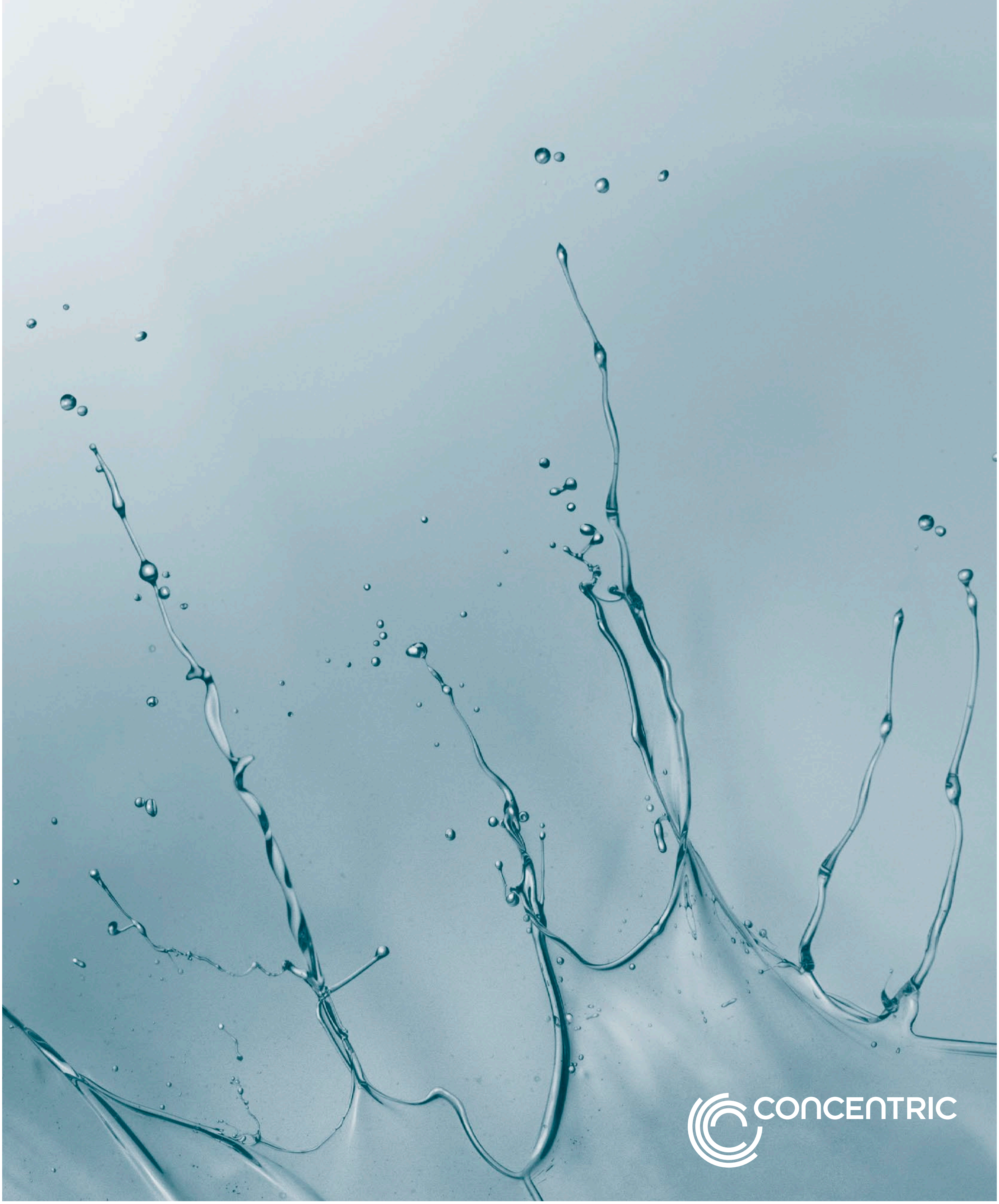
INTERIM REPORT Q1/2019

TECHNOLOGY
INNOVATION
SUSTAINABILITY



CONCENTRIC

CONTENTS

First quarter

Net sales
MSEK 566 (603) – sales were down –6% y-o-y. After adjusting for impact of currency (+6%), sales in constant currency were down –12%.

Operating income
MSEK 126 (120), generating an operating margin of 22.2% (19.9).

Earnings after tax
MSEK 94 (89); basic EPS of SEK 2.43 (2.26).

Cash flow from operating activities
MSEK 102 (111); cash generation affected by lower sales.

Group's net debt
MSEK 27 (92); gearing ratio of 2% (9).

Effects of new accounting principles for Leases – IFRS 16
The effects in the income statement are not material (EBIT margin +0.1%; EBITDA margin +1.1%). Cash flow from operating activities was affected with MSEK +6. Other effects per 31 March were; total assets MSEK +99; net debt MSEK +102; gearing ratio +8%.

Key figures – Group [1)]

	Jan–Mar			Apr–Mar	Jan–Dec
Amounts in MSEK	2019	2018	Change	2018/19	2018
Net sales	566	603	–6%	2,373	2,410
Operating income before items affecting comparability	126	120	5%	531	525
Operating income	126	120	5%	535	529
Earnings before tax	121	115	5%	521	515
Net income for the period	94	89	6%	410	405
Cash flow from operating activities [3)]	102	111	–8%	545	554
Net debt [2) 3)]	27	92	–71%	27	12
Operating margin before items affecting comparability, %	22.2	19.9	2.3	22.7	22.1
Operating margin, %	22.2	19.9	2.3	22.5	21.9
Basic EPS before items affecting comparability, SEK	2.43	2.26	0.17	10.24	10.22
Basic EPS, SEK	2.43	2.26	0.17	10.47	10.30
Return on equity, %	39.5	37.6	1.9	39.5	41.6
Gearing ratio, % [3)]	2	9	–7	2	1

[1)] For additional information see pages 27–28 and 31.
[2)] For additional information see page 12.
[3)] For additional information see pages 22–23.

Review of the first quarter

President and CEO, David Woolley, comments on the Q1 2019 Interim Report.

Sales development

Published market indices suggest production rates, blended to the Group's end-markets and regions were up by 5% year-on-year in the first quarter. Whilst our customers' end markets grew, they have managed risk and reduced stocks during the first quarter, which means their tier 1 suppliers sales have not grown to the same extent. Group sales for the first quarter were down year-on-year by 12% in constant currency reflecting the decision by a customer, a global OEM, to dual source components during 2019 and is broadly in line with previous guidance. Excluding sales to the global OEM from both periods, group sales were constant for the first quarter year-on-year.

The continued sustained demand in the first quarter is evident both in our core regions of North America and Europe, as well in all four sectors we serve, notably truck, and equipment for construction and agriculture.

The largest end sector for Concentric continued to be trucks, representing 42% of the Group's sales, concentrated primarily in North America and Europe. Market demand for medium- and heavy-duty trucks in North America grew by 5% year-on-year in the first quarter, whilst European demand continued with low single digit growth. India reported strong market growth in the first quarter but was probably the market most affected by pressure to reduce stocks.

Sales to the Agricultural Machinery end sector remained strong predominantly in the Americas and India. However, the Construction Equipment end sector proved more challenging, particularly in North America and Europe as our customers adjusted stock levels to a more uncertain outlook.

Concentric Business Excellence

The key objectives of the Concentric Business Excellence programme ("CBE") are to achieve absolute satisfaction of our customers and employees. The CBE programme has enabled the teams to efficiently reduce our cost of capacity and output to meet current demand, optimising our operational cost base. The CBE-programme has managed to defend the Group's operating income levels, reporting an operating margin for the first quarter of 22.2% (19.9).

