

# INTERIM REPORT Q1/2020

TECHNOLOGY  
INNOVATION  
SUSTAINABILITY







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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.

# First quarter

## Net sales

MSEK 456 (566) – sales were down –20% y-o-y. After adjusting for impact of currency (+2%), sales in constant currency were down –22%.

## Operating income

MSEK 87 (126), generating an operating margin of 19.1% (22.2).

## Earnings after tax

MSEK 60 (94); basic EPS of SEK 1.60 (2.43).

## Cash flow from operating activities

MSEK 81 (102); cash generation affected by lower sales.

## Group's net debt

MSEK 27 (27); gearing ratio of 2% (2).

### Key figures – Group <sup>1)</sup>

Amounts in MSEK	Jan–Mar			Apr–Mar	Jan–Dec
	2020	2019	Change	2019/20	2019
Net sales	456	566	–20%	1,902	2,012
Operating income	87	126	–31%	433	472
Earnings before tax	80	121	–34%	412	453
Net income for the period	60	94	–36%	287	321
Cash flow from operating activities	81	102	–21%	365	386
Net debt <sup>2)</sup>	27	27	–	27	54
Operating margin, %	19.1	22.2	–3.1	22.8	23.5
Basic EPS, SEK	1.60	2.43	–0.83	7.54	8.37
Diluted EPS, SEK	1.60	2.42	–0.82	7.45	8.27
Return on equity, %	25.4	39.5	–14.1	25.4	29.5
Gearing ratio, %	2	2	–	2	5

<sup>1)</sup> For additional information see pages 25–26 and 29.

<sup>2)</sup> For additional information see page 29.



# Review of the first quarter

President and CEO, David Woolley,  
comments on the Q1 2020 Interim Report.

## Market and sales development

The quarterly published market indices suggest production rates, blended for the Group's end-markets and regions declined by –24% with both the Americas and Europe & RoW reporting negative growth for the third successive quarter. The Group's sales continued to be affected by the overall market slowdown with sales down –20% year-on-year. The sales were down year-on-year for the first quarter by –22% in constant currency and remained slightly ahead of the published indices.

The pandemic, Covid-19, which is impacting the global economy did affect our China operation during the first quarter, which closed for a period following Chinese New Year. During March many of our European & Asian OEM customers have been forced to cease production as national governments imposed restrictions to limit the spread of the virus. Sales in the first quarter were largely unaffected by this rapidly changing environment.

The same market indices indicate every geographic region and every end market application was weaker year-on-year during the first quarter, most notably medium- and heavy-duty trucks declined 38% in North America and 34% in Europe. However the truck market remains the largest end-market and accounts for 41% of the Group's sales.

Concentric's sales in North America, Europe, India and China were down year-on-year in the quarter whilst sales in South America showed a modest increase. Sales to all end-market applications were lower in the first quarter year-on-year with the truck & off-highway sectors, agricultural machinery & construction equipment particularly affected in our core regions of North America and Europe.

## Concentric Business Excellence – managing during a global pandemic

Concentric Business Excellence has been the key in our ability to adapt operations to lower demand and thereby defend our margins. All parts of the business participate in this programme, driving continuous improvement in customer service levels, employee motivation and operational excellence. The successful implementation of this model has enabled our management teams to work efficiently to reduce the cost of capacity for the reduction in demand from our customers, ensuring the operating margin was maintained at good levels during the first quarter at 19.1% (22.2).

## Annual General Meeting – dividend withdrawn

At the Annual General Meeting the Board of Directors of Concentric AB withdrew the previously communicated dividend proposal of SEK 4.50 instead proposing that no dividend is distributed to the shareholders for the 2019 financial year, which was duly approved by shareholders. Due to the current market situation caused by Covid-19, the Board of Directors prioritised maintaining financial flexibility, and provided the market conditions and visibility improves adequately over the year Concentric is planning to reassess the possibility of distributing a dividend later in 2020.

## Outlook

The global pandemic will have a greater impact on our business during the second quarter than the first, as OEM customers' manufacturing facilities remain closed during the early part of the quarter. There is also a great degree of uncertainty on how quickly market will recover post the Covid-19 pandemic.

The overall published market indices blended to Concentric's mix of end market applications and locations suggest the overall market will contract sharply during the second quarter of 2020, most notably the medium- and heavy-duty truck markets in North America and Europe. The off-highway sectors, agricultural machinery and construction equipment, will be impacted by the pandemic, but not to the extent expected in the truck sector because of the nature of their product.

