

XANO – ANNUAL REPORT 2017

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OUR BUSINESS CONCEPT

BUSINESS CONCEPT

XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services. XANO owns niche engineering companies whose main market is industry in Europe. The Group creates value for shareholders by exercising both active ownership and management by objectives.

FINANCIAL TARGETS – STABLE PROFITABILITY AND HIGH GROWTH

XANO's organic growth will be at a higher level than general market growth. Growth will also take place through the acquisition of operations and companies. The profit margin will amount to eight per cent over time. The equity/assets ratio will exceed 30 per cent.

VISION – MARKET LEADER WITHIN SELECTED SEGMENTS

XANO will be a market leader within selected market segments. XANO will create strong units from companies, where economies of scale are utilised optimally.

STRATEGY – DEVELOP, ACQUIRE AND RUN NICHE ENGINEERING COMPANIES

XANO must develop, acquire and run niche companies and, through active ownership, create added value for the shareholders. The manufacturing process must have a high technical content with the aim of satisfying the customer's needs. In order to achieve this, XANO needs to work within well defined niches. The level of service and delivery capability have to be high. The companies must strive to achieve long-lasting relationships with both customers and suppliers. XANO must have a sufficiently large market share within each niche in order to be an interesting partner for both customers and suppliers.

MARKET OFFER – ADVANCED TECHNOLOGY FOR SELECTED TARGET GROUPS

XANO's market offering includes the manufacture and assembly of components and systems with associated services, as well as the development, manufacture and marketing of proprietary products. The Group currently has operations in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. Possessing such advanced technical expertise enables XANO to create added value for its customers.

CORE VALUES – ENTREPRENEURIAL DRIVE, LONG-TERM THINKING, TECHNICAL KNOW-HOW

GROUP OVERVIEW

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment.

The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Each unit is anchored locally and is developed according to its own circumstances. At the same time, the Group affinity creates economies of scale for the companies and their customers.

During 2017, the Group's operations were divided up into the Industrial Solutions, Precision Technology and Rotational Moulding business units.

XANO INDUSTRI AB

INDUSTRIAL SOLUTIONS

Ackurat
Finland
Poland
Sweden

Canline
The Netherlands
USA

Fredriksons
China
Sweden

Jorgensen
Denmark

NPB
Sweden

PRECISION TECHNOLOGY

KMV
Sweden

LK Precision
Sweden

Mikroverktyg
Sweden

Resinit
Sweden

ROTATIONAL MOULDING

Cipax
Estonia
Finland
Norway
Sweden

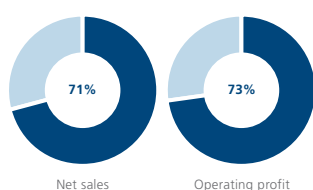
| | | 2017 | 2016 |
|------------------|---------|-------|------|
| Net sales | SEK m | 1,191 | 613 |
| Growth | % | +94.4 | -5.1 |
| Operating profit | SEK m | 177 | 60 |
| Operating margin | % | 14.9 | 9.7 |
| Employees | average | 501 | 369 |

Jorgensen is included from the acquisition date 24 November 2016.

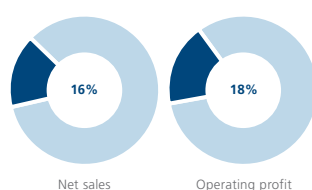
| | | 2017 | 2016 |
|------------------|---------|-------|------|
| Net sales | SEK m | 259 | 230 |
| Growth | % | +12.5 | +8.0 |
| Operating profit | SEK m | 44 | 29 |
| Operating margin | % | 17.0 | 12.7 |
| Employees | average | 154 | 155 |

| | | 2017 | 2016 |
|------------------|---------|------|------|
| Net sales | SEK m | 218 | 213 |
| Growth | % | +2.3 | +8.3 |
| Operating profit | SEK m | 21 | 25 |
| Operating margin | % | 9.6 | 11.7 |
| Employees | average | 144 | 134 |

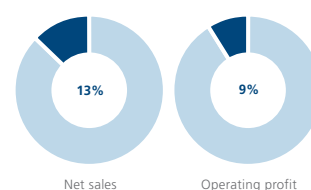
SHARE OF GROUP

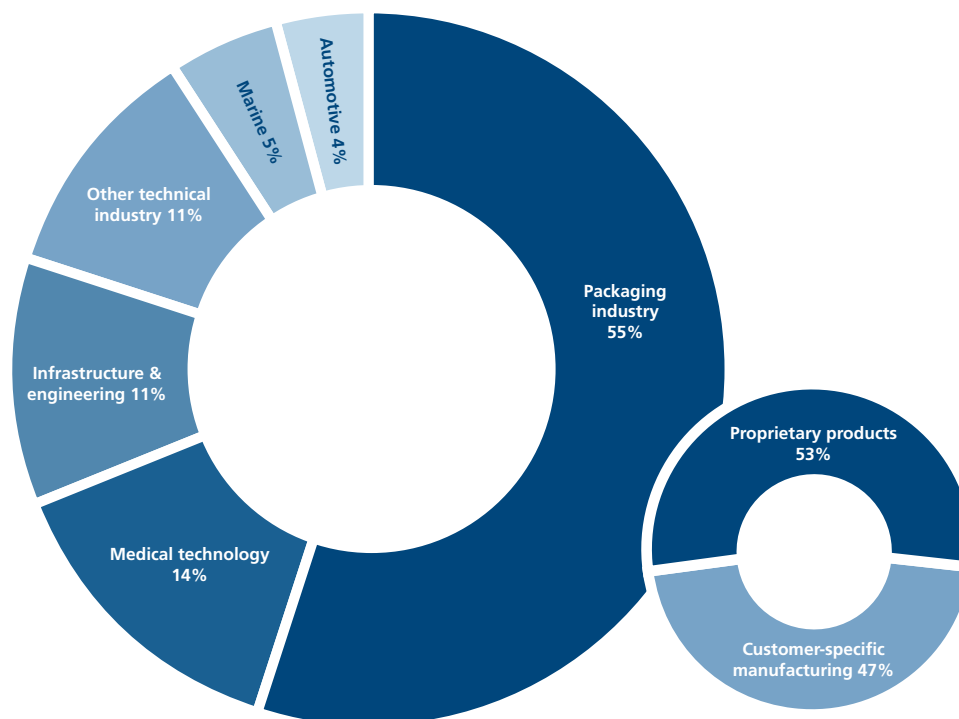


SHARE OF GROUP



SHARE OF GROUP





CUSTOMER-SPECIFIC MANUFACTURING

Almost half of the Group's operations are currently made up of manufacturing in the form of direct assignments from customers. The majority of the Group's companies have service functions at their disposal, which make it possible to carry out complete assignments for customers, covering areas such as project management, design, manufacturing, assembly and distribution. The goal is always to achieve the best production economics and functionality, regardless of whether this relates to an individual product or a total solution.

The manufacturing services within the Group are concentrated around various methods of producing products from metal and plastic. The Group includes companies that process plastic through rotational moulding, machining and injection-moulding. Several of the Group's companies process

metal using methods such as turning, milling and long hole drilling. Sheet metal is processed for example through pressure-turning, laser-cutting, edge-bending and welding. Products with special purity requirements are manufactured and assembled in a clean environment. The Group also possesses extensive experience of the system assembly of complex products.

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

PROPRIETARY PRODUCTS

Thanks to focused efforts on complementing and refining the Group's own product range, growth for these has been strong in recent years. The proportion has further increased as a result of the strategic acquisitions that have been implemented. Many of the Group's

companies have successfully developed their own solutions within their respective fields of expertise. Within Rotational Moulding, for example, there is a wide range of proprietary products such as boats and marine products, as well as containers and material handling solutions intended for industrial use. Within Industrial Solutions, project-related operations dominate, including systems developed in-house that are intended to automate and rationalise customers' production processes. Design work, development of control systems and electronics as well as fine mechanical assembly are carried out in-house. Parts that deliver new functions and the potential to design furniture, fittings and rehabilitation equipment, for example, are also continually being developed within the business unit.

2017 IN BRIEF

| | | |
|-------------------------|--------------|---------|
| Net revenue, SEK m | 1,663 | (1,052) |
| Profit after tax, SEK m | 158 | (70) |
| Earnings per share, SEK | 11.44 | (5.09) |

| KEY FIGURES IN BRIEF | | 2017 | 2016 |
|-----------------------------|-------|-------|-------|
| Net revenue | SEK m | 1,663 | 1,052 |
| Growth | % | +58 | +/-0 |
| Gross margin | % | 24.3 | 23.6 |
| Operating profit | SEK m | 220 | 96 |
| Operating margin | % | 13.2 | 9.1 |
| Profit before tax | SEK m | 200 | 92 |
| Profit margin | % | 12.0 | 8.7 |
| Profit after tax | SEK m | 158 | 70 |
| Earnings per share | SEK | 11.44 | 5.09 |
| Proposed dividend per share | SEK | 4.00 | 2.25 |
| Equity/assets ratio | % | 36 | 27 |

For definitions, see page 90.

THE FULL YEAR

The Group's full-year figures showed a combined growth of just over 58 per cent, of which Jorgensen contributed 36 per cent, as well as an operating profit that exceeded last year's figure by 131 per cent. Significantly higher project volumes were supplied to the packaging industry, while assignments for major contract customers also grew in size. Increased sales combined with an ever higher degree of automation and the rational use of the Group's resources resulted in an extremely positive profitability trend. The market conditions were generally good throughout the year.

Q1

The results from operations during the first quarter were very strong. In total, the Group's operating profit more than doubled in relation to the comparison period, while the profit margin rose from 8.5 to 11.7 per cent.

Q2

The positive start to the year was followed by a second quarter characterised by increasing volumes and retained good profitability in all business units. The market conditions remained favourable and the overall order situation at the end of June was better than at the corresponding time in the previous year.

2:1 SHARE SPLIT

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

Q3

The Group enjoyed a strong third quarter with high growth and an operating profit more than double the figure achieved in the corresponding period last year. The market conditions remained good and incoming orders during the quarter were satisfactory.

Q4

A positive outcome from implemented activities, combined with continued favourable market conditions, generated further growth and more than five times the operating profit in relation to the comparison period.

After the balance sheet date

ACQUISITION OF BLOWTECH

The acquisition of Blowtech Group was concluded in January 2018. Blowtech is a leading Nordic player in the technical blow moulding of plastics. Blowtech produces complex components for vehicles, construction machinery and infrastructure equipment. The company has built up a very strong market presence, particularly in the Nordic region, using its extensive experience of blow moulding acquired over many years.

In conjunction with the acquisition, the Rotational Moulding business unit was restructured and changed its name to Industrial Products. The business unit now comprises Cipax, Blowtech and Ackurat (previously within Industrial Solutions). Read more on page 42.



Profitable growth

We can look back over a very positive year, characterised by good growth and further improved profitability. Our companies generally experienced favourable market conditions, with lower fluctuations in the sectors compared to recent years. Thanks to work over several years focusing on business development, we were also able to make good use of the opportunities that were created.

DEVELOPMENTS DURING THE YEAR

For many years, the Group has focused on long-term business dealings within the right customer and industry segments for each company. This strategic approach has created a good foundation that makes it possible to gear up in the event of favourable market developments. The stable, positive circumstances that characterised the past year provided us with excellent conditions to make use of our combined resources. Organic growth was good and the profit level was the best ever in XANO's history.

One important success factor alongside the market situation is the core of personnel who have long been present at all our business units. Their energy has resulted in ongoing positive development of the organisations and the offers to our customers, which was particularly evident in 2017.

OPERATIONS WITHIN THE BUSINESS UNITS

Industrial Solutions had a successful year, with a substantial growth in sales and improvement in profits. The project volumes to the packaging industry increased, as did the scope of the assignments for major contract customers. The trend witnessed within several customer segments, i.e. increasingly pronounced demand for all-inclusive suppliers, benefited our automation companies, which were consequently able to reinforce their market positions.

Precision Technology achieved a significant increase in volume and a much improved operating margin. This growth was generated above all by larger undertakings in relation to existing customers within medical technology. The improved profitability is closely associated with the companies' high degree of automation and efficient utilisation of resources.

For Rotational Moulding, the year was characterised by slightly higher invoicing and stable profitability. Lower demand within

individual segments and geographic markets was balanced by an upturn in other areas. The companies prioritised continued strategic and proactive cultivation of customers, as well as further development of their proprietary product ranges.

ACQUISITIONS THAT CREATE OPPORTUNITIES

The automation company Jorgensen, which was acquired at the end of 2016, made a significant impression during 2017. Jorgensen has enjoyed strong growth for several years, and its introduction into the Industrial Solutions business unit has been a success. For example, collaborative projects with other companies have been launched in the fields of product development, sales and purchasing. We have already witnessed good results from this work and are anticipating further positive effects in future.

XANO completed the acquisition of Blowtech Group at the start of January 2018. Blowtech is a leading Nordic player within technical blow moulding, an operation that complements Cipax's focus on rotational moulding. Together, the companies are able to offer customers broader technical expertise and the capacity to deal with a variety of assignments. It is hoped that the acquisition will strengthen the development of the business unit, as well as provide each unit with the opportunity to grow further.

STRUCTURED SUSTAINABILITY WORK

Sustainability aspects have long been important within XANO's operations, but we are now taking yet another step. A Group-wide sustainability policy has been implemented in all the companies. We are monitoring selected key performance indicators, and sustainability issues have become a more pronounced part of the Group's business development and strategy. Alongside ongoing activities, this will contribute to more systematised and successful work within the area.

FUTURE FOCUS

In our judgement, the conditions for expansion remain good in 2018, although at a more normal level than over the past year, which was extraordinary from a growth perspective. As regards our development in the immediate future, we consider that some areas are of particular importance. One of these is Smart industry, which includes digitalisation and sustainable production. We have several projects in progress here, and the activities will be intensified in future. On the marketing side, we are continuing to focus on extended relations with existing customers and carefully selected new assignments characterised by a long-term approach. The proportion of international business is steadily increasing, and we are strengthening our resources in order to meet the challenges this entails. In order to retain good margins, much of our production-related work deals with maintaining a high level of delivery precision.

Just as before, we will continue trying to identify interesting new potential acquisitions. In the long term, we also intend to increase the rate of investment when it comes to machinery and premises, as well as to extend resources within sales and product development in order to safeguard capacity. The future looks bright to us, and we are anticipating continued positive development for all our business units.

Finally, I would like to say a big thank you to all our employees for the excellent work they have put in.

Jönköping, February 2018



Lennart Persson
Managing Director and CEO

THE XANO SHARE

XANO's class B shares were registered on the stock exchange on 5 December 1988 and are now listed on Nasdaq Stockholm in the Small Cap segment. The share capital amounts to SEK 35.2 million distributed between 3,644,400 class A shares and 10,449,090 class B shares, a total of 14,093,490 shares, with a nominal value of SEK 2.50. Each class A share entitles the holder to ten votes and each class B share to one vote. The total number of votes amounts to 46,893,090. All shares have equal rights to dividends.

CHANGE IN THE NUMBER OF SHARES

At the Annual General Meeting on 10 May 2017, it was decided to increase the number of shares by splitting each existing share into two new shares of the same type (2:1 split). The split was conducted in June, with 9 June as the record date.

PRICE DEVELOPMENTS

XANO's share price rose by 43.0 per cent during 2017, from SEK 104.75 to SEK 149.75. The highest closing price during the year was recorded on 3 May at SEK 171.00 (SEK 342.00 before recalculation), with the lowest closing price being recorded on 6 July at SEK 134.00.

| Key figures | | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-----------|--------|--------|--------|--------|--------|
| Net profit for the year | SEK m | 158 | 70 | 78 | 61 | 118 |
| Equity | SEK m | 541 | 412 | 416 | 355 | 643 |
| Balance sheet total | SEK m | 1,520 | 1,509 | 919 | 860 | 1,557 |
| Return on equity | % | 33.6 | 17.1 | 20.0 | 13.1 | 19.8 |
| Equity/assets ratio | % | 36 | 27 | 45 | 41 | 41 |
| Portion of risk-bearing capital | % | 40 | 31 | 48 | 45 | 47 |
| Cash flow from operating activities | SEK m | 117 | 128 | 158 | 93 | 161 |
| Average number of outstanding shares ¹⁾ | thousands | 13,813 | 13,703 | 13,578 | 13,578 | 13,578 |
| Average number of outstanding shares after dilution ¹⁾ | thousands | 14,383 | 14,543 | 14,754 | 14,549 | 14,128 |
| Average number of shares in own custody ¹⁾ | thousands | 280 | 280 | 280 | 280 | 280 |
| Basic earnings per share ¹⁾ | SEK | 11.44 | 5.09 | 5.73 | 4.53 | 8.69 |
| Diluted earnings per share ¹⁾ | SEK | 11.14 | 4.91 | 5.35 | 4.33 | 8.46 |
| Cash flow from operating activities per share ¹⁾ | SEK | 8.51 | 9.33 | 11.67 | 6.83 | 11.84 |
| Total number of shares on the balance sheet date ¹⁾ | thousands | 14,093 | 14,093 | 13,858 | 13,858 | 13,858 |
| Number of shares in own custody on the balance sheet date ¹⁾ | thousands | 280 | 280 | 280 | 280 | 280 |
| Number of outstanding shares on the balance sheet date ¹⁾ | thousands | 13,813 | 13,813 | 13,578 | 13,578 | 13,578 |
| Equity per share on the balance sheet date ¹⁾ | SEK | 39.19 | 29.80 | 30.67 | 26.18 | 47.40 |
| Share price on the balance sheet date ¹⁾ | SEK | 149.75 | 104.75 | 77.75 | 52.00 | 119.00 |
| Share price in relation to equity per share | % | 382 | 351 | 253 | 199 | 251 |
| Proposed dividend per share ¹⁾ | SEK | 4.00 | 2.25 | 2.25 | 1.25 | 2.00 |
| Direct yield | % | 2.7 | 2.1 | 2.9 | 2.4 | 1.7 |

¹⁾ The comparative figures have been recalculated due to the 2:1 share split conducted in June 2017.

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

DEFINITIONS

Basic earnings per share

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

Cash flow from operating activities per share

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

Diluted earnings per share

Net profit for the year plus costs attributable to convertible loans in relation to the average number of outstanding shares, plus the average number of shares that are added on conversion of outstanding convertibles.

Direct yield

Proposed dividend in relation to the share price on the 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.

Portion of risk-bearing capital

Equity plus provisions for tax in relation to total capital.

Return on equity

Net profit for the year in relation to average equity.

Share value

Total number of shares multiplied by the share price on the balance sheet date.

Total yield

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

Further definitions can be found on page 90.

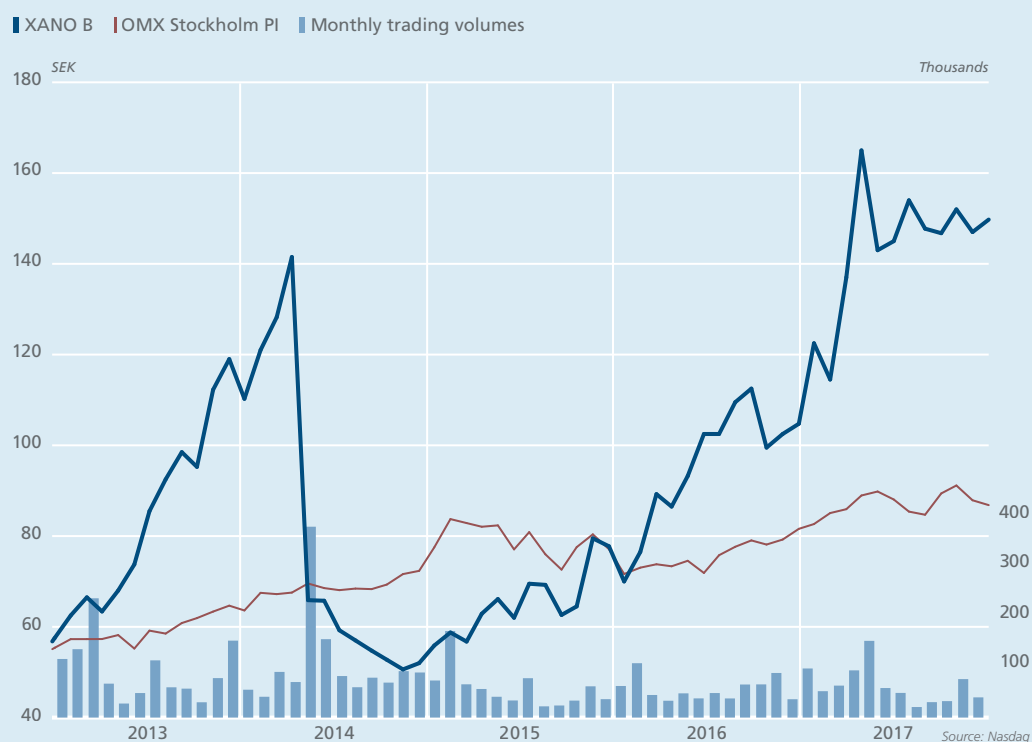


The number of shares sold totalled 536,046, which corresponds to a turnover rate of 7.4 per cent, and the combined value of the trading in class B shares amounted to SEK 110.5 million. As at 31 December 2017, XANO's share value amounted to SEK 2,110.5 million, based on the latest closing price and the total number of shares. Paid dividend amounted to SEK 2.25 per share, following recalculation, while total yield for the year amounted to just over 45 per cent.

SHAREHOLDERS

The number of shareholders increased significantly during the year. At the end of 2017, XANO had 2,439 shareholders, compared to 1,758 shareholders at the same time the year before. Of these, 2,250 were physical persons living in Sweden. The ten largest shareholders jointly held 94.3 per cent of the votes and 81.1 per cent of the capital. Institutional ownership made up 3.2 per cent of the votes and 10.6 per cent of the capital.

PRICE DEVELOPMENTS AND SHARE TRADING VOLUME 2013–2017



In May 2014, the business unit Precision Components (AGES) was spun-off through dividends to the shareholders of XANO. After this, the AGES shares were listed on First North. The acquisition value of the shares was distributed according to the Swedish Tax Agency's general advice, with 51% for the XANO share and 49% for the AGES share. In June 2017, a 2:1 share split was conducted. Historic prices have been adjusted in line with the split.



DIVIDEND POLICY

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

For the 2017 financial year, the Board proposes a dividend of SEK 4.00 (2.25) per share, totalling SEK 55.8 million (31.1) based on the current number of outstanding shares. The previous year's dividend per share has been recalculated as a result of the implemented share split. The proposed dividend corresponds to approx. 35 per cent (44) of the profit for the year and a direct yield of 2.7 per cent (2.1) calculated from the share price at the end of the year.

SHARES IN OWN CUSTODY

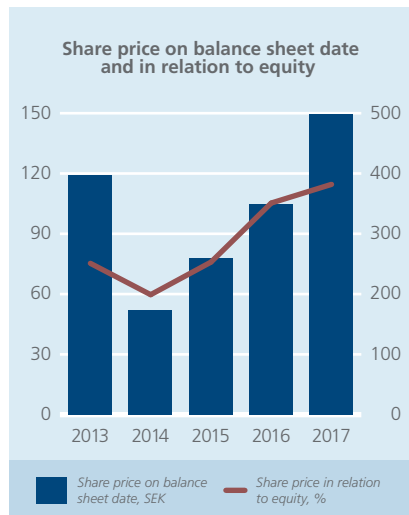
In 2003, 415,000 class B shares were acquired. During 2006, a reduction in the share capital was carried out through the withdrawal without repayment of 198,000 of the repurchased shares. A total of 47,000 and 30,000 own shares were transferred during 2007 and 2008 respectively in connection with company acquisitions. The number of shares in own custody thereafter amounted to 140,000, with a nominal value of SEK 5.00. As a result of the 2:1 share split conducted in 2017, the number of shares in own custody amounted

to 280,000 at the end of the year, with a nominal value of SEK 2.50. The shares held by the company corresponded to 2.0 per cent of the share capital. Minus the shares held by the company, the number of outstanding shares amounted to 13,813,490 on the closing day.

After the closing day, 133,778 own class B shares were transferred in conjunction with a business acquisition. The number of shares in own custody following this transfer amount to 146,222 class B shares, equivalent to 1.0 per cent of the total share capital.

CONVERTIBLE BOND PROGRAMME

As of 1 July 2016, convertibles with a nominal value of SEK 62 million were issued to employees in the XANO Group. The convertibles accrue interest corresponding to STIBOR 3M plus 2.20 per cent and fall due for payment on 30 June 2020. The conversion rate was originally SEK 218. As a result of the implemented share split, the conversion rate has been recalculated in accordance with § 8 B in the terms and conditions. The recalculated conversion rate is SEK 109. During the period 1 June to 12 June 2020, each convertible may be converted to a class B share in XANO Industri AB. If all the convertibles are converted into shares, the dilution effect on the share capital will be approximately 4 per cent, and on the voting rights approximately 1.2 per cent, based on the total number of shares on the closing day.



LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2017

| Shareholder | Class A shares | Class B shares | Total number of shares | Percentage of voting rights | Percentage of share capital |
|---|------------------|-------------------|------------------------|-----------------------------|-----------------------------|
| Anna Benjamin and related parties | 2,564,400 | 1,475,600 | 4,040,000 | 57.8 | 28.7 |
| Pomona-gruppen AB | 1,080,000 | 3,127,090 | 4,207,090 | 29.7 | 29.9 |
| Kennert Persson | – | 792,504 | 792,504 | 1.7 | 5.6 |
| Svolder AB | – | 653,000 | 653,000 | 1.4 | 4.6 |
| Stig-Olof Simonsson and related parties | – | 454,262 | 454,262 | 1.0 | 3.2 |
| Sune Lantz and related parties | – | 323,034 | 323,034 | 0.7 | 2.3 |
| Petter Fägersten and related parties | – | 300,400 | 300,400 | 0.6 | 2.1 |
| Försäkringsaktiebolaget Avanza Pension | – | 238,513 | 238,513 | 0.5 | 1.7 |
| Christer Persson and related parties | – | 221,000 | 221,000 | 0.5 | 1.6 |
| Spiltan Fonder AB | – | 200,944 | 200,944 | 0.4 | 1.4 |
| Total ten largest shareholders | 3,644,400 | 7,786,347 | 11,430,747 | 94.3 | 81.1 |
| Other shareholders | – | 2,382,743 | 2,382,743 | 5.1 | 16.9 |
| Total number of outstanding shares | 3,644,400 | 10,169,090 | 13,813,490 | 99.4 | 98.0 |
| Shares in own custody | – | 280,000 | 280,000 | 0.6 | 2.0 |
| Total number of shares | 3,644,400 | 10,449,090 | 14,093,490 | 100.0 | 100.0 |

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

Source: Euroclear

SHARE DISTRIBUTION AS OF 31 DECEMBER 2017

| Share class | Number of shares | Percentage | Number of votes | Percentage |
|--------------------------|-------------------|------------|-------------------|------------|
| Class A shares | 3,644,400 | 26 | 36,444,000 | 78 |
| Class B shares | 10,449,090 | 74 | 10,449,090 | 22 |
| Total | 14,093,490 | 100 | 46,893,090 | 100 |
| Of which in own custody | -280,000 | | -280,000 | |
| Total outstanding | 13,813,490 | | 46,613,090 | |

| Number of shares | Number of shareholders | Shareholder percentage | Vote percentage | Share percentage |
|--------------------------|------------------------|------------------------|-----------------|------------------|
| 1 – 500 | 1,759 | 72.4 | 0.4 | 1.3 |
| 501 – 1,000 | 264 | 10.9 | 0.4 | 1.4 |
| 1,001 – 5,000 | 319 | 13.1 | 1.5 | 5.0 |
| 5,001 – 10,000 | 44 | 1.8 | 0.7 | 2.3 |
| 10,001 – 50,000 | 30 | 1.2 | 1.4 | 4.6 |
| 50,001 – 100,000 | 5 | 0.2 | 0.7 | 2.3 |
| 100,001 – | 10 | 0.4 | 94.3 | 81.1 |
| Total outstanding | 2,431 | 100.0 | 99.4 | 98.0 |
| Shares in own custody | | | 0.6 | 2.0 |
| Total | | | 100.0 | 100.0 |

In owner groups.

Source: Euroclear

SHARE CAPITAL TREND

| Year | Transaction | Change in share capital, SEK 000 | Total share capital, SEK 000 | Total number of shares | Quotient value, SEK |
|------|-----------------------------------|----------------------------------|------------------------------|------------------------|---------------------|
| | Opening value | 50 | 50 | 500 | 100.00 |
| 1985 | Bonus issue | 1,150 | 1,200 | 12,000 | 100.00 |
| 1986 | Bonus issue | 6,800 | 8,000 | 800,000 | 10.00 |
| 1987 | New share issue | 500 | 8,500 | 850,000 | 10.00 |
| 1988 | New share issue | 2,000 | 10,500 | 1,050,000 | 10.00 |
| 1992 | New share issue due to conversion | 91 | 10,591 | 1,059,100 | 10.00 |
| 1993 | New share issue due to conversion | 536 | 11,127 | 1,112,700 | 10.00 |
| 1995 | New subscription through options | 725 | 11,852 | 1,185,200 | 10.00 |
| 1997 | 2:1 split | 0 | 11,852 | 2,370,400 | 5.00 |
| 1998 | 2:1 bonus issue | 23,704 | 35,556 | 7,111,200 | 5.00 |
| 2006 | Reduction in share capital | -990 | 34,566 | 6,913,200 | 5.00 |
| 2008 | New share issue due to conversion | 79 | 34,645 | 6,928,974 | 5.00 |
| 2016 | New share issue due to conversion | 598 | 35,234 | 7,046,745 | 5.00 |
| 2017 | 2:1 split | 0 | 35,234 | 14,093,490 | 2.50 |

Creative careers

Chance steered KVM's Carina Gustafsson towards production planning and production management. A creative vein led Frida Karlsson at Fredriksons to try out the welding profession. For both, stimulating challenges and unique assignments have resulted in genuine professional pride.

For Carina Gustafsson, it was not at all obvious to end up working as a production manager. At KVM, which specialises in long hole drilling, she started her career as a receptionist at the start of the 2000s. After a couple of years, however, her work duties began to include aspects of the company's production planning. When a colleague subsequently went on parental leave, this resulted in Carina being given overall responsibility. This soon awoke in her a strong interest in this role.

"You could say that I fell into my job, but I immediately felt that it was an extremely rewarding role where you are at the heart of affairs in many ways," says Carina Gustafsson.

MORE THAN A JOB

Since 2016, Carina has also been working as production manager. Her day-to-day work is characterised by constant challenges, which are usually time-related.

"I'm constantly battling the clock in this role, and it's essential to be both flexible and creative as the reality is not always how it looks on paper. The job has become a

genuine interest for me, not just a place where I go to work every day."

The challenges are one aspect contributing to Carina's professional pride, the expertise contained within the company's walls another.

"I am extremely proud of the unique assignments that KVM handles – not everyone is able to perform processing operations of the type we carry out. As a result, I also believe that workplaces of this type within industry ought to be able to attract more people and more women. You really have to think and figure things out all the time, not just press a button."

A CREATIVE CHOICE

There can be many, widely varying reasons for making a particular choice of profession. For Frida Karlsson, creativity was a key factor, which resulted in her working as a welder at Fredriksons.

"I have always enjoyed being creative and working with my hands. That was what aroused my curiosity about welding, and the job immediately fitted me like a glove."

After completing her welder's training and a basic industrial course, the newly quali-

fied Frida Karlsson joined Fredriksons. The considerable breadth and variety of the welding tasks meant that she was quickly able to expand her experience.

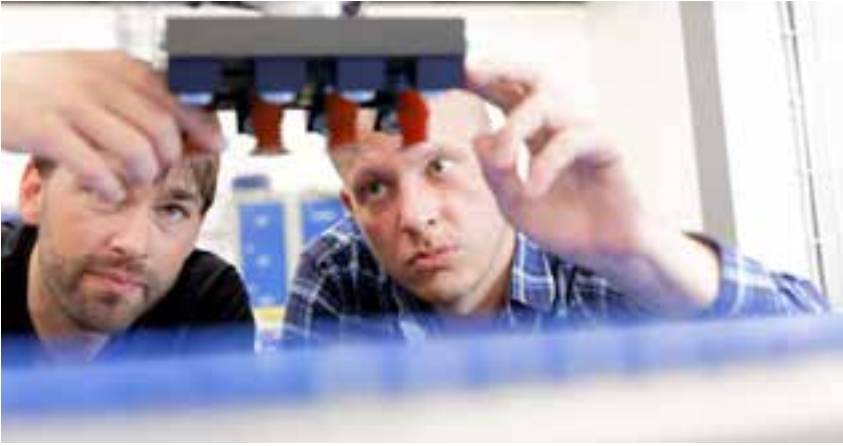
"I learned an enormous amount over the first few months. As a welder, you have the opportunity to develop as much as you want, particularly at a company like Fredriksons, where the welding tasks are rarely monotonous or similar. When I arrive home after a day at work, I have almost always learned something new."

VERSATILE WELDING

Fredriksons manufactures conveyor systems for the food industry, as well as being a system supplier of customer-specific products. At times, the operation requires complex welding efforts.

"The tasks are sometimes extremely advanced, involving many different welds as well as different welding methods. It is important to memorise as much as possible, and I really enjoy this side of the job. It's true that it is occasionally necessary to handle heavy weights, but we have tools to make this easier. In my opinion, this is a perfect job for anyone who is creative."





Industry 4.0 according to Jorgensen

The fourth industrial revolution is predicted to result in considerable efficiency gains. Jorgensen is one of the companies that is working purposefully to integrate Industry 4.0 in its operations, and the Danish automation company has highlighted five main areas.

Smarter, more flexible, more efficient and more profitable – these are just some of the benefits that tend to be associated with the development of intelligent digital factories and products within industry. At Jorgensen, a great deal of emphasis is placed on Industry 4.0, with a strategy that is intended to safeguard the company's future competitiveness. A number of areas of focus have been pinpointed, and at the end of the day these will result in more efficient production, higher quality and more valuable data for customers.

