	—
Tax consultancy	-26	—
Other services	-20	—
	-1,446	-554
Total	-3,395	-2,475

"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

	2021	2020
Rental income	82	333
Exchange gains on operating receivables/liabilities	14,345	15,391
Other	11,836	3,341
	26,263	19,065

"Other" includes non-recurring items of SEK 8,267 thousand related to received payment of funds for collective AGS insurance via Fora.

■ NOTE 11 OTHER OPERATING EXPENSES

	2021	2020
Cost of leased premises/personnel	-82	-333
Exchange losses on operating receivables/liabilities	-12,229	-21,764
Other	-520	-2,205
	-12,831	-24,302

■ NOTE 12 FINANCIAL INCOME

	2021	2020
Interest income	563	1,357
Exchange gains on financial assets/liabilities	11,857	6,578
	12,420	7,935

■ NOTE 13 FINANCIAL EXPENSES

	2021	2020
Interest expenses	-21,910	-18,320
Exchange losses on financial assets/liabilities	-9,956	-12,374
	-31,866	-30,694

■ NOTE 14 TAX ON PROFIT FOR THE YEAR

	2021	2020
Current tax	-88,587	-66,758
Deferred tax	-865	13,340
Tax on dividends from non-Swedish subsidiaries	-1,948	-2,318
	-91,400	-55,736

The difference between the Swedish income tax rate 20.6% (21.4) and the effective tax rate arises as follows:

	2021		2020	
Reported profit before tax	433,482		250,869	
Tax according to Swedish income tax rate	-89,297	21%	-53,686	21%
<i>Tax effect of</i>				
Consolidated amortisation of surplus values	-2	0%	-5	0%
Deviation in tax rate in non-Swedish subsidiaries	-1,092	0%	1,004	-0%
Transaction costs at business combinations	-737	0%	-210	0%
Altered corporation tax in Sweden	—	—	1,330	-1%
Tax reduction for investments in Sweden	1,192	0%	—	—
Dividends from non-Swedish subsidiaries	-1,688	0%	-1,939	1%
Adjustment of current tax in previous periods	0	0%	-41	0%
Other tax-related adjustments	224	0%	-2,189	1%
Reported tax	-91,400	21%	-55,736	22%

■ NOTE 15 INTANGIBLE ASSETS

GOODWILL	2021	2020
Accumulated acquisition values		
Opening balance	628,190	578,169
Acquisition of subsidiaries	334,504	52,164
Translation differences for the year	1,889	-2,143
Closing balance	964,583	628,190
Accumulated amortisation		
Opening balance	-1,635	-1,641
Translation differences for the year	-3	6
Closing balance	-1,638	-1,635
Accumulated impairment costs		
Opening balance	-102	-102
Closing balance	-102	-102
Closing residual value	962,843	626,453

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 based on budget for 2022 and the following forecast period, depending on the segment, amounts to 2–6 per cent (2–7) for the this period and thereafter staying at 2 per cent (2). Assumed operating margins amount to 11–16 per cent (11–15) 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 10.8 per cent (11.3) 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	2021	2020
Industrial Products	114,945	98,314
Industrial Solutions	719,229	399,470
Precision Technology	128,669	128,669
	962,843	626,453

OTHER INTANGIBLE NON-CURRENT ASSETS	2021	2020
Accumulated acquisition values		
Opening balance	66,767	64,912
New acquisitions	1,258	306
Acquisitions of subsidiaries	45,279	–
Divestments and disposals	-1,496	-2,623
Reclassifications	7,127	5,321
Translation differences for the year	1,123	-1,149
Closing balance	120,058	66,767
Accumulated scheduled amortisation		
Opening balance	-37,032	-32,551
Divestments and disposals	149	1,491
Amortisation according to plan for the year	-10,519	-6,660
Translation differences for the year	-715	688
Closing balance	-48,117	-37,032
Closing residual value according to plan ¹⁾	71,941	29,735
Remaining amortisation period, years		
^{1) of which}		
Capitalised expenditure for research and development	8	67,121
Patents	2	171
Other	3	4,649
		5,455

CONSTRUCTION IN PROGRESS	2021	2020
Accumulated acquisition values		
Opening balance	8,460	11,957
New acquisitions/advance payments	682	4,059
Disposals	–	-1,977
Reclassifications	-7,127	-5,321
Translation differences for the year	104	-258
Closing balance	2,119	8,460

■ NOTE 16 PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS	2021	2020
Accumulated acquisition values		
Opening balance	499 117	471,517
New acquisitions	15 246	4,548
Acquisitions of subsidiaries	24 406	14,890
Divestments and disposals	-8 909	-220
Reclassifications	4 645	15,531
Translation differences for the year	5 198	-7,149
Closing balance	539 703	499,117
Accumulated scheduled depreciation		
Opening balance	-163 246	-151,164
Divestments and disposals	8 908	86
Reclassifications	-14	–
Depreciation according to plan for the year	-15 911	-14,235
Translation differences for the year	-1 696	2,067
Closing balance	-171 959	-163,246
Closing residual value according to plan ¹⁾	367 744	335,871
¹⁾ of which land	36,109	32,177

PLANT AND MACHINERY	2021	2020
Accumulated acquisition values		
Opening balance	523,868	475,357
New acquisitions	27,702	40,969
Acquisitions of subsidiaries	24,636	15,626
Divestments and disposals	-3,179	-6,190
Reclassifications	2,448	10,146
Translation differences for the year	11,298	-12,040
Closing balance	586,773	523,868
Accumulated scheduled depreciation		
Opening balance	-359,551	-348,853
Divestments and disposals	3,139	5,841
Reclassifications	3,997	12
Depreciation according to plan for the year	-32,526	-27,062
Translation differences for the year	-9,479	10,511
Closing balance	-394,420	-359,551
Closing residual value according to plan	192,353	164,317

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2021	2020
Accumulated acquisition values		
Opening balance	138,489	132,300
New acquisitions	17,323	12,344
Acquisitions of subsidiaries	8,960	962
Divestments and disposals	-10,653	-4,344
Reclassifications	6,172	2,857
Translation differences for the year	4,755	-5,630
Closing balance	165,046	138,489
Accumulated scheduled depreciation		
Opening balance	-105,958	-104,898
Divestments and disposals	10,276	4,072
Reclassifications	-2,392	-3
Depreciation according to plan for the year	-12,190	-9,800
Translation differences for the year	-3,701	4,671
Closing balance	-113,965	-105,958
Closing residual value according to plan	51,081	32,531

CONSTRUCTION IN PROGRESS	2021	2020
Accumulated acquisition values		
Opening balance	14,288	29,007
New acquisitions/advance payments	27,558	14,434
Reclassifications	-14,856	-28,543
Translation differences for the year	795	-610
Closing balance	27,785	14,288

Additional contractual obligations to acquire property, plant and equipment amount to SEK 26,038 thousand (3,600).

RIGHT-OF-USE ASSETS	2021	2020
Opening balance	111,023	135,421
Acquisitions and adjustments	39,007	9,429
Acquisitions of subsidiaries	30,223	7,169
Terminated contracts	-1,266	-6,980
Amortisation	-32,465	-28,341
Translation differences	4,586	-5,675
Closing balance	151,108	111,023

■ NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

	2021	2020
Accumulated acquisition values		
Opening balance	529	249
Acquisitions/capital contribution for the year	—	351
Profit participation for the year ¹⁾	-173	-38
Translation differences for the year	36	-33
Closing balance	392	529
Accumulated write-downs		
Opening balance	-223	-248
Translation differences for the year	-17	25
Closing balance	-240	-223
Carrying amount	152	306

Business name Corporate identity number Registered office	Share of equity	Share of voting rights	Number of shares	Equity ¹⁾	Profit after tax ¹⁾
Nordic Plastic Recycling AS 918 069 283 Ådalsnes, Norway	24%	24%	14,286	1,009	-1,108

¹⁾ Based on preliminary profit.

