

INTERIM REPORT Q3/2020

TECHNOLOGY
INNOVATION
SUSTAINABILITY





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Unless otherwise stated, all amounts have been stated in SEK million. Certain financial data has been rounded in this Interim Report. Where the sign “–” has been used, this either means that no number exists or the number rounds to zero. This english version of the Interim Report is a translation of the Swedish original. If there are any differences the latter shall prevail.

Third quarter

Net sales

MSEK 324 (463) – sales were down –30% y-o-y. After adjusting for impact of currency (–6%), sales in constant currency were down –24%.

Operating income

Operating income was MSEK 57 (91), generating an operating margin of 17.5% (19.8).

Net income for the period

MSEK 40 (64); basic EPS of SEK 1.06 (1.67).

Cash flow from operating activities

MSEK 51 (98); cash generation affected by lower sales.

Dividend

The Board of Directors of Concentric AB will propose a dividend distribution of SEK 3.25 for the financial year 2019, at an extraordinary general meeting on 9 December 2020.

First nine months

Net sales

MSEK 1,122 (1,582) – sales were down –29% y-o-y. After adjusting for impact of currency (–1%), sales in constant currency were down –28%.

Operating income

MSEK 192 (338), generating an operating margin of 15.3% (21.4). Excluding a restructuring charge of MSEK 20 in Q2 2020, the operating margin before items affecting comparability was 17.1% (21.4).

Net income for the period

MSEK 117 (250); basic EPS of SEK 3.11 (6.49).

Cash flow from operating activities

MSEK 219 (328); cash generation affected by lower sales and working capital unwind.

Group's net debt

MSEK –69 (207); gearing ratio of –6% (20).

Key figures – Group ¹⁾

Amounts in MSEK	Jul-Sept			Jan-Sept			Oct-Sept	Jan-Dec
	2020	2019	Change	2020	2019	Change	2019/20	2019
Net sales	324	463	–30%	1,122	1,582	–29%	1,552	2,012
Operating income before items affecting comparability	57	91	–37%	192	338	–43%	326	472
Operating income	57	91	–37%	172	338	–49%	306	472
Earnings before tax	50	83	–40%	153	323	–53%	283	453
Net income for the period	40	64	–38%	117	250	–53%	188	321
Cash flow from operating activities	51	98	–48%	219	328	–33%	277	386
Net debt ²⁾	–69	207	–133%	–69	207	–133%	–69	54
Operating margin before items affecting comparability, %	17.5	19.8	–2.3	17.1	21.4	–4.3	21.0	23.5
Operating margin, %	17.5	19.8	–2.3	15.3	21.4	–6.1	19.7	23.5
Basic EPS before items affecting comparability, SEK	1.06	1.67	–0.61	3.51	6.49	–2.98	5.38	8.37
Basic EPS, SEK	1.06	1.67	–0.61	3.11	6.49	–3.38	4.98	8.37
Diluted EPS, SEK	1.06	1.67	–0.61	3.10	6.41	–3.31	4.98	8.27
Return on equity, %	16.2	34.4	–18.2	16.2	34.4	–18.2	16.2	29.5
Gearing ratio, %	–6	20	–26	–6	20	–26	–6	5

¹⁾ For additional information see pages 29–30 and 33.

²⁾ For additional information see page 14.

Review of the third quarter

President and CEO, David Woolley,
comments on the Q3 2020 Interim Report.

Market and sales development

The year-to-date published market indices suggest production rates, blended for the Group's end-markets and regions declined by -32% with both the Americas and Europe & RoW reporting negative growth for the fifth successive quarter. The quarterly market indices, whilst overall showing the markets continue to contract by -7% present a mixed picture, with some geographic regions and end market applications showing signs of economic recovery, whilst most continue to report substantial year-on-year reductions.

The Group's reported sales continued to be affected by the overall market slowdown and the effects of the COVID-19 pandemic with year-to-date sales down -29%. Sales for the third quarter were down -30% and were affected by the Swedish Krona strengthening against most major currencies during the quarter, particularly against the US Dollar. Group sales in constant currency were down year-on-year during the third quarter by -24% and -28% for the first nine months of the year, and were broadly in line with year-to-date published market indices.

Constant currency sales in Europe and Rest of World were down -19% whilst the Americas were -23% year-on-year for the third quarter. Europe & RoW has seen an improvement in demand this quarter across all four end market applications for engine products, but most notably from the medium- and heavy-duty truck sector. Demand in the Americas for engine products improved but remains weak. Both geographical regions were affected by weaker demand for hydraulic products, which historically lags any reduction in demand for engine products by a quarter. Sales to all end-market applications remained lower in the third quarter year-on-year in both of our core reporting regions.

Global pandemic and rightsizing the business

The effects of the COVID-19 pandemic continue to impact our business with the reduction in demand from our customers continuing in the third quarter. However, all of our eight facilities globally are fully oper-

ational and have each introduced stringent sanitising processes and health and safety procedures to minimise the risk to employees whilst at work.

Our programs to manage the cost of capacity with short-time working arrangements in many of our facilities, furloughing employees or extending plant shutdowns continued this quarter. Government employee support programs were accessed during the third quarter in Argentina, Germany and the UK with grant income from these schemes amounting to MSEK 3. Concentric will seek loan forgiveness from the US government during the final quarter of this year, converting the MSEK 10 loan received in the second quarter to grant income.

We have also completed the business rightsizing exercise in the US, UK and Germany this quarter and aim to complete the retrenchment program in India before the end of the year.

Concentric Business Excellence – managing operating margins and cash

Concentric Business Excellence has been key in our ability to adapt operations to lower demand and thereby defend our margins. All parts of the business participate in this programme, driving continuous improvement in customer service levels, employee motivation and operational excellence. This program and our employee's resilience and ability to adapt to an ever changing environment has ensured the operating margin was maintained at good levels despite a -30% reduction in sales. The year-on-year profit drop-out was limited to 24% and the operating margin for the third quarter was 17.5% (19.8).

Managing the liquidity of the business continues to be a critical activity this quarter ensuring only essential capital projects are approved, controlling inventory levels and ensuring customers continue to pay to terms. Operating cash flow for the period was MSEK 51 with an operating income to operating cash conversion ratio of 89%. Inventory levels have remained stubbornly high during this quarter because of the re-

duction in demand for hydraulic products and holding safety stocks for critical components sourced through extended overseas supply chains. Our teams aim to reduce inventory in the fourth quarter.

Cash and cash equivalents increased during the quarter by MSEK 28 to MSEK 659, and with no external bank debt we are confident Concentric has sufficient cash to meet our operational needs and strategically prepared for the economic recovery.

Extraordinary General Meeting – Dividend Proposal

The Board of Directors of Concentric AB have continued to assess both the visibility of the market and the liquidity of the business throughout the crisis caused by the Covid-19 global pandemic. The Board now believes the economic conditions have improved sufficiently to convene an extraordinary general meeting on 9 December 2020 to propose a resolution on an ordinary share dividend distribution of SEK 3.25 per share for the financial year 2019, equal to a total dividend of MSEK 123.

Outlook

The overall published market indices blended to Concentric's mix of end market applications and locations suggest the market for the full year will be down -23% and indicate there will be some recovery during the fourth quarter of 2020.

Demand for our engine products has improved throughout the third quarter and we expect this to continue during the fourth. We also

expect demand for hydraulic products will now start to improve during the coming quarter in both the North American & European markets. The level of orders received in the third quarter indicate that sales in the fourth quarter 2020 will be slightly higher, after a seasonal adjustment for more working days.

The financial position of Concentric remains strong, both capital structure and liquidity, and Concentric remains committed to meeting our customers' requirements.

