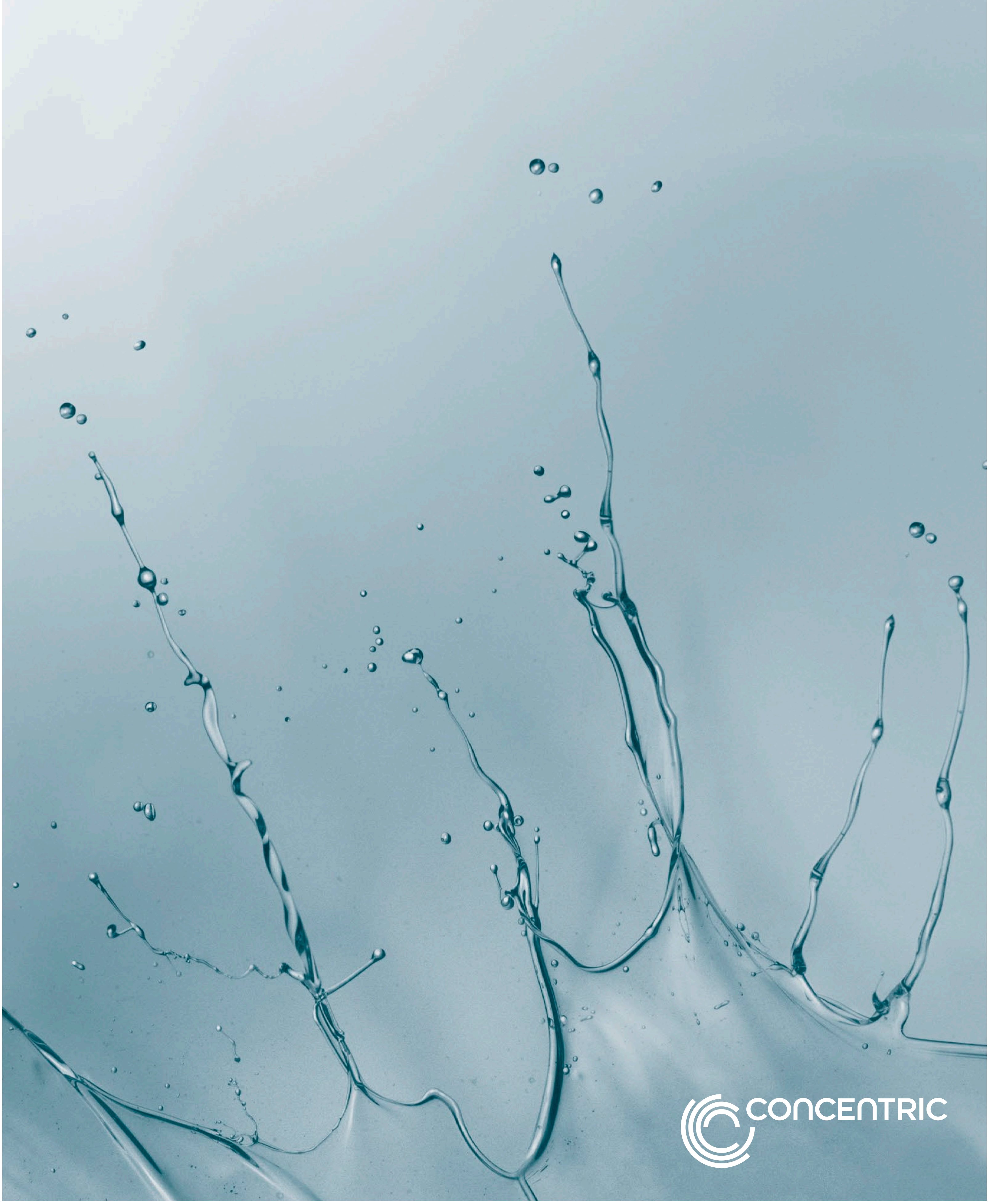
INTERIM REPORT Q2/2019

TECHNOLOGY
INNOVATION
SUSTAINABILITY



CONCENTRIC

CONTENTS

Second quarter

Net sales
MSEK 553 (603) – sales were down –8% y-o-y. After adjusting for impact of currency (+4%), sales in constant currency were down –12%.

Underlying sales development
Underlying Group sales, both for the second quarter and the first six months, were constant when excluding the effect of the previously announced decision by a global OEM customer to dual source components during 2019.

Operating income
MSEK 121 (126), generating an operating margin of 21.9% (20.9).

Earnings after tax
MSEK 92 (94); basic EPS of SEK 2.39 (2.36).

Cash flow from operating activities
MSEK 128 (142); cash generation affected by lower sales.

First six months

Net sales
MSEK 1,119 (1,206) – sales were down –7% y-o-y. After adjusting for impact of currency (+5%), sales in constant currency were down –12%.

Operating income
MSEK 247 (246), generating an operating margin of 22.0% (20.4).

Earnings after tax
MSEK 186 (183); basic EPS of SEK 4.82 (4.62).

Cash flow from operating activities
MSEK 230 (253); cash generation affected by lower sales.

Group's net debt
MSEK 102 (132); gearing ratio of 10% (14).

Effects of new accounting principles for Leases – IFRS 16
The effects in the income statement are not material (EBIT margin –0.1%; EBITDA margin +1.1%). Cash flow from operating activities was affected with MSEK +12. Other effects per 30 June were; total assets MSEK +92; net debt MSEK +95; gearing ratio +9%.

Key figures – Group [1]

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
Net sales	553	603	–8%	1,119	1,206	–7%	2,323	2,410
Operating income before items affecting comparability	121	126	–4%	247	246	0%	526	525
Operating income	121	126	–4%	247	246	0%	530	529
Earnings before tax	119	117	2%	240	232	3%	523	515
Net income for the period	92	94	–2%	186	183	2%	408	405
Cash flow from operating activities [3]	128	142	–10%	230	253	–9%	531	554
Net debt [2] [3]	102	132	–23%	102	132	–23%	102	12
Operating margin before items affecting comparability, %	21.9	20.9	1.0	22.0	20.4	1.6	22.9	22.1
Operating margin, %	21.9	20.9	1.0	22.0	20.4	1.6	22.8	21.9
Basic EPS before items affecting comparability, SEK	2.39	2.36	0.03	4.82	4.62	0.20	10.28	10.22
Basic EPS, SEK	2.39	2.36	0.03	4.82	4.62	0.20	10.52	10.30
Diluted EPS, SEK	2.36	2.35	0.01	4.78	4.60	0.18	10.43	10.27
Return on equity, %	39.0	38.1	0.9	39.0	38.1	0.9	39.0	41.6
Gearing ratio, % [3]	10	14	–4	10	14	–4	10	1

[1] For additional information see pages 30–31 and 34.
[2] For additional information see page 12.
[3] For additional information see pages 24–25.

Review of the second quarter

President and CEO, David Woolley,
comments on the Q2 2019 Interim Report.

Market and sales development

Group sales in the second quarter were broadly in line with previous guidance, underlying sales were constant for the first six month's year-on-year. The reported sales for the second quarter and the first six months were down year-on-year by 12% and 12% respectively in constant currency when including the effect of the previously announced decision by a global OEM customer to dual source components during 2019.

Published market indices suggest production rates, blended for the Group's end-markets and regions were up by 2% year-on-year in the second quarter. We can see that market growth has slowed from reported levels of 5% in the first quarter. Last quarter we discussed how our customers were managing risk and reducing stocks as the outlook became more uncertain, that trend has continued in the second quarter. On a group level we are seeing a slight decrease in demand, primarily due to a softer market in North America. The levels of orders received and to be fulfilled during the third quarter of 2019 are behind the sales levels of the second quarter 2019.

The largest end sector for Concentric continued to be trucks, representing 44% of the Group's sales. Market demand for medium- and heavy-duty trucks in North America declined by 2% year-on-year in the second quarter, whilst European demand continued with low single digit growth.

Sales to the Agricultural Machinery end sector were mixed, the market declined in North America and India whilst the European market remained relatively buoyant. The Construction Equipment end sector continued to be challenging, particularly in North America and emerging markets.

