



Annual Report 2015





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.

The XANO Group consists of engineering companies in the Nordic countries, Estonia, the Netherlands, Poland, China and the United States. 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 areas. 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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Parent Company

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2015 in brief

THE FULL YEAR

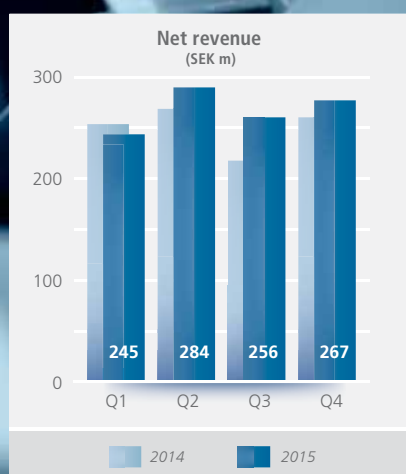
Net revenue, SEK m	1,052	(994)
Profit after tax, SEK m	66	(43)
Earnings per share, SEK	9.60	(6.35)

Key figures in brief

		2015	2014
Net revenue	SEK m	1,052	994
Growth	%	+5.9	+0.5
Gross margin	%	23.1	20.6
Operating profit	SEK m	96	69
Operating margin	%	9.1	7.0
Profit before tax	SEK m	85	56
Profit margin	%	8.0	5.6
Profit after tax	SEK m	66	43
Earnings per share	SEK	9.60	6.35
Proposed dividend per share	SEK	4.50	2.50
Equity/assets ratio	%	45	41

Refers to continuing operations.

For definitions, see page 73.



Q1

The year began with a cautious market situation continuing to define the Group's industry segments, and revenue in the first quarter did not quite reach the level of the comparison period. More stable demand was experienced compared to the second half of 2015, however, and the positive effect of measures taken in the previous year did bring improved profitability.



Acquisition of Canline

The Dutch enterprise Canline was acquired in March. The business operations consist primarily of the development, manufacture and sale of conveyor systems for the industrial handling of lids and cans. Canline's proprietary products are contiguous to and complement the ranges in the sister companies NPB and Fredriksons.

Q2

The outcome of the second quarter surpassed that of the comparison period with regard to both revenue and profit. During the period, Canline was successfully integrated in the Group and, together with its sister company NPB, launched several projects relating to new systems for new market segments. Most of the sectors in which the Group's other businesses are active showed continued caution, but overall demand gradually stabilised.



Sale of an industrial property

The sale of a property company that owns industrial land in Länna, Stockholm, brought a capital gain of SEK 12 million.

NPB achieves breakthrough on new market

NPB signed an agreement for deliveries to Brazil. This was the company's first order for the South American market and installation will take place in partnership with the sister company Canline.

Q3

The third quarter of the year was also strong. The Industrial Solutions and Precision Technology business units reported increased sales and significantly higher operating profit. Rotational Moulding, on the other hand,

reported a slightly lower outcome, primarily as a result of negative results in the Polish business. Despite the overall strong results, there is still room for improvement, particularly within Industrial Solutions, where there

has long been restraint above all on the part of the major customers within contract manufacturing.

Q4

2015 concluded on a positive note, with double the profit compared to the corresponding quarter last year. The lower outcome compared to the third quarter can be

explained by the project mix and a certain amount of seasonal variation. The gradually stabilised demand meant that overall order volumes were at a healthy level at year-end.

Tord Johansson passed away

XANO's founder and Chairman of the Board, Tord Johansson, passed away on 10 October at the age of 60.

The full year

Several of the Group's companies achieved their best results ever, and the operating margin for the whole year improved from 7.0 per cent last year to 9.1 per cent. Sales successes for the Group's own products and expansion on selected markets outside of the Nordic region contributed to the positive trend. The Precision Technology and Industrial Solutions business units reported increased sales and significantly higher operating profit than the comparison year. Rotational Moulding, on the other hand, reported slightly lower invoic-

ing and a poorer operating margin, primarily as a result of negative results in the business unit's Polish company. The establishment of operations in Poland has contributed to breakthroughs on new markets, but the operation has failed to achieve a satisfactory level of profitability. Production has now been moved from Poland to Estonia and the business has been divided between the fellow subsidiaries. The costs for this relocation are largely matched at Group level by positive non-recurring items.

XANO growing with the market

LENNART PERSSON

XANO can sum up a successful year. Several of the Group's companies achieved their best results ever, and the profit margin improved from 5.6 per cent last year to 8.0 per cent from continuing operations. Sales successes for the products developed in-house and expansion on selected markets outside of the Nordic region have contributed greatly to the positive outcome.

Development of operations during the year

The Precision Technology and Industrial Solutions business units demonstrated growth and significantly higher operating profit than the previous year. The Rotational Moulding business unit, on the other hand, reported slightly lower sales and a reduced operating margin, principally related to the negative results in the Polish unit. The establishment of operations in Poland has contributed to breakthroughs on new markets, but the operation has failed to demonstrate profitability. At the end of the year, production was moved from Poland to Estonia and the business was divided between the fellow subsidiaries.

Increased share of international business

The majority of the Group's sales during the year were linked to business outside of Sweden, which indicates a significant movement of sales volumes over the course of a few years. The acquisition of the Dutch company Canline contributed to a further increase in the share of overseas trade, and several of the Swedish companies have also strengthened their export sales. This proportion is expected to continue to rise in future, in part as a result of more distinct marketing and greater presence within selected geographic areas. Thanks to the high level of technical expertise and ongoing investments in automated production equipment, many of the Nordic XANO

companies are also competitive players on the international stage.

Greater focus on product development

Sales of proprietary products made up 35 per cent of the Group's total sales volume during the year. In 2014, the figure was 28 per cent. The redistribution is due to some extent to the fact that the acquisition of Canline further added to the in-house product range. However, the more even distribution between proprietary products and customer-specific manufacture is primarily a consequence of our strategic focus on developing our own product ranges. This work has resulted in several successful projects and positive breakthroughs, not least internationally. The initiative will continue to be given a high priority as part of our long-term strategic work.

The products that were launched during the year included NPB's digitised tracking service, which can be connected to automation equipment in order to document product flows, as well as a system that gathers production data in order to analyse the need for service and maintenance. Fredriksons' Chinese unit has developed equipment for cooling dairy products directly in customers' production lines.

Operations within the Group's business units

Within the Industrial Solutions business unit, Ackurat further increased its export

share at the same time as maintaining its strong position on the domestic market, resulting in continued healthy profits. The co-operation between NPB and the newly acquired Canline led for example to new business in South America, Asia and Australia. The companies established a joint sales organisation on the Asian market, and also launched several co-ordinated development projects. The relatively low volumes in respect of customer-specific manufacture led to both of Fredriksons' unit setting aside additional resources for sales and product development during the year, and thereby further strengthening their competitiveness ahead of the anticipated growth within the dominant industry sectors.

The majority of the companies in the Precision Technology business unit reported their best results ever. The long-term work targeting resource-optimised projects and a well-balanced customer mix produced a positive outcome during the year. The high degree of automation and technical level also contributed to the operations' good results, and at the same time further improved competitiveness. Capacity is continually being strengthened through investments in production equipment, and Resinit also began to expand its factory area during the autumn.

The Rotational Moulding business unit reported unchanged volumes, although with lower profit figures than the year before. Following continued poor profitability in the Polish unit, production was moved

from Poland to Estonia at the end of the year. The business was transferred to the fellow subsidiaries, which jointly reported slightly lower volumes than in the previous year, although with largely unchanged profit margins. The focus areas during the year included continued product development and reinforcement of the design resources.

Tord is gone, but his spirit lives on

XANO's founder and Chairman of the Board of Directors, Tord Johansson, passed away suddenly in October at the age of 60. Over the years, Tord was always heavily involved in the business and was very important for the Group's development with his strategic and industrial expertise. For us who were fortunate enough to work alongside him, there is a great sense of personal loss. His entrepreneurial spirit lives on in the companies.

Future prospects

The trend witnessed in recent quarters, with increasingly stable demand and higher order volumes in the Group's three business units, has continued at the start of the year. In our judgement, there are good opportunities for continuous profitable growth within all units, both through organic expansion and via complementary acquisitions. Our financial position remains strong, and the conditions are good in other respects to be able to invest in further interesting operations. Of the potential acquisitions that are available, companies based outside of Sweden make up a higher share than previously. For XANO, however, the most important factor when making an acquisition is still that it complements our existing operations and that we can achieve synergies between the Group companies as a result. We have already seen positive effects from the acquisition of Canline last spring. From an acquisition perspective, it

may also be of interest to evaluate operations that manufacture unique or market-leading products that are contiguous to our current technical areas.

The development activities related to our own product range will continue at the same level of intensity, and we are looking forward to a number of important launches in the future. We also intend to invest further in our sales organisations in order to strengthen our position both in Sweden and on other selected markets. Through internal training programmes and more frequent exchanges between the Group companies, we also want to extend knowledge within key areas with the aim of laying the foundations for successful sustainability work focusing on profitability issues.

Jönköping, March 2016



Lennart Persson
CEO



The XANO share

ABOUT THE SHARE

XANO's Class B shares were registered on the stock exchange on 5 December 1988 and are now listed on Nasdaq 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 2015, XANO's share price rose by 49.5 per cent from SEK 104.00 to SEK 155.50. The highest closing price during the year was SEK 167.00 on 16 November and the lowest closing price was SEK 100.00 on 5 January. The number of traded shares totalled 353,279, corresponding to a turnover rate of 7.3 per cent, and the total share turnover for the Class B shares

was SEK 43.6 million. As of 31 December 2015, XANO's market value amounted to SEK 1,077 million, based on the most recent closing price and the total number of shares. The total yield for 2015 was just over 50 per cent. Over the past ten years, XANO's Class B share has averaged a total yield of 16 per cent per year.

Shareholders

The number of shareholders decreased somewhat during the year. At the end of 2015, XANO had 1,547 shareholders, compared with 1,677 at the same time the previous year. Of this number, 1,425 were physical persons resident in Sweden. The ten largest shareholders accounted for 94.3 per cent of the votes and 81.6 per cent of the share capital. Institutional holdings con-

Key figures		2015	2014	2013	2012	2011
Net profit for the year	SEK m	78	61	118	67	83
Equity	SEK m	416	355	643	539	499
Balance sheet total	SEK m	919	860	1,557	1,665	1,036
Return on equity	%	20.0	13.1	19.8	12.9	17.6
Equity/assets ratio	%	45	41	41	32	48
Proportion of risk-bearing capital	%	48	45	47	37	52
Cash flow from operating activities	SEK m	158	93	161	73	165
Average number of outstanding shares	thousands	6,789	6,789	6,789	6,789	6,789
Average number of outstanding shares after dilution	thousands	7,377	7,274	7,064	7,037	7,009
Average number of shares in own custody	thousands	140	140	140	140	140
Basic earnings per share	SEK	11.45	9.05	17.40	9.85	12.15
Diluted earnings per share ¹⁾	SEK	10.70	8.65	16.90	9.70	11.95
Cash flow from operating activities per share	SEK	23.35	13.65	23.70	10.75	24.30
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	61.35	52.35	94.80	79.45	73.50
Share price on balance sheet date	SEK	155.50	104.00	238.00	105.00	81.75
Share price in relation to equity	%	253	199	251	132	111
Proposed dividend per share	SEK	4.50	2.50	4.00	3.50	3.50
Direct yield	%	2.9	2.4	1.7	3.3	4.3

¹⁾ No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share. Refers to the Group as a whole including discontinued/spin-off operations. The comparison year 2014 has been recalculated in accordance with IAS 8.

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 73.

stituted 2.9 per cent of the votes and 10.2 per cent of the share capital.

Tord Johansson, XANO's founder and one of its main shareholders, passed away during autumn 2015. The estate had not been divided up at the end of the year. Information about the estate's holdings covers shares that were owned both by Tord Johansson privately and by his wholly owned company Kieryd Gård AB.

Dividend policy

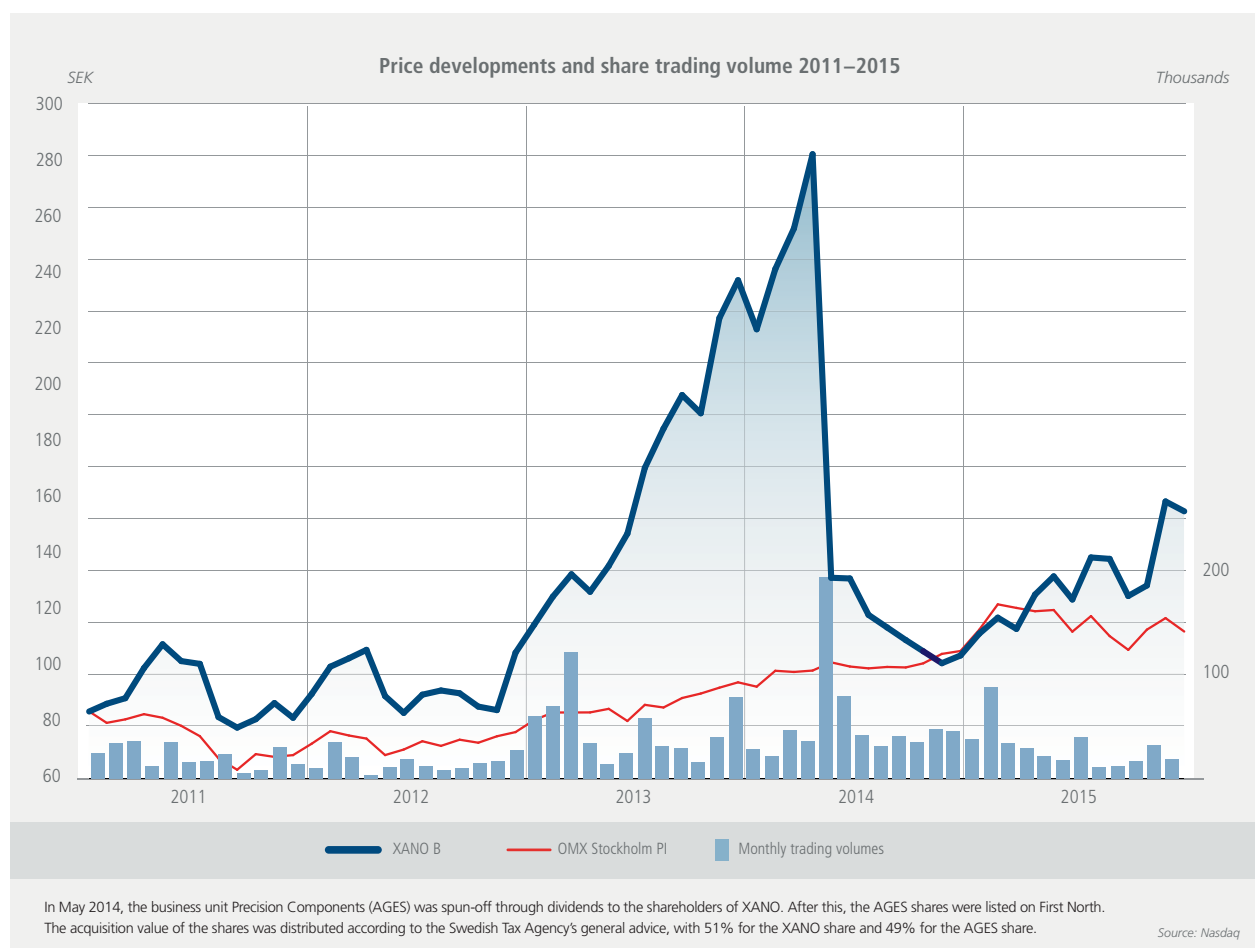
It is the aim of the Board of Directors that dividends over an extended period will follow the earnings trend and correspond to at least 30% of profit after tax. However, the annual dividend proportion must be viewed in relation to investment needs and any repurchase of shares.

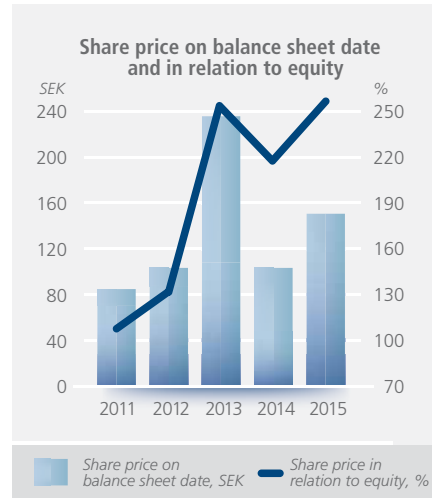
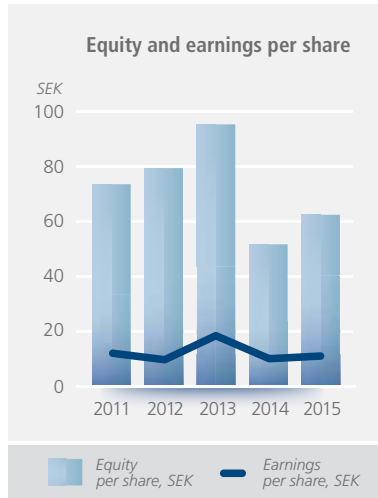
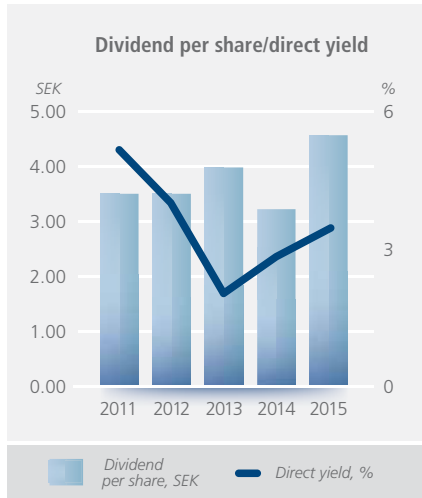
The Board of Directors proposes that the Annual General Meeting allocate a divi-

dend of SEK 3.50 (2.50) per share and, in addition to this, a supplementary dividend of SEK 1.00 (0.00) per share. In total, the proposed dividend represents approx. 39 per cent of net profit for the year and a direct yield of 2.9 per cent, based on the share price at the end of the year.

Shares in own custody

A total of 415,000 Class B shares were





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

Convertible bond programme

On 10 May 2012, the Annual General Meeting of XANO Industri AB decided to approve the Board's proposal for a share issue of a maximum of 300,000 convertibles with a combined maximum nominal value of SEK 30,000,000, maturing from 1 July 2012 to 30 June 2016. During the period 28 May to 8 June 2012, employees of the XANO Group subscribed to convertibles worth a total of SEK 29,999,961. The allocation agreed with that specified in the subscription application. The original conversion rate was SEK 109. Due to the distribution of the shares in AGES Industri AB

to the XANO shareholders, the conversion rate has been recalculated in accordance with section 8E of the terms and conditions. The recalculated conversion rate is SEK 51. 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. If all convertibles are converted to shares, share capital will be increased by a maximum of SEK 2,941,170. The dilution will then be approx. 8 per cent of the share capital and approx. 2 per cent of the number of votes.



XANO's ten largest shareholders as of 31 December 2015

	Class A shares	Class B shares	Total number of shares	Percentage of voting rights	Percentage of share capital
Estate of Tord Johansson	1,274,200	585,900	1,860,100	54.8	27.4
Pomona-gruppen AB	540,000	1,563,545	2,103,545	28.6	31.0
Kennert Persson	103,100	299,103	402,203	5.5	5.9
Svolder AB	–	320,621	320,621	1.3	4.7
Christer Persson and related parties	16,700	129,500	146,200	1.2	2.2
Stig-Olof Simonsson and related parties	–	207,131	207,131	0.9	3.1
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
Försäkringsaktiebolaget Avanza Pension	–	104,236	104,236	0.4	1.5
Sune Lantz and related parties	–	97,400	97,400	0.4	1.4
Total ten largest shareholders	1,934,000	3,608,036	5,542,036	94.3	81.6
Other	16,000	1,230,938	1,246,938	5.7	18.4
Total number of outstanding shares	1,950,000	4,838,974	6,788,974	100.0	100.0
Shares in own custody	–	140,000	140,000		
Total number of shares	1,950,000	4,978,974	6,928,974		

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

Source: Euroclear

Share distribution as of 31 December 2015

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

Number of shares	Number of shareholders	Shareholder percentage	Vote percentage	Share percentage
1 – 500	1,119	72.8	0.7	2.4
501 – 1,000	214	13.9	0.7	2.5
1,001 – 5,000	153	10.0	1.7	5.0
5,001 – 10,000	23	1.6	1.1	2.7
10,001 – 50,000	16	1.0	1.9	4.7
50,001 – 100,000	2	0.1	0.7	2.7
100,001 –	9	0.6	93.2	80.0
Total	1,536	100.0	100.0	100.0

In owner groups and excluding shares in own custody.

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



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 offers. 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 engineering 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. 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

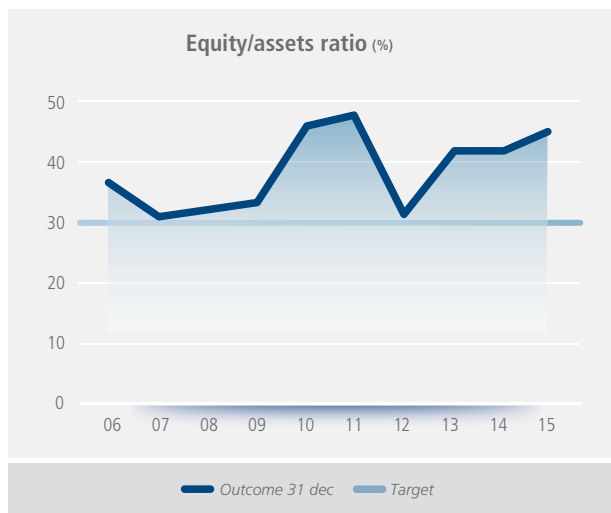
Advanced technology for selected target groups

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 proprietary products. The Group currently operates in the Nordic countries, Estonia, the Netherlands, Poland, China and the United States. 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.





Group overview

THIS IS XANO

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

1,052

Net revenue
SEK million

+5.9

Growth
%

96

Operating profit
SEK million

9.1

Operating margin
%

660

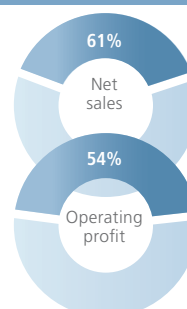
Employees
average

INDUSTRIAL SOLUTIONS

Share of Group

Companies

		2015	2014
Net sales	SEK m	645	601
Growth	%	+7.5	-3.6
Operating profit	SEK m	73	52
Operating margin	%	11.4	8.7
Employees	average	350	358



Ackurat
Sweden
Finland
Poland

Canline
Netherlands
United States

Fredriksons
Sweden
China

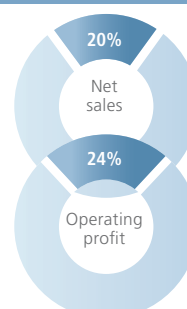
NPB

PRECISION TECHNOLOGY

Share of Group

Companies

		2015	2014
Net sales	SEK m	213	196
Growth	%	+8.7	+3.3
Operating profit	SEK m	27	17
Operating margin	%	12.6	8.8
Employees	average	156	165



KMV

LK Precision

Mikroverktyg

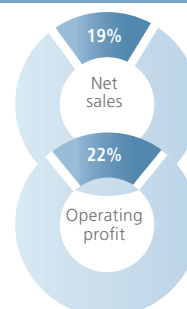
Resinit

ROTATIONAL MOULDING

Share of Group

Companies

		2015	2014
Net sales	SEK m	197	199
Growth	%	-1.1	+15.0
Operating profit	SEK m	10	18
Operating margin	%	5.0	8.8
Employees	average	146	144



Cipax
Sweden
Estonia
Norway
Finland

Customer-specific manufacturing

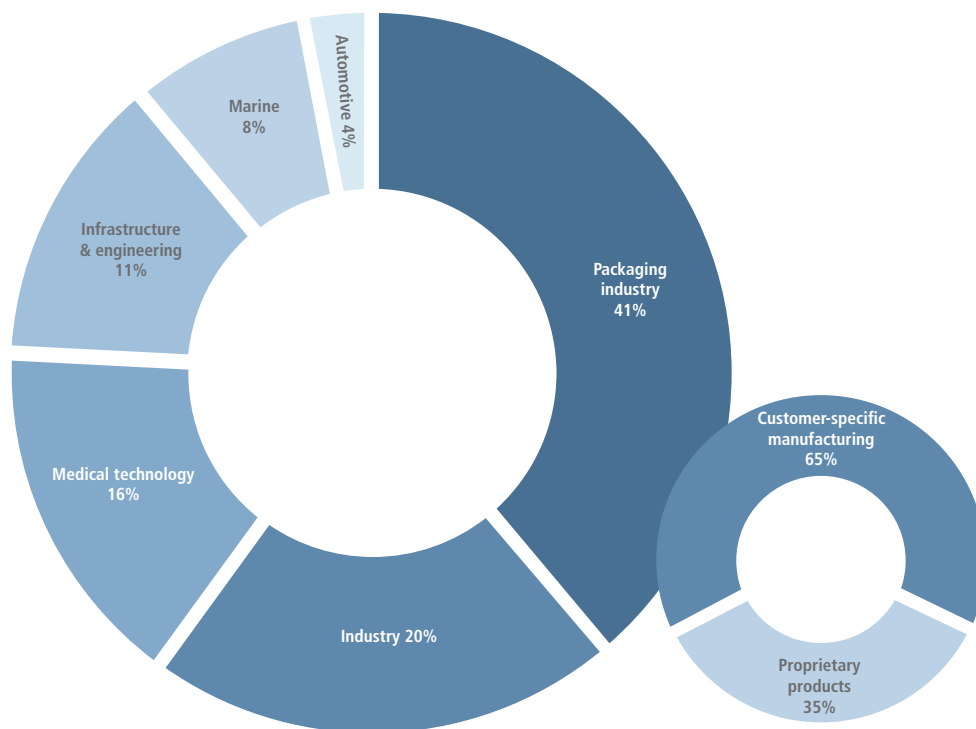
At present, the bulk of the Group's operations are made up of manufacture in the form of direct assignments from customers. The majority of the Group's companies have service functions at their disposal, which make it possible to carry out complete assignments for customers, covering areas such as project management, design, manufacturing, assembly and distribution. The goal is always to achieve the best pro-

duction economics and functionality, regardless of whether this relates to an individual product or a total solution.