■ NOTE 18 INVENTORIES

	2021	2020
Raw material and consumables	214,072	127,318
Products in progress	118,806	84,671
Finished products and goods for resale	99,689	78,123
Work in progress	1,890	—
Advance payments to suppliers	41,169	19,459
Closing balance	475,626	309,571

Write-downs totalling SEK 1,141 thousand (4,030) have been made. Total expenditure for goods reported as costs amounts to SEK 1,383,706 thousand (993,167).

■ NOTE 19 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2021	2020
Accounts receivable	569,128	352,570
Tax asset	6,055	2,995
Other receivables	51,787	38,728
Accrued income ¹⁾	3,368	2,527
Contract assets	172,833	63,399
Closing balance	803,171	460,219

■ NOTE 20

FINANCIAL ASSETS AND LIABILITIES

DISTRIBUTION BY CATEGORY	Financial assets measured at fair value through other comprehensive income	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⁾
2021							
Financial assets							
Accounts receivable ²⁾	–	569,128				569,128	569,128
Derivative instruments	–	–				–	
Cash and cash equivalents	–	345,864				345,864	345,864
Total financial assets	–	914,992				914,992	
Financial liabilities							
Borrowings			–	–	907,837	907,837	907,837
Lease liabilities ³⁾			–	–	142,416	142,416	
Convertible loan			–	–	65,876	65,876	69,998
Total interest-bearing liabilities			–	–	1,116,129	1,116,129	
Accounts payable				–	279,699	279,699	279,699
Derivative instruments				5,885	–	5,885	5,885
Total financial liabilities			–	5,885	1,395,828	1,401,713	

DISTRIBUTION BY CATEGORY	Financial assets measured at fair value through other comprehensive income	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⁾
2020							
Financial assets							
Accounts receivable ²⁾	–	352,570				352,570	352 570
Derivative instruments	5,315 ⁴⁾	–				5,315	5 315
Cash and cash equivalents	–	366,993				366,993	366 993
Total financial assets	5,315	719,563				724,878	
Financial liabilities							
Borrowings			–	–	582,792	582,792	582 792
Lease liabilities ³⁾			–	–	97,099	97,099	
Convertible loan			–	–	63,518	63,518	69 998
Bank overdraft facilities			–	–	–	–	
Total interest-bearing liabilities			–	–	743,409	743,409	
Accounts payable			–	–	188,816	188,816	188 816
Derivative instruments			–	13,174 ⁵⁾	–	13,174	13 174
Total financial liabilities			–	13,174	932,225	945,399	

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 2,089 thousand (2,355), of which SEK -183 thousand (785) constitutes realised losses. Required write-downs of outstanding receivables amounts to SEK 5,466 thousand (3,952), 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 -5,315 thousand (5,315) excluding tax. The item is effectively hedged and is reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

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 7,296 thousand (-219) 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	2021	2020
Opening balance	3,952	2,493
Acquisitions of subsidiaries	–	69
Provision for anticipated bad debt losses	1,945	1,700
Reversal of anticipated bad debt losses	-460	-165
Translation differences for the year	29	-145
Closing balance	5,466	3 952

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 31/12/2021	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable ¹⁾	428,741	105,698	34,689	569,128
Derivative instruments	–	–	–	–
Cash and cash equivalents	345,864	–	–	345,864
Total financial assets	774,605	105,698	34,689	914,992

FINANCIAL ASSETS AS OF 31/12/2020	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable ¹⁾	179,772	152,313	20,485	352,570
Derivative instruments	1,008	863	3,444	5,315
Cash and cash equivalents	366,993	–	–	366,993
Total financial assets	547,773	153,176	23,929	724,878

FINANCIAL LIABILITIES AS OF 31/12/2021	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	5,619	8,550	364,147	378,316	558,129	69,337	44,471	1,050,253
Convertible loan ²⁾	–	–	–	–	65,876	–	–	65,876
Bank overdraft facilities	–	–	–	–	–	–	–	–
Total interest-bearing liabilities	5,619	8,550	364,147	378,316	624,005	69,337	44,471	1,116,129
Accounts payable	223,707	52,358	3,634	279,699	–	–	–	279,699
Derivative instruments	387	58	5,440	5,885	–	–	–	5,885
Total financial liabilities	229,713	60,966	373,221	663,900	624,005	69,337	44,471	1,401,713
<i>Total non-discounted cash flows ³⁾</i>				<i>670,744</i>	<i>645,466</i>	<i>71,353</i>	<i>45,615</i>	<i>1,433,178</i>

FINANCIAL LIABILITIES AS OF 31/12/2020	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	3,798	8,623	30,010	42,431	534,815	44,744	57,901	679,891
Convertible loan	–	–	–	–	63,518	–	–	63,518
Bank overdraft facilities	–	–	–	–	–	–	–	–
Total interest-bearing liabilities	3,798	8,623	30,010	42,431	598,333	44,744	57,901	743,409
Accounts payable	109,781	76,494	2,541	188,816	–	–	–	188,816
Derivative instruments	386	52	12,736	13,174	–	–	–	13,174
Total financial liabilities	113,965	85,169	45,287	244,421	598,333	44,744	57,901	945,399
<i>Total non-discounted cash flows ³⁾</i>				<i>246,513</i>	<i>625,251</i>	<i>47,720</i>	<i>58,904</i>	<i>978,388</i>

¹⁾ Of reported accounts receivable, the overdue amount totals SEK 129,973 thousand (40,284), see also Note 35.

²⁾ Falls due in 2023.

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. The agreement has been extended by one year.

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			
			Non-current		Current ¹⁾	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
DKK	38,241	-1,227	169,280	163,414	153,797	23,044
EUR	372,948	290,739	42,255	26,283	336,304	64,762
SEK	324,220	279,299	482,197	486,659	128,162	118,915
USD	117,732	95,924	–	–	1,812	4,368
Other currencies	61,851	60,143	44,081	24,622	43,825	33,332
	914,992	724,878	737,813	700,978	663,900	244,421

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	2021	2020
Cash and bank balances	345,859	366,988
Current investments	5	5
Amount at year-end	345,864	366,993

■ NOTE 22 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE	2021	2020
Net profit for the year, SEK thousands	342,082	195,133
Average number of outstanding shares, thousands	28,992	28,435
Basic earnings per share, SEK	11.80	6.86

DILUTED EARNINGS PER SHARE	2021	2020
Net profit for the year, SEK thousands	342,082	195,133
Interest expense on convertible bonds, SEK thousands ¹⁾	3,331	1,905
Issue expenses for convertible bonds, SEK thousands	170	51
Adjusted income, SEK thousands	345,583	197,089
Average number of outstanding shares, thousands	28,992	28,435
Adjustment for presumed conversion of convertible bonds, thousands	574	705
Average number of shares at the calculation of earnings per share, thousands	29,566	29,140
Diluted earnings per share, SEK	11.69	6.76

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	31/12/2021	1/1/2021
Class A shares	7,288,800	7,288,800
Class B shares	21,958,307	21,958,307
Total number of shares	29,247,107	29,247,107
Quotient value, SEK	1.25	1.25
Share capital, SEK	36,558,883.75	36,558,883.75

The total number of shares is 29,247,107, of which 254,566 was held by the company at year-end. The average number of outstanding shares during 2021 amounted to 28,992,541. 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 94,591,741 at year-end.

On 1 October 2020, convertibles for a nominal value of SEK 69,998 thousand, corresponding to 573,756 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 3.50 per share.

■ NOTE 24 RESERVES

CUMULATIVE TRANSLATION DIFFERENCE	2021	2020
Opening balance	16,970	34,812
Translation differences for the year	25,919	-25,228
Hedging of currency risk in non-Swedish operations	-7,127	7,386
Closing balance	35,762	16,970

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	2021	2020
Opening balance	-5,892	-9,838
Changes for the year, including tax	1,573	3,946
Closing balance	-4,319	-5,892

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 2021, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 219 million (217).

