



Interim report  
Third quarter  
2023

**Q3** 2023

## Third quarter 2023

### ● Net sales

MSEK 1,035 (1,068) – reported sales were down -3% year-on-year. After adjusting for the impact of currency +4%, sales on a like for like basis, in constant currency year-on-year were down -7%.

### ● Operating income

MSEK 134 (175), generating an operating margin of 13.0% (16.3). After adjusting for the cost associated with the closure of Itasca of MSEK 12, the operating margin before items affecting comparability was 14.1% (15.5).

### ● Net income for the period

MSEK 89 (126); basic EPS of SEK 2.35 (3.32).

### ● Cash flow from operating activities

Strong cash performance for the quarter, cash flow from operating activities was MSEK 161 (163).

## First nine months

### ● Net sales

MSEK 3,260 (3,023) – reported sales were up +8% year-on-year. After adjusting for the impact of currency +7%, sales on a like for like basis, in constant currency year-on-year were up +1%.

### ● Operating income

Operating income was MSEK 490 (505), generating an operating margin of 15.0% (16.7).

### ● Net income for the period

MSEK 330 (390); basic EPS of SEK 8.68 (10.28).

### ● Cash flow from operating activities

Cash flow from operating activities was MSEK 388 (329), with a profit to cash conversion ratio of 114% (85).

### ● Group's net debt

Group's net debt reduced this quarter to MSEK 799 (1,005), with an associated gearing ratio of 35% (45).

### Key figures – Group <sup>1)</sup>

MSEK	Jul-Sep			Jan-Sep		
	2023	2022	Change	2023	2022	Change
Net sales	1,035	1,068	-3%	3,260	3,023	8%
Operating income before items affecting comparability	146	166	-12%	502	496	1%
Operating income	134	175	-23%	490	505	-3%
Earnings before tax	120	165	-27%	435	473	-8%
Net income for the period	89	126	-29%	330	390	-15%
Cash flow from operating activities	161	163	-1%	388	329	18%
Net debt <sup>2)</sup>	799	1,005	-20%	799	1,005	-20%
Operating margin before items affecting comparability, %	14.1	15.5	-1.4	15.4	16.4	-1.0
Operating margin, %	13.0	16.3	-3.3	15.0	16.7	-1.7
Basic EPS before items affecting comparability, SEK	2.60	3.13	-0.53	8.93	10.09	-1.16
Basic EPS, SEK	2.35	3.32	-0.97	8.68	10.28	-1.60
Diluted EPS, SEK	2.35	3.32	-0.97	8.68	10.26	-1.58
Return on equity, %	19.9	27.6	-7.7	19.9	27.6	-7.7
Gearing ratio, %	35	45	-10	35	45	-10

1) For additional information see pages 21–22 and 26.

2) For additional information see page 26.

# Review of the third quarter

A quarter with excellent progress on our strategy execution, strong electric sales and near-term headwinds as customers reduce inventory levels.

## Financial Performance

The published market indices suggest our end-markets were broadly flat this quarter, with demand for engine products slightly stronger than that for hydraulics, which were affected by weaker end-market demand in our core geographical regions. With the general economic outlook weakening and the global supply chain continuing to stabilize our customers are destocking, reducing their component inventory levels to pre-pandemic levels.

Despite these headwinds our reported net sales were MSEK 1,035 (1,068), down 3% and operating income before items affecting comparability was MSEK 146 (166), corresponding to an equivalent operating margin of 14.1% (15.5). Restructuring costs associated with the recently announced closure of our facility in Itasca, Illinois was expensed in the quarter totalling MSEK 12. Strong cash management resulted in a cash flow from operating activities of MSEK 161 (163) for the quarter and MSEK 388 (329) year-to-date representing a profit to cash conversion ratio of 114% for the first nine months of the year.

Both of our reporting divisions were affected this quarter by our customer's destocking activities, to a greater or lesser extent. Net sales of engine products were MSEK 709 (712) with underlying sales down by 5% year-on-year, whilst operating margins before items affecting comparability were 15.3% (14.2). Soft demand for hydraulic products in both Europe and North America meant net sales were MSEK 326 (356) with underlying sales down 12% and the operating margins were 11.5% (18.1). The operating margin this quarter has been impacted by lower sales volumes and a delay in adjusting our cost structure to the sharp reduction in demand from our customers.

The book-to-bill ratio for the group was 92%, with stronger demand for our e-Products continuing.

## Sales and Market Development

Underlying sales in our core North American and European markets were 7% lower than the prior year, with sales to all end-markets down with the exception of the North American truck sector. However, sales of electric products were strong this quarter with net sales reported to be MSEK 221, equating to 21% of group sales and the book-to-bill ratio for e-Products remained a strong 110%. Demand for the Alfdex oil mist separator was relatively stable in North America and Europe and sales were boosted by stronger demand in China for gas truck engines.

## Continuing our Strategic Journey

The successful execution of our strategy to grow both our e-Products and our base mechanical businesses is affirmed by several important business wins across reporting divisions and geographical manufacturing locations. This includes the largest individual business nomination for our Hydraulic division since the company's public listing in 2011, the first significant order for the new generation of our electro-hydraulic steering and a large electric coolant pump nomination in the Indian on-highway market.

With the announced closure of our facility in Itasca, Illinois we are realizing synergies in our manufacturing footprint resulting from the successful integration of EMP.

## Outlook

The macroeconomic situation with high interest rates and high inflation has impacted the level of demand for our products in our core geographical end-markets, however, visibility of true market demand remains limited whilst our customers continue to reduce their inventory levels.

We expect net sales in the fourth quarter to be slightly lower than the net sales achieved in the third quarter. We will continue to monitor closely the sales order intake for the coming quarters and will actively manage our cost base to continue to deliver strong financial returns.

**Martin Kunz**  
President and CEO



# Concentric Group, third quarter figures

## Key figures<sup>1)</sup>

Amounts in MSEK	Jul-Sep			Jan-Sep		
	2023	2022	Change	2023	2022	Change
Net sales	1,035	1,068	-3%	3,260	3,023	8%
Operating income before items affecting comparability	146	166	-12%	502	496	1%
Operating income	134	175	-23%	490	505	-3%
Earnings before tax	120	165	-27%	435	473	-8%
Net income for the period	89	126	-29%	330	390	-15%
Operating margin before items affecting comparability, %	14.1	15.5	-1.4	15.4	16.4	-1.0
Operating margin, %	13.0	16.3	-3.3	15.0	16.7	-1.7
ROCE, %	18.4	19.6	-1.2	18.4	22.1	-1.2
Return on equity, %	19.9	27.6	-7.7	19.9	27.6	-7.7
Basic EPS before items affecting comparability, SEK	2.60	3.13	-0.53	8.93	10.09	-1.16
Basic EPS, SEK	2.35	3.32	-0.97	8.68	10.28	-1.60
Diluted EPS, SEK	2.35	3.32	-0.97	8.68	10.26	-1.58

1) For additional information see pages 21–22 and 26.

### Sales

Net sales for the third quarter were down year-on-year by 3%. An underlying sales decrease of 7% has been offset by a foreign exchange tailwind increasing sales by 4%. The book-to-bill ratio at the end of the third quarter was a little weaker than the previous quarter at 92% (107).

Sales of electric products were MSEK 221 in the third quarter representing 21% of the group's net sales for the period.

### Operating income

Operating income in the third quarter was MSEK 134 (175) resulting in a corresponding operating margin of 13.0% (16.3). Following an announcement on 25 July 2023 to close our facility in Itasca, Illinois a provision for closure costs of MSEK 12 was booked in the quarter resulting in an operating margin before items affecting comparability of 14.1% (15.5).

### Net financial items

Net financial income and expense for the third quarter was MSEK -14 (-10), this comprised of pension financial expense of MSEK -5 (-5), interest expenses for right of use assets MSEK -1 (-1), interest on the loans of -15 (-11) and net other financial income MSEK 7 (7).

### Taxes

The reported effective tax rate for the third quarter was 26% (23). This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions. The year-to-date effective rate was 24%.

### Earnings per share

The basic earnings per share before items affecting comparability for the third quarter was SEK 2.60 (3.13), down SEK -0.53 per share. The diluted earnings per share for the third quarter was SEK 2.35 (3.32), down SEK 0.97 per share.

### Cash flow from operating activities

The reported cash inflow from operating activities amounted to MSEK 161 (163) for the third quarter, which represents SEK 4.20 (4.26) per share, which has resulted in an operating cash conversion ratio of 160% (108) for the quarter and 114% (85) year-to-date.