Concentric wins important contracts for next generation steering systems

Concentric AB has won five Electro-Hydraulic Steering ("EHS") systems contracts worth an estimated total of SEK 94 million over the next five years. The contracts relate to EHS systems to be used in electric trucks as well as hybrid and electric buses. Even though these platforms currently constitute a small niche, local city regulation and customer requirements will drive increased demand for electric commercial vehicles going forward. These nominations are therefore strategically important and we believe that the electric segment presents exciting long-term opportunities for Concentric.

Acquisition opportunities

We continue to explore acquisition opportunities that will offer either geographical expansion, product expansion or technologies that will enhance our current engine and hydraulic product lines to provide us with an even greater presence alongside our global customers.

Outlook

The underlying sales order book remains strong and the level of orders received in the first quarter indicate that sales in the second quarter 2019 will be broadly in line with sales in the first quarter.

Market indices predict that production volumes blended to Concentric's end-markets and regions will be up 4% year-on-year for 2019, which is lower than the 7% growth rate in 2018. Our expectation remains that demand for medium- and heavy-duty trucks, particularly in North America could weaken towards the end of 2019 and the business is vigilant to the change in customer behaviour such as destocking and is ready to adapt to any market changes.

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

» Concentric AB has won five EHS system contracts. These nominations are strategically important as the electric sector is driven by customer demand and presents long-term opportunitie. «

First quarters figures

Key figures [1)]

	Jan–Mar			Apr–Mar	Jan–Dec
Amounts in MSEK	2019	2018	Change	2018/19	2018
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Earnings before tax	121	115	5%	521	515
Net income for the period	94	89	6%	410	405
Operating margin before items affecting comparability, %	22.2	19.9	2.3	22.7	22.1
Operating margin, %	22.2	19.9	2.3	22.5	21.9
ROCE, %	50.5	39.9	10.5	50.5	51.3
Return on equity, %	39.5	37.6	1.9	39.5	41.6
Basic EPS before items affecting comparability, SEK	2.43	2.26	0.17	10.24	10.22
Basic EPS, SEK	2.43	2.26	0.17	10.47	10.30
Diluted EPS, SEK	2.42	2.25	0.17	10.44	10.27

[1)] For additional information see pages 27–28 and 31.

Sales
Sales for the first quarter were down by –6% year-on-year. After adjusting for the impact of currency (+6%), sales in constant currency were down –12%. This reduction reflects the decision by a global OEM customer to dual source components during 2019. Sales to other customers are comparable year-on-year.

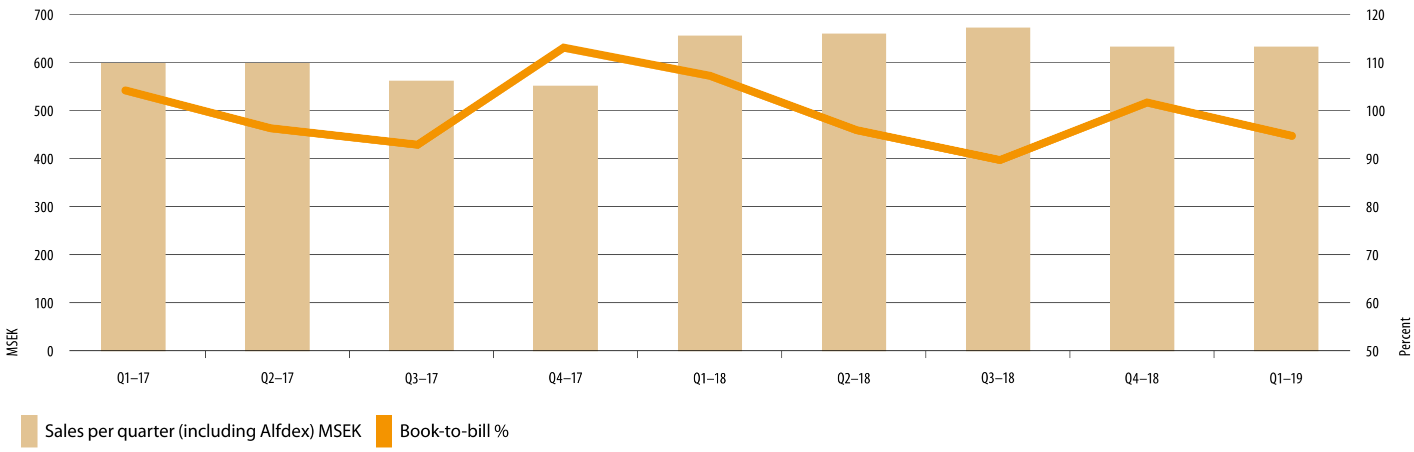
Operating income
The operating margin reported is 22.2% (19.9) in the first quarter which is broadly in line with the operating margin before items affecting comparability for 2018, 22.1%. Despite lower sales, reported operating income was MSEK 126 (120) as Q1 2018 was affected by an increase to warranty provisions.

Net financial items
Net financial expenses in the first quarter comprised of pension financial expenses of MSEK 4 (4) and other net interest expenses of MSEK 1 (1).

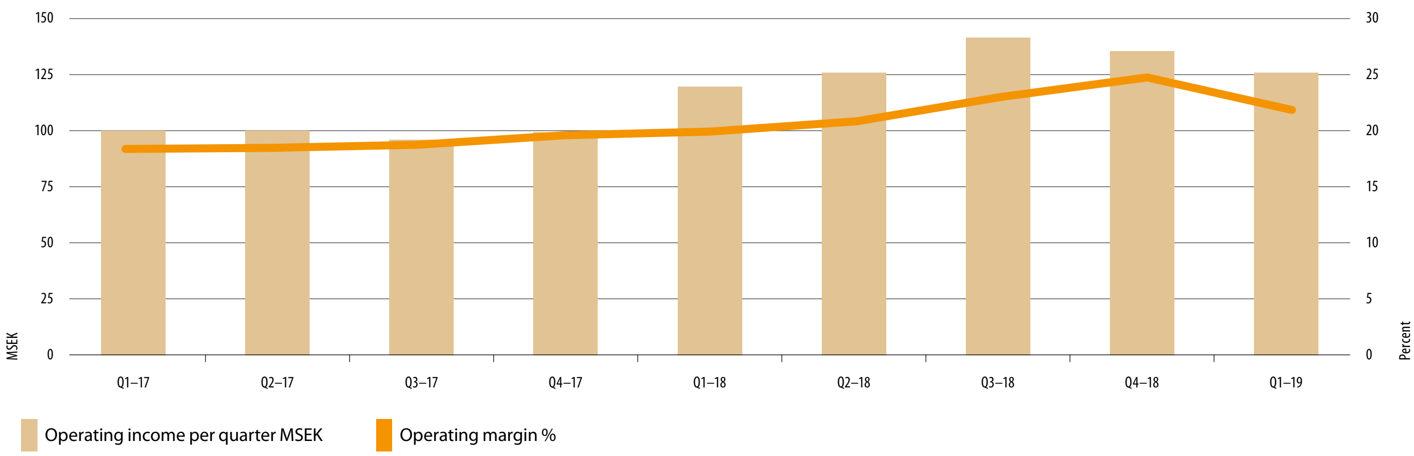
Taxes
The underlying effective tax rate for the first quarter was 22% (22). This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

Earnings per share
The basic EPS reported for the first quarter was SEK 2.43 (2.26), an improvement year-on-year by SEK 0.17.

