INTERIM REPORT Q3/2016

CONTENTS

FINANCIAL RESULTS IN BRIEF GROUP

THIRD QUARTER

Net sales

MSEK 491 (559) – down 7% y-o-y, after adjusting for currency (–5%).

Operating income

MSEK 81 (93), generating an operating margin of 16.5% (16.6).

Earnings after tax

MSEK 59 (66); basic EPS of SEK 1.45 (1.57).

Strong cash flow generated from operating activities

MSEK 113 (70) driven by reduction in working capital, which represented 2.0% (4.7) of annual sales.

FIRST NINE MONTHS

Net sales

MSEK 1,531 (1,802) – down 11% y-o-y, after adjusting for currency (–4%).

Operating income

MSEK 255 (298), generating an operating margin of 16.6% (16.5) – comparative for 2015 includes negative goodwill of MSEK 15 and one-off expenses of MSEK 14, both associated with the acquisition of GKN Pumps.

Earnings after tax

MSEK 182 (217); basic EPS of SEK 4.46 (5.13).

Strong cash flow generated from operating activities

MSEK 309 (239).

Group's net debt

MSEK 559 (451); gearing ratio of 81% (53) following the recognition of pension remeasurement losses of MSEK 214 (gains 100) and own share buy-backs of MSEK 60 (92) during the first nine months.

Key figures – Group

	Jul–Sep			Jan–Sep			Oct–Sep	Jan–Dec
Amounts in MSEK	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**	**2015/16**	**2015**
Net sales	**491**	**559**	**–12%**	**1,531**	**1,802**	**–15%**	**2,035**	**2,306**
Operating income before items affecting comparability	81	93	–13%	255	297	–14%	340	382
Operating income	**81**	**93**	**–13%**	**255**	**298**	**–14%**	**338**	**381**
Earnings before tax	76	89	–15%	239	287	–17%	315	363
Net income for the period	**59**	**66**	**–11%**	**182**	**217**	**–16%**	**236**	**271**
Cash flow from operating activities	113	70	61%	309	239	29%	436	366
Net debt	**559**	**451**	**24%**	**559**	**451**	**24%**	**559**	**488**
Operating margin before items affecting comparability, %	16.5	16.6	–0.1	16.6	16.5	0.1	16.7	16.6
Operating margin, %	**16.5**	**16.6**	**–0.1**	**16.6**	**16.5**	**0.1**	**16.6**	**16.5**
Basic EPS, before items affecting comparability, SEK	1.45	1.57	–0.12	4.46	5.11	–0.65	5.80	6.48
Basic EPS, SEK	**1.45**	**1.57**	**–0.12**	**4.46**	**5.13**	**–0.67**	**5.75**	**6.45**
Return on equity, %	30.3	32.9	–2.6	30.3	32.9	–2.6	30.3	31.7
Gearing ratio, %	**81**	**53**	**28**	**81**	**53**	**28**	**81**	**57**

» All parts of the business participate in the Concentric Business Excellence programme and this has underpinned our ability to adapt operations to the lower demand and thereby protect our margins. «

President and CEO, David Woolley, comments on Q3 2016 interim report.

Overall, Concentric's sales for the third quarter and the first nine months were broadly in line with published market indices. The group's sales for the third quarter and the first nine months were down year-on-year by 7% and 11% respectively in constant currency. The primary reason for the decline in sales continues to be the lower US volumes in the Class 8 heavy duty truck market, down by over 30% in the first nine months, following a peak in the replacement cycle during 2015 and a subsequent correction of inventory levels. As expected, the European truck market has also softened in the third quarter with the normalisation of demand in Southern Europe. Commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. Construction equipment markets in North America and Europe have also remained soft with the macro economic uncertainty. Continued de-stocking of dealers and OEM's inventories has also contributed to the soft demand during the quarter.

All parts of the business participate in the Concentric Business Excellence ("CBE") and this has underpinned our ability to adapt operations to the lower demand and thereby protect our margins.

The successful implementation of this programme has continued to support the consolidated results, ensuring that the underlying EBIT margin for both the third quarter and the first nine months remained stable at 16.5% and 16.6% respectively, in spite of the market headwinds. In addition, we have continued to protect and enhance our sales and engineering resources to support the organic growth objectives. We were recently present at the IAA 2016 where we exhibited Concentric's extensive range of pumps, including new products developments such as the Mid-range 2-speed controllable cooling pump, and we gained a lot of positive feedback.

We also continue to explore acquisition opportunities for enabling technologies that will enhance our solutions for variable displacement pumps and provide us with an even greater presence alongside our global customers.

Outlook

Looking forward, the orders received, and expected to be fulfilled during the fourth quarter of 2016, were slightly behind the sales levels of the third quarter of 2016. Our continued focus on business excellence will help us respond to these challenging market conditions for both on- and off-highway sectors in North America and Europe. Market indices have been revised during the third quarter and now suggest that production volumes blended to Concentric's end-markets and regions will soften a little further during the last quarter of 2016, down 8% year-on-year for the full year 2016. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

KEY EVENTS IN 2016

27 January

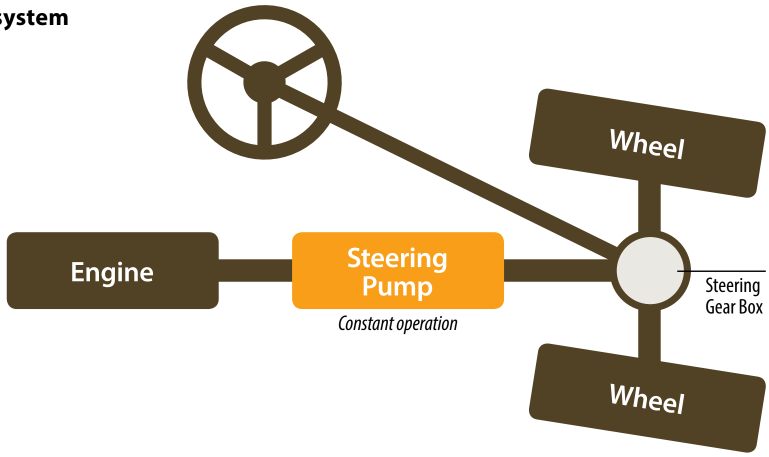
Concentric secures nomination for Electro Hydraulic Steering ("EHS") system with leading global OEM.

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

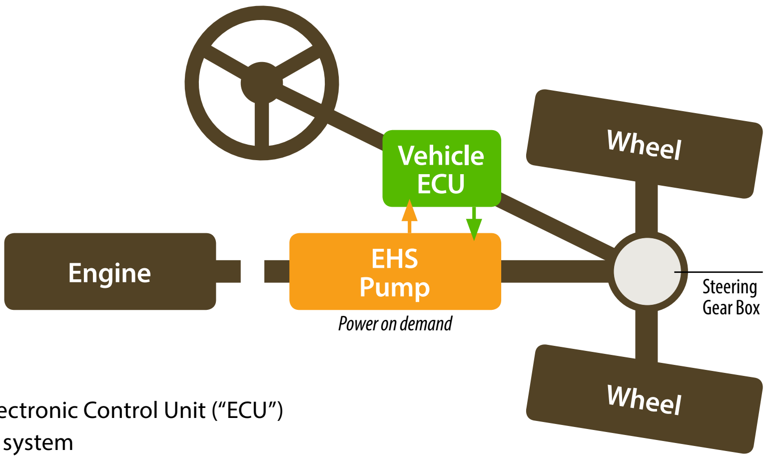
The EHS unit replaces the normal power steering pump and provides power steering assistance when needed. Conventional hydraulic steering systems use an IC engine driven pump which follows engine speed. Typically the pump is dimensioned to give full power steering function already at idle speed of the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

Conventional steering system compared to an Energy Savings steering system

Conventional steering system



EHS system



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

11 March

Concentric shows innovative pump technology at BAUMA 2016.

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

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

EHS Unit

Transmission Oil Pump

FERRA Gear Pump

Variable Flow Oil Pump

Dual Cone Clutch Pump

2-speed Water Pump Clutch

6 April

Paul Fleetwood appointed SVP at Concentric AB.

