



XANO in brief

XANO will develop, acquire and operate manufacturing businesses with unique or market-leading products and systems with related services. XANO will own niche engineering companies that have industries in northern Europe as their principal markets. XANO will generate value for shareholders by exercising both active ownership and management by objectives.

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



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2016 in brief

Net revenue, SEK m	1,052	(1,052)
Profit after tax, SEK m	70	(66)
Earnings per share, SEK	10.20	(9.60)

KEY FIGURES IN BRIEF		2016	2015
Net revenue	SEK m	1,052	1,052
Growth	%	+/-0	+5.9
Gross margin	%	23.6	23.1
Operating profit	SEK m	96	96
Operating margin	%	9.1	9.1
Profit before tax	SEK m	92	85
Profit margin	%	8.7	8.0
Profit after tax	SEK m	70	66
Earnings per share	SEK	10.20	9.60
Proposed dividend per share	SEK	4.50	4.50
Equity/assets ratio	%	27	45

Refers to continuing operations.

For definitions, see page 81.

The full year

The Group's profit before tax exceeded last year's results by almost 10 per cent, which meant that the profit margin was strengthened from 8.0 to 8.7 per cent with an unchanged level of sales. The Industrial Solutions business unit showed a slight reduction in sales and a reduced margin in relation to the comparison period. For the Precision Technology business unit, the growth in sales stood at 8 per cent while operating profit rose by 9 per cent for the year as a whole. The Rotational Moulding business unit reported full year figures showing a growth in sales in excess of 8 per cent and an operating margin that more than doubled.

Q1

Increasingly stable demand and increased order volumes in the Group's three business units mainly characterised the start of the year, despite the fact that the market situation as a whole was perceived as remaining slightly cautious. Sales increased by 7 per cent and operating profit improved.

Q2

With normal seasonal variation, the second quarter is the Group's strongest, and the profit level during this period was also one of our best to date. In relation to the comparison period, sales increased by 4 per cent and operating profit rose considerably. On the whole, the order situation was on a par with the previous year.

Q3

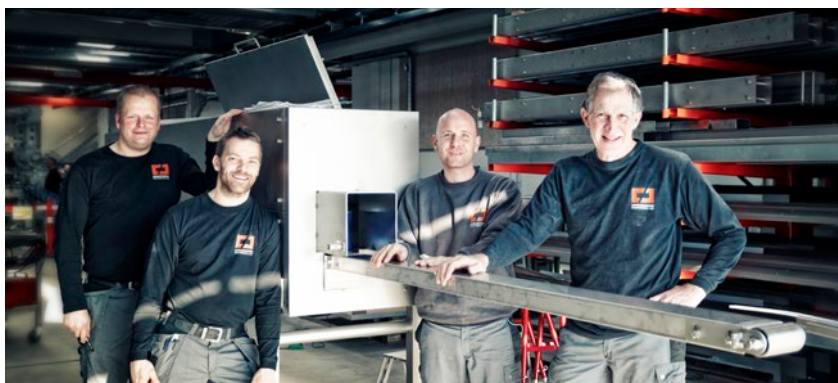
Compared to the seasonally strong second quarter, the third quarter is normally significantly weaker, and this was also the case this year. The volumes were also slightly lower than in the corresponding period last year, while operating profit largely matched that of the comparison period. Incoming orders in respect of project-related operations were weak.

Q4

The results during the fourth quarter largely reflected expectations prior to the end of the year, with stable figures for the majority of the Group's units, although with continued low sales volumes within the packaging sector and consolidated profit slightly below that achieved in the comparison period. The market conditions shifted in a positive direction during the period and towards the end of the year, all the business units experienced a higher level of activity within their respective market segments.

Acquisition of Jorgensen

Jorgensen Engineering A/S, a leading international automation company that supplies and integrates equipment and complete packaging solutions, was acquired in November. The company's 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. Jorgensen is located in Odense, Denmark.



Continued stable profitability

We perceived significant fluctuations between different periods and sectors during the year. Thanks to the high levels of efficiency and flexibility in our units, we succeeded in maintaining profitability at the previous year's already good level. Through the acquisition of Jorgensen in November, we further supplemented and reinforced the Group's automation operation.

DEVELOPMENTS DURING THE YEAR

We started 2016 with stable order volumes and a market situation experiencing an upward trend. The figures for the first half-year also indicated slightly higher sales and significantly improved operating profit compared to the year before. Several of the companies achieved excellent results during the second quarter, which was one of the Group's best to date. In their current form, the Group's operations experience a seasonal variation which means that the second half of the year is normally slightly weaker than the first. To a large extent, the financial results also followed this path, although with a negative deviation for the automation section within the Industrial Solutions business unit, where much of the year was characterised by low project volumes for the packaging sector. In addition, there was a lower volume of contract assignments from several major customers in fields such as medical technology. Thanks to strong results in the Precision Technology and Rotational Moulding business units, we succeeded overall in maintaining the operating margin at the previous year's already good level.

FURTHER REINFORCEMENT WITHIN AUTOMATION

The Group's automation operation, which is centred in the Industrial Solutions business unit, was further supplemented through the acquisition of the Danish company Jorgensen in November. Jorgensen develops and installs complete packaging handling systems – all-inclusive solutions that have clear points of contact with the Group's other automation companies. In addition to the supplement of Jorgensen's own volumes, we also believe that the growth opportunities for its fellow subsidiaries will be improved as a result of them having access to both new expertise as well as new, interesting customer segments.

OPERATIONS WITHIN THE GROUP'S BUSINESS UNITS

The Industrial Solutions business unit was responsible for almost 60 per cent of the Group's turnover in 2016, a proportion that will grow to around 70 per cent thanks to the purchase of Jorgensen. The acquisition had only a marginal effect on the figures for the past year, but will have a significant impact on the current year. The business unit's operations are being expanded to include new customer segments within milk powder, food, pharmaceuticals and pet food. We anticipate that the companies will gain a lot from each other in terms of expertise, and will be able to conduct ever larger automation assignments.

The financial results for the business unit were slightly weaker than in the previous year. This can be explained in part by the companies' project-based sales, which by definition lead to large fluctuations in order inflow, although structural changes in the packaging industry, where the majority of the business unit's deliveries of automation solutions are destined, entailed the biggest challenges. Mergers on the customer side led to the decision-making processes grinding to a halt, with the result that many deliveries were deferred. A couple of major deals were concluded in December, however, which is creating a good volume base for the current year. The proprietary products, which are primarily sold to furniture and interior manufactures, reported a positive trend, with expansion in particular as regards exports.

The Precision Technology business unit, which supplied more than a fifth of the Group's volumes in the past year, achieved growth in both sales and profit compared to the year before. There were more assignments within medical technology, along with the addition of projects within new segments such as the space industry. The expansion of production premises was completed during the year, and a number of investments were made in machinery. These capacity improvements have resulted in increased competitiveness and, combined with active marketing work, the companies have accessed new product niches and achieved greater geographic spread.

The Rotational Moulding business unit, whose turnover made up roughly a fifth of the Group's combined invoicing, achieved slightly higher volumes and more than double the operating margin compared to the previous year. The structural changes that we initiated at the end of 2015 were completed during the year, and have resulted in a clear improvement in resource utilisation within the unit. Despite a relatively weak general trend within several sectors, the companies have succeeded in expanding their market shares. This success was primarily related to sales of proprietary products, largely thanks to constant upgrades and the launch of new solutions.

PROPRIETARY PRODUCTS VERSUS CUSTOMER-SPECIFIC ASSIGNMENTS

With the purchase of Jorgensen, there has been a significant shift in the volume distribution between the Group's customer-specific deliveries and sales of proprietary products. The previous dominance of customer-specific production has changed and is now weighted slightly in favour of proprietary products, which is expected to entail a better allocation of resources and stronger margins in the long run.

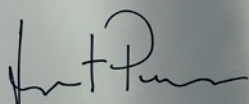
The Group's strategic work aimed at supplementing and refining the proprietary product programmes is continuing.

FUTURE PROSPECTS

We have started the year with a strong order stock and a positive trend as regards the level of activity within each business unit's market segment. We are now allocating even more resources to sales efforts, focusing on our overall goal – profitable growth. With extremely positive energy from our latest addition, Jorgensen, we are also looking at how, through further strategic corporate acquisitions, we can supplement our operations and simultaneously reinforce our market position within selected areas. As regards the latter, it is also our ambition to develop the aftersales market by supplying additional services. Internally we are continuing to work on our training programmes and to broaden the exchange of knowledge between the companies in the Group. Well-functioning, goal-oriented sustainability work is a part of this effort.

All in all, we are moving into the new year with considerable confidence and believe that the conditions are good for long-term, sustainable and positive development for the Group's entities.

Jönköping, February 2017



Lennart Persson

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 in XANO amounts to SEK 35.2 million, distributed between 1,822,200 Class A shares and 5,224,545 Class B shares, total 7,046,745 shares, with a quotient value of SEK 5 per share. Each Class A share gives entitlement to ten votes and each Class B share to one vote. All shares give equal rights to dividends.

CHANGES IN THE NUMBER OF SHARES

In 2012, convertible bonds were issued to employees within the XANO Group, with a nominal value of SEK 30 million. The subordinated loan expired on 30 July 2016. In accordance with a decision by the Annual General Meeting on 12 May 2016, all holders were given the option of selling the convertibles back to the company before the conversion date at an estimated market value. Holders of a nominal SEK 22.8 million decided to accept this offer. A further nominal SEK 1.2 million was repaid on the maturity date. Holders of a nominal SEK

6.0 million requested conversion of their claims to shares. Through the conversion, 117,771 new Class B shares were issued. The dilution amounted to 1.7 per cent of the share capital and 0.5 per cent of the number of votes.

Following a decision at the Annual General Meeting on 12 May 2016, a conversion reserve was introduced in the Articles of Association. The conversion reserve gives holders of Class A shares the right to request conversion of these to Class B shares. At the request of shareholders, 127,800 Class A shares were converted in June 2016.

Key figures		2016	2015	2014	2013	2012
Net profit for the year	SEK m	70	78	61	118	67
Equity	SEK m	412	416	355	643	539
Balance sheet total	SEK m	1,509	919	860	1,557	1,665
Return on equity	%	17.1	20.0	13.1	19.8	12.9
Equity/assets ratio	%	27	45	41	41	32
Proportion of risk-bearing capital	%	31	48	45	47	37
Cash flow from operating activities	SEK m	128	158	93	161	73
Average number of outstanding shares	thousands	6,851	6,789	6,789	6,789	6,789
Average number of outstanding shares after dilution	thousands	7,272	7,377	7,274	7,064	7,037
Average number of shares in own custody	thousands	140	140	140	140	140
Basic earnings per share	SEK	10.20	11.45	9.05	17.40	9.85
Diluted earnings per share	SEK	9.85	10.70	8.65	16.90	9.70
Cash flow from operating activities per share	SEK	18.65	23.35	13.65	23.70	10.75
Total number of shares on balance sheet date	thousands	7,047	6,929	6,929	6,929	6,929
Number of shares in own custody on balance sheet date	thousands	140	140	140	140	140
Equity per share on balance sheet date	SEK	59.60	61.35	52.35	94.80	79.45
Share price on balance sheet date	SEK	209.50	155.50	104.00	238.00	105.00
Share price in relation to equity per share	%	351	253	199	251	132
Proposed dividend per share	SEK	4.50	4.50	2.50	4.00	3.50
Direct yield per share	%	2.1	2.9	2.4	1.7	3.3

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

DEFINITIONS

Basic earnings per share

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

Cash flow from operating activities per share

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

Diluted earnings per share

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

Direct yield

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

Equity per share

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

Equity/assets ratio

Equity in relation to total capital.

Proportion of risk-bearing capital

Equity plus provisions for taxes in relation to total capital.

Return on equity

Net profit in relation to average equity.

Additional definitions are found on page 81.



PRICE DEVELOPMENTS

During 2016, XANO's share price rose by 34.7 per cent from SEK 155.50 to SEK 209.50. The highest closing price during the year was SEK 235.00 on 9 September and the lowest closing price was SEK 139.50 on 9 February. The number of traded shares totalled 342,168, corresponding to a turnover rate of 6.9 per cent, and the total share turnover for the Class B shares was SEK 63.9 million. As of 31 December 2016, XANO's market value amounted to SEK 1,476 million, based on the most recent closing price and the total number

of shares. The total yield for 2016 was close to 38 per cent. Over the past ten years, XANO's Class B share has averaged a total yield of 12 per cent per year, the value of spin-off operations excluded.

SHAREHOLDERS

The number of shareholders increased during the year. At the end of 2016, XANO had 1,758 shareholders, compared with 1,547 at the same time the previous year. Of this number, 1,614 were physical persons resident in Sweden. The ten largest shareholders accounted

PRICE DEVELOPMENTS AND SHARE TRADING VOLUME 2012-2016



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.



for 94.4 per cent of the votes and 81.4 per cent of the share capital. Institutional holdings constituted 3.1 per cent of the votes and 10.3 per cent of the share capital.

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 per cent of profit after tax. However, the annual dividend proportion must be viewed in relation to investment needs and any repurchase of shares.

The Board of Directors proposes that the Annual General Meeting allocates a dividend of SEK 4.50 (3.50) per share, totalling SEK 31.1 million (23.8) based on the number of outstanding shares at year-end. Last year's Annual General Meeting approved, in addition to the regular dividend, an extra dividend of SEK 1.00 per share, totalling SEK 6.8 million. The proposed dividend represents approx. 44 per cent (39) of net profit for the year and a direct yield of 2.1 per cent (2.9), based on the share price at the end of the year.

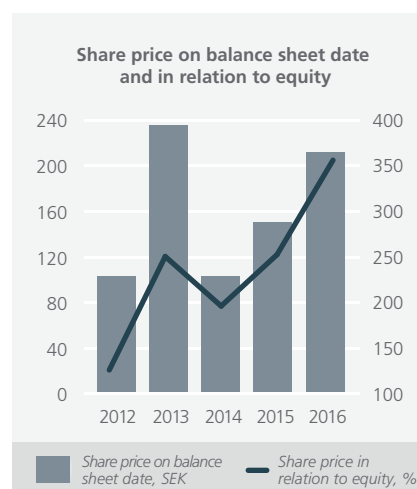
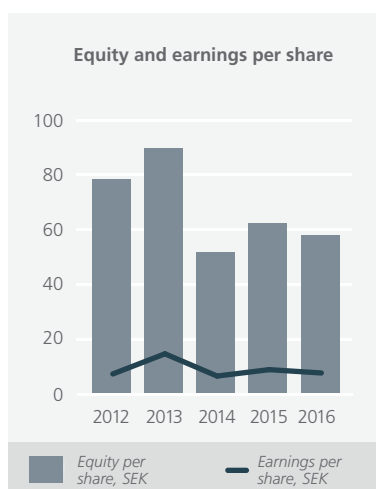
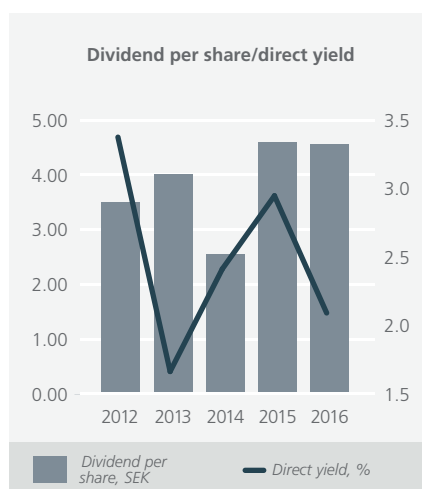
SHARES IN OWN CUSTODY

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

respectively in connection with company acquisitions. The number of shares in own custody after these transactions amounts to 140,000, corresponding to 2.0 per cent of the share capital. After deduction of the company's own holding, the number of outstanding shares amounts to 6,906,745 as of the balance sheet date.

CONVERTIBLE BOND PROGRAMME

On 12 May 2016, the Annual General Meeting decided to approve the Board of Directors' proposal concerning the issue of a maximum of 285,000 convertibles with a total nominal value of no more than SEK 70 million, and with a maturity period from 1 July 2016 to 30 June 2020. In a deviation from the shareholders' right of first refusal, entitlement to subscribe to the convertibles fell to persons who at the time of expiry of the subscription period were permanent employees of the Group. Employees within the XANO Group were allocated 285,000 convertibles at a price of SEK 218, equivalent to a nominal SEK 62 million. The convertible interest is paid annually in arrears and is equivalent to STIBOR 3M plus 2.20 percentage points. 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 current total number of shares.



LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2016

Shareholder	Class A shares	Class B shares	Total number of shares	Percentage of voting rights	Percentage of share capital
Anna Benjamin and related parties	1,282,200	737,800	2,020,000	57.8	28.7
Pomona-gruppen AB	540,000	1,563,545	2,103,545	29.7	29.9
Kennert Persson	–	402,203	402,203	1.7	5.7
Svolder AB	–	375,000	375,000	1.6	5.3
Stig-Olof Simonsson and related parties	–	227,131	227,131	1.0	3.2
Sune Lantz and related parties	–	161,517	161,517	0.7	2.3
Petter Fägersten and related parties	–	150,200	150,200	0.6	2.1
Christer Persson and related parties	–	116,500	116,500	0.5	1.7
Försäkringsaktiebolaget Avanza Pension	–	98,752	98,752	0.4	1.4
Spiltan Fonder AB	–	83,130	83,130	0.4	1.2
Total ten largest shareholders	1,822,200	3,915,778	5,737,978	94.4	81.4
Other owners	–	1,168,767	1,168,767	5.0	16.6
Total number of outstanding shares	1,822,200	5,084,545	6,906,745	99.4	98.0
Shares in own custody	–	140,000	140,000	0.6	2.0
Total number of shares	1,822,200	5,224,545	7,046,745	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 2016

Share class	Number of shares	Percentage	Number of votes	Percentage
Class A shares	1,822,200	26	18,222,000	78
Class B shares	5,224,545	74	5,224,545	22
Total	7,046,745	100	23,446,545	100
Of which in own custody	-140,000		-140,000	
Total outstanding	6,906,745		23,306,545	

Number of shares	Number of shareholders	Shareholder percentage	Vote percentage	Share percentage
1 – 500	1,326	75.4	0.8	2.5
501 – 1,000	220	12.5	0.7	2.5
1,001 – 5,000	168	9.6	1.6	5.3
5,001 – 10,000	21	1.2	0.7	2.2
10,001 – 50,000	13	0.7	1.2	4.1
50,001 – 100,000	2	0.1	0.8	2.6
100,001 –	8	0.5	93.6	78.8
Total outstanding	1,758	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
1985	Bonus issue	1,150	1,200	12,000	100
1986	Bonus issue	6,800	8,000	800,000	10
1987	New share issue	500	8,500	850,000	10
1988	New share issue	2,000	10,500	1,050,000	10
1992	New share issue through conversion	91	10,591	1,059,100	10
1993	New share issue through conversion	536	11,127	1,112,700	10
1995	New subscription through options	725	11,852	1,185,200	10
1997	2:1 split	0	11,852	2,370,400	5
1998	Bonus issue 2:1	23,704	35,556	7,111,200	5
2006	Reduction in share capital	-990	34,566	6,913,200	5
2008	New share issue through conversion	79	34,645	6,928,974	5
2016	New share issue through conversion	598	35,234	7,046,745	5



Business concept

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

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

ENTREPRENEURIAL DRIVE

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

LONG-TERM THINKING

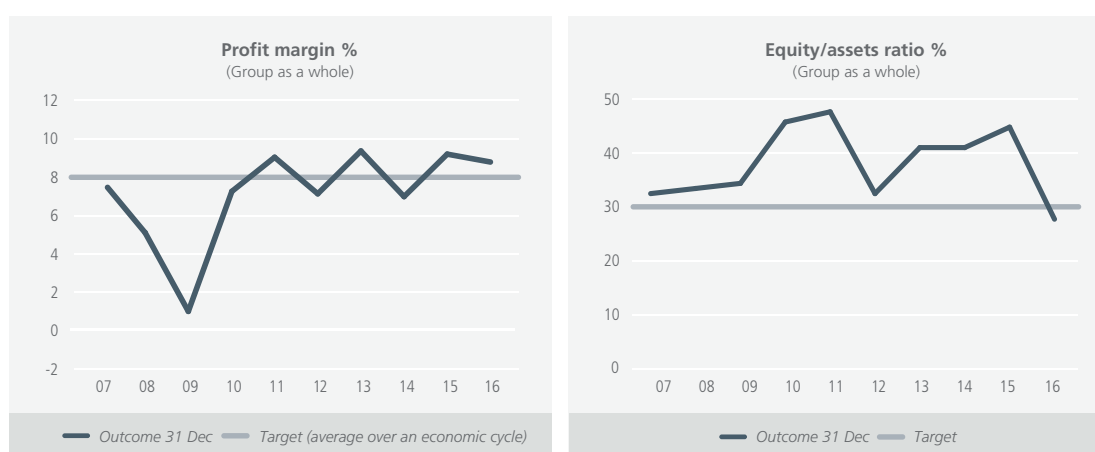
XANO believes in strong relationships. Consequently, the Group invests long-term in its companies and gives each unit opportunities to develop and maximise their resources. This approach is reflected in customer and supplier contacts, in which long assignments and close collaboration result in successful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

TECHNICAL KNOW-HOW

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

Targets and strategy

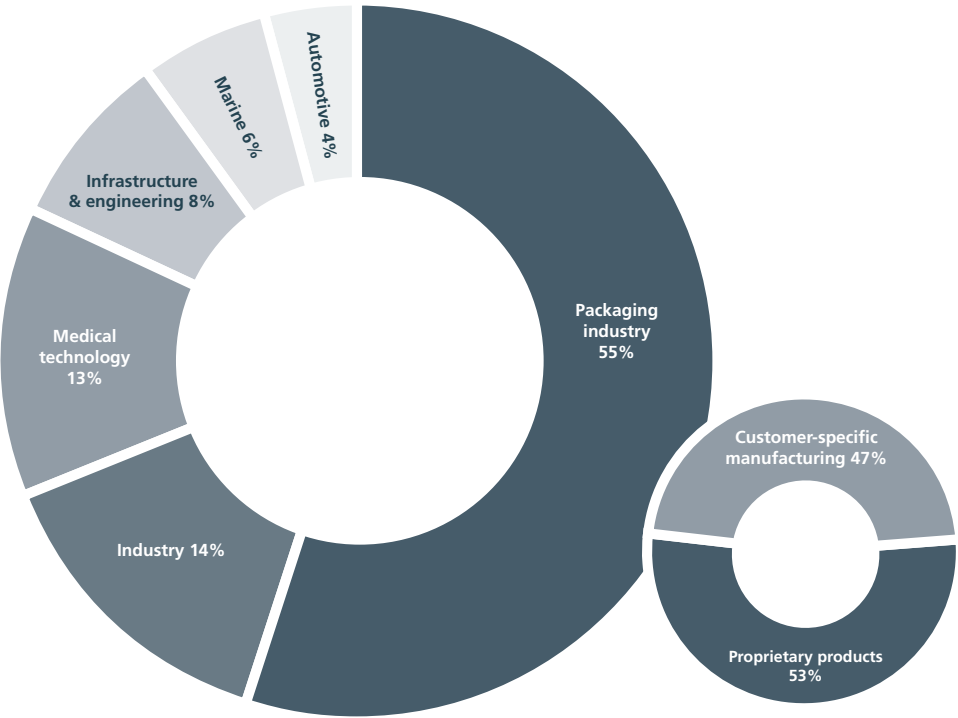
Financial targets	<p>STABLE PROFITABILITY AND HIGH GROWTH</p> <p>XANO's organic growth will be at a higher level than general market growth. This will be combined with the acquisition of operations and companies. The profit margin will amount to 8 per cent over an economic cycle. The equity/assets ratio 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 operate niche companies and, through active ownership, create added value for the shareholders. The manufacturing processes 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, systems and associated services, as well as the development, manufacture and marketing of proprietary products. The Group currently has operations in the Nordic countries, 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>STRENGTHENED PROFIT MARGIN</p> <p>The profit margin exceeded the target value, amounting to 8.7 per cent. The acquisition of own personnel convertibles and the effects of the acquisition of Jorgensen Engineering A/S meant that the equity/assets ratio dropped slightly below the target value, amounting to 27 per cent at the end of the year.</p>





This is XANO

The XANO Group consists of niche engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic countries, Estonia, the Netherlands, Poland, China and the USA. The companies all operate within well-defined niches and possess a high level of expertise within their respective technical areas. Each unit is anchored locally and developed according to its own potential. At the same time, the Group affinity creates economies of scale for the companies and their customers. The Group's operations are divided into the business units Industrial Solutions, Precision Technology and Rotational Moulding.



