INTERIM REPORT Q4/2016

CONTENTS

FINANCIAL RESULTS IN BRIEF
GROUP

FOURTH QUARTER

Net sales

MSEK 473 (504) – down 7% y-o-y, after adjusting for currency (+1%).

Operating income

MSEK 86 (83), generating an operating margin of 18.2% (16.4) – underlying operating margin was 17.4% (16.9), adjusting for restructuring expenses and pension related items affecting comparability.

Earnings after tax

MSEK 64 (54); basic EPS of SEK 1.57 (1.32).

Solid cash flow generated from operating activities

MSEK 100 (127) driven by continued tight management of working capital.

Dividend

Based on the Group's earnings and strong financial position, the Board of Directors intend to propose a total dividend of SEK 3.50 (3.25) per share and to renew the current mandate for share buybacks.

FULL YEAR

Net sales

MSEK 2,004 (2,306) – down 10% y-o-y, after adjusting for currency (–3%).

Operating income

MSEK 341 (381), generating an operating margin of 17.0% (16.5) – underlying operating margin was 16.8% (16.6), adjusting for restructuring expenses and pension related items affecting comparability.

Earnings after tax

MSEK 246 (271); basic EPS of SEK 6.01 (6.45).

Strong cash flow generated from operating activities

MSEK 409 (366).

Group's net debt

MSEK 300 (488); gearing ratio of 35% (57) – own share buy-backs of MSEK 85 (142) during the year.

Key figures – Group

	Oct–Dec			Jan–Dec		
Amounts in MSEK	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Net sales	**473**	**504**	**–6%**	**2,004**	**2,306**	**–13%**
Operating income before items affecting comparability	82	85	–4%	337	382	–12%
Operating income	**86**	**83**	**4%**	**341**	**381**	**–10%**
Earnings before tax	79	76	4%	318	363	–12%
Net income for the period	**64**	**54**	**19%**	**246**	**271**	**–9%**
Cash flow from operating activities	100	127	–21%	409	366	12%
Net debt	**300**	**488**	**–39%**	**300**	**488**	**–39%**
Operating margin before items affecting comparability, %	17.4	16.9	0.5	16.8	16.6	0.2
Operating margin, %	**18.2**	**16.4**	**1.8**	**17.0**	**16.5**	**0.5**
Basic EPS, before items affecting comparability, SEK	1.51	1.35	0.16	5.95	6.48	–0.53
Basic EPS, SEK	**1.57**	**1.32**	**0.25**	**6.01**	**6.45**	**–0.44**
Return on equity, %	32.2	31.7	0.5	32.2	31.7	0.5
Gearing ratio, %	**35**	**57**	**–22**	**35**	**57**	**–22**

» Growth remains the highest priority for Concentric and during the year we have continued to invest in product development and strengthen both our sales team and engineering resources. «

President and CEO, David Woolley, comments on Q4 2016 interim report.

Sales development

The group's sales for the fourth quarter and the full year were down year-on-year by 7% and 10% respectively in constant currency, which was broadly in line with published market indices. The primary reason for the decline in sales was the 20% reduction in end-customer demand and 30% reduction in production of Class 8 heavy duty trucks following the peak in the US replacement cycle during 2015 and a subsequent correction of inventory levels. European truck sales softened in the second half of 2016 as the demand for trucks in Southern Europe was satisfied. Commodity prices continued to strengthen in the fourth quarter and, whilst it has not impacted our demand yet, there is some evidence of increased activity within raw material production areas. However, demand for Construction equipment in North America and Europe remained soft with the macro economic uncertainty.

Addressing the market conditions

Growth remains the highest priority for Concentric and during the year we have continued to invest in product development and strengthen both our sales team and engineering resources. At the same time we cannot disregard the current tough market conditions in Europe, North and South America. We therefore recently announced the impact of the restructuring plans initiated during the second half of 2016 as a direct response to the sustained weak outlook for end-markets in these regions. The restructuring corresponds to a 7% reduction of the group's total workforce, primarily affecting operations in Chivilcoy, Argentina and Hof, Germany. Additionally, warehousing facilities will be rationalised. All in all, these measures will result in annual savings corresponding to MSEK 30 as of 2017.

All parts of the business also continue to participate in the Concentric Business Excellence programme ("CBE") and this has also provided a framework for the restructuring plans.

The successful implementation of CBE has continued to support the consolidated results, ensuring that the underlying EBIT margin for both the quarter and the full-year actually improved to 17.4% and 16.8% respectively, in spite of the market headwinds.

New product launches

We recently exhibited at the IAA 2016 where Concentric presented its extensive range of pumps, including new product developments such as the Mid-range 2-speed controllable cooling pump, which received a lot of positive feedback.

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

2016 was a rather tough year due to supressed prices for many commodities and a down-turn for trucks sales. Looking ahead, the increase of public spending in the US on infrastructure investments promised by the new Trump administration could have a positive impact in 2017 for most of our end-markets in the region. We will continue to focus on CBE to enable us to respond to the prevailing market conditions. Market indices suggest that production volumes blended to Concentric's end-markets and regions will be flat year-on-year for 2017. We have seen a number of truck OEMs recently release their financial results and we note that the sales development in Europe was generally stronger and that Volvo Trucks raised its guidance for truck sales in Europe in 2017. This more favourable development in Europe is naturally also beneficial to Concentric's outlook. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

27 January 2016

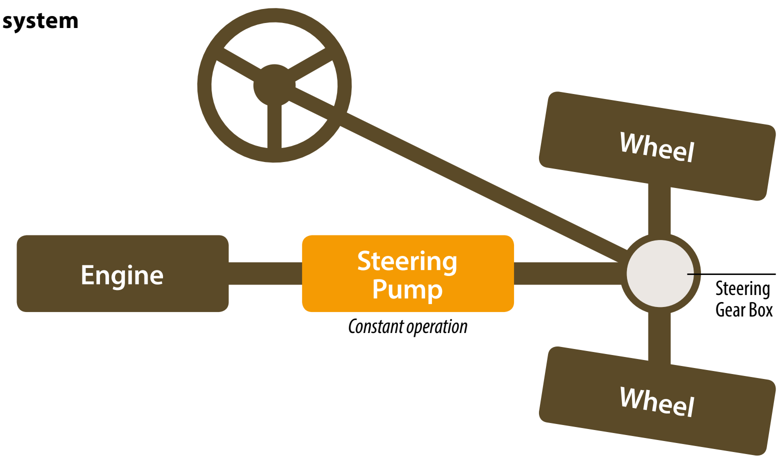
Concentric secures nomination for Electro Hydraulic Steering ("EHS") system with leading global OEM.

A leading global manufacturer of heavy trucks and buses has nominated Concentric AB to manufacture EHS units for their hybrid applications. Production started in the fourth quarter of 2016, and will reach mature volumes in 2018, which are expected to generate annual revenues of approximately MSEK 15 across Europe.

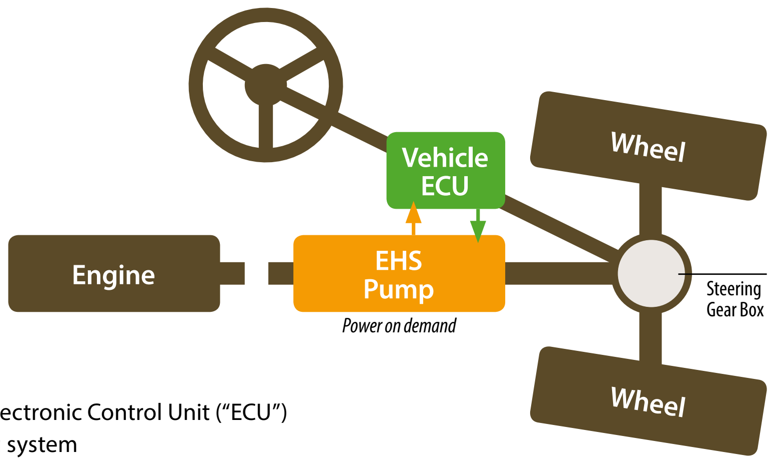
The EHS unit replaces the normal power steering pump and provides power steering assistance when needed. Conventional hydraulic steering systems use an IC engine driven pump which follows engine speed. Typically the pump is dimensioned to give full power steering function already at idle speed of the IC engine. The pump is constantly running and consuming power from the engine. In a hybrid application where the vehicle can operate in pure electric mode, the conventional power steering system cannot be used since the IC engine is turned off during electric mode. However, using Concentric's EHS system, the unit only provides the required power on demand and can still operate during the electric mode for hybrid applications. The primary benefit of the EHS system is reduced energy consumption, achieving up to 50% in certain applications.

