

Q2 2024

INTERIM REPORT JANUARY – JUNE 2024

Second quarter report 2024

Second quarter 2024

- Order intake increased 27 per cent to SEK 433 million (341); organic order growth was 26 per cent.
- Net sales declined 11 per cent to SEK 450 million (508); organic net sales growth was -12 per cent.
- Operating profit declined 21 per cent to SEK 82 million (104) and the operating margin was 18.2 per cent (20.5).
- Profit for the quarter decreased 28 per cent to SEK 62 million (86).
- Basic and diluted earnings per share amounted to SEK 0.37 (0.55).

January–June 2024

- Order intake increased 13 per cent to SEK 843 million (749); organic order growth was 12 per cent.
- Net sales declined 30 per cent to SEK 844 million (1,199); organic net sales growth was -30 per cent.
- Operating profit declined 53 per cent to SEK 142 million (302) and the operating margin was 16.8 per cent (25.2).
- Profit for the period decreased 53 per cent to SEK 111 million (235).
- Basic and diluted earnings per share amounted to SEK 0.67 (1.48).

Financial performance indicators for the Group¹

	Q2			Jan-Jun			Jan-Dec
	2024	2023	Δ%	2024	2023	Δ%	2023
Order intake, SEK million	433	341	27	843	749	13	1,510
Net sales, SEK million	450	508	-11	844	1,199	-30	1,898
Gross profit, SEK million	202	206	-2	368	521	-29	802
Gross margin, %	44.9	40.6	-	43.6	43.5	-	42.3
Operating profit, SEK million	82	104	-21	142	302	-53	376
Operating margin, %	18.2	20.5	-	16.8	25.2	-	19.8
Profit/loss for the period, SEK million	62	86	-28	111	235	-53	285
Earnings per share, before and after dilution, SEK	0.37	0.55	-33	0.67	1.48	-54	1.81
Return on capital employed, %	27.8	73.4	-	27.8	73.4	-	49.3
Equity/assets ratio, %	51.6	54.7	-	51.6	54.7	-	63.6

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

CEO'S COMMENTS

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We can now look back on a stable second quarter in which the gradual recovery we have seen in previous quarters continued. It is particularly gratifying to note that the order intake is increasing in all regions.



Continued recovery and stable profitability

We can now look back on a stable second quarter in which the gradual recovery we have seen in previous quarters continued. The order intake increased organically by 26 per cent and amounted to SEK 433 million (341). Net sales amounted to SEK 450 million (508), corresponding to an organic decline of 12 per cent compared with the year-earlier quarter when a large order book contributed to high deliveries. The gross margin for the quarter was high and was driven by a favourable product and market mix and amounted to 45 per cent (41). Operating profit amounted to SEK 82 million (104), despite somewhat higher selling overheads, yielding an operating margin of 18 per cent (21). I am proud to be able to confirm that despite lower volumes, we are approaching our financial target of an operating margin of 20 per cent.

Increased order intake in all regions

We have seen a continued cautious increase in our order intake. It is gratifying to note that the order intake in the second quarter increased in all regions compared with the year-earlier quarter.

In the Nordic region, demand is increasing and we have seen a recovery in our order intake, which increased 30 per cent organically. Stock levels at dealers are low compared with the preceding year and a gradual increase in willingness to invest is having a positive impact. However, clearer positive signals are necessary on a macro level to achieve a broader and more powerful upturn in the region.

The order intake in Europe increased organically by 28 per cent despite weaker sales of machines. Stock levels in markets that have previously had built-up inventory are now lower. We are seeing that the cautious purchasing behaviour of end customers is beginning to waver while the tiltrotator concept is gaining growing recognition and being broadened to also encompass smaller machines.

Our geographically distant growth regions are also performing positively. In the Americas, we are seeing a stabilisation at a lower level, with organic order growth of 5 per cent following a downturn. In Asia-Oceania, the order intake increased significantly by 47 per cent, albeit from comparably low levels.

We are forecasting a stable trend for the quarters ahead with slight growth compared with the preceding year. In 2025, we believe that there will be a stronger performance in the Nordic region, where our assessment is that there is a considerable need to replace older excavators, which will benefit tiltrotator sales.

