



Q1

INTERIM REPORT Q1 2022

First quarter 2022

● Net sales

MSEK 934 (432) – reported sales were up +116% year-on-year. After adjusting for the impact of currency (+18%) and EMP (+74%), sales on a like for like basis, in constant currency year-on-year were up +24%.

● Operating income

Operating income was MSEK 166 (95) generating an Operating margin of 17.8% (21.9). The quarter includes a full three months of trading for EMP, diluting Operating margin.

● Net income for the period

MSEK 130 (72); basic EPS of SEK 3.43 (1.90) and diluted EPS of SEK 3.41 (1.89).

● Cash flow from operating activities

Cash flow from operating activities was MSEK 89 (73).

● Group's net debt

MSEK 1,016 (–90); gearing ratio of 59% (–7). Net remeasurement gain on pension liabilities of MSEK 105 and the operating cash generated in the quarter MSEK 89 contributed to the overall quarter-on-quarter reduction to net debt of MSEK 176.

● Arrival of new CEO

New CEO Martin Kunz joined the business on 1 March 2022.

Key figures – Group ¹⁾

MSEK	Jan–Mar		
	2022	2021	Change
Net sales	934	432	116%
Operating income before items affecting comparability	166	95	75%
Operating income	166	95	75%
Earnings before tax	155	87	78%
Net income for the period	130	72	81%
Cash flow from operating activities	89	73	22%
Net debt ²⁾	1,016	–90	–1,229%
Operating margin before items affecting comparability, %	17.8	21.9	–4.1
Operating margin, %	17.8	21.9	–4.1
Basic EPS before items affecting comparability, SEK	3.43	1.90	1.53
Basic EPS, SEK	3.43	1.90	1.53
Diluted EPS, SEK	3.41	1.89	1.52
Return on equity, %	27.9	18.0	9.9
Gearing ratio, %	59	–7	66

1) For additional information see pages 19–20 and 26.

2) For additional information see page 26.



Review of the first quarter

Strong financial performance as our end markets remain strong but the global supply chain continues to struggle to rebalance to the level of demand.

Market and sales development

Our markets continue to remain strong during the first quarter of 2022, whether by end market application or geography, particularly North America. The published market indices suggest the blended market was up +17% year-on-year, with Hydraulics performing a little stronger driven by the off-highway sectors. Sales of heavy-duty trucks in China were down year-on-year by -6% as the region was affected by economic headwinds and a resurgence of Covid-19.

Group sales in constant currency and excluding Engineered Machine Products (EMP) were up +24% year-on-year for the first quarter and reported sales were MSEK 934, up 116%. Most of the major world currencies strengthened against the Swedish Krona during the quarter which resulted in a positive currency impact, increasing sales +18%. Our reported sales this quarter were consistent with our expectation that sales for the first quarter would be broadly similar to sales in the fourth quarter, with the addition of a full quarters trading for EMP.

Sales remain constrained by the global supply chain and Russia's devastating invasion of Ukraine has only hindered the expected recovery of the global supply chain situation. Whilst Concentric has minimal sales into these specific territories and purchases nothing from either region, the war is causing supply issues which continue to increase our customer order backlog. Our production teams remain focused on meeting the true near-term demand from our customers but we now expect the the supply chain disruption to continue for the remainder of 2022.

Operating margins and cash

The business was able to maintain strong operating margins despite further inflationary pressures across most of our purchased components and the cost of energy. This quarter also includes a full trading quarter for EMP, which does have a dilutive effect on group operating margins. We are pleased to report record operating income of MSEK 166 and a strong operating margin for the first quarter of 17.8% (21.9).

Cash and cash equivalents increased modestly in the quarter to MSEK 448 (578) following the reported trading performance and the first loan repayment associated with the EMP acquisition. This level of cash and cash equivalents is more than sufficient to meet our short- and medium-term operational needs.

Electrification – new applications and sectors

Electrification of our markets offers Concentric organic sales growth opportunities and our strategy is to offer e-Products to our customers who seek supplier innovation to help develop zero emission vehicles and machines for the future. Both of our recent press releases demonstrate our technology can be used in new and adjacent sectors, such as mining, or in new high voltage on-highway fuel cell applications.

Reporting structures

Following the acquisition of EMP and an internal organisation and reporting review the Board has decided the business will report by technology segments, namely Engines & Hydraulics, rather than geographical regions, which is consistent with both how the business will be managed and reported internally in the future. The Engine division will include all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulics division will include Concentric and Allied branded hydraulic products. This change is effective from 1 January 2022 and comparative quarterly financial information for 2021 has been restated in an Appendix on pages 22–23.

Outlook

The availability of raw materials and components remains the critical sales constraint and will influence our trading performance during 2022 as will the ongoing inflationary pressures, from the metal indices, energy, freight and other supplier economic price increases. We will continue to pass on these cost increases down the value chain to maintain our strong trading margins.

The war in Ukraine is having an effect on the macro-economic indicators, but it remains too early to predict how this will impact our customers and end markets. Recently published market indices show year-on-year growth forecasts for 2022 have halved to +3%. With our recent acquisition, strong order backlog and focus on electrification opportunities we remain confident that we will outperform the market indices this coming year.

The orders received, and expected to be fulfilled during the second quarter are broadly similar to the reported sales for the first quarter of 2022 and we now expect the majority of the sales order backlog, predominantly relating to our North American businesses, will be supplied to our customers over the remainder of 2022.

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

Martin Kunz

President and CEO

Concentric Group, first quarter figures

Key figures¹⁾

Amounts in MSEK	Jan–Mar			Apr–Mar	Jan–Dec
	2022	2021	Change	2021/22	2021
Net sales	934	432	116%	2,617	2,115
Operating income before items affecting comparability	166	95	75%	514	443
Operating income	166	95	75%	474	403
Earnings before tax	155	87	78%	458	390
Net income for the period	130	72	81%	396	338
Operating margin before items affecting comparability, %	17.8	21.9	-4.1	19.7	20.9
Operating margin, %	17.8	21.9	-4.1	18.2	19.1
ROCE, %	25.9	25.7	0.2	25.9	27.4
Return on equity, %	27.9	18.0	9.9	27.9	26.2
Basic EPS before items affecting comparability, SEK	3.43	1.90	1.53	11.33	9.82
Basic EPS, SEK	3.43	1.90	1.53	10.43	8.91
Diluted EPS, SEK	3.41	1.89	1.52	10.39	8.88

1) For additional information see pages 19–20 and 26.

Sales

Reported net sales for the first quarter were up year-on-year by +116%. After adjusting for the impact of currency (+18%) and the impact of the EMP acquisition (+74%), sales in constant currency were up +24%.

Year-on-year sales are strong across both Operating segments as the market continues with a sustained high level of demand. Engines and Hydraulics underlying sales are up 14% and 33% respectively in constant currency driven by the strength of the off-highway end markets. Group order intake remains strong, as seen in the book-to-bill ratio of 105%.

