INTERIM REPORT Q4/2020

TECHNOLOGY
INNOVATION
SUSTAINABILITY

CONCENTRIC

CONTENTS

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

Fourth quarter

Net sales
MSEK 380 (430) – sales were down –12% y-o-y. After adjusting for impact of currency (-9%), sales in constant currency were down –3%.

Operating income
Operating income was MSEK 104 (134); an operating margin of 27.4% (31.1). After adjustments of MSEK +5, the operating income before items affecting comparability was MSEK 99; an operating margin of 26.0%.

Net income for the period
MSEK 88 (71); basic EPS of SEK 2.32 (1.87).

Cash flow from operating activities
MSEK 121 (58); strong profit to cash conversion ratio.

Dividend
A dividend of SEK 3.25 per share was paid in the fourth quarter. Based on the Group's earnings and strong financial position, the Board of Directors intend to propose a dividend of SEK 3.50 (3.25) per share for the financial year 2020 and to renew the current mandate for share buybacks.

Acquisition
On 31 December 2020 the strategic acquisition of Allied Enterprises LLC was made for MSEK 95, paid from cash reserves. Allied is a manufacturer of transmission pumps which complements our existing product offering and can be adapted to be driven electronically.

Full year

Net sales
MSEK 1,502 (2,012) – sales were down –25% y-o-y. After adjusting for impact of currency (–2%), sales in constant currency were down –23%.

Operating income
Operating income was MSEK 276 (472); an operating margin of 18.4% (23.5). Excluding adjustments of MSEK –15, the operating income before items affecting comparability was MSEK 291; an operating margin of 19.4%.

Net income for the period
MSEK 205 (321); basic EPS of SEK 5.43 (8.37).

Cash flow from operating activities
MSEK 337 (386); cash generation affected by lower sales however reduced working capital investment has resulted in a strong profit to cash conversion ratio.

Group's net debt
MSEK 86 (54); gearing ratio of 8% (5).

Key figures – Group [1)]

	Oct-Dec			Jan-Dec		
Amounts in MSEK	2020	2019	Change	2020	2019	Change
Net sales	380	430	–12%	1,502	2,012	–25%
Operating income before items affecting comparability	99	134	–26%	291	472	–38%
Operating income	104	134	–22%	276	472	–42%
Earnings before tax	103	130	–21%	256	453	–43%
Net income for the period	88	71	24%	205	321	–36%
Cash flow from operating activities	121	58	109%	337	386	–13%
Net debt [2)]	86	54	59%	86	54	59%
Operating margin before items affecting comparability, %	26.0	31.1	–5.1	19.4	23.5	–4.1
Operating margin, %	27.4	31.1	–3.7	18.4	23.5	–5.1
Basic EPS before items affecting comparability, SEK	2.23	1.87	0.36	5.73	8.37	–2.67
Basic EPS, SEK	2.32	1.87	0.45	5.43	8.37	–2.94
Diluted EPS, SEK	2.32	1.87	0.45	5.42	8.27	–2.85
Return on equity, %	17.5	29.5	–12.0	17.5	29.5	–12.0
Gearing ratio, %	8	5	3	8	5	3

1) For additional information see pages 30–31 and 34.
2) For additional information see page 15.

Review of the fourth quarter

President and CEO, David Woolley, comments on the Q4 2020 Interim Report.

Market and sales development

Published market indices suggest production rates, blended to the Group's end-markets and regions were up by +6% year-on-year in the fourth quarter. This was the first quarter reporting year-on-year market growth since quarter two 2019, suggesting our key end-markets, Europe and North America have started to recover from the global pandemic. The full year published market indices suggest production rates, blended for the Group's end-markets and regions declined by –20% during 2020.

The reported sales for the fourth quarter were down year-on-year by –12% and –25% for the full year. Reported sales in this quarter continued to be affected by the strength of the Swedish Krona against most of the major currencies, and in particular the US Dollar. Group sales in constant currency were down year-on-year during the fourth quarter by –3% and for the full year –23%, and broadly in line with full year reported market indices.

Sales this quarter are MSEK 56 or +17% higher than the third quarter driven by the improving customer demand for both our engine and hydraulic products. Quarter-on-quarter sales of engine products improved by +22% and hydraulic products +10%, as the recovery in hydraulic products end-markets continues to lag that of engine products end markets.

Constant currency sales in Europe and Rest of World were down –6% whilst the Americas were –2% year-on-year for the fourth quarter and directionally in line with published market indices, which shows a sharper recovery in the Americas than that seen in Europe, albeit with the typical lag between published indices and reported sales. The sales picture is mixed by end-market application within each region as the recovery is not uniform and supply chains adjust to the increasing demand. India continues to be affected by the global pandemic with sales into all end-market applications weaker year-on-year, however encouragingly sales performance in the fourth quarter improved modestly on that reported in the third.

Global pandemic and rightsizing the business

Our programs to manage the cost of capacity with short-time working arrangements continued this quarter, but to a lesser extent. Concentric also converted the US government loan received under the pay check protection program to grant income during the fourth quarter amounting to MSEK 10.

Concentric Business Excellence – managing operating margins and cash

As demand for our products increases our Concentric Business Excellence program ensured we were able to meet the increase in customer demand whilst controlling the cost of capacity. This program and our employee's resilience and ability to adapt to an ever changing environment ensured the reported operating margin was 27.4% (31.1) for the fourth quarter and 18.4% (23.5) for the full year. The operating margin before items affecting comparability for the fourth quarter was 26.0% and 19.4% for the full year.

Cash flow from current operations was MSEK 121 with a strong cash conversion. Progress was made during the fourth quarter to reduce inventory levels and the task to optimise inventory turns will continue in quarter one 2021, assisted by increased demand from our customers. Cash and cash equivalents decreased during the quarter due to the acquisition of Allied Enterprises MSEK 95 and an ordinary dividend payment MSEK 123, which was approved by Concentric's shareholders during the Extraordinary General meeting held on 9 December 2020.

Overall an extremely pleasing financial performance this quarter, sales quarter-on-quarter +17%, strong operating margin percentage and profit to cash conversion ratio, in what remains a challenging operating environment. We also continue to report a strong balance sheet, even after the dividend payment and costs acquiring Allied Enterprises, the business has no external debt finance, cash and cash equivalents were MSEK 505 (531), which is sufficient to both finance the day to day operations and room for future acquisitions. The year-end gearing ratio was 8% (5) and -35% (-39) when excluding pension liabilities.

Allied Enterprises

Concentric have regularly communicated our intention to improve and expand our technological capability via acquisition and Allied Enterprises, which was acquired on 31 December 2020 for MUSD 11.7 on a cash free debt free basis, represents a key strategic step for Concentric.

The acquisition delivers Concentric a strengthened transmission pump capability which complements its product offering. The transmission products produced by Allied Enterprises sit between our existing product categories, engines and hydraulics in terms of pressure, providing the opportunity to gain an increased market share of the global transmission market. Importantly, this range of pumps can also be adapted to be driven electronically, and therefore accelerate our growth in the strategically important CO_2 neutral Battery Electric Vehicle (BEV) and Hydrogen Fuel Cell (HFC) vehicle and machine markets.

This additional product breadth enhances the value Concentric can offer to its existing global customers and to Allied Enterprises customers and creates significant cross selling opportunities.

Outlook

The overall published market indices blended to Concentric's mix of end-market applications and locations suggests the market for the full year 2021 will be up +12%, as the world's economies continue to recover from the global pandemic. The European and North America markets forecast growth indices are similar to the overall blended growth rate whilst our emerging markets, China and India are expected to recover strongly next year.

Demand for engine products continues to improve quarter-on-quarter and the recovery in the end-market applications for hydraulics products has started during the fourth quarter, we expect this to continue during the first quarter 2021. The level of orders received in the fourth quarter 2020 indicates that sales in the first quarter 2021 will be significantly higher than sales in the fourth quarter 2020, after a seasonal adjustment for slightly more working days.

Our various facilities around the world have continued to operate normally through-out this quarter with new sanitising protocols proving to be effective against the spread of the virus within our factories. Whilst the global pandemic continues there remains an element of uncertainty in our outlook, however with various COVID-19 vaccines approved and the global roll-out program underway, that level of uncertainty will reduce over time.

Customers continue to drive towards CO_2 neutrality and zero emissions and Concentric has the technology and innovation to support these developments with world class e-Pumps solutions. We reiterate our previous guidance, sales of e-Pumps could amount to 20% of Group sales by 2025.

