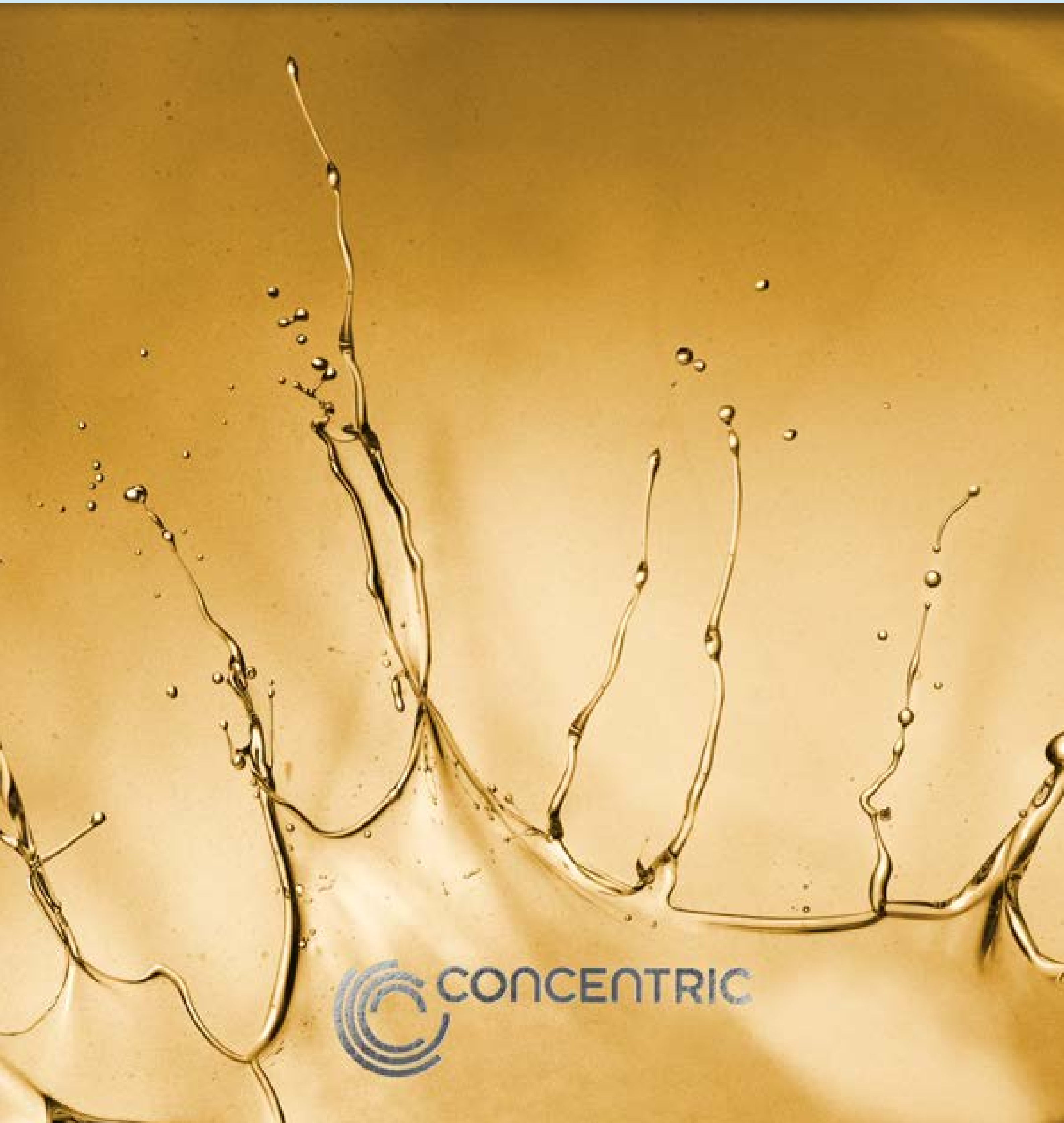
INTERIM REPORT Q3/2018



CONTENTS

FINANCIAL RESULTS IN BRIEF
GROUP

JAN–SEP 2018

THIRD QUARTER

Net sales

MSEK 622 (515) – up 12% y-o-y,
after adjusting for currency (+9%).

Operating income

MSEK 142 (96), generating an operating margin of 22.9% (18.7).

Earnings after tax

MSEK 108 (72); basic EPS of SEK 2.74 (1.79).

Strong cash flow generated from operating activities

MSEK 132 (73) driven by management of working capital.

Group's net debt

MSEK 37 (317); gearing ratio of 4% (41).

FIRST NINE MONTHS

Net sales

MSEK 1,828 (1,601) – up 13% y-o-y,
after adjusting for currency (+1%).

Operating income

MSEK 388 (296), generating an operating margin of 21.3% (18.5).

Earnings after tax

MSEK 290 (221); basic EPS of SEK 7.36 (5.48).

Strong cash flow generated from operating activities

MSEK 418 (228) driven by management of working capital.

Outlook 2018

The underlying business is performing well and we reiterate our prior guidance, that the EBIT-margin before one-off profits during the fourth quarter, is expected to be 22% for the full year 2018.

Key figures – Group[1]

	Jul–Sep			Jan–Sep			Oct–Sep	Jan–Dec
Amounts in MSEK	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**	**2017/18**	**2017**
Net sales	622	515	21%	1,828	1,601	14%	2,331	2,104
Operating income before items affecting comparability	142	96	48%	388	296	31%	487	395
Operating income	142	96	48%	388	296	31%	496	404
Earnings before tax	138	94	47%	370	288	28%	473	391
Net income for the period	108	72	49%	290	221	31%	372	303
Cash flow from operating activities	132	73	81%	418	228	83%	550	360
Net debt [2]	37	317	–88%	37	317	–88%	37	185
Operating margin before items affecting comparability, %	22.9	18.7	4.2	21.3	18.5	2.8	20.9	18.7
Operating margin, %	22.9	18.7	4.2	21.3	18.5	2.8	21.3	19.2
Basic earnings per share, before items affecting comparability, SEK	2.74	1.79	0.95	7.36	5.48	1.88	9.21	7.39
Basic earnings per share, SEK	2.74	1.79	0.95	7.36	5.48	1.88	9.44	7.54
Return on equity, %	40.3	36.5	3.8	40.3	36.5	3.8	40.3	37.0
Gearing ratio, %	4	41	–37	4	41	–37	4	21

[1] For additional information see pages 32–33 and 35.
[2] For additional information see page 14.

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

President and CEO, David Woolley, comments on Q3 2018 interim report.

Sales development

Group sales for the third quarter were up year-on-year by 12% in constant currency and 13% for the first nine months, ahead of the published market indices. The increased activity levels in the first nine 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 saw continued strong growth in industrial applications and negative growth in the agricultural machinery and truck markets.

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

Addressing increased demand through Concentric Business Excellence

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

The CBE-programme has continued to improve the group's profitability and the reported operating margin for the third quarter and first nine months increased to 22.9% (18.7) and 21.3% (18.5) respectively. The year-on-year operating income drop through was a healthy 41% for the first nine months.

