

Q4

2023

INTERIM REPORT JANUARY – DECEMBER 2023

Stable earnings for the year despite weak fourth quarter

Fourth quarter 2023

- Order intake declined 25 per cent to SEK 414 million (553); organic order growth was -26 per cent.
- Net sales declined 43 per cent to SEK 308 million (541); organic net sales growth was -43 per cent.
- Operating profit declined 84 per cent to SEK 19 million (121) and the operating margin was 6.2 per cent (22.4).
- Profit for the quarter decreased 90 per cent to SEK 9 million (90).
- Basic and diluted earnings per share amounted to SEK 0.07 (0.59).

January – December 2023

- Order intake declined 24 per cent to SEK 1,510 million (1,978); organic order growth was -27 per cent.
- Net sales declined 2 per cent to SEK 1,898 million (1,938); organic net sales growth was -6 per cent.
- Operating profit declined 9 per cent to SEK 376 million (415) and the operating margin was 19.8 per cent (21.4).
- Profit for the period declined 12 per cent to SEK 285 million (325).
- Basic and diluted earnings per share amounted to SEK 1.81 (2.01).
- The Board of Directors proposes a dividend of SEK 0.94 (0.85) per share, to be paid in two equal instalments.

Financial performance indicators for the Group¹

	Q4			Jan-Dec		
	2023	2022	Δ%	2023	2022	Δ%
Order intake, SEK million	414	553	-25	1,510	1,978	-24
Net sales, SEK million	308	541	-43	1,898	1,938	-2
Gross profit, SEK million	124	238	-48	802	833	-4
Gross margin, %	40.3	44.0	-	42.3	43.0	-
Operating profit, SEK million	19	121	-84	376	415	-9
Operating margin, %	6.2	22.4	-	19.8	21.4	-
Profit/loss for the period, SEK million	9	90	-90	285	325	-12
Earnings per share, before and after dilution, SEK	0.07	0.59	-88	1.81	2.01	-10
Return on capital employed, %	49.3	56.4	-	49.3	56.4	-
Equity/assets ratio, %	63.6	42.2	-	63.6	42.2	-

¹ For more information, see the alternative performance measures and financial definitions section on pages 19-21.

CEO'S COMMENTS



We have reached a historic milestone in that our regions outside of the Nordic region now account for more than 50 per cent of our sales.



We can reflect on a year that was characterised by geopolitical turbulence, inflation, interest-rate hikes, and a resulting cautious market. Faced with challenging conditions, we delivered favourable profitability and a strong cash flow at the same time as we commenced the implementation of a new business system during ongoing production. We have reached a historic milestone in that our regions outside of the Nordic region now account for more than 50 per cent of our sales.

Strong start to the year

The year began with an exceptional first quarter in which we delivered a large portion of the order book, due to eliminated bottlenecks in supplier chains. This generated record profitability in the first quarter and demonstrates the potential of our scalable business model. We saw a decline in order intake during the year as a result of economic turbulence leading to cautious purchasing behaviour, combined with built-up stock at our dealers. We can summarise 2023 with an operating profit of SEK 376 million (415) and an operating margin of 19.8 per cent (21.4). Net sales for full-year 2023 amounted to SEK 1,898 million (1,938).

Weak net sales and important advances in the European market

Net sales for the quarter amounted to SEK 308 million (541). The gross margin for the quarter was 40.3 per cent (44.0) and was impacted by low sales and production-related personnel costs. The operating margin amounted to 6.2 per cent (22.4) as a result of high overheads in relation to lower sales. Cash flow from operating activities was SEK 96 million (56) and remains strong, primarily due to lower tied-up capital. The change of business system has challenged the organisation and impacted earnings as a result of reduced production capacity, while also requiring considerable resources.

Order intake declined organically by 26 per cent but increased compared with the third quarter, indicating a stabilisation. Pre-ordering effects were comparably low compared with previous years. The Nordic market remains under pressure from the stalled construction sector and is displaying few signs of recovery in the short term. The situation in our growth markets is more fragmented. It is pleasing to note that Europe is growing organically despite economic uncertainty. Our tiltrotators and attachments are receiving increasing recognition, which was demonstrated by a significant order from a French machine rental customer and a new collaboration that comprises an important strategic component for continued expansion in the DACH region. In Asia-Oceania, we are seeing an increased order intake following a period of decline, with both Australia and South Korea showing positive signs. The trend in America is challenging. We have grown rapidly, expanded our geographical territory and have many new employees which – combined with the establishment of our new logistics hub and the relocation of our warehouse – has had a negative impact on our sales focus. Our faith in the American market remains strong and we are actively monitoring developments.

Outlook

We remain cautious in our outlook. We do not believe that we will see any dramatic growth in the quarters ahead. We also expect the continued implementation of the business system to impact the organisation and, most likely, our margin. However, our strategy and our financial targets stand firm and we are working purposefully to achieve them.

Finally, I would like to extend a sincere thanks to everyone at engcon. We have delivered on many of our targets despite challenging conditions. Your professionalism, commitment, initiative and flexibility have taken us to where we are and will enable us to take the next step on our journey. I would also like to thank our customers, partners and investors. Together, we are changing the world of digging.

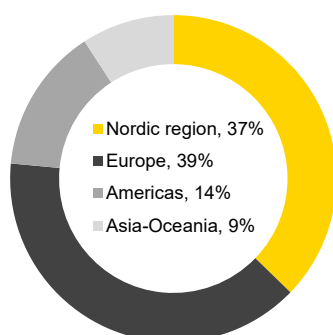
Krister Blomgren

President and CEO

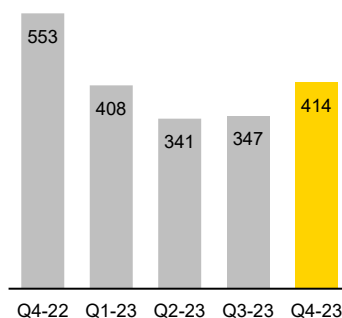
GROUP'S FINANCIAL PERFORMANCE

engcon Group's operations are conducted and reported as a single segment. As further disclosures, order intake and net sales are reported based on the Group's geographic regions: Nordic region, Europe (excl. the Nordic region), the Americas and Asia-Oceania, which includes the rest of the world.

