



Q1 24

INTERIM REPORT
Q1 2024

First quarter 2024

- **Net sales**

MSEK 1,003 (1,127) – down –11% year-on-year with no major foreign exchange movements. Compared to Q4 2023 sales are up +9% in constant currency.

- **Operating income**

Operating income was MSEK 137 (181) generating an Operating margin of 13.7% (16.1), up +1.6% from Operating margin before items affecting comparability of 12.1% reported in Q4 2023.

- **Net income for the period**

MSEK 100 (121); basic EPS of SEK 2.69 (3.18).

- **Cash flow from operating activities**

Cash flow from operating activities was MSEK 43 (89) with a profit to cash conversion ratio of 29% (61).

- **Group's net debt**

MSEK 698 (865); gearing ratio of 30% (39). Loan repayments of MSEK 187 in the quarter.

Key figures – Group ¹⁾

| MSEK | Jan-Mar | | Change |
|-------------------------------------|---------|-------|--------|
| | 2024 | 2023 | |
| Net sales | 1,003 | 1,127 | -11% |
| Operating income | 137 | 181 | -24% |
| Earnings before tax | 128 | 159 | -19% |
| Net income for the period | 100 | 121 | -17% |
| Cash flow from operating activities | 43 | 89 | -52% |
| Net debt ²⁾ | 698 | 865 | -19% |
| Operating margin, % | 13.7 | 16.1 | -2.4 |
| Basic EPS, SEK | 2.69 | 3.18 | -0.49 |
| Diluted EPS, SEK | 2.68 | 3.18 | -0.50 |
| Return on equity, % | 17.5 | 24.2 | -6.7 |
| Gearing ratio, % | 30 | 39 | -9 |

1) For additional information see pages 19–20 and 23.

2) For additional information see page 23.



Review of the first quarter

Reduced operational costs and stabilised customer orders improved the Q1 Operating margin compared to the fourth quarter of 2023. Additionally, strong e-product sales contributed positively to the financial performance in this quarter.

Financial Performance

Our Group's reported net sales for the quarter were MSEK 1,003 (1,127), down by 11% year-on-year and our Operating income was MSEK 137 (181), resulting in an Operating margin of 13.7% (16.1).

Our customer's de-stocking activities diminished as we progressed through the first quarter of 2024, whilst the underlying market remained weak across most of our end-markets. All of our geographical regions, most notably our European and North American markets are weaker year-on-year by -15% and -9% respectively. However, sales of e-products were particularly strong this quarter, MSEK 244 (193) equating to 24% (17%) of Group sales and there were minimal year-on-year foreign exchange movements.

The cost-saving measures implemented during the third and fourth quarters of 2023, which are largely completed, combined with higher sales in the quarter, particularly in our Hydraulics division, have enabled us to improve our underlying Group Operating margin by 1.6% compared to the previous quarter. Quarter-on-quarter sales and Operating margins in our engines division remained relatively flat, whilst our Hydraulics division reported a sales increase of 14% and Operating margins improved significantly to 14.8%, up 5.2% from the fourth quarter of 2023. Alfdex, our joint venture with Alfa Laval, experienced headwinds this quarter, particularly in China where the truck market remains weak. Our share of income from Alfdex this quarter was MSEK 13 (17).

As is typical with our annual business cycle the cash flow in the first quarter of the year is generally the weakest, both in absolute terms and the cash conversion ratio, this quarter was no exception with our cash flow from operating activities being MSEK 43 (89), which represents a profit to cash conversion ratio of 29% (61). The cash flow from operating activities was impacted by a working capital increase MSEK 98, caused mainly by increases in our inventory levels and our customers delaying payments into the second quarter.

We have continued to repurchase our own shares during the quarter totalling MSEK 44, bringing the total own shares purchased under this announced scheme to MSEK 144. We also repaid some of our outstanding debt in the quarter totalling MSEK 155, reducing our cash and cash equivalents balance to MSEK 515 (636) as at 31 March 2024.

Executing our Strategy

This quarter has once again seen us make significant strides in the execution of our strategic plan. While our investment plan to enhance our Pune plant for future growth is underway, our Indian team has successfully launched the production of coolant pumps for our first domestic on-highway customer. Additionally, investment in the new manufacturing line in Escanaba, North America, has been largely completed and we have started serial production of our new and innovative high-voltage fans for our North American customers.

Outlook

The Book-to-bill ratio for the Group this quarter is 92% and broadly similar in each of our reporting divisions. Based on this and other available information, we continue to estimate that our end-markets will be weaker during 2024. As a result, we expect net sales in the second quarter of 2024 to be broadly similar to the net sales achieved in the first quarter of 2024.

We continue to monitor the sales order intake levels, particularly for the second half of 2024 and will continue to take the necessary cost action in a timely manner to ensure we deliver strong Operating margins during this challenging economic cycle.

Martin Kunz

President and CEO



Concentric Group, first quarter figures

Key figures¹⁾

| Amounts in MSEK | Jan–Mar | | |
|---------------------------|---------|-------|--------|
| | 2024 | 2023 | Change |
| Net sales | 1,003 | 1,127 | -11% |
| Operating income | 137 | 181 | -24% |
| Earnings before tax | 128 | 159 | -19% |
| Net income for the period | 100 | 121 | -17% |
| Operating margin, % | 13.7 | 16.1 | -2.4 |
| ROCE, % | 15.5 | 20.1 | -4.6 |
| Return on equity, % | 17.5 | 24.2 | -6.7 |
| Basic EPS, SEK | 2.69 | 3.18 | -0.49 |
| Diluted EPS, SEK | 2.68 | 3.18 | -0.50 |

1) For additional information see pages 19–20 and 23.

Sales

Net sales for the first quarter were down year-on-year by –11%, there is no major foreign exchange impact in the quarter. The Book-to-bill ratio at the end of the first quarter was 92% (92), as demand stabilises in a generally weaker market.

Sales of electric products were MSEK 244 (193) in the first quarter representing 24% (17) of the Group's Net sales for the period.

Operating income

Operating income in the first quarter was MSEK 137 (181) resulting in an Operating margin of 13.7% (16.1). This is an improvement compared to Q4 2023 as a result of higher sales volumes and cost reduction activities largely completed during Q3 and Q4 of 2023.

