



Q3

INTERIM REPORT Q3 2022

Third quarter

● Net sales

MSEK 1,068 (515) – reported sales were up +107% year-on-year. After adjusting for the impact of currency +14% and EMP +84%, sales in constant currency year-on-year were up +9%.

● Operating income

MSEK 175 (114), generating an Operating margin of 16.3% (22.2). Operating income in the third quarter includes the profit from the sale of our Argentine business of MSEK 9 leading to a Operating income before items affecting comparability of MSEK 166 (114).

● Net income for the period

MSEK 126 (91); basic EPS of SEK 3.32 (2.39).

● Cash flow from operating activities

MSEK 163 (69); cash conversion increases to 108% in Q3.

First nine months

● Net sales

MSEK 3,023 (1,420) – reported sales were up +113% year-on-year. After adjusting for the impact of currency +13% and EMP +79%, sales in constant currency were up +21%.

● Operating income

Operating income was MSEK 505 (316), generating an Operating margin of 16.7% (22.3).

● Net income for the period

MSEK 390 (248); basic EPS of SEK 10.28 (6.54).

● Cash flow from operating activities

MSEK 329 (217); cash generation has been affected by increases in working capital to support increased sales.

● Group's net debt

MSEK 1,005 (-136); gearing ratio of 45% (-10). Pension liabilities continue to reduce as discount rates increase, resulting in a net remeasurement gain of MSEK 26 (-5) in the third quarter and a total gain of MSEK 217 (80) year to date.

Key figures – Group¹⁾

MSEK	Jul-Sep			Jan-Sep		
	2022	2021	Change	2022	2021	Change
Net sales	1,068	515	107%	3,023	1,420	113%
Operating income before items affecting comparability	166	114	46%	496	316	57%
Operating income	175	114	54%	505	316	60%
Earnings before tax	165	110	50%	473	299	58%
Net income for the period	126	91	38%	390	248	57%
Cash flow from operating activities	163	69	136%	329	217	52%
Net debt ²⁾	1,005	-136	-839%	1,005	-136	-839%
Operating margin before items affecting comparability, %	15.5	22.2	-6.7	16.4	22.3	-5.9
Operating margin, %	16.3	22.2	-5.9	16.7	22.3	-5.6
Basic EPS before items affecting comparability, SEK	3.13	2.39	0.74	10.09	6.54	3.55
Basic EPS, SEK	3.32	2.39	0.93	10.28	6.54	3.74
Diluted EPS, SEK	3.32	2.39	0.93	10.26	6.53	3.73
Return on equity, %	27.6	27.1	0.5	27.6	27.1	0.5
Gearing ratio, %	45	-10	55	45	-10	55

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

2) For additional information see page 22.

Review of the third quarter

Concentric continues to perform strongly in a challenging environment.

Financial Performance

The Concentric Group continued to perform well in Q3 2022 with year-on-year sales growth and strong operating margins despite inflationary supply chain pressures. Net sales were up 107% to MSEK 1,068 with Engineered Machine Products (EMP) accounting for +84% of the year-on-year sales growth, whilst underlying sales growth and foreign exchange rates increased sales by +9% and +14% respectively. The Operating income for the third quarter was MSEK 175 (114) achieving an operating margin of 16.3% (22.2), which included a better-than-expected profit of MSEK 9 following the sale of our Argentine business. Cash performance for the Group improved this quarter, cash flow from operating activities was MSEK 163 (69) with a profit to cash conversion ratio of 108% for the quarter and a year-to-date ratio of 85%. Inventory remains the drag on cash generation and we will continue to focus on reducing our current inventory levels as the supply chain stabilises.

Sales and Market Development

Our global end-markets offer a mixed picture, particularly the important North American and European markets. Most of our end-markets in North America offered growth opportunities, whilst in Europe, these same markets are flat or declining. We have a strong market presence in the Indian construction equipment sector and its pleasing to see that this market remains buoyant. China's economy however is slowing as it adapts to a punishing zero-Covid strategy and weakening global demand, impacting our Alfdex business in particular. Overall, the published quarterly market indices suggest the market has decreased -2% year-on-year whereas our sales have grown +9% in constant currency, indicating the continued timing difference between our sales and the market indices.

Sales of electric products this quarter were MSEK 200 which equates to 19% of group sales. Whilst electric products are of strategic importance, we also wish to develop sales opportunities for our existing mechanical products, in particular in Emerging Markets such as India, where Concentric has been present for over 30 years. It is for this reason we were delighted to announce two new business nominations in the on-highway truck sector for water pumps required on new engine platforms designed to meet the stringent Bharat VI emission standard. These are the first business nominations with a domestic OEM in the on-highway sector and is a significant step in developing our market position in this important emerging market.

The stability of global supply chain continues to improve with the exception of electrical components required for our e-Products, which remain difficult to source to meet the end-market demand. Whilst the global supply chain has improved over the last three quarters there remains critical bottlenecks, that continue to limit sales and increase the order bank.

The global market for our engines products was on par with last year and in line with our underlying sales performance for the quarter. Sales by geographic region were mixed as we enjoyed strong sales in North America, in particular to the agricultural machinery sector, whilst sales to our European truck sector customers were down. Net sales of our Engines division for the quarter were MSEK 712 (252) with an Operating margin of 14.2% (31.1). EMP increased sales for Engines by +171% and foreign exchange rates increased sales by a further +11%, meaning underlying sales were flat year-on-year. Lower sales of Alfdex products to China continues to impact the Engines Operating margin.

Demand for our Hydraulics products remains strong across our core geographic markets and all end-market applications. Net sales of our Hydraulics division for the quarter were MSEK 356 (263) with an Operating margin of 18.1% (13.7). Underlying sales increased +17% and foreign exchange rates increased sales by a further +18%.

Outlook

Looking into the fourth quarter of 2022, we currently estimate net sales to remain consistent with the sales performance achieved during the third quarter. We expect that the high level of volatility in the markets will continue with the ongoing war in Europe, high inflation, a risk for further Covid-19 related restrictions in China and supply chain bottlenecks. Our Concentric Business Excellence programme will continue to support our strong trading margins in the current climate and improve our cash performance by reducing inventory during the coming quarter.

Martin Kunz
President and CEO



Concentric Group, third quarter figures

Key figures¹⁾

Amounts in MSEK	Jul-Sep			Jan-Sep		
	2022	2021	Change	2022	2021	Change
Net sales	1,068	515	107%	3,023	1,420	113%
Operating income before items affecting comparability	166	114	46%	496	316	57%
Operating income	175	114	54%	505	316	60%
Earnings before tax	165	110	50%	473	299	58%
Net income for the period	126	91	38%	390	248	57%
Operating margin before items affecting comparability, %	15.5	22.2	-6.7	16.4	22.3	-5.9
Operating margin, %	16.3	22.2	-5.9	16.7	22.3	-5.6
ROCE, %	22.1	37.1	-15.0	22.1	37.1	-15.0
Return on equity, %	27.6	27.1	0.5	27.6	27.1	0.5
Basic EPS before items affecting comparability, SEK	3.13	2.39	0.74	10.09	6.54	3.55
Basic EPS, SEK	3.32	2.39	0.93	10.28	6.54	3.74
Diluted EPS, SEK	3.32	2.39	0.93	10.26	6.53	3.73

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

Sales

Reported net sales for the third quarter were up year-on-year by +107%. The EMP acquisition has increased Group sales by +84% and due to the weak Swedish Krona, particularly against the dollar, foreign exchange movements have increased reported sales +14%. Sales in constant currency therefore were up +9% year-on-year, as the market remained strong. Group order intake remains robust, as seen in the book-to-bill ratio of 107%.

