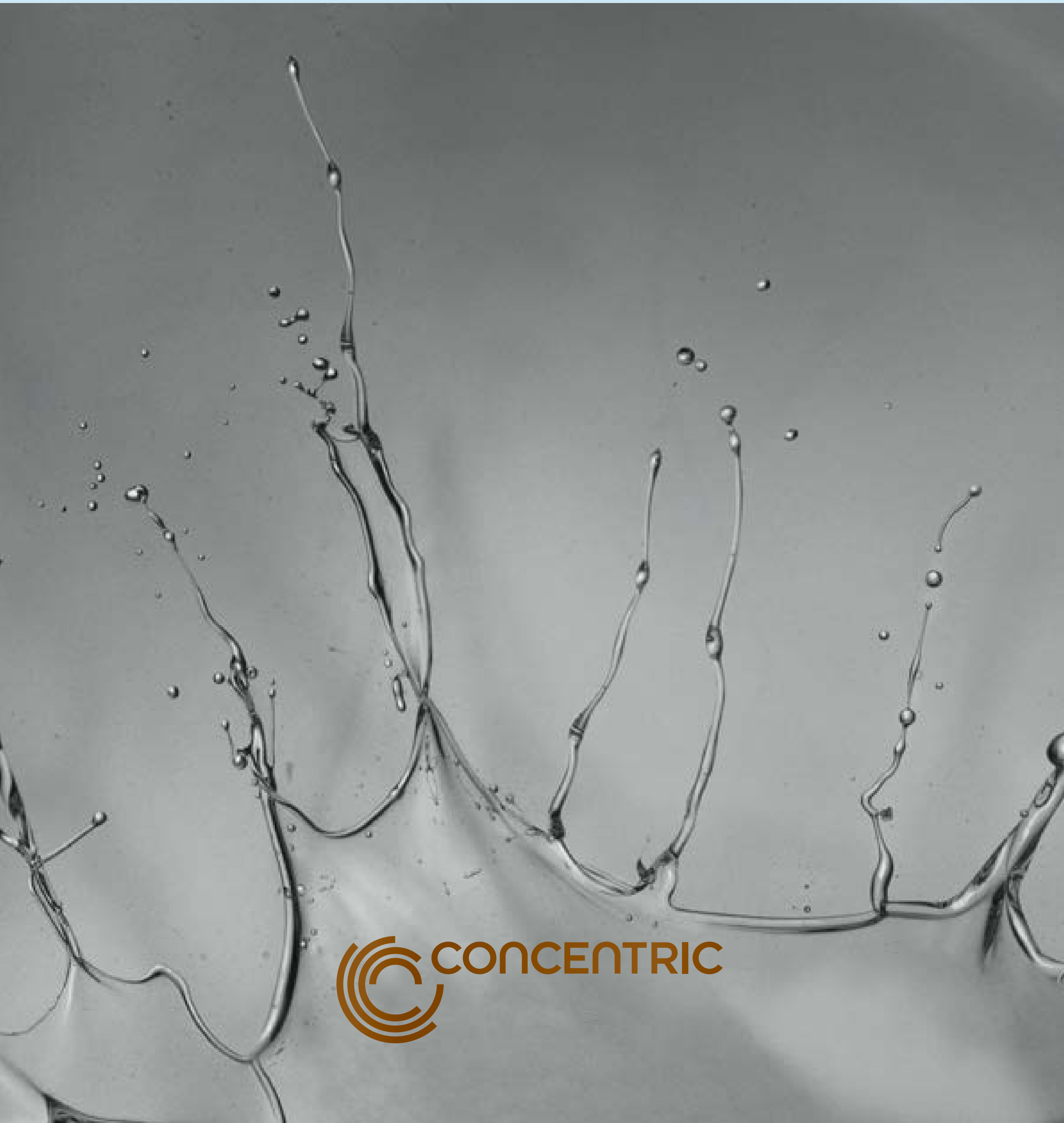
INTERIM REPORT Q2/2017



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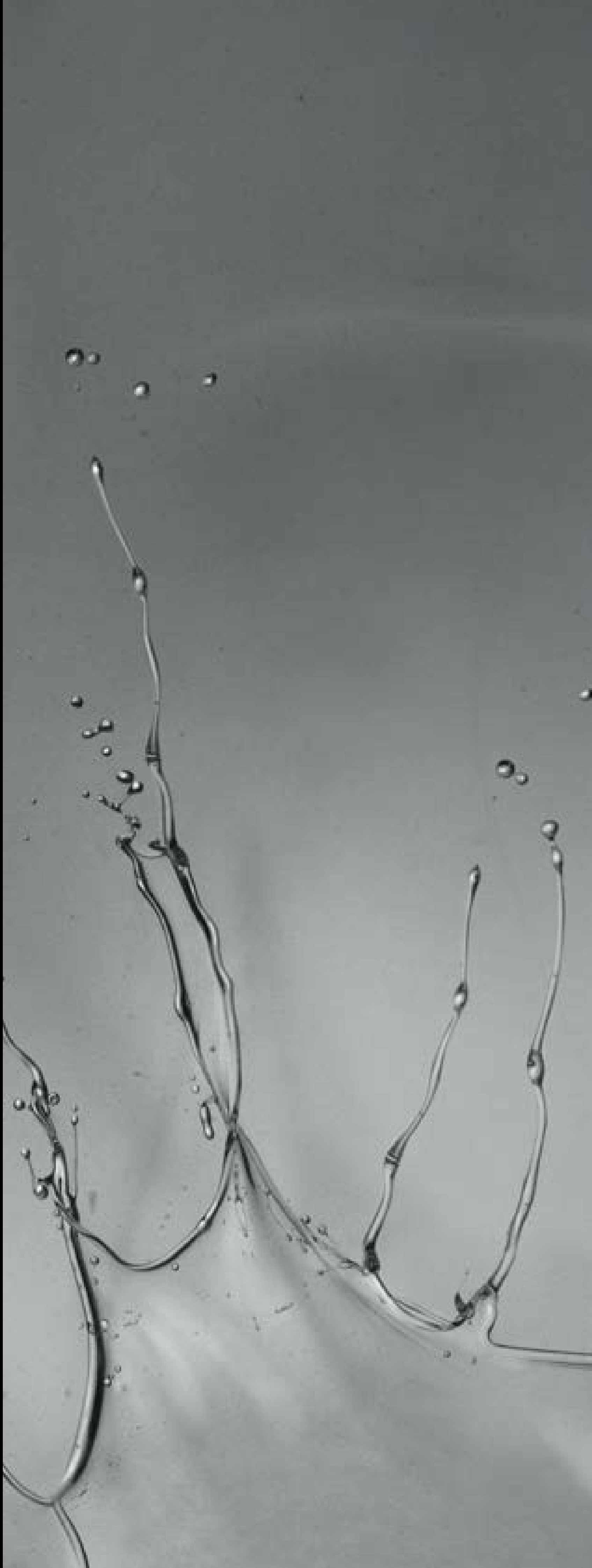


FINANCIAL RESULTS IN BRIEF
GROUP

SECOND QUARTER

Net sales
MSEK 540 (522) – flat y-o-y, after adjusting for currency (+4%).

Operating income
MSEK 100 (89), generating an operating margin of 18.5% (17.0).

Earnings after tax
MSEK 75 (63); basic EPS of SEK 1.86 (1.52).

Cash flow generated from operating activities
MSEK 77 (132) is lower mainly due to increase in working capital.

Group's net debt
MSEK 335 (686); gearing ratio of 42% (112) mainly due to recognition of pension remeasurement losses last year.

FIRST SIX MONTHS

Net sales
MSEK 1,086 (1,040) – up 2% y-o-y, after adjusting for currency (+2%).

Operating income
MSEK 200 (174), generating an operating margin of 18.4% (16.7).

Earnings after tax
MSEK 149 (123); basic EPS of SEK 3.69 (2.98).

Cash flow generated from operating activities
MSEK 155 (196) is lower mainly due to increase in working capital.

Key figures – Group

	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
Amounts in MSEK	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**	**2016/17**	**2016**
Net sales	**540**	**522**	**4%**	**1,086**	**1,040**	**4%**	**2,050**	**2,004**
Operating income before items affecting comparability	100	89	12%	200	174	15%	363	337
Operating income	**100**	**89**	**12%**	**200**	**174**	**15%**	**367**	**341**
Earnings before tax	97	82	18%	194	163	19%	349	318
Net income for the period	**75**	**63**	**19%**	**149**	**123**	**21%**	**272**	**246**
Cash flow from operating activities	77	132	–42%	155	196	–21%	368	409
Net debt [1]	**335**	**686**	**–51%**	**335**	**686**	**–51%**	**335**	**300**
Operating margin before items affecting comparability, %	18.5	17.0	1.5	18.4	16.7	1.7	17.7	16.8
Operating margin, %	**18.5**	**17.0**	**1.5**	**18.4**	**16.7**	**1.7**	**17.9**	**17.0**
Basic earnings per share, before items affecting comparability, SEK	1.86	1.52	0.34	3.69	2.98	0.71	6.63	5.95
Basic earnings per share, SEK	**1.86**	**1.52**	**0.34**	**3.69**	**2.98**	**0.71**	**6.71**	**6.01**
Return on equity, %	36.5	29.4	7.1	36.5	29.4	7.1	36.5	32.2
Gearing ratio, %	**42**	**112**	**–70**	**42**	**112**	**–70**	**42**	**35**

[1] For additional information see page 16.

