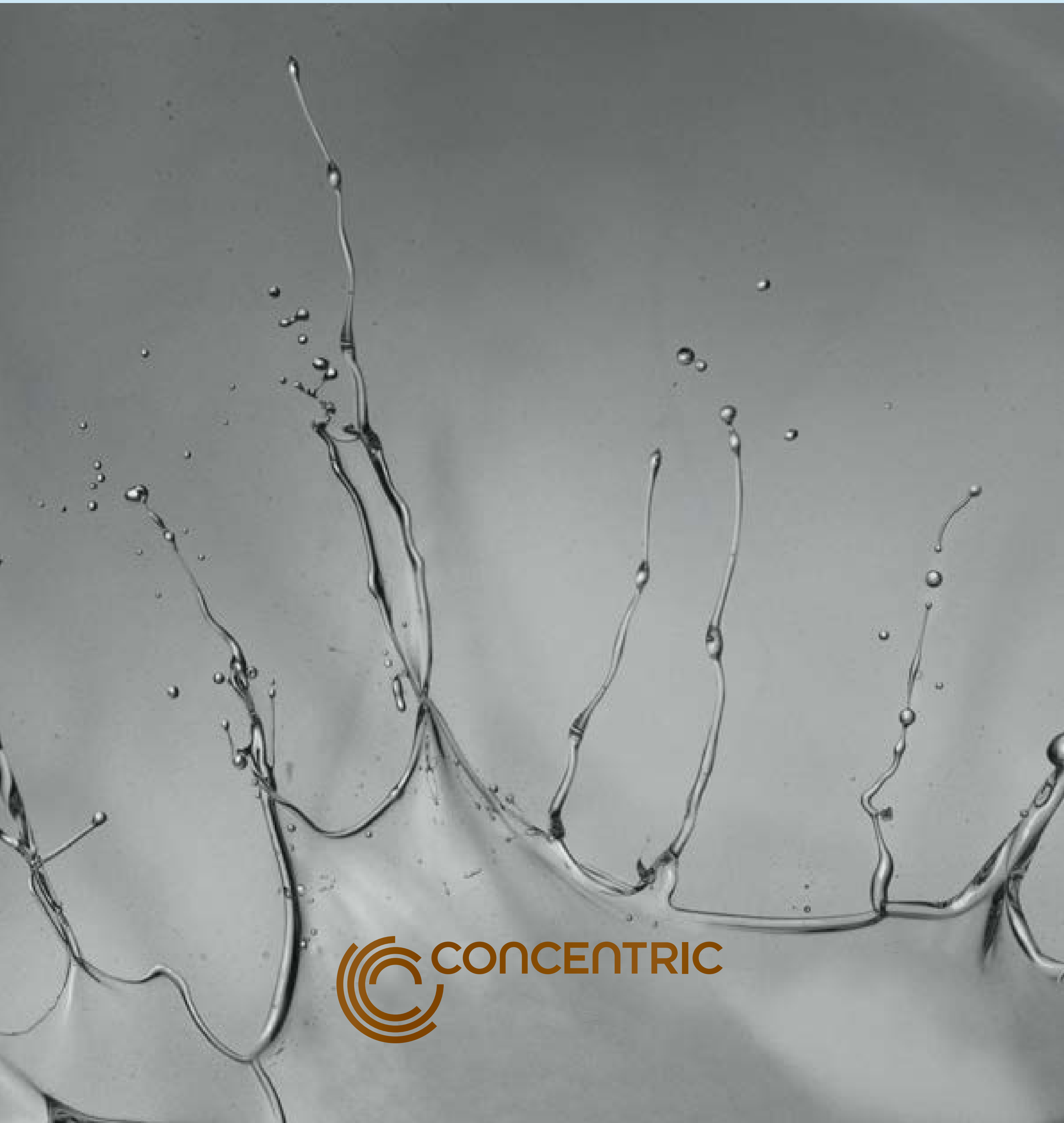
INTERIM REPORT Q3/2017



CONCENTRIC

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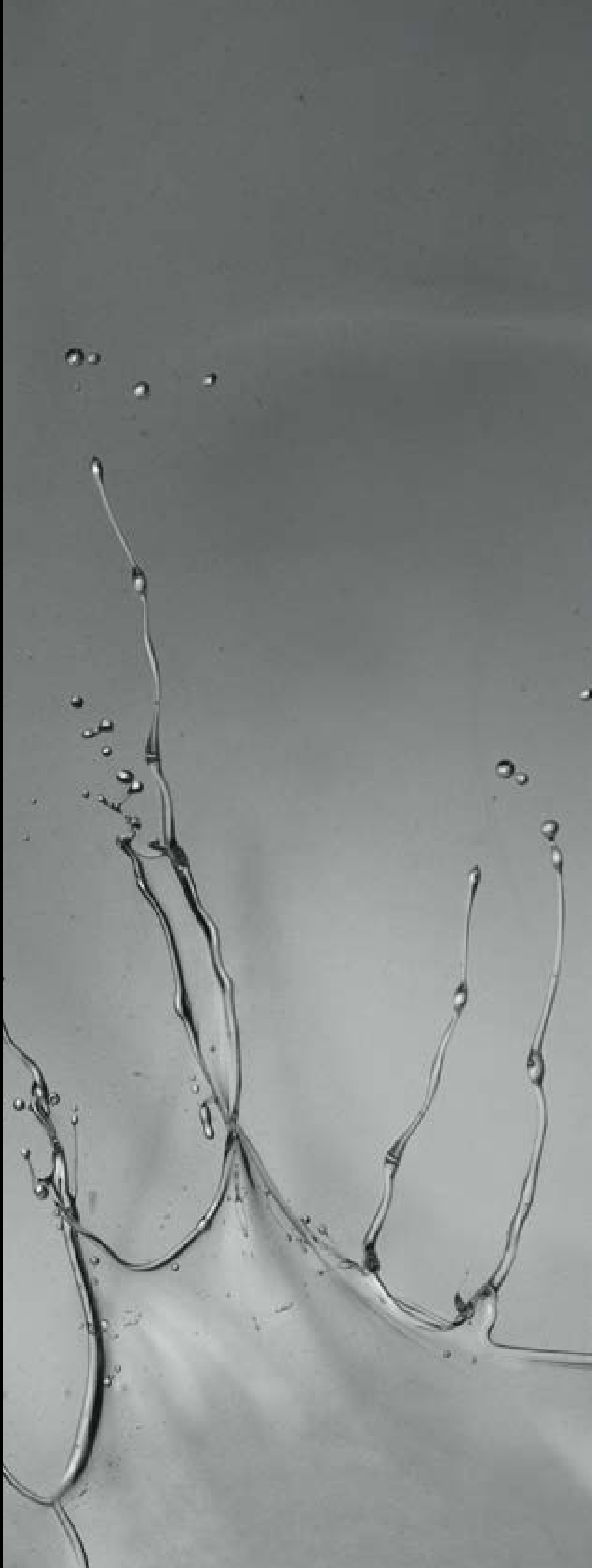


FINANCIAL RESULTS IN BRIEF
GROUP

THIRD QUARTER

Net sales
MSEK 515 (491) – up 8% y-o-y, after adjusting for currency (–3%).

Operating income
MSEK 96 (81), generating an operating margin of 18.7% (16.5).

Earnings after tax
MSEK 72 (59); basic EPS of SEK 1.79 (1.45).

Cash flow generated from operating activities
MSEK 73 (113) is lower mainly due to increase in working capital.

Group's net debt
MSEK 317 (559); gearing ratio of 41% (81) mainly due to recovery from pension remeasurement losses last year.

FIRST NINE MONTHS

Net sales
MSEK 1,601 (1,531) – up 4% y-o-y, after adjusting for currency (+1%).

Operating income
MSEK 296 (255), generating an operating margin of 18.5% (16.6).

Earnings after tax
MSEK 221 (182); basic EPS of SEK 5.48 (4.46).

Cash flow generated from operating activities
MSEK 228 (309) is lower mainly due to increase in working capital.

Key figures – Group

	Jul–Sep			Jan–Sep			Oct–Sep	Jan–Dec
Amounts in MSEK	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**	**2016/17**	**2016**
Net sales	**515**	**491**	**5%**	**1,601**	**1,531**	**5%**	**2,074**	**2,004**
Operating income before items affecting comparability	96	81	19%	296	255	16%	378	337
Operating income	**96**	**81**	**19%**	**296**	**255**	**16%**	**382**	**341**
Earnings before tax	94	76	24%	288	239	21%	367	318
Net income for the period	**72**	**59**	**22%**	**221**	**182**	**21%**	**285**	**246**
Cash flow from operating activities	73	113	–35%	228	309	–26%	328	409
Net debt [1]	**317**	**559**	**–43%**	**317**	**559**	**–43%**	**317**	**300**
Operating margin before items affecting comparability, %	18.7	16.5	2.2	18.5	16.6	1.9	18.2	16.8
Operating margin, %	**18.7**	**16.5**	**2.2**	**18.5**	**16.6**	**1.9**	**18.4**	**17.0**
Basic earnings per share, before items affecting comparability, SEK	1.79	1.45	0.34	5.48	4.46	1.02	6.99	5.95
Basic earnings per share, SEK	**1.79**	**1.45**	**0.34**	**5.48**	**4.46**	**1.02**	**7.05**	**6.01**
Return on equity, %	36.5	30.3	6.2	36.5	30.3	6.2	36.5	32.2
Gearing ratio, %	**41**	**81**	**–40**	**41**	**81**	**–40**	**41**	**35**

[1] For additional information see page 18.

» The increased activity levels in the third quarter reflect strong demand across our core regions of North America and Europe. «

President and CEO, David Woolley, comments on Q3 2017 interim report.

Sales development
Group sales for the third quarter were up 8% year-on-year in constant currency, slightly above the latest published market indices. The increased activity levels in the third quarter reflect strong demand across our core regions of North America and Europe. The largest year-on-year improvements for the quarter were achieved in off-highway, primarily the agricultural machinery and construction equipment end-markets. As a result, group sales for the first nine months were up year-on-year by 4% in constant currency.

