

“Commitment and
innovation have
facilitated effective
restructuring work.”

Lennart Persson
Managing Director and CEO

XANO – ANNUAL REPORT 2020

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BUSINESS CONCEPT

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

OUR CORE VALUES



ENTREPRENEURIAL DRIVE

Entrepreneurship combined with strong drive is the most important common denominator for the companies in the Group. The units have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for the involvement of all employees.



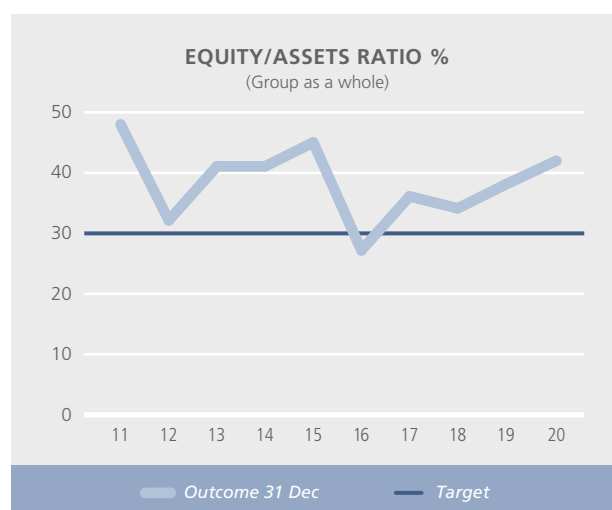
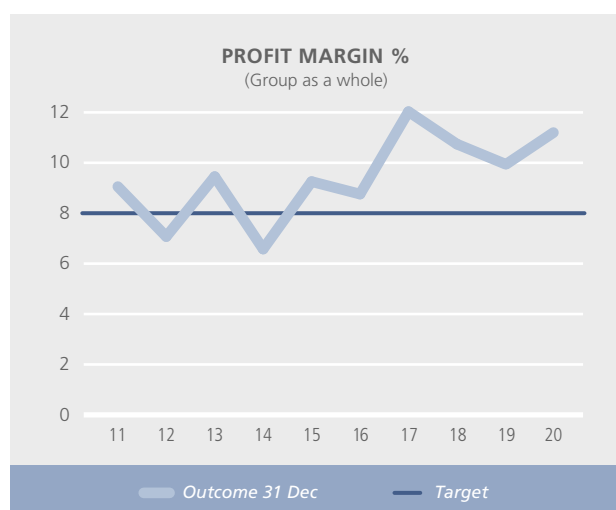
LONG-TERM THINKING

The long-term approach characterises all activities and decisions within the Group. XANO conducts long-term investment in its companies, giving each unit the resources and space to develop. The companies in turn strive to achieve long-term relationships and close collaboration with all stakeholders.



TECHNICAL KNOW-HOW

The Group's companies are niche operations, possessing sound technical know-how within their respective specialist areas. Continuous skills and technical development ensure quality and delivery reliability. A high degree of innovation creates efficiency and business benefits for both Group companies and their customers.



STRATEGIES AND GOALS

Financial objectives	<p>STABLE PROFITABILITY AND HIGH GROWTH</p> <p>XANO's organic growth will be at a higher level than general market growth. Growth will also take place through the acquisition of operations and companies. The profit margin will amount to 8% over time. The equity/assets ratio will exceed 30%.</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 will develop, acquire and run niche companies and, through active ownership, create added value for the shareholders. The manufacturing process must have a high technical content with the aim of satisfying the customers' 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 region, Estonia, the Netherlands, Poland, China and the USA. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. Possessing such advanced technical expertise enables XANO to create added value for its customers.</p>
Core values	<p>EMOTIONAL AND FUNCTIONAL ADDED VALUES</p> <p>XANO's core values are entrepreneurial drive, long-term thinking and technical know-how. These form the basis for all decisions that can impact on the Group.</p>
Fulfilment of goals	<p>RESULTS EXCEEDING STATED FINANCIAL TARGETS</p> <p>The Group's organic growth stood at 4%, while acquisitions contributed a further 1% in sales during 2020. The profit margin rose from 9.9 to 11.2%. The equity/assets ratio was strengthened from 38 to 42%.</p>



GROUP OVERVIEW

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The operations are divided up into the Industrial Products, Industrial Solutions and Precision Technology business units.

XANO INDUSTRI AB		
INDUSTRIAL PRODUCTS	INDUSTRIAL SOLUTIONS	PRECISION TECHNOLOGY
Ackurat <i>Finland Poland Sweden</i> Blowtech <i>Norway Sweden</i> Cipax <i>Estonia Finland Norway Sweden</i>	Canline <i>The Netherlands USA</i> Fredriksons <i>China Sweden</i> Jorgensen <i>Denmark</i> NPB <i>Sweden</i> Polyketting <i>The Netherlands</i>	Kuggteknik <i>Sweden</i> Kungsörs Mekaniska <i>Sweden</i> Lasertech <i>Sweden</i> LK Precision <i>Sweden</i> Mikroverktyg <i>Sweden</i> Modellteknik <i>Sweden</i> Resinit <i>Sweden</i>

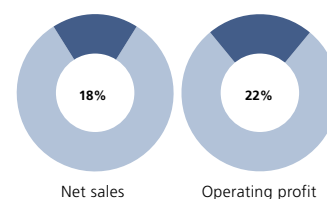
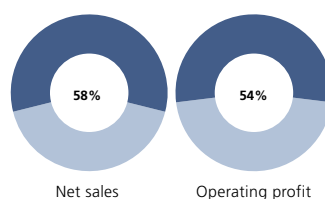
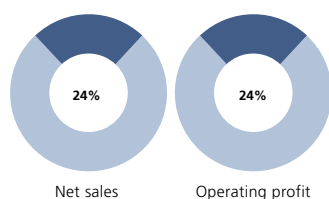
		2020	2019
Net sales	SEK m	551	610
Growth	%	-9.6	+4.6
Operating profit	SEK m	76	75
Operating margin	%	13.8	12.4
Employees	average	288	312

		2020	2019
Net sales	SEK m	1,345	1,214
Growth	%	+10.8	+3.5
Operating profit	SEK m	170	129
Operating margin	%	12.6	10.6
Employees	average	572	581

		2020	2019
Net sales	SEK m	345	310
Growth	%	+11.7	+5.5
Operating profit	SEK m	56	50
Operating margin	%	16.3	16.2
Employees	average	186	183

Kuggteknik is included as from 1 July 2019. Modellteknik is included as from 2 November 2020. Lasertech is included as from 1 December 2020.

PROPORTION OF THE GROUP (PRO FORMA)





THE GROUP IN BRIEF

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. Each unit is anchored locally and is developed according to its own circumstances. At the same time, being part of a Group creates economies of scale for the companies and their business partners.

XANO is a decentralised industrial group that is run by entrepreneurs. The strategic work is well prepared and established in every unit. The Group's companies endeavour to be market leaders within their respective sectors, and are able to satisfy demanding customers through a high level of technology

and flexibility. In addition to customer-specific assignments, our operations also encompass the development of our own products and solutions. Our businesses focus on sustainability and a long-term approach. Our employees are our most important resource, with respect, commitment and loyalty all being highly valued. Through training activities within XANO Academy, we are safeguarding our future skills provision.

Profitable growth is our financial guiding principle. In addition to any extra growth in volume achieved through acquisitions, our growth target is an annual organic expansion that exceeds general market growth. The profit margin should amount to at least eight per cent over time. Our aim is to have a

strong financial position with an equity/assets ratio exceeding 30 per cent.

The Group was listed on the Stock Exchange in 1988, and can be found on Nasdaq Stockholm in the Mid Cap segment. Acquisitions are an important part of the business concept. Since 1980, more than 60 businesses have been acquired that complement the existing operations, add technical expertise or provide access to new market segments. In order to streamline the business and also create added value for the shareholders, two spin-offs have been effected: ITAB Shop Concept in 2004 and AGES in 2014, now listed separately on Nasdaq Stockholm and First North respectively.



2020 IN BRIEF

Net revenue, SEK m	2,239	(2,128)
Profit for the year, SEK m	195	(163)
Earnings per share, SEK	6.86	(5.85)

FIGURES IN SUMMARY		2020	2019
Net revenue	SEK m	2,239	2,128
Growth	%	+5	+4
Gross margin	%	23.7	22.1
Operating profit	SEK m	274	229
Operating margin	%	12.2	10.8
Profit before tax	SEK m	251	211
Profit margin	%	11.2	9.9
Profit for the year	SEK m	195	163
Earnings per share	SEK	6.86	5.85
Proposed dividend per share	SEK	2.50	–
Equity/assets ratio	%	42	38

For definitions, see page 81.

YEAR AS A WHOLE

After four good quarters, with particularly strong growth during the second half of the year, we can summarise 2020 as the Group's best year ever. All our business units surpassed the previous year's profit levels and reported improved margins. Many of the Group's companies advanced their market positions, and we completed two supplementary acquisitions within Precision Technology that are further strengthening us as a group. For the whole year, sales growth amounted to 5 per cent, of which just over 4 per cent was organic. Compared to the previous year, operating profit increased by 19 per cent while the operating margin rose from 10.8 to 12.2 per cent. The profit margin stood at 11.2 per cent (9.9), which means that we clearly exceeded our stated goal of 8 per cent. A strong cash flow further confirmed the Group's healthy financial position.



Q1

The first quarter began with stable conditions for all business units. The customer-specific volumes within Industrial Solutions remained at a good level, while activities within project-related operations increased. For Industrial Products, the trend was also positive up until the middle of March, at which point some of the companies in the business unit were affected by production stoppages in the automotive industry resulting from the coronavirus pandemic. Within Precision Technology, operations linked primarily to medical technology developed well, while other areas experienced a slightly weaker market climate.

Q2

It was possible to retain the margins successfully during the second quarter, despite challenges linked to the coronavirus pandemic. Overall, incoming orders were stronger than in the comparison period. The level of activity was high above all in the medical technology sector, while sales linked to automation projects remained strong.

Q3

The Group reported strong development during the third quarter. Both revenue and operating profit increased compared to the previous year. A general stabilisation in demand was experienced in several market sectors, and the indicated upturn within medical technology was greater than expected.

Q4

The results during the fourth quarter were strong and exceeded the comparative figures from the corresponding period in the previous year. In terms of the market, too, the year finished in a stable manner, with an improved order situation overall compared to the end of the previous year. Two supplementary acquisitions were carried out within the Precision Technology business unit.

ACQUISITIONS OF MODELLTEKNIK AND LASERTECH

Modelltechnik and Lasertech were acquired during the fourth quarter. Modelltechnik is an engineering company possessing leading-edge expertise in advanced cutting machining and mould manufacturing. Its customers are primarily in the automotive and defence segments. Lasertech is a leading company within industrial 3D printing and laser welding in metal. Customers include renowned companies in e.g. the automotive, defence and medical technology sectors.

CORONAVIRUS PANDEMIC

The effects of the prolonged coronavirus pandemic had a limited impact on the consolidated results for the year. For a few of the Group's companies, however, the pandemic gave rise to major challenges, principally in the form of significantly reduced volumes for the automotive industry. Activities linked to aftersales and service were also impeded by restrictions to freedom of movement, which also dampened the rate of growth. The negative impact on profits was minimised by rapid restructuring work and the implementation of efficiency improvements in combination with state support measures.



ROBUST DECISIONS AT A CHALLENGING TIME

Our entrepreneur-oriented business model has been put to the test and has proven to be sustainable, even under the extraordinary conditions that have characterised the year. Commitment and innovation on the part of our business leaders and employees have facilitated rapid and effective restructuring work in line with the changing circumstances. Despite these exceptional challenges, we are able to summarise a successful year.

GROUP DEVELOPMENT DURING THE YEAR

In terms of financial results, 2020 was the Group's best business year ever. We experienced four good quarters, with strong growth in particular during the second half of the year. All three business units improved their margins and exceeded the profit levels from the previous year. Through focused activities linked to strategic sales, many of the Group companies were also able to advance their market positions. At the end of the year, we completed two acquisitions that are further strengthening us as a Group.

The coronavirus pandemic consequently had a limited impact on our consolidated results, yet was still a dominant feature on the agenda for the year. Much of the focus initially was on making the working environment safe and protecting our personnel through the introduction of infection-prevention measures, such as stricter hygiene procedures and limits on the number of visitors to workplaces. From a business perspective, some of our companies were affected by lower volumes, principally within the automotive sector, while others strengthened their resources in order to respond to increasing needs within the medical technology industry. All in all, this meant that the strength and

flexibility of our entrepreneur-oriented business model was tested in various ways, and to date our approach has proven to be successful, even under challenging conditions. Committed business leaders and employees have effectively adapted to the new circumstances. Innovation has provided additional coordination benefits and more efficient processes. We have identified alternative working methods for activities linked to e.g. aftersales and servicing, which were impeded by restrictions to freedom of movement. The challenges have frequently given rise to initiatives that have proven to be able to have a positive impact on our operations in the longer term as well.

OPERATIONS WITHIN OUR BUSINESS UNITS

The lockdowns experienced in the automotive sector during the spring were the main reason for the slight fall in overall volumes in the Industrial Products business unit. Through efficiency improvements and a higher proportion of sales of proprietary products, however, it was possible to improve the margins. In terms of the market, the year was characterised by caution. There was a general stabilisation towards the end of the year, when automotive volumes were also more or less back to the previously forecast levels.

Within the Industrial Solutions business unit, project deliveries to the packaging and food industries increased significantly. This growth, combined with a balanced mix of customer-specific assignments and greater efficiency, resulted in a strong profit trend. Sales and aftersales activities were limited by restrictions linked to the pandemic, although installations were largely able to be performed as planned.

Between the companies in the Precision Technology business unit, developments shifted significantly according to their respective customer profiles. Deliveries linked to the medical technology sector increased dramatically, while volumes related to e.g. the automotive sector decreased. The strengthening of capacity continued in the form of investments in machinery and extended production areas. Thanks to two business acquisitions towards the end of the year, new technology was added and additional customer segments were introduced.

CORPORATE ACQUISITIONS CREATING NEW OPPORTUNITIES

The preconditions for acquisition discussions have been far from ideal during the year. That's why I am particularly pleased that, during the last quarter of the year, we still managed to finalise two processes and incorporate new companies in the Precision Technology business unit. Modelltechnik in Eskilstuna works with advanced cutting processes, and possesses leading-edge expertise in mould manufacturing. Lasertech in Karlskoga is a leader in the fields of industrial

3D printing and laser welding in metal. The Group is gaining access to specialist expertise within new technical areas, while at the same time the new acquisitions can benefit from the knowledge possessed by their sister companies, generating increased growth opportunities for all parties. Modelltechnik and Lasertech share many customers with other companies in the business unit, although they also operate in market segments that are new to us. Strategic work according to the XANO model has been launched in our new companies, and Group-wide activities have been initiated.

SUSTAINABILITY

The coronavirus pandemic has not taken our focus away from our sustainability work – quite the reverse. Activities linked to our core issues of employer branding and sustainable business have been central during the year. The health of our employees is always our top priority, and there have been more initiatives than ever aimed at ensuring a good working environment. In addition to the general wellbeing of our employees, we have endeavoured to create an atmosphere that is permeated by commitment and innovation. The strong leadership in the Group companies has played a key role in this respect. We can draw clear parallels between our work on employer branding and the concept of sustainable business. For us, this is principally a matter of good relations, development and innovation.

FUTURE LEADERS

The development programmes within XANO Academy are an important part of our work on employer branding. A new course was launched in 2019 for current and future leaders, focusing on subjects such as core values, brand building and strategic analysis. After certain changes to the arrangements and a slightly extended timetable, it has been possible to implement the programme despite the pandemic. We are planning to launch further rounds during the year, both within leadership and economics, in order to strengthen our young talents. Values, innovation and development represent

central elements in all of our courses, and are subjects that have become increasingly topical in recent times.

CONDITIONS IN FUTURE

Ongoing restructuring work is taking place within the Group in order to optimise our potential to achieve goals that have been laid down. The coronavirus pandemic has increased the pace of this work in certain areas where immediate changes have been necessary. The activities linked to our focus areas will continue in future, for example including strategic sales, digitalisation and innovation.

Our decentralised and entrepreneur-governed business model constitutes the foundation of the Group's success. The mix of industries with a high share of sales within sectors that are less sensitive to the economic situation, such as medical technology as well as the packaging and food industries, is providing us with a good balance. Our focus on profitable growth through long-term work with strategic customers and assignments is further enhancing our stability. A high rate of product development is contributing to an increased share of sales of proprietary products, where we have the potential to make optimum use of available resources.

After several years with healthy profit levels, our financial strength is providing us with the opportunity to further develop our offering. We are also seeing that the conditions exist to carry out new strategic acquisitions, which can supply additional technical expertise and introduce new market segments.

THANK YOU

Finally, I would once again like to express my appreciation and gratitude for the excellent work that the Group's employees together have carried out.

Jönköping, February 2021



Lennart Persson
Managing Director and CEO

THE XANO SHARE

XANO's class B shares were registered on the Stockholm Stock Exchange on 5 December 1988 and are now listed on Nasdaq Stockholm in the Mid Cap segment. The share capital amounts to SEK 36.6 million distributed between 7,288,800 Class A shares and 21,958,307 Class B shares, a total of 29,247,107 shares, with a nominal value of SEK 1.25. Each Class A share entitles the holder to ten votes and each Class B share to one vote. The total number of votes amounts to 94,846,307. All shares have equal rights to dividends.

CHANGE IN THE NUMBER OF SHARES

On 1 July 2016, personnel convertibles were issued with a closing date of 30 June 2020. During the period 1–12 June 2020, convertibles corresponding to a nominal value of SEK 57,776,921.50 was registered for conversion to Class B shares. The conversion rate was SEK 54.50 and the number of new Class B shares resulting from the conversion amounted to 1,060,127. The registration process was implemented in June 2020.

SHAREHOLDERS

The number of shareholders increased further during the year. At the end of 2020, XANO had 4,422 shareholders, compared to 4,326 shareholders at the corresponding time in the previous year. Of these, 4,222 were physical persons living in Sweden. The ten largest shareholders jointly held 94.1 per cent of the votes and 80.8 per cent of the capital. Institutional ownership made up 3.4 per cent of the votes and 11.2 per cent of the capital.

KEY PERFORMANCE INDICATORS		2020	2019	2018	2017	2016
Net profit for the year	SEK m	195	163	171	158	70
Equity	SEK m	1,051	800	686	541	412
Balance sheet total	SEK m	2,486	2 081	1,994	1,520	1,509
Return on equity	%	21.1	21.8	27.6	33.6	17.1
Equity/assets ratio	%	42	38	34	36	27
Portion of risk-bearing capital	%	46	43	39	40	31
Cash flow from operating activities	SEK m	402	307	150	117	128
Average number of outstanding shares ¹⁾	thousands	28,435	27,895	27,894	27,627	27,406
Average number of outstanding shares after dilution ¹⁾	thousands	29,140	29,035	29,034	28,767	29,087
Average number of shares in own custody ¹⁾	thousands	291	292	292	560	560
Earnings per share ¹⁾	SEK	6.86	5.85	6.13	5.72	2.55
Earnings per share after dilution ¹⁾	SEK	6.76	5.70	5.97	5.57	2.46
Cash flow from operating activities per share ¹⁾	SEK	14.14	11.02	5.37	4.26	4.66
Total number of shares on the closing day ¹⁾	thousands	29,247	28,187	28,187	28,187	28,187
Number of shares in own custody on the closing day ¹⁾	thousands	255	292	292	560	560
Number of outstanding shares on the closing day ¹⁾	thousands	28,993	27,895	27,895	27,627	27,627
Equity per share on the closing day ¹⁾	SEK	36.25	28.68	24.58	19.59	14.90
Share price on the closing day ¹⁾	SEK	129.50	113.00	76.50	74.88	52.38
Share price in relation to equity per share	%	357	394	311	382	351
Proposed dividend per share ¹⁾	SEK	2.50	– ²⁾	2.00	2.00	1.12
Direct yield	%	1.9	–	2.6	2.7	2.1

¹⁾ The comparative figures have been translated at a rate of 2:1 in line with share splits conducted in 2017 and 2019.

²⁾ In order to safeguard financial latitude during the ongoing coronavirus pandemic, no dividend was paid out for 2019.

DEFINITIONS

Portion of risk-bearing capital

Equity plus provisions for tax in relation to total capital.

Return on equity

Profit for the year in relation to average equity.

Share value

Total number of shares multiplied by the share price on the closing day.

Direct yield

Proposed dividend in relation to the share price on the closing day.

Equity per share

Equity in relation to the number of outstanding shares on the closing day.

Cash flow from operating activities per share

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

Earnings per share

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

Earnings per share after dilution

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

Equity/assets ratio

Equity in relation to total capital.

Total yield

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

Further definitions can be found on page 81.



PRICE TREND

During 2020, XANO's share price rose by 14.6 per cent from SEK 113.00 to SEK 129.50. The highest price paid during the year was SEK 134.50 in November, while the lowest price paid was SEK 65.00 in March. The highest closing price was recorded on 30 November at SEK 133.00, while the lowest closing price being recorded on 16 March at SEK 70.00.

The number of shares sold totalled 1,609,216, which corresponds to a turnover rate of 7.5 per cent, and the combined value of the trading amounted to SEK 167 million. As at 31 December 2020, XANO's share value amounted to SEK 3,788 million, based on the latest closing price and the total number of shares. The total return for the year amounted to almost 15 per cent. The average over the past ten years has been approx. 24 per cent, excluding the value of spun-off operations.

PRICE TREND AND SHARE SALES, 2016-2020



In June 2017 and June 2019, a 2:1 share split was conducted. Historic prices have been adjusted.

DIVIDEND POLICY

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

For the 2020 financial year, the Board is proposing a regular dividend of SEK 2.50 (–) per share, totalling SEK 72.5 million (–) based on the number of outstanding shares at the end of the year. The proposed dividend corresponds to approx. 37 per cent (–) of the profit for the year and a direct yield of 1.9 per cent (–) calculated from the share price at the end of the year.

In the year-end report for 2019, XANO's Board communicated its intention to propose a dividend of SEK 2.00 per share to the Annual General Meeting. In April 2020, the Board decided to withdraw this proposal as a result of the ongoing uncertainty linked to the effects of the coronavirus pandemic.

SHARES IN OWN CUSTODY

In 2003, 415,000 Class B shares were acquired. During 2006, a reduction in the share capital was carried out through the withdrawal without repayment of 198,000 of the repurchased shares. A total of 47,000 and 30,000 own shares were transferred during 2007 and 2008 respectively in connection with company acquisitions. The number of shares in own custody thereafter amounted to 140,000, with a nominal value of SEK 5.00. As a result of the 2:1 share split in 2017 and the transfer of 133,778 own Class B shares in conjunction with business acquisitions in 2018, the number of shares in the company's custody at the start of 2019 amounted to 146,222 with

a nominal value of SEK 2:50. In June 2019, a further 2:1 share split was conducted. In December 2020, 37,878 shares were transferred in conjunction with business acquisitions, and the number of shares in the company's custody on the closing day amounted to 254,566 Class B shares, corresponding to 0.9 per cent of total share capital. Minus the shares held by the company, the number of outstanding shares amounted to 28,992,541 on the closing day.

CONVERTIBLE BOND PROGRAMME

On 1 July 2016, personnel convertibles were issued with a closing date of 30 June 2020. During the period 1–12 June 2020, convertibles corresponding to a nominal value of SEK 57,776,921.50 was registered for conversion to Class B shares. The conversion rate was SEK 54.50 and the number of new Class B shares resulting from the conversion amounted to 1,060,127. The registration process was implemented in June 2020.

During the period 27 August to 3 September 2020, employees within the XANO Group subscribed for 573,756 convertibles at a price of SEK 122, equivalent to a nominal amount of SEK 69,998,232. The convertible will run for the period 1 October 2020 to 30 September 2023, at an interest rate corresponding to STIBOR 3M plus 1.75 percentage points. During the period 1 September to 12 September 2023, each convertible may be converted to one Class B share in XANO Industri AB. If all the convertibles are converted into shares, the dilution effect on the share capital will be approximately 1.9 per cent, and on the voting rights approximately 0.6 per cent, based on the current total number of shares.



LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2020

Shareholders	Class A shares	Class B shares	Total number of shares	Proportion (%) of share capital	Proportion (%) of votes
Anna Benjamin and related parties	5,128,800	2,951,200	8,080,000	27.63	57.19
Pomona-gruppen AB	2,160,000	6,254,180	8,414,180	28.77	29.37
Svolder AB	–	1,730,500	1,730,500	5.92	1.82
Stig-Olof Simonsson and related parties	–	1,647,915	1,647,915	5.63	1.74
Kennert Persson	–	1,238,826	1,238,826	4.24	1.31
Petter Fägersten and related parties	–	600,800	600,800	2.05	0.63
Sune Lantz	–	593,268	593,268	2.03	0.63
Europea i Malmö AB	–	526,800	526,800	1.80	0.56
Spiltan Fonder AB	–	401,888	401,888	1.37	0.42
Christer Persson and related parties	–	384,608	384,608	1.32	0.41
Total, ten largest shareholders	7,288,800	16,329,985	23,618,785	80.76	94.07
Other shareholders	–	5,373,756	5,373,756	18.37	5.66
Total number of outstanding shares	7,288,800	21,703,741	28,992,541	99.13	99.73
Shares in own custody	–	254,566	254,566	0.87	0.27
Total number of shares	7,288,800	21,958,307	29,247,107	100.00	100.00

One Class A share carries 10 votes and one Class B share carries one vote.

Source: Euroclear

SHARE DISTRIBUTION AS AT 31 DECEMBER 2020

Share type	Number of shares	Proportion (%)	Number of votes	Proportion (%)
Class A shares	7,288,800	25	72,888,000	77
Class B shares	21,958,307	75	21,958,307	23
Total	29,247,107	100	94,846,307	100
Of which in own custody	-254,566		-254,566	
Total outstanding	28,992,541		94,591,741	

Number of shares	Number of shareholders	Proportion of shareholders (%)	Proportion of shares (%)	Proportion of votes (%)
1 – 500	3,513	79.68	0.95	0.29
501 – 1,000	282	6.40	0.76	0.23
1,001 – 5,000	452	10.25	3.56	1.10
5,001 – 10,000	66	1.50	1.72	0.53
10,001 – 50,000	69	1.56	4.44	1.37
50,001 – 100,000	9	0.20	2.20	0.68
100,001 –	18	0.41	85.50	95.53
Total outstanding	4,409	100.00	99.13	99.73
Shares in own custody			0.87	0.27
Total			100.00	100.00

In owner groups.

Source: Euroclear

SHARE CAPITAL TREND

Year	Transaction	Change in share capital, SEK thousand	Total sharecapital, SEK thousand	Total number of shares	Nominal value, SEK
	Opening value	50	50	500	100.00
1985	Bonus issue	1,150	1,200	12,000	100.00
1986	Bonus issue	6,800	8,000	800,000	10.00
1987	New share issue	500	8,500	850,000	10.00
1988	New share issue	2,000	10,500	1,050,000	10.00
1992	New share issue due to conversion	91	10,591	1,059,100	10.00
1993	New share issue due to conversion	536	11,127	1,112,700	10.00
1995	New subscription through options	725	11,852	1,185,200	10.00
1997	2:1 split	0	11,852	2,370,400	5.00
1998	2:1 bonus issue	23,704	35,556	7,111,200	5.00
2006	Reduction in share capital	-990	34,566	6,913,200	5.00
2008	New share issue due to conversion	79	34,645	6,928,974	5.00
2016	New share issue due to conversion	589	35,234	7,046,745	5.00
2017	2:1 split	0	35,234	14,093,490	2.50
2019	2:1 split	0	35,234	28,186,980	1.25
2020	New share issue due to conversion	1,325	36,559	29,247,107	1.25



OUR SUSTAINABILITY WORK

XANO is preparing the Sustainability Report for 2020 as a separate document from the Annual Report. This and the next spread present extracts from the Sustainability Report, which is published on our website, xano.se.

Our financial goals for the Group are an annual organic growth above the general market trend, a profit margin of at least 8 per cent and an equity/assets ratio exceeding 30 per cent. In order to achieve profitable growth, it is necessary to employ sustainable enterprise through resource optimisation and efficiency at every stage. This is a natural way of working for XANO, and the sustainability work has consequently always been at the heart of the Group's operations

Since our first sustainability report, which related to 2017, we have introduced a number of Group-wide procedures aimed at systematising the work and reinforcing corporate governance in respect of sustainability. We wanted to obtain a combined picture of the sustainability activities in our companies, and we developed a central sustainability policy that all the units implemented. At the same time, we launched the process of incorporating the sustainability aspects in each Group company's business plan. In 2018, the Board of Directors adopted a sustainability strategy that describes the overall focus of the ongoing work. Furthermore, directional

goals were formulated relating to improvements within selected areas in respect of personnel and the environment. The task for the individual Group companies is, on the basis of the common guidelines, to formulate their own quantified goals regarding materiality and business benefits.

Tangible sustainability activities during the year have been focused on those issues that the Group companies themselves and their respective stakeholders consider to be most pressing, according to implemented analyses. At Group level, we have further developed the follow-up process and clarified the procedures regarding reporting data in respect of selected sustainability indicators.

The plan for 2021 involves Group-wide training programmes for managing directors and sustainability coordinators, including a review of the methodology for stakeholder, risk and materiality analyses. We will also continue to improve our reporting procedures, with the aim of simplifying the process and improving the reliability of the data that is collected.

THE XANO SPIRIT

Our core values – entrepreneurial drive, long-term thinking and technical know-how – characterise the XANO spirit, which is based on the Group's origins in the southern Swedish province of Småland. The most important common denominator for the Group's companies is entrepreneurial spirit with a strong drive. The companies have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, and specifies clear demands for the involvement of all employees. The working climate and stakeholder relations are characterised by openness and a high ceiling.

We believe that strong relations lead to success, which is the reason behind our long-term investment in our companies. This provides each unit with opportunities to develop its own resources optimally. With genuine technical know-how, we also have the conditions to develop and use new machinery and methods in a manner that contributes to more efficient manufacturing and sustainable products. ■



KEY PERFORMANCE INDICATORS	Net revenue	Operating profit	Operating margin	Profit before tax	Employees
Segment	SEK m	SEK m	%	SEK m	average no.
Industrial Products	551	76	13.8	69	288
Industrial Solutions	1,345	170	12.6	159	572
Precision Technology	345	56	16.3	54	186
Parent company, eliminations	-2	-28	–	-31	9
Total	2,239	274	12.2	251	1,055

GREENHOUSE GAS EMISSIONS	Scope 1			Scope 2	Scope 3		Total
Segment	Business travel by car	Own transport	Gas and oil consumption	Electricity and district heating	External transport	Business travel by air	tonnes CO ₂ e
Industrial Products	50	43	1,224	3,637	527	5	5,486
Industrial Solutions	101	63	131	1,337	909	199	2,740
Precision Technology	10	13	102	376	17	0	518
Parent company	6	0	0	0	0	1	7
Total	167	119	1,457	5,350	1,453	205	8,751

ENVIRONMENTAL GOALS

XANO's Board of Directors has determined three directional goals that will constitute the foundation for the Group companies' work on improvements in the environmental field. Each unit must work actively on environmental issues and set up its own quantitative environmental goals. Supporting data for Group-wide key performance indicators is gathered quarterly.