» The activity levels in the second quarter have reflected a slight correction downwards in order levels of our customers after the distribution channels were refilled in the first quarter «

President and CEO, David Woolley, comments on Q2 2017 interim report.

Sales development

Group sales for the second quarter were flat year-on-year in constant currency, slightly behind the published market indices. The activity levels in the second quarter have reflected a slight correction downwards in order levels of our customers after the distribution channels were refilled in the first quarter. Overall, both European and US end-markets remained broadly flat year-on-year during the quarter. As a result, group sales for the first six months were up year-on-year by 2% in constant currency.

Operating leverage

The restructuring plans initiated and executed during the second half of 2016 have continued to deliver cost savings in line with expectations during the first half of 2017. The Concentric Business Excellence programme ("CBE") has also supported further improvements to the group's operating leverage, such that the operating margin for the second quarter and the first six months increased to 18.5% (17.0) and 18.4% (16.7) respectively.

Technology

During the first six months we exhibited at the International Fluid Power Exhibition (IFPE) 2017 where Concentric presented its extensive range of pumps, including recent product developments such as the patented Dual Cone Clutch pump, for use in systems requiring intermittent flow and pressure, which received a lot of positive feedback.

We continue to make progress on our organic growth objectives, as evidenced by the following technology wins:

- Successful roll-out of the LICOS clutch technology on two-speed water pumps in the US truck market with a global OEM, which is expected to ramp up to mature volumes in 2017;
- Order received from a global OEM of heavy trucks and buses to produce electric oil pumps for their hybrid applications, with start of production planned in the second half of 2018;
- Contracts awarded from global OEMs to produce low noise, compact hydraulic power units (HPUs) and supplementary steering units platforms.

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 third quarter of 2017, were slightly behind of the sales levels of the second quarter of 2017. We expect that the relatively stable demand trend for all end-markets will continue. Market indices suggest that production volumes blended to Concentric's end-markets and regions will be up 2% year-on-year for the full year 2017. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

KEY EVENTS IN 2017

18 January 2017

Concentric announces impact of restructuring plans to align its resources to the lower activity levels.

Concentric AB announced the impact of the restructuring plans initiated and executed during the second half of 2016 to respond to the challenging market conditions it continues to face within both North and South America, and latterly within Europe. The principal steps taken may be summarised as follows:

- A global reduction in force ("RIF") programme which has removed approximately 70 employees (7%) across the Concentric group, with the principal locations affected being our operations based in Chivilcoy, Argentina and Hof, Germany.
- Asset write-downs and exit costs associated with the lower activity levels and rationalisation of warehousing facilities used in both the USA and Europe.
- The curtailment of certain retirement benefits provided to both existing and former employees of our operations in Rockford, Illinois USA and Hof, Germany.

The total cash out flow associated with these actions is expected to be MSEK 26, of which MSEK 9 was already paid by the end of 2016, with the remainder payable during 2017. However, after also including the non-cash items relating to asset write-downs and pension related curtailment gains noted above, the net impact of these restructuring plans upon the company's reported operating income for Q4 2016 was MSEK 4 income. The actions taken were a direct response to the sustained weak outlook of our end-markets within Europe, North and South America. The RIF programme has been agreed with the respective unions and individuals concerned, and delivered through a mix of voluntary and compulsory redundancies. The total impact of these restructuring plans has resulted in annual savings that correspond to MSEK 30 for 2017.

1 March 2017

Paul Shepherd appointed Head of Engine Products Engineering & Development.

Concentric AB has promoted Paul Shepherd to join the Group Executive Leadership team in his new role as Head of Engine Products Engineering & Development, with global responsibility for the design and engineering teams for Engine Products.

A graduate of UMIST, Paul holds a BEng (Hons) degree in Mechanical Engineering. He is a fellow of the Institute of Mechanical Engineers and a Chartered Engineer. Paul has been with Concentric since April 2005, most recently in the role of Director, Advanced Research & Development. Prior to working for Concentric he held senior design roles with Cosworth Racing Ltd and Perkins Engines.

In the last 3 years, Paul has successfully set up the Advanced R&D function for Concentric. He has formed and led a team that has successfully engaged with customers to understand what they see as critical technology developments. Paul and his team have made great progress, including the development of programmes for electrically driven oil pumps and variable flow oil pumps for on and off highway applications.

Paul replaces David Williams who has decided to leave the company to pursue other interests.

17 March 2017

Review of IFPE 2017, Las Vegas 7–11 March.

Concentric AB reported an extremely high level of interest at IFPE 2017 from both key visitors and multiple international major manufacturers of mobile equipment and hydraulic systems. Over 125,000 visitors attended this year's show in Las Vegas with 2,500 exhibitors spread across 2.5 million square feet.

Concentric displayed its latest developments in both hydraulic and engine pumps for use in a diverse mix of mobile and industrial applications, focused upon improving system efficiency, reducing fuel consumption and noise, while providing higher power density in a minimal envelope. Some of the innovative products on display are listed below.

- EHS, Electro Hydraulic Steering unit, replacing conventional engine driven steering pumps, for hybrid vehicles.
- Ferra high pressure cast iron pumps, providing high power density in a smaller envelope, with a pressure capability up to 4,750 psi.
- Dual Cone Clutch pumps, patented design for use in systems requiring intermittent flow and pressure, including emergency steering.
- Calma, low noise pumps, employing zero backlash gear technology.
- Industrial fluid transfer pumps, for use in low pressure operations with diverse fluids, temperatures and pressures.
- Variable flow oil pump, replacing conventional fixed flow lubrication pumps in diesel engines.
- 2-speed water pump with integrated clutch, replacing conventional fixed flow coolant pumps in diesel engines.

23 March 2017

Concentric AB secures order for new electric oil pump technology with leading global OEM.

Concentric AB has recently received an order from a global OEM of heavy trucks and buses to produce electric oil pumps for their hybrid applications. Production will start in the second half of 2018, and is expected to generate total revenues of approximately MSEK 38 across Europe ramping up over an 8 year period, reaching a mature volume of 8,000 p.a. in 2026.

This exciting new product reinforces the company's reputation for reducing fuel consumption, increasing system efficiency, providing high power density and reducing noise.

Concentric's electric oil pump offers system power savings through its variable pressure and speed control capability with the additional benefits of low noise. It also offers on-demand flow and variable speed capability.

The new electric oil pump product allows CAN Bus communication between the motor and the vehicle's main control system so as to control pressure and flow on demand. This significantly reduces system losses compared to traditional mechanical drive systems, ensuring optimum performance.

Concentric's modular design strategy ideally suited for a wide range of applications for emerging hybrid electric vehicles.

David Woolley, President and CEO of Concentric AB, commented: "This first major nomination for Concentric's new electric oil pump technology is another significant breakthrough in a market driven by increased electrification and control. Our modular design strategy is ideally suited for a wide range of applications for emerging hybrid electric vehicles and demonstrates our ongoing commitment to innovation that enables our customers to achieve sustainable solutions."

The Concentric electric oil pump 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.

KEY EVENTS IN 2017

28 March 2017

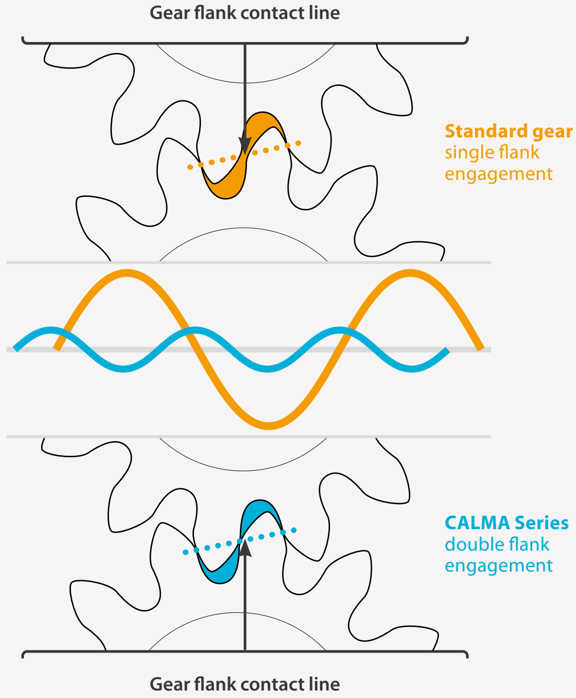
Concentric AB awarded contract with leading global OEM of material handling equipment.

Concentric AB has been awarded a contract from a leading global OEM of material tele-handlers, boom and vertical lifts to produce hydraulic power units (HPUs) for their next generation of material handling equipment. Production has already started in the first quarter of 2017 and is estimated to generate total worldwide revenues of approximately MSEK 45 over a 5 year period, reaching a mature volume of 10,000 p.a. in 2018.

Concentric's selection as the preferred supplier of HPUs was based upon the following factors:

- Ability to easily integrate CALMA technology for low noise applications;
- Reduced envelope size to allow greater design flexibility and ease of installation; and
- Integrated components to optimise the system efficiency and reduce leakage paths.

David Woolley, President and CEO of Concentric AB, commented: "This contract win is another example of our commitment to advanced development projects aimed at reducing emissions, increasing power density and improving overall system efficiency through our market leading technology."



12 April 2017

Concentric Rockford receives ILPEx Silver Award.