Sales of electric products were MSEK 134 in the first quarter, representing 14% of total sales.

Operating income

Strong operating income in the first quarter of MSEK 166 (95) resulted in an Operating margin of 17.8% (21.9). This lower margin reflects the first quarter with a full three months of EMP trading and the corresponding amortisation and depreciation on the fair value adjustments, a cost of MSEK 15.

Total income in the quarter from our joint venture (JV) Alfdex was MSEK 24 (23) as the Chinese market slows, offsetting a buoyant European and US Truck market.

Net financial items

Net financial income and expense for the first quarter was MSEK -11 (-8), this comprised of pension financial expense of MSEK -5 (-5), interest expenses for right of use assets MSEK -1 (-1), interest on the loan of -6 (nil) and net other financial income MSEK 1 (-2).

Taxes

The reported effective tax rate for the first quarter was 16% (17). This tax rate reflects 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 quarter was SEK 3.43 (1.90), up SEK 1.53 per share. The diluted earnings per share for the first quarter was SEK 3.41 (1.89), up SEK 1.52.

Cash flow from operating activities

The reported cash inflow from operating activities for the first quarter amounted to MSEK 89 (73), a cash conversion ratio of 63% (114), which represents SEK 2.37 (1.91) per share.

Working capital

Total working capital at 31 March 2022 was MSEK 339 (7), which represented 12.9% (0.5) of annual sales. Inventory increased by a further MSEK 41 due to the continued supply chain disruption.

Net debt and gearing

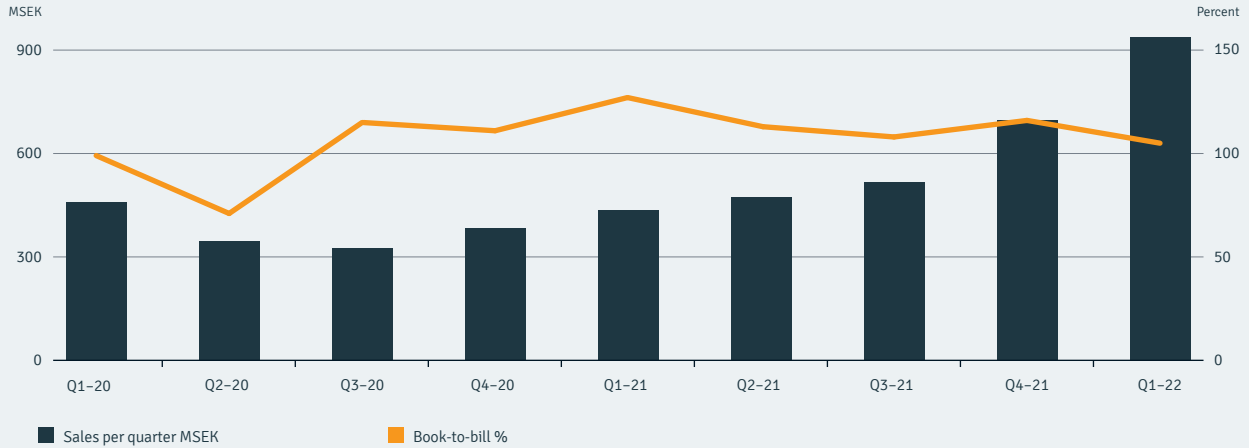
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, a net remeasurement gain was taken in the first quarter of MSEK 105.

Overall, the Group's net debt at 31 March 2022 was MSEK 1,016 (-90), comprising interest bearing liabilities MSEK 1,129 (nil), liabilities for right of use assets MSEK 121 (133) and net pension liabilities of MSEK 214 (355), net of cash amounting to MSEK 448 (578). Shareholders' equity amounted to MSEK 1,731 (1,312), resulting in a gearing ratio of 59% (-7) at the end of the first quarter.

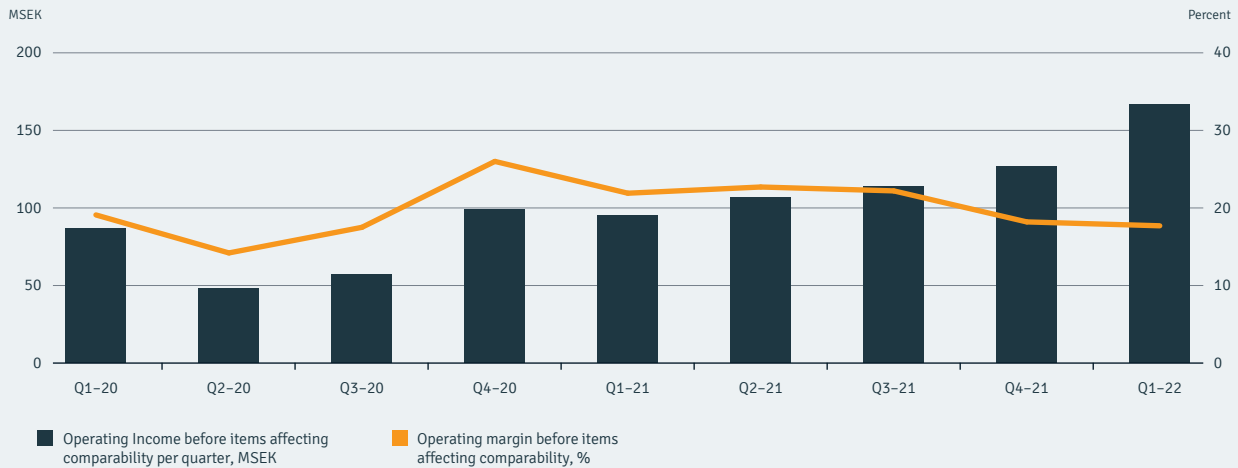
On 21 April 2022, the AGM resolved on the proposed dividend for the financial year 2021 of SEK 3.75, totalling MSEK 142.

