



# INTERIM REPORT **Q3** 2021

TECHNOLOGY • INNOVATION • SUSTAINABILITY

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Unless otherwise stated, all amounts have been stated in SEK million. 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 rounds to zero. This English version of the Interim Report is a translation of the Swedish original. If there are any differences the latter shall prevail.





## Third quarter

- **Net sales**

MSEK 515 (324) – reported sales were up +59% year-on-year. After adjusting for the impact of currency (–4%) and Allied Enterprises (+6%), sales in constant currency year-on-year were up +57%.

- **Operating income**

MSEK 114 (57), generating an operating margin of 22.2% (17.5).

- **Net income for the period**

MSEK 91 (40); basic EPS of SEK 2.39 (1.06).

- **Cash flow from operating activities**

MSEK 69 (51).

- **Acquisition**

On 29 October 2021 the acquisition of Engineered Machine Products, Inc was completed for a purchase price of MSEK 1,260 on a cash free, debt free basis however, taking on equipment finance leases of MSEK 37. The deal was financed using MSEK 1,072 of debt.

## First nine months

- **Net sales**

MSEK 1,420 (1,122) – reported sales were up +27% year-on-year. After adjusting for the impact of currency (–9%) and Allied Enterprises (+6%), sales in constant currency were up +30%.

- **Operating income**

Operating income was MSEK 316 (172), generating an operating margin of 22.3% (15.3), operating margin before items affecting comparability was 22.3% (17.1).

- **Net income for the period**

MSEK 248 (117); basic EPS of SEK 6.54 (3.11).

- **Cash flow from operating activities**

MSEK 217 (219).

- **Group's net debt**

MSEK –136 (–69); gearing ratio of –10% (–6). A reduction in pension liabilities compared to December 2020 continues to drive the negative net debt.

### Key figures – Group <sup>1)</sup>

MSEK	Jul-Sept			Jan-Sept			Oct-Sept	Jan-Dec
	2021	2020	Change	2021	2020	Change	2020/21	2020
Net sales	515	324	59%	1,420	1,122	27%	1,800	1,502
Operating income before items affecting comparability	114	57	100%	316	192	65%	415	291
Operating income	114	57	100%	316	172	84%	420	276
Earnings before tax	110	50	120%	299	153	95%	402	256
Net income for the period	91	40	128%	248	117	112%	336	205
Cash flow from operating activities	69	51	35%	217	219	–1%	335	337
Net debt <sup>2)</sup>	–136	–69	97%	–136	–69	97%	–136	86
Operating margin before items affecting comparability, %	22.2	17.5	4.7	22.3	17.1	5.2	23.1	19.4
Operating margin, %	22.2	17.5	4.7	22.3	15.3	7.0	23.3	18.4
Basic EPS before items affecting comparability, SEK	2.39	1.06	1.33	6.54	3.51	3.03	8.76	5.73
Basic EPS, SEK	2.39	1.06	1.33	6.54	3.11	3.43	8.86	5.43
Diluted EPS, SEK	2.39	1.06	1.33	6.53	3.10	3.43	8.85	5.42
Return on equity, %	27.1	16.2	10.9	27.1	16.2	10.9	27.1	17.5
Gearing ratio, %	–10	–6	–4	–10	–6	–4	–10	8

1) For additional information see pages 26–27 and 30.

2) For additional information see page 27.

# Review of the third quarter

President and CEO, David Woolley, comments on the Q3 2021 Interim Report.

» Acquiring EMP is a landmark transaction and a step change in Concentric's electrification strategy as we dramatically increase our capacity, technological know-how and product portfolio to accelerate our growth in electrical products and systems «

## Transformational acquisition to support the e-Pump electrification strategy

Concentric announced on October 26, 2021 the acquisition of Engineered Machined Products, Inc. ("EMP"), a leading US producer of electric and mechanical water and oil pumps, electric fans, thermal management systems and precision machined components for MSEK 1,260 (MUSD 147) on a cash and debt free basis, however, taking on MSEK 37 of equipment finance leases. The acquisition is a transformational event as it significantly strengthens Concentric's capabilities in electrical products including electrical fans, oil and water e-Pumps and will increase the Group's revenues by more than 50% on an annual basis.

The entire consideration was paid in cash and the transaction was completed on October 29, 2021. The deal was financed using MSEK 1,072 of debt, with the remainder being funded from existing cash reserves. The debt is made up of a new MSEK 858 term loan facility with the remaining MSEK 214 drawn down from an existing revolving credit facility.

EMP is predominantly active in North America enabling significant growth opportunities by expanding their geographical reach through our global presence and sales force. As EMP also has relationships with a number of key customers in Concentric's markets, the combination of the two companies increases the combined value proposition to these customers and provides Concentric with access to new customers and platforms in our current markets.

Concentric's focus remains to develop world class technology with innovative solutions that meet the sustainability needs of our customers. As transport systems and support infrastructures move to a CO<sub>2</sub> neutral future, there are several competing technologies with fuel cells, battery and hybrid solutions. With EMP's product portfolio Concentric can offer its customers products that are universally applicable regardless of the preferred technology. Concentric now have the capability not only to be a great e-Pump supplier, but also to supply the entire pumping and cooling modules for vehicles and machines, a full solution provider.



EMP has been family owned for 30 years, and it is with great mutual respect that we now embark on this exciting journey together. I'm impressed by the employees and leadership at EMP and I know we have a close cultural fit that will be critical to our future success.

## Market and sales development

Group sales in constant currency and excluding Allied Enterprises were up +57% year-on-year for the third quarter and +30% for the first nine months of the year. Reported sales, for the third quarter and the first nine months of the year were up year-on-year +59% and +27% respectively. Published market indices blended to

Concentric's mix of end-market applications and locations suggests the market remained flat year-on-year for the third quarter 2021. The same market indices suggest market growth for the first nine months of 2021 when compared to a year impacted by the global pandemic was +39%, with Europe and rest of world continuing to perform stronger than the Americas.

Our reported sales this quarter are MSEK 42 or +9% higher than the second quarter of 2021 and demand from our end market applications remained strong throughout the third quarter. The general industry supply chain has continued to struggle to meet this new level of demand, resulting in a further increase in our sales order backlog. We have continued to manage our customers near term product demands, however, we now expect the disruption in the supply chain to continue into the first half of 2022.

**Concentric Business Excellence – managing operating margins and cash**

The global market continues to recover from the pandemic quarter-on-quarter and the increase in demand from our end market applications continues to drive inflationary pressures within the industry supply chain. Our commercial teams, working through the Concentric Business Excellence program, ensured we were able to pass on these cost increases to our customers, albeit with a quarters delay. This has ensured the operating margin before items affecting comparability remained at strong levels for both the quarter, 22.2% (17.5) and the first nine months of the year, 22.3% (17.1%).

Cash flow from operating activities for the period was MSEK 69 (51) with an adjusted operating income to operating cash conversion ratio of 76%. As sales grow, so does our working capital investment and during this quarter there was a further quarter-on-quarter increase of MSEK 40, driven by an increase in inventory. With all of the uncertainty in the global supply chain Concentric increased the stock of critical components to ensure we continue to meet the needs of our customers.

Cash and cash equivalents increased to MSEK 608 (659) following a strong trading quarter and after receiving both a dividend payment and a loan repayment from Alfdex, our joint venture with Alfa Laval, which combined amounted to MSEK 59.

**Outlook**

Market indices suggest that production volumes blended to Concentric's end markets and regions will be up +18% year-on-year for 2021, up +2% on the previous forecast and demand from our customers for both our engine and hydraulic products continues to improve quarter-on-quarter.

The availability of critical raw materials will continue to influence our sales during the fourth quarter and into 2022 as our industry supply chain stabilises to meet the new market demand. The ongoing shortage of raw materials and components continues to have an inflationary effect, both from the metal indices and general supplier economic price increases. We have been successful passing these cost increases onto our customers, albeit with a quarters delay, and we will continue to pass on costs increases to our customers during the fourth quarter of 2021 to maintain our strong trading margins.

The orders received, and expected to be fulfilled during the fourth quarter of 2021, were broadly similar to the reported sales for the third quarter of 2021. We also expect the majority of the sales order backlog, predominantly relating to our North American businesses, will be supplied to our customers during the first half of 2022.

Concentric results for the fourth quarter will contain two trading months of the recent acquisition, EMP, who currently forecast full year revenues of about MSEK 1,095 and an adjusted EBITDA of about MSEK 147. There will of course be an element of seasonality to the final two months of EMP's trading due to the festive season.

Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.



