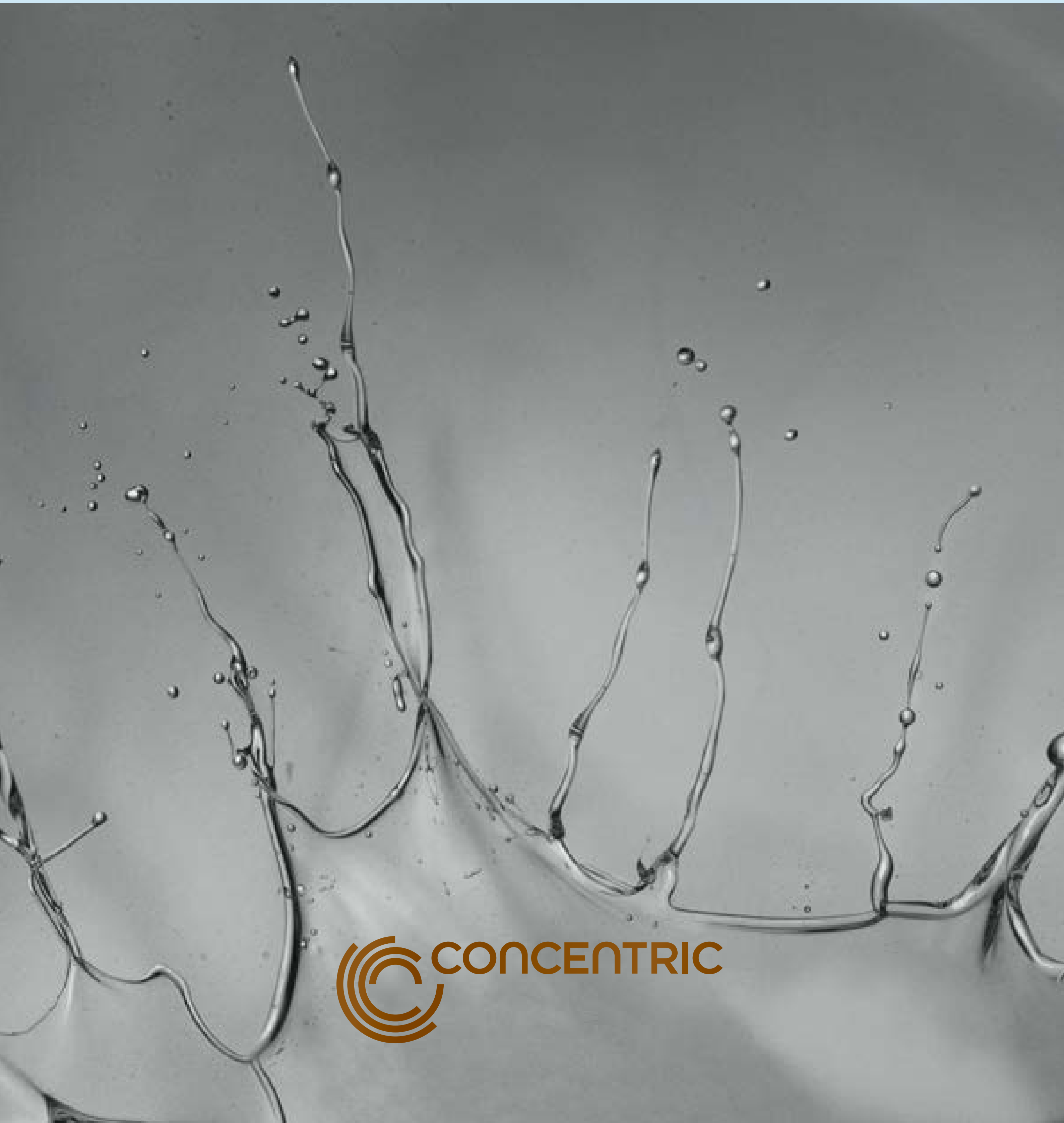
INTERIM REPORT Q4/2017



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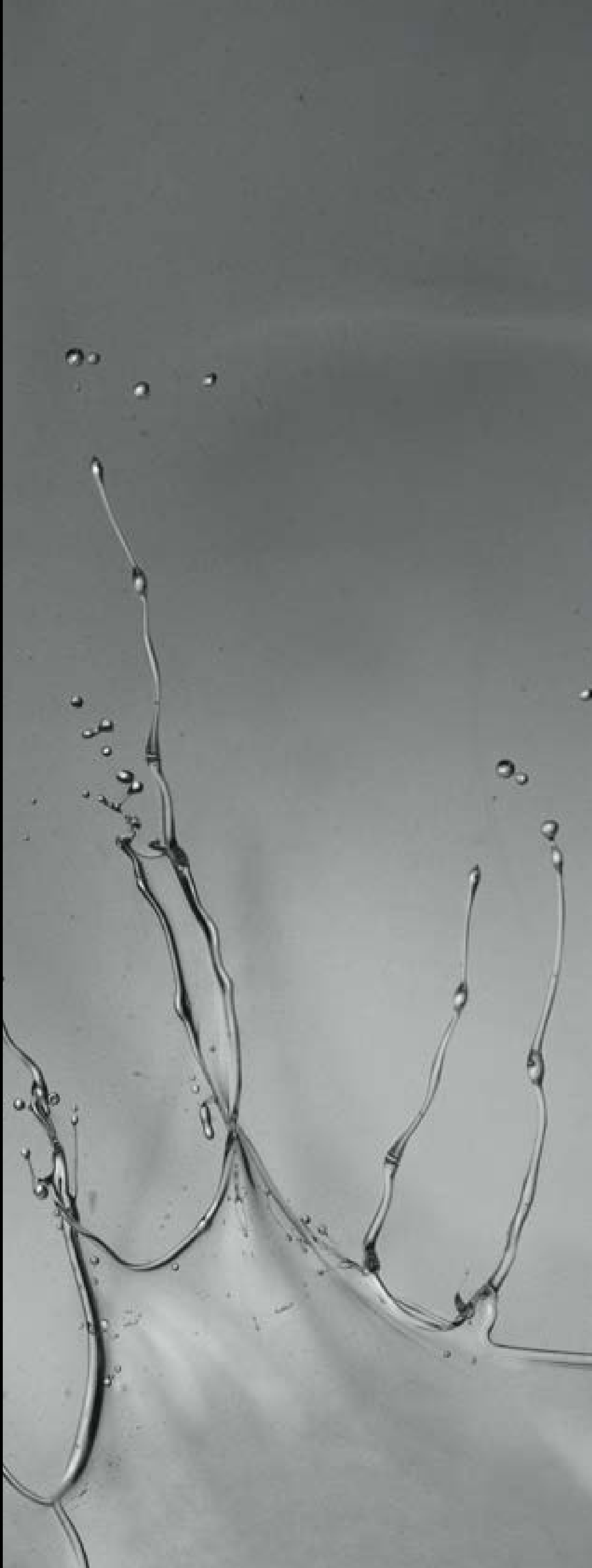


FINANCIAL RESULTS IN BRIEF
GROUP

JAN–DEC 2017

FOURTH QUARTER

Net sales
MSEK 503 (473) – up 12% y-o-y, after adjusting for currency (–6%).

Operating income
MSEK 108 (86), generating an operating margin of 21.4% (18.2). Underlying operating margin was 19.6% (17.4), adjusting for restructuring and pension related items affecting comparability.

Earnings after tax
MSEK 82 (64); basic EPS of SEK 2.08 (1.57).

Cash flow generated from operating activities
MSEK 132 (100) driven by tighter management of working capital over the last quarter.

Dividend
Based on the Group's earnings and strong financial position, the Board of Directors intend to propose a total dividend of SEK 3.75 (3.50) per share and to renew the current mandate for share buybacks.

FULL YEAR

Net sales
MSEK 2,104 (2,004) – up 6% y-o-y, after adjusting for currency (–1%).

Operating income
MSEK 404 (341), generating an operating margin of 19.2% (17.0). Underlying operating margin was 18.7% (16.8), adjusting for restructuring and pension related items affecting comparability.

Earnings after tax
MSEK 303 (246); basic EPS of SEK 7.54 (6.01).

Cash flow generated from operating activities
MSEK 360 (409) – down y-o-y mainly due to increase in working capital.

Group's net debt
MSEK 185 (300); gearing ratio of 21% (35) mainly due to pension remeasurement gains this year.

Key figures – Group [1)]

	Oct–Dec			Jan–Dec		
Amounts in MSEK	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Net sales	**503**	**473**	6%	**2,104**	**2,004**	5%
Operating income before items affecting comparability	99	82	21%	395	337	17%
Operating income	**108**	**86**	**26%**	**404**	**341**	**18%**
Earnings before tax	103	79	30%	391	318	23%
Net income for the period	**82**	**64**	**28%**	**303**	**246**	**23%**
Cash flow from operating activities	132	100	32%	360	409	–12%
Net debt [2)]	**185**	**300**	–38%	**185**	**300**	–38%
Operating margin before items affecting comparability, %	19.6	17.4	2.2	18.7	16.8	1.9
Operating margin, %	**21.4**	**18.2**	**3.2**	**19.2**	**17.0**	**2.2**
Basic earnings per share, before items affecting comparability, SEK	1.92	1.51	0.41	7.39	5.95	1.44
Basic earnings per share, SEK	**2.08**	**1.57**	**0.51**	**7.54**	**6.01**	**1.53**
Return on equity, %	37.0	32.2	4.8	37.0	32.2	4.8
Gearing ratio, %	**21**	**35**	–14	**21**	**35**	–14

[1)] For additional information see pages 36–37 and 39.
[2)] For additional information see page 20.