"Industry 4.0 is a high priority for us, and we consider the development of software to be significantly more important than mechanical developments," says Jens Nyeng, Jorgensen's CEO.

FOCUS ON FIVE

The five areas of focus that Jorgensen highlights in its strategy are serialisation/

traceability, optimisation, augmented reality/error proofing, robot integration and additive manufacture.

"Many parts of our operation have been linked to Industry 4.0 for a number of years, but we are now combining these to create an all-inclusive solution," says Jens Nyeng.

Smarter, faster and more easily accessible input data are one of the cornerstones of this work. It must be possible to trace each individual product to its origins, the production lines must be optimised down to the minutest detail, and mistakes must be able to be predicted and prevented. In numerical terms, Jorgensen estimates that its customers' efficiency is increasing by up to 10 per cent and that the reduction in operational stoppages stands at 5 per cent. With production becoming increasingly complex and the market's increased demands for flexibility, the integration of a large number of different robot applications is also playing an important role. The solutions that Jorgensen will

offer are highly self-governing and adaptable according to various conditions. The strategy also includes applications that will result in a significantly faster process from digital models to finished prototypes.

GROWTH THROUGH TRUST

A future characterised by smart factories and communicating products will place considerable demands on Jorgensen's capacity and qualifications. According to Jens Nyeng, the operation will also be based to a large extent on trust.

"You really have to trust that the supplier will really deliver what they have promised, as you don't get to see the solution until you are working with it on your computer. This is also a discipline that requires a great many resources, yet we are convinced that we will strengthen our position significantly once it has been implemented in full.

Added value all over the world

The high demand for all-inclusive suppliers continues to be the dominant trend within the packaging sector. Extended collaboration between Canline and NPB is creating a unique market position for the companies' joint offer, including service and installation work all over the world.

Canline, which manufactures industrial conveyor systems for the handling of lids and cans, has been part of the XANO Group since 2015.

The company was acquired to make it possible to offer more complete solutions within the Industrial Solutions business unit. The matching with NPB's automation equipment for lid handling was immediate, although in 2017 the two companies further strengthened their joint position on the market.

"We have developed fantastically well together and win a very high proportion of the assignments we compete for," says NPB's Sales and Marketing Manager, Magnus Wigenstedt.

UNIQUE ADVANTAGES

It is rare to be able to offer all-inclusive solutions within NPB's and Canline's market niche, which has provided the two companies with a significant competitive advantage.

"The number of assignments we can count on winning has increased substantially since Canline's conveyor system came into the picture. We have always had a good reputation on the market as a committed supplier, and we have now further strengthened this reputation by becoming a more complete partner," says Magnus Wigenstedt.

NPB and Canline conduct installations and perform service work all over the world.

The concept includes a factor based on Industry 4.0, which has created a valuable relationship with customers. The service includes more than just a classic maintenance agreement. During installation, the machines are connected to a server, which then gathers a large volume of monitoring data. The results are checked each week and reported to the customer.

"We detail anything that may need to be corrected in order for their process to become as efficient as possible. The ongoing weekly dialogue is incredibly valuable. We can see that our customers value the additional help they are receiving, the fact that we are more accessible and that they can obtain spare parts much more quickly, for example," observes Magnus Wigenstedt.

DEVELOPMENT THROUGH INDUSTRY 4.0

The collection of data from the installations also serves to increase internal expertise within NPB. The machine analyses create good conditions for constant improvements and long-term relations.

"We have learned a great deal about how the machines can be improved and we have the potential to draw valuable comparisons with previous customer assignments," states Magnus Wigenstedt.

A calling card for NPB has been that it is always the company's own personnel who are on site, carrying out both installations and service work. The company will continue to adopt this approach in order to maintain control over the entire assignment and, in combination with the collection of data, to provide security for the client.



TOUCHDOWN AT JORGENSEN AND RESINIT

JORGENSEN – PART OF INDUSTRIAL SOLUTIONS

The Danish automation company Jorgensen was acquired by XANO at the end of 2016. Since then, a great deal has happened with Jorgensen and the exchange of knowledge with its sister companies.

The majority of Jorgensen's sales are made up of project deliveries to the packaging industry, and the reason for the acquisition was the co-ordination opportunities with other companies within the Industrial Solutions business unit. Joint activities were initiated more or less straight away, and expertise is now frequently exchanged.

"There are many advantages with being part of a Group comprising similar operations. One example for our part at Jorgensen is our focus on increased activity in China

and the USA. We have gained valuable information about specific conditions on these markets, enabling us to become a more competent supplier," says Jens Nyeng, Jorgensen's CEO.

The co-ordination as regards purchasing has already entailed cost savings and a more rational working method. The companies have also benefited from the technical knowledge that exists within the business unit and are now conducting a couple of development projects together.

"In terms of technology, we have collaboration projects in progress relating to products that are intended for all the companies in the business unit. With shared resources, we are achieving even higher quality and larger volumes, delivering a better price level," says Jens Nyeng.



A ROOM OF OPPORTUNITIES

During 2016, Resinit expanded its premises in Västervik with a new assembly hall. In 2017, the company took the next step in order to respond to increased customer demands through the establishment of a clean room.

"For a long time, we have been totally responsible for a particular product family for one of our customers. When the customer extended their range with a large number of variants, and at the same time stipulated demands for shorter lead times and greater flexibility, we needed to have an in-house

clean room service," explains Per Alne, CEO of Resinit.

The clean room guarantees that only a limited quantity of particles are present in the room and that bacterial growth is non-existent.

"These are natural requirements when it comes to manufacturing for the pharmaceutical sector. Adjacent to the clean room, we can also conduct a washing process, where the components are washed using ultra-clean water," says Per Alne.

The clean room is not only a major

investment – it also places demands for new procedures at Resinit. This in turn means that the level of expertise is being raised within the company and that there are more business opportunities.

"Even though the clean room has been designed for a specific customer, we are learning many new processes and, in the long run, we will be able to take on additional assignments of a similar nature," says Per Alne.



INDUSTRIAL SOLUTIONS



The business unit comprises Ackurat, Canline, Fredriksons, Jorgensen and NPB. Ackurat supplies customers including furniture and fittings manufacturers with parts such as hand wheels, handles and adjustable feet. Others supply automation solutions developed in-house, such as packaging equipment, accumulators and conveyor systems, above all to the packaging industry.

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

2017 IN BRIEF

Extensive project volumes provided NPB and Canline with a significant growth in sales. Jorgensen achieved success on new markets and increased deliveries, above all within the milk powder segment. Generally higher demand from larger customers allowed Fredriksons to develop positively, both in Sweden and China. Increased export sales contributed to further expansion for Ackurat.

1,191

Net sales SEK m

+94.4

Growth %

177

Operating profit SEK m

14.9

Operating margin %

501

Employees average

DEVELOPMENTS DURING THE YEAR

By retaining good profitability and almost doubling sales, NPB was able to sum up an extremely successful year. Targeted sales efforts resulted in a steady influx of project assignments, resulting in high capacity utilisation throughout the year. With a flexible, finely tuned organisation, the company was able to live up in a satisfactory manner to its extensive delivery commitments. Customers increasingly demanded all-inclusive solutions and, alongside its sister company Canline, NPB is now able to supply complete automation solutions. Several major installations were conducted in Europe and South America, although activity levels on the North American market were low. As a consequence of the dramatic growth, product development work was a slightly lower priority for NPB during the year.

Canline's collaboration with NPB resulted in a broader customer offer, which increased the number of available projects during the year. In addition, many of the investments that had been postponed due to structural changes in the sector in previous years were resumed, and Canline's sales rose significantly. At the end of the previous year, the Dutch unit moved to new, more suitable premises, which created the conditions for

productivity improvements. However, the considerable pressure on the organisation resulting from the strong growth initially had a negative impact on profitability. The work on efficiency-raising and cost-reducing measures was therefore prioritised internally.

Fredriksons enjoyed positive development in both Sweden and China. The market situation was favourable and many new customer contacts were made. However, the upturn in volume related primarily to the company's existing customers, in the first instance major players who, to an ever larger extent, are concentrating their purchases on a smaller number of suppliers. The unit in China benefited from market trends resulting in increased demand in the field of medical technology, for instance. A generally higher level of quality awareness also produced benefits in relation to many competitors. In Sweden, developments were hampered to a certain extent by the fact that the general economic boom made it difficult to recruit qualified individuals. At the same time, capacity shortages among many subcontractors resulted in longer lead times in production.

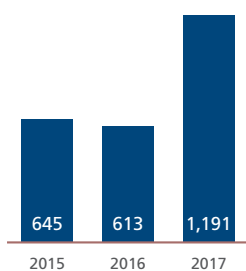
After a year of stable growth and a well-balanced production mix, Jorgensen reported strong figures. Above all, sales within the

milk powder segment enjoyed a very positive trend, particularly in relation to infant formula, and the company conducted several installations of complete facilities in Europe. Asia in general and China in particular, as well as South America, are growth markets for Jorgensen, and customers are increasingly demanding suppliers that can offer all-inclusive solutions. The wishes of the market for data collection systems also became more pronounced, and this is an area that Jorgensen is working purposefully on in order to strengthen its competitiveness.

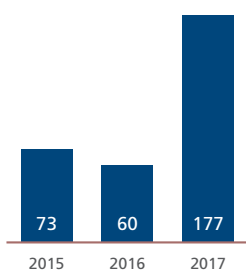
Through proactive product development combined with long-term, strategic marketing initiatives, Ackurat has acquired a strong position in Sweden. In recent years, the company has also reached more and more customers outside of its domestic market, and the export figures are continuing to increase. With these positive conditions alongside a favourable economic situation, the company succeeded in surpassing the previous year's record figures. Furniture and fittings manufacturers still made up the primary target group for the sales work, where Ackurat communicates with customers at an early stage via designers.



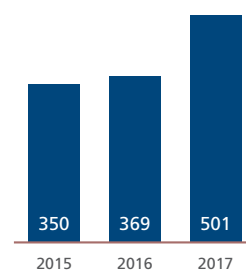
NET SALES (SEK M)



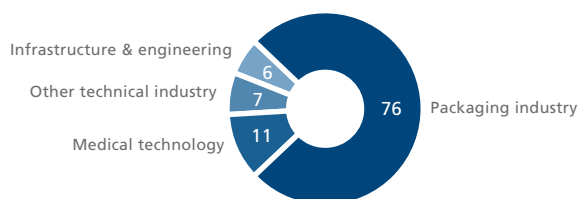
OPERATING PROFIT (SEK M)



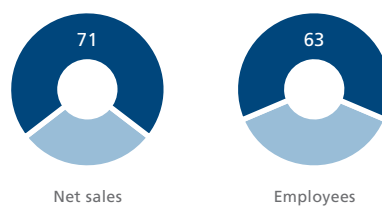
AVERAGE NUMBER OF EMPLOYEES



SECTORS (%)



SHARE OF GROUP (%)





DEVELOPMENT OF PROPRIETARY PRODUCTS

In order to meet customer wishes for increased traceability, Jorgensen launched a new solution for serialisation and the identification of products. The company's modular robot concept, which can be effectively tailored to meet customers' varying needs, was further refined.

During the year, Fredriksons introduced a buffer table for the accumulation of packages in the production line.

Ackurat already has its own coupling fitting, which is used to link together rows of chairs in large premises. This was further developed during the year so that it can also be applied in other contexts. Players on the market have now begun adapting their chairs specifically in line with Ackurat's fitting.

PRIORITISED INVESTMENTS

NPB conducted extensive market analyses as a basis for future product development work. This resulted for example in the commencement of the design of an entirely new type

of machine for a neighbouring product area. Linked to the development activities, the reinforcement of the company's technical resources was also initiated, primarily in respect of robotics.

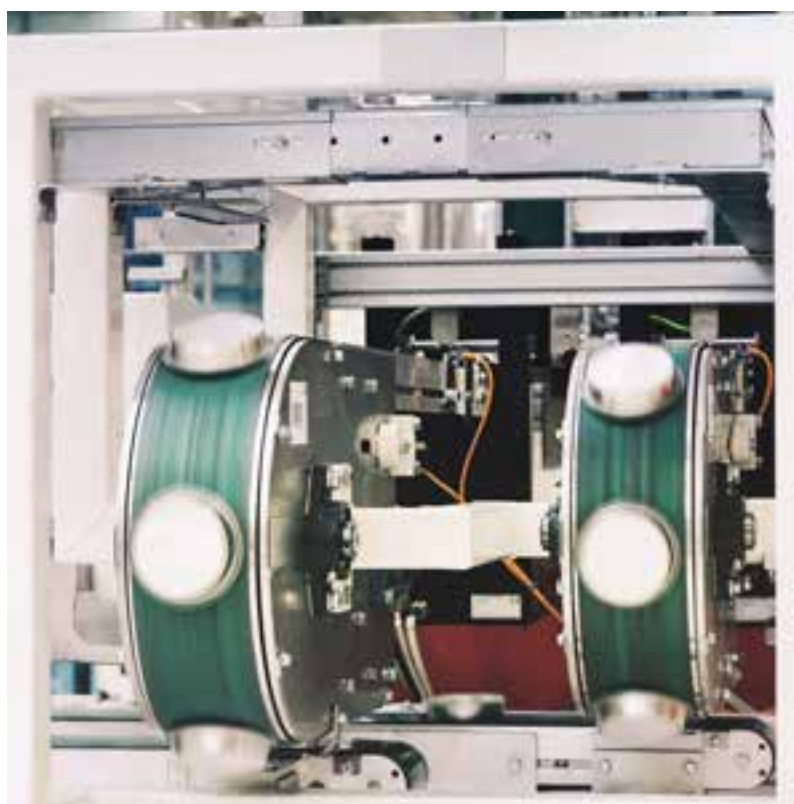
Canline worked with internal skills development within a number of areas. For example, service personnel from the USA took part in a large number of projects in Europe alongside more experienced engineers in order to exchange knowledge. Several tangible measures were implemented with the aim of reducing environmental impact. In order to present the company's extended product programme, marketing activities were intensified, focusing in part on new customer segments.

Jorgensen initiated the cultivation of new geographic markets, mainly within the infant formula niche, prioritising countries such as China and the USA. Sales efforts were also targeted at the pharmaceuticals sector, where demand for line efficiency and intelligent service products has increased. The work on employer branding was successful,

and the company succeeded in recruiting qualified engineers and programmers. Capacity reinforcement through the expansion of production premises was launched.

Fredriksons' workforce grew significantly, with the training of new employees consequently being a high priority. Other targeted skills-raising initiatives were also implemented as a result of increased assignments within specific production processes. In China, the company invested in software and technical capacity in order to take on greater project responsibility within selected segments. The focused work of identifying new niches and business dealings that suit the company's conditions as optimally as possible continued.

Ackurat prioritised skills development for increased flexibility and reduced vulnerability in the organisation. The efforts have entailed higher productivity and more varied duties for the employees. In collaboration with Växjö Municipality, the company is contributing to developments in the local community by providing employment for individuals with disabilities.



OUTLOOK FOR 2018

With an order situation that at the end of the year was on a par with the previous year's, NPB has the potential to continue to grow, albeit at a more moderate rate than over the past year. A new machine type is close to launch and other development projects are planned alongside Canline in order to supplement the product range and create points of contact within new customer segments.

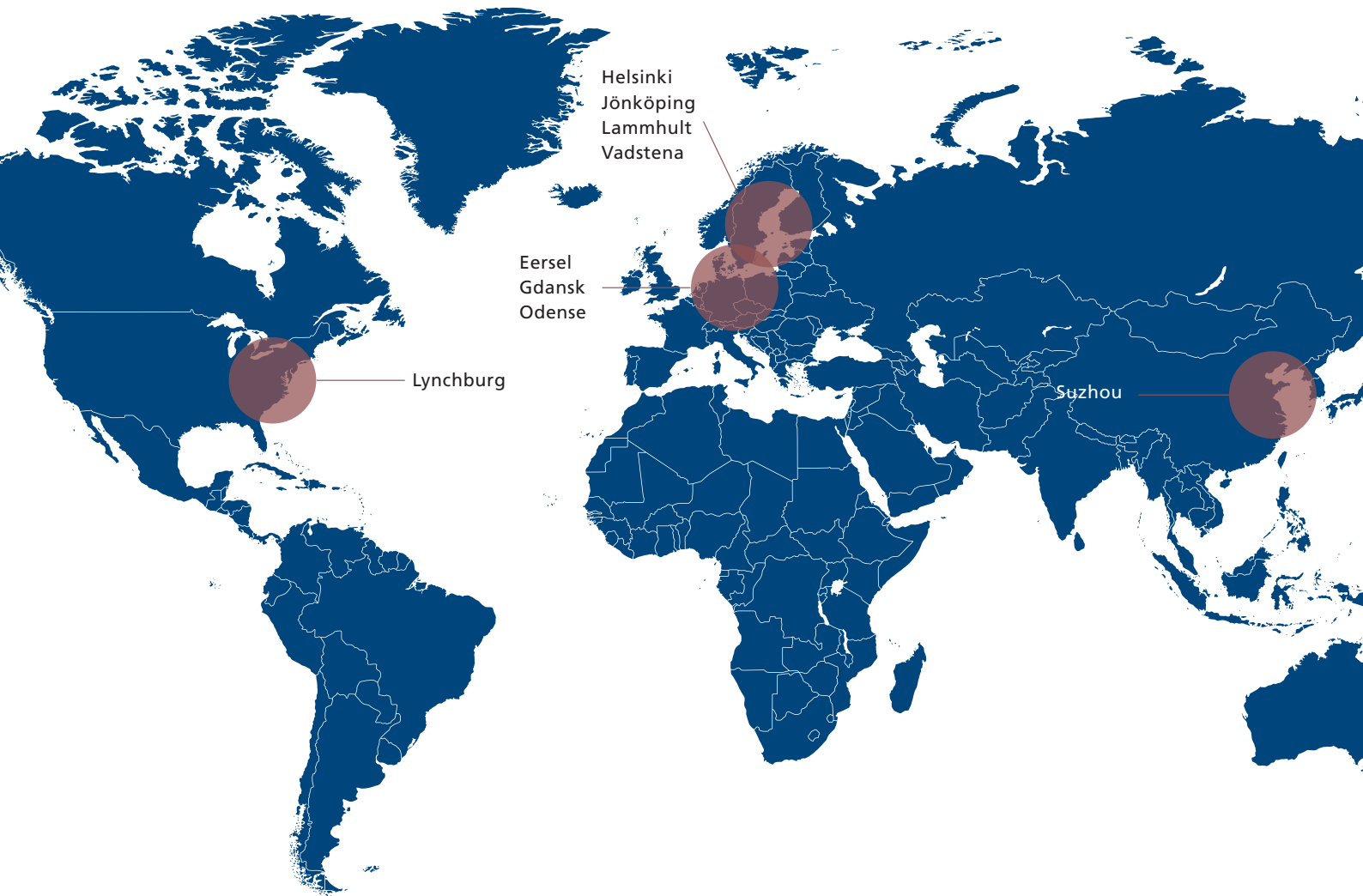
Together with NPB, Canline has several major installations in progress and the conditions for further expansion are excellent. The focus is on profitability, however, above all through increased productivity and delivery precision. The development of project management skills and relations with the company's key customers are also priorities.

At the end of the year, Jorgensen was involved in a number of projects that are continuing over an extended period. The overall order situation was weaker than the previous year, but decisions regarding several major deals will be made during the first quarter. For Jorgensen, 2018 will largely be a year of consolidation, where the development of the organisation

and the internal processes will be important. The market situation is bright, with positive sales forecasts above all for the milk powder segment as well as continued demand for all-inclusive solutions.

Fredriksons started 2018 with a positive order situation and good conditions for growth. Increased business opportunities are anticipated in both Sweden and China as a result of structural changes to the market. During the year, targeted investments will prevent bottlenecks in production, while robotisation of selected processes will be carried out in order to achieve productivity improvements. Skills development resulting in increased flexibility and a broader range of services is also part of the planned work.

A long-term approach remains a priority for Ackurat, and the company's positive development is expected to continue. A high rate of product development and close cooperation with customers are still important competitive tools. From a marketing perspective, the furniture and fittings segment is a priority on selected markets.



ACTIVITIES AND MARKETS

The majority of operations within the business unit comprise the development, manufacture and sale of automation equipment, principally for the handling of food packaging, with the international packaging industry as the dominant segment.

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

Jorgensen develops, manufactures and sells automation equipment and complete packaging handling systems. Through a high level of technology and extensive automation expertise, both mechanical equipment and control systems are optimised for maximum efficiency at every stage. Jorgensen's strength is its flexibility combined with a solutions-oriented approach and targeted project management. Its customers are world-leading players within the milk powder, food, pharmaceuticals and pet food segments. The company conducts installations all over the world, but Europe constitutes its main market.

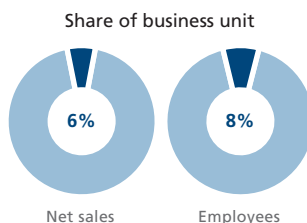
Fredriksons works with customer-specific manufacture, including sheet metal processing, cutting machining and assembly. The company's customers are primarily active within food handling and medical techno-

logy, as well as environment and energy. Fredriksons also develops, manufactures and sells conveyor solutions. Its customers are primarily large Swedish companies with international operations. Fredriksons' Chinese unit primarily manufactures and supplies subsystems and complete solutions intended for food handling and bio-processes.

Ackurat manufactures and sells standard injection-moulded plastic components and stocks thousands of items, including hand wheels, adjustable feet, levers, handles and various pipe stoppers. The company also offers customised solutions. Ackurat has units in Sweden, Finland and Poland, with sales concentrated in northern Europe. Its customers are primarily manufacturers of furniture and fittings.

ACKURAT
Lammhult / Gdansk / Helsinki

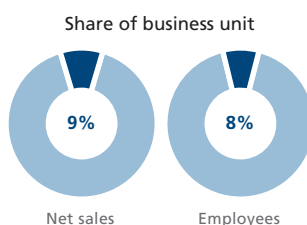
| | | |
|-----------|---------|-------|
| Net sales | SEK m | 78 |
| Growth | % | +10.8 |
| Employees | average | 40 |



Glide foot for wooden furniture made of a biodegradable polymer material.

CANLINE
Eersel / Lynchburg

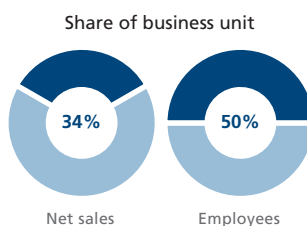
| | | |
|-----------|---------|-------|
| Net sales | SEK m | 114 |
| Growth | % | +68.4 |
| Employees | average | 38 |



Conveyor system for metal lids.

FREDRIKSONS
Vadstena / Suzhou

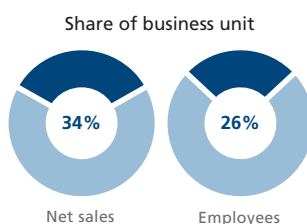
| | | |
|-----------|---------|-------|
| Net sales | SEK m | 413 |
| Growth | % | +22.6 |
| Employees | average | 251 |



Conveyor systems for dairy packages.

JORGENSEN
Odense

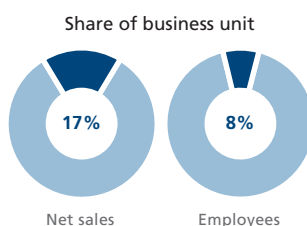
| | | |
|-----------|---------|-------|
| Net sales | SEK m | 416 |
| Growth | % | +14.3 |
| Employees | average | 132 |



Integrated optical scanner for checking cans in the production line.

NPB
Jönköping

| | | |
|-----------|---------|-------|
| Net sales | SEK m | 213 |
| Growth | % | +82.7 |
| Employees | average | 40 |



Balancer equipment for lid handling.



PRECISION TECHNOLOGY

The business unit comprises KMV, LK Precision, Mikroverktyg and Resinit. These companies cover component and system manufacture using advanced cutting processes on metal and plastics for the production of parts involving demanding quality and precision requirements.

KMV specialises in internal machining, particularly precision drilling, for Nordic industrial customers. LK Precision and Resinit produce parts, mainly for medical technical equipment, in low to medium-volume production runs. Mikroverktyg manufactures precision components and transmission parts, as well as tools, fixtures, prototypes and special equipment, all in short production runs.

2017 IN BRIEF

The business unit can look back over a year characterised by good growth and significantly higher operating margins. Thanks to extended production capacity and strengthened technical expertise, the companies were able to benefit from the year's favourable market climate. The improved profitability has its origins in a comprehensive degree of automation and the rational use of the companies' resources. A precondition for the latter has been the focused work on selecting customers and assignments based on existing capacity.

.....

259

Net sales SEK m

+12.5

Growth %

44

Operating profit SEK m

17.0

Operating margin %

154

Employees average

DEVELOPMENTS DURING THE YEAR

Mikroverktyg began the year with slightly weaker sales compared to the previous year. The order situation was gradually stabilised, with the full-year figures being only marginally lower than 2016's record results. One of the more wide-ranging trends on the market was the growing share of project-based manufacture. The use of hybrid technology in vehicles is an example where the increased need for development favours Mikroverktyg, which is increasingly taking on project assignments. The mainly beneficial market situation also generated larger volumes of repeat components, above all within the automotive industry, where the level of activity was high throughout the year.

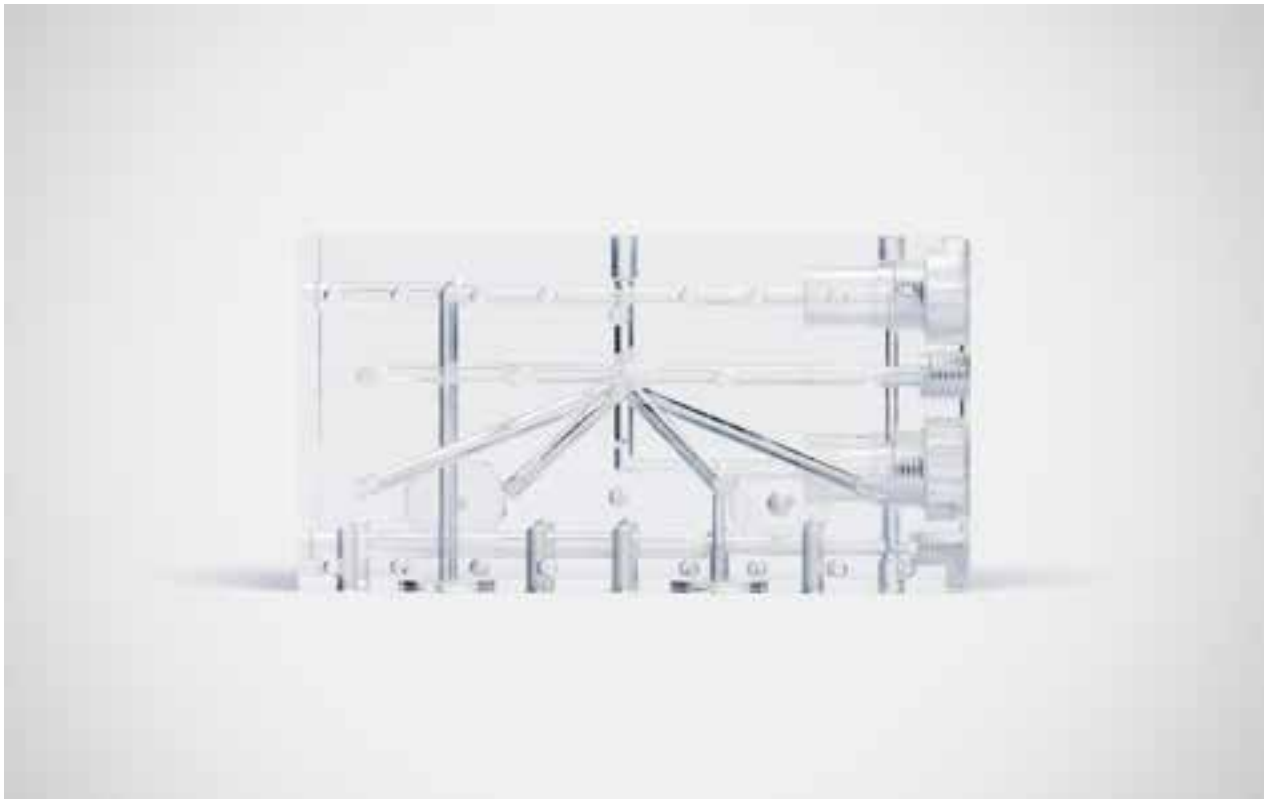
After the previous year's extensive investments in production space and new mechanical equipment, Resinit continued to develop strongly. As a result of the positive economic situation both in Sweden and on other markets, volumes increased in all sectors and

resulted in growth that was above expectations. The export share increased further and now makes up around 40 per cent of sales. One clear trend on the increasingly global market is an increase in the rate of product launches. Project times from concept to finished product are constantly being reduced, which imposes high demands for flexibility in the organisation.

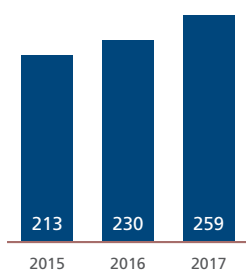
KMV confirmed the previous year's positive development trend through further growth and improved profitability. The market situation remained favourable throughout the majority of the year, and the upturn in volume related to the majority of customer segments. The focus of production has changed from primarily comprising a relatively small number of large products, to encompassing a larger number of smaller components. In this respect, KMV's unique production method has been an advantage in the face of the competition. The nature of the assignments has changed somewhat,

in that customers are demanding a higher degree of finishing and total responsibility from KMV's side.

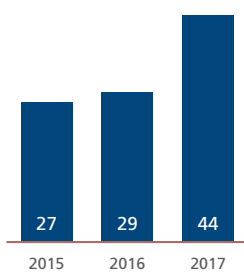
After something of an intermediate year in 2016, LK Precision was once again able to report good growth in sales and improved margins. The economic situation remained good, while the work on raising productivity in combination with other efficiency improvements produced a positive outcome. Implemented marketing activities have generated new points of contact and provided LK Precision with the potential, bearing in mind the favourable industrial climate witnessed during the year, to develop alongside customers within various technical segments. The previous year's growth primarily in respect of medical technology has weakened somewhat, in favour of stronger development for the infrastructure segment with customers in areas such as aviation, space and defence.



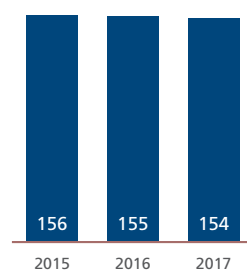
NET SALES (SEK M)



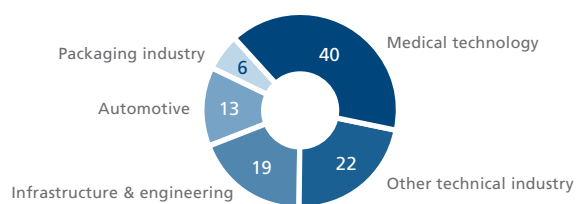
OPERATING PROFIT (SEK M)



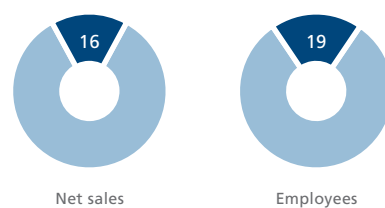
AVERAGE NUMBER OF EMPLOYEES



SECTORS (%)



SHARE OF GROUP (%)





PRIORITISED INVESTMENTS

Mikroverktyg achieved a further improvement in resources by refining its existing mechanical equipment. The company also expanded its capacity through targeted training initiatives and by increasing its workforce. The development activities relating to projects involving hybrid technology in vehicles increased in scope, and the knowledge requirement linked to these was reviewed. The higher share of project-based manufacture fits well with Mikroverktyg's long-term strategy for process and skills development with a focus on technology.

Resinit supplemented its production facility in Västervik with the establishment of a clean room and associated washing processes. This investment was a direct result of the increase in the volume of products that

require premises with a controlled particle level. Resinit has previously bought in this service, but performing the work in-house results in more flexible and time-saving handling. The workforce was expanded in areas such as assembly. Targeted training initiatives were implemented in respect of clean room production, as well as for other specific manufacturing operations.

Despite the general weakness when it comes to recruiting personnel that is being seen in the sector, KMV succeeded with recruitment during the year. The installation of a new machine for complete machining minimised the number of manual operations and consequently entailed a reinforcement of capacity. The improvement work linked to reduced environmental impact related primarily to developing procedures for reduced

general consumption and handling of waste. More specific initiatives related for example to minimising the number of chemical variants.

For LK Precision, the internal investment in increased productivity and efficiency played an important role in the year's positive results. Capacity reinforcement was implemented through investments in measurement and control equipment, as well as skills development primarily linked to this. Optimisation of the indoor climate was also an area of focus, with the aim of reducing energy consumption and improving the working environment. In addition, LK Precision is working in the long term to replace cutting fluids containing formaldehydes with alternatives that are more environmentally friendly and safer from a health perspective.