Net financial items

Net financial income and expense for the first quarter was MSEK –9 (–22), this comprised of pension financial expense of MSEK –1 (–1), interest expenses for right of use assets MSEK –1 (–1), interest on the loan of –12 (–14) and net other financial income MSEK 5 (–3).

Taxes

The reported effective tax rate for the first quarter was 22% (24). 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 first quarter was SEK 2.69 (3.18), down SEK 0.49 per share. The diluted earnings per share for the first quarter was SEK 2.68 (3.18), down SEK 0.50.

Cash flow from operating activities

The reported cash inflow from operating activities for the first quarter amounted to MSEK 43 (89), which represents SEK 1.15 (2.33) per share. This has resulted in an Operating cash conversion ratio of 29% (61) which has been impacted by a working capital increase in the first quarter.

Working capital

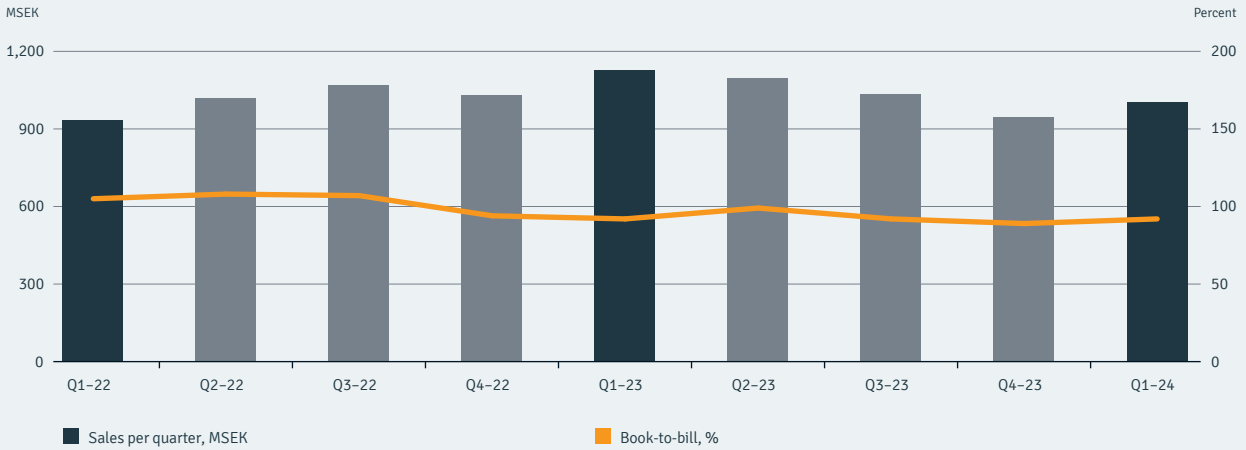
Total working capital as at 31 March 2024 was MSEK 442 (480), this represented 10.8% (11.3) of annual sales. In constant currency the drop in working capital was MSEK 54, of which MSEK 62 is due to lower inventory levels year-on-year.

Net debt and gearing

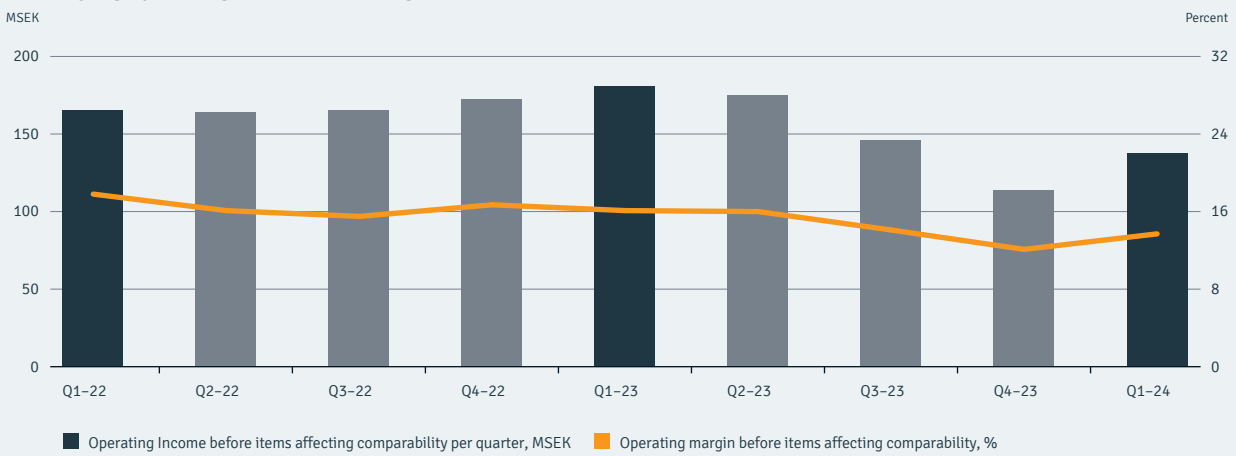
Overall, the Group's net debt at the end of the first quarter was MSEK 698 (865), comprising interest bearing liabilities MSEK 873 (1,132), liabilities for right of use assets MSEK 99 (116) and net pension liabilities of MSEK 241 (253), net of cash amounting to MSEK 515 (636). Shareholders' equity amounted to MSEK 2,362 (2,195), resulting in a gearing ratio of 30% (39) at the end of the first quarter.

