

Q1

2023

INTERIM REPORT JANUARY – MARCH 2023

Record high net sales and profitability

First quarter 2023

- Order intake declined -30 per cent to SEK 408 million (582); organic order growth was -33 per cent.
- Net sales increased 55 per cent to SEK 691 million (447); organic net sales growth was 48 per cent.
- Operating profit increased 118 per cent to SEK 198 million (91) and the operating margin was 28.7 per cent (20.4).
- Profit for the period increased 102 per cent to SEK 149 million (74).
- Basic and diluted earnings per share amounted to SEK 0.93 (0.45).

Events in the first quarter 2023

- engcon strengthened its position in Norway with the start up of own operations through the company engcon Norway AS.
- As of 1 February, Capital Group flagged that shareholdings in engcon AB corresponded to 4.99 per cent of capital and 1.62 per cent of votes.
- On 15 February, Rototilt Group adjusted the damages claimed in its lawsuit to approximately SEK 200 million.
- From 14–18 March, engcon participated in the leading international exhibition Conexpo in Las Vegas, USA.
- engcon committed to the Science Based Targets initiative (SBTi) during the first quarter.

Financial performance indicators for the Group¹

	Q1			Jan-Dec
	2023	2022	Δ%	2022
Order intake, SEK million	408	582	-30	1,978
Net sales, SEK million	691	447	55	1,938
Gross profit, SEK million	315	180	75	833
Gross margin, %	45.6	40.3	n/a	43.0
Operating profit, SEK million	198	91	118	415
Operating margin, %	28.7	20.4	n/a	21.4
Profit/loss for the period, SEK million	149	74	102	325
Earnings per share, before and after dilution, SEK	0.93	0.45	104	2.01
Return on capital employed, %	63.4	50.5	n/a	56.4
Equity/assets ratio, %	47.9	31.6	n/a	42.2

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

CEO'S COMMENTS

”

Organic net sales performed well in all regions.



We are able to reflect on a quarter with record high net sales and profitability. We entered the quarter with a strong order book, which was partly an effect of the bunkering behavior we saw in 2021 and 2022. This behavior was caused by long lead times, component shortages and a turbulent business environment. Our lead times have now returned to normal and the component shortages are not as significant. Our assessment is that the quarters ahead may be characterised by a lower order intake as a result of global uncertainty.

Record high sales and profitability

We entered 2023 with a strong order book, which, combined with high production capacity and improved supply chains, yielded record high sales. The full impact of price increases implemented in 2022 combined with stabilised material costs generated a strong gross margin. As part of our business model, we purchase components that we then assemble in our production. This business model, combined with our centralised support functions, provide us with the opportunity to quickly adapt operations based on the prevailing circumstances. This has a strong impact in periods of economic boom since our sales companies are able to increase sales and the activity level without any significant effect on the cost structure, which was demonstrated clearly by the strong earnings in the quarter.

Organic net sales performed well in all regions with the Nordic region recording an increase of 20 per cent, Europe 92 per cent and the Americas 113 per cent. It is pleasing to witness an increasingly large proportion of sales originating from growth markets, which now account for more than half of total net sales.

Uncertain global situation impacting order intake

The preceding year's order intake was initially characterised by bunkering effects in the Nordic and European markets as dealers were incentivised to place larger order volumes to secure deliveries as a result of uncertain supply chains and high demand. This led to dealers – to a certain extent – building up inventories of excavators and tiltrotators. In contrast, these two markets were characterised by a decline in order intake at the start of 2023 due to macroeconomic uncertainty and lower housing construction. Few construction projects are currently being started in Europe and the Nordic region, in turn impacting demand for excavators and tiltrotators.

In the North American market, we noted a flat trend in the first quarter of 2023. We have long-term confidence in the North American market and are continuing to invest in the local sales organisation to maintain high market penetration and to increase awareness about tiltrotators. The interest in engcon's products was considerable during our participation at Conexpo in Las Vegas and end customers are demonstrating more extensive knowledge and are more well informed than previously.

Continued investments despite uncertainty

Despite considerable uncertainty in the business environment with assessed lower volumes in the quarters ahead, we are not slowing the pace of our activities. Our business model – with capital-efficient production, a high rate of innovation and close contact with our end customers – provides us with the opportunity of adapting our operations. We are investing according to plan in our growth markets and to increase production capacity at our factory in Poland. It is more important than ever to market our products by participating in exhibitions, demo days and through interaction with end customers to meet future demand. By meeting the people who use our products on a daily basis, we gain an understanding of their needs, enabling us to continue to develop our products with the end customer in focus. This is how we are changing the world of digging.