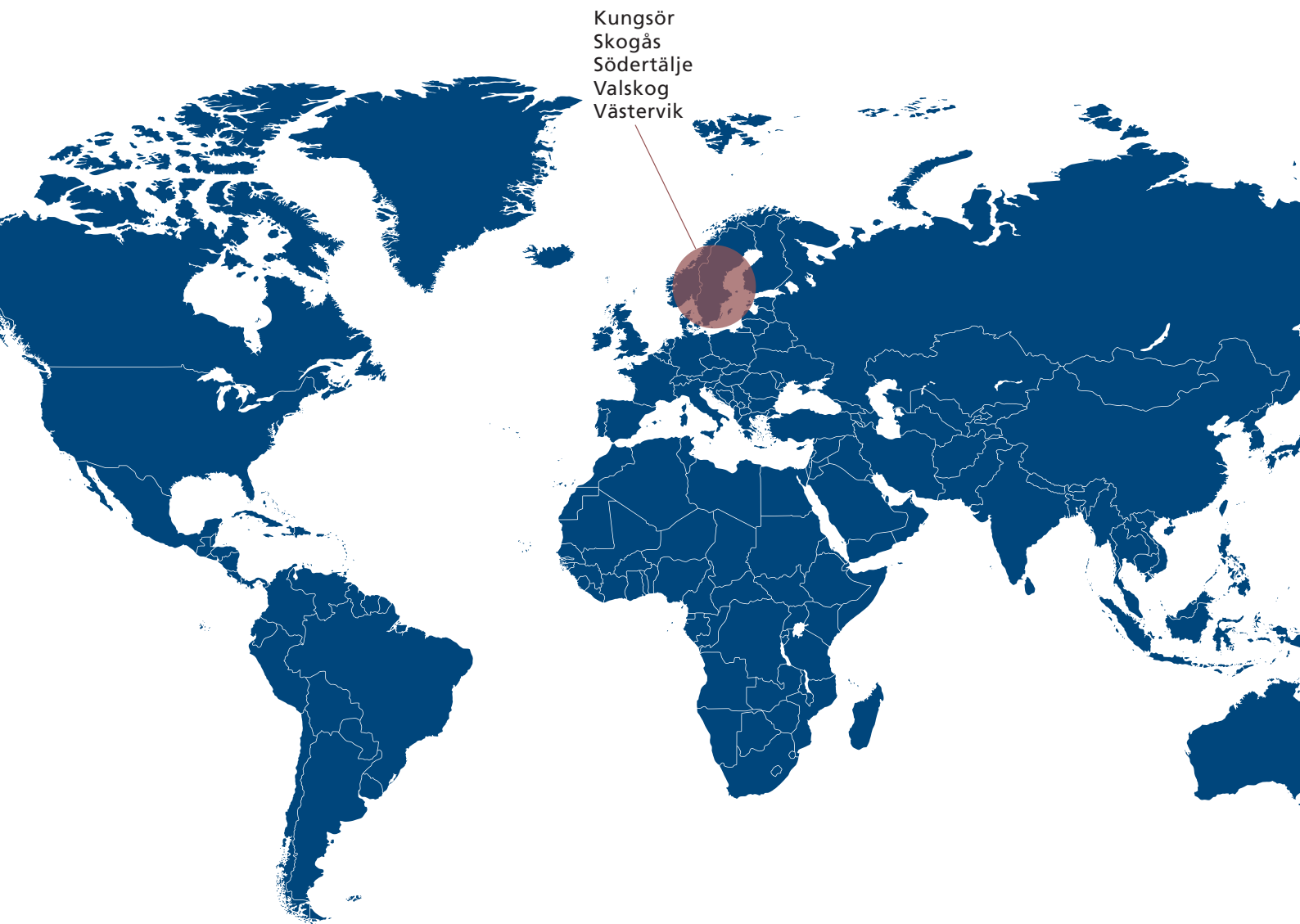
OUTLOOK FOR 2018

Mikroverktyg started the new year with an order situation that was above the level at the corresponding time last year, and the company is involved in a number of projects extending over a prolonged period. The long-term work of developing technical resources, skills and processes entails good business opportunities. The focus on transmissions and tools is in harmony with market developments, where project-based production above all within the automotive industry is increasing. Mikroverktyg is also focusing on achieving a broader geographic spread within its niche.

With an order stock on a par with last year and a number of ongoing projects that are expected to entail increased volumes in the future, Resinit's conditions for continued positive development are good. Streamlining of the organisation and internal flows are areas of focus during the year. Bearing in mind the considerable challenge associated with finding employees with the correct skills, the company is also prioritising collaboration with players in the local area with the aim of identifying potential candidates at an early stage. More proactive profiling will increase interest in Resinit as an employer.

KMV's order situation was also better than at the end of the previous year, and market developments within affected segments are expected to remain good in the near future. For KMV, the focus lies on preserving security in the operation through high levels of efficiency and delivery precision in basic production, which comprises repeat orders from existing customers. At the same time, the capacity exists for carefully selected one-off projects. Cost awareness and general streamlining are areas that will be particularly prioritised in future.

For LK Precision, there are a large number of customer assignments to be decided on at the start of the year. Things are looking bright in affected market segments, and the company is focusing in particular on production assignments relating to aviation and space technology. LK Precision has the capacity for increased volumes and considers the conditions for continued growth to be good. Resources will be further reinforced during the year thanks to a new five-axis mill. Internally, the focus is on productivity improvements in order to ensure that the profitability trend follows the growth in volume.



Kungsör
Skogås
Södertälje
Valskog
Västervik

ACTIVITIES AND MARKETS

The activities within the business unit are focused on component and system manufacture based on advanced cutting and machining of metal and plastic involving exacting quality and precision requirements. Our customers are found primarily within medical technology and other technical industry. The majority of sales relate to the Nordic market, although the proportion of international assignments is growing steadily.

KMV specialises in internal machining of long components, primarily precision drilling. The company drills holes in lengths of up to 14 m with diameters ranging from 2 mm up to 600 mm. Examples of products that the company manufactures are machine tubes, pistons and drill pipes for the mining industry

as well as cylinders and piston rods for the hydraulic industry. Manufacturing also covers piston rods for the offshore industry.

LK Precision is a precision company that produces complicated components from metallic materials. Production centres on small to mid-sized runs. High-tech expertise combined with cutting edge technology mean that the company can offer tailored production solutions, above all as a contract manufacturer for the large medical technology companies as well as within the defence, aviation and space industries.

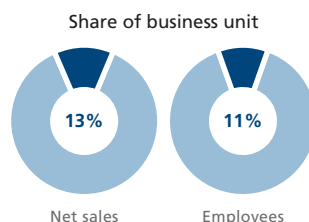
Mikrovertyg is a prototype manufacturer that focuses on cutting machining, with specialist expertise regarding precision components and transmission parts such as toothed gears, splines and racks. The

company also manufactures fixtures, tools, measuring devices, hydraulic components, spare parts and other components demanding high levels of precision. The most important target groups are the automotive and defence sectors.

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

KUNGSÖRS MEKANISKA (KMV) Kungsör

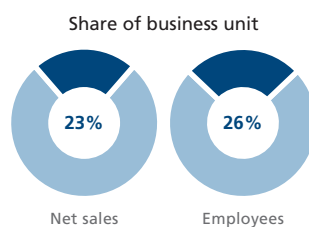
| | | |
|-----------|---------|-------|
| Net sales | SEK m | 33 |
| Growth | % | +17.1 |
| Employees | average | 17 |



Test cylinder made of titanium for extraction of crude oil.

LK PRECISION Skogås

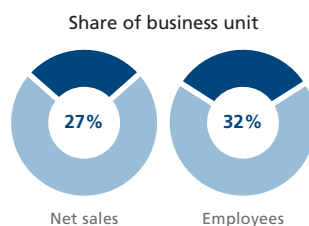
| | | |
|-----------|---------|-------|
| Net sales | SEK m | 60 |
| Growth | % | +17.6 |
| Employees | average | 40 |



Holder for lenses in 360 camera.

MIKROVERKTYG Södertälje/Valskog

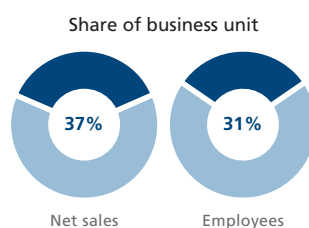
| | | |
|-----------|---------|------|
| Net sales | SEK m | 70 |
| Growth | % | -1.0 |
| Employees | average | 49 |



Drive shaft for belt drive for mechanical industry.

RESINIT Västervik

| | | |
|-----------|---------|-------|
| Net sales | SEK m | 96 |
| Growth | % | +19.5 |
| Employees | average | 48 |



Component that is used for regulating air flow.



ROTATIONAL MOULDING

Rotational moulding is a manufacturing method that makes it possible to produce complicated plastic components in a single piece. The business unit is made up of the Cipax Group, which comprises four units with in-house development and sales organisations, three of which also conduct manufacturing.

Cipax is the market leader within rotational moulding in the Nordic and Baltic regions. Long-standing experience and close cooperation with leading industrial companies have provided Cipax with a good reputation as a supplier. A high level of technical expertise and access to several production sites with different specialisations represent a major competitive advantage.

2017 IN BRIEF

The Cipax Group achieved slight growth and profitability on a par with the previous year as regards day-to-day operations. Incoming orders fluctuated, particularly during the second half of the year, but ended up at a high level. Sales of proprietary products enjoyed a positive trend, above all in the Nordic region, where customer-specific assignments also reported an increase.

218

Net sales SEK m

+2.3

Growth %

21

Operating profit SEK m

9.6

Operating margin %

144

Employees average

DEVELOPMENTS DURING THE YEAR

Overall, incoming orders were higher than during the previous year and sales rose slightly following a positive trend on the markets, above all in the Nordic region and the Baltic States. The companies' joint customer offer which, apart from the basic operations of rotational moulding and assembly, also includes both project management and design, continued to be successful. The market share in respect of customer-specific manufacturing increased above all in Finland, Sweden and Norway. Additional volume growth was achieved for the proprietary range of industrial tanks and infrastructure products, including as a result of several successful new launches. Sales of boats weakened towards the end of the year and overall failed to match the previous year's level.

PRIORITISED INVESTMENTS

The production space in Estonia, which had

been expanded during the previous year, was utilised and resulted in a strengthening of capacity as regards the manufacture of larger products. Marketing activities continued to concentrate on the Nordic region and the Baltic States in general and Finland in particular within the boats and infrastructure products segments, as well as in respect of customer-specific assignments. The priorities within the industrial products segment focused on specially adapted tanks and more complete solutions. For the boat segment, preparations were made for intensified export activities. The overall upturn in volume resulted in an increase in the number of employees, with skills training continuing internally as well as via sector-specific courses for personnel in relation to production and quality, for example. As the driving party in environmental projects, Cipax owns a company together with industry colleagues and recycling providers. In this respect, the

focus in the immediate future lies on the collection of plastic products for reuse in the operation.

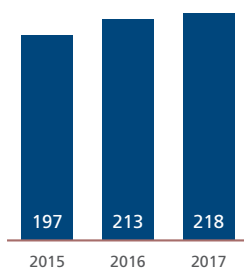
CUSTOMER-SPECIFIC MANUFACTURING

With reinforced capacity within project management and design, for example, Cipax has been able to further extend customer relations. By participating right from the start of the customer's product development phase and taking on greater responsibility throughout the production cycle, an optimum end product can be achieved as regards design, materials and economy.

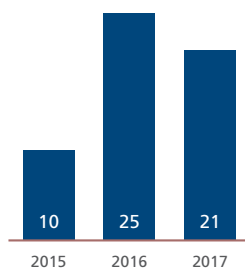
During 2017, the scope of the customer-specific projects increased overall, and the companies achieved good sales above all in the Nordic region and the Baltic States. Cipax has a market-leading position in this area, yet it further increased its share primarily through successes in Finland. In the rest of Europe, however, its volumes declined slightly.



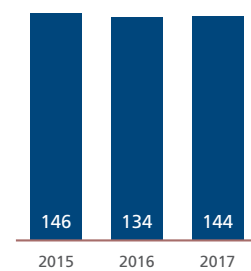
NET SALES (SEK M)



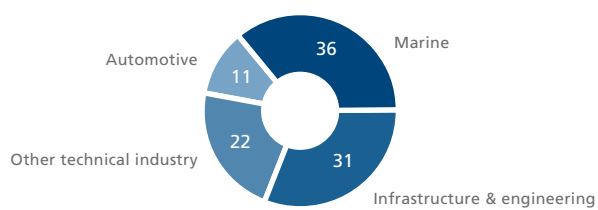
OPERATING PROFIT (SEK M)



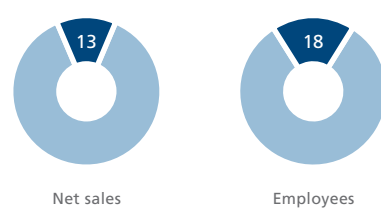
AVERAGE NUMBER OF EMPLOYEES



SECTORS (%)



SHARE OF GROUP (%)





PROPRIETARY PRODUCTS

Cipax develops and markets proprietary product ranges covering tanks and containers, marine products and boats. During the year, deliveries of proprietary products increased within all segments apart from boats. The trend on the market was generally upward in the Nordic region, with the greatest growth recorded in Sweden.

Infrastructure products and industrial tanks were in most demand. Cipax expanded its resources for sales activities and continued refinement of the product programmes.

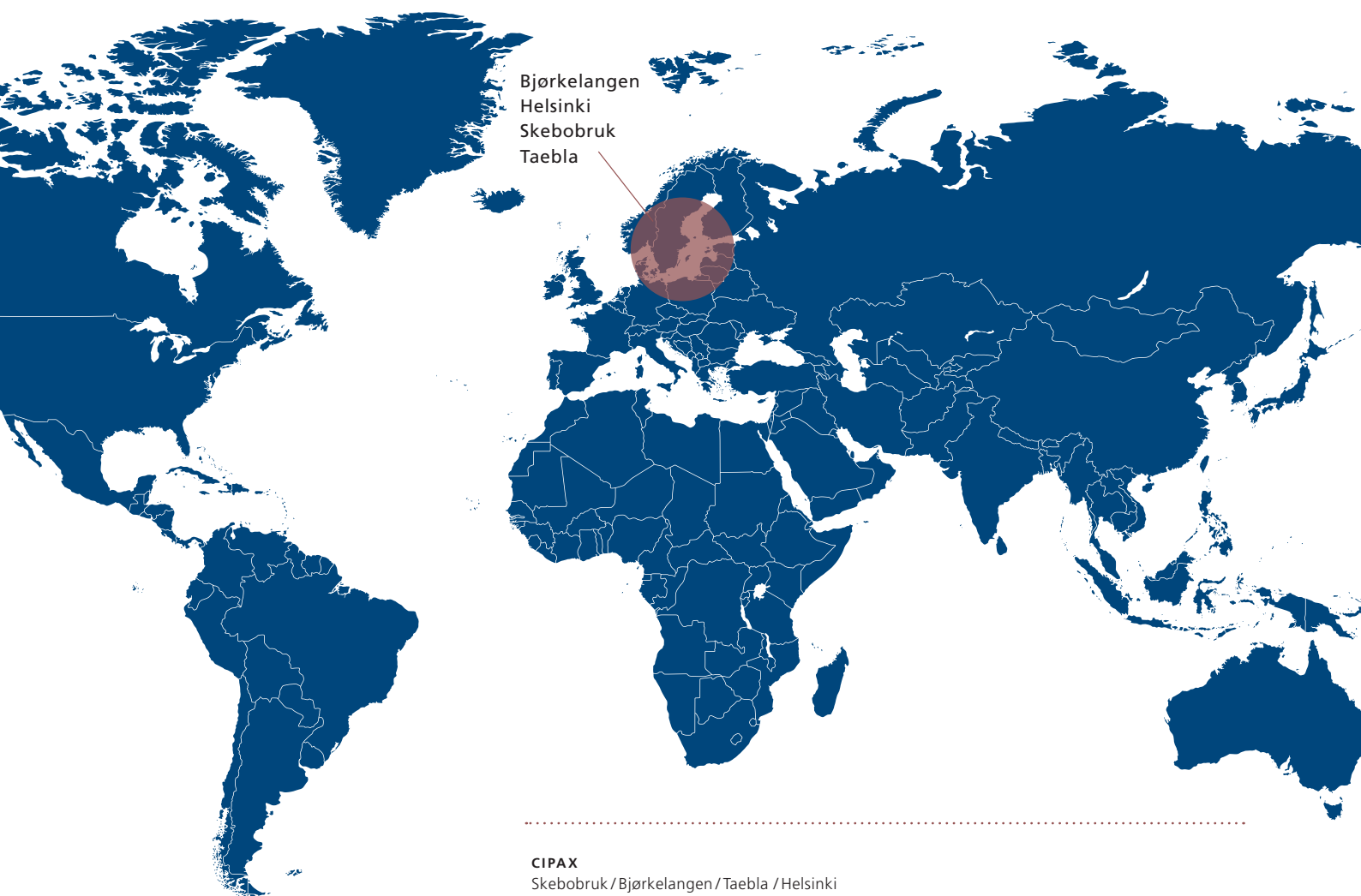
During the year, the proprietary ranges were supplemented through the launch of some ten new products. These included sludge separators that can be buried for individual drains, as well as a new 6,000

litre collection tank that can be used both above and below ground. A closed container specially designed for confined areas was also presented. All the products are made from polyethylene, a material that can be recycled.

With wide-ranging internal expertise, Cipax has the potential to satisfy customer wishes regarding deliveries of system solutions as a complement to individual products.

OUTLOOK FOR 2018

With a slightly more favourable order situation than before last year, the conditions exist for continued stable growth. The market investments are being concentrated on the Nordic region, with the emphasis on Finland. Profitability is expected to be improved by means of additional resource optimisation and streamlining of internal processes. The proprietary range of infrastructure products is timely and new solutions will be launched during the year. Within the industrial segment, the development of specially adapted tanks is being prioritised. Activities aimed at increasing sales of boats on selected export markets is being intensified. Considerable focus is also being placed on initiatives intended to retain and recruit qualified personnel.



CIPAX
Skebobruk / Bjørkelangen / Taebła / Helsinki

| | | |
|-----------|---------|------|
| Net sales | SEK m | 218 |
| Growth | % | +2.3 |
| Employees | average | 144 |

ACTIVITIES AND MARKETS

Cipax develops and manufactures components and systems through rotational moulding using environmentally friendly, recyclable plastic materials. The primary product segments include boats, components for vehicles and infrastructure, as well as industrial tanks and buoyancy elements. The manufacturing process is characteristically cost-efficient for small-scale series due to low tool costs and flexible production. The flexibility in product design facilitates the

manufacture of complex items. Examples of customer-specific products include various tanks, pipes and casings with considerable breadth in respect of working temperatures and chemical resistance. As well as customer-specific manufacturing, which makes up half of all sales, the company also works with proprietary products such as boats and a variety of tanks. Most deliveries are made to leading companies in the Nordic and Baltic regions within the marine, infrastructure, automotive and other technical industry sectors.

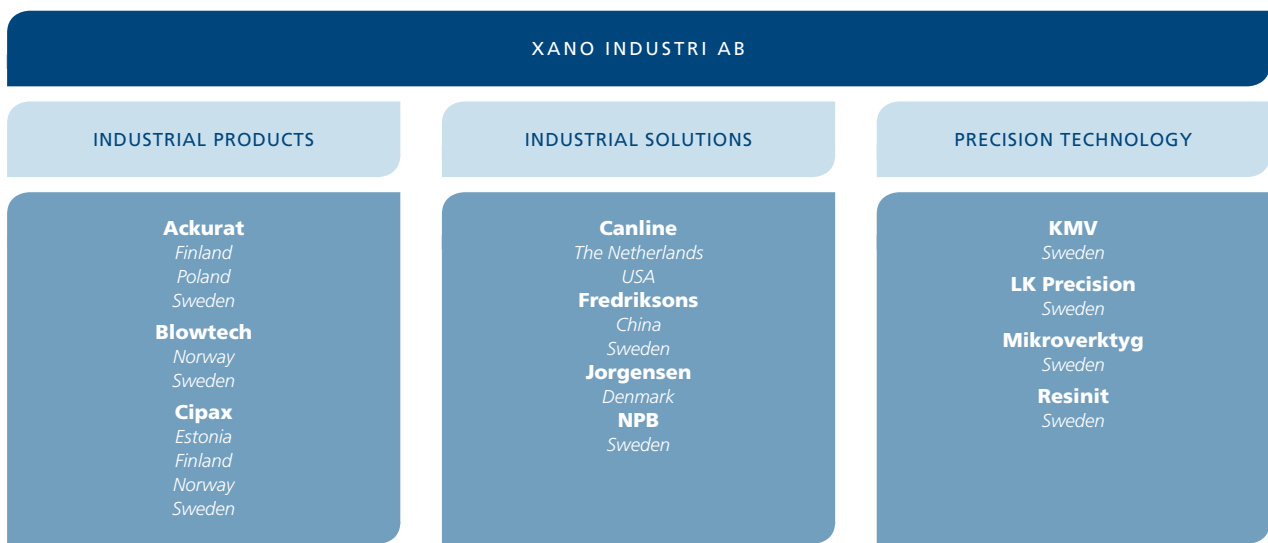


Manico Fun Table is a 32-inch interactive tablet for children with furniture manufactured by Cipax.

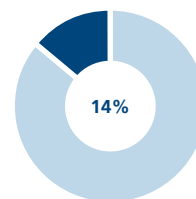
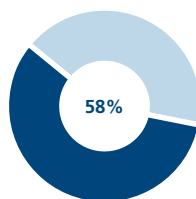
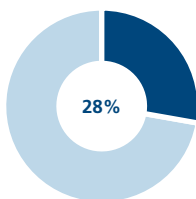
ACQUISITION OF BLOWTECH AND BUSINESS UNIT CHANGES

In conjunction with the conclusion of the acquisition of Blowtech in January 2018, the Rotational Moulding business unit was restructured and changed its name to Industrial Products. The business unit now comprises Cipax, Ackurat (previously within Industrial Solutions) and Blowtech.

ORGANISATION 2018



PRO FORMA DISTRIBUTION OF SALES



On 2 January 2018, XANO completed the acquisition of Blowtech Group AB. Blowtech is a leading Nordic player in the technical blow moulding of plastics. Blowtech produces complex components for vehicles, construction machinery and infrastructure equipment. The company has built up a very strong market presence, particularly in the Nordic region, using its extensive experience of blow moulding acquired over many years, where heavy vehicle manufacturers are the dominant customer segment today. Blowtech has production facilities in Gnosjö in Sweden and

in the Norwegian town of Kongsvinger, with a total of around 120 employees.

SYNERGIES

Through the acquisition of Blowtech, the Group is gaining access to both additional technical expertise within plastics processing as well as new market segments. In addition, the conditions are being created for synergies in the form of exchanges between the companies in the business unit. The blow moulding technology that Blowtech employs primarily complements Cipax's rotational moulding operation. Working together, the companies can offer customers generally

broader expertise and manufacturing capacity for assignments of a more varied nature.

ACKURAT CHANGING BUSINESS UNITS

Ackurat, which was previously part of Industrial Solutions, is changing business units and in future will be part of Industrial Products. Ackurat manufactures plastic components through injection moulding, and has numerous points of contact with its sister companies Blowtech and Cipax. Following the change, the structure within the Industrial Solutions business unit will also be more uniform.





XANO INDUSTRI AB (PUBL)

SUSTAINABILITY REPORT 2017



For XANO, sustainability means accepting responsibility for the way the Group's operations affect society from an environmental, social and economic perspective. The Group is working systematically to achieve sustainable development, creating value and profitability by striking a responsible balance between the demands, expectations and needs of customers and other stakeholders on the one side, and care and responsibility for the environment and the society where the Group operates on the other.

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BUSINESS CONCEPT

XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services. XANO owns niche engineering companies whose main market is industry in Europe. The Group creates value for shareholders by exercising both active ownership and management by objectives.

CORE VALUES

| | |
|------------------------------|---|
| ENTREPRENEURIAL DRIVE | The most important common denominator for the companies within XANO is entrepreneurial spirit with a strong drive. The units have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for the involvement of all employees. XANO's role is to support the companies so that their inherent energy produces the best possible results. |
| LONG-TERM THINKING | XANO believes in strong relations. For this reason, the Group is investing in its companies in the long term, providing each unit with the scope to develop its resources. This is reflected in contacts with customers and suppliers, where prolonged assignments and close collaboration are leading to successful projects. |
| TECHNICAL KNOW-HOW | Each company in the XANO Group is unique and the products span a broad spectrum, from components in analysis instruments to complex packaging machines. The companies are market leaders and are at the forefront in their respective niches. Features that all the companies have in common are high technical and service levels, as well as advanced technical advice. |

ORGANISATION

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Each unit is anchored locally and is developed according to its own circumstances. At the same time, the Group affinity creates economies of scale for the companies and their customers. During 2017, the Group's operations were divided up into the Industrial Solutions, Precision Technology and Rotational Moulding business units.

XANO INDUSTRI AB

INDUSTRIAL SOLUTIONS

Ackurat Industriplast AB
Ackurat Ornpplast Sp z o o
Ackurat Suomen Oy
Canline Magnetics BV
Canline Systems BV
Canline USA Corp.
Fredriksons Verkstads AB
Fredriksons Industry (Suzhou) Co Ltd
Jorgensen Engineering A/S
NPB Automation AB

PRECISION TECHNOLOGY

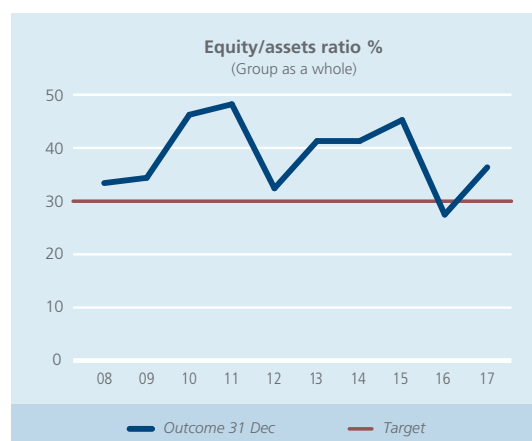
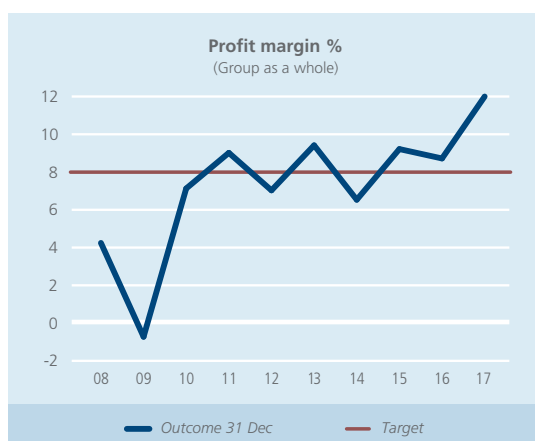
Kungsörs Mekaniska Verkstad AB
AB LK Precision Parts
Mikroverktyg AB
Resinit AB

ROTATIONAL MOULDING

Cipax AB
Cipax AS
Cipax Eesti AS
Cipax Industri AB
Cipax Oy

TARGETS AND STRATEGY

| | |
|--------------------------------|---|
| Financial targets | <p>STABLE PROFITABILITY AND HIGH GROWTH</p> <p>XANO's organic growth will be at a higher level than general market growth. Growth will also take place through the acquisition of operations and companies. The profit margin will amount to eight per cent over time. The equity/assets ratio will exceed 30 per cent.</p> |
| Vision | <p>MARKET LEADER WITHIN SELECTED SEGMENTS</p> <p>XANO will be a market leader within selected market segments. XANO will create strong units from companies, where economies of scale are utilised optimally.</p> |
| Strategy | <p>DEVELOP, ACQUIRE AND RUN NICHE ENGINEERING COMPANIES</p> <p>XANO must develop, acquire and run niche companies and, through active ownership, create added value for the shareholders. The manufacturing process must have a high technical content with the aim of satisfying the customer's needs. In order to achieve this, XANO needs to work within well defined niches. The level of service and delivery capability have to be high. The companies must strive to achieve long-lasting relationships with both customers and suppliers. XANO must have a sufficiently large market share within each niche in order to be an interesting partner for both customers and suppliers.</p> |
| Market offering and operations | <p>ADVANCED TECHNOLOGY FOR SELECTED TARGET GROUPS</p> <p>XANO's market offering includes the manufacture and assembly of components and systems with associated services, as well as the development, manufacture and marketing of proprietary products. The Group currently has operations in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. Possessing such advanced technical expertise enables XANO to create added value for its customers.</p> |
| Core values | <p>EMOTIONAL AND FUNCTIONAL ADDED VALUES</p> <p>XANO's core values are entrepreneurial drive, long-term thinking and technical know-how. These form the basis for all decisions that can impact on the Group.</p> |
| Target achievement | <p>FURTHER STRENGTHENED PROFIT MARGIN</p> <p>The Group's organic growth stood at 22 percent, while acquisitions contributed a further 36 per cent in volume during 2017. The profit margin significantly exceeded the target value, amounting to 12.0 per cent. The equity/assets ratio was strengthened from 27 to 36 per cent.</p> |





OUR PATH TOWARDS A MORE SUSTAINABLE XANO

For XANO, sustainability is a natural part of business. We have to use all our resources with care and work efficiently at every stage in order to be profitable. As a consequence, sustainability work has always been a core of the Group's operations, even though it has not been defined as such before now.

XANO's sustainability report for 2017 is the Group's first and constitutes an important tool in the systemisation of our sustainability work. Several activities were carried out during the year with the aim of reinforcing corporate governance in respect of sustainability. We drew up a Group-wide sustainability policy that all the companies have implemented. The sustainability aspects will also constitute a more fundamental part of our business plans in future.

During 2018, a sustainability strategy will be adopted by the Board, including Group-wide targets and key performance indicators.

THE XANO SPIRIT

The XANO spirit is based on the Group's origins in the southern Swedish province

of Småland. The most important common denominator for the Group's companies is entrepreneurial spirit with a strong drive. The companies have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for participation from all employees, a working climate with stakeholder relations characterised by openness and a high ceiling.

In order to achieve success, we believe in strong relations, which is the background to our long-term investments in our companies. This provides each unit with the scope to develop its own resources. For XANO, this is sustainable development.

ORGANISATION AND RESPONSIBILITY

The Board of Directors is responsible for the preparation of the sustainability report. Furthermore, the Board is responsible for the goals, vision and strategy linked to XANO's sustainability work and, together with the Group management, also for the sustainability policy.

The Group's CEO has ultimate responsibility for compliance with the sustainability strategy. The Group-wide sustainability work is conducted by the Group management. In conjunction with the annual business plan process, the responsibility for producing a company-specific sustainability strategy as well as the fulfilment of goals is delegated to each company's CEO, who is also responsible for ensuring that the sustainability policy is followed. At the request of each company's CEO, managers and employees are responsible, within the framework of their area of responsibility and their authorisation, for implementing and following up goals and action plans.

POLICIES, GUIDELINES & PROCEDURES

XANO's sustainability work is based on the Group's sustainability policy. This policy covers the environment, personnel and social responsibility, as well as business ethics.

The sustainability policy is based on the UN's Global Compact, which encompasses ten principles based on the UN's Declaration

of Human Rights, the ILO's fundamental conventions on human rights at work, the Rio Declaration and the UN's Convention against Corruption.

A Group-wide code of conduct forms the basis for the day-to-day decisions that are taken in the operations, providing a general description of the rules to which the Group's companies and their employees must adhere. The code is based on the UN's Global Compact, the UN's Convention on the Rights of the Child, the Swedish Anti-Corruption Institute's economic code, national legislation as well as basic environmental, health and safety requirements.

The Group's companies have a number of business-specific policies, guidelines and procedures that are based on the Group-wide code of conduct and that reflect the values established therein. Examples of company-specific policies include working environment policies, environmental policies, equality policies and anti-corruption policies.

SUSTAINABILITY CONTROL

A company-specific business plan for the upcoming three-year period is produced annually by each Group company. As part of the work on the business plan, a SWOT analysis (strengths, weaknesses, opportunities and threats) is conducted regarding the individual business. Targets and key performance indicators are set on the basis of the results of the SWOT analysis. After this,

the work begins on the strategy aspects of the business plan. Based on the strategy, an action plan is drawn up along with a forecast for the next three years. Each company's CEO presents the business plan to the Group management, and it is the Group management that approves the business plans.

The Group management continually monitors each company and its business plan. A report plan controls the companies' reporting of key performance indicators and other sustainability information. During 2018, we intend to continue this work by including the sustainability issues as a natural part of existing business governance.

RISK MANAGEMENT

XANO has a systematic working method for identifying, preventing and rectifying risks. A due diligence process is normally conducted in conjunction with new acquisitions, during which potential risks are charted, for example.

During 2017, we have conducted a Group-wide SWOT analysis based on a sustainability perspective, i.e. with regard to the acceptance of social, environmental and economic responsibility. The risks that were identified related primarily to staffing, customer relations and geographic location. During 2017, we have implemented measures aimed at preventing potential risks. For example, employer branding and sustainability have been introduced into the business

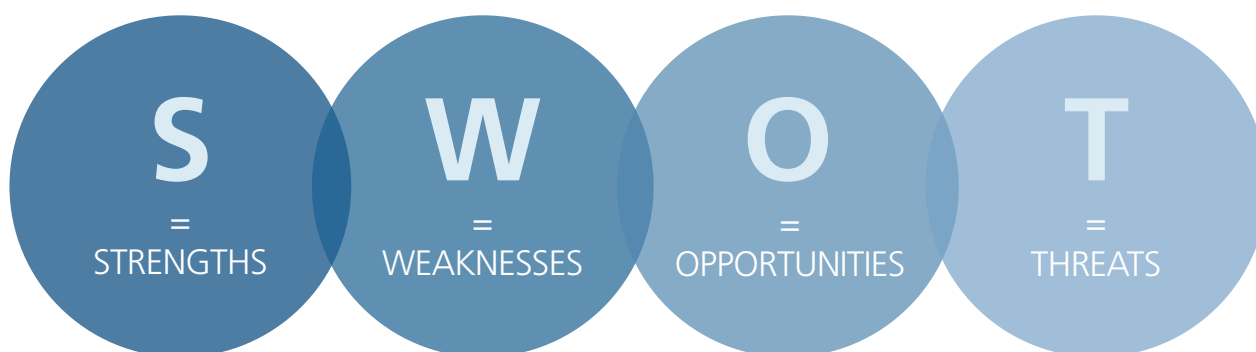
plan model.

We have conducted two Group-wide surveys during the year, with the aim of strengthening knowledge regarding the work of the operations in respect of stakeholder relations as well as guaranteeing the acceptance of responsibility in the supplier chain. These surveys have included both stakeholder dialogues as well as risks linked to each Group company's 20 largest suppliers.

Based on the business plans, the companies are working actively and in a structured manner to identify, prevent and rectify risks. In most of the companies, this work is supplemented with internal audits and certification processes such as ISO 9001:2015 and ISO 14001:2015, where demands are stipulated regarding the management's awareness of risks. Working environment-related safety rounds are conducted linked to health, safety and the environment, and environmental aspect lists are drawn up.