Pro forma (including Jorgensen)

INDUSTRIAL SOLUTIONS

		2016	2015
Net sales	SEK m	613	645
Growth	%	-5.1	+7.5
Operating profit	SEK m	60	73
Operating margin	%	9.7	11.4
Employees	average	369	350

Jorgensen is included from the acquisition date 24 November 2016.

Share of Group



Companies

Ackurat
Sweden
Finland
Poland

Canline
Netherlands
United States

Fredriksons
Sweden
China

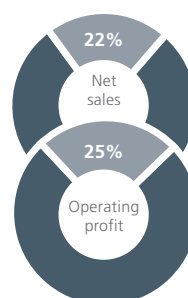
Jorgensen
Denmark

NPB
Sweden

PRECISION TECHNOLOGY

		2016	2015
Net sales	SEK m	230	213
Growth	%	+8.0	+8.7
Operating profit	SEK m	29	27
Operating margin	%	12.7	12.6
Employees	average	155	156

Share of Group



Companies

KMV
Sweden

LK Precision
Sweden

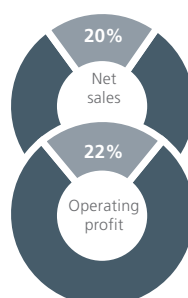
Mikroverktyg
Sweden

Resinit
Sweden

ROTATIONAL MOULDING

		2016	2015
Net sales	SEK m	213	197
Growth	%	+8.3	-1.1
Operating profit	SEK m	25	10
Operating margin	%	11.7	5.0
Employees	average	134	146

Share of Group



Companies

Cipax
Sweden
Estonia
Norway
Finland

CUSTOMER-SPECIFIC MANUFACTURING

At present, about half of the Group's operations are made up of manufacture in the form of direct assignments from customers. The majority of the Group's companies have service functions at their disposal, which make it possible to carry out complete assignments for customers, covering areas such as project management, design, manufacturing, assembly and distribution. The goal is always to achieve the best 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. Plastic products are made through rotational moulding, machining and injection moulding. Some of the Group's companies process metal using methods such as turning, milling and long hole drilling. Laser cutting,

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

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

PROPRIETARY PRODUCTS

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





Strong grip of the packaging sector

Within many sectors, customers are now asking for suppliers who can assume total responsibility and supply complete systems and installations. The packaging sector is no exception.

Bearing in mind this consolidation trend, XANO's acquisition of the Danish company Jorgensen Engineering A/S has come along at exactly the right time.

The automation company Jorgensen has several points of contact with other companies in XANO's Industrial Solutions business unit, which obviously was the primary reason for the acquisition. The conditions exist here for a rewarding exchange of expertise.

Jorgensen, whose operations are based in Odense, Denmark, is a niche operator within pharmaceutical and food packaging, with just about all of its sales going to export. The company's competitive edge lies principally in its extreme flexibility combined with a solutions-oriented attitude and targeted project management. Jorgensen conducts installations all over the world, although Europe constitutes its main market. Its main competitors are to be found in Germany, the Netherlands and the USA.

"With XANO behind us, we are stronger and can establish a better negotiating stance in relation to the major international players," considers Jens Nyeng, managing director.

FROM MACHINERY TO SOLUTIONS

The company's history dates back to 1933, and the business has always focused on

food. Since the 1990s, Jorgensen has developed technically leading packaging handling systems, above all for customers in the milk powder, food, pharmaceuticals and pet food segments. In other words, equipment that handles everything from pouches, bottles, glass jars and canned goods, to aluminium trays, cartons and pots.

Developments have shifted from focusing on the manufacture of individual products to the delivery of integrated all-inclusive solutions.

"This means that instead of delivering the units one-by-one, we combine a number of machines and robots with each other, with the result that we achieve a significantly bigger deal," explains Jens Nyeng.

HOLISTIC APPROACH

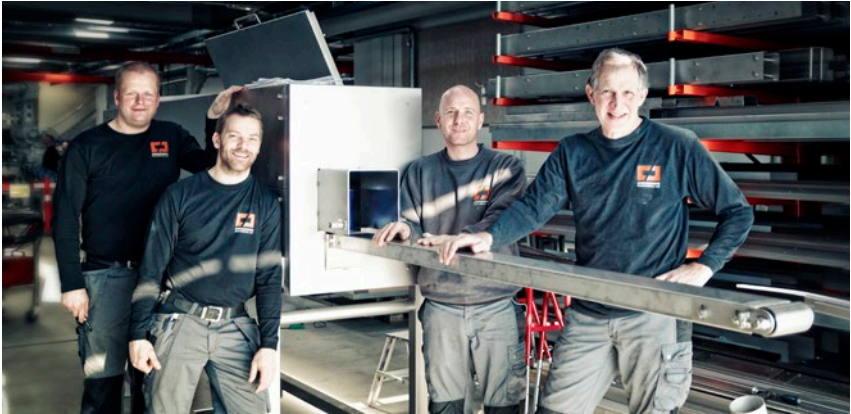
This approach is fully in line with NPB's, Canline's and Fredriksons' operations. Jorgensen and Fredriksons both work with automation regarding filled packages, with customers primarily in the food industry. Jorgensen's machines interact with robots throughout the production line, as well as with the control of the processes: from filling and sterilising the content, via sealing, visual inspection and

measurement of watertightness, to packaging and palletising.

For many customer categories, the fact that the contents correspond with that which is stated on the packaging is literally a matter of life and death. As a result, traceability, documentation and quality control are incredibly important criteria, as well as being areas that Jorgensen genuinely masters.

Jorgensen consequently possesses valuable overall expertise, which can also benefit Fredriksons, NPB and Canline in their work with packaging manufacturers. With shared resources, the Industrial Solutions business unit is able to offer the market complete solutions and capacity to perform extensive automation assignments – an important competitive advantage. The business unit companies have launched a number of collaboration projects within areas such as product development, sales and purchasing.

Ahead of 2017, Jens Nyeng hopes that Jorgensen – with the back-up of the Group – will be able to further increase export sales. The company is also planning to reinforce its capacity by extending the production facility in Odense.





More space for plastic

Resinit's new assembly hall was completed in June 2016. This strengthening of resources was particularly welcome, bearing in mind the rapid expansion the business has enjoyed in recent years. The conditions are now in place for the XANO Group's rapidly growing plastics processing company in Västervik to continue its excellent development.

Resinit surpassed the previous year's success, recording a 20 per cent growth in volume with a good level of profitability. The addition of 600 m² of assembly space was therefore extremely warmly welcomed by both the management and the personnel.

"Yes, we have been a little cramped," admits Ingvar Norén, who has managed the development of Resinit since 1988. "We have had machine groups that have been running 24 hours a day, 7 days a week, and the personnel have been working on overdrive. The expansion in recent years has primarily taken place with existing equipment and within existing premises, as it takes time to build capacity."

ROOM FOR EXPANSION

Salvation arrived last summer. That was when the assembly department was finally able to move into the new part of the factory. One of the major advantages was that floorspace was freed up in production, providing space for another five-axis robotised mill along with a tool changer containing 120 spaces. This is

a welcome reinforcement, which means that Resinit is safeguarding its capacity and can ensure delivery reliability over time.

During the year, the company also invested in a green laser marking machine for permanent marking of plastic components. This equipment is a valuable addition to the operation, bearing in mind the fact that requirements regarding traceability are increasing within two of Resinit's largest customer segments, medical technology and food.

MORE EFFICIENT FLOWS

Those who work with assembly, aftersales and logistics are probably experiencing the most marked difference. The new extension includes a quadrupling of the area, dedicated assembly stations, a temperature-controlled room purely for gluing and a large clean room with space for both large series and further assembly.

This is generating significantly higher capacity and improved flows for supplementary services such as assembly, gluing, washing, adding putty, packaging, stock handling and burring.

ENERGY-EFFICIENT OPERATION

In addition to the actual premises, the extension project encompassed energy-efficient operating solutions such as LED lighting, ceiling radiators and energy-efficient fans, which have already resulted in a 20 per cent reduction in energy consumption.

"We are extremely satisfied with this investment, in particular the personnel, who have gained a better working environment that is easier to work in," says Ingvar Norén.

The voices coming out of the Group regarding capacity reinforcement are equally positive:

"Resinit has built up a level of knowledge that is almost unique, and they have been extremely successful at growing with their customers. They are well regarded for being highly skilled at what they do – I would almost dare to say best in their class, in fact," says Peter Elgh, XANO's Deputy CEO. "It is obviously important to make the best possible use of the opportunities that exist to continue to grow and develop. The strengthening of resources in Västervik is creating excellent conditions for Resinit to do exactly this."

Sustainability

For XANO, sustainability is a natural part of business. The Group's units are working systematically to achieve sustainable development that creates value, by striking a responsible balance between the needs of customers and other stakeholders on the one side and care for the environment, people and a sustainable economy on the other. The Group's core values – entrepreneurial drive, long-term thinking and technical know-how – form the basis for the decisions that are made.

In order to be profitable, it is important to use all your resources with care and to work efficiently at every stage. As a consequence, sustainability has always been a core of the Group's operations, even though the work has not been defined in this way before now.

Over recent years, the trend among the Group's customers – of taking an interest in sustainability and placing demands on their suppliers – has become increasingly tangible. The starting point in the Group's structured work regarding

sustainability is, as far as possible, to satisfy the customers' needs without compromising as regards either the environment and people or profitability. The preconditions for a sustainable operation are generated by committed and responsible employees.

In addition, when monitoring economic trends, it is necessary to have access to key figures regarding sustainability in order to follow, analyse and improve the business. The companies in the Group have already been taking measurements and following up relevant key figures for each

unit in relation to both the environment and personnel. Regular risk assessments are performed in respect of environmental impact, and work is continually being carried out in areas such as energy efficiency. In conjunction with the development of the Group's sustainability policy, significant shared risks have been identified. Based on this, the Group's companies will be measuring and monitoring a number of selected indicators, starting from this year. The results of this work will be presented in 2018 in a sustainability report.



Environment

XANO is constantly striving to achieve sustainable development through environmentally aware choices. The Group's companies must be sensitive to both the wishes of customers and market requirements, and at the same time work continually to reduce environmental impact through active choices of materials, processes and transportation methods.

During 2017, XANO will be measuring and monitoring selected indicators. These include energy consumption, waste volumes and carbon dioxide emissions from transport.

ENVIRONMENTAL FACTORS

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

REPORTING OBLIGATION

As of 31 December 2016, the Group was engaged in activities with a reporting

obligation or permit requirement under the Swedish Environmental Code at five Swedish subsidiaries. The reporting obligation relates to the manufacture of plastic products (one company) and engineering industry with metal finishing (three companies). The permit requirement relates to the engineering industry for metal finishing (one company). Activities affect the external environment mainly through waste.

ENVIRONMENTAL MEASURES

Environmental management systems in accordance with ISO 14001 are used at most Group companies in an effort to ensure active environmental work. The Group had 16 operational companies as at 31 December 2016. Nine of these are environmentally certified.

Each company within the XANO Group is responsible for and actively strives to reduce its environmental impact. The companies are continually implementing improvements through quality and environmental goals for scrapping and increased sorting of waste according to source. At a general level, investments in machinery have improved

the efficiency and reduced the electricity consumption of the Group's companies. Improved processes within many production units have also reduced the impact on the environment.

FOCUS ON ENERGY-SAVING

Energy consumption is both a major expense and an environmental issue for the Group. Reducing energy consumption over time is therefore important from both a profitability and a sustainability perspective. As part of this work, XANO has initiated long-term work regarding energy mapping of selected operations during 2016. The purpose of this is to obtain clear facts as a basis for future decisions regarding any efficiency measures.

Over the past year, LK Precision installed a new ventilation system that, through effective heat recovery, is reducing energy consumption in the company's operation in Skogås. Resinit's extended production premises in Västervik were equipped with energy-efficient solutions, including LED lighting and ceiling radiators.



Recycling plastic

All manufacturing companies have an environmental responsibility, not only to ensure that their production processes live up to stipulated requirements, but also for what happens with waste material as well as the finished products when they reach the end of their service life or are taken out of use for some other reason.

Cipax works with rotational moulding of plastic, manufacturing products such as industrial tanks and boats. The main materials used, polyethylene and polypropylene, are good environmental alternatives as they can be 100 per cent recycled without harmful

effects on the environment. Recycling and then reusing the plastic in the production of new products has several environmental benefits. In addition to the gain in pure raw material and hence lower overall energy consumption for material and product manufacture, carbon dioxide emissions are also significantly reduced.

IN-HOUSE RECYCLING

Scrapped products and surplus material from Cipax's manufacturing process are currently sent to external recycling providers. In order to take on greater environmental

responsibility and also increase the flexibility of its handling, Cipax is planning, alongside selected partners, to become more actively involved in the recycling process. The aim is to make full use of waste from the company's own manufacturing operation as well as to recycle material from products that are taken back. Using special equipment, the material will be reworked and will then replace new raw materials in the production process. The plastics that Cipax uses can be recycled a number of times.

Personnel



PERSONNEL AND SOCIAL RESPONSIBILITY

XANO must be an attractive workplace, where everyone is treated equally and fairly.

Group companies ensure that human rights as well as the ILO's core conventions, the UN Convention on the Rights of the Child and the UN Global Compact are respected. National legislation regarding minimum wages and overtime, as well as fundamental environmental, health and safety requirements are complied with. XANO's code of conduct outlines the rules that apply to Group companies and their employees. The code of conduct and its application are developed and evaluated on an ongoing basis.

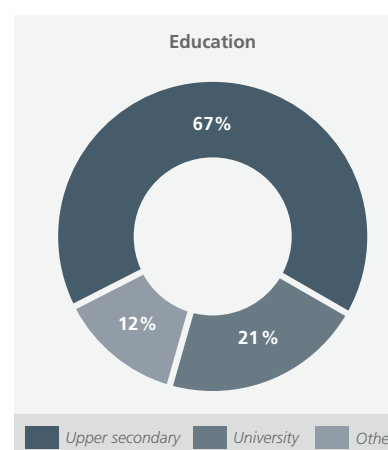
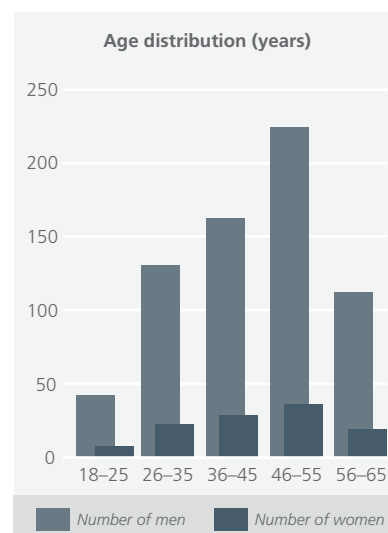
Group companies strive constantly to enhance the skills of their employees, including through educational programmes within the XANO Academy.

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

Key figures for personnel		2016	2015
Average number of employees		666	660
– in Sweden		414	415
– in other countries		252	245
– women		96	95
– men		570	565
Average age, women ¹⁾	år	43	43
Average age, men ¹⁾	år	43	44
Average employment period, women ¹⁾	år	8	8
Average employment period, men ¹⁾	år	8	8
Absence due to illness ²⁾	%	4.9	5.1
– of which long-term ²⁾	%	33	35

¹⁾ Refers to employees at year-end.

²⁾ Refers to Swedish companies.



CODE OF CONDUCT

XANO's code of conduct should form the basis of the day-to-day decisions taken as part of our operations.

It should ensure that we maintain a high degree of trustworthiness as well as taking responsibility for our actions in our contacts with various stakeholders.

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

EMPLOYEES

- The Group must respect the ILO's core conventions, the UN Convention on the Rights of the Child, national legislation concerning minimum wages and overtime, as well as fundamental environmental, health and safety requirements.
- Furthermore, each employee is responsible for conducting themselves correctly in their interaction with colleagues, employers and business partners.

OPERATING PRINCIPLES

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





Business ethics

XANO does not tolerate corruption and bribery. Group companies respect ethical business practice and comply with the Swedish Anti-Corruption Institute's guidelines as to how gifts, rewards and other benefits associated with the business world may be used to promote the company's operations. The Group is promoting open communication with both employees and the outside world, without breaching current regulations or jeopardising the confidentiality of trade secrets or of individual personal data.

In order to further strengthen and anchor our values throughout the entire Group, relevant key individuals will be trained in business ethics during the year.

The Group will also be carrying out risk mapping in selected areas and, where this

is considered a priority, starting up and conducting activities alongside customers, suppliers and other stakeholders. Work will also be conducted to ensure that the Group's core values are well-known and firmly established in the operations, as well as to implement the sustainability policy.

ONGOING QUALITY IMPROVEMENTS

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

In order to achieve quality targets, ongoing investments are being made in the form of skills development and the upgrading of production equipment and processes. Suppliers and other joint venture partners are selected on the basis of quality, while activities within marketing and sales are carried out in such a way that the expectations created amongst customers can be met. Most of the Group's companies are quality-certified in accordance with ISO 9001 with internal and external controls and auditing. Several companies are also certified within certain fields, such as welding to international standard ISO 3834 and deliveries to the automotive industry to international standard ISO/TS 16949.



INDUSTRIAL SOLUTIONS

The business unit comprises Ackurat, Canline, Fredriksons, NPB and Jorgensen, which was acquired in November. Fredriksons, NPB, Canline and Jorgensen supply in-house-developed automation solutions such as packaging machines, accumulators and conveyor systems, mainly to the packaging industry.

Fredriksons also performs contract assignments for advanced industrial products in small and medium-sized production runs, primarily for the medical technology and infrastructure sectors. Ackurat provides manufacturers of furniture and fittings with parts such as hand wheels, handles and adjustable feet.

2016 IN BRIEF

Ackurat continued to grow, above all in terms of exports, and recorded its best year to date. The consolidation and merging of major customers during the year resulted in low project volumes for NPB and Canline, but at the same time opened up new business opportunities. Incoming orders from Fredriksons' major contract customers were relatively weak, although developments for the company's proprietary products were more favourable. The Danish automation company Jorgensen was acquired at the end of November and provided a positive although marginal effect on the year's results.

613	-5.1	60	9.7	369
Net sales SEK m	Growth %	Operating profit SEK m	Operating margin %	Employees average

DEVELOPMENTS DURING THE YEAR

Incoming orders for NPB's project-based operations in relation to the packaging industry are by definition uneven. However, 2016 was a year of abnormal fluctuations, from extremely high intensity and a large proportion of hired personnel in the first half-year to an autumn characterised by very low activity. The situation meant that both turnover and margins were lower than in the company's record year, 2015. The largest single cause of the shifts in volumes was a merger between major customers, which resulted in the decision-making processes taking a long time. Many projects were postponed with uncertain starting dates, although several deals were concluded around the end of the year, generating a good volume base for 2017. The market trend of customers wanting to purchase more complete systems is becoming increasingly clear. NPB has been

supplying all-inclusive solutions for a number of years, more recently often in collaboration with its sister company, Canline.

Both of Fredriksons' units were adversely affected by cautious order placement by several major contract customers, primarily within the packaging and medical technology sectors, resulting in weaker financial results than in the previous year. The organisations were adapted to the prevailing situation, and the resources that were freed up as a consequence of reduced contract volumes were concentrated on activities relating to sales as well as the refinement of proprietary product programmes. The developments in terms of proprietary products were also generally more positive than those achieved by customer-specific assignments.

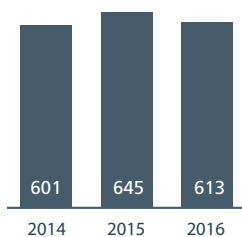
Canline enjoyed a strong start to the year, but activities declined significantly before the summer, with the stalling of two

major projects that were supposed to have been completed during the autumn. These are being conducted during spring 2017 instead. As with NPB, the reason for the postponement was a customer merger within the packaging sector. Thanks to its flexible organisation, Canline was able to handle the situation by bringing back production that had been outsourced and halting the hiring of temporary staff. However, both revenue and profit fell somewhat relative to the previous year. The company focused on various market activities as well as on preparations for the extensive projects being conducted alongside NPB. At the end of the year, Canline moved its operation to a new, more appropriate production facility. Everything can be found under one roof here, creating the conditions for increased productivity.

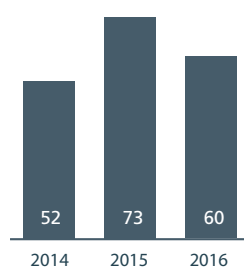


NPB designs handling solutions for the packaging industry. The equipment above balances the flow of ends for beverage cans in a production line.

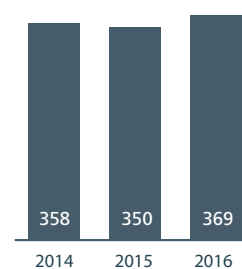
NET SALES (SEK M)



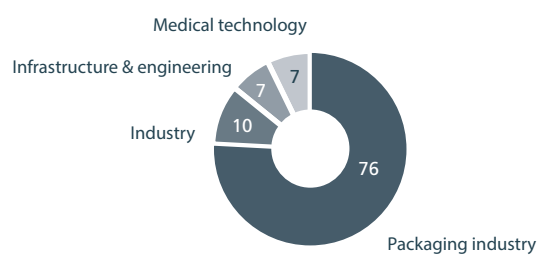
OPERATING PROFIT (SEK M)



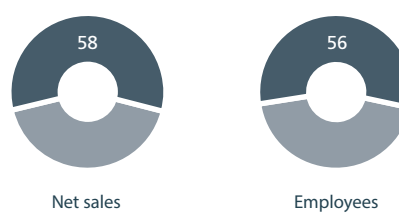
AVERAGE NUMBER OF EMPLOYEES



SECTORS (%)



SHARE OF GROUP (%)





Ackurat has developed a simple yet unique glide for wooden furniture, manufactured from a biodegradable polymer material.

The results of Ackurat's investment in new geographic markets and simultaneous refinement of the product range with the focus on the furniture industry exceeded expectations. The company had its best year ever, with a 6 per cent increase in sales and improved profitability from an already good level. The fact that many European furniture companies are moving their production "home" from Asia to Europe contributed to a growth in volume of more than 30 per cent in Ackurat's Polish unit. There was also a strong influx of new customers during the year, largely thanks to the robust marketing activities and ongoing development of the product range.