The level of orders received in the first quarter indicate that sales in the second quarter 2020 will be significantly lower than sales in the first quarter, but providing further guidance is extremely difficult with the current uncertainty in the market place.

These are extraordinary times and our management teams are resilient, remain agile and are responding to challenging market conditions, reducing the cost of capacity by furloughing our facilities in various geographic regions and focussing on cash management. The financial position of Concentric is strong, both regarding capital structure and liquidity and Concentric remains committed to meeting our customers' requirements.

A professional headshot of a middle-aged man with short, dark hair, wearing a dark suit jacket, a white dress shirt, and a yellow and blue striped tie. He is looking directly at the camera with a slight smile. The background is plain white.

» These are extraordinary times and our management teams are resilient, remain agile and are responding to challenging market conditions ... «

# First quarters figures

## Key figures <sup>1)</sup>

Amounts in MSEK	Jan–Mar			Apr–Mar	Jan–Dec
	2020	2019	Change	2019/20	2019
Net sales	456	566	–20%	1,902	2,012
Operating income	87	126	–31%	433	472
Earnings before tax	80	121	–34%	412	453
Net income for the period	60	94	–36%	287	321
Operating margin, %	19.1	22.2	–3.1	22.8	23.5
ROCE, %	37.6	50.5	–12.9	37.6	42.5
Return on equity, %	25.4	39.5	–14.2	25.4	29.5
Basic EPS, SEK	1.60	2.43	–0.83	7.54	8.37
Diluted EPS, SEK	1.60	2.42	–0.82	7.45	8.27

<sup>1)</sup> For additional information see pages 25–26 and 29.

## Sales

Net sales for the first quarter were down year-on-year by –20%. After adjusting for the impact of currency (+2%), sales in constant currency were down –22%. The end markets in the first quarter continued to soften resulting in lower sales for Concentric in North America, Europe, India and China whilst sales in South America showed a modest increase. Sales to all end-market applications were lower in the first quarter year-on-year with the truck & off-highway sectors, agricultural machinery & construction equipment particularly affected in our core regions of North America and Europe.

The pandemic, Covid-19 which is impacting the global economy did affect our China operation during the first quarter, which closed for a period following Chinese New Year. During March many of our European & Asian OEM customers have been forced to cease production as national governments imposed restrictions to limit the spread of the virus. Sales in the first quarter were largely unaffected by this rapidly changing environment.

## Operating income

The operating margin for the first quarter was 19.1% (22.2) and the profit drop-out from lower sales was 35%. The business continues to

address the cost of capacity through the Concentric Business Excellence program, which efficiently allows our management teams to adapt to lower customer demand. Income from our joint venture (JV) with Alfa Laval, Alfdex was also impacted by the softening market, which reduced income from the JV this quarter to MSEK 16 (21).

## Net financial items

Net financial expenses in the first quarter comprised of pension financial expenses of MSEK 4 (4) and other net interest expenses of MSEK 3 (1).

