



Interim report 1 January – 30 June 2023

THE INTERIM PERIOD

- » Net revenue totalled SEK 1,838 million (1,927)
- » Operating profit amounted to SEK 189 million (244)
- » Profit before tax amounted to SEK 159 million (233)
- » Profit after tax amounted to SEK 124 million (182)
- » Earnings per share were SEK 2.14 (3.14)
- » Cash flow from operating activities amounted to SEK 52 million (53)

THE SECOND QUARTER

- » Net revenue totalled SEK 942 million (942)
- » Operating profit amounted to SEK 102 million (98)
- » Profit before tax amounted to SEK 86 million (95)
- » Profit after tax amounted to SEK 67 million (74)
- » Earnings per share were SEK 1.15 (1.28)
- » Cash flow from operating activities amounted to SEK 13 million (56)

Important events during the period

- » Lundgren Machinery was acquired

CEO'S COMMENTS ON THE GROUP'S DEVELOPMENT DURING THE PERIOD

The Group

The results during the second quarter show a continued recovery in profitability compared to both the previous quarter and the second half of 2022. In addition, both revenue and operating profit are on a par with the corresponding period last year. The operating margin was strengthened slightly, amounting to 10.7 per cent (10.5) during the quarter.

The market situation has further stabilised, generally speaking, although activity levels are relatively low and vary between different sectors. As feared, the global financial concerns are continuing to hamper developments for project-related operations within Industrial Solutions. This can be seen, for example, from the fact that customers, particularly within the food and packaging sectors, are holding off on making investments as a result of increased capital costs and the declining purchasing power of end customers. There is increased competition for new assignments, which is applying downward pressure on margins. Profitability is also a challenge for those companies within Industrial Products that have strong links to the automotive sector, where it is still difficult to obtain compensation from our customers for cost increases. Otherwise, we have seen that implemented price adjustments have gradually had an impact, while the prices of materials and energy, for example, have fallen slightly. The companies within Precision Technology have been affected to a great extent by the reduced volumes within the medical technology sector and a generally cautious approach among many major customers. However, the tone has gradually become somewhat more optimistic.

The most positive development during the quarter relates to the successes in terms of automation solutions for the handling of batteries for electric vehicles. One of the companies within Industrial Solutions has previously won large orders within this business area, but major new deals are now involving the majority of the companies in the business unit. Another sector that is reporting growth, primarily within Precision Technology, is the defence industry. Many ongoing assignments are being expanded, at the same time as additional Group companies have been receiving enquiries and have won new business.

Summarising the first half of the year compared to last year, we can see that the Group's revenue fell by almost 5 per cent. Operating profit decreased by close to 23 per cent and the operating margin was 10.3 per cent (12.7). The profit margin amounted to 8.7 per cent (12.1).

The Industrial Products business unit

In relation to the comparison period, sales fell by 8 per cent and operating profit decreased by 23 per cent.

A large proportion of the business has developed well and is reporting good profitability. There are still challenges, above all within the automotive sector, which are having a negative impact on aggregate performance levels. The promised compensation for previous cost increases has not been received, and it is generally difficult to achieve profitability in ongoing transactions. We are currently evaluating the preconditions within particularly exposed customer segments. The business unit's strategic market investments are continuing and are gradually being expanded in geographical terms. We are also continuing to focus on various sustainability activities, both within the Group and in collaboration with customers.

The Industrial Solutions business unit

In relation to the comparison period, sales fell by 1 per cent and operating profit decreased by 11 per cent.

Incoming orders have consistently remained weak. Projects linked to battery handling are the exception to this, where large deals have been entered into regarding production during the autumn and in future years. The tender base is extensive on the whole, although the closure processes are long and drawn out. Many deals are also still being postponed, despite the fact that shortages in the supply chain have been slightly less tangible in recent times. As a result, the companies are experiencing challenges as regards resource allocation, which are affecting profitability. During the quarter, the business unit's operations have been supplemented with additional technical expertise and market opportunities through the acquisition of Lundgren Machinery.

The Precision Technology business unit

In relation to the comparison period, sales fell by 12 per cent and operating profit decreased by 43 per cent.

The market situation remains generally cautious, although the influx of orders has stabilised somewhat during the period. The saturation within the medical technology sector has not yet been able to be compensated by new business. However, assignments within the defence industry have increased significantly in scope, and now involve the majority of the companies in the business unit. The potential for further growth in this area is deemed to be good. Other affected sectors continue to be hampered by disruptions in supply chains and general financial concerns. On the whole, the poorer utilisation of resources and lower productivity are affecting profitability to a great extent.

Future development

It is becoming increasingly difficult to assess the Group's future development in the short term. We are adapting our operations in line with rapidly shifting conditions, based on well considered decisions that support long-term, sustainable development. Suspensions of deliveries, drawn-out decision-making processes and shortages of components must be balanced against market investments, an increased number of enquiries and new business. We are secure in our business model, yet at the same time adaptable. Changes are being implemented in certain units, whereas we are witnessing strong growth in others. Long-term collaborations with customers, for example within the defence industry, as well as investments in new niches such as automation in respect of battery manufacture, are producing results. Generally speaking, we are strengthening our competitiveness through investments in our sales organisations. After previously having grown to a large extent with existing customers, this growth is now taking place primarily through new ones. The volumes are initially small, but there is considerable potential in the long run. The long-term perspective for our business is becoming increasingly important, in contrast to the variability we are witnessing around us. This includes our sustainability work, where we are now significantly increasing the level of activity.

We are delighted to have been able to welcome Lundgren Machinery to the Group and the Industrial Solutions business unit in the past quarter. Acquisitions represent a significant element of our business concept, and we are actively looking for businesses that can strengthen our offering as well as introduce new markets and customer segments.

See also attached full report.

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XANO develops, acquires and operates niche engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group's operations are divided into three business units and are represented in the Nordic countries, Estonia, the Netherlands, Poland, China and the USA. Consolidated revenue totals SEK 3.5 billion and the number of employees is approx. 1,400. The XANO share has been listed on the Stockholm Stock Exchange since 1988.