PRODUCT DEVELOPMENT

NPB's and Canline's joint offer fits in well with the consolidation trend that is becoming increasingly evident on the beverage market. Customers want to reduce the number of suppliers and purchase complete production lines from selected partners. For this reason, it also seems natural for the two XANO companies to continue the development of proprietary products, with particular focus on

solutions that complement the business unit's existing range.

During 2016, NPB completed a line-control concept that governs the lines and communicates with the machines in the production line. The first deliveries of a traceability system for customers in Japan and Australia became a reality, as well as subsystems for an entirely new feeding centre. When it is launched in 2017, NPB will be able to offer the brewery market – a new customer segment for the company – a complete solution that feeds the filling machines with can ends.

Fredriksons has developed a new product for applications in the food technology sector, which is being presented in 2017. This relates to automation in respect of soft packages, a new niche for the company.

Within the furniture industry, more wood and stronger environmental profiling are two clear trends. The plastics industry has long spoken about biological plastics, but in 2016 Ackurat was the first to offer a standard product, in the form of a glide made from certified compostable polymer material for use on wooden chairs.

PRIORITISED INVESTMENTS

In marketing terms, NPB and Canline are increasing their efforts in Central and South America, where they have established joint sales resources. In collaboration with Jorgensen, Canline is planning targeted sales activities in relation to markets on which the new sister company enjoys a strong position.

Jorgensen is continuing to develop robot solutions in order to further refine and extend its offer when it comes to integrated all-inclusive solutions. The company is also focusing on the business unit's joint projects within marketing, product development and purchasing.

The collaboration that Fredriksons initiated in 2016 with global system builders in the food industry is continuing. In order to increase flexibility in the production process, the company has focused additional efforts on skills development. The employees have been trained to handle more of the elements included in the process, such as robot handling, measurement equipment and welding. A new air suction system and modern compressors have been installed at the facility

in Vadstena with the aim of reducing energy consumption and creating a better working environment. At the same time, streamlining measures are in progress at all levels in order to save costs.

Ackurat is continuing to develop its market strategy and its marketing tools, including the construction of a new website. The company is prioritising export markets, with plans to apply its good experiences from Denmark and Sweden to designers and furniture companies in the UK, Italy and the Baltic States. Ackurat has decided not to be represented by local dealers, choosing instead to operate under its own brand – a clear competitive advantage in a world where individual projects often entail interfaces in various countries. A client in one country accepts help from a designer in another and locates its production in a third. In such circumstances, relationship-building and a strong corporate profile are essential.



A production line module where Canline's conveyor system feeds can ends into an NPB balancer.

OUTLOOK FOR 2017

NPB had a good level of incoming orders around the end of the year and, with the anticipated gradual start-up of delayed projects, the company has a very positive view of 2017. After many years in which no new end-handling facilities have been built in Europe, investments are now being made in several separate projects, to which NPB, in collaboration with Canline, will be supplying equipment and complete automation. Assignments with a similar scope are also being implemented in Brazil.

With an order situation on a par with last year, Canline is preparing for a relatively sluggish first quarter, followed by an intensive spring with many installations waiting to be performed, including in collaboration with NPB. Product development projects and strategic marketing activities are also in progress alongside fellow subsidiaries.

Fredriksons, which is celebrating its centenary in 2017, is starting the year with a healthy order stock for the first quarter. Both completed and ongoing sales efforts are expected to have a positive impact on developments in future, with projects for new customers and more assignments from existing ones. The market situation remains tough in China, and the opportunities for development are harder to judge. However, Fredriksons is very hopeful that the proprietary products that have been developed will generate new business.

For Ackurat, the high level of incoming orders has continued, and the company is anticipating further growth on the export market. Successful efficiency work, which has significantly increased production capacity with the same level of staffing, also guarantees that good profitability will be maintained.

The order situation is also good at Jorgensen and the company is anticipating increased export sales, in part through the further development of its integrated all-inclusive solutions. A number of collaborative projects with its new sister companies have been initiated, and there are plans to strengthen capacity by extending the production facility.



ACTIVITIES AND MARKET

The majority of the business unit's operations consist of the development, manufacture and sale of automation equipment, primarily for the handling of food packaging, and with the international packaging industry as a dominating sector.

NPB and Canline design, manufacture and sell automation equipment, primarily for handling metal cans and ends. 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 end-handling solutions for can-related products. Canline works mainly with conveyor systems for metal packaging and also manufactures magnets for industrial use.

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

Jorgensen designs, manufactures and supplies automation equipment and complete packaging handling systems. Through a high level of technology and extensive automation expertise, both mechanical equipment and control systems can be optimised for maximum efficiency at every

stage. Jorgensen's strength lies in its extreme flexibility combined with a solutions-oriented approach and targeted project management. The company's 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.

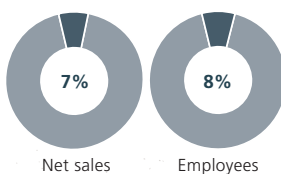
Ackurat manufactures and sells standard injection-moulded plastic components and stocks thousands of items, including hand wheels, adjustable feet, levers, handles and different types of pipe stoppers. Ackurat also offers the option of manufacturing customised products. The company is established in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

Suzhou

ACKURAT
Lammhult/Gdansk/Helsinki

Net sales	SEK m	71
Growth	%	+5.8
Employees	average	39

Share of business unit

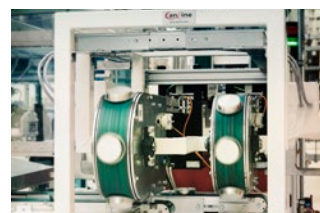
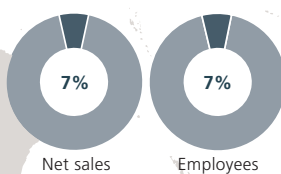


Coupling fitting for chairs.

CANLINE
Eersel/Lynchburg

Net sales	SEK m	67
Growth	%	-7.7
Employees	average	34

Share of business unit

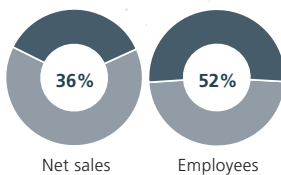


Conveyor system for cans.

FREDRIKSSON
Vadstena/Suzhou

Net sales	SEK m	337
Growth	%	-9.4
Employees	average	243

Share of business unit



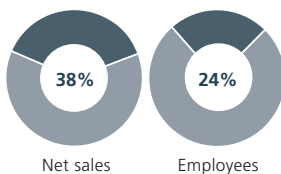
Conveyor system for dairy products.

JORGENSEN
Odense

Net sales	SEK m	358
Growth	%	-
Employees	average	110

Pro forma

Share of business unit

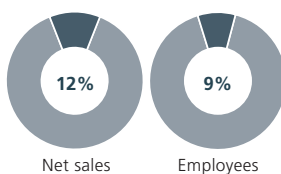


Handling equipment for pharmaceuticals.

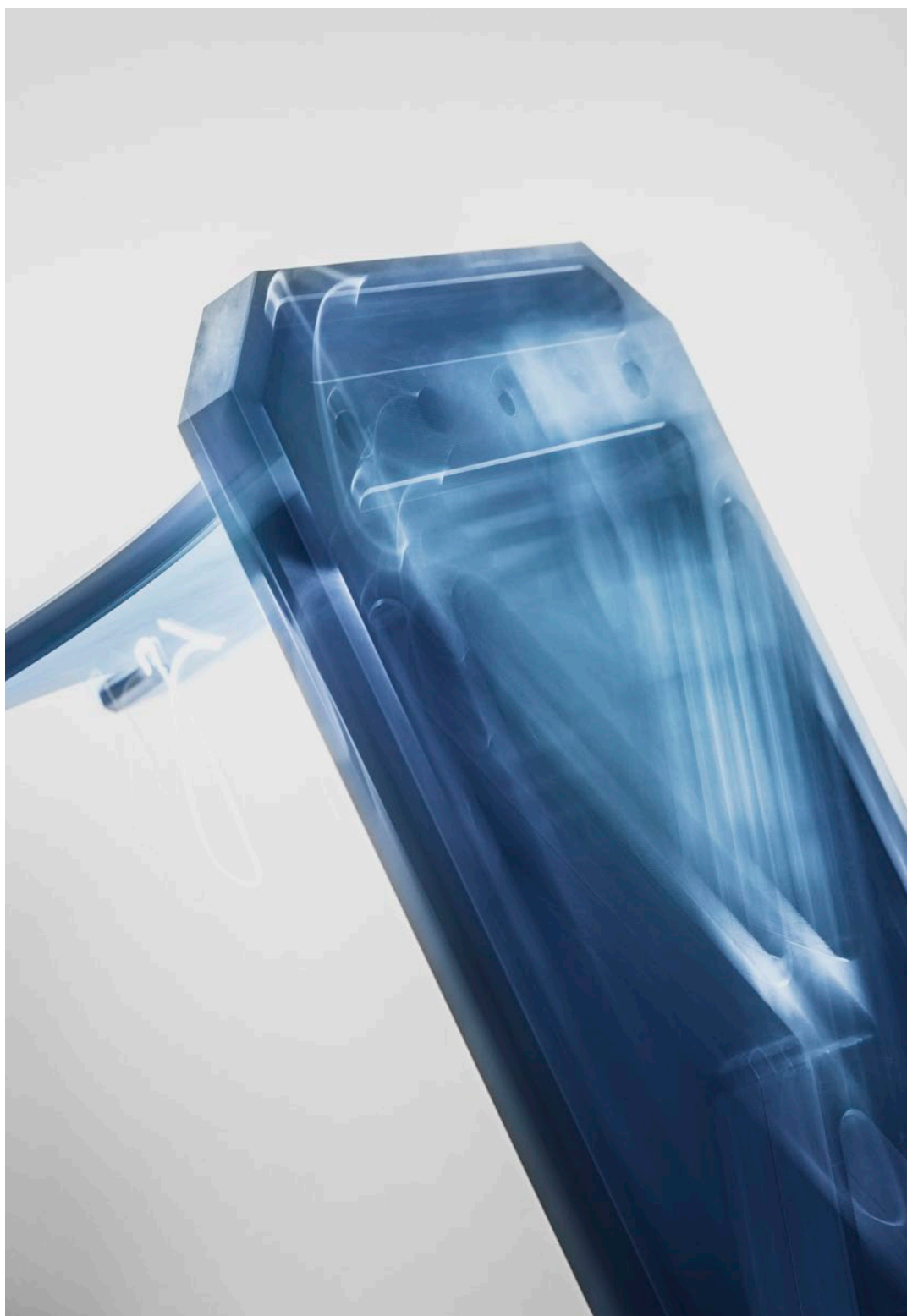
NPB
Jönköping

Net sales	SEK m	116
Growth	%	-24.1
Employees	average	41

Share of business unit



Balancer for end-handling.



PRECISION TECHNOLOGY

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

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

2016 IN BRIEF

The business unit was able to report a good outcome for the year overall. Both revenue and operating profit increased compared to the previous year, and two of the companies reported excellent results for the second consecutive year. This positive trend can be ascribed to long-term, targeted efforts in areas such as sales work and production technology.

230	+8.0	29	12.7	155
Net sales SEK m	Growth %	Operating profit SEK m	Operating margin %	Employees average

DEVELOPMENTS DURING THE YEAR

Mikroverktyg repeated the previous year's exploits and once again achieved record figures for both sales and profit. The basis for this lies above all in the company's long-term strategy of investing in new technology as well as ongoing skills and process development. In addition, project sales remained high and produced a positive outcome during the past year. The trend of customers increasingly requesting total responsibility instead of delivery of individual articles was further reinforced.

Resinit's highly positive development also continued, with a growth in volume of more than 20 per cent and very strong profit figures. These successes are largely a result

of the company having remained true to its focus and having grown along with both its customers and the market. This has been particularly true on the export side in recent years, which now makes up around 35 per cent of revenue. The capacity was increased during the year by means of an extension of the production premises and investment in new machinery.

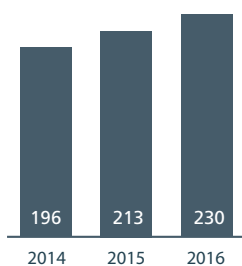
After a prolonged period of negative growth, the situation brightened up for KMV during the year, with a growth exceeding 10 per cent. Several of the company's major customers, above all in the offshore sector, which have been heavily affected by the change in the price of crude oil, gradually recovered as prices started to increase. Inten-

sive sales work also generated assignments within new niches. The comprehensive transformation of the operation, which was implemented when the market weakened, has resulted in KMV now having a cost-effective organisation with a high degree of flexibility.

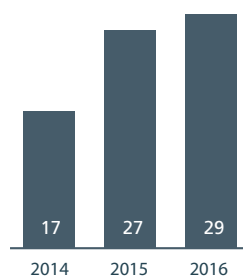
LK Precision did not quite manage to match the previous year's excellent results. The company's active sales work has generated assignments within new, interesting segments, including the space industry. However, this has not been able to compensate fully for the loss of production in other areas, where the number of orders has been on a par with the previous year, although with generally lower volumes per order.



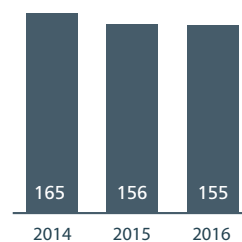
NET SALES (SEK M)



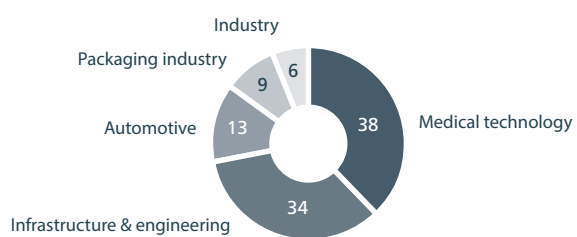
OPERATING PROFIT (SEK M)



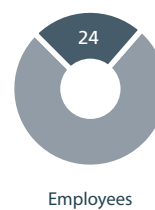
AVERAGE NUMBER OF EMPLOYEES



SECTORS (%)



SHARE OF GROUP (%)





One of KMV's strengths is the company's wide variety of tools. Shown above are drill pipes in dimensions ranging from 18 up to 500 mm. Prior to the actual machining process, a drill tip is attached to a pipe of the correct dimensions and then installed in the drill.

Adjustments have been implemented as regards staffing, and further efficiency-raising machinery investments have been made. In addition, extensive resources have been set aside for intensified marketing activities.

PRIORITISED INVESTMENTS

Mikroverktyg expanded both its workforce and machine capacity during the year. The company also invested in further technical developments and skills expansion, above all in the field of transmissions. The launch of a new five-axis multi-function machine produced good results, and more investments in machinery are planned in order to meet customer demand for more complex components and all-inclusive solutions. The strategic sales efforts are targeting an increasingly global market, with particular focus on transmission development and special tools.

Resinit's major investment during the year was the extension of its production facilities with a department intended for assembly and packaging. The work on the

extension was completed during the second quarter, freeing up space in the workshop for new production equipment in the form of both a large, five-axis mill with robot operation as well as a new laser marking machine. The latter makes it possible to satisfy customers' increased demands for traceability. Environmental investments in the form of energy-efficient fans, LED lamps instead of fluorescent tubes, green electricity and a new heating system with radiators in the ceiling, have made it possible for the company to reduce its energy consumption by almost 20 per cent.

KMV is witnessing a clear consolidation trend on its market, with small customers being acquired by larger players, which is affecting the way the company sells. From having supplied products primarily for drilling, there is now a demand for additional machining and refinement in the form of turning, milling and surface treatment. Following completion of a restructuring of the organisation, there is a high degree of flexi-

lity in the staffing. Further skills-raising efforts focusing on areas such as machine handling, drawing and programming are in progress.

LK Precision's investment in automation and the use of robots has resulted in expanded capacity, improved efficiency and a significantly higher degree of utilisation. Many machines are in operation 24 hours a day, 7 days a week. Along with new measurement technology equipment for the control department, this means that the company is well equipped to meet the growth in production that is anticipated in the aftermath of the delivery delays experienced in 2016. More sales resources targeted at new, growing segments, such as the space industry and infrastructure, are expected to contribute to this trend. The company's work on sustainability during the year has resulted in both reduced energy consumption and an improved working environment in the workshop thanks to investments in the ventilation system and climate units.



LK Precision has manufactured turning centres for a 3D scanner, where every constituent component is characterised by extremely high precision.

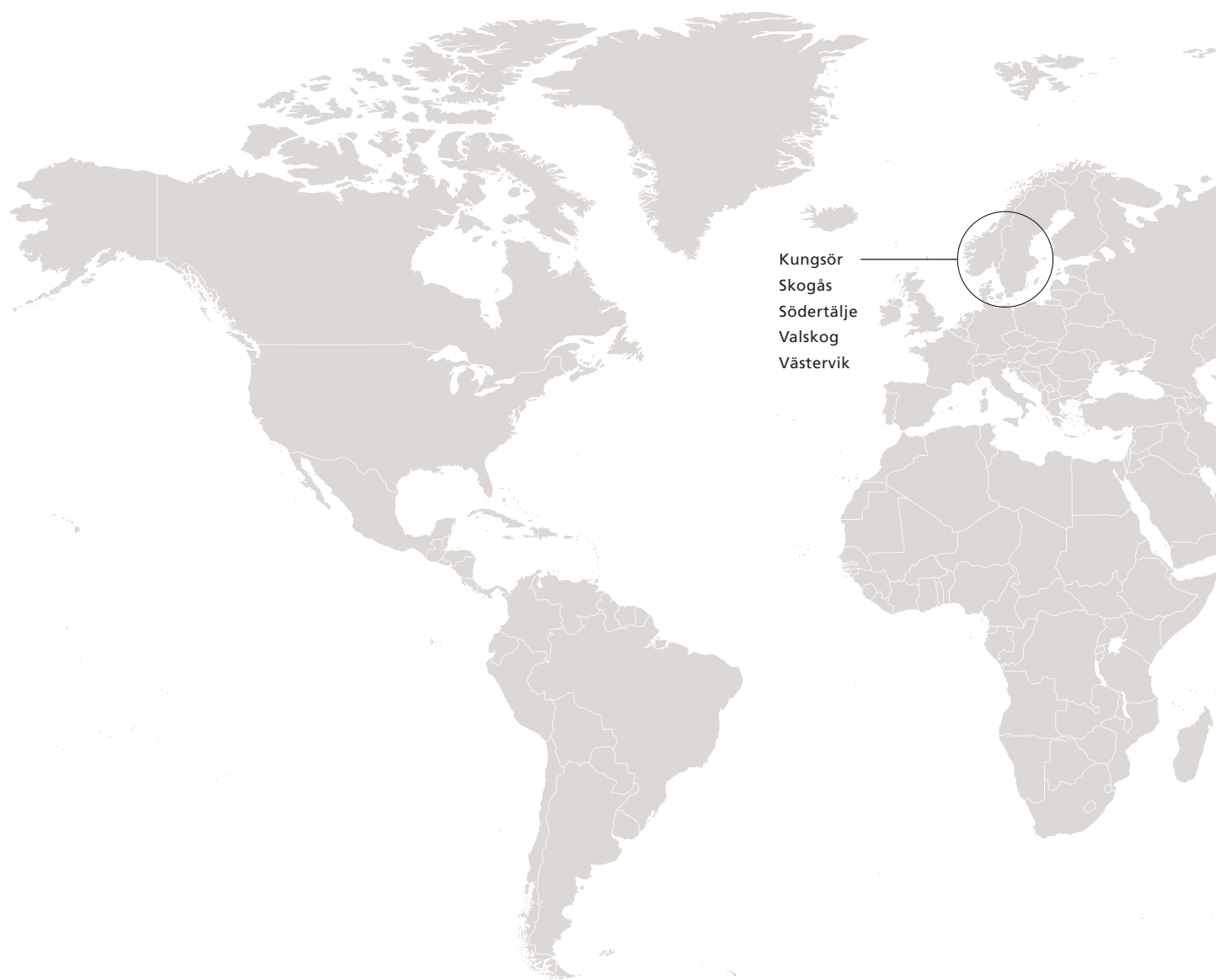
OUTLOOK FOR 2017

After two years of strong growth, Mikroverktøy is anticipating a slight weakening, and the company is starting the new year with a lower order stock than at the beginning of 2016. Incoming orders are expected to increase gradually during the first quarter, before stabilising at a healthy level. The increasing share of project-oriented sales entails more varied capacity levels, but also mean that there is good potential for growth.

Resinit's order situation at the start of the year exceeds that of last year, and several major customers in the USA are reporting continued high volumes. The strategic sales efforts are targeted primarily at the food sector which, despite more stringent regulations, is displaying steady growth. In addition, the past year's capacity improvements in terms of both premises and production equipment have created the conditions for further expansion.

For KMV's part, incoming orders are on a par with last year's figure. Following consolidation, the company has the organisation and the production capacity that are considered relevant in relation to the market conditions. Further resources are being set aside for sales work and expectations regarding this year's growth are cautiously optimistic.

The order situation for LK Precision was markedly better at the start of 2017 compared to the same time last year. The largest growth is anticipated within segments that are new for the company, such as the space industry, where the sales resources have been augmented. Provided the customers receive their FDA approvals, the market for medical technology is expected to revert to a more normal level. The industrial side is also engaged in projects planned to go into production during the year.



ACTIVITIES AND MARKET

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

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

covers acid-proof stainless piston rods for the offshore industry.

LK is a precision-mechanical engineering company manufacturing complex components made from a variety of metals. Production is concentrated on small and medium-sized production runs. A high level of technical expertise in combination with cutting edge technology means that the company can offer tailored production solutions, primarily as a contract manufacturer to leading medical technology companies but also for the defence, aviation and space sectors.

Mikroverktyg is a pronounced prototype manufacturer focusing on cutting machining, and with expert skills when it comes to fine-mechanical and transmission components

such as toothed gears, splines and racks. The manufacturing also comprises fixtures, tools, measuring devices, hydraulic components, spare parts and other details subject to demanding precision requirements. The most important target groups are the automotive and defence industries.

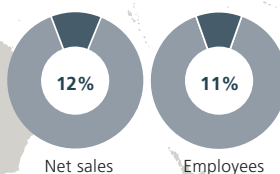
Resinit specialises in difficult plastic materials for products subject to demanding requirements for quality and delivery performance. The company offers complete solutions where the mechanical processing is supplemented with associated services, primarily assembly, mainly targeting international players within the food and medical technology industries as well as the defence and power sectors.

KUNGSÖRS MEKANISKA (KMV)

Kungsör

Net sales	SEK m	28
Growth	%	+12.8
Employees	average	17

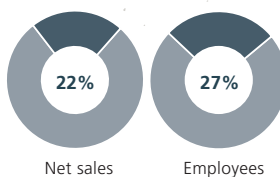
Share of business unit

Titanium test cylinder
for absorption of crude oil**LK PRECISION**

Skogås

Net sales	SEK m	51
Growth	%	-9.7
Employees	average	41

Share of business unit



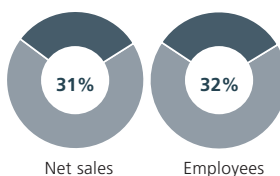
Precision component for 3D scanner.

MIKROVERKTYG

Södertälje/Valskog

Net sales	SEK m	71
Growth	%	+8.7
Employees	average	50

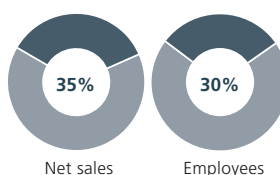
Share of business unit

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

Västervik

Net sales	SEK m	80
Growth	%	+20.2
Employees	average	47

Share of business unit



Accessories for dialysis equipment.