Graphs – Concentric Group

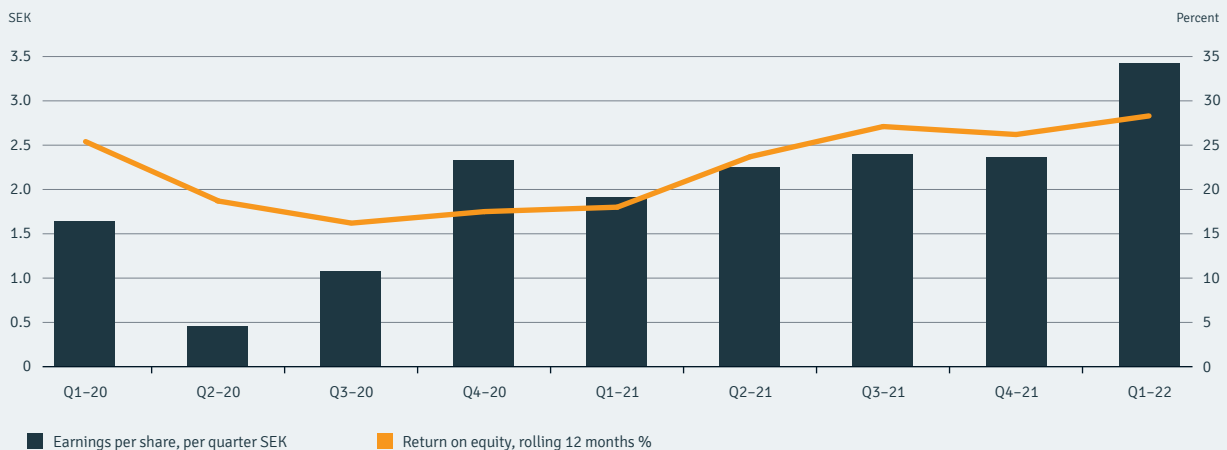
Sales and book-to-bill



Underlying operating income and margins



Earnings per share and return on equity



Engines

Financial Performance

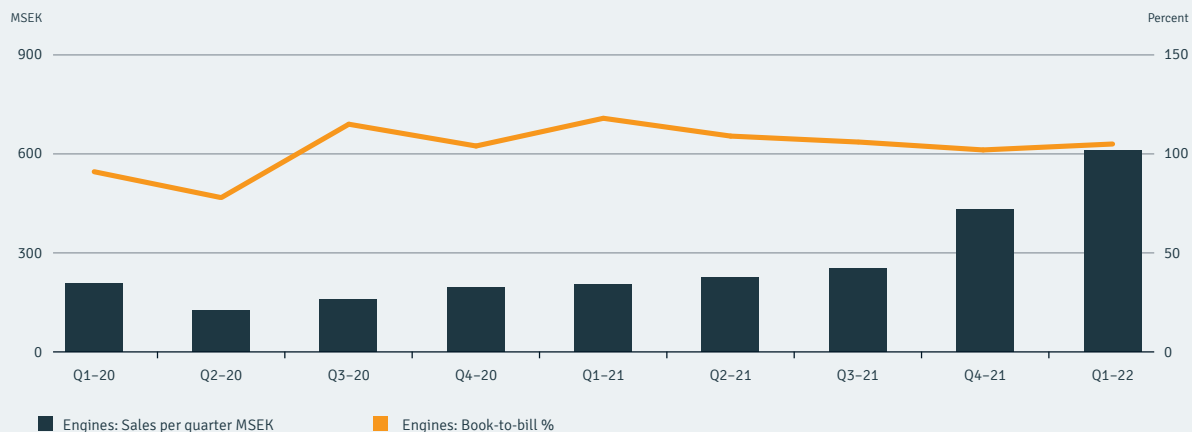
Amounts in MSEK	Jan-Mar			Apr-Mar	Jan-Dec
	2022	2021	Change	2021/22	2021
External net sales	608	205	197%	1,518	1,115
Operating income before items affecting comparability	108	63	71%	334	289
Operating income	108	63	71%	334	289
Operating margin before items affecting comparability, %	17.9	30.8	-13.0	22.0	25.9
Operating margin, %	17.9	30.8	-13.0	22.0	25.9
ROCE, %	21.4	20.1	1.3	21.4	24.2

Reported sales for the first quarter were up year-on-year by 196%. After adjusting for the impact of currency (+26%) and the acquisition of EMP (+156%), underlying sales in constant currency were up 14%.

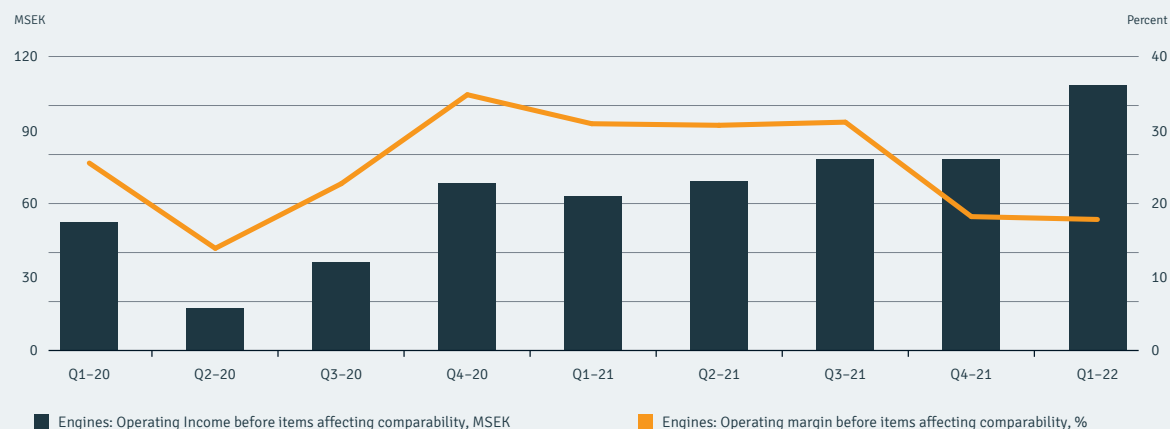
In the first quarter, sales across all end markets showed growth of more than 10% with sales to the industrial applications market particularly strong, growing by 70%. Order intake remained strong with a book-to-bill ratio of 105% (118).

Operating Income in the first quarter was MSEK 108 (63) resulting in an Operating margin of 17.9% (30.8). This includes Operating income from Concentric branded Engines products, all Licos and EMP branded products and the royalties and share of net income from our JV, Alfdex. The year-on-year margin decrease is a result of the mix change following the acquisition of EMP.

Sales and book-to-bill



Underlying operating income and margins



Hydraulics

Financial Performance

Amounts in MSEK	Jan-Mar			Apr-Mar	Jan-Dec
	2022	2021	Change	2021/22	2021
External net sales	326	227	44%	1,099	1,000
Operating income before items affecting comparability	58	32	81%	180	154
Operating income	58	32	81%	180	154
Operating margin before items affecting comparability, %	17.7	13.8	3.9	16.4	15.4
Operating margin, %	17.7	13.8	3.9	16.4	15.4
ROCE, %	105.9	166.1	-60.2	105.9	113.2

