



# Annual Report 2013





# Active ownership in niche engineering companies

## XANO in brief

### *BUSINESS CONCEPT*

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

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

*XANO consists of engineering companies in Sweden, Norway, Estonia, Finland, Poland and China. These companies provide manufacturing and development services for industrial products and automation equipment. They operate within well-defined niches and possess a high level of expertise within their respective technical fields. Each unit is anchored locally and developed according to its own potential. At the same time, the Group affinity creates economies of scale for the companies and their customers.*





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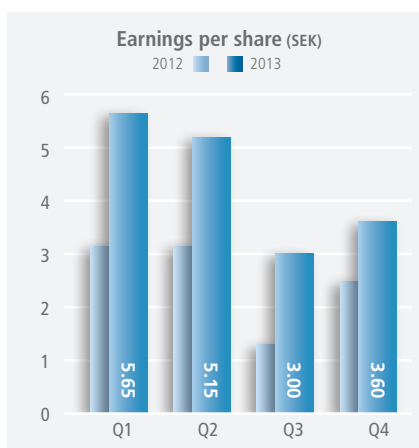
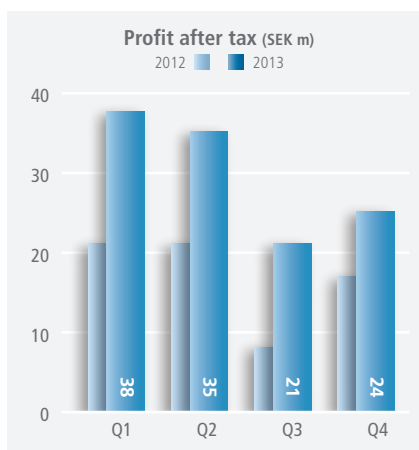
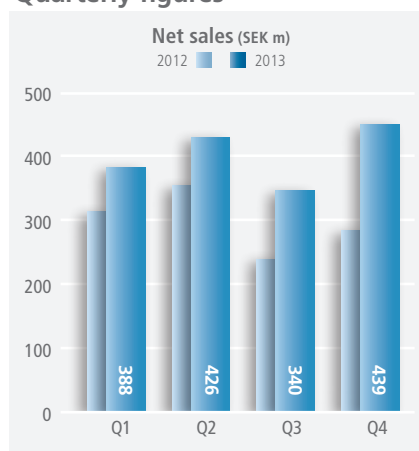
# 2013 in brief

## The full year

Net sales, SEK m	<b>1,593</b>	(1,171)
Profit after tax, SEK m	<b>118</b>	(67)
Earnings per share, SEK	<b>17.40</b>	(9.85)



## Quarterly figures



## Important events

- *The Group's best year so far*
- *Sales of properties brought capital gains totalling SEK 16 million*
- *Capacity-enhancing investments in Unnaryd*
- *Proposal for hiving-off the Precision Components business unit*

### Q1

The beginning of the year was affected by the continuing weak economic climate, and the level of activity within the Group's market segments did not pick up until March. Profit from operating activities in comparable units during the first quarter was lower than in the corresponding period of the previous year and on a par with Q4 2012.

Over the course of the quarter, an industrial property in Tallinn was sold, as were a number of properties in Unnaryd, resulting in a total capital gain of around SEK 16 million. Moreover, a decision was taken to make extensive investments in the newly acquired companies ÅGES and ITB Teknik. This project involved extending the production premises of both companies as well as investing in die casting machines and machining equipment.

### Q2

The positive trend beginning in March was reinforced during the second quarter, and the outcome was very good. Compared to the corresponding period in 2012, revenue was 22 per cent higher, while profit before tax increased by 58 per cent.

### Q3

The growth trend generally levelled off during the third quarter, but the Group still re-

ported yet another good quarter. Compared to the corresponding period of the previous year, revenue was 48 per cent higher, while profit before tax increased by 38 per cent excluding non-recurring items.

### Q4

The Group ended the year strongly. Compared to the corresponding period of the previous year, revenue was 54 per cent higher, while profit before tax increased by 161 per cent.

In November, it was announced that XANO's Board of Directors was considering proposals for hiving-off and distribution to the shareholders of the companies within the Precision Components business unit. In

December, it was decided to present the proposal for adoption at the Annual General Meeting in May 2014. The parent company of the hived-off group, AGES Industri AB (former XANO Teknik AB), intends to apply for separate listing on NASDAQ OMX's First North market.

## The full year

Revenue increased by 36 per cent and profit before tax excluding non-recurring items was up by 52 per cent compared to 2012. Cash flow amounted to SEK 161 million before investments. Interest-bearing liabilities fell by SEK 179 million. The full-year outcome made 2013 the Group's best year so far.

Key figures in brief		2013	2012
Net revenue	SEK m	1,593	1,171
Operating profit	SEK m	175	94
Profit after financial items	SEK m	150	82
Investment in non-current assets	SEK m	16	512
Gross margin	%	20.2	20.3
Operating margin	%	11.0	8.0
Profit margin	%	9.4	7.0
Capital employed	SEK m	1,220	1,295
Equity	SEK m	643	539
Balance sheet total	SEK m	1,557	1,665
Return on equity	%	19.8	12.9
Return on capital employed	%	14.7	10.8
Return on total capital	%	11.2	8.0
Equity/assets ratio	%	41	32
Proportion of risk-bearing capital	%	47	37
Interest coverage ratio	multiple	6.4	6.3
Average number of employees		998	768

For definitions, see page 87.





# The Group's best year ever

## Sune Lantz

*36 per cent growth in revenue and a 52 per cent increase in profit before tax compared to the previous year made 2013 the Group's best year to date.*

*At the end of Q2 2014, I will be relinquishing my position as CEO of XANO, but look forward to continuing my involvement as a member of the Board. I leave behind a strong and effective organisation with competent, committed colleagues. Deputy CEO Lennart Persson will take over as the new CEO, and I have every confidence in his ability to lead the Group going forward.*

## Developments during the year

The cautious market trend at the end of 2012 persisted into the early part of 2013. In March, we saw rising levels of activity in most of our operations. This trend intensified during the second quarter, and profits for the first half of the year were very good.

Market conditions were more variable across the various industry sectors during the second half of the year, but continued to be favourable on the whole. Companies with production geared toward the automotive industry in particular had a high level of work in hand.

Numerous capital-intensive initiatives were carried out during the year. Among others, I would note the robust investment programme at ÅGES and ITB Teknik in Unnaryd, the establishment of a company in Poland, and the integration of production equipment from previously acquired companies at both Mikroverktyg and Segerströms.

## Operations within the Group's business units

Market conditions were generally favourable throughout the year for the Industrial Solutions business unit, with a stable order trend across most customer segments. The substantial investments made during the previous year in automated production equipment have not only led to greater

competitiveness on existing markets but also resulted in access to new ones, where several projects are in the start-up phase. Numerous in-house products and systems have been successfully introduced during the year. Continued investments in product development are expected to generate further growth.

The acquisitions of ÅGES and ITB Teknik led to the formation of the Precision Components business unit. The new additions saw a sharp spike in demand from customers within the automotive industry during the year. The upswing came earlier and was more extensive than expected, the result being an appreciable impact on both delivery precision and quality. Ongoing capacity building involves successive improvements, but additional work to meet customers' requirements is still a high priority. Other companies in the business unit had combined revenue slightly below the level of the previous year while simultaneously incurring increased costs for marketing activities and restructuring efforts, among other things. The various actions that have been taken will result in a gradual improvement in profitability going forward.

The Precision Technology business unit had a lower billing volume and posted worse results than during the previous year. This decline is partly attributable to the sale of one of the unit's operations in July 2012, but also to a more difficult economic cli-

mate for several of the companies' major customers. Many new projects were commenced during the year, initially entailing increased costs. Combined with upgraded production resources, however, this means that there is plenty of potential for improvement going forward.

The Rotational Moulding business unit has managed to retain and in some segments even enhance its market position, while the start-up in Poland also led to the formation of several new customer relationships during the year. Revenue increased compared to the previous year while the profit level declined, primarily as a result of the extra expenses entailed by the start-up in Poland. With an efficient organisation in Poland, the business unit as a whole is expected to once more generate a higher level of profitability.

## Separate listing

Efforts to integrate ÅGES and ITB Teknik into the Group and develop synergies within the Precision Components business unit were a priority in 2013. Together, the companies have the potential to become a major player within their market segment. The Group's orientation and the positive developments in the newly acquired companies in particular have brought about structural changes. The Board believes that the prospects for continued growth and profitability will be better if the business is conducted as

a separate, independent unit. In November, a hiving-off and distribution proposal was therefore presented. The parent company of the group, AGES Industri AB, will apply for separate listing on NASDAQ OMX's First North market. Based on the experience gained from XANO's hiving-off of ITAB Shop Concept AB in 2004, we think that this break-up will provide shareholders with long-term added value as well.

## Outlook for 2014

Here in the early part of 2014, the order stock generally remains at a high level in our companies. We are seeing the positive effects of last year's initiatives to increase the degree of automation and realise efficiency gains within purchasing and logistics. The Group companies are employing an offensive and strategic approach to the market. Each unit is focussing on adapting its customer structure and assignments

according to existing production resources, resulting in good capacity utilisation. On the whole, we believe that the Group's operations will continue to develop along positive lines, which will ensure yet another good year.

Strategic acquisitions continue to be an important part of our pursuit of profitable growth. Our strong cash flow and reduced debt burden free up room to purchase additional interesting businesses.



## Change of CEO planned for the summer

### Thank You!

After many years as the CEO of XANO I have agreed with the Board of Directors to step down after the first half of 2014. I have been fortunate enough to be part of our development from a little group of workshops in the eighties to today's three industrial groups – ITAB, XANO and AGES. Toward the end of my term as CEO, I have had the chance to participate in the celebration of two important anniversaries. In 2012, XANO celebrated its 75th year of existence as a company, while 5 December 2013 marked the 25th anniversary of XANO's listing on the stock exchange.

The CEO succession was planned some time ago, and it is with great confidence that I hand the baton over to deputy CEO Lennart Persson, with whom I have had a good working relationship for many years. I welcome the opportunity to be involved in the Group's operations as a Board member, and have every faith in the Group's continuing success.

Finally, I would like to extend my sincere thanks to my colleagues and to the Board for their loyal commitment. I also want to thank our external partner companies for their hard work over the years.

Jönköping, February 2014

*Sune Lantz*  
Sune Lantz

# The XANO-share

2013

- The share price rose by 127 per cent from SEK 105 to SEK 238
- The number of shareholders increased by 20 per cent from 1,274 to 1,532
- In December, XANO celebrated 25 years as a listed company

## About the share

XANO's Class B shares were registered on the stock exchange on 5 December 1988. The share is listed on NASDAQ OMX Stockholm in the Small Cap segment. The share capital in XANO amounts to SEK 34.6 million, distributed between 1,950,000 Class A shares and 4,978,974 Class B shares. The quotient value is SEK 5 per share. Each Class A share gives entitlement to ten votes and each Class B share to one vote. All shares give equal rights to dividends.

## Price developments

During 2012, XANO's share price rose by 127 per cent from SEK 105.00 to SEK 238.00. The highest price paid during the year was SEK 250.00 on 3 December. The lowest price paid was SEK 101.00 on 17 January. At the end of 2013, XANO's market value amounted to SEK 1,649 million, based on the most recent price paid and the total number of shares.

## Shareholders

The number of shareholders increased by 20 per cent during the year. At the end of 2013, XANO had 1,532 shareholders, of which 1,406 were Swedish physical persons, compared with 1,274 at the same time the previous year. The ten largest shareholders accounted for 94.8 per cent of the votes and 82.0 per cent of the share capital. Institutional holdings constituted 2.3 per cent of the votes and 8.4 per cent of the share capital.

### Definitions

#### Basic earnings per share

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

#### Cash flow from operating activities per share

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

#### Diluted earnings per share

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

#### Direct yield

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

#### Equity per share

Equity in relation to the number of outstanding shares on the balance sheet date.

#### Equity/assets ratio

Equity in relation to total capital.

#### Proportion of risk-bearing capital

Equity plus provisions for taxes in relation to total capital.

#### Return on equity

Net profit in relation to average equity.

Additional definitions are found on page 87.

Key figures		2013	2012	2011	2010	2009
Net profit for the year	SEK m	118	67	83	72	-9
Equity	SEK m	643	539	499	446	390
Balance sheet total	SEK m	1,557	1,665	1,036	976	1,158
Return on equity	%	19.8	12.9	17.6	17.4	-2.2
Equity/assets ratio	%	41	32	48	46	34
Proportion of risk-bearing capital	%	47	37	52	49	38
Cash flow from operating activities	SEK m	161	73	165	126	124
Average number of outstanding shares	thousands	6,789	6,789	6,789	6,789	6,789
Average number of outstanding shares after dilution	thousands	7,064	7,037	7,009	7,009	7,009
Average number of shares in own custody	thousands	140	140	140	140	140
Basic earnings per share	SEK	17.40	9.85	12.15	10.60	-1.30
Diluted earnings per share <sup>1)</sup>	SEK	16.90	9.70	11.95	10.40	-1.30
Cash flow from operating activities per share	SEK	23.70	10.75	24.30	18.50	18.35
Total number of shares on balance sheet date	thousands	6,929	6,929	6,929	6,929	6,929
Number of shares in own custody on balance sheet date	thousands	140	140	140	140	140
Equity per share on balance sheet date	SEK	94.80	79.45	73.50	65.70	57.50
Share price on balance sheet date	SEK	238.00	105.00	81.75	83.00	56.00
Share price in relation to equity	%	251	132	111	126	97
Proposed dividend per share	SEK	4.00	3.50	3.50	3.50	1.50
Direct yield	%	1.7	3.3	4.3	4.2	2.7

<sup>1)</sup> No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share. Refers to the Group as a whole including discontinued operations.



## Dividend policy

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 4.00 (3.50) per share for the 2013 financial year. The proposed dividend represents a direct yield of 1.7% per share, based on the share price at the end of the year. The Board of Directors proposes the additional distribution of all shares in the subsidiary

AGES Industri AB to the shareholders.

It is the aim of the Board of Directors that over an extended period of time, the dividend will follow developments in results and correspond to 20 to 40 per cent of profit after tax. The annual dividend payout ratio should, however, be viewed in relation to any share repurchases.

## Shares in own custody

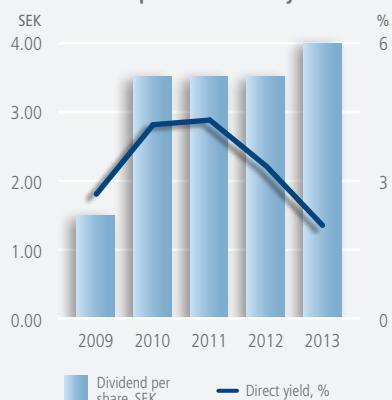
A total of 415,000 Class B shares were acquired during 2003. In 2006, a reduction in the share capital was carried out by cancelling 198,000 of the shares which were repurchased. A total of 47,000 and 30,000 own shares were transferred during 2007 and 2008 respectively in connection with company acquisitions.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

Price developments and share turnover 2009–2013

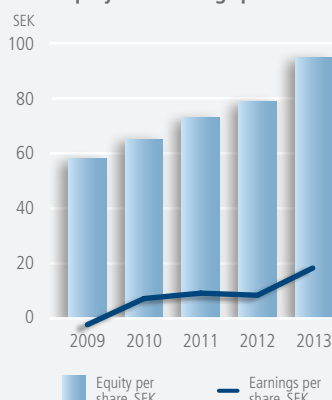


Source: NASDAQ OMX

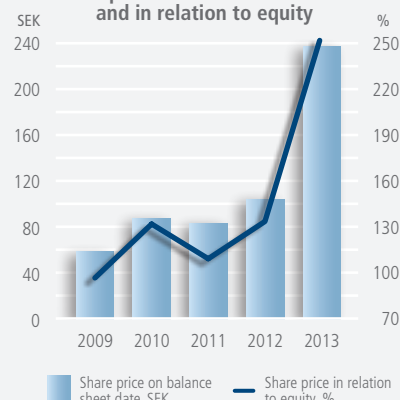
Dividend per share/direct yield



Equity and earnings per share



Share price on balance sheet date and in relation to equity



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

### Convertible bond programme

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

rate of SEK 109. The convertibles run from 1 July 2012 to 30 June 2016. If all convertibles are converted to shares, share capital will be increased by SEK 1,376,145. The dilution will then be approx. 4 per cent of the share capital and approx. 1 per cent of the number of votes. The convertible interest is paid annually in arrears and is equivalent to STIBOR 3M plus 2.7 per cent. During the period 1 June to 10 June 2016, each convertible may be converted to one Class B share in XANO Industri AB.

### 25 years on the stock exchange

XANO celebrated its 25th anniversary as a listed company on 5 December 2013. The share (at that time ITAB B) was listed on Stockholm Stock Exchange's OTC list in 1988, and the closing price on the first day of trading was SEK 110. The initial offering price in connection with the new share issue that preceded the listing was SEK 90. A 100-share lot acquired in 1988 for SEK 9,000 was valued at SEK 349,200 based on the closing prices for both the XANO and the ITAB shares on 31 December 2013, corresponding to an appreciation of 3,780 percent.

XANO's ten largest shareholders as of 31 December 2013

	Class A shares	Class B shares	Total number of shares	Percentage of voting rights	Percentage of share capital
Tord Johansson and related parties	1,282,200	587,575	1,869,775	55.1	27.5
Pomona-gruppen AB	540,000	1,563,545	2,103,545	28.6	31.0
Kennert Persson	103,100	301,000	404,100	5.5	6.0
Christer Persson and related parties	20,700	152,200	172,900	1.5	2.5
Svolder AB	–	330,000	330,000	1.4	4.9
Stig-Olof Simonsson and related parties	–	181,245	181,245	0.7	2.7
Anna Benjamin and related parties	–	150,400	150,400	0.6	2.2
Petter Fägersten and related parties	–	150,200	150,200	0.6	2.2
AJ Butiken AB	–	107,184	107,184	0.4	1.6
Sune Lantz and related parties	–	97,400	97,400	0.4	1.4
<b>Total ten largest shareholders</b>	<b>1,946,000</b>	<b>3,620,749</b>	<b>5,566,749</b>	<b>94.8</b>	<b>82.0</b>
Other	4,000	1,218,225	1,222,225	5.2	18.0
<b>Total number of outstanding shares</b>	<b>1,950,000</b>	<b>4,838,974</b>	<b>6,788,974</b>	<b>100.0</b>	<b>100.0</b>
Shares in own custody	–	140,000	140,000		
<b>Total number of shares</b>	<b>1,950,000</b>	<b>4,978,974</b>	<b>6,928,974</b>		

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

Source: Euroclear



## Share capital trend

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

## Share distribution and shareholders structure as of 31 December 2013

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

Number of shares	Number of shareholders	Share percentage
1 – 500	1,107	2.4
501 – 1,000	217	2.5
1,001 – 5,000	142	4.7
5,001 – 10,000	26	2.7
10,001 – 50,000	17	5.2
50,001 – 100,000	2	2.2
100,001 –	9	80.3
<b>Total</b>	<b>1,520</b>	<b>100.0</b>

In owner groups and excluding shares in own custody.

Source: Euroclear







# Active ownership in niche engineering companies

## **BUSINESS CONCEPT**

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

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

## *Entrepreneurial drive*

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

## *Long-term thinking*

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

## *Technical know-how*

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





# Advanced technical expertise within niche areas

## FINANCIAL TARGETS

### Stable profitability and high growth

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

## VISION

### Market leader within selected segments

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

## STRATEGY

### Develop, acquire and operate niche companies

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

## MARKET OFFERING AND OPERATIONS

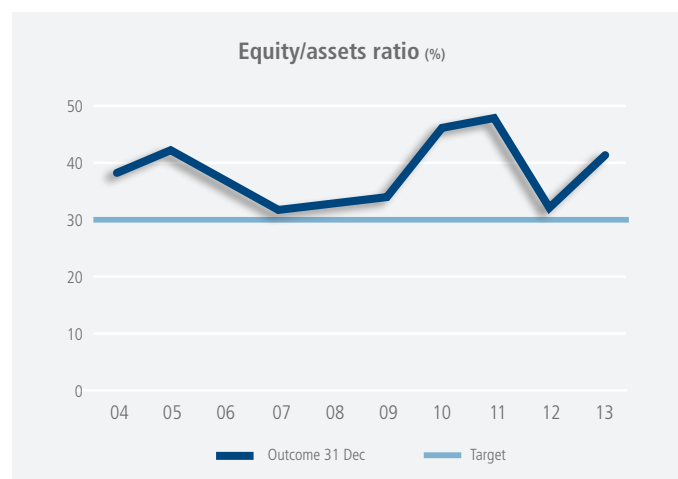
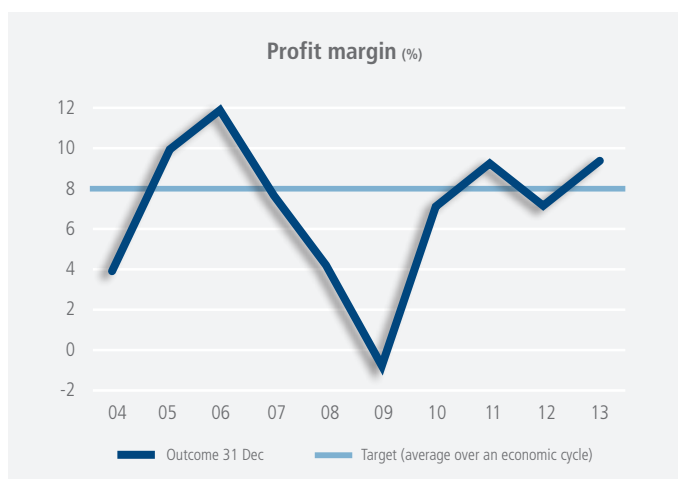
### Advanced technology for selected target groups

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

## CORE VALUES

### Emotional and functional added values

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



# Development and manufacturing services

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

## Services

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

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

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

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

## Production resources

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

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

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

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

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

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



## Examples of components and products within each sector

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







# Responsibility for environment and quality

## Environmental objectives

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

## Environmental factors

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

## Operations with a reporting obligation

As of 31 December 2013, the Group was engaged in activities with a reporting obligation or permit requirement in accordance with the Swedish Environmental Code at seven and four Swedish subsidiaries respectively. The reporting obligation relates to the manufacture of plastic products (two companies) and engineering industry with metal finishing (five companies). The permit requirement relates to the engineering

industry for metal finishing (three companies) and also the casting and barrelling of aluminium parts (one company). Activities affect the external environment mainly through waste.

## Environmental certification

Environmental management systems in accordance with ISO 14001 are used at most Group companies in an effort to ensure active environmental work. The Group had 19 operational companies as at 31 December 2013. 12 of these are environmentally certified.

## Environmental measures

Each company within the XANO Group is responsible for and actively strives to reduce its environmental impact. The companies are continually implementing improvements through quality and environmental goals for scrapping and increased sorting

of waste according to source. At a general level, investments in machinery have improved the efficiency and reduced the electricity consumption of many of the Group's companies. Improved processes within many production units have also reduced the impact on the environment.

Amongst other actions taken in 2013, the following specific measures have been implemented:

- Resinit has a new washing facility where oil is separated from waste water.
- By implementing changes in production, Cipax has reduced the heated area.
- Fredriksons has conducted an energy audit, and has initiated the measures proposed as a result.
- KMV has consolidated oil tanks at a common facility in order to reduce the risk of leakage.
- Ackurat has installed more energy-efficient machines.

## Quality objectives

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

## Ongoing quality improvements

In order to achieve quality targets, ongoing investments are being made in the form of skills development and the upgrading of production equipment and processes. Suppliers and other joint venture partners are selected on the basis of quality and activities within marketing and sales are carried out in such a way that the expecta-

tions created amongst customers can be met. Most of the Group's companies are quality-certified in accordance with ISO 9001 with internal and external controls and auditing. Several companies are also certified within certain fields, such as welding to international standard ISO 3834 and deliveries to the automotive industry to international standard ISO/TS 16949.



# Fredriksons' pioneering system for the packaging

Fredriksons manufactures proprietary conveyor systems and chains for the food and dairy industry. The solutions include both conveyor and handling systems, as well as control and software solutions.

In 2013, Fredriksons launched a new proprietary conveyor system with a modular design that was well received on the market. The system's customers include leading companies in the packaging industry worldwide.