The Illinois Performance Excellence ("ILPEx") Recognition Program has announced Concentric Rockford as a recipient of the 2016 Silver Award for Progress Toward Excellence. Concentric Rockford was formally honoured at the annual award ceremony and recognition dinner held on 30 March 2017.

The ILPEx Silver Award for Progress Toward Excellence is granted to those organisations which have demonstrated progress in building a systematic approach to business excellence, utilising the Baldrige Excellence Framework ("Baldrige"), with evidence of its deployment across all functions of the organisation. "We are delighted to recognise a manufacturing organisation with the ILPEx Silver Award," said Ben Krupowicz, Executive Director of the ILPEx Recognition Program. "Concentric Rockford's achievement demonstrates both their ability to compete on a global scale and the strength of manufacturing in the state of Illinois. They have differentiated themselves from their competition through their pursuit of performance excellence."

Concentric AB's mission is to design, develop, manufacture and sell high quality, customer-focused solutions for hydraulic and engine applications within our global end-markets. Concentric Rockford, as the North American Centre of Excellence for hydraulic products, is integral to the group's vision to deliver sustainable growth for every application in the markets we serve by developing world-class technology, capitalising upon our global infrastructure and business excellence in all we do.

To improve global service, Concentric Rockford embarked upon a journey of systematic improvement back in 2010 using the Baldrige methodology. ILPEx has recognised Concentric Rockford's efforts on this journey with Bronze Awards for

Commitment to Excellence in 2012 and 2014. The feedback reports from examiners, combined with internal assessments, have been used to prioritise and address the most meaningful opportunities for improvement. Concentric Rockford exemplifies the group's appetite for continuous cycles of learning to take the next steps toward performance excellence.

"This is Concentric Rockford's third ILPEx award. To have received the Silver Award for Progress Toward Excellence as a manufacturing organisation is an exceptional result for the team," says Martin Bradford, Senior Vice President and Head of region Americas. "The ILPEx framework is a powerful model which underpins the Concentric Business Excellence program in the region. This Silver Award is further recognition of the continuous improvement journey that the Rockford team has embraced and we are honoured to receive it."

19 April 2017

Concentric pumps on new compact engine with leading global OEM of agricultural machinery and construction equipment.

Concentric AB has been awarded a four year contract to supply oil and coolant pumps to a leading global OEM of agricultural machinery and construction equipment for the launch of their new compact diesel engine. This new engine will be an extension of the OEM's current range, focused on a wide range of mid-weight construction vehicles and industrial equipment. Production is scheduled to start in the third quarter of 2017.

The engine will initially be available with a rating of 55kW and has been designed to be ready for Stage V emissions. In order to achieve a high degree of commonality with components across the OEM's extended engine range, the new Concentric pumps are compact, robust designs similar to those already proven in several years of service on existing engine platforms.

A large focus was placed on analysis techniques for the new pumps developed for this engine. This enabled both the oil and water pumps to be optimised for performance and also significantly reduced the engineering development cycle times.

The oil pump was optimised to give very low noise levels. This was achieved through extensive computational fluid dynamics (CFD) and performance testing. An extensive validation programme was undertaken for both pumps to ensure that they achieve a design maximised for robustness.

David Woolley, President and CEO of Concentric AB, commented: "We have a long-standing relationship with this leading global OEM and have worked closely with them since they took the step over a decade ago to start building their own engines. We are extremely pleased that Concentric has again been able to contribute its technology to what we hope will be another market leading engine platform."

22 June 2017

Concentric AB awarded Hydraulic systems business worth MSEK 65 with leading OEM of heavy trucks.

A leading global manufacturer of heavy trucks has nominated Concentric AB to manufacture motor pump units for the steering system on their next generation commercial vehicles. Production commenced during the second quarter of 2017 and is expected to reach mature volumes in 2018, generating annual revenues of approximately MSEK 13 across Europe. The total sales value over the lifetime of the contract is estimated at EUR 6.5 million (SEK 65 million) and will be serviced exclusively from Concentric's facility in Hof, Germany.

Concentric's motor pump units have been introduced on the emergency steering circuit of all of this OEM's heavy trucks with twin front axle steering. The product has been specifically developed to protect the units against both dust and high pressure water ingression, which allows them to be mounted on the under carriage of the vehicle without the need for a separate water tight enclosure. The unit can be coupled with a variety of Concentric gear pump types, including the CALMA series pumps with low noise characteristics. The Concentric electro hydraulic unit replaces the power take off pump, providing power on demand which reduces both parasitic losses and the total fuel consumption.

Bespoke customer solutions, such as this one, illustrate our future growth strategy to provide unique hydraulic systems which offer fuel savings, cost optimisation and weight savings. "Concentric has continued to deepen relationships with key strategic customers in this end-market sector and we anticipate these relationships to develop further on the next generation of commercial vehicle platforms," said Oliver Percival, Vice President of Sales.

FINANCIAL SUMMARY GROUP

Key figures – Group

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Change	Jan–Jun 2017	Jan–Jun 2016	Change	Jul–Jun 2016/17	Jan–Dec 2016
Net sales	540	522	4%	1,086	1,040	4%	2,050	2,004
Operating income before items affecting comparability	100	89	12%	200	174	15%	363	337
Operating income	100	89	12%	200	174	15%	367	341
Earnings before tax	97	82	18%	194	163	19%	349	318
Net income for the period	75	63	19%	149	123	21%	272	246
Operating margin before items affecting comparability, %	18.5	17.0	1.5	18.4	16.7	1.7	17.7	16.8
Operating margin, %	18.5	17.0	1.5	18.4	16.7	1.7	17.9	17.0
Return on capital employed, %	32.9	27.5	5.4	32.9	27.5	5.4	32.9	28.9
Return on equity, %	36.5	29.4	7.1	36.5	29.4	7.1	36.5	32.2
Basic earnings per share, before items affecting comparability, SEK	1.86	1.52	0.34	3.69	2.98	0.71	6.63	5.95
Basic earnings per share, SEK	1.86	1.52	0.34	3.69	2.98	0.71	6.71	6.01
Diluted earnings per share, SEK	1.85	1.52	0.33	3.68	2.98	0.70	6.70	6.00

Sales

Sales for the second quarter were flat year-on-year, adjusting for the impact of currency (+4%). As a result, sales for the first six months were up year-on-year by 2% adjusting for the impact of currency (+2%). The increase in activity largely reflected the steady improvement in European demand, especially for off-highway end-markets. Overall, North American demand remained broadly flat in the first six months, as sales of hydraulic products for construction equipment returned to year-on-year growth for both quarters this year. Demand in our emerging markets also improved in the first half year.

Operating income

The improvement in the reported operating margins for the second quarter and the first six months, was primarily driven by the cost savings derived from the restructuring plans executed in the second half of 2016, together with the strong drop through achieved on the increased sales.

Net financial items

Net financial expenses in the second quarter comprised of pension financial expenses of MSEK 5 (5) and other net interest income of 2 (expense 2). Accordingly, net financial expenses in the first six months comprised of pension financial expenses of MSEK 9 (10) and other net interest income of 3 (expense 1).

Taxes

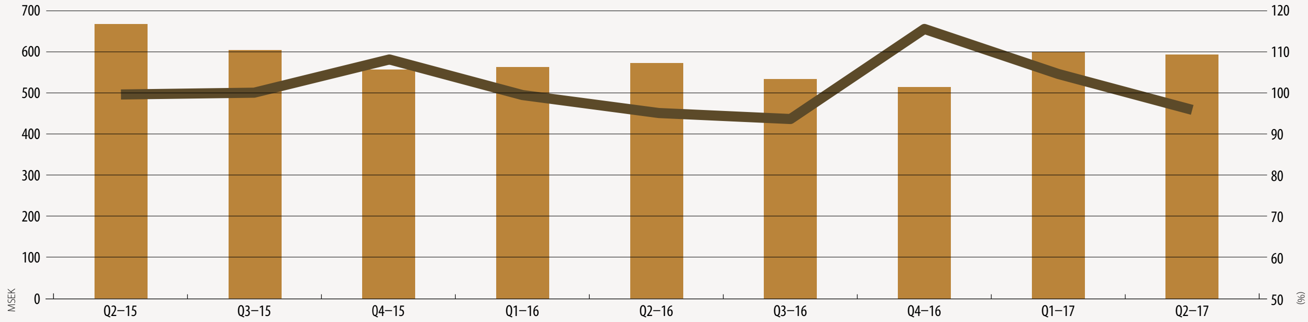
The underlying effective tax rate for the second quarter and the first six months was 23% (24) and 23% (25) respectively. These rates largely reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

Earnings per share

The basic earnings per share for the first six months was SEK 3.69 (2.98), up SEK 0.71 per share.