Sales of electric products were MSEK 200 in the third quarter, representing 19% of total sales. This is the highest level of sales of e-products this year, up from 16% in the second quarter, and is reflective of the improvements in sourcing of electric components during this quarter.

Operating income

Operating income before items affecting comparability in the third quarter was MSEK 166 (114) resulting in a corresponding margin of 15.5% (22.2). This lower margin reflects a number of factors including:

- Lower total income from our joint venture, Alfdex, of MSEK 14 (24) due to the impact Covid-19 is having on the Chinese market and a general slow down in the Chinese economy; and
- Further inflationary pricing pressures from suppliers. Where cost increases are unavoidable we will endeavour to pass them up the value chain.

Operating income in the third quarter included MSEK 9 of profit from the sale of our Argentine business resulting in an Operating margin of 16.3% (22.2).

Net financial items

Net financial income and expense for the third quarter was MSEK -10 (-4), this comprised of pension financial expense of MSEK -5 (-5), interest expenses for right of use assets MSEK -1 (-1), interest on the loan of -11 (nil) and net other financial income MSEK 7 (2).

Taxes

The reported effective tax rate for the third quarter was 23% (17). 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 3.32 (2.39), up SEK 0.93 per share. The diluted earnings per share for the third quarter was SEK 3.32 (2.39), up SEK 0.93.

Cash flow from operating activities

The reported cash inflow from operating activities for the third quarter amounted to MSEK 163 (69), which represents SEK 4.26 (1.79) per share. This has resulted in an Operating cash conversion ratio of 108% (75) which is a significant improvement on the previous two quarters.

Working capital

Total working capital as at 30 September 2022 was MSEK 527 (59), which represented 14.2% (3.3) of annual sales, a large portion of the year-on-year increase coming from EMP's higher working capital requirement. Inventory has increased to MSEK 526 at the end of the third quarter, an increase of MSEK 38 from the previous quarter, albeit MSEK 33 of this was due to FX, primarily the strengthening US dollar.

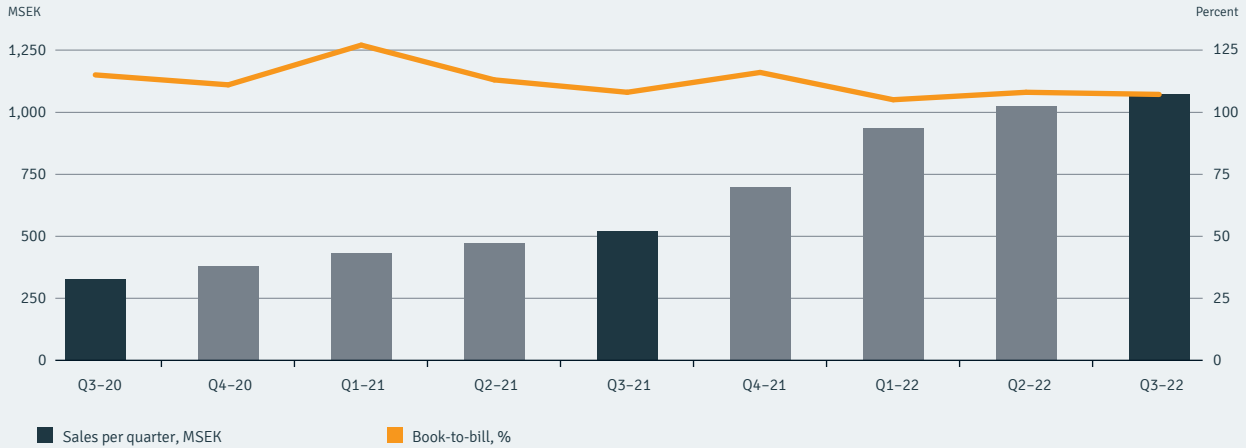
Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, a net remeasurement gain was taken in the third quarter of MSEK 26, taking the year-to-date gain to MSEK 217. This has largely arisen due to increases in discount rates as inflation and interest rates rise.

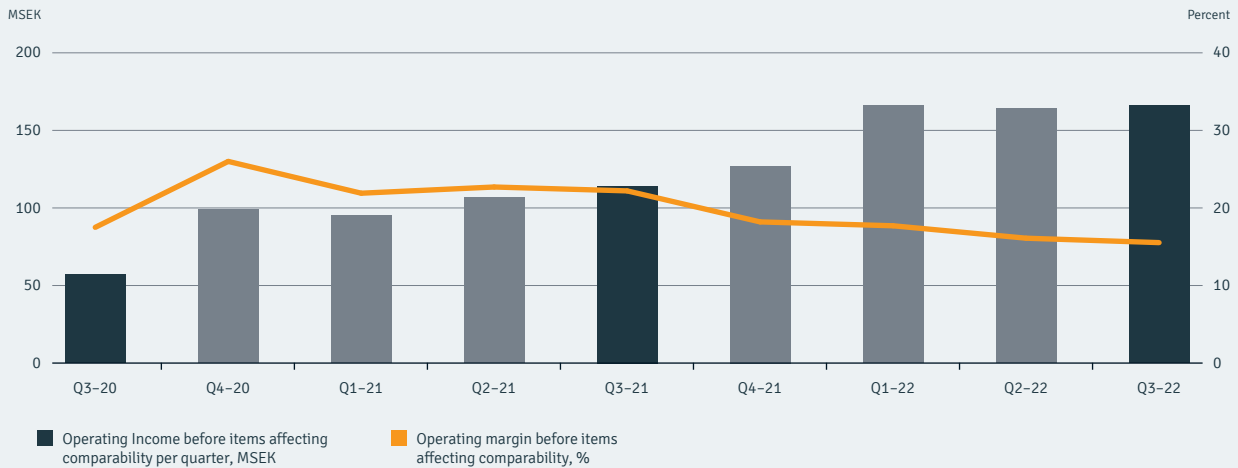
Overall, the Group's net debt at the end of the third quarter was MSEK 1,005 (-136), comprising other interest bearing liabilities MSEK 1,287 (nil), liabilities for right of use assets MSEK 121 (123) and net pension liabilities of MSEK 45 (349), net of cash amounting to MSEK 448 (608). Shareholders' equity amounted to MSEK 2,214 (1,354), resulting in a gearing ratio of 45% (-10) at the end of the third quarter.