The end customer in focus

For our go-to-market strategy, meetings with end customers are the most important factor. The exhibition season commenced during the quarter and we participated in such exhibitions as Intermat in Paris, the Swedish Machine Fair in Stockholm and CSPI Expo 2024 in Tokyo. Exhibitions provide us with the opportunity to meet our end customers and industry colleagues and to gain perspectives on how the tiltrotator market is developing. Since the Bauma exhibition in Munich in autumn 2022, we have seen a clear trend that the tiltrotator is on its way to becoming an established and recognised product in the world of digging. Despite this, global penetration is only at 2 per cent. The advantages offered by the tiltrotator, such as increased efficiency and profitability as well as reduced energy consumption, are contributing to the industry's green transition at a time when sustainability issues are high on the agenda. With this in mind and together with our offering, the potential for global growth is considerable.

Well-positioned for future growth

Our vision is to change the world of digging. Despite uncertain times and a weak economy, our strong financial position has enabled investments in the sales organisation, a new business system and a new product generation. Together with our business model based on capital-efficient and scalable production, this will enable us to meet market demand when the economy recovers.

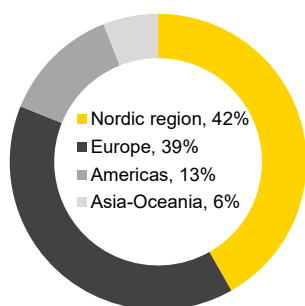
Krister Blomgren

President and CEO

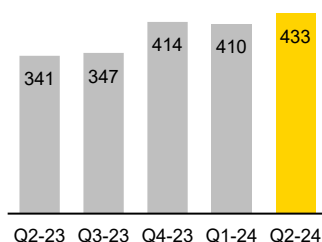
GROUP'S FINANCIAL PERFORMANCE

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 Q2



Order intake by quarter, SEK million



Order intake and net sales

Second quarter 2024

Order intake	Q2					
	SEK million	2024	Organic	2023	Δ	Δ %
Nordic region	167	167	128	40	39	30%
Europe	173	172	134	39	38	28%
Americas	62	60	58	4	3	5%
Asia-Oceania	31	31	21	10	10	47%
Total	433	430	341	92	89	26%

Net sales	Q2					
	SEK million	2024	Organic	2023	Δ	Δ %
Nordic region	188	188	212	-24	-24	-11%
Europe	177	175	168	9	7	4%
Americas	58	57	91	-34	-34	-38%
Asia-Oceania	27	27	37	-10	-10	-27%
Total	450	446	508	-58	-62	-12%

Order intake during the quarter amounted to SEK 433 million (341), an increase of 27 per cent (-34), and organic order intake was 26 per cent (-38).

Order growth was positive during the quarter in all regions. The order intake is displaying a continued positive trend.

Net sales during the quarter amounted to SEK 450 million (508), a decline of 11 per cent (-5), and organic net sales growth was -12 per cent (-10).

All regions with the exception of Europe reported negative net sales growth compared with the strong second quarter of 2023. The second quarter of 2024 was characterised by an increase in order intake compared with the year-earlier quarter.

January–June 2024

Order intake	Jan-Jun					
	SEK million	2024	Organic	2023	Δ	Δ %
Nordic region	324	324	320	4	4	1%
Europe	341	338	265	75	73	27%
Americas	108	107	113	-5	-6	-5%
Asia-Oceania	71	72	51	19	21	40%
Total	843	840	749	94	91	12%

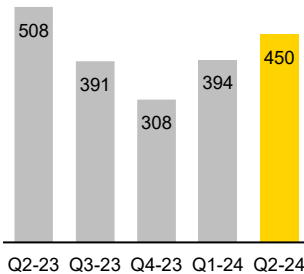
Net sales	jan-jun					
	SEK million	2024	Organic	2023	Δ	Δ %
Nordic region	348	348	543	-196	-196	-36%
Europe	333	330	404	-72	-74	-18%
Americas	99	99	167	-68	-68	-41%
Asia-Oceania	65	66	84	-20	-18	-22%
Total	844	843	1,199	-355	-356	-30%

Order intake during the period amounted to SEK 843 million (749), up 13 per cent (-32), and organic order growth increased 12 per cent (-35).