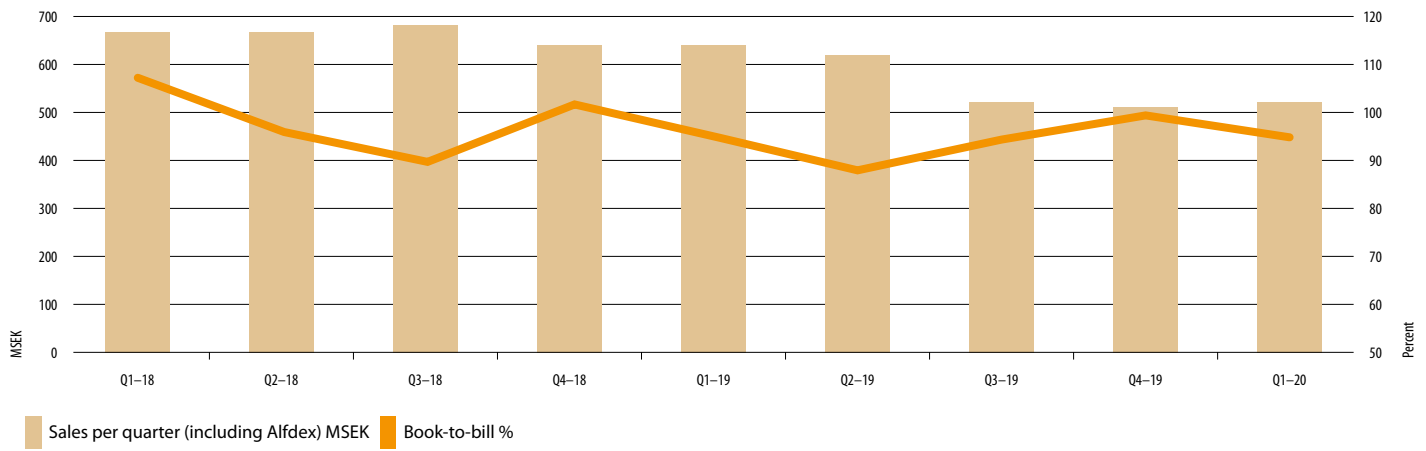
## Taxes

The reported effective tax rate for the first quarter was 24% (22). This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

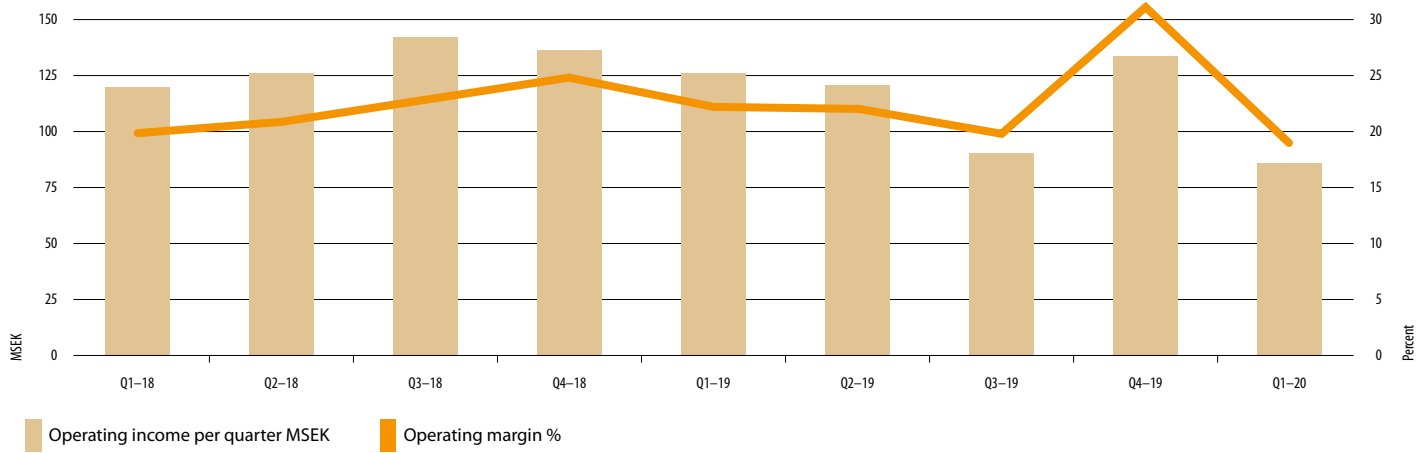
## Earnings per share

The basic earnings per share for the first quarter was SEK 1.60 (2.43), down SEK 0.83 per share. The diluted earnings per share for the first quarter was SEK 1.60 (2.42), down SEK 0.82 per share.