# Third quarter figures

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

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Operating margin, %	22.2	17.5	4.7	22.3	15.3	7.0	23.3	18.4
ROCE, %	37.1	27.6	9.5	37.1	27.6	9.5	37.1	25.2
Return on equity, %	27.1	16.2	10.9	27.1	16.2	10.9	27.1	17.5
Basic EPS before items affecting comparability, SEK	2.39	1.06	1.33	6.54	3.51	3.03	8.76	5.73
Basic EPS, SEK	2.39	1.06	1.33	6.54	3.11	3.43	8.86	5.43
Diluted EPS, SEK	2.39	1.06	1.33	6.53	3.10	3.43	8.85	5.42

1) For additional information see pages 26–27 and 30.

## Sales

Reported net sales for the third quarter were up year-on-year by +59%. After adjusting for the impact of currency (–4%) and the impact of the Allied Enterprises acquisition (+6%), sales in constant currency were up +57%. There continues to be strong demand from our customers as reported sales have grown quarter-on-quarter by 9% and a strong order intake has resulted in a book-to-bill ratio of 108% (115) indicating continued growth in our order book.

Sales to all four of our end markets, in both Americas and Europe & RoW, in the third quarter have increased year-on-year, showing the widespread recovery across all our markets and regions.

## Operating income

The Operating margin before items affecting comparability for the third quarter was 22.2% (17.5), a strong performance driven by the Concentric Business Excellence program, keeping costs under control whilst the supply chain experiences inflationary pressures. Total income in the quarter from our joint venture (JV) Alfdex was MSEK 24 (18) with the strong trading volumes from the medium- and heavy-duty truck sector in North America, Europe and China.

## Net financial items

Net financial income and expense for the third quarter was MSEK –4 (–7), this comprised of pension financial expenses of MSEK –5 (–4), interest expenses for right of use assets MSEK –1 (–1) and net other financial cost MSEK 2 (–2).

## Taxes

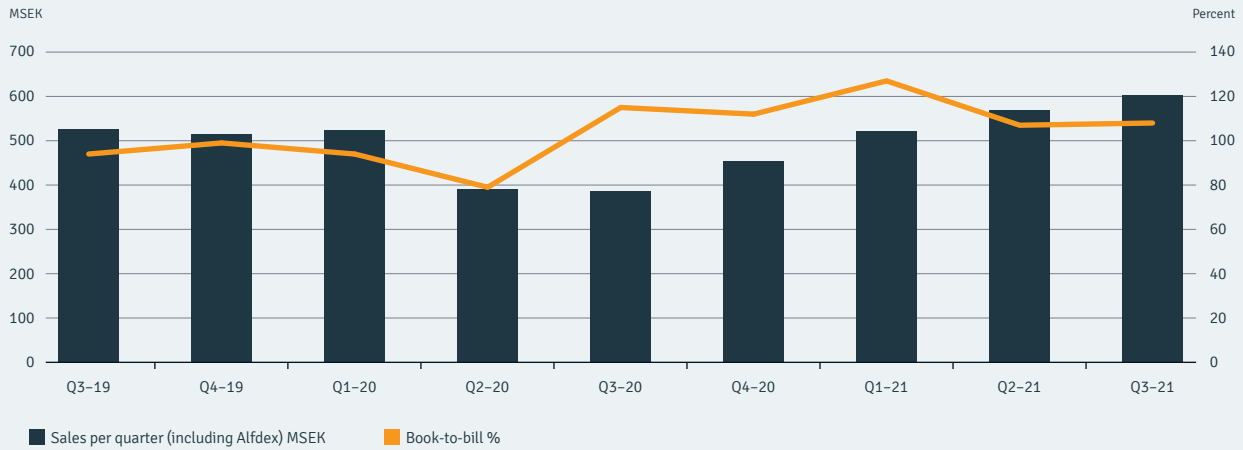
The reported effective tax rate for the third quarter and the first nine months was 18% (19) and 17% (23) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

## Earnings per share

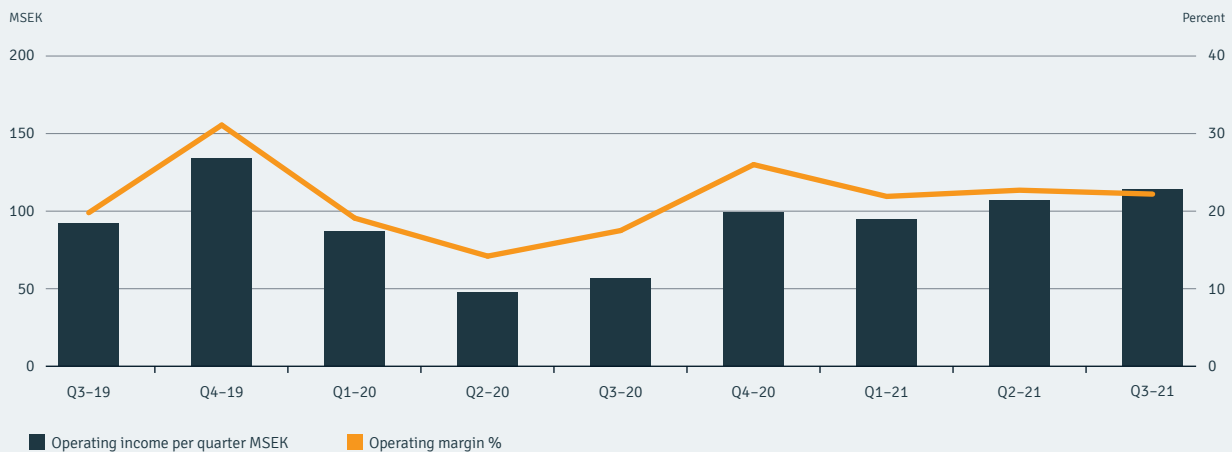
The basic earnings per share for the third quarter was SEK 2.39 (1.06), up SEK 1.33 per share. Basic earnings per share for the first nine months was SEK 6.54 (3.11), up SEK 3.43 per share.

## Graphs – Concentric Group

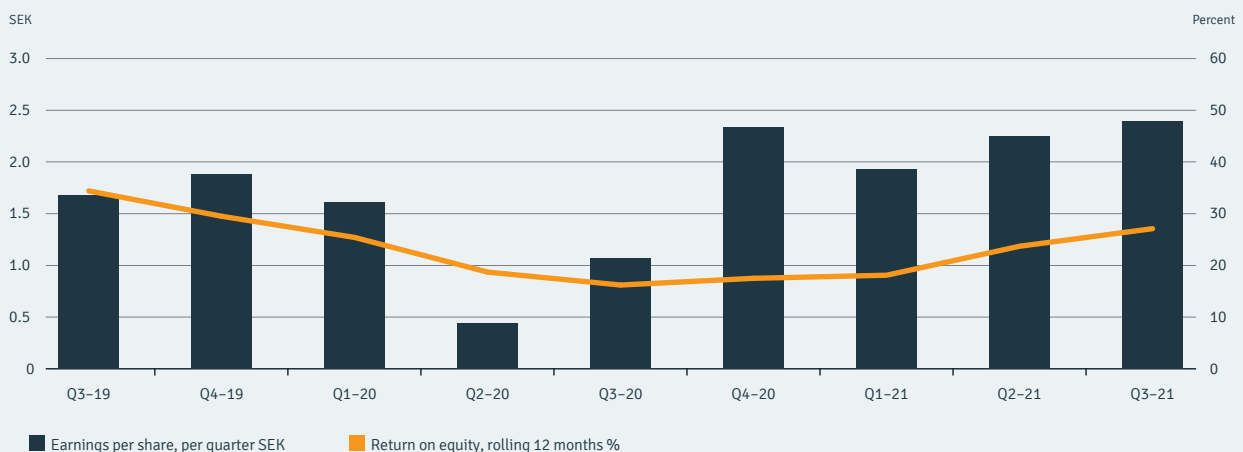
### Sales and book-to-bill



### Underlying operating income and margins



### Earnings per share and return on equity



# Net sales and operating income by region

## Americas

Amounts in MSEK	Jul-Sept			Jan-Sept			Oct-Sept	Jan-Dec
	2021	2020	Change	2021	2020	Change	2020/21	2020
External net sales	228	138	65%	598	498	20%	751	651
Operating income before items affecting comparability	33	18	83%	89	59	51%	125	95
Operating income	33	18	83%	89	58	53%	124	93
Operating margin before items affecting comparability, %	14.5	13.3	1.2	14.8	11.8	3.0	16.6	14.6
Operating margin, %	14.5	13.3	1.2	14.8	11.6	3.2	16.4	14.2
ROCE, %	34.2	35.4	-1.2	34.2	35.4	-1.2	34.2	28.4

Reported sales for the third quarter were up year-on-year by 65%. After adjusting for the impact of currency (-10%) and the acquisition of Allied Enterprises (+14%), underlying sales in constant currency were up 61%.

