

Q4

2022

YEAR-END REPORT JANUARY – DECEMBER 2022

Record-high net sales and stable profitability

Fourth quarter 2022

- Order intake declined -29 per cent to SEK 553 million (774); organic order growth was -33 per cent.
- Net sales increased 46 per cent to SEK 541 million (370); organic net sales growth was 38 per cent.
- Operating profit increased 57 per cent to SEK 121 million (77) and the operating margin was 22.4 per cent (20.8).
- Profit for the period increased 20 per cent to SEK 90 million (75).
- Basic and diluted earnings per share amounted to SEK 0.59 (0.48).

January – December 2022

- Order intake increased 1 per cent to SEK 1,978 million (1,967); organic order growth was -4 per cent.
- Net sales increased 30 per cent to SEK 1,938 million (1,488); organic net sales growth was 24 per cent.
- Operating profit increased 28 per cent to SEK 415 million (325) and the operating margin was 21.4 per cent (21.8).
- Profit for the period increased 21 per cent to SEK 325 million (269).
- Basic and diluted earnings per share amounted to SEK 2.01 (1.64).
- The Board of Directors proposes a dividend of SEK 0.85 (2.90) per share, to be paid in two equal installments.

Financial performance indicators for the Group¹

	Q4			Jan-Dec		
	2022	2021	Δ%	2022	2021	Δ%
Order intake, SEK million	553	774	-29	1,978	1,967	1
Net sales, SEK million	541	370	46	1,938	1,488	30
Gross profit, SEK million	238	147	62	833	626	33
Gross margin, %	44.0	39.7	n/a	43.0	42.1	n/a
Operating profit, SEK million	121	77	57	415	325	28
Operating margin, %	22.4	20.8	n/a	21.4	21.8	n/a
Profit/loss for the period from continuing operations, SEK million	90	75	20	325	270	20
Earnings per share, before and after dilution, SEK	0.59	0.48	22	2.01	1.64	23
Return on capital employed, %	56.4	n/a	n/a	56.4	47.8	n/a
Equity/assets ratio, %	42.2	60.5	n/a	42.2	60.5	n/a

¹ For more information, see the financial definitions and alternative performance measures section on page 21 and Note 6 Discontinued operations.

CEO'S COMMENTS

”

We have exceeded our targets despite challenging conditions, and this is thanks to our committed employees who, each and every day, have purposefully developed solutions for the challenges we have faced.



We end a historic year in which the company took the step of entering the stock market with our strongest ever quarter in terms of sales. Operating profit and profitability exceeded our financial targets and a strong order book provides security for the quarter ahead. We believe that the prerequisites for long-term growth remain healthy, particularly outside our mature markets.

Strong end to a challenging year

2022 was far from a normal year. The year began with a larger price hike to compensate for increased supplier prices combined with component shortages, long lead times and the outbreak of war in Ukraine. Considerable pre-ordering and bunkering effects as a consequence of price hikes and long lead times altered the historical seasonal pattern and resulted in a large proportion of orders being brought forward in the fourth quarter of 2021 and the first quarter of 2022. Combined with increased economic uncertainty, inflation and interest rates, this led to an expected downturn in Nordic and European markets in the fourth quarter compared with exceptional comparative figures. Despite this, the order intake is at a high level when seen from a long-term perspective.

The continued high activity in the Americas is pleasing to witness. Our overall solution is attracting the US market, where we see considerable growth potential. It is worth noting that there was a break in the trend in 2022, with growth markets outside the Nordic region recording higher order intake than the Nordic region for the first time. This shows that our initiative to increase our presence in these markets is yielding results and is making us less dependent on the mature market's more cyclical excavator sales. Combined with a strong order book, this provides us with a solid platform for continued growth and stable earnings despite being faced with a market that is difficult to predict. We continue to invest in expansion in sales organization, production capacity in Poland and third generation tiltrotator system.

Improved operating profit and profitable growth

High net sales in the quarter with full impact from the year's price increases generated a strong operating margin of 22.4 per cent despite higher costs for the ongoing change of Group-wide business systems. The positive earnings and profitability trend during the year is testament to our ability to meet and handle the challenges that result from an uncertain business environment and this is strengthening us for times ahead.

We are continuing to change the world of digging

With an ear to the market, we have consciously developed close relationships with end customers and OEMs, which has been decisive for our market position as an industry-leading innovator. In October, we participated at Bauma in Munich, one of the world's largest exhibitions, where we received considerable interest for our products. Tiltrotators are becoming increasingly established and our development partnerships with OEMs are providing further opportunities for more excavators to be tiltrotator-ready when they leave the factory. We are also seeing an increased focus on sustainability in the industry and engcon's third generation tiltrotator, which was launched during the year, is designed for resource-efficient digging. Coupled with the fact that tiltrotator-equipped excavators save both time and fuel, this strengthens our conviction to continue to drive development toward more sustainable digging.