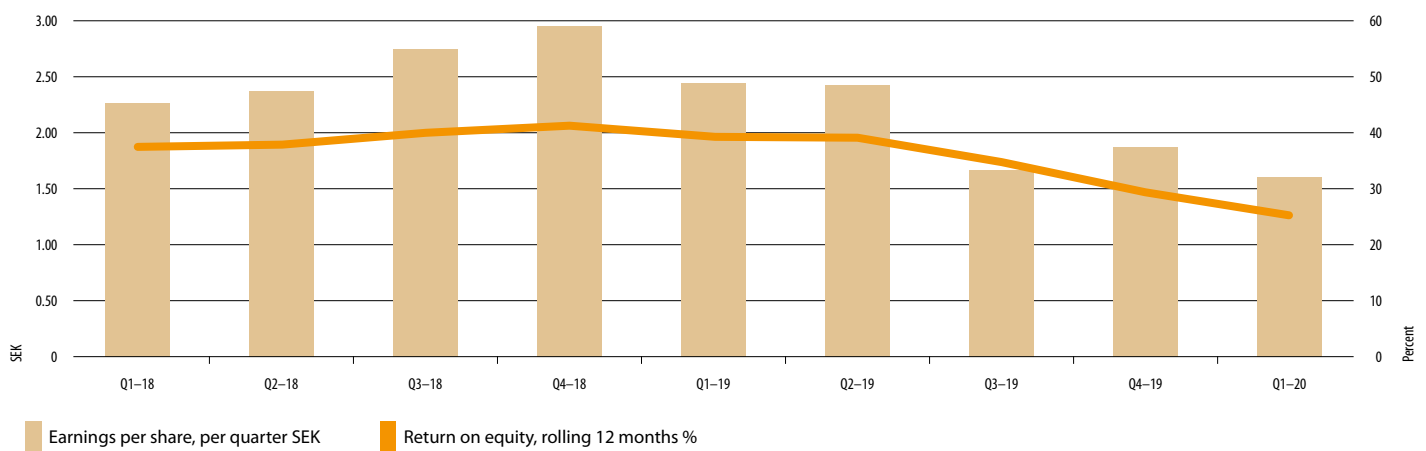
### Sales and book-to-bill



### Underlying operating income and margins



### Earnings per share and return on equity





# Net sales and operating income by region

## Americas

<i>Amounts in MSEK</i>	Jan-Mar			Apr-Mar	Jan-Dec
	2020	2019	Change	2019/20	2019
External net sales	189	244	-23%	808	863
Operating income	21	37	-43%	145	161
Operating margin, %	11.3	15.3	-4.0	18.0	18.7
ROCE, %	42.7	71.0	-28.3	42.7	49.9

Sales for the first quarter were down year-on-year by -23%. After adjusting for the impact of currency (+2%), sales in constant currency were down -25%.

In the first quarter, demand in the North American market contracted substantially across all four end market applications. Concentric sales into these sectors reduced year-on-year by double-digit percentages. The most significant sales reductions were seen in the truck and agri-

cultural machinery sectors, but construction equipment and to a lesser extent industrial applications also had lower year-on-year sales. Demand in South America also slowed during the first quarter, however year-on-year sales growth was achieved in the region driven by the truck and industrial application sectors offsetting lower sales in the off highway sectors. The operating margin in the first quarter was 11.3% (15.3) and the profit drop-out from lower sales in the quarter was 29%.

## Europe & RoW

<i>Amounts in MSEK</i>	Jan-Mar			Apr-Mar	Jan-Dec
	2020	2019	Change	2019/20	2019
External net sales (including Alfdex)	336	394	-15%	1,374	1,432
Operating income	68	90	-24%	295	317
Operating margin, %	20.2	22.8	-2.6	21.5	22.2
ROCE, %	36.8	42.2	-5.4	36.8	40.6

Sales for the first quarter were down year-on-year by -15%. After adjusting for the impact of currency (+2%), sales in constant currency were down -17%.

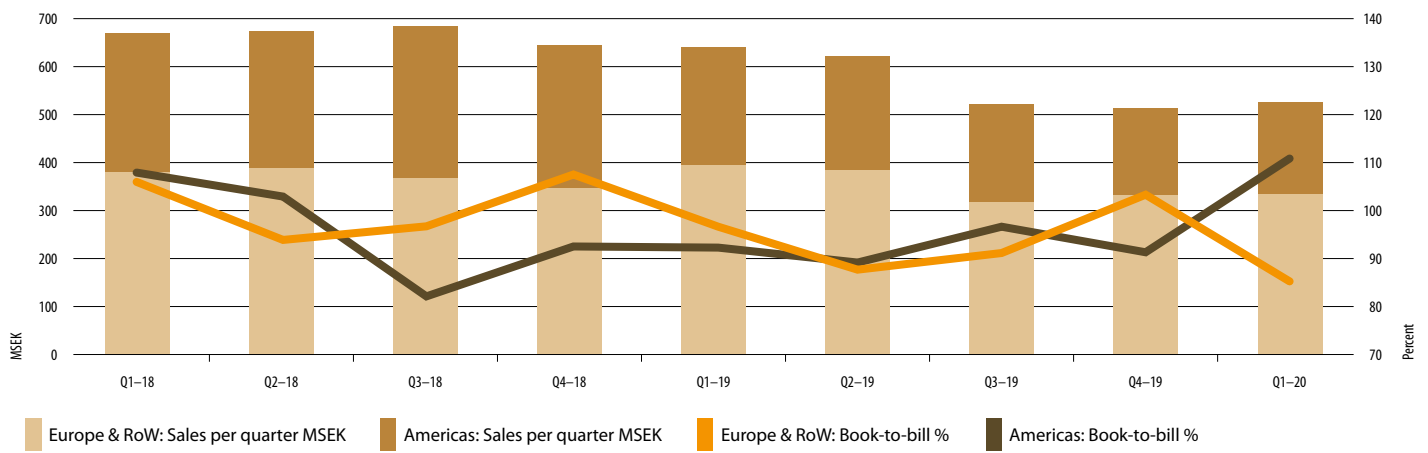
Demand in our European markets mirrored that of North America, reporting substantial year-on-year contractions in all end market applications. Again Concentric sales into these sectors reduced year-on-year by double-digit percentages. The most significant sales reductions were seen in the truck and off-highway sectors, agricultural machinery

