

INTERIM REPORT Q4/2019

TECHNOLOGY
INNOVATION
SUSTAINABILITY



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Fourth quarter

Net sales

MSEK 430 (582) – sales were down –26% y-o-y. After adjusting for impact of currency (+3%), sales in constant currency were down –29%.

Underlying sales development

Underlying Group sales for the fourth quarter were down y-o-y by –24% and by –11% y-o-y for the full year, when excluding the effect of the previously announced decision by a global OEM customer to dual source components.

Operating income

MSEK 134 (140); generating an operating margin of 31.1% (24.1), benefitting from releasing a warranty provision, adjusted operating margin was 23.0%.

Earnings after tax

MSEK 71 (115); basic EPS of SEK 1.87 (2.95).

Cash flow from operating activities

MSEK 58 (136); cash generation affected by lower sales.

Dividend

Based on the Group's earnings and strong financial position, the Board of Directors intend to propose a total dividend of SEK 4.50 (4.25) per share and to renew the current mandate for share buybacks.

Key figures – Group ¹⁾

Amounts in MSEK	Oct–Dec			Jan–Dec		
	2019	2018	Change	2019	2018	Change
Net sales	430	582	–26%	2,012	2,410	–17%
Operating income before items affecting comparability	134	136	–1%	472	525	–10%
Operating income	134	140	–4%	472	529	–11%
Earnings before tax	130	145	–10%	453	515	–12%
Net income for the period	71	115	–38%	321	405	–21%
Cash flow from operating activities ³⁾	58	136	–57%	386	554	–30%
Net debt ^{2) 3)}	54	12	350%	54	12	350%
Operating margin before items affecting comparability, %	31.1	24.8	6.3	23.5	22.1	1.4
Operating margin, %	31.1	24.1	7.0	23.5	21.9	1.6
Basic EPS before items affecting comparability, SEK	1.87	2.86	–0.99	8.37	10.22	–1.85
Basic EPS, SEK	1.87	2.95	–1.08	8.37	10.30	–1.93
Diluted EPS, SEK	1.87	2.94	–1.07	8.27	10.27	–2.00
Return on equity, %	29.5	41.6	–12.1	29.5	41.6	–12.1
Gearing ratio, % ³⁾	5	1	4	5	1	4

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

²⁾ For additional information see page 12.

³⁾ For additional information see pages 24–25.

Full year

Net sales

MSEK 2,012 (2,410) – sales were down –17% y-o-y. After adjusting for impact of currency (+3%), sales in constant currency were down –20%.

Operating income

MSEK 472 (529), generating an operating margin of 23.5% (21.9).

Earnings after tax

MSEK 321 (405); basic EPS of SEK 8.37 (10.30).

Cash flow from operating activities

MSEK 386 (554); cash generation affected by lower sales.

Group's net debt

MSEK 54 (12); gearing ratio of 5% (1).

Effects of new accounting principles for leases – IFRS 16

The effects in the income statement are not material (EBIT margin 0.0%; EBITDA margin +1.3%). Cash flow from operating activities was affected by MSEK +27. Other effects at 31 December were; total assets MSEK +80; net debt MSEK +85; gearing ratio +8%.

Review of the fourth quarter

President and CEO, David Woolley,
comments on the Q4 2019 Interim Report.

Market and sales development

The Group's underlying sales continued to be affected by the overall market slowdown in the fourth quarter with sales down –24% year-on-year and –11% for the full year. The reported sales were down year-on-year for the fourth quarter and for the full year by –29% and –20% respectively in constant currency and including the effect of the previously announced decision by a global OEM customer to dual source components.

The quarterly published market indices suggest production rates, blended for the Group's end-markets and regions declined by –2% with both the Americas and Europe & RoW reporting negative growth for the second successive quarter. Full year published market indices indicate production rates have remained flat year-on-year, but this year was a tale of two halves, modest market growth in the first half offset by the market contracting during the latter half of the year. With a weak market and the outlook remaining uncertain, our customers have maintained their supply chain destocking programs.

The market indices trend for medium- and heavy-duty trucks continued with a modest increase in demand in the fourth quarter in North America whilst demand for trucks in Europe declined. The truck market remains the largest end-market and accounts for 43% of the Group's sales.

Concentric's sales in North America, Europe, India and South America were down year-on-year in the quarter whilst sales in China were up significantly. Sales to all end-market applications were lower in the fourth quarter year-on-year with the off-highway and industrial applications sectors particularly affected in our core regions of North America and Europe. Economic conditions remain challenging in India as the banking crisis suppresses demand generally across all end market applications.

Concentric Business Excellence – managing during a global market slowdown

Our management teams have worked efficiently through the Concentric Business Excellence programme throughout the year to reduce the cost of capacity for the reduction in demand from our customers, ensuring the full year operating margin was maintained at record levels year-on-year at 23.5% (22.1) and 31.1% (24.8) for the fourth quarter.

Operating income this quarter did benefit from releasing a warranty provision associated with a customer quality claim, which was resolved amicably at no cost to Concentric. The underlying operating margin for the fourth quarter was 23.0% and 21.7% for the full year.

Strategic update on electrification

A growing market for e-products on both on- and off-highway vehicles will present new opportunities for Concentric. Concentric's e-products will also be relevant in new markets such as energy storage solutions where e-water pumps are necessary to ensure temperature control of batteries. These opportunities are additive to Concentric's existing products for internal combustion engines and we expect sales of e-products could amount to as much as 20% of Group sales by 2025.

Even though volumes currently remain at relatively low levels, we believe that e-products will grow in importance for Concentric over the coming years. By leveraging our existing relationships and moving quickly in order to have a competitive and reliable offering on early low-emission platforms, Concentric is well positioned to capture future opportunities in this growing market.

Outlook

The overall published market indices blended to Concentric's mix of end market applications and locations suggest the overall market will continue to contract during 2020, most notably the medium- and heavy-duty truck markets in North America and Europe. The emerging markets offer growth potential particularly in the off-highway sectors, agricultural machinery and construction equipment, but our core markets of North America & Europe will continue to offer challenging trading conditions.

Our customers' supply chain destocking programs have operated for three consecutive quarters and we anticipate our customers will revert to a normalised order pattern during the first half of the coming year. The level of orders received in the fourth quarter indicate that sales in the first quarter 2020 will be slightly higher than sales in the fourth quarter, even after adjusting for more working days in the first quarter.

Our continued focus on business excellence will help us respond to these challenging market conditions for both on- and off-highway sectors and the business remains vigilant and ready to adapt to further changes in customer behaviour.

Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.



» Our management teams have worked efficiently throughout the year to reduce the cost of capacity and maintain record operating margins for 2019...«

Fourth quarters figures

Key figures¹⁾

Amounts in MSEK	Oct–Dec			Jan–Dec		
	2019	2018	Change	2019	2018	Change
Net sales	430	582	–26%	2,012	2,410	–17%
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Earnings before tax	130	145	–10%	453	515	–12%
Net income for the period	71	115	–38%	321	405	–21%
Operating margin before items affecting comparability, %	31.1	24.8	6.3	23.5	22.1	1.4
Operating margin, %	31.1	24.1	7.0	23.5	21.9	1.6
ROCE, %	42.5	51.3	–8.8	42.5	51.3	–8.8
Return on equity, %	29.5	41.6	–12.1	29.5	41.6	–12.1
Basic EPS before items affecting comparability, SEK	1.87	2.86	–0.99	8.37	10.22	–1.85
Basic EPS, SEK	1.87	2.95	–1.08	8.37	10.30	–1.93
Diluted EPS, SEK	1.87	2.94	–1.07	8.27	10.27	–2.00

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

Sales

Net sales for the fourth quarter were down year-on-year by –26%. After adjusting for the impact of currency (+3%), sales in constant currency were down –29%. As a result, net sales for the full year were down year-on-year by –17%. After adjusting for the impact of currency (+3%), sales in constant currency were down –20%. This reduction reflects the decision by one of our customers, a global OEM, to dual source components. Excluding sales to the global OEM from both periods, group sales for the fourth quarter were down year-on-year by –24% and –11% for the full year in constant currency. The combined sales in our core North America and European end-markets were down by double-digit percentages, as also were sales in our Indian and South American markets, only sales into the China market showed any growth year-on-year. The China market also offered sales growth for Alfdex as significant deliveries of product to the customer Weichai commenced.