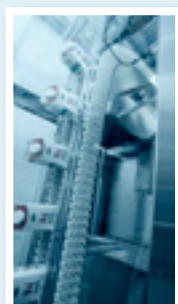
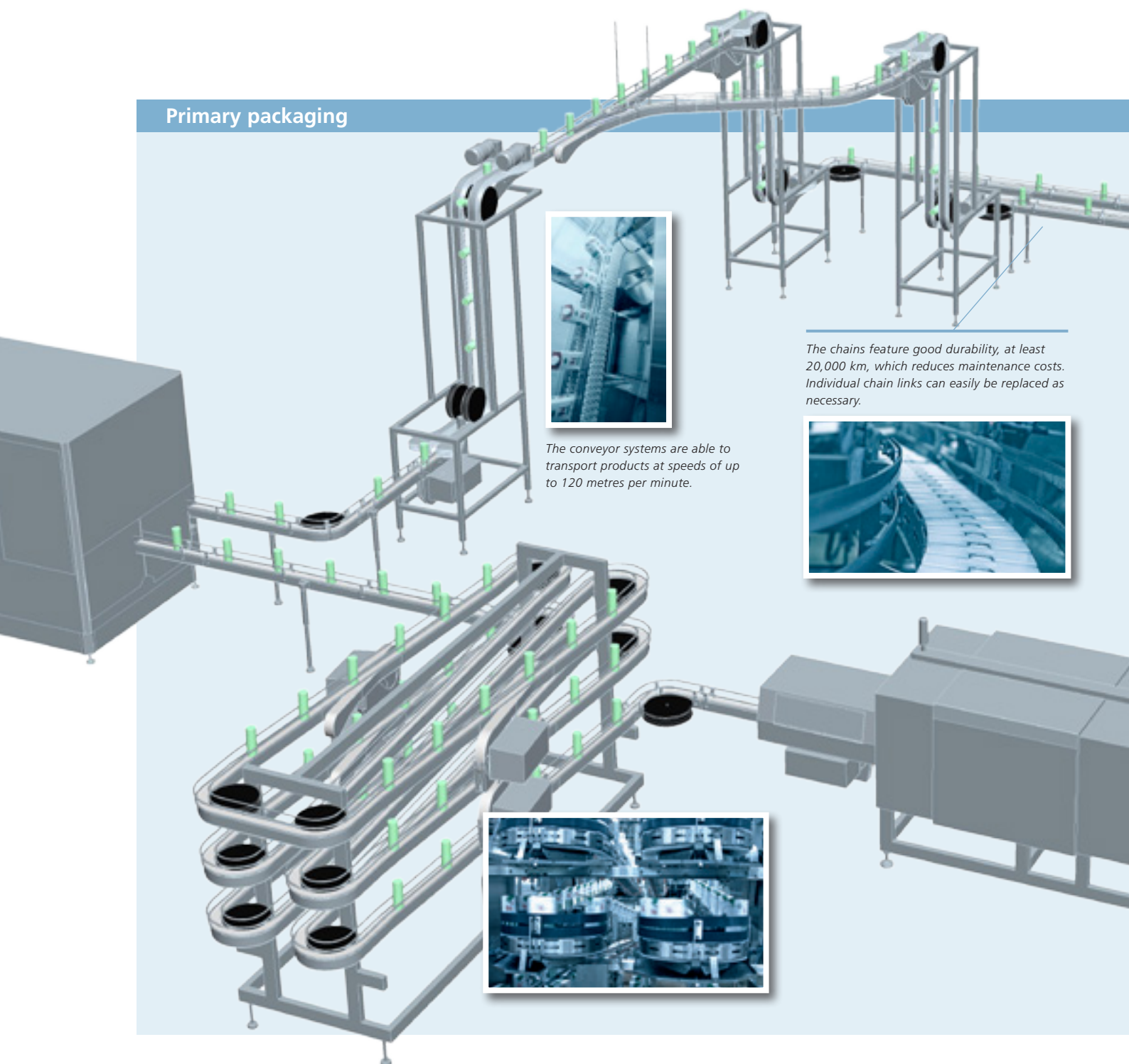
The conveyor system was developed at Fredriksons' Vadstena location, and is pro-

duced both there and at Fredriksons' unit in Suzhou, China.

## Flexible modular system

Fredriksons' conveyor system is of modular design, meaning that it is easily adaptable to customers' needs and requirements. These systems can be expanded by retro-

### Primary packaging



The conveyor systems are able to transport products at speeds of up to 120 metres per minute.

The chains feature good durability, at least 20,000 km, which reduces maintenance costs. Individual chain links can easily be replaced as necessary.





# industry

fitting new modules in order to handle increased production volumes. The modular design also facilitates both installation and service.

Fredriksons' product portfolio includes package conveyors, accumulators, vertical conveyors and lifts. These can be installed in a manner enabling optimal utilisation of available floor space, e.g. by building upwards.

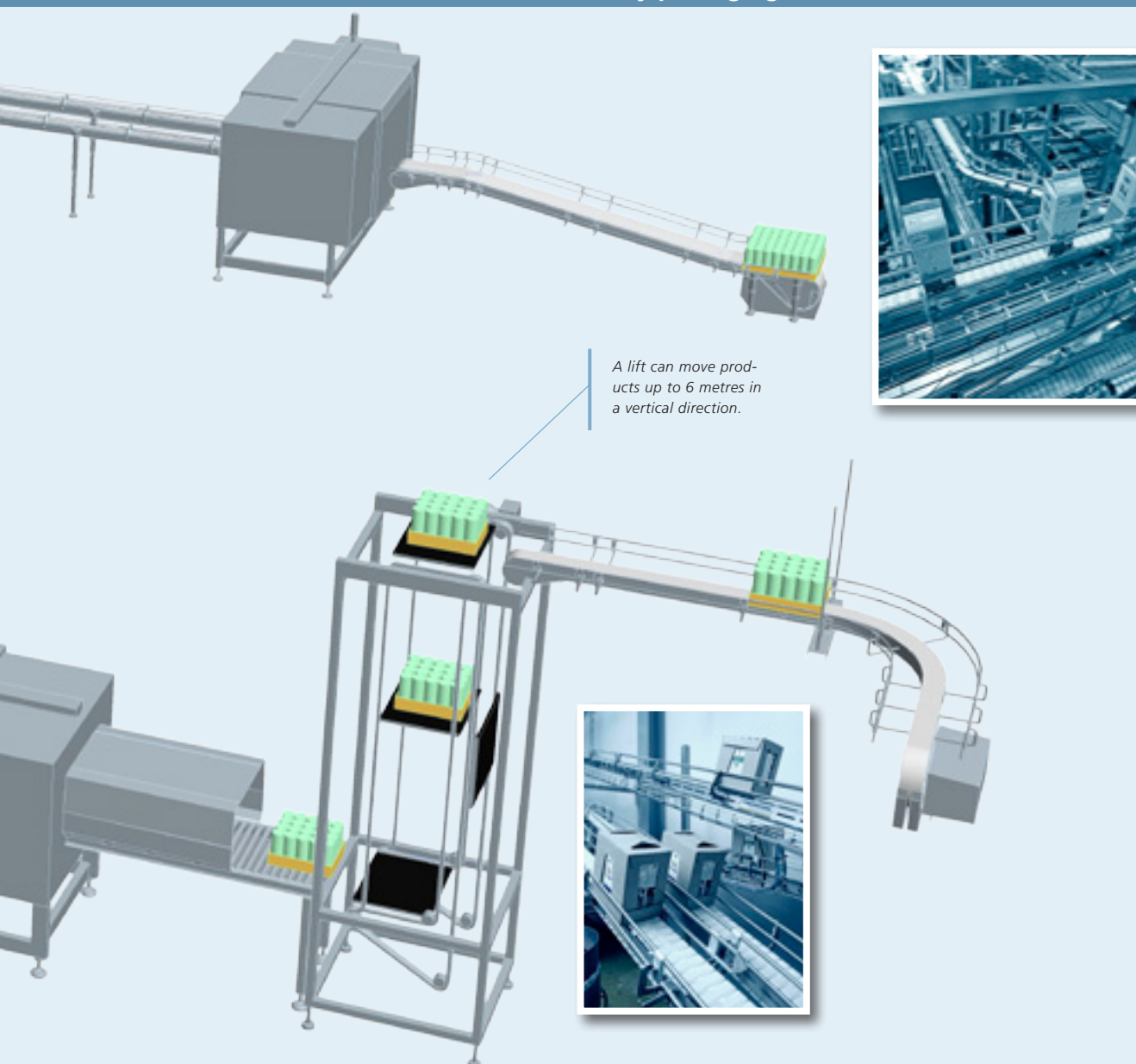
The systems handle both primary packaging, i.e. packaging in direct contact with the product, as well as secondary packaging, which contains products in their respective primary packaging. The job of secondary packaging is to facilitate transport and storage.

## Large orders during the year

Demand for Fredriksons' conveyor systems

has been strong since the product's launch, and the company has signed important orders for delivery in 2014, primarily on the Nordic market, but also in China. These orders include a major system sold to Arla in Jönköping. A food producer in China has signed an agreement for delivery of one of the world's longest conveyor systems of its type – 4.5 kilometres.

## Secondary packaging



# Strategic supply of skills

## Personnel

*One of the XANO Group's most important issues in terms of competitiveness is the degree to which we are able to secure the right know-how at the companies – both today and in the future. The objective is to ensure that adequate expertise is available at every position in the respective organisation.*

## Personal development

Skills development is an ongoing process in the areas where the Group companies operate. The emphasis is on providing software training and training in how to use the advanced equipment required by the increasingly automated manufacturing process. Skills development strengthens the individual while simultaneously contributing to increased efficiency and greater flexibility at the company in question.

## XANO Academy

The XANO Academy carries out Group-wide training initiatives. Numerous programs have been conducted in recent years, including XANO Sales School and

XANO Production School. In addition, the Academy holds recurring sessions in subjects including financial control and leadership development. Besides the skills development, building networks between employees from different Group companies is an important part of the initiative.

## Supply of skills

Recruitment needs are highly variable both across companies and over time. The companies' working methods have the following elements in common:

### Internal

- Clearly defined career paths.
- Individual development plans and mentoring programs.

### External

- Close collaboration with schools and universities, e.g. through involvement on academic programme boards and by offering internships.
- Close collaboration with staffing agencies.
- Participation in education fairs and industry days.



## CODE OF CONDUCT

- XANO Industri AB and its subsidiaries ("the Group") must, as a minimum, comply with the laws and regulations in each country where we conduct business.
- The Group must live up to the expectations created by sales and marketing activities, and be sensitive to the needs and requirements of its various stakeholders.
- Through close, long-term collaboration with its various stakeholders, the Group must bring about changes leading to sustainable development.
- As far as possible, the Group must work to promote open communication in respect of employees and the outside world, without jeopardizing the confidentiality of trade secrets or of individual personal data.
- The Group must actively choose business partners who stand for the same values.

### Employees

- The Group must respect the ILO's core conventions, the UN Convention on the Rights of the Child, national legislation concerning minimum wages and overtime, as well as fundamental environmental, health and safety requirements.

- Furthermore, each employee is responsible for conducting themselves correctly towards colleagues, employers and business partners.

### Operating principles

- The Group must respect the principles of generally accepted business practice and comply with the Swedish Anti-Corruption Institute's Economic Code providing guidance to companies as to how gifts, rewards and other benefits associated with the business world may be used to promote the company's operations.
- The Group must contribute to sustainable development in the local community.
- The Group must comply with applicable competition laws.
- The Group must remain neutral in political and religious matters.
- The Group must work actively to develop products and processes so as to achieve the highest possible level of safety and quality.
- The Group must work continuously on reducing its environmental impact through the active selection of raw materials, processes and transport methods.

# Our personnel

## Personnel structure

As of 31 December 2013, the Group had 1,007 full-time employees, 150 (15 per cent) of whom were women. The average number of employees during the year was 998, of whom 153 (15 per cent) were women.

At the end of the year, the average age of employees in the Group was 42 for both women and men. The average period of employment was about eight years for both women and men.

## Absence due to illness

Absence due to illness during the year amounted to an average of 3.8 per cent (3.7) at the Group's Swedish companies. The proportion of long-term absence due to illness was 38 per cent (38) of all absence due to illness at these units.

## Preventive efforts

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

## Code of conduct

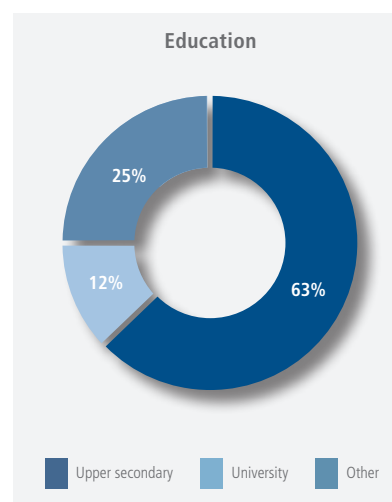
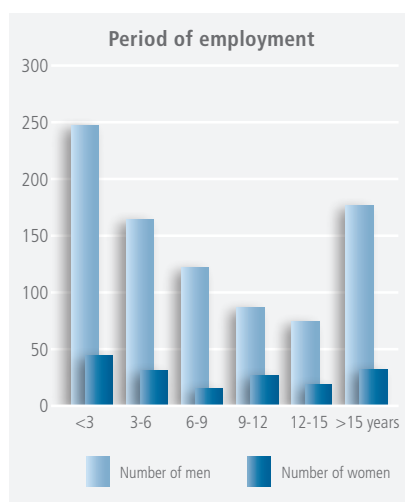
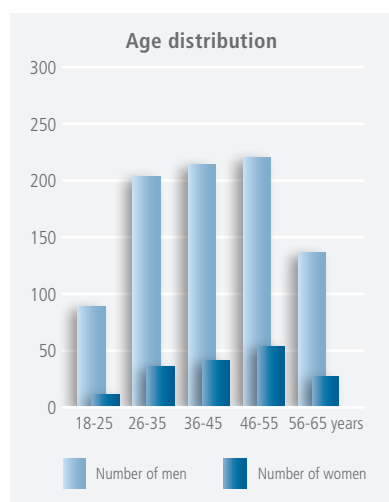
In February 2014, a code of conduct outlining the rules that apply to Group companies and their employees was adopted. The code of conduct and its application must be developed and evaluated on an ongoing basis.



Key figures for personnel		2013	2012
Average number of employees		998	768
– in Sweden		792	586
– in other countries		206	182
– women		153	110
– men		845	658
Average age, women <sup>1)</sup>	years	42	44
Average age, men <sup>1)</sup>	years	42	42
Average employment time, women <sup>1)</sup>	years	8	8
Average employment time, men <sup>1)</sup>	years	8	7
Absence due to illness <sup>2)</sup>	%	3.8	3.7
– of which long-term <sup>2)</sup>	%	38	38

<sup>1)</sup> Refers to employees at year-end.

<sup>2)</sup> Refers to Swedish companies.



# Group overview

## This is XANO

*XANO consists of engineering companies in Sweden, Norway, Estonia, Finland, Poland and China. These companies provide manufacturing and development services for industrial products and automation equipment. They operate within well-defined niches and possess a high level of expertise within their respective technical fields. Each unit is locally based and developed according to its own potential. At the same time, the Group affinity creates economies of scale for the companies and their customers.*

## Customer-specific manufacturing

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

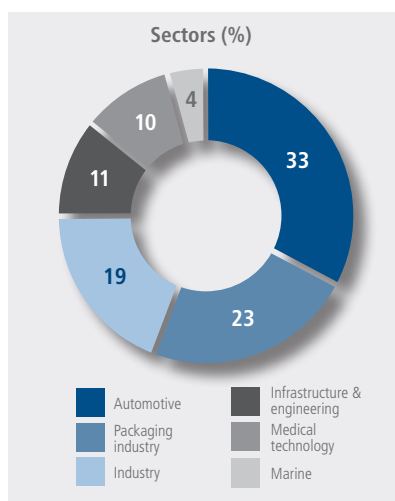
The Group includes companies which process plastic by means of rotational moulding, machining and injection-moulding. Several of the Group's companies process metal using methods such as turning, milling and long hole drilling. Sheet metal is processed using pressure turning, laser cutting, punching, edge pressing and welding. Die casting is used to make complex aluminium parts. Products with special purity requirements are manufactured and assembled in clean environments. The Group also possesses extensive experience of the system assembly of complex products.

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

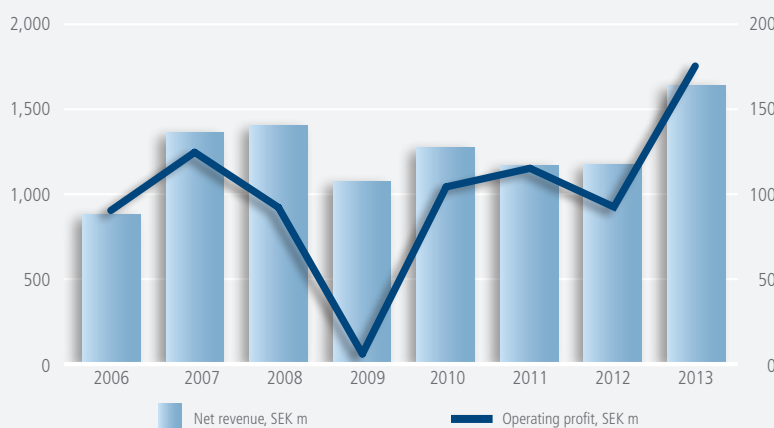
## In-house-developed products

Several of the Group's companies have developed their own product ranges within their respective fields of expertise. Rotational Moulding offers a broad range of proprietary products covering boats, marine

parts, containers and materials handling solutions for industrial use. Industrial Solutions manufactures systems which are designed to rationalise customers' production processes. Design, development of control systems and electronics, and precision mechanical assembly are carried out in-house. The business unit also continuously develops components that bring additional functionality and creates possibilities in terms of the designing of, for example, furniture, shop fittings and rehabilitation aids.



**Financial development and acquisition history** (Group total)



**2004** ACQUISITIONS LK Precision.

**2005** ACQUISITIONS NPB, Segerströms, Baltic Components (merged with Bladhs).

**2006** ACQUISITIONS Fredriksons, Cipax Björkelangen.

**2007** ACQUISITIONS Värnamo Industri, Cipax Saue (merged with Cipax Eesti), Eslöv Mekaniska Verkstad.

**2008** ACQUISITIONS Mikroverktyg.

**2010** DISPOSALS Inmedic, Bladhs, Profilspecialisten.

**2011** ACQUISITIONS Metall Göte.

**2012** ACQUISITIONS Albins Mekaniska Verkstad, Kungsörs Mekaniska Verkstad. ÅGES, ITB Teknik (not included in the 2012 result).

DISPOSALS Eslöv Mekaniska Verkstad.



## GROUP

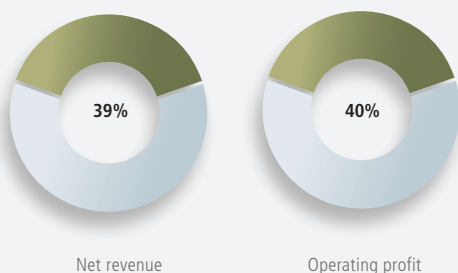
Net revenue	Growth	Operating profit	Operating margin	Average number of employees
<b>SEK 1,593 m</b>	<b>+36%</b>	<b>SEK 175 m</b>	<b>11.0%</b>	<b>998</b>

## SHARE OF GROUP

## KEY INFORMATION

## COMPANIES

## INDUSTRIAL SOLUTIONS



Industrial Solutions comprises companies that carry out contract assignments within sheet metal processing, as well as companies which supply automation solutions developed in-house. These include packaging machines for automated packaging handling, as well as conveyor systems for the food industry. The unit also provides parts such as hand wheels, handles and adjustable feet to furniture and shop fitting manufacturers.

		2013	2012
Net revenue	SEK m	623	580
Growth	%	+7.4	-2.5
Operating profit	SEK m	71	59
Profit margin	%	11.3	10.2
Employees		349	350

*Akkurat*

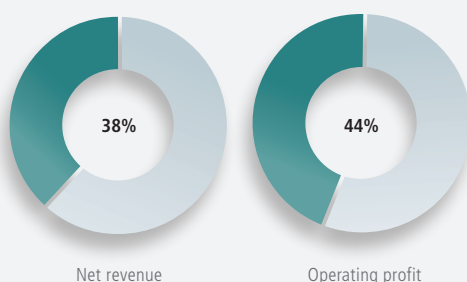
Sweden  
Finland  
Poland

*Fredriksons*

Sweden  
China

*NPB*

## PRECISION COMPONENTS



Within Precision Components, component manufacturing takes place using die casting and metal cutting processes, with a high proportion of sales being made to the Swedish automotive industry. The products include everything from small, simple components to large, heavily loaded structures. Services like gravity die casting, surface finishing and assembly are also provided.

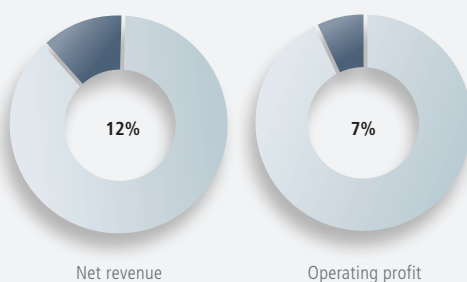
		2013	2012
Net revenue	SEK m	608	199
Growth	%	+206.4	-2.8
Operating profit	SEK m	79	9
Profit margin	%	13.0	4.4
Employees		334	112

*ITB Teknik**Segerströms**VIAB*

Sweden  
China

*ÅGES*

## PRECISION TECHNOLOGY

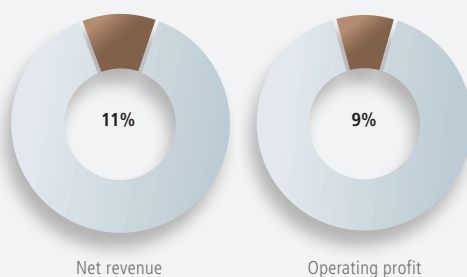


Precision Technology includes companies that handle component and system manufacture using advanced cutting processes on metal and plastics for the production of components involving demanding quality and precision requirements. Production primarily comprises low to medium-volume runs of parts and systems for industrial, medical technology and infrastructure applications.

		2013	2012
Net revenue	SEK m	190	231
Growth	%	-18.2	+20.6
Operating profit	SEK m	12	21
Profit margin	%	6.6	9.0
Employees		169	182

*Albins**KMV**LK Precision**Mikroverktyg**Resinit*

## ROTATIONAL MOULDING



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

		2013	2012
Net revenue	SEK m	173	164
Growth	%	+5.5	-5.6
Operating profit	SEK m	16	20
Profit margin	%	9.0	12.3
Employees		137	115

*Cipax*

Sweden  
Estonia  
Norway  
Finland  
Poland

# Industrial Solutions

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

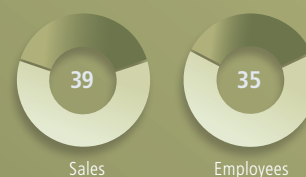
Net sales (SEK m)



Operating profit (SEK m)



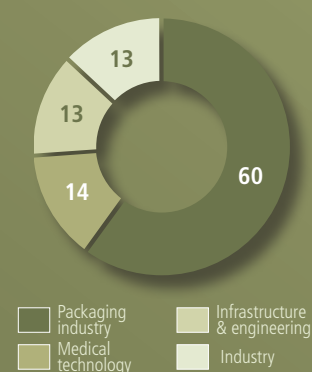
Share of Group (%)



Average number of employees



Sectors (%)



# Industrial Solutions

## Activities and market

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

## 2013 in brief

The companies within the business unit experienced good market conditions with a stable order flow during the year. Revenue increased slightly compared to the previous year and the profit level from ongoing operations also improved thanks to high cost flexibility at the companies and a favourable customer structure. Extensive investments made in previous years have improved competitiveness still further.

**Fredriksons'** Swedish unit reported a somewhat lower invoicing level than the previous year, but with an increase in operating profit. The highly positive trend continued for the Chinese unit, and both revenue and profit rose sharply. The improved operating margin reported at the Vadstena unit is primarily attributable to the substantial investments made in automated sheet metal processing machines in 2012. Both units have ongoing lean production projects with the objective of further streamlining and automating production.

A new proprietary conveyor system for the packaging industry was introduced successfully during the year. The first installations will be made in early 2014, with development work continuing both internally and in collaboration with customers. Several new projects were commenced during the year, including one in a relatively new niche involving the delivery of water purification equipment for ships.

While demand in Europe was perceived as being somewhat cautious during the year, the Chinese market was strong. In order to be able to handle the increased volume, Fredriksons' unit in Suzhou has made successive investments in additional production equipment. 2013 saw a breakthrough in terms of the sales of proprietary products on the Chinese market. The company has also signed an agreement with a large new client in the medical technology sector for the production of complete machine solutions.

**NPB** had healthy order flow and a high rate of production during the year, and both turnover and operating profit surpassed the

previous year's results. The increase in sales was primarily related to the European packaging industry, which resumed its investment programme after a few years of reluctance to invest. NPB, which is seen as the market leader in its niche, signed several agreements for new deals which generated revenue during the year, and which will contribute to profitability going forward.

An in-house developed mini-balancer was launched in connection with a global trade show held in the US during the spring. The machine is designed for use in food production, and replaces a production step carried out manually in the past. NPB's competitiveness was further boosted by the introduction of a counting sensor developed by the company which is unique in the industry.

