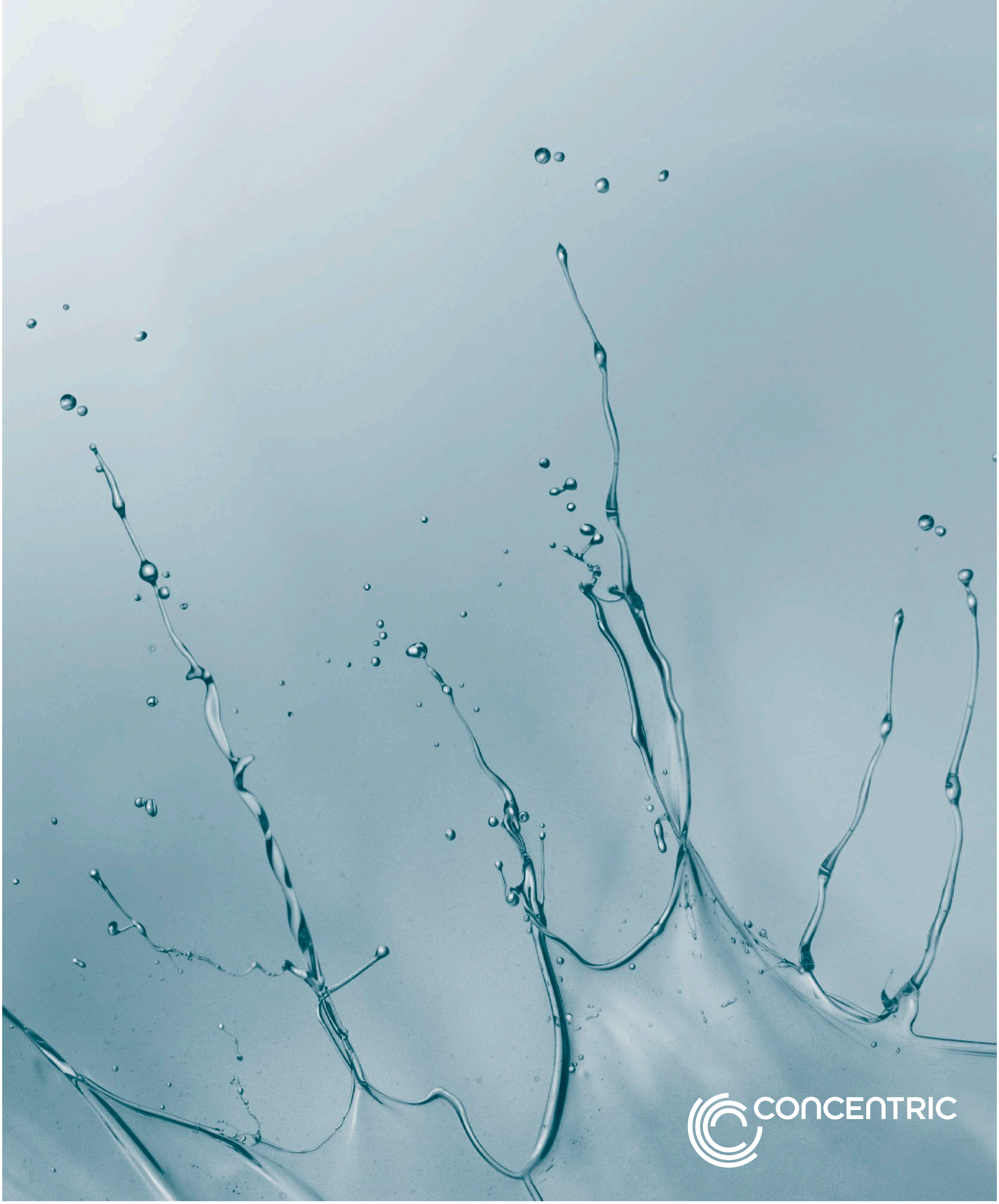
INTERIM REPORT Q3/2019

TECHNOLOGY
INNOVATION
SUSTAINABILITY



CONCENTRIC

CONTENTS

Third quarter

Net sales
MSEK 463 (622) – sales were down –26% y-o-y. After adjusting for impact of currency (+2%), sales in constant currency were down –28%.

Underlying sales development
Underlying Group sales for the third quarter were down y-o-y by –19% and by –7% y-o-y for the first nine months, when excluding the effect of the previously announced decision by a global OEM customer to dual source components during 2019.

Operating income
MSEK 91 (142); generating an operating margin of 19.8% (22.9).

Earnings after tax
MSEK 64 (108); basic EPS of SEK 1.67 (2.74).

Cash flow from operating activities
MSEK 98 (165); cash generation affected by lower sales.

First nine months

Net sales
MSEK 1,582 (1,828) – sales were down –13% y-o-y. After adjusting for impact of currency (+4%), sales in constant currency were down –17%.

Operating income
MSEK 338 (388), generating an operating margin of 21.4% (21.3).

Earnings after tax
MSEK 250 (290); basic EPS of SEK 6.49 (7.36).

Cash flow from operating activities
MSEK 328 (418); cash generation affected by lower sales.

Group's net debt
MSEK 207 (37); gearing ratio of 20% (4). The effect of remeasurement losses on pensions on net debt is MSEK 140 and on gearing ratio is 13%.

Effects of new accounting principles for Leases – IFRS 16
The effects in the income statement are not material (EBIT margin 0.0%; EBITDA margin +1.1%). Cash flow from operating activities was affected by MSEK +18. Other effects at 30 September were; total assets MSEK +89; net debt MSEK +93; gearing ratio +9%.

Key figures – Group [1)]

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
Net sales	463	622	–26%	1,582	1,828	–13%	2,164	2,410
Operating income before items affecting comparability	91	142	–35%	338	388	–13%	475	525
Operating income	91	142	–35%	338	388	–13%	479	529
Earnings before tax	83	138	–40%	323	370	–13%	468	515
Net income for the period	64	108	–41%	250	290	–14%	365	405
Cash flow from operating activities [3)]	98	165	–41%	328	418	–22%	464	554
Net debt [2) 3)]	207	37	459%	207	37	459%	207	12
Operating margin before items affecting comparability, %	19.8	22.9	–3.1	21.4	21.3	0.1	22.3	22.1
Operating margin, %	19.8	22.9	–3.1	21.4	21.3	0.1	22.1	21.9
Basic EPS before items affecting comparability, SEK	1.67	2.74	–1.07	6.49	7.36	–0.87	9.36	10.22
Basic EPS, SEK	1.67	2.74	–1.07	6.49	7.36	–0.87	9.45	10.30
Diluted EPS, SEK	1.67	2.73	–1.06	6.41	7.33	–0.92	9.33	10.27
Return on equity, %	34.4	40.3	–5.9	34.4	40.3	–5.9	34.4	41.6
Gearing ratio, % [3)]	20	4	16	20	4	16	20	1

[1)] For additional information see pages 29–30 and 33.
[2)] For additional information see page 12.
[3)] For additional information see pages 24–25.

Review of the third quarter

President and CEO, David Woolley, comments on the Q3 2019 Interim Report.

Market and sales development

The Group's underlying sales were affected by the overall market slowdown in the third quarter with sales down year-on-year by –19% in the third quarter and by – 7% in the first nine months. The reported sales were down year-on-year for the third quarter and for the first nine months by – 28% and – 17% respectively in constant currency and including the effect of the previously announced decision by a global OEM customer to dual source components during 2019.

Published market indices suggest production rates, blended for the Group's end-markets and regions declined by 2% in the third quarter with both the Americas and Europe & ROW reporting negative growth. Market growth has slowed in each successive quarter this year with the third quarter being the first quarter to report year-on-year market declines, suggesting that the market has now passed its peak. This market decline accentuates year-on-year comparisons, as the third quarter 2018 was the peak of the market. The market indices reported a modest increase in demand in the third quarter for medium- and heavy-duty trucks in North America whilst demand for trucks in Europe declined. The truck market remains Concentric's largest end-market and accounts for 43% of the Group's sales. Our European and Indian markets reported negative growth in three out of four end-markets this quarter, namely trucks, agricultural machinery and construction equipment.

We have previously discussed how our customers are managing risk and conducting supply chain destocking programs as the market outlook becomes more uncertain. This trend intensified during the quarter and coupled with weakening market demand these factors had a significant impact on Group sales.

Concentric's sales in North America, Europe and India were down year-on-year in the quarter while sales in South America and China were slightly up. Sales to all end-markets were lower in the third quarter year-on-year and the construction equipment sector was especially weak in both North America and Europe.

Concentric Business Excellence – gearing up for the global market slowdown

The strength and impact of the Concentric Business Excellence programme ("CBE") is equally important to Concentric during these challenging trading conditions. Our management teams have responded quickly to address the downturn in demand, maximising our flexible business model to reduce the cost of capacity through reductions in headcount and other manufacturing costs. The business has placed yet greater focus on productivity and inventory efficiency. Importantly, our investment in new customer programmes and the development of new electrification technologies have been safe guarded, securing the core business strength ready for the return of better market conditions. The Group has managed to maintain operating income at high levels with 19.8% (22.9%) for the third quarter and 21.4% (21.3%) the first nine months.

