



Interim report
Second quarter
2023

Q2 2023

Second quarter 2023

● Net sales

MSEK 1,098 (1,021) – reported sales were up +8% year-on-year. After adjusting for the impact of currency +8%, sales on a like for like basis, in constant currency year-on-year were flat.

● Operating income

MSEK 175 (164), generating an operating margin of 16.0% (16.1).

● Net income for the period

MSEK 120 (134); basic EPS of SEK 3.15 (3.53).

● Cash flow from operating activities

Cash flow from operating activities was MSEK 138 (76).

First six months

● Net sales

MSEK 2,225 (1,955) – reported sales were up +14% year-on-year. After adjusting for the impact of currency +9%, sales on a like for like basis, in constant currency year-on-year were up +5%.

● Operating income

Operating income was MSEK 356 (330), generating an operating margin of 16.0% (16.9).

● Net income for the period

MSEK 241 (264); basic EPS of SEK 6.33 (6.96).

● Cash flow from operating activities

Cash flow from operating activities was MSEK 227 (166).

● Group's net debt

MSEK 950 (1,081); gearing ratio of 42% (56).

Key figures – Group ¹⁾

MSEK	Apr–Jun			Jan–Jun		
	2023	2022	Change	2023	2022	Change
Net sales	1,098	1,021	8%	2,225	1,955	14%
Operating income	175	164	7%	356	330	8%
Earnings before tax	156	153	2%	315	308	2%
Net income for the period	120	134	-10%	241	264	-9%
Cash flow from operating activities	138	76	82%	227	166	37%
Net debt ²⁾	950	1,081	-12%	950	1,081	-12%
Operating margin, %	16.0	16.1	-0.1	16.0	16.9	-0.9
Basic EPS, SEK	3.15	3.53	-0.38	6.33	6.96	-0.63
Diluted EPS, SEK	3.15	3.53	-0.38	6.33	6.95	-0.62
Return on equity, %	22.3	28.8	-6.5	22.3	28.8	-6.5
Gearing ratio, %	42	56	-14	42	56	-14

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

2) For additional information see page 26.

Review of the second quarter

Solid second quarter sales performance, great cash generation and increased book-to-bill ratio.

Financial Performance

A solid second quarter's operational performance saw net sales reported at MSEK 1,098, up +8% with the increase attributable to foreign exchange rates movements, underlying sales were flat. Operating income was MSEK 175, corresponding to an operating margin of 16.0% (16.1). The cash flow from operating activities was MSEK 138 with a profit to cash conversion ratio of 135% for the quarter and 97% for the half year. The book-to-bill ratio has improved from 92% in Q1 to 99% in Q2.

Despite the economic situation deteriorating with high inflation and rising interest rates demand for our engine products remained strong this quarter in a difficult market. Net sales were MSEK 735 up +9% with underlying sales growth of +2% and operating margins of 16.0% (14.6). The book-to-bill ratio also increased this quarter to 107% from 96% in Q1, driven by higher order intake for electric products. However, demand for our Hydraulics products weakened, particularly in Europe. Net sales were MSEK 363, up 5% with underlying sales declining 2%. Operating margins improved modestly quarter-on-quarter to 15.8% (18.8). The book-to-bill ratio remained at Q1 levels, namely 85%.

The recent business wins confirm the successful ongoing execution of our electrification growth strategy presented at our recent capital markets day and underpins our capabilities to win new applications in established as well as new end-markets, in particular energy systems.

Sales and Market Development

North America continues to be more resilient than Europe delivering underlying sales growth of +3%, however, the market was mixed with only the truck and construction sectors growing year-on-year. Sales to our European customers were down -4% with reductions in all four end-market applications, but mainly the construction and agriculture off-highway sectors. Alfdex continues to perform well as the truck market in North America and Europe remains stable and further modest improvements were seen in China.

Sales of electric products were MSEK 197, equating to 18% of group sales for the quarter. The strong book-to-bill ratio for electric products confirms the successful conversion of prototypes shipped in past quarters into production orders and the interest in our electric products remains strong, particularly high voltage fans and pumps.

Manufacturing consolidation

Yesterday we announced the closure of one of our North American facilities in Itasca, Illinois. This forms part of our operational excellence strategy recently announced at our capital markets day to optimise our manufacturing footprint, creating economies of scale and centres of excellence with state-of-the-art manufacturing facilities to improve customer experience. The consolidation of the Itasca site into our other existing US facilities will be completed by the end of 2023, achieving annual operational savings of MSEK 12.

Outlook

The global macroeconomic situation is deteriorating because of high inflation and rising interest rates meaning the outlook for the second half of this year remains uncertain. There is also the risk that as the global industry supply chain further stabilises, our customers look to reduce their inventory levels which could also impact demand.

Thanks to the strength of our book-to-bill ratio this quarter and the near-term demand from our customers, we expect net sales for the third quarter to be broadly in line with sales achieved during the second quarter of 2023, adjusted for seasonal variations.

We will monitor closely our sales order intake during the coming quarters and ensure our business remains adept and flexible to adapt to demand changes in our end-markets and deliver strong financial returns.

Martin Kunz
President and CEO



Concentric Group, second quarter figures

Key figures¹⁾

Amounts in MSEK	Apr–Jun			Jan–Jun		
	2023	2022	Change	2023	2022	Change
Net sales	1,098	1,021	8%	2,225	1,955	14%
Operating income	175	164	7%	356	330	8%
Earnings before tax	156	153	2%	315	308	2%
Net income for the period	120	134	–10%	241	264	–9%
Operating margin, %	16.0	16.1	–0.1	16.0	16.9	–0.9
ROCE, %	19.8	20.2	–0.4	19.8	20.2	–0.4
Return on equity, %	22.3	28.8	–6.5	22.3	28.8	–6.5
Basic EPS, SEK	3.15	3.53	–0.38	6.33	6.96	–0.63
Diluted EPS, SEK	3.15	3.53	–0.38	6.33	6.95	–0.62

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

Sales

Net sales for the second quarter were up year-on-year by +8%. This is the result of an FX tailwind adding +8% with underlying sales flat year-on-year as the markets held during the quarter. The book-to-bill ratio at the end of the second quarter was 99% (108).

Sales of electric products were MSEK 197 in the second quarter representing 18% of the group's Net sales for the period.

Operating income

Operating income in the second quarter was MSEK 175 (164) resulting in a corresponding Operating margin of 16.0% (16.1). A consistent performance in an uncertain economy which continues to be challenged by inflation and rising interest rates.

Net financial items

Net financial income and expense for the second quarter was MSEK –19 (–11), this comprised of pension financial expense of MSEK –4 (–5), interest expenses for right of use assets MSEK –1 (–1), interest on the loans of –15 (–9) and net other financial income MSEK 1 (4).