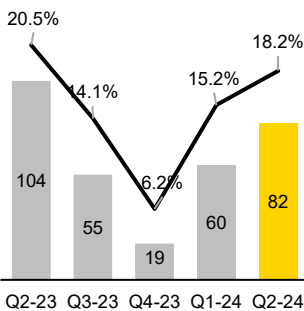
The order intake has displayed a continued cautious positive trend in the two past quarters. Order growth was positive during the period in all regions except for the Americas.



Net sales by quarter, SEK million



EBIT SEK million and EBIT margin by quarter



Net sales during the period amounted to SEK 844 million (1,199), a decline of 30 per cent (22), and organic net sales growth was -30 per cent (17). All regions reported negative net sales growth compared with the exceptionally strong comparative period in 2023. The beginning of 2024 was characterised by a continued increased order intake that is now on the rise. The Americas continues to be the region with the greatest challenges with orders stabilising at a lower level.

Of total net sales in the period, Sweden accounted for SEK 113 million (168) in the Nordic region and the US accounted for SEK 77 million (146) in the Americas.

Earnings

	Q2			Jan-Jun			Jan-Dec
	2024	2023	Δ%	2024	2023	Δ%	2023
Order intake, SEK million	433	342	27	843	750	12	1,510
Net sales, SEK million	450	508	-11	844	1,199	-30	1,898
Gross profit, SEK million	202	206	-2	368	521	-29	802
Gross margin, %	44.9	40.6	-	43.6	43.5	-	42.3
Operating profit, SEK million	82	104	-21	142	302	-53	376
Operating margin, %	18.2	20.5	-	16.8	25.2	-	19.8

Second quarter 2024

Gross earnings for the quarter amounted to SEK 202 million (206), a decrease of 2 per cent (-9). The gross margin for the quarter amounted to 44.9 per cent (40.6).

EBIT for the quarter amounted to SEK 82 million (104), a decrease of 21 per cent (5). The operating margin was 18.2 per cent (20.5).

The cost for the change of the Group-wide business system amounted to SEK 10 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 2 million (3) for the quarter.

Net financial items for the quarter amounted to SEK -5 million (3). The change is primarily due to higher financing costs.

Profit before tax for the quarter amounted to SEK 77 million (107).

Income tax for the quarter was SEK -14 million (-21). The effective tax rate for the quarter amounted to 18.4 per cent (19.6).

Total earnings after tax for the second quarter amounted to SEK 62 million (86).

January–June 2024

Gross earnings for the period amounted to SEK 368 million (521), a decrease of 29 per cent (28). The gross margin for the period amounted to 43.6 per cent (43.5).

EBIT for the period amounted to SEK 142 million (302), a decrease of 53 per cent (59). The operating margin was 16.8 per cent (25.2).

Costs for the change of the Group-wide business system amounted to SEK 19 million (18) during the period. 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 -2 million (7) for the period.

Net financial items for the period amounted to SEK -4 million (-4).

Profit before tax for the period amounted to SEK 138 million (298).

Income tax for the period was SEK -26 million (-63). The effective tax rate for the period amounted to 19.6 per cent (21.1).

Total profit after tax for the period amounted to SEK 111 million (235).

Investments and depreciation/amortisation

Investments in intangible and tangible assets and right-of-use assets amounted to SEK 11 million (45) for the quarter and SEK 29 million (70) for the period. The investments were mainly attributable to development costs for the third generation tiltrotator. Depreciation and amortisation of tangible and intangible assets amounted to SEK 12 million (11) for the quarter and SEK 24 million (22) for the period.

Cash flow

Cash flow from operating activities amounted to SEK 32 million (277) for the quarter and SEK -12 (282) million for the period, mainly attributable to lower operating profit.

Cash flow from investing activities amounted to SEK -10 million (-11) for the quarter and SEK -25 million (-29) for the period. 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 -26 million (-245) for the quarter and SEK -14 million (-222) for the period. Borrowings and paid dividends increased for both the quarter and the period.

Total cash flow from operations amounted to SEK -4 million (21) for the quarter and SEK -51 million (31) for the period.