Electrification offers Concentric exciting new markets

We have recently announced an important new order to develop and supply coolant pumps with integral electronic motor drive and intelligent control systems to a leading global OEM for their new energy storage products. This is a landmark award and establishes Concentric as a key supplier in the previously untapped global energy storage market and further builds on the expertise developed through its advanced battery cooling for commercial vehicle applications, again utilising the liquids we are pumping to cool and control the temperature of the electronics. It also demonstrates our ongoing commitment to innovative technology to meet the demands of increasing electrification of flow control.

Acquisition opportunities

Our focus remains on both geographical and technical expansion, but we have recently escalated our efforts and have given greater attention to opportunities that will increase our penetration of the electrification of transport, construction and industrial sectors, as these offer real revenue growth in both our current and new markets and are of strategic importance.

Outlook

Looking forward, the level of orders received in the third quarter indicate that sales in the fourth quarter 2019 will be similar to sales in the third quarter, even after accounting for the fewer working days in the fourth quarter.

The published market indices have been revised down and now suggest that production volumes blended for Concentric's end-markets and regions will remain flat for the full year and the market forecast for the full year has therefore been lowered from +2% to 0%. We continue to expect that demand for medium- and heavy-duty trucks could weaken still further during the coming quarter.

Our continued focus on business excellence will help us respond to these challenging market conditions for both on- and off-highway sectors and the business remains vigilant and ready to adapt to further changes in customer behaviour.

Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

» During a time of reduced market demand, Concentric has adapted quickly by reducing the cost of capacity but protecting the core business strength … «

Third quarters figures

Key figures [1)]

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
Net sales	463	622	–26%	1,582	1,828	–13%	2,164	2,410
Operating income before items affecting comparability	91	142	–35%	338	388	–13%	475	525
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Earnings before tax	83	138	–40%	323	370	–13%	468	515
Net income for the period	64	108	–41%	250	290	–14%	365	405
Operating margin before items affecting comparability, %	19.8	22.9	–3.1	21.4	21.3	0.1	22.3	22.1
Operating margin, %	19.8	22.9	–3.1	21.4	21.3	0.1	22.1	21.9
ROCE, %	44.2	47.8	–3.6	44.2	47.8	–3.6	44.2	51.3
Return on equity, %	34.4	40.3	–5.9	34.4	40.3	–5.9	34.4	41.6
Basic EPS before items affecting comparability, SEK	1.67	2.74	–1.07	6.49	7.36	–0.87	9.36	10.22
Basic EPS, SEK	1.67	2.74	–1.07	6.49	7.36	–0.87	9.45	10.30
Diluted EPS, SEK	1.67	2.73	–1.06	6.41	7.33	–0.92	9.33	10.27

[1)] For additional information see pages 29–30 and 33.

Sales
Net sales for the third quarter were down year-on-year by –26%. After adjusting for the impact of currency (+2%), sales in constant currency were down –28%. As a result, net sales for the first nine months were down year-on-year by –13%. After adjusting for the impact of currency (+4%), sales in constant currency were down –17%. This reduction reflects the decision by one of our customers, a global OEM, to dual source components during 2019. Excluding sales to the global OEM from both periods, group sales for the third quarter were down year-on-year by –19% and –7% year-to-date in constant currency. Sales in our core North America and European end-markets were down by double-digit percentages, as also were sales in our Indian market. However, encouragingly there was sales growth in both South America and China.

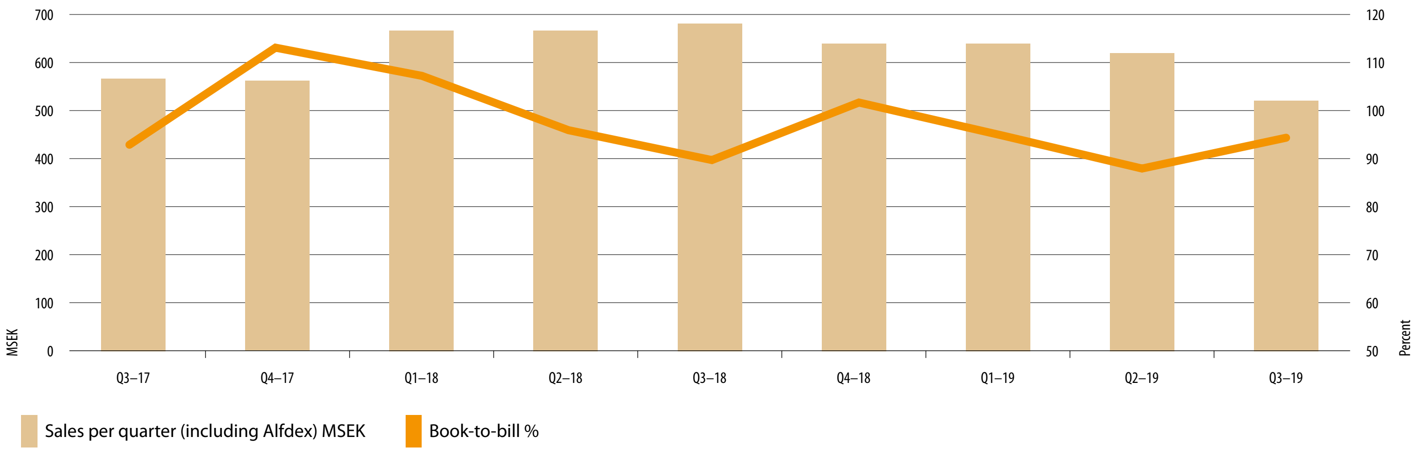
Operating income
The operating margin for the third quarter and the first nine months was 19.8% (22.9) and 21.4% (21.3) respectively. Lower sales in the third quarter depressed the operating income margin to below 20% for the first time since quarter one 2018. Year-to-date, the weaker gross margin has been offset by lower warranty provisions and reduced capacity costs that has enabled the business to maintain the operating margin at similar levels to the prior year.

Net financial items
Net financial expenses in the third quarter comprised of pension financial expenses of MSEK 4 (4) and other net interest expenses of MSEK 4 (0). Accordingly, net financial expenses in the first nine months comprised of pension financial expenses of MSEK 12 (14) and other net interest expenses of MSEK 3 (4).

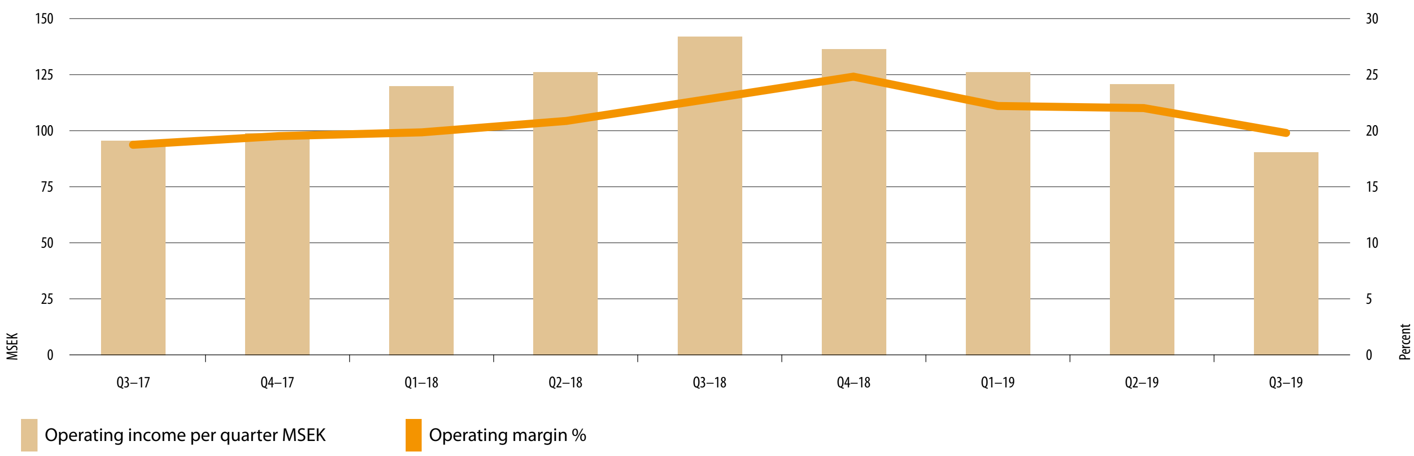
Taxes
The underlying effective tax rate for the third quarter and the first nine months was 23% (23) and 23% (22) respectively. This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

Earnings per share
The basic earnings per share for the first nine months was SEK 6.49 (7.36), down SEK 0.87 per share. The diluted earnings per share for the first nine months was SEK 6.41 (7.33), down SEK 0.92 per share.