Taxes

The reported effective tax rate for the second quarter was 23% (12). This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions. The lower prior year effective rate is due to a release of UK tax provisions.

Earnings per share

The basic earnings per share for the second quarter was SEK 3.15 (3.53), down SEK 0.38 per share, largely affected by a higher tax and interest charge. The diluted earnings per share for the second quarter was SEK 3.15 (3.53), down SEK 0.38.

Cash flow from operating activities

The reported cash inflow from operating activities for the second quarter amounted to MSEK 138 (76), which represents SEK 3.63 (1.99) per share. This has resulted in an Operating cash conversion ratio of 135% (80).

Working capital

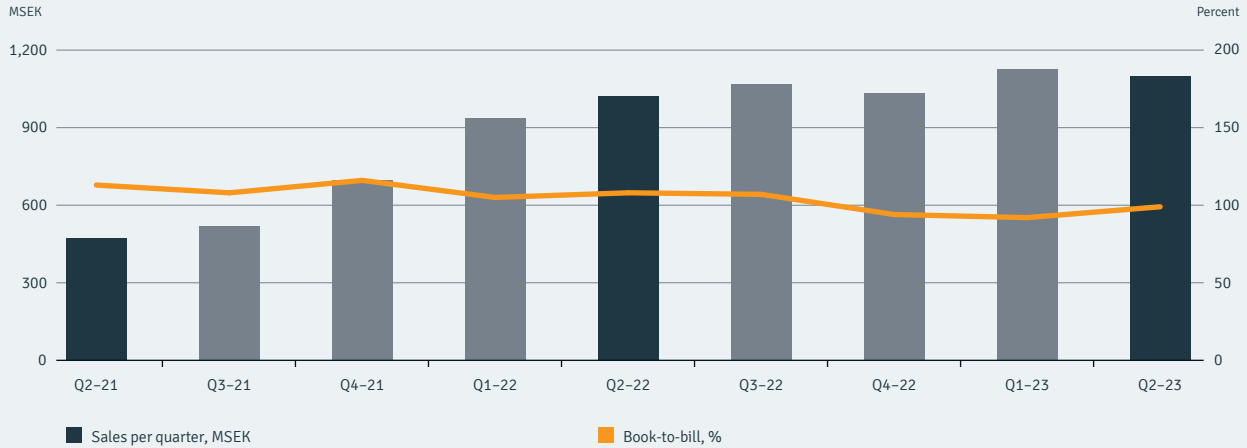
Total working capital as at 30 June 2023 was MSEK 514 (477), this represents a year-on-year constant currency increase of MSEK 11 and is 11.9% (15.1) of annual sales.

Net debt and gearing

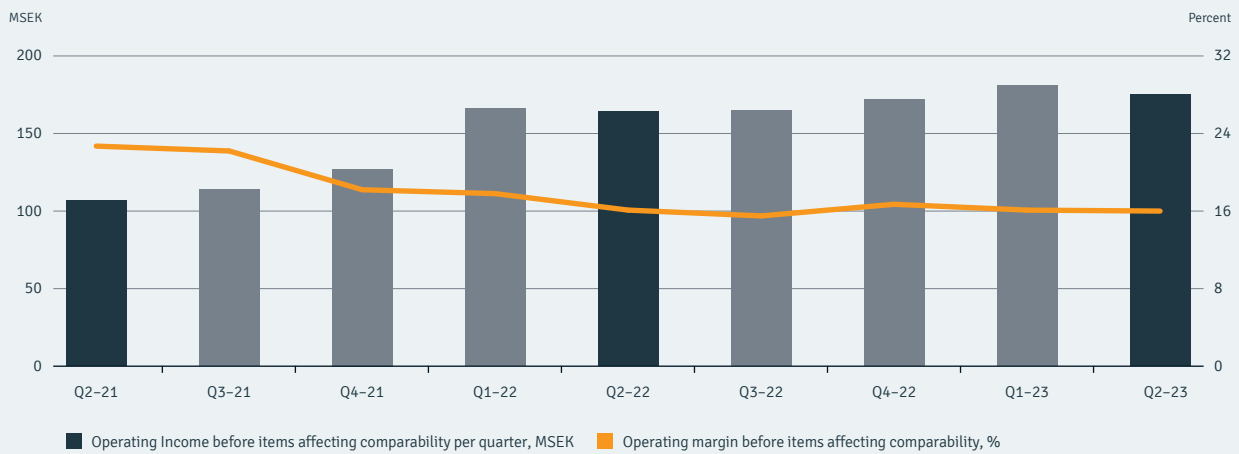
Overall, the group's Net debt at the end of the second quarter was MSEK 950 (1,081), comprising interest bearing liabilities MSEK 1,152 (1,213), liabilities for right of use assets MSEK 117 (123) and net pension liabilities of MSEK 257 (90), net of cash amounting to MSEK 576 (345). Shareholders' equity amounted to MSEK 2,281 (1,942), resulting in a gearing ratio of 42% (56) at the end of the second quarter. Our gearing ratio continues to fall as we consistently achieve good cash flows and continue to repay the term loan. Our current Net debt/EBITDA ratio is 1.06, below our target of 2.50.

Graphs – Concentric Group

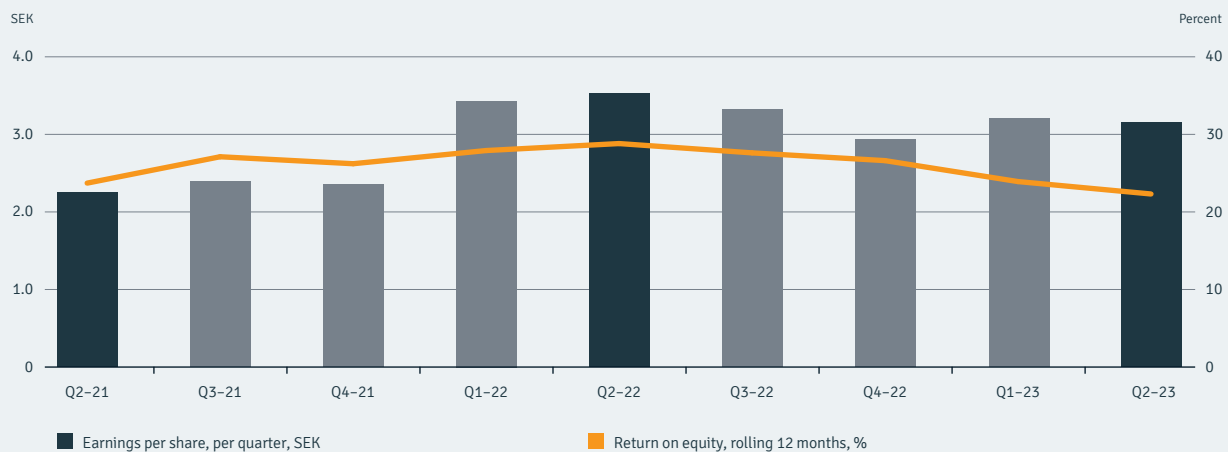
Sales and book-to-bill



Underlying operating income and margin



Earnings per share and return on equity



Engines

Financial Performance

Amounts in MSEK	Apr–Jun			Jan–Jun		
	2023	2022	Change	2023	2022	Change
External net sales	735	676	9%	1,487	1,284	16%
Operating income	118	99	19%	243	207	17%
Operating margin, %	16.0	14.6	1.4	16.3	16.1	0.2
ROCE, %	13.2	12.8	0.4	13.2	12.8	0.4

Sales and market development

Net sales for the second quarter were up year-on-year by +9%. An FX tailwind has contributed +7% to this increase whilst underlying sales increased +2% year-on-year.