NPB commenced a new aftermarket initiative by adding resources and systems enabling the provision of continuous follow-up and monitoring of the machines on-site at the customer.

Sales of book sorting machines, in which NPB has a share of the Nordic market, were weak during the year.



Welding work at Fredriksons.



**Ackurat** initially faced a somewhat subdued economic climate, resulting in a weaker first half than in the previous year. The market situation gradually stabilised, and order flow had returned to a healthy level by the autumn. The company reported a strong operating profit for the year as a whole. In addition to a generally more favourable economic climate during the second half of the year, export sales increased significantly as a result of the company's active efforts to target chosen geographic regions going back several years. Ackurat has captured market share within the furniture and interior design industry in

Denmark, Finland, England and the Baltic states. It has benefited from the fact that European competitors have standardised their product ranges, as Ackurat continues to deliver customer-specific designs. The company's operations in Poland have gone well, thanks in part to increased sales of articles requiring the manual production steps carried out there.

These active market penetration efforts have continued to steadily generate valuable customer orders. During the year, Ackurat attended furniture trade shows in Italy, Germany and Sweden, meeting with a positive response at each. In terms of production, the company has updated its machine plant with new injection moulding machines.

*During the year, Ackurat developed a new connecting fitting for chairs. The fitting is in compliance with EU fire safety directives for public spaces.*



## Looking forward to 2014

Fredriksons' focus in 2014 will be on increased growth, primarily as regards the sale of proprietary products. The potential for continued expansion is thought to be good, not least thanks to the new conveyor system. During the year, the Chinese company will be delivering what will be the world's longest conveyor system for use in the food industry, with a total length of around 4.5 km. The company also continues to invest in the development of other proprietary products. A five-axis robotised cell for flexible production of small series has been ordered for the Swedish unit, with installation planned for the summer. Fredriksons intends to exhibit in-house developed products at Interpack in Düsseldorf this spring, and at a major food technology trade show in China later in the year.

Thanks to both a large order stock extending considerably into the future and to sales initiatives focused on new geographic markets, NPB anticipates a continued positive trend in 2014. Competitiveness is to be further enhanced by continued development of the product range. Planned marketing activities include participation at the major trade show Metpack, to be held in May in Essen, Germany.

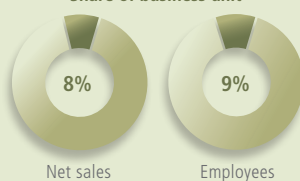
Ackurat anticipates a continued positive sales trend, and assesses its chances of capturing additional market share in Europe as good. The company will be attending the retail trade show Euroshop in Düsseldorf in February, and plans to participate in a couple of major furniture industry trade shows during the year. Furthermore, Ackurat intends to move what manual production steps remain in Sweden to the Polish unit during the year. Additional injection moulding machines will be brought online at the Swedish unit.

### ACKURAT

Lammhult / Gdansk / Helsinki

Net sales	SEK m	53
Growth	%	+0.7
Employees		33

#### Share of business unit



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



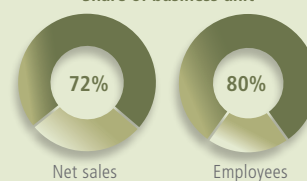
*Knob with screw for the furniture industry.*

### FREDRIKSONS

Vadstena / Suzhou

Net sales	SEK m	446
Growth	%	+0.5
Employees		279

#### Share of business unit

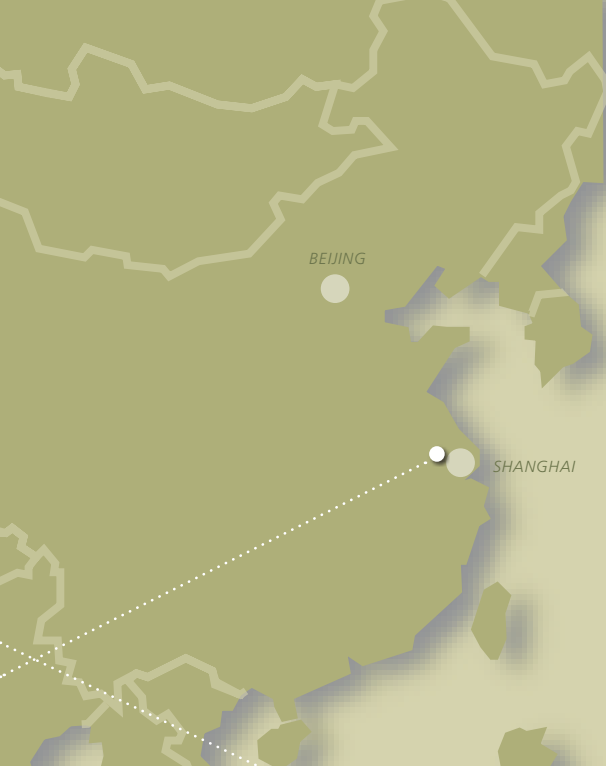


Fredriksons carries out contract assignments from the initial idea to finished products in small and medium series production. Such assignments can include design, manufacturing prototypes, series production and documentation. The company works with customers within food processing, medical technology,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



*Conveyor system for dairy products.*





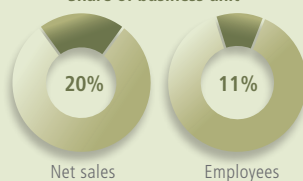
BEIJING

SHANGHAI

### NPB Jönköping

Net sales	SEK m	124
Growth	%	+48.4
Employees		37

#### Share of business unit



Net sales

Employees

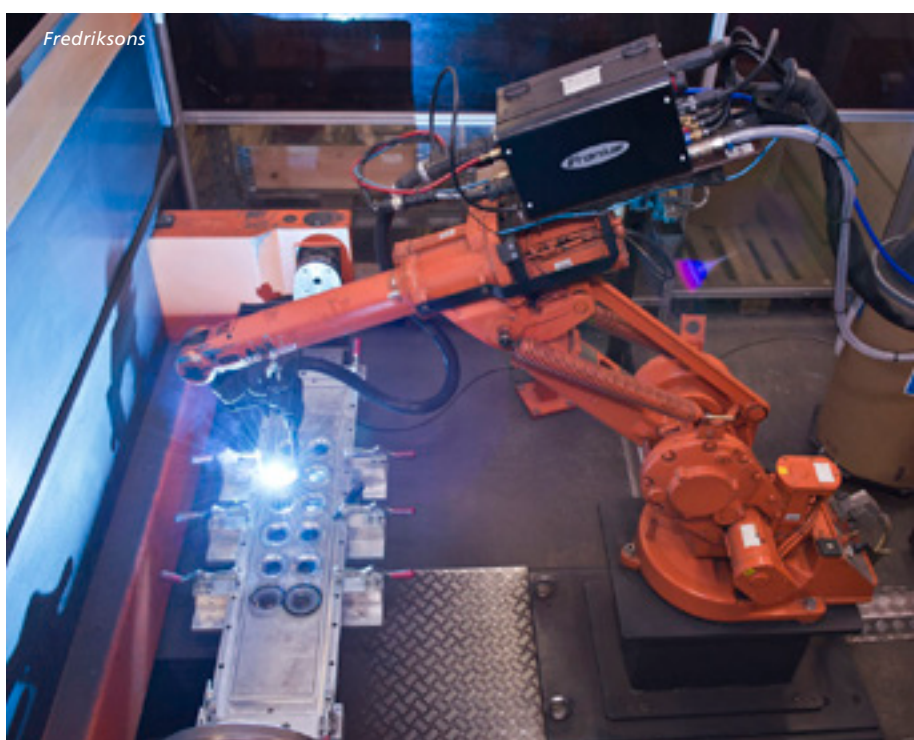
NPB develops, designs and manufactures automation equipment for lid handling in can-related products on the global market. The company also develops, designs and manufactures book-sorting solutions for libraries, with Europe as the primary market. NPB possesses specialist expertise in mechanics and design,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



Palletiser for ends.



Ackurat



Fredriksons



NPB



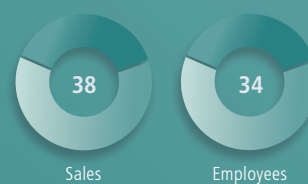
# Precision Components

The Precision Components business unit comprises ÅGES, ITB Teknik, Segerströms and Värnamo Industri (VIAB). Operations are concentrated on high-volume component manufacturing, with a high proportion of sales being made to the automotive industry. Segerströms and VIAB specialise in cutting and machining of metal for the production of parts with exacting requirements in terms of quality and precision. ÅGES' operations consist primarily of aluminium die casting. After casting and finishing, ITB Teknik handles treatment and assembly.

Net sales (SEK m)

Operating profit (SEK m)  
excluding non-recurring items

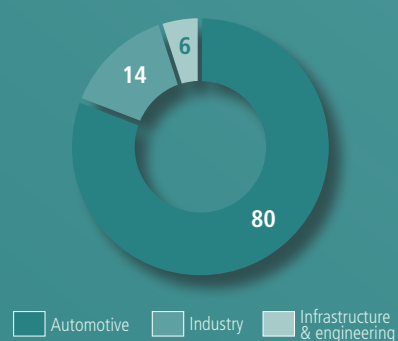
Share of business unit (%)



Average number of employees



Sectors (%)



# Precision Components

## Activities and market

Operations within the Precision Components business unit are concentrated on high-volume component manufacturing, with a high proportion of sales being made to the Swedish automotive industry. Segerströms and Värnamo Industri (VIAB) specialise in cutting and machining of metal for the production of parts with exacting requirements in terms of quality and precision. ÅGES' operations consist primarily of aluminium die casting. After casting and finishing, ITB Teknik handles treatment and assembly.

## 2013 in brief

As of 1 January 2013, Segerströms and VIAB, along with the newly acquired companies ÅGES and ITB Teknik, together made up the Precision Components business unit. After a somewhat cautious start, ÅGES and ITB Teknik in particular saw strong volume growth during the year. Due to extensive restructuring, other companies within the business unit reported revenue at a somewhat lower level than in the previous year on the whole, even though, taken separately, VIAB and Segerströms each reported growth in revenue, attributable to external volume upswings and internal redistribution of production respectively.

*Cast aluminium component for truck engine.*

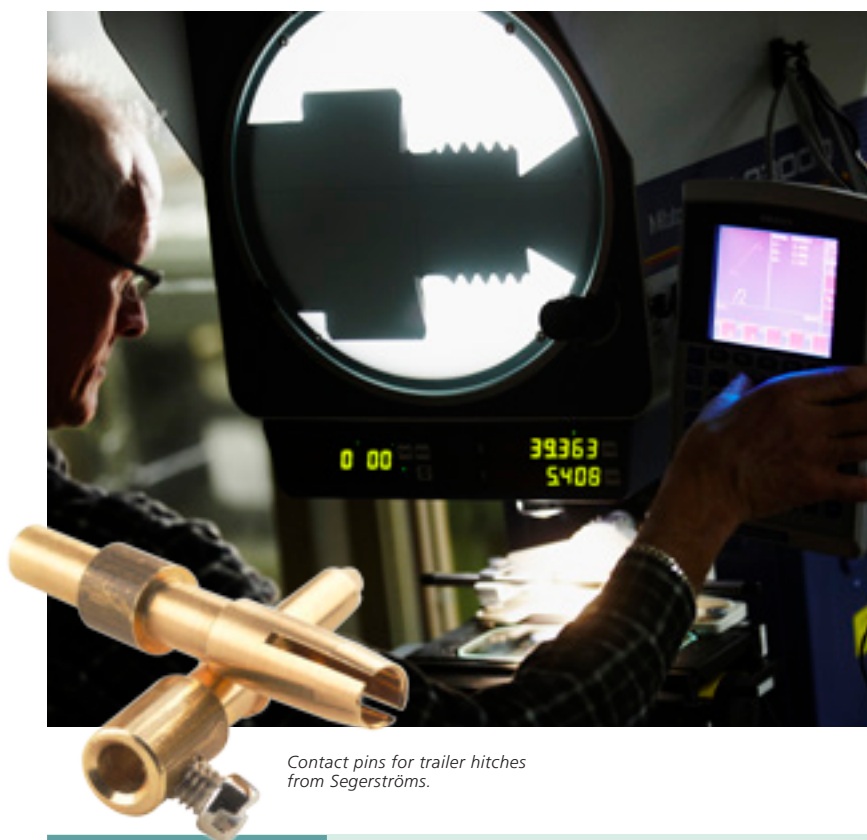


**ÅGES** and **ITB Teknik** were acquired in December 2012. Both units had a very high level of work in hand during the year, especially during the last two quarters, as a result of strong growth in new projects and models within the automotive industry. Prior to the effective date of a scheduled tightening of European emissions standards, the demand for truck components also increased during the final quarter of the year. The overflowing order books resulted in acute supply pressure at both operations in Unnaryd. In order to expand capacity at both ÅGES and at ITB Teknik, a decision was taken during the spring to make extensive investments in their operations. This project involved, among other things, expanding the production premises of both the companies as well as investing in die casting machines and machining equipment. The investments have been brought online continuously, with completion scheduled for spring 2014. The capacity expansion is designed to satisfy both current delivery requirements and those entailed by anticipated future expansion.

**Segerströms'** weak order flow toward the end of 2012 continued into the first quarter of 2013. The low rate of production was due primarily to lower volumes from the automotive industry. The volumes gradually recovered, and the company had a more stable order flow during the second half of the year. For the year as a whole, Segerströms is reporting increased turnover, but with operating profit slightly down on the previous year. The profit level was detrimentally affected by the business unit's restructuring efforts, imposing a strain on the organisation in Falkenberg during the year, but which will yield efficiency gains in the future.

Segerströms has entered into a number of attractive deals with new customers, including an assignment for a world-leading Swedish company concerning deliveries to China. Along with ÅGES, Segerströms will produce components for cars with delivery scheduled to begin in January 2015. In order to be able to allocate resources for additional market penetration initiatives, Segerströms strengthened its organisation during the autumn.





Contact pins for trailer hitches from Segerströms.

## Looking forward to 2014

The market trend within the automotive industry shows no signs of weakening. The companies within Precision Components are thought to be well placed to continue turning a healthy profit.

ÄGES and ITB Teknik began the year with continued strong order flow and a high rate of production. Demand for aluminium components featuring a combination of light weight and high strength has increased steadily in recent years, and the trend is expected to hold. Several of the parts manufactured for the automotive industry are linked to products at the start of their life cycles. The problematic delivery situation, which is experiencing both delays and quality problems, will gradually stabilise as ongoing capacity-boosting investments are completed.

Segerströms' order books indicate a pleasing degree of stability in the number of orders coming in. During the first quarter, the production equipment owned by Segerströms since the previous spring will be moved from Värnamo to Falkenberg. The machines run to nearly 20 in number, and will be installed on an ongoing basis. In conjunction with intensified marketing activities, the increased production capacity is expected to generate growth during the year.

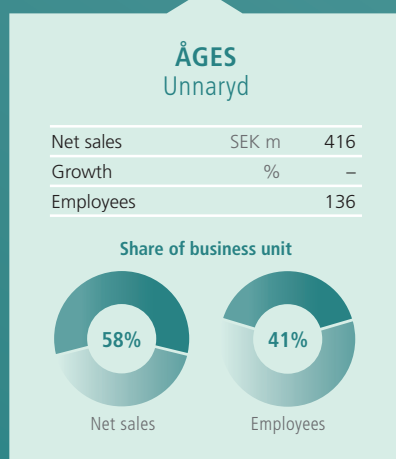
The measures implemented by VIAB in its efforts to improve its margins will continue to be a priority in 2014. The company enjoys a favourable market situation, and is focusing sales efforts on its core business. A major new project for an existing customer will be initiated during Q1. Together with Segerströms, several activities are being planned to harness further synergies between the companies.

At the Annual General Meeting in May, XANO's Board of Directors will propose that a decision be taken to distribute the Precision Components business unit to the shareholders, and to list it separately. The reason for the proposal is that the conditions for continued growth and profitability are thought to be better if the XANO Group's operations are split up and run as two separate units.

**VIAB** reported a higher turnover level, but a reduction in operating profit compared to the previous year. The primary reasons for this were an unfavourable production mix and extensive restructuring costs. The changes implemented, along with further steps to achieve increased cost efficiencies and a more stringent customer structure, should lead to gradual improvement of margins in 2014.

Demand from the automotive industry was strong during the year, and VIAB has worked on prototypes and test series for a large number of parts expected to have a positive impact on next year's results.

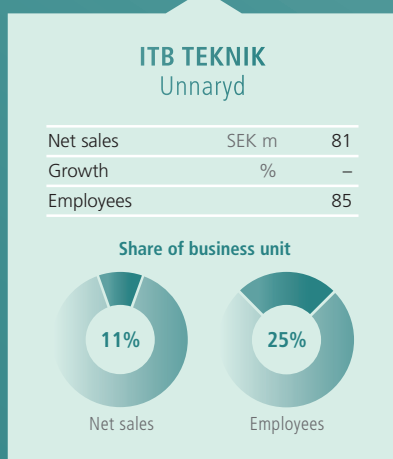
Segerströms and VIAB have intensified their collaboration in order to exploit the latent synergies between the companies to an even greater degree than in the past. Among other things, Segerströms has taken over parts of VIAB's operations in order to achieve increased efficiency in both units.



ÅGES specialises in aluminium die casting. Casting is performed on robot-operated machines, and the technology permits the manufacture of complex components with relatively rapid throughput times. ÅGES also handles gravity die casting. The method is used for components which involve particularly strict pressure resistance and density requirements. The company's customer base consists primarily of large Swedish companies with international operations, mostly in the automotive industry.



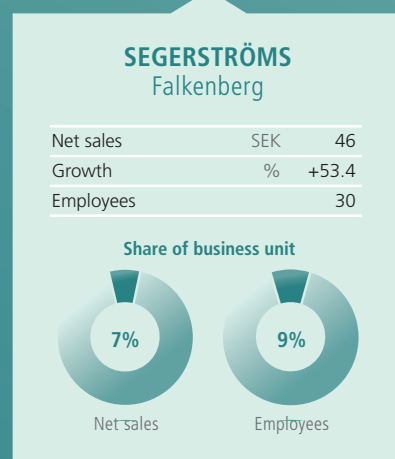
Regulator bracket for coaches.



ITB Teknik's business relates to the finishing of cast aluminium, primarily products manufactured by its fellow subsidiary ÅGES. After casting and finishing, ITB Teknik handles treatment and assembly tailored to customer requirements.



Pump bearing housing.



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



Valve holder for hydraulic clutches.

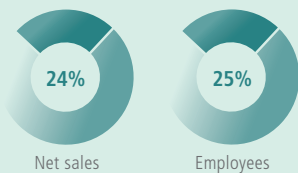




## VÄRNAMO INDUSTRI (VIAB) Värnamo

Net sales	SEK	171
Growth	%	+10.2
Employees		82

### Share of business unit



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



*Bushing for glass-blower machinery.*



ITB Teknik



Segerströms



VIAB



Ages

# Precision Technology





The Precision Technology business unit comprises Albins Mekaniska, KMV, LK Precision, Mikroverktyg and Resinit. These companies cover component and system manufacture using advanced cutting processes on metal and plastics for the production of parts involving demanding quality and precision requirements. Albins Mekaniska performs contract manufacturing involving cutting processes, primarily of large products in low-volume production runs. KMV specialises in internal machining, particularly precision drilling, for industrial customers in Scandinavia. LK Precision and Resinit manufacture parts, mainly for medical technical equipment, in low to medium-volume production runs. Mikroverktyg produces precision components, such as transmission components and toothed gears, in low to medium-volume production runs for industrial customers in Sweden and abroad.

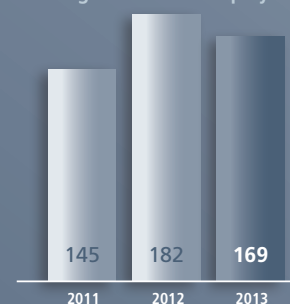
Net sales (SEK m)

Operating profit (SEK m)  
excluding non-recurring items

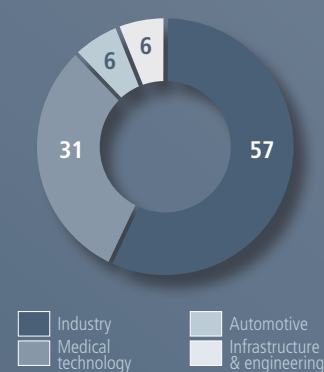
Share of Group (%)



Average number of employees



Sectors (%)



# Precision Technology

## Activities and market

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

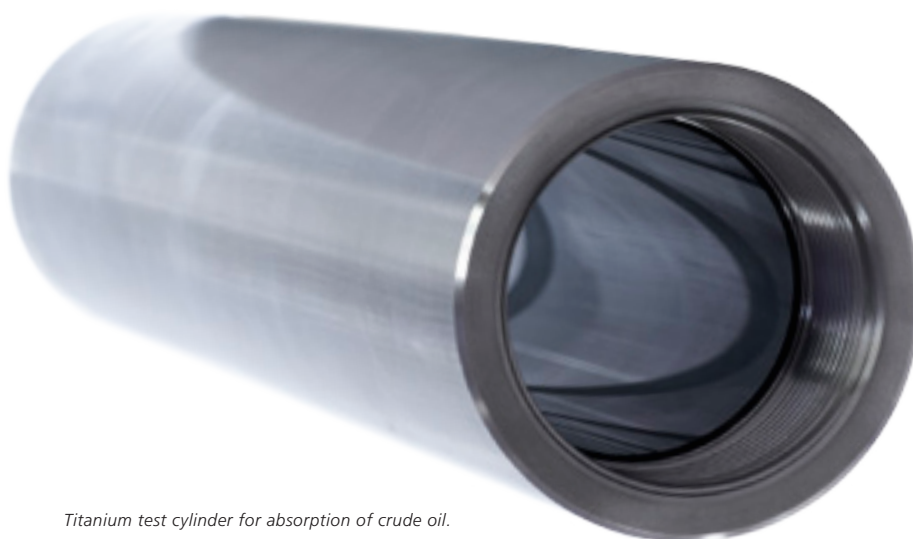
## 2013 in brief

A difficult business climate for several of the companies' key customers led to reduced volumes and a lower operating profit compared to the previous year. Extraordinary costs were also absorbed in connection with Mikroverktyg's integration of the newly acquired operations at SVA. The companies within Precision Technology have therefore worked on sales strategies while intensifying market penetration efforts in order to enhance competitiveness. In order to create the conditions needed for growth and to further enhance our offering to customers, the companies within the unit have also made extensive investments in new production equipment.

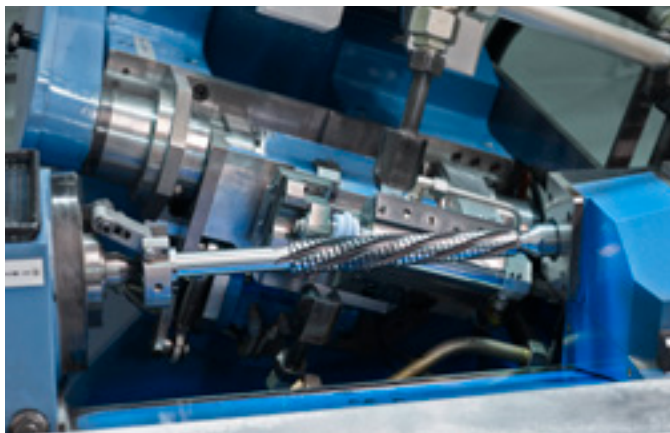
**Albins Mekaniska** experienced weak order flow in the first quarter as a result of a sharp decline in production volumes for the wind turbine industry. To make up for this loss, as far as possible, an active sales initiative was undertaken, partly together with Mikroverktyg. The marketing activities were well received, resulting in a good level of capacity utilisation during the autumn. However, this was not sufficient to match last year's results entirely.

On the whole, **KMV** enjoyed a good rate of production, but did not quite reach last year's revenue figures or profit level. Order flow was stable, with the number of enquiries increasing noticeably toward the end of the year, mainly from new customers.

In order to meet production needs and also facilitate growth, the company has invested in a new long hole drilling machine capable of handling lengths of up to 10 metres and a drilling diameter of up to 200 millimetres. The machine will be installed and enter into operation during the second quarter 2014.



*Titanium test cylinder for absorption of crude oil.*



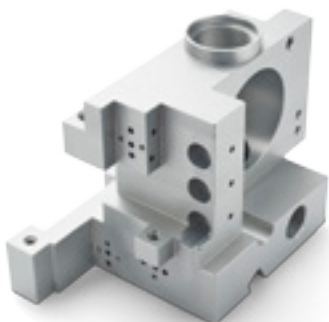
*SVA has been a part of Mikroverktyg since year-end 2012. The SVA brand is synonymous with high-quality gear machining tools, both in Sweden and abroad. Production comprises tools used in saw blade manufacturing, among other things.*

**LK Precision** had good order flow during the beginning of the year, but the second quarter saw a sharp decline in volumes from a couple of the company's major medical technology customers. To make up for the decline in volume, intensive market penetration efforts were initiated, leading to the generation of new business in the autumn. Yet for the year as a whole, the company reported lower revenue and profits compared to the previous year. LK Precision's previous efforts to increase production efficiency have met with success, and new activities along these lines were initiated in 2013. Employees have also received additional training in software and measurement technology in order to further enhance their skills levels.

