INTERIM REPORT Q2/2020

TECHNOLOGY
INNOVATION
SUSTAINABILITY

CONCENTRIC

CONTENTS

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

Second quarter

Net sales
MSEK 342 (553) – sales were down –38% y-o-y. There is no currency impact on sales in the quarter.

Operating income
Operating income was MSEK 28 (121). A restructuring charge of MSEK 20 was taken in the quarter. Excluding this, operating income before items affecting comparability was MSEK 48 (121), generating an operating margin before items affecting comparability of 14.2% (21.9).

Earnings after tax
MSEK 17 (92); basic EPS of SEK 0.44 (2.39).

Cash flow from operating activities
MSEK 87 (128); cash generation affected by lower sales and working capital unwind.

First six months

Net sales
MSEK 798 (1,119) – sales were down –29% y-o-y. After adjusting for impact of currency (+1%), sales in constant currency were down –30%.

Operating income
MSEK 115 (247), generating an operating margin before items affecting comparability of 17.0% (22.0).

Earnings after tax
MSEK 77 (186); basic EPS of SEK 2.04 (4.82).

Cash flow from operating activities
MSEK 168 (230); cash generation affected by lower sales.

Group's net debt
MSEK –67 (102); gearing ratio of –6% (10).

Key figures – Group [1)]

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	2020	2019	Change	2020	2019	Change	2019/20	2019
Net sales	342	553	–38%	798	1,119	–29%	1,691	2,012
Operating income before items affecting comparability	48	121	–60%	135	247	–45%	360	472
Operating income	28	121	–77%	115	247	–53%	340	472
Earnings before tax	23	119	–81%	103	240	–57%	316	453
Net income for the period	17	92	–82%	77	186	–59%	212	321
Cash flow from operating activities	87	128	–32%	168	230	–27%	324	386
Net debt [2)]	–67	102	–166%	–67	102	–166%	–67	54
Operating margin before items affecting comparability, %	14.2	21.9	–7.7	17.0	22.0	–5.0	21.3	23.5
Operating margin, %	8.3	21.9	–13.6	14.5	22.0	–7.5	20.2	23.5
Basic EPS before items affecting comparability, SEK	0.84	2.39	–1.55	2.44	4.82	–2.38	5.99	8.37
Basic EPS, SEK	0.44	2.39	–1.95	2.04	4.82	–2.78	5.59	8.37
Diluted EPS, SEK	0.44	2.36	–1.92	2.04	4.79	–2.75	5.59	8.27
Return on equity, %	18.7	39.0	–20.3	18.7	39.0	–20.3	18.7	29.5
Gearing ratio, %	–6	10	–16	–6	10	–16	–6	5

1) For additional information see pages 30–31 and 33.
2) For additional information see page 14.

Review of the second quarter

President and CEO, David Woolley, comments on the Q2 2020 Interim Report.

Market and sales development

The quarterly published market indices suggest production rates, blended for the Group's end-markets and regions, declined by –58% with both the Americas and Europe & RoW reporting negative growth for the fourth successive quarter. The Group's reported sales continued to be affected by the overall market slowdown and the effects of the global pandemic COVID-19, with sales down –38% year-on-year for the second quarter and –29% for the first six months of the year. The same market indices indicate every geographic region and every end market application was weaker year-on-year during the second quarter. No sector in this industry was immune from the global pandemic with most end market applications down by between 70–85%.

Constant currency sales in Europe and Rest of World were down –42% whilst the Americas were –28% year-on-year for the second quarter and the disparity between the two geographical regions is explained by two factors. Firstly, the timing of when COVID-19 impacted the regions, Europe early in the second quarter then latterly the US. Secondly, key US customers were deemed essential suppliers by the US government and were encouraged to continue to manufacture construction & agricultural machinery, softening the sales impact to our US hydraulic product group.

Sales to all end-market applications were lower in the second quarter year-on-year with the truck & off-highway sectors, agricultural machinery & construction equipment particularly affected in our core regions of North America and Europe.

Global pandemic – COVID-19

The effects of the pandemic, COVID-19, started to materially impact our business in late March with many of our European & Asian OEM customers forced to cease production as national governments imposed restrictions to limit the spread of the virus. Concentric reacted quickly to the changes in customer demand reducing our cost of capacity by introducing short-time working arrangements in many of our facilities, furloughing employees or extending plant shutdowns. Concentric also accessed government employee support programs in Sweden, Germany and the UK with grant income from these schemes amounting to MSEK 8 during the quarter. The new US pay-check protection program was also utilised with loans of MSEK 10 received during the quarter. Concentric will seek loan forgiveness from the US government during the second half of this year, converting the loan to grant income.

Concentric Business Excellence – managing operating margins and cash

Concentric Business Excellence has been key in our ability to adapt operations to lower demand and thereby defend our margins. All parts of the business participate in this programme, driving continuous improvement in customer service levels, employee motivation and operational excellence. This program and our employee's resilience and ability to adapt to an ever changing environment has ensured the operating margin was maintained at good levels despite a –38% reduction in sales. The year-on-year profit drop-out rate was limited to 35% and the operating margin before items affecting comparability for the second quarter was 14.2% (21.9).

Managing the liquidity of the business has been a critical activity this quarter ensuring only essential capital projects are approved, controlling inventory levels and ensuring customers continue to pay to terms. Operating cash flow for the period was MSEK 87 with an operating income to operating cash conversion ratio of 181%, the quarter benefitting from a working capital unwind. Cash and cash equivalents increased during the quarter by MSEK 49 to MSEK 631, and with no external bank debt we are confident Concentric has sufficient cash to meet our operational needs.

We are proud of our performance during this most difficult of trading quarters and all has been achieved through the support and understanding of our employees.

Developing products for our tomorrow

Clearly in the short term we are managing the business during an economic slowdown, compounded by the global pandemic. However, the Concentric team has a clear focus on the long term strategic opportunities which CO_2 neutral transportation and energy generation presents. During the second quarter we made four important press releases which continue to demonstrate we are winning new business with both e-pumps and conventional technology which enables our customers to reduce fuel consumption and CO_2 emissions:

- ZF 12V electric oil pump;
- New contract to supply second generation EHS systems to a global OEM producer of electric trucks and buses;
- Concentric working with several major OEM's on the US SuperTruck II initiative; and
- Contract to supply the new Dual Cone Clutch (DCC) to a Tier 1 brake air compressor manufacturer for use in on-highway applications.

These new contracts further demonstrate that Concentric is able to win new business in the strategically important e-pump sector and is actively participating in developing new technology to substantially increase fuel efficiency of class 8 trucks as part of the US Super Truck program. The new patented DCC is proven to have significant benefits in long haul truck applications, reducing fuel consumption and more importantly reducing CO_2 emissions.

Right sizing the business

The global economy and demand from our customers has been affected by the pandemic. It remains too early to know what profile an economic recovery may take, but it looks certain customer demand will be lower post the pandemic for some time. To reduce our cost of capacity to meet the medium term demand from our customers we have implemented a headcount restructuring program which will be completed during the third quarter. The cost of this program has been calculated to be MSEK 20 and expensed in Q2.

Outlook

The overall published market indices blended to Concentric's mix of end market applications and locations suggest the overall market will recover during the third quarter of 2020, but the recovery is not uniform across geographies or end market applications. We expect demand for medium- and heavy-duty trucks in Europe to recover ahead of North America but demand from the off-highway sectors, agricultural machinery and construction equipment, will remain suppressed.

Therefore the global pandemic will affect our business for an indefinite period of time. Demand for our engine products has improved slightly through the second quarter and we expect this uncertainty to last for the rest of the year. As an example; the demand for hydraulic products has weakened particularly in the North American market, and level of orders received in the second quarter indicate that sales in the third quarter 2020 will be similar to sales in the second quarter. However, whilst visibility has improved somewhat, uncertainty in the market place is high and is expected to influence sales indefinitely in the nearby future.

Restructuring the cost of capacity during the coming quarter to right size the business to address medium term customer demand will be a key activity, whilst ensuring we maintain core skills within the business to support future growth and the ability to develop new technologies.