Acquisition Opportunities

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

Technology

Concentric exhibited it's extensive range of pumps at this year's IAA exhibition in Hanover and new product developments on show from Concentric included:

- Electric auxiliary oil and water cooling pumps for use on hybrid and electric vehicles
- Electric main engine cooling pumps
- Electronically controllable variable displacement gear pump for medium and heavy-duty engines
- Two speed planetary coolant pump, building on the successful heavy-duty 2-speed cooling pump

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

Outlook

The overall market has grown y-o-y in the first nine months by 8% and current published market indices, blended to Concentric's mix of end market applications and geography, suggest the full year growth rate will weaken slightly during the remainder of 2018. The reason for this is mainly due to the medium- and heavy duty truck markets in North America and Europe. There is also a general weaker outlook for the Indian market.

As previously communicated, we will see one-off profits during the fourth quarter of 2018 due to end of contract pricing on specific engine platforms associated with a global OEM's ambition to have dual supply contracts for all its sourced products. The underlying business is performing well and we reiterate our prior guidance, that the EBIT-margin before these one-offs is expected to be 22% for the full year 2018.

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 motor matched to a pump with superior hydraulic performance.

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

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

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

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

PRESS RELEASES

FINANCIAL SUMMARY GROUP

Key figures – Group[1)]

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Jul–Sep Change	Jan–Sep 2018	Jan–Sep 2017	Jan–Sep Change	Oct–Sep 2017/18	Jan–Dec 2017
Net sales	622	515	21%	1,828	1,601	14%	2,331	2,104
Operating income before items affecting comparability	142	96	48%	388	296	31%	487	395
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Operating margin before items affecting comparability, %	22.9	18.7	4.2	21.3	18.5	2.8	20.9	18.7
Operating margin, %	22.9	18.7	4.2	21.3	18.5	2.8	21.3	19.2
Return on capital employed, %	47.8	35.2	12.6	47.8	35.2	12.6	47.8	38.0
Return on equity, %	40.3	36.5	3.8	40.3	36.5	3.8	40.3	37.0
Basic earnings per share, before items affecting comparability, SEK	2.74	1.79	0.95	7.36	5.48	1.88	9.21	7.39
Basic earnings per share, SEK	2.74	1.79	0.95	7.36	5.48	1.88	9.44	7.54
Diluted earnings per share, SEK	2.73	1.78	0.95	7.33	5.46	1.87	9.40	7.52

[1)] For additional information see pages 32–33 and 35.

Sales
Sales for the third quarter were up year-on-year by 12%, adjusting for the impact of currency (+9%). As a result, sales for the first nine months were up year on year by 13%, adjusting for the impact of currency (+1%). The increased activity levels in the third quarter and the first nine months reflect the strong demand experienced across our core regions of North America and Europe. The largest year-on-year improvements were achieved in medium- heavy truck markets in North America. Europe continued to show steady growth and demand in our emerging markets remains strong in the third quarter.

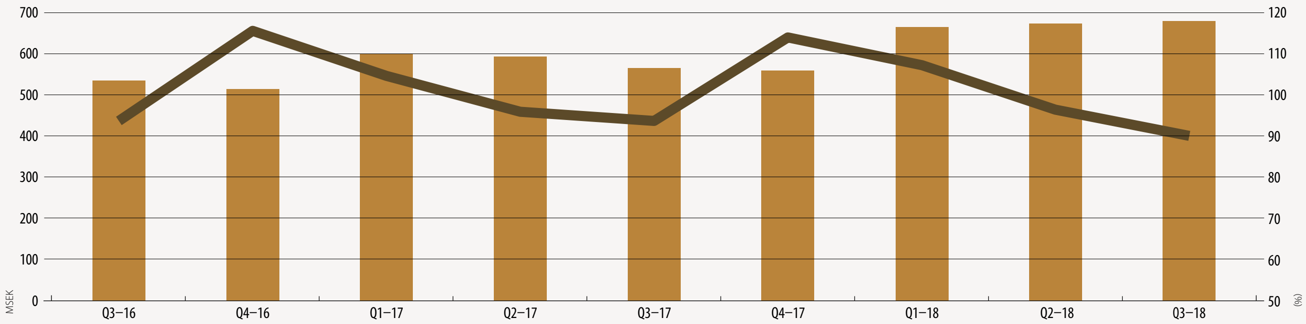
Operating income
The strong profit drop through, achieved on the increased sales and a good product mix, primarily drove the improvement in the reported operating margins for the third quarter and the first nine months of the year.

Net financial items
Net financial expenses in the third quarter comprised of pension financial expenses of MSEK 4 (4) and other net interest income of MSEK 0 (income 1). Accordingly, net financial expenses in the first nine months comprised of pension financial expenses of MSEK 14 (13) and other net interest expenses of 4 (income 5).

Taxes
The underlying effective tax rate for the third quarter and the first nine months was 22% (23) and 22% (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 nine months was SEK 7.36 (5.48), up SEK 1.88 per share.

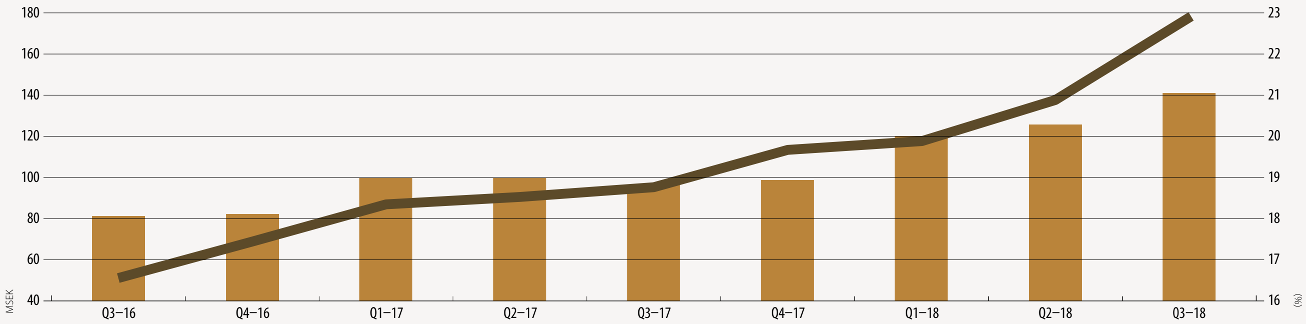
Sales & Book-to-bill



Sales per quarter (including Alfdex) MSEK

Book-to-bill %

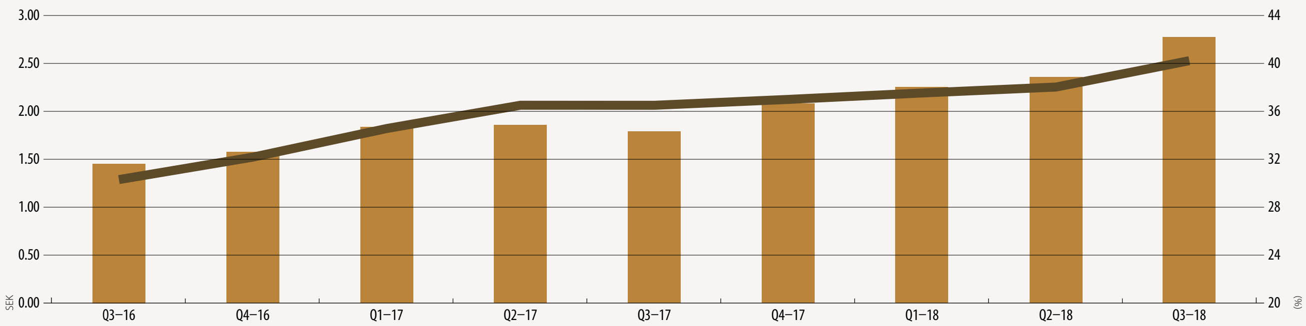
Underlying Operating income & margins



Operating income per quarter MSEK

Operating margin %

Earnings per share & Return on equity



Earnings per share, per quarter SEK

Return on equity, rolling 12 months %

NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Change	Jan–Sep 2018	Jan–Sep 2017	Change	Oct–Sep 2017/18	Jan–Dec 2017
External net sales	315	265	19%	888	797	11%	1,146	1,055
Operating income before items affecting comparability	60	40	50%	137	115	19%	177	155
Operating income	60	40	50%	137	115	19%	177	155
Operating margin before items affecting comparability, %	18.8	14.9	3.9	15.4	14.4	1.0	15.4	14.7
Operating margin, %	18.8	14.9	3.9	15.4	14.4	1.0	15.4	14.7
Return on capital employed, %	61.4	49.0	12.4	61.4	49.0	12.4	61.4	47.7