The Indian market has been affected by the general election which ran throughout the quarter and published market indices show the market declined in all four sectors, and most notably in medium- and heavy-duty trucks. However, the outcome of the general election offers stability and continuity with a progressive business agenda.

Concentric Business Excellence optimising our operational cost base

The key objectives of the Concentric Business Excellence programme ("CBE") are to achieve absolute satisfaction of our customers and employees. The CBE programme has enabled the teams to efficiently reduce our cost of capacity and output to meet current demand, optimising our operational cost base. The CBE-programme has managed to strengthen the Group's operating income levels by increasing the reported operating margin for the second quarter and the first six months to 21.9% (20.9) and 22.0% (20.4) respectively.

Electrification of mobile and non-mobile platforms offers opportunities for Concentric

There is an increasing momentum towards the electrification of mobile and non-mobile platforms. As Concentric enters this growing market we see various opportunities as we transition from a supplier of mechanical components to a supplier of intelligent systems. During the quarter, Concentric has won five contracts for next generation steering systems for electric trucks as well as hybrid and electric buses. These nominations are strategically important since we expect that local city regulation will drive increased demand for electric commercial vehicles going forward.

Concentric is targeting its customers' next generation platforms by offering a range of electric water, oil and fuel pumps as well as EHS systems for both hybrid and fully electric platforms. Importantly, these products also constitute a greater share of the value on hybrid and electric vehicles compared to on internal combustion engines.

Acquisition opportunities

We continue to explore acquisition opportunities that will offer either geographical expansion, product expansion or technologies that will enhance our current engine and hydraulic product lines to provide us with an even greater presence alongside our global customers.

Outlook

The underlying sales order book remains at strong levels, but the orders received in the second quarter indicate that sales in the third quarter 2019 will be slightly lower than previous quarter after a seasonal working day adjustment.

During the second quarter the full year forecast published market indices were revised and now suggest that production volumes blended for Concentric's end-markets and regions will remain soft during the second half of the year. The full year market forecast for 2019 has therefore been reduced from 4% to 2%. Our expectation remains that demand for medium- and heavy duty trucks, particularly in North America could weaken towards the end of 2019. The business remains vigilant to potential changes in customer behaviour such as destocking and is ready to adapt to any market changes.

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

» There is an increasing momentum towards the electrification of mobile and non-mobile platforms. As Concentric enters this growing market we see various opportunities as we transition from a supplier of mechanical components to a supplier of intelligent systems. «

Second quarter figures

Key figures [1)]

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
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Earnings before tax	119	117	2%	240	232	3%	523	515
Net income for the period	92	94	–2%	186	183	2%	408	405
Operating margin before items affecting comparability, %	21.9	20.9	1.0	22.0	20.4	1.6	22.9	22.1
Operating margin, %	21.9	20.9	1.0	22.0	20.4	1.6	22.8	21.9
ROCE, %	49.6	42.7	6.9	49.6	42.7	6.9	49.6	51.3
Return on equity, %	39.0	38.1	0.9	39.0	38.1	0.9	39.0	41.6
Basic EPS before items affecting comparability, SEK	2.39	2.36	0.03	4.82	4.62	0.20	10.28	10.22
Basic EPS, SEK	2.39	2.36	0.03	4.82	4.62	0.20	10.52	10.30
Diluted EPS, SEK	2.36	2.35	0.01	4.78	4.60	0.18	10.43	10.27

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

Sales

Sales for the second quarter were down year-on-year by –12%, adjusting for the impact of currency (+4%). As a result, sales for the first six months were down year-on-year by–12%, adjusting for the impact of currency (+5%). This reduction reflects the decision by our customer, a global OEM, to dual source components during 2019. Excluding sales to the global OEM from both periods, group sales were constant year-on-year. Sales in our core North America & European end-markets were overall broadly flat year-on-year. So too our emerging markets, but sales growth in China and South America was offset by a difficult trading quarter in India.

Operating income

The operating margin for the second quarter and the first six months was 21.9% (20.9) and 22.0% (20.4) respectively. Despite lower sales in the first six months the year to date operating income was MSEK 247 (246). The lower sales volumes and a weaker gross margin which both reduced the reported operating income were offset by lower warranty provisions and reduced capacity costs.

Net financial items

Net financial expenses in the second quarter comprised of pension financial expenses of MSEK 4 (5) and other net interest income of MSEK 3 (expenses 4). Accordingly, net financial expenses in the first six months comprised of pension financial expenses of MSEK 8 (9) and other net interest income of MSEK 2 (expenses 5).

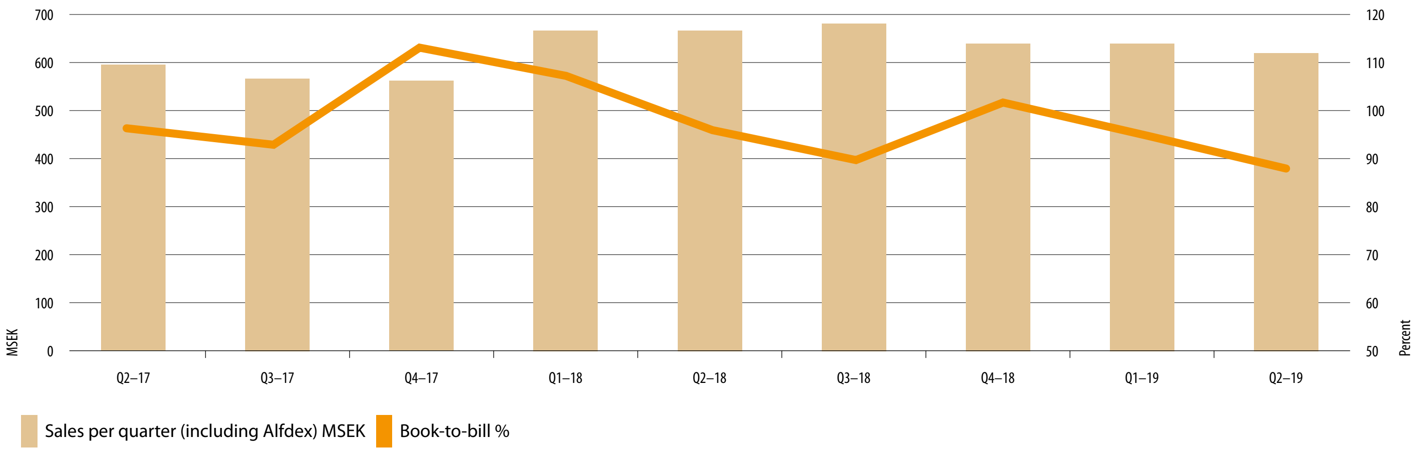
Taxes

The underlying effective tax rate for the second quarter and the first six months was 23% (20) and 23% (21) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

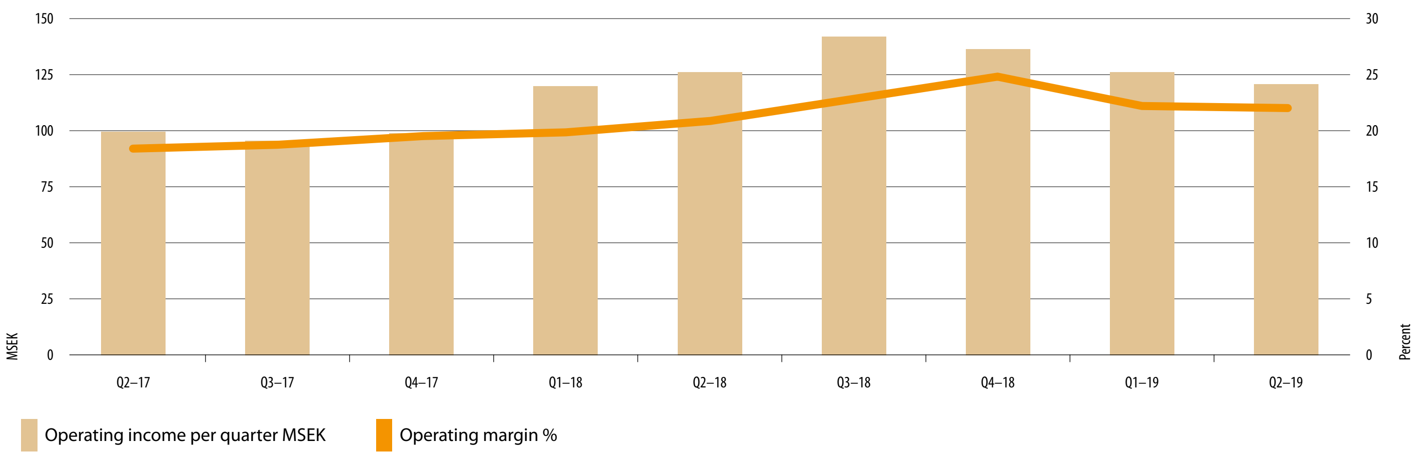
Earnings per share

The basic earnings per share for the first six months was SEK 4.82 (4.62), up SEK 0.20 per share. The diluted earnings per share for the first six months was SEK 4.78 (4.60), up SEK 0.18 per share.