ROTATIONAL MOULDING

The rotational moulding technique enables the manufacture of complex plastic products in one piece. The business unit is made up of the Cipax group, which consists of four units that have their own development and sales organisations; three of these units also have their own manufacturing operations.

Cipax is the market leader within rotational moulding in the Nordic and Baltic regions. Long-standing experience in the industry and close cooperation with leading industrial companies has enabled Cipax to become a trusted supplier. Cipax also has a major competitive advantage due to its high level of technical expertise and access to many production sites with different specialisations.

2016 IN BRIEF

The business unit won market share, increased revenues and significantly improved its operating margin. The greater profitability is largely a result of the structural changes that have been implemented, but is also due to the good sales figures for proprietary products. The trend has been positive both on the domestic markets in the Nordic region and the Baltic States, as well as in Germany.

213

Net sales SEK m

+8.3

Growth %

25

Operating profit SEK m

11.7

Operating margin %

134

Employees average

DEVELOPMENTS DURING THE YEAR

Cipax's Estonian unit delivered significantly higher volumes than in the previous year, with an increasing share attributable to the German market. The company took over the majority of the manufacture in the Polish unit, where the phasing out of production was completed at the start of the year. This consolidation generally meant a greater utilisation of the resources within the group. Sales on the Swedish market increased in respect of both proprietary and customer-specific products. In Finland, too, Cipax was able to advance its position despite a continued difficult market climate. The successes there were attributed principally to customer-specific manufacture, which grew by 20 per cent during the year. In Norway, there was an increase in sales of proprietary products, primarily boats, while other segments were on a par with or slightly below that achieved

in the previous year. All in all, Cipax improved its position on several geographic markets during the year, reporting both growth in sales and an improved margin.

PRIORITISED INVESTMENTS

Thanks to the expansion of the production facility in Estonia, Cipax now has the conditions to supply the Northern European market not only with more, but also with larger products. The new premises initially created space for the equipment that was moved from the Polish unit, but have been dimensioned to house additional production capacity if necessary.

For companies that work with plastic, it is only natural to prioritise environmental work. Cipax's rotational-moulded products consist primarily of polyethylene or polypropylene, which are environmentally friendly, recyclable materials. No plastic materials

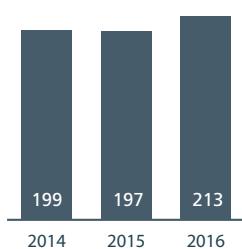
become landfill waste, as everything can be recycled and reused several times over before finally being incinerated. Waste material and scrapped articles are currently sent to external parties for recycling. However, the ambition is for the business unit's companies to deal with the products themselves at the end of their lifecycle, and to reuse the material in full in in-house operations. This achieves both financial advantages and increased flexibility as regards handling.

Product development remains a high-priority area. The upgrading of the boat programme is an ongoing operation, as is the launch of additional industrial and infrastructure-related items. For example, a new range of specially adapted tanks is being presented, which means that the product range is now even more complete.

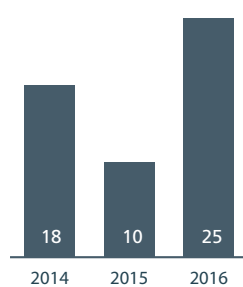


Cipax manufactures tanks, pipes and casings used, for example, in the heavy vehicles industry.

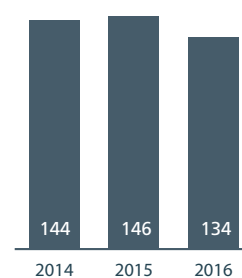
NET SALES (SEK M)



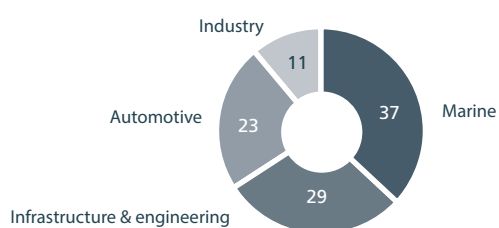
OPERATING PROFIT (SEK M)



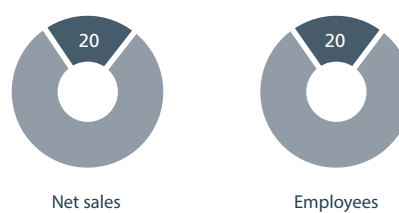
AVERAGE NUMBER OF EMPLOYEES

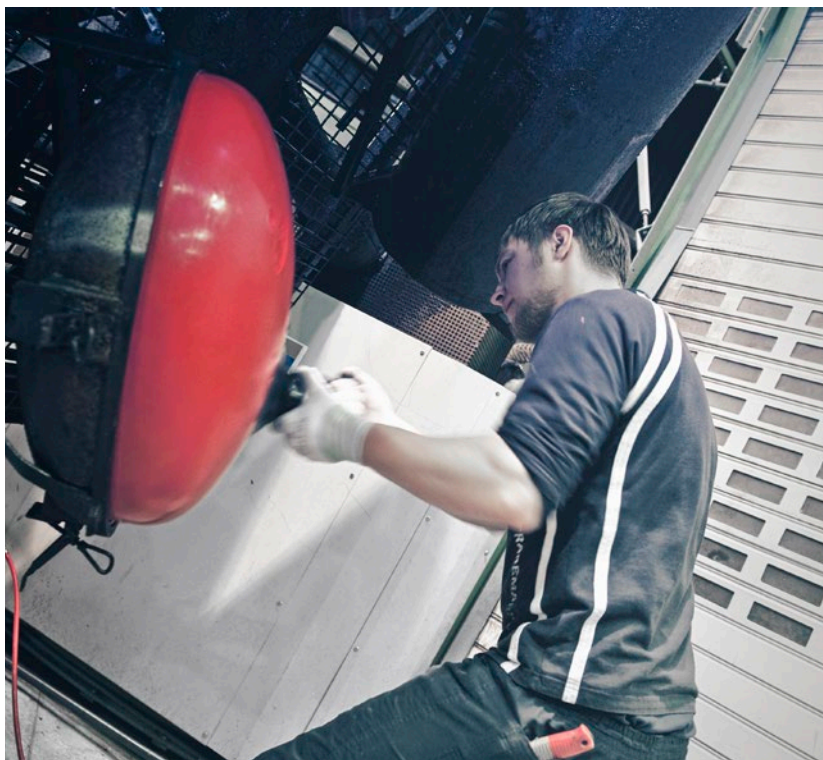


SECTORS (%)



SHARE OF GROUP (%)





CUSTOMER-SPECIFIC MANUFACTURING

During the year, Cipax increased its capacity within design, in order to assist customers to an even greater extent in the development phase of new products. This entailed opportunities for interesting business deals and extended customer relations – above all in the Nordic region and the Baltic States – where the Cipax companies are collaborating with customers in sectors such as automotive, infrastructure and other technical industry.

PROPRIETARY PRODUCTS

Sales of proprietary products are steadily increasing. Cipax is continuing to work to develop the product programmes within

infrastructure and other technical industry, with the aim of becoming a complete system supplier. The boat models are continually being upgraded, work that produced good results during 2016. Additional sales resources are being set aside within all segments that have proprietary products.

As regards infrastructure, collection tanks for a range of purposes were introduced during the year. For example, the buried products can act as a first step in the handling of wastewater or as buffer tanks for rainwater in order to prevent overloading of the pipeline network.

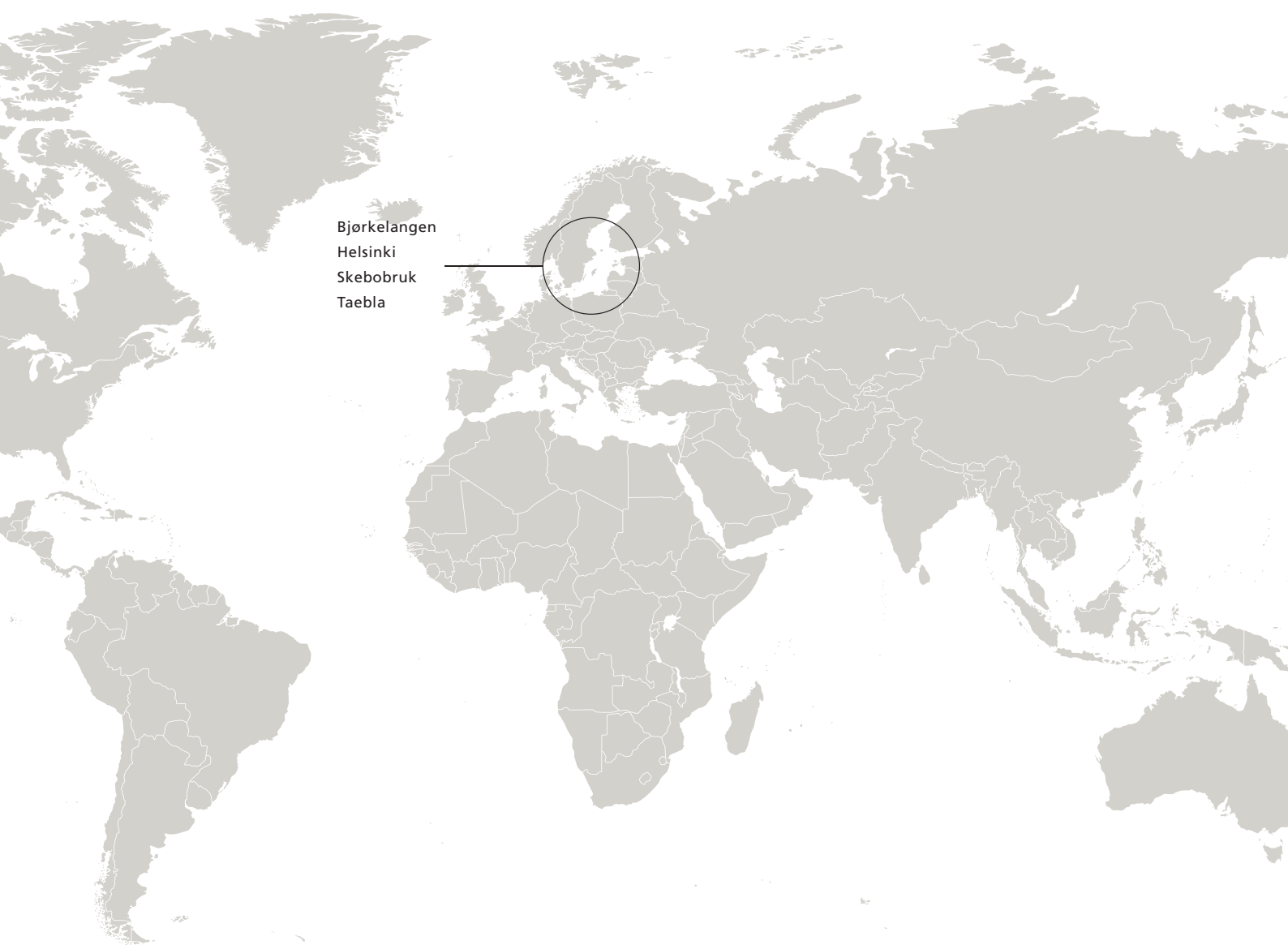
At the start of 2017, Cipax will be launching a sludge separator that can

be buried. The tank constitutes a central element in a system for the treatment and separation of wastewater. Environmental benefits included are the recyclable material and the high capacity for sludge separation. The product is equipped with three chambers, providing a long sedimentation distance that reduces the amount of waste material.

Another product that is being presented in the near future is a water treatment system in the form of a mini treatment works, intended for individual drains, where the wastewater is cleaned to a high level of protection in an environmentally friendly manner.

OUTLOOK FOR 2017

The order stock at the start of this year was more or less the same as last year. The signs indicate an increasingly stable market situation within most segments in which the business unit's customers operate, which points to continued good growth for all of Cipax's units. Increased resources for sales activities and continued investments in the proprietary product programmes are also expected to have a positive impact on both sales and profits during the year.



Björkelangen
Helsinki
Skebobruk
Taebla

CIPAX

Skebobruk, Björkelangen, Taebla, Helsinki

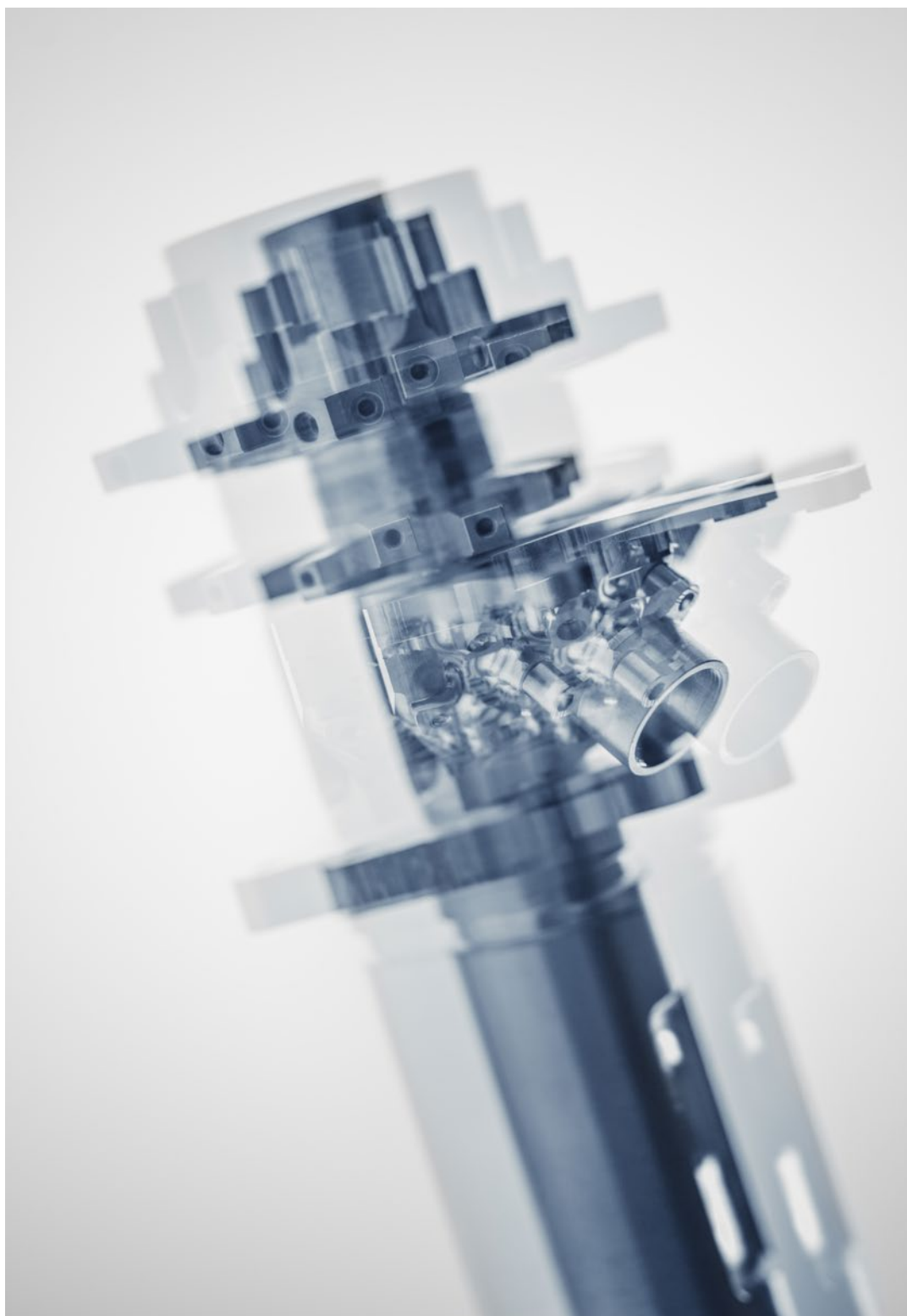
Net sales	SEK m	213
Growth	%	+8.3
Employees	average	134

ACTIVITIES AND MARKET

Cipax designs, manufactures and sells plastic components and systems by means of rotational moulding using environmentally friendly, recyclable materials. The primary product segments include boats, products for the automotive and infrastructure industries, industrial containers and buoyancy devices. The manufacturing process is characteristically cost-efficient for small-scale production runs due to low tool costs and flexible production. The flexibility of the product design process enables complex items to be created. Examples of customer-specific products include tanks, pipes and covers with specific requirements such as heat, cold and chemical resistance. In addition to customer-specific manufacturing, which accounts for half of the unit's revenue, the companies work on proprietary products within the boat, marine and industry segments. Deliveries are mainly to leading companies in the Nordic and Baltic countries within the marine, infrastructure, automotive and other technical industry sectors.



Rotational-moulded sludge separator made from recyclable polyethylene.



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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 2016 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.

SALES AND PROFIT

Net revenue for continuing operations totalled SEK 1,052 million (1,052). Operating profit for continuing operations amounted to SEK 96 million (96), corresponding to an operating margin of 9.1 per cent (9.1). Profit before tax was SEK 92 million (85). Profit before tax for discontinued operations amounted to SEK 0 million (12) and includes non-recurring items totalling SEK 0 million (12). The Group as a whole reported profit before tax amounting to SEK 92 million (97) including non-recurring items totalling SEK 0 million (12).

SHARE DATA AND KEY RATIOS

Earnings per share for continuing operations were SEK 10.20 (9.60). Earnings per share for the Group as a whole amounted to SEK 10.20 (11.45). Equity per share was SEK 59.60 SEK (61.35). Acquisition of own personnel convertibles reduced equity per share by approx. SEK 8.40. The average number of outstanding shares was 6,851,399 during the year. The equity/assets ratio was 27 per cent (45) at the end of the year. The average number of employees was 666 (660).

IMPORTANT EVENTS DURING THE YEAR

In November, the acquisition of the Danish enterprise Jorgensen Engineering A/S was concluded. Jorgensen is a leading international automation company that supplies and integrates equipment and complete packaging solutions. Jorgensen offers a wide range of packaging machinery and solutions to customers within the milk powder, food, pharmaceuticals and pet food segments. The company is situated in Odense, Denmark. Jorgensen is a part of XANO's Industrial Solutions business unit and consolidation has been carried out as from 24 November 2016.

ACTIVITIES AND ORGANISATION

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

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

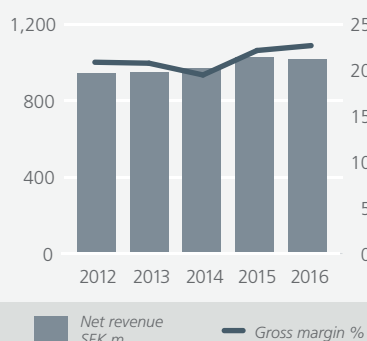
The Rotational Moulding business unit consists of the Cipax Group. Operations comprise the design, manufacture and sale of plastic components and systems produced by means of rotational moulding. Deliverables include both customer-specific and in-house developed products.

THE GROUP'S DEVELOPMENT DURING THE YEAR

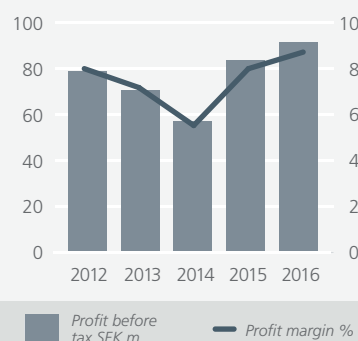
Increasingly stable demand and increased order volumes in the Group's three business units mainly characterised the first quarter of the year, despite the fact that the market situation as a whole was perceived as slightly cautious. Sales increased by 7 per cent and operating profit improved.

With normal seasonal variation, the second quarter is the Group's strongest, and the profit level during this period was also one of our best to date. In relation to the comparison period, sales increased by 4 per cent

Net revenue and gross margin



Profit before tax and profit margin



and operating profit rose considerably. On the whole, the order situation was on a par with the previous year.

Compared to the seasonally strong second quarter, the third quarter is normally significantly weaker, and this was also the case this past year. The volumes were also slightly lower than in the corresponding period the preceding year, while operating profit largely matched that of the comparison period. Incoming orders in respect of project-related operations were weak.

The results during the fourth quarter largely reflected expectations prior to the end of the year, with stable figures for the majority of the Group's units, although with continued low sales volumes within the packaging sector and consolidated profit slightly below that achieved in the comparison period. The market conditions shifted in a positive direction during the period and towards the end of the year, all the business units experienced a higher level of activity within their respective market segments.

The Group's profit before tax exceeded last year's results by almost 10 per cent, which meant that the profit margin was strengthened from 8.0 to 8.7 per cent with an unchanged level of sales. The Precision Technology and Rotational Moulding business units both showed growth in sales volumes as well as increased profitability in relation to the comparison period while the Industrial Solutions business unit reported lower sales level and reduced margins during the financial year.

INDUSTRIAL SOLUTIONS

The full year figures for the Industrial Solutions business unit showed a slight reduction in sales and lower margins in relation to the comparison period. The majority of the business unit's deliveries of automation solutions are going to the packaging industry, where drawn out decision-making processes resulted in low project volumes during the year. This trend was bucked in December, however, thanks to the conclusion of a couple of major deals, which are providing stability for the future. The acquisition of the Danish company Jorgensen in November had a small positive impact on profits for the past year, although for the coming years, as well as contributing its own volumes, it will also entail better growth conditions for

its fellow subsidiaries. Jorgensen complements the existing automation companies with additional product concepts and marketing channels. After a somewhat cautious start, the sale of proprietary products aimed primarily at furniture and interior manufacturers showed a strong development, mainly attributable to growth on export markets.

PRECISION TECHNOLOGY

The Precision Technology business unit reported a growth in sales at 8 per cent while operating profit rose by 9 per cent in relation to the comparison period. The increase in volume was largely attributable to medical technology, but also new segments such as the space industry contributed and demand remained at a stable level throughout the year. Implemented capacity improvements have resulted in increased competitiveness and, combined with active marketing work, the companies have reached new product niches and achieved greater geographic spread.

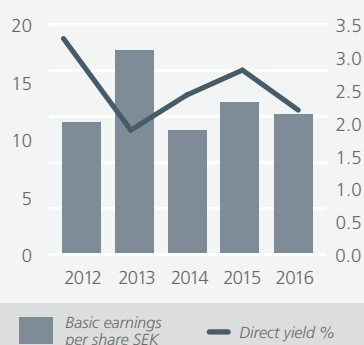
ROTATIONAL MOULDING

The Rotational Moulding business unit reported increased sales in excess of 8 per cent and an operating margin that more than doubled compared to the preceding year. The growth in volume was primarily related to proprietary products, where the companies are constantly implementing upgrades and working to develop new solutions. Consolidation of the operation following the implementation of structural changes has resulted in better utilisation of resources within the group and, despite a relatively weak general trend within several sectors, the companies have succeeded in expanding their market share.

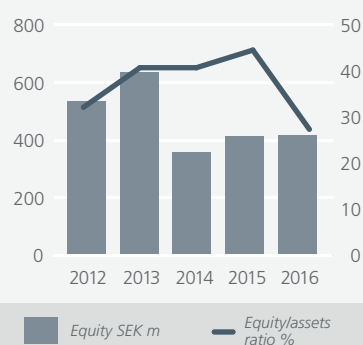
DISCONTINUED OPERATIONS

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

Earnings per share and direct yield
(Group as a whole)



Equity and equity/assets ratio
(Group as a whole)



INVESTMENTS

Net investments in non-current assets for the Group as a whole came to SEK 410 million (80), of which SEK 365 million related to corporate transactions, SEK 14 million to real estate and SEK 31 million to machinery and equipment.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities for the Group as a whole amounted to SEK 128 million (158).