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

» Concentric is well positioned to maximise the financial returns from the global market recovery. «

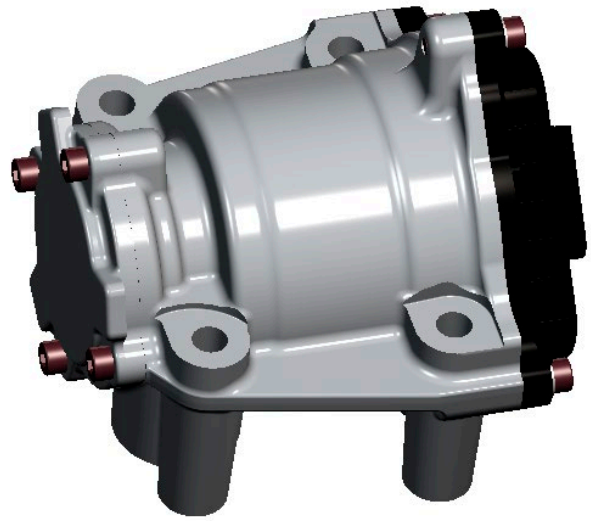
Developing products for our tomorrow

5 May 2020

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

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

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

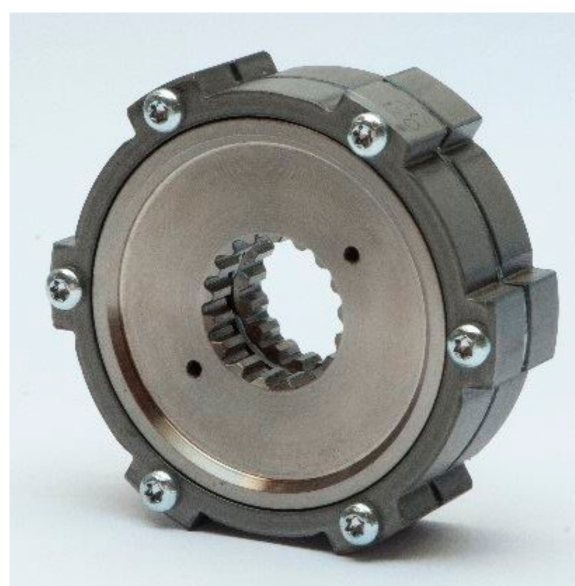


15 May 2020

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

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

Significant benefits have been identified for long haul truck applications, where the DCC enables the brake air compressor to be switched off for more than 80% of the running time, reducing fuel consumption and more importantly, reducing CO_2 emissions. The clutch is integrated within the brake air compressor housing to minimise packaging space, reducing weight and also noise emissions.



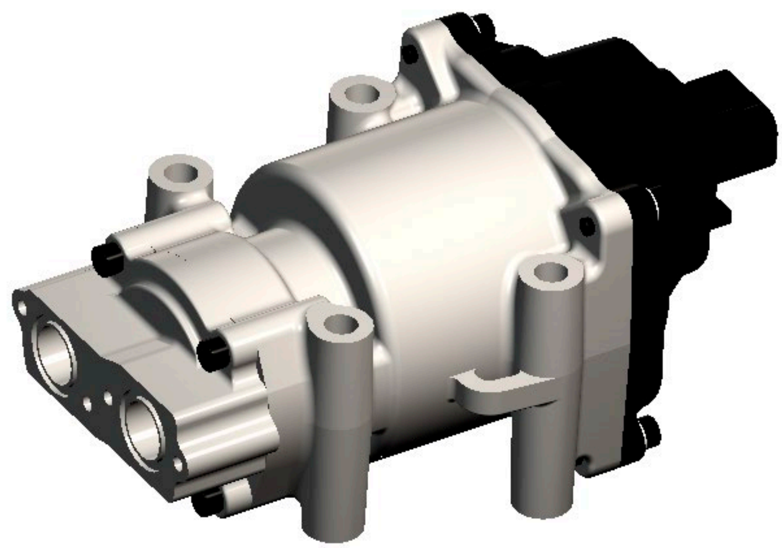
26 May 2020

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

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

These diverse projects are all aimed towards improving fuel savings and reducing CO_2 emissions through more efficient fluid control, featuring various new pump technologies for heavy-duty applications in the US truck market, including:

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



3 June 2020

Concentric AB continues the drive toward CO_2 neutrality by delivering critical solutions in electro-hydraulic steering (EHS) systems

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

As the world shifts toward CO_2 neutrality, especially in inner cities, the design of our EHS system continues to evolve at a similar pace. Our product and design engineers are working closely with our key customers to meet and exceed all required critical safety standards. In EHS applications, Concentric AB has developed a robust and reliable system that can also reduce energy consumption by as much as 50% over conventional solutions.

1 January 2021

Concentric has acquired Allied Enterprises, LLC.

Concentric AB ("Concentric") has acquired Allied Enterprises, LLC. ("Allied Enterprises"), a US manufacturer of transmission products for the construction, agricultural, material handling and stationary power markets. Allied Enterprises has a production facility in Muncie, Indiana, USA and has been manufacturing transmission products for over 30 years. Allied Enterprises has long established trading relationships with a number of leading OEMs and remanufacturing suppliers around the world. The business was acquired for MSEK 95.4 (MUSD 11.7) on a cash and debt free basis and the entire consideration was paid in cash.

The acquisition delivers Concentric a strengthened transmission pump capability which complements its product offering. Concentric has an existing range of lower pressure engine pumps as well as a range of higher pressure hydraulic pumps. The transmission products produced by Allied Enterprises sit between these existing product categories in terms of pressure, providing the opportunity to gain an increased market share of the global transmission market.

This additional product breadth enhances the value Concentric can offer to its existing global customers and to Allied Enterprises customers and creates significant cross selling opportunities. There are also operational synergies as Concentric and Allied Enterprises use a number of common components and processes in the production of their technologies.

For the year ended 31st December 2019, Allied Enterprises made sales of MSEK 58.8 (MUSD 7.2). The business has 40 employees.

David Woolley, CEO of Concentric, comments:

"Concentric have regularly communicated our intent to improve and expand our technological capability via acquisition and with this goal in mind, Allied Enterprises represents a key strategic step for Concentric. We have had a professional relationship with Allied Enterprises for a number of years and have been impressed by their technical expertise in transmission pumps. Importantly, this range of pumps can also be adapted to be driven electronically, and therefore accelerate our growth in the strategically important CO_2 neutral Battery Electric Vehicle (BEV) and Hydrogen Fuel Cell (HFC) vehicle and machine markets."

The transaction was completed on 31 December, 2020. The previous owner and CEO, John Miller, will remain with the company in an advisory capacity to help with the transition process over the first 3 quarters of 2021. John Miller commented "We are excited to become part of Concentric AB, and believe that this acquisition will give our product greater global reach and opportunities to grow further". Allied Enterprises has been consolidated in Concentric's financial statements as of 31 December, 2020.

5 January 2021

Concentric has appointed Emma Tamplin as Vice President Group HR

Concentric AB has appointed Emma Tamplin as Vice President Group Human Resources. Emma will be responsible for delivering the company's HR strategy and developing and implementing best practice procedures across a global workforce throughout the US, Europe and Asia.

Emma holds a BSc Politics and International Relations degree from the University of Southampton and a Masters Degree in Personnel and Development in addition to being a member of the Institute of Personnel and Development (CIPD). With nearly 20 years of experience as a Human Resources professional, Emma joins us from L3Harris Technologies, operating primarily in the global aerospace and defence industry.

David Woolley, President and CEO of Concentric AB commented, "We are delighted that Emma is joining the Senior Executive Concentric team. Emma brings a vast breadth of experience and a proven track record of delivering people management, development and support across a diverse range of cultures within global manufacturing businesses."

Fourth quarters figures

Key figures [1)]

Amounts in MSEK	Oct-Dec 2020	Oct-Dec 2019	Oct-Dec Change	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec Change
Net sales	380	430	–12%	1,502	2,012	–25%
Operating income before items affecting comparability	99	134	–26%	291	472	–38%
Operating income	104	134	–22%	276	472	–42%
Earnings before tax	103	130	–21%	256	453	–43%
Net income for the period	88	71	24%	205	321	–36%
Operating margin before items affecting comparability, %	26.0	31.1	–5.1	19.4	23.5	–4.1
Operating margin, %	27.4	31.1	–3.7	18.4	23.5	–5.1
ROCE, %	25.2	42.5	–17.3	25.2	42.5	–17.3
Return on equity, %	17.5	29.5	–12.0	17.5	29.5	–12.0
Basic EPS before items affecting comparability, SEK	2.23	1.87	0.36	5.73	8.37	–2.64
Basic EPS, SEK	2.32	1.87	0.45	5.43	8.37	–2.94
Diluted EPS, SEK	2.32	1.87	0.45	5.42	8.27	–2.85

1) For additional information see pages 30–31 and 34.

Sales

Sales for the fourth quarter were up quarter-on-quarter by +17% and down year-on-year by –12%. After adjusting for the impact of currency (–9%), sales in constant currency were down –3%. As a result, sales for the full year were down year-on-year by –25% and after adjusting for the impact of currency (–2%), sales in constant currency were down –23%. This year's sales reduction reflects the impact of COVID-19 on the global economy.

Operating income

Operating income was MSEK 104 (134) in the fourth quarter and was impacted by:

- Releasing surplus restructuring provisions MSEK +9,
- Additional pension costs associated with the guaranteed minimum pension UK Court judgment MSEK –3, and
- Allied Enterprises acquisition costs MSEK –1.

