



Q2 24

INTERIM REPORT
Q2 2024

Second quarter

● Net sales

MSEK 955 (1,098), reported sales were down -13% year-on-year. After adjusting for the impact of currency +1%, sales on a like for like basis, in constant currency year-on-year were down -14%.

● Operating income

MSEK 24 (175), generating an Operating margin of 2.5% (16.0). After adjusting for the cost associated with a warranty claim of MSEK 100, Operating margin before items affecting comparability was 13.0% (16.0).

● Net income for the period

MSEK 9 (120), basic EPS of SEK 0.25 (3.15). EPS before items affecting comparability was SEK 2.47 (3.15).

● Cash flow from operating activities

Cash flow from operating activities was MSEK 103 (138) with a profit to cash conversion ratio of 137% (135), after adjusting for the warranty provision.

First six months

● Net sales

MSEK 1,958 (2,225), reported sales were down -12% year-on-year. After adjusting for the impact of currency +1%, sales on a like for like basis, in constant currency year-on-year were down -13%.

● Operating income

Operating income was MSEK 161 (356), generating an Operating margin of 8.2% (16.0). After adjusting for the cost associated with a warranty claim of MSEK 100, Operating margin before items affecting comparability was 13.3% (16.0).

● Net income for the period

MSEK 109 (241), basic EPS of SEK 2.94 (6.33). EPS before items affecting comparability was SEK 5.16 (6.33).

● Cash flow from operating activities

Cash flow from operating activities was MSEK 146 (227) with a profit to cash conversion ratio of 79% (97).

● Group's net debt

MSEK 777 (950), gearing ratio of 35% (42) and Net debt/EBITDA of 1.33 (1.66).

Key figures – Group ¹⁾

Amounts in MSEK	Apr–Jun			Jan–Jun		
	2024	2023	Change	2024	2023	Change
Net sales	955	1,098	-13%	1,958	2,225	-12%
Operating income before items affecting comparability	124	175	-29%	261	356	-27%
Operating income	24	175	-86%	161	356	-55%
Earnings before tax	11	156	-93%	139	315	-56%
Net income for the period	9	120	-93%	109	241	-55%
Cash flow from operating activities	103	138	-25%	146	227	-36%
Net debt ²⁾	777	950	-18%	777	950	-18%
Operating margin before items affecting comparability, %	13.0	16.0	-3.0	13.3	16.0	-2.7
Operating margin, %	2.5	16.0	-13.5	8.2	16.0	-7.8
Basic EPS, before items affecting comparability, SEK	2.47	3.15	-0.68	5.16	6.33	-1.17
Basic EPS, SEK	0.25	3.15	-2.90	2.94	6.33	-3.39
Diluted EPS, SEK	0.25	3.15	-2.90	2.94	6.33	-3.39
Return on equity, %	12.6	22.3	-9.7	12.6	22.3	-9.7
Gearing ratio, %	35	42	-7	35	42	-7

1) For additional information see pages 20–21 and 24.

2) For additional information see page 24.

Review of the second quarter

Despite a challenging market environment, we maintained our Operating margin, bolstered by the continued robust demand for our electric products.

Financial Performance

Our group's reported Net sales for the quarter were MSEK 955 (1,098), down by 13% year-on-year and our Operating income before items affecting comparability was MSEK 124 (175), corresponding to a comparable Operating margin of 13.0% (16.0). There were again minimal FX movements in the quarter. Following the recent customer warranty claim from a manufacturing defect we made a warranty provision of MSEK 100.

Our end-markets continue to provide challenging trading conditions across all of our geographical regions, most notably in Europe and North America, which were weaker year-on-year by 13% and 15% respectively. Customer demand in North America slowed this quarter, whilst Europe remains weak, but stable. Sales of e-Products continued to remain strong during the quarter, MSEK 224 (197) equating to 23% (18%) of group sales.

Quarter-on-quarter sales were lower by circa 5% in both our Engines and Hydraulics divisions, with a corresponding impact to the Operating margin from these lower sales levels. Alfdex, our joint venture with Alfa Laval, had a slightly better performance this quarter than last, however performance year-on-year has been affected by weaker demand in both China and latterly Europe and North America. Our share of income from Alfdex this quarter was MSEK 17 (24).

It's pleasing to report we had a better cash performance this quarter, both in absolute terms and the cash conversion ratio, with our cash flow from operating activities being MSEK 103 (138), which represents a profit to cash conversion ratio of 137% (135). Whilst a significant warranty provision was made in the financial statements, there wasn't an associated cash outflow this quarter. The year-to-date cash conversion ratio is 79% (97).

Executing our Strategy

In addition to strong electrical sales in the quarter, our teams have continued to deliver our strategic objectives with remarkable success. The expansion plans for our Pune facility in India are advancing smoothly and significant strides have been made in readying our data centre cooling solution for our inaugural customer. Moreover, the enhancements to our Escanaba, US plant for high-voltage fan production are nearing completion.

Whilst managing the economic cycle in our business, we are accelerating the execution of our strategy. We anticipate making significant progress in the coming quarters, enhancing our electrification capabilities and securing new electrification business opportunities.

Outlook

Our markets, whether geographical or by end-market application remain challenging environments in which to operate, this is supported by the level of orders we continued to receive during the second quarter. The book-to-bill ratio for the group at the end of the quarter was 89%, and based on the recent order intake level we expect sales in the third quarter will be slightly weaker than the sales achieved during the second quarter of 2024.

The demand for our products from customers has weakened and we are proactively implementing additional cost savings measures to maintain robust operating margins during this challenging economic period.

Martin Kunz

President and CEO



Concentric Group, second quarter figures

Key figures¹⁾

Amounts in MSEK	Apr–Jun			Jan–Jun		
	2024	2023	Change	2024	2023	Change
Net sales	955	1,098	–13%	1,958	2,225	–12%
Operating income before items affecting comparability	124	175	–29%	261	356	–27%
Operating income	24	175	–86%	161	356	–55%
Earnings before tax	11	156	–93%	139	315	–56%
Net income for the period	9	120	–93%	109	241	–55%
Operating margin before items affecting comparability, %	13.0	16.0	–3.0	13.3	16.0	–2.7
Operating margin, %	2.5	16.0	–13.5	8.2	16.0	–7.8
ROCE, %	11.6	19.8	–8.2	11.6	19.8	–8.2
Return on equity, %	12.6	22.3	–9.7	12.6	22.3	–9.7
Basic EPS, before items affecting comparability, SEK	2.47	3.15	–0.68	5.16	6.33	–1.17
Basic EPS, SEK	0.25	3.15	–2.90	2.94	6.33	–3.39
Diluted EPS, SEK	0.25	3.15	–2.90	2.94	6.33	–3.39

1) For additional information see pages 20–21 and 24.

