



Interim report  
First quarter  
2023

Q1 2023

# First quarter 2023

## ● Net sales

MSEK 1,127 (934) – record sales for the quarter, up +21% year-on-year. After adjusting for the impact of currency +10%, sales on a like for like basis, in constant currency year-on-year were up +11%.

## ● Operating income

Operating income was MSEK 181 (166) generating an Operating margin of 16.1% (17.8).

## ● Net income for the period

MSEK 121 (130); basic EPS of SEK 3.18 (3.43).

## ● Cash flow from operating activities

Cash flow from operating activities was MSEK 89 (89).

## ● Group's net debt

MSEK 865 (1,016); gearing ratio of 39% (59). Cash and cash equivalents up MSEK 184 following strong operating cash generation.

## Key figures – Group <sup>1)</sup>

MSEK	Jan-Mar		
	2023	2022	Change
Net sales	1,127	934	21%
Operating income	181	166	9%
Earnings before tax	159	155	3%
Net income for the period	121	130	-7%
Cash flow from operating activities	89	89	–
Net debt <sup>2)</sup>	865	1,016	-15%
Operating margin, %	16.1	17.8	-1.7
Basic EPS, SEK	3.18	3.43	-0.25
Diluted EPS, SEK	3.18	3.41	-0.23
Return on equity, %	24.2	27.9	-3.7
Gearing ratio, %	39	59	-20

1) For additional information see pages 20–21 and 25.

2) For additional information see page 25.

ELECTRIC URBAN EXCAVATOR

# Review of the first quarter

Great start to the year, record sales performance whilst maintaining our strong margins.

## Financial Performance

The first quarter's results show a strong start to the year delivering another record sales quarter whilst maintaining strong operating margins. Net sales for this quarter were up +21% to MSEK 1,127 (934) with constant currency sales growth and foreign exchange rates increasing sales by +11% and +10% respectively. The Operating income for the first quarter was MSEK 181 (166) achieving an operating margin of 16.1% (17.8).

The global market for our engine products remained at a sustained high, whilst reported market indices suggest the market was broadly flat year-on-year. Net sales of our Engines division were actually up +24% to MSEK 752 (608) with an Operating margin of 16.6% (17.9). Foreign exchange rates increased sales by +10% whilst underlying sales were up +14%. Over the last year we have made consistent improvements and investments in our production facilities which combined with the supply chain stabilising further this quarter has enabled us to reduce our past due sales order backlog. Operating margins were broadly similar quarter-on-quarter despite a reduction in the net income from Alfdex.

Net sales of our Hydraulics division for the quarter were up +15% to MSEK 375 (326), with sales in constant currency increasing by +5% and foreign exchange rates increasing sales by a further +10%. The published market indices suggest demand for hydraulic products year-on-year reduced by 7%, however, reported net sales of Hydraulic products this quarter also benefitted from a reduction in our past due sales order backlog. The Operating margin for the quarter was 15.0% (17.7) and was impacted by higher operational costs, predominantly in our North American operations.

The cash flow from operating activities was MSEK 89 (89) with a profit to cash conversion ratio of 61% (62) for the quarter and inventory levels remained flat quarter on quarter at MSEK 538.

## Sales and Market Development

Sales into our North American end-markets remained strong this quarter growing +11% year-on-year, due to strong demand for engine products in the truck and construction equipment sectors. Sales in Europe also grew +13% with sales growth balanced between engine and hydraulic products. The sectors in Europe which delivered the strongest sales growth this quarter were the truck and agricultural equipment. Whilst sales

remained buoyant in our important North America and European markets, sales in India were a little weaker, as demand from our off-highway customers dipped. However, encouragingly for Alfdex the China truck market improved modestly, as too the demand for their oil mist separator technology required to meet China VI engine emission legislation.

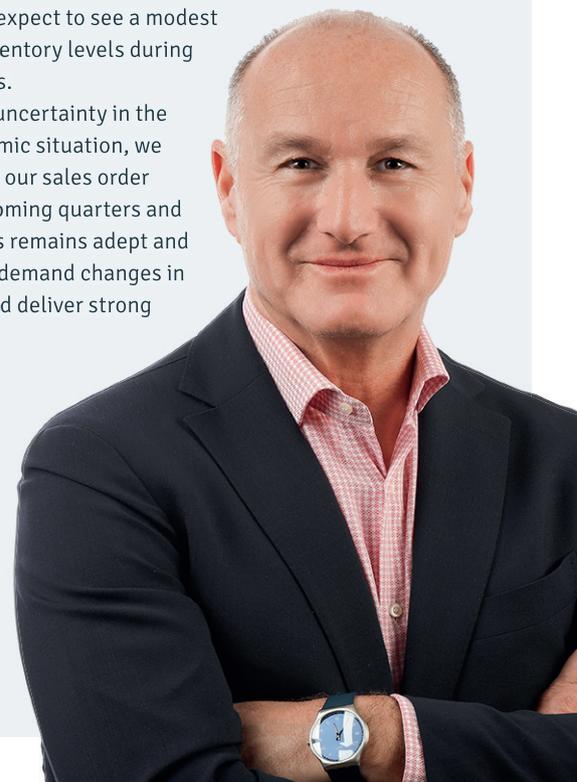
Sales of electric products this quarter were MSEK 193, equating to 17% of group sales for the quarter. Customer activity and interest in our electric product range remains high, particularly for our high voltage fans launched during 2022. Following the successful integration of EMP last year we are now starting to see the commercial benefits of the acquisition, both through sales growth and margin expansion. To continue on the great progress we have made so far we are making a significant investment in our EMP Escanaba facility increasing our manufacturing capacity to meet customer demand for our e-Products.

## Outlook

The outlook for the year remains uncertain with continuing speculation of a slight downturn to impact our markets, both of our larger markets, namely North America and Europe later this year. However, we have greater certainty regarding the near-term demand from our customers through a combination of fulfilling both past due and current sales orders. Therefore, we currently estimate sales in the second quarter of 2023 to be similar to the sales performance achieved during the first quarter of 2023. The global supply chain continues to stabilise and we expect to see a modest reduction in our inventory levels during the coming quarters.

With continuing uncertainty in the global macroeconomic situation, we will monitor closely our sales order intake during the coming quarters and ensure our business remains adept and flexible to adapt to demand changes in our end-markets and deliver strong financial returns.