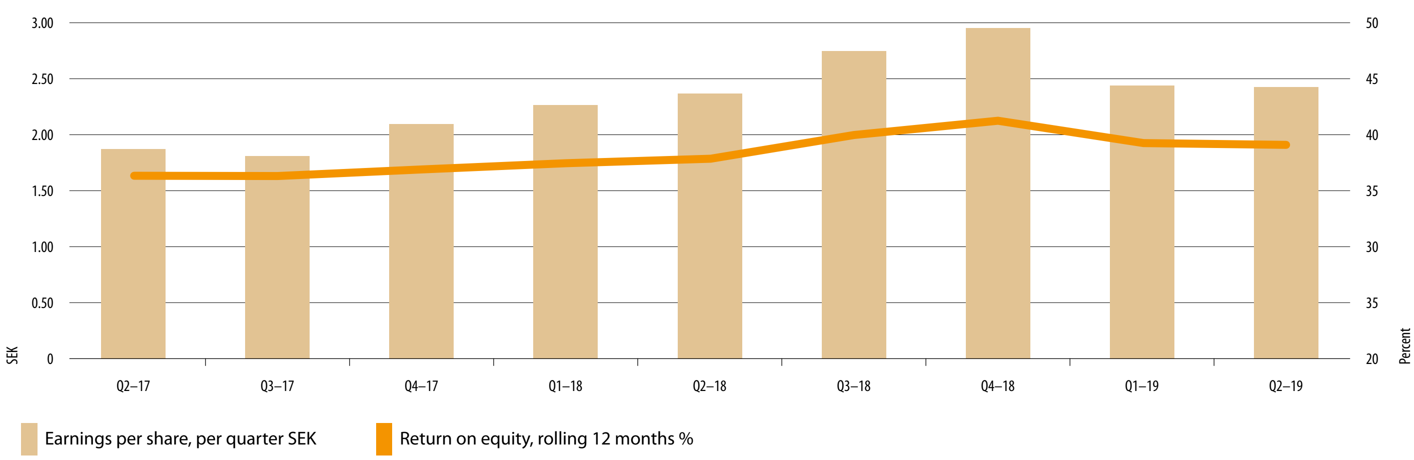
Sales and book-to-bill



Underlying operating income and margins



Basic earnings per share and return on equity



Net sales and operating income by region

Americas

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
Net sales	237	285	–17%	481	573	–16%	1,092	1,184
Operating income before items affecting comparability	38	32	19%	75	77	–3%	183	185
Operating income	38	32	19%	75	77	–3%	213	215
Operating margin before items affecting comparability, %	15.8	11.5	4.3	15.5	13.5	2.0	17.2	15.8
Operating margin, %	15.8	11.5	4.3	15.5	13.5	2.0	19.4	18.1
ROCE, %	70.7	52.6	18.1	70.7	52.6	18.1	70.7	75.9

Sales for the second quarter were down year-on-year by –21%, after adjusting for the impact of currency (+4%). As a result, sales for the first six months were down –22%, adjusting for the impact currency (+6%). Excluding sales of dual sourced components to the global OEM from both periods, sales were broadly flat for the first six months year-on-year. Diesel engine product sales in our North American truck market were down year-on-year, as was Agricultural Machinery and Construction Equipment, offset by a stronger performance in the Industrial Application sector. Demand in South America continued to show signs of improvement across all end market applications.

The operating margin in the second quarter was 15.8% (11.5) and 15.5% (13.5) for the first six months. The operating margin has remained relatively stable for the first six months despite the sales reduction and is testament to the CBE programme and the business' ability to flex production capacity to the current demand.

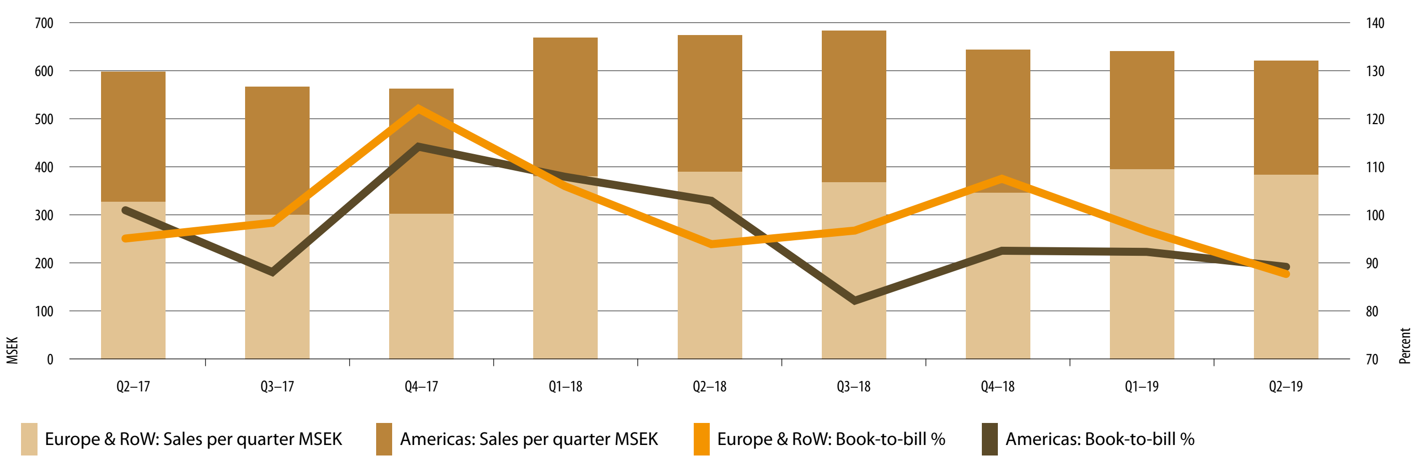
Europe & RoW

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
Net sales	383	387	–1%	778	767	1%	1,488	1,477
Operating income before items affecting comparability	84	94	–11%	174	171	2%	339	336
Operating income	84	94	–11%	174	171	2%	315	312
Operating margin before items affecting comparability, %	22.0	24.4	–2.4	22.4	22.4	–	22.8	22.8
Operating margin, %	22.0	24.4	–2.4	22.4	22.4	–	21.2	21.1
ROCE, %	41.0	39.0	2.0	41.0	39.0	2.0	41.0	41.7

