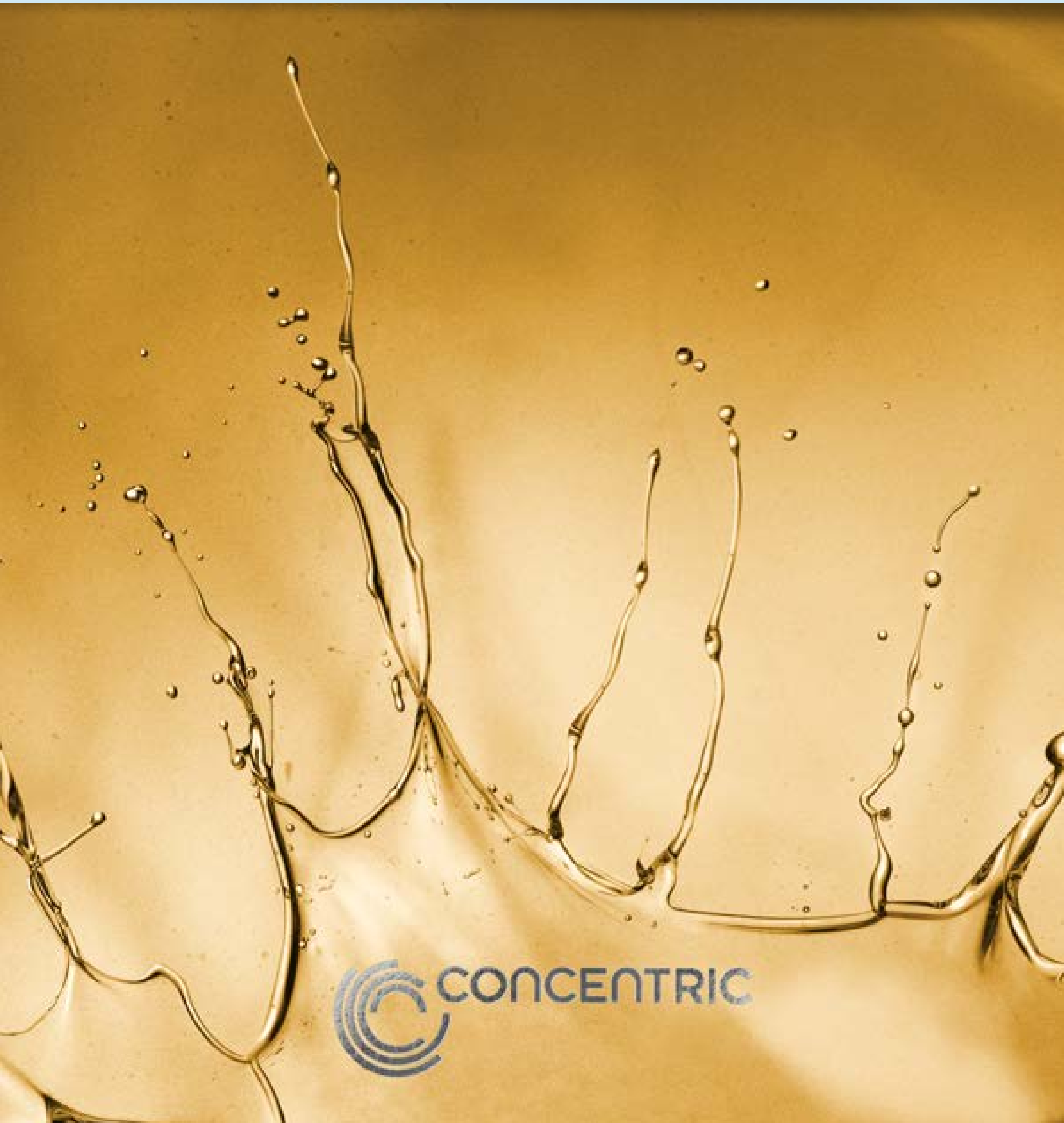
INTERIM REPORT Q2/2018



CONTENTS

FINANCIAL RESULTS IN BRIEF
GROUP

SECOND QUARTER

Net sales
MSEK 603 (540) – up 11% y-o-y, after adjusting for currency (+1%).

Operating income
MSEK 126 (100), generating an operating margin of 20.9% (18.5).

Earnings after tax
MSEK 94 (75); basic EPS of SEK 2.36 (1.86).

Strong cash flow generated from operating activities
MSEK 175 (77) driven by management of working capital.

Group's net debt
MSEK 132 (335); gearing ratio of 14% (42).

FIRST SIX MONTHS

Net sales
MSEK 1,206 (1,086) – up 13% y-o-y, after adjusting for currency (–2%).

Operating income
MSEK 246 (200), generating an operating margin of 20.4% (18.4).

Earnings after tax
MSEK 183 (149); basic EPS of SEK 4.62 (3.69).

Strong cash flow generated from operating activities
MSEK 286 (155) driven by management of working capital.

Key figures – Group[1)]

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Change	Jan–Jun 2018	Jan–Jun 2017	Change	Jul–Jun 2017/18	Jan–Dec 2017
Net sales	603	540	12%	1,206	1,086	11%	2,224	2,104
Operating income before items affecting comparability	126	100	26%	246	200	23%	441	395
Operating income	126	100	26%	246	200	23%	450	404
Earnings before tax	117	97	21%	232	194	20%	429	391
Net income for the period	94	75	25%	183	149	23%	337	303
Cash flow from operating activities	175	77	127%	286	155	85%	491	360
Net debt [2)]	132	335	–61%	132	335	–61%	132	185
Operating margin before items affecting comparability, %	20.9	18.5	2.4	20.4	18.4	2.0	19.8	18.7
Operating margin, %	20.9	18.5	2.4	20.4	18.4	2.0	20.2	19.2
Basic earnings per share, before items affecting comparability, SEK	2.36	1.86	0.50	4.62	3.69	0.93	8.25	7.39
Basic earnings per share, SEK	2.36	1.86	0.50	4.62	3.69	0.93	8.48	7.54
Return on equity, %	38.1	36.5	1.6	38.1	36.5	1.6	38.1	37.0
Gearing ratio, %	14	42	–28	14	42	–28	14	21

1) For additional information see pages 33–34 and 36.
2) For additional information see page 14.

» The increased activity levels in the first six months reflects strong demand across our core regions of North America & Europe and across all of our end market applications. «

President and CEO, David Woolley, comments on Q2 2018 interim report.

Sales development

Group sales for the second quarter were up year-on-year by 11% in constant currency and 13% for the first six months, ahead of the published market indices. The increased activity levels in the first six months reflects strong demand across our core regions of North America and Europe. With regard to the emerging markets where Concentric is present, India and South America also experienced strong year-on-year growth whilst China continues with strong growth in construction equipment and negative growth in the agricultural machinery and truck markets.

The largest year-on-year improvements for the second quarter were achieved in the medium and heavy-duty truck market, but we also saw steady growth in the construction equipment and agricultural machinery sectors.

Concentric Business Excellence in conjunction with increased demand

The culture within Concentric to achieve continuous improvement is firmly embedded. The key drivers are 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 growing demand.

The CBE-programme has continued to improve the group's profitability and the reported operating margin for the second quarter and first six months increased to 20.9% (18.5) and 20.4% (18.4) respectively. The year-on-year operating income drop through was a healthy 38% for the first six months.

Acquisition Opportunities

We continue to explore acquisition opportunities 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 presence alongside our global customers.