Krister Blomgren

President and CEO

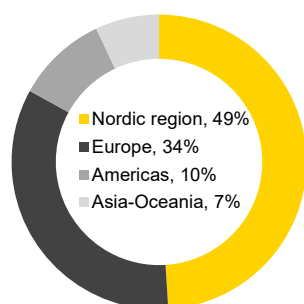
GROUP'S FINANCIAL PERFORMANCE

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

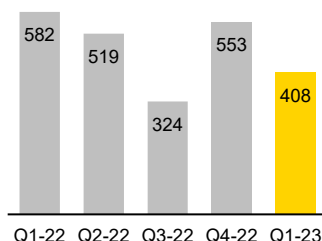
48%

Organic net sales growth

Net sales by geographic market region in Q1



Order intake by quarter, SEK million



Group

	Q1			Jan-Dec
	2023	2022	Δ%	2022
Order intake, SEK million	408	582	-30	1,978
Net sales, SEK million	691	447	55	1,938
Gross profit, SEK million	315	180	75	833
Gross margin, %	45.6	40.3	n/a	43.0
Operating profit, SEK million	198	91	118	415
Operating margin, %	28.7	20.4	n/a	21.4

Order intake by geographic market region

SEK million	Q1			Jan-Dec
	2023	2022	Δ%	2022
Nordic region	188	304	-38	916
Europe	125	204	-39	631
Americas	49	49	-	209
Asia-Oceania	29	25	16	131
Total excl. foreign exchange	391	582	-33	1,887
Foreign exchange effect	17	-	-	91
Total	408	582	-30	1,978

Net sales by geographic market region

SEK million	Q1			Jan-Dec
	2023	2022	Δ%	2022
Nordic region	324	270	20	1,003
Europe	223	116	92	600
Americas	68	32	113	154
Asia-Oceania	46	29	59	101
Total excl. foreign exchange	661	447	48	1,858
Foreign exchange effect	30	-	-	80
Total	691	447	55	1,938

Of total net sales in the period, Sweden accounted for SEK 103 million (103).

Order intake and net sales

First quarter 2023

Order intake during the quarter amounted to SEK 408 million (582), a decrease of -30 per cent (+39), and organic order intake declined -33 per cent (+35).

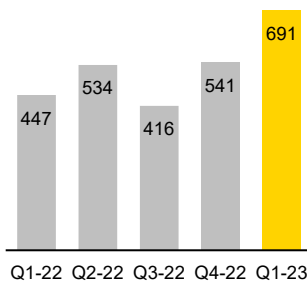
Order growth was lower during the quarter, particularly in the Nordic region and Europe. At the same time, activity was higher in other regions, with the largest percentage increase in Asia-Oceania, followed by the Americas. The order intake for the Nordic region and Europe was weaker as a result of strong pre-ordering and bunkering effects at the start of the first quarter of 2022, combined with global uncertainty regarding economic development, inflation and interest-rate levels.

Net sales during the quarter amounted to SEK 691 million (447), an increase of 55 per cent (23) and organic net sales growth of 48 per cent (19).

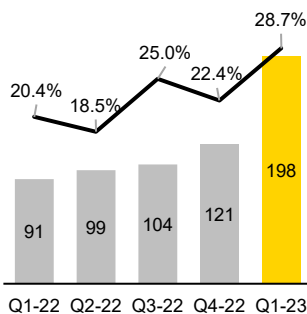
All market regions reported favourable net sales growth, with the Americas and Europe reporting the strongest growth. The favourable sales were a result of a strengthened order book at the start of 2023 combined with high production capacity and improved supply chains.



Net sales by quarter, SEK million



EBIT SEK million and EBIT margin by quarter



Earnings

Gross earnings during the quarter amounted to SEK 315 million (180), an increase of 74 per cent. The gross margin amounted to 45.6 per cent (40.3) and significantly improved due to price adjustments implemented in 2022 that had full effect combined with stabilised material costs.

EBIT for the quarter amounted to SEK 198 million (91), an increase of 118 per cent. The operating margin was 28.7 per cent (20.4).