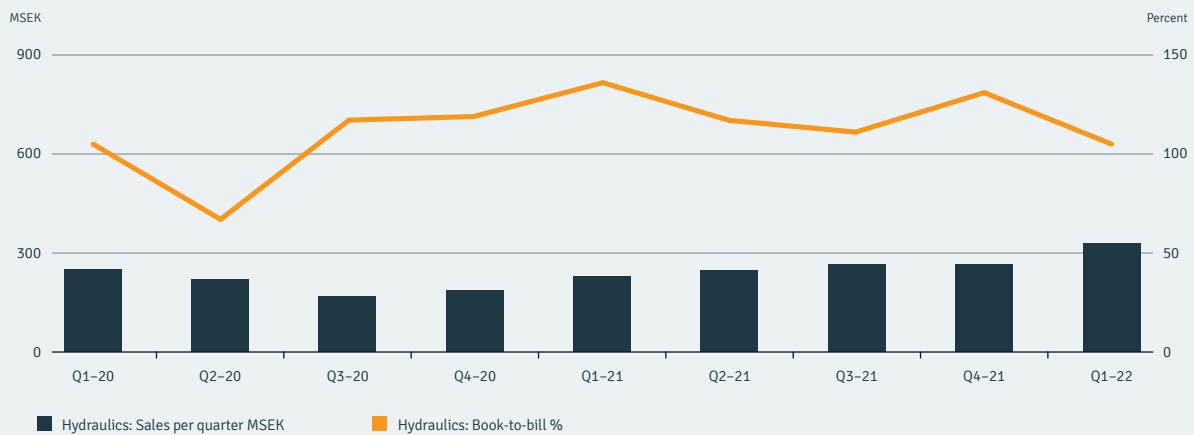
Reported sales for the first quarter were up year-on-year by 44%. After adjusting for the impact of currency (+11%) sales in constant currency were up 33%.

Demand for Hydraulics products was strong across agricultural machinery, construction equipment and industrial applications

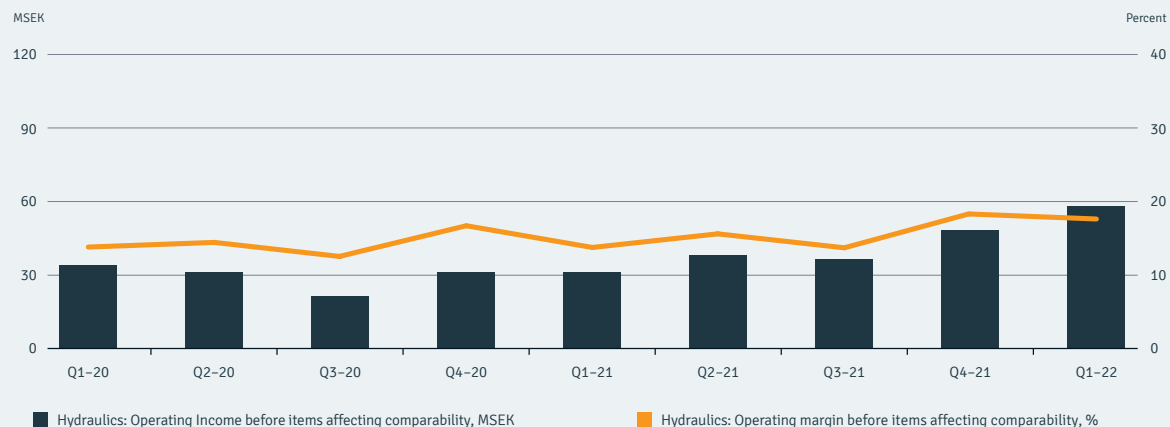
while trucks continued to show growth. Like Engines, order intake remained strong, resulting in a book-to-bill ratio of 105% (136).

The Operating income in the first quarter was MSEK 58 (31) and an Operating margin of 17.7% (13.8) resulting from the growth in sales whilst maintaining cost control.

Sales and book-to-bill



Underlying operating income and margins



Market development

Both our Engines and Hydraulics operating segments have grown year-on-year and continue to experience strong order intake.

Engines end-markets

AMERICAS

- Engines sales in to the Americas region have increased in the first quarter by 71% year-on-year excluding the impact of EMP. Agricultural machinery, Construction equipment and Industrial applications all showed strong growth with sales to the Agricultural machinery and Industrial applications markets both growing by more than 100%. Sales to the Truck market experienced a small decline.

EUROPE & ROW

- Engines sales in the first quarter in to the Europe and RoW region have increased 20% year-on-year. The market continues to be strong across all product sectors as sales have grown by more than 10% across each end market sector.

TOTAL ENGINES

- Overall, Engines sales have increased 14% across all end-markets and regions excluding the impact of EMP.

All sales figures above are quoted in constant currency.

Hydraulics end-markets

AMERICAS

- Hydraulics sales in the Americas region have increased in the first quarter by 34% year-on-year. Sales to the Agricultural machinery, Construction equipment and Industrial applications markets all experienced strong growth whilst, like Engines, sales to the Truck market experiences a small decline.

EUROPE & ROW

- Hydraulics sales in the first quarter increased 23% year-on-year in the Europe & Row region. Double digit growth was experienced across all four end markets with the Industrial applications end market performing particularly strong.

TOTAL HYDRAULICS

- The overall Hydraulics growth was 33% driven by the growth in off-highway end markets.

Consolidated sales development

	Q1-22 vs. Q1-21			FY-22 vs. FY-21		
	Engines	Hydraulics	Group	Engines	Hydraulics	Group
Market – weighted average ¹⁾	16%	19%	17%	7%	-1%	3%
Actual – constant currency ²⁾	14%	33%	24%			

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

Overall, market indices suggest production rates, blended to the Group's end-markets and regions, shows the market increased +17% in the first quarter. Actual sales in constant currency for the first quarter were up +24% year-on-year in constant currency, excluding the impact of the EMP acquisition. As noted in previous quarters, there is greater volatility than we would

normally expect and market indices tend to have timing differences compared with the Group's order intake.

The current published forecast market indices for 2022 show growth of 3% year-on-year, half the previous forecast. The market indices, blended to our Engines division is forecast to grow 7% whilst Hydraulics is forecast to decrease -1%.

Financial statements – Group

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
	2022	2021	2021/22	2021
Net sales	934	432	2,617	2,115
Cost of goods sold	-675	-296	-1,874	-1,495
Gross income	259	136	743	620
Selling expenses	-25	-12	-73	-60
Administrative expenses	-57	-38	-178	-159
Product development expenses	-20	-8	-49	-37
Share of net income in joint venture	17	17	81	81
Other operating income and expenses	-8	–	-50	-42
Operating income	166	95	474	403
Financial income and expenses	-11	-8	-16	-13
Earnings before tax	155	87	458	390
Taxes	-25	-15	-62	-52
Net income for the period	130	72	396	338
Parent Company shareholders	130	72	396	338
Non-controlling interest	–	–	–	–
Basic earnings per share, before items affecting comparability, SEK	3.43	1.90	11.35	9.82
Basic earnings per share, SEK	3.43	1.90	10.43	8.91
Diluted earnings per share, SEK	3.41	1.89	10.39	8.88
Basic average number of shares (000)	37,930	37,870	37,917	37,902
Diluted average number of shares (000)	38,097	37,984	38,057	38,020