Operating income

The operating margin for the fourth quarter and the full year was 31.1% (24.1) and 23.5% (21.9) respectively. Operating margin this quarter did benefit from releasing a warranty provision associated with a product quality claim, which was resolved amicably at no cost to Concentric. The underlying operating margin for the fourth quarter was 23.0% and for the full year 21.7%.

Net financial items

Net financial expenses in the fourth quarter comprised of pension financial expenses of MSEK 1 (income 1) and other net interest expenses of MSEK 3 (income 4). Accordingly, net financial expenses for the full year comprised of pension financial expenses of MSEK 13 (13) and other net interest expenses of MSEK 6 (1).

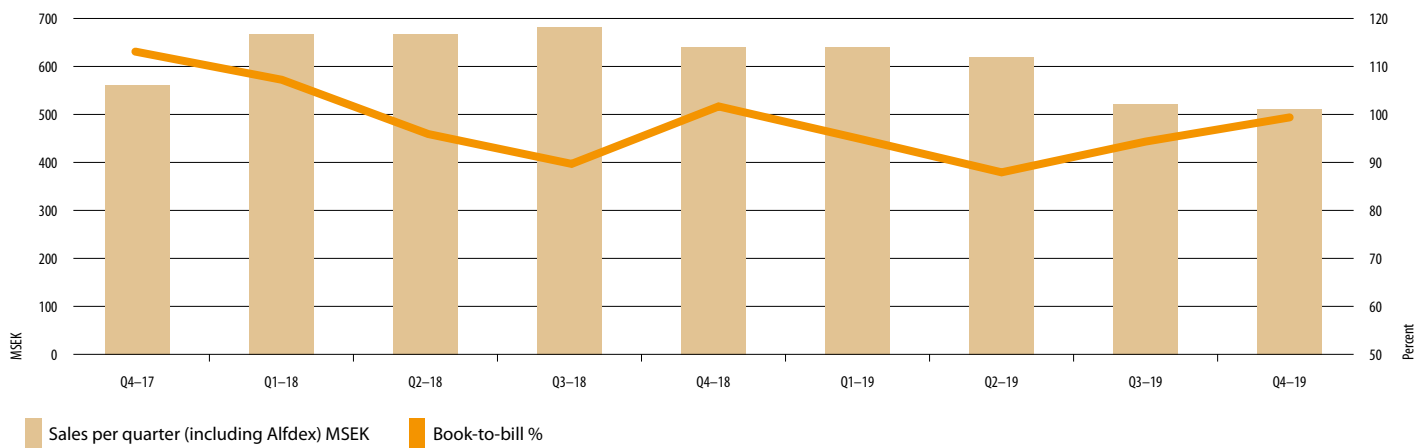
Taxes

The reported effective tax rate for the fourth quarter and the full year was 45% (21) and 29% (21) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions and a withholding tax charge for the payment of a dividend within the Group from India to UK. This one-off withholding tax increased the effective tax rate by 22% in the quarter and by 6% for the full year. The underlying tax rate was therefore 23% both in the fourth quarter and for the full year.

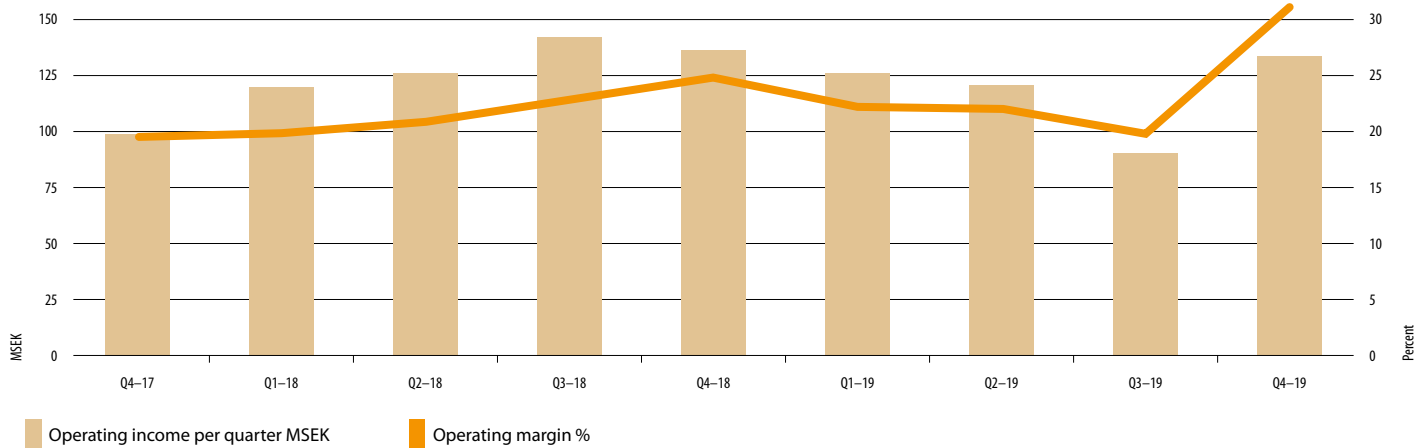
Earnings per share

The basic earnings per share for the full year was SEK 8.37 (10.30), down SEK 1.93 per share. The diluted earnings per share for the full year was SEK 8.27 (10.27), down SEK 2.00 per share.

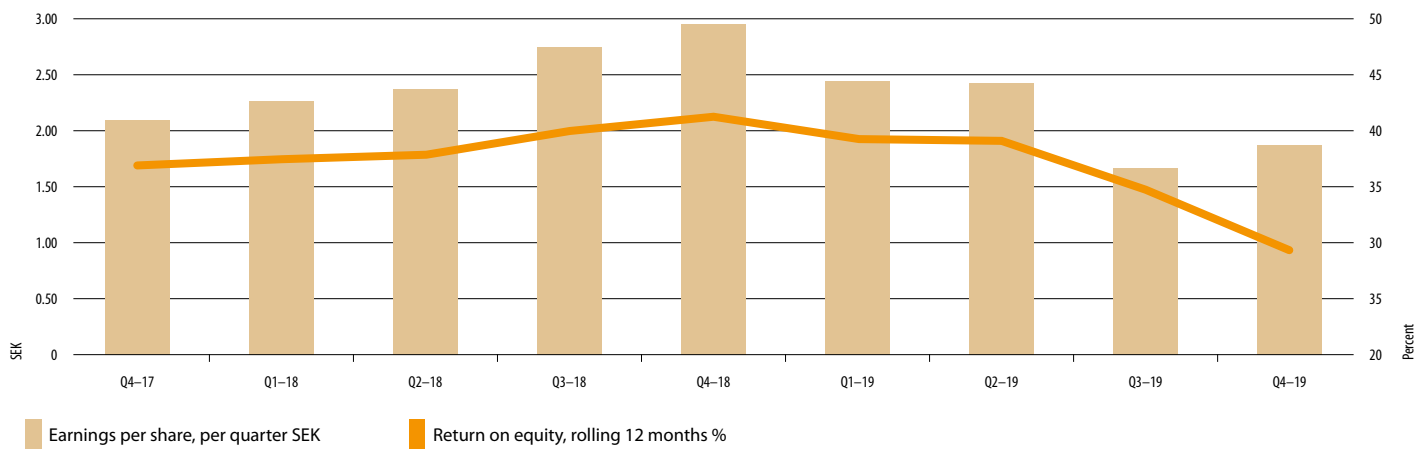
Sales and book-to-bill



Operating income before items affecting comparability and margins



Basic earnings per share and return on equity



Net sales and operating income by region

Americas

<i>Amounts in MSEK</i>	Oct-Dec			Jan-Dec		
	2019	2018	Change	2019	2018	Change
External net sales	179	296	-40%	863	1,184	-27%
Operating income before items affecting comparability	58	48	21%	161	185	-13%
Operating income	58	78	-26%	161	215	-25%
Operating margin before items affecting comparability, %	32.3	18.0	14.3	18.7	15.8	2.9
Operating margin, %	32.3	26.3	6.0	18.7	18.1	0.6
ROCE, %	49.9	75.9	-26.0	49.9	75.9	-26.0

Sales for the fourth quarter were down year-on-year by -40%. After adjusting for the impact of currency (+2%), sales in constant currency were down -42%. As a result, sales for the full year were down -27%, and after adjusting for the impact of currency (+4%), sales in constant currency were down -31%. Excluding sales of dual sourced components to the global OEM from both periods, sales were down year-on-year by -13% for the full year. In the fourth quarter, diesel engine and hydraulic product sales in our North American market were down year-on-year in all end application sectors by double-digit percentages. Demand in

South America continued to show signs of improvement in the Truck and Industrial Application sectors, but this growth was more than offset by lower sales in the off-highway sectors.