A BROADER OVERVIEW

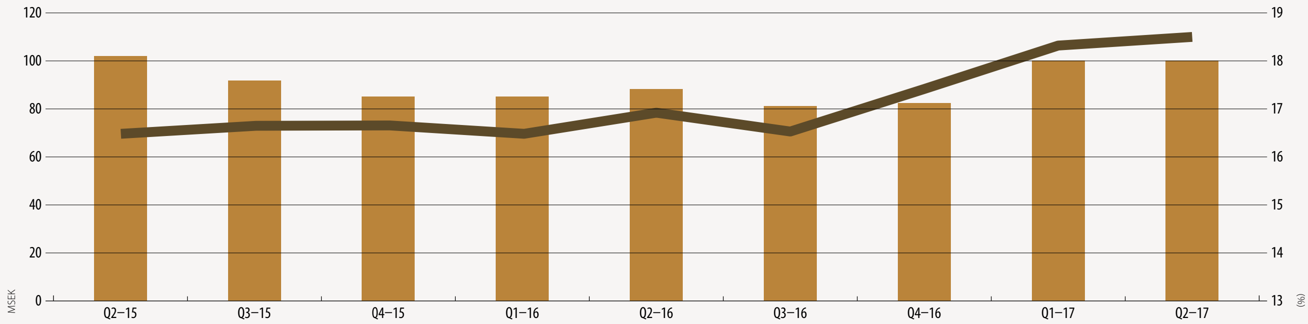
Sales & Book-to-bill



Sales per quarter (including Alfdex)

Book-to-bill %

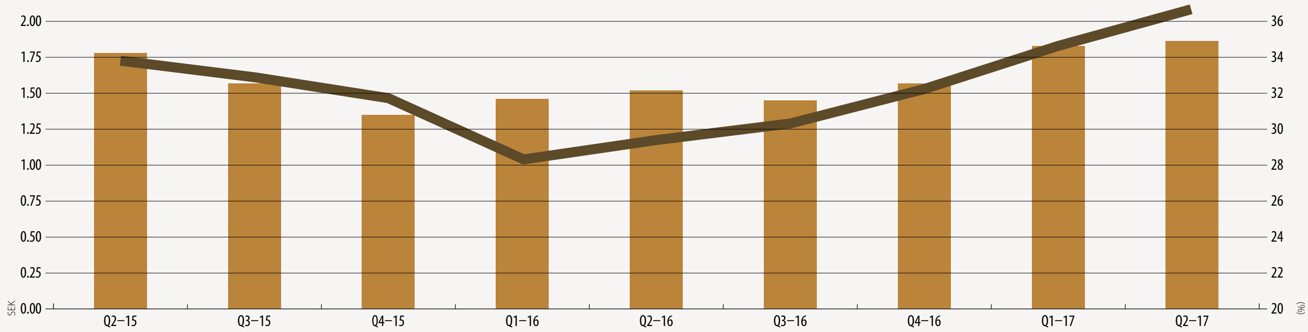
Underlying Operating income & margins



Operating income per quarter

Operating margin

Earnings per share & Return on equity



Earnings per share, per quarter

Return on equity, rolling 12 months

NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Apr–Jun Change	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun Change	Jul–Jun 2016/17	Jan–Dec 2016
External net sales	268	251	7%	532	501	6%	1,019	988
Operating income before items affecting comparability	38	32	19%	75	64	17%	137	126
Operating income	38	32	19%	75	64	17%	158	147
Operating margin before items affecting comparability, %	14.4	12.8	1.6	14.1	12.8	1.3	13.4	12.8
Operating margin, %	14.4	12.8	1.6	14.1	12.8	1.3	15.5	14.9
Return on capital employed, %	44.6	33.7	10.9	44.6	33.7	10.9	44.6	38.4

Sales for the second quarter and the first six months were both flat year-on-year, adjusting for the impact of currency (+7% and 6% respectively). Overall, North American demand remained broadly flat in the first six months. However, it was notable that sales of hydraulic products for construction equipment returned to year-on-year growth for both quarters this year.

Demand in South America showed some signs of improvement but remained relatively weak across all end-markets.

The improvement in the reported operating margins for the second quarter and the first six months was primarily driven by the cost savings derived from the restructuring plans for both the USA and South American operations executed in the second half of 2016.

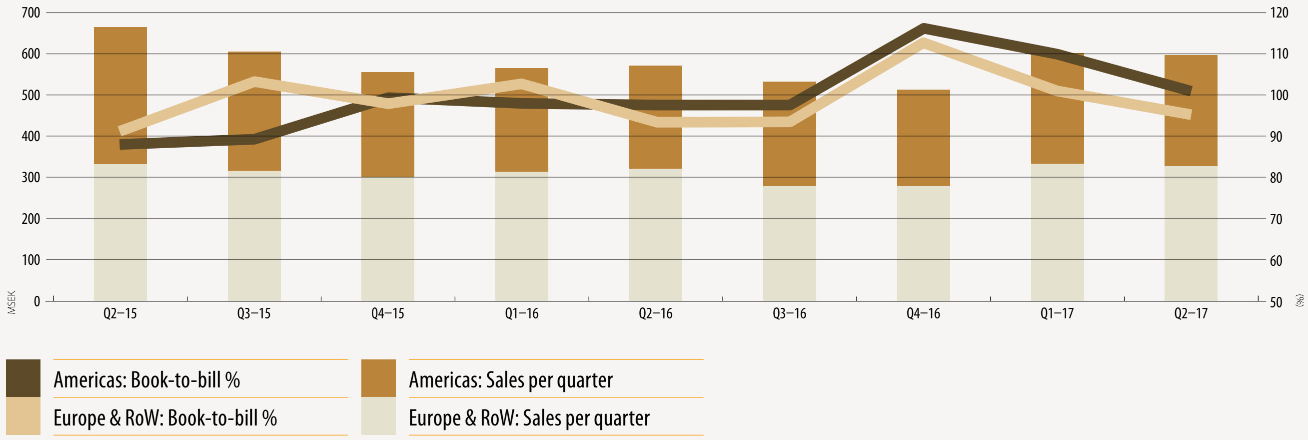
Europe & RoW

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Apr–Jun Change	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun Change	Jul–Jun 2016/17	Jan–Dec 2016
External net sales	327	322	2%	662	637	4%	1,224	1,199
Operating income before items affecting comparability	63	58	9%	127	112	13%	229	214
Operating income	63	58	9%	127	112	13%	212	197
Operating margin before items affecting comparability, %	19.2	18.0	1.1	19.2	17.5	1.7	18.7	17.8
Operating margin, %	19.2	18.0	1.1	19.2	17.5	1.7	17.3	16.4
Return on capital employed, %	25.5	24.5	1.0	25.5	24.5	1.0	25.5	23.6

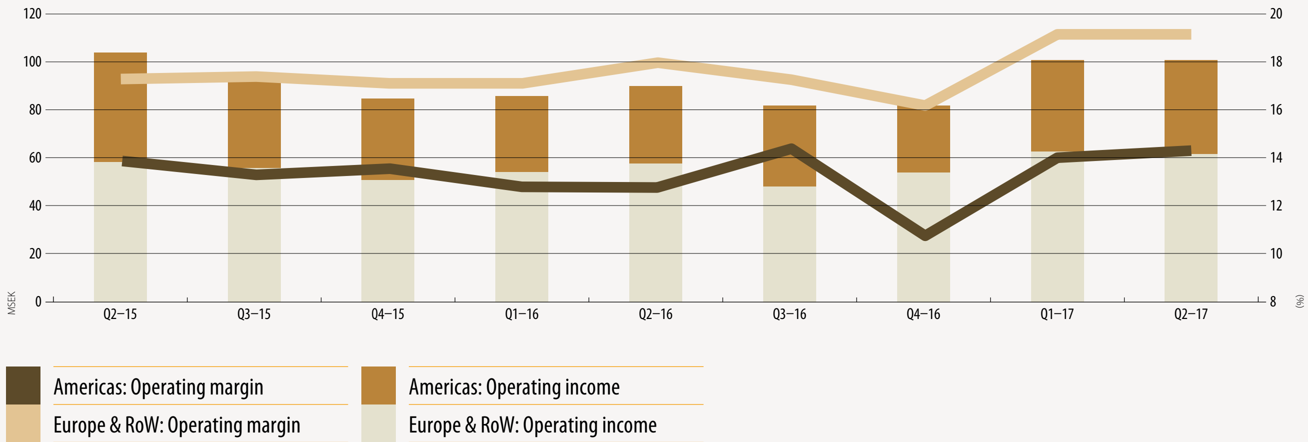
Sales for the second quarter were up year-on-year by 1%, after adjusting for the impact of currency (+1%). Sales for the first six months were up year-on-year by 4%, both in absolute terms and in constant currency. The increase in activity was largely driven by the steady improvement of European off-highway end-markets. Demand across all end-markets in India continued to strengthen under the new Government economic initiatives to stimulate investment. Demand in China also showed some signs of improvement in the first half year.

The improvement in the reported operating margins for the second quarter and the first six months was primarily driven by the cost savings derived from the restructuring plans for European operations executed in the second half of 2016, together with the strong drop through achieved on the increased sales.

Sales & Book-to-bill



Underlying Operating income & margins



Concentric's sales for the second quarter were slightly behind of published market indices.

Americas end-markets

North America

- Sales to our North American end-markets were pretty flat in the first six months, behind the market indices due to a slight correction in order fulfilment during the second quarter as distribution channels were refilled.
- Sales of hydraulic products to off-highway markets continued to show the most significant improvement, with our US sales for construction equipment up by 13% year-on-year for the first six months.

South America

- Sales to our South American end-markets showed some signs of improvement in the first six months, especially for larger agricultural machinery, but still remained relatively weak overall.

Europe & RoW end-markets

Europe

- Sales to our European end-markets flattened out during the second quarter, but still remain in line with the market indices for the first six months.
- Engine product sales to off-highway markets performed the strongest during the first six months, with our European sales for construction equipment up by 12% year-on-year.