Consolidated statement of comprehensive income

	Jan–Mar		Apr–Mar	Jan–Dec
	2022	2021	2021/22	2021
Net income for the period	130	72	396	338
Other comprehensive income				
<i>Items that will not be reclassified to the income statement</i>				
Net remeasurement gains and losses	143	115	109	81
Tax on net remeasurement gains and losses	-38	-26	-36	-24
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	-8	-40	-21	-53
Tax arising from exchange rate differences related to liabilities to foreign operations	2	9	4	11
Cash-flow hedging	15	3	15	3
Tax arising from cash-flow hedging	-3	–	-4	-1
Share of OCI related to joint venture	3	3	9	9
Foreign currency translation differences	22	108	67	153
Total other comprehensive income	136	172	143	179
Total comprehensive income	266	244	539	517

Consolidated balance sheet

	31 Mar 2022	31 Mar 2021	31 Dec 2021
Goodwill	1,325	695	1,303
Other intangible fixed assets	439	109	447
Right of use fixed assets	108	122	112
Tangible fixed assets	435	90	430
Share of net assets in joint venture	136	92	116
Deferred tax assets	79	95	98
Long-term receivables, joint venture	–	25	–
Other long-term receivables	19	3	4
Total fixed assets	2,541	1,231	2,510
Inventories	423	142	382
Current receivables	562	297	451
Current receivables, joint venture	3	–	–
Cash and cash equivalents	448	578	440
Total current assets	1,436	1,017	1,273
Total assets	3,977	2,248	3,783
Total Shareholders' equity	1,728	1,312	1,462
Pensions and similar obligations	214	355	361
Deferred tax liabilities	133	15	131
Long-term liabilities for right of use fixed assets	101	115	105
Other long-term interest-bearing liabilities	782	–	791
Other long-term liabilities	3	4	5
Total long-term liabilities	1,233	489	1,393
Short-term liabilities for right of use fixed assets	20	18	20
Other short-term interest-bearing liabilities	347	–	355
Other current liabilities	649	429	553
Total current liabilities	1,016	447	928
Total equity and liabilities	3,977	2,248	3,783

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 18 (3), and the fair value of derivative instruments that were liabilities was MSEK 0 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity

	31 Mar 2022	31 Mar 2021	31 Dec 2021
Opening balance	1,462	1,067	1,067
Net income for the period	130	72	338
Other comprehensive income	136	172	179
Total comprehensive income	266	244	517
Dividend	–	–	–133
Own share buy-backs	–	–	–
Sale of own shares to satisfy LTI – options exercised	–	–	8
Long-term incentive plan	–	1	3
Closing balance	1,728	1,312	1,462

Consolidated cash flow statement, in summary

	Jan–Mar		Apr–Mar	Jan–Dec
	2022	2021	2021/22	2021
Earnings before tax	155	87	458	390
Reversal of depreciation and amortisation of fixed assets	45	21	122	98
Reversal of net income from joint venture	–17	–17	–81	–81
Reversal of other non-cash items	3	2	45	44
Taxes paid	–19	–16	–57	–54
Cash flow from operating activities before changes in working capital	167	77	487	397
Change in working capital	–78	–4	–211	–137
Cash flow from operating activities	89	73	276	260
Investments in subsidiaries	–16	–	–1,222	–1,206
Closure of subsidiary	–	–4	–35	–21
Net investments in property, plant and equipment	–18	–	–22	–22
New loans paid to joint venture	–	–	–	–
Loans repayment from joint venture	–	–	25	25
Other repayment of long-term receivables	–	1	–1	–
Net cash flow from long term receivables	–	1	24	25
Cash flow from investing activities	–34	–3	–1,255	–1,224
Dividend	–	–	–133	–133
Dividend received from joint venture	–	–	46	46
Selling of own shares to satisfy LTI – options exercised	–	–	8	8
New loans	–	–	1,073	1,073
Repayment of loans	–30	–5	–77	–52
Pension payments and other cash flows from financing activities	–21	–12	–74	–65
Cash flow from financing activities	–51	–17	843	877
Cash flow for the period	4	53	–136	–87
Cash and bank assets, opening balance	440	505	578	505
Exchange-rate difference in cash and bank assets	4	20	6	22
Cash and bank assets, closing balance	448	578	448	505

Group notes

Data per share

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Basic earnings per share before items affecting comparability, SEK	3.43	1.90	11.35	9.82
Basic earnings per share, SEK	3.43	1.90	10.43	8.91
Diluted earnings per share, SEK	3.41	1.89	10.39	8.88
Equity per share, SEK	45.57	34.64	45.57	38.54
Cash-flow from current operations per share, SEK	2.37	1.91	7.02	6.89
Basic weighted average no. of shares (000's)	37,930	37,870	37,917	37,902
Diluted weighted average no. of shares (000's)	38,097	37,984	38,057	38,020
Number of shares at period-end (000's)	37,930	37,870	37,930	37,930

Key figures¹⁾

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Sales growth, %	116	-5	n/a	41
Sales growth, constant currency, % ²⁾	24	—	n/a	31
EBITDA margin before items affecting comparability, %	22.6	26.7	23.4	25.6
EBITDA margin, %	22.6	26.7	22.8	23.7
Operating margin before items affecting comparability, %	17.8	21.9	19.7	20.9
Operating margin, %	17.8	21.9	18.2	19.1
Capital employed, MSEK	2,889	1,165	2,889	2,749
ROCE before items affecting comparability, %	28.1	27.1	28.1	30.1
ROCE, %	25.9	25.7	25.9	27.4
ROE, %	27.9	18.0	27.9	26.2
Working capital, MSEK	339	7	339	278
Working capital as a % of annual sales	12.9	0.5	12.9	13.1
Net debt, MSEK ³⁾	1,016	-90	1,016	1,192
Gearing ratio, %	59	-7	59	82
Net investments in PPE	18	4	35	21
R&D, %	2.2	1.8	1.9	1.7
Number of employees, average	1,183	707	930	817

1) For additional information see pages 19-20 and 26.

2) Sales growth excludes the impact of any acquisitions or divestments. For additional information see page 26.

3) For additional information see page 20.

Consolidated income statement in summary – by type of cost

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Net sales	934	432	2,617	2,115
Direct material costs	-455	-202	-1,290	-1,037
Personnel costs	-203	-97	-576	-470
Depreciation and amortisation of fixed assets	-45	-21	-122	-98
Share of net income in joint venture	17	17	81	81
Other operating income and expenses	-82	-34	-236	-188
Operating income	166	95	474	403
Financial income and expense	-11	-8	-16	-13
Earnings before tax	155	87	458	390
Taxes	-25	-15	-62	-52
Net income for the period	130	72	396	338

Other operating income and expenses (refers to Income Statement on page 8)

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Tooling income	2	1	11	10
Royalty income from joint venture	7	6	25	24
Amortisation of acquisition related surplus values	-18	-9	-51	-42
UK pension benefit equalisation	-	-	-	-
Impairment in subsidiary	-	-	-22	-22
Acquisition costs	-	-	-18	-18
Restructuring cost	-	-	-	-
Other	1	2	5	6
Other operating income and expenses	-8	-	-50	-42

Segment reporting

The Engines segment comprises all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulics division includes all Concentric and Allied branded hydraulic products. This reporting structure is effective from 1 January 2022 and is in line with our management structure. 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.