Graphs – Concentric Group

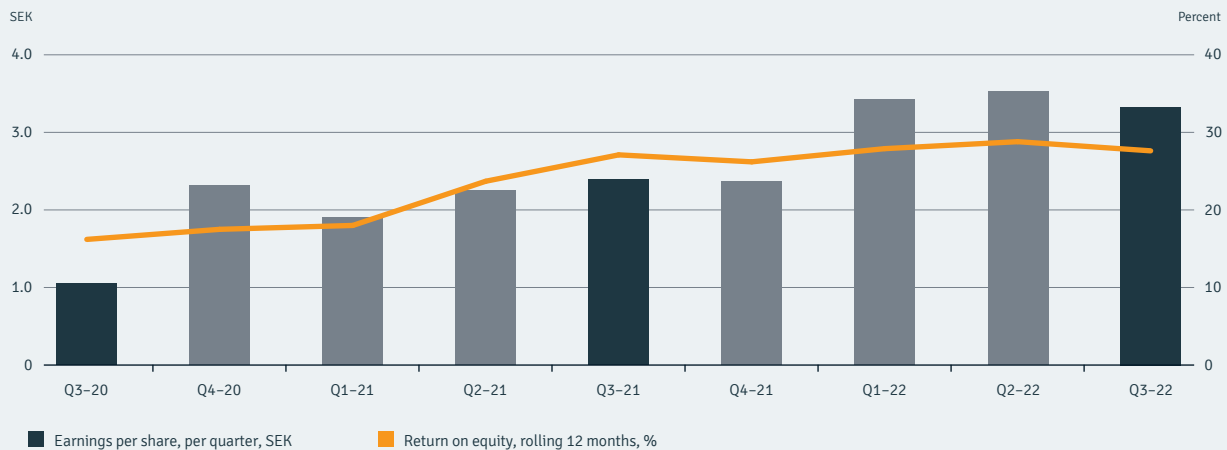
Sales and book-to-bill



Underlying operating income and margin



Earnings per share and return on equity



Engines

Financial Performance

Amounts in MSEK	Jul-Sep			Jan-Sep		
	2022	2021	Change	2022	2021	Change
External net sales	712	252	182%	1,996	683	192%
Operating income	102	78	31%	309	210	47%
Operating margin, %	14.2	31.1	-16.9	15.5	30.8	-15.3
ROCE, %	16.3	31.3	-15.0	16.3	31.3	-15.0

Sales and market development

Reported sales for the third quarter were up year-on-year by +182%. The acquisition of EMP has increased reported Engines sales by +171% and FX movements have increased sales a further +11%. Underlying sales in constant currency are flat year-on-year.

Sales to Engines end-markets in the US have grown overall year-on-year in constant currency, with growth particularly strong in the Agricultural equipment sector. Sales to the European markets are flat, such as the Construction equipment sector, or declining. Sales to the Indian market also show a slight decrease year-on-year for engine products, however, we have two new business nominations in the On-highway truck sector for our water pumps. These nominations are for Engine platforms designed to meet the Bharat VI emissions standard, as our products continue to help to lower vehicle emissions.

Market indices suggest production rates, blended to the Engines end-markets and regions, are flat in the third quarter year-on-year. Order intake remains strong with a book-to-bill ratio of 109% (106).

Operating income and margin

Operating income in the third quarter was MSEK 102 (78) resulting in an Operating margin of 14.2% (31.1). This includes Operating income from Concentric branded Engines products, all Licos and EMP branded products and the royalties and share of net income from our JV, Alfdex. The year-on-year margin decrease is largely a result of the mix change following the acquisition of EMP and lower total income from our JV, Alfdex, of MSEK 14 (24). This is due to the slow down in China, particularly the truck market, as a result of the Covid-19 lockdowns and a weak Chinese economy.



Operating margin is under pressure from supplier price increases for energy and general economic inflationary pressures. Whilst we endeavour to pass on these costs up the value chain, framework agreements with our larger customers means this can only be done periodically.

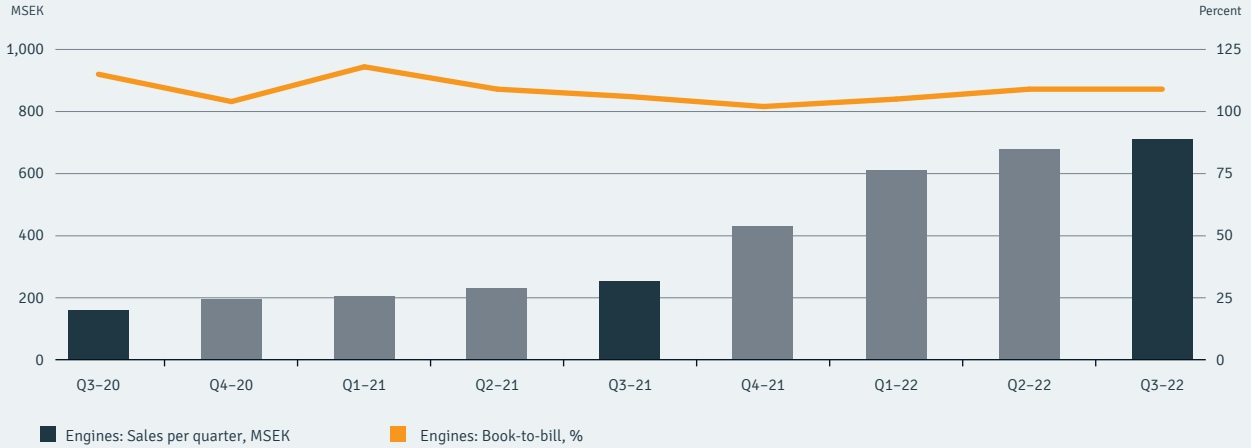
Working capital

Working capital has increased in the Engines division to MSEK 388 (72). A large part of the year-on-year increase is due to the EMP acquisition as EMP have a higher working capital requirement than the legacy Concentric businesses.

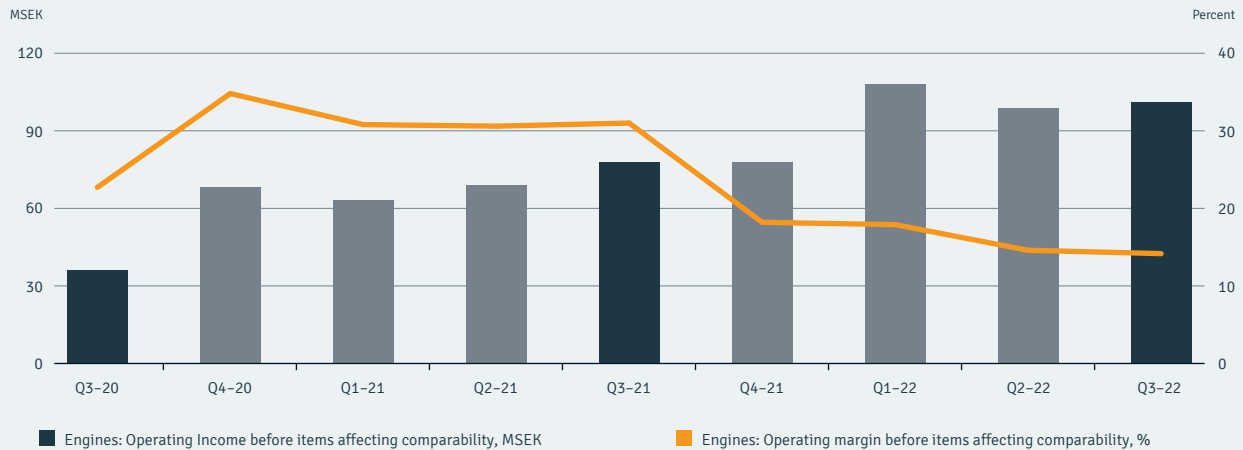
Quarter-on-quarter working capital as a percentage of sales has decreased from 18.4% to 15.9% as the supply chain situation stabilises with the exception of components for our e-Products where the supply chain remains constrained.