The manufacturing services within the Group are concentrated around various methods of producing products from metal and plastic. Plastic products are made through rotational moulding, machining and injection moulding. Some of the Group's companies process metal using methods such as turning, milling and long hole drilling. Laser cutting, punching, edge

pressing, pressure turning and welding are the methods used to work sheet metal. Parts with special purity requirements are manufactured and assembled in environments adapted for the purpose. The Group also possesses extensive experience of highly complex assembly.

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



Proprietary products

Thanks to focused efforts on complementing and refining the Group's own product ranges, growth for these has been strong in recent years. Many of the Group's companies have successfully developed their own product ranges within their respective fields of expertise. Within Rotational Moulding, for example, there is a wide range of boats and marine products as well as containers and material handling solutions for industrial purposes. Systems that automate and rationalise customer production processes are manufactured within Industrial Solutions. The design and development of control systems and electronics, as well as fine mechanical assembly, are carried out in-house. Parts that enhance the functionality and service life of furniture, fittings and rehabilitation equipment, for example, also undergo constant development within the business unit.



*Automated balancing equipment for lids,
designed and manufactured by NPB.*





Cipax storage tank with conical bottom holds up to 10,000 litres and is adapted for e.g. chemical and sedimenting fluids.



Fredriksons' conveyor system includes both conveyor and handling equipment, as well as control and software solutions.



The new generation Pioner Multi from Cipax. The boat is rotational moulded in one piece and the catamaran-like hull provides excellent sea-keeping qualities, even in rough weather. The wide, folding bow door further enhances user-friendliness.

International acquisition strengthens position within the packaging sector

The Group's acquisition of the Dutch company Canline in spring 2015 entailed an important step in our aim of further extending our product offering within automation equipment to the international packaging industry. Together with fellow subsidiaries NPB and Fredriksons, Canline offers the market's most complete solutions. The companies are included in XANO's Industrial Solutions business unit.

Complementary range and markets

The background to the acquisition of Canline related primarily to the synergies that are expected to be achieved within the Industrial Solutions business area. Canline's range of conveyor systems for the handling of lids and cans is, to a large extent, parallel with NPB's automation equipment, and also complements Fredriksons' conveyor solutions for the packaging industry. Through this acquisition, NPB and Fredriksons have also gained additional specialist expertise and access to new market segments.

"The Canline organisation is largely made up of engineers. One of our main strengths is our ability to resolve our customers' challenges. Belonging to XANO has provided us with a better starting point, both as regards product development and marketing. Together we can provide a more comprehensive offer," says Karel Broerse, Managing Director at Canline.

Joint ventures

A close working relationship between the companies will strengthen the individual entities, and with their shared resources

they will be able to offer the most complete solutions on the market and have the capacity to execute large-scale automation projects.

"The collaboration provides us with the opportunity to work together to further develop our strong market position and to benefit from our leading expertise as one player. The new constellation provides synergies as a result of the fact that we jointly have considerable opportunities to invest in product development and sales efforts. We have already seen increased interest in our combined offering from customers," comments Johan Hagstedt, Managing Director of NPB.

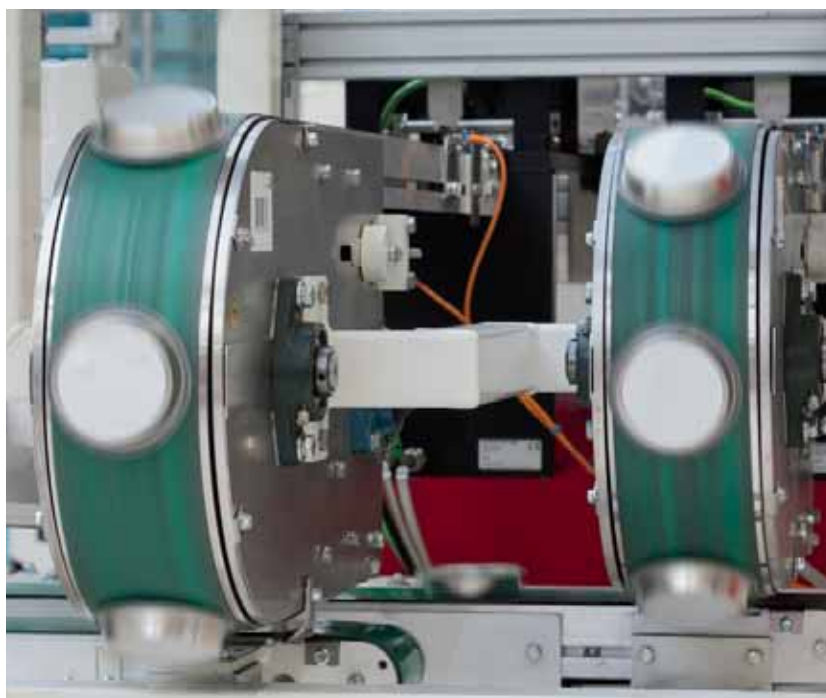
During 2015, NPB and Canline received a series of enquiries and entered into agreements regarding joint deliveries to countries such as Australia and Brazil. Together, the companies have also established a sales organisation for the Asian market.

XANO increasing exports

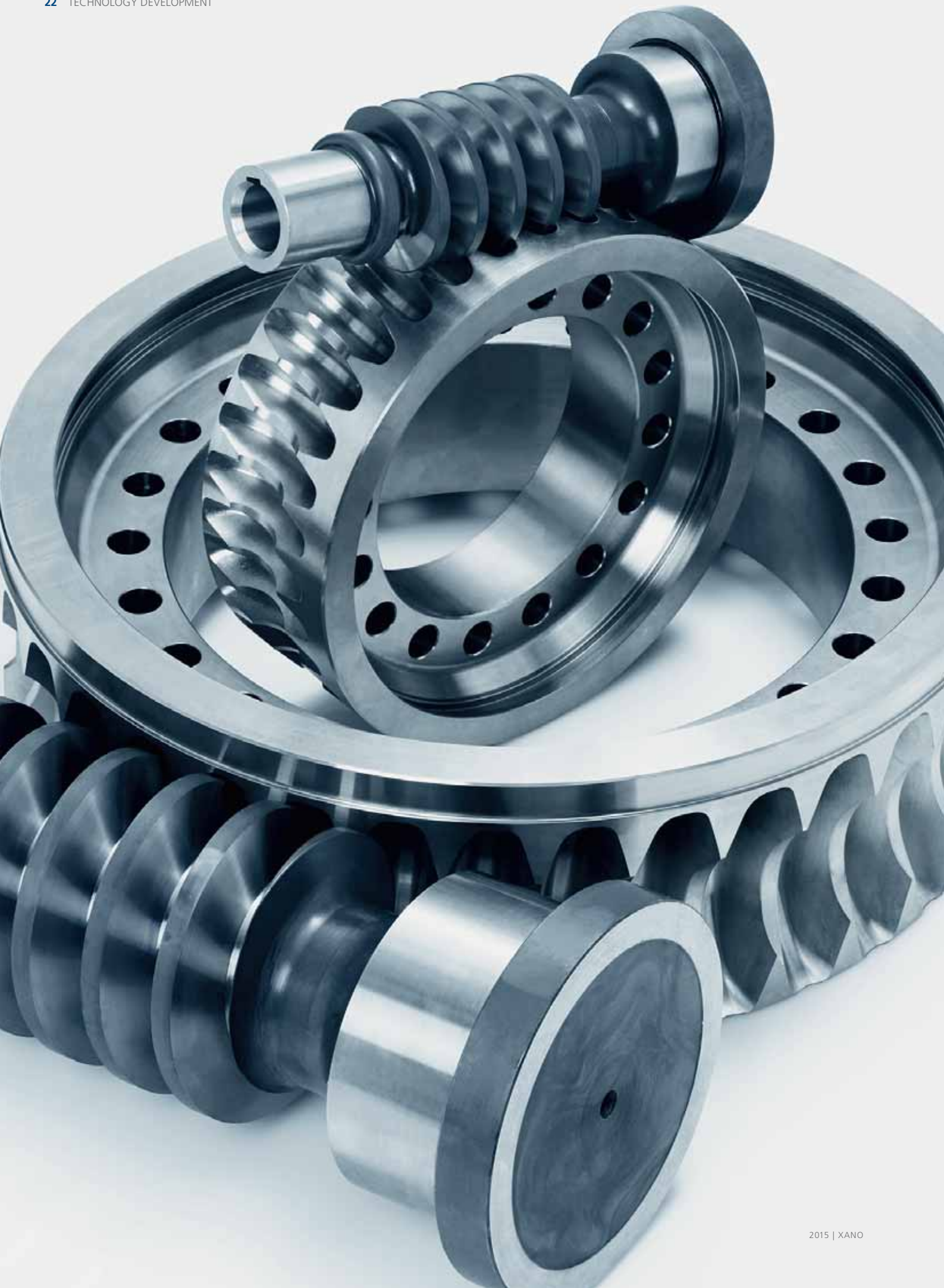
NPB, Fredriksons and Canline work with the packaging industry the world over, with the bulk of their sales outside of the Nordic region. In recent years, the Group's export sales as a whole have also increased gradually.

"During 2015, sales outside of Sweden made up the majority of our turnover. Above all, this is the result of a long-term, strategic investment, but it is also due to the companies working within technology-intensive, extremely niche areas. Their expertise and specialisation means that they are often of interest to customers, regardless of where in the world they operate," says Lennart Persson, CEO of XANO.

XANO already had several operations outside of Sweden, although Canline is the first Group company that does not have its primary base in Sweden.







Technology development is the driving force behind Mikroverktyg's success

Mikroverktyg, which has operations in Södertälje and Valskog, Sweden, has enjoyed good growth in recent years. For example, the company has been entrusted to participate in several major development assignments for the international technology sector. Mikroverktyg specialises in key components for transmissions, such as shafts, splines and toothed gears, as well as advanced precision components. These components constitute important elements in e.g. the automotive industry's constant endeavour to produce more energy-efficient drive lines with improved performance.

For many years, Mikroverktyg has been working actively to further extend and enhance its offering. The company's products are requested and supplied to an increasingly globalised market.



Extensive knowledge capital

There are rigorous customer demands for narrow tolerances, delivery precision and cost-effectiveness.

"We are enhancing our skills and investing continually in technical development and new manufacturing technology. This is essential in order to be considered for technically challenging assignments, for example from world-leading vehicle manufacturers," says Kjell Wallin, Managing Director of Mikroverktyg.

Within the company, there is considerable knowledge capital in the field of transmission technology, which constitutes a stable foundation on which to build as part of the efforts to satisfy increasingly tough market demands.

"Our employees can probably best be described as experienced, skilled technology enthusiasts. We are open both to market change and to technical developments. There is a considerable driving force and desire to resolve our customers' challenges," says Kjell Wallin.

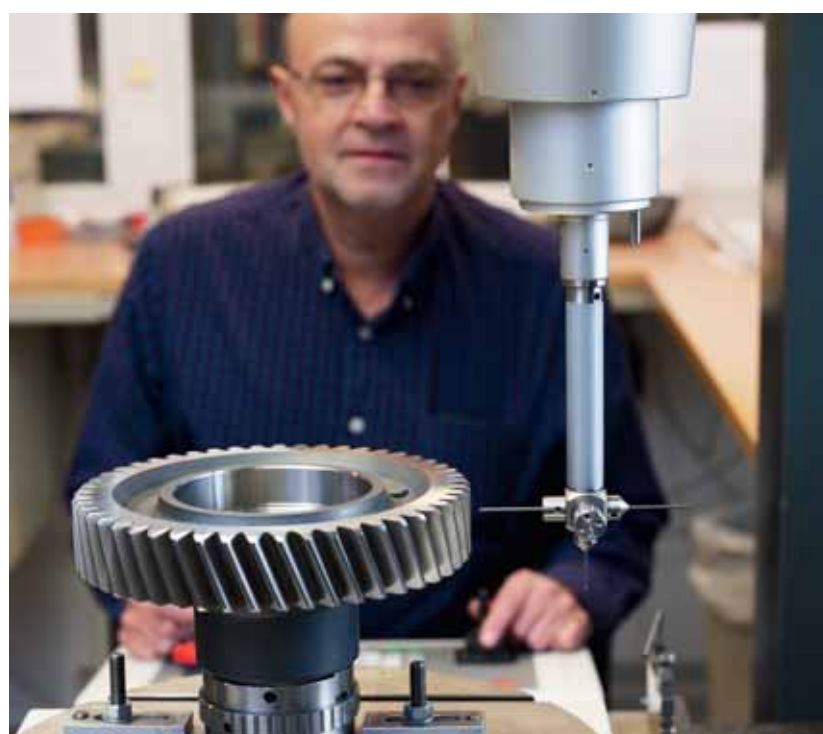
Credibility on the market

Mikroverktyg's technical breadth and the potential to offer many different processing methods is attractive to the market.

The company's gradually increasing share of exports over recent years is viewed as a natural development.

"We have been involved in more, larger development projects, for example with vehicle manufacturers, primarily in Sweden, the rest of Europe and China. Mikroverktyg has developed along with the market.

Working with new segments requires a slightly altered approach in business relations. Globalisation has opened up the market, which entails opportunities but also risks of increased competition. For us, the benefits are considerable, and we have good conditions to achieve further growth in future," says Kjell Wallin.



Our personnel

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.

Personnel structure

As of 31 December 2015, the Group had 651 full-time employees, 97 (15 per cent) of whom were women. The average number of employees in continuing operations during the year was 660, of whom 95 (14 per cent) were women.

The average age of employees in the Group was 43 for women and 44 for men. The average period of employment was about eight years for both these groups.



Absence due to illness

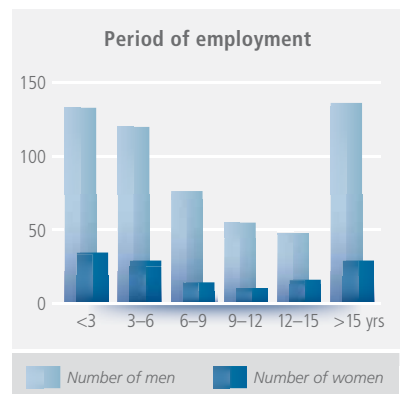
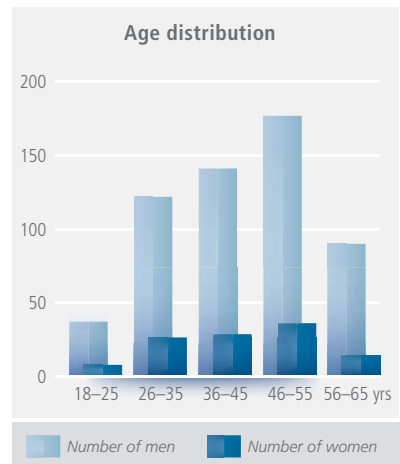
Absence due to illness during the year amounted to an average of 5.1 per cent (5.0) at the Group's Swedish companies. The proportion of long-term absence due to illness was 35 per cent (39) of all absence due to illness at these units.

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

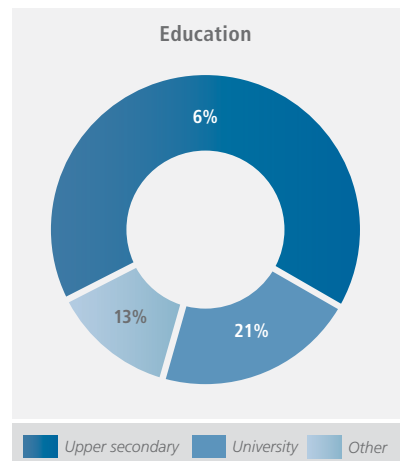
XANO's code of conduct outlines the rules that apply to Group companies and their employees. The code of conduct and its application are developed and evaluated on an ongoing basis.



Key figures for personnel (continuing operations)		2015	2014
Average number of employees		660	675
– in Sweden		415	456
– in other countries		245	219
– women		95	98
– men		565	577
Average age, women ¹⁾	years	43	43
Average age, men ¹⁾	years	44	43
Average employment period, women ¹⁾	years	8	8
Average employment period, men ¹⁾	years	8	8
Absence due to illness ²⁾	%	5.1	5.0
– of which long-term ²⁾	%	35	39

¹⁾ Refers to employees at year-end.

²⁾ Refers to Swedish companies.



An increasingly international XANO culture

Export sales and international establishments are important issues for XANO. The Group has operations in eight countries and has conducted installations in more than 30 different nations. As a result, we have good experience of various trading climates and cultural challenges, both in relation to doing business overseas and to running operations beyond Sweden's borders.

In addition to any language barriers, there are also a range of less obvious differences in business life, such as forms of address, meeting structures and negotiation techniques. We Swedes distinguish ourselves to a certain extent in relation to other business cultures with our relatively flat organisations and our consensus mentality.

Both at head office and in the Group companies, in Sweden as well as in other countries, there are employees who are in close contact with international customers, suppliers and other stakeholders. This places high demands as regards communication as well as considerable understanding of the similarities and differences between markets. Within XANO, we have succeeded in attracting employees who are successfully able to handle international business.

Spreading the Group's values

While there are differences in business cultures, XANO's aim is for the fundamental corporate culture to be the same throughout the Group. The internal culture is characterised to a large extent by XANO's overall strategies, goals and values. XANO's culture is also greatly characterised by the entrepreneurial spirit in the companies,



with a strong driving force and long-term perspectives in business and relations. When we establish or acquire companies, in Sweden or abroad, the aim is always to communicate and implement our values.

CODE OF CONDUCT

XANO's code of conduct should form the basis of the day-to-day decisions taken as part of our operations. It should ensure that we maintain a high degree of trustworthiness as well as taking responsibility for our actions in our contacts with various stakeholders.

- 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 jeopardising 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 in their interaction with colleagues, employers and business partners.

Operating principles

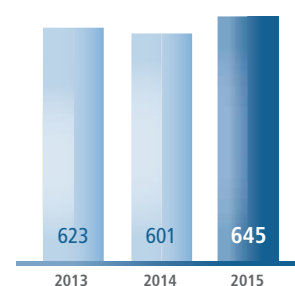
- The Group must respect the principles of generally accepted business practice and comply with the Swedish Anti-Corruption Institute's Economic Code providing guidance to companies as to how gifts, rewards and other benefits associated with the business world may be used to promote the company's operations.
- 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.



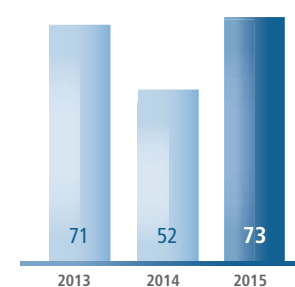
Industrial Solutions

The business unit comprises Fredriksons, NPB, Canline and Ackurat. Fredriksons, NPB and Canline supply in-house-developed automation solutions such as packaging machines, accumulators and conveyor systems mainly to the packaging industry. Fredriksons also performs contract assignments for advanced industrial products in small and medium-sized production runs, primarily for the medical technology and infrastructure sectors. Ackurat provides manufacturers of furniture and fittings with parts such as hand wheels, handles and adjustable feet.

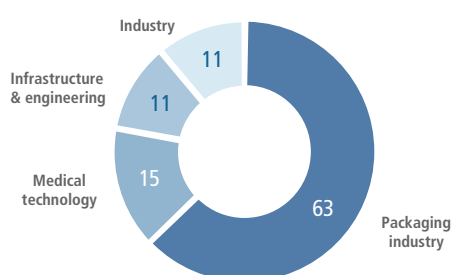
NET SALES
(SEK m)



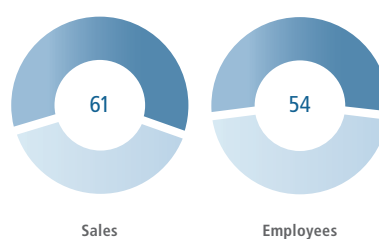
OPERATING PROFIT
(SEK m)



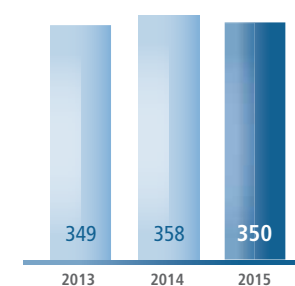
SECTORS
(%)



SHARE OF GROUP
(%)



AVERAGE NUMBER OF EMPLOYEES



Industrial Solutions

2015 IN BRIEF

645

Net sales
SEK million

+7.5

Growth
%

73

Operating profit
SEK million

11.4

Operating margin
%

350

Employees
average

Sales of the business unit's in-house products continued to increase during the year, while volumes within customer-specific manufacture were relatively low. In total, sales rose by just over 7 per cent, while operating profit improved by a massive 40 per cent compared to the previous year. The improvement in profitability was mainly due to the fact that NPB and Ackurat reported very strong figures. The newly acquired company Canline formed part of the business unit for nine months, and also reported good results. Fredriksons' two units were adversely affected by the cautious approach adopted by several major customers, above all in the packaging and medical technology sectors, with significantly reduced profits as a result. The resources that were freed up as a result of the reduced contract volumes were utilised for increased activities regarding primarily sales and product development.

Developments during the year

For Fredriksons' Swedish unit, the level of orders received in respect of customer-specific assignments in the environment, food



Manual assembly of cardiac pumps at Fredriksons.



Fredriksons' in-house-developed conveyor system for packaging handling.

and medical technology product segments was reduced. The Chinese unit experienced continued strong demand from the environmental and medical technology sectors, while order volumes from the food industry were lower than in the previous year. Despite the positive trend for proprietary products, Fredriksons' total sales and profit fell compared to the year before.

NPB's turnover rose by just over 40 per cent, while profit more than doubled compared to the outcome in the previous year. Several of the implemented deliveries related to interesting new projects in varied parts of the world. In April, for example, an agreement was entered into regarding deliveries to Brazil at a value of almost SEK 50 million. This deal entailed a breakthrough on the South American market, and the project was also the first where delivery and installation were carried out in collaboration with the new sister company Canline. A further joint project order related to a complete production line for a customer in Australia was signed during the industry fair in Asia.

The Dutch company Canline joined the group from April, and reported good results. The sales efforts during the year were

primarily focused on the non-European markets, as the purchasing processes in Europe were generally somewhat sluggish. The company reinforced its sales resources both in Europe and the United States, and alongside NPB it established an organisation for cultivating the Asian market.

Ackurat reported strong sales throughout the year, with growth in terms of both sales and profit. An active, long-term focus on exports for the furniture and fittings sector in prioritised geographic areas has steadily increased market shares. In addition, sales to Poland and the Baltic countries rose as a consequence of more furniture companies choosing to base their production there. The sales volumes for Ackurat's other product segments, i.e. fittings and rehabilitation equipment, were at a healthy, stable level.

Product development

During the year, Fredriksons in Vadstena focused on the further development of its conveyor systems with customised solutions and accessories. One example is a new chain that satisfies specific demands for personal safety and operational reliability, including at high speeds. In Suzhou, for

example, stainless steel tanks were developed for the manufacture of medicines, as well as equipment for cooling dairy products directly in the production line.

NPB continued its work of expanding the product programme with complementary types of machinery. The company also developed an advanced traceability system for the lid industry, unique in the sector, as well as a system for analysing the service and maintenance requirements of installed equipment.

Canline is continually conducting development work in order to satisfy the wishes of packaging manufactures, for example in respect of manufacturing with thinner

materials and with fewer parts. During the year, a food industry project was launched regarding conveyor systems for filled packages, which places high demands on both hygiene and documentation.

Ackurat's goal is, every year, to increase its range of thousands of plastic components for industrial use with complementary products. During the year, for example, a new range of armrests was launched.

Prioritised investments

Fredriksons continued its long-term work of increasing the level of automation in production, in part through an investment in a five-axis robotised CNC machine in Vadstena as well as new grinding boxes in Suzhou. At the Swedish unit, efforts were made to achieve greater flexibility in manufacture by training the employees to handle more of the elements included in the process. In addition, the sales capacity has been expanded with a focus on exports, and as a result Fredriksons has won a breakthrough order from a major player in the food industry. Activities regarding the environment included the installation of new com-



Canline's engineers work with the further development of the company's magnetic brake units for conveyor systems.

pressors in Vadstena, which has resulted in lower energy consumption.

NPB and Canline have launched several joint projects in respect of marketing initiatives and product development. The high rate of production has resulted in NPB both employing and hiring in employees, and programmes for skills development have been conducted for several functions.

During the year, Ackurat attended a number of trade fairs for furniture manufacturers and subcontractors, with the aim of achieving greater presence on prioritised export markets.

End piece with sound-absorbing felt for chair legs from Ackurat.



OUTLOOK FOR 2016

Fredriksons in Vadstena has started the year with a large number of quotes, and judges that both implemented and ongoing active sales initiatives will produce a good return in future. Through reduced dependence on major clients, the spread of risks on the customer side has increased, which is also contributing to improved conditions for a positive profit trend. The market situation remains tough in China, and the opportunities for growth are harder to judge. However, the company is very hopeful that the proprietary products that have been developed will generate new business.

NPB has entered into agreements regarding a number of interesting projects, and the conditions are good for another year of strong profits, even though the past year's record results are considered to be hard to surpass. The market has also shown an interest in the joint offer that NPB and Canline are presenting. The companies are still working very actively on the development of in-house products, with

particular focus being placed on solutions that complement the business unit's existing range.

Continued caution within Canline's European customer segment meant that the order situation at the start of the year was slightly worse than at the same time last year. The prospects for a gradual increase are considered to be good, however, in particular thanks to the potential, along with the fellow subsidiaries, to reach new markets and offer more complete solutions.

For Ackurat, the healthy level of incoming orders has continued, and with further sales growth on the export side it should be possible for revenue to match the previous year's figure. The company has commenced the work of refining its product range to some extent ahead of continued export efforts. The company's competitiveness will also be further strengthened through product development and by updating the machinery with new injection moulding machines.

Industrial Solutions

Activities and market

The majority of the business unit's operations consist of the development, manufacture and sale of automation equipment, primarily for the international packaging industry.

Fredriksons works with customer-specific manufacture, including sheet metal processing, cutting machining and assembly. The company's customers are primarily active within food handling and medical technology, as well as the environment and energy sectors. The company's assignments normally involve a high degree of finishing and make extensive use of technology. Fredriksons also develops, manufactures and markets conveyor solutions. The customers are primarily Swedish companies, often with international operations. The Chinese unit primarily manufactures and supplies sub-systems and complete solutions for food handling and bio-processes.

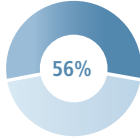
NPB and Canline design, manufacture and sell automation equipment, primarily for handling metal lids and cans. The equipment is based on proprietary technology unique in the sector, and the companies possess specialist expertise in design, mechanics and electrical control. Installations are performed all over the world, above all for customers in the packaging industry. NPB focuses primarily on lid handling solutions for can-related products. Canline works mainly with conveyor systems for metal packaging and also manufactures magnets for industrial use.