The operating margin before items affecting comparability in the fourth quarter was 32.3% (18.0) and 18.7% (15.8) for the full year. Operating income this quarter did benefit from releasing a warranty provision associated with a product quality claim, which was resolved amicably at no cost to Concentric. The underlying operating margin for the fourth quarter was 14.5% and 14.9% for the full year.

Europe & RoW

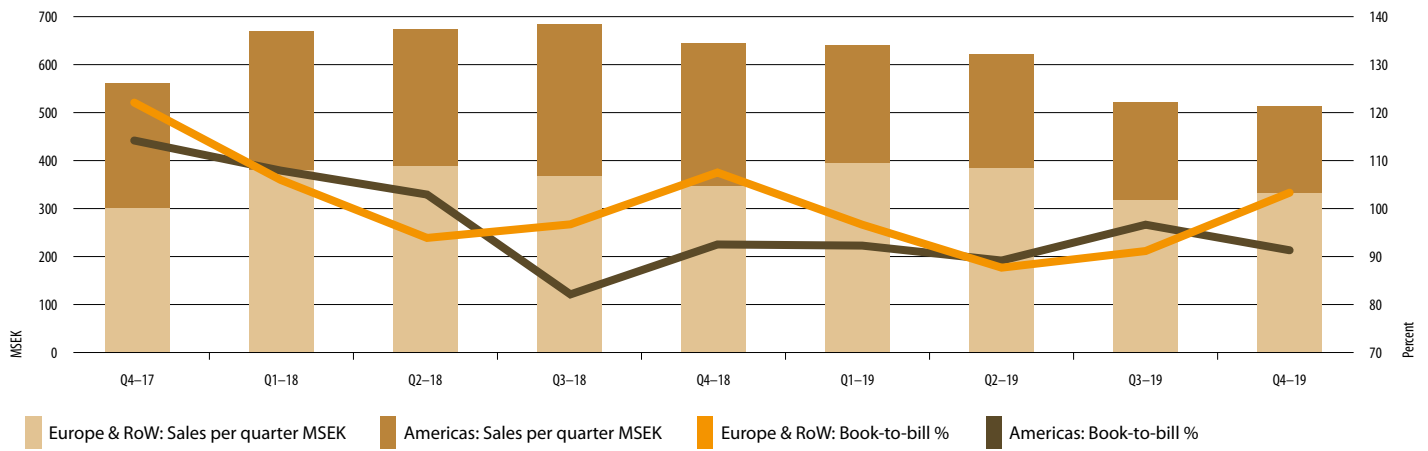
<i>Amounts in MSEK</i>	Oct-Dec			Jan-Dec		
	2019	2018	Change	2019	2018	Change
External net sales	334	345	-3%	1,432	1,477	-3%
Operating income before items affecting comparability	80	81	-1%	317	336	-6%
Operating income	80	57	40%	317	312	2%
Operating margin before items affecting comparability, %	24.1	23.5	0.6	22.2	22.8	-0.6
Operating margin, %	24.1	16.3	7.8	22.2	21.1	1.1
ROCE, %	40.6	41.7	-1.1	40.6	41.7	-1.1

Sales for the fourth quarter were down year-on-year by -3%. After adjusting for the impact of currency (+4%), sales in constant currency were down -7%. Sales for the full year were down year-on-year by -3%. After adjusting for the impact of currency (+3%), sales in constant currency were down -6%. Sales in Europe were a little stronger than the third quarter driven mainly by the Truck sector, but the off-highway sectors remained challenging. The impact on the economy of the crisis in

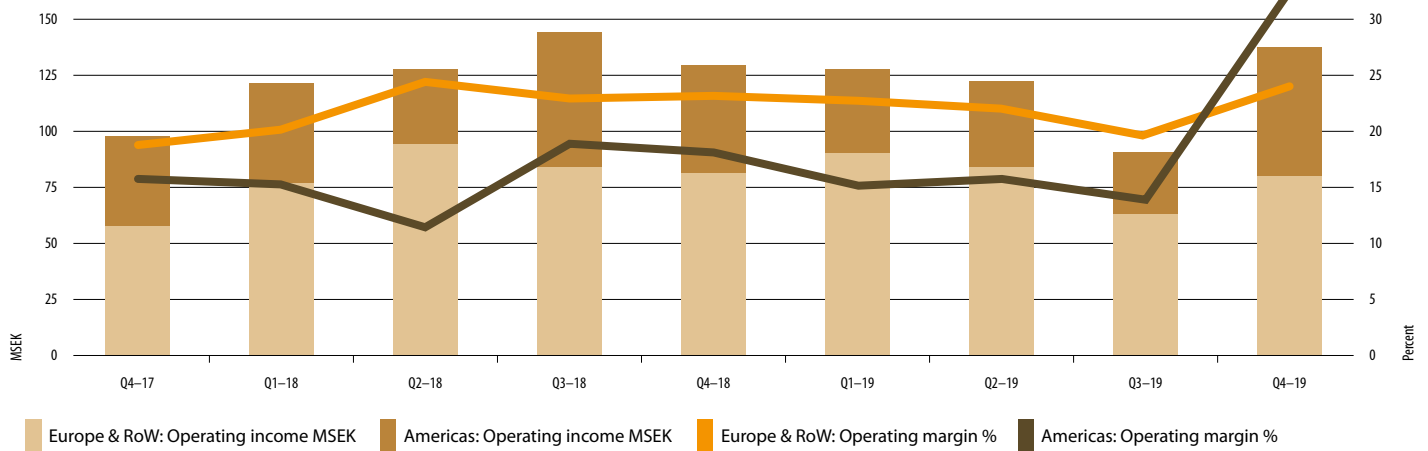
the banking sector in India has continued in the fourth quarter, creating liquidity issues and affecting demand across end-market applications, most notably the truck and construction equipment sectors.

The operating margin before items affecting comparability in the fourth quarter was 24.1% (23.5) and 22.2% (22.8) for the full year. The operating margin in this region has remained relatively stable over the last eighteen months.

Sales and book-to-bill



Operating income before items affecting comparability and margins



Market development

Second successive quarter of year-on-year market decline, confirming the peak of the market has now passed.

Americas end-markets

North America¹⁾

- Sales into all of our four end-markets were down year-on-year in the fourth quarter, most notably the medium and heavy-duty truck sector and both of the off-highway sectors, namely Agricultural Machinery and Construction Equipment.
- The Industrial Applications sector provided challenging trading conditions during the quarter with year-on-year sales declining by a double-digit percentage.
- Overall, sales growth in constant currency for the full year was behind the latest published market indices, suggesting the indices are lagging the actual market demand.

South America

- Sales in the fourth quarter to our South American end-market applications delivered strong growth in the Truck and Industrial Application sectors, but was offset by lower sales in the off-highway end application sectors, particularly Agricultural Machinery.

¹⁾ The year-on-year commentary above excludes sales of dual sourced components to a global OEM from both periods, to enable an understanding of the underlying sales trends.

