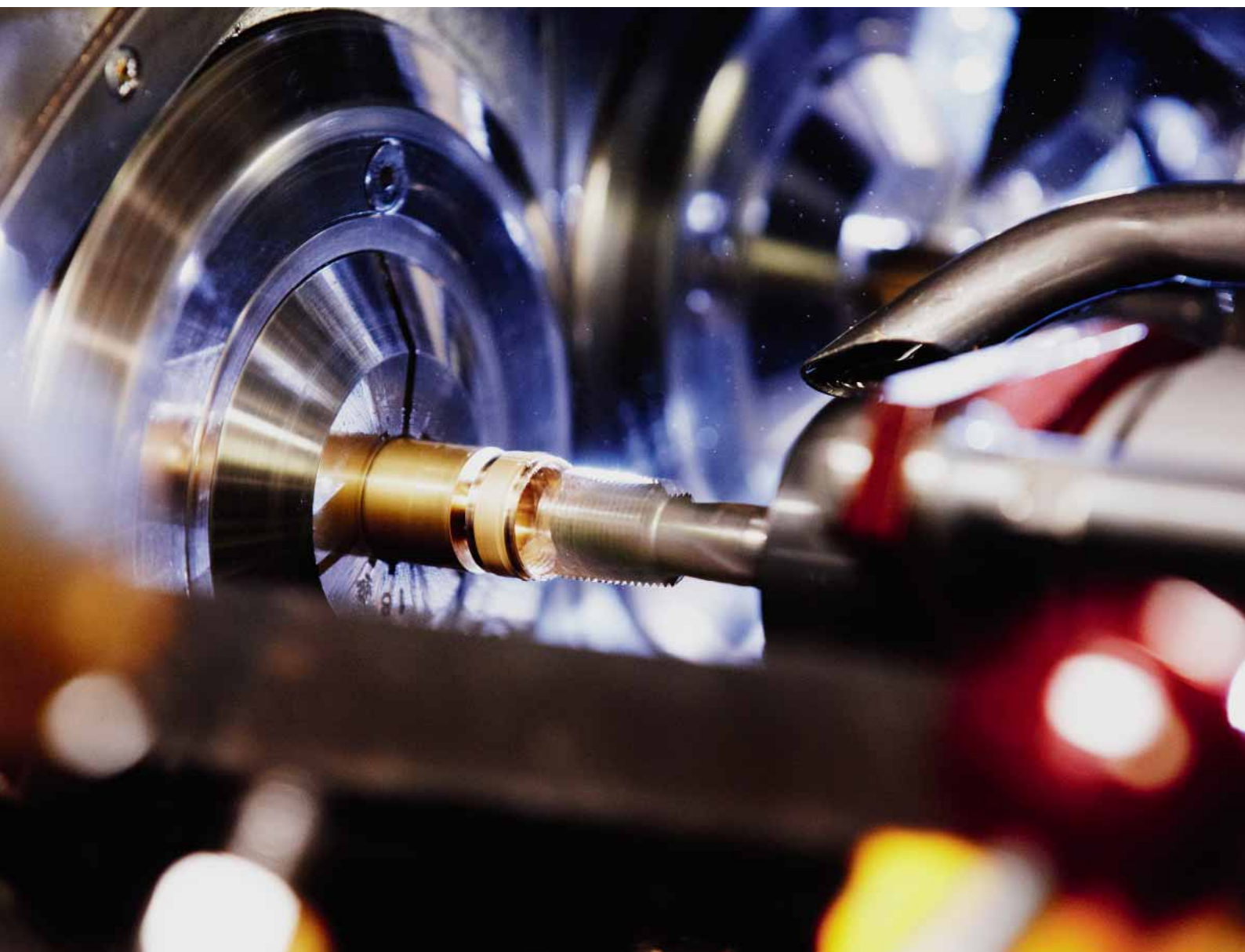




Annual Report 2010



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The 2010 financial year

The full year	Group total	Continuing operations
Net sales, SEK m	1,268 (1,071)	1,049 (828)
Profit/loss after tax, SEK m	72 (-9)	53 (1)
Earnings per share, SEK	10.60 (-1.30)	7.80 (0.25)

Q1	Group total	Continuing operations
Net sales, SEK m	233	(207)
Profit/loss after tax, SEK m	9	(0)
Earnings per share, SEK	1.30	(0.05)

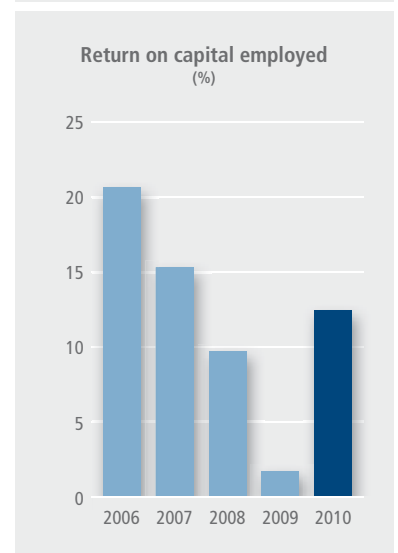
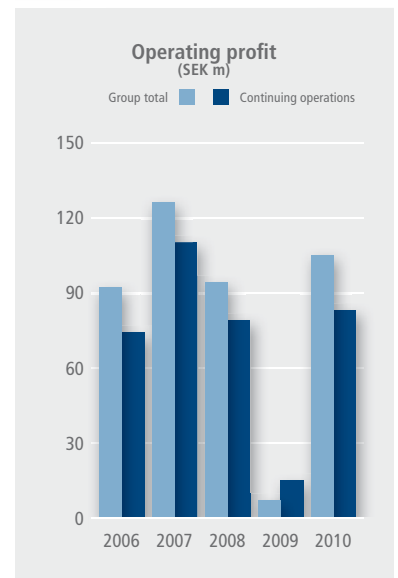
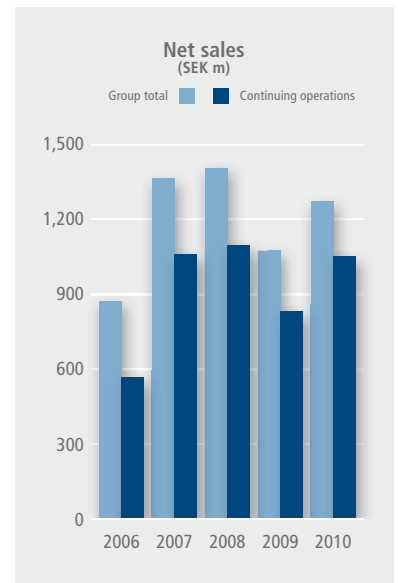
Q2	Group total	Continuing operations
Net sales, SEK m	293	(202)
Profit/loss after tax, SEK m	17	(-7)
Earnings per share, SEK	2.50	(-1.00)
In April, the subsidiary NPB won an order from the USA worth SEK 75 million.		

Q3	Group total	Continuing operations
Net sales, SEK m	228	(182)
Profit after tax, SEK m	11	(3)
Earnings per share, SEK	1.65	(0.35)
All shares in Inmedic AB and its subsidiaries were sold in August.		

Q4	Group total	Continuing operations
Net sales, SEK m	295	(237)
Profit after tax, SEK m	16	(5)
Earnings per share, SEK	2.35	(0.85)
As of 1 November, all shares in Bladhs Industri AB and its subsidiaries were sold.		

Key figures in brief – continuing operations		2010	2009
Net sales	SEK m	1,049	828
Operating profit	SEK m	83	15
Profit after financial items	SEK m	69	2
Investments in non-current assets	SEK m	25	25
Gross margin	%	18.3	15.3
Operating margin	%	8.0	1.8
Profit margin	%	6.6	0.3
Capital employed	SEK m	728	930
Equity	SEK m	446	390
Balance sheet total	SEK m	976	1,158
Return on equity ¹⁾	%	17.4	-2.2
Return on capital employed ¹⁾	%	12.4	1.7
Return on total capital ¹⁾	%	9.6	1.4
Equity/assets ratio	%	46	34
Proportion of risk-bearing capital	%	49	38
Interest coverage ratio ¹⁾	multiple	5.8	0.7
Average number of employees		677	606

¹⁾ Refers to the Group as a whole.



For definitions, see page 82.

XANO in brief

This is XANO

XANO consists of engineering companies based in the Nordic and Baltic region. These companies provide manufacturing and development services for industrial products and automation equipment. They operate within well-defined niches and possess a high level of expertise within their respective technical fields. Each unit is anchored locally and developed according to its own potential. At the same time, the Group affinity creates economies of scope for the companies and their customers. The Group is divided into three business units: Industrial Solutions, Precision Technology and Rotational Moulding.

Customer-specific manufacturing

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

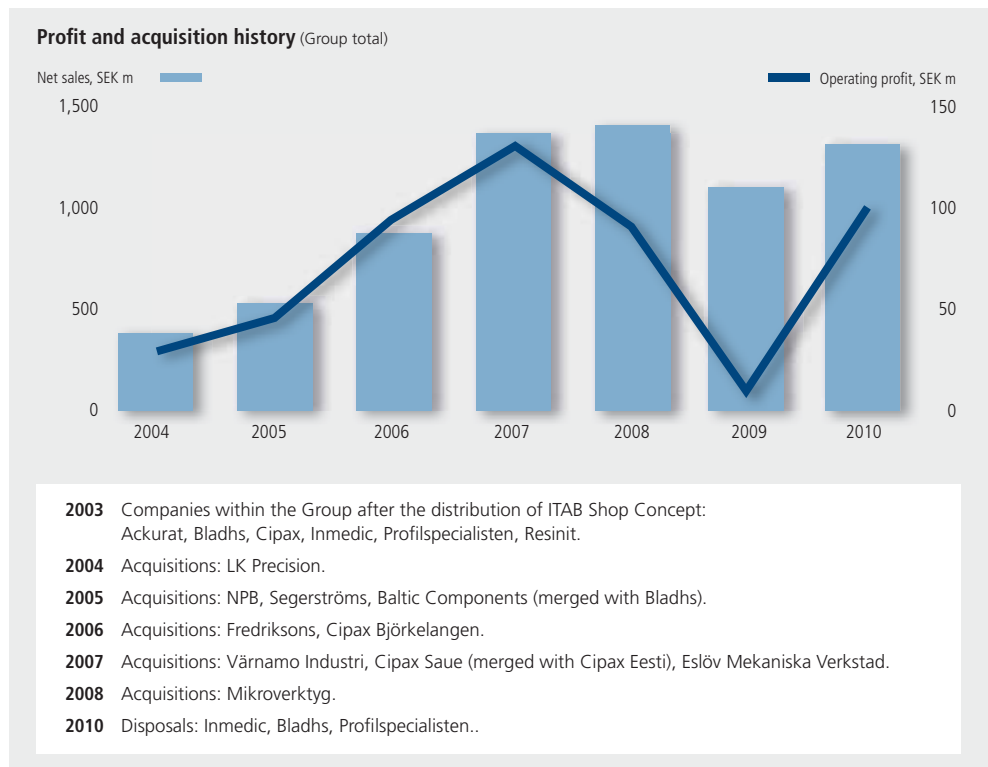
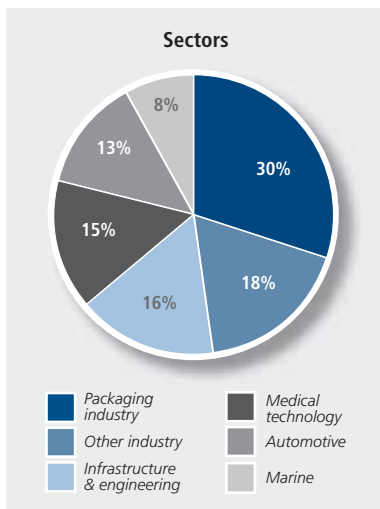
The Group includes companies which process plastic through rotational moulding, machining and injection-moulding. A number of the companies in the Group machine various metallic materials. Sheet

metal is processed through laser-cutting, edge-pressing, pressure-turning and welding. Products with special purity requirements are manufactured and assembled in clean environments. The Group also possesses extensive experience of the system assembly of complex products.

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

In-house-developed products

Many of the Group's companies have developed their own product ranges within their respective fields of expertise. Rotational Moulding offers a broad range of proprietary products covering boats, marine parts, containers and material handling solutions for industrial use. Industrial Solutions manufactures systems which are designed to rationalise customers' production processes. Design, development of control systems and electronics, and fine mechanical assembly are carried out in-house. The business unit also develops components that bring additional functionality and creates possibilities in terms of the designing of, for example, shop fittings, furniture and rehabilitation aids.



GROUP – CONTINUING OPERATIONS

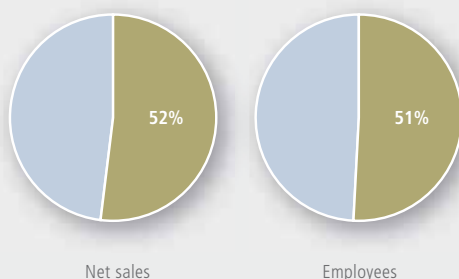
Net sales	Operating profit	Average no. of employees	Operating margin	Growth
SEK 1,049 m	SEK 83 m	677	8.0%	+26.8%

SHARE OF GROUP

KEY INFORMATION

COMPANIES

INDUSTRIAL SOLUTIONS

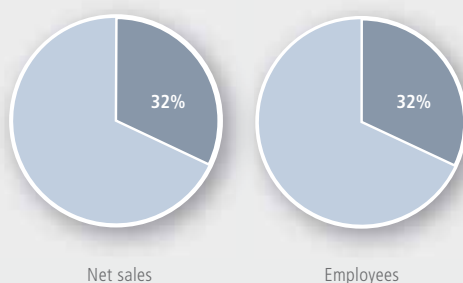


Industrial Solutions comprises companies that supply automation solutions for the food and medical technology industries, in addition to packaging machines for beverage and other food packaging. The unit also provides hand wheels, handles and adjustable feet to furniture and shop fitting manufacturers among others.

Ackurat
Fredriksons
NPB

		2010	2009
Net sales	SEK m	545.5	424.2
Growth	%	+28.6	-19.3
Operating profit	SEK m	45.6	29.0
Operating margin	%	8.4	6.8
Employees		340	278

PRECISION TECHNOLOGY

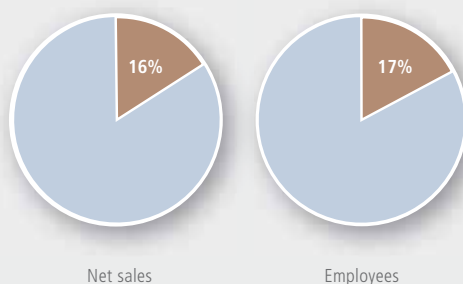


Precision Technology includes companies that cover component and system manufacture through advanced cutting-machining of metal and plastic for the production of components which are subject to demanding requirements for quality and precision.

Eslöv Mekaniska
Verkstad
LK Precision
Mikroverktyg
Resinit
Segerströms
Värnamo Industri

		2010	2009
Net sales	SEK m	339.5	251.2
Growth	%	+35.2	-33.4
Operating profit	SEK m	18.8	-10.7
Operating margin	%	5.5	-4.3
Employees		214	198

ROTATIONAL MOULDING



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

Cipax

		2010	2009
Net sales	SEK m	165.5	150.4
Growth	%	+10.0	-19.4
Operating profit	SEK m	29.7	6.0
Operating margin	%	18.0	4.0
Employees		113	121

The operating profit includes non-recurring items totalling SEK m **3,9** –

Strong growth and financial position

2010 was an eventful year of recovery. The Group's business units reported a considerable rise in sales and volumes have now returned to 2008 levels while maintaining profitability. Our strong organic growth of 27 per cent is not only due to the improved economy; effective cuts in combination with stronger market forces during the years of the financial crisis put us in a good position ahead of 2010.

We are very happy with how the companies have handled the changes. The measures implemented have borne fruit and also meant that we coped well with the sudden upturn and the upward change in volume this brought about with very little disruption to the production processes.

Developments during 2010

Ahead of 2010 we had a profitable starting point. Following a number of focused internal initiatives, we had a trimmed cost base and capacity was utilised in a more efficient way at a time when the economic climate was looking up. The careful optimism of the first quarter was followed by a dramatic growth trend which has still shown no signs of slowing down.

The businesses have worked actively on developing production efficiency and internal logistics. New products have been developed whilst existing products have also been improved. In terms of staffing, the companies have endeavoured to achieve greater flexibility in order to be able to adapt to fluctuations in the market more quickly and more cost-effectively.

Many customers have worked with low stock levels and a relatively short planning horizon at the same time as access to raw materials has at times been limited over the course of the year. The lead times at the Group's subcontractors have similarly been longer than normal, meaning that some of the

companies have found it difficult to fulfil their delivery commitments. These conditions peaked during the third quarter and then normalised towards the end of the year.

Operations

Acquisitions remain an important component of our ongoing work, but during 2010 we opted to allocate relatively few resources to assessing potential purchases. Nor have we closed any deals. Part of our work to improve our long-term structure and build up strong business units where we can benefit from synergies also includes considering whether to dispose of companies. Over the year we have considered doing so on two occasions. We chose to sell Inmedic and its subsidiaries to Hammarplast Medical, which as a result of this business combination has now become one of the largest players in customer-specific production and assembly in clean rooms in the Nordic countries. We have also sold Bladhs Industri and its four subsidiaries to Talent Plastics. The Inmedic and Bladhs companies made up most of the Plastic Components business unit, so this has consequently now been wound down. Ackurat, which was the only remaining company in the unit, joined the Industrial Solutions business unit at the start of the new year.

In the Industrial Solutions business unit, Fredriksons experienced steadily increasing sales and good profitability over the course of the year. In total the volume increase amounted to 29 per cent and was most noticeable in the China-based unit, where the company trebled its production area in the fourth quarter. The Chinese facility was established in 2006 as a mirror image of the Vadstena unit and now generates good earnings. Investments in China will remain a priority. NPB reported high product development costs and fewer installations, leading to negative result. In April NPB won the largest order placed within the niche during 2010 from the world's leading manufacturer of metal packag-

ing for food. The order is worth SEK 75 million and NPB will see the benefit of this in 2011. Ackurat had a stable sales trend and very good profitability. The company saw a 19 per cent total increase in volume during the year. In addition to the general economic situation, establishing a presence on new markets and an even more expanded product range have also played a part in the continued success.

Companies within Precision Technology demonstrated exceptional recovery with a higher and faster upturn in sales than expected in several segments, including the heavy vehicle industry. The unit reported volume growth of 35 per cent. Värnamo Industri and LK Precision have implemented organisational changes at management level, something which has also had a positive impact on the companies. There are still areas in which improvements can be made within the business unit and thus plenty of potential for further strong profitability in future.

Within the Rotational Moulding business unit, all Cipax companies experienced strong recovery in key customer segments as well as success in new markets. A rise in volume of 10 per cent in combination with low costs, following the adjustments made in 2009, led to a clear improvement in earnings. This is despite the fact that Cipax sold its range of sanitation products during the first quarter in order to refine the business. As of 1 October 2010, a cooperation agreement is in force between Yamaha Motor Scandinavia and Cipax covering Cipax boats under the Pioneer brand. These boats are now being sold via Yamaha's extensive dealer network in Scandinavia and the Baltic countries. Thanks to this partnership, Cipax expects good growth for Pioneer already during the coming boating season.

Outlook for 2011

2011 began with an order situation that remained stable and capacity being utilised efficiently. Thanks to a good cash flow and a strong financial position, the XANO companies are well-equipped and pre-

pared to make more investments. After a couple of years with a lower investment level, we will return to allocating significant resources to upgrades within selected production segments, especially automation equipment. Several of the companies are also planning to both supplement and extend their product ranges. Cipax, for instance, is producing new boat models, while NPB is extending its range of automation equipment for lid handling and Fredriksons is developing its conveyor systems for more customer groups within the food industry.

The healthy order book will generate continued organic growth. We will also intensify assessments of potential acquisitions and have good hopes of finding interesting additions to the Group in 2011.

Jönköping, February 2011

Sune Lantz
Sune Lantz



The XANO share

XANO's Class B shares were registered on the stock exchange on 5 December 1988. The share is now listed on NASDAQ OM 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 and turnover

During 2010, XANO's share price rose by 48 per cent from SEK 56.00 to SEK 83.00. At the end of 2010, XANO's market value therefore amounted to SEK 575 million, based on the most recent price paid and the total number of shares. The number of shares sold amounted to 380,868, which corresponds to a turnover rate of 7.9 per cent during the year.

Convertible bond programme

The 2008 Annual General Meeting decided to approve the Board of Directors' proposal to issue convertibles to employees. Convertibles were issued for a total of SEK 27,500,000, equivalent to 220,000 convertibles at the conversion price of SEK 125. During the period 1 May to 15 June 2012, each convertible may be converted to one Class B share in XANO. If all convertibles are converted to shares, the dilution will be 3.2 per cent of the share capital and 0.9 per cent of the number of votes.

Shareholders

The number of shareholders decreased during the

year. At the end of 2010, XANO had 1,322 shareholders, compared with 1,430 shareholders at the same time the previous year. The ten largest shareholders accounted for 95.2 per cent of the votes and 82.9 per cent of the share capital. Institutional holdings constituted 2.5 per cent of the votes and 8.9 per cent of the share capital.

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 through the withdrawal without repayment of 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 thereafter 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.

Dividend policy

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.00 (1.50) per share for the 2010 financial year. In addition to this, the Board of Directors proposes an additional dividend of SEK 1.50 (0) per share.

It is the aim of the Board of Directors that over an extended period of time the dividend will follow developments in the result and correspond to 20 to 30 per cent of net income after tax. The annual dividend share should, however, be viewed in relation to any repurchases of shares.