Ackurat manufactures and sells standard injection-moulded plastic components and stocks thousands of items, including hand wheels, adjustable feet, levers, handles and different types of pipe stoppers. Ackurat also offers the option of manufacturing customised products. The company is established in Sweden, Finland and Poland and sells mainly to customers in northern Europe. These are primarily manufacturers of furniture, fittings and machinery, in addition to companies that supply equipment within the fields of health and leisure.

FREDRIKSONS
Vadstena / Suzhou

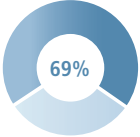
Net sales	SEK m	372
Growth	%	-14.4
Employees	average	248

Share of business unit




56%

Net sales



69%

Employees



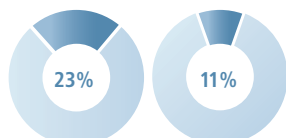
Conveyor system for dairy products.



NPB Jönköping

Net sales	SEK m	153
Growth	%	+43.0
Employees	average	38

Share of business unit



Net sales

Employees

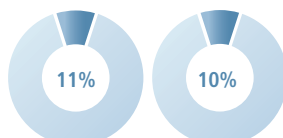


Balancer for lids.

CANLINE Bladel / Lynchburg

Net sales	SEK m	71
Growth	%	-34.7
Employees	average	35

Share of business unit



Net sales

Employees

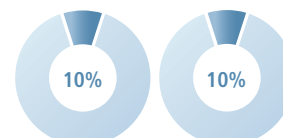


Conveyor system for lids.

ACKURAT Lammhult / Gdansk / Helsinki

Net sales	SEK m	67
Growth	%	+12.9
Employees	average	37

Share of business unit



Net sales

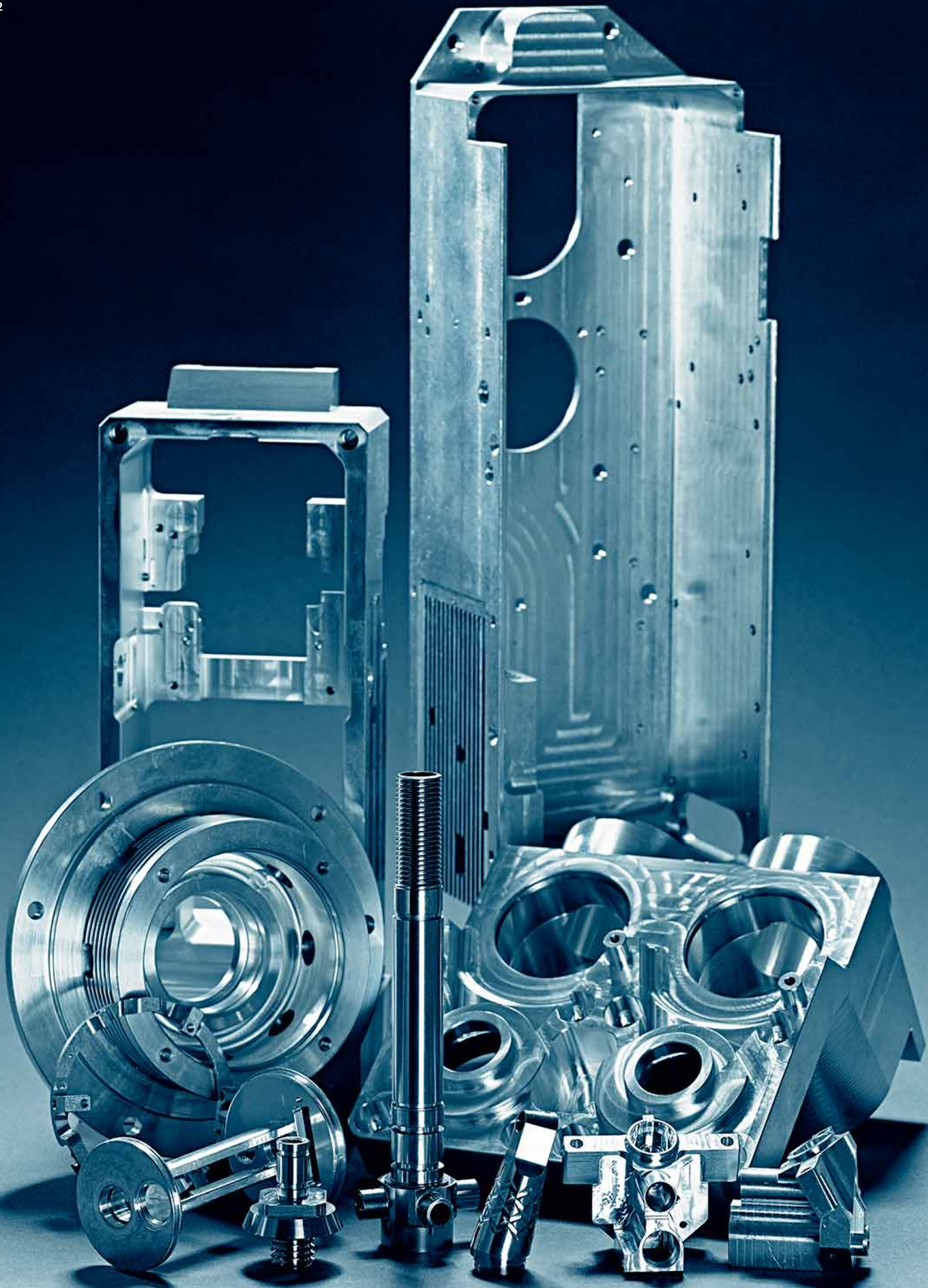
Employees



Coupling fitting for chairs.



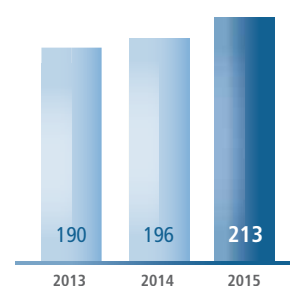
SUZHOU
SHANGHAI



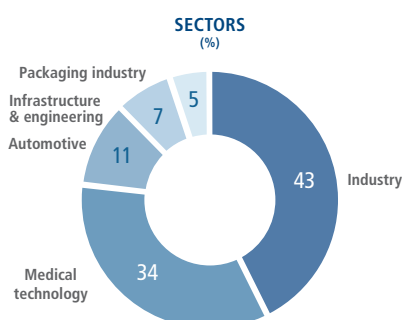
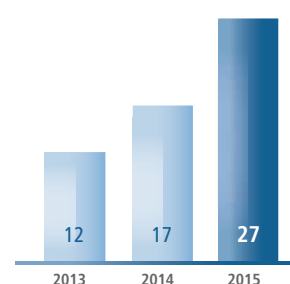
Precision Technology

The business unit comprises KMV, LK Precision, Mikroverktyg and Resinit. Operations cover component and system manufacture using advanced cutting processes on metal and plastics for the production of parts involving demanding quality and precision requirements. KMV specialises in internal machining, particularly precision drilling, for industrial customers in Scandinavia. LK Precision and Resinit produce parts mainly for medical technology equipment, in low to medium-volume production runs. Mikroverktyg manufactures fine mechanical components and transmission parts, as well as tools, fixtures, prototypes and special equipment.

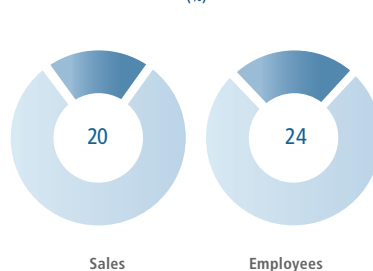
NET SALES
(SEK m)



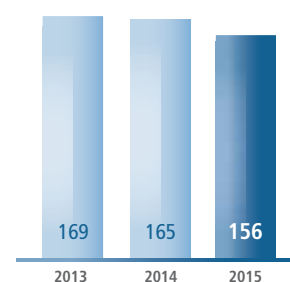
OPERATING PROFIT
(SEK m)



SHARE OF GROUP
(%)



AVERAGE NUMBER OF EMPLOYEES



Precision Technology

2015 IN BRIEF

213

Net sales
SEK million

+8.7

Growth
%

27

Operating profit
SEK million

12.6

Operating margin
%

156

Employees
average

The business unit's total sales growth stood at almost 10 per cent, while operating profit improved by a massive 55 per cent compared to the previous year. The majority of the companies in the business unit developed extremely satisfactorily and reported excellent results for the year. This positive situation has been achieved through long-term, focused efforts in relation to e.g. sales work and production technology.

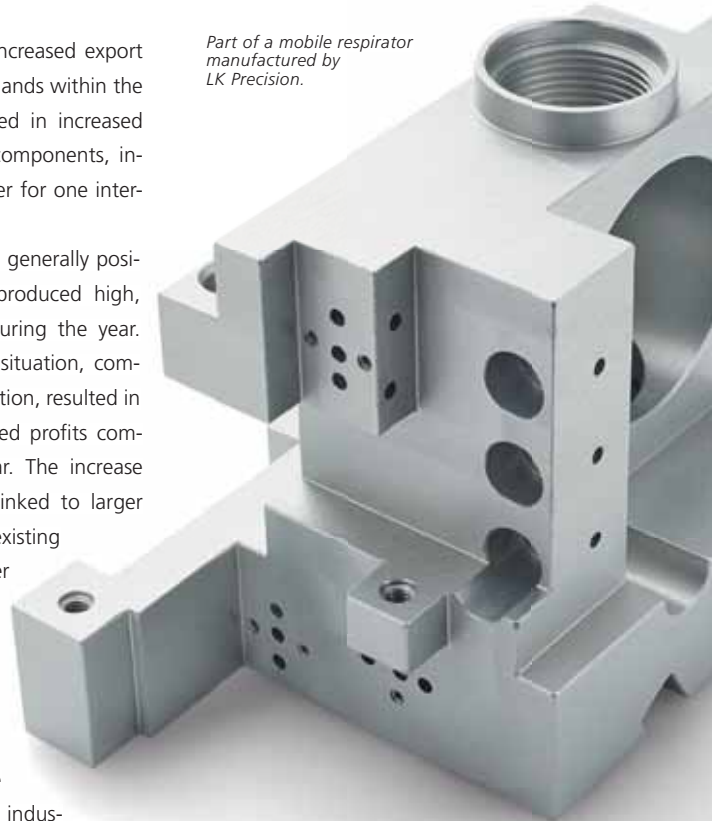
Developments during the year

After a slightly cautious start, Mikroverktyg experienced a steadily increasing order intake, and at the end of the year was able to report strong overall figures. The company recorded a significant upturn in terms of both sales and profit compared to the previous year, achieving its best results to date. This positive trend can be explained in part by the larger scope in respect of repeat assignments as a result of a stable economic situation for Mikroverktyg's customers, as well as by a strong expansion within project sales. In terms of volume, the company has also won larger project orders than in previ-

ous years, along with an increased export share. Tougher market demands within the automotive industry resulted in increased demand for transmission components, including a large project order for one international player.

LK Precision reported a generally positive order intake, which produced high, even capacity utilisation during the year. The more positive market situation, combined with effective production, resulted in growth and clearly improved profits compared to the previous year. The increase in turnover was partially linked to larger production volumes for existing customers. New customer assignments as a result of the company's active marketing also contributed, with the objective of further increasing the proportion of sales made to the defence industry and other industrial customers in order to achieve a more balanced customer mix. Sales of components for medical technology equipment, which is currently the dominant sector, also enjoyed a positive growth trend, as did

Part of a mobile respirator manufactured by LK Precision.



other industrial segments with the addition of more, interesting assignments in relation to new articles.

Resinit also reported its best year to date, with good growth in volume and a strong operating profit. The increase in sales mostly comprised increased assignments from existing customers. Resinit's long-term initiatives within process streamlining have produced positive results, in part through more stable quality. The company is witnessing increased demand for even more complex products with greater documentation requirements, above all within the medical technology industry. Strengthened legislation in respect of plastic that comes into contact with food has also generated new customer assignments during the year. The food technology sector is still a priority



Assembly work at Resinit.

in the company's strategic sales work.

For KMV, the year began with weak sales following a major customer previously having announced greatly reduced volumes, at the same time as the offshore sector was negatively affected by the price of crude oil. The company implemented cost adaptations, and the previously prioritised sales work was further intensified in order to compensate for the loss of turnover. Targeted efforts were conducted in relation to the Nordic hydraulics and shipbuilding industries, for example. These measures mitigated the effects of the reduction in volume, although lower invoicing and operating profit figures were reported for the year as a whole compared to the previous year.

Prioritised investments

KMV has worked to extend its customer offer in order to meet demand for e.g. material handling. As regards the environment, the company's activities have primarily been focused on a continued improvement of the procedures relating to the handling of oil spillages.

LK Precision has invested in a large production cell, which will further streamline and automate production. The company



Long hole drilling machine at KMV.

has also implemented skills-raising activities within both production technology and sales. The work on environmental measures has included an investment in a new compressor to reduce energy consumption.

Mikroverktyg's long-term investment and development strategy is aimed at producing increasingly advanced components. During the year, a new five-axis machine was installed at the production unit in Valskog. Further machine investments will be made in future in order to meet the increased demand, as well as to achieve the

objective of manufacturing more complex components. The company has increased its efforts in the development of skills, technology and processes.

At Resinit, the extension of the production premises commenced during the autumn, which will entail both increased capacity and improved logistics. In conjunction with this work, an investment is being made in radiant heat radiators for targeted, energy efficient heating of the workplaces.



Toothed gear for the automotive industry from Mikroverktyg.

OUTLOOK FOR 2016

The order situation at KMV at the start of the year is perceived as relatively good, with a stable order book. The major customer that had previously announced lower volumes is forecasting a gradual recovery. In total, it is judged that the company's prioritised sales efforts and an improved market situation could lead to a gradual increase in volume, resulting in stronger operating profit.

LK Precision has begun the year with a good level of incoming orders. The company's focus remains on maintaining the good mix of assignments and managing the potential within the existing client base. Recent years' efforts relating to automated production equipment, combined with the stable order situation, are creating the conditions for continued profitable growth.

The good level of incoming orders for Mikroverktyg is expected to continue during the first quarter, before reverting to a stable, high level. With an unchanged, positive market situation, the company estimates that it will be able to match the previous year's good financial results. The increased share of project-oriented sales entails a potential for further growth, but also a risk of more uneven incoming orders and capacity utilisation.

Resinit is anticipating continued good sales and a high rate of production. Capacity strengthening through the extension of the company's production premises is in progress, and is expected to be completed during the second quarter. The extension will provide a combined space for finishing processes such as assembly and gluing, as well as freeing up space for new production equipment.

Precision Technology

Activities and market

Activities within the business unit focus on component and system manufacture by means of advanced cutting machining of metal and plastic, involving exacting quality and precision requirements. Customers come primarily from the medical technology sector and other technical industry sectors. The majority of sales relate to the Nordic market, although the proportion of international assignments is growing steadily.

KMV specialises in internal processing of long parts, primarily precision drilling. Examples of products that the company manufactures are machine tubes, pistons and drill pipes for the Swedish mining industry as well as cylinders and piston rods for the hydraulic industry. Manufacturing also covers acid-proof stainless piston rods for the offshore industry.

LK is a precision-mechanical engineering company manufacturing complex components made from metals such as aluminium, brass, steel and titanium. Production is concentrated on small and medium 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.

Mikroverktyg is active in cutting machining and specialises in small to medium-sized fine mechanical components and transmission components such as toothed gears, splines and racks. The manufacturing also comprises fixtures, prototypes, special tools, measuring devices, components for the aviation and defence industries, hydraulic components, spare parts and other components subject to demanding requirements.

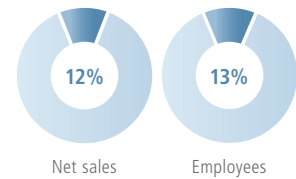
Resinit offers complete solutions where the mechanical processing of plastic materials is supplemented with associated services, primarily assembly. The company specialises in difficult plastic materials subject to demanding requirements for dimensional accuracy and surface finish. As a supplier of components for medical equipment and analysis, total precision and extensive material knowledge are required.

KUNGSÖRS MEKANISKA (KMV)

Kungsör

Net sales	SEK m	25
Growth	%	-30.4
Employees	average	20

Share of business unit



*Titanium test cylinder
for absorption of crude oil.*

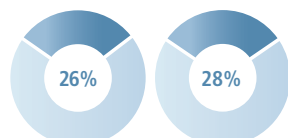


LK PRECISION

Skogås

Net sales	SEK m	56
Growth	%	+7.9
Employees	average	44

Share of business unit



Net sales

Employees



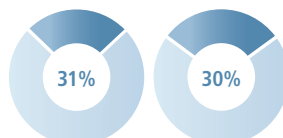
Precision component for 3D scanner.

MIKROVERKTYG

Södertälje / Valskog

Net sales	SEK m	65
Growth	%	+27.8
Employees	average	47

Share of business unit



Net sales

Employees



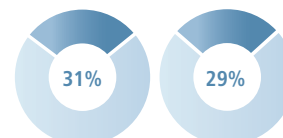
Toothed gear with curvic coupling for the automotive industry.

RESINIT

Västervik

Net sales	SEK m	67
Growth	%	+16.6
Employees	average	45

Share of business unit



Net sales

Employees



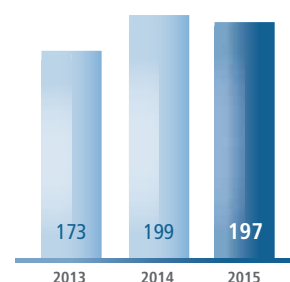
Accessories for dialysis equipment.



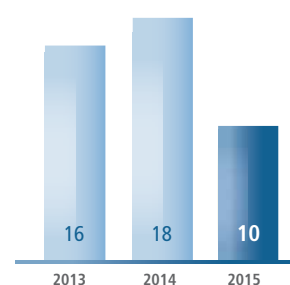
Rotational Moulding

The business unit is made up of the Cipax Group, which consists of four units that have their own development and sales organisations; three of these units also have their own manufacturing operations. 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 has 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.

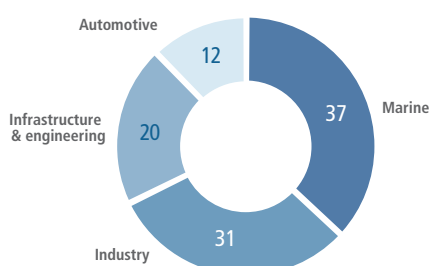
NET SALES
(SEK m)



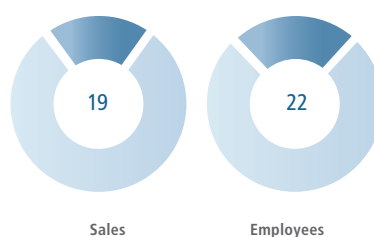
OPERATING PROFIT
(SEK m)



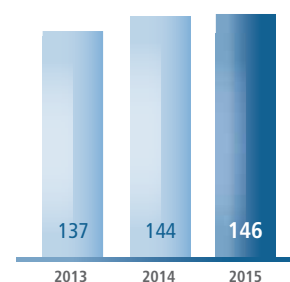
SECTORS
(%)



SHARE OF GROUP
(%)



AVERAGE NUMBER OF EMPLOYEES



Rotational Moulding

2015 IN BRIEF

197

Net sales
SEK million

-1.1

Growth
%

10

Operating profit
SEK million

5.0

Operating margin
%

146

Employees
average

In total, the business unit reported invoicing on a par with the previous year. The operating margin fell, mainly as a result of poor profitability in the Polish unit and the costs for redistributing production within the Group in order to rectify this. The Norwegian unit increased its sales and reported a continued positive profit trend, while the other units, with the exception of the Polish unit, reported a slight reduction in revenue although with largely the same level of profit. The order situation varied more than normal from month to month, but gradually stabilised towards the end of the year.



Cipax has a large range of standard tanks, holding from 14 up to 15,000 litres.

Developments during the year

In Norway, the operation enjoyed a generally positive sales trend, with the largest single increase achieved in the boat segment. The first quarter's loss of a major customer linked to the Swedish company was compensated to a great extent by the new projects generated by the active sales work during the year. The market situation remained tough in Finland, although Cipax was still able to reinforce its position there, above all through good sales of customer-specific solutions. A slight increase in turnover was also achieved in the Baltic countries, evenly divided between the various product segments. Despite intensive work aimed at strengthening the organisation, the operation in Poland failed to achieve any improvement in profitability during the year. Sales of the water purification system that was launched during the previous year were halved as a consequence of political processes. Other product areas also demonstrated weak growth. During the second half of the year, the decision was made to transfer production from Poland to Estonia and to divide the business assignments between the fellow subsidiaries in the busi-



Cipax has increased its capacity within design.

ness unit. In order to maintain the level of service to customers in the local area, some functions are remaining in Poland during a transitional period.

During the year, the Cipax companies increased their capacity within design, in order to assist customers in the development phase of new products to an even greater extent. This entailed openings for interesting business deals and more in-depth customer relations. The companies also enjoyed a continued high rate as regards the development of in-house products. Resources were set aside primarily within the infrastructure and industry segments,



where Cipax has focused for example on becoming a complete system supplier by adding tank accessories such as hoses, pipes, pumps and agitators to the range.

Proprietary products

The rotational moulding technique allows a high level of flexibility in product design. Cipax's proprietary products are produced from environmentally friendly, recyclable materials and cover the boat, marine and industrial product segments.

While the general trend in recent years has shown a decline, Cipax has steadily strengthened its position on the boat market. The background to this is the investments made in recent years in product development for new boat models, which have had a positive impact. Cipax has also worked strategically to develop the dealer network, and has thereby created new sales channels. Growth has primarily occurred on the Nordic domestic market, although there has also been an upward trend on the export markets.

Within the marine area, the volumes have remained largely un-

changed compared to the previous year. The product range here was complemented during the year with a number of new buoys for fish farming.

Compared to the previous year, sales within the industry segment were slightly higher in Finland and the Baltic countries, whereas the Swedish and Norwegian markets generated marginally lower earnings.

Sales of infrastructure products fell dramatically in Poland, which led to a large loss of volume for the segment as a whole, despite good growth in Sweden and Norway.

Customer-specific manufacturing

Through low tool costs and high flexibility, the rotational moulding technique provides cost-effective solutions, even in the event of small series. Cipax works with customers on customer-specific manufacturing in



Customer-specific tank cast in a single piece.



Covers for welding apparatus from Kemppi.

sectors such as the automotive industry, infrastructure and other technical industry. During the year, deliveries of customer-specific solutions increased on the Finnish and Norwegian markets, as well as on other export markets. This compensated for a loss of customers in Sweden, which resulted in slightly lower volumes there. On the whole, results for Cipax's customer-specific manufacture were on a par with the previous year. The design resources were strengthened during the year, in order to assist to an even greater extent in the development phase of new customer projects.

OUTLOOK FOR 2016

At the start of the year, the volume of orders in hand was slightly higher than at the corresponding time in the previous year. With a positive initial situation and an expected continued stable development, Cipax is anticipating a slight increase in turnover and improvement in profits during 2016. The relocation of production equipment from

Poland is expected to entail a higher degree of utilisation of the resources in other units. The product development projects are still prioritised within all segments, and the launch of both additional industrial products as well as new and updated boat models will take place in the near future.

Rotational Moulding

Activities and market

Cipax designs, manufactures and sells 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, cold and chemical resistance. In addition to customer-specific manufacturing, which accounts for half of the unit's revenue, the companies work on proprietary 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 technical industry sectors.



CIPAX

Net sales	SEK m	197
Growth	%	-1.1
Employees	average	146



Proprietary sand container.



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 2015, the Group was engaged in activities with a reporting obligation or permit requirement under the Swedish Environmental Code at six Swedish subsidiaries. The reporting obligation relates to the manufacture of plastic products (two companies) and engineering industry with metal finishing (three companies). The permit requirement relates to the engineering industry for metal finishing (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 15 operational companies as at 31 December 2015. Ten 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 the Group's companies. Improved processes within many production units have also reduced the impact on the environment.

Amongst other actions taken in 2015, the following specific measures have been implemented:

- Cipax has introduced procedures that entail that an increased share of the waste is sent for recycling.
- In order to achieve lower energy consumption, both Fredriksons and LK Precision have installed new compressors.
- KMV has worked to improve the handling of known environmental risks, such as oil spillages.

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 constitute 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, while 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.



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 2015 financial year.

The information in this annual report refers to continuing operations unless otherwise indicated. The comparative figures for the Group as a whole include the spun-off Precision Components business unit (AGES) up to and including 30 April 2014.

From 2015 onwards, the Group is applying the percentage-of-completion method to project deliveries made to the packaging industry. The comparative figures have been recalculated in accordance with IAS 8.

Operations

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

Sales and profit

Net revenue for continuing operations totalled SEK 1,052 million (994). Net revenue was SEK 0 million (245) for discontinued/spin-off operations and SEK 1,052 million (1,239) for the Group as a whole.

Operating profit for continuing operations amounted to SEK 96 million (69), corresponding to an operating margin of 9.1 per cent (7.0). Profit before tax was SEK 85 million (56) and includes non-recurring items totalling SEK -1 million (0). Profit before tax for discontinued operations amounted to SEK 12 million (0) and includes non-recurring items totalling SEK 12 million (0). Profit before tax for spin-off operations amounted to SEK 0 million (24). The Group as a whole reported profit before tax amounting to SEK 97 million (80) including non-recurring items totalling SEK 11 million (0).

Share data and key ratios

Earnings per share for continuing operations were SEK 9.60 (6.35). Earnings per share for the Group as a whole amounted to SEK 11.45 (9.05). Equity per share was SEK 61.35 SEK (52.35). The average number of outstanding shares was 6,788,974 during the year. The equity/assets ratio was 45 per cent (41) at the end of the year. The average number of employees was 660 (675) for continuing operations.

Important events during the year

Canline Holding B.V. was acquired at the end of March. In addition to the parent company, the Group comprises four operating companies: Canline

Magnetics, Canline Systems, Bakeline Systems and Canline USA, with a total revenue of approx. SEK 75 million. The European entities are located in Bladel in the Netherlands. The business operations consist of the development, manufacture and sale of automation equipment, primarily conveyor systems, for the industrial handling of lids and cans. The business also manufactures and sells magnets for industrial purposes. The companies are now part of XANO's Industrial Solutions business unit. Consolidation in the Group took place on 31 March 2015.

A property company that owns industrial land in Länna, Stockholm, was sold in April. The capital gain, amounting to SEK 12 million, was recognised as profit from discontinued operations during the second quarter. The sale will have only a marginal long-term impact on XANO's profits and financial position.