Europe & RoW end-markets

Europe

- Sales into three of our four end-markets were down year-on-year in the fourth quarter, most notably the off-highway sectors Construction Equipment and Agricultural Machinery.
- The Industrial Application sector followed a similar trend to that seen in North America, again affecting sales of our hydraulic product lines. Sales of diesel engines to the Truck sector were up year-on-year in the fourth quarter by a single digit percentage.
- Overall, sales growth in constant currency for the full year was behind the latest published market indices, suggesting the indices are lagging the actual market demand.

Rest of the World

- The ongoing banking crisis remains a significant factor, which is affecting liquidity in the India market and hampering project funding. Sales into the Truck, Agricultural Machinery and Industrial Applications sectors have seen the biggest impact this quarter, but encouragingly in the Construction Equipment sector sales recovered to similar year-on-year levels.
- Despite the mixed market conditions in China, Concentric's sales increased for the full year.
- Overall, the Rest of the World still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q4-19 vs. Q4-18			FY-19 vs. FY-18			FY-20 vs. FY-19		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average ¹⁾	-2%	-2%	-2%	2%	-2%	-1%	-4%	-4%	-4%
Actual – constant currency ²⁾	-42%	-7%	-29%	-31%	-6%	-20%			

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 flat year-on-year for the full year. Each successive quarter the market growth rate has slowed with the fourth quarter being the second reporting negative growth for the Americas and Europe & RoW markets, in total declining by -2%.

Whilst Concentric's actual sales in constant currency for the full year were -20% for the Group and -31% for the Americas, this reflects the decision by one of our customers, a global OEM to dual source components. Excluding sales to the global OEM from both periods shows the

underlying sales to be down about -13% year-on-year in Americas and -6% in Europe & RoW in constant currency.

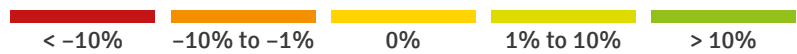
The current published forecast market indices for 2020 show the North America and European markets will continue to contract, particularly the medium- and heavy-duty truck sector, whilst the emerging markets of India and South America offer growth potential in the off-highway sectors.

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

	Q4-19 vs Q4-18					FY-19 vs FY-18					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	4%	14%	6%	-2%	-2%	3%	17%	2%	-1%	-5%	3%	10%	-2%	4%	0%
 Construction Diesel engines	-8%	17%	4%	-9%	7%	-1%	13%	0%	-6%	4%	0%	10%	-2%	8%	12%
Hydraulic equipment	5%	n/a	9%	n/a	n/a	9%	n/a	9%	n/a	n/a	0%	n/a	0%	n/a	n/a
 Trucks Light vehicles	23%	n/a	n/a	n/a	n/a	9%	n/a	n/a	n/a	n/a	4%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	1%	10%	-4%	-25%	-3%	6%	7%	-4%	-28%	-6%	-18%	8%	-7%	-1%	-13%
 Industrial Other off-highway	-1%	5%	4%	10%	7%	1%	9%	-1%	6%	3%	0%	5%	0%	8%	1%
Hydraulic lift trucks	-8%	n/a	-5%	n/a	n/a	-3%	n/a	1%	n/a	n/a	0%	n/a	0%	n/a	n/a

The market indices summarised in the table above reflect the Q4 2019 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 fourth quarter amounted to MSEK 58 (136), which represents SEK 1.53 (3.44) per share. This takes the cash inflow from operating activities for the full year to MSEK 386 (554), which represents SEK 10.05 (14.02) per share.

Cash flow from operating activities for the full year, calculated to previous accounting principles, excluding leases according to IFRS16 of MSEK 27, would have been MSEK 359, which represents SEK 9.34 per share.

Working capital

Total working capital at 31 December 2019 was MSEK 18 (–29), still on low levels, which represented 0.9% (–1.2) of annual sales. Working capital increased compared to 31 December 2018 mainly because of the releasing a warranty provision associated with a product quality claim, which was resolved amicably at no cost to Concentric.

Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 4 (3) for the fourth quarter and MSEK 19 (19) for the full year.

Net debt and gearing

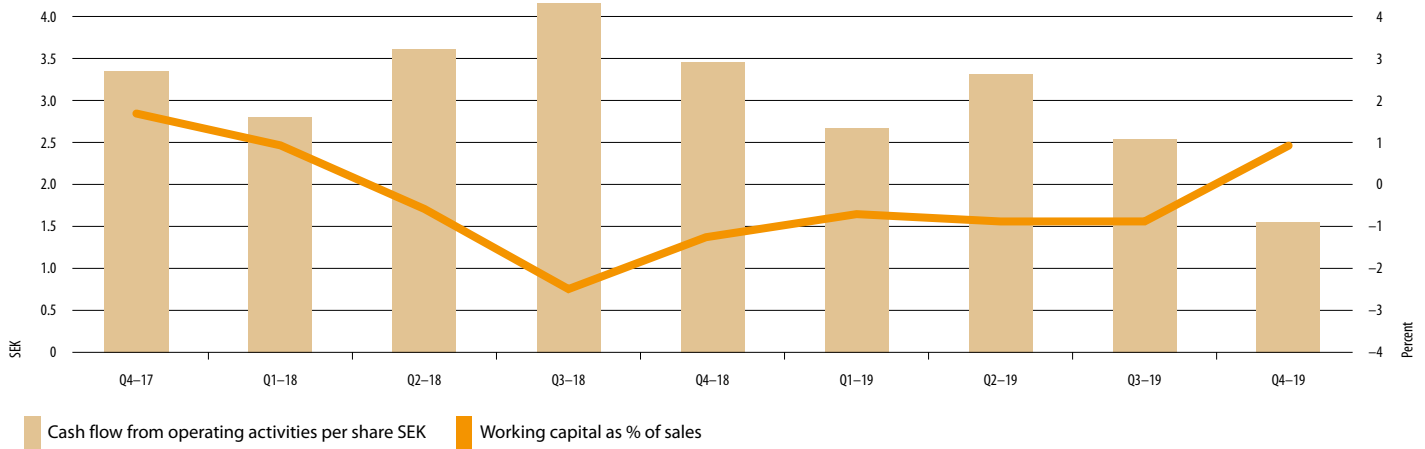
Following the review of the actuarial assumptions used to value the Group's defined benefit pension plans, net remeasurement gains of MSEK 136 were recognised in net pension liabilities during the fourth quarter 2019. As remeasurement losses of MSEK 137 was recognised earlier in the year, the cumulative net remeasurement losses were MSEK 1 (44).

Overall, the Group's net debt at 31 December 2019 increased to MSEK 54 (12), comprising bank loans of MSEK 1 (180), loans related to leasing MSEK 85 (1) and net pension liabilities of MSEK 499 (514), net of cash amounting to MSEK 531 (683). Shareholders' equity amounted to MSEK 1,136 (1,026), resulting in a gearing ratio of 5% (1) at the end of the year. Net debt calculated to previous accounting principles, excluding leases according to IFRS 16 of MSEK 85, would have been MSEK –31.