Definitions

Basic earnings per share

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

Diluted earnings per share

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

Cash flow from operating activities per share

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

Equity per share

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

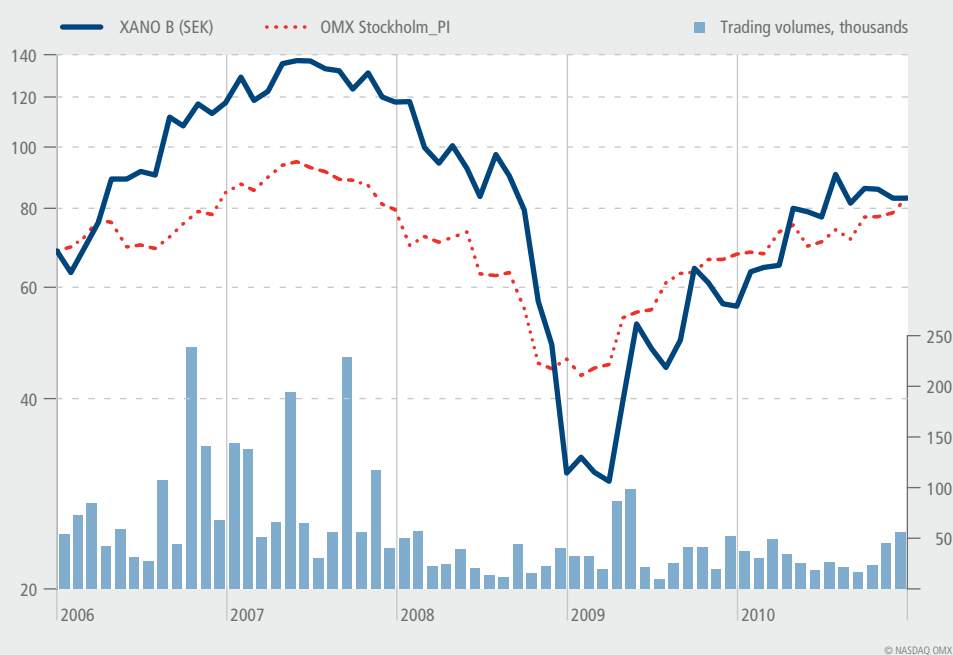
Direct yield

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

Share data		2010	2009	2008	2007	2006
Average number of outstanding shares	thousands	6,789	6,789	6,755	6,734	6,696
Average number of outstanding shares after dilution	thousands	7,009	7,009	6,950	6,924	6,886
Average number of shares in own custody	thousands	140	140	166	179	303
Basic earnings per share	SEK	10.60	-1.30	6.70	10.80	12.30
Diluted earnings per share ¹⁾	SEK	10.40	-1.30	6.70	10.60	12.05
Cash flow from operating activities per share	SEK	18.50	18.35	11.45	10.30	16.60
Total number of shares on balance sheet date	thousands	6,929	6,929	6,929	6,913	6,913
Number of shares in own custody on balance sheet date	thousands	140	140	140	170	217
Equity per share on balance sheet date	SEK	65.70	57.50	61.05	57.20	49.60
Share price on balance sheet date	SEK	83.00	56.00	30.50	117.75	117.50
Share price in relation to equity	%	126	97	50	206	237
Proposed dividend per share	SEK	3.50	1.50	1.50	3.50	4.00
Direct yield	%	4.2	2.7	4.9	3.0	3.4

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 operations.

Price trend XANO B



Largest shareholders

	Class A shares	Class B shares	Percentage (%) of voting rights	Percentage (%) of share capital
Thord Johansson with company	1,282,200	585,100	55.1	27.5
Johan Rapp with company	540,000	1,563,545	28.6	31.0
Kennert Persson	103,100	303,700	5.5	6.0
Svolder AB	–	444,290	1.8	6.5
Christer Persson with family	24,700	170,900	1.7	2.9
Stig-Olof Simonsson	–	176,245	0.7	2.6
Anna Benjamin	–	150,000	0.6	2.2
Petter Fägersten	–	150,000	0.6	2.2
Sune Lantz with family	–	97,400	0.4	1.4
Spiltan Fonder AB	–	42,669	0.2	0.6
Others	–	1,155,125	4.8	17.1
Total number of outstanding shares	1,950,000	4,838,974	100.0	100.0
Shares in own custody	–	140,000		
Total number of shares	1,950,000	4,978,974		

Based on information in the public share register and the nominee list of owners from Euroclear with a registration date of 30.12.2010..

Share capital trend

Year	Transactions	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

Ownership structure

Number of shares	Number of owners	Percentage of shares
1 - 500	855	2.2
501 - 1,000	245	2.8
1,001 - 5,000	162	5.2
5,001 - 10,000	29	3.0
10,001 - 50,000	21	5.6
50,001 - 100,000	1	1.2
100,001 -	9	80.0
Total	1,322	100.0

Based on information in the public share register and the nominee list of owners from Euroclear with a registration date of 30.12.2010.

Active ownership in companies with entrepreneurial drive

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.

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 eight per cent during an economic cycle. The equity/assets ratio will exceed 35 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 niched companies

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

MARKET OFFER AND OPERATIONS

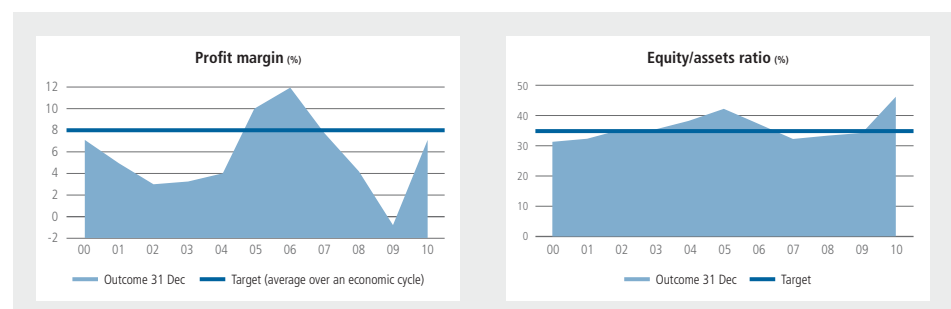
Advanced technology for selected target groups


XANO's market offer consists of production and assembly of components and systems with related services, as well as development, manufacture and marketing of in-house products. The Group currently operates in Sweden, Estonia, Finland, Norway, China and Poland. The units all work within well-defined niches and have a high level of expertise within their respective technical areas. 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.





Entrepreneurial drive

The most important common denominator in the 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 actively contribute. 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 end-to-end packaging equipment. Some companies are market-leaders and at the forefront of their niche. Others have in-house-developed products that no other company delivers. All XANO companies are distinguished by their advanced technical content, dedication to service and expert engineering advice.

Advanced technical content

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

Services

PROJECT MANAGEMENT aimed at satisfying the unique needs of each individual customer in the best possible way.

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

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

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

Production resources

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

CUTTING MACHINING – the material, plastic or metal in the shape of bars or blocks is loaded in the machine and processed through turning or milling. Drilling, thread-cutting and burring is performed in the same sequence in order to meet the quality requirements. Examples of applications which use machined components include telecom equipment, medical device systems, hydraulic systems, heat exchangers and safety devices in cars.

SHEET METAL PROCESSING is performed through laser cutting, edge-pressing, pressure turning and welding. The sheet metal components are, for example, used in X-ray equipment and food handling equipment.

ROTATIONAL MOULDING enables complex plastic parts to be manufactured in one piece, resulting in products with high abrasion resistance such as boats, industrial tanks and buoyancy devices. The plastic material is placed in the tool. During heating, the tool rotates around two axles to distribute the powder. The material melts and sticks to the inner walls of the tool. The tool is cooled and the plastic stiffens in the required shape.

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



Examples of components and products within each sector

SECTOR	CUSTOMER-SPECIFIC MANUFACTURING	IN-HOUSE-DEVELOPED PRODUCTS
Packaging industry	Components for conveyor belts and heat exchangers. Plastic packaging, casings, boxes.	Automation equipment, conveyor belts, packaging machines. Pallets, containers.
Other industry	Components for optical equipment, radar interference, pump shafts, electric plugs, transmission mechanisms, furniture, rehabilitation products, shop fittings. Fastenings, shafts, casings, pipes, pumps.	Book sorting machines. Vessels, containers, tanks.
Infrastructure & engineering	Components for heat exchangers, trains, stone crushers, fuel pumps, pump stations, cesspools, sludge separators. Fastenings, shafts, transmission mechanisms.	Catchment and septic tanks.
Medical technology	Components and systems for cardiac pumps, respirators, dialysis apparatus, lifting aids, stereotactic equipment, speech aids, water treatment. Complete X-ray machines.	Tanks, containers.
Automotive	Components for oil coolers, control valves, chassis, transmission mechanisms. Fuel tanks, pipes, casings, toolboxes, special packaging, fastenings.	
Marine	Components for service equipment, drive lines, transmission products, transmission solutions, instrument panels.	Boats, canoes, buoys, floats, seating, water tanks, septic tanks.



Responsibility for environment and quality

ENVIRONMENTAL OBJECTIVES

Group companies will continuously strive to reduce environmental impact through conscious selection of raw materials, processes and transports. 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 judged to be limited.

Operations with reporting duty

As of 31 December 2010, the Group was engaged in activities with a reporting duty in accordance with the Swedish Environmental Code in nine Swedish subsidiaries. The reporting duty relates to the manufacture of plastic products (three companies) and engineering industry with metal finishing (six companies). Activities affect the external environment mainly through waste.

Environmental certification

The efforts to develop environmental management systems in accordance with ISO 14001 continue. Eight of the Group companies are certified and one has been awarded an environmental diploma.

Environmental measures

Each company within the XANO Group is responsible for and actively strives to reduce its environmental impact. The companies are continually

implementing improvements through quality and environmental goals for scrapping and increased sorting of waste according to source. At a general level, investments in machinery have improved the efficiency and reduced the electricity consumption of many of the Group's companies. Improved processes within many production units have also reduced the impact on the environment.

Amongst other action taken in 2010, the following specific measures have been implemented:

- Ackurat has mapped its use of consumables and changed to more environmentally friendly alternatives wherever possible.
- At Resinit the replacement of a compressor has meant that waste heat can be recovered.
- Investment in a new grinding/polishing department with new air purification equipment is reducing emissions from Fredriksons. A review and analysis of wastewater discharges has also started here.
- Segerströms achieved ISO 14001 certification. The ventilation in the production facility has been re-organised in order to manage excess heat.
- Energy mapping has been completed at VIAB.



QUALITY OBJECTIVES

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

Ongoing quality improvements

In order to achieve quality goals, ongoing investments are being made in the form of human resources development and the upgrading of production equipment and processes.

Suppliers and other joint venture partners are selected on the basis of a quality perspective and activities within marketing and sales are carried out in such a way that the expectations that are 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.

Higher flexibility means greater competitiveness

In 2010 the Group companies continued to work on streamlining the internal processes with a view to achieving better profitability and being better prepared for future fluctuations.

“The companies are not all the same size and have different strengths and weaknesses. We are supporting them from Group level with the competence and experience needed in these change processes,” explains Robert Andersson, development manager at XANO. Over the year several of the companies pursued Lean Production projects. The companies have also worked on stock levels and stock turnover as well as on creating greater staffing flexibility in order to cope with different production volumes. Here are three examples of their success:

Lean Production at Cipax

The Cipax companies have implemented a lot of internal changes in the last few years, especially within the Norwegian unit. The company has also implemented a successful investment in the Lean Production philosophy here.

“The work with Lean took off in early 2010 and has led to major changes in production,” explains Dag Eirik Thomassen, MD of Cipax AS. Amongst other areas, the company has worked on improving basic structural and process issues, invested in leadership training and reduced set-up times.

“Lean isn't something you can work on as an isolated group within the company, it's something that affects the entire organisation and its culture. That's why an important part of the work has been motivating the whole workforce.”

“Now the staff can see the progress we are making clearly and want to keep on developing,” says Dag Eirik Thomassen.

More efficient processes require less staffing at Resinit

Resinit has implemented a number of measures to improve processes during the years of the financial crisis, and these have led to production becoming more efficient and thus not requiring as many staff.

“We haven't instigated any dramatic action at Resinit, but instead we've taken small steps in all

areas. If we look back then we can see that efficiency has got better despite less staffing,” says Ingvar Norén, MD of Resinit.

The company's measures include introducing a tool system for lathes which reduces the set-up times and increases efficiency significantly. Ahead of 2011, a number of large investments in machinery are planned, including a five-shaft milling cutter with a robot that will lead to even greater flexibility and efficiency.

Capital rationalisation at Segerströms

At the end of 2008, Segerströms had inventories worth more than SEK 12 million. These days the company works with stock levels that are around a quarter of the old volumes, something which is a result of several focused initiatives rolled out during 2009 and 2010. The impetus for this was the implementation of a new business system that made requirements planning easier. Segerströms has also introduced clearer procedures for forecast meetings with customers and blanket orders at material suppliers to enable their safety stock to be lowered.

“We have experienced a materials shortage on a few occasions but on the whole the changes have only had a positive impact,” says Anders Linder, MD of Segerströms. “This means that we have released capital for other investments in the business, something which will be better for us in the long run.”

In order to maintain the low stock levels, Segerströms is continuing to focus on keeping the right mix of raw materials and finished products in stock.



*Robert Andersson,
development manager
at XANO .*



XANO Production School Development for production managers

Production manager is a central job function at several of the XANO companies. Between April and November 2010 an internal training programme called XANO Production School (XPS) was held for production managers at companies within the Precision Technology business unit. This initiative is part of the Group's long-term strategy of developing and strengthening the Group companies.



According to Pia Nielsen at Resinit, XPS has provided knowledge in how to view and run change and improvement work.

"We are making an extra effort within the Group to not only strengthen individuals in their job but also give the Group an overall view and understanding of the company's processes," says Robert Andersson, development manager at XANO.

Concrete tools for good leadership

During the training period 11 people from five of the companies in the Group met at a total of six training sessions. Through workshops and lectures arranged together with Skärteknikcentrum, the participants have improved their knowledge of the transfer of know-how, production finance, production logistics and production technology as well as learning more about the cutting process.

"The training has given me a greater understanding of production finance through the work with flow analyses in which we followed a part from its raw materials right up until it became a finished piece," says Pia Nielsen, a supervisor at Resinit.

A large part of the training also dealt with practical leadership.

"My job as supervisor means that I have to motivate my team in good and bad times. That's why

I really appreciated the parts of the training which touched on personal development," explains Pia. "They've given me a practical toolbox which I've already put into use quite a lot in my daily work," she continues.

Plenty of experiences shared between the companies

An important part of the initiative has also been the networking between staff with the same tasks at different companies.

"Each company hosted at least one session. It was a good way to get to know the other businesses in the Group. There was a lot of experience sharing going on between the participants and we have built up an interesting network of contacts. I e-mail the others fairly regularly," reveals Pia.

XANO takes a very positive view on networking within the Group.

"The people taking part in XPS will continue to meet up in future and experience sharing within other business units is also spreading," concludes Robert.



11 people from five of the companies within the Precision Technology business unit took part in XPS. Today they are in frequent e-mail and phone contact.

Our personnel

Personnel structure

As of 31 December 2010, the Group had 736 full-time employees, 90 (12 per cent) of whom were women. The average number of employees during the year was 873, of whom 183 (23 per cent) were women.

The average age of employees in the Group was 40 for women and 45 for men at the end of the year. The average period of employment was three years for women and seven years for men.

Absence due to illness

Absence due to illness during the year amounted to an average of 4.0 per cent at the Group's remaining Swedish companies, a fall of 0.2 per cent compared to the previous year. The portion of long-term absence due to illness was 14 per cent of all illness absences in these units, which is 11 per cent below the previous year's level.

Continuous competence development

Competence development initiatives are constantly in progress within the areas in which the various companies operate. The emphasis is on software training for handling the advanced equipment that is required for the increasingly automated manufacturing processes.

During the year the focus has been on broadening the general skill sets of the companies and as a result achieving a greater level of production flexibility.

Preventive efforts

Most Group companies are affiliated with 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.



Key figures personnel		2010	2009
Average number of employees		873	851
– in Sweden		623	593
– in other countries		250	258
– women		183	202
– men		690	649
Average age, women ¹⁾	years	40	43
Average age, men ¹⁾	years	45	43
Average employment time, women ¹⁾	years	3	7
Average employment time, men ¹⁾	years	7	8
Absence due to illness ²⁾	%	4.0	4.2
– of which long-term ²⁾	%	14	25

¹⁾ Refer to employees at year-end. ²⁾ Refer to remaining Swedish companies.



Industrial Solutions

The business unit Industrial Solutions comprises Fredriksons, NPB and Ackurat. Fredriksons and NPB supply customer-specific automation solutions for the food and medical technology industries, in addition to packaging machines for beverage and other food packaging. These enterprises also develop their own products in the form of conveyor systems for food products and handling equipment for a variety of applications. Ackurat supplies customers including furniture and shop fittings manufacturers with parts such as hand wheels, handles and adjustable feet.

Industrial Solutions

Activities and markets

Fredriksons and NPB manufacture automated systems for food handling and medical technical equipment, proprietary packaging machinery for beverage and other food packaging in addition to book-handling systems for libraries. The products are sold on the global market, with Europe as the main market. Ackurat has its own standard range of components for industrial use and also offers customised products. Its customers are mainly based in northern Europe.

2010 in brief

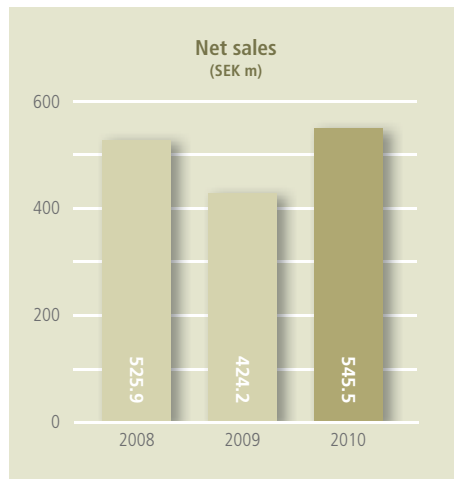
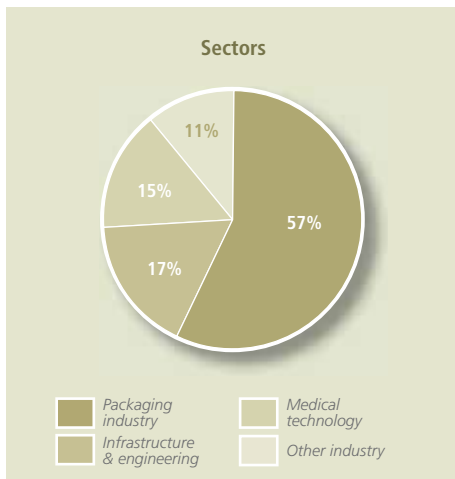
The two Fredriksons units in Sweden and China have seen dramatic sales increases and good profitability. During the spring the unit in Vadstena received major orders from new customers, a factor which has con-

tributed to the positive growth. Fredriksons' export customers have also accounted for a marked increase in sales. In order to meet demand, the company has invested in an unmanned five-axis machining cell as well as a large pressure lathe. Fredriksons has also continued its efforts related to Lean Production, amongst other things through investing in new stock-moving machines and making warehousing more efficient. The unit in China almost doubled its sales compared to 2009. This increase is most visible in the food sector. As a consequence of its strong growth, the company moved premises during the last quarter of the year. The new premises are three times the size of the old site and allow for more growth further down the line. Investments in new production equipment also mean that the China unit can offer advanced measuring, complete assembly, cutting machining and automation assignments. Employees from the unit in Vadstena have assisted with training.

NPB, like the industry as a whole, experienced a continued tough sales climate during the first half of the year. The exception to this was a large order placed in April by the world's leading manufacturer of metal packaging for food. The customer, who is based in the USA, has ordered 13 packaging centres for delivery in 2011. The value of the order amounts to the equivalent of SEK 75 million. This large order, in combination with a distinct increase in sales, meant there was plenty of work in production during the autumn. However, high product development costs and pilot projects with poor profitability reduced profits. The planned marketing efforts for the Asian market were postponed because the company decided that the focus should be on existing markets given the



Fredriksons develops and manufactures automated systems managing the logistics between wrapped goods and pallet handling. The customers operate within the food processing sector on the global market.





Ackurat injection-moulds thousands of standard components, such as feet for the furniture industry.

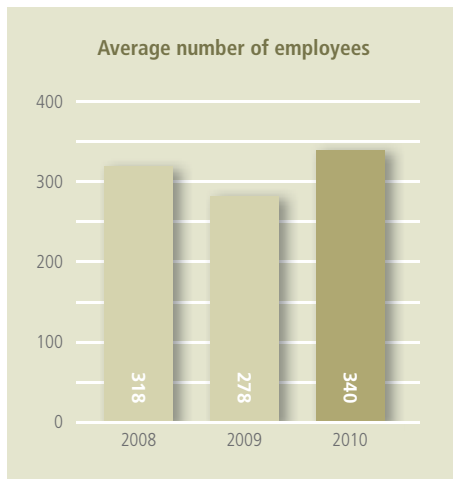
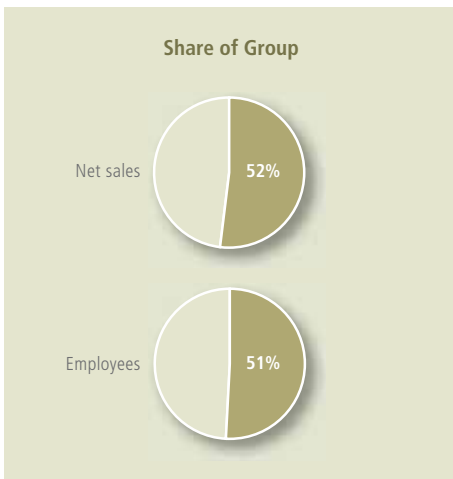
prevailing economic climate. The order level for NPB's book-handling machines rose slightly during the year. The company aims to expand its sales network for book sorting solutions to include other markets beside the Nordic countries. As part of its work to reduce the company's sensitivity to fluctuations in the order book, NPB has decided to outsource some of its production rather than take on new employees of its own. Long lead times and a continued investment freeze by several customers as well as generally within the industry have led to a financial result worse than that of the previous year. It was not until the end of the year that the company saw a light at the end of the market tunnel.

Ackurat's sales of components for furniture, shop fittings and rehabilitation equipment have increased relatively evenly. The company reports a healthy increase in sales and a substantially improved operating profit compared with the previous year. The back-

ground to this is the more favourable general economic situation and the fact that Ackurat continued to acquire market shares.

During the autumn Ackurat set up a company in Poland which handles its own sales and stock. The company is now coming into contact with many of the north European furniture companies with production based in Poland. Ackurat has also boosted its marketing efforts in Denmark due to domestic furniture production increasing. A large number of products has been added to the range during the year. These can be found in the extensive product catalogue launched in the autumn. Ackurat has continued the intensive and successful marketing approach that was introduced three years ago. The production workload has been high and capacity expanded in order to cope with the increased production volumes. The company has invested in production-related training for the staff.

Fredriksons works on contract assignments for many of the large export companies within the medical technology, food processing and engineering industries. Fredriksons offers services from idea to finished product, including tests.





NPB's book sorting system at the public library in Jönköping was installed in 2010.

Looking forward to 2011

Fredriksons forecasts a continued increase in sales for both units over the year, but not on the same scale of 2010. New machine investments, above all in sheet metal working, are planned during the year. The company will also invest in a new warehouse system for the production facility in Vadstena. Product development of a new, wide conveyor system is underway. In addition to this, the company has started the work required for welding standard certification, which is expected to be completed during the year. The new and larger production facilities in China enable the

unit to further widen its undertakings. Extensive investments in production equipment will be carried out for the purpose of supplying customers within new market segments in Asia.

Thanks to the large order won in April, NPB's financial development in 2011 will be very positive. The company also believes that the market situation will continue to improve during the year, thus leading to more enquiries. The customers' investment freeze, which was in place for up to two years, is expected to have created a greater need for equipment. NPB is working actively to develop new products that will be launched during the year. The company considers that a new and unique function within tracking of products will boost its competitiveness even further. Over the course of the year NPB will be carrying out market surveys in Asia, South America and Africa to determine whether any investment is eligible. Demand for packaging automation is predicted to take off in the next few years.