Share of net sales by geographic market region in Q4



Order intake by quarter, SEK million



Group

	Q4			Jan-Dec		
	2023	2022	Δ%	2023	2022	Δ%
Order intake, SEK million	414	553	-25	1,510	1,978	-24
Net sales, SEK million	308	541	-43	1,898	1,938	-2
Gross profit, SEK million	124	238	-48	802	833	-4
Gross margin, %	40.3	44.0	-	42.3	43.0	-
Operating profit, SEK million	19	121	-84	376	415	-9
Operating margin, %	6.2	22.4	-	19.8	21.4	-

Order intake by geographic market region

SEK million	Q4			Jan-Dec		
	2023	2022	Δ%	2023	2022	Δ%
Nordic region	144	266	-46	582	937	-38
Europe	169	154	10	536	655	-18
Americas	58	97	-40	220	248	-11
Asia-Oceania	38	36	4	115	138	-18
Total excl. foreign exchange	408	553	-26	1,452	1,978	-27
Foreign exchange effect	6	-	-	58	-	-
Total	414	553	-25	1,510	1,978	-24

Net sales by geographic market region

SEK million	Q4			Jan-Dec		
	2023	2022	Δ%	2023	2022	Δ%
Nordic region	114	229	-50	786	1,027	-23
Europe	120	223	-46	620	626	-1
Americas	44	63	-30	276	178	55
Asia-Oceania	28	26	9	139	107	30
Total excl. foreign exchange	307	541	-43	1,822	1,938	-6
Foreign exchange effect	1	-	-	76	-	-
Total	308	541	-43	1,898	1,938	-2

Of total net sales in the period, Sweden accounted for SEK 250 million (392) in the Nordic region and the US accounted for SEK 254 million (164) in the Americas.

Order intake and net sales

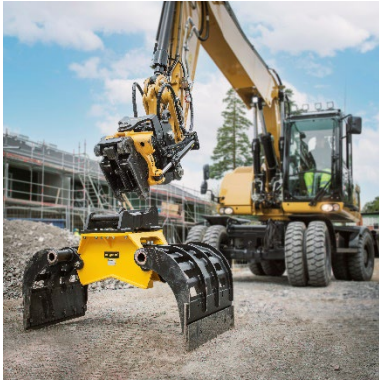
Fourth quarter 2023

Order intake during the quarter amounted to SEK 414 million (553), a decrease of 25 per cent (-29), and organic order intake declined 26 per cent (-33).

Order growth was positive in Europe and Asia-Oceania during the quarter. In the Nordic region and the Americas, order growth was negative. The order intake was weak as a result of geopolitical and macroeconomic uncertainty, which led to lower willingness to invest among our customers.

Net sales during the quarter amounted to SEK 308 million (541), a decline of 43 per cent (46) and organic net sales growth of -43 per cent (38).

All regions except for Asia-Oceania recorded negative net sales growth. Similarly to recent quarters, the fourth quarter was characterised by a lower order intake as a result of geopolitical and macroeconomic uncertainty. We noted marginal pre-ordering effects during the quarter, but not on the same level as in prior years. During the fourth quarter, the new business system was implemented in the largest production company and our warehouse was relocated in the US, somewhat impacting production capacity and as a result, net sales, during the quarter.



January – December 2023

Order intake during the year amounted to SEK 1,510 million (1,978), a decrease of 24 per cent (1), corresponding to organic order growth of -27 per cent (-4).

Order growth was negative for the year in all regions. The order intake was weaker as a result of geopolitical and macroeconomic uncertainty.

Net sales during the year amounted to SEK 1,898 million (1,938), a decline of 2 per cent (30), corresponding to organic net sales growth of -6 per cent (24).

The Americas and Asia-Oceania reported increased net sales growth. At the same time, we noted negative net sales growth in the Nordic region and Europe. The first quarter brought strong sales as a result of the robust order book at the beginning of 2023. Sales then declined as a result of geopolitical and macroeconomic uncertainty, which impacted customers' willingness to invest, particularly in the Nordic region, but also in Europe. Accumulated net sales growth amounted to -2 per cent (30).

Earnings

Fourth quarter 2023

Gross earnings for the quarter amounted to SEK 124 million (238), a decrease of 48 per cent (62). The gross margin for the quarter amounted to 40.3 per cent (44.0). The decline compared with previous quarters is due to lower volumes, completed campaigns and a less advantageous product mix.

EBIT for the quarter amounted to SEK 19 million (121), a decrease of 84 per cent (57). The operating margin was 6.2 per cent (22.4).

The cost for the change of the Group-wide business system amounted to SEK 10 million (8) during the quarter. Implementation of the business system began in the final quarter of 2023 and will continue in the years ahead.

The effect of derivative instruments amounted to SEK 7 million (9) for the quarter.

Net financial items for the quarter amounted to SEK -6 million (-13). Profit before tax for the quarter amounted to SEK 13 million (108).

Income tax for the quarter was SEK -4 million (-18). The effective tax rate for the quarter amounted to 25.7 per cent (16.7).

Total earnings after tax for the fourth quarter amounted to SEK 9 million (90).

January – December 2023

Gross earnings during the year amounted to SEK 802 million (833), a decrease of 4 per cent (33). The gross margin amounted to 42.3 per cent (43.0).

EBIT for the year amounted to SEK 376 million (415), a decrease of 9.0 per cent (28.0). The operating margin was 19.8 per cent (21.4).

The operating margin was impacted in the first quarter by high sales and an improved margin as a result of a high order book combined with short delivery times. At the end of the year, the operating margin declined as a result of geopolitical uncertainty and an economic downturn with high inflation and increased interest rates impacting customers' willingness to invest. The implementation of the Group-wide business system continued, resulting in a cost of SEK 36 million (24) during the year. This led to a period of disruption in the production chain at the end of the year that impacted earnings for the year. Implementation of the business system began in the final quarter of 2023 and will continue in the years ahead. 2022 also included costs for the company's listing totalling SEK 17 million.

The effect of derivative instruments amounted to SEK 18 million (-7) for the year.

Net financial items for the year amounted to SEK -11 million (0). Profit before tax for the year amounted to SEK 365 million (415).

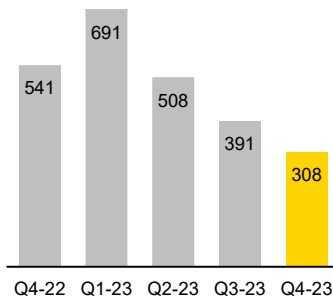
Income tax for the year was SEK -80 million (-90). The effective tax rate for the year amounted to 21.9 per cent (21.7).

Total profit after tax for the year amounted to SEK 285 million (325).