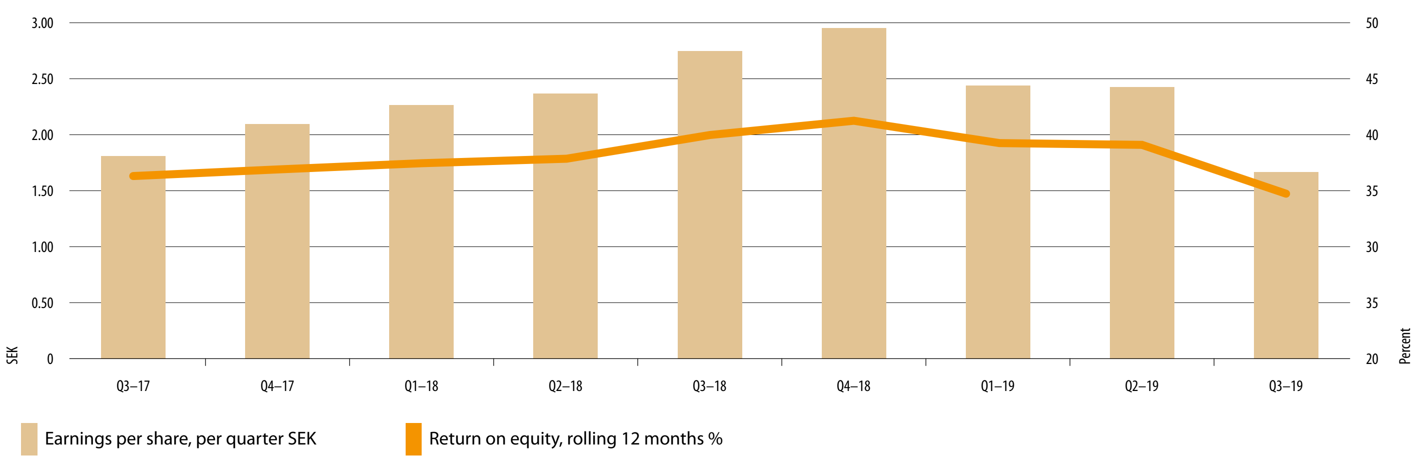
Sales and book-to-bill



Underlying operating income and margins



Basic earnings per share and return on equity



Net sales and operating income by region

Americas

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
External net sales	203	315	–36%	684	888	–23%	980	1,184
Operating income before items affecting comparability	28	60	–53%	103	137	–25%	151	185
Operating income	28	60	–53%	103	137	–25%	181	215
Operating margin before items affecting comparability, %	14.1	18.8	–4.7	15.1	15.4	–0.3	16.0	15.8
Operating margin, %	14.1	18.8	–4.7	15.1	15.4	–0.3	18.5	18.1
ROCE, %	58.1	61.4	–3.3	58.1	61.4	–3.3	58.1	75.9

Sales for the third quarter were down year-on-year by –36%. After adjusting for the impact of currency (+2%), sales in constant currency were down –38%. As a result, sales for the first nine months were down –23%, and after adjusting for the impact of currency (+4%), sales in constant currency were down –27%. Excluding sales of dual sourced components to the global OEM from both periods, sales were down –5% for the first nine months year-on-year. In the third quarter, diesel engine and hydraulic product sales in our North American market were down year-on-year in all end application sectors. Demand in South America continued to show signs of improvement overall, but the strongest growth was in the Truck and Industrial Application sectors.

The operating margin in the third quarter was 14.1% (18.8) and 15.1% (15.4) for the first nine months. The operating margin has remained relatively stable for the first nine months despite the sales reduction and is testament to the CBE programme and the business' ability to flex production capacity to the current demand. However, the sales reduction in the third quarter did depress the operating margin by 1% compared to the 2019 year-to-date operating margin.

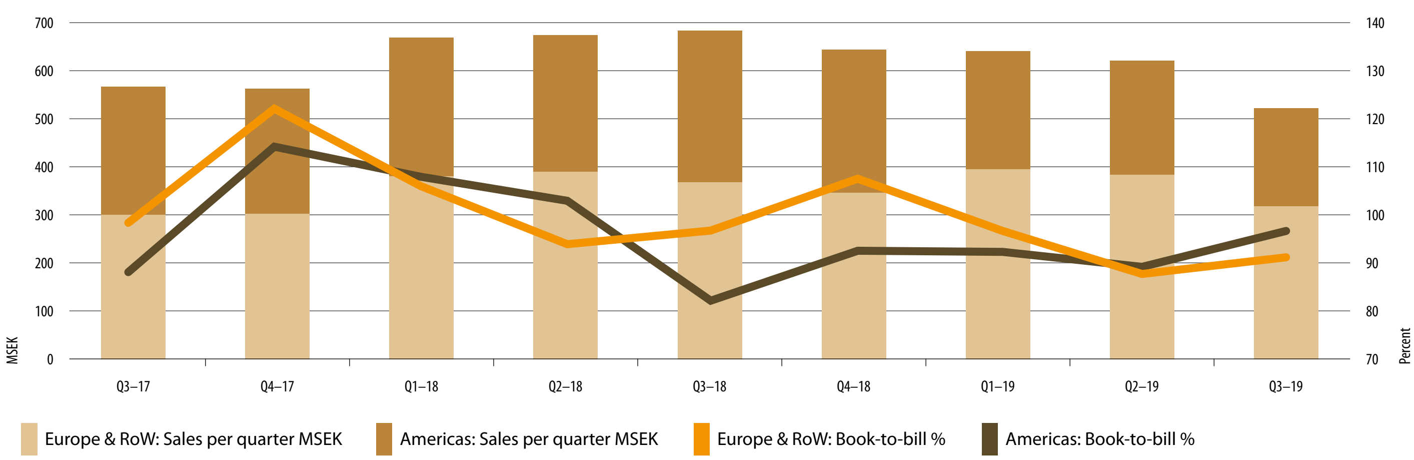
Europe & RoW

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Amounts in MSEK	2019	2018	Change	2019	2018	Change	2018/19	2018
External net sales	320	367	–13%	1,098	1,132	–3%	1,443	1,477
Operating income before items affecting comparability	63	84	–25%	237	255	–7%	318	336
Operating income	63	84	–25%	237	255	–7%	294	312
Operating margin before items affecting comparability, %	19.7	22.9	–3.2	21.6	22.6	–1.0	22.0	22.8
Operating margin, %	19.7	22.9	–3.2	21.6	22.6	–1.0	20.3	21.1
ROCE, %	37.9	42.7	–4.8	37.9	42.7	–4.8	37.9	41.7

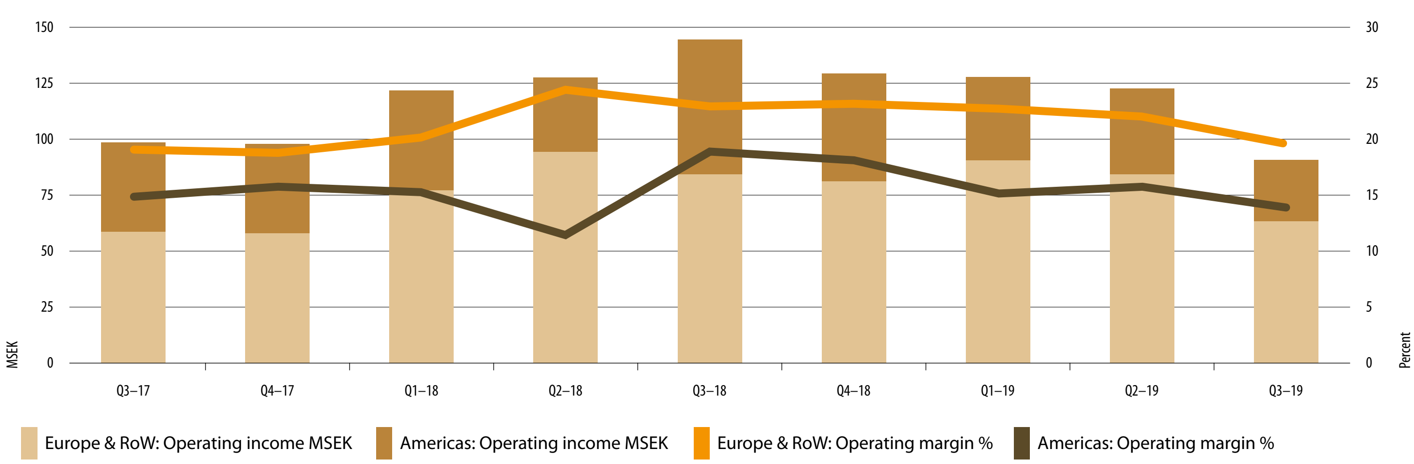
Sales for the third quarter were down year-on-year by –13%. After adjusting for the impact of currency (+1%), sales in constant currency were down –14%. Sales for the first nine months were down year-on-year by –3%. After adjusting for the impact of currency (+3%), sales in constant currency were down –6%. Sales in Europe were weaker in the third quarter as the market softened and customers continued to manage risk and reduce stock levels. The impact on the economy of the general election in India in the second quarter has been followed by a crisis in the banking sector in the third, creating liquidity issues and affecting demand across end-market applications, most notably the truck and construction equipment sectors.