CERTIFIED MANAGEMENT SYSTEMS

The majority of the Group companies are quality and/or environmentally certified according to ISO 9001 and ISO 14001. Several of the companies are also certified within specific areas, such as medical technology according to ISO 13485, welding standards according to ISO 3834, deliveries to the automotive industry according to ISO/TS 16949 and working environment according to OHSAS 18001. ➔





HUMAN RIGHTS

XANO respects and supports human rights. The basic idea behind the concept is that people are born free and that all people are of equal value, which includes the rights of children and women, the right to health and education, as well as the right to be free from discrimination.

XANO works to identify, prevent and rectify risks such as unwanted behaviour linked to human rights. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Against the background of geographic location, there are various types and degrees of risks associated with human rights. Due diligence in relation to a new acquisition is an example of a control activity that incorporates human rights.

ACCEPTING RESPONSIBILITY IN THE SUPPLIER CHAIN

The duty to ensure the acceptance of responsibility in the supplier chain from a social, environmental and business ethics perspective is delegated to each company's CEO.

For XANO, it is important to create a quality assured, standardised supplier monitoring process. During 2017, one aspect of this work has entailed conducting a risk analysis of all the operations' 20 largest sup-

pliers in respect of social, environmental and economic conditions. This risk analysis was performed on the basis of 14 parameters, including working conditions, human rights, the environment, conflict minerals and business ethics. The Group intends to continue working with the results of the implemented risk analysis during 2018, with the aim of ensuring the acceptance of responsibility in the supplier chain.

INVOLVEMENT OF STAKEHOLDERS

XANO believes in strong, long-term relations, which is reflected in our attitude towards our stakeholders. In order to gain an overall picture of the work regarding the involvement of stakeholders and stakeholder dialogues, a light was shone on all the Group companies' stakeholder dialogues during 2017 – based on stakeholder group, form of dialogue, frequency and the issues/subjects that were discussed. The survey covered the following stakeholder groups: employees, customers, suppliers, business partners, owners, investors, trade organisations, media, the local community, politicians, authorities, voluntary organisations (NGOs) and the academic/research sector. The subjects discussed comprised economics, the environment, working conditions,

human rights, quality and business ethics. The results indicate a spread among the operations – everything from operations that conduct frequent dialogues with several different stakeholder groups regarding all the subjects covered by the survey template, to operations that conduct few dialogues with a small number of stakeholder groups regarding few subjects. During 2018, we will be working to further increase awareness and knowledge among affected companies, as well as to achieve standardisation within the Group regarding systematic and strategic stakeholder analyses and the implementation of stakeholder dialogues.

XANO's core value regarding a long-term approach is reflected in our customer contacts, where extended assignments and close collaboration lead to successful projects and business development. Over recent years, the trend among the Group's customers, i.e. taking an interest in sustainability and placing demands on their suppliers, has become increasingly tangible – pressure that the Group welcomes and views positively. All with the aim of facilitating and safeguarding sustainable development throughout the value chain. ■

LONG-TERM COLLABORATION FOR A MORE SUSTAINABLE OPERATION

An important aspect of the sustainability concept is a long-term approach that includes responsibility for products, solutions and relations. An example of the latter is Fredriksons collaboration with Tetra Pak, which has extended over many years. Fredriksons is a leader in the development and manufacture of conveyor systems for the packaging industry. The company's customers can be found in the food, medical technology, environmental and other technical industries.

Tetra Pak – a company that was established in 1951 and is now a world leader when it comes to processing and packaging solutions for food – is one of Fredriksons' customers. The business relationship between the two companies began back in the 1960s. Thanks to a long-term approach and mutual trust, they have worked together over the years to make food safe and accessible and, as far as possible, to eliminate

adverse effects from a sustainability perspective.

Tetra Pak's goal as regards their supplier relations is to minimise negative effects and instead supply something positive to the companies, people and communities with which their supplier chain is associated. As part of this work, Fredriksons undertakes to comply with Tetra Pak's code of conduct for suppliers. The code sets out Tetra Pak's expectations in respect of its business partners based on the ten principles in the UN's Global Compact.

In order to evaluate how well the conditions in the code are being followed, Tetra Pak has drawn up a control framework. The company demands that selected suppliers sign up to Sedex (Supplier Ethical Data Exchange), through which Tetra Pak gains access to detailed results regarding the level of compliance. Furthermore, Tetra Pak use an internal scorecard to continually follow up results in relation to quality, lead times

and price, for example. With the aid of an independent party, financial audits are also conducted.

Tetra Pak is extremely satisfied with Fredriksons as a supplier, as can be seen from the collaboration that has now lasted for more than 50 years. The potential for improvement exists within all relationships, however. Fredriksons is currently achieving 100 per cent compliance with the code of conduct, and has limited its dependence on Tetra Pak by extending its customer portfolio.

Within all the sectors in which Fredriksons operates, business customers stipulate high demands as regards sustainability, professionalism and quality in their supplier chains. Fredriksons appreciates these demands – together with its customers, the company is striving to create more sustainable business and, in the long term, a more sustainable society.

 **FREDRIKSONS**



ENVIRONMENTAL RESPONSIBILITY

XANO is constantly striving to achieve sustainable development through environmentally aware choices. The Group's companies are sensitive to the wishes of customers and to the market's environmental requirements.

Each company within the Group is responsible for and is working actively and systematically to reduce its environmental impact. The factors within the Group's operations that affect the environment include energy consumption, emissions and discharges into the air and water, waste, wastewater, noise, packaging and transport. The nature of our operations, manufacturing processes and products is such that the environmental risks are deemed to be limited. During 2017, the Group has begun to measure and follow up the following indicators: energy consumption, waste volumes and carbon dioxide emissions from transport.

At the end of the year, the Group was conducting notifiable and licensable activities according to the Environmental Code in five Swedish subsidiaries. The notification requirement refers to the manufacture of plastic products (one company) and the engineering industry for metal finishing (three companies). The licensing obligation refers to the engineering industry for metal finishing (one company). These operations affect the external environment primarily through waste.

As part of the work of systematising and quality assuring the environmental work, the majority of the Group's companies have opted to certify their environmental management systems in accordance with ISO 14001. During 2018, this work will continue with the inspection and monitoring of the operations' environmental work and environmental management.

SAFE PRODUCTS

The Group's companies are working actively to chart the impact that the operations are having on human health and on the environment, as well as how they can counter any negative effects. For example, the affected companies are identifying and managing risks

associated with chemicals in accordance with the Reach provisions, including chemical registration, evaluation, permits and limitations regarding chemical substances.

WASTE MANAGEMENT AND RECYCLING

The Earth's resources are being used in a manner that is not sustainable, which is having major consequences for people and the environment. As manufacturing companies, we have an environmental responsibility, not only to ensure that the production processes live up to stipulated requirements, but also for what happens with waste material and finished products when they reach the end of their service life or are taken out of use for some other reason. We are working to minimise our environmental impact by reducing waste volumes and increasing material recycling in our production processes. This not only entails the use of a smaller volume of raw materials, but also energy and cost savings.

ENERGY EFFICIENCY

We are working actively to make our operations more energy efficient. Reduced energy

consumption produces several benefits: as well as reducing our impact on the climate and achieving cost savings, we are also increasing our competitiveness by means of more satisfied customers.

During 2018, we will be establishing goals and guidelines for our continued energy efficiency work based on the analyses and measurements that were conducted over the past year.

MORE ENVIRONMENTALLY FRIENDLY

TRANSPORT

The transport systems used in society and the companies are currently dependent on fossil fuels. The use of fossil fuels has a negative impact on the climate and the environment, as they contribute to the greenhouse effect. The same applies to the Group's logistics solutions.

On the basis of the data that was collected during 2017, we intend to evaluate the potential for more sustainable and environmentally friendly transport, for example through the choice of transport method, type of fuel, number of deliveries and delivery volumes. ■



RECYCLABLE AND RECYCLED PLASTIC – AN OBVIOUS CHOICE FOR CIPAX

Through conscious, strategic initiatives at all stages of the value chain – within its own organisation as well as in the supplier and customer stages – Cipax aims to assume greater environmental responsibility. One important ingredient in this work is to manufacture products that are as environmentally friendly as possible.

Cipax's products are made from recyclable materials such as polyethylene, polyamide and polypropylene, whereas several competitors are using fibreglass in their manufacturing process – a material that usually becomes landfill waste after use.

The production of plastic components results in waste material, which is negative for the environment if it is not dealt with and recycled. Cipax has developed technology and process flows for ensuring that surplus material and used components are reused for the manufacture of new products – a lifecycle approach that benefits both the environment and the company's profitability.

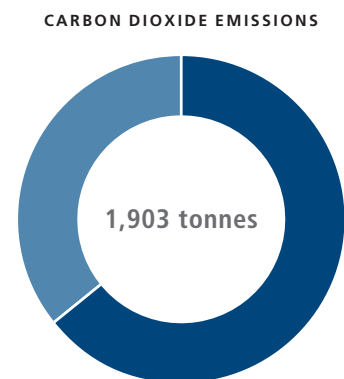
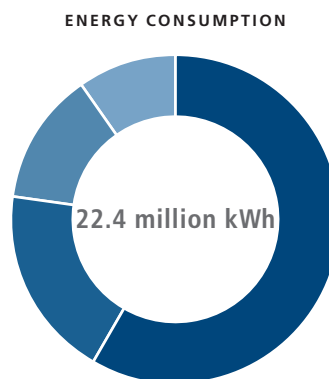
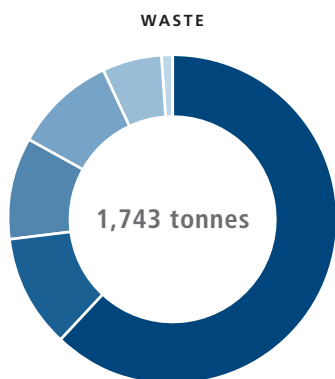
At present, Cipax's own volume of recycled material is not sufficient to meet the ever higher demand. Through extended collaborations with customers and other external parties regarding collection and handling, Cipax will gain access to larger quantities for reuse during 2018.



Cipax is distinguishing itself on the market by manufacturing plastic products that are as environmentally friendly as possible.

This picture shows a compost container made from 100 per cent recyclable polyethylene plastic and where part of the raw material comprises recycled material.

During 2017, the Group has conducted measurements within the fields of waste, energy consumption and carbon dioxide emissions. The results of these measurements will be followed up and targets for improvements will be established during 2018.



- Material recycling, metals (62%)
- Energy recovery (11%)
- Material recycling, other (10%)
- Recycling, hazardous waste (10%)
- Other recycling and landfill, non-hazardous waste (6%)
- Landfill, hazardous waste (1%)

- Electricity (58%)
- LPG (19%)
- District heating (13%)
- Miscellaneous (10%)

- Transport of goods (64%)
- Passenger transport (36%)



SOCIAL RESPONSIBILITY

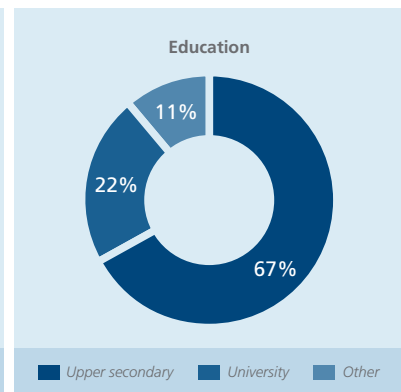
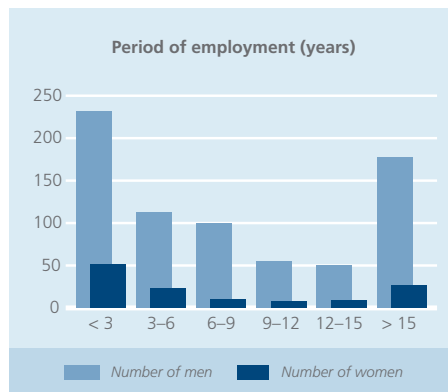
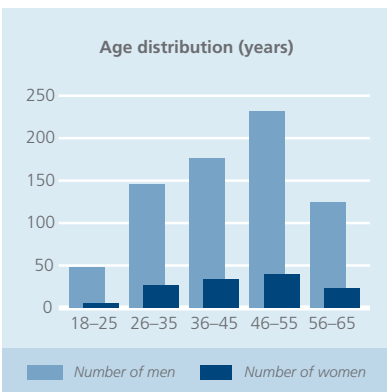
XANO's acceptance of social responsibility can be divided into two parts: internal and external. The internal acceptance of responsibility relates to assuming responsibility for employees and ensuring that each individual has a good working environment from both a physical and a psychosocial perspective. The external acceptance of responsibility relates to assuming responsibility for people in and the development of the local community in which the Group operates.

ATTRACTIVE EMPLOYER

There is considerable competition for employees on the labour market, particularly within the manufacturing sector. Our ambition is to be an attractive employer with a good reputation on the labour market, as well as to have a strong and attractive employer brand.

XANO's employer branding work covers issues and activities linked to how the Group companies are perceived as employers by current, future and former employees. We

are currently working actively within various areas with the aim of attracting, recruiting, motivating and retaining personnel. As from 2017, employer branding is part of each Group company's business plan and is one of the Group management's areas of focus during the current year. ➔



REFLECTIONS FROM THE CEO

To manage our heritage with the focus on long-term profitability, we will be working systematically and consciously on sustainability issues – both for us as a company and for the society in which we operate.

It is a matter of accepting responsibility for sustainable development, internally and externally, both now and for future generations.

There is plenty happening on the market and within industry as regards sustainable development. From an earlier emphasis on environment-related issues, I am now noticing an increased focus on social conditions. We are also working continually to increase awareness in this area, for example through evaluation and employer branding work. For us, our personnel are our most important resource. Each individual member of our workforce is a key person with specific knowledge and experience who is difficult to replace.

Systematic sustainability work facilitates and generates business benefits. An example of this is Industry 4.0, which for us relates to creating the conditions for more sustainable production by adopting new technology. New solutions in the form of digitalisation and automation are making it possible for us to help our customers remotely, which benefits the environment at the same time as leading to new business.

Having close, long-term relationships with both customers and suppliers is a key to success, regardless of whether this relates to product development, the environment, quality, personnel issues or business ethics. Over the years, we have done business in some 40 countries with varying cultures, and we are work-



ing actively to ensure high morals and good business ethics both internally and externally. It is a matter of common sense as well as respect for the individual and the environment around us.

We currently have many activities in progress in the field of sustainability, but we want to achieve more. During 2018, we will continue our work of safeguarding sustainable business development as well as strengthening our internal and external employer brand.

I am both excited and committed as I look forward to our journey towards a more sustainable XANO in 2018 – a journey that we will be making alongside our customers and suppliers.

Lennart Persson
Managing Director and CEO



Mats Blomqvist and Jonathan Hillblom, whose areas of responsibility cover control and technology, were two of the participants when Mikroverktyg visited the EMO trade fair in Hanover.

EMPLOYER BRANDING VIA DEVELOPMENT AND SOLIDARITY

Mikroverktyg is part of XANO's Precision Technology business unit. The company manufactures precision components and transmission parts, as well as tools, fixtures, prototypes and special equipment. Generating commitment at work has been one of Mikroverktyg's areas of focus during 2017.

The EMO trade fair, one of the world's largest meeting places for manufacturing industry, was arranged in Hanover in September. Mikroverktyg's participation generally relates to keeping an eye on competitors and monitoring new technology. Prior to the fair in Hanover, the company's management offered all personnel the opportunity to attend, both to aid skills development and to strengthen the sense of solidarity.

The activity was voluntary, and out of a total of around 50 employees, some 30 opted to take part. Two of these were Andreas Ekström and Leif Hildebrand.

Andreas and Leif found the visit to the trade fair to be very positive from an individual development perspective. They were given the opportunity to acquaint themselves with the latest technology, knowledge that both have taken back to their respective positions as a machine operator and a toolmaker.

"I have stood next to machines for 20 years and have now been given the opportunity to look at new products along with my colleagues," says Leif, who has been employed by the company for 38 years.

Andreas has worked at Mikroverktyg for 8 years and feels that he gained a good insight into what the range of technology available on the market looks like in the light of day.

"The trade fair provided me with a good awareness and a greater understanding of developments when it comes to machinery, tools and services."

Andreas and Leif stress that few are granted the opportunity to take part on a trip like this one to the EMO trade fair.

"It is by no means a matter of course for the entire workforce to be able to head off like this," says Andreas, and Leif agrees.

"I didn't come across any other company that had as many employees with them at the fair. For the most part, each company had only taken two or three people," says Leif.

"We were even mentioned in a sector magazine," chips in Andreas, before continuing: "I think this has been great fun. The trip has undoubtedly strengthened the sense of solidarity within the company, and I now have an even more positive view of Mikroverktyg as an employer."

Mikroverktyg's CEO Kjell Wallin's vision for the trip was that it would contribute to skills development and create a stronger employer brand.

"We have to dare to invest in our personnel, as they are the company's most important resource," concludes Kjell.

LEADERSHIP

The preconditions for a sustainable operation are generated by committed and responsible employees. In order to achieve this, we need skilled managers who can see the potential that exists within individuals and groups. For us, it is a matter of building long-term, healthy relationships, where leadership becomes a tool for achieving goals, resolving tasks and producing results. Against this background, we are working actively with leadership issues and skills development.

SKILLS DEVELOPMENT

XANO's objective is for all employees to possess the correct skills. The Group's companies are constantly striving to increase the skills of their employees, for example through training programmes within XANO Academy.

WORKING ENVIRONMENT

We have a responsibility to secure a good working environment for our personnel from both a physical and a psychosocial perspec-

tive, and to ensure that nobody sustains injuries due to their job.

We therefore work actively and systematically to improve our working environment. The working environment is constantly being evaluated and risks are constantly being assessed. Measures are implemented if necessary and then followed up to ensure that they have produced the intended effect.

Employing a proactive approach with the aim of preventing ill health is important for XANO. Examples of initiatives include the companies in the Group supplying health-care benefits to their employees and the fact that the majority of the Group's companies are affiliated to occupational health services where personnel are offered regular health checks.

SAFETY IN THE WORKPLACE

Safety awareness and good safety behaviour at the workplace in general and specifically in production are of the utmost importance within the Group. The safety of the

employees is the priority. The companies must have equipment that eliminates the risk of injuries and facilitates demanding work procedures, for example. Safety regulations and procedures must be drawn up and complied with. Any accidents and near-accidents must be reported and investigated.

EQUALITY

Equality entails equal terms and conditions for men and women, an approach that is obvious to us. In order to safeguard equality at each workplace, we continually evaluate and monitor of equality plans and policies.

The manufacturing sector is male-dominated, and the same is true of the workforce within the Group. We want to see a more even gender distribution. When recruiting, we therefore endeavour to market ourselves in a way that is intended to generate greater interest among female candidates regarding positions that are traditionally held by men. →

| KEY FIGURES FOR PERSONNEL | | 2017 |
|--|-------|------|
| Average number of employees | | 807 |
| – in Sweden | | 420 |
| – in other countries | | 387 |
| – women | | 123 |
| – men | | 684 |
| Average age, women ¹⁾ | years | 43 |
| Average age, men ¹⁾ | years | 44 |
| Average employment period, women ¹⁾ | years | 7 |
| Average employment period, men ¹⁾ | years | 8 |
| Absence due to illness | % | 3.3 |
| – short-term | % | 2.4 |
| – long-term | % | 0.9 |

¹⁾ Refers to employees at the end of the year.



XANO Academy is the Group's internal training arena. The purpose of the academy is to strengthen and profile XANO as an employer, to invest in employees, to facilitate a platform for internal networks, to achieve increased competitive advantages and to create a forum for the communication and implementation of XANO's core values.

The development programmes run for twelve months and are divided into six modules, the content of which is adapted according to the target group's structure and skills requirements.

To date, 64 employees have attended XANO Production School, which focuses on various groups of production personnel. In addition, 16 employees with a sales focus have taken part in XANO Sales School and 33 managers have attended XANO Management School.



DIVERSITY

XANO aims to be an attractive workplace where everyone is treated fairly and equally. For us, diversity means everyone having the same rights and opportunities, regardless of their gender, ethnicity, age, sexual orientation, transgender identity or expression, religion or other belief system or disability. Our diversity work is based on the Group's sustainability policy and code of conduct.

For us, diversity is valuable – a good mix of people with a variety of experiences can increase innovation, creativity, efficiency and quality in our operations – in particular due to the positive effects on the working environment that result from greater diversity. A multi-faceted XANO also increases the Group's credibility in relation to other stakeholders. Having employees with varying knowledge and backgrounds provides the Group's companies with expertise and perspective that make it easier to understand the

needs, demands and expectations of various target groups and stakeholders. This in turn makes a valuable contribution to product development and service.

ZERO TOLERANCE OF DISCRIMINATION AND HARASSMENT

Each and every employee within XANO is expected to treat their colleagues and fellow people with respect. We have zero tolerance of all forms of discrimination and harassment.

XANO'S ROLE IN THE COMMUNITY

For us, it is important to accept social responsibility in the local community in which we operate. Most of the Group's companies work in small towns where they constitute a central, important employer. We are always careful to adopt a long-term approach in all our relations. We try as far as possible to be sensitive and to satisfy the needs and wishes of our stakeholders, yet without compromis-

ing on the environment or profitability as a result.

In order to attract future personnel and contribute to some extent to the development principally of industrial training programmes, we collaborate with Swedish universities and participate in sector-specific training courses. During the year, several Group companies in Sweden have also been in contact with the Swedish Public Employment Service and their respective home municipalities with the aim of guaranteeing skills provision, helping vulnerable groups to enter the labour market and facilitating healthy integration. One highly successful project in 2017 was LK Precision's collaboration with Haninge Municipality.

During 2018, we will be continuing the work of reviewing how best to collaborate with the local community from a skills provision, integration and diversity perspective. ■



SECURE SKILLS PROVISION THROUGH DIVERSITY & INTEGRATION

A conversation between LK Precision and Haninge Municipality

We are sitting in LK Precision's staff area in Skogås, sharing a coffee break with Haninge Municipality and looking back over the past year. During 2017, LK Precision launched a collaboration with Haninge Municipality's labour market unit, with the aim of securing LK Precision's skills provision through diversity and integration.

During spring 2017, LK Precision needed to take on more employees, but was having difficulty finding personnel for its production process. After surveying and testing various recruitment channels, production manager Fredrik Marknäs came across details regarding an offer of collaboration from Haninge Municipality. Fredrik made contact with the recruitment agent Jens Gustafson von Zeipel.

Together, they looked at LK Precision's specific opportunities and needs. Around a week later, Fredrik was contacted by Jens,

who announced that he had a possible candidate for a work placement position, called Hassan Beddel. Hassan had been awarded his residence permit in Sweden two years previously, and since then had been trying to find a job. Hassan was offered and accepted the work placement, which lasted for two months.

"Hassan immediately became an asset for LK Precision. He did very well and was very keen to learn," says Ebrima John, who acted as Hassan's mentor during the placement period. Fredrik agrees, adding:

"We invested our time but nothing else, and this started to pay off as early as the second week."

In December 2017, Hassan was offered a permanent position at LK Precision. When Hassan is asked what this has meant to him, he says:

"I am now self-sufficient and no longer dependent on welfare. By getting a job, I am becoming part of Swedish society."

At the end of 2017, the municipality and LK Precision launched another collaboration project. With the support of the municipality, the company hopes to be able to secure the provision of skills in the long term.

"This collaboration is undoubtedly a win-win situation," says Fredrik.

"Our contacts with the commercial sector are incredibly important," emphasises Jens from the municipality's perspective. Ebrima agrees, stressing:

"Everyone who comes to Sweden has something to offer that can benefit companies, and it is important for us at LK Precision to see and attract them before someone else does."

"There are undoubtedly approaches we have not thought of before when it comes to identifying potential labour. The people are out there – it's just a matter of finding them – and we found Hassan," concludes Fredrik.

6 QUICK QUESTIONS TO BOARD MEMBER ANNA BENJAMIN



1. How does the Board view sustainability issues?

We take sustainability issues extremely seriously. In addition to positive effects for people and the environment, we also believe that there are tangible business strategy benefits linked to these issues. For us, it is important to secure a clear vision. The XANO companies must be able to conduct their sustainability work independently, yet with joint control.

2. What risks does the Board see in relation to sustainability?

The main risk that the Board sees is linked to our stakeholders' trust capital, i.e. the risk that we fail to live up to the expectations our stakeholders have of us.

3. What is the Board's sustainability agenda for 2018?

We will be continuing our work of developing XANO with the aim of safeguarding long-term profitability. For example, we consider that skills provision is becoming increasingly important, with diversity and skills development as central parameters. The Board will also be drawing up a sustainability strategy during 2018, including targets and key performance indicators, as well as ensuring that the strategy is followed up.

4. What characterises XANO from a sustainability perspective?

I would say the Småland spirit. XANO is a responsible company. Being cost-conscious, optimising resources and recycling where possible, working to achieve constant improvements, as well as building up wellbeing and long-term relations with employees, customers and suppliers, are natural ingredients in XANO's heritage.

5. What is XANO's greatest challenge for 2018 in relation to sustainability?

It is the issue of resources. The economic boom and the fact that XANO is an acquisition-driven company jointly entail a strained situation as regards resources. This is accompanied by the risk that sustainability issues will not be sufficiently high up on the companies' agendas.

6. What should XANO focus on during 2018 from a sustainability perspective?

The focus should be on integrating the sustainability issues in the companies through a business-driven approach, as well as ensuring that they become a natural part of our corporate governance.

FINANCIAL RESPONSIBILITY

In order to be profitable, it is important to use all your resources with care and to work efficiently at every stage. XANO has a clear focus on long-term, profitable growth. Through its long-term approach, XANO accepts responsibility, not only from a financial perspective, but also in relation to social aspects and the environment. As a consequence, sustainability has always been a core of the Group's operations. Now that Industry 4.0 is knocking at the door, XANO is excitedly looking forward to connecting new technology and new business with the acceptance of social and environmental responsibility.

BUSINESS ETHICS

The long-term approach is a natural part of the XANO spirit and our corporate values. Our external stakeholder relations are also characterised by this long-term attitude, where good business ethics are a precondition for trust. Ethics is about doing the right

things – respecting laws and paying tax in accordance with applicable regulations, as well as having zero tolerance of corruption.

ANTI-CORRUPTION

Within XANO, there is zero tolerance of bribery and corruption. Based on the Group's sustainability policy and code of conduct, we are working actively and consciously to combat corruption. Particular risk areas are identified in our work on internal control. Payment processes and other sensitive operations are continually reviewed and safeguarded.

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

TRANSPARENCY AND OPENNESS

The Group's companies are working to promote open communication with both employees and the outside world, without breaching applicable regulations or jeopardising confidentiality in respect of trade secrets and individual personal data. ■



DIVERSITY POLICY FOR THE BOARD OF XANO INDUSTRI AB (PUBL)

In its proposal to the Annual General Meeting regarding the choice of Board members, the company's nomination committee must take into account rule 4.1 of the Swedish Corporate Governance Code, using the most recently revised version which applies from 1 December 2016, which states:

“The board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the board.”

XANO Industri AB's sustainability report for 2017 has been drawn up in accordance with the requirements set out in the Annual Accounts Act. The sustainability report for 2017 was adopted by XANO's Board of Directors on 15 March 2018.



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DIRECTORS' REPORT

The Board of Directors and the CEO of XANO Industri AB (publ), with corporate identity no. 556076-2055 and registered office in Jönköping, Sweden, hereby submit the annual report and consolidated financial statements for the 2017 financial year.

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

OPERATIONS

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

REVENUE AND PROFIT

Net revenue totalled SEK 1,663 million (1,052). Operating profit amounted to SEK 220 million (96), corresponding to an operating margin of 13.2 per cent (9.1). Profit before tax was SEK 200 million (92).

SHARE DATA AND KEY RATIOS

Earnings per share were SEK 11.44 (5.09). Equity per share was SEK 39.19 (29.80). The average number of outstanding shares was 13,813,490 during the year. The equity/assets ratio was 36 per cent (27) at the end of the year. The average number of employees was 807 (666).

IMPORTANT EVENTS DURING THE YEAR

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

In December, XANO signed an agreement to acquire all the shares in Blowtech Group AB.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

On 2 January 2018, XANO concluded the acquisition of Blowtech Group. Blowtech is a leading Nordic player in technical blow moulding of plastics. Blowtech produces complex components for vehicles, construction machinery and infrastructure equipment. The company has built up a very strong market presence, particularly in the Nordic region, using its extensive experience of blow moulding acquired over many years. Blowtech Group has production facilities in Gnosjö, Sweden, and Kongsvinger, Norway, with a workforce of some 120 employees. The acquisition also includes LTBP Sweden AB, in whose property the Swedish operations are located. The business has a turnover of SEK 250 million with an operating margin of approximately 12% and a balance sheet total of approximately SEK

200 million. The acquired operations are expected to contribute annual earnings per share of SEK 1.25.

As from 2018, Blowtech is a part of the Industrial Products business unit (formerly Rotational Moulding) along with Cipax and Ackurat. The acquisition of Blowtech gives the XANO Group access to additional technical expertise in the field of plastics processing as well as to new market segments. The acquisition also allows potential synergies to be created through transfer of knowledge between the fellow subsidiaries, bringing greater strength to individual entities as well as expanding the joint market portfolio.

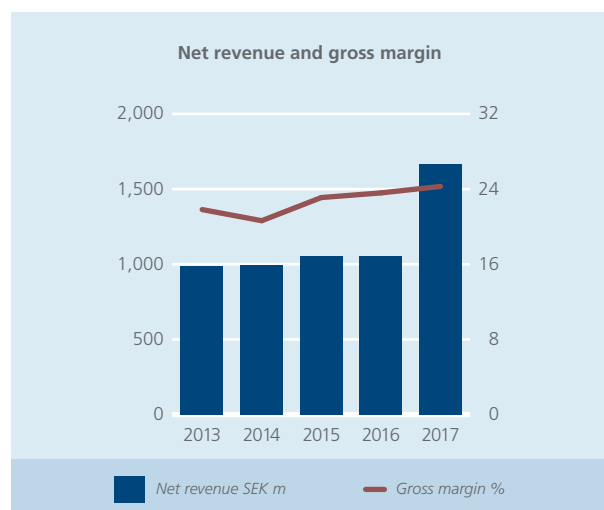
The purchase sum, which was paid partly in cash and partly through the transfer of company shares, amounted to SEK 238 million on a debt-free basis. For settlement of the equivalent of SEK 20 million of the purchase sum, 133,778 of the company's own class B shares were transferred at the rate of SEK 149.50.

ACTIVITIES AND ORGANISATION

The XANO Group consists of engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic countries, Estonia, the Netherlands, Poland, China and the USA. The companies all operate within well-defined niches and possess a high level of expertise within their respective technical areas. In 2017, the Group's operations were divided into three business units: Industrial Solutions, Precision Technology and Rotational Moulding.

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

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



precision. Production primarily comprises low to medium-volume runs of parts and systems within areas such as medical technology and infrastructure.

The Rotational Moulding business unit consists of the Cipax Group. Operations comprise the design, manufacture and sale of plastic components and systems produced by means of rotational moulding. Deliverables include both customer-specific and in-house developed products. The primary product segments include boats, products for the automotive and infrastructure industries, industrial containers and buoyancy devices.

In conjunction with the conclusion of the acquisition of Blowtech in January 2018, the Rotational Moulding business unit was restructured and changed its name to Industrial Products. The business unit now comprises Cipax, Accurat (previously within Industrial Solutions) and Blowtech.

THE GROUP'S DEVELOPMENT DURING THE YEAR

The results from operations during the first quarter were very strong. All business units reported growth with improved margins. In total, the Group's operating profit more than doubled in relation to the comparison period.

The strong start to the year was followed by a second quarter characterised by increasing volumes and retained good profitability in all business units.

The Group enjoyed a strong third quarter with high growth and an operating profit more than double the figure achieved in the corresponding period last year. The market conditions were generally good, which contributed to incoming orders also being satisfactory during the quarter.

A positive outcome from implemented activities, combined with continued favourable market conditions, generated further growth and more than five times the operating profit during the final quarter of the year in relation to the comparison period.

The Group's full-year figures showed a combined growth of just over 58 per cent, of which Jorgensen contributed 36 per cent, as well as an operating profit that exceeded last year's figure by 131 per cent.

INDUSTRIAL SOLUTIONS

The Industrial Solutions business unit achieved almost double the turnover and three times the operating profit compared to the previous year. Jorgensen was responsible for the majority of the additional volume, although organic growth amounted to a good 32 per cent. During the year, significantly higher project volumes were supplied to the packaging industry, while assignments for major contract customers also grew in size. Sales of proprietary products to furniture and interior manufacturers

achieved considerable export successes and reported new record figures. The market conditions were generally good throughout the year, although incoming orders in respect of new automation projects declined to some extent during the late autumn.

PRECISION TECHNOLOGY

The companies in the Precision Technology business unit reported an overall increase in volume, with a marked strengthening of the operating margin compared to last year. Thanks to ongoing strategic investments in production capacity and strengthened technical expertise, the operations were able to benefit from the year's favourable market climate and continue to expand. Above all, assignments with existing customers within the medical technology industry sector increased in scope. The positive profitability trend is built on an ever higher degree of automation and the rational use of the companies' resources.