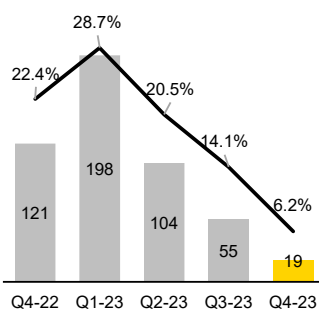
Investments and depreciation/amortisation

Investments in intangible and tangible assets and right-of-use assets amounted to SEK 21 million (19) for the quarter and SEK 101 million (75) for the year. The investments were mainly attributable to a newly signed lease for a logistics hub in the US and development

Net sales by quarter, SEK million



EBIT SEK million and EBIT margin by quarter



costs for the third generation tiltrotator. Depreciation and amortisation of tangible and intangible assets amounted to SEK 11 million (10) for the quarter and SEK 44 million (39) for the year.

Cash flow

Cash flow from operating activities amounted to SEK 96 million (56) for the quarter and SEK 486 million (216) for the year, which was mainly attributable to continued strong operating profit for the year and reduced capital tied up in accounts receivable and inventory, but was impacted by tax paid and reduced accounts payable.

Cash flow from investing activities amounted to SEK -19 (-15) for the quarter and SEK -61 million (-45) for the year. The investments were mainly attributable to property plant and equipment and development costs for the third generation tiltrotator.

Cash flow from financing activities amounted to SEK -81 (-36) for the quarter and SEK -317 million (-345) for the year. The change for the year is a result of loan repayments, a reduction in bank overdraft facilities and a dividend paid in the second and fourth quarters of 2023.

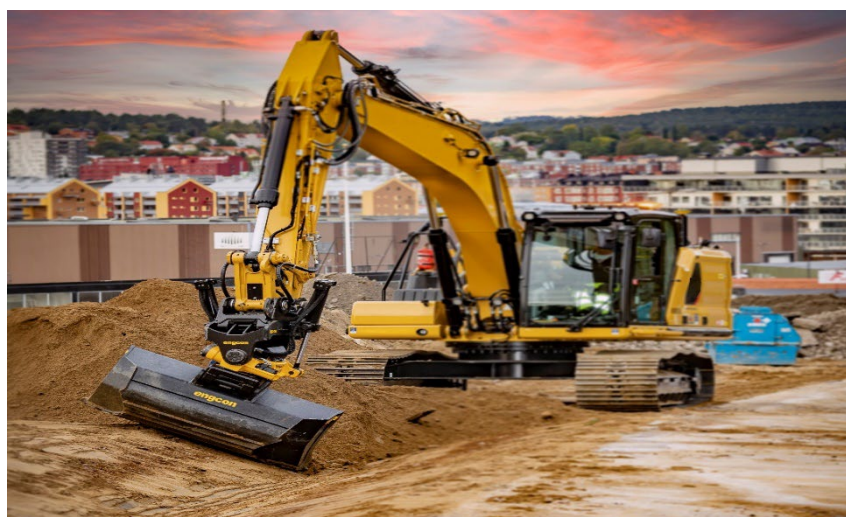
Total cash flow from operations amounted to SEK -4 million (5) for the quarter and SEK 108 million (-174) for the year.

Financial position and return

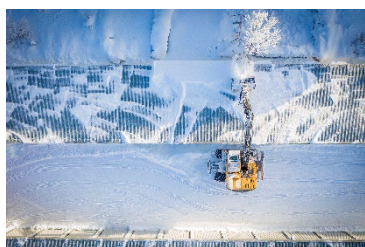
	31 Dec 2023	31 Dec 2022
Total borrowing, SEK million	41	56
Bank overdraft facilities, SEK million	-	136
Total lease liabilities, SEK million	96	72
Cash and cash equivalents, SEK million	-101	-30
Net debt (+) / Net cash (-), SEK million	37	234
Equity, SEK million	643	501
Equity/assets ratio, %	63.6	42.2
Return on capital employed, %	49.3	56.4

Inventory amounted to SEK 302 million on 31 December 2023 compared with SEK 443 million on 31 December 2022. The strong net sales in the first quarter of 2023 resulted in reduced capital tied up in inventory. Accounts receivable declined to SEK 193 million on 31 December 2023 compared with SEK 347 million on 31 December 2022.

Net debt was lower than in the fourth quarter of 2022 and equity was higher, taking into account the profit generated and the fact that a higher dividend was paid in the second quarter of 2022. As a result, the equity/assets ratio is stronger than in the fourth quarter of 2022. The Group had unutilised credit facilities of SEK 320 million at the end of the year compared with SEK 182 million on 31 December 2022. Including cash and cash equivalents, the Group's unutilised total liquidity amounted to SEK 421 million (212). The Group's existing credit facility amounted to SEK 320 million (318).



EVENTS IN THE QUARTER



Fourth quarter

- As of 1 December, engcon's Group management was expanded to include the four regional sales managers with the aim of further strengthening the focus on global sales and growth.
- engcon secured an important order in the DACH region, which includes Germany, Austria and Switzerland. The order marks the first step of the collaboration with ZD – Solution KG, engcon's new distributor in the region.
- engcon received a major order from a French machine rental company, which is an important breakthrough given that the rental market is generally difficult to break into.
- Krister Blomgren, engcon's CEO, was recognised with an award and honoured in "The Small Cap Presenter Of The Year" category.

Events after the balance sheet date

- After the balance sheet date, it was announced that Marcus Asplund had been recruited as new CFO and will assume his position in August 2024.
- No other material events have taken place after the balance sheet date.

FINANCIAL TARGETS, SUSTAINABILITY TARGETS AND DIVIDEND POLICY

Net sales growth

- engcon's objective is to exceed the growth in the existing markets¹ through organic growth. As of 31 December 2023, organic growth amounted to -6 per cent (24.6).

Profitability

- engcon's targets an operating margin (EBIT margin) in excess of 20 per cent measured over a business cycle. As of 31 December 2023, the EBIT margin amounted to 19.8 per cent (21.4).

Capital efficiency

- engcon will continue to achieve an industry-leading capital efficiency. Return on capital employed (ROCE) to exceed 40 per cent measured over a business cycle. As of 31 December 2023, return on capital employed amounted to 49.3 per cent (56.4).

Capital structure

- engcon will maintain a strong capital structure supporting further expansive organic growth and dividends to shareholders. Equity/assets ratio to be above 35 per cent. As of 31 December 2023, the equity/assets ratio amounted to 63.6 per cent (42.2).

Dividend policy

- engcon will pay approximately 50 per cent of net profit in dividends. The dividend proposal will consider engcon's long-term development potential, financial position and investment needs. The Board of Directors proposes a dividend of SEK 0.94 (0.85) per share, to be paid in two equal instalments.

Sustainability targets

- engcon is to combat climate change by reducing emissions of Scope 1 and Scope 2 greenhouse gases by 42 per cent by 2030 from a base year of 2021. The targets are verified by the Science Based Targets initiative (SBTi). For more information, see the 2022 Annual and Sustainability Report pages 26–27.