Sales

Net sales for the second quarter were down year-on-year by 13%. This is the result of an FX tailwind adding +1% with underlying sales down 14% year-on-year. The Book-to-bill ratio at the end of the second quarter was 89% (99).

Sales of electric products were MSEK 224 (197) in the second quarter representing 23% (18) of the group's Net sales for the period.

Operating income

Operating income in the second quarter was MSEK 24 (175), resulting in an Operating margin of 2.5% (16.0). A provision for a customer warranty claim of MSEK 100 affected the Operating margin, Operating margin before items affecting comparability was 13.0% (16.0). Lower sales volume have impacted the Operating margin in the first half of the this year.

Net financial items

Net financial income and expense for the second quarter was MSEK –13 (–19), this comprised of pension financial expense of MSEK –2 (–4), interest expenses for right of use assets MSEK –1 (–1), interest on the loan of –11 (–15) and net other financial income MSEK 1 (1).

Taxes

The reported effective tax rate for the second quarter was 21% (23). 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 second quarter was SEK 0.25 (3.15), down SEK 2.90 per share, however before items affecting comparability basic earnings per share was SEK 2.47 (3.15), down SEK 0.68 per share. The diluted earnings per share for the second quarter was SEK 0.25 (3.15), down SEK 2.90.

Cash flow from operating activities

The reported cash inflow from operating activities for the second quarter amounted to MSEK 103 (138), which represents SEK 2.76 (3.67) per share. This has resulted in an Operating cash conversion ratio of 137% (135).

Working capital

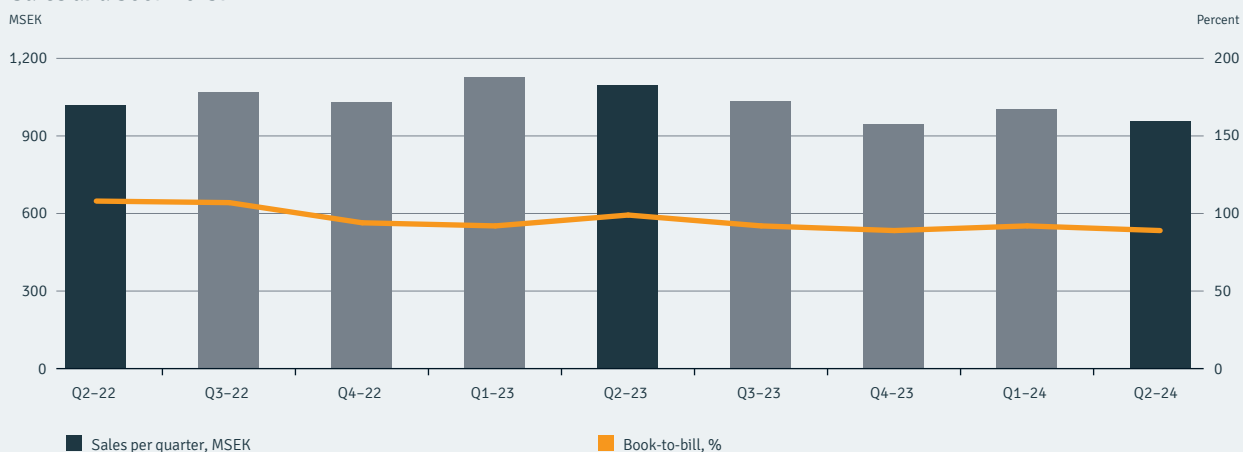
Total working capital as at 30 June 2024 was MSEK 372 (514), this represented 9.4% (11.9) of annual sales. Not including the MSEK 100 warranty provision the underlying total working capital was MSEK 472, this represented 12.0% of sales. Year-on-year the underlying working capital in constant currency reduced by MSEK 27, of which MSEK 76 is due to reductions in inventory.

Net debt and gearing

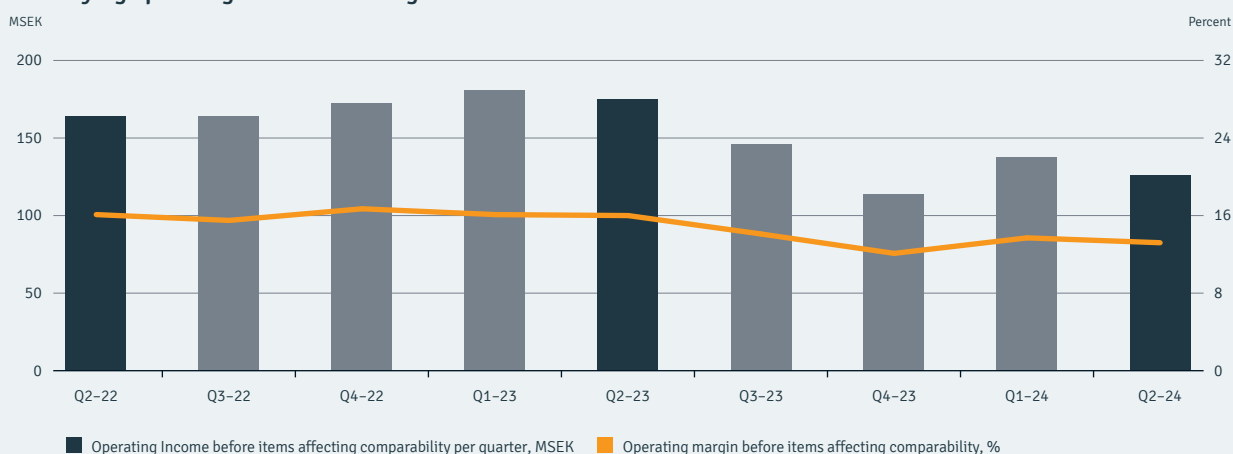
Overall, the group's Net debt at the end of the second quarter was MSEK 777 (950), comprising interest bearing liabilities MSEK 836 (1,152), liabilities for right of use assets MSEK 94 (117) and net pension liabilities of MSEK 221 (257), net of cash amounting to MSEK 374 (576). Shareholders' equity amounted to MSEK 2,199 (2,281), resulting in a gearing ratio of 35% (42) at the end of the second quarter.