Global Customer Dual Sourcing

A global customer has publicly stated their strategic ambition to have dual and parallel sourcing for the majority of their total direct material spend and are currently in the process of implementing this sourcing strategy. Historically, Concentric has been the sole supplier of pumps to this global customer and at this moment, negotiations are ongoing. As such, we are unable to determine the impact of these negotiations and while I am confident Concentric will remain an important partner, the outcome may affect the group's future revenue generation.

Outlook

The overall market has grown y-o-y in the first six months by 9% and current published market indices blended to Concentric's mix of end market applications and locations suggest the full year growth rate will weaken slightly during the second half of 2018. The seasonal effect of the summer months make it difficult to assess whether the market has reached a sustained high growth rate, particularly the truck market in North America and Europe.

However, the sales order bank remains strong and the level of orders received in the second quarter indicate that sales in the third quarter will be broadly in line with sales in the second quarter, after a seasonal adjustment for fewer working days. Our expectation remains that demand for our products in our North American and European end markets will remain robust for the remainder of 2018 but the business is vigilant and ready to adapt to any market changes.

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

KEY EVENTS IN 2018

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 machine 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.

FINANCIAL SUMMARY GROUP

Key figures – Group[1]

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Change	Jan–Jun 2018	Jan–Jun 2017	Change	Jul–Jun 2017/18	Jan–Dec 2017
Net sales	603	540	12%	1,206	1,086	11%	2,224	2,104
Operating income before items affecting comparability	126	100	26%	246	200	23%	441	395
Operating income	126	100	26%	246	200	23%	450	404
Earnings before tax	117	97	21%	232	194	20%	429	391
Net income for the period	94	75	25%	183	149	23%	337	303
Operating margin before items affecting comparability, %	20.9	18.5	2.4	20.4	18.4	2.0	19.8	18.7
Operating margin, %	20.9	18.5	2.4	20.4	18.4	2.0	20.2	19.2
Return on capital employed, %	42.7	32.9	9.8	42.7	32.9	9.8	42.7	38.0
Return on equity, %	38.1	36.5	1.6	38.1	36.5	1.6	38.1	37.0
Basic earnings per share, before items affecting comparability, SEK	2.36	1.86	0.50	4.62	3.69	0.93	8.25	7.39
Basic earnings per share, SEK	2.36	1.86	0.50	4.62	3.69	0.93	8.48	7.54
Diluted earnings per share, SEK	2.35	1.85	0.50	4.60	3.68	0.92	8.45	7.52

[1] For additional information see pages 33–34 and 36.

Sales

Sales for the second quarter were up year-on-year by 11%, adjusting for the impact of currency (+1%). As a result, sales for the first six months were up year on year by (13%), adjusting for the impact of currency (–2%). The increased activity levels in the second quarter and the first six months reflect the strong demand experienced across our core regions of North America and Europe. The largest year-on-year improvements were achieved in medium- heavy truck markets in North America. Europe continued to show steady growth and demand in our emerging markets remains strong in the second quarter.

Operating income

The strong profit drop through, achieved on the increased sales, primarily drove the improvement in the reported operating margins for the second quarter and the first six months of the year.

Net financial items

Net financial expenses in the second quarter comprised of pension financial expenses of MSEK 5 (5) and other net interest expenses of 4 (income 2). Accordingly, net financial expenses in the first six months comprised of pension financial expenses of MSEK 9 (9) and other net interest expenses of 5 (income 3).

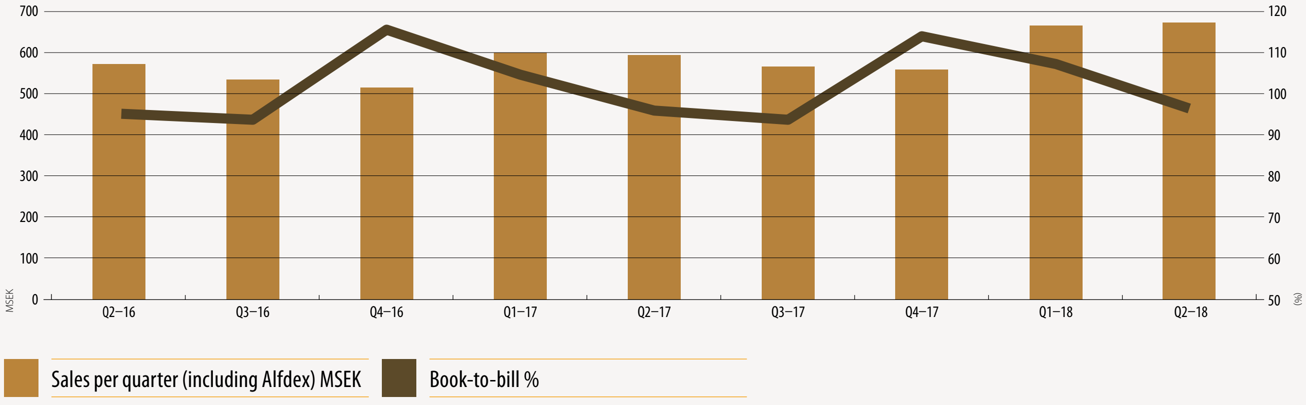
Taxes

The underlying effective tax rate for the second quarter and the first six months was 20% (23) and 21% (23) respectively. These rates largely reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

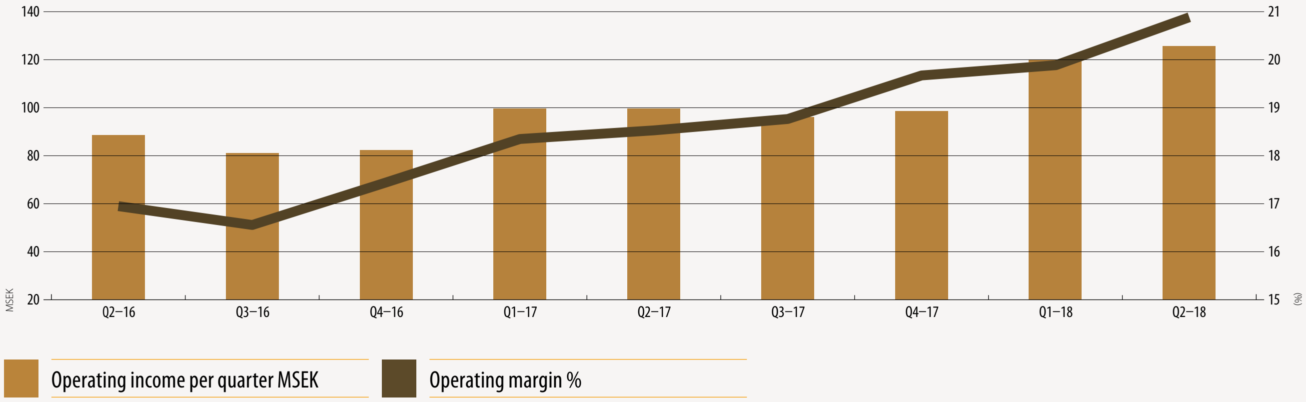
Earnings per share

The basic earnings per share for the first six months was SEK 4.62 (3.69), up SEK 0.93 per share.