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

KEY EVENTS IN 2016

21 September

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

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

Caption

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

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

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

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

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

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

21 September

Concentric launched new innovative pump technology at IAA 2016

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

New product developments on show from Concentric included:

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

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

Principal exhibits were:

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

PRESS RELEASES

FINANCIAL SUMMARY GROUP

Key figures – Group

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Change	Jan–Sep 2016	Jan–Sep 2015	Change	Oct–Sep 2015/16	Jan–Dec 2015
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Operating margin before items affecting comparability, %	16.5	16.6	–0.1	16.6	16.5	0.1	16.7	16.6
Operating margin, %	16.5	16.6	–0.1	16.6	16.5	0.1	16.6	16.5
Basic EPS, before items affecting comparability, SEK	1.45	1.57	–0.12	4.46	5.11	–0.65	5.80	6.48
Basic EPS, SEK	1.45	1.57	–0.12	4.46	5.13	–0.67	5.75	6.45
Diluted EPS, SEK	1.45	1.57	–0.12	4.46	5.11	–0.65	5.75	6.44
Return on equity, %	30.3	32.9	–2.6	30.3	32.9	–2.6	30.3	31.7
ROCE, %	27.5	29.1	–1.6	27.5	29.1	–1.6	27.5	28.8

Sales

Sales for the third quarter were down year-on-year by 7%, adjusting for the impact of currency (–5%). As a result, sales for the first nine months were down year-on-year by 11% adjusting for the impact of currency (–4%). North American demand for Class 8 heavy-duty trucks remained weak following a peak in the replacement cycle during 2015.

As expected, the European truck market also softened in the third quarter with the normalisation of demand in Southern Europe. Commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. Construction equipment markets in North America and Europe have also remained soft with the macro economic uncertainty.

Operating income

Operating margins for the third quarter and the first nine months remained stable year-on-year, in spite of the drop in sales, after adjusting operating income in the prior year for those one-off items booked in respect of the acquisition of GKN Pumps. The CBE programme underpinned the group's strong results, optimising customer service, employee motivation and operational performance to adapt the business to the lower demand.

Net financial items

Net financial expenses in the third quarter comprised of pension financial expenses of MSEK 4 (5) and other net interest expense of 1 (income 1). Accordingly, net financial expenses in the first nine months comprised of pension financial expenses of MSEK 14 (15) and other net interest expense of 2 (income 4).

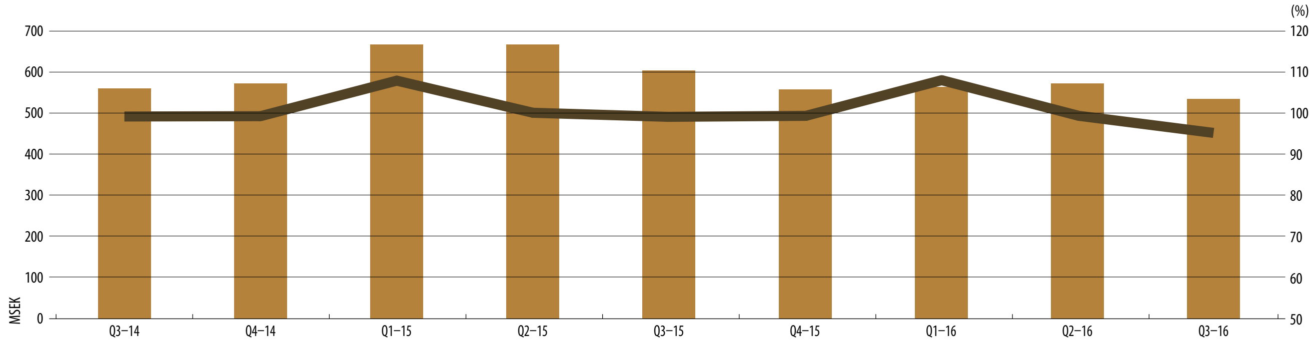
Taxes

The underlying effective tax rate for the third quarter and the first nine months was 22% (26) and 24% (24) respectively, adjusting earnings before tax in the prior year for MSEK 15 of negative goodwill which had no tax related entries. These rates reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

Earnings per share

The underlying basic EPS for the first nine months was SEK 4.46 (5.11), down just SEK 0.65 per share after adjusting reported earnings per share in the prior year for one-off items in respect of the acquisition of GKN Pumps.

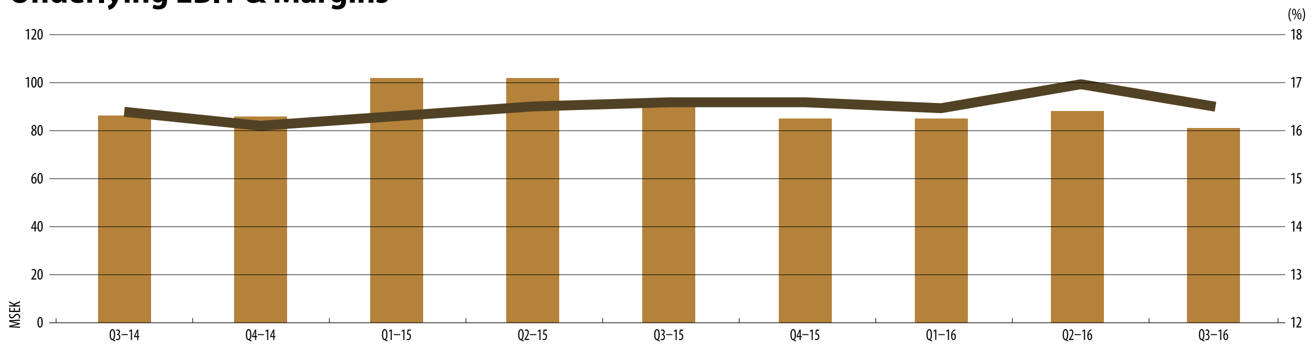
Sales & Book-to-Bill



Sales per Qtr (including Alfdex)

Book-to-Bill %

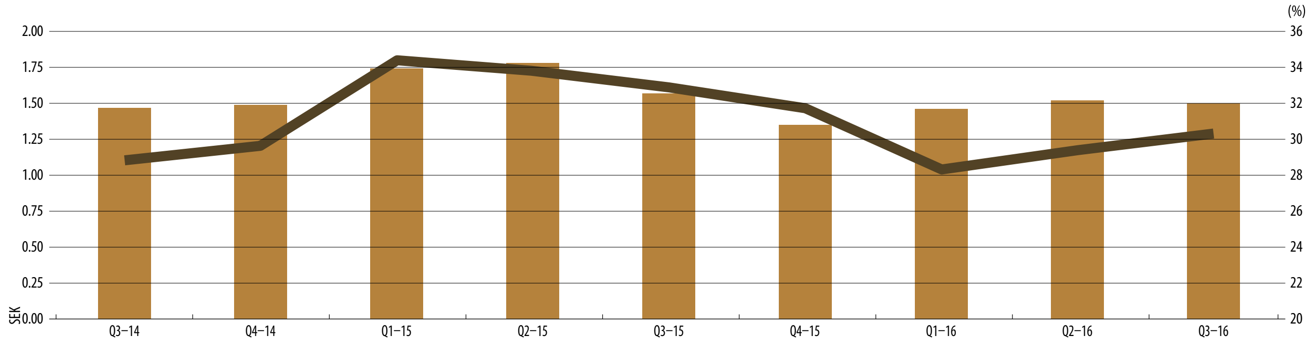
Underlying EBIT & Margins



EBIT per Qtr

EBIT Margin

EPS & ROE



EPS per Qtr

ROE rolling 12m

NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Change	Jan–Sep 2016	Jan–Sep 2015	Change	Oct–Sep 2015/16	Jan–Dec 2015
External net sales	253	288	–12%	754	952	–21%	1,007	1,205
Operating income before items affecting comparability	34	39	–13%	98	130	–25%	132	164
Operating income	34	39	–13%	98	133	–26%	128	163
Operating margin before items affecting comparability, %	13.2	13.3	–0.1	12.9	13.6	–0.7	13.1	13.6
Operating margin, %	13.2	13.3	–0.1	12.9	13.9	–1.0	12.7	13.5
ROCE, %	32.4	48.7	–16.3	32.4	48.7	–16.3	32.4	44.0

Sales for the third quarter were down year-on-year by 8%, adjusting for the impact of currency (–4%). As a result, sales for the first nine months were down year-on-year by 18%, adjusting for the impact of currency (–3). North American demand for Class 8 heavy-duty trucks remained weak following the peak in the replacement cycle during 2015. Commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. The construction equipment market in North America has also been adversely affected by the macro economic uncertainty. Demand in South America remains very weak across all end sectors.