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

» We are proud of our performance during this most difficult of trading quarters and all has been achieved through the support and understanding of our employees. «

Developing products for our tomorrow

5 May 2020

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

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

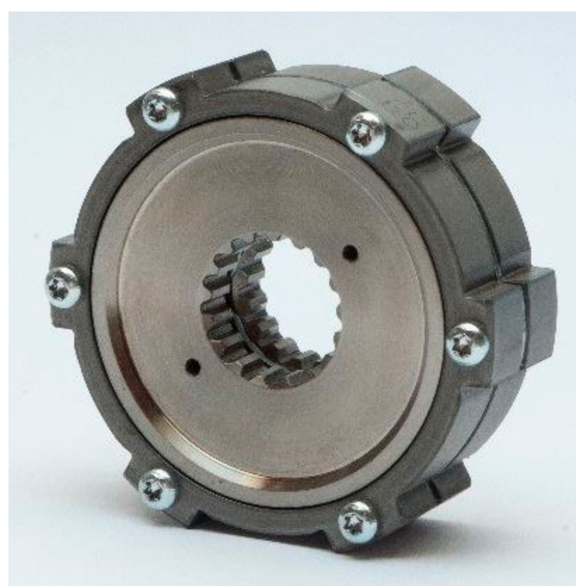
- Wet rotor design eliminates the dynamic seal failure;
- Improved thermal management for longer high performance duty cycles, and
- Intelligently packaged, with low noise electric pump design.

15 May 2020

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

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

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



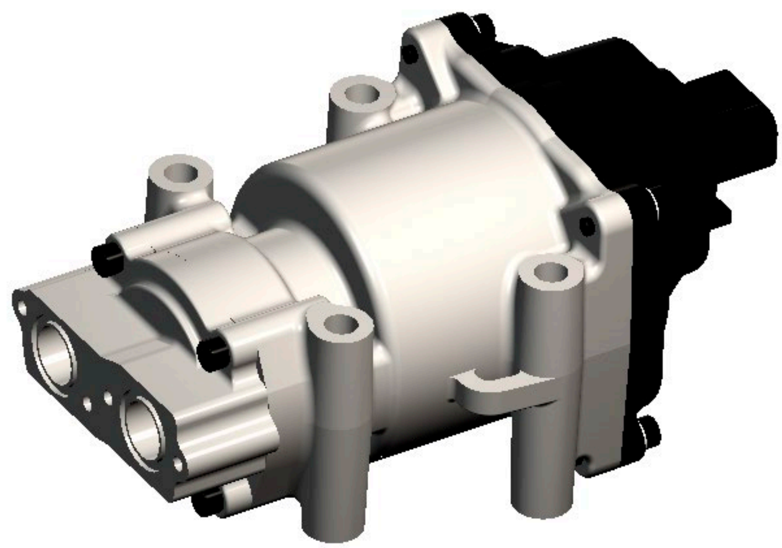
26 May 2020

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

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

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

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



3 June 2020

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

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

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

Second quarter figures

Key figures [1)]

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	2020	2019	Change	2020	2019	Change	2019/20	2019
Net sales	342	553	–38%	798	1,119	–29%	1,691	2,012
Operating income before items affecting comparability	48	121	–60%	135	247	–45%	360	472
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Earnings before tax	23	119	–81%	103	240	–57%	316	453
Net income for the period	17	92	–82%	77	186	–59%	212	321
Operating margin before items affecting comparability, %	14.2	21.9	–7.7	17.0	22.0	–5.0	21.3	23.5
Operating margin, %	8.3	21.9	–13.6	14.5	22.0	–7.5	20.2	23.5
ROCE, %	30.3	49.6	–19.3	30.3	49.6	–19.3	30.3	42.5
Return on equity, %	18.7	39.0	–20.3	18.7	39.0	–20.3	18.7	29.5
Basic EPS before items affecting comparability, SEK	0.84	2.39	–1.55	2.44	4.82	–2.38	5.99	8.37
Basic EPS, SEK	0.44	2.39	–1.95	2.04	4.82	–2.78	5.59	8.37
Diluted EPS, SEK	0.44	2.36	–1.92	2.04	4.79	–2.75	5.59	8.27

[1)] For additional information see pages 30–31 and 33.

Sales

Sales for the second quarter were down year-on-year by –38% with no impact from currency. As a result, sales for the first six months were down year-on-year by –30% after adjusting for the impact of currency (–1%). This reduction reflects the impact of COVID-19 across our Group. Europe & ROW has been hit harder of the two regions as COVID-19 affected the region earlier in the quarter with sales down year-on-year by –42% after adjusting for the impact of currency (+1%). Americas sales were down year-on-year –28% after adjusting for the impact of currency (–1%). Key US customers were deemed essential suppliers by the US government, softening the impact in the region.

Operating income

Despite the –38% decline in sales, Concentric Business Excellence has managed to defend margins resulting in an operating income before items affecting comparability of MSEK 48 (121). Operating income margin before items affecting comparability for the second quarter and the first six months was 14.2% (21.9) and 17.0% (22.0) respectively. Operating income includes MSEK 20 of restructuring costs relating to the right sizing of the business, of which MSEK 19 relates to Europe & Row and MSEK 1 to Americas. Further details of this program can be found in the CEO letter. Including these costs, operating margin was 8.3% (21.9) in the quarter and 14.5% (22.0) for the first six months.

Net financial items

Net financial expenses in the second quarter comprised of pension financial expenses of MSEK 3 (4) and other net interest expense of MSEK 1 (income 3). Accordingly, net financial expenses in the first six months comprised of pension financial expenses of MSEK 8 (8) and other net interest expenses of MSEK 1 (income 2).

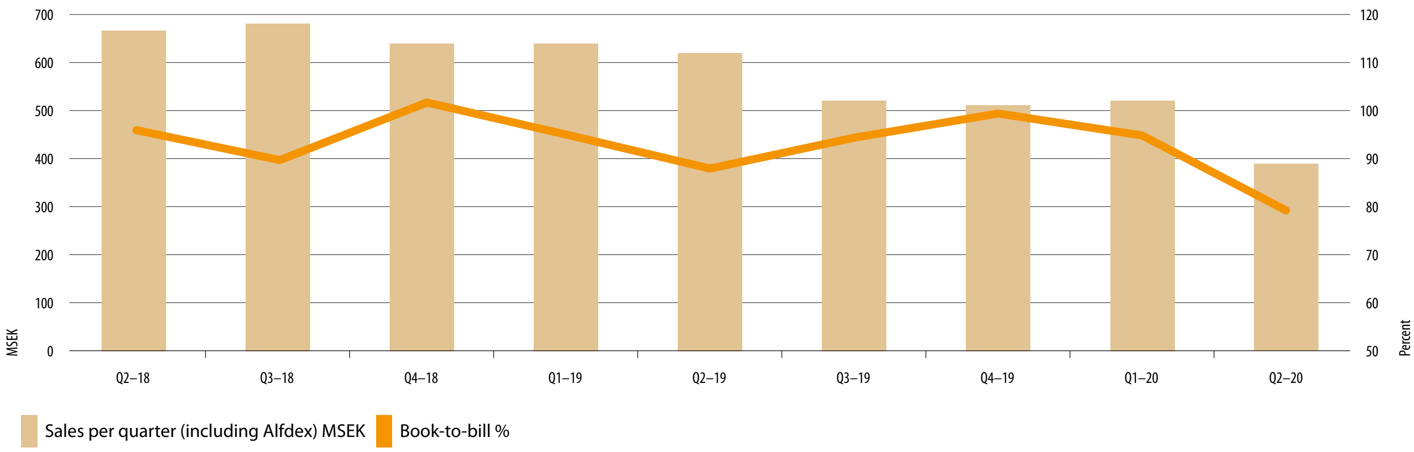
Taxes

The underlying effective tax rate for the second quarter and the first six months was 28% (23) and 25% (23) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