Operating leverage
The restructuring plans initiated and executed during the second half of 2016 have continued to deliver cost savings in line with expectations during the first nine months of 2017. The Concentric Business Excellence programme ("CBE") has also supported further improvements to the group's profitability, such that the operating margin for the third quarter and the first nine months increased to 18.7% (16.5) and 18.5% (16.6) respectively.

Technology
Earlier in the year Concentric presented its extensive range of pumps at the International Fluid Power Exhibition, including the Dual Cone Clutch pump, for use in systems requiring intermittent flow and pressure.

We continue to make progress on our organic growth objectives, through our recent technology wins:

- Successful roll-out of the LICOS clutch technology on two-speed water pumps in the US truck market with a global OEM.
- Orders received from a number of global OEMs/Tier 1 suppliers to produce electric coolant pumps on hybrid applications, with start of production planned in the second half of 2018;
- Orders received from global OEMs to produce low noise, compact hydraulic power units and supplementary steering units for their next generation platforms.

We also continue to explore acquisition opportunities for enabling technologies that will enhance our solutions for variable displacement pumps and provide us with an even greater presence alongside our global customers.

Outlook
Looking forward, the level of orders received in the third quarter indicate that sales in the fourth quarter will be broadly in line with sales in the third quarter, after a seasonal adjustment for the fewer working days in the last quarter of the year. We expect that current demand levels for all end-markets will be sustained for the remainder of the year. Market indices, updated for the favourable developments in the third quarter, now suggest that production volumes blended to Concentric's end-markets and regions will be up 6% year-on-year for the full year 2017. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

KEY EVENTS IN 2017

18 January 2017

Concentric announces impact of restructuring plans to align its resources to the lower activity levels.

Concentric AB announced the impact of the restructuring plans initiated and executed during the second half of 2016 to respond to the challenging market conditions it continues to face within both North and South America, and latterly within Europe. The principal steps taken may be summarised as follows:

- A global reduction in force ("RIF") programme which has removed approximately 70 employees (7%) across the Concentric group, with the principal locations affected being our operations based in Chivilcoy, Argentina and Hof, Germany.
- Asset write-downs and exit costs associated with the lower activity levels and rationalisation of warehousing facilities used in both the USA and Europe.
- The curtailment of certain retirement benefits provided to both existing and former employees of our operations in Rockford, Illinois USA and Hof, Germany.

The total cash out flow associated with these actions is expected to be MSEK 26, of which MSEK 9 was already paid by the end of 2016, with the remainder payable during 2017. However, after also including the non-cash items relating to asset write-downs and pension related curtailment gains noted above, the net impact of these restructuring plans upon the company's reported operating income for Q4 2016 was MSEK 4 income. The actions taken were a direct response to the sustained weak outlook of our end-markets within Europe, North and South America. The RIF programme has been agreed with the respective unions and individuals concerned, and delivered through a mix of voluntary and compulsory redundancies. The total impact of these restructuring plans has resulted in annual savings that correspond to MSEK 30 for 2017.

1 March 2017

Paul Shepherd appointed Head of Engine Products Engineering & Development.

Concentric AB has promoted Paul Shepherd to join the Group Executive Leadership team in his new role as Head of Engine Products Engineering & Development, with global responsibility for the design and engineering teams for Engine Products.

A graduate of UMIST, Paul holds a BEng (Hons) degree in Mechanical Engineering. He is a fellow of the Institute of Mechanical Engineers and a Chartered Engineer. Paul has been with Concentric since April 2005, most recently in the role of Director, Advanced Research & Development. Prior to working for Concentric he held senior design roles with Cosworth Racing Ltd and Perkins Engines.

In the last 3 years, Paul has successfully set up the Advanced R&D function for Concentric. He has formed and led a team that has successfully engaged with customers to understand what they see as critical technology developments. Paul and his team have made great progress, including the development of programmes for electrically driven oil pumps and variable flow oil pumps for on and off highway applications.

Paul replaces David Williams who has decided to leave the company to pursue other interests.

17 March 2017

Review of IFPE 2017, Las Vegas 7–11 March.

Concentric AB reported an extremely high level of interest at IFPE 2017 from both key visitors and multiple international major manufacturers of mobile equipment and hydraulic systems. Over 125,000 visitors attended this year's show in Las Vegas with 2,500 exhibitors spread across 2.5 million square feet.

Concentric displayed its latest developments in both hydraulic and engine pumps for use in a diverse mix of mobile and industrial applications, focused upon improving system efficiency, reducing fuel consumption and noise, while providing higher power density in a minimal envelope. Some of the innovative products on display are listed below.

- EHS, Electro Hydraulic Steering unit, replacing conventional engine driven steering pumps, for hybrid vehicles.
- Ferra high pressure cast iron pumps, providing high power density in a smaller envelope, with a pressure capability up to 4,750 psi (327.5 bar).
- Dual Cone Clutch pumps, patented design for use in systems requiring intermittent flow and pressure, including emergency steering.
- Calma, low noise pumps, employing zero backlash gear technology.
- Industrial fluid transfer pumps, for use in low pressure operations with diverse fluids, temperatures and pressures.
- Variable flow oil pump, replacing conventional fixed flow lubrication pumps in diesel engines.
- 2-speed water pump with integrated clutch, replacing conventional fixed flow coolant pumps in diesel engines.

23 March 2017

Concentric AB secures order for new electric oil pump technology with leading global OEM.

Concentric AB has recently received an order from a global OEM of heavy trucks and buses to produce electric oil pumps for their hybrid applications. Production will start in the second half of 2018, and is expected to generate total revenues of approximately MSEK 38 across Europe ramping up over an 8 year period, reaching a mature volume of 8,000 p.a. in 2026.

This exciting new product reinforces the company's reputation for reducing fuel consumption, increasing system efficiency, providing high power density and reducing noise.

Concentric's electric oil pump offers system power savings through its variable pressure and speed control capability with the additional benefits of low noise. It also offers on-demand flow and variable speed capability.

The new electric oil pump product allows CAN Bus communication between the motor and the vehicle's main control system so as to control pressure and flow on demand. This significantly reduces system losses compared to traditional mechanical drive systems, ensuring optimum performance.

Concentric's modular design strategy ideally suited for a wide range of applications for emerging hybrid electric vehicles.

David Woolley, President and CEO of Concentric AB, commented: "This first major nomination for Concentric's new electric oil pump technology is another significant breakthrough in a market driven by increased electrification and control. Our modular design strategy is ideally suited for a wide range of applications for emerging hybrid electric vehicles and demonstrates our ongoing commitment to innovation that enables our customers to achieve sustainable solutions."

The Concentric electric oil pump has been developed in collaboration with a leading supplier of electric motors, resulting in a permanent magnet, brushless DC motor with integrated motor drive electronics. The elimination of brush wear contributes to the unit's ability to operate continuously and trouble-free.

KEY EVENTS IN 2017

28 March 2017

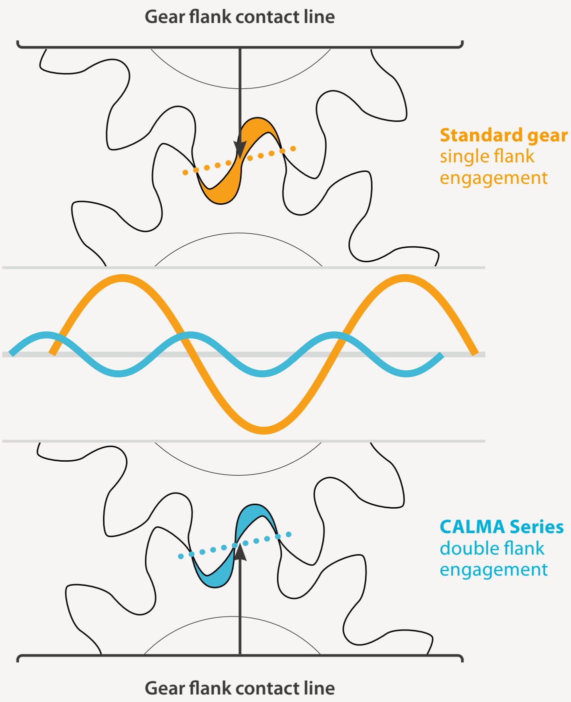
Concentric AB awarded contract with leading global OEM of material handling equipment.

Concentric AB has been awarded a contract from a leading global OEM of material tele-handlers, boom and vertical lifts to produce hydraulic power units (HPUs) for their next generation of material handling equipment. Production has already started in the first quarter of 2017 and is estimated to generate total worldwide revenues of approximately MSEK 45 over a 5 year period, reaching a mature volume of 10,000 p.a. in 2018.

Concentric's selection as the preferred supplier of HPUs was based upon the following factors:

- Ability to easily integrate CALMA technology for low noise applications;
- Reduced envelope size to allow greater design flexibility and ease of installation; and
- Integrated components to optimise the system efficiency and reduce leakage paths.

David Woolley, President and CEO of Concentric AB, commented: "This contract win is another example of our commitment to advanced development projects aimed at reducing emissions, increasing power density and improving overall system efficiency through our market leading technology."



12 April 2017

Concentric Rockford receives ILPEx Silver Award.

The Illinois Performance Excellence ("ILPEx") Recognition Program has announced Concentric Rockford as a recipient of the 2016 Silver Award for Progress Toward Excellence. Concentric Rockford was formally honoured at the annual award ceremony and recognition dinner held on 30 March 2017.

The ILPEx Silver Award for Progress Toward Excellence is granted to those organisations which have demonstrated progress in building a systematic approach to business excellence, utilising the Baldrige Excellence Framework ("Baldrige"), with evidence of its deployment across all functions of the organisation. "We are delighted to recognise a manufacturing organisation with the ILPEx Silver Award," said Ben Krupowicz, Executive Director of the ILPEx Recognition Program. "Concentric Rockford's achievement demonstrates both their ability to compete on a global scale and the strength of manufacturing in the state of Illinois. They have differentiated themselves from their competition through their pursuit of performance excellence."