» Concentric's “Technology + Innovation = Sustainability” has never felt more relevant than now «

President and CEO, David Woolley, comments on Q4 2017 interim report.

Sales development
Group sales for the fourth quarter were up 12% year-on-year in constant currency, slightly above the latest published market indices. The increased activity levels in the fourth quarter reflect strong demand across our core regions of North America and Europe. The largest year-on-year improvements for the quarter were achieved in medium- and heavy-duty Truck sales and sales made into the off-highway sectors of Agricultural Machinery and Construction Equipment.

Overall, 2017 was characterised by steady and stable market development in our four principal end sectors. The largest end sector for Concentric continued to be Trucks, representing 43% of the group's sales, concentrated primarily in North America and Europe. Class 8 Truck sales in North America showed the largest year-on-year growth, as the region recovered from the low point in 2015. European demand for medium- and heavy-duty Trucks in 2017 showed steady improvement, in line with the trend of the previous year. The end sectors of Construction Equipment and Industrial Applications also showed improvement in all geographic areas. Whilst demand for Agricultural Machinery remained relatively low, there were signs of improvement for heavier machinery, particularly in South America. India continues to gain in importance for Concentric, underpinned by the strengthening Indian economy. As a result, group sales for the full year were up year-on-year by 6% in constant currency.

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

The restructuring plans initiated and executed during the second half of 2016 delivered cost savings in 2017 in line with expectations. The CBE-programme has continued to improve the group's profitability, and the reported operating margin for the fourth quarter and the full year increased to 21.4% (18.2) and 19.2% (17.0) respectively. Adjusting for the restructuring and pension related items, the operating margin improved to 18.7% (16.8) for the full year.

We are constantly seeking, monitoring and acting upon the feedback received from our stakeholders and we are pleased with the survey results for 2017. Continuous improvement is, by definition, an ongoing process and the business has well defined roadmaps for 2018 and beyond.

Technology : Acceleration in the Development of Electric and Hybrid Vehicles and Machines
Concentric´s "Technology + Innovation = Sustainability" has never felt more relevant than now. Concentric already has world-class technology that is well recognised in the areas of heavy duty diesel engines and hydraulic systems in both on- and off-highway markets.

Legislative forces that drive emissions reductions has been a recurring theme over the past decade, but in 2017 we saw OEMs stepping up their development activity for both electric and hybrid vehicles. Concentric announced a number of new business wins within this increasingly important market, including nominations for electrically driven water-pumps, oil-pumps and electro-hydraulic steering pumps. Our product and application engineers have successfully combined our durable, high performance and efficient pumping technology with market leading DC brushless motors and intelligent control systems. The net result is that Concentric has extended its reputation for technology and innovation into the growing low-emission vehicle market.

Our internal team and external advisor network continue to review potential acquisition targets that enhance our technology offering and/or geographical presence alongside our global customers.

Outlook
Looking forward, the level of orders received in the fourth quarter indicate that sales in the first quarter 2018 will be slightly ahead of sales in the fourth quarter, even after taking account of a seasonal adjustment for the fewer working days in the fourth quarter. Based upon the activity levels experienced towards the end of 2017 and considering the market indices weighted for our end markets, 2018 has the potential to support further growth. The adoption of higher technology solutions that reduce emissions will be an important contributor to this growth. As we look into the coming year, medium- and heavy-duty Truck markets seem capable of sustaining the current strong demand levels. The market outlook for Construction Equipment and Industrial Applications also appears stable. The global Agricultural Machinery market is still recovering but from a comparatively low base and this may offer further potential for growth. We have a great team in place that are highly motivated and look forward to the opportunities and challenges of 2018. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

KEY EVENTS

18 January 2017

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

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

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

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

1 March 2017

Paul Shepherd appointed Head of Engine Products Engineering & Development.

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

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

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

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

17 March 2017

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

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

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

- EHS, Electro Hydraulic Steering unit, replacing conventional engine driven steering pumps, for hybrid vehicles.
- Ferra high pressure cast iron pumps, providing high power density in a smaller envelope, with a pressure capability up to 4,750 psi (327.5 bar).
- Dual Cone Clutch pumps, patented design for use in systems requiring intermittent flow and pressure, including emergency steering.
- Calma, low noise pumps, employing zero backlash gear technology.
- Industrial fluid transfer pumps, for use in low pressure operations with diverse fluids, temperatures and pressures.
- Variable flow oil pump, replacing conventional fixed flow lubrication pumps in diesel engines.
- 2-speed water pump with integrated clutch, replacing conventional fixed flow coolant pumps in diesel engines.

23 March 2017

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

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

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

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

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

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

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

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

KEY EVENTS

28 March 2017

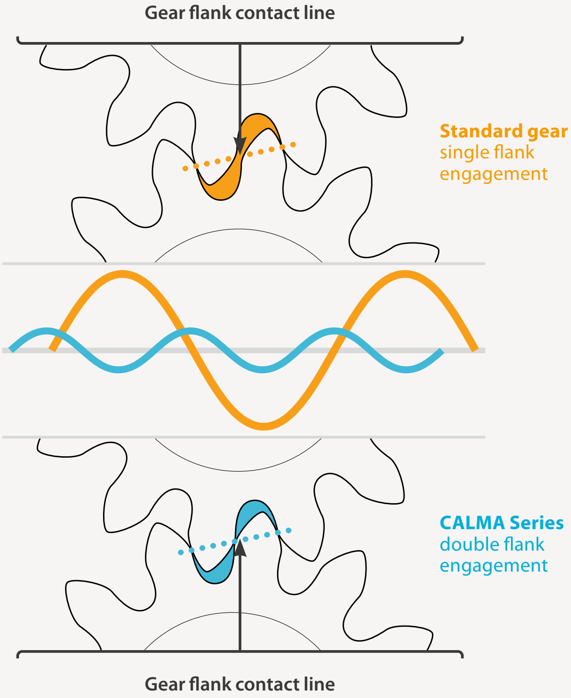
Concentric AB awarded contract with leading global OEM of material handling equipment.

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

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

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

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



12 April 2017

Concentric Rockford receives ILPEx Silver Award.

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

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

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

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

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

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

19 April 2017

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

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

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

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

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

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

22 June 2017

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

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

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

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

3 November 2017

David Bessant appointed Senior Vice President and Marcus Whitehouse to join Concentric as the new Chief Financial Officer.

David Bessant is appointed Senior Vice President for Europe and the Rest of the World with immediate effect. David joined the business in 2009 and has been the Chief Financial Officer for the Concentric Group since 2010. This planned organisational move gives David operational responsibility across this wide reaching region.

In conjunction with David's internal appointment, Marcus Whitehouse has accepted an offer to join Concentric AB as the new Chief Financial Officer with effect from 2nd January 2018. In the intervening period, David has agreed to oversee both roles.

Marcus Whitehouse will join Concentric from JCB where he has worked for the last 10 years and currently holds the position of Director of Group Finance. At JCB, he has held senior financial roles leading strategy and operational improvements for the international manufacturer. Prior to joining JCB, Marcus worked for the private equity owned business, Linpac; the New York listed Huntsman Group and Albright and Wilson PLC. He is a Fellow of the Association of Chartered and Certified Accountants.

David Woolley, CEO of Concentric AB commented, "David Bessant is already a respected and proven leader in Concentric and he has been a leading advocate of the Concentric Business Excellence programme. With his knowledge of the business, his relationships with our teams and his grasp of the commercial realities of our markets combined with his strategic outlook, I am confident that he will accelerate growth throughout his area of responsibility." Turning to the appointment of Marcus Whitehouse, David Woolley added, "The CFO role is a critical appointment for the Concentric Group and I am pleased we have been able to secure Marcus. With his experience, Marcus can quickly contribute to Concentric's strategy and champion operational improvements. He brings commercial acumen and energy together with a proactive, positive attitude and a passion for results. His background and skills will complement our existing executive team."

David Bessant replaces Paul Fleetwood as Senior Vice President for Europe and the Rest of the World following his resignation.

David Bessant
Senior Vice President for Europe and the Rest of the World

Marcus Whitehouse
Chief Financial Officer

24 November 2017

Dr Arman Kevric joins Concentric AB as Director, Advanced Research & Development.

Dr Arman Kevric is appointed Director, Advanced R&D for the Concentric Group reporting to the CEO. Arman's appointment follows the internal promotion of Paul Shepherd to the Executive Team earlier this year.

Arman, who holds a PhD in Mechnical Engineering from Universtity of Nottingham, joins from DENSO where he has been responsible for gasoline fuel system research and development as well as having previous experience with on and off highway diesel applications.

Arman is an experienced technical leader who has been working internationally. He has a passion for the industry and he is tasked with seeking out revolutionary engineering solutions in a changing environment. David Woolley, CEO of Concentric AB said, " I am confident that working collaboratively with our leadership, our engineering teams and our customers, Arman and his Advanced R&D team will further develop our future technology roadmap successfully. This will not only contribute to Concentric's long term growth but will develop Arman's career with Concentric too."

Dr Arman Kevric
Director of Advanced Research & Development

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

27 November 2017

Concentric AB Secures order for new electric oil pump technology.

Concentric AB has recently received an order from ZF, a global leader in driveline and chassis technology as well as active and passive safety technology, to produce electric oil pumps for a new driveline product. This is the second nominated application for the electric oil pump, with the first being a global OEM of buses and trucks.

Concentric's electric oil pump offers system power savings through its variable pressure and speed control capability with the additional benefits of low noise. The modular motor and controller solution can be used in conjunction with oil, coolant and fuel pumps.

A key benefit of the Concentric electric pump is the fact that they utilise a wet rotor concept. This removes the potential failure mode of a dynamic seal and is one of the key enablers to meet the demanding service life requirements.