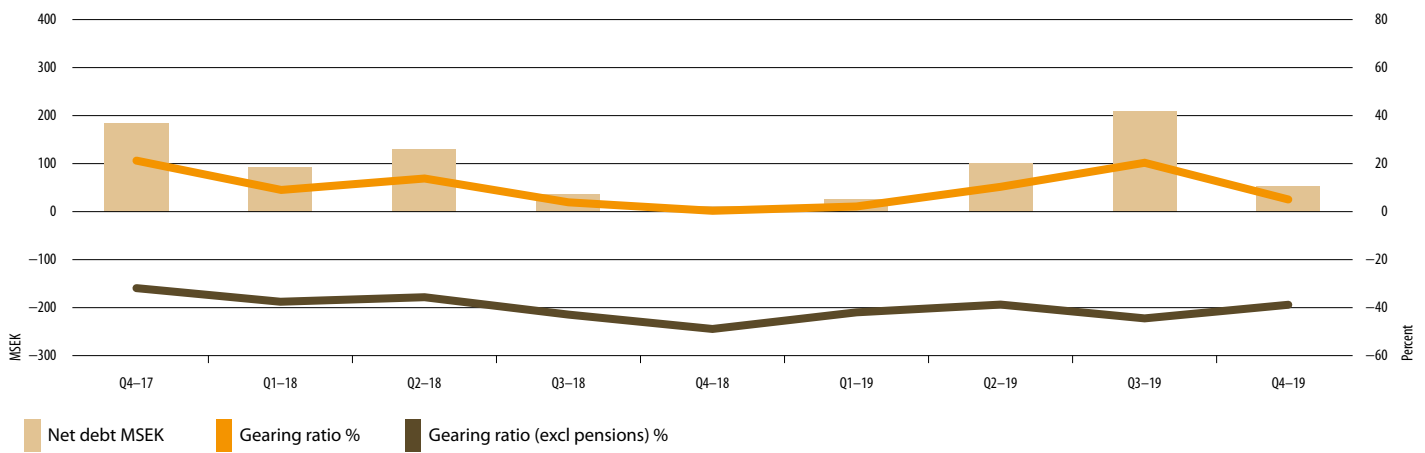
The Annual General Meeting on 4 April 2019 resolved, in accordance with the board's proposal, on a dividend of MSEK 164 (148), equal to SEK 4.25 (3.75) per share for 2018.



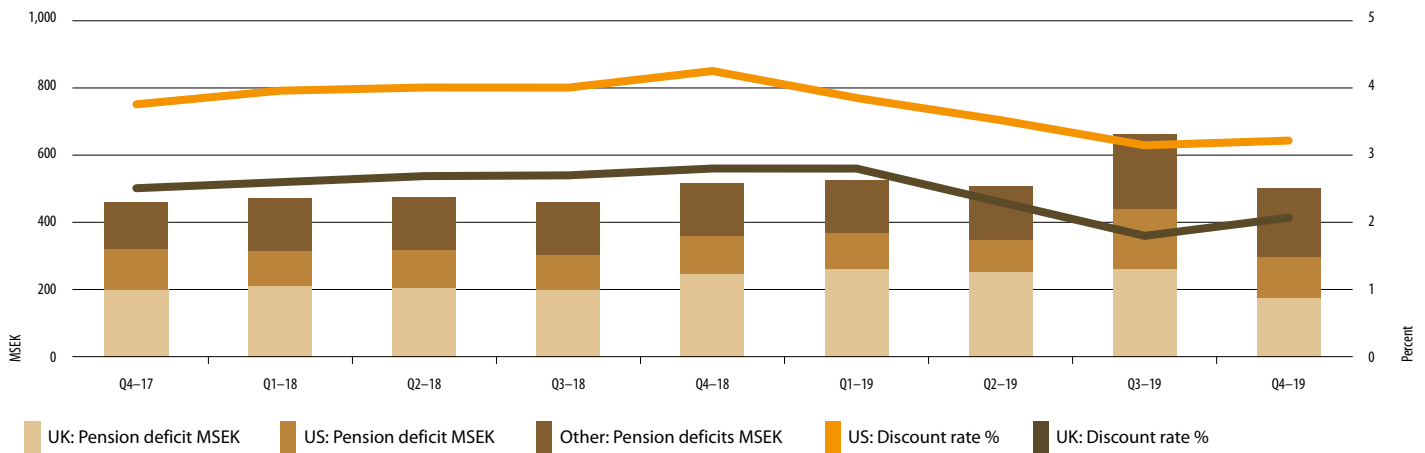
Cash flow from operating activities and working capital



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

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	430	582	2,012	2,410
Cost of goods sold	-301	-372	-1,385	-1,593
Gross income	129	210	627	817
Selling expenses	26	-5	-24	-95
Administrative expenses	-29	-32	-140	-153
Product development expenses	-9	-13	-46	-50
Share of net income in joint venture	13	2	20	14
Other operating income and expenses	4	-22	35	-4
Operating income	134	140	472	529
Financial income and expenses	-4	5	-19	-14
Earnings before tax	130	145	453	515
Taxes	-59	-30	-132	-110
Net income for the period	71	115	321	405
Parent company shareholders	71	115	321	405
Non-controlling interest	-	-	-	-
Basic earnings per share before items affecting comparability, SEK	1.87	2.86	8.37	10.22
Basic earnings per share, SEK	1.87	2.95	8.37	10.30
Diluted earnings per share, SEK	1.87	2.94	8.27	10.27
Basic average number of shares (000)	37,893	38,915	38,369	39,332
Diluted average number of shares (000)	37,930	39,004	38,849	39,456

Consolidated statement of comprehensive income

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net income for the period	71	115	321	405
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	61	-44	-76	-44
Tax on remeasurement losses of net pension liabilities	-15	8	20	8
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	44	9	-105	-94
Tax arising from exchange rate differences related to liabilities to foreign operations	-13	-	16	18
Cash-flow hedging	-1	2	-1	1
Tax arising from cash-flow hedging	-	-	-	-
Foreign currency translation differences	-69	-1	156	135
Total other comprehensive income	69	-26	72	24
Total comprehensive income	140	89	393	429

Consolidated balance sheet

	31 Dec 2019	31 Dec 2018
Goodwill	656	620
Other intangible fixed assets	162	190
Right of use fixed assets	84	–
Other tangible fixed assets	98	112
Share of net assets in joint venture	55	39
Deferred tax assets	137	132
Long-term receivables	6	5
Total fixed assets	1,198	1,098
Inventories	147	169
Current receivables	243	284
Cash and cash equivalents	531	683
Total current assets	921	1,136
Total assets	2,119	2,234
Total Shareholders' equity	1,136	1,026
Pensions and similar obligations	499	514
Deferred tax liabilities	20	24
Long-term liabilities for right of use fixed assets	62	1
Other long-term interest-bearing liabilities	–	175
Other long-term liabilities	5	8
Total long-term liabilities	586	722
Short-term liabilities for right of use fixed assets	23	–
Other short-term interest-bearing liabilities	1	5
Other current liabilities	373	481
Total current liabilities	397	486
Total equity and liabilities	2,119	2,234

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 2019 the fair value of derivative instru-

ments that were assets was MSEK 2 (3), and the fair value of derivative instruments that were liabilities was MSEK 1 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholder's equity

	31 Dec 2019	31 Dec 2018
Opening balance	1,026	875
Net income for the period	321	405
Other comprehensive income	72	24
Total comprehensive income	393	429
Dividend	-164	-148
Own share buy-backs	-136	-146
Sale of own shares to satisfy LTI – options exercised	14	12
Long-term incentive plan	3	4
Closing balance	1,136	1,026

Consolidated cash flow statement, in summary

	Oct–Dec		Jan–Dec	
	2019	2018	2019	2018
Earnings before tax	130	145	453	515
Reversal of depreciation, amortisation and write-down of fixed assets	25	17	99	73
Reversal of net income from joint venture	-13	-2	-20	-14
Reversal of other non-cash items	-1	24	23	43
Taxes paid	-71	-21	-135	-90
Cash flow from operating activities before changes in working capital	70	163	420	527
Change in working capital	-12	-27	-34	27
Cash flow from operating activities	58	136	386	554
Investments in property, plant and equipment	-4	-3	-19	-19
Cash flow from investing activities	-4	-3	-19	-19
Dividend	-	-	-164	-148
Dividend received from joint venture	-	-	2	2
Buy-back of own shares	-36	-53	-136	-146
Selling of own shares to satisfy LTI – options exercised	-	-	14	12
New loans	1	1	1	3
Repayment of loans	-184	-	-207	-1
Pension payments and other cash flows from financing activities	6	-8	-40	-44
Cash flow from financing activities	-213	-60	-530	-322
Cash flow for the period	-159	73	-163	213
Cash and bank assets, opening balance	720	600	683	455
Exchange-rate difference in cash and bank assets	-30	10	11	15
Cash and bank assets, closing balance	531	683	531	683