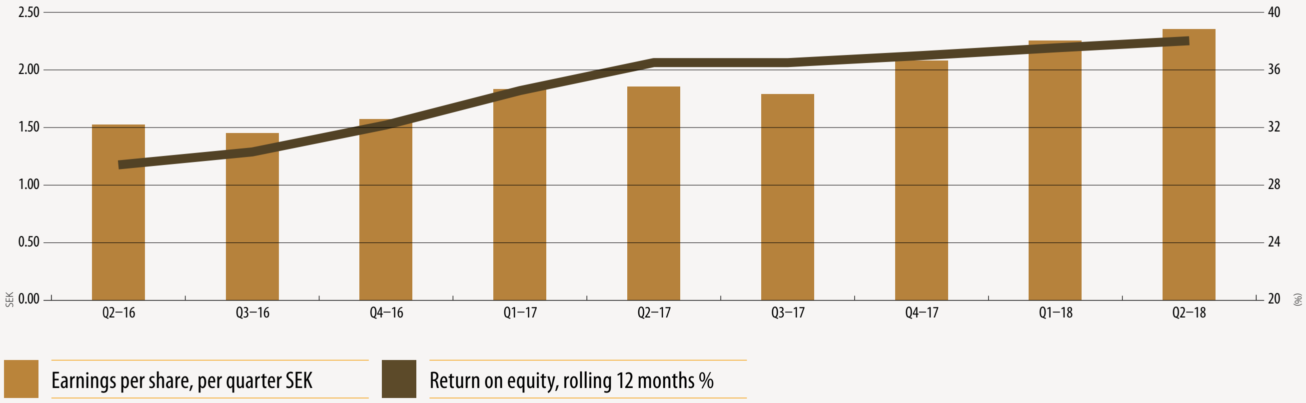
Sales & Book-to-bill



Underlying Operating income & margins



Earnings per share & Return on equity



NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Change	Jan–Jun 2018	Jan–Jun 2017	Change	Jul–Jun 2017/18	Jan–Dec 2017
External net sales	285	268	6%	573	532	8%	1,096	1,055
Operating income before items affecting comparability	32	38	–16%	77	75	3%	157	155
Operating income	32	38	–16%	77	75	3%	157	155
Operating margin before items affecting comparability, %	11.5	14.4	–2.9	13.5	14.1	–0.6	14.3	14.7
Operating margin, %	11.5	14.4	–2.9	13.5	14.1	–0.6	14.3	14.7
Return on capital employed, %	52.6	44.6	8.0	52.6	44.6	8.0	52.6	47.7

Sales for the second quarter were up year-on-year by 11%, after adjusting for the impact of currency (–5%). As a result, sales for the first six months were up 16% adjusting for the impact currency (–8%). 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 construction equipment and industrial applications markets.

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

The weaker reported operating margins for the first six months was driven primarily by an increase in warranty provisions.

Europe & RoW

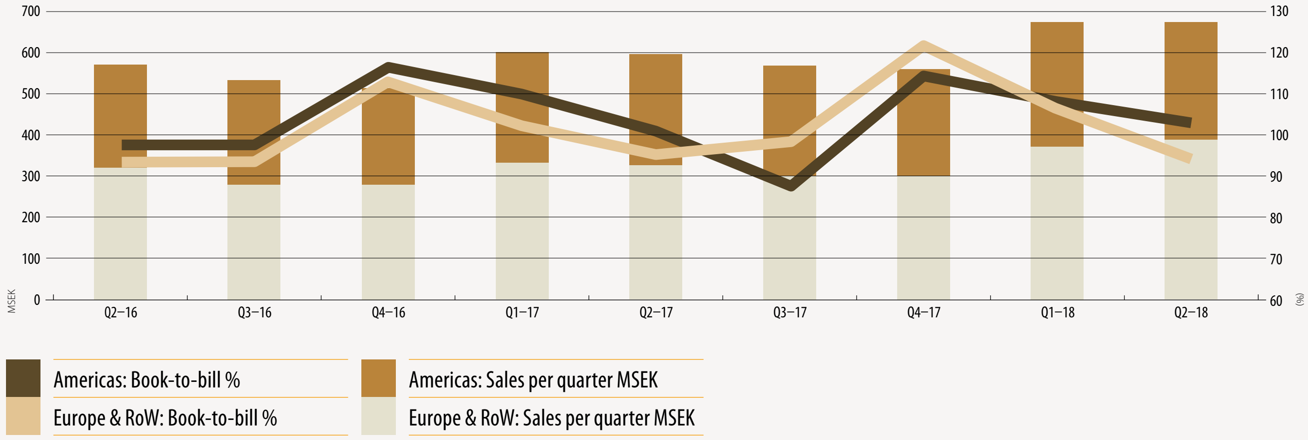
Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Change	Jan–Jun 2018	Jan–Jun 2017	Change	Jul–Jun 2017/18	Jan–Dec 2017
External net sales	387	327	18%	767	662	16%	1,371	1,266
Operating income before items affecting comparability	94	63	49%	171	127	35%	286	242
Operating income	94	63	49%	171	127	35%	294	250
Operating margin before items affecting comparability, %	24.4	19.2	5.2	22.4	19.2	3.2	20.9	19.1
Operating margin, %	24.4	19.2	5.2	22.4	19.2	3.2	21.4	19.8
Return on capital employed, %	34.8	25.5	9.3	34.8	25.5	9.3	34.8	30.3

Sales for the second quarter were up year-on-year by 14%, after adjusting for the impact of currency (4%). Sales for the first six months were up year-on-year by 13% and after adjusting for the impact of currency (3%). The increase in activity was primarily driven by the medium- and heavy duty truck market and the steady improvement of the of the agricultural machinery and construction equipment markets.

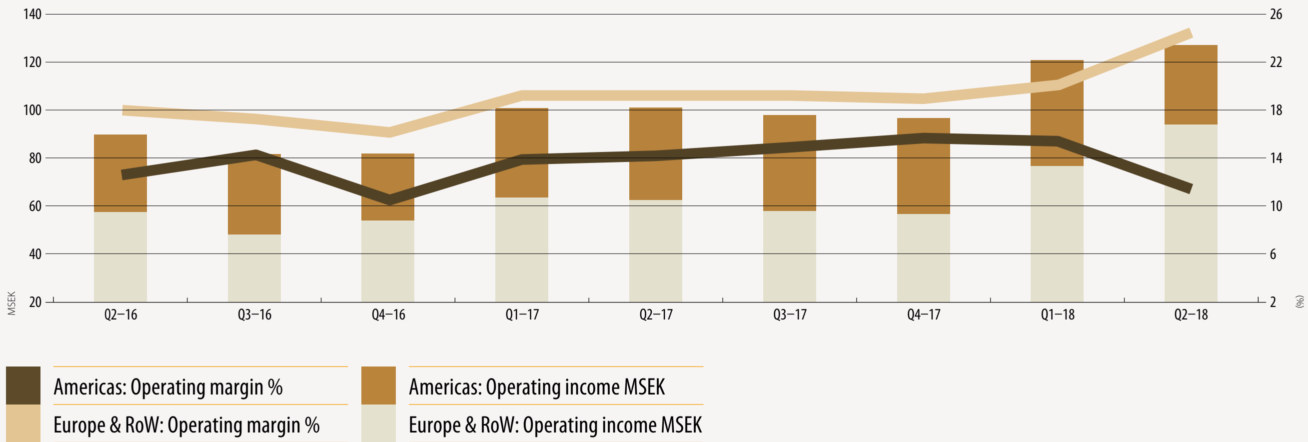
Demand in our India off-highway end-markets continues to remain strong under the new Government economic initiatives to stimulate investment. Demand in our Chinese end-markets remains strong in the construction equipment market and industrial applications markets but weak elsewhere.

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 second quarter and the first six months were ahead of published market indices.

Americas end-markets

North America

- Sales of diesel engines products to our North American end-markets were up year-on-year for the second 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 second quarter across all end-markets and particularly strongly in trucks and agricultural machinery markets.
- Overall, sales growth in constant currency for the first six months was ahead of the latest published market indices.