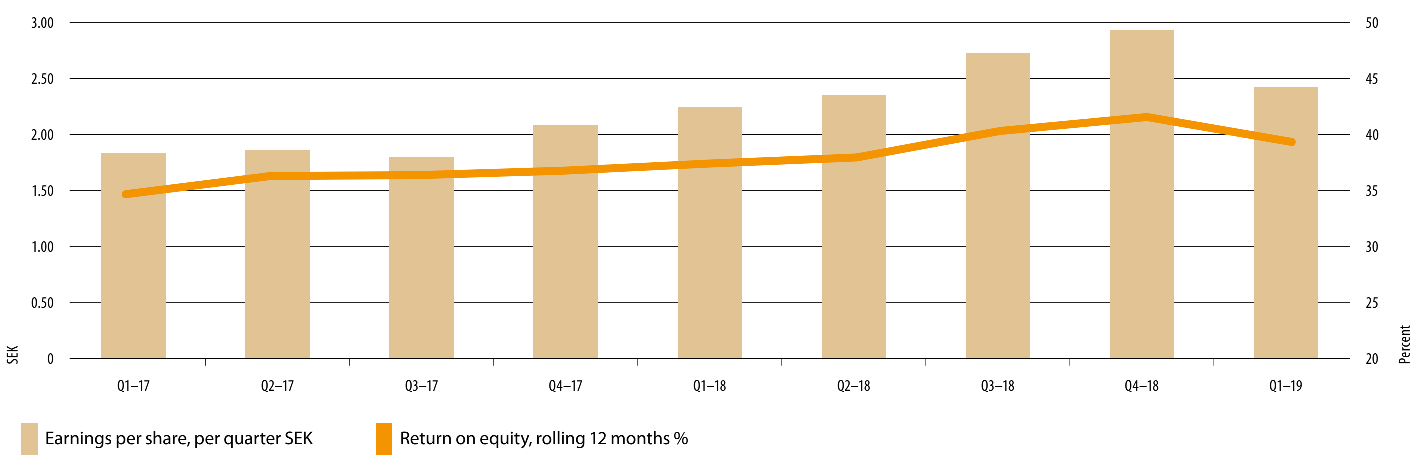
Sales and book-to-bill



Underlying operating income and margins



Earnings per share and return on equity



Net sales and operating income by region

Americas

	Jan–Mar			Apr–Mar	Jan–Dec
Amounts in MSEK	2019	2018	Change	2018/19	2018
Net sales	244	288	–15%	1,140	1,184
Operating income before items affecting comparability	37	45	–18%	177	185
Operating income	37	45	–18%	207	215
Operating margin before items affecting comparability, %	15.3	15.5	–0.2	15.5	15.8
Operating margin, %	15.3	15.5	–0.2	18.2	18.1
ROCE, %	71.0	51.9	19.1	71.0	75.9

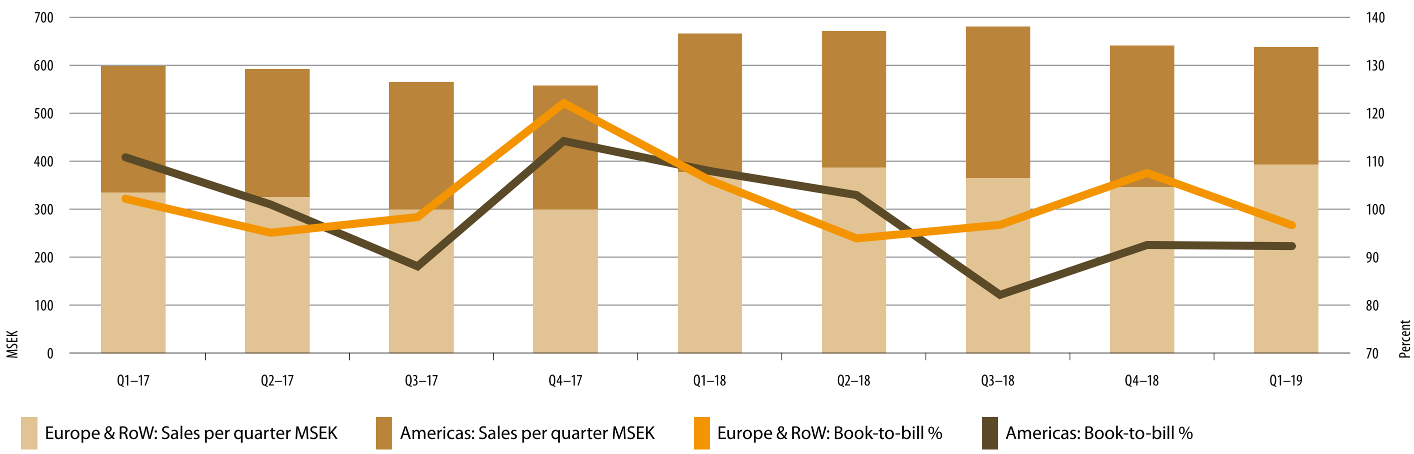
Sales for the first quarter were down by –15% year-on-year. After adjusting for the impact of currency (+7%), sales in constant currency were down –22%. Excluding sales of dual sourced components to the global OEM from both periods, sales were down slightly for the first quarter year-on-year. Whilst sales to the Agricultural Machinery sector remained strong the Truck and Construction Equipment sectors proved more challenging. The CBE programme has enabled the business to flex capacity to the current demand broadly maintaining the operating margin for the region at 15.3%. The operating margin for the prior year was 15.8% and the previous twelve months 15.5%.

Europe & RoW

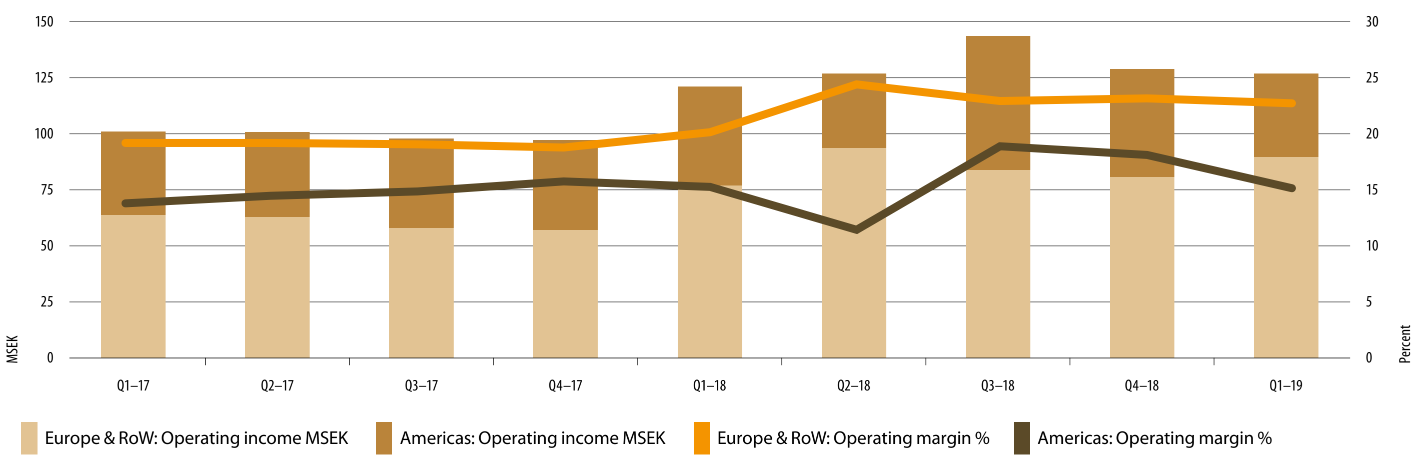
	Jan–Mar			Apr–Mar	Jan–Dec
Amounts in MSEK	2019	2018	Change	2018/19	2018
Net sales	394	379	4%	1,492	1,477
Operating income before items affecting comparability	90	77	17%	349	336
Operating income	90	77	17%	325	312
Operating margin before items affecting comparability, %	22.8	20.2	2.6	23.4	22.8
Operating margin, %	22.8	20.2	2.6	21.8	21.1
ROCE, %	42.2	35.0	7.2	42.2	41.7