### Working capital

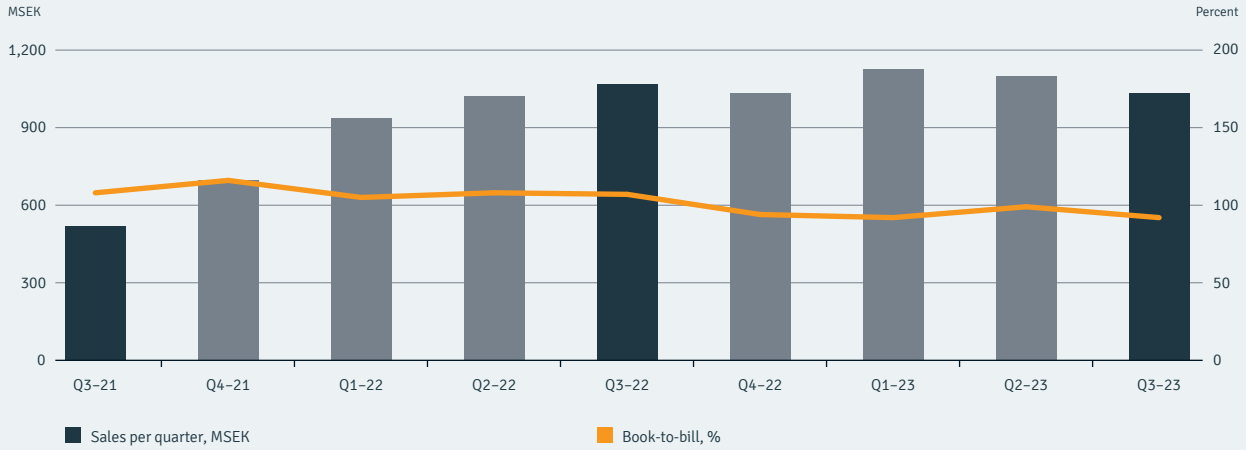
Total working capital as at 30 September 2023 was MSEK 481 (527), this represents 11.2% (14.2) of annual sales. In constant currency working capital has decreased year-on-year by MSEK 67.

### Net debt and gearing

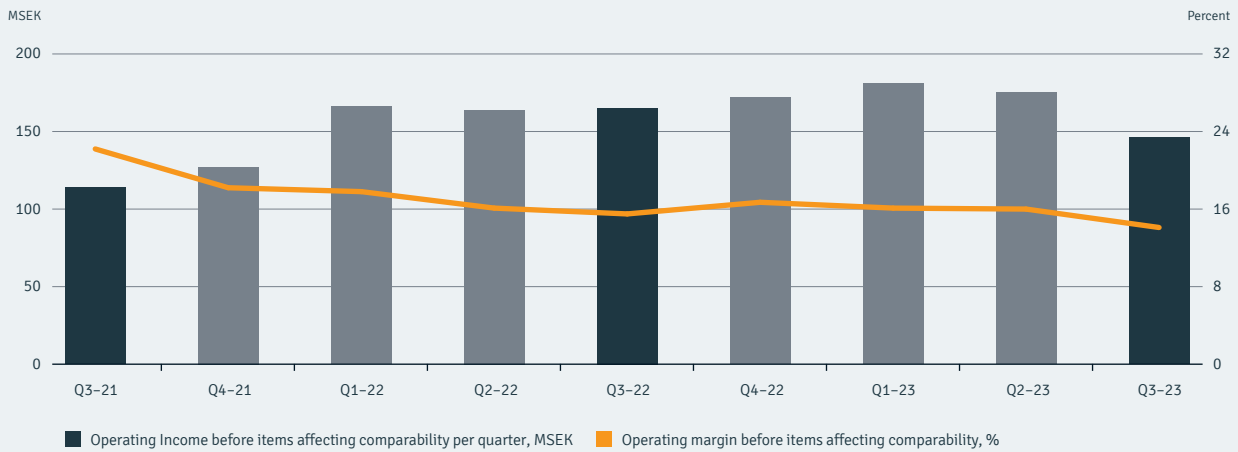
Overall, the group's net debt at the end of the third quarter was MSEK 799 (1,005), comprising interest bearing liabilities MSEK 1,118 (1,287), liabilities for right of use assets MSEK 110 (121) and net pension liabilities of MSEK 236 (45), net of cash amounting to MSEK 665 (448). Shareholders' equity amounted to MSEK 2,305 (2,214), resulting in a gearing ratio of 35% (45). Our gearing ratio continues to fall as we consistently achieve strong operating cash flows and continue to pay down debt in line with our contractual obligations. Our current Net debt/EBITDA ratio is 0.93 (1.31), below our target of 2.50. The group repurchased 207,617 (nil) of own shares during the third quarter, for a total consideration of MSEK 36 (nil).

## Graphs – Concentric Group

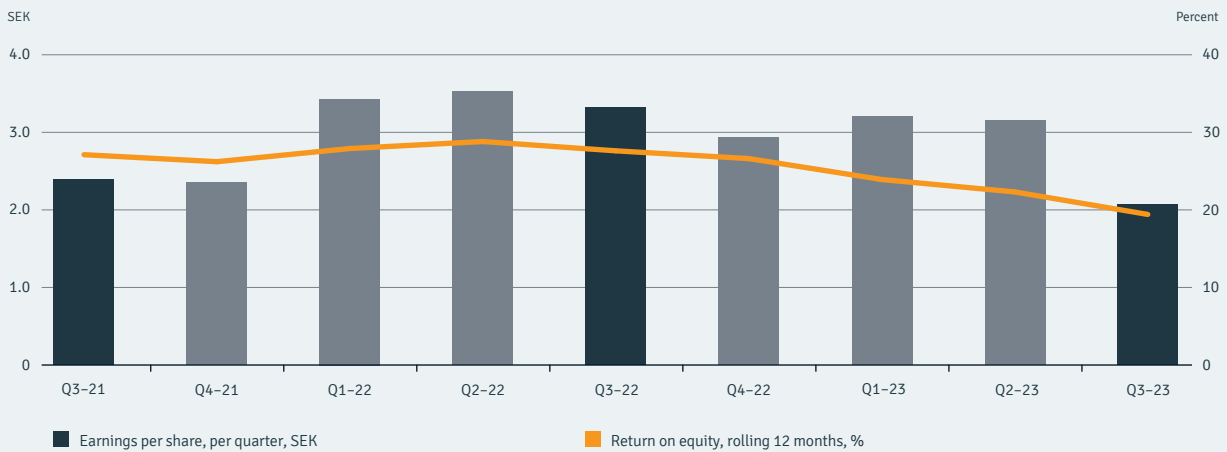
### Sales and book-to-bill



### Underlying operating income and margin



### Earnings per share and return on equity



# Engines

## Financial Performance

Amounts in MSEK	Jul-Sep			Jan-Sep		
	2023	2022	Change	2023	2022	Change
External net sales	709	712	0%	2,196	1,996	10%
Operating income before items affecting comparability	108	102	7%	351	309	14%
Operating income	96	102	-6%	339	309	10%
Operating margin before items affecting comparability, %	15.3	14.2	1.1	16.0	15.5	0.5
Operating margin, %	13.6	14.2	-0.6	15.4	15.5	-0.1
ROCE, %	12.9	12.3	0.6	12.9	12.3	0.6

### Sales and market development

Net sales for the third quarter were broadly flat year-on-year, however our underlying sales decreased by 5%, offset by a foreign exchange tailwind which increased sales by 5%.

Sales of our engine products to all end-market applications were down with the exception of the truck sector, which showed growth in both our core regions of North America and Europe. The agriculture, construction and industrial application sectors all showed double-digit decline year-on-year.

Market indices suggest production rates, blended to the Engines end-markets and regions were up +3% year-on-year compared to our underlying sales, which were down 5%. This suggests our customers are reducing their raw material component inventory. The book-to-bill ratio at the end of the quarter was 93% (109) and demand for our e-Products remains strong.