South America

- Sales to our South American end-markets continued to show signs of improvement during the second quarter, especially for larger agricultural machinery.

Europe & RoW end-markets

Europe

- Sales of diesel engines to our European end-markets remained strong and year-on-year growth for the first six months was well ahead of the published market indices particularly in agricultural machinery and construction equipment.
- Hydraulic sales performance remained strong in the second quarter driven mainly by the construction equipment market
- Overall, sales growth in constant currency for the first six months was ahead of the latest published market indices.

Rest of the world

- Sales to our Indian end-market applications were strong across the board with increases in year-on-year growth in quarter two when compared with quarter one.
- Despite the mixed market conditions in China, Concentric's sales increased year-on-year for the first six months, predominantly driven by the industrial application market.
- Overall, the Rest of the world still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q2-18 vs Q2-17			H1-18vs H1-17			FY-18vs FY-17		
Concentric	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average[1]	12%	7%	**9%**	11%	8%	**9%**	11%	6%	**8%**
Actual – constant currency[2]	11%	14%	**11%**	16%	13%	**13%**			

[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 9% for the first six months. Concentric's actual sales for the first six months were ahead of these indices. During the second quarter the market continued to grow at similar levels to quarter one and Concentric's actual sales were slightly ahead of these indices. The current published market indices forecast a relatively stable market for the remainder of 2018.

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

		Q2-18 vs Q2-17					H1-18 vs H1-17					FY-18 vs FY-17				
		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	6%	11%	4%	12%	–2%	6%	11%	4%	14%	–2%	6%	11%	4%	14%	–2%
Construction equipment	Diesel engines	4%	9%	4%	13%	18%	4%	10%	4%	15%	17%	4%	10%	3%	15%	16%
Construction equipment	Hydraulic equipment	12%	n/a	3%	n/a	n/a	10%	n/a	0%	n/a	n/a	12%	n/a	–1%	n/a	n/a
Trucks	Light vehicles	9%	n/a	n/a	n/a	n/a	9%	n/a	n/a	n/a	n/a	9%	n/a	n/a	n/a	n/a
Trucks	Medium & Heavy vehicles	22%	20%	8%	17%	–8%	28%	20%	8%	19%	–8%	24%	20%	5%	20%	–9%
Industrial applications	Other off-highway	5%	4%	6%	5%	8%	6%	4%	6%	7%	7%	5%	4%	5%	7%	7%
Industrial applications	Hydraulic lift trucks	15%	n/a	1%	n/a	n/a	10%	n/a	5%	n/a	n/a	10%	n/a	5%	n/a	n/a

< –10%
–10% to –1%
0%
1% to 10%
> 10%

The market indices summarised in the table above reflect the Q2 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 second quarter amounted to MSEK 175 (77), which represents SEK 3.61 (1.90) per share. This takes the cash inflow from operating activities for the first six months to MSEK 286 (155).

Working capital
Total working capital at 30 June was MSEK –14 (45), which represented –0.6% (2.2) of annual sales.

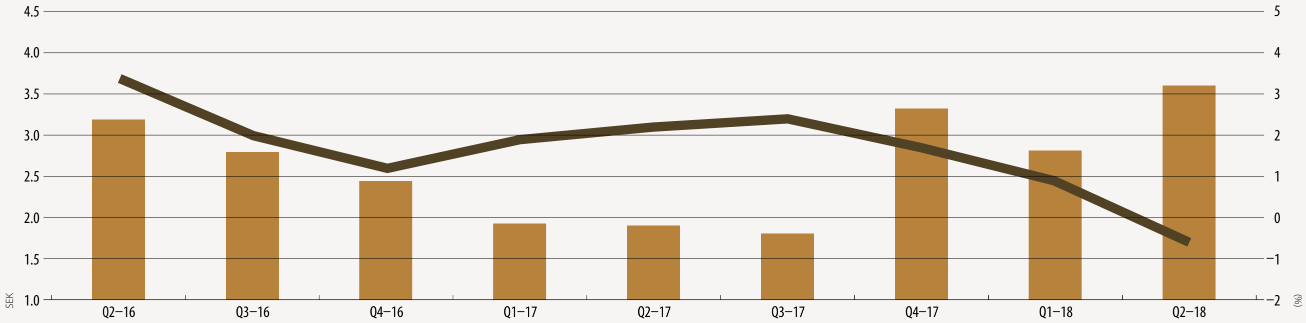
Net investments in fixed assets
The Group's net investments in tangible fixed assets amounted to MSEK 5 (3) for the second quarter and MSEK 9 (6) for the first six months.

Net debt & gearing
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, there were no remeasurement gains or losses recognised in net pension liabilities during the first six months.

On 3 May 2018, the AGM approved the Board's proposed dividend for the financial year 2017 of MSEK 3.75 per share, equal to a total amount of MSEK 148 (142).

Overall, the Group's net debt at 30 June decreased to MSEK 132 (335), 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 180 (177) and net pension liabilities of MSEK 474 (531), net of cash amounting to MSEK 522 (373). Shareholders' equity amounted to MSEK 968 (790), resulting in a gearing ratio of 14% (42) at the end of the second quarter.

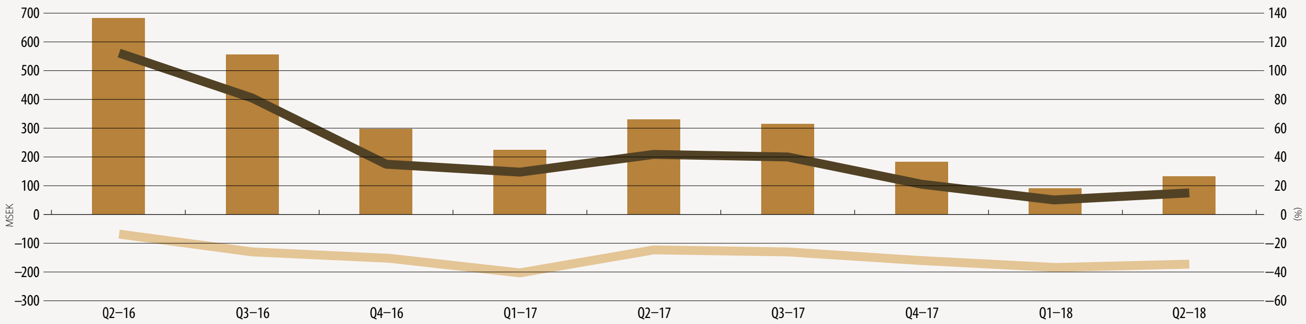
Cash flow from operating activities & Working capital