In April, XANO's subsidiary NPB Automation AB in Jönköping signed an agreement for deliveries to Brazil worth somewhere in the region of SEK 48 million. Installation is scheduled for January 2016, with this being the company's first on the South American market. Delivery and installation will take place in partnership with NPB's sister company Canline.

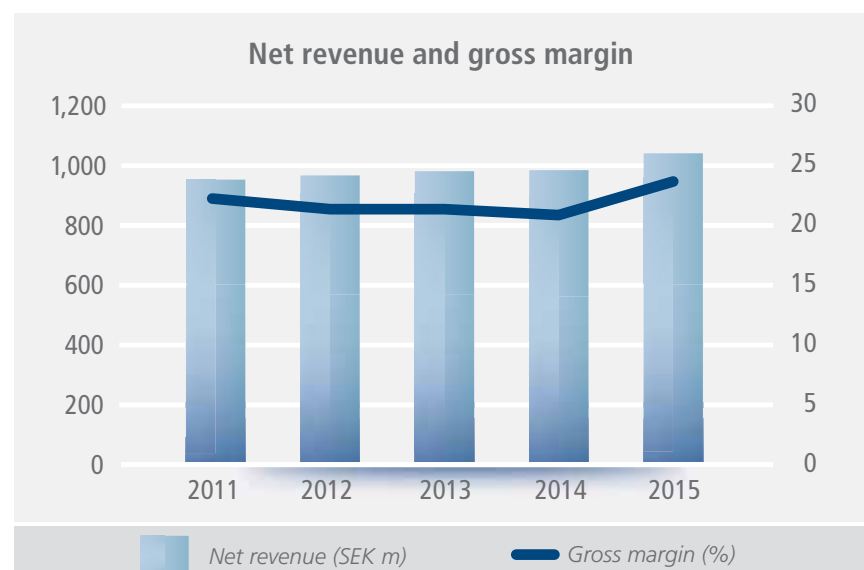
The Chairman of the Board, Tord Johansson, passed away on 10 October. XANO's Board of Directors has appointed Fredrik Rapp as Chairman for the period up until the new Chairman is elected by the Annual General Meeting in May 2016. Prior to the Meeting, the Nomination Committee will adopt a position on whether the number of Board members or the individuals concerned should change.

Events after the end of the year

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

Activities and organisation

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



Companies within the Industrial Solutions business unit supply automation solutions developed in-house, such as packaging machines, accumulators and conveyor systems to the packaging industry. Manufacturers of furniture and fittings are provided with parts such as hand wheels, handles and adjustable feet. Contract assignments for advanced industrial products in small and medium-sized production runs are also performed. The business unit comprises Ackurat, Canline, Fredriksons and NPB.

The Precision Technology business unit includes KMV, LK Precision, Mikroverktyg and Resinit. These companies cover component and system manufacture through advanced cutting machining of metal and plastic for the production of components with stringent requirements for quality and precision.

The Rotational Moulding business unit consists of the Cipax Group. Operations comprise the design, manufacture and sale of plastic components and systems produced by means of rotational moulding. Deliverables include both customer-specific and in-house developed products.

The Group's development during the year

The year began with a cautious market situation continuing to define the Group's industry segments, and revenue in the first quarter did not quite reach the level of the comparison period. The positive effect of measures taken in the previous year did, however, bring improved profitability. In late March, the Dutch enterprise Canline, with operations in automation equipment, was acquired. In the second quarter, Canline was successfully integrated in the Group, and together with its sister company NPB launched several projects relating to new systems for new market segments. Most of the sectors in which the Group's other businesses are active showed continued caution. Demand stabilised gradually, however, and the total order volumes remained at a high level, which resulted in good outcomes in both the second and third quarter. The year also concluded on a positive note, with double the profit compared to the corresponding quarter last year. Looking at the full year, several of the Group's companies achieved their best results ever, and the operating margin improved from 7.0 per cent last year to 9.1 per cent. Sales successes for the Group's own products and expansion on selected markets outside of the Nordic region have contributed to the positive trend. The Precision Technology and Industrial Solutions business units reported increased sales and significantly higher operating profit than the comparison year. Rotational Moulding, on the other hand, reported slightly lower invoicing and a poorer operating margin, primarily as a result of negative results in the business unit's Polish company. The establishment of operations in Poland has contributed to breakthroughs on new markets, but the operation has failed to achieve a satisfactory level of profitability. Production has now been moved from Poland to Estonia and the business has been divided between the fellow subsidiaries. The costs for this relocation are largely matched at Group level by positive non-recurring items.

Industrial Solutions

Sales increased by 7 per cent and operating profit improved by 40 per cent in relation to the comparison year. Through long-term strategic work on selected geographic markets, Ackurat has achieved an increasingly high share of exports. At the same time, the position on the domestic market has been retained and the company is continuing to report positive development. The collaboration between NPB and newly acquired Canline has resulted for example in the establishment of a joint sales resource in China. Together, the two companies have won new business in e.g. South America, Asia and Australia, which has generated good profits. Low volumes in field of contract manufacture for the two Fredriksons units have resulted in greater resources being set aside for sales and product development.

Precision Technology

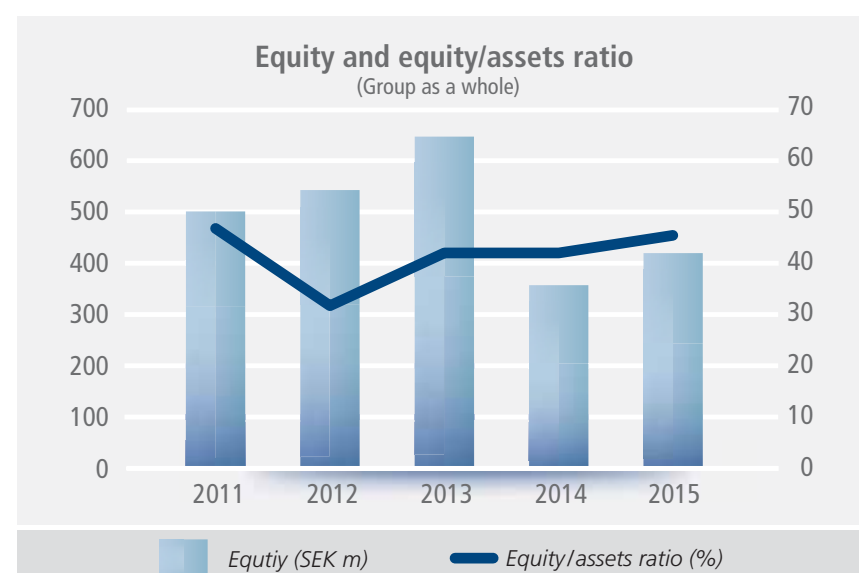
Sales were 9 per cent higher compared to last year, while operating profit improved by 55 per cent. The majority of the business unit's companies reported their best results ever. This positive outcome is a consequence of strategic, long-term work towards resource-optimised projects and a well-balanced customer mix, as well as a high degree of automation and a high level of technology. Capacity is continually being strengthened, for example through investments in machinery, and expansion work also commenced at Resinit during the autumn.

Rotational Moulding

Invoicing decreased marginally, while the operating margin fell by 44 per cent in relation to the comparison period. The profit for the year includes non-recurring items at SEK -4 million in respect of relocating production from Poland, where the operation has failed to show profitability. The business has been transferred from the Polish unit to the fellow subsidiaries. Overall, other companies in the business unit are reporting slightly lower volumes, although the operating margin remains unchanged. Sales in each product segment were largely unchanged in relation to the comparison year, with the exception of contract-manufactured marine products, which increased primarily in Norway. In general, the level of orders received stabilised towards the end of the year and the volume of orders in hand was higher than at the corresponding time last year.

Discontinued operations

Discontinued operations refer to a property company that was sold in April 2015. Profit before tax for discontinued operations totalled SEK 12 million (0). This is a non-recurring item comprising the capital gain made on the sale of shares in the property company.



Investments

Net investments in non-current assets for the Group as a whole came to SEK 80 million (-437), of which SEK 44 million related to corporate transactions, SEK 3 million to real estate and SEK 33 million to machinery and equipment.

Cash flow and liquidity

Cash flow from operating activities for the Group as a whole amounted to SEK 158 million (93). The higher cash flow can be explained primarily by increased prepayments from customers and improved profits.

Liquid assets, including lines of credit granted but not utilised, stood at SEK 288 million (254) on the balance sheet date.

Risks and uncertainty factors

The Group's main risk and uncertainty factors include operational risks associated with customers and suppliers and other external factors such as price risks for input goods. In addition, there are financial risks as a result of changes in exchange rates and interest rate levels. A statement on the Group's main financial and operational risks can be found in Note 34 on pages 70-71.

Convertible bond programme

In accordance with the decision reached by the Annual General Meeting of XANO Industri AB on 10 May 2012, employees of the XANO Group subscribed to convertibles totalling SEK 29,999,961. The convertibles run from 1 July 2012 to 30 June 2016. The original conversion rate was SEK 109. Due to the distribution of the shares in AGES Industri AB to the XANO shareholders, the conversion rate has been recalculated in accordance with section 8E of the terms and conditions. The recalculated conversion rate is SEK 51. If all convertibles are converted to shares, share capital will be increased by a maximum of SEK 2,941,170. The dilution will then be approx. 8 per cent of the share capital and approx. 2 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, mainly in EUR and USD relative to SEK. The Group's interest-bearing liabilities amounted to SEK 259 million (319) on the balance sheet date. A detailed description of the Group's financial risks can be found in Note 34 on pages 70-71.

Environmental impact

The Group is engaged in activities with a reporting obligation in five Swedish subsidiaries and activities that require a permit under the Swedish Environmental Code in one Swedish subsidiary. The parent company does not conduct any activities that require a permit. A report on the Group's environmental activities can be found on page 43.

Research and development

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

The share and shareholders

As of the balance sheet date, the company holds 140,000 of its own shares with a quotient value of SEK 5, which were acquired in 2003. 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 entitlement to one vote. All shares have equal rights to dividends.

As of the balance sheet date, there are two shareholders who each own and control more than 10 per cent of the votes for all shares in the company. The estate of Tord Johansson controls 27.4 per cent of the capital and 54.8 per cent of the votes. 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

At the end of 2015, XANO's Board of Directors consisted of six ordinary members. The 2015 AGM decided that there should be seven members. The Chairman of the Board, Tord Johansson, passed away in October and the Board of Directors has been incomplete since then. The Board of Directors appointed Fredrik Rapp as Chairman for the period up until the AGM in May 2016. 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 2015 financial year, the Board of Directors held six meetings. Each regular meeting deals with the reports and items requiring a decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as acquisitions and major investments.

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

Nomination committee

A nomination committee was appointed at the 2015 AGM consisting of Ulf Hedlundh (chairman), Fredrik Rapp and Anders Rudgård. The task of the committee prior to the 2016 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and to propose fees for the Board, committees and auditor. Prior to the 2016 AGM, the nomination committee has held three meetings, 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 or changes to the Articles of Association.

Agreements

In 2015, the company has had a contract with Board member Sune Lantz, who assisted the company with consulting services in his normal professional area of expertise. There are no other agreements between the company and the members of the Board of Directors apart from agreements relating to Board directorships drawn up for each term on the Board.

Five-year overview

	2015	2014		2013		2012		2011		
Income statement, SEK m		(recalculated)								
Net revenue	1,052	994	989	975	960					
Cost of goods sold	-809	-789	-774	-762	-747					
Gross profit	243	205	215	213	213					
Selling expenses	-101	-93	-89	-82	-77					
Administrative expenses	-48	-44	-44	-44	-43					
Other operating income/expenses	2	1	3	0	8					
Operating profit	96	69	85	87	101					
Financial items	-11	-13	-13	-8	-9					
Profit before tax	85	56	72	79	92					
Tax	-19	-13	-17	-15	-21					
Profit from continuing operations	66	43	55	64	71					
Profit from discontinued/spin-off operations	12	18	63	3	12					
Net profit for the year	78	61	118	67	83					
Financial position 31 December, SEK m ¹⁾										
Non-current assets	543	519	1,004	1,051	600					
Current assets	376	341	553	614	436					
Equity	416	355	643	539	499					
Non-current liabilities	175	251	440	476	149					
Current liabilities	328	254	474	650	388					
Balance sheet total	919	860	1,557	1,665	1,036					
Cash flow, SEK m ¹⁾		<i>of which ³⁾</i>	<i>of which ³⁾</i>	<i>of which ³⁾</i>	<i>of which ³⁾</i>	<i>of which ³⁾</i>	<i>of which ³⁾</i>	<i>of which ³⁾</i>	<i>of which ³⁾</i>	
Cash flow from operating activities	158	–	93	28	161	72	73	-13	165	18
Cash flow from investing activities	-58	12	-85	-50	25	39	-431	-422	-42	-18
Cash flow after investments	100	12	8	-22	186	111	-358	-435	123	0
Cash flow from financing activities	-91	–	-8	23	-223	-100	367	458	-79	2
Cash flow for the year	9	12	0	1	-37	11	9	23	44	2
Key ratios										
Operating margin, %	9.1	7.0	8.6	8.9	10.5					
Profit margin, %	8.0	5.6	7.2	8.0	9.6					
Return on equity, % ¹⁾	20.0	13.1	19.8	12.9	17.6					
Return on capital employed, % ¹⁾	15.9	10.9	14.7	10.8	16.6					
Return on total capital, % ¹⁾	12.1	8.5	11.2	8.0	12.3					
Interest coverage ratio, multiple ¹⁾	6.8	5.1	6.4	6.3	7.8					
Equity, SEK m ¹⁾	416	355	643	539	499					
Equity/assets ratio, % ¹⁾	45	41	41	32	48					
Proportion of risk-bearing capital, % ¹⁾	48	45	47	37	52					
Basic earnings per share, SEK ²⁾	9.60	6.35	8.00	9.40	10.50					
Basic earnings per share (Group as a whole), SEK ^{1, 2)}	11.45	9.05	17.40	9.85	12.15					
Equity per share, SEK ¹⁾	61.35	52.35	94.80	79.45	73.50					
Cash flow from operating activities per share, SEK ¹⁾	23.35	13.65	23.70	10.75	24.30					
Proposed dividend per share, SEK	4.50	2.50	4.00	3.50	3.50					
Miscellaneous										
Scheduled depreciation, SEK m	48	43	41	45	41					
Scheduled depreciation (Group as a whole), SEK m ¹⁾	48	52	68	56	50					
Interest-bearing liabilities, SEK m ¹⁾	259	319	577	756	242					
Net investments excl. corporate transactions, SEK m	89	49	38	45	38					
Average number of employees	660	675	664	656	642					

¹⁾ Refers to the Group as a whole, including discontinued/spin-off operations. For information on income measures, see Note 3 and Note 4.

²⁾ Based on net profit for the year.

³⁾ Attributable to discontinued/spin-off operations.

From 2015 onwards, the percentage-of-completion method is applied to project deliveries made to the packaging industry. The comparative figures for 2014 have been recalculated in accordance with IAS 8. Previous periods have not been recalculated as it has been deemed impractical to establish the projects' percentage of completion. Balance sheet items as at 31/12/2013 have been recalculated to achieve correct opening balances for 2014, see Note 37.

For definitions, see page 73.

Corporate governance

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

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

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

Future development

Towards the end of 2015, there were only minor changes in the demand situation and structure on the markets where the Group is active. For the Group as a whole, the level of orders received gradually stabilised and overall order volumes were at a healthy level. The major customers within contract manufacture continued to show a certain amount of caution and inertia in the business processes, meaning that there is room for improvement, particularly within the Industrial Solutions business unit. The activities regarding focused investments in the further development of proprietary products and the optimisation of synergy benefits within the Group, such as the collaboration between Canline and NPB, are continuing.

Repurchase of own shares

In April 2003, 415,000 Class B shares were acquired. 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 amounted to 140,000 with a quotient value of SEK 5, corresponding to 2.0 per cent of the share capital. After deduction of the company's own holding, the number of outstanding shares amounted 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.

Authorisation for a new share issue

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

Remuneration and employment conditions for senior executives

The Board of Directors proposes that the 2016 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 2015 AGM remain 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 AGM:		SEK
Share premium reserve		4,294,700
Retained earnings		48,022,370
Net profit for the year		60,276,338
Total		112,593,408

The Board of Directors and the CEO propose that the surplus be distributed as follows:		SEK
Payment of a cash dividend of SEK 4.50 per share to shareholders (6,788,974 shares)		30,550,383
To be carried forward		82,043,025
Total		112,593,408

Statement by the Board of Directors regarding the proposed dividend

Based on the proposed dividend, the equity/assets ratio is adequate as company and Group activities are still profitable. It is the opinion of the Board that the liquidity in the company and Group can be maintained at a satisfactory level.

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

Consolidated statements of comprehensive income

GROUP (SEK thousands)	Note	2015	2014 (recalculated)
Net revenue	4	1,052,605	993,780
Cost of goods sold	6, 7, 8	-809,024	-788,639
Gross profit		243,581	205,141
Other operating income	10	13,646	5,636
Selling expenses	6, 7, 8	-100,756	-93,284
Administrative expenses	6, 7, 8, 9	-48,432	-43,712
Other operating expenses	11	-12,062	-4,277
Operating profit	4, 5	95,977	69,504
Financial income and similar profit/loss items	12	5,315	3,808
Financial expenses and similar profit/loss items	13	-16,627	-17,307
Profit before tax		84,665	56,005
Tax	14	-19,322	-12,879
Net profit for continuing operations		65,343	43,126
Profit from discontinued/spin-off operations ^{1, 2)}	3	12,495	18,445
NET PROFIT FOR THE YEAR		77,838	61,571
<i>– of which attributable to shareholders of the Parent Company</i>		77,838	61,571
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to net profit for the year</i>			
Change in hedging reserve ³⁾	23, 27	2,751	-12,530
Tax relating to change in hedging reserve	23, 27	-605	2,757
Translation differences ⁴⁾	23	-2,024	14,775
OTHER COMPREHENSIVE INCOME		122	5,002
COMPREHENSIVE INCOME FOR THE YEAR		77,960	66,573
<i>– of which attributable to shareholders of the Parent Company</i>		77,960	66,573
SHARE DATA			
Basic earnings per share for continuing operations ⁵⁾	SEK 21, 22	9.60	6.35
Diluted earnings per share for continuing operations ⁵⁾	SEK 21, 22	9.00	6.10
Basic earnings per share for discontinued/spin-off operations ⁵⁾	SEK	1.85	2.70
Diluted earnings per share for discontinued/spin-off operations ⁵⁾	SEK	1.70	2.55
Basic earnings per share for the Group as a whole ⁵⁾	SEK 21, 22	11.45	9.05
Diluted earnings per share for the Group as a whole ⁵⁾	SEK 21, 22	10.70	8.65

¹⁾ Profit from discontinued operations refers to a capital gain made on the sale of shares in a property company, AB Grundstenen 150787, which was sold in April 2015 and constitutes non-recurring items totalling SEK 12 million (0). See specification in Note 3.

²⁾ Profit from spin-off operations refers to the Precision Components business unit (AGES). The business unit is included in the consolidated income up to and including 30 April 2014. See specification in Note 3.

³⁾ Refers to the effective component of the change in value of derivative instruments used for hedge accounting.

⁴⁾ 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.

⁵⁾ Based on net profit for the year. See specification in Note 3.

The comparison year has been recalculated in accordance with IAS 8.

Consolidated statements of financial position

GROUP (SEK thousands)	Note	31/12/2015	31/12/2014 (recalculated)	1/1/2014 (recalculated)
ASSETS				
Non-current assets				
<i>Intangible non-current assets</i>				
Goodwill	15	207,454	170,345	498,794
Other intangible non-current assets		16,029	6,930	8,790
		223,483	177,275	507,584
<i>Property, plant and equipment</i>				
Land and buildings	16	146,897	165,148	239,710
Plant and machinery	31	144,231	146,235	211,216
Equipment, tools, fixtures and fittings		18,644	20,523	20,905
Construction in progress and advance payments for property, plant and equipment		6,528	4,325	17,675
		316,300	336,231	489,506
<i>Other non-current assets</i>				
Non-current receivables		627	435	45
Deferred tax asset	27	2,761	4,694	6,293
		3,388	5,129	6,338
Total non-current assets		543,171	518,635	1,003,428
Current assets				
<i>Inventories</i>				
	17	159,531	136,459	232,525
<i>Current receivables</i>				
Accounts receivable – trade and other current assets	18, 19, 34	165,717	164,576	279,423
Derivative instruments	19	586	–	–
Prepaid expenses		8,176	7,226	10,494
		174,479	171,802	289,917
<i>Cash and cash equivalents</i>	19, 20	41,216	32,990	27,764
Total current assets		375,226	341,251	550,206
<i>Assets held for sale</i>		932	–	–
TOTAL ASSETS		919,329	859,886	1,553,634

The comparison year has been recalculated in accordance with IAS 8.

GROUP (SEK thousands)	Note	31/12/2015	31/12/2014 (recalculated)	1/1/2014 (recalculated)
EQUITY AND LIABILITIES				
Equity				
Share capital	22	34,645	34,645	34,645
Other contributed capital		17,759	17,759	20,259
Reserves	23	3,130	3,008	-1,987
Retained earnings		360,964	300,089	593,500
Total equity		416,498	355,501	646,417
<i>– of which attributable to shareholders of the Parent Company</i>		<i>416,498</i>	<i>355,501</i>	<i>646,417</i>
Liabilities				
<i>Non-current liabilities</i>				
Non-current interest-bearing liabilities	19, 25, 29, 31	144,079	214,645	353,969
Other provisions	26	2,921	3,029	2,704
Deferred tax liability	27	28,016	33,198	82,848
		175,016	250,872	439,521
<i>Current liabilities</i>				
Accounts payable – trade and other current liabilities	19, 28	182,880	132,090	224,273
Provisions	26	2,204	–	–
Derivative instruments	19	14,381	16,870	4,895
Current interest-bearing liabilities	19, 24, 25, 29, 31	114,935	103,866	223,302
Deferred income		37	272	11
Current tax liability		13,378	415	15,215
		327,815	253,513	467,696
Total liabilities		502,831	504,385	907,217
TOTAL EQUITY AND LIABILITIES		919,329	859,886	1,553,634
Pledged assets	29	382,503	358,765	
Contingent liabilities	30	2,407	2,889	

The comparison year has been recalculated in accordance with IAS 8.

Statement of changes in equity

GROUP		Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
(SEK thousands)	Note					
Equity, 1 January 2014 according to adopted balance sheet		34,645	20,259	-1,987	590,692	643,609
Effect of altered accounting policies	37	–	–	–	2,808	2,808
Equity, 1 January 2014		34,645	20,259	-1,987	593,500	646,417
Net profit for the year	37	–	–	–	61,571	61,571
Other comprehensive income		–	–	5,002	–	5,002
Comprehensive income for the year	37	–	–	5,002	61,571	66,573
Dividend paid in cash		–	–	–	-27,156	-27,156
Dividend paid by distribution of shares in subsidiary		–	-2,500	-7	-327,826	-330,333
Total transactions with shareholders		–	-2,500	-7	-354,982	-357,489
Equity, 31 December 2014		34,645	17,759	3,008	300,089	355,501
Effect of altered accounting policies		–	–	–	9	9
Net profit for the year		–	–	–	77,838	77,838
Other comprehensive income		–	–	122	–	122
Comprehensive income for the year		–	–	122	77,847	77,969
Dividend paid in cash		–	–	–	-16,972	-16,972
Total transactions with shareholders		–	–	–	-16,972	-16,972
Equity, 31 December 2015	22, 23	34,645	17,759	3,130	360,964	416,498
<i>– of which attributable to shareholders of the Parent Company</i>		<i>34,645</i>	<i>17,759</i>	<i>3,130</i>	<i>360,964</i>	<i>416,498</i>

Cash flow statements

GROUP (SEK thousands)	Note	2015	2014 (recalculated)
Operating activities			
Operating profit		108,472	96,076
<i>Adjustments for non-cash items etc.</i>			
Depreciation and amortisation		48,245	52,500
Capital gain from sale of non-current assets		-11,284	-593
Reversal of negative goodwill		-3,191	-
Write-down of inventories		1,410	1,964
Other		-229	-
Interest paid/received, net value	32	-11,004	-14,247
Income tax paid		-8,439	-25,077
Cash flow from operating activities before changes in working capital		123,980	110,623
Changes in working capital			
Increase (-) / decrease (+) in inventories		-24,055	8,005
Increase (-) / decrease (+) in current receivables		-198	-41,772
Increase (+) / decrease (-) in current liabilities		58,735	15,634
Cash flow from operating activities		158,462	92,490
Investing activities			
Purchase of intangible non-current assets		-271	-254
Purchase of property, plant and equipment ¹⁾		-20,550	-46,740
Sale of property, plant and equipment		1,897	1,748
Indirect investments through acquisition of subsidiaries/assets and liabilities	32, 33	-52,179	-39,610
Indirect investments through sale of subsidiaries/assets and liabilities	32, 33	12,504	-
Indirect investments through distribution of subsidiary	32	-	-1,127
Decrease in other non-current receivables		-	1,647
Cash flow from investing activities		-58,599	-84,336
Financing activities			
Dividend paid		-16,972	-27,156
Non-current liabilities ¹⁾			
Borrowings and lease liabilities	32	-	4,862
Repayment of debt and lease liabilities		-15,490	-30,198
Change in other provisions		-707	-1,789
Current interest-bearing liabilities			
Borrowings and lease liabilities	32	-	6,113
Repayment of debt and lease liabilities		-3,224	-475
Change in bank overdraft facilities		-54,101	41,071
Cash flow from financing activities		-90,494	-7,572
Cash flow for the year		9,369	582
Cash and cash equivalents at the beginning of the year		32,990	27,764
Exchange rate differences in cash and cash equivalents		-1,143	4,644
Cash and cash equivalents at the end of the year	20	41,216	32,990

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

The comparison year has been recalculated in accordance with IAS 8.

Notes

Note 1

General information

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

All amounts are reported in SEK thousands unless otherwise indicated.

Note 2

Accounting policies

This 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

From 2015 onwards, the Group is applying the percentage-of-completion method to project deliveries made to the packaging industry. The change of accounting principle has been occasioned by a review and altered interpretation of the customer contracts with the subsidiary company NPB Automation as well as the newly acquired Canline.

In other respects, applied accounting policies and valuation principles are unchanged compared with the previous year, with the exceptions due to new or revised standards, interpretations and improvements, which are applied from 1 January 2015 inclusive.

None of the changes and interpretations of existing standards applied from 2015 has had any effect on the Group's financial statements.

The new or revised standards with application from 2016 have not been applied in connection with the preparation of these financial statements. The application of these new standards is not considered to have a significant impact on the Group's financial performance or position.