Rest of the world

- Sales to our Indian end-markets were up across the board in the first six months, in line with the market indices, driven by the new Government economic initiatives to stimulate investment.
- Sales to our Chinese end-markets also improved across the board in the first six months.
- However, overall the Rest of the world still only accounts for less than 10% of the group's total revenues.

Consolidated sales development

	Q2-17 vs Q2-16			H1-17 vs H1-16			FY-167vs FY-16		
Concentric	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**
Market – weighted average[1]	4%	5%	**4%**	3%	6%	**4%**	2%	2%	**2%**
Actual – constant currency[2]	0%	1%	**0%**	0%	4%	**2%**			

[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 up 4% year-on-year for the first half year. Concentric's actual sales for the first half year were slightly behind these indices. The activity levels in the second quarter have reflected a slight correction downwards in order levels of our customers after the distribution channels were refilled in the first quarter. As noted in previous interim reports, movements in the market indices tend to lag the group's order intake experience by 3–6 months.

PUBLISHED MARKET INDICES

		Q2-17 vs Q2-16					H1-17 vs H1-16					FY-17 vs FY-16				
		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%	8%	7%	4%	5%	6%	1%	3%	1%	0%	0%	9%	4%	13%	–2%
Construction equipment	Diesel engines	2%	2%	7%	9%	45%	6%	0%	3%	1%	1%	0%	3%	4%	19%	35%
	Hydraulic equipment	5%	n/a	–1%	n/a	n/a	7%	n/a	3%	n/a	n/a	6%	n/a	1%	n/a	n/a
Trucks	Light vehicles	6%	n/a	n/a	n/a	n/a	2%	n/a	n/a	n/a	n/a	4%	n/a	n/a	n/a	n/a
	Medium & Heavy vehicles	4%	3%	6%	–13%	12%	3%	3%	5%	–4%	8%	2%	7%	2%	–6%	5%
Industrial applications	Other off-highway	3%	2%	7%	–3%	8%	1%	3%	7%	7%	5%	1%	4%	4%	5%	1%
	Hydraulic lift trucks	5%	n/a	–4%	n/a	n/a	6%	n/a	7%	n/a	n/a	–1%	n/a	–3%	n/a	n/a

< –10%
–10% to –1%
0%
1% to 10%
> 10%

The market indices summarised in the table above reflect the Q2 2017 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

FINANCIAL POSITION

Cash flow

The reported cash inflow from operating activities for the second quarter amounted to MSEK 77 (132), which represents SEK 1.90 (3.21) per share. This takes the cash inflow from operating activities for the first six months to MSEK 155 (196). The reduction is due mainly to the increased working capital since year-end 2016, when it was temporarily negative.

Working capital

Total working capital at 30 June was MSEK 45 (72), which represented 2.2% (3.4) of annual sales.

Net investments in fixed assets

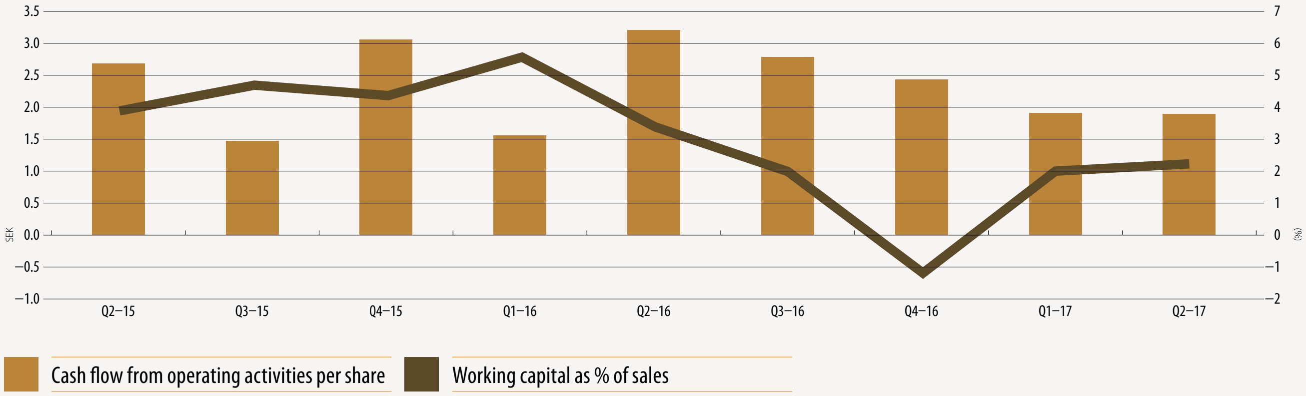
The Group's net investments in tangible fixed assets amounted to MSEK 6 (4) for the first six months.

Net debt & gearing

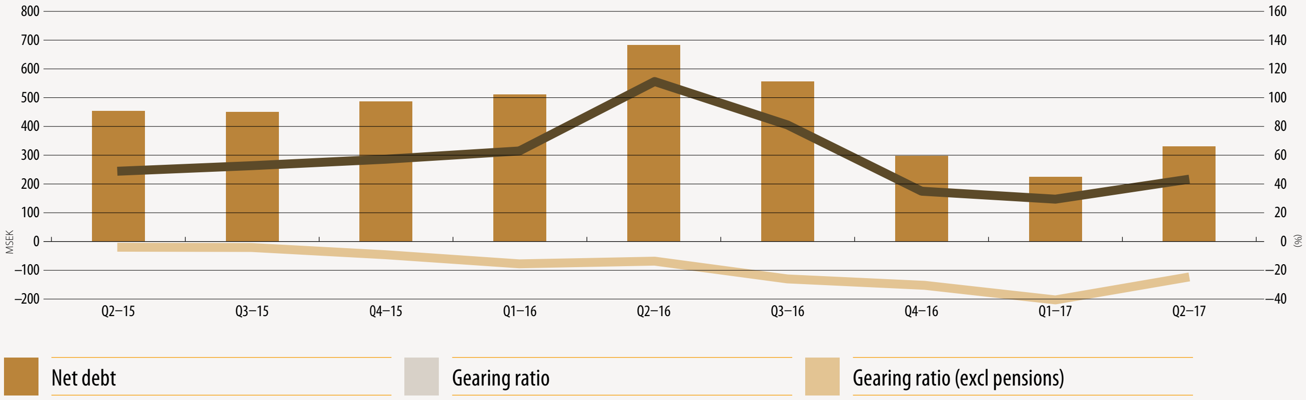
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, there were no remeasurement gains or losses recognised in net pension liabilities during the first six months (net losses of MSEK 136). On 30 March 2017, the AGM approved the Board's proposed dividend for the financial year 2016 of MSEK 3.50 per share, equal to a total amount of MSEK 142 (134).

Consequently, the Group's net debt at 30 June decreased to MSEK 335 (686), comprising bank loans and corporate bonds of MSEK 177 (180) and net pension liabilities of MSEK 531 (768), net of cash amounting to MSEK 373 (262). Shareholders' equity amounted to MSEK 790 (611), resulting in a gearing ratio of 42% (112) at the end of the second quarter.

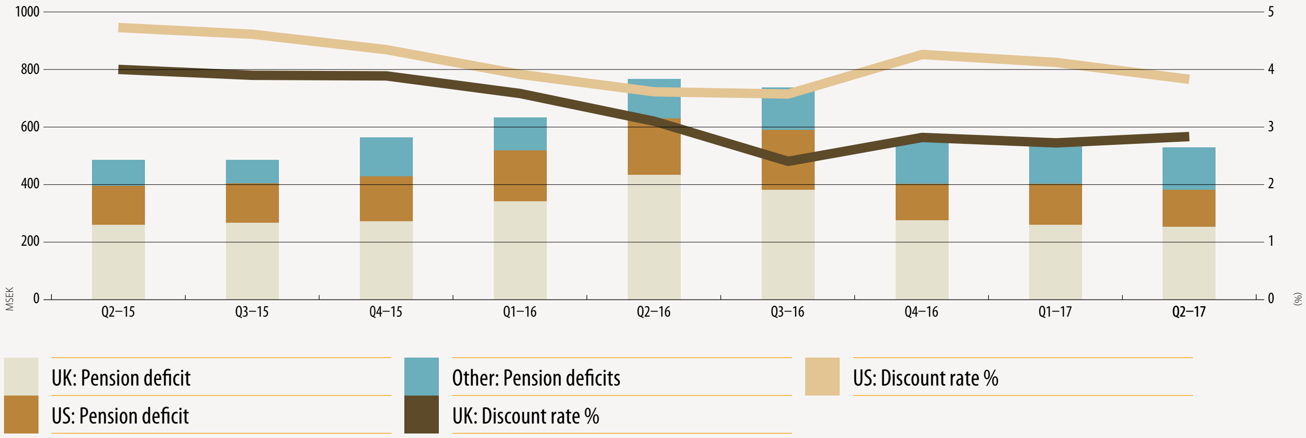
Cash flow from operating activities & Working capital



Net debt & Gearing



Net pension liabilities



CBE SPOTLIGHT: SUSTAINABILITY IN LICOS – AN INTEGRATED ACQUISITION

We interviewed Franz Biegert Managing Director (MD) and Geschäftsführer for LICOS to tell us more about his experience leading LICOS – an integrated Concentric business.

Interview with Franz Biegert,
Managing Director and Geschäftsführer at LICOS

Career planning as a sustainable process

Franz joined the LICOS business in July 2003. He started as the process planner for the Laser Cutting system – recruited to optimise the process and generate increased business for the machine to fill spare capacity. This was Franz's first experience of being accountable for a profit centre, "I ran the Laser Cutting department like a small business – it was a great learning ground", he said.