In the third quarter, demand in the North American market increased substantially with sales to the medium- and heavy-duty truck and agricultural machinery sectors experiencing the

strongest growth. Demand in South America was also led by the medium- and heavy-duty truck sector. Strong order intake in the Americas resulted in a book-to-bill in the third quarter of 114% (112) indicating a growing order book.

Operating margin in the third quarter was 14.5% (13.3) and has increased largely due to the increased sales and keeping control of costs under the Concentric Business Excellence program.

## Europe & RoW

Amounts in MSEK	Jul-Sept			Jan-Sept			Oct-Sept	Jan-Dec
	2021	2020	Change	2021	2020	Change	2020/21	2020
External net sales (including Alfdex)	374	251	49%	1,090	807	35%	1,391	1,108
Operating income before items affecting comparability	85	42	102%	242	140	73%	306	204
Operating income	85	42	102%	242	121	100%	312	191
Operating margin before items affecting comparability, %	22.8	16.6	6.2	22.2	17.3	4.9	22.0	18.4
Operating margin, %	22.8	16.6	6.2	22.2	15.0	7.2	22.4	17.2
ROCE, %	42.0	25.9	16.1	42.0	25.9	16.1	42.0	25.4

Reported sales for the third quarter were up year-on-year by 49% with nil impact from currency.

Demand in our European markets has been strong across all end market sectors with sales to each end market sector growing year-on-year, including our crucial European truck market which grew by 33%.

The Indian market is also showing strong growth as sales have increased 95% year-on-year in constant currency as Q3 2020 in

India was heavily impacted by the pandemic. The medium- and heavy-duty truck and industrial application markets have performed particularly strongly.

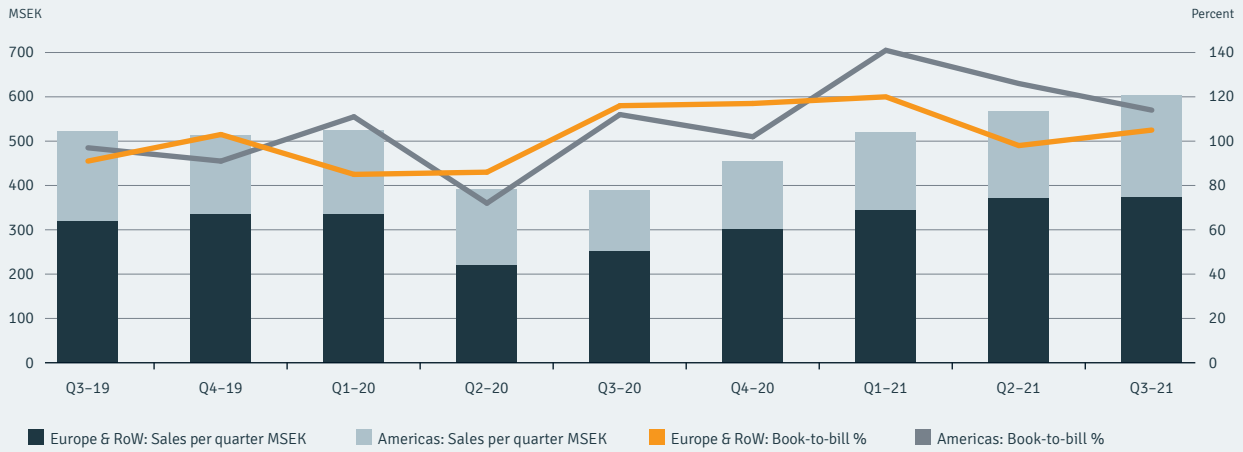
The operating margin in the third quarter was 22.8% (16.6) resulting from the growth in sales whilst maintaining cost control under the Concentric Business Excellence program.



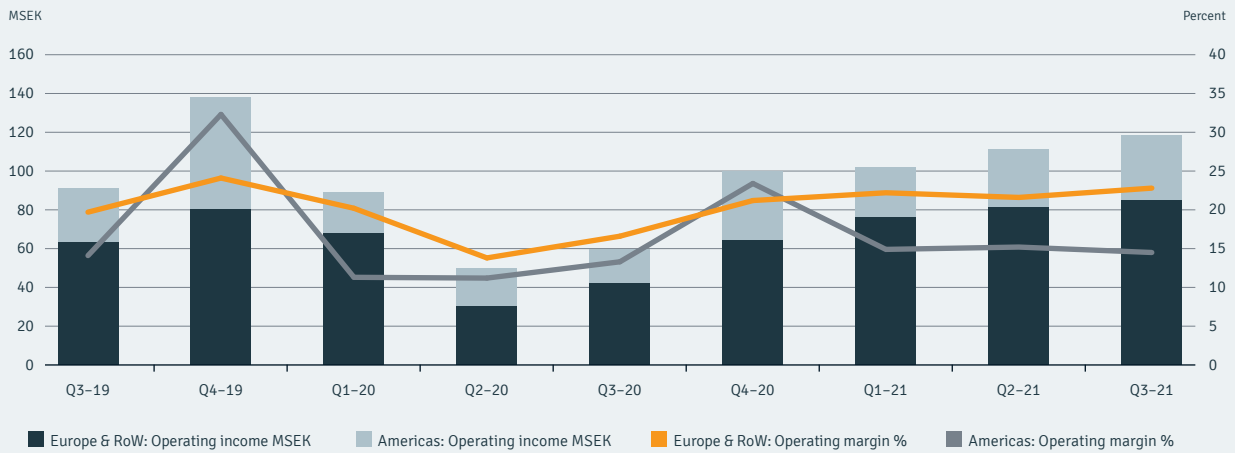


## Graphs by region

### Sales and book-to-bill



### Underlying operating income and margins



# Market development

Our markets continue to exhibit strong demand resulting in reported quarter-on-quarter sales growth of 9%.

## Americas end-markets

### NORTH AMERICA

- Sales in North America increased by 50% year-on-year excluding the acquisition of Allied Enterprises.
- Sales increased significantly year-on-year into the medium- and heavy-duty truck market in the third quarter.
- The construction equipment market also performed well with strong sales growth year-on-year with more modest growth in the agricultural machinery and industrial applications markets.

### SOUTH AMERICA

- Sales in the third quarter to our South American end market applications delivered strong growth. All end market sectors grew year-on-year.

### TOTAL AMERICAS REGION

- Overall growth in North America drove the year-on-year sales increase of 61%, excluding the impact of Allied Enterprises.

All sales figures above are quoted in constant currency.

## Europe & RoW end-markets

### EUROPE

- Sales in Europe increased year-on-year by 47%.
- Sales to the crucial European medium- and heavy-duty truck market grew year-on-year by 33% as it continues to experience a strong recovery.
- The industrial application, construction equipment and agricultural machinery markets all performed well showing substantial growth year-on-year.

### REST OF THE WORLD

- Sales in India have grown year-on-year by 95% as they were heavily impacted by the pandemic in Q3 last year. The truck and industrial applications sectors performed particularly well.
- Sales in China have increased by 30% year-on-year.
- Overall, the Rest of the World still only accounts for less than 10% of the Group's total revenues.

### TOTAL EUROPE & REST OF THE WORLD REGION

- The overall Europe and RoW growth was 49% driven by the strong performance in Europe.

## Consolidated sales development




	Q3-21 vs Q3-20			YTD-21 vs YTD-20			FY-21 vs FY-20		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average <sup>1)</sup>	6%	-2%	1%	29%	44%	39%	14%	20%	18%
Actual – constant currency <sup>2)</sup>	61%	49%	57%	23%	39%	30%			

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

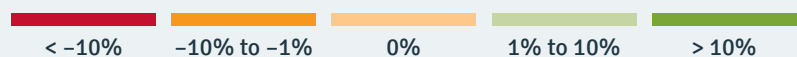
Overall, market indices suggest production rates, blended to the Group's end-markets and regions, shows the market remained flat year-on-year for the third quarter. Actual sales in constant currency for the third quarter were up 57% year-on-year in constant currency, excluding the impact of Allied. As noted in previous quarters, there is greater volatility than we would normally expect and market indices tend to have timing differences compared with the Group's order intake.