¹ The existing market's annual growth rate is expected to amount to approximately 19 per cent during the 2021–2026 period according to the Strategy& (PwC) market report 2022.

OTHER INFORMATION

Risks and uncertainties

engcon is, by way of its operations, exposed to various risks that may give rise to variations in earnings and cash flow. Significant risks and uncertainties include industry and market risks, operational risks and financial risks. Risks and uncertainties are consistent with the description contained in the 2022 Annual Report, pages 38-42, with the addition of what is stated below. The Annual Report is available at www.engcongroup.com.

Although the prevailing global situation had some impact on engcon's operations during the year, engcon will be further affected going forward. The uncertainty related to the prevailing external and economic situation with high inflation, interest-rate hikes, currency effects and geopolitical turbulence could entail a negative impact for engcon. This could take the form of reduced demand and a cautious approach to placing orders despite a return to more normal delivery times and less noticeable shortages of components with a stabilisation of price levels of components, raw materials and electricity.

The Board and Group management continue to closely monitor developments and the potential effects these could lead to. One price increase was completed in 2023, on 1 January, to offset the increased costs.

Lawsuit

In May, the Swedish Patent and Market Court announced its verdict regarding Rototilt's lawsuit against engcon alleging infringements by engcon of Rototilt patented technology. The damages claimed amount to approximately SEK 200 million. The alleged infringement relates to sensor technology in the Q-safe locking system. The court determined that no infringement had taken place and therefore dismissed Rototilt's action. At the same hearing, engcon claimed that Rototilt's patent should be declared invalid. However, the court determined that the patent was valid. Following appeals, both parties were granted leave to appeal by the Swedish Patent and Market Court. A ruling in the higher court is expected in spring 2024 at the earliest.

In consultation with experts in the field of patent law engaged by engcon as well as with the company's legal advisors, engcon has assessed that no patent infringement has taken place and thus no provision for this has been made in the accounts. In April 2022, engcon appealed the decision to grant the patent in question to the European Patent Office (EPO) and requested that the patent be declared invalid. Processing of this matter in the EPO is ongoing.

Employees

The average number of full-time employees at the end of the quarter amounted to 393 (425), of whom 23 per cent (23) were women and 77 per cent (77) men.

Seasonal variations

Seasonal variations have little impact on engcon's operations and diminish successively on account of sales in several

markets, which contributes to a more even earnings trend over the course of the year. The fourth quarter is normally characterised by a higher order intake, partly as an effect of forthcoming price increases.

Share capital and shareholders

The company's registered share capital at 31 December 2023 amounted to SEK 21,250,320, distributed among 35,344,778 Class A shares and 116,443,222 Class B shares. The shares have a quotient value of SEK 0.14 per share. Each Class A share represents ten votes and each Class B share one vote. On 31 December 2023, there were 8,290 shareholders in the company.

The company's largest shareholder on 31 December 2023 was the company's founder, Stig Engström, through the company Ommapo förvaltning AB, which controlled 35.4 per cent of the capital and 67.1 per cent of the votes. The second largest shareholder was Monica Engström, through the company Monen Holding AB, which controlled 32.0 per cent of the capital and 22.4 per cent of the votes. Following these, Nordstjernan, Capital Group, Svolder AB, the Second Swedish National Pension Fund, the First Swedish National Pension Fund, C WorldWide Asset Management, Handelsbanken Fonder and Premier Miton Investors were engcon's largest shareholders.

As of 1 February 2023, Capital Group flagged that shareholdings in engcon AB corresponded to 4.99 per cent of capital and 1.62 per cent of votes. For more information about ownership structure, see www.engcongroup.com.

2024 Annual General Meeting and dividend proposal

The 2024 Annual General Meeting will be held on 2 May 2024 at Folkets Hus in Strömsund, Sweden. The Board of Directors proposes a dividend of SEK 0.94 (0.85) per share for the 2023 financial year, to be paid in two equal instalments with the record dates of 6 May and 1 October 2024.

Parent Company

The Parent Company's net sales amounted to SEK 6 million (17) for the quarter and SEK 47 million (59) for the year.

Operating loss for the quarter amounted to SEK -26 million (-23) and SEK -84 million (-91) for the year. Profit amounted to SEK 149 million (226) for the quarter and SEK 160 million (192) for the year. The Parent Company received a dividend of SEK 0 million (21) for the quarter and SEK 54 million (21) for the year.

Amounts and dates

Amounts are presented in SEK million unless otherwise indicated. All comparative figures pertain to the same period of the preceding year. Rounding differences may occur.

SIGNING OF THE REPORT

The Board of Directors and CEO give their assurance that this year-end report provides a true and fair account of the company's and the Group's operations, financial position and earnings, and that it describes the significant risks and uncertainties faced by the company and those companies that form the Group. This year-end report has not been reviewed by the company's auditors.

engcon AB

Strömsund, 21 February 2024

Annika Bäremo
Chairman

Anna Stålenbring
Board member

Bob Persson
Board member

Monica Engström
Board member

Stig Engström
Board member

Krister Blomgren
CEO

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Publication

This year-end report comprises such information that engcon AB is obligated to publish in accordance with the EU Market Abuse Regulation. This information was published through the auspices of the persons named above on 21 February 2024 at 8.00 a.m. CET.

Audiocast presentation of the year-end report

engcon will present the report via an audiocast on 21 February at 11:00 a.m. CET.

To participate, use this link:
<https://ir.financialhearings.com/engcon-q4-report-2023>

To participate via a telephone conference, use the link below:
<https://conference.financialhearings.com/teleconference/?id=5007393>

The presentation is available at www.engcongroup.com.

Financial calendar 2023/2024

Annual and Sustainability Report 2023, week beginning 25 March 2024

Interim Report January – March 2024, 26 April 2024

2024 Annual General Meeting, 2 May in Strömsund, Sweden

Interim Report April – June 2024, 19 July 2024

Interim Report July – September 2024, 29 October 2024

Financial statements are available in their entirety at engcon's website www.engcongroup.com.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK million	Q4		Jan-Dec	
	2023	2022	2023	2022
Net sales	308	541	1,898	1,938
Cost of goods sold	-184	-303	-1,096	-1,105
Gross profit	124	238	802	833
Selling costs	-62	-71	-271	-235
Administrative costs	-32	-40	-120	-150
Research and development costs	-14	-8	-44	-28
Fair value, derivatives	7	9	18	-7
Other operating income and operating expenses	-4	-7	-9	2
Operating profit	19	121	376	415
Profit/loss from financial items				
Net financial items	-6	-13	-11	-
Profit/loss before tax	13	108	365	415
Income tax	-4	-18	-80	-90
Profit/loss for the period	9	90	285	325
Total profit/loss for the period	9	90	285	325
Total profit/loss for the period:				
Attributable to:				
Parent Company shareholders	11	89	275	305
Non-controlling interest	-2	1	10	20
Earnings per share (SEK)				
Before dilution	0.07	0.59	1.81	2.01
After dilution	0.07	0.59	1.81	2.01