The operating income before items affecting comparability was MSEK 99 (134) and the associated operating margin was 26.0% (31.1).

The operating income for the full year was MSEK 276 (472) and was impacted by restructuring costs MSEK –11 and GMP and acquisition costs of MSEK –4. The operating margin before items affecting comparability for the full year was 19.4% (23.5).

Net financial items

Net financial expenses in the fourth quarter comprised of pension financial income of MSEK 3 (expense –1) and other net interest expense of MSEK 4 (3). Accordingly, net financial expenses in the full year comprised of pension financial expenses of MSEK 8 (13) and other net interest expenses of MSEK 12 (6).

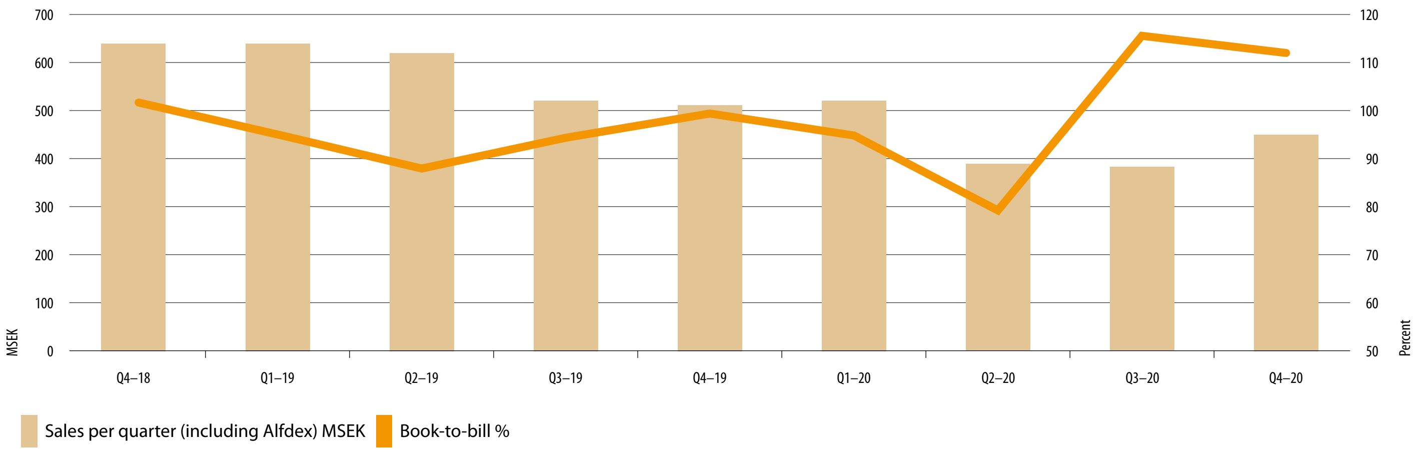
Taxes

The reported effective tax rate for the fourth quarter and the full year was 15% (45) and 20% (29) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions. Last year, in the fourth quarter, a dividend paid within the Group from India to the UK was subject to a withholding tax charge. This increased the prior year effective tax rate by 22% in the quarter and 6% in the full year. Therefore the underlying effective tax rate for the fourth quarter and the full year was 15% (23) and 20% (23) respectively.

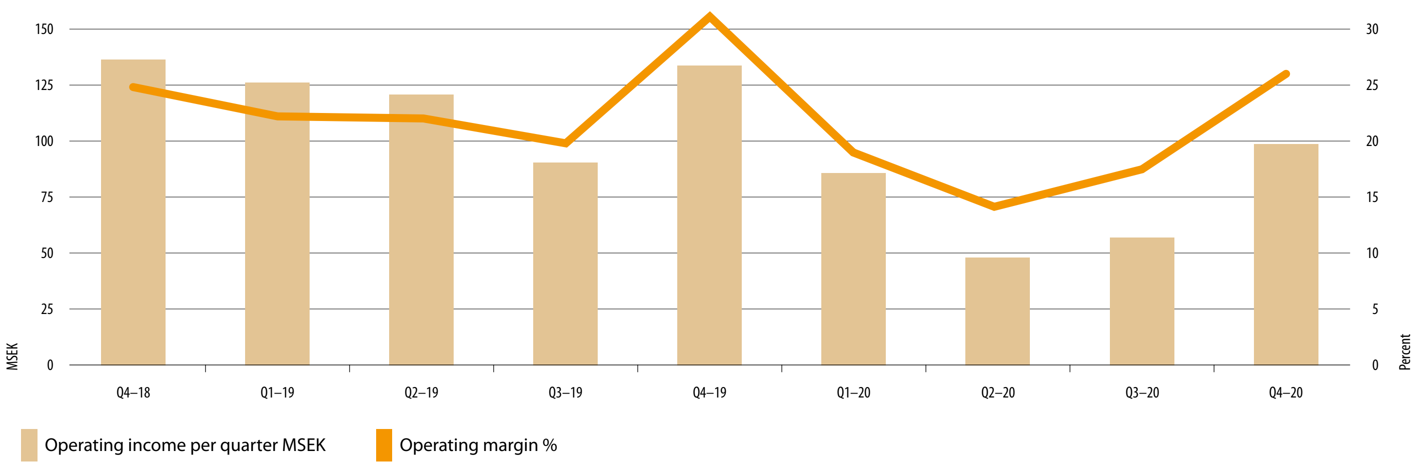
Earnings per share

The basic earnings per share for the full year was SEK 5.43 (8.37), down SEK 2.94 per share. The diluted earnings per share for the full year was SEK 5.42 (8.27), down SEK 2.85 per share.

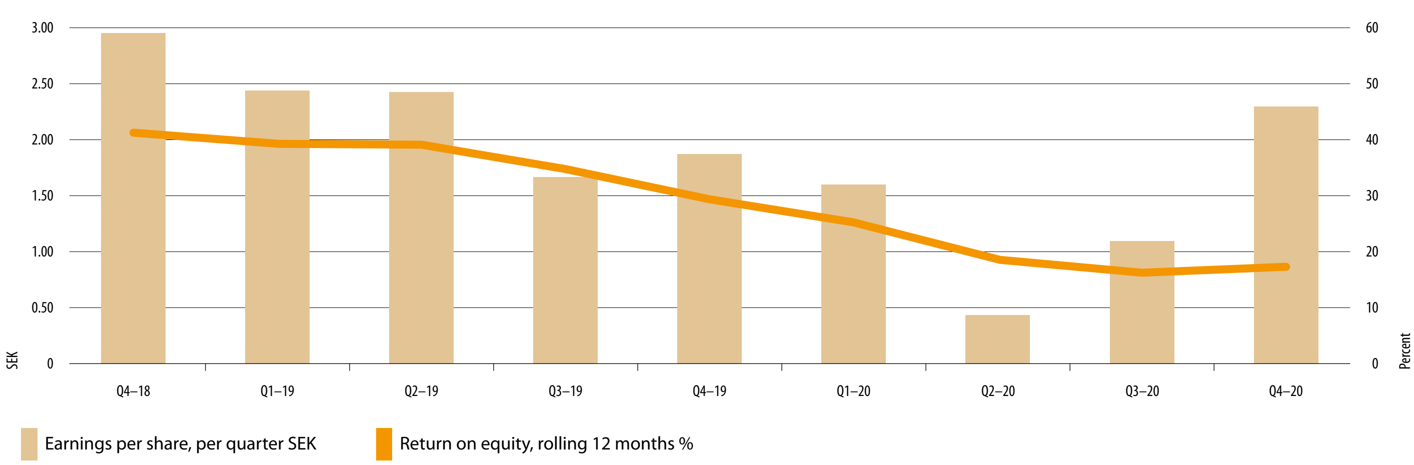
Sales and book-to-bill



Underlying operating income and margins



Earnings per share and return on equity



Net sales and operating income by region

Americas

	Oct-Dec			Jan-Dec		
Amounts in MSEK	2020	2019	Change	2020	2019	Change
External net sales	153	179	–15%	651	863	–25%
Operating income before items affecting comparability	36	58	–38%	95	161	–41%
Operating income	35	58	–40%	93	161	–42%
Operating margin before items affecting comparability, %	23.4	32.3	–8.9	14.6	18.7	–4.1
Operating margin, %	22.6	32.3	–9.7	14.2	18.7	–4.5
ROCE, %	28.4	49.9	–21.5	28.4	49.9	–21.5

Sales for the fourth quarter were up by +11% quarter-on-quarter and down year-on-year by –15%, after adjusting for the impact of currency (–13%), the sales were down –2% in constant currency. As a result, sales for the full year were down –25%, adjusting for the impact currency (–4%), sales in constant currency were down –21%. Sales in the quarter were down year-on-year across medium- & heavy-duty trucks and construction equipment whilst there was sales growth in agricultural equipment and industrial application markets.