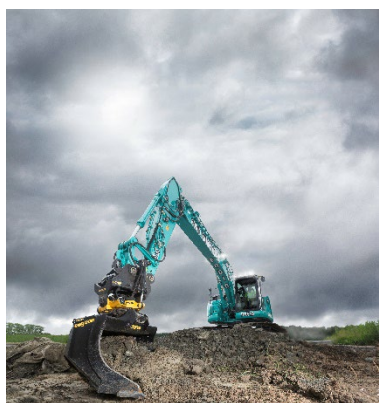
Financial position and return

	30 Jun 2024	30 Jun 2023	31 Dec 2023
Total borrowing, SEK million	36	51	41
Bank overdraft facilities, SEK million	73	-	-
Total lease liabilities, SEK million	94	108	96
Cash and cash equivalents, SEK million	-57	-48	-101
Net debt (+) / Net cash (-), SEK million	146	111	37
Equity, SEK million	613	614	643
Equity/assets ratio, %	51.6	54.7	63.6
Return on capital employed, %	27.8	73.4	49.3

Inventory amounted to SEK 347 million on 30 June 2024 compared with SEK 302 million on 31 December 2023. Accounts receivable increased to SEK 282 million on 30 June 2024 compared with SEK 193 million on 31 December 2023.

Net debt was higher than on 31 December 2023 due to increased utilisation of overdraft facilities and lower cash and bank balances. Equity remains at the same level taking into account the resolved dividend at the 2024 Annual General Meeting. The equity/assets ratio declined somewhat compared to 31 December 2023 as a result of paid dividends and increased total assets including increased inventories and accounts receivable. The Group had unutilised credit facilities of SEK 244 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 300 million (421). The Group's existing credit facility amounted to SEK 321 million (320).

EVENTS IN THE QUARTER



Second quarter

- On 24–27 April, engcon participated in the international exhibition Intermat in Paris, France.
- On 30 May–1 June, engcon participated in the Swedish Machine Fair in Stockholm, Sweden.
- No other material events took place during the quarter.

Events after the end of the quarter

- engcon signed collaborative agreements with two Japanese operators, Yamazaki Machinery and G.TRES.
- engcon is expanding its Group management, with Anders Smith to take over the new role of Chief Operating Officer (COO) as of 1 January 2025.
- After consulting with the company's legal advisors, engcon has withdrawn its appeal in the European Patent Office (EPO). For more information see page 7.
- No other material events have taken place 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 2025 at the earliest due to the court's workload.

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. After consulting with the company's legal advisors, engcon has withdrawn its appeal. However, the validity of the patent in regard to Sweden will be assessed in the PMÖD. The withdrawal has not changed the company's assessment regarding the matter of infringement.

Employees

The average number of full-time employees at the end of the quarter amounted to 367 (406), of whom 23 per cent (22) were women and 77 per cent (78) 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 30 June 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 30 June 2024, there were 6,813 shareholders in the company.

The company's largest shareholder on 30 June 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 amounted to SEK 18 million (12) for the quarter and SEK 30 million (33) for the period.

Operating loss amounted to SEK -22 million (-23) for the quarter and SEK -35 million (-39) for the period. Profit for the quarter amounted to SEK -1 million (14) and SEK -8 million (-2) for the period. During the quarter, the Parent Company received a dividend of SEK 15 million (37).

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, 19 July 2024

Annika Bäremo
Chairman

Anna Stålenbring
Board member

Peter Hofvenstam
Board member

Monica Engström
Board member

Stig Engström
Board member

Krister Blomgren
CEO

For more information, please contact:

Krister Blomgren, President and CEO
+46 70 529 92 65
krister.blomgren@engcon.se

Jens Blom, CFO
+46 76 147 45 77
jens.blom@engcon.se

Anne Vågström
Head of Investor Relations
+46 76 126 40 84
anne.vagstrom@engcon.se

Publication

This interim report comprises such information that engcon AB is obligated to publish in accordance with the EU Market Abuse Regulation and the Securities Market Act. This information was published through the auspices of the persons named above on 19 July 2024 at 8:00 a.m. CEST.

Audiocast presentation of the interim report

engcon will present the report via an audiocast on 19 July at 11:00 a.m. CEST.

To participate, use this link:
<https://ir.financialhearings.com/engcon-q2-report-2024>

To participate via a telephone conference, use the link below:
<https://conference.financialhearings.com/teleconference/?id=50048766>

The presentation is available at www.engcongroup.com.