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

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

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

KEY EVENTS

18 January 2018

Concentric AB appoints Joshua Berin as Vice President of Sales for Hydraulics in North America.

Joshua Berin has joined the Concentric Group as Vice President of Sales for North America to lead the profitable and sustainable growth of our Hydraulics product sales throughout the region.

Joshua has a B.A. in Communications, Marketing & Media, from the University of Missouri, St. Louis. He joins us from Actuant Corporation where he has spent the past 5 years in senior sales roles, most recently as the Vice President Sales for the Maximatecc business unit, specializing in operator-machine interface solutions and instrumentation for critical environments serving leading OEMs in Construction/ Agriculture, Heavy Duty Industrial, Transportation, and Specialty Vehicle markets.

Martin Bradford, Senior Vice President said of the appointment, "Josh has a proven track record of developing profitable sales in new markets and territories through value based selling. He has experience working as a sales leader with both direct and cross functional teams globally. His background and drive will make him a valued member of my leadership team."

Joshua Berin replaces Bill Ford who retires in the next 3 months. His appointment provides a smooth transition for the existing sales team and Concentric's customers.

Joshua Berin
Vice President of Sales for Hydraulics in North America

PRESS RELEASES

FINANCIAL SUMMARY GROUP

Key figures – Group [1]

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Oct–Dec Change	Jan–Dec 2017	Jan–Dec 2016	Jan–Dec Change
Net sales	503	473	6%	2,104	2,004	5%
Operating income before items affecting comparability	99	82	21%	395	337	17%
Operating income	108	86	26%	404	341	18%
Earnings before tax	103	79	30%	391	318	23%
Net income for the period	82	64	28%	303	246	23%
Operating margin before items affecting comparability, %	19.6	17.4	2.2	18.7	16.8	1.9
Operating margin, %	21.4	18.2	3.2	19.2	17.0	2.2
Return on capital employed, %	38.0	28.9	9.1	38.0	28.9	9.1
Return on equity, %	37.0	32.2	4.8	37.0	32.2	4.8
Basic earnings per share, before items affecting comparability, SEK	1.92	1.51	0.41	7.39	5.95	1.44
Basic earnings per share, SEK	2.08	1.57	0.51	7.54	6.01	1.53
Diluted earnings per share, SEK	2.07	1.57	0.50	7.52	6.00	1.52

[1] For additional information see pages 36–37 and 39.

Sales

Sales for the fourth quarter were up year-on-year by 12%, adjusting for the impact of currency (–6%). As a result, sales for the full year were up year-on-year by 6% adjusting for the impact of currency (–1%). The increased activity levels in the fourth quarter and the full year reflect the strong demand experienced across our core regions of North America and Europe. The largest year-on-year improvements were achieved in medium- and heavy-duty Truck sales and sales made into the off-highway sectors of Agricultural Machinery and Construction Equipment. Demand in our emerging markets also improved in the fourth quarter and for the full year.

Operating income

The improvement in the reported operating margins for the fourth quarter and the full year, was primarily driven by the cost savings derived from the restructuring plans executed in the second half of 2016, together with the strong drop through achieved on the increased sales. This strong margin development is also evident after adjusting operating income for restructuring and pension related items affecting comparability.

Net financial items

Net financial expenses in the fourth quarter comprised of pension financial expenses of MSEK 3 (5) and other net interest expense of 1 (2). Accordingly, net financial expenses in the full year comprised of pension financial expenses of MSEK 16 (19) and other net interest income of 4 (expense 4).

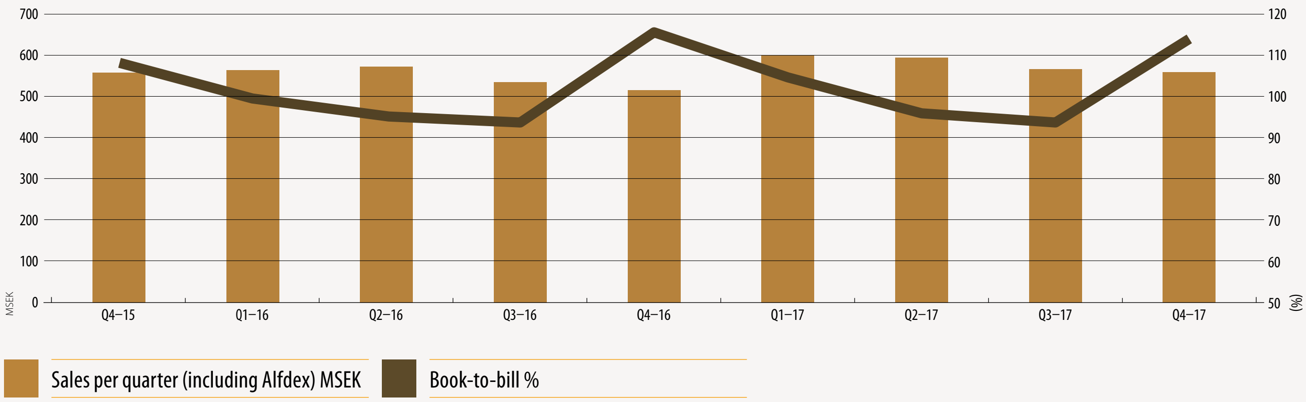
Taxes

The underlying effective tax rate for the fourth quarter and the full year was 22% (29) and 23% (25) respectively. These rates largely reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

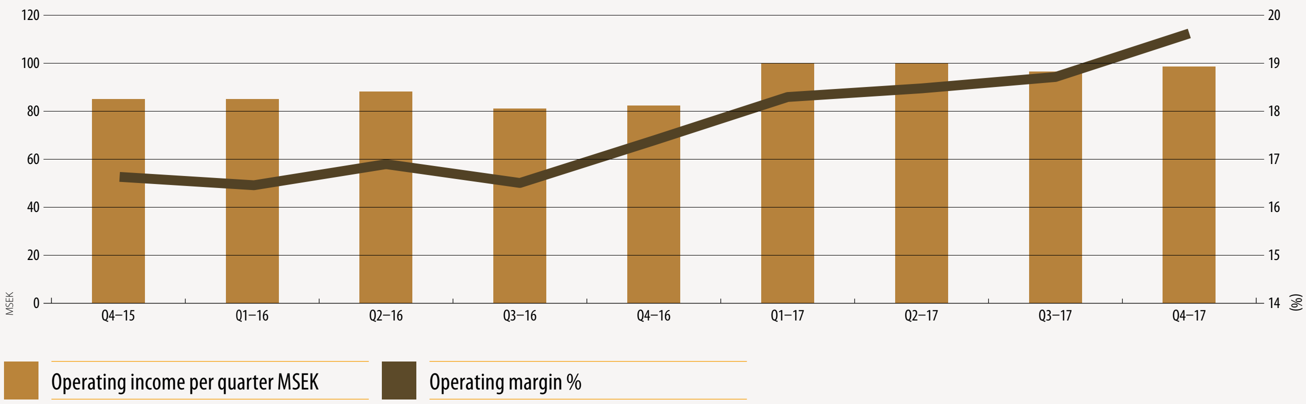
Earnings per share

The basic earnings per share for the full year was SEK 7.54 (6.01), up SEK 1.53 per share.

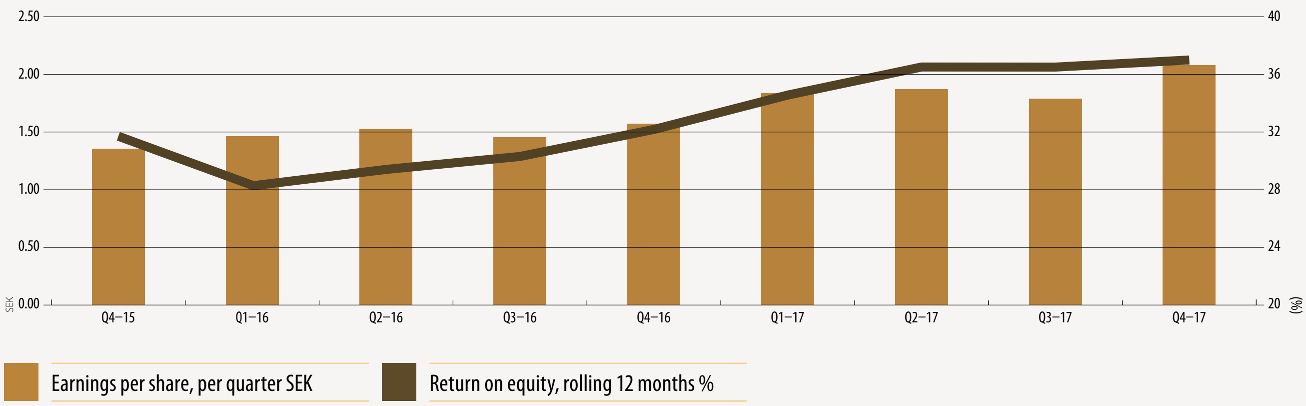
Sales & Book-to-bill



Underlying Operating income & margins



Earnings per share & Return on equity



NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Oct–Dec Change	Jan–Dec 2017	Jan–Dec 2016	Jan–Dec Change
External net sales	258	234	10%	1,055	988	7%
Operating income before items affecting comparability	40	28	43%	155	126	23%
Operating income	40	49	–18%	155	147	5%
Operating margin before items affecting comparability, %	15.4	12.0	3.4	14.7	12.8	1.9
Operating margin, %	15.7	20.9	–5.2	14.7	14.9	–0.2
Return on capital employed, %	47.7	38.4	9.3	47.7	38.4	9.3

Sales for the fourth quarter were up year-on-year by 21%, after adjusting for the impact of currency (–11%). As a result, sales for the full year were up 8% adjusting for the impact of currency (–1%). Class 8 Truck sales in North America showed the largest year-on-year growth, as the region continued to recover from the low point in 2015. Off-highway markets also showed improvement, especially hydraulic product sales for Construction Equipment. Whilst demand for Agricultural Machinery remained relatively low, there were also signs of improvement for heavier machinery, particularly in South America. The improvement in the underlying operating margins for the fourth quarter and the full year was primarily driven by the cost savings derived from the restructuring plans for both the USA and South American operations executed in the second half of 2016. CBE has enabled us to seamlessly increase our capacity and output across the region to meet the growing demands within our end markets and so maximise our operational and financial results.