GREENHOUSE GAS EMISSIONS

As from 2020, our measurements in respect of greenhouse gas emissions are following the standard according to the Greenhouse Gas (GHG) Protocol and are reported in Scopes 1, 2 and 3. Scope 1 covers climate emissions from vehicles controlled by companies that are used for business travel and the transport of goods, as well as the consumption of gas and oil for electricity, heating and production

processes. Emissions from purchased electricity and district heating are reported in Scope 2. Reporting in accordance with these scopes is mandatory under the GHG Protocol. We have also opted to report emissions related to the external transport of goods and business travel by air in Scope 3. The climate impact attributable to purchased material is not included. ■



CIRCULAR ECONOMY IN PRACTICE

“Through Nordic Plastic Recycling, we are taking responsibility for recycling our products. The long-term goal is to be able to offer all our customers circular economy in practice,” says Dag Eirik Thomassen, Managing Director of Cipax in Norway.

PRODUCER RESPONSIBILITY

During 2016, Cipax became a co-owner in a Norwegian collaborative project, which is now marketed under the name Nordic Plastic Recycling. The operation is run along with colleagues in the industry, and is intended to handle the recovery of the involved companies’ own products and increase the recycling of plastic materials. For Cipax, this initially relates to dealing with the boats that the company manufactures and markets under the Pioneer and Steady brands, once they have reached the end of their service life.

“We will take control of the entire value chain, which is our responsibility as a producer and also part of our long-term sustainability work. Our products are 100 per cent recyclable, but the infrastructure, technology and expertise required for taking them back and recycling them do not exist at

present. We will change this through Nordic Plastic Recycling,” says Dag Eirik.

TAKING BACK BOATS

It should be easy for the customer to return their boat for recycling, and for this reason Cipax is working to expand its network of business partners in order to get closer to customers in purely geographical terms. However, stringent demands are being placed on these partners’ ability to sort the materials into the correct fractions. “It is important that our partners possess this expertise, as the biggest challenge at the moment is access to recycled material of a high and even quality,” says Dag Eirik.

During the recycling process at Nordic Plastic Recycling, the recovered material is sorted into two different fractions with separate production lines.

“The material that is of a sufficiently high quality that we can use it again in our own manufacture of rotational-moulded products has a separate, isolated production line. Scrapped products made of other recyclable materials end up in fraction number two, which we can use for other production methods. We naturally place very high demands as regards quality, and carry out quality tests continually on the recycled material before it can go back into production.”

SUSTAINABILITY CONSIDERATIONS IN EVERYTHING WE DO

Future customers will not be satisfied with the product they buy simply being made from a material that is 100 per cent recyclable. They also want to know that the circularity will continue once the product has reached the end of its service life. “They want to feel



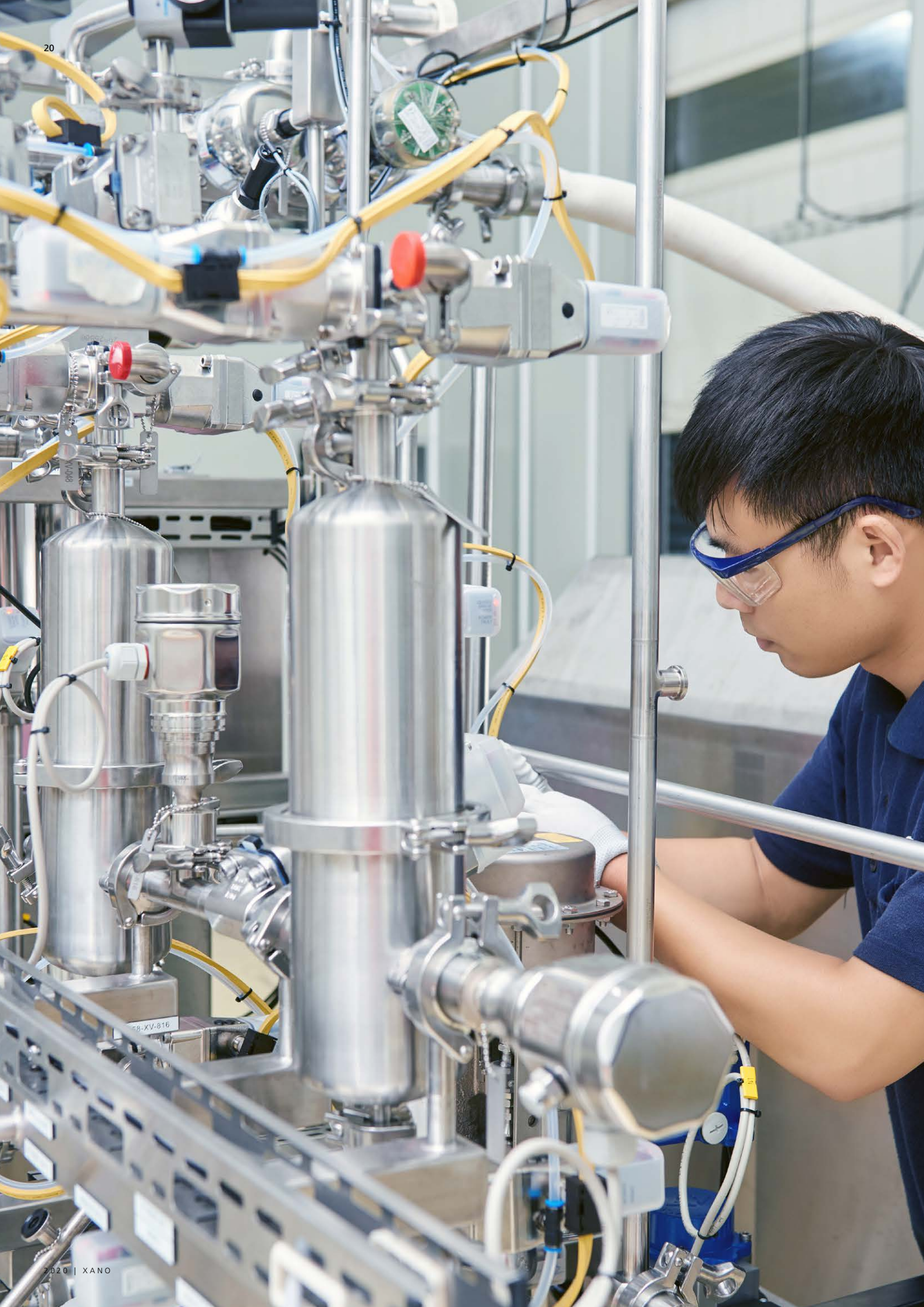
secure in the knowledge that scrapped items will be taken back by us producers and then be used in the cycle again. Our customers expect us to close the circle," says Dag Eirik, continuing:

"It is important for us as a producer to play an active role in the entire life cycle of the product and to consider sustainability in everything we do – from product design to production and recovery. As new environmental directives from the EU enter into force, producer responsibility will be further tightened. Through the activities conducted within Nordic Plastic Recycling, we have positioned ourselves at the absolute forefront in this respect."



ABOUT NORDIC PLASTIC RECYCLING

Nordic Plastic Recycling is an industrial player that promotes the circular economy by developing sustainable solutions for the recovery and recycling of plastics. The market can return scrapped products for recycling through this establishment, and the Nordic players in the plastics industry have the potential to return waste from their own production operations. The initiative will also contribute to a reduced environmental impact through greater resource efficiency and reduced raw material extraction. Nordic Plastic Recycling AS was established at the end of 2016.



AUTOMATED TECHNOLOGY FOR BIOPROCESSES

During sensitive manufacturing processes, such as the production of pharmaceuticals, cleaning and sterilising in place play a key role when it comes to avoiding cross-contamination and guaranteeing the sterility of the equipment that is used to handle the products. Fredriksons' unit in China has developed its own Sterile Formulation System (SFS) for the automated handling of complex pharmaceuticals in liquid form in a controlled and documented manner.

CIP (Cleaning-In-Place) and SIP (Sterilising-In-Place) are systems designed for the automatic cleaning and disinfecting of production equipment. This takes place without the need for extensive disassembly and assembly work. A well-designed system makes it possible to clean or sterilise a specific part of the production facility while manufacturing in other parts continues as normal. In addition to the benefits associated with greater utilisation of the facility, significant savings are also achieved in relation to fluids, water and working time.

Fredriksons' CIP and SIP systems are designed to automate critical cleaning and sterilisation processes in a controlled and documented manner. Once the preparation of the pharmaceutical product is complete, it is pressed through a sterile filter using

compressed air or pharmaceutical quality nitrogen pressure, before being collected in a sterile storage tank. The suspension is then transported to a filling tank. Both of these tanks have their own pressure control to ensure that the product is always transferred correctly. Pressure control and fluid level adjustment take place automatically in the filling tank. The parameters are governed via the filling machine, ensuring not only that the product is protected by positive pressure, but also that filling is performed correctly. There is a system of pipes between the tank and the machine for the circulation of the suspension, which guarantees the uniformity of the product throughout the filling process.

During April, Fredriksons is completing the first installation of a complete system for a long-term customer, where the focus will

be on quality and productivity. This specific equipment is intended for the manufacture of insulin. The end customer will be applying for approval from the FDA (Food and Drug Administration). In order to obtain a positive decision from the agency, robust solutions with advanced quality are required. With a gradual start-up during the second half of 2021, some 15 million doses are eventually expected to pass through the preparation system each year.

Bioprocess technology is a growing segment for Fredriksons. In addition to handling pharmaceuticals, processes relating to food and chemicals are also covered. The target market will initially be China, although sales activities will be conducted throughout the whole of Asia Pacific (APAC) in coming years.



OUR FUTURE LEADERS

Within the framework of XANO Management School, a programme is currently under way encompassing 40 of the Group's employees holding key roles within sales, quality and HR. In parallel with the training, 19 different projects have been conducted within those areas on which the programme focuses.

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

The development programmes that are conducted within XANO Academy normally run over twelve months and are divided into a number of two-day modules. The content is adapted according to the target group's structure and skills requirements.

Since the start, nearly 200 employees have completed courses within XANO Academy. In October 2019, the XANO Management Program was launched for employees in various leading roles within sales, quality and

HR. Two groups with a total of 40 participants are immersing themselves in various subjects, which will strengthen them both in their respective professional roles and as people.

The ongoing programme within XANO Academy covers topics such as leadership, employer branding, strategy and digitalisation. The training was planned to be completed after the summer of 2020, but the coronavirus pandemic has resulted in a postponement of the timetable, with examinations taking place in 2021 instead. A significant proportion of the final module covers the reporting of projects that have been run within the framework of XANO Management Program. Using digital presentations, the participants have reported their work to their respective company's managing director as

well as to the Group and business unit management teams. A brief description of three of these projects can be found opposite.

The purpose of XANO Management Program is to create networks between Group companies. Through a common understanding of the Group's business opportunities and the way in which new economic value is generated, each company is being given the optimum conditions for development and long-term profitability. Examples of topics that are covered include leadership and group dynamics, brand building, strategic analyses in order to understand in depth all parts of the business and to identify core skills, integration of Industry 4.0 in the business plan, increasing digital maturity and driving the process of change. ■



XANO MANAGEMENT PROGRAM

AFTERSALES

The purpose of this projects is to further strengthen long-term customer relationships. By being part of the customer's overall value chain – from development and initial purchase to servicing and repeat purchases, the company can develop into a complete service provider and a valuable partner in long-term collaborations.

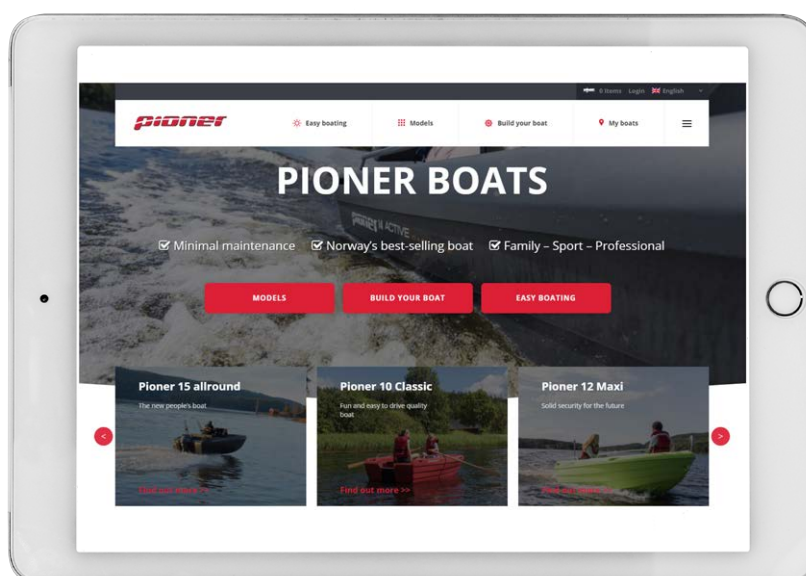
In order to achieve this goal, the servicing portfolio has been systematised at the same time as relationships with customers have been revised. The company has shifted from simply being an equipment manufacturer to offering services that add value for the customer throughout the entire assignment process.

CORE EXPERTISE

The aim of the project is to find a model that identifies, develops and uses the company's core expertise to generate a market-leading position within selected business areas. The company operates in a technically demanding niche and developments progress rapidly. Investments in production technology for new processes and a higher level of knowledge are required in order for the company to remain competitive. At the same time, a shift is taking place in the corporate culture, from being a production and technology-oriented organisation to becoming market and customer-directed. This entails ensuring that all the functions in the company understand that the focus is on the needs of the customer, both now and in the future.

INDUSTRY 4.0

Developments within digitalisation, AI and automation are moving ever faster. What is required in order to achieve competitive advantages in the future? How can the company remain sufficiently flexible to adapt to a data-driven information stream that is growing with every passing day? The project relates to smart manufacturing through an increased understanding of the many challenges and opportunities that the company may encounter in its future development. The company's strategy will focus on utilising available resources for those activities that are deemed capable of contributing most in respect of increased competitiveness on the market, which in turn generates profitable growth.



BUILD YOUR BOAT ONLINE

During 2020, Cipax launched a digital platform for the marketing and sale of boats via an online store. This platform is comparable with the sites that are commonly found in the automotive industry. In exactly the same way as potential car customers, boat customers can now select their options and visualise the boat on the screen, along with an approximate price. "We will be available whenever is most suitable for the customer, regardless of the time of day or night. This is already the case," says Dag Eirik Thomassen, Managing Director of Cipax in Norway.

Even though most people do not yet feel ready to complete their actual purchase online, it can be seen that market interest in configuring boats on the platform is growing and growing. "This is pleasing, because it's a first step towards making a purchase. It is a matter of instinct, ensuring that we hit the mark in our communication and capture the interest of the customer at exactly the right time," he says.

Dag Eirik is convinced that people who want to buy a small boat will be prepared to buy it online in the near future. However, he believes that anyone who wants to buy a larger boat will continue to turn to a dealer in order to feel more secure with their choices.

THE RIPPLE EFFECT

The investment in the digital platform has been a success on the Norwegian, Swedish and Finnish markets, where it has been launched. "The main difference between the Nordic markets is that the Pioneer brand is not as well known in Finland and Sweden as it is in Norway. However, many more people have got to know Pioneer through our platform, which is resulting in all the markets now experiencing greater demand for these boat models," he says.

The next step is to introduce more products and components on the platform in order to increase the options available to the customer. "Here we are talking about engines from different manufacturers and complementary equipment that is associated with buying a boat. The fact that our digital platform is so successful is producing a ripple effect, in the form of interest from various suppliers who want to be part of the offering on our platform. This is positive, both for us and the end customer," says Dag Eirik.

BENEFITS FOR ALL

Even though the end customer is the platform's priority target group, it is also producing benefits for Pioneer's dealers. It is doing this by attracting attention on the market in general, and among customers who are approaching the end of the purchasing process in particular. "Our dealers are incredibly important to us, and the configurator is a tool that in many ways makes their work easier and more flexible. Because once the customer has reached a decision, they pretty much always contact one of our dealers to complete their purchase. This dealer is subsequently the customer's contact person when it comes to servicing, for example, or when

the customer wants to replace their boat with a new one," he says.

In order to make the step up to buying your own boat a little less steep, Cipax also offers financing options through an external partner. "We are only offering financing in Norway at present, but the idea is for this to be possible in both Sweden and Finland in the near future."

NEW WAY OF MEETING THE CUSTOMER

Cipax is constantly working to further improve the platform in order to meet the needs and expectations of potential customers. "This can relate to minor details that we can change to make things easier for anyone visiting us, as well as the feedback we receive from those who use the configurator," says Dag Eirik, continuing:

"Our digital platform is laying the foundations for an entirely new way of meeting our customers – exactly when and where they want to meet us, in other words. This will seep through the whole of Cipax's operations, and the digital platform for our boats is just the beginning."



DIGITAL TWIN DEPICTING THE ACTUAL SITUATION

"By building digital twins of future systems, we have made further advances in the field of innovative digitalisation. With a multitude of simulation tools at our disposal, we are able to create a virtual production system before it exists in reality. This contributes to time and cost savings, both for us and the customer," says Kenneth Bo Madsen, Managing Director of the Danish company Jorgensen Engineering.

The concept is based on the system obtaining a digital copy, and in an ideal scenario this will be identical to the physical system in terms of functionality. Through the digital twin, Jorgensen can show its customers what the project will look like in reality as well as test the programming before the machines are physically in place.

"The aim is to create a flexible future production operation by identifying deficiencies and opportunities for improvement right from the virtual stage, in order to avoid mistakes in reality," points out Kenneth. This is reducing Jorgensen's production time, as the programmers can work continually on streamlining the system based on the results of the tests being carried out.

CREATING VALUE IN THE COLLABORATION

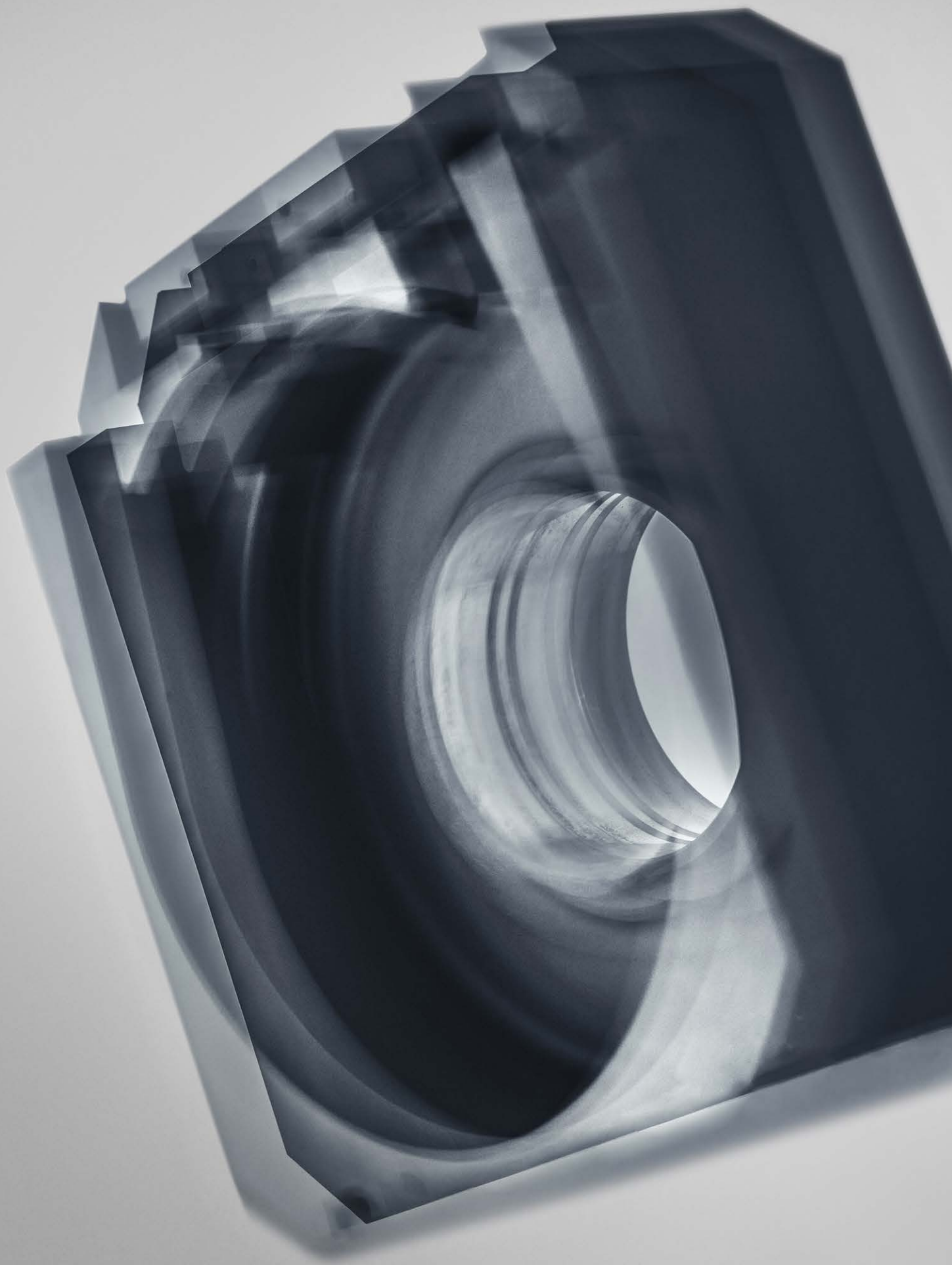
New opportunities are also being created in the virtual world to train the customer in the use of the system, so that they possess this knowledge when the system is to be implemented in the production process. "The ability to simulate and to show the customer what we mean virtually, rather than sending heavy documents that the customer needs to read through, increases the level of understanding and means that the collaboration with the customer generates more value," says Kenneth.

"Following delivery, we can continue to test new products and optimise processes without the customer needing to halt production in the physical facility during this

time. The digital twin also simplifies servicing and support, as they can be performed remotely. Quite simply, allowing preparations to take place in the digital world before the system delivery is implemented is producing many benefits," continues Kenneth.

The data that is gathered in and analysed helps to visualise the options for improving efficiency in the production facility.

"The analysed data provides us with a picture of the actual situation, as well as an insight into how we can make changes in order to improve. The time that we previously spent on resolving any problems on an ad hoc basis can instead be devoted to optimising the facility so that we can avoid the problems in the first place," concludes Kenneth.



INDUSTRIAL SOLUTIONS

The business unit is made up of Canline, Fredriksons, Jorgensen, NPB and Polyketting. The companies supply automation solutions developed in-house, such as packaging equipment, accumulators and conveyor systems, above all to the packaging and food industries.

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

2020 IN BRIEF

On the whole, the companies in the Industrial Solutions business unit performed well in a year characterised by many challenges. They benefited from long-term relationships with existing customers in growing sectors and those less sensitive to the economic situation. The strength of the management in the companies was a major competitive advantage. Travel restrictions affected sales, installations and the commissioning of projects at customer facilities, but the companies in the business unit found ways of completing their assignments as the need arose, often using previously developed, modern digital infrastructure to support remote working.

1,345

Net sales, SEK m

+10.8

Growth, %

170

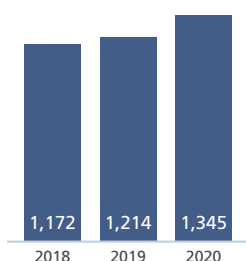
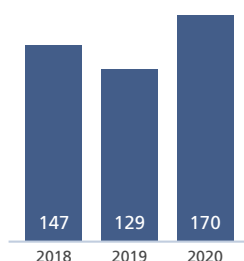
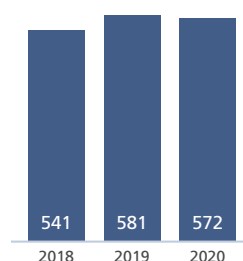
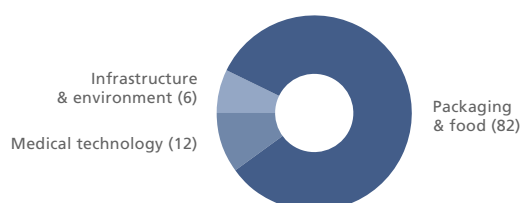
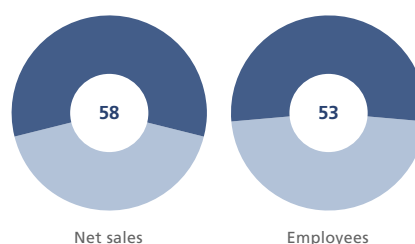
Operating profit, SEK m

12.6

Operating margin, %

572

Employees, average

NET SALES (SEK m)

OPERATING PROFIT (SEK m)

EMPLOYEES (AVERAGE)

SECTOR BREAKDOWN (%)

PROPORTION OF THE GROUP (%)




INNOVATIVE DIGITALISATION

The companies in the business unit are constantly working on product and technical development. The particular conditions this year in the wake of the coronavirus pandemic have resulted in a radical increase in the use of pre-existing digital solutions, as well as driving up of the rate of development. Travel restrictions have limited the opportunities for activities such as customer meetings and installations around the world, which has given rise to alternative solutions. Using connected systems, NPB has been able to carry out the test operation of equipment prior to delivery (FAT) alongside customers in a satisfactory manner. This concept has also been used during installation and commissioning work on the customers' premises, which has minimised the need for technicians to travel there. Jorgensen has also successfully installed a number of projects and carried out servicing assignments with the support of digital solutions.

Canline has conducted a planned digital transition in order to optimise the design process and achieve shorter delivery times for customer-configured solutions. This change means that Canline, working from virtual basic models of machines and conveyors, has the potential to create tailored drawings more efficiently by providing the specific variables for each customer project. The interaction between mechanical and electrical components in the deliveries has also been developed. Monitoring and line control have become increasingly integrated elements in the complete handling systems that are installed. Instead of separating the electrical components from the mechanical structure, as was previously done, Canline is now producing an integrated mechatronic design. This increases the efficiency of the projects, for example by minimising the number of adaptation measures required after installation.

Using simulation tools, Jorgensen creates virtual twin systems before automation equipment is produced in reality. By identifying deficiencies and improvement potential in the virtual stage, it is possible to avoid costly mistakes in the real world. Production times are reduced, as the system can be streamlined continually based on the results of the analyses that are performed. Following delivery, new products can be tested and processes optimised without the customer needing to halt production in the physical installation. Servicing and support can also be provided remotely.

COORDINATION AND STREAMLINING

All the companies in the business unit are working on complex project deliveries in various forms. In order to optimise execution, it is necessary to achieve control over all the functions and resources involved. Jorgensen has developed its own project management model, which has provided invaluable support and resulted in many successful assignments. Jorgensen's knowledge and experience have been communicated to its sister companies, NPB, Polyketting and Canline, which are now running their projects according to the same pattern. With risk management in respect of commercial, technical, organisational and economic factors as a starting point, the project assignments are managed by a steering group that includes representatives from the company management. The implementation of the joint project management model has led to both better internal control and increased customer satisfaction. This arrangement makes it possible to identify and address any deviations early in the project process, so that they have less impact on the overall execution. Both the ongoing work and the further development of the project management model are made easier by frequent exchanges between the companies in the business unit.

A number of efficiency-improving measures have been initiated within Fredriksons' Swedish unit and have improved results. Over the past year, an internal project has been conducted involving data collection and the analysis of machinery in order to optimise the use of critical resources. The results show that this has already led to an improvement in productivity. Strategic work carried out over a number of years on the refining of assignments, prioritising a high degree of finishing, has resulted in a balanced customer mix spread over various sectors. Investments in automation linked to the production equipment have contributed to increased flexibility and a good balance in terms of staffing, where overtime is seldom required. The company's modular conveyor system has been further developed to allow basic customisations, as well as enabling economies of scale in production and a competitive overall cost. In combination with ongoing skills development and a committed leadership, where the employees' capabilities are utilised optimally, this is strengthening the business.



NEW MARKETS AND STRENGTHENED OFFERING

Several of the companies in the business unit have enjoyed success on the North American market during the year. For example, Canline launched collaborations with OEM companies that serve the global market in the canned drink segment, thereby increasing its sales substantially in the USA. This growth related primarily to systems for handling aluminium cans, which is a relatively new area for the company. Canline works in close cooperation with its sister company NPB, which also conducted extensive deliveries to the USA.

Polyketting manufactures accumulator units for the handling of packages, and made contact with a number of major OEM players in this segment during the year. The company can see good potential for development here, which might entail opportunities to reach new geographic markets. For Polyketting, the focus remains on the delivery of standardised, product-based systems. By means of an assets and liabilities deal, the product range has been supplemented during the year with cardboard and bottle dryers as well as cardboard turners. Polyketting has previously sold a number of the newly added products, but now also possesses all the rights such as drawings and software tools. The acquisition has resulted in Polyketting gaining access to additional market contacts, which it can cultivate to win new assignments.

Fredriksons' unit in China has developed its own system for cleaning and sterilising handling equipment for biotechnology processes. During 2020, the company received a substantial order from a long-term customer for equipment intended for insulin production. Commissioning is taking place during the spring and the plant will serve as an important reference for future development.

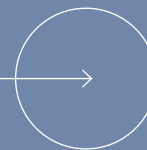
Another reference project was completed during the year by Jorgensen in Denmark. The delivery related to automation equipment

for a player in the infant formula segment. Jorgensen is already well established in this sector, but the solution in this project has a profile targeting a new niche in the market where strong development is anticipated in future.

MUCH-APPRECIATED SUPPLIER

Fredriksons develops its own conveyor solutions and systems, but also works with large-scale, customer-specific assignments. With a focus on a long-term approach, Fredriksons' two units in Sweden and China have strengthened their relationships with contract customers in the fields of food handling, medical technology, infrastructure and the environment.

Fredriksons' unit in China manufactures systems intended primarily for food handling and bioprocesses. During 2020, the company was one of only a few suppliers around the world to have been awarded a distinction by a significant customer, relating to proven excellence in terms of quality, delivery performance and business acumen. All the products manufactured on this customer's behalf are used as a basis for the assessment. This covers advanced modules, conveyors and spare parts for handling equipment. In addition to the results from measurable parameters, an overall assessment is also conducted based on the supplier's performance in terms of energy and service level, as well as its flexibility when the customer is faced with a challenge. The distinction relates to work carried out in 2019, although Fredriksons has continued to play a key role over the past year with the specific challenges it has brought with it. During this time, Fredriksons has succeeded in safeguarding continuous deliveries to the customer while at the same time satisfying increased procurement requirements.