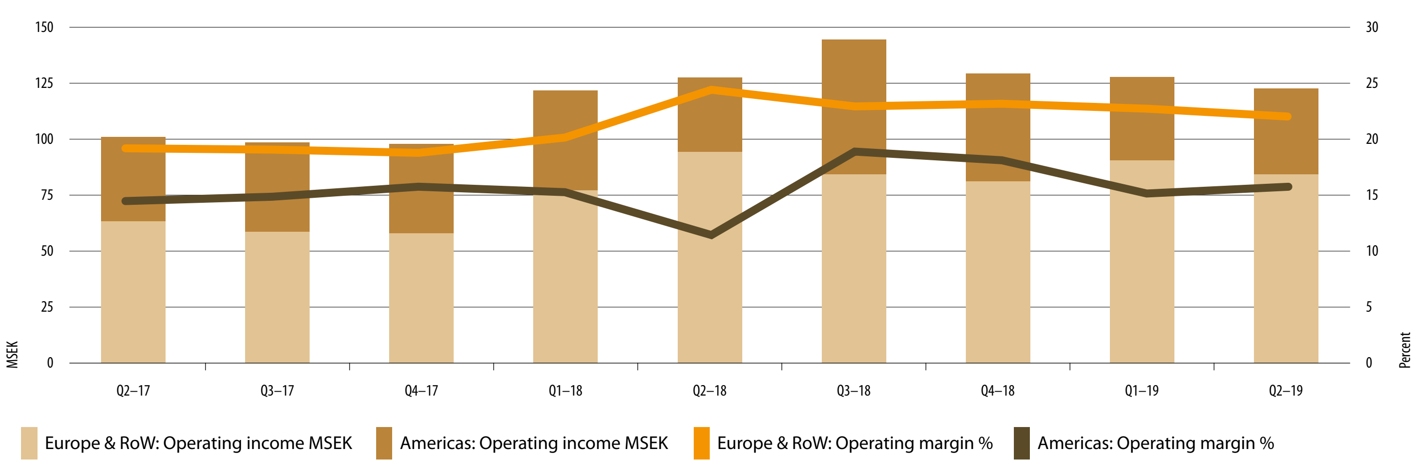
Sales for the second quarter were down year-on-year by–3%, after adjusting for the impact of currency (+2%). Sales for the first six months were down year-on-year by –2%, after adjusting for the impact of currency (+3%). Sales in Europe were a little weaker in the second quarter as our off-highway customers continue to manage risk and reduce stock levels. Also, sales in our India off-highway end-markets has been mixed, whilst the Construction Equipment sector remains a challenge, the Agricultural Machinery sector has remained reasonably robust. However, the demand for on-highway product in India slowed during the second quarter affecting sales.

The operating margin in the second quarter was 22.0% (24.4) and 22.4% (22.4) for the first six months. The operating margin has remained relatively stable over the last 18 months.

Sales and book-to-bill



Underlying operating income and margins



Market development

Concentric's customers continue to manage risk and reduce inventory as the market outlook remains uncertain

Americas end-markets

North America[1)]

- Sales into three of our four end-markets were down year-on-year for the first six months, most notably the truck sector and both of the off-highway sectors, Agricultural Machinery and Construction Equipment.
- Year-on-year sales in these end-market applications slowed during the second quarter, as published indices indicated lower market demand.

South America

- Sales to our South American end-market applications delivered good growth across all four sectors and Agricultural Machinery & Construction Equipment in particular delivered the strongest year-on-year growth.

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

Europe & RoW end-markets

Europe

- Sales in our European markets were broadly flat for the first six months year-on-year. However, during the second quarter our off-highway sectors, Agricultural Machinery & Construction Equipment, proved more challenging and sales were down year-on-year, as were sales of Hydraulic products.
- Sales in diesel engines to the truck sector improved during the second quarter, offsetting weaker demand in the off-highway end-markets.
- Overall, sales growth in constant currency for the six months were slightly behind the latest published market indices.

Rest of the World

- Market demand in India slowed during the second quarter, a significant factor being the general election. Sales into the truck sector remained steady but year-on-year demand in the other end-market applications reduced.
- Despite the mixed market conditions in China, Concentric's sales increased for the first six months.
- Overall, the Rest of the World still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q2-19 vs. Q2-18			H1-19 vs. H1-18			FY-19 vs. FY-18		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average[1)]	0%	3%	2%	1%	4%	3%	3%	1%	2%
Actual – constant currency[2)]	–21%	–3%	–12%	–22%	–2%	–12%			

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 year-on-year +3% for the first six months. The second quarters published market indices reported slower growth in both the Americas and Europe and ROW. The published market indices also suggest growth will slow over the course of 2019, the full year forecast suggests the global markets will grow by 2%. Whilst Concentric's actual sales for the first six months were –12% for the group and –22% for the Americas, this reflects the decision by one of our customers, a global OEM to dual source components during 2019. Excluding sales to the global OEM from both periods shows the underlying sales to be flat year-on-year in both Americas and Europe & ROW. As noted in previous interim reports, movements in the market indices tend to lag the group's order intake experience by 3–6 months.

Published market indices

	Q2-19 vs Q2-18					H1-19 vs H1-18					FY-19 vs FY-18				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agriculture Diesel engines	–8%	13%	6%	–15%	2%	–2%	14%	7%	4%	2%	4%	12%	3%	8%	2%
Construction Diesel engines	–7%	–9%	11%	–14%	0%	–4%	2%	10%	–4%	0%	0%	13%	6%	–1%	0%
Hydraulic equipment	11%	n/a	9%	n/a	n/a	11%	n/a	9%	n/a	n/a	9%	n/a	9%	n/a	n/a
Trucks Light vehicles	0%	n/a	n/a	n/a	n/a	–5%	n/a	n/a	n/a	n/a	6%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	–2%	–16%	4%	–43%	–11%	1%	–6%	4%	–19%	–10%	5%	4%	0%	–13%	–10%
Industrial Other off-highway	–15%	–6%	6%	–14%	2%	–8%	–1%	7%	0%	2%	–3%	7%	3%	7%	2%
Hydraulic lift trucks	2%	n/a	9%	n/a	n/a	2%	n/a	9%	n/a	n/a	0%	n/a	2%	n/a	n/a

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

The market indices summarised in the table above reflect the Q2 2019 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

Current resources

Operational cash flow

The reported cash inflow from operating activities for the second quarter amounted to MSEK 128 (142), which represents SEK 3.32 (3.61) per share. This takes the cash inflow from operating activities for the first six months to MSEK 230 (253), which represents SEK 5.97 (6.41) per share.

Cash flow from operating activities for the first six months, calculated to previous accounting principles, excluding leases according to IFRS 16 of MSEK 12, would have been MSEK 218, which represents SEK 5.66 per share.

Working capital

Total working capital at 30 June was MSEK –20 (–14), which represented –0.9% (–0.6) of annual sales. Working capital increased marginally compared to 31 December 2018 because of a small decrease in stock turns and some customers stretching payment terms beyond the end of the quarter, but still remains below the prior year.

Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 4 (5) for the second quarter and MSEK 10 (9) for the first six months.

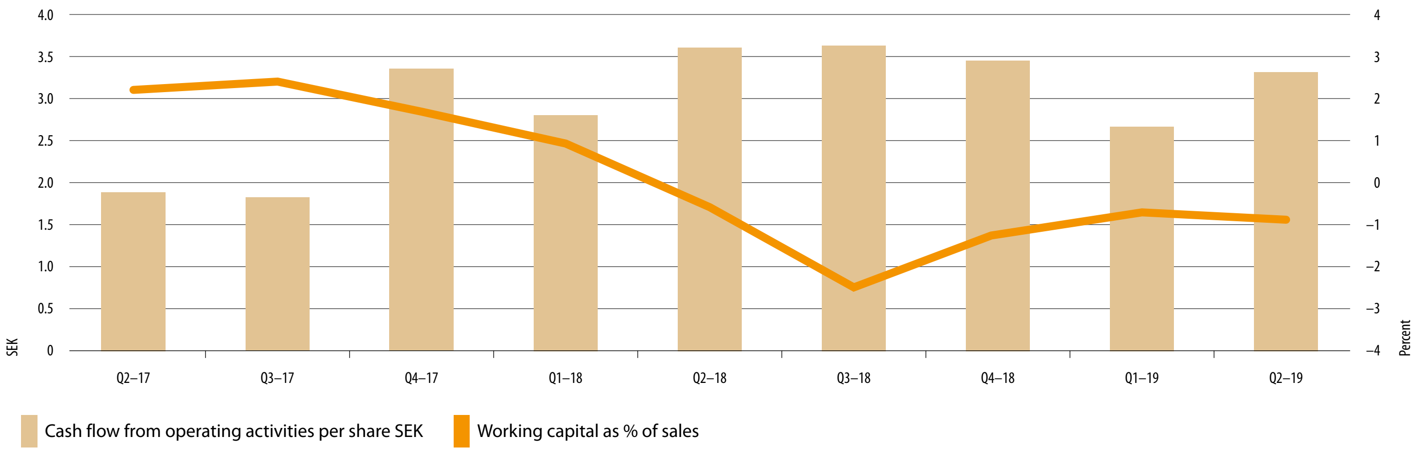
Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, as last year there were no remeasurement gains or losses recognised in net pension liabilities during the first six months 2019.