Sales in to the truck and construction sectors saw similar levels of growth within our Engines division across both the North American and European regions. Sales in to the agriculture sector saw a decline year-on-year, again across both the North American and European regions and along with a sharp decline in the industrial applications sector in North America, limited the underlying growth to 2%, broadly in line with the market indices.

Market indices suggest production rates, blended to the Engines end-markets and regions were flat, indicating the overall Engines market is maintaining the current levels of demand. Book-to-bill ratio at the end of the quarter was 107% (109) due to the high demand for our e-Products.

Operating income and margin

Operating income in the second quarter was MSEK 118 (99) resulting in an Operating margin of 16.0% (14.6). A stronger year-on-year result from our JV, Alfdex, has contributed to the margin improvement. Our Engines division saw metal prices, particularly in North America, increase quarter-on-quarter but will be passed up the value chain in the coming quarters.

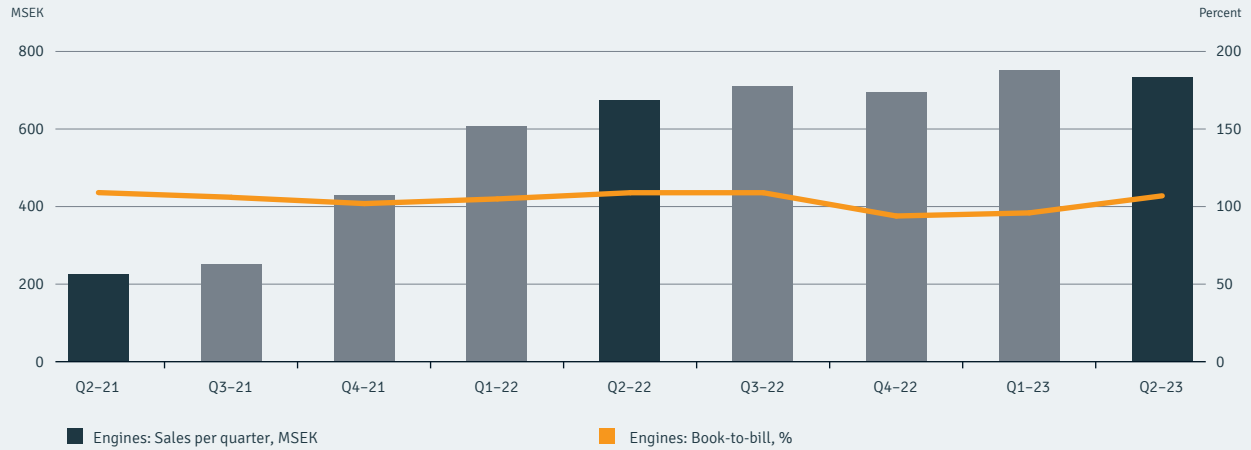


Working capital

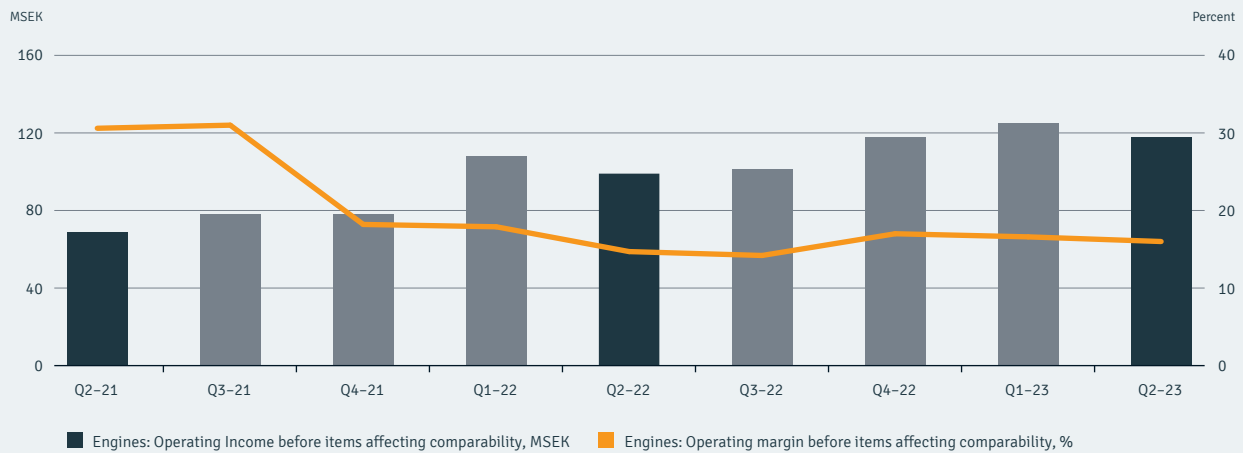
Working capital in the Engines division was MSEK 403 (364) as at 30 June 2023, this represents a year-on-year constant currency increase of MSEK 21 and is 13.8% (18.4) of annual sales.

Graphs – Engines

Sales and book-to-bill



Underlying operating income and margin



Working capital and working capital as a % of sales



Hydraulics

Financial Performance

Amounts in MSEK	Apr-Jun			Jan-Jun		
	2023	2022	Change	2023	2022	Change
External net sales	363	345	5%	738	671	10%
Operating income	58	65	-11%	114	123	-7%
Operating margin, %	15.8	18.8	-3.0	15.4	18.3	-2.9
ROCE, %	28.4	27.3	1.1	28.4	27.3	1.1

Sales and market development

Net sales for the second quarter were MSEK 363 (345), up year-on-year by +5%. Foreign exchange movements have increased sales by +7% and therefore underlying sales are down -2% year-on-year.