and construction equipment, however some modest sales growth was achieved in the industrial applications sector. The Indian market continues to remain challenging, the market continues to soften and coupled with an on-going banking crisis creating liquidity issues it's affecting demand across all end-market applications.

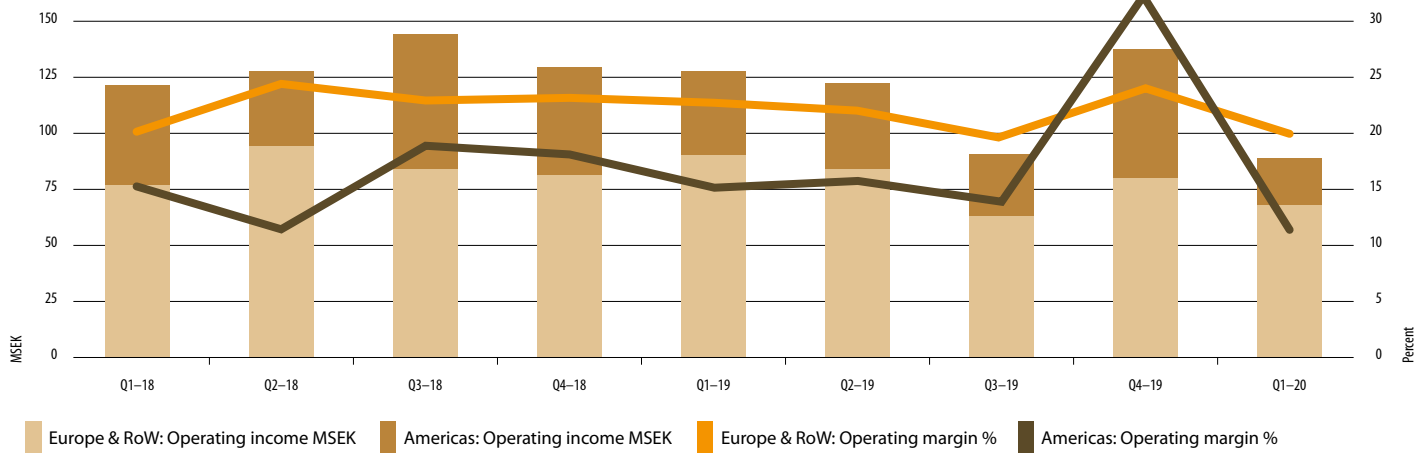
The operating margin in the first quarter was 20.2% (22.8) and the profit drop-out from lower sales in the quarter was 38%.



### Sales and book-to-bill



### Underlying operating income and margins



# Market development

The end-application markets in all regions continued to soften during the first quarter of 2020, down 24% year on year.

## Americas end-markets

### North America

- Sales into all of our four end-markets were down year-on-year in the first quarter, most notably the medium and heavy-duty truck sector and both of the off-highway sectors, namely agricultural machinery and construction equipment.
- The industrial applications sector provided challenging trading conditions during the quarter with year-on-year sales declining by a double-digit percentage.
- Overall, sales in constant currency declined a little more than the latest published market indices, suggesting the indices continue to lag the actual market demand.

### South America

- Sales in the first quarter to our South American end-market applications delivered overall modest growth. Growth in the truck and industrial application sectors was partially offset by lower sales in the off-highway end application sectors.

## Europe & RoW end-markets

### Europe

- Sales into three of our four end-markets were down year-on-year in the first quarter, most notably the truck and off-highway sectors construction equipment and agricultural machinery.
- The industrial application sector proved a little more resilient this quarter and offered year-on-year single digit sales growth.
- Overall, sales in constant currency declined a little less than the latest published market indices.

