



Interim report 1 January – 30 September 2023

THE INTERIM PERIOD

- » Net revenue totalled SEK 2,595 million (2,703)
- » Operating profit amounted to SEK 247 million (307)
- » Profit before tax amounted to SEK 203 million (290)
- » Profit after tax amounted to SEK 157 million (226)
- » Earnings per share were SEK 2.71 (3.90)
- » Cash flow from operating activities amounted to SEK 193 million (33)

THE THIRD QUARTER

- » Net revenue totalled SEK 757 million (776)
- » Operating profit amounted to SEK 58 million (63)
- » Profit before tax amounted to SEK 44 million (57)
- » Profit after tax amounted to SEK 33 million (44)
- » Earnings per share were SEK 0.57 (0.76)
- » Cash flow from operating activities amounted to SEK 141 million (-20)

Important events during the period

- » Lundgren Machinery was acquired
- » Integrated Packaging Solutions was acquired

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

The Group

We are continuing to experience a generally cautious market climate, although with clear differences between the Group's various business areas. Compared to the previous year, sales are falling within the medical technology and packaging industries, which are traditionally strong sectors for the Group. However, the conditions are more stable within the food and infrastructure/environment sectors. The strongest growth is being achieved through new business linked to defence equipment and vehicle batteries. This is a result of the shift that has taken place, from previously having grown to a large extent with existing customers to the fact that we are now developing collaborations with players within new growth sectors. This transition is initially having a negative impact on our margins, but it is a long-term investment. The same applies to the focus on new markets. Thanks to our most recent acquisition, the American company Integrated Packaging Solutions (IPS), our existing establishment in the USA is now being intensified. In the first instance, IPS complements NPB and Canline within the Industrial Solutions business unit, providing clear growth opportunities primarily within service and aftersales.

The revenue and profit recorded in the third quarter were poorer than in the corresponding period last year. The operating margin weakened slightly, amounting to 7.7 per cent (8.1) for the quarter. At the same time, cash flow from operating activities strengthened, amounting to SEK 141 million (-20).

The Group's revenue during the period January-September fell by 4 per cent compared to the previous year. Operating profit declined by almost 20 per cent, while the operating margin was reported at 9.5 per cent (11.4). The profit margin amounted to 7.8 per cent (10.7) and remains in line with our long-term target.

The Industrial Products business unit

In relation to the comparison period, sales fell by 7 per cent and operating profit declined by 15 per cent.

The poorer profitability compared to the previous year is primarily linked to the automotive sector, where it has not been possible to compensate for the increasing costs through corresponding price adjustments. Reduced sales in respect of boats are also having an impact. Other parts of the business unit's operations have reported stable development, and sales primarily within infrastructure and environment are generating healthy contributions. The companies are witnessing development opportunities via the ever greater interest in sustainable production that customers are demonstrating. Investments are being made in processes for material recycling and circular flows, as well as the cultivation of new geographic markets.

The Industrial Solutions business unit

In relation to the comparison period, sales fell by 2 per cent and operating profit declined by 11 per cent.

The business unit's project-related activities are being affected by a low level of activity among customers, above all within the can sector. However, we are witnessing an increased desire to invest within the food sector, and additional automation projects linked to the manufacture of vehicle batteries have also been won. When it comes to contract assignments within medical technology and packaging, the trend is declining compared to the previous year. Our investments in respect of new markets and business areas are continuing. The acquisition of Integrated Packaging Solutions (IPS) means that the establishment in the USA is accelerating, at the same time as the focus on aftersales services is being intensified.

The Precision Technology business unit

In relation to the comparison period, sales fell by 9 per cent and operating profit declined by 39 per cent.

The lower volumes achieved within the medical technology sector this year have impaired the utilisation of resources, resulting in weaker profitability. Many new deals with considerable potential have been won, above all linked to the defence sector. The commissioning of new products is resource-intensive, however, and initially only makes a limited contribution. Incoming orders and forecasts from customers vary, but overall are characterised by the current difficult market climate. The companies are conducting active sales work, offering the business unit's combined resources. The number of enquiries and indications of future projects are pointing towards increased stability going forward.

Future development

There are many challenges associated with the current global situation, but we are continuing our aggressive measures with a long-term perspective in line with our business model. The investments we are making, both in our organisations and in respect of new business areas and markets, are impacting our profitability. However, we are seeing good results from the activities we are carrying out, and are anticipating gradually higher returns in future.

The sustainability perspective is becoming more and more important in all businesses. As a result of the recruitment of a sustainability manager, we have taken yet another step in our ambition of becoming a leading player in the transition to a more sustainable society and business dealings.

Acquisitions are a vital part of our business model. Thanks to our latest addition, Integrated Packaging Solutions (IPS), the Group is gaining further growth opportunities above all within service and aftersales. The access to IPS's expertise and networks is also facilitating the ongoing process of presenting and making the Group's offering available on the North American market. We are continuing to evaluate potential acquisition objects that can supplement our existing 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, 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.