When LICOS set up in Atlanta, USA, Franz was appointed as the business leader responsible, giving him the opportunity to experience working internationally. Later in 2011, following the global financial crisis, Franz was given the chance to lead the Supply Chain business for LICOS. At this time he took full responsibility for Purchasing, Logistics, Inventory and Internal Sales (including invoicing and delivery papers); in short, process ownership from Goods In straight through to Customer Delivery.

Following Concentric's acquisition of LICOS in 2013, Franz was promoted to Plant Manager in 2014, and later to Geschäftsführer in 2015. Career planning is a necessary process for sustainable businesses. Franz explained, "We have always talked openly about the company, future business plans and discussed personal strengths, development needs, career aspirations and opportunities with our employees. A great advantage about a growing business like LICOS is the opportunities it can offer for personal growth and development."

Leading an acquired business in Concentric

Franz, who likes to talk in pictures, continued, "Today my job as Geschäftsführer is to keep everything balanced – like a see saw in a children's playground. I keep the balance between the Markdorf plant and the wider Concentric group, between each of the local departments, amongst the employees and between inventory levels and the fulfilment of sales orders. There are many examples where I am constantly shifting the emphasis from one part of the business to another to keep the balance so that LICOS runs efficiently and effectively."

Franz spends most of his day with colleagues on the shop-floor and in the different departments to see where he can remove roadblocks, keep communication free-flowing and ensure that everyone is focused on getting the job done. "As a boss, I try to keep the balance between power and authority. I work on the principle that motivated and engaged employees will try and do more than even they think they are capable of! Trust and respect on both sides underpins my philosophy."

What does sustainability mean to you?

Franz explained, "It is such a wide field that it is difficult to describe in one sentence. I think the most important aspect for a business is to have sustainable processes and products: from research and development to start of production, all the way through to shipping product to the customer. The best organisations learn from their experience and make improvements for the next production line. This is Concentric Business Excellence in practice and when we incorporate feedback from the market and our customers, this cycle creates a sustainable business."

He added, "This has been the LICOS story – to listen, anticipate customer needs and deliver competitive high quality products to address those needs. First it was a clutch for a specific customer, then it was the bracket business, then the addition of the laser cutting business next came the water pump clutch and now the introduction of new technology products like the dual cone clutch as an example. The business has been delivering double digit growth on average since 2003 and if we continue with this successful formula there is every reason to believe it will continue."

It is not Franz's role to create new products – rather he inspires his team to "think outside the box" and motivates them to generate new ideas. Franz added, "Customers told us that they wanted a more powerful clutch but they could not allocate more space in the design. We listened and this led to the design of the Dual Cone Clutch. We anticipated this need based on customer feedback and designed a clutch for switching a compressor that had more torque and took up less space. This is sustainable innovation. And it doesn't stop there", Franz continued, "… just because we have customers and we are building prototypes and delivering products, as the Geschäftsführer, I am constantly asking, 'What else are customers telling us? What are the next problems we need to solve? Where are the next product ideas?'"

The acquisition of LICOS by Concentric AB in 2013 was perfect timing. The business was growing and our global customers wanted reassurance that LICOS had solid foundations and the necessary financial backing to be their long-term partner. Franz said, "Concentric was the perfect buyer – they understood our business model, they knew the market with all its key players and could support LICOS with the investment necessary to enable the business to continue to grow."

In June 2017, LICOS were awarded the prestigious Horst Hartmann prize by the University of Kiel and the North German Chamber of Commerce to recognise innovation in their Supply Chain. Franz explained the value of a strong, well-managed Supply Chain Management System in delivering a successful, sustainable business. He said, "In winning the award, LICOS could show how we had made a significant and sustained improvement in inventory days (more than a 50% reduction in days) which still allows us to meet customers' needs for on time delivery and all the while improving profitability." Adding, "The reduction in inventory days is just one example of improved working practices – the whole Company operates like this – we constantly ask ourselves how can we improve our performance profitably and maintain customer service standards?"

What sets us aside from our competitors?

The LICOS business reviews are forward looking and concentrate on what we can do to continue to deliver a profitable, sustainable business. Franz said, "In production, for example, we have invested in new machinery which allows the team to produce more parts per shift with the same number of employees – thus increasing efficiency. This in turn allows us to develop our production team. We take time to educate them in new processes and systems and learn more about the importance of quality and lean working. It is these improvements in efficiency which make it commercially viable for us to manufacture in Germany despite the competition from low cost countries. Efficient operations are an important element of a sustainable business."

Customers have told Franz and his team that they choose to work with us for 3 main reasons:

Water Pump Clutch

1. Our research and development teams listen to existing and potential customers and design patented products to address their needs
2. Our products offer significant advantages to the customer at a competitive price. For example, a typical truck owner will have a 5 year lease and the average return on investment for the LICOS clutch pump means that the truck owner will see notable fuel savings after only 2 years, compared to a standard pump.
3. Capable and committed teams working on solving customers' problems. As leaders we have an important role to play in matching our employees' strengths to the jobs we ask them to do. We also find the balance between trust and accountability. For example, a team member who takes a call with China at 3 am German time can be sure that their commitment and flexibility does not go unnoticed. There is a strong bond of trust on both sides.

What of the future?

We take careful account of how the truck market is developing. For example, it is clear that more and more truck manufacturers are thinking about electric motors. "We anticipate that the small and medium duty truck sector will make developments in this area more quickly – much will depend on how easy it will be for these trucks and buses to be able to "plug in" and recharge. The heavy duty trucks will inevitably take more time to incorporate electric solutions (or some other efficiency and environmental solutions) into their new engine platform designs." said Franz. "We are working to develop ideas and solutions that might address these market changes."

Concentric competes best by delivering innovative, technology solutions to meet customers' needs. Franz added, "In my vision, I see a day in the near future when a packaged LICOS clutch and Concentric pump sets the industry standard for truck manufacturers because of the clear advantages for the end user whether that is in fuel efficiency, reduced emissions or some other customer requirement, such as reduced noise".

Consolidated income statement, in summary

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Net sales	540	522	1,086	1,040	2,050	2,004
Cost of goods sold	–376	–373	–752	–744	–1,437	–1,429
Gross income	**164**	**149**	**334**	**296**	**613**	**575**
Selling expenses	–24	–20	–49	–34	–86	–71
Administrative expenses	–37	–37	–76	–76	–145	–145
Product development expenses	–13	–12	–25	–26	–48	–49
Share of profit in joint venture, net of interest and tax	4	5	8	7	12	11
Other operating income and expenses	6	4	8	7	21	20
Operating income	**100**	**89**	**200**	**174**	**367**	**341**
Financial income and expense	–3	–7	–6	–11	–18	–23
Earnings before tax	**97**	**82**	**194**	**163**	**349**	**318**
Taxes	–22	–19	-45	–40	–77	–72
Net income for the period	**75**	**63**	**149**	**123**	**272**	**246**
Attributable to:						
Parent company shareholders	**75**	**63**	**149**	**123**	**272**	**246**
Non controlling interest	–	–	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	1.86	1.52	3.69	2.98	6.63	5.95
Basic earnings per share, SEK	1.86	1.52	3.69	2.98	6.71	6.01
Diluted earnings per share, SEK	1.85	1.52	3.68	2.98	6.70	6.00
Basic average number of shares (000)	40,440	41,116	40,461	41,148	40,583	40,924
Diluted average number of shares (000)	40,584	41,171	40,589	41,200	40,689	40,973

Consolidated statement of comprehensive income

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Net income for the period	**75**	**63**	**149**	**123**	**272**	**246**
Other comprehensive income						
Items that will not be reclassified to the income statement						
Net remeasurement gains and losses	–	–136	–	–244	185	–59
Tax on net remeasurement gains and losses	–	32	–	59	–53	6
Items that may be reclassified subsequently to the income statement						
Exchange rate differences related to liabilities to foreign operations	2	–25	27	–	–24	–51
Tax arising from exchange rate differences related to liabilities to foreign operations	–8	5	–11	–	–	11
Cash flow hedging	–2	–1	–	5	–1	4
Tax arising from cash flow hedging	–	–	–	–1	–	–1
Foreign currency translation differences	–30	35	–58	–10	11	59
Total other comprehensive income	**–38**	**–90**	**–42**	**–191**	**118**	**–31**
Total comprehensive income	**37**	**–27**	**107**	**–68**	**390**	**215**

Consolidated balance sheet, in summary

Amounts in MSEK	30 Jun 2017	30 Jun 2016	31 Dec 2016
Goodwill	595	605	615
Other intangible fixed assets	237	276	262
Tangible fixed assets	130	166	150
Share of net assets in joint venture	27	15	19
Deferred tax assets	122	193	129
Long-term receivables	6	5	5
Total fixed assets	**1,117**	**1,260**	**1,180**
Inventories	175	184	172
Current receivables	288	300	246
Cash and cash equivalents	373	262	438
Total current assets	**836**	**746**	**856**
Total assets	**1,953**	**2,006**	**2,036**
Total Shareholders' equity	**790**	**611**	**857**
Pensions and similar obligations	531	768	560
Deferred tax liabilities	30	32	36
Long-term interest-bearing liabilities	177	177	177
Other long-term liabilities	7	8	11
Total long-term liabilities	**745**	**985**	**784**
Short-term interest-bearing liabilities	–	2	1
Other current liabilities	418	408	394
Total current liabilities	**418**	**410**	**395**
Total equity and liabilities	**1,953**	**2,006**	**2 036**

Financial derivatives

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

Consolidated changes in shareholders' equity, in summary

Amounts in MSEK	30 Jun 2017	30 Jun 2016	31 Dec 2016
Opening balance	**857**	**852**	**852**
Net income for the period	149	123	246
Other comprehensive loss/income	–42	–191	–31
Total comprehensive income	**107**	**–68**	**215**
Dividend	–142	–134	–134
Own share buy-backs [1)]	–42	–47	–85
Sale of own shares to satisfy LTI – options exercised [1)]	8	7	7
Long-term incentive plan	2	1	2
Closing balance	**790**	**611**	**857**

1) For additional information see page 29.