Graphs – Engines

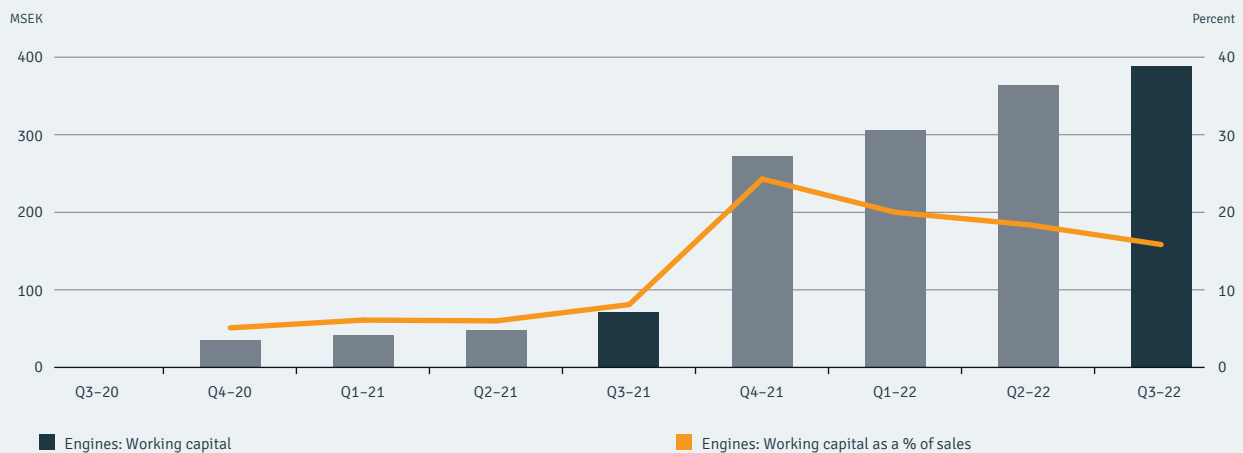
Sales and book-to-bill



Underlying operating income and margin



Working capital and working capital as a % of sales



Hydraulics

Financial Performance

Amounts in MSEK	Jul-Sep			Jan-Sep		
	2022	2021	Change	2022	2021	Change
External net sales	356	263	35%	1,027	737	39%
Operating income	64	36	78%	187	106	76%
Operating margin, %	18.1	13.7	4.4	18.2	14.4	3.8
ROCE, %	91.6	134.0	-42.4	91.6	134.0	-42.4

Sales and market development

Reported sales for the third quarter were MSEK 356, up year-on-year by 35%, this is the best performing quarter for the hydraulics division this year. FX movements have increased sales by +18% and underlying sales have increased +17%. Inflationary pricing pressures from suppliers have been passed up the value chain in a timely manner in the Hydraulics division due to the greater number of smaller customers and not being restricted by longer term framework agreements.

Sales to all Hydraulic end-markets in North America and Europe have grown by double digit percentages year-on-year in constant currency. Sales to the North American Construction equipment and the European Truck sectors both fared particularly well, whilst sales in Chinese market were flat year-on-year.

Market indices suggest production rates, blended to the Hydraulics end-markets and regions, decreased -4% year-on-year in the third quarter compared to our constant currency sales growth of +17%. We note that, as usual, there is some timing difference between the market indices and our sales figures, which are impacted positively by both volume and pricing. For the full year, market indices suggest production rates will be up 3% with strongest growth being seen in the North American market.

Order intake remains strong with a book-to-bill ratio of 102% (111) indicating orders received continues to be higher than sales. Hydraulics also continues to have an increased order backlog, which we aim to reduce over the coming quarters, caused by particular supplier bottlenecks.



Operating income and margin

The Operating income in the third quarter was MSEK 64 (36), up MSEK 28 year-on-year, generating an Operating margin of 18.1% (13.7). The year-on-year margin improvement has largely come from increased sales, leveraging the fixed cost base. Hydraulics have successfully maintained strong margins by passing any cost increases up the value chain.

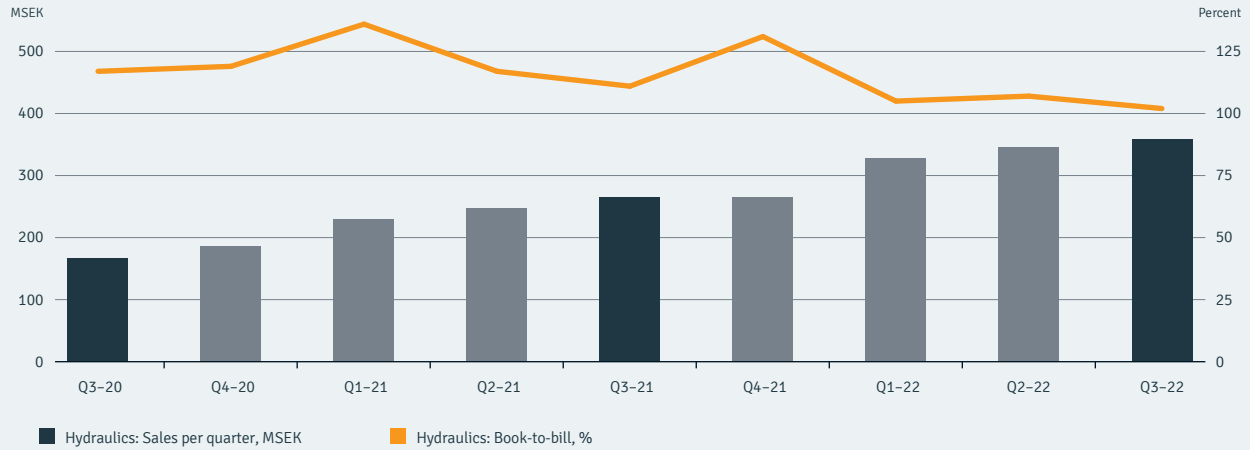
Working capital

Working capital has increased in the Hydraulics division to MSEK 165 (62), MSEK 99 of the year-on-year increase has come from increases in inventory due to the ongoing supply chain disruption.