For the first nine months, market indices suggest production rates, blended to the Group's end-markets and regions were up 39% year-on-year compared to the Group's actual sales growth in constant currency of 30%, narrowing the gap seen at the half year as the timing differences unwind.

The current published forecast market indices for 2021 show growth of 18% year-on-year, 2% greater than the forecast last quarter.

	Q3-21 vs Q3-20					YTD-21 vs YTD-20					FY-21 vs FY-20				
	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	-13%	-1%	-18%	-13%	-13%	35%	59%	34%	40%	34%	9%	28%	9%	13%	7%
 <b>Construction</b> Diesel engines	-12%	3%	-18%	11%	-11%	37%	66%	34%	78%	38%	10%	33%	9%	44%	10%
Hydraulic equipment	10%	n/a	22%	n/a	n/a	14%	n/a	19%	n/a	n/a	15%	n/a	17%	n/a	n/a
 <b>Trucks</b> Light vehicles	-2%	n/a	n/a	n/a	n/a	53%	n/a	n/a	n/a	n/a	23%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	1%	18%	-8%	22%	-36%	57%	89%	50%	95%	-1%	26%	52%	22%	57%	-21%
 <b>Industrial</b> Other off-highway	-14%	0%	-20%	-24%	-10%	34%	61%	31%	22%	40%	8%	30%	7%	-2%	12%
Hydraulic lift trucks	32%	n/a	69%	n/a	n/a	13%	n/a	42%	n/a	n/a	13%	n/a	38%	n/a	n/a

The market indices summarised in the table above reflect the Q3 2021 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



# Current resources

## Cash flow from operating activities

The reported cash inflow from operating activities for the third quarter amounted to MSEK 69 (51), a cash conversion ratio of 76% (154), which represents SEK 1.79 (1.36) per share. This takes the cash inflow from operating activities for the first nine months to MSEK 217 (219), which represents SEK 5.71 (5.81) per share.

## Working capital

Total working capital at 30 September 2021 was MSEK 59 (31), which represented 3.3% (-2.0) of annual sales. Working capital increased MSEK 63 compared to 31 December 2020.

## Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 4 (2) for the third quarter and MSEK 13 (6) for the first nine months.

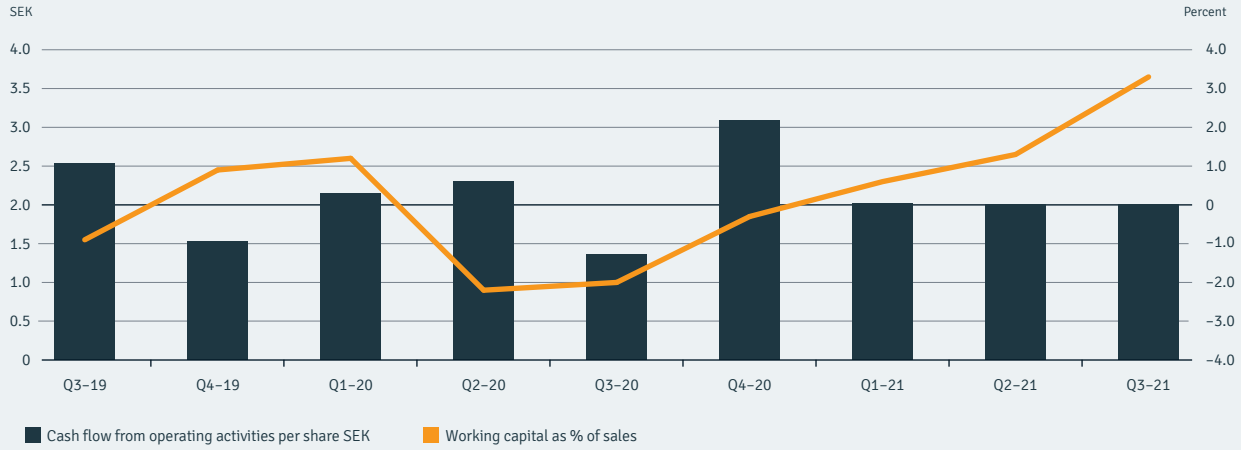
## Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, a net remeasurement loss was taken in the third quarter of MSEK -6 taking the YTD gain to MSEK 103.

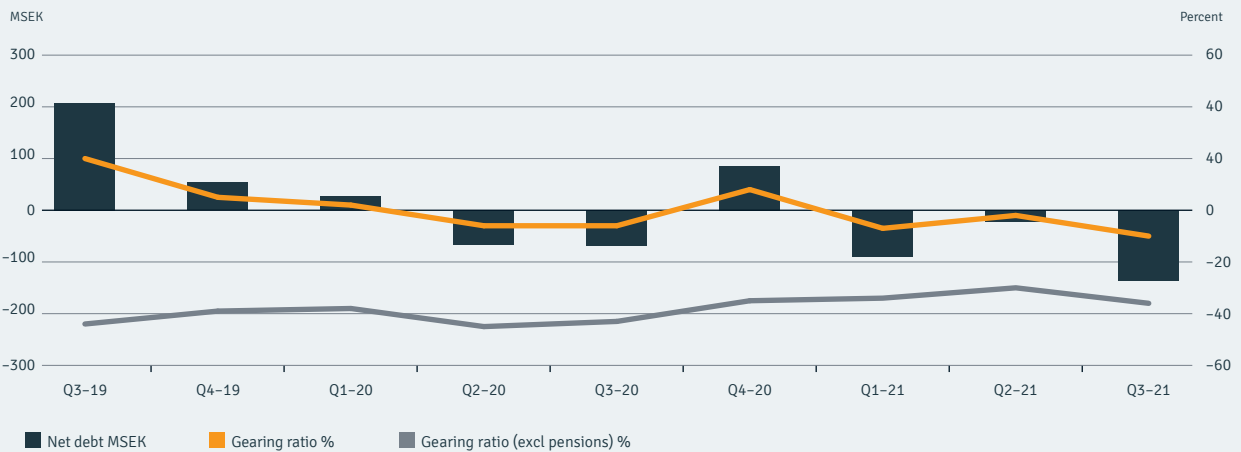
Overall, the Group's net debt at 30 September 2021 was MSEK -136 (-69), comprising liabilities for right of use assets MSEK 123 (130), loans nil (10) and net pension liabilities of MSEK 349 (450), net of cash amounting to MSEK 608 (659). Shareholders' equity amounted to MSEK 1,354 (1,214), resulting in a gearing ratio of -10% (-6) at the end of the third quarter.



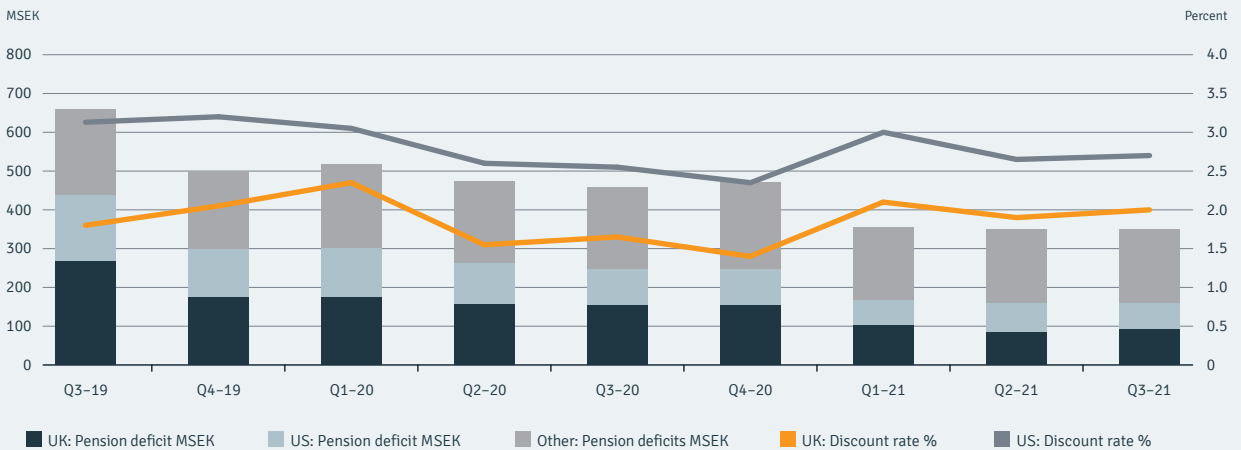
### Cash flow from operating activities and working capital