Consolidated cash flow statement, in summary

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**	**2016/17**	**2016**
Earnings before tax	97	82	194	163	349	318
Reversal of depreciation, amortization and write-downs	19	20	38	40	86	88
Reversal of share of profit in joint venture	–4	–5	–8	–7	–12	–11
Reversal of other non-cash items	2	7	4	10	–8	–2
Taxes paid	–29	–6	–37	–11	-68	–42
Cash flow from operating activities before changes in working capital	*85*	*98*	*191*	*195*	*347*	*351*
Change in working capital	–8	34	–36	1	21	58
Cash flow from operating activities	**77**	**132**	**155**	**196**	**368**	**409**
Net investments in property, plant and equipment	–3	–2	–6	–4	–14	–12
Cash flow from investing activities	**–3**	**–2**	**–6**	**–4**	**–14**	**–12**
Dividends paid	–142	–134	–142	–134	–142	–134
Dividends received from joint venture	–	8	–	8	4	12
Buy back of own shares	–42	–47	–42	–47	–80	–85
Selling of own shares to satisfy LTI-options exercised	8	7	8	7	8	7
New loans received	–	25	–	31	–	31
Repayment of loans	–1	–28	–1	–31	–1	–31
Pension payments and other cash flows from financing activities	–8	–9	–27	–21	–39	–33
Cash flow from financing activities	**–185**	**–178**	**–204**	**–187**	**–250**	**–233**
Cash flow for the period	**–111**	**–48**	**–55**	**5**	**104**	**164**
Cash and bank assets, opening balance	497	307	438	258	262	258
Exchange rate differences in cash and bank assets	–13	3	–10	–1	7	16
Cash and bank assets, closing balance	**373**	**262**	**373**	**262**	**373**	**438**

FINANCIAL STATEMENTS

Group notes

Data per share

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Basic earnings per share, before items affecting comparability, SEK	1.86	1.52	3.69	2.98	6.63	5.95
Basic earnings per share, SEK	1.86	1.52	3.69	2.98	6.71	6.01
Diluted earnings per share, SEK	1.85	1.52	3.68	2.98	6.70	6.00
Equity per share, SEK	19.68	14.96	19.68	14.96	19.68	21.18
Cash flow from operating activities per share, SEK	1.90	3.21	3.83	4.76	9.05	9.99
Basic weighted average no. of shares (000's)	40,440	41,116	40,461	41,148	40,583	40,924
Diluted weighted average no. of shares (000's)	40,584	41,171	40,589	41,200	40,689	40,973
Number of shares at period-end (000's)	40,284	40,831	40,284	40,831	40,284	40,482

Key figures

	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Sales growth, %	4	–16	4	–16	n/a	–13
Sales growth, constant currency, % [1]	0	–11	2	–13	n/a	–10
EBITDA margin, %	22.0	20.7	21.8	20.6	22.0	21.4
Operating margin before items affecting comparability, %	18.5	17.0	18.4	16.7	17.7	16.8
Operating margin, %	18.5	17.0	18.4	16.7	17.9	17.0
Capital employed, MSEK	1,070	1,181	1,070	1,181	1,070	1,083
Return on capital employed before items affecting comparability, %	32.5	27.5	32.5	27.5	32.5	28.6
Return on capital employed, %	32.9	27.5	32.9	27.5	32.9	28.9
Return on equity, %	36.5	29.4	36.5	29.4	36.5	32.2
Working capital, MSEK	45	72	45	72	45	–22
Working capital as a % of annual sales	2.2	3.4	2.2	3.4	2.2	–1.1
Net debt, MSEK	335	686	335	686	335	300
Gearing ratio, %	42	112	42	112	42	35
Net investments in property, plant and equipment	3	2	6	4	14	12
R&D, %	2.4	2.4	2.3	2.5	2.3	2.4
Number of employees, average	935	1,025	934	1,031	964	1,011

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	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Net sales	540	522	1,086	1,040	2,050	2,004
Direct material costs	–266	–257	–532	–516	–999	–983
Personnel costs	–111	–116	–225	–226	–441	–442
Depreciation, amortization and write-downs	–19	–20	–38	–40	–86	–88
Share of profit in joint venture, net of tax	4	5	8	7	12	11
Other operating costs, net	–48	–45	–99	–91	–169	–161
Operating income	**100**	**89**	**200**	**174**	**367**	**341**
Financial income and expenses	–3	–7	–6	–11	–18	–23
Earnings before tax	**97**	**82**	**194**	**163**	**349**	**318**
Taxes	–22	–19	–45	–40	–77	–72
Net income for the period	**75**	**63**	**149**	**123**	**272**	**246**

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

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Tooling income	2	1	3	2	7	6
Royalty income from joint venture	12	10	22	21	41	40
Amortisation of acquisition related surplus values	–9	–9	–18	–18	–36	–36
Restructuring cost	–	–	–	–	–26	–26
Impairment of tangible assets	–	–	–	–	–9	–9
Curtailment gains, pensions	–	–	–	–	39	39
Other	1	2	1	2	5	6
Other operating income and expenses	**6**	**4**	**8**	**7**	**21**	**20**

Segment reporting

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

Second quarter

	Apr–Jun							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2017	2016	2017	2016	2017	2016	2017	2016
Total net sales	275	259	358	343	–93	–80	540	522
External net sales	268	251	327	322	–55	–51	540	522
Operating income before items affecting comparability	38	32	63	58	–1	–1	100	89
Operating income	38	32	63	58	–1	–1	100	89
Operating margin before items affecting comparability, %	14.4	12.8	19.2	18.0	n/a	n/a	18.5	17.0
Operating margin, %	14.4	12.8	19.2	18.0	n/a	n/a	18.5	17.0
Financial income and expense	–	–	–	–	–3	–7	–3	–7
Earnings before tax	38	32	63	58	–4	–8	97	82
Assets	546	644	1,265	1,335	142	27	1,953	2,006
Liabilities	290	367	721	814	152	214	1,163	1,395
Capital employed	330	415	835	790	–95	–24	1,070	1,181
Return on capital employed before items affecting comparability, %	38.2	33.7	27.3	24.5	n/a	n/a	32.5	27.5
Return on capital employed, %	44.6	33.7	25.5	24.5	n/a	n/a	32.9	27.5
Net investments in property, plant and equipment	0	0	4	2	–1	–	3	2
Depreciation, amortization and write-downs	6	6	12	13	1	1	19	20
Number of employees, average	336	382	662	704	-63	–61	935	1,025

First six months

Amounts in MSEK	Jan–Jun Americas 2017	Americas 2016	Europe & RoW 2017	Europe & RoW 2016	Elims–Adjs 2017	Elims–Adjs 2016	Group 2017	Group 2016
Total net sales	545	514	720	679	–179	–153	1,086	1,040
External net sales	532	501	662	637	–108	–98	1,086	1,040
Operating income before items affecting comparability	75	64	127	112	–2	–2	200	174
Operating income	75	64	127	112	–2	–2	200	174
Operating margin before items affecting comparability, %	14.1	12.8	19.2	17.5	n/a	n/a	18.4	16.7
Operating margin, %	14.1	12.8	19.2	17.5	n/a	n/a	18.4	16.7
Financial income and expense	–	–	–	–	–6	–11	–6	–11
Earnings before tax	75	64	127	112	–8	–13	194	163
Assets	546	644	1 265	1,335	142	27	1,953	2,006
Liabilities	290	367	721	814	152	214	1,163	1,395
Capital employed	330	415	835	790	–95	–24	1,070	1,181
Return on capital employed before items affecting comparability, %	38.2	33.7	27.3	24.5	n/a	n/a	32.5	27.5
Return on capital employed, %	44.6	33.7	25.5	24.5	n/a	n/a	32.9	27.5
Net investments in property, plant and equipment	0	1	8	3	–2	–	6	4
Depreciation, amortization and write-downs	13	13	25	27	0	–	38	40
Number of employees, average	335	390	660	703	–61	–62	934	1,031

Seasonality

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

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

The weighted average number of working days in the second quarter was 62 (64) for the Group, with an average of 62 (64) working days for the Americas region and 62 (64) working days for the Europe & RoW region.

The weighted average number of working days in the first six months was 125 (126) for the Group, with an average of 122 (126) working days for the Americas region and 128 (127) working days for the Europe & RoW region.