Ackurat believes good profitability will be sustained and more market shares gained even though the order book from the furniture industry has started to level out. New product launches are planned to take place during the year. There will be greater emphasis on marketing activities in the Nordic countries and in Poland. A new e-commerce solution will be launched in the first half of the year, which will involve Ackurat making another 3,000 products available via the internet. This solution is expected to lead to a higher number of new enquiries and contracts.



COMPANIES WITHIN THE INDUSTRIAL SOLUTIONS BUSINESS UNIT



Adjustable feet for shop shelves.

ACKURAT

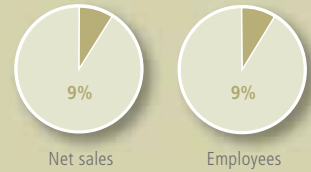
Ackurat manufactures and sells standard injection-moulded plastic components and stocks more than 6,500 items, including hand wheels, adjustable feet, levers, handles and pipe stoppers. In addition to purely plastic components, the company supplies products with metal screws and bushings. Ackurat also offers the option of manufacturing fully-customised products or customised standard products.

Ackurat sells mainly to the Nordic and Baltic countries. The company has sales organisations in Finland and Poland, as well as retailers in Norway and Latvia. The company's customers are primarily manufacturers of furniture, shop fittings and machinery, in addition to companies that supply equipment within the fields of health and leisure.

Ackurat 2010

Net sales	SEK m	51.0
Growth	%	+18.6
Average no. of employees		31

Share of business unit



Conveyor system for dairies.

FREDRIKSONS

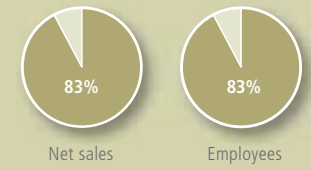
Fredriksons offers contract assignments from ideas to finished products in small and medium series production. The assignments can cover design, manufacturing prototypes, series production and documentation. The company works with customers within food processing, medical technology, environment and energy. Fredriksons strives for a high degree of processing and makes extensive use of technology in projects.

Fredriksons also develops, manufactures and markets conveyor solutions. The products are sold under their own brand name or as OEM products to customers with activities in food products and medical technology. The products solve the customers' logistics, from packaged product to pallet handling. Fredriksons' customers are primarily based in Sweden. The company can serve customers with activities in Asia through its own manufacturing unit in China.

Fredriksons 2010

Net sales	SEK m	451.0
Growth	%	+29.0
Average no. of employees		281

Share of business unit



Detail from lid-handling equipment.

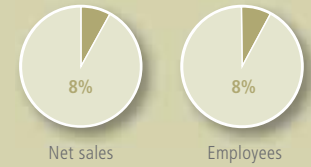
NPB

NPB develops, designs and manufactures automation equipment for industry for lid handling for can-related products for the global market. The company also develops, designs and manufactures book-sorting solutions for libraries with Europe as the primary market. NPB's services include project management, design, manufacture, assembly, testing, installation and training. The organisation is flexible and customer-oriented. NPB's equipment is aimed at improving the efficiency of the customer's manufacturing processes and also minimising installation and maintenance costs.

NPB 2010

Net sales	SEK m	43.7
Growth	%	+35.2
Average no. of employees		28

Share of business unit





Precision Technology

The Precision Technology business unit consists of six companies with manufacturing units in Sweden. LK Precision and Resinit manufacture parts primarily for medical technical equipment in small to medium production runs. EMEK and Mikroverktyg supply both small batches and longer production runs mainly within other industry and infrastructure & engineering, while Segerströms and Värnamo Industri specialise in larger runs with a high proportion of sales being made to the automotive industry.

Precision Technology

Activities and markets

The companies specialise in component and system manufacture through the advanced cutting and machining of metal and plastic with exacting requirements for quality and precision. Customers primarily come from the medical technical, automotive and other industry sectors with the focus being on the Swedish market.

2010 in brief

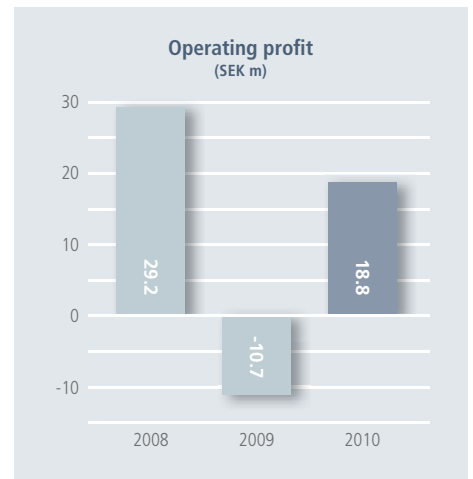
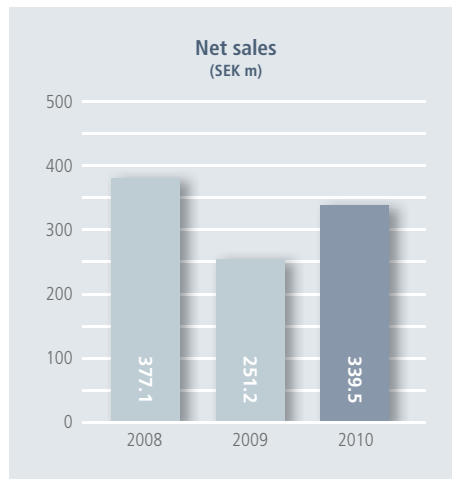
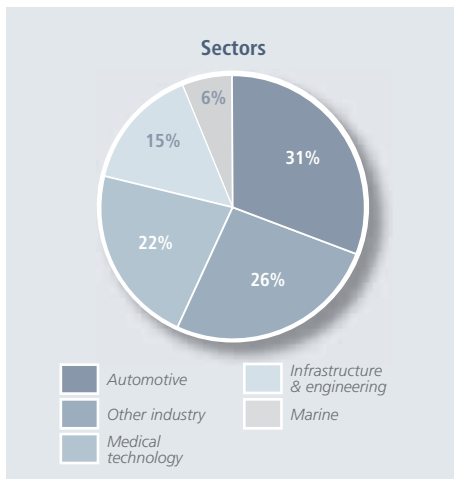
The companies within the business unit continued their recovery in all product segments. The volume increase, in combination with a more tailored cost

base, generated a dramatic improvement in earnings. Thanks to the restructuring work completed during the economic downturn, the businesses are more flexible and better prepared to weather future fluctuations.

EMEK's sales increased by a much higher margin in 2010 than anticipated and the company exceeded its budgeted targets month on month. The company's ability to meet its customers' demand for short lead times has been an important competitive advantage while the economy has been recovering since many customers have been operating with minimal stocks. During the spring, a new milling cutter was



Here a brass component is being turned in a six-spindle automatic lathe.



installed to further improve delivery capability. EMEK has implemented internal training programmes during 2010 in areas such as leadership and programming.

LK Precision also reported good sales during the year. All customer segments have now recovered after the downturn. The company has mainly focused on growth in the core business, which consists of parts for medical technical equipment. When it comes to organisational matters, the year saw several changes in key personnel, leading to extra costs due to e.g. recruitment and double staffing. Despite these costs the annual earnings were actually much better than in the previous year and there is still room for improvement.

After a weak first quarter for Mikroverktyg, the order book filled up again quickly during the late spring. Over the year as a whole, the company experienced a dramatic rise in volumes compared to 2009. The positive trend is mainly attributable to new customer contacts and is due to a combination of the general upturn in the economy and lots of active marketing. The orders received from the automotive industry by the end of the year had still not reached the same volumes as those seen prior to the financial crisis. On the other hand, Mikroverktyg has extended its product offering and, amongst other things, started to produce parts that are sold within the energy supply market. Over the course of the year Mikroverktyg has made generational changes to several key positions.

Due largely to Resinit's customers experiencing strong growth in exports, the company's recovery was faster than expected. This led to a noticeable

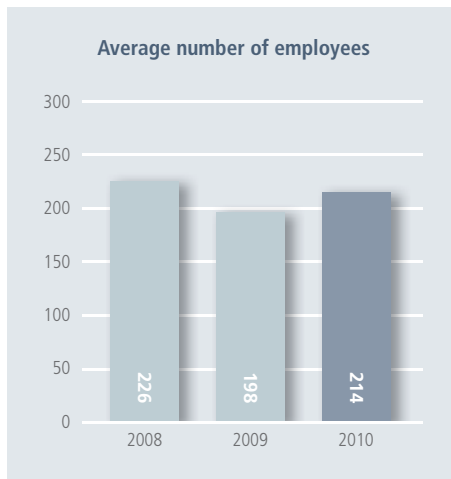
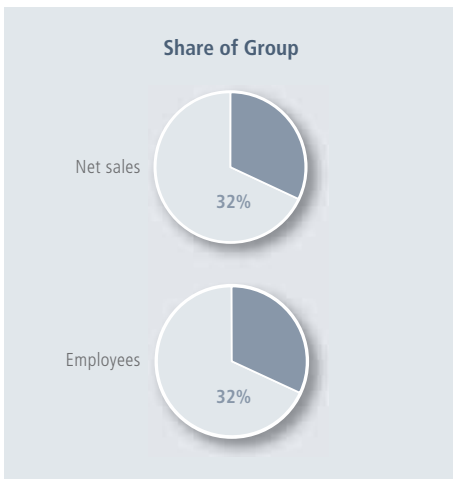


A component is surveyed before production start in a CNC-operated longitudinal lathe at Segerströms.

improvement in earnings compared to 2009. During the autumn there was a dramatic acceleration in orders taken. Resinit has continued its active work on process improvements and thanks to these has further improved profitability. The company has invested in a new milling cutter with vacuum table that was installed during the third quarter and the company continues to work on environmental issues as a key competitive advantage.

A combination of a better economic climate, intensive sales efforts, new customers and higher volumes at existing customers has given Segerströms a

The companies within the business unit specialise in advanced cutting machining of metal and plastic.





better financial result than in the previous year. The order book really began to fill up during the spring and it was not until the last quarter that Segerströms experienced the upturn levelling out to some degree.

During the year the company has started to manufacture and supply items for use in the marine sector. The automotive industry has historically been a dominant customer segment, but the work to broaden operations in order to achieve a better spread of risk continues. A new six-spindle lathe was installed in October and another will be delivered in early 2011. Since March 2010 the company has been environmentally certified to ISO 14001.

VIAB saw a continued upturn in sales throughout the first six months of the year and after the summer the pressure also increased. This was mainly due to growing volumes from existing customers. The recovery in terms of assignments for the heavy vehicle industry was faster than expected. During the autumn VIAB experienced difficulties in meeting the greater demand for short delivery times. Surface treatment and other processes carried out at subcontractors led to further delays. Earnings for 2010 exceeded the figure for 2009 by a good margin, although there are still areas where improvements could lead to considerably higher profitability. VIAB has worked actively with targeted training projects with the objective being to both raise and ensure the skills levels of its production technicians.

Looking forward to 2011

The companies within the business unit are forecasting more even earnings over the year and a more stable financial climate compared to 2010. The order stock remains good and the outlook for the market is positive.

EMEK sees opportunities for further improving the efficiency of production, something which is



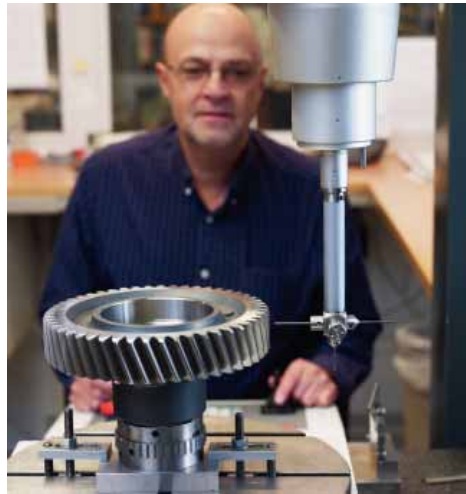
Exact precision is crucial for the customer's end result when manufacturing worm gears at Mikroverktyg.

expected to provide higher margins. The company will also be working on increasing the proportion of small batch production via assignments for both existing and new customers.

Process development is expected at LK Precision, and an improved production flow will give higher margins than before. The company is forecasting sustained volumes but better earnings as a result of efficiency measures implemented. There are plans for training initiatives, primarily within production, to take place over the year. LK Precision has also started the work required to achieve environmental and quality certification, which should be finished at some point during 2011.

Mikroverktyg will continue to invest in developing its customer relations within the energy sector and also sees some potential for increasing sales to the defence industry. The company will continue to work on streamlining its production processes and making them more efficient.

Resinit believes in steadily increasing demand for its products and plans another investment programme for unmanned CNC machines in order to deal with the expansion efficiently.



Verification of tooth data for toothed gears. A thousandth of a millimetre makes a difference when it comes to preventing a jarring noise occurring in the end product.

Segerströms sees more potential for growth with both new and existing customers. Intensified cooperation with a local technology training centre will help the company to find talented workers.

For VIAB, the objective for the year is first and foremost to develop the existing customer contacts and ensure delivery precision. In order to further improve profitability, continued efficiency measures will be implemented.

Technical skills and advanced control systems guarantee the quality at VIAB.



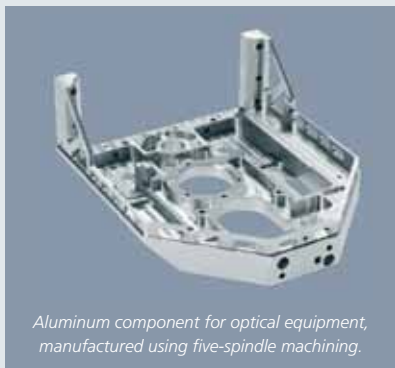
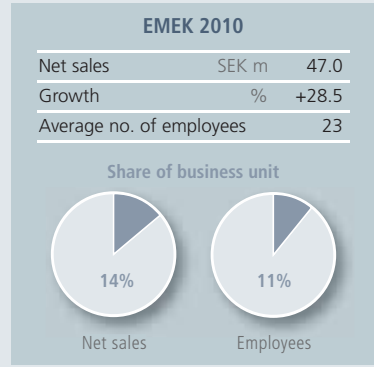
COMPANIES WITHIN THE PRECISION TECHNOLOGY BUSINESS UNIT



Component for pump houses made in stainless steel.

ESLÖV MEKANISKA VERKSTAD (EMEK)

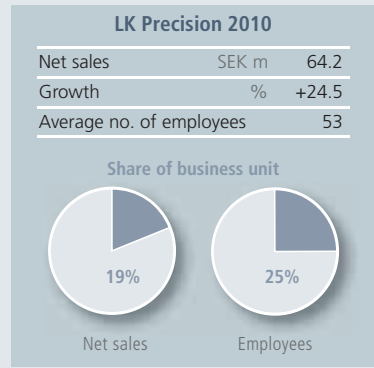
EMEK operates as a subcontractor to the mechanical engineering industry with advanced cutting processes, with stainless steel as its primary area of specialisation. The company manufactures milled and turned components with special requirements for quality, precision and delivery reliability. These products are used as components in heat exchangers, electric fork-lift trucks, petrol pumps, stone crushers and equipment for the digital TV network. EMEK's customers are largely based in Sweden within the infrastructure & engineering, automotive and other industry sectors.



Aluminum component for optical equipment, manufactured using five-spindle machining.

LK PRECISION

LK is a precision-mechanical engineering company with an emphasis on the manufacture of complex components made from metals such as aluminium, brass, steel and titanium, in addition to certain plastics. Manufacturing is concentrated on small and medium production runs of products characterised by great complexity and demanding tolerance requirements. The company's customers are primarily within the medical technology and other industry sectors on the Swedish market. Examples of products include components for the mining and defence industries.



Transmission component in hardened and ground steel.

MIKROVERKTYG

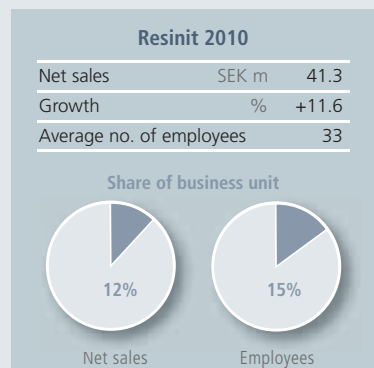
Mikroverktyg is active in cutting machining and specialises in small to medium-sized fine mechanical components and transmission components such as toothed gears, splines and racks with demanding requirements for quality and precision. The company also manufactures fixtures, prototypes, special tools, measuring devices, components for the aviation and defence industries, hydraulic components, spare parts and other components with demanding requirements. Mikroverktyg's customers primarily come from the Nordic manufacturing industry.



Plastic component with high finish for demanding chemical environments.

RESINIT

Resinit offers complete solutions where the mechanical processing of thermo and hardened plastic materials is supplemented with associated services. The company specialises in difficult plastic materials with demanding requirements for dimensional accuracy and surface finish. As a supplier of components for medical equipment and analysis, amongst other things, total precision and extensive material knowledge are required to ensure that the end customer's requirements for reliability in production, delivery and operation are met. Close to 60 per cent of the company's products are sold within the medical technology sector, primarily to Swedish customers.



COMPANIES WITHIN THE PRECISION TECHNOLOGY BUSINESS UNIT



Safety component for gas generators produced for the automotive industry.

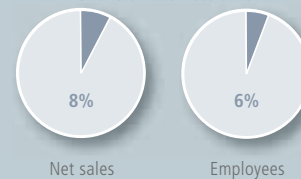
SEGERSTRÖMS

Segerströms uses cutting processes and supplies small metal components in large production runs. Examples of the company's products include casings, pins and specialised items for the automotive and engineering industries. A well-equipped tools division guarantees excellent service and facilitates the design of customised specialist equipment for manufacturing purposes. Most of the company's customers are located in the Nordic countries. The dominant sectors are the automotive industry, manufacturers within the electrical and electronics industries and other engineering industry.

Segerströms 2010

Net sales	SEK m	29.1
Growth	%	+22.4
Average no. of employees		14

Share of business unit



Transmission component for heavy vehicles.

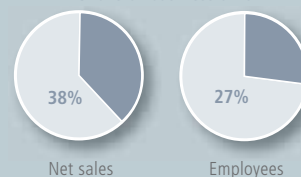
VÄRNAMO INDUSTRI (VIAB)

VIAB supplies components manufactured using advanced cutting processes. The company machines most materials and also provides in-house grinding and external services such as hardening and surface treatment. In addition, VIAB assembles sub-systems and complete units. The production processes are extremely flexible with resources to maximise the advantages of the advanced mechanical equipment. The company's highly trained personnel have access to advanced control systems that guarantee the right quality. The company's sales are made mainly to the Swedish market. The company's customers primarily consist of manufacturers of heavy vehicles and machine builders.

VIAB 2010

Net sales	SEK m	130.4
Growth	%	+67.7
Average no. of employees		57

Share of business unit





Rotational Moulding

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

Rotational Moulding

Activities and markets

Cipax splits its time equally between customer-specific production and proprietary products within plastic rotational moulding. The company's own products are divided into the following segments: boats, marine products and industrial products. Customer-specific production takes place within the marine, other industrial, automotive and infrastructure & engineering sectors. Cipax is primarily active on the markets in the Nordic and Baltic regions.



Cipax manufactures durable, specially-adapted plastic containers and plastic tanks for road sweepers and wheel loaders.

2010 in brief

The business unit is showing a significant improvement in earnings compared with the previous year, thanks mainly to a large increase in productivity. New

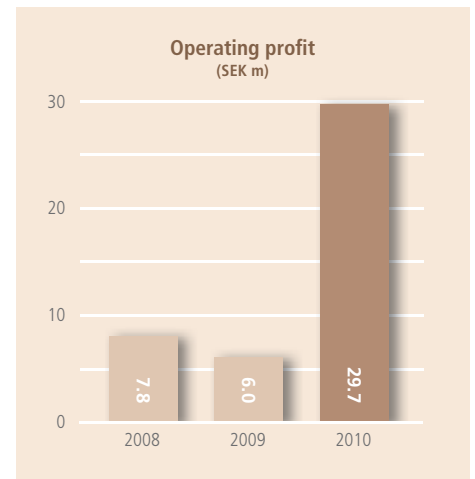
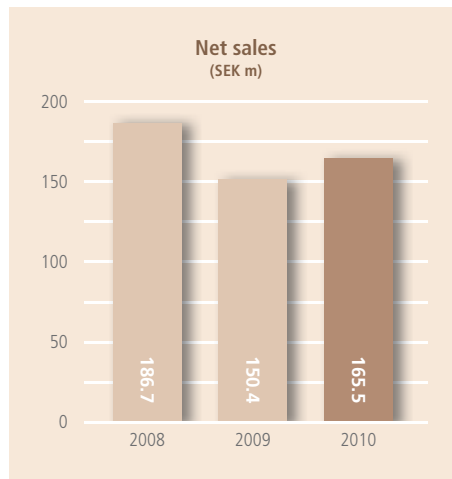
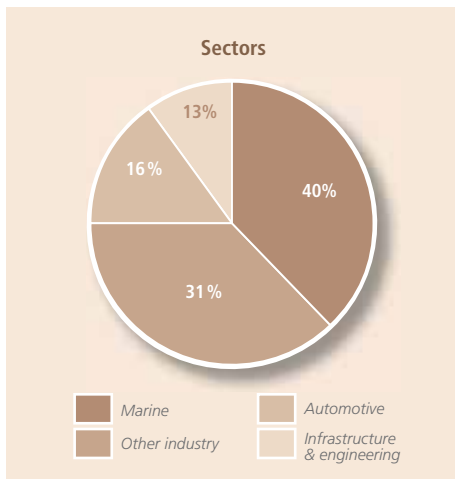
Cipax has entered into an important cooperation with Yamaha concerning package solutions made up of Cipax' Pioner boats and Yamaha boat engines.



project launches have proved successful and the order stock was significantly higher than the previous year's level. The volume increase has been most noticeable with regard to automotive and infrastructure as well as within the boat segment.

2009 saw restructuring and dramatic efficiency measures at Cipax; work that has had an undoubtedly positive effect on the profit for the year. In order to further refine and concentrate activities relating to the core business, the production and sales operations, including the products, of the sanitation segment were sold in the spring.

Marketing efforts over the course of the year focused on developing and boosting the company's position in the domestic markets, i.e. Sweden, Norway and Finland. A new agreement between Cipax and the Scandinavian market leader in boat engines came into force on 1 October concerning marketing cooperation in Sweden, Norway, Denmark, Iceland,





Rotational-moulded products are ideal for the marine environment. Cipax produces floating piers for jet skis.



Cipax offers tanks for several different applications such as water, oil and fuel. Space in a modern vehicle is often limited. This is why many projects result in a specialist product that meets demanding requirements.



the Baltic countries and on the Faeroes. This collaboration is expected to have a positive effect on sales to both existing and new customers in the home market as well as in neighbouring areas. Within the infrastructure sector, Cipax has increased its supplies to Poland, which is a new market for the business unit.

