



Interim report
Q4
2023

Q4 2023

Fourth quarter

● Net sales

MSEK 945 (1,033), reported sales were down 9% year-on-year with no major foreign exchange movements.

● Operating income

MSEK 105 (172), generating an operating margin of 11.1% (16.7). After adjusting for the cost associated with the cost reduction programme of MSEK 10, the operating margin before items affecting comparability was 12.1% (16.7).

● Net income for the period

MSEK 87 (111), basic EPS of SEK 2.31 (2.92).

● Cash flow from operating activities

Strong cash performance for the quarter, cash flow from operating activities was MSEK 227 (200).

Full year

● Net sales

MSEK 4,205 (4,056), reported sales were up 4% year-on-year. After adjusting for the impact of currency +5%, sales were down 1%.

● Operating income

Operating income was MSEK 595 (677), generating an operating margin of 14.2% (16.7). After adjusting for the cost associated with the cost reduction programme of MSEK 10 and the closure of Itasca of MSEK 12, the operating margin before items affecting comparability was 14.7% (16.5).

● Net income for the period

MSEK 417 (501), basic EPS of SEK 11.00 (13.20).

● Cash flow from operating activities

Cash flow from operating activities was MSEK 615 (529), with a profit to cash conversion ratio of 141%.

● Group's net debt

Group's net debt reduced to MSEK 617 (925), with an associated gearing ratio of 28% (45).

● Dividend

Based on the Group's earnings and strong financial position, the Board of Directors proposes a dividend of SEK 4.25 (4.00) per share for the financial year 2023 and to renew the current mandate for share buy-backs.

Key figures – Group¹⁾

MSEK	Oct-Dec			Jan-Dec		
	2023	2022	Change	2023	2022	Change
Net sales	945	1,033	-9%	4,205	4,056	4%
Operating income before items affecting comparability	115	172	-33%	617	668	-8%
Operating income	105	172	-39%	595	677	-12%
Earnings before tax	91	161	-43%	526	634	-17%
Net income for the period	87	111	-22%	417	501	-17%
Cash flow from operating activities	227	200	14%	615	529	16%
Net debt ²⁾	617	925	-33%	617	925	-33%
Operating margin before items affecting comparability, %	12.1	16.7	-4.6	14.7	16.5	-1.8
Operating margin, %	11.1	16.7	-5.6	14.2	16.7	-2.5
Basic EPS before items affecting comparability, SEK	2.51	2.92	-0.41	11.44	13.01	-1.57
Basic EPS, SEK	2.31	2.92	-0.61	11.00	13.20	-2.20
Diluted EPS, SEK	2.31	2.92	-0.61	11.00	13.18	-2.18
Return on equity, %	18.9	26.6	-7.7	18.9	26.6	-7.7
Gearing ratio, %	28	45	-17	28	45	-17

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

2) For additional information see page 22.

Review of the fourth quarter

Sales impacted by market decline and customer destocking, necessitating further operational cost reductions, while successful execution of electrification and growth agenda continues.

Financial performance

Trading conditions remained challenging in Q4, with our Hydraulics end-markets declining by 10%, while demand in the Engine end-markets held steady. Although the published market indices suggest that production rates blended to the Group's end-markets and regions remained flat, our customers continued to destock their component inventory in response to the weaker economic outlook and to return to the inventory levels similar to before the supply chain crisis.

This quarter, our Group's reported net sales were MSEK 945 (1,033), down by 9%. The destocking activity and a weaker market have significantly impacted our sales. Our operating income before items affecting comparability was MSEK 115 (172), corresponding to an equivalent operating margin of 12.1% (16.7). There were minimal year-on-year foreign exchange movements. In response to weakening demand from our customers, we have further cut operational costs during the quarter. The full financial benefit from this activity will be visible in the first quarter of 2024. However, restructuring costs associated with the cost reduction program were expensed this quarter, totalling MSEK 10.

Both of our reporting divisions were affected by a combination of a generally weaker market and ongoing customer destocking activities. While our engines division sales are down year-on-year similar to levels in the previous quarter, the situation in our hydraulics division has deteriorated further. Both divisions' operating margins are impacted by lower sales volumes and higher capacity and labour costs relative to reported sales.

Despite tough trading conditions, our cash flow from operating activities remained strong with a cash inflow of MSEK 227 (200) for the quarter and MSEK 615 (529) for the full year. This represents a profit to cash conversion ratio of 141% for the full year, benefiting from a reduction in working capital, particularly in the final quarter of the year.

Sales and market development

Sales for our global end-market applications were lower in the comparative quarter of 2023, with the construction equipment and industrial application sectors being the most affected, down by double-digit percentages. Although sales in both of our core geographical territories were down year-on-year, we observed that our European customers were more affected than their North American counterparts. Despite these market headwinds, we experienced strong demand for electric products, with net sales amounting to MSEK 227, which is equivalent to 24% of Group sales. Additionally, the book-to-bill ratio for e-products remained above 100%.

Excellent progress in executing our strategy

We have made excellent progress in executing our electrification strategy. I am delighted to report that we have achieved our key target set in 2019, which was to have sales of e-products exceed 20% of Group sales by 2025. This target has been achieved this year; two years earlier than initially anticipated.

We have also been successful in diversifying our electrification business into new end-market segments. This is confirmed by a new, important business win in the fast-growing energy storage market, our first customer application in the emerging market of liquid cooling solutions for data centres, and an exciting new, power train agnostic solution in the electrification of trailers for heavy-duty trucks.

This year, we have won new business in both our base business and our electric business. We have invested in our facilities to support these growth projects, including the ramp-up of our market-leading high-voltage solutions in North America.

Finally, I am pleased to welcome Dr. Roger Ingemey, who has joined Concentric as SVP of Hydraulics on February 1, 2024, and will be a member of my senior leadership team.

Outlook

The environment going into 2024 remains uncertain. Based on the available information, we estimate that our end-markets will be weaker during 2024. As a result, we expect net sales in the first quarter of 2024 to be slightly lower than the net sales achieved in the fourth quarter of 2023.

In Q4, we took measures to align our cost base with the reduced demand from our customers. This will enable us to return to improved levels of profitability. If we experience further reduction in sales going into 2024, we will take additional actions in a timely manner.