I reflect on 2022 with pride. We have exceeded our targets despite challenging conditions, and this is thanks to our committed employees who, each and every day, have purposefully developed solutions for the challenges we have faced. These results can be witnessed in the form of shorter delivery times and a higher rate of production. I would like to extend my sincere thanks to our employees and I look forward to 2023, where we, together with our customers, partners and other stakeholders, will continue to change the world of digging.

Krister Blomgren
President and CEO

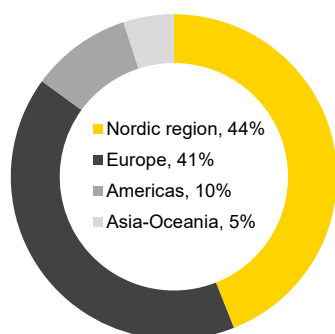
GROUP'S FINANCIAL PERFORMANCE

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

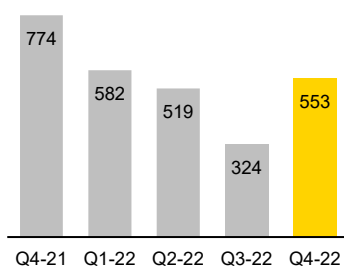
38%

Organic net sales growth

Net sales by geographic market region in Q4



Order intake by quarter, SEK million



Group

	Q4			Jan-Dec		
	2022	2021	Δ%	2022	2021	Δ%
Order intake, SEK million	553	774	-29	1,978	1,967	1
Net sales, SEK million	541	370	46	1,938	1,488	30
Gross profit, SEK million	238	147	62	833	626	33
Gross margin, %	44.0	39.7	n/a	43.0	42.1	n/a
Operating profit, SEK million	121	77	57	415	325	28
Operating margin, %	22.4	20.8	n/a	21.4	21.8	n/a

Order intake by geographic market region

SEK million	Q4			Jan-Dec		
	2022	2021	Δ%	2022	2021	Δ%
Nordic region	256	497	-48	916	1,172	-22
Europe	146	206	-29	631	573	10
Americas	80	39	105	209	124	69
Asia-Oceania	34	32	6	131	98	34
Total excl. foreign exchange	516	774	-33	1,887	1,967	-4
Foreign exchange effect	37	-	-	91	-	-
Total	553	774	-29	1,978	1,967	1

Net sales by geographic market region

SEK million	Q4			Jan-Dec		
	2022	2021	Δ%	2022	2021	Δ%
Nordic region	223	198	13	1,003	853	18
Europe	210	118	78	600	442	36
Americas	52	33	58	154	115	34
Asia-Oceania	24	21	14	101	78	29
Total excl. foreign exchange	509	370	38	1,858	1,488	24
Foreign exchange effect	32	-	-	80	-	-
Total	541	370	46	1,938	1,488	30

Of total net sales in the period, Sweden accounted for SEK 392 million (348).

Order intake and net sales

Fourth quarter 2022

Order intake during the quarter amounted to SEK 553 million (774), a decrease of -29 per cent, and organic order intake declined -33 per cent.

Order growth was lower during the quarter, particularly in the Nordic region and parts of Europe. At the same time, activity was higher in other regions, with the largest percentage increase in 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 end of 2021 and in the first quarter of 2022, which was an exceptionally strong quarter historically. For 2020, which was a more normal year, the order intake for the fourth quarter amounted to SEK 325 million.

Net sales during the quarter amounted to SEK 541 million (370), an increase of 46 per cent and organic net sales growth of 38 per cent.

All market regions reported favourable net sales growth, with Europe and the Americas reporting the strongest growth.



January – December 2022

Order intake during the year amounted to SEK 1,978 million (1,967), an increase of 1 per cent, and organic order intake declined 4 per cent. For 2020, which was a more normal year, the order intake for the year amounted to SEK 1,114 million.

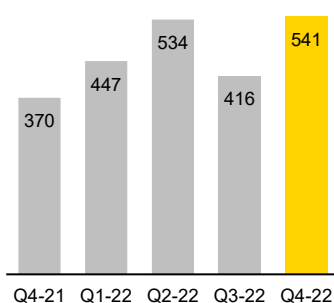
All geographic regions aside from the Nordic region recorded healthy order growth during the year, with the largest percentage increase noted in the Americas and Asia-Oceania. The order intake in the Nordic region was impacted by pre-ordering and bunkering effects in the fourth quarter of 2021.

Net sales for the year amounted to SEK 1,938 million (1,488), an increase of 30 per cent, and organic net sales growth increased 24 per cent.

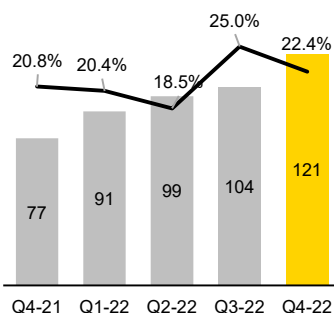
All regions reported healthy net sales growth, with the largest percentage increase during the period noted in Europe and the Americas.