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Q4		Jan-Dec	
	2023	2022	2023	2022
Total profit/loss for the period	9	90	285	325
Other comprehensive income				
Items that may be reversed to profit or loss:				
Exchange-rate differences upon translation of foreign operations	-8	3	-1	11
Comprehensive income for the period	1	93	284	336
Attributable to:				
Parent Company shareholders	3	91	274	314
Non-controlling interest	-2	2	10	22

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	31 Dec 2023	31 Dec 2022
Assets		
Fixed assets		
Goodwill	22	20
Other intangible assets	63	35
Right-of-use assets	93	69
Property plant and equipment	148	141
Other non-current receivables	4	2
Derivatives	10	-
Deferred tax receivables	4	-
Total non-current assets	345	267
Current assets		
Inventories	302	443
Accounts receivable	193	347
Current tax assets	12	27
Other receivables	27	29
Prepaid expenses and accrued income	32	43
Cash and cash equivalents	101	30
Total current assets	667	919
Total assets	1,012	1,186
Equity and liabilities		
Share capital	21	21
Other contributed capital	6	6
Translation reserve	14	14
Retained earnings including profit for the year	571	425
Equity attributable to Parent Company shareholders	612	466
Non-controlling interest	32	35
Total equity	643	501
Non-current liabilities		
Borrowings	-	4
Deferred tax asset	23	8
Lease liabilities	75	55
Provisions product warranty	32	30
Total non-current liabilities	130	97
Current liabilities		
Trade payables	82	146
Current tax liabilities	10	109
Lease liabilities	21	17
Borrowings	41	52
Overdraft facility	-	136
Derivatives	-	7
Other liabilities	34	42
Accrued expenses and deferred income	50	79
Total current liabilities	239	588
Total interest bearing debt	368	685
Total equity and liabilities	1,012	1,186

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
Opening balance 1 January 2022	21	6	4	560	591	22	613
Profit/loss for the year	-	-	-	305	305	20	325
Other comprehensive income	-	-	10	-	10	1	11
Total comprehensive income	-	-	10	305	315	21	336
Transactions with shareholders:							
Cash dividend	-	-	-	-440	-440	-8	-448
Total transactions with shareholders	-	-	-	-440	-440	-8	-448
Closing balance 31 December 2022	21	6	14	425	466	35	501

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
Opening balance 1 January 2023	21	6	14	425	466	35	501
Profit/loss for the year	-	-	-	275	275	10	285
Other comprehensive income	-	-	-1	-	-1	-	-1
Total comprehensive income	-	-	-1	275	274	10	284
Transactions with shareholders:							
Cash dividend	-	-	-	-129	-129	-14	-143
Total transactions with shareholders	-	-	-	-129	-129	-14	-143
Closing balance 31 December 2023	21	6	14	571	612	32	643

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Q4		Jan-Dec	
	2023	2022	2023	2022
Operating profit	19	121	376	415
Adjustments for non-cash items:				
Amortisation and depreciation	12	10	45	39
Provision	-3	3	2	7
Translation difference	-8	10	-1	24
Other adjustments	-6	-9	-17	8
Interest received	12	-	42	28
Interest paid	-3	-9	-16	-17
Income tax paid	6	2	-156	-55
Cash flow from operating activities before changes in working capital	29	128	275	449
Changes in working capital				
Decrease/increase in inventories	21	-50	140	-140
Decrease/increase in trade receivables	77	-18	154	-139
Decrease/increase in other receivables	-7	-4	18	-26
Increase/decrease in trade payables	-5	-14	-64	52
Increase/decrease in other liabilities	-19	14	-36	20
Cash flow from operating activities	96	56	486	216
Investing activities				
Acquisition of intangible assets	-8	-13	-31	-35
Acquisition of tangible assets	-10	-4	-27	-12
Acquisition of financial assets	-1	-	-3	-
Sale of financial assets	-	2	-	2
Cash flow from (-used in) investing activities	-19	-15	-61	-45
Financing activities				
New borrowing and change in overdraft facilities	-	-20	-136	136
Loan repayments	-17	-13	-39	-33
Cash dividend	-64	-3	-143	-448
Cash flow from financing activities	-81	-36	-317	-345
Cash flow for (-used in) the period	-4	5	108	-174
Cash and cash equivalents at beginning of period	120	35	30	228
Exchange rate fluctuations in cash and cash equivalents	-15	-10	-37	-24
Cash and cash equivalents at end of period	101	30	101	30

Rounding may entail that columns/rows do not tally.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	Q4		Jan-Dec	
	2023	2022	2023	2022
Net sales	6	17	47	59
Cost of goods sold	-	-1	-	-4
Gross profit	6	16	47	55
Selling costs	-2	-10	-24	-28
Administrative costs	-24	-21	-90	-88
Research and development costs	-8	-2	-23	-9
Fair value, derivatives	-	9	7	-7
Other operating income and operating expenses	2	-15	-1	-14
Operating profit	-26	-23	-84	-91
Profit/loss from financial items				
Net financial items	-4	18	55	38
Income after financial items	-30	-5	-29	-53
Appropriations	218	285	218	285
Income tax	-39	-54	-29	-40
Profit/loss for the period	149	226	160	192

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	31 Dec	31 Dec
	2023	2022
Assets		
Fixed assets	127	102
Current assets	456	633
Total assets	583	735
Equity and liabilities		
Restricted equity	21	21
Non-restricted equity	266	235
Total equity	287	256
Untaxed reserves	112	68
Current liabilities	184	411
Total interest bearing debt	296	479
Total equity and liabilities	583	735

NOTES TO THE ACCOUNTS

NOTE 1. ACCOUNTING POLICIES

engcon's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act. The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial

Reporting Board. Disclosures according to IAS 34 are provided in the notes and elsewhere in the interim report. The accounting policies applied in the preparation of this interim report apply to all periods and correspond with the accounting policies presented in engcon's 2022 Annual Report, Note 2 Accounting policies. No new and revised standards and interpretations that came into force on 1 January 2023 have had any material impact on engcon's financial statements.