» Market conditions remain challenging but order intake improved steadily through the quarter. «



Developing products for our tomorrow

5 May 2020

Concentric AB partners with ZF to develop new electric oil pump suitable for 12V supply

Following on from the successful nomination announced in November 2017 for the 24V electric oil pump with ZF, Concentric AB has extended its partnership with this global leader in driveline and chassis technology to develop a new electric oil pump suitable also for 12V supply. As with the 24V electric oil pump, the 12V version has the following key benefits:

- Wet rotor design eliminates the dynamic seal failure;
- Improved thermal management for longer high performance duty cycles, and
- Intelligently packaged, with low noise electric pump design.



15 May 2020

Concentric's patented dual cone clutch (DCC) selected for use in truck brake air compressors

Concentric AB has been awarded a contract to supply its new Dual Cone Clutch (DCC) to a Tier 1 brake air compressor manufacturer for use in on-highway applications with one of the world's leading OEM's of trucks, buses, construction equipment and industrial engines. Production will start in 2022, with projected total revenues through to the end of 2026 estimated to amount to SEK 60 million.

Significant benefits have been identified for long haul truck applications, where the DCC enables the brake air compressor to be switched off for more than 80% of the running time, reducing fuel consumption and more importantly, reducing CO₂ emissions. The clutch is integrated within the brake air compressor housing to minimise packaging space, reducing weight and also noise emissions.



26 May 2020

Concentric AB to work on projects for the US SuperTruck II initiative

Concentric AB is working with several major OEM's for the US SuperTruck II initiative. This is the second phase of the US Department of Energy (DoE) sponsored project to develop and demonstrate cost-effective advanced technologies that show a substantial increase in fuel efficiency of Class 8 trucks.

These diverse projects are all aimed towards improving fuel savings and reducing CO₂ emissions through more efficient fluid control, featuring various new pump technologies for heavy-duty applications in the US truck market, including:

- Two design variants of fully electric water pumps for main engine cooling,
- A mechanical oil pump design with electro-hydraulic pressure controlled re-circulation for main engine lubrication, and
- An auxiliary fully electric oil pump for piston cooling.



3 June 2020

Concentric AB continues the drive toward CO₂ neutrality by delivering critical solutions in electro-hydraulic steering (EHS) systems

After announcing last year Concentric AB had successfully won five electro-hydraulic steering systems contracts worth an estimated total of EUR 9 million (SEK 94 million), Concentric AB has been awarded a further new contract to supply another global OEM producer of electric trucks and buses with the second generation EHS system. The updated system continues to offer the same long life durability whilst increasing the levels of control and intelligence, providing greater value to our customers. This new contract for European municipal vehicles is estimated to be worth EUR 7 million (SEK 67 million) over the next five years.

As the world shifts toward CO₂ neutrality, especially in inner cities, the design of our EHS system continues to evolve at a similar pace. Our product and design engineers are working closely with our key customers to meet and exceed all required critical safety standards. In EHS applications, Concentric AB has developed a robust and reliable system that can also reduce energy consumption by as much as 50% over conventional solutions.



Third quarter figures

Key figures ¹⁾

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Operating margin, %	17.5	19.8	-2.3	15.3	21.4	-6.1	19.7	23.5
ROCE, %	27.6	44.2	-16.6	27.6	44.2	-16.6	27.6	42.5
Return on equity, %	16.2	34.4	-18.2	16.2	34.4	-18.2	16.2	29.5
Basic EPS before items affecting comparability, SEK	1.06	1.67	-0.61	3.51	6.49	-2.98	5.38	8.37
Basic EPS, SEK	1.06	1.67	-0.61	3.11	6.49	-3.38	4.98	8.37
Diluted EPS, SEK	1.06	1.67	-0.61	3.10	6.41	-3.31	4.98	8.27

¹⁾ For additional information see pages 29–30 and 33.

Sales

Sales for the third quarter were down year-on-year by -30%. After adjusting for the impact of currency (-6%), sales in constant currency were down -24%. As a result, sales for the first nine months were down year-on-year by -29% after adjusting for the impact of currency (-1%). This reduction reflects the impact of COVID-19 across our Group. Europe & ROW has started to recover from COVID-19 compared to Q2 with sales down year-on-year by -19% after adjusting for the impact of currency (-3%). North American engines demand remains weak in the quarter and the demand for hydraulics products has reduced, particularly in the important sectors of construction and industrial applications. As a result Americas sales were down year-on-year -23% after adjusting for the impact of currency (-9%).

Operating income

Despite the -30% decline in sales, Concentric Business Excellence continues to manage the cost base, achieving an operating income before items affecting comparability of MSEK 57 (91), a profit drop-out of 24%. Operating income margin before items affecting comparability for the third quarter and the first nine months was 17.5% (19.8) and 17.1% (21.4) respectively.

Net financial items

Net financial expenses in the third quarter comprised of pension financial expenses of MSEK 4 (4) and other net interest expense of MSEK 1 (nil). Accordingly, net financial expenses in the first nine months comprised of pension financial expenses of MSEK 11 (11) and other net interest expenses of MSEK 1 (income 4).

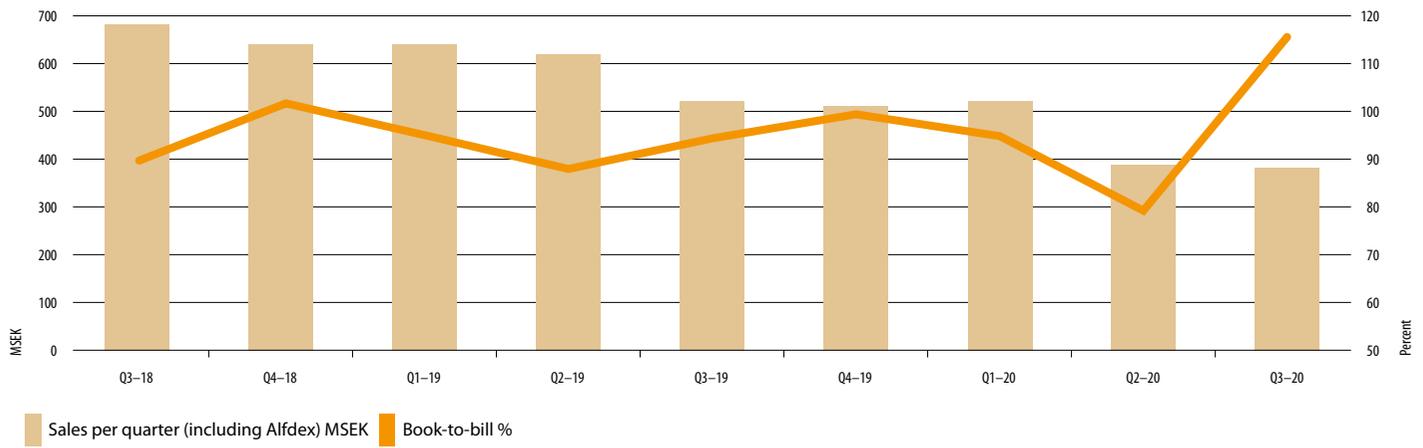
Taxes

The underlying effective tax rate for the third quarter and the first nine months was 19% (23) and 23% (23) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions and Alfdex's operating income forming a greater portion of the total.