The operating margin improved due to high sales, an improved margin and cost control. The build-up of local sales organisations continued during the quarter as well as the change of Group-wide business systems, amounting to costs of SEK 9 million (4) during the quarter. Implementation of the business system will commence in the final quarter of 2023 and will continue in the years ahead.

Net financial items for the quarter amounted to SEK -7 million (2). Profit before tax for the quarter amounted to SEK 191 million (93).

Income tax for the quarter was SEK -42 million (-19). The effective tax rate for the quarter amounted to 21.9 per cent (20.4).

Total earnings after tax for the first quarter amounted to SEK 149 million (74).

Investments and depreciation/amortisation

Investments in intangible and tangible assets and right-of-use assets amounted to SEK 25 million (22) for the quarter. The investments were mainly attributable to property plant and equipment and development costs for the third generation tiltrotator. Depreciation and amortisation of tangible and intangible assets amounted to SEK 10 million (9) for the quarter.

Cash flow

Cash flow from operating activities amounted to SEK 5 million (5) for the quarter, mainly attributable to an improved operating profit, but was also negatively impacted by increased capital tied up in accounts receivables and tax paid.

Cash flow from investing activities amounted to SEK -18 million (-12) 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 23 million (-156) for the quarter. The change for the quarter is a result of the dividend paid in the first quarter of 2022.

Total cash flow from operations amounted to SEK 10 million (-163) for the quarter.

Financial position and return

	31 Mar 2023	31 Mar 2022	31 Dec 2022
Total borrowing, SEK million	54	71	56
Bank overdraft facilities, SEK million	166	200	136
Total lease liabilities, SEK million	77	73	72
Cash and cash equivalents, SEK million	-33	-60	-30
Net debt (+) / Net cash (-), SEK million	264	284	234
Equity, SEK million	653	338	501
Equity/assets ratio, %	47.9	31.6	42.2
Return on capital employed, %	63.4	50.5	56.4

The strong growth in the Americas and Asia-Oceania and longer lead times to these geographically distant markets resulted in a build-up of inventory levels in 2022. Inventory amounted to SEK 437 million on 31 March compared with SEK 443 million on 31 December 2022. The strong net sales in the quarter resulted in an increase in accounts receivable from SEK 347 million on 31 December 2022 to SEK 523 million on 31 March 2023.

Net debt was lower than in the first quarter of 2022 and equity was higher, taking into account the profit generated and the fact that a dividend was paid in the first quarter of 2022. As a result, the equity/assets ratio is stronger than the first quarter of 2022. The Group had unutilised credit facilities of SEK 160 million at the end of the quarter compared with SEK 182 million on 31 December 2022. Including cash and cash equivalents, the Group's unutilised total liquidity amounted to SEK 201 million (218). The Group's existing credit facility amounted to SEK 318 million (318).



SIGNIFICANT EVENTS



From 14–18 March, engcon participated in the leading international exhibition Conexpo in Las Vegas, USA, which is one of the world's largest and most visited trade exhibitions.

First quarter

- engcon strengthened its position in Norway and started its own operations in the first quarter through the company engcon Norway AS.
- As of 1 February, Capital Group flagged that shareholdings in engcon AB corresponded to 4.99 per cent of capital and 1.62 per cent of votes.
- On 15 February, Rototilt Group adjusted the damages claimed in its lawsuit to approximately SEK 200 million.
- From 14–18 March, engcon participated in the leading international exhibition Conexpo in Las Vegas, USA.
- engcon committed to the Science Based Targets initiative (SBTi) during the first quarter.

Events after the end of the quarter

- engcon was awarded two prizes in the IPO of the Year category when business magazine *Affärsvärlden* handed out its annual awards: the Jury's Grand prize and Quality in the Billion-kronor Class.

FINANCIAL 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 to 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.

¹ The focus market is estimated to increase by a compound annual growth rate of approximately 19 per cent during the 2021–2026 period, according to the Strategy& (PwC) market report 2022.

OTHER INFORMATION

Risks and uncertainties

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

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

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

Lawsuit

In June 2022, Rototilt Group filed a lawsuit against engcon that alleged that the company had infringed upon a patent. The damages claimed amount to approximately SEK 200 million. The alleged infringement relates to sensor technology in the Q-safe locking system.