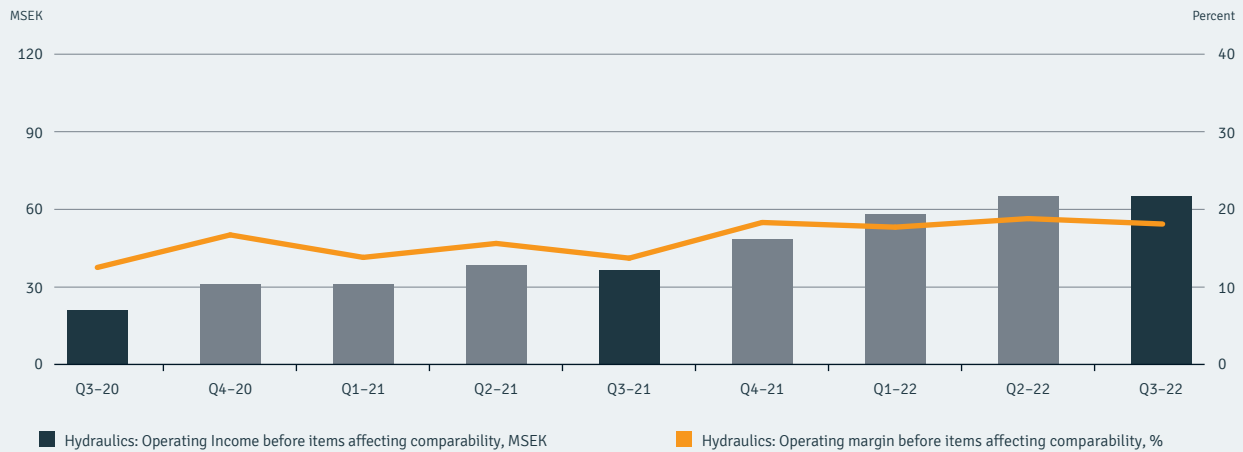
Quarter-on-quarter working capital as a percentage of sales is broadly flat going from 12.0% to 12.8%.

Graphs – Hydraulics

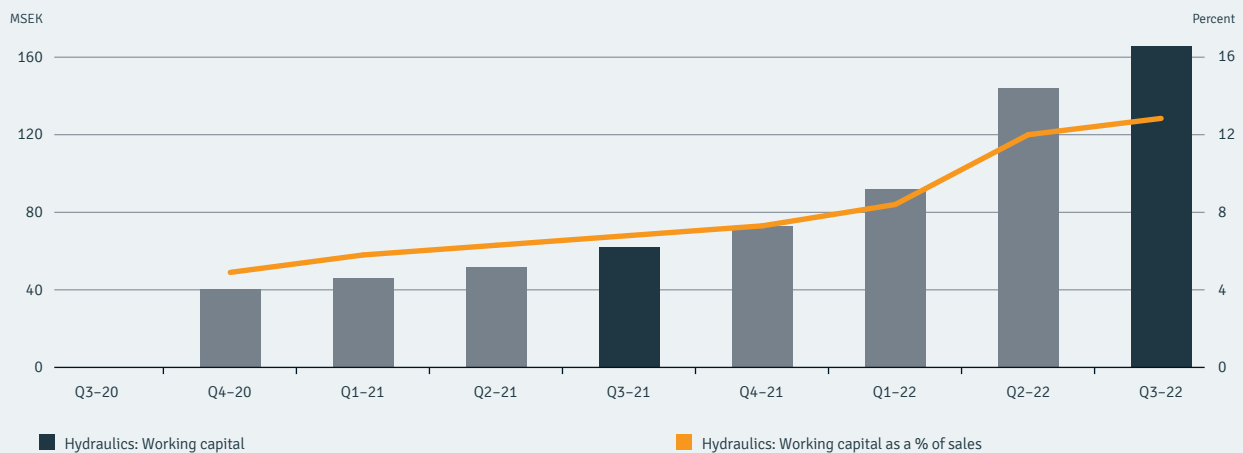
Sales and book-to-bill



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. This English version of the Interim Report is a translation of the Swedish original. If there are any differences the latter shall prevail.

Consolidated income statement

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Net sales	1,068	515	3,023	1,420
Cost of goods sold	-799	-360	-2,240	-982
Gross income	269	155	783	438
Selling expenses	-25	-15	-77	-43
Administrative expenses	-52	-37	-148	-111
Product development expenses	-25	-7	-67	-23
Share of net income in joint venture	9	15	35	51
Other operating income and expenses	-1	3	-21	4
Operating income	175	114	505	316
Financial income and expenses	-10	-4	-32	-17
Earnings before tax	165	110	473	299
Taxes	-39	-19	-83	-51
Net income for the period	126	91	390	248
Parent Company shareholders	126	91	390	248
Non-controlling interest	–	–	–	–
Basic earnings per share, before items affecting comparability, SEK	3.13	2.39	10.09	6.54
Basic earnings per share, SEK	3.32	2.39	10.28	6.54
Diluted earnings per share, SEK	3.32	2.39	10.26	6.53
Basic average number of shares (000)	37,980	37,390	37,954	37,893
Diluted average number of shares (000)	38,035	38,016	38,025	37,976

Consolidated statement of comprehensive income

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Net income for the period	126	91	390	248
Other comprehensive income				
<i>Items that will not be reclassified to the income statement</i>				
Net remeasurement gains and losses, pension obligations	35	-6	299	103
Tax on net remeasurement gains and losses, pension obligations	-9	1	-82	-23
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	-34	-14	-88	-38
Tax arising from exchange rate differences related to liabilities to foreign operations	7	3	18	8
Cash-flow hedging	14	2	37	3
Tax arising from cash-flow hedging	-3	-1	-8	-1
Share of OCI related to joint venture	3	2	9	5
Foreign currency translation differences	305	36	311	105
Total other comprehensive income	318	23	496	162
Total comprehensive income	444	114	886	410

Consolidated balance sheet

	30 Sep 2022	30 Sep 2021	31 Dec 2021
Goodwill	1,516	691	1,303
Other intangible fixed assets	480	90	447
Right of use fixed assets	106	110	112
Tangible fixed assets	485	84	430
Share of net assets in joint venture	160	86	116
Deferred tax assets	55	98	98
Long-term receivables, joint venture	–	12	–
Other long-term receivables	39	3	4
Total fixed assets	2,841	1,174	2,510
Inventories	526	189	382
Current receivables	751	343	451
Cash and cash equivalents	448	608	440
Total current assets	1,725	1,140	1,273
Total assets	4,566	2,314	3,783
Total Shareholders' equity	2,214	1,354	1,462
Pensions and similar obligations	45	349	361
Deferred tax liabilities	149	12	131
Long-term liabilities for right of use fixed assets	102	105	105
Other long-term interest-bearing liabilities	872	–	791
Other long-term liabilities	1	3	5
Total long-term liabilities	1,169	469	1,393
Short-term liabilities for right of use fixed assets	19	18	20
Other short-term interest-bearing liabilities	415	–	355
Other current liabilities	749	473	553
Total current liabilities	1,183	491	928
Total equity and liabilities	4,566	2,314	3,783