### Operating income and margin

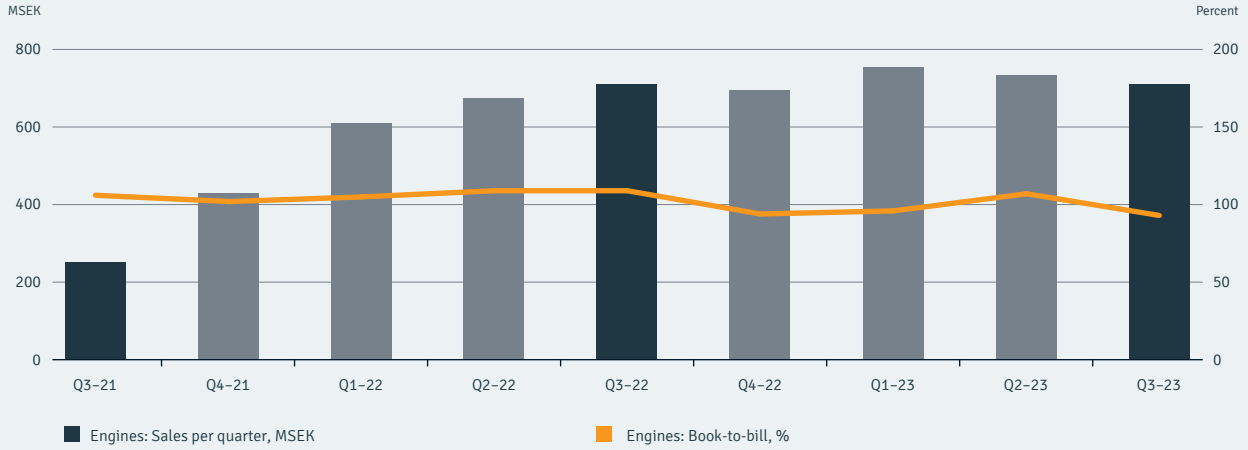
Operating income before items affecting comparability in the third quarter was MSEK 108 (102) resulting in an operating margin before items affecting comparability of 15.3% (14.2). A stronger year-on-year result from our JV, Alfdex, has contributed to the margin improvement. A provision of MSEK 12 has been booked in the third quarter for the costs to close our facility in Itasca, Illinois, resulting in an operating margin of 13.6% (14.2).

### Working capital

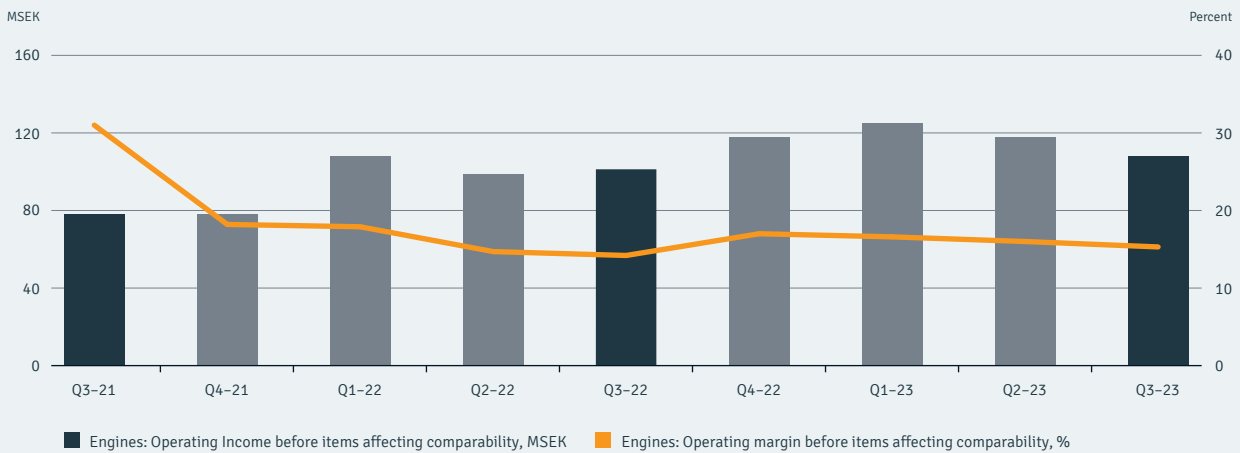
Working capital in the Engine division was MSEK 379 (388) as at 30 September 2023, this represents 13.1% (15.9) of annual sales. In constant currency working capital has decreased year-on-year by MSEK 23.

## Graphs – Engines

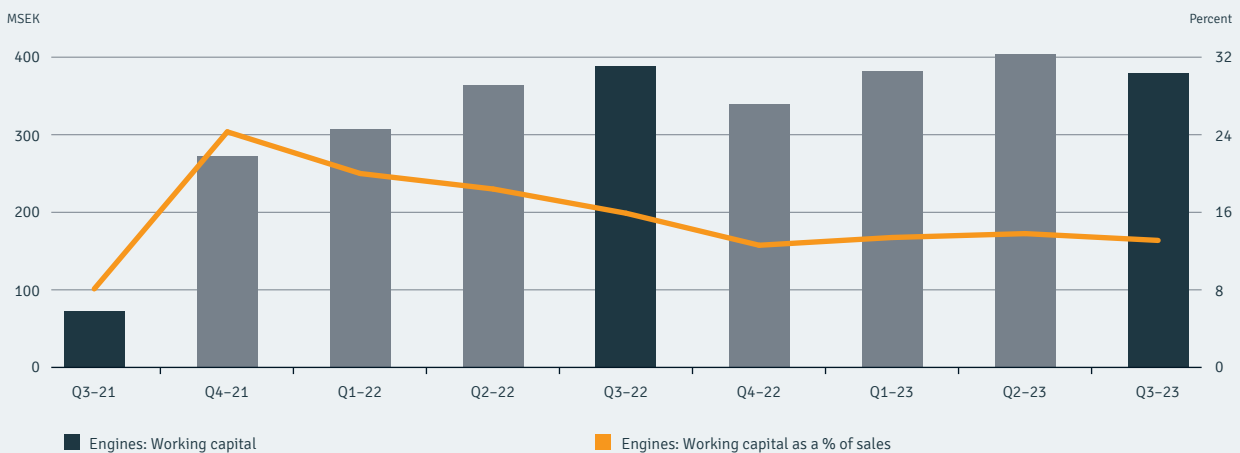
### Sales and book-to-bill



### Underlying operating income and margin



### Working capital and working capital as a % of sales



# Hydraulics

## Financial Performance

Amounts in MSEK	Jul-Sep			Jan-Sep		
	2023	2022	Change	2023	2022	Change
External net sales	326	356	-8%	1,064	1,027	4%
Operating income	38	64	-42%	151	187	-19%
Operating margin, %	11.5	18.1	-6.6	14.2	18.2	-4.0
ROCE, %	25.8	29.3	-3.5	25.8	29.3	-3.5

### Sales and market development

Net sales for the third quarter were MSEK 326, down year-on-year by 8%. Our underlying sales were actually down 12%, offset partially by a foreign exchange tailwind of 4%.

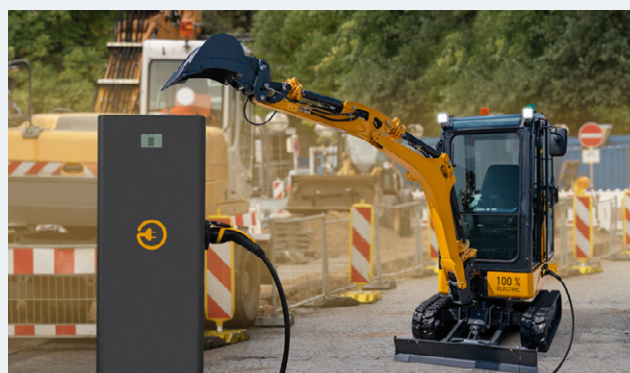
Sales to all of our end-markets were lower year-on-year, only the North American truck sector offered any sales growth, albeit this sector only accounts for 3% of hydraulic sales.

Market indices blended to our end-markets and regions correlate to our Engine division, namely our sales are lower than the suggested market. This reaffirms our belief that customers continue to reduce their raw material component inventory, given the macroeconomic environment.

The book-to-bill ratio increased slightly this quarter to 91% (102), and is broadly similar to both the group and the Engine division.

### Operating income and margin

The operating income in the third quarter was MSEK 38 (64), down MSEK 26 year-on-year, generating an operating margin of 11.5% (18.1). The operating margin has reduced quarter-on-quarter because of lower sales volumes and delays in adjusting the direct labour and overhead cost structure.