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. The lawsuit in Sweden was admissible in district court in the last week of March. A decision is expected in mid-May. Nothing that changes our assessment came to light during the quarter.

Employees

The average number of full-time employees at the end of the quarter amounted to 426 (366), of whom 23 per cent (21) were women and 77 per cent (79) 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 2023 amounted to SEK 21,250,320, distributed among 35,344,778 Class A shares and 116,443,222 Class B shares. The shares have a quotient value of SEK 0.14 per share. Each Class A share represents ten votes and each Class B share one vote. On 31 March 2023, there were 6,713 shareholders in the company.

The company's largest shareholder on 31 March 2023 was the company's founder, Stig Engström, through the company Ommapo förvaltning AB, which controlled 35.4 per cent of the capital and 67.0 per cent of the votes. The second largest shareholder was Monica Engström, through the company Monen Holding AB, which controlled 32.0 per cent of the capital and 22.4 per cent of the votes. Following these, Nordstjernan, Capital Group, Svolder AB, Handelsbanken Fonder, C WorldWide Asset Management, the Second Swedish National Pension Fund and the First Swedish National Pension Fund were engcon's largest shareholders.

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

Parent Company

The Parent Company's net sales for the quarter amounted to SEK 21 million (14).

Operating loss for the quarter amounted to SEK -16 million (-13). Loss for the period was SEK -16 million (-12).

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, 28 April 2023

Annika Bäremo
Chairman

Anna Stålenbring
Board member

Bob Persson
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

Publication

This information is such 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 28 April 2023 at 8.00 a.m. CEST.

Audiocast presentation of the interim report

engcon will present the report via an audiocast on 28 April at 10:00 a.m. CEST.

To participate, use this link:
<https://ir.financialhearings.com/engcon-q1-2023>

To participate via a telephone conference, use the link below:
<https://conference.financialhearings.com/teleconference/?id=200691>

The presentation is available at www.engcongroup.com.

Financial calendar 2023

2023 Annual General Meeting,
4 May 2023

Interim Report January – June 2023,
20 July 2023

Interim Report January – September
2023, 27 October 2023

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

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK million	Q1		Jan-Dec
	2023	2022	2022
Continuing operations			
Net sales	691	447	1,938
Cost of goods sold	-376	-267	-1,105
Gross profit	315	180	833
Selling costs	-76	-54	-235
Administrative costs	-32	-31	-150
Research and development costs	-8	-6	-28
Fair value, derivatives	4	-	-7
Other operating income and operating expenses	-5	2	2
Operating profit	198	91	415
Profit/loss from financial items			
Net financial items	-7	2	-
Profit/loss before tax	191	93	415
Income tax	-42	-19	-90
Profit/loss for the period	149	74	325
Total profit/loss for the period	149	74	325
Total profit/loss for the period:			
Attributable to:			
Parent Company shareholders	141	69	305
Non-controlling interest	8	5	20
Earnings per share (SEK)			
Before dilution	0.93	0.45	2.01
After dilution	0.93	0.45	2.01

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Q1		Jan-Dec
	2023	2022	2022
Total profit/loss for the period	149	74	325
Other comprehensive income			
Items that may be reversed to profit or loss:			
Exchange-rate differences upon translation of foreign operations	2	1	11
Comprehensive income for the period	151	75	336
Attributable to:			
Parent Company shareholders	143	70	314
Non-controlling interest	8	5	22

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Assets			
Fixed assets			
Goodwill	22	20	20
Other intangible assets	43	8	35
Right-of-use assets	74	73	69
Property plant and equipment	143	147	141
Other non-current receivables	3	4	2
Derivatives	-	4	-
Deferred tax receivables	-	4	-
Total non-current assets	285	260	267
Current assets			
Inventories	437	367	443
Accounts receivable	523	319	347
Current tax assets	16	4	27
Other receivables	17	20	29
Prepaid expenses and accrued income	52	40	43
Cash and cash equivalents	33	60	30
Total current assets	1,078	810	919
Total assets	1,363	1,070	1,186
Equity and liabilities			
Share capital	21	21	21
Other contributed capital	6	6	6
Translation reserve	16	1	14
Retained earnings including profit for the year	566	284	425
Equity attributable to Parent Company shareholders	609	312	466
Non-controlling interest	44	26	35
Total equity	653	338	501
Non-current liabilities			
Borrowings	4	8	4
Deferred tax asset	5	-	8
Lease liabilities	60	57	55
Provisions product warranty	34	26	30
Total non-current liabilities	103	91	97
Current liabilities			
Trade payables	159	163	146
Current tax liabilities	49	56	109
Lease liabilities	17	16	17
Borrowings	50	63	52
Overdraft facility	166	200	136
Derivatives	4	4	7
Other liabilities	61	39	42
Accrued expenses and deferred income	101	100	79
Total current liabilities	607	641	588
Total interest bearing debt	710	732	685
Total equity and liabilities	1,363	1,070	1,186