Sales for the third quarter were up year-on-year by 11%, after adjusting for the impact of currency (+8%). As a result, sales for the first nine months were up 14% adjusting for the impact currency (–3%). 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 medium- and heavy duty truck market, agricultural machinery and construction equipment.

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

The operating margin recovered to 18.8% in the third quarter and the reported year-to-date September operating margins was 15.4% (14.4%). The year-on-year improvement in operating margins has not been as strong in the Americas as Europe & ROW primarily because of warranty provisions made earlier this year, reported and discussed in previous interim reports.

Europe & RoW

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Change	Jan–Sep 2018	Jan–Sep 2017	Change	Oct–Sep 2017/18	Jan–Dec 2017
External net sales	367	302	22%	1,134	964	18%	1,436	1,266
Operating income before items affecting comparability	84	58	45%	255	185	38%	312	242
Operating income	84	58	45%	255	185	38%	320	250
Operating margin before items affecting comparability, %	22.9	19.2	3.7	22.5	19.2	3.3	21.7	19.1
Operating margin, %	22.9	19.2	3.7	22.5	19.2	3.3	22.3	19.8
Return on capital employed, %	38.0	26.4	11.6	38.0	26.4	11.6	38.0	30.3

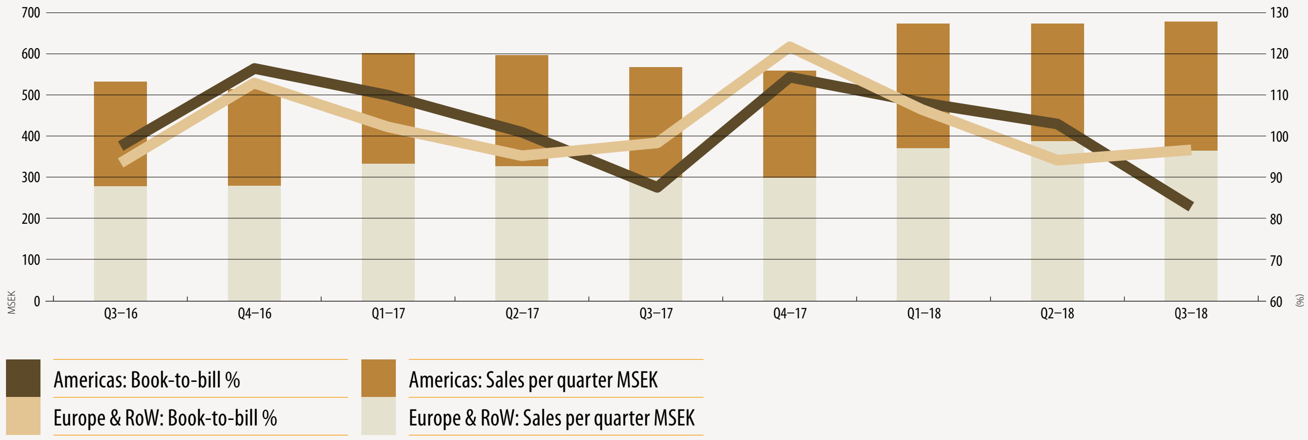
Sales for the third quarter were up year-on-year by 14%, after adjusting for the impact of currency (+8%). Sales for the first nine months were up year-on-year by 13% and after adjusting for the impact of currency (+5%).

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

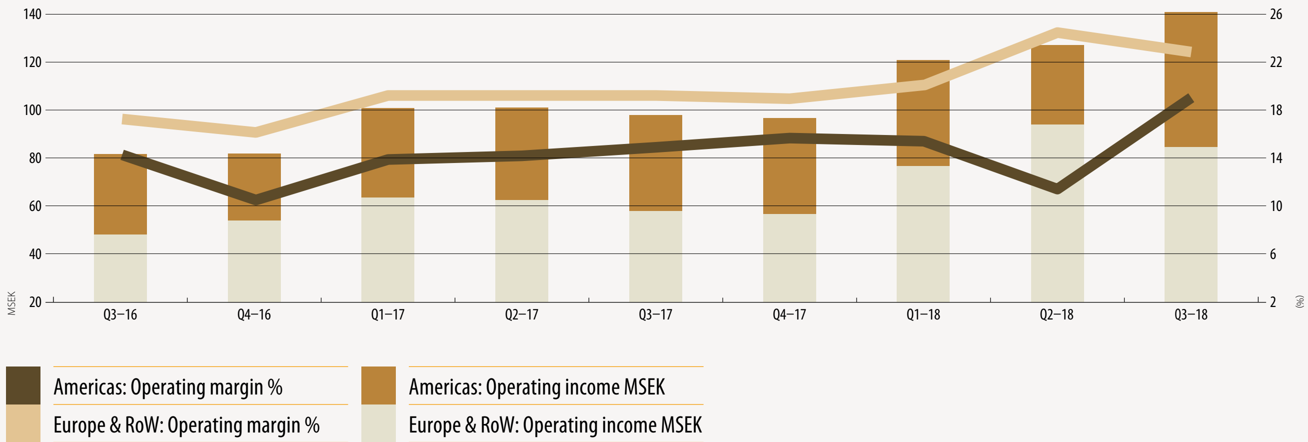
Demand in our India off-highway end-markets continues to remain strong under the new Government economic initiatives to stimulate investment. Demand in our Chinese end-markets remains strong in the industrial applications markets but weak elsewhere.

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



Concentric's sales for the third quarter and the first nine 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 third 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 third quarter across all end-markets and particularly strongly in trucks and agricultural machinery markets.
- Overall, sales growth in constant currency for the first nine months was ahead of the latest published market indices.

South America

- Sales to our South American end-markets remained strong in the third quarter, driven primarily by strong demand for engine products in medium- and heavy duty truck market but also agricultural machinery and construction equipment.