Conventional steering system compared to an Energy Savings steering system

Conventional steering system



EHS system



- De-coupled pump
- Input feedback from Electronic Control Unit ("ECU")
- Energy Saving steering system

11 March 2016

Concentric shows innovative pump technology at BAUMA 2016.

The worldwide Concentric group was exhibiting its extensive range of pumps at BAUMA 2016, the leading trade fair for construction, building material and mining equipment and vehicles. Concentric's latest range of hydraulic products build upon the company's recognised capabilities for reducing fuel consumption, increasing system efficiency, providing high power density and reducing noise. Principal exhibits include:

- EHS unit which replaces the conventional IC engine driven power steering pump.
- F12 X high-pressure cast-iron FERRA series gear pump offering pressure capability up to 330 bar.
- Dual cone clutch pump, patented design, for hydraulic applications with high roading or intermittent duty cycle applications.
- 2-stage transmission oil pump, unique design for dual-clutch transmissions providing lubrication, cooling and clutch actuation.
- Variable flow oil pump, replaces the conventional engine lubrication pump.
- 2-speed water pump clutch, replaces the conventional engine coolant pump.

EHS Unit

Transmission Oil Pump

FERRA Gear Pump

Variable Flow Oil Pump

Dual Cone Clutch Pump

2-speed Water Pump Clutch

6 April 2016

Paul Fleetwood appointed SVP at Concentric AB.

We are proud to announce that Paul Fleetwood has been appointed Senior Vice President of Europe and Rest of World (RoW) at Concentric AB, with responsibility for operations in the UK, Sweden, Germany, China and India. Paul is based in the UK, with his appointment effective from Monday 9th May 2016. Paul joined Concentric from Wärtsilä Corporation where he was the Divisional Managing Director of the Hamworthy Pumps and Valves business (acquired in 2012).

21 September 2016

LICOS Trucktec GmbH in a new outfit; more than just a design change?

LICOS launched its new company logo ahead of the IAA 2016 exhibition. The worldwide Concentric group was exhibiting its extensive range of pumps in Hanover in September 2016. The following interview was conducted with Franz Biegert, managing director of LICOS Trucktec GmbH ("LICOS" or "the Company").

LICOS is a well-known brand in the truck industry. What was the driver to change the logo?
The company, founded in 1998 by Dr. Andreas Wolf and Karl-Heinz Linnig, was acquired by Concentric AB in 2013. Changing the logo into Concentric's corporate colours was the final step of the successful integration of LICOS into the wider Concentric group. We´ve changed the colours but we have not changed the brand name or the products. Our name stands for high-quality and innovative products. To date we have delivered over half a million clutches into the EURO5 and EURO6 engines of Europe's top truck brands.

The clutches save a huge amount of diesel and we have a calculation ticker on our homepage ***www.licostrucktec.com*** where you can find the total of saved litres of diesel.

Concentric AB is listed on the Swedish stock exchange and, prior to the acquisition in 2013, LICOS was just a typical German midsize company. This July you celebrated the 3rd anniversary of joining the Concentric group. What have been the major changes for the Company since 2013?
I think the changes that we have seen were not that dramatic. Yes, for sure, there is a big difference if you have to change your internal reporting system from a German family owned company into a member of an international listed group. On the other hand, LICOS already had international quality standards and customers before the change of ownership. Our customer rating has been excellent since the inception of the Company so there were no changes necessary on that side of the business.

What were the customer reactions following the change in ownership?
Our customers have been informed and were visited by our management team shortly after the shareholder change. Their reaction was generally very positive and may be best summed up by the following statement from a senior level manager at one particular customer: "The LICOS clutch is a major component for the EURO6 engine. It is good to know that the company now belongs to a bigger group with a global footprint." In times of globalization, it is important to have local manufacturing and applications support located right next to the assembly plants of the global truck manufacturers.

What are the plans for the future of LICOS in this global truck business? Do you have new technologies or products to add to your current portfolio?
The current business of LICOS is secured by our patent protected 2 speed clutch technology, which we sell currently only to the European market. Our sales team is working hard with customers in North America and Asia to introduce the 2 speed clutch technology into these markets as soon as possible. In addition, we expect to launch the production of our double cone clutch in the near future. This clutch is our new technology for switching high torque in very limited space. The technology is developed by LICOS and is fully patent protected. All the tests to date have been positive and the customers are very interested to get this technology onto their engines as soon as possible.

Our passion is to develop products which help make the truck more efficient and the double cone clutch is another example of LICOS providing a high tech and robust solution for our customers.

21 September 2016

Concentric launched new innovative pump technology at IAA 2016.

The worldwide Concentric group was exhibiting its extensive range of pumps at IAA 2016 in Hanover in September 2016.

New product developments on show from Concentric included:

- Mid-Range 2-Speed Controllable Cooling Pump building on the hugely successful heavy duty 2-Speed cooling pump.
- Electronically Controllable Variable Displacement Gear Pump for Medium duty and heavy duty engine lubrication.

These exciting new products reinforce the company's reputation for reducing fuel consumption, increasing system efficiency, providing high power density and reducing noise.

Principal exhibits were:

- Variable flow oil pump, replaces the conventional engine lubrication pump.
- 2-speed water pump clutch, replaces the conventional engine coolant pump.
- 2-stage transmission oil pump, unique design for dual-clutch transmissions providing lubrication, cooling and clutch actuation.
- Dual cone clutch pump, patented design, for switching powered ancillary functions.
- EHS Electro Hydraulic Steering, which replaces the conventional IC engine driven power steering pump.

KEY EVENTS

1 November 2016

Sustainability showcased at technology roadshows.

Throughout 2016, our senior design and sales leaders have been invited to the customers to showcase Concentric's product range, including both existing and upcoming innovative technologies. Paul Shepherd, Advanced R&D Director, Mark Rimkus, Vice President for Sales, North America and Tom Elliott, Senior Sales Manager, Europe.

What was behind the idea to host Technology Roadshows?
Paul Shepherd took the lead to make the Technology Roadshows a reality. "For some time, customers from both product groups told us they wanted dedicated time with the product and design experts from Concentric to discuss their own challenges and upcoming advances in fluid transfer technologies and hydraulic systems. The Roadshows provided the perfect opportunity for customers to learn about current and new technologies and ask questions in the privacy of their own premises, allowing them to be more specific about their current projects and their own design considerations", said Paul.

The Roadshows were designed to include elements interesting to customers' engineering and commercial teams alike. Paul explained that a typical day at a Roadshow involved setting up exhibition stands, ensuring that product samples and product information was easily available to customers who could ask questions directly of the Concentric experts who were on hand.

Mark Rimkus commented that the Technology Roadshows had different objectives for different customers. "If they know our technology well and we are building prototypes with them we focused on providing guidance and education, helping them to expand their knowledge of the technologies especially among the engineers new to pumps and clutches and the specific projects. With other customers, with whom we may not yet have innovative technologies in play", Mark explained "We were able to explore their interest in our production ready technologies such as Electric Hydraulic Steering and the 2 Speed Clutch and other upcoming innovative products. We were able to feature new innovations such as the Dual Cone Clutch (DCC) and the Variable Flow Oil Pump and draw attention to the value these products offer."

Read the full article on our website.

9 November 2016

Oliver Percival appointed VP Sales for Europe & Asia.

Concentric AB appointed Oliver Percival at its plant in Birmingham, UK. Through his leadership of teams in Europe and Asia, Oliver is responsible for driving profitable sales growth in hydraulic gear products for mobile equipment.

Oliver who studied for a Joint BA Hons in Business Management and Information Systems, joined us from Kongsberg Automotive where he spent nearly 10 years in senior sales roles, most recently as the Global Sales and Marketing Director for the Driver Interface Division which is dedicated to commercial vehicles, agriculture, construction, power sports and off highway applications. Prior to working for Kongsberg, Oliver worked for Teleflex Morse (acquired by Kongsberg), DRAKA Elevator Products and DURA Automotive Systems.

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 in 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 has already been 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 is MSEK 4 income.

The actions taken are 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 is expected to generate annual cost savings estimated at MSEK 30.