The new or revised standards with application from 2017 or later, which could become relevant for XANO, i.e. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, have not been applied in connection with the preparation of these financial statements. IFRS 15 Revenue from Contracts with Customers regulates the manner in which revenue is recognised. The new standard is not expected to have any significant impact on the financial statements, but may affect revenue recognition for systems and integrated services such as installation and assembly services. XANO has not yet fully investigated the impact of IFRS 9 and IFRS 15.

Consolidated financial statements

General

The consolidated financial statements have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1.

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

The consolidated financial statements have been prepared in accordance with the acquisition method. This means that in the consolidated financial statements, shares in subsidiaries are replaced with the subsidiary's identifiable assets, liabilities and contingent liabilities, valued at fair value at the time of acquisition. The equity of the acquired subsidiary is eliminated in its entirety, which means that the consolidated equity includes only that portion of the subsidiary's equity which has accrued after the acquisition. If the consolidated acquisition value of the shares exceeds the acquisition analysis' value of the company's net assets, the difference is recognised as consolidated goodwill. If the consolidated acquisition value of the shares is instead lower than the value of the company's net assets, the difference is recognised directly in the profit/loss for the year. Only the profit or loss that has come about after acquisition is included in the consolidated income statement. The financial performance of divested companies is reported up to the date of sale.

Business combinations

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

Translation of foreign currencies

– Functional currency and presentation currency

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

– Foreign subsidiaries

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

- (i) Assets and liabilities for each of the balance sheets are translated at the exchange rate on the balance sheet date.
- (ii) Income and expenses for each of the income statements are translated at the average exchange rate.
- (iii) All translation differences that arise are recognised in other comprehensive income. In the case of the disposal of foreign operations, the total translation differences attributable to the foreign company are recognised as part of the capital gain/loss in the consolidated statement of comprehensive income.

Alteration of accounting policy

From 2015 onwards, the Group is applying the percentage-of-completion method to project deliveries made to the packaging industry. The change in accounting principle has been occasioned by an altered assessment of the nature of NPB Automation's customer agreement, which on review has been interpreted as satisfying the definition of a contract agreement. NPB designs and manufactures customised automation equipment on the basis of separately negotiated agreements. In addition, fundamental conditions are satisfied for the gradual application of revenue recognition, such that the size of project income and project expenses can be determined in a reliable manner, and such that the degree of processing can be determined in a way that is relevant with regard to the reliability requirement.

The effect of the change is expected to be more even reporting of turnover and profits, as income, expenses and profits refer to the period during which the work is carried out instead of recognition taking place on delivery. This method thereby provides more relevant information about the project operation's scope and results during a period. The comparison year has been recalculated in accordance with IAS 8. Previous periods have not been recalculated as it has been deemed impractical to establish the projects' percentage of completion. See also Note 37.

The newly acquired company Canline and its subsidiaries also apply IAS 11 for project deliveries.

Discontinued operations

In April 2015, all the shares in the property company AB Grundstenen 150787, which owns industrial land in Länna, Stockholm, were sold. The capital gain has been classified as profit from discontinued operations. As XANO has not conducted its own operations in the property, and the divestment constitutes part of the refinement of the business, the criteria for the classification are deemed to have been satisfied. The classification is in line with previous years' reporting in respect of the sale of properties in which the company has not conducted its own operations. The profit from ongoing property activities does not amount to a significant sum and therefore has not been reclassified.

The spinning off of the Precision Components business unit with the parent company AGES Industri AB was decided on and executed in 2014. Profit from the operating activities of spun-off entities is recognised as spin-off/discontinued operations. The business unit is included in the Group's results up to and including 30 April 2014.

The capital gain from the divestment and the profit from the operating activities of spun-off entities is recognised under the separate item "Profit from spin-off/discontinued operations" in the consolidated statement of comprehensive income. Earnings per share are recognised from continuing operations and spin-off/discontinued operations, as well as for the Group as a whole.

The spin-off of Precision Components has been valued at the business unit's consolidated book value as at 30 April 2014 and has reduced the Group's equity by the corresponding amount. As the same parties ultimately have the controlling interest before and after the value transfer/spin-off, valuation of fair value in accordance with IFRIC 17 is not applicable. The spun-off entity's consolidated financial statements have been prepared in accordance with IFRS and are thereby deemed to provide a true and fair view of the entity's financial position. The valuation means that recognised equity in the spun-off company corresponds to the value of this entity recognised in XANO, which provides a clear picture for the shareholders, who are unchanged in the companies immediately after the spin-off. As the spun-off entity's value is not revalued, the spin-off has no impact on XANO's profit and result measurements. The use of the consolidated book value has therefore been deemed to provide a true and fair view of XANO's financial position and profits.

Income and percentage of completion

The Group supplies products and systems with associated services. The sale of products/systems is recognised, with the exception of project deliveries to the packaging industry, on delivery to customers in accordance with the sales conditions. The risks and benefits associated with the sale of goods normally transfer to the customer upon delivery. Income from services is recognised in the period in which the service is carried out. Discounts have been deducted from the net sales.

The Group applies the percentage-of-completion method to project deliveries made to the packaging industry. For these projects, income and expenses are recognised on the basis of the percentage of completion on the balance sheet date, when the company can reliably calculate the financial outcome of the assignment. The percentage of completion

is based on expenditure incurred in relation to estimated total expenditure. For projects that are difficult to forecast, income is recognised at a corresponding amount to the processed cost, i.e. profit is recognised at SEK 0 pending the implementation of profit determination. Reservation is made for losses as soon as these are known. The balance sheet items, receivables from customers and liabilities to customers, are reported net as either an asset or liability for each project, see further information in Note 4.

Pensions

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

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

Taxes

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

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

When a legal right of offset exists, the receivable or liability is reported at net value.

Non-current assets

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

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

Intangible non-current assets

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

Impairment tests for goodwill are performed every year. The Group's goodwill is divided between the Group's cash-generating units. Recoverable amounts for a cash-generating unit are determined based on calculations of values in use. These calculations are based on the Group's annual forecasting process, in which the forecast is determined by the Board of Directors, where future cash flows for the existing business are forecasted for the current year and the coming four-year period. The cash flow beyond the five-year period is extrapolated. XANO uses a current weighted capital cost for discounting estimated future cash flows. Discounted flows are compared with the carrying amount.

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 non-current assets	3–10 years
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Property, plant and equipment

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

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

Inventories

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

Cash and cash equivalents

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

Financial assets and liabilities

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

Loan receivables and accounts receivable are valued at their accrued acquisition value. Impairment testing is carried out on an ongoing basis for these assets. Testing takes place individually and takes factors such as the financial difficulties of the debtor into account.

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

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

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

XANO uses currency derivatives to hedge sales in a currency other than the relevant entity's functional currency. These contracts are valued at their fair value in the balance sheet. Valuation of the derivatives is based on observable data such as fixing rates and swap rates for the currency in question. The change in value is recognised in other comprehensive income until the hedged flow is entered in the income statement and for as long as the criteria for hedge accounting and efficiency are satisfied. When the hedged flow meets the income statement, the change in value is recognised as net sales in relation to the way the hedged flow has been recognised as income, and in addition as exchange rate differences in the profit for the year.

XANO uses borrowings in foreign currency to hedge net investments in foreign enterprises. The component of profit or loss which is deemed to constitute an effective hedge is reported as other comprehensive income. The profit or loss that is attributable to the inefficient part is recognised 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, these are reported partly as a financial liability and partly as an equity instrument.

Receivables and liabilities in foreign currency have been translated to the functional currency at the balance sheet date rate in accordance with IAS. Translation differences for receivables and liabilities are reported under operating profit, while translation differences attributable to loan 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 are expected to be settled 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 more probable than not that an outflow of resources is required in order to settle the commitment and a reliable assessment of the amount can be made. The amounts are assessed on an ongoing basis based on both historical experience and reasonable future expectations. XANO's operation includes products covered by a guarantee that is normally limited to between 12 and 24 months. The Group's provisions mainly refer to guarantee and complaint commitments and pensions.

Lease contracts

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

Cash flow

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

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

Segments

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

Important assessments and estimates

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

Revenue recognition

The Group applies the percentage-of-completion method to project deliveries made to the packaging industry. For these projects, income and expenses are recognised on the basis of the percentage of completion on the balance sheet date, when the company can reliably calculate the financial result of the assignment. This method means that assessments must be performed of the projects' total expenditure, and changes to this expenditure entail that the profit for future periods will be affected. It is particularly difficult to assess the profit at the start of projects and for projects that are technically complicated.

In addition, it is necessary to assess whether the conditions are satisfied in order for the project deliveries to be recognised as contract agreements rather than as the sale of goods.

Recognised income based on the gradual application of revenue recognition amounts to SEK 72 million (20). See also Note 4.

Impairment tests for goodwill

Every year, or when there is an indication that an asset has fallen in value, the Group performs impairment tests for goodwill. The recoverable amount is determined by calculating the value in use. Certain estimates must be made for these calculations. The Group's reported goodwill amounts to SEK 207 million (170). See Note 15.

Provisions

Provisions are defined as liabilities that are uncertain in terms of the date of settlement or the amount. This means that estimates are always made when provisions are reported. Liabilities in respect of guarantee commitments are based primarily on historical experience. For complaints, the amounts that are expected to be paid out are reserved. The Group's reported other provisions amount to SEK 2.9 million (3.0).

Deferred tax assets and liabilities

Assessments are made to determine current and deferred tax items, particularly with regard to deferred tax assets. In this manner, it is assessed how probable it is that the deferred tax assets will be used for settlement against future profits. The fair value of these future taxable profits may deviate due to the future business climate and earnings potential or changes to tax regulations. The Group's reported deferred tax assets amount to SEK 2.8 million (4.7). See Note 27.

Derivative instruments

The Group holds derivatives that are measured at their fair value. Their valuation is based on estimates and comprises the market value that fluctuates over time. In addition to this, the accounting may be affected if the criteria for hedge accounting and effectiveness are not met. As of 31 December 2015, the Group's reported assets with regard to derivative instruments amount to SEK 0.6 million (0.0) and liabilities with regard to derivative instruments to SEK 14.4 million (16.9).

Costs for closing down production

During 2015, the decision has been taken to close down production in Ornplast, Poland, and to move this to Cipax Eesti, Estonia. The closing down procedure commenced in December 2015. Closing down costs of SEK 3.8 million have been recognised in the financial statements, relating to personnel, the relocation of machinery, scrapping, etc. No further costs are expected to arise during 2016.

Note 3

Profit from discontinued/spin-off operations

	Continuing operations		Profit from discontinued operations ¹⁾		Profit from spin-off operations ²⁾		Internal revenue		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net revenue	1,052,605	993,780	–	–	–	245,394	–	-597	1,052,605	1,238,577
Cost of goods sold	-809,024	-788,639	–	–	–	-202,432	–	590	-809,024	-990,481
Gross profit/loss	243,581	205,141	–	–	–	42,962	–	-7	243,581	248,096
Other operating income ³⁾	13,646	5,636	12,495	–	–	393	–	–	26,141	6,029
Selling expenses	-100,756	-93,284	–	–	–	-10,500	–	3	-100,756	-103,781
Administrative expenses	-48,432	-43,712	–	–	–	-6,095	–	4	-48,432	-49,803
Other operating expenses ⁴⁾	-12,062	-4,277	–	–	–	-188	–	–	-12,062	-4,465
Operating profit	95,977	69,504	12,495	–	–	26,572	–	0	108,472	96,076
Financial items	-11,312	-13,499	–	–	–	-2,618	–	–	-11,312	-16,117
Profit after financial items	84,665	56,005	12,495	–	–	23,954	–	0	97,160	79,959
Tax	-19,322	-12,879	–	–	–	-5,509	–	–	-19,322	-18,388
NET PROFIT FOR THE YEAR	65,343	43,126	12,495	–	–	18,445	–	0	77,838	61,571
– of which attributable to shareholders of the Parent Company	65,343	43,126	12,495	–	–	18,445	–	–	77,838	61,571
Basic earnings per share, SEK ⁵⁾	9.62	6.35	1.84	–	–	2.72	–	–	11.46	9.07
Diluted earnings per share, SEK ⁵⁾	9.02	6.11	1.69	–	–	2.54	–	–	10.71	8.65

¹⁾ Profit from discontinued operations refers to a capital gain made on the sale of shares in a property company, AB Grundstenen 150787, which was sold in April 2015. The purchase sum, which was paid in cash, amounted to SEK 13 million and was based on an agreed property value of SEK 22 million. The sale resulted in a capital gain of SEK 12 million. The profit from operating property activities does not amount to a significant sum and therefore has not been taken into account.

²⁾ Profit from spin-off operations refers to the Precision Components business unit (AGES). The business unit was consolidated up to and including 30 April 2014. The spin-off has been valued at the business unit's consolidated carrying amount as at 30 April 2014, totalling SEK 330 million, and has reduced the Group's equity by the corresponding amount. Revaluation at fair value according to IFRIC 17 is not applicable as the same parties have the controlling influence before and after the spin-off. The fair value at the time the spin-off occurred is estimated to be SEK 950 million, based on the closing price for the spun-off subsidiary company AGES Industri AB at the time of its listing on the First North exchange on 16 May 2014.

³⁾ Other operating income includes non-recurring items relating to the reversal of negative goodwill by SEK 3 million (0) for continuing operations.

⁴⁾ Other operating expenses include non-recurring items relating to costs for closing down production of SEK -4 million (0) for continuing operations.

⁵⁾ Based on net profit for the year.

Note 4

Segment reporting etc.

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Solutions, Precision Technology and Rotational Moulding. The operations within each segment are described on pages 46-47. The segments are reported in accordance with the same accounting policies as the Group. Undistributed items mainly refer to the Parent Company. In 2014, the Precision Components segment was separated from the Group by means of a spin-off.

Net sales by segment

	2015				2014			
	External	Internal	Total	of which customer-specific products and systems ¹⁾	External	Internal	Total	of which customer-specific products and systems ¹⁾
Industrial Solutions	645,422	267	645,689	59%	600,541	180	600,721	69%
Precision Technology	210,257	2,563	212,820	98%	194,166	1,634	195,800	97%
Rotational Moulding	196,926	9	196,935	54%	199,073	9	199,082	55%
Eliminations	–	-2,839	-2,839	–	–	-1,823	-1,823	–
Continuing operations	1,052,605	0	1,052,605	65%	993,780	0	993,780	72%
Discontinued/spin-off operations	–	–	–	–	–	–	245,394	–
Eliminations	–	–	–	–	–	–	-597	–
Group total			1,052,605				1,238,577	

¹⁾ Products and systems with associated services are sold both as customer-specific and proprietary products. The Group's income mainly derives from the sale of goods.

Market conditions are applied to transactions between the segments.

XANO has one major customer which generates revenue accounting for more than 10 per cent of the Group's total revenue. Income from this customer amounted to SEK 173 million (214) during 2015, mainly reported through the Industrial Solutions segment.

Construction contracts and percentage of completion

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

	2015	2014
Assignment income that has been recognised as revenue	71,875	20,000
Assignment expenditure that have been recognised as expenses	-54,211	-15,500
Reported profit	17,664	4,500
Advance payments received	136,063	26,000
Receivables from customers	25,968	13,000
Liabilities to customers	42,987	0

Profit/loss items by segment

	2015			2014		
	Intra-Group reported profit before tax	Distribution of Group-wide costs and group contribution	Profit before tax	Intra-Group reported profit before tax	Distribution of Group-wide costs	Profit before tax
Industrial Solutions	71,749	-59,045	12,704	49,633	-2,916	46,717
Precision Technology	25,011	-27,083	-2,072	14,805	-2,284	12,521
Rotational Moulding	7,894 ¹⁾	-9,381	-1,487 ¹⁾	14,226	-2,268	11,958
Undistributed items	-19,989 ²⁾	95,509	75,520 ²⁾	-22,659	7,468	-15,191
Continuing operations	84,665	0	84,665	56,005	0	56,005
Discontinued/spin-off operations	12,495 ³⁾	–	12,495 ³⁾	23,954	–	23,954
Group total	97,160	0	97,160	79,959	0	79,959

¹⁾ Including non-recurring items totalling SEK -3,813 thousand attributable to closing down production in Poland.

²⁾ Including non-recurring items totalling SEK 3,191 thousand attributable to the reversal of negative goodwill.

³⁾ Including non-recurring items totalling SEK 12,495 thousand attributable to the capital gain from the sale of the property company AB Grundstenen 150787.

	2015				2014			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Solutions	549	-3,114	-2,555	-23,132	583	-4,254	-11,017	-19,427
Precision Technology	122	-1,776	569	-17,021	173	-2,690	-2,901	-16,207
Rotational Moulding	518	-1,831	-1,096	-7,387	597	-2,581	-1,864	-7,181
Undistributed items	-588	-5,941	-16,240	-705	-674	-3,707	2,903	-788
Continuing operations	601	-12,662	-19,322	-48,245	679	-13,232	-12,879	-43,603
Discontinued/spin-off operations	–	–	–	–	481	-3,097	-5,509	-8,897
Eliminations	–	–	–	–	-864	864	–	–
Group total	601	-12,662	-19,322	-48,245	296	-15,465	-18,388	-52,500

Assets and liabilities by segment

	2015				2014			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Solutions	486,578 ¹⁾	132,826	71,352	7,570	412,068 ¹⁾	81,917	12,392	6,136
Precision Technology	264,429	47,349	12,811	13,327	266,659	44,503	26,789	13,897
Rotational Moulding	155,362 ²⁾	26,680	3,962	922	162,798 ²⁾	25,163	8,914	1,431
Undistributed items	12,960	36,962	921	6,197	18,361	34,291	620	11,734
Continuing operations	919,329	243,817	89,046	28,016	859,886	185,874	48,715	33,198
Discontinued/spin-off operations	–	–	-8,860	–	–	–	-485,799 ³⁾	–
Group total	919,329	243,817	80,186	28,016	859,886	185,874	-437,084	33,198

¹⁾ Including deferred tax assets totalling SEK 100 thousand (0).

²⁾ Including deferred tax assets totalling SEK 2,661 thousand (4,694).

³⁾ Including distributed non-current assets amounting to SEK 535,426 thousand.

Assets by segment refer to all assets. Liabilities by segment consist of operating liabilities excluding interest-bearing liabilities. Investments consist of purchases and sales of property, plant and equipment as well as intangible non-current assets, including increases and reductions resulting from the acquisition and disposal of subsidiaries. In 2015, the Precision Technology and Industrial Solutions segments have boosted their total operating assets, such as inventories and accounts receivable, while corresponding items have been reduced within the Rotational Moulding segment. Investments in non-current assets were made mainly within the Industrial Solutions segment.

Sales by geographic market

	2015		2014	
	Value	%	Value	%
Sweden	557,227	53%	585,856	59%
Poland	88,649	8%	43,066	4%
Norway	72,909	7%	71,502	7%
North America	50,349	5%	26,458	3%
Germany	46,367	4%	32,350	3%
China	42,646	4%	43,843	5%
Rest of Europe	133,144	13%	160,770	16%
Other	61,314	6%	29,935	3%
Continuing operations	1,052,605	100%	993,780	100%

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

Assets by geographic market

	2015		2014	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	390,465	20,403	404,238	-448,989
Netherlands	52,225	52,944	–	–
Estonia	38,852	6,032	38,278	-254
Norway	38,277	3,285	44,270	2,785
China	19,955	1,952	23,299	3,117
Other	3,397	-4,430	8,550	6,257
Group total	543,171	80,186	518,635	-437,084

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

Note 5

Employees and personnel costs

Average no. of employees	2015	of which men	2014	of which men
Sweden	415	85%	456	85%
China	80	80%	84	81%
Estonia	67	91%	67	93%
Norway	40	93%	43	93%
Poland	27	81%	21	71%
Netherlands	22	95%	–	–
United States	5	80%	–	–
Finland	4	75%	4	75%
Continuing operations	660	86%	675	85%
<i>Spin-off operations</i>				
Sweden	–	–	117	84%
China/Hong Kong	–	–	1	75%
Group total	660	86%	793	85%

Proportion of men amongst Board members and senior executives	2015	2014
<i>Parent Company</i>		
Board members	83%	86%
Senior executives	50%	50%
<i>Operating subsidiaries</i>		
Board members	71%	67%
Senior executives	70%	70%

Salaries, other remuneration and social security costs	2015	2014
Salaries and remuneration	222,157	214,967
Social security costs	84,391	79,738
(of which pension costs ^{1, 2, 3, 4)})	(21,119)	(18,807)
Continuing operations	306,548	294,705

¹⁾ Of the Group's pension costs, SEK 4,419 thousand (4,042) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

²⁾ The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 5,173 thousand (5,382). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2015, Alecta's surplus in the form of the collective insurance level amounted to 153 per cent (143). The fee for the coming year is estimated to be on a par with that charged for 2015.

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

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

Salaries, other remuneration and social security costs	2015	2014
Salaries and remuneration	222,157	257,051
Social security costs	84,391	95,673
(of which pension costs ^{1, 2)})	(21,119)	(21,818)
Group total	306,548	352,724

¹⁾ Of the Group's pension costs, SEK 4,419 thousand (4,510) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

²⁾ The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 5,173 thousand (5,957).

Breakdown of salaries and other remuneration	2015		2014	
	Board and MD	Other employees	Board and MD	Other employees
Sweden (of which bonuses)	15,774 (1,588)	149,730	15,511 (283)	158,640
Norway (of which bonuses)	1,027 (95)	16,633	990 (111)	15,988
China (of which bonuses)	1,479 (-121)	11,290	1,386 (200)	10,157
Netherlands (of which bonuses)	0 (0)	10,086	– (–)	–
Estonia (of which bonuses)	374 (–)	7,654	346 (–)	7,113
Poland (of which bonuses)	783 (–)	3,463	613 (76)	2,512
Finland (of which bonuses)	– (–)	1,806	– (–)	1,711
United States (of which bonuses)	574 (135)	1,484	– (–)	–
Continuing operations (of which bonuses)	20,011 (1,697)	202,146	18,846 (670)	196,121
<i>Spin-off operations</i>				
Sweden (of which bonuses)	– (–)	–	1,561 (–)	40,000
China/Hong Kong (of which bonuses)	– (–)	–	379 (–)	144
Group total (of which bonuses)	20,011 (1,697)	202,146	20,786 (670)	236,265

Remuneration for Board members and senior executives

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

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension premiums. "Other senior executives" refers to the CFO who, together with the CEO, makes up the Group management. In the first half of 2014, the deputy CEO was also included in other senior executives and Group management. The division between basic salary and variable remuneration is determined in proportion to the responsibilities and authority of the executive in question. The variable remuneration is based on results in relation to individually set targets.

The AGM decided that the Board's fee of SEK 1,360 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 110 thousand payable to each of the other ordinary Board members for the period up to and including the next annual general meeting. The AGM further decided that remuneration for tasks undertaken in the remuneration committee should amount to SEK 20 thousand per person and remuneration for tasks undertaken in the audit committee should amount to SEK 30 thousand per person. During 2015, SEK 130 thousand was carried as an expense for these tasks. Board member Sune Lantz has provided assistance within his normal professional area of expertise and has received a fee of SEK 420 thousand for these services.

During the period 1 January to 30 June 2014, the Group management consisted of CEO Sune Lantz, Deputy CEO Lennart Persson and CFO Marie Ek Jonson. Sune Lantz stood down on 1 July 2014 and the Group management hereafter consists of CEO Lennart Persson and CFO Marie Ek Jonson. The former CEO, Sune Lantz, received salary and car benefits totalling SEK 0 thousand (1,226). As CEO, Lennart Persson received salary and car benefits totalling SEK 3,260 thousand (1,449), of which SEK 630 thousand (0) constitutes variable remuneration. The comparative figures comprise 6 months. Other senior executives received salary and car benefits totalling SEK 1,035 thousand (2,040).

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 30 per cent (30) of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 26 per cent (24) of the pensionable salary. "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs including salary sacrifice for the current CEO amounted to SEK 1,053 thousand (433) and to SEK 0 thousand (429) for the previous CEO. The comparative figures comprise 6 months. Pension costs including salary sacrifice for other senior executives amounted to SEK 336 thousand (547).

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

Note 6

Expenses by nature

Continuing operations	2015	2014
Material costs	-442,350	-438,182
Personnel costs	-329,172	-310,789
Depreciation	-48,245	-43,030
Other external costs	-138,445	-133,634
	-958,212	-925,635

Note 7

Personnel costs

Personnel costs by function	2015	2014
Cost of goods sold	-242,923	-231,756
Selling expenses	-52,945	-49,649
Administrative expenses	-33,304	-29,384
Spin-off operations	-	-66,829
	-329,172	-377,618

Note 8

Depreciation

Depreciation by function	2015	2014
Cost of goods sold	-42,482	-37,394
Selling expenses	-4,770	-4,676
Administrative expenses	-993	-960
Other operating expenses	-	-573
Spin-off operations	-	-8,897
	-48,245	-52,500

Depreciation by class of asset	2015	2014
Other intangible non-current assets	-3,161	-2,215
Land and buildings	-8,418	-9,270
Plant and machinery	-29,570	-33,958
Equipment, tools, fixtures and fittings	-7,096	-7,057
	-48,245	-52,500

Note 9

Auditors' remuneration

Continuing operations	2015	2014
<i>Ernst & Young</i>		
Audit assignment	-912	-1,004
Audit activities other than audit assignment	-42	-223
Tax consultancy services	-79	-83
Other services	-39	-28
	-1,072	-1,338
<i>Other auditors</i>		
Audit assignment	-272	-206
Other services	-19	-
	-291	-206
Total	-1,363	-1,544

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

Note 10

Other operating income

Continuing operations	2015	2014
Rental income	2,229	999
Exchange gains on operating receivables/liabilities	6,138	3,254
Other	5,279	1,383
	13,646	5,636

Note 11

Other operating expenses

Continuing operations	2015	2014
Cost of leased premises/personnel	-2,215	-943
Exchange losses on operating receivables/liabilities	-5,324	-2,709
Other	-4,523	-625
	-12,062	-4,277

Note 12

Financial income

Continuing operations	2015	2014
Interest income	601	679
Exchange gains on financial assets/liabilities	4,714	3,129
	5,315	3,808

Note 13

Financial costs

Continuing operations	2015	2014
Interest expenses	-12,662	-13,232
Exchange losses on financial assets/liabilities	-3,965	-4,075
	-16,627	-17,307

Note 14

Tax on profit for the year

Continuing operations	2015	2014
Current tax	-20,238	-12,675
Deferred tax	916	-204
	-19,322	-12,879
Group total	2015	2014
Current tax	-20,238	-18,649
Deferred tax	916	261
	-19,322	-18,388

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

Continuing operations	2015		2014	
Reported profit before tax	84,665		56,005	
Tax according to Swedish income tax rate	-18,626	22%	-12,321	22%
<i>Tax effect of</i>				
– consolidated amortisation of surplus values	-6	0%	-6	0%
– deviation in tax rate in non-Swedish companies	-1,163	2%	453	-1%
Reversal of negative goodwill	702	-1%	–	–
Adjustment of current tax for previous periods	0	0%	-13	0%
Other tax-related adjustments	-229	0%	-992	2%
Reported tax	-19,322	23%	-12,879	23%

Note 15

Intangible non-current assets

Goodwill

Accumulated acquisition values	2015	2014
Opening balance	172,071	500,520
Acquisition of subsidiaries	39,109	22,996
Distribution of subsidiary	–	-351,560
Translation differences for the year	-1,989	115
Closing balance	209,191	172,071

Accumulated amortisation	2015	2014
Opening balance	-1,624	-1,624
Translation differences for the year	-11	–
Closing balance	-1,635	-1,624

Accumulated impairment costs	2015	2014
Opening balance	-102	-102
Closing balance	-102	-102

Closing residual value	2015	2014
	207,454	170,345

Goodwill is distributed between the Group's cash-generating units, which consist of segments. Estimates of the recoverable amounts include assumptions regarding growth, income trends and investments, including investments in working capital. Assumed growth, depending on the segment, amounts to 2–4 per cent (3–5) for the forecast period and thereafter staying at 3 per cent (3). For Industrial Solutions, assumed growth for 2016 amounts to 12 per cent, mainly as a result of the newly acquired operation Canline being part of the business unit for 12 months. Assumed operating margins amount to 10–13 per cent (10–13) 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.¹⁾ Investment amounts are based on forecasts and subsequently judged to stay at the same level as depreciation.

