INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2024

THE INTERIM PERIOD

» Net revenue totalled SEK 2,458 million (2,595)
» Operating profit amounted to SEK 105 million (247)
» Profit before tax amounted to SEK 51 million (203)
» Profit after tax amounted to SEK 39 million (157)
» Earnings per share were SEK 0.66 (2.71)
» Cash flow from operating activities amounted to SEK 139 million (193)

THE THIRD QUARTER

» Net revenue totalled SEK 737 (757)
» Operating profit amounted to SEK 13 million (58)
» Profit before tax amounted to SEK -8 million (44)
» Profit after tax amounted to SEK -7 million (33)
» Earnings per share were SEK -0.11 (0.57)
» Cash flow from operating activities amounted to SEK 129 million (141)

Important events during the period

» Graniten Engineering was acquired
» Dansk Rotations Plastic was acquired
» Subscription for personnel convertibles 2024/2027 implemented

Events after the closing day

» Divestment of a real estate company

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

The Group

The challenges we observed in the first half of the year largely persisted and intensified to some extent in the third quarter. In general, market conditions were more subdued than expected and the Group reported weak results in the three-month period. Our established markets continued to show low levels of activity and the appetite for investment from major operators was also limited. The slowdown in the can manufacturing industry had a significant impact on parts of the operations within the Industrial Solutions business unit, and consequently on the consolidated results for the period. The gradual transformation that many of our operations are undergoing alongside our strategic initiatives is generating revenue but will initially reduce margins. Examples of ongoing measures include the closure and relocation of production and the merging of operations to increase efficiency. Costs related to these restructuring programmes amounted to SEK 14 million during the period.

Consolidated revenue amounted to SEK 737 million (757) during the third quarter, which is a fall by 3 per cent in relation to the corresponding period last year. Adjusted operating profit totalled SEK 27 million (61) and adjusted operating margin was 3.6 per cent (8.1). Operating cash flow amounted to SEK 129 million (141).

During the first nine months of the year, Group revenue fell by 5 per cent compared to the previous year, totalling SEK 2,458 million (2,595). Organic growth stood at -11 per cent. Adjusted operating profit amounted to SEK 110 million (240) and adjusted operating margin was 4.5 per cent (9.3). Cash flow from operating activities totalled SEK 139 million (193).

The Industrial Products business unit

In relation to the comparison period, sales fell by 2 per cent and operating profit decreased by 27 per cent.

Despite a generally subdued business climate, some of Industrial Product's companies have succeeded in increasing their market share through continued strong sales of their own products, primarily in infrastructure. The consolidation of our latest acquisition, DRP, has had a positive impact on profitability, while its integration has generated new joint business opportunities. The main challenges in the business unit are related to production for the automotive industry and its unique conditions. The evaluation of our supply contracts with automotive customers continues, and, in some cases, it has resulted in us terminating contracts. We are continuing to shift our activities towards non-automotive sectors, but given the current poor performance of alternative industries, we are progressing at a measured pace to optimise our resource utilisation.

The Industrial Solutions business unit

In relation to the comparison period, sales fell by 6 per cent and operating profit decreased by 65 per cent.

Several years of low investment in automation projects in parts of the packaging sector have had a major impact on the business unit's operations. While fluctuations in the industry are normal, current levels are higher than previously, and more projects are being postponed or cancelled altogether. Deliveries to the can manufacturing industry are the hardest hit. This niche is expected to grow steadily in the long term, but following the large investments made during the pandemic, our customers currently have excess capacity. Challenges are also observed in new business areas such as sustainable energy, with customers both pausing and cancelling ongoing projects due to operational disruptions or lost business. We believe that the conditions for growth and stronger margins are favourable as the economy recovers and ongoing organisational adjustments take effect. Our collective offering is strong and constantly evolving through the addition of services and technological expertise. The share of sales linked to the aftermarket is steadily increasing. The business unit's market activities are largely focused on establishing a presence in new geographical regions, primarily through continued investment in the United States.

The Precision Technology business unit

In relation to the comparison period, sales fell by 6 per cent and operating profit decreased by 30 per cent.

Growth is being hampered by lower production levels among customers in the business unit's dominant sector. Outside this industry, the market is also considered weak, with no clear signs of recovery in the near future. Performance varies across our companies but generally, they see numerous potential projects and business opportunities. However, assignments in new niches are resource-intensive and initially provide limited contributions. Transformation processes are continuing, including the coordination of production units and the evaluation of business lines. In recent years, we have seen strong growth in deliveries to the defence sector, where all of the business unit's companies are now involved in ongoing projects. Work continues in parallel to increase market shares in traditional industries.

Future development

In the near future, we see no significant changes in market conditions. There is still considerable uncertainty about the scope and impact of postponed and cancelled projects. The Group's overall performance in the short term therefore depends to a large extent on our ability to compensate for lost volumes with new assignments that match our available resources.

In the slightly longer term, we believe that the business climate will improve as a result of lower inflation and interest rates. The reorganisation currently under way within the Group is also having a gradual impact. We have great confidence in the resilience of our business model and our collective offering. We are constantly exploring new markets and areas of activity, but we are also continually engaged in activities to deepen our relationship with our existing customers.

After the closing day, we divested a property company in Jönköping, Sweden. This sale will generate a healthy surplus and provide additional capital to support our ambitious transition. This means that we will continue to invest in innovation and product development while pursuing our strategic market initiatives.

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