In spite of an economic climate that continued to be somewhat cautious, **Mikroverktyg** reported higher revenue figures than the previous year. Yet the level of profits was down due to additional costs incurred in connection with the company's integration of the operations at SVA (SVA was acquired at the end of the previous year) with the production facility in Södertälje. The move was carried out gradually during the course of the year and was completed in December.

The acquisition has given Mikroverktyg access to new customer segments and a higher share of export sales.

**Resinit** reported lower turnover and a lower operating profit compared to the record year posted by the company in 2012. The rate of production was high during the spring, but after a downward adjustment of forecasts made by customers, especially in the medical technology industry, Resinit's production volumes diminished significantly during the second half of the year. However, as a result of intensified market penetration efforts, several new customer agreements were signed, including one for the production of advanced plastic components used in the defence industry. The logistics function was reinforced in order to free up additional sales resources, and production capacity was enhanced by investment in a new CNC lathe.



*Part for mobile respirator.*



*Toothed gear with curvic coupling for the automotive industry.*



*Assembled plastic air trap for medical technology.*

## Looking forward to 2014

The companies in the business unit are generally of the opinion that market conditions have improved. Given the more stable market situation in conjunction with intensified sales efforts, the companies take a positive view of their prospects in 2014.

The robust order flow seen by Albins Mekaniska during the autumn has continued into the new year. The company's goal is to further broaden its customer base during the year. Their focus on the marketing side will continue in 2014, and collaboration with Mikroverktyg will be further intensified in order to achieve additional synergies. In order to expand its offering, Albins Mekaniska has invested in a vertical lathe capable of handling larger dimensions. The machine was brought online in January.

The latest investment in machine plant allows KMV to further increase its production volumes. This is why the company has initiated targeted sales activities, whose objectives include developing and broadening of the customer base. The company has also identified capacity requirements in new markets within existing customer segments, e.g. within the offshore industry.

After muted sales volumes at LK Precision to start the year, the company anticipates a gradual upturn as a result of the company's active market penetration efforts. The objective is to further increase the proportion of sales made to industrial and defence customers in order to obtain a more well-balanced customer mix. The company has invested in an automated multi-operation lathe, to be installed in February.

The order situation is healthy at Mikroverktyg. The relative stability of the situation on the Swedish market raises the prospect of an increase in volumes. The company also sees potential for increasing export sales. The company's investment in a universal grinding machine will enable it to increase the machining accuracy of transmission components and toothed gears. The machine will enter operation during the first quarter, resulting in enhanced competitiveness. In order to further broaden its customer offering and improve its prospects for growth, Mikroverktyg has allocated resources for product development of gear machining tools.

Resinit's order flow within the medical technology sector is down, whereas volumes from other market segments are at the same level or higher compared to the start of 2013. The company believes that order flow will gradually pick up, in part due to the customer agreements recently signed, and in part as a result of ongoing sales efforts. Among other efforts, Resinit has intensified its marketing activities aimed at the food technology industry, where there is held to be considerable need for advanced components manufactured using approved grades of plastic.







### ALBINS MEKANISKA VERKSTAD Valskog

Net sales	SEK m	9
Growth	%	-30.9
Employees		13

#### Share of business unit



Albins work involves advanced processes for cutting metal materials such as aluminium, steel and titanium. The company manufactures large components in short series under exacting requirements in terms of quality and precision. The products include tools for the engineering industry and rotor shafts for the wind power industry, manufactured using modern production equipment. The business possesses a great deal of technical know-how and extensive experience in meeting customer-specific requirements. Most of the company's customers are located in Sweden.

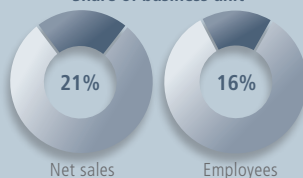


Stainless steel coupling for pump housing.

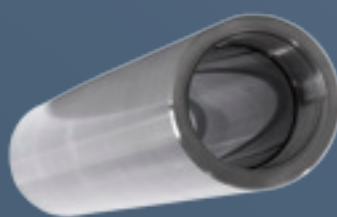
### KUNGSÖRS MEKANISKA VERKSTAD (KMV) Kungsör

Net sales	SEK m	40
Growth	%	-8.9
Employees		27

#### Share of business unit



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

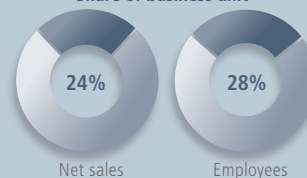


Titanium test cylinder for absorption of crude oil.

### LK PRECISION Skogås

Net sales	SEK m	47
Growth	%	-23.3
Employees		48

#### Share of business unit



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



Machined component for fibre optics.





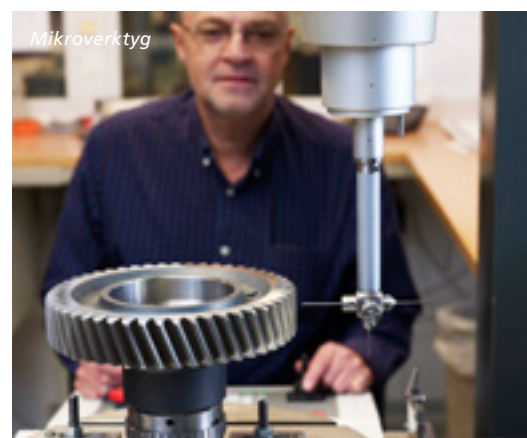
Albins



KMV



LK Precision



Mikroverktyg

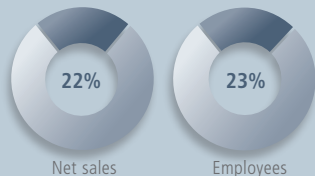


Resinit

### MIKROVERKTYG Södertälje

Net sales	SEK m	41
Growth	%	+2.0
Employees		39

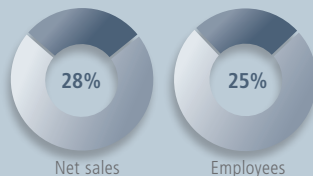
#### Share of business unit



### RESINIT Västervik

Net sales	SEK m	53
Growth	%	-4.1
Employees		42

#### Share of business unit



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



Worm gear for the machine industry.

Resinit offers complete solutions where the mechanical processing of plastic materials is supplemented by associated services, primarily assembly. The company specialises in difficult plastic materials which involve demanding requirements in terms of dimensional accuracy and surface finish. As a supplier of components for medical equipment and analysis, it meets the challenge of absolute precision and extensive material knowledge so as to ensure that the end customer's requirements are met. Most of the company's products are sold within the medical technology sector to Swedish as well as global customers.



Plastic column for medical protein separation.

# Rotational Moulding





The Rotational Moulding business unit is made up of Cipax, which consists of three manufacturing units that have their own development and sales organisations, as well as two separate sales companies. Cipax is the market leader within rotational moulding in the Nordic and Baltic regions. Long-standing experience in the industry and close cooperation with leading industrial companies have enabled Cipax to become a trusted supplier. Cipax also has a major competitive advantage due to its high level of technical expertise and access to many production sites with different specialisations.

Net sales (SEK m)



Operating profit (SEK m)



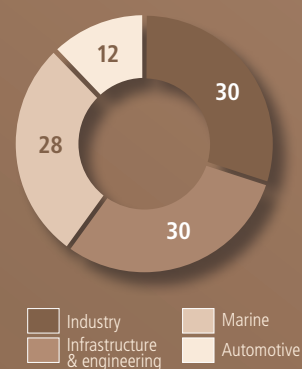
Share of Group (%)



Average number of employees



Sectors (%)



# Rotational Moulding

## Activities and market

Cipax works on both customer-specific production and proprietary products within plastic rotational moulding. The company's own products are divided into the following segments: boats, marine products and industrial products. Customer-specific manufacturing focuses on the following sectors: marine, other industry, infrastructure & engineering, and automotive. Cipax is primarily active on the Nordic and Baltic markets. By establishing new operations in Poland, the company has further expanded its market.

## 2013 in brief

The business unit reported turnover at somewhat higher levels than the previous year, but a significantly lower operating margin. The weaker result was due to the extra cost burden imposed by the establishment of operations in Poland. Sales in Sweden, Norway and Estonia were on a par with or somewhat better than the previous year, while growth on the Finnish and Polish markets was strong. In general, the order flow was relatively weak in the first quarter as a result of the slow business climate. Volumes recovered during the summer, and capacity utilisation was high during the second half of the year. The companies within the unit continued to have a strong focus on activities targeting select markets. In addition, resource optimisation projects have increased the unit's ability to effectively adjust manpower levels based on the order situation.

### **Establishment in Poland**

Halfway through 2012, a sales office was established in Poland with the objective of expanding the business unit's market by meeting demand from industry in northern Europe. These operations were moved to Lodz in 2013, where the company's production facility was opened. The market situation in Europe was more cautious than expected during the year, and in conjunction with the set-up costs incurred, low sales volumes led to a weak operating profit in the Polish unit. Given the more favourable market climate and the efficiency of the organisation, it is anticipated that it will be possible to improve profitability as early as this year.

### **Proprietary products**

On the whole, sales of proprietary products were unchanged compared to the previous year, with a degree of fluctuation in volumes between the boat, marine and industrial market segments.

It was yet another challenging year for boat sales in general. Nevertheless, Cipax managed to maintain its sales volume for the Pioneer brand on its primary markets in Norway and Sweden, while export sales fell slightly. The active product development efforts and multiple successful launches of new boat models seen in recent years have contributed to the company's gradual increase in market share.

*Portable welding fume and dust extraction unit. The filter box is a good example of the benefits of rotational moulding, with many features included directly in production.*





*Cipax's new model of the Pioneer Multi, is a boat that can handle most challenges at sea.*

The marine products segment, which includes buoys and boom sections, grew slightly, as did sales within the industrial segment, including tanks, pressure vessels, water purification systems, etc. Cipax worked actively on product development, launching several new products in both segments in 2013. The growth in revenue is primarily attributable to establishment on the Polish market, but also because operations in Finland captured additional market share.

#### **Customer-specific manufacturing**

Turnover from customer-specific manufacturing increased markedly, primarily as a result of the business unit's positive development in Finland and Poland. The intensified sales efforts conducted for infrastructure products during the year were successful. Several new deals will generate revenue in 2014.

*Cipax has introduced a range of recyclable sand containers manufactured using UV-stabilised polyethylene.*

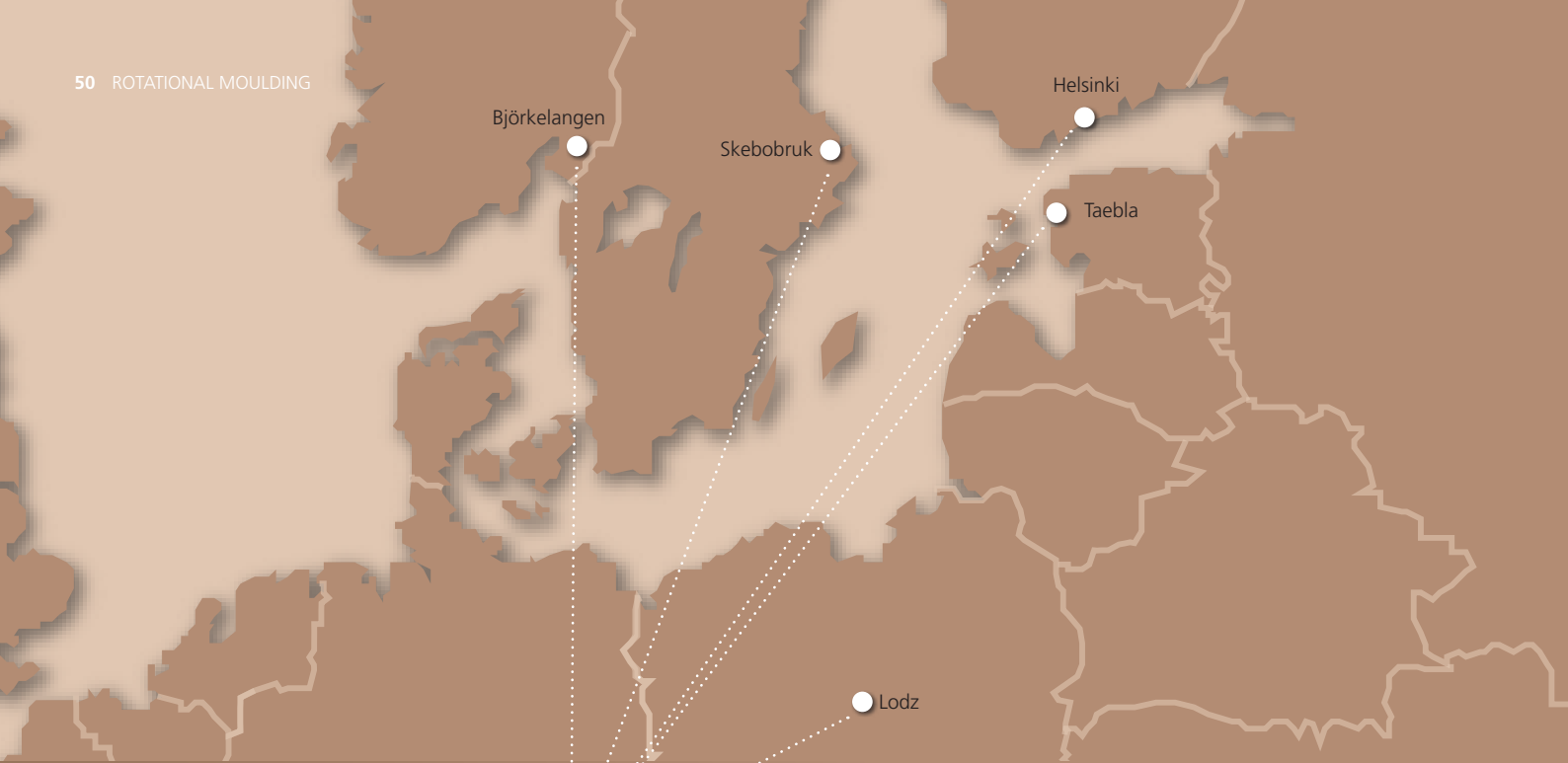


### **Looking forward to 2014**

With a stabilised economic climate, continued growth in Finland and better results at the Polish unit, we hope to post a stronger operating profit in 2014. The order situation as at year-end was comparable to the same period during the previous year, though the number of enquiries was significantly higher. This raises the prospect that order flow will increase going forward.

During the year, the business unit is planning to consider making investments in new geographic markets. The Polish production unit allows for further streamlining of production planning, so that seasonal fluctuations and capacity utilisation levels can be smoothed out by distributing them across multiple units. This also creates greater flexibility and better conditions for expansion. Yet another new rotational moulding machine has been ordered for the Polish unit, to be delivered in the spring.

The company is planning to further increase its focus on developing existing brands in 2014. New products will be launched in all segments, including an updated version of the boat model Pioneer Multi. Initial deliveries of the boat began after the turn of the year, and the boat has already been well received on the market.



CIPAX

Net sales	SEK m	173
Growth	%	+5.5
Employees		137

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

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

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



Urea tank used to reduce exhaust emissions from diesel engines.



# 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 2013 financial year.*

### Operations

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

### Sales and profit

Net revenue was SEK 1,593 million (1,171) and profit after tax amounted to SEK 118 million (67).

### Share data and key ratios

Earnings per share amounted to SEK 17.40 (9.85). At year-end, equity per share was SEK 94.80 (79.45) and the equity/assets ratio 41 per cent (32).

### Important events during the year

During the first quarter, an industrial property in Tallinn, Estonia, was sold. The purchase price, which was paid in cash, was EUR 6.9 million excluding VAT, resulting in a capital gain of approx. SEK 14 million. Historically the property has generated a small profit every year and the sale will have a relatively insignificant long-term impact on XANO's profits and financial position. XANO has not used the property for its own activities since 2010.

In March, a number of properties that were included in last year's acquisition of ÅGES/ITB Teknik in Unnaryd were sold. These properties were not used in business operations, and the sale generated a capital gain of approx. SEK 2 million.

A decision was taken in the spring to make extensive investments in both of the newly acquired operations in Unnaryd. This project involved extending the production premises of both companies as well as investing in casting machinery and machining equipment. The expansion in capacity in Unnaryd is part of XANO's strategy to develop niche engineering companies through long-term investments.

In November, it was announced that XANO's Board of Directors was considering proposals for hiving-off and distribution to the shareholders of the companies within the Precision Components business unit. In December, it was decided to present the proposal for adoption at the Annual General Meeting in May 2014. The parent company of the hived-off group, AGES Industri AB (former XANO Teknik AB), intends to apply for separate listing on NASDAQ OMX's First North market.

### Events after the end of the year

After nearly 30 years with the Group, 12 of which were spent as CEO for the parent company, Sune Lantz and the Board of Directors have agreed that he will relinquish his position for new challenges.

This agreement means that Sune Lantz will step down as CEO in the middle of 2014. Deputy CEO Lennart Persson will take over as the new CEO. Lennart Persson has held various management positions within the XANO Group over the past 16 years and has been Deputy CEO of the parent company since 2005.

Sune Lantz will carry on doing Board work and special assignments for some listed groups. Sune Lantz will be nominated for election to the Board of Directors at XANO's Annual General Meeting on 8 May 2014. Sune Lantz was previously elected as executive Chairman of the Board for the company which XANO intends to distribute to shareholders and list separately.

### Organisation

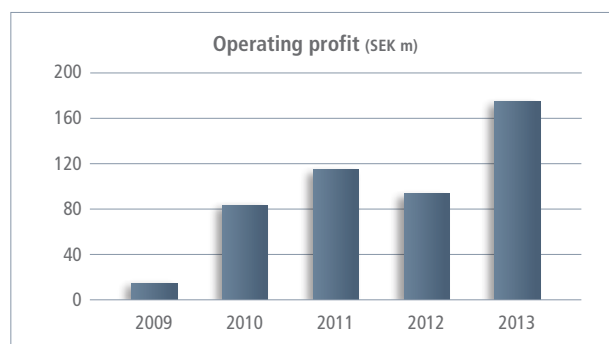
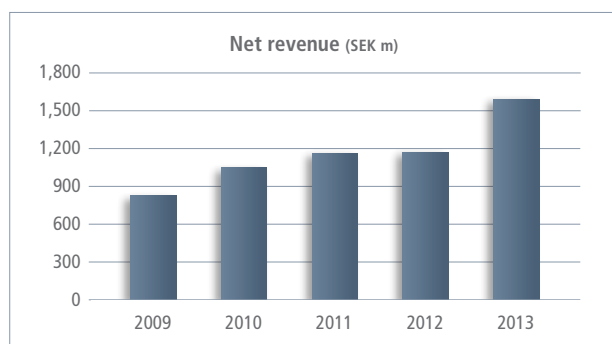
XANO comprises industrial companies with operations in Sweden, Estonia, Finland, Norway, China and Poland. The companies all operate within well-defined niches and possess a high level of expertise within their respective technical areas. During the year, the Group's operations were divided into four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

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

Precision Components comprises ITB Teknik, Segerströms, Värnamo Industri and ÅGES. The activities within the unit are concentrated on higher-volume component manufacture using metal die casting and advanced cutting processes, with a high proportion of sales going to the automotive industry.

Precision Technology includes Albins, KMV, LK Precision, Mikroverktyg and Resinit. These companies cover component and system manufacture through advanced cutting processes involving plastics and metal for the production of components involving demanding quality and precision requirements. The production primarily concerns small to medium runs of components and systems for medical technology, infrastructure, etc.

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



### The Group's development during the year

Operations at the beginning of the year were affected by the continuing weak economic climate, and the level of business activity within the Group's market segments did not pick up until March. Profit from ongoing activities in comparable units during the first quarter was lower than in the corresponding period of the previous year and on a par with Q4 2012.

The positive trend beginning in March was reinforced during the second quarter, and the outcome was very good. Compared to the corresponding period in 2012, revenue was 22 per cent higher, while profit before tax increased by 58 per cent.

The growth trend generally levelled off during the third quarter, but the Group still reported yet another good quarter. Compared to the previous year, revenue was 48 per cent higher, while profit before tax increased by 38 per cent excluding non-recurring items.

The Group ended the year strongly. Compared to the corresponding period of the previous year, revenue was 54 per cent higher, while profit before tax increased by 161 per cent.

Revenue for the full year increased by 36 per cent and profit before tax excluding non-recurring items by 52 per cent compared to 2012. Cash flow amounted to SEK 161 million before investments. Interest-bearing liabilities fell by SEK 179 million. The full-year outcome made 2013 the Group's best year so far.

### Industrial Solutions

Revenue increased by 7 per cent and the operating margin was an improvement on the previous year, mostly thanks to the high cost flexibility of operations. The market conditions have been good almost all year, while the trend in orders has been positive. The substantial investments of the previous year have not only led to greater competitiveness on existing markets but also resulted in access to new ones, where several projects are now in the start-up phase. Continued investments in the development of our own products are expected to generate further growth.

### Precision Components

2013 has seen ÅGES and ITB Teknik join the business unit and generate a boost in revenue of SEK 417 million with a good profit level. Other units are showing combined revenue slightly below the level of the previous year. The costs of establishing operations in Asia, restructuring work and an unfavourable customer mix have had a negative impact on the operating margin. The capacity expansion for ÅGES and ITB Teknik i Unnaryd, which has been underway for most of the year, is expected to lead to continued growth with stable profitability.

### Precision Technology

The invoicing during the year was almost 20 per cent lower than in the previous year. Just under half of this reduction can be attributed to operations that were sold in July 2012. A difficult business cycle for several of the companies' key customers has led to both reduced volumes and lower margins. Many new projects have been started, initially resulting in increased costs. However, the potential for improvement is good.

### Rotational Moulding

The business unit's invoicing increased by 5 per cent compared to the previous year. The fall in margin is in the most part attributable to the extra costs incurred over the year due to the start-up in Poland. In market terms, the companies have managed to retain and in some segments even enhance their position, while the start-up in Poland also led to several new customer relationships. With an efficient organisation in Poland, the business unit as a whole is expected to once more generate a higher level of profitability.

### Investments

The Group's net investments in non-current assets amounted to SEK 16 million (512), of which SEK -53 million related to the sale of real estate, SEK 16 million to the acquisition of real estate, SEK 49 million to machinery and equipment and SEK 4 million to intangible assets.

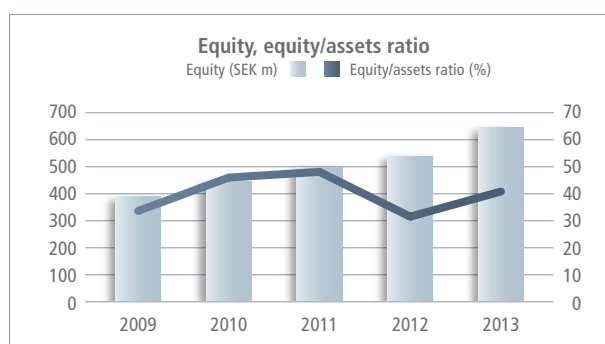
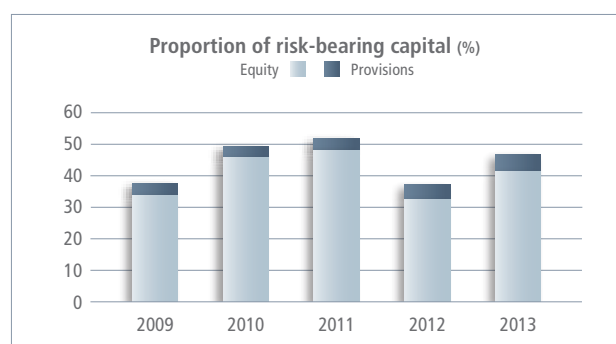
### Cash flow and liquidity

Cash flow from operating activities totalled SEK 161 million (73).

The Group's liquid assets, including lines of credit granted but not utilised, totalled SEK 345 million (283) on the balance sheet date.

### Risks and uncertainty factors

The Group's major risk and uncertainty factors include operational risks associated with customers and suppliers and other external factors such as price risks for input goods. In addition, there are financial risks as a result of changes in exchange rates and interest rate levels. A statement on the Group's main financial and operational risks can be found in Note 31 on pages 73 and 74.





### Convertible bond programme

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

### Currency and interest rates

As a result of its international activities, XANO is particularly exposed to currency fluctuations in both EUR and USD relative to SEK. The Group's interest-bearing liabilities amounted to SEK 577 million (756) on the balance sheet date. A detailed description of the Group's financial risks can be found in Note 31 on pages 73 and 74.