FINANCIAL SUMMARY GROUP

Key figures – Group

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Oct–Dec Change	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec Change
Net sales	473	504	–6%	2,004	2,306	–13%
Operating income before items affecting comparability	82	85	–4%	337	382	–12%
Operating income	86	83	4%	341	381	–10%
Earnings before tax	79	76	4%	318	363	–12%
Net income for the period	64	54	19%	246	271	–9%
Operating margin before items affecting comparability, %	17.4	16.9	0.5	16.8	16.6	0.2
Operating margin, %	18.2	16.4	1.8	17.0	16.5	0.5
ROCE, %	28.9	28.8	0.1	28.9	28.8	0.1
Return on equity, %	32.2	31.7	0.5	32.2	31.7	0.5
Basic EPS, before items affecting comparability, SEK	1.51	1.35	0.16	5.95	6.48	–0.53
Basic EPS, SEK	1.57	1.32	0.25	6.01	6.45	–0.44
Diluted EPS, SEK	1.57	1.31	0.26	6.00	6.44	–0.44

Sales

Sales for the fourth quarter were down year-on-year by 7%, adjusting for the impact of currency (+1%). As a result, sales for the full year were down year-on-year by 10% adjusting for the impact of currency (–3%). North American demand for Class 8 heavy-duty trucks remained weak following a peak in the replacement cycle during 2015.

European truck sales softened in the second half of 2016 as the demand for trucks in Southern Europe was satisfied. Commodity prices continued to strengthen in the fourth quarter and, whilst it has not impacted our demand yet, there is some evidence of increased activity within raw material production areas. However, demand for Construction equipment in North America and Europe remained soft with the macro economic uncertainty.

Operating income

Underlying operating margins for the fourth quarter and the full year actually improved, in spite of the drop in sales, after adjusting operating income for restructuring expenses and pension related items affecting comparability. CBE underpinned the group's strong results, optimising customer service, employee motivation and operational performance to adapt the business to the lower demand.

Net financial items

Net financial expenses in the fourth quarter comprised of pension financial expenses of MSEK 5 (9) and other net interest expense of 2 (income 2). Accordingly, net financial expenses in the year comprised of pension financial expenses of MSEK 19 (24) and other net interest expense of 4 (income 6).

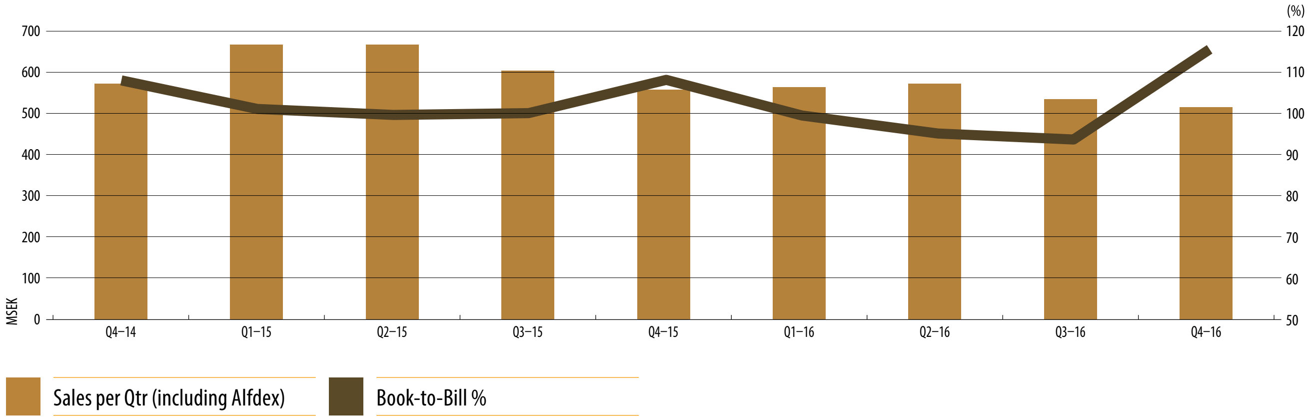
Taxes

The net tax expense for the fourth quarter included income of MSEK 8 relating to adjustments for previous years. Excluding these adjustments, the underlying effective tax rate for the fourth quarter and the full year remained stable at 29% (29) and 25% (25) respectively. These rates reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

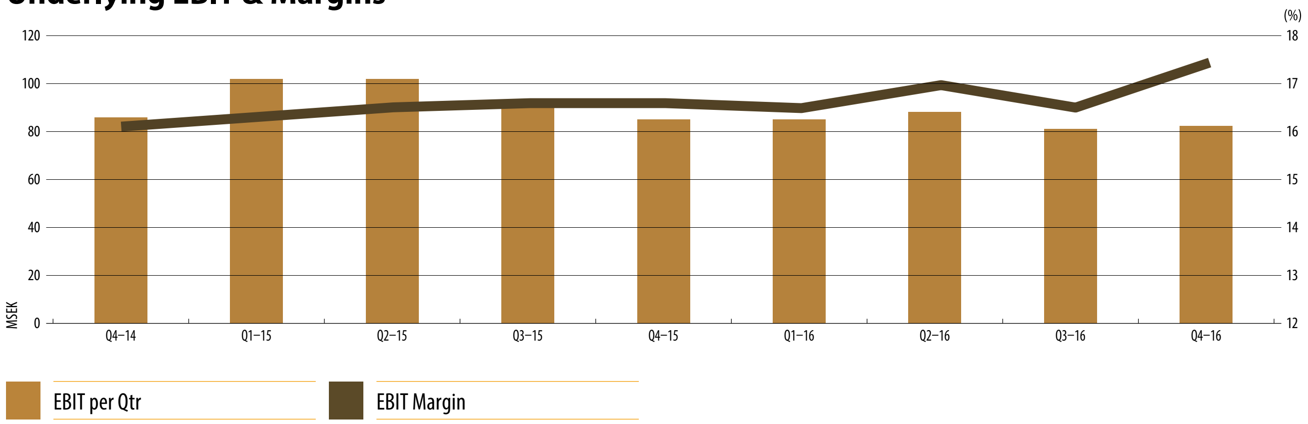
Earnings per share

The underlying basic EPS for the full year was SEK 5.95 (6.48), down just SEK 0.53 per share after adjusting reported earnings per share for restructuring expenses and other specific items after tax.

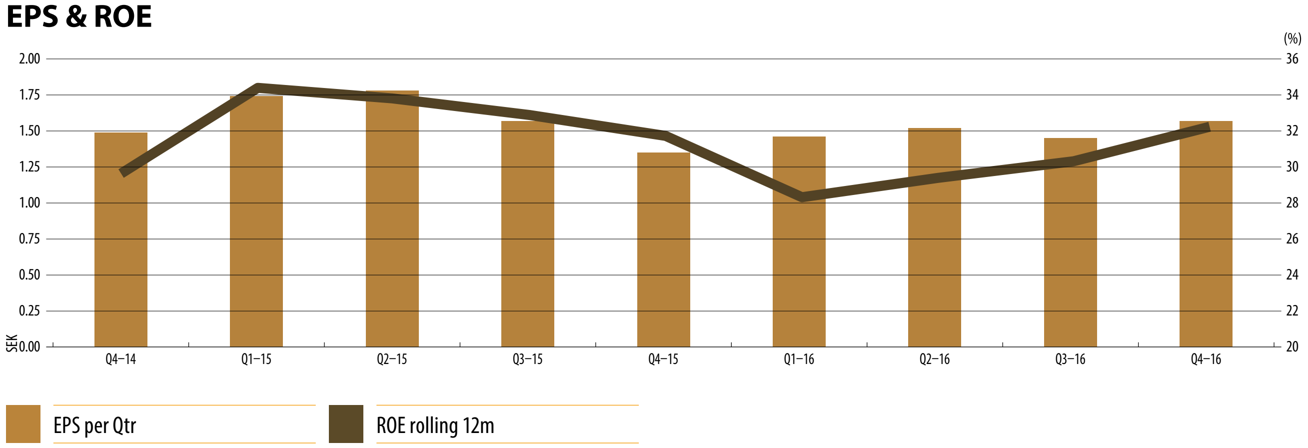
Sales & Book-to-Bill



Underlying EBIT & Margins



EPS & ROE



NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Change	Jan–Dec 2016	Jan–Dec 2015	Change
External net sales	234	253	–8%	988	1 205	–18%
Operating income before items affecting comparability	28	34	–18%	126	164	–23%
Operating income	49	30	63%	147	163	–10%
Operating margin before items affecting comparability, %	12.0	13.6	–1.6	12.8	13.6	–0.8
Operating margin, %	20.9	11.8	9.1	14.9	13.5	1.4
ROCE, %	38.4	44.0	–5.6	38.4	44.0	–5.6

Sales for the fourth quarter were down year-on-year by 12%, adjusting for the impact of currency (+4%). As a result, sales for the full year were down year-on-year by 16%, adjusting for the impact of currency (–2). North American demand for Class 8 heavy-duty trucks remained weak following the peak in the replacement cycle during 2015. Commodity prices continued to strengthen in the fourth quarter and, whilst it has not impacted our demand yet, there is some evidence of increased activity within raw material production areas. However, demand for construction equipment in North America has remained adversely affected by the macro economic uncertainty. Demand in South America remains very weak across all end sectors.