**Martin Kunz**  
President and CEO



# Concentric Group, first quarter figures

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

Amounts in MSEK	Jan-Mar		
	2023	2022	Change
Net sales	1,127	934	21%
Operating income	181	166	9%
Earnings before tax	159	155	3%
Net income for the period	121	130	-7%
Operating margin, %	16.1	17.8	-1.7
ROCE, %	20.1	20.5	-0.4
Return on equity, %	24.2	27.9	-3.7
Basic EPS, SEK	3.18	3.43	-0.25
Diluted EPS, SEK	3.18	3.41	-0.23

1) For additional information see pages 20-21 and 25.

### Sales

Net sales for the first quarter were up year-on-year by +21%. This is a combination of an FX tailwind adding +10% and underlying sales growth of +11%, supported by the fulfilment of past due orders as supply constraints further ease. The Book-to-bill ratio at the end of the first quarter was 92% (105), similar to Q4 2022, but the ratio is weaker in our Hydraulics division, consistent with the published market indicies.

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

### Operating income

Operating income in the first quarter was MSEK 181 (166) resulting in a corresponding Operating margin of 16.1% (17.8). A strong performance in an uncertain economy which continues to be challenged by inflation, the war in Europe and the energy crisis. Operating margins have now remained broadly similar for the last four quarters at circa 16%, as we continue to manage inflationary cost increase challenges.

### Net financial items

Net financial income and expense for the first quarter was MSEK -22 (-11), this comprised of pension financial expense of MSEK -4 (-5), interest expenses for right of use assets MSEK -1 (-1), interest on the loan of -14 (-6) and net other financial expense MSEK -3 (income 1).

### Taxes

The reported effective tax rate for the first quarter was 24% (16). This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions. The first quarter can be influenced by under or over tax provisions relating to the prior year. A slight under provision in 2022 relating to our North American operations resulted in a marginally higher effective tax rate this quarter.

### Earnings per share

The basic earnings per share for the first quarter was SEK 3.18 (3.43), down SEK 0.25 per share. The diluted earnings per share for the first quarter was SEK 3.18 (3.41), down SEK 0.23.

### Cash flow from operating activities

The reported cash inflow from operating activities for the first quarter amounted to MSEK 89 (89), which represents SEK 2.33 (2.37) per share. This has resulted in an Operating cash conversion ratio of 61% (63).

### Working capital

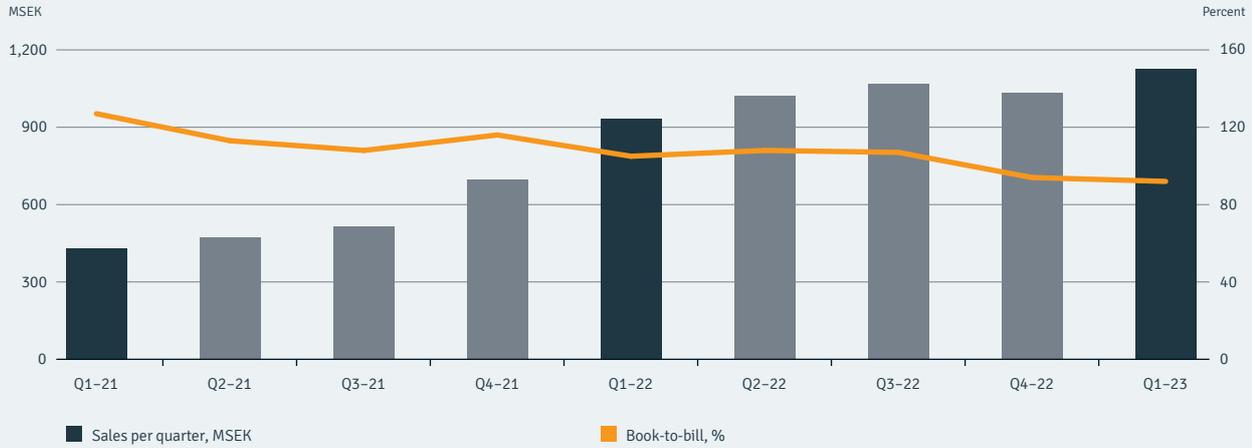
Total working capital as at 31 March 2023 was MSEK 482 (339). This represented 11.3% (12.9) of annual sales, a decrease from 31 March 2022, albeit at constant currency the percentage was broadly flat year-on-year.

### Net debt and gearing

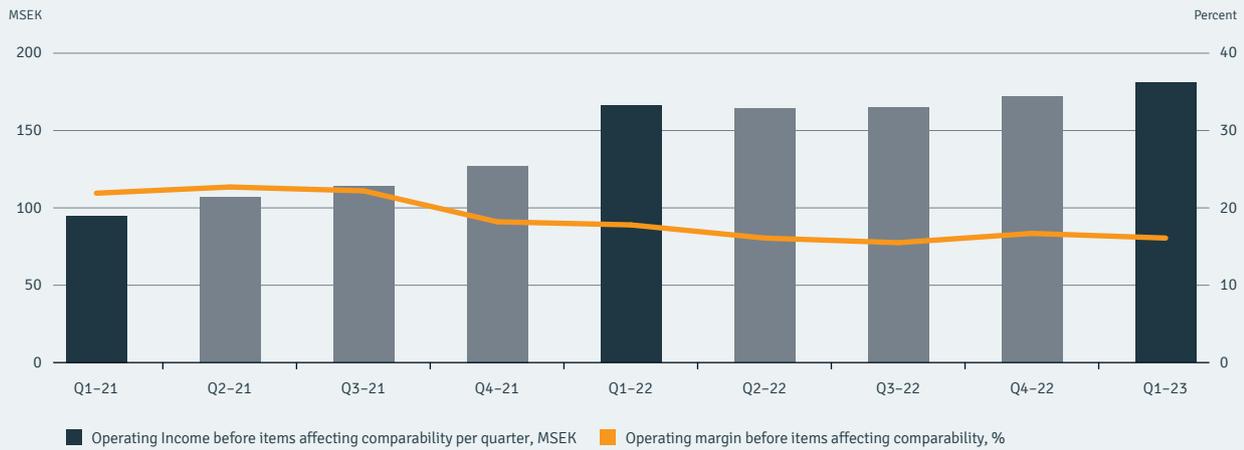
Overall, the Group's net debt at the end of the first quarter was MSEK 865 (1,016), comprising interest bearing liabilities MSEK 1,132 (1,129), liabilities for right of use assets MSEK 116 (121) and net pension liabilities of MSEK 253 (214), net of cash amounting to MSEK 636 (448). Shareholders' equity amounted to MSEK 2,195 (1,728), resulting in a gearing ratio of 39% (59) at the end of the first quarter.