Graphs – Concentric Group

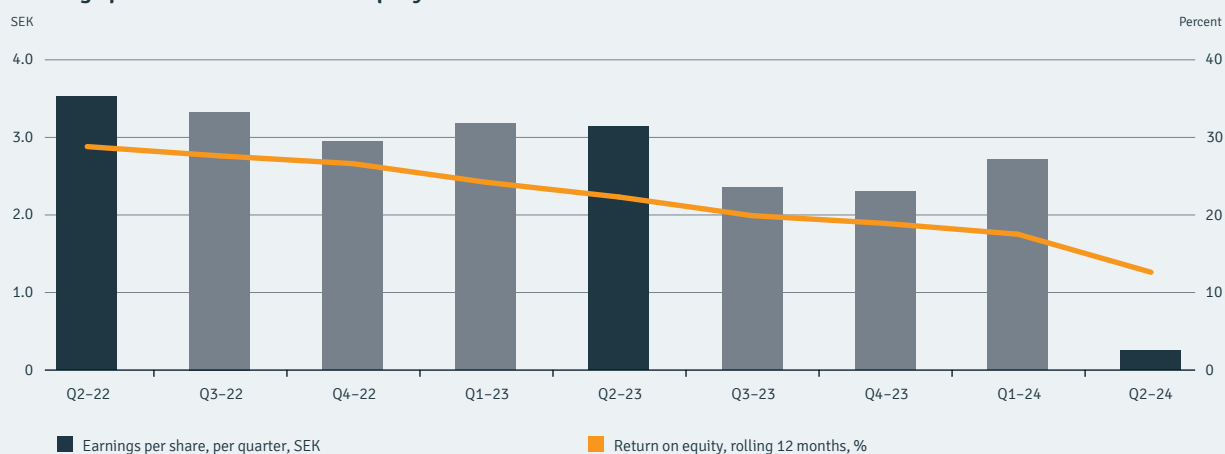
Sales and book-to-bill



Underlying operating income and margin



Earnings per share and return on equity



Engines

Financial Performance

Amounts in MSEK	Apr–Jun			Jan–Jun		
	2024	2023	Change	2024	2023	Change
External net sales	648	735	–12%	1,326	1,487	–11%
Operating income before items affecting comparability	82	118	–31%	171	243	–30%
Operating income/loss	–18	118	–115%	71	243	–71%
Operating margin before items affecting comparability, %	12.9	16.0	–3.1	13.0	16.3	–3.3
Operating margin, %	–2.8	16.0	–18.8	5.4	16.3	–10.9
ROCE, %	7.4	13.2	–5.8	7.4	13.2	–5.8

Sales

Net sales for the second quarter were down year-on-year by 12%. Underlying sales decreased by 13% and FX movements added a benefit of 1%.

Sales in both of our core sales regions of North America and Europe declined by 14% and 8% year-on-year respectively. The European industrial applications market was the only end-market to experience growth year-on-year. The Book-to-bill ratio at the end of the quarter was 90% (107), down from 94% in the previous quarter.

Operating income

Operating income/ loss in the second quarter was MSEK –18 (118), resulting in an Operating margin of –2.8% (16.0). Excluding the warranty provision of MSEK 100, Operating income before items affecting comparability was MSEK 82 (118), resulting in a corresponding margin of 12.9% (16.0). The lower margin is a result of lower sales volumes and the reduction in the share of income from Alfdex, our joint venture with Alfa Laval, which was MSEK 17 (24).

Working capital

Working capital in the Engines division as at 30 June 2024 was MSEK 238 (403), this represented 8.8% (13.8) of annual sales. Not including the MSEK 100 warranty provision the underlying total working capital was MSEK 338, this represented 12.5% of sales. Year-on-year the underlying working capital in constant currency reduced by MSEK 54, of which MSEK 26 is due to reductions in inventory.

Hydraulics

Financial Performance

Amounts in MSEK	Apr–Jun			Jan–Jun		
	2024	2023	Change	2024	2023	Change
External net sales	307	363	–15%	632	738	–14%
Operating income	42	58	–28%	90	114	–21%
Operating margin, %	13.7	15.8	–2.1	14.2	15.4	–1.2
ROCE, %	21.0	28.4	–7.4	21.0	28.4	–7.4

Sales

Net sales for the second quarter were down year-on-year by 15%. Underlying sales decreased by 16% and FX movements added a benefit of 1%.

Sales in both our core sales regions of North America and Europe experienced year-on-year declines of 17% and 20% respectively. The Book-to-bill ratio at the end of the second quarter was 87% (85), down from 91% in the previous quarter.

Operating income

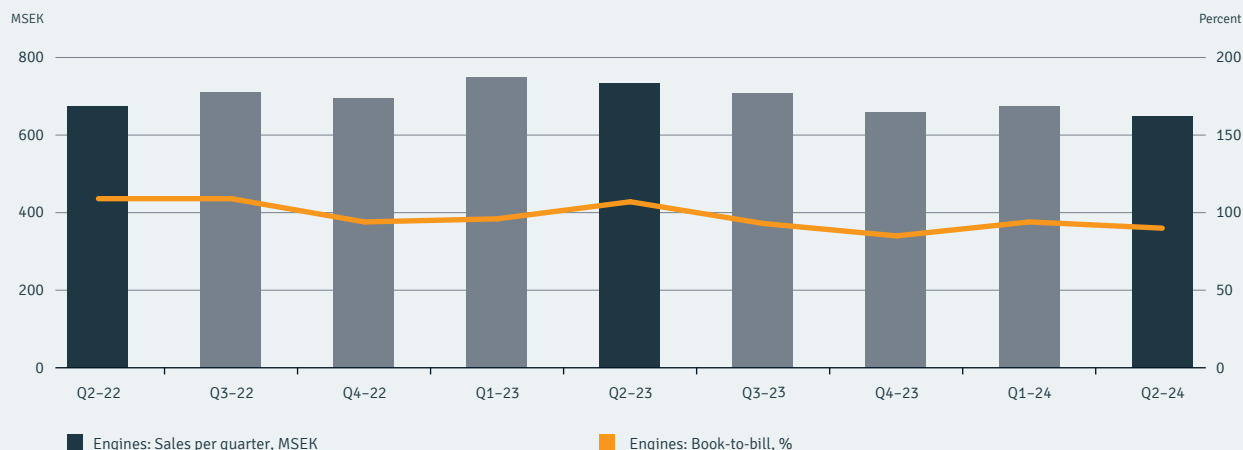
Operating income in the second quarter was MSEK 42 (58), generating an Operating margin of 13.7% (15.8). Operating margin has decreased 2.1% year-on-year due to lower sales volumes.