Group notes

Data per share

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Basic earnings per share before items affecting comparability, SEK	1.87	2.86	8.37	10.22
Basic earnings per share, SEK	1.87	2.95	8.37	10.30
Diluted earnings per share, SEK	1.87	2.94	8.27	10.27
Equity per share, SEK	30.09	26.55	30.09	26.55
Cash-flow from current operations per share, SEK ³⁾	1.53	3.44	10.05	14.02
Basic weighted average no. of shares (000's)	37,893	38,915	38,369	39,322
Diluted weighted average no. of shares (000's)	37,930	39,004	38,849	39,456
Number of shares at period-end (000's)	37,767	38,633	37,767	38,633

Key figures ¹⁾

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales growth, %	-26	16	-17	15
Sales growth, constant currency, % ²⁾	-29	11	-20	12
EBITDA margin before items affecting comparability, % ³⁾	37.1	28.1	28.4	25.2
EBITDA margin, % ³⁾	37.1	27.2	28.4	25.0
Operating margin before items affecting comparability, % ³⁾	31.1	24.8	23.5	22.1
Operating margin, % ³⁾	31.1	24.1	23.5	21.9
Capital Employed, MSEK	1,126	1,002	1,126	1,002
ROCE before items affecting comparability, %	42.5	50.9	42.5	50.9
ROCE, %	42.5	51.3	42.5	51.3
ROE, %	29.5	41.6	29.5	41.6
Working Capital, MSEK	18	-29	18	-29
Working capital as a % of annual sales	0.9	-1.2	0.9	-1.2
Net Debt, MSEK ²⁾ ³⁾	54	12	54	12
Gearing ratio, % ³⁾	5	1	5	1
Net investments in PPE	4	3	19	19
R&D, %	2.1	2.2	2.3	2.1
Number of employees, average	783	949	844	956

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

²⁾ For additional information see page 12.

³⁾ For additional information see pages 24–25.

Consolidated income statement in summary – by type of cost

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	430	582	2,012	2,410
Direct material costs	-202	-256	-948	-1,126
Personnel costs	-105	-114	-455	-487
Depreciation, amortisation and write-down of fixed assets ¹⁾	-25	-17	-99	-73
Share of net income in joint venture	13	2	20	14
Other operating income and expenses ¹⁾	23	-57	-58	-209
Operating income	134	140	472	529
Financial income and expense ¹⁾	-4	5	-19	-14
Earnings before tax	130	145	453	515
Taxes	-59	-30	-132	-110
Net income for the period	71	115	321	405

¹⁾ For additional information see pages 22–25.

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

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Tooling income	3	-	10	-
Royalty income from joint venture	13	14	58	53
Amortisation of acquisition related surplus values	-10	-9	-39	-37
UK pension benefit, equalisation	-	-25	-	-25
Customer contract provisions	-	-4	-	-4
Other	-2	2	6	9
Other operating income and expenses	4	-22	35	-4

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.

Fourth quarter

	Oct-Dec							
	Americas		Europe & RoW		Elims-Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	183	300	349	376	-102	-94	430	582
External net sales	179	296	334	345	-83	-59	430	582
Operating income before items affecting comparability	58	48	80	81	-4	7	134	136
Operating income	58	78	80	57	-4	5	134	140
Operating margin before items affecting comparability, %	32.3	18.0	24.1	23.5	n/a	n/a	31.1	24.8
Operating margin, %	32.3	26.3	24.1	16.3	n/a	n/a	31.1	24.1
Financial income and expense	-	-	-	-	-4	5	-4	5
Earnings before tax	58	78	80	57	-8	10	130	145
Assets	516	521	1,227	1,314	376	399	2,119	2,234
Liabilities	241	283	720	724	22	201	983	1,208
Capital employed	334	289	768	715	24	-2	1,126	1,002
ROCE before items affecting comparability, %	49.9	65.3	40.6	45.0	n/a	n/a	42.5	50.9
ROCE, %	49.9	75.9	40.6	41.7	n/a	n/a	42.5	51.3
Net investments in PPE	-	1	2	4	2	-2	4	3
Depreciation and fixed asset write-downs	6	6	20	13	-1	-2	25	17
Number of employees, average	280	345	568	676	-65	-72	783	949

Full year

	Jan-Dec							
	Americas		Europe & RoW		Elims-Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	882	1,202	1,504	1,600	-374	-392	2,012	2,410
External net sales	863	1,184	1,432	1,477	-283	-251	2,012	2,410
Operating income before items affecting comparability	161	185	317	336	-6	4	472	525
Operating income	161	215	317	312	-6	2	472	529
Operating margin before items affecting comparability, %	18.7	15.8	22.2	22.8	n/a	n/a	23.5	22.1
Operating margin, %	18.7	18.1	22.2	21.1	n/a	n/a	23.5	21.9
Financial income and expense	-	-	-	-	-19	-14	-19	-14
Earnings before tax	161	215	317	312	-25	-12	453	515
Assets	516	521	1,227	1,314	376	399	2,119	2,234
Liabilities	241	283	720	724	22	201	983	1,208
Capital employed	334	289	768	715	24	-2	1,126	1,002
ROCE before items affecting comparability, %	49.9	65.3	40.6	45.0	n/a	n/a	42.5	50.9
ROCE, %	49.9	75.9	40.6	41.7	n/a	n/a	42.5	51.3
Net investments in PPE	6	2	42	24	-29	-7	19	19
Depreciation and fixed asset write-downs	27	23	76	53	-4	-3	99	73
Number of employees, average	300	354	615	671	-71	-69	844	956

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 58 (59) for the Group, with an average of 57 (60) working days for the Americas region and 59 (57) working days for the Europe & RoW region.

The weighted average number of working days in the full year was 242 (244) for the Group, with an average of 243 (244) working days for the Americas region and 241 (244) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Oct-Dec							
	Americas		Europe & RoW ¹⁾		Elims-Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	159	252	-	2	-	-	159	254
Rest of North America	4	9	2	3	-	-	6	12
South America	6	16	-	1	-	-	6	17
Germany	1	2	76	84	-	-	77	86
UK	2	5	35	39	-	-	37	44
Sweden	-	-	23	25	-	-	23	25
Rest of Europe	2	2	72	87	-	-	74	89
Asia	4	7	42	45	-	-	46	52
Other	1	3	1	-	-	-	2	3
Total Group	179	296	251	286	-	-	430	582

¹⁾ Excluding the joint venture company Alfdex AB.

	Jan-Dec							
	Americas		Europe & RoW ¹⁾		Elims-Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	744	1,053	2	4	-	-	746	1,057
Rest of North America	28	31	10	12	-	-	38	43
South America	31	35	2	2	-	-	33	37
Germany	8	11	363	385	-	-	371	396
UK	13	19	144	151	-	-	157	170
Sweden	-	-	93	105	-	-	93	105
Rest of Europe	8	8	368	381	-	-	376	389
Asia	27	22	165	183	-	-	192	205
Other	4	5	2	3	-	-	6	8
Total Group	863	1,184	1,149	1,226	-	-	2,012	2,410

¹⁾ Excluding the joint venture company Alfdex AB.

Total sales by product groups

	Oct-Dec							
	Americas		Europe & RoW ¹⁾		Elims-Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	67	173	118	143	-	-	185	316
LICOS branded engine products	-	-	49	50	-	-	49	50
Alfdex branded engine products	-	-	83	59	-83	-59	-	-
Total engine products	67	173	250	252	-83	-59	234	366
Total hydraulics products	112	123	84	93	-	-	196	216
Total Group	179	296	334	345	-83	-59	430	582

¹⁾ Including the joint venture company Alfdex AB.

	Jan-Dec							
	Americas		Europe & RoW ¹⁾		Elims-Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	337	655	557	593	-	-	894	1,248
LICOS branded engine products	-	-	225	227	-	-	225	227
Alfdex branded engine products	-	-	283	251	-283	-251	-	-
Total engine products	337	655	1,065	1,071	-283	-251	1,119	1,475
Total hydraulics products	526	529	367	406	-	-	893	935
Total Group	863	1,184	1,432	1,477	-283	-251	2,012	2,410

¹⁾ Including the joint venture company Alfdex AB.



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 2018 Annual Report on pages 6–9 and pages 14–29.

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.