Europe & RoW end-markets

Europe

- Sales of diesel engines to our European end-markets remained strong and year-on-year growth for the first nine months was well ahead of the published market indices particularly in agricultural machinery and construction equipment.
- Hydraulic sales performance remained steady in the third quarter driven mainly by the construction equipment market
- Overall, sales growth in constant currency for the first nine 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 all four end application markets achieving double digit growth.
- Despite the mixed market conditions in China, Concentric's sales increased year-on-year for the first nine 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

	Q3-18 vs Q3-17			YTD-18vs YTD-17			FY-18vs FY-17		
Concentric	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**
Market – weighted average[1)]	5%	6%	**6%**	10%	7%	**8%**	8%	6%	**7%**
Actual – constant currency[2)]	11%	14%	**12%**	14%	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 8% for the first nine months. Concentric's actual sales for the first nine months were ahead of these indices. During the third quarter the market growth was slightly less than the growth in quarter two, as the market appears to be reaching a sustained peak. 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

		Q3-18 vs Q3-17					YTD-18 vs YTD-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	–2%	7%	5%	16%	–7%	7%	19%	3%	22%	–7%	5%	13%	4%	16%	–7%
Construction equipment	Diesel engines	9%	9%	7%	15%	16%	6%	21%	6%	20%	17%	5%	16%	7%	15%	16%
	Hydraulic equipment	20%	n/a	3%	n/a	n/a	14%	n/a	2%	n/a	n/a	14%	n/a	1%	n/a	n/a
Trucks	Light vehicles	–14%	n/a	n/a	n/a	n/a	–3%	n/a	n/a	n/a	n/a	–7%	n/a	n/a	n/a	n/a
	Medium & Heavy vehicles	11%	10%	5%	8%	–8%	24%	23%	6%	13%	–8%	18%	17%	5%	8%	–8%
Industrial applications	Other off-highway	7%	7%	8%	7%	11%	7%	7%	7%	13%	12%	5%	2%	8%	8%	11%
	Hydraulic lift trucks	8%	n/a	9%	n/a	n/a	10%	n/a	9%	n/a	n/a	13%	n/a	9%	n/a	n/a

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

The market indices summarised in the table above reflect the Q3 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 third quarter amounted to MSEK 132 (73), which represents SEK 3.63 (1.82) per share. This takes the cash inflow from operating activities for the first nine months to MSEK 418 (228).

Working capital

Total working capital at 30 September was MSEK –59 (+50), which represented –2.5% (+2.4) of annual sales.

Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 7 (7) for the third quarter and MSEK 16 (13) for the first nine months.

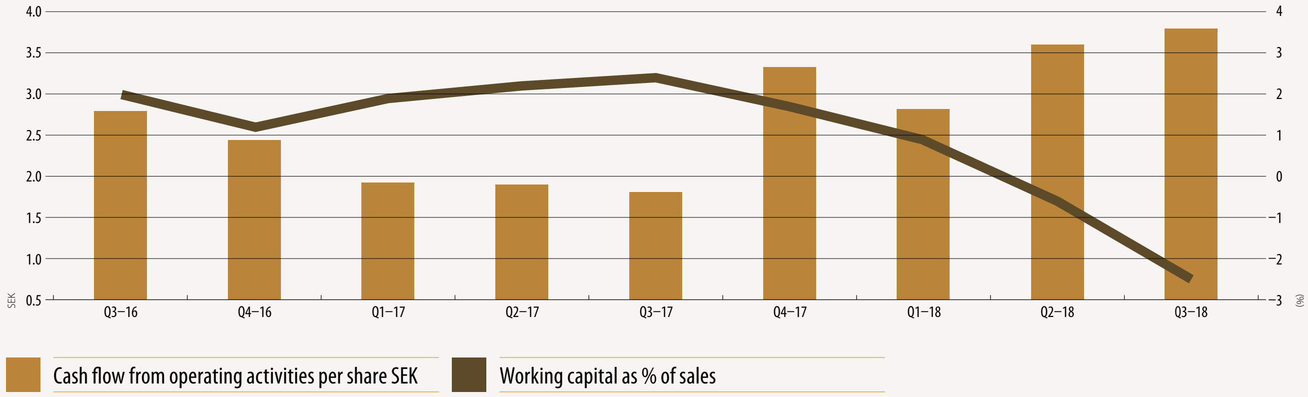
Net debt & gearing

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

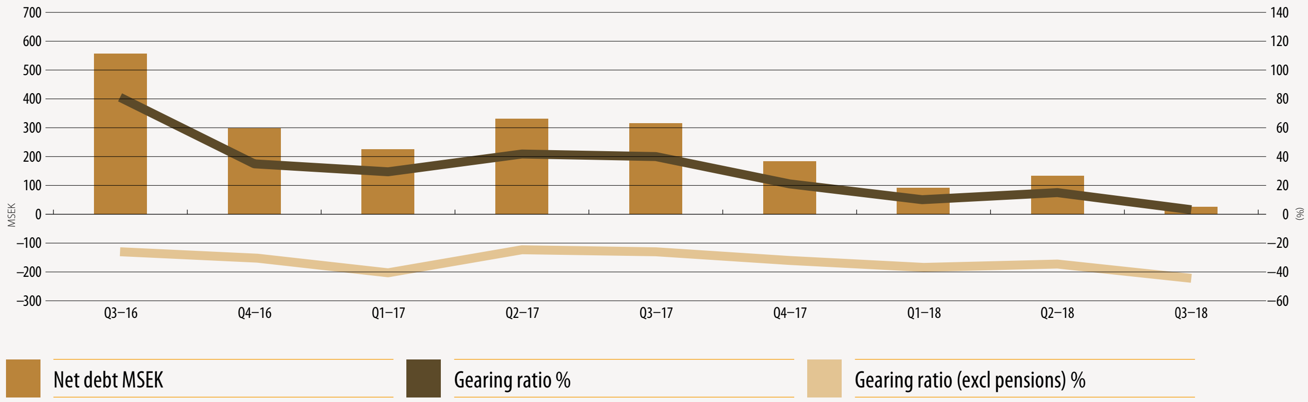
The Group's net debt at 30 September decreased to MSEK 37 (317), because of the strong ratio between operating income to cash flow from operating activities, working capital management and an actuarial revaluation of pension liabilities. Net debt comprises bank loans and corporate bonds of MSEK 179 (179) and net pension liabilities of MSEK 458 (515), net of cash amounting to MSEK 600 (377).

Shareholders' equity amounted to MSEK 989 (777), resulting in a gearing ratio of 4% (41) at the end of the third quarter.

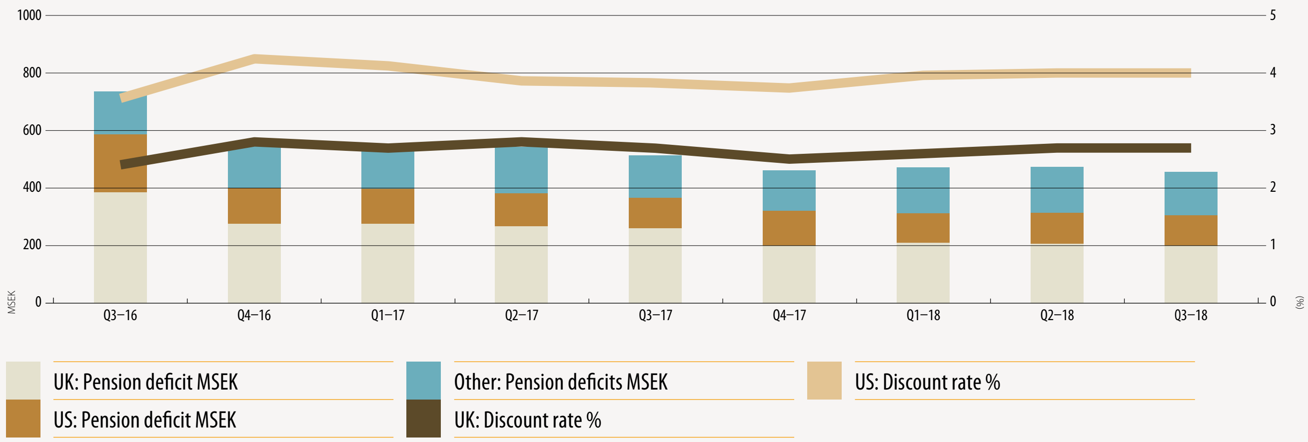
Cash flow from operating activities & Working capital