### Environmental impact

The Group conducts operations with a reporting duty or that require a permit under the Swedish Environmental Code in seven and four Swedish subsidiaries respectively. The Parent Company does not conduct any activities that require a permit. A report on the Group's environmental activities can be found on page 19.

### Research and development

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

### The share and shareholders

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

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

### Work of the Board of Directors

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

During the 2013 financial year, the Board of Directors held seven meetings. Each regular meeting deals with the reports and items for decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as major investments.

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

### Nomination committee

A nomination committee was appointed at the 2013 AGM consisting of Ulf Hedlundh (chairman), Fredrik Rapp and Anders Rudgård. The task of the committee prior to the 2014 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and propose fees for the Board, committees and auditors. Prior to the 2014 AGM, the nomination committee has so far had one meeting, during which minutes were taken, in addition to a number of contacts between the committee members.

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

### Agreements

The only agreements between the company and the members of the Board of Directors are agreements relating to Board directorships drawn up for each term on the Board.

### Corporate governance

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

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

From 1 July 2008, all companies listed on NASDAQ OMX Stockholm must follow the "Swedish Code for Corporate Governance", the so-called "Code". XANO's corporate governance report has been prepared separately from the directors' report and can be found on pages 88–91.

### Future development

The order stock is generally at a high level at the Group companies, but does vary between different sectors and customer segments. Companies within Industrial Solutions are experiencing a continuing healthy market. The ongoing expansion in capacity and structural work within Precision Components are having a negative effect on the margins at the start of 2014. Many of Precision Technology's customers remain cautious, making it difficult to assess the development in the immediate future. With the establishment of operations in Poland complete, profitability for Rotational Moulding is expected to gradually improve. Overall, the development in the Group's operations is expected to still be good.



## Five-year overview

Income statement, SEK m	2013	2012	2011	2010	2009
Net sales	1,593	1,171	1,162	1,049	828
Cost of goods sold	-1,271	-934	-923	-857	-701
<b>Gross profit</b>	<b>322</b>	<b>237</b>	<b>239</b>	<b>192</b>	<b>127</b>
Selling expenses	-112	-94	-86	-78	-73
Administrative expenses	-56	-50	-47	-42	-41
Other operating income/expenses	21	1	9	11	2
<b>Operating profit</b>	<b>175</b>	<b>94</b>	<b>115</b>	<b>83</b>	<b>15</b>
Financial items	-25	-12	-10	-14	-13
<b>Profit before tax</b>	<b>150</b>	<b>82</b>	<b>105</b>	<b>69</b>	<b>2</b>
Tax	-32	-15	-24	-16	-1
<b>Profit from continuing operations</b>	<b>118</b>	<b>67</b>	<b>81</b>	<b>53</b>	<b>1</b>
Profit/loss from discontinued operations	–	–	2	19	-10
<b>Net profit for the year</b>	<b>118</b>	<b>67</b>	<b>83</b>	<b>72</b>	<b>-9</b>

Financial position, SEK m <sup>1)</sup>	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Non-current assets	1,004	1,051	600	594	759
Current assets	553	614	436	382	399
Equity	643	539	499	446	390
Non-current liabilities	440	476	149	216	329
Current liabilities	474	650	388	314	439
<b>Balance sheet total</b>	<b>1,557</b>	<b>1,665</b>	<b>1,036</b>	<b>976</b>	<b>1,158</b>

Cash flow, SEK m <sup>1)</sup>	2013	2012	2011	2010	2009
Cash flow from operating activities	161	73	165	126	124
Cash flow from investing activities	25	-431	-42	30	-18
<b>Cash flow after investing activities</b>	<b>186</b>	<b>-358</b>	<b>123</b>	<b>156</b>	<b>106</b>
Cash flow from financing activities	-223	367	-79	-156	-113
<b>Cash flow for the year</b>	<b>-37</b>	<b>9</b>	<b>44</b>	<b>0</b>	<b>-7</b>

Key ratios	2013	2012	2011	2010	2009
Operating margin (continuing operations), %	11.0	8.0	9.9	8.0	1.8
Profit margin (continuing operations), %	9.4	7.0	9.0	6.6	0.3
Return on equity, % <sup>1)</sup>	19.8	12.9	17.6	17.4	-2.2
Return on capital employed, % <sup>1)</sup>	14.7	10.8	16.6	12.4	1.7
Return on total capital, % <sup>1)</sup>	11.2	8.0	12.3	9.6	1.4
Interest coverage ratio, multiple <sup>1)</sup>	6.4	6.3	7.8	5.8	0.7
Equity, SEK m <sup>1)</sup>	643	539	499	446	390
Equity/assets ratio, % <sup>1)</sup>	41	32	48	46	34
Proportion of risk-bearing capital, % <sup>1)</sup>	47	37	52	49	38
Basic earnings per share (continuing operations), SEK <sup>2)</sup>	17.40	9.85	11.80	7.80	0.25
Basic earnings per share, SEK <sup>1, 2)</sup>	17.40	9.85	12.15	10.60	-1.30
Equity per share, SEK <sup>1)</sup>	94.80	79.45	73.50	65.70	57.50
Cash flow from operating activities per share, SEK <sup>1)</sup>	23.70	10.75	24.30	18.50	18.35
Proposed dividend per share, SEK	4.00	3.50	3.50	3.50	1.50

Miscellaneous	2013	2012	2011	2010	2009
Scheduled depreciation (continuing operations), SEK m	68	56	50	52	59
Scheduled depreciation, SEK m <sup>1)</sup>	68	56	50	63	71
Interest-bearing liabilities, SEK m <sup>1)</sup>	577	756	242	282	540
Net investments (continuing operations), SEK m	16	512	55	25	25
of which attributable to corporate transactions	0	455	13	–	–
Average number of employees (continuing operations)	998	768	732	677	606

<sup>1)</sup> Refers to the entire Group, including discontinued operations.

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

For definitions, see page 87.

### Repurchase of own shares

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

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

### Remuneration and employment conditions for senior executives

The Board of Directors proposes that the 2014 AGM reach a decision concerning guidelines for the determination of salaries and other remuneration to the CEO and other senior executives. It is proposed that the guidelines that were approved by the 2013 AGM remain principally unchanged. These guidelines are as follows:

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

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

### Proposal for the appropriation of profits

#### Parent Company

The following amounts are at the disposal of the Annual General Meeting:		SEK
Share premium reserve		4,294,700
Retained earnings		251,769,560
Net profit for the year		41,460,172
<b>Total</b>		<b>297,524,432</b>

The Board of Directors and the CEO propose that the surplus be distributed as follows:		SEK
Payment of a dividend of SEK 4.00 per share to shareholders (6,788,974 shares)		27,155,896
Distribution of all shares in AGES Industri AB <sup>1)</sup>		257,636,569
To be carried forward		12,731,967
<b>Total</b>		<b>297,524,432</b>

<sup>1)</sup> Refers to XANO Industri AB's book value of shares in AGES Industri AB as of 31 December 2013.

### Statement by the Board of Directors regarding the proposed dividend

Based on the proposed dividend, the equity/assets ratio is adequate as company and Group activities are still being operated profitably. It is 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	2013	2012
Net sales	1	1,592,698	1,171,496
Cost of goods sold	3, 4, 5	-1,270,451	-934,080
<b>Gross profit</b>		<b>322,247</b>	<b>237,416</b>
Other operating income	7	26,660	14,893
Selling expenses	3, 4, 5	-111,588	-94,419
Administrative expenses	3, 4, 5, 6	-56,489	-49,946
Other operating expenses	8	-6,372	-14,186
<b>Operating profit</b>	1, 2	<b>174,458</b>	<b>93,758</b>
Financial income and similar profit/loss items	9	3,078	3,664
Financial expenses and similar profit/loss items	10	-27,891	-15,354
<b>Profit before tax</b>		<b>149,645</b>	<b>82,068</b>
Tax	11	-31,644	-15,143
<b>NET PROFIT FOR THE YEAR</b>		<b>118,001</b>	<b>66,925</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>118,001</i>	<i>66,925</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to net profit for the period</i>			
Change in hedging reserve <sup>1)</sup>	19, 23	8,039	-3,193
Tax relating to change in hedging reserve	19, 23	-1,769	345
Translation differences <sup>2)</sup>	19	3,784	-3,505
Effect of change in corporation tax <sup>3)</sup>		–	1,579
<b>OTHER COMPREHENSIVE INCOME</b>		<b>10,054</b>	<b>-4,774</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>128,055</b>	<b>62,151</b>
<i>– of which attributable to shareholders of the Parent Company</i>		<i>128,055</i>	<i>62,151</i>
<b>SHARE DATA</b>			
Basic earnings per share <sup>4)</sup>	SEK 17	17.40	9.85
Diluted earnings per share <sup>4)</sup>	SEK 17	16.90	9.70
Average number of outstanding shares	18	6,788,974	6,788,974
Average number of outstanding shares after dilution	18	7,064,203	7,036,739
Average number of shares in own custody	18	140,000	140,000

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

<sup>2)</sup> Refers to the effects of changes in exchange rates when net investments in non-Swedish subsidiaries are translated to SEK. The amount is reported net of hedging contracts.

<sup>3)</sup> Refers to the effect of change in Swedish corporation tax for items recognised against equity.

<sup>4)</sup> Based on net profit for the year as above.

## Consolidated statements of financial position

GROUP (SEK thousands)	Note	31.12.2013	31.12.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>	12		
Goodwill		498,794	500,741
Other intangible assets		8,790	6,872
		<b>507,584</b>	<b>507,613</b>
<i>Property, plant and equipment</i>	13		
Land and buildings		239,710	301,436
Plant and machinery	28	211,216	215,539
Equipment, tools, fixtures and fittings		20,905	19,818
Construction in progress and advance payments for property, plant and equipment		17,675	6,639
		<b>489,506</b>	<b>543,432</b>
<i>Financial assets</i>			
Non-current receivables		45	45
		<b>45</b>	<b>45</b>
<i>Other non-current assets</i>			
Deferred tax asset		6,293	–
		<b>6,293</b>	<b>–</b>
<b>Total non-current assets</b>		<b>1,003,428</b>	<b>1,051,090</b>
<b>Current assets</b>			
<i>Inventories</i>	14	247,525	254,227
<i>Current receivables</i>			
Trade receivables	15, 16	267,715	276,697
Deferred tax asset	23	–	8,426
Prepaid expenses		10,494	10,692
		<b>278,209</b>	<b>295,815</b>
<i>Short-term investments</i>	16	1,164	2,537
<i>Cash and bank balances</i>	16	26,600	61,315
<b>Total current assets</b>		<b>553,498</b>	<b>613,894</b>
<b>TOTAL ASSETS</b>		<b>1,556,926</b>	<b>1,664,984</b>



GROUP (SEK thousands)	Note	31.12.2013	31.12.2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	34,645	34,645
Other contributed capital		20,259	20,259
Other reserves	19	-1,987	-12,041
Retained earnings		590,692	496,452
<b>Total equity</b>		<b>643,609</b>	<b>539,315</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Liabilities to credit institutions	20, 25, 28	225,225	263,916
Other liabilities	20, 21, 25	128,744	128,240
Other provisions	22	2,704	3,936
Deferred tax liability	23	82,848	79,892
		<b>439,521</b>	<b>475,984</b>
<i>Current liabilities</i>			
Trade payables	24, 25	235,268	277,969
Borrowings	20, 21, 25	160,383	271,638
Current portion of non-current liabilities	20, 25, 28	62,919	91,884
Deferred income		11	125
Current tax liability		15,215	8,069
		<b>473,796</b>	<b>649,685</b>
<b>Total liabilities</b>		<b>913,317</b>	<b>1,125,669</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,556,926</b>	<b>1,664,984</b>
<b>Pledged assets</b>	26	<b>719,100</b>	<b>872,649</b>
<b>Contingent liabilities</b>	27	<b>2,942</b>	<b>2,415</b>

## Statement of changes in equity

GROUP (SEK thousands)	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
<b>Equity, 1 January 2012</b>		<b>34,645</b>	<b>18,245</b>	<b>-5,688</b>	<b>451,709</b>	<b>498,911</b>
Net profit for the year		–	–	–	66,925	66,925
Other comprehensive income		–	–	-6,353	1,579	-4,774
<b>Comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>-6,353</b>	<b>68,504</b>	<b>62,151</b>
Effects of convertible loan issued		–	2,014	–	–	2,014
Dividend paid		–	–	–	-23,761	-23,761
<b>Total transactions with shareholders</b>		<b>–</b>	<b>2,014</b>	<b>–</b>	<b>-23,761</b>	<b>-21,747</b>
<b>Equity, 31 December 2012</b>		<b>34,645</b>	<b>20,259</b>	<b>-12,041</b>	<b>496,452</b>	<b>539,315</b>
Net profit for the year		–	–	–	118,001	118,001
Other comprehensive income		–	–	10,054	–	10,054
<b>Comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>10,054</b>	<b>118,001</b>	<b>128,055</b>
Dividend paid		–	–	–	-23,761	-23,761
<b>Total transactions with shareholders</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>-23,761</b>	<b>-23,761</b>
<b>Equity, 31 December 2013</b>	18, 19	<b>34,645</b>	<b>20,259</b>	<b>-1,987</b>	<b>590,692</b>	<b>643,609</b>

# Cash flow statements

GROUP (SEK thousands)	Note	2013	2012
<b>Operating activities</b>			
Operating profit		174,458	93,758
<i>Adjustments for non-cash items etc.</i>			
Depreciation		68,525	56,186
Capital gain from sale of non-current assets		-17,493	3,626
Write-down of inventories		1,642	-897
Other		-80	1,281
Interest paid/received, net value	29	-23,034	-11,484
Income tax paid		-30,648	-31,557
<b>Cash flow from operating activities before changes in working capital</b>		<b>173,370</b>	<b>110,913</b>
<b>Changes in working capital</b>			
Increase (-) / decrease (+) in inventories		4,360	-14,267
Increase (-) / decrease (+) in current receivables		16,412	12,853
Increase (+) / decrease (-) in current liabilities		-33,386	-36,684
<b>Cash flow from operating activities</b>		<b>160,756</b>	<b>72,815</b>
<b>Investing activities</b>			
Purchase of intangible assets		-3,687	-3,308
Purchase of property, plant and equipment <sup>1)</sup>		-47,383	-30,609
Sale of property, plant and equipment		73,161	2,902
Indirect investments through acquisition of subsidiaries/assets and liabilities	29	298	-413,448
Indirect investments through sale of subsidiaries/assets and liabilities	29	3,063	13,362
Decrease in other non-current receivables		-	49
<b>Cash flow from investing activities</b>		<b>25,452</b>	<b>-431,052</b>
<b>Financing activities</b>			
<i>Increase (+) / decrease (-) in non-current liabilities <sup>1)</sup></i>			
Borrowings		0	190,000
Repayment of debt		-58,783	-26,359
Other		-2,529	-1,702
Dividend paid		-23,761	-23,761
<i>Increase (+) / decrease (-) in current borrowings and liabilities to credit institutions <sup>1)</sup></i>			
Borrowings		1,882	41,179
Repayment of debt		-32,086	-30,900
Change in bank overdraft facilities		-108,162	219,442
<b>Cash flow from financing activities</b>		<b>-223,439</b>	<b>367,899</b>
<b>Cash flow for the year</b>		<b>-37,231</b>	<b>9,662</b>
Cash and cash equivalents at the beginning of the year		63,852	54,709
Exchange rate differences in cash and cash equivalents		1,143	-519
<b>Cash and cash equivalents at the end of the year</b>	29	<b>27,764</b>	<b>63,852</b>

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

## Accounting policies

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

### General

The accounting and valuation policies that have been applied are unchanged compared with the previous year, with the following exceptions as a result of new or revised standards, interpretations and improvements, which are applied from 1 January 2013 inclusive.

#### » IFRS 13 Fair Value Measurement

The standard serves as a guide for fair value measurements and is intended to ensure that fair value measurements become more consistent and less complex.

#### » Revised IAS 19 Employee Benefits

Relates primarily to changed accounting principles for defined benefit pensions.

#### » Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income

Entails among other things that items in "Other comprehensive income" are to be split into two groups.

#### » Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to new disclosure requirements relating to the offsetting of financial assets and liabilities.

#### » IFRIC 20 Stripping Costs

Governs how stripping costs are to be recognised and valued.

#### » Annual improvements to IFRS

Application of these has not had any effect on the Group's financial performance or position but involves expanded disclosure requirements and revised presentation formats.

The following new or revised IFRS standards effective from 2014 have not been applied in the preparation of these financial reports.

#### » IFRS 10 Consolidated Financial Statements

#### » IFRS 11 Joint Arrangements

#### » IFRS 12 Disclosure of Interests in Other Entities

#### » Amendments to IAS 27 Separate Financial Statements

#### » Amendments to IAS 28 Investments in Associates and Joint Ventures

#### » Amendments to IAS 32 Financial Instruments: Presentation

#### » Amendments to IAS 36 Impairment of Assets

#### » Amendments to IAS 39 Financial Instruments: Recognition and Measurement

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

Since the legal and financial structure for hiving-off of the Precision Components business unit has yet to be determined, reclassification to profit from discontinued operations and assets for dividend purposes has not been possible.

### Consolidated financial statements

#### General

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). As the Parent Com-

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

The consolidated financial statements cover the Parent Company and the companies in which the Parent Company possesses more than 50 per cent of the votes or has a controlling interest in some other way. The consolidated financial statements have been prepared in accordance with the acquisition method. This means that the Parent Company indirectly acquires the subsidiary's assets and assumes its liabilities, valued at the fair value. The difference between acquisition costs for shares and the fair value of acquired identifiable net assets constitutes goodwill. All intra-Group balances, income, costs, profits or losses that arise in transactions between companies covered by the consolidated financial statements are eliminated in their entirety. Only the profit or loss that has come about after acquisition is included in the consolidated income statement. The financial performance of divested companies is reported up to the date of sale.

#### Business combinations

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

#### Translation of non-Swedish subsidiaries

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

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

### Income

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

### Pensions

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

The majority of the Group's Swedish salaried employees are covered by the ITP plan, which is financed through pension insurance with Alecta or SPP. According to a statement from the Swedish Financial Reporting Board, this



is a defined benefit plan. The Group has not had access to information that makes it possible to report this plan as a defined benefit plan. The pension plan as per ITP is therefore reported as a defined contribution plan in accordance with IAS 19. In addition, there are pension obligations which are subject to fixed contributions and which are hedged through payment of premiums to insurance companies.

The Group's Norwegian company has pension obligations regarding an early retirement pension (AFP), which is classified as a defined benefit plan. During 2010, a new pension scheme was adopted, which means that future pension obligations will be hedged through the payment of fees to an external party rather than being recognised as a liability in the company. Residual debt covers only pension obligations for individuals who have retired early and started to draw their pension as well as a reserve designed to cover the transition to the new system. This liability is not a significant item, and no actuarial calculation has therefore been carried out for 2013. The liability calculation has instead been based on a statement issued by the Norwegian Institute of Public Accountants.

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

## Taxes

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

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

## Non-current assets

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

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

### Intangible assets

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

Impairment tests for goodwill are performed every year. The Group's goodwill is divided between the Group's cash-generating units. Recoverable amounts for a cash-generating unit are determined based on calculations of

values in use. These calculations are based on the Group's annual forecasting process, where future cash flows for the existing business are forecasted for the current year and the coming four-year period. The cash flow beyond the five-year period is extrapolated. XANO uses a current weighted capital cost for discounting estimated future cash flows. Discounted flows are compared with the carrying amount.

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

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

### Property, plant and equipment

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

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

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

## Inventories

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

## Liquid assets

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

## Financial assets and liabilities

Financial assets and liabilities cover cash and bank deposits, short-term investments, trade receivables, loan receivables, loan liabilities, trade payables and any derivatives. A financial asset or liability is recognized 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 has expired.

Financial instruments are reported at their accrued acquisition value or fair value depending on how the instrument is classified.

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

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

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

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

XANO uses derivatives to hedge interest rates and sales in foreign currency. 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 control the uncertainty in the future interest-rate fluctuations in regard to borrowings with variable interest rates. These derivatives are valued at their fair value in the balance sheet. The valuation is based on forward interest rates produced on the basis of observable yield curves scanned in the market at mid-price. 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 foreign currency. These contracts are valued at their fair value in the balance sheet. Valuation of the derivative in question, called an Accumulator, is based on the ECB's fixing rates, swap rates and volatilities for the currency in question. The change in value is recognised in other comprehensive income until the hedged flow is entered in the income statement and for as long as the criteria for hedge accounting and efficiency are satisfied. The inefficient part is recognised at fair value 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 immediately in net profit for the year.

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

Receivables and liabilities in foreign currency have been translated at the balance sheet date rate in accordance with IAS 21. Translation differences for receivables and liabilities are reported under operating profit, while translation differences attributable to financial receivables and liabilities are included in the net financial income.

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

### Provisions

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

### Lease contracts

The Group applies IAS 17 when reporting important contracts. According to this standard, lease contracts are classified as either financial or operational in the consolidated financial statements. A finance lease takes place when the financial risks and benefits associated with ownership are, in essence, transferred to the lessee. If this is not the case, the contract is considered operational in nature. A finance lease involves the relevant object being re-

ported as property, plant and equipment, while corresponding borrowings are entered as liabilities. Assets and liabilities are valued at the start of the lease period at the present value of the contractual leasing charges. In the income statement, lease costs are divided between a depreciation element and an element amongst interest costs.

### Borrowing costs

Borrowing costs which are directly attributable to procurement, construction or production of a qualified asset constitute part of the asset's acquisition value. Other borrowing costs are written off in the period as they arise. No borrowing costs have been capitalised in 2013.

### 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 off are presented on a separate line. The assets and liabilities that the acquired or sold company had at the time of the acquisition/disposal are therefore not included in the cash flow.

### Segments

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

### Important assessments and estimates

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

#### *Impairment tests for goodwill*

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

#### *Provisions*

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

#### *Deferred tax assets and liabilities*

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

#### *Exposure with respect to foreign currencies*

Changes in currency exchange rates can have a relatively major impact on the profit and position of XANO. Note 31 describes the Group's exposure with respect to foreign currencies, in addition to the risks associated with exchange rate fluctuations.

# Notes

(All amounts in SEK thousands unless otherwise indicated.)

## Note 1 Segment reporting

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Solutions, Precision Components, Precision Technology and Rotational Moulding. The operations within each segment are described on pages 52 and 53. The segments are reported in accordance with the same accounting policies as the Group. Undistributed items mainly refer to the Parent Company.

ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB, which were acquired in December 2012, are included in Group results as of 1 January 2013. The Precision Technology business unit was split up as a result of the acquisitions, with effect from 2013. The comparison year has been recalculated.

### Net sales by segment

	2013				2012		
	Net sales			of which customer-specific products and systems <sup>1)</sup>	Net sales		
	External	Internal	Total		External	Internal	Total
Industrial Solutions	623,001	388	623,389	70%	579,933	315	580,248
Precision Components	607,784	627	608,411	100%	197,446	1,134	198,580
Precision Technology	188,845	634	189,479	100%	230,117	1,444	231,561
Rotational Moulding	173,068	18	173,086	53%	164,000	109	164,109
Eliminations	—	-1,667	-1,667	—	—	-3,002	-3,002
<b>Group total</b>	<b>1,592,698</b>	<b>0</b>	<b>1,592,698</b>	<b>83%</b>	<b>1,171,496</b>	<b>0</b>	<b>1,171,496</b>

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

Market conditions are applied to transactions between the segments. XANO has two major customers which each generate revenue accounting for more than 10 per cent of the Group's total revenue. Income from these customers amounts respectively to SEK 241 million, mainly reported through the Industrial Solutions segment, and SEK 172 million, mainly reported through the Precision Components segment.

### Profit/loss items by segment

	2013			2012		
	Intra-Group reported profit before tax	Distribution of Group-wide costs	Profit before tax	Intra-Group reported profit before tax	Distribution of Group-wide costs	Profit before tax
Industrial Solutions	66,961	-3,012	63,949	54,685	-2,760	51,925
Precision Components	67,149 <sup>1)</sup>	-3,572	63,577	5,416	-1,812	3,604
Precision Technology	9,365	-2,520	6,845	16,272 <sup>2)</sup>	-2,690	13,582
Rotational Moulding	11,997	-2,244	9,753	18,367	-1,956	16,411
Undistributed items	-5,827 <sup>2)</sup>	11,348	5,521	-12,672	9,218	-3,454
<b>Group total</b>	<b>149,645</b>	<b>0</b>	<b>149,645</b>	<b>82,068</b>	<b>0</b>	<b>82,068</b>

<sup>1)</sup> This figure includes non-recurring items totalling SEK 2 million attributable to capital gains from the sales of real estate.

<sup>2)</sup> This figure includes non-recurring items totalling SEK 14 million attributable to capital gain from the sale of real estate.

<sup>3)</sup> This figure includes non-recurring items totalling SEK -6 million attributable to a capital loss from the sale of the shares in Eslöv Mekaniska Verkstad AB.