Graphs – Concentric Group

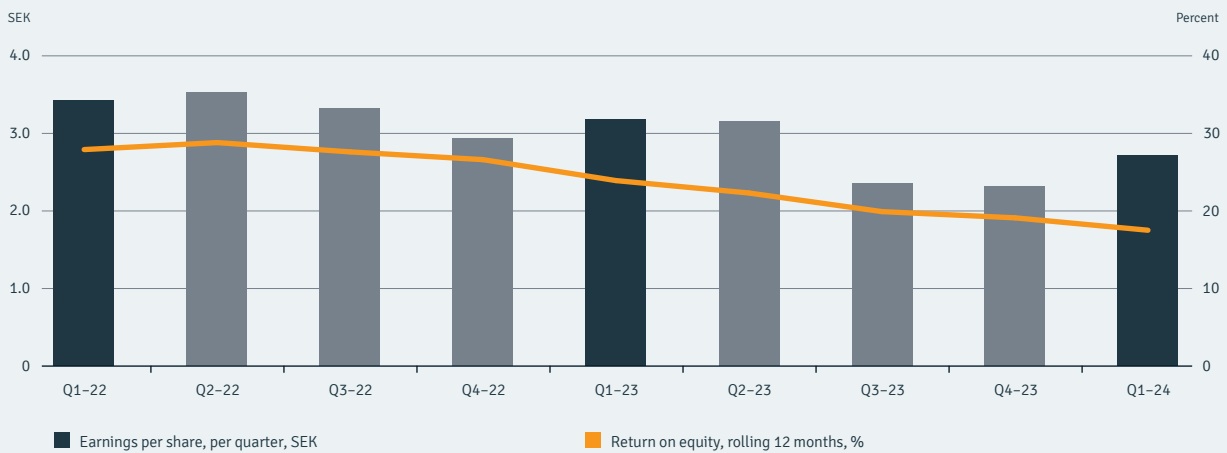
Sales and book-to-bill



Underlying operating income and margin



Earnings per share and return on equity



Engines

Financial Performance

| Amounts in MSEK | Jan-Mar | | |
|---------------------|---------|------|--------|
| | 2024 | 2023 | Change |
| External net sales | 678 | 752 | -10% |
| Operating income | 89 | 125 | -29% |
| Operating margin, % | 13.2 | 16.6 | -3.4 |
| ROCE, % | 11.2 | 12.9 | -1.7 |

Sales

Net sales for the first quarter were down year-on-year by -10% and foreign exchange movements did not have an impact this quarter.

Sales in both of our core sales regions of Europe and North America saw similar levels of decline down year-on-year by -9% and -11% respectively. The North American truck & bus market was the only sector to experience modest growth, however a sharp fall in Europe left sales into the truck & bus market down overall. The Book-to-bill ratio at the end of the quarter was 94% (96), up from the previous quarter, 85%.

Operating income

Operating income in the first quarter was MSEK 89 (125) resulting in an Operating margin of 13.2% (16.6). Sales and Operating margins remained broadly flat compared to Q4 2023. The share of income from Alfdex, our joint venture with Alfa Laval, was MSEK 13 (17).

Working capital

Working capital in the Engines division was MSEK 335 (382) as at 31 March 2024, or 12.0% (13.4) as a percentage of sales. In constant currency the drop in working capital was MSEK 58, of which MSEK 17 is due to lower inventory levels year-on-year.

Hydraulics

Financial Performance

| Amounts in MSEK | Jan-Mar | | |
|---------------------|---------|------|--------|
| | 2024 | 2023 | Change |
| External net sales | 325 | 375 | -13% |
| Operating income | 48 | 56 | -14% |
| Operating margin, % | 14.8 | 15.0 | -0.2 |
| ROCE, % | 22.8 | 30.2 | -7.4 |

Sales

Net sales for the first quarter were down year-on-year by -13%, and foreign exchange movements did not have an impact this quarter.

Sales in both our core sales regions of North America and Europe experienced year-on-year declines. However, while sales in North America decreased by 4%, sales in Europe saw a more substantial decline of 26%. Sales to the construction sector were notably impacted, experiencing double-digit percentage declines across both regions. The Book-to-bill ratio at the end of the first quarter was 91% (85), down from 99% in the previous quarter.

Operating income

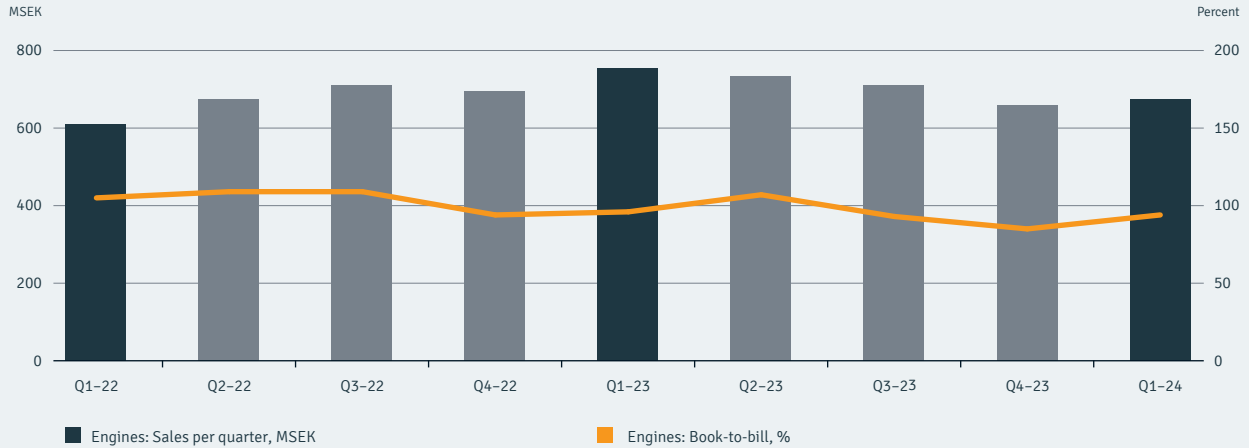
Operating income in the first quarter was MSEK 48 (56), down MSEK 8 year-on-year, generating an Operating margin of 14.8% (15.0). The Operating margin is broadly flat year-on-year but has improved quarter-on-quarter, up 5.2% from Q4 2023, this is in part due to increased sales volumes and cost reduction activities.