Liquid assets, including lines of credit granted but not utilised, stood at SEK 358 million (288) 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 78–80.

CONVERTIBLE BOND PROGRAMME

During 2012, convertible bonds were issued with a nominal value of SEK 30 million. The subordinated loan expired on 30 July 2016. In accordance with a decision by the AGM on 12 May 2016, all holders were given the option of selling the convertibles back to the company before the conversion date at an estimated market value. Holders of a nominal SEK 22.8 million decided to accept this offer. A further nominal SEK 1.2 million was repaid on the maturity date. Holders of a nominal SEK 6.0 million requested conversion of their claims to shares. Through the conversion, 117,771 new Class B shares were issued. The dilution amounted to 1.7 per cent of the share capital and 0.5 per cent of the number of votes.

On 12 May 2016, the Annual General Meeting of XANO Industri AB decided to approve the Board of Directors' proposal concerning the issue of a maximum of 285,000 convertibles with a total nominal value of no more than SEK 70 million, and with a maturity period from 1 July 2016 to 30 June 2020. In a deviation from the shareholders' right of first refusal, entitlement to subscribe to the convertibles fell to persons who at the time of expiry of the subscription period were permanent employees of the Group. Employees within the XANO Group were allocated 285,000 convertibles at a price of SEK 218, equivalent to a nominal SEK 62 million. The convertible interest is paid annually in arrears and is equivalent to STIBOR 3M plus 2.20 percentage points. 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 current total number of shares.

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 690 million (259) on the balance sheet date. A detailed description of the Group's financial risks can be found in Note 35 on pages 78–80.

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 report on the Group's environmental activities can be found on page 25.

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

Following a decision at the Annual General Meeting on 12 May 2016, a conversion reserve was introduced in the Articles of Association. The conversion reserve gives holders of Class A shares the right to request conversion of these to Class B shares. At the request of shareholders, 127,800 Class A shares were converted in June 2016. As of the balance sheet date, the total number of shares is 7,046,745, divided between 1,822,200 Class A shares and 5,224,545 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 140,000 Class B shares in own custody.

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

WORK OF THE BOARD OF DIRECTORS

The 2016 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 2016 financial year, the Board of Directors held eight meetings. Each regular meeting deals with the reports and items requiring a decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as acquisitions and major investments.

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

NOMINATION COMMITTEE

A nomination committee was appointed at the 2016 AGM consisting of Ulf Hedlundh (chairman), Fredrik Rapp and Anders Rudgård. The task of the committee prior to the 2017 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and to propose fees for the Board, committees and auditor. Prior to the 2017 AGM, the nomination committee has held three meetings, in addition to a number of contacts between the committee members.

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

Five-year overview

	2016	2015	2014 ³⁾	2013 ³⁾	2012 ³⁾
Income statement, SEK m					
Net revenue	1,052	1,052	994	989	975
Cost of goods sold	-804	-809	-789	-774	-762
Gross profit	248	243	205	215	213
Selling expenses	-100	-101	-93	-89	-82
Administrative expenses	-53	-48	-44	-44	-44
Other operating income/expenses	1	2	1	3	0
Operating profit	96	96	69	85	87
Financial income	11	5	4	9	3
Financial expenses	-15	-16	-17	-22	-11
Profit before tax	92	85	56	72	79
Tax	-22	-19	-13	-17	-15
Profit from continuing operations	70	66	43	55	64
Profit from discontinued/spin-off operations	–	12	18	63	3
Net profit for the year	70	78	61	118	67
Financial position 31 December, SEK m					
Non-current assets	910	543	519	1,004	1,051
Current assets	599	376	341	553	614
Equity	412	416	355	643	539
Non-current liabilities	512	175	251	440	476
Current liabilities	585	328	254	474	650
Balance sheet total	1,509	919	860	1,557	1,665
Cash flow, SEK m					
		of which ⁴⁾		of which ⁴⁾	
Cash flow from operating activities	128	158	–	93	28
Cash flow from investing activities	-319	-58	12	-85	-50
Cash flow after investments	-191	100	12	8	-22
Cash flow from financing activities	315	-91	–	-8	23
Cash flow for the year	124	9	12	0	1
Key ratios					
Operating margin, %	9.1	9.1	7.0	8.6	8.9
Profit margin, %	8.7	8.0	5.6	7.2	8.0
Return on equity, % ¹⁾	17.1	20.0	13.1	19.8	12.9
Return on capital employed % ¹⁾	13.6	15.9	10.9	14.7	10.8
Return on total capital, % ¹⁾	10.1	12.1	8.5	11.2	8.0
Interest coverage ratio, multiple ¹⁾	7.1	6.8	5.1	6.4	6.3
Average equity, SEK m ¹⁾	407	389	466	595	520
Average capital employed, SEK m ¹⁾	786	715	905	1,208	903
Average total capital, SEK m ¹⁾	1,063	940	1,187	1,579	1,213
Equity/assets ratio, % ¹⁾	27	45	41	41	32
Proportion of risk-bearing capital, % ¹⁾	31	48	45	47	37
Basic earnings per share, SEK ²⁾	10.20	9.60	6.35	8.00	9.40
Basic earnings per share (Group as a whole), SEK ^{1, 2)}	10.20	11.45	9.05	17.40	9.85
Equity per share, SEK ¹⁾	59.60	61.35	52.35	94.80	79.45
Cash flow from operating activities per share, SEK ¹⁾	18.65	23.35	13.65	23.70	10.75
Proposed dividend per share, SEK	4.50	4.50	2.50	4.00	3.50
Miscellaneous					
Scheduled depreciation, SEK m	47	48	43	41	45
Scheduled depreciation (Group as a whole), SEK m ¹⁾	47	48	52	68	56
Interest-bearing liabilities, SEK m ¹⁾	690	259	319	577	756
Deferred tax liability, SEK m ¹⁾	52	28	33	83	80
Net investments excl. corporate transactions, SEK m	45	36	49	38	45
Average number of employees	666	660	675	664	656

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

²⁾ Based on net profit for the year.

³⁾ 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.

⁴⁾ Attributable to discontinued/spin-off operations.

For definitions and information on key figures, see page 81. For details on the number of shares, see page 8.

AGREEMENTS

In 2016, 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.

CORPORATE GOVERNANCE

XANO's corporate governance is based on Swedish legislation and the listing agreement with Nasdaq Stockholm. Directives issued by authorities and stakeholders within Swedish industry and on the financial market are also applied for various issues. Governance, management and control are divided between shareholders at the AGM, the Board and the CEO in accordance with the Swedish Companies Act and the company's Articles of Association and rules of procedure. From 1 July 2008, all companies listed on Nasdaq Stockholm must follow the "Swedish Code for Corporate Governance", known as "the Code". XANO's corporate governance report has been prepared separately from the directors' report and can be found on pages 96–99.

FUTURE DEVELOPMENT

Looking at the year and the Group as a whole, the market and order situation were both stable and on a par with the previous year. However, the low level of activity among major contract customers and the small number of project assignments for the packaging industry had a negative impact on the majority of operations within the Industrial Solutions business unit for most of 2016. This trend was bucked in December thanks to the conclusion of a couple of major deals, which are providing stability for the future. The market conditions for the Group's other operations also changed in a positive direction towards the end of the year. All the business units experienced a higher level of activity within their respective market segments, a trend that has been even more tangible at the start of 2017.

AUTHORISATION FOR REPURCHASE OF OWN SHARES

In April 2003, 415,000 Class B shares were acquired. In 2006, share capital was reduced by cancelling 198,000 of the repurchased shares. A total of 47,000 and 30,000 of the company's own shares were transferred during 2007 and 2008 respectively in connection with company acquisitions. The number of shares in own custody after these transactions amounted to 140,000 with a quotient value of SEK 5, corresponding to 2.0 per cent of the share capital. After deduction of the company's own holding, the number of outstanding shares amounted to 6,906,745 as of the balance sheet date.

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

AUTHORISATION FOR A NEW SHARE ISSUE

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

REMUNERATION AND EMPLOYMENT CONDITIONS FOR SENIOR EXECUTIVES

The 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 2016 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 three months' fixed salary. Senior executives shall have market pension conditions which must be premium-based. Any employee in the Group's management may terminate their employment by giving six months' notice. In the event of notice being given to the CEO, severance pay totalling 18 months' salary shall be payable. The Board shall be entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case.

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

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 four 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	21,641,399
Net profit for the year	31,872,148
Total	66,042,713

The Board of Directors and the CEO propose that the surplus be distributed as follows:	SEK
Payment of a cash dividend of SEK 4.50 per share to shareholders (6,906,745 shares)	31,080,352
To be carried forward	34,962,361
Total	66,042,713

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	2016	2015
Net revenue	4	1,051,666	1,052,605
Cost of goods sold	6, 7, 8	-803,851	-809,024
Gross profit		247,815	243,581
Other operating income	10	8,138	13,646
Selling expenses	6, 7, 8	-100,478	-100,756
Administrative expenses	6, 7, 8, 9	-52,641	-48,432
Other operating expenses	11	-7,279	-12,062
Profit from participations in associated companies	17	–	–
Operating profit	4, 5	95,555	95,977
Financial income	12	11,360	5,315
Financial expenses	13	-15,057	-16,627
Profit before tax		91,858	84,665
Tax	14	-22,065	-19,322
Net profit for continuing operations		69,793	65,343
Profit from discontinued operations	3	–	12,495
NET PROFIT FOR THE YEAR		69,793	77,838
<i>– of which attributable to shareholders of the Parent Company</i>		<i>69,793</i>	<i>77,838</i>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to net profit for the year</i>			
Change in hedging reserve	24, 28	-3,545	2,751
Tax relating to change in hedging reserve	24, 28	780	-605
Translation differences	24	5,987	-2,024
OTHER COMPREHENSIVE INCOME		3,222	122
COMPREHENSIVE INCOME FOR THE YEAR		73,015	77,960
<i>– of which attributable to shareholders of the Parent Company</i>		<i>73,015</i>	<i>77,960</i>
SHARE DATA			
Basic earnings per share for continuing operations	SEK 22, 23	10.20	9.60
Diluted earnings per share for continuing operations	SEK 22, 23	9.85	9.00
Basic earnings per share for discontinued operations	SEK	–	1.85
Diluted earnings per share for discontinued operations	SEK	–	1.70
Basic earnings per share for the Group as a whole	SEK 22, 23	10.20	11.45
Diluted earnings per share for the Group as a whole	SEK 22, 23	9.85	10.70

Consolidated statements of financial position

GROUP (SEK THOUSANDS)	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>	15		
Goodwill		483,936	207,454
Other intangible non-current assets		34,330	16,029
		518,266	223,483
<i>Property, plant and equipment</i>	16		
Land and buildings		220,198	146,897
Plant and machinery	32	141,502	144,231
Equipment, tools, fixtures and fittings		22,492	18,644
Construction in progress and advance payments for property, plant and equipment		5,525	6,528
		389,717	316,300
<i>Other non-current assets</i>			
Participations in associated companies	17	25	–
Non-current receivables		969	627
Deferred tax asset	28	1,340	2,761
		2,334	3,388
Total non-current assets		910,317	543,171
Current assets			
<i>Inventories</i>	18	176,494	159,531
<i>Current receivables</i>			
Accounts receivable – trade and other current assets	19, 20, 35	239,717	165,717
Derivative instruments	20	–	586
Prepaid expenses		16,102	8,176
		255,819	174,479
<i>Cash and cash equivalents</i>	20, 21	165,107	41,216
Total current assets		597,420	375,226
<i>Assets held for sale</i>		1,331	932
TOTAL ASSETS		1,509,068	919,329

Consolidated statements of financial position

GROUP (SEK THOUSANDS)	Note	31/12/2016	31/12/2016
EQUITY AND LIABILITIES			
Equity			
Share capital	23	35,234	34,645
Other contributed capital		25,993	17,759
Reserves	24	6,352	3,130
Retained earnings		344,100	360,964
Total equity		411,679	416,498
<i>– of which attributable to shareholders of the Parent Company</i>		<i>411,679</i>	<i>416,498</i>
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	20, 26, 30, 32	451,118	144,079
Other provisions	27	8,706	2,921
Deferred tax liability	28	52,444	28,016
		512,268	175,016
<i>Current liabilities</i>			
Accounts payable – trade and other current liabilities	20, 29	322,176	182,880
Provisions	27	1,745	2,204
Derivative instruments	20	17,150	14,381
Current interest-bearing liabilities	20, 25, 26, 30, 32	238,659	114,935
Deferred income		67	37
Current tax liability		5,324	13,378
		585,121	327,815
Total liabilities		1,097,389	502,831
TOTAL EQUITY AND LIABILITIES		1,509,068	919,329

Statement of changes in equity

GROUP		Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
(SEK THOUSANDS)	Note					
Equity, 1 January 2015		34,645	17,759	3,008	300,089	355,501
Effect of altered accounting policies		–	–	–	9	9
Net profit for the year		–	–	–	77,838	77,838
Other comprehensive income		–	–	122	–	122
Comprehensive income for the year		–	–	122	77,847	77,969
Dividend paid in cash		–	–	–	-16,972	-16,972
Total transactions with shareholders		–	–	–	-16,972	-16,972
Equity, 31 December 2015	23, 24	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
<i>– of which attributable to shareholders of the Parent Company</i>		<i>35,234</i>	<i>25,993</i>	<i>6,352</i>	<i>344,100</i>	<i>411,679</i>

Cash flow statements

GROUP (SEK THOUSANDS)	Note	2016	2015
Operating activities			
Operating profit		95,555	108,472
<i>Adjustments for non-cash items etc.</i>			
Depreciation and amortisation		46,911	48,245
Capital gain from sale of non-current assets		-192	-11,284
Reversal of negative goodwill		–	-3,191
Write-down of inventories		2,112	1,410
Other		1,191	-229
Interest paid/received, net value	33	-9,082	-11,004
Income tax paid		-25,694	-8,439
Cash flow from operating activities before changes in working capital		110,801	123,980
Changes in working capital			
Increase (-) / decrease (+) in inventories		-7,203	-24,055
Increase (-) / decrease (+) in current receivables		29,800	-198
Increase (+) / decrease (-) in current liabilities		-6,806	58,735
Increase (+) / decrease (-) in other provisions ¹⁾		1,266	–
Cash flow from operating activities		127,858	158,462
Investing activities			
Purchase of intangible non-current assets		-1,570	-271
Purchase of property, plant and equipment		-45,843	-20,550
Sale of property, plant and equipment		1,160	1,897
Acquisition of shares in associated companies		-25	–
Indirect investments through acquisition of subsidiaries/assets and liabilities	33, 34	-272,290	-52,179
Indirect investments through sale of subsidiaries/assets and liabilities	33, 34	–	12,504
Decrease in other non-current receivables		-363	–
Cash flow from investing activities		-318,931	-58,599
Financing activities			
Dividend paid		-30,550	-16,972
Acquisition of own personnel convertibles		-81,443	–
Non-current liabilities	33		
Borrowings		366,742	–
Repayment of debt and lease liabilities		-28,296	-15,490
Change in other provisions ¹⁾		–	-707
Current interest-bearing liabilities	33		
Borrowings		107,957	–
Repayment of debt and lease liabilities		-53,199	-3,224
Change in bank overdraft facilities		33,701	-54,101
Cash flow from financing activities		314,912	-90,494
Cash flow for the year		123,839	9,369
Cash and cash equivalents at the beginning of the year		41,216	32,990
Exchange rate differences in cash and cash equivalents		52	-1,143
Cash and cash equivalents at the end of the year	21	165,107	41,216

¹⁾ Reported in "Financing activities" for 2015.

Notes

NOTE 1

GENERAL INFORMATION

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

All amounts are reported in SEK thousands unless otherwise indicated.

NOTE 2

ACCOUNTING POLICIES

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 2016 inclusive. None of the changes and interpretations of existing standards applied from 2016 has had any effect on the Group's financial statements.

The new or revised standards with application from 2017 have not been applied in connection with the preparation of these financial statements. The application of these new standards is not considered to have a significant impact on the Group's financial performance or position.

The new or revised standards with application from 2018 or later, which could become relevant for XANO, i.e. IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, have not been applied in connection with the preparation of these financial statements.

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. In an overall evaluation, it is judged that the application of IFRS 9 will not significantly affect the recognition of the Group's financial assets and liabilities.

IFRS 15 REVENUE

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. 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 now gradually applying revenue recognition to project deliveries made to the packaging industry. The proportion of revenue attributable to project deliveries is increasing as a result of the acquisition of Jorgensen Engineering A/S. 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. The work of being able to quantify the effects of the implementation is continuing this year.

XANO intends to apply the standard retroactively, with the combined effect of the first application being recognised as an adjustment of the opening balance for shareholders' equity, and to utilise the relief rule solely to convert agreements that were not concluded at the time of the switch.

IFRS 16 LEASES

IFRS 16 replaces IAS 17 and enters into force in 2019. However, the standard has not yet been approved by the EU. 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 cost in the income statement is divided between depreciation and interest expense. The application of the 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.

DISCONTINUED OPERATIONS

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

property activities does not amount to a significant sum and therefore has not been reclassified. The capital gain from the divestment is recognised under the separate item "Profit from discontinued operations" in the consolidated statement of comprehensive income. Earnings per share are recognised from continuing operations and discontinued operations, as well as for the Group as a whole.

INCOME AND PERCENTAGE OF COMPLETION

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

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

PENSIONS

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

The majority of the Group's Swedish salaried employees are covered by the ITP plan, which is financed through pension insurance with Alecia 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. Since a legal right of offset exists, the receivable or liability is reported at net value.

NON-CURRENT ASSETS

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

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

INTANGIBLE NON-CURRENT ASSETS

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

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

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

Other intangible non-current assets	3–10 years
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PROPERTY, PLANT AND EQUIPMENT

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

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

XANO uses currency derivatives to hedge sales in a currency other than the relevant entity's functional currency. These contracts are valued at their fair value in the balance sheet. Valuation of the derivatives is based on observable data such as fixing rates and swap rates for the currency in question. The change in value is recognised in other comprehensive income until the hedged flow is entered in the income statement and for as long as the criteria for hedge accounting and efficiency are satisfied. When the hedged flow meets the income statement, the change in value is recognised as net sales in relation to the way the hedged flow has been recognised as income, and in addition as exchange rate differences in the profit for the year. 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, when the company can reliably calculate the financial result of the assignment. This method means that assessments must be performed of the projects' total expenditure, and changes to this expenditure entail that the profit for future periods will be affected. It is particularly difficult to assess the profit at the start of projects and for projects that are technically complicated.

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

Recognised income based on the gradual application of revenue recognition for ongoing assignments amounts to SEK 116 million (72). 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 484 million (207). 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 8.7 million (2.9). 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 manner, it is assessed how probable it is that the deferred tax assets will be used for settlement against future profits. The fair value of these future taxable profits may deviate due to the future business climate and earnings potential or changes to tax regulations. The Group's reported deferred tax assets amount to SEK 1.3 million (2.8). 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 2016, the Group's reported assets with regard to derivative instruments amount to SEK 0.0 million (0.6) and liabilities with regard to derivative instruments to SEK 17.2 million (14.4). See also Note 20.

NOTE 3

PROFIT FROM DISCONTINUED OPERATIONS

	Continuing operations		Profit from discontinued operations ¹⁾		Total	
	2016	2015	2016	2015	2016	2015
Net revenue	1,051,666	1,052,605	–	–	1,051,666	1,052,605
Cost of goods sold	-803,851	-809,024	–	–	-803,851	-809,024
Gross profit	247,815	243,581	–	–	247,815	243,581
Other operating income ²⁾	8,138	13,646	–	12,495	8,138	26,141
Selling expenses	-100,478	-100,756	–	–	-100,478	-100,756
Administrative expenses	-52,641	-48,432	–	–	-52,641	-48,432
Other operating expenses ³⁾	-7,279	-12,062	–	–	-7,279	-12,062
Operating profit	95,555	95,977	–	12,495	95,555	108,472
Financial items	-3,697	-11,312	–	–	-3,697	-11,312
Profit before tax	91,858	84,665	–	12,495	91,858	97,160
Tax	-22,065	-19,322	–	–	-22,065	-19,322
NET PROFIT FOR THE YEAR	69,793	65,343	–	12,495	69,793	77,838
– of which attributable to shareholders of the Parent Company	69,793	65,343	–	12,495	69,793	77,838
Basic earnings per share, SEK ⁴⁾	10.19	9.62	–	1.84	10.19	11.46
Diluted earnings per share, SEK ⁴⁾	9.83	9.02	–	1.69	9.83	10.71

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

²⁾ Other operating income includes non-recurring items relating to the reversal of negative goodwill by SEK 0 million (3) for continuing operations.

³⁾ Other operating expenses include non-recurring items relating to costs for closing down production of SEK 0 million (-4) for continuing operations.

⁴⁾ Based on net profit for the year.

NOTE 4

SEGMENT REPORTING ETC.

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Solutions, Precision Technology and Rotational Moulding. The operations within each segment are described on page 54. 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

	2016				2015			
	Net sales			of which customer-specific products and systems ¹⁾	Net sales			of which customer-specific products and systems ¹⁾
	External	Internal	Total		External	Internal	Total	
Industrial Solutions	612,503	466	612,969	56%	645,422	267	645,689	59%
Precision Technology	225,878	4,041	229,919	98%	210,257	2,563	212,820	98%
Rotational Moulding	213,285	19	213,304	54%	196,926	9	196,935	54%
Eliminations	–	-4,526	-4,526		–	-2,839	-2,839	
Continuing operations	1,051,666	0	1,051,666	65%	1,052,605	0	1,052,605	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.

XANO has one major customer which generates revenue accounting for more than 10 per cent of the Group's total revenue. Income from this customer amounted to SEK 150 million (173) during 2016, mainly reported through the Industrial Solutions segment.

CONSTRUCTION CONTRACTS AND PERCENTAGE OF COMPLETION

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

The total assignment income that has been recognised as revenue amounts to SEK 194,475 thousand (183,031).

For ongoing assignments	2016	2015
Assignment income that has been recognised as revenue	115,595	71,875
Assignment expenditure that have been recognised as expenses	-83,355	-54,211
Reported profit	32,240	17,664
Advance payments received ¹⁾	737,413	136,063
Receivables from customers ¹⁾	31,179	25,968
Liabilities to customers ¹⁾	132,018	42,987

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

PROFIT/LOSS ITEMS BY SEGMENT

	2016			2015		
	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	63,513	-53,811	9,702	71,749	-59,045	12,704
Precision Technology	28,313	-27,019	1,294	25,011	-27,083	-2,072
Rotational Moulding	26,004	1,231	27,235	7,894 ¹⁾	-9,381	-1,487 ¹⁾
Undistributed items	-25,972	79,599	53,627	-19,989 ²⁾	95,509	75,520 ²⁾
Continuing operations	91,858	0	91,858	84,665	0	84,665
Discontinued operations	—	—	—	12,495 ³⁾	—	12,495 ³⁾
Group total	91,858	0	91,858	97,160	0	97,160

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

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

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

	2016				2015			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Solutions	228	-3,199	-2,040	-22,427	549	-3,114	-2,555	-23,132
Precision Technology	55	-899	-394	-16,927	122	-1,776	569	-17,021
Rotational Moulding	570	-1,243	-7,487	-6,949	518	-1,831	-1,096	-7,387
Undistributed items	-625	-6,513	-12,144	-608	-588	-5,941	-16,240	-705
Continuing operations	228	-11,854	-22,065	-46,911	601	-12,662	-19,322	-48,245
Discontinued operations	—	—	—	—	—	—	—	—
Eliminations	—	—	—	—	—	—	—	—
Group total	228	-11,854	-22,065	-46,911	601	-12,662	-19,322	-48,245

ASSETS AND LIABILITIES BY SEGMENT

	2016				2015			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Solutions	1,060,853 ¹⁾	299,340	376,447	25,035	486,578 ¹⁾	132,826	71,352	7,570
Precision Technology	274,859	46,649	24,796	12,839	264,429	47,349	12,811	13,327
Rotational Moulding	162,066 ²⁾	27,954	9,181	4,216	155,362 ²⁾	26,680	3,962	922
Undistributed items	11,290	33,669	75	10,354	12,960	36,962	921	6,197
Continuing operations	1,509,068	407,612	410,499	52,444	919,329	243,817	89,046	28,016
Discontinued operations	—	—	—	—	—	—	-8,860	—
Group total	1,509,068	407,612	410,499	52,444	919,329	243,817	80,186	28,016

¹⁾ Including deferred tax assets totalling SEK 1,340 thousand (100).