Sales for the first quarter were up by +4% year-on-year. After adjusting for the impact of currency (+4%), sales in constant currency were flat. A similar trend in Europe and RoW as the Americas, stronger Agricultural Machinery sales offsetting a challenging Construction Equipment sector. Sales in India were affected by the weaker market generally and also by the forthcoming General Election, but the medium- and heavy-duty Truck sector, whilst reporting year-on-year growth was most affected by customers adjusting stock levels to a more uncertain outlook.

Sales and book-to-bill



Underlying operating income and margins



Market development

Concentric's sales growth lags the published market indices as customers adjust inventory levels during the first quarter 2019.

Americas end-markets

North America[1)]

- Sales to our North American end-markets in the first quarter 2019 were slightly down when compared to the first quarter 2018.
- Whilst sales were up in the Agricultural Machinery sector, the other end market applications, namely Truck, Construction Machinery and Industrial Applications proved more challenging with sales slightly lower year-on-year in all of these sectors.

South America

- Sales to our South American end-market applications delivered good growth across all four sectors and Agricultural Machinery & Construction Equipment in particular delivered the strongest year-on-year sales growth.

Europe & RoW end-markets

Europe

- Our European markets delivered broadly the same level of sales year-on-year.
- Sales to the Truck and Agricultural Machinery sectors were flat, whilst growth in the Industrial Applications was off-set by weaker sales to the Construction Equipment sector as these customers continue to adjust stock levels.

Rest of the World

- Overall, emerging end-market in the Rest of the World now account for 8% of the group's total revenues, up 1% when compared to this period last year.
- This improvement is attributable to sales growth in China, where all of the end-market applications in which we participate achieved double digit growth.
- Sales to our Indian customers were flat year-on-year, growth in Agricultural Machinery and Construction Equipment was off-set by lower sales to our Truck customers.

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

Consolidated sales development

	Q1-19 vs. Q1-18			FY-19 vs. FY-18		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average[1)]	4%	5%	5%	3%	4%	4%
Actual – constant currency[2)]	–22%	0%	–12%			

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

Overall, market indices suggest production rates, blended to the group's end-markets and regions were up 5% year-on-year for the first quarter, with similar growth in the Americas and Europe & RoW. The published market indices also suggest growth will slow over the course of 2019, the full year forecast suggests the global markets will grow by 4%. Whilst Concentric's actual sales were –12% for the group and –22% for the Americas in constant currency, this reflects the decision by a global OEM to dual source components during 2019. Excluding sales to the global OEM from both periods shows the underlying sales to be flat year on year in both the Americas and Europe & ROW. As noted in previous interim reports, movements in the published market indices tend to lag the Group's order intake experience by 3–6 months.

Published market indices

	Q1-19 vs Q1-18					FY-19 vs FY-18				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agriculture Diesel engines	5%	17%	7%	26%	–2%	4%	12%	3%	10%	–2%
Construction Diesel engines	3%	15%	8%	15%	2%	–1%	10%	6%	9%	2%
Hydraulic equipment	11%	n/a	9%	n/a	n/a	9%	n/a	9%	n/a	n/a
Trucks Light vehicles	–14%	n/a	n/a	n/a	n/a	1%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	5%	11%	3%	14%	–11%	4%	7%	5%	–13%	–11%
Industrial Other off-highway	1%	7%	6%	21%	5%	–3%	10%	2%	14%	5%
Hydraulic lift trucks	3%	n/a	0%	n/a	n/a	1%	n/a	0%	n/a	n/a

The market indices summarised in the table above reflect the Q1 2019 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

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

Current resources

Operational cash flow

The reported cash inflow from operating activities for the first quarter amounted to MSEK 102 (111), which represents SEK 2.65 (2.80) per share.

Cash flow from operating activities calculated to previous accounting principles, excluding leases according to IFRS 16 of MSEK 6, would have been MSEK 96, which represents SEK 2.49 per share.

Working capital

Total working capital at 31 March was MSEK –17 (+20), which represented –0.7% (0.9) of annual sales. Working capital increased marginally compared to 31 December 2018 because of a small decrease in stock turns and some customers stretching payment terms beyond the end of the quarter, but still remains below the prior year.

Net investments in fixed assets

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

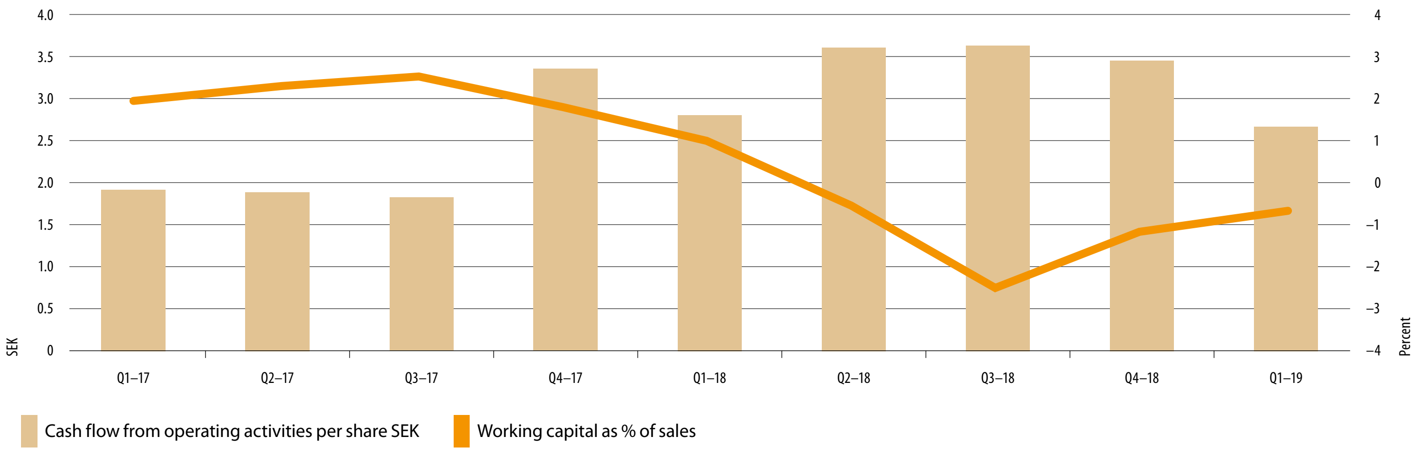
Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, as last year there were no remeasurement gains or losses recognised in net pension liabilities during the first quarter 2019.