### Net debt and gearing



### Net pension liabilities



# 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-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
Net sales	515	324	1,420	1,122	1,800	1,502
Cost of goods sold	-360	-224	-982	-787	-1,234	-1,039
<b>Gross income</b>	<b>155</b>	<b>100</b>	<b>438</b>	<b>335</b>	<b>566</b>	<b>463</b>
Selling expenses	-15	-11	-43	-38	-51	-46
Administrative expenses	-37	-36	-111	-101	-146	-136
Product development expenses	-7	-7	-23	-27	-24	-28
Share of net income in joint venture	15	11	51	20	52	21
Other operating income and expenses	3	-	4	-17	23	2
<b>Operating income</b>	<b>114</b>	<b>57</b>	<b>316</b>	<b>172</b>	<b>420</b>	<b>276</b>
Financial income and expenses	-4	-7	-17	-19	-18	-20
<b>Earnings before tax</b>	<b>110</b>	<b>50</b>	<b>299</b>	<b>153</b>	<b>402</b>	<b>256</b>
Taxes	-19	-10	-51	-36	-66	-51
<b>Net income for the period</b>	<b>91</b>	<b>40</b>	<b>248</b>	<b>117</b>	<b>336</b>	<b>205</b>
Parent Company shareholders	91	40	248	117	336	205
Non-controlling interest	-	-	-	-	-	-
Basic earnings per share, before items affecting comparability, SEK	2.39	1.06	6.54	3.51	8.76	5.73
Basic earnings per share, SEK	2.39	1.06	6.54	3.11	8.86	5.43
Diluted earnings per share, SEK	2.39	1.06	6.53	3.10	8.85	5.42
Basic average number of shares (000)	37,930	37,792	37,893	37,777	37,887	37,815
Diluted average number of shares (000)	38,016	37,846	37,976	37,796	37,964	37,860

## Consolidated statement of comprehensive income

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
Net income for the period	91	40	248	117	336	205
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to the income statement</i>						
Net remeasurement gains and losses	-6	-	103	-	61	-42
Tax on net remeasurement gains and losses	1	-	-23	-	-13	10
<i>Items that may be reclassified subsequently to the income statement</i>						
Exchange rate differences related to liabilities to foreign operations	-14	17	-38	20	17	75
Tax arising from exchange rate differences related to liabilities to foreign operations	3	-3	8	-4	-4	-16
Cash-flow hedging	2	1	3	-1	3	-1
Tax arising from cash-flow hedging	-1	-	-1	-	-1	-
Foreign currency translation differences	38	-31	110	-67	-14	-191
<b>Total other comprehensive income</b>	<b>23</b>	<b>-16</b>	<b>162</b>	<b>-52</b>	<b>49</b>	<b>-165</b>
<b>Total comprehensive income</b>	<b>114</b>	<b>24</b>	<b>410</b>	<b>65</b>	<b>385</b>	<b>40</b>

## Consolidated balance sheet

	30 Sept 2021	30 Sept 2020	31 Dec 2020
Goodwill	691	627	649
Other intangible fixed assets	90	126	110
Right of use fixed assets	110	124	120
Tangible fixed assets	84	81	88
Share of net assets in joint venture	86	74	72
Deferred tax assets	98	134	107
Long-term receivables, joint venture	12	25	25
Other long-term receivables	3	4	4
<b>Total fixed assets</b>	<b>1,174</b>	<b>1,195</b>	<b>1,175</b>
Inventories	189	136	120
Current receivables	343	230	247
Cash and cash equivalents	608	659	505
<b>Total current assets</b>	<b>1,140</b>	<b>1,025</b>	<b>872</b>
<b>Total assets</b>	<b>2,314</b>	<b>2,220</b>	<b>2,047</b>
<b>Total Shareholders' equity</b>	<b>1,354</b>	<b>1,214</b>	<b>1,067</b>
Pensions and similar obligations	349	450	462
Deferred tax liabilities	12	16	15
Long-term liabilities for right of use fixed assets	105	114	111
Other long-term interest-bearing liabilities	–	–	–
Other long-term liabilities	3	3	5
<b>Total long-term liabilities</b>	<b>469</b>	<b>583</b>	<b>593</b>
Short-term liabilities for right of use fixed assets	18	16	18
Other short-term interest-bearing liabilities	–	10	–
Other current liabilities	473	397	369
<b>Total current liabilities</b>	<b>491</b>	<b>423</b>	<b>387</b>
<b>Total equity and liabilities</b>	<b>2,314</b>	<b>2,220</b>	<b>2,047</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 the

fair value of derivative instruments that were assets was MSEK 3 (1), and the fair value of derivative instruments that were liabilities was MSEK 0 (1). These measurements belong in level 2 in the fair value hierarchy.

## Consolidated changes in shareholders' equity

	30 Sept 2021	30 Sept 2020	31 Dec 2020
<b>Opening balance</b>	<b>1,067</b>	<b>1,136</b>	<b>1,136</b>
Net income for the period	248	117	205
Other comprehensive income	162	-52	-165
<b>Total comprehensive income</b>	<b>410</b>	<b>65</b>	<b>40</b>
Dividend	-133	–	-123
Own share buy-backs	–	–	–
Sale of own shares to satisfy LTI – options exercised	8	11	11
Long-term incentive plan	2	2	3
<b>Closing balance</b>	<b>1,354</b>	<b>1,214</b>	<b>1,067</b>

## Consolidated cash flow statement, in summary

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2021	2020	2021	2020	2020/21	2020
<b>Earnings before tax</b>	<b>110</b>	<b>50</b>	<b>299</b>	<b>153</b>	<b>402</b>	<b>256</b>
Reversal of depreciation and amortisation of fixed assets	21	22	63	65	84	86
Reversal of net income from joint venture	-15	-11	-51	-20	-52	-21
Reversal of other non-cash items	6	3	10	37	-1	26
Taxes paid	-13	-15	-38	-35	-51	-48
<b>Cash flow from operating activities before changes in working capital</b>	<b>109</b>	<b>49</b>	<b>283</b>	<b>200</b>	<b>382</b>	<b>299</b>
Change in working capital	-40	2	-66	19	-47	38
<b>Cash flow from operating activities</b>	<b>69</b>	<b>51</b>	<b>217</b>	<b>219</b>	<b>335</b>	<b>337</b>
<b>Investments in subsidiaries</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-95</b>	<b>-95</b>
<b>Net investments in property, plant and equipment</b>	<b>-4</b>	<b>-2</b>	<b>-13</b>	<b>-6</b>	<b>-17</b>	<b>-10</b>
New loans paid to joint venture	–	–	–	-40	–	-40
Loans repayment from joint venture	13	–	13	15	13	15
Other repayment of long-term receivables	–	–	–	3	–	3
<b>Net cash flow from long term receivables</b>	<b>13</b>	<b>–</b>	<b>13</b>	<b>-22</b>	<b>13</b>	<b>-22</b>
<b>Cash flow from investing activities</b>	<b>9</b>	<b>-2</b>	<b>–</b>	<b>-28</b>	<b>-99</b>	<b>-127</b>
Dividend	–	–	-133	–	-255	-123
Dividend received from joint venture	46	–	46	–	46	–
Buy-back of own shares	–	–	–	–	–	–
Selling of own shares to satisfy LTI – options exercised	–	8	8	11	8	11
New loans	–	–	–	10	–	10
Repayment of loans	-6	-7	-18	-16	-33	-31
Pension payments and other cash flows from financing activities	-16	-16	-38	-50	-47	-58
<b>Cash flow from financing activities</b>	<b>24</b>	<b>-15</b>	<b>-135</b>	<b>-45</b>	<b>-281</b>	<b>-191</b>
<b>Cash flow for the period</b>	<b>102</b>	<b>34</b>	<b>82</b>	<b>146</b>	<b>-45</b>	<b>19</b>
Cash and bank assets, opening balance	498	631	505	531	659	531
Exchange-rate difference in cash and bank assets	8	-6	21	-18	-6	-45
<b>Cash and bank assets, closing balance</b>	<b>608</b>	<b>659</b>	<b>608</b>	<b>659</b>	<b>608</b>	<b>505</b>



## Group notes

### Data per share

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2021	2020	2021	2020	2020/21	2020
Basic earnings per share before items affecting comparability, SEK	2.39	1.06	6.54	3.51	8.76	5.73
Basic earnings per share, SEK	2.39	1.06	6.54	3.11	8.86	5.43
Diluted earnings per share, SEK	2.39	1.06	6.53	3.10	8.85	5.42
Equity per share, SEK	35.70	32.12	35.70	32.12	35.70	28.18
Cash-flow from current operations per share, SEK	1.79	1.36	5.71	5.81	8.81	8.90
Basic weighted average no. of shares (000's)	37,930	37,792	37,893	37,777	37,887	37,815
Diluted weighted average no. of shares (000's)	38,016	37,846	37,976	37,796	37,964	37,860
Number of shares at period-end (000's)	37,930	37,792	37,930	37,792	37,930	37,870