Concentric AB's mission is to design, develop, manufacture and sell high quality, customer-focused solutions for hydraulic and engine applications within our global end-markets. Concentric Rockford, as the North American Centre of Excellence for hydraulic products, is integral to the group's vision to deliver sustainable growth for every application in the markets we serve by developing world-class technology, capitalising upon our global infrastructure and business excellence in all we do.

To improve global service, Concentric Rockford embarked upon a journey of systematic improvement back in 2010 using the Baldrige methodology. ILPEx has recognised Concentric Rockford's efforts on this journey with Bronze Awards for

Commitment to Excellence in 2012 and 2014. The feedback reports from examiners, combined with internal assessments, have been used to prioritise and address the most meaningful opportunities for improvement. Concentric Rockford exemplifies the group's appetite for continuous cycles of learning to take the next steps toward performance excellence.

"This is Concentric Rockford's third ILPEx award. To have received the Silver Award for Progress Toward Excellence as a manufacturing organisation is an exceptional result for the team," says Martin Bradford, Senior Vice President and Head of region Americas. "The ILPEx framework is a powerful model which underpins the Concentric Business Excellence program in the region. This Silver Award is further recognition of the continuous improvement journey that the Rockford team has embraced and we are honoured to receive it."

19 April 2017

Concentric pumps on new compact engine with leading global OEM of agricultural machinery and construction equipment.

Concentric AB has been awarded a four year contract to supply oil and coolant pumps to a leading global OEM of agricultural machinery and construction equipment for the launch of their new compact diesel engine. This new engine will be an extension of the OEM's current range, focused on a wide range of mid-weight construction vehicles and industrial equipment. Production is scheduled to start in the third quarter of 2017.

The engine will initially be available with a rating of 55kW and has been designed to be ready for Stage V emissions. In order to achieve a high degree of commonality with components across the OEM's extended engine range, the new Concentric pumps are compact, robust designs similar to those already proven in several years of service on existing engine platforms.

A large focus was placed on analysis techniques for the new pumps developed for this engine. This enabled both the oil and water pumps to be optimised for performance and also significantly reduced the engineering development cycle times.

The oil pump was optimised to give very low noise levels. This was achieved through extensive computational fluid dynamics (CFD) and performance testing. An extensive validation programme was undertaken for both pumps to ensure that they achieve a design maximised for robustness.

David Woolley, President and CEO of Concentric AB, commented: "We have a long-standing relationship with this leading global OEM and have worked closely with them since they took the step over a decade ago to start building their own engines. We are extremely pleased that Concentric has again been able to contribute its technology to what we hope will be another market leading engine platform."

22 June 2017

Concentric AB awarded Hydraulic systems business worth MSEK 65 with leading OEM of heavy trucks.

A leading global manufacturer of heavy trucks has nominated Concentric AB to manufacture motor pump units for the steering system on their next generation commercial vehicles. Production commenced during the second quarter of 2017 and is expected to reach mature volumes in 2018, generating annual revenues of approximately MSEK 13 across Europe. The total sales value over the lifetime of the contract is estimated at EUR 6.5 million (SEK 65 million) and will be serviced exclusively from Concentric's facility in Hof, Germany.

Concentric's motor pump units have been introduced on the emergency steering circuit of all of this OEM's heavy trucks with twin front axle steering. The product has been specifically developed to protect the units against both dust and high pressure water ingression, which allows them to be mounted on the under carriage of the vehicle without the need for a separate water tight enclosure. The unit can be coupled with a variety of Concentric gear pump types, including the CALMA series pumps with low noise characteristics. The Concentric electro hydraulic unit replaces the power take off pump, providing power on demand which reduces both parasitic losses and the total fuel consumption.

Bespoke customer solutions, such as this one, illustrate our future growth strategy to provide unique hydraulic systems which offer fuel savings, cost optimisation and weight savings. "Concentric has continued to deepen relationships with key strategic customers in this end-market sector and we anticipate these relationships to develop further on the next generation of commercial vehicle platforms," said Oliver Percival, Vice President of Sales.

KEY EVENTS IN 2017

3 November 2017

David Bessant appointed Senior Vice President and Marcus Whitehouse to join Concentric as the new Chief Financial Officer.

David Bessant is appointed Senior Vice President for Europe and the Rest of the World with immediate effect. David joined the business in 2009 and has been the Chief Financial Officer for the Concentric Group since 2010. This planned organisational move gives David operational responsibility across this wide reaching region.

In conjunction with David's internal appointment, Marcus Whitehouse has accepted an offer to join Concentric AB as the new Chief Financial Officer with effect from 2nd January 2018. In the intervening period, David has agreed to oversee both roles.

Marcus Whitehouse will join Concentric from JCB where he has worked for the last 10 years and currently holds the position of Director of Group Finance. At JCB, he has held senior financial roles leading strategy and operational improvements for the international manufacturer. Prior to joining JCB, Marcus worked for the private equity owned business, Linpac; the New York listed Huntsman Group and Albright and Wilson PLC. He is a Fellow of the Association of Chartered and Certified Accountants.

David Woolley, CEO of Concentric AB commented, "David Bessant is already a respected and proven leader in Concentric and he has been a leading advocate of the Concentric Business Excellence programme. With his knowledge of the business, his relationships with our teams and his grasp of the commercial realities of our markets combined with his strategic outlook, I am confident that he will accelerate growth throughout his area of responsibility." Turning to the appointment of Marcus Whitehouse, David Woolley added, "The CFO role is a critical appointment for the Concentric Group and I am pleased we have been able to secure Marcus. With his experience, Marcus can quickly contribute to Concentric's strategy and champion operational improvements. He brings commercial acumen and energy together with a proactive, positive attitude and a passion for results. His background and skills will complement our existing executive team."

David Bessant replaces Paul Fleetwood as Senior Vice President for Europe and the Rest of the World following his resignation.

David Bessant
Senior Vice President for Europe and the Rest of the World

Marcus Whitehouse
Chief Financial Officer

FINANCIAL SUMMARY GROUP

Key figures – Group

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Change	Jan–Sep 2017	Jan–Sep 2016	Change	Oct–Sep 2016/17	Jan–Dec 2016
Net sales	515	491	5%	1,601	1,531	5%	2,074	2,004
Operating income before items affecting comparability	96	81	19%	296	255	16%	378	337
Operating income	96	81	19%	296	255	16%	382	341
Earnings before tax	94	76	24%	288	239	21%	367	318
Net income for the period	72	59	22%	221	182	21%	285	246
Operating margin before items affecting comparability, %	18.7	16.5	2.2	18.5	16.6	1.9	18.2	16.8
Operating margin, %	18.7	16.5	2.2	18.5	16.6	1.9	18.4	17.0
Return on capital employed, %	35.2	27.5	7.7	35.2	27.5	7.7	35.2	28.9
Return on equity, %	36.5	30.3	6.2	36.5	30.3	6.2	36.5	32.2
Basic earnings per share, before items affecting comparability, SEK	1.79	1.45	0.34	5.48	4.46	1.02	6.99	5.95
Basic earnings per share, SEK	1.79	1.45	0.34	5.48	4.46	1.02	7.05	6.01
Diluted earnings per share, SEK	1.78	1.45	0.33	5.46	4.46	1.00	7.03	6.00

Sales
Sales for the third quarter were up year-on-year by 8%, adjusting for the impact of currency (–3%). As a result, sales for the first nine months were up year-on-year by 4% adjusting for the impact of currency (+1%). The increased activity levels in the third quarter and the first nine months reflect the strong demand experienced across our core regions of North America and Europe. The largest year-on-year improvements were achieved in off-highway, primarily the agricultural machinery and construction equipment end-markets. Demand in our emerging markets also improved in the third quarter and the first nine months.

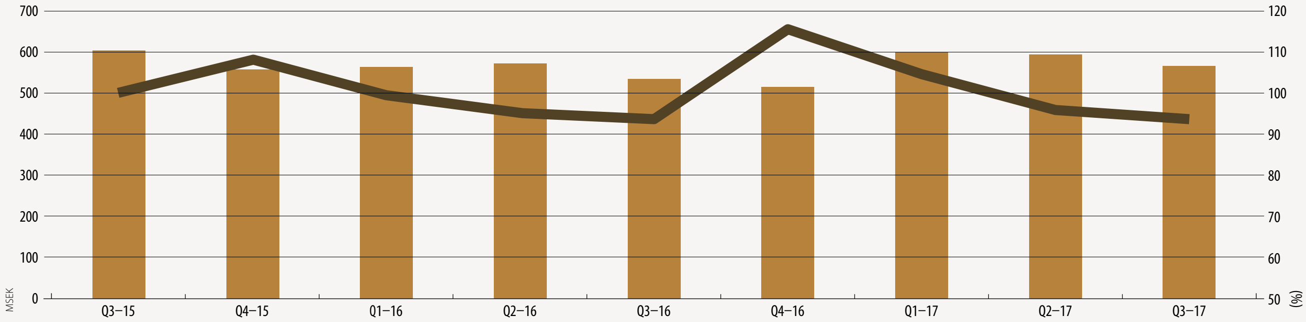
Operating income
The improvement in the reported operating margins for the third quarter and the first nine months, was primarily driven by the cost savings derived from the restructuring plans executed in the second half of 2016, together with the strong drop through achieved on the increased sales.

Net financial items
Net financial expenses in the third quarter comprised of pension financial expenses of MSEK 4 (4) and other net interest income of 2 (expense 1). Accordingly, net financial expenses in the first nine months comprised of pension financial expenses of MSEK 13 (14) and other net interest income of 5 (expense 2).

Taxes
The underlying effective tax rate for the third quarter and the first nine months was 23% (22) and 23% (24) respectively. These rates largely reflect 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 nine months was SEK 5.48 (4.46), up SEK 1.02 per share.