## Graphs – Concentric Group

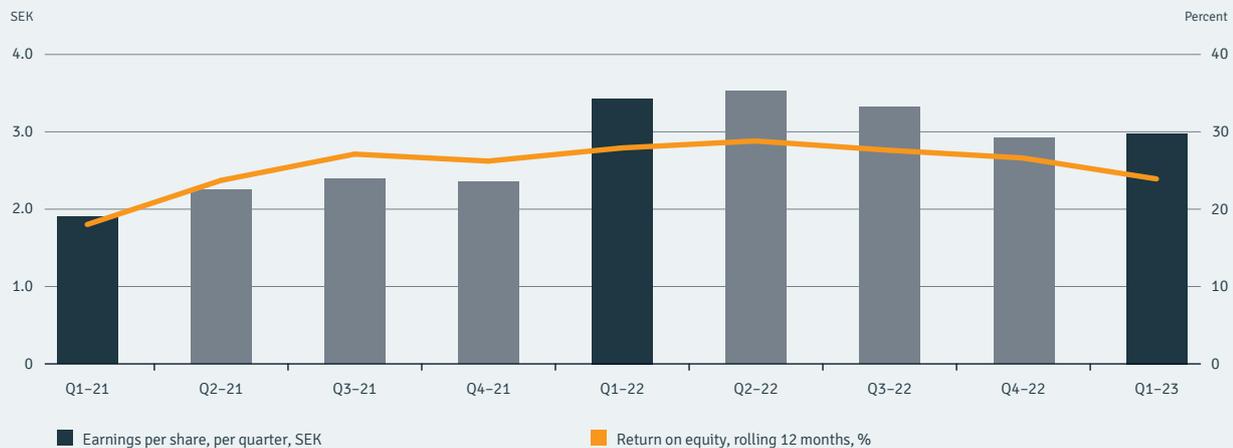
### Sales and book-to-bill



### Underlying operating income and margin



### Earnings per share and return on equity



# Engines

## Financial Performance

Amounts in MSEK	Jan-Mar		
	2023	2022	Change
External net sales	752	608	24%
Operating income	125	108	16%
Operating margin, %	16.6	17.9	-1.3
ROCE, %	12.9	12.9	–

### Sales and market development

Net sales for the first quarter were up year-on-year by +24%. An FX tailwind has contributed +10% to this increase whilst underlying sales increased +14% year-on-year.

Sales in to the Medium and heavy-duty truck sector saw the greatest growth within our Engines division with the North American and European regions both showing double digit growth. Sales into the Construction equipment sector in the North American region also reported strong growth year-on-year.

Market indices suggest production rates, blended to the Engines end-markets and regions were flat, indicating the overall Engines market is maintaining the current levels of demand. Book-to-bill ratio at the end of the quarter was 96% (105), up slightly from the previous quarter.

### Operating income and margin

Operating income in the first quarter was MSEK 125 (108) resulting in an Operating margin of 16.6% (17.9). The year-on-year margin reduction is due to a flat result from our JV, Alfdex, in comparison to the sales growth achieved by the Group. Group margin excluding Alfdex is broadly consistent year-on-year.