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

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2021	2020	2021	2020	2020/21	2020
Sales growth, %	59	-30	27	-29	n/a	-25
Sales growth, constant currency, % <sup>2)</sup>	63	-24	36	-28	n/a	-23
EBITDA margin before items affecting comparability, %	26.2	24.3	26.7	22.9	28.8	25.1
EBITDA margin, %	26.2	24.3	26.7	21.2	28.0	24.1
Operating margin before items affecting comparability, %	22.2	17.5	22.3	17.1	23.1	19.4
Operating margin, %	22.2	17.5	22.3	15.3	23.3	18.4
Capital employed, MSEK	1,187	1,064	1,187	1,064	1,187	1,081
ROCE before items affecting comparability, %	36.7	29.4	36.7	29.4	36.7	26.5
ROCE, %	37.1	27.6	37.1	27.6	37.1	25.2
ROE, %	27.1	16.2	27.1	16.2	27.1	17.5
Working capital, MSEK	59	-31	59	-31	59	-4
Working capital as a % of annual sales	3.3	-2.0	3.3	-2.0	3.3	-0.3
Net debt, MSEK <sup>3)</sup>	-136	-69	-136	-69	-136	86
Gearing ratio, %	-10	-6	-10	-6	-10	8
Net investments in PPE	4	2	13	6	17	10
R&D, %	1.5	2.3	1.6	2.4	1.3	1.8
Number of employees, average	782	610	747	637	725	641

1) For additional information see pages 26–27 and 30.

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 30.

3) For additional information see page 27.

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

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
Net sales	515	324	1,420	1,122	1,800	1,502
Direct material costs	-258	-152	-687	-532	-863	-708
Personnel costs	-104	-76	-306	-268	-381	-343
Depreciation and amortisation of fixed assets	-21	-22	-63	-65	-84	-86
Share of net income in joint venture	15	11	51	20	52	21
Other operating income and expenses	-33	-28	-99	-105	-104	-110
<b>Operating income</b>	<b>114</b>	<b>57</b>	<b>316</b>	<b>172</b>	<b>420</b>	<b>276</b>
Financial income and expense	-4	-7	-17	-19	-18	-20
<b>Earnings before tax</b>	<b>110</b>	<b>50</b>	<b>299</b>	<b>153</b>	<b>402</b>	<b>256</b>
Taxes	-19	-10	-51	-36	-66	-51
<b>Net income for the period</b>	<b>91</b>	<b>40</b>	<b>248</b>	<b>117</b>	<b>336</b>	<b>205</b>

### Other operating income and expenses (refers to Income Statement on page 13)

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
Tooling income	2	–	5	2	5	2
Royalty income from joint venture	9	7	22	25	42	45
Amortisation of acquisition related surplus values	-10	-9	-28	-29	-37	-38
UK pension benefit equalisation	–	–	–	–	-3	-3
Restructuring cost	–	–	–	-20	9	-11
Other	2	2	5	5	7	7
<b>Other operating income and expenses</b>	<b>3</b>	<b>–</b>	<b>4</b>	<b>-17</b>	<b>23</b>	<b>2</b>

### Segment reporting

The Americas segment comprises the Group's operations in the USA and South America. As our operations in India and China remain relatively small in comparison to our Western facilities, Europe & RoW continues to be reported as a single combined segment, in line with our management structure, comprising the Group's operations in Europe (including the proportional consolidation of Alfdex), India and China. The evaluation of an operating

segment's earnings is based upon its operating income or EBIT. Financial assets and liabilities are not allocated to segments.

Proportional consolidation of the joint venture company Alfdex is used in Europe & RoW in the segment reporting, but adjusted to equity accounting in the statements according to IFRS 11.

### Third quarter

	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Total net sales	232	140	390	264	-107	-80	515	324
External net sales	228	138	374	251	-87	-65	515	324
Operating income before items affecting comparability	33	18	85	42	-4	-3	114	57
Operating income	33	18	85	42	-4	-3	114	57
Operating margin before items affecting comparability, %	14.5	13.3	22.8	16.6	n/a	n/a	22.2	17.5
Operating margin, %	14.5	13.3	22.8	16.6	n/a	n/a	22.2	17.5
Financial income and expense	—	—	—	—	-4	-7	-4	-7
Earnings before tax	33	18	85	42	-8	-10	110	50
Assets	615	470	1,292	1,248	407	502	2,314	2,220
Liabilities	233	227	736	764	-9	15	960	1,006
Capital employed	402	292	774	753	11	19	1,187	1,064
ROCE before items affecting comparability, %	34.6	35.7	41.2	28.4	n/a	n/a	36.7	29.4
ROCE, %	34.2	35.4	42.0	25.9	n/a	n/a	37.1	27.6
Net investments in PPE	—	—	9	1	-5	1	4	2
Depreciation and amortisation of fixed assets	6	6	17	18	-2	-2	21	22
Number of employees, average	282	226	601	457	-101	-73	782	610

### First nine months

	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Total net sales	609	506	1,133	842	-322	-226	1,420	1,122
External net sales	598	498	1,090	807	-268	-183	1,420	1,122
Operating income before items affecting comparability	89	59	242	140	-15	-7	316	192
Operating income	89	58	242	121	-15	-7	316	172
Operating margin before items affecting comparability, %	14.8	11.8	22.2	17.3	n/a	n/a	22.3	17.1
Operating margin, %	14.8	11.6	22.2	15.0	n/a	n/a	22.3	15.3
Financial income and expense	—	—	—	—	-17	-19	-17	-19
Earnings before tax	89	58	242	121	-32	-26	299	153
Assets	615	470	1,292	1,248	407	502	2,314	2,220
Liabilities	233	227	736	764	-9	15	960	1,006
Capital employed	402	292	774	753	11	19	1,187	1,064
ROCE before items affecting comparability, %	34.6	35.7	41.2	28.4	n/a	n/a	36.7	29.4
ROCE, %	34.2	35.4	42.0	25.9	n/a	n/a	37.1	27.6
Net investments in PPE	1	1	20	19	-8	-14	13	6
Depreciation and amortisation of fixed assets	18	20	50	51	-5	-6	63	65
Number of employees, average	267	238	577	472	-97	-73	747	637

### 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 62 (59) for the Group, with an average of 63 (61)

working days for the Americas region and 62 (58) working days for the Europe & RoW region.

The weighted average number of working days in the first nine months was 188 (173) for the Group, with an average of 186 (178) working days for the Americas region and 189 (170) working days for the Europe & RoW region.

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

	Jul-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
USA	165	126	13	8	-10	-5	168	129
Rest of North America	22	3	3	1	-	-1	25	3
South America	10	7	1	-	-	-	11	7
Germany	1	-	117	78	-22	-19	96	59
UK	10	-	35	25	-1	-	44	25
Sweden	2	-	30	33	-12	-14	20	19
Rest of Europe	2	1	102	61	-12	-8	92	54
Asia	14	-	66	43	-30	-18	50	25
Other	2	1	7	2	-	-	9	3
<b>Total Group</b>	<b>228</b>	<b>138</b>	<b>374</b>	<b>251</b>	<b>-87</b>	<b>-65</b>	<b>515</b>	<b>324</b>

	Jan-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
USA	460	447	42	27	-36	-25	466	449
Rest of North America	31	16	9	5	-	-	40	21
South America	24	18	2	1	-	-	26	19
Germany	5	1	341	240	-69	-42	277	199
UK	27	2	90	74	-1	-	116	76
Sweden	2	-	109	94	-43	-34	68	60
Rest of Europe	5	4	295	215	-42	-25	258	194
Asia	41	7	180	144	-77	-52	144	99
Other	3	3	22	7	-	-5	25	5
<b>Total Group</b>	<b>598</b>	<b>498</b>	<b>1,090</b>	<b>807</b>	<b>-268</b>	<b>-183</b>	<b>1,420</b>	<b>1,122</b>

### Total sales by product groups

	Jul-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Concentric branded Engine products	95	53	142	80	–	–	237	133
LICOS branded Engine products	–	–	56	40	–	–	56	40
Alfdex branded Engine products	–	–	87	65	–87	–65	–	–
Total Engine products	95	53	285	185	–87	–65	293	173
Total Hydraulics products	133	85	89	66	–	–	222	151
<b>Total Group</b>	<b>228</b>	<b>138</b>	<b>374</b>	<b>251</b>	<b>–87</b>	<b>–65</b>	<b>515</b>	<b>324</b>