Cash flow from operating activities per share SEK

Working capital as % of sales

Net debt & Gearing

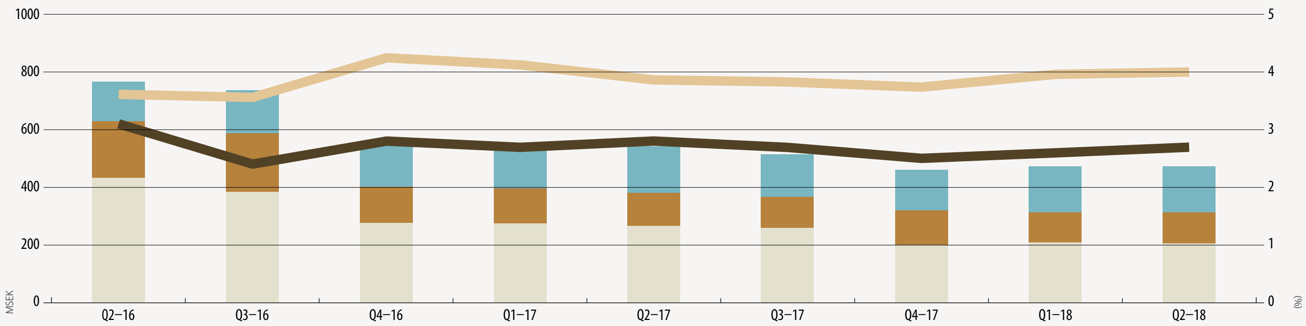


Net debt MSEK

Gearing ratio %

Gearing ratio (excl pensions) %

Net pension liabilities



UK: Pension deficit MSEK

Other: Pension deficits MSEK

US: Discount rate %

US: Pension deficit MSEK

UK: Discount rate %

CURRENT RESOURCES

CBE SPOTLIGHT: CONCENTRIC PUMPS PUNE DEVELOPS INTO A CENTRE OF EXCELLENCE FOR WATER PUMPS

Sachin Kadam, Assistant Manager for Design, Pratik Jadhav, Senior Design Engineer and Aparajit Dharwadkar, Head of Business Development in Pune explained how the developments in Engineering capability at Concentric Pumps Pune have distinguished the India Technical Centre as a Centre of Excellence for Water Pumps within the Group.

Interview with Sachin Kadam, Assistant Manager for Design, Pratik Jadhav, Senior Design Engineer and Aparajit Dharwadkar, Head of Business Development in Pune, India.

The India Technical Centre was established in 2006 as a support centre for the India production and global design teams. Since the appointments of **Sachin Kadam** and **Pratik Jadhav** in 2011, the Centre has evolved as a notable facility with a broad capability in the design and development of a range of engine products. **Sachin** explained, "In the last 10 years, we have developed capabilities from hydraulic design, mechanical design, Computational Fluid Dynamics (CFD) simulation, modelling and drafting to become a Centre of Excellence (COE) for Water Pumps. The India Technical Centre offers high-quality engineering services and support for its client base both at home and abroad."

Along with design modifications, physical testing is one of the important capabilities offered by the team. The testing analysis gives customers a set of clear product expectations and the team can react to any potential problems proactively.

"Our Design for Manufacture capability boosts our organisational growth and competitiveness by using innovative design methods that lead to improvements before production begins." said **Sachin**. In liaison with customers and suppliers, these design improvements reduce the risk of defects in manufacture, can improve cost efficiency whilst all the time ensuring that product performance is unaffected.

Simulation Driven Design

Over the past few years, numerical flow simulation has made its mark on the pump industry. To design pumps, Concentric Pune has explored advanced design and simulation tools for contemporary and competitive product design. "We continuously focus on optimising pump efficiency, to enhance reliability, reduce energy consumption and provide a positive influence on the environment. This has all been made possible with the CFD capabilities that we have at our hand.", said **Pratik**.

Computational Fluid Dynamics (CFD) Simulation

Water Pump performance testing

"Whether we are working with impeller or volute geometries, using these advanced design tools enables us to develop various hydraulic and mechanical design models.", explained **Pratik**. The advanced computations give better insight of highly complex fluid flow through the pump and this helps create a better understanding of the product performance at the early stage of design, providing acceptable solutions by replacing the slower and more expensive conventional method of building and testing physical prototypes. The team can also provide advanced heat transfer simulations. These engineering capabilities enable the team to develop more reliable, innovative, cost-effective designs, speeding up the overall development process – significantly improving time to market. These technologies have also enabled the team to contribute to the development of next generation electric pumps for the upcoming wave of electro-mobility. **Sachin** summarised by saying, "Customers tell us that they like our accessibility; they value our speed of response and the technical performance data we can provide even before a physical prototype has been built. Added to that, our efficient, reliable and high quality pump design and manufacture means we offer a very competitive package – improving speed to market and reducing the total cost of ownership for our customers. Sustainability is not a deliberate objective, it is simply an output of the way we do business".

Aparajit Dharwadkar, Head of Business Development for India commented, "The enhanced capabilities of the India Technical Centre has helped us to win new domestic business. Plans to continue its growth will enable the team to provide additional help and support to customers and colleagues. Their service is an important added value in this fiercely competitive and changing market." **Aparajit** added, "We understand our customers' pain points and our design and testing technology allows us to quickly share different models with the customer to address their needs as well as ensuring an efficient and effective production process." Consequently, Concentric has successfully replaced one of its toughest competitors in the local domestic market for water and oil pumps. The team have also won business for variable flow oil pumps from leading Indian customers achieving the milestone for next generation products/technology to suit the Indian market.

Aparajit Dharwadkar

India Technical Centre is helping to create the future with technology, leveraging years of tradition.

Consolidated income statement, in summary

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Net sales	603	540	1,206	1,086	2,224	2,104
Cost of goods sold	–412	–376	–810	–752	–1,510	–1,452
Gross income	**191**	**164**	**396**	**334**	**714**	**652**
Selling expenses	–24	–24	–67	–49	–98	–80
Administrative expenses	–41	–37	–81	–76	–163	–158
Product development expenses	–12	–13	–24	–25	–47	–48
Share of profit in joint venture, net of interest and tax	5	4	10	8	12	10
Other operating income and expenses	7	6	12	8	32	28
Operating income	**126**	**100**	**246**	**200**	**450**	**404**
Financial income and expense	–9	–3	–14	–6	–21	–13
Earnings before tax	**117**	**97**	**232**	**194**	**429**	**391**
Taxes	–23	–22	–49	–45	–92	–88
Net income for the period	**94**	**75**	**183**	**149**	**337**	**303**
Attributable to:						
Parent company shareholders	**94**	**75**	**183**	**149**	**337**	**303**
Non-controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	2.36	1.86	4.62	3.69	8.25	7.39
Basic earnings per share, SEK	2.36	1.86	4.62	3.69	8.48	7.54
Diluted earnings per share, SEK	2.35	1.85	4.60	3.68	8.45	7.52
Basic average number of shares (000)	39,549	40,440	39,546	40,461	40,230	40,238
Diluted average number of shares (000)	39,727	40,584	39,716	40,589	40,358	40,374

Consolidated statement of comprehensive income

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Net income for the period	**94**	**75**	**183**	**149**	**337**	**303**
Other comprehensive income						
Items that will not be reclassified to the income statement						
Net remeasurement gains	–	–	–	–	58	58
Tax on net remeasurement gains	–	–	–	–	–10	–10
Decrease on tax receivables related to changed tax rate in the USA	–	–	–	–	–8	–8
Net remeasurement gains and losses in joint ventures	–	–	–	–	–1	–1
Items that may be reclassified subsequently to the income statement						
Exchange rate differences related to liabilities to foreign operations	–32	2	–91	27	–25	93
Tax arising from exchange rate differences related to liabilities to foreign operations	13	–8	22	–11	19	–14
Cash flow hedging	–	–2	–	–	–1	–1
Tax arising from cash flow hedging	–	–	–	–	–	–
Foreign currency translation differences	62	–30	155	–58	84	–129
Total other comprehensive income/loss	43	–38	86	**–42**	**116**	–12
Total comprehensive income	**137**	**37**	**269**	**107**	**453**	**291**

