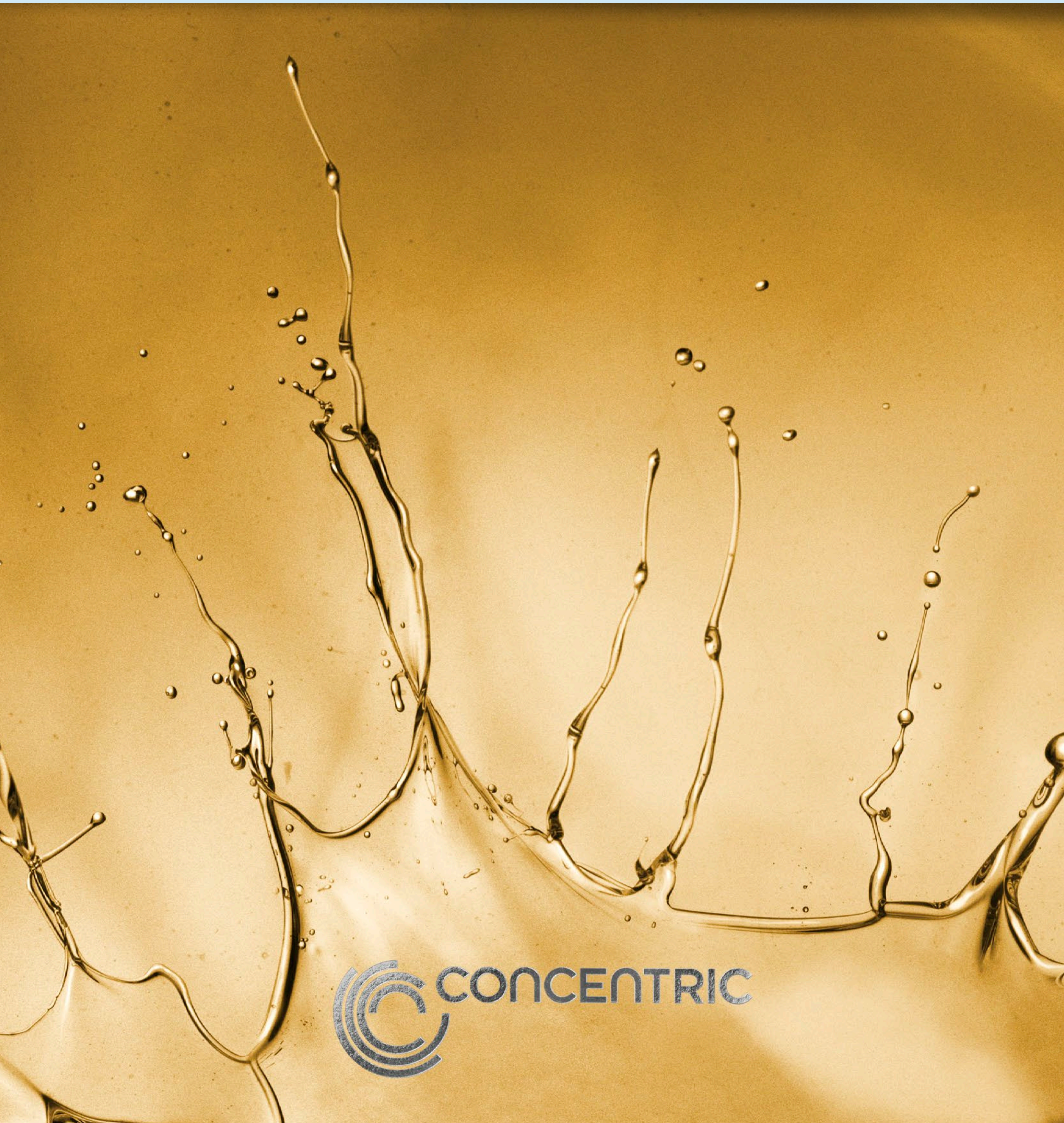
INTERIM REPORT Q4/2018



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FINANCIAL RESULTS IN BRIEF
GROUP

FOURTH QUARTER

Net sales
MSEK 582 (503) – up 11% y-o-y, after adjusting for currency (+5%).

Operating income
MSEK 140 (108), generating an operating margin of 24.1% (21.4). Underlying operating margin was 24.8% (19.6), adjusting for end of customer contract terms and pension related items affecting comparability.

Earnings after tax
MSEK 115 (82); basic EPS of SEK 2.95 (2.08).

Strong cash flow generated from operating activities
MSEK 136 (132) driven by 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 4.25 (3.75) per share and to renew the current mandate for share buybacks.

FULL YEAR

Net sales
MSEK 2,410 (2,104) – up 12% y-o-y, after adjusting for currency (+3%).

Operating income
MSEK 529 (404), generating an operating margin of 21.9% (19.2). Underlying operating margin was 22.1% (18.7), adjusting for end of customer contract terms and pension related items affecting comparability.

Earnings after tax
MSEK 405 (303); basic EPS of SEK 10.30 (7.54).

Strong cash flow generated from operating activities
MSEK 554 (360) driven by management of working capital.

Group's net debt
MSEK 12 (185); gearing ratio of 1% (21).

Key figures – Group[1)]

	Oct–Dec			Jan–Dec		
Amounts in MSEK	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Net sales	582	503	16%	2,410	2,104	15%
Operating income before items affecting comparability	136	99	38%	525	395	33%
Operating income	140	108	30%	529	404	31%
Earnings before tax	145	103	41%	515	391	32%
Net income for the period	115	82	40%	405	303	34%
Cash flow from operating activities	136	132	3%	554	360	54%
Net debt [2)]	12	185	–94%	12	185	–94%
Operating margin before items affecting comparability, %	24.8	19.6	5.2	22.1	18.7	3.4
Operating margin, %	24.1	21.4	2.7	21.9	19.2	2.7
Basic earnings per share, before items affecting comparability, SEK	2.86	1.92	0.94	10.22	7.39	2.83
Basic earnings per share, SEK	2.95	2.08	0.87	10.30	7.54	2.76
Return on equity, %	41.6	37.0	4.6	41.6	37.0	4.6
Gearing ratio, %	1	21	–20	1	21	–20

1) For additional information see pages 34–35 and 37.
2) For additional information see page 16

» Our markets, particularly in North America and Europe, have grown year-on-year and our full year Group sales were 5% ahead of the published market indices «

President and CEO, David Woolley, comments on Q4 2018 interim report.

Sales development

Group sales for the fourth quarter were up year-on-year by 11% in constant currency and were well ahead of the published market indices. The continued strong demand is evident in both of our core regions, North America and Europe, as well as in all four sectors we serve, most notably truck and equipment for construction and agriculture. Comparing full year 2018 against 2017, our group sales were up by 12% in constant currency, exceeding the published indices by 5 percentage points.

The largest end sector for Concentric continued to be trucks, representing 45% of the group's sales, concentrated primarily in North America and Europe. The North American economy in particular, is driving the strong year-on-year growth in the medium- and heavy-duty truck market. In the same sector, European demand showed steady growth but not to the extent experienced in 2017. The end sectors of Construction Equipment and Agricultural Machinery also showed improvement in all geographical areas whilst Industrial Applications experienced steady year-on-year growth, principally in North America, Europe and India.

In particular India has been a strong market in 2018 as the economy has continued to grow aided by stable government policies and continued infrastructure investment. Concentric has seen strengthening in all four-end market applications, but this has been particularly strong in the medium- and heavy-duty Truck and construction equipment sectors.

Addressing increased demand through Concentric Business Excellence

The culture within Concentric to achieve continuous improvement is firmly embedded. The key driver is to achieve absolute satisfaction of our customers and employees. The Concentric Business Excellence programme ("CBE") has enabled the teams to efficiently increase our capacity and output across the globe to meet the growing demand.

The CBE-programme has continued to improve the group's profitability and the reported operating margin for the fourth quarter and the full year increased to 24.1% (21.4) and 21.9% (19.2) respectively. The year-on-year operating income drop through for the fourth quarter and the full year was just over 40%.

Following the decision by a global customer to dual source components there has been a gain in the fourth quarter associated with end of contract terms, which amounts to MSEK 29. However, there have also been pension costs of MSEK 25 following a recent ruling in the British courts equalising historical pension benefits between men and women. The net gain from these items is MSEK 4 and the underlying operating margin before items affecting comparability is 22.1% (18.7) for the full year.