Working capital

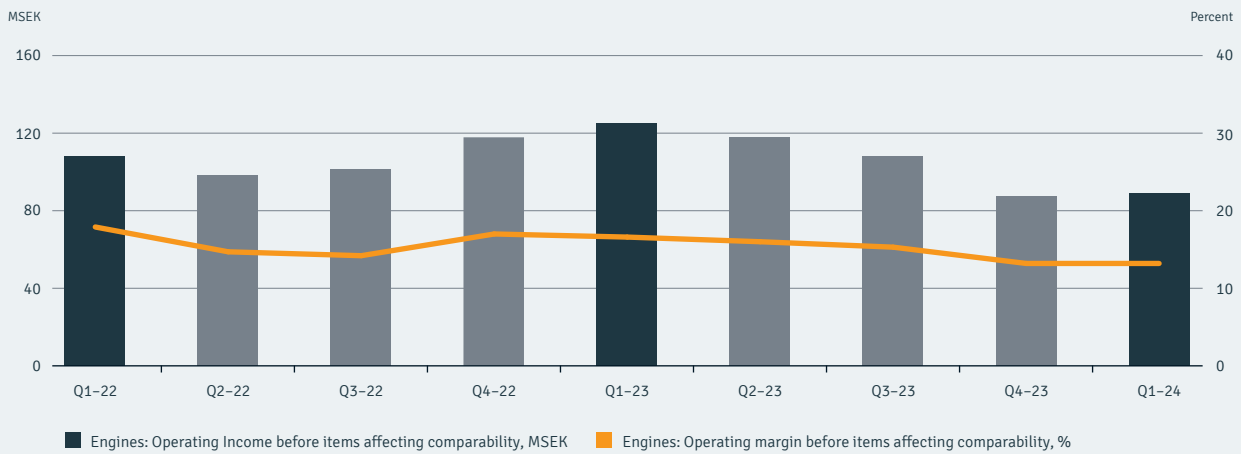
Working capital in the Hydraulics division was MSEK 152 (164) as at 31 March 2024, or 11.6% (11.6) as a percentage of sales. In constant currency the drop in working capital is MSEK 16, entirely due to a large reduction in inventory levels of MSEK 45 year-on-year.