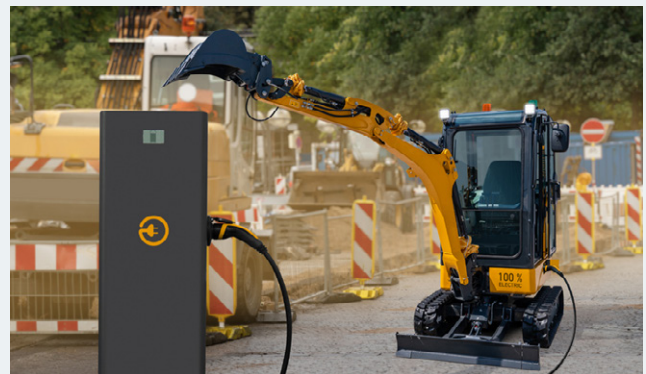
Sales to all four sectors in the European region were down, resulting in the fall in underlying sales. The overall impact to the Hydraulics division was reduced by an increase in sales in to the North American region which were up as a result of double digit growth in the agriculture and construction sectors.

Market indices suggest production rates, blended to the Hydraulics end-markets and regions, were down -2% in the second quarter and broadly in line with our constant currency sales decline of -2%.

The Book-to-bill ratio remains weak for Hydraulic products, at the end of the quarter it was 85% (107), the same as Q1.

Operating income and margin

The Operating income in the second quarter was MSEK 58 (65), down MSEK 6 year-on-year, generating an Operating margin of 15.8% (18.8).

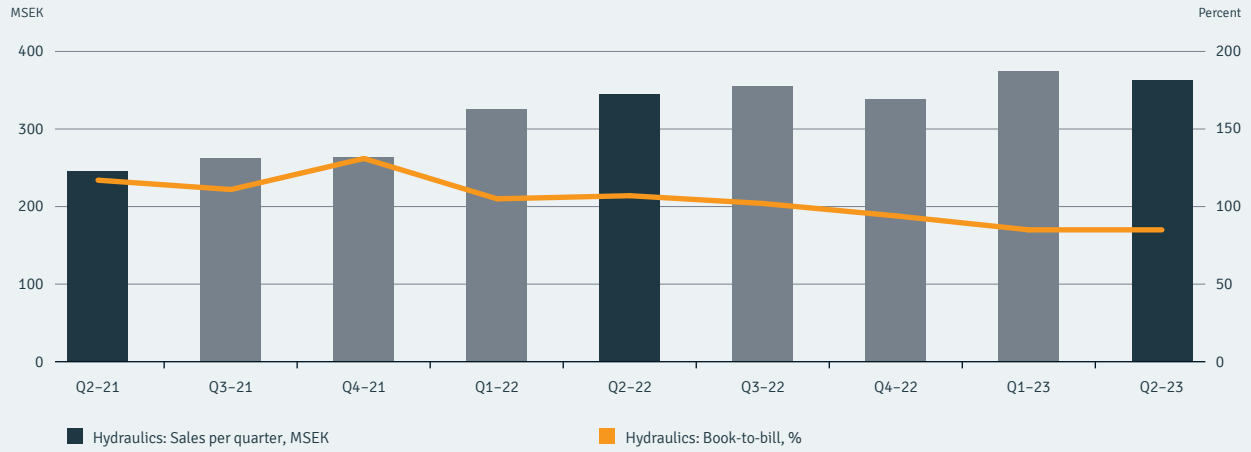


Working capital

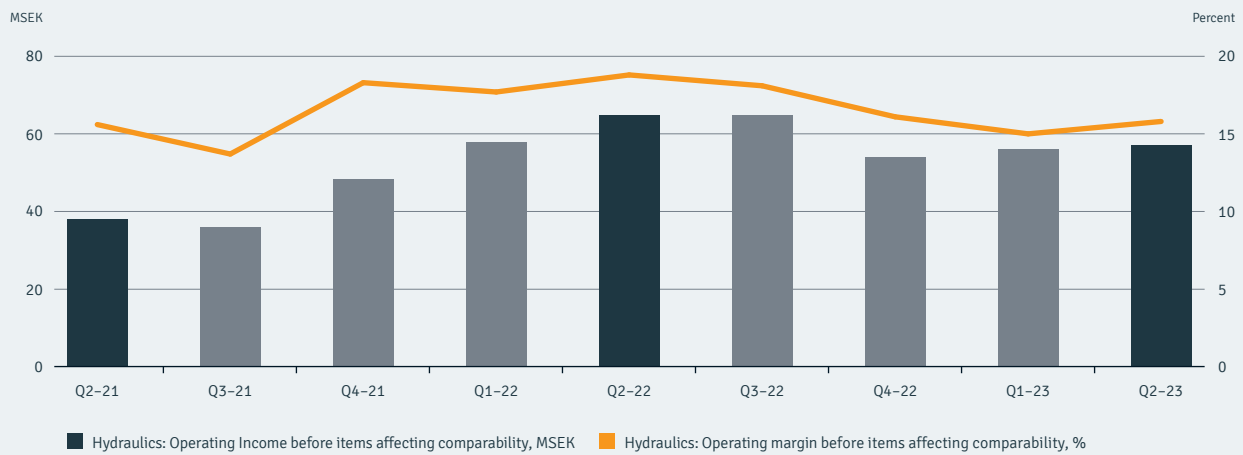
Working capital in the Hydraulics division was MSEK 184 (144) as at 30 June 2023, this represents a year-on-year constant currency increase of MSEK 31 and is 12.8% (12.1) of annual sales.