Net debt & Gearing



Net pension liabilities



CBE SPOTLIGHT: THE FUTURE IS BRIGHT FOR CONCENTRIC WHEN THE SKIES ARE BLUE OVER CHINA

- China releases its 2018-2020 'blue sky' plan that impacts 37% of its population.
- 'Blue sky' is a broad strategy to improve China's air quality.
- Concentric sees the plan as being highly encouraging as it presents a unique sales opportunity

Interview with Oliver Percival, Vice President of Hydraulics Sales for Europe and Asia, Tony Xu, Leader of Concentric's Sales Team in China and Dave Clark, Director of Supply Chain for Concentric Group.

China's "blue sky" plan
China's State Council recently released the full-text for its 2018-2020 plan which expands the nation's pollution control regulations to include 82 cities across China. The plan opens tremendous opportunities for Concentric as the regions that fall under the government's "blue sky" plan are now home to 37% of China's population contributing to 41% of China's GDP, according to consultancy Wood Mackenzie.

Green transport system
The "blue sky" plan is an all-encompassing strategy to improve China's air quality by targeting the energy sector with measures to become both cleaner and more efficient. A "green transport system" will be developed which will include higher fuel efficiency, lower emissions and the reduction of pollutants from heavy-duty vehicles.

"This new legislation governing engine emissions, known as China VI, and China's clear intent to improve its air quality presents a unique sales opportunity for Concentric," says **Oliver Percival**, Vice President of Sales – Hydraulics Europe & Asia.

Concentric provides a range of electrified products, namely electrohydraulic steering, oil and water pumps. These products among with other Concentric technologies, offer the Original Equipment Manufacturers (OEMs) the new technology that will be needed to meet China's ambitions for project "blue sky" and the demanding standards of China VI.

EHS Main steering unit

e-Oil pump

Concentric's sales team in China is led by **Tony Xu**, who joined Concentric just over a year ago, having previously worked at other industry related companies. "I believe now is an exciting time for Concentric in China, not only is there an opportunity driven by the desire for new cleaner technology but I believe with my previous experience there are real opportunities to grow the existing business in to new application sectors," says **Tony Xu**.

Implementation of diesel particulate filters
The China VI emission standard for new on-highway heavy-duty vehicles can be compared to the Euro VI emission standard. However, in some aspects, the China VI emission standard is even more stringent than the European standard. One critical factor is that China VI intends to force diesel particulate filters (DPF) on all new diesel heavy-duty vehicles introduced to the market after July 2021. DPFs are filters specially developed to capture and store exhaust soot (some refer to them as soot traps) in order to reduce emissions from diesel vehicles.

Since China is the world's largest heavy-duty vehicle market, this action signifies a tremendous milestone in the global transition to a soot-free vehicle fleet. The International Council on Clean Transportation (ICCT) estimates that two-thirds of all new heavy-duty vehicles globally will be soot-free in 2021 as a result of China's action plan, as opposed to only 50% if China took no action. This is illustrated graphically to the right.

Share of global new heavy-duty diesel vehicle sales meeting soot-free emissions performance standards.
Source: Miller, J. & Jin, L. *Global Progress Toward Soot-Free Diesel Vehicles in 2018*. International Council on Clean Transportation.

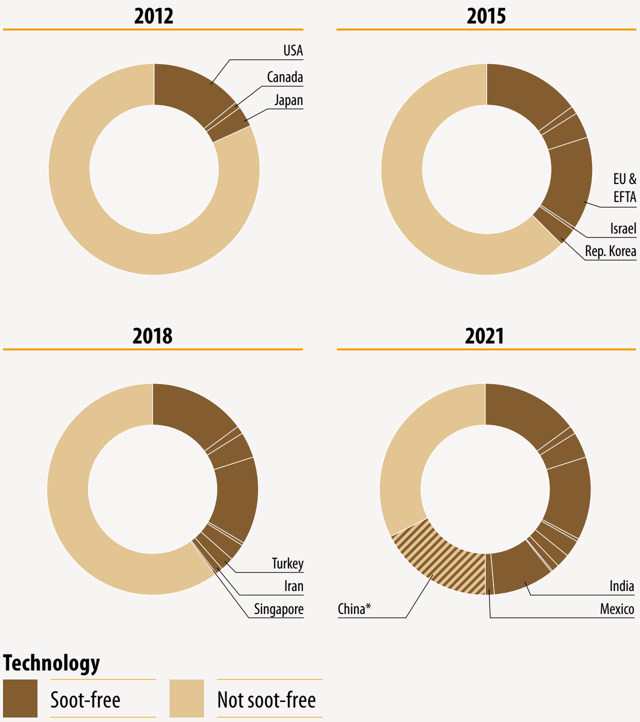


*Figure is modified to illustrate impacts of China VI adoption.

OEMs in the drive for soot-free transport
At the same time, OEMs have made a commitment to facilitating cities in China by making it easier for them to purchase vehicles with soot-free transport technologies. This is certainly inspiring and enabling many cities to lead in the global transition to zero emission vehicles. For example, in 2017 the city of Shenzhen had electrified its entire bus fleet comprising of over 16,000 buses.

This action from a single city meant that China increased its electric bus fleet to a total of 120,000 vehicles with zero tailpipe emissions. Concurrently, an increasing number of stringent off-highway emission standards are already in the process of being rolled out. The combined effect of all these factors is that the country is expected to advance to the China VI off-highway emission standard by 2020.

Concentric moving forward in China
Concentric has been operating in China for the last 16 years, initially from a purchasing office in Shanghai and since 2006 from a manufacturing and design facility based in Suzhou. Today, the Suzhou facility has the capability to manufacture the entire Concentric hydraulic and engine pump product range. Empowered with the most advanced design and test software, the Suzhou team are also able to offer their customers bespoke products tailored to meet their individual application requirements.

David Clark, Director of Supply Chain for Concentric Group emphasizes "the Suzhou facility and team have embraced the Concentric Business Excellence (CBE) program to create a culture of continuous improvement for both the manufacturing and design process and also customer experience. From this stable platform we intend to continue to offer our current products and also supplement over time with new technologies to meet the changing market demands, which I believe will create exciting new customer opportunities for Concentric Suzhou to become the preferred supplier of choice".