### Rest of the World

- The ongoing banking crisis in India remains a significant factor which is affecting liquidity in the local market and hampering project funding. Sales into all four end-market application sectors were down year-on-year, most notably the truck and agricultural machinery sectors.
- The operation in China was affected by the global pandemic during the first quarter. The facility closed for a number of weeks impacting sales, but was fully operational towards the end of the quarter.
- Overall, the Rest of the World still only accounts for less than 10% of the group's total revenues.

## Consolidated sales development

	Q1-20 vs. Q1-19			FY-20 vs. FY-19		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average <sup>1)</sup>	-19%	-27%	-24%	-8%	-15%	-13%
Actual – constant currency <sup>2)</sup>	-25%	-17%	-22%			

<sup>1)</sup> Based on latest market indices blended to Concentric's mix of end-markets and locations.

<sup>2)</sup> Based on actual sales in constant currency, including Alfdex.

Overall, market indices suggest production rates, blended to the Group's end-markets and regions, were down -24% year-on-year for the first quarter. Each successive quarter the market growth rate has slowed over the last five quarters with the first quarter of 2020 being the third reporting negative growth for both the Americas and Europe & RoW markets. Actual sales in constant currency for the first quarter -22% for the Group.





The current published forecast market indices for 2020 show the North America and European markets will continue to contract, par-

ticularly the medium- and heavy-duty truck sector, whilst the emerging markets of India and South America offer growth potential in the off-highway sectors. However, the global pandemic has increased market uncertainty and reduced visibility meaning published forecasts for the balance of the year could change significantly over the course of the second quarter.

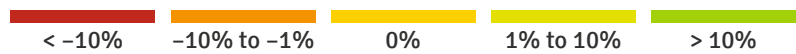
As noted in previous interim reports, movements in the market indices tend to lag the Group's order intake experience by 3–6 months.



## Published market indices

	Q1-20 vs Q1-19					FY-20 vs FY-19				
	North America	South America	Europe	India	China	North America	South America	Europe	India	China
 <b>Agriculture</b> Diesel engines	-26%	-15%	-38%	-12%	-23%	-6%	6%	-22%	2%	-10%
 <b>Construction</b> Diesel engines	-29%	-15%	-34%	-9%	-21%	-10%	7%	-18%	5%	-8%
Hydraulic equipment	-4%	n/a	5%	n/a	n/a	-3%	n/a	-3%	n/a	n/a
 <b>Trucks</b> Light vehicles	-34%	n/a	n/a	n/a	n/a	-17%	n/a	n/a	n/a	n/a
Medium and Heavy vehicles	-38%	-19%	-34%	-40%	-29%	-22%	2%	-18%	-30%	-17%
 <b>Industrial</b> Other off-highway	-30%	-16%	-34%	-14%	-17%	-12%	5%	-18%	-1%	-3%
Hydraulic lift trucks	-16%	n/a	-13%	n/a	n/a	-9%	n/a	-13%	n/a	n/a

The market indices summarised in the table above reflect the Q1 2020 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.



## Current resources

### Operational cash flow

The reported cash inflow from operating activities for the first quarter amounted to MSEK 81 (102), which represents SEK 2.15 (2.65) per share.

### Working capital

Total working capital at 31 March was MSEK 23 (–17), which represented 1.2% (–0.7) of annual sales. Working capital increased marginally compared to 31 December 2019.

### Net investments in fixed assets

The Group's net investments in tangible fixed assets amounted to MSEK 3 (6) for the first quarter.

### Net debt and gearing

Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, as last year there were no remeasurement gains or losses recognised in net pension liabilities during the first quarter 2020.

Overall, the Group's net debt at 31 March was MSEK 27 (27), comprising bank loans of MSEK 1 (180), loans related to leasing MSEK 99 (103) and net pension liabilities of MSEK 509 (524), net of cash amounting to MSEK 582 (780). Shareholders' equity amounted to MSEK 1,253 (1,186), resulting in a gearing ratio of 2% (2) at the end of the first quarter.