	2013				2012			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Solutions	1,216	-4,930	-14,762	-16,390	1,570	-5,490	-11,154	-17,674
Precision Components	2,008	-13,693	-14,615	-27,084	901	-4,081	-310	-10,958
Precision Technology	380	-3,674	-1,734	-16,867	606	-5,332	-3,912	-17,613
Rotational Moulding	641	-2,524	-2,249	-6,235	344	-2,329	-3,124	-7,084
Undistributed items	-3,752	1,239	1,716	-1,949	-2,941	4,373	3,357	-2,857
<b>Group total</b>	<b>493</b>	<b>-23,582</b>	<b>-31,644</b>	<b>-68,525</b>	<b>480</b>	<b>-12,859</b>	<b>-15,143</b>	<b>-56,186</b>

### Assets and liabilities by segment

	2013				2012			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Solutions	401,283	96,822	28,298	7,831	423,252	139,892	19,659	8,409
Precision Components	739,117	151,612	22,263	45,480	770,765	125,262	395,160	37,719
Precision Technology	249,586	42,704	12,807	14,650	265,829	61,176	85,657	23,986
Rotational Moulding	147,693 <sup>1)</sup>	20,716	4,708	1,733	145,128	21,598	11,423	1,531
Undistributed items	19,247	24,192	-51,779	13,154	60,010	22,063	193	8,247
<b>Group total</b>	<b>1,556,926</b>	<b>336,046</b>	<b>16,297</b>	<b>82,848</b>	<b>1,664,984</b>	<b>369,991</b>	<b>512,092</b>	<b>79,892</b>

<sup>1)</sup> Deferred tax assets constitute SEK 6,293 thousand (8,426).

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

In 2013, the Rotational Moulding and Precision Components segments have boosted their total operating assets, such as inventories and trade receivables, as a result of an increase in incoming orders, while corresponding items have been reduced within the Industrial Solutions and Precision Technology segments. Within the Precision Components segment, liquid assets have fallen by approx. SEK 45 million due to reallocation to the Group account system.

## Sales by geographic market

	2013		2012	
Sweden	1,088,471	68%	831,581	71%
North America	98,269	6%	72,377	6%
Norway	70,238	4%	74,607	7%
Germany	65,089	4%	38,030	3%
Belgium	55,338	4%	13,692	1%
Rest of Europe	171,867	11%	116,597	10%
Other	43,426	3%	24,612	2%
<b>Group total</b>	<b>1,592,698</b>	<b>100%</b>	<b>1,171,496</b>	<b>100%</b>

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

## Assets by geographic market

	2013		2012	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	893,877	51,338	888,507	495,270
Norway	45,817	983	44,809	2,810
Estonia	41,156	-40,790	96,145	7,112
China	21,536	3,746	21,573	6,834
Rest of Europe	1,042	1,020	56	66
<b>Group total</b>	<b>1,003,428</b>	<b>16,297</b>	<b>1,051,090</b>	<b>512,092</b>

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

## Note 2

### Employees and personnel costs

Average no. of employees	2013		2012	
		of which men		of which men
Sweden	792	85%	586	86%
China	79	80%	78	82%
Estonia	63	89%	59	90%
Norway	40	93%	37	92%
Poland	19	74%	4	50%
Finland	4	75%	3	67%
Hong Kong	1	100%	1	100%
<b>Group total</b>	<b>998</b>	<b>85%</b>	<b>768</b>	<b>86%</b>

Proportion of men amongst Board members/senior executives	2013	2012
<i>Parent Company</i>		
Board members	83%	83%
Other senior executives	67%	67%
<i>Operating subsidiaries</i>		
Board members	98%	98%
Other senior executives	72%	80%

Salaries, other remuneration and social security costs	2013	2012
Salaries and remuneration	323,124	251,117
Social security costs	118,816	94,029
(of which pension costs) <sup>1, 2, 3, 4, 5, 6)</sup>	(24,102)	(21,286)
	<b>441,940</b>	<b>345,146</b>

<sup>1)</sup> Of the Group's pension costs, SEK 5,016 thousand (4,343) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

<sup>2)</sup> The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 6,221 thousand (5,929). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2013, Alecta's surplus in the form of the collective insurance level amounted to 148 per cent (129).

<sup>3)</sup> Pension costs do not include special employer's contributions.

<sup>4)</sup> The Group's Norwegian company has a pension obligation concerning early retirement from the age of 62, which is classified as a defined benefit pension plan. Costs concerning the pension plan are reported as personnel costs and amount to SEK -13 thousand (-170).

<sup>5)</sup> One of the Group's Swedish subsidiary companies has a pension obligation classified as a defined-benefit pension plan. No information concerning this has been submitted, as the liability which amounts to a total of SEK 75 thousand is not considered to be significant.

<sup>6)</sup> One of the Group's Swedish subsidiary companies has a pension obligation secured through endowment insurance. The sum paid is recognised as an asset and pension liability, respectively, and amounts to SEK 400 thousand.

Change in pension obligation, Norway	2013	2012
Opening balance	1,122	1,936
Difference in estimate	-13	-170
Remuneration paid	-679	-670
Translation differences	-73	26
<b>Closing balance</b>	<b>357</b>	<b>1,122</b>

Breakdown of salaries and other remuneration	2013		2012	
	Board and MD	Other employees	Board and MD	Other employees
Sweden	19,340	262,057	17,097	196,977
(of which bonuses)	(257)		(231)	
Norway	965	16,642	1,029	17,176
(of which bonuses)	(31)		(64)	
China	1,235	10,774	974	8,738
(of which bonuses)	(180)		(-)	
Estonia	320	6,279	296	5,458
(of which bonuses)	(-)		(-)	
Poland	571	2,265	277	718
(of which bonuses)	(72)		(-)	
Finland	-	1,540	-	1,323
(of which bonuses)	(-)		(-)	
Hong Kong	1,136	-	1,054	-
(of which bonuses)	(-)		(-)	
<b>Group total (of which bonuses)</b>	<b>23,567 (540)</b>	<b>299,557</b>	<b>20,727 (167)</b>	<b>230,390</b>

#### Remuneration for Board members and other senior executives

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



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

The Annual General Meeting decided that the Board's fee of SEK 1,250 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 110 thousand payable to each of the other Board members for the period up to and including the next Annual General Meeting. The Annual General Meeting further decided that remuneration for tasks undertaken in the remuneration committee and audit committee should amount to SEK 20 thousand per person and per task. During 2013, SEK 100 thousand was carried as an expense for these tasks.

In 2013, the Group management consisted of the CEO Sune Lantz, deputy CEO Lenart Persson and CFO Marie Ek Jonson. The CEO received a salary and car benefit worth SEK 2,560 thousand (2,434). Other senior executives received salary and car benefits worth SEK 2,836 thousand (2,735).

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 35 per cent of the pensionable salary. There is a pension agreement for the other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals to additional pension contributions. The pension premium for other senior executives amounted to an average of 23 per cent (25) of the pensionable salary. "Pensionable salary" refers to the basic salary plus an average of the last three years' variable remuneration. Pension costs for the CEO amounted to SEK 854 thousand (811) and for other senior executives to SEK 682 thousand (639).

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 3

### Personnel costs

Personnel costs by function	2013	2012
Cost of goods sold	-367,247	-272,202
Selling expenses	-64,271	-52,643
Administrative expenses	-39,183	-34,000
	<b>-470,701</b>	<b>-358,845</b>

## Note 4

### Depreciation

Depreciation by function	2013	2012
Cost of goods sold	-63,948	-51,035
Selling expenses	-3,225	-3,892
Administrative expenses	-1,170	-1,259
Other operating expenses	-182	–
	<b>-68,525</b>	<b>-56,186</b>

Depreciation by type of asset	2013	2012
Other intangible assets	-1,672	-2,101
Land and buildings	-12,141	-10,588
Plant and machinery	-48,176	-36,595
Equipment, tools, fixtures and fittings	-6,536	-6,902
	<b>-68,525</b>	<b>-56,186</b>

## Note 5

### Other costs

Other costs by function	2013	2012
Cost of goods sold	-141,802	-95,167
Selling expenses	-44,092	-37,884
Administrative expenses	-16,136	-14,687
	<b>-202,030</b>	<b>-147,738</b>

## Note 6

### Auditors' remuneration

	2013	2012
<b>Ernst &amp; Young</b>		
Audit assignment	-1,299	-1,007
Audit activities other than audit assignment	-38	-31
Tax consultancy services	-202	-74
Other services	-61	-4
	<b>-1,600</b>	<b>-1,116</b>
<b>Other auditors</b>		
Audit assignment	-282	-160
Audit activities other than audit assignment	-38	–
Tax consultancy services	-29	-1
Other services	-285	-142
	<b>-634</b>	<b>-303</b>
<b>Total</b>	<b>-2,234</b>	<b>-1,419</b>

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

## Note 7

### Other operating income

	2013	2012
Rental income	1,847	9,391
Exchange gains on operating receivables/liabilities	4,439	1,884
Capital gains from the sale of real estate	16,288	–
Other	4,086	3,618
	<b>26,660</b>	<b>14,893</b>

## Note 8

### Other operating expenses

	2013	2012
Loss on sale of shares in subsidiary	-9	-5,768
Cost of leased premises	-749	-4,957
Exchange losses on operating receivables/liabilities	-4,841	-3,150
Other	-773	-311
	<b>-6,372</b>	<b>-14,186</b>

## Note 9

### Financial income

	2013	2012
Profit from other securities	153	70
Interest income	493	480
Exchange rate differences	2,432	3,114
	<b>3,078</b>	<b>3,664</b>

## Note 10

### Financial costs

	2013	2012
Interest expenses	-23,582	-12,859
Exchange rate differences	-4,309	-2,495
	<b>-27,891</b>	<b>-15,354</b>

## Note 11

### Tax on profit for the year

	2013	2012
Current tax	-29,087	-18,064
Deferred tax	-2,557	2,921
	<b>-31,644</b>	<b>-15,143</b>

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

The difference between the Swedish income tax rate 22% (26.3%) and the effective tax rate arises as follows:

	2013		2012	
Reported profit before tax	149,645		82,068	
Tax according to Swedish income tax rate	-32,922	22%	-21,584	26%
<i>Tax effect of</i>				
– consolidated amortisation of surplus values	-6	0%	-7	0%
– deviation in tax rate in non-Swedish companies	2,886	-2%	2,755	-3%
Change in Swedish income tax rate	–	–	6,440	-8%
Capital gain from sale of shares	-2	0%	-1,517	2%
Adjustment of current tax for previous periods	-222	0%	-150	0%
Other fiscal adjustments	-1,378	1%	-1,080	1%
<b>Reported tax</b>	<b>-31,644</b>	<b>21%</b>	<b>-15,143</b>	<b>18%</b>

## Note 12

### Intangible assets

#### Goodwill

Accumulated acquisition values	2013	2012
Opening balance	502,467	179,751
Acquisition of subsidiaries	–	339,557
Sale of subsidiaries	–	-17,025
Adjustments	–	1
Translation differences for the year	-1,947	183
<b>Closing balance</b>	<b>500,520</b>	<b>502,467</b>

Accumulated amortisation	2013	2012
Opening balance	-1,624	-1,624
<b>Closing balance</b>	<b>-1,624</b>	<b>-1,624</b>

Accumulated impairment costs	2013	2012
Opening balance	-102	-102
<b>Closing balance</b>	<b>-102</b>	<b>-102</b>

Closing residual value	498,794	500,741
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Goodwill is distributed between the Group's cash-generating units, which consist of segments. Estimates of the recovery value include assumptions regarding growth, income trends and investments, including investments in working capital. Assumed growth, depending on the segment, amounts to 3–13 per cent (2–9) for the forecast period and thereafter staying at 3 per cent (3). Due to the new establishment in Poland, however, higher growth is expected within Rotational Moulding in 2014. Assumed operating margins amount to 10–14 per cent (9–13) in the long term. The assumptions concerning growth and margins are based on the results of previous years and the management's expectations concerning market developments.

Every year, the Group performs impairment tests for goodwill. A discount rate (WACC) of 11.4 per cent (10.5) before tax was used for this year's test<sup>1)</sup>. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the growth rate was set at 0 percentage points, the operating margin was reduced by 2.5 percentage points relative to the forecast level or the discount rate was increased by 2 per cent. None of the analyses show any impairment indication.

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

Goodwill by segment	2013	2012
Industrial Solutions	69,065	69,065
Precision Components	328,564	328,564
Precision Technology	75,945	75,945
Rotational Moulding	25,220	27,167
	<b>498,794</b>	<b>500,741</b>

#### Other intangible assets

Accumulated acquisition values	2013	2012
Opening balance	18,560	14,615
New acquisitions	3,687	3,124
Reclassifications	–	789
Translation differences for the year	-306	32
<b>Closing balance</b>	<b>21,941</b>	<b>18,560</b>

Accumulated scheduled amortisation	2013	2012
Opening balance	-11,688	-9,289
Reclassifications	–	-280
Amortisation according to plan for the year	-1,672	-2,101
Translation differences for the year	209	-18
<b>Closing balance</b>	<b>-13,151</b>	<b>-11,688</b>

Closing residual value according to plan <sup>1)</sup>	8,790	6,872
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Remaining amortisation period, years			
<sup>1)</sup> of which			
Trademarks	3	914	1,363
Patents	3	360	480
Capitalised expenditure for research and development	5	6,891	4,682
Other	4	625	347

## Note 13

### Property, plant and equipment

#### Land and buildings

Accumulated acquisition values	2013	2012
Opening balance	449,609	336,191
New acquisitions	558	1,173
Acquisition of subsidiaries	–	109,233
Divestments and disposals	-63,397	-35
Reclassifications	2,654	5,997
Translation differences for the year	128	-2,950
<b>Closing balance</b>	<b>389,552</b>	<b>449,609</b>
Accumulated scheduled depreciation	2013	2012
Opening balance	-145,095	-85,745
Acquisition of subsidiaries	–	-49,276
Divestments and disposals	10,527	35
Depreciation according to plan for the year	-12,141	-10,588
Translation differences for the year	-55	479
<b>Closing balance</b>	<b>-146,964</b>	<b>-145,095</b>
Accumulated impairment losses	2013	2012
Opening balance	-3,078	–
Acquisition of subsidiaries	–	-3,078
<b>Closing balance</b>	<b>-3,078</b>	<b>-3,078</b>
<b>Closing residual value according to plan <sup>1)</sup></b>	<b>239,710</b>	<b>301,436</b>
<i><sup>1)</sup> of which land</i>	<i>27,386</i>	<i>37,787</i>

#### Plant and machinery

Accumulated acquisition values	2013	2012
Opening balance	937,749	542,627
New acquisitions	46,666	40,059
Acquisition of subsidiaries	–	397,351
Sale of subsidiaries	–	-16,485
Divestments and disposals	-38,162	-26,522
Reclassifications	374	2,068
Translation differences for the year	-3,252	-1,349
<b>Closing balance</b>	<b>943,375</b>	<b>937,749</b>
Accumulated scheduled depreciation	2013	2012
Opening balance	-722,210	-400,436
Acquisition of subsidiaries	–	-321,674
Sale of subsidiaries	–	12,583
Divestments and disposals	34,162	23,533
Reclassifications	338	156
Depreciation according to plan for the year	-48,176	-36,595
Translation differences for the year	3,727	223
<b>Closing balance</b>	<b>-732,159</b>	<b>-722,210</b>
<b>Closing residual value according to plan</b>	<b>211,216</b>	<b>215,539</b>

#### Equipment, tools, fixtures and fittings

Accumulated acquisition values	2013	2012
Opening balance	109,082	98,069
New acquisitions	5,702	3,886
Acquisition of subsidiaries	–	13,154
Sale of subsidiaries	–	-1,045
Divestments and disposals	-3,745	-6,843
Reclassifications	2,380	1,824
Translation differences for the year	-2,443	37
<b>Closing balance</b>	<b>110,976</b>	<b>109,082</b>
Accumulated scheduled depreciation	2013	2012
Opening balance	-89,264	-78,222
Acquisition of subsidiaries	–	-11,413
Sale of subsidiaries	–	924
Divestments and disposals	3,672	6,424
Reclassifications	-338	124
Depreciation according to plan for the year	-6,536	-6,902
Translation differences for the year	2,395	-199
<b>Closing balance</b>	<b>-90,071</b>	<b>-89,264</b>
<b>Closing residual value according to plan</b>	<b>20,905</b>	<b>19,818</b>

#### Construction in progress

Accumulated acquisition values	2013	2012
Opening balance	6,639	3,671
New acquisitions/advance payments	17,315	12,739
Acquisition of subsidiary	–	913
Divestments and disposals	-688	–
Reclassifications	-5,408	-10,677
Translation differences for the year	-183	-7
<b>Closing balance</b>	<b>17,675</b>	<b>6,639</b>

## Note 14

### Inventories

	2013	2012
Raw material and consumables	83,021	73,903
Work in process	93,887	113,373
Finished products and goods for resale	60,323	61,377
Advance payments to suppliers	10,294	5,574
	<b>247,525</b>	<b>254,227</b>

The fair value of the inventories is therefore considered to match the carrying amount. Write-downs totalling SEK 1,642 thousand (-897) have been made.

## Note 15

### Trade receivables etc.

	2013	2012
Trade receivables	249,481	264,195
Tax asset	8,707	–
Other receivables	7,765	8,059
Accrued income	1,719	4,443
Currency derivatives <sup>1)</sup>	43	–
	<b>267,715</b>	<b>276,697</b>

<sup>1)</sup> Item relates to a currency instrument measured at fair value, belonging to valuation level 2 under IFRS 13. This is deemed not to be effectively hedged, and the year's change in value of SEK 43 thousand has been recognised in net profit for the year.

## Note 16

### Financial receivables

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

Age distribution as of 31.12.2013	Maturity term			Total
	–30 days	31–90 days	91–360 days	
Trade receivables	174,802	60,518	14,161	249,481
Percentage distribution	70	24	6	100
Derivatives	43	–	–	43
Percentage distribution	100	–	–	100
Cash equivalents	27,764	–	–	27,764
Percentage distribution	100	–	–	100

Fair value of financial receivables is estimated to be the same as their book value in all material respects.

Distribution by currency as of 31.12.2013	Trade receivables	Cash equivalents
SEK	215,092	3,719
USD	12,503	250
EUR	10,240	6,010
NOK	6,730	7
Other currencies	4,916	17,778
	<b>249,481</b>	<b>27,764</b>

Age distribution as of 31.12.2013	Time since maturity			Total
	6–30 days	31–90 days	> 90 days	
Trade receivables overdue	8,785	2,971	1,734	13,490
Percentage distribution	65	22	13	100

Losses reported on trade receivables for the year amount to SEK 792 thousand (1,038), of which SEK 377 thousand constitutes actual losses. Required write-down of outstanding receivables has been carried out at SEK 956 thousand (1,333).

## Note 17

### Earnings per share

Basic earnings per share	2013	2012
Net profit for the year, SEK thousands	118,001	66,925
Average number of outstanding shares, thousands	6,789	6,789
<b>Basic earnings per share, SEK</b>	<b>17.40</b>	<b>9.85</b>

Diluted earnings per share	2013	2012
Net profit for the year, SEK thousands	118,001	66,925
Interest expense on convertible bonds, SEK thousands <sup>1)</sup>	1,434	1,419
Issue expenses for convertible bonds, SEK thousands	46	44
<b>Adjusted income, SEK thousands</b>	<b>119,481</b>	<b>68,388</b>
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	275	248
<b>Average number of shares at the calculation of earnings per share, thousands</b>	<b>7,064</b>	<b>7,037</b>
<b>Diluted earnings per share, SEK</b>	<b>16.90</b>	<b>9.70</b>

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

With regard to the number of shares and convertible bonds, see Note 18.

## Note 18

### Share capital etc.

Distribution of share capital	31.12.2013	1.1.2013
Class A shares	1,950,000	1,950,000
Class B shares	4,978,974	4,978,974
<b>Total number of shares</b>	<b>6,928,974</b>	<b>6,928,974</b>
Quotient value, SEK	5	5
Share capital, SEK	34,644,870	34,644,870

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

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

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

The proposed dividend amounts to SEK 4.00 per share. In addition, the Board of Directors proposes distribution of all shares in the subsidiary AGES Industri AB to the shareholders.

## Note 19

### Other reserves

Cumulative translation difference	2013	2012
Opening balance	-3,061	444
Translation differences for the year	2,404	-3,327
Hedging of currency risk in non-Swedish activities	1,380	-178
<b>Closing balance</b>	<b>723</b>	<b>-3,061</b>

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

Hedging reserve	2013	2012
Opening balance	-8,980	-6,132
Changes for the year	6,270	-2,848
<b>Closing balance</b>	<b>-2,710</b>	<b>-8,980</b>

The amounts concern the effective component of value change in derivative instruments used for hedge accounting.

On the balance sheet date of 31 December 2013, there were fixed lock-in interest-rate swaps with a total nominal amount of SEK 200 million.

<b>Total other reserves</b>	<b>-1,987</b>	<b>-12,041</b>
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## Note 20

### Borrowings etc.

Utilised overdraft facilities are reported as current liabilities.

Non-current liabilities	2013	2012
Maturity date between one and five years after balance sheet date	341,468	378,036
Maturity date more than five years after balance sheet date	12,501	14,120
	<b>353,969</b>	<b>392,156</b>
<b>Bank overdraft facilities</b>	<b>2013</b>	<b>2012</b>
Bank overdraft facilities granted	369,478	403,015
Unutilised amount	-209,095	-131,377
Utilised amount	<b>160,383</b>	<b>271,638</b>
Current portion of non-current liabilities	62,919	91,884
<b>Total interest-bearing liabilities</b>	<b>577,271</b>	<b>755,678</b>

With regard to fixed rate periods and interest rate risks, see Note 31.

#### Maturity analysis of undiscounted cash flow

Non-current liabilities	2013	2012
<i>Calculated outflow</i>		
Between one and five years after balance sheet date	349,362	385,601
More than five years after balance sheet date	14,779	17,569
	<b>364,141</b>	<b>403,170</b>

## Note 21

### Other liabilities

XANO Industri has an outstanding convertible loan reported at SEK 28,744 thousand. The nominal value is SEK 30,000 thousand. The convertible loan runs until 30 June 2016 with an annual interest rate corresponding to STIBOR 3M plus 2.7 per cent (3.92 per cent for the current period). During the period 1–10 June 2016, convertible bonds can be redeemed against shares at the conversion rate of SEK 109 per share. The nominal value of the loan is SEK 109 per convertible bond. Given that the loan is subordinate to other liabilities and the Group's financial position in general, the interest rate cannot be regarded as corresponding to a market interest rate. The market interest rate for this loan was assessed at 7.08 per cent (government bonds interest rate at the time of issue, 1.08 per cent, with a 6.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to other contributed capital. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible debenture loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest for the year is SEK 1,697 thousand and constitutes 5.66 per cent of the actual liability. The income statement is also charged with issue costs which arose in connection with taking out the convertible loan.

## Note 22

### Other provisions

Non-current	2013	2012
Guarantee commitments	1,551	1,920
Pension commitments	929	1,696
Deferred land registration costs	224	320
	<b>2,704</b>	<b>3,936</b>
<i>Estimated maturity time</i>		
Between one and five years after the balance sheet date	2,480	3,616
More than five years after the balance sheet date	224	320

## Note 23

### Deferred tax liability

#### Temporary differences

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

	2013	2012
Non-current assets <sup>1)</sup>	71,323	77,990
Untaxed reserves		
Excess depreciation	56,427	63,029
Tax allocation reserves	253,158	234,696
Derivative instruments	-3,474	-11,513
Other items	-852	-1,052
<b>Total</b>	<b>376,582</b>	<b>363,150</b>
<b>Tax at 22%</b>	<b>82,848</b>	<b>79,893</b>
<b>Rounding</b>	<b>-</b>	<b>-1</b>
<b>Deferred tax liability</b>	<b>82,848</b>	<b>79,892</b>
<b>Non-Swedish items with diverging tax rate <sup>2)</sup></b>	<b>-6,293</b>	<b>-8,426</b>
<b>Net deferred tax liability</b>	<b>76,555</b>	<b>71,466</b>
Deferred tax liability brought forward	-71,466	-29,726
Acquisition of subsidiary	-	-47,652
Sale of subsidiary	-	930
Effect of change in corporation tax rate	-	1,579
Translation differences	-760	136
Rounding	-3	1
<b>Deferred tax expense relating to temporary differences</b>	<b>4,326</b>	<b>-3,266</b>
<i>– of which reported in</i>		
Net profit for the year	2,557	-2,921
Other comprehensive income	1,769	-345

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

<sup>2)</sup> Relates to the business in Norway. In view of actions taken and expected future development, the businesses are expected to generate positive results in coming years; hence the loss carry forward is fully utilised. As there is no legal right of offset, the asset is reported as a deferred tax claim in the balance sheet.