Earnings and net financial items

Net sales by quarter, SEK million



EBIT SEK million and EBIT margin by quarter



Fourth quarter 2022

Gross earnings during the quarter amounted to SEK 238 million (147), an increase of 62 per cent. The gross margin was stable and amounted to 44.0 per cent (39.7) and was positively impacted by two price adjustments that came into force on 1 January and 1 April 2022, respectively, which had full impact in the fourth quarter of 2022. The price adjustments offset increased costs of goods sold attributable to higher costs for components, raw materials, freight and energy surcharges.

EBIT for the quarter amounted to SEK 121 million (77), an increase of 57 per cent. The operating margin was 22.4 per cent (20.8).

Increased net sales improved operating profit. The operating margin was maintained despite costs for the build-up of local sales organisations and costs related to the change of Group-wide business systems of SEK 8 million (1). Implementation of the business system will commence in the final quarter of 2023 and will continue in the coming years.

Net financial items for the quarter amounted to SEK -13 million (14). Profit before tax for the quarter amounted to SEK 108 million (91).

Income tax for the quarter was SEK -18 million (-16). The effective tax rate for the quarter amounted to 16.7 per cent (17.6).

Total earnings after tax for continuing operations for the quarter amounted to SEK 90 million (75). For more information, refer to Note 6.

January – December 2022

Gross earnings during the year amounted to SEK 833 million (626), an increase of 33 per cent.

The gross margin was stable for the year and amounted to 43.0 per cent (42.1) and was impacted marginally by increased costs of goods sold attributable to higher costs for components, raw materials, freight and energy surcharges. A positive influencing factor was the two price adjustments that came into force on 1 January and 1 April 2022, respectively, which had full impact in the final quarter of 2022.

EBIT during the year amounted to SEK 415 million (325), an increase of 28 per cent. The operating margin was 21.4 per cent (21.8). Excluding IPO costs, the operating margin was 22.3 (21.8).

Increased net sales improved operating profit. The operating margin was impacted by higher costs of goods sold but was offset by price increases. The operating margin was also impacted by costs for the build-up of local sales organizations, IPO costs of SEK 17 million (4) and the change of Group-wide business systems of SEK 24 million (7). The implementation of the business system commenced in the final quarter of 2023 and will continue in the coming years.

The effect of the fair value of derivative instruments amounted to SEK -7 million (0) for the year.



Net financial items for the year amounted to SEK 0 million (16). Profit before tax for the year amounted to SEK 415 million (341).

Income tax for the year was SEK -90 million (-72). The effective tax rate for the year amounted to 21.7 per cent (21.1).

Total profit after tax for continuing operations for the year amounted to SEK 325 million (269). For more information, refer to Note 6.

Investments and depreciation/amortisation

Investments in intangible and tangible assets and right-of-use assets amounted to SEK 19 million (10) for the quarter and SEK 75 million (32) for the year. The investments were mainly attributable to machinery and development costs for the third generation tiltrotator.

Depreciation and amortisation of tangible and intangible assets amounted to SEK 10 million (14) for the quarter and SEK 39 million (31) for the year.

Cash flow¹

Cash flow from operating activities amounted to SEK 56 million (45) for the quarter and SEK 216 (175) for the year, which was mainly attributable to improved profitability but was also negatively impacted by increased capital tied up in inventory and accounts receivables.

Cash flow from investing activities amounted to SEK -15 million (0) for the quarter and SEK -45 million (-7) for the year. The investments were mainly attributable to machinery and development costs for the third generation tiltrotator.

Cash flow from financing activities amounted to SEK -36 million (-7) for the quarter and SEK -345 million (-160) for the year. The change for the quarter is a result of increased capital tied up in inventory and accounts receivables, and for the year is mainly the result of the dividend paid.

Total cash flow from operations amounted to SEK 5 million (38) for the quarter and SEK -174 million (8) for the year.

Financial position and return

	31 Dec 2022	31 Dec 2021
Total borrowing, SEK million	56	75
Bank overdraft facilities, SEK million	136	n/a
Total lease liabilities, SEK million	72	47
Cash and cash equivalents, SEK million	-30	-228
Net debt (+) / Net cash (-), SEK million	234	-106
Equity, SEK million	501	613
Equity/assets ratio, %	42.2	60.5
Return on capital employed, %	56.4	47.8

The strong growth in Asia-Oceania and the Americas and the long lead times to these geographically distant markets has resulted in higher inventory levels. This resulted in an increase in inventory, which amounted to SEK 443 million at the end of the year compared with SEK 303 million on 31 December 2021. The strong net sales resulted in an increase in accounts receivable from SEK 208 million to SEK 347 million.

The increase in net debt and reduction in equity as well as a lower equity/assets ratio were attributable to the dividend paid. The Group had unutilised credit facilities of SEK 182 million at the end of the year compared with SEK 80 million on 31 December 2021. Including cash and cash equivalents, the Group's unutilised total liquidity amounted to SEK 212 million (308). The Group's existing credit facility amounted to SEK 318 million (80).

¹Cash flow pertains to continuing and discontinued operations.

SIGNIFICANT EVENTS



On 24-30 October, engcon participated at Bauma in Munich, Germany, one of the world's largest and most visited exhibitions.

Fourth quarter

- engcon participated in the leading international exhibition Bauma in Germany.

