

Q1 2024

INTERIM REPORT JANUARY – MARCH 2024

First quarter report 2024

First quarter 2024

- Order intake increased 1 per cent to SEK 410 million (408); organic order growth was 1 per cent.
- Net sales declined 43 per cent to SEK 394 million (691); organic net sales growth was -43 per cent.
- Operating profit declined 70 per cent to SEK 60 million (198) and the operating margin was 15.2 per cent (28.7).
- Profit for the quarter decreased 67 per cent to SEK 49 million (149).
- Basic and diluted earnings per share amounted to SEK 0.32 (0.93).

Financial performance indicators for the Group¹

	Q1			Jan-Dec
	2024	2023	Δ%	2023
Order intake, SEK million	410	408	1	1,510
Net sales, SEK million	394	691	-43	1,898
Gross profit, SEK million	166	315	-47	802
Gross margin, %	42.1	45.6	-	42.3
Operating profit, SEK million	60	198	-70	376
Operating margin, %	15.2	28.7	-	19.8
Profit/loss for the period, SEK million	49	149	-67	285
Earnings per share, before and after dilution, SEK	0.32	0.93	-65	1.81
Return on capital employed, %	27.8	63.4	-	49.3
Equity/assets ratio, %	61.3	47.9	-	63.6

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

CEO'S COMMENTS



The European market is showing clear signs of strength with a sharp rise in order intake, more new customers and higher activity among major customers.



Stable start to the year

Order intake continued to stabilise in the first quarter of the year. For Europe, our most important growth market, order intake increased 26 per cent compared with the year-earlier quarter. There are increasing signs that demand has bottomed out and is now on the rise. Net sales in the quarter amounted to SEK 394 million, which is a decrease of 43 per cent compared with the year-earlier period when we reported exceptional deliveries and broke our sales record. Sales subsequently declined from this record level in 2023, but pleasingly, this quarter breaks the negative trend.

Operating profit amounted to SEK 60 million (198), yielding an operating margin of 15.2 per cent. The deviation from the company's long-term target of a margin of 20 per cent is partly due to lower volumes and partly due to the negative performance of derivatives and the adverse effect of costs for our new business system. We have adjusted our cost structure to the lower volume, with our favourable starting position allowing us to maintain healthy profitability while continuing to invest for the future even in more challenging times.

Signs of strength from the European market

The order intake of SEK 410 million (408) is in line with the last quarter of 2023, when the order intake was also somewhat positively impacted by pre-ordering effects. The Nordic market is showing mixed signals with a clear recovery in parts of the market where major dealers and customers have placed more orders. The European market is showing clear signs of strength with a sharp rise in order intake, more new customers and higher activity among major customers. Stock levels at dealers are lower and we are seeing a gradual return of willingness to invest among end customers, combined with the tiltrotator becoming an increasingly established product. Our growth markets in Asia-Oceania are also demonstrating clear growth, albeit from lower levels. Our greatest challenge continues to be the US market, which we commented on in the preceding quarter. To strengthen our service and support function, we have added senior resources from other parts of the organisation. Regarding the challenges on the sales side, we expect a time span of three to six months for our measures to take effect.

Forefront of technology

Innovation is key to success and we have always strived to be at the forefront of technology. During the first quarter, we filed a patent application related to self-learning configuration. This will simplify installation and optimise the configuration between the tiltrotator and the machine, saving energy, increasing precision and providing an optimal experience for the operator. The first model (EC319) of our third generation is now on sale and we are progressively offering more models of our most advanced system to date.

Gradual positive trend

As we enter the next quarter, we predict a gradual positive trend for the remainder of the year. We continue to work hard to meet our customers' needs while creating a flexible and cost-conscious organisation. We are looking forward to an intense period with exhibitions and demo days where we will have the opportunity to meet with our end customers around the world. The very best part of creating new business is to be able to physically show the benefits of using a tiltrotator on site and how, together, we can change the world of digging.