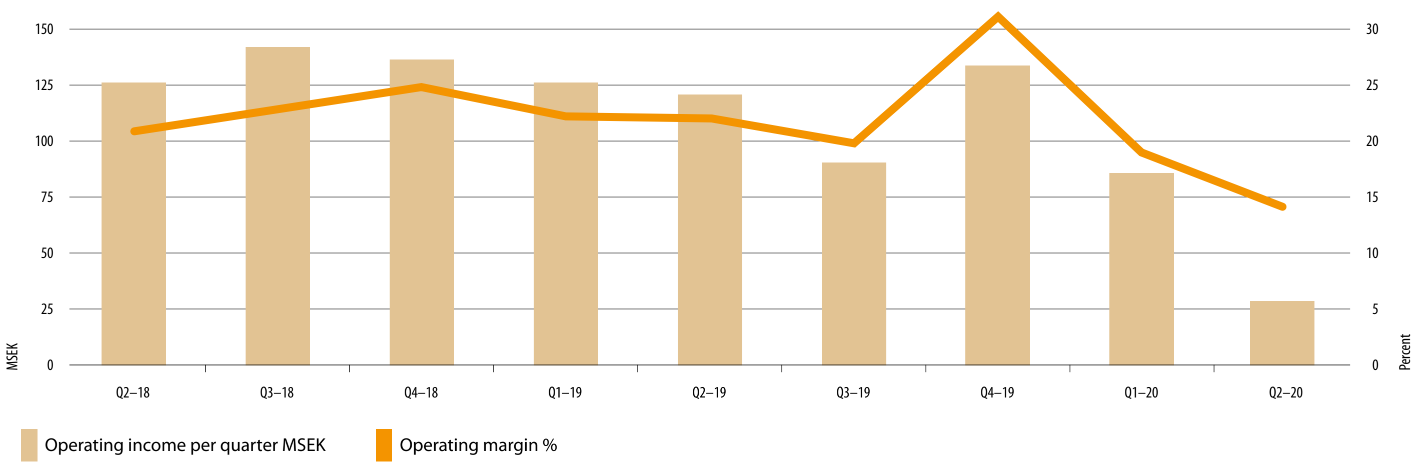
Earnings per share

The basic earnings per share for the first six months was SEK 2.04 (4.82), down SEK 2.78 per share. The diluted earnings per share for the first six months was SEK 2.04 (4.78), down SEK 2.74 per share.

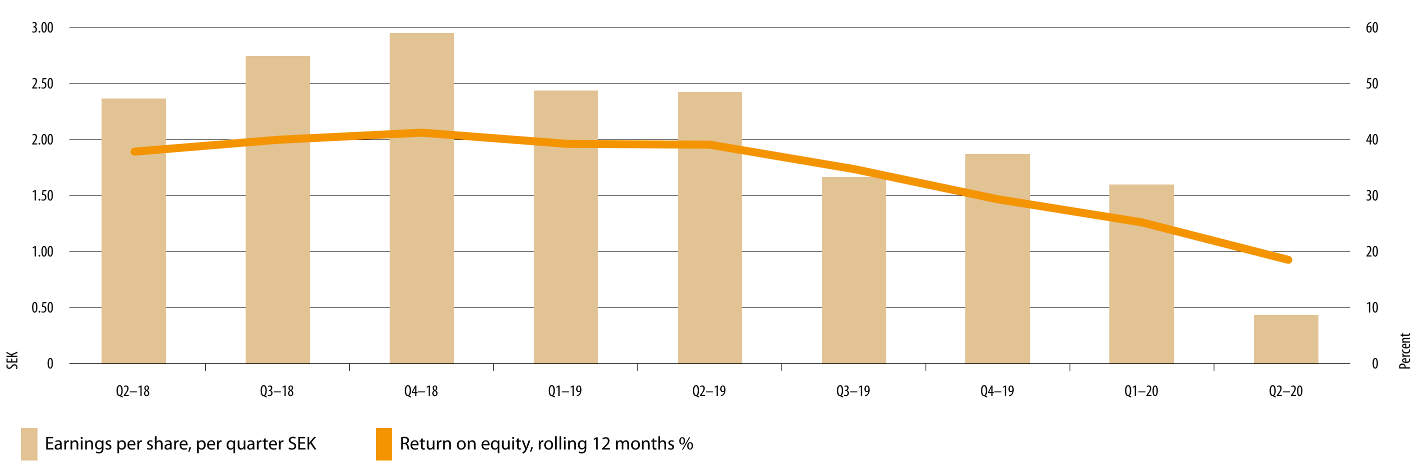
Sales and book-to-bill



Underlying operating income and margins



Earnings per share and return on equity



Net sales and operating income by region

Americas

Amounts in MSEK	Apr–Jun 2020	Apr–Jun 2019	Change	Jan–Jun 2020	Jan–Jun 2019	Change	Jul–Jun 2019/20	Jan–Dec 2019
External net sales	172	237	–27%	360	481	–25%	742	863
Operating income before items affecting comparability	20	38	–47%	41	75	–45%	127	161
Operating income	19	38	–50%	40	75	–47%	126	161
Operating margin before items affecting comparability, %	11.2	15.8	–4.6	11.3	15.5	–4.2	17.1	18.7
Operating margin, %	10.6	15.8	–5.2	11.0	15.5	–4.5	17.0	18.7
ROCE, %	37.8	70.7	–32.9	37.8	70.7	–32.9	37.8	49.9

Sales for the second quarter were down year-on-year by –27%, after adjusting for the impact of currency (–1%), the sales were down –28%. As a result, sales for the first six months were down –25%, adjusting for the impact currency (–2%), the sales were down –27%. Sales were down across all end-market applications as a result of COVID-19. Key US customers were deemed essential suppliers by the US government and were encouraged to continue producing construction equipment and agricultural machinery, softening the impact on hydraulic product sales.

The operating margin before items affecting comparability in the second quarter was 11.2% (15.8) and 11.3% (15.5) for the first six months. The operating margin remains strong as a result of the Concentric Business Excellence program to adapt to lower demand. This has resulted in operating income before items affecting comparability of MSEK 20 (38) in the quarter.

Government support received from the Paycheck Protection Program does not impact operating income in the quarter. Forgiveness for the loans received will be sought in Q3.

Europe & RoW

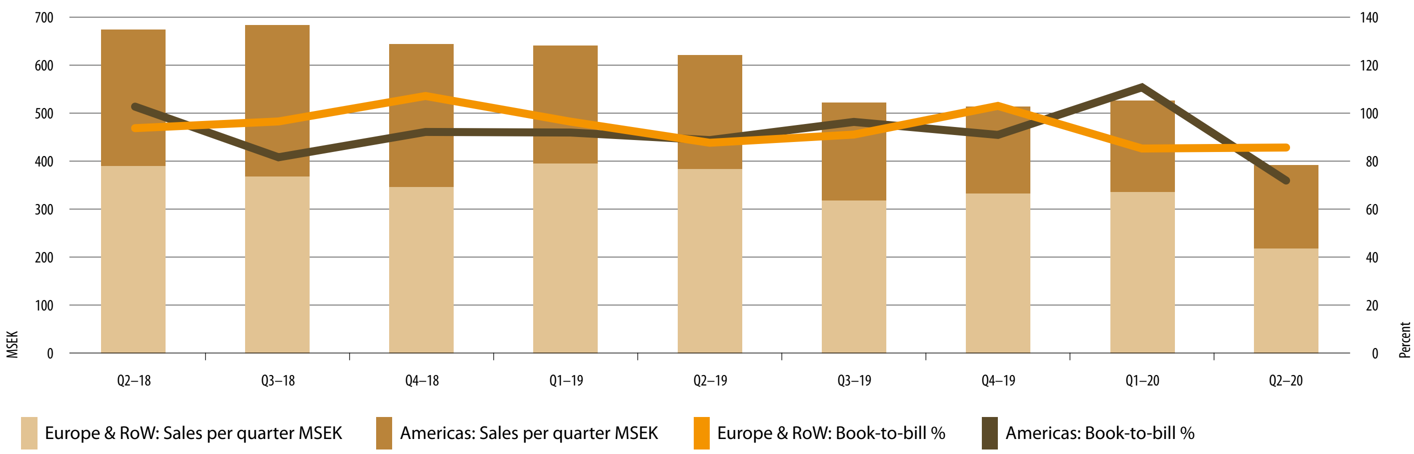
Amounts in MSEK	Apr–Jun 2020	Apr–Jun 2019	Change	Jan–Jun 2020	Jan–Jun 2019	Change	Jul–Jun 2019/20	Jan–Dec 2019
External net sales	220	383	–43%	556	778	–29%	1,210	1,432
Operating income before items affecting comparability	30	84	–64%	98	174	–44%	241	317
Operating income	11	84	–87%	79	174	–55%	222	317
Operating margin before items affecting comparability, %	13.8	22.0	–8.2	17.7	22.4	–4.7	20.0	22.2
Operating margin, %	5.2	22.0	–16.8	14.3	22.4	–8.1	18.4	22.2
ROCE, %	28.4	41.0	–12.6	28.4	41.0	–12.6	28.4	40.6