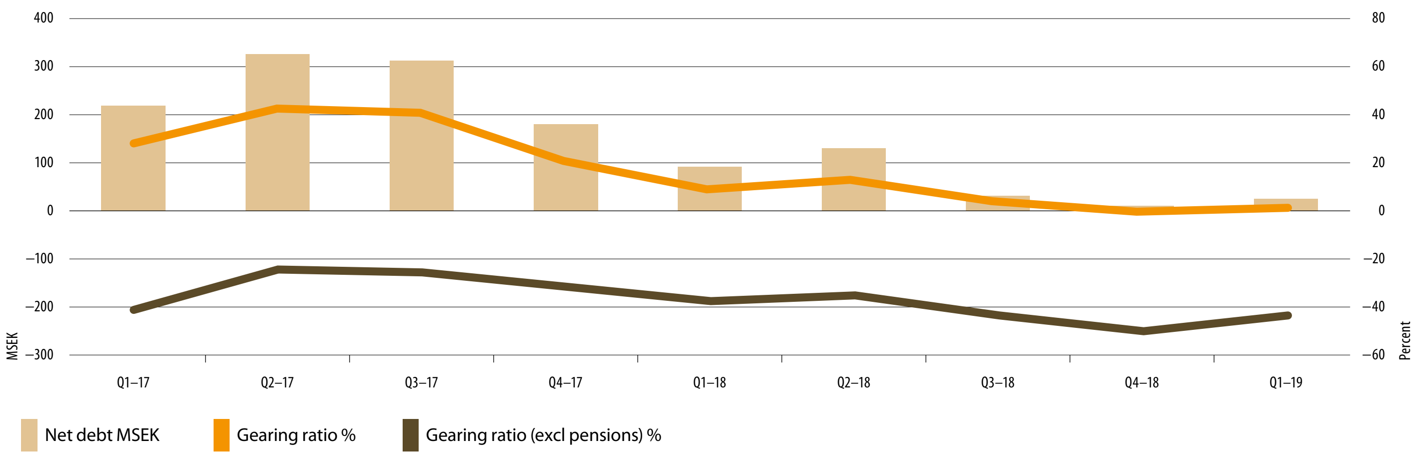
Overall, the Group's net debt at 31 March decreased to MSEK 27 (92), comprising bank loans of MSEK 180 (177), loans related to leasing MSEK 103 (1) and net pension liabilities of MSEK 524 (471), net of cash amounting to MSEK 780 (557). Shareholders' equity amounted to MSEK 1,186 (1,009), resulting in a gearing ratio of 2% (9) at the end of the first quarter. Net debt calculated to previous accounting principles, excluding leases according to IFRS 16 of MSEK 102, would have been negative MSEK 75 (i.e. a net cash position).

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

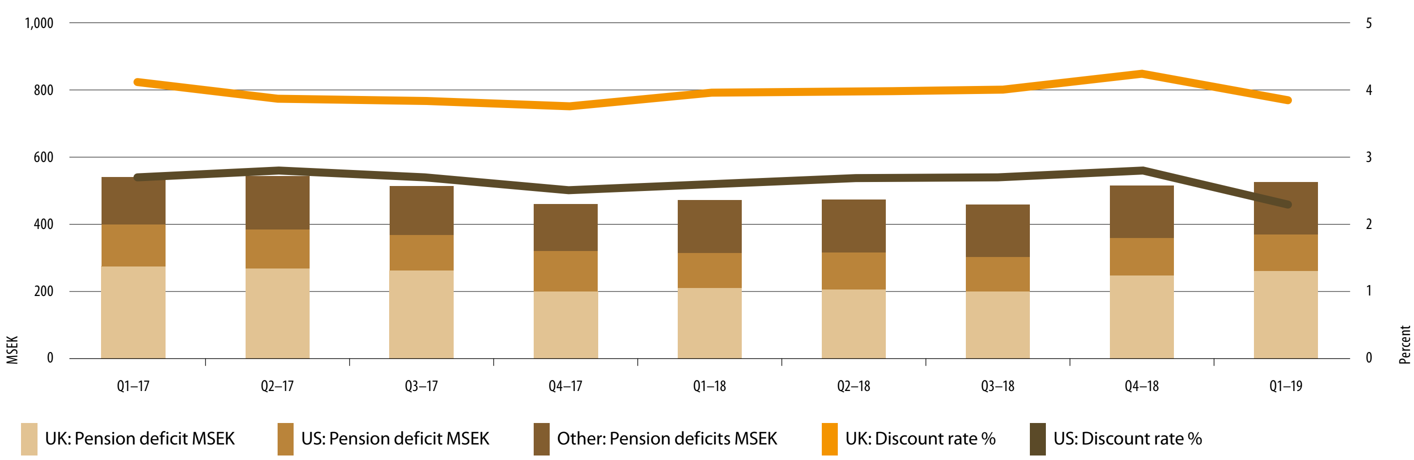
Cash flow from operating activities and working capital



Net debt and gearing



Net pension liabilities



General information

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

Consolidated income statement

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Net sales	566	603	2,373	2,410
Cost of goods sold	–382	–398	–1,577	–1,593
Gross income	**184**	**205**	**796**	**817**
Selling expenses	–20	–43	–72	–95
Administrative expenses	–40	–40	–153	–153
Product development expenses	–13	–12	–51	–50
Share of net income in joint venture	6	5	15	14
Other operating income and expenses	9	5	–	–4
Operating income	**126**	**120**	**535**	**529**
Financial income and expenses	–5	–5	–14	–14
Earnings before tax	**121**	**115**	**521**	**515**
Taxes	–27	–26	–111	–110
Net income for the period	**94**	**89**	**410**	**405**
Parent company shareholders	94	89	410	405
Non-controlling interest	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	2.43	2.26	10.24	10.22
Basic earnings per share, SEK	2.43	2.26	10.47	10.30
Diluted earnings per share, SEK	2.42	2.25	10.44	10.27
Basic average number of shares (000)	38,633	39,542	39,097	39,322
Diluted average number of shares (000)	38,731	39,721	39,204	39,456

Consolidated statement of comprehensive income

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Net income for the period	94	89	410	405
Other comprehensive income				
Items that will not be reclassified to the income statement				
Remeasurement gains and losses of net pension liabilities	–	–	–44	–44
Tax on remeasurement gains and losses of net pension liabilities	–	–	8	8
Items that may be reclassified subsequently to the income statement				
Exchange rate differences related to liabilities to foreign operations	–63	–59	–98	–94
Tax arising from exchange rate differences related to liabilities to foreign operations	15	9	24	18
Cash-flow hedging	2	–	3	1
Tax arising from cash-flow hedging	–	–	–	–
Foreign currency translation differences	111	93	153	135
Total other comprehensive income	**65**	**43**	**46**	**24**
Total comprehensive income	**159**	**132**	**456**	**429**

Consolidated balance sheet

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Goodwill	651	618	620
Other intangible fixed assets	190	217	190
Right of use fixed assets	105	–	–
Other tangible fixed assets	112	128	112
Share of net assets in joint venture	44	32	39
Deferred tax assets	150	121	132
Long-term receivables	6	6	5
Total fixed assets	**1,258**	**1,122**	**1,098**
Inventories	173	181	169
Current receivables	332	338	284
Cash and cash equivalents	780	557	683
Total current assets	**1,285**	**1,076**	**1,136**
Total assets	**2,543**	**2,198**	**2,234**
Total Shareholders' equity	**1,186**	**1,009**	**1,026**
Pensions and similar obligations	524	471	514
Deferred tax liabilities	23	30	24
Long-term liabilities for right of use fixed assets	80	1	1
Other long-term interest–bearing liabilities	175	175	175
Other long-term liabilities	7	11	8
Total long-term liabilities	**809**	**688**	**722**
Short-term liabilities for right of use fixed assets	23	–	–
Other short-term interest-bearing liabilities	5	2	5
Other current liabilities	520	499	481
Total current liabilities	**548**	**501**	**486**
Total equity and liabilities	**2,543**	**2,198**	**2,234**

Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments. As of 31 March the fair value of derivative instruments that were assets was MSEK 5 (1), and the fair value of derivative instruments that were liabilities was MSEK 1 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders’ equity

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Opening balance	**1,026**	**875**	**875**
Net income for the period	94	89	405
Other comprehensive income	65	43	24
Total comprehensive income	**159**	**132**	**429**
Dividend	–	–	–148
Own share buy-backs	–	–	–146
Sale of own shares to satisfy LTI – options exercised	–	–	12
Long-term incentive plan	1	2	4
Closing balance	**1,186**	**1,009**	**1,026**

Consolidated cash flow statement, in summary

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Earnings before tax	**121**	**115**	**521**	**515**
Reversal of depreciation, amortisation and write-down of fixed assets	25	18	80	73
Reversal of net income from joint venture	–6	–5	–15	–14
Reversal of other non-cash items	3	6	40	43
Taxes paid	–19	–14	–95	–90
Cash flow from operating activities before changes in working capital	***124***	***120***	***531***	***527***
Change in working capital	–22	–9	14	27
Cash flow from operating activities	**102**	**111**	**545**	**554**
Investments in property, plant and equipment	–6	–4	–21	–19
Cash flow from investing activities	**–6**	**–4**	**–21**	**–19**
Dividend	–	–	–148	–148
Dividend received from joint venture	–	–	2	2
Buy-back of own shares	–	–	–146	–146
Selling of own shares to satisfy LTI – options exercised	–	–	12	12
New loans	–	–	3	3
Repayment of loans	–6	–	–7	–1
Pension payments and other cash flows from financing activities	–14	–12	–46	–44
Cash flow from financing activities	**–20**	**–12**	**–330**	**–322**
Cash flow for the period	**76**	**95**	**194**	**213**
Cash and bank assets, opening balance	683	455	557	455
Exchange-rate difference in cash and bank assets	21	7	29	15
Cash and bank assets, closing balance	**780**	**557**	**780**	**683**

Group notes

Data per share

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Basic earnings per share before items affecting comparability, SEK	2.43	2.26	10.24	10.22
Basic earnings per share, SEK	2.43	2.26	10.47	10.30
Diluted earnings per share, SEK	2.42	2.25	10.44	10.27
Equity per share, SEK	30.68	25.52	30.68	26.55
Cash-flow from current operations per share, SEK [3]	2.65	2.80	9.02	14.02
Basic weighted average no. of shares (000's)	38,633	39,542	39,097	39,322
Diluted weighted average no. of shares (000's)	38,731	39,721	39,204	39,456
Number of shares at period-end (000's)	38,633	39,542	38,633	38,633

Key figures [1]

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Sales growth, %	–6	10	n/a	15
Sales growth, constant currency, % [2]	–12	15	n/a	12
EBITDA margin before items affecting comparability, % [3]	26.5	22.9	26.1	25.2
EBITDA margin, % [3]	26.5	22.9	25.9	25.0
Operating margin before items affecting comparability, % [3]	22.2	19.9	22.7	22.1
Operating margin, % [3]	22.2	19.9	22.5	21.9
Capital Employed, MSEK	1,165	1,073	1,165	1,002
ROCE before items affecting comparability, %	53.3	39.1	53.3	50.9
ROCE, %	50.5	40.0	50.5	51.3
ROE, %	39.5	37.6	39.5	41.6
Working Capital, MSEK	–17	20	–17	–29
Working capital as a % of annual sales	–0.7	0.9	–0.7	–1.2
Net Debt, MSEK [2] [3]	27	92	27	12
Gearing ratio, % [3]	2	9	2	1
Net investments in PPE	6	4	21	19
R&D, %	2.3	2.0	2.1	2.1
Number of employees, average	917	945	949	956

[1] For additional information see pages 27–28 and 31.
[2] For additional information see page 12.
[3] For additional information see pages 22–23.

Consolidated income statement in summary – by type of cost

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Net sales	566	603	2,373	2,410
Direct material costs	–266	–283	–1,109	–1,126
Personnel costs	–122	–117	–492	–487
Depreciation, amortisation and write-down of fixed assets [1]	–25	–18	–80	–73
Share of net income in joint venture	6	5	15	14
Other operating income and expenses [1]	–33	–70	–172	–209
Operating income	**126**	**120**	**535**	**529**
Financial income and expense [1]	–5	–5	–14	–14
Earnings before tax	**121**	**115**	**521**	**515**
Taxes	–27	–26	–111	–110
Net income for the period	**94**	**89**	**410**	**405**

[1] For additional information see pages 22–23.

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

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Tooling income	1	–	1	–
Royalty income from joint venture	15	13	55	53
Amortisation of acquisition related surplus values	–10	–9	–38	–37
UK pension benefit, equalisation	–	–	–25	–25
Customer contract provisions	–	–	–4	–4
Other	3	1	11	9
Other operating income and expenses	**9**	**5**	**–**	**–4**

Segment reporting

The Americas segment comprises the Group's operations in the USA and South America. As our operations in India and China remain relatively small in comparison to our Western facilities, Europe & RoW continues to be reported as a single combined segment, in line with our management structure, comprising the Group's operations in Europe (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.

First quarter

	Americas		Europe & RoW		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	250	292	413	406	–97	–95	566	603
External net sales	244	288	394	379	–72	–64	566	603
Operating income before items affecting comparability	37	45	90	77	–1	–2	126	120
Operating income	37	45	90	77	–1	–2	126	120
Operating margin before items affecting comparability, %	15.3	15.5	22.8	20.2	n/a	n/a	22.2	19.9
Operating margin, %	15.3	15.5	22.8	20.2	n/a	n/a	22.2	19.9
Financial income and expense	–	–	–	–	–5	–5	–5	–5
Earnings before tax	37	45	90	77	–6	–7	121	115
Assets	595	544	1,465	1,344	483	310	2,543	2,198
Liabilities	304	296	854	715	199	178	1,357	1,189
Capital employed	337	285	828	897	0	–109	1,165	1,073
ROCE before items affecting comparability, %	72.1	51.6	45.5	30.2	n/a	n/a	53.3	39.1
ROCE, %	71.0	51.9	42.2	35.0	n/a	n/a	50.5	40.0
Net investments in PPE	2	1	31	5	–27	–2	6	4
Depreciation, goodwill and fixed asset write-downs	7	6	18	13	0	–1	25	18
Number of employees, average	328	350	661	659	–72	–64	917	945

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 first quarter was 64 (64) for the Group, with an average of 62 (63) working days for the Americas region and 64 (65) working days for the Europe & RoW region.

Segment External Sales reporting by geographic location of customer

	Jan–Mar							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
USA	213	264	1	–	–	–	214	264
Rest of North America	10	6	3	3	–	–	13	9
South America	8	6	1	1	–	–	9	7
Germany	1	2	102	101	–	–	103	103
UK	4	4	36	20	–	–	40	24
Sweden	–	–	27	29	–	–	27	29
Rest of Europe	2	2	109	96	–	–	111	98
Asia	6	3	43	63	–	–	49	66
Other	–	1	–	2	–	–	–	3
Total Group	**244**	**288**	**322**	**315**	**–**	**–**	**566**	**603**

[1] Excluding the joint venture company Alfdex AB.