The operating margin in the third quarter was 19.7% (22.9) and 21.6% (22.6) for the first nine months. The operating margin has remained relatively stable over the last eighteen months. However, the sales reduction in the third quarter did depress the operating margin by 2% compared to the 2019 year-to-date operating margin.

Sales and book-to-bill



Underlying operating income and margins



Market development

Market growth has slowed in each successive quarter this year with the third quarter being the first quarter to report year-on-year market declines, suggesting the market has now passed its peak.

Americas end-markets

North America[1)]

- Sales into all of our four end-markets were down year-on-year in the third quarter, most notably the truck sector and both of the off-highway sectors, namely Agricultural Machinery and Construction Equipment.
- The Industrial Applications sector provided challenging trading conditions during the quarter with year-on-year sales declining by a double digit percentage.
- Overall, sales growth in constant currency for the nine months was behind the latest published market indices, suggesting the indices are lagging the actual market demand.

South America

- Sales to our South American end-market applications delivered strong growth in the third quarter, particularly the Trucks and Industrial Applications sectors, whilst sales into off-highway end application sectors proved more challenging.

1) The year-on-year commentary above excludes sales of dual sourced components to a global OEM from both periods, to enable an understanding of the underlying sales trends.

Europe & RoW end-markets

Europe

- Sales into all of our four end-markets were down year-on-year in the third quarter, most notably the off-highway sectors Construction Equipment and Agricultural Machinery.
- The Industrial Application sector followed a similar trend to that seen in North America, again affecting sales of our hydraulic product lines. Sales of diesel engines to the Truck sector, whilst weaker year-on-year, in the third quarter was only down by a single digit percentage.
- Overall, sales growth in constant currency for the nine months was behind the latest published market indices, suggesting the indices are lagging the actual market demand.

Rest of the World

- Market demand in India was expected to increase following the general election held during the second quarter, however the market remains sluggish. The current ongoing banking crisis remains a significant factor which is affecting liquidity in the India market and hampering project funding. Sales into the Truck and Construction Equipment end applications sectors have seen the biggest impact.
- Despite the mixed market conditions in China, Concentric's sales increased for the first nine months.
- Overall, the Rest of the World still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q3-19 vs. Q3-18			YTD-19 vs. YTD-18			FY-19 vs. FY-18		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average [1)]	–1%	–3%	–2%	1%	–1%	0%	0%	0%	0%
Actual – constant currency [2)]	–38%	–14%	–28%	–27%	–6%	–17%			

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 flat year-on-year for the first nine months. Each successive quarter the market growth rate has slowed with the third quarter being the first reporting negative growth for the Americas and Europe & RoW markets, in total declining by –2%. The published market indices also suggest growth will soften during the fourth quarter of 2019, the full year forecast suggests nil growth for the global markets.

Whilst Concentric's actual sales for the first nine months were –17% for the Group and –27% for the Americas, this reflects the decision by one of our customers, a global OEM to dual source components during 2019. Excluding sales to the global OEM from both periods shows the underlying sales to be down about –5% year-on-year in Americas and –6% in Europe & RoW. As noted in previous interim reports, movements in the market indices tend to lag the Group's order intake experience by 3–6 months.

Published market indices

	Q3-19 vs Q3-18					YTD-19 vs YTD-18					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
Agriculture Diesel engines	5%	10%	–5%	–5%	0%	3%	19%	0%	–2%	–2%	3%	10%	2%	–2%	–1%
Construction Diesel engines	3%	12%	–9%	–4%	0%	2%	11%	–2%	–5%	0%	–1%	12%	–1%	–6%	1%
Hydraulic equipment	9%	n/a	14%	n/a	n/a	10%	n/a	9%	n/a	n/a	9%	n/a	9%	n/a	n/a
Trucks Light vehicles	5%	n/a	n/a	n/a	n/a	6%	n/a	n/a	n/a	n/a	9%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	4%	2%	–4%	–17%	0%	6%	2%	–1%	–22%	–7%	4%	3%	0%	–21%	–6%
Industrial Other off-highway	–7%	13%	–1%	11%	–2%	–2%	10%	–2%	4%	0%	–3%	9%	–1%	5%	1%
Hydraulic lift trucks	–13%	n/a	0%	n/a	n/a	–7%	n/a	5%	n/a	n/a	–9%	n/a	4%	n/a	n/a

The market indices summarised in the table above reflect the Q3 2019 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

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

Current resources

Operational cash flow

The reported cash inflow from operating activities for the third quarter amounted to MSEK 98 (165), which represents SEK 2.53 (4.17) per share. This takes the cash inflow from operating activities for the first nine months to MSEK 328 (418), which represents SEK 8.50 (10.58) per share.

Cash flow from operating activities for the first nine months, calculated to previous accounting principles, excluding leases according to IFRS16 of MSEK 18, would have been MSEK 310, which represents SEK 8.03 per share.

Working capital

Total working capital at 30 September was MSEK –19 (–59), which represented –0.9% (–2.7) of annual sales. Working capital increased marginally compared to 31 December 2018 because of a small decrease in stock turns and some customers stretching payment terms beyond the end of the quarter, but has remained flat over the last three quarters.

Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 5 (7) for the third quarter and MSEK 15 (16) for the first nine months.

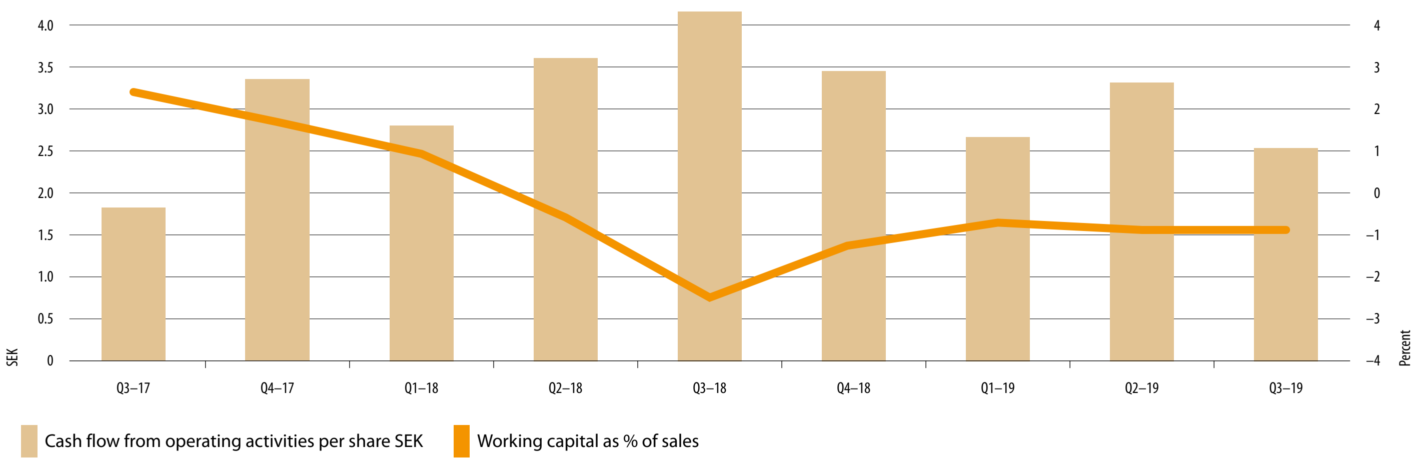
Net debt and gearing

Following the review of the actuarial assumptions used to value the Group's defined benefit pension plans, remeasurement losses of MSEK 140 (at closing currency rates) were recognised in net pension liabilities during the third quarter 2019.