Sales for the second quarter were down year-on-year by –43%, after adjusting for the impact of currency (+1%), the sales were down –42%. Sales for the first six months were down year-on-year by –29%, with no impact of currency. Sales in Europe this quarter were hit harder by COVID-19 as it impacted the region earlier in the quarter. Sales to the European truck sector were down much less than the market indices which showed that the market declined year-on-year by –81%.

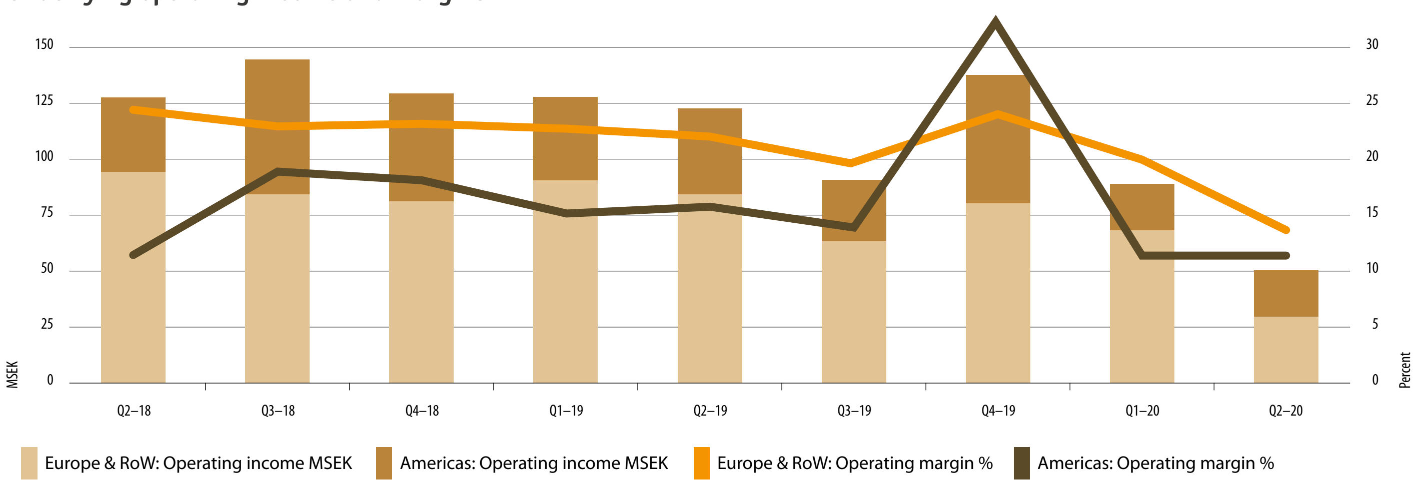
The operating margin before items affecting comparability in the second quarter was 13.8% (22.0) and 17.7% (22.4) for the first six months. As in Americas, through the Concentric Business Excellence program the business quickly adapted to changes in demand, protecting operating margins and achieving operating income before items affecting comparability of MSEK 30 (84).

Government support across the region contributed MSEK 8 to operating income in the quarter.

Sales and book-to-bill



Underlying operating income and margins



Market development

Concentric's customers have reduced demand as a result of the COVID-19 pandemic.

Americas end-markets

North America

- Sales into all of our four end-markets were down year-on-year in the second quarter, most notably the medium and heavy-duty truck sector which saw sales declines similar to published market indices.
- Off-highway sectors, namely agricultural machinery and construction equipment, whilst impacted by the pandemic fared better than trucks as some customers were deemed essential suppliers and encouraged by the US government to continue to produce machines.
- The industrial applications sector, particularly for hydraulic products reported sales down year-on-year by a low double-digit percentage.
- Overall, sales in constant currency declined less than the latest published market indices.

South America

- Sales in the second quarter to our South American end-market applications delivered overall modest growth with sales growth in three out of four end-market applications. Only the truck sector reported a year-on-year sales decline.
- End market indices show significant declines in all end-market applications.

Europe & RoW end-markets

Europe

- Sales into all of our end-markets were down year-on-year in the second quarter with industrial application sector hardest hit with year-on-year declines similar to published market indices.
- Our largest sectors, namely the truck and construction equipment off-highway sector reported similar significant year-on-year sales declines, but less than the published market indices.
- The agricultural machinery sector was least impacted by the Covid-19 crisis.
- Overall, sales in constant currency declined less than the latest published market indices.

Rest of the World

- The Indian government's response to the pandemic was to extend the general lockdown to the end of May, with certain high risk regions continuing to the end of June. This market has reported the highest year-on-year drop in sales and similar to the published market indices.
- Trucks are the largest sector in this region and have been particularly hit hard by government initiatives to control the virus.
- China continues to recover from Covid-19 and our facility was fully operational during the second quarter. Sales in China increased year-on-year and were particularly strong in the industrial application and construction equipment sectors.
- Overall, the Rest of the World still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q2-20 vs Q2-19			H1-20 vs. H1-19			FY-20 vs. FY-19		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average [1]	–47%	–66%	–58%	–32%	–54%	–45%	–17%	–28%	–24%
Actual – constant currency [2]	–28%	–42%	–38%	–26%	–29%	–30%			

[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 down –58% year-on-year for the second quarter and –45% for the first six months of the year. The second quarters published market indices reported bigger market reductions in Europe & RoW than the Americas because Europe and Asia were impacted earlier in the quarter than North America by the global pandemic.

The current published forecast market indices for 2020 show the full year forecast has deteriorated from a year-on-year reduction of –13% reported in Q1 2020 to –24%. This suggests there will be some form of a recovery during the second half of the year. However, the global pandemic has increased market uncertainty and reduced visibility meaning published forecasts for the balance of the year could change significantly over the course of the third quarter.

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

	Q2-20 vs Q2-19					H1-20 vs H1-19					FY-20 vs FY-19				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agriculture Diesel engines	−72%	−71%	−81%	−68%	−71%	−51%	−49%	−67%	−44%	−49%	−6%	−5%	−38%	−2%	−10%
Construction Diesel engines	−73%	−73%	−76%	−76%	−70%	−53%	−53%	−59%	−58%	−48%	−10%	−13%	−24%	−26%	−7%
Hydraulic equipment	−5%	n/a	−2%	n/a	n/a	−5%	n/a	−6%	n/a	n/a	−3%	n/a	−3%	n/a	n/a
Trucks Light vehicles	−74%	n/a	n/a	n/a	n/a	−55%	n/a	n/a	n/a	n/a	−14%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	−85%	−79%	−81%	−85%	−70%	−74%	−63%	−67%	−73%	−47%	−50%	−31%	−38%	−52%	−7%
Industrial Other off-highway	−74%	−73%	−77%	−73%	−69%	−54%	−53%	−60%	−53%	−45%	−12%	−12%	−26%	−18%	−3%
Hydraulic lift trucks	−39%	n/a	−11%	n/a	n/a	−18%	n/a	−11%	n/a	n/a	−26%	n/a	−11%	n/a	n/a

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

The market indices summarised in the table above reflect the Q2 2020 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 87 (128), which represents SEK 2.30 (3.32) per share. This takes the cash inflow from operating activities for the first six months to MSEK 168 (230), which represents SEK 4.45 (5.97) per share.