The operating income before items affecting comparability was MSEK 36 (58) in the quarter with a corresponding operating margin of 23.4% (32.3). The operating margin remains strong as a result of the Concentric Business Excellence program and US Government support of MSEK 10 received during Q2 2020 through the paycheck protection program which was recognised as grant income in the quarter. The Allied Enterprises acquisition costs of MSEK 1 was the main item affecting operating income comparability.

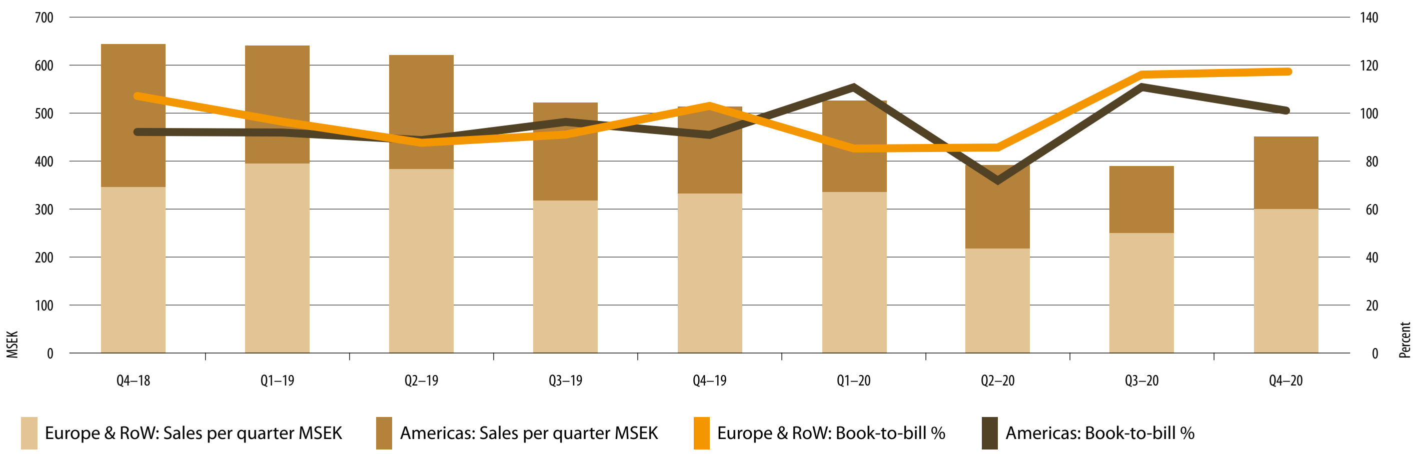
Europe & RoW

	Oct-Dec			Jan-Dec		
Amounts in MSEK	2020	2019	Change	2020	2019	Change
External net sales	301	334	–10%	1,108	1,432	–23%
Operating income before items affecting comparability	64	80	–20%	204	317	–36%
Operating income	70	80	–13%	191	317	–40%
Operating margin before items affecting comparability, %	21.2	24.1	–2.9	18.4	22.2	–3.8
Operating margin, %	23.3	24.1	–0.8	17.2	22.2	–5.0
ROCE, %	25.4	40.6	–15.2	25.4	40.6	–15.2

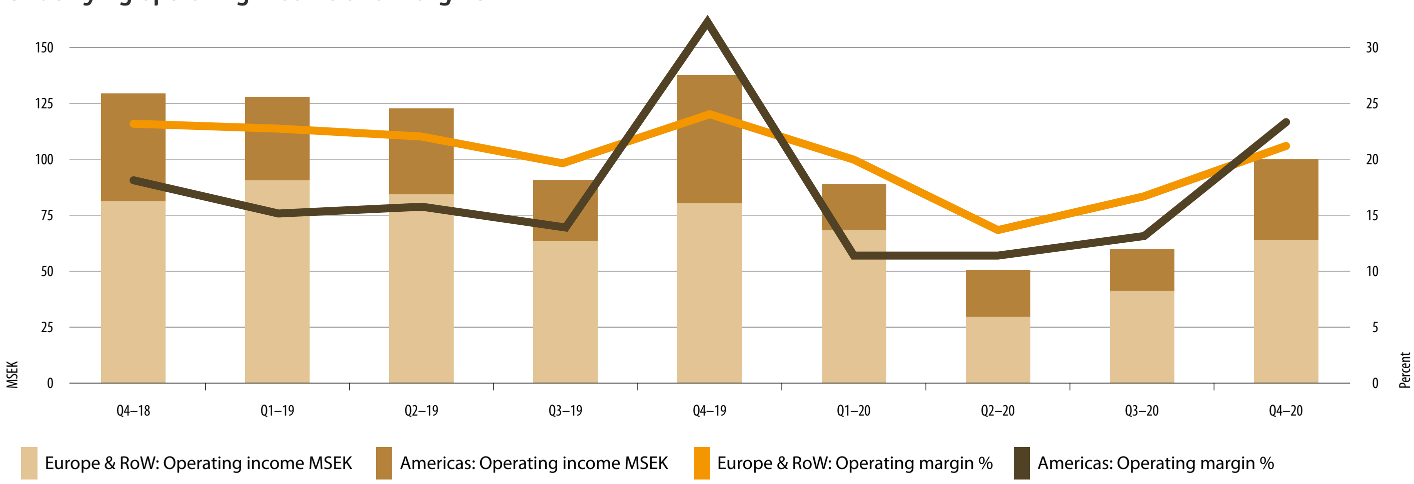
Sales for the fourth quarter were up quarter-on-quarter by +20% and down year-on-year by –10%, after adjusting for the impact of currency (–6%), the sales were down –4% in constant currency. Sales for the full year were down year-on-year by –23%, after adjusting for the impact of currency (–2%), the sales in constant currency were down –21%. The key European medium- & heavy-duty truck market has shown quarter-on-quarter growth, however sales in the quarter remain lower year-on-year. All Indian end-markets remain challenging as they continue to be affected by the global pandemic.

The operating income before items affecting comparability was MSEK 64 (80) in the quarter with a corresponding operating margin of 21.2% (24.1). Restructruring costs and additional pension costs are the main items affecting comparability in the quarter. Operating income for the quarter was MSEK 70 (80) and MSEK 191 (317) for the full year.

Sales and book-to-bill



Underlying operating income and margins



Market development

Concentric's key European and North American end-markets have started to recover from the economic impact caused by the global pandemic.

Americas end-markets

North America

- All four end-markets grew quarter-on-quarter indicating a recovery in the North American economy has begun.
- Sales into the industrial application markets increased year-on-year in the quarter driven by strong demand for engine products.
- Sales into the medium- and heavy-duty truck, agricultural machinery and construction equipment markets remain lower year-on-year in the fourth quarter.
- Overall, for the full year, our sales were down year-on-year in constant currency across all end-markets as a result of the pandemic.

South America

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

Europe & RoW end-markets

Europe

- Encouragingly sales in Europe increased quarter-on-quarter and were broadly flat with Q4 2019 because of the strength of the agricultural machinery market and its demand for both engine and hydraulics products.
- The key European medium- & heavy-duty truck market sales quarter-on-quarter increased but still remains lower when compared to Q4 2019.
- The construction equipment market showed quarter-on-quarter sales growth whilst the industrial applications market remained weak.

Rest of the World

- Rest of World sales overall declined as our Indian market remains heavily impacted by the COVID-19 pandemic.
- Despite an initially strong rebound in China, sales are down year-on-year in the fourth quarter, broadly in line with sales in Q3.

Consolidated sales development

	Q4-20 vs. Q4-19			FY-20 vs. FY-19			FY-21 vs. FY-20		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average [1]	3%	8%	6%	–16%	–23%	–20%	13%	12%	12%
Actual – constant currency [2]	–2%	–6%	–3%	–21%	–21%	–23%			

[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 up +6% for the fourth quarter and down –20% for the full year. Concentric sales were down –23% for the full year, broadly in line with market indices.

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

The published outlook for 2021 shows the Group's end markets and regions will continue to grow during 2021 with all regions and end-markets forecasting growth.

Published market indices

	Q4-20 vs Q4-19					YTD-20 vs YTD-19					FY-21 vs FY-20				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agriculture Diesel engines	27%	60%	10%	39%	80%	–8%	–2%	–38%	–2%	9%	8%	17%	8%	10%	4%
Construction Diesel engines	35%	52%	9%	–5%	76%	–4%	–7%	–32%	–42%	6%	8%	9%	6%	39%	8%
Hydraulic equipment	–37%	n/a	–16%	n/a	n/a	–37%	n/a	–23%	n/a	n/a	15%	n/a	15%	n/a	n/a
Trucks Light vehicles	82%	n/a	n/a	n/a	n/a	5%	n/a	n/a	n/a	n/a	11%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	16%	18%	7%	–33%	110%	–33%	–28%	–22%	–59%	26%	15%	28%	12%	40%	–33%
Industrial Other off-highway	36%	40%	9%	30%	71%	–11%	–14%	–32%	–21%	3%	8%	34%	7%	–1%	0%
Hydraulic lift trucks	–20%	n/a	–5%	n/a	n/a	–11%	n/a	–12%	n/a	n/a	15%	n/a	15%	n/a	n/a

The market indices summarised in the table above reflect the Q4 2020 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

< –10% | –10% to –1% | 0% | 1% to 10% | > 10%

Current resources

Operational cash flow

The reported cash inflow from operating activities for the fourth quarter amounted to MSEK 121 (58), which represents SEK 3.09 (1.53) per share. This takes the cash inflow from operating activities for the full year to MSEK 337 (386), which represents SEK 8.90 (10.05) per share.