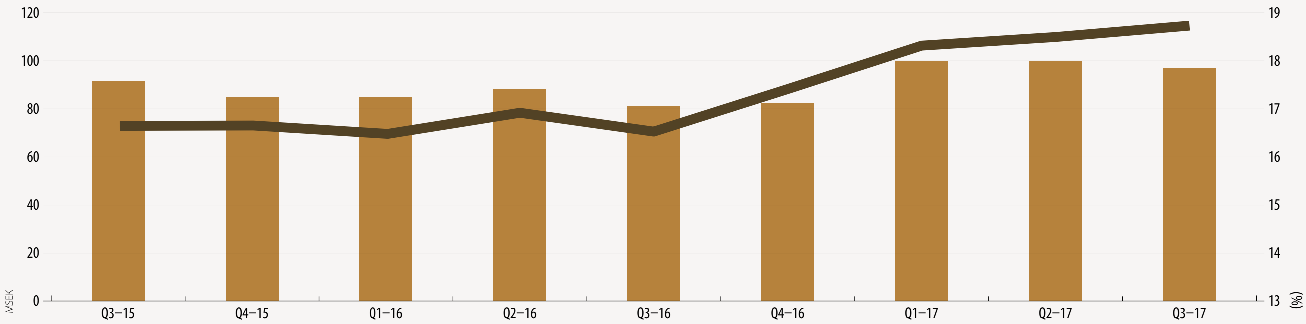
Sales & Book-to-bill



Sales per quarter (including Alfdex)

Book-to-bill %

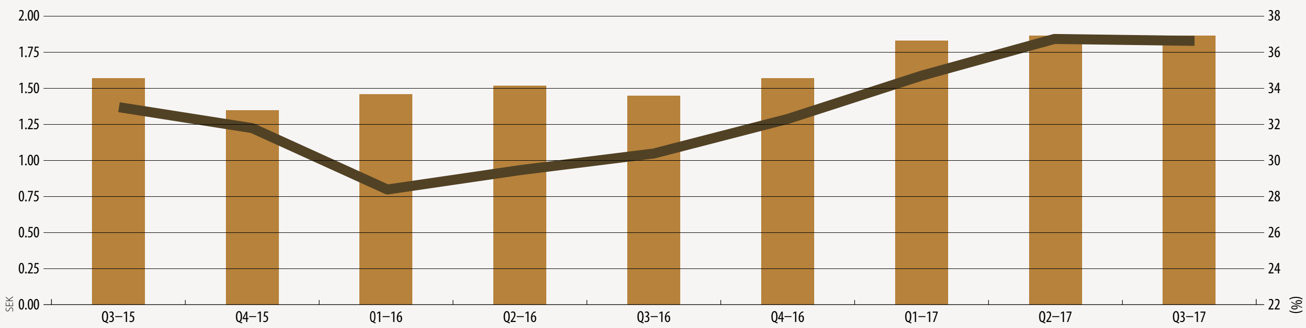
Underlying Operating income & margins



Operating income per quarter

Operating margin

Earnings per share & Return on equity



Earnings per share, per quarter

Return on equity, rolling 12 months

NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Change	Jan–Sep 2017	Jan–Sep 2016	Change	Oct–Sep 2016/17	Jan–Dec 2016
External net sales	265	253	5%	797	754	6%	1,031	988
Operating income before items affecting comparability	40	34	18%	115	98	17%	143	126
Operating income	40	34	18%	115	98	17%	164	147
Operating margin before items affecting comparability, %	14.9	13.2	1.7	14.4	12.9	1.5	13.9	12.8
Operating margin, %	14.9	13.2	1.7	14.4	12.9	1.5	15.9	14.9
Return on capital employed, %	49.0	32.4	16.6	49.0	32.4	16.6	49.0	38.4

Sales for the third quarter were up year-on-year by 10%, after adjusting for the impact of currency (–5%). As a result, sales for the first nine months were up 4% adjusting for the impact of currency (+2%). Diesel engine product sales in our North American end-markets were up year-on-year, linked to increased demand for medium- and heavy-duty trucks and agricultural machinery. The positive development of our hydraulic product sales also continued, driven primarily by the construction equipment market.

Demand in South America showed some signs of improvement but remained relatively weak across all end-markets.

The improvement in the reported operating margins for the third quarter and the first nine months was primarily driven by the cost savings derived from the restructuring plans for both the USA and South American operations executed in the second half of 2016.

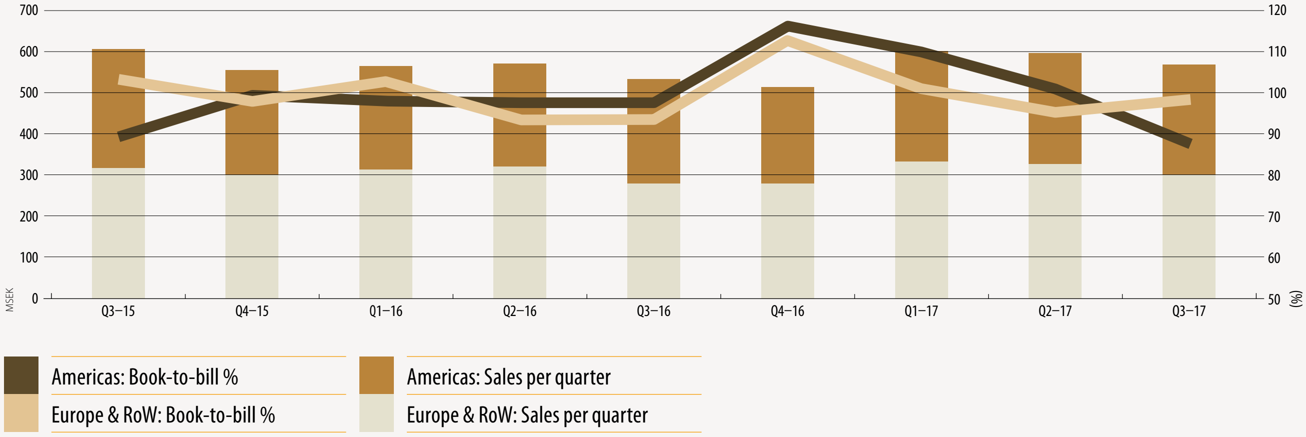
Europe & RoW

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Change	Jan–Sep 2017	Jan–Sep 2016	Change	Oct–Sep 2016/17	Jan–Dec 2016
External net sales	302	281	7%	964	918	5%	1,245	1,199
Operating income before items affecting comparability	58	48	21%	185	160	16%	239	214
Operating income	58	48	21%	185	160	16%	222	197
Operating margin before items affecting comparability, %	19.2	17.3	1.9	19.2	17.5	1.7	19.2	17.8
Operating margin, %	19.2	17.3	1.9	19.2	17.5	1.7	17.8	16.4
Return on capital employed, %	26.4	24.5	1.9	26.4	24.5	1.9	26.4	23.6

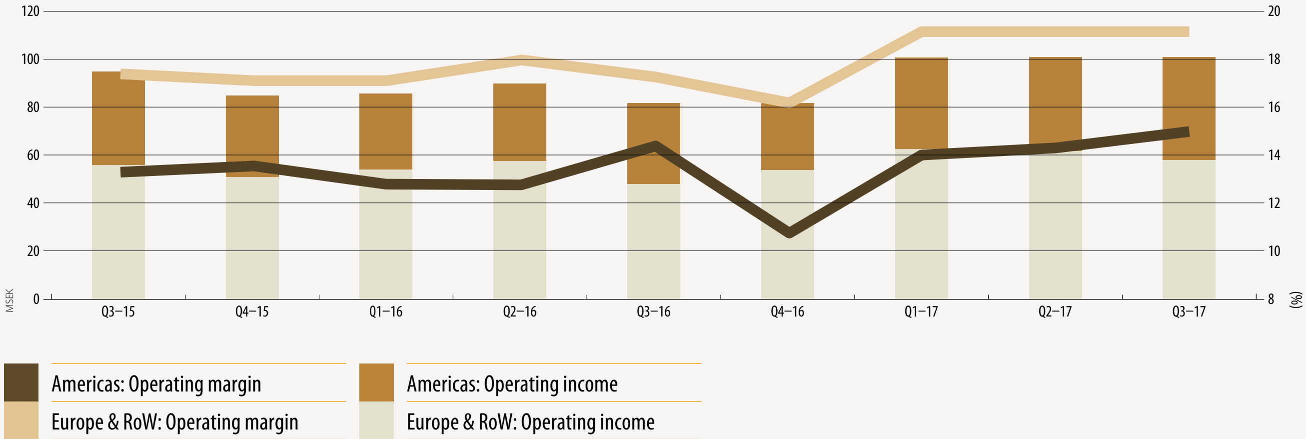
Sales for the third quarter were up year-on-year by 8%, after adjusting for the impact of currency (–1%). Sales for the first nine months were up year-on-year by 5%, both in absolute terms and in constant currency. The increase in activity was largely driven by the steady improvement of European off-highway end-markets. Demand in our Indian off-highway end-markets continued to strengthen under the new Government economic initiatives to stimulate investment. Demand in our Chinese end-markets also showed some signs of improvement in the first nine months, especially for construction equipment.

The improvement in the reported operating margins for the third quarter and the first nine months was primarily driven by the cost savings derived from the restructuring plans for European operations executed in the second half of 2016, together with the strong drop through achieved on the increased sales.

Sales & Book-to-bill



Underlying Operating income & margins



MARKET DEVELOPMENT

Concentric's sales for the third quarter were slightly ahead of published market indices.

Americas end-markets

North America

- Sales of diesel engine products to our North American end-markets were up year-on-year for the third quarter, linked to increased demand for medium- and heavy-duty trucks and agricultural machinery. The positive development of our hydraulic product sales also continued during the third quarter, driven primarily by the construction equipment market.
- Overall, sales growth in constant currency for the first nine months remained slightly behind the latest published market indices.

South America

- Sales to our South American end-markets continued to show signs of improvement during the third quarter, especially for larger agricultural machinery, but still remained relatively weak overall.