Working capital

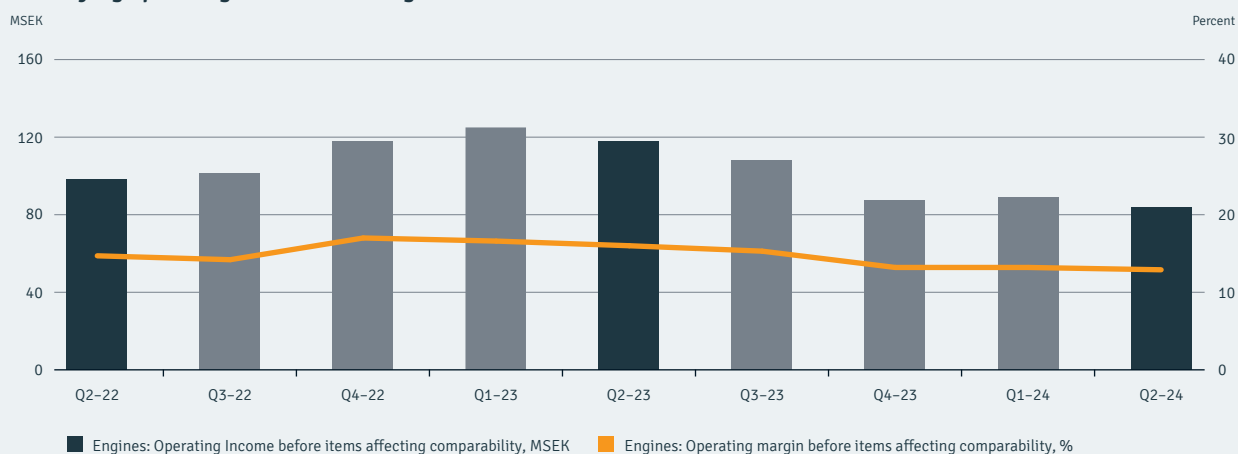
Working capital in the Hydraulics division was MSEK 148 (184) as at 30 June 2024, or 11.9% (12.8) as a percentage of sales. Year-on-year the underlying working capital in constant currency has reduced by MSEK 29, of which MSEK 50 is due to reductions in inventory.