Consolidated income statement, in summary

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Net sales	622	515	1,828	1,601	2,331	2,104
Cost of goods sold	–411	–350	–1,222	–1,102	–1,572	–1,452
Gross income	**211**	**165**	**606**	**499**	**759**	**652**
Selling expenses	–23	–26	–90	–75	–95	–80
Administrative expenses	–40	–38	–121	–114	–165	–158
Product development expenses	–13	–12	–37	–37	–48	–48
Share of profit in joint venture, net of interest and tax	2	4	12	12	10	10
Other operating income and expenses	6	3	18	11	35	28
Operating income	**142**	**96**	**388**	**296**	**496**	**404**
Financial income and expense	–4	–2	–18	–8	–23	–13
Earnings before tax	**138**	**94**	**370**	**288**	**473**	**391**
Taxes	–30	–22	–80	–67	–101	–88
Net income for the period	**108**	**72**	**290**	**221**	**372**	**303**
Attributable to:						
Parent company shareholders	**108**	**72**	**290**	**221**	**372**	**303**
Non-controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	2.74	1.79	7.36	5.48	9.21	7.39
Basic earnings per share, SEK	2.74	1.79	7.36	5.48	9.44	7.54
Diluted earnings per share, SEK	2.73	1.78	7.33	5.46	9.40	7.52
Basic average number of shares (000)	39,287	40,165	39,459	40,361	39,501	40,238
Diluted average number of shares (000)	39,443	40,281	39,625	40,484	39,661	40,374

Consolidated statement of comprehensive income

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Net income for the period	**108**	**72**	**290**	**221**	**372**	**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	–12	72	–103	99	–109	93
Tax arising from exchange rate differences related to liabilities to foreign operations	–4	–8	18	–19	23	–14
Cash flow hedging	–1	–2	–1	–2	–	–1
Tax arising from cash flow hedging	–	–	–	–	–	–
Foreign currency translation differences	–20	–100	136	–158	165	–129
Total other comprehensive income/loss	–37	–38	50	–80	**118**	–12
Total comprehensive income	**71**	**34**	**340**	**141**	**490**	**291**

Consolidated balance sheet, in summary

Amounts in MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
Goodwill	624	581	592
Other intangible fixed assets	201	222	217
Tangible fixed assets	118	126	130
Share of net assets in joint venture	37	31	27
Deferred tax assets	134	119	92
Long-term receivables	5	6	6
Total fixed assets	**1,119**	**1,085**	**1,064**
Inventories	180	177	179
Current receivables	327	304	275
Cash and cash equivalents	600	377	455
Total current assets	**1,107**	**858**	**909**
Total assets	**2,226**	**1,943**	**1,973**
Total Shareholders' equity	**989**	**777**	**875**
Pensions and similar obligations	458	515	462
Deferred tax liabilities	26	31	30
Long-term interest-bearing liabilities	176	176	176
Other long-term liabilities	7	10	10
Total long-term liabilities	**667**	**732**	**678**
Short-term interest-bearing liabilities	3	3	2
Other current liabilities	567	431	418
Total current liabilities	**570**	**434**	**420**
Total equity and liabilities	**2,226**	**1,943**	**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 September the fair value of derivative instruments that were assets was MSEK 0 (1), and the fair value of derivative instruments that were liabilities was MSEK 1 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity, in summary

Amounts in MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
Opening balance	**875**	**857**	**857**
Net income for the period	290	221	303
Other comprehensive income/loss	50	–80	–12
Total comprehensive income	**340**	**141**	**291**
Dividend	–148	–142	–142
Own share buy-backs [1)]	–93	–90	–142
Sale of own shares to satisfy LTI – options exercised [1)]	12	9	8
Long-term incentive plan	3	2	3
Closing balance	**989**	**777**	**875**

1) For additional information see page 29.

Consolidated cash flow statement, in summary

	Jul–Sep		Jan–Sep		Oct–Sep	Jan–Dec
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2017/18**	**2017**
Earnings before tax	138	94	370	288	473	391
Reversal of depreciation, amortization and write-downs	19	17	56	55	66	65
Reversal of share of profit in joint venture	–2	–4	–12	–12	–10	–10
Reversal of other non-cash items	6	2	19	6	18	5
Taxes paid	–30	–28	–69	–65	–79	–75
Cash flow from operating activities before changes in working capital	*131*	*81*	*364*	*272*	*468*	*376*
Change in working capital	1	-8	54	-44	82	–16
Cash flow from operating activities	**132**	**73**	**418**	**228**	**550**	**360**
Net investments in property, plant and equipment	–7	–7	–16	–13	–16	–13
Cash flow from investing activities	**–7**	**–7**	**–16**	**–13**	**–16**	**–13**
Dividends paid	–	–	–148	–142	–148	–142
Dividends received from joint venture	2	–	2	–	3	1
Buy back of own shares	–50	–47	–93	–90	–145	–142
Selling of own shares to satisfy LTI-options exercised	–	–	12	8	12	8
New loans received	–	2	2	2	2	2
Repayment of loans	–1	–	–1	–1	–2	–2
Pension payments and other cash flows from financing activities	–15	–13	–36	–40	–46	–50
Cash flow from financing activities	**–64**	**–58**	**–262**	**–263**	**–324**	**–325**
Cash flow for the period	**61**	**8**	**140**	**–48**	**210**	**22**
Cash and bank assets, opening balance	522	373	455	438	377	438
Exchange rate differences in cash and bank assets	17	–4	5	–13	13	–5
Cash and bank assets, closing balance	**600**	**377**	**600**	**377**	**600**	**455**

Group notes

Data per share

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Basic earnings per share, before items affecting comparability, SEK	2.74	1.79	7.36	5.48	9.21	7.39
Basic earnings per share, SEK	2.74	1.79	7.36	5.48	9.44	7.54
Diluted earnings per share, SEK	2.73	1.78	7.33	5.46	9.40	7.52
Equity per share, SEK	25.32	19.48	25.32	19.48	25.32	22.36
Cash flow from operating activities per share, SEK	3.63	1.82	6.42	5.65	11.64	8.97
Basic weighted average no. of shares (000's)	39,287	40,165	39,459	40,361	39,501	40,238
Diluted weighted average no. of shares (000's)	39,443	40,281	39,625	40,484	39,661	40,374
Number of shares at period-end (000's)	39,069	39,908	39,069	39,908	39,069	39,542

Key figures [1)]

	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Sales growth, %	21	5	14	5	n/a	5
Sales growth, constant currency, % [2)]	12	8	13	4	n/a	6
EBITDA margin before items affecting comparability, %	25.9	22.1	24.3	21.9	24.0	22.2
EBITDA margin, %	25.9	22.1	24.3	21.9	24.1	22.3
Operating margin before items affecting comparability, %	22.9	18.7	21.3	18.5	20.9	18.7
Operating margin, %	22.9	18.7	21.3	18.5	21.3	19.2
Capital employed, MSEK	991	1,042	991	1,042	991	1,030
Return on capital employed before items affecting comparability, %	46.9	34.7	46.9	34.7	46.9	37.1
Return on capital employed, %	47.8	35.2	47.8	35.2	47.8	38.0
Return on equity, %	40.3	36.5	40.3	36.5	40.3	37.0
Working capital, MSEK	–59	50	–59	50	–59	36
Working capital as a % of annual sales	–2.5	2.4	–2.5	2.4	–2.5	1.7
Net debt, MSEK	37	317	37	317	37	185
Gearing ratio, %	4	41	4	41	4	21
Net investments in property, plant and equipment	7	7	16	13	16	13
R&D, %	2.1	2.4	2.0	2.3	2.1	2.3
Number of employees, average	972	936	966	935	961	937

1) For additional information see pages 32–33 and 35.
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	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Net sales	622	515	1,828	1,601	2,331	2,104
Direct material costs	–294	–243	–870	–775	–1,114	–1,019
Personnel costs	–125	–111	–373	–336	–485	–448
Depreciation, amortization and write-downs	–19	–17	–56	–55	–66	–65
Share of profit in joint venture, net of tax	2	4	12	12	10	10
Other operating costs, net	–44	–52	–153	–151	–180	–178
Operating income	**142**	**96**	**388**	**296**	**496**	**404**
Financial income and expenses	–4	–2	–18	–8	–23	–13
Earnings before tax	**138**	**94**	**370**	**288**	**473**	**391**
Taxes	–30	–22	–80	–67	–101	–88
Net income for the period	**108**	**72**	**290**	**221**	**372**	**303**

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

Amounts in MSEK	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Tooling income	–	2	–	5	1	6
Royalty income from joint venture	13	9	39	31	54	46
Amortisation of acquisition related surplus values	–10	–9	–28	–27	–37	–36
Reversal of impairment of tangible assets	–	–	–	–	9	9
Other	3	1	7	2	8	3
Other operating income and expenses	**6**	**3**	**18**	**11**	**35**	**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.