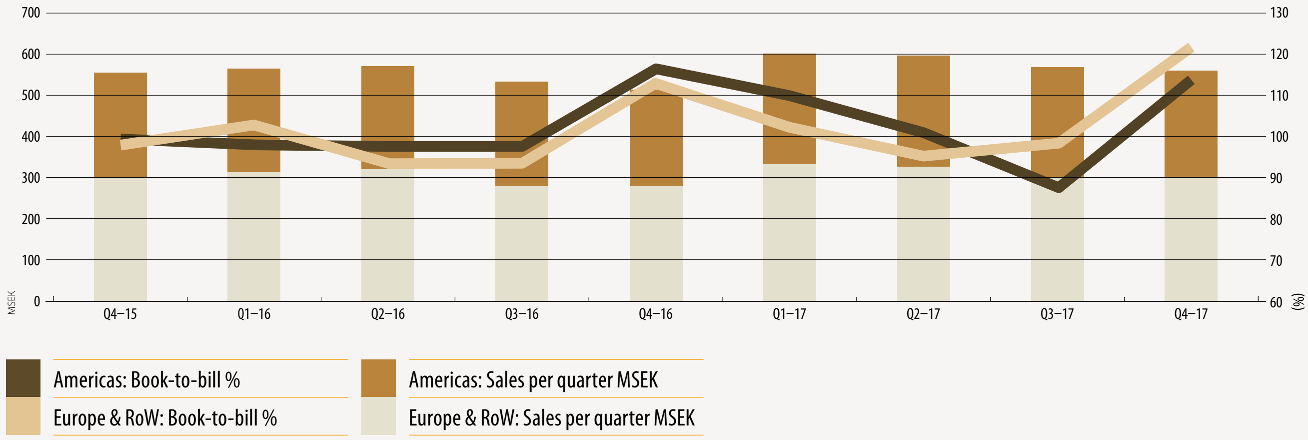
Europe & RoW

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Oct–Dec Change	Jan–Dec 2017	Jan–Dec 2016	Jan–Dec Change
External net sales	302	281	7%	1,266	1,199	6%
Operating income before items affecting comparability	57	54	6%	242	214	13%
Operating income	65	37	76%	250	197	27%
Operating margin before items affecting comparability, %	18.9	19.2	–0.3	19.1	17.8	1.3
Operating margin, %	21.6	13.2	8.4	19.8	16.4	3.4
Return on capital employed, %	30.3	23.6	6.7	30.3	23.6	6.7

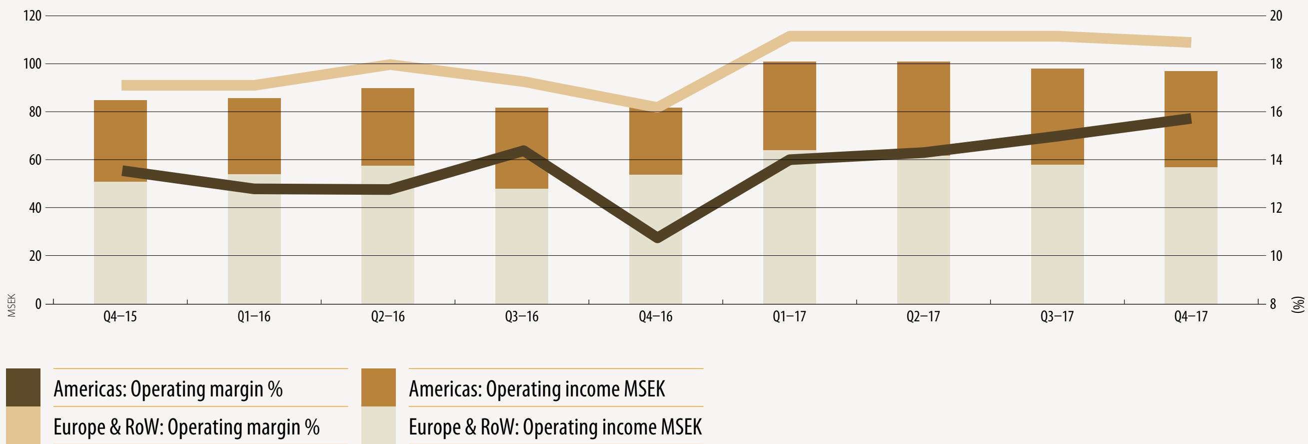
Sales for the fourth quarter were up year-on-year by 8%, after adjusting for the impact of currency (–1%). Sales for the full year were up year-on-year by 6%, both in absolute terms and in constant currency. European demand for medium- and heavy-duty Trucks in 2017 showed steady improvement, in line with the trend of the previous year. India remained a strong market for Concentric, underpinned by the strengthening Indian economy. The end sectors of Construction Equipment and Industrial Applications also showed improvement across the region. Whilst demand for Agricultural Machinery remained relatively low, there were some signs of improvement for heavier machinery. Demand in our Chinese end-markets also showed some signs of improvement, especially for construction equipment.

The improvement in the reported operating margins for the fourth quarter and the full year was primarily driven by the cost savings derived from the restructuring plans for European operations executed in the second half of 2016, together with the strong drop through achieved on the increased sales. CBE has enabled us to seamlessly increase our capacity and output across the region to meet the growing demands within our end markets and so maximise our operational and financial results.

Sales & Book-to-bill



Underlying Operating income & margins



Concentric's sales for the fourth quarter were well ahead of published market indices.

Americas end-markets

North America

- Sales of diesel engine products to our North American end-markets were up year-on-year for the fourth quarter, linked to increased demand for medium- and heavy-duty Trucks and Agricultural Machinery. The positive development of our hydraulic product sales also continued during the fourth quarter, driven primarily by the Construction Equipment market.
- Overall, sales growth in constant currency for the fourth quarter were well ahead of the latest published market indices, taking the full year-on-year sales growth to 9%.

South America

- Sales to our South American end-markets continued to show signs of improvement during the fourth quarter, especially for larger Agricultural Machinery, but still remained relatively weak overall.

Europe & RoW end-markets

Europe

- Sales of diesel engine products to our European end-markets were up across the board for the fourth quarter, with strong demand for all off-highway end-markets, including sales for hydraulic products.
- Overall, sales growth in constant currency for the fourth quarter were in line with the latest published market indices, although the full year-on-year sales growth remained slightly behind the indices with hydraulic product sales broadly flat for the full year.

Rest of the world

- Sales to our Indian off-highway end-markets were up for the fourth quarter, particularly in respect of Agricultural Machinery and Construction Equipment driven by the new Government economic initiatives to stimulate investment and the relative strength of the Indian economy.
- Sales to our Chinese end-markets continued to improve during the fourth quarter, especially for Construction Equipment, in line with the latest published market indices.
- Overall, the sales growth achieved in the Rest of the world was ahead of published indices for full year but still accounted for less than 10% of the group's total revenues.

Consolidated sales development

	Q4-17 vs Q4-16			FY-17 vs FY-16			FY-18 vs FY-17		
Concentric	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**
Market – weighted average[1]	5%	9%	**7%**	5%	9%	**7%**	7%	3%	**5%**
Actual – constant currency[2]	21%	8%	**12%**	8%	6%	**6%**			

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

Overall, market indices suggest production rates, blended to the Group's end-market and regions, were up 7% year-on-year for the full year. Concentric's actual sales for the full year in constant currency were slightly behind these indices at 6%. In the fourth quarter, blended market indices were up 7% and Concentric's actual sales were up 12% in constant currency, well ahead of these indices.

The increased activity levels in the second half of 2017 reflect a favourable development in demand across the board within our core regions of North America and Europe. As noted in previous interim reports, movements in the market indices tend to lag the group's order intake experience by 3–6 months.

PUBLISHED MARKET INDICES

		Q4-17 vs Q4-16					FY-17 vs FY-16					FY-18 vs FY-17				
		North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agricultural machinery	Diesel engines	23%	11%	3%	13%	15%	6%	11%	5%	17%	23%	5%	13%	5%	10%	–1%
Construction equipment	Diesel engines	0%	3%	6%	7%	28%	3%	3%	8%	10%	36%	4%	10%	4%	14%	14%
	Hydraulic equipment	8%	n/a	5%	n/a	n/a	8%	n/a	3%	n/a	n/a	10%	n/a	4%	n/a	n/a
Trucks	Light vehicles	11%	n/a	n/a	n/a	n/a	12%	n/a	n/a	n/a	n/a	4%	n/a	n/a	n/a	n/a
	Medium & Heavy vehicles	15%	38%	12%	–8%	25%	8%	27%	9%	–5%	33%	19%	14%	1%	12%	–12%
Industrial applications	Other off-highway	3%	1%	4%	3%	8%	4%	-1%	7%	6%	15%	4%	4%	5%	7%	4%
	Hydraulic lift trucks	–14%	n/a	2%	n/a	n/a	–2%	n/a	18%	n/a	n/a	4%	n/a	2%	n/a	n/a

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

The market indices summarised in the table above reflect the Q4 2017 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

FINANCIAL POSITION

Cash flow
The reported cash inflow from operating activities for the fourth quarter amounted to MSEK 132 (100), which represents SEK 3.35 (2.44) per share. This takes the cash inflow from operating activities for the full year to MSEK 360 (409). The reduction is due mainly to the increased working capital since year-end 2016.