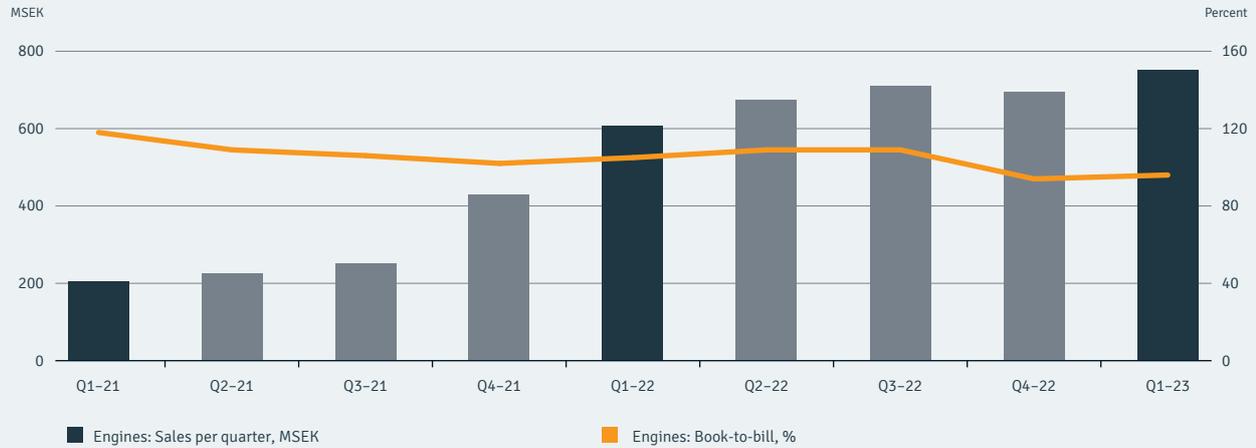


### Working capital

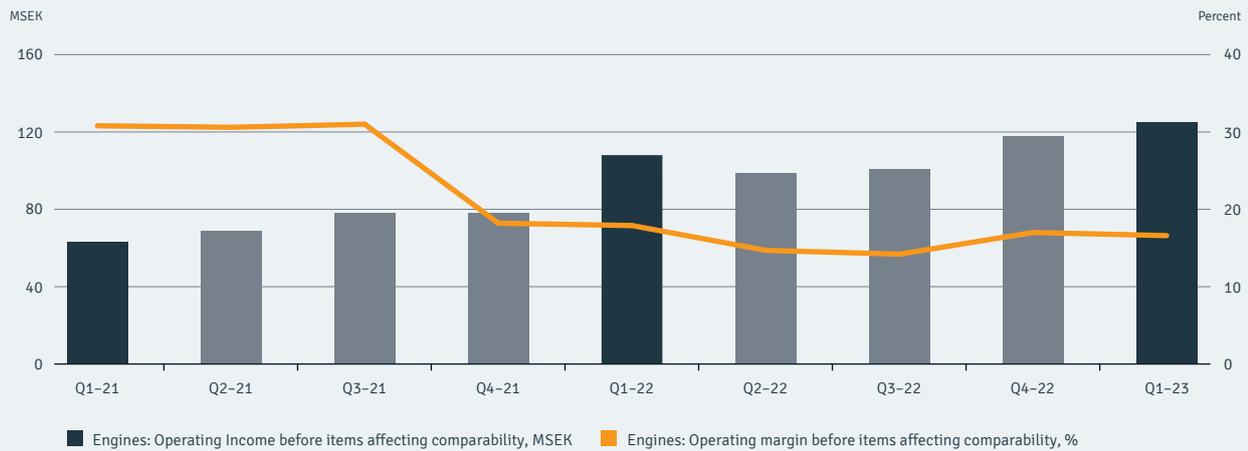
Working capital in the Engines division was MSEK 382 (306) as at 31 March 2023, or 13.4% (20.0) as a percentage of sales. In constant currency working capital increased significantly in Q2 and Q3 of 2022, however has since remained broadly flat. Quarter-on-quarter inventory has only decreased MSEK 8, not including the impact of FX.

## Graphs – Engines

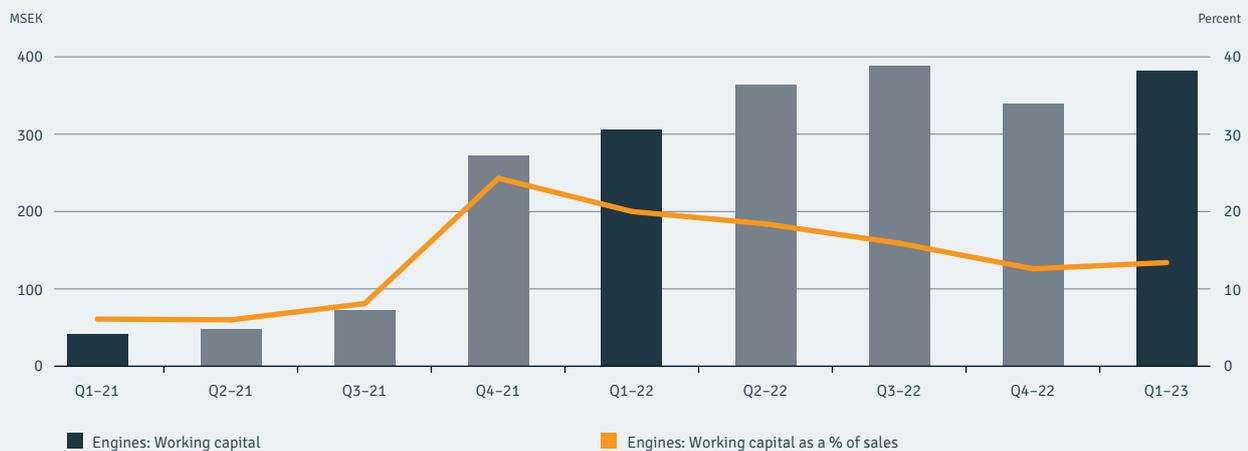
### Sales and book-to-bill



### Underlying operating income and margin



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



# Hydraulics

## Financial Performance

Amounts in MSEK	Jan-Mar		
	2023	2022	Change
External net sales	375	326	15%
Operating income	56	58	-3%
Operating margin, %	15.0	17.7	-2.7
ROCE, %	30.2	25.1	5.1

### Sales and market development

Net sales for the first quarter were MSEK 375, up year-on-year by +15%. Foreign exchange movements have increased sales by +10% and underlying sales have increased +5%.

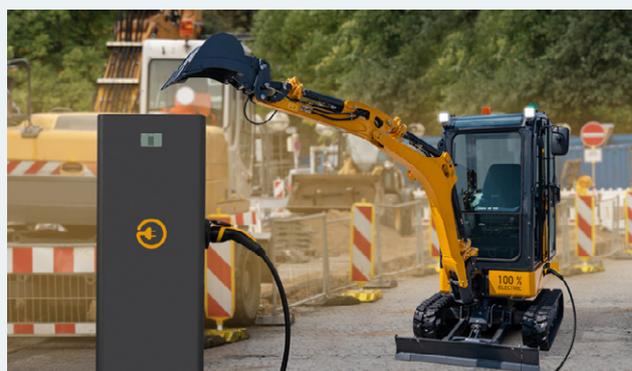
Sales into the Medium and heavy-duty truck market within Europe saw the greatest growth, slightly offset by a reduction in sales to the North America region. Sales into the Construction equipment sector also showed growth, both in Europe and North America, whereas sales into China showed year-on-year decline. Sales to the Agricultural machinery and Industrial applications markets were broadly consistent year-on-year.

Market indices suggest production rates, blended to the Hydraulics end-markets and regions, were down -7% in the first quarter compared to our constant currency sales growth of +5%. Whilst demand appears to be slowing for Hydraulics products sales have been supported by fulfilment of past due orders, reducing the sales order backlog.

The Book-to-bill ratio of at the end of the first quarter was 85% (105) down from 94% in the previous quarter.

### Operating income and margin

The Operating income in the first quarter was MSEK 56 (58), down MSEK 2 year-on-year, generating an Operating margin of 15.0% (17.7). The Operating margin reduction year-on-year is due to higher operational costs in North America.