Third quarter

	Jul–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total net sales	320	269	399	331	–97	–85	622	515
External net sales	315	265	367	302	–60	–52	622	515
Operating income before items affecting comparability	60	40	84	58	–2	–2	142	96
Operating income	60	40	84	58	–2	–2	142	96
Operating margin before items affecting comparability, %	18.8	14.9	22.9	19.2	n/a	n/a	22.9	18.7
Operating margin, %	18.8	14.9	22.9	19.2	n/a	n/a	22.9	18.7
Financial income and expense	–	–	–	–	–5	–2	–5	–2
Earnings before tax	60	40	84	58	–6	–4	138	94
Assets	567	542	1,305	1,263	354	138	2,226	1,943
Liabilities	331	282	724	718	182	166	1,237	1,166
Capital employed	277	318	817	819	–103	–95	991	1,042
Return on capital employed before items affecting comparability, %	61.1	42.4	37.0	28.3	n/a	n/a	46.9	34.7
Return on capital employed, %	61.4	49.0	38.0	26.4	n/a	n/a	47.8	35.2
Net investments in property, plant and equipment	–	1	9	7	–2	–1	7	7
Depreciation, amortization and write-downs	5	6	13	12	1	–1	19	17
Number of employees, average	363	343	681	657	–72	–63	972	936

First nine months

	Jan–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2018	2017	2018	2017	2018	2017	2018	2017
Total net sales	902	814	1,224	1,051	–298	–264	1,828	1,601
External net sales	888	797	1,134	964	–194	–160	1,828	1,601
Operating income before items affecting comparability	137	115	255	185	–4	–4	388	296
Operating income	137	115	255	185	–4	–4	388	296
Operating margin before items affecting comparability, %	15.4	14.4	22.5	19.2	n/a	n/a	21.3	18.5
Operating margin, %	15.4	14.4	22.5	19.2	n/a	n/a	21.3	18.5
Financial income and expense	–	–	–	–	–19	–8	–19	–8
Earnings before tax	137	115	255	185	–22	–12	370	288
Assets	567	542	1,305	1,263	354	138	2,226	1,943
Liabilities	331	282	724	718	182	166	1,237	1,166
Capital employed	277	318	817	819	–103	–95	991	1,042
Return on capital employed before items affecting comparability, %	61.1	42.4	37.0	28.3	n/a	n/a	46.9	34.7
Return on capital employed, %	61.4	49.0	38.0	26.4	n/a	n/a	47.8	35.2
Net investments in property, plant and equipment	1	1	20	15	–5	–3	16	13
Depreciation, amortization and write-downs	17	19	40	37	–1	–1	56	55
Number of employees, average	358	337	671	659	–62	–61	966	935

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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 (60) for the Group, with an average of 63 (63) working days for the Americas region and 59 (58) working days for the Europe & RoW region.

The weighted average number of working days in the first nine months was 187 (186) for the Group, with an average of 190 (191) working days for the Americas region and 185 (183) working days for the Europe & RoW region.

Employees

The average number of full-time equivalents employed by the group during the first nine months was 966 (935).

Segment External Sales reporting by geographic location of customer

	Jul–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2018	2017	2018	2017	2018	2017	2018	2017
USA	283	235	1	–	–	–	284	235
Rest of North America	9	9	2	2	–	–	11	11
South America	4	8	1	–	–	–	5	8
Germany	3	2	99	83	–	–	102	85
UK	5	5	70	34	–	–	75	39
Sweden	–	–	22	19	–	–	22	19
Rest of Europe	2	2	97	73	–	–	99	75
Asia	7	3	14	39	–	–	21	42
Other	2	1	1	–	–	–	3	1
Total Group	**315**	**265**	**307**	**250**	**–**	**–**	**622**	**515**

	Jan–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2018	2017	2018	2017	2018	2017	2018	2017
USA	801	713	2	–	–	–	803	713
Rest of North America	22	24	9	7	–	–	31	31
South America	19	23	1	1	–	–	20	24
Germany	9	6	301	265	–	–	310	271
UK	13	10	113	104	–	–	126	114
Sweden	–	–	80	65	–	–	80	65
Rest of Europe	6	7	294	256	–	–	300	263
Asia	14	12	138	106	–	–	152	118
Other	4	2	2	–	–	–	6	2
Total Group	**888**	**797**	**940**	**804**	**–**	**–**	**1,828**	**1,601**

Total Sales by product groups

	Jul–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Concentric branded Engine products	174	153	147	114	–	–	321	267
LICOS branded Engine products	–	–	60	49	–	–	60	49
Alfdex branded Engine products	–	–	60	51	– 60	–51	–	–
Total Engine products	174	153	267	214	– 60	–51	381	316
Total Hydraulics products	141	112	100	87	–	–	241	199
Total Group	**315**	**265**	**367**	**301**	**–60**	**–51**	**622**	**515**

	Jan–Sep							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Concentric branded Engine products	481	434	447	389	–	–	928	823
LICOS branded Engine products	–	–	177	146	–	–	177	146
Alfdex branded Engine products	–	–	192	157	–192	–157	–	–
Total Engine products	481	434	816	692	–192	–157	1,105	969
Total Hydraulics products	407	363	316	269	–	–	723	632
Total Group	**888**	**797**	**1,132**	**961**	**–192**	**–157**	**1,828**	**1,601**

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.

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

New and amended standards and interpretations adopted by the Group

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

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

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

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

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 nine 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 nine 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 granted under the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. In addition, under the own share buyback mandate resolved at the 2018 Annual General Meeting, the company also purchased 340,225 (376,000) ordinary shares for a total consideration of MSEK 50 (48), during the third quarter, taking the total purchased own shares to 597,120 (675,016) for a total consideration of MSEK 93 (90) for the first nine months. Consequently the company's total holdings of own shares at the end of the third quarter was 962,127 (963,832), which represented 2.4% (2.4) 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

	Jul–Sep		Jan–Sep		Oct–Sep	Jan–Dec
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2017/18**	**2017**
Net sales	13	9	39	31	58	50
Operating costs	–3	–4	–11	–12	–19	–20
Operating income	**10**	**5**	**28**	**19**	**39**	**30**
Income from shares in subsidiaries	–	–	–	742	5	747
Income from shares in joint venture	2	–	2	–	3	1
Net foreign exchange rate differences	19	35	–86	87	–109	64
Other financial income and expense	–3	–1	–6	–3	–8	–5
Earnings before tax	**28**	**39**	**–62**	**845**	**–70**	**837**
Taxes	–6	–8	13	–22	14	–21
Net income for the period [1)]	**22**	**31**	**–49**	**823**	**–56**	**816**