Events after the end of the quarter

- engcon terminated the contract with its previous distributor in Norway and started its own operations in the country through the company engcon Norway AS in the first quarter.
- On 15 February 2023, Rototilt Group adjusted the damages claimed in its lawsuit to approximately SEK 200 million.

FINANCIAL TARGETS AND DIVIDEND POLICY

Net sales growth

- engcon's objective is to exceed the growth in the existing markets¹ through organic growth. As of 31 December 2022, organic growth amounted to 24.6 per cent.

Profitability

- engcon's targets an operating margin (EBIT margin) in excess of 20 per cent measured over a business cycle. As of 31 December 2022, the operating margin was 21.4 per cent (21.8). Excluding IPO costs, the operating margin was 22.3 (21.8).

Capital efficiency

- engcon will continue to achieve an industry-leading capital efficiency. Return on capital employed (ROCE) to exceed 40 per cent measured over a business cycle. As of 31 December 2022, return on capital employed amounted to 56.4 per cent (47.8).

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. As of 31 December 2022, the equity to assets ratio amounted to 42.2 per cent (60.5).

Dividend policy

- engcon will pay approximately 50 per cent of net profit in dividends. The dividend proposal will consider engcon's long-term development potential, financial position and investment needs. The Board of Directors proposes a dividend of SEK 0.85 (2.90) per share, to be paid in two equal installments.

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 2021 Annual Report, pages 22-24 and pages 57-60, with the addition of what is stated below. The Annual Report is available from engcon AB, Godsgatan 6, SE-833 36 Strömsund, Sweden.

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 war in Ukraine and the prevailing external and economic situation with increased inflation and interest-rate hikes could entail further disruptions to the supply chain, with longer lead times. This could result in continued rising prices for raw materials, energy, components and freight, as well as reduced demand.

The Board and Group management continue to closely monitor developments and the potential effects these could lead to. Two price increases were completed in 2022, on 1 January and 1 April, respectively, to offset the increased costs. For the same reason, a price hike came into effect on 1 January 2023.

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 will be admissible in district court in the last week of March. Nothing new has come to light during the year that has led to any changed assessment.

Employees

The average number of full-time employees at year-end amounted to 425 (327), of whom 23 per cent (20) were women and 77 per cent (80) men.

Seasonal variations

Seasonal variations have little impact on engcon's operations and diminish successively on account of sales in several markets, which contributes to a more even earnings trend over the course of the year. The fourth quarter is normally characterised by a higher order intake, partly as an effect of forthcoming price increases.

Share capital and shareholders

The company's registered share capital at 31 December 2022 amounted to SEK 21,250,320, distributed among 35,344,778 class A shares and 116,443,222 class B shares. The shares have a quotient value of SEK 0.14 per share. Each Class A share represents ten votes and each Class B share one vote. On 31 December 2022, there were 5,473 shareholders in the company.

The company's largest shareholder on 31 December 2022 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, Capital Group, Nordstjernen, Svolder AB, Handelsbanken Fonder and C WorldWide Asset Management were engcon's largest shareholders.

At the end of September, Capital Group flagged that shareholdings in engcon AB corresponded to 5.01 per cent of capital and 1.62 per cent of votes. 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.

2023 Annual General Meeting and dividend proposal

The 2023 Annual General Meeting will be held on 4 May 2023 at Folkets Hus in Strömsund, Sweden. The Board of Directors proposes a dividend of SEK 0.85 (2.90) per share for the 2022 financial year to be paid in two equal installments with record dates May 8 and October 2, 2023.

Parent Company

The Parent Company's net sales amounted to SEK 17 million (12) for the quarter and SEK 59 million (49) for the year.

Operating loss for the quarter amounted to SEK -23 million (-13) and SEK -91 million (-35) for the year. Net profit for the quarter amounted to SEK 226 million (329) and SEK 192 million (478) for the year.

Amounts and dates

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

SIGNING OF THE REPORT

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

engcon AB

Strömsund, 22 February 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

Anne Vågström, Head of
Communications and IR
+46 76,126 40 84
anne.vagstrom@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 22 February 2023 at 8.00 a.m. CEST.

Audiocast presentation of the year-end report

engcon will present the report via an audiocast on 22 February at 11:00 a.m. CEST.

To participate, use this link:
<https://ir.financialhearings.com/engcon-q4-2022>

To participate via a telephone conference, use the link below:
<https://conference.financialhearings.com/teleconference/?id=5007432>

The presentation is available at
www.engcongroup.com.