Underlying operating margins for the fourth quarter and the full year have fallen year-on-year, after adjusting restructuring expenses and pension related items affecting comparability. This is primarily due to the impact of the GKN operations acquired in Chivilcoy (Argentina), which continued to operate at a net loss under challenging market conditions.

Europe & RoW

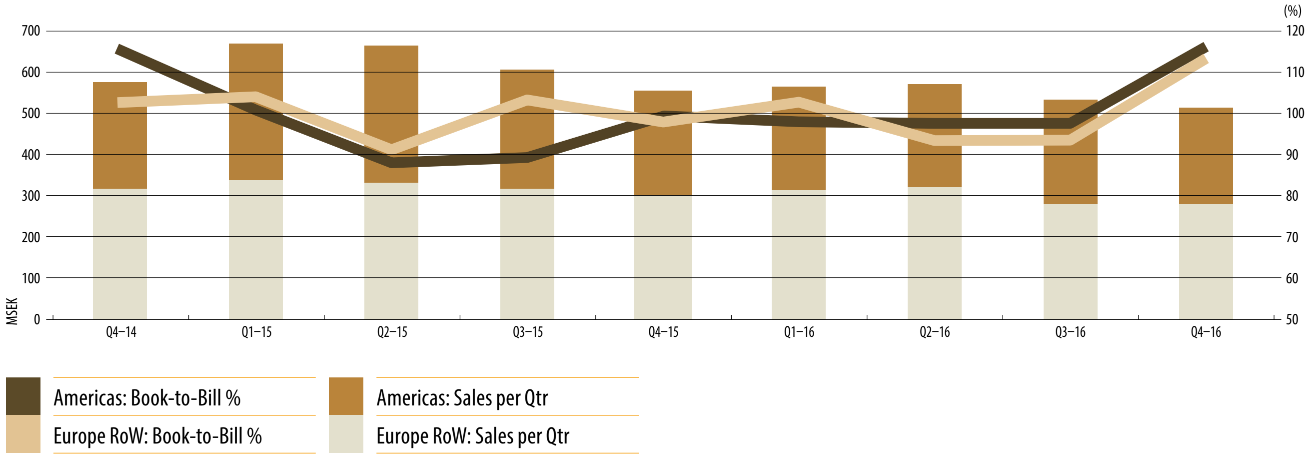
Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Change	Jan–Dec 2016	Jan–Dec 2015	Change
External net sales (including Alfdex)	281	301	–7%	1,199	1,292	–7%
Operating income before items affecting comparability	54	51	6%	214	222	–4%
Operating income	37	51	–27%	197	222	–11%
Operating margin before items affecting comparability, %	19.2	17.1	2.1	17.8	17.2	0.6
Operating margin, %	13.2	17.1	–3.9	16.4	17.2	–0.8
ROCE, %	23.6	22.9	0.7	23.6	22.9	0.7

Sales for the fourth quarter were down year-on-year by 4%, adjusting for the impact of currency (–3%). As a result, sales for the full year were down year-on-year by 4%, adjusting for the impact of currency (–3%). Commodity prices continued to strengthen in the fourth quarter and, whilst it has not impacted our demand yet, there is some evidence of increased activity within raw material production areas. However, construction equipment in Europe remained soft with the macro economic uncertainty. European truck sales softened during the second half of 2016 as the demand for trucks in Southern Europe was satisfied.

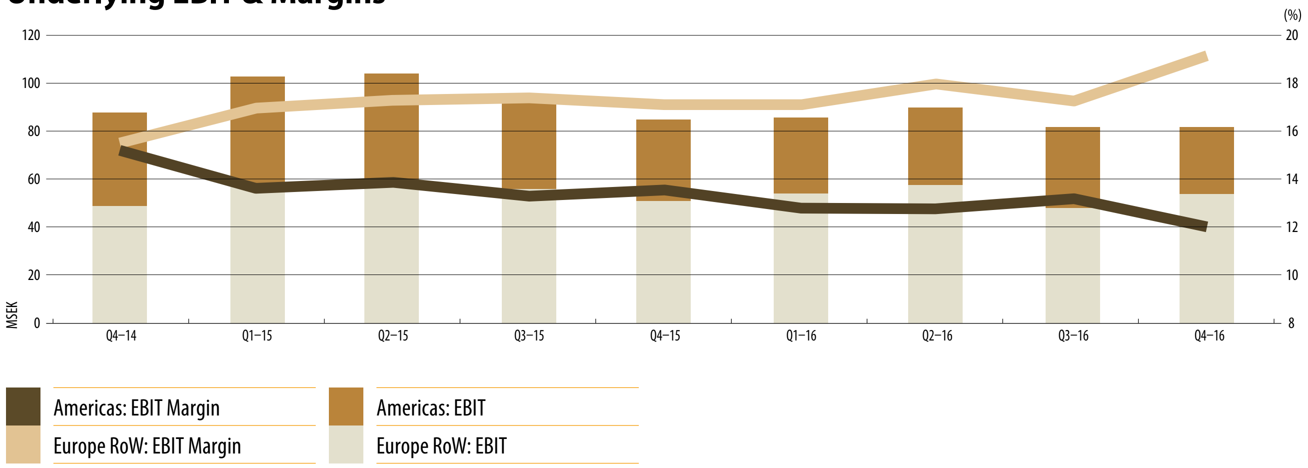
Demand for trucks in India and China has shown some signs of improvement during the full year but the off-highway sectors in these regions have remained weak.

Overall, the underlying operating margins for both the fourth quarter and the full year have improved year-on- year, after adjusting for restructuring expenses and other pension related items affecting comparability, in spite of the market head winds.

Sales & Book-to-Bill



Underlying EBIT & Margins



Concentric's sales for the full year remain broadly in line with published market indices.

North American end-markets

- Sales to our North American end markets remained down across the board in the fourth quarter, in line with the market indices.
- The worst affected end-market for Concentric continued to be Class 8 heavy-duty trucks, with end-customer demand down 20% and production down 30% year-on-year, following the peak in the replacement cycle during 2015 and a subsequent correction of inventory levels. This significant drop off in volumes also reflects Concentric's customer mix, as European OEMs have 'in-sourced' more of their engines for the North American market.

European end-markets

- Sales to our European end markets in the fourth quarter were also directionally in line with the market indices.
- European truck sales softened in the second half of 2016 as demand for trucks in Southern Europe was satisfied, with Concentric's sales down 6% year-on-year. Concentric's sales into the construction equipment and industrial applications end-markets remained slightly worse than the market indices suggest, especially for our hydraulic products.

Emerging end-markets

- Sales to our South American end markets were down across the board in the fourth quarter, in line with the market indices, although this region represents less than 3% of the group's total revenues.
- Total Indian sales were strong throughout 2016, in line with the latest published market indices, driven primarily by the increased demand for medium and heavy duty trucks. However, this region only represents around 4% of total revenues.
- Sales to our Chinese end markets were down across the board in the fourth quarter, in line with the market indices, although this region represents less than 2% of the group's total revenues.

Consolidated sales development

	Q4-16 vs Q4-15			FY-16 vs FY-15			FY-17 vs FY-16		
Concentric	Americas	Europe & RoW	Group	Americas	Europe & ROW	Group	Americas	Europe & RoW	Group
Market – weighted average[1]	–11%	–10%	**–11%**	–15%	–2%	**–8%**	0%	1%	**1%**
Actual – constant currency[2]	–12%	–4%	**–7%**	–16%	–4%	**–10%**			

[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 down 11% year-on-year for the fourth quarter and down 8% for the full year.

These indices are broadly in line with Concentric's actual sales, although Concentric has experienced lower volumes in North America, particularly for Class 8 heavy duty trucks.