OPPORTUNITIES AND CHALLENGES

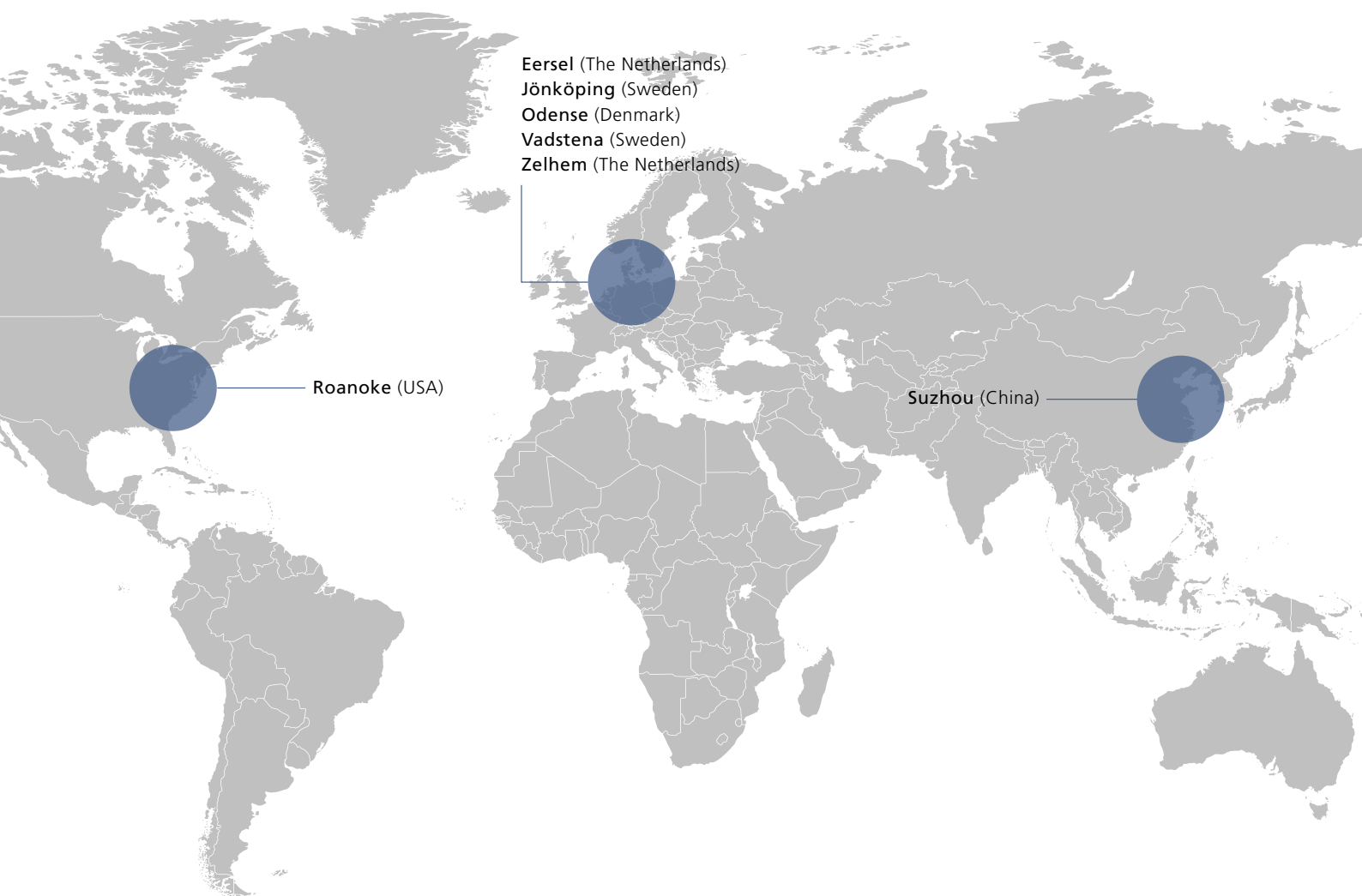
The opportunities for continued strong development for the Industrial Solutions business unit are generally good. Through collaborations with important players within sectors such as food, packaging, healthcare services, pharmaceuticals, water treatment and power storage, all of which are working to launch sustainable solutions, the expertise that exists within the business unit can be utilised optimally and generate successful operations on several levels. The companies in the business unit are being challenged to increase exchanges with new players that are entering these markets with innovative approaches and expectations related to their respective stakeholders.

Restrictions linked to the ongoing coronavirus pandemic may limit the opportunities to carry out installations as well as affecting the work on aftersales activities in future. However,

the current transition process towards an increasingly digital and connected operation is helping to maintain the level of service and minimise the risks of negative effects as a result of external circumstances.

Project sales increased significantly over the past year, and now represent the largest proportion of the business unit's turnover. Through frequent exchanges between sister companies, project management has been developed and streamlined to ensure quality and profitability in the complex assignments being handled.

The companies' areas of focus in the immediate future include marketing activities targeting growth on new markets, digitalisation and streamlining, as well as skills development.



ACTIVITIES AND MARKETS

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

Fredriksons works with customer-specific manufacture, including sheet metal processing, cutting machining and assembly. Customers are primarily active within food handling, medical technology, infrastructure and the environment. Fredriksons also develops and manufactures conveyor solutions, principally for large Swedish companies with international operations. Fredriksons' Chinese unit primarily manufactures and supplies sub-systems and complete solutions intended for food handling and bio-processes.

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

NPB and Canline develop and manufacture automation equipment, primarily for handling metal lids and cans. The equipment is based on proprietary technology that is unique in the sector, and the companies pos-

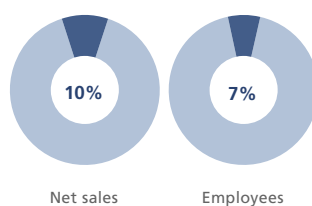
sess specialist expertise in design, mechanics and electrical control. Installations are performed all over the world, above all for customers in the packaging industry. NPB focuses primarily on lid handling solutions for can-related products. Canline mainly works with conveyor systems for metal packaging.

Polyketting works with the development and manufacture of automation equipment, primarily accumulator units and conveyor systems, for the handling of packages. Customers are mainly made up of companies within the food industry. Polyketting's automation solutions are intended to generate the maximum possible efficiency in their customers' production lines, where large volumes of packages are filled and transported. ■

CANLINE
 Eersel / Roanoke

Net sales	SEK m	142.4
Growth	%	+77.2
Employees	average	41

Proportion of the business unit

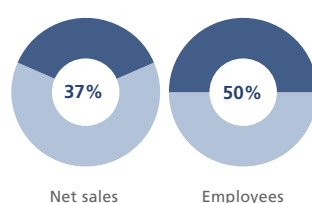


Conveyor systems for metal food packaging.

FREDRIKSSONS
 Vadstena / Suzhou

Net sales	SEK m	531.1
Growth	%	+8.5
Employees	average	287

Proportion of the business unit

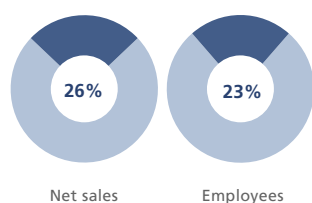


Pipes and drain valves for bio-processes with high hygienic demands.

JORGENSEN
 Odense

Net sales	SEK m	364.8
Growth	%	+0.7
Employees	average	132

Proportion of the business unit

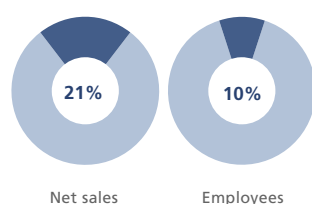


Automated handling equipment for bag packaging.

NPB
 Jönköping

Net sales	SEK m	305.6
Growth	%	+28.5
Employees	average	56

Proportion of the business unit

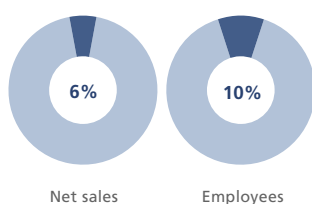


Accumulation and distribution solution for lid handling.

POLYKETTING
 Zelhem

Net sales	SEK m	84.6
Growth	%	-4.2
Employees	average	56

Proportion of the business unit



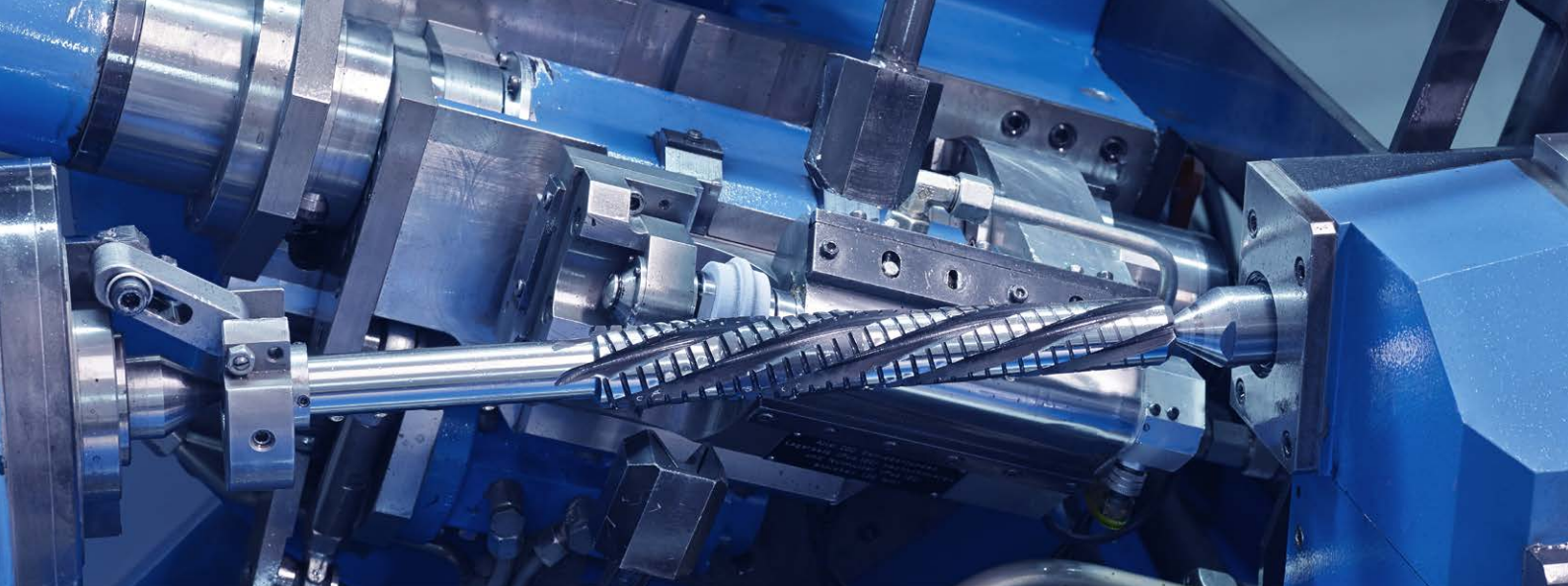
Buffer solution for glass bottles that regulates the flows in production lines.



PRECISION TECHNOLOGY

The business unit comprises Kuggteknik, Kungsörs Mekaniska (KMV), Lasertech, LK Precision, Mikroverktyg, Modellteknik and Resinit. These companies cover component and system manufacture using advanced cutting processes, laser welding and 3D printing for the production of parts involving demanding quality and precision requirements.

KMV specialises in internal machining, particularly precision drilling, for Nordic industrial customers. LK Precision and Resinit produce parts, mainly for medical technical equipment, in low to medium-volume production runs. Mikroverktyg manufactures precision components and transmission parts, as well as tools, fixtures, prototypes and special equipment, all in short production runs. Kuggteknik complements Mikroverktyg with automated operations for higher volumes. Modellteknik specialises in the manufacture of prototypes, moulding tools and the production of short series of items. Lasertech is a leader within industrial 3D printing and laser welding in metal.

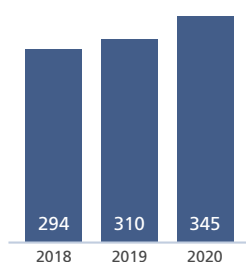


2020 IN BRIEF

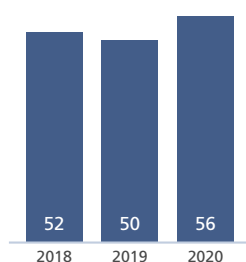
Developments during the year shifted significantly between the business unit's companies in line with their respective customer profile. Deliveries linked to the medical technology sector increased dramatically, while volumes related to e.g. the automotive sector decreased. The strengthening of resources continued through investments in machinery and extended production areas. Two business acquisitions towards the end of the year are adding new technology and introducing additional customer segments.

345	+11.7	56	16.3	186
Net sales, SEK m	Growth, %	Operating profit, SEK m	Operating margin, %	Employees, average

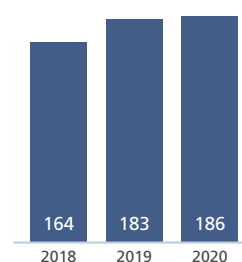
NET SALES (SEK M)



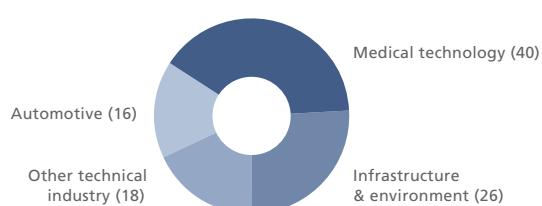
OPERATING PROFIT (SEK M)



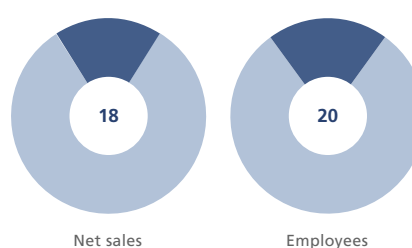
EMPLOYEES (AVERAGE)



SECTOR BREAKDOWN (%)



PROPORTION OF THE GROUP (%)

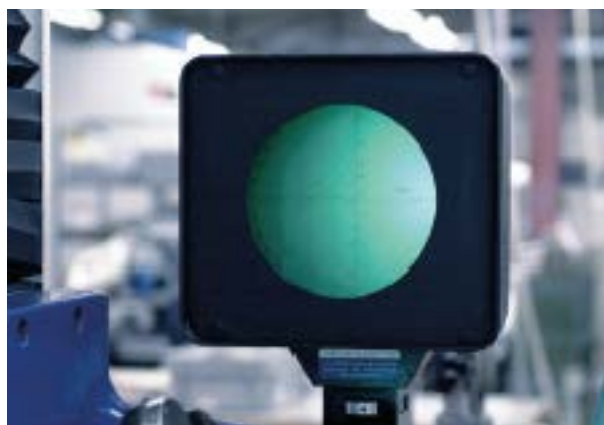


CAPACITY REINFORCEMENTS

Resinit supplies machined plastic components, primarily to the medical technology industry. The company has gradually expanded over the past years, and in 2020 recorded a growth of just over 40 per cent. The plant in Västervik has been expanded in a number of phases, and the past year saw the commissioning of a new workshop hall as well as offices and staff areas totalling 1,200 m². A further 1,000 m² of production space will be completed during the first quarter of 2021. Resinit has also reinforced its stock of machinery, for example through an investment in two lathes employing LFV (Low Frequency Vibration) technology. This technology minimises the risk of production stoppages and has increased the potential for unmanned manufacturing.

LK Precision produces complicated components from metallic materials for various equipment, including for medical technology and defence. With two new five-axis precision machines on site, the company has gained an even faster and more stable production flow. The new equipment handles more tools than before and also includes digital marking, which increases control and enables better following up of how the tools are used.

Mikroverktyg's operations are targeted at the manufacture of prototypes within transmission, principally for the automotive and defence industries. For some time, the company has been working on an investment programme, the focus of which is on productivity and sustainability. The implemented activities have produced good results in the form of increased efficiency and lower energy consumption.



STREAMLINING EFFORTS AND IMPROVEMENTS

KMV specialises in precision drilling and associated services. The previous year's low volumes resulting from delayed deliveries gave rise to intensive work on restructuring and optimising the company's resources. These activities have continued during the year and have been successful. Clear efficiency improvements have been achieved, and the business is reporting strengthened margins.

Kuggteknik's operations are focused on the manufacture of geared products made of metal. The company has taken advantage of reduced capacity utilisation during the coronavirus pandemic to implement extensive layout changes and thereby improve production flows. In addition to the efficiency gains that have been achieved, the working environment has also been improved.

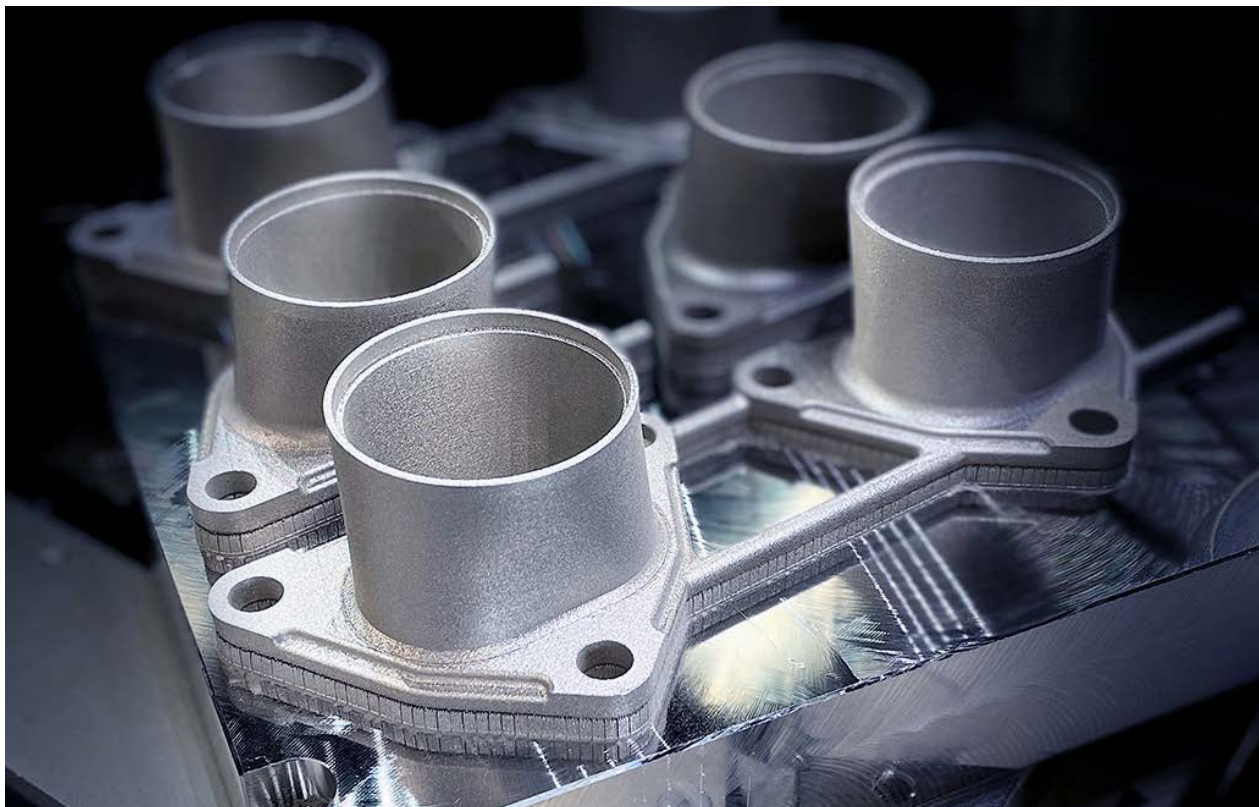
A new working method for communication between the technology and marketing departments has been introduced at Resinit, in respect of enquiries and product changes for existing components. This work is now being carried out fully digitally, and has resulted in increased transparency between all the parties involved. Thanks to the time savings that have been achieved, the customer can now enjoy a faster response.

LK Precision has implemented organisational changes, which have resulted in part in the company's customer services and production planning working together in a new way. Systems are being upgraded and digitalised to enable more rapid processing of orders and preparations, as well as more efficient following up of production steps.

Mikroverktyg has created a technology group that is working on software development, calculation assignments and design solutions. As a result, the company has increased its capacity for new assignments. By joining projects early, it is possible to optimise the process for both the customer and the operation itself. Working in parallel, continued efficiency improvements have been achieved on the basis of the two production units' specialisations. The plant in Södertälje works with prototypes and low-volume manufacture, while repeat items are manufactured in the highly efficient factory in Valskog.

LK Precision has invested in new, energy-efficient compressors, and Resinit has supplemented its existing compressors with a system for recovering heat. In addition to lower energy consumption, the working environment in both units has also been improved.





ACQUISITIONS IN 2020 – MODELLTEKNIK & LASERTECH

Modelltechnik, which has production facilities in Eskilstuna, Sweden, was acquired in November. Modelltechnik is an engineering company possessing leading-edge expertise in advanced cutting machining and mould manufacturing. The business possesses resources for the manufacture of prototypes and fixtures, design and cutting machining in short and medium-sized runs. Its customers are primarily in the automotive and defence segments. The company has 22 employees and a turnover of around SEK 35 million. In 2020, Modelltechnik entered into a number of agreements for serial deliveries of complex items, for example for customers in the aviation and defence industries. In order to safeguard the capacity in relation to these assignments as well as to meet increasing

demand for advanced, multi-axis milling from other customers, a five-axis bed milling machine was installed during the autumn.

Lasertech, which conducts operations in Karlskoga, Sweden, was acquired in December. Lasertech is a leading company within industrial 3D printing and laser welding in metal. The range of services also includes non-destructive testing, laser marking and laser hardening. Lasertech has a stable customer structure including renowned companies, for example in the automotive, defence and medical technology sectors. The company has 20 employees and annual sales of approximately SEK 60 million. The company has invested heavily in machinery for 3D printing. Using technology that has previously mainly been employed for prototypes, it

now manufactures components and parts that cannot be produced using traditional methods.

Modelltechnik and Lasertech are now part of XANO's Precision Technology business unit. Both companies are providing specialist expertise within new technical areas. The fact that they are now part of the Group is creating increased growth opportunities, both for the newly added operations as well as for other Group companies. Modelltechnik and Lasertech have ongoing collaborations with a number of customers that were already established within the business unit, although the acquisitions are also providing access to new market segments.

NEW CUSTOMERS AND PROJECTS

The medical technology industry is a dominant sector within the business unit, and the sector developed strongly during the year. Volumes have also grown within infrastructure and the environment. The automotive sector has experienced specific challenges as a result of the coronavirus pandemic, but development projects are now under way again here. Through strategic marketing activities, the companies in the business unit have succeeded in establishing contacts with customers operating in part within new niches.

Thanks to its digital marketing work, LK Precision has won production assignments for two potentially large customers on new markets. One relates to mobile oxygenation systems for field environments, while the other relates to safety equipment for working at height. Important competitive factors in LK Precision's favour included the company's extensive knowledge of materials and its reliable quality assurance systems.

At Mikroverktyg, a development project is in progress alongside a customer that supplies construction machinery/equipment. This is a new segment for Mikroverktyg, which has conducted dimensioning, calculation work, strength calculations and component design within



the project in question. By taking part in the process at an early stage, it has been possible to adapt the design so that joint cost benefits are achieved during manufacture. Agreements regarding mass deliveries of several components have now been entered into with the customer.



SUSTAINABLE COLLABORATION

A couple of years ago, KMV initiated a collaboration with the Swedish company CorPower Ocean, which is a leading player within wave energy technology. This relates to deliveries of multiple cylinder tubes measuring roughly two metres for a wave converter in a pilot project. The focus of the project is on innovative and patented technology designed to extract sustainable energy from the sea. Research reports show that at least 20 per cent of the world's energy consumption could be covered by wave power, a fact that makes the collaboration between the companies particularly inspirational, according to KMV's Managing Director, Mattias Nettelbladt.

"This is a very interesting project, not least from a sustainability perspective. Access to clean energy is one of the make-or-break issues facing the world, and if our skills and products can help to be a small part of the solution, even at a component level, this is obviously very positive," he says.

The collaboration between the companies began in 2019. "CorPower Ocean needed multiple cylindrical tubes made from a specific material, although initially they actually entered into discussions with

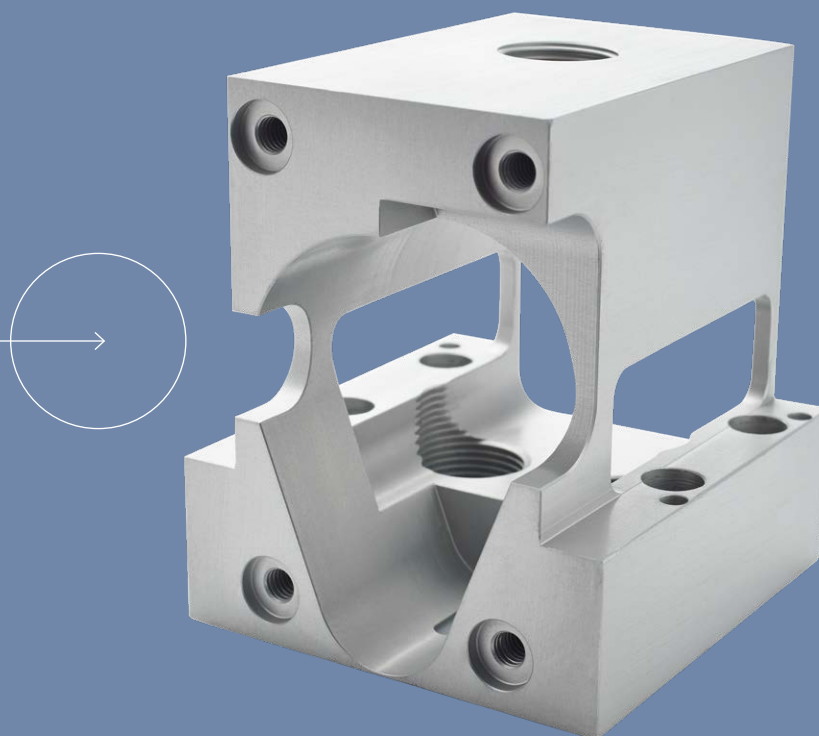
another player," he says. It became clear that this player would be unable to supply the machined tubes in the quality that the customer needed, and so they contacted KMV. "We had previously enjoyed a positive collaboration, and this now led to a new one with CorPower Ocean, which is pleasing," says Mattias.

One major challenge in respect of wave power is that the equipment has to cope with the tough marine environment at the same time as generating energy at a level that makes it profitable. CorPower Ocean's wave power installation has been designed to cope with both aspects. The first wave power installation to be built was on a scale of 1:2, and was launched off the coast of Scotland. The results were better than anyone could have dared to hope – both in terms of surviving storms and extracting energy.

The company is now pushing ahead with the next stage of the project in the form of full-scale machines, this time in Portugal. Prior to this, testing will be carried out in part with the aim of determining the extent of the forces that the buoys can withstand, as well as how much energy they can generate over time. If everything goes according to plan, this means that, from 2024, CorPower Ocean can start supplying wave power installations in volume to customers building wave power parks around the world.

For a number of reasons, CorPower Ocean wants its suppliers to be located nearby geographically. One such reason is that development projects require flexible and close contact with each individual business partner.

"Our geographic proximity, as well as our ability to supply all-inclusive solutions along with our sister companies, makes us the perfect business partner for CorPower Ocean. They can enjoy both cost and time efficiency benefits from having one supplier instead of several," concludes Mattias.



OPPORTUNITIES AND CHALLENGES

The companies in the business unit are moving into a new year with excellent potential to perform well. For those companies that experienced challenges linked to the coronavirus pandemic in 2020, the market situation has stabilised. The medical technology sector, which is a dominant industry, is expected to continue growing strongly. Growth is also anticipated within infrastructure and other technical industries thanks to the new acquisitions.

These newly added companies are creating the conditions for good coordination opportunities. Additional technical expertise has been supplied, for example within industrial 3D printing in metal and plastic, as well as laser welding. The acquisitions are also resulting in a significant strengthening of capacity. As a result, the business unit is better able to meet customer wishes regarding

accepting responsibility for the entire value chain, from prototype to mass production, which is enhancing the joint offering. The companies are continuing to focus on strategic collaborations with customers where it is possible to join projects at an early stage, in order thereby to make optimum use of the business unit's available resources.

During 2020, a number of long-term agreements were entered into with both new and existing customers. Some of these also relate to new sectors. The focus on proactive marketing work is continuing, as are activities linked to organisational and skills development, both within the companies and jointly. The capacity is being extended in the form of investments in machinery and expanded production areas.



ACTIVITIES AND MARKETS

The operations within the business unit are focused on component and system manufacture through advanced cutting processes, laser welding and 3D printing. Machining is performed in metal and plastic, with high levels of quality and precision. The customers are found primarily within medical technology and other technical industry. The majority of sales relate to the Nordic market.

Kuggteknik works with cutting machining and manufactures geared products made of metal. The business specialises in small gears and transmission products, primarily industrial tools, in recurring series for demanding industrial customers. The production includes both prototypes and volume manufacture with narrow tolerances. The company's customers are mainly found within the fields of tool and machine manufacture, medical technology, the packaging industry and defence.

KMV specialises in internal machining of long components, primarily precision drilling. The company drills holes in lengths of up to 14 m with diameters ranging from 2 mm up to 600 mm. Examples of products that the

company manufactures are machine tubes, pistons and drill pipes for the mining industry as well as cylinders and piston rods for the hydraulic industry. Manufacturing also covers piston rods for the offshore industry.

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

Mikrovertyg is a prototype manufacturer that focuses on cutting machining, with specialist expertise regarding precision components and transmission parts such as toothed gears, splines and racks. The company also manufactures fixtures, tools, measuring devices, hydraulic components, spare parts and other components demanding high levels of precision. The most important target groups are the automotive and defence sectors.

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

Modellteknik is an engineering company possessing leading-edge expertise in advanced cutting machining and mould manufacturing. The business possesses resources for the manufacture of prototypes, 3D design, control measurement and product development, as well as cutting machining in short and medium-sized runs. Its customers are primarily in the automotive and defence segments.

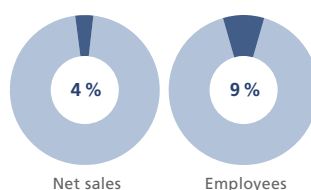
Lasertech is a leading company within industrial 3D printing and laser welding in metal. The range of services also includes non-destructive testing, laser marking and laser hardening. Lasertech's customer structure includes companies in the automotive, defence and medical technology sectors. ■

KUGGTEKNIK

Leksand

Net sales	SEK m	19.8
Growth	%	-18.1
Employees	average	20

Proportion of the business unit



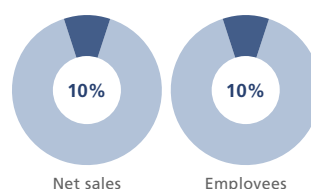
Conical gears and bevel gears in small dimensions.

KUNGSÖRS MEKANISKA (KMV)

Kungsör

Net sales	SEK m	44.3
Growth	%	+0.6
Employees	average	22

Proportion of the business unit



Long hole drilled detail in acid-resistant stainless steel for the handling of pharmaceuticals.