Financial calendar 2023

Annual and Sustainability Report 2022,
31 March 2023

Interim Report January – March 2023,
28 April 2023

2023 Annual General Meeting,
4 May in Strömsund, Sweden

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	Q4		Jan-Dec	
	2022	2021	2022	2021
Continuing operations				
Net sales	541	370	1,938	1,488
Cost of goods sold	-303	-223	-1,105	-862
Gross profit	238	147	833	626
Selling costs	-71	-46	-235	-165
Administrative costs	-40	-23	-150	-84
Research and development costs	-8	-18	-28	-63
Fair value, derivatives	9	-	-7	-
Other operating income and operating expenses	-7	17	2	11
Operating profit	121	77	415	325
Profit/loss from financial items				
Net financial items	-13	14	-	16
Profit/loss before tax	108	91	415	341
Income tax	-18	-16	-90	-71
Profit/loss for the period from continuing operations	90	75	325	270
Profit/loss from discontinued operations	-	38	-	45
Total profit/loss for the period	90	113	325	315
Profit/loss for the period from continuing operations:				
Attributable to:				
Parent Company shareholders	89	74	305	249
Non-controlling interest	1	2	20	20
Total profit/loss for the period:				
Attributable to:				
Parent Company shareholders	89	111	305	293
Non-controlling interest	1	2	20	20
Earnings per share, continuing operations (SEK)				
Before dilution	0.59	0.48	2.01	1.64
After dilution	0.59	0.48	2.01	1.64
Earnings per share, total, incl. discontinued operations (SEK)				
Before dilution	0.59	0.74	2.01	1.93
After dilution	0.59	0.74	2.01	1.93

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Q4		Jan-Dec	
	2022	2021	2022	2021
Total profit/loss for the period	90	113	325	315
Other comprehensive income				
Items that may be reversed to profit or loss:				
Exchange-rate differences upon translation of foreign operations	3	1	11	4
Comprehensive income for the period	93	114	336	319
Attributable to:				
Parent Company shareholders	91	112	314	295
Non-controlling interest	2	2	22	21

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	31 Dec 2022	31 Dec 2021
Assets		
Fixed assets		
Goodwill	20	20
Other intangible assets	35	-
Right-of-use assets	69	49
Property plant and equipment	141	149
Participations in associates and joint ventures	-	-
Other non-current receivables	2	5
Derivatives	-	-
Deferred tax receivables	-	2
Total non-current assets	267	225
Current assets		
Inventories	443	303
Accounts receivable	347	208
Current tax assets	27	3
Other receivables	29	24
Prepaid expenses and accrued income	43	22
Cash and cash equivalents	30	228
Total current assets	919	788
Total assets	1,186	1,013
Equity and liabilities		
Share capital	21	21
Other contributed capital	6	6
Translation reserve	14	4
Retained earnings including profit for the year	425	560
Equity attributable to Parent Company shareholders	466	591
Non-controlling interest	35	22
Total equity	501	613
Non-current liabilities		
Borrowings	4	8
Deferred tax asset	8	-
Lease liabilities	55	36
Provisions product warranty	30	23
Total non-current liabilities	97	67
Current liabilities		
Trade payables	146	94
Current tax liabilities	109	61
Lease liabilities	17	11
Borrowings	52	67
Overdraft facility	136	-
Derivatives	7	-
Other liabilities	42	34
Accrued expenses and deferred income	79	66
Total current liabilities	588	333
Total interest bearing debt	685	400
Total equity and liabilities	1,186	1,013

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 2021	1	-	-8	538	531	30	561
Profit/loss for the year	-	-	-	293	293	20	313
Other comprehensive income	-	-	12	-10	2	1	3
Total comprehensive income	-	-	12	283	295	21	316
Transactions with shareholders:							
Dividend	-	-	-	-241	-241	-29	-270
Bonus issue	20	-	-	-20	-	-	-
Employee share option programme	-	6	-	-	6	-	6
Total transactions with shareholders	20	6	-	-261	-235	-29	-264
Closing balance 31 December 2021	21	6	4	560	591	22	613
SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
Opening balance 1 January 2022	21	6	4	560	591	22	613
Profit/loss for the year	-	-	-	305	305	20	325
Other comprehensive income	-	-	10	-	10	1	11
Total comprehensive income	-	-	10	305	315	21	336
Transactions with shareholders:							
Dividend	-	-	-	-440	-440	-8	-448
Total transactions with shareholders	-	-	-	-440	-440	-8	-448
Closing balance 31 December 2022	21	6	14	425	466	35	501

Rounding may entail that columns/rows do not tally.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Q4		Jan-Dec	
	2022	2021	2022	2021
Operating profit	121	77	415	325
Discontinued operations, operating profit/loss	-	3	-	9
Adjustments for non-cash items:				
Amortisation and depreciation	10	11	39	38
Provision	3	2	7	3
Translation difference	10	-	24	3
Other adjustments	-9	-3	8	-
Interest received	-	2	28	5
Interest paid	-9	-1	-17	-4
Income tax paid	2	-9	-55	-48
Cash flow from operating activities before changes in working capital	128	82	449	331
Changes in working capital				
Decrease/increase in inventories	-50	-17	-140	-132
Decrease/increase in trade receivables	-18	44	-139	-56
Decrease/increase in other receivables	-4	-9	-26	-13
Increase/decrease in trade payables	-14	-35	52	16
Increase/decrease in other liabilities	14	-20	20	29
Cash flow from operating activities	56	45	216	175
Investing activities				
Acquisition of intangible assets	-13	-	-35	-
Acquisition of tangible assets	-4	-4	-12	-12
Sale of financial assets	2	4	2	5
Cash flow from (-used in) investing activities	-15	-	-45	-7
Financing activities				
New borrowing and change in overdraft facilities	-20	87	136	87
Loan repayments	-13	-72	-33	-90
New issue	-	6	-	6
Dividend	-3	-28	-448	-163
Cash flow from financing activities	-36	-7	-345	-160
Cash flow for (-used in) the period	5	38	-174	8
Cash and cash equivalents at beginning of period	35	180	228	209
Exchange rate fluctuations in cash and cash equivalents	-10	10	-24	11
Cash and cash equivalents at end of period	30	228	30	228