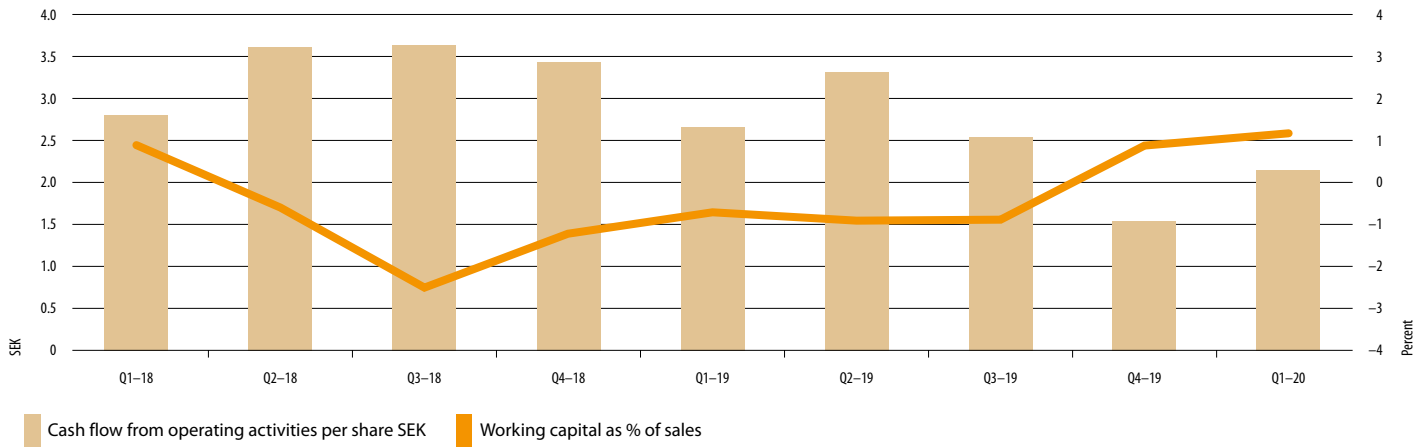
The Board of Directors of Concentric AB withdrew the proposal of a dividend and instead proposed no dividend to the shareholders. The AGM meeting resolved in accordance with the board's proposal.

Due to the current market situation caused by COVID-19, the Board of Directors has prioritised maintaining financial flexibility, and provided the market conditions and visibility improves adequately over the year, Concentric is planning to reassess the possibility of distributing a dividend later in 2020.