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 2018 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2019. Please refer to the Risk and Risk Management section on pages 63–66 of the 2018 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 2018 Annual Report, except for the changes in accounting principles regarding IFRS 16 – "Leases", described below on pages 24–25.

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 and amended standards and interpretations adopted by the Group

IFRS 16 – "Leases" sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019.

IFRS 16 has replaced the previous standard for leases, IAS 17 "Leases", and related Interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. For Concentric, total assets and liabilities have increased as a result of recognising leases on the balance sheet that previously were classified as operational leases. This has affected operating income positively since the entire leasing fee for the period is no longer included in operating income on leases that previously were classified as operational. However, depreciation and financial expenses have increased. Concentric has applied the so called "modified retrospective approach" when transitioning to IFRS 16. Comparatives for 2018 are therefore not restated. The Group has furthermore opted to measure the right of use asset at an amount equal to the lease liability upon transition to IFRS 16 on January 1, 2019. Fixed assets and financial liabilities have increased by MSEK 75 per January 1, 2019 due to the implementation of IFRS 16.

See on pages 24–25 for detailed information of the effects of these new accounting principles.

New standards, amendments and interpretations to existing standards that have been endorsed by the EU but have not been early 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.

Changes in the statements related to the new accounting principles in IFRS 16 for leases

General information

In the tables below, on pages 24–25, we have only included items that are affected by IFRS 16 for leases.

Changes in consolidated income statement – by function

	New principles	Changes	Old principles
	Jan–Dec 2019	Jan–Dec 2019	Jan–Dec 2019
Cost of goods sold	-1,385	–	-1,385
Gross income	627	–	627
Selling expenses	-24	–	-24
Administrative expenses	-140	1	-139
Product development expenses	-46	–	-46
Operating income	472	1	473
Financial income and expenses	-19	2	-17
Earnings before tax	453	3	456
Taxes	-132	-1	-133
Net income for the period	321	2	323

Consolidated income statement in summary – by type of cost

	New principles	Changes	Old principles
	Jan–Dec 2019	Jan–Dec 2019	Jan–Dec 2019
Direct material costs	-948	-1	-949
Depreciation, amortisation and write-down of fixed assets	-99	27	-72
Other operating income and expenses	-58	-25	-83
Operating income	472	1	473
Financial income and expense	-19	2	-17
Earnings before tax	453	3	456
Taxes	-132	-1	-133
Net income for the period	321	2	323
Key figures:			
Operating margin, %	23.5	0.0	23.5
EBITDA-margin, %	28.4	-1.3	27.1
Basic earnings per share, SEK	8.37	0.04	8.41

Changes in the consolidated balance sheet

	New principles	Changes	Old principles
	31 Dec 2019	31 Dec 2019	31 Dec 2019
Right of use fixed assets	84	-84	-
Other tangible fixed assets	162	1	163
Long-term receivables	6	-2	4
Total fixed assets	1,198	-85	1,113
Current receivables	243	5	248
Total current assets	921	5	926
Total assets	2,119	-80	2,039
Total Shareholders' equity	1,136	2	1,138
Long-term liabilities for right of use fixed assets	62	-62	-
Other long-term liabilities	5	3	8
Total long-term liabilities	586	-57	529
Short-term liabilities for right of use fixed assets	23	-23	-
Total short-term liabilities	23	-23	-
Total equity and liabilities	2,119	-80	2,039
Key figures:			
Net debt	54	-85	-31
Gearing ratio, %	5	-8	-3

Consolidated cash flow statement, in summary

	New principles	Changes	Old principles
	Jan-Dec 2019	Jan-Dec 2019	Jan-Dec 2019
Earnings before tax	453	3	456
Reversal of depreciation, amortisation and write-down of fixed assets	99	-27	72
Reversal of other non-cash items	23	-3	20
Cash flow from operating activities before changes in working capital	420	-27	393
Change in working capital	-34	-	-34
Cash flow from operating activities	386	-27	359
Repayments of loans	-207	27	-180
Cash flow from financing activities	-530	27	-503
Cash flow for the period	-163	-	-163

Reconciliation note for leases in AR 2018 vs. lease liabilities according to IFRS 16

	New principles
	1 Jan 2019
Operational leases at 31 Dec 2018 according to note in AR	78
Discounted by incremental borrowing rate as of 1 Jan 2019	73
In addition: Variable lease payments	2
In addition: Financial leasing liabilities reported as of Dec 31, 2018	1
In addition: Reclassification of items reported as of Dec 31, 2018	3
Total lease liabilities as of 1 Jan 2019	79

Right of use assets – by type of assets

	New principles	New principles
	1 Jan 2019	31 Dec 2019
Land and building ¹⁾	75	80
Machinery	1	1
Vehicles	3	2
Other	2	1
Total right of use assets	81	84

¹⁾ of which MSEK 6 already was reported as of 31 December 2018. MSEK 1 as financial leases and MSEK 5 as prepaid rental cost.

Effects of new accounting principles for leases – IFRS 16

The effects in the income statement are not material (EBIT margin 0.0%; EBITDA margin +1.3%). Cash flow from operating activities was affected by MSEK +27. Other effects at 31 December 2019 were; total assets MSEK

+80; net debt MSEK +85; gearing ratio +8%.

The weighted average incremental borrowing rate used for the IFRS 16 calculation is 2.6%.

Parent Company

Net sales and operating income

Net sales for the full year reflected the royalty income received from the joint venture, Alfdex AB.

Net financial items

During the fourth quarter, the parent company has received dividends from subsidiaries of MSEK 139 (5), taking the total dividends for the year to MSEK 747 (5). Following a valuation of shares in subsidiaries, the shares and receivables in our subsidiary in Argentina was impaired in the second quarter by MSEK 35. Income from shares in subsidiaries amounts therefore to MSEK 712 (5) for the full year. Exchange rate losses on foreign currencies on liabilities to subsidiaries decreased during the fourth quarter by MSEK 61 and was MSEK –76 (–86) for the full year, a decrease of MSEK 10.

Dividends

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 Annual General Meeting a total dividend of SEK 4.50 (4.25) per share in respect of the 2019 financial year. This corresponds to an ordinary dividend of SEK 3.25 (3.00), plus an additional dividend of SEK 1.25 (1.25) associated with the Group's strong financial position.

The Board of Directors propose also to renew the current mandate for share buy-backs.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2019 was 1,210,516 and shares transferred in 2017–2018 to an Employee Share Ownership Trust ("ESOT") was 188,020. Including these shares the company's holdings was 1,398,536 and the total number of shares in issue was 40,031,100.

On 4 April 2019, the AGM resolved to retire 807,000 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 120,200 shares to an Employee Share Ownership Trust ("ESOT") as a part of a Joint Share Ownership Plan ("JSOP") under LTI 2019. In accordance with the annual general meeting's resolution and the terms of LTI 2019, the board of Concentric has executed the transfer in regards to 112,680 shares.

During the second quarter, the company sold 169,400 (123,600) of own shares, to exercise and satisfy LTI-programme.

The company repurchased 260,355 (436,409) of own shares during the fourth quarter, for a total consideration of MSEK 36 (53), taking the total purchased own shares to 1,035,231 (1,033,529) for a total consideration of MSEK 136 (146) for the full year.

The total number of holdings of own shares at 31 December 2019 was 1,156,667 (1,398,536) and the total number of shares in issue was 39,224,100 (40,031,100). Consequently the company's total holdings of own shares now represent 2.9% (3.5) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 300,700 (188,020). Including these shares the company's holdings was 1,457,367 (1,586,556) representing 3.7% (4.0) of the total number of shares.