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 24

### Trade payables etc.

	2013	2012
Advance payments from customers	21,633	69,337
Trade payables	112,277	102,507
Salary and holiday pay liabilities	44,261	41,492
Accrued social security contributions	26,795	25,258
Other accrued liabilities	7,338	8,316
Derivative instruments	4,895	12,768
Other non-interest-bearing liabilities	18,069	18,291
	<b>235,268</b>	<b>277,969</b>

<sup>1)</sup> The derivatives relate to interest-rate swaps that are valued at their fair value and belong to value level two under IFRS 13. The year's change in value, SEK 8,039 thousand (-3,193) excluding tax, is effectively hedged and has been reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

## Note 25

### Financial liabilities

#### Age analysis of current liabilities

As of 31.12.2013	Maturity term			Total
	<30 days	31-90 days	91-360 days	
Trade payables	102,000	10,277	–	112,277
Percentage distribution	91	9	–	100
Derivative instruments	484	–	4,411	4,895
Percentage distribution	10	–	90	100
Borrowings <sup>1)</sup>	–	–	160,383	160,383
Percentage distribution	–	–	100	100
Current portion of non-current liabilities <sup>2)</sup>	1,682	13,917	47,320	62,919
Percentage distribution	3	22	75	100
				<b>340,474</b>

<sup>1)</sup> Refer to bank overdraft facilities.

<sup>2)</sup> The total value of the undiscounted cash flow is SEK 63,653 thousand.

#### Distribution by currency

As of 31.12.2013	Current	Non-current
SEK	258,837	331,702
EUR	16,803	16,935
NOK	47,729	4,232
USD	3,936	1,100
Other currencies	13,169	–
	<b>340,474</b>	<b>353,969</b>

#### Valuation

As of 31.12.2013	Reported value	Fair value
Borrowings	303,930	303,930
Convertible loan	28,744	30,000
Leasing liabilities	84,214	–
Bank overdraft facilities	160,383	160,383
Trade payables	112,277	112,277
Derivative instruments	4,895	4,895
	<b>694,443</b>	

Fair value of financial liabilities, with the exception of convertible loans and lease liabilities, is estimated to be the same as their reported value in all material respects.

## Note 26

### Pledged assets

	2013	2012
<b>For own liabilities</b>		
Property mortgages	83,044	82,055
Floating charges	76,198	76,198
Assets with ownership reservation	1,923	2,587
Shares in subsidiaries	557,535	711,409
	<b>718,700</b>	<b>872,249</b>
<b>Other pledged assets</b>		
Pledged endowment insurance with pension obligation	400	400
	<b>400</b>	<b>400</b>
<b>Total</b>	<b>719,100</b>	<b>872,649</b>

## Note 27

### Contingent liabilities

	2013	2012
Guarantees	33	85
Pension obligations	2,909	2,330
	<b>2,942</b>	<b>2,415</b>

## Note 28

### Leases

#### Finance leases

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

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

During the year, lease payments in respect of finance leases amounted to SEK 13,762 thousand (13,213).

#### Plant and machinery

Accumulated acquisition values	2013	2012
Opening balance	127,135	112,204
New acquisitions	22,858	27,064
Acquisition of subsidiaries	–	2,316
Sale of subsidiaries	–	-5,337
Divestments and disposals	-8,707	-9,112
<b>Closing balance</b>	<b>141,286</b>	<b>127,135</b>

Accumulated scheduled depreciation	2013	2012
Opening balance	-54,980	-51,982
Acquisition of subsidiaries	–	-139
Sale of subsidiaries	–	1,857
Divestments and disposals	6,744	6,396
Depreciation according to plan for the year	-11,386	-11,112
<b>Closing balance</b>	<b>-59,622</b>	<b>-54,980</b>

Closing residual value according to plan	81,664	72,155
--	--------	--------

Borrowings, finance leases	2013	2012
Current component, maturity date within one year	17,500	14,318
Non-current component, maturity date between one and five years	51,047	42,684
Non-current component, maturity date in excess of five years	12,501	14,120
	<b>81,048</b>	<b>71,122</b>

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

Interest expenses of SEK 2,639 thousand (3,076) relating to financial leases have been charged to the income statement.

#### Operating leases

Lease payments in respect of operating lease contracts amounted to SEK 8,235 thousand (7,207) during the year.

Contracted future fees for operating leases	2013	2012
Maturity date within one year	7,542	6,035
Maturity date between one and five years	9,539	8,979
Maturity date in excess of five years	–	–
	<b>17,081</b>	<b>15,014</b>

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

## Note 29

### Cash flow

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

#### Acquisitions of subsidiaries/assets and liabilities

During 2013, SEK 300,000 was received and recognised as income in response to a settlement with the seller of Kungsörs Mekaniska Verkstad AB with regard to defects. Payment has been made of transaction costs of SEK 2 thousand relating to last year's acquisitions.

In 2012, all the shares in Kungsörs Mekaniska Verkstad AB, Albins Mekaniska Verkstad AB, ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were acquired. In addition to these acquisitions, in 2012 XANO established operations in Hong Kong, China and Poland, for which purchase prices totalling SEK 140 thousand have been paid.

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

Acquisitions	2013	2012
Intangible assets	–	340,038
Property, plant and equipment	–	135,175
Financial assets	–	850
Current assets	–	243,895
Non-current liabilities	–	-50,913
Current liabilities	–	-87,541
Profit/loss items	-298	–
<b>Total purchase price</b>	<b>-298</b>	<b>581,504</b>
Liquid assets in acquired businesses	–	-68,056
Bond from sellers	–	-100,000
<b>Total cash flow attributable to acquired businesses</b>	<b>-298</b>	<b>413,448</b>

#### Divestments of subsidiaries/assets and liabilities

During 2013, the additional purchase price for the shares in Eslöv Mekaniska Verkstad AB was finally adjusted by SEK 3.2 million, which corresponds to the estimated amount.

All shares in Eslöv Mekaniska Verkstad AB were sold in 2012.

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

Divestments	2013	2012
Intangible assets	–	17,025
Property, plant and equipment	–	3,988
Financial assets	–	50
Current assets	3,200	7,229
Non-current liabilities	–	-2,343
Current liabilities	-128	-6,811
	<b>3,072</b>	<b>19,138</b>
Capital loss/gain <sup>1)</sup>	-9	-5,768
<b>Total divestment <sup>1)</sup></b>	<b>3,063</b>	<b>13,370</b>
Liquid assets in divested businesses	–	-8
<b>Total cash flow attributable to divested businesses</b>	<b>3,063</b>	<b>13,362</b>

<sup>1)</sup> A total purchase price of SEK 15.5 million was paid on the sale of Eslöv Mekaniska Verkstad AB. This consisted of a fixed purchase price of SEK 12.3 million, paid in 2012, and a conditional supplementary purchase price of SEK 3.2 million, which was settled in 2013.

#### Interest

During the financial year, interest paid amounted to SEK 23,728 thousand (12,356) and interest received to SEK 694 thousand (872).

Liquid assets	2013	2012
Cash and bank balances	26,600	61,315
Short-term investments	1,164	2,537
<b>Amount at year-end</b>	<b>27,764</b>	<b>63,852</b>

## Note 30

### Business combinations/divestments

The supplementary purchase price for the shares in Eslöv Mekaniska Verkstad AB, which were sold in 2012, was finally settled in 2013. Furthermore, the purchase price for the acquisition of shares in Kungsörs Mekaniska Verkstad AB was adjusted. The amount has been recognised as income under other operating income. Additional transaction costs relating to sale of the shares in Eslöv Mekaniska Verkstad AB for the amount of SEK 9 thousand, and to the acquisition of ITB Teknik i Unnaryd AB for the amount of SEK 2 thousand, respectively, have been charged against operating profit.

During 2012, all the shares in Kungsörs Mekaniska Verkstad AB, Albins Mekaniska Verkstad AB, ÅGES Industrier i Unnaryd AB and ITB Teknik i Unnaryd AB were acquired. All the shares in Eslöv Mekaniska Verkstad AB were sold. Furthermore, XANO established operations in Hong Kong, China and Poland via subsidiaries.

The acquired and divested assets and liabilities are specified in Note 29 Cash flow.

## Note 31

### Risks

#### FINANCIAL RISKS

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

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

#### Currency risks

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

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

#### Transaction risks

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

The proportion of invoicing in foreign currency in 2013 was 22 per cent. 83 per cent of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in their country of manufacture. The major exceptions are deliveries from Swedish manufacturing units to foreign end customers and deliveries from manufacturing units in Estonia to the Swedish and Norwegian market. The transaction risks occur in the latter cases as well as during the purchase of material.

A simplified breakdown by currency of the Group's income and cost structure for 2013 is shown in the table below.

Share (%) of	SEK	USD	EUR	Other
Invoicing	77	11	6	6
Cost of goods sold	75	1	13	11

The Group is mainly exposed to changes in EUR, where the net flow in 2013 has been negative, and in USD, where the net flow in 2013 has been positive. In addition to this, subsidiaries hold receivables primarily in USD and NOK and borrowings in EUR. An average change of 5 per cent in all currencies with respect to the Swedish krona would give an impact on profit of approx. SEK 3 million for the corresponding flow. In the event of a change of 5 per cent in either EUR or USD against the Swedish krona, the impact on profit over a period of one year would be approx. SEK 5 million and SEK 9 million respectively.

#### Risk from translation of subsidiaries' income statements

Translation of non-Swedish subsidiaries' income statements into Swedish kronor takes place at an average rate. If invoicing and net income in the remaining Group companies are the same as in 2013, a 5 per cent change to the Swedish krona against all other currencies would affect invoicing by around SEK 10 million and net profit by around SEK 1.5 million.

#### Risk from translation of subsidiaries' balance sheets

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into Swedish kronor. Foreign subsidiaries' net assets were valued at SEK 136 million at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income positively by SEK 4 million. The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency.

#### Interest rate risks

Interest rate risks refer to the risk that changes in the interest rate level will affect 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 3.9 per cent (3.4). The Group's interest-bearing liabilities amounted on the balance sheet date to SEK 577 million (756), of which SEK 277 million (442) is financed at a variable interest rate. The average fixed rate period for the remaining borrowing is 55 months and the average interest rate at year-end was 2.9 per cent. The net result of a one (1) per cent increase in interest rates is approx. SEK -2.5 million on an annual basis.

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

#### Fixed rate period for borrowings

Maturity date	Amount (SEK 000)	Average interest rate (%) <sup>1)</sup>	Share (%)
2014	50,000	2.71	16
2017	150,000	3.12	54
2018 and later	100,000	2.65	30
<b>Total</b>	<b>300,000</b>	<b>2.90</b>	<b>100</b>

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

#### Liquidity and financing risks

Liquidity and financing risks refer to not being able to fulfil payment obligations as a result of insufficient liquidity or difficulty in taking out external loans. The Group 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 22 per cent (24) on the balance sheet day.

#### Credit risks

"Credit risk" refers to the risk of a contracting party being unable to fulfil its undertakings in a financial transaction. For the Group, credit risks are primarily associated with trade receivables. 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 geographical markets, which has meant that customer losses have historically been low. The maximum credit risk concerning the Group's trade receivables corresponds to the reported value of SEK 249 million.

#### 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 where capacity has been significantly increased.

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

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

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

## Note 32

### 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 2013, the equity/assets ratio was 41 per cent (32).

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

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

## Note 33

### 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 2, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the Annual General Meeting. The share and convertible holdings of Board members and senior executives as of the balance sheet date are presented on pages 92 and 93.

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

Transactions take place between XANO's subsidiaries and companies which are subject to the controlling interest of XANO's Board members or senior executives in subsidiaries. These transactions constitute part of the companies' normal activity and take place under market conditions. During 2013, sales from XANO's subsidiaries to ITAB Shop Concept AB and its subsidiaries amounted to SEK 1.4 million. ITAB is under the controlling interest of Tord Johansson and Pomona-gruppen AB. Other related party transactions do not come to any noteworthy sum.

As of the balance sheet date, amounts payable to and receivable from related parties do not come to any noteworthy sum.



## Income statements

PARENT COMPANY (SEK thousands)	Note	2013	2012
Net sales		11,348	9,218
Cost of goods sold		–	–
<b>Gross profit</b>		<b>11,348</b>	<b>9,218</b>
Selling expenses	1, 2	-2,520	-2,801
Administrative expenses	1, 2, 3	-14,283	-15,868
<b>Operating profit/loss</b>		<b>-5,455</b>	<b>-9,451</b>
Result from participations in Group companies	4	66,088	111,033
Interest income and similar profit/loss items	5	27,536	19,006
Interest expense and similar profit/loss items	6	-21,942	-18,596
<b>Profit after financial items</b>		<b>66,227</b>	<b>101,992</b>
Appropriations	7	-14,889	-13,824
<b>Profit before tax</b>		<b>51,338</b>	<b>88,168</b>
Tax	8	-9,878	-10,965
<b>NET PROFIT FOR THE YEAR</b>		<b>41,460</b>	<b>77,203</b>

## Statement of comprehensive income

PARENT COMPANY (SEK thousands)	Note	2013	2012
Net profit for the year		41,460	77,203
Other comprehensive income		–	–
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>41,460</b>	<b>77,203</b>

## Balance sheets

PARENT COMPANY (SEK thousands)	Note	31.12.2013	31.12.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Property, plant and equipment</i>	9		
Equipment, tools, fixtures and fittings		259	342
		<b>259</b>	<b>342</b>
<i>Financial assets</i>			
Participations in Group companies	10	310,398	528,593
		<b>310,398</b>	<b>528,593</b>
<b>Total non-current assets</b>		<b>310,657</b>	<b>528,935</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		558,213	536,606
Other receivables	11	3,250	557
Prepaid expenses and accrued income		1,199	2,013
		<b>562,662</b>	<b>539,176</b>
<i>Short-term investments</i>		5	5
<i>Cash and bank balances</i>	14	5,195	0
<b>Total current assets</b>		<b>567,862</b>	<b>539,181</b>
<b>TOTAL ASSETS</b>		<b>878,519</b>	<b>1,068,116</b>

PARENT COMPANY (SEK thousands)	Note	31.12.2013	31.12.2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	12	34,645	34,645
Statutory reserve		8,899	8,899
		<b>43,544</b>	<b>43,544</b>
<i>Non-restricted equity</i>			
Share premium reserve		4,295	4,295
Profit brought forward		251,770	198,328
Net profit for the year		41,460	77,203
		<b>297,525</b>	<b>279,826</b>
<b>Total equity</b>		<b>341,069</b>	<b>323,370</b>
<b>Untaxed reserves</b>	13	<b>63,518</b>	<b>48,629</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Interest-bearing liabilities	14, 15	143,345	302,308
		<b>143,345</b>	<b>302,308</b>
<i>Current liabilities</i>			
Bank overdraft facilities	14, 15	124,993	233,032
Liabilities to credit institutions	14, 15	–	40,000
Trade payables		565	580
Liabilities to Group companies		195,686	102,497
Other liabilities	14	4,706	12,159
Accrued expenses and deferred income		4,637	5,541
		<b>330,587</b>	<b>393,809</b>
<b>Total liabilities</b>		<b>473,932</b>	<b>696,117</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>878,519</b>	<b>1,068,116</b>
<b>Pledged assets</b>	15	<b>304,899</b>	<b>523,094</b>
<b>Contingent liabilities</b>	16	<b>335,174</b>	<b>246,785</b>

## Statement of changes in equity

PARENT COMPANY (SEK thousands)	Note	Share capital	Statutory reserve	Share premium reserve <sup>1)</sup>	Other non-restricted equity	Total equity
<b>Equity, 1 January 2012</b>		<b>34,645</b>	<b>8,899</b>	<b>2,281</b>	<b>222,089</b>	<b>267,914</b>
Net profit for the year		–	–	–	77,203	77,203
Other comprehensive income		–	–	–	–	–
<b>Comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>77,203</b>	<b>77,203</b>
Effects of convertible loan issued		–	–	2,014	–	2,014
Dividend paid		–	–	–	-23,761	-23,761
<b>Equity, 31 December 2012</b>		<b>34,645</b>	<b>8,899</b>	<b>4,295</b>	<b>275,531</b>	<b>323,370</b>
Net profit for the year		–	–	–	41,460	41,460
Other comprehensive income		–	–	–	–	–
<b>Comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>41,460</b>	<b>41,460</b>
Dividend paid		–	–	–	-23,761	-23,761
<b>Equity, 31 December 2013</b>	12	<b>34,645</b>	<b>8,899</b>	<b>4,295</b>	<b>293,230</b>	<b>341,069</b>

<sup>1)</sup> The share premium reserve is part of non-restricted equity.



# Cash flow statements

PARENT COMPANY (SEK thousands)	Note	2013	2012
<b>Operating activities</b>			
Operating profit/loss		-5,455	-9,451
<i>Adjustments for non-cash items etc.</i>			
Depreciation		83	93
Group contribution		66,088	59,933
Dividends received		–	51,100
Interest paid/received, net value	17	-2,514	3,905
Income tax paid		-12,529	-21,208
<b>Cash flow from operating activities before changes in working capital</b>		<b>45,673</b>	<b>84,372</b>
<b>Change in working capital</b>			
Increase (-) / decrease (+) in current receivables		-20,955	-52,389
Increase (+) / decrease (-) in current liabilities		93,779	-102,106
<b>Cash flow from operating activities</b>		<b>118,497</b>	<b>-70,123</b>
<b>Investing activities</b>			
Purchase of financial assets		-247,805	-466,000
Sale of financial assets		466,000	–
<b>Cash flow from investing activities</b>		<b>218,195</b>	<b>-466,000</b>
<b>Financing activities</b>			
<i>Increase (+) / decrease (-) in non-current liabilities</i>			
Borrowings		–	290,000
Repayment of debt		-160,000	–
Dividend paid		-23,761	-23,761
<i>Increase (+) / decrease (-) in current liabilities</i>			
Borrowings		–	40,000
Repayment of debt		-40,000	-27,500
Change in bank overdraft facilities		-108,039	212,584
<b>Cash flow from financing activities</b>		<b>-331,800</b>	<b>491,323</b>
<b>Cash flow for the year</b>		<b>4,892</b>	<b>-44,800</b>
Cash and cash equivalents at the beginning of the year		5	44,176
Exchange-rate differences in cash and cash equivalents		303	629
<b>Cash and cash equivalents at the end of the year</b>	17	<b>5,200</b>	<b>5</b>

# Accounting policies

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

## General

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

## Receivables and liabilities

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

## Related party transactions

100 per cent (100) of the Parent Company's net sales comes from invoicing to subsidiaries. Of the Parent Company's operating expenses, 4 per cent (5) is invoicing from subsidiaries.

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

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

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

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

## Participating interests in Group companies

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

## Non-current assets

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

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

Machinery and equipment	3–10 years
-------------------------	------------

## Liquid assets

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

## Cash flow

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

## Financial assets and liabilities

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

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

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

## Income

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

## Group contribution

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

## Taxes

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

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

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

## Bank overdraft facilities, Group currency accounts

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

# Notes

(All amounts in SEK thousands unless otherwise indicated.)

## Note 1

### Employees and personnel costs

Average no. of employees	2013	of which men	2012	of which men
Sweden	6	33%	6	33%

Proportion of men amongst senior executives	2013	2012
Board members	83%	83%
Other senior executives	67%	67%

Salaries, other remuneration and social security costs	2013	2012
Salaries and remuneration	7,980	7,738
Social security costs	4,712	4,509
(of which pension costs) <sup>1, 2)</sup>	(1,685)	(1,598)
	<b>12,692</b>	<b>12,247</b>

<sup>1)</sup> SEK 1,536 thousand (1,450) of the Parent Company's pension costs relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

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

Break-down of salaries and other remuneration	2013	2012
Board members and other senior executives	6,518	6,281
(of which bonuses)	(-)	(-)
Other employees	1,462	1,457
	<b>7,980</b>	<b>7,738</b>

#### Remuneration for Board members and other senior executives

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

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

The Annual General Meeting decided that the Board's fee of SEK 1,250 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 110 thousand payable to each of the other Board members for the period up to and including the next annual general meeting. The Annual General Meeting further decided that remuneration for tasks undertaken in the remuneration committee and audit committee should amount to SEK 20 thousand per person and per task. During 2013, SEK 100 thousand was carried as an expense for these tasks.

In 2013, the Group management consisted of the CEO Sune Lantz, deputy CEO Lenart Persson and CFO Marie Ek Jonson. The CEO received a salary and car benefit worth SEK 2,560 thousand (2,434). Other senior executives received salary and car benefits worth SEK 2,836 thousand (2,735).

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 35 per cent of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals to additional pension contributions. The pension premium for other senior executives amounted to an average of 23 per cent (25) of the pensionable salary.

"Pensionable salary" refers to the basic salary plus an average of the last three years' variable remuneration. Pension costs for the CEO amounted to SEK 854 thousand (811) and for other senior executives to SEK 682 thousand (639).

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

## Note 2

### Depreciation

Depreciation by function	2013	2012
Selling expenses	-12	-14
Administrative expenses	-71	-79
	<b>-83</b>	<b>-93</b>

Depreciation by type of asset	2013	2012
Equipment, tools, fixtures and fittings	-83	-93
	<b>-83</b>	<b>-93</b>

## Note 3

### Auditors' remuneration

	2013	2012
<i>Ernst &amp; Young</i>		
Audit assignment	-267	-323
Audit activities other than audit assignment	-38	-31
Tax consultancy services	-173	-50
Other services	-44	-
	<b>-522</b>	<b>-404</b>

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

## Note 4

### Result from participations in Group companies

	2013	2012
Dividends from Group companies	-	51,100
Group contribution received	66,088	59,933
	<b>66,088</b>	<b>111,033</b>

## Note 5

### Interest income and similar profit/loss items

	2013	2012
Interest income, Group companies	15,020	11,853
Interest income, other	10,560	4,468
Exchange-rate differences	1,956	2,685
	<b>27,536</b>	<b>19,006</b>

Other interest income include a value change of SEK 8,039 thousand (0) relating to interest-rate swaps valued at their fair value. Exchange rate differences comprise changes in value amounting to SEK 43 thousand (0) relating to currency derivatives measured at fair value.

## Note 6

### Interest expense and similar profit/loss items

	2013	2012
Interest expense, Group companies	-3,854	-3,316
Interest expense, other	-15,945	-13,759
Exchange-rate differences	-2,143	-1,521
	<b>-21,942</b>	<b>-18,596</b>

Other interest costs include a value change of SEK 0 thousand (-3,193) relating to interest-rate swaps valued at their fair value.

## Note 7

### Appropriations

	2013	2012
Change in excess depreciation	71	73
Tax allocation reserve, change for the year	-14,960	-13,897
	<b>-14,889</b>	<b>-13,824</b>

## Note 8

### Tax on profit for the year

	2013	2012
Current tax	-9,878	-10,965
	<b>-9,878</b>	<b>-10,965</b>

Tax totals 19 per cent (12). Tax-exempt dividends have contributed to the lower tax expense in 2012.

## Note 9

### Property, plant and equipment

#### Equipment, tools, fixtures and fittings

Accumulated acquisition values	2013	2012
Opening balance	1,340	1,340
Closing balance	<b>1,340</b>	<b>1,340</b>
Accumulated scheduled depreciation	2013	2012
Opening balance	-998	-905
Depreciation for the year	-83	-93
Closing balance	<b>-1,081</b>	<b>-998</b>
Closing residual value according to plan	<b>259</b>	<b>342</b>

## Note 10

### Participations in Group companies

Accumulated acquisition values	2013	2012
Opening balance	528,593	62,593
Acquisitions	–	466,000
Disposals, intra-Group	-466,000	–
New share issue in subsidiary	247,805	–
Closing balance	<b>310,398</b>	<b>528,593</b>

#### Parent Company holdings

Business name	Corporate identity number	Registered office	Number of shares	Share of equity	Book value
AGES Industri AB (former XANO Teknik AB)	556234-6204	Hylte, Sweden	6,788,974	100%	257,637
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	556220-3294	Jönköping, Sweden	1,000	100%	22,085
					<b>310,398</b>

## Subsidiary holdings

Business name	Corporate identity number	Registered office	Number of shares	Share of equity
Ackurat Industriplast AB	556076-4564	Växjö, Sweden	10,000	100%
Ackurat Sp. z o. o	0000357275	Gdansk, Poland	100	100%
Ackurat Suomen Oy	0535817-5	Helsinki, Finland	630	100%
Albins Mekaniska Verkstad AB	556440-4233	Köping, Sweden	1,000	100%
Cipax AB	556065-7875	Norrtälje, Sweden	200	100%
Cipax AS	990 374 031	Bjørkelangen, Norway	10,100	100%
Cipax Eesti AS	10092500	Taebla, Estonia	400	100%
Cipax Oy	2188914-4	Helsinki, Finland	1,000	100%
Fredriksons Automation AB	556548-6882	Vadstena, Sweden	1,000	100%
Fredriksons Verkstads AB	556420-7537	Vadstena, Sweden	5,000	100%
Fredriksons Industry (Suzhou) Co Ltd	022735	Suzhou, China	–	100%
HB Gunnarsson & Ström Fastigheter	916821-7611	Hylte, Sweden	–	100%
ITB Teknik i Unnaryd AB	556345-3637	Hylte, Sweden	10,000	100%
Kungsörs Mekaniska Verkstad AB	556141-4243	Kungsör, Sweden	1,500	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Metall Göte AB	556054-5658	Värnamo, Sweden	8,000	100%
Mikroverktyg AB	556020-8828	Södertälje, Sweden	1,000	100%
MPT Gruppen AB	556310-2424	Jönköping, Sweden	12,470	100%
NPB Automation AB	556266-7948	Jönköping, Sweden	1,000	100%
Ornplast Sp. z o. o	0000404285	Lodz, Poland	2,000	100%
Resinit AB	556332-1263	Västervik, Sweden	1,000	100%
Segeströms i Falkenberg AB	556125-7147	Falkenberg, Sweden	5,000	100%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
VIAB Precision (Suzhou) Co Ltd	320594400031076	Suzhou, China	–	100%
VIAB Precision Asia Ltd.	1668446	Hong Kong, China	10,000	100%
Värnamo Industri AB	556497-2056	Värnamo, Sweden	4,000	100%
XANO Fastigheter Eslöv AB	556605-1529	Eslöv, Sweden	1,000	100%
XANO Fastigheter Ljungarum AB	556202-5220	Jönköping, Sweden	2,796,000	100%
XANO Fastigheter Länna AB	556176-5271	Stockholm, Sweden	1,000	100%
XANO Industrial Center AS during merger	10994473	Tallinn, Estonia	400	100%
ÄGES Industrier i Unnaryd AB	556345-9618	Hylte, Sweden	5,000	100%
ÄGES Metallgjuteri AB	556179-0717	Hylte, Sweden	2,000	100%

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



## Note 11

### Other receivables

	2013	2012
Tax asset included totalling	3,206	555
	<b>3,206</b>	<b>555</b>

Derivatives are reported under other receivables and amount to SEK 43 thousand (0) in total. This item relates to currency derivatives measured at fair value.