Graphs – Hydraulics

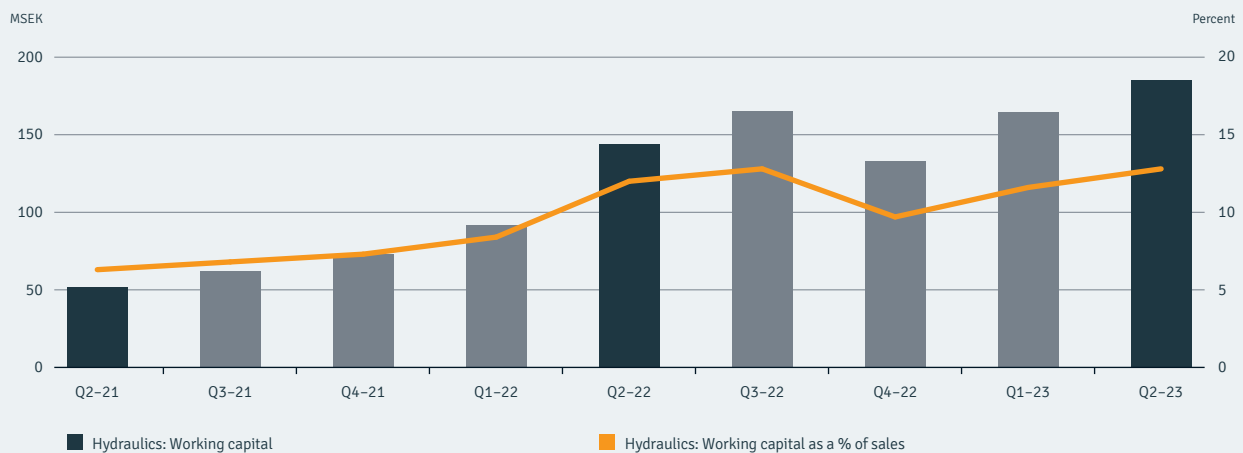
Sales and book-to-bill



Underlying operating income and margin



Working capital and working capital as a % of sales



Financial statements – Group

General information

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

Consolidated income statement

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Net sales	1,098	1,021	2,225	1,955
Cost of goods sold	-811	-766	-1,635	-1,441
Gross income	287	255	590	514
Selling expenses	-31	-27	-65	-52
Administrative expenses	-69	-39	-145	-96
Product development expenses	-27	-22	-48	-42
Share of net income in joint venture	24	9	41	26
Other operating income and expenses	-9	-12	-17	-20
Operating income	175	164	356	330
Financial income and expenses	-19	-11	-41	-22
Earnings before tax	156	153	315	308
Taxes	-36	-19	-74	-44
Net income for the period	120	134	241	264
Parent Company shareholders	120	134	241	264
Non-controlling interest	–	–	–	–
Basic earnings per share, SEK	3.15	3.53	6.33	6.96
Diluted earnings per share, SEK	3.15	3.53	6.33	6.95
Basic average number of shares (000)	37,984	37,953	37,982	37,942
Diluted average number of shares (000)	38,007	38,010	38,015	38,017

Consolidated statement of comprehensive income

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Net income for the period	120	134	241	264
Other comprehensive income				
<i>Items that will not be reclassified to the income statement</i>				
Net remeasurement gains and losses	–	121	–	264
Tax on net remeasurement gains and losses	–	-35	–	-73
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	-50	-46	-52	-54
Tax arising from exchange rate differences related to liabilities to foreign operations	10	9	11	11
Cash-flow hedging	6	8	2	23
Tax arising from cash-flow hedging	-1	-2	–	-5
Share of OCI related to joint venture	-1	3	-1	6
Foreign currency translation differences	153	175	160	178
Total other comprehensive income	117	233	120	350
Total comprehensive income	237	367	361	614

Consolidated balance sheet

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Goodwill	1,534	1,427	1,455
Other intangible fixed assets	416	462	435
Right of use fixed assets	99	108	99
Tangible fixed assets	474	459	450
Share of net assets in joint venture	178	148	138
Deferred tax assets	112	55	117
Other long-term receivables	34	27	35
Total fixed assets	2,847	2,686	2,729
Inventories	549	488	538
Current receivables	692	675	604
Current receivables, joint venture	—	3	—
Cash and cash equivalents	576	345	624
Total current assets	1,817	1,511	1,766
Total assets	4,664	4,197	4,495
Total Shareholders' equity	2,281	1,942	2,070
Pensions and similar obligations	257	90	261
Deferred tax liabilities	127	141	140
Long-term liabilities for right of use fixed assets	93	104	97
Other long-term interest-bearing liabilities	745	830	783
Other long-term liabilities	3	—	2
Total long-term liabilities	1,225	1,165	1,283
Short-term liabilities for right of use fixed assets	24	20	17
Other short-term interest-bearing liabilities	407	383	391
Other current liabilities	727	687	734
Total current liabilities	1,158	1,090	1,142
Total equity and liabilities	4,664	4,197	4,495

Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 30 June 2023 the fair

value of derivative instruments that were assets was MSEK 32 (26), and the fair value of derivative instruments that were liabilities was MSEK 0 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Opening balance	2,070	1,462	1,462
Net income for the period	241	264	501
Other comprehensive income	120	350	239
Total comprehensive income	361	614	740
Dividend	-152	-142	-142
Sale of own shares to satisfy LTI – options exercised	1	7	7
Long-term incentive plan	1	1	3
Closing balance	2,281	1,942	2,070

Consolidated cash flow statement, in summary

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Earnings before tax	156	153	315	308
Reversal of depreciation and amortisation of fixed assets	47	46	95	91
Reversal of net income from joint venture	-24	-9	-41	-26
Reversal of other non-cash items	5	4	5	7
Taxes paid	-71	-54	-92	-72
Cash flow from operating activities before changes in working capital	113	140	282	308
Change in working capital	25	-64	-55	-142
Cash flow from operating activities	138	76	227	166
Investments in subsidiaries	–	–	–	-16
Net investments in property, plant and equipment	-22	-10	-50	-28
Cash flow from investing activities	-22	-10	-50	-44
Dividend	-152	-142	-152	-142
Selling of own shares to satisfy LTI – options exercised	2	7	2	7
Repayment of loans	-41	-44	-81	-74
Pension payments and other cash flows from financing activities	-10	-10	-19	-31
Cash flow from financing activities	-201	-189	-250	-240
Cash flow for the period	-85	-123	-73	-118
Cash and bank assets, opening balance	636	448	624	440
Exchange-rate difference in cash and bank assets	25	20	25	23
Cash and bank assets, closing balance	576	345	576	345

Group notes

Data per share

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Basic earnings per share, SEK	3.15	3.53	6.33	6.96
Diluted earnings per share, SEK	3.15	3.53	6.33	6.95
Equity per share, SEK	60.06	51.13	60.06	51.13
Cash-flow from current operations per share, SEK	3.63	1.99	6.00	4.34
Basic weighted average no. of shares (000's)	37,984	37,953	37,982	37,942
Diluted weighted average no. of shares (000's)	38,007	38,010	38,015	38,017
Number of shares at period-end (000's)	37,987	37,980	37,987	37,980

Key figures¹⁾

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Sales growth, %	8	116	14	116
Sales growth, constant currency, % ²⁾	–	25	5	28
Sales of e-Products, %	18.0	16.0	17.5	15.3
EBITDA margin, %	20.3	20.7	20.3	21.6
Operating margin, %	16.0	16.1	16.0	16.9
Capital employed, MSEK	3,806	3,365	3,806	3,365
ROCE before items affecting comparability, %	19.5	21.7	19.5	21.7
ROCE, %	19.8	20.2	19.8	20.2
ROE, %	22.3	28.8	22.3	28.8
Working capital, MSEK	514	477	514	477
Working capital as a % of annual sales	11.9	15.1	11.9	15.1
Net debt, MSEK ³⁾	950	1,081	950	1,081
Net debt/ EBITDA	1.06	1.59	1.06	1.59
Gearing ratio, %	42	56	42	56
Net investments in PPE	22	10	50	28
R&D, %	2.5	2.2	2.2	2.2
Number of employees, average	1,297	1,199	1,279	1,190

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

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

3) For additional information see page 22.