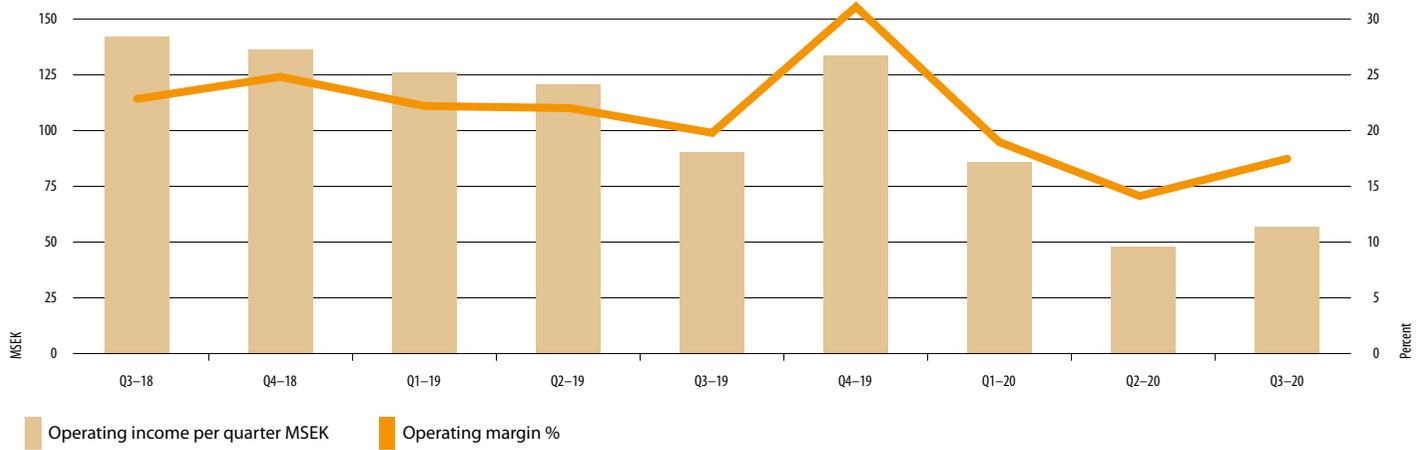
Earnings per share

The basic earnings per share for the first nine months was SEK 3.11 (6.49), down SEK 3.38 per share. The diluted earnings per share for the first nine months was SEK 3.10 (6.41), down SEK 3.31 per share.

Sales and book-to-bill



Underlying operating income and margins



Earnings per share and return on equity



Net sales and operating income by region

Americas

<i>Amounts in MSEK</i>	Jul-Sept			Jan-Sept			Oct-Sept	Jan-Dec
	2020	2019	Change	2020	2019	Change	2019/20	2019
External net sales	138	203	-32%	498	684	-27%	677	863
Operating income before items affecting comparability	18	28	-36%	59	103	-43%	117	161
Operating income	18	28	-36%	58	103	-44%	116	161
Operating margin before items affecting comparability, %	13.3	14.1	-0.8	11.8	15.1	-3.3	17.2	18.7
Operating margin, %	13.3	14.1	-0.8	11.6	15.1	-3.5	17.1	18.7
ROCE, %	35.4	58.1	-22.7	35.4	58.1	-22.7	35.4	49.9

Sales for the third quarter were down year-on-year by -32%, after adjusting for the impact of currency (-9%), the sales were down -23% in constant currency. As a result, sales for the first nine months were down -27%, adjusting for the impact currency (-2%) sales were down -25%. Sales were down across all end-market applications as a result of COVID-19, with the key markets construction equipment and industrial application down by -23% and -10% respectively in constant currency.

The operating margin before items affecting comparability in the third

quarter was 13.3% (14.1) and 11.8% (15.1) for the first nine months. The operating margin remains strong as a result of the Concentric Business Excellence program to adapt to lower demand. This has resulted in operating income before items affecting comparability of MSEK 18 (28) in the quarter.

Government support of MSEK 10, received from the Paycheck Protection Program does not impact operating income in the quarter. Forgiveness for the loans received in Q2 will now be sought in Q4.

Europe & RoW

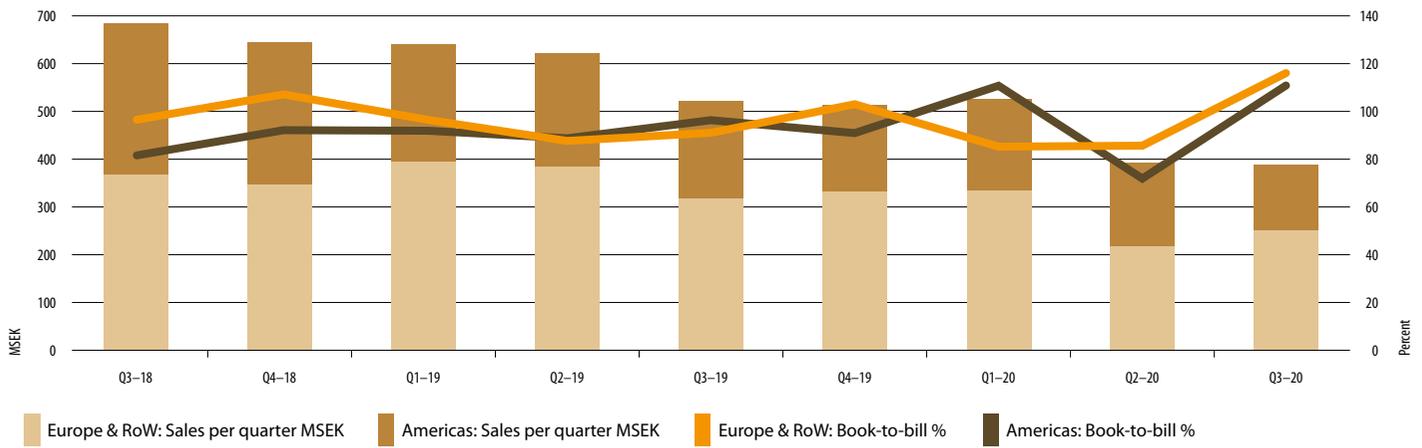
<i>Amounts in MSEK</i>	Jul-Sept			Jan-Sept			Oct-Sept	Jan-Dec
	2020	2019	Change	2020	2019	Change	2019/20	2019
External net sales	251	320	-22%	807	1,098	-27%	1,141	1,432
Operating income before items affecting comparability	42	63	-33%	140	237	-41%	220	317
Operating income	42	63	-33%	121	237	-49%	201	317
Operating margin before items affecting comparability, %	16.6	19.7	-3.1	17.3	21.6	-4.3	19.3	22.2
Operating margin, %	16.6	19.7	-3.1	15.0	21.6	-6.6	17.6	22.2
ROCE, %	25.9	37.9	-12.0	25.9	37.9	-12.0	25.9	40.6

Sales for the third quarter were down year-on-year by -22%, after adjusting for the impact of currency (-3%), the sales were down -19% in constant currency. Sales for the first nine months were down year-on-year by -27%, after adjusting for the impact of currency (-1%), the sales were down -26%. The European truck sector has shown quarter-on-quarter recovery as too have off highway sectors, agricultural machinery and construction equipment. The Indian market is improv-

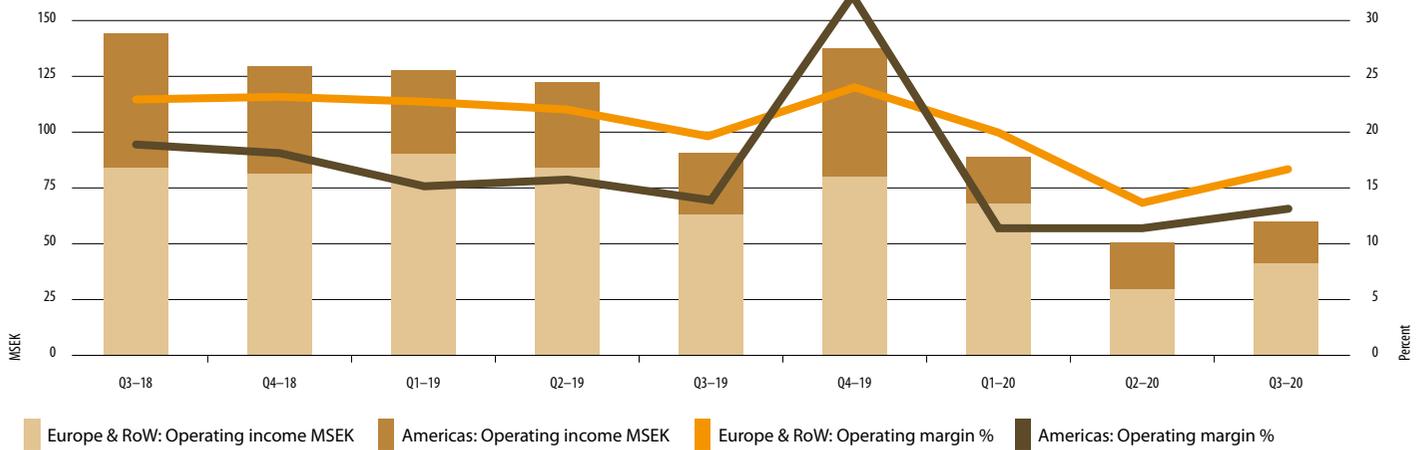
ing but remains challenging.