Graphs – Engines

Sales and book-to-bill



Underlying operating income and margin

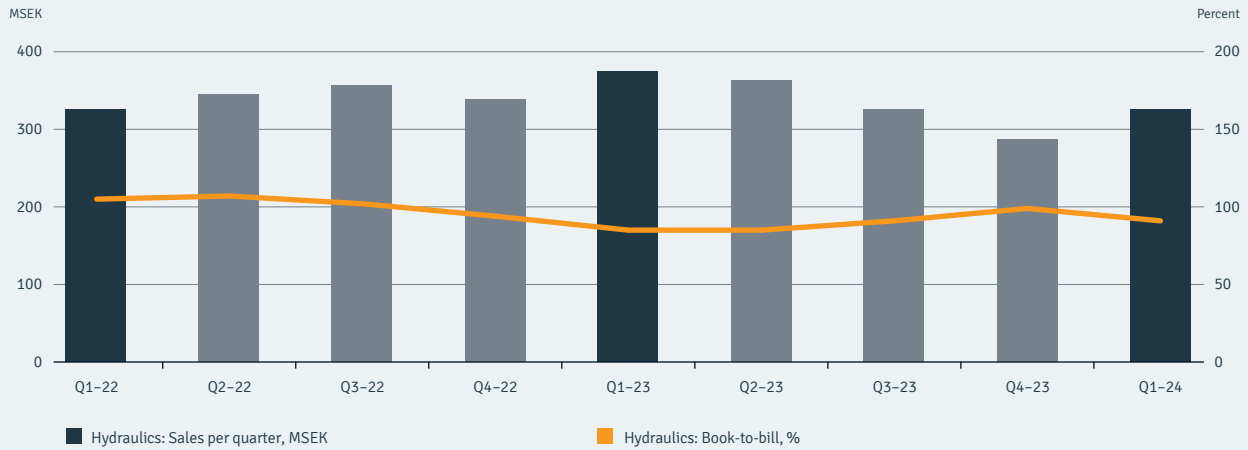


Working capital and working capital as a % of sales

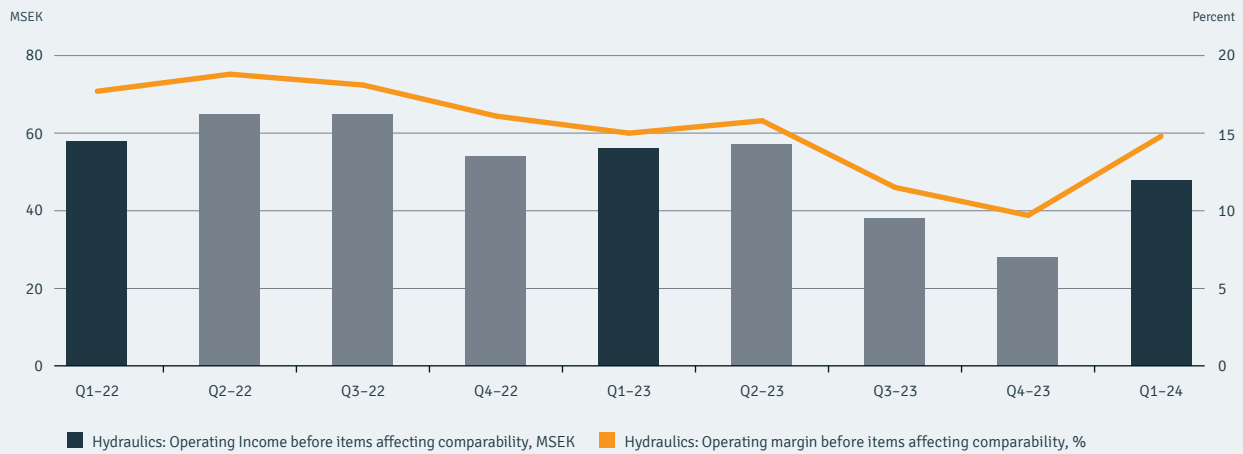


Graphs – Hydraulics

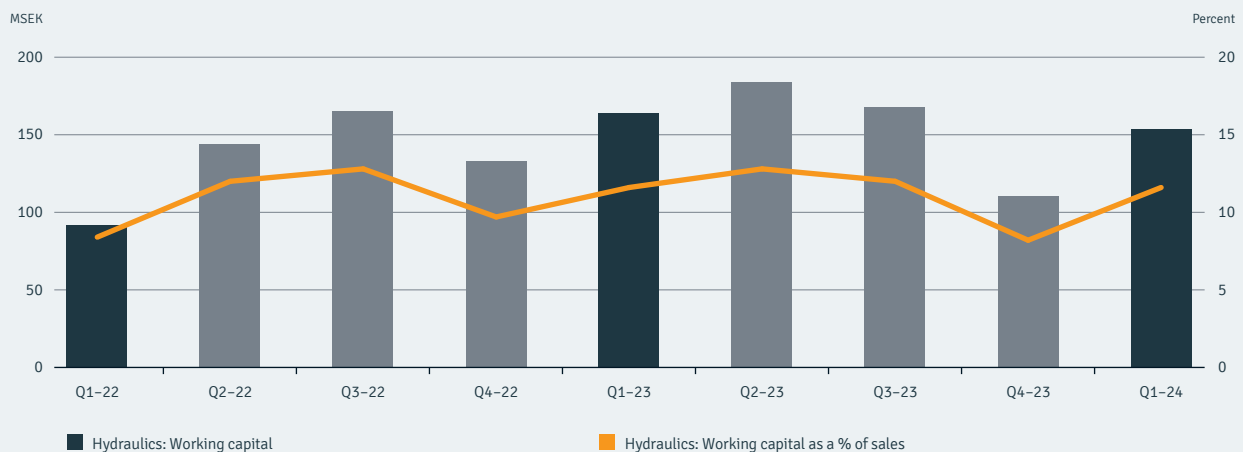
Sales and book-to-bill



Underlying operating income and margin



Working capital and working capital as a % of sales



Financial statements – Group

General information

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

Consolidated income statement

| | Jan–Mar | |
|--|------------|------------|
| | 2024 | 2023 |
| Net sales | 1,003 | 1,127 |
| Cost of goods sold | –749 | –824 |
| Gross income | 254 | 303 |
| Selling expenses | –24 | –34 |
| Administrative expenses | –71 | –76 |
| Product development expenses | –25 | –21 |
| Share of net income in joint venture | 13 | 17 |
| Other operating income and expenses | –10 | –8 |
| Operating income | 137 | 181 |
| Financial income and expenses | –9 | –22 |
| Earnings before tax | 128 | 159 |
| Taxes | –28 | –38 |
| Net income for the period | 100 | 121 |
| Parent Company shareholders | 100 | 121 |
| Basic earnings per share, SEK | 2.69 | 3.18 |
| Diluted earnings per share, SEK | 2.68 | 3.18 |
| Basic average number of shares (000) | 37,248 | 37,980 |
| Diluted average number of shares (000) | 37,272 | 38,069 |

Consolidated statement of comprehensive income

| | Jan–Mar | |
|---|------------|------------|
| | 2024 | 2023 |
| Net income for the period | 100 | 121 |
| Other comprehensive income | | |
| <i>Items that may be reclassified subsequently to the income statement</i> | | |
| Exchange rate differences related to liabilities to foreign operations | –32 | –2 |
| Tax arising from exchange rate differences related to liabilities to foreign operations | 7 | 1 |
| Cash-flow hedging | 2 | –4 |
| Tax arising from cash-flow hedging | – | 1 |
| Share of OCI related to joint venture | 4 | – |
| Foreign currency translation differences | 143 | 7 |
| Total other comprehensive income | 124 | 3 |
| Total comprehensive income | 224 | 124 |

Consolidated balance sheet

| | 31 Mar 2024 | 31 Mar 2023 |
|--|--------------|--------------|
| Goodwill | 1,506 | 1,455 |
| Other intangible fixed assets | 352 | 414 |
| Right of use fixed assets | 82 | 100 |
| Tangible fixed assets | 470 | 452 |
| Share of net assets in joint venture | 165 | 156 |
| Deferred tax assets | 106 | 100 |
| Other long-term receivables | 25 | 30 |
| Total fixed assets | 2,706 | 2,707 |
| Inventories | 490 | 538 |
| Current receivables | 691 | 687 |
| Cash and cash equivalents | 515 | 636 |
| Total current assets | 1,696 | 1,861 |
| Total assets | 4,402 | 4,568 |
| Total Shareholders' equity | 2,362 | 2,195 |
| Pensions and similar obligations | 241 | 253 |
| Deferred tax liabilities | 87 | 128 |
| Long-term liabilities for right of use fixed assets | 80 | 99 |
| Other long-term interest-bearing liabilities | 641 | 744 |
| Other long-term liabilities | 3 | 2 |
| Total long-term liabilities | 1,052 | 1,226 |
| Short-term liabilities for right of use fixed assets | 19 | 17 |
| Other short-term interest-bearing liabilities | 232 | 388 |
| Other current liabilities | 737 | 742 |
| Total current liabilities | 988 | 1,147 |
| Total equity and liabilities | 4,402 | 4,568 |

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 31 March 2024 the fair

value of derivative instruments that were assets was MSEK 21 (25), 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

| | 31 Mar 2024 | 31 Mar 2023 |
|-----------------------------------|--------------|--------------|
| Opening balance | 2,181 | 2,070 |
| Net income for the period | 100 | 121 |
| Other comprehensive income | 123 | 3 |
| Total comprehensive income | 223 | 124 |
| Own share buy-backs | -44 | — |
| Long-term incentive plan | 2 | 1 |
| Closing balance | 2,362 | 2,195 |

Consolidated cash flow statement, in summary

| | Jan-Mar | |
|--|-------------|------------|
| | 2024 | 2023 |
| Earnings before tax | 128 | 159 |
| Reversal of depreciation and amortisation of fixed assets | 46 | 48 |
| Reversal of net income from joint venture | -13 | -17 |
| Reversal of other non-cash items | 1 | — |
| Taxes paid | -21 | -21 |
| Cash flow from operating activities before changes in working capital | 141 | 169 |
| Change in working capital | -98 | -80 |
| Cash flow from operating activities | 43 | 89 |
| Net investments in property, plant and equipment | -29 | -28 |
| Cash flow from investing activities | -29 | -28 |
| Buy-back of own shares | -44 | — |
| Repayment of loans | -193 | -40 |
| Pension payments and other cash flows from financing activities | -1 | -9 |
| Cash flow from financing activities | -238 | -49 |
| Cash flow for the period | -224 | 12 |
| Cash and bank assets, opening balance | 724 | 624 |
| Exchange-rate difference in cash and bank assets | 15 | — |
| Cash and bank assets, closing balance | 515 | 636 |

Group notes

Data per share

| | Jan-Mar | |
|--|---------|--------|
| | 2024 | 2023 |
| Basic earnings per share, SEK | 2.69 | 3.18 |
| Diluted earnings per share, SEK | 2.68 | 3.18 |
| Equity per share, SEK | 63.62 | 57.79 |
| Cash-flow from current operations per share, SEK | 1.15 | 2.33 |
| Basic weighted average no. of shares (000's) | 37,248 | 37,980 |
| Diluted weighted average no. of shares (000's) | 37,272 | 38,069 |
| Number of shares at period-end (000's) | 37,122 | 37,980 |