Operating margins for the third quarter were in line with prior year. Operating margins for the first nine months have fallen year-on-year, after adjusting operating income in the prior year for one-off items booked in respect of the acquisition of GKN Pumps. This is primarily due to the impact of the GKN operations acquired in Chivilcoy (Argentina), which continued to operate at a net loss under challenging market conditions.

Europe & RoW

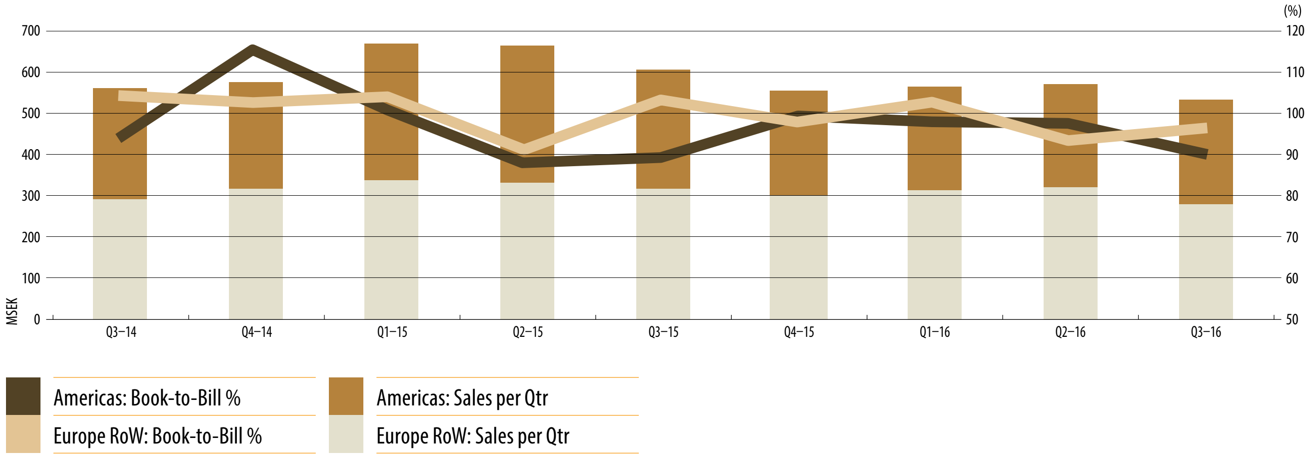
Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Change	Jan–Sep 2016	Jan–Sep 2015	Change	Oct–Sep 2015/16	Jan–Dec 2015
External net sales (including Alfdex)	281	318	–12%	918	991	–7%	1,219	1,292
Operating income	48	55	–13%	160	171	–6%	211	222
Operating margin, %	17.3	17.4	–0.1	17.5	17.2	0.3	17.3	17.2
ROCE, %	24.5	22.4	2.1	24.5	22.4	2.1	24.5	22.9

Sales for the third quarter were down year-on-year by 5%, adjusting for the impact of currency (–7%). As a result, sales for the first nine months were down year-on-year by 3%, adjusting for the impact of currency (–4%). Commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. The construction equipment market in Europe has also remained soft with the macro economic uncertainty. As expected, European demand for trucks also softened during the third quarter with the normalisation of demand in Southern Europe.

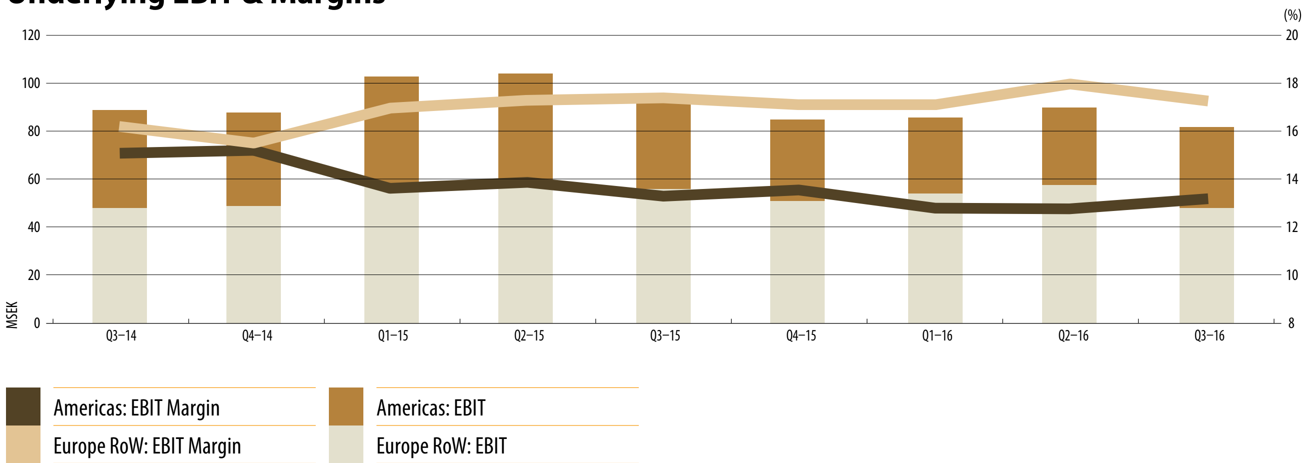
Demand for trucks in India and China has shown some signs of improvement during the first nine months but the off-highway sectors in these regions have remained weak.

Overall, the operating margins for the first nine months remained stable year-on- year, in spite of the market head winds.

Sales & Book-to-Bill



Underlying EBIT & Margins



MARKET DEVELOPMENT

Concentric's sales for the first nine months remain broadly in line with published market indices.

North American end-markets

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

European end-markets

- Sales to our European end markets in the third quarter were also directionally in line with the market indices.
- As expected, demand for medium and heavy duty trucks softened in the third quarter, with Concentric's sales down 6% year-on-year. Concentric's sales into the construction equipment and industrial applications end-markets remained slightly worse than the market indices suggest, especially for our hydraulic products.

Emerging end-markets

- Sales to our South American end markets were down across the board in the third quarter, in line with the market indices, although this region represents less than 3% of the group's total revenues.
- Total Indian sales were up 16% for the first nine months, in line with the latest published market indices, driven primarily by the increased demand for medium and heavy duty trucks. However, this region only represents around 4% of total revenues.
- Sales to our Chinese end markets were down across the board in the third quarter, in line with the market indices, although this region represents less than 2% of the group's total revenues.

Consolidated sales development

	Q3-16 vs Q3-15			YTD-16 vs YTD-15			FY-16 vs FY-15		
Concentric	Americas	Europe & RoW	Group	Americas	Europe & ROW	Group	Americas	Europe & RoW	Group
Market – weighted average[1)]	–9%	–9%	**–9%**	–15%	0%	**–7%**	–13%	–2%	**–8%**
Actual – constant currency[2)]	–8%	–5%	**–7%**	–18%	–3%	**–11%**			

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

Overall, market indices suggest production rates, blended to the Group's end-market and regions, were down 9% year-on-year for the third quarter and down 7% for the first nine months.

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

As noted in previous interim reports, movements in the market indices tend to lag the group's order intake experience by 3–6 months.