Working capital

Total working capital at 30 June was MSEK –36 (–20), which represented –2.2% (–0.9) of annual sales. Working capital decreased compared to 31 December 2019 as working capital unwound due to the lower sales.

Net investments in fixed assets

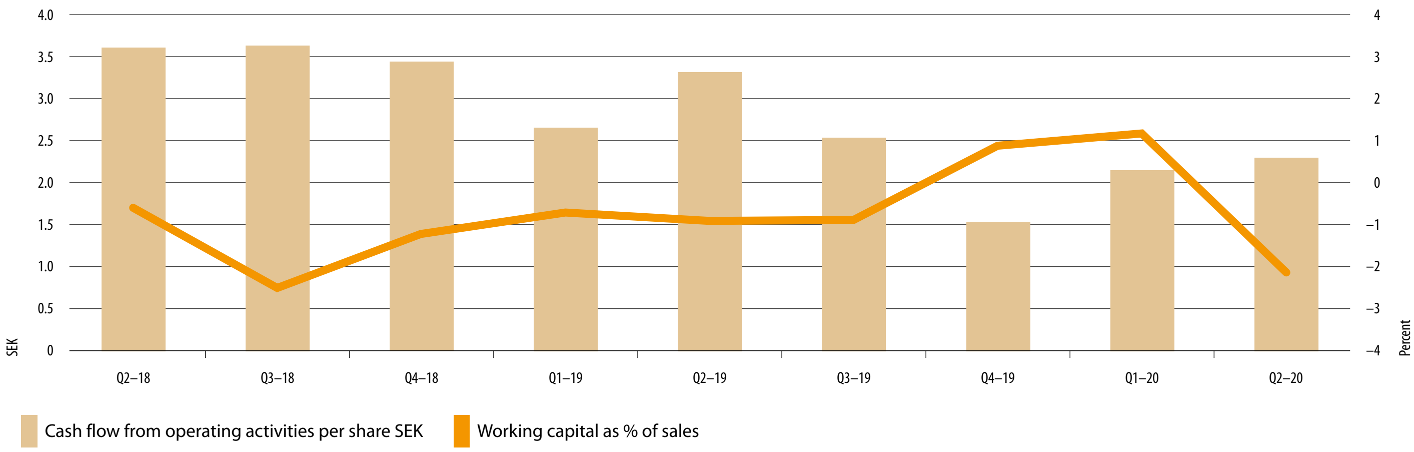
The Group's net investments in tangible fixed assets amounted to MSEK 1 (4) for the second quarter and MSEK 4 (10) for the first six months.

Net debt and gearing

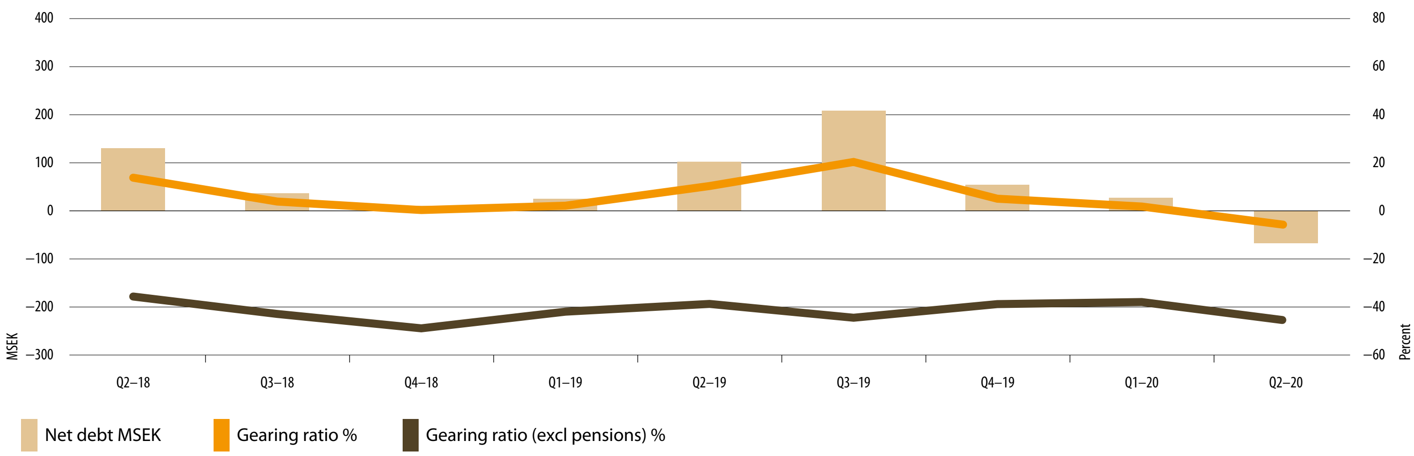
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, as last year there were no remeasurement gains or losses recognised in net pension liabilities during the first six months 2020.

Overall, the Group's net debt at 30 June decreased to MSEK –67 (102), comprising bank loans of MSEK 0 (177), loans related to leasing MSEK 88 (96) and net pension liabilities of MSEK 465 (506), net of cash amounting to MSEK 631 (677). Shareholders' equity amounted to MSEK 1,180 (1,065), resulting in a gearing ratio of –6% (10) at the end of the first six months.

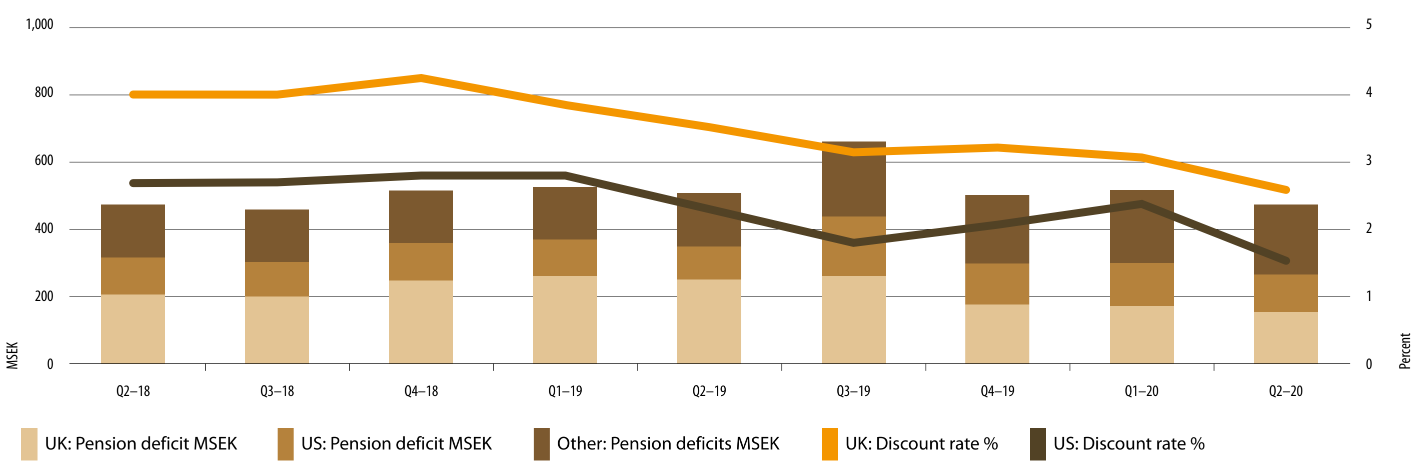
Cash flow from operating activities and working capital



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
	2020	2019	2020	2019	2019/20	2019
Net sales	342	553	798	1,119	1,691	2,012
Cost of goods sold	–248	–380	–563	–762	–1,186	–1,385
Gross income	**94**	**173**	**235**	**357**	**505**	**627**
Selling expenses	–11	–15	–27	–35	–16	–24
Administrative expenses	–29	–37	–65	–77	–128	–140
Product development expenses	–9	–13	–20	–26	–40	–46
Share of net income in joint venture	2	2	9	8	21	20
Other operating income and expenses	–19	11	–17	20	–2	35
Operating income	**28**	**121**	**115**	**247**	**340**	**472**
Financial income and expenses	–5	–2	–12	–7	–24	–19
Earnings before tax	**23**	**119**	**103**	**240**	**316**	**453**
Taxes	–6	–27	–26	–54	–104	–132
Net income for the period	**17**	**92**	**77**	**186**	**212**	**321**
Parent company shareholders	17	92	77	186	212	321
Non-controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	0.84	2.39	2.44	4.82	5.99	8.37
Basic earnings per share, SEK	0.44	2.39	2.04	4.82	5.59	8.37
Diluted earnings per share, SEK	0.44	2.36	2.04	4.79	5.59	8.27
Basic average number of shares (000)	37,772	38,626	37,769	38,629	37,942	38,369
Diluted average number of shares (000)	37,772	39,107	37,769	38,939	37,944	38,849