Acquisition Opportunities

We are continuously investigating potential acquisitions that will offer either geographical expansion, product expansion into the growing electrification market or enabling technologies that will enhance our current engine and hydraulic product lines to provide us with an even greater position alongside our global customers.

China 'Blue Sky' Opportunity

The Chinese air quality improvement plan covers many emission sources, where heavy-duty trucks are one important subset. The China-6 legislation is similar to Euro VI and will become effective in China's largest cities as of July 1, 2019 and this is ultimately expected to result in the replacement of one million heavy-duty trucks.

Globally, the Alfdex-separator is the most widely used solution

for active cleaning of crankcase gases in truck engines and has the potential to be a critical component in achieving China-6 regulations. It was launched in 2004 and has been selected by most truck manufactures in North America, Europe and Japan.

Alfdex has recently received its first orders from OEM's in China, whereof one is from Weichai, which is the largest engine manufacturer in China, who also manufactures heavy trucks. This represents a significant breakthrough into the China medium- and heavy-duty truck market. The order is exciting as Weichai is one of the major players and technology leaders in the Chinese truck market.

Outlook

The overall published market indices blended to Concentric's mix of end market applications and locations has grown year-on-year by 7%. The seasonality effect makes it difficult to assess whether the market has reached a sustained high, particularly the truck market in North America and Europe, but the fourth quarter's published market data shows there has been further growth in our core markets, albeit at a slower rate than previously experienced this year.

The sales order bank remains strong. Orders received in the fourth quarter indicate that sales in the first quarter 2019, will remain at a similar level after adjusting for more working days. The first quarter's sales will also be affected by the previously announced decision by a global customer to dual source components.

As we look further into the coming year, the emerging markets offer strong growth potential in the construction equipment and agricultural machinery sectors but their medium- and heavy-duty truck sectors could see negative growth. The North America and European markets are expected to offer flat to single digit growth as the markets hold at current levels.

We have a great team in place that are highly motivated and look forward to the opportunities and challenges of 2019. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.


Concent
David Woolley
Presentation to Board

KEY EVENTS IN 2018/2019

25 April 2018

Concentric AB Secures order for new electric coolant pump technology.

Concentric AB has recently received an order from a global truck and bus OEM, to produce electric coolant pumps for a new range of electric vehicles. This is the third nominated application for the Concentric electric pump technology, in this case relating to an electrically driven water pump that controls the temperature of the vehicle's battery pack.

Concentric's electric coolant pump offers system power savings through its variable pressure and speed control capability with the additional benefits of low noise. The modular motor and controller solution can be used in conjunction with oil, coolant and fuel pumps.

A key benefit of the Concentric electric pump is the fact that it utilises a wet rotor concept. This removes the potential failure mode of a dynamic seal and is one of the key enablers to meet the demanding service life requirements.

The Concentric electric coolant pump utilises a high efficiency permanent magnet electric motor matched to a pump with superior hydraulic performance.

The new electric coolant pump product has an intelligent communication interface to control pressure and flow on demand. This significantly reduces system losses compared to traditional mechanical drive systems, ensuring optimum performance.

Paul Shepherd, Head of Engine Products Engineering and Development of Concentric AB commented: "This is the third major nomination for Concentric's new electric pump technology and another significant breakthrough in the fast growing Electromobility area."

Concentric's range of electric coolant pumps have a modular design that 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.

Concentric's "Modular" design strategy is ideally suited for a wide range of applications in the fast growing Electromobility area.

28 January 2019

Concentric's joint-venture Alfdex wins important order in China.

Alfdex AB, a 50/50 joint venture between Alfa Laval and Concentric, today announces that it will expand its manufacturing unit in China during the first half of 2019 to capture the demand driven by the Chinese action plan to improve their air quality, called the "Blue Sky Action Plan".

The Chinese air quality plan covers many emission sources, where heavy duty trucks is one important subset. The China-6 regulation will be effective in China's largest cities as of July 1, 2019 and this is expected to result in the replacement of one million heavy duty trucks.

The Alfdex-separator is the most widely used solution for active cleaning of crankcase gases in truck engines. It was launched in 2004 and has been selected by most truck manufactures in North America, Europe and Japan. During the last twelve months almost 700,000 Alfdex-separator units have been sold. The expansion of the manufacturing unit in China means that the total capacity will nearly double. Alfdex has also received its first orders in China whereof one is from Weichai, which is the largest engine manufacturer in China who also manufactures heavy trucks.

"This represents a significant breakthrough into the China medium and heavy duty truck market," says David Woolley, President and CEO of Concentric. "The Alfdex oil mist separator continues to be one of the leading technologies used to meet the world's most exacting emissions standards. The order from Weichai is exciting as they are one of the major players and technology leaders in the Chinese truck market."

Alfdex oil mist separator.

FINANCIAL SUMMARY GROUP

Key figures – Group[1)]

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Oct–Dec Change	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec Change
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Operating income before items affecting comparability	136	99	38%	525	395	33%
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Operating margin before items affecting comparability, %	24.8	19.6	5.2	22.1	18.7	3.4
Operating margin, %	24.1	21.4	2.7	21.9	19.2	2.7
Return on capital employed, %	51.3	38.0	13.3	51.3	38.0	13.3
Return on equity, %	41.6	37.0	4.6	41.6	37.0	4.6
Basic earnings per share, before items affecting comparability, SEK	2.86	1.92	0.94	10.22	7.39	2.83
Basic earnings per share, SEK	2.95	2.08	0.87	10.30	7.54	2.76
Diluted earnings per share, SEK	2.94	2.07	0.87	10.27	7.52	2.75

[1)] For additional information see pages 34–35 and 37.

Sales

Sales for the fourth quarter were up year-on-year by 11%, adjusting for the impact of currency (+5%). As a result, sales for the full year were up year on year by 12%, adjusting for the impact of currency (+3%). The increased activity levels in the fourth quarter and the full year reflect the strong demand experienced across our core regions of North America and Europe. The largest year-on-year improvements was achieved in medium- and heavy-duty truck markets in North America. Europe continued to show steady growth and demand in our emerging markets remains strong in the fourth quarter.

Operating income

The underlying operating margin for the fourth quarter was 24.8% (19.6), after releasing MSEK 10 of warranty provisions, and the reported operating margin was 24.1% (21.4). The strong profit drop through, achieved on the increased sales and a good product mix, primarily drove the improvement in the reported operating margins for the fourth quarter and the full year. Also, following the decision by a global customer to dual source components there has been a gain in the fourth quarter associated with end of contract terms, which amounts to MSEK 29m. However, there have also been pension costs of MSEK 25 following a recent ruling in the British courts equalising historical pension benefits between men and women. The net gain from these items is MSEK 4 and the underlying full year operating margin before items affecting comparability is 22.1% (18.7).

Net financial items

Net financial expenses in the fourth quarter comprised of pension financial income of MSEK 1 (expenses 3) and other net interest income of MSEK 4 (expenses 2). Accordingly, net financial expenses in the full year comprised of pension financial expenses of MSEK 13 (16) and other net interest expenses of MSEK 1 (income 3).