PUBLISHED MARKET INDICES

		Q3-16 vs Q3-15					YTD-16 vs YTD-15					FY-16 vs FY-15				
		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	–9%	–25%	–10%	–6%	3%	–13%	–34%	2%	–7%	2%	–8%	–33%	–3%	–6%	2%
Construction equipment	Diesel engines	–15%	–34%	–19%	15%	–1%	–19%	–42%	–9%	14%	–1%	–18%	–41%	–10%	15%	–1%
	Hydraulic equipment	–11%	n/a	5%	n/a	n/a	–11%	n/a	2%	n/a	n/a	–12%	n/a	1%	n/a	n/a
Trucks	Light vehicles	0%	n/a	n/a	n/a	n/a	–4%	n/a	n/a	n/a	n/a	–3%	n/a	n/a	n/a	n/a
	Medium & Heavy vehicles	–1%	–11%	–12%	22%	11%	–9%	–23%	2%	20%	11%	–6%	–16%	–1%	22%	2%
Industrial applications	Other off-highway	–32%	8%	–15%	3%	–2%	–36%	–6%	–3%	2%	–2%	–34%	–4%	–6%	3%	–2%
	Hydraulic lift trucks	–8%	n/a	–10%	n/a	n/a	–14%	n/a	–15%	n/a	n/a	–15%	n/a	–14%	n/a	n/a

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

The market indices summarised in the table above reflect the Q3 2016 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

FINANCIAL POSITION

Operational cash flow

The reported cash inflow from operating activities for the third quarter amounted to MSEK 113 (70), which represents SEK 2.75 (1.47) per share. This takes the cash inflow from operating activities for the first nine months to MSEK 309 (239).

Working capital

Total working capital at 30 September was MSEK 42 (109), which represented 2.0% (4.7) of annual sales.

Net investments in fixed assets

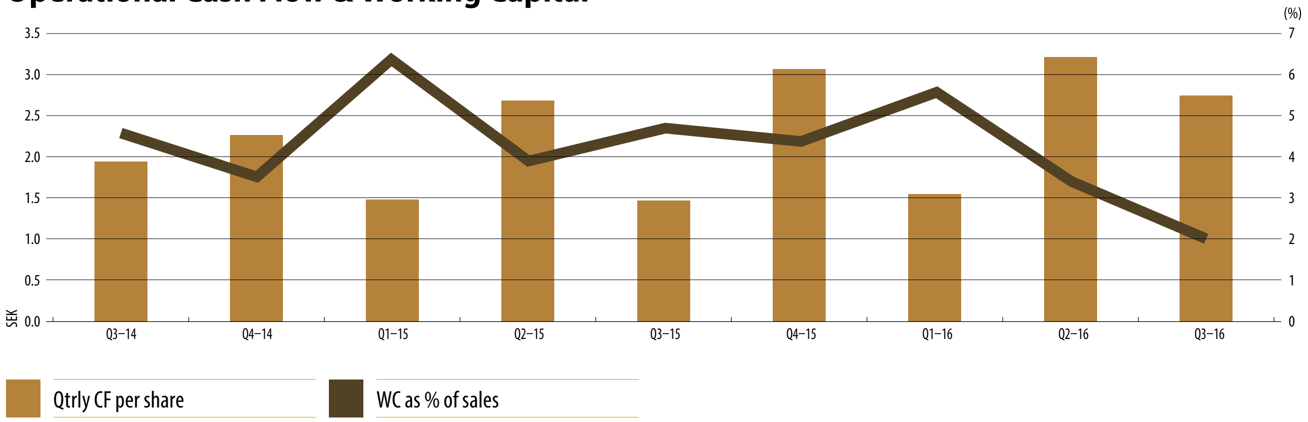
The Group's net investments in tangible fixed assets amounted to MSEK 6 (13) for the first nine months.

Net debt & gearing

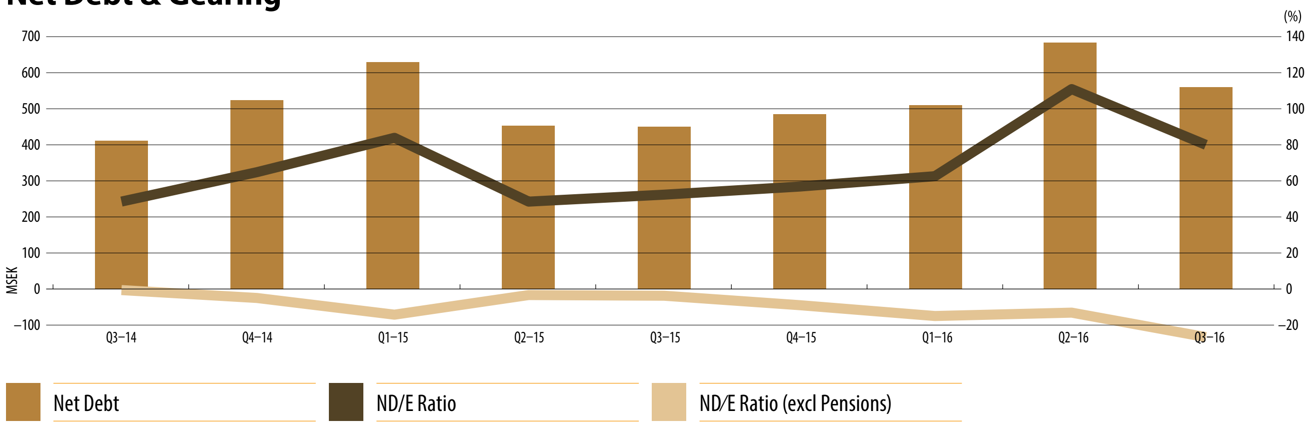
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, net remeasurement gains of MSEK 30 (nil) have been recognised in net pension liabilities during the third quarter, largely related to movements in the respective discount and inflation rates applied. As a result, the cumulative remeasurement losses for the first nine months were MSEK 214 (gains 100).

Consequently, the Group's net debt at 30 September increased to MSEK 559 (451), comprising bank loans and corporate bonds of MSEK 178 (188) and net pension liabilities of MSEK 738 (487), net of cash amounting to MSEK 357 (224). Shareholders' equity amounted to MSEK 689 (944), resulting in a gearing ratio of 81% (53) at the end of the third quarter.

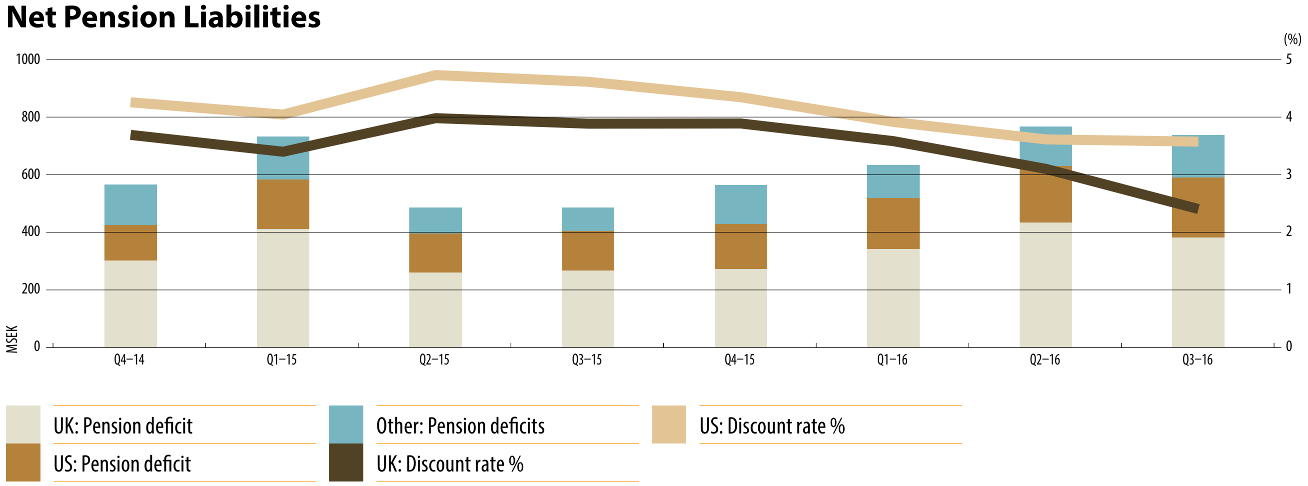
Operational Cash Flow & Working Capital



Net Debt & Gearing



Net Pension Liabilities



CURRENT RESOURCES

CBE SPOTLIGHT: SUSTAINABILITY SHOWCASED AT TECHNOLOGY ROADSHOWS

Throughout 2016, our senior design and sales leaders have been invited to the customers to showcase Concentric's product range, including both existing and upcoming innovative technologies. **Paul Shepherd**, *Advanced R&D Director*, **Mark Rimkus**, *Vice President for Sales, North America* and **Tom Elliott**, *Senior Sales Manager, Europe* each took time out to tell us more about these Technology Roadshows. The first Roadshows were held in the US and events are continuing with customers across Europe.