Consolidated statement of comprehensive income

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Net income for the period	17	92	77	186	212	321
Other comprehensive income						
Items that will not be reclassified to the income statement						
Remeasurement gains of net pension liabilities	–	–	–	–	75	75
Tax on remeasurement gains of net pension liabilities	–	–	–	–	-13	-13
Remeasurement losses of net pension liabilities	–	–	–	–	–76	–76
Tax on remeasurement losses of net pension liabilities	–	–	–	–	20	20
Items that may be reclassified subsequently to the income statement						
Exchange rate differences related to liabilities to foreign operations	82	–18	3	–81	–21	–105
Tax arising from exchange rate differences related to liabilities to foreign operations	–13	–3	–1	12	3	16
Cash-flow hedging	–	–1	–2	1	–4	–1
Tax arising from cash-flow hedging	–	–	–	–	–	–
Foreign currency translation differences	–162	9	–37	120	–	157
Total other comprehensive income	**–93**	**–13**	**–37**	**52**	**–16**	**73**
Total comprehensive income	**–76**	**79**	**40**	**238**	**196**	**394**

Consolidated balance sheet

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Goodwill	634	642	656
Other intangible fixed assets	137	177	162
Right of use fixed assets	86	97	84
Other tangible fixed assets	84	104	98
Share of net assets in joint venture	64	44	55
Deferred tax assets	139	143	137
Long-term receivables, joint ventures	25	–	–
Other long-term receivables	4	6	6
Total fixed assets	**1,173**	**1,213**	**1,198**
Inventories	132	162	147
Current receivables	230	327	243
Cash and cash equivalents	631	677	531
Total current assets	**993**	**1,166**	**921**
Total assets	**2,166**	**2,379**	**2,119**
Total Shareholders' equity	**1,181**	**1,065**	**1,136**
Pensions and similar obligations	465	506	499
Deferred tax liabilities	18	20	20
Long-term liabilities for right of use fixed assets	75	74	62
Other long-term interest–bearing liabilities	–	175	–
Other long-term liabilities	5	6	5
Total long-term liabilities	**563**	**781**	**586**
Short-term liabilities for right of use fixed assets	13	22	23
Other short-term interest-bearing liabilities	11	2	1
Other current liabilities	398	509	373
Total current liabilities	**422**	**533**	**397**
Total equity and liabilities	**2,166**	**2,379**	**2,119**

Financial derivatives

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

Consolidated changes in shareholders' equity

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Opening balance	**1,136**	**1,026**	**1,026**
Net income for the period	77	186	321
Other comprehensive income	–37	52	73
Total comprehensive income	**40**	**238**	**394**
Dividend	–	–164	–164
Own share buy-backs	–	–50	–136
Sale of own shares to satisfy LTI – options exercised	3	14	13
Long-term incentive plan	2	1	3
Closing balance	**1,181**	**1,065**	**1,136**

Consolidated cash flow statement, in summary

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Earnings before tax	**23**	**119**	**103**	**240**	**316**	**453**
Reversal of depreciation, amortisation and write-down of fixed assets	23	25	43	50	92	99
Reversal of net income from joint venture	–3	–2	–9	–8	–21	–20
Reversal of other non-cash items	26	7	34	10	47	23
Taxes paid	–5	–29	–20	–48	–107	–135
Cash flow from operating activities before changes in working capital	***64***	***120***	***151***	***244***	***327***	***420***
Change in working capital	23	8	17	–14	–3	–34
Cash flow from operating activities	**87**	**128**	**168**	**230**	**324**	**386**
Investments in property, plant and equipment	–1	–4	–4	–10	–13	–19
New loans paid to joint venture	–	–	–40	–	–40	–
Loans repayment from joint venture	–	–	15	–	15	–
Other repayment of long-term receivables	1	–	3	–	3	–
Net cash flow from long term receivables	1	–	–22	–	–22	–
Cash flow from investing activities	**–**	**–4**	**–26**	**–10**	**–35**	**–19**
Dividend	–	–164	–	–164	–	–164
Dividend received from joint venture	–	2	–	2	–	2
Buy-back of own shares	–	–50	–	–50	–86	–136
Selling of own shares to satisfy LTI – options exercised	3	14	3	14	2	13
New loans	10	–	10	–	11	1
Repayment of loans	–6	–9	–9	–15	–201	–207
Pension payments and other cash flows from financing activities	–16	–21	–34	–35	–38	–39
Cash flow from financing activities	**–9**	**–228**	**–30**	**–248**	**–312**	**–530**
Cash flow for the period	**78**	**–104**	**112**	**–28**	**–12**	**–163**
Cash and bank assets, opening balance	582	780	531	683	677	683
Exchange-rate difference in cash and bank assets	–29	1	–12	22	–23	11
Cash and bank assets, closing balance	**631**	**677**	**631**	**677**	**631**	**531**

Group notes

Data per share

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Basic earnings per share before items affecting comparability, SEK	0.84	2.39	2.44	4.82	5.99	8.37
Basic earnings per share, SEK	0.44	2.39	2.04	4.82	5.59	8.37
Diluted earnings per share, SEK	0.44	2.36	2.04	4.79	5.59	8.27
Equity per share, SEK	31.24	27.69	31.24	27.69	31.24	30.09
Cash-flow from current operations per share, SEK	2.30	3.32	4.45	5.97	8.52	10.05
Basic weighted average no. of shares (000's)	37,772	38,626	37,769	38,629	37,942	38,369
Diluted weighted average no. of shares (000's)	37,772	39,107	37,769	38,939	37,944	38,849
Number of shares at period-end (000's)	37,792	38,452	37,792	38,452	37,792	37,767

Key figures [1)]

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Sales growth, %	–38	–8	–29	–7	n/a	–17
Sales growth, constant currency, % [2)]	–38	–12	–30	–12	n/a	–20
EBITDA margin before items affecting comparability, %	21.0	26.6	22.4	26.5	26.5	28.4
EBITDA margin, %	15.2	26.6	19.9	26.5	25.6	28.4
Operating margin before items affecting comparability, %	14.2	21.9	17.0	22.0	21.3	23.5
Operating margin, %	8.3	21.9	14.5	22.0	20.2	23.5
Capital Employed, MSEK	1,033	1,121	1,033	1,121	1,033	1,126
ROCE before items affecting comparability, %	32.0	49.2	32.0	49.2	32.0	42.5
ROCE, %	30.3	49.6	30.3	49.6	30.3	42.5
ROE, %	18.7	39.0	18.7	39.0	18.7	29.5
Working Capital, MSEK	–36	–20	–36	–20	–36	18
Working capital as a % of annual sales	–2.2	–0.9	–2.2	–0.9	–2.2	0.9
Net Debt, MSEK [2)]	–67	102	–67	102	–67	54
Gearing ratio, %	–6	10	–6	10	–6	5
Net investments in PPE	1	4	4	10	13	19
R&D, %	2.6	2.4	2.5	2.3	2.3	2.3
Number of employees, average	555	872	644	893	719	844

[1)] For additional information see pages 30–31 and 33.
[2)] For additional information see page 14.