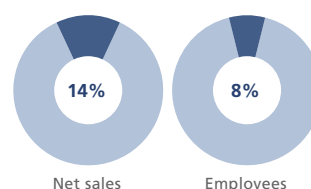
LASERTECH

Karlskoga

Net sales	SEK m	60.9
Growth	%	-5.3
Employees	average	18

(Pro forma)

Proportion of the business unit



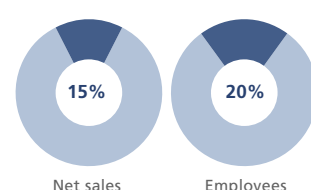
3D printed component in tool steel for the automotive industry.

LK PRECISION

Skogås

Net sales	SEK m	66.4
Growth	%	+6.8
Employees	average	43

Proportion of the business unit



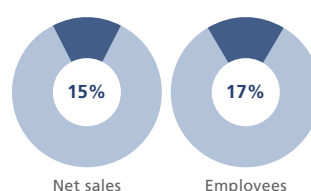
Camera housing for 3D scanner, milled from a single piece of aluminium.

MIKROVERKTYG

Södertälje / Valskog

Net sales	SEK m	64.0
Growth	%	-29.0
Average number of employees		38

Proportion of the business unit



Gears for double-clutch gearbox for the automotive industry.

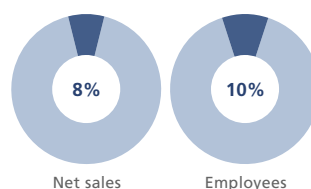
MODELLTEKNIK

Eskilstuna

Net sales	SEK m	33.0
Growth	%	+9.5
Employees	average	22

(Pro forma)

Proportion of the business unit



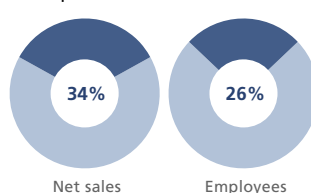
Cast and machined step made of aluminium for the automotive industry.

RESINIT

Västervik

Net sales	SEK m	146.4
Growth	%	+40.7
Employees	average	57

Proportion of the business unit



Machined thermoplastic component for regulating airflow.





INDUSTRIAL PRODUCTS

The business unit is made up of Ackurat, Blowtech and Cipax. Ackurat supplies customers including furniture and fittings manufacturers with injection-moulded parts such as slide stops, handles and adjustable feet. Blowtech is a leading Nordic player in technical blow moulding, producing plastic components, above all for vehicles, construction machinery and infrastructure systems. Cipax has a market-leading position within rotational moulding in the Nordic and Baltic regions, with its own product segments such as boats, industrial tanks and infrastructure solutions, as well as customer-specific manufacturing within the automotive and infrastructure sectors and other technical industry.

2020 IN BRIEF

A favourable mix, including an increased share of proprietary products in the infrastructure and marine segments, had a positive impact on the profit level. The reduction in volume compared to the previous year can mainly be explained by the production stoppages implemented at automotive manufacturers during the spring. By the end of the year, demand in this sector had more or less returned to the previously forecast levels. Organisational adaptations, combined with efficiency improvements and state support measures, minimised the impact on profits caused by the loss of sales.

551

Net sales, SEK m

-9.6

Growth, %

76

Operating profit, SEK m

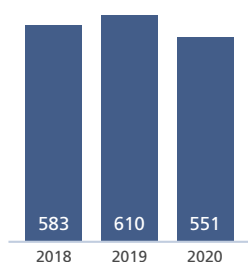
13.8

Operating margin, %

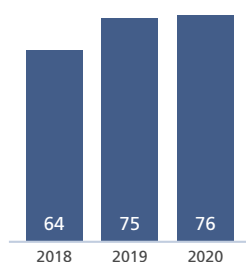
288

Employees, average

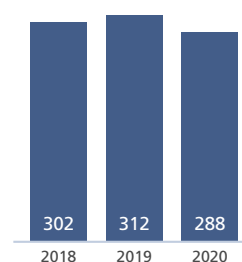
NET SALES (SEK M)



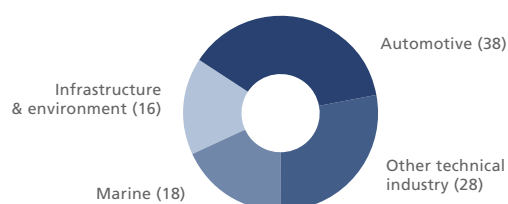
OPERATING PROFIT (SEK M)



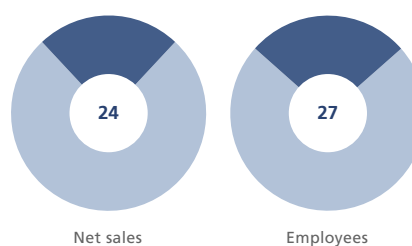
EMPLOYEES (AVERAGE)



SECTOR BREAKDOWN (%)



PROPORTION OF THE GROUP (%)



MARKETING AND SALES

The companies in the Industrial Products business unit process plastic using various manufacturing methods and for varying purposes. Significant sectors include automotive, marine and infrastructure. The coronavirus pandemic has generally had a dampening effect on market development during the year. Travel restrictions and other limitations have affected opportunities to carry out activities such as customer meetings and the completion of projects. For the business units' companies as well as their customers, the recommendation to work remotely as far as possible has affected productivity in certain projects. Within other areas, the transition to digital meetings, for example in connection with training and product reviews with wholesalers and installers, has made it possible to reach a larger group, which instead has improved efficiency.

A large share of Blowtech's manufacturing relates to products for various types of vehicles. The lockdowns in the automotive sector during the spring therefore had a significant impact on both of Blowtech's units, and annual volumes were considerably lower than anticipated. A gradual recovery towards the previously forecast levels was achieved during the second half of the year. Marketing efforts have been intensified during the year, and have resulted in many new enquiries within both the automotive industry and other sectors. A number of customer projects have been launched together with Cipax, where Cipax has been responsible for prototypes and zero series ahead of future mass deliveries from Blowtech.

The impact of the pandemic on the business unit's companies has not only been negative. For example, temporary layoffs and working from home have increased interest in renovation projects. Cipax's product solutions regarding individual drains, rainwater collection and watering have consequently experienced strong growth. The same applies to the boat segment, where the trend towards domestic holidays has generated increased interest in the outdoor life. In combination with a digital initiative and active marketing in connection with the launch of the latest boat model, this resulted in a substantial increase in sales. Cipax's deliveries of boats increased by 40 per cent compared to the previous year, enabling the company to strengthen its position on the market.

In one project working alongside a customer, Cipax has designed and manufactured a new system for water treatment. This solution includes tanks and pumps, which are installed in mobile containers.

These are used in locations where it is not possible to have a fixed connection to water and sewage infrastructure, such as in development areas and on oil rigs.

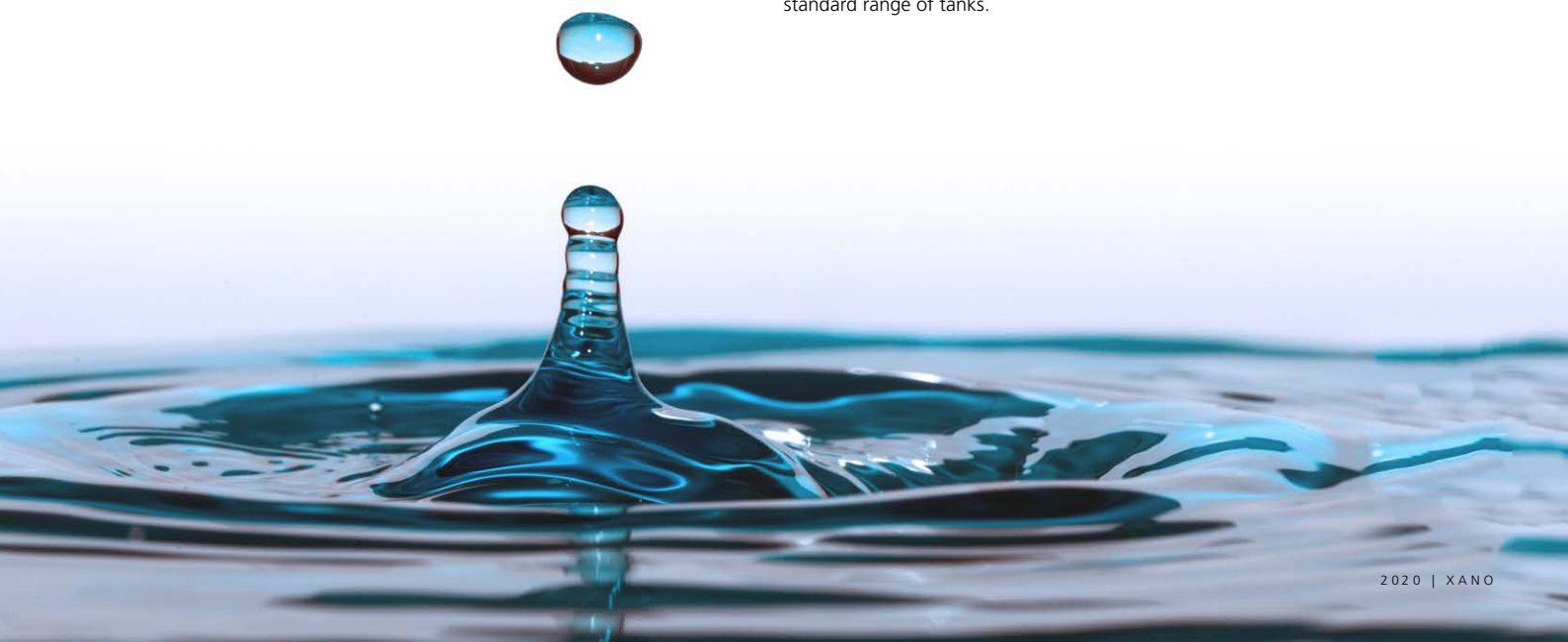
Akkurat manufactures plastic components for various industrial purposes as well as for furniture and fittings. There was a general reduction in demand during the year in the wake of the coronavirus pandemic, although a clear break in this trend was experienced in the final months of the year. The company is seeing good opportunities for growth, primarily in relation to the furniture and fittings sectors, and has strengthened its resources when it comes to proactive sales with a clear focus on these sectors.

PROPRIETARY PRODUCTS

Sales of proprietary products constitute an important foundation for the business unit, and there is consequently a heavy focus on the development of proprietary ranges. By having control over the entire production cycle, including the choice of materials and manufacturing methods, it is possible to optimise the utilisation of resources. Akkurat has a wide range of standard components at its disposal, adding functionality in areas such as furniture and rehab equipment. Cipax has a varied selection of containers and tanks for a range of applications. In relation to infrastructure, it manufactures underground tanks for water treatment, for example. Boats, buoys and bumpers for the marine sector are other examples. From a sales perspective, the trend during the year has been more positive for the business unit's proprietary products than for customer-specific assignments.

The products that have been launched during 2020 include a number of new tanks and containers for industrial purposes. The product range in relation to infrastructure has been supplemented with additional solutions for rainwater collection and watering. Features such as coupling fittings and wheels have been developed for furniture. The company has also successfully launched its new boat model, the Pioneer 15.

Robust digital marketing activities are being conducted for proprietary products. The concept "Easy boating" was the first to be released, making it possible for potential customers to build their boat online. This web-based solution has been launched in Sweden, Norway and Finland, with positive results. More functions will be added during 2021, and number of other European countries will be included. A similar initiative has been launched in relation to Cipax's standard range of tanks.



PLASTIC AND SUSTAINABILITY

Plastic is an important material in today's society. Features such as good formability and a long service life make it difficult to replace. In many cases, plastic also produces environmental benefits compared to other materials, in the form of higher energy efficiency due to properties such as low weight and good insulating capacity. The companies in the business unit are working in various ways to achieve the sustainable use of plastic by means of production using recyclable materials. The development of new production methods is contributing to reduced material consumption and higher energy efficiency.

Together with colleagues in the sector, Cipax is conducting an operation in Norway that is working on the development of sustainable solutions for the recovery and recycling of plastics. Here, scrapped products will be able to be submitted for recycling, and the Nordic players in the plastics industry are also being given an opportunity to return waste from their own production. The purpose of the operation is to take control of the entire value chain and reduce the environmental impact, through greater resource efficiency and reduced extraction of raw materials.

Where possible, Ackurat has been working for some time on replacing traditional fossil plastics with bioplastics. In addition, the company gives its customers the option of selecting production using recycled material made from fishing nets recovered from the sea.

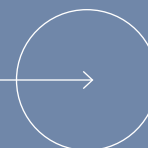
Blowtech is further developing its machining method for the production of lightweight products. In addition to reduced consumption of materials, this method produces benefits such as higher sound absorption capacity and better heat insulation for the products. The process is performed without additives, which means that the products are also 100 per cent recyclable. Working alongside a customer with a strong environmental profile, the company is conducting an extensive development project for the transition to lightweight production.

RESOURCE-EFFICIENT MANUFACTURING

The companies in the business unit have seven manufacturing units at their disposal, located in Sweden, Norway, Estonia and Poland. The companies have varying profiles and use different manufacturing methods to produce products from polymer materials. Ackurat injection-moulds small components, such as plastic plugs and furniture feet. Blowtech produces components through blow moulding, above all for the automotive industry. Cipax performs rotational moulding of e.g. sewage systems, tanks and boats. Rotational moulding is a technology that offers a high degree of flexibility and is suitable for complex products in short production runs. Blow moulding and injection moulding are manufacturing processes with a high degree of automation and a rate of production that is suited to large run sizes. The methods have varying requirements as regards the characteristics and quality of the material. Balancing the design, purpose and quantity of the end product is decisive when determining which method and material should be used.

The majority of the products that are manufactured within the business unit place high and very specific demands on the material's functionality. Characteristics such as low weight, strength, insulating capacity and chemical resistance are just a few examples. There are currently no alternatives that can fully match the function of fossil-based polymer materials. In order for the manufacturing to be as sustainable as possible, while at the same time satisfying quality requirements, efforts are focused on optimising processes and achieving a higher degree of recycling. There is considerable demand among customers for production using recycled materials, but there are a lack of players who can recycle at the required level of quality. Cipax's initiative regarding the circular handling of boats is the start of a long-term process for in-house recycling, with the aim of optimising resources while at the same time ensuring the quality of the material.





OPPORTUNITIES AND CHALLENGES

The companies in the business unit are starting the new year with a generally stable order stock, which indicates a continued recovery within the automotive sector and healthy balance within other segments. The extended offering, including a number of supplementary products within the infrastructure segment and a new boat model, is further strengthening the business unit. At the same time, there is a risk that the ongoing pandemic will result in longer lead times, for example as a result of a shortage of materials and transport, which might entail rising cost levels.

The business unit's overall service offering is being further developed to complement the product offering, thereby extending the opportunities for long-term partnerships with customers. The sales organisation has undergone a digital transformation, largely due to the ongoing pandemic, with new knowledge and experiences affecting the sales organisation going forward.

Planned digital transitions have taken place in respect of both internal processes and external channels to the market. The initiative regarding online boat sales has been a success, and a similar solution for tanks is being launched in 2021 using the experiences gained from this project.

As a result of the limitations that travel restrictions and recommendations regarding working from home have entailed for various players in 2020, there is pent-up demand on the market, and this is expected to contribute to positive growth within project sales in future.

The sustainability work is continuing, with a focus on issues relating to materials and circularity. The collaboration regarding recovery and recycling is moving into the next phase, as is the development of the process regarding lightweight products.



ACTIVITIES AND MARKETS

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

Blowtech works with technical blow moulding of plastic. The production facilities in Sweden and Norway produce components for vehicles and construction machinery, as

well as for systems within infrastructure, in medium to large series. The blow moulding method has a certain amount in common with glassblowing, although with high industrial precision in the manufacturing process. The technique is very useful when manufacturing complex forms of polymer products, such as petrol tanks, air ducts, various types of containers and other technical components.

Cipax develops and manufactures components and systems through rotational moulding using recyclable plastic materials that have a low impact on the environment. The primary product segments include boats, components for vehicles and infrastructure,

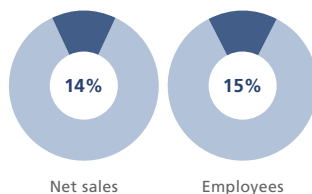
as well as industrial tanks and buoyancy elements. The manufacturing process is characteristically cost-efficient for small to medium series due to low tool costs and flexible production. The flexibility in product design facilitates the manufacture of complex items. Examples of customer-specific products include various tanks, pipes and casings with considerable breadth in respect of working temperatures and chemical resistance. Cipax also works with proprietary products such as boats, sewage systems and underground tanks. Most deliveries are made to leading companies in the Nordic and Baltic regions within the marine, infrastructure, automotive and other technical industry sectors. ■

ACKURAT

Gdansk/Helsinki/Lammhult

Net sales	SEK m	80.3
Growth	%	-7.9
Employees	average	42

Proportion of the business unit



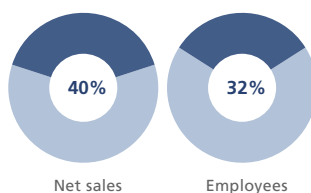
Tool insert suitable for small plastic components in small production series.

BLOWTECH

Gnosjö/Kongsvinger

Net sales	SEK m	220
Growth	%	-20.3
Employees	average	93

Proportion of the business unit

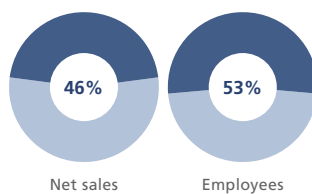


Machining cell for steering servo container made of polyamide.

CIPAXBjörkelangen/Helsinki/
Skebobruk/Taebala

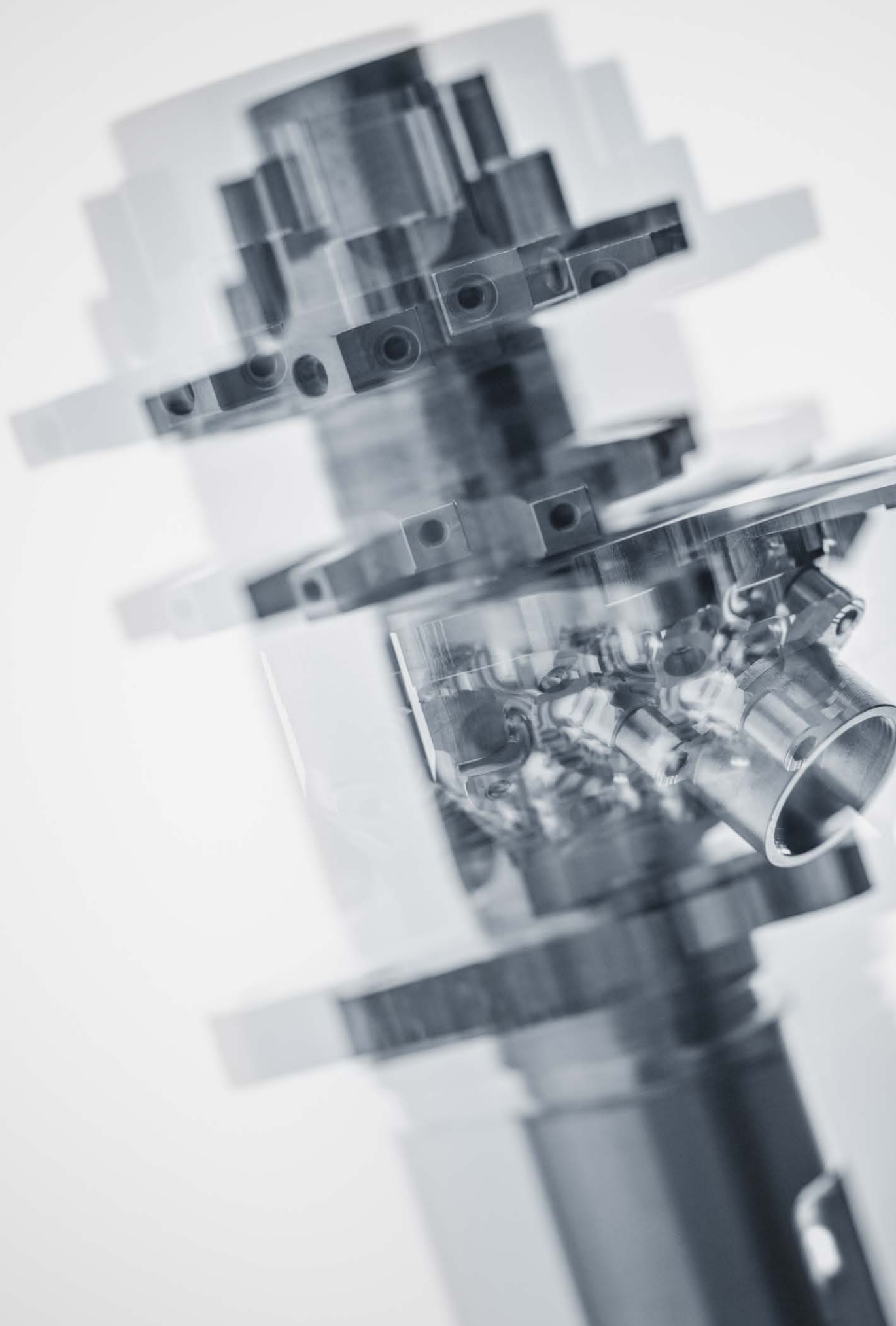
Net sales	SEK m	253.8
Growth	%	+2.1
Employees	average	153

Proportion of the business unit



Dosing silos in food grade and recyclable materials.





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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 2020 financial year.

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

OPERATIONS

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

REVENUE AND PROFIT

Net revenue totalled SEK 2,239 million (2,128). Operating profit amounted to SEK 274 million (229), corresponding to an operating margin of 12.2 per cent (10.8). Profit before tax was SEK 251 million (211).

SHARE DATA AND KEY FIGURES

Basic earnings per share were SEK 6.86 (5.85). Equity per share was SEK 36.25 (28.68). The average number of outstanding shares was 28,435,152 during the year. The equity/assets ratio was 42 per cent (38) at the end of the year. The average number of employees was 1,055 (1,085).

IMPORTANT EVENTS DURING THE YEAR

The negative impact of the Coronavirus pandemic on the Group has been limited. After several vehicle manufacturers decided to shut down their production processes, we implemented adaptations in parts of our operations. These measures initially affected approximately 160 individuals. Following the restart, there was a gradual increase in automotive production volumes, although not to the previously forecast levels.

The Annual General Meeting was originally planned for 7 May but was held instead on 25 June. The Meeting decided to approve the Board of Directors' proposal that no dividends should be paid for the 2019 financial year. The purpose of this proposal was to ensure as high a level of financial latitude as possible, bearing in mind the prevailing uncertainty linked to the effects of the Coronavirus pandemic.

On 1 July 2016, personnel convertibles were issued with a closing date of 30 June 2020. During the period 1–12 June 2020, a nominal amount of SEK 57,776,921.50 was registered for conversion to Class B shares. The conversion rate was SEK 54.50 and the number of new Class B shares resulting from the conversion amounted to 1,060,127. The registration process was implemented in June 2020.

During the period 27 August to 3 September 2020, employees within

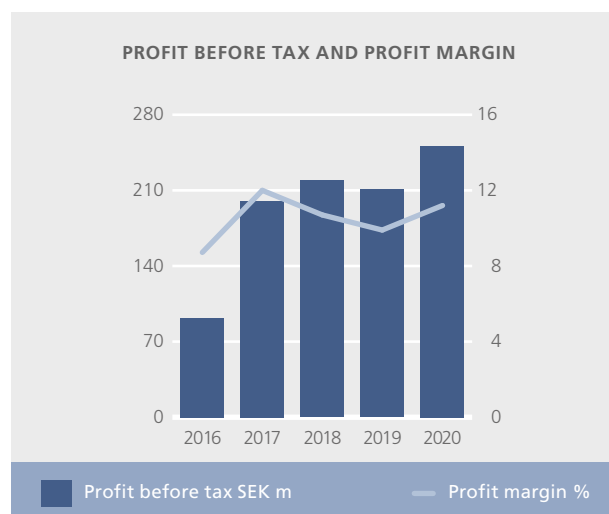
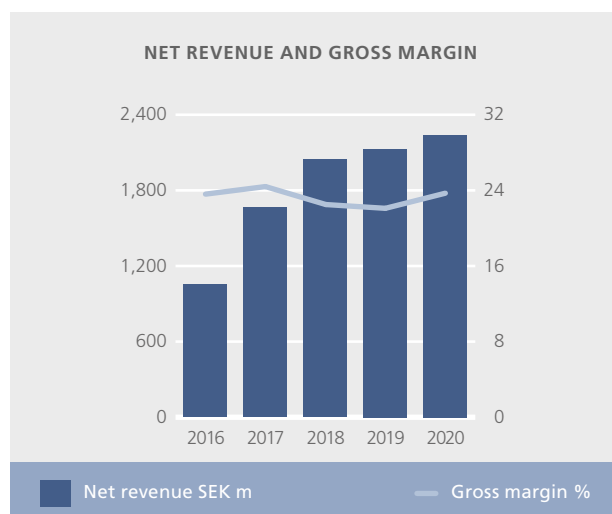
the XANO Group subscribed for 573,756 convertibles at a price of SEK 122, equivalent to a nominal amount of SEK 69,998,232. The convertible runs for the period 1 October 2020 to 30 September 2023, at an interest rate corresponding to STIBOR 3M plus 1.75 percentage points. During the period 1 September to 12 September 2023, each convertible may be converted to one Class B share in XANO Industri AB. If all the convertibles are converted into shares, the dilution effect on the share capital will be approximately 1.9 per cent, and on the voting rights approximately 0.6 per cent, based on the current total number of shares.

On 2 November, all the shares in Modellteknik i Eskilstuna AB were acquired. Modellteknik is an engineering company possessing leading-edge expertise in advanced cutting machining and mould manufacturing. The business possesses resources for the manufacture of prototypes and fixtures, design and cutting machining in short and medium-sized runs. Its customers are primarily in the automotive and defence segments. The company has 22 employees and sales of SEK 35 million. Modellteknik is part of XANO's Precision Technology business unit. As a result of the acquisition, the business unit is gaining further technical expertise and access to new market segments. Consolidation took place as from 2 November 2020. The acquisition is expected to have a marginal impact on XANO's earnings per share.

On 14 December, all the shares in Lasertech LSH AB were acquired. Lasertech is a leading company within industrial 3D printing and laser welding in metal. The range of services also includes non-destructive testing, laser marking and laser hardening. Lasertech has a stable customer structure including renowned companies, for example in the automotive, defence and medical technology sectors. Annual sales amount to approx. SEK 60 million with good profitability. Lasertech is part of XANO's Precision Technology business unit. The acquisition is providing additional technical expertise, while at the same time creating increased growth opportunities for both Lasertech and other Group companies. Lasertech currently cooperates with a number of customers that are already established within the business unit, although the acquisition is also providing access to new market segments. Consolidation took place as from 1 December 2020. The acquisition is expected to have a marginal positive impact on XANO's earnings per share.

EVENTS AFTER THE END OF THE YEAR

There are no individual events of major significance to report after the closing day.



ACTIVITIES AND ORGANISATION

The XANO Group consists of engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic countries, Estonia, the Netherlands, Poland, China and the USA. The companies all operate within well-defined niches and possess a high level of expertise within their respective technical areas. In 2020, the Group's operations were divided into three business units: Industrial Products, Industrial Solutions and Precision Technology.

The Industrial Products business unit consists of Ackurat, Blowtech and Cipax. Operations comprise the design, manufacture and sale of plastic components and systems produced by means of rotational moulding, injection moulding and blow moulding. Deliverables include both customer-specific and proprietary products mainly for the automotive and infrastructure segments.

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. Contract assignments for advanced industrial products in small and medium-sized production runs are also performed. The business unit comprises Canline, Fredriksons, Jorgensen, NPB and Polyketting.

The Precision Technology business unit includes Kuggteknik, KMV, Lasertech, LK Precision, Mikroverktyg, Modellteknik and Resinit. Operations cover advanced cutting machining, laser welding and 3D printing for the production of components with stringent requirements for quality and precision. Production primarily comprises low to medium-volume runs of parts and systems within areas such as medical technology and infrastructure.

THE GROUP'S DEVELOPMENT DURING THE YEAR

The year began with stable conditions for all the business units. During the first quarter, the customer-specific volumes within Industrial Solutions remained at a good level, while activities within project-related operations increased. For Industrial Products, the trend was also positive up until the middle of March, at which point some of the companies in the business unit were affected by production stoppages in the automotive industry resulting from the Coronavirus pandemic. Within Precision Technology, operations linked primarily to medical technology developed well, while other areas experienced a slightly weaker market climate.

It was possible to retain the margins successfully during the second quarter, despite challenges linked to the Coronavirus pandemic. Overall, incoming orders were stronger than in the comparison period. The level of activity was high above all in the medical technology sector, while sales

linked to automation projects have remained strong.

The Group reported strong development during the third quarter. Both revenue and operating profit increased compared to the previous quarter. A general stabilisation in demand was experienced in several market sectors, and the indicated upturn within medical technology was greater than expected.

The results during the fourth quarter were strong and exceeded the comparative figures from the corresponding period in the previous year. In terms of the market, too, the year finished in a stable manner, with an improved order situation overall compared to the end of the previous year. Two supplementary acquisitions were carried out within the Precision Technology business unit.

For the whole year, sales growth amounted to 5 per cent, of which just over 4 per cent was organic. Compared to the previous year, operating profit increased by 19 per cent while the operating margin rose from 10.8 to 12.2 per cent. The profit margin stood at 11.2 per cent (9.9), which means that we clearly exceeded our stated goal of 8 per cent. A strong cash flow further confirmed the Group's healthy financial position.

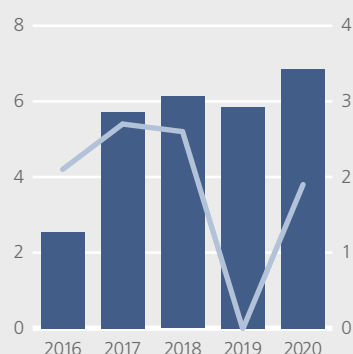
INDUSTRIAL PRODUCTS

Within the Industrial Products business unit, sales decreased by almost 10 per cent, while operating profit marginally exceeded last year's figure. The operating margin stood at 13.8 per cent (12.4). A favourable mix including an increased share of proprietary products in the infrastructure and marine segments had a positive impact on margins. The reduction in volume compared to the previous year can mainly be explained by the production stoppages implemented at automotive manufacturers during the spring. By the end of the year, demand in this sector had more or less returned to the previously forecast levels. Organisational adaptations, combined with efficiency improvements and government support measures, minimised the impact on profits caused by the loss of sales.

INDUSTRIAL SOLUTIONS

The increase in sales within the Industrial Solutions business unit amounted to 11 per cent. Operating profit improved by 31 per cent compared to last year. The operating margin stood at 12.6 per cent (10.6). Project deliveries for the packaging and food industries increased significantly, resulting in strengthened margins. The customer-specific assignments enjoyed a balanced mix and, along with efficiency improvements, also contributed to a great extent to the business unit's positive performance. Sales and aftersales activities have been limited by restrictions linked to the pandemic, although so far it has been possible to perform installations largely as planned.