Europe & RoW end-markets

Europe

- Sales of diesel engine products to our European end-markets were up across the board for the third quarter, with strong demand for all off-highway end-markets. Hydraulic product sales remained broadly flat year-on-year.
- Overall, sales growth in constant currency for the first nine months remained in line with the latest published market indices.

Rest of the world

- Sales to our Indian off-highway end-markets were up for the third quarter, particularly in respect of agricultural machinery and construction equipment driven by the new Government economic initiatives to stimulate investment.
- Sales to our Chinese end-markets continued to improve during the third quarter, especially for construction equipment, in line with the latest published market indices.
- Overall, the Rest of the world still accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q3-17 vs Q3-16			YTD-17 vs YTD-16			FY-17vs FY-16		
Concentric	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**
Market – weighted average[1]	7%	4%	**5%**	5%	6%	**6%**	6%	6%	**6%**
Actual – constant currency[2]	10%	8%	**8%**	4%	5%	**4%**			

[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-market and regions, were up 6% year-on-year for the first nine months. Concentric's actual sales for the first nine months were slightly behind these indices. In the third quarter market indices were up 5% and Concentric's actual sales were slightly ahead of these indices.

The increased activity levels in the third quarter reflect a favourable development in demand across the board within our core regions of North America and Europe. 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

		Q3-17 vs Q3-16					YTD-17 vs YTD-16					FY-17 vs FY-16				
		North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agricultural machinery	Diesel engines	5%	11%	3%	17%	6%	6%	1%	3%	1%	0%	2%	10%	5%	17%	6%
Construction equipment	Diesel engines	3%	4%	3%	11%	38%	6%	0%	3%	1%	1%	1%	3%	5%	11%	38%
Construction equipment	Hydraulic equipment	7%	n/a	–4%	n/a	n/a	8%	n/a	3%	n/a	n/a	8%	n/a	3%	n/a	n/a
Trucks	Light vehicles	7%	n/a	n/a	n/a	n/a	4%	n/a	n/a	n/a	n/a	4%	n/a	n/a	n/a	n/a
Trucks	Medium & Heavy vehicles	18%	21%	4%	–7%	12%	13%	20%	5%	–7%	14%	16%	24%	6%	–8%	12%
Industrial applications	Other off-highway	5%	5%	3%	6%	16%	3%	4%	5%	7%	19%	3%	5%	5%	6%	16%
Industrial applications	Hydraulic lift trucks	2%	n/a	4%	n/a	n/a	3%	n/a	11%	n/a	n/a	3%	n/a	7%	n/a	n/a

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

The market indices summarised in the table above reflect the Q3 2017 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

FINANCIAL POSITION

Cash flow

The reported cash inflow from operating activities for the third quarter amounted to MSEK 73 (113), which represents SEK 1.82 (2.78) per share. This takes the cash inflow from operating activities for the first nine months to MSEK 228 (309). The reduction is due mainly to the increased working capital since year-end 2016, when it was temporarily low.

Working capital

Total working capital at 30 September was MSEK 50 (42), which represented 2.4% (2.0) of annual sales.

Net investments in fixed assets

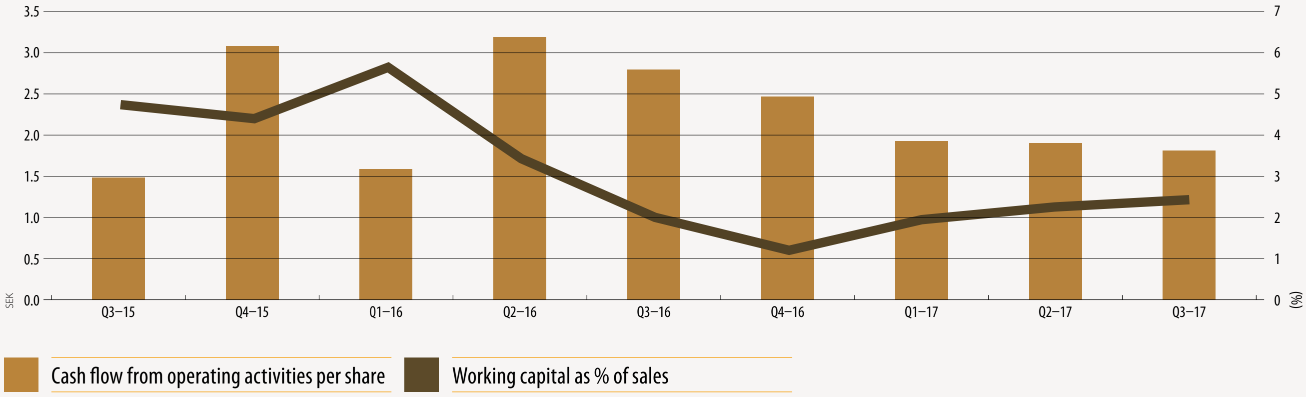
The Group's net investments in tangible fixed assets amounted to MSEK 13 (6) for the first nine months.

Net debt & gearing

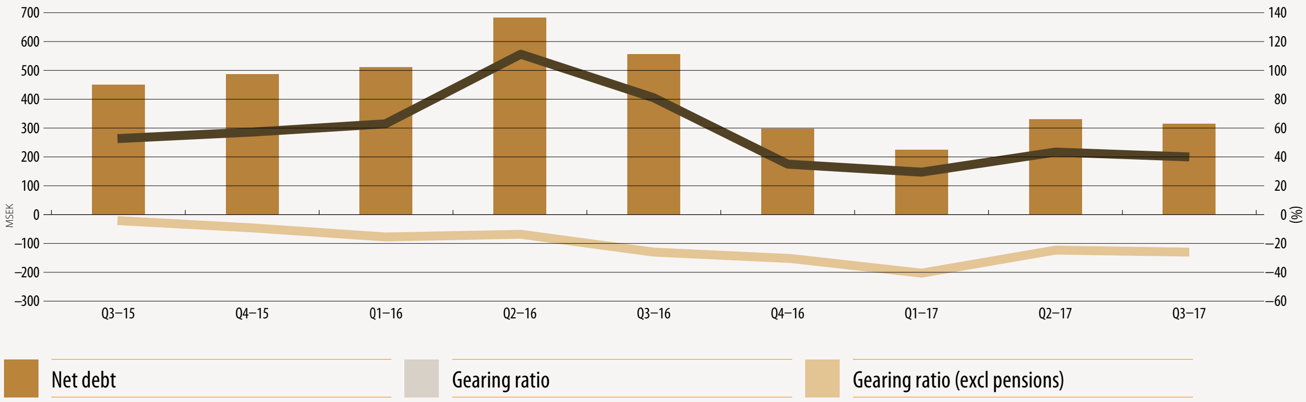
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, there were no remeasurement gains or losses recognised in net pension liabilities during the first nine months (net losses of MSEK 214). On 30 March 2017, the AGM approved the Board's proposed dividend for the financial year 2016 of MSEK 3.50 per share, equal to a total amount of MSEK 142 (134), which was settled in April 2017.

Overall, the Group's net debt at 30 September decreased to MSEK 317 (559), comprising bank loans and corporate bonds of MSEK 179 (178) and net pension liabilities of MSEK 515 (738), net of cash amounting to MSEK 377 (357). Shareholders' equity amounted to MSEK 777 (689), resulting in a gearing ratio of 41% (81) at the end of the third quarter.

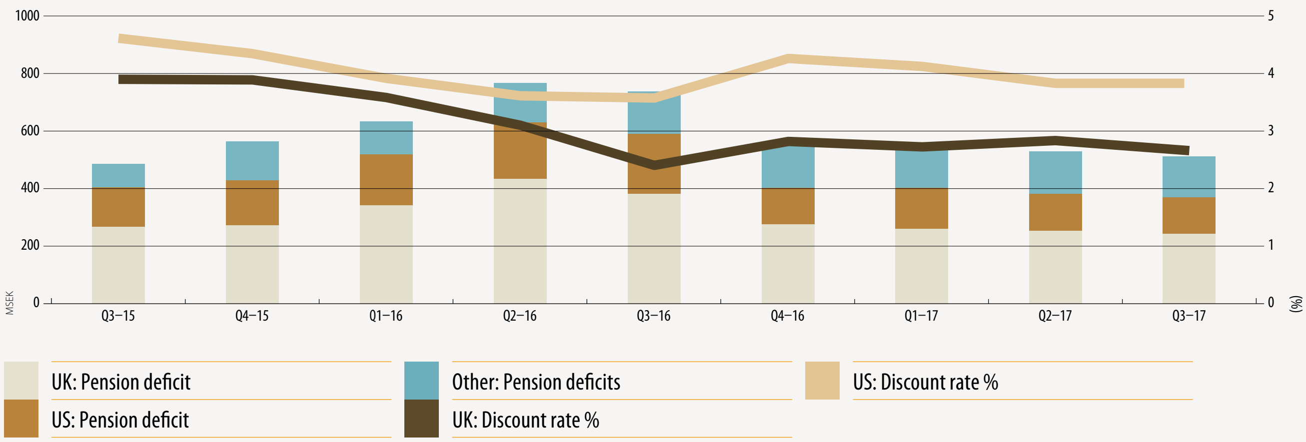
Cash flow from operating activities & Working capital



Net debt & Gearing



Net pension liabilities



CBE SPOTLIGHT: SUSTAINABILITY IN SUPPLY CHAIN

"This project was born out of our Concentric Business Excellence programme, striving to achieve continuous improvement for our people, processes and product." Dave Clark

Interview with Dave Clark, Director of Supply Chain for Concentric Group and David Kennington, Quality Manager for Rockford

Overview of the Supply Chain Project

Dave Clark, Director of Supply Chain for Concentric Group and David Kennington, Quality Manager for Rockford told us how improvements in the supply chain contribute to the overall performance of the Group.

Dave Clark

Recently, Dave Clark as Project Sponsor and David Kennington, Project Manager, completed a global assignment to identify and benchmark current processes and outputs for the measurement of supplier performance. This required them to standardise supplier selection criteria – how a supplier is selected, promoted or deselected – and produce recommendations for a "Best Practice Global Process" to measure external suppliers.