Martin Kunz

President
and CEO



Concentric Group, fourth quarter figures

Key figures¹⁾

Amounts in MSEK	Oct-Dec			Jan-Dec		
	2023	2022	Change	2023	2022	Change
Net sales	945	1,033	-9%	4,205	4,056	4%
Operating income before items affecting comparability	115	172	-33%	617	668	-8%
Operating income	105	172	-39%	595	677	-12%
Earnings before tax	91	161	-43%	526	634	-17%
Net income for the period	87	111	-22%	417	501	-17%
Operating margin before items affecting comparability, %	12.1	16.7	-4.6	14.7	16.5	-1.8
Operating margin, %	11.1	16.7	-5.6	14.2	16.7	-2.5
ROCE, %	16.7	20.2	-3.5	16.7	20.2	-3.5
Return on equity, %	18.9	26.6	-7.7	18.9	26.6	-7.7
Basic EPS before items affecting comparability, SEK	2.51	2.92	-0.41	11.44	13.01	-1.57
Basic EPS, SEK	2.31	2.92	-0.61	11.00	13.20	-2.20
Diluted EPS, SEK	2.31	2.92	-0.61	11.00	13.18	-2.18

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

Sales

Net sales for the fourth quarter were down year-on-year by 9%. There were no foreign exchange movements impacting the quarter, resulting in an underlying sales decline of 9%. The book-to-bill ratio at the end of the fourth quarter was 89% (94). Sales of electric products were MSEK 227 (178) in the fourth quarter and MSEK 837 (678) for the full year, representing 24% (17) of the Group's net sales for the quarter and 20% (17) for the year.

Operating income

Operating income in the fourth quarter was MSEK 105 (172) resulting in a corresponding margin of 11.1% (16.7). Costs of MSEK 10 were incurred in the quarter associated with the cost reduction programme, the operating margin before items affecting comparability was 12.1% (16.7). Operating margin this quarter has been impacted by a weaker year-on-year result from our joint venture, Alfdex, however income over the full year has increased.

Net financial items

Net financial income and expense for the fourth quarter was MSEK -14 (-11), this comprised of pension financial income of MSEK 4 (10), interest expenses for right of use assets MSEK -1 (-1), interest on the loan of -15 (-17) and net other financial cost MSEK -2 (-3).

Taxes

The reported effective tax rate for the fourth quarter was 4% (32), which was entirely due to a US tax rebate received in Q4 for 2022 and 2023.

Earnings per share

The basic earnings per share for the fourth quarter was SEK 2.31 (2.92), down SEK 0.61 per share, and before items affecting comparability SEK 2.51, down 0.41 per share. The diluted earnings per share for the fourth quarter was SEK 2.31 (2.92), down SEK 0.61.

Cash flow from operating activities

The reported cash inflow from operating activities for the fourth quarter amounted to MSEK 227 (200), which represents SEK 6.05 (5.33) per share. This has resulted in an operating cash conversion ratio of 141% (102) for the full year. The quarter benefited from a working capital inflow of MSEK 116.

Working capital

Total working capital as at 31 December 2023 was MSEK 324 (407), which represented 7.7% (10.0) of annual sales. In constant currency working capital has reduced MSEK 67 year-on-year, with inventory levels reducing by MSEK 70.

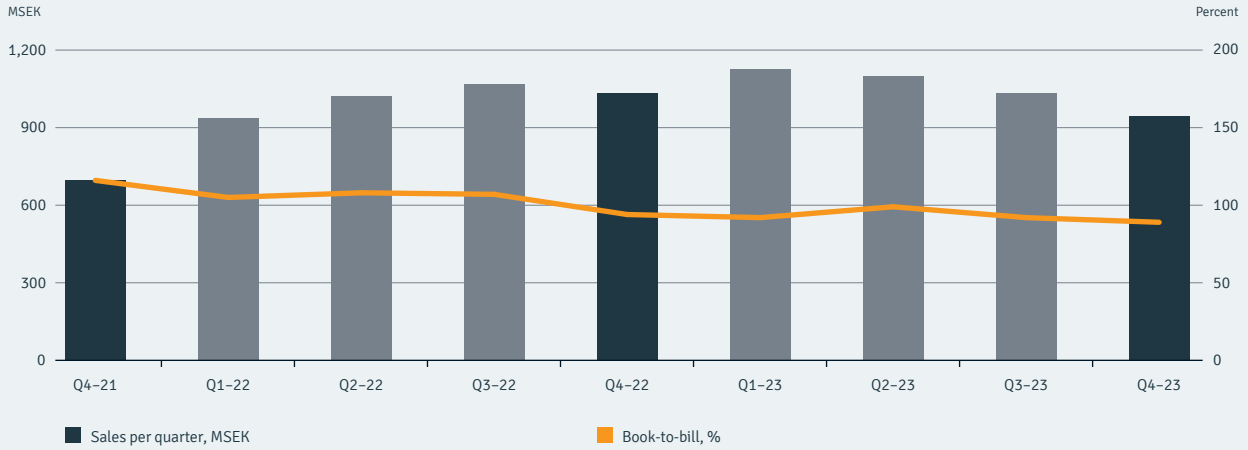
Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, a net remeasurement loss was taken in the fourth quarter of MSEK 4.

Overall, the Group's net debt at the end of the fourth quarter was MSEK 617 (925), comprising other interest bearing liabilities MSEK 1,005 (1,174), liabilities for right of use assets MSEK 99 (114) and net pension liabilities of MSEK 237 (261), net of cash amounting to MSEK 724 (624). Shareholders' equity amounted to MSEK 2,181 (2,070), resulting in a gearing ratio of 28% (45) at the end of the fourth quarter. Our gearing ratio continues to fall as we consistently achieve strong operating cash flows and continue to pay down debt in line with our contractual obligations. Our current Net debt/EBITDA ratio is 0.78 (1.08), below our policy of 2.50.