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 2022

the fair value of derivative instruments that were assets was MSEK 40 (1), 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 2022	30 Sep 2021	31 Dec 2021
Opening balance	1,462	1,067	1,067
Net income for the period	390	248	338
Other comprehensive income	496	162	179
Total comprehensive income	886	410	517
Dividend	-142	-133	-133
Sale of own shares to satisfy LTI – options exercised	7	8	8
Long-term incentive plan	1	2	3
Closing balance	2,214	1,354	1,462

Consolidated cash flow statement, in summary

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Earnings before tax	165	110	473	299
Reversal of depreciation and amortisation of fixed assets	49	21	140	63
Reversal of net income from joint venture	-9	-15	-35	-51
Reversal of other non-cash items	5	6	12	10
Taxes paid	-29	-13	-101	-38
Cash flow from operating activities before changes in working capital	181	109	489	283
Change in working capital	-18	-40	-160	-66
Cash flow from operating activities	163	69	329	217
Investments in subsidiaries	–	–	-16	–
Net investments in property, plant and equipment	-17	-4	-45	-13
Loan repayment from joint venture	–	13	–	13
Cash flow from investing activities	-17	9	-61	–
Dividend	–	–	-142	-133
Dividends received from joint venture	–	46	–	46
Selling of own shares to satisfy LTI – options exercised	–	–	7	8
Repayment of loans	-39	-6	-113	-18
Pension payments and other cash flows from financing activities	-37	-16	-68	-38
Cash flow from financing activities	-76	24	-316	-135
Cash flow for the period	70	102	-48	82
Cash and bank assets, opening balance	345	498	440	505
Exchange-rate difference in cash and bank assets	33	8	56	21
Cash and bank assets, closing balance	448	608	448	608

Group notes

Data per share

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Basic earnings per share before items affecting comparability, SEK	3.13	2.39	10.09	6.54
Basic earnings per share, SEK	3.32	2.39	10.28	6.54
Diluted earnings per share, SEK	3.32	2.39	10.26	6.53
Equity per share, SEK	58.31	35.70	58.31	35.70
Cash-flow from current operations per share, SEK	4.26	1.79	8.62	5.71
Basic weighted average no. of shares (000's)	37,980	37,390	37,954	37,893
Diluted weighted average no. of shares (000's)	38,035	38,016	38,025	37,976
Number of shares at period-end (000's)	37,980	37,930	37,980	37,930

Key figures¹⁾

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Sales growth, %	107	59	113	27
Sales growth, constant currency, % ²⁾	9	57	21	30
EBITDA margin before items affecting comparability, %	20.0	26.2	21.0	26.7
EBITDA margin, %	20.8	26.2	21.3	26.7
Operating margin before items affecting comparability, %	15.5	22.2	16.4	22.3
Operating margin, %	16.3	22.2	16.7	22.3
Capital employed, MSEK	3,386	1,187	3,386	1,187
ROCE before items affecting comparability, %	23.3	36.7	23.3	36.7
ROCE, %	22.1	37.1	22.1	37.1
ROE, %	27.6	27.1	27.6	27.1
Working capital, MSEK	527	59	527	59
Working capital as a % of annual sales	14.2	3.3	14.2	3.3
Net debt, MSEK ³⁾	1,005	-136	1,005	-136
Gearing ratio, %	45	-10	45	-10
Net investments in PPE	17	4	45	13
R&D, %	2.3	1.5	2.2	1.6
Number of employees, average	1,222	782	1,201	747

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	
	2022	2021	2022	2021
Net sales	1,068	515	3,023	1,420
Direct material costs	-554	-258	-1,546	-687
Personnel costs	-234	-104	-645	-306
Depreciation and amortisation of fixed assets	-49	-21	-140	-63
Share of net income in joint venture	9	15	35	51
Other operating income and expenses	-65	-33	-222	-99
Operating income	175	114	505	316
Financial income and expense	-10	-4	-32	-17
Earnings before tax	165	110	473	299
Taxes	-39	-19	-83	-51
Net income for the period	126	91	390	248

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

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Tooling income	2	2	6	5
Royalty income from joint venture	5	9	17	22
Amortisation of acquisition related surplus values	-19	-10	-55	-28
Profit from sale of subsidiary	9	—	9	—
Other	2	2	2	5
Other operating income and expenses	-1	3	-21	4

Segment reporting

The Engines segment comprises all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulics division includes all Concentric and Allied branded hydraulic products. This reporting structure is effective from 1 January 2022 and is in line with our management structure. 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.

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

Third quarter	Engines		Hydraulics		Elims/Adjs		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Total net sales	716	254	356	263	-4	-2	1,068	515
External net sales	712	252	356	263	—	—	1,068	515
Operating income	102	78	64	36	9	—	175	114
Operating margin, %	14.2	31.1	18.1	13.7	n/a	n/a	16.3	22.2
Financial income and expense	—	—	—	—	-10	-4	-10	-4
Earnings before tax	102	78	64	36	-1	-4	165	110
Assets	3,432	1,300	704	502	430	512	4,566	2,314
Liabilities	465	369	537	487	1,350	104	2,352	960
Capital employed	3,004	910	353	144	29	133	3,386	1,187
ROCE before items affecting comparability, %	16.3	31.6	91.6	135.6	n/a	n/a	23.3	36.7
ROCE, %	16.3	31.3	91.6	134.0	n/a	n/a	22.1	37.1
Net investments in PPE	17	2	2	1	-2	1	17	4
Depreciation and amortisation of fixed assets	43	17	5	5	1	-1	49	21
Number of employees, average	838	438	384	344	—	—	1,222	782

First nine months	Engines		Hydraulics		Elims/Adjs		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Total net sales	2,005	691	1,028	737	-10	-8	3,023	1,420
External net sales	1,996	683	1,027	737	—	—	3,023	1,420
Operating income	309	210	187	106	9	—	505	316
Operating margin, %	15.5	30.8	18.2	14.4	n/a	n/a	16.7	22.3
Financial income and expense	—	—	—	—	-32	-17	-32	-17
Earnings before tax	309	210	187	106	-23	-17	473	299
Assets	3,432	1,300	704	502	430	512	4,566	2,314
Liabilities	465	369	537	487	1,350	104	2,352	960
Capital employed	3,004	910	353	144	29	133	3,386	1,187
ROCE before items affecting comparability, %	16.3	31.6	91.6	135.6	n/a	n/a	23.3	36.7
ROCE, %	16.3	31.3	91.6	134.0	n/a	n/a	22.1	37.1
Net investments in PPE	40	10	4	2	1	1	45	13
Depreciation and amortisation of fixed assets	125	49	14	14	1	—	140	63
Number of employees, average	827	419	374	328	—	—	1,201	747

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 65 (62) for the Group, with an average of 66 (59) working days for the Engines segment and 65 (64) working days for the Hydraulics segment.