NOTE 2. KEY ASSESSMENTS AND ESTIMATES

The preparation of financial statements requires management to make assessments and estimates in addition to the assessments that impact the application of the accounting policies and the recognised amounts of assets, liabilities, revenue and expenses. Actual outcomes may differ from these estimates. The assessments and sources of uncertainty in the estimates correspond with those presented

in the most recent annual report. For more details on key assessments and estimates, refer to Note 3 of the 2022 Annual Report. engcon could continue to be impacted by the prevailing business environment and macro-economic situation with increasing inflation and interest-rate hikes, for more information, refer to page 7 in the Risks and uncertainties section.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments, which are measured at fair value on a recurring basis.

Derivatives

The company holds derivatives that are measured at fair value at level 2 through profit or loss. At 31 December, there was a liability amounting to SEK 10 million (7). The

measurement method is discounting of contractual cash flows with interest and currency on the balance sheet date.

No transfers were made between level 1 and level 2 during the current or prior years.

The company is of the opinion that the carrying amount is a reasonable approximation of the fair value of all financial instruments.

NOTE 4. EARNINGS PER SHARE

	Q4		Jan-Dec	
	2023	2022	2023	2022
Total:				
Total profit/loss for the period attributable to shareholders of the Parent Company, SEK million	11.0	89.0	275.0	305.0
Right of preference, SEK million	-	-	-	-
Total profit/loss for the period attributable to shareholders of the Parent Company, adjusted, SEK million	11.0	89.0	275.0	305.0
Average number of ordinary shares outstanding	151,788,000	151,788,000	151,788,000	151,788,000
Basic and diluted earnings per share, SEK	0.07	0.59	1.81	2.01

In 2022, former preference shares were converted to ordinary shares. Since no capital was raised in conjunction with this, the number of ordinary shares were adjusted retroactively, which had an immaterial effect on earnings per share. In earlier periods, earnings per share before and after dilution

were affected by the dividend on preference shares. Formula for calculation of earnings per share: earnings per share = (profit/loss for the period – dividend on preference shares)/average number of ordinary shares outstanding.

NOTE 5. SEGMENT REPORTING AND ALLOCATION OF REVENUE

Operating segments are accounted for in a way that is consistent with the internal reports submitted to the chief operating decision maker. Group management and the CEO have been identified as the chief operating decision makers for assessment of the Group's earnings and position, as well as making strategic decisions. Group management and the CEO monitor the financial development in the Group as a unit. Accordingly, only one segment is recognised, which corresponds with the consolidated income statement. The reason that the Group is monitored as a segment is that earnings measures are only monitored at total level, since production and other overall costs are central for the Group and not distributed among the geographical market regions. Only the regions' sales and order intake in volume are monitored at a level lower than the operating segment.

Geographic market regions

The Group's sales are divided into four geographic market regions:

- Nordic region – Sweden, Denmark, Norway and Finland
- Europe – Europe excluding the Nordic region
- Americas – North America and South America
- Asia-Oceania – Japan, South Korea, Australia, New Zealand and Rest of the world

Internal sales are conducted between the production companies and the local sales companies, as well as between the local sales companies. Sales and installations are mainly conducted through dealers and our own local sales companies.

Net sales by geographic region

SEK million	Q4			Jan-Dec		
	2023	2022	Δ%	2023	2022	Δ%
Nordic region	114	229	-50	786	1,027	-23
Europe	120	223	-46	620	626	-1
Americas	44	63	-30	276	178	55
Asia-Oceania	28	26	9	139	107	30
Total excl. foreign exchange	307	541	-43	1,822	1,938	-6
Foreign exchange effect	1	-	-	76	-	-
Total	308	541	-43	1,898	1,938	-2

Of total net sales for the year, Sweden, where the company is domiciled, accounted for SEK 250 million (392) in the Nordic region and the US accounted for SEK 254 million (164) in the Americas. The net sales above are based on where the customer is domiciled.

NOTE 6. INCENTIVE PROGRAMMES

In 2021, the Board resolved to introduce a long-term incentive programme in the form of a warrant programme for employees in the engcon Group. The purpose of the program is to encourage broad-based share ownership amongst the company's employees, facilitate recruitment, maintain competent employees, increase the alignment of interests between the employees and the company's shareholders and increase motivation to reach or exceed the company's financial targets. As of 31 December, 2019 (219) engcon employees were participating in the warrant programme. A total of 1,517,880 warrants were issued, and as of 31 December 2023, 1,121,785 (1,312,285) were

subscribed for. The change pertains to the return of warrants in conjunction with termination of employment. Each warrant entitles the holder to subscribe for one share in engcon at an agreed future price. Warrants are conditional on a vesting period of five years. To participate in this programme, employees encompassed by the programme pay a premium that is based on the fair value of allotted warrants that are measured in accordance with the Black & Scholes model. Therefore, for this programme, no cost is recognised during the vesting period since employees have paid the fair value.

NOTE 7. RELATED-PARTY TRANSACTIONS

The company's principal owners, Ommapo förvaltning AB and Monen Holding AB, which are also principal owners of Mähler Intressenter AB, had transactions with engcon during the year through Mähler Intressenter AB (the Group). The transactions comprised the purchases of products from engcon totalling SEK 19.3 million (7.8) and sales of products to engcon of SEK 2.1 million (13.6). Ommapo förvaltning AB also has an indirect ownership of Drivex AB, which has conducted transactions, mainly

comprising purchases of products, with engcon amounting to SEK 14.8 million (32.4). In addition to these transactions, Ommapo förvaltning AB delivered services to engcon AB for KSEK 1,603 (985). Kristian Sjöström (Group management) has, through his wholly owned company Swedish Engineering AB, delivered services to engcon for KSEK 1,494 (2,119) up until 1 September. Transactions also exist for lesser amounts. All transactions were conducted at market value and pertain to the year.

NOTE 8. EVENTS AFTER THE BALANCE SHEET DATE

- After the balance sheet date, it was announced that Marcus Asplund had been recruited as new CFO and will assume his position in August 2024.
- No other material events have taken place after the balance sheet date.