Graphs – Concentric Group

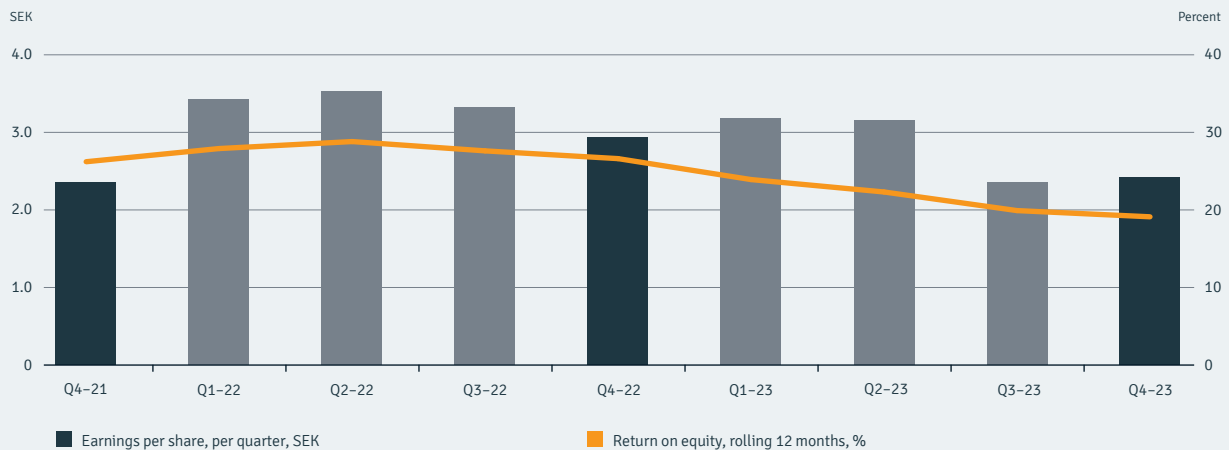
Sales and book-to-bill



Underlying operating income and margin



Earnings per share and return on equity



Engines

Financial performance

Amounts in MSEK	Oct-Dec			Jan-Dec		
	2023	2022	Change	2023	2022	Change
External net sales	659	695	-5%	2,855	2,691	6%
Operating income before items affecting comparability	87	118	-26%	438	427	3%
Operating income	81	118	-31%	420	427	-2%
Operating margin before items affecting comparability, %	13.2	17.0	-3.8	15.3	15.9	-0.6
Operating margin, %	12.3	17.0	-4.7	14.7	15.9	-1.2
ROCE, %	12.2	12.6	-0.4	12.2	12.6	-0.4

Sales and market development

Reported net sales for the fourth quarter were down year-on-year by 5% similar to Q3. Foreign exchange movements did not have an impact this quarter.

Sales of Engine products were lower year-on-year in all end-markets other than industrial applications, however sales into this market represent a small percentage of our Engine product sales and therefore the effect on the division was minimal. Sales into the construction equipment sector saw the sharpest fall year-on-year, down 15%. Both of our core sales regions in North America and Europe also declined with Europe down 9% and North America down 4%. Sales growth seen in the construction sector in Europe and truck sector in North America was not enough to offset the overall decline across the geographical regions.

Market indices suggest production rates, blended to the Engines end-markets and regions were up 3% compared to our underlying sales which declined by 5%, indicating our customers continued to destock during this quarter. Book-to-bill ratio at the end of the fourth quarter was 85% (94) down from the previous quarter at 93%.

Operating income and margin

Operating income in the fourth quarter was MSEK 81 (118) resulting in an operating margin of 12.3% (17.0), before items affecting comparability the operating margin was 13.2% (17.0). Restructuring costs of MSEK 6 were booked in the fourth quarter associated with the cost reduction programme. Operating margin



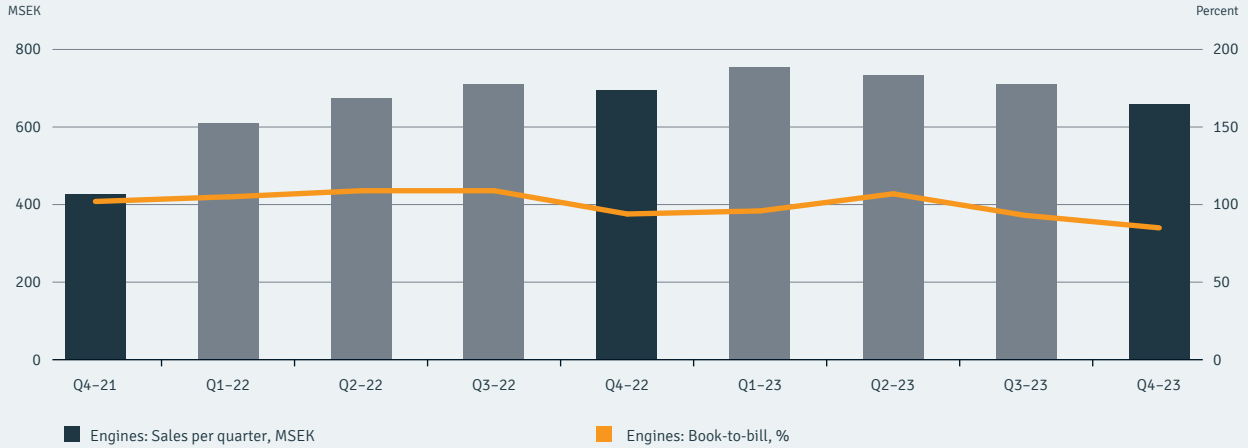
is down quarter-on-quarter as sales volumes reduce further and direct labour and fixed overheads remain high in comparison to current sales levels. Operating margin this quarter has been impacted by a weaker year-on-year result from our joint venture, Alfdex, however income over the full year has increased.

Working capital

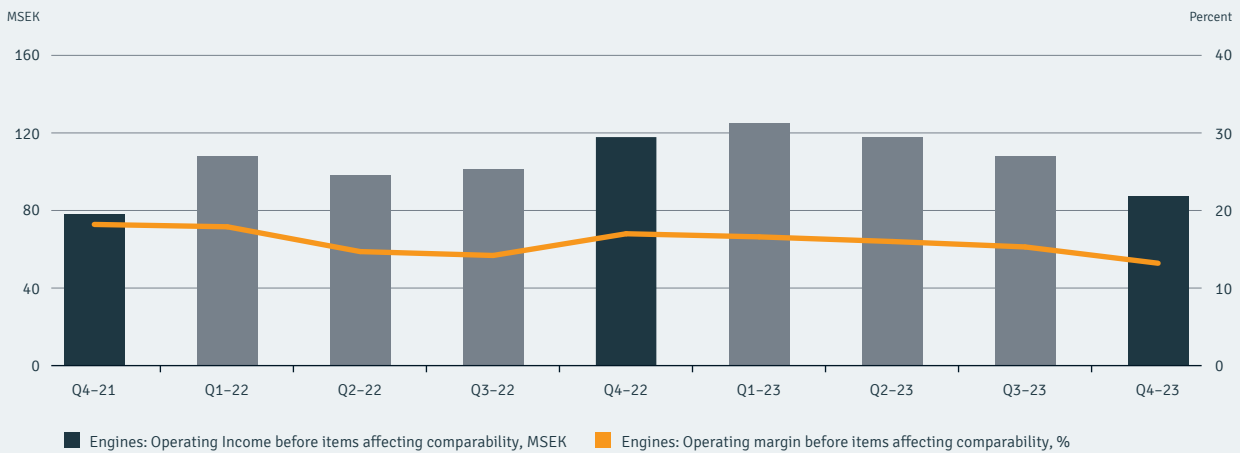
Working capital in the Engine division was MSEK 275 (336) as at 31 December 2023, this represents 9.6% (12.4) of annual sales. In constant currency working capital has decreased year-on-year by MSEK 52, with inventory levels reducing by MSEK 36.