Graphs – Engines

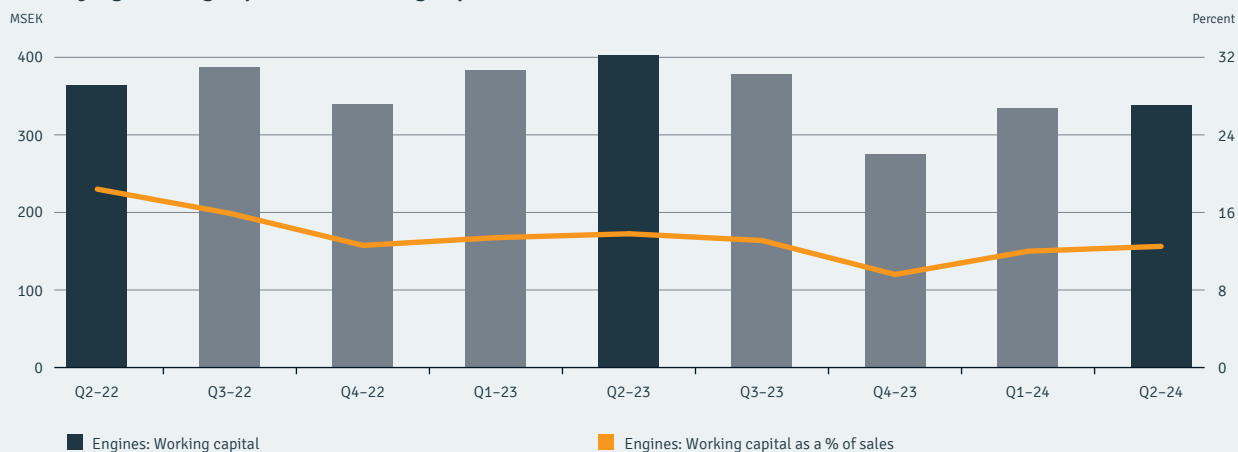
Sales and book-to-bill



Underlying operating income and margin

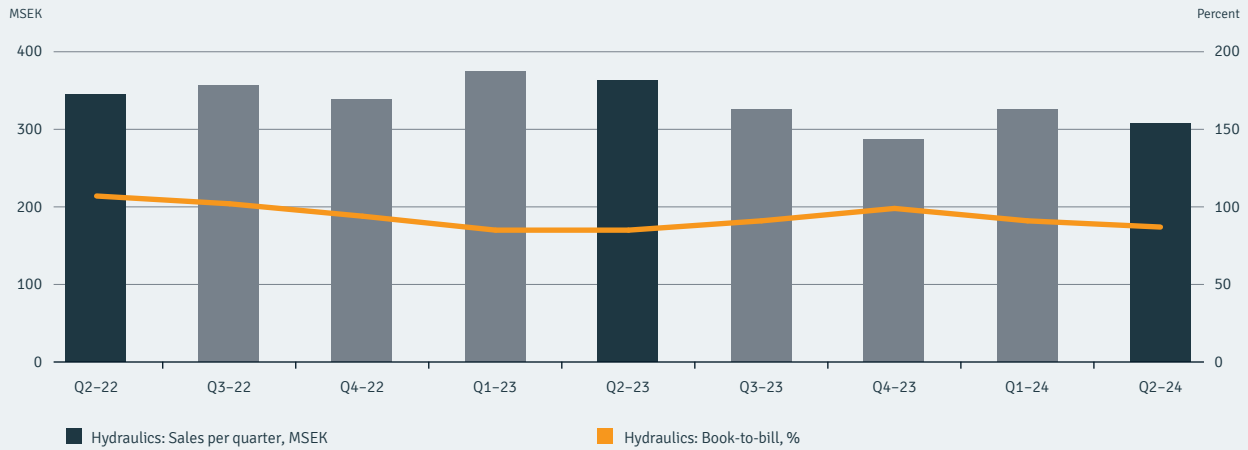


Underlying working capital and working capital as a % of sales

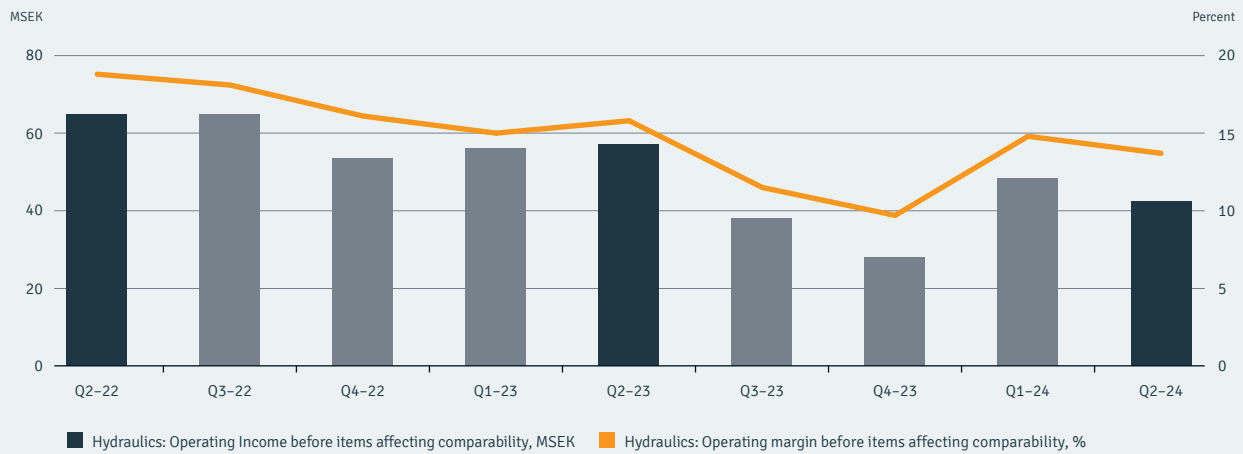


Graphs – Hydraulics

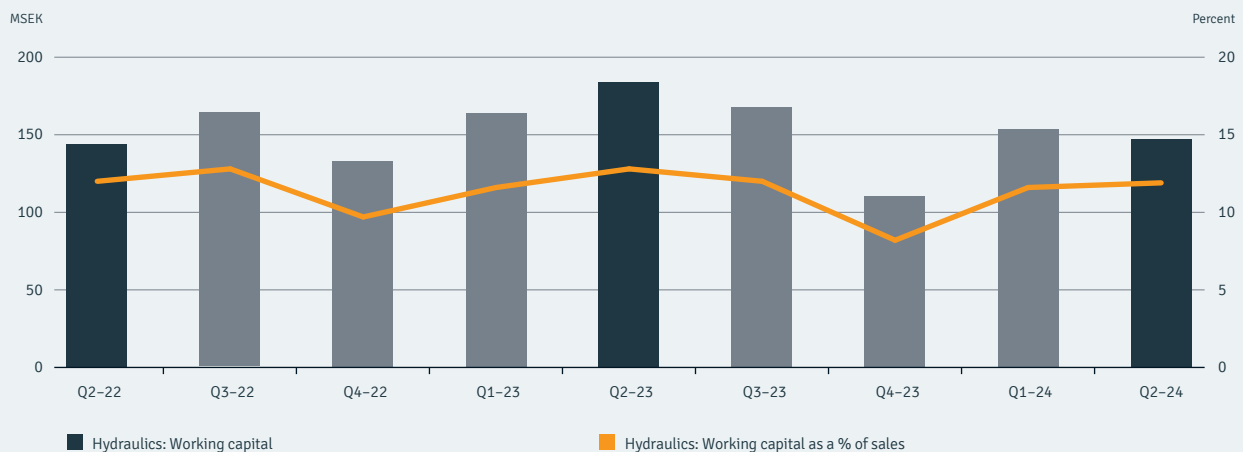
Sales and book-to-bill



Underlying operating income and margin



Underlying working capital and working capital as a % of sales



Financial statements – Group

General information

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

Consolidated income statement, in summary

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Net sales	955	1,098	1,958	2,225
Cost of goods sold	–726	–811	–1,475	–1,635
Gross income	229	287	483	590
Selling expenses	–24	–31	–48	–65
Administrative expenses	–70	–69	–141	–145
Product development expenses	–24	–27	–49	–48
Share of net income in joint venture	17	24	30	41
Other operating income and expenses	–104	–9	–114	–17
Operating income	24	175	161	356
Financial income and expenses	–13	–19	–22	–41
Earnings before tax	11	156	139	315
Taxes	–2	–36	–30	–74
Net income for the period	9	120	109	241
Parent Company shareholders	9	120	109	241
Basic EPS, before items affecting comparability, SEK	2.47	3.15	5.16	6.33
Basic earnings per share, SEK	0.25	3.15	2.94	6.33
Diluted earnings per share, SEK	0.25	3.15	2.94	6.33
Basic average number of shares (000)	37,122	37,984	37,185	37,982
Diluted average number of shares (000)	37,161	38,007	37,212	38,015

Consolidated statement of comprehensive income

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Net income for the period	9	120	109	241
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	6	–50	–26	–52
Tax arising from exchange rate differences related to liabilities to foreign operations	–2	10	5	11
Cash-flow hedging	–2	6	–	2
Tax arising from cash-flow hedging	–	–1	–	–
Share of OCI related to joint venture	1	–1	5	–1
Foreign currency translation differences	–18	153	125	160
Total other comprehensive income	–15	117	109	120
Total comprehensive income	–6	237	218	361

Consolidated balance sheet, in summary

	30 Jun 2024	30 Jun 2023	31 Dec 2023
Goodwill	1,499	1,534	1,422
Other intangible fixed assets	337	416	350
Right of use fixed assets	75	99	83
Tangible fixed assets	469	474	437
Share of net assets in joint venture	181	178	149
Deferred tax assets	104	112	104
Other long-term receivables	22	34	24
Total fixed assets	2,687	2,847	2,569
Inventories	459	549	455
Current receivables	674	692	558
Cash and cash equivalents	374	576	724
Total current assets	1,507	1,817	1,737
Total assets	4,194	4,664	4,306
Total Shareholders' equity	2,199	2,281	2,181
Pensions and similar obligations	221	257	237
Deferred tax liabilities	80	127	95
Long-term liabilities for right of use fixed assets	77	93	80
Other long-term interest-bearing liabilities	598	745	628
Other long-term liabilities	4	3	2
Total long-term liabilities	980	1,225	1,042
Short-term liabilities for right of use fixed assets	17	24	19
Other short-term interest-bearing liabilities	238	407	377
Other current liabilities	760	727	687
Total current liabilities	1,015	1,158	1,083
Total equity and liabilities	4,194	4,664	4,306

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 2024 the fair

value of derivative instruments that were assets was MSEK 19 (32), and the fair value of derivative instruments that were liabilities was MSEK 0 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity

	30 Jun 2024	30 Jun 2023	31 Dec 2023
Opening balance	2,181	2,070	2,070
Net income for the period	109	241	417
Other comprehensive income	109	120	-60
Total comprehensive income	218	361	357
Dividend	-158	-152	-152
Own share buy-backs	-45	—	-100
Sale of own shares to satisfy LTI – options exercised	—	1	1
Long-term incentive plan	3	1	5
Closing balance	2,199	2,281	2,181

Consolidated cash flow statement, in summary

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Earnings before tax	11	156	139	315
Reversal of depreciation and amortisation of fixed assets	42	47	88	95
Reversal of net income from joint venture	-17	-24	-30	-41
Reversal of other non-cash items	4	5	5	5
Change in warranty provision	100	-1	95	-2
Taxes paid	-57	-71	-78	-92
Cash flow from operating activities before changes in working capital	-17	113	124	282
Change in working capital	20	26	-73	-53
Cash flow from operating activities	103	138	146	227
Net investments in property, plant and equipment	-25	-22	-54	-50
Cash flow from investing activities	-25	-22	-54	-50
Dividend	-158	-152	-158	-152
Buy-back of own shares	—	—	-45	—
Selling of own shares to satisfy LTI-options exercised	—	2	—	2
Repayment of loans	-39	-41	-232	-81
Pension payments and other cash flows from financing activities	-23	-10	-23	-19
Cash flow from financing activities	-220	-201	-458	-250
Cash flow for the period	-142	-85	-366	-73
Cash and bank assets, opening balance	515	636	724	624
Exchange-rate difference in cash and bank assets	1	25	16	25
Cash and bank assets, closing balance	374	576	374	576