Financial calendar 2024

Interim Report January–September 2024, 29 October 2024

Year-end Report 2024, 21 February 2025

Annual and Sustainability Report 2024, week beginning 25 March, 2025

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

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK million	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Net sales	450	508	844	1,199	1,898
Cost of goods sold	-248	-302	-476	-678	-1,096
Gross profit	202	206	368	521	802
Selling costs	-73	-64	-137	-140	-271
Administrative costs	-33	-29	-62	-61	-120
Research and development costs	-16	-12	-27	-20	-44
Fair value, derivatives	2	3	-2	7	18
Other operating income and operating expenses	-	-	2	-5	-9
Operating profit	82	104	142	302	376
Profit/loss from financial items					
Net financial items	-5	3	-4	-4	-11
Profit/loss before tax	77	107	138	298	365
Income tax	-14	-21	-26	-63	-80
Profit/loss for the period	62	86	111	235	285
Total profit/loss for the period	62	86	111	235	285
Total profit/loss for the period:					
Attributable to:					
Parent Company shareholders	55	83	102	224	275
Non-controlling interest	7	3	9	11	10
Earnings per share, total (SEK)					
Before dilution	0.37	0.55	0.67	1.48	1.81
After dilution	0.37	0.55	0.67	1.48	1.81

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Total profit/loss for the period	62	86	111	235	285
Other comprehensive income					
Items that may be reversed to profit or loss:					
Exchange-rate differences upon translation of foreign operations	-4	13	6	15	-1
Comprehensive income for the period	58	99	117	250	284
Attributable to:					
Parent Company shareholders	52	94	108	237	274
Non-controlling interest	6	5	9	13	10

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	30 Jun 2024	30 Jun 2023	31 Dec 2023
Assets			
Fixed assets			
Goodwill	22	22	22
Other intangible assets	74	50	63
Right-of-use assets	86	101	93
Property plant and equipment	149	141	148
Other non-current receivables	4	3	4
Derivatives	2	-	10
Deferred tax receivables	7	-	4
Total non-current assets	346	317	345
Current assets			
Inventories	347	396	302
Accounts receivable	282	286	193
Current tax assets	71	7	12
Other receivables	51	16	27
Prepaid expenses and accrued income	35	52	32
Cash and cash equivalents	57	48	101
Total current assets	842	805	667
Total assets	1,188	1,122	1,012
Equity and liabilities			
Share capital	21	21	21
Other contributed capital	6	6	6
Translation reserve	20	30	14
Retained earnings including profit for the year	529	518	571
Equity attributable to Parent Company shareholders	576	575	612
Non-controlling interest	37	39	32
Total equity	613	614	643
Non-current liabilities			
Borrowings	-	4	-
Deferred tax asset	17	6	23
Lease liabilities	71	87	75
Provisions product warranty	11	12	10
Total non-current liabilities	99	109	108
Current liabilities			
Trade payables	116	85	82
Current tax liabilities	7	22	10
Lease liabilities	22	21	21
Borrowings	36	47	41
Overdraft facility	73	-	-
Provisions product warranty	21	24	22
Derivatives	-	1	-
Other liabilities	122	111	34
Accrued expenses and deferred income	78	88	50
Total current liabilities	476	399	261
Total interest bearing debt	575	508	368
Total equity and liabilities	1,188	1,122	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	-	-	-	223	223	12	235
Other comprehensive income	-	-	15	-	15	-	15
Total comprehensive income	-	-	15	223	238	12	250
Transactions with shareholders:							
Cash dividend	-	-	-	-129	-129	-9	-138
Total transactions with shareholders	-	-	-	-129	-129	-9	-138
Closing balance 30 June 2023	21	6	30	518	575	39	614
Profit/loss for the period	-	-	-	52	52	-2	50
Other comprehensive income	-	-	-16	-	-16	-	-16
Total comprehensive income	-	-	-16	52	36	-2	34
Transactions with shareholders:							
Cash dividend	-	-	-	-	-	-5	-5
Total transactions with shareholders	-	-	-	-	-	-5	-5
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	-	-	-	102	102	9	111
Other comprehensive income	-	-	6	-	6	0	6
Total comprehensive income	-	-	6	102	108	9	117
Transactions with shareholders:							
Cash dividend	-	-	-	-143	-143	-4	-146
Closing balance 30 June 2024	21	6	20	529	576	37	613