Graphs – Engines

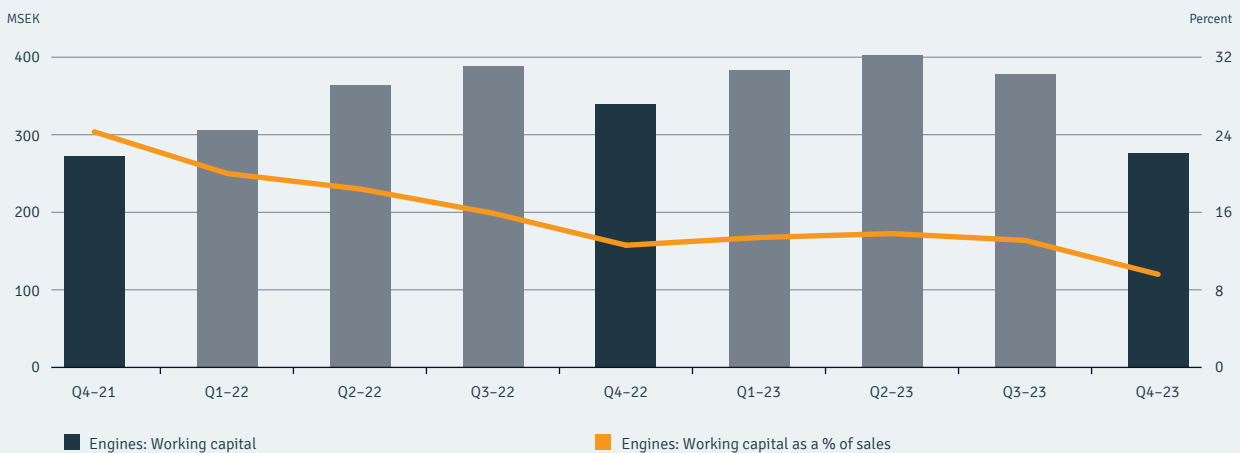
Sales and book-to-bill



Underlying operating income and margin



Working capital and working capital as a % of sales



Hydraulics

Financial performance

Amounts in MSEK	Oct-Dec			Jan-Dec		
	2023	2022	Change	2023	2022	Change
External net sales	286	338	-15%	1,350	1,365	-1%
Operating income before items affecting comparability	28	54	-48%	179	241	-26%
Operating income	24	54	-56%	175	241	-27%
Operating margin before items affecting comparability, %	9.6	16.1	-6.5	13.3	17.7	-4.4
Operating margin, %	8.4	16.1	-7.7	13.0	17.7	-4.7
ROCE, %	23.9	30.3	-6.4	23.9	30.3	-6.4

Sales and market development

Reported net sales for the fourth quarter were down year-on-year by 15%, more than Q3 which was down 12%. Foreign exchange movements did not have an impact this quarter and therefore underlying net sales are down 15%.

Sales of Hydraulic products were lower year-on-year to all of our end-markets with both of our core sales regions of North America and Europe showing a year-on-year decline of 18% and 20% respectively.

Market indices suggest production rates, blended to the Hydraulics end-markets and regions, were down 10% year-on-year, indicating sales of our Hydraulics products are affected by a weaker market and continued customer destocking activities.

The book-to-bill ratio at the end of the fourth quarter was 99% (94).

Operating income and margin

Operating income in the fourth quarter was MSEK 24 (54) resulting in an operating margin of 8.4% (16.1), before items affecting comparability the operating margin was 9.6% (16.1). Restructuring costs of MSEK 4 were booked in the fourth quarter associated with the cost reduction programme.

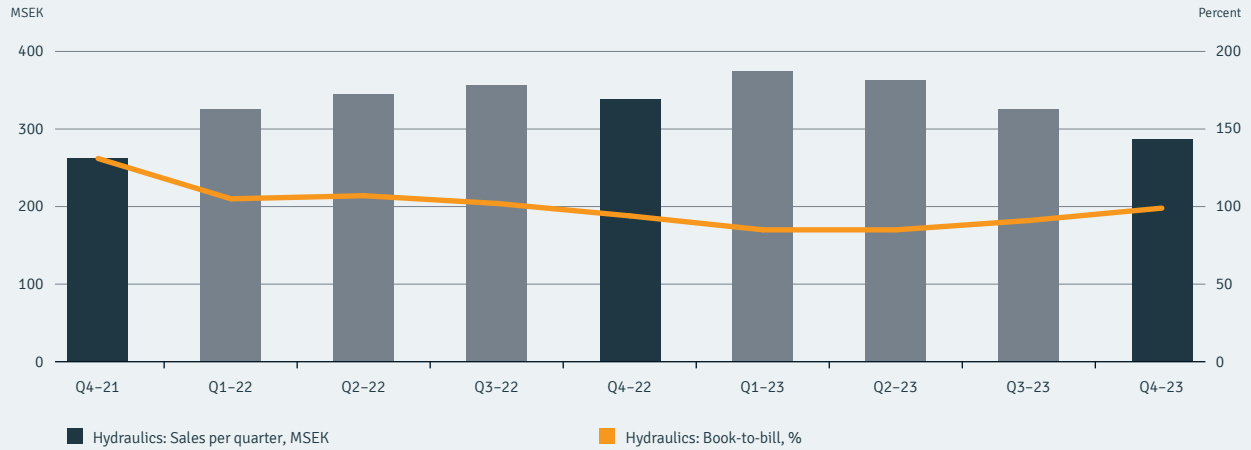
Working capital

Working capital in the Hydraulic division was MSEK 111 (133) as at 31 December 2023, this represents 8.2% (9.7) of annual sales. In constant currency working capital has decreased year-on-year by MSEK 18, with inventory levels reducing by MSEK 34.