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
Opening balance 1 January 2022	21	6	4	560	591	22	613
Profit/loss for the year	-	-	-	74	70	4	74
Other comprehensive income	-	-	1	-	1	-	1
Total comprehensive income	-	-	1	74	71	4	75
Transactions with shareholders:							
Cash dividend	-	-	-	-350	-350	-	-350
Total transactions with shareholders	-	-	-	-350	-350	-	-350
Closing balance 31 March 2022	21	6	5	284	312	26	338
Profit/loss for the year	-	-	-	231	227	16	243
Other comprehensive income	-	-	9	-	9	1	10
Total comprehensive income	-	-	9	231	236	17	253
Transactions with shareholders:							
Cash dividend	-	-	-	-90	-82	-8	-90
Total transactions with shareholders	-	-	-	-90	-82	-8	-90
Closing balance 31 December 2022	21	6	14	425	466	35	501

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
Opening balance 1 January 2023	21	6	14	425	466	35	501
Profit/loss for the year	-	-	-	141	141	8	149
Other comprehensive income	-	-	2	-	2	-	2
Total comprehensive income	-	-	2	141	143	8	151
Transactions with shareholders:							
Cash dividend	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	-	-	-
Closing balance 31 March 2023	21	6	16	566	609	44	653

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Q1		Jan-Dec
	2023	2022	2022
Operating profit	198	91	415
Adjustments for non-cash items:			
Amortisation and depreciation	10	9	39
Provision	4	3	7
Translation difference	7	6	24
Other adjustments	-3	-	8
Interest received	4	4	28
Interest paid	-8	-1	-17
Income tax paid	-105	-30	-55
Cash flow from operating activities before changes in working capital	107	82	449
Changes in working capital			
Decrease/increase in inventories	6	-64	-140
Decrease/increase in trade receivables	-176	-111	-139
Decrease/increase in other receivables	14	-10	-26
Increase/decrease in trade payables	13	69	52
Increase/decrease in other liabilities	41	39	20
Cash flow from operating activities	5	5	216
Investing activities			
Acquisition of intangible assets	-10	-8	-35
Acquisition of tangible assets	-7	-4	-12
Acquisition of financial assets	-1	-	-
Sale of financial assets	-	-	2
Cash flow from (-used in) investing activities	-18	-12	-45
Financing activities			
New borrowing and change in overdraft facilities	30	200	136
Loan repayments	-7	-6	-33
New issue	-	-	-
Dividends to shareholders	-	-350	-448
Cash flow from financing activities	23	-156	-345
Cash flow for (-used in) the period	10	-163	-174
Cash and cash equivalents at beginning of period	30	228	228
Exchange rate fluctuations in cash and cash equivalents	-7	-5	-24
Cash and cash equivalents at end of period	33	60	30

Rounding may entail that columns/rows do not tally.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	Q1		Jan-Dec
	2023	2022	2022
Net sales	21	14	59
Cost of goods sold	-1	-1	-4
Gross profit	20	13	55
Selling costs	-9	-7	-28
Administrative costs	-25	-17	-88
Research and development costs	-4	-2	-9
Fair value, derivatives	4	-	-7
Other operating income and operating expenses	-2	-	-14
Operating profit	-16	-13	-91
Profit/loss from financial items			
Net financial items	1	1	38
Income after financial items	-15	-12	-53
Appropriations	-	-	285
Income tax	-1	-	-40
Profit/loss for the period	-16	-12	192

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	31 Mar	31 Mar	31 Dec
	2023	2022	2022
Assets			
Fixed assets	106	92	102
Current assets	627	466	633
Total assets	733	558	735
Equity and liabilities			
Restricted equity	21	21	21
Non-restricted equity	219	121	235
Total equity	240	142	256
Untaxed reserves	68	1	68
Current liabilities	425	415	411
Total interest bearing debt	493	416	479
Total equity and liabilities	733	558	735