Group notes

Data per share

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Basic EPS, before items affecting comparability, SEK	2.47	3.15	5.16	6.33
Basic earnings per share, SEK	0.25	3.15	2.94	6.33
Diluted earnings per share, SEK	0.25	3.15	2.94	6.33
Equity per share, SEK	59.23	60.06	59.23	60.06
Cash-flow from current operations per share, SEK	2.76	3.63	3.90	6.00
Basic weighted average no. of shares (000's)	37,122	37,984	37,185	37,982
Diluted weighted average no. of shares (000's)	37,161	38,007	37,212	38,015
Number of shares at period-end (000's)	37,122	37,987	37,122	37,987

Key figures¹⁾

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Sales growth, %	-13	8	-12	14
Sales growth, constant currency, % ²⁾	-14	—	-13	5
Sales of e-Products, %	23	18	24	18
EBITDA margin before items affecting comparability, %	17.4	20.3	17.8	20.3
EBITDA margin, %	6.9	20.3	12.7	20.3
Operating margin before items affecting comparability, %	13.0	16.0	13.3	16.0
Operating margin, %	2.5	16.0	8.2	16.0
Capital employed, MSEK	3,348	3,806	3,348	3,806
ROCE before items affecting comparability, %	15.0	19.5	15.0	19.5
ROCE, %	11.6	19.8	11.6	19.8
ROE, %	12.6	22.3	12.6	22.3
Working capital, MSEK	372	514	372	514
Working capital as a % of annual sales	9.4	11.9	9.4	11.9
Net debt, MSEK ³⁾	777	950	777	950
Net debt/EBITDA	1.33	1.06	1.33	1.06
Gearing ratio, %	35	42	35	42
Net investments in PPE	25	22	54	50
R&D, %	2.5	2.5	2.5	2.2
Number of employees, average	1,180	1,297	1,195	1,279

1) For additional information see pages 20–21 and 24.

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 24.

3) For additional information see page 21.

Consolidated income statement in summary – by type of cost

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Net sales	955	1,098	1,958	2,225
Direct material costs	-487	-549	-988	-1,099
Personnel costs	-225	-247	-458	-498
Depreciation and amortisation of fixed assets	-42	-47	-88	-95
Share of net income in joint venture	17	24	30	41
Other operating income and expenses	-194	-104	-293	-218
Operating income	24	175	161	356
Financial income and expense	-13	-19	-22	-41
Earnings before tax	11	156	139	315
Taxes	-2	-36	-30	-74
Net income for the period	9	120	109	241

Other operating income and expenses (refers to Income Statement on page 8)

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Tooling income	2	2	3	3
Royalty income from joint venture	7	5	13	12
Amortisation of acquisition related surplus values	-14	-18	-32	-36
Warranty claim	-100	—	-100	—
Other	1	2	2	4
Other operating income and expenses	-104	-9	-114	-17

Segment reporting

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

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

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

Second quarter	Engines		Hydraulics		Elims/Adjs		Group	
	2024	2023	2024	2023	2024	2023	2024	2023
Total net sales	651	739	308	363	-4	-4	955	1,098
External net sales	648	735	307	363	—	—	955	1,098
Operating income before items affecting comparability	82	118	42	58	—	-1	124	175
Operating income	-18	118	42	58	—	-1	24	175
Operating margin before items affecting comparability, %	12.9	16.0	13.7	15.8	n/a	n/a	13.0	16.0
Operating margin, %	-2.8	16.0	13.7	15.8	n/a	n/a	2.5	16.0
Financial income and expense	—	—	—	—	-13	-19	-13	-19
Earnings before tax	-18	118	42	58	-13	-20	11	156
Assets	3,243	3,446	550	634	401	584	4,194	4,664
Liabilities	784	768	292	353	919	1,262	1,995	2,383
Capital employed	3,473	3,723	765	946	-890	-863	3,348	3,806
ROCE before items affecting comparability, %	10.4	13.2	21.4	28.4	n/a	n/a	15.0	19.5
ROCE, %	7.4	13.2	21.0	28.4	n/a	n/a	11.6	19.8
Net investments in PPE	18	20	4	2	3	—	25	22
Depreciation and amortisation of fixed assets	36	43	5	5	1	-1	42	47
Number of employees, average	824	884	356	413	—	—	1,180	1,297

First six months	Engines		Hydraulics		Elims/Adjs		Group	
	2024	2023	2024	2023	2024	2023	2024	2023
Total net sales	1,334	1,497	633	739	-9	-11	1,958	2,225
External net sales	1,326	1,487	632	738	—	—	1,958	2,225
Operating income before items affecting comparability	171	243	90	114	—	-1	261	356
Operating income	71	243	90	114	—	-1	161	356
Operating margin before items affecting comparability, %	13.0	16.3	14.2	15.4	n/a	n/a	13.3	16.0
Operating margin, %	5.4	16.3	14.2	15.4	n/a	n/a	8.2	16.0
Financial income and expense	—	—	—	—	-22	-41	-22	-41
Earnings before tax	71	243	90	114	-22	-42	139	315
Assets	3,243	3,446	550	634	401	584	4,194	4,664
Liabilities	784	768	292	353	919	1,262	1,995	2,383
Capital employed	3,473	3,723	765	946	-890	-863	3,348	3,806
ROCE before items affecting comparability, %	10.4	13.2	21.4	28.4	n/a	n/a	15.0	19.5
ROCE, %	7.4	13.2	21.0	28.4	n/a	n/a	11.6	19.8
Net investments in PPE	46	38	5	12	3	—	54	50
Depreciation and amortisation of fixed assets	78	85	9	10	1	—	88	95
Number of employees, average	833	867	362	412	—	—	1,195	1,279

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 61 (66) for the Group, with an average of 61 (67) working days for the Engines segment and 62 (64) working days for the Hydraulics segment.