Every year, the Group performs impairment tests for goodwill. A discount rate²⁾ (WACC) of 10.9 per cent (10.8) before tax was used for this year's test. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the sustained growth rate was set at 0 percentage points, the operating margin was reduced by 2 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.

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

²⁾ The discount rate consists of a risk-adjusted return requirement, which in addition to risk-free interest, includes a risk premium based on the average market risk premium on the Swedish equity market with a premium supplement based on the size of the company and the company's costs for borrowed capital, adjusted for the gearing ratio derived from market data.

Goodwill by segment	2015	2014
Industrial Solutions	108,172	69,065
Precision Technology	75,945	75,945
Rotational Moulding	23,337	25,335
	207,454	170,345

Other intangible non-current assets

Accumulated acquisition values	2015	2014
Opening balance	22,394	21,941
New acquisitions	278	254
Acquisitions of subsidiaries	12,000	–
Divestments and disposals	–	-2
Translation differences for the year	-272	201
Closing balance	34,400	22,394

Accumulated scheduled amortisation	2015	2014
Opening balance	-15,464	-13,151
Divestments and disposals	-7	-6
Amortisation according to plan for the year	-3,161	-2,215
Translation differences for the year	261	-92
Closing balance	-18,371	-15,464

Closing residual value according to plan ¹⁾	2015	2014
	16,029	6,930
	Remaining amortisation period, years	
¹⁾ of which		
Trademarks	1	243
Patents	1	121
Capitalised expenditure for research and development	8	14,931
Other	2	734

Note 16

Property, plant and equipment

From 2015, additional assets resulting from the acquisition of subsidiary companies are recognised as net amounts under accumulated acquisition values.

Land and buildings

Accumulated acquisition values	2015	2014
Opening balance	263,429	389,552
New acquisitions	714	1,513
Acquisition of subsidiaries	–	8,108
Divestment/distribution of subsidiary	-8,860	-140,182
Divestments and disposals	-180	-92
Reclassifications	339	1,424
Translation differences for the year	-2,524	3,106
Closing balance	252,918	263,429

Accumulated scheduled depreciation	2015	2014
Opening balance	-98,281	-146,764
Acquisition of subsidiaries	–	-3,801
Distribution of subsidiary	–	62,629
Divestments and disposals	109	60
Depreciation according to plan for the year	-8,418	-9,270
Translation differences for the year	569	-1,135
Closing balance	-106,021	-98,281

Accumulated impairment losses	2015	2014
Opening balance	0	-3,078
Distribution of subsidiary	–	3,078
Closing balance	0	0

Closing residual value according to plan ¹⁾	2015	2014
^{1) of which land}	14,182	23,217

Plant and machinery

Accumulated acquisition values	2015	2014
Opening balance	440,677	943,375
New acquisitions	28,022	47,730
Acquisition of subsidiaries	604	22,023
Distribution of subsidiary	–	-562,966
Divestments and disposals	-15,877	-22,911
Reclassifications	1,909	7,507
Translation differences for the year	-5,040	5,919
Closing balance	450,295	440,677

Accumulated scheduled depreciation	2015	2014
Opening balance	-294,442	-732,159
Acquisition of subsidiaries	–	-19,655
Distribution of subsidiary	–	474,363
Divestments and disposals	12,037	19,760
Reclassifications	1,146	-239
Depreciation according to plan for the year	-29,570	-33,958
Translation differences for the year	4,765	-2,554
Closing balance	-306,064	-294,442

Closing residual value according to plan	2015	2014
	144,231	146,235

Equipment, tools, fixtures and fittings

Accumulated acquisition values	2015	2014
Opening balance	94,470	110,976
New acquisitions	5,559	7,400
Acquisition of subsidiaries	1,282	3,317
Distribution of subsidiary	–	-26,495
Divestments and disposals	-6,562	-4,469
Reclassifications	-62	2,739
Translation differences for the year	-2,730	1,002
Closing balance	91,957	94,470

Accumulated scheduled depreciation	2015	2014
Opening balance	-73,947	-90,071
Acquisition of subsidiaries	–	-3,017
Distribution of subsidiary	–	22,272
Divestments and disposals	5,287	4,296
Reclassifications	-33	239
Depreciation according to plan for the year	-7,096	-7,057
Translation differences for the year	2,476	-609
Closing balance	-73,313	-73,947

Closing residual value according to plan	2015	2014
	18,644	20,523

Construction in progress

Accumulated acquisition values	2015	2014
Opening balance	4,325	17,675
New acquisitions/advance payments	6,671	14,088
Distribution of subsidiary	–	-15,805
Reclassifications	-4,254	-11,670
Translation differences for the year	-214	37
Closing balance	6,528	4,325

Note 17

Inventories

	2015	2014
Raw material and consumables	61,773	57,212
Work in process	37,284	63,590
Finished products and goods for resale	48,745	43,330
Advance payments to suppliers	11,729	2,337
	159,531	166,459

Write-downs totalling SEK 1,410 thousand (1,964) have been made. Total expenditure for goods reported as costs amounts to SEK 442,350 thousand (438,182).

Note 18

Accounts receivable and other receivables

	2015	2014
Accounts receivable	122,490	128,151
Tax asset	97	15,315
Other receivables	15,222	6,455
Accrued income	1,940	1,655
Receivables from customers	25,968	13,000
	165,717	164,576

Note 19

Financial assets and liabilities

Distribution by category

2015	Financial assets measured at fair value through profit and loss	Loan and accounts receivable	Financial liabilities measured at fair value through profit and loss	Other financial liabilities	Total carrying amount	Fair value ¹⁾
<i>Financial assets</i>						
Accounts receivable ²⁾	–	122,490			122,490	122,490
Derivative instruments ³⁾	586	–			586	586
Cash and cash equivalents	–	41,216			41,216	41,216
Total financial assets	586	163,706			164,292	
<i>Financial liabilities</i>						
Borrowings			–	35,817	35,817	35,817
Lease liabilities ⁴⁾			–	69,019	69,019	–
Convertible loan			–	29,751	29,751	30,000
Promissory note loan			–	100,000	100,000	100,000
Bank overdraft facilities			–	24,427	24,427	24,427
Total interest-bearing liabilities			–	259,014	259,014	
Accounts payable			–	66,317	66,317	66,317
Derivative instruments ⁵⁾			14,381	–	14,381	14,381
Total financial liabilities			14,381	325,331	339,712	
2014						
	Financial assets measured at fair value through profit and loss	Loan and accounts receivable	Financial liabilities measured at fair value through profit and loss	Other financial liabilities	Total carrying amount	Fair value ¹⁾
<i>Financial assets</i>						
Accounts receivable ²⁾	–	128,151			128,151	128,151
Cash and cash equivalents	–	32,990			32,990	32,990
Total financial assets	–	161,141			161,141	
<i>Financial liabilities</i>						
Borrowings			–	42,324	42,324	42,324
Lease liabilities			–	63,499	63,499	–
Convertible loan			–	29,247	29,247	30,000
Promissory note loan			–	100,000	100,000	100,000
Bank overdraft facilities			–	83,441	83,441	83,441
Total interest-bearing liabilities			–	318,511	318,511	
Accounts payable			–	62,631	62,631	62,631
Derivative instruments ⁵⁾			16,870	–	16,870	16,870
Total financial liabilities			16,870	381,142	398,012	

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

²⁾ Losses reported on accounts receivable for the year amount to SEK -582 thousand (59), of which SEK -219 thousand (27) constitutes actual losses. Required write-downs of outstanding receivables have been carried out at SEK 940 thousand (326).

³⁾ The derivative instruments constitute currency swaps that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK 586 thousand (0) excluding tax. The item is effectively hedged and is reported in net profit for the year.

⁴⁾ For details on financial lease contracts, see Note 31.

⁵⁾ The derivative instruments constitute interest rate swaps that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK 2,751 thousand (-12,530) excluding tax. The item is effectively hedged and is reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

Age analysis

Financial assets as of 31/12/2015	Maturity			Total
	< 30 days	31–90 days	91–360 days	
Accounts receivable	89,225 ¹⁾	31,357	1,908	122,490
Derivative instruments	–	586	–	586
Cash and cash equivalents	41,216	–	–	41,216
Total financial assets	130,441	31,943	1,908	164,292

Financial assets as of 31/12/2014	Maturity			Total
	< 30 days	31–90 days	91–360 days	
Accounts receivable	94,321 ¹⁾	27,100	6,730	128,151
Cash and cash equivalents	32,990	–	–	32,990
Total financial assets	127,311	27,100	6,730	161,141

Financial liabilities as of 31/12/2015	Maturity						Total
	< 30 days	31–90 days	91–360 days	Total within 1 year	Between 1 and 5 years	After 5 years	
Borrowings and lease liabilities	1,314	2,945	13,248	17,507	74,784	12,545	104,836
Convertible loan	–	–	29,751	29,751	–	–	29,751
Promissory note loan ²⁾	43,250	–	–	43,250	56,750	–	100,000
Bank overdraft facilities	–	–	24,427	24,427	–	–	24,427
<i>Total interest-bearing liabilities</i>	<i>44,564</i>	<i>2,945</i>	<i>67,426</i>	<i>114,935</i>	<i>131,534</i>	<i>12,545</i>	<i>259,014</i>
Accounts payable	51,892	10,930	3,495	66,317	–	–	66,317
Derivative instruments	1,128	–	13,253	14,381	–	–	14,381
Total financial liabilities	97,584	13,875	84,174	195,633	131,534	12,545	339,712
<i>Value of non-discounted cash flows ³⁾</i>				<i>196,797</i>	<i>140,409</i>	<i>14,218</i>	<i>351,424</i>

Financial liabilities as of 31/12/2014	Maturity						Total
	< 30 days	31–90 days	91–360 days	Total within 1 year	Between 1 and 5 years	After 5 years	
Borrowings and lease liabilities	1,286	4,118	15,021	20,425	71,598	13,800	105,823
Convertible loan	–	–	–	–	29,247	–	29,247
Promissory note loan	–	–	–	–	100,000	–	100,000
Bank overdraft facilities	–	–	83,441	83,441	–	–	83,441
<i>Total interest-bearing liabilities</i>	<i>1,286</i>	<i>4,118</i>	<i>98,462</i>	<i>103,866</i>	<i>200,845</i>	<i>13,800</i>	<i>318,511</i>
Accounts payable	50,757	11,698	176	62,631	–	–	62,631
Derivative instruments	866	–	16,004	16,870	–	–	16,870
Total financial liabilities	52,909	15,816	114,642	183,367	200,845	13,800	398,012
<i>Value of non-discounted cash flows ³⁾</i>				<i>183,926</i>	<i>217,968</i>	<i>15,977</i>	<i>417,871</i>

¹⁾ Of reported accounts receivable, the overdue amount totals SEK 19,522 thousand (19,340), see Note 34.

²⁾ SEK 43,250 thousand was repaid in January 2016. The outstanding amount, SEK 56,750 thousand, falls due in 2017.

³⁾ Includes estimated future interest payments.

With regard to fixed interest rate periods and interest rate risks as well as credit risks, see Note 34.

Distribution by currency

	Financial assets		Financial liabilities			
	31/12/2015	31/12/2014	Non-current		Current	
			31/12/2015	31/12/2014	31/12/2015	31/12/2014
SEK	79,549	82,279	129,165	196,357	137,820	116,506
USD	30,096	17,409	–	649	2,731	-9,329
EUR	35,493	17,612	14,914	15,536	17,805	20,348
NOK	4,126	7,042	–	2,103	26,278	43,119
Other currencies	15,028	36,799	–	–	10,999	12,723
	164,292	161,141	144,079	214,645	195,633	183,367

Note 20

Cash and cash equivalents

Cash and cash equivalents include the balance in the current account and Group currency accounts.

Cash and cash equivalents	2015	2014
Cash and bank balances	40,052	31,826
Current investments	1,164	1,164
Amount at year-end	41,216	32,990

Note 21

Earnings per share

Continuing operations

Basic earnings per share	2015	2014
Net profit for the year, SEK thousands	65,343	43,126
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	9.60	6.35

Diluted earnings per share	2015	2014
Net profit for the year, SEK thousands	65,343	43,126
Interest expense on convertible bonds, SEK thousands ¹⁾	1,123	1,327
Issue expenses for convertible bonds, SEK thousands	46	46
Adjusted income, SEK thousands	66,512	44,499
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	588	485
Average number of shares at the calculation of earnings per share, thousands	7,377	7,274
Diluted earnings per share, SEK	9.00	6.10

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

Group total

Basic earnings per share	2015	2014
Net profit for the year, SEK thousands	77,838	61,571
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	11.45	9.05

Diluted earnings per share	2015	2014
Net profit for the year, SEK thousands	77,838	61,571
Interest expense on convertible bonds, SEK thousands ¹⁾	1,123	1,327
Issue expenses for convertible bonds, SEK thousands	46	46
Adjusted income, SEK thousands	79,007	62,944
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	588	485
Average number of shares at the calculation of earnings per share, thousands	7,377	7,274
Diluted earnings per share, SEK	10.70	8.65

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

With regard to the number of shares and convertible bonds, see Note 22.

From 1 May 2014, the average number of outstanding shares after dilution has increased by the number of shares which will be added at full conversion as a result of a recalculated conversion rate.

Note 22

Share capital etc.

Distribution of share capital	31/12/2015	1/1/2015
Class A shares	1,950,000	1,950,000
Class B shares	4,978,974	4,978,974
Total number of shares	6,928,974	6,928,974
Quotient value, SEK	5	5
Share capital, SEK	34,644,870	34,644,870

The total number of shares is 6,928,974, of which 140,000 are held by the company. The average number of outstanding shares during the year amounted to 6,788,974. Class A shares give entitlement to ten votes and Class B shares entitlement to one vote. The number of votes, following deductions for the company's own holding, amounts to 24,338,974.

On 1 July 2012, convertible bonds with a nominal value of SEK 30 million were issued. After recalculation of the conversion rate due to the distribution of the shares in AGES Industri AB in 2014, the convertible loan corresponds to 588,234 Class B shares in the event of full conversion.

The proposed dividend amounts to SEK 4.50 per share.

Note 23

Reserves

Cumulative translation difference	2015	2014
Opening balance	15,491	723
Translation differences for the year	-3,340	14,692
Hedging of currency risk in non-Swedish operations	1,316	83
Distribution of subsidiary	-	-7
Closing balance	13,467	15,491

Investment in shares in subsidiaries in the Netherlands and Norway has partly been hedged by taking out a loan in EUR and NOK respectively.

Hedging reserve	2015	2014
Opening balance	-12,483	-2,710
Changes for the year	2,146	-9,773
Closing balance	-10,337	-12,483

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

On the balance sheet date of 31 December 2015, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 150 million (150).

Total reserves	2015	2014
	3,130	3,008

Note 24

Bank overdraft facilities

Utilised overdraft facilities are reported as current liabilities.

Bank overdraft facilities	2015	2014
Bank overdraft facilities granted	223,224	215,383
Unutilised amount	-198,797	-131,942
Utilised amount	24,427	83,441

Note 25

Convertible loan

The company has an outstanding convertible loan reported at SEK 29,751 thousand (29,247). The nominal value is SEK 30 million. The convertible loan runs until 30 June 2016 with an annual interest rate corresponding to STIBOR 3M plus 2.7 per cent (2.41 per cent for the current period). During the period 1–10 June 2016, convertible bonds can be redeemed against shares. The original conversion rate was SEK 109. Due to the distribution of the shares in AGES Industri AB to the XANO shareholders, the conversion rate has been recalculated in accordance with section 8E of the terms and conditions. The recalculated conversion rate is SEK 51. 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 1,297 thousand (1,561) and corresponds to 4.3 per cent (5.2) of the actual liability. The income statement is also charged with issue costs which arose in connection with taking out the convertible loan.

Note 26

Other provisions

	2015	2014
Non-current		
Guarantee and complaint commitments	1,649	1,634
Pension commitments	1,048	1,171
Deferred land registration costs	224	224
	2,921	3,029
<i>Estimated maturity time</i>		
Between one and five years after the balance sheet date	2,697	2,805
More than five years after the balance sheet date	224	224
Current		
Guarantee and complaint commitments	2,204	–
	2,204	–

Changes in other provisions	Non-current		Current
	Guarantee and complaint commitments	Pension commitments	Guarantee and complaint commitments
Opening balance	1,634	1,171	–
Provisions for the year	890	20	2,319
Payments/utilisation for the year	-1,359	-143	–
Acquisition of subsidiaries	492	–	–
Translation differences for the year	-8	–	-115
Closing balance	1,649	1,048	2,204

Note 27

Deferred tax

Temporary differences

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

	2015	2014
Non-current assets, Group items ¹⁾	8,091	6,411
Buildings, subsidiaries	2,920	2,658
Untaxed reserves		
Excess depreciation, machinery and equipment	5,915	6,822
Tax allocation reserves	19,986	20,981
Loss carry-forward	-5,851	–
Derivative instruments	-2,916	-3,521
Other items	-129	-153
Deferred tax liability	28,016	33,198
Non-Swedish items with diverging tax rate ²⁾	-2,761	-4,694
Net deferred tax liability	25,255	28,504
Deferred tax liability brought forward	-28,504	-76,555
Acquisition of subsidiaries	3,366	-2,995
Distribution of subsidiary	–	48,010
Translation differences	-429	19
Rounding	1	-1
Deferred tax expense relating to temporary differences	-311	-3,018
– of which reported in		
Net profit for the year	-916	-261
Other comprehensive income	605	-2,757

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

²⁾ Relates to the business in non-Swedish subsidiaries. In view of actions taken and expected future development, the businesses are expected to generate positive results in coming years; hence the loss carry-forward is reported to the amount that is judged to be utilised. Of the reported amount, SEK 1,228 thousand must be utilised by 2020 at the latest. If there is no legal right of offset, the asset is reported as a deferred tax asset in the balance sheet.

Deferred tax

Changes in deferred tax liability	2015	2014
Deferred tax liability brought forward	33,198	82,848
Non-current assets, Group items	-960	-703
Buildings, subsidiaries	262	2,585
Untaxed reserves		
Excess depreciation, machinery and equipment	-907	-2,058
Tax allocation reserves	-995	-1,691
Derivative instruments	605	-2,757
Other items	-41	-13
Acquisition/distribution of subsidiaries	-3,146	-45,015
Rounding	–	2
Deferred tax liability carried forward	28,016	33,198

Changes in deferred tax asset	2015	2014
Deferred tax asset brought forward	4,694	6,293
Change in loss carried forward	-1,824	-1,618
Other	100	-
Acquisition of subsidiaries	220	-
Translation differences	-429	19
Tax asset carried forward	2,761	4,694

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 28

Accounts payable and other liabilities

	2015	2014
Advance payments from customers	1,137	2,885
Accounts payable	66,317	62,631
Salary and holiday pay liabilities	33,244	29,415
Accrued social security contributions	11,313	18,722
Other accrued expenses	6,257	6,735
Other non-interest-bearing liabilities	21,625	11,702
Liabilities to customers	42,987	-
	182,880	132,090

Note 29

Pledged assets

	2015	2014
<i>For own liabilities</i>		
Property mortgages	55,216	55,785
Floating charges	69,663	69,663
Assets with right of repossession	5,404	6,610
Shares in subsidiaries	251,820	226,307
	382,103	358,365
<i>Other pledged assets</i>		
Pledged endowment insurance with pension obligation	400	400
	400	400
Total	382,503	358,765

Note 30

Contingent liabilities

	2015	2014
Pension obligations	2,407	2,889
	2,407	2,889

Note 31

Leases

Finance leases

Items covered by finance lease contracts are reported in the consolidated financial statements as below. Finance leases concern the lease of machinery. The standard terms for the Group's finance lease contracts are adjustable rate of interest and a lease term of seven years, with a residual value of 25 per cent of the acquisition value. During the year, lease payments in respect of finance leases amounted to SEK 11,513 thousand (12,349).

Plant and machinery

Accumulated acquisition values	2015	2014
Opening balance	104,858	141,286
New acquisitions	20,416	23,991
Distribution of subsidiary	-	-47,309
Divestments and disposals	-12,268	-13,110
Closing balance	113,006	104,858

Accumulated scheduled depreciation	2015	2014
Opening balance	-43,275	-59,622
Distribution of subsidiary	-	15,456
Divestments and disposals	9,776	10,901
Depreciation according to plan for the year	-9,730	-10,010
Closing balance	-43,229	-43,275

Closing residual value according to plan **69 777** **61 583**

Borrowings, finance leases	2015	2014
Current component, maturity date within one year	12,689	12,136
Non-current component		
– maturity date between one and five years	45,663	37,538
– maturity date in excess of five years	10,667	11,341
	69,019	61,015

Borrowings are estimated at the current value of future lease fees. Interest expenses of SEK 1,593 thousand (2,014) relating to finance leases have been charged to the income statement.

Operating leases

Lease payments in respect of operating lease contracts amounted to SEK 9,386 thousand (8,509) during the year and mainly constituted minimum lease payments.

Contracted future fees for operating leases	2015	2014
Maturity date within one year	5,203	7,469
Maturity date between one and five years	2,254	3,693
Maturity date in excess of five years	-	-
	7,457	11,162

Operating leases mainly concern rent for premises and car leases.

Note 32

Cash flow

Acquisitions of subsidiaries/assets and liabilities

In March 2015, all the shares in Canline Holding BV were acquired. In December 2015, two companies were acquired with loss carryforwards from a tax perspective. In 2014, all the shares in Solna Pressgjuteri AB and ADC of Sweden AB were acquired.

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

Acquisition Canline 2015	Reported values in subsidiaries	Fair value adjustment	Consolidated fair value
Intangible non-current assets	102	51,007	51,109
Property, plant and equipment	1,886	-	1,886
Financial non-current assets	415	-	415
Current assets ¹⁾	29,988	-	29,988
Non-current liabilities	-557	-2,640	-3,197
Current liabilities	-19,168	-474	-19,642
Net assets/purchase price	12,666	47,893	60,559

¹⁾ Accounts receivable are recognised in the amount of SEK 10,327 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 9,380 thousand.

Acquisitions, other 2015	Reported values in subsidiaries	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	-3,191	-3,191
Other non-current assets	–	5,851	5,851
Current assets ¹⁾	1,603	–	1,603
Non-current liabilities	-603	-2,660	-3,263
Net assets/purchase price	1,000	0	1,000

¹⁾ Cash and cash equivalents are recognised in the amount of SEK 0 thousand.

Acquisitions	2015	2014
Intangible non-current assets	51,109	22,996
Property, plant and equipment	1,886	6,975
Financial non-current assets	415	750
Current assets	31,591	28,105
Non-current liabilities	2,654	-3,045
Current liabilities	-22,905	-15,781
Profit/loss items	-3,191	–
Total purchase prices	61,559	40,000
Liquid assets in acquired businesses	-9,380	-390
Total cash flow attributable to acquired businesses	52,179	39,610

Transaction costs with regard to acquired entities amount to SEK 361 thousand (277) and were reported as administrative expenses in net profit for the year.

Divestment/distribution of subsidiary/assets and liabilities

In 2015, the property company AB Grundstenen 150787 was sold, see Note 33. In 2014, the Precision Components business unit was distributed to the shareholders.

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

Divestment/distribution	2015	2014
Intangible non-current assets	–	351,560
Property, plant and equipment	8,860	183,106
Financial non-current assets	–	760
Current assets	–	286,792
Non-current liabilities	–	-184,830
Current liabilities	-8,860	-308,182
	0	329,206
Capital gain	12,504	–
Distribution of shares in subsidiary	–	-330,333
Total cash flow		
– attributable to divested operations	12,504	–
– attributable to spin-off operations	–	-1,127

In the cash flow statement, SEK 0 million (28) of the cash flow from operating activities, SEK 12 million (-50) of the cash flow from investing activities and SEK 0 million (23) of the cash flow from financing activities related to discontinued/spun-off entities.

Interest

During the financial year, interest paid amounted to SEK 11,793 thousand (15,128) and interest received to SEK 789 thousand (881).

Borrowings

During 2015, loans of SEK 72,747 thousand (0) have been reclassified from non-current interest-bearing liabilities to current interest-bearing liabilities. This reclassification has no impact on the cash flow.

Note 33

Business combinations/divestments

Canline Holding B.V. and its subsidiaries were acquired in March 2015. The purchase price, which was paid in cash, came to SEK 61 million. Canline is part of XANO's Industrial Solutions business unit and as such complements NPB's and Fredriksons' offerings to the packaging industry. Canline was consolidated from 31 March and is included in the consolidated results from April 2015. The acquired units have contributed SEK 54 million in net revenue and SEK 4 million in profit after the deduction of write-offs from surplus values and financial costs attributable to the acquisitions. If the acquired units had been

included in the Group during the full year, revenue would have amounted to SEK 1,070 million, while net profit would have been SEK 68 million. The acquisition of Canline brings surplus values totalling SEK 51 million distributed amongst intangible non-current assets (SEK 12 million) and goodwill (SEK 39 million). The transaction costs amount to SEK 0.4 million. Intangible non-current assets relate to product concepts with an estimated period of use of 10 years. Goodwill relates to customer relations and synergy effects. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only extra expertise within product technology to existing operations at the Industrial Solutions business unit, but also access to new customer segments. The utilisation of common resources will also entail synergies.