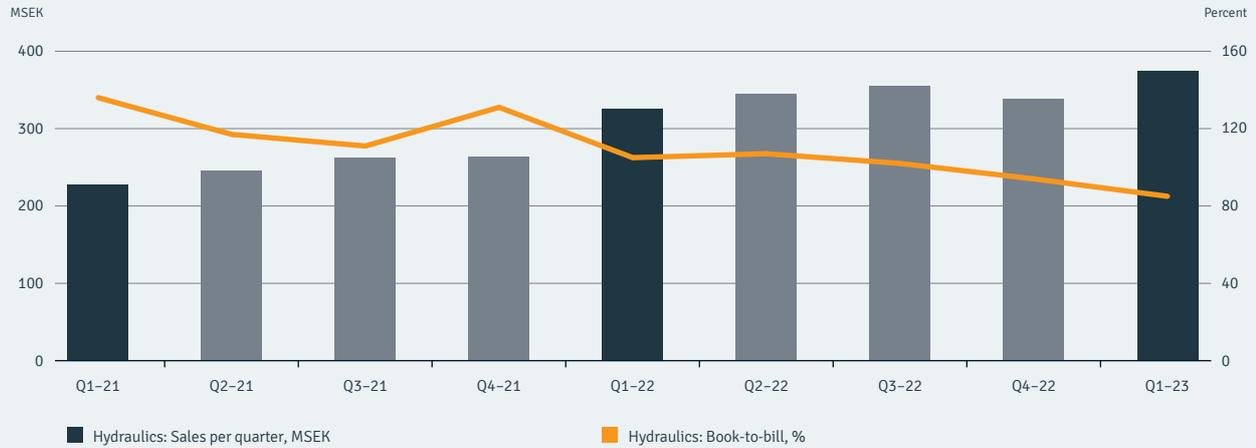


### Working capital

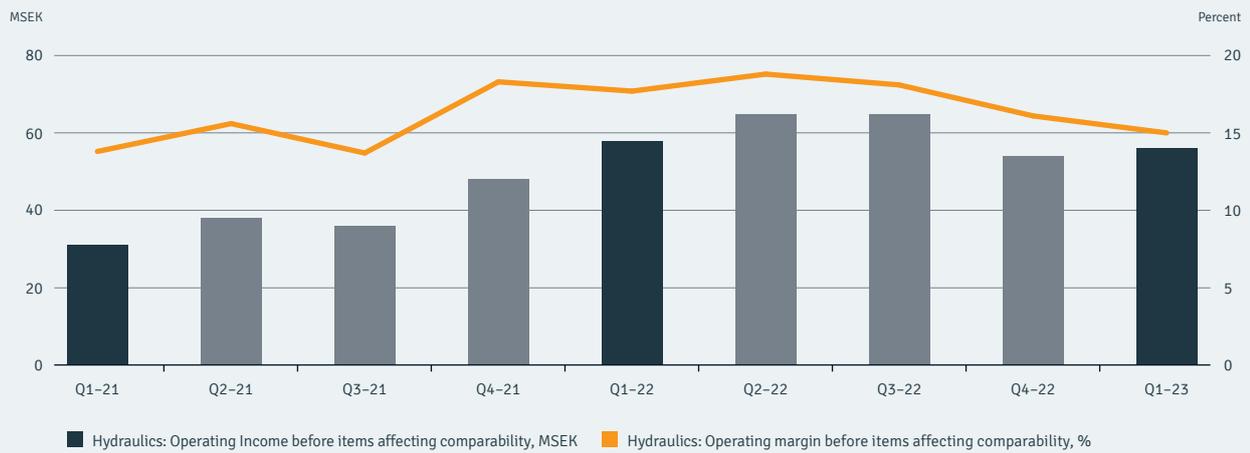
Working capital in the Hydraulics division was MSEK 164 (92) as at 31 March 2023, or 11.6% (8.4) as a percentage of sales. In constant currency working capital increased significantly in Q2 and Q3 of 2022, however has since remained broadly flat. Quarter-on-quarter inventory has slightly increased MSEK 8, not including the impact of FX.

## Graphs – Hydraulics

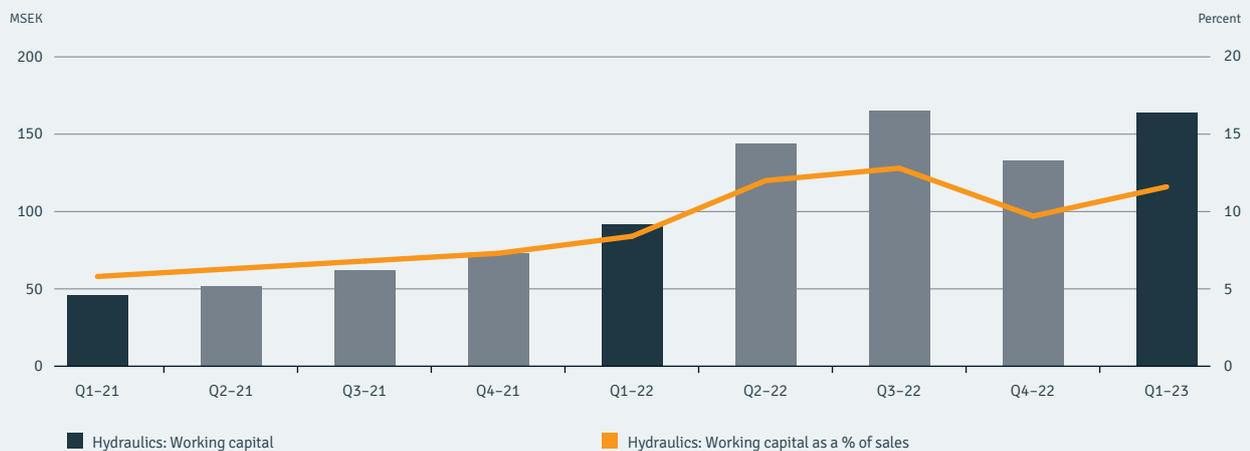
### Sales and book-to-bill



### 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	
	2023	2022
Net sales	1,127	934
Cost of goods sold	–824	–675
<b>Gross income</b>	<b>303</b>	<b>259</b>
Selling expenses	–34	–25
Administrative expenses	–76	–57
Product development expenses	–21	–20
Share of net income in joint venture	17	17
Other operating income and expenses	–8	–8
<b>Operating income</b>	<b>181</b>	<b>166</b>
Financial income and expenses	–22	–11
<b>Earnings before tax</b>	<b>159</b>	<b>155</b>
Taxes	–38	–25
<b>Net income for the period</b>	<b>121</b>	<b>130</b>
Parent Company shareholders	121	130
Basic earnings per share, SEK	3.18	3.43
Diluted earnings per share, SEK	3.18	3.41
Basic average number of shares (000)	37,980	37,930
Diluted average number of shares (000)	38,069	38,097

## Consolidated statement of comprehensive income

	Jan–Mar	
	2023	2022
Net income for the period	121	130
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to the income statement</i>		
Net remeasurement gains and losses	–	143
Tax on net remeasurement gains and losses	–	–38
<i>Items that may be reclassified subsequently to the income statement</i>		
Exchange rate differences related to liabilities to foreign operations	–2	–8
Tax arising from exchange rate differences related to liabilities to foreign operations	1	2
Cash-flow hedging	–4	15
Tax arising from cash-flow hedging	1	–3
Share of OCI related to joint venture	–	3
Foreign currency translation differences	7	22
<b>Total other comprehensive income</b>	<b>3</b>	<b>136</b>
<b>Total comprehensive income</b>	<b>124</b>	<b>266</b>