Key figures¹⁾

| | Jan-Mar | |
|--|---------|-------|
| | 2024 | 2023 |
| Sales growth, % | -11 | 21 |
| Sales growth, constant currency, % ²⁾ | -11 | 11 |
| Sales of e-Products, % | 24 | 17 |
| EBITDA margin, % | 18.2 | 20.3 |
| Operating margin, % | 13.7 | 16.1 |
| Capital employed, MSEK | 3,573 | 3,694 |
| ROCE before items affecting comparability, % | 16.1 | 19.8 |
| ROCE, % | 15.5 | 20.1 |
| ROE, % | 17.5 | 24.2 |
| Working capital, MSEK | 442 | 482 |
| Working capital as a % of annual sales | 10.8 | 11.3 |
| Net debt, MSEK ³⁾ | 698 | 865 |
| Net debt/EBITDA | 0.94 | 0.98 |
| Gearing ratio, % | 30 | 39 |
| Net investments in PPE | 29 | 28 |
| R&D, % | 2.5 | 1.8 |
| Number of employees, average | 1,210 | 1,258 |

1) For additional information see pages 19–20 and 23.

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 23.

3) For additional information see page 20.

Consolidated income statement in summary – by type of cost

| | Jan–Mar | |
|---|------------|------------|
| | 2024 | 2023 |
| Net sales | 1,003 | 1,127 |
| Direct material costs | -501 | -550 |
| Personnel costs | -233 | -251 |
| Depreciation and amortisation of fixed assets | -46 | -48 |
| Share of net income in joint venture | 13 | 17 |
| Other operating income and expenses | -99 | -114 |
| Operating income | 137 | 181 |
| Financial income and expense | -9 | -22 |
| Earnings before tax | 128 | 159 |
| Taxes | -28 | -38 |
| Net income for the period | 100 | 121 |

Other operating income and expenses (refers to Income Statement on page 8)

| | Jan–Mar | |
|--|------------|-----------|
| | 2024 | 2023 |
| Tooling income | 1 | 1 |
| Royalty income from joint venture | 6 | 7 |
| Amortisation of acquisition related surplus values | -18 | -18 |
| Other | 1 | 2 |
| Other operating income and expenses | -10 | -8 |

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. The evaluation of an operating segment's earnings is based upon its operat-

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

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

| | Engines | | Hydraulics | | Elims/Adjs | | Group | |
|---|---------|-------|------------|------|------------|-------|-------|-------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| First quarter | | | | | | | | |
| Total net sales | 683 | 758 | 325 | 376 | -5 | -7 | 1,003 | 1,127 |
| External net sales | 678 | 752 | 325 | 375 | - | - | 1,003 | 1,127 |
| Operating income | 89 | 125 | 48 | 56 | - | - | 137 | 181 |
| Operating margin, % | 13.2 | 16.6 | 14.8 | 15.0 | n/a | n/a | 13.7 | 16.1 |
| Financial income and expense | - | - | - | - | -9 | -22 | -9 | -22 |
| Earnings before tax | 89 | 125 | 48 | 56 | -9 | -22 | 128 | 159 |
| Assets | 3,303 | 3,321 | 568 | 636 | 531 | 611 | 4,402 | 4,568 |
| Liabilities | 749 | 776 | 325 | 377 | 966 | 1,220 | 2,040 | 2,373 |
| Capital employed | 3,499 | 3,586 | 748 | 773 | -674 | -665 | 3,573 | 3,694 |
| ROCE before items affecting comparability, % | 11.3 | 12.9 | 23.3 | 30.2 | n/a | n/a | 16.1 | 19.8 |
| ROCE, % | 11.2 | 12.9 | 22.8 | 30.2 | n/a | n/a | 15.5 | 20.1 |
| Net investments in PPE | 28 | 18 | 1 | 10 | - | - | 29 | 28 |
| Depreciation and amortisation of fixed assets | 42 | 43 | 4 | 5 | - | - | 46 | 48 |
| Number of employees, average | 842 | 850 | 368 | 412 | - | - | 1,210 | 1,262 |

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 first quarter was 63 (66) for the Group, with an average of 64 (67) working days for the Engines segment and 62 (64) working days for the Hydraulics segment.

Segment External Sales reporting by geographic location of customer

| First quarter | Engines | | Hydraulics | | Group | |
|-----------------------|------------|------------|------------|------------|--------------|--------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| USA | 462 | 482 | 170 | 183 | 632 | 665 |
| Rest of North America | 11 | 20 | 2 | 5 | 13 | 25 |
| South America | – | – | – | – | – | – |
| Germany | 44 | 66 | 39 | 54 | 83 | 120 |
| UK | 37 | 44 | 11 | 19 | 48 | 63 |
| Sweden | 14 | 17 | 21 | 24 | 35 | 41 |
| Rest of Europe | 81 | 77 | 37 | 48 | 118 | 125 |
| Asia | 22 | 32 | 41 | 39 | 63 | 71 |
| Other | 7 | 14 | 4 | 3 | 11 | 17 |
| Total Group | 678 | 752 | 325 | 375 | 1,003 | 1,127 |

Total sales by product groups

| First quarter | Engines | | Hydraulics | | Group | |
|-----------------------------|------------|------------|------------|------------|--------------|--------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Concentric branded products | 159 | 231 | 297 | 353 | 456 | 584 |
| EMP branded products | 460 | 451 | – | – | 460 | 451 |
| LICOS branded products | 59 | 70 | – | – | 59 | 70 |
| Allied branded products | – | – | 28 | 22 | 28 | 22 |
| Total Group | 678 | 752 | 325 | 375 | 1,003 | 1,127 |

Total sales by end-markets

| First quarter | Engines | | Hydraulics | | Group | |
|--------------------|------------|------------|------------|------------|--------------|--------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Trucks | 294 | 301 | 53 | 64 | 347 | 365 |
| Construction | 192 | 254 | 114 | 146 | 306 | 400 |
| Industrial | 70 | 44 | 111 | 114 | 181 | 158 |
| Agriculture | 122 | 153 | 47 | 51 | 169 | 204 |
| Total Group | 678 | 752 | 325 | 375 | 1,003 | 1,127 |

Business risks, accounting principles and other information

Business overview

Descriptions of Concentric's business and its objectives, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2023 Annual Report on pages 10–17 and pages 22–31.