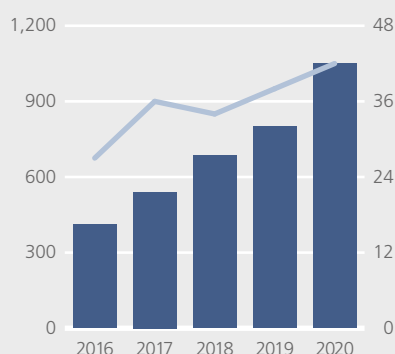
EARNINGS PER SHARE AND DIRECT YIELD



Earnings per share SEK

Direct yield %

EQUITY AND EQUITY/ASSETS RATIO



Equity SEK m

Equity/assets ratio %

PRECISION TECHNOLOGY

The operations within the Precision Technology business unit reported 11 per cent higher sales, of which just over 5 per cent was organic growth, and an operating profit that exceeded that of the comparison period by 12 per cent. The operating margin stood at 16.3 per cent (16.2). Developments during the year shifted significantly between the business unit's companies in line with their respective customer profile. Deliveries linked to the medical technology sector increased dramatically, while volumes related to e.g. the automotive sector decreased. The strengthening of resources continued through investments in machinery and extended production areas. Two business acquisitions towards the end of the year are adding new technology and introducing additional customer segments.

FUTURE DEVELOPMENT

It is difficult to assess how the ongoing pandemic will affect the Group's operations in the longer term. We have generally experienced strong sales in recent months, and our combined order stock is higher now than at the corresponding time last year. Thanks to our stated focus on marketing, we have been able to advance our positions. We now consider that we are growing more than the market in all three business units. Our financial position is good. This suggests continued stable growth in both the short and the medium term. There are challenges, however. At present, the prevailing travel restrictions are the primary reason that can limit our potential to carry out installations and important meetings with customers. Aftersales activities are also being affected to a large extent. At the same time, there is room for improvement in some of the Group's companies that have experienced particular strains over the past year, but that are now receiving more positive signals from their customers. We also consider that the conditions are good for further strategic acquisitions that can provide access to new market segments and deliver complementary technical expertise.

INVESTMENTS

Net investments in non-current assets came to SEK 166 million (123), of which SEK 93 million related to corporate transactions, SEK 1 million to intangible assets, SEK 8 million to real estate and SEK 64 million to machinery and equipment.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to SEK 402 million (307) during the year. The stronger cash flow in relation to the comparison period is primarily a consequence of the higher profits and reduced tax payments during the year, as well as advance payments that have increased contract liabilities in project-related operations.

The higher cash flow, combined with the absence of a dividend and the raised convertible debenture loan, has had a positive impact on cash and cash equivalents. Liquid assets, including lines of credit granted but not utilised, totalled SEK 784 million (510) on the closing day.

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.

The Group's operations span many different sectors and customer segments, which generally entails a good spreading of risk. We also enjoy a high level of preparedness to make adjustments at short notice. The ongoing Coronavirus pandemic is a risk and uncertainty factor that could have significant consequences for the Group's operations. The health and safety

of our employees is our top priority, and we are complying with the guidelines and recommendations issued by the public authorities in the countries where we operate. This may in itself entail restrictions to our ability to carry out installations and maintain services for our customers. At the same time, the extent of our customers' need for products and services may be significantly reduced. There are also risks associated with e.g. material supplies and the purchase of services. In the short term, the risks related to the pandemic are considered to be limited. The longer-reaching consequences of a continued spread of infection and its impact on the Group's operations are difficult to foresee.

A statement on the Group's main financial and operational risks can be found in Note 35 on pages 79–80.

CURRENCY AND INTEREST RATES

As a result of its international activities, XANO is particularly exposed to currency fluctuations, mainly in DKK, EUR, NOK and USD relative to SEK. The Group's interest-bearing liabilities amounted to SEK 743 million (762) on the closing day. A detailed description of the Group's financial risks can be found in Note 35 on pages 79–80.

SUSTAINABILITY

In compliance with Chapter 6, Section 11 of the Swedish Annual Accounts Act (ÅRL), XANO has decided to prepare its sustainability report, which is required by law, as a separate document from its Annual Report. The sustainability report is being published on the website, www.xano.se, at the same time as the Annual Report.

ENVIRONMENTAL IMPACT

The Group is engaged in activities with a reporting obligation in seven 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. The Group's operations subject to a permit or reporting obligation affect the external environment through the use of materials, chemicals, energy and water, which in turn generate climate emissions and waste. There is also an indirect environmental impact as a result of products, packaging and transport. The nature of the Group's operations, manufacturing processes and products is such that the environmental risks are deemed to be limited. A description of the Group's environmental activities can be found in the 2020 sustainability report.

RESEARCH AND DEVELOPMENT

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

THE SHARE AND SHAREHOLDERS

As of the closing day, the total number of shares is 29,247,107, divided between 7,288,800 class A shares and 21,958,307 class B shares. Class A shares give entitlement to ten votes, while class B shares give entitlement to one vote. As of the closing day, the company holds 254,566 class B shares in own custody.

As of the closing day, there are two shareholders who each owns and controls more than 10 per cent of the votes for all shares in the company. Anna Benjamin controls 57.2 per cent of the votes and 27.6 per cent of the capital. Pomona-gruppen AB holds 29.4 per cent of the votes and 28.8 per cent of the capital.

FIVE-YEAR OVERVIEW

	2020	2019	2018	2017	2016
INCOME STATEMENT, SEK M					
Net revenue	2,239	2,128	2,044	1,663	1,052
Cost of goods sold	-1,709	-1,658	-1,585	-1,259	-804
Gross profit	530	470	459	404	248
Selling expenses	-161	-158	-145	-115	-100
Administrative expenses	-90	-85	-83	-68	-53
Other operating income/expenses	-5	2	5	-1	1
Operating profit	274	229	236	220	96
Financial income	8	9	8	4	11
Financial expenses	-31	-27	-25	-24	-15
Profit before tax	251	211	219	200	92
Tax	-56	-48	-48	-42	-22
Net profit for the year	195	163	171	158	70
FINANCIAL POSITION 31 DECEMBER, SEK M					
Non-current assets	1,325	1,262	1,131	905	910
Current assets	1,161	819	863	615	599
Equity	1,051	800	686	541	412
Non-current liabilities	790	690	587	501	512
Current liabilities	645	591	721	478	585
Balance sheet total	2,486	2,081	1,994	1,520	1,509
CASH FLOW, SEK M					
Cash flow from operating activities	402	307	150	117	128
Cash flow from investing activities	-143	-108	-243	-42	-319
Cash flow after investments	259	199	-93	75	-191
Cash flow from financing activities	38	-188	109	-189	315
Cash flow for the year	297	11	16	-114	124
KEY RATIOS					
Operating margin, %	12.2	10.8	11.6	13.2	9.1
Profit margin, %	11.2	9.9	10.7	12.0	8.7
Return on equity, %	21.1	21.8	27.6	33.6	17.1
Return on capital employed %	17.3	15.4	17.9	20.7	13.6
Return on total capital, %	12.7	11.4	13.0	14.8	10.1
Interest coverage ratio, multiple	9.2	8.8	9.9	9.3	7.1
Average equity, SEK m	925	750	620	470	407
Average capital employed, SEK m	1,625	1,549	1,363	1,083	786
Average total capital, SEK m	2,223	2,084	1,876	1,512	1,063
Equity/assets ratio, %	42	38	34	36	27
Proportion of risk-bearing capital, %	46	43	39	40	31
Basic earnings per share, SEK ^{1,2)}	6.86	5.85	6.13	5.72	2.55
Costs related to convertible bonds, SEK m	2	2	2	2	2
Equity per share, SEK ²⁾	36.25	28.68	24.58	19.59	14.90
Cash flow from operating activities per share, SEK ²⁾	14.14	11.02	5.37	4.26	4.66
Proposed dividend per share, SEK ²⁾	2.50	0.00	2.00	2.00	1.12
MISCELLANEOUS					
Scheduled depreciation, SEK m	86	84	64	52	47
Interest-bearing liabilities, SEK m ¹⁾	743	762	785	535	690
Deferred tax liability, SEK m ¹⁾	86	96	91	71	52
Net investments excl. corporate transactions, SEK m	73	113	77	46	45
Average number of employees, excluding short-term work/temporary layoffs	1,055	1,085	1,015	807	666
Average number of employees, including short-term work/temporary layoffs	1,085	1,085	1,015	807	666

¹⁾ Based on net profit for the year.

²⁾ The comparison figures have been recalculated due to the 2.1 share splits carried out in 2017 and 2019.

For definitions and information on key figures, see pages 81-82. For details on the number of shares, see page 12.

CONVERTIBLE BOND PROGRAMME

In 2016, personnel convertibles were issued with a closing date of 30 June 2020. In June 2020, SEK 57,776,921.50 was nominally registered for conversion to 1,060,127 Class B shares. As at 1 October 2020, convertibles with a nominal value of SEK 69,998,232 and with a due date of 2 October 2023 were issued to employees in the XANO Group. Refer also to Notes 23 and 26.

WORK OF THE BOARD OF DIRECTORS

The 2020 AGM decided that the Board of Directors should consist of five 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 2020 financial year, the Board of Directors held nine meetings. Each regular meeting deals with the reports and items requiring a decision that are defined in the Board's rules of procedure, in addition to business information. The Board makes decisions on issues of a general nature, such as the Group's strategy and structural and organisational issues, as well as acquisitions and major investments.

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

NOMINATION COMMITTEE

A nomination committee was appointed at the 2020 AGM consisting of Ulf Hedlundh (chairman), Stig-Olof Simonsson and Anna Benjammin. The task of the committee prior to the 2021 AGM is to nominate a Chairman of the Board and other Board members, auditors, a chairman for the AGM and to propose fees for the Board, committees and auditor. The nomination committee has so far held four meetings prior to its proposal to the 2021 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

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

AGREEMENTS

There are no agreements between the company and the members of the Board of Directors.

CORPORATE GOVERNANCE

XANO's corporate governance is based on Swedish legislation and the listing agreement with Nasdaq Stockholm. Directives issued by authorities and stakeholders within Swedish industry and on the financial market are also applied for various issues. Governance, management and control are divided between shareholders at the AGM, the Board and the CEO in accordance with the Swedish Companies Act and the company's Articles of Association and rules of procedure. From 1 July 2008, all companies listed on Nasdaq Stockholm must follow the "Swedish Corporate Governance Code", known as "the Code". XANO's corporate governance report has been prepared separately from the directors' report and can be found on pages 97–100.

AUTHORISATION FOR REPURCHASE OF OWN SHARES

The number of shares in the company's custody amounts to 254,566 class B shares, corresponding to 0.9 per cent of total share capital.

The Board of Directors proposes that the AGM renews the Board's authorisation to decide on 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

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

REMUNERATION AND EMPLOYMENT CONDITIONS FOR SENIOR EXECUTIVES

The Annual General Meeting decides on the guidelines for determining salaries and other remuneration for the CEO and other senior executives. The relevant guidelines were adopted by the 2020 Annual General Meeting. These guidelines cover remuneration and other employment conditions for Board Members, the CEO and other members of the Group management. The guidelines will be applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts, and will apply until further notice, although at most until the 2024 Annual General Meeting. The guidelines do not refer to remuneration that is determined by the Annual General Meeting. See also to Note 5.

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Parent Company

THE FOLLOWING AMOUNTS ARE AT THE DISPOSAL OF THE AGM:	(SEK)
Share premium reserve	76,054,929
Retained earnings	185,293,792
Net profit for the year	59,198,092
Total	320,546,813

THE BOARD OF DIRECTORS AND THE CEO PROPOSE THAT THE SURPLUS BE DISTRIBUTED AS FOLLOWS:	(SEK)
Payment of a cash dividend of SEK 2.50 per share to shareholders (28,992,541 shares ¹⁾)	72,481,352
To be carried forward	248,065,461
Total	320,546,813

¹⁾ After deduction for the company's own holding, the number of outstanding shares is 28,992,541.

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	2020	2019
Net revenue	3, 4	2,239,432	2,128,023
Cost of goods sold	6, 7, 8	-1,709,045	-1,657,896
Gross profit		530,387	470,127
Selling expenses	6, 7, 8	-161,211	-158,212
Administrative expenses	6, 7, 8, 9	-90,273	-84,811
Other operating income	10	19,065	14,115
Other operating expenses	11	-24,302	-11,728
Profit/loss from participations in associated companies	17	-38	-48
Operating profit	3, 4, 5	273,628	229,443
Financial income	12	7,935	9,077
Financial expenses	13, 26	-30,694	-27,084
Profit before tax		250,869	211,436
Tax	14	-55,736	-48,327
NET PROFIT FOR THE YEAR		195,133	163,109
<i>– of which attributable to shareholders of the Parent Company</i>		<i>195,133</i>	<i>163,109</i>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to net profit for the year</i>			
Change in hedging reserve	24, 28	5,096	857
Tax relating to change in hedging reserve	24, 28	-1,150	-183
Translation differences	24	-17,842	6,191
OTHER COMPREHENSIVE INCOME		-13,896	6,865
COMPREHENSIVE INCOME FOR THE YEAR		181,237	169,974
<i>– of which attributable to shareholders of the Parent Company</i>		<i>181,237</i>	<i>169,974</i>
SHARE DATA			
Basic earnings per share	SEK 22, 23	6.86	5.85
Diluted earnings per share	SEK 22, 23	6.76	5.70

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

GROUP (SEK THOUSANDS)	NOTE	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>	15		
Goodwill		626,453	576,426
Other intangible non-current assets		29,735	32,361
Construction in progress and advance payments for intangible non-current assets		8,460	11,957
		664,648	620,744
<i>Property, plant and equipment</i>	16		
Land and buildings		335,871	320,353
Plant and machinery	32	164,317	126,504
Equipment, tools, fixtures and fittings		32,531	27,402
Construction in progress and advance payments for property, plant and equipment		14,288	29,007
Right-of-use assets	32	111,023	135,421
		658,030	638,687
<i>Other non-current assets</i>			
Participations in associated companies	17	306	1
Non-current receivables		1,746	1,640
Deferred tax asset	28	744	808
		2,796	2,449
Total non-current assets		1,325,474	1,261,880
Current assets			
<i>Inventories</i>	18	309,571	317,590
<i>Current receivables</i>			
Accounts receivable – trade and other current assets	4, 19, 20, 35	460,219	401,138
Derivative instruments	20	5,315	–
Prepaid expenses		18,826	17,745
		484,360	418,883
<i>Cash and cash equivalents</i>	20, 21	366,993	82,295
Total current assets		1,160,924	818,768
TOTAL ASSETS		2,486,398	2,080,648

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

GROUP (SEK THOUSANDS)	NOTE	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity			
Share capital	23	36,559	35,234
Other contributed capital		114,519	45,993
Reserves	24	11,078	24,974
Retained earnings		888,815	693,682
Total equity		1,050,971	799,883
<i>– of which attributable to shareholders of the Parent Company</i>		<i>1,050,971</i>	<i>799,883</i>
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	20, 26, 30, 32	700,978	586,827
Other non-current liabilities		0	4,218
Other provisions	27	4,142	3,495
Deferred tax liability	28	85,521	95,581
		790,641	690,121
Current liabilities			
Accounts payable – trade and other current liabilities	4, 20, 29	546,575	388,486
Provisions	27	3,327	4,024
Derivative instruments	20	13,174	12,869
Current interest-bearing liabilities	20, 25, 30, 32	42,431	175,237
Deferred income		1,918	–
Current tax liability		37,361	10,028
		644,786	590,644
Total liabilities		1,435,427	1,280,765
TOTAL EQUITY AND LIABILITIES		2,486,398	2,080,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP (SEK THOUSANDS)	NOTE	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Equity, 1 January 2019		35,234	45,993	18,109	586,362	685,698
Net profit for the year		–	–	–	163,109	163,109
Other comprehensive income		–	–	6,865	–	6,865
Comprehensive income for the year		–	–	6,865	163,109	169,974
Dividend paid in cash		–	–	–	-55,789	-55,789
Total transactions with shareholders		–	–	–	-55,789	-55,789
Equity, 31 December 2019		35,234	45,993	24,974	693,682	799,883
Net profit for the year		–	–	–	195,133	195,133
Other comprehensive income		–	–	-13,896	–	-13,896
Comprehensive income for the year		–	–	-13,896	195,133	181,237
Conversion of personnel convertibles		1,325	56,452	–	–	57,777
Effect of convertible loan issued		–	7,074	–	–	7,074
Transfer of own shares		–	5,000	–	–	5,000
Total transactions with shareholders		1,325	68,526	–	–	69,851
EQUITY, 31 DECEMBER 2020	23, 24	36,559	114,519	11,078	888,815	1,050,971
<i>– of which attributable to shareholders of the Parent Company</i>		<i>36,559</i>	<i>114,519</i>	<i>11,078</i>	<i>888,815</i>	<i>1,050,971</i>

CONSOLIDATED CASH FLOW STATEMENTS

GROUP (SEK THOUSANDS)	NOTE	2020	2019
OPERATING ACTIVITIES			
Operating profit		273,628	229,443
<i>Adjustments for non-cash items etc.</i>			
Depreciation and amortisation		86,098	83,864
Capital gain from sale of non-current assets		-81	-246
Revaluation/write-down of inventories		4,030	-2,214
Other		6,354	-254
Interest paid/received, net value	33	-14,785	-17,712
Income tax paid		-37,202	-62,364
Cash flow from operating activities before changes in working capital		318,042	230,517
Changes in working capital			
Increase (-) / decrease (+) in inventories		2,147	-18,001
Increase (-) / decrease (+) in current receivables		-67,267	109,588
Increase (+) / decrease (-) in current liabilities		151,161	-9,869
Increase (+) / decrease (-) in other provisions		-1,993	-4,574
Cash flow from operating activities		402,090	307,661
INVESTING ACTIVITIES			
Purchase of intangible non-current assets		-4,369	-11,558
Purchase of property, plant and equipment		-72,166	-89,006
Sale of property, plant and equipment		707	421
Acquisition of shares in associated companies		-351	-
Indirect investments through acquisition of subsidiaries/assets and liabilities	33, 34	-67,401	-8,166
Increase (+) / decrease (-) in other non-current receivables		-54	-95
Cash flow from investing activities		-143,634	-108,404
FINANCING ACTIVITIES			
Dividend paid		-	-55,789
Transfer of own shares		5,000	-
Borrowings		159,590	309,765
Repayment of debt and lease liabilities		-59,695	-319,872
Change in other non-current liabilities		-4,218	4,218
Change in bank overdraft facilities		-62,345	-127,100
Cash flow from financing activities		38,332	-188,778
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at the beginning of the year		82,295	70,569
Exchange rate differences in cash and cash equivalents		-12,090	1,247
Cash and cash equivalents at the end of the year	21	366,993	82,295

NOTES, GROUP

■ NOTE 1 GENERAL INFORMATION

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

All amounts are reported in SEK thousands unless otherwise indicated.

■ NOTE 2 ACCOUNTING POLICIES

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

GENERAL

Applied accounting policies and valuation principles are unchanged compared with the previous year, with the exceptions due to new or revised standards, interpretations and improvements, which are applied from 1 January 2020 inclusive. These new items have not had any significant impact on the Group's accounts.

The new or revised standards with application from 2021 and later, 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 Group has received government support to cover e.g. temporary layoff costs, sick pay, social security contributions and pension costs, in order to reduce the financial effects of the Coronavirus pandemic. When it is reasonably certain that this support is being received, this is recognised as a reduction in costs under each function during the period in which the costs arise. Received and anticipated support amounts to SEK 21 million for the full year.

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 closing day, 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 closing day.
- (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 has significant influence. The consolidated financial statements present participations in associated companies according to the equity accounting method. The equity accounting method means that participations in companies are recognised at the acquisition value at the time of acquisition, and then adjusted by the Group's share of the change in the associated company's net assets. The consolidated income statement includes the Group's share of the associated company's profit after tax.

REVENUE

The Group supplies products and systems with associated services. Revenue is recognised when control of the product/service has been transferred to the customer. The transaction prices are mainly made up of fixed prices.

GOODS AND SERVICES

The majority of the Group's deliveries relate to goods. The deliveries comprise both customer-specific products manufactured in the form of direct assignments from customers, as well as proprietary products. In addition to the end product, a delivery can include closely integrated elements such as design and freight, and is therefore normally jointly deemed to constitute one performance obligation. In the case of the sale of goods, the customer gains control on delivery in accordance with the freight terms, and the revenue is recognised at this time. The Group does not apply uniform freight terms. Volume discounts and other bonuses are deducted from income at the most likely value.

In the case of the sale of services, the revenue is normally recognised over time in line with the fulfilment of the performance obligation. The Group provides separate services such as the monitoring of customers' production lines and consultation. Service agreements are primarily fixed price assignments.

For deliveries of goods and services, payment terms of 30 to 90 days after delivery are normally applied.

PROJECT DELIVERIES

The Group conducts project deliveries to the packaging industry. These deliveries consist of proprietary products and systems. The projects are customer unique and consequently do not create an asset with any alternative usage. The customer agreements are such that they provide the company with the right to receive payment for performance completed to date. The projects can consist of several components, such as design, machines, control systems, installation and warranty commitments. The warranties are standard in nature, but cannot be supplied by another party. Bearing in mind the close integration between the components, the project deliveries are normally deemed to constitute one performance obligation. The agreements are primarily fixed price assignments. The contracts normally run for less than 12 months. The warranty commitments are normally time-limited to between 12 and 36 months. For these deliveries, revenue recognition takes place over time. Revenue is recognised on the basis of an input method based on the company's efforts to fulfil the performance obligation (degree of completion) on the closing day, when the company can reliably calculate the financial outcome of the assignment. Preliminary estimates are used initially to assess income and expenditure. When a more accurate forecast can be determined, the forecast values are used instead to assess profit. The degree of completion is based on expenditure incurred in relation to estimated total expenditure. For projects that are initially difficult to forecast, income is recognised at an amount corresponding to the established cost, i.e. profit is recognised at SEK 0 pending the implementation of profit determination. An adjustment is made for anticipated losses as soon as these are known. Anticipated fines or penalties to customers as a result of e.g. delivery delays reduce the revenue by the amounts that are expected to be paid out. The subsidiaries have established procedures for following up the projects. In the company's judgement, the selected method provides a good picture of the company's performance and entitlement to payment. Normal payment terms for these deliveries entail part at the time of the order, part on delivery and part following approved installation. The difference between received payment and entitlement to payment as a result of executed performance is recognised net in the balance sheet for each agreement, either as a contract asset or a contract liability.

PENSIONS

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

reported as a liability in the balance sheets. The Group primarily has defined contribution pension plans.

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

TAXES

Reported income taxes include tax that will be paid for the current year and any changes to deferred tax. Tax assets and liabilities are valued at nominal amounts and in accordance with the current tax rules and tax rates. Deferred tax is calculated on temporary differences that arise between reported values and the tax base for assets and liabilities. The temporary differences refer mainly to untaxed reserves in Swedish companies. Deferred tax liabilities are normally reported for all taxable temporary differences, while deferred tax assets are reported to the extent it is likely that the sums may be utilised. When a legal right of offset exists, the receivable or liability is reported at net value.

NON-CURRENT ASSETS

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

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 forecast for the current year and the coming four-year period. The cash flow beyond the five-year period is extrapolated. XANO uses a current weighted capital cost for discounting estimated future cash flows. Discounted flows are compared with the carrying amount.

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

Other intangible non-current assets	3–10 years
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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	3–12 years

RIGHT-OF-USE ASSETS

The right-of-use assets in lease contracts are initially recognised at the value of the lease liabilities, adjusted for any prepaid lease payments. See also the Leasing paragraph.

Amortisation is included in the costs for each function. Amortisation is calculated systematically over the expected utilisation period or, if it is shorter, the contract period as per the list below.

Premises	2–12 years
Machinery and equipment	2–10 years

As from 2019, right-of-use assets in operating leases are reported amongst assets in accordance with IFRS 16.

CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Group has supplied the product/service to a customer, or fulfilled a commitment, but has not yet invoiced the customer. A contract liability is recognised when the Group has received or will receive payment, but has not yet supplied the product/service to the customer.

Impairment testing is performed continually for contract assets. Testing takes place individually and takes factors such as the customer's financial difficulties into account. In addition, an assessment is conducted for each segment, during which anticipated credit losses are assessed primarily from a historical perspective. Impairment testing for losses for the year has not entailed any reserve, as these are not deemed to amount to a significant sum.

ACCOUNTS RECEIVABLE – TRADE

Accounts receivable are recognised when the company has completed an undertaking and/or is entitled to unconditional payment and has invoiced the customer.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS AND LIABILITIES

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

Financial instruments are recognised at their accrued acquisition value, fair value via the income statement or fair value in other comprehensive income depending on how the instrument is classified. The company's business model for the management of financial instruments and the characteristics of the contractual cash flows from the instrument constitute the basis for the classification.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT

Financial assets and liabilities measured at fair value via the profit and loss statement cover assets held for trading and assets and liabilities which are classified for reporting at fair value via net profit for the year, such as derivatives that are not covered by hedge accounting.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT ACCRUED ACQUISITION VALUE

Loan receivables and accounts receivable are valued at their accrued acquisition value. Credit risk is managed by each subsidiary through adopted procedures for credit control and dunning management. Impairment testing is carried out on an ongoing basis for these assets. Testing takes place individually and considers factors such as the financial difficulties of the debtor. In addition, an assessment is conducted for each segment, during which anticipated credit losses are assessed primarily from a historical perspective. Other financial liabilities, such as borrowings and accounts payable, are valued at their accrued acquisition value.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE IN OTHER COMPREHENSIBLE INCOME

Financial assets and liabilities measured at fair value in other comprehensive income include assets and liabilities for which hedge accounting is applied.

XANO uses hedge accounting in accordance with IAS 39. 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, as well as to reduce the effect of interest rate fluctuations between currencies. 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 for derivatives to hedge sales 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 net profit for the year. For other derivatives, the 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 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 as a financial item 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 closing day, a financial asset is reported as a non-current asset. Financial liabilities which are expected to be settled more than 12 months after the closing day 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 closing day rate. Translation differences for operating receivables and liabilities are reported under operating profit, while translation differences attributable to liquid assets, 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 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. Leases mean that the right of use for the object in question is reported as a right-of-use asset. At the same time, the corresponding commitments are reported as interest-bearing liabilities. Assets and liabilities are valued at the start of the lease period at the current value of agreed lease payments, discounted using the lessee's incremental borrowing rate. Lease payments that are included in the calculation cover e.g. fixed payments, variable lease payments that are dependent on an index or a price initially valued with the aid of an index, amounts that are expected to be paid out according to residual value guarantees, redemption prices for options to buy, etc. An option to extend a lease or an option to buy is taken into account in the calculation, if the lessee is reasonably sure of utilising such an opportunity. In subsequent periods, the asset is reported at cost less depreciation and impairment, and the liability is revalued to reflect the effect of interest and lease payments. Depreciation for the non-current asset/right-of-use asset and interest expenses for the lease liability are reported in the income statement.

The Group assesses whether a contract is or contains a lease at the start of the agreement. The Group reports all leases in which the Group is the lessee, apart from short-term leases (leases with a lease term of less than 12 months) as well as leases where the underlying asset is of a low value. For leases that satisfy the requirements for the relief rules (short-term agreements and assets of a low value), lease payments are reported as an operating expense on a straight-line basis over the term of the lease. Variable lease payments that are not dependent on an index or a price are not included in the valuation.

Such lease payments are reported as a cost in the operating profit in the period in which they arise.

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 Products, Industrial Solutions and Precision Technology. 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 conducts project deliveries to the packaging industry. For these projects, income is recognised on the basis of the degree of completion on the closing day when it is possible to reliably calculate the financial result of the assignment. This method means that assessments must be performed of the projects' total income and expenditure, and changes to these items 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 over time. Recognised income for ongoing assignments amounts to SEK 573 million (373). 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 626 million (577). 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 other provisions, the amounts that are expected to be paid out are reserved. The Group's reported other non-current provisions amount to SEK 4.1 million (3.5) and other current provision amount to SEK 3.3 million (4.0). See also Note 27.

DERIVATIVE INSTRUMENTS

The Group holds derivatives that are measured at their fair value. Their valuation is based on estimates and comprises the market value that fluctuates over time. In addition to this, the accounting may be affected if the criteria for hedge accounting and effectiveness are not met. As of 31 December 2020, the Group's reported liabilities with regard to derivative instruments amount to SEK 13.2 million (12.9) and the Group's reported assets with regard to derivative instruments amount to SEK 5.3 million (–). See also Note 20.

OPERATING LEASE CONTRACTS

The application of IFRS Leases requires a high degree of assessment when determining the value of the right-of-use assets and the lease liabilities, for example in order to assess the lease term and discount rate. The Group's right-of-use assets relating to operating leases amount to SEK 74 million (88). See also Note 32.

■ NOTE 3 SEGMENT REPORTING ETC.

The information on segments is provided from the management's perspective, which corresponds to the way in which the information is presented internally. The Group reports on the following segments: Industrial Products, Industrial Solutions and Precision Technology. The operations within each segment are described on pages 55-56. The segments are reported in accordance with the same accounting policies as the Group. Undistributed items mainly refer to the Parent Company.

BREAKDOWN OF REVENUE	INDUSTRIAL PRODUCTS		INDUSTRIAL SOLUTIONS		PRECISION TECHNOLOGY		ELIMINATIONS		GROUP TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Geographic markets ¹⁾										
Sweden	187,212	182,392	307,483	388,626	274,792	254,211	-1,820	-5,986	767,667	819,243
Rest of the Nordic countries	134,175	134,764	64,726	70,655	5,990	5,122	–	-52	204,891	210,489
Rest of Europe	225,230	286,312	566,818	506,020	20,203	22,200	–	–	812,251	814,532
Rest of the world	4,698	6,344	405,742	248,611	44,183	28,824	–	-20	454,623	283,759
Total	551,315	609,812	1,344,769	1,213,912	345,168	310,357	-1,820	-6,058	2,239,432	2,128,023
Type of product										
Proprietary products	185,121	164,211	843,692	739,816	2,589	2,988	-42	-92	1,031,360	906,923
Customer-specific manufacturing	366,194	445,601	501,077	474,096	342,579	307,369	-1,778	-5,966	1,208,072	1,221,100
Total	551,315	609,812	1,344,769	1,213,912	345,168	310,357	-1,820	-6,058	2,239,432	2,128,023
Timing of revenue recognition										
Goods/services transferred at a point in time	551,315	609,812	608,049	584,027	345,168	310,357	-1,820	-6,058	1,502,712	1,498,138
Services transferred over time	–	–	8,283	12,520	–	–	–	–	8,283	12,520
Projects transferred over time	–	–	728,437	617,365	–	–	–	–	728,437	617,365
Total	551,315	609,812	1,344,769	1,213,912	345,168	310,357	-1,820	-6,058	2,239,432	2,128,023

¹⁾ Revenue by geographic market refers to revenue from customers according to where the customers are located.