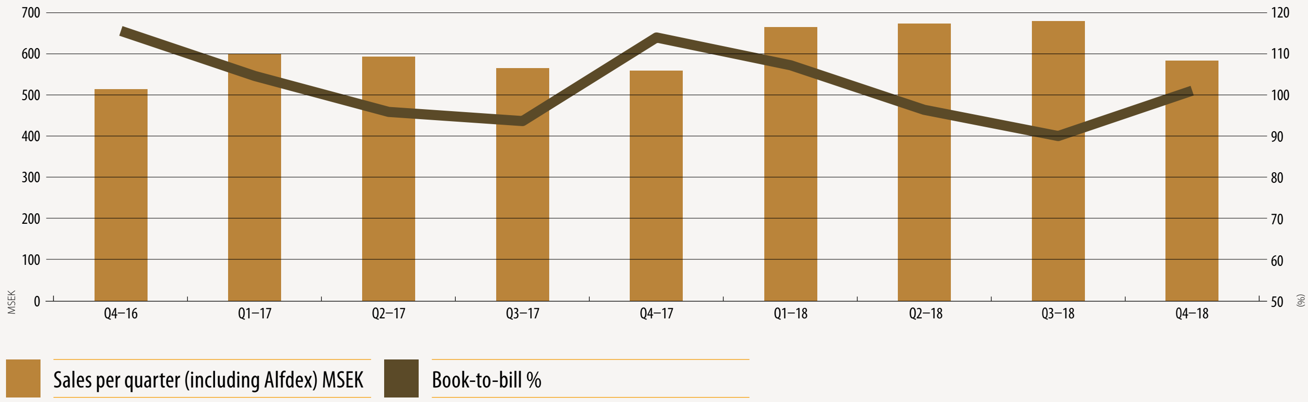
Taxes

The underlying effective tax rate for the fourth quarter and the full year was 21% (22) and 21% (23) respectively. These rates largely reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

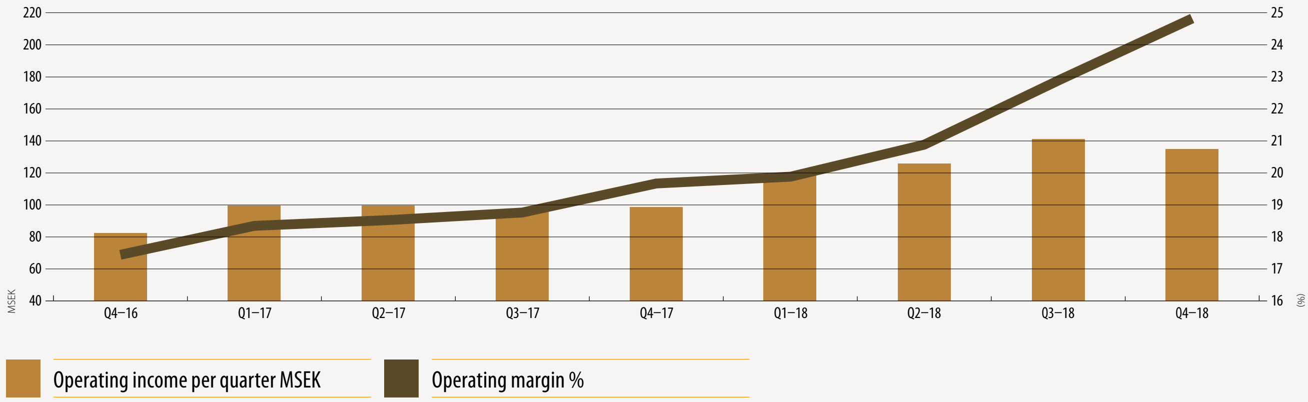
Earnings per share

The basic earnings per share for the full year was SEK 10.30 (7.54), up SEK 2.76 per share.

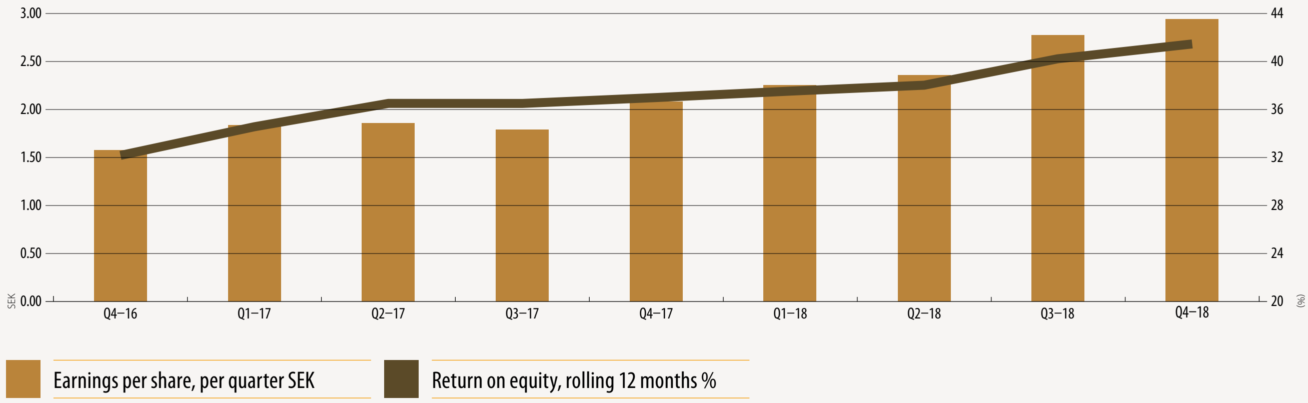
Sales & Book-to-bill



Underlying Operating income & margins



Earnings per share & Return on equity



NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Oct–Dec Change	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec Change
External net sales	296	258	15%	1,184	1,054	12%
Operating income before items affecting comparability	48	40	20%	185	155	19%
Operating income	78	40	95%	215	155	39%
Operating margin before items affecting comparability, %	18.0	15.4	2.6	15.8	14.7	1.2
Operating margin, %	26.3	15.7	10.6	18.1	14.7	3.4
Return on capital employed, %	75.9	47.7	28.2	75.9	47.7	28.2

Sales for the fourth quarter were up year-on-year by 10%, after adjusting for the impact of currency (+5%). As a result, sales for the full year were up 13% adjusting for the impact currency (–1%). Diesel engine product sales in our North American end-markets were up year-on-year, linked to the increased demand for medium- and heavy duty trucks. Sales of hydraulic products also showed strong year-on-year growth driven by increased demand in the truck market, agricultural machinery and construction equipment sectors.

Demand in South America continued to show signs of improvement across all end market applications.

The operating margin before items affecting comparability was 18.0% (15.4) in the fourth quarter and 15.8% (14.7) for the full year. The year-on-year improvement in operating margins has not been as strong in the Americas as Europe & ROW primarily because of warranty provisions made earlier this year, reported and discussed in previous interim reports.

Europe & RoW

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Oct–Dec Change	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec Change
External net sales	345	301	15%	1,477	1,263	17%
Operating income before items affecting comparability	81	57	42%	336	242	39%
Operating income	57	65	–12%	312	250	25%
Operating margin before items affecting comparability, %	23.5	19.0	4.5	22.8	19.1	3.6
Operating margin, %	16.3	21.7	–5.3	21.1	19.8	1.3
Return on capital employed, %	41.7	33.9	7.8	41.7	33.9	7.8

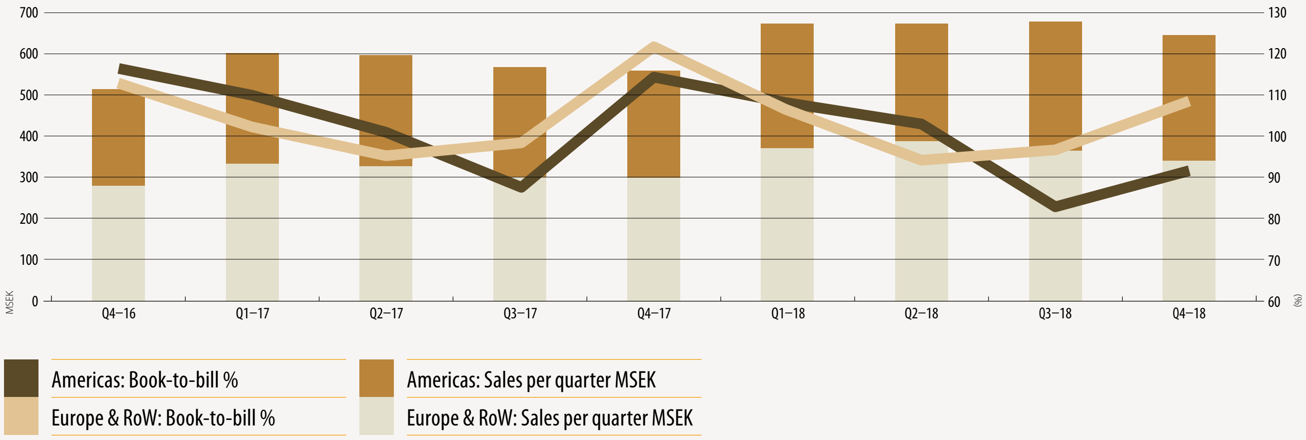
Sales for the fourth quarter were up year-on-year by 11%, after adjusting for the impact of currency (+4%). Sales for the full year were up year-on-year by 12% and after adjusting for the impact of currency (+5%).