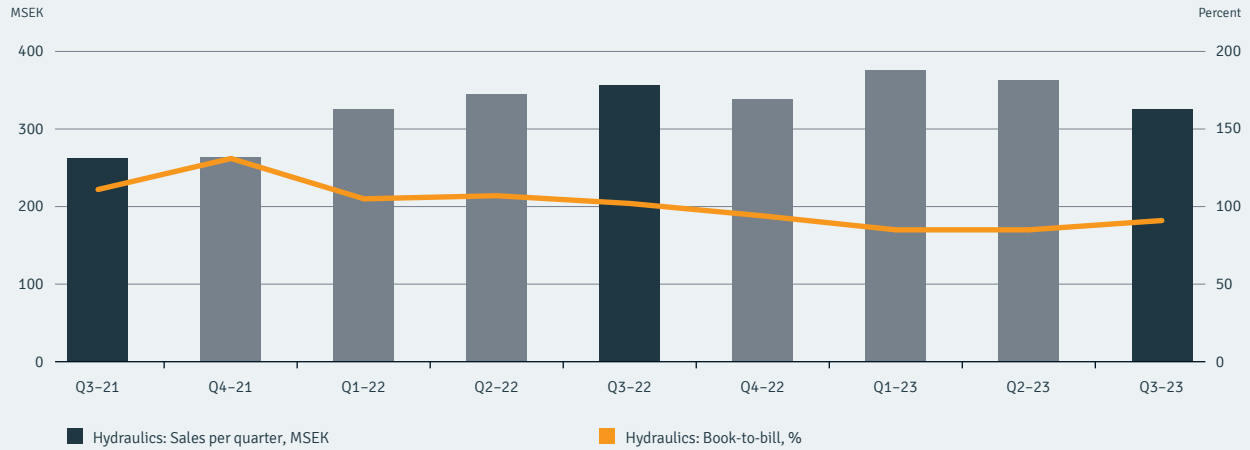
### Working capital

Working capital in the Hydraulic division was MSEK 168 (165) as at 30 September 2023, this represents 12.0% (12.8) of annual sales. In constant currency working capital has decreased year-on-year by MSEK 4.

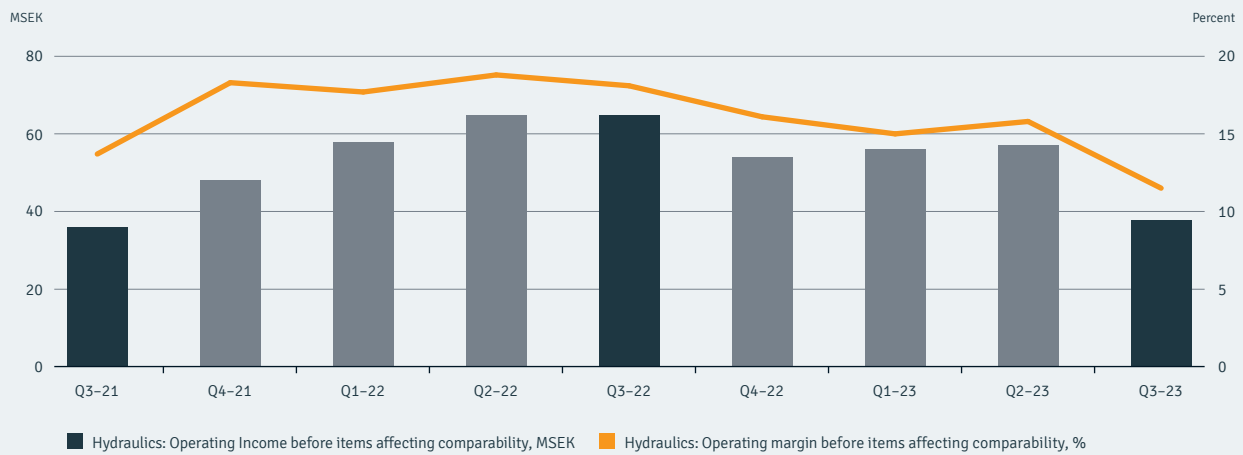


## Graphs – Hydraulics

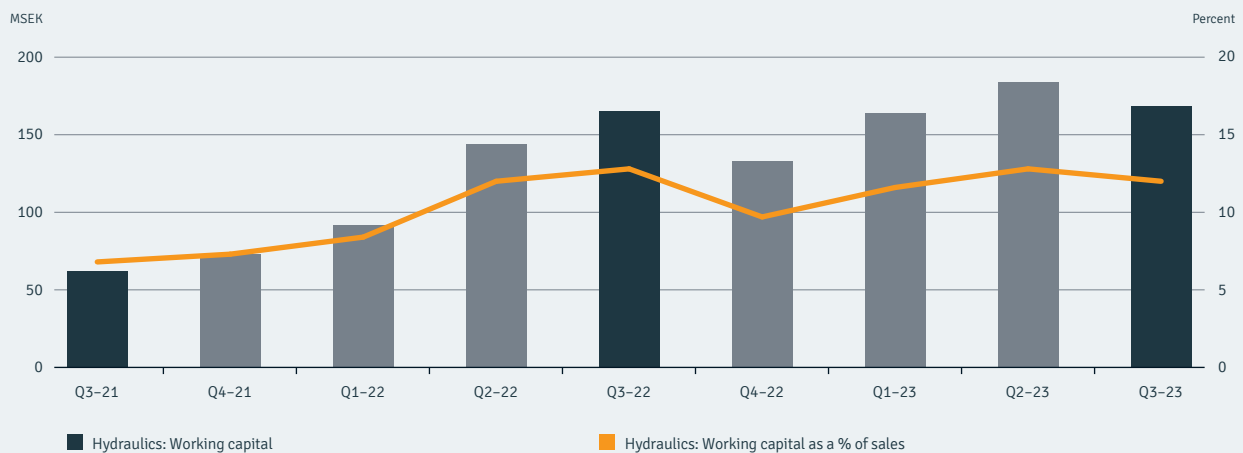
### Sales and book-to-bill



### Underlying operating income and margin



### Working capital and working capital as a % of sales



# Financial statements – Group

## General information

Unless otherwise stated, all amounts have been stated in SEK million (“MSEK”). Certain financial data has been rounded in this interim report. Where the sign “–” has been used, this either means that no number exists or the number has been rounded to zero.

## Consolidated income statement

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Net sales	1,035	1,068	3,260	3,023
Cost of goods sold	-783	-799	-2,418	-2,240
<b>Gross income</b>	<b>252</b>	<b>269</b>	<b>842</b>	<b>783</b>
Selling expenses	-31	-25	-96	-77
Administrative expenses	-64	-52	-209	-148
Product development expenses	-24	-25	-72	-67
Share of net income in joint venture	17	9	58	35
Other operating income and expenses	-16	-1	-33	-21
<b>Operating income</b>	<b>134</b>	<b>175</b>	<b>490</b>	<b>505</b>
Financial income and expenses	-14	-10	-55	-32
<b>Earnings before tax</b>	<b>120</b>	<b>165</b>	<b>435</b>	<b>473</b>
Taxes	-31	-39	-105	-83
<b>Net income for the period</b>	<b>89</b>	<b>126</b>	<b>330</b>	<b>390</b>
Parent Company shareholders	89	126	330	390
Non-controlling interest	–	–	–	–
Basic EPS, before items affecting comparability, SEK	2.60	3.13	8.93	10.09
Basic earnings per share, SEK	2.35	3.32	8.68	10.28
Diluted earnings per share, SEK	2.35	3.32	8.68	10.26
Basic average number of shares (000)	37,925	37,980	37,962	37,954
Diluted average number of shares (000)	37,934	38,035	37,986	38,025

## Consolidated statement of comprehensive income

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Net income for the period	89	126	330	390
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to the income statement</i>				
Net remeasurement gains and losses	–	35	–	299
Tax on net remeasurement gains and losses	–	-9	–	-82
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	15	-34	-37	-88
Tax arising from exchange rate differences related to liabilities to foreign operations	-3	7	8	18
Cash-flow hedging	–	14	2	37
Tax arising from cash-flow hedging	–	-3	–	-8
Share of OCI related to joint venture	–	3	-1	9
Foreign currency translation differences	-44	133	116	311
<b>Total other comprehensive income</b>	<b>-32</b>	<b>146</b>	<b>88</b>	<b>496</b>
<b>Total comprehensive income</b>	<b>57</b>	<b>272</b>	<b>418</b>	<b>886</b>