The operating margin before items affecting comparability in the third quarter was 16.6% (19.7) and 17.3% (21.6) for the first nine months. As in Americas, through the Concentric Business Excellence program the business quickly adapted to changes in demand, protecting operating margins and achieving operating income before items affecting comparability of MSEK 42 (63).

Sales and book-to-bill



Underlying operating income and margins



Market development

Concentric's customers have reduced demand as a result of the COVID-19 pandemic.

Americas end-markets

North America

- Sales into all of our four North America end-markets were down year-on-year in the third quarter, most notably the medium and heavy-duty truck sector as the market remains difficult.
- There is some year-on-year improvement in off highway sectors for engines products, however, hydraulic products demand has declined in industrial applications and construction equipment. Historically, demand for hydraulic products has tended to lag engines products by around a quarter.
- Overall, year to date, our sales are down in line with the market indices across our mix of end sectors.

South America

- Sales into our South American end markets all grew year-on-year in constant currency, this is inline with the market indices.

Europe & RoW end-markets

Europe

- Sales in Europe picked up in the quarter with growth in the key medium and heavy-duty truck sector.
- Construction equipment and industrial applications both saw some recovery following loosening of lockdown restrictions across most of Europe in the quarter.
- As with the North American market, demand for hydraulics products diminished due to the three months lag experienced between engine and hydraulic products.

Rest of the World

- Rest of World sales overall declined as our Indian market remains heavily impacted by the COVID-19 pandemic. Our factory is now open and supplying both the key truck and construction equipment end markets but with reduced demand.
- Sales in China experienced strong demand following the large impact in Q1 from COVID-19. That demand eased in Q3 as customers returned to normal levels of supply and stock holdings.

Consolidated sales development

	Q3-20 vs. Q3-19			YTD-20 vs. YTD-19			FY-20 vs. FY-19		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average ¹⁾	-7%	-8%	-7%	-25%	-37%	-32%	-20%	-25%	-23%
Actual – constant currency ²⁾	-23%	-19%	-24%	-25%	-26%	-28%			

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

²⁾ Based on actual sales in constant currency, including Alfdex.

Overall, market indices suggest production rates, blended to the Group's end-markets and regions, were down -7% year-on-year for the third quarter and -32% for the first nine months of the year. Concentric sales are down -28% year to date, broadly in line with market indices.

The market indices generally show a very sharp retrenchment in Q2 and a strong recovery in Q3. Our sales did not drop as sharply in Q2 as the market indices suggested but similarly did not recover as strongly either, leading to a number of timing differences between the two quarters.

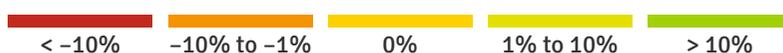
The published forecast for full year market indices show a year-on-year decline of -23%, indicating a continued recovery in Q4. This is in line with the full year indices published last quarter. However, we continue to note that the pandemic increases market uncertainty and the fourth quarter remains uncertain.

As noted in previous interim reports, movements in the market indices tend to lag the Group's order intake experience by 3-6 months.

Published market indices

	Q3-20 vs Q3-19					YTD-20 vs YTD-19					FY-20 vs FY-19				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 Agriculture Diesel engines	25%	26%	-20%	19%	30%	-27%	-22%	-50%	-22%	-14%	-6%	-2%	-37%	-2%	9%
 Construction Diesel engines	22%	20%	-2%	-30%	16%	-28%	-26%	-39%	-54%	-23%	-8%	-7%	-24%	-42%	-3%
Hydraulic equipment	-34%	n/a	-25%	n/a	n/a	-36%	n/a	-25%	n/a	n/a	-37%	n/a	-23%	n/a	n/a
 Trucks Light vehicles	10%	n/a	n/a	n/a	n/a	-35%	n/a	n/a	n/a	n/a	-17%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	-21%	-6%	-3%	-55%	36%	-54%	-42%	-38%	-71%	-10%	-41%	-27%	-27%	-63%	14%
 Industrial Other off-highway	18%	10%	-6%	-4%	24%	-31%	-32%	-41%	-37%	-18%	-12%	-14%	-27%	-21%	4%
Hydraulic lift trucks	-24%	n/a	-25%	n/a	n/a	-12%	n/a	-20%	n/a	n/a	-19%	n/a	-21%	n/a	n/a

The market indices summarised in the table above reflect the Q3 2020 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



Current resources

Operational cash flow

The reported cash inflow from operating activities for the third quarter amounted to MSEK 51 (98), which represents SEK 1.36 (2.53) per share. This takes the cash inflow from operating activities for the first nine months to MSEK 219 (328), which represents SEK 5.81 (8.50) per share.

Working capital

Total working capital at 30 September was MSEK –31 (–19), which represented –2.0% (–0.9) of annual sales. Working capital decreased compared to 31 December 2019 as working capital unwound due to the lower sales.

Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 2 (5) for the third quarter and MSEK 6 (15) for the first nine months.

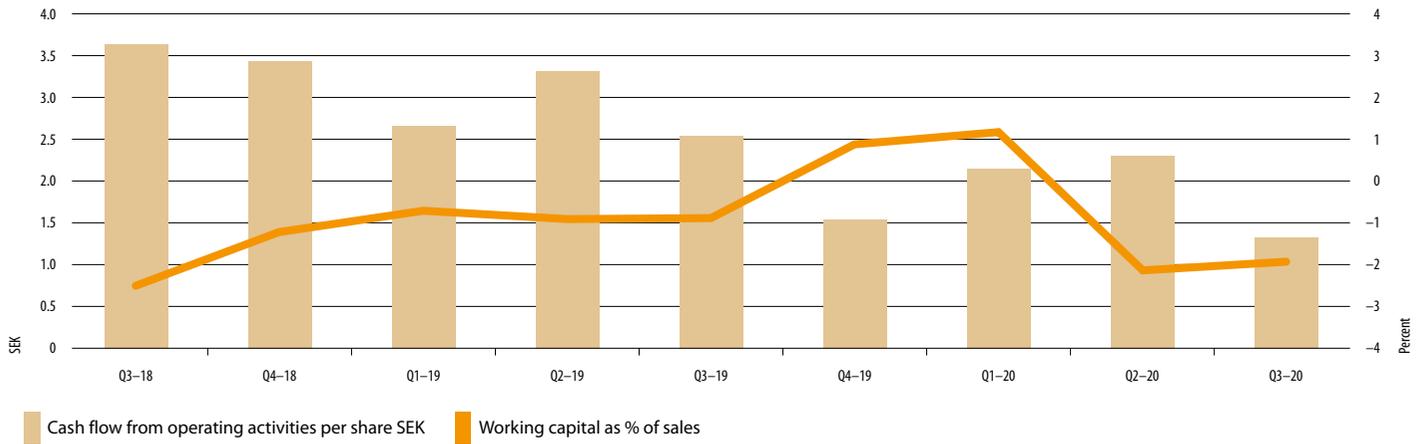
Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, as last year, there were no remeasurement gains or losses recognised in net pension liabilities during the first nine months 2020.