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

		Q4-16 vs Q4-15					FY-16 vs FY-15					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	–7%	–28%	–20%	1%	–23%	–8%	–32%	–9%	–2%	–24%	2%	8%	3%	8%	1%
Construction equipment	Diesel engines	–16%	–39%	–22%	26%	0%	–18%	–42%	–18%	22%	2%	–3%	7%	3%	15%	1%
	Hydraulic equipment	–9%	n/a	–4%	n/a	n/a	–12%	n/a	1%	n/a	n/a	4%	n/a	3%	n/a	n/a
Trucks	Light vehicles	–1%	n/a	n/a	n/a	n/a	–3%	n/a	n/a	n/a	n/a	14%	n/a	n/a	n/a	n/a
	Medium & Heavy vehicles	–8%	–5%	–9%	13%	–20%	–15%	–19%	2%	10%	–2%	–2%	7%	–2%	11%	6%
Industrial applications	Other off-highway	–30%	–3%	–14%	6%	–9%	–34%	–5%	–7%	3%	–8%	–1%	5%	3%	6%	–4%
	Hydraulic lift trucks	–13%	n/a	–19%	n/a	n/a	–15%	n/a	–14%	n/a	n/a	–3%	n/a	3%	n/a	n/a

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

The market indices summarised in the table above reflect the Q4 2016 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

FINANCIAL POSITION

Operational cash flow
The reported cash inflow from operating activities for the fourth quarter amounted to MSEK 100 (127), which represents SEK 2.44 (3.06) per share. This takes the cash inflow from operating activities for the full year to MSEK 409 (366).

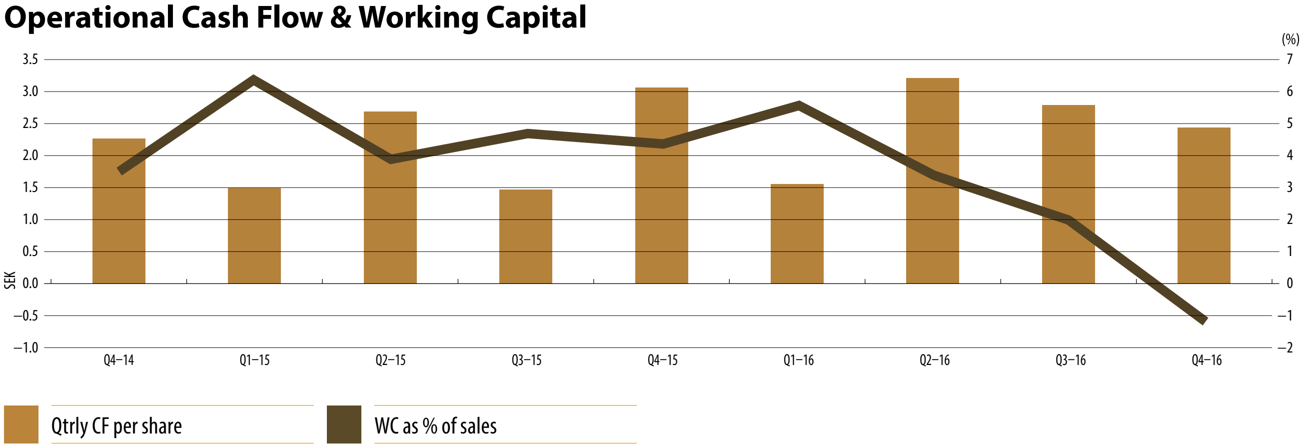
Working capital
Total working capital at 31 December was MSEK –22 (101), which represented –1.1% (4.4) of annual sales.

Net investments in fixed assets
The Group's net investments in tangible fixed assets amounted to MSEK 12 (25) for the full year.

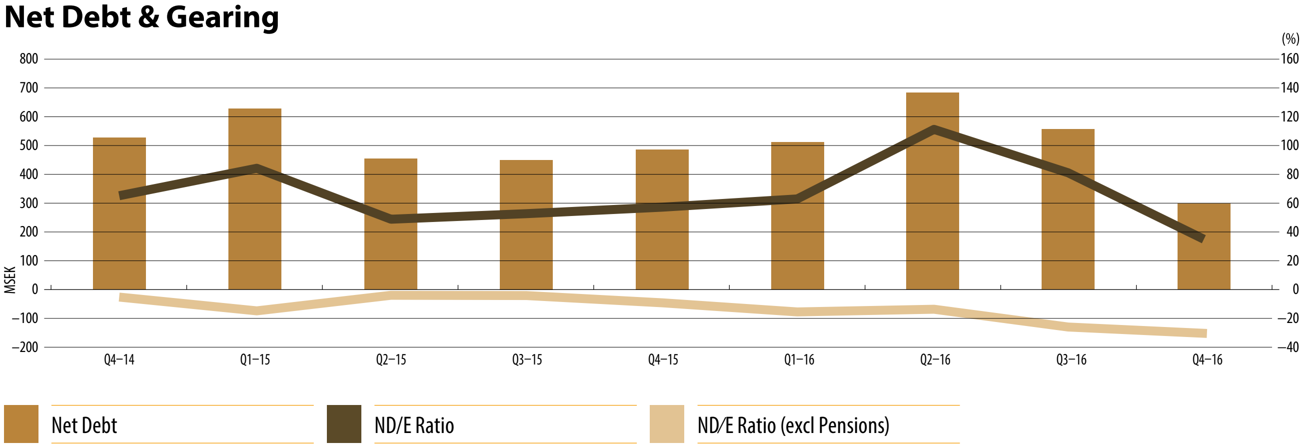
Net debt & gearing
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, net remeasurement gains of MSEK 155 (losses 99) have been recognised in net pension liabilities during the fourth quarter, largely related to movements in the respective discount and inflation rates applied. As a result, the cumulative remeasurement losses for the full year were MSEK 59 (gains 1).

Consequently, the Group's net debt at 31 December decreased to MSEK 300 (488), comprising bank loans and corporate bonds of MSEK 178 (182) and net pension liabilities of MSEK 560 (564), net of cash amounting to MSEK 438 (258). Shareholders' equity amounted to MSEK 857 (852), resulting in a gearing ratio of 35% (57) at the end of the fourth quarter.

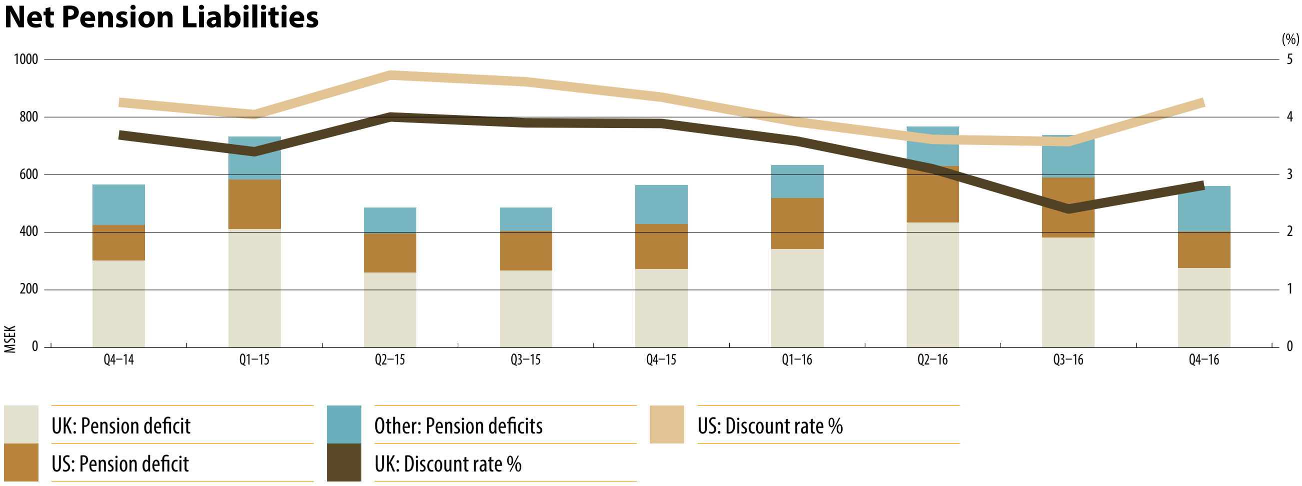
Operational Cash Flow & Working Capital



Net Debt & Gearing



Net Pension Liabilities



CBE SPOTLIGHT: SUSTAINABILITY IN EMERGING MARKETS

Both **Frank Lu** and **Rubén Fabbi** are fairly new to Concentric – Rubén joined in February 2015 when Concentric acquired his employer, and Frank was hired in April that same year. Despite the fact that they live and work many thousands of kilometres apart – Frank in China and Rubén in Argentina – they share very similar outlooks when it comes to sustainability.