## Consolidated balance sheet

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Goodwill	1,518	1,516	1,455
Other intangible fixed assets	396	480	435
Right of use fixed assets	93	106	99
Tangible fixed assets	471	485	450
Share of net assets in joint venture	137	160	138
Deferred tax assets	97	55	117
Other long-term receivables	32	39	35
<b>Total fixed assets</b>	<b>2,744</b>	<b>2,841</b>	<b>2,729</b>
Inventories	521	526	538
Current receivables	653	748	604
Current receivables, joint venture	–	3	–
Cash and cash equivalents	665	448	624
<b>Total current assets</b>	<b>1,839</b>	<b>1,725</b>	<b>1,766</b>
<b>Total assets</b>	<b>4,583</b>	<b>4,566</b>	<b>4,495</b>
<b>Total Shareholders' equity</b>	<b>2,305</b>	<b>2,214</b>	<b>2,070</b>
Pensions and similar obligations	236	45	261
Deferred tax liabilities	120	149	140
Long-term liabilities for right of use fixed assets	86	102	97
Other long-term interest-bearing liabilities	711	872	783
Other long-term liabilities	4	1	2
<b>Total long-term liabilities</b>	<b>1,157</b>	<b>1,169</b>	<b>1,283</b>
Short-term liabilities for right of use fixed assets	24	19	17
Other short-term interest-bearing liabilities	407	415	391
Other current liabilities	690	749	734
<b>Total current liabilities</b>	<b>1,121</b>	<b>1,183</b>	<b>1,142</b>
<b>Total equity and liabilities</b>	<b>4,583</b>	<b>4,566</b>	<b>4,495</b>

### Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 30 September 2023 the

fair value of derivative instruments that were assets was MSEK 32 (40), and the fair value of derivative instruments that were liabilities was MSEK 0 (0). These measurements belong in level 2 in the fair value hierarchy.

## Consolidated changes in shareholders' equity

	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>Opening balance</b>	<b>2,070</b>	<b>1,462</b>	<b>1,462</b>
Net income for the period	330	390	501
Other comprehensive income	88	496	239
<b>Total comprehensive income</b>	<b>418</b>	<b>886</b>	<b>740</b>
Dividend	-152	-142	-142
Own share buy-backs	-36	–	–
Sale of own shares to satisfy LTI – options exercised	1	7	7
Long-term incentive plan	4	1	3
<b>Closing balance</b>	<b>2,305</b>	<b>2,214</b>	<b>2,070</b>

## Consolidated cash flow statement, in summary

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
<b>Earnings before tax</b>	<b>120</b>	<b>165</b>	<b>435</b>	<b>473</b>
Reversal of depreciation and amortisation of fixed assets	49	49	144	140
Reversal of net income from joint venture	-17	-9	-58	-35
Reversal of other non-cash items	17	5	22	12
Taxes paid	-34	-29	-126	-101
<b>Cash flow from operating activities before changes in working capital</b>	<b>135</b>	<b>181</b>	<b>417</b>	<b>489</b>
Change in working capital	26	-18	-29	-160
<b>Cash flow from operating activities</b>	<b>161</b>	<b>163</b>	<b>388</b>	<b>329</b>
Investments in subsidiaries	–	–	–	-16
Net investments in property, plant and equipment	-25	-17	-75	-45
Closure of subsidiary	-2	–	-2	–
<b>Cash flow from investing activities</b>	<b>-27</b>	<b>-17</b>	<b>-77</b>	<b>-61</b>
Dividend	–	–	-152	-142
Dividends received from joint venture	58	–	58	–
Buy back of own shares	-34	–	-34	–
Selling of own shares to satisfy LTI – options exercised	-1	–	1	7
Repayment of loans	-41	-39	-122	-113
Pension payments and other cash flows from financing activities	-22	-37	-41	-68
<b>Cash flow from financing activities</b>	<b>-40</b>	<b>-76</b>	<b>-290</b>	<b>-316</b>
<b>Cash flow for the period</b>	<b>94</b>	<b>70</b>	<b>21</b>	<b>-48</b>
Cash and bank assets, opening balance	576	345	624	440
Exchange-rate difference in cash and bank assets	-5	33	20	56
<b>Cash and bank assets, closing balance</b>	<b>665</b>	<b>448</b>	<b>665</b>	<b>448</b>

## Group notes

### Data per share

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Basic earnings per share before items affecting comparability, SEK	2.60	3.13	8.93	10.09
Basic earnings per share, SEK	2.35	3.32	8.68	10.28
Diluted earnings per share, SEK	2.35	3.32	8.68	10.26
Equity per share, SEK	61.01	58.31	61.01	58.31
Cash-flow from current operations per share, SEK	4.20	4.26	10.20	8.62
Basic weighted average no. of shares (000's)	37,925	37,980	37,962	37,954
Diluted weighted average no. of shares (000's)	37,934	38,035	37,986	38,025
Number of shares at period-end (000's)	37,779	37,980	37,779	37,980

### Key figures<sup>1)</sup>

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Sales growth, %	-3	107	8	113
Sales growth, constant currency, % <sup>2)</sup>	-7	9	1	21
Sales of e-Products, %	21.0%	20.0%	21.0%	17.0%
EBITDA margin before items affecting comparability, %	18.8	20.0	19.8	21.0
EBITDA margin, %	17.7	20.8	19.5	21.3
Operating margin before items affecting comparability, %	14.1	15.5	15.4	16.4
Operating margin, %	13.0	16.3	15.0	16.7
Capital employed, MSEK	3,767	3,666	3,767	3,666
ROCE before items affecting comparability, %	18.7	20.6	18.7	20.6
ROCE, %	18.4	19.6	18.4	19.6
ROE, %	19.9	27.6	19.9	27.6
Working capital, MSEK	481	527	481	527
Working capital as a % of annual sales	11.2	14.2	11.2	14.2
Net debt, MSEK <sup>3)</sup>	799	1,005	799	1,005
Net debt/ EBITDA	0.93	1.31	0.93	1.31
Gearing ratio, %	35	45	35	45
Net investments in PPE	25	17	75	45
R&D, %	2.3	2.3	2.2	2.2
Number of employees, average	1,288	1,222	1,280	1,201

1) For additional information see pages 21–22 and 26.

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 26.

3) For additional information see page 22.

### Consolidated income statement in summary – by type of cost

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Net sales	1,035	1,068	3,260	3,023
Direct material costs	-516	-554	-1,615	-1,546
Personnel costs	-255	-234	-767	-645
Depreciation and amortisation of fixed assets	-49	-49	-144	-140
Share of net income in joint venture	17	9	58	35
Other operating income and expenses	-98	-65	-302	-222
<b>Operating income</b>	<b>134</b>	<b>175</b>	<b>490</b>	<b>505</b>
Financial income and expense	-14	-10	-55	-32
<b>Earnings before tax</b>	<b>120</b>	<b>165</b>	<b>435</b>	<b>473</b>
Taxes	-31	-39	-105	-83
<b>Net income for the period</b>	<b>89</b>	<b>126</b>	<b>330</b>	<b>390</b>

### Other operating income and expenses (refers to Income Statement on page 9)

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Tooling income	2	2	5	6
Royalty income from joint venture	7	5	19	17
Amortisation of acquisition related surplus values	-19	-19	-55	-55
Profit from sale of subsidiary	–	9	–	9
Restructuring cost	-12	–	-12	–
Other	6	2	10	2
<b>Other operating income and expenses</b>	<b>-16</b>	<b>-1</b>	<b>-33</b>	<b>-21</b>

### Segment reporting

The Engine division comprises all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulic division includes all Concentric and Allied branded hydraulic products. The evaluation of an operating segment's earnings is based upon its operat-

ing income or EBIT. Financial assets and liabilities are not allocated to segments.

Equity accounting is used for the consolidation of our joint venture, Alfdex, within the Engine division reporting, in line with IFRS 11.