Consolidated balance sheet, in summary

Amounts in MSEK	30 Jun 2018	30 Jun 2017	31 Dec 2017
Goodwill	633	595	592
Other intangible fixed assets	213	237	217
Tangible fixed assets	123	130	130
Share of net assets in joint venture	37	27	27
Deferred tax assets	140	122	92
Long-term receivables	6	6	6
Total fixed assets	**1,152**	**1,117**	**1,064**
Inventories	193	175	179
Current receivables	362	288	275
Cash and cash equivalents	522	373	455
Total current assets	**1,077**	**836**	**909**
Total assets	**2,229**	**1,953**	**1,973**
Total Shareholders' equity	**968**	**790**	**875**
Pensions and similar obligations	474	531	462
Deferred tax liabilities	28	30	30
Long-term interest-bearing liabilities	176	177	176
Other long-term liabilities	10	7	10
Total long-term liabilities	**688**	**745**	**678**
Short-term interest-bearing liabilities	4	–	2
Other current liabilities	569	418	418
Total current liabilities	**573**	**418**	**420**
Total equity and liabilities	**2,229**	**1,953**	**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 30 June the fair value of derivative instruments that were assets was MSEK 1 (3), and the fair value of derivative instruments that were liabilities was MSEK 0 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity, in summary

Amounts in MSEK	30 Jun 2018	30 Jun 2017	31 Dec 2017
Opening balance	**875**	**857**	**857**
Net income for the period	183	149	303
Other comprehensive income/loss	86	–42	-12
Total comprehensive income	**269**	**107**	**291**
Dividend	–148	–142	–142
Own share buy-backs [1)]	–43	–42	–142
Sale of own shares to satisfy LTI – options exercised [1)]	12	8	8
Long-term incentive plan	3	2	3
Closing balance	**968**	**790**	**875**

1) For additional information see page 29.

Consolidated cash flow statement, in summary

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2017/18**	**2017**
Earnings before tax	117	97	232	194	429	391
Reversal of depreciation, amortization and write-downs	19	19	37	38	64	65
Reversal of share of profit in joint venture	–5	–4	–10	–8	–12	–10
Reversal of other non-cash items	7	2	13	4	14	5
Taxes paid	–25	–29	–39	–37	–77	–75
Cash flow from operating activities before changes in working capital	*113*	*85*	*233*	*191*	*418*	*376*
Change in working capital	62	–8	53	–36	73	–16
Cash flow from operating activities	**175**	**77**	**286**	**155**	**491**	**360**
Net investments in property, plant and equipment	–5	–3	–9	–6	–16	–13
Cash flow from investing activities	**–5**	**–3**	**–9**	**–6**	**–16**	**–13**
Dividends paid	–148	–142	–148	–142	–148	–142
Dividends received from joint venture	–	–	–	–	1	1
Buy back of own shares	–43	–42	–43	–42	–143	–142
Selling of own shares to satisfy LTI-options exercised	12	8	12	8	12	8
New loans received	2	–	2	–	4	2
Repayment of loans	–	–1	–	–1	–1	–2
Pension payments and other cash flows from financing activities	–9	–8	–21	–27	–44	–50
Cash flow from financing activities	**–186**	**–185**	**–198**	**–204**	**–319**	**–325**
Cash flow for the period	**–16**	**–111**	**79**	**–55**	**156**	**22**
Cash and bank assets, opening balance	557	497	455	438	373	438
Exchange rate differences in cash and bank assets	–19	–13	–12	–10	–7	–5
Cash and bank assets, closing balance	**522**	**373**	**522**	**373**	**522**	**455**

Group notes

Data per share

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Basic earnings per share, before items affecting comparability, SEK	2.36	1.86	4.62	3.69	8.25	7.39
Basic earnings per share, SEK	2.36	1.86	4.62	3.69	8.48	7.54
Diluted earnings per share, SEK	2.35	1.85	4.60	3.68	8.45	7.52
Equity per share, SEK	24.56	19.68	24.56	19.68	24.56	22.36
Cash flow from operating activities per share, SEK	3.61	1.90	6.41	3.83	8.97	8.97
Basic weighted average no. of shares (000's)	39,549	40,440	39,546	40,461	40,230	40,238
Diluted weighted average no. of shares (000's)	39,727	40,584	39,716	40,589	40,358	40,374
Number of shares at period-end (000's)	39,409	40,284	39,409	40,284	39,409	39,542

Key figures [1)]

	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Sales growth, %	12	4	11	4	n/a	5
Sales growth, constant currency, % [2)]	11	0	13	2	n/a	6
EBITDA margin before items affecting comparability, %	24.0	22.0	23.5	21.8	23.0	22.2
EBITDA margin, %	24.0	22.0	23.5	21.8	23.1	22.3
Operating margin before items affecting comparability, %	20.9	18.5	20.4	18.4	19.8	18.7
Operating margin, %	20.9	18.5	20.4	18.4	20.2	19.2
Capital employed, MSEK	1,059	1,070	1,059	1,070	1,059	1,030
Return on capital employed before items affecting comparability, %	41.8	32.5	41.8	32.5	41.8	37.1
Return on capital employed, %	42.7	32.9	42.7	32.9	42.7	38.0
Return on equity, %	38.1	36.5	38.1	36.5	38.1	37.0
Working capital, MSEK	–14	45	–14	45	–14	36
Working capital as a % of annual sales	–0.6	2.2	–0.6	2.2	–0.6	1.7
Net debt, MSEK	132	335	132	335	132	185
Gearing ratio, %	14	42	14	42	14	21
Net investments in property, plant and equipment	5	3	9	6	16	13
R&D, %	2.0	2.4	2.0	2.3	2.1	2.3
Number of employees, average	964	935	965	934	953	937

1) For additional information see pages 33–34 and 36.
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	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Net sales	603	540	1,206	1,086	2,224	2,104
Direct material costs	–293	–266	–576	–532	–1,063	–1,019
Personnel costs	–125	–111	–248	–225	–471	–448
Depreciation, amortization and write-downs	–19	–19	–37	–38	–64	–65
Share of profit in joint venture, net of tax	5	4	10	8	12	10
Other operating costs, net	–45	–48	–109	–99	–188	–178
Operating income	**126**	**100**	**246**	**200**	**450**	**404**
Financial income and expenses	–9	–3	–14	–6	–21	–13
Earnings before tax	**117**	**97**	**232**	**194**	**429**	**391**
Taxes	–23	–22	–49	–45	–92	–88
Net income for the period	**94**	**75**	**183**	**149**	**337**	**303**

Other operating income and expenses (refers to Income Statement on page 18)

Amounts in MSEK	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Tooling income	–	2	–	3	3	6
Royalty income from joint venture	13	12	26	22	50	46
Amortisation of acquisition related surplus values	–9	–9	–18	–18	–36	–36
Reversal of impairment of tangible assets	–	–	–	–	9	9
Other	3	1	4	1	6	3
Other operating income and expenses	**7**	**6**	**12**	**8**	**32**	**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.