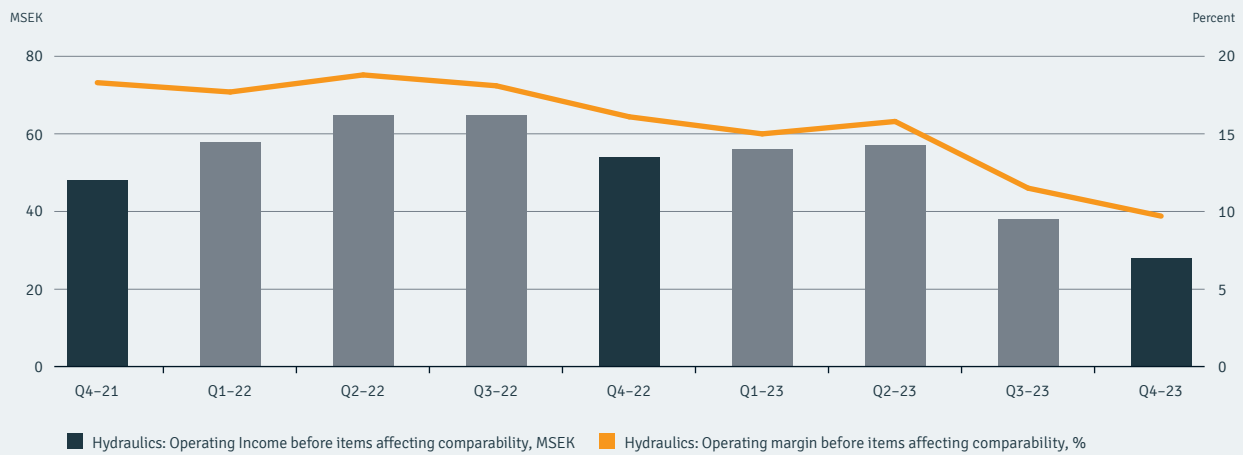


Graphs – Hydraulics

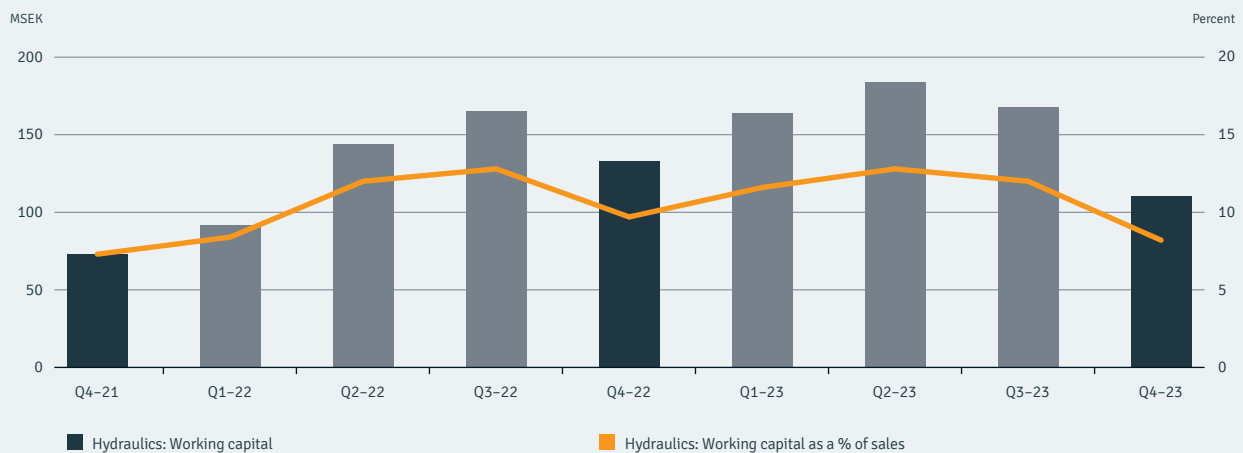
Sales and book-to-bill



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

	Oct–Dec		Jan–Dec	
	2023	2022	2023	2022
Net sales	945	1,033	4,205	4,056
Cost of goods sold	-726	-751	-3,144	-2,991
Gross income	219	282	1,061	1,065
Selling expenses	-19	-41	-115	-118
Administrative expenses	-71	-62	-280	-210
Product development expenses	-23	-24	-95	-91
Share of net income in joint venture	16	27	74	62
Other operating income and expenses	-17	-10	-50	-31
Operating income	105	172	595	677
Financial income and expenses	-14	-11	-69	-43
Earnings before tax	91	161	526	634
Taxes	-4	-50	-109	-133
Net income for the period	87	111	417	501
Parent Company shareholders	87	111	417	501
Non-controlling interest	-	-	-	-
Basic earnings per share, before items affecting comparability, SEK	2.51	2.92	11.44	13.01
Basic earnings per share, SEK	2.31	2.92	11.00	13.20
Diluted earnings per share, SEK	2.31	2.92	11.00	13.18
Basic average number of shares (000)	37,602	37,980	37,872	37,961
Diluted average number of shares (000)	37,607	38,035	37,893	38,030

Consolidated statement of comprehensive income

	Oct–Dec		Jan–Dec	
	2023	2022	2023	2022
Net income for the period	87	111	417	501
Other comprehensive income				
<i>Items that will not be reclassified to the income statement</i>				
Net remeasurement gains and losses, pension obligations	-12	-224	-12	75
Tax on net remeasurement gains and losses, pension obligations	8	59	8	-23
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	7	10	-30	-78
Tax arising from exchange rate differences related to liabilities to foreign operations	-2	-2	6	16
Cash flow hedging	-12	-10	-10	27
Tax arising from cash flow hedging	2	2	2	-6
Share of OCI related to joint venture	-8	-4	-9	5
Foreign currency translation differences	-131	-88	-15	223
Total other comprehensive income	-148	-257	-60	239
Total comprehensive income	-61	-146	357	740

Consolidated balance sheet

	31 Dec 2023	31 Dec 2022
Goodwill	1,422	1,455
Other intangible fixed assets	350	435
Right of use fixed assets	83	99
Tangible fixed assets	437	450
Share of net assets in joint venture	149	138
Deferred tax assets	104	117
Other long-term receivables	24	35
Total fixed assets	2,569	2,729
Inventories	455	538
Current receivables	558	604
Cash and cash equivalents	724	624
Total current assets	1,737	1,766
Total assets	4,306	4,495
Total Shareholders' equity	2,181	2,070
Pensions and similar obligations	237	261
Deferred tax liabilities	95	140
Long-term liabilities for right of use fixed assets	80	97
Other long-term interest-bearing liabilities	628	783
Other long-term liabilities	2	2
Total long-term liabilities	1,042	1,283
Short-term liabilities for right of use fixed assets	19	17
Other short-term interest-bearing liabilities	377	391
Other current liabilities	687	734
Total current liabilities	1,083	1,142
Total equity and liabilities	4,306	4,495

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 December 2023 the fair

value of derivative instruments that were assets was MSEK 19 (30), 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 Dec 2023	31 Dec 2022
Opening balance	2,070	1,462
Net income for the period	417	501
Other comprehensive income	-60	239
Total comprehensive income	357	740
Dividend	-152	-142
Own share buy-backs	-100	–
Sale of own shares to satisfy LTI – options exercised	1	7
Long-term incentive plan	5	3
Closing balance	2,181	2,070