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Operating profit	82	104	142	302	376
Adjustments for non-cash items:					
Amortisation and depreciation	13	12	24	22	45
Provision	-1	2	-1	6	2
Translation difference	-3	9	5	16	-1
Other adjustments	-1	-3	8	-6	-17
Interest received	1	15	1	19	42
Interest paid	-9	-2	-12	-10	-16
Income tax paid	-19	-27	-97	-132	-156
Cash flow from operating activities before changes in working capital	63	110	70	217	275
Changes in working capital					
Decrease/increase in inventories	-18	41	-44	47	140
Decrease/increase in trade receivables	-26	237	-89	61	154
Decrease/increase in other receivables	6	-10	-26	4	18
Increase/decrease in trade payables	-7	-74	34	-61	-64
Increase/decrease in other liabilities	14	-27	44	14	-36
Cash flow from operating activities	32	277	-12	282	486
Investing activities					
Acquisition of intangible assets	-5	-7	-13	-17	-31
Acquisition of tangible assets	-5	-4	-11	-11	-27
Acquisition of financial assets	-	-	-2	-1	-3
Sale of financial assets	-	-	1	-	-
Cash flow from (-used in) investing activities	-10	-11	-25	-29	-61
Financing activities					
New borrowing and change in overdraft facilities	59	-166	73	-136	-136
Loan repayments	-10	-5	-12	-12	-39
Dividends to shareholders	-75	-74	-75	-74	-143
Cash flow from financing activities	-26	-245	-14	-222	-317
Cash flow for (-used in) the period	-4	21	-51	31	108
Cash and cash equivalents at beginning of period	59	33	101	30	30
Exchange rate fluctuations in cash and cash equivalents	2	-6	7	-13	-37
Cash and cash equivalents at end of period	57	48	57	48	101

Rounding may entail that columns/rows do not tally.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Net sales	18	12	30	33	47
Cost of goods sold	-1	-	-2	-1	-
Gross profit	17	12	28	32	47
Selling costs	-9	-6	-12	-15	-24
Administrative costs	-24	-22	-47	-47	-90
Research and development costs	-7	-7	-11	-11	-23
Fair value, derivatives	1	3	7	7	7
Other operating income and operating expenses	-	-3	-	-5	-1
Operating profit	-22	-23	-35	-39	-84
Profit/loss from financial items				-	
Net financial items	17	38	21	39	55
Income after financial items	-5	15	-14	-	-29
Appropriations	-	-	-	-	218
Income tax	4	-1	6	-2	-29
Profit/loss for the period	-1	14	-8	-2	160

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	30 Jun 2024	30 Jun 2023	31 Dec 2023
Assets			
Fixed assets	146	110	127
Current assets	416	343	456
Total assets	562	453	583
Equity and liabilities			
Restricted equity	21	21	21
Non-restricted equity	123	104	266
Total equity	144	125	287
Untaxed reserves	112	68	112
Current liabilities	306	260	184
Total interest bearing debt	418	328	296
Total equity and liabilities	562	453	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 30 June, there was a receivable (liability) amounting to SEK 2 million (1). 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

	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Total:					
Total profit/loss for the period attributable to shareholders of the Parent Company, SEK million	55.5	83.0	102.0	224.0	275.0
Average number of ordinary shares outstanding	151,788,000	151,788,000	151,788,000	151,788,000	151,788,000
Basic and diluted earnings per share, SEK	0.37	0.55	0.67	1.48	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	Q2			Jan-Jun			Jan-Dec
	2024	2023	Δ	2024	2023	Δ	2023
Nordic region	188	212	-24	348	543	-196	808
Europe	177	168	9	333	404	-72	660
Americas	58	91	-34	99	167	-67	289
Asia-Oceania	27	37	-10	65	84	-20	141
Total	450	508	-58	844	1,199	-355	1,898

Of total net sales for the period, Sweden, where the company is domiciled, accounted for SEK 113 million (168) in the Nordic region and the US accounted for SEK 77 million (146) 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 30 June, 199 (217) engcon employees were participating in the warrant programme. A total of 1,517,880 warrants were issued, of which per 30 June 2024, 1,102,785 (1,310,285) 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 5.8 million (8.2) and sales of products to engcon of SEK 3.3 million (0.3). 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 3.1 million (6.9). In addition to these transactions, Ommapo förvaltning AB delivered services to engcon AB for SEK 266 thousand (937). 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

- After the end of the quarter, engcon signed collaborative agreements with two Japanese operators, Yamazaki Machinery and G.TRES.
- engcon is expanding its Group management, with Anders Smith to take over the new role of Chief Operating Officer (COO) as of 1 January 2025.
- After consulting with the company's legal advisors, engcon has withdrawn its appeal in the European Patent Office (EPO). For more information see page 7.
- No other material events have taken place after the end of the quarter.