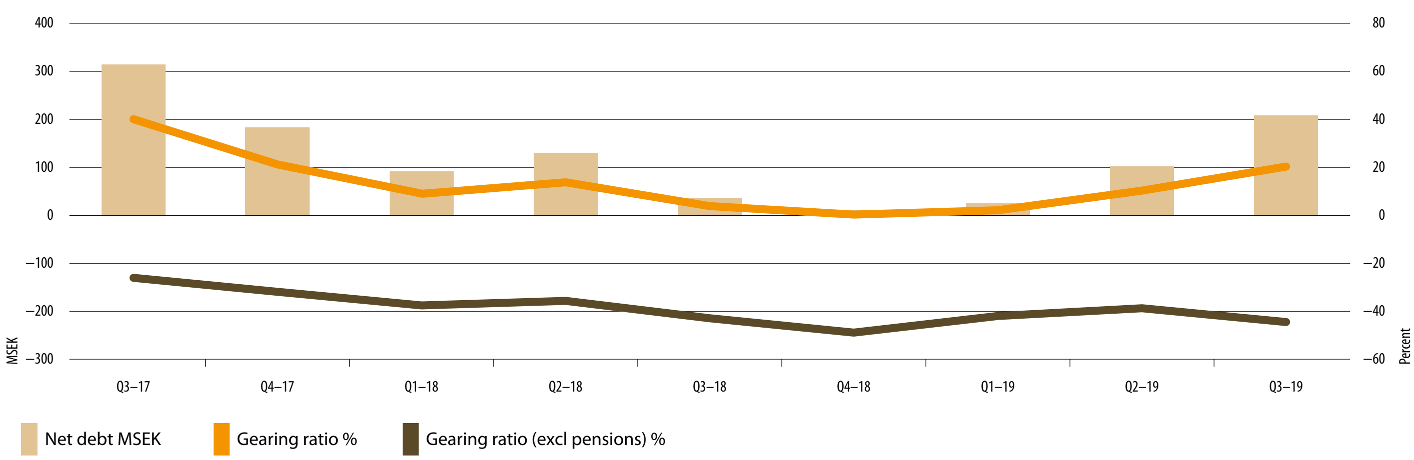
Overall, the Group's net debt at 30 September increased to MSEK 207 (37), comprising bank loans of MSEK 175 (178), loans related to leasing MSEK 94 (1) and net pension liabilities of MSEK 658 (458), net of cash amounting to MSEK 720 (600). Shareholders' equity amounted to MSEK 1,031 (989), resulting in a gearing ratio of 20% (4) at the end of the first nine months. Net debt calculated to previous accounting principles, excluding leases according to IFRS 16 of MSEK 93, would have been MSEK 114. Net debt excluding both IFRS 16 adjustments and remeasurement losses would have been negative MSEK –26.

The Annual General Meeting on 4 April 2019 resolved, in accordance with the board's proposal, on a dividend of MSEK 164 (148), equal to SEK 4.25 (3.75) per share for 2018.

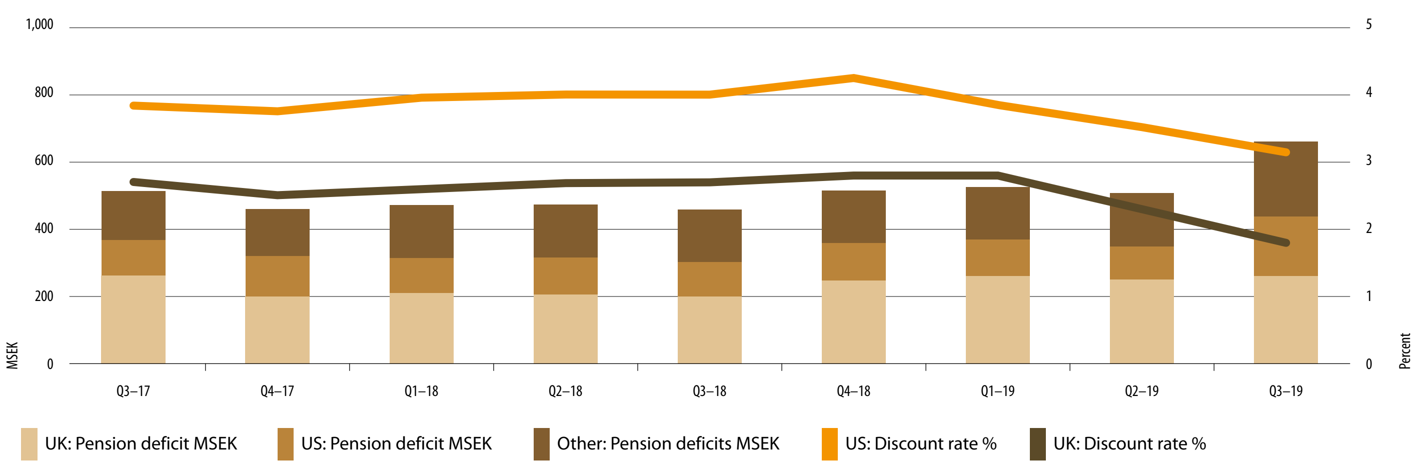
Cash flow from operating activities and working capital



Net debt and gearing



Net pension liabilities



General information

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

Consolidated income statement

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net sales	463	622	1,582	1,828	2,164	2,410
Cost of goods sold	–322	–412	–1,084	–1,222	–1,455	–1,593
Gross income	**141**	**210**	**498**	**606**	**709**	**817**
Selling expenses	–15	–23	–50	–90	–55	–95
Administrative expenses	–34	–40	–111	–121	–143	–153
Product development expenses	–11	–13	–37	–37	–50	–50
Share of net income in joint venture	–1	2	7	12	9	14
Other operating income and expenses	11	6	31	18	9	–4
Operating income	**91**	**142**	**338**	**388**	**479**	**529**
Financial income and expenses	–8	–4	–15	–18	–11	–14
Earnings before tax	**83**	**138**	**323**	**370**	**468**	**515**
Taxes	–19	–30	–73	–80	–103	–110
Net income for the period	**64**	**108**	**250**	**290**	**365**	**405**
Parent company shareholders	64	108	250	290	365	405
Non-controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	1.67	2.74	6.49	7.36	9.36	10.22
Basic earnings per share, SEK	1.67	2.74	6.49	7.36	9.45	10.30
Diluted earnings per share, SEK	1.67	2.73	6.41	7.33	9.33	10.27
Basic average number of shares (000)	38,334	39,287	38,531	39,459	38,627	39,322
Diluted average number of shares (000)	38,349	39,443	39,011	39,625	39,107	39,456

Consolidated statement of comprehensive income

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net income for the period	64	108	250	290	365	405
Other comprehensive income						
Items that will not be reclassified to the income statement						
Remeasurement gains and losses of net pension liabilities	–137	–	–137	–	–181	–44
Tax on remeasurement gains and losses of net pension liabilities	35	–	35	–	43	8
Items that may be reclassified subsequently to the income statement						
Exchange rate differences related to liabilities to foreign operations	–68	–12	–149	–103	–140	–94
Tax arising from exchange rate differences related to liabilities to foreign operations	17	–4	29	18	29	18
Cash-flow hedging	–1	–1	–	–1	2	1
Tax arising from cash-flow hedging	–	–	–	–	–	–
Foreign currency translation differences	104	–20	225	136	224	135
Total other comprehensive income	**–50**	**–37**	**3**	**50**	**–23**	**24**
Total comprehensive income	**14**	**71**	**253**	**340**	**342**	**429**

Consolidated balance sheet

	30 Sept 2019	30 Sept 2018	31 Dec 2018
Goodwill	665	624	620
Other intangible fixed assets	174	201	190
Right of use fixed assets	93	–	–
Other tangible fixed assets	104	118	112
Share of net assets in joint venture	44	37	39
Deferred tax assets	198	134	132
Long-term receivables	6	5	5
Total fixed assets	**1,284**	**1,119**	**1,098**
Inventories	161	180	169
Current receivables	296	327	284
Cash and cash equivalents	720	600	683
Total current assets	**1,177**	**1,107**	**1,136**
Total assets	**2,461**	**2,226**	**2,234**
Total Shareholders' equity	**1,031**	**989**	**1,026**
Pensions and similar obligations	658	458	514
Deferred tax liabilities	21	26	24
Long-term liabilities for right of use fixed assets	71	1	1
Other long-term interest-bearing liabilities	–	175	175
Other long-term liabilities	6	7	8
Total long-term liabilities	**756**	**667**	**722**
Short-term liabilities for right of use fixed assets	23	–	–
Other short-term interest-bearing liabilities	175	3	5
Other current liabilities	476	567	481
Total current liabilities	**674**	**570**	**486**
Total equity and liabilities	**2,461**	**2,226**	**2,234**

Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 30 September the fair value of derivative instruments that were assets was MSEK 3 (0), and the fair value of derivative instruments that were liabilities was MSEK 5 (1). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholder's equity

	30 Sept 2019	30 Sept 2018	31 Dec 2018
Opening balance	**1,026**	**875**	**875**
Net income for the period	250	290	405
Other comprehensive income	3	50	24
Total comprehensive income	**253**	**340**	**429**
Dividend	–164	–148	–148
Own share buy-backs	–100	–93	–146
Sale of own shares to satisfy LTI – options exercised	14	12	12
Long-term incentive plan	2	3	4
Closing balance	**1,031**	**989**	**1,026**

Consolidated cash flow statement, in summary

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Earnings before tax	**83**	**138**	**323**	**370**	**468**	**515**
Reversal of depreciation, amortisation and write-down of fixed assets	24	19	74	56	91	73
Reversal of net income from joint venture	1	–2	–7	–12	–9	–14
Reversal of other non-cash items	14	6	24	19	48	43
Taxes paid	–16	–30	–64	–69	–85	–90
Cash flow from operating activities before changes in working capital	***106***	***131***	***350***	***364***	***513***	***527***
Change in working capital	–8	34	–22	54	–49	27
Cash flow from operating activities	**98**	**165**	**328**	**418**	**464**	**554**
Investments in property, plant and equipment	–5	–7	–15	–16	–18	–19
Cash flow from investing activities	**–5**	**–7**	**–15**	**–16**	**–18**	**–19**
Dividend	–	–	–164	–148	–164	–148
Dividend received from joint venture	–	2	2	2	2	2
Buy-back of own shares	–50	–50	–100	–93	–153	–146
Selling of own shares to satisfy LTI – options exercised	–	–	14	12	14	12
New loans	–	–	–	2	1	3
Repayment of loans	–8	–1	–23	–1	–23	–1
Pension payments and other cash flows from financing activities	–11	–15	–46	–36	–54	–44
Cash flow from financing activities	**–69**	**–64**	**–317**	**–262**	**–377**	**–322**
Cash flow for the period	**24**	**94**	**–4**	**140**	**69**	**213**
Cash and bank assets, opening balance	677	522	683	455	600	455
Exchange-rate difference in cash and bank assets	19	–16	41	5	51	15
Cash and bank assets, closing balance	**720**	**600**	**720**	**600**	**720**	**683**