Segment External Sales reporting by geographic location of customer

Second quarter	Engines		Hydraulics		Group	
	2024	2023	2024	2023	2024	2023
USA	451	477	172	193	623	670
Rest of North America	14	15	1	2	15	17
South America	—	1	—	—	—	1
Germany	43	61	32	43	75	104
UK	27	45	12	18	39	63
Sweden	12	16	16	12	28	28
Rest of Europe	66	73	33	42	99	115
Asia	27	34	38	50	65	84
Other	8	13	3	3	11	16
Total Group	648	735	307	363	955	1,098

First six months	Engines		Hydraulics		Group	
	2024	2023	2024	2023	2024	2023
USA	911	960	341	375	1,252	1,335
Rest of North America	25	35	3	7	28	42
South America	1	1	1	1	2	2
Germany	88	127	71	98	159	225
UK	64	89	23	37	87	126
Sweden	26	33	36	36	62	69
Rest of Europe	147	150	71	90	218	240
Asia	49	66	79	88	128	154
Other	15	26	7	6	22	32
Total Group	1,326	1,487	632	738	1,958	2,225

Total sales by product groups

	Engines		Hydraulics		Group	
Second quarter	2024	2023	2024	2023	2024	2023
Concentric branded products	157	214	282	337	439	551
EMP branded products	440	450	—	—	440	450
LICOS branded products	51	71	—	—	51	71
Allied branded products	—	—	25	26	25	26
Total Group	648	735	307	363	955	1,098

	Engines		Hydraulics		Group	
First six months	2024	2023	2024	2023	2024	2023
Concentric branded products	315	445	579	690	894	1,135
EMP branded products	900	901	—	—	900	901
LICOS branded products	111	141	—	—	111	141
Allied branded products	—	—	53	48	53	48
Total Group	1,326	1,487	632	738	1,958	2,225

Total sales by end-markets

	Engines		Hydraulics		Group	
Second quarter	2024	2023	2024	2023	2024	2023
Trucks	275	308	49	45	324	353
Construction	197	245	109	143	306	388
Industrial	59	38	105	121	164	159
Agriculture	117	144	44	54	161	198
Total Group	648	735	307	363	955	1,098

	Engines		Hydraulics		Group	
First six months	2024	2023	2024	2023	2024	2023
Trucks	567	609	102	108	669	717
Construction	390	502	223	288	613	790
Industrial	130	80	217	236	347	316
Agriculture	239	296	90	106	329	402
Total Group	1,326	1,487	632	738	1,958	2,225

Business risks, accounting principles and other information

Business overview

Descriptions of Concentric's business and its objectives, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2023 Annual Report on pages 10–17 and pages 22–31.

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 economic instability following the conflict in Ukraine, coupled with the escalating situation in the Middle East, holds the potential to impact future demand, as heightened tensions may have consequences for the global economy. We continue to monitor the macro economic environment and the demand from our end-markets.

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2023 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2023. Please refer to the Risk and Risk Management section on pages 71–76 of the 2023 Annual Report for further details.

Events after the balance sheet date

There have been no material post balance sheet events which would require disclosure or adjustment to these financial statements.

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.

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 2023 Annual Report.

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

Warranty provision

Concentric AB has detected a manufacturing defect in a specific water pump. It is not possible to definitively determine the financial impact at this stage, however, the net cost could be material. After a preliminary assessment, the net cost is estimated to be in the range of MSEK 60 to 100 and subsequently a provision of MSEK 100 has been recognised in Q2.

After receiving a warranty claim, it was discovered that a number of water pumps were fitted with a defective seal supplied to Concentric. The manufacturing defect does not pose a product safety issue. Concentric has taken immediate action to ensure that all water pumps are now built with the proper seal. Concentric continues to work collaboratively with the customer, establishing remediation plans to rectify the issue and analysing technical product data to establish a more defined failure rate. Concentric expects to have more clarity on this issue towards the end of 2024.

Financial Statements – Parent Company

Net sales and operating income

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

Net financial items and earnings before tax

Exchange rate losses on foreign liabilities to subsidiaries was MSEK 6 (–50) in the quarter, and the remaining financial items netted to MSEK –22 (–25), MSEK –11 (–15) of which relates to the interest cost on the term loan and multi-currency revolving facility. Accordingly, earnings before tax was MSEK –19 (46) for the second quarter.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2024 was 710,016 (108,153) and shares transferred to an Employee Share Ownership Trust (“ESOT”) was 204,435 (209,947).

Including these shares the Company’s holdings was 914,451 (318,100) and the total number of shares in issue was 38,297,600 (38,297,600). The company repurchased 260,699 (nil) of own shares during the first quarter, for a total consideration of MSEK 44 (nil), taking the total purchased own shares to 970,715. No transfer to or from the ESOT in this quarter. Consequently, the Company’s holdings of own shares represent 2.5% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings represent 3.1% (1.0) of the total number of shares.

Dividends

On April 18 2024, the AGM resolved on the proposed dividend for the financial year 2023 of SEK 4.25 per share, totaling MSEK 158.

Parent Company’s income statement

	Apr–Jun		Jan–Jun	
	2024	2023	2024	2023
Net sales	12	8	22	17
Operating costs	–15	–10	–26	–19
Operating income	–3	–2	–4	–2
Income from shares in subsidiaries	–	123	–	123
Net foreign exchange rate differences	6	–50	–26	–52
Other financial income and expense	–22	–25	–42	–46
Earnings before tax	–19	46	–72	23
Taxes	–	10	7	9
Net income for the period¹⁾	–19	56	–65	32

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 2024	30 Jun 2023	31 Dec 2023
Shares in subsidiaries	4,289	4,329	4,289
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	864	1,018	879
Deferred tax assets	40	37	34
Total financial fixed assets	5,203	5,394	5,212
Other current receivables	15	14	9
Short-term receivables from subsidiaries	138	139	132
Short-term receivables from joint venture	3	—	—
Cash and cash equivalents	280	476	637
Total current assets	436	629	778
Total assets	5,639	6,023	5,990
Total shareholders' equity	2,456	2,173	2,724
Pensions and similar obligations	21	20	21
Long-term interest-bearing liabilities	598	746	628
Long-term loans payable to subsidiaries	2,208	2,519	2,125
Total long-term liabilities	2,827	3,285	2,774
Short-term loans payable to subsidiaries	112	142	109
Short-term interest-bearing liabilities	238	407	377
Other current liabilities	6	16	6
Total current liabilities	356	565	492
Total equity and liabilities	5,639	6,023	5,990

Parent Company's changes in shareholders' equity

	30 Jun 2024	30 Jun 2023	31 Dec 2023
Opening balance	2,724	2,291	2,291
Net income for the period	–65	32	684
Dividend	–158	–152	–152
Selling of own shares to satisfy LTI-options exercised	—	2	1
Buy-back of own shares	–45	—	–100
Closing balance	2,456	2,173	2,724

Other information

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 31 July, 2024.