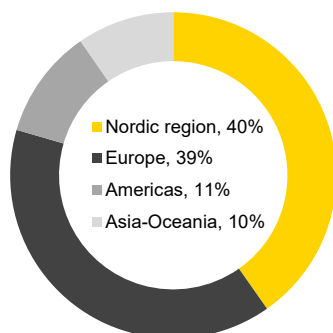
Krister Blomgren

President and CEO

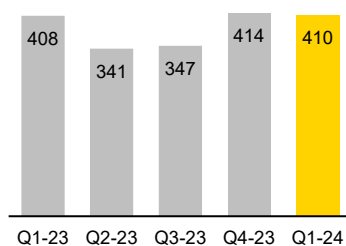
GROUP'S FINANCIAL PERFORMANCE

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 Q1



Order intake by quarter, SEK million



Group

	Q1			Jan-Dec
	2024	2023	Δ%	2023
Order intake, SEK million	410	408	1	1,510
Net sales, SEK million	394	691	-43	1,898
Gross profit, SEK million	166	315	-47	802
Gross margin, %	42.1	45.6	-	42.3
Operating profit, SEK million	60	198	-70	376
Operating margin, %	15.2	28.7	-	19.8

Order intake by geographic market region

SEK million	Q1					
	2024	Organic	2023	Δ	Δ Organic	Δ % Organic
Nordic region	156	157	192	-36	-35	-18%
Europe	168	166	132	36	34	26%
Americas	46	46	54	-8	-8	-14%
Asia-Oceania	40	41	30	10	11	37%
Total	410	410	408	2	2	1%

Net sales by geographic market region

SEK million	Q1					
	2024	Organic	2023	Δ	Δ Organic	Δ % Organic
Nordic region	159	159	333	-174	-174	-52%
Europe	156	155	234	-78	-79	-34%
Americas	42	43	76	-34	-33	-44%
Asia-Oceania	37	38	48	-11	-10	-20%
Total	394	395	691	-297	-296	-43%

Of total net sales in the period, Sweden accounted for SEK 54 million (103) in the Nordic region and the US accounted for SEK 33 million (72) in the Americas.

Order intake and net sales

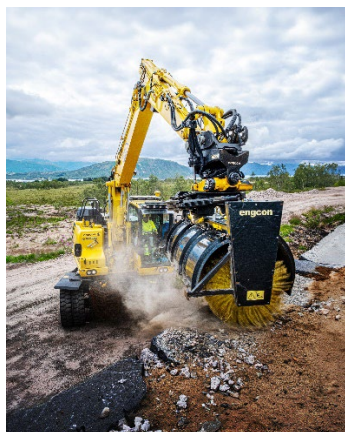
First quarter 2024

Order intake during the quarter amounted to SEK 410 million (408), an increase of 1 per cent (-30), and organic order growth was 1 per cent (-33).

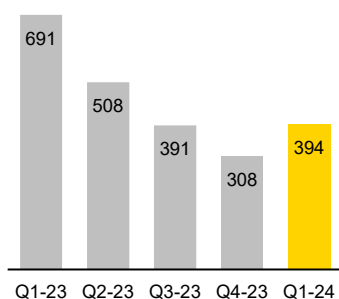
Order growth was positive in Europe and Asia-Oceania during the quarter. In the Nordic region and the Americas, order growth was negative. The order intake has demonstrated a slight positive trend in recent quarters.

Net sales during the quarter amounted to SEK 394 million (691), a decline of 43 per cent (55), and organic net sales growth to -43 per cent (48).

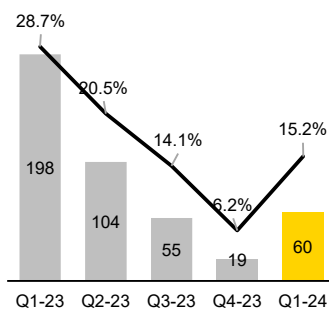
All regions reported negative net sales growth compared with the exceptionally strong first quarter of 2023. The first quarter of 2024 was characterised by a slight increase in order intake compared with the preceding quarters, and there are increasing signs that demand has bottomed out and is now on the rise.



Net sales by quarter, SEK million



EBIT SEK million and EBIT margin by quarter



Earnings

First quarter 2024

Gross earnings for the quarter amounted to SEK 166 million (315), a decrease of 47 per cent (74). The gross margin for the quarter amounted to 42.1 per cent (45.6) compared with the exceptionally strong first quarter of 2023.