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

Parent company’s balance sheet, in summary

Amounts in MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
Shares in subsidiaries	3,178	3,175	3,175
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	6	8	9
Deferred tax assets	18	1	3
Total financial fixed assets	**3,212**	**3,194**	**3,197**
Other current receivables	6	5	5
Short-term receivables from joint ventures	–	–	6
Short-term receivables from subsidiaries	212	133	142
Cash and cash equivalents	372	169	228
Total current assets	**590**	**307**	**381**
Total assets	**3,802**	**3,501**	**3,578**
Total Shareholders’ equity	**1,489**	**1,826**	**1,767**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	2,094	1,455	1,597
Total long-term liabilities	**2,287**	**1,648**	**1,790**
Short-term loans payable to subsidiaries	19	20	17
Other current liabilities	7	7	4
Total current liabilities	**26**	**27**	**21**
Total equity and liabilities	**3,802**	**3,501**	**3,578**

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

Amounts in MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
Opening balance	1,767	1,227	1,227
Net income for the period	–49	823	816
Dividend	–148	–142	–142
Sale of own shares to satisfy LTI – options exercised [1)]	12	8	8
Buy-back of own shares [1)]	–93	–90	–142
Closing balance	**1,489**	**1,826**	**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 30 October, 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 – December 2018	*7 February, 2019*
Annual Report January – December 2018	*13 March, 2019*
Annual General Meeting 2019	*4 April, 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, 30 October, 2018
Concentric AB (publ)

David Woolley
President and CEO

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Reconciliation alternative performance measures

Amounts in MSEK

Underlying EBIT or operating income	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Operating income	**142**	**96**	**388**	**296**	**496**	**404**
Restructuring cost	–	–	–	–	–1	–1
Reversal of impairment of write-down tangible assets	–	–	–	–	–8	–8
Underlying operating income	**142**	**96**	**388**	**296**	**487**	**395**
Net Sales	622	515	1,828	1,601	2,331	2,104
Operating margin (%)	**22.9**	**18.7**	**21.3**	**18.5**	**21.3**	**19.2**
Underlying operating margin (%)	**22.9**	**18.7**	**21.3**	**18.5**	**20.9**	**18.7**

Underlying EBITDA or Operating income before amortisation and depreciation	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
EBIT or Operating income	**142**	**96**	**388**	**296**	**496**	**404**
Operating amortisation/depreciation	9	9	28	29	36	37
Amortisation of purchase price allocation	9	9	28	27	37	36
Reversal of impairment of write-down tangible assets	–	–	–	–	–8	–8
EBITDA or Operating income before amortisation and depreciation	**160**	**114**	**444**	**352**	**561**	**469**
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**160**	**114**	**444**	**352**	**560**	**468**
Net Sales	622	515	1,828	1,601	2,331	2,104
EBITDA margin (%)	**25.7**	**22.1**	**24.3**	**21.9**	**24.1**	**22.3**
Underlying EBITDA margin (%)	**25.7**	**22.1**	**24.3**	**21.9**	**24.0**	**22.2**

Net income before items affecting comparability	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct–Sep 2017/18	Jan–Dec 2017
Net income	**108**	**72**	**290**	**221**	**372**	**303**
Items affecting comparability after tax	–	–	–	–	–6	–6
Net income before items affecting comparability	**108**	**72**	**290**	**221**	**366**	**297**
Basic average number of shares (000)	39,287	40,165	39,459	40,361	39,501	40,238
Basic earnings per share	**2.74**	**1.79**	**7.36**	**5.48**	**9.44**	**7.54**
Basic earnings per share before items affecting comparability	**2.74**	**1.79**	**7.36**	**5.48**	**9.21**	**7.39**

Net debt	30 Sep 2018	30 Sep 2017	31 Dec 2017
Pensions and similar obligations	458	515	462
Long-term interest-bearing liabilities	176	176	176
Short-term interest-bearing liabilities	3	3	2
Total interest-bearing liabilities	637	694	640
Cash and cash equivalents	–600	–377	–455
Total Net Debt	**37**	**317**	**185**
Net Debt, excluding pension obligations	–421	–198	–277

Capital employed	30 Sep 2018	30 Sep 2017	31 Dec 2017
Total Assets	**2,226**	**1,943**	**1,973**
Interest bearing financial assets	–5	–6	–6
Cash and Cash Equivalents	–600	–377	–455
Tax assets	–151	–130	–111
Non-interest bearing assets (excl taxes)	**1,470**	**1,430**	**1,401**
Non-interest bearing liabilities (incl taxes)	–596	–468	–454
Tax liabilities	117	80	83
Non-interest bearing liabilities (excl taxes)	**–479**	**–388**	**–371**
Total Capital Employed	**991**	**1,042**	**1,030**

Working capital	30 Sep 2018	30 Sep 2017	31 Dec 2017
Accounts receivable	261	233	189
Other current receivables	66	70	86
Inventory	180	177	179
Working capital assets	**507**	**480**	**454**
Accounts payable	–215	–199	–186
Other current payables	–351	–231	–232
Working capital liabilities	**–566**	**–430**	**–418**
Total Working Capital	**–59**	**50**	**36**

Graph data summary

	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016
Americas									
Sales, MSEK	315	285	288	258	265	268	264	233	253
Book-to-bill, %	82	103	108	115	88	101	110	116	98
Operating income before items affecting comparability, MSEK	60	33	44	40	40	38	37	28	33
Operating margin before items affecting comparability, %	18.8	11.5	15.5	15.7	14.9	14.4	13.9	12.0	13.2
Europe & RoW									
Sales (including Alfdex), MSEK	367	388	379	302	302	327	335	281	281
Book-to-bill, %	97	94	106	122	99	95	102	114	94
Operating income before items affecting comparability, MSEK	84	94	77	57	58	63	64	54	49
Operating margin before items affecting comparability, %	22.9	24.4	20.2	18.9	19.2	19.2	19.2	19.2	17.3
Alfdex eliminations									
Sales, MSEK	–60	–70	–64	–57	–52	–55	–53	–41	–43
Operating income before items affecting comparability, MSEK	–2	–1	–1	2	–2	–1	–1	–	–1
Group									
Sales (excluding Alfdex), MSEK	622	603	603	503	515	540	546	473	491
Book-to-bill, %	90	97	108	114	93	97	105	115	93
Operating income before items affecting comparability, MSEK	142	126	120	99	96	100	100	82	81
Operating margin before items affecting comparability, %	22.9	20.9	19.9	19.6	18.7	18.5	18.3	17.4	16.5
Basic earnings per share, SEK	2.74	2.36	2.26	2.04	1.79	1.86	1.83	1.57	1.45
Return on equity, %	40.3	38.1	37.6	37.0	36.5	36.5	34.6	32.2	30.3
Cash flow from operating activities per share, SEK	3.63	3.61	2.80	3.35	1.82	1.90	1.92	2.44	2.79
Working capital as % of annualised sales	-2.5	–0.6	0.9	1.7	2.4	2.2	1.9	1.2	2.0
Net debt, MSEK	37	132	92	185	315	335	224	300	559
Gearing ratio, %	4	14	9	21	40	42	29	35	81
Gearing ratio (excl Pensions), %	-43	–35	–38	–32	–26	–25	–41	–30	–26

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

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