Interview with Paul Shepherd, Advanced R&D Director, Mark Rimkus, Vice President for Sales, North America and Tom Elliott, Senior Sales Manager, Europe.

What was behind the idea to host Technology Roadshows?

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


Paul Shepherd

The Roadshows were designed to include elements interesting to customers' engineering and commercial teams alike. Paul explained that a typical day at a Roadshow involved setting up exhibition stands, ensuring that product samples and product information was easily available to customers who could ask questions directly of the Concentric experts who were on hand. Meanwhile, a varied programme of seminars was scheduled throughout the day. Some seminars helped customers understand current product, such as "Design Guidelines for Coolant and Lubrication Pumps"; other seminars previewed future developments like "The Electrification of Pumps". Some sessions were purely educational such as "Advances in Coolant Pump Reliability" and others directly addressed the demand for sustainable product, including "Controlling Engine Coolant for Fuel Economy Improvements", for example. Seminars highlighting new product advances such as "Electric Hydraulic Steering" and the "Innovative Friction Clutch for Switchable Auxiliaries" attracted a great deal of interest.

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


Mark Rimkus

» The interest generated at the Technology Roadshows has helped us to cement our relationships with existing customers and extend our network with a range of new contacts too «

Paul Shepherd, Advanced R&D Director.

What did Customers Say?

"Customers have commented that they like the focus and the insight into system applications - giving them ideas about how Concentric' s products can be effectively applied in their engine field", said Tom Elliott. He added, "If we can both learn from our customers and help to educate them about the optimal integration of the pump and engine there are benefits all round." The Roadshows help engine designers understand what is critical to achieving a well integrated pump. We asked Tom to say a bit more about why this is important and he said, "Well integrated pumps run more efficiently, are more cost effective for the customer and long term reliability is not compromised in any way. The advantages of having optimal pump and engine integration include better loading on the pumps and bearings, the use of appropriate material grades and acceptable tolerances in engine design, amongst other things. All of these advantages underline what is meant by sustainability. It is simply how we do business."

"At the Roadshows customers told us that they value our engineering expertise and know how. When it comes to technical support, Concentric consistently gets good feedback from customers, as evidenced by the results to the recent customer survey." said Tom. "We demonstrated that we have a pipe-line of innovative products. Our customers are excited by them. When it comes to technology products, they also value having access to our technical support."

He continued, "The relevance for our customers' engineers is obvious but purchasing leaders who attended seminars told us how the learning they gained would better equip them to evaluate our proposals and those of our competitors."


Tom Elliott

Sustainability through Added Value

The Roadshows provided the opportunity to present our new technologies and show how our products add value through fuel economy. Mark explained “This is a key selling point for us. It moves our products beyond commodity which is critical to securing a long term future for our organisation. We showcased our wide product portfolio and were able to demonstrate how our product developments align with customers’ current and future needs”.

Tom commented that for our customers, fuel efficiency makes it easier to sell their products. He said “It’s about supplying our OEM customers with high quality and reliable products that payback in an acceptable timeframe so that their own products have a competitive advantage”. He added, “The seminars not only addressed the advantages of the new technologies, giving our customers options for their engine designs but importantly, the information we learned from them enables us to refine our technology roadmap”.

Paul emphasised that the biggest benefit that comes from these Roadshows is in how relationships with our customers’ engineers develop. Strong and close relationships between us and our customers ultimately results in optimisation of the design for manufacture. Optimal design for manufacture leads to reduced costs, the use of the most appropriate materials, less waste (less machining), fewer resources such as coolant and energy and generally a reassurance that the components have not been over designed for the application. We asked Paul if he could provide an example and he said, “There are numerous examples of where strong relationships have resulted in tangible benefits in design. For example, for one customer we removed a cover plate from a pump, allowing the engine block to perform the same function as the plate. The lighter pump used less material and time in manufacture and this was a win for the customer and Concentric alike”.

Customers are also concerned about the ability to recycle products at the end of the product’s life. Their designs sometimes define materials that can or cannot be used and, occasionally they specify materials to be marked up so they can be easily recycled later. The Roadshows also provided the opportunity to explore the extent to which this is a priority for our customers.

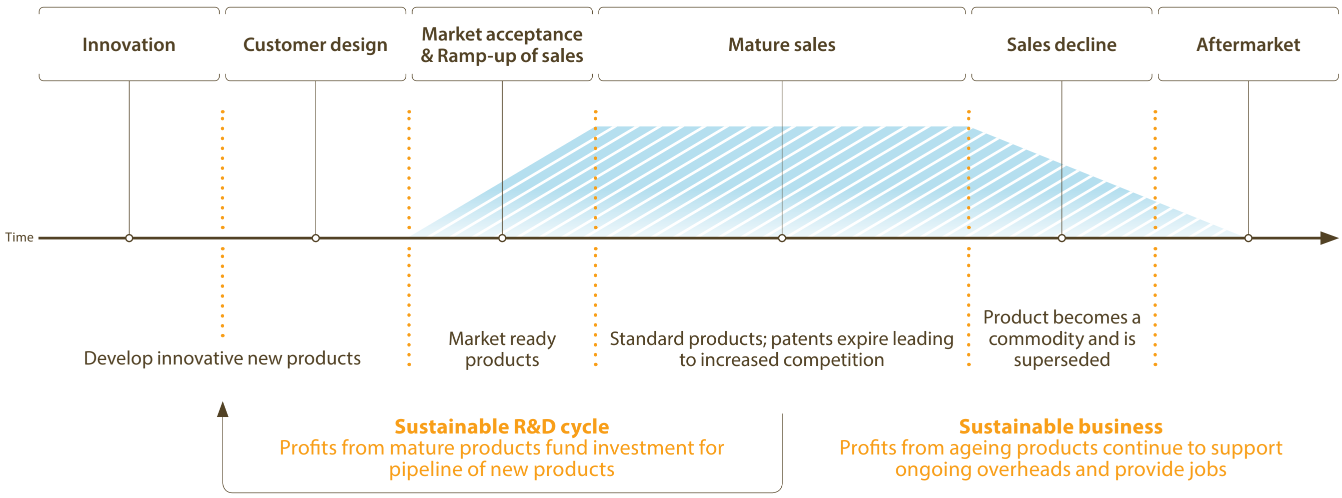
The environmental aspects of sustainability are frequently talked about but Mark has always seen the economic value in having products that solve customers’ problems and add value for the customer. Products like Concentric’s fuel pumps offer customers fuel efficient, quality products that clearly address environmental requirements. In addition Mark points out “A reliable engine that performs better and saves more fuel than a competitive product is going to be in demand. That is simple economics and the result is good for the customer, our employees and our investors.” Mark is passionate about operational excellence which stems from his background with lean and he continued, “This is where Concentric Business Excellence plays its part, to ensure that we get reliable, consistently high quality product that add value to the customer, delivered on time.”

“There is no doubt that sustainability is moving up our customers’ agendas.” says Tom. “With the introduction of hybrid technologies, customers are using our pumps for cooling batteries in hybrid motors, another example of how our products are helping our customers meet their goals for sustainability.”

A typical display stand, featuring product samples.

Sustainability – product life cycle

Stay close to customers to validate product portfolio



Sustainability and Innovation

Mark emphasised that it is the innovative products that solve problems for our customers and add value. The margins from the sales fund the next innovations so it is a sustainable cycle.

Paul adds that "A steady supply of innovative products that add value to the customer is crucial if we are to prevent our product range from becoming commoditised. A healthy product cycle includes products in all categories from Standard product, to production ready technology to innovative products. Employees don't just benefit from jobs for the future – their work is interesting too."

"Yes!" continues Mark "As you solve problems for customers with innovative products your solutions save them money and we earn fair margins for the value we provide. This commercialisation of new innovations increases our profits, which are in part reinvested in research and development. The reinvestment leads to new innovations and the cycle continues."

Even when products are reaching the commodity stage of the life cycle, there are ways to develop profitable sales, "High quality product always attracts more sales, vertically integrated supply chain, manufacturing in low cost countries and providing a good level of support to our customers enables us to be successful with standard products too." says Mark. Our core capabilities and our global footprint enable us to compete at all stages of the product cycle.