Group notes

Data per share

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Basic earnings per share before items affecting comparability, SEK	1.67	2.74	6.49	7.36	9.36	10.22
Basic earnings per share, SEK	1.67	2.74	6.49	7.36	9.45	10.30
Diluted earnings per share, SEK	1.67	2.73	6.41	7.33	9.33	10.27
Equity per share, SEK	27.12	25.32	27.12	25.32	27.12	26.55
Cash-flow from current operations per share, SEK [3)]	2.53	4.17	8.50	10.58	12.01	14.08
Basic weighted average no. of shares (000's)	38,334	39,287	38,531	39,459	38,627	39,322
Diluted weighted average no. of shares (000's)	38,349	39,443	39,011	39,625	39,107	39,456
Number of shares at period-end (000's)	38,027	39,069	38,027	39,069	38,027	38,633

Key figures [1)]

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Sales growth, %	–26	21	–13	14	n/a	15
Sales growth, constant currency, % [2)]	–28	12	–17	13	n/a	12
EBITDA margin before items affecting comparability, % [3)]	24.7	25.9	26.0	24.3	26.6	25.2
EBITDA margin, % [3)]	24.7	25.9	26.0	24.3	26.4	25.0
Operating margin before items affecting comparability, % [3)]	19.8	22.9	21.4	21.3	22.3	22.1
Operating margin, % [3)]	19.8	22.9	21.4	21.3	22.1	21.9
Capital Employed, MSEK	1,139	991	1,139	991	1,139	1,002
ROCE before items affecting comparability, %	43.8	46.9	43.8	46.9	43.8	50.9
ROCE, %	44.2	47.8	44.2	47.8	44.2	51.3
ROE, %	34.4	40.3	34.4	40.3	34.4	41.6
Working Capital, MSEK	–19	–59	–19	–59	–19	–29
Working capital as a % of annual sales	–0.9	–2.7	–0.9	–2.7	–0.9	–1.2
Net Debt, MSEK [2) 3)]	207	37	207	37	207	12
Gearing ratio, % [3)]	20	4	20	4	20	1
Net investments in PPE	5	7	15	16	18	19
R&D, %	2.3	2.1	2.3	2.0	2.3	2.1
Number of employees, average	808	972	864	966	885	956

[1)] For additional information see pages 29–30 and 33.
[2)] For additional information see page 12.
[3)] For additional information see pages 24–25.

Consolidated income statement in summary – by type of cost

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net sales	463	622	1,582	1,828	2,164	2,410
Direct material costs	–216	–294	–746	–870	–1,002	–1,126
Personnel costs	–108	–125	–350	–373	–464	–487
Depreciation, amortisation and write-down of fixed assets [1)]	–24	–19	–74	–56	–91	–73
Share of net income in joint venture	–1	2	7	12	9	14
Other operating income and expenses [1)]	–23	–44	–81	–153	–137	–209
Operating income	**91**	**142**	**338**	**388**	**479**	**529**
Financial income and expense [1)]	–8	–4	–15	–18	–11	–14
Earnings before tax	**83**	**138**	**323**	**370**	**468**	**515**
Taxes	–19	–30	–73	–80	–103	–110
Net income for the period	**64**	**108**	**250**	**290**	**365**	**405**

[1)] For additional information see pages 22–25.

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

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Tooling income	3	–	7	–	7	–
Royalty income from joint venture	15	13	45	39	59	53
Amortisation of acquisition related surplus values	–10	–10	–29	–28	–38	–37
UK pension benefit, equalisation	–	–	–	–	–25	–25
Customer contract provisions	–	–	–	–	–4	–4
Other	3	3	8	7	10	9
Other operating income and expenses	**11**	**6**	**31**	**18**	**9**	**–4**

Segment reporting

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

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

Third quarter

	Jul–Sept							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	207	320	340	399	–84	–97	463	622
External net sales	203	315	320	367	–60	–60	463	622
Operating income before items affecting comparability	28	60	63	84	–	–2	91	142
Operating income	28	60	63	84	–	–2	91	142
Operating margin before items affecting comparability, %	14.1	18.8	19.7	22.9	n/a	n/a	19.8	22.9
Operating margin, %	14.1	18.8	19.7	22.9	n/a	n/a	19.8	22.9
Financial income and expense	–	–	–	–	–8	–5	–8	–5
Earnings before tax	28	60	63	84	–8	–6	83	138
Assets	587	567	1,446	1,305	428	354	2,461	2,226
Liabilities	349	331	868	724	213	182	1,430	1,237
Capital employed	332	277	809	722	–2	–8	1,139	991
ROCE before items affecting comparability, %	48.5	61.1	41.1	41.6	n/a	n/a	43.8	46.9
ROCE, %	58.1	61.4	37.9	42.7	n/a	n/a	44.2	47.8
Net investments in PPE	3	–	5	9	–3	–2	5	7
Depreciation, goodwill and fixed asset write-downs	7	5	18	13	–1	1	24	19
Number of employees, average	286	363	594	681	–72	–72	808	972

First nine months

	Jan–Sept							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	699	902	1,155	1,224	–272	–298	1,582	1,828
External net sales	684	888	1,098	1,132	–200	–192	1,582	1,828
Operating income before items affecting comparability	103	137	237	255	–2	–4	338	388
Operating income	103	137	237	255	–2	–4	338	388
Operating margin before items affecting comparability, %	15.1	15.4	21.6	22.6	n/a	n/a	21.4	21.3
Operating margin, %	15.1	15.4	21.6	22.6	n/a	n/a	21.4	21.3
Financial income and expense	–	–	–	–	–15	–19	–15	–19
Earnings before tax	103	137	237	255	–17	–22	323	370
Assets	587	567	1,446	1,305	428	354	2,461	2,226
Liabilities	349	331	868	724	213	182	1,430	1,237
Capital employed	332	277	809	722	–2	–8	1,139	991
ROCE before items affecting comparability, %	48.5	61.1	41.1	41.6	n/a	n/a	43.8	46.9
ROCE, %	58.1	61.4	37.9	42.7	n/a	n/a	44.2	47.8
Net investments in PPE	6	1	40	20	–31	–5	15	16
Depreciation, goodwill and fixed asset write-downs	21	17	56	40	–3	–1	74	56
Number of employees, average	306	358	630	671	–72	–63	864	966

Seasonality

Each end-market will have its own seasonality profile based on the end-users, e.g. sales of agricultural machinery will be linked to harvest periods in the Northern and Southern hemispheres. However, there is no significant seasonality in the demand profile of Concentric's customers and, therefore, the most significant driver is actually the number of working days in the period.

The weighted average number of working days in the third quarter was 61 (61) for the Group, with an average of 61 (63) working days for the Americas region and 61 (59) working days for the Europe & RoW region.

The weighted average number of working days in the first nine months was 184 (187) for the Group, with an average of 186 (190) working days for the Americas region and 182 (185) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Jul–Sept							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	173	283	–	1	–	–	173	284
Rest of North America	5	9	2	2	–	–	7	11
South America	9	4	–	1	–	–	9	5
Germany	2	3	88	99	–	–	90	102
UK	4	5	37	70	–	–	41	75
Sweden	–	–	20	22	–	–	20	22
Rest of Europe	2	2	79	97	–	–	81	99
Asia	6	7	34	14	–	–	40	21
Other	2	2	–	1	–	–	2	3
Total Group	**203**	**315**	**260**	**307**	**–**	**–**	**463**	**622**

[1] Excluding the joint venture company Alfdex AB.

	Jan–Sept							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	585	801	2	2	–	–	587	803
Rest of North America	24	22	8	9	–	–	32	31
South America	25	19	1	1	–	–	26	20
Germany	7	9	287	301	–	–	294	310
UK	11	13	108	113	–	–	119	126
Sweden	–	–	70	80	–	–	70	80
Rest of Europe	6	6	296	294	–	–	302	300
Asia	24	14	123	138	–	–	147	152
Other	2	4	3	2	–	–	5	6
Total Group	**684**	**888**	**898**	**940**	**–**	**–**	**1,582**	**1,828**

[1] Excluding the joint venture company Alfdex AB.