Overall, the Group's net debt at 30 June decreased to MSEK 102 (132), comprising bank loans of MSEK 177 (179), loans related to leasing MSEK 96 (1) and net pension liabilities of MSEK 506 (474), net of cash amounting to MSEK 677 (522). Shareholders' equity amounted to MSEK 1,065 (968), resulting in a gearing ratio of 10% (14) at the end of the first six months. Net debt calculated to previous accounting principles, excluding leases according to IFRS 16 of MSEK 96, would have been MSEK 6.

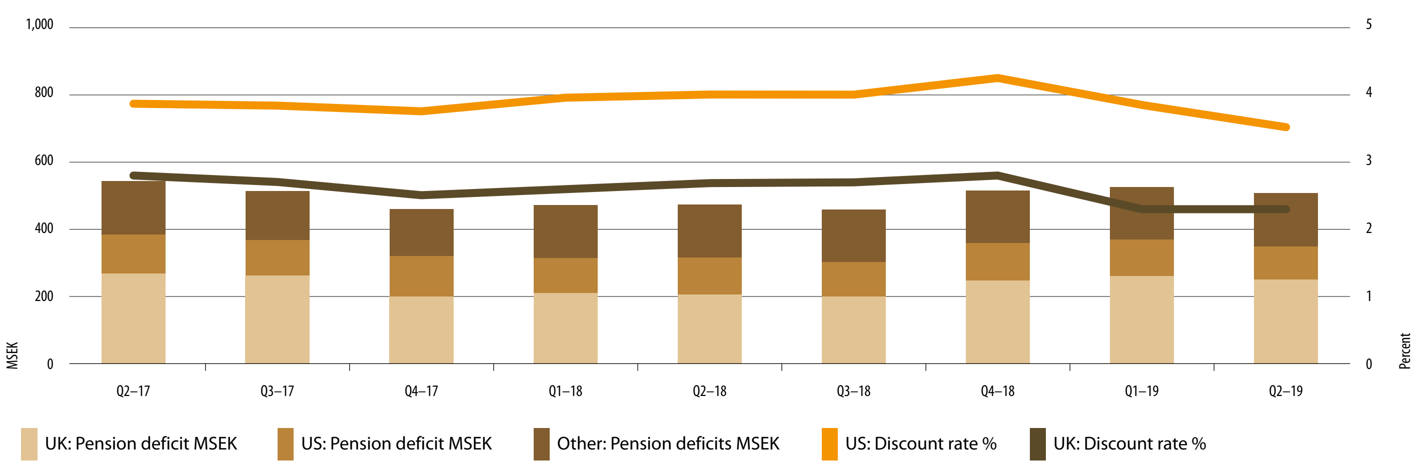
The Annual General Meeting on 4 April 2019 resolved, in accordance with the board's proposal, on a dividend of MSEK 164 (148), equal to SEK 4.25 (3.75) per share for 2018.

Cash flow from operating activities and working capital



Net debt and gearing

Net pension liabilities



General information

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

Consolidated income statement

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net sales	553	603	1,119	1,206	2,323	2,410
Cost of goods sold	–380	–412	–762	–810	–1,545	–1,593
Gross income	**173**	**191**	**357**	**396**	**778**	**817**
Selling expenses	–15	–24	–35	–67	–63	–95
Administrative expenses	–37	–41	–77	–81	–149	–153
Product development expenses	–13	–12	–26	–24	–52	–50
Share of net income in joint venture	2	5	8	10	12	14
Other operating income and expenses	11	7	20	12	4	–4
Operating income	**121**	**126**	**247**	**246**	**530**	**529**
Financial income and expenses	–2	–9	–7	–14	–7	–14
Earnings before tax	**119**	**117**	**240**	**232**	**523**	**515**
Taxes	–27	–23	–54	–49	–115	–110
Net income for the period	**92**	**94**	**186**	**183**	**408**	**405**
Parent company shareholders	92	94	186	183	408	405
Non-controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	2.39	2.36	4.82	4.62	10.28	10.22
Basic earnings per share, SEK	2.39	2.36	4.82	4.62	10.52	10.30
Diluted earnings per share, SEK	2.36	2.35	4.79	4.60	10.43	10.27
Basic average number of shares (000)	38,626	39,549	38,629	39,546	38,865	39,322
Diluted average number of shares (000)	39,107	39,727	38,939	39,716	39,174	39,456

Consolidated statement of comprehensive income

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net income for the period	92	94	186	183	408	405
Other comprehensive income						
Items that will not be reclassified to the income statement						
Remeasurement gains and losses of net pension liabilities	–	–	–	–	–44	–44
Tax on remeasurement gains and losses of net pension liabilities	–	–	–	–	8	8
Items that may be reclassified subsequently to the income statement						
Exchange rate differences related to liabilities to foreign operations	–18	–32	–81	–91	–84	–94
Tax arising from exchange rate differences related to liabilities to foreign operations	–3	13	12	22	8	18
Cash-flow hedging	–1	–	1	–	2	1
Tax arising from cash-flow hedging	–	–	–	–	–	–
Foreign currency translation differences	9	62	120	155	100	135
Total other comprehensive income	**–13**	**43**	**52**	**86**	**–10**	**24**
Total comprehensive income	**79**	**137**	**238**	**269**	**398**	**429**

Consolidated balance sheet

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Goodwill	642	633	620
Other intangible fixed assets	177	213	190
Right of use fixed assets	97	–	–
Other tangible fixed assets	104	123	112
Share of net assets in joint venture	44	37	39
Deferred tax assets	143	140	132
Long-term receivables	6	6	5
Total fixed assets	**1,213**	**1,152**	**1,098**
Inventories	162	193	169
Current receivables	327	362	284
Cash and cash equivalents	677	522	683
Total current assets	**1,166**	**1,077**	**1,136**
Total assets	**2,379**	**2,229**	**2,234**
Total Shareholders' equity	**1,065**	**968**	**1,026**
Pensions and similar obligations	506	474	514
Deferred tax liabilities	20	28	24
Long-term liabilities for right of use fixed assets	74	1	1
Other long-term interest–bearing liabilities	175	175	175
Other long-term liabilities	6	10	8
Total long-term liabilities	**781**	**688**	**722**
Short-term liabilities for right of use fixed assets	22	–	–
Other short-term interest-bearing liabilities	2	4	5
Other current liabilities	509	569	481
Total current liabilities	**533**	**573**	**486**
Total equity and liabilities	**2,379**	**2,229**	**2,234**

Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 30 June the fair value of derivative instruments that were assets was MSEK 4 (1), and the fair value of derivative instruments that were liabilities was MSEK 1 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Opening balance	**1,026**	**875**	**875**
Net income for the period	186	183	405
Other comprehensive income	52	86	24
Total comprehensive income	**238**	**269**	**429**
Dividend	–164	–148	–148
Own share buy-backs	–50	–43	–146
Sale of own shares to satisfy LTI – options exercised	14	12	12
Long-term incentive plan	1	3	4
Closing balance	**1,065**	**968**	**1,026**

Consolidated cash flow statement, in summary

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Earnings before tax	**119**	**117**	**240**	**232**	**523**	**515**
Reversal of depreciation, amortisation and write-down of fixed assets	25	19	50	37	86	73
Reversal of net income from joint venture	–2	–5	–8	–10	–12	–14
Reversal of other non-cash items	7	7	10	13	40	43
Taxes paid	–29	–25	–48	–39	–99	–90
Cash flow from operating activities before changes in working capital	***120***	***113***	***244***	***233***	***538***	***527***
Change in working capital	8	29	–14	20	–7	27
Cash flow from operating activities	**128**	**142**	**230**	**253**	**531**	**554**
Investments in property, plant and equipment	–4	–5	–10	–9	–20	–19
Cash flow from investing activities	**–4**	**–5**	**–10**	**–9**	**–20**	**–19**
Dividend	–164	–148	–164	–148	–164	–148
Dividend received from joint venture	2	–	2	–	4	2
Buy-back of own shares	–50	–43	–50	–43	–153	–146
Selling of own shares to satisfy LTI – options exercised	14	12	14	12	14	12
New loans	–	2	–	2	1	3
Repayment of loans	–9	–	–15	–	–16	–1
Pension payments and other cash flows from financing activities	–21	–9	–35	–21	–58	–44
Cash flow from financing activities	**–228**	**–186**	**–248**	**–198**	**–372**	**–322**
Cash flow for the period	**–104**	**–49**	**–28**	**46**	**139**	**213**
Cash and bank assets, opening balance	780	557	683	455	522	455
Exchange-rate difference in cash and bank assets	1	14	22	21	16	15
Cash and bank assets, closing balance	**677**	**522**	**677**	**522**	**677**	**683**