NOTES TO THE ACCOUNTS

NOTE 1. ACCOUNTING POLICIES

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

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

NOTE 2. KEY ASSESSMENTS AND ESTIMATES

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

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

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Receivables

The company has a loan receivable amounting to SEK 0 million (2) to a French counterpart that does not solely include contractual cash flows in the form of repayment and interest and is therefore categorised at fair value through profit or loss. The loan was repaid as of 31 December 2022. The instrument was considered as level 2, since it was measured through calculation of discounted cash flows with interest and the credit margin as per the balance sheet date.

Derivatives

The company holds derivatives that are measured at fair value at level 2 through profit or loss. At 31 March, there was a liability amounting to SEK 4 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
	2023	2022	2022
Total:			
Total profit/loss for the period attributable to shareholders of the Parent Company, SEK million	141.0	69.0	305.0
Right of preference, SEK million	-	-	-
Total profit/loss for the period attributable to shareholders of the Parent Company, adjusted, SEK	141.0	69.0	305.0
Average number of ordinary shares outstanding	151,788,000	151,788,000	151,788,000
Basic and diluted earnings per share, SEK	0.93	0.45	2.01

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

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

NOTE 5. SEGMENT REPORTING AND ALLOCATION OF REVENUE

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

Geographic market regions

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

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

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

Net sales by geographic region, continuing operations

SEK million	Q1			Jan-Dec
	2023	2022	Δ%	2022
Nordic region	324	270	20	1,003
Europe	223	116	92	600
Americas	68	32	113	154
Asia-Oceania	46	29	59	101
Total excl. foreign exchange	661	447	48	1,858
Foreign exchange effect	30	-	-	80
Total	691	447	55	1,938

Of total net sales, Sweden, where the company is domiciled, accounted for SEK 103 million (103) in the period. 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, 218 (219) engcon employees are participating in the warrant programme. A total of 1,517,880 warrants were issued, of which per den 31 March 2023, 1,311,285 (1,312,285) were

subscribed for. The change pertains to the return of warrants in conjunction with termination of employment. Each warrant entitles the holder to subscribe for one share in engcon at an agreed future price. Warrants are conditional on a vesting period of five years. To participate in this programme, employees encompassed by the programme pay a premium that is based on the fair value of allotted warrants that are measured in accordance with the Black & Scholes model. Therefore, for this program, 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 International AB, had transactions with engcon during the period through Mähler International AB. The transactions comprised the purchases of products from engcon totalling SEK 2.5 million (0.6) and sales of products to engcon of SEK 0.1 million (2.9). 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 5.2 million (6.5). In addition to these transactions, Ommapo förvaltning AB delivered services to engcon AB for KSEK 569 (108). Kristian Sjöström has, through his wholly owned company Swedish Engineering AB, delivered services to engcon for KSEK 566 (278). All transactions were conducted at market value.

NOTE 8. EVENTS AFTER THE BALANCE SHEET DATE

- engcon was awarded two prizes in the IPO of the Year category when business magazine *Affärsvärlden* handed out its annual awards: the Jury's Grand prize and Quality in the Billion-kronor Class.