Consolidated income statement in summary – by type of cost

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Net sales	1,098	1,021	2,225	1,955
Direct material costs	-549	-537	-1,099	-992
Personnel costs	-254	-208	-512	-411
Depreciation and amortisation of fixed assets	-47	-46	-95	-91
Share of net income in joint venture	24	9	41	26
Other operating income and expenses	-97	-75	-204	-157
Operating income	175	164	356	330
Financial income and expense	-19	-11	-41	-22
Earnings before tax	156	153	315	308
Taxes	-36	-19	-74	-44
Net income for the period	120	134	241	264

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

	Apr–Jun		Jan–Jun	
	2023	2022	2023	2022
Tooling income	2	2	3	4
Royalty income from joint venture	5	5	12	12
Amortisation of acquisition related surplus values	-18	-18	-36	-36
Other	2	-1	4	–
Other operating income and expenses	-9	-12	-17	-20

Segment reporting

The Engines segment comprises all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulics division includes all Concentric and Allied branded hydraulic products. The evaluation of an operating segment's earnings is based upon its operat-

ing income or EBIT. Financial assets and liabilities are not allocated to segments.

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

Second quarter	Engines		Hydraulics		Elims/Adjs		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Total net sales	739	679	363	346	-4	-4	1,098	1,021
External net sales	735	676	363	345	-	-	1,098	1,021
Operating income	118	99	58	65	-1	-	175	164
Operating margin, %	16.0	14.6	15.8	18.8	n/a	n/a	16.0	16.1
Financial income and expense	-	-	-	-	-19	-11	-19	-11
Earnings before tax	118	99	58	65	-20	-11	156	153
Assets	3,446	3,269	634	652	584	276	4,664	4,197
Liabilities	768	431	353	516	1,262	1,308	2,383	2,255
Capital employed	3,723	3,418	946	869	-863	-922	3,806	3,365
ROCE before items affecting comparability, %	12.9	12.8	28.4	27.3	n/a	n/a	19.5	21.7
ROCE, %	13.2	12.8	28.4	27.3	n/a	n/a	19.8	20.2
Net investments in PPE	20	6	2	1	-	3	22	10
Depreciation and amortisation of fixed assets	43	41	5	5	-1	-	47	46
Number of employees, average	884	826	413	373	-	-	1,297	1,199

First six months	Engines		Hydraulics		Elims/Adjs		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Total net sales	1,497	1,289	739	672	-11	-6	2,225	1,955
External net sales	1,487	1,284	738	671	-	-	2,225	1,955
Operating income	243	207	114	123	-1	-	356	330
Operating margin, %	16.3	16.1	15.4	18.3	n/a	n/a	16.0	16.9
Financial income and expense	-	-	-	-	-41	-22	-41	-22
Earnings before tax	243	207	114	123	-42	-22	315	308
Assets	3,446	3,269	634	652	584	276	4,664	4,197
Liabilities	768	431	353	516	1,262	1,308	2,383	2,255
Capital employed	3,723	3,418	946	869	-863	-922	3,806	3,365
ROCE before items affecting comparability, %	12.9	12.8	28.4	27.3	n/a	n/a	19.5	21.7
ROCE, %	13.2	12.8	28.4	27.3	n/a	n/a	19.8	20.2
Net investments in PPE	38	23	12	2	-	3	50	28
Depreciation and amortisation of fixed assets	85	82	10	9	-	-	95	91
Number of employees, average	867	821	412	369	-	-	1,279	1,190

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 second quarter was 66 (64) for the group, with an average of 67 (66) working days for the Engines segment and 64 (62) working days for the Hydraulics segment.

Segment External Sales reporting by geographic location of customer

Second quarter	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	477	422	193	164	670	586
Rest of North America	15	32	2	6	17	38
South America	1	—	—	1	1	1
Germany	61	47	43	47	104	94
UK	45	40	18	15	63	55
Sweden	16	12	12	20	28	32
Rest of Europe	73	82	42	47	115	129
Asia	34	32	50	41	84	73
Other	13	9	3	4	16	13
Total Group	735	676	363	345	1,098	1,021

First six months	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	960	788	375	316	1,335	1,104
Rest of North America	35	58	7	10	42	68
South America	1	—	1	2	2	2
Germany	127	104	98	98	225	202
UK	89	83	37	31	126	114
Sweden	33	22	36	39	69	61
Rest of Europe	150	147	90	88	240	235
Asia	66	64	88	81	154	145
Other	26	18	6	6	32	24
Total Group	1,487	1,284	738	671	2,225	1,955

Total sales by product groups

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Second quarter						
Concentric branded products	214	241	337	324	551	565
EMP branded products	450	372	—	—	450	372
LICOS branded products	71	63	—	—	71	63
Allied branded products	—	—	26	21	26	21
Total Group	735	676	363	345	1,098	1,021

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
First six months						
Concentric branded products	445	470	690	626	1,135	1,096
EMP branded products	901	692	—	—	901	692
LICOS branded products	141	122	—	—	141	122
Allied branded products	—	—	48	45	48	45
Total Group	1,487	1,284	738	671	2,225	1,955

Total sales by end-markets

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Second quarter						
Trucks	308	246	45	59	353	305
Construction	245	217	143	129	388	346
Industrial	38	65	121	113	159	178
Agriculture	144	148	54	44	198	192
Total Group	735	676	363	345	1,098	1,021

	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
First six months						
Trucks	609	449	108	111	717	560
Construction	502	425	288	254	790	679
Industrial	80	130	236	216	316	346
Agriculture	296	280	106	90	402	370
Total Group	1,487	1,284	738	671	2,225	1,955

Business risks, accounting principles and other information

Business overview

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

Significant risks and uncertainties

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

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

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2022 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2022. Please refer to the Risk and Risk Management section on pages 70–78 of the 2022 Annual Report for further details.

Events after the balance sheet date

On 25 July 2023 Concentric announced the closure of our facility in Itasca, Illinois. The closure is expected to be complete by Q1 2024 at an estimated cash cost of MSEK 12.

Related-party transactions

The Parent Company is a related party to its subsidiaries and joint venture. Transactions with subsidiaries and joint venture occur on commercial market terms. Other than dividends received from Subsidiary companies to the Parent company of MSEK 123 (155), no transactions have been carried out between Concentric AB and its subsidiary undertakings and any other related parties that had a material impact on either the Company's or the group's financial position and results.

Basis of preparation and accounting policies

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

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2022 Annual Report.

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

Financial Statements – Parent Company

Net sales and operating income

Net sales for the second quarter reflected mostly the royalty income received from the joint venture, Alfdex AB. Operating loss for the second quarter was MSEK -2 (-3).