ROTATIONAL MOULDING

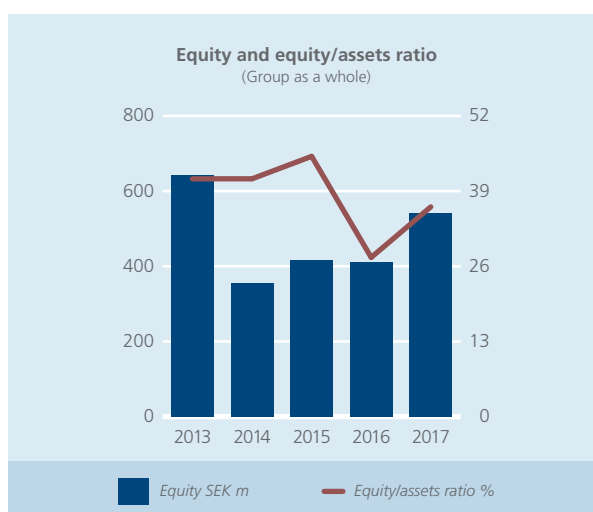
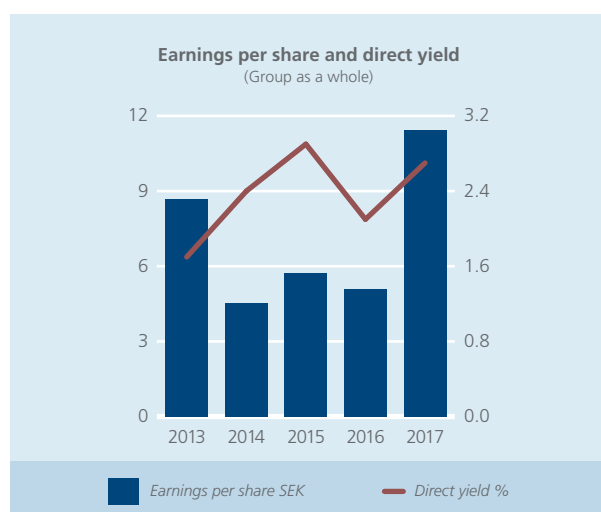
Operations within the Rotational Moulding business unit displayed a slight growth with stable profitability. Restraint on the part of customers within individual product segments was compensated by good development in other areas. The companies experienced large fluctuations in incoming orders during the second half of the year in relation to the comparison period, although a positive end to the year meant that the volume of orders was higher at the year-end than last year. Further development of the proprietary product ranges as well as strategic marketing activities continued to be a high priority.

FUTURE DEVELOPMENT

In the long term, future activities are being focused on maintaining stable organic growth with good profitability. With the current favourable market situation and well functioning organisations, the conditions are in place for positive development in the short term as well. With the current Group structure, temporary downturns within individual sectors or markets can be compensated by expansion in other areas. The potential exists for growth through further development of existing assignments as well as through establishment on new markets and in new customer segments.

INVESTMENTS

Net investments in non-current assets came to SEK 46 million (410), of which SEK 3 million related to intangible assets, SEK 17 million to real estate and SEK 26 million to machinery and equipment.



CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to SEK 117 million (128). Growth during the year has generated increased working capital, principally in the form of trade receivables and inventories. Despite improved profits, the cash flow from ongoing operations was therefore lower than that in the comparison period.

Liquid assets, including lines of credit granted but not utilised, stood at SEK 343 million (358) on the balance sheet date.

RISKS AND UNCERTAINTY FACTORS

The Group's main risk and uncertainty factors include operational risks associated with customers and suppliers and other external factors such as price risks for input goods. In addition, there are financial risks as a result of changes in exchange rates and interest rate levels. A statement on the Group's main financial and operational risks can be found in Note 35 on pages 88–89. In 2017, project deliveries to the packaging industry accounted for a large part of the Group's growth. The higher proportion of project-based sales entails an increased risk of volume fluctuations. Newly acquired Blowtech has business characteristics which, to a certain extent, limit this risk.

CURRENCY AND INTEREST RATES

As a result of its international activities, XANO is particularly exposed to currency fluctuations, mainly in DKK, EUR and USD relative to SEK. The Group's interest-bearing liabilities amounted to SEK 535 million (690) on the balance sheet date. A detailed description of the Group's financial risks can be found in Note 35 on pages 88–89.

SUSTAINABILITY

XANO's sustainability report has been prepared separately from the directors' report and can be found on pages 45–61.

ENVIRONMENTAL IMPACT

The Group is engaged in activities with a reporting obligation in four Swedish subsidiaries and activities that require a permit under the Swedish Environmental Code in one Swedish subsidiary. The parent company does not conduct any activities that require a permit. A description of the Group's environmental activities can be found in the 2017 sustainability report.

RESEARCH AND DEVELOPMENT

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

THE SHARE AND SHAREHOLDERS

A stock split in relations 2:1 was carried out in June 2017. As of the balance sheet date, the total number of shares is 14,093,490, divided between 3,644,400 class A shares and 10,449,090 class B shares. Class A shares give entitlement to ten votes, while class B shares give entitlement to one vote. As of the balance sheet date, the company holds 280,000 class B shares in own custody.

As of the balance sheet date, there were two shareholders who each owned and controlled more than 10 per cent of the votes for all shares in the company. Anna Benjamin controlled 28.7 per cent of the capital and 57.8 per cent of the votes. Pomona-gruppen AB held 29.9 per cent of the capital and 29.7 per cent of the votes.

CONVERTIBLE BOND PROGRAMME

On 1 July 2016, convertibles at a nominal value of SEK 62,130,000 were issued to employees within the XANO Group. The convertibles accrue interest corresponding to STIBOR 3M plus 2.20% and fall due for payment on 30 June 2020. The conversion rate was originally SEK 218. Due to the share split, the conversion rate has been recalculated in accordance with section 8B of the terms and conditions. The recalculated conversion rate is SEK 109. During the period 1 June to 12 June 2020, each convertible may be converted to one class B share in XANO Industri AB. If all convertibles are converted to shares, the dilution will be approx. 4 per cent of the share capital and 1.2 per cent of the number of votes based on the total number of shares on the balance sheet date.

WORK OF THE BOARD OF DIRECTORS

The 2017 AGM decided that the Board of Directors should consist of seven 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 2017 financial year, the Board of Directors held seven meetings. Each regular meeting deals with the reports and items requiring a decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as acquisitions and major investments.

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

NOMINATION COMMITTEE

A nomination committee was appointed at the 2017 AGM consisting of Ulf Hedlundh (chairman), Fredrik Rapp and Anders Rudgård. The task of the committee prior to the 2018 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and to propose fees for the Board, committees and auditor. The nomination committee has held three meetings prior to its proposal to the 2018 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

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

AGREEMENTS

In 2017, the company had a contract with Board member Sune Lantz, who assisted the company with consulting services in his normal professional area of expertise. There are no other agreements between the company and the members of the Board of Directors apart from agreements relating to Board directorships drawn up for each term on the Board.

FIVE-YEAR OVERVIEW

| | 2017 | 2016 | 2015 | 2014 ⁴⁾ | 2013 ⁴⁾ |
|--|--------------|--------------|------------|------------------------------|------------------------------|
| Income statement, SEK m | | | | | |
| Net revenue | 1,663 | 1,052 | 1,052 | 994 | 989 |
| Cost of goods sold | -1,259 | -804 | -809 | -789 | -774 |
| Gross profit | 404 | 248 | 243 | 205 | 215 |
| Selling expenses | -115 | -100 | -101 | -93 | -89 |
| Administrative expenses | -68 | -53 | -48 | -44 | -44 |
| Other operating income/expenses | -1 | 1 | 2 | 1 | 3 |
| Operating profit | 220 | 96 | 96 | 69 | 85 |
| Financial income | 4 | 11 | 5 | 4 | 9 |
| Financial expenses | -24 | -15 | -16 | -17 | -22 |
| Profit before tax | 200 | 92 | 85 | 56 | 72 |
| Tax | -42 | -22 | -19 | -13 | -17 |
| Profit from continuing operations | 158 | 70 | 66 | 43 | 55 |
| Profit from discontinued/spin-off operations | – | – | 12 | 18 | 63 |
| Net profit for the year | 158 | 70 | 78 | 61 | 118 |
| Financial position 31 December, SEK m | | | | | |
| Non-current assets | 905 | 910 | 543 | 519 | 1,004 |
| Current assets | 615 | 599 | 376 | 341 | 553 |
| Equity | 541 | 412 | 416 | 355 | 643 |
| Non-current liabilities | 501 | 512 | 175 | 251 | 440 |
| Current liabilities | 478 | 585 | 328 | 254 | 474 |
| Balance sheet total | 1,520 | 1,509 | 919 | 860 | 1,557 |
| Cash flow, SEK m | | | | | |
| | | | | <i>of which⁵⁾</i> | <i>of which⁵⁾</i> |
| Cash flow from operating activities | 117 | 128 | 158 | – | 93 |
| Cash flow from investing activities | -42 | -319 | -58 | 12 | -85 |
| Cash flow after investments | 75 | -191 | 100 | 12 | -22 |
| Cash flow from financing activities | -189 | 315 | -91 | – | -8 |
| Cash flow for the year | -114 | 124 | 9 | 12 | 0 |
| | | | | <i>28</i> | <i>161</i> |
| | | | | <i>-50</i> | <i>72</i> |
| | | | | <i>8</i> | <i>186</i> |
| | | | | <i>23</i> | <i>111</i> |
| | | | | <i>1</i> | <i>-100</i> |
| | | | | <i>-37</i> | <i>11</i> |
| Key ratios | | | | | |
| Operating margin, % | 13.2 | 9.1 | 9.1 | 7.0 | 8.6 |
| Profit margin, % | 12.0 | 8.7 | 8.0 | 5.6 | 7.2 |
| Return on equity, % ¹⁾ | 33.6 | 17.1 | 20.0 | 13.1 | 19.8 |
| Return on capital employed % ¹⁾ | 20.7 | 13.6 | 15.9 | 10.9 | 14.7 |
| Return on total capital, % ¹⁾ | 14.8 | 10.1 | 12.1 | 8.5 | 11.2 |
| Interest coverage ratio, multiple ¹⁾ | 9.3 | 7.1 | 6.8 | 5.1 | 6.4 |
| Average equity, SEK m ¹⁾ | 470 | 407 | 389 | 466 | 595 |
| Average capital employed, SEK m ¹⁾ | 1,083 | 786 | 715 | 905 | 1,208 |
| Average total capital, SEK m ¹⁾ | 1,512 | 1,063 | 940 | 1,187 | 1,579 |
| Equity/assets ratio, % ¹⁾ | 36 | 27 | 45 | 41 | 41 |
| Proportion of risk-bearing capital, % ¹⁾ | 40 | 31 | 48 | 45 | 47 |
| Basic earnings per share, SEK ^{2,3)} | 11.44 | 5.09 | 4.81 | 3.18 | 4.01 |
| Basic earnings per share (Group as a whole), SEK ^{1,2,3)} | 11.44 | 5.09 | 5.73 | 4.53 | 8.69 |
| Costs related to convertible bonds, SEK m | 2 | 2 | 1 | 1 | 1 |
| Equity per share, SEK ^{1,3)} | 39.19 | 29.80 | 30.67 | 26.18 | 47.40 |
| Cash flow from operating activities per share, SEK ^{1,3)} | 8.51 | 9.33 | 11.67 | 6.83 | 11.84 |
| Proposed dividend per share, SEK ³⁾ | 4.00 | 2.25 | 2.25 | 1.25 | 2.00 |
| Miscellaneous | | | | | |
| Scheduled depreciation, SEK m | 52 | 47 | 48 | 43 | 41 |
| Scheduled depreciation (Group as a whole), SEK m ¹⁾ | 52 | 47 | 48 | 52 | 68 |
| Interest-bearing liabilities, SEK m ¹⁾ | 535 | 690 | 259 | 319 | 577 |
| Deferred tax liability, SEK m ¹⁾ | 71 | 52 | 28 | 33 | 83 |
| Net investments excl. corporate transactions, SEK m | 46 | 45 | 36 | 49 | 38 |
| Average number of employees | 807 | 666 | 660 | 675 | 664 |

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

²⁾ Based on net profit for the year.

³⁾ The comparison figures have been recalculated due to the 2:1 share split carried out in June 2017.

⁴⁾ From 2015 onwards, the percentage-of-completion method is applied to project deliveries made to the packaging industry. The comparative figures for 2014 have been recalculated in accordance with IAS 8. Previous periods have not been recalculated as it has been deemed impractical to establish the projects' percentage of completion. Balance sheet items as at 31/12/2013 have been recalculated to achieve correct opening balances for 2014.

⁵⁾ Attributable to discontinued/spin-off operations.

For definitions and information on key figures, see page 90. For details on the number of shares, see page 10.

CORPORATE GOVERNANCE

XANO's corporate governance is based on Swedish legislation and the listing agreement with Nasdaq Stockholm. Directives issued by authorities and stakeholders within Swedish industry and on the financial market are also applied for various issues. Governance, management and control are divided between shareholders at the AGM, the Board and the CEO in accordance with the Swedish Companies Act and the company's Articles of Association and rules of procedure. From 1 July 2008, all companies listed on Nasdaq Stockholm must follow the "Swedish Corporate Governance Code", known as "the Code". XANO's corporate governance report has been prepared separately from the directors' report and can be found on pages 105–108.

AUTHORISATION FOR REPURCHASE OF OWN SHARES

Due to the 2:1 share split carried out in June 2017, the number of class B shares in own custody amounted to 280,000. After deduction of the company's own holding, the number of outstanding shares amounted to 13,813,490 at year-end. After the balance sheet date, 133,778 own class B shares were transferred in conjunction with an acquisition and the company hence holds 146,222 of its own class B shares, corresponding to 1.0 per cent of total share capital.

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

AUTHORISATION FOR A NEW SHARE ISSUE

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

REMUNERATION AND EMPLOYMENT CONDITIONS FOR SENIOR EXECUTIVES

The AGM decides upon the guidelines for the determination of salaries and other remuneration to the CEO and other senior executives. The guidelines that were approved by the 2017 AGM principally are as follows:

The conditions are to be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of four months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's

management may terminate their employment by giving six months' notice. In the event of notice being given to the CEO, severance pay totalling 18 months' salary shall be payable. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case.

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

The Board proposes that the above guidelines remain unchanged, with the exception of the limit for the maximum outcome for variable cash remuneration, which is proposed should amount to the equivalent of six months' salary.

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Parent Company

| The following amounts are at the disposal of the AGM: | (SEK) |
|---|--------------------|
| Share premium reserve | 12,529,166 |
| Retained earnings | 22,433,195 |
| Net profit for the year | 70,886,752 |
| Total | 105,849,113 |

| The Board of Directors and the CEO propose that the surplus be distributed as follows: | (SEK) |
|---|--------------------|
| Payment of a cash dividend of SEK 4.00 per share to shareholders (13,947,268 shares ¹⁾) | 55,789,072 |
| To be carried forward | 50,060,041 |
| Total | 105,849,113 |

¹⁾ After deduction for the company's own holding, the number of outstanding shares is 13,947,268.

STATEMENT BY THE BOARD OF DIRECTORS REGARDING THE PROPOSED DIVIDEND

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| GROUP (SEK THOUSANDS) | Note | 2017 | 2016 |
|--|----------------|----------------|----------------|
| Net revenue | 3, 4 | 1,663,197 | 1,051,666 |
| Cost of goods sold | 6, 7, 8 | -1,259,317 | -803,851 |
| Gross profit | | 403,880 | 247,815 |
| Selling expenses | 6, 7, 8 | -115,065 | -100,478 |
| Administrative expenses | 6, 7, 8, 9 | -67,902 | -52,641 |
| Other operating income | 10 | 9,020 | 8,138 |
| Other operating expenses | 11 | -9,573 | -7,279 |
| Profit from participations in associated companies | 17 | -8 | - |
| Operating profit | 3, 4, 5 | 220,352 | 95,555 |
| Financial income | 12 | 4,089 | 11,360 |
| Financial expenses | 13, 26 | -24,251 | -15,057 |
| Profit before tax | | 200,190 | 91,858 |
| Tax | 14 | -42,179 | -22,065 |
| NET PROFIT FOR THE YEAR | | 158,011 | 69,793 |
| <i>– of which attributable to shareholders of the Parent Company</i> | | <i>158,011</i> | <i>69,793</i> |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items that may be reclassified to net profit for the year</i> | | | |
| Change in hedging reserve | 24, 28 | 2,627 | -3,545 |
| Tax relating to change in hedging reserve | 24, 28 | -578 | 780 |
| Translation differences | 24 | 647 | 5,987 |
| OTHER COMPREHENSIVE INCOME | | 2,696 | 3,222 |
| COMPREHENSIVE INCOME FOR THE YEAR | | 160,707 | 73,015 |
| <i>– of which attributable to shareholders of the Parent Company</i> | | <i>160,707</i> | <i>73,015</i> |
| SHARE DATA ¹⁾ | | | |
| Basic earnings per share | SEK 22, 23 | 11.44 | 5.09 |
| Diluted earnings per share | SEK 22, 23 | 11.14 | 4.91 |

¹⁾ The comparison figures have been recalculated due to the 2:1 share split carried out in June 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| GROUP (SEK THOUSANDS) | Note | 31/12/2017 | 31/12/2016 |
|--|---------------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| <i>Intangible non-current assets</i> | | | |
| Goodwill | 15 | 483,046 | 483,936 |
| Other intangible non-current assets | | 30,831 | 34,330 |
| | | 513,877 | 518,266 |
| <i>Property, plant and equipment</i> | | | |
| Land and buildings | 16 | 214,392 | 220,198 |
| Plant and machinery | 32 | 128,424 | 141,502 |
| Equipment, tools, fixtures and fittings | | 19,882 | 22,492 |
| Construction in progress and advance payments for non-current assets | | 26,243 | 5,525 |
| | | 388,941 | 389,717 |
| <i>Other non-current assets</i> | | | |
| Participations in associated companies | 17 | 16 | 25 |
| Non-current receivables | | 996 | 969 |
| Deferred tax asset | 28 | 854 | 1,340 |
| | | 1,866 | 2,334 |
| Total non-current assets | | 904,684 | 910,317 |
| Current assets | | | |
| <i>Inventories</i> | | | |
| | 18 | 205,728 | 176,494 |
| <i>Current receivables</i> | | | |
| Accounts receivable – trade and other current assets | 4, 19, 20, 35 | 344,172 | 239,717 |
| Prepaid expenses | | 11,623 | 16,102 |
| | | 355,795 | 255,819 |
| <i>Cash and cash equivalents</i> | | | |
| | 20, 21 | 53,146 | 165,107 |
| Total current assets | | 614,669 | 597,420 |
| <i>Assets held for sale</i> | | | |
| | | 964 | 1,331 |
| TOTAL ASSETS | | 1,520,317 | 1,509,068 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| GROUP (SEK THOUSANDS) | Note | 31/12/2017 | 31/12/2016 |
|--|----------------|------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 23 | 35,234 | 35,234 |
| Other contributed capital | | 25,993 | 25,993 |
| Reserves | 24 | 9,048 | 6,352 |
| Retained earnings | | 471,031 | 344,100 |
| Total equity | | 541,306 | 411,679 |
| <i>– of which attributable to shareholders of the Parent Company</i> | | <i>541,306</i> | <i>411,679</i> |
| Liabilities | | | |
| <i>Non-current liabilities</i> | | | |
| Non-current interest-bearing liabilities | 20, 26, 30, 32 | 427,377 | 451,118 |
| Other provisions | 27 | 2,609 | 8,706 |
| Deferred tax liability | 28 | 71,126 | 52,444 |
| | | 501,112 | 512,268 |
| <i>Current liabilities</i> | | | |
| Accounts payable – trade and other current liabilities | 4, 20, 29 | 341,792 | 322,176 |
| Provisions | 27 | 10,045 | 1,745 |
| Derivative instruments | 20 | 14,537 | 17,150 |
| Current interest-bearing liabilities | 20, 25, 30, 32 | 107,721 | 238,659 |
| Deferred income | | 463 | 67 |
| Current tax liability | | 3,341 | 5,324 |
| | | 477,899 | 585,121 |
| Total liabilities | | 979,011 | 1,097,389 |
| TOTAL EQUITY AND LIABILITIES | | 1,520,317 | 1,509,068 |

STATEMENT OF CHANGES IN EQUITY

| GROUP (SEK THOUSANDS) | Note | Share capital | Other contributed capital | Reserves | Retained earnings | Total equity |
|--|--------|---------------|---------------------------------|--------------|----------------------|----------------|
| Equity, 1 January 2016 | | 34,645 | 17,759 | 3,130 | 360,964 | 416,498 |
| Net profit for the year | | – | – | – | 69,793 | 69,793 |
| Other comprehensive income | | – | – | 3,222 | – | 3,222 |
| Comprehensive income for the year | | – | – | 3,222 | 69,793 | 73,015 |
| Effects of convertible loan issued | | – | 4,831 | – | – | 4,831 |
| Conversion of personnel convertibles | | 589 | 5,417 | – | – | 6,006 |
| Acquisition of own personnel convertibles | | – | -2,014 | – | -56,107 | -58,121 |
| Dividend paid in cash | | – | – | – | -30,550 | -30,550 |
| Total transactions with shareholders | | 589 | 8,234 | – | -86,657 | -77,834 |
| Equity, 31 December 2016 | 23, 24 | 35,234 | 25,993 | 6,352 | 344,100 | 411,679 |
| Net profit for the year | | – | – | – | 158,011 | 158,011 |
| Other comprehensive income | | – | – | 2,696 | – | 2,696 |
| Comprehensive income for the year | | – | – | 2,696 | 158,011 | 160,707 |
| Dividend paid in cash | | – | – | – | -31,080 | -31,080 |
| Total transactions with shareholders | | – | – | – | -31,080 | -31,080 |
| Equity, 31 December 2017 | 23, 24 | 35,234 | 25,993 | 9,048 | 471,031 | 541,306 |
| <i>– of which attributable to shareholders of the Parent Company</i> | | <i>35,234</i> | <i>25,993</i> | <i>9,048</i> | <i>471,031</i> | <i>541,306</i> |

CASH FLOW STATEMENTS

| GROUP (SEK THOUSANDS) | Note | 2017 | 2016 |
|---|-------------|-----------------|-----------------|
| Operating activities | | | |
| Operating profit | | 220,352 | 95,555 |
| <i>Adjustments for non-cash items etc.</i> | | | |
| Depreciation and amortisation | | 52,223 | 46,911 |
| Capital gain from sale of non-current assets | | 108 | -192 |
| Write-down of inventories | | 849 | 2,112 |
| Other | | 993 | 1,191 |
| Interest paid/received, net value | 33 | -16,683 | -9,082 |
| Income tax paid | | -23,640 | -25,694 |
| Cash flow from operating activities before changes in working capital | | 234,202 | 110,801 |
| Changes in working capital | | | |
| Increase (-) / decrease (+) in inventories | | -30,893 | -7,203 |
| Increase (-) / decrease (+) in current receivables | | -108,660 | 29,800 |
| Increase (+) / decrease (-) in current liabilities | | 29,643 | -6,806 |
| Increase (+) / decrease (-) in other provisions | | -6,697 | 1,266 |
| Cash flow from operating activities | | 117,595 | 127,858 |
| Investing activities | | | |
| Purchase of intangible non-current assets | | -3,368 | -1,570 |
| Purchase of property, plant and equipment | | -43,544 | -45,843 |
| Sale of property, plant and equipment | | 289 | 1,160 |
| Acquisition of shares in associated companies | | - | -25 |
| Indirect investments through acquisition of subsidiaries/assets and liabilities | 33, 34 | 3,830 | -272,290 |
| Increase (+) / decrease (-) in other non-current receivables | | 641 | -363 |
| Cash flow from investing activities | | -42,152 | -318,931 |
| Financing activities | | | |
| Dividend paid | | -31,080 | -30,550 |
| Acquisition of own personnel convertibles | | - | -81,443 |
| Non-current liabilities | 33 | | |
| Borrowings | | 180,993 | 366,742 |
| Repayment of debt and lease liabilities | | -210,767 | -28,296 |
| Current interest-bearing liabilities | 33 | | |
| Borrowings | | 56,209 | 107,957 |
| Repayment of debt and lease liabilities | | -157,163 | -53,199 |
| Change in bank overdraft facilities | | -27,757 | 33,701 |
| Cash flow from financing activities | | -189,565 | 314,912 |
| Cash flow for the year | | -114,122 | 123,839 |
| Cash and cash equivalents at the beginning of the year | | 165,107 | 41,216 |
| Exchange rate differences in cash and cash equivalents | | 2,161 | 52 |
| Cash and cash equivalents at the end of the year | 21 | 53,146 | 165,107 |

NOTES

NOTE 1

GENERAL INFORMATION

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

All amounts are reported in SEK thousands unless otherwise indicated.

NOTE 2

ACCOUNTING POLICIES

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

GENERAL

Applied accounting policies and valuation principles are unchanged compared with the previous year, with the exceptions due to new or revised standards, interpretations and improvements, which are applied from 1 January 2017 inclusive. None of the changes and interpretations of existing standards applied from 2017 has had any effect on the Group's financial performance or position but requires additional disclosure.

The new or revised standards with application from 2018 and 2019 have not been applied in connection with the preparation of these financial statements. The application of these new standards is not considered to have a significant impact on the Group's financial performance or position.

With a view to achieving a clearer presentation, the layout of the income statements has been altered as from 2017 as regards the order in which the entries are presented. The comparison year has been changed accordingly.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 is intended to replace IAS 39. The standard relates to classification and valuation, hedge accounting and the impairment of financial assets and liabilities, and comes into force in 2018. The new regulations entail, in the same way as in IAS 39, that financial assets are classified in various categories, some of which are valued at their accrued cost and some at their actual value. The standard introduces new categories, where classification is based in part on the instrument's contractual cash flows and in part on the company's business model. For financial liabilities, IFRS 9 largely corresponds with IAS 39. XANO has chosen to continue applying IAS 39 for hedge accounting. XANO judges that the application of IFRS 9 could affect the valuation of certain receivables and impairment losses, but has not identified any changes in book value at the time of the switch.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 enters into force in 2018 and will establish a new set of regulations for determining commitments and transaction price, as well as when a company will recognise revenue. The standard is replacing all previously issued standards and interpretations involving revenue. XANO will apply the standard with a modified retroactive method, with the combined effect of the first application being recognised as an adjustment of the opening balance for shareholders' equity, and will utilise the relief rule solely to convert agreements that had not been concluded at the time of the switch.

The standard is based on the principle that revenue must be recognised when the company satisfies a performance commitment by transferring goods or services to a customer, i.e. when the customer has gained control over the goods or services. This may take place over time or at a specific point in time. The Group's essential revenue flows and agreements have been charted, during which it has been established that control is primarily transferred at one particular time: on delivery of goods. The standard does not entail a change in the recognition of revenue for these deliveries.

The Group is applying the percentage of completion method to project deliveries made to the packaging industry. For these deliveries, revenue recognition will take place over time in a similar way to before. Based on the analysis performed to date, it is our assessment that the new standard will not have any significant impact on the accounts, but may affect revenue recognition for integrated services and commitments, such as installation services, as well as for any contract fines, which will reduce income instead of being recognised as costs.

The standard is introducing new terms and extended disclosure requirements. XANO has not identified any transitional effects associated with the implementation.

IFRS 16 LEASES

IFRS 16 replaces IAS 17 and enters into force in 2019. According to the new standard, most leased assets will be recognised in the balance sheet. For XANO, this means that operational leasing agreements such as the renting of premises and car leasing must be converted and reported as fixed assets and borrowings, respectively, at the same time

as the rent costs in the income statement are divided between depreciation and interest expense. The application of this standard is not expected to have any significant impact on the Group's financial performance and position.

CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

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

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

BUSINESS COMBINATIONS

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

TRANSLATION OF FOREIGN CURRENCIES

– Functional currency and presentation currency

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

– Foreign subsidiaries

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

- (i) Assets and liabilities for each of the balance sheets are translated at the exchange rate on the balance sheet date.
- (ii) Income and expenses for each of the income statements are translated at the average exchange rate.
- (iii) All translation differences that arise are recognised in other comprehensive income.

In the case of the disposal of foreign operations, the total translation differences attributable to the foreign company are recognised as part of the capital gain/loss in the consolidated statement of comprehensive income.

RECOGNITION OF ASSOCIATED COMPANIES

Associated companies are those companies that are not subsidiaries, but where the parent company directly or indirectly owns at least 20 per cent of the votes of all the participations, which constitute part of a permanent connection and over which the parent company has significant influence. The consolidated financial statements present participations in associated companies according to the equity accounting method. The equity accounting method means that participations in companies are recognised at the acquisition value at the time of acquisition, and then adjusted by the Group's share of the change in the associated company's net assets. The consolidated income statement includes the Group's share of the associated company's profit after tax.

REVENUE AND PERCENTAGE OF COMPLETION

The Group supplies products and systems with associated services. The sale of products/systems is recognised, with the exception of project deliveries to the packaging industry, on delivery to customers in accordance with the sales conditions. The risks and benefits

associated with the sale of goods normally transfer to the customer upon delivery. Income from services is recognised in the period in which the service is carried out. Discounts are deducted from the net sales.

The Group applies the percentage of completion method to project deliveries made to the packaging industry. For these projects, income and expenses are recognised on the basis of the percentage of completion on the balance sheet date, when the company can reliably calculate the financial outcome of the assignment. The percentage of completion is based on expenditure incurred in relation to estimated total expenditure. For projects that are difficult to forecast, income is recognised at a corresponding amount to the processed cost, i.e. profit is recognised at SEK 0 pending the implementation of profit determination. Reservation is made for losses as soon as these are known. The balance sheet items, due from customers for contract work and due to construction contract customers, are reported net as either an asset or liability for each project, see further information in Note 4.

PENSIONS

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

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

TAXES

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

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

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

NON-CURRENT ASSETS

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

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

INTANGIBLE NON-CURRENT ASSETS

Expenditure for product and process development is normally charged to the income statement continuously. Expenses for major projects, which are directly linked to identifiable products controlled by the Group and which will probably give financial benefits in future years, are recognised in the balance sheet as intangible non-current assets. Other intangible assets include both acquired assets and internally developed assets.

The latter consist mainly of direct costs for own work as well as attributable shares of indirect costs.

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

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

| | |
|-------------------------------------|------------|
| Other intangible non-current assets | 3–10 years |
|-------------------------------------|------------|

PROPERTY, PLANT AND EQUIPMENT

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

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS AND LIABILITIES

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

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

Financial assets and liabilities measured at fair value via the profit and loss statement cover assets and liabilities which are classified for reporting at fair value via net profit for the year. Hedge accounting takes place in accordance with IAS 39.

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

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

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

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

XANO uses currency derivatives to hedge sales in a currency other than the relevant entity's functional currency. These contracts are valued at their fair value in the balance sheet. Valuation of the derivatives is based on observable data such as fixing rates and swap rates for the currency in question. The change in value is recognised in other comprehensive income until the hedged flow is entered in the income statement and for as long as the criteria for hedge accounting and efficiency are satisfied. When the hedged flow meets the income statement, the change in value is recognised as net sales in relation to the way the hedged flow has been recognised as income, and in addition as exchange rate differences in the profit for the year. As of the balance sheet date, there were no currency derivatives.

XANO uses borrowings in foreign currency to hedge net investments in foreign enterprises. The component of profit or loss which is deemed to constitute an effective hedge is reported as other comprehensive income. The profit or loss that is attributable to the inefficient part is recognised in net profit for the year.

Convertible bonds consist of a composite financial instrument with the character of both a liability and of equity. 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 are expected to be settled more than 12 months after the balance sheet date are reported as non-current liabilities.

TRANSLATION OF FOREIGN CURRENCIES

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

PROVISIONS

Provisions are recognised in the balance sheet when the company has a legal or informal commitment as a result of an event that has occurred and it is more probable than not that an outflow of resources is required in order to settle the commitment and a reliable assessment of the amount can be made. The amounts are assessed on an ongoing basis based on both historical experience and reasonable future expectations. XANO's operation includes products covered by a guarantee that is normally limited to between 12 and 36 months. The Group's provisions mainly refer to guarantee and complaint commitments and pensions.

LEASES

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

CASH FLOW

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

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

SEGMENTS

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

SIGNIFICANT ASSESSMENTS AND ESTIMATES

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

REVENUE RECOGNITION

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

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

Recognised income based on the percentage of completion method for ongoing assignments amounts to SEK 597 million (116). See also Note 4.

IMPAIRMENT TESTS FOR GOODWILL

Every year, or when there is an indication that an asset has fallen in value, the Group performs impairment tests for goodwill. The recoverable amount is determined by calculating the value in use. Certain estimates must be made for these calculations. The Group's reported goodwill amounts to SEK 483 million (484). See also Note 15.

PROVISIONS

Provisions are defined as liabilities that are uncertain in terms of the date of settlement or the amount. This means that estimates are always made when provisions are reported. Liabilities in respect of guarantee commitments are based primarily on historical experience. For complaints, the amounts that are expected to be paid out are reserved. The Group's reported other non-current provisions amount to SEK 2.6 million (8.7) and other current provision amount to SEK 10.0 million (1.7). See also Note 27.

DEFERRED TAX ASSETS AND LIABILITIES

Assessments are made to determine current and deferred tax items, particularly with regard to deferred tax assets. In this respect, it is assessed how probable it is that the deferred tax assets will be used for settlement against future profits. The fair value of these future taxable profits may deviate due to the future business climate and earnings potential or changes to tax regulations. The Group's reported deferred tax assets amount to SEK 0.9 million (1.3). See also Note 28.

DERIVATIVE INSTRUMENTS

The Group holds derivatives that are measured at their fair value. Their valuation is based on estimates and comprises the market value that fluctuates over time. In addition to this, the accounting may be affected if the criteria for hedge accounting and effectiveness are not met. As of 31 December 2017, the Group's reported liabilities with regard to derivative instruments amount to SEK 14.5 million (17.2). See also Note 20.

NOTE 3**SEGMENT REPORTING ETC.**

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Solutions, Precision Technology and Rotational Moulding. The operations within each segment are described on pages 64–65. The segments are reported in accordance with the same accounting policies as the Group. Undistributed items mainly refer to the Parent Company.

NET SALES BY SEGMENT

| | 2017 | | | | 2016 | | | |
|----------------------|------------------|----------|------------------|---|------------------|----------|------------------|---|
| | Net sales | | Total | of which customer-specific products and systems ¹⁾ | Net sales | | Total | of which customer-specific products and systems ¹⁾ |
| External | Internal | External | | | Internal | | | |
| Industrial Solutions | 1,190,627 | 680 | 1,191,307 | 34% | 612,503 | 466 | 612,969 | 56% |
| Precision Technology | 254,303 | 4,409 | 258,712 | 98% | 225,878 | 4,041 | 229,919 | 98% |
| Rotational Moulding | 218,267 | 37 | 218,304 | 57% | 213,285 | 19 | 213,304 | 54% |
| Eliminations | – | -5,126 | -5,126 | | – | -4,526 | -4,526 | |
| Group total | 1,663,167 | 0 | 1,663,197 | 47% | 1,051,666 | 0 | 1,051,666 | 65% |

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

Market conditions are applied to transactions between the segments.