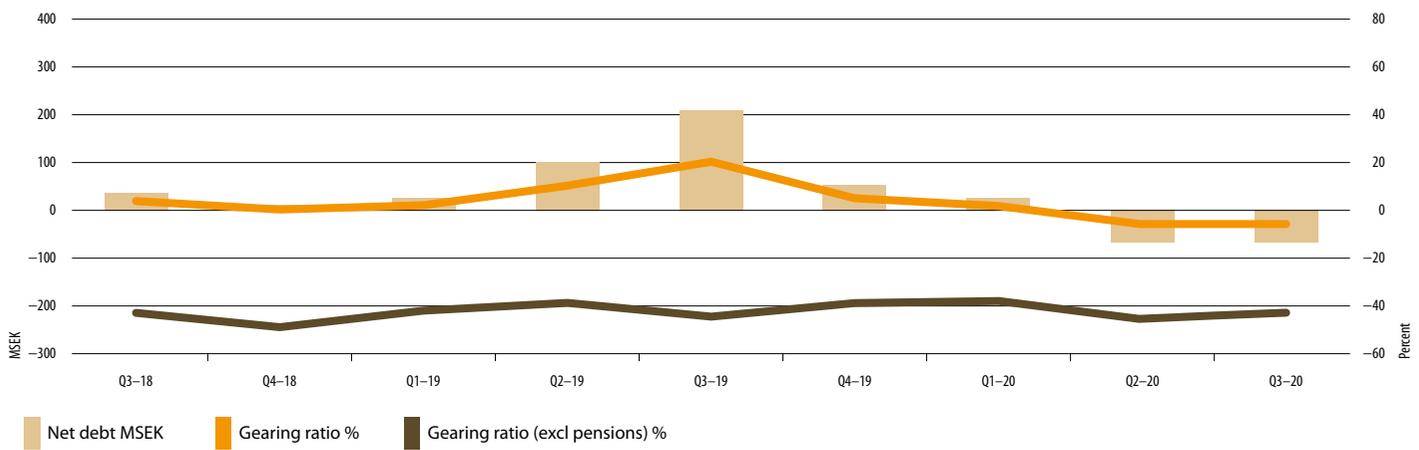
Overall, the Group's net debt at 30 September decreased to MSEK –69 (207), comprising bank loans of MSEK 10 (175), loans related to leasing MSEK 130 (94) and net pension liabilities of MSEK 450 (658), net of cash amounting to MSEK 659 (720). Shareholders' equity amounted to MSEK 1,214 (1,031), resulting in a gearing ratio of –6% (20) at the end of the first nine months.



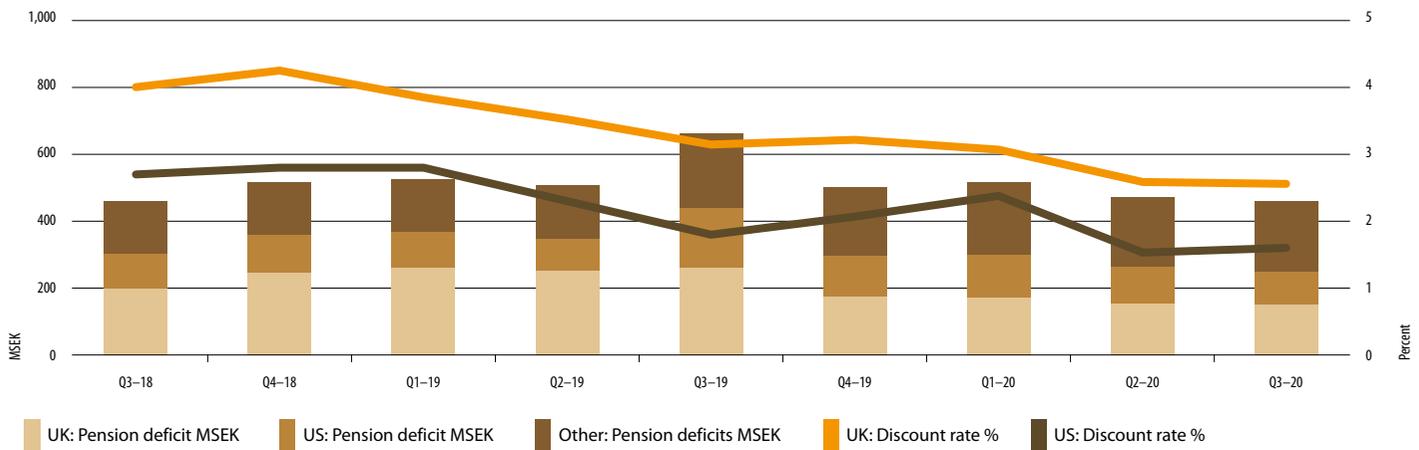
Cash flow from operating activities and working capital



Net debt and gearing



Net pension liabilities



General information

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

Consolidated income statement

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	324	463	1,122	1,582	1,552	2,012
Cost of goods sold	-224	-322	-787	-1,084	-1,088	-1,385
Gross income	100	141	335	498	464	627
Selling expenses	-11	-15	-38	-50	-12	-24
Administrative expenses	-36	-34	-101	-111	-130	-140
Product development expenses	-7	-11	-27	-37	-36	-46
Share of net income in joint venture	11	-1	20	7	33	20
Other operating income and expenses	-	11	-17	31	-13	35
Operating income	57	91	172	338	306	472
Financial income and expenses	-7	-8	-19	-15	-23	-19
Earnings before tax	50	83	153	323	283	453
Taxes	-10	-19	-36	-73	-95	-132
Net income for the period	40	64	117	250	188	321
Parent company shareholders	40	64	117	250	188	321
Non-controlling interest	-	-	-	-	-	-
Basic earnings per share before items affecting comparability, SEK	1.06	1.67	3.51	6.49	5.38	8.37
Basic earnings per share, SEK	1.06	1.67	3.11	6.49	4.98	8.37
Diluted earnings per share, SEK	1.06	1.67	3.10	6.41	4.98	8.27
Basic average number of shares (000)	37,792	38,334	37,777	38,531	37,806	38,369
Diluted average number of shares (000)	37,846	38,349	37,796	39,011	37,825	38,849

Consolidated statement of comprehensive income

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net income for the period	40	64	117	250	188	321
Other comprehensive income						
<i>Items that will not be reclassified to the income statement</i>						
Remeasurement gains of net pension liabilities	-	-	-	-	75	75
Tax on remeasurement gains of net pension liabilities	-	-	-	-	-13	-13
Remeasurement losses of net pension liabilities	-	-137	-	-137	-76	-76
Tax on remeasurement losses of net pension liabilities	-	35	-	35	20	20
<i>Items that may be reclassified subsequently to the income statement</i>						
Exchange rate differences related to liabilities to foreign operations	17	-68	20	-149	64	-105
Tax arising from exchange rate differences related to liabilities to foreign operations	-3	17	-4	29	-17	16
Cash-flow hedging	1	-1	-1	-	-2	-1
Tax arising from cash-flow hedging	-	-	-	-	-	-
Foreign currency translation differences	-31	104	-67	225	-135	157
Total other comprehensive income	-16	-50	-52	3	18	73
Total comprehensive income	24	14	65	253	206	394