The cost of raw materials rose for the first six months of the year before levelling out, albeit at a higher level than in 2009. In return, the strong Swedish krona has had a positive effect on Cipax's earnings.

The production staff at all units have been trained in how to carry out more and varying processes. This broadening of expertise entails both greater flexibility in the production process and more varied tasks for the employees. In Norway and Estonia, Cipax has also implemented Lean Manufacturing activities.

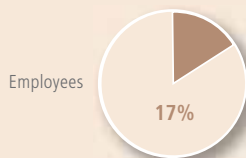
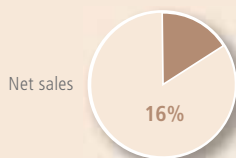
Looking forward to 2011

Cipax forecasts growth for 2011 but not to the same extent seen in 2010. The company has started work on upgrading and developing new proprietary products within the industrial, marine and boat product areas. The new arrangement with the boat engine manufacturer means the potential ahead of the boating season is much improved. Finland is still considered to be an interesting growth market suitable for further investment. An increase in volume is also expected in Poland in future.

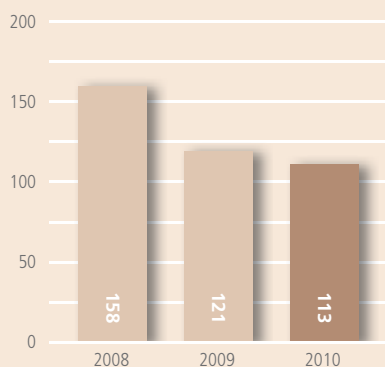


Elegant standing desk with rotational-moulded base for *Materia*. The desk is called *Cone*, designed by Carl Öjerstam, and combines good price with a stylish appearance, ecology and ergonomics.

Share of Group



Average number of employees



COMPANIES WITHIN THE ROTATIONAL MOULDING BUSINESS UNIT

**CIPAX**

Cipax designs, develops and manufactures plastic products through 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 makes it possible to create complex items. Examples of customer-specific products include tanks, pipes and casings with specific requirements such as heat- or cold-resistance and chemical resistance. In addition to customer-specific manufacture, which accounts for half of the company's turnover, the company works on in-house-developed products within the boat, marine and industry segments.

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

Cipax 2010

Net sales	SEK m	165.5
Growth	%	+10.0
Average no. of employees		113



Plastic Components

discontinued operations

Inmedic

Inmedic supplies advanced manufacturing services to the medical technology industry. Production is carried out in Sweden and Estonia and takes place entirely in clean room environments. Inmedic is recognised in the income statement for the Group as a whole up to and including 31 July 2010.

The company had a relatively weak first six months with long delays in deliveries. A clear upturn was noticed in June, but the accumulated earnings on the date of disposal were lower than for the previous year.

Inmedic and its subsidiaries were sold to Hammarplast Medical in August. The sale will have relatively little long-term impact on XANO's profits and financial position. The Inmedic Group has annual sales of SEK 37 million and on the date of disposal employed 32 people.

Bladhs Industri

The Bladhs Group's operations encompass injection moulding and assembly of plastic components as well as extrusion of plastic profiles. The Bladhs Group is recognised in the income statement for the Group as a whole up to and including 31 October 2010.

Higher volumes and a reduced cost level produced a clear improvement in earnings during the first half of the year compared to the corresponding period in 2009. The level of activity among customers in the automotive industry increased significantly and had a good effect primarily on the unit in Tallinn. The development in other market segments was also good. The usual seasonal fluctuations and fewer project orders did affect a couple of the companies negatively during the third quarter. The accumulated earnings on the date of disposal clearly exceeded that of the previous year.

Bladhs Industri and its subsidiaries Bladhs Plast Bredaryd, Bladhs Plast Gislaved, Bladhs Eesti and Profilspecialisten were sold to Talent Plastics on 1 November. Annual sales for the companies amount to SEK 240 million in total with an operating margin of five per cent. 210 employees were affected by this deal.

Summary

The discontinued operations made up the majority of XANO's business unit Plastic Components, which is why its activities were discontinued at the turn of the year. Ackurat, which was the only remaining company in the unit, joined the Industrial Solutions business unit and will be reported in this segment from 1 January 2011.

The sales mean the Group has more capital available and are part of XANO's work to refine the Group's operations and build strong business units where economies of scope can be properly utilised. These transactions free up resources to further develop the three business units that remain following these two sales.

The figures below include Inmedic and Bladhs Industri up to the time they were each sold as well as group-wide items attributable to the Plastic Components business unit. Information about Ackurat can be found on pages 18-23, which describe the Industrial Solutions business unit.

PLASTIC COMPONENTS

		2010	2009
Net sales	SEK m	224.5	249.5
Growth	%	+10.0	-21.7
Operating profit/loss	SEK m	26.6	-2.6
Operating margin	%	11.8	-1.0
Employees		196	245

Inmedic is included up until 31 July. Bladhs Industri is included up until 31 October. Ackurat is not included.

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Directors' report

The Board of Directors and the CEO of XANO Industri AB (publ), with company registration no. 556076-2055 and registered office in Jönköping, Sweden, hereby submit the Annual Report and consolidated accounts for the 2010 financial year.

Operations

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

Sales and profit

Net sales were SEK 1,268 million (1,071) for the Group as a whole and SEK 1,049 million (828) for continuing operations. The profit after tax amounted to SEK 72 million (-9) for the Group as a whole and SEK 53 million (1) for continuing operations.

Share data and key ratios

Earnings per share amounted to SEK 10.60 (-1.30) for the Group as a whole and SEK 7.80 SEK (0.25) for continuing operations. At year-end, equity per share was SEK 65.70 (57.50) and the equity/assets ratio 46 per cent (34).

Important events during the year

NPB won a large order from the world's leading manufacturer of metal packaging for food at the end of April. The customer, which is based in the USA, has ordered 13 packaging centres for delivery in 2011. The value of the order amounts to the equivalent of SEK 75 million.

All shares in Inmedic AB and its subsidiaries were sold to Hammarplast Medical AB in August. The purchase price, which was paid in cash, amounted to SEK 21 million and brought a capital gain of SEK 13 million. The sale will henceforth have a minor impact on XANO's profit and financial position. The Inmedic Group has annual sales of approx. SEK 37 million. As of 1 November, Bladhs Industri AB and its subsidiaries Bladhs Plast Bredaryd AB, Bladhs Plast Gislaved AB, Bladhs Eesti AS and Profilspecialisten AB were sold to Talent Plastics AB. The companies have total annual sales of approx. SEK 240 million, with an operating margin of approx. 5 per cent. 210 employees were affected by this deal. The purchase price, SEK 46 million, was paid in cash on the day of transfer. The sale had little impact on the profit for the year. Both Inmedic and Bladhs Industri were part of XANO's business unit Plastic Components.

XANO in brief

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

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

Precision Technology includes EMEK, LK Precision, Mikroverktyg, Resinit, Segerströms and Värnamo Industri. These companies cover component and system manufacture through advanced cutting machining of plastic and metal for the production of components which are subject to demanding requirements for quality and precision.

Industrial Solutions comprises Fredriksons and NPB, which supply customer-specific automation solutions for the food and medical technical industries, in addition to packaging machines for beverage and other food packaging. These enterprises also develop their own products in the form of conveyor systems for food products and handling equipment for various applications.

Plastic Components covers Ackurat, Bladhs, Inmedic and Profilspecialisten. These companies offer development and manufacturing services within injection moulding and extrusion of plastic, in addition to production in classified clean room environments. The products cover both customer-specific components and systems, as well as inhouse-developed products for a variety of applications. During the second half of 2010, Inmedic and Bladhs Industri, plus their subsidiaries, were sold. The discontinued operations made up the majority of the business unit Plastic Components, which is why its activities were discontinued at the turn of the year. Ackurat, which was the only remaining company in the unit, will now be part of the business unit Industrial Solutions and report within this segment from 1 January 2011.

The Group's development during the year

The start of 2010 was, as expected, generally cautious. Gradually, a fuller and increasingly stable order book was gained, and the outcome of the first quarter as a whole was satisfactory. During the second quarter sales increased significantly, which also had a positive impact on results. Activity levels rose within all market segments in which the Group operates and the size of orders steadily increased. The development remained positive during the third quarter. The Group's business units reported an increase in sales and also exceeded the previous year's profits. The order book was at a good level and numbers increased somewhat. However, customers were not planning very far ahead, while access to raw materials etc. at times also was very limited. The lead times at the Group's subcontractors also increased dramatically. Overall, this meant difficulties in meeting delivery commitments properly and some of the Group's companies ran with a bit of a production backlog. These conditions settled down during the fourth quarter and the Group reported a continued upturn in sales and healthy profit levels. Volumes returned to 2008 levels while maintaining good profitability. The capacity adjustments implemented during 2009 meant a more flexible way of working and also a more efficient use of the companies' resources. As a result, the adjustment required due to the sudden upturn in the economy seen during the year could take place with the production processes only being exposed to limited interruptions.

Rotational Moulding

During the first quarter, sales were on a par with that of the previous year, but with a substantially improved result. The current product mix normally leads to a seasonal slump during the winter months and the year's lengthy period of extreme cold had a slowing effect on sales in a couple of the business unit's product segments. The adjustments to capacity carried out did, however, lead to profitability being good. The order book stabilised at a higher level in March. During the second and the third quarters, the business unit showed a significant improvement in results compared with the previous year, thanks mainly to a large increase in productivity. New project launches proved successful and the order stock was significantly higher than the previous year's level. The expected seasonal downturn during the fourth quarter did not take place, and sales during the last three months of the year exceeded the levels of the previous year by a healthy margin. For the year as a whole, sales increased despite the fact that one product range was lost due to its sale. A strong recovery within key customer segments, as well as success in new markets, played a part here.

Precision Technology

During the first quarter, net sales were slightly higher than the previous year and the result improved thanks to the adjusted costs. The demand from cus-

tomers in heavy vehicles continued to be weak while the other segments gradually recovered. A change was made to the product mix and assignment direction in order to expand the customer base. The business unit reported a very good result during the second quarter. Sales to customers within heavy vehicles rose considerably, while the positive trend in the business unit's other market segments continued. Despite the fact that several of the units were slowed down by a production backlog during the third quarter, the results were significantly better than in the previous year. Thanks to a strong upturn in sales in combination with positive effects gained from restructuring work already completed, the precision companies performed well during the fourth quarter too. For the year as a whole, a remarkable recovery was achieved following on from the previous year's negative outcome.

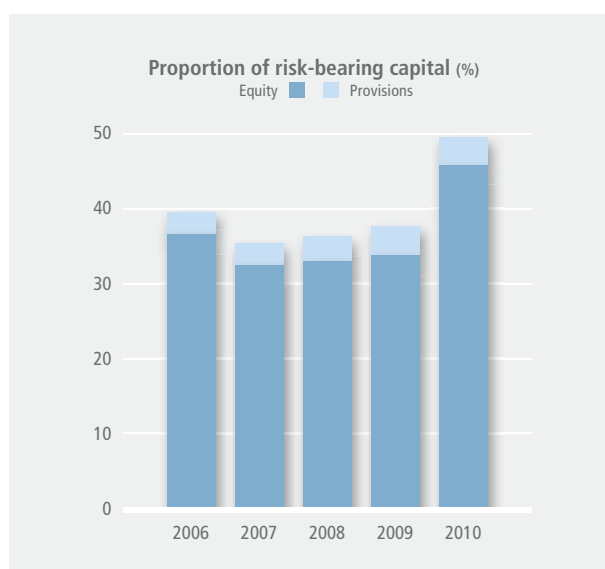
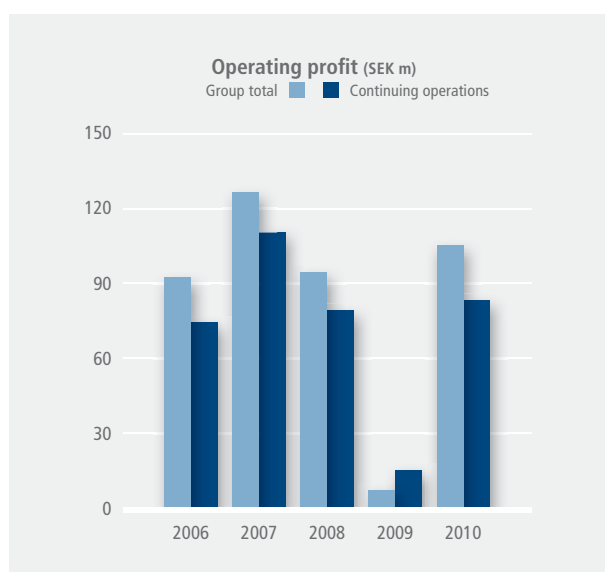
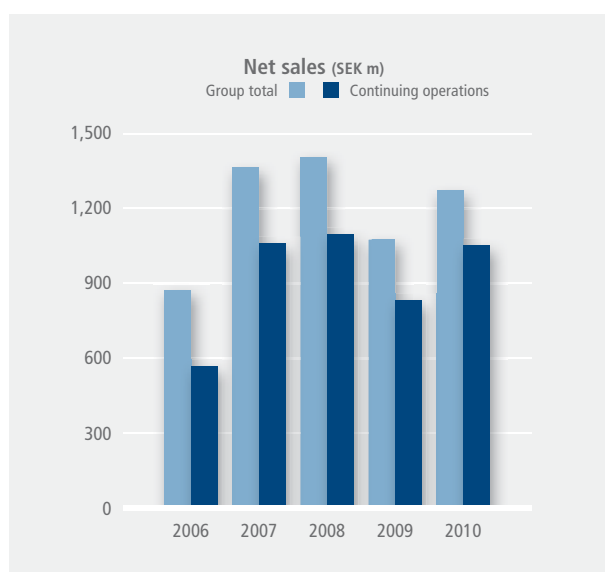
Industrial Solutions

Fredriksons' sales rose by almost 30% in the first quarter compared with the same period in 2009. The profit level was also good and the order situation suggested a continued positive development in the two units in Sweden and China respectively, a trend that continued throughout the second and third quarters. Plans were made to move to larger premises in China in order to meet the increasing volumes. During the fourth quarter, Fredriksons' Swedish unit reported continued good sales, but somewhat worse outcome as a result of a number of redundancies and extra costs in conjunction with flow changes in the production premises. The very positive trend continued at the Chinese unit and the planned move was completed in a very satisfactory manner.

NPB reported very weak results again during the first six months. Few machine installations combined with high product development costs were the main reasons behind the negative results. In April, however, the company won a large order for a new customer in the USA. NPB will supply 13 packaging centres to the world's leading manufacturer of metal packaging for food. The value of the order is equivalent to SEK 75 million. Production relating to this order began during the autumn and will impact on results during 2011. Sales increased slightly during the second half of the year and NPB reported a small but positive result during the fourth quarter. However, the result for the full year was negative.

Plastic Components

Slightly higher volumes and a reduced cost level resulted in a clearly improved outcome in the first quarter compared with the corresponding period of the previous year. The rate of product development by the customers was still slow, but the upturn was otherwise stable and covered the majority of the business unit's product segments. The second quarter saw strong growth in sales and profitability. The level of activity among the business unit's customers within the automotive industry increased significantly, while growth within other market segments continued to be good. The projects that have arisen in recent years have led to the seasonal variation increasing slightly with a peak before summer. In August, Inmedic AB and its subsidiaries were sold. Inmedic had a relatively weak first half of the year, with the exception of June, and accumulated result at the time of disposal fell below that of the previous year. A slight seasonal downturn and fewer project orders had a negative impact on the outcome for the business unit as a whole during the third quarter, which was on a par with the previous year. As of 1 November, Blads Industri AB and its subsidiaries were sold. Accumulated result at the time of disposal surpassed the previous year's level. As the single remaining company in the business unit at year-end, Ackurat reported stable sales and very good profitability during the fourth quarter as for all of 2010. In addition to the general economic situation, presence on new markets and an even more expanded product range also helped the continued success. Ackurat will henceforth be part of the business unit Industrial Solutions.



Investments

The Group's net investments in non-current assets amounted to SEK -80 million (29), of which SEK -109 million is attributable to corporate transactions, SEK 4 million to real estate and SEK 25 million to machinery and equipment.

Cash flow and liquidity

Cash flow after investments amounted to SEK 156 million (106) during the year. It is primarily the profit from an increase in volume that has contributed to the year's cash flow, while the previous year's cash flow was mainly generated by less capital being tied up.

The Group's liquid assets, including lines of credit granted but not utilised, totalled SEK 484 million (322) on the balance sheet date.

Risks and uncertainty factors

The Group's major risk and uncertainty factors include operational risks associated with customers and suppliers and other external factors such as price risks for input goods. In addition, there are financial risks as a result of changes in exchange rates and interest rate levels.

A statement on the Group's main financial and operational risks can be found in Note 31 on pages 62 and 63.

Convertible programme

In 2008, the Annual General Meeting (AGM) of XANO decided to approve the Board of Directors' proposal concerning the issue of a maximum of 250,000 convertibles with a total nominal value of a maximum of SEK 35,000,000, with a maturity period from 1 July 2008 to 30 June 2012. In a deviation from the shareholders' right of first refusal, entitlement to subscribe to the convertibles fell to individuals who at the time of expiry of the subscription period were permanent employees of the Group. Employees within the XANO Group have subscribed to convertibles totalling SEK 27,500,000, corresponding to 220,000 convertibles at a conversion price of SEK 125. If all convertibles are converted to shares, the dilution will be 3.2 per cent of the share capital and 0.9 per cent of the votes. The convertible interest rate is determined separately for each interest period of 12 months and corresponds to STIBOR 12M plus 1.5%. During the period 1 May to 15 June 2012, each convertible may be converted to a Class B share in XANO.

Currency and interest rates

Through its international activities, XANO is exposed to currency fluctuations, primarily in the euro exchange rate, as the Group currently has a negative net flow in euro. Financing primarily takes place through borrowings in the local currency of each subsidiary. The Group's interest-bearing liabilities amounted to SEK 282 million (540) on the balance sheet date.

A detailed description of the Group's financial risks can be found in Note 31 on page 62.

Environmental impact

The Group conducts operations that require a permit under the Swedish Environmental Code in nine Swedish subsidiaries. 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 14.

Research and development

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

The 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 for SEK 66 per share. The total number of shares as of the balance sheet date was 6,928,974, distributed between 1,950,000 Class A shares and 4,978,974 Class B shares. A Class A share gives entitlement to ten votes and a Class B share to one vote.

There are currently two shareholders who each own and control more than ten per cent of the votes for all shares in the company. Thord Johansson controls 27.5 per cent of the capital and 55.1 per cent of the votes through his own holdings and through holdings via companies. Johan Rapp controls 31.0 per cent of the capital and 28.6 per cent of the votes through holdings via companies.

Work of the Board of Directors

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

During the 2010 financial year, the Board of Directors held six ordinary meetings. Two per capsulam meetings were also held. Each regular meeting deals with the reports and items for decision that are defined in the Board's rule of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy, structural and organisational issues, as well as major investments.

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

Nomination committee

A nomination committee was appointed at the 2010 AGM consisting of Ulf Hedlundh (chairman), Johan Rapp and Petter Fägersten. The task of the committee prior to the 2011 AGM is to nominate a Chairman of the Board and other Board members, a chairman for the AGM and fees for the Board, committees and auditors.

Prior to the 2011 AGM, the nomination committee have so far had one meeting, during which minutes were taken, in addition to a number of contacts.

Corporate governance

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

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

From 1 July 2008, all companies listed on the NASDAQ OMX Stockholm must follow the revised "Swedish Code for Corporate Governance", the so-called "Code". XANO's corporate governance report can be found on pages 76-79.

Future development

The capacity adjustments implemented during 2009 have meant a more flexible way of working and also a more efficient use of the companies' resources. There are still areas in which improvements can be made and thus good potential for further strong profitability in future. The current order situation indicates that the positive earnings trend will continue well into the first quarter of 2011.

Five-year summary

Income statement, SEK m	2010	2009	2008	2007	2006
Net sales	1,049	828	1,093	1,056	565
Cost of goods sold	-857	-701	-894	-839	-429
Gross profit	192	127	199	217	136
Selling expenses	-78	-73	-75	-62	-38
Administrative expenses	-42	-41	-45	-45	-25
Other operating income/expenses	11	2	0	0	1
Operating profit	83	15	79	110	74
Financial items	-14	-13	-26	-18	-4
Profit before tax	69	2	53	92	70
Tax	-16	-1	-13	-28	-17
Profit from continuing operations	53	1	40	64	53
Profit/loss from discontinued operations	19	-10	5	9	29
Net profit/loss for the year	72	-9	45	73	82

Financial position, SEK m ¹⁾	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Non-current assets	594	759	802	724	558
Current assets	382	399	456	467	351
Equity	446	390	414	386	332
Non-current liabilities	216	329	358	366	248
Current liabilities	314	439	486	439	329
Balance sheet total	976	1,158	1,258	1,191	909

Cash flow, SEK m ¹⁾	2010	2009	2008	2007	2006
Cash flow from operating activities	126	124	77	69	111
Cash flow from investing activities	30	-18	-92	-217	-252
Cash flow after investing activities	156	106	-15	-148	-141
Cash flow from financing activities	-156	-113	28	151	138
Cash flow for the year	0	-7	13	3	-3

Key ratios	2010	2009	2008	2007	2006
Operating margin (continuing operations), %	8.0	1.8	7.2	10.5	13.1
Profit margin (continuing operations), %	6.6	0.3	4.8	8.7	12.4
Return on equity, % ¹⁾	17.4	-2.2	11.2	20.1	27.1
Return on capital employed, % ¹⁾	12.4	1.7	9.7	15.3	20.6
Return on total capital, % ¹⁾	9.6	1.4	7.7	11.7	15.2
Interest coverage ratio, multiple ¹⁾	5.8	0.7	2.6	5.1	10.2
Equity, SEK m ¹⁾	446	390	414	386	332
Equity/assets ratio, % ¹⁾	46	34	33	32	37
Proportion of risk-bearing capital, % ¹⁾	49	38	36	35	39
Basic earnings per share (continuing operations), SEK ²⁾	7.80	0.25	5.85	9.50	7.95
Basic earnings per share, SEK ^{1, 2)}	10.60	-1.30	6.70	10.80	12.30
Cash flow from operating activities per share, SEK	18.50	18.35	11.45	10.30	16.60
Proposed dividend per share, SEK	3.50	1.50	1.50	3.50	4.00

Miscellaneous	2010	2009	2008	2007	2006
Scheduled depreciation (continuing operations), SEK m	52	59	53	48	26
Scheduled depreciation, SEK m ¹⁾	63	71	69	64	44
Interest-bearing liabilities, SEK m ¹⁾	282	540	634	547	350
Net investments (continuing operations), SEK m	25	25	120	205	293
of which attributable to corporate transactions	-	-	44	141	164
Average number of employees (continuing operations)	677	606	710	610	346

¹⁾ Refers to the entire Group, including discontinued operations.

²⁾ Based on net profit for the year.