Net financial items and earnings before tax

Exchange rate losses on foreign liabilities to subsidiaries was MSEK -50 (-46) in the quarter, and the remaining financial items netted to MSEK -25 (-8), MSEK -15 (-8) of which relates to the Interest cost on the term loan. Income from shares in subsidiaries amounted to MSEK 123 (155) and related to dividends. Accordingly, earnings before tax was MSEK 46 (98) for the second quarter.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2023 was 108,153 (115,965) and shares transferred to an Employee Share Ownership Trust ("ESOT") was 209,947 (251,727). Includ-

ing these shares the Company's holdings was 318,100 (367,692) and the total number of shares in issue was 38,297,600 (38,297,600). The Company did not repurchase any own shares during the second quarter, but have sold 7,512 (49,592) of own shares to exercise and satisfy the LTI programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 5,512 (41,780) own shares to Concentric was made. The total number of holdings of own shares at 30 June 2023 was 106,153 (108,153). Consequently, the company's holdings of own shares represent 0.3% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings was 310,588 (318,100), which represent 1.0% (1.0) of the total number of shares.

Dividends

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

Parent Company's income statement

	Apr-Jun		Jan-Jun	
	2023	2021	2023	2021
Net sales	8	6	17	14
Operating costs	-10	-9	-19	-15
Operating income	-2	-3	-2	-1
Income from shares in subsidiaries	123	155	123	155
Net foreign exchange rate differences	-50	-46	-52	-54
Other financial income and expense	-25	-8	-46	-15
Earnings before tax	46	98	23	85
Taxes	10	9	9	11
Net income for the period¹⁾	56	107	32	96

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

Parent Company's balance sheet

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Shares in subsidiaries	4,329	4,243	4,329
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1,018	1,086	1,044
Deferred tax assets	37	22	28
Total financial fixed assets	5,394	5,361	5,411
Other current receivables	14	14	9
Short-term receivables from subsidiaries	139	146	136
Short-term receivables from joint venture	–	3	2
Cash and cash equivalents	476	214	536
Total current assets	629	377	683
Total assets	6,023	5,738	6,094
Total shareholders' equity	2,173	2,303	2,291
Pensions and similar obligations	20	18	20
Long-term interest-bearing liabilities	746	830	783
Long-term loans payable to subsidiaries	2,519	1,985	2,459
Total long-term liabilities	3,285	2,833	3,262
Short-term loans payable to subsidiaries	142	205	142
Short-term interest-bearing liabilities	407	383	391
Other current liabilities	16	14	8
Total current liabilities	565	602	541
Total equity and liabilities	6,023	5,738	6,094

Parent Company's changes in shareholders' equity

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Opening balance	2,291	2,342	2,342
Net income for the period	32	96	84
Dividend	-152	-142	-142
Sale of own shares to satisfy LTI options exercised	2	7	7
Closing balance	2,173	2,303	2,291

Other information

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 26 July, 2023.

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

Concentric's web site for investors

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

Reporting calendar

Interim Report January–September 2023	8 November, 2023
Interim Report January–December 2023	7 February, 2024

Further information:

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

Corporate Registration Number 556828-4995

Stockholm 26 July, 2023

Anders Nielsen
Chairman of Board

Claes Magnus Åkesson
Member of the Board

Karin Gunnarsson
Member of the Board

Joachim Rosenberg
Member of the Board

Susanna Schneeberger
Member of the Board

Martin Sköld
Member of the Board

Petra Sundström
Member of the Board

Martin Kunz
President and CEO

Our review report was submitted on 26 July, 2023
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Review report

To the Board of Directors of Concentric AB (publ.)
Corp. id. 556828-4995

Introduction

We have reviewed the condensed interim financial information (interim report) of Concentric AB (publ), as of 30 June, 2023 and the six-month period then ended. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons Review report responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in

scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 26 July, 2023

KPMG AB

Joakim Thilstedt

Authorised Public Accountant

Alternative Performance Measures reconciliation

	Apr-Jun		Jan-Jun	
	2023	2022	2023	2022
Underlying EBIT or operating income				
EBIT or operating income	175	164	356	330
Underlying operating income	175	164	356	330
Net sales	1,098	1,021	2,225	1,955
Operating margin (%)	16.0	16.1	16.0	16.9
Underlying operating margin (%)	16.0	16.1	16.0	16.9

	Apr-Jun		Jan-Jun	
	2023	2022	2023	2022
Underlying EBITDA or operating income before amortisation and depreciation				
EBIT or operating income	175	164	356	330
Operating amortisation/depreciation	29	28	59	55
Amortisation of purchase price allocation	18	18	36	36
EBITDA or operating income before amortisation and depreciation	222	210	451	421
Underlying EBITDA or underlying operating income before amortisation and depreciation	222	210	451	421
Net sales	1,098	1,021	2,225	1,955
EBITDA margin (%)	20.3	20.7	20.3	21.6
Underlying EBITDA margin (%)	20.3	20.7	20.3	21.6

	Apr-Jun		Jan-Jun	
	2023	2022	2023	2022
Net income				
Net income	120	134	241	264
Basic average number of shares (000)	37,984	37,953	37,982	37,942
Basic earnings per share, SEK	3.15	3.53	6.33	6.96

CONCENTRIC INTERIM REPORT Q2 2023
ALTERNATIVE PERFORMANCE MEASURES

	Apr-Jun		Jan-Jun	
	2023	2022	2023	2022
Cash Conversion				
Cash flow from operating activities	138	76	227	166
Payments for financial transactions	17	6	38	13
Tax payments	71	54	92	72
Net investments in property, plant and equipment	-22	-10	-50	-28
Adjustment for royalty from joint-venture (Alfdex)	-5	-5	-12	-12
Operating Cash	199	122	295	212
Operating income	175	164	356	330
Adjustment for royalty from joint-venture (Alfdex)	-5	-5	-12	-12
Adjustments for share in profit in joint-venture (Alfdex)	-24	-9	-41	-26
Adjusted Operating income	146	150	303	293
Cash conversion (%)	135.0	79.8	97.0	71.9





Net debt	30 Jun 2023	30 Jun 2022
Pensions and similar obligations	257	90
Liabilities for right of use fixed assets	117	123
Other long term interest bearing liabilities	745	830
Other short term interest bearing liabilities	407	383
Total interest bearing liabilities	1,526	1,426
Cash and cash equivalents	-576	-345
Total net debt	950	1,081
Net debt, excluding pension obligations	693	991

Capital employed	30 Jun 2023	30 Jun 2022
Total assets	4,664	4,197
Interest bearing financial assets	-2	-3
Non interest bearing assets (excl taxes)	4,662	4,194
Non interest bearing liabilities (incl taxes)	-856	-829
Non interest bearing liabilities (excl taxes)	-856	-829
Total capital employed	3,806	3,365