²⁾ Including deferred tax assets totalling SEK 0 thousand (2,661).

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 2016, all segments have boosted their total operating assets, such as inventories and trade receivables.

SALES BY GEOGRAPHIC MARKET

	2016		2015	
Sweden	551,599	52%	557,227	53%
Norway	73,506	7%	72,909	7%
Germany	53,115	5%	46,367	4%
Poland	49,241	5%	88,649	8%
North America	49,152	5%	50,349	5%
China	35,099	3%	42,646	4%
Rest of Europe	170,382	16%	133,144	13%
Other	69,572	7%	61,314	6%
Continuing operations	1,051,666	100%	1,052,605	100%

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

ASSETS BY GEOGRAPHIC MARKET

	2016		2015	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	399,909	33,799	390,465	20,403
Denmark	354,970	365,846	—	—
Netherlands	51,385	464	52,225	52,944
Estonia	44,946	7,785	38,852	6,032
Norway	40,161	2,488	38,277	3,285
China	16,583	741	19,955	1,952
Other	2,363	-624	3,397	-4,430
Group total	910,317	410,499	543,171	80,186

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

NOTE 5

EMPLOYEES AND PERSONNEL COSTS

Average no. of employees	2016	of which men	2015	of which men
Sweden	414	85%	415	85%
China	80	81%	80	80%
Estonia	73	90%	67	91%
Norway	42	93%	40	93%
Netherlands	29	93%	22	95%
Denmark	12	92%	–	–
Poland	7	57%	27	81%
United States	5	80%	5	80%
Finland	4	75%	4	75%
Continuing operations	666	86%	660	86%

Proportion of men amongst Board members and senior executives	2016	2015
Parent Company		
Board members	71%	83%
Senior executives	50%	50%
Operating subsidiaries		
Board members	73%	71%
Senior executives	75%	70%

Salaries, other remuneration and social security costs	2016	2015
Salaries and remuneration	239,534	222,157
Social security costs	88,716	84,391
(of which pension costs ^{1, 2, 3, 4)})	(23,044)	(21,119)
Continuing operations	328,250	306,548

¹⁾ Of the Group's pension costs, SEK 4,474 thousand (4,419) relates to the Group's Board and CEO. The Group's outstanding pension obligations for these amount to SEK 0 thousand (0).

²⁾ The year's cost for pension obligations taken out with Alecta (reported as a defined contribution plan) amounts to SEK 5,208 thousand (5,173). Alecta's surplus can be distributed to the insurance policy-holders and/or the insured parties. At the end of 2016, Alecta's surplus in the form of the collective insurance level amounted to 149 per cent (153). The fee for the coming year is estimated to be on a par with that charged for 2016.

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	2016		2015	
	Board and MD	Other employees	Board and MD	Other employees
Sweden (of which bonuses)	16,193 (1,206)	152,487	15,774 (1,588)	149,730
Norway (of which bonuses)	1,084 (96)	17,536	1,027 (95)	16,633
Netherlands (of which bonuses)	0 (–)	12,274	0 (0)	10,086
China (of which bonuses)	1,600 (–)	11,276	1,479 (–121)	11,290
Denmark (of which bonuses)	583 (64)	11,299	– (–)	–
Estonia (of which bonuses)	388 (–)	8,865	374 (–)	7,654
United States (of which bonuses)	– (–)	2,440	– (–)	2,058
Finland (of which bonuses)	– (–)	1,714	– (–)	1,806
Poland (of which bonuses)	310 (163)	1,485	783 (–)	3,463
Continuing operations (of which bonuses)	20,158 (1,529)	219,376	19,437 (1,562)	202,720

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

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

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension premiums. "Other senior executives" refers to the CFO who, together with the CEO, makes up the Group management. 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 1,000 thousand should be distributed with SEK 250 thousand payable to the Chairman and SEK 125 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 2016, 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 500 thousand (420) for these services.

In 2016, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 3,628 thousand (3,260), of which SEK 437 thousand (630) constitutes variable remuneration. Other senior executives received salary totalling SEK 1,148 thousand (1,035). At the 2016 Annual General Meeting, it was decided both to offer the repurchase of personnel convertibles and 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 (26) 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 890 thousand (1,035). Pension costs including salary sacrifice for other senior executives amounted to SEK 376 thousand (336).

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

NOTE 6
EXPENSES BY NATURE

Continuing operations	2016	2015
Material costs	-421,330	-442,350
Personnel costs	-350,346	-329,172
Depreciation	-46,911	-48,245
Other external costs	-138,383	-138,445
	-956,970	-958,212

NOTE 7
PERSONNEL COSTS

Personnel costs by function	2016	2015
Cost of goods sold	-260,854	-242,923
Selling expenses	-53,974	-52,945
Administrative expenses	-35,518	-33,304
	-350,346	-329,172

NOTE 8
DEPRECIATION

Depreciation by function	2016	2015
Cost of goods sold	-41,846	-42,482
Selling expenses	-4,371	-4,770
Administrative expenses	-694	-993
	-46,911	-48,245

Depreciation by class of asset	2016	2015
Other intangible non-current assets	-3,468	-3,161
Land and buildings	-7,512	-8,418
Plant and machinery	-29,149	-29,570
Equipment, tools, fixtures and fittings	-6,782	-7,096
	-46,911	-48,245

NOTE 9
AUDITORS' REMUNERATION

Continuing operations	2016	2015
<i>Ernst & Young</i>		
Audit assignment	-805	-912
Audit activities other than audit assignment	-44	-42
Tax consultancy services	-137	-79
Other services	-438	-39
	-1,424	-1,072
<i>Other auditors</i>		
Audit assignment	-428	-272
Audit activities other than audit assignment	-7	-
Tax consultancy services	-19	-
Other services	-79	-19
	-533	-291
Total	-1,957	-1,363

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

NOTE 10
OTHER OPERATING INCOME

Continuing operations	2016	2015
Rental income	1,587	2,229
Exchange gains on operating receivables/liabilities	5,442	6,138
Other	1,109	5,279
	8,138	13,646

NOTE 11
OTHER OPERATING EXPENSES

Continuing operations	2016	2015
Cost of leased premises/personnel	-1,587	-2,215
Exchange losses on operating receivables/liabilities	-4,783	-5,324
Other	-909	-4,523
	-7,279	-12,062

NOTE 12
FINANCIAL INCOME

Continuing operations	2016	2015
Interest income	228	601
Exchange gains on financial assets/liabilities	11,132	4,714
	11,360	5,315

NOTE 13
FINANCIAL EXPENSES

Continuing operations	2016	2015
Interest expenses	-11,854	-12,662
Exchange losses on financial assets/liabilities	-3,173	-3,965
Losses on other non-current assets	-30	-
	-15,057	-16,627

NOTE 14
TAX ON PROFIT FOR THE YEAR

	2016	2015
Current tax	-12,882	-20,238
Deferred tax	-9,183	916
	-22,065	-19,322

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

	2016		2015	
Reported profit before tax	91,858		84,665	
Tax according to Swedish income tax rate	-20,209	22%	-18,626	22%
<i>Tax effect of</i>				
– consolidated amortisation of surplus values	-6	0%	-6	0%
– deviation in tax rate in non-Swedish companies	1,378	-1%	-1,163	2%
– transaction costs at business combinations	-332	0%	-79	0%
Reversal of negative goodwill	-	-	702	-1%
Adjustment of current tax for previous periods	-54	0%	0	0%
Write-down of accrued tax in non-Swedish companies	-2,065	2%	-	-
Other tax-related adjustments	-777	1%	-150	0%
Reported tax	-22,065	24%	-19,322	23%

NOTE 15

INTANGIBLE NON-CURRENT ASSETS

GOODWILL

Accumulated acquisition values	2016	2015
Opening balance	209,191	172,071
Acquisition of subsidiaries	274,425	39,109
Divestments and disposals	-13	–
Translation differences for the year	2,064	-1,989
Closing balance	485,667	209,191
Accumulated amortisation	2016	2015
Opening balance	-1,635	-1,624
Divestments and disposals	13	–
Translation differences for the year	-7	-11
Closing balance	-1,629	-1,635
Accumulated impairment costs	2016	2015
Opening balance	-102	-102
Closing balance	-102	-102
Closing residual value	483,936	207,454

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 3–5 per cent (2–4) for the forecast period and thereafter staying at 3 per cent (3). Assumed operating margins amount to 10–13 per cent (10–13) in the long term. The assumptions concerning growth and margins are based on the results of previous years and the management's expectations concerning market developments.¹⁾ Investment amounts are based on forecasts and subsequently judged to stay at the same level as depreciation.

Every year, the Group performs impairment tests for goodwill. A discount rate²⁾ (WACC) of 10.2 per cent (10.9) before tax was used for this year's test. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the sustained growth rate was set at 0 percentage points, the operating margin was reduced by 2 percentage points relative to the forecast level or the discount rate was increased by 2 per cent. None of the analyses show any impairment indication.

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

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

Goodwill by segment	2016	2015
Industrial Solutions	382,602	108,172
Precision Technology	75,945	75,945
Rotational Moulding	25,389	23,337
	483,936	207,454

OTHER INTANGIBLE NON-CURRENT ASSETS

Accumulated acquisition values	2016	2015
Opening balance	34,400	22,394
New acquisitions	1,570	278
Acquisitions of subsidiaries	20,000	12,000
Divestments and disposals	-65	–
Reclassifications	205	–
Translation differences for the year	338	-272
Closing balance	56,448	34,400
Accumulated scheduled amortisation	2016	2015
Opening balance	-18,371	-15,464
Divestments and disposals	28	-7
Amortisation according to plan for the year	-3,468	-3,161
Translation differences for the year	-307	261
Closing balance	-22,118	-18,371
Closing residual value according to plan ¹⁾	34,330	16,029
Remaining amortisation period, years		
¹⁾ of which		
Trademarks	–	243
Patents	0	121
Capitalised expenditure for research and development	9	14,931
Other	2	734

NOTE 16

PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

Accumulated acquisition values	2016	2015
Opening balance	252,918	263,429
New acquisitions	11,507	714
Acquisitions of subsidiaries	65,634	–
Divestment of subsidiary	–	-8,860
Divestments and disposals	–	-180
Reclassifications	2,570	339
Translation differences for the year	1,924	-2,524
Closing balance	334,553	252,918
Accumulated scheduled depreciation	2016	2015
Opening balance	-106,021	-98,281
Divestments and disposals	–	109
Depreciation according to plan for the year	-7,512	-8,418
Translation differences for the year	-822	569
Closing balance	-114,355	-106,021
Closing residual value according to plan ¹⁾	220,198	146,897
¹⁾ of which land	22,254	14,182

PLANT AND MACHINERY

Accumulated acquisition values	2016	2015
Opening balance	450,295	440,677
New acquisitions	23,660	28,022
Acquisition of subsidiaries	2,841	604
Divestments and disposals	-6,899	-15,877
Reclassifications	840	1,909
Translation differences for the year	6,282	-5,040
Closing balance	477,019	450,295
Accumulated scheduled depreciation	2016	2015
Opening balance	-306,064	-294,442
Divestments and disposals	5,144	12,037
Reclassifications	-31	1,146
Depreciation according to plan for the year	-29,149	-29,570
Translation differences for the year	-5,417	4,765
Closing balance	-335,517	-306,064
Closing residual value according to plan	141,502	144,231

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Accumulated acquisition values	2016	2015
Opening balance	91,957	94,470
New acquisitions	6,253	5,559
Acquisition of subsidiaries	2,728	1,282
Divestments and disposals	-2,397	-6,562
Reclassifications	2,000	-62
Translation differences for the year	3,060	-2,730
Closing balance	103,601	91,957
Accumulated scheduled depreciation	2016	2015
Opening balance	-73,313	-73,947
Divestments and disposals	1,622	5,287
Reclassifications	31	-33
Depreciation according to plan for the year	-6,782	-7,096
Translation differences for the year	-2,667	2,476
Closing balance	-81,109	-73,313
Closing residual value according to plan	22,492	18,644

CONSTRUCTION IN PROGRESS

Accumulated acquisition values	2016	2015
Opening balance	6,528	4,325
New acquisitions/advance payments	4,423	6,671
Reclassifications	-5,615	-4,254
Translation differences for the year	189	-214
Closing balance	5,525	6,528

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	25

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

Business name	Equity	Profit after tax
Nordic Plastic Recycling AS	105 ¹⁾	0 ¹⁾

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

NOTE 18

INVENTORIES

	2016	2015
Raw material and consumables	74,490	61,773
Work in process	40,957	37,284
Finished products and goods for resale	51,080	48,745
Advance payments to suppliers	9,967	11,729
	176,494	159,531

Write-downs totalling SEK 2,112 thousand (1,410) have been made. Total expenditure for goods reported as costs amounts to SEK 421,330 thousand (442,350).

NOTE 19

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2016	2015
Accounts receivable	190,245	122,490
Tax asset	3,834	97
Other receivables	13,453	15,222
Accrued income	1,006	1,940
Receivables from customers	31,179	25,968
	239,717	165,717

NOTE 20

FINANCIAL ASSETS AND LIABILITIES

DISTRIBUTION BY CATEGORY

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
Derivative instruments ³⁾	–	–			–	–
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 ⁴⁾			–	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 ⁵⁾			17,150	–	17,150	17,150
Total financial liabilities			17,150	792,320	809,470	
2015	Financial assets measured at fair value through profit and loss	Loan and accounts receivable	Financial liabilities measured at fair value through profit and loss	Other financial liabilities	Total carrying amount	Fair value ¹⁾
Financial assets						
Accounts receivable ²⁾	–	122,490			122,490	122,490
Derivative instruments ³⁾	586	–			586	586
Cash and cash equivalents	–	41,216			41,216	41,216
Total financial assets	586	163,706			164,292	
Financial liabilities						
Borrowings			–	35,817	35,817	35,817
Lease liabilities ⁴⁾			–	69,019	69,019	
Convertible loan			–	29,751	29,751	30,000
Promissory note loan			–	100,000	100,000	100,000
Bank overdraft facilities			–	24,427	24,427	24,427
Total interest-bearing liabilities			–	259,014	259,014	
Accounts payable			–	66,317	66,317	66,317
Derivative instruments ⁵⁾			14,381	–	14,381	14,381
Total financial liabilities			14,381	325,331	339,712	

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 1,096 thousand (-582), of which SEK 897 thousand (-219) constitutes actual losses. Required write-downs of outstanding receivables have been carried out at SEK 15,442 thousand (940).

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

⁴⁾ For details on financial lease contracts, see Note 32.

⁵⁾ The derivative instruments constitute interest rate swaps that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK -3,545 thousand (2,751) 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 31/12/2016	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable	107,241	71,631	11,373	190,245
Derivative instruments	–	–	–	–
Cash and cash equivalents	165,107	–	–	165,107
Total financial assets	272,348	71,631	11,373	355,352

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

Financial 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>

Financial liabilities as of 31/12/2015	Maturity						Total
	-30 days	31-90 days	91-360 days	Total within 1 year	Between 1 and 5 years	After 5 years	
Borrowings and lease liabilities	1,314	2,945	13,248	17,507	74,784	12,545	104,836
Convertible loan	–	–	29,751	29,751	–	–	29,751
Promissory note loan ⁴⁾	43,250	–	–	43,250	56,750	–	100,000
Bank overdraft facilities	–	–	24,427	24,427	–	–	24,427
<i>Total interest-bearing liabilities</i>	<i>44,564</i>	<i>2,945</i>	<i>67,426</i>	<i>114,935</i>	<i>131,534</i>	<i>12,545</i>	<i>259,014</i>
Accounts payable	51,892	10,930	3,495	66,317	–	–	66,317
Derivative instruments	1,128	–	13,253	14,381	–	–	14,381
Total financial liabilities	97,584	13,875	84,174	195,633	131,534	12,545	339,712
<i>Total non-discounted cash flows ³⁾</i>				<i>196,797</i>	<i>140,409</i>	<i>14,218</i>	<i>351,424</i>

¹⁾ Of reported accounts receivable, the overdue amount totals SEK 43,352 thousand (19,522), see Note 35.

²⁾ Falls due in 2020.

³⁾ Includes estimated future interest payments.

⁴⁾ SEK 56,750 thousand, falls due in 2017.

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			
	31/12/2016	31/12/2015	Non-current		Current	
			31/12/2016	31/12/2015	31/12/2016	31/12/2015
SEK	91,911	79,549	146,427	129,165	161,901	137,820
USD	40,761	30,096	–	–	-3,622	2,731
EUR	192,651	35,493	–	14,914	33,440	17,805
DKK	9,463	–	304,691	–	119,774	26,278
Other currencies	20,566	19,154	–	–	46,859	10,999
	355,352	164,292	451,118	144,079	358,352	195,633

NOTE 21**CASH AND CASH EQUIVALENTS**

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

Cash and cash equivalents	2016	2015
Cash and bank balances	165,102	40,052
Current investments	5	1,164
Amount at year-end	165,107	41,216

NOTE 22**EARNINGS PER SHARE****CONTINUING OPERATIONS**

Basic earnings per share	2016	2015
Net profit for the year, SEK thousands	69,793	65,343
Average number of outstanding shares, thousands	6,851	6,789
Basic earnings per share, SEK	10.20	9.60
Diluted earnings per share	2016	2015
Net profit for the year, SEK thousands	69,793	65,343
Interest expense on convertible bonds, SEK thousands ¹⁾	1,626	1,123
Issue expenses for convertible bonds, SEK thousands	33	46
Adjusted income, SEK thousands	71,452	66,512
Average number of outstanding shares, thousands	6,851	6,789
Adjustment for presumed conversion of convertible bonds, thousands	421	588
Average number of shares at the calculation of earnings per share, thousands	7,272	7,377
Diluted earnings per share, SEK	9.85	9.00

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

GROUP TOTAL

Basic earnings per share	2016	2015
Net profit for the year, SEK thousands	69,793	77,838
Average number of outstanding shares, thousands	6,851	6,789
Basic earnings per share, SEK	10.20	11.45
Diluted earnings per share	2016	2015
Net profit for the year, SEK thousands	69,793	77,838
Interest expense on convertible bonds, SEK thousands ¹⁾	1,626	1,123
Issue expenses for convertible bonds, SEK thousands	33	46
Adjusted income, SEK thousands	71,452	79,007
Average number of outstanding shares, thousands	6,851	6,789
Adjustment for presumed conversion of convertible bonds, thousands	421	588
Average number of shares at the calculation of earnings per share, thousands	7,272	7,377
Diluted earnings per share, SEK	9.85	10.70

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.

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, has been 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	31/12/2016	1/1/2016
Class A shares	1,822,200	1,950,000
Class B shares	5,224,545	4,978,974
Total number of shares	7,046,745	6,928,974
Quotient value, SEK	5	5
Share capital, SEK	35,233,725	34,644,870

The total number of shares is 7,046,745, of which 140,000 are held by the company. The average number of outstanding shares during the year amounted to 6,851,399. Class A shares give entitlement to ten votes and Class B shares entitlement to one vote. The number of votes, following deductions for the company's own holding, amounts to 23,306,545.

On 1 July 2012, convertibles for a nominal value of SEK 29,999,961 were issued. During the year, a nominal SEK 22,813,150 was acquired by the company and SEK 1,180,490 was repaid. Holders of a nominal SEK 6,006,321 requested conversion of their claims to shares. Through the conversion, 117,771 new Class B shares were issued.

At the request of shareholders, 127,800 Class A shares were converted into the corresponding number Class B shares during the year.

On 1 July 2016, convertibles for a nominal value of SEK 62,130,000, corresponding to 285,000 Class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 4.50 per share.

NOTE 24**RESERVES**

Cumulative translation difference	2016	2015
Opening balance	13,467	15,491
Translation differences for the year	6,346	-3,340
Hedging of currency risk in non-Swedish operations	-359	1,316
Closing balance	19,454	13,467

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

Hedging reserve	2016	2015
Opening balance	-10,337	-12,483
Changes for the year, including tax	-2,765	2,146
Closing balance	-13,102	-10,337

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 2016, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 150 million (150).

Total reserves	6,352	3,130
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NOTE 25**BANK OVERDRAFT FACILITIES**

Utilised overdraft facilities are reported as current liabilities.

Bank overdraft facilities	2016	2015
Bank overdraft facilities granted	227,160	223,224
Unutilised amount	-166,086	-198,797
Utilised amount	61,074	24,427

NOTE 26**CONVERTIBLE LOAN**

The company has an outstanding convertible loan reported at SEK 57,907 thousand (29,751). 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 218. 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. For convertible loans 2012/16 and 2016/20, recorded interest expense for the year is SEK 1,845 thousand (1,297). For outstanding convertible loan, the interest expense corresponds to 4.2 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**

Non-current	2016	2015
Guarantee and complaint commitments	7,550	1,649
Pension commitments	932	1,048
Deferred land registration costs	224	224
	8,706	2,921
<i>Estimated maturity time</i>		
Between one and five years after the balance sheet date	8,482	2,697
More than five years after the balance sheet date	224	224

Current	2016	2015
Guarantee and complaint commitments	1,745	2,204
	1,745	2,204

	Non-current		Current
Changes in other provisions	Guarantee and complaint commitments	Pension commitments	Guarantee and complaint commitments
Opening balance	1,649	1,048	2,204
Provisions for the year	3,162	20	-600
Payments/utilisation for the year	-1,574	-136	-1,285
Acquisition of subsidiaries	4,294	–	1,366
Translation differences for the year	19	–	60
Closing balance	7,550	932	1,745

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.