	2021	2020
Total reserves	31,443	11,078

■ NOTE 25 BANK OVERDRAFT FACILITIES

Utilised overdraft facilities are reported as current liabilities.

BANK OVERDRAFT FACILITIES	2021	2020
Bank overdraft facilities granted	304,091	309,269
Unutilised amount	-304,091	-309,269
Utilised amount	0	0

■ NOTE 26 CONVERTIBLE LOAN

The Parent Company has an outstanding convertible loan reported at SEK 65,876 thousand (63,518). The nominal value for the outstanding loan is SEK 69,998 thousand. The convertible loan runs until 30 September 2023 with an annual interest rate corresponding to STIBOR 3M plus 1.75 percentage points (1.75 per cent for the current period). During the period 1–12 September 2023, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 122.00. 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 5.64 per cent (government bonds interest rate at the time of issue, -0.36 per cent, with a 6.00 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense on convertible loan for the year is SEK 3,583 thousand (2,098). For the outstanding convertible loan, the interest expense corresponds to 5.1 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.

■ NOT 27 OTHER PROVISIONS

NON-CURRENT	2021	2020		
Guarantee and complaint commitments	5,383	3,284		
Pension commitments	675	634		
Deferred land registration costs	797	224		
	6,855	4,142		
Estimated maturity time				
Between one and five years after the closing day	6,631	3,918		
More than five years after the closing day	224	224		
CURRENT	2021	2020		
Guarantee and complaint commitments	4,549	3,327		
Other	297	–		
	4,846	3,327		
CHANGES IN OTHER PROVISIONS	Non-current			Current
	Guarantee commitments	Pension commitments	Other commitments	Other commitments
Opening balance	3,284	634	224	3,327
Provisions for the year	2,555	72	569	1,443
Payments/utilisation for the year	-507	-31	–	–
Translation differences for the year	51	–	4	76
Closing balance	5,383	675	797	4,846

■ 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.

	2021	2020
Non-current assets, Group items ¹⁾	30,977	20,721
Buildings, subsidiaries	4,376	3,915
Untaxed reserves		
Excess depreciation, machinery and equipment	15,177	13,149
Tax allocation reserves	25,220	25,944
Derivative instruments	-1,121	-1,529
Non-Swedish items with diverging tax rate	29,281	24,132
Other items	-1,601	-811
Deferred tax liability	102,309	85,521
Deferred tax asset ²⁾	-3,574	-744
Net deferred tax liability	98,735	84,777
Deferred tax liability brought forward	-84,777	-94,773
Acquisition of subsidiaries	-14,406	-3,577
Dissolution of reserves	–	42
Other temporary differences	2,635	161
Translation differences	-912	1,177
Rounding	-2	3
Deferred tax expense relating to temporary differences	1,273	-12,190
– of which reported in		
Net profit for the year	865	-13,340
Other comprehensive income	408	1,150

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

²⁾ SEK 1,319 thousand (0) relates to the business in non-Swedish subsidiaries. In view of 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. 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	2021	2020
Deferred tax liability brought forward	85,521	95,581
Non-current assets, Group items	-2,516	-2,418
Buildings, subsidiaries	461	27
Untaxed reserves		
Excess depreciation, machinery and equipment	2,028	1,792
Tax allocation reserves	-724	-3,380
Derivative instruments	408	1,150
Other items	-790	-234
Acquisition of subsidiaries	15,713	3,577
Non-Swedish items with diverging tax rate	2,208	-10,574
Deferred tax liability carried forward	102,309	85,521

CHANGES IN DEFERRED TAX ASSET	2021	2020
Deferred tax asset brought forward	744	808
Change in loss carried forward	-680	680
Other	2,191	-747
Acquisitions of subsidiaries	1,307	–
Translation differences	12	3
Tax asset carried forward	3,574	744

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

	2021	2020
Advance payments from customers	20,893	5,283
Accounts payable	279,699	188,816
Salary and holiday pay liabilities	96,757	66,077
Accrued social security contributions	29,534	19,452
Other accrued expenses	39,195	29,439
Other non-interest-bearing liabilities	68,943	59,085
Contract liabilities	328,625	178,423
	863,646	546,575

■ NOTE 30 PLEGGED ASSETS

	2021	2020
For own liabilities		
Property mortgages	115,119	118,336
Floating charges	93,763	106,163
Assets with right of repossession	70,027	72,554
Shares in subsidiaries	1,010,949	826,612
Other assets	45,643	41,555
	1,335,501	1,165,220
Other pledged assets		
Pledged endowment insurance with pension obligation	675	634
	675	634
Total	1,336,176	1,165,854

■ NOTE 31 CONTINGENT LIABILITIES

	2021	2020
Contingent liabilities in respect of advance payment and work guarantees	70,175	42,857
Other obligations	2,461	2,291
	72,636	45,148

■ NOTE 32 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. An average incremental borrowing rate of 3 per cent has been applied when calculating operational lease liabilities.

RIGHT-OF-USE ASSETS	2021	2020
Premises	114,550	64,419
Plant and machinery	24,538	36,378
Equipment, tools, fixtures and fittings	12,020	10,226
	151,108	111,023

INTEREST-BEARING LIABILITIES	2021	2020
Current component, within 1 year	35,759	26,705
Non-current component, between 1 and 5 years	97,723	53,947
Non-current component, over 5 years	8,934	17,591
	142,416	98,243

CONTRACTED FUTURE LEASE PAYMENTS	Lease contracts	Short-term leases	Low-value leases
Current component, within 1 year	39,451	867	78
Non-current component, between 1–5 years	103,848	–	83
Non-current component, over 5 years	9,800	–	–
Non-discounted amounts	153,099	867	161

AMOUNTS RECOGNISED IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	2021	2020
Depreciation	-32,465	-28,341
Interest expenses	-4,162	-3,488
Leasing expenses on short-term leases	-2,242	-1,259
Leasing expenses on low-value leases	-155	-48

DEPRECIATION DISTRIBUTED BY THE UNDERLYING CLASS OF ASSET	2021	2020
Premises	-17,454	-12,652
Plant and machinery	-8,810	-10,015
Equipment, tools, fixtures and fittings	-6,201	-5,674
	-32,465	-28,341

AMOUNTS RECOGNISED IN CONSOLIDATED CASH FLOW STATEMENTS	2021	2020
Interest paid	-3,085	-2,878
Repayment by instalments	-29,022	-26,820
Total leasing fees paid	-32,107	-29,698

The value of leases that have not yet begun, but to which the lessee is contracted, does not come to any noteworthy sum.

The effect on lease liabilities in the event of a 1 per cent change in the discount rate is SEK 3 million.

■ NOTE 33 CASH FLOW

ACQUISITIONS OF SUBSIDIARIES/ASSETS AND LIABILITIES

In 2021, PiWi Beheer B.V. with subsidiary Case Packing Systems B.V. (CPS) and AV Holding 2018 ApS with subsidiary CIM Industrial Systems A/S were acquired. Investments in 2021 also include the final settlement of the purchase sum and transaction costs totalling SEK 2,257 thousand related to Lasertech LSH AB, which was acquired in December 2020.

In 2020, Modellteknik i Eskilstuna AB, Pelarstället AB and Lasertech LSH AB were acquired.

PRELIMINARY ACQUISITION CALCULATIONS

ACQUISITION CPS	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	228,349	228,349
Property, plant and equipment	24,011	7,000	31,011
Right-of-use assets	–	344	344
Current assets ¹⁾	154,007	–	154,007
Non-current liabilities	–	-6,215	-6,215
Current liabilities	-40,748	-309	-41,057
Net assets/purchase price	137,270	229,169	366,439

¹⁾ Accounts receivable are recognised in the amount of SEK 33,758 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 57,688 thousand.