Consolidated balance sheet

	30 Sept 2020	30 Sept 2019	31 Dec 2019
Goodwill	627	665	656
Other intangible fixed assets	126	174	162
Right of use fixed assets	124	93	84
Other tangible fixed assets	81	104	98
Share of net assets in joint venture	74	44	55
Deferred tax assets	134	198	137
Long-term receivables, joint ventures	25	–	–
Other long-term receivables	4	6	6
Total fixed assets	1,195	1,284	1,198
Inventories	136	161	147
Current receivables	230	296	243
Cash and cash equivalents	659	720	531
Total current assets	1,025	1,177	921
Total assets	2,220	2,461	2,119
Total Shareholders' equity	1,214	1,031	1,136
Pensions and similar obligations	450	658	499
Deferred tax liabilities	16	21	20
Long-term liabilities for right of use fixed assets	114	71	62
Other long-term interest-bearing liabilities	–	–	–
Other long-term liabilities	3	6	5
Total long-term liabilities	583	756	586
Short-term liabilities for right of use fixed assets	16	23	23
Other short-term interest-bearing liabilities	10	175	1
Other current liabilities	397	476	373
Total current liabilities	423	674	397
Total equity and liabilities	2,220	2,461	2,119

Financial derivatives

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

derivative instruments that were assets was MSEK 0 (4), and the fair value of derivative instruments that were liabilities was MSEK 1 (1). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity

	30 Sept 2020	30 Sept 2019	31 Dec 2019
Opening balance	1,136	1,026	1,026
Net income for the period	117	250	321
Other comprehensive income	-52	3	73
Total comprehensive income	65	253	394
Dividend	-	-164	-164
Own share buy-backs	-	-100	-136
Sale of own shares to satisfy LTI – options exercised	11	14	13
Long-term incentive plan	2	2	3
Closing balance	1,214	1,031	1,136

Consolidated cash flow statement, in summary

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Earnings before tax	53	83	156	323	286	453
Reversal of depreciation, amortisation and write-down of fixed assets	22	24	65	74	90	99
Reversal of net income from joint venture	-11	1	-20	-7	-33	-20
Reversal of other non-cash items	3	14	37	24	36	23
Taxes paid	-15	-16	-35	-64	-106	-135
Cash flow from operating activities before changes in working capital	52	106	203	350	273	420
Change in working capital	-1	-8	16	-22	4	-34
Cash flow from operating activities	51	98	219	328	277	386
Investments in property, plant and equipment	-2	-5	-6	-15	-10	-19
New loans paid to joint venture	-	-	-40	-	-40	-
Loans repayment from joint venture	-	-	15	-	15	-
Other repayment of long-term receivables	-	-	3	-	3	-
Net cash flow from long term receivables	-	-	-22	-	-22	-
Cash flow from investing activities	-2	-5	-28	-15	-32	-19
Dividend	-	-	-	-164	-	-164
Dividend received from joint venture	-	-	-	2	-	2
Buy-back of own shares	-	-50	-	-100	-36	-136
Selling of own shares to satisfy LTI – options exercised	8	-	11	14	10	13
New loans	-	-	10	-	11	1
Repayment of loans	-7	-8	-16	-23	-200	-207
Pension payments and other cash flows from financing activities	-16	-11	-50	-46	-43	-39
Cash flow from financing activities	-15	-69	-45	-317	-258	-530
Cash flow for the period	34	24	146	-4	-13	-163
Cash and bank assets, opening balance	631	677	531	683	720	683
Exchange-rate difference in cash and bank assets	-6	19	-18	41	-48	11
Cash and bank assets, closing balance	659	720	659	720	659	531

Group notes

Data per share

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Basic earnings per share before items affecting comparability, SEK	1.06	1.67	3.51	6.49	5.38	8.37
Basic earnings per share, SEK	1.06	1.67	3.11	6.49	4.98	8.37
Diluted earnings per share, SEK	1.06	1.67	3.10	6.41	4.98	8.27
Equity per share, SEK	32.12	27.12	32.12	27.12	32.12	30.09
Cash-flow from current operations per share, SEK	1.36	2.53	5.81	8.50	7.34	10.05
Basic weighted average no. of shares (000's)	37,792	38,334	37,777	38,531	37,806	38,369
Diluted weighted average no. of shares (000's)	37,846	38,349	37,796	39,011	37,825	38,849
Number of shares at period-end (000's)	37,792	38,027	37,792	38,027	37,792	37,767

Key figures ¹⁾

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Sales growth, %	-30	-26	-29	-13	n/a	-17
Sales growth, constant currency, % ²⁾	-24	-28	-28	-17	n/a	-20
EBITDA margin before items affecting comparability, %	24.3	24.9	22.9	26.0	26.5	28.4
EBITDA margin, %	24.3	24.7	21.2	26.0	25.6	28.4
Operating margin before items affecting comparability, %	17.5	19.8	17.1	21.4	21.0	23.5
Operating margin, %	17.5	19.8	15.3	21.4	19.7	23.5
Capital Employed, MSEK	1,064	1,139	1,064	1,139	1,064	1,126
ROCE before items affecting comparability, %	29.4	43.8	29.4	43.8	29.4	42.5
ROCE, %	27.6	44.2	27.6	44.2	27.6	42.5
ROE, %	16.2	34.4	16.2	34.4	16.2	29.5
Working Capital, MSEK	-31	-19	-31	-19	-31	18
Working capital as a % of annual sales	-2.0	-0.9	-2.0	-0.9	-2.0	0.9
Net Debt, MSEK ²⁾	-69	207	-69	207	-69	54
Gearing ratio, %	-6	20	-6	20	-6	5
Net investments in PPE	2	5	6	15	10	19
R&D, %	2.3	2.3	2.4	2.3	2.3	2.3
Number of employees, average	610	808	637	864	672	844

¹⁾ For additional information see pages 29–30 and 33.

²⁾ For additional information see page 14.

Consolidated income statement in summary – by type of cost

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	324	463	1,122	1,582	1,552	2,012
Direct material costs	-152	-216	-532	-746	-734	-948
Personnel costs	-76	-108	-268	-350	-373	-455
Depreciation, amortisation and write-down of fixed assets	-22	-24	-65	-74	-90	-99
Share of net income in joint venture	11	-1	20	7	33	20
Other operating income and expenses	-28	-23	-105	-81	-82	-58
Operating income	57	91	172	338	306	472
Financial income and expense	-7	-8	-19	-15	-23	-19
Earnings before tax	50	83	153	323	283	453
Taxes	-10	-19	-36	-73	-95	-132
Net income for the period	40	64	117	250	188	321

Other operating income and expenses (refers to Income Statement on page 14)

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Tooling income	-	3	2	7	5	10
Royalty income from joint venture	7	15	25	45	38	58
Amortisation of acquisition related surplus values	-9	-10	-29	-29	-39	-39
Restructuring cost	-	-	-20	-	-20	-
Other	2	3	5	8	3	6
Other operating income and expenses	-	11	-17	31	-13	35

Segment reporting

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

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

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

Third quarter

	Jul-Sept							
	Americas		Europe & RoW		Elims-Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	140	207	264	340	-80	-84	324	463
External net sales	138	203	251	320	-65	-60	324	463
Operating income before items affecting comparability	18	28	42	63	-3	-	57	91
Operating income	18	28	42	63	-3	-	57	91
Operating margin before items affecting comparability, %	13.3	14.1	16.6	19.7	n/a	n/a	17.5	19.8
Operating margin, %	13.3	14.1	16.6	19.7	n/a	n/a	17.5	19.8
Financial income and expense	-	-	-	-	-7	-8	-7	-8
Earnings before tax	18	28	42	63	-10	-8	50	83
Assets	470	587	1,248	1,446	502	428	2,220	2,461
Liabilities	227	349	764	868	15	213	1,006	1,430
Capital employed	292	332	753	809	19	-2	1,064	1,139
ROCE before items affecting comparability, %	35.7	48.5	28.4	41.1	n/a	n/a	29.4	43.8
ROCE, %	35.4	58.1	25.9	37.9	n/a	n/a	27.6	44.2
Net investments in PPE	-	3	50	5	-48	-3	2	5
Depreciation and amortisation	6	7	18	18	-2	-1	22	24
Number of employees, average	226	286	457	594	-73	-72	610	808