	Jan-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Concentric branded Engine products	221	175	378	260	–	–	599	435
LICOS branded Engine products	–	–	168	118	–	–	168	118
Alfdex branded Engine products	–	–	268	183	–268	–183	–	–
Total Engine products	221	175	814	561	–268	–183	767	553
Total Hydraulics products	377	323	276	246	–	–	653	569
<b>Total Group</b>	<b>598</b>	<b>498</b>	<b>1,090</b>	<b>807</b>	<b>–268</b>	<b>–183</b>	<b>1,420</b>	<b>1,122</b>

### Total sales by end-markets

	Jul-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Trucks	22	8	205	150	–81	–62	146	96
Construction	81	44	63	45	–	–	144	89
Industrial	86	66	71	36	–	–	157	102
Agriculture	39	20	35	20	–6	–3	68	37
<b>Total Group</b>	<b>228</b>	<b>138</b>	<b>374</b>	<b>251</b>	<b>–87</b>	<b>–65</b>	<b>515</b>	<b>324</b>

	Jan-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Trucks	57	37	605	466	–252	–173	410	330
Construction	203	157	186	147	–	–	389	304
Industrial	227	234	197	131	–	–	424	365
Agriculture	111	70	102	63	–16	–10	197	123
<b>Total Group</b>	<b>598</b>	<b>498</b>	<b>1,090</b>	<b>807</b>	<b>–268</b>	<b>–183</b>	<b>1,420</b>	<b>1,122</b>



## Business risks, accounting principles and other information

### 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. 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.

### Events after the balance-sheet date

On 29 October 2021 the Group completed the acquisition of 100% of the share capital of Engineered Machined Products, Inc. The total consideration paid was MSEK 1,260 (MUSD 147) in cash on completion. This has been funded through a combination of a new MSEK 858 term loan facility, a draw down from our existing revolving credit facility (MSEK 214) and our existing cash resources (MSEK 188). Work to complete the purchase price allocation in line with IFRS 3 is ongoing and will be communicated as part of the Q4 interim report.

### Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2020 Annual Report on pages 6–9 and pages 14–33.

### 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.

The COVID-19 pandemic has had a significant effect on the global economy and the demand for the Group's products and services. With the high uncertainty surrounding the situation and potential initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Group for the coming quarters. As of September 30, there is no significant impact on any balance sheet items.

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 2020 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2021. Please refer to the Risk and Risk Management section on pages 65–68 of the 2020 Annual Report for further details.

### 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 2020 Annual Report.

Concentric has operations in Argentina. During the third quarter 2018, Argentina was declared a hyperinflationary economy under the criteria in IAS 29. Concentric has assessed the impact of making the adjustments required by IAS 29 and has concluded that the impact on the Group's financial statements is non-material due to the limited extent of the operations in Argentina compared with the Group as a whole. The Group continues to monitor the situation in Argentina.

New standards, amendments and interpretations to existing standards that 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, a reduction in the royalty rate led to an operating income of MSEK 10 (14) in the first nine months.

## Net financial items and earnings before tax

During the third quarter the company received a dividend of MSEK 46 from Alfdex AB. Exchange rate losses on foreign liabilities to subsidiaries was MSEK 38 (gain 20) in the first nine months, and the remaining financial items netted to MSEK -2 (-7). Accordingly, earnings before tax was MSEK 16 (28) for the first nine months.

## Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2021 was 123,255 (1,156,667) and shares transferred to an Employee

Share Ownership Trust (“ESOT”) was 304,812 (300,700). Including these shares the Company’s holdings was 428,067 (1,457,367) and the total number of shares in issue was 38,297,600 (39,224,100).

The Company has not repurchased any shares during the year, but have sold 60,375 (102,800) of own shares, to exercise and satisfy LTI-programme. Last year 926,500 of the company’s own shares was retired.

No transfer to the ESOT in this year (last year 93,712), but a transfer of 53,085 (89,600) own shares to Concentric was made. The total number of holdings of own shares at 30 September 2021 was 115,965 (123,255). Consequently the company’s total holdings of own shares now represent 0.3% (0.3) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 251,727 (304,812). Including these shares the company’s holdings was 367,692 (428,067) representing 1.0% (1.1) of the total number of shares.

## Parent Company’s income statement

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
Net sales	10	7	25	27	47	49
Operating costs	-5	-3	-15	-13	-21	-19
<b>Operating income</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>14</b>	<b>26</b>	<b>30</b>
Income from shares in subsidiaries	-	-	-	1	689	690
Income from shares in joint venture	46	-	46	-	46	-
Net foreign exchange rate differences	-15	17	-38	20	17	75
Other financial income and expense	-1	-2	-2	-7	-6	-11
<b>Earnings before tax</b>	<b>35</b>	<b>19</b>	<b>16</b>	<b>28</b>	<b>772</b>	<b>784</b>
Taxes	2	-4	6	-6	-10	-22
<b>Net income for the period<sup>1)</sup></b>	<b>37</b>	<b>15</b>	<b>22</b>	<b>22</b>	<b>762</b>	<b>762</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 Sept 2021	30 Sept 2020	31 Dec 2020
Shares in subsidiaries	3,149	3,149	3,149
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1	2	1
Long-term loans receivable from joint venture	12	25	25
Deferred tax assets	5	15	–
<b>Total financial fixed assets</b>	<b>3,177</b>	<b>3,201</b>	<b>3,185</b>
Other current receivables	8	4	3
Short-term receivables from subsidiaries	10	94	6
Short-term receivables from joint venture	–	–	2
Cash and cash equivalents	483	544	390
<b>Total current assets</b>	<b>501</b>	<b>642</b>	<b>401</b>
<b>Total assets</b>	<b>3,678</b>	<b>3,843</b>	<b>3,586</b>
<b>Total shareholders' equity</b>	<b>2,375</b>	<b>1,860</b>	<b>2,477</b>
Pensions and similar obligations	18	18	18
Long-term loans payable to subsidiaries	1,178	861	1,041
<b>Total long-term liabilities</b>	<b>1,196</b>	<b>879</b>	<b>1,059</b>
Short-term loans payable to subsidiaries	99	1,086	43
Short-term interest-bearing liabilities	–	–	1
Other current liabilities	8	18	6
<b>Total current liabilities</b>	<b>107</b>	<b>1,104</b>	<b>52</b>
<b>Total equity and liabilities</b>	<b>3,678</b>	<b>3,843</b>	<b>3,586</b>

## Parent Company's changes in shareholders' equity

	30 Sept 2021	30 Sept 2020	31 Dec 2020
Opening balance	2,477	1,827	1,827
Net income for the period	22	22	762
Dividend	-133	–	-123
Sale of own shares to satisfy LTI options exercised	8	11	11
Buy-back of own shares	1	–	–
<b>Closing balance</b>	<b>2,375</b>	<b>1,860</b>	<b>2,477</b>



# Other information

## Forward-looking information

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 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 2021	9 February, 2022
Annual Report January – December 2021	30 March, 2022
Annual General Meeting 2022	21 April, 2022

## Further information:

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Marcus Whitehouse (CFO) at  
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E-mail: info@concentricab.com

Corporate Registration Number 556828-4995

Stockholm 3 November, 2021

**David Woolley**  
President and CEO

This Interim Report has not been reviewed by the company's auditors.