Total sales by product groups

	Jul–Sept							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	78	174	119	147	–	–	197	321
LICOS branded engine products	–	–	59	60	–	–	59	60
Alfdex branded engine products	–	–	60	60	–60	–60	–	–
Total engine products	78	174	238	267	–60	–60	256	381
Total hydraulics products	125	141	82	100	–	–	207	241
Total Group	**203**	**315**	**320**	**367**	**–60**	**–60**	**463**	**622**

[1] Including the joint venture company Alfdex AB.

	Jan–Sept							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	270	481	439	447	–	–	709	928
LICOS branded engine products	–	–	176	177	–	–	176	177
Alfdex branded engine products	–	–	200	192	–200	–192	–	–
Total engine products	270	481	815	816	–200	–192	885	1,105
Total hydraulics products	414	407	283	316	–	–	697	723
Total Group	**684**	**888**	**1,098**	**1,132**	**–200**	**–192**	**1,582**	**1,828**

[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 2018 Annual Report on pages 6–9 and pages 14–29.

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 2018 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2019. Please refer to the Risk and Risk Management section on pages 63–66 of the 2018 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 2018 Annual Report, except for the changes in accounting principles regarding IFRS 16 – "Leases", described below on pages 24–25.

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

New and amended standards and interpretations 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 has replaced the previous standard for leases, 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 have increased as a result of recognising leases on the balance sheet that previously were classified as operational leases. This has affected operating income positively since the entire leasing fee for the period is no longer included in operating income on leases that previously were classified as operational. However, depreciation and financial expenses have increased. Concentric has applied the so called "modified retrospective approach" when transitioning to IFRS 16. Comparatives for 2018 are therefore not 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 have increased by MSEK 75 per January 1, 2019 due to the implementation of IFRS 16.

See on pages 24–25 for detailed information of the effects of these new 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

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

Changes in the statements related to the new accounting principles in IFRS 16 for leases

General information

In the tables below, on pages 24–25, we have only included items that are affected by IFRS 16 for leases.

Changes in consolidated income statement – by function

	New principles	Changes	Old principles
	Jan–Sept 2019	Jan–Sept 2019	Jan–Sept 2019
Cost of goods sold	–1,084	–	–1,084
Gross income	**498**	**–**	**498**
Selling expenses	–50	–	–50
Administrative expenses	–111	1	–110
Product development expenses	–37	–	–37
Operating income	**338**	**1**	**339**
Financial income and expenses	–15	1	–14
Earnings before tax	**323**	**2**	**325**
Net income for the period	**250**	**2**	**252**

Consolidated income statement in summary – by type of cost

	New principles	Changes	Old principles
	Jan–Sept 2019	Jan–Sept 2019	Jan–Sept 2019
Direct material costs	–746	–	–746
Depreciation, amortisation and write-down of fixed assets	–74	18	–56
Other operating income and expenses	–81	–17	–98
Operating income	**338**	**1**	**339**
Financial income and expense	–15	1	–14
Earnings before tax	**323**	**2**	**325**
Net income for the period	**250**	**2**	**252**
Key figures:			
Operating margin, %	21.4	0.0	21.4
EBITDA-margin, %	26.0	–1.1	24.9
Basic earnings per share, SEK	6.49	0.05	6.54

Changes in the consolidated balance sheet

	New principles 30 Sept 2019	Changes 30 Sept 2019	Old principles 30 Sept 2019
Right of use fixed assets	93	–93	–
Other tangible fixed assets	104	1	105
Long-term receivables	6	–1	5
Total fixed assets	**1,284**	**–93**	**1,191**
Current receivables	296	4	300
Total current assets	**1,177**	**4**	**1,181**
Total assets	**2,461**	**–89**	**2,372**
Total Shareholders' equity	**1,031**	**2**	**1,033**
Long-term liabilities for right of use fixed assets	71	–70	1
Other long-term liabilities	6	2	8
Total long-term liabilities	**756**	**–68**	**688**
Short-term liabilities for right of use fixed assets	23	–23	–
Total short-term liabilities	**23**	–23	–
Total equity and liabilities	**2,461**	**–89**	**2,372**
Key figures:			
Net debt	207	–93	114
Gearing ratio, %	20	–9	11

Consolidated cash flow statement, in summary

	New principles Jan–Sept 2019	Changes Jan–Sept 2019	Old principles Jan–Sept 2019
Earnings before tax	323	2	325
Reversal of depreciation, amortisation and write-down of fixed assets	74	–18	56
Reversal of other non-cash items	24	–2	22
Cash flow from operating activities before changes in working capital	***350***	***–18***	***332***
Change in working capital	–22	–	–22
Cash flow from operating activities	**328**	**–18**	**310**
Repayments of loans	–23	18	–5
Cash flow from financing activities	**–317**	**18**	**–299**
Cash flow for the period	**–4**	**–**	**–4**

Reconciliation note for leases in AR 2018 vs. lease liabilities according to IFRS 16

	New principles 1 Jan 2019
Operational leases at 31 Dec 2018 according to note in AR	78
Discounted by incremental borrowing rate as of 1 Jan 2019	73
In addition: Variable lease payments	2
In addition: Financial leasing liabilities reported as of Dec 31, 2018	1
In addition: Reclassification of items reported as of Dec 31, 2018	3
Total lease liabilities as of 1 Jan 2019	**79**

Right of use assets – by type of assets

	New principles 1 Jan 2019	New principles 30 Sept 2019
Land and building [1]	75	89
Machinery	1	1
Vehicles	3	2
Other	2	1
Total right of use assets	**81**	**93**

[1] of which MSEK 6 already was reported as of 31 December 2018. MSEK 1 as financial leases and MSEK 5 as prepaid rental cost.

Effects of new accounting principles for Leases – IFRS 16

The effects in the income statement are not material (EBIT margin 0.0%; EBITDA margin +1.1%). Cash flow from operating activities was affected by MSEK +18. Other effects at 30 September 2019 were; total assets MSEK +89; net debt MSEK +93; gearing ratio +9%.

The weighted average incremental borrowing rate used for the IFRS 16 calculation is 2.6%.

Parent Company

Net sales and operating income

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

Net financial items

During the third quarter, the parent company has received dividend from subsidiaries of MSEK 608. Following a valuation of shares in subsidiaries, the shares and receivables in our subsidiary in Argentina, was impaired in the second quarter of MSEK 35. Income from shares in subsidiaries amounts therefore to MSEK 573 for the first nine months. Exchange rate losses on foreign currencies on liabilities to subsidiaries was –137 (–86) for the first nine months, an increase of MSEK 51.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2019 was 1,210,516 and shares transferred in 2017–2018 to an Employee Share Ownership Trust ("ESOT") was 188,020. Including these shares the company's holdings was 1,398,536 and the total number of shares in issue was 40,031,100.

On 4 April 2019, the AGM resolved to retire 807,000 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital.

The annual general meeting also resolved to transfer up to 120,200 shares to an Employee Share Ownership Trust ("ESOT") as a part of a Joint Share Ownership Plan ("JSOP") under LTI 2019. In accordance with the annual general meeting's resolution and the terms of LTI 2019, the board of Concentric has executed the transfer in regards to 112,680 shares.

During the second quarter, the company sold 169,400 (123,600) of own shares, to exercise and satisfy LTI-programme.

The company repurchased 424,643 (340,225) of own shares during the third quarter, for a total consideration of MSEK 50 (50), taking the total purchased own shares to 774,876 (597,120) for a total consideration of MSEK 100 (93) for the first nine months.

The total number of holdings of own shares at 30 September 2019 was 896,312 (962,127) and the total number of shares in issue was 39,224,100 (40,031,100). Consequently the company's total holdings of own shares now represent 2.3% (2.4) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 300,700 (188,020). Including these shares the company's holdings was 1,197,012 (1,150,147) representing 3.1% (2.9) of the total number of shares.

Parent Company's income statement

	Jul–Sept		Jan–Sept		Oct–Sept	Jan–Dec
	2019	2018	2019	2018	2018/19	2018
Net sales	16	13	48	39	66	57
Operating costs	–5	–3	–15	–11	–24	–20
Operating income	**11**	**10**	**33**	**28**	**42**	**37**
Income from shares in subsidiaries	608	–	573	–	578	5
Income from shares in joint venture	–	2	2	2	2	2
Net foreign exchange rate differences	–79	19	–137	–86	–137	–86
Other financial income and expense	–3	–3	–12	–6	–16	–10
Earnings before tax	**537**	**28**	**459**	**–62**	**469**	**–52**
Taxes	14	–6	21	13	19	11
Net income for the period [1)]	**551**	**22**	**480**	**–49**	**488**	**–41**

[1)] Total Comprehensive Income for the Parent Company is the same as Net income/loss for the period.