What Next?

The Roadshows clarified that our technology roadmap is closely aligned with those of our customers. When it comes to adopting new technologies though, engine manufacturers will be cautious. We are confident that our variable flow technology will enable customers to achieve even higher levels of fuel efficiency more quickly than their current solutions. The Roadshows gave us the opportunity to address customers' questions and concerns. We showed the added value our innovative products can bring so that they will be more confident to make the switch.

Customers are always more careful when considering new technologies, they are typically more expensive and the customer needs to be convinced – they don't just want proof of concept but they need proof in validation – reliability and longevity in field. The future is about validation and closer working with customers' design engineers to prove the new innovations deliver.

Paul concluded that for him the greatest benefit of the Roadshows is the deepening relationships with engineers at our customers and the increased number of contacts. Tom added that the opportunity to showcase our technology portfolio and understand where our technology needs to develop is also a major benefit. He said "If we come away understanding where the opportunities for the future lie, which developments are of greatest benefit to each specific customer and what currently excites them the Roadshow has been a success". In doing so, we have promoted Concentric as a technology company with value added solutions that address their needs.

Mark closed by saying "There are bigger pump and hydraulics systems suppliers out there but we showed how we can compete. For an organisation of our size, we surprised some our customers with our breadth of product, global footprint and capability. In fact one customer commented that we 'punch above our weight'." The Roadshows continue with customers throughout Europe. There are also opportunities to engage with potential new customers in developing markets like Asia – particularly with those manufacturers who have a reputation for being early adopters of technology.

GROUP

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Net sales	491	559	1,531	1,802	2,035	2,306
Cost of goods sold	–351	–403	–1,095	–1,309	–1,469	–1,683
Gross income	**140**	**156**	**436**	**493**	**566**	**623**
Selling expenses	–13	–11	–47	–55	–69	–77
Administrative expenses	–37	–40	–113	–114	–146	–147
Product development expenses	–14	–13	–40	–38	–52	–50
Share of profit in joint venture, net of interest and tax	3	2	10	12	5	7
Other operating income and expenses	2	–1	9	0	34	25
Operating income	**81**	**93**	**255**	**298**	**338**	**381**
Financial income and expense	–5	–4	–16	–11	–23	–18
Earnings before tax	**76**	**89**	**239**	**287**	**315**	**363**
Taxes	–17	–23	–57	–70	–79	–92
Net income for the period	**59**	**66**	**182**	**217**	**236**	**271**

Basic earnings per share before items affecting comparability, SEK	1.45	1.57	4.46	5.11	5.80	6.48
Basic earnings per share, SEK	1.45	1.57	4.46	5.13	5.75	6.45
Diluted earnings per share, SEK	1.45	1.57	4.46	5.11	5.75	6.44
Basic average number of shares (000)	40,773	41,973	40,812	42,246	41,142	42,058
Diluted average number of shares (000)	40,820	42,122	40,845	42,401	41,175	42,119

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Net income for the period	**59**	**66**	**182**	**217**	**236**	**271**
Other comprehensive income						
Items that will not be reclassified to the income statement						
Net remeasurement gains and osses	30	–	–214	100	–313	1
Tax on net remeasurement gains and losses	–5	–	54	–21	81	6
Items that may be reclassified subsequently to the income statement					–	
Exchange rate differences related to liabilities to foreign operations	–12	–9	–12	–46	–	–34
Tax arising from exchange rate differences related to liabilities to foreign operations	3	2	3	10	–	7
Cash-flow hedging	–1	–3	4	–4	5	–3
Tax arising from cash-flow hedging	–	1	–1	1	–1	1
Foreign currency translation differences	18	7	7	85	–28	50
Total other comprehensive income	**33**	**–2**	**–159**	**125**	**–256**	**28**
Total comprehensive income	**92**	**64**	**23**	**342**	**–20**	**299**

CONSOLIDATED BALANCE SHEET, IN SUMMARY

Amounts in MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
Goodwill	603	643	631
Other intangible fixed assets	266	321	306
Tangible fixed assets	159	195	187
Share of net assets in joint venture	18	26	20
Deferred tax assets	192	164	145
Long-term receivables	5	4	4
Total fixed assets	**1,243**	**1,353**	**1,293**
Inventories	181	232	201
Current receivables	279	332	254
Cash and cash equivalents	357	224	258
Total current assets	**817**	**788**	**713**
Total assets	**2,060**	**2,141**	**2,006**
Total Shareholders' equity	**689**	**944**	**852**
Pensions and similar obligations	738	487	564
Deferred tax liabilities	29	56	43
Long-term interest-bearing liabilities	177	177	178
Other long-term liabilities	10	12	10
Total long-term liabilities	**954**	**732**	**795**
Short-term interest-bearing liabilities	1	11	4
Other current liabilities	416	454	355
Total current liabilities	**417**	**465**	**359**
Total equity and liabilities	**2,060**	**2,141**	**2,006**

Financial derivatives

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

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY, IN SUMMARY

Amounts in MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
Opening balance	**852**	**811**	**811**
Net income for the period	182	217	271
Other comprehensive loss/income	–159	125	28
Total comprehensive income	**23**	**342**	**299**
Dividend	–134	–127	–127
Own share buy-backs	–60	–92	–142
Sale of own shares to satisfy LTI – options exercised	7	8	8
Long-term incentive plan	1	2	3
Closing balance	**689**	**944**	**852**

CONSOLIDATED CASH FLOW STATEMENT, IN SUMMARY

	Jul–Sep		Jan–Sep		Oct–Sep	Jan–Dec
Amounts in MSEK	**2016**	**2015**	**2016**	**2015**	**2015/16**	**2015**
Earnings before tax	76	89	239	287	315	363
Reversal of depreciation, amortization and write-downs	19	22	59	51	82	74
Reversal of share of profit in joint venture	–3	–2	–10	–12	–5	–7
Reversal of other non-cash items	6	–1	16	19	24	27
Taxes paid	–12	–33	–23	–68	–55	–100
Cash flow from operating activities before changes in working capital	*86*	*75*	*281*	*277*	*361*	*357*
Change in working capital	27	–5	28	–38	75	9
Cash flow from operating activities	**113**	**70**	**309**	**239**	**436**	**366**
Investments in subsidiaries [1]	–	–	–	–10	–	–10
Net investments in property, plant and equipment	–2	–5	–6	–13	–18	–25
Cash flow from investing activities	**–2**	**–5**	**–6**	**–23**	**–18**	**–35**
Dividends paid	–	–	–134	–127	–134	–127
Dividends received from joint venture	2	–	10	12	10	12
Buy back of own shares	–14	–50	–60	–92	–110	–142
Selling of own shares to satisfy LTI-options exercised	–	–	7	8	7	8
New loans received	–	5	31	188	70	227
Repayment of loans	–	–1	–31	–195	–76	–240
Pension payments and other cash flows from financing activities	–11	–12	–33	–29	–52	–48
Cash flow from financing activities	**–23**	**–58**	**–210**	**–235**	**–285**	**–310**
Cash flow for the period	**88**	**7**	**93**	**–19**	**133**	**21**
Cash and bank assets, opening balance	262	217	258	235	224	235
Exchange rate differences in cash and bank assets	7	–	6	8	–	2
Cash and bank assets, closing balance	**357**	**224**	**357**	**224**	**357**	**258**

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

GROUP NOTES

DATA PER SHARE

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Basic EPS, before items affecting comparability, SEK	1.45	1.57	4.46	5.11	5.80	6.48
Basic earnings per share, SEK	1.45	1.57	4.46	5.13	5.75	6.45
Diluted earnings per share, SEK	1.45	1.57	4.46	5.11	5.75	6.44
Equity per share, SEK	16.91	22.65	16.91	22.65	16.91	20.46
Cash-flow from current operations per share, SEK	2.78	1.47	7.58	5.66	10.61	8.70
Basic weighted average no. of shares (000's)	40,773	41,973	40,812	42,246	41,142	42,058
Diluted weighted average no. of shares (000's)	40,820	42,122	40,845	42,401	41,175	42,119
Number of shares at period-end (000's)	40,711	41,663	40,711	41,663	40,711	41,180