ACQUISITION CIM & PRM	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	24,344	126,811	151,155
Property, plant and equipment	17,270	10,000	27,270
Right-of-use assets	–	29,879	29,879
Current assets ¹⁾	73,025	–	73,025
Non-current liabilities	-11,627	-30,942	-42,569
Current liabilities	-74,912	-7,311	-82,223
Net assets/purchase price	28,100	128,437	156,537

¹⁾ Accounts receivable are recognised in the amount of SEK 27,877 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 3,800 thousand.

ACQUISITIONS IN TOTAL	2021	2020
Intangible non-current assets	379,504	52,164
Property, plant and equipment	58,281	31,478
Right-of-use assets	30,223	9,843
Financial non-current assets	–	22
Current assets	227,032	41,922
Non-current liabilities	-48,784	-13,979
Current liabilities	-121,023	-37,612
Total purchase prices	525,233	83,838
Liquid assets in acquired businesses	-61,488	-17,420
Transaction costs	3,576	983
Total cash flow attributable to acquired businesses	467,321	67,401

Transaction costs with regard to acquired entities amounted to SEK 3,576 thousand (983) and were recognised as administrative expenses in net profit for the year.

INTEREST

During the financial year, interest paid amounted to SEK 17,847 thousand (16,132) and interest received to SEK 583 thousand (1,347).

■ NOTE 34 BUSINESS COMBINATIONS/DIVESTMENTS

In May 2021, PiWi Beheer B.V. with subsidiaries, located in Stamproy, The Netherlands were acquired. The operations, which are mainly conducted within the subsidiary Case Packing Systems B.V. (CPS), include the development and manufacturing of systems for fully automated handling primarily of food packaging. Sales take place globally with Europe as the main market. The company has 70 employees and sales of approx. EUR 25 million. CPS is part of XANO's Industrial Solutions business unit. The total purchase price amounted to SEK 366 million and was paid in cash. The acquisition brought surplus values totalling SEK 235 million distributed between goodwill (SEK 205 million), real estate (SEK 7 million) and product concept (SEK 23 million). The transaction costs amounted to SEK 1.4 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 technology expertise to existing operations at the Industrial Solutions business unit, but also access to new market segments. The utilisation of common resources will also entail synergies.

CHANGES IN LIABILITIES RELATED TO FINANCING ACTIVITIES	31/12/2020	Cash flow	Non-cash changes					31/12/2021
			Translation differences	Fair value adjustment	Acquisition of subsidiaries	Additional lease liabilities IFRS 16	Other	
Non-current interest-bearing liabilities								
Loan and leasing liabilities	637,460	-7,505	7,320	–	33,071	1,591	–	671,937
Convertible loan	63,518	–	–	2,358	–	–	–	65,876
	700,978	-7,505	7,320	2,358	33,071	1,591	–	737,813
Current interest-bearing liabilities								
Loan and leasing liabilities	42,431	301,185	3,406	–	35,262	-3,968	–	378,316
Bank overdraft facilities	–	–	–	–	–	–	–	–
	42,431	301,185	3,406	–	35,262	-3,968	–	378,316
	743,409							1,116,129

¹⁾ Effect of conversion to shares.

In May 2021, CIM Industrial Systems A/S with subsidiary, located in Aarhus, Copenhagen and Fredericia, Denmark were acquired. CIM is a leading production software specialist. Based on own frameworks and products, CIM provides end-to-end production software solutions within Industrial IoT, Track & Trace/Serialisation, Machine Vision and Test & Measurement, as well as related custom work. CIM's solutions enable their customers to make business critical decisions based on reliable data. Customers include blue-chip pharmaceutical and infrastructure companies. CIM has 50 employees and sales of approx. DKK 65 million. The company is part of XANO's Industrial Solutions business unit. The total purchase price amounted to SEK 121 million and was paid in cash. The acquisition brought surplus values totalling SEK 112 million distributed between goodwill (SEK 90 million) and product concept (SEK 22 million). The transaction costs amounted to SEK 1.1 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 specialist software expertise to existing operations at the Industrial Solutions business unit, but also access to new market segments.

In November, Tussholding Lankamp B.V. with subsidiaries, located in Rijssen, the Netherlands, were acquired. The operations, which are mainly conducted within the subsidiary PRM Kunststoffen B.V. (PRM), include the development and manufacturing of products and systems through rotational moulding of polymer materials. The company possesses Europe's largest moulding machine. Sales are made to leading companies in Europe, with the Netherlands and Germany as primary markets. PRM has 54 employees and a turnover of approx. EUR 11 million. The company is part of XANO's Industrial Products business unit. The total purchase price amounted to SEK 35 million and was paid in cash. The acquisition brings surplus values totalling SEK 25 million distributed between goodwill (SEK 15 million) and machinery (SEK 10 million). The transaction costs amount to SEK 1.1 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 technology expertise to existing operations at the Industrial Products business unit, but also strengthening the market presence in Northern Europe. With common resources, the business unit has the opportunity to offer both expanded capacity and greater proximity to leading customers.

The acquired units contributed SEK 244 million in net revenue and approx. SEK 22 million in net profit after the deduction of write-offs from surplus values and financial expenses attributable to the acquisitions. If the acquired units had been included in the Group throughout the whole of 2021, revenue would have amounted to approx. SEK 3,407 million, while net profit would have been approx. SEK 369 million.

In 2020, Modellteknik i Eskilstuna AB, Pelarstället AB and Lasertech LSH AB 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.

The proportion of invoicing in foreign currency in 2021 was 61 per cent (58). 48 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 2021 is shown in the table below.

Share (%) of	SEK	EUR	DKK	Other
Invoicing	39	38	2	21
Cost of goods sold	37	39	13	11

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 26 million for the corresponding flow, of which approx. SEK 16 million are 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 2021, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 71 million and net profit by around SEK 6 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 1,448 million (834) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2021 by SEK 19 million (-18). 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 5 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 2.30 per cent (2.60). On the closing day, the Group's interest-bearing liabilities, excluding operating lease liabilities, amounted to SEK 988 million (670), of which SEK 769 million (452) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 64 months and the average interest rate at year-end was 0.90 per cent (0.90). The Group's liabilities related to operating leases amount to SEK 128 million (74). The net result of a 1 percentage point increase in interest rates is approx. SEK 7.7 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 219 million (217) 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 (%)
2022	–	–	–
2023–2026	118,765	0.41	25
2027 and later	100,000	1.48	75
Total	218,765	0.90	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 23 per cent (35) 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 569 million (353). On the closing day, there was one customer for which outstanding accounts receivable amounted to SEK 80 million (59) in total.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE

	Not yet due	Time from maturity			Total
		6–30 days	31–90 days	> 90 days	
As of 31/12/2021	439,155	83,682	28,586	17,705	569,128
As of 31/12/2020	312,286	17,648	16,892	5,744	352,570

Losses reported on accounts receivable for the year amounted to SEK 2,089 thousand (2,355), of which SEK -183 thousand (785) constituted actual losses. Required write-downs of outstanding receivables have been carried out at SEK 5,466 thousand (3,952), 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 173 million (66). On the closing day, there are two customers for which outstanding contract assets exceed SEK 20 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.

The Group's operations span many different sectors and customer segments, which generally entails a good spreading of risk. The level of preparedness to make adjustments at short notice is also high. The ongoing Coronavirus pandemic is a risk and uncertainty factor that could have significant consequences for the Group's operations. The health and safety of the employees is a top priority. The Group complies with the guidelines and recommendations issued by the public authorities in the countries where operations are conducted. This may in itself entail restrictions to the ability to carry out installations and maintain services for customers. At the same time, the extent of customers' need for products and services may be significantly reduced. There are also risks associated with e.g. material supplies and the purchase of services.

■ 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 (42).

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. Senior executives have also received the right to acquire personnel convertibles in accordance with decision made at the Annual General Meeting. The share and convertible holdings of Board members and senior executives as of the closing day are presented on pages 106–107.