The balance sheet for 2021 includes assets and liabilities for discontinued operations.
Rounding may entail that columns/rows do not tally.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	Q4		Jan-Dec	
	2022	2021	2022	2021
Net sales	17	12	59	49
Cost of goods sold	-1	-	-4	-2
Gross profit	16	12	55	47
Selling costs	-10	-12	-28	-21
Administrative costs	-21	-4	-88	-34
Research and development costs	-2	-10	-9	-28
Fair value, derivatives	9	-	-7	-
Other operating income and operating expenses	-15	1	-14	1
Operating profit	-23	-13	-91	-35
Profit/loss from financial items				-
Net financial items	18	109	38	280
Income after financial items	-5	96	-53	245
Appropriations	285	286	285	286
Income tax	-54	-53	-40	-53
Profit/loss for the period	226	329	192	478

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	31 Dec	31 Dec
	2022	2021
Assets		
Fixed assets	102	91
Current assets	633	668
Total assets	735	759
Equity and liabilities		
Restricted equity	21	21
Non-restricted equity	235	483
Total equity	256	504
Untaxed reserves	68	1
Current liabilities	411	254
Total interest bearing debt	479	255
Total equity and liabilities	735	759

NOTES TO THE ACCOUNTS

NOT 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 2021 Annual Report, Note 2 Accounting policies. No new and revised standards and interpretations that came into force on 1 January 2022 have had any material impact on engcon's financial statements.

From 1 January 2022, lease liabilities are divided into long and short-term components, and the comparison periods were restated. At 31 December 2021, SEK 11 million was reclassified from long-term to short-term lease liabilities.

NOT 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 2021 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.

NOT 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 (4) 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 is to be considered as level 2, since it is measured through calculation of discounted cash flows with interest and the credit margin as per the balance sheet date.

Derivatives

The company holds currency futures that are measured at fair value at level 2 through profit or loss. At 31 December, there was a receivable amounting to SEK 0 million (0) and a liability amounting to SEK 7 million (0). 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.

NOT 4. EARNINGS PER SHARE

	Q4		Jan-Dec	
	2022	2021	2022	2021
Continuing operations:				
Profit/loss for the period from continuing operations attributable to shareholders of the Parent Company, SEK million	89.0	74.0	305.0	249.0
Right of preference, SEK million	-	-0.8	-	-0.8
Profit/loss for the period from continuing operations attributable to shareholders of the Parent Company, adjusted, SEK million	89.0	73.2	305.0	248.2
Average number of ordinary shares outstanding	151,788,000	151,788,000	151,788,000	151,788,000
Basic and diluted earnings per share, SEK	0.59	0.48	2.01	1.64
Total (incl. discontinued operations):				
Total profit/loss for the period attributable to shareholders of the Parent Company, SEK million	89.0	111.0	305.0	293.0
Right of preference, SEK million	-	-0.8	-	-0.8
Total profit/loss for the period attributable to shareholders of the Parent Company, adjusted, SEK million	89.0	110.2	305.0	292.2
Average number of ordinary shares outstanding	151,788,000	151,788,000	151,788,000	151,788,000
Basic and diluted earnings per share, SEK	0.59	0.74	2.01	1.93

During the period, 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. On 24 November 2021, an Extraordinary General Meeting was held, which resolved to implement a share split (14,000:1). The table above shows the number of shares and values after the split was completed and comparative data have been updated correspondingly.

NOT 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 Group's 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.

Geographical market regions

The Group's sales are divided into four geographical 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	Q4			Jan-Dec		
	2022	2021	Δ%	2022	2021	Δ%
Nordic region	223	198	13	1,003	853	18
Europe	210	118	78	600	442	36
Americas	52	33	58	154	115	34
Asia-Oceania	24	21	14	101	78	29
Total excl. foreign exchange	509	370	38	1,858	1,488	24
Foreign exchange effect	32	-	-	80	-	-
Total	541	370	46	1,938	1,488	30

Of total net sales, Sweden, where the company is domiciled, accounted for SEK 392 million (348) in the period. The net sales above are based on where the customer is domiciled.

NOT 6. DISCONTINUED OPERATIONS

At an Extraordinary General Meeting on 24 November 2021, a resolution was passed on a distribution in kind of 100 per cent of the Group's holding in Mähler International AB, which accounted for 10 per cent of the Group's net sales during 2021. The distribution was carried out in order to streamline the Group's operations. In accordance with IFRIC 17, Mähler

International AB was remeasured in the Group, resulting in a positive effect of SEK 36 million for full-year 2021. Details of the assets and liabilities distributed and the calculation of profit or loss from the distribution in kind are reported below. The result from the discontinued operations, which was included in earnings for 2021, is specified below.