Segment External Sales reporting by geographic location of customer

Third quarter	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
USA	498	38	186	130	684	168
Rest of North America	26	20	6	6	32	25
South America	–	10	–	1	–	11
Germany	37	50	40	46	77	96
UK	43	37	13	7	56	44
Sweden	10	9	15	11	25	20
Rest of Europe	63	61	49	31	112	92
Asia	26	20	40	30	66	50
Other	9	7	7	1	16	9
Total Group	712	252	356	263	1,068	515

First nine months	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
USA	1,286	122	502	344	1,788	466
Rest of North America	84	32	16	8	100	40
South America	–	24	2	2	2	26
Germany	140	151	139	126	279	277
UK	126	89	43	27	169	116
Sweden	32	24	54	44	86	68
Rest of Europe	210	172	137	86	347	258
Asia	90	49	121	95	211	144
Other	28	20	13	5	41	25
Total Group	1,996	683	1,027	737	3,023	1,420

Total sales by product groups

	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
Third quarter						
Concentric branded products	222	196	337	244	559	440
EMP branded products	434	–	–	–	434	–
LICOS branded products	56	56	–	–	56	56
Allied branded products	–	–	19	19	19	19
Total Group	712	252	356	263	1,068	515

	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
First nine months						
Concentric branded products	693	516	962	676	1,655	1,192
EMP branded products	1,125	–	–	–	1,125	–
LICOS branded products	178	167	–	–	178	167
Allied branded products	–	–	65	61	65	61
Total Group	1,996	683	1,027	737	3,023	1,420

Total sales by end-markets

	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
Third quarter						
Trucks	245	101	63	49	308	150
Construction	253	66	133	98	386	164
Industrial	60	42	112	81	172	123
Agriculture	154	43	48	35	202	78
Total Group	712	252	356	263	1,068	515

	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
First nine months						
Trucks	695	284	174	139	869	423
Construction	677	171	387	274	1,064	445
Industrial	190	113	328	222	518	335
Agriculture	434	115	138	102	572	217
Total Group	1,996	683	1,027	737	3,023	1,420

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. Other than dividends received from Subsidiary companies to the Parent company of MSEK 259 (nil) no other 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

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

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 2021 Annual Report on pages 10–15 and pages 18–27.

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.

The Company continues to closely follow the situation in Russia and Ukraine. While sales and purchases in this region are not material to the Group, escalations in the conflict could impact the wider regional and global economies, including our end markets.

As more of our end markets move into a high inflationary environment, this increases the risk around global economic demand and increases the likelihood of interest rate rises which could also have a knock on impact on demand as borrowing costs increase.

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 2021 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 69–73 of the 2021 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 2021 Annual Report.

Concentric closed its operations in Argentina in January 2022. Since 2018, Argentina has been a hyperinflationary economy under the criteria in IAS 29. Concentric therefore assessed the impact of making the adjustments required by IAS 29 and concluded that the impact on the Group's financial statements was non-material due to the limited extent of the operations in Argentina compared with the Group as a whole.

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 first nine months reflected mostly the royalty income received from the joint venture, Alfdex AB. Other operating income includes the profit from the sale of our Argentine business. The first nine months has seen an Operating profit of MSEK 6 (10).

Net financial items and earnings before tax

Exchange rate losses on foreign liabilities to subsidiaries was MSEK -88 (-38) in the first nine months, and the remaining financial items netted to MSEK -28 (-2), depending on increased interest cost on the new credit facilities signed in Q4 2021, in relation to the acquisition of EMP. Since dividends from subsidiaries was received with MSEK 259, accordingly the earnings before tax was a gain of MSEK 149 (16) for the first nine months.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2022 was 115,965 (123,255) and shares transferred to an Employee Share Ownership Trust ("ESOT") was 251,727 (304,812). Including these shares the Company's holdings was 367,692 (428,067) and the total number of shares in issue was 38,297,600 (38,297,600). The Company did not repurchase any shares during the third quarter, but have sold 49,592 (60,375) of own shares, to exercise and satisfy LTI-programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 41,780 (53,085) own shares to Concentric was made. The total number of holdings of own shares at 30 September 2022 was 108,153 (115,965). Consequently, the company's holdings of own shares 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 was 209,947 (251,727). Including these shares, the total own holdings was 318,100 (367,692), representing 0.8% (1.0) of the total number of shares.

Parent Company's income statement

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Net sales	7	10	21	25
Operating costs	-7	-5	-22	-15
Other operating income	7	-	7	-
Operating income	7	5	6	10
Income from shares in subsidiaries	104	-	259	-
Income from shares in joint venture	-	46	-	46
Net foreign exchange rate differences	-34	-15	-88	-38
Other financial income and expense	-13	-1	-28	-2
Earnings before tax	64	35	149	16
Taxes	8	2	19	6
Net income for the period¹⁾	72	37	168	22

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 2022	30 Sep 2021	31 Dec 2021
Shares in subsidiaries	4,243	3,149	4,243
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1,150	1	1,017
Long-term loans receivable from joint venture	–	12	–
Deferred tax assets	30	5	11
Total financial fixed assets	5,433	3,177	5,281
Other current receivables	11	8	10
Short-term receivables from subsidiaries	136	10	128
Short-term receivables from joint venture	–	–	–
Cash and cash equivalents	346	483	290
Total current assets	493	501	428
Total assets	5,926	3,678	5,709
Total shareholders' equity	2,375	2,375	2,342
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	872	–	791
Long-term loans payable to subsidiaries	2,100	1,178	1,987
Total long-term liabilities	2,990	1,196	2,796
Short-term loans payable to subsidiaries	142	99	221
Short-term interest-bearing liabilities	415	–	340
Other current liabilities	4	8	10
Total current liabilities	561	107	571
Total equity and liabilities	5,926	3,678	5,709

Parent Company's changes in shareholders' equity

	30 Sep 2022	30 Sep 2021	31 Dec 2021
Opening balance	2,342	2,477	2,477
Net income for the period	168	22	–10
Dividend	–142	–133	–133
Sale of own shares to satisfy LTI options exercised	7	8	8
Buy-back of own shares	–	1	–
Closing balance	2,375	2,375	2,342

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 3 November, 2022.

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 2022	8 February, 2023
Annual Report January–December 2022	24 March, 2023
Annual General Meeting 2023	18 April, 2023

Further information:

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E-mail: info@concentricab.com

Corporate Registration Number 556828-4995

Stockholm 3 November, 2022

Martin Kunz
President and CEO

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

Alternative Performance Measures reconciliation

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Underlying EBIT or operating income				
EBIT or operating income	175	114	505	316
Profit from sale of subsidiary	9	—	9	—
Underlying operating income	166	114	496	316
Net sales	1,068	515	3,023	1,420
Operating margin (%)	16.3	22.2	16.7	22.3
Underlying operating margin (%)	15.5	22.2	16.4	22.3

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Underlying EBITDA or operating income before amortisation and depreciation				
EBIT or operating income	175	114	505	316
Operating amortisation/depreciation	30	12	85	35
Amortisation of purchase price allocation	19	9	55	28
EBITDA or operating income before amortisation and depreciation	224	135	645	379
Profit from sale of subsidiary	9	—	9	—
Underlying EBITDA or underlying operating income before amortisation and depreciation	215	135	636	379
Net sales	1,068	515	3,023	1,420
EBITDA margin (%)	20.8	26.2	21.3	26.7
Underlying EBITDA margin (%)	20.0	26.2	21.0	26.7