KEY FIGURES

	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Sales growth, %	–12	8	–15	17	n/a	7
Sales growth, constant currency, % 1)	–7	–10	–11	–5	n/a	–8
EBITDA margin, %	20.5	20.6	20.5	19.4	20.6	19.7
Operating margin before items affecting comparability, %	16.5	16.6	16.6	16.5	16.7	16.6
Operating margin, %	16.5	16.6	16.6	16.5	16.6	16.5
Capital Employed, MSEK	1,138	1,336	1,138	1,336	1,138	1,254
ROCE before items affecting comparability, %	27.5	29.0	27.5	29.0	27.5	28.9
ROCE, %	27.5	29.1	27.5	29.1	27.5	28.8
ROE, %	30.3	32.9	30.3	32.9	30.3	31.7
Working Capital, MSEK	42	109	42	109	42	101
Working capital as a % of annual sales	2.0	4.7	2.0	4.7	2.0	4.4
Net Debt, MSEK	559	451	559	451	559	488
Gearing ratio, %	81	53	81	53	81	57
Net investments in PPE	2	5	6	13	18	25
R&D, %	2.7	2.2	2.6	2.1	2.6	2.2
Number of employees, average	1,009	1,090	1,024	1,097	1,034	1,088

1) Also excludes the impact of any acquisition or divestments in that period.

CONSOLIDATED INCOME STATEMENT IN SUMMARY, BY TYPE OF COST

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Net sales	491	559	1,531	1,802	2,035	2,306
Direct material costs	–239	–278	–755	–919	–1,016	–1,180
Personnel costs	–110	–118	–336	–371	–443	–478
Depreciation, amortization and write-downs	–20	–22	–60	–51	–83	–74
Share of profit in joint venture, net of tax	3	2	10	12	5	7
Other operating costs, net	–44	–50	–135	–175	–160	–200
Operating income	**81**	**93**	**255**	**298**	**338**	**381**
Financial income and expenses	–5	–4	–16	–11	–23	–18
Earnings before tax	**76**	**89**	**239**	**287**	**315**	**363**
Taxes	–17	–23	–57	–70	–79	–92
Net income for the period	**59**	**66**	**182**	**217**	**236**	**271**

OTHER OPERATING INCOME AND EXPENSES

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Tooling income	2	4	4	10	6	12
Royalty income from joint venture	9	6	30	19	54	43
Amortisation of acquisition related surplus values	–9	–10	–27	–29	–37	–39
Negative Goodwill	–	–	–	15	–2	13
Acquisition-related expenses	–	–	–	–2	–	–2
Restructuring expenses	–	–	–	–12	–	–12
Other	–	–1	2	–1	13	10
Other operating income and expenses	**2**	**–1**	**9**	**–**	**34**	**25**

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	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total net sales	257	294	303	345	−69	−80	491	559
External net sales	253	288	281	318	−43	−47	491	559
Operating income before items affecting comparability	34	39	48	55	−1	−1	81	93
Operating income	34	39	48	55	−1	−1	81	93
Operating margin before items affecting comparability, %	13.2	13.3	17.3	17.4	n/a	n/a	16.5	16.6
Operating margin, %	13.2	13.3	17.3	17.4	n/a	n/a	16.5	16.6
Earnings before tax	34	39	48	55	−6	−5	76	89
Assets	628	680	1,313	1,396	119	65	2,060	2,141
Liabilities	385	350	796	629	190	218	1,371	1,197
Capital employed	335	399	884	948	−81	−11	1,138	1,336
ROCE before items affecting comparability, %	32.4	47.9	24.5	22.4	n/a	n/a	27.5	29.0
ROCE, %	32.4	48.7	24.5	22.4	n/a	n/a	27.5	29.1
Net investments in PPE	0	0	3	5	−1	0	2	5
Depreciation, amortization and write-downs	7	7	13	15	0	0	20	22
Number of employees, average	373	420	696	731	−60	−61	1,009	1,090

FIRST NINE MONTHS

Amounts in MSEK	Jan–Sep Americas 2016	Americas 2015	Europe & RoW 2016	Europe & RoW 2015	Elims/Adjs 2016	Elims/Adjs 2015	Group 2016	Group 2015
Total net sales	771	971	982	1,075	–222	–244	1,531	1,802
External net sales	754	952	918	991	–141	–141	1,531	1,802
Operating income before items affecting comparability	98	130	160	171	–3	–4	255	297
Operating income	98	133	160	171	–3	–6	255	298
Operating margin before items affecting comparability, %	12.9	13.6	17.5	17.2	n/a	n/a	16.6	16.5
Operating margin, %	12.9	13.9	17.5	17.2	n/a	n/a	16.6	16.5
Earnings before tax	98	133	160	171	–19	–17	239	287
Assets	628	680	1,313	1,396	119	65	2,060	2,141
Liabilities	385	350	796	629	190	218	1,371	1,197
Capital employed	335	399	884	948	–81	–11	1,138	1,336
ROCE before items affecting comparability, %	32.4	47.9	24.5	22.4	n/a	n/a	27.5	29.0
ROCE, %	32.4	48.7	24.5	22.4	n/a	n/a	27.5	29.1
Net investments in PPE	1	4	6	9	–1	0	6	13
Depreciation, amortization and write-downs	20	6	40	45	0	0	60	51
Number of employees, average	385	408	700	748	–61	–59	1,024	1,097

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 62 (62) for the Group, with an average of 62 (63) 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 nine months was 188 (187) for the Group, with an average of 187 (186) working days for the Americas region and 189 (188) working days for the Europe & RoW region.

SALES BY PRODUCT GROUPS (including Alfdex)

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
Concentric branded Engine products	267	317	821	984	1,108	1,271
LICOS branded Engine products	41	37	118	117	143	142
Alfdex branded Engine products	43	47	141	141	191	191
Total Engine products	351	401	1,080	1,242	1,442	1,604
Total Hydraulics products	176	205	585	701	777	893
Eliminations	–36	–47	–134	–141	–184	–191
Total Group	**491**	**559**	**1,531**	**1,802**	**2,035**	**2,306**

SALES BY GEOGRAPHIC LOCATION OF CUSTOMER

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
USA	234	268	704	878	936	1,110
Rest of North America	12	5	19	16	27	24
South America	16	21	45	60	57	72
Germany	78	88	251	282	324	355
UK	26	45	96	130	133	167
Sweden	20	23	74	81	98	105
Rest of Europe	71	81	245	248	336	339
Asia	31	28	94	103	120	129
Other	3	0	3	4	4	5
Total Group	**491**	**559**	**1,531**	**1,802**	**2,035**	**2,306**

Employees

The average number of full-time equivalents employed by the group during the third quarter and the first nine months was 1,009 (1,090) and 1,024 (1,097) respectively.

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2015 Annual Report on pages 8–11 and pages 18–41.

Significant risks and uncertainties

All business operations involve risk – managed risk-taking is a condition of maintaining a sustainable profitable business. Risks may arise due to events in the world and can affect a given industry or market or can be specific to a single company or group. Concentric works continuously to identify, measure and manage risk, and in some cases Concentric is able to influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Concentric's control, the aim is to minimise the consequences.

The risks to which Concentric may be exposed are classified into four main categories:

- Industry and market risks – external related risks such as the cyclical nature of our end-markets, intense competition, customer relationships and the availability and prices of raw materials;
- Operational risks – such as constraints on the capacity and flexibility of our production facilities and human capital, product development and new product introductions, customer complaints, product recalls and product liability;
- Legal risks – such as the protection and maintenance of intellectual property rights and potential disputes arising from third parties; and
- Financial risks – such as liquidity risk, interest rate fluctuations, currency fluctuations, credit risk, management of pension obligations and the group's capital structure

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2015 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during the year. Please refer to the Risk and Risk Management section on pages 51–54 of the 2015 Annual Report for further details.

Basis of Preparation and Accounting policies

This interim report for the Concentric AB group is prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable rules in the Annual Accounts Act. The report for the Parent Company is prepared in accordance with the Annual Accounts Act, Chapter 9 and applicable rules in RFR2 Accounting for legal entities.

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2015 Annual Report.