SEK million	Q4		Jan-Dec	
	2022	2021	2022	2021
Net sales	-	34	-	137
Expenses	-	-30	-	-127
Profit/loss before tax	-	4	-	10
Income tax	-	-1	-	-2
Profit on disposal of discontinued operations	-	36	-	36
Profit/loss from discontinued operations after tax	-	39	-	44

NOT 7. INCENTIVE PROGRAMMES

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 AB during the period through Mähler International AB. The value of the transactions amounted to SEK 21.8 million (17.6) and mainly comprised products. Ommapo förvaltning AB also has an indirect ownership of Drivex AB, which has

conducted transactions, mainly comprising products, with engcon amounting to SEK 32.4 million (23.4). In addition to these transactions, Ommapo förvaltning AB delivered services to engcon AB for KSEK 985 (404) and Monen Holding AB delivered services for KSEK 23 (30). All transactions were conducted at market value.

NOT 8. 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 AB during the period through Mähler International AB. The value of the transactions amounted to SEK 21.8 million (17.6) and mainly comprised products. Ommapo förvaltning AB also has an indirect ownership of Drivex AB, which has conducted transactions, mainly comprising products, with

engcon amounting to SEK 32.4 million (23.4). In addition to these transactions, Ommapo förvaltning AB delivered services to engcon AB for KSEK 985 (404), Monen Holding AB delivered services for KSEK 23 (30) and Swedish Engineering AB, with its principal owner Kristian Sjöström, delivered services for KSEK 2,119 (104). All transactions were conducted at market value.

NOT 9. EVENTS AFTER THE BALANCE SHEET DATE

- engcon terminated the contract with its previous distributor in Norway and started its own operations in the country through the company engcon Norway AS in the first quarter.
- On 15 February 2023, Rototilt Group adjusted the damages claimed in its lawsuit to approximately SEK 200 million.

QUARTERLY OVERVIEW

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement								
Net sales, SEK million	541	416	534	447	370	359	395	364
Gross profit, SEK million	238	187	227	181	147	158	167	154
Gross margin, %	44.0	45.0	42.5	40.5	39.7	44.0	42.3	42.3
Operating profit, SEK million	121	104	99	91	77	91	83	74
Operating margin, %	22.4	25.0	18.5	20.4	20.8	25.3	21.0	20.3
Profit/loss for the period from continuing operations, SEK million	90	79	82	74	75	74	63	57
Balance sheet								
Non-current assets, SEK million	267	266	273	260	225	274	281	274
Other current assets, SEK million	889	793	757	750	560	659	600	566
Cash and cash equivalents, SEK million	30	35	29	60	228	180	152	242
Total assets, SEK million	1,186	1,094	1,059	1,070	1,013	1,113	1,033	1,082
Equity, SEK million	501	412	334	338	613	629	552	621
Interest-bearing liabilities, SEK million	264	296	332	344	122	130	135	130
Non-interest-bearing liabilities, SEK million	421	386	393	388	278	354	346	331
Total equity and liabilities, SEK million	1,186	1,094	1,059	1,070	1,013	1,113	1,033	1,082
Cash flow								
Cash flow from operating activities, SEK million	56	63	92	5	45	36	53	40
Cash flow from investing activities, SEK million	-15	-7	-11	-12	-	-1	-4	-3
Cash flow from financing activities, SEK million	-36	-42	-111	-156	-7	-8	-140	-5
Cash flow for the period, SEK million	5	14	-30	-163	38	27	-91	32
Key performance indicators								
Order intake, SEK million	553	324	519	582	774	341	431	421
Net sales growth, %	37.6	15.9	19.5	22.8	n/a	n/a	n/a	n/a
Net debt (+) / Net cash (-), SEK million	234	261	303	284	-106	-50	-17	-112
Net debt/Net cash through EBITDA	0.5	0.6	0.7	n/a	n/a	n/a	n/a	n/a
Equity/assets ratio, %	42.2	37.7	31.5	31.6	60.5	56.5	53.4	57.4
Return on capital employed, %	56.4	54.9	57.5	50.5	47.8	n/a	n/a	n/a
Interest coverage ratio, multiple	53	81	388	n/a	n/a	n/a	n/a	n/a
Average number of full-time employees	425	422	376	366	345	345	314	304
Share data								
Basic and diluted earnings per share (continuing operations), SEK	0.59	0.49	0.47	0.48	0.49	0.48	0.41	0.37