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

Concentric's web site for investors

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

Reporting calendar

Interim Report January–September 2024	6 November, 2024
Interim Report January–December 2024	5 February, 2025

Further information:

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

Corporate Registration Number 556828-4995

Stockholm 31 July, 2024

Anders Nielsen
Chairman of Board

Claes Magnus Åkesson
Member of the Board

Karin Gunnarsson
Member of the Board

Joachim Rosenberg
Member of the Board

Frida Norrbom Sams
Member of the Board

Martin Sköld
Member of the Board

Petra Sundström
Member of the Board

Mark Williamson
Member of the Board

Martin Kunz
President and CEO

Our review report was submitted on 31 July, 2024
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, 2024 and the six-month period then ended. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

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

Conclusion

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

Stockholm, 31 July, 2024

KPMG AB

Joakim Thilstedt

Authorised Public Accountant

Alternative Performance Measures reconciliation

	Apr-Jun		Jan-Jun	
	2024	2023	2024	2023
Underlying EBIT or operating income				
EBIT or operating income	24	175	161	356
Warranty claim	100	—	100	—
Underlying operating income	124	175	261	356
Net sales	955	1,098	1,958	2,225
Operating margin (%)	2.5	16.0	8.2	16.0
Underlying operating margin (%)	13.0	16.0	13.3	16.0

	Apr-Jun		Jan-Jun	
	2024	2023	2024	2023
Underlying EBITDA or operating income before amortisation and depreciation				
EBIT or operating income	24	175	161	356
Operating amortisation/depreciation	28	29	56	59
Amortisation of purchase price allocation	14	18	32	36
EBITDA or operating income before amortisation and depreciation	66	222	249	451
Warranty claim	100	—	100	—
Underlying EBITDA or underlying operating income before amortisation and depreciation	166	222	349	451
Net sales	955	1,098	1,958	2,225
EBITDA margin (%)	6.9	20.3	12.7	20.3
Underlying EBITDA margin (%)	17.4	20.3	17.8	20.3

	Apr-Jun		Jan-Jun	
	2024	2023	2024	2023
Net income				
Net income	9	120	109	241
Items affecting comparability after tax	83	—	83	—
Net income before items affecting comparability	92	120	192	241
Basic average number of shares (000)	37,122	37,984	37,185	37,982
Basic earnings per share, SEK	0.25	3.15	2.94	6.33
Basic earnings per share before items affecting comparability, SEK	2.47	3.15	5.16	6.33

CONCENTRIC INTERIM REPORT Q2 2024
ALTERNATIVE PERFORMANCE MEASURES

	Apr-Jun		Jan-Jun	
	2024	2023	2024	2023
Cash Conversion				
Cash flow from operating activities	103	138	146	227
Payments for financial transactions	9	17	16	38
Tax payments	57	71	78	92
Net investments in property, plant and equipment	-25	-22	-54	-50
Adjustment for royalty from joint-venture (Alfdex)	-7	-5	-13	-12
Operating Cash	137	199	173	295
Operating income	24	175	161	356
Adjustment for warranty claim	100	—	100	—
Adjustment for royalty from joint-venture (Alfdex)	-7	-5	-13	-12
Adjustments for share in profit in joint-venture (Alfdex)	-17	-24	-30	-41
Adjusted Operating income	100	146	218	303
Cash conversion (%)	137	135	79	97

	30 Jun 2024	30 Jun 2023
Net debt		
Pensions and similar obligations	221	257
Liabilities for right of use fixed assets	94	117
Other long term interest bearing liabilities	598	745
Other short term interest bearing liabilities	238	407
Total interest bearing liabilities	1,151	1,526
Cash and cash equivalents	-374	-576
Total net debt	777	950
Net debt, excluding pension obligations	556	693

	30 Jun 2024	30 Jun 2023
Capital employed		
Total assets	4,194	4,664
Interest bearing financial assets	-5	-2
Non interest bearing assets	4,189	4,662
Non interest bearing liabilities	-841	-856
Non interest bearing liabilities (excl taxes)	-841	-856
Total capital employed	3,348	3,806

	30 Jun 2024	30 Jun 2023
Working capital		
Accounts receivable	518	602
Other current receivables	155	90
Inventory	459	549
Working capital assets	1,132	1,241
Accounts payable	-355	-394
Other current payables	-405	-333
Working capital liabilities	-760	-727
Total working capital	372	514

Graph data summary

	Q2/2024	Q1/2024	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022
Group									
Sales, MSEK	955	1,003	945	1,035	1,098	1,127	1,033	1,068	1,021
Book-to-bill, %	89	92	89	92	99	92	94	107	108
Operating income before items affecting comparability, MSEK	124	137	115	146	175	181	172	165	164
Operating margin before items affecting comparability, %	13.0	13.7	12.1	14.1	16.0	16.1	16.7	15.5	16.1
Basic earnings per share, SEK	0.25	2.69	2.31	2.35	3.15	3.18	2.92	3.32	3.53
Return on equity, %	12.6	17.5	18.9	19.9	22.3	24.2	26.6	27.6	28.8
Cash flow from operating activities per share, SEK	2.76	1.15	6.04	4.2	3.67	2.33	5.33	4.26	1.99
Working capital as % of annualised sales	9.4	10.8	7.7	11.2	11.9	11.3	10.0	14.2	15.1
Net debt, MSEK	777	698	617	799	950	865	925	1,005	1,081
Gearing ratio, %	35	30	28	35	42	39	45	45	56
Gearing ratio (excl Pensions), %	25	19	17	24	30	28	32	43	51

	Q2/2024	Q1/2024	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022
Engines									
Sales, MSEK	648	678	659	709	735	752	695	712	676
Book-to-bill, %	90	94	85	93	107	96	94	109	109
Operating income before items affecting comparability, MSEK	82	89	87	108	118	125	118	101	99
Operating margin before items affecting comparability, %	12.9	13.2	13.2	15.3	16.0	16.6	17.0	14.2	14.6
Working capital as % of annualised sales	8.8	12.0	9.6	13.1	13.8	13.4	12.6	15.9	18.4
Working capital, MSEK	238	335	275	379	403	382	339	388	364
Hydraulics									
Sales, MSEK	307	325	286	326	363	375	338	356	345
Book-to-bill, %	87	91	99	91	85	85	94	102	107
Operating income before items affecting comparability, MSEK	42	48	28	38	58	56	54	65	65
Operating margin before items affecting comparability, %	13.7	14.8	9.6	11.5	15.8	15.0	16.1	18.1	18.8
Working capital as % of annualised sales	11.9	11.6	8.2	12.0	12.8	11.6	9.7	12.8	12.0
Working capital, MSEK	148	152	111	168	184	164	133	165	144

Glossary

APM

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

EHS

Electro Hydraulic Steering.

EMP

Engineered Machined Products, Inc and subsidiaries.

ESOT

Employee Share Ownership Trust.

JSOP

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

LTI

Long term incentive.

Net investments in fixed assets

Fixed asset additions net of fixed asset disposals and retirements.

OEMs

Original Equipment Manufacturers.

Off-highway

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

Order backlog

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

R&D expenditure

Research and development expenditure.

Tier 1, Tier 2-supplier

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

Definitions

Book-to-bill

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

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

Capital employed

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

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

Drop-through/drop-out rate

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

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

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

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

EBITDA margin

EBITDA as a percentage of net sales.

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

EBIT or Operating income

Earnings before interest and tax.

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

EBIT or Operating margin

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

EPS

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

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

Equity per share

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

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

Gearing ratio

Ratio of net debt to shareholders' equity.

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

Gross margin

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

Net debt

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

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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