QUARTERLY OVERVIEW

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement								
Net sales, SEK million	308	391	508	691	541	416	534	447
Gross profit, SEK million	124	157	206	315	238	187	227	181
Gross margin, %	40.3	40.2	40.6	45.6	44.0	45.0	42.5	40.5
Operating profit, SEK million	19	55	104	198	121	104	100	90
Operating margin, %	6.2	14.1	20.5	28.7	22.4	25.0	18.7	20.1
Profit/loss for the period, SEK million	9	41	86	149	90	79	83	73
Balance sheet								
Non-current assets, SEK million	345	324	317	285	267	266	273	260
Other current assets, SEK million	566	660	757	1,045	889	793	757	750
Cash and cash equivalents, SEK million	101	120	48	33	30	35	29	60
Total assets, SEK million	1,012	1,104	1,122	1,363	1,186	1,094	1,059	1,070
Equity, SEK million	643	642	614	653	501	412	334	338
Interest-bearing liabilities, SEK million	137	150	159	297	264	296	332	344
Non-interest-bearing liabilities, SEK million	232	312	349	413	421	386	393	388
Total equity and liabilities, SEK million	1,012	1,104	1,122	1,363	1,186	1,094	1,059	1,070
Cash flow								
Cash flow from operating activities, SEK million	96	108	277	5	56	63	93	4
Cash flow from investing activities, SEK million	-19	-13	-11	-18	-15	-7	-11	-12
Cash flow from financing activities, SEK million	-81	-14	-245	23	-36	-42	-111	-156
Cash flow for the period, SEK million	-4	81	21	10	5	14	-29	-164
Key performance indicators								
Order intake, SEK million	414	347	341	408	553	324	519	582
Net sales growth, %	-43.0	-6.0	-5.0	55.0	37.6	15.9	19.5	23
Net debt (+) / Net cash (-), SEK million	37	30	111	264	234	261	303	284
Net debt/Net cash through EBITDA	0.1	0.1	0.2	0.5	0.5	0.6	0.8	n/a
Equity/assets ratio, %	63.6	58.2	54.7	47.9	42.2	37.7	31.5	31.6
Return on capital employed, %	49.3	64.3	73.4	63.4	56.4	54.9	57.5	50.5
Interest coverage ratio, multiple	24	22	33	22	53	81	388	n/a
Average number of full-time employees	393	415	406	425	425	422	376	366
Share data								
Basic and diluted earnings per share (continuing operations), SEK	0.07	0.26	0.55	0.93	0.59	0.49	0.47	0.48
Average number of outstanding shares (thousands)	151,788	151,788	151,788	151,788	151,788	151,788	151,788	151,788

ALTERNATIVE PERFORMANCE MEASURES AND FINANCIAL DEFINITIONS

This year-end report contains references to a number of earnings measures (performance measures). Some of these performance measures are defined in IFRS, while others are alternative performance measures that are not recognised in accordance with applicable frameworks for financial reporting or other legislation. These alternative performance measures

comprise a complement to assist investors and company management in analysing the operations. Below is a report on the reconciliation of alternative performance measures and definitions of performance measures with a motivation for their use.

Estimates

	Q4		Jan-Dec	
	2023	2022	2023	2022
Equity/asset ratio				
Equity, SEK million	643	501	643	501
Total assets, SEK million	1,012	1,186	1,012	1,186
Equity/assets ratio, %	63.6	42.2	63.6	42.2
Gross margin				
Gross profit, SEK million	124	238	802	833
Net sales, SEK million	308	541	1,898	1,938
Gross margin, %	40.3	44.0	42.3	43.0
Operating margin				
Operating profit, SEK million	19	121	376	415
Net sales, SEK million	308	541	1,898	1,938
Operating margin, %	6.2	22.4	19.8	21.4
Net debt (-) / Net cash (+)				
Non-current borrowing (+), SEK million	-	4	-	4
Current borrowing (+), SEK million	41	52	41	52
Non-current lease liabilities (+), SEK million	75	55	75	55
Current lease liabilities (+), SEK million	21	17	21	17
Bank overdraft facilities (+), SEK million	-	136	-	136
Cash and cash equivalents (-), SEK million	-101	-30	-101	-30
Net debt (+) / Net cash (-), SEK million	37	234	37	234
EBITDA				
Operating profit, RTM, SEK million	365	415	365	415
Financial income, RTM, SEK million	-5	-9	-5	-9
Interest expenses, RTM, SEK million	16	8	16	8
Depreciations, RTM, SEK million	44	39	44	39
EBITDA	420	453	420	453
Net debt (+) / Net cash (-) / EBITDA				
Net debt (+) / Net cash (-), SEK million	37	234	37	234
EBITDA, SEK million	420	453	420	453
Net debt (+) / Net cash (-), SEK million/EBITDA	0.1	0.5	0.1	0.5
Interest coverage ratio, multiple				
Operating profit, RTM, SEK million	376	415	376	415
Financial income, RTM, SEK million	5	9	5	9
Summa	381	424	381	424
Interest expense, past 12 months, SEK million	16	8	16	8
Interest coverage ratio, multiple	24	53	24	53

Estimates (continued)

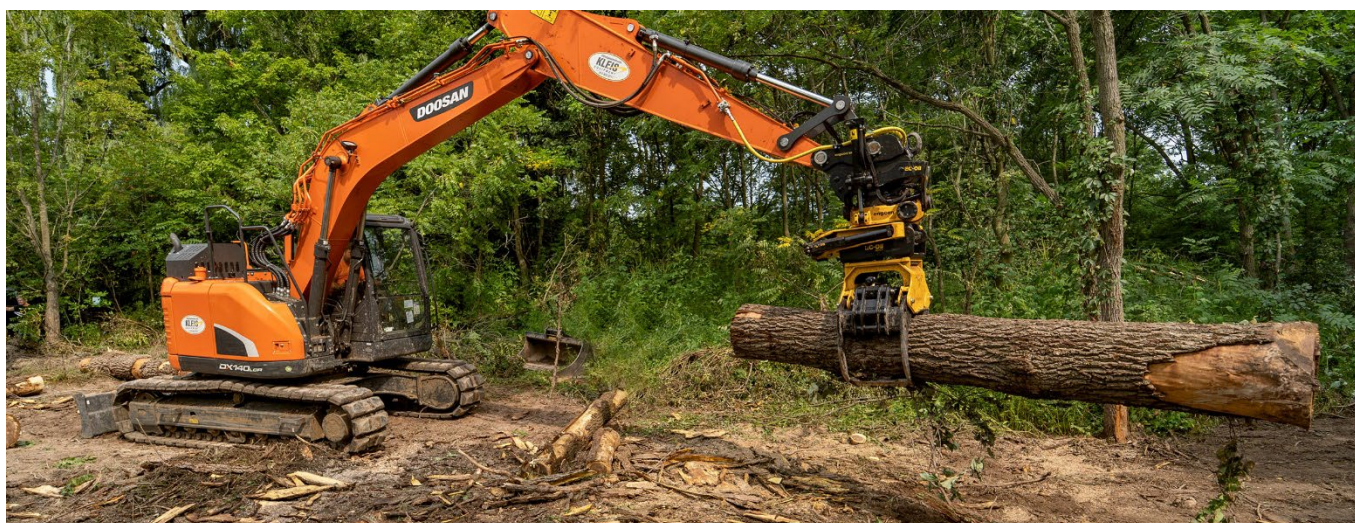
	Q4		Jan-Dec	
	2023	2022	2023	2022
Organic growth in order intake				
Order intake for the current period, SEK million	414	553	1,510	1,978
Foreign exchange, SEK million	-6	-37	-58	-91
Order intake, excl foreign exchange, SEK million	408	516	1,452	1,887
Order intake for the preceding period, SEK million	553	774	1,978	1,967
Change in order intake, SEK million	-145	-258	-526	-80
Change in order intake, %	-26.2%	-33.3%	-26.6%	-4.1%
Net sales and organic net sales growth				
Net sales for the current period, SEK million	308	541	1,898	1,938
Foreign exchange, SEK million	-1	-32	-76	-80
Net sales, excl foreign exchange, SEK million	307	509	1,822	1,858
Net sales for the preceding period, SEK million	541	370	1,938	1,488
Change in organic net sales, SEK million	-234	139	-116	370
Change in organic net sales, %	-43.3%	37.6%	-6.0%	24.9%
Return on capital employed				
Profit/loss before tax, past 12 months, SEK million	365	415	365	415
Interest expense, past 12 months, SEK million	16	8	16	8
Profit/loss before tax plus interest expense, past 12 months, SEK million	381	423	381	423
Capital employed at the beginning of the period, SEK million	765	735	765	735
Capital employed at the end of the period, SEK million	781	765	781	765
Capital employed, average, SEK million	773	750	773	750
Return on capital employed, %	49.3	56.4	49.3	56.4
Capital employed				
Balance sheet total, SEK million	1,012	1,186	1,012	1,186
Less non-interest-bearing liabilities				
Deferred tax liabilities, SEK million	-23	-8	-23	-8
Provisions for product warranties, SEK million	-32	-30	-32	-30
Accounts payable, SEK million	-82	-146	-82	-146
Current tax liabilities, SEK million	-10	-109	-10	-109
Derivatives, SEK million	-	-7	-	-7
Other liabilities, SEK million	-34	-42	-34	-42
Accrued expenses and deferred income, SEK million	-50	-79	-50	-79
Capital employed, SEK million	781	765	781	765