QUARTERLY OVERVIEW

	2023 Q1	2022 Q4	Q3	Q2	Q1	2021 Q4	Q3	Q2
Income statement								
Net sales, SEK million	691	541	416	534	447	370	359	395
Gross profit, SEK million	315	238	187	227	180	147	158	167
Gross margin, %	45.6	44.0	45.0	42.5	40.3	39.7	44.0	42.3
Operating profit, SEK million	198	121	104	99	91	77	91	83
Operating margin, %	28.7	22.4	25.0	18.5	20.4	20.8	25.3	21.0
Profit/loss for the period, SEK million	149	90	79	82	74	75	74	63
Balance sheet								
Non-current assets, SEK million	285	267	266	273	260	225	274	281
Other current assets, SEK million	1,045	889	793	757	750	560	659	600
Cash and cash equivalents, SEK million	33	30	35	29	60	228	180	152
Total assets, SEK million	1,363	1,186	1,094	1,059	1,070	1,013	1,113	1,033
Equity, SEK million	653	501	412	334	338	613	629	552
Interest-bearing liabilities, SEK million	297	264	296	332	344	122	130	135
Non-interest-bearing liabilities, SEK million	413	421	386	393	388	278	354	346
Total equity and liabilities, SEK million	1,363	1,186	1,094	1,059	1,070	1,013	1,113	1,033
Cash flow								
Cash flow from operating activities, SEK million	5	56	63	92	5	45	36	53
Cash flow from investing activities, SEK million	-18	-15	-7	-11	-12	-	-1	-4
Cash flow from financing activities, SEK million	23	-36	-42	-111	-156	-7	-8	-140
Cash flow for the period, SEK million	10	5	14	-30	-163	38	27	-91
Key performance indicators								
Order intake, SEK million	408	553	324	519	582	774	341	431
Net sales growth, %	55.0	37.6	15.9	19.5	22.8	n/a	n/a	n/a
Net debt (+) / Net cash (-), SEK million	264	234	261	303	284	-106	-50	-17
Net debt/Net cash through EBITDA	0.5	0.5	0.6	0.7	0.7	n/a	n/a	n/a
Equity/assets ratio, %	47.9	42.2	37.7	31.5	31.6	60.5	56.5	53.4
Return on capital employed, %	63.4	56.4	54.9	57.5	50.5	47.8	n/a	n/a
Interest coverage ratio, multiple	22	53	81	388	118	n/a	n/a	n/a
Average number of full-time employees	426	425	422	376	366	345	345	314
Share data								
Basic and diluted earnings per share (continuing operations), SEK	0.93	0.59	0.49	0.47	0.45	0.49	0.48	0.41

ALTERNATIVE PERFORMANCE MEASURES AND FINANCIAL DEFINITIONS

This interim 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
	2023	2022	2022
Equity/asset ratio			
Equity, SEK million	653	338	501
Total assets, SEK million	1,363	1,070	1,186
Equity/assets ratio, %	47.9	31.6	42.2
Gross margin			
Gross profit, SEK million	315	180	833
Net sales, SEK million	691	447	1,938
Gross margin, %	45.6	40.3	43.0
Operating margin			
Operating profit, SEK million	198	91	415
Net sales, SEK million	691	447	1,938
Operating margin, %	28.7	20.4	21.4
Net debt (-) / Net cash (+)			
Non-current borrowing (+), SEK million	4	8	4
Current borrowing (+), SEK million	50	63	52
Non-current lease liabilities (+), SEK million	60	57	55
Current lease liabilities (+), SEK million	17	16	17
Bank overdraft facilities (+), SEK million	166	200	136
Cash and cash equivalents (-), SEK million	-33	-60	-30
Net debt (+) / Net cash (-), SEK million	264	284	234
EBITDA			
Operating profit, RTM, SEK million	520	359	415
Interest expenses, RTM, SEK million	24	3	8
Depreciations, RTM, SEK million	40	40	39
EBITDA	584	419	462
Net debt (+) / Net cash (-) / EBITDA			
Net debt (+) / Net cash (-), SEK million	264	284	234
EBITDA, SEK million	584	419	462
Net debt (+) / Net cash (-), SEK million/EBITDA	0.5	0.7	0.5
Interest coverage ratio, multiple			
Operating profit, RTM, SEK million	522	342	415
Financial income, RTM, SEK million	16	12	9
Summa	538	354	424
Interest expense, past 12 months, SEK million	24	3	8
Interest coverage ratio, multiple	22	118	54

Estimates (continued)