Parent Company's balance sheet

	30 Sept 2019	30 Sept 2018	31 Dec 2018
Shares in subsidiaries	3,149	3,178	3,178
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1	6	6
Deferred tax assets	37	18	16
Total financial fixed assets	**3,197**	**3,212**	**3,210**
Other current receivables	5	6	4
Short-term receivables from subsidiaries	20	212	144
Cash and cash equivalents	429	372	433
Total current assets	**454**	**590**	**581**
Total assets	**3,651**	**3,802**	**3,791**
Total shareholders' equity	**1,674**	**1,489**	**1,444**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	–	175	175
Long-term loans payable to subsidiaries	942	2,094	2,131
Total long-term liabilities	**960**	**2,287**	**2,324**
Short-term loans payable to subsidiaries	831	19	14
Short-term interest-bearing liabilities	175	–	–
Other current liabilities	11	7	9
Total current liabilities	**1,017**	**26**	**23**
Total equity and liabilities	**3,651**	**3,802**	**3,791**

Parent Company's changes in shareholders' equity

	30 Sept 2019	30 Sept 2018	31 Dec 2018
Opening balance	1,444	1,767	1,767
Net income for the period	480	–49	–41
Dividend	–164	–148	–148
Sale of own shares to satisfy LTI options exercised	14	12	12
Buy-back of own shares	–100	–93	–146
Closing balance	**1,674**	**1,489**	**1,444**

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 November, 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.

Concentric's web site for investors

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

Reporting calendar

Interim Report January – December 2019	4 February, 2020
Annual Report January – December 2019	1 April, 2020
Annual General Meeting 2020	23 April, 2020

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Corporate Registration Number 556828-4995

Stockholm 6 November, 2019

David Woolley
President and CEO

This Interim Report has not been reviewed by Concentric's Auditors.

Alternative Performance Measures

General information

"Old principles" in the tables below refers to Leases accounted for using the previous standard IAS 17 that was applied by the Group until 2018, rather than the current standard IFRS 16.

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Underlying EBIT or operating income	2019 1)	2019 2)	2018	2019 1)	2019 2)	2018	2018/19	2018
EBIT or operating income	**91**	**92**	**142**	**338**	**339**	**388**	**479**	**529**
Items affecting comparability:								
UK pension benefit, equalisation	–	–	–	–	–	–	25	25
End of Customer contract revenue	–	–	–	–	–	–	–33	–33
End of Customer contract provisions	–	–	–	–	–	–	4	4
Underlying operating income	**91**	**92**	**142**	**338**	**339**	**388**	**475**	**525**
Net Sales	463	463	622	1,582	1,582	1,828	2,164	2,410
Underlying Net Sales	463	463	622	1,582	1,582	1,828	2,131	2,377
Operating margin (%)	**19.8**	**19.9**	**22.9**	**21.4**	**21.4**	**21.3**	**22.1**	**21.9**
Underlying operating margin (%)	**19.8**	**19.9**	**22.9**	**21.4**	**21.4**	**21.3**	**22.3**	**22.1**

1) New principles
2) Old principles

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Underlying EBITDA or operating income before amortisation and depreciation	2019 1)	2019 2)	2018	2019 1)	2019 2)	2018	2018/19	2018
EBIT or operating income	**91**	**92**	**142**	**338**	**339**	**388**	**479**	**529**
Operating amortisation/depreciation	13	8	9	45	26	28	53	36
Amortisation of purchase price allocation	10	10	9	29	29	28	38	37
EBITDA or operating income before amortisation and depreciation	**114**	**110**	**160**	**412**	**394**	**444**	**570**	**602**
Underlying EBITDA or underlying operating income before amortisation and depreciation	**114**	**110**	**160**	**412**	**394**	**444**	**566**	**598**
Net sales	463	463	622	1,582	1,582	1,828	2,164	2,410
Underlying Net Sales	463	463	622	1,582	1,582	1,828	2,131	2,377
EBITDA margin (%)	**24.7**	**23.8**	**25.9**	**26.0**	**24.9**	**24.3**	**26.4**	**25.0**
Underlying EBITDA margin (%)	**24.7**	**23.8**	**25.9**	**26.0**	**24.9**	**24.3**	**26.6**	**25.2**

1) New principles
2) Old principles

	Jul–Sept			Jan–Sept			Oct–Sept	Jan–Dec
Net income before items affecting comparability	2019 1)	2019 2)	2018	2019 1)	2019 2)	2018	2018/19	2018
Net income	**64**	**65**	**108**	**250**	**252**	**290**	**365**	**405**
Items affecting comparability after tax		–			–		–3	–3
Net income before items affecting comparability	**64**	**65**	**108**	**250**	**252**	**290**	**362**	**402**
Basic average number of shares (000)	38,334	38,334	39,287	38,531	38,531	39,459	38,627	39,322
Basic earnings per share	**1.67**	**1.69**	**2.74**	**6.49**	**6.54**	**7.36**	**9.45**	**10.30**
Basic earnings per share before items affecting comparability	**1.67**	**1.69**	**2.74**	**6.49**	**6.54**	**7.36**	**9.36**	**10.22**

1) New principles
2) Old principles

Net debt	30 Sept 2019 [1]	30 Sept 2019 [2]	30 Sept 2018	31 Dec 2018
Pensions and similar obligations	658	658	458	514
Liabilities for right of use fixed assets	94	1	1	1
Long term interest bearing liabilities	–	–	175	175
Short term interest bearing liabilities	175	175	3	5
Total interest bearing liabilities	**927**	**834**	**637**	**695**
Cash and cash equivalents	–720	–720	–600	–683
Total net debt	**207**	**114**	**37**	**12**
Net debt, excluding pension obligations	**–451**	**–544**	**–421**	**–502**

[1] New principles
[2] Old principles

Capital employed	30 Sept 2019 [1]	30 Sept 2019 [2]	30 Sept 2018	31 Dec 2018
Total assets	**2,461**	**2,372**	**2,226**	**2,234**
Interest bearing financial assets	–6	–6	–5	–5
Cash and cash equivalents	–720	–720	–600	–683
Tax assets	–228	–228	–151	–154
Non interest bearing assets (excl taxes)	**1,507**	**1,418**	**1,470**	**1,392**
Non interest bearing liabilities (incl taxes)	–500	–500	–596	–510
Tax liabilities	132	132	117	120
Non interest bearing liabilities (excl taxes)	**–368**	**–368**	**–479**	**–390**
Total capital employed	**1,139**	**1,050**	**991**	**1,002**

[1] New principles
[2] Old principles

Working capital	30 Sept 2019 [1]	30 Sept 2019 [2]	30 Sept 2018	31 Dec 2018
Accounts receivable	222	222	261	215
Other current receivables	73	78	66	69
Inventory	161	161	180	169
Working capital assets	**456**	**461**	**507**	**453**
Accounts payable	–184	–184	–215	–192
Other current payables	–291	–291	–351	–290
Working capital liabilities	**–475**	**–475**	**–566**	**–482**
Total working capital	**–19**	**–14**	**–59**	**–29**

[1] New principles
[2] Old principles

Graph data summary

	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017
Americas									
Sales, MSEK	203	237	244	296	315	285	288	258	265
Book-to-bill, %	97	89	92	92	82	103	108	115	88
Operating income before items affecting comparability, MSEK	28	38	37	48	60	33	45	40	40
Operating margin before items affecting comparability, %	14.1	15.8	15.3	18.0	18.8	11.5	15.5	15.4	14.9
Europe & RoW									
Sales (including Alfdex), MSEK	320	383	394	346	367	388	379	302	302
Book-to-bill, %	91	88	97	108	97	94	106	122	99
Operating income before items affecting comparability, MSEK	63	84	90	81	84	94	77	57	58
Operating margin before items affecting comparability, %	19.7	22.0	22.8	23.4	22.9	24.4	20.2	18.9	19.2
Alfdex eliminations									
Sales, MSEK	–60	–67	–73	–60	–60	–70	–64	–57	–52
Operating income before items affecting comparability, MSEK	–1	–1	–1	7	–2	–1	–1	2	–2
Group									
Sales (excluding Alfdex), MSEK	463	553	566	582	622	603	603	503	515
Book-to-bill, %	94	88	95	102	90	97	108	114	93
Operating income before items affecting comparability, MSEK	91	121	126	136	142	126	120	99	96
Operating margin before items affecting comparability, %	19.8	21.9	22.2	24.8	22.9	20.9	19.9	19.6	18.7
Basic earnings per share, SEK	1.67	2.39	2.43	2.95	2.74	2.36	2.26	2.08	1.79
Return on equity, %	34.4	39.0	39.5	41.6	40.3	38.1	37.6	37.0	36.5
Cash flow from operating activities per share, SEK	2.53	3.32	2.65	3.44	4.17	3.61	2.80	3.35	1.82
Working capital as % of annualised sales	–0.9	–0.9	–0.7	–1.2	–2.5	–0.6	0.9	1.7	2.4
Net debt, MSEK	207	102	27	12	37	132	92	185	315
Gearing ratio, %	20	10	2	1	4	14	9	21	40
Gearing ratio (excl Pensions), %	–44	–38	–42	–49	–43	–35	–38	–32	–26

Glossary

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

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

EHS
Electro Hydraulic Steering.

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.

OEMs
Original Equipment Manufacturers.

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

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

R&D expenditure
Research and development expenditure.

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"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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