Market conditions are applied to transactions between the segments.

The XANO Group has one major customer which generates revenue accounting for more than 10 per cent of the Group's total revenue. Income from this customer amounted to SEK 265 million (255), mainly reported through the Industrial Solutions segment.

PROFIT/LOSS ITEMS BY SEGMENT	2020			2019		
	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 Products	69,357	-11,060	58,297	68,863	-39,708	29,155
Industrial Solutions	158,407	-25,896	132,511	123,050	-45,260	77,790
Precision Technology	53,783	-34,351	19,432	47,703	-42,282	5,421
Undistributed items	-30,678	71,307	40,629	-28,180	127,250	99,070
Group total	250,869	0	250,869	211,436	0	211,436

PROFIT/LOSS ITEMS BY SEGMENT	2020				2019			
	Interest income	Interest expenses	Tax	Depreciation	Interest income	Interest expenses	Tax	Depreciation
Industrial Products	464	-5,631	-11,879	-27,330	259	-6,974	-6,884	-26,773
Industrial Solutions	1,398	-8,798	-31,240	-36,970	3,279	-11,455	-18,609	-36,492
Precision Technology	113	-2,484	-3,693	-21,281	56	-2,687	-1,304	-19,868
Undistributed items	-618	-1,407	-8,924	-517	-238	-2,160	-21,530	-731
Group total	1,357	-18,320	-55,736	-86,098	3,356	-23,276	-48,327	-83,864

ASSETS AND LIABILITIES BY SEGMENT	2020				2019			
	Assets	Liabilities	Investments	Deferred tax liabilities	Assets	Liabilities	Investments	Deferred tax liabilities
Industrial Products	544,576 ¹⁾	103,664	17,082	24,417	583,788 ¹⁾	92,995	29,476	23,790
Industrial Solutions	1,169,625 ²⁾	441,768	19,154	25,183	1,132,972 ²⁾	321,879	50,468	38,199
Precision Technology	539,914 ³⁾	98,927	130,723	16,173	357,593 ³⁾	58,237	41,112	13,025
Undistributed items	231,983 ⁴⁾	47,659	-506	19,748	6,295 ⁴⁾	45,590	1,563	20,567
Group total	2,486,098	692,018	166,453	85,521	2,080,648	518,701	122,619	95,581

¹⁾ Including deferred tax assets totalling SEK 28 thousand (29).

²⁾ Including deferred tax assets totalling SEK 0 thousand (427).

³⁾ Including deferred tax assets totalling SEK 680 thousand (0).

⁴⁾ Including deferred tax assets totalling SEK 36 thousand (352).

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. During 2020, the Industrial Solutions and Precision Technology business units have increased their total operating assets, such as inventories and trade receivables, whereas these have decreased within the Industrial Products business unit.

ASSETS AND INVESTMENTS BY GEOGRAPHIC MARKET	2020		2019	
	Non-current assets	Investments	Non-current assets	Investments
Sweden	686,067	142,402	597,574	82,566
Rest of the Nordic countries	475,666	14,224	484,240	16,174
Rest of Europe	150,077	5,341	163,877	21,234
Rest of the world	13,664	4,486	16,189	2,645
Group total	1,325,474	166,453	1,261,880	122,619

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

■ NOTE 4 REVENUE, CONTRACT ASSETS AND CONTRACT LIABILITIES

CONTRACT ASSETS	2020	2019
Contract assets for ongoing assignments	63,399	12,726
Accrued income	2,507	2,917
	65,906	15,643
CONTRACT LIABILITIES	2020	2019
Contract liabilities for ongoing assignments	178,423	100,096
Advance payment from customers	5,283	27,394
Deferred income	1,918	0
	185,624	127,490

The total assignment income that has been recognised as revenue amounts to SEK 728,437 thousand (617,365).

During the year, revenue has been recognised from performance obligations fulfilled in earlier periods at SEK -1,660 thousand (2,304).

FOR ONGOING ASSIGNMENTS	2020	2019
Income from deliveries recognised as revenue over time	573,404	372,700
Expenditure for deliveries recognised as expenses over time	-452,668	-292,383
Reported profit	120,736	80,317
Advance payments received	867,355	839,060
Contract assets	63,399	12,726
Contract liabilities	178,423	100,096

Unfulfilled performance obligations that are expected to be recognised as revenue later than within one year do not amount to significant figures. For details on impairment testing, see Note 35.

CONTRACT ASSETS AND CONTRACT LIABILITIES	Assets	Liabilities
Opening balance	15,643	127,490
Assets at the start of the year reclassified to accounts receivable or contract liabilities	-15,177	–
Liabilities at the start of the year recognised as income in 2020	–	-110,899
Additional assets/liabilities	67,439	170,892
Translation differences	-1,999	-1,859
Closing balance	65,906	185,624

■ NOTE 5 EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES ¹⁾	2020	of which men	2019	of which men
Sweden	534	83%	530	83%
Denmark	132	90%	142	90%
Netherlands	97	92%	106	93%
China	96	82%	91	81%
Estonia	94	88%	100	88%
Norway	89	89%	102	89%
Poland	9	33%	9	44%
Finland	4	75%	4	75%
USA	0	–	1	100%
Group total	1,055	85%	1,085	85%

¹⁾ Employees who are covered by short-term work/temporary layoffs are only included to the extent that relates to actually worked time.

AVERAGE NUMBER OF EMPLOYEES ²⁾	2020	of which men	2019	of which men
Sweden	556	84%	530	83%
Denmark	132	90%	142	90%
Netherlands	97	92%	106	93%
Norway	97	89%	102	89%
China	96	82%	91	81%
Estonia	94	88%	100	88%
Poland	9	33%	9	44%
Finland	4	75%	4	75%
USA	0	–	1	100%
Group total	1,085	85%	1,085	85%

²⁾ Average number of employees according to the Swedish Accounting Standards Board's recommendation, which means that employees who are covered by short-term work/temporary layoffs are included in full.

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2020	2019
Parent Company		
Board members	60%	67%
Senior executives	50%	50%
Operating subsidiaries		
Board members	77%	74%
Senior executives	76%	79%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2020	2019
Salaries and remuneration	492,524	493,407
Social security costs	141,478	144,752
(of which pension costs ^{1, 2, 3, 4)})	(45,287)	(44,285)
Group total	634,002	638,159

¹⁾ Of the Group's pension costs, SEK 6,585 thousand (5,907) 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 10,595 thousand (10,121). Alecta's surplus can be distributed to the insurance policyholders and/or the insured parties. At the end of 2020, Alecta's surplus in the form of the collective insurance level amounted to 148 per cent (148). The fee for the coming year is estimated to be on a par with that charged for 2020.

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

⁴⁾ Two of the Group's Swedish subsidiary companies have pension obligations secured through endowment insurance. The remaining balance was recognised as an asset and a pension liability, respectively, and amounts to SEK 634 thousand (678).

BREAKDOWN OF SALARIES AND OTHER REMUNERATION	2020		2019	
	Board and MD ¹⁾	Other employees	Board and MD ¹⁾	Other employees
Sweden (of which bonuses)	23,403 (3,312)	223,764	20,088 (1,891)	210,108
Denmark (of which bonuses)	4,021 (703)	107,150	3,597 (-)	116,990
Netherlands (of which bonuses)	2,286 (168)	50,662	1,017 (-)	49,918
Norway (of which bonuses)	1,801 (186)	41,956	1,182 (-)	52,378
China (of which bonuses)	1,886 (-)	16,967	1,796 (-)	15,084
Estonia (of which bonuses)	608 (105)	14,220	476 (-42)	16,615
Finland (of which bonuses)	- (-)	2,118	- (-)	2,097
Poland (of which bonuses)	- (-)	1,682	- (-)	1,796
USA (of which bonuses)	- (-)	-	- (-)	265
Group total (of which bonuses)	34,005 (4,474)	458,519	28,156 (1,849)	465,251

¹⁾ Includes remuneration for board members, Group management and managing directors. Bonuses do not include holiday pay.

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

Remuneration to senior executives must be based on market terms, position, individual performance and the Group's earnings. The total remuneration will be made up of fixed remuneration, variable remuneration in the form of short-term incentives based on financial or strategic performance targets, pensions and other benefits. Conditions relating to termination and severance pay are in addition to this. In addition, the Annual General Meeting – irrespective of these guidelines – can decide on share-based and share price-related remuneration. The fixed remuneration must make up at least 50 per cent of the total remuneration. The fixed remuneration must reflect the responsibility that the position entails, and must be competitive on the relevant market. Pay reviews will be conducted annually to ensure continued competitiveness and to reward individual performance. The variable remuneration will make up a maximum of 50 per cent of the fixed remuneration and will correspond to a maximum of six months' fixed remuneration. Variable remuneration will principally relate to financial performance targets, but will also be able to be measured against non-financial targets in order thereby to focus on activities that promote the company's business and sustainability strategies as well as its long-term interests. The targets will be determined by the Board of Directors and must be specific, clearly measurable and for a set period of time. Variable remuneration linked to financial targets is determined annually and paid after the adoption of the annual accounts. All variable remuneration is conditional on positive net earnings for the Group, and will be adjusted retrospectively if it has been paid out on false grounds. Senior executives will have a pension scheme with a retirement age of 65. Pension benefits, including health insurance, must be premium-based. Variable compensation is not qualifying income for pension purposes. Pension premiums, including any salary exchange, must not exceed 35% of pensionable salary. Other benefits may include e.g. medical care insurance and a company car in accordance with the tax rules applicable at the time. Both the company and the CEO will be subject to a notice period of six months. In the case of termination of employment by the company, the CEO will be entitled to severance pay corresponding to 18 months' salary. The amount of severance pay will be adjusted for income from other sources. In the case of resignation by the CEO, no severance pay will be payable. Other senior executives will be subject to a notice period from either side of six months. In the case of termination of employment by the company, the executive will be entitled to severance pay corresponding to 6 months' salary. The amount of severance pay will be adjusted for income from other sources. In the case of resignation by the executive, no severance pay will be payable. In those cases where a Board member carries out services for the company over and above the Board work, a separate fee may be paid for this, provided such services contribute to the implementation of the company's business and sustainability strategy and the addressing of the company's long-term interests. Such consultancy fees may never exceed the annual Board fee for each individual Board member. The fee must be on market terms. Remuneration to the CEO must be determined by the Board based on the recommendation by the Remuneration Committee. Remuneration to other senior executives must be determined by the Remuneration Committee and be reported to the Board. The Remuneration Committee must monitor and evaluate the application of the guidelines for remuneration, as well as

applicable remuneration structures and remuneration levels in the company. Based on a recommendation from the Remuneration Committee, the Board must, every four years or in the event of major changes, draw up proposed new guidelines for ratification by the Annual General Meeting. To the extent that these matters relate to them, the CEO and other senior executives will not attend meetings of the Board where remuneration-related issues are discussed and decided. When preparing the Board's proposals regarding remuneration guidelines, salaries and terms and conditions of employment for the company's other employees must be taken into consideration, and an explanation must be given for the annual change in salary of each individual executive in relation to the average salary for the company's other employees. Any change in the difference between remuneration for senior executives and remuneration for other employees must be presented in the remuneration report. Based on a recommendation by the Remuneration Committee, the Board may deviate from the guidelines if specific reasons for this exist and it is deemed necessary in order to address the company's long-term interests or to safeguard the company's financial strength. Deviations may only be made in exceptional circumstances.

The guidelines are applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts. With the exception of the definition of pensionable salary, the guidelines are applied in existing agreements with senior executives.

Terms of remuneration for the CEO and other senior executives cover basic salary, variable remuneration, other benefits and pension premiums. Other senior executives refer to the CFO who, together with the CEO, makes up the Group management.

The AGM decided that the Board's fee of SEK 1,000 thousand should be distributed with SEK 300 thousand payable to the Chairman and SEK 175 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 ordinary member and SEK 50 thousand to the committee chairman. During 2020, SEK 150 thousand was carried as an expense for these tasks.

In 2020, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and benefits totalling SEK 7,594 thousand (6,069), of which SEK 2,376 thousand (1,200) constitutes variable remuneration. Of this year's variable remuneration, SEK 126 thousand is attributable to the previous year. Other senior executives received salary and benefits totalling SEK 1,821 thousand (1,686). At the 2020 AGM, it was decided to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 30 per cent (30) of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 30 per cent (30) of the pensionable salary. According to existing agreement, "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs for the CEO amounted to SEK 1,969 thousand (1,729). Pension costs for other senior executives amounted to SEK 511 thousand (474).

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

	2020	2019
Material costs	-993,167	-895,623
Personnel costs	-666,561	-699,312
Depreciation	-86,098	-83,864
Other external costs	-214,703	-222,120
	-1,960,529	-1,900,909

■ NOTE 7 PERSONNEL COSTS

PERSONNEL COSTS BY FUNCTION	2020	2019
Cost of goods sold	-502,299	-542,729
Selling expenses	-97,313	-93,884
Administrative expenses	-66,949	-62,699
	-666,561	-699,312

■ NOTE 8 DEPRECIATION

DEPRECIATION BY FUNCTION	2020	2019
Cost of goods sold	-74,894	-73,481
Selling expenses	-8,708	-7,908
Administrative expenses	-2,496	-2,475
	-86,098	-83,864

DEPRECIATION BY CLASS OF ASSET	2020	2019
Other intangible non-current assets	-6,660	-6,110
Land and buildings	-14,235	-13,641
Plant and machinery	-27,062	-25,235
Equipment, tools, fixtures and fittings	-9,800	-9,404
Right-of-use assets	-28,341	-29,474
	-86,098	-83,864

■ NOTE 9 AUDITORS' REMUNERATION

	2020	2019
Ernst & Young		
Audit assignment	-1,506	-1,527
Audit activities other than audit assignment	-70	19
Tax consultancy services	-206	-39
Other services	-139	-30
	-1,921	-1,577
Other auditors		
Audit assignment	-554	-507
Audit activities other than audit assignment	–	-5
Other services	–	-50
	-554	-562
Total	-2,475	-2,139

"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

	2020	2019
Rental income	333	719
Exchange gains on operating receivables/liabilities	15,391	11,485
Other	3,341	1,911
	19,065	14,115

■ NOTE 11 OTHER OPERATING EXPENSES

	2020	2019
Cost of leased premises/personnel	-333	-719
Exchange losses on operating receivables/liabilities	-21,764	-10,921
Other	-2,205	-88
	-24,302	-11,728

■ NOTE 12 FINANCIAL INCOME

	2020	2019
Interest income	1,357	3,356
Exchange gains on financial assets/liabilities	6,578	5,721
	7,935	9,077

■ NOTE 13 FINANCIAL EXPENSES

	2020	2019
Interest expenses	-18,320	-23,276
Exchange losses on financial assets/liabilities	-12,374	-3,808
	-30,694	-27,084

■ NOTE 14 TAX ON PROFIT FOR THE YEAR

	2020	2019
Current tax	-66,758	-41,558
Deferred tax	13,340	-3,430
Tax on dividends from non-Swedish subsidiaries	-2,318	-3,339
	-55,736	-48,327

The difference between the Swedish income tax rate 21.4% (21.4) and the effective tax rate arises as follows:

	2020		2019	
Reported profit before tax	250,869		211,436	
Tax according to Swedish income tax rate	-53,686	21%	-45,247	21%
<i>Tax effect of</i>				
Consolidated amortisation of surplus values	-5	0%	-5	0%
Deviation in tax rate in non-Swedish subsidiaries	1,004	-0%	1,093	-0%
Transaction costs at business combinations	-210	0%	-36	0%
Altered corporation tax in Sweden	1,330	-1%	–	–
Dividends from non-Swedish subsidiaries	-1,939	1%	-3,590	2%
Adjustment of current tax in previous periods	-41	0%	-416	0%
Other tax-related adjustments	-2,189	1%	-126	0%
Reported tax	-55,736	22%	-48,327	23%

■ NOTE 15 INTANGIBLE NON-CURRENT ASSETS

GOODWILL	2020	2019
Accumulated acquisition values		
Opening balance	578,169	576,905
Acquisition of subsidiaries	52,164	560
Translation differences for the year	-2,143	704
Closing balance	628,190	578,169
Accumulated amortisation		
Opening balance	-1,641	-1,639
Translation differences for the year	6	-2
Closing balance	-1,635	-1,641
Accumulated impairment costs		
Opening balance	-102	-102
Closing balance	-102	-102
Closing residual value	626,453	576,426

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 based on budget for 2021 and the following forecast period, depending on the segment, amounts to 2–7 per cent (2–7) for the this period and thereafter staying at 2 per cent (2). Assumed operating margins amount to 11–15 per cent (11–15) 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 11.3 per cent (10.5) before tax was used for this year's test. This year's test showed no impairment indication. A number of sensitivity analyses were performed in which the sustained growth rate was set at 0 per cent, the operating margin was reduced by 2 percentage points relative to the forecast level or the discount rate was increased by 2 percentage points. None of the analyses showed any impairment indication.

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

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

GOODWILL BY SEGMENT	2020	2019
Industrial Products	98,314	100,446
Industrial Solutions	399,470	399,475
Precision Technology	128,669	76,505
	626,453	576,426

OTHER INTANGIBLE NON-CURRENT ASSETS	2020	2019	
Accumulated acquisition values			
Opening balance	64,912	64,415	
New acquisitions	306	3,557	
Divestments and disposals	-2,623	-6,289	
Reclassifications	5,321	3,099	
Translation differences for the year	-1,149	130	
Closing balance	66,767	64,912	
Accumulated scheduled amortisation			
Opening balance	-32,551	-32,573	
Divestments and disposals	1,491	6,289	
Amortisation according to plan for the year	-6,660	-6,110	
Translation differences for the year	688	-157	
Closing balance	-37,032	-32,551	
Closing residual value according to plan ¹⁾	29,735	32,361	
Remaining amortisation period, years			
¹⁾ of which			
Capitalised expenditure for research and development	5	24,070	29,088
Patents	3	210	275
Other	4	5,455	2,998

CONSTRUCTION IN PROGRESS	2020	2019
Accumulated acquisition values		
Opening balance	11,957	6,990
New acquisitions/advance payments	4,059	8,147
Disposals	-1,977	-146
Reclassifications	-5,321	-3,099
Translation differences for the year	-258	65
Closing balance	8,460	11,957

■ NOTE 16 PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS	2020	2019
Accumulated acquisition values		
Opening balance	471,517	436,961
New acquisitions	4,548	5,464
Acquisitions of subsidiaries	14,890	6,002
Divestments and disposals	-220	–
Reclassifications	15,531	20,323
Translation differences for the year	-7,149	2,767
Closing balance	499,117	471,517
Accumulated scheduled depreciation		
Opening balance	-151,164	-136,991
Divestments and disposals	86	–
Depreciation according to plan for the year	-14,235	-13,641
Translation differences for the year	2,067	-532
Closing balance	-163,246	-151,164
Closing residual value according to plan ¹⁾	335,871	320,353
¹⁾ of which land	32,177	30,919

PLANT AND MACHINERY	2020	2019
Accumulated acquisition values		
Opening balance	475,357	540,049
New acquisitions	40,969	36,652
Acquisitions of subsidiaries	15,626	2,643
Divestments and disposals	-6,190	-2,865
Reclassifications	10,146	-104,988
Translation differences for the year	-12,040	3,866
Closing balance	523,868	475,357
Accumulated scheduled depreciation		
Opening balance	-348,853	-378,597
Divestments and disposals	5,841	2,789
Reclassifications	12	55,343
Depreciation according to plan for the year	-27,062	-25,235
Translation differences for the year	10,511	-3,153
Closing balance	-359,551	-348,853
Closing residual value according to plan	164,317	126,504

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2020	2019
Accumulated acquisition values		
Opening balance	132,300	121,390
New acquisitions	12,344	12,129
Acquisitions of subsidiaries	962	462
Divestments and disposals	-4,344	-620
Reclassifications	2,857	-2,628
Translation differences for the year	-5,630	1,567
Closing balance	138,489	132,300
Accumulated scheduled depreciation		
Opening balance	-104,898	-94,987
Divestments and disposals	4,072	544
Reclassifications	-3	302
Depreciation according to plan for the year	-9,800	-9,404
Translation differences for the year	4,671	-1,353
Closing balance	-105,958	-104,898
Closing residual value according to plan	32,531	27,402

CONSTRUCTION IN PROGRESS	2020	2019
Accumulated acquisition values		
Opening balance	29,007	26,726
New acquisitions/advance payments	14,434	34,738
Reclassifications	-28,543	-32,440
Translation differences for the year	-610	-17
Closing balance	14,288	29,007

Additional contractual obligations to acquire property, plant and equipment amount to SEK 3,600 thousand (17,214).

RIGHT-OF-USE ASSETS	2020	2019
Opening balance	135,421	0
Reclassifications	-	64,088
Effect of IFRS 16	-	85,782
Acquisitions and adjustments	9,429	19,274
Acquisitions of subsidiaries	7,169	-
Terminated contracts	-6,980	-6,711
Amortisation	-28,341	-29,474
Translation differences	-5,675	2,462
Closing balance	111,023	135,421

■ NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

	2020	2019
Accumulated acquisition values		
Opening balance	249	287
Acquisitions/capital contribution for the year	351	-
Profit participation for the year ¹⁾	-38	-48
Translation differences for the year	-33	10
Closing balance	529	249

Accumulated write-downs		
Opening balance	-248	-240
Translation differences for the year	25	-8
Closing balance	-223	-248

Carrying amount	306	1
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Business name Corporate identity number Registered office	Share of equity	Share of voting rights	Number of shares	Equity	Profit after tax
Nordic Plastic Recycling AS 918 069 283 Ådalsnes, Norway	24%	24%	14,286	2,000	-191

¹⁾ Based on preliminary profit.

■ NOTE 18 INVENTORIES

	2020	2019
Raw material and consumables	127,318	137,496
Work in process	84,671	82,114
Finished products and goods for resale	78,123	91,334
Advance payments to suppliers	19,459	6,646
Closing balance	309,571	317,590

Write-downs totalling SEK 4,030 thousand (1,966) have been made. Total expenditure for goods reported as costs amounts to SEK 993,167 thousand (895,623).

■ NOTE 19 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2020	2019
Accounts receivable	352,570	359,905
Tax asset	2,995	8,172
Other receivables	38,728	17,408
Accrued income ¹⁾	2,527	2,927
Contract assets	63,399	12,726
Closing balance	460,219	401,138

■ NOTE 20

FINANCIAL ASSETS AND LIABILITIES

DISTRIBUTION BY CATEGORY	Financial assets measured at fair value through other comprehensive income	Loan and accounts receivable valued at accrued acquisition value	Financial liabilities measured at fair value through profit and loss	Financial liabilities measured at fair value through other comprehensive income	Other financial liabilities	Total carrying amount	Fair value ¹⁾
2020							
Financial assets							
Accounts receivable ²⁾	–	352,570				352,570	352 570
Derivative instruments	5,315 ⁴⁾	–				5,315	5 315
Cash and cash equivalents	–	366,993				366,993	366 993
Total financial assets	5,315	719,563				724,878	
Financial liabilities							
Borrowings			–	–	582,792	582,792	582 792
Lease liabilities ³⁾			–	–	97,099	97,099	
Convertible loan			–	–	63,518	63,518	69 998
Bank overdraft facilities			–	–	–	–	
Total interest-bearing liabilities			–	–	743,409	743,409	
Accounts payable			–	–	188,816	188,816	188 816
Derivative instruments			–	13,174 ⁵⁾	–	13,174	13 174
Total financial liabilities			–	13,174	932,225	945,399	

DISTRIBUTION BY CATEGORY	Financial assets measured at fair value through other comprehensive income	Loan and accounts receivable valued at accrued acquisition value	Financial liabilities measured at fair value through profit and loss	Financial liabilities measured at fair value through other comprehensive income	Other financial liabilities	Total carrying amount	Fair value ¹⁾
2019							
Financial assets							
Accounts receivable ²⁾	–	359,905				359,905	359,905
Cash and cash equivalents	–	82,295				82,295	82,295
Total financial assets	–	442,200				442,200	
Financial liabilities							
Borrowings			–	–	512,612	512,612	512,612
Lease liabilities ³⁾			–	–	119,593	119,593	
Convertible loan			–	–	61,529	61,529	62,130
Bank overdraft facilities			–	–	68,330	68,330	68,330
Total interest-bearing liabilities			–	–	762,064	762,064	
Accounts payable			–	–	126,849	126,849	126,849
Derivative instruments			–	12,869 ⁵⁾	–	12,869	12,869
Total financial liabilities				12,869	888,913	901,782	

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 2,355 thousand (-151), of which SEK 785 thousand (56) constitutes realised losses. Required write-downs of outstanding receivables amounts to SEK 3,952 thousand (2,493), see also Note 35.

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

⁴⁾ The derivative instruments constitute currency derivatives that are measured at their fair value and belong to Level 2 under IFRS 13. The year's change in value totals SEK 5,315 thousand (–) excluding tax. The item is effectively hedged and is reported as "Change in hedging reserve" in the consolidated statement of comprehensive income. Change in value of currency derivatives that are not effectively hedged and reported as "Financial expenses" in the consolidated statement of comprehensive income amounts to SEK 0 thousand (1,359) excluding tax.

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 -219 thousand (857) excluding tax. The item is effectively hedged and is reported as "Change in hedging reserve" in the consolidated statement of comprehensive income.

WRITE-DOWNS OF OUTSTANDING ACCOUNTS RECEIVABLE	2020	2019
Opening balance	2,493	2,656
Acquisitions of subsidiaries	69	–
Provision for anticipated bad debt losses	1,700	159
Reversal of anticipated bad debt losses	-165	-366
Translation differences for the year	-145	44
Closing balance	3 952	2 493

Impairment has been assessed on the basis of a historical perspective at 0.1% of total revenue, see also Note 35.

AGE ANALYSIS

FINANCIAL ASSETS AS OF 31/12/2020	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable ¹⁾	179,772	152,313	20,485	352,570
Derivative instruments	1,008	863	3,444	5,315
Cash and cash equivalents	366,993	–	–	366,993
Total financial assets	547,773	153,176	23,929	724,878

FINANCIAL ASSETS AS OF 31/12/2019	Maturity			Total
	-30 days	31-90 days	91-360 days	
Accounts receivable ¹⁾	248,573	78,083	33,249	359,905
Cash and cash equivalents	82,295	–	–	82,295
Total financial assets	330,868	78,083	33,249	442,200

FINANCIAL LIABILITIES AS OF 31/12/2020	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	3,798	8,623	30,010	42,431	534,815	44,744	57,901	679,891
Convertible loan ²⁾	–	–	–	–	63,518	–	–	63,518
Bank overdraft facilities	–	–	–	–	–	–	–	–
Total interest-bearing liabilities	3,798	8,623	30,010	42,431	598,333	44,744	57,901	743,409
Accounts payable	109,781	76,494	2,541	188,816	–	–	–	188,816
Derivative instruments	386	52	12,736	13,174	–	–	–	13,174
Total financial liabilities	113,965	85,169	45,287	244,421	598,333	44,744	57,901	945,399
<i>Total non-discounted cash flows ³⁾</i>				<i>246,513</i>	<i>625,251</i>	<i>47,720</i>	<i>58,904</i>	<i>978,388</i>

FINANCIAL LIABILITIES AS OF 31/12/2019	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	4,094	7,899	33,385	45,378	477,238	37,265	72,324	632,205
Convertible loan	–	–	61,529	61,529	–	–	–	61,529
Bank overdraft facilities	–	–	68,330	68,330	–	–	–	68,330
Total interest-bearing liabilities	4,094	7,899	163,244	175,237	477,238	37,265	72,324	762,064
Accounts payable	93,762	30,384	2,703	126,849	–	–	–	126,849
Derivative instruments	–	352	12,517	12,869	–	–	–	12,869
Total financial liabilities	97,856	38,635	178,464	314,955	477,238	37,265	72,324	901,782
<i>Total non-discounted cash flows ³⁾</i>				<i>319,273</i>	<i>496,675</i>	<i>40,914</i>	<i>73,684</i>	<i>930,546</i>

¹⁾ Of reported accounts receivable, the overdue amount totals SEK 40,284 thousand (66,784), see also Note 35.

²⁾ Falls due in 2023.

³⁾ Includes estimated future interest payments.

In November 2019, a new credit agreement was entered into with the Group's main bank. The agreement runs for three years, with the option of extending for a further one plus one years.

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			
	31/12/2020	31/12/2019	Non-current		Current ¹⁾	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019
DKK	-1,227	1,215	163,414	171,600	23,044	27,130
EUR	290,739	142,894	26,283	30,611	64,762	-106,918
SEK	279,299	165,679	486,659	349,737	118,915	300,613
USD	95,924	38,643	–	–	4,368	-4,583
Other currencies	60,143	93,769	24,622	34,879	33,332	98,713
	724,878	442,200	700,978	586,827	244,421	314,955

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

■ NOTE 21 CASH AND CASH EQUIVALENTS

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

CASH AND CASH EQUIVALENTS	2020	2019
Cash and bank balances	366,988	82,290
Current investments	5	5
Amount at year-end	366,993	82,295

■ NOTE 22 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE	2020	2019
Net profit for the year, SEK thousands	195,133	163,109
Average number of outstanding shares, thousands	28,435	27,895
Basic earnings per share, SEK	6.86	5.85
DILUTED EARNINGS PER SHARE	2020	2019
Net profit for the year, SEK thousands	195,133	163,109
Interest expense on convertible bonds, SEK thousands ¹⁾	1,905	2,284
Issue expenses for convertible bonds, SEK thousands	51	20
Adjusted income, SEK thousands	197,089	165,413
Average number of outstanding shares, thousands	28,435	27,895
Adjustment for presumed conversion of convertible bonds, thousands	705	1,140
Average number of shares at the calculation of earnings per share, thousands	29,140	29,035
Diluted earnings per share, SEK	6.76	5.70

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.

■ NOTE 23 SHARE CAPITAL ETC.

DISTRIBUTION OF SHARE CAPITAL	31/12/2020	1/1/2020
Class A shares	7,288,800	7,288,800
Class B shares	21,958,307	20,898,180
Total number of shares	29,247,107	28,186,980
Quotient value, SEK	1.25	1.25
Share capital, SEK	36,558,883.75	35,233,725.00

The total number of shares is 29,247,107, of which 254,566 was held by the company at year-end. The average number of outstanding shares during 2020 amounted to 28,435,152. 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, was 94,591,741 at year-end.

On 1 July 2016, convertibles for a nominal value of SEK 62,130 thousand were issued. During 2020, holders of a nominal SEK 57,777 thousand requested conversion of their claims to shares. Through the conversion, 1,060,127 new Class B shares were issued.

On 1 October 2020, convertibles for a nominal value of SEK 69,998 thousand, corresponding to 573,756 class B shares in the event of full conversion, were issued.