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 economic instability following the conflict in Ukraine, coupled with the escalating situation in the Middle East, holds the potential to impact future demand, as heightened tensions may have consequences for the global economy. We continue to monitor the macro economic environment and the demand from our end-markets.

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2023 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2023. Please refer to the Risk and Risk Management section on pages 71–76 of the 2023 Annual Report for further details.

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.

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.

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 2023 Annual Report.

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

Financial Statements – Parent Company

Net sales and operating income

Net sales for the first quarter reflected mostly the royalty income received from the joint venture, Alfdex AB. Operating result for the first quarter was a loss of MSEK –1 (nil).

Net financial items and earnings before tax

Exchange rate losses on foreign liabilities to subsidiaries was MSEK –32 (–2) in the quarter, and the remaining financial items netted to MSEK –20 (–21), MSEK –12 (–14) of which relates to the interest cost on the term loan and multi-currency revolving facility. Accordingly, earnings before tax was a loss of MSEK –53 (–23) for the first quarter.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2024 was 710,016 (108,153) and shares transferred to an Employee Share Ownership Trust (“ESOT”) was 204,435 (209,947).

Including these shares the Company’s holdings was 914,451 (318,100) and the total number of shares in issue was 38,297,600 (38,297,600). The company repurchased 260,699 (nil) of own shares during the first quarter, for a total consideration of MSEK 44 (nil), taking the total purchased own shares to 970,715. No transfer to or from the ESOT in this quarter. Consequently, the Company’s holdings of own shares represent 2.5% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings represent 3.1% (0.8) of the total number of shares.

Dividends

On April 18 2024, the AGM resolved on the proposed dividend for the financial year 2023 of SEK 4.25 per share, totaling MSEK 159.

Parent Company’s income statement

| | Jan–Mar | |
|---|------------|------------|
| | 2024 | 2023 |
| Net sales | 10 | 9 |
| Operating costs | –11 | –9 |
| Operating income | –1 | – |
| Net foreign exchange rate differences | –32 | –2 |
| Other financial income and expense | –20 | –21 |
| Earnings before tax | –53 | –23 |
| Taxes | 7 | –1 |
| Net income for the period¹⁾ | –46 | –24 |

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

Parent Company's balance sheet

| | 31 Mar 2024 | 31 Mar 2023 |
|--|--------------|--------------|
| Shares in subsidiaries | 4,289 | 4,329 |
| Shares in joint venture | 10 | 10 |
| Long-term loans receivable from subsidiaries | 908 | 1,004 |
| Deferred tax assets | 40 | 27 |
| Total financial fixed assets | 5,247 | 5,370 |
| Other current receivables | 6 | 7 |
| Short-term receivables from subsidiaries | 136 | 133 |
| Cash and cash equivalents | 423 | 531 |
| Total current assets | 565 | 671 |
| Total assets | 5,812 | 6,041 |
| Total shareholders' equity | 2,634 | 2,267 |
| Pensions and similar obligations | 21 | 20 |
| Long-term interest-bearing liabilities | 641 | 744 |
| Long-term loans payable to subsidiaries | 2,172 | 2,470 |
| Total long-term liabilities | 2,834 | 3,234 |
| Short-term loans payable to subsidiaries | 108 | 145 |
| Short-term interest-bearing liabilities | 232 | 388 |
| Other current liabilities | 4 | 7 |
| Total current liabilities | 344 | 540 |
| Total equity and liabilities | 5,812 | 6,041 |

Parent Company's changes in shareholders' equity

| | 31 Mar 2024 | 31 Mar 2023 |
|---------------------------|--------------|--------------|
| Opening balance | 2,724 | 2,291 |
| Net income for the period | -46 | -24 |
| Buy-back of own shares | -44 | — |
| Closing balance | 2,634 | 2,267 |

Other information

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 8 May, 2024.

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–June 2024 | 30 July, 2024 |
| Interim Report January–September 2024 | 5 November, 2024 |

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 8 May, 2024

Martin Kunz
President and CEO

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

Alternative Performance Measures reconciliation

| | Jan-Mar | |
|--|-------------|-------------|
| | 2024 | 2023 |
| Underlying EBIT or operating income | | |
| EBIT or operating income | 137 | 181 |
| Underlying operating income | 137 | 181 |
| Net sales | 1,003 | 1,127 |
| Operating margin (%) | 13.7 | 16.1 |
| Underlying operating margin (%) | 13.7 | 16.1 |

| | Jan-Mar | |
|--|-------------|-------------|
| | 2024 | 2023 |
| Underlying EBITDA or operating income before amortisation and depreciation | | |
| EBIT or operating income | 137 | 181 |
| Operating amortisation/depreciation | 28 | 30 |
| Amortisation of purchase price allocation | 18 | 18 |
| EBITDA or operating income before amortisation and depreciation | 183 | 229 |
| Underlying EBITDA or underlying operating income before amortisation and depreciation | 183 | 229 |
| Net sales | 1,003 | 1,127 |
| EBITDA margin (%) | 18.2 | 20.3 |
| Underlying EBITDA margin (%) | 18.2 | 20.3 |

| | Jan-Mar | |
|---|-------------|-------------|
| | 2024 | 2023 |
| Net income | | |
| Net income | 100 | 121 |
| Net income before items affecting comparability | 100 | 121 |
| Basic average number of shares (000) | 37,248 | 37,980 |
| Basic earnings per share | 2.69 | 3.18 |
| Basic earnings per share before items affecting comparability, SEK | 2.69 | 3.18 |