Consolidated income statement in summary – by type of cost

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	342	553	798	1,119	1,691	2,012
Direct material costs	–170	–264	–380	–530	–798	–948
Personnel costs	–81	–120	–192	–242	–405	–455
Depreciation, amortisation and write-down of fixed assets	–23	–25	–43	–50	–92	–99
Share of net income in joint venture	2	2	9	8	21	20
Other operating income and expenses	–42	–25	–77	–58	–77	–58
Operating income	**28**	**121**	**115**	**247**	**340**	**472**
Financial income and expense	–5	–2	–12	–7	–24	–19
Earnings before tax	**23**	**119**	**103**	**240**	**316**	**453**
Taxes	–6	–27	–26	–54	–104	–132
Net income for the period	**17**	**92**	**77**	**186**	**212**	**321**

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

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Tooling income	1	3	2	4	8	10
Royalty income from joint venture	9	15	18	30	46	58
Amortisation of acquisition related surplus values	–10	–9	–20	–19	–40	–39
UK pension benefit, equalisation	–	–	–	–	–	–
Customer contract provisions	–	–	–	–	–	–
Restructuring cost	–20	–	–20	–	–20	–
Other	1	2	3	5	4	6
Other operating income and expenses	**–19**	**11**	**–17**	**20**	**–2**	**35**

Segment reporting

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

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

Second quarter

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	174	242	227	402	–59	–91	342	553
External net sales	172	237	220	383	–50	–67	342	553
Operating income before items affecting comparability	20	38	30	84	–2	–1	48	121
Operating income	19	38	11	84	–2	–1	28	121
Operating margin before items affecting comparability, %	11.2	15.8	13.8	22.0	n/a	n/a	14.2	21.9
Operating margin, %	10.6	15.8	5.2	22.0	n/a	n/a	8.3	21.9
Financial income and expense	–	–	–	–	–5	–1	–5	–1
Earnings before tax	19	38	11	84	–7	–3	23	119
Assets	497	568	1,189	1,438	480	373	2,166	2,379
Liabilities	252	285	707	822	26	207	985	1,314
Capital employed	305	324	734	794	–6	3	1,033	1,121
ROCE before items affecting comparability, %	38.1	60.7	30.8	44.2	n/a	n/a	32.0	49.2
ROCE, %	37.8	70.7	28.4	41.0	n/a	n/a	30.3	49.6
Net investments in PPE	–	1	2	4	–1	–1	1	4
Depreciation, goodwill and fixed asset write-downs	7	7	18	20	–2	–2	23	25
Number of employees, average	220	304	401	640	–66	–72	555	872

First six months

	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	366	492	578	815	–146	–188	798	1,119
External net sales	360	481	556	778	–118	–140	798	1,119
Operating income before items affecting comparability	41	75	98	174	–4	–2	135	247
Operating income	40	75	79	174	–4	–2	115	247
Operating margin before items affecting comparability, %	11.3	15.5	17.7	22.4	n/a	n/a	17.0	22.0
Operating margin, %	11.0	15.5	14.3	22.4	n/a	n/a	14.5	22.0
Financial income and expense	–	–	–	–	–12	–7	–12	–7
Earnings before tax	40	75	79	174	–16	–9	103	240
Assets	497	568	1,189	1,438	480	373	2,166	2,379
Liabilities	252	285	707	822	26	207	985	1,314
Capital employed	305	324	734	794	–6	3	1,033	1,121
ROCE before items affecting comparability, %	38.1	60.7	30.8	44.2	n/a	n/a	32.0	49.2
ROCE, %	37.8	70.7	28.4	41.0	n/a	n/a	30.3	49.6
Net investments in PPE	1	3	18	35	–15	–28	4	10
Depreciation, goodwill and fixed asset write-downs	14	14	33	38	–4	–2	43	50
Number of employees, average	244	315	473	650	–72	–72	645	893

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 55 (60) for the Group, with an average of 58 (62) working days for the Americas region and 53 (58) working days for the Europe & RoW region.

The weighted average number of working days in the first six months was 115 (123) for the Group, with an average of 119 (125) working days for the Americas region and 112 (122) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	152	199	7	12	–6	–12	153	199
Rest of North America	4	9	2	3	–	–	6	12
South America	7	8	1	–	–1	1	7	9
Germany	2	4	57	116	–9	–19	50	101
UK	1	3	17	36	1	–	19	39
Sweden	–	–	25	44	–8	–20	17	24
Rest of Europe	1	2	57	112	–7	–3	51	111
Asia	4	11	53	59	–20	–13	37	57
Other	1	1	1	1	–	–1	2	1
Total Group	**172**	**237**	**220**	**383**	**–50**	**–67**	**342**	**553**

	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	319	412	20	28	–19	–27	320	413
Rest of North America	14	19	4	6	–1	–	17	25
South America	10	17	1	1	–	–	11	18
Germany	4	5	161	236	–26	–37	139	204
UK	2	7	49	72	–	–	51	79
Sweden	–	–	63	95	–22	–44	41	51
Rest of Europe	3	3	155	236	–18	–19	140	221
Asia	8	17	100	103	–34	–14	74	106
Other	–	1	3	1	2	1	5	2
Total Group	**360**	**481**	**556**	**778**	**–118**	**–140**	**798**	**1,119**

Total sales by product groups

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded engine products	55	92	65	155	–	–	120	247
LICOS branded engine products	–	–	28	64	–	–	28	64
Alfdex branded engine products	–	–	50	67	–50	–67	–	–
Total engine products	55	92	143	286	–50	–67	148	311
Total hydraulics products	117	145	77	97	–	–	194	242
Total Group	**172**	**237**	**220**	**383**	**–50**	**–67**	**342**	**553**

	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded engine products	122	192	180	320	–	–	302	512
LICOS branded engine products	–	–	78	118	–	–	78	118
Alfdex branded engine products	–	–	118	140	–118	–140	–	–
Total engine products	122	192	376	578	–118	–140	380	630
Total hydraulics products	238	289	180	200	–	–	418	489
Total Group	**360**	**481**	**556**	**778**	**–118**	**–140**	**798**	**1,119**

Total sales by end-markets

	Apr-Jun							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	11	32	134	243	–50	–67	95	208
Construction	53	76	38	59	–	–	91	135
Industrial	84	94	31	55	–	–	115	149
Agriculture	24	35	17	26	–	–	41	61
Total Group	**172**	**237**	**220**	**383**	**–50**	**–67**	**342**	**553**

	Jan–Jun							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	29	74	315	486	–118	–140	226	420
Construction	113	148	102	131	–	–	215	279
Industrial	168	184	96	101	–	–	264	285
Agriculture	50	75	43	60	–	–	93	135
Total Group	**360**	**481**	**556**	**778**	**–118**	**–140**	**798**	**1,119**

Business risks, accounting principles and other information

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

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

Significant risks and uncertainties

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

The COVID-19 pandemic has had a significant effect on the global economy and the demand for the Group's products and services in the second quarter, described at previous pages in this report. With the high uncertainty surrounding the situation and potential initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Group for the coming quarters. As of June 30, there is no significant impact on any balance sheet items.

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

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

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

Basis of preparation and accounting policies

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

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

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

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

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

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

Parent Company

Net sales and operating income

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

Net financial items

Exchange rate gains on foreign liabilities to subsidiaries was MSEK 3 (–58) for the first six months, an increase with MSEK 61.
Last year the shares and receivables in our subsidiary in Argentina, was impaired with MSEK 35.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2020 was 1,156,667 (1,210,516) and shares transferred in 2017–2019 to an Employee Share Ownership Trust ("ESOT") was 300,700 (188,020). Including these shares the company's holdings was 1,457,367 (1,398,536) and the total number of shares in issue was 39,224,100 (40,031,100).

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

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

The company did not repurchase any own shares during the second quarter, but have sold 25,290 (169,400) of own shares, to exercise and satisfy LTI-programme.

The total number of holdings of own shares at 30 June 2020 was 200,765 (471,669) and the total number of shares in issue was 38,297,600 (39,224,100). Consequently the company's total holdings of own shares now represent 0.5% (1.2) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 304,812 (300,700). Including these shares the company's holdings was 505,577 (772,369) representing 1.3% (2.0) of the total number of shares.