QUARTERLY OVERVIEW

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Income statement								
Net sales, SEK million	450	394	308	391	508	691	541	416
Gross profit, SEK million	202	166	124	157	206	315	238	187
Gross margin, %	44.9	42.1	40.3	40.2	40.6	45.6	44.0	45.0
Operating profit, SEK million	82	60	19	55	104	198	121	104
Operating margin, %	18.2	15.2	6.2	14.1	20.5	28.7	22.4	25.0
Profit/loss for the period, SEK million	62	49	9	41	86	149	90	79
Balance sheet								
Non-current assets, SEK million	346	342	345	324	317	285	267	266
Other current assets, SEK million	786	742	566	660	757	1,045	889	793
Cash and cash equivalents, SEK million	57	59	101	120	48	33	30	35
Total assets, SEK million	1,188	1,143	1,012	1,104	1,122	1,363	1,186	1,094
Equity, SEK million	613	701	643	642	614	653	501	412
Interest-bearing liabilities, SEK million	202	149	137	150	159	297	264	296
Non-interest-bearing liabilities, SEK million	373	293	232	312	349	413	421	386
Total equity and liabilities, SEK million	1,188	1,143	1,012	1,104	1,122	1,363	1,186	1,094
Cash flow								
Cash flow from operating activities, SEK million	32	-44	96	108	277	5	56	63
Cash flow from investing activities, SEK million	-10	-15	-19	-13	-11	-18	-15	-7
Cash flow from financing activities, SEK million	-26	12	-81	-14	-245	23	-36	-42
Cash flow for the period, SEK million	-4	-47	-4	81	21	10	5	14
Key performance indicators								
Order intake, SEK million	433	410	414	347	342	408	553	324
Net sales growth, %	-12.2	-42.8	-43.0	-6.0	-5.0	55.0	37.6	15.9
Net debt (+) / Net cash (-), SEK million	146	90	37	30	111	264	234	261
Net debt/Net cash through EBITDA	0.6	0.3	0.1	0.1	0.2	0.5	0.5	0.6
Equity/assets ratio, %	51.6	61.3	63.6	58.2	54.7	47.9	42.2	37.7
Return on capital employed, %	27.8	27.8	49.3	64.3	73.4	63.4	56.4	54.9
Interest coverage ratio, multiple	14	17	24	22	33	22	53	81
Average number of full-time employees	367	378	393	415	406	425	425	422
Share data								
Earnings per share, before and after dilution, SEK	0.37	0.32	0.07	0.26	0.55	0.93	0.59	0.49
Average number of outstanding shares (thousands)	151,788	151,788	151,788	151,788	151,788	151,788	151,788	151,788

Rounding may entail that columns/rows do not tally.

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

	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Equity/asset ratio					
Equity, SEK million	613	614	613	614	643
Total assets, SEK million	1,188	1,122	1,188	1,122	1,012
Equity/assets ratio, %	51.6	54.7	51.6	54.7	63.6
Gross margin					
Gross profit, SEK million	202	206	368	521	802
Net sales, SEK million	450	508	844	1,199	1,898
Gross margin, %	44.9	40.6	43.6	43.5	42.3
Operating margin					
Operating profit, SEK million	82	104	142	302	376
Net sales, SEK million	450	508	844	1,199	1,898
Operating margin, %	18.2	20.5	16.8	25.2	19.8
Net debt (-) / Net cash (+)					
Non-current borrowing (+), SEK million	-	4	-	4	-
Current borrowing (+), SEK million	36	47	36	47	41
Non-current lease liabilities (+), SEK million	71	87	71	87	75
Current lease liabilities (+), SEK million	22	21	22	21	21
Bank overdraft facilities (+), SEK million	73	-	73	-	-
Cash and cash equivalents (-), SEK million	-57	-48	-57	-48	-101
Net debt (+) / Net cash (-), SEK million	146	111	146	111	37
EBITDA					
Operating profit, RTM, SEK million	205	512	205	512	365
Financial income, RTM, SEK million	-4	-1	-4	-1	-5
Interest expenses, RTM, SEK million	16	16	16	16	16
Depreciations, RTM, SEK million	41	42	41	42	44
EBITDA	258	569	258	569	420
Net debt (+) / Net cash (-) / EBITDA					
Net debt (+) / Net cash (-), SEK million	146	111	146	111	37
EBITDA, SEK million	258	569	258	569	420
Net debt (+) / Net cash (-), SEK million/EBITDA	0.6	0.2	0.6	0.2	0.1
Interest coverage ratio, multiple					
Operating profit, RTM, SEK million	216	527	216	527	376
Financial income, RTM, SEK million	4	1	4	1	5
Summa	220	528	220	528	381
Interest expense, past 12 months, SEK million	16	16	16	16	16
Interest coverage ratio, multiple	14	33	14	33	24