Group notes

Data per share

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Basic earnings per share before items affecting comparability, SEK	2.39	2.36	4.82	4.62	10.28	10.22
Basic earnings per share, SEK	2.39	2.36	4.82	4.62	10.52	10.30
Diluted earnings per share, SEK	2.36	2.35	4.78	4.60	10.43	10.27
Equity per share, SEK	27.69	24.56	27.69	24.56	27.69	26.55
Cash-flow from current operations per share, SEK [3]	3.32	3.61	5.97	6.41	13.66	14.08
Basic weighted average no. of shares (000's)	38,626	39,549	38,629	39,546	38,865	39,322
Diluted weighted average no. of shares (000's)	39,107	39,727	38,939	39,716	39,174	39,456
Number of shares at period-end (000's)	38,452	39,409	38,452	39,409	38,452	38,633

Key figures [1]

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Sales growth, %	–8	12	–7	11	n/a	15
Sales growth, constant currency, % [2]	–12	11	–12	13	n/a	12
EBITDA margin before items affecting comparability, % [3]	26.6	24.0	26.5	23.5	26.7	25.2
EBITDA margin, % [3]	26.6	24.0	26.5	23.5	26.5	25.0
Operating margin before items affecting comparability, % [3]	21.9	20.9	22.0	20.4	22.9	22.1
Operating margin, % [3]	21.9	20.9	22.0	20.4	22.8	21.9
Capital Employed, MSEK	1,121	1,059	1,121	1,059	1,121	1,002
ROCE before items affecting comparability, %	49.2	41.8	49.2	41.8	49.2	50.9
ROCE, %	49.6	42.7	49.6	42.7	49.6	51.3
ROE, %	39.0	38.1	39.0	38.1	39.0	41.6
Working Capital, MSEK	–20	–14	–20	–14	–20	–29
Working capital as a % of annual sales	–0.9	–0.6	–0.9	–0.6	–0.9	–1.2
Net Debt, MSEK [2] [3]	102	132	102	132	102	12
Gearing ratio, % [3]	10	14	10	14	10	1
Net investments in PPE	4	5	10	9	20	19
R&D, %	2.4	2.0	2.3	2.0	2.2	2.1
Number of employees, average	872	964	893	956	926	956

[1] For additional information see pages 30–31 and 34.
[2] For additional information see page 12.
[3] For additional information see pages 24–25.

Consolidated income statement in summary – by type of cost

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net sales	553	603	1,119	1,206	2,323	2,410
Direct material costs	–264	–293	–530	–576	–1,080	–1,126
Personnel costs	–120	–131	–242	–248	–481	–487
Depreciation, amortisation and write-down of fixed assets [1]	–25	–19	–50	–37	–86	–73
Share of net income in joint venture	2	5	8	10	12	14
Other operating income and expenses [1]	–25	–39	–58	–109	–158	–209
Operating income	**121**	**126**	**247**	**246**	**530**	**529**
Financial income and expense [1]	–2	–9	–7	–14	–7	–14
Earnings before tax	**119**	**117**	**240**	**232**	**523**	**515**
Taxes	–27	–23	–54	–49	–115	–110
Net income for the period	**92**	**94**	**186**	**183**	**408**	**405**

[1] For additional information see pages 24–25.

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

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Tooling income	3	–	4	–	4	–
Royalty income from joint venture	15	13	30	26	57	53
Amortisation of acquisition related surplus values	–9	–9	–19	–18	–38	–37
UK pension benefit, equalisation	–	–	–	–	–25	–25
Customer contract provisions	–	–	–	–	–4	–4
Other	2	3	5	4	10	9
Other operating income and expenses	**11**	**7**	**20**	**12**	**4**	**–4**

Segment reporting

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

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

Second quarter

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	242	290	402	419	–91	–106	553	603
External net sales	237	285	383	387	–67	–69	553	603
Operating income before items affecting comparability	38	32	84	94	–1	–	121	126
Operating income	38	32	84	94	–1	–	121	126
Operating margin before items affecting comparability, %	15.8	11.5	22.0	24.4	n/a	n/a	21.9	20.9
Operating margin, %	15.8	11.5	22.0	24.4	n/a	n/a	21.9	20.9
Financial income and expense	–	–	–	–	–1	–9	–1	–9
Earnings before tax	38	32	84	94	–3	–9	119	117
Assets	568	601	1,438	1,334	373	294	2,379	2,229
Liabilities	285	350	822	730	207	181	1,314	1,261
Capital employed	324	273	794	776	3	10	1,121	1,059
ROCE before items affecting comparability, %	60.7	52.3	44.2	37.9	n/a	n/a	49.2	41.8
ROCE, %	70.7	52.6	41.0	39.0	n/a	n/a	49.6	42.7
Net investments in PPE	1	–	4	6	–1	–1	4	5
Depreciation, goodwill and fixed asset write-downs	7	6	20	14	–2	–1	25	19
Number of employees, average	304	361	640	674	–72	–71	872	964

First six months

	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	492	582	815	825	–188	–201	1,119	1,206
External net sales	481	573	778	767	–140	–134	1,119	1,206
Operating income before items affecting comparability	75	77	174	171	–2	–2	247	246
Operating income	75	77	174	171	–2	–2	247	246
Operating margin before items affecting comparability, %	15.5	13.5	22.4	22.4	n/a	n/a	22.0	20.4
Operating margin, %	15.5	13.5	22.4	22.4	n/a	n/a	22.0	20.4
Financial income and expense	–	–	–	–	–7	–14	–7	–14
Earnings before tax	75	77	174	171	–9	–16	240	232
Assets	568	601	1,438	1,334	373	294	2,379	2,229
Liabilities	285	350	822	730	207	181	1,314	1,261
Capital employed	324	273	794	776	3	10	1,121	1,059
ROCE before items affecting comparability, %	60.7	52.3	44.2	37.9	n/a	n/a	49.2	41.8
ROCE, %	70.7	52.6	41.0	39.0	n/a	n/a	49.6	42.7
Net investments in PPE	3	1	35	11	–28	–3	10	9
Depreciation, goodwill and fixed asset write-downs	14	12	38	27	–2	–2	50	37
Number of employees, average	315	357	650	667	–72	–68	893	956

Seasonality

Each end-market will have its own seasonality profile based on the end-users, e.g. sales of agricultural machinery will be linked to harvest periods in the Northern and Southern hemispheres. However, there is no significant seasonality in the demand profile of Concentric's customers and, therefore, the most significant driver is actually the number of working days in the period.

The weighted average number of working days in the second quarter was 60 (62) for the Group, with an average of 62 (63) working days for the Americas region and 58 (61) working days for the Europe & RoW region.

The weighted average number of working days in the first six months was 123 (126) for the Group, with an average of 125 (127) working days for the Americas region and 122 (125) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Apr–Jun							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	199	255	–	–	–	–	199	255
Rest of North America	9	7	3	3	–	–	12	10
South America	8	8	1	1	–	–	9	9
Germany	4	3	97	102	–	–	101	105
UK	3	4	36	22	–	–	39	26
Sweden	–	–	24	29	–	–	24	29
Rest of Europe	2	2	109	100	–	–	111	102
Asia	11	4	46	61	–	–	57	65
Other	1	2	–	–	–	–	1	2
Total Group	**237**	**285**	**316**	**318**	**–**	**–**	**553**	**603**

[1] Excluding the joint venture company Alfdex AB.