ALTERNATIVE PERFORMANCE MEASURES AND FINANCIAL DEFINITIONS

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

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

Estimates¹

	Q4		Jan-Dec	
	2022	2021	2022	2021
Equity/asset ratio				
Equity, SEK million	501	613	501	613
Total assets, SEK million	1,186	1,013	1,186	1,013
Equity/assets ratio, %	42.2	60.5	42.2	60.5
Gross margin				
Gross profit, SEK million	238	147	833	626
Net sales, SEK million	541	370	1,938	1,488
Gross margin, %	44.0	39.7	43.0	42.1
Operating margin				
Operating profit, SEK million	121	77	415	325
Net sales, SEK million	541	370	1,938	1,488
Operating margin, %	22.4	20.8	21.4	21.8
Net debt (-) / Net cash (+)				
Non-current borrowing (+), SEK million	4	8	4	8
Current borrowing (+), SEK million	52	67	52	67
Non-current lease liabilities (+), SEK million	55	36	55	36
Current lease liabilities (+), SEK million	17	11	17	11
Bank overdraft facilities (+), SEK million	136	n/a	136	n/a
Cash and cash equivalents (-), SEK million	-30	-228	-30	-228
Net debt (+) / Net cash (-), SEK million	234	-106	234	-106
EBITDA				
Operating profit, RTM, SEK million	415	n/a	415	341
Interest expenses, RTM, SEK million	8	n/a	8	2
Depreciations, RTM, SEK million	39	n/a	39	32
EBITDA	462	n/a	462	375
Net debt (+) / Net cash (-) / EBITDA				
Net debt (+) / Net cash (-), SEK million	234	n/a	234	-106
EBITDA, SEK million	462	n/a	462	375
Net debt (+) / Net cash (-), SEK million/EBITDA	0.5	n/a	0.5	-0.3
Interest coverage ratio, multiple				
Operating profit, RTM, SEK million	415	n/a	415	325
Financial income, RTM, SEK million	9	n/a	9	17
Summa	424	n/a	424	342
Interest expense, past 12 months, SEK million	8	n/a	8	2
Interest coverage ratio, multiple	53	n/a	53	171

¹ The performance measures for 2021 include assets and liabilities for discontinued operations.

Estimates (cont.)¹

	Q4		Jan-Dec	
	2022	2021	2022	2021
Organic growth in order intake				
Order intake for the current period, SEK million	553	774	1,978	1,967
Currency change ² , SEK million	-37	n/a	-91	n/a
Order intaks, ex currency, %	516	n/a	1,887	n/a
Order intake for the preceding period, SEK million	774	n/a	1,967	n/a
Change in order intake, SEK million	-258	n/a	-80	n/a
Change in order intake, %	-33.3%	n/a	-4.1%	n/a
Net sales and organic net sales growth, SEK million				
Net sales for the current period, SEK million	541	370	1,938	1,488
Currency change ² , SEK million	-32	n/a	-80	n/a
Change in net sales, ex currency, %	509	n/a	1,858	n/a
Net sales for the preceding period, SEK million	370	n/a	1,488	n/a
Change in organic order intake, SEK million	139	n/a	370	n/a
Change in organic order intake, %	37.6%	n/a	24.6%	n/a
Return on capital employed				
Profit/loss before tax, past 12 months, SEK million	415	n/a	415	341
Interest expense, past 12 months, SEK million	8	n/a	8	2
Profit/loss before tax plus interest expenses, past 12 months, SEK million	423	n/a	423	343
Capital employed at the beginning of the period, SEK million	735	n/a	735	699
Capital employed at the end of the period, SEK million	765	735	765	735
Capital employed, average, SEK million	750	n/a	750	717
Return on capital employed, %	56.4	n/a	56.4	47.8
Capital employed				
Balance sheet total, SEK million	1,186	1,013	1,186	1,013
Less: non-interesting-bearing liabilities				
Deferred tax liabilities, SEK million	-8	n/a	-8	n/a
Provisions for product warranties, SEK million	-30	-23	-30	-23
Accounts payable, SEK million	-146	-94	-146	-94
Current tax liabilities, SEK million	-109	-61	-109	-61
Derivatives, SEK million	-7	n/a	-7	n/a
Other liabilities, SEK million	-42	-34	-42	-34
Accrued expenses and deferred income, SEK million	-79	-66	-79	-66
Capital employed, SEK million	765	735	765	735

¹The performance measures for 2021 include assets and liabilities for discontinued operations.

²The company reports currency effects as from the first quarter 2022.

Definitions

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

EXCHANGE RATES

	Closing rate 31 Dec 2022	Average rate Jan-Dec 2022	Closing rate 31 Dec 2021	Average rate Jan-Dec 2021
1 EUR is equivalent to SEK	11.13	10.62	10.23	10.15
1 DKK is equivalent to SEK	1.50	1.43	1.38	1.37
1 NOK is equivalent to SEK	1.06	1.05	1.03	1.00
1 USD is equivalent to SEK	10.44	10.10	9.04	8.57
1 AUD is equivalent to SEK	7.09	7.01	6.56	6.43
1 PLN is equivalent to SEK	2.37	2.27	2.23	2.23
1 GBP is equivalent to SEK	12.58	12.46	12.18	11.78
1 KRW is equivalent to SEK	0.01	0.01	0.01	0.01
1 CAD is equivalent to SEK	7.71	7.75	7.06	6.83



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 13 local sales companies and through an established network of resellers. 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



13 local sales companies



400+ employees



SEK 1.9 billion in net sales in 2022