³⁾ No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

For definitions, see page 82.

Repurchase of own shares

In April 2003, 415,000 Class B shares at the quotient value of SEK 5 were acquired at the rate of SEK 66. In 2006, share capital was reduced by cancelling 198,000 of the repurchased shares. A total of 47,000 and 30,000 of the company's own shares were transferred during 2007 and 2008 respectively in connection with company acquisitions. The number of shares in own custody after these transactions amounts to 140,000, corresponding to 2.0 per cent of the share capital. After deduction of the company's own holding, the number of outstanding shares amounts to 6,788,974 as of the balance sheet date.

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

Remuneration and employment conditions for senior executives

The Board of Directors proposes that the 2011 AGM reach a decision concerning guidelines for the determination of salaries and other reimbursements to the CEO and other senior executives. It is proposed that the guidelines that were approved by the 2010 AGM remain unchanged. These guidelines are principally 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 50 per cent of the fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice being given to the CEO, severance pay totalling 18 months' salary shall be payable. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case.

According to the current employment contract, the company and the CEO have a mutual six-month period of notice. In the event of notice being given to the CEO, severance pay totalling 18 months' salary shall be payable. Severance pay will be offset against other income. In the event of notice on the

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

Proposal for the appropriation of profits

Parent Company

The following amounts are at the disposal of the Annual General Meeting:	SEK
Share premium reserve	2,280,700
Retained profits	227,279,907
Result for the year	-6,865,285
Total	222,695,322

The Board of Directors and the CEO propose that the surplus be distributed as follows:	SEK
Payment of a dividend of SEK 3.50 per share to shareholders (6,788,974 shares)	23,761,409
To be carried forward	198,933,913
Total	222,695,322

Statement by the Board of Directors regarding the proposed dividend

Based on the proposed dividend, the equity/assets ratio is adequate as company and Group activities are still being operated profitably. It is judged 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 the Swedish Companies Act, Chapter 17, Section 3, subsections 2-3 (the prudence rule).

Consolidated statement of comprehensive income

GROUP (SEK thousands)	Note	2010	2009
Net sales	2	1,049,234	827,525
Cost of goods sold	4, 5, 6	-857,019	-700,882
Gross profit		192,215	126,643
Other operating income	7	16,285	5,189
Selling expenses	4, 5, 6	-77,829	-73,401
Administrative expenses	4, 5, 6	-41,915	-41,253
Other operating expenses	8	-5,222	-2,510
Operating profit	2, 3	83,534	14,668
Financial income and similar profit/loss items	9	2,109	8,868
Financial expenses and similar profit/loss items	10	-16,506	-21,112
Profit before tax		69,137	2,424
Tax	11	-16,299	-840
Profit from continuing operations for the year	1	52,838	1,584
Profit/loss from discontinued operations	1	19,195	-10,464
NET PROFIT/LOSS FOR THE YEAR		72,033	-8,880
<i>– of which attributable to shareholders of the Parent Company</i>		72,033	-8,880
Other comprehensive income			
Change in hedging reserve, net amount after tax ¹⁾	19, 23	2,329	-204
Exchange rate differences ²⁾		-8,555	-4,691
COMPREHENSIVE INCOME FOR THE YEAR		65,807	-13,775
<i>– of which attributable to shareholders of the Parent Company</i>		65,807	-13,775
Basic earnings per share for continuing operations ³⁾	SEK 17	7.80	0.25
Diluted earnings per share for continuing operations ^{3, 4)}	SEK 17	7.70	0.25
Basic earnings per share for the Group as a whole ³⁾	SEK 17	10.60	-1.30
Diluted earnings per share for the Group as a whole ^{3, 4)}	SEK 17	10.40	-1.30
Average number of outstanding shares	18	6,788,974	6,788,974
Average number of outstanding shares after dilution	18	7,008,974	7,008,974
Average number of shares in own custody	18	140,000	140,000

¹⁾ Concerns the effective component of value change in derivative instruments used for the reporting of hedging.

²⁾ Exchange rate differences refer to changes in exchange rates when net investments in non-Swedish subsidiaries are translated to SEK. The amount is reported net of hedging contracts.

³⁾ Based on net profit/loss for the year as above.

⁴⁾ No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

Consolidated statement of financial position

GROUP (SEK thousands)	Note	31.12.2010	31.12.2009
ASSETS			
Non-current assets			
<i>Intangible assets</i>	12		
Goodwill		178,078	209,803
Other intangible assets		6,393	8,873
		184,471	218,676
<i>Property, plant and equipment</i>	13		
Land and buildings		253,206	300,799
Plant and machinery	28	134,187	195,774
Equipment, tools, fixtures and fittings		19,469	32,127
Construction in progress and advance payments for property, plant and equipment		2,812	10,883
		409,674	539,583
<i>Financial assets</i>			
Non-current receivables		85	355
		85	355
Total non-current assets		594,230	758,614
Current assets			
<i>Inventories</i>	14	186,433	206,122
<i>Current receivables</i>			
Accounts receivable – trade	15, 16	177,763	175,364
Prepaid expenses		7,031	7,180
		184,794	182,544
<i>Investments in securities etc.</i>	16	1,743	1,743
<i>Cash and bank balances</i>	16	9,160	9,264
Total current assets		382,130	399,673
TOTAL ASSETS		976,360	1,158,287

GROUP (SEK thousands)	Note	31.12.2010	31.12.2009
EQUITY AND LIABILITIES			
Equity			
Share capital	18	34,645	34,645
Other contributed capital		18,245	18,245
Other reserves	19	236	6,462
Retained earnings		392,912	331,062
Total equity		446,038	390,414
Liabilities			
<i>Non-current liabilities</i>			
Liabilities to credit institutions	20, 25, 28	149,553	251,612
Other liabilities	20, 21, 25	26,942	26,569
Other provisions	22	3,539	6,154
Deferred tax liability	23	36,007	45,161
		216,041	329,496
<i>Current liabilities</i>			
Accounts payable – trade	24, 25	202,054	176,500
Borrowings	20, 25	76,441	219,753
Current portion of non-current liabilities	20, 25, 28	29,015	42,036
Deferred income		74	88
Current tax liability		6,697	–
		314,281	438,377
Total liabilities		530,322	767,873
TOTAL EQUITY AND LIABILITIES		976,360	1,158,287
Pledged assets	26	384,158	425,550
Contingent liabilities	27	1,805	1,175

Statement of changes in equity

GROUP (SEK thousands)	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Equity, 1 January 2009		34,645	18,245	11,357	350,125	414,372
Net profit/loss for the year		–	–	–	-8,880	-8,880
Other comprehensive income		–	–	-4,895	–	-4,895
Comprehensive income for the period		–	–	-4,895	-8,880	-13,775
Dividend paid		–	–	–	-10,183	-10,183
Total transactions with shareholders		–	–	–	-10,183	-10,183
Equity, 31 December 2009		34,645	18,245	6,462	331,062	390,414
Net profit for the year		–	–	–	72,033	72,033
Other comprehensive income		–	–	-6,226	–	-6,226
Comprehensive income for the period		–	–	-6,226	72,033	65,807
Dividend paid		–	–	–	-10,183	-10,183
Total transactions with shareholders		–	–	–	-10,183	-10,183
Equity, 31 December 2010	18, 19	34,645	18,245	236	392,912	446,038

Cash flow statement

GROUP (SEK thousands)	Note	2010	2009
Operating activities			
Operating profit		105,856	6,924
<i>Adjustments for non-cash items etc.</i>			
Depreciation		63,164	70,649
Capital gain from sale of non-current assets		-12,099	-827
Write-down of inventories		3,480	8,150
Change in pension provision		-1,443	–
Interest paid/received, net value	29	-15,853	-21,569
Income tax paid (-) / repaid (+)		-9,668	5,759
Cash flow from operating activities before changes in working capital		133,437	69,086
Changes in working capital			
Increase (-) / decrease (+) in inventories		-34,424	53,930
Increase (-) / decrease (+) in current receivables		-44,192	-11,491
Increase (+) / decrease (-) in current liabilities		70,730	13,112
Cash flow from operating activities		125,551	124,637
Investing activities			
Purchase of intangible assets		–	-427
Purchase of property, plant and equipment ¹⁾		-26,711	-21,041
Sale of property, plant and equipment		736	3,325
Indirect investments through acquisition of subsidiaries/assets and liabilities	29	-3,217	–
Indirect investments through sale of subsidiaries/assets and liabilities	29	59,544	–
Cash flow from investing activities		30,352	-18,143
Financing activities			
Increase (+) / decrease (-) in non-current liabilities ¹⁾			
Borrowings		1,406	–
Repayment of debt		-79,176	-40,361
Other		-1,847	-130
Dividends paid		-10,183	-10,183
Increase (+) / decrease (-) in current borrowings and liabilities to credit institutions		-65,977	-62,808
Exchange rate differences		–	87
Cash flow from financing activities		-155,777	-113,395
Cash flow for the year			
Cash flow for the year		126	-6,901
Cash and cash equivalents at the beginning of the year		11,007	18,390
Exchange rate differences in cash and cash equivalents		-230	-482
Cash and cash equivalents at the end of the year	29	10,903	11,007

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

Accounting policies

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

General

The accounting and valuation policies that have been applied are unchanged compared with the previous year with the following exceptions as a result of new or revised standards, interpretations and improvements, which are applied from 1 January 2010 inclusive.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The new rules mean, amongst other things, that transaction fees on business combinations must be accounted for as expenses 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. The new rules will have an impact on the reporting of future acquisitions. Transaction fees on business combinations are included in the acquisition-related costs for acquisitions made up to and including 2009. The effects of revaluations of conditional purchase prices have been recognised as a change in goodwill up to and including 2010, in accordance with the version of IFRS 3 that applied on the acquisition date.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation may affect the future reporting of hedges.

RFR 2 Accounting for Legal Entities

Recommendations mean, amongst other things, that IAS 1 Presentation of Financial Statements must also be applied to the Parent Company. The application of this recommendation has not had any effect on the company's financial position.

Other

Diverse revised and supplementary standards: IFRS 2 Share-based Payment, IAS 39 Financial Instruments: Recognition and Measurement, Improvements to IFRS Standards and IFRIC Interpretations 12, 15 and 17-18 have not had any effect on the Group's position or profits.

The following new or revised standards and interpretations with application from 2011 or later which could become relevant for XANO but are not currently expected to have an effect on the Group's financial statements have not been applied in the preparation of these financial statements:

- » IAS 32 Financial Instruments: Presentation
- » IAS 24 Related Party Disclosures
- » IFRIC Interpretations 14 and 19

Consolidated accounts

General

The consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards (IFRS). As the Parent Company is a company within the EU, only IFRS standards approved by the EU are applied. The consolidated accounts are also drawn up in accordance with Swedish

law through the application of the Swedish Financial Reporting Board's recommendation RFR 1. This means that, for the XANO Group, consolidated income statements and balance sheets are reported exclusive of appropriations and untaxed reserves.

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

Business combinations

IFRS 3R is applied to business combinations.

Translation of non-Swedish subsidiaries

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

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

Discontinued operations

In 2010, Inmedic AB and Bladh's Industri AB were sold. In accordance to IFRS 5, profit from operating activities in these units as well as capital gain from the sale are reported as 'Profit/loss from discontinued operations' in the consolidated statement of comprehensive income. Earnings per share are reported for profit from continuing operations as well as for the Group as a whole. The comparative figures in the income statements and notes have been adjusted.

Income

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

Pensions

Pensions and other benefits after the termination of employment are classified as either defined contribution or benefit plans. With a defined contribution plan, the company's obligation is limited to paying fixed fees to a separate legal entity (insurance company) and the company has no other obligations. A defined benefit plan is a pension plan that stipulates an amount for the pension benefit that an employee will receive after retirement. This is normally based on factors such as age, length of employment and salary. An independent actuary calculates the size of the obligations linked to

each respective defined benefit plan. The actuary revalues the pension plan's obligation every year and distributes the costs over the employee's working life. The obligation is reported as a liability in the balance sheets. The Group primarily has defined contribution pension plans.

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

The Group's Norwegian company has pension obligations regarding an early retirement pension (AFP), which is classified as a defined benefit plan. During the year a new pension scheme was adopted, which means that future pension obligations will be hedged through the payment of fees to an external party rather than being recognised as a liability in the company. Residual debt covers only pension obligations for individuals who have retired early and started to draw their pension as well as a reserve designed to cover the transition to the new system. Since the debt no longer constitutes a significant item, an actuarial calculation was not made in 2010.

Taxes

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

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

Non-current assets

Non-current assets are valued at the acquisition value with deductions for accumulated depreciation and impairment costs. If there is an indication of impairment then the asset's recoverable amount is estimated. If the reported value exceeds the recoverable amount, an impairment loss is recognised. 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. 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.

Non-current assets for sale are valued at the lower of the reported value and the fair value following deductions for sales costs.

Intangible assets

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

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

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

Other intangible assets	3 - 10 years
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Property, plant and equipment

Properties are classified as investment properties when the component that is used for production purposes, for the supply of goods and services or for administrative purposes is less than ten per cent.

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

Buildings	33 years
Land improvements	20 years
Machinery and equipment	3 - 10 years

Inventories

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

Liquid assets

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

Financial assets and liabilities

Financial assets and liabilities cover cash and bank deposits, short-term investments, trade debtors, loan receivables, loan liabilities, trade creditors and any derivatives. Their reporting depends on how the instrument is classified. Financial assets and liabilities valued at fair value via the profit for the year cover assets which are held for trading and assets and liabilities which are classified for reporting at fair value via the income statement. Hedge accounting takes place in accordance with IAS 39. Any instruments classified as assets for sale and liabilities with a direct link to assets for sale are reported at their fair value.

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

Receivables and liabilities in foreign currency have been translated at the balance sheet date rate in accordance with IAS 21. Translation differences for receivables and liabilities are reported under operating profit, while translation differences attributable to financial receivables and liabilities are included in the net financial income. XANO uses currency futures and currency options to hedge sales in foreign currency. These contracts are valued at their fair value in the balance sheet. The change in value is recognised in other compre-

hensive income until the hedged flow is entered in the income statement and for as long as the criteria for hedge accounting and efficiency are satisfied. The inefficient part is recognised at the fair value in the profit for the year.

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

XANO uses interest swaps to control the uncertainty in the future interest-rate fluctuations in regard to borrowings with variable interest rates. These derivatives are valued at their fair value in the balance sheet. The 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 reported at the fair value as a financial item 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 ineffective component is recognised immediately in the profit for the year.

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

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

Provisions

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

Lease contracts

The Group applies IAS 17 when reporting important contracts. According to this standard, lease contracts are classified as either financial or operational in the consolidated accounts. 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 a property, plant and equipment, while corresponding borrowings are entered as liabilities. In the income statement, lease costs are divided between a depreciation element and an element amongst interest costs.

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 row. The assets and liabilities that the acquired or sold company had at the time of the acquisition/disposal are therefore not included in the cash flow.

Segments

The standard applied, IFRS 8 Operating Segments, requires that information be provided from the management's perspective, which means that the reporting must correspond to the way in which the information is presented internally. The Group reports on the following segments: Rotational Moulding, Plastic Components, Precision Technology and Industrial Solutions. 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 estimates

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

Impairment tests for goodwill

Every year the Group performs impairment tests for goodwill. The recoverable amount is determined by calculating the value in use. Certain estimates must be made for these calculations.

Provisions

Provisions are defined as liabilities that are uncertain in terms of the date of settlement or the amount. This means that estimates are always made when provisions are reported. The Group's provisions refer to pensions and guarantee commitments.

Deferred tax claims and liabilities

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

Notes

(All amounts in SEK thousands unless otherwise indicated.)

NOTE 1 DISCONTINUED OPERATIONS

	Continuing operations		Discontinued operations ¹⁾		Profit from disposals ²⁾		Internal sales		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	1,049,234	827,525	224,497	249,523	–	–	-5,299	-6,471	1,268,432	1,070,577
Cost of goods sold	-857,019	-700,882	-189,972	-226,022	–	–	3,314	3,879	-1,043,677	-923,025
Gross profit	192,215	126,643	34,525	23,501	–	–	-1,985	-2,592	224,755	147,552
Other operating income	16,285	5,189	2,489	3,364	12,726	–	–	–	31,500	8,553
Selling expenses	-77,829	-73,401	-16,162	-20,571	–	–	–	–	-93,991	-93,972
Administrative expenses	-41,915	-41,253	-7,015	-9,013	–	–	–	–	-48,930	-50,266
Other operating expenses	-5,222	-2,510	-2,256	-2,433	–	–	–	–	-7,478	-4,943
Operating profit/loss	83,534	14,668	11,581	-5,152	12,726	–	-1,985	-2,592	105,856	6,924
Financial items	-14,397	-12,244	-1,975	-3,396	–	–	–	–	-16,372	-15,640
Profit/loss after financial items	69,137	2,424	9,606	-8,548	12,726	–	-1,985	-2,592	89,484	-8,716
Group-wide costs	–	–	-1,985	-2,592	–	–	1,985	2,592	–	–
Profit/loss before tax	69,137	2,424	7,621	-11,140	12,726	–	0	0	89,484	-8,716
Tax	-16,299	-840	-1,152	676	–	–	–	–	-17,451	-164
Net profit/loss for the year	52,838	1,584	6,469	-10,464	12,726	–	0	0	72,033	-8,880
Earnings per share, SEK ³⁾	7.80	0.25	0.95	-1.55	1.85	–	–	–	10.60	-1.30
Diluted earnings per share, SEK ^{3, 4)}	7.70	0.25	0.90	-1.55	1.80	–	–	–	10.40	-1.30

¹⁾ Discontinued operations refer to Inmedic AB and Bladhs Industri AB. The businesses were sold in August and November 2010 respectively and were reclassified as discontinued operations during the year. All comparison periods have therefore been changed. Profit after tax from operating activities amounts to SEK 554 thousand (1,821) for Inmedic and SEK 5,915 thousand (-12,285) for Bladhs Industri.

²⁾ Profit from disposals refers to the capital gain made on selling the shares in Inmedic AB and Bladhs Industri AB.

³⁾ Based on net profit/loss for the year.

⁴⁾ No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

NOTE 2 SEGMENT REPORTING

The Group reports on the following segments: Rotational Moulding, Plastic Components, Precision Technology and Industrial Solutions. The operations within each segment are described on page 40. No changes have been made to the basis for the subdivision into segments in relation to the annual report for 2009. The segments are reported in accordance with the same reporting principles as the Group. Undistributed items are mainly costs for the Parent Company. During the second half of 2010, Inmedic and Bladhs, plus their subsidiaries, were sold. The discontinued operations had made up the majority of the business unit Plastic Components, which is why its activities were discontinued at the turn of the year. Ackurat, which was the only remaining company in the unit, will now be part of the business unit Industrial Solutions and report within this segment from 1 January 2011.

Net sales by segment

	2010			of which customer-specific products and systems ¹⁾	2009		
	Net sales		Total		Net sales		Total
	External	Intra-Group			External	Intra-Group	
Industrial Solutions	494,611	39	494,650	85%	381,206	20	381,226
Plastic Components	272,051	2,309	274,360	83%	288,661	2,793	291,454
Precision Technology	336,301	3,181	339,482	100%	250,300	870	251,170
Rotational Moulding	165,469	0	165,469	41%	150,410	25	150,435
Eliminations	–	-5,529	-5,529	–	–	-3,708	-3,708
Group total	1,268,432	0	1,268,432	83%	1,070,577	0	1,070,577

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

Market conditions are applied to transactions between the segments. XANO has one customer from whom the income accounts for more than 10% of the Group's total income. Income from this customer amounts to SEK 220 million, the main part of which is reported through the Industrial Solutions segment.

Profit/loss items by segment

	2010			2009		
	Intra-Group reported result before tax	Distribution of Group-wide costs	Result before tax	Intra-Group reported result before tax	Distribution of Group-wide costs	Result before tax
Industrial Solutions	32,323	-1,836	30,487	19,442	-1,956	17,486
Plastic Components	31,798	-2,501	29,297	-4,624	-3,156	-7,780
Precision Technology	13,443	-3,468	9,975	-15,997	-3,752	-19,749
Rotational Moulding	24,616	-2,031	22,585	5,530	-2,148	3,382
Undistributed items	-12,696	9,836	-2,860	-13,067	11,012	-2,055
Group total	89,484	0	89,484	-8,716	0	-8,716

	2010				2009			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Solutions	2,110	-5,347	-7,200	-13,922	1,931	-5,615	-4,396	-14,708
Plastic Components	1,960	-6,678	-3,206	-15,791	3,079	-11,494	-500	-20,199
Precision Technology	569	-6,050	-3,289	-23,116	1,195	-6,581	4,947	-24,320
Rotational Moulding	254	-3,196	-4,247	-9,625	151	-4,284	-547	-10,775
Undistributed items	-2,616	2,683	491	-710	-2,502	2,255	332	-647
Group total	2,277	-18,588	-17,451	-63,164	3,854	-25,719	-164	-70,649

Assets and liabilities by segment

	2010				2009			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Solutions	361,190 ¹⁾	118,529	9,428	9,256	332,229 ¹⁾	81,527	16,297	10,777
Plastic Components	88,662	11,997	-102,881	1,096	294,274	46,742	5,063	8,855
Precision Technology	370,832	75,482	9,946	18,858	358,722	67,328	5,634	22,670
Rotational Moulding	149,249 ²⁾	27,924	3,514	1,255	163,915 ²⁾	24,879	1,700	253
Undistributed items	6,427	14,439	121	5,542	9,147	7,427	363	2,606
Group total	976,360	248,371	-79,872	36,007	1,158,287	227,903	29,057	45,161

¹⁾ Deferred tax assets constitute SEK 0 thousand (192).

²⁾ Deferred tax assets constitute SEK 8,836 thousand (10,402).

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

Sales by geographic market

	2010		2009	
	Value	%	Value	%
Sweden	895,408	71%	780,288	73%
Norway	73,369	6%	74,835	7%
Germany	67,618	5%	58,479	5%
China	57,660	4%	25,137	2%
Great Britain	41,692	3%	21,256	2%
Rest of Europe	122,313	10%	91,644	9%
Other	10,372	1%	18,938	2%
Group total	1,268,432	100%	1,070,577	100%

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

Assets by geographic market

	2010		2009	
	Non-current assets	Investments	Non-current assets	Investment
Sweden	444,310	-65,810	559,611	26,763
Estonia	88,760	-19,154	131,499	38
Norway	47,309	762	55,744	1,010
China	13,815	4,330	11,708	1,225
Finland	36	0	52	21
Group total	594,230	-79,872	758,614	29,057

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

NOTE 3 EMPLOYEES, PERSONNEL COSTS AND AUDIT FEES

Average no. of employees	2010	of which men	2009	of which men
Sweden	623	85%	593	84%
Estonia	151	50%	183	49%
Norway	43	93%	44	91%
China	52	85%	28	79%
Finland	3	67%	3	67%
Poland	1	0%	–	–
Group total	873	79%	851	76%

Proportion of men amongst senior executives	2010	2009
Group		
Board members	83%	83%
Other senior executives	100%	100%
Operating subsidiaries		
Board members	99%	98%
Other senior executives	86%	83%

Salaries, other remuneration and social security costs	2010	2009
Salaries and remuneration	255,084	249,894
Social security costs	94,662	93,415
(of which pension costs) ^{1, 2, 3, 4)}	(19,804)	(21,009)
	349,746	343,309

¹⁾ Of the Group's pension costs, SEK 4,806 thousand (4,477) 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 of pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 4,902 thousand (4,664). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2010, Alecta's surplus in the form of the collective insurance level amounted to 146 per cent (141).