Parent Company's income statement

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	14	18	62	57
Operating costs	-5	-8	-20	-20
Operating income	9	10	42	37
Income from shares in subsidiaries	139	5	712	5
Income from shares in joint venture	-	-	2	2
Net foreign exchange rate differences	61	-	-76	-86
Other financial income and expense	-5	-5	-17	-10
Earnings before tax	204	10	663	-52
Taxes	-15	-2	6	11
Net income for the period ¹⁾	189	8	669	-41

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 2019	31 Dec 2018
Shares in subsidiaries	3,149	3,178
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	1	6
Deferred tax assets	22	16
Total financial fixed assets	3,182	3,210
Other current receivables	4	4
Short-term receivables from subsidiaries	17	144
Cash and cash equivalents	405	433
Total current assets	426	581
Total assets	3,608	3,791
Total shareholders' equity	1,827	1,444
Pensions and similar obligations	18	18
Long-term interest-bearing liabilities	–	175
Long-term loans payable to subsidiaries	1,063	2,131
Total long-term liabilities	1,081	2,324
Short-term loans payable to subsidiaries	694	14
Other current liabilities	6	9
Total current liabilities	700	23
Total equity and liabilities	3,608	3,791

Parent Company's changes in shareholders' equity

	31 Dec 2019	31 Dec 2018
Opening balance	1,444	1,767
Net income for the period	669	–41
Dividend	–164	–148
Sale of own shares to satisfy LTI options exercised	14	12
Buy-back of own shares	–136	–146
Closing balance	1,827	1,444

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 13.00 CET on 4 February, 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.

Stockholm 4 February, 2020

David Woolley
President and CEO

This Interim Report has not been reviewed by Concentric's Auditors.

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 2019	1 April, 2020
Annual General Meeting 2020	23 April, 2020
Interim Report January – March 2020	6 May, 2020
Interim Report January – June 2020	23 July, 2020
Interim Report January – September 2020	4 November, 2020

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Corporate Registration Number 556828-4995

Alternative Performance Measures

General information

"Old principles" in the tables below refers to Leases accounted for using the previous standard IAS 17 that was applied by the Group until 2018, rather than the current standard IFRS 16.

Underlying EBIT or operating income	Oct-Dec			Jan-Dec		
	2019 ¹⁾	2019 ²⁾	2018	2019 ¹⁾	2019 ²⁾	2018
Underlying EBIT or operating income	134	134	140	472	473	529
EBIT or operating income	134	134	140	472	473	529
Items affecting comparability:						
UK pension benefit, equalisation	-	-	25	-	-	25
End of Customer contract revenue	-	-	-33	-	-	-33
End of Customer contract provisions	-	-	4	-	-	4
Underlying operating income	134	134	136	472	473	525
Net Sales	430	430	582	2,012	2,012	2,410
Underlying Net Sales	430	430	549	2,012	2,012	2,377
Operating margin (%)	31.1	31.1	24.1	23.5	23.5	21.9
Underlying operating margin (%)	31.1	31.1	24.8	23.5	23.5	22.1

¹⁾ New principles

²⁾ Old principles

Underlying EBITDA or operating income before amortisation and depreciation	Oct-Dec			Jan-Dec		
	2019 ¹⁾	2019 ²⁾	2018	2019 ¹⁾	2019 ²⁾	2018
Underlying EBITDA or operating income before amortisation and depreciation	134	134	140	472	473	529
EBIT or operating income	134	134	140	472	473	529
Operating amortisation/depreciation	15	7	8	60	33	36
Amortisation of purchase price allocation	10	10	9	39	39	37
EBITDA or operating income before amortisation and depreciation	159	151	157	571	545	602
Underlying EBITDA or underlying operating income before amortisation and depreciation	159	151	153	571	545	598
Net sales	430	430	582	2,012	2,012	2,410
Underlying Net Sales	430	430	549	2,012	2,012	2,377
EBITDA margin (%)	37.1	35.1	27.2	28.4	27.1	25.0
Underlying EBITDA margin (%)	37.1	35.1	28.1	28.4	27.1	25.2

¹⁾ New principles

²⁾ Old principles

Net income before items affecting comparability	Oct-Dec			Jan-Dec		
	2019 ¹⁾	2019 ²⁾	2018	2019 ¹⁾	2019 ²⁾	2018
Net income	71	71	115	321	323	405
Items affecting comparability after tax	-	-	-3	-	-	-3
Net income before items affecting comparability	71	71	112	321	323	402
Basic average number of shares (000)	37,893	37,893	38,915	38,369	38,369	39,322
Basic earnings per share	1.87	1.87	2.95	8.37	8.41	10.30
Basic earnings per share before items affecting comparability	1.87	1.87	2.86	8.37	8.41	10.22

¹⁾ New principles

²⁾ Old principles

Net debt	31 Dec 2019¹⁾	31 Dec 2019²⁾	31 Dec 2018
Pensions and similar obligations	499	499	514
Liabilities for right of use fixed assets	85	-	1
Long term interest bearing liabilities	-	-	175
Short term interest bearing liabilities	1	1	5
Total interest bearing liabilities	585	500	695
Cash and cash equivalents	-531	-531	-683
Total net debt	54	-31	12
Net debt, excluding pension obligations	-445	-530	-502

¹⁾ New principles²⁾ Old principles

Capital employed	31 Dec 2019¹⁾	31 Dec 2019²⁾	31 Dec 2018
Total assets	2,119	2,039	2,234
Interest bearing financial assets	-6	-6	-5
Cash and cash equivalents	-531	-531	-683
Tax assets	-171	-171	-154
Non interest bearing assets (excl taxes)	1,411	1,331	1,392
Non interest bearing liabilities (incl taxes)	-395	-395	-510
Tax liabilities	110	110	120
Non interest bearing liabilities (excl taxes)	-285	-285	-390
Total capital employed	1,126	1,046	1,002

¹⁾ New principles²⁾ Old principles

Working capital	31 Dec 2019¹⁾	31 Dec 2019²⁾	31 Dec 2018
Accounts receivable	181	181	215
Other current receivables	62	67	69
Inventory	147	147	169
Working capital assets	390	395	453
Accounts payable	-156	-156	-192
Other current payables	-216	-216	-290
Working capital liabilities	-372	-372	-482
Total working capital	18	23	-29

¹⁾ New principles²⁾ Old principles

Graph data summary

	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017
Americas									
Sales, MSEK	179	203	237	244	296	315	285	288	258
Book-to-bill, %	91	97	89	92	92	82	103	108	115
Operating income before items affecting comparability, MSEK	58	28	38	37	48	60	33	45	40
Operating margin before items affecting comparability, %	32.3	14.1	15.8	15.3	18.0	18.8	11.5	15.5	15.4
Europe & RoW									
Sales (including Alfdex), MSEK	334	320	383	394	345	367	388	379	302
Book-to-bill, %	103	91	88	97	108	97	94	106	122
Operating income before items affecting comparability, MSEK	80	63	84	90	81	84	94	77	57
Operating margin before items affecting comparability, %	24.1	19.7	22.0	22.8	23.4	22.9	24.4	20.2	18.9
Alfdex eliminations									
Sales, MSEK	-83	-60	-67	-73	-59	-60	-70	-64	-57
Operating income before items affecting comparability, MSEK	-4	-1	-1	-1	7	-2	-1	-1	2
Group									
Sales (excluding Alfdex), MSEK	430	463	553	566	582	622	603	603	503
Book-to-bill, %	99	94	88	95	102	90	97	108	114
Operating income before items affecting comparability, MSEK	134	91	121	126	136	142	126	120	99
Operating margin before items affecting comparability, %	31.1	19.8	21.9	22.2	24.8	22.9	20.9	19.9	19.6
Basic earnings per share, SEK	1.87	1.67	2.39	2.43	2.95	2.74	2.36	2.26	2.08
Return on equity, %	29.5	34.4	39.0	39.5	41.6	40.3	38.1	37.6	37.0
Cash flow from operating activities per share, SEK	1.53	2.53	3.32	2.65	3.44	4.17	3.61	2.80	3.35
Working capital as % of annualised sales	0.9	-0.9	-0.9	-0.7	-1.2	-2.5	-0.6	0.9	1.7
Net debt, MSEK	54	207	102	27	12	37	132	92	185
Gearing ratio, %	5	20	10	2	1	4	14	9	21
Gearing ratio (excl Pensions), %	-39	-44	-38	-42	-49	-43	-35	-38	-32

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.

Europe & RoW

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

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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