Working capital
Total working capital at 31 December was MSEK 36 (25), which represented 1.7% (1.2) of annual sales.

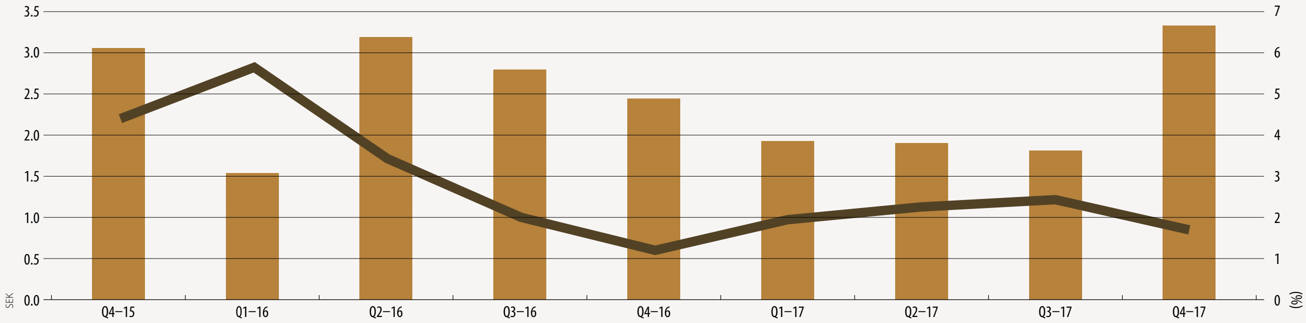
Net investments in fixed assets
The Group's net investments in tangible fixed assets amounted to MSEK 13 (12) for the full year.

Net debt & gearing
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, there were net remeasurement gains recognised in net pension liabilities during the fourth quarter MSEK 58 (155). As no remeasurement gains or losses have been recognised earlier in the year, the cumulative remeasurement gains were also MSEK 58 (losses 59)

Overall, the Group's net debt at 31 December decreased to MSEK 185 (300), comprising bank loans and corporate bonds of MSEK 178 (178) and net pension liabilities of MSEK 462 (560), net of cash amounting to MSEK 455 (438). Shareholders' equity amounted to MSEK 875 (857), resulting in a gearing ratio of 21% (35) at the end of the fourth quarter.

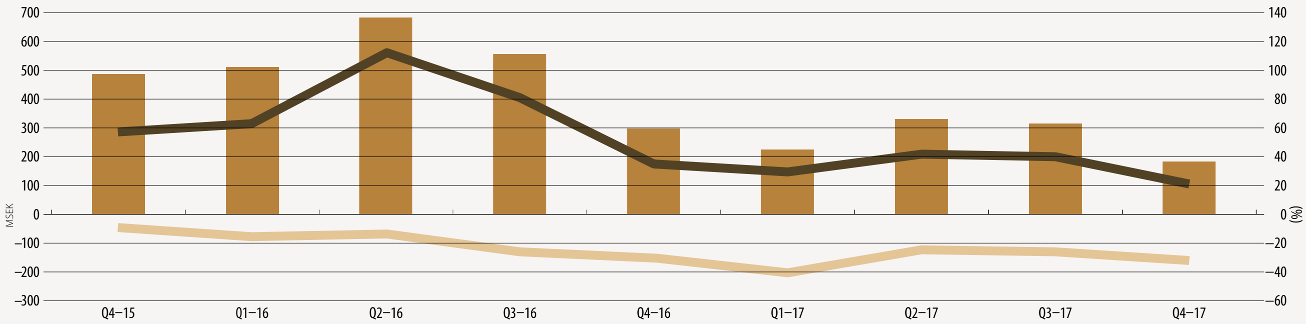
On 22 December, 2017, Concentric AB signed new financing agreements with its existing banks, securing a new term loan for a minimum tenor of 5 years in the amount of MSEK 175, to replace the existing fully drawn term loan in the same amount, and a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 (approximately MSEK 590), to replace the existing undrawn credit facility in the same amount which was due to expire.

Cash flow from operating activities & Working capital



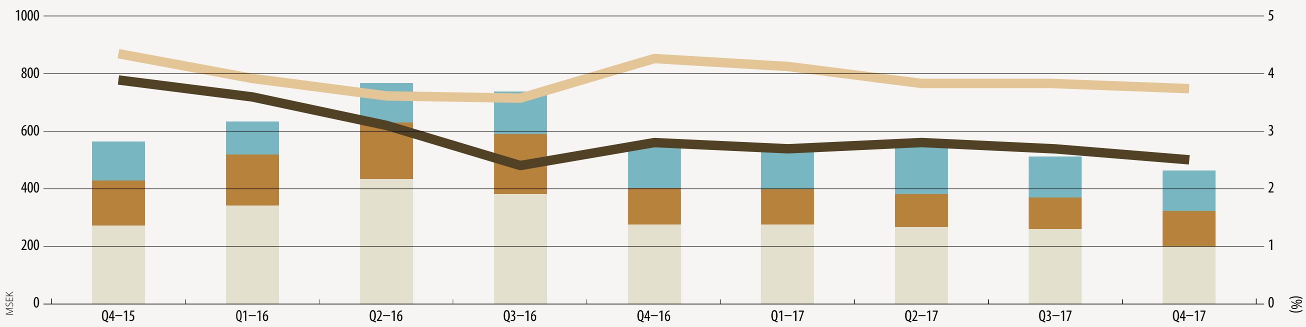
Cash flow from operating activities per share SEK
Working capital as % of sales

Net debt & Gearing



Net debt MSEK
Gearing ratio %
Gearing ratio (excl pensions) %

Net pension liabilities



UK: Pension deficit MSEK
Other: Pension deficits MSEK
US: Discount rate %
US: Pension deficit MSEK
UK: Discount rate %

CBE SPOTLIGHT:
SUSTAINABILITY THROUGH BUSINESS EXCELLENCE

Striving to be a sustainable business means:
- protecting our environment,
- managing our economic prosperity, and
- acting for the social good to benefit our present and future stakeholders.

At Concentric, these three elements are important considerations when devising our long and short term strategy and **Concentric Business Excellence** plays a critical part in attaining our sustainability goal. In this article, we interview Jerry Rumple, Continuous Improvement Manager at Rockford who explains how we have achieved an enviable level of business excellence at Concentric Rockford.

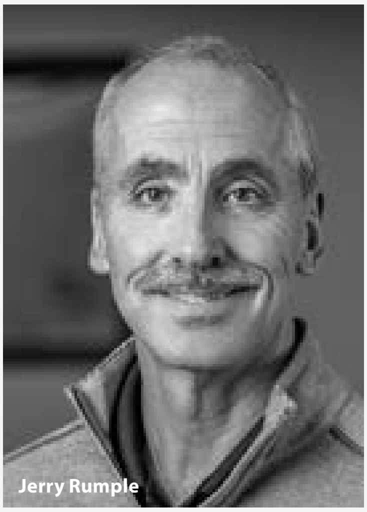
Interview with Jerry Rumple, Continuous Improvement Manager, Concentric Rockford

Jerry, you play a key role in facilitating Concentric Business Excellence, what does your role entail?
"I have been with the Rockford organisation in its different guises for almost 25 years, first with JSB, then Haldex, Haldex-Barnes and now as Concentric Rockford. My primary responsibilities are to lead improvement processes and activities across the Rockford business and at other locations, if and when required. My role includes leading and mentoring 6 Sigma projects, facilitating key customer reviews, coordinating and participating in Kaizen events, analysing and facilitating improvements for customer and employee survey processes, coordinating the Wellness program, as well as sitting on our Safety Steering Committee."

You recently coordinated a very successful application on behalf of Rockford to be considered for the prestigious Baldrige/ILPEx Award – receiving ILPEx Silver Award for Progress Toward Excellence from this rigorous assessment. Can you tell us a little more about this?
"The Illinois Performance Excellence (ILPEx) Recognition Programme leverages the Baldrige Excellence Framework to guide organisations to reach higher levels of performance. The Concentric Business Excellence model has its foundations in the Baldrige and EFQM (European Foundation for Quality Management) Excellence Models. These frameworks are validated, leading edge models for leadership and help to drive improvement and innovation where it is needed most. ILPEx annually recognises organisations for their continuous improvement accomplishments. The ILPEx Award categories – bronze, silver and gold – reflect the increasing maturity of an organisation's business management system and how well it is aligned with business needs. Achieving the ILPEx Silver Award for Progress Toward Excellence demonstrates that we have fully embraced an effective and systematic approach to business excellence and we have we been able to show evidence of successfully deploying the model across all functions of the organisation."

Why do you feel so passionately about participating in the external ILPEx assessment?
"The ILPEx accreditation requires a thorough and detailed assessment of our performance in the areas of:
- Leadership;
- Strategy;
- Customers;
- Measurement, Analysis and Knowledge Management;
- Workforce;
- Operations and
- Results (such as customer quality, On Time Delivery (OTD), satisfaction/engagement, operational performance measures of Overall Equipment Effectiveness (OEE), first time pass, employee healthcare costs, as well as financial results).

Using a strict scoring system, a team of 8–12 examiners independently reviewed and evaluated our written application for performance and improvement against external benchmarks and best practice standards. Their key findings included an assessment of Rockford's strengths and opportunities. Our application was strong enough to qualify for the next stage which was a rigorous site audit lasting 4 days. The 8 on-site examiners interviewed 124 employees and reviewed hundreds of documents and data to clarify and verify information provided in our application, including the extent to which we deploy and integrate our management systems. They also sought proof that we proactively and systematically review, evaluate and improve our systems and processes.