	2016	2015
Non-current assets, Group items ¹⁾	13,982	8,091
Buildings, subsidiaries	3,136	2,920
Untaxed reserves		
Excess depreciation, machinery and equipment	5,867	5,915
Tax allocation reserves	18,358	19,986
Loss carry forward	–	-5,851
Derivative instruments	-3,696	-2,916
Non-Swedish items with diverging tax rate	14,993	37
Other items	-196	-166
Deferred tax liability	52,444	28,016
Deferred tax asset ²⁾	-1,340	-2,761
Net deferred tax liability	51,104	25,255
Deferred tax liability brought forward	-25,255	-28,504
Acquisition of subsidiaries	-17,781	3,366
Translation differences	332	-429
Rounding	3	1
Deferred tax expense relating to temporary differences	8,403	-311
– of which reported in		
Net profit for the year	9,183	-916
Other comprehensive income	-780	605

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

²⁾ Relates to the business in non-Swedish subsidiaries. In view of actions taken and expected future development, the businesses are expected to generate positive results in coming years; hence the loss carry-forward is reported to the amount that is judged to be utilised. Of the reported amount, SEK 1,235 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	2016	2015
Deferred tax liability brought forward	28,016	33,198
Non-current assets, Group items	-533	-960
Buildings, subsidiaries	216	262
Untaxed reserves		
Excess depreciation, machinery and equipment	-48	-907
Tax allocation reserves	-1,628	-995
Utilised loss carry forward	5,851	–
Derivative instruments	-780	605
Other items	-30	-41
Acquisition of subsidiaries	17,781	-3,146
Non-Swedish items with diverging tax rate	3,599	–
Deferred tax liability carried forward	52,444	28,016

Changes in deferred tax asset	2016	2015
Deferred tax asset brought forward	2,761	4,694
Change in loss carried forward	-1,627	-1,824
Other	–	100
Acquisition of subsidiaries	–	220
Translation differences	206	-429
Tax asset carried forward	1,340	2,761

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**

	2016	2015
Advance payments from customers	5,622	1,137
Accounts payable	102,543	66,317
Salary and holiday pay liabilities	45,572	33,244
Accrued social security contributions	11,361	11,313
Other accrued expenses	7,417	6,257
Other non-interest-bearing liabilities	17,643	21,625
Liabilities to customers	132,018	42,987
	322,176	182,880

NOTE 30**PLEGDED ASSETS**

	2016	2015
<i>For own liabilities</i>		
Property mortgages	92,348	55,216
Floating charges	87,680	69,663
Assets with right of repossession	18,923	5,404
Shares in subsidiaries	295,435	251,820
	494,386	382,103
<i>Other pledged assets</i>		
Pledged endowment insurance with pension obligation	400	400
	400	400
Total	494,786	382,503

NOTE 31**CONTINGENT LIABILITIES**

	2016	2015
Pension obligations	1,946	2,407
Contingent liabilities in respect of advance payment and work guarantees	33,091	–
	35,037	2,407

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 10,909 thousand (11,513).

PLANT AND MACHINERY

Accumulated acquisition values	2016	2015
Opening balance	113,006	104,858
New acquisitions	–	20,416
Divestments and disposals	-5,330	-12,268
Closing balance	107,676	113,006

Accumulated scheduled depreciation	2016	2015
Opening balance	-43,229	-43,275
Divestments and disposals	3,731	9,776
Depreciation according to plan for the year	-9,332	-9,730
Closing balance	-48,830	-43,229

Closing residual value according to plan	58,846	69,777
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Borrowings, finance leases	2016	2015
Current component, maturity date within one year	11,607	12,689
Non-current component		
– maturity date between one and five years	41,570	45,663
– maturity date in excess of five years	4,720	10,667
	57,897	69,019

Borrowings are estimated at the current value of future lease fees. Interest expenses of SEK 1,386 thousand (1,593) relating to finance leases have been charged to the income statement.

OPERATING LEASES

Lease payments in respect of operating lease contracts amounted to SEK 8,641 thousand (9,386) during the year and mainly constituted minimum lease payments.

Contracted future fees for operating leases	2016	2015
Maturity date within one year	9,092	5,203
Maturity date between one and five years	21,850	2,254
Maturity date in excess of five years	–	–
	30,942	7,457

Operating leases mainly concern rent for premises and car leases.

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

Jorgensen Engineering A/S was acquired in November 2016. In 2015, all the shares in Canline Holding BV and two companies with loss carryforwards from a tax perspective were acquired.

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

Acquisition Jorgensen 2016	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	294,425	294,425
Property, plant and equipment	62,003	9,200	71,203
Current assets ¹⁾	222,541	-9,916	212,625
Non-current liabilities	-51,069	-6,514	-57,583
Current liabilities	-149,689	–	-149,689
Net assets/purchase price	83,786	287,195	370,981

¹⁾ Accounts receivable are recognised in the amount of SEK 84,719 thousand. As SEK 71 million is expected to be received for these, value adjustment has been performed at SEK 14 million. Cash and cash equivalents are recognised in the amount of SEK 101,351 thousand.

Acquisitions in total ¹⁾	2016	2015
Intangible non-current assets	294,425	51,109
Property, plant and equipment	71,203	1,886
Financial non-current assets	–	415
Current assets	212,625	31,591
Non-current liabilities	-57,583	2,654
Current liabilities	-147,029	-22,905
Profit/loss items	–	-3,191
Total purchase prices	373,641	61,559
Liquid assets in acquired businesses	-101,351	-9,380
Total cash flow attributable to acquired businesses	272,290	52,179

¹⁾ Relates to the acquisition of Jorgensen Engineering A/S and final settlement of purchase price for Ljungarum Konsult 01 AB and Ljungarum Konsult 02 AB, respectively. See also Note 34.

Transaction costs with regard to acquired entities amount to SEK 1,511 thousand (361) and were reported as administrative expenses in net profit for the year.

DIVESTMENT OF SUBSIDIARY/ASSETS AND LIABILITIES

The property company AB Grundstenen 150787 was sold in 2015, see also Note 34.

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

Divestment	2016	2015
Property, plant and equipment	–	8,860
Current liabilities	–	-8,860
	–	0
Capital gain	–	12,504
Total cash flow attributable to divested operations	–	12,504

In the cash flow statement, SEK 0 million (0) of the cash flow from operating activities, SEK 0 million (12) of the cash flow from investing activities and SEK 0 million (0) of the cash flow from financing activities related to divested entities.

INTEREST

During the financial year, interest paid amounted to SEK 9,286 thousand (11,793) and interest received to SEK 204 thousand (789).

BORROWINGS

Loans of SEK 56,750 thousand (72,747) have been reclassified from non-current interest-bearing liabilities to current interest-bearing liabilities. This reclassification has no impact on the cash flow.

NOTE 34**BUSINESS COMBINATIONS/DIVESTMENTS**

In November 2016, the acquisition of the Danish enterprise Jorgensen Engineering A/S was concluded. Jorgensen is a leading international automation company that supplies and integrates equipment and complete packaging solutions. Jorgensen offers a wide range of packaging machinery and solutions to customers within the milk powder, food, pharmaceuticals and pet food segments. The company is situated in Odense, Denmark. During the 2015/2016 financial year, revenue totalled DKK 275 million with an operating margin of approx. 13 per cent. The acquisition is expected to contribute SEK 3.50 in earnings per share on a yearly basis. Jorgensen is a part of XANO's Industrial Solutions business unit and consolidation has been carried out as from 24 November 2016. Jorgensen's product range is contiguous and complementary to Fredriksons' and Canline's conveyor solutions for the packaging industry as well as NPB's automation equipment for end handling. The preliminary purchase price for Jorgensen 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 has been made in January 2017. 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 during the full year, revenue would have amounted to SEK 1,372 million, while net profit would have been approx. SEK 93 million. The acquisition of Jorgensen brings 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 amount to SEK 1.5 million. Intangible non-current assets relate to product concepts with an estimated period of use of 10 years. Goodwill relates to customer relations and synergy effects. The expectation is that synergies will mainly be achieved by means of the acquisition bringing not only extra expertise within product technology to existing operations at the Industrial Solutions business unit, but also access to new customer segments. The utilisation of common resources will also entail synergies.

In March 2015, Canline Holding B.V. and its subsidiaries were acquired.

In December 2015, two companies with loss carryforwards from a tax perspective, Ljungarum Konsult 01 AB and Ljungarum Konsult 02 AB, were acquired. The cash purchase price amounted to SEK 3.7 million, of which SEK 1 million was paid on acquisition and the remaining SEK 2.7 million during 2016. The acquisitions resulted in a negative goodwill of SEK 3 million, which was reversed and recognised as profit during 2015.

In April 2015, the property company, AB Grundstenen 150787 was sold.

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 2016 was 43 per cent (44) for continuing operations. 63 per cent (66) of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in their country of manufacture. The major exceptions are deliveries from Swedish manufacturing units to foreign end customers and deliveries from manufacturing units in Estonia to the Swedish and Norwegian market. The transaction risks occur in the latter cases as well as during the purchase of material.

A simplified breakdown by currency of the Group's income and cost structure for 2016 is shown in the table below.

Share (%) of	SEK	EUR	USD	Other
Invoicing	57	21	11	11
Cost of goods sold	54	25	3	18

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 8 million (6) for the corresponding flow. In the event of a change of 5 per cent in either DKK or USD against the SEK, the impact on profit before tax over a period of one year would be approx. SEK -14 million (0) and SEK 5 million (9) respectively.

RISK FROM TRANSLATION OF SUBSIDIARIES' INCOME STATEMENTS

Translation of non-Swedish subsidiaries' income statements into SEK takes place at an average rate. If invoicing and net profit are the same as in 2016, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 32 million (15) and net profit by around SEK 3 million (1).

RISK FROM TRANSLATION OF SUBSIDIARIES' BALANCE SHEETS

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into SEK. Foreign subsidiaries' net assets were valued at SEK 626 million (217) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2016 by SEK 6 million (-2). The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency. The Group's translation risks relate primarily to changes in EUR and CNY against SEK. A change of 5 per cent in either EUR or CNY against the SEK would have an impact on Group equity of SEK 5 million and SEK 3 million respectively, based on the current net assets.

INTEREST RATE RISKS

Interest rate risks refer to the risk that changes in the interest rate level will affect the Group's financial results negatively through increased borrowing costs. Financing mainly takes place through borrowing from banks. The average interest rate (interest expenses in relation to the average interest-bearing liabilities) was 3.1 per cent (3.8). On the balance sheet date, the Group's interest-bearing liabilities amounted to SEK 690 million (259), of which SEK 483 million (9) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 59 months and the average interest rate at year-end was 2.4 per cent (2.9). The net result of a 1 per cent increase in interest rates is approx. SEK 5 million on an annual basis.

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

FIXED RATE PERIOD FOR BORROWINGS

Maturity date	Amount (SEK 000)	Average interest rate (%) ¹⁾	Share (%)
2017	56,750	3.00	34
2018–2021	50,000	1.42	14
2022 and later	100,000	2.59	52
Total	206,750	2.42	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 34 per cent (27) 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 190 million (122).

Age analysis of accounts receivable	Time from maturity				Total
	Not yet due	6–30 days	31–90 days	> 90 days	
As of 31/12/2016	146,893	15,334	27,376	642	190,245
As of 31/12/2015	102,968	7,349	2,368	9,805	122,490

Losses reported on accounts receivable for the year amount to SEK 1,096 thousand (-582), of which SEK 897 thousand (-219) constitutes actual losses. Recovered bad debt losses exceed anticipated bad debt losses in 2015. Required write-downs of outstanding receivables have been carried out at SEK 15,442 thousand (940).

OPERATIONAL RISKS

Operational risks are associated with both customers and suppliers, as well as other external factors and the Group's own activities.

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

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

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

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

NOTE 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 2016, the equity/assets ratio was 27 per cent (45). The acquisition of own personnel convertibles as well as the effects of the acquisition of Jorgensen Engineering A/S contributed to the year's lower equity/assets ratio.

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

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

NOTE 37**RELATED PARTY TRANSACTIONS**

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

In addition to the payments referred to in Note 5, Board members and senior executives have received normal share dividends. Senior executives have also received the right to acquire employee convertibles in accordance with decisions made at the Annual General Meeting. The share and convertible holdings of Board members and senior executives as of the balance sheet date are presented on pages 100–101.

Kieryd Gård 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 2016, 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 Kieryd Gård 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

BASIC EARNINGS PER SHARE

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

CAPITAL EMPLOYED

Balance sheet total less non-interest-bearing liabilities.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

DILUTED EARNINGS PER SHARE

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

DIRECT YIELD

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

EQUITY PER SHARE

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

EQUITY/ASSETS RATIO

Equity in relation to total capital.

GROSS MARGIN

Gross profit in relation to net sales.

INTEREST COVERAGE RATIO

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

OPERATING MARGIN

Operating profit in relation to net sales.

PROFIT MARGIN

Profit after financial items in relation to net sales.

PROPORTION OF RISK-BEARING CAPITAL

Equity plus provisions for taxes in relation to total capital.

RETURN ON CAPITAL EMPLOYED

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

RETURN ON EQUITY

Net profit in relation to average equity.

RETURN ON TOTAL CAPITAL

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

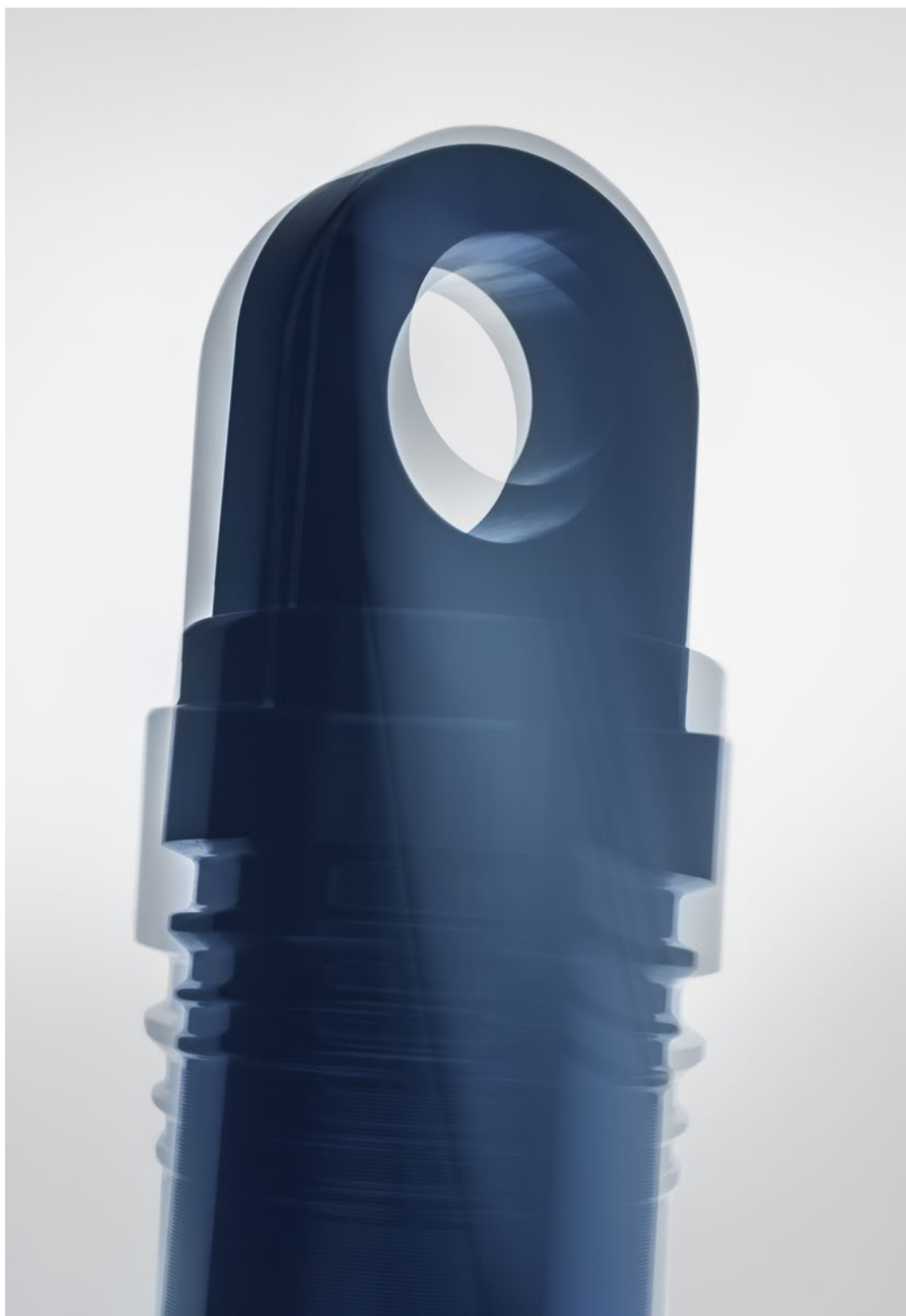
TOTAL CAPITAL

Total equity and liabilities (balance sheet total).

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 and the Annual Accounts Act. Other measures, known as alternative key figures, describe e.g. the profit trend, financial strength and how the company 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 at the same time as achieving comparability with other companies. The margin measures are also presented internally.



Income statements

PARENT COMPANY (SEK THOUSANDS)	Note	2016	2015
Net sales		8,688	18,098
Cost of goods sold		–	–
Gross profit		8,688	18,098
Selling expenses	3, 4	-2,643	-2,361
Administrative expenses	3, 4, 5	-14,979	-13,382
Operating profit/loss		-8,934	2,355
Profit from participations in Group companies	6	55,950	76,677
Interest income and similar profit/loss items	7	2,096	7,933
Interest expense and similar profit/loss items	8	-14,154	-11,349
Profit after financial items		34,958	75,616
Appropriations	9	4,114	1,139
Profit before tax		39,072	76,755
Tax	10	-7,199	-16,479
NET PROFIT FOR THE YEAR		31,873	60,276

Statements of comprehensive income

PARENT COMPANY (SEK THOUSANDS)	Note	2016	2015
Net profit for the year		31,873	60,276
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		31,873	60,276

Balance sheets

PARENT COMPANY (SEK THOUSANDS)	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	11		
Equipment, tools, fixtures and fittings		140	231
		140	231
<i>Financial non-current assets</i>			
Participations in Group companies	12	52,761	52,761
		52,761	52,761
Total non-current assets		52,901	52,992
Current assets			
<i>Current receivables</i>			
Accounts receivable		1	3
Receivables from Group companies		428,515	466,295
Other receivables	13	5,337	586
Prepayments and accrued income		593	736
		434,446	467,620
<i>Current investments</i>		5	5
<i>Cash and bank balances</i>	16	2,699	4,460
Total current assets		437,150	472,085
TOTAL ASSETS		490,051	525,077

Balance sheets

PARENT COMPANY (SEK THOUSANDS)	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	14	35,234	34,645
Statutory reserve		8,899	8,899
		44,133	43,544
<i>Non-restricted equity</i>			
Share premium reserve		12,529	4,295
Profit brought forward		21,641	48,022
Net profit for the year		31,873	60,276
		66,043	112,593
Total equity		110,176	156,137
Untaxed reserves			
	15	63,952	68,066
Provisions			
Provisions for pensions and similar obligations		435	551
Total provisions		435	551
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	16, 17	72,907	71,664
		72,907	71,664
<i>Current liabilities</i>			
Bank overdraft facilities	16, 17	38,051	2,328
Current interest-bearing liabilities	16, 17	56,750	73,001
Accounts payable		2,610	1,695
Liabilities to Group companies		122,239	127,564
Income tax liability		–	3,915
Other liabilities	16	17,631	16,162
Accruals and deferred income		5,300	3,994
		242,581	228,659
Total liabilities		315,488	300,323
TOTAL EQUITY AND LIABILITIES		490,051	525,077

Statement of changes in equity

PARENT COMPANY		RESTRICTED EQUITY		NON-RESTRICTED EQUITY		TOTAL EQUITY
		Share capital	Statutory reserve	Share premium reserve	Other non-restricted equity	
(SEK THOUSANDS)	Note					
Equity, 1 January 2015		34,645	8,899	4,295	64,994	112,833
Net profit for the year		–	–	–	60,276	60,276
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	60,276	60,276
Dividend paid in cash		–	–	–	-16,972	-16,972
Equity, 31 December 2015		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	14	35,234	8,899	12,529	53,514	110,176

Cash flow statements

PARENT COMPANY (SEK THOUSANDS)	Note	2016	2015
Operating activities			
Operating profit/loss		-8,934	2,355
<i>Adjustments for non-cash items etc.</i>			
Depreciation		91	100
Other		20	20
Group contribution		43,933	76,677
Dividend received		12,017	–
Interest paid/received, net value	19	-5,050	-6,387
Income tax paid		-16,478	-5,669
Cash flow from operating activities before changes in working capital		25,599	67,096
Changes in working capital			
Increase (-) / decrease (+) in current receivables		38,504	-75,218
Increase (+) / decrease (-) in current liabilities		-6,430	70,212
Increase (+) / decrease (-) in other provisions		-136	–
Cash flow from operating activities		57,537	62,090
Investing activities			
Cash flow from investing activities		–	–
Financing activities			
Dividend paid		-30,550	-16,972
Acquisition of own personnel convertibles		-81,443	–
<i>Increase (+) / decrease (-) in non-current liabilities</i>	19		
Borrowings		77,130	–
Repayment of debt		-15,487	–
Other		–	-143
<i>Increase (+) / decrease (-) in current liabilities</i>	19		
Change in bank overdraft facilities		35,723	-53,617
Repayment of debt		-44,431	–
<i>Increase (-) / decrease (+) in non-current receivables</i>			
Repayment/payment of loan receivables		–	10,603
Cash flow from financing activities		-59,058	-60,129
Cash flow for the year		-1,521	1,961
Cash and cash equivalents at the beginning of the year		4,465	2,736
Exchange rate differences in cash and cash equivalents		-240	-232
Cash and cash equivalents at the end of the year	19	2,704	4,465

Notes

NOTE 1

GENERAL INFORMATION

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

All amounts are reported in SEK thousands unless otherwise indicated.

NOTE 2

ACCOUNTING POLICIES

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

GENERAL

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

RECEIVABLES AND LIABILITIES

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

RELATED PARTY TRANSACTIONS

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

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

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

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 12. Kieryd Gård 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 and investments with a term of no more than three months.

CASH FLOW

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

INCOME

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

GROUP CONTRIBUTION

Group contributions received from subsidiaries are recognised as financial income.

TAXES

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

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

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

BANK OVERDRAFT FACILITIES, GROUP CURRENCY ACCOUNTS

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

NOTE 3

EMPLOYEES AND PERSONNEL COSTS

Average no. of employees	2016	of which men	2015	of which men
Sweden	5	20%	5	20%
Proportion of men amongst Board members and senior executives	2016		2015	
Board members	71%		83%	
Senior executives	50%		50%	
Salaries, other remuneration and social security costs	2016		2015	
Salaries and remuneration	7,990		7,204	
Social security costs	4,630		4,312	
(of which pension costs ^{1, 2)})	(1,657)		(1,619)	
	12,620		11,516	

¹⁾ Of the Parent Company's pension costs, SEK 1,266 thousand (1,389) 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	2016	2015
Board members and senior executives	5,896	5,695
(of which bonuses)	(437)	(630)
Other employees	2,094	1,509
	7,990	7,204

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

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

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension premiums. "Other senior executives" refers to the CFO who, together with the CEO, makes up the Group management. 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 1,000 thousand should be distributed with SEK 250 thousand payable to the Chairman and SEK 125 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 2016, 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 500 thousand (420) for these services.

In 2016, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and car benefits totalling SEK 3,628 thousand (3,260), of which SEK 437 thousand (630) constitutes variable remuneration. Other senior executives received salary totalling SEK 1,148 thousand (1,035). At the 2016 Annual General Meeting, it was decided both to offer the repurchase of personnel convertibles and 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 (26) 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 890 thousand (1,035). Pension costs including salary sacrifice for other senior executives amounted to SEK 376 thousand (336).