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Net income before items affecting comparability				
Net income	126	91	390	248
Items affecting comparability after tax	7	—	7	—
Net income before items affecting comparability	133	91	397	248
Basic average number of shares (000)	37,980	37,390	37,954	37,893
Basic earnings per share	3.32	2.39	10.28	6.54
Basic earnings per share before items affecting comparability	3.13	2.39	10.09	6.54

CONCENTRIC INTERIM REPORT Q3 2022
ALTERNATIVE PERFORMANCE MEASURES

	Jul-Sep		Jan-Sep	
	2022	2021	2022	2021
Cash Conversion				
Cash flow from operating activities	163	69	329	217
Payments for financial transactions	5	-1	17	2
Tax payments	29	13	101	38
Net investments in property, plant and equipment	-17	-4	-45	-13
Adjustment for royalty from joint-venture (Alfdex)	-6	-9	-17	-22
Operating Cash	174	68	385	222
Operating income	175	114	505	316
Adjustment for royalty from joint-venture (Alfdex)	-6	-9	-17	-22
Adjustments for share in profit in joint-venture (Alfdex)	-9	-15	-35	-51
Adjusted Operating income	160	90	453	243
Cash conversion (%)	108.3	75.6	84.7	91.4





	30 Sep 2022	30 Sep 2021	31 Dec 2021
Net debt			
Pensions and similar obligations	45	349	361
Liabilities for right of use fixed assets	121	123	125
Other long term interest bearing liabilities	872	-	791
Other short term interest bearing liabilities	415	-	355
Total interest bearing liabilities	1,453	472	1,632
Cash and cash equivalents	-448	-608	-440
Total net debt	1,005	-136	1,192
Net debt, excluding pension obligations	960	-485	831

	30 Sep 2022	30 Sep 2021	31 Dec 2021
Capital employed			
Total assets	4,566	2,314	3,783
Interest bearing financial assets	-4	-15	-4
Cash and cash equivalents	-448	-608	-440
Tax assets	-92	-108	-103
Non interest bearing assets (excl. taxes)	4,022	1,583	3,236
Non interest bearing liabilities (incl taxes)	-898	-488	-688
Tax liabilities	262	92	201
Non interest bearing liabilities (excl. taxes)	-636	-396	-487
Total capital employed	3,386	1,187	2,749

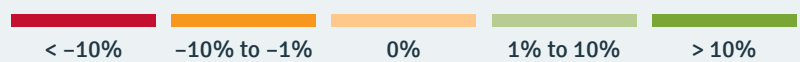
	30 Sep 2022	30 Sep 2021	31 Dec 2021
Working capital			
Accounts receivable	646	282	393
Other current receivables	104	61	56
Inventory	526	189	382
Working capital assets	1,276	532	831
Accounts payable	-420	-246	-313
Other current payables	-329	-227	-240
Working capital liabilities	-749	-473	-553
Total working capital	527	59	278

Graph data summary

	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020	Q3/2020
Engines									
Sales, MSEK	712	676	608	431	252	226	205	195	159
Book-to-bill, %	109	109	105	102	106	109	118	104	115
Operating income before items affecting comparability, MSEK	101	99	108	78	78	69	63	68	36
Operating margin before items affecting comparability, %	14.2	14.6	17.9	18.2	31.0	30.5	30.8	34.8	22.7
Working capital as % of annualised sales	15.9	18.4	20	24.3	8.1	6	6.1	5.1	—
Working capital, MSEK	388	364	306	273	72	48	42	35	—
Hydraulics									
Sales, MSEK	356	345	326	264	263	247	227	185	165
Book-to-bill, %	102	107	105	131	111	117	136	119	117
Operating income before items affecting comparability, MSEK	65	65	58	48	36	38	31	31	21
Operating margin before items affecting comparability, %	18.1	18.8	17.7	18.3	13.7	15.6	13.8	16.7	12.5
Working capital as % of annualised sales	12.8	12.0	8.4	7.3	6.8	6.3	5.8	4.9	—
Working capital, MSEK	165	144	92	73	62	52	46	40	—
Group									
Sales, MSEK	1,068	1,021	934	695	515	473	432	380	325
Book-to-bill, %	107	108	105	114	108	107	127	112	115
Operating income before items affecting comparability, MSEK	166	164	166	127	114	107	95	99	57
Operating margin before items affecting comparability, %	15.5	16.1	17.7	18.2	22.2	22.7	21.9	26.0	17.5
Basic earnings per share, SEK	3.32	3.53	3.42	2.36	2.39	2.25	1.90	2.32	1.06
Return on equity, %	27.6	28.8	27.9	26.2	27.1	23.7	18.0	17.5	16.2
Cash flow from operating activities per share, SEK	4.26	1.99	2.37	2.97	1.79	2.01	1.91	3.09	1.36
Working capital as % of annualised sales	14.2	15.1	12.9	13.1	3.3	1.3	0.5	-0.3	-2.0
Net debt, MSEK	1,005	1,081	1,016	1,192	-136	-22	-90	86	-69
Gearing ratio, %	45	56	59	82	-10	-2	-7	8	-6
Gearing ratio (excl Pensions), %	43	51	49	57	-36	-30	-34	-35	-43

	Q3-22 vs Q3-21					YTD-22 vs YTD-21					FY-22 vs FY-21				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 Agriculture Diesel engines	-1%	-4%	-9%	-21%	-10%	7%	5%	-3%	-13%	-1%	5%	3%	-5%	-15%	-3%
 Construction Diesel engines	7%	12%	-6%	9%	-22%	10%	15%	-3%	19%	-15%	9%	14%	-4%	16%	-16%
Hydraulic equipment	2%	n/a	5%	n/a	n/a	3%	n/a	5%	n/a	n/a	5%	n/a	7%	n/a	n/a
 Trucks Light vehicles	-8%	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	-2%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	6%	1%	0%	24%	-44%	11%	5%	0%	2%	0%	10%	3%	3%	20%	-41%
 Industrial Other off-highway	4%	2%	-6%	-7%	-8%	11%	5%	0%	2%	0%	9%	4%	-1%	-1%	-2%
Hydraulic lift trucks	-21%	n/a	6%	n/a	n/a	-3%	n/a	16%	n/a	n/a	-1%	n/a	21%	n/a	n/a

The market indices summarised in the table above reflect the Q3 2022 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



Consolidated sales development

	Q3-22 vs. Q3-21			YTD-22 vs YTD-21			FY-22 vs. FY21		
	Engines	Hydraulics	Group	Engines	Hydraulics	Group	Engines	Hydraulics	Group
Market – weighted average ¹⁾	—	-4%	-2%	5%	3%	4%	3%	4%	4%
Actual – constant currency ²⁾	—	17%	9%	17%	25%	21%			

1) Based on latest market indices blended to Concentric's mix of end-markets and locations.

2) Based on actual sales in constant currency, excluding EMP.

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.

EMP

Engineered Machined Products, Inc and subsidiaries.

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.



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