Dave Clark said, "Concentric has a history of companies that have merged or been acquired and each site has adopted different methodologies, procedures and processes in handling their supply chain. This project has been an important step in controlling our supply base. We have had as many as 550 suppliers which is too many to manage effectively for a business of our size and our level of spend." David Kennington continued, "We have listened to the needs of our business and our customers and created consistency in what we now measure on a regular basis. It will help us to identify our internal benchmarks – the best in class amongst our Group."

Dave Clark and David Kennington have developed a standard supplier balanced scorecard. Each site reports the same information in the same way and everyone has visibility of the reports. Dave Clark explained, "We have provided guidance in how to apply the process and allocate scoring. It is a living process. Over time, we will check that it continues to meet our needs and make improvements as needed."

The process has provided a more objective way to identify which suppliers best meet Concentric's needs and who are the top performing suppliers. This gives us the data to proactively manage our supply base and identify the suppliers with whom we want to do even more business. By controlling our supply base, spending more with the top performers and deselecting suppliers who do not meet our performance criteria, Concentric can take advantage of the benefits afforded by suppliers to larger customers.

How do we describe our best suppliers?

Dave Clark quickly pointed out "It does not necessarily mean the cheapest!" He continued, "We have worked hard to dissociate cost as the primary measure. Of course it is important that our suppliers are commercially competitive but low cost is not always synonymous with best value for money." David Kennington elaborated, "Other factors are vital too, such as the quality of the component – this is crucial and we have restructured how we evaluate suppliers to reflect this. Supplier delivery is also critical in determining supplier performance. The best suppliers enable Concentric to meet its commitments to customers. To run out of a material during production would cause complete chaos!"

David Kennington

What have been the benefits of this project?

For suppliers: regardless of which Concentric facility they sell to, suppliers are measured in the same way by each site. Based on these consistent evaluations, a supplier can gain additional Concentric business. Dave Clark explained, "It allows us to build a deeper partnership with our best suppliers. Our process highlights those suppliers who run good, efficient businesses with good quality product and consistently high levels of service."

For customers: where we gain economies of scale with suppliers our pricing can improve along with reliable quality and delivery of our products. As we improve our supply chain processes, our customers can be confident in the quality and delivery of their Concentric product. In addition, the Engines design team have incorporated the supplier data into their processes so that new designs, product developments and applications incorporate materials from preferred suppliers.

For employees: having a smaller number of suppliers to manage drives a whole host of benefits, for example, with fewer purchase orders there is less administration. This gives our supply chain employees more time to concentrate on their value adding activities for customers and undertaking more supplier audits. For our operators, they too want to work with suppliers who provide the best quality components (less than 250 ppm and 99% on time delivery) as this allows them to work without interruption to the production line and with less scrap.

For investors: the resulting improved operating efficiencies, increasing profits and top line growth together with the accompanying reputation for quality and service addresses the needs of most investors and contributes to a strong share price.

What results have you seen from this project?

"Reduction in suppliers, competitive material costs and improved delivery performances are amongst the most notable outcomes." David Kennington said. "The data allows us to have robust conversations with suppliers that we couldn't have before because the data was not readily available; we now know what's working well and where we need improvements, furthering our aim to partner more closely with our best performing suppliers."

Sustainability in Action

There are numerous benefits of a well-managed supply chain that support sustainability. On the environmental side, for example, if we do more business with one supplier instead of four, we have fewer freight deliveries. Admittedly this alone will not move the needle for the Paris Climate Agreement but these changes are contributing in a small way and improving us for the better. On the economic side, we can make clearer data driven decisions and improve our efficiency and margins through these supply chain improvements. This means more money is available to invest in R&D which is an important element of a sustainable future. Supply chain improvements help every part of our business either directly or indirectly.

Dave Clark commented that David Kennington was a great choice for this project. "As a quality manager rather than a purchasing manager, David looked at the challenge from a different angle. Through close collaboration with the Purchasing Managers around the Group, he was able to incorporate their feedback into the new process."

This was a great development opportunity for David Kennington too. He had the chance to work with many people from all facilities, often with diverse interests and opinions. "Working with colleagues across the Group, we have delivered a new process which directly addresses the agreed objectives and delivers business benefit. I am very proud of the team accomplishment. By working with a smaller number of the best suppliers, Concentric will be able to leverage volumes and be a more competitive supplier for our own customers." To conclude, Dave Clark added that one of the big benefits was the improved sense of teamwork across the function. "Whilst this element is difficult to put a cost benefit on," he said, "it is already helping to improve collaboration on other related topics. This has been a great start for group projects designed to give development experience to our employees."

Consolidated income statement, in summary

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Net sales	515	491	1,601	1,531	2,074	2,004
Cost of goods sold	–350	–351	–1,102	–1,095	–1,436	–1,429
Gross income	**165**	**140**	**499**	**436**	**638**	**575**
Selling expenses	–26	–13	–75	–47	–99	–71
Administrative expenses	–38	–37	–114	–113	–146	–145
Product development expenses	–12	–14	-37	–40	–46	–49
Share of profit in joint venture, net of interest and tax	4	3	12	10	13	11
Other operating income and expenses	3	2	11	9	22	20
Operating income	**96**	**81**	**296**	**255**	**382**	**341**
Financial income and expense	–2	–5	–8	–16	–15	–23
Earnings before tax	**94**	**76**	**288**	**239**	**367**	**318**
Taxes	–22	–17	–67	–57	–82	–72
Net income for the period	**72**	**59**	**221**	**182**	**285**	**246**
Attributable to:						
Parent company shareholders	**72**	**59**	**221**	**182**	**285**	**246**
Non-controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	1.79	1.45	5.48	4.46	6.99	5.95
Basic earnings per share, SEK	1.79	1.45	5.48	4.46	7.05	6.01
Diluted earnings per share, SEK	1.78	1.45	5.46	4.46	7.03	6.00
Basic average number of shares (000)	40,165	40,773	40,361	40,812	40,430	40,924
Diluted average number of shares (000)	40,281	40,820	40,484	40,845	40,544	40,973

Consolidated statement of comprehensive income

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Net income for the period	**72**	**59**	**221**	**182**	**285**	**246**
Other comprehensive income						
Items that will not be reclassified to the income statement						
Net remeasurement gains and losses	–	30	–	–214	155	–59
Tax on net remeasurement gains and losses	–	–5	–	54	–48	6
Items that may be reclassified subsequently to the income statement						
Exchange rate differences related to liabilities to foreign operations	72	–12	99	–12	60	–51
Tax arising from exchange rate differences related to liabilities to foreign operations	–8	3	–19	3	–11	11
Cash flow hedging	–2	–1	–2	4	–2	4
Tax arising from cash flow hedging	–	–	–	–1	-	–1
Foreign currency translation differences	–100	18	–158	7	–106	59
Total other comprehensive income	**–38**	**33**	**–80**	**–159**	**48**	**–31**
Total comprehensive income	**34**	**92**	**141**	**23**	**333**	**215**

Consolidated balance sheet, in summary

Amounts in MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
Goodwill	581	603	615
Other intangible fixed assets	222	266	262
Tangible fixed assets	126	159	150
Share of net assets in joint venture	31	18	19
Deferred tax assets	119	192	129
Long-term receivables	6	5	5
Total fixed assets	**1,085**	**1,243**	**1,180**
Inventories	177	181	172
Current receivables	304	279	246
Cash and cash equivalents	377	357	438
Total current assets	**858**	**817**	**856**
Total assets	**1,943**	**2,060**	**2,036**
Total Shareholders' equity	**777**	**689**	**857**
Pensions and similar obligations	515	738	560
Deferred tax liabilities	31	29	36
Long-term interest-bearing liabilities	176	177	177
Other long-term liabilities	10	10	11
Total long-term liabilities	**732**	**954**	**784**
Short-term interest-bearing liabilities	3	1	1
Other current liabilities	431	416	394
Total current liabilities	**434**	**417**	**395**
Total equity and liabilities	**1,943**	**2,060**	**2,036**

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 September the fair value of derivative instruments that were assets was MSEK 6 (5), 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, in summary

Amounts in MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
Opening balance	**857**	**852**	**852**
Net income for the period	221	182	246
Other comprehensive loss/income	–80	–159	–31
Total comprehensive income	**141**	**23**	**215**
Dividend	–142	–134	–134
Own share buy-backs [1]	–90	–60	–85
Sale of own shares to satisfy LTI – options exercised [1]	9	7	7
Long-term incentive plan	2	1	2
Closing balance	**777**	**689**	**857**

[1] For additional information see page 31.