Equity accounting is used for the consolidation of our joint venture, Alfdex, within the Engines segment reporting, in line with IFRS 11.

	Engines		Hydraulics		Elims/Adjs		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
First quarter								
Total net sales	610	208	326	227	-2	-3	934	432
External net sales	608	205	326	227	-	-	934	432
Operating income before items affecting comparability	108	63	58	32	-	-	166	95
Operating income	108	63	58	32	-	-	166	95
Operating margin before items affecting comparability, %	17.9	30.8	17.7	13.8	n/a	n/a	17.8	21.9
Operating margin, %	17.9	30.8	17.7	13.8	n/a	n/a	17.8	21.9
Financial income and expense	-	-	-	-	-11	-8	-11	-8
Earnings before tax	108	63	58	32	-11	-8	155	87
Assets	3,080	1,296	580	467	317	485	3,977	2,248
Liabilities	545	378	503	465	1,201	93	2,249	936
Capital employed	2,632	890	266	115	-9	160	2,889	1,165
ROCE before items affecting comparability, %	21.4	21.0	105.9	177.6	n/a	n/a	28.1	27.1
ROCE, %	21.4	20.1	105.9	166.1	n/a	n/a	25.9	25.7
Net investments in PPE	17	2	1	1	-	-	18	3
Depreciation and amortisation of fixed assets	41	16	4	5	-	-	45	21
Number of employees, average	818	398	365	309	-	-	1,183	707

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 65 (63) for the Group, with an average of 66 (65) working days for the Engines segment and 63 (62) working days for the Hydraulics segment.

Segment External Sales reporting by geographic location of customer

First quarter	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
USA	366	35	151	104	517	139
Rest of North America	27	5	4	1	31	6
South America	—	6	1	1	1	7
Germany	56	47	52	39	108	86
UK	43	26	15	9	58	35
Sweden	10	8	19	15	29	23
Rest of Europe	65	57	41	26	106	83
Asia	32	15	40	31	72	46
Other	9	6	3	1	12	7
Total Group	608	205	326	227	934	432

Total sales by product groups

First quarter	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
Concentric branded products	230	150	326	227	556	377
EMP branded products	320	—	—	—	320	—
LICOS branded products	58	55	—	—	58	55
Total Group	608	205	326	227	934	432

Total sales by end-markets

First quarter	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
Trucks	203	89	52	43	255	132
Construction	207	50	125	84	332	134
Industrial	66	32	103	67	169	99
Agriculture	132	34	46	33	178	67
Total Group	608	205	326	227	934	432

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, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2021 Annual Report on pages 10–15 and pages 18–27.

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 COVID-19 pandemic has had a significant effect on the global economy and the demand for the Group's products and services. With the high uncertainty surrounding the situation and potential initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Group for the coming quarters. As of March 31, there is no significant impact on any balance sheet items.

The Company continues to closely follow the situation in Russia and Ukraine. While sales and purchases in this region are not material to the Group, escalations in the conflict could impact the wider regional and global economies, including our end markets.

Otherwise 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 2021 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2022. Please refer to the Risk and Risk Management section on pages 67–71 of the 2021 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 2021 Annual Report.

Concentric closed its operations in Argentina in January 2022. Since 2018, Argentina has been a hyperinflationary economy under the criteria in IAS 29. Concentric has assessed the impact of making the adjustments required by IAS 29 and has concluded that the impact on the Group's financial statements is non-material due to the limited extent of the operations in Argentina compared with the Group as a whole.

New standards, amendments and interpretations to existing standards 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.

Financial Statements – Parent Company

Net sales and operating income

Net sales for the first quarter reflected mostly the royalty income received from the joint venture, Alfdex AB, generating an operating profit of MSEK 2 (2).

Net financial items and earnings before tax

Exchange rate losses on foreign liabilities to subsidiaries was MSEK -8 (-40) in the quarter, and the remaining financial items netted to MSEK -7 (-), depending on increased interest cost on the new credit facilities signed in Q4 2021, in relation to the acquisition of EMP. Accordingly, earnings before tax was a loss of MSEK -13 (-38) for the first quarter.

Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2022 was 115,965 (123,255) and shares transferred to an Employee Share Ownership Trust (“ESOT”) was 251,727 (304,812).

Including these shares the Company’s holdings was 367,692 (428,067) and the total number of shares in issue was 38,297,600 (38,297,600). The Company has not repurchased or sold any own shares during the first quarter. No transfer to or from the ESOT in this quarter. Consequently, the company’s holdings of own shares represent 0.3% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings represent 1.0% (1.1) of the total number of shares.

Dividend

On 21 April 2022, the AGM resolved on the proposed dividend for the financial year 2021 of SEK 3.75 per share, totaling MSEK 142.

Parent Company’s income statement

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Net sales	8	7	29	28
Operating costs	-6	-5	-27	-26
Other operating expenses	-	-	-4	-4
Operating income	2	2	-2	-2
Income from shares in subsidiaries	-	-	-5	-5
Income from shares in joint venture	-	-	46	46
Net foreign exchange rate differences	-8	-40	-21	-53
Other financial income and expense	-6	1	-13	-6
Earnings before tax	-13	-38	5	-20
Taxes	1	8	3	10
Net income for the period¹⁾	-11	-30	9	-10

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 2022	31 Mar 2021	31 Dec 2021
Shares in subsidiaries	4,243	3,149	4,243
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	1,014	1	1,017
Long-term loans receivable from joint venture	–	25	–
Deferred tax assets	12	8	11
Total financial fixed assets	5,279	3,193	5,281
Other current receivables	9	2	10
Short-term receivables from subsidiaries	127	7	128
Short-term receivables from joint venture	3	–	–
Cash and cash equivalents	289	446	290
Total current assets	428	455	428
Total assets	5,707	3,648	5,709
Total shareholders' equity	2,331	2,447	2,342
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	782	–	791
Long-term loans payable to subsidiaries	2,018	1,134	1,987
Total long-term liabilities	2,818	1,152	2,796
Short-term loans payable to subsidiaries	205	43	221
Short-term interest-bearing liabilities	347	–	340
Other current liabilities	6	6	10
Total current liabilities	558	49	571
Total equity and liabilities	5,707	3,648	5,709

Parent Company's changes in shareholders' equity

	31 Mar 2022	31 Mar 2021	31 Dec 2021
Opening balance	2,342	2,477	2,477
Net income for the period	–11	–30	–10
Dividend	–	–	–133
Sale of own shares to satisfy LTI options exercised	–	–	8
Buy-back of own shares	–	–	–
Closing balance	2,331	2,447	2,342

Other information

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 4 May, 2022.