EBIT for the quarter amounted to SEK 60 million (198), a decrease of 70 per cent (118). The operating margin was 15.2 per cent (28.7).

The cost for the change of the Group-wide business system amounted to SEK 8 million (9) during the quarter. Implementation of the business system began in the final quarter of 2023 and will continue in the year ahead.

The effect of derivative instruments amounted to SEK -4 million (4) for the quarter.

Net financial items for the quarter amounted to SEK 1 million (-7). The change is primarily due to lower financing costs and positive currency effects.

Profit before tax for the quarter amounted to SEK 61 million (191).

Income tax for the quarter was SEK -12 million (-42). The effective tax rate for the quarter amounted to 19.7 per cent (21.9).

Total earnings after tax for the first quarter amounted to SEK 49 million (149).

Investments and depreciation/amortisation

Investments in intangible and tangible assets and right-of-use assets amounted to SEK 18 million (25) for the quarter. The investments were mainly attributable to development costs for the third generation tiltrotator. Depreciation and amortisation of tangible and intangible assets amounted to SEK 11 million (10) for the quarter.

Cash flow

Cash flow from operating activities amounted to SEK -44 million (5) for the quarter, mainly attributable to lower operating profit. The lower activity has resulted in lower capital tied up and lower taxes paid compared with the preceding period.

Cash flow from investing activities amounted to SEK -15 million (-18) for the quarter. 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 12 million (23) for the quarter. The change for the quarter is the result of increased utilisation of overdraft facilities.

Total cash flow from operations amounted to SEK -47 million (10) for the quarter.

Financial position and return

	31 Mar 2024	31 Mar 2023	31 Dec 2023
Total borrowing, SEK million	39	54	41
Bank overdraft facilities, SEK million	14	166	-
Total lease liabilities, SEK million	96	77	96
Cash and cash equivalents, SEK million	-59	-33	-101
Net debt (+) / Net cash (-), SEK million	90	264	37
Equity, SEK million	701	653	643
Equity/assets ratio, %	61.3	47.9	63.6
Return on capital employed, %	27.8	63.4	49.3

Inventory amounted to SEK 329 million on 31 March 2024 compared with SEK 302 million on 31 December 2023. Accounts receivable increased to SEK 256 million on 31 March 2024 compared with SEK 193 million on 31 December 2023. Net debt was lower compared with the fourth quarter of 2023 due to increased utilisation of overdraft facilities. Equity was higher, taking into account the profit generated. The equity/assets ratio declined somewhat compared with the fourth quarter of 2023 as a result of increased total assets including increased inventories and accounts receivable. The Group had unutilised credit facilities of SEK 302 million at the end of the quarter compared with SEK 320 million on 31 December 2023. Including cash and cash equivalents, the Group's unutilised total liquidity amounted to SEK 361 million (201). The Group's existing credit facility amounted to SEK 320 million (318).



EVENTS IN THE QUARTER



First quarter

- Marcus Asplund was recruited as new CFO and will assume his position in August 2024.
- Sales commenced of the third generation tiltrotator model EC319.

Events after the end of the quarter

- No significant events occurred after the end of the quarter.

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.

Profitability

- engcon's targets an operating margin (EBIT margin) in excess of 20 per cent measured over a business cycle.

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.

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.

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.

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 2023 Annual and Sustainability Report pages 28–29.

¹ The existing market's annual growth 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 2023 Annual Report, pages 40-44, 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 period, engcon will be further affected going forward. The uncertainty related to the prevailing external and economic situation with inflation, higher interest rates, currency effects and geopolitical turbulence could entail a negative impact for engcon in the form of a decline in demand, a cautious approach to placing orders and supply chain disruptions.

The Board and Group management continue to closely monitor developments and the potential effects these could lead to.

Lawsuit

In May 2023, 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 378 (425), of whom 24 per cent (23) were women and 76 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 March 2024 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 March 2024, there were 8,124 shareholders in the company.