During the year, 37,878 own shares were transferred in connection with company acquisition.

The proposed dividend amounts to SEK 2.50 per share.

■ NOTE 24 RESERVES

CUMULATIVE TRANSLATION DIFFERENCE	2020	2019
Opening balance	34,812	28,621
Translation differences for the year	-25,228	8,864
Hedging of currency risk in non-Swedish operations	7,386	-2,673
Closing balance	16,970	34,812

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

HEDGING RESERVE	2020	2019
Opening balance	-9,838	-10,512
Changes for the year, including tax	3,946	674
Closing balance	-5,892	-9,838

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 closing day of 31 December 2020, there were fixed lock-in interest rate swaps with a total nominal amount of SEK 217 million (220).

	2020	2019
Total reserves	11,078	24,974

■ NOTE 25 BANK OVERDRAFT FACILITIES

Utilised overdraft facilities are reported as current liabilities.

BANK OVERDRAFT FACILITIES	2020	2019
Bank overdraft facilities granted	309,269	322,557
Unutilised amount	309,269	-254,227
Utilised amount	0	68,330

■ NOTE 26 CONVERTIBLE LOAN

The Parent Company has an outstanding convertible loan reported at SEK 63,518 thousand (61,529). The nominal value for the outstanding loan is SEK 69,998 thousand. The convertible loan runs until 30 September 2023 with an annual interest rate corresponding to STIBOR 3M plus 1.75 percentage points (1.75 per cent for the current period). During the period 1–12 September 2023, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 122.00. 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 5.64 per cent (government bonds interest rate at the time of issue, -0.36 per cent, with a 6.00 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense on convertible loan for the year is SEK 2,098 thousand (2,577). For the outstanding convertible loan, the interest expense corresponds to 5.1 per cent of the actual liability. The income statement is also charged with issue costs which arose in connection with taking out the convertible loan.

■ NOTE 27 OTHER PROVISIONS

NON-CURRENT	2020	2019
Guarantee and complaint commitments	3,284	2,593
Pension commitments	634	678
Deferred land registration costs	224	224
	4,142	3,495
Estimated maturity time		
Between one and five years after the closing day	3,918	3,271
More than five years after the closing day	224	224
CURRENT	2020	2019
Guarantee and complaint commitments	3,327	3,357
Termination and education costs	–	667
	3,327	4,024
CHANGES IN OTHER PROVISIONS	Non-current	Current
	Guarantee commitments	Pension commitments
		Other commitments
Opening balance	2,593	678
Provisions for the year	1,201	18
Payments/utilisation for the year	-419	-62
Translation differences for the year	-91	–
Closing balance	3,284	634

■ 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.

	2020	2019
Non-current assets, Group items ¹⁾	20,721	21,783
Buildings, subsidiaries	3,915	3,888
Untaxed reserves		
Excess depreciation, machinery and equipment	13,149	9,280
Tax allocation reserves	25,944	29,180
Derivative instruments	-1,529	-2,679
Non-Swedish items with diverging tax rate	24,132	34,706
Other items	-811	-577
Deferred tax liability	85,521	95,581
Deferred tax asset ²⁾	-744	-808
Net deferred tax liability	84,777	94,773
Deferred tax liability brought forward	-94,773	-89,809
Acquisition of subsidiaries	-3,577	-1,051
Dissolution of reserves	42	321
Other temporary differences	161	–
Translation differences	1,177	-619
Rounding	3	-2
Deferred tax expense relating to temporary differences	-12,190	3,613
– of which reported in		
Net profit for the year	-13,340	3,430
Other comprehensive income	1,150	183

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

²⁾ SEK 0 thousand (417) 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. 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	2020	2019
Deferred tax liability brought forward	95,581	90,576
Non-current assets, Group items	-2,418	-1,223
Buildings, subsidiaries	27	294
Untaxed reserves		
Excess depreciation, machinery and equipment	1,792	2,153
Tax allocation reserves	-3,380	2,000
Derivative instruments	1,150	183
Other items	-234	-37
Acquisition of subsidiaries	3,577	1,051
Non-Swedish items with diverging tax rate	-10,574	584
Deferred tax liability carried forward	85,521	95,581

CHANGES IN DEFERRED TAX ASSET	2020	2019
Deferred tax asset brought forward	808	767
Change in loss carried forward	680	30
Other	-747	18
Translation differences	3	-7
Tax asset carried forward	744	808

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

	2020	2019
Advance payments from customers	5,283	27,394
Accounts payable	188,816	126,849
Salary and holiday pay liabilities	66,077	69,654
Accrued social security contributions	19,452	18,501
Other accrued expenses	29,439	15,205
Other non-interest-bearing liabilities	59,085	30,787
Contract liabilities	178,423	100,096
	546,575	388,486

■ NOTE 30 PLEDGED ASSETS

	2020	2019
For own liabilities		
Property mortgages	118,336	112,379
Floating charges	106,163	148,448
Assets with right of repossession	72,554	41,347
Shares in subsidiaries	826,612	698,532
Other assets	41,555	66,500
	1,165,220	1,067,206
Other pledged assets		
Pledged endowment insurance with pension obligation	634	678
	634	678
Total	1,165,854	1,067,884

■ NOTE 31 CONTINGENT LIABILITIES

	2020	2019
Contingent liabilities in respect of advance payment and work guarantees	42,857	55,865
Other obligations	2,291	–
	45,148	55,865

■ NOTE 32 LEASES

Items covered by lease contracts are reported in the consolidated financial statements as below. Finance leases mainly concern the lease of machinery. Operating leases mainly concern premises and cars. The standard terms for the Group's finance lease contracts related to machinery are adjustable rate of interest and a lease term of seven years, with a residual value of 25 per cent of the acquisition value. An average incremental borrowing rate of 3 per cent has been applied when calculating operational lease liabilities.

RIGHT-OF-USE ASSETS	2020	2019
Premises	64,419	76,553
Plant and machinery	36,378	46,743
Equipment, tools, fixtures and fittings	10,226	12,125
	111,023	135,421

INTEREST-BEARING LIABILITIES	2020	2019
Current component, within 1 year	26,705	32,806
Non-current component, between 1 and 5 years	53,947	59,167
Non-current component, over 5 years	17,591	27,621
	98,243	119,594

CONTRACTED FUTURE LEASE PAYMENTS	Lease contracts	Short-term leases	Low-value leases
Current component, within 1 year	28,797	451	71
Non-current component, between 1–5 years	58,496	–	143
Non-current component, over 5 years	18,321	–	–
Non-discounted amounts	105,614	451	214

AMOUNTS RECOGNISED IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	2020	2019
Depreciation	-28,341	-29,474
Interest expenses	-3,488	-4,542
Leasing expenses on short-term leases	-1,259	-1,225
Leasing expenses on low-value leases	-48	-25

DEPRECIATION DISTRIBUTED BY THE UNDERLYING CLASS OF ASSET	2020	2019
Premises	-12,652	-12,641
Plant and machinery	-10,015	-11,360
Equipment, tools, fixtures and fittings	-5,674	-5,473
	-28,341	-29,474

AMOUNTS RECOGNISED IN CONSOLIDATED CASH FLOW STATEMENTS	2020	2019
Interest paid	-2,878	-3,643
Repayment by instalments	-26,820	-30,165
Total leasing fees paid	-29,698	-33,808

The value of leases that have not yet begun, but to which the lessee is contracted, amounts to SEK 17.2 million.

The effect on lease liabilities in the event of a 1 per cent change in the discount rate is SEK 2.1 million.

■ NOTE 33 CASH FLOW

ACQUISITIONS OF SUBSIDIARIES/ASSETS AND LIABILITIES

In 2020, Modellteknik i Eskilstuna AB, Pelarstället AB and Lasertech LSH AB was acquired.

In 2019, AB Kuggteknik was acquired.

ACQUISITION MODELLTEKNIK	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	4,841	4,841
Property, plant and equipment	10,856	6,335	17,191
Right-of-use assets	–	7,217	7,217
Financial non-current assets	22	–	22
Current assets ¹⁾	11,567	–	11,567
Non-current liabilities	-956	-6,564	-7,520
Current liabilities	-15,753	-2,009	-17,762
Net assets/purchase price	5,736	9,820	15,556

¹⁾ Accounts receivable are recognised in the amount of SEK 5,913 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 2,176 thousand.

ACQUISITION LASERTECH	Reported values in subsidiary	Fair value adjustment	Consolidated fair value
Intangible non-current assets	–	47 323	47 323
Property, plant and equipment	14 287	–	14 287
Right-of-use assets	–	2 626	2 626
Current assets ¹⁾	30 523	-168	30 355
Non-current liabilities	-5 015	-1 444	-6 459
Current liabilities	-16 424	-3 426	-19 850
Net assets/purchase price	23 371	44 911	68 282

¹⁾ Accounts receivable are recognised in the amount of SEK 9,532 thousand and are expected to be received in full. Cash and cash equivalents are recognised in the amount of SEK 15,244 thousand.

ACQUISITIONS IN TOTAL	2020	2019
Intangible non-current assets	52,164	560
Property, plant and equipment	31,478	9,107
Right-of-use assets	9,843	–
Financial non-current assets	22	443
Current assets	41,922	15,547
Non-current liabilities	-13,979	-4,657
Current liabilities	-37,612	-13,000
Total purchase prices	83,838	8,000
Liquid assets in acquired businesses	-17,420	-1
Transaction costs	983	167
Total cash flow attributable to acquired businesses	67,401	8,166

Transaction costs with regard to acquired entities amounted to SEK 983 thousand (167) and were recognised as administrative expenses in net profit for the year.

INTEREST

During the financial year, interest paid amounted to SEK 16,132 thousand (21,058) and interest received to SEK 1,347 thousand (3,346).

■ NOTE 34 BUSINESS COMBINATIONS/DIVESTMENTS

In November 2020, Modellteknik i Eskilstuna AB and Pelarstället AB, Sweden, were acquired. Modellteknik is an engineering company possessing leading-edge expertise in advanced cutting machining and mould manufacturing. The business possesses resources for the manufacture of prototypes and fixtures, design and cutting machining in short and medium-sized runs. Its customers are primarily in the automotive and defence segments. The company has 22 employees and sales of SEK 35 million. Modellteknik is part of XANO's Precision Technology business unit. The total purchase prices amounted to SEK 15.7 million and were paid in cash. The acquisitions bring surplus values totalling SEK 11.2 million distributed between goodwill (SEK 4.9 million), real estate (SEK 4.7 million) and machinery (SEK 1.6 million). The transaction costs amount to SEK 0.2

CHANGES IN LIABILITIES RELATED TO FINANCING ACTIVITIES	31/12/2019	Cash flow	Non-cash changes					31/12/2020
			Translation differences	Fair value adjustment	Acquisition of subsidiaries	Additional lease liabilities IFRS 16	Other	
Non-current interest-bearing liabilities								
Loan and leasing liabilities	586,827	50,843	-5,925	–	10,444	-4,729	–	637,460
Convertible loan	0	69,998	–	594	–	–	-7,074	63,518
	586,827	120,841	-5,925	594	10,444	-4,729	-7,074	700,978
Other non-current liabilities	4,218	-4,218						–
Current interest-bearing liabilities								
Loan and leasing liabilities	45,378	-10,167	-287	–	12,923	-5,416	–	42,431
Convertible loan	61,529	-4,353	–	601	–	–	-57,777 ¹⁾	–
Bank overdraft facilities	68,330	-62,345	-5,985	–	–	–	–	–
	175,237	-76,865	-6,272	601	12,923	-5,416	-57,777	42,431
	766,282							743,409

¹⁾ Effect of conversion to shares.

million. Goodwill relates to synergy effects and customer relations. The expectation is that synergies will mainly be achieved as a result of existing operations in the Precision Technology business unit gaining access to new market segments due to the acquisition, as well as acquiring both further technological expertise and added capacity within cutting machining. The utilisation of common resources will also entail synergies. Pelarstället AB owns the property in which Modellteknik conducts its operations.

In December 2020, Lasertech LSH AB were acquired. Lasertech is a leading company within industrial 3D printing and laser welding in metal. The range of services also includes non-destructive testing, laser marking and laser hardening. Lasertech has a stable customer structure including renowned companies, for example in the automotive, defence and medical technology sectors. The company employs 20 people and has annual sales amounting to approx. SEK 60 million. Lasertech is part of XANO's Precision Technology business unit. The total purchase price amounted to SEK 70.5 million, and was paid with SEK 64.1 million in cash and SEK 5 million against a promissory note in December 2020. The remaining amount, SEK 1.4 million, has been paid in January 2021. The acquisition brings surplus values totalling SEK 47.3 million related to goodwill. The transaction costs amount to SEK 0.8 million. Goodwill relates to synergy effects and customer relations. The expectation is that synergies will mainly be achieved as a result of existing operations at the Precision Technology business unit gaining access to new market segments due to the acquisition, as well as acquiring further technological expertise. The utilisation of common resources will also entail synergies. Furthermore, the acquisition is giving rise to increased growth opportunities for both Lasertech and other Group companies.

The acquired units contributed SEK 8 million in net revenue and approx. SEK 1 million in net profit after the deduction of write-offs from surplus values and financial expenses attributable to the acquisitions. If the acquired units had been included in the Group throughout the whole of 2020, revenue would have amounted to approx. SEK 2,325 million, while net profit would have been SEK 205 million.

In 2019, AB Kuggteknik in Leksand, Sweden, was acquired.

The acquired 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.

The proportion of invoicing in foreign currency in 2020 was 58 per cent (58). 50 per cent (49) of the Group's manufacturing took place in Sweden. The majority of the Group's products are sold in countries other than the countries where manufacturing is performed. A transaction risk arises as a result of deliveries from the manufacturing units to foreign end customers, as well as when purchasing materials.

A simplified breakdown by currency of the Group's income and cost structure for 2020 is shown in the table below.

Share (%) of	SEK	EUR	DKK	Other
Invoicing	42%	32%	0%	26%
Cost of goods sold	39%	32%	14%	15%

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 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 17 million for the corresponding flow, mainly related to USD.

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 2020, a 5 per cent change to the SEK against all other currencies would affect invoicing by around SEK 47 million and net profit by around SEK 4 million.

RISK FROM TRANSLATION OF SUBSIDIARIES' BALANCE SHEETS

Translation risks are attributable to changes caused by currency fluctuations for net assets in foreign currencies, which are translated into SEK. Foreign subsidiaries' net assets were valued at SEK 834 million (795) at year-end. On translation of the subsidiaries' balance sheets, exchange rate fluctuations have affected other comprehensive income for 2020 by SEK -18 million (6). The currency exposure that arises through investments in foreign net assets is partially hedged by taking out loans in the corresponding currency. The Group's translation risks relate primarily to changes in EUR and CNY against SEK. A change of 5 per cent in either EUR or CNY against the SEK would have an impact on Group equity of SEK 6 million and SEK 4 million respectively, based on the current net assets.

INTEREST RATE RISKS

Interest rate risks refer to the risk that changes in the interest rate level will affect the Group's financial results negatively through increased borrowing costs. Financing mainly takes place through borrowing from banks. The average interest rate (interest expenses in relation to the average interest-bearing liabilities) was 2.6 per cent (2.9). On the closing day, the Group's interest-bearing liabilities, excluding operating lease liabilities, amounted to SEK 670 million (675), of which SEK 452 million (455) is financed at a variable interest rate. The average fixed rate period for the remaining borrowings is 76 months and the average interest rate at year-end was 0.9 per cent (1.6). The Group's liabilities related to operating leases amount to SEK 74 million (87). The net result of a 1 percentage point increase in interest rates is approx. SEK 4.5 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 closing day, interest rate swap agreements worth a total nominal sum of SEK 217 million (220) were in place.

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

FIXED RATE PERIOD FOR BORROWINGS

Maturity date	Amount (SEK 000)	Average interest rate (%) ¹⁾	Share (%)
2021	–	–	–
2022–2025	117,460	0.41	24
2026 and later	100,000	1.48	76
Total	217,460	0.90	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 35 per cent (24) on the closing day.

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 353 million (360). On the closing day, there was one customer for which outstanding accounts receivable amounted to SEK 59 million (40) in total.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE

	Not yet due Time from maturity			Total
		6–30 days	31–90 days	> 90 days	
As of 31/12/2020	312,286	17,648	16,892	5,744	352,570
As of 31/12/2019	293,121	21,779	28,761	16,244	359,905

Losses reported on accounts receivable for the year amounted to SEK 2,355 thousand (-151), of which SEK 785 thousand (56) constituted actual losses. Required write-downs of outstanding receivables have been carried out at SEK 3,952 thousand (2,493), see also Note 20.

A credit risk also exists for contract assets. The maximum credit risk attributable to contract assets corresponds to the reported value of SEK 66 million (16). On the closing day, there are two customers for which outstanding contract assets exceed SEK 10 million. Impairment testing for losses for the year has not entailed any reserve, as these are not deemed to amount to a significant sum.

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. Project deliveries to the packaging industry account for a large part of the Group's revenue. The high proportion of project-based sales entails an increased risk of volume fluctuations.

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.

The ongoing Coronavirus pandemic is a risk and uncertainty factor that could have significant consequences for the Group's operations. The health and safety of our employees is our top priority, and we are complying with the guidelines and

recommendations issued by the public authorities in the countries where we operate. This may in itself entail restrictions to our ability to carry out installations and maintain services for our customers. At the same time, the extent of our customers' need for products and services may be significantly reduced. There are also risks associated with e.g. material supplies and the purchase of services. In the short term, the risks related to the pandemic are considered to be limited. The longer-reaching consequences of a continued spread of infection and its impact on the Group's operations are difficult to foresee.

**■ NOTE 36
CAPITAL MANAGEMENT**

XANO's objective, during strong and stable growth, is to achieve a good return on equity with limited financial risk. In order to achieve this, a stable cash flow and a strong balance sheet are required with an equity/assets ratio greater than 30 per cent. At the end of the year, the equity/assets ratio was 42 per cent (38).

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 personnel convertibles in accordance with decision made at the Annual General Meeting. The share and convertible holdings of Board members and senior executives as of the closing day are presented on pages 102–103.

Viem Invest AB, controlled by board member Anna Benjamin, and Pomona-gruppen AB, under the controlling interest of Board member Fredrik Rapp, are major XANO shareholders. In 2020, 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 2020, sales from XANO's subsidiaries to ITAB Shop Concept AB with subsidiaries and AGES Industri AB with subsidiaries amounted to SEK 0.9 million (0.7) and SEK 0.3 million (0.7) respectively. Purchases from companies within the AGES Group to XANO's subsidiaries amounted to SEK 1.0 million (1.0). ITAB is under the controlling interest of Board member Petter Fägersten and Pomona-gruppen AB. AGES is under the controlling interest of Viem Invest AB and Pomona-gruppen AB. Purchases from INEV AB with subsidiaries, which are under the controlling interest of Board member Per Rodert, amounted to SEK 1.5 million (0.1). Other related party transactions do not come to any noteworthy sum. As of the closing day, amounts payable to and receivable from related parties do not come to any noteworthy sum.

DEFINITIONS

AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the period based on working hours. Employees who are covered by short-term work/temporary layoffs are only included to the extent that relates to actually worked time

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 closing day.

EQUITY PER SHARE

Equity in relation to the number of outstanding shares on the closing day.

EQUITY/ASSETS RATIO

Equity in relation to total capital.

GROSS MARGIN

Gross profit in relation to net revenue.

INTEREST COVERAGE RATIO

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

NET INVESTMENTS

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

OPERATING MARGIN

Operating profit in relation to net revenue.

ORGANIC GROWTH

Growth in net revenue generated by the Group's own efforts and in existing structure. The amount has not been adjusted for exchange rate fluctuations.

PROFIT MARGIN

Profit before tax in relation to net revenue.

PROPORTION OF RISK-BEARING CAPITAL

Equity plus provisions for taxes in relation to total capital.

RETURN ON CAPITAL EMPLOYED

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

RETURN ON EQUITY

Net profit in relation to average equity.

RETURN ON TOTAL CAPITAL

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

REVENUE GROWTH

Net revenue for the period in relation to net revenue for a comparative period.

TOTAL CAPITAL

Total equity and liabilities (balance sheet total).

KEY FIGURES

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

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

The calculation of the Group's primary alternative key figures is found on page 82.

RECONCILIATION OF ALTERNATIVE KEY FIGURES

Key figures included in this report derive primarily from the disclosure requirements according to IFRS. With the aim of illustrating the Group's profit trend and financial strength, as well as how the Group has invested its capital, reference is also made to a number of alternative key figures that are not defined within the IFRS regulatory framework or directly in the income statement and balance sheet. The calculation of the Group's primary alternative key figures is presented below. The definition of each key figure is found on page 81.

INTEREST COVERAGE RATIO

Relate to financial resistance and shows how much the Group's profit can fall without jeopardizing interest payments.

	2020	2019
Profit before tax plus financial expenses, SEK thousands	281,563	238,520
Financial expenses, SEK thousands	30,694	27,084
Interest coverage ratio, multiple	9.2	8.8

ORGANIC GROWTH

Shows the growth in net revenue generated by the Group's own efforts.

	2020	2019
Net revenue for the period less revenue generated through acquisitions less net revenue for the previous period, SEK thousands	93,646	56,713
Net revenue for the previous period, SEK thousands	2,128,023	2,043,932
Organic growth, %	4.4	2.8

PROPORTION OF RISK-BEARING CAPITAL

Shows the Group's long-term solvency.

	2020	2019
Equity attributable to shareholders of the Parent Company, SEK thousands	1,050,971	799,883
Provisions for taxes, SEK thousands	85,521	95,581
Risk-bearing capital, SEK thousands	1,136,492	895,464
Total capital, SEK thousands	2,486,398	2,080,648
Proportion of risk-bearing capital, %	45.7	43.0

RETURN ON CAPITAL EMPLOYED

Shows how well the operational capital is used to create profitable growth.

	2020	2019
Profit before tax plus financial expenses, SEK thousands	281,563	238,520
Average ¹⁾ total capital employed, SEK thousands	1,625,006	1,549,290
Return on capital employed, %	17.3	15.4

RETURN ON EQUITY

Shows the Group's capacity to generate return on shareholders' equity

	2020	2019
Net profit for the year attributable to shareholders of the Parent Company, SEK thousands	195,133	163,109
Average ¹⁾ equity attributable to shareholders of the Parent Company, SEK thousands	924,968	749,609
Return on equity, %	21.1	21.8

RETURN ON TOTAL CAPITAL

Quantifies how much return the Group generates through the use of its capital structure

	2020	2019
Profit before tax plus financial expenses, SEK thousands	281,563	238,520
Average ¹⁾ total capital, SEK thousands	2,222,583	2,083,936
Return on total capital, %	12.7	11.4

¹⁾ Average capital is calculated as an average of the opening balance and reported quarterly data during the current year. For 2020, this means that the closing balances as of 31 December 2019, 31 March 2020, 30 June 2020, 30 September 2020 and 31 December 2020 were added together and divided by 5.

INCOME STATEMENTS

PARENT COMPANY (SEK THOUSANDS)	NOTE	2020	2019
Net sales		34,496	22,460
Cost of goods sold		–	–
Gross profit		34,496	22,460
Selling expenses	3, 4, 6	-4,529	-4,058
Administrative expenses	3, 4, 5, 6	-25,661	-22,997
Other operating income		120	–
Other operating expenses		–	-15
Operating profit/loss		4,426	-4,610
Profit from participations in Group companies	7	56,130	128,319
Interest income and similar profit/loss items	8	11,354	9,197
Interest expense and similar profit/loss items	9	-11,154	-13,544
Profit after financial items		60,756	119,362
Appropriations	10	9,005	-13,046
Profit before tax		69,761	106,316
Tax	11	-10,563	-18,353
NET PROFIT FOR THE YEAR		59,198	87,963

STATEMENTS OF COMPREHENSIVE INCOME

PARENT COMPANY (SEK THOUSANDS)	NOTE	2020	2019
Net profit for the year		59,198	87,963
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		59,198	87,963

BALANCE SHEETS

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>	12		
Equipment, tools, fixtures and fittings		75	81
		75	81
<i>Financial non-current assets</i>			
Participations in Group companies	13	224,376	225,417
Receivables from Group companies		–	10,088
		224,376	235,505
Total non-current assets		224,451	235,586
Current assets			
<i>Current receivables</i>			
Income tax asset		1,253	1,530
Receivables from Group companies		579,814	609,121
Other receivables		5,508	97
Prepayments and accrued income		4,614	3,921
		591,189	614,669
<i>Current investments</i>		5	5
<i>Cash and bank balances</i>	16	249,112	6,257
Total current assets		840,306	620,931
TOTAL ASSETS		1,064,757	856,517

BALANCE SHEETS

PARENT COMPANY (SEK THOUSANDS)	NOTE	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	14	36,559	35,234
Statutory reserve		8,899	8,899
		45,458	44,133
<i>Non-restricted equity</i>			
Share premium reserve		76,055	12,529
Profit brought forward		185,294	92,331
Net profit for the year		59,198	87,963
		320,547	192,823
Total equity		366,005	236,956
Untaxed reserves			
	15	98,007	107,012
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	16,17	183,518	120,000
		183,518	120,000
<i>Current liabilities</i>			
Bank overdraft facilities	16,17	–	51,552
Current interest-bearing liabilities	16,17	–	61,529
Accounts payable		1,256	1,574
Liabilities to Group companies		389,859	256,839
Other liabilities	16	17,793	14,725
Accruals and deferred income		8,319	6,330
		417,227	392,549
Total liabilities		600,745	512,549
TOTAL EQUITY AND LIABILITIES		1,064,757	856,517

STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY	NOTE	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		TOTAL EQUITY
		Share capital	Statutory reserve	Share premium reserve	Other non-restricted equity	
(SEK THOUSANDS)						
Equity, 1 January 2019		35,234	8,899	12,529	148,120	204,782
Net profit for the year		–	–	–	87,963	87,963
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	87,963	87,963
Dividend paid in cash		–	–	–	-55,789	-55,789
Equity, 31 December 2019		35,234	8,899	12,529	180,294	236,956
Net profit for the year		–	–	–	59,198	59,198
Other comprehensive income		–	–	–	–	–
Comprehensive income for the year		–	–	–	59,198	59,198
Conversion of personnel convertibles		1,325	–	56,452	–	57,777
Effects of convertible loan issued		–	–	7,074	–	7,074
Transfer of own shares		–	–	–	5,000	5,000
EQUITY, 31 DECEMBER 2020	14	36,559	8,899	76,055	244,492	366,005

CASH FLOW STATEMENTS

PARENT COMPANY (SEK THOUSANDS)	NOTE	2020	2019
OPERATING ACTIVITIES			
Operating profit/loss		4,426	-4,610
<i>Adjustments for non-cash items etc.</i>			
Depreciation		6	20
Group contribution		37,171	106,569
Dividend received		20,000	25,000
Interest paid/received, net value	19	-3,559	-3,557
Income tax paid		-9,413	-25,159
Cash flow from operating activities before changes in working capital		48,631	98,263
Changes in working capital			
Increase (-) / decrease (+) in current receivables		27,919	76,657
Increase (+) / decrease (-) in current liabilities		137,822	40,735
Increase (+) / decrease (-) in other provisions		–	-145
Cash flow from operating activities		214,372	215,510
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		–	-32
Cash flow from investing activities		–	-32
FINANCING ACTIVITIES			
Dividend paid		–	-55,789
Transfer of own shares		5,000	–
<i>Increase (+) / decrease (-) in non-current interest-bearing liabilities</i>	19		
Borrowings		69,998	181,223
Repayment of debt		-4,353	-192,056
Change in bank overdraft facilities		-52,048	-137,657
Increase (-) / decrease (+) in non-current assets		10,088	-10,088
Cash flow from financing activities		28,685	-214,367
CASH FLOW FOR THE YEAR		243,057	1,111
Cash and cash equivalents at the beginning of the year		6,262	5,146
Exchange rate differences in cash and cash equivalents		-202	5
Cash and cash equivalents at the end of the year	19	249,117	6,262

NOTES, PARENT COMPANY

■ 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 class B 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. Applied accounting principles are unchanged compared to the previous year, with the exception of new or revised standards, interpretations and improvements that are to be applied from 1 January 2020.

The company has received government support to cover social security contributions in order to reduce the financial effects of the Coronavirus pandemic. The support is recognised as a reduction in personnel costs under each function. Received support amounts to SEK 186 thousand.

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 closing day rate. Translation differences relating to operating receivables and liabilities are reported under operating profit, while translation differences attributable to financial receivables and liabilities are included under net financial income.

RELATED PARTY TRANSACTIONS

100 per cent (100) of the Parent Company's net sales came from invoicing to subsidiaries. Of the Parent Company's operating expenses, 4 per cent (3) was invoicing from subsidiaries.

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

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

As the owner, the Parent Company has a related party relationship with its subsidiaries, see Note 13. Viem Invest AB, controlled by Board member Anna Benjamin, and Pomona-gruppen AB, under the controlling interest of Board member Fredrik Rapp, are major XANO shareholders. Apart from the share dividend, no transactions have taken place between these holding companies and XANO.

PARTICIPATING INTERESTS IN GROUP COMPANIES

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

NON-CURRENT ASSETS

Non-current assets are valued at the acquisition value less accumulated depreciation and any impairment costs. If there is an indication that an asset has reduced in value, the

asset's recoverable amount is calculated. If the reported value exceeds the recoverable amount, the asset is written down to a value corresponding to the recoverable amount. Depreciation is included in the costs for each function. Depreciation is calculated systematically over the expected utilisation period as follows:

Machinery and equipment	3–10 years
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LIQUID ASSETS

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

CASH FLOW

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

INCOME

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

GROUP CONTRIBUTION

Group contributions received from subsidiaries are recognised as financial income.

TAXES

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

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

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

BANK OVERDRAFT FACILITIES, GROUP CURRENCY ACCOUNTS

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

LEASE CONTRACTS

The parent company recognises all leases, both financial and operational, as operating leases. Expenses for the leases are recognised in the income statement on a straight-line basis over the lease term. Leases refer primarily to the leasing of premises and cars.

■ NOTE 3 EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES	2020	of which men	2019	of which men
Sweden	9	33%	9	44%

PROPORTION OF MEN AMONGST BOARD MEMBERS AND SENIOR EXECUTIVES	2020	2019
Board members	60%	67%
Senior executives	50%	50%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS	2020	2019
Salaries and remuneration	15,217	12,818
Social security costs	8,705	7,716
(of which pension costs ^{1, 2)})	(3,308)	(2,953)
	23,922	20,534

¹⁾ Of the Parent Company's pension costs, SEK 2,480 thousand (2,204) 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	2020	2019
Board members and senior executives	10,435	8,842
(of which bonuses ¹⁾)	(2,376)	(1,200)
Other employees	4,782	3,976
	15,217	12,818

¹⁾ Bonuses do not include holiday pay.

REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

The full guidelines for remuneration and other terms of employment for senior executives are described in Note 5 for the Group, on page 69.

The guidelines are applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts. With the exception of the definition of pensionable salary, the guidelines are applied in existing agreements with senior executives.