Working capital

Total working capital at 31 December was MSEK –4 (18), which represented –0.3% (0.9) of annual sales. Working capital decreased compared to 31 December 2019 as working capital was carefully managed throughout the year to ensure receivables were collected to terms and inventory was managed to the level of activity.

Net investments in fixed assets

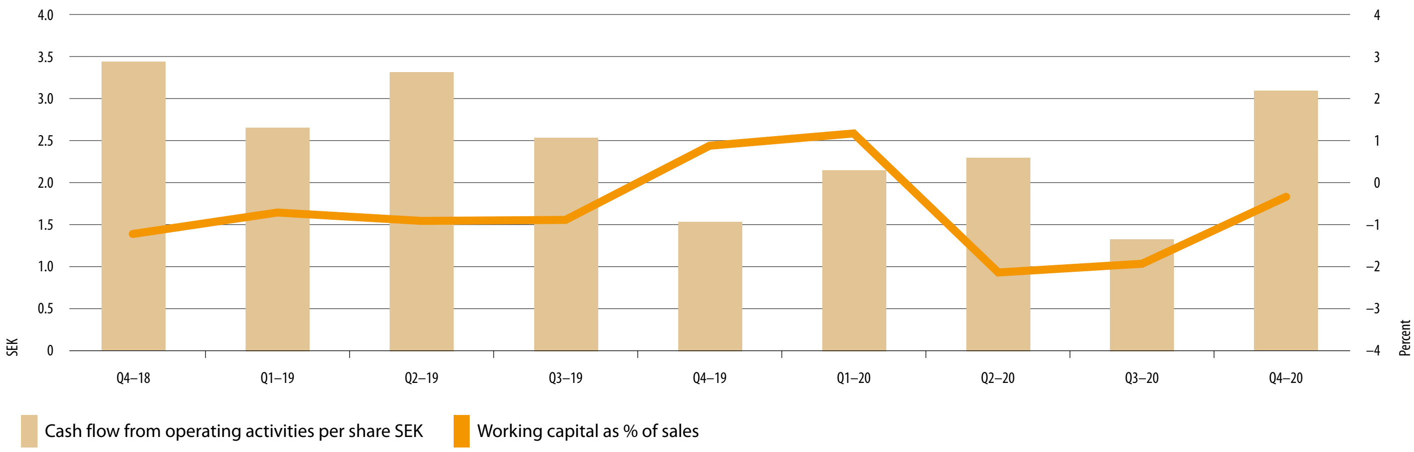
The Group's net investments in tangible fixed assets amounted to MSEK 4 (4) for the fourth quarter and MSEK 10 (19) for the full year.

Net debt and gearing

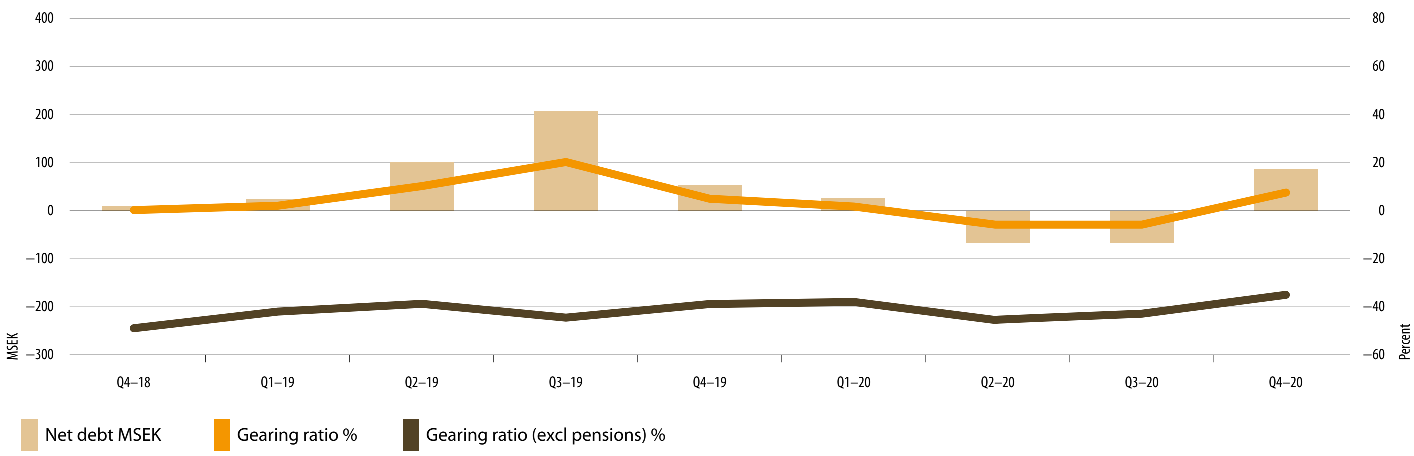
Following the review of the actuarial assumptions used to value the Group's defined benefit pension plans, net remeasurement losses of MSEK 42 were recognised in net pension liabilities during the fourth quarter 2020.

Overall, the Group's net debt at 31 December increased to MSEK 86 (54), loans related to leasing MSEK 129 (85), bank loans MSEK –(1) and net pension liabilities of MSEK 462 (499), net of cash amounting to MSEK 505 (531). Shareholders' equity amounted to MSEK 1,067 (1,136), resulting in a gearing ratio of 8% (5) at the end of the year.

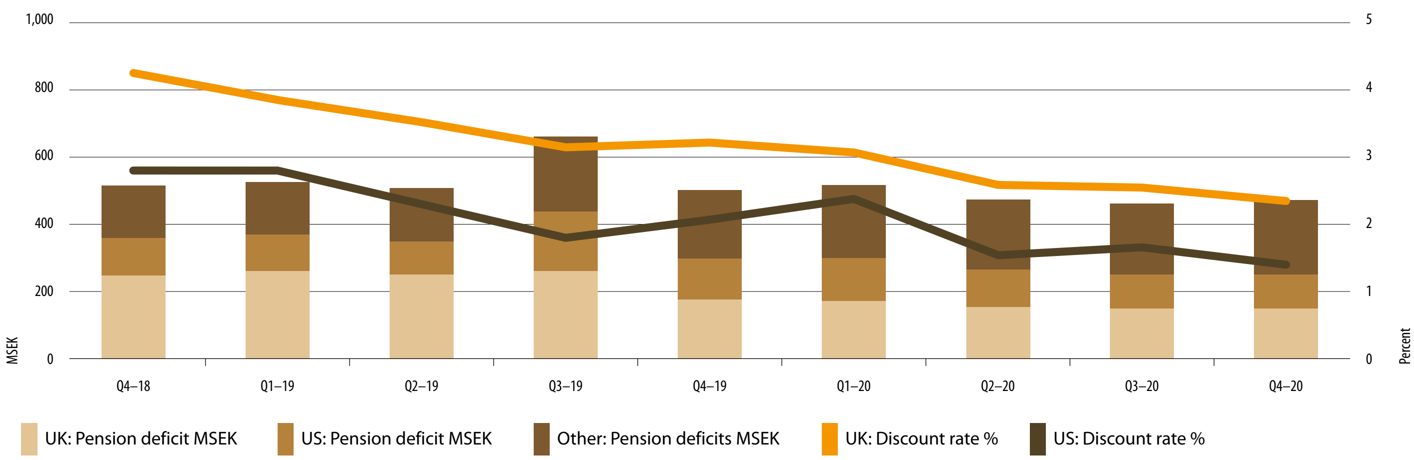
Cash flow from operating activities and working capital



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	
	2020	2019	**2020**	2019
Net sales	**380**	430	**1,502**	2,012
Cost of goods sold	**–252**	–301	**–1,039**	–1,385
Gross income	**128**	**129**	**463**	**627**
Selling expenses	**–8**	26	**–46**	–24
Administrative expenses	**–35**	–29	**–136**	–140
Product development expenses	**–1**	–9	**–28**	–46
Share of net income in joint venture	**1**	13	**21**	20
Other operating income and expenses	**19**	4	**2**	35
Operating income	**104**	**134**	**276**	**472**
Financial income and expenses	**–1**	–4	**–20**	–19
Earnings before tax	**103**	**130**	**256**	**453**
Taxes	**–15**	–59	**–51**	–132
Net income for the period	**88**	**71**	**205**	**321**
Parent company shareholders	**88**	71	**205**	321
Non-controlling interest	**–**	–	**–**	–
Basic earnings per share before items affecting comparability, SEK	**2.23**	1.87	**5.73**	8.37
Basic earnings per share, SEK	**2.32**	1.87	**5.43**	8.37
Diluted earnings per share, SEK	**2.32**	1.87	**5.42**	8.27
Basic average number of shares (000)	**37,870**	37,893	**37,815**	38,369
Diluted average number of shares (000)	**37,946**	37,930	**37,849**	38,849