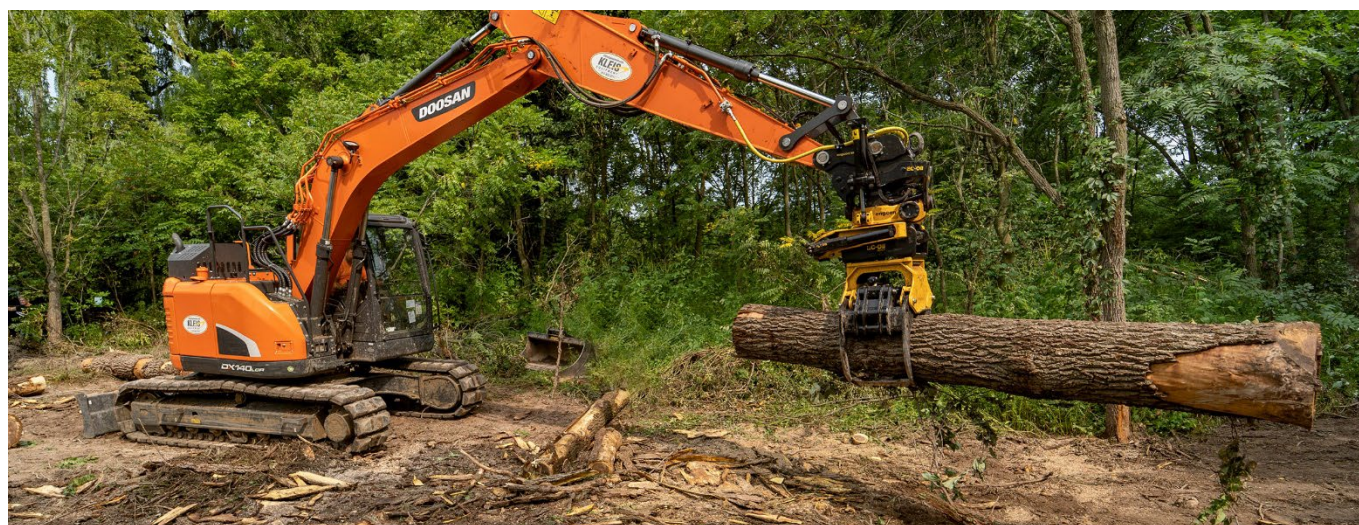
	Q1		Jan-Dec
	2023	2022	2022
Organic growth in order intake			
Order intake for the current period, SEK million	408	582	1,978
Foreign exchange, SEK million	-17	-17	-91
Order intake, excl foreign exchange, SEK million	391	565	1,887
Order intake for the preceding period, SEK million	582	421	1,967
Change in order intake, SEK million	-191	144	-80
Change in order intake, %	-32.8%	34.2%	-4.1%
Net sales and organic net sales growth			
Net sales for the current period, SEK million	691	447	1,938
Foreign exchange, SEK million	-30	-13	-80
Net sales, excl foreign exchange, SEK million	661	434	1,858
Net sales for the preceding period, SEK million	447	364	1,488
Change in organic net sales, SEK million	214	70	370
Change in organic net sales, %	47.9%	19.2%	24.9%
Return on capital employed			
Profit/loss before tax, past 12 months, SEK million	520	359	415
Interest expense, past 12 months, SEK million	24	3	8
Profit/loss before tax plus interest expenses, past 12 months, SEK million	544	362	423
Capital employed at the beginning of the period, SEK million	765	751	735
Capital employed at the end of the period, SEK million	950	682	765
Capital employed, average, SEK million	858	717	750
Return on capital employed, %	63.4	50.5	56.4
Capital employed			
Balance sheet total, SEK million	1,363	1,070	1,186
Less non-interest-bearing liabilities			
Deferred tax liabilities, SEK million	-5	-	-8
Provisions for product warranties, SEK million	-34	-26	-30
Accounts payable, SEK million	-159	-163	-146
Current tax liabilities, SEK million	-49	-56	-109
Derivatives, SEK million	-4	-4	-7
Other liabilities, SEK million	-61	-39	-42
Accrued expenses and deferred income, SEK million	-101	-100	-79
Capital employed, SEK million	950	682	765

Definitions

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

EXCHANGE RATES

	Closing rate	Average rate	Closing rate	Average rate
	31 Mar 2023	Jan-Mar 2023	31 Mar 2022	Jan-Mar 2022
1 EUR is equivalent to SEK	11.28	11.16	10.34	10.47
1 DKK is equivalent to SEK	1.51	1.50	1.39	1.41
1 NOK is equivalent to SEK	1.00	1.02	1.07	1.05
1 USD is equivalent to SEK	10.35	10.40	9.26	9.33
1 AUD is equivalent to SEK	6.92	7.10	6.93	6.73
1 PLN is equivalent to SEK	2.41	2.37	2.23	2.26
1 GBP is equivalent to SEK	12.81	12.68	12.17	12.51
1 KRW is equivalent to SEK	0.01	0.01	0.01	0.01
1 CAD is equivalent to SEK	7.64	7.69	7.41	7.37



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 2022

CHANGE THE WORLD OF DIGGING