Sales growth remained steady in Europe during the fourth quarter with increases in activity across three of our four end-market applications. Growth has been particularly strong in the agricultural machinery and construction equipment markets for the full year.

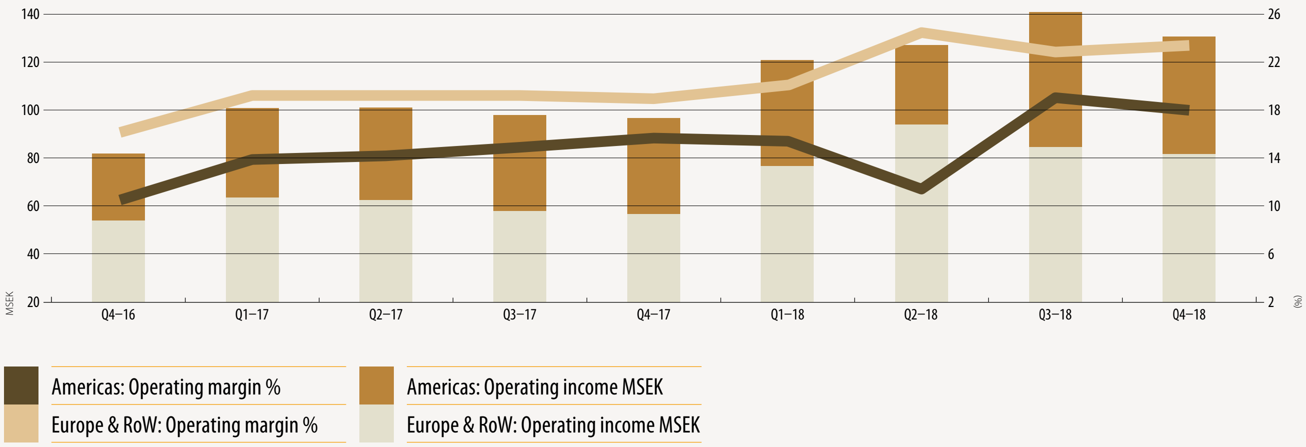
Demand in our India off-highway end-markets continues to remain strong under the new Government economic initiatives to stimulate investment.

CBE has enabled us to seamlessly increase our capacity and output across the region to meet the growing demands within our end markets and so maximise our operational and financial results.

Sales & Book-to-bill



Underlying Operating income & margins



MARKET DEVELOPMENT

Concentric's sales for the fourth quarter and the full year were well 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 in the fourth quarter, linked to increased demand for medium- and heavy duty trucks, agricultural machinery and construction equipment.
- The positive development of our hydraulic product sales also continued during the fourth quarter across all end-markets and particularly strongly in trucks and agricultural machinery markets.
- Overall, sales growth in constant currency for the full year was well ahead of the latest published market indices.

South America

- Sales to our South American end-markets remained strong in the fourth quarter, driven primarily by strong demand for engine products in medium- and heavy duty trucks and the agricultural machinery sector.

Europe & RoW end-markets

Europe

- Sales of diesel engines to our European end-markets remained strong and the growth for the full year was well ahead of the published market indices, particularly in the off-highway end-markets.
- Hydraulic sales performance remained steady in the fourth quarter.
- Overall, sales growth in constant currency for the full year was well ahead of the latest published market indices.

Rest of the world

- Sales to our Indian end-market applications were strong across the board for the full year, with all of our four end application markets, achieving double digit growth.
- Despite the mixed market conditions in China, Concentric's sales increased for the full year.
- Overall, the Rest of the world still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q4-18 vs Q4-17			FY-18 vs FY-17			FY-19 vs FY-18		
Concentric	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**
Market – weighted average[1]	2%	3%	**3%**	8%	6%	**7%**	3%	3%	**3%**
Actual – constant currency[2]	10%	11%	**11%**	13%	12%	**12%**			

[1] Based on latest market indices blended to Concentric's mix of end-markets and locations.
[2] Based on actual sales in constant currency, including Alfdex.

Overall, market indices suggest production rates, blended to the Group's end-markets and regions, were up year-on-year 7% for the full year. Concentric's actual sales for the full year were well ahead of these indices. Whilst the fourth quarter reported growth in both America and Europe & RoW, the market growth was less than the growth experienced in previous quarters in 2018, as the market appears to be reaching a sustained peak.

The current published forecast market indices for 2019 show the North American and European markets will continue to grow at single digit levels, whilst the emerging markets of India and South America offer strong growth potential in the off-highway sectors and the risk of negative growth in the truck market.

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

		Q4-18 vs Q4-17					FY-18 vs FY-17					FY-19 vs FY-18				
		North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agricultural machinery	Diesel engines	–2%	–2%	5%	7%	–12%	5%	13%	3%	17%	–11%	2%	12%	2%	10%	–2%
Construction equipment	Diesel engines	6%	1%	8%	7%	12%	5%	16%	6%	15%	13%	2%	10%	3%	13%	4%
	Hydraulic equipment	12%	n/a	–3%	n/a	n/a	14%	n/a	1%	n/a	n/a	13%	n/a	12%	n/a	n/a
Trucks	Light vehicles	–23%	n/a	n/a	n/a	n/a	–9%	n/a	n/a	n/a	n/a	5%	n/a	n/a	n/a	n/a
	Medium & Heavy vehicles	7%	26%	1%	13%	–8%	21%	45%	4%	30%	–7%	4%	–8%	1%	–2%	–11%
Industrial applications	Other off-highway	–1%	–5%	9%	–7%	13%	5%	2%	7%	7%	14%	1%	13%	2%	7%	5%
	Hydraulic lift trucks	9%	n/a	9%	n/a	n/a	11%	n/a	1%	n/a	n/a	–1%	n/a	n/a	n/a	n/a

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

The market indices summarised in the table above reflect the Q4 2018 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 fourth quarter amounted to MSEK 136 (132), which represents SEK 3.44 (3.35) per share. This takes the cash inflow from operating activities for the full year to MSEK 554 (360), which represents SEK 14.02 (8.97) per share.

Working capital

Total working capital at 31 December was MSEK –29 (+36), which represented –1.2% (+1.7) of annual sales.

Provisions were released in the fourth quarter relating to warranty and a gain from end of customer contract terms was also reported. Excluding these items, the fourth quarter's working capital in relation to annual sales is at similar levels to the third quarter.

Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 3 (0) for the fourth quarter and MSEK 19 (13) for the full year.

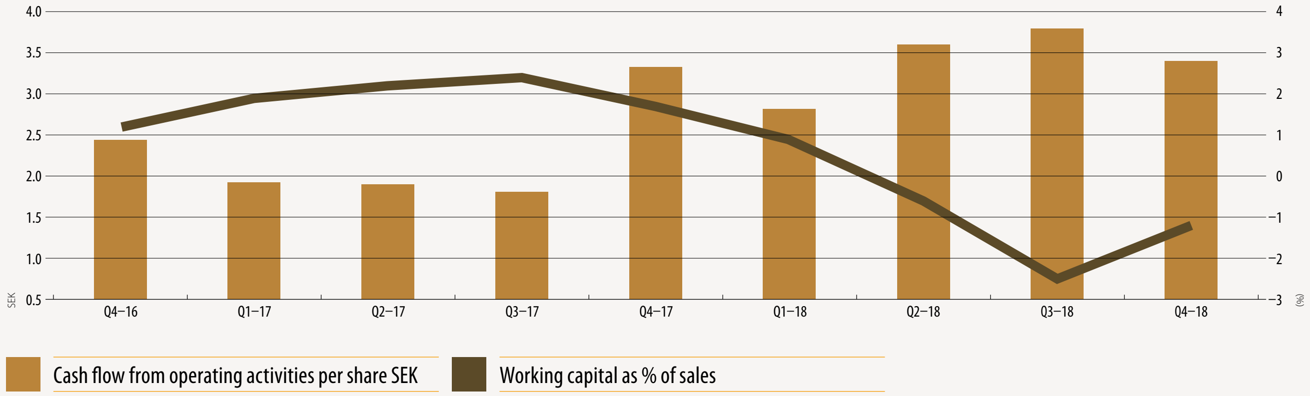
Net debt & gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, there were net remeasurement losses recognised in net pension liabilities during the fourth quarter of MSEK 44 (gains 58). As no remeasurement gains or losses have been recognised earlier in the year, the cumulative remeasurement losses were also MSEK 44 (gains 58).