Consolidated cash flow statement, in summary

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Earnings before tax	94	76	288	239	367	318
Reversal of depreciation, amortization and write-downs	17	19	55	59	84	88
Reversal of share of profit in joint venture	–4	–3	–12	–10	–13	–11
Reversal of other non-cash items	2	6	6	16	–12	–2
Taxes paid	–28	–12	–65	–23	–84	–42
Cash flow from operating activities before changes in working capital	*81*	*86*	*272*	*281*	*342*	*351*
Change in working capital	–8	27	–44	28	–14	58
Cash flow from operating activities	**73**	**113**	**228**	**309**	**328**	**409**
Net investments in property, plant and equipment	–7	–2	–13	–6	–19	–12
Cash flow from investing activities	**–7**	**–2**	**–13**	**–6**	**–19**	**–12**
Dividends paid	–	–	–142	–134	–142	–134
Dividends received from joint venture	–	2	–	10	2	12
Buy back of own shares	–47	–14	–90	–60	–115	–85
Selling of own shares to satisfy LTI-options exercised	–	–	8	7	8	7
New loans received	2	–	2	31	2	31
Repayment of loans	–	–	–1	–31	–1	–31
Pension payments and other cash flows from financing activities	–13	–11	–40	–33	–40	–33
Cash flow from financing activities	**–58**	**–23**	**–263**	**–210**	**–286**	**–233**
Cash flow for the period	**8**	**88**	**–48**	**93**	**23**	**164**
Cash and bank assets, opening balance	373	262	438	258	357	258
Exchange rate differences in cash and bank assets	–4	7	–13	6	–3	16
Cash and bank assets, closing balance	**377**	**357**	**377**	**357**	**377**	**438**

Group notes

Data per share

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Basic earnings per share, before items affecting comparability, SEK	1.79	1.45	5.48	4.46	6.99	5.95
Basic earnings per share, SEK	1.79	1.45	5.48	4.46	7.05	6.01
Diluted earnings per share, SEK	1.78	1.45	5.46	4.46	7.03	6.00
Equity per share, SEK	19.48	16.91	19.48	16.91	19.48	21.18
Cash flow from operating activities per share, SEK	1.82	2.78	5.65	7.58	8.09	9.99
Basic weighted average no. of shares (000's)	40,165	40,773	40,361	40,812	40,430	40,924
Diluted weighted average no. of shares (000's)	40,281	40,820	40,484	40,845	40,544	40,973
Number of shares at period-end (000's)	39,908	40,711	39,908	40,711	39,908	40,482

Key figures

	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Sales growth, %	5	–12	5	–15	n/a	–13
Sales growth, constant currency, % [1]	8	–7	4	–11	n/a	–10
EBITDA margin, %	22.1	20.5	21.9	20.5	22.4	21.4
Operating margin before items affecting comparability, %	18.7	16.5	18.5	16.6	18.2	16.8
Operating margin, %	18.7	16.5	18.5	16.6	18.4	17.0
Capital employed, MSEK	1,042	1,138	1,042	1,138	1,042	1,083
Return on capital employed before items affecting comparability, %	34.7	27.5	34.7	27.5	34.7	28.6
Return on capital employed, %	35.2	27.5	35.2	27.5	35.2	28.9
Return on equity, %	36.5	30.3	36.5	30.3	36.5	32.2
Working capital, MSEK	50	42	50	42	50	25
Working capital as a % of annual sales	2.4	2.0	2.4	2.0	2.4	1.2
Net debt, MSEK	317	559	317	559	317	300
Gearing ratio, %	41	81	41	81	41	35
Net investments in property, plant and equipment	7	2	13	6	19	12
R&D, %	2.4	2.7	2.3	2.6	2.3	2.4
Number of employees, average	936	1,009	935	1,024	947	1,011

[1] Also excludes the impact of any acquisition or divestments in that period.

Consolidated income statement in summary, by type of cost

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Net sales	515	491	1,601	1,531	2,074	2,004
Direct material costs	–243	–239	–775	–755	–1,003	–983
Personnel costs	–111	–110	–336	–336	–442	–442
Depreciation, amortization and write-downs	–17	–20	–55	–60	–83	–88
Share of profit in joint venture, net of tax	4	3	12	10	13	11
Other operating costs, net	–52	–44	–151	–135	–177	–161
Operating income	**96**	**81**	**296**	**255**	**382**	**341**
Financial income and expenses	–2	–5	–8	–16	–15	–23
Earnings before tax	**94**	**76**	**288**	**239**	**367**	**318**
Taxes	–22	–17	–67	–57	–82	–72
Net income for the period	**72**	**59**	**221**	**182**	**285**	**246**

Other operating income and expenses (refers to Income Statement on page 22)

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Tooling income	2	2	5	4	7	6
Royalty income from joint venture	9	9	31	30	41	40
Amortisation of acquisition related surplus values	–9	–9	–27	–27	–36	–36
Restructuring cost	–	–	–	–	–26	–26
Impairment of tangible assets	–	–	–	–	–9	–9
Curtailment gains, pensions	–	–	–	–	39	39
Other	1	–	2	2	6	6
Other operating income and expenses	**3**	**2**	**11**	**9**	**22**	**20**

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 (including the proportional consolidation of Alfdex), 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.

Third quarter

	Jul–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2017	2016	2017	2016	2017	2016	2017	2016
Total net sales	269	257	331	303	–85	–69	515	491
External net sales	265	253	302	281	–52	–43	515	491
Operating income before items affecting comparability	40	34	58	48	–2	–1	96	81
Operating income	40	34	58	48	–2	–1	96	81
Operating margin before items affecting comparability, %	14.9	13.2	19.2	17.3	n/a	n/a	18.7	16.5
Operating margin, %	14.9	13.2	19.2	17.3	n/a	n/a	18.7	16.5
Financial income and expense	–	–	–	–	–2	–5	–2	–5
Earnings before tax	40	34	58	48	–4	–6	94	76
Assets	542	628	1,263	1,313	138	119	1,943	2,060
Liabilities	282	385	718	796	166	190	1,166	1,371
Capital employed	318	335	819	884	–95	–81	1,042	1,138
Return on capital employed before items affecting comparability, %	42.4	32.4	28.3	24.5	n/a	n/a	34.7	27.5
Return on capital employed, %	49.0	32.4	26.4	24.5	n/a	n/a	35.2	27.5
Net investments in property, plant and equipment	1	–	7	3	–1	–1	7	2
Depreciation, amortization and write-downs	6	7	12	13	–1	–	17	20
Number of employees, average	343	373	657	696	–63	–60	936	1,009

First nine months

Amounts in MSEK	Jan–Sep Americas 2017	2016	Europe & RoW 2017	2016	Elims–Adjs 2017	2016	Group 2017	2016
Total net sales	814	771	1,051	982	–264	–222	1,601	1,531
External net sales	797	754	964	918	–160	–141	1,601	1,531
Operating income before items affecting comparability	115	98	185	160	–4	–3	296	255
Operating income	115	98	185	160	–4	–3	296	255
Operating margin before items affecting comparability, %	14.4	12.9	19.2	17.5	n/a	n/a	18.5	16.6
Operating margin, %	14.4	12.9	19.2	17.5	n/a	n/a	18.5	16.6
Financial income and expense	–	–	–	–	–8	–16	–8	–16
Earnings before tax	115	98	185	160	–12	–19	288	239
Assets	542	628	1,263	1,313	138	119	1,943	2,060
Liabilities	282	385	718	796	166	190	1,166	1,371
Capital employed	318	335	819	884	–95	–81	1,042	1,138
Return on capital employed before items affecting comparability, %	42.4	32.4	28.3	24.5	n/a	n/a	34.7	27.5
Return on capital employed, %	49.0	32.4	26.4	24.5	n/a	n/a	35.2	27.5
Net investments in property, plant and equipment	1	1	15	6	–3	–1	13	6
Depreciation, amortization and write-downs	19	20	37	40	–1	–	55	60
Number of employees, average	337	385	659	700	–61	–61	935	1,024

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 third quarter was 63 (62) for the Group, with an average of 63 (62) working days for the Americas region and 63 (63) working days for the Europe & RoW region.

The weighted average number of working days in the first nine months was 189 (188) for the Group, with an average of 189 (187) working days for the Americas region and 190 (189) working days for the Europe & RoW region.

FINANCIAL STATEMENTS

Sales by geographic location of customer

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
USA	235	234	713	704	927	918
Rest of North America	11	12	31	19	32	20
South America	8	16	24	45	32	53
Germany	85	78	271	251	345	325
UK	39	26	114	96	141	123
Sweden	19	20	65	74	92	101
Rest of Europe	75	71	263	245	353	335
Asia	42	31	118	94	148	124
Other	1	3	2	3	4	5
Total Group	**515**	**491**	**1,601**	**1,531**	**2,074**	**2,004**

Sales by product groups (including Alfdex)

Amounts in MSEK	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Concentric branded Engine products	267	267	823	821	1,082	1,080
LICOS branded Engine products	49	48	146	125	179	158
Alfdex branded Engine products	50	43	157	141	199	183
Total Engine products	366	358	1,126	1,087	1,460	1,421
Total Hydraulics products	199	176	632	585	813	766
Eliminations	–50	–43	–157	–141	–199	–183
Total Group	**515**	**491**	**1,601**	**1,531**	**2,074**	**2,004**

Employees

The average number of full-time equivalents employed by the group during the first nine months was 935 (1,024).

Related-party transactions

The Parent Company is a related party to its subsidiaries and associated companies. Transactions with subsidiaries and associated companies 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 presented in the 2016 Annual Report on pages 8–11 and pages 18–45.

Significant risks and uncertainties

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2016 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2017. Please refer to the Risk and Risk Management section on pages 59–62 of the 2016 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 2016 Annual Report.

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.

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

IFRS 9 – "Financial instruments". The effective date for IFRS 9 is January 1, 2018. Concentric has started an evaluation of the effects of IFRS 9. Concentric's preliminary assessment is that the standard won't have a material impact on the Group's balance sheet or income statement, but the standard does bring additional disclosure requirements. Additional information will be reported in the Interim Report for Q4 2017.

IFRS 15 – "Revenue from contracts with customers". The effective date for IFRS 15 is January 1, 2018. An evaluation of the effects of IFRS 15 is in progress. Concentric's preliminary assessment is that the standard won't have a material impact on the Group's balance sheet or income statement. Additional information will be reported in the Interim Report for Q4 2017.

New standards, amendments and interpretations to existing standards that have not yet been endorsed

IFRS 16 – "Leases". IFRS 16 is effective from 1 January 2019. Concentric does not plan to apply IFRS 16 before the effective date. For Concentric, total assets and liabilities are expected to increase as a result of recognising leases on the balance sheet that are now classified as operational leases. This will affect operating income positively since the entire leasing fee for the period will not be included in operating income on leases that are currently classified as operational. However, depreciation and financial expenses will increase. Concentric currently does not have sufficient data to present a quantitative impact analysis.

Parent Company

Net sales and Operating income

Net sales for the first nine months reflected the royalty income received from the joint venture, Alfdex AB. Income from shares in subsidiary undertakings of MSEK 742 (nil) reflected the dividends received, net of any write-downs in the carrying value of shares, arising from the internal refinancing of the group undertaken during the first nine months.

Buy-back and Holdings of own shares

The total number of holdings of own shares at 1 January 2017 was 1,088,616.