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. In 2021, 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 2021, sales from XANO's subsidiaries to AGES Industri AB with subsidiaries amounted to SEK 0.1 million (0.3). Purchases from companies within the AGES Group to XANO's subsidiaries amounted to SEK 1.2 million (1.0). AGES is under the controlling interest of Viem Invest AB and Pomona-gruppen AB. Purchases from INEV AB with subsidiaries, which are under the controlling interest of Board member Per Rodert, amounted to SEK 0.0 million (1.5). 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. Employees who are covered by short-term work/temporary layoffs are only included to the extent that relates to actually worked time

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 86.

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 85.

INTEREST COVERAGE RATIO

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

	2021	2020
Profit before tax plus financial expenses, SEK thousands	465,348	281,563
Financial expenses, SEK thousands	31,866	30,694
Interest coverage ratio, multiple	14.6	9.2

ORGANIC GROWTH

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

	2021	2020
Net revenue for the period less revenue generated through acquisitions less net revenue for the previous period, SEK thousands	567,437	93,646
Net revenue for the previous period, SEK thousands	2,239,432	2,128,023
Organic growth, %	25.3	4.4

PROPORTION OF RISK-BEARING CAPITAL

Shows the Group's long-term solvency.

	2021	2020
Equity attributable to shareholders of the Parent Company, SEK thousands	1,340,937	1,050,971
Provisions for taxes, SEK thousands	102,309	85,521
Risk-bearing capital, SEK thousands	1,443,246	1,136,492
Total capital, SEK thousands	3,494,616	2,486,398
Proportion of risk-bearing capital, %	41.3	45.7

RETURN ON CAPITAL EMPLOYED

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

	2021	2020
Profit before tax plus financial expenses, SEK thousands	465,348	281,563
Average ¹⁾ total capital employed, SEK thousands	2,139,353	1,625,006
Return on capital employed, %	21.8	17.3

RETURN ON EQUITY

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

	2021	2020
Net profit for the year attributable to shareholders of the Parent Company, SEK thousands	342,082	195,133
Average ¹⁾ equity attributable to shareholders of the Parent Company, SEK thousands	1,188,124	924,968
Return on equity, %	28.8	21.1

RETURN ON TOTAL CAPITAL

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

	2021	2020
Profit before tax plus financial expenses, SEK thousands	465,348	281,563
Average ¹⁾ total capital, SEK thousands	2,979,528	2,222,583
Return on total capital, %	15.6	12.7

¹⁾ Average capital is calculated as an average of the opening balance and reported quarterly data during the current year. For 2021, this means that the closing balances as of 31 December 2020, 31 March 2021, 30 June 2021, 30 September 2021 and 31 December 2021 were added together and divided by 5.

Income statements

PARENT COMPANY (SEK THOUSANDS)	NOTE	2021	2020
Net sales		45,816	34,496
Cost of goods sold		–	–
Gross profit		45,816	34,496
Selling expenses	3, 4, 6	-5,564	-4,529
Administrative expenses	3, 4, 5, 6	-31,528	-25,661
Other operating income		132	120
Other operating expenses		–	–
Operating profit/loss		8,856	4,426
Profit from participations in Group companies	7	222,391	56,130
Interest income and similar profit/loss items	8	16,026	11,354
Interest expense and similar profit/loss items	9	-18,635	-11,154
Profit after financial items		228,638	60,756
Appropriations	10	-7	9,005
Profit before tax		228,631	69,761
Tax	11	-46,953	-10,563
NET PROFIT FOR THE YEAR		181,678	59,198

Statements of comprehensive income

PARENT COMPANY (SEK THOUSANDS)	NOTE	2021	2020
Net profit for the year		181,678	59,198
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		181,678	59,198

Balance sheets

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	12		
Equipment, tools, fixtures and fittings		107	75
		107	75
<i>Financial non-current assets</i>			
Participations in Group companies	13	223,000	224,376
		223,000	224,376
Total non-current assets		223,107	224,451
Current assets			
<i>Current receivables</i>			
Income tax asset		–	1,253
Receivables from Group companies		938,939	579,814
Other receivables		5	5,508
Prepayments and accrued income		5,902	4,614
		944,846	591,189
<i>Current investments</i>		5	5
<i>Cash and bank balances</i>	16	155,023	249,112
Total current assets		1,099,874	840,306
TOTAL ASSETS		1,322,981	1,064,757

Balance sheets

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	14	36,559	36,559
Statutory reserve		8,899	8,899
		45,458	45,458
<i>Non-restricted equity</i>			
Share premium reserve		76,055	76,055
Profit brought forward		172,011	185,294
Net profit for the year		181,678	59,198
		429,744	320,547
Total equity		475,202	366,005
Untaxed reserves			
	15	98,014	98,007
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	16,17	185,876	183,518
		185,876	183,518
<i>Current liabilities</i>			
Accounts payable		3,398	1,256
Liabilities to Group companies		511,980	389,859
Tax liabilities		29,337	–
Other liabilities	16	7,010	17,793
Accruals and deferred income		12,164	8,319
		563,889	417,227
Total liabilities		749,765	600,745
TOTAL EQUITY AND LIABILITIES		1,322,981	1,064,757

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 2020		35,234	8,899	12,529	180,294	236,956
Net profit for the year		–	–	–	59,198	59,198
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	59,198	59,198
Conversion of personnel convertibles		1,325	–	56,452	–	57,777
Effects of convertible loan issued		–	–	7,074	–	7,074
Transfer of own shares		–	–	–	5,000	5,000
Equity, 31 December 2020		36,559	8,899	76,055	244,492	366,005
Net profit for the year		–	–	–	181,678	181,678
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	181,678	181,678
Dividend paid in cash		–	–	–	-72,481	-72,481
EQUITY, 31 DECEMBER 2021	14	36,559	8,899	76,055	353,689	475,202

Cash flow statements

PARENT COMPANY (SEK THOUSANDS)	NOTE	2021	2020
OPERATING ACTIVITIES			
Operating profit/loss		8,856	4,426
<i>Adjustments for non-cash items etc.</i>			
Depreciation		11	6
Group contribution		218,767	37,171
Dividend received		5,000	20,000
Interest paid/received, net value	19	-2,622	-3,559
Income tax paid		-16,463	-9,413
Cash flow from operating activities before changes in working capital		213,549	48,631
Changes in working capital			
Increase (-) / decrease (+) in current receivables		-361,016	27,919
Increase (+) / decrease (-) in current liabilities		125,815	137,822
Cash flow from operating activities		-21,652	214,372
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-43	-
Cash flow from investing activities		-43	-
FINANCING ACTIVITIES			
Dividend paid		-72,481	-
Transfer of own shares		-	5,000
<i>Increase (+) / decrease (-) in non-current interest-bearing liabilities</i>	19	-	-
Borrowings		-	69,998
Repayment of debt		-	-4,353
Change in bank overdraft facilities		-	-52,048
Increase (-) / decrease (+) in non-current assets		-	10,088
Cash flow from financing activities		-72,481	28,685
CASH FLOW FOR THE YEAR		-94,176	243,057
Cash and cash equivalents at the beginning of the year		249,117	6,262
Exchange rate differences in cash and cash equivalents		87	-202
Cash and cash equivalents at the end of the year	19	155,028	249,117

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 2021.

The company has received government support to cover social security contributions in order to reduce the financial effects of the Coronavirus pandemic. The support is recognised as a reduction in personnel costs under each function. Received support amounts to SEK – thousand (186).

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 (4) 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 personnel convertibles in accordance with decision 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
-------------------------	------------

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 NUMBER OF EMPLOYEES	2021	of which men	2020	of which men
Sweden	10	40%	9	33%

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2021	2020
Board members	60%	60%
Senior executives	50%	50%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2021	2020
Salaries and remuneration	18,400	15,217
Social security costs	10,481	8,705
(of which pension costs ^{1, 2)})	(3,782)	(3,308)
	28,881	23,922

¹⁾ Of the Parent Company's pension costs, SEK 2,833 thousand (2,480) 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	2021	2020
Board members and senior executives	12,966	10,435
(of which bonuses ¹⁾)	(4,008)	(2,376)
Other employees	5,434	4,782
	18,400	15,217

¹⁾ Bonuses do not include holiday pay.