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 AGM decided that the Board's fee of SEK 1,000 thousand should be distributed with SEK 300 thousand payable to the Chairman and SEK 175 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 ordinary member and SEK 50 thousand to the committee chairman. During 2020, SEK 150 thousand was carried as an expense for these tasks.

In 2020, the Group management consisted of CEO Lennart Persson and CFO Marie Ek Jonson. The CEO received salary and benefits totalling SEK 7,594 thousand (6,069), of which SEK 2,376 thousand (1,200) constitutes variable remuneration. Of this year's variable remuneration, SEK 126 thousand is attributable to the previous year. Other senior executives received salary and benefits totalling SEK 1,821 thousand (1,686). At the 2020 AGM, it was decided to issue convertible bonds to employees, which also included the Group management. There are no outstanding share or share price-related incentive schemes.

Senior executives have a defined contribution pension plan with a retirement age of 65. According to the contract, the pension premium for the CEO is 30 per cent (30) of the pensionable salary. There is a pension agreement for other senior executives corresponding to the collectively agreed ITP plan. In addition to this, there is an option to reallocate salary withdrawals (known as salary sacrifice) to additional pension contributions. The pension premium for other senior executives amounted to an average of 30 per cent (30) of the pensionable salary. According to existing agreement, "Pensionable salary" refers to the basic salary and car benefits plus an average of the last three years' variable remuneration. The pension costs for the CEO amounted to SEK 1,969 thousand (1,729). Pension costs for other senior executives amounted to SEK 511 thousand (474).

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	2020	2019
Selling expenses	-1	-3
Administrative expenses	-5	-17
	-6	-20

DEPRECIATION BY CLASS OF ASSET	2020	2019
Equipment, tools, fixtures and fittings	-6	-20
	-6	-20

■ NOTE 5 AUDITORS' REMUNERATION

	2020	2019
Ernst & Young		
Audit assignment	-302	-294
Audit activities other than audit assignment	-44	19
Tax consultancy services	-175	-16
Other services	-100	-18
	-621	-309
Other auditors		
Other services	-	-50
	-	-50
Total	-621	-359

"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 OPERATING LEASES

	2020	2019
Lease fees recognised as expenses	942	767
Future minimum lease payments related to operating leases		
to be paid within 1 year	910	1,037
to be paid between 2 and 5 years	872	1,805

■ NOTE 7 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2020	2019
Dividends from Group companies	20,000	25,000
Impairment losses on shares in subsidiaries	-1,041	-3,250
Group contributions received	37,171	106,569
	56,130	128,319

■ NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2020	2019
Interest income, Group companies	5,516	6,520
Interest income, other	145	1,188
Exchange rate differences	5,693	1,489
	11,354	9,197

Other interest income includes a change in value of SEK – thousand (857) relating to interest rate swaps measured at their fair value.

Exchange rate differences include a change in value of SEK 5,315 thousand (–) relating to currency derivatives measured at their fair value.

■ NOTE 9 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2020	2019
Interest expense, Group companies	-862	-668
Interest expense, other	-9,479	-11,005
Exchange rate differences	-813	-1,871
	-11,154	-13,544

Other interest expense includes a change in value of SEK 219 thousand (–) relating to interest rate swaps measured at their fair value.

Exchange rate differences include a change in value of SEK – thousand (1,359) relating to derivative instruments measured at their fair value.

■ NOTE 10 APPROPRIATIONS

	2020	2019
Change in excess depreciation	-1	-6
Tax allocation reserve, change for the year	9,006	-13,040
	9,005	-13,046

■ NOTE 11 TAX ON PROFIT FOR THE YEAR

	2020	2019
Current tax	-10,563	-18,353
	-10,563	-18,353

The difference between the income tax rate 21.4% (21.4) and the effective tax rate arises as follows:

	2020		2019	
Reported profit before tax	69,761		106,316	
Tax according to current income tax rate	-14,929	21%	-22,752	21%
<i>Tax effect of</i>				
Non-deductible expenses	-879	1%	-1,216	1%
Tax-exempt dividends	4,280	-6%	5,350	-5%
Other tax-exempt income	1,137	-1%	474	-0%
Adjustment of current tax for previous periods	–	–	-10	0%
Standard income and deviating tax rate for tax allocation reserves	-172	0%	-199	0%
Reported tax	-10,563	15%	-18,353	17%

■ NOTE 12 PROPERTY, PLANT AND EQUIPMENT

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	2020	2019
Accumulated acquisition values		
Opening balance	1,271	1,239
New acquisitions	–	32
Closing balance	1,271	1,271
Accumulated scheduled depreciation		
Opening balance	-1,190	-1,170
Depreciation according to plan for the year	-6	-20
Closing balance	-1,196	-1,190
Closing residual value according to plan	75	81

■ NOTE 13 PARTICIPATIONS IN GROUP COMPANIES

	2020	2019
Accumulated acquisition values		
Opening balance	228,667	228,667
Acquisition of subsidiaries	–	–
Closing balance	228,667	228,667
Accumulated impairment costs		
Opening balance	-3,250	–
Impairment losses for the year	-1,041	-3,250
Closing balance	-4,291	-3,250
Carrying amount	224,376	225,417

PARENT COMPANY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY	CARRYING AMOUNT
Ackurat Industriplast AB	556076-4564	Växjö, Sweden	10,000	100%	14,855
Blowtech Fastigheter AB	556606-9042	Gnosjö, Sweden	1,000	100%	30,534
Blowtech Group AB	556978-1205	Gnosjö, Sweden	1,000	100%	126,225
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%	22,086
					224,376

SUBSIDIARY HOLDINGS

BUSINESS NAME	CORPORATE IDENTITY NUMBER	REGISTERED OFFICE	NUMBER OF SHARES	SHARE OF EQUITY
Ackurat Ornplast Sp. z o. o	0000404285	Gdansk, Poland	34,227	100%
Ackurat Suomen Oy	0535817-5	Helsinki, Finland	630	100%
Blowtech GP AB	556560-1712	Gnosjö, Sweden	2,000	100%
Blowtech GT AS	994841270	Kongsvinger, Norway	250,000	100%
Canline Holding B.V.	17270976	Eersel, Netherlands	180	100%
Canline Systems B.V.	17270973	Eersel, Netherlands	180	100%
Canline USA Corporation	46-3583603	Roanoke, USA	1,000	100%
Cipax AB	556065-7875	Norrtälje, Sweden	200	100%
Cipax AS	990 374 031	Bjørkelangen, Norway	10,100	100%
Cipax Eesti AS	10092500	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%
AB Kuggteknik	556122-2992	Leksand, Sweden	2,500	100%
Kungsörs Mekaniska Verkstad AB	556141-4243	Kungsör, Sweden	1,500	100%
Lasertech LSH AB	556559-2887	Karlskoga, Sweden	500	100%
AB LK Precision Invest	556258-1644	Stockholm, Sweden	1,000	100%
AB LK Precision Parts	556237-5377	Stockholm, Sweden	2,000	100%
Mikroverktyg AB	556020-8828	Södertälje, Sweden	1,000	100%
Modellteknik i Eskilstuna AB	556504-4996	Eskilstuna, Sweden	5,000	100%
Nordic Plastic Recycling AS	918 069 283	Ådalsnes, Norway	14,286	24%
NPB Automation AB	556266-7948	Jönköping, Sweden	1,000	100%
Pelarsätlet AB	556572-2716	Eskilstuna, Sweden	1,000	100 %
Polyketting Automation B.V.	54154067	Zelhem, Netherlands	100	100%
Polyketting B.V.	54154782	Zelhem, Netherlands	1,800	100%
Polyketting Components B.V.	54154068	Zelhem, Netherlands	1,800	100%
Polyketting Holding B.V.	54154065	Zelhem, Netherlands	7,502	100%
Polyketting Special Products B.V.	54154069	Zelhem, Netherlands	1,800	100%
Resinit AB	556332-1263	Västervik, Sweden	1,000	100%
VIAB Konsult AB	556506-0802	Jönköping, Sweden	1,000	100%
XANO Fastigheter Ljungarum AB	556202-5220	Jönköping, Sweden	2,796,000	100%

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

■ NOTE 14 SHARE CAPITAL AND NUMBER OF SHARES

DISTRIBUTION OF SHARE CAPITAL	31/12/2020	1/1/2020
Class A shares	7,288,800	7,288,800
Class B shares	21,958,307	20,898,180
Total number of shares	29,247,107	28,186,980
Quotient value, SEK	1.25	1.25
Share capital, SEK	36,558,883.75	35,233,725.00

The total number of shares is 29,247,107, of which 254,566 was held by the company at year-end. The average number of outstanding shares during 2020 amounted to 28,435,152. 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, was 94,591,741 at year-end.

On 1 July 2016, convertibles for a nominal value of SEK 62,130 thousand were issued. During 2020, holders of a nominal SEK 57,777 thousand requested conversion of their claims to shares. Through the conversion, 1,060,127 new Class B shares were issued.

On 1 October 2020, convertibles for a nominal value of SEK 69,998 thousand, corresponding to 573,756 class B shares in the event of full conversion, were issued.

During the year, 37,878 own shares were transferred in connection with company acquisition.

The proposed dividend amounts to SEK 2.50 per share.

■ NOTE 15 UNTAXED RESERVES

	2020	2019
Tax allocation reserve, allocated 2014	–	9,006
Tax allocation reserve, allocated 2016	10,000	10,000
Tax allocation reserve, allocated 2017	29,000	29,000
Tax allocation reserve, allocated 2018	31,000	31,000
Tax allocation reserve, allocated 2019	28,000	28,000
	98,000	107,006
Accumulated excess depreciation	7	6
	98,007	107,012

Deferred tax liabilities represent SEK 21,393 thousand (23,375) of untaxed reserves.

■ NOTE 16 LIABILITIES

	2020	2019
NON-CURRENT LIABILITIES		
Maturity date between one and five years after closing day	183,518	120,000
Maturity date more than five years after closing day	–	–
	183,518	120,000
CURRENT LIABILITIES		
Bank overdraft facilities, Group currency accounts	–	51,552
Current portion of non-current borrowings	–	61,529
	–	113,081
Total interest-bearing liabilities	183,518	233,081

BANK OVERDRAFT FACILITIES	2020	2019
Bank overdraft facilities granted, Group currency accounts	300,000	300,000
Unutilised amount	-300,000	-248,448
Utilised amount	0	51,552

The Parent Company's liquid assets, including lines of external credit granted but not utilised, totalled SEK 523 million (289) on the closing day.

The Parent Company has an outstanding convertible loan reported at SEK 63,518 thousand (61,529). The nominal value for the outstanding loan is SEK 69,998 thousand. The convertible loan runs until 30 September 2023 with an annual interest rate corresponding to STIBOR 3M plus 1.75 percentage points (1.75 per cent for the current period). During the period 1–12 September 2023, convertible bonds can be redeemed against class B shares at a conversion rate of SEK 122.00. 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 5.64 per cent (government bonds interest rate at the time of issue, -0.36 per cent, with a 6.00 per cent supplement for risk premium). Borrowings that accrue interest at a rate that differs from the market interest rate are recognised at the market value and the difference is added to the company's share premium reserve. Interest is charged to the income statement at the market interest rate over the term of the loan. At the same time, the reported liability will increase in the balance sheet so that it corresponds to the nominal sum at the end of the loan term. The market value for the convertible loan has been calculated by a present value computation of future interest payments and the loan's nominal value. Recorded interest expense on convertible loan for the year is SEK 2,098 thousand (2,577). For the outstanding convertible loan, the interest expense corresponds to 5.1 per cent of the actual liability.

Derivative instruments totalling SEK 13,174 thousand (12,869) are included in current liabilities. The item relates to interest rate swaps and currency derivatives measured at their fair value. The year's change in value is reported among financial items in the income statement, see Note 9.

Cash and bank deposits include the balance in the bank overdraft facilities, Group currency accounts, amounting to SEK 249,112 thousand (6,256).

■ NOTE 17 PLEGDED ASSETS

	2020	2019
Shares in subsidiaries	218,877	219,918
	218,877	219,918

■ NOTE 18 CONTINGENT LIABILITIES

	2020	2019
Guarantees in favour of subsidiaries	528,472	453,166
	528,472	453,166

■ NOTE 19 CASH FLOW

INTEREST

Interest paid amounted to SEK 9,209 thousand (10,399) and interest received SEK 5,650 thousand (6,842).

LIQUID ASSETS	2020	2019
Cash and bank balances	249,112	6,257
Current investments	5	5
Amount at year-end	249,117	6,262

■ 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 79–80.

■ NOTE 21 PROPOSAL FOR THE APPROPRIATION OF PROFITS

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

	2020	2019
Payment of a cash dividend of SEK 2.50 (–) per share to shareholders, calculated on 28,992,541 shares (27,894,536)	72,481	–
To be carried forward	248,066	192,823
	320,547	192,823

After deduction for the company's own holding, the number of outstanding shares is 28,992,541 at present.

■ NOTE 22 EVENTS AFTER THE END OF THE YEAR

There are no individual events of major significance to report after the closing day.

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

The annual report and consolidated financial statements for XANO Industri AB (publ) for 2020 have been approved for publication by the Board of Directors.

The financial statements will be presented to the Annual General Meeting on 3 June 2021 for adoption.

Jönköping, 23 March 2021

Fredrik Rapp
Chairman

Anna Benjamin
Vice chairman

Petter Fägersten
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Lennart Persson
President and CEO

Our audit report was submitted on 24 March 2021.

Ernst & Young AB

Joakim Falck
Authorised public accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of XANO Industri AB (publ) for the year 2020. 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 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for opinions

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

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

GOODWILL

Description

As at 31 December, reported value of goodwill amounts to MSEK 626 in the group's report of its financial standing. The company checks on an annual basis, and if there's an indication of a decrease in value, the company makes sure that the reported values do not exceed the calculated recoverable amount. The recoverable amount is determined for each cash generating unit through a present value of future cash flows. Future cash flows are based on the management's business plans, forecasts, and include a number of assumptions about earnings, growth, investment requirements and discount rate.

Changes in assumptions have a major impact on the calculation of the recoverable amount, and the assumptions made by the Company are therefore of great importance as to whether there is a need for writing down. We have therefore assessed that the recognition of Goodwill is a specifically important area of the audit.

A description of the write-down test appears in Note 15, "Intangible non-current assets", and in Note 2, "Significant assessments and estimates".

How our audit addressed this key audit matter

In our audit, we have assessed and tested the company's procedure for setting up a write-down, i.e. through assessing previous accuracy in forecasts and assumptions. We have also made comparisons with other businesses to assess the likelihood of future cash flows and growth assumptions, and, with the help of our specialists, we have tested the chosen discount rate and long-term growth forecasts. Additionally, we have reviewed the company's model, its method of running a write-down test, as well as evaluating the company's sensitivity analyses. We have reviewed the information obtained in the financial statement.

REVENUE RECOGNITION

Description

The group's revenue from sales in 2020 amounted to MSEK 2,239. A substantial part of the sales revenue came from deliverables to the packaging industry. The group reports earnings over time in compliance with IFRS 15, which amounted to MSEK 728 in 2020. For these projects, we accounted the revenues reported and the company's efforts to comply with its performance obligation, described in note 4 and in the section "Revenue" in note 2. The method implies that evaluations must be made to measure progress towards complete compliance, and changes to this imply that future results will be affected. The difficulty of assessing the result is particularly great at the start of the project and for projects that are technically complex, which is why the income reporting is considered to be a particularly important area of the audit.

How our audit addressed this key audit matter

In our audit, we have assessed and tested the process for auditing revenues over time, as well as the company's procedures and evaluations to measure progress towards complete compliance. In addition, we have conducted random checks of fundamental documentation and reviewed management's evaluation of the need for reservation concerning onerous contracts. We have reviewed the information obtained in the financial statement.

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 102-108. The remuneration report for the financial year 2020 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

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

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

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibilities

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of XANO Industri AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organisation 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 organisation 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 a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

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

Ernst & Young AB, Box 2224, 550 02 Jönköping, was appointed auditor of XANO Industri AB (publ) by the general meeting of the shareholders on the 25 June 2020 and has been the company's auditor since the 20 May 1997.

Jönköping, 24 March 2021

Ernst & Young AB

Joakim Falck

Authorised public accountant

CORPORATE GOVERNANCE REPORT 2020

XANO INDUSTRI AB (PUBL)

SWEDISH CORPORATE GOVERNANCE MODEL

Corporate governance in Swedish listed companies is regulated by a combination of written rules and generally accepted practices. The framework includes the Swedish Companies Act ("the Act") and the rules that apply in the regulated market in which the company's shares are quoted. In addition, all listed Swedish companies have been covered by the Swedish Corporate Governance Code ("the Code") since 2008 with the latest revised version in force from 1 January 2020. www.bolagsstyrning.se

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

CORPORATE GOVERNANCE AT XANO

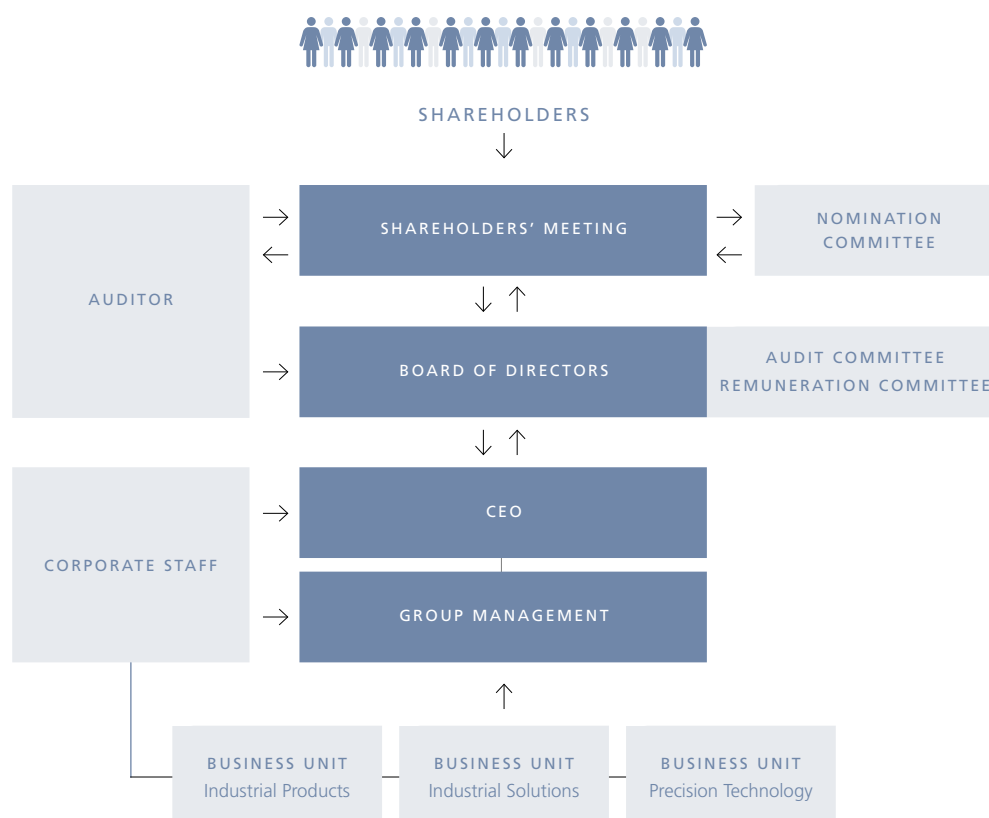
XANO Industri AB (publ) is a Swedish public limited company whose overall goal is to generate long-term value for its shareholders and other stakeholders.

XANO's Class B share is listed on Nasdaq Stockholm in the Mid 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 2020, there were 4,422 shareholders in XANO, of which 4,237 were physical persons representing 14.6 per cent of the votes and 37.6 per cent of the capital. Institutional holdings constituted 3.4 per cent of the votes and 11.2 per cent of the share capital. The 10 largest shareholders accounted for 94.1 per cent of the votes and 80.8 per cent of the capital. As of the closing day, there are two shareholders who each owns and controls more than 10 per cent of the votes for all shares in the company. Anna Benjamin controls 57.2 per cent of the votes and 27.6 per cent of the capital. Pomona-gruppen AB holds 29.4 per cent of the votes and 28.8 per cent of the capital.



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 auditors. 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 2020

XANO's 2020 AGM was held on Thursday 25 June. In order to limit the risk of the spread of coronavirus, the shareholders were asked to exercise their voting rights via postal voting. 15 shareholders, whose holdings accounted for 93 per cent of the votes and 76 per cent of the number of outstanding shares, were represented at the meeting either on site or through advance voting. The Group management and the majority of XANO's Board of Directors, as well as the company's auditors and the Chairman of the Nomination Committee, were present. The following key decisions were made:

- » No dividends due to the Coronavirus pandemic.
- » Re-election of Board members Fredrik Rapp, Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Anna Benjamin. Election of Fredrik Rapp as Chairman of the Board.
- » Election of the registered auditing company Ernst & Young AB, Jönköping, with authorised public accountant Joakim Falck as auditor in charge.
- » Composition of the nomination committee ahead of the 2021 AGM.
- » Guidelines for remuneration to senior executives.
- » Authority for the Board of Directors to decide on repurchase and transfer of the company's own shares.
- » Authority for the Board of Directors to decide on new share issue.
- » Changes to the Articles of Association.
- » Issue of convertible bonds for employees.

ANNUAL GENERAL MEETING 2021

XANO's 2021 AGM will take place on Thursday 3 June at 3 pm in Jönköping. Further information can be found on page 104 of the annual report for 2020.

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 2020 AGM decided that there should be five members. The Board of Directors currently consists of Fredrik Rapp (Chairman), Petter Fägersten, Eva-Lotta Kraft, Per Rodert and Anna Benjamin. Fredrik Rapp, Anna Benjamin and Petter Fägersten are considered dependent in relation to major shareholders. 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 nine meetings during the 2020 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 2020 included the following main items:

No. 1 – 4 February

Year-end report 2019, report from audit committee, the auditor's report of the general observations arising from the audit of the 2019 financial statements.

No. 2 – 2 April (phone)

The Coronavirus pandemic, date for the AGM, dividends, personnel convertibles.

No. 3 – 7 May

Interim report 3 months, revised forecast for 2020, report from the remuneration committee, prerequisites prior to the AGM.

No. 4 – 10 July (digital)

Interim report 6 months.

No. 5 – 23–24 September

Group strategy, revised forecast for 2020, business combination discussions, visit at and deeper information on Resinit and the Precision Technology business unit.

No. 6 – 5 November (partly digital)

Interim report 9 months, business combination discussions.

No. 7 – 10 December (digital)

Budget for 2021, business combination discussions, evaluation of the Board's and the CEO's work.

No. 8 – 14 December (phone)

Transfer of the company's own shares in connection with business combinations.

No. 9 – 14 December (phone)

Allotment following the transfer of the company's own shares.

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, Eva-Lotta Kraft 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 2020, the Group was made up of three reporting business units: Industrial Products, Industrial Solutions and Precision Technology. The operational management for the business units reports directly to the CEO. Through Group staff functions, supporting documentation for decisions for the Board and CEO are collated within other areas.

NOMINATION COMMITTEE

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

Following a proposal by the main shareholders Anna Benjamin and Pomona-gruppen AB, which together represented 87 per cent of votes and 56 per cent of the capital in XANO, a nomination committee was appointed by the 2020 AGM composed of Ulf Hedlundh as chairman, along with Stig-Olof Simonsson and Anna Benjamin.

The task of the committee prior to the 2021 AGM is to nominate a Chairman of the Board and other Board members, auditor, a chairman for the AGM, and to propose fees for the Board and auditor. In its proposal to the Board, the nomination committee will propose the most qualified Board members for the company, based on an overall assessment of relevant expertise and experience, and must pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. In its proposal, the nomination committee has in particular complied with and taken into account point 4.1 of the Swedish Corporate Governance Code. The nomination committee has evaluated the work of the Board with the aid of a questionnaire as well as personal discussions with the members of the Board. The results of the evaluation have been communicated to the Chairman of the Board. The nomination committee has so far held four meetings prior to its proposal to the 2021 AGM, the decisions of which have been summarised in a decision report. In addition, there have been ongoing contacts between the members of the nomination committee.

AUDITOR

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

The ordinary election of an auditor for XANO last took place at the AGM in 2020 for the term of office up until the AGM in 2021. 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 EFG Holding AB, Garo AB, AB Gyllensvaans Möbler, ITAB Shop Concept AB, Nefab Holding AB, Nolato AB, One Partner Group AB and Scandbio AB.

COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AS OF 31 DECEMBER 2020

Name	Elected	Board position	Independent in relation to the company and company management	Independent in relation to major shareholders	Participation in Board meetings 2020	Participation in Remuneration Committee meetings 2020	Participation in Audit Committee meetings 2020 ²⁾	Board fee including committee remuneration, SEK
Fredrik Rapp	2004	Chairman	Yes	No ¹⁾	9 (9)	1 (1)	–	320,000
Anna Benjamin	2016	Vice chairman	Yes	No ¹⁾	9 (9)	–	1 (1)	205,000
Petter Fägersten	2011	Board member	Yes	No ¹⁾	9 (9)	1 (1)	–	195,000
Eva-Lotta Kraft	2012	Board member	Yes	Yes	9 (9)	–	1 (1)	205,000
Per Rodert	2013	Board member	Yes	Yes	9 (9)	–	1 (1)	225,000
								1,150,000

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 is also considered to be dependent in relation to major shareholders.

²⁾ The Audit Committee has conducted one meeting, the decisions of which have been summarised in a decision report. During the year, the members have also participated in a further two meetings with briefings given by the Group's auditor.

More information on the Board members and company management is given on pages 102–103.

DEVIATIONS FROM THE CODE

There are no deviations to report for 2020.

PRINCIPLES FOR THE REMUNERATION OF SENIOR EXECUTIVES, INCENTIVE SCHEMES, ETC.

The full guidelines for remuneration and other terms of employment for senior executives are described in Note 5 for the Group, on page 69.

The guidelines are applied to employment contracts entered into after the 2020 Annual General Meeting and to changes made thereafter to ongoing employment contracts. With the exception of the definition of pensionable salary, the guidelines are applied in existing agreements with senior executives.

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.

There are no outstanding share or share price-related incentive schemes.

INTERNAL CONTROLS CONCERNING FINANCIAL REPORTING

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

FINANCIAL REPORTING

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

CONTROL ENVIRONMENT

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

risk management. The Group management establishes other policies and instructions, and responsible corporate functions issue guidelines and 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 2019 and 2020, the work on internal control has primarily been focused on following up procedures in respect of suppliers, employer responsibility and VAT.

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 2021.

Jönköping, 23 March 2021

Fredrik Rapp
Chairman

Anna Benjamin
Vice chairman

Petter Fägersten
Board member

Per Rodert
Board member

Eva-Lotta Kraft
Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2020 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 RevR 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, 24 March 2021

Ernst & Young AB

Joakim Falck
Authorised public accountant

BOARD OF DIRECTORS



FREDRIK RAPP born 1972

Chairman elected 2004.

Principal education Graduate economist.

Principal professional experience MD Pomona-gruppen, MD Talk Telecom.

Other directorships Chairman of the boards of Eesti Hõvelliist AS, Serica Consulting AB and Svenska Handbollförbundet. Member of the boards of ITAB Shop Concept AB, AGES Industri AB, Nordic Flow Group AB, PrimeKey Solutions AB and AB Segulah.

Shareholding in XANO 2,160,000 class A shares and 6,268,180 class B shares.



ANNA BENJAMIN born 1976

Vice Chairman elected 2016.

Principal education Master's degree in economics.

Principal professional experience Project manager in business development ICA Sverige, manager PricewaterhouseCoopers, controller Nobina.

Other directorships Member of the boards of ITAB Shop Concept AB, AGES Industri AB, Hand in Hand Sweden, INEV AB and Pegital Investment AB.

Shareholding in XANO 5,128,800 class A shares and 2,951,200 class B shares.



PETTER FÄGERSTEN born 1982

Board member elected 2011.

Principal education Graduate economist.

Principal professional experience MD and Marketing Manager ITAB Shop Concept Jönköping.

Other directorships Member of the boards of ITAB Shop Concept AB, AGES Industri AB, INEV AB, Ravingatan AB, Skanditape AB and Övre Kullen AB.

Shareholding in XANO 600,800 class B shares.



PER RODERT born 1953

Board member elected 2013.

Principal education Graduate in business administration.

Principal professional experience MD INEV, MD Rörvik Timber, MD and CFO Munksjö.

Other directorships Chairman of the boards of DevPort AB, Allt i Plåt AB and Orax AB. Member of the boards of GMA AB, Gräsvärdsmaskiner AB, INEV AB, Jönköping Business Development AB, Lanab Group AB, Sport Competence AB, Sulkysport AB, Viking Bed AB and Walker Sweden AB.

Shareholding in XANO –



EVA-LOTTA KRAFT born 1951

Board member elected 2012.

Principal education Graduate engineer, MBA.

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

Other directorships Member of the board of Försvarshögskolan.

Shareholding in XANO 4,448 class B shares.

Details concerning the number of shares refer to holdings on 31 December 2020 and include, where applicable, holdings via related parties and holdings where the given Board member is able to exert a controlling interest.

GROUP MANAGEMENT



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 48,000 class B shares.

Convertible holding in XANO nom. SEK 3,422,100 corresponding to 28,050 class B shares.

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 208,000 class B shares.

Convertible holding in XANO nom. SEK 5,144,862 corresponding to 42,171 class B shares.

Significant shareholding or ownership interests in associated companies None.

AUDITOR

Auditor in charge **Joakim Falck** *born 1972*
Authorised public accountant

ERNST & YOUNG AB, JÖNKÖPING



SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The next Annual General Meeting will be held at 15.00 on Thursday 3 June 2021 in Jönköping.

Shareholders wishing to participate in the Annual General Meeting must be registered in the shareholders register maintained by Euroclear Sweden AB on 26 May 2021, and must notify the company of their intention to participate in the Meeting in the manner and not later than the date specified in the convening notice.

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 26 May 2021 in order to be entitled to attend the AGM.

DIVIDEND

The Board of Directors proposes that the AGM allocate a dividend of SEK 2.50 per share for the 2020 financial year with record date 7 June 2021. If the AGM approves the proposal, the dividend will be issued by Euroclear on 10 June 2021.

NOMINATION COMMITTEE

A nomination committee was appointed at the 2020 AGM consisting of Ulf Hedlundh (Chairman), Stig-Olof Simonsson and Anna Benjamin. The task of this committee prior to the 2021 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

6 May

Interim report 1 January–31 March 2021

13 July

Interim report 1 January–30 June 2021

27 October

Interim report 1 January–30 September 2021

10 February

Year-end report 2021

INFORMATION MATERIAL

Printed information is distributed to those shareholders who notify the company that they wish to receive such information. Notification must be submitted by e-mail to ir@xano.se or by telephone on 036-31 22 00.

To subscribe for press releases, it is necessary to register via www.xano.se under "Investors". Reports and press releases can also be found on the website, available to read and download.

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