	Jan–Jun							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	412	518	1	1	–	–	413	519
Rest of North America	19	13	6	6	–	–	25	19
South America	17	14	1	2	–	–	18	16
Germany	5	6	199	202	–	–	204	208
UK	7	8	72	42	–	–	79	50
Sweden	–	–	51	58	–	–	51	58
Rest of Europe	3	4	218	197	–	–	221	201
Asia	17	7	89	124	–	–	106	131
Other	1	3	1	1	–	–	2	4
Total Group	**481**	**573**	**638**	**633**	**–**	**–**	**1,119**	**1,206**

[1] Excluding the joint venture company Alfdex AB.

Total sales by product groups

	Apr–Jun							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	92	146	155	153	–	–	247	299
LICOS branded engine products	–	–	64	56	–	–	64	56
Alfdex branded engine products	–	–	67	69	–67	–69	–	–
Total engine products	92	146	286	278	–67	–69	311	355
Total hydraulics products	145	139	97	109	–	–	242	248
Total Group	**237**	**285**	**383**	**387**	**–67**	**–69**	**553**	**603**

[1] Including the joint venture company Alfdex AB.

	Jan–Jun							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	192	308	320	300	–	–	512	608
LICOS branded engine products	–	–	118	117	–	–	118	117
Alfdex branded engine products	–	–	140	134	–140	–134	–	–
Total engine products	192	308	578	551	–140	–134	630	725
Total hydraulics products	289	265	200	216	–	–	489	481
Total Group	**481**	**573**	**778**	**767**	**–140**	**–134**	**1,119**	**1,206**

[1] Including the joint venture company Alfdex AB.

Business risks, accounting principles and other information

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2018 Annual Report on pages 6–9 and pages 14–29.

Significant risks and uncertainties

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2018 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2019. Please refer to the Risk and Risk Management section on pages 63–66 of the 2018 Annual Report for further details.

Basis of preparation and accounting policies

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

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2018 Annual Report, except for the changes in accounting principles regarding IFRS 16 – "Leases", described below on page 24–25.

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

New and amended standards and interpretations adopted by the Group

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

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

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

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

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

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

General information

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

Changes in consolidated income statement – by function

	New principles	Changes	Old principles
	Jan–Jun 2019	Jan–Jun 2019	Jan–Jun 2019
Cost of goods sold	–762	–	–762
Gross income	**357**	**–**	**357**
Selling expenses	–35	–	–35
Administrative expenses	–77	–	–77
Product development expenses	–26	–	–26
Operating income	**247**	**–**	**247**
Financial income and expenses	–7	1	–6
Earnings before tax	**240**	**1**	**241**
Net income for the period	**186**	**1**	**187**

Consolidated income statement in summary – by type of cost

	New principles	Changes	Old principles
	Jan–Jun 2019	Jan–Jun 2019	Jan–Jun 2019
Direct material costs	–530	–	–530
Depreciation, amortisation and write-down of fixed assets	–50	12	–38
Other operating income and expenses	–58	–12	–70
Operating income	**247**	**–**	**247**
Financial income and expense	–7	1	–6
Earnings before tax	**240**	**1**	**241**
Net income for the period	**186**	**1**	**187**
Key figures:			
Operating margin, %	22.0	0.1	22.1
EBITDA-margin, %	26.5	–1.1	25.4
Basic earnings per share, SEK	4.82	0.02	4.84

Changes in the consolidated balance sheet

	New principles 30 Jun 2019	Changes 30 Jun 2019	Old principles 30 Jun 2019
Right of use fixed assets	97	–97	–
Other tangible fixed assets	104	1	105
Long-term receivables	6	–1	5
Total fixed assets	**1,213**	**–97**	**1,116**
Current receivables	327	5	332
Total current assets	**1,166**	**5**	**1,171**
Total assets	**2,379**	**–92**	**2,287**
Long-term liabilities for right of use fixed assets	74	–73	1
Other long-term liabilities	6	3	9
Total long-term liabilities	**781**	**–70**	**711**
Short-term liabilities for right of use fixed assets	22	–22	–
Total short-term liabilities	22	–22	–
Total equity and liabilities	**2,379**	**–92**	**2,287**
Key figures:			
Net debt	102	–95	7
Gearing ratio, %	10	–9	1

Consolidated cash flow statement, in summary

	New principles Jan–Jun 2019	Changes Jan–Jun 2019	Old principles Jan–Jun 2019
Earnings before tax	240	–	240
Reversal of depreciation, amortisation and write-down of fixed assets	50	–12	38
Cash flow from operating activities before changes in working capital	***244***	***–12***	***232***
Change in working capital	–14	–	–14
Cash flow from operating activities	**230**	**–12**	**218**
Repayments of loans	–15	12	3
Cash flow from financing activities	**–248**	**12**	**–236**
Cash flow for the period	**–28**	**–**	**–28**

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

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

Right of use assets – by type of assets

	New principles 1 Jan 2019	New principles 30 Jun 2019
Land and building [1]	75	92
Machinery	1	1
Vehicles	3	3
Other	2	1
Total right of use assets	**81**	**97**

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

Effects of new accounting principles for Leases – IFRS 16

The effects in the income statement are not material (EBIT margin +0.1%; EBITDA margin +1.1%). Cash flow from operating activities was affected with MSEK +12. Other effects per 30 June 2019 were; total assets MSEK +92; net debt MSEK +95; gearing ratio +9%.

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

Parent Company

Net sales and operating income

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

Net financial items

Following a valuation of shares in subsidiaries, the shares and receivables in our subsidiary in Argentina, has been impaired with MSEK 35. Exchange rate losses on foreign liabilities to subsidiaries was –58 (–105) for the first six months, a decrease with MSEK 47.

Buy-back and holdings of own shares

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

On 4 April 2019, the AGM resolved to retire 807,000 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital.

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

The company repurchased 350,233 (256,895) of own shares during the second quarter, for a total consideration of MSEK 50 (43) and also sold 169,400 (123,600) of own shares, to exercise and satisfy LTI-programme.

The total number of holdings of own shares at 30 June 2019 was 471,669 (433,882) and the total number of shares in issue was 39,224,100 (40,031,100). Consequently the company's total holdings of own shares now represent 1.2% (1.1) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 300,700 (188,020). Including these shares the company's holdings was 772,369 (621,902) representing 2.0% (1.6) of the total number of shares.

Parent Company's income statement

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net sales	17	13	32	26	63	57
Operating costs	–6	–4	–10	–8	–22	–20
Operating income	**11**	**9**	**22**	**18**	**41**	**37**
Income from shares in subsidiaries	–35	–	–35	–	–30	5
Income from shares in joint venture	2	–	2	–	4	2
Net foreign exchange rate differences	10	–63	–58	–105	–39	–86
Other financial income and expense	–4	–1	–9	–3	–16	–10
Earnings before tax	**–16**	**–55**	**–78**	**–90**	**–40**	**–52**
Taxes	–6	11	7	19	–1	11
Net income for the period [1)]	**–22**	**–44**	**–71**	**–71**	**–41**	**–41**

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 2019	30 Jun 2018	31 Dec 2018
Shares in subsidiaries	3,149	3,175	3,178
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1	10	6
Deferred tax assets	23	22	16
Total financial fixed assets	**3,183**	**3,217**	**3,210**
Other current receivables	6	7	4
Short-term receivables from subsidiaries	170	204	144
Cash and cash equivalents	388	283	433
Total current assets	**564**	**494**	**581**
Total assets	**3,747**	**3,711**	**3,791**
Total shareholders' equity	**1,173**	**1,517**	**1,444**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	2,356	1,976	2,131
Total long-term liabilities	**2,549**	**2,169**	**2,324**
Short-term loans payable to subsidiaries	16	17	14
Other current liabilities	9	8	9
Total current liabilities	**25**	**25**	**23**
Total equity and liabilities	**3,747**	**3,711**	**3,791**

Parent Company's changes in shareholders' equity

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Opening balance	1,444	1,767	1,767
Net income for the period	–71	–71	–41
Dividend	–164	–148	–148
Sale of own shares to satisfy LTI options exercised	14	12	12
Buy-back of own shares	–50	–43	–146
Closing balance	**1,173**	**1,517**	**1,444**

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 24 July, 2019.