The company's largest shareholder on 31 March 2024 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, Nordstjernen, Capital Group, the First Swedish National Pension Fund, the Second Swedish National Pension Fund, Svolder AB, C WorldWide Asset Management, Premier Miton Investors and Handelsbanken Fonder were engcon's largest shareholders.

For more information about ownership structure, see www.engcongroup.com.

Parent Company

The Parent Company's net sales for the quarter amounted to SEK 13 million (21).

Operating loss for the quarter amounted to SEK -13 million (-16). Loss for the quarter was SEK -7 million (-16).

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 interim 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 interim report has not been reviewed by the company's auditors.

engcon AB

Strömsund, 26 April 2024

Annika Bäremo
Chairman

Anna Stålenbring
Board member

Bob Persson
Board member

Monica Engström
Board member

Stig Engström
Board member

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Publication

This interim 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 26 April 2024 at 8:00 a.m. CEST.

Audiocast presentation of the year-end report

engcon will present the report via an audiocast on 26 April at 10:00 a.m. CEST.

To participate, use this link:
<https://ir.financialhearings.com/engcon-q1-report-2024>

To participate via a telephone conference, use the link below:
<https://conference.financialhearings.com/teleconference/?id=50048765>

The presentation is available at www.engcongroup.com.

Financial calendar 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	Q1		Jan-Dec
	2024	2023	2023
Net sales	394	691	1,898
Cost of goods sold	-228	-376	-1,096
Gross profit	166	315	802
Selling costs	-64	-76	-271
Administrative costs	-29	-32	-120
Research and development costs	-11	-8	-44
Fair value, derivatives	-4	4	18
Other operating income and operating expenses	2	-5	-9
Operating profit	60	198	376
Profit/loss from financial items			
Net financial items	1	-7	-11
Profit/loss before tax	61	191	365
Income tax	-12	-42	-80
Profit/loss for the period	49	149	285
Total profit/loss for the period	49	149	285
Total profit/loss for the period:			
Attributable to:			
Parent Company shareholders	47	141	275
Non-controlling interest	2	8	10
Earnings per share, total (SEK)			
Before dilution	0.32	0.93	1.81
After dilution	0.32	0.93	1.81

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Q1		Jan-Dec
	2024	2023	2023
Total profit/loss for the period	49	149	285
Other comprehensive income			
Items that may be reversed to profit or loss:			
Exchange-rate differences upon translation of foreign operations	10	2	-1
Comprehensive income for the period	59	151	284
Attributable to:			
Parent Company shareholders	56	143	274
Non-controlling interest	3	8	10

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	31 Mar 2024	31 Mar 2023	31 Dec 2023
Assets			
Fixed assets			
Goodwill	23	22	22
Other intangible assets	70	43	63
Right-of-use assets	89	74	93
Property plant and equipment	149	143	148
Other non-current receivables	4	3	4
Derivatives	1	-	10
Deferred tax receivables	6	-	4
Total non-current assets	342	285	345
Current assets			
Inventories	329	437	302
Accounts receivable	256	523	193
Current tax assets	66	16	12
Other receivables	44	17	27
Prepaid expenses and accrued income	47	52	32
Cash and cash equivalents	59	33	101
Total current assets	801	1,078	667
Total assets	1,143	1,363	1,012
Equity and liabilities			
Share capital	21	21	21
Other contributed capital	6	6	6
Translation reserve	23	16	14
Retained earnings including profit for the year	616	566	571
Equity attributable to Parent Company shareholders	666	609	612
Non-controlling interest	35	44	32
Total equity	701	653	643
Non-current liabilities			
Borrowings	-	4	-
Deferred tax asset	19	5	23
Lease liabilities	74	60	75
Provisions product warranty	11	7	10
Total non-current liabilities	104	76	108
Current liabilities			
Trade payables	123	159	82
Current tax liabilities	4	49	10
Lease liabilities	22	17	21
Borrowings	39	50	41
Overdraft facility	14	166	-
Avsättning produktgaranti	21	27	22
Derivatives	-	4	-
Other liabilities	43	61	34
Accrued expenses and deferred income	72	101	50
Total current liabilities	338	634	261
Total interest bearing debt	442	710	368
Total equity and liabilities	1,143	1,363	1,012