Second quarter

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total net sales	290	275	419	358	–106	–93	603	540
External net sales	285	268	387	327	–69	–55	603	540
Operating income before items affecting comparability	32	38	94	63	–	–1	126	100
Operating income	32	38	94	63	–	–1	126	100
Operating margin before items affecting comparability, %	11.5	14.4	24.4	19.2	n/a	n/a	20.9	18.5
Operating margin, %	11.5	14.4	24.4	19.2	n/a	n/a	20.9	18.5
Financial income and expense	–	–	–	–	–9	–3	–9	–3
Earnings before tax	32	38	94	63	–9	–4	117	97
Assets	601	546	1,334	1,265	294	142	2,229	1,953
Liabilities	350	290	730	721	181	152	1,261	1,163
Capital employed	273	330	873	835	–87	–95	1,059	1,070
Return on capital employed before items affecting comparability, %	52.3	38.2	33.8	27.3	n/a	n/a	41.8	32.5
Return on capital employed, %	52.6	44.6	34.8	25.5	n/a	n/a	42.7	32.9
Net investments in property, plant and equipment	–	–	6	4	–1	–1	5	3
Depreciation, amortization and write-downs	6	6	14	12	–1	1	19	19
Number of employees, average	361	336	674	662	–71	–63	964	935

First six months

	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2018	2017	2018	2017	2018	2017	2018	2017
Total net sales	582	545	825	720	–201	–179	1,206	1,086
External net sales	573	532	767	662	–134	–108	1,206	1,086
Operating income before items affecting comparability	77	75	171	127	–2	–2	246	200
Operating income	77	75	171	127	–2	–2	246	200
Operating margin before items affecting comparability, %	13.5	14.1	22.4	19.2	n/a	n/a	20.4	18.4
Operating margin, %	13.5	14.1	22.4	19.2	n/a	n/a	20.4	18.4
Financial income and expense	–	–	–	–	–14	–6	–14	–6
Earnings before tax	77	75	171	127	–16	–8	232	194
Assets	601	546	1,334	1 265	294	142	2,229	1,953
Liabilities	350	290	730	721	181	152	1,261	1,163
Capital employed	273	330	873	835	–87	–95	1,059	1,070
Return on capital employed before items affecting comparability, %	52.3	38.2	33.8	27.3	n/a	n/a	41.8	32.5
Return on capital employed, %	52.6	44.6	34.8	25.5	n/a	n/a	42.7	32.9
Net investments in property, plant and equipment	1	–	11	8	–3	–2	9	6
Depreciation, amortization and write-downs	12	13	27	25	–2	–	37	38
Number of employees, average	357	335	667	660	–58	–61	965	934

Seasonality

Each end-market will have its own seasonality profile based on the end-users, e.g. sales of agricultural machinery will be linked to harvest periods in the Northern and Southern hemispheres.

However, there is no significant seasonality in the demand profile of Concentric's customers and, therefore, the most significant driver is actually the number of working days in the period.

The weighted average number of working days in the second quarter was 63 (62) for the Group, with an average of 63 (62) working days for the Americas region and 63 (62) working days for the Europe & RoW region.

The weighted average number of working days in the first six months was 127 (125) for the Group, with an average of 125 (122) working days for the Americas region and 128 (128) working days for the Europe & RoW region.

Employees

The average number of full-time equivalents employed by the group during the first six months was 965 (934).

Segment External Sales reporting by geographic location of customer

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
USA	255	237	–	–	–	–	255	237
Rest of North America	7	10	3	2	–	–	10	12
South America	8	8	1	1	–	–	9	9
Germany	3	2	102	89	–	–	105	91
UK	4	3	22	22	–	–	26	25
Sweden	–	–	29	23	–	–	29	23
Rest of Europe	2	2	100	87	–	–	102	89
Asia	4	6	61	48	–	–	65	54
Other	2	–	–	–	–	–	2	–
Total Group	**285**	**268**	**318**	**272**	**–**	**–**	**603**	**540**

	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
USA	518	478	1	–	–	–	519	478
Rest of North America	13	16	6	4	–	–	19	20
South America	14	15	2	1	–	–	16	16
Germany	6	4	202	182	–	–	208	186
UK	8	5	42	40	–	–	50	45
Sweden	–	–	58	46	–	–	58	46
Rest of Europe	4	5	197	183	–	–	201	188
Asia	7	9	124	97	–	–	131	106
Other	3	–	1	1	–	–	4	1
Total Group	**573**	**532**	**633**	**554**	**–**	**–**	**1,206**	**1,086**

Total Sales by product groups (including Alfdex)

Amounts in MSEK	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Concentric branded Engine products	146	145	153	136	–	–	299	281
LICOS branded Engine products	–	–	56	47	–	–	56	47
Alfdex branded Engine products	–	–	69	55	– 69	–55	–	–
Total Engine products	146	145	278	238	– 69	–55	355	328
Total Hydraulics products	139	123	109	89	–	–	248	212
Total Group	**285**	**268**	**387**	**327**	**–69**	**–55**	**603**	**540**

Amounts in MSEK	Jan–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Concentric branded Engine products	308	281	300	273	–	–	608	554
LICOS branded Engine products	–	–	117	99	–	–	117	99
Alfdex branded Engine products	–	–	134	108	–134	–108	–	–
Total Engine products	308	281	551	480	–134	–108	725	653
Total Hydraulics products	265	251	216	182	–	–	481	433
Total Group	**573**	**532**	**767**	**662**	**–134**	**–108**	**1,206**	**1,086**

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 28.

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.

Concentric does not plan to apply IFRS 16 before the effective date. 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 are expected to increase as a result of recognising leases on the balance sheet that are now classified as operational leases. This will affect operating income positively since the entire leasing fee for the period will not be included in operating income on leases that are currently classified as operational. However, depreciation and financial expenses will increase. Concentric currently does not have sufficient data to present a quantitative impact analysis. The effects upon transitioning to IFRS 16 will also depend on which of the various transition options that Concentric choose to apply.

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 first six months reflected the royalty income received from the joint venture, Alfdex AB. Income from shares in subsidiary undertakings of 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 first six months 2017.

Buy-back and Holdings of own shares

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

On 3 May 2018, the AGM resolved to retire 840,900 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital. Altogether, the resolution resulted in the total number of shares in issue reduced to 40,031,100 (40,872,000) and the share capital being increased by SEK 213. During the second quarter, 123,600 (101,200) options grantedunder 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 256,895 (299,016) ordinary shares for a total consideration of MSEK 43 (42). Consequently the company's total holdings of own shares at the end of the second quarter was 621,902 (587,832), which represented 1.6% (1.4) 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.

In addition, the AGM resolved to authorise the Board of Directors, during the period up to the next AGM in 2019, to resolve on buying back own shares so that the Company's holdings do not at any point exceed 10 percent of the total number of shares in issue. Acquisitions shall be made in cash and take place on NASDAQ OMX Stockholm, for the purpose of increasing the flexibility in connection with potential future corporate acquisitions, as well as to be able to improve the company's capital structure and to cover costs for, and enable delivery of shares under the company's LTI programmes.

Parent company's income statement, in summary

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2017/18**	**2017**
Net sales	13	12	26	22	54	50
Operating costs	–4	–4	–8	–8	–20	–20
Operating income	**9**	**8**	**18**	**14**	**34**	**30**
Income from shares in subsidiaries	–	–	–	742	5	747
Income from shares in joint venture	–	–	–	–	1	1
Net foreign exchange rate differences	–63	38	–105	52	–93	64
Other financial income and expense	–1	–1	–3	–2	–6	–5
Earnings before tax	**–55**	**45**	**–90**	**806**	**–59**	**837**
Taxes	11	–9	19	–14	12	–21
Net income for the period [1)]	**–44**	**36**	**–71**	**792**	**–47**	**816**

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

FINANCIAL STATEMENTS

Parent company’s balance sheet, in summary

Amounts in MSEK	30 Jun 2018	30 Jun 2017	31 Dec 2017
Shares in subsidiaries	3,175	3,175	3,175
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	10	8	9
Deferred tax assets	22	10	3
Total financial fixed assets	**3,217**	**3,203**	**3,197**
Other current receivables	7	4	5
Short-term receivables from joint ventures	–	–	6
Short-term receivables from subsidiaries	204	126	142
Cash and cash equivalents	283	168	228
Total current assets	**494**	**298**	**381**
Total assets	**3,711**	**3,501**	**3,578**
Total Shareholders’ equity	**1,517**	**1,843**	**1,767**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	1,976	1,441	1,597
Total long-term liabilities	**2,169**	**1,634**	**1,790**
Short-term loans payable to subsidiaries	17	18	17
Other current liabilities	8	6	4
Total current liabilities	**25**	**24**	**21**
Total equity and liabilities	**3,711**	**3,501**	**3,578**

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

Amounts in MSEK	30 Jun 2018	30 Jun 2017	31 Dec 2017
Opening balance	1,767	1,227	1,227
Net income for the period	–71	792	816
Dividend	–148	–142	–142
Sale of own shares to satisfy LTI – options exercised [1)]	12	8	8
Buy-back of own shares [1)]	–43	–42	–142
Closing balance	**1,517**	**1,843**	**1,767**

1) For additional information see page 29.