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

Interim Report January–June 2022	26 July, 2022
Interim Report January–September 2022	2 November, 2022

Further information:

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

Corporate Registration Number 556828-4995

Stockholm 4 May, 2022

Martin Kunz
President and CEO

This Interim Report has not been reviewed by the company's auditors.

Alternative Performance Measures reconciliation

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Underlying EBIT or operating income				
EBIT or operating income	166	95	474	403
Items affecting comparability:				
UK pension benefit, equalisation	—	—	—	—
Impairment in subsidiary	—	—	22	22
Acquisition cost	—	—	18	18
Restructuring costs	—	—	—	—
Underlying operating income	166	95	514	443
Net sales	934	432	2,617	2,115
Operating margin (%)	17.8	21.9	18.2	19.1
Underlying operating margin (%)	17.8	21.9	19.7	20.9

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Underlying EBITDA or operating income before amortisation and depreciation				
EBIT or operating income	166	95	474	403
Operating amortisation/depreciation	27	12	71	56
Amortisation of purchase price allocation	18	9	51	42
EBITDA or operating income before amortisation and depreciation	211	116	596	501
UK pension benefit, equalisation	—	—	—	—
Impairment in subsidiary	—	—	22	22
Acquisition cost	—	—	18	18
Restructuring costs	—	—	—	—
Underlying EBITDA or underlying operating income before amortisation and depreciation	211	116	636	541
Net sales	934	432	2,617	2,115
EBITDA margin (%)	22.6	26.7	22.8	23.7
Underlying EBITDA margin (%)	22.6	26.7	24.3	25.6

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Net income before items affecting comparability				
Net income	130	72	396	338
Items affecting comparability after tax	—	—	35	35
Net income before items affecting comparability	130	72	431	373
Basic average number of shares (000)	37,930	37,870	37,917	37,902
Basic earnings per share	3.43	1.90	10.43	8.91
Basic earnings per share before items affecting comparability	3.43	1.90	11.35	9.82

CONCENTRIC INTERIM REPORT Q1 2022
ALTERNATIVE PERFORMANCE MEASURES

	Jan-Mar		Apr-Mar	Jan-Dec
	2022	2021	2021/22	2021
Cash Conversion				
Cash flow from operating activities	89	73	276	260
Payments for financial transactions	6	3	8	2
Tax payments	19	16	57	54
Net investments in property, plant and equipment	-18	-4	-35	-21
Adjustment for royalty from joint-venture (Alfdex)	-7	-6	-25	-24
Operating Cash	89	82	281	271
Operating income	166	95	474	403
Adjustment for EMP acquisition related costs and for closure costs of facility in Argentina	-	-	40	40
Adjustment for royalty from joint-venture (Alfdex)	-7	-6	-25	-24
Adjustments for share in profit in joint-venture (Alfdex)	-17	-17	-81	-81
Adjusted Operating income	142	72	408	338
Cash conversion (%)	62.7	113.9	68.9	80.2

	31 Mar 2022	31 Mar 2021	31 Dec 2021
Net debt			
Pensions and similar obligations	214	355	361
Liabilities for right of use fixed assets	121	133	125
Other long term interest bearing liabilities	782	-	791
Other short term interest bearing liabilities	347	-	355
Total interest bearing liabilities	1,464	488	1,632
Cash and cash equivalents	-448	-578	-440
Total net debt	1,016	-90	1,192
Net debt, excluding pension obligations	802	-445	831

	31 Mar 2022	31 Mar 2021	31 Dec 2021
Capital employed			
Total assets	3,977	2,248	3,783
Interest bearing financial assets	-4	-28	-4
Cash and cash equivalents	-448	-578	-440
Tax assets	-79	-123	-103
Non interest bearing assets (excl taxes)	3,446	1,519	3,236
Non interest bearing liabilities (incl taxes)	-784	-446	-688
Tax liabilities	227	92	201
Non interest bearing liabilities (excl taxes)	-557	-354	-487
Total capital employed	2,889	1,165	2,749

	31 Mar 2022	31 Mar 2021	31 Dec 2021
Working capital			
Accounts receivable	514	227	393
Other current receivables	50	67	56
Inventory	423	142	382
Working capital assets	987	436	831
Accounts payable	-365	-207	-313
Other current payables	-283	-222	-240
Working capital liabilities	-648	-429	-553
Total working capital	339	7	278

Graph data summary

	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Engines									
Sales, MSEK	608	431	252	226	205	195	159	124	206
Book-to-bill, %	105	102	106	109	118	104	115	78	91
Operating income before items affecting comparability, MSEK	108	78	78	69	63	68	36	17	52
Operating margin before items affecting comparability, %	17.9	18.2	31.0	30.6	30.8	34.8	22.7	13.9	25.5
Hydraulics									
Sales, MSEK	326	264	263	246	227	185	165	219	250
Book-to-bill, %	105	131	111	117	136	119	117	67	105
Operating income before items affecting comparability, MSEK	58	48	36	38	31	31	21	31	34
Operating margin before items affecting comparability, %	17.7	18.3	13.7	15.6	13.8	16.7	12.5	14.4	13.8

	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Group									
Sales, MSEK	934	695	515	473	432	380	325	342	456
Book-to-bill, %	105	114	108	107	127	112	115	79	94
Operating income before items affecting comparability, MSEK	166	127	114	107	95	99	57	48	87
Operating margin before items affecting comparability, %	17.7	18.2	22.2	22.7	21.9	26.0	17.5	14.2	19.1
Basic earnings per share, SEK	3.42	2.36	2.39	2.25	1.90	2.32	1.06	0.44	1.60
Return on equity, %	27.9	26.2	27.1	23.7	18.0	17.5	16.2	18.7	25.4
Cash flow from operating activities per share, SEK	2.37	2.97	1.79	2.01	1.91	3.09	1.36	2.30	2.15
Working capital as % of annualised sales	12.9	13.1	3.3	1.3	0.5	-0.3	-2.0	-2.2	1.2
Net debt, MSEK	1,016	1,192	-136	22	-90	86	-69	-67	27
Gearing ratio, %	59	82	-10	-2	-7	8	-6	-6	2
Gearing ratio (excl Pensions), %	49	57	-36	-30	-34	-35	-43	-45	-38

Restatement of Segment Reporting

Following the acquisition of EMP and an internal organisation and reporting review, the Board has decided the business will report by technology segments, namely Engines & Hydraulics, rather than geographical regions, which is consistent with both how the business will be managed and reported internally in the future. The Engine division will include all Concentric, Licos and EMP

branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulics division will include Concentric and Allied branded hydraulic products. This change is effective from 1 January 2022 and comparative quarterly financial information for 2021 has been restated below.