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 2023	21	6	14	425	466	35	501
Profit/loss for the period	-	-	-	141	141	8	149
Other comprehensive income	-	-	2	-	2	-	2
Total comprehensive income	-	-	2	141	143	8	151
Total transactions with shareholders	-	-	-	-	-	-	-
Closing balance 31 March 2023	21	6	16	566	609	43	653
Profit/loss for the period	-	-	-	134	134	2	136
Other comprehensive income	-	-	-3	-	-3	-	-3
Total comprehensive income	-	-	-3	134	131	2	133
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
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 2024	21	6	14	571	612	32	643
Profit/loss for the period	-	-	-	47	47	2	49
Other comprehensive income	-	-	9	-	9	1	10
Total comprehensive income	-	-	9	47	56	3	58
Transactions with shareholders:							
Cash dividend	-	-	-	-	-	-	-
Closing balance 31 March 2024	21	6	23	616	666	35	701

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Q1		Jan-Dec
	2024	2023	2023
Operating profit	60	198	376
Adjustments for non-cash items:			
Amortisation and depreciation	11	10	45
Provision	-	4	2
Translation difference	8	7	-1
Other adjustments	9	-3	-17
Interest received	-	4	42
Interest paid	-3	-8	-16
Income tax paid	-78	-105	-156
Cash flow from operating activities before changes in working capital	7	107	275
Changes in working capital			
Decrease/increase in inventories	-26	6	140
Decrease/increase in trade receivables	-63	-176	154
Decrease/increase in other receivables	-33	14	18
Increase/decrease in trade payables	41	13	-64
Increase/decrease in other liabilities	30	41	-36
Cash flow from operating activities	-44	5	486
Investing activities			
Acquisition of intangible assets	-8	-10	-31
Acquisition of tangible assets	-6	-7	-27
Acquisition of financial assets	-2	-1	-3
Sale of financial assets	1	-	-
Cash flow from (-used in) investing activities	-15	-18	-61
Financing activities			
New borrowing and change in overdraft facilities	14	30	-136
Loan repayments	-2	-7	-39
Dividends to shareholders	-	-	-143
Cash flow from financing activities	12	23	-317
Cash flow for (-used in) the period	-47	10	108
Cash and cash equivalents at beginning of period	101	30	30
Exchange rate fluctuations in cash and cash equivalents	5	-7	-37
Cash and cash equivalents at end of period	59	33	101

Rounding may entail that columns/rows do not tally.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	Q1		Jan-Dec
	2024	2023	2023
Net sales	13	21	47
Cost of goods sold	-2	-1	-
Gross profit	11	20	47
Selling costs	-3	-9	-24
Administrative costs	-23	-25	-90
Research and development costs	-4	-4	-23
Fair value, derivatives	6	4	7
Other operating income and operating expenses	-	-2	-1
Operating profit	-13	-16	-84
Profit/loss from financial items			
Net financial items	4	1	55
Income after financial items	-9	-15	-29
Appropriations	-	-	218
Income tax	2	-1	-29
Profit/loss for the period	-7	-16	160

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	31 Mar	31 Mar	31 Dec
	2024	2023	2023
Assets			
Fixed assets	138	106	127
Current assets	437	627	456
Total assets	575	733	583
Equity and liabilities			
Restricted equity	21	21	21
Non-restricted equity	258	219	266
Total equity	280	240	287
Untaxed reserves	112	68	112
Current liabilities	183	425	184
Total interest bearing debt	295	493	296
Total equity and liabilities	575	733	583

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 2023 Annual Report, Note 2 Accounting policies. No new and revised standards and interpretations that came into force on 1 January 2024 have had any material impact on engcon's financial statements. From 1 January 2024, provisions for product warranties are divided into long and short-term components, and the comparison periods were restated. At 31 December 2023, SEK 22 million was reclassified from long-term to short-term provisions for product warranty.