The XANO Group has one major customer which generates revenue accounting for more than 10 per cent of the Group's total revenue. Income from this customer amounted to SEK 181 million (150) during 2017, mainly reported through the Industrial Solutions segment.

PROFIT/LOSS ITEMS BY SEGMENT

| | 2017 | | | 2016 | | |
|----------------------|--|---|-------------------|--|---|-------------------|
| | Intra-group reported profit before tax | Distribution of group-wide costs and group contribution | Profit before tax | Intra-group reported profit before tax | Distribution of group-wide costs and group contribution | Profit before tax |
| Industrial Solutions | 166,339 ¹⁾ | -71,778 | 94,561 | 63,513 | -53,811 | 9,702 |
| Precision Technology | 42,594 | -46,169 | -3,575 | 28,313 | -27,019 | 1,294 |
| Rotational Moulding | 19,164 ²⁾ | -10,965 | 8,199 | 26,004 | 1,231 | 27,235 |
| Undistributed items | -27,907 | 128,912 | 101,005 | -25,972 | 79,599 | 53,627 |
| Group total | 200,190 | 0 | 200,190 | 91,858 | 0 | 91,858 |

¹⁾ Including non-recurring items totalling SEK 10,777 thousand attributable to the reversal of anticipated bad debt losses.

²⁾ Including non-recurring items totalling SEK -6,488 thousand attributable to complaints.

| | 2017 | | | | 2016 | | | |
|----------------------|-----------------|-------------------|----------------|----------------|-----------------|-------------------|----------------|----------------|
| | Interest income | Interest expenses | Tax | Depreciation | Interest income | Interest expenses | Tax | Depreciation |
| Industrial Solutions | 414 | -8,340 | -20,098 | -26,688 | 228 | -3,199 | -2,040 | -22,427 |
| Precision Technology | 20 | -1,324 | 669 | -17,802 | 55 | -899 | -394 | -16,927 |
| Rotational Moulding | 141 | -972 | -29 | -7,169 | 570 | -1,243 | -7,487 | -6,949 |
| Undistributed items | -227 | -5,809 | -22,721 | -564 | -625 | -6,513 | -12,144 | -608 |
| Group total | 348 | -16,445 | -42,179 | -52,223 | 228 | -11,854 | -22,065 | -46,911 |

ASSETS AND LIABILITIES BY SEGMENT

| | 2017 | | | | 2016 | | | |
|----------------------|-------------------------|----------------|---------------|--------------------------|-------------------------|----------------|----------------|--------------------------|
| | Assets | Liabilities | Investments | Deferred tax liabilities | Assets | Liabilities | Investments | Deferred tax liabilities |
| Industrial Solutions | 1,051,726 ¹⁾ | 322,297 | 26,828 | 41,805 | 1,060,853 ¹⁾ | 299,340 | 376,447 | 25,035 |
| Precision Technology | 294,357 | 53,247 | 15,449 | 11,511 | 274,859 | 46,649 | 24,796 | 12,839 |
| Rotational Moulding | 166,696 | 30,361 | 3,666 | 4,050 | 162,066 | 27,954 | 9,181 | 4,216 |
| Undistributed items | 7,538 | 38,008 | 229 | 13,760 | 11,290 | 33,669 | 75 | 10,354 |
| Group total | 1,520,317 | 443,913 | 46,172 | 71,126 | 1,509,068 | 407,612 | 410,499 | 52,444 |

¹⁾ Including deferred tax assets totalling SEK 854 thousand (1,340).

Assets by segment refer to all assets. Liabilities by segment consist of operating liabilities excluding interest-bearing liabilities. Investments consist of purchases and sales of property, plant and equipment as well as intangible non-current assets, including increases and reductions resulting from the acquisition and disposal of subsidiaries. In 2017, all segments have boosted their total operating assets, such as inventories and trade receivables.

SALES BY GEOGRAPHIC MARKET

| | 2017 | | 2016 | |
|--------------------|------------------|-------------|------------------|-------------|
| | Revenue | % | Revenue | % |
| Sweden | 682,159 | 41% | 551,599 | 52% |
| Netherlands | 164,953 | 10% | 33,214 | 3% |
| Switzerland | 101,201 | 6% | 1,088 | 0% |
| Brazil | 97,583 | 6% | 32,861 | 3% |
| Poland | 88,765 | 5% | 49,241 | 5% |
| Norway | 83,738 | 5% | 73,506 | 7% |
| Rest of Europe | 336,589 | 20% | 189,195 | 18% |
| Other | 108,209 | 7% | 120,962 | 12% |
| Group total | 1,663,197 | 100% | 1,051,666 | 100% |

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

ASSETS BY GEOGRAPHIC MARKET

| | 2017 | | 2016 | |
|--------------------|--------------------|---------------|--------------------|----------------|
| | Non-current assets | Investments | Non-current assets | Investments |
| Sweden | 381,700 | 24,645 | 399,909 | 33,799 |
| Denmark | 375,757 | 15,475 | 354,970 | 365,846 |
| Netherlands | 51,115 | 1,541 | 51,385 | 464 |
| Estonia | 44,413 | 2,148 | 44,946 | 7,785 |
| Norway | 36,892 | 1,335 | 40,161 | 2,488 |
| China | 13,140 | 901 | 16,583 | 741 |
| Other | 1,667 | 127 | 2,363 | -624 |
| Group total | 904,684 | 46,172 | 910,317 | 410,499 |

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

NOTE 4

CONSTRUCTION CONTRACTS AND PERCENTAGE OF COMPLETION

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

The total assignment income that has been recognised as revenue amounts to SEK 646,753 thousand (194,475).

| For ongoing assignments | 2017 | 2016 |
|--|----------------|-----------------------|
| Assignment income that has been recognised as revenue | 596,764 | 115,595 |
| Assignment expenditure that have been recognised as expenses | -455,034 | -83,355 |
| Reported profit | 141,730 | 32,240 |
| Advance payments received | 982,196 | 737,413 ¹⁾ |
| Due from customers for contract work | 59,959 | 31,179 ¹⁾ |
| Due to construction contract customers | 61,521 | 132,018 ¹⁾ |

¹⁾ Include amounts that Jorgensen Engineering AIS received/processed ahead of the acquisition date 24 November 2016.

NOTE 5

EMPLOYEES AND PERSONNEL COSTS

| Average no. of employees | 2017 | of which men | 2016 | of which men |
|--------------------------|------------|--------------|------------|--------------|
| Sweden | 420 | 81% | 414 | 85% |
| Denmark | 132 | 91% | 12 | 92% |
| Estonia | 83 | 90% | 73 | 90% |
| China | 81 | 83% | 80 | 81% |
| Norway | 42 | 93% | 42 | 93% |
| Netherlands | 34 | 91% | 29 | 93% |
| Poland | 7 | 57% | 7 | 57% |
| USA | 4 | 75% | 5 | 80% |
| Finland | 4 | 75% | 4 | 75% |
| Group total | 807 | 85% | 666 | 86% |

| Proportion of men amongst Board members and senior executives | 2017 | 2016 |
|---|------|------|
| Parent Company | | |
| Board members | 71% | 71% |
| Senior executives | 50% | 50% |
| Operating subsidiaries | | |
| Board members | 75% | 73% |
| Senior executives | 73% | 75% |

| Salaries, other remuneration and social security costs | 2017 | 2016 |
|--|----------------|----------------|
| Salaries and remuneration | 347,970 | 239,534 |
| Social security costs | 103,397 | 88,716 |
| (of which pension costs ^{1, 2, 3, 4)}) | (30,979) | (23,044) |
| Group total | 451,367 | 328,250 |

¹⁾ Of the Group's pension costs, SEK 4,827 thousand (4,474) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

²⁾ The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 6,180 thousand (5,208). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2017, Alecta's surplus in the form of the collective insurance level amounted to 154 per cent (149). The fee for the coming year is estimated to be on a par with that charged for 2017.

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

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

| Breakdown of salaries and other remuneration | 2017 | | 2016 | |
|--|----------------------------|-----------------|----------------------------|-----------------|
| | Board and MD ¹⁾ | Other employees | Board and MD ¹⁾ | Other employees |
| Sweden | 17,115 | 164,881 | 16,193 | 152,487 |
| (of which bonuses) | (2,020) | | (1,206) | |
| Denmark | 5,387 | 96,033 | 583 | 11,299 |
| (of which bonuses) | (524) | | (64) | |
| Norway | 998 | 18,271 | 1,084 | 17,536 |
| (of which bonuses) | (-41) | | (96) | |
| Netherlands | 751 | 15,094 | 0 | 12,274 |
| (of which bonuses) | (-) | | (-) | |
| China | 1,592 | 11,630 | 1,600 | 11,276 |
| (of which bonuses) | (-) | | (-) | |
| Estonia | 405 | 10,846 | 388 | 8,865 |
| (of which bonuses) | (-) | | (-) | |
| Finland | - | 1,859 | - | 1,714 |
| (of which bonuses) | (-) | | (-) | |
| USA | 768 | 1,068 | - | 2,440 |
| (of which bonuses) | (-) | | (-) | |
| Poland | - | 1,272 | 310 | 1,485 |
| (of which bonuses) | (-) | | (163) | |
| Group total (of which bonuses) | 27,016 (2,503) | 320,954 | 20,158 (1,529) | 219,376 |

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

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

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

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

The AGM decided that the Board's fee of SEK 1,080 thousand should be distributed with SEK 270 thousand payable to the Chairman and SEK 135 thousand payable to each of the other ordinary Board members for the period up to and including the next annual general meeting. The AGM further decided that remuneration for tasks undertaken in the remuneration committee should amount to SEK 20 thousand per person and remuneration for tasks undertaken in the audit committee should amount to SEK 30 thousand per person. During 2017, SEK 130 thousand was carried as an expense for these tasks. Board member Sune Lantz has provided assistance within his normal professional area of expertise and has received a fee of SEK 930 thousand (500) for these services.

In 2017, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 4,766 thousand (3,628), of which SEK 1,100 thousand (437) constitutes variable remuneration. Other senior executives received salary, salary sacrifice excluded, totalling SEK 1,519 thousand (1,148), of which SEK 172 thousand (0) constitutes variable remuneration. At the 2016 AGM, it was decided to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 30 per cent (30) of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 27 per cent (27) of the pensionable salary. "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs including salary sacrifice for the CEO amounted to SEK 1,260 thousand (890). Pension costs including salary sacrifice for other senior executives amounted to SEK 448 thousand (376).

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

NOTE 6**EXPENSES BY NATURE**

| | 2017 | 2016 |
|----------------------|-------------------|-----------------|
| Material costs | -712,830 | -421,330 |
| Personnel costs | -509,460 | -350,346 |
| Depreciation | -52,223 | -46,911 |
| Other external costs | -167,771 | -138,383 |
| | -1,442,284 | -956,970 |

NOTE 7**PERSONNEL COSTS**

| Personnel costs by function | 2017 | 2016 |
|-----------------------------|-----------------|-----------------|
| Cost of goods sold | -392,545 | -260,854 |
| Selling expenses | -67,525 | -53,974 |
| Administrative expenses | -49,390 | -35,518 |
| | -509,460 | -350,346 |

NOTE 8**DEPRECIATION**

| Depreciation by function | 2017 | 2016 |
|--------------------------|----------------|----------------|
| Cost of goods sold | -47,417 | -41,846 |
| Selling expenses | -4,103 | -4,371 |
| Administrative expenses | -703 | -694 |
| | -52,223 | -46,911 |

| Depreciation by class of asset | 2017 | 2016 |
|---|----------------|----------------|
| Other intangible non-current assets | -5,602 | -3,468 |
| Land and buildings | -9,623 | -7,512 |
| Plant and machinery | -29,316 | -29,149 |
| Equipment, tools, fixtures and fittings | -7,682 | -6,782 |
| | -52,223 | -46,911 |

NOTE 9
AUDITORS' REMUNERATION

| | 2017 | 2016 |
|--|---------------|---------------|
| Ernst & Young | | |
| Audit assignment | -831 | -805 |
| Audit activities other than audit assignment | -295 | -44 |
| Tax consultancy services | -17 | -137 |
| Other services | -194 | -438 |
| | -1,337 | -1,424 |
| Other auditors | | |
| Audit assignment | -499 | -428 |
| Audit activities other than audit assignment | - | -7 |
| Tax consultancy services | -19 | -19 |
| Other services | - | -79 |
| | -518 | -533 |
| Total | -1,855 | -1,957 |

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

NOTE 10
OTHER OPERATING INCOME

| | 2017 | 2016 |
|---|--------------|--------------|
| Rental income | 1,211 | 1,587 |
| Exchange gains on operating receivables/liabilities | 5,488 | 5,442 |
| Other | 2,321 | 1,109 |
| | 9,020 | 8,138 |

NOTE 11
OTHER OPERATING EXPENSES

| | 2017 | 2016 |
|--|---------------|---------------|
| Cost of leased premises/personnel | -1,211 | -1,587 |
| Exchange losses on operating receivables/liabilities | -7,749 | -4,783 |
| Other | -613 | -909 |
| | -9,573 | -7,279 |

NOTE 12
FINANCIAL INCOME

| | 2017 | 2016 |
|--|--------------|---------------|
| Interest income | 348 | 228 |
| Exchange gains on financial assets/liabilities | 3,741 | 11,132 |
| | 4,089 | 11,360 |

NOTE 13
FINANCIAL EXPENSES

| | 2017 | 2016 |
|---|----------------|----------------|
| Interest expenses | -16,445 | -11,854 |
| Exchange losses on financial assets/liabilities | -7,775 | -3,173 |
| Losses on other non-current assets | -31 | -30 |
| | -24,251 | -15,057 |

NOTE 14
TAX ON PROFIT FOR THE YEAR

| | 2017 | 2016 |
|--------------|----------------|----------------|
| Current tax | -24,454 | -12,882 |
| Deferred tax | -17,725 | -9,183 |
| | -42,179 | -22,065 |

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

| | 2017 | | 2016 | |
|--|----------------|------------|----------------|------------|
| Reported profit before tax | 200,190 | | 91,858 | |
| Tax according to Swedish income tax rate | -44,042 | 22% | -20,209 | 22% |
| <i>Tax effect of</i> | | | | |
| - consolidated amortisation of surplus values | -6 | 0% | -6 | 0% |
| - deviation in tax rate in non-Swedish companies | 1,842 | -1% | 1,378 | -1% |
| - transaction costs at business combinations | -13 | 0% | -332 | 0% |
| Adjustment of current tax for previous periods | - | - | -54 | 0% |
| Write-down of accrued tax in non-Swedish companies | - | - | -2,065 | 2% |
| Other tax-related adjustments | 40 | 0% | -777 | 1% |
| Reported tax | -42,179 | 21% | -22,065 | 24% |

NOTE 15
INTANGIBLE NON-CURRENT ASSETS
GOODWILL

| Accumulated acquisition values | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Opening balance | 485,667 | 209,191 |
| Acquisition of subsidiaries | - | 274,425 |
| Divestments and disposals | - | -13 |
| Translation differences for the year | -886 | 2,064 |
| Closing balance | 484,781 | 485,667 |

| Accumulated amortisation | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| Opening balance | -1,629 | -1,635 |
| Divestments and disposals | - | 13 |
| Translation differences for the year | -4 | -7 |
| Closing balance | -1,633 | -1,629 |

| Accumulated impairment costs | 2017 | 2016 |
|------------------------------|-------------|-------------|
| Opening balance | -102 | -102 |
| Closing balance | -102 | -102 |

| Closing residual value | 2017 | 2016 |
|------------------------|----------------|----------------|
| | 483,046 | 483,936 |

Goodwill is distributed between the Group's cash-generating units, which consist of segments. Estimates of the recoverable amounts include assumptions regarding growth, income trends and investments, including investments in working capital. Assumed growth, depending on the segment, amounts to 3–6 per cent (3–5) for the forecast period and thereafter staying at 3 per cent (3). Assumed operating margins amount to 11–14 per cent (10–13) in the long term. The assumptions concerning growth and margins are based on the results of previous years and the management's expectations concerning market developments.¹⁾ Investment amounts are based on forecasts and subsequently judged to stay at the same level as depreciation.

Every year, the Group performs impairment tests for goodwill. A discount rate²⁾ (WACC) of 10.6 per cent (10.2) before tax was used for this year's test. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the sustained growth rate was set at 0 per cent, the operating margin was reduced by 2 percentage points relative to the forecast level or the discount rate was increased by 2 percentage points. None of the analyses showed any impairment indication.

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

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

| Goodwill by segment | 2017 | 2016 |
|----------------------|----------------|----------------|
| Industrial Solutions | 382,605 | 382,602 |
| Precision Technology | 75,945 | 75,945 |
| Rotational Moulding | 24,496 | 25,389 |
| | 483,046 | 483,936 |

OTHER INTANGIBLE NON-CURRENT ASSETS

| Accumulated acquisition values | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| Opening balance | 56,448 | 34,400 |
| New acquisitions | 874 | 1,570 |
| Acquisitions of subsidiaries | – | 20,000 |
| Divestments and disposals | -1,106 | -65 |
| Reclassifications | 1,237 | 205 |
| Translation differences for the year | -214 | 338 |
| Closing balance | 57,239 | 56,448 |

| Accumulated scheduled amortisation | 2017 | 2016 |
|---|----------------|----------------|
| Opening balance | -22,118 | -18,371 |
| Divestments and disposals | 1,106 | 28 |
| Amortisation according to plan for the year | -5,602 | -3,468 |
| Translation differences for the year | 206 | -307 |
| Closing balance | -26,408 | -22,118 |

| Closing residual value according to plan ¹⁾ | 30,831 | 34,330 |
|--|--------|--------|
|--|--------|--------|

| | Remaining amortisation period, years | |
|--|--------------------------------------|--------|
| ¹⁾ of which | | |
| Patents | – | 0 |
| Capitalised expenditure for research and development | 8 | 30,320 |
| Other | 2 | 511 |

NOTE 16

PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

| Accumulated acquisition values | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Opening balance | 334,553 | 252,918 |
| New acquisitions | 1,983 | 11,507 |
| Acquisitions of subsidiaries | – | 65,634 |
| Divestments and disposals | – | – |
| Reclassifications | – | 2,570 |
| Translation differences for the year | 1,721 | 1,924 |
| Closing balance | 338,257 | 334,553 |

| Accumulated scheduled depreciation | 2017 | 2016 |
|---|-----------------|-----------------|
| Opening balance | -114,355 | -106,021 |
| Divestments and disposals | 5 | – |
| Depreciation according to plan for the year | -9,623 | -7,512 |
| Translation differences for the year | 108 | -822 |
| Closing balance | -123,865 | -114,355 |

| Closing residual value according to plan ¹⁾ | 214,392 | 220,198 |
|--|---------|---------|
|--|---------|---------|

| | | |
|-----------------------------|--------|--------|
| ¹⁾ of which land | 22,430 | 22,254 |
|-----------------------------|--------|--------|

PLANT AND MACHINERY

| Accumulated acquisition values | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Opening balance | 477,019 | 450,295 |
| New acquisitions | 14,418 | 23,660 |
| Acquisitions of subsidiaries | – | 2,841 |
| Divestments and disposals | -5,346 | -6,899 |
| Reclassifications | 2,445 | 840 |
| Translation differences for the year | -2,261 | 6,282 |
| Closing balance | 486,275 | 477,019 |

| Accumulated scheduled depreciation | 2017 | 2016 |
|---|-----------------|-----------------|
| Opening balance | -335,517 | -306,064 |
| Divestments and disposals | 4,942 | 5,144 |
| Reclassifications | -6 | -31 |
| Depreciation according to plan for the year | -29,316 | -29,149 |
| Translation differences for the year | 2,046 | -5,417 |
| Closing balance | -357,851 | -335,517 |

| Closing residual value according to plan | 128,424 | 141,502 |
|--|---------|---------|
|--|---------|---------|

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

| Accumulated acquisition values | 2017 | 2016 |
|---|----------------|----------------|
| Opening balance | 103,601 | 91,957 |
| New acquisitions | 4,952 | 6,253 |
| Acquisitions of subsidiaries | – | 2,728 |
| Divestments and disposals | -1,699 | -2,397 |
| Reclassifications | 587 | 2,000 |
| Translation differences for the year | -1,436 | 3,060 |
| Closing balance | 106,005 | 103,601 |
| Accumulated scheduled depreciation | 2017 | 2016 |
| Opening balance | -81,109 | -73,313 |
| Divestments and disposals | 1,347 | 1,622 |
| Reclassifications | – | 31 |
| Depreciation according to plan for the year | -7,682 | -6,782 |
| Translation differences for the year | 1,321 | -2,667 |
| Closing balance | -86,123 | -81,109 |
| Closing residual value according to plan | 19,882 | 22,492 |

CONSTRUCTION IN PROGRESS

| Accumulated acquisition values | 2017 | 2016 |
|--------------------------------------|---------------|--------------|
| Opening balance | 5,525 | 6,528 |
| New acquisitions/advance payments | 24,696 | 4,423 |
| Reclassifications | -4,263 | -5,615 |
| Translation differences for the year | 285 | 189 |
| Closing balance | 26,243 | 5,525 |

Additional contractual obligations to acquire property, plant and equipment amount to SEK 17,588 thousand.

NOTE 17

PARTICIPATIONS IN ASSOCIATED COMPANIES

| Business name | Share of equity | Share of voting rights | Number of shares | Consolidated reported value |
|-----------------------------|-----------------|------------------------|------------------|-----------------------------|
| Nordic Plastic Recycling AS | 24% | 24% | 240 | 16 |

| Business name | Corporate identity number | Registered office |
|-----------------------------|---------------------------|-------------------|
| Nordic Plastic Recycling AS | 918 069 283 | Ådalsnes, Norge |

| Business name | Equity | Profit after tax |
|-----------------------------|------------------|-------------------|
| Nordic Plastic Recycling AS | 65 ¹⁾ | -22 ¹⁾ |

¹⁾ The company was established in 2016. The amounts are preliminary, as the final accounts for 2017 have not yet been received.

NOTE 18

INVENTORIES

| | 2017 | 2016 |
|--|----------------|----------------|
| Raw material and consumables | 83,696 | 74,490 |
| Work in process | 55,233 | 40,957 |
| Finished products and goods for resale | 55,588 | 51,080 |
| Advance payments to suppliers | 11,211 | 9,967 |
| | 205,728 | 176,494 |

Write-downs totalling SEK 849 thousand (2,112) have been made. Total expenditure for goods reported as costs amounts to SEK 712,830 thousand (421,330).

NOTE 19

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Accounts receivable | 260,139 | 190,245 |
| Tax asset | 1,169 | 3,834 |
| Other receivables | 21,270 | 13,453 |
| Accrued income | 1,635 | 1,006 |
| Due from customers for contract work | 59,959 | 31,179 |
| | 344,172 | 239,717 |

NOTE 20

FINANCIAL ASSETS AND LIABILITIES

DISTRIBUTION BY CATEGORY

| 2017 | Financial assets measured at fair value through profit and loss | Loan and accounts receivable | Financial liabilities measured at fair value through profit and loss | Other financial liabilities | Total carrying amount | Fair value ¹⁾ |
|---|---|------------------------------|--|-----------------------------|-----------------------|--------------------------|
| Financial assets | | | | | | |
| Accounts receivable ²⁾ | – | 260,139 | | | 260,139 | 260,139 |
| Cash and cash equivalents | – | 53,146 | | | 53,146 | 53,146 |
| Total financial assets | – | 313,285 | | | 313,285 | |
| Financial liabilities | | | | | | |
| Borrowings | | | – | 396,690 | 396,690 | 396,690 |
| Lease liabilities ³⁾ | | | – | 47,562 | 47,562 | |
| Convertible loan | | | – | 59,113 | 59,113 | 62,130 |
| Bank overdraft facilities | | | – | 31,733 | 31,733 | 31,733 |
| Total interest-bearing liabilities | | | – | 535,098 | 535,098 | |
| Accounts payable | | | – | 142,580 | 142,580 | 142,580 |
| Derivative instruments ⁴⁾ | | | 14,537 | – | 14,537 | 14,537 |
| Total financial liabilities | | | 14,537 | 677,678 | 692,215 | |
| 2016 | | | | | | |
| | Financial assets measured at fair value through profit and loss | Loan and accounts receivable | Financial liabilities measured at fair value through profit and loss | Other financial liabilities | Total carrying amount | Fair value ¹⁾ |
| Financial assets | | | | | | |
| Accounts receivable ²⁾ | – | 190,245 | | | 190,245 | 190,245 |
| Cash and cash equivalents | – | 165,107 | | | 165,107 | 165,107 |
| Total financial assets | – | 355,352 | | | 355,352 | |
| Financial liabilities | | | | | | |
| Borrowings | | | – | 456,149 | 456,149 | 456,149 |
| Lease liabilities ³⁾ | | | – | 57,897 | 57,897 | |
| Convertible loan | | | – | 57,907 | 57,907 | 62,130 |
| Promissory note loan | | | – | 56,750 | 56,750 | 56,750 |
| Bank overdraft facilities | | | – | 61,074 | 61,074 | 61,074 |
| Total interest-bearing liabilities | | | – | 689,777 | 689,777 | |
| Accounts payable | | | – | 102,543 | 102,543 | 102,543 |
| Derivative instruments ⁴⁾ | | | 17,150 | – | 17,150 | 17,150 |
| Total financial liabilities | | | 17,150 | 792,320 | 809,470 | |

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

²⁾ Losses reported on accounts receivable for the year amount to SEK 599 thousand (1,096), of which SEK 62 thousand (897) constitutes actual losses. The reversal of anticipated bad debt losses has been reported in net profit for the year at the amount of SEK 10,777 thousand. Required write-downs of outstanding receivables have been carried out at SEK 5,269 thousand (15,442).

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

⁴⁾ The derivative instruments constitute interest rate swaps that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK 2,627 thousand (-3,545) excluding tax. The item is effectively hedged and is reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

AGE ANALYSIS

| Financial assets as of 31/12/2017 | Maturity | | | Total |
|--------------------------------------|----------------|---------------|--------------|----------------|
| | -30 days | 31-90 days | 91-360 days | |
| Accounts receivable ¹⁾ | 190,485 | 61,715 | 7,939 | 260,139 |
| Cash and cash equivalents | 53,146 | - | - | 53,146 |
| Total financial assets | 243,631 | 61,715 | 7,939 | 313,285 |

| Financial assets as of 31/12/2016 | Maturity | | | Total |
|--------------------------------------|----------------|---------------|---------------|----------------|
| | -30 days | 31-90 days | 91-360 days | |
| Accounts receivable ¹⁾ | 107,241 | 71,631 | 11,373 | 190,245 |
| Cash and cash equivalents | 165,107 | - | - | 165,107 |
| Total financial assets | 272,348 | 71,631 | 11,373 | 355,352 |

| Financial liabilities as of 31/12/2017 | Maturity | | | | | | | Total |
|--|---------------|---------------|----------------|------------------------|--------------------------|--------------------------|------------------|----------------|
| | -30 days | 31-90 days | 91-360 days | Total within 1 year | Between 1 and 3 years | Between 3 and 5 years | After 5 years | |
| Borrowings and lease liabilities | 1,668 | 4,077 | 70,243 | 75,988 | 144,185 | 179,452 | 44,627 | 444,252 |
| Convertible loan ²⁾ | - | - | - | - | 59,113 | - | - | 59,113 |
| Bank overdraft facilities | - | - | 31,733 | 31,733 | - | - | - | 31,733 |
| <i>Total interest-bearing liabilities</i> | <i>1,668</i> | <i>4,077</i> | <i>101,976</i> | <i>107,721</i> | <i>203,298</i> | <i>179,452</i> | <i>44,627</i> | <i>535,098</i> |
| Accounts payable | 94,178 | 34,851 | 13,551 | 142,580 | | | | 142,580 |
| Derivative instruments | - | 366 | 14,171 | 14,537 | | | | 14,537 |
| Total financial liabilities | 95,846 | 39,294 | 129,698 | 264,838 | 203,298 | 179,452 | 44,627 | 692,215 |
| <i>Total non-discounted cash flows ³⁾</i> | | | | <i>266,221</i> | <i>214,503</i> | <i>183,497</i> | <i>46,615</i> | <i>710,836</i> |

| Financial liabilities as of 31/12/2016 | Maturity | | | | | | | Total |
|--|---------------|---------------|----------------|------------------------|--------------------------|--------------------------|------------------|----------------|
| | -30 days | 31-90 days | 91-360 days | Total within 1 year | Between 1 and 3 years | Between 3 and 5 years | After 5 years | |
| Borrowings and lease liabilities | 1,426 | 3,771 | 115,638 | 120,835 | 153,427 | 201,376 | 38,408 | 514,046 |
| Convertible loan ²⁾ | - | - | - | 0 | - | 57,907 | - | 57,907 |
| Promissory note loan | - | - | 56,750 | 56,750 | - | - | - | 56,750 |
| Bank overdraft facilities | - | - | 61,074 | 61,074 | - | - | - | 61,074 |
| <i>Total interest-bearing liabilities</i> | <i>1,426</i> | <i>3,771</i> | <i>233,462</i> | <i>238,659</i> | <i>153,427</i> | <i>259,283</i> | <i>38,408</i> | <i>689,777</i> |
| Accounts payable | 76,700 | 19,988 | 5,855 | 102,543 | | | | 102,543 |
| Derivative instruments | - | 352 | 16,798 | 17,150 | | | | 17,150 |
| Total financial liabilities | 78,126 | 24,111 | 256,115 | 358,352 | 153,427 | 259,283 | 38,408 | 809,470 |
| <i>Total non-discounted cash flows ³⁾</i> | | | | <i>362,396</i> | <i>168,702</i> | <i>272,827</i> | <i>40,938</i> | <i>844,863</i> |

¹⁾ Of reported accounts receivable, the overdue amount totals SEK 63,561 thousand (43,352), see Note 35.

²⁾ Falls due in 2020.

³⁾ Includes estimated future interest payments.

With regard to fixed interest rate periods and interest rate risks as well as credit risks, see Note 35.

DISTRIBUTION BY CURRENCY

| | Financial assets | | Financial liabilities | | | |
|------------------|------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | 31/12/2017 | 31/12/2016 | Non-current | | Current ¹⁾ | |
| | | | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| SEK | 116,101 | 91,911 | 261,674 | 146,427 | 310,118 | 161,901 |
| USD | 38,590 | 40,761 | - | - | -16,804 | -3,622 |
| EUR | 132,642 | 192,651 | - | - | -105,147 | 33,440 |
| DKK | 1,879 | 9,463 | 165,703 | 304,691 | 28,919 | 119,774 |
| Other currencies | 24,073 | 20,566 | - | - | 47,752 | 46,859 |
| | 313,285 | 355,352 | 427,377 | 451,118 | 264,838 | 358,352 |

¹⁾ Includes utilised bank overdraft facilities with multi-currency accounts.

NOTE 21**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the balance in bank overdraft facilities, Group currency accounts.

| Cash and cash equivalents | 2017 | 2016 |
|---------------------------|---------------|----------------|
| Cash and bank balances | 53,141 | 165,102 |
| Current investments | 5 | 5 |
| Amount at year-end | 53,146 | 165,107 |

NOTE 22**EARNINGS PER SHARE**

| Basic earnings per share | 2017 | 2016 |
|---|--------------|-------------|
| Net profit for the year, SEK thousands | 158,011 | 69,793 |
| Average number of outstanding shares, thousands | 13,813 | 13,703 |
| Basic earnings per share, SEK | 11.44 | 5.09 |

| Diluted earnings per share | 2017 | 2016 |
|---|----------------|---------------|
| Net profit for the year, SEK thousands | 158,011 | 69,793 |
| Interest expense on convertible bonds, SEK thousands ¹⁾ | 2,272 | 1,626 |
| Issue expenses for convertible bonds, SEK thousands | 20 | 33 |
| Adjusted income, SEK thousands | 160,303 | 71,452 |
| Average number of outstanding shares, thousands | 13,813 | 13,703 |
| Adjustment for presumed conversion of convertible bonds, thousands | 570 | 840 |
| Average number of shares at the calculation of earnings per share, thousands | 14,383 | 14,543 |
| Diluted earnings per share, SEK | 11.14 | 4.91 |

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

With regard to the number of shares and convertible bonds, see Note 23.

For 2016, the average number of outstanding shares after dilution, up to and including the date for registering of acquisition of own personnel convertibles and conversion 1 June 2016, was calculated including the 588,234 shares that would have been added at full conversion of the convertible loan that was issued in 2012.

NOTE 23**SHARE CAPITAL ETC.**

| Distribution of share capital | 31/12/2017 | 1/1/2017 |
|-------------------------------|-------------------|-------------------|
| Class A shares | 3,644,400 | 1,822,200 |
| Class B shares | 10,449,090 | 5,224,545 |
| Total number of shares | 14,093,490 | 7,046,745 |
| Quotient value, SEK | 2.50 | 5.00 |
| Share capital, SEK | 35,233,725 | 35,233,725 |

The total number of shares is 14,093,490, of which 280,000 was held by the company at year-end. The average number of outstanding shares during 2017 amounted to 13,813,490. Class A shares give entitlement to ten votes and class B shares entitlement to one vote.

After the balance sheet date, 133,778 own shares were transferred in conjunction with an acquisition, hence the company holds 146,222 class B shares. The number of votes, following deductions for the company's own holding, amounts to 46,746,868.

A 2:1 share split was carried out in June 2017.

On 1 July 2016, convertibles for a nominal value of SEK 62,130,000, corresponding to 570,000 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 4.00 per share.