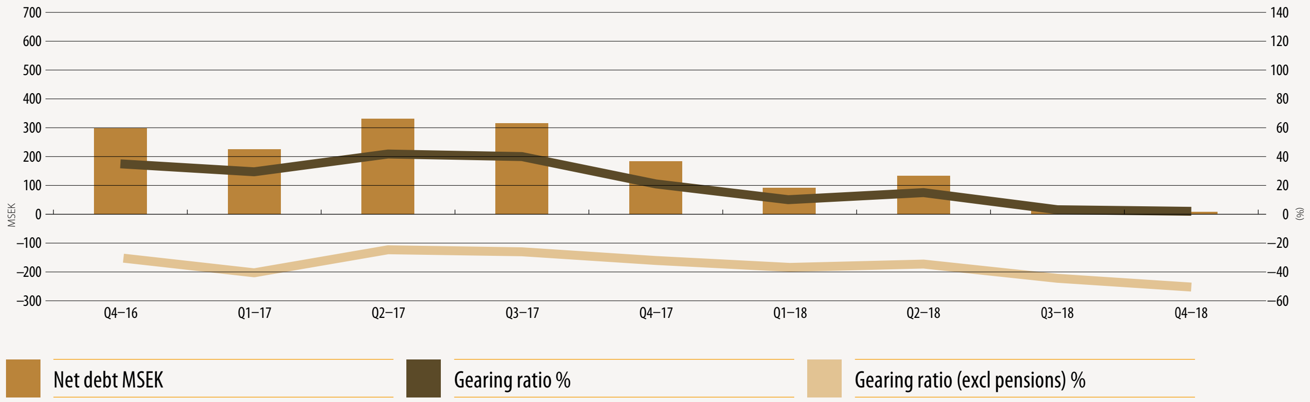
The Group's net debt at 31 December decreased to MSEK 12 (185), because of the strong ratio between operating income to cash flow from operating activities, working capital management and an actuarial revaluation of pension liabilities. Net debt comprises bank loans and corporate bonds of MSEK 181 (178) and net pension liabilities of MSEK 514 (462), net of cash amounting to MSEK 683 (455).

Shareholders' equity amounted to MSEK 1,026 (875), resulting in a gearing ratio of 1% (21) at the end of the fourth quarter.

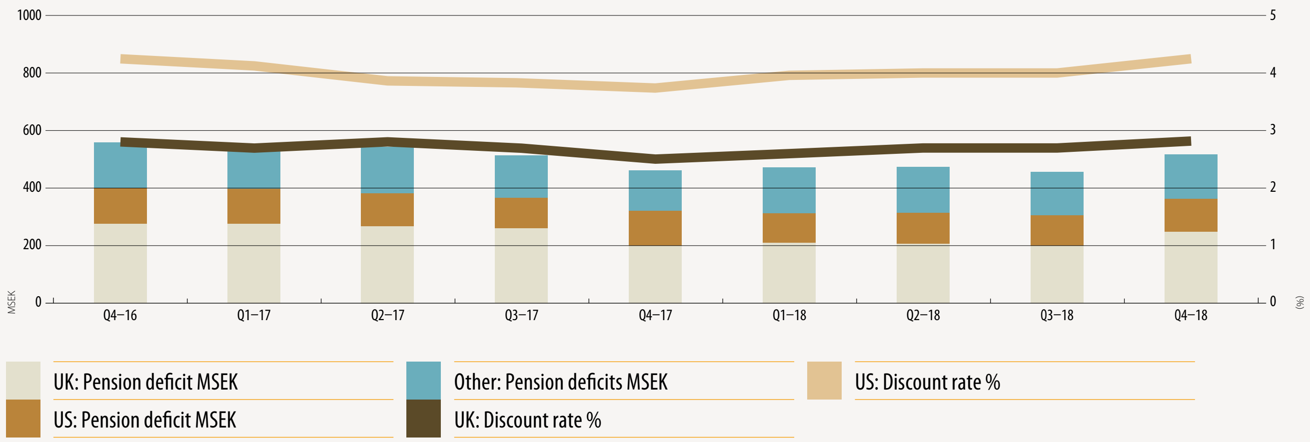
Cash flow from operating activities & Working capital



Net debt & Gearing



Net pension liabilities



CBE SPOTLIGHT: MAKE IN INDIA

The Indian government is trying to boost the manufacturing sector under the Make in India initiative and aims to increase manufacturing's share of the total economy from 17% to 25% of GDP.

India has emerged as the fastest growing country among the major economies in the world and is expected to be one of the top three economic powers over the next 10-15 years. India's GDP increased by 6.6% in the fiscal year 1 April 2017 to 31 March 2018 and is expected to grow 7.3% in 2018-19. Over the past four years, Modi's government has introduced policies and made significant investments in the country's infrastructure to improve the business climate and deliver sustained growth.

The fundamental forces driving growth for both engine and hydraulic products are evident in India, namely:

- Population growth
- Investment in infrastructure
- Regulation driving fuel efficiency

Population growth
1.3 billion, equal to nearly a fifth of the world population, currently live in India and recent projections suggest India will be the world's most populous country by 2024, surpassing China and its population is expected to reach 1.5 billion by 2030 and 1.7 billion by 2050. A youthful population, with more than 65% of the population under the age of 35, supported by significant investments in education to both increase the size of the overall workforce and to increase productivity, means that India's labour market will experience a structural shift from agriculture to sectors such as construction, trade and transport.

Infrastructure
To support India's economic growth the government has invested in road construction programs to build 40 kilometres of road per day as well as a house-building program, which over the last four years delivered 12.5 million new homes. Improved productivity in agriculture is also a government priority with the target of doubling farm income over the next four years. Targeted investments in infrastructure and agriculture will drive growth in both construction equipment and agricultural machinery sectors. Martin Bradford, Senior Vice President Americas says, "Growth in these sectors offers a great opportunity to sell hydraulic products that have been specifically designed for emerging markets".

Fuel efficiency
India is serious about the global CO_2 footprint and India's Ministry of Road Transport and Highways has released the implementation time-lines for both on-highway Bharat stage VI and off-highway Bharat stages IV and V to reduce engine emissions and improve air quality in the major cities. Concentric has existing commercial relationships with leading

original equipment manufacturers in both the commercial vehicle sector, the construction equipment and agricultural machinery segments and the implementation of stricter emissions regulation offers an opportunity to target the next generation of engine platforms. **David Bessant**, Senior Vice President Europe & Rest of World says, "India's commitment to tighten engine emission standards further is very encouraging. We already have a strong market presence in India, which will only be enhanced with increased recognition of the reliability and fuel efficiency of our current product range."

Beyond Bharat stage VI

The government is currently consulting on implementing more stringent emission standards across all vehicle segments beyond those already set in the corporate average fuel economy (CAFE) regulations, also known as Bharat VI. **Paul Shepherd**, Product Engineering Director says, "This trend towards cleaner vehicles, e-vehicles and general green mobility represents a further opportunity for Concentric to offer our current range of fuel efficient pumps, clutch technology and e-products, but also to participate in the innovation process developing the next generation of pump technology".

Concentric's facility in Pune

Concentric has been operating in India for over two decades through its facility in Pune. This facility utilizes lean manufacturing processes and its operational standards have been rewarded by a leading construction equipment manufacturer with their supplier gold standard accreditation. Pune is also Concentric's centre of excellence for the manufacturing of water pumps.

The manufacturing plant in Pune has played a critical role in enabling Concentric to develop its export markets. **Nitin Pagrut**, Managing Director India says, "We continue to invest in our business to increase our manufacturing capacity and to provide continuous training for our employees. We have a reputation of being a world class supplier and these investments will ensure we maintain our status as supplier of choice."