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 2023 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 March, there was a receivable (liability) amounting to SEK 1 million (4). 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

	Q1		Jan-Dec
	2024	2023	2023
Total:			
Total profit/loss for the period attributable to shareholders of the Parent Company, SEK million	48.8	141.0	275.0
Average number of ordinary shares outstanding	151,788,000	151,788,000	151,788,000
Basic and diluted earnings per share, SEK	0.32	0.93	1.81

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	Q1			Jan-Dec
	2024	2023	Δ%	2023
Nordic region	159	333	-174	808
Europe	156	234	-78	660
Americas	42	76	-34	289
Asia-Oceania	37	48	-11	141
Total	394	691	-297	1,898

Of total net sales for the period, Sweden, where the company is domiciled, accounted for SEK 54 million (103) in the Nordic region and the US accounted for SEK 33 million (72) 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 March, 202 (218) engcon employees are participating in the warrant programme. A total of 1,517,880 warrants were issued, of which per den 31 March 2024, 1,110,285 (1,311,285) 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 period through Mähler Intressenter AB (the Group). The transactions comprised the purchases of products from engcon totalling SEK 2.1 million (2.5) and sales of products to engcon of SEK 0 million (0.1). 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 2.0 million (5.2). In addition to these transactions, Ommapo förvaltning AB delivered services to engcon AB for SEK 182 thousand (569). Transactions also exist for lesser amounts. All transactions were conducted at market value and pertain to the period.

NOTE 8. EVENTS AFTER THE BALANCE SHEET DATE

- No significant events occurred after the end of the period.

QUARTERLY OVERVIEW

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Income statement								
Net sales, SEK million	394	308	391	508	691	541	416	534
Gross profit, SEK million	166	124	157	206	315	238	187	227
Gross margin, %	42.1	40.3	40.2	40.6	45.6	44.0	45.0	42.5
Operating profit, SEK million	60	19	55	104	198	121	104	100
Operating margin, %	15.2	6.2	14.1	20.5	28.7	22.4	25.0	18.7
Profit/loss for the period, SEK million	49	9	41	86	149	90	79	83
Balance sheet								
Non-current assets, SEK million	342	345	324	317	285	267	266	273
Other current assets, SEK million	742	566	660	757	1,045	889	793	757
Cash and cash equivalents, SEK million	59	101	120	48	33	30	35	29
Total assets, SEK million	1,143	1,012	1,104	1,122	1,363	1,186	1,094	1,059
Equity, SEK million	701	643	642	614	653	501	412	334
Interest-bearing liabilities, SEK million	149	137	150	159	297	264	296	332
Non-interest-bearing liabilities, SEK million	293	232	312	349	413	421	386	393
Total equity and liabilities, SEK million	1,143	1,012	1,104	1,122	1,363	1,186	1,094	1,059
Cash flow								
Cash flow from operating activities, SEK million	-44	96	108	277	5	56	63	93
Cash flow from investing activities, SEK million	-15	-19	-13	-11	-18	-15	-7	-11
Cash flow from financing activities, SEK million	12	-81	-14	-245	23	-36	-42	-111
Cash flow for the period, SEK million	-47	-4	81	21	10	5	14	-29
Key performance indicators								
Order intake, SEK million	410	414	347	341	408	553	324	519
Net sales growth, %	-42.8	-43.0	-6.0	-5.0	55.0	37.6	15.9	19.5
Net debt (+) / Net cash (-), SEK million	90	37	30	111	264	234	261	303
Net debt/Net cash through EBITDA	0.3	0.1	0.1	0.2	0.5	0.5	0.6	0.8
Equity/assets ratio, %	61.3	63.6	58.2	54.7	47.9	42.2	37.7	31.5
Return on capital employed, %	27.8	49.3	64.3	73.4	63.4	56.4	54.9	57.5
Interest coverage ratio, multiple	17	24	22	33	22	53	81	388
Average number of full-time employees	378	393	415	406	425	425	422	376
Share data								
Basic and diluted earnings per share (continuing operations), SEK	0.32	0.07	0.26	0.55	0.93	0.59	0.49	0.47
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