Jerry Rumple

A detailed Feedback Report was prepared by the Examining team which was reviewed by a Panel of Judges to ensure consistent calibration in scoring and application of the ILPEx criteria. The Judges hold several meetings to review all applicant Feedback Reports and to determine the appropriate level of recognition based on the profile of strengths and opportunities for improvement reported. After such a thorough process, it will not surprise you to learn that the Feedback Report is incredibly valuable for us and it helps to inform future improvement planning.

Also, telling yourself and others you're doing a good job is never as persuasive as someone else who knows what they're talking about telling you. Accredited certification through ILPex indisputably demonstrates our compliance with the standard. It gives customers and other stakeholders greater assurance about our competence and commitment to continuous improvement."

How does this award benefit our stakeholders?
"It's not about the award but more about the journey. Any time we can continuously evaluate and improve our approaches to how we lead, strategize, listen to our customers and employees to satisfy and engage them, and improve our operations will lead to improved results in which we all benefit. *The ILPEx Silver Award for Progress Toward Excellence shows that we are differentiating ourselves from our competition through our pursuit of business excellence.*"

What do you see as the challenges ahead for continued improvement?
"The biggest challenge moving forward is sustained improvement in all areas, innovation, and integration. Everything starts with Leadership and Strategy. Our approaches must remain aligned and integrated with our defined organisational needs, as determined by our strategy. We must continue to systematically evaluate and improve the efficiency and effectiveness of all of our key approaches based on facts and data. I am reassured that all results reported showed beneficial levels and trends in the areas that are important to accomplishing our mission, and we showed levels of performance relative to comparisons that demonstrate Rockford is an industry leader and can be considered a role model. It is always a challenge to raise the bar but I am confident that we have the commitment and drive, the people and skills, and the systems and processes to deliver further success."

How does the Concentric Business Excellence model support our goal for sustainable working practices?
"That's easy! **Environment:** our Environmental Management System (EMS) is continually evaluated and improved such that our products and operations positively impact our customers, suppliers, employees, and community. **Social:** we continually evaluate and improve our key approaches when it comes to employee health, safety, accessibility, and security. **Economic:** one of the main criteria we apply to any process improvement activity is that it must deliver improved results and align with our financial goals. You can't have good processes and process results without showing good levels and sustained trends in key financial results.

Concentric Business Excellence, through the principles of the Baldrige and EFQM models, provides the framework to look to the future and think what does the future look like? And if that's what the future looks like, what are the attributes we have to have to succeed in that future? It guides us not to focus on our markets today; instead it guides us to be focused on the future. What markets are out there and what part we can play in them? Concentric Business Excellence encourages the creation of sustainable working practices which lead to business success."

Consolidated income statement, in summary

	Oct–Dec		Jan–Dec	
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**
Net sales	503	473	2,104	2,004
Cost of goods sold	–350	–334	–1,452	–1,429
Gross income	**153**	**139**	**652**	**575**
Selling expenses	–5	–24	–80	–71
Administrative expenses	–44	–32	–158	–145
Product development expenses	–11	–9	–48	–49
Share of profit in joint venture, net of interest and tax	–2	1	10	11
Other operating income and expenses	17	11	28	20
Operating income	**108**	**86**	**404**	**341**
Financial income and expense	–5	–7	–13	–23
Earnings before tax	**103**	**79**	**391**	**318**
Taxes	–21	–15	–88	–72
Net income for the period	**82**	**64**	**303**	**246**
Attributable to:				
Parent company shareholders	**82**	**64**	**303**	**246**
Non-controlling interest	–	–	–	–
Basic earnings per share before items affecting comparability, SEK	1.92	1.51	7.39	5.95
Basic earnings per share, SEK	2.08	1.57	7.54	6.01
Diluted earnings per share, SEK	2.07	1.57	7.52	6.00
Basic average number of shares (000)	39,688	40,633	40,238	40,924
Diluted average number of shares (000)	39,840	40,704	40,374	40,973

Consolidated statement of other comprehensive income

	Oct–Dec		Jan–Dec	
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**
Net income for the period	**82**	**64**	**303**	**246**
Other comprehensive income				
Items that will not be reclassified to the income statement				
Net remeasurement gains and losses	58	155	58	–59
Tax on net remeasurement gains and losses	–10	-48	–10	6
Decrease on tax receivables related to changed tax rate in the USA	–8	–	–8	–
Net remeasurement losses in joint ventures	–1	–	–1	–
Items that may be reclassified subsequently to the income statement				
Exchange rate differences related to liabilities to foreign operations	–6	–39	93	–51
Tax arising from exchange rate differences related to liabilities to foreign operations	5	8	-14	11
Cash flow hedging	1	–	-1	4
Tax arising from cash flow hedging	–	–	–	–1
Foreign currency translation differences	29	52	-129	59
Total other comprehensive income/loss	**68**	**128**	**-12**	**–31**
Total comprehensive income	**150**	**192**	**291**	**215**

Consolidated balance sheet, in summary

Amounts in MSEK	31 Dec 2017	31 Dec 2016
Goodwill	592	615
Other intangible fixed assets	217	262
Tangible fixed assets	130	150
Share of net assets in joint venture	27	19
Deferred tax assets	92	129
Long-term receivables	6	5
Total fixed assets	**1,064**	**1,180**
Inventories	179	172
Current receivables	275	246
Cash and cash equivalents	455	438
Total current assets	**909**	**856**
Total assets	**1,973**	**2,036**
Total Shareholders' equity	**875**	**857**
Pensions and similar obligations	462	560
Deferred tax liabilities	30	36
Long-term interest-bearing liabilities	176	177
Other long-term liabilities	10	11
Total long-term liabilities	**678**	**784**
Short-term interest-bearing liabilities	2	1
Other current liabilities	418	394
Total current liabilities	**420**	**395**
Total equity and liabilities	**1,973**	**2,036**

Financial derivatives

The carrying amount of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist of derivative instruments.

As of 31 December the fair value of derivative instruments that were assets was MSEK 2 (5), and the fair value of derivative instruments that were liabilities was MSEK 0 (0). These measurements belong in level 2 in the fair value hierarchy.

Consolidated changes in shareholders' equity, in summary

Amounts in MSEK	31 Dec 2017	31 Dec 2016
Opening balance	**857**	**852**
Net income for the period	303	246
Other comprehensive loss	–12	–31
Total comprehensive income	**291**	**215**
Dividend	–142	–134
Own share buy-backs [1]	–142	–85
Sale of own shares to satisfy LTI – options exercised [1]	8	7
Long-term incentive plan	3	2
Closing balance	**875**	**857**

[1] For additional information see page 33.

Consolidated cash flow statement, in summary

	Oct–Dec		Jan–Dec	
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**
Earnings before tax	103	79	391	318
Reversal of depreciation, amortization and write-downs	10	29	65	88
Reversal of share of profit in joint venture	2	–1	–10	–11
Reversal of other non-cash items	–1	–18	5	–2
Taxes paid	–10	–19	–75	–42
Cash flow from operating activities before changes in working capital	*104*	*70*	*376*	*351*
Change in working capital	28	30	–16	58
Cash flow from operating activities	**132**	**100**	**360**	**409**
Net investments in property, plant and equipment	–	–6	–13	–12
Cash flow from investing activities	**–**	**–6**	**–13**	**–12**
Dividends paid	–	–	–142	–134
Dividends received from joint venture	1	2	1	12
Buy back of own shares	–52	–25	–142	–85
Selling of own shares to satisfy LTI-options exercised	–	–	8	7
New loans received	–	–	2	31
Repayment of loans	–1	–	–2	–31
Pension payments and other cash flows from financing activities	–10	–	–50	–33
Cash flow from financing activities	**–62**	**–23**	**–325**	**–233**
Cash flow for the period	**70**	**71**	**22**	**164**
Cash and bank assets, opening balance	377	357	438	258
Exchange rate differences in cash and bank assets	8	10	–5	16
Cash and bank assets, closing balance	**455**	**438**	**455**	**438**

Group notes

Data per share

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Basic earnings per share, before items affecting comparability, SEK	1.92	1.51	7.39	5.95
Basic earnings per share, SEK	2.08	1.57	7.54	6.01
Diluted earnings per share, SEK	2.07	1.57	7.52	6.00
Equity per share, SEK	22.36	21.18	22.36	21.18
Cash flow from operating activities per share, SEK	3.35	2.44	8.97	9.99
Basic weighted average no. of shares (000's)	39,688	40,633	40,238	40,924
Diluted weighted average no. of shares (000's)	39,840	40,704	40,374	40,973
Number of shares at period-end (000's)	39,542	40,482	39,542	40,482

Key figures [1)]

	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Sales growth, %	6	–6	5	–13
Sales growth, constant currency, % [2)]	12	–7	6	–10
EBITDA margin before items affecting comparability, %	23.2	21.5	22.2	20.8
EBITDA margin, %	23.3	24.1	22.3	21.4
Operating margin before items affecting comparability, %	19.6	17.4	18.7	16.8
Operating margin, %	21.4	18.2	19.2	17.0
Capital employed, MSEK	1,030	1,083	1,030	1,083
Return on capital employed before items affecting comparability, %	37.1	28.6	37.1	28.6
Return on capital employed, %	38.0	28.9	38.0	28.9
Return on equity, %	37.0	32.2	37.0	32.2
Working capital, MSEK	36	25	36	25
Working capital as a % of annual sales	1.7	1.2	1.7	1.2
Net debt, MSEK	185	300	185	300
Gearing ratio, %	21	35	21	35
Net investments in property, plant and equipment	–	6	13	12
R&D, %	2.2	2.0	2.3	2.4
Number of employees, average	944	977	937	1,011

1) For additional information see pages 36–37 and 39.
2) Also excludes the impact of any acquisition or divestments in that period.

