INTERIM REPORT 1 JANUARY – 30 JUNE 2024

THE INTERIM PERIOD
- Net revenue totalled SEK 1,721 million (1,838)
- Operating profit amounted to SEK 92 million (189)
- Profit before tax amounted to SEK 59 million (159)
- Profit after tax amounted to SEK 46 million (124)
- Earnings per share were SEK 0.77 (2.14)
- Cash flow from operating activities amounted to SEK 10 million (52)

THE SECOND QUARTER
- Net revenue totalled SEK 896 (942)
- Operating profit amounted to SEK 61 million (102)
- Profit before tax amounted to SEK 42 million (86)
- Profit after tax amounted to SEK 33 million (67)
- Earnings per share were SEK 0.55 (1.15)
- Cash flow from operating activities amounted to SEK -13 million (13)

Important events during the period
- Graniten Engineering was acquired
- Dansk Rotations Plastic was acquired

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

The Group

We didn't see any major shifts in the market climate during the second quarter compared to the preceding period. The trend as regards assignments within the defence sector remained strong, alongside stable demand from customers in relation to food and pet food. The same applied in the pharmaceuticals and medical technology segments, although the decision-making processes remained long drawn-out at a few major players. Within the packaging sector, there was a continuing trend of ongoing projects being delayed, while the conclusion of decisions regarding new investments was sluggish. This was most evident in the can industry, which reported an extremely low level of activity. The automotive segment retained its volumes, with the result that the Group's share of automotive-related production has increased. Difficulties in implementing price adjustments in relation to major automotive customers has affected profitability, primarily for the Industrial Products business unit. The promised compensation for previous cost increases has also not been provided in full. An evaluation of customer agreements in the automotive segment has led to us terminating one particular agreement.

Wide-ranging cost adaptations have been implemented and are continuing in several of the Group's companies. At the same time, our aggressive transition has continued via investments in new business niches and on new markets, as well as through acquisitions. The first half of the year demonstrated overall volumes that were just below those recorded in the comparison period. Profitability was significantly weaker, but strengthened during the second quarter compared to the early part of the year.

During the first half of the year, Group revenue fell by 6 per cent in relation to the comparison period. Operating profit decreased by 51 per cent and the operating margin was 5.3 per cent (10.3). The profit margin amounted to 3.5 per cent (8.7). Cash flow from operating activities totalled SEK 10 million (52).

The Industrial Products business unit

In relation to the comparison period, sales fell by 4 per cent and operating profit decreased by 27 per cent.

Reduced volumes in the agricultural sector, primarily from Finnish and German customers, as well as significantly lower volumes in the Norwegian operations, resulted in negative growth during the period. The poorer profitability is related both to lower sales and productivity, as well as to continued challenges in the automotive sector. The operating margin was strengthened during the second quarter, however. The newly acquired company Dansk Rotations Plastic (DRP) contributed to this thanks to its good results. On the whole, the generally cautious market situation resulted in relatively weak incoming orders, although there were major variations over time and between different customer segments. Several of our companies have conducted successful investments and have succeeded in winning market share, even in cool markets. A number of major deals relate to production in future years. We have generally continued tightening our belts within the business unit, although the pace of product development and market activities linked on our own product range has remained high.

The Industrial Solutions business unit

In relation to the comparison period, sales fell by 7 per cent and operating profit decreased by 59 per cent.

The slowdown as regards volumes within established customer segments has largely been able to be compensated by deals within new business areas and through acquisitions. The ongoing transition has greatly affected profitability, however, although we have reported a slight improvement in margins in the second quarter compared to the early part of the year. The market adaptations and organisational changes that are taking place among our customers have resulted in delayed deliveries as well as halting investments in planned production lines. In the field of sustainable energy, the manufacture of vehicle batteries has been impeded by operational disruptions, which have led to projects being paused in both Europe and the USA. We are therefore witnessing a necessary shift in focus towards new customers and niches within our project-related operations. This work includes intensified investments in areas such as after-sales services and productisation of the business unit's service offers.

The Precision Technology business unit

In relation to the comparison period, sales fell by 7 per cent and operating profit decreased by 22 per cent.

The business unit reported a slight fall in volumes as well as reduced profitability as a result of lower productivity levels combined with a high cost base. The level of performance varied considerably between the companies, however, with KMV and Lasertech in particular really distinguishing themselves. The placing of orders has remained cautious within the business unit's established sectors, especially from its major players. On the other hand, assignments for the defence sector have increased further. Generally speaking, the operations have had difficulty rapidly dealing with shifts in demand and delays in ongoing projects. Many new customers and projects have also initially entailed poorer earnings. The measures we have implemented to tighten our belts have not yet achieved their full effect. Further cost adaptations and streamlining of processes are taking place in parallel with aggressive marketing activities.

Future development

So far, there are no signs to indicate any significant recovery within our established customer segments during the course of this year. There are currently many uncertainty factors, and the conditions for our operations are closely linked to various scenarios in the world around us. New deals that have been won outside of established markets are starting to have an impact, but some of these are affected by the global turbulence as well.

Some stabilisation in earnings was demonstrated during the past quarter, but the tightening measures that have been implemented and that are still ongoing in our companies have not yet had any clear effect. This is linked to the fact that we are simultaneously continuing our aggressive transition through investments in product development and innovations, as well as through acquisitions and the establishment of operations both in new countries and within new market niches. We are also working to develop circular business models and to further develop collaborations in the value chain, with the aim of future-proofing our businesses and ensuring that we achieve our sustainability goals.

The Group's overall performance has not generated the desired financial earnings during the first half of the year. Converting challenges into opportunities is part of our heritage, but in the current circumstances it is a process that requires both time and resources. We are patient and believe that the changes were are currently implementing will generate long-term sustainable operations from all perspectives.

See also attached full report.

For more information, please contact:

» Lennart Persson, President and CEO, tel +46 36 31 22 33

XANO Industri AB (publ)
www.xano.se

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, the USA and Australia. 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.