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

	Q1		Jan-Dec
	2024	2023	2023
Equity/asset ratio			
Equity, SEK million	701	653	643
Total assets, SEK million	1,143	1,363	1,012
Equity/assets ratio, %	61.3	47.9	63.6
Gross margin			
Gross profit, SEK million	166	315	802
Net sales, SEK million	394	691	1,898
Gross margin, %	42.1	45.6	42.3
Operating margin			
Operating profit, SEK million	60	198	376
Net sales, SEK million	394	691	1,898
Operating margin, %	15.2	28.7	19.8
Net debt (-) / Net cash (+)			
Non-current borrowing (+), SEK million	-	4	-
Current borrowing (+), SEK million	39	50	41
Non-current lease liabilities (+), SEK million	74	60	75
Current lease liabilities (+), SEK million	22	17	21
Bank overdraft facilities (+), SEK million	14	166	-
Cash and cash equivalents (-), SEK million	-59	-33	-101
Net debt (+) / Net cash (-), SEK million	90	264	37
EBITDA			
Operating profit, RTM, SEK million	235	520	365
Financial income, RTM, SEK million	-12	-16	-5
Interest expenses, RTM, SEK million	15	24	16
Depreciations, RTM, SEK million	45	40	44
EBITDA, SEK million	283	568	420
Net debt (+) / Net cash (-) / EBITDA			
Net debt (+) / Net cash (-), SEK million	90	264	37
EBITDA, SEK million	283	568	420
Net debt (+) / Net cash (-), SEK million/EBITDA	0.3	0.5	0.1
Interest coverage ratio, multiple			
Operating profit, RTM, SEK million	238	522	376
Financial income, RTM, SEK million	12	16	5
Sum	250	538	381
Interest expense, RTM, SEK million	15	24	16
Interest coverage ratio, multiple	17	22	24

Estimates (continued)

	Q1		Jan-Dec
	2024	2023	2023
Organic growth in order intake			
Order intake for the current period, SEK million	410	408	1,510
Foreign exchange, SEK million	-	-17	-58
Order intake, excl foreign exchange, SEK million	410	391	1,452
Order intake for the preceding period, SEK million	408	582	1,978
Change in order intake, SEK million	2	-191	-526
Change in order intake, %	0.5%	-32.8%	-26.6%
Net sales and organic net sales growth			
Net sales for the current period, SEK million	394	691	1,898
Foreign exchange, SEK million	1	-30	-76
Net sales, excl foreign exchange, SEK million	395	661	1,822
Net sales for the preceding period, SEK million	691	447	1,938
Change in organic net sales, SEK million	-296	214	-116
Change in organic net sales, %	-42.8%	47.9%	-6.0%
Return on capital employed			
Profit/loss before tax, RTM, SEK million	235	520	365
Interest expenses, RTM, SEK million	15	24	16
Profit/loss before tax plus interest expenses, RTM, SEK million	250	544	381
Capital employed at the beginning of the period, SEK million	950	765	765
Capital employed at the end of the period, SEK million	850	950	781
Capital employed, average, SEK million	900	858	773
Return on capital employed, %	27.8	63.4	49.3
Capital employed			
Balance sheet total, SEK million	1,143	1,363	1,012
Less non-interest-bearing liabilities			
Deferred tax liabilities, SEK million	-19	-5	-23
Provisions for product warranties, SEK million	-32	-34	-32
Accounts payable, SEK million	-123	-159	-82
Current tax liabilities, SEK million	-4	-49	-10
Derivatives, SEK million	-	-4	-
Other liabilities, SEK million	-43	-61	-34
Accrued expenses and deferred income, SEK million	-72	-101	-50
Capital employed, SEK million	850	950	781

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 Mar 2024	Average rate Jan-Mar 2024	Closing rate 31 Mar 2023	Average rate Jan-Mar 2023
1 EUR is equivalent to SEK	11.53	11.28	11.28	11.16
1 DKK is equivalent to SEK	1.55	1.51	1.51	1.50
1 NOK is equivalent to SEK	0.99	0.99	1.00	1.02
1 USD is equivalent to SEK	10.66	10.39	10.35	10.40
1 AUD is equivalent to SEK	6.94	6.83	6.92	7.10
1 PLN is equivalent to SEK	2.67	2.60	2.41	2.37
1 GBP is equivalent to SEK	13.48	13.17	12.81	12.68
1 KRW is equivalent to SEK	0.01	0.01	0.01	0.01
1 CAD is equivalent to SEK	7.86	7.71	7.64	7.69



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