Definitions

Key performance indicators	Definitions	Explanation
Return on capital employed	Pre-tax profit plus interest expenses as a percentage of average capital employed, rolling 12 months.	Return on capital employed is a profitability measure used to put earnings in relation to the capital required to conduct operations.
EBITDA	Operating profit before interest and taxes and amortisation of intangible assets and depreciation of tangible assets.	EBITDA is used to facilitate comparisons and assessments of the company's cash flow.
Gross margin	Gross profit divided by net sales.	Gross margin is used to measure product profitability.
Average number of employees	Average number of full-time employees during the reporting period.	Non-financial performance measure.
Net debt (+) / Net cash (-)	Defined as interest-bearing debt minus cash and cash equivalents and certain other financial assets. Interest-bearing debt includes liabilities to credit institutions and lease liabilities.	To ensure that engcon has a stable financing structure and can meet its financial commitments in accordance with its loan agreements.
Net debt (+) / Net cash (-) through EBITDA	Defined as interest-bearing debt minus cash and cash equivalents and certain other financial assets through EBITDA. Interest-bearing debt includes liabilities to credit institutions and lease liabilities.	To ensure that engcon has a stable financing structure and can meet its financial commitments in accordance with its loan agreements.
Order intake	Total order intake during the period calculated in the same way as net sales.	Order intake provides an indication of the current demand for the Group's products and services, which becomes apparent in net sales with varying delays.
Organic net sales growth	Change in net sales as a percentage of net sales during the comparative period in the preceding year for the companies that were part of the Group for the entire comparative period and the current period, excluding exchange-rate effects.	Relevant measure for the assessment of the company's capacity to create growth through volume, price and product/service offering in operating activities.
Organic growth in order intake	Organic growth in order intake is growth in order intake excluding translation effects from exchange rate differences, as well as acquisitions and divestments.	It provides an understanding for the Group's order intake, which is driven by changes in volume, price and product/service offering.
Earnings per share	Earnings per share for the period, in SEK, attributable to the Parent Company shareholders, in relation to the weighted average number of shares before and after dilution.	Performance measures in accordance with IFRS.
Interest coverage ratio	EBIT plus financial income through interest expenses.	To ensure that engcon has a stable financing structure and can meet its financial commitments in accordance with its loan agreements.
Operating profit (EBIT)	Earnings before interest and taxes.	Enables comparisons of profitability regardless of capital structure or tax situation.
Operating margin (EBIT margin)	Operating profit divided by net sales.	The EBIT margin is used to measure operational profitability.
Equity/assets ratio	Equity including non-controlling interests divided by total assets.	A key measurement for the assessment of the company's financial stability.
Capital employed	Total assets less non-interest-bearing liabilities.	Capital employed shows the proportion of the company's assets that are financed by capital requiring returns.

EXCHANGE RATES

	Closing rate 31 Dec 2023	Average rate Jan-Dec 2023	Closing rate 31 Dec 2022	Average rate Jan-Dec 2022
1 EUR is equivalent to SEK	11.10	11.48	11.13	10.62
1 DKK is equivalent to SEK	1.49	1.54	1.50	1.43
1 NOK is equivalent to SEK	0.99	1.01	1.06	1.05
1 USD is equivalent to SEK	10.04	10.61	10.44	10.10
1 AUD is equivalent to SEK	6.82	7.05	7.09	7.01
1 PLN is equivalent to SEK	2.56	2.53	2.37	2.27
1 GBP is equivalent to SEK	12.77	13.20	12.58	12.46
1 KRW is equivalent to SEK	0.01	0.01	0.01	0.01
1 CAD is equivalent to SEK	7.58	7.86	7.71	7.75



ABOUT ENGCON

Business operations

engcon AB is the leading global manufacturer of tiltrotators with associated attachments, which enhance excavators' profitability, effectiveness, flexibility, safety and sustainability. Under our own brand, we offer a unique overall solution that transforms an excavator into a tool carrier that can replace several other machines.

engcon focuses on an attractive market niche, where our products contribute to changing the conditions for digging by ensuring the sustainable and responsible use of resources. From the beginning, we have formed close relationships with end users of our products, with the aim of optimising their everyday work.

We address the market through our 14 local sales companies and through an established network of dealers. With our slightly more than 400 employees, engcon is currently active in 16 markets. The head office is located in Strömsund, in northern Sweden, and this is also the location of our largest production facility. We also have a production plant in Niepruszewo, Poland.

Our vision

Change the world of digging.

Our mission

To become the world's leading, independent manufacturer of advanced attachments for excavators worldwide.



16 markets



14 local sales companies



400+ employees



SEK 1.9 billion in net sales in 2023

CHANGE THE WORLD OF DIGGING