Sales by geographic location of customer

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
USA	237	232	478	470	926	918
Rest of North America	12	5	20	7	33	20
South America	9	15	16	29	40	53
Germany	91	88	186	173	338	325
UK	41	35	75	70	128	123
Sweden	23	28	46	54	93	101
Rest of Europe	89	85	188	174	349	335
Asia	38	34	76	63	137	124
Other	–	–	1	–	6	5
Total Group	**540**	**522**	**1,086**	**1,040**	**2,050**	**2,004**

Sales by product groups (including Alfdex)

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Concentric branded Engine products	281	277	556	554	1,082	1,080
LICOS branded Engine products	47	40	97	77	178	158
Alfdex branded Engine products	55	51	107	98	192	183
Total Engine products	383	368	760	729	1,452	1,421
Total Hydraulics products	212	205	433	409	790	766
Eliminations	–55	–51	–107	–98	–192	–183
Total Group	**540**	**522**	**1,086**	**1,040**	**2,050**	**2,004**

Employees
The average number of full-time equivalents employed by the group during the first six months was 934 (1,031).

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 2016 Annual Report on pages 8–11 and pages 18–45.

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 2016 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2017. Please refer to the Risk and Risk Management section on pages 59–62 of the 2016 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 2016 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.

New standards, amendments and interpretations to existing standards that have been endorsed by EU but have not been early adopted by the Group
IFRS 9 – "Financial instruments". The effective date for IFRS 9 is January 1, 2018. Concentric has started an evaluation of the effects of IFRS 9. Concentric's preliminary assessment is that the standard won't have a material impact on the Group's balance sheet or income statement, but the standard does bring additional disclosure requirements. Additional information will be reported in the Interim Report for Q3 2017.

IFRS 15 – "Revenue from contracts with customers". The effective date for IFRS 15 is January 1, 2018. An evaluation of the effects of IFRS 15 is in progress. Concentric's preliminary assessment is that the standard won't have a material impact on the Group's balance sheet or income statement. Additional information will be reported in the Interim Report for Q3 2017.

New standards, amendments and interpretations to existing standards that have not yet been endorsed
IFRS 16 – "Leases". IFRS 16 is effective from 1 January 2019. Concentric does not plan to apply IFRS 16 before the effective date. 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.

Parent Company

Net sales and Operating income

Net sales for the first six months reflected the royalty income received from the joint venture, Alfdex AB. Income from shares in subsidiary undertakings of MSEK 742 (nil) reflected the dividends received, net of any write-downs in the carrying value of shares, arising from the internal refinancing of the group undertaken during the first six months.

Buy-back and Holdings of own shares

The total number of holdings of own shares at 1 January 2017 was 1,088,616.

On 30 March 2017, the AGM resolved to retire 698,600 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital. Altogether, the resolution resulted in the total number of shares in issue reduced to 40,872,000 (41,570,600) and the share capital being increased by SEK 156. During the second quarter, 101,200 (115,360) options grantedunder the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. In addition, under the own share buyback mandate resolved at the 2017 Annual General Meeting, the company also purchased 299,016 (464,150) ordinary shares for a total consideration of MSEK 43 (47). Consequently the company's total holdings of own shares at the end of the second quarter was 587,832 (739,286), which represented 1.4% (1.8) of the total number of shares in issue.

In addition, the AGM resolved to authorise the Board of Directors, during the period up to the next AGM in 2018, to resolve on buying back own shares so that the Company's holdings do not at any point exceed 10 percent of the total number of shares in issue. Acquisitions shall be made in cash and take place on NASDAQ OMX Stockholm, for the purpose of increasing the flexibility in connection with potential future corporate acquisitions, as well as to be able to improve the company's capital structure and to cover costs for, and enable delivery of shares under the company's LTI programmes.

Parent company's income statement, in summary

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**	**2016/17**	**2016**
Net sales	12	10	22	21	44	43
Other operating income	–	–	–	21	–	21
Operating costs	–4	–3	–8	–8	–20	–20
Operating income	**8**	**7**	**14**	**34**	**24**	**44**
Income from shares in subsidiaries	–	–	742	–	874	132
Income from shares in joint venture	–	12	–	12	–	12
Net foreign exchange rate differences	38	–25	52	–	–	–52
Other financial income and expense	–1	–1	–2	–2	–4	–4
Earnings before tax	**45**	**–7**	**806**	**44**	**894**	**132**
Taxes	–9	4	–14	–7	–6	1
Net income for the period [1)]	**36**	**–3**	**792**	**37**	**888**	**133**

[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 Jun 2017	30 Jun 2016	31 Dec 2016
Shares in subsidiaries	3,175	2,414	2,433
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	8	22	8
Deferred tax assets	10	16	24
Total financial fixed assets	**3,203**	**2,462**	**2,475**
Other current receivables	4	5	3
Short-term receivables from joint ventures	-	4	-
Short-term receivables from subsidiaries	126	76	80
Cash and cash equivalents	168	97	249
Total current assets	**298**	**182**	**332**
Total assets	**3,501**	**2,644**	**2,807**
Total Shareholders’ equity	**1,842**	**1,169**	**1,227**
Pensions and similar obligations	18	17	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	1,441	1,256	1,362
Total long-term liabilities	**1,634**	**1,448**	**1,555**
Short-term loans payable to subsidiaries	18	20	18
Other current liabilities	7	7	7
Total current liabilities	**25**	**27**	**25**
Total equity and liabilities	**3,501**	**2,644**	**2,807**

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

Amounts in MSEK	30 Jun 2017	30 Jun 2016	31 Dec 2016
Opening balance	1,227	1,306	1,306
Net income for the period	792	37	133
Dividend	–142	–134	–134
Sale of own shares to satisfy LTI – options exercised [1)]	8	7	7
Buy-back of own shares [1)]	–43	–47	–85
Closing balance	**1,842**	**1,169**	**1,227**

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 21 July, 2017.

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

Future reporting dates

Interim report January – September 2017	*8 November, 2017*
Interim report January – December 2017	*7 February, 2018*

Stockholm, 21 July, 2017
Concentric AB (publ)

Kenth Eriksson
Chairman

Claes Magnus Åkesson
Board member

Marianne Brismar
Board member

Anders Nielsen
Board member

Martin Lundstedt
Board member

Martin Sköld
Board member

Susanna Schneeberger
Board member

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Corporate Registration Number 556828-4995

Auditors' Report on Review of Interim Financial Information

Introduction

We have reviewed the interim report of Concentric AB (publ), corporate identity number 556828-4995, as of 30 June, 2017 and for the six-month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim annual report based on our review.

Scope of Review

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

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

Conclusion

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

Stockholm, 21 July, 2017. KPMG AB

Anders Malmeby
Authorised Public Accountant

Alternative performance measures

Amounts in MSEK	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul–Jun 2016/17	Jan–Dec 2016
Operating income	100	89	200	174	367	341
Restructuring cost related to the acquisition of GKN Pumps	–	–	–	–	26	26
Impairment of tangible assets	–	–	–	–	9	9
Curtailment gains, pensions	–	–	–	–	–39	–39
Underlying operating income	100	89	200	174	363	337
Operating margin (%)	18.5	17.0	18.4	16.7	17.9	17.0
Underlying operating margin (%)	18.5	17.0	18.4	16.7	17.7	16.8

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

Graph data summary

	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015
Americas									
Sales, MSEK	268	264	233	253	252	250	253	288	333
Book-to-bill, %	101	110	116	98	98	98	99	89	88
Operating income before items affecting comparability, MSEK	38	37	28	33	32	32	34	39	46
Operating margin before items affecting comparability, %	14.4	13.9	12.0	13.2	12.8	12.8	13.6	13.3	13.9
Europe & RoW									
Sales (including Alfdex), MSEK	327	335	281	281	321	315	301	318	334
Book-to-bill, %	95	102	114	94	94	103	98	103	91
Operating income before items affecting comparability, MSEK	63	64	54	49	58	54	51	56	58
Operating margin before items affecting comparability, %	19.2	19.2	19.2	17.3	18.0	17.1	17.1	17.4	17.3
Alfdex eliminations									
Sales, MSEK	–55	–53	–41	–43	–51	–47	–50	–47	–47
Operating income before items affecting comparability, MSEK	–1	–1	–	–1	–1	–1	0	–2	–2
Group									
Sales (excluding Alfdex), MSEK	540	546	473	491	522	518	504	559	620
Book-to-bill, %	97	105	115	93	95	100	108	100	100
Operating income before items affecting comparability, MSEK	100	100	82	81	88	85	85	93	102
Operating margin before items affecting comparability, %	18.5	18.3	17.4	16.5	17.0	16.5	16.6	16.6	16.5
Basic earnings per share, SEK	1.86	1.83	1.57	1.45	1.52	1.46	1.35	1.57	1.78
Return on equity, %	37	35	32	30	29	28	32	33	34
Cash flow from operating activities per share, SEK	1.90	1.92	2.44	2.79	3.21	1.55	3.06	1.47	2.69
Working capital as % of annualised sales	2.2	1.9	–1.2	2.0	3.4	5.6	4.4	4.7	3.9
Net debt, MSEK	335	224	300	559	686	513	488	451	455
Gearing ratio, %	42	29	35	81	112	63	57	53	49
Gearing ratio (excl Pensions), %	–25	–41	–30	–26	–13	–15	–9	–4	–4

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
Operating income	Earnings before interest and tax
Operating margin	Operating income as a percentage of net sales
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
LTI	Long term incentive
Net debt	Total interest-bearing liabilities less liquid finds
Net investments	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	Research and development expenditure
Return on capital employed	Operating income as a percentage of the average capital employed over a rolling 12 months
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 specific 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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