³⁾ Pension costs do not cover special employer's contributions.

⁴⁾ The Group's Norwegian company has a pension obligation concerning early retirement from the age of 62, which is classified as a defined benefit pension plan. The result distribution is performed over the expected remaining accrual period of the pension obligation. Costs concerning the pension plan are reported as labour costs and amount to SEK 317 thousand (761).

Applied assumptions	2010	2009
Discount rate ¹⁾	3.80%	4.40%
Anticipated salary increase	3.80%	4.25%
Withdrawal share	100%	100%
Change in pension obligation	2010	2009
Opening balance	5,139	4,520
Pension costs for the year, including interest	317	408
Remuneration paid	-1,023	-362
Reduction due to new pension scheme	-1,443	–
Exchange rate differences	-306	573
Closing balance	2,684	5,139

¹⁾ For 2010 based on interest according to statement from Den norske Revisorforening.

Breakdown of salaries and other remuneration	2010		2009	
	Board and MD	Other employees	Board and MD	Other employees
Sweden	18,402	195,871	17,537	189,505
(of which bonuses)	(769)	–	(-34)	–
Estonia	645	14,031	1,158	17,673
(of which bonuses)	(71)	–	(–)	–
Norway	835	18,814	805	18,944
(of which bonuses)	(160)	–	(–)	–
China	598	4,520	580	2,344
(of which bonuses)	(109)	–	(54)	–
Finland	–	1,269	–	1,348
(of which bonuses)	(–)	–	(–)	–
Poland	–	99	–	–
(of which bonuses)	(–)	–	(–)	–
Group total	20,480	234,604	20,080	229,814
(of which bonuses)	(1,109)	–	(20)	–

Remuneration for senior executives, Board members and auditors

The Annual General Meeting decided to approve the Board's proposal for guidelines for remuneration and other employment conditions for senior executives. The conditions must be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed 50 per cent of the fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary shall be payable to the CEO. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case. The Board has appointed a remuneration committee, which during the year consisted of Chairman Thord Johansson and Directors Eva Nilsson and Fredrik Rapp.

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

The Annual General Meeting decided that the Board's fee of SEK 1,100 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 80 thousand payable to each of the other Board members for the period up to and including the next annual general meeting. The Annual General Meeting further decided that remuneration for tasks undertaken in the remuneration committee, audit committee and nomination committee should amount to SEK 5 thousand per person and per task. During 2010, SEK 85 thousand was paid for these commissions regarding the periods 2009/2010 and 2010/2011, of which SEK 65 thousand was paid to Board members and the remaining SEK 20 thousand to the external members of the nomination committee.

In 2010, the Group management consisted of the CEO Sune Lantz and deputy CEO Lennart Persson. The CEO received a salary and car benefit worth SEK 2,115 thousand (2,076). The deputy CEO received a salary and car benefit worth SEK 1,863 thousand (1,724).

The CEO and other senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 35 per cent of the pensionable salary. The deputy CEO has pension agreements that correspond to the general pension plan and pension premiums amount to 22 per cent (20) of the pensionable salary. 'Pensionable salary' refers to the basic salary plus an average of the last three years' variable remuneration. Pension costs for the CEO amounted to SEK 752 thousand (709). Pension costs for the deputy CEO amounted to SEK 405 thousand (315).

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.

During 2010, payment to auditors has amounted to SEK 1,560 thousand (1,720), of which SEK 277 thousand (232) relates to tasks other than the audit assignment. The costs were distributed as follows: SEK 1,492 thousand (1,638) to Ernst & Young and SEK 68 thousand (82) to other auditors. Of the costs for other tasks, SEK 68 thousand relates to auditing activities in addition to the audit assignment and SEK 209 thousand to other services.

NOTE 4 LABOUR COSTS

Labour costs by function	2010	2009
Cost of goods sold	-233,171	-209,003
Selling expenses	-40,889	-38,546
Administrative expenses	-28,950	-27,910
Discontinued operations	-60,724	-77,453
	-363,734	-352,912

NOTE 5 DEPRECIATION

Depreciation by function	2010	2009
Cost of goods sold	-45,604	-48,570
Selling expenses	-5,007	-5,570
Administrative expenses	-1,054	-1,095
Discontinued operations	-11,499	-15,414
	-63,164	-70,649

Depreciation by type of asset	2010	2009
Other intangible assets	-2,302	-2,488
Land and buildings	-11,188	-11,572
Plant and machinery	-39,739	-44,906
Equipment, tools, fixtures and fittings	-9,935	-11,683
	-63,164	-70,649

NOTE 6 OTHER EXTERNAL COSTS

Other external costs by function	2010	2009
Cost of goods sold	-81,902	-62,316
Selling expenses	-31,933	-29,285
Administrative expenses	-11,911	-12,248
Discontinued operations	-29,168	-30,985
	-154,914	-134,834

NOTE 7 OTHER OPERATING INCOME

	2010	2009
Rental income	3,604	2,470
Exchange gains on operating receivables/liabilities	2,160	1,206
Profit from disposal of product range	3,916	-
Other	6,605	1,513
	16,285	5,189

NOTE 8 OTHER OPERATING EXPENSES

	2010	2009
Cost of leased premises	-2,402	-2,239
Exchange losses on operating receivables/liabilities	-946	-873
Other	-1,874	602
	-5,222	-2,510

NOTE 9 FINANCIAL INCOME

	2010	2009
Interest income	2,109	3,073
Exchange rate differences	-	5,795
	2,109	8,868
Financial income for the Group as a whole	2,277	10,079

NOTE 10 FINANCIAL COSTS

	2010	2009
Interest expenses	-16,125	-21,112
Exchange rate differences	-381	-
	-16,506	-21,112
Financial costs for the Group as a whole	-18,649	-25,719

NOTE 11 TAX ON PROFIT FOR THE YEAR

Continuing operations	2010	2009
Current tax	-17,615	-5,811
Deferred tax	1,316	4,971
	-16,299	-840

Group total	2010	2009
Current tax	-18,696	-4,959
Deferred tax	1,245	4,795
	-17,451	-164

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

	2010	2009
Profit/loss before tax	89,484	-8,716
Tax according to Swedish income tax rate	-23,534	2,292
<i>Tax effect of</i>		
- consolidated amortisation of surplus values	-125	-148
- deviation in tax rate in non-Swedish companies	4,019	-1,858
Capital gain from sale of shares	3,347	-
Adjustment of current tax for previous periods	-130	-61
Other fiscal adjustments	-1,028	-389
Reported tax	-17,451	-164

NOTE 12 INTANGIBLE ASSETS

Goodwill

Accumulated acquisition values	2010	2009
Opening balance	234,651	233,218
Acquisition of subsidiaries ¹⁾	-83	-
Sale of subsidiaries	-50,023	-
Adjustments	-117	117
Translation differences for the year	-4,624	1,316
Closing balance	179,804	234,651

Accumulated amortisation	2010	2009
Opening balance	-24,723	-24,723
Sale of subsidiaries	23,099	-
Closing balance	-1,624	-24,723

Accumulated impairment costs	2010	2009
Opening balance	-125	-125
Sale of subsidiaries	23	-
Closing balance	-102	-125

Closing residual value	178,078	209,803
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¹⁾ Refers to settlement of additional purchase price.

Goodwill is distributed between the Group's cash-generating units, which consist of segments. Estimates of the recovery value include assumptions regarding growth, income trends and investments, including investments in working capital. Assumed growth, depending on the segment, amounts to 4-8 per cent (5-15) for the forecast period, with the exception of Industrial Solutions which due to the order placed from the USA expects higher growth for 2011, and thereafter staying at 3 per cent (3). Assumed operating margins amount to 9-12 per cent (9-11) in the long term. The assumptions concerning growth and margins are based on the results of previous years and the management's expectations concerning market developments.

Every year, the Group performs impairment tests for goodwill. A discount rate (WACC) of 10 per cent (10) 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 growth rate was set at 0 per cent, the operating margin was reduced by 25 per cent relative to the forecast level or the discount rate was increased by 2 per cent. None of the analyses show any impairment indication.

Goodwill by segment	2010	2009
Industrial Solutions	69,065	69,065
Plastic Components	0	29,229
Precision Technology	81,990	82,073
Rotational Moulding	27,023	29,436
Closing residual value	178,078	209,803

Other intangible assets

Accumulated acquisition values	2010	2009
Opening balance	14,308	13,456
Sale of subsidiaries	-550	-
Reclassifications	-	427
Translation differences for the year	-277	425
Closing balance	13,481	14,308

Accumulated scheduled amortisation	2010	2009
Opening balance	-5,435	-2,848
Sale of subsidiaries	550	-
Depreciation for the year	-2,302	-2,488
Translation differences for the year	99	-99
Closing balance	-7,088	-5,435

Closing residual value ¹⁾	6,393	8,873	
Remaining amortisation period, years			
¹⁾ of which			
Trademarks	6	2,049	2,590
Patents	5	728	897
Capitalised expenditure for research and development	2	3,616	5,386

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Land and buildings

Accumulated acquisition values	2010	2009
Opening balance	396,099	397,197
New acquisitions	3,956	1,482
Sale of subsidiaries	-69,568	-
Sales and disposals	-1,322	-
Reclassifications	9,789	600
Translation differences for the year	-12,906	-3,180
Closing balance	326,048	396,099

Accumulated scheduled depreciation	2010	2009
Opening balance	-95,300	-84,029
Sale of subsidiaries	31,566	-
Sales and disposals	782	-
Depreciation for the year	-11,188	-11,572
Translation differences for the year	1,298	301
Closing balance	-72,842	-95,300

Closing residual value ¹⁾	253,206	300,799
¹⁾ of which land	35,287	30,701

Tax assessment values, Swedish properties	2010	2009
Buildings	93,932	127,604
Land	21,991	20,701

As of the balance sheet date, the Group owns a property which is classified as an investment property. The carrying amount for this property is SEK 50 million. According to independent estate agents, the market value is at least SEK 60 million.

Plant and machinery

Accumulated acquisition values	2010	2009
Opening balance	616,712	608,263
New acquisitions	17,498	25,035
Sale of subsidiaries	-142,228	-
Sales and disposals	-11,795	-19,148
Reclassifications	1,818	412
Translation differences for the year	-10,677	2,150
Closing balance	471,328	616,712

Accumulated scheduled depreciation	2010	2009
Opening balance	-420,938	-387,261
Sale of subsidiaries	107,760	-
Sales and disposals	8,883	14,706
Reclassifications	-	66
Depreciation for the year	-39,739	-44,906
Translation differences for the year	6,893	-3,543
Closing balance	-337,141	-420,938

Closing residual value	134,187	195,774
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Equipment, tool, fixtures and fittings

Accumulated acquisition values	2010	2009
Opening balance	116,510	111,537
New acquisitions	6,877	5,205
Sale of subsidiaries	-33,235	-
Sales and disposals	-2,290	-4,147
Reclassifications	627	1,312
Translation differences for the year	-2,819	2,603
Closing balance	85,670	116,510

Accumulated scheduled depreciation	2010	2009
Opening balance	-84,383	-74,372
Sale of subsidiaries	24,111	-
Sales and disposals	1,878	3,615
Reclassifications	-	-66
Depreciation for the year	-9,935	-11,683
Translation differences for the year	2,128	-1,877
Closing balance	-66,201	-84,383

Closing residual value	19,469	32,127
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Construction in progress

Accumulated acquisition values	2010	2009
Opening balance	10,883	11,151
New acquisitions/advance payments	4,800	2,490
Sale of subsidiaries	-229	-
Sales and disposals	-332	-181
Reclassifications	-12,234	-2,751
Translation differences for the year	-76	174
Closing balance ¹⁾	2,812	10,883
<i>¹⁾ of which land</i>	-	8,860

Tax assessment values, Swedish properties	2010	2009
Land	-	5,800

NOTE 14 INVENTORIES

	2010	2009
Raw material and consumables	58,660	74,572
Products in process	61,260	36,496
Finished goods and goods for resale	66,087	91,120
Advance payments to suppliers	426	3,934
	186,433	206,122

Inventories are recognised at the lower of the purchase price and the fair value. The required reservation for obsolescence has taken place, mainly according to individual testing. The fair value of the inventories is therefore considered to match the carrying amount. Write-downs totalling SEK 3,480 thousand (8,150) have been made.

NOTE 15 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2010	2009
Accounts receivable	158,928	158,129
Deferred tax assets	8,836	10,594
Other receivables	5,742	4,965
Derivatives	2,532	-
Accrued income	1,725	1,676
	177,763	175,364

Derivatives relate to currency futures and currency options valued at market value. The year's change in value of SEK 2,532 thousand excluding tax is hedged effectively and recognised as 'Change in hedging reserve' in the comprehensive income.

As of the balance sheet date, there were outstanding currency derivatives of USD 4.7 million for hedging sales in the same currency, with all of these maturing in 2011.

NOTE 16 FINANCIAL RECEIVABLES

Age distribution as of 31.12.2010	Maturity term			Total
	- 30 days	31 - 90 days	91 - 360 days	
Cash equivalents	10,903	-	-	10,903
Percentage distribution	100	-	-	100
Accounts receivable	133,644	17,937	7,347	158,928
Percentage distribution	84	11	5	100

Distribution by currency as of 31.12.2010	Accounts receivable	Cash equivalents
SEK	128,756	4,259
USD	16,861	707
EUR	5,944	1,577
NOK	5,736	8
Other currencies	1,631	4,352
	158,928	10,903

Age distribution as of 31.12.2010	Time since maturity			Total
	6 - 30 days	31 - 90 days	> 90 days	
Accounts receivable overdue	9,211	1,603	1,214	12,028
Percentage distribution	77	13	10	100

Expensed losses on accounts receivables for the year amount to SEK 854 thousand (200), of which SEK 47 thousand constitutes actual losses on accounts receivables. Essential write-downs of SEK 1,081 thousand (309) were performed.

NOTE 17 EARNINGS PER SHARE

Continuing operations

Basic earnings per share	2010	2009
Net profit for the year	52,838	1,584
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	7.80	0.25

Diluted earnings per share	2010	2009
Net profit for the year	52,838	1,584
Interest expense on convertible bonds ¹⁾	980	1,413
Issue expenses for convertible bonds	45	46
Adjusted income	53,863	3,043
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	220	220
Average number of shares at the calculation of earnings per share, thousands	7,009	7,009
Diluted earnings per share, SEK	7.70	0.45

Group total

Basic earnings per share	2010	2009
Net profit/loss for the year	72,033	-8,880
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	10.60	-1.30

Diluted earnings per share	2010	2009
Net profit/loss for the year	72,033	-8,880
Interest expense on convertible bonds ¹⁾	980	1,413
Issue expenses for convertible bonds	45	46
Adjusted income	73,058	-7,421
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for presumed conversion of convertible bonds, thousands	220	220
Average number of shares at the calculation of earnings per share, thousands	7,009	7,009
Diluted earnings per share, SEK	10.40	-1.05

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

No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

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

NOTE 18 SHARE CAPITAL

Distribution of share capital	31.12.2010	01.01.2010
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 amounts to 6,788,974.

As of 1 July 2008, convertible bonds with a nominal value of SEK 27,500 thousand, corresponding to 220,000 Class B shares at full conversion, were issued.

Class A shares give entitlement to ten votes and Class B shares to one vote. The number of votes, following deductions for the company's own holding, amounts to 24,338,974. The proposed dividend amounts to SEK 3.50 per share.

NOTE 19 OTHER RESERVES

Cumulative translation differences	2010	2009
Opening balance	6,666	11,357
Translation differences for the year	-9,527	-6,028
Hedging of currency risk in non-Swedish subsidiaries	920	1,337
Cancellation relating to sold subsidiaries	52	-
Closing balance	-1,889	6,666

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

Hedging reserve	2010	2009
Opening balance	-204	–
Changes for the year	2,329	-204
Closing balance	2,125	-204

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

Total other reserves	236	6,462
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NOTE 20 BORROWINGS ETC.

Utilised overdraft facilities are reported as current liabilities.

Non-current liabilities	2010	2009
Maturity date between one and five years after balance sheet date	168,682	256,911
Maturity date more than five years after balance sheet date	7,813	21,270
	176,495	278,181
Bank overdraft facilities	2010	2009
Bank overdraft facilities granted	329,233	394,402
Unutilised amount	-252,792	-174,649
Utilised amount	76,441	219,753
Current portion of long-term liabilities	29,015	42,036
Total interest-bearing liabilities	281,951	539,970

With regard to interest rate risks, see Note 31 on page 63.

NOTE 21 OTHER LIABILITIES

XANO Industri has an outstanding convertible loan reported at SEK 26,942 thousand. The nominal value is SEK 27,500 thousand. The convertible loan runs until 30 June 2012 with an annual interest rate corresponding to STIBOR 12M plus 1.5 per cent (2.89 per cent for the current period). During the period 1 May to 15 June 2012, convertible bonds can be redeemed against shares at the conversion rate of SEK 125 per share. The nominal value of the loan is SEK 125 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 9.19 per cent (government bonds interest rate at the time of issue, 4.69 per cent, with a 4.5 per cent addition for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are taken up at the market value and the difference is added to other contributed capital. Interest is charged to the result 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 1,197 thousand and constitutes 4.4 per cent of the actual liability. Over the term of the loan, the result is also charged with issue costs which arose in connection with the uptake of the convertible loan.

NOTE 22 OTHER PROVISIONS

Non-current	2010	2009
Guarantee commitments	855	1,015
Pension commitments	2,684	5,139
	3,539	6,154
<i>Estimated maturity date</i>		
Between one and five years after balance sheet date	3,539	4,123
More than five years after balance sheet date	–	2,031

NOTE 23 DEFERRED TAX LIABILITY

Temporary differences

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

	2010	2009
Property, plant and equipment	80,762	112,609
Tax allocation reserves	54,247	59,710
Derivatives	2,883	–
Items entered as liabilities	-965	-596
Total	136,927	171,723
Tax 26.3%	36,011	45,163
Rounding	-4	-2
Deferred tax liability	36,007	45,161
Non-Swedish items with diverging tax rate ¹⁾	-8,836	-10,594
Net deferred tax	27,171	34,567
Deferred tax liability brought forward	-34,567	-40,587
Sale of subsidiaries	7,687	–
Translation differences	-780	1,228
Rounding	2	-3
Deferred tax expense relating to temporary differences	-487	-4,795
<i>– of which reported in</i>		
Net profit/loss for the year	-1,245	-4,795
Other comprehensive income	758	–

¹⁾ Relates to the businesses in Norway and China. In view of actions taken and expected future development, the businesses are expected to generate positive results in coming years; hence the loss carry forward is fully utilised. As there is no legal right of offset, the claim is reported as a tax claim in the balance sheet, see Note 15.

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

The effective tax rate amounts to 26 (26) per cent.

NOTE 24 TRADE AND OTHER PAYABLES

	2010	2009
Advance payments from customers	35,100	14,362
Trade creditors	93,051	75,617
Salary and holiday pay liabilities	27,304	32,346
Accrued social security contributions	16,792	20,096
Other accrued liabilities	15,358	16,233
Derivatives	680	1,417
Other non-interest-bearing liabilities	13,769	16,429
	202,054	176,500

The derivatives relate to interest-rate swaps valued at the market value. The year's change in value, SEK 555 thousand (-204) excluding tax, is effectively hedged and has been reported as 'Change in hedging reserve' in the consolidated statement of comprehensive income.

NOTE 25 FINANCIAL LIABILITIES**Maturity date for current liabilities**

As of 31.12.2010	Maturity term			Total
	- 30 days	31 - 90 days	91 - 360 days	
Trade creditors	74,879	18,172	0	93,051
Percentage distribution	80	20	0	100
Derivatives	94	0	586	680
Percentage distribution	14	0	86	100
Borrowings ¹⁾	0	0	76,441	76,441
Percentage distribution	0	0	100	100
Current portion of non-current liabilities	1,194	6,228	21,593	29,015
Percentage distribution	4	22	74	100
				199,187

¹⁾ Refer to bank overdraft facilities.

Distribution by currency

As of 31.12.2010	Current	Non-current
SEK	122,929	122,039
EUR	32,761	42,936
NOK	28,495	11,520
USD	2,867	0
Other currencies	12,135	0
	199,187	176,495

NOTE 26 PLEDGED ASSETS

Pledges for own liabilities	2010	2009
Property mortgages	77,187	102,423
Floating charges	68,480	109,980
Assets with ownership reservation	8,617	10,623
Shares in subsidiaries	229,874	202,524
	384,158	425,550

NOTE 27 CONTINGENT LIABILITIES

	2010	2009
Guarantees	392	457
Pension commitments	1,413	718
	1,805	1,175

NOTE 28 LEASES**Finance leases**

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

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

During the year, lease payments in respect of finance leases amounted to SEK 10,918 thousand (12,053).

Plant and machinery

Accumulated acquisition values	2010	2009
Opening balance	115,250	109,833
New acquisitions	6,420	12,744
Sale of subsidiaries	-15,556	-
Sale and disposals	-9,382	-7,327
Closing balance	96,732	115,250

Accumulated scheduled depreciation	2010	2009
Opening balance	-48,109	-41,669
Sale of subsidiaries	7,604	-
Sale and disposals	6,601	4,670
Depreciation for the year	-10,539	-11,110
Closing balance	-44,443	-48,109

Closing scheduled residual value	52,289	67,141
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Borrowings, finance lease	2010	2009
Current component, maturity date within one year	9,467	15,288
Long-term component, maturity date between one and five years	32,835	37,220
Long-term component, maturity date in excess of five years	5,509	8,596
	47,811	61,104

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

Operating leases

Lease payments in respect of operating lease contracts amounted to SEK 3,127 thousand (4,024) during the year.

Contracted future fees for operating leases	2010	2009
Maturity date within one year	3,788	2,477
Maturity date within one and five years	11,435	1,249
Maturity date in excess of five years	-	-
	15,223	3,726

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

NOTE 29 CASH FLOW

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

Interest

During the year, interest paid amounted to SEK 18,496 thousand (24,819) and interest received to SEK 2,643 thousand (3,250).

Acquisitions

In 2010 the additional purchase price for Eslöv Mekaniska Verkstad AB, which was acquired in 2007, was finally settled. No acquisitions were made in 2009.