In April, the property company, AB Grundstenen 150787 was sold. The purchase sum, which was paid in cash, amounted to SEK 13 million and was based on an agreed property value of SEK 22 million. The sale resulted in a capital gain of SEK 12 million. The profit from operating property activities does not amount to a significant sum.

In December, two companies with loss carryforwards from a tax perspective, Rörvik Timber Rörvik AB changed to Ljungarum Konsult 01 AB and Rörvik Timber Sandsjöfors AB changed to Ljungarum Konsult 02 AB, were acquired. The companies are dormant and the acquisitions are having an ongoing, marginal impact on XANO's profit and position. The cash purchase price amounted to SEK 3.6 million, of which SEK 1 million was paid on acquisition and the remainder will be paid during 2016. The acquisitions resulted in a negative goodwill of SEK 3 million, which was reversed and recognised as profit during 2015.

ADC of Sweden AB and Solna Pressgjuteri AB were acquired in 2014. The purchase price, paid in cash, amounted to SEK 40 million. Solna Pressgjuteri and ADC of Sweden were initially a part of XANO's Precision Components business unit and provided existing operations with additional competence and access to new market segments. Consolidation of the acquired entities in XANO was effective as of 1 April 2014. The acquisitions have had no impact on revenue or profit for continuing operations.

The acquired and divested assets and liabilities are specified in Note 32 Cash flow.

Note 34

Risks

FINANCIAL RISKS

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

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

Currency risks

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

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

Transaction risks

The transaction risk arises due to the commercial payment flows that take place in a currency other than the local currency of each subsidiary. According to Group policy, these commercial flows are not typically hedged. Due to any changes made to the Group's structure and their impact on currency flows, this policy may be amended. The flows are monitored continuously in order to minimise transaction risks. During 2015, the flow in USD has been hedged. As of the balance sheet date, there were forward exchange contracts in respect of sales amounting to USD 3.4 million.

The proportion of invoicing in foreign currency in 2015 was 44 per cent (35) for continuing operations. 66 per cent (68) 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 2015 is shown in the table below.

Share (%) of	SEK	USD	EUR	Other
Invoicing	56	17	15	12
Cost of goods sold	56	2	24	18

The Group is mainly exposed to changes in EUR, where the net flow in 2015 was negative, and in USD, where the net flow in 2015 was positive. In addition to this, subsidiaries hold receivables primarily in USD and borrowings in EUR. An average change of 5 per cent in

all currencies against the Swedish krona would give an impact on profit before tax of approx. SEK 6 million (2) for the corresponding flow. In the event of a change of 5 per cent in either EUR or USD against the SEK, the impact on profit before tax over a period of one year would be approx. SEK 3 million (3) and SEK 9 million (6) respectively.

Risk from translation of subsidiaries' income statements

Translation of non-Swedish subsidiaries' income statements into SEK takes place at an average rate. If invoicing and net profit in the remaining Group companies are the same as in 2015, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 15 million (12) and net profit by around SEK 1 million (1).

Risk from translation of subsidiaries' balance sheets

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into SEK. Foreign subsidiaries' net assets were valued at SEK 217 million (170) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2015 by SEK -2 million (15). The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency. The Group's translation risks relate primarily to changes in EUR and CNY against SEK. A change of 5 per cent in either EUR or CNY against the SEK would have an impact on Group equity of SEK 5 million and SEK 3 million respectively, based on the current net assets.

Interest rate risks

Interest rate risks refer to the risk that changes in the interest rate level will affect the Group's financial results negatively through increased borrowing costs. Financing mainly takes place through borrowing from banks. The average interest rate (interest expenses in relation to the average interest-bearing liabilities) was 3.8 per cent (3.5). On the balance sheet date, the Group's interest-bearing liabilities amounted to SEK 259 million (319), of which SEK 9 million (69) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 37 months and the average interest rate at year-end was 2.9 per cent (2.9). The net result of a 1 per cent increase in interest rates is approx. SEK -0.5 million on an annual basis.

Interest rate swap agreements are used to change the fixed-rate interest period in the desired direction as well as reducing the effect of interest rate fluctuations. As of the balance sheet date, interest rate swap agreements worth a total nominal sum of SEK 150 million (150) were in place.

Fixed rate period for borrowings

Maturity date	Amount (SEK 000)	Average interest rate (%) ¹⁾	Share (%)
2016	43,250	3.00	18
2017	106,750	3.17	46
2018 and later	100,000	2.65	36
Total	250,000	3.00	100

¹⁾ Exclusive of margin incurred on variable rate loans for swap agreements.

Liquidity and financing risks

Liquidity and financing risks refer to not being able to fulfil payment obligations as a result of insufficient liquidity or difficulty in taking out external loans. XANO actively seeks to ensure a high level of financing preparedness and effective capital procurement by always having confirmed lines of credit. The majority of the Group's borrowing comes from banks and with the loans in each company's local currency. Parent companies also lend funds within the Group at market terms, usually at a variable interest rate. The payment capacity (liquid assets including credit that has been granted but not utilised relative to net revenue) amounted to 27 per cent (26) on the balance sheet date.

Credit risks

Credit risks refer to the risk of a contracting party being unable to fulfil its undertakings in a financial transaction. For XANO, credit risks are primarily associated with accounts receivable. The risk of customer losses (bad debt) is managed through defined procedures for credit controls and claims management. The Group's customers are primarily large, well-established companies with a good ability to pay, spread across a number of industries and geographic markets, which has meant that customer losses have historically been low. The maximum credit risk concerning the Group's accounts receivable corresponds to the reported value of SEK 122 million (128).

Age analysis of accounts receivable	Not yet due	Time from maturity			Total
		6–30 days	31–90 days	> 90 days	
As of 31 December 2015	102,968	7,349	2,368	9,805	122,490
As of 31 December 2014	108,811	6,440	7,147	5,753	128,151

Losses reported on accounts receivable for the year amount to SEK -582 thousand (59), of which SEK -219 thousand (27) constitutes actual losses. Recovered bad debt losses exceed anticipated bad debt losses in 2015. Required write-downs of outstanding receivables have been carried out at SEK 940 thousand (326).

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 agreements with customers contain raw material clauses. The management of price risks forms part of day-to-day work and imposes demands concerning ongoing cost rationalisation and productivity improvements.

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

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

Note 35 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 2015, the equity/assets ratio was 45 per cent (41).

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

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

Note 36 Related party transactions

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

In addition to the payments referred to in Note 5, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire 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 92–93.

Kieryd Gård AB, controlled by the estate of 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 2015, sales from XANO's subsidiaries to ITAB Shop Concept AB with subsidiaries and AGES Industri AB with subsidiaries amounted to SEK 1 million (2) and SEK 2 million (1) respectively. ITAB and AGES are under the controlling interest of the estate of Tord Johansson and Pomona-gruppen AB. Other related party transactions do not come to any noteworthy sum.

During the year, XANO has acquired two dormant companies from Rörvik Timber Holding AB, which is subject to significant influence from Board member Per Rodert. The total purchase price was SEK 3.6 million. More information about the acquisitions can be found in Notes 32 and 33.

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

Note 37

Altered accounting policies

Consolidated statements of comprehensive income after recalculation due to altered accounting policies

(SEK thousands)	2014 before recalculation	Effect of altered accounting policy	2014 after recalculation
Net revenue	973,780	20,000	993,780
Cost of goods sold	-773,139	-15,500	-788,639
Gross profit	200,641	4,500	205,141
Other operating income	5,636	–	5,636
Selling expenses	-93,284	–	-93,284
Administrative expenses	-43,712	–	-43,712
Other operating expenses	-4,277	–	-4,277
Operating profit	65,004	4,500	69,504
Financial income and similar profit/loss items	3,808	–	3,808
Financial expenses and similar profit/loss items	-17,307	–	-17,307
Profit before tax	51,505	4,500	56,005
Tax	-11,889	-990	-12,879
Net profit for continuing operations	39,616	3,510	43,126
Profit from discontinued/spin-off operations	18,445	–	18,445
NET PROFIT FOR THE YEAR	58,061	3,510	61,571
– of which attributable to shareholders of the Parent Company	58,061	3,510	61,571
OTHER COMPREHENSIVE INCOME	5,002	–	5,002
COMPREHENSIVE INCOME FOR THE YEAR	63,063	3,510	66,573
– of which attributable to shareholders of the Parent Company	63,063	3,510	66,573
SHARE DATA			
Basic earnings per share for continuing operations, SEK	5.85	0.50	6.35
Diluted earnings per share for continuing operations, SEK	5.65	0.45	6.10
Basic earnings per share for the Group as a whole, SEK	8.55	0.50	9.05
Diluted earnings per share for the Group as a whole, SEK	8.20	0.45	8.65

Cash flow statements after recalculation due to altered accounting policies

(SEK thousands)	2014 before recalculation	Effect of altered accounting policy	2014 after recalculation
Operating profit	91,576	4,500	96,076
Adjustments for non-cash items etc.	53,871	–	53,871
Interest paid/received, net value	-14,247	–	-14,247
Income tax paid	-25,077	–	-25,077
Cash flow from operating activities before changes in working capital	106,123	4,500	110,623
Increase (-) / decrease (+) in inventories	-6,995	15,000	8,005
Increase (-) / decrease (+) in current receivables	-41,272	-500	-41,772
Increase (+) / decrease (-) in current liabilities	34,634	-19,000	15,634
Cash flow from operating activities	92,490	0	92,490
Cash flow from investing activities	-84,336	–	-84,336
Cash flow from financing activities	-7,572	–	-7,572
CASH FLOW FOR THE YEAR	582	–	582
Cash and cash equivalents at the beginning of the year	27,764	–	27,764
Exchange rate differences in cash and cash equivalents	4,644	–	4,644
Cash and cash equivalents at the end of the year	32,990	0	32,990

Consolidated statements of financial position after recalculation due to altered accounting policies

(SEK thousands)	1/1/2014 before recalculation	Effect of altered accounting policy	1/1/2014 after recalculation	31/12/2014 before recalculation	Effect of altered accounting policy	31/12/2014 after recalculation
ASSETS						
Non-current assets	1,003,428	–	1,003,428	518,635	–	518,635
Current assets						
Inventories	247,525	-15,000	232,525	166,459	-30,000	136,459
Accounts receivable and other receivables	267,715	11,708	279,423	153,358	11,218	164,576
Prepaid expenses	10,494	–	10,494	7,226	–	7,226
Cash and cash equivalents	27,764	–	27,764	32,990	–	32,990
Total current assets	553,498	-3,292	550,206	360,033	-18,782	341,251
TOTAL ASSETS	1,556,926	-3,292	1,553,634	878,668	-18,782	859,886
EQUITY AND LIABILITIES						
Equity						
Share capital	34,645	–	34,645	34,645	–	34,645
Other contributed capital	20,259	–	20,259	17,759	–	17,759
Reserves	-1,987	–	-1,987	3,008	–	3,008
Retained earnings	590,692	2,808	593,500	293,771	6,318	300,089
Total equity	643,609	2,808	646,417	349,183	6,318	355,501
<i>– of which attributable to shareholders of the Parent Company</i>	<i>643,609</i>	<i>2,808</i>	<i>646,417</i>	<i>349,183</i>	<i>6,318</i>	<i>355,501</i>
Non-current liabilities	439,521	–	439,521	250,872	–	250,872
Current liabilities						
Accounts payable and other liabilities	230,373	-6,100	224,273	157,190	-25,100	132,090
Derivative instruments	4,895	–	4,895	16,870	–	16,870
Current interest-bearing liabilities	223,302	–	223,302	103,866	–	103,866
Deferred income	11	–	11	272	–	272
Current tax liability	15,215	–	15,215	415	–	415
Total current liabilities	473,796	-6,100	467,696	278,613	-25,100	253,513
TOTAL EQUITY AND LIABILITIES	1,556,926	-3,292	1,553,634	878,668	-18,782	859,886

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

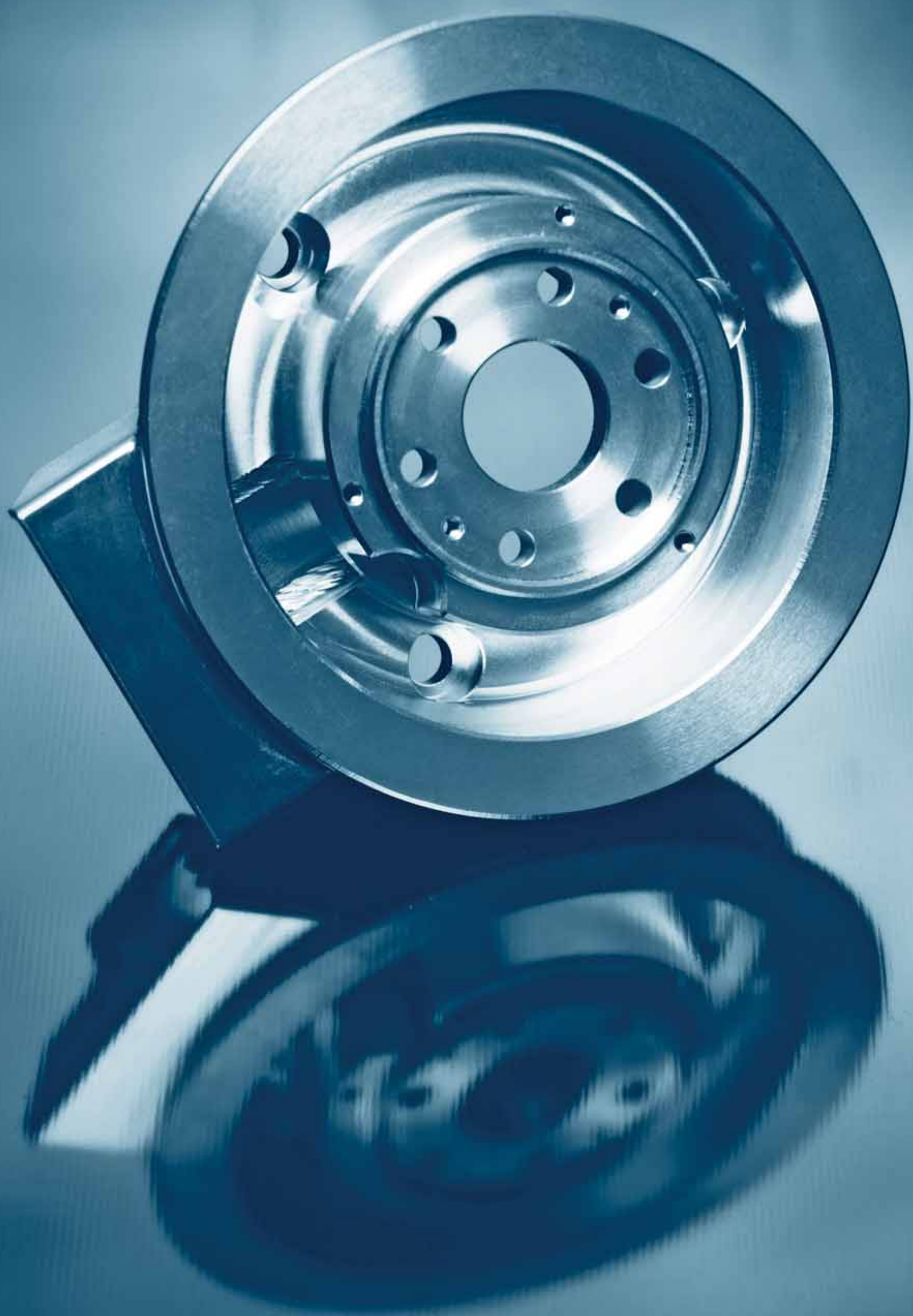
Net profit in relation to average equity.

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).



Income statements

PARENT COMPANY (SEK thousands)	Note	2015	2014
Net sales		18,098	7,468
Cost of goods sold		–	–
Gross profit		18,098	7,468
Selling expenses	3, 4	-2,361	-2,489
Administrative expenses	3, 4, 5	-13,382	-14,107
Other operating expenses		–	-33
Operating profit/loss		2,355	-9,161
Result from participations in Group companies	6	76,677	94,967
Interest income and similar profit/loss items	7	7,933	8,853
Interest expense and similar profit/loss items	8	-11,349	-26,470
Profit after financial items		75,616	68,189
Appropriations	9	1,139	-5,687
Profit before tax		76,755	62,502
Tax	10	-16,479	-5,945
NET PROFIT FOR THE YEAR		60,276	56,557

Statements of comprehensive income

PARENT COMPANY (SEK thousands)	Note	2015	2014
Net profit for the year		60,276	56,557
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		60,276	56,557

Balance sheets

PARENT COMPANY (SEK thousands)	Note	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	11	231	331
		231	331
<i>Financial non-current assets</i>			
Participations in Group companies	12	52,761	52,761
Receivables from Group companies		–	10,735
		52,761	63,496
Total non-current assets		52,992	63,827
Current assets			
<i>Current receivables</i>			
Accounts receivable		3	–
Receivables from Group companies		466,295	390,937
Other receivables	13	586	7,418
Prepayments and accrued income		736	1,045
		467,620	399,400
<i>Current investments</i>			
Cash and bank balances	16	4,460	2,731
Total current assets		472,085	402,136
TOTAL ASSETS		525,077	465,963

PARENT COMPANY (SEK thousands)	Note	31/12/2015	31/12/2014
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	14	34,645	34,645
Statutory reserve		8,899	8,899
		43,544	43,544
<i>Non-restricted equity</i>			
Share premium reserve		4,295	4,295
Profit brought forward		48,022	8,437
Net profit for the year		60,276	56,557
		112,593	69,289
Total equity		156,137	112,833
Untaxed reserves	15	68,066	69,205
Provisions			
Provisions for pensions and similar obligations		551	674
Total provisions		551	674
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	16, 17	71,664	144,782
		71,664	144,782
<i>Current liabilities</i>			
Bank overdraft facilities	16, 17	2,328	55,945
Current interest-bearing liabilities	16, 17	73,001	–
Accounts payable		1,695	610
Liabilities to Group companies		127,564	61,923
Income tax liability		3,915	–
Other liabilities	16	16,162	16,269
Accruals and deferred income		3,994	3,722
		228,659	138,469
Total liabilities		300,323	283,251
TOTAL EQUITY AND LIABILITIES		525,077	465,963
Pledged assets	17	47,262	47,262
Contingent liabilities	18	137,284	131,853

Statement of changes in equity

PARENT COMPANY		RESTRICTED EQUITY		NON-RESTRICTED EQUITY		TOTAL EQUITY
		Share capital	Statutory reserve	Share premium reserve	Other non-restricted equity	
(SEK thousands)	Note					
Equity, 1 January 2014		34,645	8,899	4,295	293,230	341,069
Net profit for the year		–	–	–	56,557	56,557
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	56,557	56,557
Dividend paid in cash		–	–	–	-27,156	-27,156
Dividend paid by distribution of shares in subsidiary		–	–	–	-257,637	-257,637
Equity, 31 December 2014		34,645	8,899	4,295	64,994	112,833
Net profit for the year		–	–	–	60,276	60,276
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	60,276	60,276
Dividend paid in cash		–	–	–	-16,972	-16,972
Equity, 31 December 2015	14	34,645	8,899	4,295	108,298	156,137

Cash flow statements

PARENT COMPANY (SEK thousands)	Note	2015	2014
Operating activities			
Operating profit/loss		2,355	-9,161
<i>Adjustments for non-cash items etc.</i>			
Depreciation		100	93
Other		20	91
Group contribution		76,677	44,967
Dividend received		–	50,000
Interest paid/received, net value	19	-6,387	-4,641
Income tax paid		-5,669	-10,151
Cash flow from operating activities before changes in working capital		67,096	71,198
Changes in working capital			
Increase (-) / decrease (+) in current receivables		-75,218	160,757
Increase (+) / decrease (-) in current liabilities		70,212	-133,997
Cash flow from operating activities		62,090	97,958
Investing activities			
Purchase of financial non-current assets		–	-165
Cash flow from investing activities		–	-165
Financing activities			
Dividend paid		-16,972	-27,156
<i>Increase (+) / decrease (-) in non-current liabilities</i>	19		
Other		-143	–
<i>Increase (+) / decrease (-) in current liabilities</i>	19		
Change in bank overdraft facilities		-53,617	-69,048
<i>Increase (-) / decrease (+) in non-current receivables</i>			
Repayment/payment of loan receivables		10,603	-4,131
Cash flow from financing activities		-60,129	-100,335
Cash flow for the year		1,961	-2,542
Cash and cash equivalents at the beginning of the year		2,736	5,200
Exchange rate differences in cash and cash equivalents		-232	78
Cash and cash equivalents at the end of the year	19	4,465	2,736

Notes

Note 1

General information

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

All amounts are reported in SEK thousands unless otherwise indicated.

Note 2

Accounting policies

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

General

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

Receivables and liabilities

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

Related party transactions

100 per cent (100) of the Parent Company's net sales comes from invoicing to subsidiaries. Of the Parent Company's operating expenses, 4 per cent (4) 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 that referred to in Note 3, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the Annual General Meeting.

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 12. Kieryd Gärd AB, controlled by the estate of 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 less accumulated depreciation and any impairment costs. If there is an indication that an asset has reduced in value, the asset's recoverable amount is calculated. If the reported value exceeds the recoverable amount, the asset is written down to a value corresponding to the recoverable amount.

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

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

Liquid assets

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

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

Convertible bonds consist of a composite financial instrument with the character of both a liability and 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 from subsidiaries are recognised as financial income.

Taxes

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

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

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

Bank overdraft facilities, Group currency accounts

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

Note 3

Employees and personnel costs

Average no. of employees	2015	of which men	2014	of which men
Sweden	5	20%	5	20%
Proportion of men amongst Board members and senior executives				
	2015		2014	
Board members	83%		86%	
Senior executives	50%		50%	
Salaries, other remuneration and social security costs				
	2015		2014	
Salaries and remuneration	7,204		7,467	
Social security costs	4,312		4,391	
(of which pension costs ^{1, 2)})	(1,619)		(1,578)	
	11,516		11,858	

¹⁾ Of the Parent Company's pension costs, SEK 1,389 thousand (1,409) relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

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

Break-down of salaries and other remuneration	2015	2014
Board members and senior executives	5,695	6,002
(of which bonuses)	(630)	(-)
Other employees	1,509	1,465
	7,204	7,467

Remuneration for Board members and senior executives

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

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension premiums. "Other senior executives" refers to the CFO who, together with the CEO, makes up the Group management. In the first half of 2014, the deputy CEO was also included in other senior executives and Group management. The division between basic salary and variable remuneration is determined in proportion to the responsibilities and authority of the executive in question. The variable remuneration is based on results in relation to individually set targets.

The AGM decided that the Board's fee of SEK 1,360 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 110 thousand payable to each of the other ordinary Board members for the period up to and including the next annual general meeting. The AGM further decided that remuneration for tasks undertaken in the remuneration committee should amount to SEK 20 thousand per person and remuneration for tasks undertaken in the audit committee should amount to SEK 30 thousand per person. During 2015, SEK 130 thousand was carried as an expense for these tasks. Board member Sune Lantz has provided assistance within his normal professional area of expertise and has received a fee of SEK 420 thousand for these services.

During the period 1 January to 30 June 2014, the Group management consisted of CEO Sune Lantz, Deputy CEO Lennart Persson and CFO Marie Ek Jonson. Sune Lantz stood down on 1 July 2014 and the Group management hereafter consists of CEO Lennart Persson and CFO Marie Ek Jonson. The former CEO, Sune Lantz, received salary and car benefits totalling SEK 0 thousand (1,226). As CEO, Lennart Persson received salary and car benefits totalling SEK 3,260 thousand (1,449), of which SEK 630 thousand (0) constitutes variable remuneration. The comparative figures comprise 6 months. Other senior executives received salary and car benefits totalling SEK 1,035 thousand (2,040).

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 30 per cent (30) of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 26 per cent (24) of the pensionable salary. "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs including salary sacrifice for the current CEO amounted to SEK 1,053 thousand (433) and to SEK 0 thousand (429) for the previous CEO. The comparative figures comprise 6 months. Pension costs including salary sacrifice for other senior executives amounted to SEK 336 thousand (547).

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

Note 4

Depreciation

Depreciation by function	2015	2014
Selling expenses	-15	-14
Administrative expenses	-85	-79
	-100	-93

Depreciation by class of asset	2015	2014
Equipment, tools, fixtures and fittings	-100	-93
	-100	-93

Note 5

Auditors' remuneration

	2015	2014
Ernst & Young		
Audit assignment	-240	-260
Audit activities other than audit assignment	-34	-207
Tax consultancy services	-58	-47
Other services	-6	-
	-338	-514

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

Note 6

Result from participations in Group companies

	2015	2014
Dividends from Group companies	-	50,000
Group contributions received	76,677	44,967
	76,677	94,967

Note 7**Interest income and similar profit/loss items**

	2015	2014
Interest income, Group companies	3,818	7,122
Interest income, other	2,907	1,332
Exchange rate differences	1,208	399
	7,933	8,853

Other interest income includes a change in value of SEK 2,751 thousand (0) relating to interest rate swaps measured at their fair value. Exchange rate differences comprise changes in value amounting to SEK 586 thousand (0) relating to currency derivatives measured at fair value.

Note 8**Interest expense and similar profit/loss items**

	2015	2014
Interest expense, Group companies	-736	-1,662
Interest expense, other	-9,830	-23,701
Exchange rate differences	-783	-1,107
	-11,349	-26,470

Other interest expense includes a change in value of SEK 0 thousand (-12,530) relating to interest-rate swaps measured at their fair value.

Note 9**Appropriations**

	2015	2014
Change in excess depreciation	63	41
Tax allocation reserve, change for the year	1,076	-5,728
	1,139	-5,687

Note 10**Tax on profit for the year**

	2015	2014
Current tax	-16,479	-5,945
	-16,479	-5,945

Tax totals 21 per cent (10). Tax-exempt dividends contributed to the lower tax expense in 2014.