## Consolidated balance sheet

	31 Mar 2023	31 Mar 2022
Goodwill	1,455	1,325
Other intangible fixed assets	414	439
Right of use fixed assets	100	108
Tangible fixed assets	452	435
Share of net assets in joint venture	156	136
Deferred tax assets	100	79
Other long-term receivables	30	19
<b>Total fixed assets</b>	<b>2,707</b>	<b>2,541</b>
Inventories	538	423
Current receivables	687	562
Current receivables, joint venture	–	3
Cash and cash equivalents	636	448
<b>Total current assets</b>	<b>1,861</b>	<b>1,436</b>
<b>Total assets</b>	<b>4,568</b>	<b>3,977</b>
<b>Total Shareholders' equity</b>	<b>2,195</b>	<b>1,728</b>
Pensions and similar obligations	253	214
Deferred tax liabilities	128	133
Long-term liabilities for right of use fixed assets	99	101
Other long-term interest-bearing liabilities	744	782
Other long-term liabilities	2	3
<b>Total long-term liabilities</b>	<b>1,226</b>	<b>1,233</b>
Short-term liabilities for right of use fixed assets	17	20
Other short-term interest-bearing liabilities	388	347
Other current liabilities	742	649
<b>Total current liabilities</b>	<b>1,147</b>	<b>1,016</b>
<b>Total equity and liabilities</b>	<b>4,568</b>	<b>3,977</b>

### Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 31 March 2023 the fair

value of derivative instruments that were assets was MSEK 25 (18), 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 2023	31 Mar 2022
<b>Opening balance</b>	<b>2,070</b>	<b>1,462</b>
Net income for the period	121	130
Other comprehensive income	3	136
<b>Total comprehensive income</b>	<b>124</b>	<b>266</b>
Long-term incentive plan	1	–
<b>Closing balance</b>	<b>2,195</b>	<b>1,728</b>

## Consolidated cash flow statement, in summary

	Jan–Mar	
	2023	2022
<b>Earnings before tax</b>	<b>159</b>	<b>155</b>
Reversal of depreciation and amortisation of fixed assets	48	45
Reversal of net income from joint venture	–17	–17
Reversal of other non-cash items	–	3
Taxes paid	–21	–19
<b>Cash flow from operating activities before changes in working capital</b>	<b>169</b>	<b>167</b>
Change in working capital	–80	–78
<b>Cash flow from operating activities</b>	<b>89</b>	<b>89</b>
Investments in subsidiaries	–	–16
Net investments in property, plant and equipment	–28	–18
<b>Cash flow from investing activities</b>	<b>–28</b>	<b>–34</b>
Repayment of loans	–40	–30
Pension payments and other cash flows from financing activities	–9	–21
<b>Cash flow from financing activities</b>	<b>–49</b>	<b>–51</b>
<b>Cash flow for the period</b>	<b>12</b>	<b>4</b>
Cash and bank assets, opening balance	624	440
Exchange-rate difference in cash and bank assets	–	4
<b>Cash and bank assets, closing balance</b>	<b>636</b>	<b>448</b>

## Group notes

### Data per share

	Jan-Mar	
	2023	2022
Basic earnings per share, SEK	3.18	3.43
Diluted earnings per share, SEK	3.18	3.41
Equity per share, SEK	57.79	45.57
Cash-flow from current operations per share, SEK	2.33	2.37
Basic weighted average no. of shares (000's)	37,980	37,930
Diluted weighted average no. of shares (000's)	38,069	38,097
Number of shares at period-end (000's)	37,980	37,930

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

	Jan-Mar	
	2023	2022
Sales growth, %	21	116
Sales growth, constant currency, % <sup>2)</sup>	11	24
EBITDA margin, %	20.3	22.6
Operating margin, %	16.1	17.8
Capital employed, MSEK	3,694	3,191
ROCE before items affecting comparability, %	19.8	22.2
ROCE, %	20.1	20.5
ROE, %	24.2	27.9
Working capital, MSEK	482	339
Working capital as a % of annual sales	11.3	12.9
Net debt, MSEK <sup>3)</sup>	865	1,016
Gearing ratio, %	39	59
Net investments in PPE	28	18
R&D, %	1.8	2.2
Number of employees, average	1,258	1,183

1) For additional information see pages 20–21 and 25.

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 25.

3) For additional information see page 21.

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

	Jan–Mar	
	2023	2022
Net sales	1,127	934
Direct material costs	-550	-455
Personnel costs	-258	-203
Depreciation and amortisation of fixed assets	-48	-45
Share of net income in joint venture	17	17
Other operating income and expenses	-107	-82
<b>Operating income</b>	<b>181</b>	<b>166</b>
Financial income and expense	-22	-11
<b>Earnings before tax</b>	<b>159</b>	<b>155</b>
Taxes	-38	-25
<b>Net income for the period</b>	<b>121</b>	<b>130</b>

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

	Jan–Mar	
	2023	2022
Tooling income	1	2
Royalty income from joint venture	7	7
Amortisation of acquisition related surplus values	-18	-18
Other	2	1
<b>Other operating income and expenses</b>	<b>-8</b>	<b>-8</b>

### 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	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>First quarter</b>								
Total net sales	758	610	376	326	-7	-2	1,127	934
External net sales	752	608	375	326	–	–	1,127	934
Operating income	125	108	56	58	–	–	181	166
Operating margin, %	16.6	17.9	15.0	17.7	n/a	n/a	16.1	17.8
Financial income and expense	–	–	–	–	-22	-11	-22	-11
Earnings before tax	125	108	56	58	-22	-11	159	155
Assets	3,321	3,080	636	580	611	317	4,568	3,977
Liabilities	776	545	377	503	1,220	1,201	2,373	2,249
Capital employed	3,586	3,329	773	774	-665	-911	3,694	3,191
ROCE before items affecting comparability, %	12.7	12.9	30.2	25.1	n/a	n/a	19.8	22.2
ROCE, %	12.9	12.9	30.2	25.1	n/a	n/a	20.1	20.5
Net investments in PPE	18	17	10	1	–	–	28	18
Depreciation and amortisation of fixed assets	42	41	5	4	1	–	48	45
Number of employees, average	850	818	408	365	–	–	1,258	1,183

### 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 66 (65) for the Group, with an average of 67 (66) working days for the Engines segment and 64 (63) working days for the Hydraulics segment.