Consolidated statement of comprehensive income

	Oct-Dec		Jan-Dec	
	2020	2019	**2020**	2019
Net income for the period	**88**	71	**205**	321
Other comprehensive income				
Items that will not be reclassified to the income statement				
Remeasurement gains of net pension liabilities	**–**	75	**–**	75
Tax on remeasurement gains of net pension liabilities	**–**	–13	**–**	–13
Remeasurement losses of net pension liabilities	**–42**	61	**–42**	–76
Tax on remeasurement losses of net pension liabilities	**10**	–15	**10**	20
Items that may be reclassified subsequently to the income statement				
Exchange rate differences related to liabilities to foreign operations	**55**	44	**75**	–105
Tax arising from exchange rate differences related to liabilities to foreign operations	**–12**	–13	**–16**	16
Cash-flow hedging	**–**	–1	**–1**	–1
Tax arising from cash-flow hedging	**–**	–	**–**	–
Foreign currency translation differences	**–124**	–69	**–191**	157
Total other comprehensive income	**–113**	**69**	**–165**	**73**
Total comprehensive income	**–25**	**140**	**40**	**394**

Consolidated balance sheet

	31 Dec 2020	31 Dec 2019
Goodwill	649	656
Other intangible fixed assets	110	162
Right of use fixed assets	120	84
Other tangible fixed assets	88	98
Share of net assets in joint venture	72	55
Deferred tax assets	107	137
Long-term receivables, joint ventures	25	–
Other long-term receivables	4	6
Total fixed assets	**1,175**	**1,198**
Inventories	120	147
Current receivables	247	243
Cash and cash equivalents	505	531
Total current assets	**872**	**921**
Total assets	**2,047**	**2,119**
Total Shareholders' equity	**1,067**	**1,136**
Pensions and similar obligations	462	499
Deferred tax liabilities	15	20
Long-term liabilities for right of use fixed assets	111	62
Other long-term liabilities	5	5
Total long-term liabilities	**593**	**586**
Short-term liabilities for right of use fixed assets	18	23
Other short-term interest-bearing liabilities	–	1
Other current liabilities	369	373
Total current liabilities	**387**	**397**
Total equity and liabilities	**2,047**	**2,119**

Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 31 December the fair value of derivative instruments that were assets was MSEK 0 (2), and the fair value of derivative instruments that were liabilities was MSEK 0 (1). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity

	31 Dec 2020	31 Dec 2019
Opening balance	**1,136**	**1,026**
Net income for the period	205	321
Other comprehensive income	–165	73
Total comprehensive income	**40**	**394**
Dividend	–123	–164
Own share buy-backs	–	–136
Sale of own shares to satisfy LTI – options exercised	11	13
Long-term incentive plan	3	3
Closing balance	**1,067**	**1,136**

Consolidated cash flow statement, in summary

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Earnings before tax	**103**	**130**	**256**	**453**
Reversal of depreciation, amortisation and write-down of fixed assets	21	25	86	99
Reversal of net income from joint venture	–1	–13	–21	–20
Reversal of other non-cash items	–11	–1	26	23
Taxes paid	–13	–71	–48	–135
Cash flow from operating activities before changes in working capital	***99***	***70***	***299***	***420***
Change in working capital	22	–12	38	–34
Cash flow from operating activities	**121**	**58**	**337**	**386**
Investments in subsidiaries	–95	–	–95	–
Investments in property, plant and equipment	–4	–4	–10	–19
New loans paid to joint venture	–	–	–40	–
Loans repayment from joint venture	–	–	15	–
Other repayment of long-term receivables	–	–	3	–
Net cash flow from long term receivables	–	–	–22	–
Cash flow from investing activities	**–99**	**–4**	**–127**	**–19**
Dividend	–123	–	–123	–164
Dividend received from joint venture	–	–	–	2
Buy-back of own shares	–	–36	–	–136
Selling of own shares to satisfy LTI – options exercised	–	–	11	13
New loans	–	1	10	1
Repayment of loans [1]	–15	–184	–31	–207
Pension payments and other cash flows from financing activities	–8	6	–58	–39
Cash flow from financing activities	**–146**	**–213**	**–191**	**–530**
Cash flow for the period	**–124**	**–159**	**19**	**–163**
Cash and bank assets, opening balance	656	720	531	683
Exchange-rate difference in cash and bank assets	–27	–30	–45	11
Cash and bank assets, closing balance	**505**	**531**	**505**	**531**

[1] Included within repayment of loans is MSEK 10 of PPP related loans which was converted to grant income in the fourth quarter.

Group notes

Data per share

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Basic earnings per share before items affecting comparability, SEK	**2.23**	1.87	5.73	8.37
Basic earnings per share, SEK	**2.32**	1.87	5.43	8.37
Diluted earnings per share, SEK	**2.32**	1.87	5.42	8.27
Equity per share, SEK	**28.18**	30.09	28.18	30.09
Cash-flow from current operations per share, SEK	**3.09**	1.53	8.90	10.05
Basic weighted average no. of shares (000's)	**37,870**	37,893	37,815	38,369
Diluted weighted average no. of shares (000's)	**37,946**	37,930	37,849	38,849
Number of shares at period-end (000's)	**37,870**	37,767	37,870	37,767

Key figures [1)]

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Sales growth, %	**–12**	–26	–25	–17
Sales growth, constant currency, % [2)]	**–3**	–29	–23	–20
EBITDA margin before items affecting comparability, %	**31.4**	37.1	25.1	28.4
EBITDA margin, %	**32.7**	37.1	24.1	28.4
Operating margin before items affecting comparability, %	**26.0**	31.1	19.4	23.5
Operating margin, %	**27.4**	31.1	18.4	23.5
Capital Employed, MSEK	**1,081**	1,126	1,081	1,126
ROCE before items affecting comparability, %	**26.5**	42.5	26.5	42.5
ROCE, %	**25.2**	42.5	25.2	42.5
ROE, %	**17.5**	29.5	17.5	29.5
Working Capital, MSEK	**–4**	18	–4	18
Working capital as a % of annual sales	**–0.3**	0.9	–0.3	0.9
Net Debt, MSEK [2)]	**86**	54	86	54
Gearing ratio, %	**8**	5	8	5
Net investments in PPE	**4**	4	10	19
R&D, %	**0.1**	2.1	1.8	2.3
Number of employees, average	**653**	783	641	844

1) For additional information see pages 30–31 and 34.
2) For additional information see page 15.

Consolidated income statement in summary – by type of cost

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	380	430	1,502	2,012
Direct material costs	–176	–202	–708	–948
Personnel costs	–75	–105	–343	–455
Depreciation, amortisation and write-down of fixed assets	–20	–25	–85	–99
Share of net income in joint venture	1	13	21	20
Other operating income and expenses	–6	23	–111	–58
Operating income	**104**	**134**	**276**	**472**
Financial income and expense	–1	–4	–20	–19
Earnings before tax	**103**	**130**	**256**	**453**
Taxes	–15	–59	–51	–132
Net income for the period	**88**	**71**	**205**	**321**

Other operating income and expenses (refers to Income Statement on page 15)

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Tooling income	–	3	2	10
Royalty income from joint venture	20	13	45	58
Amortisation of acquisition related surplus values	–9	–10	–38	–39
UK pension benefit equalisation	–3	–	–3	–
Restructuring cost	9	–	–11	–
Other	2	–2	7	6
Other operating income and expenses	**19**	**4**	**2**	**35**

Segment reporting

The Americas segment comprises the Group's operations in the USA and South America. As our operations in India and China remain relatively small in comparison to our Western facilities, Europe & RoW continues to be reported as a single combined segment, in line with our management structure, comprising the Group's operations in Europe, India and China. The evaluation of an operating segment's earnings is based upon its operating income or EBIT. Financial assets and liabilities are not allocated to segments.