Consolidated income statement in summary, by type of cost

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Net sales	503	473	2,104	2,004
Direct material costs	–244	–228	–1,019	–983
Personnel costs	–112	–106	–448	–442
Depreciation, amortization and write-downs	–10	–28	–65	–88
Share of profit in joint venture, net of tax	–2	1	10	11
Other operating costs, net	–27	–26	–178	–161
Operating income	**108**	**86**	**404**	**341**
Financial income and expenses	–5	–7	–13	–23
Earnings before tax	**103**	**79**	**391**	**318**
Taxes	–21	–15	–88	–72
Net income for the period	**82**	**64**	**303**	**246**

Other operating income and expenses (refers to Income Statement on page 24)

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Tooling income	1	2	6	6
Royalty income from joint venture	15	10	46	40
Amortisation of acquisition related surplus values	–9	–9	–36	–36
Restructuring cost	1	–26	1	–26
Impairment of tangible assets	8	–9	8	–9
Curtailment gains, pensions	–	39	–	39
Other	1	4	3	6
Other operating income and expenses	**17**	**11**	**28**	**20**

Segment reporting

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

FINANCIAL STATEMENTS

Fourth quarter

	Oct–Dec							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Total net sales	261	238	328	306	–86	–71	503	473
External net sales	258	234	302	281	–57	–42	503	473
Operating income before items affecting comparability	40	28	57	54	2	–	99	82
Operating income	40	49	65	37	3	–	108	86
Operating margin before items affecting comparability, %	15.4	12.0	18.9	19.2	n/a	n/a	19.6	17.4
Operating margin, %	15.7	20.9	21.6	13.2	n/a	n/a	21.4	18.2
Financial income and expense	–	–	–	–	–5	–7	–5	–7
Earnings before tax	40	49	65	37	–2	–7	103	79
Assets	508	598	1,272	1,243	193	195	1,973	2,036
Liabilities	274	307	666	657	158	215	1,098	1,179
Capital employed	292	343	813	824	–75	–84	1,030	1,083
Return on capital employed before items affecting comparability, %	47.4	32.9	29.3	25.7	n/a	n/a	37.1	28.6
Return on capital employed, %	47.7	38.4	30.3	23.6	n/a	n/a	38.0	28.9
Net investments in property, plant and equipment	1	3	6	2	–7	1	–	6
Depreciation, amortization and write-downs	6	7	5	22	–1	–1	10	28
Number of employees, average	350	351	656	684	–62	–58	944	977

Full year

	Jan–Dec							
	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	2017	2016	2017	2016	2017	2016	2017	2016
Total net sales	1,075	1,009	1,379	1,288	–350	–293	2,104	2,004
External net sales	1,055	988	1,266	1,199	–217	–183	2,104	2,004
Operating income before items affecting comparability	155	126	242	214	–2	–3	395	337
Operating income	155	147	250	197	–1	–3	404	341
Operating margin before items affecting comparability, %	14.7	12.8	19.1	17.8	n/a	n/a	18.7	16.8
Operating margin, %	14.7	14.9	19.8	16.4	n/a	n/a	19.2	17.0
Financial income and expense	–	–	–	–	–13	–23	–13	–23
Earnings before tax	155	147	250	197	–14	–26	391	318
Assets	508	598	1,272	1,243	193	195	1,973	2,036
Liabilities	274	307	666	657	158	215	1,098	1,179
Capital employed	292	343	813	824	–75	–84	1,030	1,083
Return on capital employed before items affecting comparability, %	47.4	32.9	29.3	25.7	n/a	n/a	37.1	28.6
Return on capital employed, %	47.7	38.4	30.3	23.6	n/a	n/a	38.0	28.9
Net investments in property, plant and equipment	2	4	21	8	–10	–	13	12
Depreciation, amortization and write-downs	25	27	42	62	–2	–1	65	88
Number of employees, average	341	375	658	696	–62	–60	937	1,011

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 fourth quarter was 60 (59) for the Group, with an average of 59 (57) working days for the Americas region and 60 (61) working days for the Europe & RoW region.

The weighted average number of working days in the full year was 249 (247) for the Group, with an average of 249 (244) working days for the Americas region and 250 (250) working days for the Europe & RoW region.

Employees

The average number of full-time equivalents employed by the group during the full year was 937 (1,011).

Sales by geographic location of customer

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
USA	224	214	937	918
Rest of North America	8	1	39	20
South America	18	8	42	53
Germany	74	74	345	325
UK	22	16	92	70
Sweden	24	27	89	101
Rest of Europe	79	90	342	335
Asia	54	41	216	177
Other	–	2	2	5
Total Group	**503**	**473**	**2,104**	**2,004**

Sales by product groups (including Alfdex)

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Concentric branded Engine products	262	259	1,085	1,080
LICOS branded Engine products	45	33	191	158
Alfdex branded Engine products	56	42	213	183
Total Engine products	363	334	1,489	1,421
Total Hydraulics products	196	181	828	766
Eliminations	–56	–42	–213	–183
Total Group	**503**	**473**	**2,104**	**2,004**

Business risks and accounting principles

Related-party transactions

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

Events after the balance-sheet date

There were no significant post balance sheet events to report.

Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are presented in the 2016 Annual Report on pages 8–11 and pages 18–45.

Significant risks and uncertainties

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

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

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

Concentric's Board of Directors and Senior management team have reviewed the development of these significant risks and uncertainties since the publication of the 2016 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2017. Please refer to the Risk and Risk Management section on pages 59–62 of the 2016 Annual Report for further details.

Basis of Preparation and Accounting policies

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

The basis of accounting and the accounting policies adopted in preparing this interim report are consistent for all periods presented and comply with those policies stated in the 2016 Annual Report.

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

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

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

IFRS 9 – "Financial instruments". The effective date for IFRS 9 is January 1, 2018 and replaces *IAS 39 Financial Instruments: Recognition and Measurement* as the standard on recognition and measurement of financial instruments in IFRS. Compared with IAS 39, IFRS 9 primarily brings changes regarding classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 will not impact how Concentric classifies and measures financial assets and financial liabilities. The changes regarding hedge accounting will also not impact the Group.

However, the transition to IFRS 9 will have an impact on the how Concentric makes provisions for trade receivables. IFRS 9 requires a loss allowance to be recognised for expected credit losses, while IAS 39 requires an impairment loss to be recognised only when there is objective evidence of impairment. Concentric has historically had low credit losses. Therefore, the loss allowance for trade receivables is estimated to increase by only 65 KSEK after tax as per 1 January 2018, due to the new impairment requirements in IFRS 9. This will be reported as an adjustment against opening retained earnings as per 1 January, 2018 since Concentric will use the option to not restate comparative figures.

IFRS 15 – "Revenue from contracts with customers". The effective date for IFRS 15 is January 1, 2018 and the standard replaces previous standards on revenue recognition in IFRS such as IAS 18 Revenue.

The effects of IFRS 15 for Concentric are limited to how certain sales made with prompt payment discounts are accounted for. Under Concentric's current accounting principles, revenue is reduced by with the discount when it becomes known if the customer will use the discount. However, under IFRS 15 the prompt payment discounts constitute variable consideration and the standard requires variable consideration to be estimated when revenue from a sale is first recognised (provided certain conditions are met). The change in accounting principles will lead to a minor timing difference in recognising the discount from these sales.

Due to the minor impact of IFRS 15, Concentric has chosen to use the option in the standard of not restating comparative figures. Instead, the effect of the change in accounting principles will be reported as an adjustment to opening equity as per 1 January 2018. Concentric estimates that opening equity will be reduced by 53 KSEK after tax due to the change in accounting principles.

IFRS 16 – "Leases". IFRS 16 is effective from 1 January 2019. Concentric does not plan to apply IFRS 16 before the effective date. For Concentric, total assets and liabilities are expected to increase as a result of recognising leases on the balance sheet that are now classified as operational leases. This will affect operating income positively since the entire leasing fee for the period will not be included in operating income on leases that are currently classified as operational. However, depreciation and financial expenses will increase. Concentric currently does not have sufficient data to present a quantitative impact analysis.

Parent company

Net sales and Operating income

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

Dividends

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's earnings and strong financial position, the Board of Directors intend to propose to the shareholders at the forthcoming Annual General Meeting a total dividend of SEK 3.75 (3.50) per share in respect of the 2017 financial year. This corresponds to an ordinary dividend of SEK 2.50 (2.00) which equates to 33% (33) of the reported basic earnings per share, plus an additional dividend of SEK 1.25 (1.50) associated with the Group's strong financial position.

Buy-back and Holdings of own shares

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

On 30 March 2017, the AGM resolved to retire 698,600 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital. Altogether, the resolution resulted in the total number of shares in issue reduced to 40,872,000 (41,570,600) and the share capital being increased by SEK 156.

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

During the second quarter, 101,200 (115,360) options granted under the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. Under the own share buyback mandate resolved at the 2017 Annual General Meeting, the company purchased 365,675 (228,881) ordinary shares for a total consideration of MSEK 52 (25) during the fourth quarter, taking the total purchased own shares to 1,040,691 (813,480) for a total consideration of MSEK 142 (85) for the year. Consequently the company's total holdings of own shares at the end of the year was 1,329,507 (1,088,616), which represented 3.3% (2.6) of the total number of shares in issue.

The Board of Directors intend to propose to the shareholders at the forthcoming Annual General Meeting to renew the current mandate for share buybacks.