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

The full guidelines for remuneration and other terms of employment for senior executives are described in Note 5 for the Group on page 73.

The guidelines are applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts. With the exception of restriction principles for variable remuneration and the definition of pensionable salary, the guidelines are applied in existing agreements with senior executives.

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 AGM decided that the Board's fee of SEK 1,130 thousand should be distributed with SEK 330 thousand payable to the Chairman and SEK 200 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 2021, SEK 150 thousand was carried as an expense for these tasks.

In 2021, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and benefits totalling SEK 9,646 thousand (7,594), of which SEK 3,708 thousand (2,376) constitutes variable remuneration. Other senior executives received salary and benefits totalling SEK 2,254 thousand (1,821), of which SEK 300 thousand (–) constitutes variable remuneration. At the 2020 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. According to existing agreement, "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 2,286 thousand (1,969). Pension costs for other senior executives amounted to SEK 547 thousand (511).

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	2021	2020
Selling expenses	-2	-1
Administrative expenses	-9	-5
	-11	-6

DEPRECIATION BY CLASS OF ASSET	2021	2020
Equipment, tools, fixtures and fittings	-11	-6
	-11	-6

■ NOTE 5 AUDITORS' REMUNERATION

	2021	2020
Ernst & Young		
Audit assignment	-384	-302
Audit activities other than audit assignment	-74	-44
Tax consultancy services	-19	-175
Other services	-65	-100
	-542	-621
Other auditors	–	–
Total	-542	-621

"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

	2021	2020
Lease fees recognised as expenses	916	942
Future minimum lease payments related to operating leases		
to be paid within 1 year	887	910
to be paid between 2 and 5 years	16	872

■ NOTE 7 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2021	2020
Dividends from Group companies	5,000	20,000
Impairment losses on shares in subsidiaries	-1,376	-1,041
Group contributions received	218,767	37,171
	222,391	56,130

■ NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2021	2020
Interest income, Group companies	6,267	5,516
Interest income, other	7,295	145
Exchange rate differences	2,464	5,693
	16,026	11,354

Other interest income includes a change in value of SEK 7,296 thousand (–) relating to interest rate swaps measured at their fair value.

Exchange rate differences include a change in value of SEK – thousand (5,315) relating to currency derivatives measured at their fair value.

■ NOTE 9 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2021	2020
Interest expense, Group companies	-1,669	-862
Interest expense, other	-9,274	-9,479
Exchange rate differences	-7,692	-813
	-18,635	-11,154

Other interest expense includes a change in value of SEK – thousand 219 relating to interest rate swaps measured at their fair value.

■ NOTE 10 APPROPRIATIONS

	2021	2020
Change in excess depreciation	-7	-1
Tax allocation reserve, change for the year	–	9,006
	-7	9,005

■ NOTE 11 TAX ON PROFIT FOR THE YEAR

	2021	2020
Current tax	-46,953	-10,563
	-46,953	-10,563

The difference between the income tax rate 20.6% (21.4) and the effective tax rate arises as follows:

	2021		2020	
Reported profit before tax	228,631		69,761	
Tax according to current income tax rate	-47,098	21%	-14,929	21%
<i>Tax effect of</i>				
Non-deductible expenses	-2,287	1%	-879	1%
Tax-exempt dividends	1,030	0%	4,280	-6%
Other tax-exempt income	1,503	-1%	1,137	-1%
Standard income and deviating tax rate for tax allocation reserves	-101	0%	-172	0%
Reported tax	-46,953	21%	-10,563	15%

■ NOTE 12 PROPERTY, PLANT AND EQUIPMENT

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2021	2020
Accumulated acquisition values		
Opening balance	1,271	1,271
New acquisitions	43	–
Closing balance	1,314	1,271
Accumulated scheduled depreciation		
Opening balance	-1,196	-1,190
Depreciation according to plan for the year	-11	-6
Closing balance	-1,207	-1,196
Closing residual value according to plan	107	75

■ NOTE 13 PARTICIPATIONS IN GROUP COMPANIES

	2021	2020
Accumulated acquisition values		
Opening balance	228,667	228,667
Acquisition of subsidiaries	–	–
Closing balance	228,667	228,667
Accumulated impairment costs		
Opening balance	-4,291	-3,250
Impairment losses for the year	-1,376	-1,041
Closing balance	-5,667	-4,291
Carrying amount	223,000	224,376

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%	29,158
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
					223,000

SUBSIDIARY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY
Ackurat Ornplast Sp. z o. o	0000404285	Gdansk, Poland	34,227	100%
Ackurat Suomen Oy	0535817-5	Helsinki, Finland	630	100%
AV Holding 2018 ApS <i>undergoing merger</i>	39 45 93 96	Struer, Denmark	640,000	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, The Netherlands	180	100%
Canline Systems B.V.	17270973	Eersel, The Netherlands	180	100%
Canline Systems USA Inc.	87-1375033	Chicago IL, USA	100	100%
Canline USA Corporation	46-3583603	Roanoke VA, USA	1,000	100%
Case Packing Systems B.V.	13039933	Stramproy, The Netherlands	400	100%
CIM Electronics A/S <i>undergoing merger</i>	25 68 20 25	Aarhus, Denmark	500,000	100%
CIM Industrial Systems A/S	24 21 00 22	Aarhus, Denmark	860,000	100%
Cipax AB	556065-7875	Norrälje, Sweden	200	100%
Cipax Eesti AS	10092500	Taebala, Estonia	400	100%
Cipax Norge AS	928 432 025	Bjørkelangen, Norway	1,778	100%
Cipax Oy	2188914-4	Helsinki, Finland	1,000	100%
CPS Onroerende Zaak B.V.	13039319	Stramproy, The Netherlands	400	100%
CPS USA B.V. <i>undergoing liquidation</i>	12050380	Stramproy, The Netherlands	1 800	100%
Fredriksons Verkstads AB	556420-7537	Vadstena, Sweden	5,000	100%
Fredriksons Industry (Suzhou) Co Ltd	022735	Suzhou, China	–	100%
Holtermoen Eiendom AS	928 432 009	Bjørkelangen, Norway	1,873	100%
Holtermoen Eiendom Vest AS	928 432 017	Bjørkelangen, Norway	269	100%
Jorgensen Engineering A/S	51 45 22 16	Odense, Denmark	30,000,000	100%
Jorgensen Engineering USA Inc.	87-1389636	Houston TX, USA	100	100%
AB Kuggteknik	556122-2992	Leksand, Sweden	2,500	100%
Kungsörs Mekaniska Verkstad AB	556141-4243	Kungsör, Sweden	1,500	100%
Lankamp Machines B.V.	06073690	Rijssen, The Netherlands	40	100%
Lasertech LSH AB	556559-2887	Karlskoga, Sweden	500	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Mikroverktig AB	556020-8828	Södertälje, Sweden	1,000	100%
Modellteknik i Eskilstuna AB	556504-4996	Eskilstuna, Sweden	5,000	100%
Nordic Plastic Recycling AS	918 069 283	Åndalsnes, Norway	14,286	24%
NPB Automation AB	556266-7948	Jönköping, Sweden	1,000	100%
NPB Automation USA Inc.	87-1409833	Chicago IL, USA	100	100%
Pelarsället AB	556572-2716	Eskilstuna, Sweden	1,000	100%
Pioner Boat AS	990 374 031	Bjørkelangen, Norway	6,180	100%
PiWi Beheer B.V.	12052152	Stramproy, The Netherlands	180	100%
Polyketting Automation B.V.	54154067	Zelhem, The Netherlands	100	100%
Polyketting B.V.	54154782	Zelhem, The Netherlands	1,800	100%
Polyketting Components B.V.	54154068	Zelhem, The Netherlands	1,800	100%
Polyketting Holding B.V.	54154065	Zelhem, The Netherlands	7,502	100%
Polyketting Special Products B.V.	54154069	Zelhem, The Netherlands	1,800	100%
PRM Kunststoffen B.V.	06066255	Rijssen, The Netherlands	400	100%
Resinit AB	556332-1263	Västervik, Sweden	1,000	100%
Tussenholding Lankamp B.V.	81213166	Rijssen, The Netherlands	100,000	100%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
XANO Fastigheter Ljungarum AB	556202-5220	Jönköping, Sweden	2,796,000	100%

25 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	31/12/2021	1/1/2021
Class A shares	7,288,800	7,288,800
Class B shares	21,958,307	21,958,307
Total number of shares	29,247,107	29,247,107
Quotient value, SEK	1.25	1.25
Share capital, SEK	36,558,883.75	36,558,883.75

The total number of shares is 29,247,107, of which 254,566 was held by the company at year-end. The average number of outstanding shares during 2021 amounted to 28,992,541. 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 94,591,741 at year-end.