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 24 July, 2018.

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

Future reporting dates

Interim report January – September 2018	*30 October, 2018*
Interim report January – December 2018	*7 February, 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, 24 July, 2018
Concentric AB (publ)

Kenth Eriksson
Chairman

Claes Magnus Åkesson
Board member

Marianne Brismar
Board member

Anders Nielsen
Board member

Martin Lundstedt
Board member

Martin Sköld
Board member

Susanna Schneeberger
Board member

David Woolley
President and CEO

For further information, please contact:

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

Corporate Registration Number 556828-4995

Auditors' Report on Review of Interim Financial Information

Introduction

We have reviewed the interim report of Concentric AB (publ), corporate identity number 556828-4995, as of 30 June, 2018 and for the six-month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim annual report based on our review.

Scope of Review

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

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that we would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, 24 July, 2018

KPMG AB

Anders Malmeby
Authorised Public Accountant

Reconciliation alternative performance measures

Amounts in MSEK

Underlying EBIT or operating income	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Operating income	**126**	**100**	**246**	**200**	**450**	**404**
Restructuring cost	–	–	–	–	–1	–1
Reversal of impairment of write-down tangible assets	–	–	–	–	–8	–8
Underlying operating income	**126**	**100**	**246**	**200**	**441**	**395**
Net Sales	603	540	1,206	1,086	2,224	2,104
Operating margin (%)	**20.9**	**18.5**	**20.4**	**18.4**	**20.2**	**19.2**
Underlying operating margin (%)	**20.9**	**18.5**	**20.4**	**18.4**	**19.8**	**18.7**

Underlying EBITDA or Operating income before amortisation and depreciation	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
EBIT or Operating income	**126**	**100**	**246**	**200**	**450**	**404**
Operating amortisation/depreciation	10	10	19	20	36	37
Amortisation of purchase price allocation	9	9	18	18	36	36
Reversal of impairment of write-down tangible assets	–	–	–	–	–8	–8
EBITDA or Operating income before amortisation and depreciation	**145**	**119**	**283**	**238**	**514**	**469**
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**145**	**119**	**283**	**238**	**513**	**468**
Net Sales	603	540	1,206	1,086	2,224	2,104
EBITDA margin (%)	**24.0**	**22.0**	**23.5**	**21.8**	**23.2**	**22.3**
Underlying EBITDA margin (%)	**24.0**	**22.0**	**23.5**	**21.8**	**23.1**	**22.2**

Net income before items affecting comparability	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul–Jun 2017/18	Jan–Dec 2017
Net income	**94**	**75**	**183**	**149**	**337**	**303**
Items affecting comparability after tax	–	–	–	–	–6	–6
Net income before items affecting comparability	**94**	**75**	**183**	**149**	**331**	**297**
Basic average number of shares (000)	39,549	40,440	39,546	40,461	40,230	40,238
Basic earnings per share	**2.36**	**1.86**	**4.62**	**3.69**	**8.48**	**7.54**
Basic earnings per share before items affecting comparability	**2.36**	**1.86**	**4.62**	**3.69**	**8.25**	**7.39**

Net debt	30 Jun 2018	30 Jun 2017	31 Dec 2017
Pensions and similar obligations	474	531	462
Long-term interest-bearing liabilities	176	177	176
Short-term interest-bearing liabilities	4	–	2
Total interest-bearing liabilities	654	708	640
Cash and cash equivalents	–522	–373	–455
Total Net Debt	**132**	**335**	**185**
Net Debt, excluding pension obligations	–342	–196	–277

Capital employed	30 Jun 2018	30 Jun 2017	31 Dec 2017
Total Assets	**2,229**	**1,953**	**1,973**
Interest bearing financial assets	–6	–6	–6
Cash and Cash Equivalents	–522	–373	–455
Tax assets	–154	–132	–111
Non-interest bearing assets (excl taxes)	**1,547**	**1,442**	**1,401**
Non-interest bearing liabilities (incl taxes)	–603	–451	–454
Tax liabilities	115	79	83
Non-interest bearing liabilities (excl taxes)	**–488**	**–372**	**–371**
Total Capital Employed	**1,059**	**1,070**	**1,030**

Working capital	30 Jun 2018	30 Jun 2017	31 Dec 2017
Accounts receivable	291	224	189
Other current receivables	71	64	86
Inventory	193	175	179
Working capital assets	**555**	**463**	**454**
Accounts payable	–228	–207	–186
Other current payables	–341	–211	–232
Working capital liabilities	**–569**	**–418**	**–418**
Total Working Capital	**–14**	**45**	**36**

FINANCIAL STATEMENTS

Graph data summary

	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016
Americas									
Sales, MSEK	285	288	258	265	268	264	233	253	252
Book-to-bill, %	103	108	115	88	101	110	116	98	98
Operating income before items affecting comparability, MSEK	33	44	40	40	38	37	28	33	32
Operating margin before items affecting comparability, %	11.5	15.5	15.7	14.9	14.4	13.9	12.0	13.2	12.8
Europe & RoW									
Sales (including Alfdex), MSEK	388	379	302	302	327	335	281	281	321
Book-to-bill, %	94	106	122	99	95	102	114	94	94
Operating income before items affecting comparability, MSEK	94	77	57	58	63	64	54	49	58
Operating margin before items affecting comparability, %	24.4	20.2	18.9	19.2	19.2	19.2	19.2	17.3	18.0
Alfdex eliminations									
Sales, MSEK	–70	–64	–57	–52	–55	–53	–41	–43	–51
Operating income before items affecting comparability, MSEK	–1	–1	2	–2	–1	–1	–	–1	–1
Group									
Sales (excluding Alfdex), MSEK	603	603	503	515	540	546	473	491	522
Book-to-bill, %	97	108	114	93	97	105	115	93	95
Operating income before items affecting comparability, MSEK	126	120	99	96	100	100	82	81	88
Operating margin before items affecting comparability, %	20.9	19.9	19.6	18.7	18.5	18.3	17.4	16.5	17.0
Basic earnings per share, SEK	2.36	2.26	2.04	1.79	1.86	1.83	1.57	1.45	1.52
Return on equity, %	38.1	37.6	37.0	36.5	36.5	34.6	32.2	30.3	29.4
Cash flow from operating activities per share, SEK	3.61	2.80	3.35	1.82	1.90	1.92	2.44	2.79	3.21
Working capital as % of annualised sales	–0.6	0.9	1.7	2.4	2.2	1.9	1.2	2.0	3.4
Net debt, MSEK	132	92	185	315	335	224	300	559	686
Gearing ratio, %	14	9	21	40	42	29	35	81	112
Gearing ratio (excl Pensions), %	–35	–38	–32	–26	–25	–41	–30	–26	–13

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.

Design and production: Infobahn / studio tjugofem