



## INTERIM REPORT 1 JANUARY – 31 MARCH 2022

### THE FIRST QUARTER

- » Net revenue totalled SEK 896 million (985)
- » Operating profit amounted to SEK 87 million (146)
- » Profit before tax amounted to SEK 73 million (138)
- » Profit after tax amounted to SEK 57 million (108)
- » Earnings per share were SEK 0.99 (1.86)
- » Cash flow from operating activities amounted to SEK 39 million (-3)

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

#### The Group

The Group's results for the first quarter of the year meant that the negative earnings trend from the preceding periods was arrested. We are not reaching the margins achieved in the comparison period, but we are strengthening our profitability relative to the end of 2022. As a result of the overall weak incoming order levels recorded during the autumn, the Group's sales fell by 9 per cent in relation to the comparison period. Operating profit fell by almost 40 per cent and the operating margin was 9.8 per cent (14.8). The profit margin amounted to 8.2 per cent (14.0).

After a prolonged period of cost increases that we have found difficult to compensate for sufficiently, we have seen positive effects of previous price rises during the period. There is still a lag, primarily linked to projects and to those companies in the Group that carry out production for the automotive sector to a substantial extent. Cost adaptations have been implemented and are ongoing to varying degrees in our operations, and these are also gradually having an impact. We follow market trends carefully in order to introduce further measures, where necessary. We have focused on strengthening our cash flow, and our various activities have started to produce results in this respect, although the work is continuing.

The negative impact of external factors on the Group's operations has been mitigated to some extent. For example, material and energy prices have been more stable, although still at a high level. However, we are still experiencing problems as regards the supply of components, above all semiconductors for automation equipment. Global financial concerns have continued to hamper the general willingness to invest and the rate of development in affected sectors, in particular in respect of the food industry. The medical technology industry has returned to volumes equivalent to those achieved before the pandemic. The demand for automation solutions to handle batteries for electric vehicles is increasing steadily, however, and we have received several new assignments from major players during the quarter.

#### The Industrial Products business unit

In relation to the comparison period, sales decreased by 7 per cent and operating profit fell by 39 per cent.

The market situation was relatively stable, generating incoming orders on a par with the comparison period. The challenges related to production and deliveries to customers in the automotive sector have persisted, however, as a result of continued disruptions in the supply chain, which has affected the profitability of our affected companies. For the business unit as a whole, implemented adaptations and price rises have not yet had any significant impact on profit either. We will be seeing the effects of these in future quarters when additional compensation for increased costs from our automotive customers is also anticipated. Ongoing activities include continued cost reviews, in combination with aggressive marketing initiatives and the further development of the proprietary product ranges.

#### The Industrial Solutions business unit

In relation to the comparison period, sales decreased by 8 per cent and operating profit fell by 28 per cent.

Weak order intake during the autumn and a continued cautious approach on the part of customers, above all in the packaging and food industries, resulted in lower overall project volumes. The business unit also made fewer deliveries linked to contract assignments, as a result of the customers themselves experiencing weak growth or instances where products are being phased out and there is a delay as regards new investments. Continued disruptions in the supply chain and delays in placed orders also affected margins to a great extent. Good relations with major players have generated new business within battery manufacture, however. In addition, the establishment in the USA has resulted in real orders and created the conditions for further growth.

**The Precision Technology business unit**

In relation to the comparison period, sales decreased by 19 per cent and operating profit fell by 60 per cent.

Market development within the business unit's operational areas remained consistently cautious, although there was a slight improvement towards the end of the period. Within the important medical technology sector, which reported extreme levels of growth during the years of the pandemic, the volumes have dropped back to more normal levels. Many major customers within the sector are also holding large inventories, which is further reducing demand. Continuing shortages in certain supply chains are resulting in delays and short-termism as regards the placing of orders. Poorer utilisation of resources and a lower productivity level have weakened profitability. In order to reverse this trend, the companies have continued to focus on optimising their operations and simultaneously intensifying their marketing activities.

**Future development**

On the whole, we are experiencing a stabilised market situation and, in many cases, a more balanced influx of orders. In the short term, we can therefore see good opportunities to grow and strengthen our profitability. However, we have reservations when it comes to project-related operations, where there is some concern as regards the prospects for the future. Here, we are continuing to witness the considerable impact of the disruptions in the supply chain and the global financial uncertainty. At the same time, there is considerable potential for development thanks to our investments in new business areas and on new markets. Significant achievements have been made in the USA, for example, where several companies have been established within the Industrial Solutions business unit. We are further strengthening our resources as regards marketing and sales, as well as pursuing Group-wide activities with a focus on increasing our market shares.

Following a conscious period of restraint in terms of acquisitions, we will be reverting to a higher level of activity in future when it comes to evaluating potential objects to complement our operations.

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