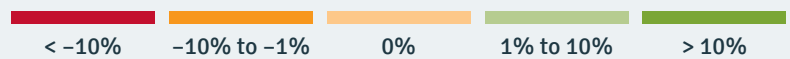
Working capital	30 Jun 2023	30 Jun 2022
Accounts receivable	602	580
Other current receivables	90	96
Inventory	549	488
Working capital assets	1,241	1,164
Accounts payable	-394	-400
Other current payables	-333	-287
Working capital liabilities	-727	-687
Total working capital	514	477

Graph data summary

	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021
Engines									
Sales, MSEK	735	752	695	712	676	608	432	252	226
Book-to-bill, %	107	96	94	109	109	105	102	106	109
Operating income before items affecting comparability, MSEK	118	125	118	101	99	108	79	78	69
Operating margin before items affecting comparability, %	16.0	16.6	17.0	14.2	14.6	17.9	18.2	31.0	30.5
Working capital as % of annualised sales	13.8	13.4	12.6	15.9	18.4	20	24.3	8.1	6
Working capital, MSEK	403	382	339	388	364	306	273	72	48
Hydraulics									
Sales, MSEK	363	375	338	356	345	326	263	263	247
Book-to-bill, %	85	85	94	102	107	105	131	111	117
Operating income before items affecting comparability, MSEK	58	56	54	65	65	58	48	36	38
Operating margin before items affecting comparability, %	15.8	15.0	16.1	18.1	18.8	17.7	18.3	13.7	15.6
Working capital as % of annualised sales	12.8	11.6	9.7	12.8	12.0	8.4	7.3	6.8	6.3
Working capital, MSEK	184	164	133	165	144	92	73	62	52
Group									
Sales, MSEK	1,098	1,127	1,033	1,068	1,021	934	695	515	473
Book-to-bill, %	99	92	94	107	108	105	114	108	107
Operating income before items affecting comparability, MSEK	175	181	172	165	164	166	127	114	107
Operating margin before items affecting comparability, %	16.0	16.1	16.7	15.5	16.1	17.8	18.2	22.2	22.7
Basic earnings per share, SEK	3.15	3.18	2.92	3.32	3.53	3.42	2.36	2.39	2.25
Return on equity, %	22.3	24.2	26.6	27.6	28.8	27.9	26.2	27.1	23.7
Cash flow from operating activities per share, SEK	3.67	2.33	5.33	4.26	1.99	2.37	2.97	1.79	2.01
Working capital as % of annualised sales	11.9	11.3	10.0	14.2	15.1	12.9	13.1	3.3	1.3
Net debt, MSEK	950	865	925	1,005	1,081	1,016	1,192	-136	-22
Gearing ratio, %	42	39	45	45	56	59	82	-10	-2
Gearing ratio (excl Pensions), %	30	28	32	43	51	49	57	-36	-30

	Q2-23 vs Q2-22					H1-23 vs H2-22					FY-23 vs FY-22				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 Agriculture Diesel engines	-2%	-2%	0%	3%	6%	-2%	-1%	-1%	3%	6%	-2%	-2%	0%	3%	6%
 Construction Diesel engines	-1%	-2%	-2%	3%	0%	-1%	-1%	-2%	3%	0%	-1%	-1%	-2%	3%	0%
Hydraulic equipment	2%	n/a	-3%	n/a	n/a	2%	n/a	-3%	n/a	n/a	2%	n/a	-3%	n/a	n/a
 Trucks Light vehicles	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	1%	-26%	8%	4%	3%	1%	-26%	8%	3%	3%	1%	-26%	8%	3%	3%
 Industrial Other off-highway	2%	-1%	1%	-1%	3%	2%	-1%	1%	-1%	3%	2%	-1%	1%	-1%	3%
Hydraulic lift trucks	-22%	n/a	14%	n/a	n/a	-23%	n/a	11%	n/a	n/a	-19%	n/a	8%	n/a	n/a

The market indices summarised in the table above reflect the Q2 2023 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



Consolidated sales development

	Q2-23 vs. Q2-22			H1-23 vs H1-22			FY-23 vs. FY-22		
	Engines	Hydraulics	Group	Engines	Hydraulics	Group	Engines	Hydraulics	Group
Market – weighted average ¹⁾	1%	-2%	0%	1%	-2%	0%	1%	-2%	0%
Actual – constant currency ²⁾	2%	-2%	0%	8%	1%	5%			

1) Based on latest market indices blended to Concentric's mix of end-markets and locations.
2) Based on actual sales in constant currency.

Glossary

APM

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

EHS

Electro Hydraulic Steering.

EMP

Engineered Machined Products, Inc and subsidiaries.

ESOT

Employee Share Ownership Trust.

JSOP

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

LTI

Long term incentive.

Net investments in fixed assets

Fixed asset additions net of fixed asset disposals and retirements.

OEMs

Original Equipment Manufacturers.

Off-highway

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

Order backlog

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

R&D expenditure

Research and development expenditure.

Tier 1, Tier 2-supplier

Different levels of sub suppliers, typical within the automotive industry.

Definitions

Book-to-bill

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

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

Capital employed

Total assets less interest bearing financial assets and non-interest bearing liabilities.

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

Drop-through/drop-out rate

Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales.

This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.

EBITDA margin

EBITDA as a percentage of net sales.

EBITDA margin is used for measuring the cash flow from operating activities.

EBIT or Operating income

Earnings before interest and tax.

This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the Company.

EBIT or Operating margin

Operating income as a percentage of net sales.

Operating profit margin is used for measuring the operational profitability.

EPS

Earnings per share, net income divided by the average number of shares.

The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.

Equity per share

Equity at the end of the period divided by number of shares at the end of the period.

Equity per share measures the net-asset value backing up each share of the Company's equity and determines if a Company is increasing shareholder value over time.

Gearing ratio

Ratio of net debt to shareholders' equity.

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

Gross margin

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

Net debt

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

Net debt/EBITDA

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

ROCE

Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over rolling 12 months.

Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the Company is the reason that this metric is used next to return on equity, because it not only includes equity, but taken into account other liabilities as well.

ROE

Return on equity; net income as a percentage of the average shareholders' equity over rolling 12 months.

Return on equity is used to measure profit generation, given the resources attributable to the Parent Company owners.

Sales growth, constant currency

Growth rate based on sales restated at prior year foreign exchange rates.

This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.

Structural growth

Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts.

Structural changes measure the contribution of changes in group structure to net sales growth.

“Underlying” or “before items affecting comparability”

Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate).

Enabling a comparison of operational business.

Working capital

Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities.

Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