Consolidated income statement, in summary

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net sales	582	503	2,410	2,104
Cost of goods sold	–372	–350	–1,593	–1,452
Gross income	**210**	**153**	**817**	**652**
Selling expenses	–5	–5	–95	–80
Administrative expenses	–32	–44	–153	–158
Product development expenses	–13	–11	–50	–48
Share of profit in joint venture, net of interest and tax	2	–2	14	10
Other operating income and expenses	–22	17	–4	28
Operating income	**140**	**108**	**529**	**404**
Financial income and expense	5	–5	–14	–13
Earnings before tax	**145**	**103**	**515**	**391**
Taxes	–30	–21	–110	–88
Net income for the period	**115**	**82**	**405**	**303**
Attributable to:				
Parent company shareholders	**115**	**82**	**405**	**303**
Non-controlling interest	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	2.86	1.92	10.22	7.39
Basic earnings per share, SEK	2.95	2.08	10.30	7.54
Diluted earnings per share, SEK	2.94	2.07	10.27	7.52
Basic average number of shares (000)	38,915	39,688	39,322	40,238
Diluted average number of shares (000)	39,004	39,840	39,456	40,374

Consolidated statement of comprehensive income

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net income for the period	**115**	**82**	**405**	**303**
Other comprehensive income				
Items that will not be reclassified to the income statement				
Remeasurement losses/gains of net pension liabilities	–44	58	–44	58
Tax on remeasurement losses/gains of net pension liabilities	8	–10	8	–10
Decrease on tax receivables related to changed tax rate in the USA	–	–8	–	–8
Remeasurement gains and losses of net pension liabilities in joint ventures	–	–1	–	–1
Items that may be reclassified subsequently to the income statement				
Exchange rate differences related to liabilities to foreign operations	9	–6	–94	93
Tax arising from exchange rate differences related to liabilities to foreign operations	-	5	18	–14
Cash flow hedging	2	1	1	–1
Tax arising from cash flow hedging	–	–	–	–
Foreign currency translation differences	–1	29	135	–129
Total other comprehensive income/loss	–26	68	24	–12
Total comprehensive income	**89**	**150**	**429**	**291**

Consolidated balance sheet, in summary

Amounts in MSEK	31 Dec 2018	31 Dec 2017
Goodwill	620	592
Other intangible fixed assets	190	217
Tangible fixed assets	112	130
Share of net assets in joint venture	39	27
Deferred tax assets	132	92
Long-term receivables	5	6
Total fixed assets	**1,098**	**1,064**
Inventories	169	179
Current receivables	284	275
Cash and cash equivalents	683	455
Total current assets	**1,136**	**909**
Total assets	**2,234**	**1,973**

Total Shareholders' equity	**1,026**	**875**
Pensions and similar obligations	514	462
Deferred tax liabilities	24	30
Long-term interest-bearing liabilities	176	176
Other long-term liabilities	8	10
Total long-term liabilities	**722**	**678**
Short-term interest-bearing liabilities	5	2
Other current liabilities	481	418
Total current liabilities	**486**	**420**
Total equity and liabilities	**2,234**	**1,973**

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 3 (2), 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 2018	31 Dec 2017
Opening balance	**875**	**857**
Net income for the period	405	303
Other comprehensive income/loss	24	–12
Total comprehensive income	**429**	**291**
Dividend	–148	–142
Own share buy-backs [1]	–146	–142
Sale of own shares to satisfy LTI – options exercised [1]	12	8
Long-term incentive plan	4	3
Closing balance	**1,026**	**875**

1) For additional information see page 31.

Consolidated cash flow statement, in summary

	Oct–Dec		Jan–Dec	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**
Earnings before tax	145	103	515	391
Reversal of depreciation, amortization and write-downs	17	10	73	65
Reversal of share of profit in joint venture	–2	2	–14	–10
Reversal of other non-cash items	24	–1	43	5
Taxes paid	–21	–10	–90	–75
Cash flow from operating activities before changes in working capital	*163*	*104*	*527*	*376*
Change in working capital	–27	28	27	–16
Cash flow from operating activities	**136**	**132**	**554**	**360**
Net investments in property, plant and equipment	–3	–	–19	–13
Cash flow from investing activities	**–3**	**–**	**–19**	**–13**
Dividends paid	–	–	–148	–142
Dividends received from joint venture	–	1	2	1
Buy back of own shares	–53	–52	–146	–142
Selling of own shares to satisfy LTI-options exercised	–	–	12	8
New loans received	1	–	3	2
Repayment of loans	–	–1	–1	–2
Pension payments and other cash flows from financing activities	–8	–10	–44	–50
Cash flow from financing activities	**–60**	**–62**	**–322**	**–325**
Cash flow for the period	**73**	**70**	**213**	**22**
Cash and bank assets, opening balance	600	377	455	438
Exchange rate differences in cash and bank assets	10	8	15	–5
Cash and bank assets, closing balance	**683**	**455**	**683**	**455**

Group notes

Data per share

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Basic earnings per share, before items affecting comparability, SEK	2.86	1.92	10.22	7.39
Basic earnings per share, SEK	2.95	2.08	10.30	7.54
Diluted earnings per share, SEK	2.94	2.07	10.27	7.52
Equity per share, SEK	26.55	22.36	26.55	22.36
Cash flow from operating activities per share, SEK	3.44	3.35	14.02	8.97
Basic weighted average no. of shares (000's)	38,915	39,688	39,322	40,238
Diluted weighted average no. of shares (000's)	39,004	39,840	39,456	40,374
Number of shares at period-end (000's)	38,633	39,542	38,633	39,542

Key figures [1)]

	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Sales growth, %	16	6	15	5
Sales growth, constant currency, % [2)]	11	12	12	6
EBITDA margin before items affecting comparability, %	28.1	23.2	25.2	22.2
EBITDA margin, %	27.2	23.3	25.0	22.3
Operating margin before items affecting comparability, %	24.8	19.6	22.1	18.7
Operating margin, %	24.1	21.4	21.9	19.2
Capital employed, MSEK	1,002	1,030	1,002	1,030
Return on capital employed before items affecting comparability, %	50.9	37.1	50.9	37.1
Return on capital employed, %	51.3	38.0	51.3	38.0
Return on equity, %	41.6	37.0	41.6	37.0
Working capital, MSEK	–29	36	–29	36
Working capital as a % of annual sales	–1.2	1.7	–1.2	1.7
Net debt, MSEK	12	185	12	185
Gearing ratio, %	1	21	1	21
Net investments in property, plant and equipment	3	–	19	13
R&D, %	2.2	2.2	2.1	2.3
Number of employees, average	949	944	956	937

1) For additional information see pages 34–35 and 37.
2) 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 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net sales	582	503	2,410	2,104
Direct material costs	–256	–244	–1,126	–1,019
Personnel costs	–114	–112	–487	–448
Depreciation, amortization and write-downs	–17	–10	–73	–65
Share of profit in joint venture, net of tax	2	–2	14	10
Other operating costs, net	–57	-27	–209	–178
Operating income	**140**	**108**	**529**	**404**
Financial income and expenses	5	–5	–14	–13
Earnings before tax	**145**	**103**	**515**	**391**
Taxes	–30	–21	–110	–88
Net income for the period	**115**	**82**	**405**	**303**

Other operating income and expenses (refers to Income Statement on page 20)

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Tooling income	–	1	–	6
Royalty income from joint venture	14	15	53	46
Amortisation of acquisition related surplus values	–9	–9	–37	–36
UK pension benefit, equalisation	–25	–	–25	–
Customer contract provisions	–4	–	–4	–
Reversal of impairment of tangible assets	–	9	–	9
Other	2	1	9	3
Other operating income and expenses	–22	**17**	–4	**28**

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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total net sales	300	261	376	328	–94	–86	582	503
External net sales	296	258	345	301	–59	–56	582	503
Operating income before items affecting comparability	48	40	81	57	7	2	136	99
Operating income	78	40	57	65	5	3	140	108
Operating margin before items affecting comparability, %	18.0	15.4	23.5	19.0	n/a	n/a	24.8	19.6
Operating margin, %	26.3	15.7	16.3	21.7	n/a	n/a	24.1	21.4
Financial income and expense	–	–	–	–	5	–5	5	–5
Earnings before tax	78	40	57	65	10	–2	145	103
Assets	521	508	1,314	1,272	399	193	2,234	1,973
Liabilities	283	274	724	666	201	158	1,208	1,098
Capital employed	289	292	715	721	–15	–75	1,002	1,030
Return on capital employed before items affecting comparability, %	65.3	47.4	45.0	32.8	n/a	n/a	50.9	37.1
Return on capital employed, %	75.9	47.7	41.7	33.9	n/a	n/a	51.3	38.0
Net investments in property, plant and equipment	1	1	4	6	–2	–7	3	–
Depreciation, amortization and write-downs	6	6	13	5	–2	–1	17	10
Number of employees, average	345	350	676	656	–72	–62	949	944