On 1 October 2020, convertibles for a nominal value of SEK 69,998 thousand, corresponding to 573,756 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 3.50 per share.

■ NOTE 15 UNTAXED RESERVES

	2021	2020
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	28,000
	98,000	98,000
Accumulated excess depreciation	14	7
	98,014	98,007

Deferred tax liabilities represent SEK 21,395 thousand (21,393) of untaxed reserves.

■ NOTE 16 LIABILITIES

	2021	2020
NON-CURRENT LIABILITIES		
Maturity date between one and five years after closing day	185,876	183,518
Maturity date more than five years after closing day	–	–
	185,876	183,518
CURRENT LIABILITIES	–	
Total interest-bearing liabilities	185,876	183,518

BANK OVERDRAFT FACILITIES	2021	2020
Bank overdraft facilities granted, Group currency accounts	300,000	300,000
Unutilised amount	-300,000	-300,000
Utilised amount	0	0

Liquid assets, including lines of external credit granted but not utilised, totalled SEK 419 million (523) on the closing day.

The company has an outstanding convertible loan reported at SEK 65,876 thousand (63,518). The nominal value for the outstanding loan is SEK 69,998 thousand. The convertible loan runs until 30 September 2023 with an annual interest rate corresponding to STIBOR 3M plus 1.75 percentage points (1.75 per cent for the current period). During the period 1–12 September 2023, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 122.00. 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 5.64 per cent (government bonds interest rate at the time of issue, -0.36 per cent, with a 6.00 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense on convertible loan for the year is SEK 3,583 thousand (2,098). For the outstanding convertible loan, the interest expense corresponds to 5.1 per cent of the actual liability.

Derivative instruments totalling SEK 5,885 thousand (13,174) 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 155,023 thousand (249,112).

■ NOTE 17 PLEDGED ASSETS

	2021	2020
Shares in subsidiaries	217,501	218,877
	217,501	218,877

■ NOTE 18 CONTINGENT LIABILITIES

	2021	2020
Guarantees in favour of subsidiaries	887,307	528,472
	887,307	528,472

■ NOTE 19 CASH FLOW

INTEREST

Interest paid amounted to SEK 8,908 thousand (9,209) and interest received SEK 6,286 thousand (5,650).

LIQUID ASSETS	2021	2020
Cash and bank balances	155,023	249,112
Current investments	5	5
Amount at year-end	155,028	249,117

■ 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 83–84.

■ NOTE 21 PROPOSAL FOR THE APPROPRIATION OF PROFITS

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

	2021	2020
Payment of a cash dividend of SEK 3.50 (2.50) per share to shareholders, calculated on 28,992,541 shares (28,992,541)	101,474	72,481
To be carried forward	328,270	248,066
	429,744	320,547

After deduction for the company's own holding, the number of outstanding shares is 28,992,541 at present.

■ NOTE 22 EVENTS AFTER THE END OF THE YEAR

There is uncertainty about how and to which extent XANO Industri AB's operations will be affected by the ongoing conflict in Ukraine. XANO Industri AB do not run any own business in Ukraine or Russia.

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 2021 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 12 May 2022 for adoption.

Jönköping, 5 April 2022

Fredrik Rapp
Chairman

Anna Benjamin
Vice chairman

Petter Fägersten
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Lennart Persson
President and CEO

Our audit report was submitted on 7 April 2022.

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 2021. The annual accounts and consolidated accounts of the company are included on pages 58-97 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 2021 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 2021 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 963 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 assets", and in note 2, "Material valuations and assessments".

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 2021 amounted to MSEK 3,151. 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 1,176 in 2021. 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 1-57 and 106-112. The remuneration report for the financial year 2021 also constitutes other information. 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, actions taken to eliminate threats or related safeguards applied.

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

REPORT ON THE AUDIT OF THE ADMINISTRATION AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS

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 2021 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 fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for XANO Industri AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report d2a7a8f8c5cc7af354c6a11dca6b7b00c650b8c1361a7d5a34abfce91e9470b5 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of XANO Industri AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 ESEF report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, i.e. if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the ESEF report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

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 3 June 2021 and has been the company's auditor since the 20 May 1997.

Jönköping, 7 April 2022

Ernst & Young AB

Joakim Falck
Authorised public accountant

Corporate governance report 2021

XANO INDUSTRI AB (PUBL)

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 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

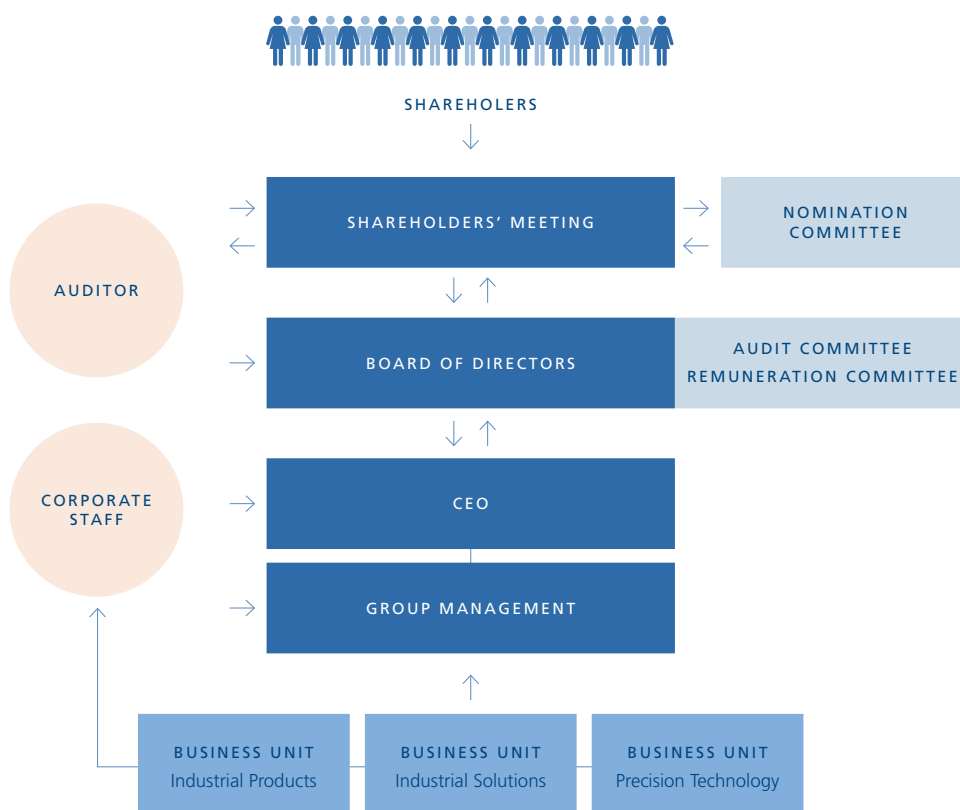
XANO Industri AB (publ) is a Swedish public limited company whose overall goal is to generate long-term value for its shareholders and other stakeholders.