	Engines		Hydraulics		Elims/Adjs		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Third quarter</b>								
Total net sales	711	716	326	356	-2	-4	1,035	1,068
External net sales	709	712	326	356	-	-	1,035	1,068
Operating income before items affecting comparability	108	102	38	64	-	-	146	166
Operating income	96	102	38	64	-	9	134	175
Operating margin before items affecting comparability, %	15.3	14.2	11.5	18.1	n/a	n/a	14.1	15.5
Operating margin, %	13.6	14.2	11.5	18.1	n/a	n/a	13.0	16.3
Financial income and expense	-	-	-	-	-14	-10	-14	-10
Earnings before tax	96	102	37	64	-13	-1	120	165
Assets	3,310	3,432	590	704	683	430	4,583	4,566
Liabilities	728	465	325	537	1,225	1,350	2,278	2,352
Capital employed	3,706	3,642	851	930	-790	-906	3,767	3,666
ROCE before items affecting comparability, %	12.9	12.3	25.8	29.3	n/a	n/a	18.7	20.6
ROCE, %	12.9	12.3	25.8	29.3	n/a	n/a	18.4	19.6
Net investments in PPE	20	17	4	2	1	-2	25	17
Depreciation and amortisation of fixed assets	44	43	5	5	-	1	49	49
Number of employees, average	914	838	374	384	-	-	1,288	1,222

	Engines		Hydraulics		Elims/Adjs		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>First nine months</b>								
Total net sales	2,208	2,005	1,065	1,028	-13	-10	3,260	3,023
External net sales	2,196	1,996	1,064	1,027	-	-	3,260	3,023
Operating income before items affecting comparability	351	309	151	187	-	-	502	496
Operating income	339	309	151	187	-	9	490	505
Operating margin before items affecting comparability, %	16.0	15.5	14.2	18.2	n/a	n/a	15.4	16.4
Operating margin, %	15.4	15.5	14.2	18.2	n/a	n/a	15.0	16.7
Financial income and expense	-	-	-	-	-55	-32	-55	-32
Earnings before tax	339	309	151	187	-55	-23	435	473
Assets	3,310	3,432	590	704	683	430	4,583	4,566
Liabilities	728	465	325	537	1,225	1,350	2,278	2,352
Capital employed	3,706	3,642	851	930	-790	-906	3,767	3,666
ROCE before items affecting comparability, %	12.9	12.3	25.8	29.3	n/a	n/a	18.7	20.6
ROCE, %	12.9	12.3	25.8	29.3	n/a	n/a	18.4	19.6
Net investments in PPE	58	40	16	4	1	1	75	45
Depreciation and amortisation of fixed assets	129	125	15	14	-	1	144	140
Number of employees, average	883	827	397	374	-	-	1,280	1,201

### Seasonality

Each end-market will have its own seasonality profile based on the end-users, e.g. sales of agricultural machinery will be linked to harvest periods in the Northern and Southern hemispheres. However, there is no significant seasonality in the demand profile of Concentric's customers and, therefore, the most significant driver is actually the number of working days in the period.

The weighted average number of working days in the third quarter was 63 (65) for the group, with an average of 63 (66) working days for the Engines segment and 63 (65) working days for the Hydraulics segment.

### Segment External Sales reporting by geographic location of customer

Third quarter	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	489	498	172	186	661	684
Rest of North America	15	26	3	6	18	32
South America	–	–	1	–	1	–
Germany	51	37	37	40	88	77
UK	33	43	16	13	49	56
Sweden	11	10	17	15	28	25
Rest of Europe	82	63	36	49	118	112
Asia	19	26	41	40	60	66
Other	9	9	3	7	12	16
<b>Total Group</b>	<b>709</b>	<b>712</b>	<b>326</b>	<b>356</b>	<b>1,035</b>	<b>1,068</b>

First nine months	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	1,447	1,286	549	502	1,996	1,788
Rest of North America	50	84	9	16	59	100
South America	1	–	1	2	2	2
Germany	177	140	134	139	311	279
UK	122	126	53	43	175	169
Sweden	44	32	53	54	97	86
Rest of Europe	233	210	126	137	359	347
Asia	86	90	129	121	215	211
Other	36	28	10	13	46	41
<b>Total Group</b>	<b>2,196</b>	<b>1,996</b>	<b>1,064</b>	<b>1,027</b>	<b>3,260</b>	<b>3,023</b>



### Total sales by product groups

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>Third quarter</b>						
Concentric branded products	205	222	301	337	506	559
EMP branded products	440	434	–	–	440	434
LICOS branded products	64	56	–	–	64	56
Allied branded products	–	–	25	19	25	19
<b>Total Group</b>	<b>709</b>	<b>712</b>	<b>326</b>	<b>356</b>	<b>1,035</b>	<b>1,068</b>

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>First nine months</b>						
Concentric branded products	650	693	991	962	1,641	1,655
EMP branded products	1,341	1,125	–	–	1,341	1,125
LICOS branded products	205	178	–	–	205	178
Allied branded products	–	–	73	65	73	65
<b>Total Group</b>	<b>2,196</b>	<b>1,996</b>	<b>1,064</b>	<b>1,027</b>	<b>3,260</b>	<b>3,023</b>

### Total sales by end-markets

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>Third quarter</b>						
Trucks	304	245	43	63	347	308
Construction	235	253	133	133	368	386
Industrial	42	60	101	112	143	172
Agriculture	128	154	49	48	177	202
<b>Total Group</b>	<b>709</b>	<b>712</b>	<b>326</b>	<b>356</b>	<b>1,035</b>	<b>1,068</b>

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>First nine months</b>						
Trucks	914	695	152	174	1,066	869
Construction	736	677	421	387	1,157	1,064
Industrial	122	190	337	328	459	518
Agriculture	424	434	154	138	578	572
<b>Total Group</b>	<b>2,196</b>	<b>1,996</b>	<b>1,064</b>	<b>1,027</b>	<b>3,260</b>	<b>3,023</b>

## Business risks, accounting principles and other information

### Business overview

Descriptions of Concentric's business and its objectives, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2022 Annual Report on pages 10–15 and pages 20–29.

### Significant risks and uncertainties

All business operations involve risk, managed risk-taking is a condition of maintaining a sustainable profitable business. Risks may arise due to events in the world and can affect a given industry or market or can be specific to a single company or group.

Concentric works continuously to identify, measure and manage risk, and in some cases Concentric is able to influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Concentric's control, the aim is to minimise the consequences.

Economic instability since the war began in Ukraine and the ongoing energy crisis has resulted in a high inflationary environment. Central banks have increased interest rates to dampen demand and reduce inflationary pressures. We continue to monitor the macro economic environment and the demand from our end-markets.

Otherwise the risks to which Concentric may be exposed are classified into four main categories:

- **Industry and market risks** – external related risks such as the cyclical nature of our end-markets, intense competition, customer relationships and the availability and prices of raw materials;
- **Operational risks** – such as constraints on the capacity and flexibility of our production facilities and human capital, product development and new product introductions, customer complaints, product recalls and product liability;
- **Legal risks** – such as the protection and maintenance of intellectual property rights and potential disputes arising from third parties; and
- **Financial risks** – such as liquidity risk, interest rate fluctuations, currency fluctuations, credit risk, management of pension obligations and the group's capital structure.

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2022 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2022. Please refer to the Risk and Risk Management section on pages 70–78 of the 2022 Annual Report for further details.

### Events after the balance sheet date

There have been no post balance sheet events which would require disclosure or adjustment to these financial statements.

### Related-party transactions

The Parent Company is a related party to its subsidiaries and joint venture. Transactions with subsidiaries and joint venture occur on commercial market terms. Other than dividends received from Subsidiary companies to the Parent Company of MSEK 86 (104), no transactions have been carried out between Concentric AB and its subsidiary undertakings and any other related parties that had a material impact on either the Company's or the group's financial position and results.

### Basis of preparation and accounting policies

This interim report for the Concentric AB group is prepared in accordance with IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The report for the Parent Company is prepared in accordance with the Annual Accounts Act, Chapter 9 and applicable rules in RFR2 Accounting for legal entities.

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2022 Annual Report.

New standards, amendments and interpretations to existing standards have been endorsed by the EU and adopted by the group. None of the IFRS and IFRIC interpretations endorsed by the EU are considered to have a material impact on the group.

# Financial Statements – Parent Company

## Net sales and operating income

Net sales for the third quarter reflected mostly the royalty income received from the joint venture, Alfdex AB. Operating income for the third quarter was MSEK 3 (7).

## Net financial items and earnings before tax

Exchange rate differences on foreign liabilities to subsidiaries was MSEK 15 (-34) in the quarter, and the remaining financial items netted to MSEK -23 (-13), MSEK -15 (-11) of which relates to the Interest cost on the term loan. Income from shares in subsidiaries amounted to MSEK 86 (104) and related to dividends. Accordingly, earnings before tax was MSEK 139 (64) for the third quarter.

## Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2023 was 108,153 (115,965) and shares transferred to an Employee Share Ownership Trust (“ESOT”) was 209,947 (251,727). Including these shares the Company’s holdings was 318,100 (367,692) and

the total number of shares in issue was 38,297,600 (38,297,600). The Company repurchased 207,617 (nil) of own shares during the third quarter, for a total consideration of MSEK 36 (nil). During the second quarter the Company sold 7,512 (49,592) of own shares to exercise and satisfy the LTI programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 5,512 (41,780) own shares to Concentric was made. The total number of holdings of own shares at 30 September 2023 was 313,770 (108,153) and the total number of shares in issue was 38,297,600 (38,297,600), consequently the Company’s holdings of own shares represent 0.8% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings was 518,205 (318,100), which represents 1.4% (1.0) of the total number of shares.

## Dividends

On April 18 2023, the AGM resolved on the proposed dividend for the financial year 2022 of SEK 4.00 per share, totaling MSEK 152.

## Parent Company’s income statement

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
Net sales	13	7	30	21
Operating costs	-10	-7	-29	-22
Other operating income	–	7	–	7
<b>Operating income</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>6</b>
Income from shares in subsidiaries	86	104	209	259
Income from shares in joint venture	58	–	58	–
Net foreign exchange rate differences	15	-34	-37	-88
Other financial income and expense	-23	-13	-69	-28
<b>Earnings before tax</b>	<b>139</b>	<b>64</b>	<b>162</b>	<b>149</b>
Taxes	-13	8	-4	19
<b>Net income for the period<sup>1)</sup></b>	<b>126</b>	<b>72</b>	<b>158</b>	<b>168</b>

1) Total Comprehensive Income for the Parent Company is the same as Net income/loss for the period.

## Parent Company's balance sheet

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Shares in subsidiaries	4,289	4,243	4,329
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	983	1,150	1,044
Deferred tax assets	25	30	28
<b>Total financial fixed assets</b>	<b>5,307</b>	<b>5,433</b>	<b>5,411</b>
Other current receivables	11	11	9
Short-term receivables from subsidiaries	139	136	136
Short-term receivables from joint venture	–	–	2
Cash and cash equivalents	581	346	536
<b>Total current assets</b>	<b>731</b>	<b>493</b>	<b>683</b>
<b>Total assets</b>	<b>6,038</b>	<b>5,926</b>	<b>6,094</b>
<b>Total shareholders' equity</b>	<b>2,264</b>	<b>2,375</b>	<b>2,291</b>
Pensions and similar obligations	20	18	20
Long-term interest-bearing liabilities	711	872	783
Long-term loans payable to subsidiaries	2,522	2,100	2,459
<b>Total long-term liabilities</b>	<b>3,253</b>	<b>2,990</b>	<b>3,262</b>
Short-term loans payable to subsidiaries	108	142	142
Short-term interest-bearing liabilities	407	415	391
Other current liabilities	6	4	8
<b>Total current liabilities</b>	<b>521</b>	<b>561</b>	<b>541</b>
<b>Total equity and liabilities</b>	<b>6,038</b>	<b>5,926</b>	<b>6,094</b>

## Parent Company's changes in shareholders' equity

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Opening balance	2,291	2,342	2,342
Net income for the period	158	168	84
Dividend	-152	-142	-142
Sale of own shares to satisfy LTI options exercised	1	7	7
Buy-back of own shares	-34	–	–
<b>Closing balance</b>	<b>2,264</b>	<b>2,375</b>	<b>2,291</b>

# Other information

## **Purpose of report and forward-looking information**

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 8 November, 2023.

This report contains forward-looking information in the form of statements concerning the outlook for Concentric's operations. This information is based on the current expectations of Concentric's management, as well as estimates and forecasts. The actual future outcome could vary significantly compared with the information provided in this report, which is forward-looking, due to such considerations as changed conditions concerning the economy, market and competition.

## **Concentric's web site for investors**

[www.concentricab.com](http://www.concentricab.com) contains information about the Company, the share and insider information as well as archives for reports and press releases.

## **Reporting calendar**

Interim Report January–December 2023	7 February, 2024
Annual Report 2023	23 March, 2024
Annual General Meeting 2024	18 April, 2024

## **Further information:**

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Marcus Whitehouse (CFO) at  
Tel: +44 (0) 121 445 6545 or  
E-mail: [info@concentricab.com](mailto:info@concentricab.com)

Corporate Registration Number 556828-4995

Stockholm 8 November, 2023

**Martin Kunz**  
President and CEO

# Alternative Performance Measures reconciliation

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
<b>Underlying EBIT or operating income</b>				
<b>EBIT or operating income</b>	<b>134</b>	<b>175</b>	<b>490</b>	<b>505</b>
Profit from sale of subsidiary	—	9	—	9
Restructuring cost	-12	—	-12	—
<b>Underlying operating income</b>	<b>146</b>	<b>166</b>	<b>502</b>	<b>496</b>
Net sales	1,035	1,068	3,260	3,023
<b>Operating margin (%)</b>	<b>13.0</b>	<b>16.3</b>	<b>15.0</b>	<b>16.7</b>
<b>Underlying operating margin (%)</b>	<b>14.1</b>	<b>15.5</b>	<b>15.4</b>	<b>16.4</b>

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
<b>Underlying EBITDA or operating income before amortisation and depreciation</b>				
<b>EBIT or operating income</b>	<b>134</b>	<b>175</b>	<b>490</b>	<b>505</b>
Operating amortisation/depreciation	30	30	89	85
Amortisation of purchase price allocation	19	19	55	55
<b>EBITDA or operating income before amortisation and depreciation</b>	<b>183</b>	<b>224</b>	<b>634</b>	<b>645</b>
Profit from sale of subsidiary	—	9	—	9
Restructuring cost	-12	—	-12	—
<b>Underlying EBITDA or underlying operating income before amortisation and depreciation</b>	<b>195</b>	<b>215</b>	<b>646</b>	<b>636</b>
Net sales	1,035	1,068	3,260	3,023
<b>EBITDA margin (%)</b>	<b>17.7</b>	<b>20.8</b>	<b>19.5</b>	<b>21.3</b>
<b>Underlying EBITDA margin (%)</b>	<b>18.8</b>	<b>20.0</b>	<b>19.8</b>	<b>21.0</b>

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
<b>Net income</b>				
<b>Net income</b>	<b>89</b>	<b>126</b>	<b>330</b>	<b>390</b>
Items affecting comparability after tax	-9	7	-9	7
Net income before items affecting comparability	98	133	339	397
Basic average number of shares (000)	37,925	37,980	37,962	37,954
<b>Basic earnings per share, SEK</b>	<b>2.35</b>	<b>3.32</b>	<b>8.68</b>	<b>10.28</b>
<b>Basic earnings per share before items affecting comparability, SEK</b>	<b>2.60</b>	<b>3.13</b>	<b>8.93</b>	<b>10.09</b>

CONCENTRIC INTERIM REPORT Q3 2023  
ALTERNATIVE PERFORMANCE MEASURES

	Jul-Sep		Jan-Sep	
	2023	2022	2023	2022
<b>Cash Conversion</b>				
<b>Cash flow from operating activities</b>	<b>161</b>	<b>163</b>	<b>388</b>	<b>329</b>
Payments for financial transactions	12	5	49	17
Tax payments	34	29	126	101
Net investments in property, plant and equipment	-25	-17	-75	-45
Adjustment for royalty from joint-venture (Alfdex)	-7	-6	-19	-17
<b>Operating Cash</b>	<b>175</b>	<b>174</b>	<b>469</b>	<b>385</b>
Operating income	134	175	490	505
Adjustment for royalty from joint-venture (Alfdex)	-7	-6	-19	-17
Adjustments for share in profit in joint-venture (Alfdex)	-17	-9	-58	-35
<b>Adjusted Operating income</b>	<b>110</b>	<b>160</b>	<b>413</b>	<b>453</b>
<b>Cash conversion (%)</b>	<b>159.8</b>	<b>108.3</b>	<b>113.7</b>	<b>84.7</b>

	30 Sep 2023	30 Sep 2022
<b>Net debt</b>		
Pensions and similar obligations	236	45
Liabilities for right of use fixed assets	110	121
Other long term interest bearing liabilities	711	872
Other short term interest bearing liabilities	407	415
<b>Total interest bearing liabilities</b>	<b>1,464</b>	<b>1,453</b>
Cash and cash equivalents	-665	-448
<b>Total net debt</b>	<b>799</b>	<b>1,005</b>
<b>Net debt, excluding pension obligations</b>	<b>563</b>	<b>960</b>