Full year

Amounts in MSEK	Jan–Dec Americas 2018	2017	Europe & RoW 2018	2017	Elims–Adjs 2018	2017	Group 2018	2017
Total net sales	1,202	1,075	1,600	1,379	–392	–350	2,410	2,104
External net sales	1,184	1,054	1,477	1,263	–251	–213	2,410	2,104
Operating income before items affecting comparability	185	155	336	242	4	–2	525	395
Operating income	215	155	312	250	2	–1	529	404
Operating margin before items affecting comparability, %	15.8	14.7	22.8	19.1	n/a	n/a	22.1	18.7
Operating margin, %	18.1	14.7	21.1	19.8	n/a	n/a	21.9	19.2
Financial income and expense	–	–	–	–	–14	–13	–14	–13
Earnings before tax	215	155	312	250	–12	–14	515	391
Assets	521	508	1,314	1,272	399	193	2,234	1,973
Liabilities	283	274	724	666	201	158	1,208	1,098
Capital employed	289	292	715	721	–15	–75	1,002	1,030
Return on capital employed before items affecting comparability, %	65.3	47.4	45.0	32.8	n/a	n/a	50.9	37.1
Return on capital employed, %	75.9	47.7	41.7	33.9	n/a	n/a	51.3	38.0
Net investments in property, plant and equipment	2	2	24	21	–7	–10	19	13
Depreciation, amortization and write-downs	23	25	53	42	–3	–2	73	65
Number of employees, average	354	341	671	658	–70	–62	956	937

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 (60) for the Group, with an average of 60 (59) working days for the Americas region and 57 (60) working days for the Europe & RoW region.

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

Employees

The average number of full-time equivalents employed by the group during the full year was 956 (937).

Segment External Sales reporting by geographic location of customer

	Oct–Dec							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
USA	252	224	2	–	–	–	254	224
Rest of North America	9	6	3	2	–	–	12	8
South America	16	17	1	1	–	–	17	18
Germany	2	2	84	72	–	–	86	74
UK	5	3	39	19	–	–	44	22
Sweden	–	–	25	24	–	–	25	24
Rest of Europe	2	3	87	76	–	–	89	79
Asia	7	4	45	50	–	–	52	54
Other	3	–	–	–	–	–	3	–
Total Group	**296**	**259**	**286**	**244**	**–**	**–**	**582**	**503**

	Jan–Dec							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
USA	1,053	937	4	–	–	–	1,057	937
Rest of North America	31	31	12	8	–	–	43	39
South America	35	41	2	1	–	–	37	42
Germany	11	7	385	338	–	–	396	345
UK	19	13	151	79	–	–	170	92
Sweden	–	–	105	89	–	–	105	89
Rest of Europe	8	9	381	333	–	–	389	342
Asia	22	16	183	200	–	–	205	216
Other	5	1	3	1	–	–	8	2
Total Group	**1,184**	**1,055**	**1,226**	**1,049**	**–**	**–**	**2,410**	**2,104**

1) Excluding the joint venture company Alfdex AB.

Total Sales by product groups

Amounts in MSEK	Oct–Dec Americas 2018	2017	Europe & RoW [1] 2018	2017	Elims–Adjs 2018	2017	Group 2018	2017
Concentric branded Engine products	173	142	143	120	–	–	316	262
LICOS branded Engine products	–	–	50	45	–	–	50	45
Alfdex branded Engine products	–	–	59	56	– 59	–56	–	–
Total Engine products	173	142	252	221	– 59	–56	366	307
Total Hydraulics products	123	116	93	80	–	–	216	196
Total Group	**296**	**258**	**345**	**301**	–59	–56	**582**	**503**

Amounts in MSEK	Jan–Dec Americas 2018	2017	Europe & RoW [1] 2018	2017	Elims–Adjs 2018	2017	Group 2018	2017
Concentric branded Engine products	655	573	593	510	–	–	1,248	1,083
LICOS branded Engine products	–	–	227	191	–	–	227	191
Alfdex branded Engine products	–	–	251	213	–251	–213	–	–
Total Engine products	655	573	1,071	914	–251	–213	1,475	1,274
Total Hydraulics products	529	481	406	349	–	–	935	830
Total Group	**1,184**	**1,054**	**1,477**	**1,263**	–251	–213	**2,410**	**2,104**

1) Including the joint venture company Alfdex AB.

Business risks, accounting principles and other information

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2017 Annual Report on pages 8–11 and pages 18–49.

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 2017 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2018. Please refer to the Risk and Risk Management section on pages 63–66 of the 2017 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 2017 Annual Report, except for the changes in accounting principles regarding IFRS 9 and IFRS 15, described on page 30.

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

New and amended standards and interpretations adopted by the Group

IFRS 9 – "Financial instruments". The effective date for IFRS 9 is January 1, 2018 and replaced IAS 39 Financial Instruments: Recognition and Measurement as the standard on recognition and measurement of financial instruments in IFRS. Compared with IAS 39, IFRS 9 primarily brings changes regarding classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 has not impacted how Concentric classifies and measures financial assets and financial liabilities. The changes regarding hedge accounting has no impact on the Group either. However, the transition to IFRS 9 has an impact on the how Concentric makes provisions for trade receivables. IFRS 9 requires a loss allowance to be recognised for expected credit losses, while IAS 39 requires an impairment loss to be recognised only when there is objective evidence of impairment. Concentric has historically had low credit losses. Therefore, the loss allowance for trade receivables increased by only 65 KSEK after tax as per 1 January 2018, due to the new impairment requirements in IFRS 9. This has been reported as an adjustment against opening retained earnings as per 1 January, 2018 since Concentric used the option to not restate comparative figures.

IFRS 15 – "Revenue from contracts with customers". The effective date for IFRS 15 is January 1, 2018 and the standard replaced previous standards on revenue recognition in IFRS such as IAS 18 Revenue. The effects of IFRS 15 for Concentric are limited to how certain sales made with prompt payment discounts are accounted for. Under Concentric's previous accounting principles, revenue was reduced by the discount when it became known if the customer used the discount. However, under IFRS 15 the prompt payment discounts constitute variable consideration and the standard requires variable consideration to be estimated when revenue from a sale is first recognised (provided certain conditions are met). The change in accounting principles lead to a minor timing difference in recognising the discount from these sales. Due to the minor impact of IFRS 15, Concentric has chosen to use the option in the standard of not restating comparative figures. Instead, the effect of the change in accounting principles has been reported as an adjustment to opening equity as per 1 January 2018. The opening equity is reduced by 53 KSEK after tax due to the change in accounting principles.

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

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

IFRS 16 replaces the previous leases Standard, IAS 17 "Leases", and related Interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. For Concentric, total assets and liabilities will 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 will apply the so called "modified retrospective approach" when transitioning to IFRS 16. Comparatives for 2018 will therefore not be restated. The Group has furthermore opted to measure the right of use asset at an amount equal to the lease liability upon transition to IFRS 16 on January 1, 2019. Fixed assets and financial liabilities will increase by MSEK 82 per January 1, 2019 due to the implementation of IFRS 16. More details will be given in the Annual Report for 2018.

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 full year reflected the royalty income received from the joint venture, Alfdex AB. Income from shares in subsidiary undertakings of MSEK 5 (747), of which MSEK 742 last year, reflected dividends received, net of any write-downs in the carrying value of shares, arising from the internal refinancing of the group undertaken during the full year 2017. The increased other financial net cost of MSEK 5 relates to inter-company interest cost.

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 4.25 (3.75) per share in respect of the 2018 financial year. This corresponds to an ordinary dividend of SEK 3.00 (2.50), plus an additional dividend of SEK 1.25 (1.25) associated with the Group's strong financial position.

The Board of Directors propose also to renew the current mandate for share buy-backs.

Buy-back and Holdings of own shares

The total number of holdings of own shares at 1 January 2018 was 1,329,507 (1,088,616).