NOTE 24**RESERVES**

| Cumulative translation difference | 2017 | 2016 |
|--|---------------|---------------|
| Opening balance | 19,454 | 13,467 |
| Translation differences for the year | 4,032 | 6,346 |
| Hedging of currency risk in non-Swedish operations | -3,385 | -359 |
| Closing balance | 20,101 | 19,454 |

Investment in shares in subsidiaries in Denmark, the Netherlands and Norway has partly been hedged by taking out loans in DKK, EUR and NOK respectively.

| Hedging reserve | 2017 | 2016 |
|-------------------------------------|----------------|----------------|
| Opening balance | -13,102 | -10,337 |
| Changes for the year, including tax | 2,049 | -2,765 |
| Closing balance | -11,053 | -13,102 |

The amounts concern the effective component of value change in derivative instruments used for hedge accounting. There were no reclassifications reported in net profit for the year.

On the balance sheet date of 31 December 2017, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 150 million (150).

| Total reserves | 9,048 | 6,352 |
|----------------|-------|-------|
|----------------|-------|-------|

NOTE 25**BANK OVERDRAFT FACILITIES**

Utilised overdraft facilities are reported as current liabilities.

| Bank overdraft facilities | 2017 | 2016 |
|-----------------------------------|---------------|---------------|
| Bank overdraft facilities granted | 225,040 | 227,160 |
| Unutilised amount | -193,307 | -166,086 |
| Utilised amount | 31,733 | 61,074 |

NOTE 26**CONVERTIBLE LOAN**

The company has an outstanding convertible loan reported at SEK 59,113 thousand (57,907). The nominal value for the outstanding loan is SEK 62,130 thousand. The convertible loan runs until 30 June 2020 with an annual interest rate corresponding to STIBOR 3M plus 2.20 per cent (2.20 per cent for the current period). During the period 1–10 June 2020, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 109. Given that the loan is subordinate to other liabilities and the Group's financial position in general, the interest rate cannot be regarded as corresponding to a market interest rate. The market interest rate for this loan was assessed at 4.49 per cent (government bonds interest rate at the time of issue, -0.51 per cent, with a 5.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense for the year is SEK 2,573 thousand (1,845). For the outstanding convertible loan, the interest expense corresponds to 4.1 per cent of the actual liability. The income statement is also charged with issue costs which arose in connection with taking out the convertible loan.

NOTE 27**OTHER PROVISIONS**

| | 2017 | 2016 |
|---|---------------|--------------|
| Non-current | | |
| Guarantee and complaint commitments | 1,583 | 7,550 |
| Pension commitments | 802 | 932 |
| Deferred land registration costs | 224 | 224 |
| | 2,609 | 8,706 |
| <i>Estimated maturity time</i> | | |
| Between one and five years after the balance sheet date | 2,385 | 8,482 |
| More than five years after the balance sheet date | 224 | 224 |
| | | |
| Current | 2017 | 2016 |
| Guarantee and complaint commitments | 10,045 | 1,745 |
| | 10,045 | 1,745 |

| Changes in other provisions | Non-current | | Current |
|--------------------------------------|-------------------------------------|---------------------|-------------------------------------|
| | Guarantee and complaint commitments | Pension commitments | Guarantee and complaint commitments |
| Opening balance | 7,550 | 932 | 1,745 |
| Provisions for the year | -3,651 | 19 | 12,585 |
| Payments/utilisation for the year | -2,341 | -149 | -4,332 |
| Translation differences for the year | 25 | - | 47 |
| Closing balance | 1,583 | 802 | 10,045 |

NOTE 28**DEFERRED TAX****TEMPORARY DIFFERENCES**

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

| | 2017 | 2016 |
|---|---------------|---------------|
| Non-current assets, Group items ¹⁾ | 13,148 | 13,982 |
| Buildings, subsidiaries | 3,357 | 3,136 |
| Untaxed reserves | | |
| Excess depreciation, machinery and equipment | 6,004 | 5,867 |
| Tax allocation reserves | 19,238 | 18,358 |
| Loss carry forward | - | - |
| Derivative instruments | -3,118 | -3,696 |
| Non-Swedish items with diverging tax rate | 32,717 | 14,993 |
| Other items | -220 | -196 |
| Deferred tax liability | 71,126 | 52,444 |
| Deferred tax asset ²⁾ | -854 | -1,340 |
| Net deferred tax liability | 70,272 | 51,104 |
| Deferred tax liability brought forward | -51,104 | -25,255 |
| Acquisition of subsidiaries | - | -17,781 |
| Translation differences | -861 | 332 |
| Rounding | -4 | 3 |
| Deferred tax expense relating to temporary differences | 18,303 | 8,403 |
| <i>- of which reported in</i> | | |
| Net profit for the year | 17,725 | 9,183 |
| Other comprehensive income | 578 | -780 |

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

²⁾ Relates to the business in non-Swedish subsidiaries. In view of actions taken and expected future development, the businesses are expected to generate positive results in coming years; hence the loss carry-forward is reported to the amount that is judged to be utilised. Of the reported amount, SEK 706 thousand must be utilised by 2020 at the latest. If there is no legal right of offset, the asset is reported as a deferred tax asset in the balance sheet.

DEFERRED TAX

| Changes in deferred tax liability | 2017 | 2016 |
|---|---------------|---------------|
| Deferred tax liability brought forward | 52,444 | 28,016 |
| Non-current assets, Group items | -834 | -533 |
| Buildings, subsidiaries | 221 | 216 |
| Untaxed reserves | | |
| Excess depreciation, machinery and equipment | 137 | -48 |
| Tax allocation reserves | 880 | -1,628 |
| Utilised loss carry forward | - | 5,851 |
| Derivative instruments | 578 | -780 |
| Other items | -24 | -30 |
| Acquisition of subsidiaries | - | 17,781 |
| Non-Swedish items with diverging tax rate | 17,724 | 3,599 |
| Deferred tax liability carried forward | 71,126 | 52,444 |

| Changes in deferred tax asset | 2017 | 2016 |
|------------------------------------|------------|--------------|
| Deferred tax asset brought forward | 1,340 | 2,761 |
| Change in loss carried forward | -613 | -1,627 |
| Other | 38 | - |
| Translation differences | 89 | 206 |
| Tax asset carried forward | 854 | 1,340 |

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

NOTE 29**ACCOUNTS PAYABLE AND OTHER LIABILITIES**

| | 2017 | 2016 |
|--|----------------|----------------|
| Advance payments from customers | 30,300 | 5,622 |
| Accounts payable | 142,580 | 102,543 |
| Salary and holiday pay liabilities | 55,673 | 45,572 |
| Accrued social security contributions | 13,370 | 11,361 |
| Other accrued expenses | 14,767 | 7,417 |
| Other non-interest-bearing liabilities | 23,581 | 17,643 |
| Due to construction contract customers | 61,521 | 132,018 |
| | 341,792 | 322,176 |

NOTE 30**PLEGGED ASSETS**

| | 2017 | 2016 |
|---|----------------|----------------|
| <i>For own liabilities</i> | | |
| Property mortgages | 91,805 | 92,348 |
| Floating charges | 69,663 | 87,680 |
| Assets with right of repossession | 22,994 | 18,923 |
| Shares in subsidiaries | 375,867 | 295,435 |
| | 560,329 | 494,386 |
| <i>Other pledged assets</i> | | |
| Pledged endowment insurance with pension obligation | 400 | 400 |
| | 400 | 400 |
| Total | 560,729 | 494,786 |

NOTE 31**CONTINGENT LIABILITIES**

| | 2017 | 2016 |
|--|---------------|---------------|
| Pension obligations | 1,435 | 1,946 |
| Contingent liabilities in respect of advance payment and work guarantees | 24,336 | 33,091 |
| | 25,771 | 35,037 |

NOTE 32**LEASES****FINANCE LEASES**

Items covered by finance lease contracts are reported in the consolidated financial statements as below. Finance leases concern the lease of machinery. The standard terms for the Group's finance lease contracts are adjustable rate of interest and a lease term of seven years, with a residual value of 25 per cent of the acquisition value. During the year, lease payments in respect of finance leases amounted to SEK 10,911 thousand (10,909).

PLANT AND MACHINERY

| Accumulated acquisition values | 2017 | 2016 |
|---------------------------------------|----------------|----------------|
| Opening balance | 107,676 | 113,006 |
| Divestments and disposals | -3,675 | -5,330 |
| Closing balance | 104,001 | 107,676 |

| Accumulated scheduled depreciation | 2017 | 2016 |
|---|----------------|----------------|
| Opening balance | -48,830 | -43,229 |
| Divestments and disposals | 3,332 | 3,731 |
| Depreciation according to plan for the year | -9,260 | -9,332 |
| Closing balance | -54,758 | -48,830 |

| Closing residual value according to plan | 2017 | 2016 |
|---|---------------|---------------|
| | 49,243 | 58,846 |

| Borrowings, finance leases | 2017 | 2016 |
|--|---------------|---------------|
| Current component, maturity date within one year | 14,418 | 11,607 |
| Non-current component | | |
| – maturity date between one and five years | 33,144 | 41,570 |
| – maturity date in excess of five years | – | 4,720 |
| | 47,562 | 57,897 |

Borrowings are estimated at the current value of future lease fees. Interest expenses of SEK 919 thousand (1,386) relating to finance leases have been charged to the income statement.

OPERATING LEASES

Lease payments in respect of operating lease contracts amounted to SEK 10,530 thousand (8,641) during the year and mainly constituted minimum lease payments.

| Contracted future fees for operating leases | 2017 | 2016 |
|--|---------------|---------------|
| Maturity date within one year | 8,613 | 9,092 |
| Maturity date between one and five years | 16,446 | 21,850 |
| Maturity date in excess of five years | – | – |
| | 25,059 | 30,942 |

Operating leases mainly concern rent for premises and car leases.

NOTE 33**CASH FLOW****ACQUISITIONS OF SUBSIDIARIES/ASSETS AND LIABILITIES**

No acquisitions were made in 2017.

Jorgensen Engineering A/S was acquired in November 2016. Final settlement of the purchase price was made in 2017.

| Acquisitions in total | 2017 ¹⁾ | 2016 |
|--|--------------------|----------------|
| Intangible non-current assets | – | 294,425 |
| Property, plant and equipment | – | 71,203 |
| Financial non-current assets | – | – |
| Current assets | -3,861 | 212,625 |
| Non-current liabilities | – | -57,583 |
| Current liabilities | – | -147,029 |
| Exchange rate difference | 31 | – |
| Total purchase prices | -3,830 | 373,641 |
| Liquid assets in acquired businesses | – | -101,351 |
| Total cash flow attributable to acquired businesses | -3,830 | 272,290 |

¹⁾ Relates to the acquisition of Jorgensen Engineering A/S, see also Note 34.

Transaction costs with regard to acquired entities amount to SEK 30 thousand (1,511) and were reported as administrative expenses in net profit for the year.

INTEREST

During the financial year, interest paid amounted to SEK 17,030 thousand (9,286) and interest received to SEK 347 thousand (204).

BORROWINGS

Loans of SEK 0 thousand (56,750) have been reclassified from non-current interest-bearing liabilities to current interest-bearing liabilities. This reclassification has no impact on the cash flow.

CHANGES IN LIABILITIES RELATED TO FINANCING ACTIVITIES

| | 2016 | Cash flow | Non-cash changes | | | 2017 |
|--------------------------------|----------------|-----------------|-------------------------|-----------------------|-------------|----------------|
| | | | Translation differences | Fair value adjustment | Other | |
| Non-current liabilities | | | | | | |
| Interest-bearing liabilities | 451,118 | -29,774 | 4,827 | 1,206 | - | 427,377 |
| Current liabilities | | | | | | |
| Interest-bearing liabilities | 238,659 | -128,711 | -1,931 | - | -296 | 107,721 |
| | 689,777 | -158,485 | 2,896 | 1,206 | -296 | 535,098 |

NOTE 34**BUSINESS COMBINATIONS/DIVESTMENTS**

In November 2016, the Danish enterprise Jorgensen Engineering A/S was acquired. The preliminary purchase price was paid in cash at SEK 371 million. The final purchase price was calculated at SEK 367 million, and a repayment of SEK 4 million was made in January 2017. In 2016, the acquired unit contributed SEK 38 million in net revenue and SEK 1 million in net profit after the deduction of write-offs from surplus values and financial expense attributable to the acquisition. If the acquired unit had been included in the Group throughout the whole of 2016, revenue would have amounted to SEK 1,372 million, while net profit would have been approx. SEK 93 million. The acquisition of Jorgensen brought surplus values totalling SEK 303 million distributed between real estate (SEK 9 million), intangible non-current assets (SEK 20 million) and goodwill (SEK 274 million). The transaction costs amounted to SEK 1.5 million.

The acquired and divested assets and liabilities are specified in Note 33 Cash flow.

NOTE 35**RISKS****FINANCIAL RISKS**

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

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

CURRENCY RISKS

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

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

TRANSACTION RISKS

The transaction risk arises due to the commercial payment flows that take place in a currency other than the local currency of each subsidiary. According to Group policy, these commercial flows are not typically hedged. Due to any changes made to the Group's structure and their impact on currency flows, this policy may be amended. The flows are monitored continuously in order to minimise transaction risks. As of the balance sheet date, there were no forward exchange agreements.

The proportion of invoicing in foreign currency in 2017 was 58 per cent (43). 53 per cent (63) of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in countries other than the countries where manufacturing is performed. A transaction risk arises as a result of deliveries from the manufacturing units to foreign end customers, as well as when purchasing materials.

A simplified breakdown by currency of the Group's income and cost structure for 2017 is shown in the table below.

| Share (%) of | SEK | EUR | DKK | Other |
|--------------------|-----|-----|-----|-------|
| Invoicing | 42 | 45 | 0 | 13 |
| Cost of goods sold | 41 | 27 | 20 | 12 |

The Group is mainly exposed to changes in EUR and USD. In addition to this, subsidiaries hold receivables and borrowings in other currencies than the functional currency, primarily in DKK, EUR and USD. An average change of 5 per cent in all currencies against the Swedish krona would give an impact on profit before tax of approx. SEK 5 million (8) for the corresponding flow.

RISK FROM TRANSLATION OF SUBSIDIARIES' INCOME STATEMENTS

Translation of non-Swedish subsidiaries' income statements into SEK takes place at an average rate. If invoicing and net profit are the same as in 2017, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 36 million (32) and net profit by around SEK 4 million (3).

RISK FROM TRANSLATION OF SUBSIDIARIES' BALANCE SHEETS

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into SEK. Foreign subsidiaries' net assets were valued at SEK 706 million (626) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2017 by SEK 0 million (6). The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency. The Group's translation risks relate primarily to changes in EUR and CNY against SEK. A change of 5 per cent in either EUR or CNY against the SEK would have an impact on Group equity of SEK 5 million and SEK 3 million respectively, based on the current net assets.

INTEREST RATE RISKS

Interest rate risks refer to the risk that changes in the interest rate level will affect the Group's financial results negatively through increased borrowing costs. Financing mainly takes place through borrowing from banks. The average interest rate (interest expenses in relation to the average interest-bearing liabilities) was 2.7 per cent (3.1). On the balance sheet date, the Group's interest-bearing liabilities amounted to SEK 535 million (690), of which SEK 385 million (483) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 65 months and the average interest rate at year-end was 2.2 per cent (2.4). The net result of a 1 percentage point increase in interest rates is approx. SEK -4 million on an annual basis.

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

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

FIXED RATE PERIOD FOR BORROWINGS

| Maternity date | Amount (SEK 000) | Average interest rate (%) ¹⁾ | Share (%) |
|----------------|------------------|---|------------|
| 2018 | – | – | – |
| 2019–2022 | 50,000 | 1.42 | 22 |
| 2023 and later | 100,000 | 2.59 | 78 |
| Total | 150,000 | 2.20 | 100 |

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

LIQUIDITY AND FINANCING RISKS

Liquidity and financing risks refer to not being able to fulfil payment obligations as a result of insufficient liquidity or difficulty in taking out external loans. XANO actively seeks to ensure a high level of financing preparedness and effective capital procurement by always having confirmed lines of credit. The majority of the Group's borrowing comes from banks and with the loans in each company's local currency. Parent companies also lend funds within the Group at market terms, usually at a variable interest rate. The payment capacity (liquid assets including credit that has been granted but not utilised relative to net revenue) amounted to 21 per cent (34) on the balance sheet date.

CREDIT RISKS

Credit risks refer to the risk of a contracting party being unable to fulfil its undertakings in a financial transaction. For XANO, credit risks are primarily associated with accounts receivable. The risk of customer losses (bad debt) is managed through defined procedures for credit controls and claims management. The Group's customers are primarily large, well-established companies with a good ability to pay, spread across a number of industries and geographic markets, which has meant that customer losses have historically been low. The maximum credit risk concerning the Group's accounts receivable corresponds to the reported value of SEK 260 million (190).

| Age analysis of accounts receivable | Not yet due | Time from maturity | | | Total |
|-------------------------------------|-------------|--------------------|------------|-----------|----------------|
| | | 6–30 days | 31–90 days | > 90 days | |
| As of 31/12/2017 | 196,578 | 38,647 | 14,905 | 10,009 | 260,139 |
| As of 31/12/2016 | 146,893 | 15,334 | 27,376 | 642 | 190,245 |

Losses reported on accounts receivable for the year amounted to SEK 599 thousand (1,096), of which SEK 62 thousand (897) constituted actual losses. Reversal in respect of anticipated customer losses has had a positive impact on profit for the year of SEK 10,777 thousand. Required write-downs of outstanding receivables have been carried out at SEK 5,269 thousand (15,442).

OPERATIONAL RISKS

Operational risks are associated with both customers and suppliers, as well as other external factors and the Group's own activities. From a Group perspective, the customer base is broad and varied in terms of both industry and size. The Group has attempted to minimise the risks that exist in connection with customers' requests for production in low-cost countries by offering production at its own foreign units where capacity has been significantly increased. In 2017, project deliveries to the packaging industry accounted for a large part of the Group's growth. The higher proportion of project-based sales entails an increased risk of volume fluctuations. Newly acquired Blowtech has business characteristics which, to a certain extent, limit this risk.

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

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

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

NOTE 36

CAPITAL MANAGEMENT

XANO's objective, during strong and stable growth, is to achieve a good return on equity with limited financial risk. In order to achieve this, a stable cash flow and a strong balance sheet are required with an equity/assets ratio greater than 30 per cent. At the end of the year, the equity/assets ratio was 36 per cent (27).

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

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

NOTE 37

RELATED PARTY TRANSACTIONS

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

In addition to the payments referred to in Note 5, Board members and senior executives have received normal share dividends. The share and convertible holdings of Board members and senior executives as of the balance sheet date are presented on pages 110–111.

Viem Invest AB, controlled by board member Anna Benjamin, and Pomona-gruppen AB, under the controlling interest of Board member Fredrik Rapp, are major XANO shareholders. Apart from the share dividend, no transactions have taken place between these holding companies and XANO.

Transactions take place between XANO's subsidiaries and companies which are subject to the controlling interest of XANO's Board members or senior executives in subsidiaries. These transactions constitute part of the companies' normal activity and take place under market conditions. During 2017, sales from XANO's subsidiaries to ITAB Shop Concept AB with subsidiaries and AGES Industri AB with subsidiaries amounted to SEK 1 million (1) and SEK 2 million (2) respectively. ITAB is under the controlling interest of Board member Petter Fägersten and Pomona-gruppen AB. AGES are under the controlling interest of Viem Invest AB and Pomona-gruppen AB. Other related party transactions do not come to any noteworthy sum. As of the balance sheet date, amounts payable to and receivable from related parties do not come to any noteworthy sum.

DEFINITIONS

AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the period based on working hours.

BASIC EARNINGS PER SHARE

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

CAPITAL EMPLOYED

Balance sheet total less non-interest-bearing liabilities.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

DILUTED EARNINGS PER SHARE

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

DIRECT YIELD

Proposed dividend in relation to the share price on the 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 revenue.

INTEREST COVERAGE RATIO

Profit before tax plus financial expenses in relation to financial expenses.

NET INVESTMENTS

Closing balance less opening balance plus amortisation/depreciation, impairment costs and translation differences relating to non-current assets.

OPERATING MARGIN

Operating profit in relation to net revenue.

PROFIT MARGIN

Profit before tax in relation to net revenue.

PROPORTION OF RISK-BEARING CAPITAL

Equity plus provisions for taxes in relation to total capital.

RETURN ON CAPITAL EMPLOYED

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

RETURN ON EQUITY

Net profit in relation to average equity.

RETURN ON TOTAL CAPITAL

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

TOTAL CAPITAL

Total equity and liabilities (balance sheet total).

KEY FIGURES

As from July 2016, the ESMA's guidelines for alternative key figures are being applied (measures that are not defined according to IFRS).

Key figures included in this report derive primarily from the disclosure requirements according to IFRS. Other measures, known as alternative key figures, describe e.g. the profit trend, financial strength and how the Group has invested its capital.

Presented key figures take the nature of the business into account, and are deemed to provide relevant information to shareholders and other stakeholders for assessing the Group's possibilities to carry out strategic investments, fulfil financial commitments and provide yield for shareholders at the same time as achieving comparability with other companies. The margin measures are also presented internally.

INCOME STATEMENTS

| PARENT COMPANY (SEK THOUSANDS) | Note | 2017 | 2016 |
|--|---------|----------------|---------------|
| Net sales | | 16,532 | 8,688 |
| Cost of goods sold | | – | – |
| Gross profit | | 16,532 | 8,688 |
| Selling expenses | 3, 4 | -3,407 | -2,643 |
| Administrative expenses | 3, 4, 5 | -19,304 | -14,979 |
| Operating profit/loss | | -6,179 | -8,934 |
| Profit from participations in Group companies | 6 | 113,071 | 55,950 |
| Interest income and similar profit/loss items | 7 | 6,986 | 2,096 |
| Interest expense and similar profit/loss items | 8 | -10,170 | -14,154 |
| Profit after financial items | | 103,708 | 34,958 |
| Appropriations | 9 | -12,928 | 4,114 |
| Profit before tax | | 90,780 | 39,072 |
| Tax | 10 | -19,894 | -7,199 |
| NET PROFIT FOR THE YEAR | | 70,886 | 31,873 |

STATEMENTS OF COMPREHENSIVE INCOME

| PARENT COMPANY (SEK THOUSANDS) | Note | 2017 | 2016 |
|--|------|---------------|---------------|
| Net profit for the year | | 70,886 | 31,873 |
| Other comprehensive income | | – | – |
| COMPREHENSIVE INCOME FOR THE YEAR | | 70,886 | 31,873 |

BALANCE SHEETS

| PARENT COMPANY (SEK THOUSANDS) | Note | 31/12/2017 | 31/12/2016 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| <i>Property, plant and equipment</i> | | | |
| Equipment, tools, fixtures and fittings | 11 | 102 | 140 |
| | | 102 | 140 |
| <i>Financial non-current assets</i> | | | |
| Participations in Group companies | 12 | 52,761 | 52,761 |
| | | 52,761 | 52,761 |
| Total non-current assets | | 52,863 | 52,901 |
| Current assets | | | |
| <i>Current receivables</i> | | | |
| Accounts receivable | | – | 1 |
| Receivables from Group companies | | 627,342 | 428,515 |
| Other receivables | 13 | 6 | 5,337 |
| Prepayments and accrued income | | 1,178 | 593 |
| | | 628,526 | 434,446 |
| <i>Current investments</i> | | | |
| Cash and bank balances | 16 | 5,858 | 2,699 |
| Total current assets | | 634,389 | 437,150 |
| TOTAL ASSETS | | 687,252 | 490,051 |

BALANCE SHEETS

| PARENT COMPANY (SEK THOUSANDS) | Note | 31/12/2017 | 31/12/2016 |
|---|--------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital | 14 | 35,234 | 35,234 |
| Statutory reserve | | 8,899 | 8,899 |
| | | 44,133 | 44,133 |
| <i>Non-restricted equity</i> | | | |
| Share premium reserve | | 12,529 | 12,529 |
| Profit brought forward | | 22,434 | 21,641 |
| Net profit for the year | | 70,886 | 31,873 |
| | | 105,849 | 66,043 |
| Total equity | | 149,982 | 110,176 |
| Untaxed reserves | 15 | 76,880 | 63,952 |
| Provisions | | | |
| Provisions for pensions and similar obligations | | 305 | 435 |
| Total provisions | | 305 | 435 |
| Liabilities | | | |
| <i>Non-current liabilities</i> | | | |
| Non-current interest-bearing liabilities | 16, 17 | 119,113 | 72,907 |
| | | 119,113 | 72,907 |
| <i>Current liabilities</i> | | | |
| Bank overdraft facilities | 16, 17 | 12,114 | 38,051 |
| Current interest-bearing liabilities | 16, 17 | 5,000 | 56,750 |
| Accounts payable | | 1,409 | 2,610 |
| Liabilities to Group companies | | 298,321 | 122,239 |
| Income tax liability | | 3,438 | – |
| Other liabilities | 16 | 15,835 | 17,631 |
| Accruals and deferred income | | 4,855 | 5,300 |
| | | 340,972 | 242,581 |
| Total liabilities | | 460,085 | 315,488 |
| TOTAL EQUITY AND LIABILITIES | | 687,252 | 490,051 |

STATEMENT OF CHANGES IN EQUITY

| PARENT COMPANY | Note | RESTRICTED EQUITY | | NON-RESTRICTED EQUITY | | TOTAL EQUITY |
|---|------|-------------------|-------------------|-----------------------|-----------------------------|----------------|
| | | Share capital | Statutory reserve | Share premium reserve | Other non-restricted equity | |
| (SEK THOUSANDS) | | | | | | |
| Equity, 1 January 2016 | | 34,645 | 8,899 | 4,295 | 108,298 | 156,137 |
| Net profit for the year | | - | - | - | 31,873 | 31,873 |
| Other comprehensive income | | - | - | - | - | - |
| Comprehensive income for the year | | - | - | - | 31,873 | 31,873 |
| Effects of convertible loan issued | | - | - | 4,831 | - | 4,831 |
| Conversion of personnel convertibles | | 589 | - | 5,417 | - | 6,006 |
| Acquisition of own personnel convertibles | | - | - | -2,014 | -56,107 | -58,121 |
| Dividend paid in cash | | - | - | - | -30,550 | -30,550 |
| Equity, 31 December 2016 | | 35,234 | 8,899 | 12,529 | 53,514 | 110,176 |
| Net profit for the year | | - | - | - | 70,886 | 70,886 |
| Other comprehensive income | | - | - | - | - | - |
| Comprehensive income for the year | | - | - | - | 70,886 | 70,886 |
| Dividend paid in cash | | - | - | - | -31,080 | -31,080 |
| Equity, 31 December 2017 | 14 | 35,234 | 8,899 | 12,529 | 93,320 | 149,982 |

CASH FLOW STATEMENTS

| PARENT COMPANY (SEK THOUSANDS) | Note | 2017 | 2016 |
|--|------|----------------|----------------|
| Operating activities | | | |
| Operating profit/loss | | -6,179 | -8,934 |
| <i>Adjustments for non-cash items etc.</i> | | | |
| Depreciation | | 38 | 91 |
| Other | | – | 20 |
| Group contribution | | 113,071 | 43,933 |
| Dividend received | | – | 12,017 |
| Interest paid/received, net value | 19 | -6,643 | -5,050 |
| Income tax paid | | -11,257 | -16,478 |
| Cash flow from operating activities before changes in working capital | | 89,030 | 25,599 |
| Changes in working capital | | | |
| Increase (-) / decrease (+) in current receivables | | -199,549 | 38,504 |
| Increase (+) / decrease (-) in current liabilities | | 177,602 | -6,430 |
| Increase (+) / decrease (-) in other provisions | | -130 | -136 |
| Cash flow from operating activities | | 66,953 | 57,537 |
| Investing activities | | | |
| Cash flow from investing activities | | – | – |
| Financing activities | | | |
| Dividend paid | | -31,080 | -30,550 |
| Acquisition of own personnel convertibles | | – | -81,443 |
| <i>Increase (+) / decrease (-) in non-current liabilities</i> | 19 | | |
| Borrowings | | 45,000 | 77,130 |
| Repayment of debt | | – | -15,487 |
| <i>Increase (+) / decrease (-) in current liabilities</i> | 19 | | |
| Change in bank overdraft facilities | | -25,937 | 35,723 |
| Borrowings | | 5,000 | – |
| Repayment of debt | | -56,750 | -44,431 |
| Cash flow from financing activities | | -63,767 | -59,058 |
| Cash flow for the year | | 3,186 | -1,521 |
| Cash and cash equivalents at the beginning of the year | | 2,704 | 4,465 |
| Exchange rate differences in cash and cash equivalents | | -27 | -240 |
| Cash and cash equivalents at the end of the year | 19 | 5,863 | 2,704 |

NOTES

NOTE 1

GENERAL INFORMATION

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

All amounts are reported in SEK thousands unless otherwise indicated.

NOTE 2

ACCOUNTING POLICIES

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

GENERAL

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

RECEIVABLES AND LIABILITIES

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

RELATED PARTY TRANSACTIONS

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

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

In addition to that referred to in Note 3, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the Annual General Meeting.

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 12. Viem Invest AB, controlled by Board member Anna Benjamin, and Pomona-gruppen AB, under the controlling interest of Board member Fredrik Rapp, are major XANO shareholders. Apart from the share dividend, no transactions have taken place between these holding companies and XANO.

PARTICIPATING INTERESTS IN GROUP COMPANIES

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

NON-CURRENT ASSETS

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

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

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

LIQUID ASSETS

Liquid assets (cash and cash equivalents) constitute cash and bank balances as well as investments with a term of no more than three months.

CASH FLOW

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

INCOME

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

GROUP CONTRIBUTION

Group contributions received from subsidiaries are recognised as financial income.

TAXES

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

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

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

BANK OVERDRAFT FACILITIES, GROUP CURRENCY ACCOUNTS

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

NOTE 3

EMPLOYEES AND PERSONNEL COSTS

| Average no. of employees | 2017 | of which men | 2016 | of which men |
|--|---------------|--------------|---------------|--------------|
| Sweden | 7 | 43% | 5 | 20% |
| Proportion of men amongst Board members and senior executives | 2017 | | 2016 | |
| Board members | 71% | | 71% | |
| Senior executives | 50% | | 50% | |
| Salaries, other remuneration and social security costs | 2017 | | 2016 | |
| Salaries and remuneration | 10,469 | | 7,990 | |
| Social security costs | 6,222 | | 4,630 | |
| (of which pension costs ^{1, 2)}) | (2,304) | | (1,657) | |
| | 16,691 | | 12,620 | |

¹⁾ Of the Parent Company's pension costs, SEK 1,708 thousand (1,266) relates to Board members and senior executives. The company's outstanding pension commitments for these amount to SEK 0 thousand (0).

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

| Break-down of salaries and other remuneration | 2017 | 2016 |
|---|---------------|--------------|
| Board members and senior executives | 7,339 | 5,896 |
| (of which bonuses) | (1,272) | (437) |
| Other employees | 3,130 | 2,094 |
| | 10,469 | 7,990 |

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

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

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

The AGM decided that the Board's fee of SEK 1,080 thousand should be distributed with SEK 270 thousand payable to the Chairman and SEK 135 thousand payable to each of the other ordinary Board members for the period up to and including the next annual general meeting. The AGM further decided that remuneration for tasks undertaken in the remuneration committee should amount to SEK 20 thousand per person and remuneration for tasks undertaken in the audit committee should amount to SEK 30 thousand per person. During 2017, SEK 130 thousand was carried as an expense for these tasks. Board member Sune Lantz has provided assistance within his normal professional area of expertise and has received a fee of SEK 930 thousand (500) for these services.

In 2017, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 4,766 thousand (3,628), of which SEK 1,100 thousand (437) constitutes variable remuneration. Other senior executives received salary, salary sacrifice excluded, totalling SEK 1,519 thousand (1,148), of which SEK 172 thousand (0) constitutes variable remuneration. At the 2016 AGM, it was decided to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 30 per cent (30) of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 27 per cent (27) of the pensionable salary. "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs including salary sacrifice for the CEO amounted to SEK 1,260 thousand (890). Pension costs including salary sacrifice for other senior executives amounted to SEK 448 thousand (376).

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

NOTE 4

DEPRECIATION

| Depreciation by function | 2017 | 2016 |
|---|------------|------------|
| Selling expenses | -6 | -14 |
| Administrative expenses | -32 | -77 |
| | -38 | -91 |
| Depreciation by class of asset | 2017 | 2016 |
| Equipment, tools, fixtures and fittings | -38 | -91 |
| | -38 | -91 |

NOTE 5

AUDITORS' REMUNERATION

| | 2017 | 2016 |
|--|-------------|-------------|
| Ernst & Young | | |
| Audit assignment | -260 | -240 |
| Audit activities other than audit assignment | -172 | -37 |
| Tax consultancy services | - | -121 |
| Other services | -149 | -334 |
| | -581 | -732 |

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

NOTE 6

RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

| | 2017 | 2016 |
|--------------------------------|----------------|---------------|
| Dividends from Group companies | - | 12,017 |
| Group contributions received | 113,071 | 43,933 |
| | 113,071 | 55,950 |

NOTE 7**INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS**

| | 2017 | 2016 |
|----------------------------------|--------------|--------------|
| Interest income, Group companies | 3,892 | 1,979 |
| Interest income, other | 2,655 | 13 |
| Exchange rate differences | 439 | 104 |
| | 6,986 | 2,096 |

Other interest income includes a change in value of SEK 2,627 thousand (0) relating to interest rate swaps measured at their fair value.

NOTE 8**INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS**

| | 2017 | 2016 |
|-----------------------------------|----------------|----------------|
| Interest expense, Group companies | -459 | -387 |
| Interest expense, other | -9,657 | -12,299 |
| Exchange rate differences | -54 | -1,468 |
| | -10,170 | -14,154 |

Other interest expense includes a change in value of SEK 0 thousand (-3,545) relating to interest-rate swaps measured at their fair value.

Exchange rate differences include a change in value of SEK 0 thousand (-586) relating to derivative instruments measured at their fair value.

NOTE 9**APPROPRIATIONS**

| | 2017 | 2016 |
|---|----------------|--------------|
| Change in excess depreciation | 11 | 64 |
| Tax allocation reserve, change for the year | -12,939 | 4,050 |
| | -12,928 | 4,114 |

NOTE 10**TAX ON PROFIT FOR THE YEAR**

| | 2017 | 2016 |
|-------------|----------------|---------------|
| Current tax | -19,894 | -7,199 |
| | -19,894 | -7,199 |

Tax totals 22 per cent (18). Tax-exempt dividends contributed to the lower tax expense in 2016.