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	2016	2015
Selling expenses	-14	-15
Administrative expenses	-77	-85
	-91	-100

Depreciation by class of asset	2016	2015
Equipment, tools, fixtures and fittings	-91	-100
	-91	-100

NOTE 5

AUDITORS' REMUNERATION

	2016	2015
Ernst & Young		
Audit assignment	-240	-240
Audit activities other than audit assignment	-37	-34
Tax consultancy services	-121	-58
Other services	-334	-6
	-732	-338

"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

	2016	2015
Dividends from Group companies	12,017	–
Group contributions received	43,933	76,677
	55,950	76,677

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

	2016	2015
Interest income, Group companies	1,979	3,818
Interest income, other	13	2,907
Exchange rate differences	104	1,208
	2,096	7,933

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

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

	2016	2015
Interest expense, Group companies	-387	-736
Interest expense, other	-12,299	-9,830
Exchange rate differences	-1,468	-783
	-14,154	-11,349

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

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

NOTE 9**APPROPRIATIONS**

	2016	2015
Change in excess depreciation	64	63
Tax allocation reserve, change for the year	4,050	1,076
	4,114	1,139

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

	2016	2015
Current tax	-7,199	-16,479
	-7,199	-16,479

Tax totals 18 per cent (21). Tax-exempt dividends contributed to the lower tax expense in 2016.

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

Accumulated acquisition values	2016	2015
Opening balance	1,239	1,239
Closing balance	1,239	1,239

Accumulated scheduled depreciation	2016	2015
Opening balance	-1,008	-908
Depreciation according to plan for the year	-91	-100
Closing balance	-1,099	-1,008

Closing residual value according to plan	140	231
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NOTE 12**PARTICIPATIONS IN GROUP COMPANIES**

Accumulated acquisition values	2016	2015
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	Bladel, Netherlands	1,800	100%
Canline Holding B.V.	17270976	Bladel, Netherlands	180	100%
Canline Magnetics B.V.	30239913	Bladel, Netherlands	180	100%
Canline Systems B.V.	17270973	Bladel, Netherlands	180	100%
Canline USA Corporation	46-3583603	Lynchburg, United States	1,000	100%
Cipax AB	556065-7875	Norrköping, Sweden	200	100%
Cipax AS	990374031	Björkelangen, 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%
Ljungerum Konsult 01 AB	556699-0452	Jönköping, Sweden	5,000	100%
Ljungerum Konsult 02 AB	556699-0478	Jönköping, Sweden	5,000	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Mikroverktug 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 Ljungerum AB	556202-5220	Jönköping, Sweden	2,796,000	100%
XANO Fastigheter Länna AB	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.

In 2016, Ackurat Sp. z o. o was merged with Ornplast Sp. z o. o and took the business name Ackurat Ornplast Sp z o. o.

NOTE 13**OTHER RECEIVABLES**

	2016	2015
Tax asset included totals	5,324	0
	5,324	0

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

NOTE 14**SHARE CAPITAL AND NUMBER OF SHARES**

Distribution of share capital	31/12/2016	1/1/2016
Class A shares	1,822,200	1,950,000
Class B shares	5,224,545	4,978,974
Total number of shares	7,046,745	6,928,974
Quotient value, SEK	5	5
Share capital, SEK	35,233,725	34,644,870

The total number of shares is 7,046,745, of which 140,000 are held by the company. The average number of outstanding shares during the year amounted to 6,851,399. Class A shares give entitlement to ten votes and Class B shares entitlement to one vote. The number of votes, following deductions for the company's own holding, amounts to 23,306,545.

On 1 July 2012, convertibles for a nominal value of SEK 29,999,961 were issued. During the year, a nominal SEK 22,813,150 was acquired by the company and SEK 1,180,490 was repaid. Holders of a nominal SEK 6,006,321 requested conversion of their claims to shares. Through the conversion, 117,771 new Class B shares were issued.

At the request of shareholders, 127,800 Class A shares were converted into the corresponding number Class B shares during the year.

On 1 July 2016, convertibles for a nominal value of SEK 62,130,000, corresponding to 285,000 Class B shares in the event of full conversion, were issued.

The proposed dividend amounts to SEK 4.50 per share.

NOTE 15**UNTAXED RESERVES**

	2016	2015
Tax allocation reserve, allocated 2010	–	14,050
Tax allocation reserve, allocated 2011	16,061	16,061
Tax allocation reserve, allocated 2012	13,897	13,897
Tax allocation reserve, allocated 2013	14,960	14,960
Tax allocation reserve, allocated 2014	9,006	9,006
Tax allocation reserve, allocated 2016	10,000	–
	63,924	67,974
Accumulated excess depreciation	28	92
	63,952	68,066

Deferred tax liabilities represent SEK 14,069 thousand (14,975) of untaxed reserves.

NOTE 16**LIABILITIES**

Non-current liabilities	2016	2015
Maturity date between one and five years after balance sheet date	72,907	71,664
Maturity date more than five years after balance sheet date	–	–
	72,907	71,664

Current liabilities	2016	2015
Bank overdraft facilities, Group currency accounts	38,051	2,328
Current portion of non-current borrowings	56,750	73,001
	94,801	75,329
Total interest-bearing liabilities	167,708	146,993

Bank overdraft facilities	2016	2015
Bank overdraft facilities granted, Group currency accounts	185,000	185,000
Unutilised amount	-146,949	-182,672
Utilised amount	38,051	2,328

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 132 million (208) on the balance sheet date.

The company has an outstanding convertible loan reported at SEK 57,907 thousand (29,751). 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 218. 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. For convertible loans 2012/16 and 2016/20, recorded interest expense for the year is SEK 1,845 thousand (1,297). For outstanding convertible loan, the interest expense corresponds to 4.2 per cent of the actual liability.

Derivative instruments totalling SEK 17,150 thousand (14,381) 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 -3,545 thousand (2,751), excluding tax, is reported among financial items in the income statement.

Cash and bank deposits include the balance in the current account and Group currency accounts, amounting to SEK 2,695 thousand (4,452).

NOTE 17**PLEGGED ASSETS**

	2016	2015
Shares in subsidiaries	47,262	47,262
	47,262	47,262

NOTE 18**CONTINGENT LIABILITIES**

	2016	2015
Guarantees in favour of subsidiaries	541,390	135,012
Pension commitments	1,793	2,272
	543,183	137,284

The increase for the year is primarily attributable to sureties in respect of subsidiary company loans for the acquisition of Jorgensen Engineering A/S.

NOTE 19**CASH FLOW****INTEREST**

Interest paid amounted to SEK 7,042 thousand (10,115) and interest received SEK 1,992 thousand (3,728).

BORROWINGS

Loans of SEK 56,750 thousand (72,747) have been reclassified from non-current interest-bearing liabilities to current interest-bearing liabilities. This reclassification has no impact on the cash flow.

	2016	2015
Liquid assets		
Cash and bank balances	2,699	4,460
Current investments	5	5
Amount at year-end	2,704	4,465

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 78 and 80.

NOTE 21**PROPOSAL FOR THE APPROPRIATION OF PROFITS**

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

	2016	2015
Payment of a cash dividend of SEK 4.50 (4.50) per share to shareholders, calculated on 6,906,745 shares (6,788,074)	31,080	30,550
To be carried forward	34,963	82,043
	66,043	112,593

NOTE 22**EVENTS AFTER THE END OF THE YEAR**

There are no individual events of major significance to report after the end of the year.

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

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2016 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 10 May 2017 for adoption.

Jönköping, 15 March 2017

Fredrik Rapp
Chairman

Petter Fägersten
Vice chairman

Stig-Olof Simonsson
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Sune Lantz
Board member

Anna Benjamin
Board member

Lennart Persson
CEO

Our audit report was submitted on 20 March 2017.

Ernst & Young AB

Joakim Falck
Authorised public accountant

Audit 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 2016. The annual accounts and consolidated accounts of the company are included on pages 54–93 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 of December 2016 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 of December 2016 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.

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.

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.

Goodwill

The reported goodwill per 31 December amounts to SEK 484 million in the Group's report on financial position. Each year and when there is indication of a diminution in value, the company tries to make sure the reported value does not exceed the calculated recoverable amount. The recoverable amount is determined for each cash-generating unit through a present value computation of future cash flows. Future cash flows are based on the executive's business plans and prognoses and involve a number of presumptions, for instance concerning earnings trends, growth, investment needs and discount rates.

Changes in these assumptions affect the calculation of the recoverable amount and had other assumptions been applied, the need for write-downs could have arisen. Therefore, we have decided that the reporting of goodwill is a particularly significant area in the audit.

The write-down test for 2016 did not result in any write-down need. A description of the write-down test is provided in Note 15 "Intangible non-current assets" and in Note 2 "Significant assessments and estimates".

In our audit, we assessed and tested the company's process for establishing write-down tests, for instance by assessing prior accuracy of prognoses and assumptions. We also made comparisons to other companies to assess the plausibility of future cash flows and growth assumptions and, with the help of our assessment specialists, tested selected discount rates and assumptions concerning long-term growth. We also examined the company's model and method for implementing the write-down test and assessed the company's sensitivity analyses. We assessed whether information provided in the annual report is appropriate.

Revenue recognition

The consolidated revenue totals SEK 1,052 million for 2016. A rather significant part of the revenue comes from project deliveries for the packing industry, where the Group applies the percentage of completion method in accordance with IAS 11; in 2016 this accounted for SEK 194 million. For such projects, income and expenses are reported on

the basis of the percentage of completion on the reporting date, which is described in Note 4 and in the section "Income and percentage of completion" in Note 2. The method calls for assessments to be made of the project's total expenses, and changes in these affect the results for the coming period. The difficulty in assessing the result is particularly notable at the start of the project and for projects that are technically complicated, and thus revenue reporting is deemed to be a particularly significant area in the audit.

In our audit, we assessed and tested the process for determining the percentage of completion by, e.g. examining the customer agreement, calculations and estimations. We also conducted random inspections against supporting documentation and examined the executive's assessment of contracts with low or negative returns. We assessed whether the information furnished in the annual report is appropriate.

Business acquisitions

In 2016 the Group made a business acquisition, the total acquisition price of which was SEK 371 million, with acquired intangible fixed assets of SEK 294 million, of which goodwill accounted for SEK 274 million. The company's information on the acquisition figures in Note 34 "Business combinations/divestments", Note 33 "Cash flow" and "Consolidated financial statements" in Note 2. The reporting of the acquisition has required many assessments of the company. The major assessments concern allocation of the purchase price to acquired assets and liabilities and necessary adaptations to the Group's accounting policies. In making the acquisition analysis, the company made most of the assessments regarding, e.g. future cash flow, growth, discount rate and choice of model for assessment. The allocation of acquired assets and liabilities is a particularly significant area in the audit as it requires significant assumptions of the company and leads to significant estimations in the accounts.

In the audit we assessed and examined the company's processes for establishing an acquisition analysis, e.g. by assessing the reasonability of future cash flows and growth presumptions. We examined the company's models and methods for implementing the acquisition analysis and the reasonability of the choice of assessment model and the assumption, e.g. regarding discount rate and future cash flows, as well as asset lifetime. We also examined the adjustments made to adapt the acquired business's accounting policies to the Group's accounting policies. We examined the appropriateness of the furnished information in the annual report.

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 1–53 and 100–104 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 Directors' 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016 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 Parent 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.

Jönköping 20 March 2017

Ernst & Young AB

Joakim Falck

Authorised Public Accountant

Corporate governance report 2016

SWEDISH CORPORATE GOVERNANCE MODEL

Corporate governance in Swedish listed companies is regulated by a combination of written rules and generally accepted practices. The framework includes the Swedish Companies Act ("the Act") and the rules that apply in the regulated market in which the company's shares are quoted. In addition, all listed Swedish companies have been covered by the Swedish Code of Corporate Governance ("the Code") since 2008 with the latest revised version in force from 1 December 2016.

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

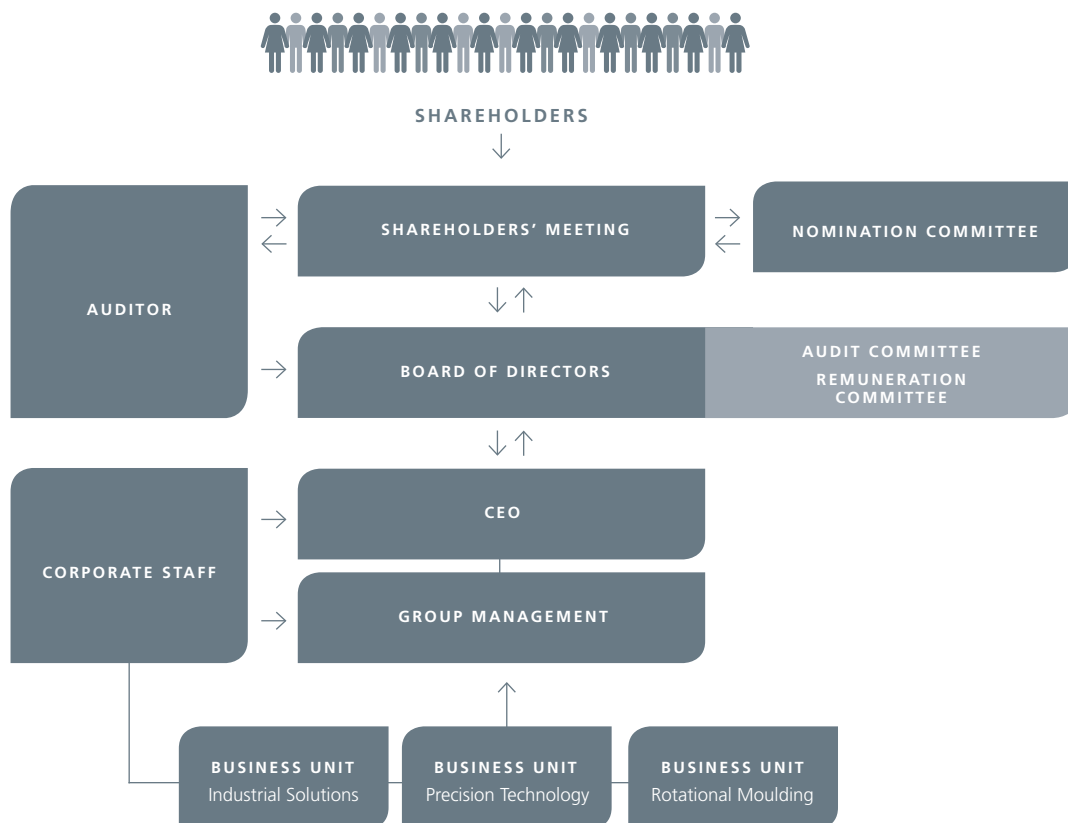
At the end of 2016, there were 1,758 shareholders in XANO, of which 1,621 were physical persons representing 14.3 per cent of the votes and 37.5 per cent of the capital. Institutional holdings constituted 3.1 per cent of the votes and 10.3 per cent of the share capital. The ten largest shareholders accounted for 94.4 per cent of the votes and 81.4 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 2016

XANO's 2016 AGM was held on Thursday 12 May. 46 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 auditors 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 and Sune Lantz. Election of Anna Benjamin as Board member. 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 2017 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.
- » Repurchase of own personnel convertible 2012/2016 and issue of a new convertible 2016/2020.

ANNUAL GENERAL MEETING 2017

XANO's 2017 AGM will take place on Wednesday 10 May at 3 pm at the company's premises at Industrigatan 14 B in Jönköping. Further information can be found on page 102 of the annual report for 2016.

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 2016 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 eight meetings during the 2016 financial year. Each ordinary meeting considers the following fixed items: review of the minutes of the previous meeting, general review of the business units with follow-up on the latest report and comparison with the forecast as well as financing and liquidity. In addition to fixed reporting items, the Board of Directors also decides on issues of a more general nature, such as the Group's strategy, structural and organisational matters, policies, guidelines, acquisitions and major investments.

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

In addition to the fixed items mentioned above, the programme for 2016 included the following main items:

No. 1 – 11 February

Year-end report 2015, report from audit committee, the auditors' report of their general observations arising from the audit of the 2015 financial statements.

No. 2 – 22 March (phone)

Investment decisions, decisions on proposals to the AGM.

No. 3 – 12 May

Interim report 3 months, revised forecast for 2016, report from remuneration committee, prerequisites prior to the AGM.

No. 4 – 12 July (phone)

Interim report 6 months.

No. 5 – 21–22 September

Group strategy, visit at and deeper information on Resinit.

No. 6 – 28 October (phone)

Acquisition discussions.

No. 7 – 3 November (phone)

Interim report 9 months, acquisition discussions.

No. 8 – 15 December

Forecast for 2017, evaluation of the Board's and the CEO's work.

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

In December 2016, the Board adopted a sustainability policy that specifies guidelines for the Group's sustainability work. This policy describes how the Group's companies should act in order to contribute optimally to sustainable development.

AUDIT COMMITTEE

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

XANO's audit committee comprises the Board members Anna Benjamin, 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 2016, the Group was made up of three reporting business units: Industrial Solutions, Precision Technology and Rotational Moulding. The operational management for the business units reports directly to the CEO. Through Group staff functions, supporting documentation for decisions for the Board and CEO are collated within the other areas.

NOMINATION COMMITTEE

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

Following a proposal by the main shareholders, estate of Tord Johansson 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 2016 AGM composed of Ulf Hedlundh as chairman, along with Fredrik Rapp and Anders Rudgård.

The task of the committee prior to the 2017 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. The nomination committee has evaluated the work of the Board with the aid of a questionnaire and personal discussions. The results of the evaluation have been communicated to the Chairman of the Board. Prior to the AGM, the nomination committee has had three meetings, as well as a large number of contacts between the nomination committee's members.

AUDITOR

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

The ordinary election of an auditor for XANO last took place at the AGM in 2016 for the term of office up until the AGM in 2017. 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 Nefab Packaging AB, EFG Holding AB, Evry AB, Agroenergi Neova Pellets AB, AB Gyllensvaans Möbler and One Partner Group AB.

DEVIATIONS FROM THE CODE

There are no deviations to report for 2016.

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 2016 AGM require the conditions to be market-based. In addition to a fixed basic salary, senior executives may receive variable remuneration, which must be limited and based on the trend in results or the return on equity compared with set goals. The variable component may not exceed the equivalent of three months' fixed salary. Senior executives must have market pension conditions, which must be premium-based. Any member of the Group's management can terminate their employment by giving six months' notice. In the event of notice on the part of the company, severance pay totalling 18 months' salary will be payable to the CEO. The Board is entitled to deviate from the guidelines if there are exceptional reasons for doing so in an individual case.

At the 2016 Annual General Meeting, it was decided both to offer the repurchase of personnel convertibles and to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

INTERNAL CONTROLS CONCERNING FINANCIAL REPORTING

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

COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AS OF 31 DECEMBER 2016

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2016	Participation in Remuneration Committee meetings 2016	Participation in Audit Committee meetings 2016	Board fee including committee remuneration, SEK
Fredrik Rapp	2004	Chairman	Yes	No ¹⁾	8 (8)	1 (1)	–	270,000
Anna Benjamin	2016	Board member	Yes	No ¹⁾	5 (8) ²⁾	–	1 (1)	155,000
Petter Fägersten	2011	Board member	Yes	No ¹⁾	8 (8)	1 (1)	–	145,000
Eva-Lotta Kraft	2012	Board member	Yes	Yes	7 (8)	–	–	125,000
Sune Lantz	2014	Board member	No ³⁾	No ¹⁾	8 (8)	–	1 (1)	155,000
Per Rodert	2013	Board member	Yes	Yes	8 (8)	–	1 (1)	155,000
Stig-Olof Simonsson	2002	Board member	Yes	Yes	6 (8)	–	–	125,000

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⁾ Anna Benjamin was appointed by the Annual General Meeting in May 2016

³⁾ 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 100–101.

FINANCIAL REPORTING

All units report their financial results each month. These reports are consolidated and form the basis of quarterly reports and operational monitoring. This operational monitoring is carried out in accordance with an established structure where incoming orders, invoicing, liquidity, capital tie-up and other key ratios of importance for the Group are collated and form the basis of analysis and action by the management and controllers at different levels. Other important group-wide elements of the internal controls are business plans and the annual forecasting process. For communication with external parties, there is an information policy which is intended to ensure that all information obligations are fulfilled correctly and in full.

CONTROL ENVIRONMENT

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

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

RISK ASSESSMENT

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

CONTROL ACTIVITIES

The purpose of control activities is to identify, prevent and correct errors and deviations. Policies and guidelines are particularly important for accurate accounting, reporting and information provision and also define the control activities that must be carried out. XANO policies and guidelines are updated on an ongoing basis both in documents and through meetings. Control activities cover areas such as attestation procedures, account reconciliation, analytical follow-up and the control of IT systems. Every unit is also visited regularly by representatives from the business unit and Group management teams during which the internal controls and financial reporting are evaluated. The Group management reports the result of its work on internal controls to the Audit Committee.

During 2016, the work on internal control has been concentrated 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. During 2015, the work focused in particular on the introduction of the Group's procedures in newly acquired companies as well as on IT security.

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 2017.

Jönköping, 15 March 2017

Fredrik Rapp
Chairman

Petter Fägersten
Vice chairman

Stig-Olof Simonsson
Board member

Eva-Lotta Kraft
Board member

Per Rodert
Board member

Sune Lantz
Board member

Anna Benjamin
Board member

Auditor's report on the corporate governance 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 corporate governance statement for the year 2016 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 2017
Ernst & Young AB

Joakim Falck
Authorised Public Accountant

Board of Directors



ANNA BENJAMIN, born 1976

Board member, 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 and ITAB Shop Concept AB. **Shareholding in XANO** 1,282,200 Class A shares and 737,800 Class B shares.

PETTER FÄGERSTEN, born 1982

Vice Chairman, elected 2011. **Principal education** Graduate economist. **Principal professional experience** Managing Director and Marketing Director ITAB Shop Concept Jönköping. **Other directorships** Member of the boards of AGES Industri AB and ITAB Shop Concept AB. **Shareholding in XANO** 150,200 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-Elementa, Strategy and Marketing Director FOI. **Other directorships** Member of the boards of Advenica AB, Försvarshögskolan and NIBE Industrier AB. **Shareholding in XANO** 1,112 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, Miljöbyggarna Entreprenad i Linköping AB and Nilstrand Holding AB. Member of the board of ITAB Shop Concept AB. **Shareholding in XANO** 161,517 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, Borgstena Group Sweden AB, Eesti Hõovelliist 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** 540,000 Class A shares and 1 567,045 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 Alfaro AB, DevPort AB and Elmia 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. Member of the board of ITAB Shop Concept AB. **Shareholding in XANO** 227,131 Class B shares.



Details concerning the number of shares refer to holdings on 31 December 2016 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** 37,000 Class B shares.

Convertible holding in XANO 29,234 convertibles.

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 5,000 Class B shares. **Convertible holding in XANO** 14,000 convertibles.

Auditor

ERNST & YOUNG AB, JÖNKÖPING.

Auditor in charge **Joakim Falck**, born 1972

Authorised public accountant, elected 2016.

Shareholder information

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on Wednesday 10 May 2017 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 4 May 2017 and must notify the company of their intention to attend the AGM no later than 4 pm on Thursday 4 May 2017 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 4 May 2017 in order to be entitled to attend the AGM.

DIVIDEND

The Board of Directors proposes that the AGM allocate an ordinary dividend of SEK 4.50 per share for the 2016 financial year. The record date will be 12 May 2017. If the AGM approves the proposal, the dividend will be issued by Euroclear on 17 May 2017.

NOMINATION COMMITTEE

A nomination committee was appointed at the 2016 AGM consisting of Ulf Hedlundh (Chairman), Fredrik Rapp and Anders Rudgård. The task of this committee prior to the 2017 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 FOR 2017

Interim report 1 January–31 March 2017	10 May
Interim report 1 January–30 June 2017	12 July
Interim report 1 January–30 September 2017	1 November

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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