1 January–31 March 2021	Engines	Hydraulics	Elims/Adjs	Group
Total net sales	208	227	-3	432
External net sales	205	227	–	432
Operating income before items affecting comparability	63	32	–	95
Operating income	63	32	–	95
Operating margin before items affecting comparability, %	30.8	13.8	n/a	21.9
Operating margin, %	30.8	13.8	n/a	21.9
Financial income and expense	–	–	-8	-8
Earnings before tax	63	31	-7	87
Assets	1,321	467	460	2,248
Liabilities	378	465	93	936
Capital employed	890	115	160	1,165
ROCE before items affecting comparability, %	21.0	177.6	n/a	27.1
ROCE, %	20.1	166.1	n/a	25.7
Net investments in PPE	3	1	–	4
Depreciation, goodwill and fixed asset write-downs	16	5	–	21
Number of employees, average	399	310	–	707

1 January–30 June 2021	Second quarter				January–June			
	Engines	Hydraulics	Elims/Adjs	Group	Engines	Hydraulics	Elims/Adjs	Group
Total net sales	229	247	-3	473	437	474	-6	905
External net sales	226	247	–	473	431	474	–	905
Operating income before items affecting comparability	69	38	–	107	132	70	–	202
Operating income	69	38	–	107	132	70	–	202
Operating margin before items affecting comparability, %	30.5	15.6	n/a	22.7	30.7	14.7	n/a	22.3
Operating margin, %	30.5	15.6	n/a	22.7	30.7	14.7	n/a	22.3
Financial income and expense	–	–	-5	-5	–	–	-13	-13
Earnings before tax	69	39	-6	102	132	70	-13	189
Assets	1,311	445	413	2,169	1,311	445	413	2,169
Liabilities	354	433	144	931	354	433	144	931
Capital employed	907	122	140	1,169	907	122	140	1,169
ROCE before items affecting comparability, %	27.1	154.1	n/a	32.5	27.1	154.1	n/a	32.5
ROCE, %	26.2	144.8	n/a	32.9	26.2	144.8	n/a	32.9
Net investments in PPE	5	–	–	5	8	1	–	9
Depreciation, goodwill and fixed asset write-downs	16	5	–	21	32	10	–	42
Number of employees, average	422	332	–	754	410	319	–	729

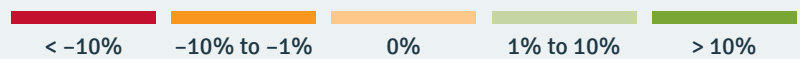
CONCENTRIC INTERIM REPORT Q1 2022
RESTATEMENT OF SEGMENT REPORTING

1 January–30 September 2021	Third quarter				January–September			
	Engines	Hydraulics	Elims/Adjs	Group	Engines	Hydraulics	Elims/Adjs	Group
Total net sales	254	263	-2	515	691	737	-8	1,420
External net sales	252	263	—	515	683	737	—	1,420
Operating income before items affecting comparability	78	36	—	114	210	106	—	316
Operating income	78	36	—	114	210	106	—	316
Operating margin before items affecting comparability, %	31.1	13.7	n/a	22.2	30.8	14.4	n/a	22.3
Operating margin, %	31.1	13.7	n/a	22.2	30.8	14.4	n/a	22.3
Financial income and expense	—	—	-4	-4	—	—	-17	-17
Earnings before tax	78	36	-4	110	210	106	-17	299
Assets	1,312	502	500	2,314	1,312	502	500	2,314
Liabilities	369	487	104	960	369	487	104	960
Capital employed	910	144	133	1,187	910	144	133	1,187
ROCE before items affecting comparability, %	31.6	135.6	n/a	36.7	31.6	135.6	n/a	36.7
ROCE, %	31.3	134.0	n/a	37.1	31.3	134.0	n/a	37.1
Net investments in PPE	2	2	—	4	10	3	—	13
Depreciation, goodwill and fixed asset write-downs	17	4	—	21	49	14	—	63
Number of employees, average	438	344	—	782	419	328	—	747

1 January–31 December 2021	Fourth quarter				January–December			
	Engines	Hydraulics	Elims/Adjs	Group	Engines	Hydraulics	Elims/Adjs	Group
Total net sales	433	264	-2	695	1,124	1,001	-10	2,115
External net sales	432	263	—	695	1,115	1,000	—	2,115
Operating income before items affecting comparability	79	48	—	127	289	154	—	443
Operating income	79	48	-40	87	289	154	-40	403
Operating margin before items affecting comparability, %	18.2	18.3	n/a	18.2	25.9	15.4	n/a	20.9
Operating margin, %	18.2	18.3	n/a	12.5	25.9	15.4	n/a	19.1
Financial income and expense	—	—	4	4	—	—	-13	-13
Earnings before tax	79	48	-36	91	289	154	-53	390
Assets	3,013	514	256	3,783	3,013	514	256	3,783
Liabilities	644	468	1,209	2,321	644	468	1,209	2,321
Capital employed	2,467	204	78	2,749	2,467	204	78	2,749
ROCE before items affecting comparability, %	24.2	113.2	n/a	30.1	24.2	113.2	n/a	30.1
ROCE, %	24.2	113.2	n/a	27.4	24.2	113.2	n/a	27.4
Net investments in PPE	4	4	—	8	14	7	—	21
Depreciation, goodwill and fixed asset write-downs	30	4	1	35	79	18	1	98
Number of employees, average	640	346	—	986	485	331	1	817

	Q1-22 vs Q1-21					FY-22 vs FY-21				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 Agriculture Diesel engines	30%	29%	16%	2%	30%	6%	2%	0%	-20%	6%
 Construction Diesel engines	18%	12%	6%	42%	11%	7%	5%	-1%	11%	-10%
Hydraulic equipment	25%	n/a	9%	n/a	n/a	25%	n/a	9%	n/a	n/a
 Trucks Light vehicles	39%	n/a	n/a	n/a	n/a	13%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	23%	13%	8%	4%	-6%	10%	7%	-3%	10%	-24%
 Industrial Other off-highway	23%	7%	13%	25%	31%	9%	-1%	0%	-3%	6%
Hydraulic lift trucks	35%	n/a	-6%	n/a	n/a	-11%	n/a	-9%	n/a	n/a

The market indices summarised in the table above reflect the Q1 2022 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



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.

EHS

Electro Hydraulic Steering.

EMP

Engineered Machined Products, Inc and subsidiaries.

ESOT

Employee Share Ownership Trust

Europe & RoW

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

JSOP

Long-term incentive program to participants' resident in the United Kingdom to take part in a Joint Share Ownership Plan.

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.

Unless otherwise stated, all amounts have been stated in SEK million. 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 rounds to zero. This English version of the Interim Report is a translation of the Swedish original. If there are any differences the latter shall prevail.

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/drop-out 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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