NOTE 11**PROPERTY, PLANT AND EQUIPMENT****EQUIPMENT, TOOLS, FIXTURES AND FITTINGS**

| | 2017 | 2016 |
|---|---------------|---------------|
| Accumulated acquisition values | | |
| Opening balance | 1,239 | 1,239 |
| Closing balance | 1,239 | 1,239 |
| Accumulated scheduled depreciation | | |
| Opening balance | -1,099 | -1,008 |
| Depreciation according to plan for the year | -38 | -91 |
| Closing balance | -1,137 | -1,099 |
| Closing residual value according to plan | 102 | 140 |

NOTE 12

PARTICIPATIONS IN GROUP COMPANIES

| Accumulated acquisition values | 2017 | 2016 |
|--------------------------------|---------------|---------------|
| Opening balance | 52,761 | 52,761 |
| Closing balance | 52,761 | 52,761 |

PARENT COMPANY HOLDINGS

| Business name | Corporate identity number | Registered office | Number of shares | Share of equity | Carrying amount |
|---------------------|---------------------------|-------------------|------------------|-----------------|-----------------|
| Cipax Industri AB | 556261-0096 | Jönköping, Sweden | 1,000 | 100% | 3,483 |
| XANO Automation AB | 556432-6329 | Jönköping, Sweden | 5,000 | 100% | 17,153 |
| XANO Evolution AB | 556412-4070 | Jönköping, Sweden | 46,200 | 100% | 5,499 |
| XANO Fastigheter AB | 556237-3265 | Jönköping, Sweden | 30,500 | 100% | 4,541 |
| XANO Precision AB | 556620-3294 | Jönköping, Sweden | 1,000 | 100% | 22,085 |
| | | | | | 52,761 |

SUBSIDIARY HOLDINGS

| Business name | Corporate identity number | Registered office | Number of shares | Share of equity |
|---|---------------------------|----------------------|------------------|-----------------|
| Ackurat Industriplast AB | 556076-4564 | Växjö, Sweden | 10,000 | 100% |
| Ackurat Ornplast Sp. z o. o | 0000404285 | Gdansk, Poland | 34,227 | 100% |
| Ackurat Suomen Oy | 0535817-5 | Helsinki, Finland | 630 | 100% |
| Albins Mekaniska Verkstad AB | 556440-4233 | Jönköping, Sweden | 1,000 | 100% |
| Bakeline Systems B.V. | 53079531 | Eersel, Netherlands | 1,800 | 100% |
| Canline Holding B.V. | 17270976 | Eersel, Netherlands | 180 | 100% |
| Canline Magnetics B.V. | 30239913 | Eersel, Netherlands | 180 | 100% |
| Canline Systems B.V. | 17270973 | Eersel, Netherlands | 180 | 100% |
| Canline USA Corporation | 46-3583603 | Lynchburg, USA | 1,000 | 100% |
| Cipax AB | 556065-7875 | Norrköping, Sweden | 200 | 100% |
| Cipax AS | 990 374 031 | Bjørkelangen, Norway | 10,100 | 100% |
| Cipax Eesti AS | 10092500 | Taebala, Estonia | 400 | 100% |
| Cipax Oy | 2188914-4 | Helsinki, Finland | 1,000 | 100% |
| Fredriksons Verkstads AB | 556420-7537 | Vadstena, Sweden | 5,000 | 100% |
| Fredriksons Industry (Suzhou) Co Ltd | 022735 | Suzhou, China | - | 100% |
| Jorgensen Engineering A/S | 51 45 22 16 | Odense, Denmark | 30,000,000 | 100% |
| Kungsörs Mekaniska Verkstad AB | 556141-4243 | Kungsör, Sweden | 1,500 | 100% |
| Ljungarum Konsult 01 AB in liquidation | 556699-0452 | Jönköping, Sweden | 5,000 | 100% |
| Ljungarum Konsult 02 AB in liquidation | 556699-0478 | Jönköping, Sweden | 5,000 | 100% |
| AB LK Precision Invest | 556258-1644 | Stockholm, Sweden | 1,000 | 100% |
| AB LK Precision Parts | 556237-5377 | Stockholm, Sweden | 2,000 | 100% |
| Mikroverktyg AB | 556020-8828 | Södertälje, Sweden | 1,000 | 100% |
| Nordic Plastic Recycling AS | 918 069 283 | Ådalsnes, Norway | 240 | 24% |
| NPB Automation AB | 556266-7948 | Jönköping, Sweden | 1,000 | 100% |
| Resinit AB | 556332-1263 | Västervik, Sweden | 1,000 | 100% |
| VIAB Konsult AB | 556506-0802 | Jönköping, Sweden | 1,000 | 100% |
| XANO Fastigheter Ljungarum AB | 556202-5220 | Jönköping, Sweden | 2,796,000 | 100% |
| XANO Fastigheter Läna AB in liquidation | 556176-5271 | Stockholm, Sweden | 1,000 | 100% |

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

NOTE 13
OTHER RECEIVABLES

| | 2017 | 2016 |
|---------------------------|----------|--------------|
| Tax asset included totals | 0 | 5,324 |
| | 0 | 5,324 |

NOTE 14
SHARE CAPITAL AND NUMBER OF SHARES

| Distribution of share capital | 31/12/2017 | 1/1/2017 |
|-------------------------------|-------------------|------------------|
| Class A shares | 3,644,400 | 1,822,200 |
| Class B shares | 10,449,090 | 5,224,545 |
| Total number of shares | 14,093,490 | 7,046,745 |
| Quotient value, SEK | 2.50 | 5.00 |
| Share capital, SEK | 35,233,725 | 35,233,725 |

The total number of shares is 14,093,490, of which 280,000 was held by the company at year-end. The average number of outstanding shares during 2017 amounted to 13,813,490. Class A shares give entitlement to ten votes and class B shares entitlement to one vote.

After the balance sheet date, 133,778 own shares were transferred in conjunction with an acquisition, hence the company holds 146,222 class B shares. The number of votes, following deductions for the company's own holding, amounts to 46,746,868.

A 2:1 share split was carried out in June 2017.

On 1 July 2016, convertibles for a nominal value of SEK 62,130,000, corresponding to 570,000 class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 4.00 per share.

NOTE 15
UNTAXED RESERVES

| | 2017 | 2016 |
|--|---------------|---------------|
| Tax allocation reserve, allocated 2011 | – | 16,061 |
| Tax allocation reserve, allocated 2012 | 13,897 | 13,897 |
| Tax allocation reserve, allocated 2013 | 14,960 | 14,960 |
| Tax allocation reserve, allocated 2014 | 9,006 | 9,006 |
| Tax allocation reserve, allocated 2016 | 10,000 | 10,000 |
| Tax allocation reserve, allocated 2017 | 29,000 | – |
| | 76,863 | 63,924 |
| Accumulated excess depreciation | 17 | 28 |
| | 76,880 | 63,952 |

Deferred tax liabilities represent SEK 16,914 thousand (14,069) of untaxed reserves.

NOTE 16
LIABILITIES

| Non-current liabilities | 2017 | 2016 |
|---|----------------|----------------|
| Maturity date between one and five years after balance sheet date | 119,113 | 72,907 |
| Maturity date more than five years after balance sheet date | – | – |
| | 119,113 | 72,907 |
| Current liabilities | 2017 | 2016 |
| Bank overdraft facilities, Group currency accounts | 12,114 | 38,051 |
| Current portion of non-current borrowings | 5,000 | 56,750 |
| | 17,114 | 94,801 |
| Total interest-bearing liabilities | 136,227 | 167,708 |
| Bank overdraft facilities | 2017 | 2016 |
| Bank overdraft facilities granted, Group currency accounts | 185,000 | 185,000 |
| Unutilised amount | -172,886 | -146,949 |
| Utilised amount | 12,114 | 38,051 |

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 211 million (132) on the balance sheet date.

The company has an outstanding convertible loan reported at SEK 59,113 thousand (57,907). The nominal value for the outstanding loan is SEK 62,130 thousand. The convertible loan runs until 30 June 2020 with an annual interest rate corresponding to STIBOR 3M plus 2.20 per cent (2.20 per cent for the current period). During the period 1–10 June 2020, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 109. Given that the loan is subordinate to other liabilities and the Group's financial position in general, the interest rate cannot be regarded as corresponding to a market interest rate. The market interest rate for this loan was assessed at 4.49 per cent (government bonds interest rate at the time of issue, -0.51 per cent, with a 5.0 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense for the year is SEK 2,573 thousand (1,845). For the outstanding convertible loan, the interest expense corresponds to 4.1 per cent of the actual liability.

Derivative instruments totalling SEK 14,537 thousand (17,150) are included in current liabilities. The item relates to interest rate swaps measured at their fair value. The year's change in value of SEK 2,627 thousand (-3,545), excluding tax, is reported among financial items in the income statement.

Cash and bank deposits include the balance in the bank overdraft facilities, Group currency accounts, amounting to SEK 5,855 thousand (2,695).

NOTE 17
PLEGDED ASSETS

| | 2017 | 2016 |
|------------------------|---------------|---------------|
| Shares in subsidiaries | 47,262 | 47,262 |
| | 47,262 | 47,262 |

NOTE 18
CONTINGENT LIABILITIES

| | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Guarantees in favour of subsidiaries | 459,369 | 541,390 |
| Pension commitments | 1,256 | 1,793 |
| | 460,625 | 543,183 |

NOTE 19
CASH FLOW

INTEREST

Interest paid amounted to SEK 10,563 thousand (7,042) and interest received SEK 3,920 thousand (1,992).

BORROWINGS

Loans of SEK 0 thousand (56,750) have been reclassified from non-current interest-bearing liabilities to current interest-bearing liabilities. This reclassification will have no impact on the cash flow.

| Liquid assets | 2017 | 2016 |
|---------------------------|--------------|--------------|
| Cash and bank balances | 5,858 | 2,699 |
| Current investments | 5 | 5 |
| Amount at year-end | 5,863 | 2,704 |

NOTE 20
RISKS

The Parent Company is exposed to financial risks through its international activities. Financial risks refer to changes in exchange rates and interest levels. A statement on the Group's main financial and operational risks can be found in Note 35 on pages 88–89.

NOTE 21
PROPOSAL FOR THE APPROPRIATION OF PROFITS

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

| | 2017 | 2016 |
|---|----------------|---------------|
| Payment of a cash dividend of SEK 4.00 (2.25) per share to shareholders, calculated on 13,947,278 shares (13,813,490) | 55,789 | 31,080 |
| To be carried forward | 50,060 | 34,963 |
| | 105,849 | 66,043 |

After deduction for the company's own holding, the number of outstanding shares is 13,947,278 at present.

NOTE 22
EVENTS AFTER THE END OF THE YEAR

On 2 January 2018, the acquisition of Blowtech Group AB was concluded. Blowtech is a leading Nordic player in technical blow moulding of plastics. Blowtech produces complex components for vehicles, construction machinery and infrastructure equipment. The company has built up a very strong market presence, particularly in the Nordic region, using its extensive experience of blow moulding acquired over many years. Blowtech Group has production facilities in Gnosjö, Sweden, and Kongsvinger, Norway, with a workforce of some 120 employees. The acquisition also includes LTBP Sweden AB, in whose property the Swedish operations are located.

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

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2017 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 8 May 2018 for adoption.

Jönköping, 15 March 2018

Fredrik Rapp
Chairman

Anna Benjamin
Vice chairman

Petter Fägersten
Board member

Stig-Olof Simonsson
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
Board member

Lennart Persson
CEO

Our audit report was submitted on 20 March 2018.

Ernst & Young AB

Joakim Falck
Authorised public accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of XANO Industri AB, corporate identity number 556076-2055

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of XANO Industri AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 64–101 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

GOODWILL

Description

As at 31 December, reported value of goodwill amounts to SEK 483 million in the group's report of its financial standing. The company checks on an annual basis and on indication of decrease in value that reported values do not exceed the calculated recoverable amount. The recoverable amount is determined for each cash generating unit through a present value of future cash flows. Future cash flows are based on the management's business plans and prognoses, and contain a number of assumptions, among other things about earnings performance, growth, investment requirements and discount rate.

Changes to the assumptions will greatly impact calculations of the recoverable amount and the assumptions that the company has carried out therefore impact to a large degree the assessment of whether there is a need for writing down. We have therefore assessed that the presentation of goodwill is a specifically important area of the audit.

A description of the impairment test appears in note 15 "Intangible assets" and in note 2 "Significant assessments and estimates".

How our audit addressed this key audit matter

In our audit, we have assessed and tested the company's procedure for setting up an impairment test, i.a. through assessing previous accuracy in prognoses and assumptions. We have also made comparisons with other businesses to assess the likelihood of future cash flows and the growth assumption, and by means of our evaluation specialists we have tested the chosen discount rate and the assumption of long-term growth. We have also reviewed the company's model and method to make an impairment test and evaluated the company's sensitivity analyses. We have assessed whether information given in the financial statements is appropriate.

REVENUE RECOGNITION

Description

The group's sales revenues amount to SEK 1,663 million for 2017. A substantial part of the sales revenues relates to the project deliveries for the packaging industry, where the group uses the percentage of completion method in compliance with IAS 11 and amounted to SEK 647 million for 2017. As regards these projects, incomes and costs are shown based on the degree of completion as at the balance sheet date, which is described in note 4 and the section "Revenue and percentage of completion" in note 2. The method implies that assessments must be made from the total costs of the project, and changes to them imply that the results for the future periods are influenced. The difficulty of assessing the result is particularly large at the start of the project, and for projects that are technically complex, for which reason the income accounting has been assessed to be a particularly important field of the audit.

How our audit addressed this key audit matter

In our audit, we have evaluated and tested the process for determining the completion degree, i.a. through reviewing of customer agreements, estimates and calculations. We have also made sample checks of underlying documentation and reviewed the management's evaluation of agreements with a low or negative profit. We have assessed whether information given in the financial statements is appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–63 and 110–116 respectively. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of XANO Industri AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

Ernst & Young AB was appointed auditor of XANO Industri AB by the general meeting of the shareholders on 10 May 2017 and has been the company's auditor since 20 May 1997.

Jönköping, 20 March 2018

Ernst & Young AB

Joakim Falck
Authorised public accountant

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

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

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2017 on pages 45–61 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 12 The auditor's opinion regarding the statutory sustainability statement. This means that

our examination of the statutory sustainability statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Jönköping, 20 March 2018

Ernst & Young AB

Joakim Falck
Authorised public accountant

XANO INDUSTRI AB (PUBL)

CORPORATE GOVERNANCE REPORT 2017

SWEDISH CORPORATE GOVERNANCE MODEL

Corporate governance in Swedish listed companies is regulated by a combination of written rules and generally accepted practices. The framework includes the Swedish Companies Act ("the Act") and the rules that apply in the regulated market in which the company's shares are quoted. In addition, all listed Swedish companies have been covered by the Swedish Corporate Governance Code ("the Code") since 2008 with the latest revised version in force from 1 December 2016 (www.bolagsstyrning.se).

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

CORPORATE GOVERNANCE AT XANO

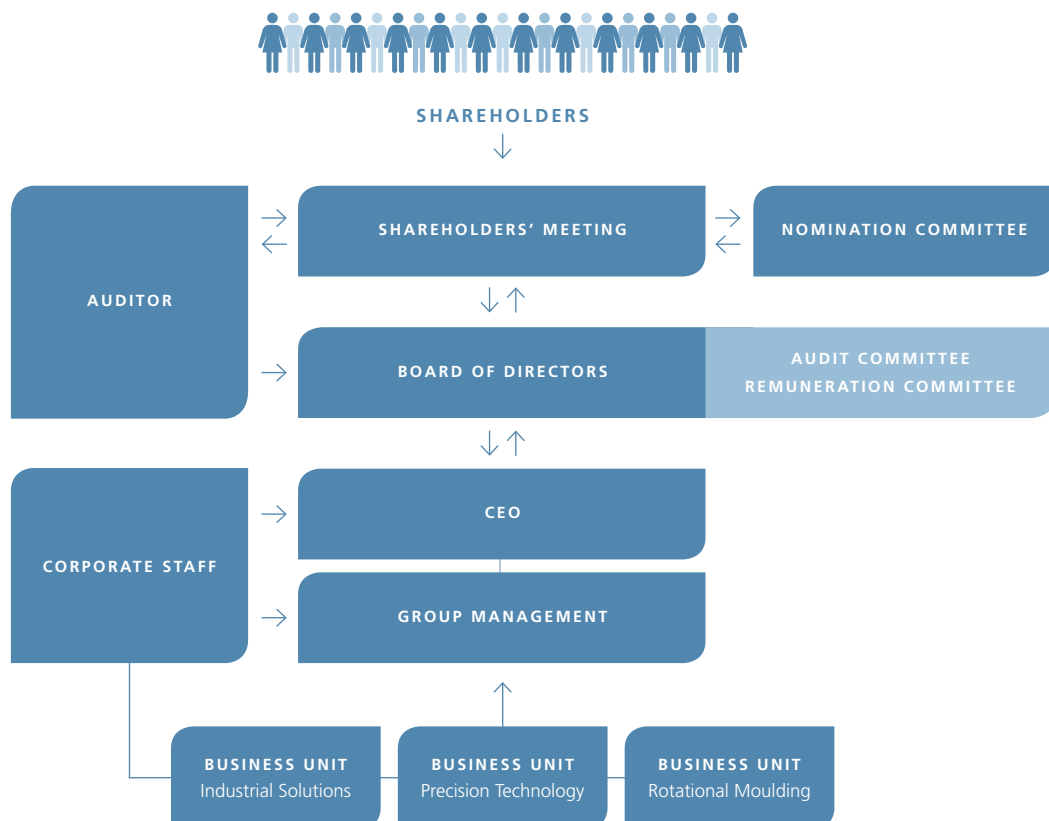
XANO Industri AB (publ) is a Swedish public limited company whose overall goal is to generate long-term value for its shareholders and other

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

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

SHAREHOLDERS

At the end of 2017, there were 2,439 shareholders in XANO, of which 2,260 were physical persons representing 14.2 per cent of the votes and 37.2 per cent of the capital. Institutional holdings constituted 3.2 per cent of the votes and 10.6 per cent of the share capital. The ten largest shareholders accounted for 94.3 per cent of the votes and 81.1 per cent of the capital. As of the balance sheet date, there were two shareholders who each controlled more than 10 per cent of the capital and the votes for all shares in the company. Anna Benjamin held 28.7 per cent of the capital and 57.8 per cent of the votes. Pomona-gruppen AB held 29.9 per cent of the capital and 29.7 per cent of the votes.



SHAREHOLDERS' MEETING

The shareholders' meeting is the forum in which the shareholders' influence is exercised. It is the company's highest decision-making body and has a superior position in relation to the company's Board and the CEO. According to the Articles of Association, notices convening a shareholders' meeting must be issued through advertising in the Official Swedish Gazette and on the company website. Confirmation that notices convening the meeting have been issued must be published in Dagens Industri.

ANNUAL GENERAL MEETING

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

ANNUAL GENERAL MEETING 2017

XANO's 2017 AGM was held on Wednesday 10 May. 53 shareholders, whose holdings accounted for 94 per cent of the votes and 81 per cent of the total number of outstanding shares, were represented at the meeting. XANO's Board and management, as well as the company's auditor and representatives from the nomination committee, were present at the meeting. The following key decisions were made:

- » Cash dividends of SEK 4.50 per share, amounting to a total of SEK 31 million.
- » Re-election of Board members Stig-Olof Simonsson, Fredrik Rapp, Petter Fägersten, Eva-Lotta Kraft, Per Rodert, Sune Lantz and Anna Benjamin. Election of Fredrik Rapp as Chairman of the Board.
- » Election of the registered auditing company Ernst & Young AB, Jönköping, with authorised public accountant Joakim Falck as auditor in charge.
- » Composition of the nomination committee ahead of the 2018 AGM.
- » Authority for the Board of Directors to take decisions concerning acquisitions and transfer of the company's own shares.
- » Authority for the Board of Directors to take decisions concerning new share issue.

ANNUAL GENERAL MEETING 2018

XANO's 2018 AGM will take place on Tuesday 8 May at 3 pm at the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 112 of the annual report for 2017.

BOARD OF DIRECTORS

The task of the Board of Directors is to manage the company's affairs on behalf of the shareholders. According to the Articles of Association, the Board must be made up of at least three and no more than eight members. The 2017 AGM decided that there should be seven members. The Board of Directors currently consists of Fredrik Rapp (Chairman), Stig-Olof Simonsson, Petter Fägersten, Eva-Lotta Kraft, Per Rodert, Sune Lantz and Anna Benjamin. Fredrik Rapp, Anna Benjamin, Petter Fägersten and Sune Lantz are considered dependent in relation to major shareholders. By virtue of his former employment as CEO, Sune Lantz is judged to be dependent in relation to the company and the company management. Other members are judged to be independent in relation to both major shareholders and the company and the company management.

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

The Board of Directors held seven meetings during the 2017 financial year. Each ordinary meeting considers the following fixed items: review of the minutes of the previous meeting, general review of the business units with follow-up on the latest report and comparison with the forecast as well as financing and liquidity. In addition to fixed reporting items, the Board of Directors also decides on issues of a more general nature, such as the Group's strategy, structural and organisational matters, policies, guidelines, acquisitions and major investments.

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

COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AS OF 31 DECEMBER 2017

| Name | Elected | Board position | Independent in relation to the company and company management | Independent in relation to major shareholders | Participation in Board meetings 2017 | Participation in Remuneration Committee meetings 2017 | Participation in Audit Committee meetings 2017 | Board fee including committee remuneration, SEK |
|---------------------|---------|----------------|---|---|--------------------------------------|---|--|---|
| Fredrik Rapp | 2004 | Chairman | Yes | No ¹⁾ | 7 (7) | 1 (1) | – | 290,000 |
| Anna Benjamin | 2016 | Board member | Yes | No ¹⁾ | 7 (7) | – | 2 (2) | 165,000 |
| Petter Fägersten | 2011 | Board member | Yes | No ¹⁾ | 7 (7) | 1 (1) | – | 155,000 |
| Eva-Lotta Kraft | 2012 | Board member | Yes | Yes | 6 (7) | – | – | 135,000 |
| Sune Lantz | 2014 | Board member | No ²⁾ | No ¹⁾ | 7 (7) | – | 2 (2) | 165,000 |
| Per Rodert | 2013 | Board member | Yes | Yes | 7 (7) | – | 2 (2) | 165,000 |
| Stig-Olof Simonsson | 2002 | Board member | Yes | Yes | 5 (7) | – | – | 135,000 |

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

²⁾ By virtue of his former employment as CEO, Sune Lantz is considered to be dependent in relation to the company and the company management.

More information on the Board members and Group management is given on pages 110–111.

In addition to the fixed items mentioned above, the programme for 2017 included the following main items:

No. 1 – 8 February

Year-end report 2016, report from audit committee, the auditor's report of the general observations arising from the audit of the 2016 financial statements.

No. 2 – 10 May

Interim report 3 months, revised forecast for 2017, report from remuneration committee, prerequisites prior to the AGM.

No. 3 – 12 July (phone)

Interim report 6 months.

No. 4 – 20–21 September

Group strategy, visit at and deeper information on Cipax, acquisition discussions.

No. 5 – 1 November (phone)

Interim report 9 months, acquisition discussions.

No. 6 – 14 December

Forecast for 2018, evaluation of the Board's and the CEO's work, acquisition discussions.

No. 7 – 14 December

Decisions regarding acquisition, decisions regarding the utilisation of the Annual General Meeting's authorisation in respect of the transfer of the company's own shares in order to regulate part of the purchase sum.

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

In December 2016, the Board adopted a sustainability policy that specifies guidelines for the Group's sustainability work. This policy describes how the Group's companies should act in order to contribute optimally to sustainable development.

AUDIT COMMITTEE

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

XANO's audit committee comprises the Board members Anna Benjamin, Sune Lantz and Per Rodert (Committee Chairman).

REMUNERATION COMMITTEE

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

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

CEO

The Board appoints the CEO to take care of the day-to-day administration of the company. The current CEO, Lennart Persson, took up the position on 1 July 2014 after having been Deputy CEO since 2005.

GROUP MANAGEMENT

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

CORPORATE STAFF

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

BUSINESS UNITS

In 2017, the Group was made up of three reporting business units: Industrial Solutions, Precision Technology and Rotational Moulding. The operational management for the business units reports directly to the CEO. Through Group staff functions, supporting documentation for decisions for the Board and CEO are collated within other areas.

NOMINATION COMMITTEE

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

Following a proposal by the main shareholders Anna Benjamin and Pomona-gruppen AB, which together represented 83 per cent of votes and 58 per cent of the capital in XANO, a nomination committee was appointed by the 2017 AGM composed of Ulf Hedlundh as chairman, along with Fredrik Rapp and Anders Rudgård.

The task of the committee prior to the 2018 AGM is to nominate a Chairman of the Board and other Board members, auditor, a chairman for the AGM, and to propose fees for the Board and auditor. In its proposal to the Board, the nomination committee will propose the most qualified Board members for the company, based on an overall assessment of relevant expertise and experience, and must pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. In its proposal, the nomination committee has in particular complied with and taken into account point 4.1 of the Swedish Corporate Governance Code. The nomination committee has evaluated the work of the Board with the aid of a questionnaire as well as personal discussions with the members of the Board. The results of the evaluation have been communicated to the Chairman of the Board. The nomination committee has held three meetings prior to its proposal to the 2018 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

AUDITOR

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

The ordinary election of an auditor for XANO last took place at the AGM in 2017 for the term of office up until the AGM in 2018. The AGM elected the registered auditing company Ernst & Young AB, Jönköping, with authorised public accountant Joakim Falck as auditor in charge. Alongside the work for XANO Industri AB, Joakim Falck undertakes auditing work for companies including Garo AB, Nefab Holding AB, Evry Sweden AB, EFG Holding AB, Scandbio AB, AB Gyllensvaans Möbler and One Partner Group AB.

DEVIATIONS FROM THE CODE

There are no deviations to report for 2017.

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

The AGM decides upon the guidelines for the determination of salaries and other remuneration for the CEO and other senior executives. The guidelines that were adopted by the 2017 AGM require the conditions to be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of four months' fixed salary. Senior executives must have market pension conditions, which must be premium-based. Any member of the Group's management can terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary will be payable to the CEO. The Board is entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case.

There are no outstanding share or share price-related incentive schemes.

INTERNAL CONTROLS CONCERNING FINANCIAL REPORTING

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

FINANCIAL REPORTING

All units report their financial results each month. These reports are consolidated and form the basis of quarterly reports and operational monitoring. This operational monitoring is carried out in accordance with an established structure where incoming orders, invoicing, liquidity, capital tie-up and other key ratios of importance for the Group are collated and form the basis of analysis and action by the management and controllers at different levels. Other important group-wide elements of the internal controls are business plans and the annual forecasting process. For communication with external parties, there is an information policy which is intended to ensure that all information obligations are fulfilled correctly and in full.

CONTROL ENVIRONMENT

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

tor the application of the regulations.

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

RISK ASSESSMENT

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

CONTROL ACTIVITIES

The purpose of control activities is to identify, prevent and correct errors and deviations. Policies and guidelines are particularly important for accurate accounting, reporting and information provision and also define the control activities that must be carried out. XANO policies and guidelines are updated on an ongoing basis both in documents and through meetings. Control activities cover areas such as attestation procedures, account reconciliation, analytical follow-up and the control of IT systems. Every unit is also visited regularly by representatives from the business unit and Group management teams during which the internal controls and financial reporting are evaluated. The Group management reports the result of its work on internal controls to the Audit Committee.

During 2017, the work on internal control has been concentrated on the introduction of the Group's procedures in newly acquired companies, as well as a special review of payment process in the Chinese subsidiary company. During 2016, the work focused in particular on stock checking and a continued improvement in IT security, for example through the establishment of local IT security manuals and an upgrading of the IT communication equipment.

MONITORING

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

XANO has so far not considered it necessary to establish a separate internal audit function. The work relating to internal controls is carried out within the framework of other activities and primarily takes place using central resources. It is the company's view that this evaluation largely corresponds to the work that is performed by an internal audit function in other companies. Certain aspects of the internal controls are reviewed by the auditors on an ongoing basis. The matter of a separate internal audit function will be reviewed again during 2018.

Jönköping, 15 March 2018

Fredrik Rapp
Chairman

Anna Benjamin
Vice chairman

Petter Fägersten
Board member

Stig-Olof Simonsson
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of XANO Industri AB, corporate identity number 556076-2055

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2017 on pages 105–108 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted

in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Jönköping, 20 March 2018

Ernst & Young AB

Joakim Falck

Authorised public accountant

Board of Directors



ANNA BENJAMIN born 1976

Vice Chairman elected 2016. **Principal education** Master's degree in economics. **Principal professional experience** Project manager in business development ICA Sverige, manager PricewaterhouseCoopers, controller Nobina. **Other directorships** Member of the boards of AGES Industri AB, Industri Evolution Sverige AB and ITAB Shop Concept AB. **Shareholding in XANO** 2,564,400 class A shares and 1,475,600 class B shares.



PETTER FÅGERSTEN born 1982

Board member elected 2011. **Principal education** Graduate economist. **Principal professional experience** Managing Director ITAB Shop Concept Jönköping. **Other directorships** Member of the boards of AGES Industri AB, Industri Evolution Sverige AB, ITAB Shop Concept AB, Ravingatan AB, Skanditape AB and Övre Kullen AB. **Shareholding in XANO** 300,400 class B shares.



EVA-LOTTA KRAFT born 1951

Board member elected 2012. **Principal education** Graduate engineer, MBA. **Principal professional experience** Area Manager Alfa Laval and Siemens-Elema, Strategy and Marketing Director FOI. **Other directorships** Member of the boards of Advenica AB, Försvarshögskolan and NIBE Industrier AB. **Shareholding in XANO** 2,224 class B shares.



SUNE LANTZ born 1953

Board member elected 2014. **Principal education** Economics and auditing. **Principal professional experience** CEO ITAB/XANO, auditor, bank official. **Other directorships** Chairman of the boards of AGES Industri AB, Industri Evolution Sverige AB and Miljöbyggarna Entreprenad i Linköping AB. Member of the board of ITAB Shop Concept AB. **Shareholding in XANO** 323,034 class B shares.



FREDRIK RAPP born 1972

Chairman elected 2004. **Principal education** Graduate economist. **Principal professional experience** Managing Director Pomona-gruppen, Managing Director Talk Telecom. **Other directorships** Chairman of the boards of ITAB Shop Concept AB, Eesti Hõõvellist AS, Serica Consulting AB and Svenska Handbollförbundet. Member of the boards of AGES Industri AB, Nordic Flow Group AB, PrimeKey Solutions AB and AB Segulah. **Shareholding in XANO** 1,080,000 class A shares and 3,134,090 class B shares.



PER RODERT born 1953

Board member elected 2013. **Principal education** Graduate in business administration. **Principal professional experience** Managing Director Rörvik Timber, Managing Director and CFO Munksjö. **Other directorships** Member of the boards of Alfaros AB, DevPort AB, Emballator Ulricehamn Bleck AB, Industri Evolution Sverige AB and Jönköping Business Development AB. **Shareholding in XANO** –



STIG-OLOF SIMONSSON born 1948

Board member elected 2002. **Principal education** BA. **Principal professional experience** Managing Director SYSteam. **Other directorships** Chairman of the boards of Simonssongruppen AB and Tosito AB. **Shareholding in XANO** 454,262 class B shares.

Details concerning the number of shares refer to holdings on 31 December 2017 and include, where applicable, holdings via related parties and holdings where the given Board member is able to exert a controlling interest.

Group Management



LENNART PERSSON *born 1968*

CEO joined the company in 1998. **Principal education** Engineering graduate. **Principal professional experience** CIO Eldon Vasa, Business Controller ITAB, Managing Director ITAB Kaluste and ITAB Plast. **Shareholding in XANO** 74,000 class B shares. **Convertible holding in XANO** nom. SEK 6,373,012 corresponding to 58,468 class B shares. **Significant shareholding or ownership interests in associated companies** None.

MARIE EK JONSON *born 1967*

CFO joined the company in 1992. **Principal education** Graduate in business administration. **Principal professional experience** Controller ITAB. **Shareholding in XANO** 10,000 class B shares. **Convertible holding in XANO** nom. SEK 3,052,000 corresponding to 28,000 class B shares.

Auditor



Auditor in charge **Joakim Falck** *born 1972*
Authorised public accountant

ERNST & YOUNG AB, JÖNKÖPING

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on Tuesday 8 May 2018 at 3 pm at XANO's premises at Industrigatan 14 B in Jönköping, Sweden.

Shareholders wishing to attend the AGM must be included in the share register managed by Euroclear Sweden AB on 2 May 2018 and must notify the company of their intention to attend the AGM no later than 4 pm on Wednesday 2 May 2018 at the following address: XANO Industri AB, Industrigatan 14 B, SE-553 02 Jönköping, Sweden, or by telephone +46 36 31 22 00 or by email at ir@xano.se.

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name well in advance of 2 May 2018 in order to be entitled to attend the AGM.

DIVIDEND

The Board of Directors proposes that the AGM allocate a dividend of SEK 4.00 per share for the 2017 financial year. The record date will be 11 May 2018. If the AGM approves the proposal, the dividend will be issued by Euroclear on 16 May 2018.

NOMINATION COMMITTEE

A nomination committee was appointed at the 2017 AGM consisting of Ulf Hedlundh (Chairman), Fredrik Rapp and Anders Rudgård. The task of this committee prior to the 2018 AGM is to nominate a Chairman of the Board and other Board members, auditor, a chairman for the AGM and to propose fees for the Board and auditors.

FINANCIAL CALENDAR

| | |
|--|------------|
| Interim report 1 January–31 March 2018 | 8 May |
| Interim report 1 January–30 June 2018 | 12 July |
| Interim report 1 January–30 September 2018 | 6 November |
| Year-end report 2018 | 7 February |

INFORMATION MATERIAL

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

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