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 2019

Interim report January – September 2019	6 November, 2019
Interim report January – December 2019	4 February, 2020

Further information:

David Woolley (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

The Board of Directors and Chief Executive Officer warrant that the report gives a true and fair overview of the operations, financial position and results of the Group and parent company, and describes significant risks and uncertainties faced by the parent company and the companies included in the Group.

Stockholm 24 July, 2019

Kenth Eriksson Chairman of Board	**Marianne Brismar** Member of the Board	**Anders Nielsen** Member of the Board	**Karin Gunnarsson** Member of the Board
Martin Lundstedt Member of the Board	**Martin Sköld** Member of the Board	**Claes Magnus Åkesson** Member of the Board	**Susanna Schneeberger** Member of the Board

David Woolley
President and CEO

Our review report was submitted on 24 July, 2019
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, 2019 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 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, 24 July, 2019

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

General information

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

Alternative Performance Measures reconciliation

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Underlying EBIT or operating income	**2019 1)**	**2019 2)**	**2018**	**2019 1)**	**2019 2)**	**2018**	**2018/19**	**2018**
Operating income	**121**	**121**	**126**	**247**	**247**	**246**	**530**	**529**
Items affecting comparability:								
UK pension benefit, equalisation	–	–	–	–	–	–	25	25
End of Customer contract revenue	–	–	–	–	–	–	–33	–33
End of Customer contract provisions	–	–	–	–	–	–	4	4
Underlying operating income	**121**	**121**	**126**	**247**	**247**	**246**	**526**	**525**
Net Sales	553	553	603	1,119	1,119	1,206	2,323	2,410
Underlying Net Sales	553	553	603	1,119	1,119	1,206	2,290	2,377
Operating margin (%)	**21.9**	**22.0**	**20.9**	**22.0**	**22.1**	**20.4**	**22.8**	**21.9**
Underlying operating margin (%)	**21.9**	**22.0**	**20.9**	**22.0**	**22.1**	**20.4**	**22.9**	**22.1**

1) New principles
2) Old principles

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Underlying EBITDA or operating income before amortisation and depreciation	2019 1)	2019 2)	2018	2019 1)	2019 2)	2018	2018/19	2018
EBIT or operating income	121	121	126	247	247	246	530	529
Operating amortisation/depreciation	15	8	10	31	18	19	48	36
Amortisation of purchase price allocation	10	10	9	19	19	18	38	37
EBITDA or operating income before amortisation and depreciation	**146**	**139**	**145**	**297**	**284**	**283**	**616**	**602**
Underlying EBITDA or underlying operating income before amortisation and depreciation	**146**	**139**	**145**	**297**	**284**	**283**	**612**	**598**
Net sales	553	553	603	1,119	1,119	1,206	2,323	2,410
Underlying Net Sales	553	553	603	1,119	1,119	1,206	2,290	2,377
EBITDA margin (%)	**26.6**	**25.4**	**24.0**	**26.5**	**25.4**	**23.5**	**26.5**	**25.0**
Underlying EBITDA margin (%)	**26.6**	**25.4**	**24.0**	**26.5**	**25.4**	**23.5**	**26.7**	**25.2**

1) New principles
2) Old principles

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Net income before items affecting comparability	2019 1)	2019 2)	2018	2019 1)	2019 2)	2018	2018/19	2018
Net income	**92**	**93**	**94**	**186**	**187**	**183**	**408**	**405**
Items affecting comparability after tax	–	–	–	–	–	–	–3	–3
Net income before items affecting comparability	**92**	**93**	**94**	**186**	**187**	**183**	**405**	**402**
Basic average number of shares (000)	38,626	38,626	39,549	38,629	38,629	39,546	38,865	39,322
Basic earnings per share	**2.39**	**2.41**	**2.36**	**4.82**	**4.84**	**4.62**	**10.52**	**10.30**
Basic earnings per share before items affecting comparability	**2.39**	**2.41**	**2.36**	**4.82**	**4.84**	**4.62**	**10.28**	**10.22**

1) New principles
2) Old principles

Net debt	30 Jun 2019 1)	30 Jun 2019 2)	30 Jun 2018	31 Dec 2018
Pensions and similar obligations	506	506	474	514
Liabilities for right of use fixed assets	96	1	1	1
Long term interest bearing liabilities	175	175	175	175
Short term interest bearing liabilities	2	2	4	5
Total interest bearing liabilities	**779**	**684**	**654**	**695**
Cash and cash equivalents	–677	–677	–522	–683
Total net debt	**102**	**7**	**132**	**12**
Net debt, excluding pension obligations	**–404**	**–499**	**–342**	**–502**

1) New principles
2) Old principles

Capital employed	30 Jun 2019 1)	30 Jun 2019 2)	30 Jun 2018	31 Dec 2018
Total assets	**2,379**	**2,287**	**2,229**	**2,234**
Interest bearing financial assets	–6	–6	–6	–5
Cash and cash equivalents	–677	–677	–522	–683
Tax assets	–172	–172	–154	–154
Non interest bearing assets (excl taxes)	**1,524**	**1,432**	**1,547**	**1,392**
Non interest bearing liabilities (incl taxes)	–533	–533	–603	–510
Tax liabilities	130	130	115	120
Non interest bearing liabilities (excl taxes)	**–403**	**–403**	**–488**	**–390**
Total capital employed	**1,121**	**1,029**	**1,059**	**1,002**

1) New principles
2) Old principles

Working capital	30 Jun 2019 1)	30 Jun 2019 2)	30 Jun 2018	31 Dec 2018
Accounts receivable	245	245	291	215
Other current receivables	81	86	71	69
Inventory	162	162	193	169
Working capital assets	**488**	**493**	**555**	**453**
Accounts payable	–208	–208	–228	–192
Other current payables	–300	–300	–341	–290
Working capital liabilities	**–508**	**–508**	**–569**	**–482**
Total working capital	**–20**	**–15**	**–14**	**–29**

1) New principles
2) Old principles

Graph data summary

	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017
Americas									
Sales, MSEK	237	244	296	315	285	288	258	265	268
Book-to-bill, %	89	92	92	82	103	108	115	88	101
Operating income before items affecting comparability, MSEK	38	37	48	60	33	45	40	40	38
Operating margin before items affecting comparability, %	15.8	15.3	18.0	18.8	11.5	15.5	15.4	14.9	14.4
Europe & RoW									
Sales (including Alfdex), MSEK	383	394	346	367	388	379	302	302	327
Book-to-bill, %	88	97	108	97	94	106	122	99	95
Operating income before items affecting comparability, MSEK	84	90	81	84	94	77	57	58	63
Operating margin before items affecting comparability, %	22.0	22.8	23.4	22.9	24.4	20.2	18.9	19.2	19.2
Alfdex eliminations									
Sales, MSEK	–67	–73	–60	–60	–70	–64	–57	–52	–55
Operating income before items affecting comparability, MSEK	–1	–1	7	–2	–1	–1	2	–2	–1
Group									
Sales (excluding Alfdex), MSEK	553	566	582	622	603	603	503	515	540
Book-to-bill, %	88	95	102	90	97	108	114	93	97
Operating income before items affecting comparability, MSEK	121	126	136	142	126	120	99	96	100
Operating margin before items affecting comparability, %	21.9	22.2	24.8	22.9	20.9	19.9	19.6	18.7	18.5
Basic earnings per share, SEK	2.39	2.43	2.95	2.74	2.36	2.26	2.08	1.79	1.86
Return on equity, %	39.0	39.5	41.6	40.3	38.1	37.6	37.0	36.5	36.5
Cash flow from operating activities per share, SEK	3.32	2.65	3.44	3.63	3.61	2.80	3.35	1.82	1.90
Working capital as % of annualised sales	–0.9	–0.7	–1.2	–2.5	–0.6	0.9	1.7	2.4	2.2
Net debt, MSEK	102	27	12	37	132	92	185	315	335
Gearing ratio, %	10	2	1	4	14	9	21	40	42
Gearing ratio (excl Pensions), %	–38	–42	–49	–43	–35	–38	–32	–26	–25

Glossary

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

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

EHS
Electro Hydraulic Steering.

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

LTI
Long term incentive.

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

OEMs
Original Equipment Manufacturers.

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

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

R&D expenditure
Research and development expenditure.

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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