Total sales by product groups

	Jan–Mar							
	Americas		Europe & RoW [1]		Elims–Adjs		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Concentric branded engine products	100	162	166	147	–	–	266	309
LICOS branded engine products	–	–	53	61	–	–	53	61
Alfdex branded engine products	–	–	72	64	–72	–64	–	–
Total engine products	100	162	291	272	–72	–64	319	370
Total hydraulics products	144	126	103	107	–	–	247	233
Total Group	**244**	**288**	**394**	**379**	**–72**	**–64**	**566**	**603**

[1] Including the joint venture company Alfdex AB.

Business risks, accounting principles and other information

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2018 Annual Report on pages 6–9 and pages 14–29.

Significant risks and uncertainties

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2018 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2019. Please refer to the Risk and Risk Management section on pages 63–66 of the 2018 Annual Report for further details.

Basis of preparation and accounting policies

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

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2018 Annual Report, except for the changes in accounting principles regarding IFRS 16 – "Leases", described below on page 22–23.

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

New and amended standards and interpretations adopted by the Group

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

IFRS 16 has replaced the previous standard for leases, IAS 17 "Leases", and related Interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. For Concentric, total assets and liabilities have increased as a result of recognising leases on the balance sheet that previously was classified as operational leases. This have affected operating income positively since the entire leasing fee for the period is no longer included in operating income on leases that previously was classified as operational. However, depreciation and financial expenses have increased. Concentric has applied the so called "modified retrospective approach" when transitioning to IFRS 16. Comparatives for 2018 is therefore not restated. The Group has furthermore opted to measure the right of use asset at an amount equal to the lease liability upon transition to IFRS 16 on January 1, 2019. Fixed assets and financial liabilities have increased by MSEK 75 per January 1, 2019 due to the implementation of IFRS 16.

See on pages 22–23 for detailed information of the effects of these new accounting principles.

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

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

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

General information

In the tables below, on pages 22–23, we have only included items that are affected by IFRS 16 for leases.

Changes in consolidated income statement – by function

	New principles	Changes	Old principles
	Jan–Mar 2019	Jan-Mar 2019	Jan-Mar 2019
Cost of goods sold	–382	–	–382
Gross income	**184**	**–**	**184**
Selling expenses	–20	–	–20
Administrative expenses	–40	–	–40
Product development expenses	–13	–	–13
Operating income	**126**	**–**	**126**
Financial income and expenses	–5	–	–5
Earnings before tax	**121**	**–**	**121**
Net income for the period	**94**	**–**	**94**

Consolidated income statement in summary – by type of cost

	New principles	Changes	Old principles
	Jan-Mar 2019	Jan-Mar 2019	Jan-Mar 2019
Direct material costs	–266	–	–266
Depreciation, amortisation and write-down of fixed assets	–25	6	–19
Other operating income and expenses	–33	–6	–39
Operating income	126	–	126
Financial income and expense	–5	–	–5
Earnings before tax	121	–	121
Net income for the period	94	–	94
Key figures:			
Operating margin, %	22.2	–0.1	22.1
EBITDA-margin, %	26.5	–1.1	25.4
Basic earnings per share, SEK	2.43	–	2.43

Changes in the consolidated balance sheet

	New principles 31 Mar 2019	Changes 31 Mar 2019	Old principles 31 Mar 2019
Right of use fixed assets	105	–104	1
Other tangible fixed assets	112	1	113
Long-term receivables	6	–1	5
Total fixed assets	**1,258**	**–104**	**1,154**
Current receivables	332	5	337
Total current assets	**1,285**	**5**	**1,290**
Total assets	**2,543**	**–99**	**2,444**
Long-term liabilities for right of use fixed assets	80	–79	1
Other long-term liabilities	7	3	10
Total long-term liabilities	**809**	**–76**	**733**
Short-term liabilities for right of use fixed assets	23	–23	–
Total short-term liabilities	23	–23	–
Total equity and liabilities	**2,543**	**–99**	**2,444**
Key figures:			
Net debt	27	–102	–75
Gearing ratio, %	2	–8	–6

Consolidated cash flow statement, in summary

	New principles Jan-Mar 2019	Changes Jan-Mar 2019	Old principles Jan-Mar 2019
Earnings before tax	121	–	121
Reversal of depreciation, amortisation and write-down of fixed assets	25	–6	19
Cash flow from operating activities before changes in working capital	***124***	***–6***	***118***
Change in working capital	–22	–	**–22**
Cash flow from operating activities	**102**	**–6**	**96**
Repayments of loans	–6	6	–
Cash flow from financing activities	**–20**	**6**	**–14**
Cash flow for the period	**76**	**–**	**76**

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

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

Right of use assets – by type of assets

	New principles 1 Jan 2019	New principles 31 Mar 2019
Land and building [1]	**75**	**99**
Machinery	**1**	**1**
Vehicles	**3**	**3**
Other	**2**	**2**
Total right of use assets	**81**	**105**

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

Effects of new accounting principles for Leases – IFRS 16

The effects in the income statement are not material (EBIT margin +0.1%; EBITDA margin +1.1%). Cash flow from operating activities was affected with MSEK +6. Other effects per 31 March 2019 were; total assets MSEK +99; net debt MSEK +102; gearing ratio +8%.

The weighted average incremental borrowing rate used to discount the lease liabilities at transition to IFRS 16 on January 1, 2019 was 2.6%.

Parent Company

Net sales and operating income

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

Buy-back and holdings of own shares

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

The company did not repurchase any shares during the first quarter and consequently the total holdings of own shares at the end of the quarter was 1,398,536 (1,329,507), which represented 3.5% (3.3) of the total number of shares.

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

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

The total number of holdings of own shares at 18 April 2019 was 290,836 and the total number of shares in issue was 39,224,100. Consequently the company's total holdings of own shares now represent 0.7% of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT during 2017–2019 are 300,700. Including these shares the company's holdings was 591,536 representing 1.5% of the total number of shares.

Parent Company's income statement

	Jan–Mar		Apr–Mar	Jan–Dec
	2019	2018	2018/19	2018
Net sales	15	13	59	57
Operating costs	–4	–4	–20	–20
Operating income	**11**	**9**	**39**	**37**
Income from shares in subsidiaries	–	–	5	5
Income from shares in joint venture	–	–	2	2
Net foreign exchange rate differences	–68	–42	–112	–86
Other financial income and expense	–5	–2	–13	–10
Earnings before tax	**–62**	**–35**	**–79**	**–52**
Taxes	13	8	16	11
Net income for the period[1]	**–49**	**–27**	**–63**	**–41**

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

Parent Company's balance sheet

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Shares in subsidiaries	3,178	3,175	3,178
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	7	9	6
Deferred tax assets	28	11	16
Total financial fixed assets	**3,223**	**3,205**	**3,210**
Other current receivables	3	4	4
Short-term receivables from subsidiaries	164	169	144
Cash and cash equivalents	502	335	433
Total current assets	**669**	**508**	**581**
Total assets	**3,892**	**3,713**	**3,791**
Total shareholders' equity	**1,395**	**1,740**	**1,444**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	2,281	1,759	1,597
Total long-term liabilities	**2,474**	**1,952**	**2,324**
Short-term loans payable to subsidiaries	16	17	14
Other current liabilities	7	4	9
Total current liabilities	**23**	**21**	**23**
Total equity and liabilities	**3,892**	**3,713**	**3,791**

Parent Company's changes in shareholders' equity

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Opening balance	1,444	1,767	1,767
Net income for the period	–49	–27	–41
Dividend	–	–	–148
Sale of own shares to satisfy LTI options exercised	–	–	12
Buy-back of own shares	–	–	–146
Closing balance	**1,395**	**1,740**	**1,444**

Purpose of report and forward-looking information

Concentric AB (publ) is listed on NASDAQ OMX Stockholm, Mid Cap. The information in this report is of the type that Concentric AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 8.00 CET on 7 May, 2019.