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

Fourth quarter

	Oct-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	156	183	316	349	–92	–102	380	430
External net sales	153	179	301	334	–74	–83	380	430
Operating income before items affecting comparability	36	58	64	80	–1	–4	99	134
Operating income	35	58	70	80	–1	–4	104	134
Operating margin before items affecting comparability, %	23.4	32.3	21.2	24.1	n/a	n/a	26.0	31.1
Operating margin, %	22.6	32.3	23.3	24.1	n/a	n/a	27.4	31.1
Financial income and expense	–	–	–	–	–1	–4	–1	–4
Earnings before tax	35	58	70	80	–2	–8	103	130
Assets	529	516	1,189	1,227	329	376	2,047	2,119
Liabilities	221	241	750	720	9	22	980	983
Capital employed	354	334	695	768	32	24	1,081	1,126
ROCE before items affecting comparability, %	29.0	49.9	27.0	40.6	n/a	n/a	26.5	42.5
ROCE, %	28.4	49.9	25.4	40.6	n/a	n/a	25.2	42.5
Net investments in PPE	3	–	2	3	–1	1	4	4
Depreciation and amortisation	5	6	16	20	–1	–1	20	25
Number of employees, average	217	280	521	568	–85	–65	653	783

Full year

	Jan–Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	662	882	1,158	1,504	–318	–374	1,502	2,012
External net sales	651	863	1,108	1,432	–257	–283	1,502	2,012
Operating income before items affecting comparability	95	161	204	317	–8	–6	291	472
Operating income	93	161	191	317	–8	–6	276	472
Operating margin before items affecting comparability, %	14.6	18.7	18.4	22.2	n/a	n/a	19.4	23.5
Operating margin, %	14.2	18.7	17.2	22.2	n/a	n/a	18.4	23.5
Financial income and expense	–	–	–	–	–20	–19	–20	–19
Earnings before tax	93	161	191	317	–28	–25	256	453
Assets	529	516	1,189	1,227	329	376	2,047	2,119
Liabilities	221	241	750	720	9	22	980	983
Capital employed	354	334	695	768	32	24	1,081	1,126
ROCE before items affecting comparability, %	29.0	49.9	27.0	40.6	n/a	n/a	26.5	42.5
ROCE, %	28.4	49.9	25.4	40.6	n/a	n/a	25.2	42.5
Net investments in PPE	4	6	21	14	–15	–1	10	19
Depreciation and amortisation	25	27	67	76	–7	–4	85	99
Number of employees, average	232	300	485	615	–76	–71	641	844

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

The weighted average number of working days in the full year was 233 (242) for the Group, with an average of 237 (243) working days for the Americas region and 231 (241) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Oct-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	129	159	12	17	–12	–17	129	159
Rest of North America	3	4	2	2	1	–	6	6
South America	9	6	1	–	–1	–	9	6
Germany	5	1	87	89	–20	–13	72	77
UK	2	2	28	35	–	–	30	37
Sweden	–	–	40	37	–17	–14	23	23
Rest of Europe	1	2	82	81	–10	–9	73	74
Asia	3	4	45	72	–15	–30	33	46
Other	1	1	4	1	–	–	5	2
Total Group	**153**	**179**	**301**	**334**	**–74**	**–83**	**380**	**430**

	Jan-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	577	744	39	49	–38	–47	578	746
Rest of North America	20	28	8	10	–2	–	26	38
South America	27	31	2	2	–1	–	28	33
Germany	6	8	326	432	–62	–69	270	371
UK	4	13	103	143	–1	1	106	157
Sweden	–	–	134	166	–51	–73	83	93
Rest of Europe	5	8	297	414	–35	–46	267	376
Asia	10	27	190	213	–69	–48	131	192
Other	2	4	9	3	2	–1	13	6
Total Group	**651**	**863**	**1,108**	**1,432**	**–257**	**–283**	**1,502**	**2,012**

Total sales by product groups

	Oct-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded engine products	63	67	101	118	–	–	164	185
LICOS branded engine products	–	–	51	49	–	–	51	49
Alfdex branded engine products	–	–	74	83	–74	–83	–	–
Total engine products	63	67	226	250	–74	–83	215	234
Total hydraulics products	90	112	75	84	–	–	165	196
Total Group	**153**	**179**	**301**	**334**	**–74**	**–83**	**380**	**430**

	Jan-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded engine products	237	337	361	557	–	–	598	894
LICOS branded engine products	–	–	169	225	–	–	169	225
Alfdex branded engine products	–	–	257	283	–257	–283	–	–
Total engine products	237	337	787	1,065	–257	–283	767	1,119
Total hydraulics products	414	526	321	367	–	–	735	893
Total Group	**651**	**863**	**1,108**	**1,432**	**–257**	**–283**	**1,502**	**2,012**

Total sales by end-markets

	Oct-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	14	24	179	205	–71	–82	122	147
Construction	45	59	55	60	–	–	100	119
Industrial	72	72	39	46	1	2	112	120
Agriculture	22	24	28	23	–4	–3	46	44
Total Group	**153**	**179**	**301**	**334**	**–74**	**–83**	**380**	**430**

	Jan-Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	51	126	645	874	–242	–269	454	731
Construction	202	270	202	245	–	–	404	515
Industrial	306	338	170	206	–	1	476	545
Agriculture	92	129	91	107	–15	–15	168	221
Total Group	**651**	**863**	**1,108**	**1,432**	**–257**	**–283**	**1,502**	**2,012**

Business risks, accounting principles and other information

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

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

Acquisitions

On 31 December 2020 Concentric acquired the entire share capital and voting rights of Allied Enterprises, LLC ("Allied Enterprises"), which is based in Muncie, Indiana, USA. Original consideration of MSEK 95 (MUSD 11.7) was entirely paid from cash reserves, there is no deferred consideration but a working capital adjustment of MSEK 2 has been identified to date, reducing the consideration to MSEK 93.

Allied Enterprises is a manufacturer of transmission pumps for the construction, agricultural, material handling and stationary power markets. This acquisition strengthens our product offering by expanding our transmission pump capability, in line with our previously communicated aims of technical expansion.

Fair values – Allied acquisition

	Fair values
Cash	93
Total purchase consideration	**93**
Total fixed assets acquired	**15**
Inventories	8
Current receivables	15
Cash and cash equivalents	–
Total current assets acquired	**23**
Other current liabilities	(2)
Net assets acquired	**36**
Goodwill arising on acquisition	**57**

Fair value measurements on a provisional basis

The principal fair value adjustment identified relates to the fixed assets which were increased by MSEK 11.

A provisional adjustment for working capital as at completion compared to the agreed target working capital has been calculated. The final figures are still being finalised with the seller.

Allied Enterprises was acquired on the last day of the reporting period, if new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The goodwill and the fair value adjustment of PPE are tax deductible. As such, at the initial point of acquisition no variance between book and tax basis exists, no deferred tax assets or liabilities are recorded. As activity commences (such as depreciation or amortization) the book and tax basis will deviate and create deferred tax assets and/or liabilities.

Acquisition-related costs

Concentric incurred acquisition related costs of MSEK 1 on legal and due diligence fees, these have been included in other operating income and expenses but also included in the adjustment for items affecting comparability.

Goodwill

Goodwill relates to the expected synergies from the new product portfolio, the skills and technical know-how of the Allied Enterprises workforce and alignment and strategic fit to our existing customer base.

Significant risks and uncertainties

All business operations involve risk – managed risk-taking is a condition of maintaining a sustainable profitable business. Risks may arise due to events in the world and can affect a given industry or market or can be specific to a single company or group. Concentric works continuously to identify, measure and manage risk, and in some cases Concentric is able to influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Concentric's control, the aim is to minimise the consequences.

The COVID-19 pandemic has had a significant effect on the global economy and the demand for the Group's products and services in the second and third quarters, described in previous pages in this report. With the high uncertainty surrounding the situation and potential initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Group for the coming quarters. As of December 31, there is no significant impact on any balance sheet items.

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

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

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

Basis of preparation and accounting policies

This interim report for the Concentric AB group is prepared in accordance with IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The report for the Parent Company is prepared in accordance with the Annual Accounts Act, Chapter 9 and applicable rules in RFR2 Accounting for legal entities.

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2019 Annual Report.

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

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

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

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

Parent Company

Net sales and operating income

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

Net financial items

During the year, the parent company has received dividends from subsidiaries of MSEK 690 (747). Last year the shares and receivables in our subsidiary in Argentina, was impaired with MSEK 35.

Exchange rate gains on foreign liabilities to subsidiaries was MSEK 75 (–76) for the full year, an increase with MSEK 151.

Dividend

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's earnings and strong financial position, the Extraordinary General Meeting in December 2020 decided to pay a total dividend of SEK 3.25 (4.25) per share in respect of the 2019 financial year, comprising of ordinary dividend of SEK 3.25 (3.00) and special dividend of SEK 0.00 (1.25).

The Board of Directors intend to propose an ordinary dividend of SEK 3.50 (3.25) per share for the financial year 2020. The intention is 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 2020 was 1,156,667 (1,210,516) and shares transferred in 2017–2019 to an Employee Share Ownership Trust ("ESOT") was 300,700 (188,020). Including these shares the company's holdings was 1,457,367 (1,398,536) and the total number of shares in issue was 39,224,100 (40,031,100).

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

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

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

The total number of holdings of own shares at 31 December 2020 was 123,255 (1,156,667) and the total number of shares in issue was 38,297,600 (39,224,100). Consequently the company's total holdings of own shares now represent 0.3% (2.9) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 304,812 (300,700). Including these shares the company's holdings was 428,067 (1,457,367) representing 1.1% (3.7) of the total number of shares.