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

	2010	2009
Intangible assets, surplus values	83	-
Current liabilities	-3,300	-
Total purchase price	-3,217	-
Liquid assets in acquired businesses	-	-
Total cash flow attributable to acquired businesses	-3,217	-

Disposals

Inmedic AB and Bladhs Industri AB including their respective subsidiaries were sold in 2010. No disposals took place in 2009.

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

	2010	2009
Intangible assets	26,901	-
Property, plant and equipment	81,823	-
Financial assets	270	-
Other current assets	90,807	-
Non-current liabilities	-29,071	-
Current liabilities	-121,441	-
	49,289	-
Cancellation of accumulated translation differences	52	-
Capital gain/loss	12,726	-
Total sale	62,067	-
Liquid assets in sold businesses	-2,523	-
Total cash flow attributable to divested businesses	59,544	-

	2010	2009
Liquid assets		
Cash and bank balances	9,160	9,264
Investments	1,743	1,743
Amount at year-end	10,903	11,007

Of the total cash flow, discontinued operations' cash flow from operating activities totalled SEK 19 million (37), cash flow from investing activities SEK 53 million (-6) and cash flow from financing activities SEK -72 million (-31).

NOTE 30 BUSINESS COMBINATIONS/DISPOSALS

In August all shares in Inmedic AB and its subsidiaries were sold. The purchase price, which was paid in cash, was SEK 21 million and brought about a capital gain of approx. SEK 13 million. The sale will have relatively little long-term impact on XANO's profits and financial position. The Inmedic Group has sales of approx. SEK 37 million. Divested assets and liabilities amounted to SEK 12 million and SEK 5 million respectively.

In November all shares in Bladhs Industri AB and its subsidiaries were sold. The companies have annual sales of approx. SEK 240 million, with an operating margin of approx. five per cent. The purchase price was SEK 46 million and paid in cash on the date of transfer. The sale had little impact on the profits. Divested assets and liabilities amounted to SEK 188 million and SEK 146 million respectively, of which interest-bearing liabilities amounted to SEK 102 million.

No acquisitions or disposals took place in 2009.

NOTE 31 RISKS

Financial risks

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

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

Currency risks

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

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

Transaction risks

The transaction risk arises due to the commercial payment flows that take place in a currency other than the local currency of each subsidiary. The Group's policy is not to hedge commercial flows. Because of the changes made to the Group's structure and their impact on currency flows, this policy may be amended. The flows are monitored continuously in order to minimise transaction risks. During 2010, the policy was departed from in places in order to partially hedge sales in USD.

For continuing operations, the proportion of invoicing in foreign currency in 2010 amounted to 17 per cent. 82 per cent of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in their country of manufacture. The major exceptions are deliveries from Swedish manufacturing units to foreign end customers and deliveries from manufacturing units in Estonia to the Swedish and Norwegian market. The transaction risks occur in the latter cases as well as during the purchase of material.

A simplified breakdown by currency of the Group's income and cost structure for 2010 is shown in the table below.

Share (%) of	SEK	EUR/EEK ¹⁾	Other
Invoicing	83	5	12
Cost of goods sold	73	15	12

¹⁾ The Estonian kroon was tied to the euro up until 31 December 2010. Estonia changed to using the euro on 1 January 2011.

The Group is mainly exposed to changes in EUR, where the net flow in 2010 has been negative, and in NOK, where the net flow in 2010 has been positive. In addition to this, Swedish subsidiaries hold loan receivables in NOK. An average change of five per cent in all currencies with respect to the Swedish krona would therefore give an impact on profit of approx. SEK 1 million for the corresponding flow. In the event of a change of five per cent in either EUR or NOK against the Swedish krona, the impact on profit over a period of one would be approx. SEK 3 million and SEK 2 million respectively. As of the balance sheet date, there were outstanding currency derivatives of USD 4.7 million for hedging sales in the same currency.

Risk from translation of subsidiaries' income statements

Translation of non-Swedish subsidiaries' income statements into Swedish kronor takes place at an average rate. If invoicing and net income in the remaining Group companies are the same as in 2010, a five per cent change to the Swedish krona against all other currencies would affect sales by around SEK 8 million and net profit by around SEK 1 million.

Risk from translation of subsidiaries' balance sheets

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into Swedish kronor. Foreign subsidiaries' net assets were valued at SEK 89 million at the year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected the Group's equity negatively by SEK 8 million. The currency exposure that arises through investments in foreign net assets is partially hedged by taking up loans in the corresponding currency.

Interest rate risks

Interest rate risks refer to the risk that changes in the interest rate level will affect XANO's financial results negatively through increased borrowing costs. Financing mainly takes place through borrowings from banks. The average interest rate (interest expenses in relation to the average interest-bearing liabilities) was 4.0 per cent (4.3). The Group's interest-bearing liabilities amounted on the balance sheet date to SEK 282 million (540), of which SEK 139 million (349) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 48 months and the average interest rate at year-end was 3.8 per cent. A one (1) per cent increase in interest rate has an annual impact on income valued at about SEK -1.3 million.

Interest swap agreements are used to change the fixed-rate interest period in the desired direction as well as to reduce the effect of interest rate fluctuations. As of the balance sheet date, interest swap agreements worth a total nominal sum of SEK 100 million were in place.

Fixed rate period for borrowings from credit institutions

Maturity date	Amount (SEK 000)	Average interest rate (%)	Share (%)
2011	3,733	5.0	3
2012	25,013	5.6	25
2013	14,697	6.1	16
2014	50,000	2.7	25
2015 and later	50,000	3.4	31
Total	143,443	3.8	100

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 up external borrowings. 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 borrowings come from banks and are in each company's local currency. Parent companies also lend funds within the Group at market terms, usually at a variable interest rate. Payment preparedness amounted to 46 per cent of sales on the balance sheet date.

Operational risks

Operational risks are associated with both customers and suppliers, as well as other contemporary factors and XANO's own activities.

From a Group perspective, the customer base is broad and varied in terms of both industry and size. The Group has attempted to minimise the risks that exist in connection with customers' requests for production in low-cost countries by offering production at its own foreign units where capacity has been significantly increased.

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

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

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

NOTE 32 CAPITAL MANAGEMENT

XANO's objective, during a period of 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 35 per cent. At the end of 2010, the equity/assets ratio was 46 per cent (34), primarily as a result of a good profit level and the sales of subsidiaries completed during the year.

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 interest coverage ratio. The earnings for the year have meant that the affected key ratios clearly exceed the agreed levels.

It is the Board's intention that the dividend follows the earnings trend over an extended period and corresponds to between 20 and 30 per cent of the net profit.

NOTE 33 RELATED PARTY TRANSACTIONS

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

In addition to the payments 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. The share and convertible holdings of Board members and senior executives as of the balance sheet date are presented on pages 80 and 81.

Kieryd Gärd AB, controlled by the Chairman of the Board Thord Johansson, and Pomona-gruppen AB, under the controlling interest of Board members Johan Rapp and 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. These transactions constitute part of the companies' normal activity and take place under market conditions. During 2010, sales from XANO's subsidiaries to ITAB Shop Concept AB and its subsidiaries amounted to SEK 5 million. ITAB is under the controlling interest of Thord Johansson. As of the balance sheet date, amounts payable to and receivable from related parties do not come to any noteworthy sum.

In 2010 a product range within Rotational Moulding was sold to Separett AB. The purchase price was SEK 4 million. Eva Nilsson, a XANO Board member, is chairman of Separett's board. Eva Nilsson did not take part when the sale was discussed by the XANO board.

Income statement

PARENT COMPANY (SEK thousands)	Note	2010	2009
Net sales		9,836	11,012
Cost of goods sold		–	–
Gross profit		9,836	11,012
Selling expenses	1, 2	-2,253	-2,238
Administrative expenses	1, 2	-12,768	-12,683
Other operating income		2,132	1,828
Other operating expenses		0	-935
Operating profit/loss		-3,053	-3,016
Result from participations in Group companies	3	-78	-108
Interest income and similar profit/loss items	4	13,775	17,561
Interest expense and similar profit/loss items	5	-11,193	-16,152
Profit/loss after financial items		-549	-1,715
Appropriations	6	-8,583	2,895
Profit/loss before tax		-9,132	1,180
Tax on profit for the year	7	2,266	-643
NET PROFIT/LOSS FOR THE YEAR		-6,866	537
Basic earnings per share	SEK 10	-1.01	0.08
Diluted earnings per share ¹⁾	SEK 10	-1.01	0.08
Average number of outstanding shares	11	6,788,974	6,788,974
Average number of outstanding shares after dilution	11	7,008,974	7,008,974
Average number of shares in own custody	11	140,000	140,000

¹⁾ No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

Statement of comprehensive income

PARENT COMPANY (SEK thousands)	Note	2010	2009
Net profit for the year		-6,866	537
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		-6,866	537

Cash flow statement

PARENT COMPANY (SEK thousands)	Note	2010	2009
Operating activities			
Operating profit		-3,053	-3,016
<i>Adjustments for non-cash items etc.</i>			
Depreciation		166	166
Group contribution		50,770	786
Interest paid/received, net value	16	42	693
Income tax paid (-) / received (+)		-3,469	2,885
Cash flow from operating activities before changes in working capital		44,456	1,514
Change in working capital			
Increase (-) / decrease (+) of current receivables		-15,495	196,793
Increase (+) / decrease (-) of current liabilities		48,980	-56,199
Cash flow from operating activities		77,941	142,108
Investing activities			
Purchase and sale of property, plant and equipment		-75	-
Cash flow from investing activities		-75	0
Financing activities			
Dividend paid		-10,183	-10,183
Increase (+) / decrease (-) of current liabilities and liabilities to credit institutions		-67,580	-132,936
Cash flow from financing activities		-77,763	-143,119
Cash flow for the year			
Cash and cash equivalents at the beginning of the year		8	7
Exchange rate differences in cash and cash equivalents		-102	1,012
Cash and cash equivalents at the end of the year	16	9	8

Balance sheet

PARENT COMPANY (SEK thousands)	Note	31.12.2010	31.12.2009
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	8		
Equipment, tools, fixtures and fittings		618	709
		618	709
<i>Financial assets</i>			
Participations in Group companies	9	70,685	70,763
		70,685	70,763
Total non-current assets		71,303	71,472
Current assets			
<i>Current receivables</i>			
Accounts receivables – trade		10	16
Receivables from Group companies		523,099	507,838
Other receivables		391	38
Prepaid expenses and accrued income		1,130	719
		524,630	508,611
<i>Investments in securities etc.</i>		5	5
<i>Cash and bank balances</i>	13	4	3
Total current assets		524,639	508,619
TOTAL ASSETS		595,942	580,091

PARENT COMPANY (SEK thousands)	Note	31.12.2010	31.12.2009
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	11	34,645	34,645
Statutory reserve		8,899	8,899
		43,544	43,544
<i>Non-restricted equity</i>			
Share premium reserve		2,281	2,281
Profit brought forward		227,280	199,509
Net profit for the year		-6,866	537
		222,695	202,327
Total equity		266,239	245,871
Untaxed reserves	12	18,776	10,193
Liabilities			
<i>Non-current liabilities</i>			
Interest-bearing liabilities	13, 14	41,639	43,472
		41,639	43,472
<i>Current liabilities</i>			
Bank overdraft facilities	13, 14	59,705	127,285
Accounts payable – trade		281	376
Liabilities to group companies		197,213	147,433
Current tax liability		8,111	493
Other liabilities	13	597	2,219
Accrued expenses and deferred income		3,381	2,749
		269,288	280,555
Total liabilities		310,927	324,027
TOTAL EQUITY AND LIABILITIES		595,942	580,091
Pledged assets	14	65,186	65,264
Contingent liabilities	15	216,982	349,901

Statement of changes in equity

PARENT COMPANY (SEK thousands)	Note	Share capital	Statutory reserve	Share premium reserve ¹⁾	Other non-restricted equity	Total equity
Equity, 1 January 2009		34,645	8,899	2,281	209,113	254,938
Group contribution, received		–	–	–	786	786
Group contribution, tax effect		–	–	–	-207	-207
Dividend paid		–	–	–	-10,183	-10,183
Net profit for the year		–	–	–	537	537
Equity, 31 December 2009		34,645	8,899	2,281	200,046	245,871
Group contribution, received		–	–	–	50,770	50,770
Group contribution, tax effect		–	–	–	-13,353	-13,353
Dividend paid		–	–	–	-10,183	-10,183
Net profit for the year		–	–	–	-6,866	-6,866
Equity, 31 December 2010	11	34,645	8,899	2,281	220,414	266,239

¹⁾ Share premium reserve is part of non-restricted equity.

Accounting policies

The annual accounts have been drawn up in accordance with the International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and recommendations and statements of the Swedish Financial Reporting Board.

General

XANO has prepared its annual report in accordance with the International Financial Reporting Standards (IFRS) and recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Accounting Standards Council. 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. RFR 2 means, amongst other things, that IAS 1 Presentation of Financial Statements must also be applied to the Parent Company. Doing so has meant new names for financial statements but has not had any effect on the company's financial position.

In 2010 the Parent Company changed its accounting policy for Group currency accounts, which means, amongst other things, that the balance sheet total has risen. The comparison period has been recalculated. The accounting policies are otherwise 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, 5 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 what is referred to in Note 1, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the annual general meeting.

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 9.

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

Participations in Group companies

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

Non-current assets

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

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

Machinery and equipment	3 - 10 years
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Liquid assets

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

Cash flow

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

Financial assets and liabilities

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

XANO uses interest-rate swaps to control the uncertainty in future interest-rate fluctuations in regard to Group borrowings with variable interest rates. Since these derivatives are not hedged effectively in the company, they are valued at their fair value in the balance sheet. 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 an equity. These are reported partly as a financial liability and partly as an equity instrument.

Income

The company offers its subsidiaries services relating to business development, organisation, finance, etc. Sales of goods are reported on delivery of the product to customers in accordance with the sales terms. 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 submitted or received for the purpose of tax equalisation are reported directly against equity following deductions for the tax effect that the Group contribution brings.

Taxes

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

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

In the Parent Company, due to the link between reporting and taxation, deferred tax associated with untaxed reserves is 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 debt to the bank is recognised as liability in the Parent Company.

Notes

(All amounts in SEK thousands unless otherwise indicated.)

NOTE 1 EMPLOYEES, PERSONNEL COSTS AND AUDIT FEES

Average no. of employees	2010	of which men	2009	of which men
Sweden	7	43%	7	43%

Absence due to illness is not reported, as the number of employees is fewer than ten.

Proportion of men amongst senior executives	2010	2009
Board members	83%	83%
Other senior executives	100%	100%

Salaries, other remuneration and social security costs	2010	2009
Salaries and remuneration	6,964	7,124
Social security costs	3,872	3,886
(of which pension costs) ^{1, 2)}	(1,401)	(1,380)
	10,836	11,010

¹⁾ SEK 1,157 thousand (1,024) of the Parent Company's pension costs relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

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

Break-down of salaries and other remuneration	2010	2009
Board members and senior executives	5,011	4,762
(of which bonuses)	(-)	(-)
Other employees	1,953	2,362
	6,964	7,124

Remuneration for Board members, senior executives and auditors

The Annual General Meeting decided to approve the Board's proposal for guidelines for remuneration and other employment conditions for senior executives. The conditions must be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed 50 per cent of the fixed salary. Senior executives shall have market pension conditions which must

be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary shall be payable to the CEO. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case. The Board has appointed a remuneration committee, which during the year consisted of Chairman Thord Johansson and Directors Eva Nilsson and Fredrik Rapp.

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

The Annual General Meeting decided that the Board's fee of SEK 1,100 thousand should be distributed with SEK 700 thousand payable to the Chairman and SEK 80 thousand payable to each of the other Board members for the period up to and including the next annual general meeting. The Annual General Meeting further decided that remuneration for tasks undertaken in the remuneration committee, audit committee and nomination committee should amount to SEK 5 thousand per person and per task. During 2010, SEK 85 thousand was paid for these commissions regarding the periods 2009/2010 and 2010/2011, of which SEK 65 thousand was paid to Board members and the remaining SEK 20 thousand to the external members of the nomination committee.

In 2010, the Group management consisted of the CEO Sune Lantz and deputy CEO Lennart Persson. The CEO received a salary and car benefit worth SEK 2,115 thousand (2,076). The deputy CEO received a salary and car benefit worth SEK 1,863 thousand (1,724).

The CEO and other senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 35 per cent of the pensionable salary. The deputy CEO has pension agreements that correspond to the general pension plan and pension premiums amount to 22 per cent (20) of the pensionable salary. 'Pensionable salary' refers to the basic salary plus an average of the last three years' variable remuneration. Pension costs for the CEO amounted to SEK 752 thousand (709). Pension costs for the deputy CEO amounted to SEK 405 thousand (315).

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.

During 2010, remuneration to auditors has amounted to SEK 355 thousand (468), of which SEK 110 thousand (175) relates to tasks other than the audit assignment. The audit has been carried out by Ernst & Young. Of the costs for other tasks, SEK 34 thousand relates to auditing activities in addition to the audit assignment and SEK 76 thousand to other services.

NOTE 2 DEPRECIATION

	2010	2009
Depreciation by function		
Selling expenses	-25	-25
Administrative expenses	-141	-141
	-166	-166

	2010	2009
Depreciation by type of asset		
Equipment, tool, fixtures and fittings	-166	-166
	-166	-166

NOTE 3 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	2010	2009
Write-down of shares	-78	-108
	-78	-108

NOTE 4 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2010	2009
Interest income, Group companies	10,300	13,500
Interest income, other	1,371	2,098
Exchange rate differences	2,104	1,963
	13,775	17,561

NOTE 5 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2010	2009
Interest expense, Group companies	-2,834	-2,759
Interest expense, other	-8,359	-13,393
	-11,193	-16,152

NOTE 6 APPROPRIATIONS

	2010	2009
Change in excess depreciation	37	39
Tax allocation reserve, change for the year	-8,620	2,856
	-8,583	2,895

NOTE 7 TAX ON PROFIT FOR THE YEAR

	2010	2009
Current tax	-11,087	-850
Tax on Group contribution received	13,353	207
	2,266	-643

Tax totals 25 per cent (54). Non-deductible financial costs contributed to the higher tax rate for 2009.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT**Equipment, tools, fixtures and fittings**

	2010	2009
Accumulated acquisition values		
Opening balance	1,389	1,389
New acquisitions	75	-
Closing balance	1,464	1,389
Accumulated scheduled depreciation		
Opening balance	-680	-514
Depreciation for the year	-166	-166
Closing balance	-846	-680
Closing scheduled residual value	618	709

NOTE 9 PARTICIPATIONS IN GROUP COMPANIES

Accumulated acquisition values	2010	2009
Opening balance	70,763	70,871
Write-down for the year	-78	-108
Closing balance	70,685	70,763

Parent Company holdings

Business name	Corporate registration number	Registered office	Number of shares	Share of equity	Book value
Ackurat Industriplast AB	556076-4564	Växjö, Sweden	10,000	100%	8,092
Cipax Industri AB	556261-0096	Jönköping, Sweden	1,000	100%	3,483
XANO Automation AB	556432-6329	Jönköping, Sweden	5,000	100%	17,153
XANO Evolution AB	556412-4070	Jönköping, Sweden	46,200	100%	5,499
XANO Fastigheter AB	556237-3265	Jönköping, Sweden	30,500	100%	4,541
XANO Precision AB	556620-3294	Jönköping, Sweden	1,000	100%	22,085
XANO Teknik AB	556234-6204	Jönköping, Sweden	1,100,000	100%	9,832
					70,685

Subsidiary holdings

Business name	Corporate registration number	Registered office	Number of shares	Share of equity
Ackurat Sp. z o. o	0000357275	Gdansk, Poland	100	100%
Ackurat Suomen Oy	0535817-5	Helsinki, Finland	630	100%
Antonson & Akribi AB	556310-2424	Jönköping, Sweden	12,470	100%
Carex Industri AB	556453-7040	Jönköping, Sweden	1,000	100%
Cipax AB	556065-7875	Norrköping, Sweden	200	100%
Cipax AS	990 374 031	Bjerkelangen, Norway	10,100	100%
Cipax Eesti AS	10092500	Taebla, Estonia	400	100%
Cipax Oy	2188914-4	Helsinki, Finland	1,000	100%
Eslöv Mekaniska Verkstad AB	556528-6688	Eslöv, Sweden	4,000	100%
Fredriksons Automation AB	556548-6882	Vadstena, Sweden	1,000	100%
Fredriksons Verkstads AB	556420-7537	Vadstena, Sweden	5,000	100%
Fredriksons Industry (Suzhou) Co Ltd	022735	Suzhou, China	-	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Micro-Tool Sweden AB	556438-3437	Södertälje, Sweden	3,000	100%
Mikroverktyg AB	556020-8828	Södertälje, Sweden	1,000	100%
NPB Automation AB	556266-7948	Jönköping, Sweden	1,000	100%
Resinit AB	556332-1263	Västervik, Sweden	1,000	100%
Segerströms i Falkenberg AB	556125-7147	Falkenberg, Sweden	5,000	100%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
Värnamo Industri AB	556497-2056	Värnamo, Sweden	4,000	100%
XANO Fastigheter Eslöv AB	556605-1529	Eslöv, Sweden	1,000	100%
XANO Fastigheter i Estland AB	556297-2041	Jönköping, Sweden	4,000	100%
XANO Fastigheter Ljungarum AB	556202-5220	Jönköping, Sweden	2,796,000	100%
XANO Fastigheter Länna AB	556176-5271	Stockholm, Sweden	1,000	100%
XANO Industrial Center AS	10994473	Tallinn, Estonia	400	100%

13 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.

During 2010, Bladhs Industri AB and Inmedic AB and their respective subsidiaries were sold.

NOTE 10 EARNINGS PER SHARE

Basic earnings per share	2010	2009
Net profit for the year	-6,866	537
Average number of outstanding shares, thousands	6,789	6,789
Basic earnings per share, SEK	-1.01	0.08

Diluted earnings per share	2010	2009
Net profit for the year	-6,866	537
Interest expense on convertible bonds ¹⁾	980	1,413
Adjusted income	-5,886	1,950
Average number of outstanding shares, thousands	6,789	6,789
Adjustment for anticipated conversion of convertible bonds, thousands	220	220
Average number of shares as at the calculation of earnings per share, thousands	7,009	7,009
Diluted earnings per share, SEK	-0.84	0.28

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

No dilution effect is taken into account when diluted earnings per share are higher than basic earnings per share.

With regard to the number of shares and convertible bonds, see Note 11.

NOTE 11 SHARE CAPITAL

Distribution of share capital	31.12.2010	1.1.2010
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. During the year, the average number of outstanding shares was 6,788,974.

As of 1 July 2008, convertible bonds with a nominal value of SEK 27,500 thousand, corresponding to 220,000 Class B shares at full conversion, were issued.

Class A shares give entitlement to ten votes and Class B shares to one vote. The total number of votes, following deductions for the company's own holding, amounts to 24,338,974. The proposed dividend amounts to SEK 3.50 per share.