New standards, amendments and interpretations to existing standards that have been endorsed by the EU and adopted by the group

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

PARENT COMPANY

Net sales and Operating income

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

Buy-back and Holdings of Own Shares

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

On 6 April 2016, the AGM resolved to retire 1,281,900 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital. Altogether, the resolution resulted in the total number of shares in issue reduced to 41,570,600 (42,852,500) and the share capital being increased by SEK 29. In addition, the AGM resolved to authorise the Board of Directors, during the period up to the next AGM in 2017, to resolve on buying back own shares so that the Company's holdings do not at any point exceed 10 percent of the total number of shares in issue. Acquisitions shall be made in cash and take place on NASDAQ OMX Stockholm, for the purpose of increasing the flexibility in connection with potential future corporate acquisitions, as well as to be able to improve the company's capital structure and to cover costs for, and enable delivery of shares under the company's LTI programmes.

During the second quarter, 115,360 (157,760) options granted under the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. Under the own share buyback mandate resolved at the 2016 Annual General Meeting, the company has purchased 120,449 (515,508) ordinary shares for a total consideration of MSEK 13 (50) during the third quarter, taking the total own share buybacks to 584,599 (886,612) ordinary shares for a total consideration of MSEK 60 (92) for the first nine months. Consequently the company's total holdings of own shares at the end of the third quarter was 859,735 (1,189,693), which represented 2.1% (2.8) of the total number of shares in issue of 41,570,600 (42,852,500).

PARENT COMPANY'S INCOME STATEMENT, IN SUMMARY

	Jul–Sep		Jan–Sep		Oct–Sep	Jan–Dec
Amounts in MSEK	**2016**	**2015**	**2016**	**2015**	**2015/16**	**2015**
Net sales	8	5	29	19	55	45
Other operating income	0	0	21	0	21	0
Operating costs	–3	–7	–11	–16	–15	–20
Operating income	**5**	**–2**	**39**	**3**	**61**	**25**
Income from shares in subsidiaries	–	17	–	116	–	116
Income from shares in joint venture	–	–	12	12	12	12
Net foreign exchange rate differences	–12	–10	–12	–47	1	–34
Other financial income and expense	0	0	–2	–1	–4	–3
Earnings before tax	**–7**	**5**	**37**	**83**	**70**	**116**
Taxes	2	3	–5	10	–12	3
Net income for the period [1)]	**–5**	**8**	**32**	**93**	**58**	**119**

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

PARENT COMPANY'S BALANCE SHEET, IN SUMMARY

Amounts in MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
Shares in subsidiaries	2,414	2,415	2,414
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	23	31	29
Deferred tax assets	18	30	23
Total financial fixed assets	**2,465**	**2,486**	**2,476**
Other current receivables	5	4	3
Short-term receivables from joint ventures	2	–	–
Short-term receivables from subsidiaries	77	77	80
Cash and cash equivalents	178	83	103
Total current assets	**262**	**164**	**186**
Total assets	**2,727**	**2,650**	**2,662**
Total Shareholders' equity	**1,151**	**1,330**	**1,306**
Pensions and similar obligations	17	18	17
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	1,356	1,094	1,136
Total long-term liabilities	**1,548**	**1,287**	**1,328**
Short-term loans payable to joint ventures	–	10	–
Short-term loans payable to subsidiaries	23	17	19
Other current liabilities	5	6	9
Total current liabilities	**28**	**33**	**28**
Total equity and liabilities	**2,727**	**2,650**	**2,662**

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

Amounts in MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
Opening balance	1,306	1,448	1,448
Net income for the period	32	93	119
Dividend	–134	–127	–127
Sale of own shares to satisfy LTI – options exercised	7	8	8
Buy-back of own shares	–60	–92	–142
Closing balance	**1,151**	**1,330**	**1,306**

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 1 November 2016.

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

Stockholm, 1 November, 2016
Concentric AB (publ)

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

ALTERNATIVE PERFORMANCE MEASURES

Amounts in MSEK	Jul–Sep 2016	Jul–Sep 2015	Jan–Sep 2016	Jan–Sep 2015	Oct–Sep 2015/16	Jan–Dec 2015
EBIT or Operating income	**81**	**93**	**255**	**298**	**338**	**381**
Negative goodwill related to the acquisition of GKN Pumps[1]	–	–	–	–15	2	–13
Restructuring cost related to the acquisition of GKN Pumps	–	–	–	14	–	14
Underlying EBIT or operating income	**81**	**93**	**255**	**297**	**340**	**382**
EBIT or Operating margin (%)	16.5	16.6	16.6	16.5	16.6	16.5
Underlying EBIT or Operating margin (%)	16.5	16.6	16.6	16.5	16.7	16.6

[1] Negative goodwill had no tax related entries.

Underlying EBIT or Operating margin have been chosen as a measurement as this gives a fairer view of the performance of the business.

GRAPH DATA SUMMARY

	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015	Q4/2014	Q3/2014
Americas									
Sales, MSEK	253	252	250	253	288	333	331	258	267
Book-to-Bill %	90	98	98	99	89	88	101	116	94
EBIT before items affecting comparability, MSEK	33	32	32	34	39	46	45	39	41
EBIT margin before items affecting comparability, %	13.2	12.8	12.8	13.6	13.3	13.9	13.6	15.2	15.1
Europe & RoW									
Sales (including Alfdex), MSEK	281	321	315	301	318	334	339	317	293
Book-to-Bill %	97	94	103	98	103	91	104	103	104
EBIT before items affecting comparability, MSEK	49	58	54	51	56	58	58	49	48
EBIT margin before items affecting comparability, %	17.3	18.0	17.1	17.1	17.4	17.3	17.0	15.5	16.2
Alfdex eliminations									
Sales, MSEK	–43	–51	–47	–50	–47	–47	–47	–40	–40
EBIT before items affecting comparability, MSEK	–1	–1	–1	0	–2	–2	–1	–2	–3
Group									
Sales (excluding Alfdex), MSEK	491	522	518	504	559	620	623	535	520
Book-to-Bill %	93	95	100	108	100	100	101	108	100
EBIT before items affecting comparability, MSEK	81	88	85	85	93	102	102	86	86
EBIT margin before items affecting comparability, %	16.5	17.0	16.5	16.6	16.6	16.5	16.3	16.1	16.4
Basic EPS, SEK	1.50	1.52	1.46	1.35	1.57	1.78	1.75	1.49	1.47
ROE, %	30	29	28	32	33	34	34	30	29
Cash flow from operating activities per share, SEK	2.75	3.21	1.55	3.06	1.47	2.69	1.49	2.27	1.94
WC as % of annualised sales	2.0	3.4	5.6	4.4	4.7	3.9	6.4	3.5	4.6
Net Debt, MSEK	559	686	513	488	451	455	630	528	414
ND/E Ratio, %	81	112	63	57	53	49	84	65	49
ND/E Ratio (excl Pensions), %	–26	–13	–15	–9	–4	–4	–14	–5	–1

Glossary & Definitions

Americas	Americas operating segment comprising the Group's operations in the USA and South America
Book-to-bill	Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period
Capital employed	Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities
Drop-through rate	Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales
EBIT or Operating income	Earnings before interest and tax
EBIT or Operating margin	Operating income as a percentage of net sales
EPS	Earnings per share, net income divided by the average number of shares
Europe & RoW	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
Gearing ratio	Ratio of net debt to shareholders' equity
Gross margin	Net sales less cost of goods sold, as a percentage of net sales
Net debt	Total interest-bearing liabilities less liquid finds
Net investments	Fixed asset additions net of fixed asset disposals and retirements
PPE	Property, Plant and Equipment
PPM	Parts Per Million defect rate
OEMs	Original Equipment Manufacturers
Order backlog	Customer sales orders received which will be fulfilled over the next three months
R&D	Research and development expenditure
ROCE	Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over a rolling 12 months
ROE	Return on equity; net income as a percentage of the average shareholders' equity over a rolling 12 months
Sales growth, constant currency	Growth rate based on sales restated at prior year foreign exchange rates
Structural growth	Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts
"Underlying" or "before items affecting comparability"	Adjusted for restructuring costs and other 'one-off' items (including the taxation effects thereon, as appropriate)
Working capital	Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities

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