INTERIM REPORT 1 JANUARY – 31 MARCH 2022

THE FIRST QUARTER

» Net revenue totalled SEK 985 million (698)
» Operating profit amounted to SEK 146 million (103)
» Profit before tax amounted to SEK 138 million (104)
» Profit after tax amounted to SEK 108 million (81)
» Earnings per share were SEK 3.72 (2.80)

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

The Group

Compared to the opening quarter of last year, we witnessed an increase in sales of more than 40 per cent. Just over half of this was in the form of organic growth, with the remainder being provided through the acquisitions that were made during 2021. We achieved strong results overall in terms of profit, managing to retain healthy margins. Demand for the Group's products and services remained stable initially, although we experienced a slight decrease in the level of activity towards the end of the quarter, generally speaking. Through close collaboration with customers and suppliers, our companies successfully managed the difficulties associated with the shortage of components and materials. Despite increasing levels of staff absence linked to Covid-19 and longer lead times, our delivery capacity remained good.

In relation to the comparison period, revenue rose by 41 per cent, of which 21 per cent was organic growth. Operating profit improved by 41 per cent and the operating margin was 14.8 per cent (14.8). The profit margin was 14.0 per cent (14.9).

The Industrial Products business unit

Within the Industrial Products business unit, sales rose by 52 per cent, of which 23 per cent related to business combinations. Operating profit improved by 44 per cent in relation to the comparison period.

The organic growth was achieved in part through slightly higher production volumes than in the comparison period, but was mainly related to implemented price adjustments. Profits were strengthened by compensation for previous price increases, but were adversely affected by significantly higher costs for materials, energy and transport. The newly added PRM contributed positively and has acclimatised well in the Group. The business unit's stated focus on sustainable production generated new business opportunities. Demand remained stable overall, although a slight weakening was noted towards the end of the period.

The Industrial Solutions business unit

Sales within the Industrial Solutions business unit rose by 52 per cent, of which 26 per cent related to business combinations. Operating profit improved by 64 per cent compared to corresponding period last year.

The operations acquired last year made a positive contribution and the business unit generated strong earnings overall. However, the conditions varied within the business unit. The joint challenges were primarily linked to the supply chain. Good forward planning and close customer relations entailed continued successes as regards contract assignments. A large proportion of the project-related operations also developed well, whereas other areas were affected by factors such as the shortage of input goods. Demand remained at a stable level, although signals from customers primarily within the packaging industry are indicating a generally lower level of investment in future.

The Precision Technology business unit

In relation to the corresponding period last year, the Precision Technology business unit reported unchanged sales level and an 8 per cent drop in operating profit.

Demand within sectors that have long demonstrated a steep upward trend has returned to a more normal level. It is primarily the business unit's major customers that, as a result of the shortage of materials and components in the subcontractor stage, have postponed orders and reduced their forecasts. Our companies demonstrated varying growth levels based on their respective customer mix, but were all affected by factors such as price increases and material shortages. Thanks to good adaptability and efficiency improvements via implemented investments, the business unit continued to generate strong margins.

Future development

We have experienced a prolonged period of strong results up until now, and are consequently in a solid financial position. The good performance during the first quarter of the year further strengthened the Group.

Looking forward, however, there are many concerning external factors. Staff absence related to Covid-19 is expected to continue, at the same time as escalating material prices and long delivery times are now affecting most of our operations to some extent. When it comes to input components, the lack of access to semiconductors is the main problem. This has affected us during Q1 and will continue to disrupt our processes in future in the form of delays in various projects. The global situation is also affecting the desire to invest, above all among major players, while general inflation is giving rise to reluctance in all stages of consumption. To date, we have not identified any direct impact on the Group as a result of the war in Ukraine. The sanctions that are being introduced against Russia, as well as any countermeasures, may affect parts of our operation, however, for example in the form of a lack of access to energy. There is also a risk that the difficulties that already exist in relation to the supply of materials and components will increase.

We are opting to take an aggressive approach and are continuing our initiatives within neighbouring business areas and on new markets. Interesting strategic collaborations have been launched, for example in relation to batteries for electric vehicles. Furthermore, the successes achieved on the North American market in recent years mean that we will be increasing our presence there in future.

Roughly half of the Group's volumes are produced in the form of direct assignments from customers. The signals we are getting from several of these indicate gradually lower volumes and falling demand in future. In order to balance this, we are strengthening resources linked to our own products through a higher rate of development and intensified marketing activities.

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 approx. SEK 3.4 billion and the number of employees is 1,400. The XANO share has been listed on the Stockholm Stock Exchange since 1988.