# Alternative Performance Measures reconciliation

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
<b>Underlying EBIT or operating income</b>						
<b>EBIT or operating income</b>	<b>114</b>	<b>57</b>	<b>316</b>	<b>172</b>	<b>420</b>	<b>276</b>
<b>Items affecting comparability:</b>						
UK pension benefit, equalisation	–	–	–	–	3	3
Acquisition cost	–	–	–	–	1	1
Restructuring costs	–	–	–	20	–9	11
<b>Underlying operating income</b>	<b>114</b>	<b>57</b>	<b>316</b>	<b>192</b>	<b>415</b>	<b>291</b>
Net sales	515	324	1,420	1,122	1,800	1,502
<b>Operating margin (%)</b>	<b>22.2</b>	<b>17.5</b>	<b>22.3</b>	<b>15.3</b>	<b>23.3</b>	<b>18.4</b>
<b>Underlying operating margin (%)</b>	<b>22.2</b>	<b>17.5</b>	<b>22.3</b>	<b>17.1</b>	<b>23.1</b>	<b>19.4</b>

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
<b>Underlying EBITDA or operating income before amortisation and depreciation</b>						
<b>EBIT or operating income</b>	<b>114</b>	<b>57</b>	<b>316</b>	<b>172</b>	<b>420</b>	<b>276</b>
Operating amortisation/depreciation	12	13	35	36	47	48
Amortisation of purchase price allocation	9	9	28	29	37	38
<b>EBITDA or operating income before amortisation and depreciation</b>	<b>135</b>	<b>79</b>	<b>379</b>	<b>237</b>	<b>504</b>	<b>362</b>
UK pension benefit, equalisation	–	–	–	–	3	3
Acquisition cost	–	–	–	–	1	1
Restructuring costs	–	–	–	20	–9	11
<b>Underlying EBITDA or underlying operating income before amortisation and depreciation</b>	<b>135</b>	<b>79</b>	<b>379</b>	<b>257</b>	<b>499</b>	<b>377</b>
Net sales	515	324	1,420	1,122	1,800	1,502
<b>EBITDA margin (%)</b>	<b>26.2</b>	<b>24.3</b>	<b>26.7</b>	<b>21.2</b>	<b>28.0</b>	<b>24.1</b>
<b>Underlying EBITDA margin (%)</b>	<b>26.2</b>	<b>24.3</b>	<b>26.7</b>	<b>22.9</b>	<b>28.8</b>	<b>25.1</b>

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2021	2020	2021	2020	2020/21	2020
<b>Net income before items affecting comparability</b>						
<b>Net income</b>	<b>91</b>	<b>40</b>	<b>248</b>	<b>117</b>	<b>336</b>	<b>205</b>
Items affecting comparability after tax	–	–	–	15	–4	11
<b>Net income before items affecting comparability</b>	<b>91</b>	<b>40</b>	<b>248</b>	<b>132</b>	<b>332</b>	<b>216</b>
Basic average number of shares (000)	37,930	37,792	37,893	37,777	37,887	37,815
<b>Basic earnings per share</b>	<b>2.39</b>	<b>1.06</b>	<b>6.54</b>	<b>3.11</b>	<b>8.86</b>	<b>5.43</b>
<b>Basic earnings per share before items affecting comparability</b>	<b>2.39</b>	<b>1.06</b>	<b>6.54</b>	<b>3.51</b>	<b>8.76</b>	<b>5.73</b>

<b>Net debt</b>	<b>30 Sept 2021</b>	30 Sept 2020	31 Dec 2020
Pensions and similar obligations	349	450	462
Liabilities for right of use fixed assets	123	130	129
Other long term interest bearing liabilities	—	—	—
Other short term interest bearing liabilities	—	10	—
<b>Total interest bearing liabilities</b>	<b>472</b>	<b>590</b>	<b>591</b>
Cash and cash equivalents	-608	-659	-505
<b>Total net debt</b>	<b>-136</b>	<b>-69</b>	<b>86</b>
<b>Net debt, excluding pension obligations</b>	<b>-485</b>	<b>-519</b>	<b>-376</b>

<b>Capital employed</b>	<b>30 Sept 2021</b>	30 Sept 2020	31 Dec 2020
<b>Total assets</b>	<b>2,314</b>	<b>2,220</b>	<b>2,047</b>
Interest bearing financial assets	-15	-29	-29
Cash and cash equivalents	-608	-659	-505
Tax assets	-108	-162	-138
<b>Non interest bearing assets (excl taxes)</b>	<b>1,583</b>	<b>1,370</b>	<b>1,375</b>
Non interest bearing liabilities (incl taxes)	-488	-415	-387
Tax liabilities	92	109	93
<b>Non interest bearing liabilities (excl taxes)</b>	<b>-396</b>	<b>-306</b>	<b>-294</b>
<b>Total capital employed</b>	<b>1,187</b>	<b>1,064</b>	<b>1,081</b>

<b>Working capital</b>	<b>30 Sept 2021</b>	30 Sept 2020	31 Dec 2020
Accounts receivable	282	167	182
Other current receivables	61	63	63
Inventory	189	136	120
<b>Working capital assets</b>	<b>532</b>	<b>366</b>	<b>365</b>
Accounts payable	-246	-152	-154
Other current payables	-227	-245	-215
<b>Working capital liabilities</b>	<b>-473</b>	<b>-397</b>	<b>-369</b>
<b>Total working capital</b>	<b>59</b>	<b>-31</b>	<b>-4</b>

<b>Cash Conversion</b>	<b>Jul-Sept</b>		<b>Jan-Sept</b>		Oct-Sept	Jan-Dec
	<b>2021</b>	2020	<b>2021</b>	2020	2020/21	2020
<b>Cash flow from operating activities</b>	<b>69</b>	<b>51</b>	<b>217</b>	<b>219</b>	<b>335</b>	<b>337</b>
Payments for financial transactions	-1	3	2	2	5	5
Tax payments	13	15	38	35	51	48
Net investments in property, plant and equipment	-4	-2	-13	-6	-17	-10
Adjustment for royalty from joint-venture (Alfdex)	-9	-7	-22	-25	-42	-45
<b>Operating Cash</b>	<b>68</b>	<b>60</b>	<b>222</b>	<b>225</b>	<b>332</b>	<b>335</b>
Operating income	114	57	316	172	420	276
Adjustment for royalty from joint-venture (Alfdex)	-9	-7	-22	-25	-42	-45
Adjustments for share in profit in JV	-15	-11	-51	-20	-52	-21
<b>Adjusted Operating income</b>	<b>90</b>	<b>39</b>	<b>243</b>	<b>127</b>	<b>326</b>	<b>210</b>
<b>Cash conversion (%)</b>	<b>75.6</b>	<b>153.8</b>	<b>91.4</b>	<b>177.2</b>	<b>101.8</b>	<b>159.5</b>

# Graph data summary

	Q3/2021	Q2/2021	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019
<b>Americas</b>									
Sales, MSEK	228	196	174	153	138	172	189	179	203
Book-to-bill, %	114	126	141	102	112	72	111	91	97
Operating income before items affecting comparability, MSEK	33	30	26	36	18	20	21	58	28
Operating margin before items affecting comparability, %	14.5	15.2	14.9	23.4	13.3	11.2	11.3	32.3	14.1
<b>Europe &amp; RoW</b>									
Sales (including Alfdex), MSEK	374	371	345	301	251	220	336	334	320
Book-to-bill, %	105	98	120	117	116	86	85	103	91
Operating income before items affecting comparability, MSEK	85	81	76	64	42	30	68	80	63
Operating margin before items affecting comparability, %	22.8	21.6	22.1	21.2	16.6	13.8	20.2	24.1	19.7
<b>Total</b>									
Sales (including Alfdex), MSEK	602	567	519	454	389	392	525	513	523
EBIT before items affecting comparability, MSEK	121	111	102	100	60	50	89	138	91
<b>Alfdex eliminations</b>									
Sales, MSEK	-87	-94	-87	-74	-64	-50	-69	-83	-60
Operating income before items affecting comparability, MSEK	-4	-4	-7	-1	-3	-2	-2	-4	1
<b>Group</b>									
Sales (excluding Alfdex), MSEK	515	473	432	380	325	342	456	430	463
Book-to-bill, %	108	107	127	112	115	79	94	99	94
Operating income before items affecting comparability, MSEK	114	107	95	99	57	48	87	134	91
Operating margin before items affecting comparability, %	22.2	22.7	21.9	26.0	17.5	14.2	19.1	31.1	19.8
Basic earnings per share, SEK	2.39	2.25	1.90	2.32	1.06	0.44	1.60	1.87	1.67
Return on equity, %	27.1	23.7	18.0	17.5	16.2	18.7	25.4	29.5	34.4
Cash flow from operating activities per share, SEK	1.79	2.01	1.91	3.09	1.36	2.30	2.15	1.53	2.53
Working capital as % of annualised sales	3.3	1.3	0.5	-0.3	-2.0	-2.2	1.2	0.9	-0.9
Net debt, MSEK	-136	22	-90	86	-69	-67	27	54	207
Gearing ratio, %	-10	-2	-7	8	-6	-6	2	5	20
Gearing ratio (excl Pensions), %	-36	-30	-34	-35	-43	-45	-38	-39	-44



# Glossary

**Americas**

Americas operating segment comprising the Group's operations in the USA and South America.

**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

**ESOT**

Employee Share Ownership Trust

**Europe & RoW**

Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China.

**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 cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax 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.

## **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.



[www.concentricab.com](http://www.concentricab.com)