Consolidated cash flow statement, in summary

	Oct–Dec		Jan–Dec	
	2023	2022	2023	2022
Earnings before tax	91	161	526	634
Reversal of depreciation and amortisation of fixed assets	47	48	191	188
Reversal of net income from joint venture	-16	-27	-74	-62
Reversal of other non-cash items	9	-9	31	3
Taxes paid	-20	-24	-146	-125
Cash flow from operating activities before changes in working capital	111	149	528	638
Change in working capital	116	51	87	-109
Cash flow from operating activities	227	200	615	529
Investments in subsidiaries	–	–	–	-16
Net investments in property, plant and equipment	-19	-17	-94	-62
Closure of subsidiary	-6	–	-8	–
Cash flow from investing activities	-25	-17	-102	-78
Dividend	–	–	-152	-142
Dividends received from joint venture	–	48	58	48
Buy-back of own shares	-66	–	-100	–
Selling of own shares to satisfy LTI – options exercised	–	–	1	7
Repayment of loans	-40	-40	-162	-153
Pension payments and other cash flows from financing activities	–	-15	-41	-83
Cash flow from financing activities	-106	-7	-396	-323
Cash flow for the period	96	176	117	128
Cash and bank assets, opening balance	665	448	624	440
Exchange rate difference in cash and bank assets	-37	–	-17	56
Cash and bank assets, closing balance	724	624	724	624

Group notes

Data per share

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Basic earnings per share before items affecting comparability, SEK	2.51	2.92	11.44	13.01
Basic earnings per share, SEK	2.31	2.92	11.00	13.20
Diluted earnings per share, SEK	2.31	2.92	11.00	13.18
Equity per share, SEK	58.34	54.49	58.34	54.49
Cash flow from current operations per share, SEK	6.04	5.33	16.23	13.95
Basic weighted average no. of shares (000's)	37,602	37,980	37,872	37,961
Diluted weighted average no. of shares (000's)	37,607	38,035	37,893	38,030
Number of shares at period-end (000's)	37,383	37,980	37,383	37,980

Key figures¹⁾

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Sales growth, %	-9	49	4	92
Sales growth, constant currency, % ²⁾	-9	4	-1	15
Sales of e-Products, %	24.0	17.0	20.0	17.0
EBITDA margin before items affecting comparability, %	17.0	21.3	19.2	21.1
EBITDA margin, %	16.0	21.3	18.7	21.3
Operating margin before items affecting comparability, %	12.1	16.7	14.7	16.5
Operating margin, %	11.1	16.7	14.2	16.7
Capital employed, MSEK	3,519	3,618	3,519	3,618
ROCE before items affecting comparability, %	17.3	20.0	17.3	20.0
ROCE, %	16.7	20.2	16.7	20.2
ROE, %	18.9	26.6	18.9	26.6
Working capital, MSEK	324	407	324	407
Working capital as a % of annual sales	7.7	10.0	7.7	10.0
Net debt, MSEK ³⁾	617	925	617	925
Net debt/ EBITDA	0.78	1.08	0.78	1.08
Gearing ratio, %	28	45	28	45
Net investments in PPE	19	17	94	62
R&D, %	2.6	2.4	2.3	2.3
Number of employees, average	1,257	1,230	1,282	1,207

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

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 26.

3) For additional information see page 22.

Consolidated income statement in summary – by type of cost

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net sales	945	1,033	4,205	4,056
Direct material costs	-478	-506	-2,093	-2,052
Personnel costs	-240	-234	-1,007	-879
Depreciation and amortisation of fixed assets	-47	-48	-191	-188
Share of net income in joint venture	16	27	74	62
Other operating income and expenses	-91	-100	-393	-322
Operating income	105	172	595	677
Financial income and expense	-14	-11	-69	-43
Earnings before tax	91	161	526	634
Taxes	-4	-50	-109	-133
Net income for the period	87	111	417	501

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

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Tooling income	1	2	6	8
Royalty income from joint venture	7	5	26	22
Amortisation of acquisition related surplus values	-19	-18	-74	-73
Profit from sale of subsidiary	–	–	–	9
Restructuring cost	-10	–	-22	–
Other	4	1	14	3
Other operating income and expenses	-17	-10	-50	-31

Segment reporting

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

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

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

Fourth quarter	Engines		Hydraulics		Elims/Adjs		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Total net sales	662	697	289	338	-6	-2	945	1,033
External net sales	659	695	286	338	-	-	945	1,033
Operating income before items affecting comparability	87	118	28	54	-	-	115	172
Operating income	81	118	24	54	-	-	105	172
Operating margin before items affecting comparability, %	13.2	17.0	9.6	16.1	n/a	n/a	12.1	16.7
Operating margin, %	12.3	17.0	8.4	16.1	n/a	n/a	11.1	16.7
Financial income and expense	-	-	-	-	-14	-11	-14	-11
Earnings before tax	81	118	24	54	-14	-11	91	161
Assets	3,063	3,282	509	599	734	614	4,306	4,495
Liabilities	700	784	315	388	1,110	1,253	2,125	2,425
Capital employed	3,239	3,475	671	726	-391	-583	3,519	3,618
ROCE before items affecting comparability, %	12.4	12.6	24.3	30.3	n/a	n/a	17.3	20.0
ROCE, %	12.2	12.6	23.9	30.3	n/a	n/a	16.7	20.2
Net investments in PPE	15	14	4	3	-	-	19	17
Depreciation and amortisation of fixed assets	42	44	4	4	1	-	47	48
Number of employees, average	873	826	384	404	-	-	1,257	1,230

Full year	Engines		Hydraulics		Elims/Adjs		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Total net sales	2,870	2,702	1,354	1,366	-19	-12	4,205	4,056
External net sales	2,855	2,691	1,350	1,365	-	-	4,205	4,056
Operating income before items affecting comparability	438	427	179	241	-	-	617	668
Operating income	420	427	175	241	-	9	595	677
Operating margin before items affecting comparability, %	15.3	15.9	13.3	17.7	n/a	n/a	14.7	16.5
Operating margin, %	14.7	15.9	13.0	17.7	n/a	n/a	14.2	16.7
Financial income and expense	-	-	-	-	-69	-43	-69	-43
Earnings before tax	420	427	175	241	-69	-34	526	634
Assets	3,063	3,282	509	599	734	614	4,306	4,495
Liabilities	700	784	315	388	1,110	1,253	2,125	2,425
Capital employed	3,239	3,475	671	726	-391	-583	3,519	3,618
ROCE before items affecting comparability, %	12.4	12.6	24.3	30.3	n/a	n/a	17.3	20.0
ROCE, %	12.2	12.6	23.9	30.3	n/a	n/a	16.7	20.2
Net investments in PPE	73	55	20	7	1	-	94	62
Depreciation and amortisation of fixed assets	171	169	19	18	1	1	191	188
Number of employees, average	879	825	403	382	-	-	1,282	1,207

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 fourth quarter was 57 (60) for the Group, with an average of 56 (61) working days for the Engines segment and 59 (58) working days for the Hydraulics segment. The weighted average number of working days for the full year was 250 (255) for the Group, with an average of 251 (258) working days for the Engines segment and 248 (248) working days for the Hydraulics segment.