Parent Company's income statement

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	10	17	20	32	50	62
Operating costs	–5	–6	–10	–10	–20	–20
Operating income	**5**	**11**	**10**	**22**	**30**	**42**
Income from shares in subsidiaries	1	–35	1	–35	748	712
Income from shares in joint venture	–	2	–	2	–	2
Net foreign exchange rate differences	61	10	3	–58	–15	–76
Other financial income and expense	–2	–4	–5	–9	–13	–17
Earnings before tax	**65**	**–16**	**9**	**–78**	**750**	**663**
Taxes	–14	–6	–2	7	–2	7
Net income for the period [1]	**51**	**–22**	**7**	**–71**	**748**	**670**

[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 2020	30 Jun 2019	31 Dec 2019
Shares in subsidiaries	3,149	3,149	3,149
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	2	1	1
Long-term loans receivable from joint ventures	25	–	–
Deferred tax assets	19	23	22
Total financial fixed assets	**3,205**	**3,183**	**3,182**
Other current receivables	5	6	4
Short-term receivables from subsidiaries	94	170	17
Short-term loans receivable from joint ventures	–	–	3
Cash and cash equivalents	507	388	405
Total current assets	**606**	**564**	**429**
Total assets	**3,811**	**3,747**	**3,611**
Total shareholders' equity	**1,837**	**1,173**	**1,827**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	–	175	–
Long-term loans payable to subsidiaries	861	2,356	1,063
Total long-term liabilities	**879**	**2,549**	**1,081**
Short-term loans payable to subsidiaries	1,086	16	697
Other current liabilities	9	9	6
Total current liabilities	**1,095**	**25**	**703**
Total equity and liabilities	**3,811**	**3,747**	**3,611**

Parent Company's changes in shareholders' equity

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Opening balance	1,827	1,444	1,444
Net income for the period	7	–71	670
Dividend	–	–164	–164
Sale of own shares to satisfy LTI options exercised	3	14	13
Buy-back of own shares	–	–50	–136
Closing balance	**1,837**	**1,173**	**1,827**

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 23 July, 2020.

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

Concentric's web site for investors

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

Reporting calendar for 2020

Interim report January – September 2020	4 November, 2020
Interim report January – December 2020	9 February, 2021

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 23 July, 2020

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 23 July, 2020
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, 2020 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, 23 July, 2020

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Alternative Performance Measures reconciliation

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
EBIT or operating income before items affecting comparability	2020	2019	2020	2019	2019/20	2019
EBIT or operating income	**28**	**121**	**115**	**247**	**340**	**472**
Items affecting comparability:						
Restructuring costs	20	–	20	–	20	–
Operating income before items affecting comparability	**48**	**121**	**135**	**247**	**360**	**472**
Net Sales	342	553	798	1,119	1,691	2,012
Operating margin (%)	**8.3**	**21.9**	**14.5**	**22.0**	**20.2**	**23.5**
Operating margin before items affecting comparability (%)	**14.2**	**21.9**	**17.0**	**22.0**	**21.3**	**23.5**

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
EBITDA or operating income before amortisation and depreciation, before items affecting comparability	2020	2019	2020	2019	2019/20	2019
EBIT or operating income	28	121	115	247	340	472
Operating amortisation/depreciation	13	15	23	31	52	60
Amortisation of purchase price allocation	10	10	20	19	40	39
EBITDA or operating income before amortisation and depreciation	**51**	**146**	**158**	**297**	**432**	**571**
Restructuring costs	20	–	20	–	20	–
EBITDA or operating income before amortisation and depreciation, before items affecting comparability	**71**	**146**	**178**	**297**	**452**	**571**
Net sales	342	553	798	1,119	1,691	2,012
EBITDA margin (%)	**15.2**	**26.6**	**19.9**	**26.5**	**25.6**	**28.4**
EBITDA margin, before items affecting comparability (%)	**21.0**	**26.6**	**22.4**	**26.5**	**26.5**	**28.4**

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
Net income before items affecting comparability	2020	2019	2020	2019	2019/20	2019
Net income	**17**	**92**	**77**	**186**	**212**	**321**
Items affecting comparability after tax	15	–	15	–	15	–
Net income before items affecting comparability	**32**	**92**	**92**	**186**	**227**	**321**
Basic average number of shares (000)	37,772	38,626	37,769	38,629	37,942	38,369
Basic earnings per share	**0.44**	**2.39**	**2.04**	**4.82**	**5.59**	**8.37**
Basic earnings per share before items affecting comparability	**0.84**	**2.39**	**2.44**	**4.82**	**5.99**	**8.37**

Net debt	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Pensions and similar obligations	465	506	499
Liabilities for right of use fixed assets	88	96	85
Long term interest bearing liabilities	–	175	–
Short term interest bearing liabilities	11	2	1
Total interest bearing liabilities	**564**	**779**	**585**
Cash and cash equivalents	–631	–677	–531
Total net debt	**–67**	**102**	**54**
Net debt, excluding pension obligations	**–532**	**–404**	**–445**

Capital employed	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Total assets	**2,166**	**2,379**	**2,119**
Interest bearing financial assets	–29	–6	–6
Cash and cash equivalents	–631	–677	–531
Tax assets	–165	–172	–171
Non interest bearing assets (excl taxes)	**1,341**	**1,524**	**1,411**
Non interest bearing liabilities (incl taxes)	–420	–533	–395
Tax liabilities	112	130	110
Non interest bearing liabilities (excl taxes)	**–308**	**–403**	**–285**
Total capital employed	**1,033**	**1,121**	**1,126**

Working capital	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Accounts receivable	173	245	181
Other current receivables	57	81	62
Inventory	132	162	147
Working capital assets	**362**	**488**	**390**
Accounts payable	–145	–208	–156
Other current payables	–253	–300	–216
Working capital liabilities	**–398**	**–508**	**–372**
Total working capital	**–36**	**–20**	**18**

Graph data summary

	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018
Americas									
Sales, MSEK	172	189	179	203	237	244	296	315	285
Book-to-bill, %	72	111	91	97	89	92	92	82	103
Operating income before items affecting comparability, MSEK	20	21	58	28	38	37	48	60	33
Operating margin before items affecting comparability, %	11.2	11.3	32.3	14.1	15.8	15.3	18.0	18.8	11.5
Europe & RoW									
Sales (including Alfdex), MSEK	220	336	334	320	383	394	345	367	388
Book-to-bill, %	86	85	103	91	88	97	108	97	94
Operating income before items affecting comparability, MSEK	30	68	80	63	84	90	81	84	94
Operating margin before items affecting comparability, %	13.8	20.2	24.1	19.7	22.0	22.8	23.4	22.9	24.4
Alfdex eliminations									
Sales, MSEK	–50	–69	–83	–60	–67	–73	–59	–60	–70
Operating income before items affecting comparability, MSEK	–2	–2	–4	1	–1	–1	7	–2	–1
Group									
Sales (excluding Alfdex), MSEK	342	456	430	463	553	566	582	622	603
Book-to-bill, %	79	94	99	94	88	95	102	90	97
Operating income before items affecting comparability, MSEK	48	87	134	91	121	126	136	142	126
Operating margin before items affecting comparability, %	14.2	19.1	31.1	19.8	21.9	22.2	24.8	22.9	20.9
Basic earnings per share, SEK	0.44	1.60	1.87	1.67	2.39	2.43	2.95	2.74	2.36
Return on equity, %	18.7	25.4	29.5	34.4	39.0	39.5	41.6	40.3	38.1
Cash flow from operating activities per share, SEK	2.30	2.15	1.53	2.53	3.32	2.65	3.44	4.17	3.61
Working capital as % of annualised sales	–2.2	1.2	0.9	–0.9	–0.9	–0.7	–1.2	–2.5	–0.6
Net debt, MSEK	–67	27	54	207	102	27	12	37	132
Gearing ratio, %	–6	2	5	20	10	2	1	4	14
Gearing ratio (excl Pensions), %	–45	–38	–39	–44	–38	–42	–49	–43	–35

Glossary

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

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

EHS
Electro Hydraulic Steering.

ESOT
Employee Share Ownership Trust.

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

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

LTI
Long term incentive.

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

OEMs
Original Equipment Manufacturers.

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

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

R&D expenditure
Research and development expenditure.

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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