On 30 March 2017, the AGM resolved to retire 698,600 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. Altogether, the resolution resulted in the total number of shares in issue reduced to 40,872,000 (41,570,600) and the share capital being increased by SEK 156.

In addition, the AGM resolved to authorise the Board of Directors, during the period up to the next AGM in 2018, to resolve on buying back own shares so that the Company's holdings do not at any point exceed 10 percent of the total number of shares in issue. Acquisitions shall be made in cash and take place on NASDAQ OMX Stockholm, for the purpose of increasing the flexibility in connection with potential future corporate acquisitions, as well as to be able to improve the company's capital structure and to cover costs for, and enable delivery of shares under the company's LTI programmes.

During the second quarter, 101,200 (115,360) options granted under the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. Under the own share buyback mandate resolved at the 2017 Annual General Meeting, the company purchased 376,000 (120,449) ordinary shares for a total consideration of MSEK 48 (13) during the third quarter, taking the total purchased own shares to 675,016 (584,599) for a total consideration of MSEK 90 (60) for the first nine months. Consequently the company's total holdings of own shares at the end of the third quarter was 963,832 (859,735), which represented 2.4% (2.1) of the total number of shares in issue.

Parent company's income statement, in summary

	Jul–Sep		Jan–Sep		Oct–Sep	Jan–Dec
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**	**2016/17**	**2016**
Net sales	9	8	31	29	45	43
Other operating income	–	–	–	21	–	21
Operating costs	–4	–3	–12	–11	–21	–20
Operating income	**5**	**5**	**19**	**39**	**24**	**44**
Income from shares in subsidiaries	–	–	742	–	874	132
Income from shares in joint venture	–	–	–	12	–	12
Net foreign exchange rate differences	35	–12	87	–12	47	–52
Other financial income and expense	–1	–	–3	–2	–5	–4
Earnings before tax	**39**	**–7**	**845**	**37**	**940**	**132**
Taxes	–8	2	–22	–5	–16	1
Net income for the period [1)]	**31**	**–5**	**823**	**32**	**924**	**133**

1) Total Comprehensive income for the Parent Company is the same as net income for the period

Parent company's balance sheet, in summary

Amounts in MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
Shares in subsidiaries	3,175	2,414	2,433
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	8	23	8
Deferred tax assets	1	18	24
Total financial fixed assets	**3,194**	**2,465**	**2,475**
Other current receivables	5	5	3
Short-term receivables from joint ventures	–	2	–
Short-term receivables from subsidiaries	133	77	80
Cash and cash equivalents	169	178	249
Total current assets	**307**	**262**	**332**
Total assets	**3,501**	**2,727**	**2,807**
Total Shareholders' equity	**1,826**	**1,151**	**1,227**
Pensions and similar obligations	18	17	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	1,455	1,356	1,362
Total long-term liabilities	**1,648**	**1,548**	**1,555**
Short-term loans payable to subsidiaries	20	23	18
Other current liabilities	7	5	7
Total current liabilities	**27**	**28**	**25**
Total equity and liabilities	**3,501**	**2,727**	**2,807**

Parent company's changes in shareholders' equity, in summary

Amounts in MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
Opening balance	1,227	1,306	1,306
Net income for the period	823	32	133
Dividend	–142	–134	–134
Sale of own shares to satisfy LTI – options exercised [1)]	8	7	7
Buy-back of own shares [1)]	–90	–60	–85
Closing balance	**1,826**	**1,151**	**1,227**

[1)] For additional information see page 31.

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 8 November, 2017.

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.

Future reporting dates

Interim report January – December 2017	*7 February, 2018*
Annual Report January – December 2017	*27 March, 2018*
Interim report January – March 2018	*3 May, 2018*
Annual General Meeting 2018	*3 May, 2018*

Stockholm, 8 November, 2017
Concentric AB (publ)

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This Interim Report has not been audited.

Reconciliation alternative performance measures

Amounts in MSEK

Underlying EBIT or operating income	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Operating income	**96**	**81**	**296**	**255**	**382**	**341**
Restructuring cost related to the acquisition of GKN Pumps	–	–	–	–	26	26
Impairment of tangible assets	–	–	–	–	9	9
Curtailment gains, pensions	–	–	–	–	–39	–39
Underlying operating income	**96**	**81**	**296**	**255**	**378**	**337**
Net Sales	515	491	1,601	1,531	2,074	2,004
Operating margin (%)	**18.7**	**16.5**	**18.5**	**16.6**	**18.4**	**17.0**
Underlying operating margin (%)	**18.7**	**16.5**	**18.5**	**16.6**	**18.2**	**16.8**

EBITDA or Operating income before amortisation and depreciation	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
EBIT or Operating income	**96**	**81**	**296**	**255**	**382**	**341**
Operating amortisation/depreciation	9	11	29	32	40	43
Amortisation of purchase price allocation	9	9	27	27	36	36
Impairment	–	–	–	–	9	9
EBITDA or Operating income before amortisation and depreciation	**114**	**101**	**352**	**314**	**467**	**429**
Net Sales	515	491	1,601	1,531	2,074	2,004
EBITDA margin (%)	**22.1**	**20.5**	**21.9**	**20.5**	**22.4**	**21.4**

Net income before items affecting comparability	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct–Sep 2016/17	Jan–Dec 2016
Net income	**72**	**59**	**221**	**182**	**285**	**246**
Items affecting comparability after tax	–	–	–	–	–2	–2
Net income before items affecting comparability	**72**	**59**	**221**	**182**	**283**	**244**
Basic average number of shares (000)	40,165	40,773	40,361	40,812	40,430	40,924
Basic earnings per share	**1.79**	**1.45**	**5.48**	**4.46**	**7.05**	**6.01**
Basic earnings per share before items affecting comparability	**1.79**	**1.45**	**5.48**	**4.46**	**6.99**	**5.95**

Net debt	30 Sep 2017	30 Sep 2016	31 Dec 2016
Pensions and similar obligations	515	738	560
Long-term interest-bearing liabilities	176	177	177
Short-term interest-bearing liabilities	3	1	1
Total interest-bearing liabilities	694	916	738
Cash and cash equivalents	–377	–357	–438
Total Net Debt	**317**	**559**	**300**
Net Debt, excluding pension obligations	–198	–179	–260

Capital employed	30 Sep 2017	30 Sep 2016	31 Dec 2016
Total Assets	**1,943**	**2,060**	**2,036**
Interest bearing financial assets	–6	–5	–6
Cash and Cash Equivalents	–377	–357	–438
Tax assets	–130	–204	–146
Non-interest bearing assets (excl taxes)	**1,430**	**1,494**	**1,446**
Non-interest bearing liabilities (incl taxes)	–468	–452	–436
Tax liabilities	80	96	73
Non-interest bearing liabilities (excl taxes)	**–388**	**–356**	**–363**
Total Capital Employed	**1,042**	**1,138**	**1,083**

Working capital	30 Sep 2017	30 Sep 2016	31 Dec 2016
Accounts receivable	233	210	160
Other current receivables	70	68	86
Inventory	177	181	172
Working capital assets	**480**	**459**	**418**
Accounts payable	–199	–198	–183
Other current payables	–231	–219	–210
Working capital liabilities	**–430**	**–417**	**–393**
Total Working Capital	**50**	**42**	**25**

Graph data summary

	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Americas									
Sales, MSEK	265	268	264	233	253	252	250	253	288
Book-to-bill, %	88	101	110	116	98	98	98	99	89
Operating income before items affecting comparability, MSEK	40	38	37	28	33	32	32	34	39
Operating margin before items affecting comparability, %	14.9	14.4	13.9	12.0	13.2	12.8	12.8	13.6	13.3
Europe & RoW									
Sales (including Alfdex), MSEK	302	327	335	281	281	321	315	301	318
Book-to-bill, %	99	95	102	114	94	94	103	98	103
Operating income before items affecting comparability, MSEK	58	63	64	54	49	58	54	51	56
Operating margin before items affecting comparability, %	19.2	19.2	19.2	19.2	17.3	18.0	17.1	17.1	17.4
Alfdex eliminations									
Sales, MSEK	–52	–55	–53	–41	–43	–51	–47	–50	–47
Operating income before items affecting comparability, MSEK	–2	–1	–1	–	–1	–1	–1	–	–2
Group									
Sales (excluding Alfdex), MSEK	515	540	546	473	491	522	518	504	559
Book-to-bill, %	93	97	105	115	93	95	100	108	100
Operating income before items affecting comparability, MSEK	96	100	100	82	81	88	85	85	93
Operating margin before items affecting comparability, %	18.7	18.5	18.3	17.4	16.5	17.0	16.5	16.6	16.6
Basic earnings per share, SEK	1.79	1.86	1.83	1.57	1.45	1.52	1.46	1.35	1.57
Return on equity, %	36.5	36.5	34.6	32.2	30.3	29.4	28.3	31.7	32.9
Cash flow from operating activities per share, SEK	1.82	1.90	1.92	2.44	2.79	3.21	1.55	3.06	1.47
Working capital as % of annualised sales	2.4	2.2	1.9	1.2	2.0	3.4	5.6	4.4	4.7
Net debt, MSEK	315	335	224	300	559	686	513	488	451
Gearing ratio, %	40	42	29	35	81	112	63	57	53
Gearing ratio (excl Pensions), %	–26	–25	–41	–30	–26	–13	–15	–9	–4

Glossary

Americas	Americas operating segment comprising the Group's operations in the USA and South America
Europe & RoW	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
LTI	Long term incentive
Net investments in fixed assets	Fixed asset additions net of fixed asset disposals and retirements
PPM	Parts Per Million defect rate
OEMs	Original Equipment Manufacturers
Order backlog	Customer sales orders received which will be fulfilled over the next three months
R&D expenditure	Research and development expenditure

Definitions

Key figures	Definition/Calculation	Purpose
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 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 a 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 takes into account other liabilities as well.
ROE	Return on equity; net income as a percentage of the average shareholders' equity over a 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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