Interview with Frank Lu, Managing Director at Concentric in Suzhou (China) and
Rubén Fabbi, Head of Operations, Engineering and Quality at Concentric in Chivilcoy (Argentina)

"Sustainability is a culture," **Rubén** says. "It includes many technical activities such as environmental audits but it is much wider – it is about our communities and their families, our customers, our employees and our shareholders. Of course productivity improvements are a crucial element of having a sustainable business, as are cost savings. It is also about having a learning culture, though, that continuously grows and evolves, as well as a strong focus on increasing profitable sales."


Frank Lu

"Yes," **Frank** agrees. "Sustainability and performance go hand in hand. Only a business that's performing well has a chance of being a sustainable business. Our commitment to our customers in terms of delivery, performance and quality ensures that they, in turn, can meet their commitments to their customers. This enables us to win more business and is helping to establish Concentric as a strategic partner for our customers."

Rising to new heights

To continuously improve performance, **Frank** tells us that he and his team in Suzhou have created a suite of key performance indicators which are regularly monitored. "And in Operations, we are concentrating on developing lean methods of working and adopting best practices to make sure our processes are as streamlined as possible. This helps to make our products more cost effective," **Frank** says. "The quicker we can achieve critical mass the better we will be able to meet our goals and improve our competitive position."

Frank says that keeping a close eye on performance enables him and his team to take swift action to ensure they deliver the product goals and meet agreed targets. He has a robust routine of daily, weekly and monthly meetings with his team, with Finance and with Group. These regular meetings keep each function on track for cost, quality, delivery and overall performance.

Similar activities are ongoing in Chivilcoy, **Rubén** says. He adds that he and his colleagues on the management team have also introduced local management training for newly appointed lead supervisors for Engineering, Quality and Production.


Rubén Fabbi

"In addition to that, we're running training sessions in health & safety and quality for a wide group of employees," he adds. "We're working to improve health and welfare more generally, with a process to improve internal communications and a programme to encourage employees to stop smoking. All of these activities have been put in place to make improvements today and enable a sustainable business for tomorrow."

Frank is also passionate about ensuring that Concentric offers a good work environment for employees. "Employee loyalty is so important," he says. "Employees in a business that is performing well tend to choose to stay with the business. In Suzhou we have well trained, engaged employees who know our products and are committed to good customer service. This strengthens our reputation with the customer for reliable supply which in turn results in repeat orders and will help fuel our growth."

Working sustainably in South America

Rubén describes Chivilcoy as a close-knit community with a heavy emphasis on agriculture. "Perhaps this helps to explain why our employees have such a passion to take care of our natural resources," he adds. "This includes our use of water, our disposal of effluents, our reduction in waste and our reuse of resources as well as recycling waste, where possible."

Rubén explains that prior to Concentric acquiring the business liquid waste – coolants and other effluents – was stored in underground storage tanks and metal barrels above ground. Both represented potential spillage and contamination risks. "But we've managed to both reduce the risks and the costs associated with liquid waste management by switching to stackable, above-ground plastic storage containers and a new, environmentally-certified collection and disposal service provider that is less costly than the previous contractor," he says. "Yes, there are environmental benefits to taking this action but that was not the driving reason. It was a normal, logical business decision that helps build our future."

Rubén is convinced that a culture of sustainability makes good business sense because it has benefits for all stakeholders. "In a small community like Chivilcoy, we can make a big impact," he says. "In their private lives, our employees are friends and they socialise together. Our professional standards of health, safety and welfare, for example, have a direct bearing on their immediate wellbeing. For our customers, our focus on quality, training and productivity reduces their risk. Our certifications reassure them that we are prepared, accredited to the correct standards and capable to deliver and maintain their supply chain."

Rubén explains that what is happening in Chivilcoy is not only important for the Argentinian market – the Chivilcoy business is, in fact, leading the development of Concentric in South America. "With our learning culture, we are adopting best practices from around the Group and other sources, and we're sharing our knowledge too. Our employees have lots of ideas that we are tapping into to make improvements. I'm convinced that this close teamwork and collaboration will help us build a sustainable future."

Growing environmental awareness in China

Frank reports that there is a clear trend toward rising environmental standards in China. In fact, he predicts that it won't be long before China's environmental standards will be on par with those of Europe and North America.

"It's still fair to say that China's commercial vehicle market, particularly the domestic market, is very cost driven," he explains. "Nonetheless, when I visit customers and attend conferences, it's obvious that the commitment to the environmental framework is becoming an important criteria for commercial suppliers."

He says that Chinese society is now paying much more attention to the environment. "You only have to take a look at the daily press to understand that air quality in cities like Beijing is an important consideration for many Chinese," Frank says. "This is why, for example, the commercial vehicle market is taking a much greater interest in promoting hybrid and electric buses. In the past emission standards have been at Euro II levels but from October 2017 any new commercial vehicles sold in China must comply with the Euro IV emission standards. Concentric products meet Euro V and Euro VI standards, so we make it easy for our customers to commit to environmental regulations."

Involving employees on the journey is fundamental to achieving growth goals, Frank stresses. He says that's why he takes the time to generate awareness about the KPIs, what they mean and their impact. He encourages each employee to be accountable and propose improvement actions.

"I'm optimistic about the future," Frank says. "We have serious products and sustainable technical designs. Our hydraulics business is well established and there is a growing opportunity for our engines business in China. The trend to reduce emissions only strengthens our position.

GROUP

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Net sales	473	504	2 004	2 306
Cost of goods sold	–334	–374	–1 429	–1 683
Gross income	**139**	**130**	**575**	**623**
Selling expenses	–24	–22	–71	–77
Administrative expenses	–32	–33	–145	–147
Product development expenses	–9	–12	–49	–50
Share of profit in joint venture, net of tax	1	–5	11	7
Other operating income and expenses	11	25	20	25
Operating income	**86**	**83**	**341**	**381**
Financial income and expense	–7	–7	–23	–18
Earnings before tax	**79**	**76**	**318**	**363**
Taxes	–15	–22	–72	–92
Net income for the period	**64**	**54**	**246**	**271**

Basic EPS, before items affecting comparability, SEK	1.51	1.35	5.95	6.48
Basic earnings per share, SEK	1.57	1.32	6.01	6.45
Diluted earnings per share, SEK	1.57	1.31	6.00	6.44
Basic weighted average number of shares (000)	40,633	41,495	40,924	42,058
Diluted weighted average number of shares (000)	40,704	41,549	40,973	42,119

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Net income for the period	**64**	**54**	**246**	**271**
Other comprehensive income				
Items that will not be reclassified to the income statement				
Net remeasurement gains and losses	155	-99	–59	1
Tax on net remeasurement gains and losses	–48	27	6	6
Items that may be reclassified subsequently to the income statement				
Exchange rate differences related to liabilities to foreign operations	–39	12	–51	–34
Tax arising from exchange rate differences related to liabilities to foreign operations	8	–3	11	7
Cash-flow hedging	–	1	4	–3
Tax arising from cash-flow hedging	–	–	–1	1
Foreign currency translation differences	52	–35	59	50
Total other comprehensive income	**128**	**–97**	**–31**	**28**
Total comprehensive income	**192**	**–43**	**215**	**299**

CONSOLIDATED BALANCE SHEET, IN SUMMARY

Amounts in MSEK	31 Dec 2016	31 Dec 2015
Goodwill	615	631
Other intangible fixed assets	262	306
Tangible fixed assets	150	187
Share of net assets in joint venture	19	20
Deferred tax assets	129	145
Long-term receivables	5	4
Total fixed assets	**1,180**	**1,293**
Inventories	172	201
Current receivables	246	254
Cash and cash equivalents	438	258
Total current assets	**856**	**713**
Total assets	**2,036**	**2,006**
Total Shareholders' equity	**857**	**852**
Pensions and similar obligations	560	564
Deferred tax liabilities	36	43
Long-term interest-bearing liabilities	177	178
Other long-term liabilities	11	10
Total long-term liabilities	**784**	**795**
Short-term interest-bearing liabilities	1	4
Other current liabilities	394	355
Total current liabilities	**395**	**359**
Total equity and liabilities	**2,036**	**2,006**

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 31 December the fair value of derivative instruments that were assets was MSEK 5 (0), 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	31 Dec 2016	31 Dec 2015
Opening balance	**852**	**811**
Net income for the period	246	271
Other comprehensive income	–31	28
Total comprehensive income	**215**	**299**
Dividend	–134	–127
Own share buy-backs	–85	–142
Selling of own shares to satisfy LTI-options exercised	7	8
Long-Term Incentive Plan	2	3
Closing balance	**857**	**852**