NOTE 12 UNTAXED RESERVES

	2010	2009
Tax allocation reserve, allocation for 2005 taxation	–	5,430
Tax allocation reserve, allocation for 2006 taxation	52	52
Tax allocation reserve, allocation for 2009 taxation	3,278	3,278
Tax allocation reserve, allocation for 2010 taxation	1,076	1,076
Tax allocation reserve, allocation for 2011 taxation	14,050	–
	18,456	9,836
Accumulated excess depreciation	320	357
	18,776	10,193

Deferred tax liabilities represent SEK 4,938 thousand (2,681) of untaxed reserves.

NOTE 13 LIABILITIES

Non-current liabilities	2010	2009
Maturity date between one and five years after balance sheet date	41,639	43,472
Maturity date more than five years after balance sheet date	–	–
	41,639	43,472
Bank overdraft facilities, Group currency accounts	59,705	127,285
Total interest-bearing liabilities	101,344	170,757

Bank overdraft facilities	2010	2009
Bank overdraft facilities, Group currency accounts	260,000	260,000
Unutilised amount	-200,295	-132,715
Utilised amount	59,705	127,285

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 391 million (213).

The company has an outstanding convertible loan reported at SEK 26,942 thousand. The nominal value is SEK 27,500 thousand. The convertible loan runs until 30 June 2012 with an annual interest rate corresponding to STIBOR 12M plus 1.5 per cent (2.89 per cent for the current period). During the period 1 May to 15 June 2012, convertible bonds can be redeemed against shares at the conversion rate of SEK 125 per share. The nominal value of the loan is SEK 125 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 9.19 per cent (government bonds interest rate at the time of issue, 4.69 per cent, with a 4.5 per cent addition for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are taken up at the market value and the difference is added to the company's share premium reserve. Interest is charged to the result 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 1,197 thousand and constitutes 4.4 per cent of the actual liability.

Derivatives are included in other current liabilities at SEK 680 thousand. The item relates to interest swaps valued at market value. The year's change in value of SEK 555 thousand (-204), excluding tax, has been reported as financial costs in the income statement.

NOTE 14 PLEDGED ASSETS

	2010	2009
Shares in subsidiaries	65,186	65,264
	65,186	65,264

NOTE 15 CONTINGENT LIABILITIES

	2010	2009
Guarantees in favour of subsidiaries	215,569	349,183
Pension commitments	1,413	718
	216,982	349,901

The change in contingent liabilities is mainly attributable to redeemed credits in connection with the sale of Bladhs Industri AB and its subsidiaries.

NOTE 16 CASH FLOW**Interest**

Interest paid was SEK 11,456 thousand (14,798) and interest received SEK 11,498 thousand (15,491).

Liquid assets	2010	2009
Cash and bank balances	4	3
Investments	5	5
Amount at year-end	9	8

NOTE 17 RISKS

The Parent Company is exposed to financial risks through its international activities. Financial risks refer to changes in exchange rates and interest levels. A statement on the Group's main financial and operational risks can be found in Note 31 on pages 62 and 63.

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

The annual accounts and consolidated accounts for XANO Industri AB (publ) for 2010 have been approved for publication by the Board of Directors.

The annual accounts will be presented to the Annual General Meeting on 6 May 2011 for adoption.

Jönköping, 10 March 2011

Thord Johansson
Chairman

Johan Rapp

Eva Nilsson

Christer Dahlström

Fredrik Rapp

Stig-Olof Simonsson

Sune Lantz
CEO

Our audit report was submitted on 17 March 2011.

Stefan Engdahl
Authorised public accountant

Stefan Landström Andersson
Authorised public accountant

Audit report

*To the Annual General Meeting of the shareholders of XANO Industri AB (publ)
Company Registration No. 556076-2055*

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of XANO Industri AB (publ) for the financial year 2010. The company's annual report and consolidated accounts are included in the printed version of this document on pages 40-74. The Board of Directors and the CEO are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require us to plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free from material misstatements. An audit includes examining selected evidence supporting the amounts and disclosures in the accounts. An audit also includes an assessment of the accounting policies used and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and the CEO when preparing the annual accounts and the consolidated accounts, as well as an evaluation of the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also considered whether any Board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting policies in Sweden. The consolidated accounts have been prepared in accordance with international reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be distributed 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, 17 March 2011

Stefan Engdahl
Authorised public accountant

Stefan Landström Andersson
Authorised public accountant

Corporate Governance Report 2010

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 are covered by the Swedish Code of Corporate Governance ('the Code') since 1 July 2008.

The Act stipulates that the company must have three decision-making bodies: the shareholders' meeting, the Board of Directors and the CEO. There must also be a controlling body, an auditor, who is appointed by the shareholders' meeting. The Act stipulates which tasks the respective bodies have and which responsibilities fall upon the people making up the bodies. The Code complements the Act by setting higher requirements in certain areas, but also by making it possible for the 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 the NASDAQ OMX Stockholm in the Small Cap segment. The information requirements that XANO is subject to as a result of this can be found in the 'Rule Book for Issuers' published by the stock exchange.

XANO has been covered by the Code since 1 July 2008. This corporate

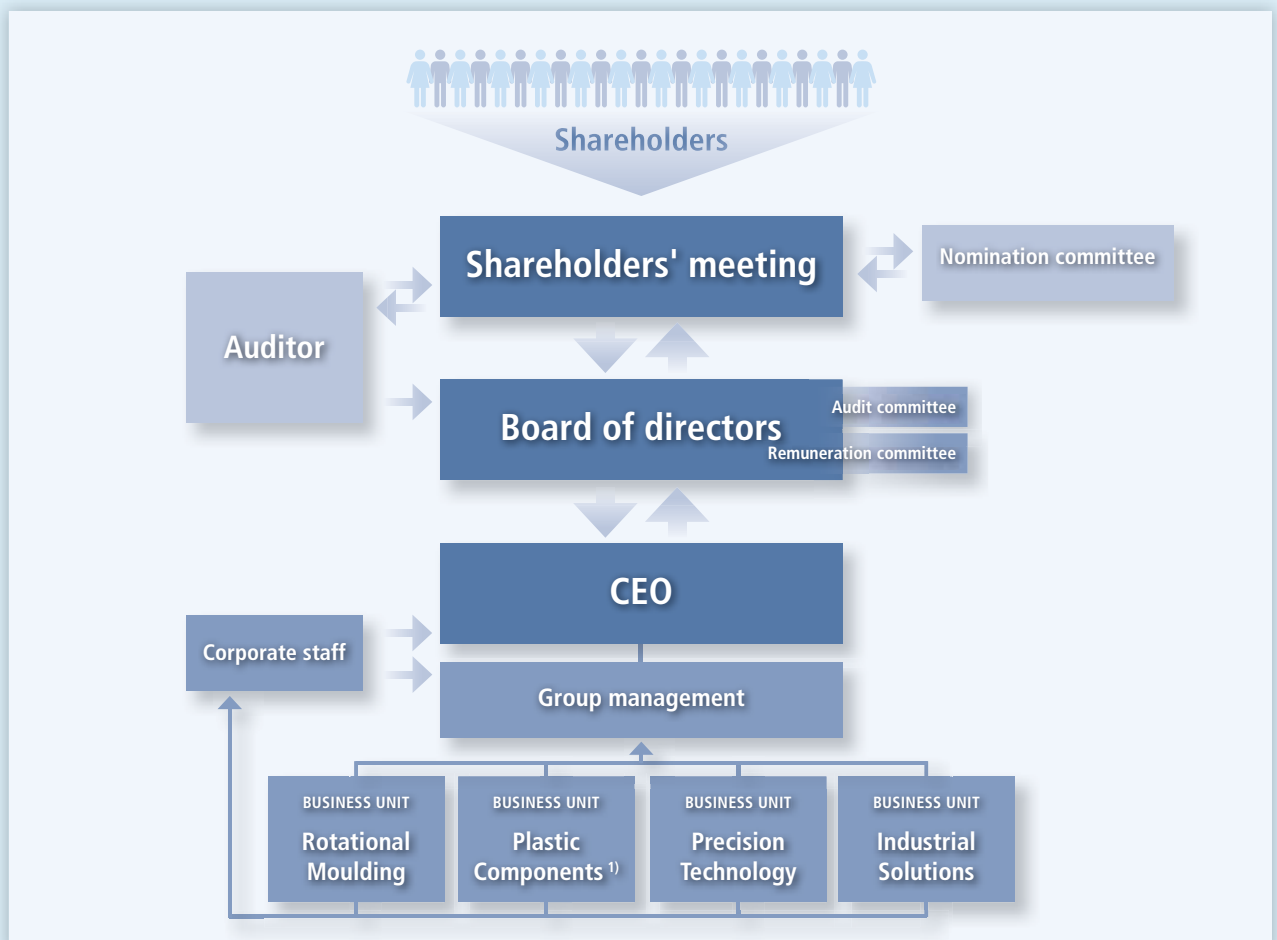
governance report describes XANO's corporate governance, management and administration, in addition to the internal controls that are in place concerning financial reporting. Follow-up during 2010 has resulted in XANO not having any deviations to report.

Shareholders

At the end of 2010, there were 1,322 shareholders in XANO, of which 1,235 were physical persons representing 18.3 per cent of the votes and 39.0 per cent of the capital. The ten largest shareholders accounted for 95.2 per cent of the votes and 82.9 per cent of the capital. There are currently two shareholders who each own and control more than ten per cent of the votes for all shares in the company. Thord Johansson controls 27.5 per cent of the capital and 55.1 per cent of the votes through his own holdings and through holdings via companies. Johan Rapp controls 31.0 per cent of the capital and 28.6 per cent of the votes through holdings via companies.

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. Notices convening a shareholders' meeting must be issued through advertising in the Official Swedish Gazette and on the company website according to the Articles of Association. Confirmation that notices convening the meeting have been placed will be published in Dagens Industri.



¹⁾ The business unit Plastic Components was discontinued as of 31 December 2010.

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 report, release the Board of Directors and CEO from liability and decide on allocation of profits from the previous year. The meeting also elects the Board of Directors and, when necessary, auditors. All shareholders who are directly registered in the share register and who have registered their attendance in time can attend the meeting and vote for all their shares. Shareholders who are unable to attend themselves may be represented by a proxy.

Annual General Meeting 2010

XANO's 2010 AGM was held on Thursday 6 May. 51 shareholders, whose holdings accounted for 95 per cent of the votes and 83 per cent of the total number of outstanding shares, were represented at the meeting. XANO's Board and management as well as the company's auditor and representatives from the nomination committee were present at the meeting. The following key decisions were made:

- » Dividends of SEK 1.50 per share were awarded to shareholders, amounting to a total of SEK 10.2 million.
- » Re-election of Board members Johan Rapp, Stig-Olof Simonsson, Fredrik Rapp, Eva Nilsson, Christer Dahlström and Thord Johansson. Re-election of Thord Johansson as Chairman of the Board.
- » Fees to the Board of Directors and auditors, guidelines for the remuneration to managerial employees and composition of the nomination committee ahead of the 2011 AGM.
- » Authority for the Board of Directors to take decisions concerning acquisitions and transfer of the company's own shares.

Annual General Meeting 2011

XANO's 2011 AGM will take place on Friday 6 May at 3 pm on the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 83 of the annual report for 2010.

Board of Directors

The task of the Board of Directors is to manage the company's assets on behalf of the shareholders.

According to the Articles of Association, the Board must be made up of at least three and at most eight members, with a maximum of eight deputies. According to the Code, deputies for members elected by the AGM are not to be appointed. XANO's Board currently consists of six ordinary members: Thord Johansson (Chairman), Johan Rapp, Fredrik Rapp, Stig-Olof Simonsson, Eva Nilsson and Christer Dahlström. The latter three are independent of the company's largest shareholders. Thord Johansson and Johan Rapp each control, through their own and related parties' holdings, more than 10 per cent of the shares and votes in XANO. Fredrik Rapp is managing director of Pomona-gruppen AB, which is one of the main shareholders. All members are independent of the company and the company management. The Articles of Association do not comprise 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.

During the 2010 financial year, the Board of Directors held six ordinary meetings in accordance with the Board's rules of procedure. Two per capsulam meetings were also held. Each ordinary meeting considers the following fixed items: run-through of the minutes of the previous meeting, general run-through of the business units with follow-up of the latest report and comparison with the forecast as well as financing and liquidity. In addition to

fixed reporting items, the Board of Directors also decides on issues of a more general nature such as the Group's strategy, structural and organisational matters, policies, guidelines and major investments.

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

In addition to the fixed items according to the above, the programme for 2010 comprised of the following main items:

No 1 – 11 February

Year-end report 2009, report from audit committee, the auditors reported their general observations arising from the audit of the 2009 accounts.

No 2 – 6 May

Interim report 3 months, the revised forecast for 2010, Annual General Meeting, statutory meeting.

No 3 – 14 July

Interim report 6 months, disposal discussions.

No 4 – 27 September

Revised forecast, Group strategy, annual programme for 2011.

No 5 – 4 November

Interim report 9 months.

No 6 – 9 December

Forecast for 2011, evaluation of the Board's and the CEO's work.

Audit Committee

The task of the audit committee is to prepare the Board's work by quality assuring the company's financial reporting, regularly meeting the company's auditor to inform themselves of the company's direction and scope as well as discussing the coordination between the external audit and the internal controls and the view of the company's risks, set guidelines for which services other than auditing must be handled by the company's auditor, evaluate the audit work and inform the company's nomination committee of the outcome of the evaluation as well as assist the nomination committee in its proposals for auditors and fees for the audit work.

In 2010, XANO's Audit Committee comprised the Board members Thord Johansson, Stig-Olof Simonsson and Christer Dahlström (Committee Chairman).

Remuneration Committee

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

In 2010, XANO's Remuneration Committee comprised the Board members Thord Johansson, who is also Committee Chairman, Eva Nilsson and Fredrik Rapp.

CEO

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

Group Management

The Group Management consists of CEO Sune Lantz and deputy CEO Lenart Persson.

Corporate staff

There is a staff function which reports directly to the CEO which is responsible for business development, finance, insurance, purchasing, IT, communication, consolidated accounts 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 in the subsidiaries are drawn up in the respective areas.

Business units

During 2010, the Group was made up of four reporting units. These were: Rotational Moulding, Plastic Components, Precision Technology and Industrial Solutions. The operational management for the business units reports directly to the CEO. Through corporate staff functions, supporting documentation for decisions for the Board and CEO are collated within other areas.

Nomination Committee

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

A nomination committee was appointed at the 2010 AGM consisting of Ulf Hedlunch (Chairman), Johan Rapp and Petter Fägersten. The task of the committee prior to the 2011 AGM is to nominate a Chairman of the Board and other Board members, a chairman for the AGM, and fees for the Board and auditors. The nomination committee has evaluated the work of the Board and prior to the AGM held one meeting during which minutes were taken, with all members present, in addition to a number of contacts.

Auditors

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

The ordinary election of an auditor for XANO last took place at the AGM in 2008 for the term of office up until the AGM in 2012. The current auditors are Stefan Engdahl (head auditor) and Stefan Landström Andersson, both authorised public accountants at Ernst & Young Jönköping.

Alongside the work for XANO Industri AB, Stefan Engdahl undertakes auditing work for companies including Hexpol AB, ITAB Shop Concept AB, Kabe AB and Liljedahlsbolagen AB. Stefan Landström Andersson undertakes auditing work for companies including Trioplast Industrier AB.

Deviations from the Code

There are no deviations to report for 2010.

Principles for the remuneration of senior executives, incentive programmes, etc.

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

The guidelines that were adopted by the 2010 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 50 per cent of the fixed salary. Senior executives must have market pension conditions, which must be premium-based. Any member of the Group's management can terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary will be payable to the CEO. The Board is entitled to deviate from the guidelines if there are exceptional reasons for doing so in each individual case.

At the 2008 AGM, it was decided to issue convertible bonds to employees, which also covers the Group management. There are no outstanding share- or share price-related incentive programmes.

Internal controls concerning financial reporting

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

Financial reporting

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

For communication with external parties, there is an information policy

Composition of the Board of Directors and Committees 2010/2011

Name	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2010	Participation in Remuneration Committee 2010	Participation in Audit Committee 2010	Board fee including committee remuneration, SEK ²⁾
Thord Johansson	Chairman	Yes	No ¹⁾	6 (6)	1 (1)	2 (2)	720,000
Christer Dahlström	Member	Yes	Yes	6 (6)	-	2 (2)	90,000
Eva Nilsson	Member	Yes	Yes	6 (6)	1 (1)	-	90,000
Fredrik Rapp	Member	Yes	No ¹⁾	6 (6)	1 (1)	-	85,000
Johan Rapp	Member	Yes	No ¹⁾	5 (6)	-	-	80,000 ³⁾
Stig-Olof Simonsson	Member	Yes	Yes	6 (6)	-	2 (2)	90,000
							1,155,000

¹⁾ Thord Johansson and Johan Rapp each control, through their own and close associates' holdings, more than 10% of the shares and votes in XANO. Fredrik Rapp is MD of Pomona-gruppen, whose holdings exceed 10% of both shares and votes.

²⁾ Fees for tasks undertaken in the Remuneration Committee and Audit Committee during the periods 2009/2010 and 2010/2011 have been paid in 2010.

³⁾ In addition to the Board fee, Johan Rapp has received SEK 10,000 for tasks undertaken in the Nomination Committee during the periods 2009/2010 and 2010/2011.

More information on the Board members and Group management is given on pages 80 and 81.

which is intended to ensure that all information obligations are fulfilled correctly and in full.

Control environment

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

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

Risk assessment

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

Control activities

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

Follow-up

The Group management and controllers follow-up the financial reports and key business events on an ongoing basis. At each Board meeting, financial developments are reviewed against forecasts and an assessment is made as to what extent approved investments are following established plans. The audit committee evaluates the internal controls, company code and key accounting issues on an ongoing basis.

XANO has so far not considered it necessary to establish a separate internal audit function. The work relating to internal controls is carried out within the framework of other activities and primarily takes place using central resources. It is the company's view that this evaluation largely corresponds to the work that is performed by an internal audit function in other companies. Certain aspects of the internal controls are reviewed by the auditors on an ongoing basis. The matter of a separate internal audit function will be reviewed again during 2011.

Jönköping, 10 March 2011

Thord Johansson
Chairman

Johan Rapp

Eva Nilsson

Fredrik Rapp

Stig-Olof Simonsson

Christer Dahlström

Auditor's statement on the corporate governance report

To the annual meeting of the shareholders in XANO Industri AB, corporate registration number 556076-2055

It is the board of directors who is responsible for the corporate governance report for the year 2010 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance report has been prepared and its statutory is consistent with the annual accounts and the consolidated accounts.

Jönköping, 17 March 2011

Stefan Engdahl
Authorised Public Accountant

Stefan Landström Andersson
Authorised Public Accountant

Board of Directors



Thord Johansson

(born 1955)

Chairman, elected in 1979.

Executive chairman ITAB Shop Concept AB and XANO Industri AB.

Principal education: Technical industrial economics.

Principal work experience: Managing director ITAB.

Other commissions: Member of the boards of Exergon AB and Kieryd Gård AB.

Shareholding in XANO: 1,282,200 Class A shares and 585,100 Class B shares.



Christer Dahlström

(born 1943)

Board member, elected in 2008.

Chairman Pinntuvorna Invest AB.

Principal education: M. Pol. Sc.

Principal work experience: Managing director Priveq Investment and Skandia Investment.

Other commissions: Member of the boards of Heba Fastighets AB and Svolder AB.

Shareholding in XANO: 6,000 Class B shares.



Eva Nilsson

(born 1946)

Board member, elected in 2006.

Municipal politician, consultancy and board assignments.

Principal education: Economics and administration.

Principal work experience: Managing director Lindén International and Plastcenter, marketing manager Getinge Disinfection.

Other commissions: Member of the board of Separett AB. Member of Environment and Urban Planning Department of Värnamo municipality.

Shareholding in XANO: -



Fredrik Rapp

(born 1972)

Board member, elected in 2004.

Managing director Pomona-gruppen AB.

Principal education: Graduate economist.

Principal work experience: Investment manager Pomona-gruppen, managing director Talktelecom.

Other commissions: Member of the boards of Binar AB, Perfecta-gruppen AB, PrimeKey Solutions AB and Eesti Hõövellist AS.

Shareholding in XANO: 3,500 Class B shares.



Stig-Olof Simonsson

(born 1948)

Board member, elected in 2002.

CEO Simonsson Gruppen AB.

Principal education: BA.

Principal work experience: Managing director SYSteam.

Other commissions: Chairman of the boards of Simonsson Gruppen AB and TOSITO Invest AB. Member of the boards of ITAB Shop Concept AB and Jeeves Information Systems AB.

Shareholding in XANO: 176,245 Class B shares.



Johan Rapp

(born 1939)

Vice chairman, elected in 1994.

Executive chairman of Pomona-gruppen AB.

Principal education: M. Pol. Sc.

Principal work experience: Economist Munksjö, managing director Allmänna Brand.

Other commissions: Member of the boards of Binar AB, ITAB Shop Concept AB and Segulah AB.

Shareholding in XANO: 540,000 Class A shares and 1,563,545 Class B shares.

Details concerning the number of shares refer to holdings on 31 December 2010 and include, when applicable, holdings via related parties.

Group Management



Sune Lantz

(born 1953)

CEO, joined the company in 1985.

Principal education: Economics and auditing.

Principal work experience: CEO ITAB, auditor, bank official.

Shareholding in XANO: 97,400 Class B shares.

Convertible holding in XANO: 25,000.

Lennart Persson

(born 1968)

Deputy CEO, joined the company in 1998.

Principal education: Engineering graduate.

Principal work 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: 20,000.

Auditors

Stefan Engdahl

(born 1967)

Authorised public accountant, elected in 2008.
Ernst & Young Jönköping.

Stefan Landström Andersson

(born 1963)

Authorised public accountant, elected in 2009.
Ernst & Young Jönköping.

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 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).

Annual General Meeting

Friday 6 May 2011 at 3 pm
at XANO's premises in Industrigatan 14 B in Jönköping.

Notification Shareholders wishing to attend the AGM must be included in the share register managed by Euroclear Sweden AB on 30 April 2011 and must notify the company of their intention to attend the AGM no later than 4 pm on Monday 2 May 2011 at the address XANO Industri AB, Industrigatan 14 B, SE-553 02 Jönköping, Sweden, by telephone +46 (0)36 31 22 00 or by email 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 30 April 2011 in order to be entitled to attend the AGM.

Dividend The Board of Directors proposes a dividend of SEK 3.50 per share. The record date will be 11 May 2011. If the AGM approves of the proposal, the dividend will be issued by Euroclear on 16 May 2011.

Nomination committee A nomination committee was appointed at the 2010 AGM consisting of Ulf Hedlundh (chairman), Johan Rapp and Petter Fägersten. The task of this committee prior to the 2011 AGM is to nominate a Chairman of the Board and other Board members, a chairman for the AGM and fees for the board and auditors.

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

Other business is listed on the agenda that will be sent to shareholders in April. The annual report will be distributed to all shareholders at the same time.

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