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

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>First quarter</b>						
USA	482	366	183	151	665	517
Rest of North America	20	27	5	4	25	31
South America	–	–	–	1	–	1
Germany	66	56	54	52	120	108
UK	44	43	19	15	63	58
Sweden	17	10	24	19	41	29
Rest of Europe	77	65	48	41	125	106
Asia	32	32	39	40	71	72
Other	14	9	3	3	17	12
<b>Total Group</b>	<b>752</b>	<b>608</b>	<b>375</b>	<b>326</b>	<b>1,127</b>	<b>934</b>

### Total sales by product groups

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>First quarter</b>						
Concentric branded products	231	230	353	302	584	532
EMP branded products	451	320	–	–	451	320
LICOS branded products	70	58	–	–	70	58
Allied branded products	–	–	22	24	22	24
<b>Total Group</b>	<b>752</b>	<b>608</b>	<b>375</b>	<b>326</b>	<b>1,127</b>	<b>934</b>

### Total sales by end-markets

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
<b>First quarter</b>						
Trucks	301	226	64	52	365	278
Construction	254	207	146	125	400	332
Industrial	44	43	114	103	158	146
Agriculture	153	132	51	46	204	178
<b>Total Group</b>	<b>752</b>	<b>608</b>	<b>375</b>	<b>326</b>	<b>1,127</b>	<b>934</b>

## Business risks, accounting principles and other information

### Business overview

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

### Significant risks and uncertainties

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

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

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertain-

ties since the publication of the 2022 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2022. Please refer to the Risk and Risk Management section on pages 70–78 of the 2022 Annual Report for further details.

### Events after the balance sheet date

There have been no 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 2022 Annual Report.

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

# Financial Statements – Parent Company

## Net sales and operating income

Net sales for the first quarter reflected mostly the royalty income received from the joint venture, Alfdex AB. Operating result for the first quarter was nil (profit 2).

## Net financial items and earnings before tax

Exchange rate losses on foreign liabilities to subsidiaries was MSEK -2 (-8) in the quarter, and the remaining financial items netted to MSEK -21 (-6), MSEK -14 (-6) of which relates to the Interest cost on the term loan. Accordingly, earnings before tax was a loss of MSEK -23 (-13) for the first quarter.

## Buy-back and holdings of own shares

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

the total number of shares in issue was 38,297,600 (38,297,600). The Company has not repurchased or sold any own shares during the first quarter. No transfer to or from the ESOT in this quarter. Consequently, the company’s holdings of own shares represent 0.3% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings represent 0.8% (1.0) of the total number of shares.

## Dividends

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

## Parent Company’s income statement

	Jan–Mar	
	2023	2022
Net sales	9	8
Operating costs	-9	-6
<b>Operating income</b>	<b>–</b>	<b>2</b>
Net foreign exchange rate differences	-2	-8
Other financial income and expense	-21	-6
<b>Earnings before tax</b>	<b>-23</b>	<b>-13</b>
Taxes	-1	1
<b>Net income for the period<sup>1)</sup></b>	<b>-24</b>	<b>-11</b>

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 2023	31 Mar 2022
Shares in subsidiaries	4,329	4,243
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	1,004	1,014
Deferred tax assets	27	12
<b>Total financial fixed assets</b>	<b>5,370</b>	<b>5,279</b>
Other current receivables	7	9
Short-term receivables from subsidiaries	133	127
Short-term receivables from joint venture	–	3
Cash and cash equivalents	531	289
<b>Total current assets</b>	<b>671</b>	<b>428</b>
<b>Total assets</b>	<b>6,041</b>	<b>5,707</b>
<b>Total shareholders' equity</b>	<b>2,267</b>	<b>2,331</b>
Pensions and similar obligations	20	18
Long-term interest-bearing liabilities	744	782
Long-term loans payable to subsidiaries	2,470	2,018
<b>Total long-term liabilities</b>	<b>3,234</b>	<b>2,818</b>
Short-term loans payable to subsidiaries	145	205
Short-term interest-bearing liabilities	388	347
Other current liabilities	7	6
<b>Total current liabilities</b>	<b>540</b>	<b>558</b>
<b>Total equity and liabilities</b>	<b>6,041</b>	<b>5,707</b>

## Parent Company's changes in shareholders' equity

	31 Mar 2023	31 Mar 2022
Opening balance	2,291	2,342
Net income for the period	-24	-11
<b>Closing balance</b>	<b>2,267</b>	<b>2,331</b>

# Other information

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

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 3 May, 2023.

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

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

www.concentricab.com 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 2023	26 July, 2023
Interim Report January–September 2023	8 November, 2023

## **Further information:**

Martin Kunz (President and CEO) or  
Marcus Whitehouse (CFO) at  
Tel: +44 (0) 121 445 6545 or  
E-mail: info@concentricab.com

Corporate Registration Number 556828-4995

Stockholm 3 May, 2023

**Martin Kunz**  
President and CEO

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

# Alternative Performance Measures reconciliation

	Jan-Mar	
	2023	2022
<b>Underlying EBIT or operating income</b>		
<b>EBIT or operating income</b>	<b>181</b>	<b>166</b>
<b>Underlying operating income</b>	<b>181</b>	<b>166</b>
Net sales	1,127	934
<b>Operating margin (%)</b>	<b>16.1</b>	<b>17.8</b>
<b>Underlying operating margin (%)</b>	<b>16.1</b>	<b>17.8</b>

	Jan-Mar	
	2023	2022
<b>Underlying EBITDA or operating income before amortisation and depreciation</b>		
<b>EBIT or operating income</b>	<b>181</b>	<b>166</b>
Operating amortisation/depreciation	30	27
Amortisation of purchase price allocation	18	18
<b>EBITDA or operating income before amortisation and depreciation</b>	<b>229</b>	<b>211</b>
<b>Underlying EBITDA or underlying operating income before amortisation and depreciation</b>	<b>229</b>	<b>211</b>
Net sales	1,127	934
<b>EBITDA margin (%)</b>	<b>20.3</b>	<b>22.6</b>
<b>Underlying EBITDA margin (%)</b>	<b>20.3</b>	<b>22.6</b>