CONSOLIDATED CASH FLOW STATEMENT, IN SUMMARY

	Oct–Dec		Jan–Dec	
Amounts in MSEK	**2016**	**2015**	**2016**	**2015**
Earnings before tax	79	76	318	363
Reversal of depreciation, goodwill and fixed assets write—downs	29	23	88	74
Reversal of share of profit in joint venture	–1	5	–11	–7
Reversal of other non—cash items	–18	8	–2	27
Taxes paid	–19	–32	–42	–100
Cash flow from operating activities before changes in working capital	*70*	*80*	*351*	*357*
Change in working capital	30	47	58	9
Cash flow from operating activities	**100**	**127**	**409**	**366**
Investments in subsidiaries [1)]	–	–	–	–10
Net investments in property, plant and equipment	–6	–12	–12	–25
Cash flow from investing activities	**–6**	**–12**	**–12**	**–35**
Dividends paid	–	–	–134	–127
Dividends received from joint venture	2	–	12	12
Buy back of own shares	–25	–50	–85	–142
Selling of own shares to satisfy LTI—options exercised	–	–	7	8
New loans received	–	9	31	227
Repayment of loans	–	–15	–31	–240
Pension payments and other cash flows from financing activities	–	–19	–33	–48
Cash flow from financing activities	**–23**	**–75**	**–233**	**–310**
Cash flow for the period	**71**	**40**	**164**	**21**
Cash and bank assets, opening balance	357	224	258	235
Exchange rate differences in cash and bank assets	10	–6	16	2
Cash and bank assets, closing balance	**438**	**258**	**438**	**258**

1) The total net cash outflow relating to the investment in GKN Pumps of MSEK 10 comprised the cash purchase consideration of MSEK 20 plus acquisition-related expenses MSEK 2, less the cash balances acquired of MSEK 12.

GROUP NOTES

DATA PER SHARE

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Basic EPS, before items affecting comparability, SEK	1.51	1.35	5.95	6.48
Basic earnings per share, SEK	1.57	1.32	6.01	6.45
Diluted earnings per share, SEK	1.57	1.31	6.00	6.44
Equity per share, SEK	21.18	20.46	21.18	20.46
Cash-flow from current operations per share, SEK [1]	2.44	3.06	9.99	8.74
Basic weighted average no. of shares (000's)	40,633	41,495	40,924	42,058
Diluted weighted average no. of shares (000's)	40,704	41,549	40,973	42,119
Number of shares at period-end (000's)	40,482	41,180	40,482	41,180

KEY FIGURES

	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Sales growth, %	–6	–9	–13	7
Sales growth, constant currency, % [1]	–7	–16	–10	–8
EBITDA margin, %	24.1	21.0	21.4	19.7
Operating margin before items affecting comparability, %	17.4	16.9	16.8	16.6
Operating margin, %	18.2	16.4	17.0	16.5
Capital Employed, MSEK	1,083	1,254	1,083	1,254
ROCE before items affecting comparability, %	28.6	28.9	28.6	28.9
ROCE, %	28.9	28.8	28.9	28.8
ROE, %	32.2	31.7	32.2	31.7
Working Capital, MSEK	–22	101	–22	101
Working capital as a % of annual sales	–1.1	4.4	–1.1	4.4
Net Debt, MSEK	300	488	300	488
Gearing ratio, %	35	57	35	57
Net investments in PPE	6	12	12	25
R&D, %	2.0	2.6	2.4	2.2
Number of employees, average	977	1,062	1,011	1,088

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	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Net sales	473	504	2,004	2,306
Direct material costs	–228	–261	–983	–1,180
Personnel costs	–106	–107	–442	–478
Depreciation, goodwill and fixed asset write-downs	–28	–23	–88	–74
Share of profit in joint venture, net of tax	1	–5	11	7
Other operating costs, net	–26	–25	–161	–200
Operating income	**86**	**83**	**341**	**381**
Financial income and expenses	–7	–7	–23	–18
Earnings before tax	**79**	**76**	**318**	**363**
Taxes	–15	–22	–72	–92
Net income for the period	**64**	**54**	**246**	**271**

OTHER OPERATING INCOME AND EXPENSES

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Tooling income	2	2	6	12
Royalty income from joint venture	10	24	40	43
Amortisation of acquisition related surplus values	–9	–10	–36	–39
Negative Goodwill	–	–2	–	13
Acquisition-related expenses	–	–	–	–2
Restructuring cost	–26	–	–26	–12
Impairment of tangible assets	–9	–	–9	–
Curtailment gains, pensions	39	–	39	–
Other	4	11	6	10
Other operating income and expenses	**11**	**25**	**20**	**25**

QUARTERLY 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.

FOURTH QUARTER

	Oct–Dec							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total net sales	238	260	306	323	–71	-79	473	504
External net sales	234	253	281	301	–42	–50	473	504
Operating income before items affecting comparability	28	34	54	51	0	0	82	85
Operating income	49	30	37	51	0	2	86	83
Operating margin before items affecting comparability, %	12.0	13.6	19.2	17.1	n/a	n/a	17.4	16.9
Operating margin, %	20.9	11.8	13.2	17.1	n/a	n/a	18.2	16.4
Earnings before tax	49	30	37	51	–7	–5	79	76
Assets	598	625	1,243	1,316	195	65	2,036	2,006
Liabilities	307	299	657	633	215	222	1,179	1,154
Capital employed	343	401	824	868	–84	–15	1,083	1,254
ROCE before items affecting comparability, %	32.9	44.4	25.7	22.9	n/a	n/a	28.6	28.9
ROCE, %	38.4	44.0	23.6	22.9	n/a	n/a	28.9	28.8
Net investments in PPE	3	9	2	3	1	0	6	12
Depreciation, goodwill and fixed asset write-downs	7	8	22	15	–1	0	28	23
Number of employees, average	351	407	684	719	–58	–64	977	1,062

FULL YEAR SEGMENT REPORTING

	Jan–Dec							
	Americas		Europe & RoW		Elims/Adjs		Group	
Amounts in MSEK	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total net sales	1,009	1,231	1,288	1,398	–293	–323	2,004	2,306
External net sales	988	1,205	1,199	1,292	–183	–191	2,004	2,306
Operating income before items affecting comparability	126	164	214	222	–3	–4	337	382
Operating income	147	163	197	222	–3	–4	341	381
Operating margin before items affecting comparability, %	12.8	13.6	17.8	17.2	n/a	n/a	16.8	16.6
Operating margin, %	14.9	13.5	16.4	17.2	n/a	n/a	17.0	16.5
Earnings before tax	147	163	197	222	–26	–22	318	363
Assets	598	625	1,243	1,316	195	65	2,036	2,006
Liabilities	307	299	657	633	215	222	1,179	1,154
Capital employed	343	401	824	868	–84	–15	1,083	1,254
ROCE before items affecting comparability, %	32.9	44.4	25.7	22.9	n/a	n/a	28.6	28.9
ROCE, %	38.4	44.0	23.6	22.9	n/a	n/a	28.9	28.8
Net investments in PPE	4	13	8	12	0	0	12	25
Depreciation, goodwill and fixed asset write-downs	27	14	62	60	–1	0	88	74
Number of employees, average	375	407	696	741	–60	–60	1,011	1,088

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 fourth quarter was 59 (57) for the Group, with an average of 57 (54) working days for the Americas region and 61 (61) working days for the Europe & RoW region.

The weighted average number of working days in the full year was 247 (244) for the Group, with an average of 244 (240) working days for the Americas region and 250 (249) working days for the Europe & RoW region.

SALES BY PRODUCT GROUPS (including Alfdex)

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Concentric branded Engine products	259	287	1,080	1,271
LICOS branded Engine products	40	25	158	142
Alfdex branded Engine products	42	50	183	191
Total Engine products	341	362	1,421	1,604
Total Hydraulics products	181	192	766	893
Eliminations	–49	–50	–183	–191
Total Group	**473**	**504**	**2,004**	**2,306**

SALES BY GEOGRAPHIC LOCATION OF CUSTOMER

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
USA	214	232	918	1,110
Rest of North America	1	8	20	24
South America	8	12	53	72
Germany	74	73	325	355
UK	27	37	123	167
Sweden	27	24	101	105
Rest of Europe	90	91	335	339
Asia	30	26	124	129
Other	2	1	5	5
Total Group	**473**	**504**	**2,004**	**2,306**

Employees

The average number of full-time equivalents employed by the group during the fourth quarter and the full year was 977 (1,062) and 1,011 (1,088) respectively.

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 all presented in the 2015 Annual Report on pages 8–11 and pages 18–41.