Estimates (continued)

	Q2		Jan-Jun		Jan-Dec
	2024	2023	2024	2023	2023
Organic growth in order intake					
Order intake for the current period, SEK million	433	341	843	749	1,510
Foreign exchange, SEK million	-3	-20	-3	-37	-58
Order intake, excl foreign exchange, SEK million	430	321	840	712	1,452
Order intake for the preceding period, SEK million	341	519	749	1,101	1,978
Change in order intake, SEK million	89	-198	91	-389	-526
Change in order intake, %	26.1%	-38.2%	12.1%	-35.3%	-26.6%
Net sales and organic net sales growth					
Net sales for the current period, SEK million	450	508	844	1,199	1,898
Foreign exchange, SEK million	-3	-26	-2	-56	-76
Net sales, excl foreign exchange, SEK million	446	482	843	1,143	1,822
Net sales for the preceding period, SEK million	508	534	1,199	981	1,938
Change in organic net sales, SEK million	-62	-52	-356	162	-116
Change in organic net sales, %	-12.2%	-9.7%	-29.7%	16.5%	-6.0%
Return on capital employed					
Profit/loss before tax, past 12 months, SEK million	205	512	205	512	365
Interest expense, past 12 months, SEK million	16	16	16	16	16
Profit/loss before tax plus interest expense, past 12 months, SEK million	221	528	221	528	381
Capital employed at the beginning of the period, SEK million	773	666	773	666	765
Capital employed at the end of the period, SEK million	816	773	816	773	781
Capital employed, average, SEK million	795	720	795	720	773
Return on capital employed, %	27.8	73.4	27.8	73.4	49.3
Capital employed					
Balance sheet total, SEK million	1,188	1,122	1,188	1,122	1,012
Less non-interest-bearing liabilities					
Deferred tax liabilities, SEK million	-17	-6	-17	-6	-23
Provisions for product warranties, SEK million	-32	-36	-32	-36	-32
Accounts payable, SEK million	-116	-85	-116	-85	-82
Current tax liabilities, SEK million	-7	-22	-7	-22	-10
Derivatives, SEK million	-	-1	-	-1	-
Other liabilities, SEK million	-122	-111	-122	-111	-34
Accrued expenses and deferred income, SEK million	-78	-88	-78	-88	-50
Capital employed, SEK million	816	773	816	773	781

Rounding may entail that columns/rows do not tally.

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 30 Jun 2024	Average rate Jan-Jun 2024	Closing rate 30 Jun 2023	Average rate Jan-Jun 2023
1 EUR is equivalent to SEK	11.36	11.39	11.79	11.32
1 DKK is equivalent to SEK	1.52	1.53	1.58	1.52
1 NOK is equivalent to SEK	1.00	0.99	1.01	1.00
1 USD is equivalent to SEK	10.61	10.53	10.85	10.47
1 AUD is equivalent to SEK	7.06	6.94	7.19	7.09
1 PLN is equivalent to SEK	2.64	2.64	2.65	2.45
1 GBP is equivalent to SEK	13.42	13.33	13.72	12.92
1 KRW is equivalent to SEK	0.01	0.01	0.01	0.01
1 CAD is equivalent to SEK	7.74	7.76	8.19	7.77



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