## Note 12

### Share capital

Distribution of share capital	31.12.2013	1.1.2013
Class A shares	1,950,000	1,950,000
Class B shares	4,978,974	4,978,974
<b>Total number of shares</b>	<b>6,928,974</b>	<b>6,928,974</b>
Quotient value, SEK	5	5
Share capital, SEK	<b>34,644,870</b>	<b>34,644,870</b>

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

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

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

The proposed dividend amounts to SEK 4.00 per share. In addition, the Board of Directors proposes distribution of all shares in the subsidiary AGES Industri AB to the shareholders.

## Note 13

### Untaxed reserves

	2013	2012
Tax allocation reserve, allocated 2008	3,278	3,278
Tax allocation reserve, allocated 2009	1,076	1,076
Tax allocation reserve, allocated 2010	14,050	14,050
Tax allocation reserve, allocated 2011	16,061	16,061
Tax allocation reserve, allocated 2012	13,897	13,897
Tax allocation reserve, allocated 2013	14,960	–
	<b>63,322</b>	<b>48,362</b>
Accumulated excess depreciation	196	267
	<b>63,518</b>	<b>48,629</b>

Deferred tax liabilities represent SEK 13,974 thousand (10,698) of untaxed reserves.

## Note 14

### Liabilities

Non-current liabilities	2013	2012
Maturity date between one and five years after balance sheet date	143,345	302,308
Maturity date more than five years after balance sheet date	–	–
	<b>143,345</b>	<b>302,308</b>

Current liabilities	2013	2012
Bank overdraft facilities, Group currency accounts	124,993	233,032
Current portion of non-current liabilities	–	40,000
	<b>124,993</b>	<b>273,032</b>

<b>Total interest-bearing liabilities</b>	<b>268,338</b>	<b>575,340</b>
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Bank overdraft facilities	2013	2012
Bank overdraft facilities granted, Group currency accounts	320,000	348,921
Unutilised amount	-195,007	-115,889
<b>Utilised amount</b>	<b>124,993</b>	<b>233,032</b>

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 270 million (178).

The company has an outstanding convertible loan reported at SEK 28,744 thousand. The nominal value is SEK 30,000 thousand. The convertible loan runs until 30 June 2016 with an annual interest rate corresponding to STIBOR 3M plus 2.7 per cent (3.92 per cent for the current period). During the period 1–10 June 2016, convertible bonds can be redeemed against shares at the conversion rate of SEK 109 per share. The nominal value of the loan is SEK 109 per convertible bond. Given that the loan is subordinate to other liabilities and the Group's financial position in general, the interest rate cannot be regarded as corresponding to a market interest rate. The market interest rate for this loan was assessed at 7.08 per cent (government bonds interest rate at the time of issue, 1.08 per cent, with a 6.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are 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 debenture loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest for the year is SEK 1,697 thousand and corresponds to 5.66 per cent of the actual liability.

Derivatives totalling SEK 4,895 thousand (12,768) are included in current liabilities. The item relates to interest-rate swaps valued at their fair value. The year's change in value of SEK 8,039 thousand (-3,193), excluding tax, has been reported as financial items in the income statement.

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

## Note 15

### Pledged assets

	2013	2012
Shares in subsidiaries	304,899	523,094
	<b>304,899</b>	<b>523,094</b>

## Note 16

### Contingent liabilities

	2013	2012
Guarantees in favour of subsidiaries	332,265	244,552
Pension commitments	2,909	2,233
	<b>335,174</b>	<b>246,785</b>

## Note 17

### Cash flow

#### Interest

Interest paid amounted to SEK 20,218 thousand (12,829) and interest received SEK 17,704 thousand (16,734).

Liquid assets	2013	2012
Cash and bank balances	5,195	–
Investments	5	5
<b>Amount at year-end</b>	<b>5,200</b>	<b>5</b>

## Note 18

### Risks

The Parent Company is exposed to financial risks through its international activities. Financial risks refer to changes in exchange rates and interest levels. A statement on the Group's main financial and operational risks can be found in Note 31 on pages 73 and 74.

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

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2013 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 8 May 2014 for adoption.

Jönköping, 7 March 2014

Tord Johansson  
Chairman

Fredrik Rapp  
Vice chairman

Stig-Olof Simonsson  
Board member

Per Rodert  
Board member

Petter Fägersten  
Board member

Eva-Lotta Kraft  
Board member

Sune Lantz  
CEO

Our audit report was submitted on 20 March 2014.

Stefan Engdahl  
Authorised public accountant

Stefan Landström Andersson  
Authorised public accountant

# Audit report

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

## Report on the annual report and consolidated financial statements

We have audited the annual report and consolidated financial statements of XANO Industri AB (publ) for the year 2013. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 52–85.

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

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

### *Auditor's responsibility*

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

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

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

### *Opinions*

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair representation, in all material respects, of the financial position of the parent company as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair representation, in all material respects, of the financial position of the Group as at 31 December 2013 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' report is consistent with the other parts of the annual report and consolidated financial statements.

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

## Report on other legal and regulatory requirements

In addition to our audit of the annual report and consolidated financial statements, we have examined the proposed appropriation of the company's profit or loss and the administration of the Board of Directors and the CEO of XANO Industri AB (publ) for the year 2013.

### *Responsibilities of the Board of Directors and the CEO*

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

### *Auditor's responsibility*

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

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

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

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

### *Opinions*

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

Jönköping, 20 March 2014

Stefan Engdahl  
Authorised public accountant

Stefan Landström Andersson  
Authorised public accountant

# Definitions

## Basic earnings per share

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

## Capital employed

Balance sheet total less non-interest-bearing liabilities.

## Cash flow from operating activities per share

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

## Diluted earnings per share

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

## Direct yield

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

## Equity per share

Equity in relation to the number of outstanding shares on the balance sheet date.

## Equity/assets ratio

Equity in relation to total capital.

## Gross margin

Gross profit in relation to net sales.

## Interest coverage ratio

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

## Operating margin

Operating profit in relation to net sales.

## Profit margin

Profit after financial items in relation to net sales.

## Proportion of risk-bearing capital

Equity plus provisions for taxes in relation to total capital.

## Return on capital employed

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

## Return on equity

Net profit in relation to average equity.

## Return on total capital

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

## Total capital

Total equity and liabilities (balance sheet total).

# Corporate governance report 2013

## Swedish Corporate Governance model

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

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

## Corporate governance at XANO

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

XANO has been covered by the Code since 1 July 2008. This corporate governance report describes XANO's corporate governance, management

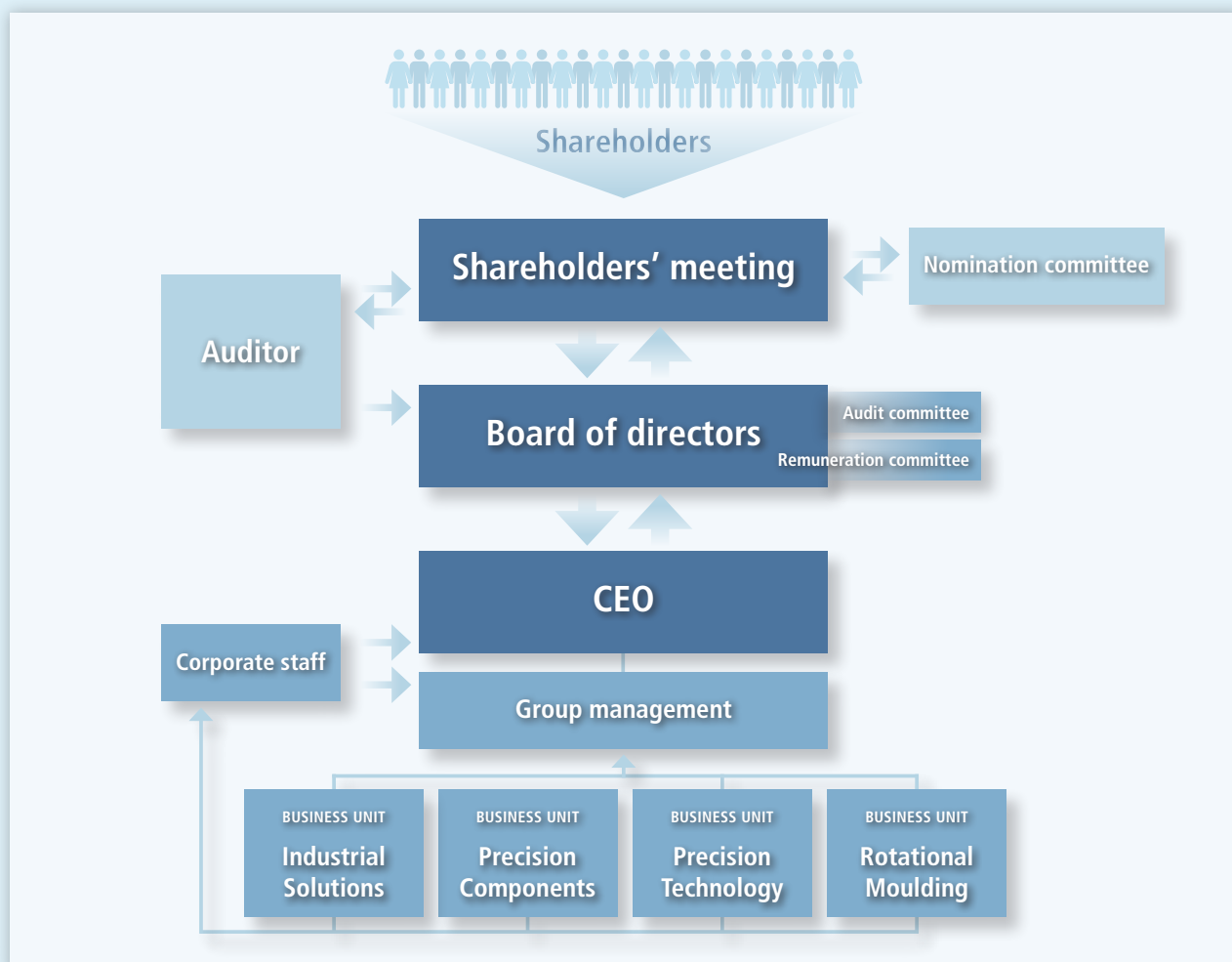
and administration, in addition to the internal controls that are in place concerning financial reporting.

## Shareholders

At the end of 2013, there were 1,532 shareholders in XANO, of which 1,430 were physical persons representing 18.3 per cent of the votes and 38.1 per cent of the capital. Institutional holdings constituted 2.3 per cent of the votes and 8.4 per cent of the share capital. The ten largest shareholders accounted for 94.8 per cent of the votes and 82.0 per cent of the capital. There are currently two shareholders who each own and control more than ten per cent of the votes for all shares in the company. Tord Johansson controls 27.5 per cent of the capital and 55.1 per cent of the votes through his own and related parties' holdings. Pomona-gruppen AB holds 31.0 per cent of the capital and 28.6 per cent of the votes. Information concerning holdings relates to share after deduction of the company's own holdings.

## Shareholders' meeting

The shareholders' meeting is the forum in which the shareholders' influence is exercised. It is the company's highest decision-making body and has a superior position in relation to the company's Board and the CEO. 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 placed must be published in Dagens Industri.





### Annual General Meeting

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

#### Annual General Meeting 2013

XANO's 2013 AGM was held on Monday 6 May. 46 shareholders, whose holdings accounted for 95 per cent of the votes and 82 per cent of the total number of outstanding shares, were represented at the meeting. XANO's Board and management, as well as the company's auditor and representatives from the nomination committee, were present at the meeting. The following key decisions were made:

- » Dividends of SEK 3.50 per share were awarded to shareholders, amounting to a total of SEK 23.8 million.
- » Re-election of Board members Tord Johansson, Stig-Olof Simonsson, Fredrik Rapp, Petter Fägersten and Eva-Lotta Kraft. Election of Per Rodert as Board member. Re-election of Tord Johansson as Chairman of the Board.
- » Composition of the nomination committee ahead of the 2014 AGM.
- » Authority for the Board of Directors to take decisions concerning acquisitions and transfer of the company's own shares.

#### Annual General Meeting 2014

XANO's 2014 AGM will take place on Thursday 8 May at 3 pm at the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 94 of the annual report for 2013.

### Board of Directors

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

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

The Board of Directors held seven meetings during the 2013 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 and major investments.

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

In addition to the fixed items according to the above, the programme for 2013 included the following main items:

#### No 1 – 7 February

Year-end report 2012, report from audit committee, the auditors' report of their general observations arising from the audit of the 2012 accounts, visit to ÅGES and ITB Teknik in Unnaryd.

#### No 2 – 20 March (phone)

Investment decisions.

#### No 3 – 6 May

Interim report 3 months, revised forecast for 2013, report from remuneration committee, pre-requisites prior to AGM.

#### No 4 – 9 July (phone)

Interim report 6 months.

#### No 5 – 17-18 September

Group strategy, annual programme for 2014, visit to NPB in Jönköping.

#### No 6 – 7 November (phone)

Interim report 9 months.

#### No 7 – 10 December

Forecast for 2014, evaluation of the Board's and the CEO's work.

### Audit committee

The task of the audit committee is to prepare the Board's work by quality assuring the company's financial reporting, regularly meeting the company's auditor to inform themselves of the company's direction and scope, as well as discussing the coordination between the external audit and the internal controls and the view of the company's risks, setting guidelines for which services other than auditing must be handled by the company's auditor, evaluating the audit work and informing the company's nomination committee of the outcome of the evaluation as well as assisting the nomination committee in its proposals for auditors and fees for audit work. In 2013, XANO's audit committee comprised the Board members Tord Johansson, Stig-Olof Simonsson 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. In 2013, XANO's remuneration committee comprised the Board members Tord Johansson, who is also Committee Chairman, and Fredrik Rapp.

### CEO

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

### Group Management

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

### Corporate staff

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

### Business units

During 2013, the Group consisted of four reporting units. These were: Industrial Solutions, Precision Components, Precision Technology and Rotational Moulding. The operational management of the business units reports directly to the CEO. Through corporate staff functions, supporting documentation for decisions for the Board and CEO are collated within other areas.

### Nomination committee

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

Following a proposal by the main shareholders Tord Johansson and Pomona-gruppen AB, which together represent 84 per cent of votes and 59 per cent of the capital in XANO, a nomination committee was appointed composed of Ulf Hedlundh as chairman, along with Fredrik Rapp and Anders Rudgård.

The task of the committee prior to the 2014 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM, and propose fees for the Board and auditors. The nomination committee has evaluated the work of the Board and so far held one meeting prior to the AGM, during which minutes were taken, in addition to a number of contacts between the committee members.

### Auditors

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

The ordinary election of an auditor for XANO last took place at the AGM in 2013 for the term of office up until the AGM in 2014. The current auditors are Stefan Engdahl (head auditor) and Stefan Landström Andersson, both authorised public accountants at Ernst & Young Jönköping. Alongside the work for XANO Industri AB, Stefan Engdahl undertakes auditing work for companies including Hexpol AB and Kabe AB. Stefan Landström Andersson undertakes auditing work for companies including Trioplast Industrier AB.

### Deviations from the Code

There are no deviations to report for 2013.

### Principles for the remuneration of senior executives, incentive schemes, etc.

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

The guidelines that were adopted by the 2013 AGM require the conditions to be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of three months' fixed salary. Senior executives must have market pension conditions, which must be premium-based. Any member of the Group's management can terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary will be payable to the CEO. The Board is entitled to deviate from the guidelines if there are exceptional reasons for doing so in each individual case.

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

### Composition of the Board of Directors and Committees 2013/2014

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2013	Participation in Remuneration Committee 2013	Participation in Audit Committee 2013	Board fee including committee remuneration, SEK
Tord Johansson	1979	Chairman	Yes	No <sup>1)</sup>	7 (7)	1 (1)	1 (1)	740,000
Christer Dahlström <sup>2)</sup>	2008	Member	Yes	Yes	2 (3)	0 (1)	–	–
Petter Fägersten	2011	Member	Yes	No <sup>1)</sup>	7 (7)	–	–	110,000
Eva-Lotta Kraft	2012	Member	Yes	Yes	7 (7)	–	–	110,000
Fredrik Rapp	2004	Member	Yes	No <sup>1)</sup>	7 (7)	1 (1)	–	130,000
Per Rodert <sup>2)</sup>	2013	Member	Yes	Yes	4 (4)	–	1 (1)	130,000
Stig-Olof Simonsson	2002	Member	Yes	Yes	7 (7)	–	1 (1)	130,000
								1,350,000

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

<sup>2)</sup> Christer Dahlström stepped down and Per Rodert was elected at the Annual General Meeting in May 2013.

More information on the Board members and Group management is given on pages 92 and 93.

### Internal controls concerning financial reporting

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

### Financial reporting

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

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

### Control environment

The primary task of the audit committee is to monitor the accounting and reporting processes and to ensure the quality of these reports and processes. Responsibility for maintaining an effective control environment and the 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 CEO instructions, instructions concerning authorisation rights, manuals and other policies, procedures and codes. The Board of Directors establishes the Group's key policies concerning communication, credit, financing and risk management. The Group management establishes other policies and instructions, and responsible corporate functions issue guidelines and monitor the application of the regulations.

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

### Risk assessment

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

### Control activities

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

During 2012 and 2013, particular emphasis has been placed on introducing XANO's procedures in the newly acquired subsidiaries. In addition, a warehouse project has been conducted in order to ensure proper valuation and individual obsolescence evaluation. The Group management reports the results of its work on internal controls to the Audit Committee.

### Monitoring

The Group management and controllers monitor the financial reports 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.

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 2014.

Jönköping, 7 March 2014

Tord Johansson  
*Chairman*

Fredrik Rapp  
*Vice chairman*

Per Rodert  
*Board member*

Stig-Olof Simonsson  
*Board member*

Petter Fägersten  
*Board member*

Eva-Lotta Kraft  
*Board member*

### Auditor's opinion on the corporate governance statement

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

It is the Board of Directors that is responsible for the corporate governance statement for 2013 and for preparing it in accordance with the Swedish Annual Accounts Act.

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

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

Jönköping, 20 March 2014

Stefan Engdahl  
*Authorised public accountant*

Stefan Landström Andersson  
*Authorised public accountant*

## Board of Directors



**Tord Johansson**

(born 1955)

**Chairman, elected in 1979.**

**Principal education:** Graduate in industrial management.

**Principal professional experience:** Managing director ITAB.

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

**Shareholding in XANO:** 1,282,200 Class A shares and 587,575 Class B shares.



**Fredrik Rapp**

(born 1972)

**Vice Chairman, elected in 2004.**

**Principal education:** Graduate economist.

**Principal professional experience:** Managing director Pomona-gruppen, investment manager Pomona-gruppen, managing director Talk Telecom.

**Other directorships:** Chairman of the boards of Binar AB, EstInvest AB, Borgstena Group AB and Serica Consulting AB. Member of the boards of ITAB Shop Concept AB, AB Segulah, Pomona-gruppen AB, Nordic Flow Group AB, Alfort & Cronholm AB, PrimeKey Solutions AB and TM Web Express AB.

**Shareholding in XANO:** 540,000 Class A shares and 1,567,045 Class B shares.



**Eva-Lotta Kraft**

(born 1951)

**Board member, elected in 2012.**

**Principal education:** Graduate engineer, MBA.

**Principal professional experience:** Area manager Alfa Laval and Siemens-Elma, strategy and marketing director FOI.

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

**Shareholding in XANO:** –



**Per Rodert**

(born 1953)

**Board member, elected in 2013.**

**Principal education:** Graduate in business administration.

**Principal professional experience:** Managing director Rörvik Timber. Managing director and CFO Munksjö.

**Other directorships:** Member of the boards of Alfaro AB and DevPort AB.

**Shareholding in XANO:** –



**Stig-Olof Simonsson**

(born 1948)

**Board member, elected in 2002.**

**Principal education:** BA.

**Principal professional experience:** Managing director SYSteam.

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

**Shareholding in XANO:** 181,245 Class B shares.



**Petter Fägersten**

(born 1982)

**Board member, elected in 2011.**

**Principal education:** Graduate economist.

**Principal professional experience:** Marketing director ITAB Shop Concept Jönköping.

**Other directorships:** Member of the board of ITAB Industrier AS.

**Shareholding in XANO:** 150,200 Class B shares.

*Details concerning the number of shares refer to holdings on 31 December 2013 and include, where applicable, holdings via related parties and holdings where the given Board member is able to exert a controlling influence.*

## Group Management



### Lennart Persson

(born 1968)

**Deputy 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:** 11,000 Class B shares.

**Convertible holding in XANO:** 30,000.

### Sune Lantz

(born 1953)

**CEO, joined the company in 1985.**

**Principal education:** Economics and auditing.

**Principal professional experience:** CEO ITAB, auditor, bank official.

**Other directorships:** –

**Shareholding in XANO:** 97,400 Class B shares.

**Convertible holding in XANO:** 30,000.

**Significant shareholdings or ownership interests in associated companies:** –

### 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:** –

**Convertible holding in XANO:** 9,000.

## Auditors

### Stefan Engdahl

(born 1967)

**Authorised public accountant, elected 2008.**

Ernst & Young Jönköping.

### Stefan Landström Andersson

(born 1963)

**Authorised public accountant, elected 2009.**

Ernst & Young Jönköping.



# Annual General Meeting

*Thursday 8 May 2014 at 3 pm  
at XANO's premises at Industrigatan 14 B in Jönköping.*

**Notification** Shareholders wishing to attend the AGM must be included in the share register managed by Euroclear Sweden AB on 2 May 2014 and must notify the company of their intention to attend the AGM no later than 4 pm on Monday 5 May 2014 at the following address: XANO Industri AB, Industrigatan 14 B, SE-553 02 Jönköping, Sweden, or by telephone on +46 (0)36 31 22 00 or by email at [info@xano.se](mailto:info@xano.se).

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name well in advance of 2 May 2014 in order to be entitled to attend the AGM.

**Dividend** The Board of Directors proposes a dividend of SEK 4.00 per share. The record date will be 13 May 2014. If the AGM approves the proposal, the dividend will be issued by Euroclear on 16 May 2014.

The Board of Directors proposes the additional distribution of all shares in the subsidiary AGES Industri AB. More information about this will be provided in the notice of the AGM.

**Nomination committee** A nomination committee was appointed at the 2013 AGM consisting of Ulf Hedlundh (Chairman), Fredrik Rapp and Anders Rudgård. The task of this committee prior to the 2014 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and propose fees for the Board and auditors.

**Business** The AGM will consider the business that, in accordance with the Swedish Companies Act and the Articles of Association, must be considered at the AGM, such as the presentation of the annual report and the auditor's report, decisions concerning issues such as adoption of the income statements and balance sheets, discharge from liability of Board members and the CEO, as well as the election of Board members and auditors.

Other agenda items will be stated in the notice of the AGM, published in the Official Swedish Gazette and on the company's website no later than four weeks before the meeting. The convening notice is also distributed to all shareholders together with the annual report in April.

# Addresses

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