Segment external sales reporting by geographic location of customer

Fourth quarter	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	430	437	152	175	582	612
Rest of North America	16	32	2	7	18	39
South America	1	–	–	1	1	1
Germany	41	58	33	38	74	96
UK	35	39	9	13	44	52
Sweden	19	15	15	15	34	30
Rest of Europe	86	71	38	44	124	115
Asia	22	33	35	40	57	73
Other	9	10	2	5	11	15
Total Group	659	695	286	338	945	1,033

Full year	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	1,877	1,725	701	677	2,578	2,402
Rest of North America	66	116	11	22	77	138
South America	1	–	1	3	2	3
Germany	219	198	168	177	387	375
UK	158	165	62	57	220	222
Sweden	63	46	68	70	131	116
Rest of Europe	319	281	164	180	483	461
Asia	107	122	164	161	271	283
Other	45	38	11	18	56	56
Total Group	2,855	2,691	1,350	1,365	4,205	4,056

Total sales by product groups

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Fourth quarter						
Concentric branded products	178	231	261	315	439	546
EMP branded products	420	405	–	–	420	405
LICOS branded products	61	59	–	–	61	59
Allied branded products	–	–	25	23	25	23
Total Group	659	695	286	338	945	1,033

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Full year						
Concentric branded products	829	924	1,252	1,277	2,081	2,201
EMP branded products	1,761	1,530	–	–	1,761	1,530
LICOS branded products	265	237	–	–	265	237
Allied branded products	–	–	98	88	98	88
Total Group	2,855	2,691	1,350	1,365	4,205	4,056

Total sales by end-markets

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Fourth quarter						
Trucks	286	255	49	59	335	314
Construction	206	247	106	121	312	368
Industrial	53	69	89	114	142	183
Agriculture	114	124	42	44	156	168
Total Group	659	695	286	338	945	1,033

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Full year						
Trucks	1,201	950	202	234	1,403	1,184
Construction	943	925	527	507	1,470	1,432
Industrial	174	259	425	442	599	701
Agriculture	537	557	196	182	733	739
Total Group	2,855	2,691	1,350	1,365	4,205	4,056

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 uncertainties 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 2023. 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 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. Other than dividends received from Subsidiary companies to the Parent Company of MSEK 783 (363), 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 year reflected mostly the royalty income received from the joint venture, Alfdex AB. Operating loss for the year was MSEK –3 (profit 3).

Net financial items and earnings before tax

During the year the company received a dividend of MSEK 58 from Alfdex AB. Exchange rate differences on foreign liabilities to subsidiaries was MSEK 30 (78) in the year, and the remaining financial items netted to MSEK –91 (–44). Income from shares in subsidiaries amounted to MSEK 744 (138), related to dividends of MSEK 783 (363) and write-downs of shares of MSEK 39 (225). Accordingly, earnings before tax was a profit of MSEK 679 (67) for the year.

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 repurchased 396,246 (nil) of own shares during the fourth quarter, for a total consideration of MSEK 64 (nil), taking the total purchased own shares to 603,863 (nil) for a total consideration of MSEK 100 (nil) for the full year. During the second quarter the Company sold 7,512 (49,592) of own shares to exercise and satisfy the LTI programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 5,512 (41,780) own shares to Concentric was made. The total number of holdings of own shares at 31 December 2023 was 710,016 (108,153) and the total number of shares in issue was 38,297,600 (38,297,600), consequently the Company’s holdings of own shares represent 1.9% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings was 914,451 (318,100), which represents 2.4% (0.8) of the total number of shares.

Parent Company’s income statement

	Oct–Dec		Jan–Dec	
	2023	2022	2023	2022
Net sales	14	8	44	29
Operating costs	–17	–11	–46	–33
Other operating income	–	–	–	7
Operating income	–3	–3	–2	3
Income from shares in subsidiaries	535	–121	744	138
Income from shares in joint venture	–	48	58	48
Net foreign exchange rate differences	7	10	–30	–78
Other financial income and expense	–22	–16	–91	–44
Earnings before tax	517	–82	679	67
Taxes	9	–2	5	17
Net income for the period¹⁾	526	–84	684	84

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

Parent Company's balance sheet

	31 Dec 2023	31 Dec 2022
Shares in subsidiaries	4,289	4,329
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	879	1,044
Deferred tax assets	34	28
Total financial fixed assets	5,212	5,411
Other current receivables	9	9
Short-term receivables from subsidiaries	132	136
Short-term receivables from joint venture	–	2
Cash and cash equivalents	637	536
Total current assets	778	683
Total assets	5,990	6,094
Total shareholders' equity	2,724	2,291
Pensions and similar obligations	21	20
Long-term interest-bearing liabilities	628	783
Long-term loans payable to subsidiaries	2,125	2,459
Total long-term liabilities	2,774	3,262
Short-term loans payable to subsidiaries	109	142
Short-term interest-bearing liabilities	377	391
Other current liabilities	6	8
Total current liabilities	492	541
Total equity and liabilities	5,990	6,094

Parent Company's changes in shareholders' equity

	31 Dec 2023	31 Dec 2022
Opening balance	2,291	2,342
Net income for the period	684	84
Dividend	-152	-142
Sale of own shares to satisfy LTI options exercised	1	7
Buy-back of own shares	-100	–
Closing balance	2,724	2,291

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 7 February, 2024.

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

Concentric's web site for investors

www.concentricab.com contains information about the Company, the share and insider information as well as archives for reports and press releases.

Reporting calendar

Annual Report January–December 2023	26 March, 2024
Annual General Meeting 2024	18 April, 2024
Interim Report January–March 2024	8 May, 2024
Interim Report January–June 2024	31 July, 2024
Interim Report January–September 2024	6 November, 2024

Further information:

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

Corporate Registration Number 556828-4995

Stockholm 7 February, 2024

Martin Kunz
President and CEO

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

Alternative Performance Measures reconciliation

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Underlying EBIT or operating income				
EBIT or operating income	105	172	595	677
Profit from sale of subsidiary	—	—	—	-9
Restructuring cost	10	—	22	—
Underlying operating income	115	172	617	668
Net sales	945	1,033	4,205	4,056
Operating margin (%)	11.1	16.7	14.2	16.7
Underlying operating margin (%)	12.1	16.7	14.7	16.5

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Underlying EBITDA or operating income before amortisation and depreciation				
EBIT or operating income	105	172	595	677
Operating amortisation/depreciation	28	30	117	115
Amortisation of purchase price allocation	19	18	74	73
EBITDA or operating income before amortisation and depreciation	152	220	786	865
Profit from sale of subsidiary	—	—	—	-9
Restructuring cost	10	—	22	—
Underlying EBITDA or underlying operating income before amortisation and depreciation	162	220	808	856
Net sales	945	1,033	4,205	4,056
EBITDA margin (%)	16.0	21.3	18.7	21.3
Underlying EBITDA margin (%)	17.0	21.3	19.2	21.1