On 3 May 2018, the AGM resolved to retire 840,900 (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 40,031,100 (40,872,000) and the share capital being increased by SEK 213. During the second quarter, 123,600 (101,200) options granted under the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. In addition, under the own share buyback mandate resolved at the 2018 Annual General Meeting, the company also purchased 436,409 (365,675) ordinary shares for a total consideration of MSEK 53 (52), during the fourth quarter, taking the total purchased own shares to 1,033,529 (1,040,691) for a total consideration of MSEK 146 (142) for the full year. Consequently the company's total holdings of own shares at the end of the year was 1,398,536 (1,329,507), which represented 3.5% (3.3) of the total number of shares in issue. Of the total number of own shareholdings 188,020 shares have been transferred to an Employee Share Ownership Trust, of which 95,020 in 2018.

Parent company's income statement, in summary

Amounts in MSEK	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net sales	18	19	57	50
Operating costs	–8	–8	–20	–20
Operating income	**10**	**11**	**37**	**30**
Income from shares in subsidiaries	5	5	5	747
Income from shares in joint venture	–	1	2	1
Net foreign exchange rate differences	–	–23	–86	64
Other financial income and expense	–5	–2	–10	–5
Earnings before tax	10	–8	–52	**837**
Taxes	–2	1	11	–21
Net income for the period [1]	8	–7	**–41**	**816**

[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 2018	31 Dec 2017
Shares in subsidiaries	3,178	3,175
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	6	9
Deferred tax assets	16	3
Total financial fixed assets	**3,210**	**3,197**
Other current receivables	4	5
Short-term receivables from joint ventures	–	6
Short-term receivables from subsidiaries	144	142
Cash and cash equivalents	433	228
Total current assets	**581**	**381**
Total assets	**3,791**	**3,578**
Total Shareholders’ equity	**1,444**	**1,767**
Pensions and similar obligations	18	18
Long-term interest-bearing liabilities	175	175
Long-term loans payable to subsidiaries	2,131	1,597
Total long-term liabilities	**2,324**	**1,790**
Short-term loans payable to subsidiaries	14	17
Other current liabilities	9	4
Total current liabilities	**23**	**21**
Total equity and liabilities	**3,791**	**3,578**

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

Amounts in MSEK	30 Sep 2018	31 Dec 2017
Opening balance	1,767	1,227
Net income for the period	–41	816
Dividend	–148	–142
Sale of own shares to satisfy LTI – options exercised [1)]	12	8
Buy-back of own shares [1)]	–146	–142
Closing balance	**1,444**	**1,767**

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 6 February, 2019.

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

Future reporting dates

Annual Report January – December 2018	*13 March, 2019*
Annual General Meeting 2019	*4 April, 2019*
Interim Report January – March 2019	*8 May, 2019*
Interim Report January – June 2019	*24 July, 2019*
Interim Report January – September 2019	*6 November, 2019*

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

Stockholm, 6 February, 2019
Concentric AB (publ)

David Woolley
President and CEO

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Corporate Registration Number 556828-4995

This interim report has not been reviewed by Concentric's auditors

Reconciliation alternative performance measures

Amounts in MSEK

Underlying EBIT or operating income	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Operating income	**140**	**108**	**529**	**404**
UK pension benefit, equalisation	25	–	25	–
End of Customer contract revenue	–33	–	–33	–
End of Customer contract provisions	4	–	4	–
Restructuring cost	–	–1	–	–1
Reversal of impairment of write-down tangible assets	–	–8	–	–8
Underlying operating income	**136**	**99**	**525**	**395**
Net Sales	582	503	2,410	2,104
Underlying Net Sales	549	503	2,377	2,104
Operating margin (%)	**24.1**	**21.4**	**21.9**	**19.2**
Underlying operating margin (%)	**24.8**	**19.6**	**22.1**	**18.7**

Underlying EBITDA or Operating income before amortisation and depreciation	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Operating income	**140**	**108**	**529**	**404**
Operating amortisation/depreciation	8	9	36	37
Amortisation of purchase price allocation	9	9	37	36
Reversal of impairment of write-down tangible assets	–	–8	–	–8
EBITDA or Operating income before amortisation and depreciation	**157**	**118**	**602**	**469**
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**153**	**117**	**598**	**468**
Net Sales	582	503	2,410	2,104
Underlying Net Sales	549	503	2,377	2,104
EBITDA margin (%)	**27.2**	**23.3**	**25.0**	**22.3**
Underlying EBITDA margin (%)	**28.1**	**23.2**	**25.2**	**22.2**

Net income before items affecting comparability	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net income	**115**	**82**	**405**	**303**
Items affecting comparability after tax	–3	–6	–3	–6
Net income before items affecting comparability	**112**	**76**	**402**	**297**
Basic average number of shares (000)	38,915	39,688	39,322	40,238
Basic earnings per share	**2.95**	**2.08**	**10.30**	**7.54**
Basic earnings per share before items affecting comparability	**2.86**	**1.92**	**10.22**	**7.39**

Net debt	31 Dec 2018	31 Dec 2017
Pensions and similar obligations	514	462
Long-term interest-bearing liabilities	176	176
Short-term interest-bearing liabilities	5	2
Total interest-bearing liabilities	695	640
Cash and cash equivalents	–683	–455
Total Net Debt	**12**	**185**
Net Debt, excluding pension obligations	–502	–277

Capital employed	31 Dec 2018	31 Dec 2017
Total Assets	**2,234**	**1,973**
Interest bearing financial assets	–5	–6
Cash and Cash Equivalents	–683	–455
Tax assets	–154	–111
Non-interest bearing assets (excl taxes)	**1,392**	**1,401**
Non-interest bearing liabilities (incl taxes)	–510	–454
Tax liabilities	120	83
Non-interest bearing liabilities (excl taxes)	–390	**–371**
Total Capital Employed	**1,002**	**1,030**

Working capital	31 Dec 2018	31 Dec 2017
Accounts receivable	215	189
Other current receivables	69	86
Inventory	169	179
Working capital assets	**453**	**454**
Accounts payable	**–192**	–186
Other current payables	–290	–232
Working capital liabilities	**–482**	**–418**
Total Working Capital	**–29**	**36**

Graph data summary

	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016
Americas									
Sales, MSEK	296	315	285	288	258	265	268	264	233
Book-to-bill, %	92	82	103	108	115	88	101	110	116
Operating income before items affecting comparability, MSEK	48	60	33	44	40	40	38	37	28
Operating margin before items affecting comparability, %	18.0	18.8	11.5	15.5	15.4	14.9	14.4	13.9	12.0
Europe & RoW									
Sales (including Alfdex), MSEK	346	367	388	379	302	302	327	335	281
Book-to-bill, %	108	97	94	106	122	99	95	102	114
Operating income before items affecting comparability, MSEK	81	84	94	77	57	58	63	64	54
Operating margin before items affecting comparability, %	23.4	22.9	24.4	20.2	18.9	19.2	19.2	19.2	19.2
Alfdex eliminations									
Sales, MSEK	–60	–60	–70	–64	–57	–52	–55	–53	–41
Operating income before items affecting comparability, MSEK	7	–2	–1	–1	2	–2	–1	–1	–
Group									
Sales (excluding Alfdex), MSEK	582	622	603	603	503	515	540	546	473
Book-to-bill, %	102	90	97	108	114	93	97	105	115
Operating income before items affecting comparability, MSEK	136	142	126	120	99	96	100	100	82
Operating margin before items affecting comparability, %	24.8	22.9	20.9	19.9	19.6	18.7	18.5	18.3	17.4
Basic earnings per share, SEK	2.95	2.74	2.36	2.26	2.08	1.79	1.86	1.83	1.57
Return on equity, %	41.6	40.3	38.1	37.6	37.0	36.5	36.5	34.6	32.2
Cash flow from operating activities per share, SEK	3.44	3.63	3.61	2.80	3.35	1.82	1.90	1.92	2.44
Working capital as % of annualised sales	–1.2%	–2.5	–0.6	0.9	1.7	2.4	2.2	1.9	1.2
Net debt, MSEK	12	37	132	92	185	315	335	224	300
Gearing ratio, %	1	4	14	9	21	40	42	29	35
Gearing ratio (excl Pensions), %	–49	–43	–35	–38	–32	–26	–25	–41	–30

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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