Note 11**Property, plant and equipment****Equipment, tools, fixtures and fittings**

Accumulated acquisition values	2015	2014
Opening balance	1,239	1,340
New acquisitions	-	165
Divestments and disposals	-	-266
Closing balance	1,239	1,239

Accumulated scheduled depreciation	2015	2014
Opening balance	-908	-1 081
Divestments and disposals	-	266
Depreciation according to plan for the year	-100	-93
Closing balance	-1,008	-908

Closing residual value according to plan	2015	2014
	231	331

Note 12

Participations in Group companies

Accumulated acquisition values	2015	2014
Opening balance	52,761	310,398
Distribution of shares in subsidiary	–	-257,637
Closing balance	52,761	52,761

Parent Company holdings

Business name	Corporate identity number	Registered office	Number of shares	Share of equity	Carrying amount
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
					52,761

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	Jönköping, Sweden	1,000	100%
Bakeline Systems B.V.	53079531	Bladel, Netherlands	1,800	100%
Canline Holding B.V.	17270976	Bladel, Netherlands	180	100%
Canline Magnetics B.V.	30239913	Bladel, Netherlands	180	100%
Canline Systems B.V.	17270973	Bladel, Netherlands	180	100%
Canline USA Corporation	46-3583603	Lynchburg, United States	1,000	100%
Cipax AB	556065-7875	Norrtälje, Sweden	200	100%
Cipax AS	990 374 031	Björkelangen, Norway	10,100	100%
Cipax Eesti AS	10092500	Taebala, Estonia	400	100%
Cipax Oy	2188914-4	Helsingfors, Finland	1,000	100%
Fredriksons Automation AB i likvidation	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%
Kungsörs Mekaniska Verkstad AB	556141-4243	Kungsör, Sweden	1,500	100%
Ljungarum Konsult 01 AB	556699-0452	Jönköping, Sweden	5,000	100%
Ljungarum Konsult 02 AB	556699-0478	Jönköping, Sweden	5,000	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Mikroverktyg AB	556020-8828	Södertälje, Sweden	1,000	100%
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%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
XANO Fastigheter Eslöv AB i likvidation	556605-1529	Jönköping, 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%

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

Note 13

Other receivables

	2015	2014
Tax asset included totals	0	7,412
	0	7,412

Derivative instruments are reported under other receivables and amount to SEK 586 thousand (0) in total. This item relates to currency derivatives measured at fair value.

Note 14

Share capital

Distribution of share capital	31/12/2015	1/1/2015
Class A shares	1,950,000	1,950,000
Class B shares	4,978,974	4,978,974
Total number of shares	6,928,974	6,928,974
Quotient value, SEK	5	5
Share capital, SEK	34,644,870	34,644,870

The total number of shares is 6,928,974, of which 140,000 are held by the company. The average number of outstanding shares during the year amounted to 6,788,974. Class A shares give entitlement to ten votes and Class B shares entitlement to one vote. The number of votes, following deductions for the company's own holding, amounts to 24,338,974.

On 1 July 2012, convertible bonds with a nominal value of SEK 30 million were issued. After recalculation of the conversion rate due to the distribution of the shares in AGES Industri AB in 2014, the convertible loan corresponds to 588,234 Class B shares in the event of full conversion.

The proposed dividend amounts to SEK 4.50 per share.

Note 15

Untaxed reserves

	2015	2014
Tax allocation reserve, allocated 2009	–	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	14,960
Tax allocation reserve, allocated 2014	9,006	9,006
	67,974	69,050
Accumulated excess depreciation	92	155
	68,066	69,205

Deferred tax liabilities represent SEK 14,975 thousand (15,225) of untaxed reserves.

Note 16

Liabilities

Non-current liabilities	2015	2014
Maturity date between one and five years after balance sheet date	71,664	144,782
Maturity date more than five years after balance sheet date	–	–
	71,664	144,782

Current liabilities	2015	2014
Bank overdraft facilities, Group currency accounts	2,328	55,945
Current portion of non-current borrowings	73,001	–
	75,329	55,945

Total interest-bearing liabilities	2015	2014
	146,993	200,727

Bank overdraft facilities	2015	2014
Bank overdraft facilities granted, Group currency accounts	185,000	170,000
Unutilised amount	-182,672	-114,055
Utilised amount	2,328	55,945

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 208 million (151) on the balance sheet date.

The company has an outstanding convertible loan reported at SEK 29,751 thousand (29,247). The nominal value is SEK 30 million. The convertible loan runs until 30 June 2016 with an annual interest rate corresponding to STIBOR 3M plus 2.7 per cent (2.41 per cent for the current period). During the period 1–10 June 2016, convertible bonds can be redeemed against shares. The original conversion rate was SEK 109. Due to the distribution of the shares in AGES Industri AB to the XANO shareholders, the conversion rate has been recalculated in accordance with section 8E of the terms and conditions. The recalculated conversion rate is SEK 51. 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 1,297 thousand (1,561) and corresponds to 4.3 per cent (5.2) of the actual liability.

Derivative instruments totalling SEK 14,381 thousand (16,870) are included in current liabilities. The item relates to interest rate swaps measured at their fair value. The year's change in value of SEK 2,751 thousand (-12,530), excluding tax, is reported among financial items in the income statement.

Cash and bank deposits include the balance in the current account and Group currency accounts, amounting to SEK 4,452 thousand (2,729).

Note 17

Pledged assets

	2015	2014
Shares in subsidiaries	47,262	47,262
	47,262	47,262

Note 18

Contingent liabilities

	2015	2014
Guarantees in favour of subsidiaries	135,012	129,073
Pension commitments	2,272	2,780
	137,284	131,853

Note 19

Cash flow

Interest

Interest paid amounted to SEK 10,115 thousand (13,350) and interest received SEK 3,728 thousand (8,709).

Borrowings

During 2015, loans of SEK 72,747 thousand (0) have been reclassified from non-current interest-bearing liabilities to current interest-bearing liabilities. This reclassification has no impact on the cash flow.

Liquid assets	2015	2014
Cash and bank balances	4,460	2,731
Current investments	5	5
Amount at year-end	4,465	2,736

Note 20

Risks

The Parent Company is exposed to financial risks through its international activities. Financial risks refer to changes in exchange rates and interest levels. A statement on the Group's main financial and operational risks can be found in Note 34 on pages 70-71.

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

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2015 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 12 May 2016 for adoption.

Jönköping, 10 March 2016

Fredrik Rapp
Chairman

Petter Fägersten
Vice chairman

Stig-Olof Simonsson
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
Board member

Lennart Persson
CEO

Our audit report was submitted on 22 March 2016.

Ernst & Young AB

Joakim Falck
Authorised public accountant

Audit report

To the annual general meeting 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 2015. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 46–85.

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 controls as the Board of Directors and the CEO determine is necessary to enable the preparation of an 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 provides a true and fair representation, in all material respects, of the financial position of the parent company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Annual Accounts Act. It is also our opinion that 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 2015 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 general meeting 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 2015.

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 general meeting 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, 22 March 2016

Ernst & Young AB

Joakim Falck
Authorised public accountant

Shareholder information

Annual General Meeting

The Annual General Meeting (AGM) will be held on Thursday 12 May 2016 at 3 pm at XANO's premises at Industrigatan 14 B in Jönköping, Sweden.

Shareholders wishing to attend the AGM must be included in the share register managed by Euroclear Sweden AB on 6 May 2016 and must notify the company of their intention to attend the AGM no later than 4 pm on Wednesday 4 May 2016 at the following address: XANO Industri AB, Industrigatan 14 B, SE-553 02 Jönköping, Sweden, or by telephone +46 36 31 22 00 or by email at 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 6 May in order to be entitled to attend the AGM.

Dividend

The Board of Directors proposes that the AGM allocate an ordinary dividend of SEK 3.50 per share and a supplementary dividend of SEK 1.00 per share for the 2015 financial year. The record date will be 16 May 2016. If the AGM approves the proposal, the dividend will be issued by Euroclear on 19 May 2016.

Nomination committee

A nomination committee was appointed at the 2015 AGM consisting of Ulf Hedlundh (Chairman), Fredrik Rapp and Anders Rudgård. The task of this committee prior to the 2016 AGM is to nominate a Chairman of the Board and other Board members, auditor, a chairman for the AGM and to propose fees for the Board and auditors.

Financial calendar

Interim report 1 January–31 March 2016	12 May 2016
Interim report 1 January–30 June 2016	12 July 2016
Interim report 1 January–30 September 2016	3 November 2016
Year-end report 2016	8 February 2017
Annual report 2016	April 2017
Annual General Meeting	10 May 2017

Information material

Printed and digital information is distributed to those shareholders who notify the company that they wish to receive such information. Reports and press releases can be found on the website, available to read and download.

Corporate governance report 2015

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 2008 with the latest revised version in force from 1 November 2015.

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 Stockholm in the Small Cap segment. The information requirements to which XANO is subject as a result of this can be found in the "Rule Book for Issuers" published by the stock exchange.

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

Shareholders

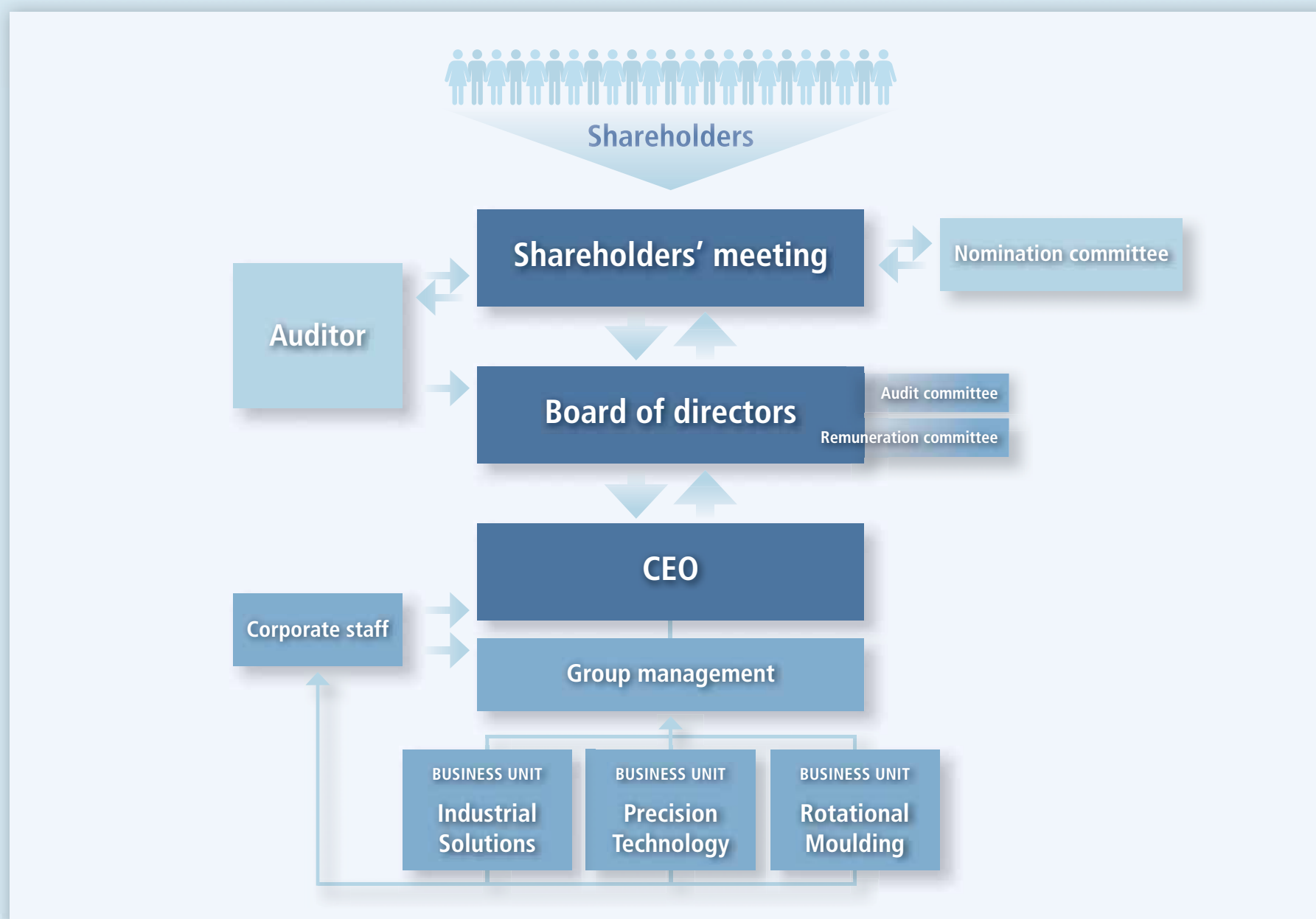
At the end of 2015, there were 1,547 shareholders in XANO, of which 1,431 were physical persons representing 18.2 per cent of the votes and 37.8 per cent of the capital. Institutional holdings constituted 2.9 per cent of the votes and 10.2 per cent of the share capital. The ten largest shareholders accounted for 94.3 per cent of the votes and 81.6 per cent of the capital. As of the balance sheet date, there were two shareholders who each controlled more than ten per cent of the capital and the votes for all shares in the company. The estate of Tord Johansson held 27.4 per cent of the capital and 54.8 per cent of the votes. Pomona-gruppen AB held 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 issued must be published in Dagens Industri.

Annual General Meeting

The Annual General Meeting (AGM) assembles once a year in order to decide on matters such as the adoption of the annual report and consolidated financial statements, the discharge of the Board of Directors and CEO from liability and to decide on the allocation of profits from the previous year. The meeting also elects the Board of Directors and, when necessary, the auditor. All shareholders who are directly registered in the share register and who have



notified their attendance in time can attend the meeting and vote on behalf of all their shares. Shareholders who are unable to attend themselves may be represented by a proxy.

Annual General Meeting 2015

XANO's 2015 AGM was held on Wednesday 6 May. 49 shareholders, whose holdings accounted for 94 per cent of the votes and 80 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 auditors and representatives from the nomination committee, were present at the meeting. The following key decisions were made:

- » Cash dividends of SEK 2.50 per share, amounting to a total of SEK 17 million.
- » Re-election of Board members Tord Johansson, Stig-Olof Simonsson, Fredrik Rapp, Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Sune Lantz. Re-election of Tord Johansson as Chairman of the Board.
- » Election of the registered auditing company Ernst & Young AB, Jönköping, with authorised public accountant Joakim Falck as auditor in charge.
- » Composition of the nomination committee ahead of the 2016 AGM.
- » Authority for the Board of Directors to take decisions concerning acquisitions and transfer of the company's own shares.
- » Authority for the Board of Directors to take decisions concerning new share issue.

Annual General Meeting 2016

XANO's 2016 AGM will take place on Thursday 12 May at 3 pm at the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 87 of the annual report for 2015.

Board of Directors

The task of the Board of Directors is to manage the company's affairs on behalf of the shareholders. According to the Articles of Association, the Board must be made up of at least three and no more than eight members. The 2015 AGM decided that there should be seven members. The Chairman of the Board, Tord Johansson, passed away in October and the Board of Directors has comprised six members since then: Fredrik Rapp (Chairman), Stig-Olof Simonsson, Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Sune Lantz. Fredrik Rapp, Petter Fägersten and Sune Lantz are considered dependent in relation to major shareholders. By virtue of his former employment as CEO, Sune Lantz is judged to be dependent in relation to the company and the company management. Other members are judged to be independent in relation to both major shareholders and the company and the company management.

The Articles of Association do not contain any specific regulations concerning the appointment and dismissal of Board members or changes to the Articles of Association. The work of XANO's Board of Directors is governed both by laws and recommendations and by the Board's rules of procedure, which are adopted once a year. These rules of procedure contain rules concerning matters such as the distribution of work between the Board of Directors and the CEO, financial reporting and investments.

The Board of Directors held six meetings during the 2015 financial year. Each ordinary meeting considers the following fixed items: review of the minutes of the previous meeting, general review of the business units with follow-up on the latest report and comparison with the forecast as well as financing and liquidity. In addition to fixed reporting items, the Board of Directors also decides on issues of a more general nature, such as the Group's strategy, structural and organisational matters, policies, guidelines, acquisitions and major investments.

The company's auditor participates in at least one of the Board's meetings each year. The auditor's observations arising from the audit of the company's

accounts, procedures and internal controls are presented at this meeting.

In addition to the fixed items mentioned above, the programme for 2015 included the following main items:

No. 1 – 5 February

Year-end report 2014, report from audit committee, the auditors' report of their general observations arising from the audit of the 2014 financial statements.

No. 2 – 6 May

Interim report 3 months, revised forecast for 2015, report from remuneration committee, prerequisites prior to the AGM.

No. 3 – 9 July (phone)

Interim report 6 months.

No. 4 – 23-24 September

Group strategy, information on Fredriksons, NPB and Canline.

No. 5 – 4 November (phone)

Interim report 9 months.

No. 6 – 15 December

Forecast for 2016, evaluation of the Board's and the CEO's work.

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

Audit committee

The task of the audit committee is to prepare the Board's work by quality assuring the company's financial reporting, regularly meeting the company's auditor to inform themselves of the audit's direction and scope, as well as discussing the co-ordination between the external audit and the internal controls and the view of the company's risks, setting guidelines for which services other than auditing may be handled by the company's auditor, evaluating the audit work and informing the company's nomination committee of the outcome of the evaluation as well as assisting the nomination committee in its proposals for auditor and fees for audit work.

XANO's audit committee comprises the Board members Stig-Olof Simonsson, Sune Lantz and Per Rodert (Committee Chairman).

Remuneration committee

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

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

CEO

The Board appoints the CEO to take care of the day-to-day administration of the company. The current CEO, Lennart Persson, took up the position on 1 July 2014 after having been Deputy CEO since 1998.

Group management

During the year, Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson.

Corporate staff

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

Business units

In 2015, the Group was made up of three reporting business units: Industrial Solutions, Precision Technology and Rotational Moulding. The operational management for the business units reports directly to the CEO. Through Group staff functions, supporting documentation for decisions for the Board and CEO are collated within the other areas.

Nomination committee

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

Following a proposal by the main shareholders Tord Johansson and Pomona-gruppen AB, which together represented 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 2016 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM, and to propose fees for the Board and auditor. In its proposal to the Board of Directors, the nomination committee must pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. The nomination committee has evaluated the work of the Board with the aid of a questionnaire and personal discussions. The results of the evaluation have been communicated to the Chairman of the Board. Prior to the AGM, the nomination committee has had three meetings, as well as a large number of contacts between the nomination committee's members.

Auditor

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

The ordinary election of an auditor for XANO last took place at the AGM in 2015 for the term of office up until the AGM in 2016. The AGM elected the registered auditing company Ernst & Young AB, Jönköping, with author-

ised public accountant Joakim Falck as auditor in charge. Alongside the work for XANO Industri AB, Joakim Falck undertakes auditing work for companies including Nefab Packaging AB, EFG Holding AB, Evry AB, Agroenergi Neova Pellets AB, AB Gyllensvaans Möbler and One Partner Group AB.

Deviations from the Code

There are no deviations to report for 2015.

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 remuneration for the CEO and other senior executives.

The guidelines that were adopted by the 2015 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 an 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.

Internal controls concerning financial reporting

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

Financial reporting

All units report their financial results each month. These reports are consolidated and form the basis of quarterly reports and operational monitoring. This operational monitoring is carried out in accordance with an established structure where incoming orders, invoicing, liquidity, capital tie-up and other key ratios of importance for the Group are collated and form the basis of

Composition of the Board of Directors and Committees as of 31 December 2015

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2015	Participation in Remuneration Committee 2015	Participation in Audit Committee 2015	Board fee including committee remuneration, SEK
Fredrik Rapp	2004	Chairman	Yes	No ¹⁾	6 (6)	1 (1)	–	130,000
Petter Fägersten	2011	Member	Yes	No ¹⁾	6 (6)	– (–) ²⁾	–	110,000
Eva-Lotta Kraft	2012	Member	Yes	Yes	6 (6)	–	–	110,000
Sune Lantz	2014	Member	No ³⁾	No ¹⁾	6 (6)	–	1 (1)	140,000
Per Rodert	2013	Member	Yes	Yes	6 (6)	–	1 (1)	140,000
Stig-Olof Simonsson	2002	Member	Yes	Yes	6 (6)	–	1 (1) ²⁾	110,000

¹⁾ Fredrik Rapp is dependent in relation to major shareholders in his capacity as shareholder. At an overall assessment, Petter Fägersten and Sune Lantz are also considered to be dependent in relation to major shareholders.

²⁾ Petter Fägersten and Stig-Olof Simonsson succeeded Tord Johansson in the Remuneration Committee and the Audit Committee respectively in autumn 2015.

³⁾ By virtue of his former employment as CEO, Sune Lantz is judged to be dependent in relation to the company and the company management.

Tord Johansson was elected as a Board member as well as Chairman at the 2015 AGM. Tord passed away in October. He participated in two Board meetings and one meeting of the Remuneration Committee during 2015, and received a total of SEK 750,000 in Board fees and committee remuneration. He was judged to be dependent in relation to major shareholders in his capacity as owner, but independent in relation to the company and the company management.

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

analysis and action by the management and controllers at different levels. Other important group-wide elements of the internal controls are business plans and the annual forecasting process. For communication with external parties, there is an information policy which is intended to ensure that all information obligations are fulfilled correctly and in full.

Control environment

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

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

Risk assessment

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

Control activities

The purpose of control activities is to identify, prevent and correct errors and deviations. Policies and guidelines are particularly important for accurate accounting, reporting and information provision and also define the control activities that must be carried out. XANO policies and guidelines are updated on

an ongoing basis both in documents and through meetings. Control activities cover areas such as attestation procedures, account reconciliation, analytical follow-up and the control of IT systems. Every unit is also visited regularly by representatives from the business unit and Group management teams during which the internal controls and financial reporting are evaluated. The Group management reports the result of its work on internal controls to the Audit Committee.

During 2015, the work on internal control has been concentrated on introducing the Group's procedures in newly acquired companies, continued improvement of IT security, for example through investment in backup functions, as well as the implementation of programmes for in-house evaluation within prioritised areas. During 2014, the internal control work focused on IT security. The Group produced a new IT security policy and all companies must compile a local IT security manual containing guidelines on system and document management.

Monitoring

The Group management and controllers monitor the financial reporting and key business events on an ongoing basis. At each Board meeting, financial developments are reviewed against forecasts and an assessment is made as to what extent approved investments are following established plans. The audit committee evaluates the internal controls, company code and key accounting issues on an ongoing basis. The company's auditor participates in at least one of the Board's meetings each year and at every audit committee meeting to present the auditor's observations.

XANO has so far not considered it necessary to establish a separate internal audit function. The work relating to internal controls is carried out within the framework of other activities and primarily takes place using central resources. It is the company's view that this evaluation largely corresponds to the work that is performed by an internal audit function in other companies. Certain aspects of the internal controls are reviewed by the auditors on an ongoing basis. The matter of a separate internal audit function will be reviewed again during 2016.

Jönköping, 10 March 2016

Fredrik Rapp
Chairman

Petter Fägersten
Vice chairman

Stig-Olof Simonsson
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
Board member

Auditor's opinion on the corporate governance report

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

The Board of Directors is responsible for the corporate governance report for 2015 and for preparing it in accordance with the Swedish Annual Accounts Act.

We have read the corporate governance report 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 report 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 report has been duly prepared and is consistent with the annual report and the consolidated financial statements.

Jönköping, 22 March 2016

Ernst & Young AB

Joakim Falck
Authorised public accountant

Board of Directors



Fredrik Rapp

(born 1972)

Chairman, elected 2004.

Principal education:
Graduate economist.

Principal professional experience:
Managing Director Pomona-gruppen,
Managing Director Talk Telecom.

Other directorships:
Chairman of the boards of Binar AB,
Borgstena Group Sweden AB,
Eesti Hõvelliist AS, Handbolls-EM 2016 Sverige AB,
ITAB Shop Concept AB and Serica Consulting AB.
Member of the boards of AGES Industri AB,
Nordic Flow Group AB, PrimeKey Solutions AB
and AB Segulah.

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



Eva-Lotta Kraft

(born 1951)

Board member, elected 2012.

Principal education:
Graduate engineer, MBA.

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

Other directorships:
Member of the boards of Advenica AB and
NIBE Industrier AB.

Shareholding in XANO:
100 Class B shares.



Stig-Olof Simonsson

(born 1948)

Board member, elected 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:
207,131 Class B shares.



Per Rodert

(born 1953)

Board member, elected 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 Alfaros AB,
DevPort AB and Elmia AB.

Shareholding in XANO:

–



Petter Fägersten

(born 1982)

Vice Chairman, elected 2011.

Principal education:
Graduate economist.

Principal professional experience:
Managing Director and Marketing Director
ITAB Shop Concept Jönköping.

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

Shareholding in XANO:
150,200 Class B shares.



Sune Lantz

(born 1953)

Board member, elected 2014.

Principal education:
Economics and auditing.

Principal professional experience:
CEO ITAB/XANO, auditor, bank official.

Other directorships:
Chairman of the boards of AGES Industri AB,
Miljöbyggarna Entreprenad i Linköping AB and
Nilstrand Holding AB.
Member of the board of ITAB Shop Concept AB.

Shareholding in XANO:
97,400 Class B shares.

Convertible holding in XANO:
nom. SEK 3,270,000.

Details concerning the number of shares and convertibles refer to holdings on 31 December 2015 and include, where applicable, holdings via related parties and holdings where the given Board member is able to exert a controlling interest.

Group management



Lennart Persson

(born 1968)

CEO, joined the company in 1998.

Principal education:

Engineering graduate.

Principal professional experience:

CIO Eldon Vasa, Business Controller ITAB,
Managing Director ITAB Kaluste
and ITAB Plast.

Shareholding in XANO:

11,000 Class B shares.

Convertible holding in XANO:

nom. SEK 3,270,000.

**Significant shareholding 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:

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Convertible holding in XANO:

nom. SEK 981,000.

Auditor

Ernst & Young AB, Jönköping

Auditor in charge

Joakim Falck (born 1972)

Authorised public accountant, elected 2015.

Details concerning the number of shares and convertibles refer to holdings on 31 December 2015 and include, where applicable, holdings via related parties.



In Memoriam Tord Johansson (1955-2015)

Tord Johansson, one of XANO's main owners and the Chairman of the Board of Directors, passed away suddenly on 10 October 2015 at the age of 60.

Tord was born in Mörlunda, near Oskarshamn, in 1955. After graduating in industrial economics from Linköping Institute of Technology, he acquired a small company in Jönköping at the end of the 1970s. This company formed the basis for the three Groups listed on the stock exchange in which he was a main owner at the time of his death.

Over the years, Tord was always heavily involved in the companies' operations. With his strategic and industrial expertise, he has been very important for the development of the companies. He had a unique ability to bring in skilled employees around him.

Tord will be greatly missed, both on a personal level and within the companies. One of his great strengths was his ability to create strong, skilled corporate management teams, which he allowed to grow into their roles. Tord was a true entrepreneur, and the companies will continue to be run in his spirit.

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