Parent company's income statement, in summary

Amounts in MSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Net sales	19	14	50	43
Other operating income	–	–	–	21
Operating costs	–8	–9	–20	–20
Operating income	**11**	**5**	**30**	**44**
Income from shares in subsidiaries	5	132	747	132
Income from shares in joint venture	1	–	1	12
Net foreign exchange rate differences	–23	–40	64	–52
Other financial income and expense	–2	–2	–5	–4
Earnings before tax	**–8**	95	**837**	**132**
Taxes	1	6	–21	1
Net income for the period [1)]	**–7**	101	**816**	**133**

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

Parent company's balance sheet, in summary

Amounts in MSEK	31 Dec 2017	31 Dec 2016
Shares in subsidiaries	3,175	2,433
Shares in joint venture	10	10
Long-term loans receivable from subsidiaries	9	8
Deferred tax assets	3	24
Total financial fixed assets	**3,197**	**2,475**
Other current receivables	5	3
Short-term receivables from joint ventures	6	–
Short-term receivables from subsidiaries	142	80
Cash and cash equivalents	228	249
Total current assets	**381**	**332**
Total assets	**3,578**	**2,807**
Total Shareholders' equity	**1,767**	**1,227**
Pensions and similar obligations	18	18
Long-term interest-bearing liabilities	175	175
Long-term loans payable to subsidiaries	1,597	1,362
Total long-term liabilities	**1,790**	**1,555**
Short-term loans payable to subsidiaries	17	18
Other current liabilities	4	7
Total current liabilities	**21**	**25**
Total equity and liabilities	**3,578**	**2,807**

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

Amounts in MSEK	31 Dec 2017	31 Dec 2016
Opening balance	1,227	1,306
Net income for the period	816	133
Dividend	–142	–134
Sale of own shares to satisfy LTI – options exercised [1]	8	7
Buy-back of own shares [1]	–142	–85
Closing balance	**1,767**	**1,227**

[1] For additional information see page 33.

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 February, 2018.

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

Future reporting dates

Annual Report January – December 2017	*27 March, 2018*
Interim report January – March 2018	*3 May, 2018*
Annual General Meeting 2018	*3 May, 2018*
Interim report January – June 2018	*24 July, 2018*

Stockholm, 7 February, 2018
Concentric AB (publ)

David Woolley
President and CEO

For further information, please contact:

David Woolley (President and CEO) or
David Bessant (SVP Europe and Rest of the World) at
Tel: +44 (0) 121 445 6545 or
E-mail: info@concentricab.com

Corporate Registration Number 556828-4995

This Interim Report has not been audited.

Reconciliation alternative performance measures

Amounts in MSEK

Underlying EBIT or operating income	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Operating income	**108**	**86**	**404**	**341**
Restructuring cost related to the acquisition of GKN Pumps	–	26	–	26
Other restructuring cost	–1	–	–1	–
Impairment of (reversal)/write-down tangible assets	–8	9	–8	9
Curtailment gains, pensions	–	–39	–	–39
Underlying operating income	**99**	**82**	**395**	**337**
Net Sales	503	473	2,104	2,004
Operating margin (%)	**21.4**	**18.2**	**19.2**	**17.0**
Underlying operating margin (%)	**19.6**	**17.4**	**18.7**	**16.8**

Underlying EBITDA or Operating income before amortisation and depreciation	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
EBIT or Operating income	**108**	**86**	**404**	**341**
Operating amortisation/depreciation	9	10	37	43
Amortisation of purchase price allocation	9	9	36	36
Impairment of (reversal)/write-down tangible assets	–8	9	–8	9
EBITDA or Operating income before amortisation and depreciation	**118**	**114**	**469**	**429**
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**117**	**101**	**468**	**416**
Net Sales	503	473	2,104	2,004
EBITDA margin (%)	**23.3**	**24.1**	**22.3**	**21.4**
Underlying EBITDA margin (%)	**23.2**	**21.5**	**22.2**	**20.8**

Net income before items affecting comparability	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Net income	**82**	**64**	**303**	**246**
Items affecting comparability after tax	–6	–2	–6	–2
Net income before items affecting comparability	**76**	**62**	**297**	**244**
Basic average number of shares (000)	39,688	40,633	40,238	40,924
Basic earnings per share	**2.08**	**1.57**	**7.54**	**6.01**
Basic earnings per share before items affecting comparability	**1.92**	**1.51**	**7.39**	**5.95**

Net debt	31 Dec 2017	31 Dec 2016
Pensions and similar obligations	462	560
Long-term interest-bearing liabilities	176	177
Short-term interest-bearing liabilities	2	1
Total interest-bearing liabilities	640	738
Cash and cash equivalents	–455	–438
Total Net Debt	**185**	**300**
Net Debt, excluding pension obligations	–277	–260

Capital employed	31 Dec 2017	31 Dec 2016
Total Assets	**1,973**	**2,036**
Interest bearing financial assets	–6	–6
Cash and Cash Equivalents	–455	–438
Tax assets	–111	–146
Non-interest bearing assets (excl taxes)	**1,401**	**1,446**
Non-interest bearing liabilities (incl taxes)	–454	–436
Tax liabilities	83	73
Non-interest bearing liabilities (excl taxes)	–371	**–363**
Total Capital Employed	**1,030**	**1,083**

Working capital	31 Dec 2017	31 Dec 2016
Accounts receivable	189	160
Other current receivables	86	86
Inventory	179	172
Working capital assets	**454**	**418**
Accounts payable	–186	–183
Other current payables	–232	–210
Working capital liabilities	**–418**	**–393**
Total Working Capital	**36**	**25**

Graph data summary

	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015
Americas									
Sales, MSEK	258	265	268	264	233	253	252	250	253
Book-to-bill, %	115	88	101	110	116	98	98	98	99
Operating income before items affecting comparability, MSEK	40	40	38	37	28	33	32	32	34
Operating margin before items affecting comparability, %	15.7	14.9	14.4	13.9	12.0	13.2	12.8	12.8	13.6
Europe & RoW									
Sales (including Alfdex), MSEK	302	302	327	335	281	281	321	315	301
Book-to-bill, %	122	99	95	102	114	94	94	103	98
Operating income before items affecting comparability, MSEK	57	58	63	64	54	49	58	54	51
Operating margin before items affecting comparability, %	18.9	19.2	19.2	19.2	19.2	17.3	18.0	17.1	17.1
Alfdex eliminations									
Sales, MSEK	–57	–52	–55	–53	–41	–43	–51	–47	–50
Operating income before items affecting comparability, MSEK	2	–2	–1	–1	–	–1	–1	–1	–
Group									
Sales (excluding Alfdex), MSEK	503	515	540	546	473	491	522	518	504
Book-to-bill, %	114	93	97	105	115	93	95	100	108
Operating income before items affecting comparability, MSEK	99	96	100	100	82	81	88	85	85
Operating margin before items affecting comparability, %	19.6	18.7	18.5	18.3	17.4	16.5	17.0	16.5	16.6
Basic earnings per share, SEK	2.04	1.79	1.86	1.83	1.57	1.45	1.52	1.46	1.35
Return on equity, %	37.0	36.5	36.5	34.6	32.2	30.3	29.4	28.3	31.7
Cash flow from operating activities per share, SEK	3.35	1.82	1.90	1.92	2.44	2.79	3.21	1.55	3.06
Working capital as % of annualised sales	1.7	2.4	2.2	1.9	1.2	2.0	3.4	5.6	4.4
Net debt, MSEK	185	315	335	224	300	559	686	513	488
Gearing ratio, %	21	40	42	29	35	81	112	63	57
Gearing ratio (excl Pensions), %	–32	–26	–25	–41	–30	–26	–13	–15	–9

Glossary

Americas	Americas operating segment comprising the Group's operations in the USA and South America
Europe & RoW	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
LTI	Long term incentive
Net investments in fixed assets	Fixed asset additions net of fixed asset disposals and retirements
PPM	Parts Per Million defect rate
OEMs	Original Equipment Manufacturers
Order backlog	Customer sales orders received which will be fulfilled over the next three months
R&D expenditure	Research and development expenditure

Definitions

Key figures	Definition/Calculation	Purpose
Book-to-bill	Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period	Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.
Capital employed	Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities	Capital employed measures the amount of capital used and serves as input for return on capital employed.
Drop-through rate	Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales	This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.
EBITDA	Earnings before interest, taxes, depreciation and amortisation	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA margin	EBITDA as a percentage of net sales	EBITDA margin is used for measuring the cash flow from operating activities.
EBIT or Operating income	Earnings before interest and tax	This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the company.
EBIT or Operating margin	Operating income as a percentage of net sales	Operating profit margin is used for measuring the operational profitability.
EPS	Earnings per share, net income divided by the average number of shares	The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.
Gearing ratio	Ratio of net debt to shareholders' equity	The net gearing ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, this is calculated based on net debt rather than gross debt.
Gross margin	Net sales less cost of goods sold, as a percentage of net sales	Gross margin measures production profitability.
Net debt	Total interest-bearing liabilities, including pension obligations less liquid funds	Net debt is used as an indication of the ability to pay off all debts if these were to fall due simultaneously on the day of calculation, using only available cash and cash equivalents.
ROCE	Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over a rolling 12 months	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it not only includes equity, but takes into account other liabilities as well.
ROE	Return on equity; net income as a percentage of the average shareholders' equity over a rolling 12 months	Return on equity is used to measure profit generation, given the resources attributable to the parent company owners.
Sales growth, constant currency	Growth rate based on sales restated at prior year foreign exchange rates	This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.
Structural growth	Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts	Structural changes measure the contribution of changes in group structure to net sales growth.
"Underlying" or "before items affecting comparability"	Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate)	Enabling a comparison of operational business.
Working capital	Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.

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