First nine months

	Jan-Sept							
	Americas		Europe & RoW		Elims-Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	506	699	842	1,155	-226	-272	1,122	1,582
External net sales	498	684	807	1,098	-183	-200	1,122	1,582
Operating income before items affecting comparability	59	103	140	237	-7	-2	192	338
Operating income	58	103	121	237	-7	-2	172	338
Operating margin before items affecting comparability, %	11.8	15.1	17.3	21.6	n/a	n/a	17.1	21.4
Operating margin, %	11.6	15.1	15.0	21.6	n/a	n/a	15.3	21.4
Financial income and expense	-	-	-	-	-19	-15	-19	-15
Earnings before tax	58	103	121	237	-26	-17	153	323
Assets	470	587	1,248	1,446	502	428	2,220	2,461
Liabilities	227	349	764	868	15	213	1,006	1,430
Capital employed	292	332	753	809	19	-2	1,064	1,139
ROCE before items affecting comparability, %	35.7	48.5	28.4	41.1	n/a	n/a	29.4	43.8
ROCE, %	35.4	58.1	25.9	37.9	n/a	n/a	27.6	44.2
Net investments in PPE	1	6	68	40	-63	-31	6	15
Depreciation and amortisation	20	21	51	56	-6	-3	65	74
Number of employees, average	238	306	472	630	-73	-72	637	864

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 59 (61) for the Group, with an average of 61 (61) working days for the Americas region and 58 (61) working days for the Europe & RoW region.

The weighted average number of working days in the first nine months was 173 (184) for the Group, with an average of 178 (186) working days for the Americas region and 170 (182) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Jul-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	129	173	8	14	-8	-14	129	173
Rest of North America	3	5	1	2	-1	-	3	7
South America	7	9	-	-	-	-	7	9
Germany	-2	2	78	107	-17	-19	59	90
UK	-	4	25	37	-	-	25	41
Sweden	-	-	33	35	-14	-15	19	20
Rest of Europe	1	2	61	88	-8	-9	54	81
Asia	-1	6	43	37	-17	-3	25	40
Other	1	2	2	-	-	-	3	2
Total Group	138	203	251	320	-65	-60	324	463

	Jan-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	447	585	27	33	-25	-31	449	587
Rest of North America	16	24	5	8	-	-	21	32
South America	18	25	1	1	-	-	19	26
Germany	1	7	240	343	-42	-56	199	294
UK	2	11	74	108	-	-	76	119
Sweden	-	-	94	129	-34	-59	60	70
Rest of Europe	4	6	215	332	-25	-36	194	302
Asia	7	24	144	141	-52	-18	99	147
Other	3	2	7	3	-5	-	5	5
Total Group	498	684	807	1,098	-183	-200	1,122	1,582

Total sales by product groups

	Jul-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded engine products	53	78	80	119	–	–	133	197
LICOS branded engine products	–	–	40	59	–	–	40	59
Alfdex branded engine products	–	–	65	60	–65	–60	–	–
Total engine products	53	78	185	238	–65	–60	173	256
Total hydraulics products	85	125	66	82	–	–	151	207
Total Group	138	203	251	320	–65	–60	324	463

	Jan-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded engine products	175	270	260	439	–	–	435	709
LICOS branded engine products	–	–	118	176	–	–	118	176
Alfdex branded engine products	–	–	183	200	–183	–200	–	–
Total engine products	175	270	561	815	–183	–200	553	885
Total hydraulics products	323	414	246	283	–	–	569	697
Total Group	498	684	807	1,098	–183	–200	1,122	1,582

Total sales by end-markets

	Jul-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	8	28	150	189	–62	–53	96	164
Construction	44	63	45	55	–	–	89	118
Industrial	66	82	36	52	–	–3	102	131
Agriculture	20	30	20	24	–3	–4	37	50
Total Group	138	203	251	320	–65	–60	324	463

	Jan-Sept							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	37	102	466	675	–173	–194	330	583
Construction	157	211	147	186	–	–	304	397
Industrial	234	266	131	159	–	–	365	425
Agriculture	70	105	63	78	–10	–6	123	177
Total Group	498	684	807	1,098	–183	–200	1,122	1,582



Business risks, accounting principles and other information

Related-party transactions

The Parent Company is a related party to its subsidiaries and joint venture. Transactions with subsidiaries and joint venture occur on commercial market terms. No transactions have been carried out between Concentric AB and its subsidiary undertakings and any other related parties that had a material impact on either the company's or the group's financial position and results.

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2019 Annual Report on pages 6–9 and pages 14–33.

Significant risks and uncertainties

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

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

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2019 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2020. Please refer to the Risk and Risk Management section on pages 67–70 of the 2019 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 2019 Annual Report.

Government grants received related to specific expense items are netted off against the expense item to which the grant pertains, so long as all conditions for the grant have been met and the Group has reasonable assurances the grant will be received. Grants received for expenses that have already been incurred will be recognised once these conditions have been met. Grants that do not pertain to specific expenses are recognised as other operating income. Government grants connected to the acquisition of fixed assets reduce the acquisition value of the particular assets. This means that the asset has been recognised at a net acquisition value, on which the size of depreciation has been based.

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

New standards, amendments and interpretations to existing standards that have been endorsed by the EU and adopted by the Group

None of the IFRS and IFRIC interpretations endorsed by the EU are considered to have a material impact on the group.

Parent Company

Net sales and operating income

Net sales for the first nine months reflected the royalty income received from the joint venture, Alfdex AB.

Net financial items

Exchange rate gains on foreign liabilities to subsidiaries was MSEK 3 (–58) for the first nine months, an increase with MSEK 61.

Last year the shares and receivables in our subsidiary in Argentina, was impaired with MSEK 35.

Dividend

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's earnings and strong financial position, the Board of Directors intend to propose to the shareholders at the forthcoming Extraordinary General Meeting a total dividend of SEK 3.25 (4.25) per share in respect of the 2019 financial year, comprising of ordinary dividend of SEK 3.25 (3.00) and special dividend of SEK 0.00 (1.25).

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2020 was 1,156,667 (1,210,516) and shares transferred in 2017–2019 to an Employee Share Ownership Trust ("ESOT") was 300,700 (188,020). Including these shares the company's holdings was 1,457,367 (1,398,536) and the total number of shares in issue was 39,224,100 (40,031,100).

On 23 April 2020, the AGM resolved to retire 926,500 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital.

The annual general meeting also resolved to transfer up to 138,600 shares to an Employee Share Ownership Trust ("ESOT") as a part of a Joint Share Ownership Plan ("JSOP") under LTI 2020. In accordance with the annual general meeting's resolution and the terms of LTI 2020, the board of Concentric has executed the transfer in regards to 93,712 shares. The ESOT has also transferred 89,600 own shares to Concentric.

The company has not repurchased any own shares during 2020, but have sold 102,800 (169,400) of own shares, to exercise and satisfy LTI-programme.

The total number of holdings of own shares at 30 September 2020 was 123,255 (896,312) and the total number of shares in issue was 38,297,600 (39,224,100). Consequently the company's total holdings of own shares now represent 0.3% (2.3) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 304,812 (300,700). Including these shares the company's holdings was 428,067 (1,197,012) representing 1.1% (3.1) of the total number of shares.