	30 Sep 2023	30 Sep 2022
<b>Capital employed</b>		
<b>Total assets</b>	<b>4,583</b>	<b>4,566</b>
Interest bearing financial assets	-1	-4
<b>Non interest bearing assets (excl taxes)</b>	<b>4,582</b>	<b>4,562</b>
Non interest bearing liabilities (incl taxes)	-815	-896
<b>Non interest bearing liabilities (excl taxes)</b>	<b>-815</b>	<b>-896</b>
<b>Total capital employed</b>	<b>3,767</b>	<b>3,666</b>

	30 Sep 2023	30 Sep 2022
<b>Working capital</b>		
Accounts receivable	543	646
Other current receivables	107	104
Inventory	521	526
<b>Working capital assets</b>	<b>1,171</b>	<b>1,276</b>
Accounts payable	-343	-420
Other current payables	-347	-329
<b>Working capital liabilities</b>	<b>-690</b>	<b>-749</b>
<b>Total working capital</b>	<b>481</b>	<b>527</b>

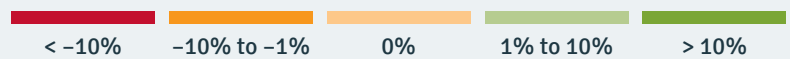
# Graph data summary

	Q3/2023	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021
<b>Engines</b>									
Sales, MSEK	709	735	752	695	712	676	608	432	252
Book-to-bill, %	93	107	96	94	109	109	105	102	106
Operating income before items affecting comparability, MSEK	108	118	125	118	101	99	108	79	78
Operating margin before items affecting comparability, %	15.3	16.0	16.6	17.0	14.2	14.6	17.9	18.2	31.0
Working capital as % of annualised sales	13.1	13.8	13.4	12.6	15.9	18.4	20	24.3	8.1
Working capital, MSEK	379	403	382	339	388	364	306	273	72
<b>Hydraulics</b>									
Sales, MSEK	326	363	375	338	356	345	326	263	263
Book-to-bill, %	91	85	85	94	102	107	105	131	111
Operating income before items affecting comparability, MSEK	38	58	56	54	65	65	58	48	36
Operating margin before items affecting comparability, %	11.5	15.8	15.0	16.1	18.1	18.8	17.7	18.3	13.7
Working capital as % of annualised sales	12.0	12.8	11.6	9.7	12.8	12.0	8.4	7.3	6.8
Working capital, MSEK	168	184	164	133	165	144	92	73	62
	Q3/2023	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021
<b>Group</b>									
Sales, MSEK	1,035	1,098	1,127	1,033	1,068	1,021	934	695	515
Book-to-bill, %	92	99	92	94	107	108	105	114	108
Operating income before items affecting comparability, MSEK	146	175	181	172	165	164	166	127	114
Operating margin before items affecting comparability, %	14.1	16.0	16.1	16.7	15.5	16.1	17.8	18.2	22.2
Basic earnings per share, SEK	2.35	3.15	3.18	2.92	3.32	3.53	3.42	2.36	2.39
Return on equity, %	19.9	22.3	24.2	26.6	27.6	28.8	27.9	26.2	27.1
Cash flow from operating activities per share, SEK	4.20	3.67	2.33	5.33	4.26	1.99	2.37	2.97	1.79
Working capital as % of annualised sales	11.2	11.9	11.3	10.0	14.2	15.1	12.9	13.1	3.3
Net debt, MSEK	799	950	865	925	1,005	1,081	1,016	1,192	-136
Gearing ratio, %	35	42	39	45	45	56	59	82	-10
Gearing ratio (excl Pensions), %	24	30	28	32	43	51	49	57	-36



	Q3-23 vs Q3-22					YTD-23 vs YTD-22					FY-23 vs FY-22				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 <b>Agriculture</b> Diesel engines	1%	-1%	0%	3%	3%	1%	0%	-1%	3%	3%	1%	0%	-1%	3%	3%
 <b>Construction</b> Diesel engines	1%	-1%	-2%	3%	-3%	1%	0%	-2%	3%	-2%	1%	0%	-2%	3%	-2%
Hydraulic equipment	1%	n/a	-3%	n/a	n/a	1%	n/a	-3%	n/a	n/a	1%	n/a	-3%	n/a	n/a
 <b>Trucks</b> Light vehicles	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	4%	-35%	8%	8%	2%	4%	-35%	8%	7%	3%	4%	-35%	7%	7%	3%
 <b>Industrial</b> Other off-highway	1%	2%	4%	-1%	2%	1%	3%	4%	-1%	2%	1%	3%	4%	-1%	2%
Hydraulic lift trucks	-30%	n/a	11%	n/a	n/a	-25%	n/a	10%	n/a	n/a	-21%	n/a	4%	n/a	n/a

The market indices summarised in the table above reflect the Q3 2023 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



### Consolidated sales development

	Q3-23 vs. Q3-22			YTD-23 vs YTD-22			FY-23 vs. FY-22		
	Engines	Hydraulics	Group	Engines	Hydraulics	Group	Engines	Hydraulics	Group
Market – weighted average <sup>1)</sup>	3%	-4%	1%	3%	-3%	1%	3%	-3%	1%
Actual – constant currency <sup>2)</sup>	-5%	-12%	-7%	3%	-3%	1%			

1) Based on latest market indices blended to Concentric's mix of end-markets and locations.  
2) Based on actual sales in constant currency.

# Glossary

**APM**

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

**EHS**

Electro Hydraulic Steering.

**EMP**

Engineered Machined Products, Inc and subsidiaries.

**ESOT**

Employee Share Ownership Trust.

**JSOP**

Long-term incentive program to participants' resident in the United Kingdom to take part in a Joint Share Ownership Plan.

**LTI**

Long term incentive.

**Net investments in fixed assets**

Fixed asset additions net of fixed asset disposals and retirements.

**OEMs**

Original Equipment Manufacturers.

**Off-highway**

Collective term for industrial applications, agricultural machinery and construction equipment end-markets.

**Order backlog**

Customer sales orders received which will be fulfilled over the next three months.

**R&D expenditure**

Research and development expenditure.

**Tier 1, Tier 2-supplier**

Different levels of sub suppliers, typical within the automotive industry.

# Definitions

## **Book-to-bill**

Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period.

Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.

## **Capital employed**

Total assets less interest bearing financial assets and non-interest bearing liabilities.

Capital employed measures the amount of capital used and serves as input for return on capital employed.

## **Drop-through/drop-out rate**

Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales.

This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.

## **EBITDA**

Earnings before interest, taxes, depreciation and amortisation.

EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.

## **EBITDA margin**

EBITDA as a percentage of net sales.

EBITDA margin is used for measuring the cash flow from operating activities.

## **EBIT or Operating income**

Earnings before interest and tax.

This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the Company.

## **EBIT or Operating margin**

Operating income as a percentage of net sales.

Operating profit margin is used for measuring the operational profitability.

## **EPS**

Earnings per share, net income divided by the average number of shares.

The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.

## **Equity per share**

Equity at the end of the period divided by number of shares at the end of the period.

Equity per share measures the net-asset value backing up each share of the Company's equity and determines if a Company is increasing shareholder value over time.

## **Gearing ratio**

Ratio of net debt to shareholders' equity.

The net gearing ratio measures the extent to which the Company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, this is calculated based on net debt rather than gross debt.

## **Gross margin**

Net sales less cost of goods sold, as a percentage of net sales. Gross margin measures production profitability.

## **Net debt**

Total interest-bearing liabilities, including pension obligations and liabilities for leases, less liquid funds. Net debt is used as an indication of the ability to pay off all debts if these were to fall due simultaneously on the day of calculation, using only available cash and cash equivalents.

## **Net debt/EBITDA**

The ratio of Net debt to EBITDA. Net debt to EBITDA is used to evaluate financial leverage.

## **ROCE**

Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over rolling 12 months.

Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the Company is the reason that this metric is used next to return on equity, because it not only includes equity, but taken into account other liabilities as well.

## **ROE**

Return on equity; net income as a percentage of the average shareholders' equity over rolling 12 months.

Return on equity is used to measure profit generation, given the resources attributable to the Parent Company owners.

## **Sales growth, constant currency**

Growth rate based on sales restated at prior year foreign exchange rates.

This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.

## **Structural growth**

Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts.

Structural changes measure the contribution of changes in group structure to net sales growth.

## **“Underlying” or “before items affecting comparability”**

Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate).

Enabling a comparison of operational business.

## **Working capital**

Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities.

Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