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

Concentric's web site for investors

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

Reporting calendar for 2019

Interim report January – June 2019	24 July, 2019
Interim report January – September 2019	6 November, 2019

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

David Woolley
President and CEO

Stockholm, 7 May, 2019
Concentric AB (publ)

General information

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

Alternative Performance Measures reconciliation

	Jan–Mar			Apr–Mar	Jan–Dec
Underlying EBIT or operating income	2019-new principles	2019-old principles	2018	2018/19	2018
Operating income	**126**	**126**	**120**	**535**	**529**
UK pension benefit, equalisation	–	–	–	25	25
End of Customer contract revenue	–	–	–	–33	–33
End of Customer contract provisions	–	–	–	4	4
Underlying operating income	**126**	**126**	**120**	**531**	**525**
Net Sales	566	566	603	2,373	2,410
Underlying Net Sales	566	566	603	2,340	2,377
Operating margin (%)	**22.2**	**22.1**	**19.9**	**22.5**	**21.9**
Underlying operating margin (%)	**22.2**	**22.1**	**19.9**	**22.7**	**22.1**

	Jan–Mar			Apr–Mar	Jan–Dec
Underlying EBITDA or operating income before amortisation and depreciation	2019-new principles	2019-old principles	2018	2018/19	2018
EBIT or operating income	126	126	120	535	529
Operating amortisation/depreciation	15	10	9	42	36
Amortisation of purchase price allocation	10	10	9	38	37
EBITDA or operating income before amortisation and depreciation	**151**	**146**	**138**	**615**	**602**
Underlying EBITDA or underlying operating income before amortisation and depreciation	**151**	**146**	**138**	**611**	**598**
Net sales	566	566	603	2,373	2,410
Underlying Net Sales	566	566	603	2,340	2,377
EBITDA margin (%)	**26.5**	**25.4**	**22.9**	**25.9**	**25.0**
Underlying EBITDA margin (%)	**26.5**	**25.4**	**22.9**	**26.1**	**25.2**

	Jan–Mar			Apr–Mar	Jan–Dec
Net income before items affecting comparability	2019-new principles	2019-old principles	2018	2018/19	2018
Net income	**94**	**94**	**89**	**410**	**405**
Items affecting comparability after tax	–	–	–	–3	–3
Net income before items affecting comparability	**94**	**94**	**89**	**407**	**402**
Basic average number of shares (000)	38,633	38,633	39,542	39,097	39,322
Basic earnings per share	**2.43**	**2.43**	**2.26**	**10.47**	**10.30**
Basic earnings per share before items affecting comparability	**2.43**	**2.43**	**2.26**	**10.39**	**10.22**

Net debt	31 Mar 2019-new principles	31 Mar 2019-old principles	31 Mar 2018	31 Dec 2018
Pensions and similar obligations	524	524	471	514
Liabilities for right of use fixed assets	103	1	1	1
Long term interest bearing liabilities	175	175	175	175
Short term interest bearing liabilities	5	5	2	5
Total interest bearing liabilities	**807**	**705**	**649**	**695**
Cash and cash equivalents	–780	–780	–557	–683
Total net debt	**27**	**–75**	**92**	**12**
Net debt, excluding pension obligations	**–497**	**–599**	**–379**	**–502**

Capital employed	31 Mar 2019-new principles	31 Mar 2019-old principles	31 Mar 2018	31 Dec 2018
Total assets	**2,543**	**2,444**	**2,198**	**2,234**
Interest bearing financial assets	–6	–6	–6	–5
Cash and cash equivalents	–780	–780	–557	–683
Tax assets	–171	–171	–132	–154
Non interest bearing assets (excl taxes)	**1,586**	**1,487**	**1,503**	**1,392**
Non interest bearing liabilities (incl taxes)	–548	–548	–536	–510
Tax liabilities	127	127	106	120
Non interest bearing liabilities (excl taxes)	**–421**	**–421**	**–430**	**–390**
Total capital employed	**1,165**	**1,066**	**1,073**	**1,002**

Working capital	31 Mar 2019-new principles	31 Mar 2019-old principles	31 Mar 2018	31 Dec 2018
Accounts receivable	262	262	273	215
Other current receivables	69	74	65	69
Inventory	173	173	181	169
Working capital assets	**504**	**509**	**519**	**453**
Accounts payable	–217	–217	–218	–192
Other current payables	–304	–304	–281	–290
Working capital liabilities	**–521**	**–521**	**–499**	**–482**
Total working capital	**–17**	**–12**	**20**	**–29**

Graph data summary

	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Americas									
Sales, MSEK	244	296	315	285	288	258	265	268	264
Book-to-bill, %	92	92	82	103	108	115	88	101	110
Operating income before items affecting comparability, MSEK	37	48	60	33	45	40	40	38	37
Operating margin before items affecting comparability, %	15.3	18.0	18.8	11.5	15.5	15.4	14.9	14.4	13.9
Europe & RoW									
Sales (including Alfdex), MSEK	394	346	367	388	379	302	302	327	335
Book-to-bill, %	97	108	97	94	106	122	99	95	102
Operating income before items affecting comparability, MSEK	90	81	84	94	77	57	58	63	64
Operating margin before items affecting comparability, %	22.8	23.4	22.9	24.4	20.2	18.9	19.2	19.2	19.2
Alfdex eliminations									
Sales, MSEK	–73	–60	–60	–70	–64	–57	–52	–55	–53
Operating income before items affecting comparability, MSEK	–1	7	–2	–1	–1	2	–2	–1	–1
Group									
Sales (excluding Alfdex), MSEK	566	582	622	603	603	503	515	540	546
Book-to-bill, %	95	102	90	97	108	114	93	97	105
Operating income before items affecting comparability, MSEK	126	136	142	126	120	99	96	100	100
Operating margin before items affecting comparability, %	22.2	24.8	22.9	20.9	19.9	19.6	18.7	18.5	18.3
Basic earnings per share, SEK	2.43	2.95	2.74	2.36	2.26	2.08	1.79	1.86	1.83
Return on equity, %	39.5	41.6	40.3	38.1	37.6	37.0	36.5	36.5	34.6
Cash flow from operating activities per share, SEK	2.65	3.44	3.63	3.61	2.80	3.35	1.82	1.90	1.92
Working capital as % of annualised sales	–0.7	–1.2	–2.5	–0.6	0.9	1.7	2.4	2.2	1.9
Net debt, MSEK	27	12	37	132	92	185	315	335	224
Gearing ratio, %	2	1	4	14	9	21	40	42	29
Gearing ratio (excl Pensions), %	–42	–49	–43	–35	–38	–32	–26	–25	–41

Glossary

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

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

Europe & RoW
Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China.

LTI
Long term incentive.

Net investments in fixed assets
Fixed asset additions net of fixed asset disposals and retirements.

OEMs
Original Equipment Manufacturers.

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

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

R&D expenditure
Research and development expenditure.

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Underlying" or "before items affecting comparability"
Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate)
Enabling a comparison of operational business.

Working capital
Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities
Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

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