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 2015 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during the year. Please refer to the Risk and Risk Management section on pages 51–54 of the 2015 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 2015 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.

PARENT COMPANY

Net sales and Operating income

Net sales for the period largely reflected the royalty income received from the joint venture, Alfdex AB. Operating income for the full year improved due to the total remuneration received for services rendered. The company also received a dividend of MSEK 12 (12) in the full year from their 50% ownership in Alfdex AB.

Dividends

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's earnings and strong financial position, the Board of Directors intend to propose to the shareholders at the forthcoming Annual General Meeting a total dividend of SEK 3.50 (3.25) per share in respect of the 2016 financial year. This corresponds to an ordinary dividend of SEK 2.00 (2.25) which equates to 33% (35) of the reported basic earnings per share, plus an additional dividend of SEK 1.50 (1.00) associated with the Group's strong financial position.

Buy-back and Holdings of Own Shares

The total number of holdings of own shares at 1 January 2016 was 1,672,396 and the company did not repurchase any shares during the first quarter of 2016.

On 6 April 2016, the AGM resolved to retire 1,281,900 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 41,570,600 (42,852,500) and the share capital being increased by SEK 29. In addition, the AGM resolved to authorise the Board of Directors, during the period up to the next AGM in 2017, 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, 115,360 (157,760) 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 2016 Annual General Meeting, the company has purchased 228,881 (482,703) ordinary shares for a total consideration of MSEK 25 (50) during the fourth quarter, taking the total own share buybacks to 813,480 (1,369,315) ordinary shares for a total consideration of MSEK 85 (142) for the full year. Consequently the company's total holdings of own shares at the end of the fourth quarter was 1,088,616 (1,672,396), which represented 2.6% (3.9) of the total number of shares in issue of 41,570,600 (42,852,500).

The Board of Directors intend to propose to the shareholders at the forthcoming Annual General Meeting to renew the current mandate for share buybacks.

PARENT COMPANY'S INCOME STATEMENT, IN SUMMARY

	Oct–Dec		Jan–Dec	
Amounts in MSEK	**2016**	**2015**	**2016**	**2015**
Net sales	14	26	43	45
Other operating income	–	–	21	–
Operating costs	–9	–4	–20	–20
Operating income	**5**	**22**	**44**	**25**
Income from shares in subsidiaries	132	–	132	116
Income from shares in joint venture	–	–	12	12
Net foreign exchange rate differences	–40	13	–52	–34
Other financial income and expense	–2	–2	–4	–3
Earnings before tax	**95**	**33**	**132**	**116**
Taxes	6	–7	1	3
Net income for the period [1)]	**101**	**26**	**133**	**119**

[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	31 Dec 2016	31 Dec 2015
Shares in subsidiaries	2,433	2,414
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	8	29
Deferred tax assets	24	23
Total financial fixed assets	**2,475**	**2,476**
Other current receivables	3	3
Short-term receivables from subsidiaries	80	80
Cash and cash equivalents	249	103
Total current assets	**332**	**186**
Total assets	**2,807**	**2,662**
Total Shareholders' equity	**1,227**	**1,306**
Pensions and similar obligations	18	17
Long-term interest-bearing liabilities	175	175
Long-term loans payable to subsidiaries	1,362	1,136
Total long-term liabilities	**1,555**	**1,328**
Short-term loans payable to joint ventures	1	–
Short-term loans payable to subsidiaries	18	19
Other current liabilities	6	9
Total current liabilities	**25**	**28**
Total equity and liabilities	**2,807**	**2,662**

PARENT COMPANY'S CHANGES IN SHAREHOLDERS' EQUITY, IN SUMMARY

Amounts in MSEK	31 Dec 2016	31 Dec 2015
Opening balance	**1,306**	**1,448**
Net income for the period	133	119
Dividend	–134	–127
Selling of own shares to satisfy LTI-options exercised	7	8
Buy-back of own shares	–85	–142
Closing balance	**1,227**	**1,306**

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 9 February, 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

Annual Report January – December 2016	*9 March, 2017*
Annual General Meeting 2017	*30 March, 2017*
Interim report January – March 2017	*3 May, 2017*
Interim report January – June 2017	*21 July, 2017*

Stockholm, 9 February, 2017
Concentric AB (publ)

David Woolley
President and CEO

For further information, please contact:

David Woolley (President and CEO) or
David Bessant (CFO) at
Tel: +44 (0) 121 445 6545 or
E-mail: info@concentricab.com

Corporate Registration Number 556828-4995
This Interim Report has not been audited.

ALTERNATIVE PERFORMANCE MEASURES

Amounts in MSEK	Oct–Dec 2016	Oct–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
EBIT or Operating income	**86**	**83**	**341**	**381**
Negative goodwill related to the acquisition of GKN Pumps [1]	–	2	–	–13
Restructuring costs and acquisition related expenses	26	–	26	14
Impairment of tangible assets	9	–	9	–
Curtailment gains, pensions	–39	–	–39	–
Underlying EBIT or Operating income	**82**	**85**	**337**	**382**
EBIT or Operating margin (%)	18.2	16.4	17.0	16.5
Underlying EBIT or Operating margin (%)	17.4	16.9	16.8	16.6

[1] Negative goodwill had no tax related entries.

Underlying EBIT or Operating margin has been chosen as a measure as this is a better reflection of the underlying performance of the business.

GRAPH DATA SUMMARY

	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015	Q4/2014
Americas									
Sales. MSEK	233	253	252	250	253	288	333	331	258
Book-to-Bill %	116	98	98	98	99	89	88	101	116
EBIT before items affecting comparability, MSEK	28	33	32	32	34	39	46	45	39
EBIT margin before items affecting comparability, %	12.0	13.2	12.8	12.8	13.6	13.3	13.9	13.6	15.2
Europe & RoW									
Sales (including Alfdex), MSEK	281	281	321	315	301	318	334	339	317
Book-to-Bill %	114	94	94	103	98	103	91	104	103
EBIT before items affecting comparability, MSEK	54	49	58	54	51	56	58	58	49
EBIT margin before items affecting comparability, %	19.2	17.3	18.0	17.1	17.1	17.4	17.3	17.0	15.5
Alfdex eliminations									
Sales, MSEK	–41	–43	–51	–47	–50	–47	–47	–47	–40
EBIT before items affecting comparability, MSEK	0	–1	–1	–1	0	–2	–2	–1	–2
Group									
Sales (excluding Alfdex), MSEK	473	491	522	518	504	559	620	623	535
Book-to-Bill %	115	93	95	100	108	100	100	101	108
EBIT before items affecting comparability, MSEK	82	81	88	85	85	93	102	102	86
EBIT margin before items affecting comparability, %	17.4	16.5	17.0	16.5	16.6	16.6	16.5	16.3	16.1
Basic EPS, SEK	1.57	1.45	1.52	1.46	1.35	1.57	1.78	1.75	1.49
ROE, %	32	30	29	28	32	33	34	34	30
Cash flow from operating activities per share, SEK	2.44	2.79	3.21	1.55	3.06	1.47	2.69	1.49	2.27
WC as % of annualised sales	–1.2	2.0	3.4	5.6	4.4	4.7	3.9	6.4	3.5
Net Debt, MSEK	300	559	686	513	488	451	455	630	528
ND/E Ratio, %	35	81	112	63	57	53	49	84	65
ND/E Ratio (excl Pensions), %	–30	–26	–13	–15	–9	–4	–4	–14	–5

Glossary & Definitions

Americas	Americas operating segment comprising the Group's operations in the USA and South America
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
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
Drop-through rate	Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales
EBIT or Operating income	Earnings before interest and tax
EBIT or Operating margin	Operating income as a percentage of net sales
EPS	Earnings per share, net income divided by the average number of shares
Europe & RoW	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
Gearing ratio	Ratio of net debt to shareholders' equity
Gross margin	Net sales less cost of goods sold, as a percentage of net sales
Net debt	Total interest-bearing liabilities less liquid finds
Net investments	Fixed asset additions net of fixed asset disposals and retirements
PPE	Property, Plant and Equipment
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	Research and development expenditure
ROCE	Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over a rolling 12 months
ROE	Return on equity; net income as a percentage of the average shareholders' equity over a rolling 12 months
Sales growth, constant currency	Growth rate based on sales restated at prior year foreign exchange rates
Structural growth	Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts
"Underlying" or "before items affecting comparability"	Adjusted for restructuring costs and other specific items (including the taxation effects thereon, as appropriate)
Working capital	Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities

Design and production: Infobahnsthlm.se

www.concentricab.com