Parent Company's income statement

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	7	16	27	48	41	62
Operating costs	–3	–5	–13	–15	–18	–20
Operating income	4	11	14	33	23	42
Income from shares in subsidiaries	–	608	1	573	140	712
Income from shares in joint venture	–	–	–	2	–	2
Net foreign exchange rate differences	17	–79	20	–137	81	–76
Other financial income and expense	–2	–3	–7	–12	–12	–17
Earnings before tax	19	537	28	459	232	663
Taxes	–4	14	–6	21	–20	7
Net income for the period ¹⁾	15	551	22	480	212	670

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

Parent Company's balance sheet

	30 Sept 2020	30 Sept 2019	31 Dec 2019
Shares in subsidiaries	3,149	3,149	3,149
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1	1	1
Long-term loans receivable from joint ventures	25	–	–
Deferred tax assets	16	37	22
Total financial fixed assets	3,201	3,197	3,182
Other current receivables	4	5	4
Short-term receivables from subsidiaries	96	20	17
Short-term loans receivable from joint ventures	–	–	3
Cash and cash equivalents	544	429	405
Total current assets	644	454	429
Total assets	3,845	3,651	3,611
Total shareholders' equity	1,860	1,674	1,827
Pensions and similar obligations	18	18	18
Long-term loans payable to subsidiaries	889	942	1,063
Total long-term liabilities	907	960	1,081
Short-term loans payable to subsidiaries	1,071	831	697
Short-term interest-bearing liabilities	–	175	–
Other current liabilities	7	11	6
Total current liabilities	1,078	1,017	703
Total equity and liabilities	3,845	3,651	3,611

Parent Company's changes in shareholders' equity

	30 Sept 2020	30 Sept 2019	31 Dec 2019
Opening balance	1,827	1,444	1,444
Net income for the period	22	480	670
Dividend	–	–164	–164
Sale of own shares to satisfy LTI options exercised	11	14	13
Buy-back of own shares	–	–100	–136
Closing balance	1,860	1,674	1,827

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 4 November, 2020.

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 for 2020

Extraordinary General Meeting 2020	9 December, 2020
Interim Report January – December 2020	9 February, 2021
Annual Report January – December 2020	31 March, 2021
Annual General Meeting 2021	22 April, 2021

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Corporate Registration Number 556828-4995

Stockholm 4 November, 2020

David Woolley
 President and CEO

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

Alternative Performance Measures reconciliation

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
EBIT or operating income before items affecting comparability						
EBIT or operating income	57	91	172	338	306	472
Items affecting comparability:						
Restructuring costs	-	-	20	-	20	-
Operating income before items affecting comparability	57	91	192	338	326	472
Net Sales	324	463	1,122	1,582	1,552	2,012
Operating margin (%)	17.5	19.8	15.3	21.4	19.7	23.5
Operating margin before items affecting comparability (%)	17.5	19.8	17.1	21.4	21.0	23.5

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
EBITDA or operating income before amortisation and depreciation, before items affecting comparability						
EBIT or operating income	57	91	172	338	306	472
Operating amortisation/depreciation	13	13	36	45	51	60
Amortisation of purchase price allocation	9	10	29	29	39	39
EBITDA or operating income before amortisation and depreciation	79	114	237	412	396	571
Restructuring costs	-	-	20	-	20	-
EBITDA or operating income before amortisation and depreciation, before items affecting comparability	79	114	257	412	416	571
Net sales	324	463	1,122	1,582	1,552	2,012
EBITDA margin (%)	24.3	24.9	21.2	26.0	25.6	28.4
EBITDA margin, before items affecting comparability (%)	24.3	24.9	22.9	26.0	26.5	28.4

	Jul-Sept		Jan-Sept		Oct-Sept	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net income before items affecting comparability						
Net income	40	64	117	250	188	321
Items affecting comparability after tax	-	-	15	-	15	-
Net income before items affecting comparability	40	64	132	250	203	321
Basic average number of shares (000)	37,792	38,334	37,777	38,531	37,806	38,369
Basic earnings per share	1.06	1.67	3.11	6.49	4.98	8.37
Basic earnings per share before items affecting comparability	1.06	1.67	3.51	6.49	5.38	8.37

Net debt	30 Sept 2020	30 Sept 2019	31 Dec 2019
Pensions and similar obligations	450	658	499
Liabilities for right of use fixed assets	130	94	85
Long term interest bearing liabilities	-	-	-
Short term interest bearing liabilities	10	175	1
Total interest bearing liabilities	590	927	585
Cash and cash equivalents	-659	-720	-531
Total net debt	-69	207	54
Net debt, excluding pension obligations	-519	-451	-445

Capital employed	30 Sept 2020	30 Sept 2019	31 Dec 2019
Total assets	2,220	2,461	2,119
Interest bearing financial assets	-29	-6	-6
Cash and cash equivalents	-659	-720	-531
Tax assets	-162	-228	-171
Non interest bearing assets (excl taxes)	1,370	1,507	1,411
Non interest bearing liabilities (incl taxes)	-415	-500	-395
Tax liabilities	109	132	110
Non interest bearing liabilities (excl taxes)	-306	-368	-285
Total capital employed	1,064	1,139	1,126

Working capital	30 Sept 2020	30 Sept 2019	31 Dec 2019
Accounts receivable	167	222	181
Other current receivables	63	73	62
Inventory	136	161	147
Working capital assets	366	456	390
Accounts payable	-152	-184	-156
Other current payables	-245	-291	-216
Working capital liabilities	-397	-475	-372
Total working capital	-31	-19	18

Graph data summary

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018
Americas									
Sales, MSEK	138	172	189	179	203	237	244	296	315
Book-to-bill, %	112	72	111	91	97	89	92	92	82
Operating income before items affecting comparability, MSEK	18	20	21	58	28	38	37	48	60
Operating margin before items affecting comparability, %	13.3	11.2	11.3	32.3	14.1	15.8	15.3	18.0	18.8
Europe & RoW									
Sales (including Alfdex), MSEK	251	220	336	334	320	383	394	345	367
Book-to-bill, %	116	86	85	103	91	88	97	108	97
Operating income before items affecting comparability, MSEK	42	30	68	80	63	84	90	81	84
Operating margin before items affecting comparability, %	16.6	13.8	20.2	24.1	19.7	22.0	22.8	23.4	22.9
Alfdex eliminations									
Sales, MSEK	-64	-50	-69	-83	-60	-67	-73	-59	-60
Operating income before items affecting comparability, MSEK	-3	-2	-2	-4	1	-1	-1	7	-2
Group									
Sales (excluding Alfdex), MSEK	325	342	456	430	463	553	566	582	622
Book-to-bill, %	115	79	94	99	94	88	95	102	90
Operating income before items affecting comparability, MSEK	57	48	87	134	91	121	126	136	142
Operating margin before items affecting comparability, %	17.5	14.2	19.1	31.1	19.8	21.9	22.2	24.8	22.9
Basic earnings per share, SEK	1.06	0.44	1.60	1.87	1.67	2.39	2.43	2.95	2.74
Return on equity, %	16.2	18.7	25.4	29.5	34.4	39.0	39.5	41.6	40.3
Cash flow from operating activities per share, SEK	1.36	2.30	2.15	1.53	2.53	3.32	2.65	3.44	4.17
Working capital as % of annualised sales	-2.0	-2.2	1.2	0.9	-0.9	-0.9	-0.7	-1.2	-2.5
Net debt, MSEK	-69	-67	27	54	207	102	27	12	37
Gearing ratio, %	-6	-6	2	5	20	10	2	1	4
Gearing ratio (excl Pensions), %	-43	-45	-38	-39	-44	-38	-42	-49	-43

Glossary

Americas

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

APM

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

EHS

Electro Hydraulic Steering.

ESOT

Employee Share Ownership Trust.

Europe & RoW

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

JSOP

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

LTI

Long term incentive.

Net investments in fixed assets

Fixed asset additions net of fixed asset disposals and retirements.

OEMs

Original Equipment Manufacturers.

Off-highway

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

Order backlog

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

R&D expenditure

Research and development expenditure.

Tier 1, Tier 2-supplier

Different levels of sub suppliers, typical within the automotive industry

Definitions

Book-to-bill

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

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

Capital employed

Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities.

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

Drop-through 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.

“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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