Parent Company's income statement

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	22	14	49	62
Operating costs	–6	–5	–19	–20
Operating income	**16**	**9**	**30**	**42**
Income from shares in subsidiaries	689	139	690	712
Income from shares in joint venture	–	–	–	2
Net foreign exchange rate differences	55	61	75	–76
Other financial income and expense	–4	–5	–11	–17
Earnings before tax	**756**	**204**	**784**	**663**
Taxes	–16	–15	–22	7
Net income for the period [1)]	**740**	**189**	**762**	**670**

[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 2020	31 Dec 2019
Shares in subsidiaries	3,149	3,149
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	1	1
Long-term loans receivable from joint ventures	25	–
Deferred tax assets	–	22
Total financial fixed assets	**3,185**	**3,182**
Other current receivables	3	4
Short-term receivables from subsidiaries	8	17
Short-term loans receivable from joint ventures	2	3
Cash and cash equivalents	390	405
Total current assets	**403**	**429**
Total assets	**3,588**	**3,611**
Total shareholders' equity	**2,477**	**1,827**
Pensions and similar obligations	18	18
Long-term loans payable to subsidiaries	1,041	1,063
Total long-term liabilities	**1,059**	**1,081**
Short-term loans payable to subsidiaries	43	697
Other current liabilities	9	6
Total current liabilities	**52**	**703**
Total equity and liabilities	**3,588**	**3,611**

Parent Company's changes in shareholders' equity

	31 Dec 2020	31 Dec 2019
Opening balance	1,827	1,444
Net income for the period	762	670
Dividend	–123	–164
Sale of own shares to satisfy LTI options exercised	11	13
Buy-back of own shares	–	–136
Closing balance	**2,477**	**1,827**

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 9 February, 2021.

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

Concentric's web site for investors

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

Reporting calendar for 2020

Annual Report January – December 2020	31 March, 2021
Annual General Meeting 2021	22 April, 2021
Interim Report January – March 2021	5 May, 2021
Interim Report January – June 2021	21 July, 2021
Interim Report January – September 2021	3 November, 2021

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Corporate Registration Number 556828-4995

Stockholm 9 February, 2021

David Woolley
President and CEO

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

Alternative Performance Measures reconciliation

	Oct-Dec		Jan-Dec	
EBIT or operating income before items affecting comparability	2020	2019	2020	2019
EBIT or operating income	**104**	**134**	**276**	**472**
Items affecting comparability:				
UK pension benefit equalisation	3	–	3	–
Acquisition costs	1	–	1	–
Restructuring costs	–9	–	11	–
Operating income before items affecting comparability	**99**	**134**	**291**	**472**
Net Sales	380	430	1,502	2,012
Operating margin (%)	**27.4**	**31.1**	**18.4**	**23.5**
Operating margin before items affecting comparability (%)	**26.0**	**31.1**	**19.4**	**23.5**

	Oct-Dec		Jan-Dec	
EBITDA or operating income before amortisation and depreciation, before items affecting comparability	2020	2019	2020	2019
EBIT or operating income	104	134	276	472
Operating amortisation/depreciation	11	15	47	60
Amortisation of purchase price allocation	9	10	38	39
EBITDA or operating income before amortisation and depreciation	**124**	**159**	**361**	**571**
UK pension benefit equalisation	3	–	3	–
Acquisition costs	1	–	1	–
Restructuring costs	–9	–	11	–
EBITDA or operating income before amortisation and depreciation, before items affecting comparability	**119**	**159**	**376**	**571**
Net sales	380	430	1,502	2,012
EBITDA margin (%)	**32.7**	**37.1**	**24.1**	**28.4**
EBITDA margin, before items affecting comparability (%)	**31.4**	**37.1**	**25.1**	**28.4**

	Oct-Dec		Jan-Dec	
Net income before items affecting comparability	2020	2019	2020	2019
Net income	**88**	**71**	**205**	**321**
Items affecting comparability after tax	–4	–	11	–
Net income before items affecting comparability	**84**	**71**	**216**	**321**
Basic average number of shares (000)	37,870	37,893	37,815	38,369
Basic earnings per share	**2.32**	**1.87**	**5.43**	**8.37**
Basic earnings per share before items affecting comparability	**2.23**	**1.87**	**5.73**	**8.37**

Net debt	31 Dec 2020	31 Dec 2019
Pensions and similar obligations	462	499
Liabilities for right of use fixed assets	129	85
Short term interest bearing liabilities	–	1
Total interest bearing liabilities	**591**	**585**
Cash and cash equivalents	–505	–531
Total net debt	**86**	**54**
Net debt, excluding pension obligations	**–376**	**–445**

Capital employed	31 Dec 2020	31 Dec 2019
Total assets	**2,047**	**2,119**
Interest bearing financial assets	–29	–6
Cash and cash equivalents	–505	–531
Tax assets	–138	–171
Non interest bearing assets (excl taxes)	**1,375**	**1,411**
Non interest bearing liabilities (incl taxes)	–387	–395
Tax liabilities	93	110
Non interest bearing liabilities (excl taxes)	**–294**	**–285**
Total capital employed	**1,081**	**1,126**

Working capital	31 Dec 2020	31 Dec 2019
Accounts receivable	182	181
Other current receivables	63	62
Inventory	120	147
Working capital assets	**365**	**390**
Accounts payable	–154	–156
Other current payables	–215	–216
Working capital liabilities	**–369**	**–372**
Total working capital	**–4**	**18**

Graph data summary

	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018
Americas									
Sales, MSEK	153	138	172	189	179	203	237	244	296
Book-to-bill, %	102	112	72	111	91	97	89	92	92
Operating income before items affecting comparability, MSEK	36	18	20	21	58	28	38	37	48
Operating margin before items affecting comparability, %	23.4	13.3	11.2	11.3	32.3	14.1	15.8	15.3	18.0
Europe & RoW									
Sales (including Alfdex), MSEK	301	251	220	336	334	320	383	394	345
Book-to-bill, %	117	116	86	85	103	91	88	97	108
Operating income before items affecting comparability, MSEK	64	42	30	68	80	63	84	90	81
Operating margin before items affecting comparability, %	21.2	16.6	13.8	20.2	24.1	19.7	22.0	22.8	23.4
Alfdex eliminations									
Sales, MSEK	–74	–64	–50	–69	–83	–60	–67	–73	–59
Operating income before items affecting comparability, MSEK	–1	–3	–2	–2	–4	1	–1	–1	7
Group									
Sales (excluding Alfdex), MSEK	380	325	342	456	430	463	553	566	582
Book-to-bill, %	112	115	79	94	99	94	88	95	102
Operating income before items affecting comparability, MSEK	99	57	48	87	134	91	121	126	136
Operating margin before items affecting comparability, %	26.0	17.5	14.2	19.1	31.1	19.8	21.9	22.2	24.8
Basic earnings per share, SEK	2.32	1.06	0.44	1.60	1.87	1.67	2.39	2.43	2.95
Return on equity, %	17.5	16.2	18.7	25.4	29.5	34.4	39.0	39.5	41.6
Cash flow from operating activities per share, SEK	3.09	1.36	2.30	2.15	1.53	2.53	3.32	2.65	3.44
Working capital as % of annualised sales	–0.3	–2.0	–2.2	1.2	0.9	–0.9	–0.9	–0.7	–1.2
Net debt, MSEK	86	–69	–67	27	54	207	102	27	12
Gearing ratio, %	8	–6	–6	2	5	20	10	2	1
Gearing ratio (excl Pensions), %	–35	–43	–45	–38	–39	–44	–38	–42	–49

Glossary

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

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

EHS
Electro Hydraulic Steering.

ESOT
Employee Share Ownership Trust.

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

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

LTI
Long term incentive.

Net investments in fixed assets
Fixed asset additions net of fixed asset disposals and retirements.

OEMs
Original Equipment Manufacturers.

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

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

R&D expenditure
Research and development expenditure.

Tier 1, Tier 2-supplier
Different levels of sub suppliers, typical within the automotive industry

Definitions

Book-to-bill
Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period.
Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.

Capital employed
Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities.
Capital employed measures the amount of capital used and serves as input for return on capital employed.

Drop-through rate
Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales.
This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.
EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.

EBITDA margin
EBITDA as a percentage of net sales.
EBITDA margin is used for measuring the cash flow from operating activities.

EBIT or Operating income
Earnings before interest and tax.
This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the Company.

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

EPS
Earnings per share, net income divided by the average number of shares.
The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.

Equity per share
Equity at the end of the period divided by number of shares at the end of the period.
Equity per share measures the net-asset value backing up each share of the Company's equity and determines if a Company is increasing shareholder value over time.

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

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

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

ROCE
Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over rolling 12 months.
Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the Company is the reason that this metric is used next to return on equity, because it not only includes equity, but taken into account other liabilities as well.

ROE
Return on equity; net income as a percentage of the average shareholders' equity over rolling 12 months.
Return on equity is used to measure profit generation, given the resources attributable to the Parent Company owners.

Sales growth, constant currency
Growth rate based on sales restated at prior year foreign exchange rates
This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.

Structural growth
Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts
Structural changes measure the contribution of changes in group structure to net sales growth.

"Before items affecting comparability"
Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate)
Enabling a comparison of operational business.

Working capital
Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities
Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

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