	Jan-Mar	
	2023	2022
<b>Net income</b>		
<b>Net income</b>	<b>121</b>	<b>130</b>
Basic average number of shares (000)	37,980	37,930
<b>Basic earnings per share</b>	<b>3.18</b>	<b>3.43</b>

CONCENTRIC INTERIM REPORT Q1 2023  
ALTERNATIVE PERFORMANCE MEASURES

	Jan-Mar	
	2023	2022
<b>Cash Conversion</b>		
<b>Cash flow from operating activities</b>	<b>89</b>	<b>89</b>
Payments for financial transactions	21	6
Tax payments	21	19
Net investments in property, plant and equipment	-28	-18
Adjustment for royalty from joint-venture (Alfdex)	-7	-7
<b>Operating Cash</b>	<b>96</b>	<b>89</b>
Operating income	181	166
Adjustment for royalty from joint-venture (Alfdex)	-7	-7
Adjustments for share in profit in joint-venture (Alfdex)	-17	-17
<b>Adjusted Operating income</b>	<b>157</b>	<b>142</b>
<b>Cash conversion (%)</b>	<b>61.4</b>	<b>62.7</b>

	31 Mar 2023	31 Mar 2022
<b>Net debt</b>		
Pensions and similar obligations	253	214
Liabilities for right of use fixed assets	116	121
Other long term interest bearing liabilities	744	782
Other short term interest bearing liabilities	388	347
<b>Total interest bearing liabilities</b>	<b>1,501</b>	<b>1,464</b>
Cash and cash equivalents	-636	-448
<b>Total net debt</b>	<b>865</b>	<b>1,016</b>
<b>Net debt, excluding pension obligations</b>	<b>612</b>	<b>802</b>

	31 Mar 2023	31 Mar 2022
<b>Capital employed</b>		
<b>Total assets</b>	<b>4,568</b>	<b>3,977</b>
Interest bearing financial assets	-2	-4
<b>Non interest bearing assets</b>	<b>4,566</b>	<b>3,975</b>
Non interest bearing liabilities	-872	-784
<b>Total capital employed</b>	<b>3,694</b>	<b>3,191</b>

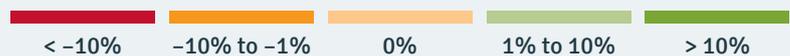
	31 Mar 2023	31 Mar 2022
<b>Working capital</b>		
Accounts receivable	601	514
Other current receivables	85	50
Inventory	538	423
<b>Working capital assets</b>	<b>1,224</b>	<b>987</b>
Accounts payable	-391	-365
Other current payables	-351	-283
<b>Working capital liabilities</b>	<b>-742</b>	<b>-648</b>
<b>Total working capital</b>	<b>482</b>	<b>339</b>

# Graph data summary

	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
<b>Engines</b>									
Sales, MSEK	752	695	712	676	608	432	252	226	205
Book-to-bill, %	96	94	109	109	105	102	106	109	118
Operating income before items affecting comparability, MSEK	125	118	101	99	108	79	78	69	63
Operating margin before items affecting comparability, %	16.6	17.0	14.2	14.6	17.9	18.2	31.0	30.5	30.8
Working capital as % of annualised sales	13.4	12.6	15.9	18.4	20	24.3	8.1	6	6.1
Working capital, MSEK	382	339	388	364	306	273	72	48	42
<b>Hydraulics</b>									
Sales, MSEK	375	338	356	345	326	263	263	247	227
Book-to-bill, %	85	94	102	107	105	131	111	117	136
Operating income before items affecting comparability, MSEK	56	54	65	65	58	48	36	38	31
Operating margin before items affecting comparability, %	15.0	16.1	18.1	18.8	17.7	18.3	13.7	15.6	13.8
Working capital as % of annualised sales	11.6	9.7	12.8	12.0	8.4	7.3	6.8	6.3	5.8
Working capital, MSEK	164	133	165	144	92	73	62	52	46
	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
<b>Group</b>									
Sales, MSEK	1,127	1,033	1,068	1,021	934	695	515	473	432
Book-to-bill, %	92	94	107	108	105	114	108	107	127
Operating income before items affecting comparability, MSEK	181	172	165	164	166	127	114	107	95
Operating margin before items affecting comparability, %	16.1	16.7	15.5	16.1	17.8	18.2	22.2	22.7	21.9
Basic earnings per share, SEK	3.18	2.92	3.32	3.53	3.42	2.36	2.39	2.25	1.90
Return on equity, %	24.2	26.6	27.6	28.8	27.9	26.2	27.1	23.7	18.0
Cash flow from operating activities per share, SEK	2.33	5.33	4.26	1.99	2.37	2.97	1.79	2.01	1.91
Working capital as % of annualised sales	11.3	10.0	14.2	15.1	12.9	13.1	3.3	1.3	0.5
Net debt, MSEK	865	925	1,005	1,081	1,016	1,192	-136	-22	-90
Gearing ratio, %	39	45	45	56	59	82	-10	-2	-7
Gearing ratio (excl Pensions), %	28	32	43	51	49	57	-36	-30	-34

	Q1-23 vs Q1-22					FY-23 vs FY-22				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 <b>Agriculture</b> Diesel engines	0%	-1%	-2%	-9%	0%	-1%	-2%	-2%	-9%	0%
 <b>Construction</b> Diesel engines	1%	-1%	-3%	4%	-1%	1%	-1%	-3%	4%	-2%
Hydraulic equipment	2%	n/a	-3%	n/a	n/a	2%	n/a	-3%	n/a	n/a
 <b>Trucks</b> Light vehicles	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	-2%	-24%	4%	3%	3%	-2%	-24%	4%	3%	3%
 <b>Industrial</b> Other off-highway	2%	0%	1%	1%	-1%	2%	-1%	1%	1%	-1%
Hydraulic lift trucks	-24%	n/a	-32%	n/a	n/a	-20%	n/a	-24%	n/a	n/a

The market indices summarised in the table above reflect the Q1 2023 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



### Consolidated sales development

	Q1-23 vs. Q1-22			FY-23 vs. FY-22		
	Engines	Hydraulics	Group	Engines	Hydraulics	Group
Market – weighted average <sup>1)</sup>	0%	-7%	-2%	0%	-6%	-2%
Actual – constant currency <sup>2)</sup>	14%	5%	11%			

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

**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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