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net income before items affecting comparability				
Net income	87	111	417	501
Items affecting comparability after tax	7	—	17	-7
Net income before items affecting comparability	94	111	434	494
Basic average number of shares (000)	37,602	37,980	37,872	37,961
Basic earnings per share	2.31	2.92	11.00	13.20
Basic earnings per share before items affecting comparability	2.51	2.92	11.44	13.01

CONCENTRIC INTERIM REPORT Q4 2023
ALTERNATIVE PERFORMANCE MEASURES

	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Cash conversion				
Cash flow from operating activities	227	200	615	529
Payments for financial transactions	10	18	59	35
Tax payments	20	24	146	125
Net investments in property, plant and equipment	-19	-17	-94	-62
Adjustment for royalty from joint-venture (Alfdex)	-7	-4	-26	-22
Operating Cash	231	221	700	605
Operating income	105	172	595	677
Adjustment for royalty from joint-venture (Alfdex)	-7	-4	-26	-22
Adjustments for share in profit in joint-venture (Alfdex)	-16	-27	-74	-62
Adjusted operating income	82	141	495	593
Cash conversion (%)	281	158	141	102





	31 Dec 2023	31 Dec 2022
Net debt		
Pensions and similar obligations	237	261
Liabilities for right of use fixed assets	99	114
Other long term interest bearing liabilities	628	783
Other short term interest bearing liabilities	377	391
Total interest bearing liabilities	1,341	1,549
Cash and cash equivalents	-724	-624
Total net debt	617	925
Net debt, excluding pension obligations	380	664

	31 Dec 2023	31 Dec 2022
Capital employed		
Total assets	4,306	4,495
Interest bearing financial assets	-4	-4
Non interest bearing assets (excl. taxes)	4,302	4,491
Non interest bearing liabilities (incl taxes)	-783	-874
Non interest bearing liabilities (excl. taxes)	-783	-874
Total capital employed	3,519	3,618

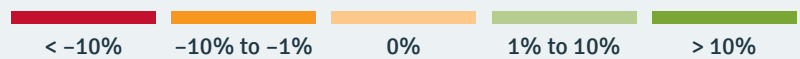
	31 Dec 2023	31 Dec 2022
Working capital		
Accounts receivable	464	524
Other current receivables	92	79
Inventory	455	538
Working capital assets	1,011	1,141
Accounts payable	-374	-401
Other current payables	-313	-333
Working capital liabilities	-687	-734
Total working capital	324	407

Graph data summary

	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Engines									
Sales, MSEK	659	709	735	752	695	712	676	608	432
Book-to-bill, %	85	93	107	96	94	109	109	105	102
Operating income before items affecting comparability, MSEK	87	108	118	125	118	101	99	108	79
Operating margin before items affecting comparability, %	13.2	15.3	16.0	16.6	17.0	14.2	14.6	17.9	18.2
Working capital as % of annualised sales	9.6	13.1	13.8	13.4	12.4	15.9	18.4	20	24.3
Working capital, MSEK	275	379	403	382	336	388	364	306	273
Hydraulics									
Sales, MSEK	286	326	363	375	338	356	345	326	263
Book-to-bill, %	99	91	85	85	94	102	107	105	131
Operating income before items affecting comparability, MSEK	28	38	58	56	54	65	65	58	48
Operating margin before items affecting comparability, %	9.6	11.5	15.8	15.0	16.1	18.1	18.8	17.7	18.3
Working capital as % of annualised sales	8.2	12.0	12.8	11.6	9.7	12.8	12.0	8.4	7.3
Working capital, MSEK	111	168	184	164	133	165	144	92	73
Group									
Sales, MSEK	945	1,035	1,098	1,127	1,033	1,068	1,021	934	695
Book-to-bill, %	89	92	99	92	94	107	108	105	114
Operating income before items affecting comparability, MSEK	115	146	175	181	172	166	164	166	127
Operating margin before items affecting comparability, %	12.1	14.1	16.0	16.1	16.7	15.5	16.1	17.7	18.2
Basic earnings per share, SEK	2.31	2.35	3.15	3.18	2.92	3.32	3.53	3.42	2.36
Return on equity, %	18.9	19.9	22.3	24.2	26.6	27.6	28.8	27.9	26.2
Cash flow from operating activities per share, SEK	6.04	4.2	3.67	2.33	5.33	4.26	1.99	2.37	2.97
Working capital as % of annualised sales	7.7	11.2	11.9	11.3	10.0	14.2	15.1	12.9	13.1
Net debt, MSEK	617	799	950	865	925	1,005	1,081	1,016	1,192
Gearing ratio, %	28	35	42	39	45	45	56	59	82
Gearing ratio (excl Pensions), %	17	24	30	28	32	43	51	49	57

	Q4-23 vs Q4-22					FY-23 vs FY-22					FY-24 vs FY-23				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 Agriculture Diesel engines	1%	1%	0%	2%	19%	1%	0%	0%	3%	19%	-5%	-6%	-5%	-3%	-5%
 Construction Diesel engines	1%	5%	0%	3%	-2%	1%	4%	0%	3%	-2%	-5%	-2%	-4%	-10%	-5%
Hydraulic equipment	1%	n/a	-3%	n/a	n/a	1%	n/a	-3%	n/a	n/a	-9%	n/a	-3%	n/a	n/a
 Trucks Light vehicles	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	4%	-34%	9%	7%	34%	5%	-34%	10%	7%	33%	-14%	17%	-6%	-9%	2%
 Industrial Other off-highway	1%	4%	4%	-1%	2%	1%	3%	5%	-1%	2%	-7%	-3%	-4%	-6%	-4%
Hydraulic lift trucks	-38%	n/a	-36%	n/a	n/a	-31%	n/a	-4%	n/a	n/a	-2%	n/a	-3%	n/a	n/a

The market indices summarised in the table above reflect the Q4 2023 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



Consolidated sales development

	Q4-23 vs. Q4-22			FY-23 vs. FY-22			FY-24 vs. FY-23		
	Engines	Hydraulics	Group	Engines	Hydraulics	Group	Engines	Hydraulics	Group
Market – weighted average ¹⁾	3%	-10%	-1%	3%	-5%	1%	-8%	-5%	-7%
Actual – constant currency ²⁾	-5%	-15%	-9%	1%	-6%	-1%			

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

2) Based on actual sales in constant currency.

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 programme 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.

Net debt/EBITDA

The ratio of Net debt to EBITDA. Net debt to EBITDA is used to evaluate financial leverage.

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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