CONCENTRIC INTERIM REPORT Q1 2024
ALTERNATIVE PERFORMANCE MEASURES

| Cash Conversion | Jan-Mar | |
|---|------------|------------|
| | 2024 | 2023 |
| Cash flow from operating activities | 43 | 89 |
| Payments for financial transactions | 7 | 21 |
| Tax payments | 21 | 21 |
| Net investments in property, plant and equipment | -29 | -28 |
| Adjustment for royalty from joint-venture (Alfdex) | -6 | -7 |
| Operating Cash | 36 | 96 |
| Operating income | 137 | 181 |
| Adjustment for royalty from joint-venture (Alfdex) | -6 | -7 |
| Adjustments for share in profit in joint-venture (Alfdex) | -13 | -17 |
| Adjusted Operating income | 118 | 157 |
| Cash conversion (%) | 29 | 61 |

| Net debt | 31 Mar 2024 | 31 Mar 2023 |
|--|--------------|--------------|
| Pensions and similar obligations | 241 | 253 |
| Liabilities for right of use fixed assets | 99 | 116 |
| Other long term interest bearing liabilities | 641 | 744 |
| Other short term interest bearing liabilities | 232 | 388 |
| Total interest bearing liabilities | 1,213 | 1,501 |
| Cash and cash equivalents | -515 | -636 |
| Total net debt | 698 | 865 |
| Net debt, excluding pension obligations | 457 | 612 |

| Capital employed | 31 Mar 2024 | 31 Mar 2023 |
|--|--------------|--------------|
| Total assets | 4,402 | 4,568 |
| Interest bearing financial assets | -5 | -2 |
| Non interest bearing assets | 4,397 | 4,566 |
| Non interest bearing liabilities | -824 | -872 |
| Non interest bearing liabilities (excl taxes) | -824 | -872 |
| Total capital employed | 3,573 | 3,694 |

| Working capital | 31 Mar 2024 | 31 Mar 2023 |
|------------------------------------|--------------|--------------|
| Accounts receivable | 585 | 601 |
| Other current receivables | 105 | 85 |
| Inventory | 490 | 538 |
| Working capital assets | 1,179 | 1,224 |
| Accounts payable | -403 | -391 |
| Other current payables | -334 | -351 |
| Working capital liabilities | -737 | -742 |
| Total working capital | 442 | 482 |

Graph data summary

| | Q1/2024 | Q4/2023 | Q3/2023 | Q2/2023 | Q1/2023 | Q4/2022 | Q3/2022 | Q2/2022 | Q1/2022 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Group | | | | | | | | | |
| Sales, MSEK | 1,003 | 945 | 1,035 | 1,098 | 1,127 | 1,033 | 1,068 | 1,021 | 934 |
| Book-to-bill, % | 92 | 89 | 92 | 99 | 92 | 94 | 107 | 108 | 105 |
| Operating income before items affecting comparability, MSEK | 137 | 115 | 146 | 175 | 181 | 172 | 165 | 164 | 166 |
| Operating margin before items affecting comparability, % | 13.7 | 12.1 | 14.1 | 16.0 | 16.1 | 16.7 | 15.5 | 16.1 | 17.8 |
| Basic earnings per share, SEK | 2.69 | 2.31 | 2.35 | 3.15 | 3.18 | 2.92 | 3.32 | 3.53 | 3.42 |
| Return on equity, % | 17.5 | 18.9 | 19.9 | 22.3 | 24.2 | 26.6 | 27.6 | 28.8 | 27.9 |
| Cash flow from operating activities per share, SEK | 1.15 | 6.04 | 4.2 | 3.67 | 2.33 | 5.33 | 4.26 | 1.99 | 2.37 |
| Working capital as % of annualised sales | 10.8 | 7.7 | 11.2 | 11.9 | 11.3 | 10.0 | 14.2 | 15.1 | 12.9 |
| Net debt, MSEK | 698 | 617 | 799 | 950 | 865 | 925 | 1,005 | 1,081 | 1,016 |
| Gearing ratio, % | 30 | 28 | 35 | 42 | 39 | 45 | 45 | 56 | 59 |
| Gearing ratio (excl Pensions), % | 19 | 17 | 24 | 30 | 28 | 32 | 43 | 51 | 49 |

| | Q1/2024 | Q4/2023 | Q3/2023 | Q2/2023 | Q1/2023 | Q4/2022 | Q3/2022 | Q2/2022 | Q1/2022 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Engines | | | | | | | | | |
| Sales, MSEK | 678 | 659 | 709 | 735 | 752 | 695 | 712 | 676 | 608 |
| Book-to-bill, % | 94 | 85 | 93 | 107 | 96 | 94 | 109 | 109 | 105 |
| Operating income before items affecting comparability, MSEK | 89 | 87 | 108 | 118 | 125 | 118 | 101 | 99 | 108 |
| Operating margin before items affecting comparability, % | 13.2 | 13.2 | 15.3 | 16.0 | 16.6 | 17.0 | 14.2 | 14.6 | 17.9 |
| Working capital as % of annualised sales | 12.0 | 9.6 | 13.1 | 13.8 | 13.4 | 12.6 | 15.9 | 18.4 | 20 |
| Working capital, MSEK | 335 | 275 | 379 | 403 | 382 | 339 | 388 | 364 | 306 |
| Hydraulics | | | | | | | | | |
| Sales, MSEK | 325 | 286 | 326 | 363 | 375 | 338 | 356 | 345 | 326 |
| Book-to-bill, % | 91 | 99 | 91 | 85 | 85 | 94 | 102 | 107 | 105 |
| Operating income before items affecting comparability, MSEK | 48 | 28 | 38 | 58 | 56 | 54 | 65 | 65 | 58 |
| Operating margin before items affecting comparability, % | 14.8 | 9.6 | 11.5 | 15.8 | 15.0 | 16.1 | 18.1 | 18.8 | 17.7 |
| Working capital as % of annualised sales | 11.6 | 8.2 | 12.0 | 12.8 | 11.6 | 9.7 | 12.8 | 12.0 | 8.4 |
| Working capital, MSEK | 152 | 111 | 168 | 184 | 164 | 133 | 165 | 144 | 92 |

Glossary

APM

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

EHS

Electro Hydraulic Steering.

EMP

Engineered Machined Products, Inc and subsidiaries.

ESOT

Employee Share Ownership Trust.

JSOP

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

LTI

Long term incentive.

Net investments in fixed assets

Fixed asset additions net of fixed asset disposals and retirements.

OEMs

Original Equipment Manufacturers.

Off-highway

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

Order backlog

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

R&D expenditure

Research and development expenditure.

Tier 1, Tier 2-supplier

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

Definitions

Book-to-bill

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

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

Capital employed

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

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

Drop-through/drop-out rate

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

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

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

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

EBITDA margin

EBITDA as a percentage of net sales.

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

EBIT or Operating income

Earnings before interest and tax.

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

EBIT or Operating margin

Operating income as a percentage of net sales. Operating profit margin is used for measuring the operational profitability.

EPS

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

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

Equity per share

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

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

Gearing ratio

Ratio of net debt to shareholders' equity.

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

Gross margin

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

Net debt

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

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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