XANO's Class B share is listed on Nasdaq Stockholm in the Mid Cap segment. The information requirements to which XANO is subject as a result of this can be found in the "Nordic Main Market Rulebook for Issuers of Shares" 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 2021, there were 7,032 shareholders in XANO, of which 6,754 were physical persons representing 14.2 per cent of the votes and 36.4 per cent of the capital. Institutional holdings constituted 3.9 per cent of the votes and 12.7 per cent of the share capital. The 10 largest shareholders accounted for 93.7 per cent of the votes and 79.7 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 57.2 per cent of the votes and 27.6 per cent of the capital. Pomona-gruppen AB holds 29.4 per cent of the votes and 28.8 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 2021

XANO's 2021 AGM was held on Thursday 3 June. Due to the ongoing spread of coronavirus, the meeting was conducted without the physical presence of shareholders, proxies and third parties. Shareholders were encouraged to vote by post ahead of the AGM. Through advance voting, holdings accounting for 90 per cent of the votes and 68 per cent of the number of outstanding shares were represented at the meeting. The following key decisions were made:

- » Cash dividends of SEK 2.50 per share.
- » Re-election of Board members 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 2022 AGM.
- » Authority for the Board of Directors to decide on repurchase and transfer of the company's own shares.
- » Authority for the Board of Directors to decide on new share issue.

ANNUAL GENERAL MEETING 2022

XANO's 2022 AGM will take place on Thursday 12 May at 4 pm in Jönköping. Further information can be found on page 108 of the annual report for 2021 and on the website www.xano.se.

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 2021 AGM decided that there should be five members. The Board of Directors currently consists of Fredrik Rapp (Chairman), Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Anna Benjamin. Fredrik Rapp, Anna Benjamin and Petter Fägersten are considered dependent in relation to major shareholders. Other members are judged to be independent in relation to both major shareholders and the company and the company management. The Articles of Association do not contain any specific regulations concerning the appointment and dismissal of Board members or changes to the Articles of Association. The work of XANO's Board of Directors is governed both by laws and recommendations and by the Board's rules of procedure, which are adopted once a year. These rules of procedure contain rules

concerning matters such as the distribution of work between the Board of Directors and the CEO, financial reporting and investments.

The Board of Directors held seven meetings during the 2021 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 2021 included the following main items:

No. 1 – 11 February (digital)

Year-end report 2020, report from audit committee, the auditor's report of the general observations arising from the audit of the 2020 financial statements.

No. 2 – 6 May

Interim report 3 months, revised forecast for 2021, report from the remuneration committee, business combination discussions, prerequisites prior to the AGM.

No. 3 – 16 June (digital)

Business combination discussions.

No. 4 – 13 July (digital)

Interim report 6 months.

No. 5 – 29–30 September

Group strategy, revised forecast for 2021, business combination discussions, visit at and deeper information on CIM and the Industrial Solutions business unit.

No. 6 – 27 October (digital)

Interim report 9 months, business combination discussions.

No. 7 – 10 December

Budget for 2022, 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 2021, 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 87 per cent of votes and 56 per cent of the capital in XANO, a nomination committee was appointed by the 2021 AGM composed of Ulf Hedlundh as chairman, along with Stig-Olof Simonsson and Anna Benjamin.

The task of the committee prior to the 2022 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 so far held four meetings prior to its proposal to the 2022 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 accounts as well as the administration by the Board and CEO. The auditor's report to the shareholders is presented at the AGM.

The ordinary election of an auditor for XANO last took place at the AGM in 2021 for the term of office up until the AGM in 2022. 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, Garo AB, AB Gyllensvaans Möbler, Hexpol AB, 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 2021

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2021	Participation in Remuneration Committee meetings 2021	Participation in Audit Committee meetings 2021 ²⁾	Board fee including committee remuneration, SEK
Fredrik Rapp	2004	Chairman	Yes	No ¹⁾	7 (7)	1 (1)	–	350,000
Anna Benjamin	2016	Vice chairman	Yes	No ¹⁾	7 (7)	–	1 (1)	230,000
Petter Fägersten	2011	Board member	Yes	No ¹⁾	7 (7)	1 (1)	–	220,000
Eva-Lotta Kraft	2012	Board member	Yes	Yes	7 (7)	–	1 (1)	230,000
Per Rodert	2013	Board member	Yes	Yes	7 (7)	–	1 (1)	250,000
								1,280,000

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 two meetings with briefings given by the Group's auditor.

More information on the Board members and company management is given on pages 106–107.

DEVIATIONS FROM THE CODE

There are no deviations to report for 2021.

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

The full guidelines for remuneration and other terms of employment for senior executives are described in Note 5 for the Group, on page 73. The guidelines are applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts. With the exception of restriction principles for variable remuneration and the definition of pensionable salary, the guidelines are applied in existing agreements with senior executives.

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.

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.

In 2021, internal control activities have principally been related to information security and GDPR. During 2020, the work primarily focused on following up procedures in respect of suppliers, employer responsibility and VAT.

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 2022.

Jönköping, 5 April 2022

Fredrik Rapp
Chairman

Anna Benjamin
Vice chairman

Petter Fägersten
Board member

Per Rodert
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 2021 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 RevR 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, 7 April 2022

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 Argynnis Group AB, Estinvest AB, Serica Consulting AB and Svenska Handbollförbundet. Member of the boards of ITAB Shop Concept AB, Corem Property Group AB, AGES Industri AB, Pomona-gruppen 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, Hand in Hand Sweden, 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, INEV AB, Idyllum 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 Chairman of the boards of DevPort AB, Allt i Plåt AB and Orax AB. Member of the boards of GMA AB, Gräsvårdsmaskiner AB, INEV AB, Jönköping Business Development AB, Lanab Group AB, Sport Competence AB, Sulkysport AB, Viking Bed AB and Walker Sweden AB.

Shareholding in XANO –



**Eva-Lotta
Kraft**
born 1951

Board member elected 2012.

Principal education Graduate engineer, MBA.

Principal professional experience Area Manager Alfa Laval and Siemens-Elerna, 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 2021 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 208,000 class B shares.

Convertible holding in XANO nom. SEK 5,144,862
corresponding to 42,171 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 48,000 class B shares.

Convertible holding in XANO nom. SEK 3,422,100
corresponding to 28,050 class B shares.

Auditor

ERNST & YOUNG AB, JÖNKÖPING

Auditor in charge

Joakim Falck

born 1972

Authorised public accountant

Shareholder information

ANNUAL GENERAL MEETING

The next Annual General Meeting will be held at 4 pm on Thursday 12 May 2022 in Jönköping.

Shareholders wishing to participate in the Annual General Meeting must be registered in the shareholders register maintained by Euroclear Sweden AB on 4 May 2022, and must notify the company of their intention to participate in the Meeting in the manner and not later than the date specified in the convening notice.

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 4 May 2022 in order to be entitled to attend the AGM.

DIVIDEND

The Board of Directors proposes that the AGM allocate a dividend of SEK 3.50 per share for the 2021 financial year with record date 16 May 2022. If the AGM approves the proposal, the dividend will be issued by Euroclear on 19 May 2022.

NOMINATION COMMITTEE

A nomination committee was appointed at the 2021 AGM consisting of Ulf Hedlundh (Chairman), Stig-Olof Simonsson and Anna Benjamin. The task of this committee prior to the 2022 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

5 May

Interim report 1 January–31 March 2022

12 July

Interim report 1 January–30 June 2022

27 October

Interim report 1 January–30 September 2022

9 February

Year-end report 2022

INFORMATION MATERIAL

Printed information is distributed to those shareholders who notify the company that they wish to receive such information. Notification must be submitted by e-mail to ir@xano.se or by telephone on 036-31 22 00.

Subscription for press releases is registered via www.xano.se under "Investors". Reports and press releases can also be found on the website, available to read and download.

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