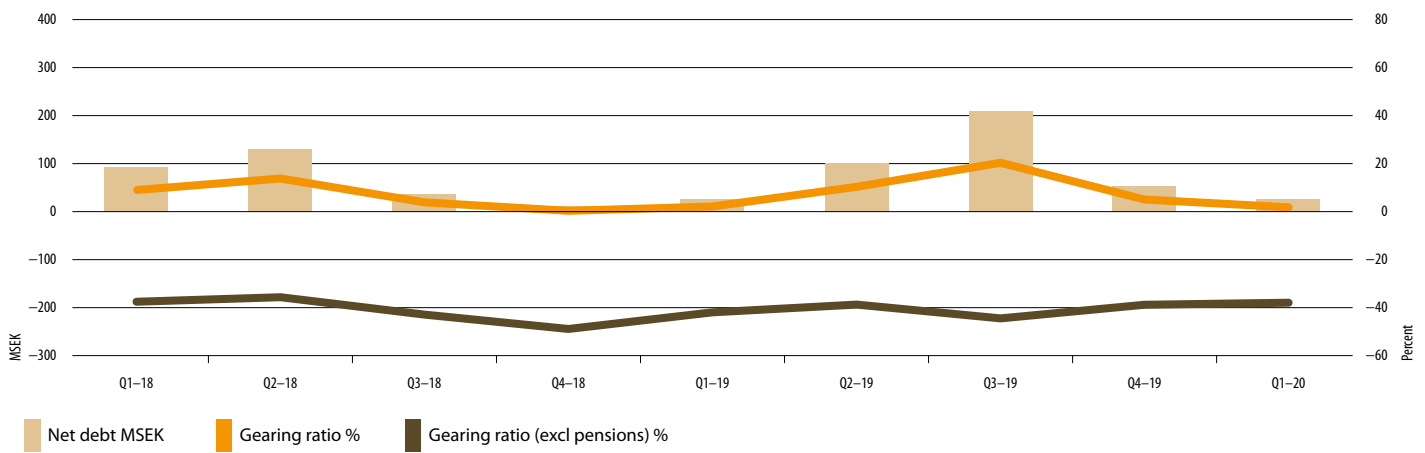




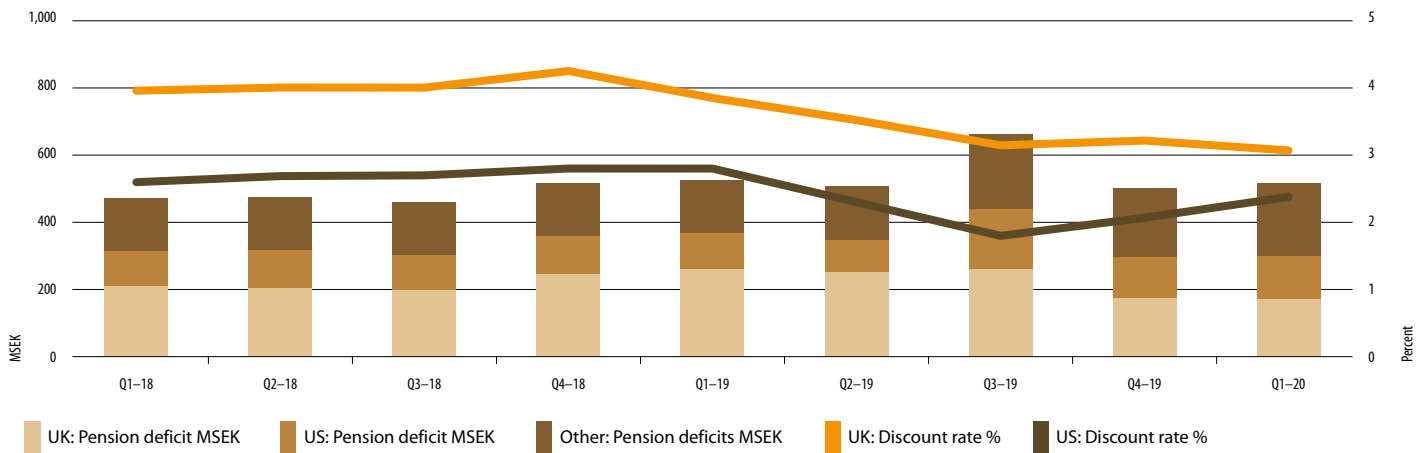
### Cash flow from operating activities and working capital



### Net debt and gearing



### Net pension liabilities



## General information

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

## Consolidated income statement

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Net sales	456	566	1,902	2,012
Cost of goods sold	-315	-382	-1,318	-1,385
<b>Gross income</b>	<b>141</b>	<b>184</b>	<b>584</b>	<b>627</b>
Selling expenses	-16	-20	-20	-24
Administrative expenses	-36	-40	-136	-140
Product development expenses	-11	-13	-44	-46
Share of net income in joint venture	7	6	21	20
Other operating income and expenses	2	9	28	35
<b>Operating income</b>	<b>87</b>	<b>126</b>	<b>433</b>	<b>472</b>
Financial income and expenses	-7	-5	-21	-19
<b>Earnings before tax</b>	<b>80</b>	<b>121</b>	<b>412</b>	<b>453</b>
Taxes	-20	-27	-125	-132
<b>Net income for the period</b>	<b>60</b>	<b>94</b>	<b>287</b>	<b>321</b>
Parent company shareholders	60	94	287	321
Non-controlling interest	-	-	-	-
Basic earnings per share, SEK	1.60	2.43	7.54	8.37
Diluted earnings per share, SEK	1.60	2.42	7.45	8.27
Basic average number of shares (000)	37,767	38,633	38,155	38,369
Diluted average number of shares (000)	37,819	38,731	38,635	38,849

## Consolidated statement of comprehensive income

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Net income for the period	60	94	287	321
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to the income statement</i>				
Remeasurement gains of net pension liabilities	-	-	75	75
Tax on remeasurement gains of net pension liabilities	-	-	-13	-13
Remeasurement losses of net pension liabilities	-	-	-76	-76
Tax on remeasurement losses of net pension liabilities	-	-	20	20
<i>Items that may be reclassified subsequently to the income statement</i>				
Exchange rate differences related to liabilities to foreign operations	-79	-63	-121	-105
Tax arising from exchange rate differences related to liabilities to foreign operations	12	15	13	16
Cash-flow hedging	-2	2	-5	-1
Tax arising from cash-flow hedging	-	-	-	-
Foreign currency translation differences	125	111	171	157
<b>Total other comprehensive income</b>	<b>56</b>	<b>65</b>	<b>64</b>	<b>73</b>
<b>Total comprehensive income</b>	<b>116</b>	<b>159</b>	<b>351</b>	<b>394</b>



## Consolidated balance sheet

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Goodwill	683	651	656
Other intangible fixed assets	158	190	162
Right of use fixed assets	97	105	84
Other tangible fixed assets	98	112	98
Share of net assets in joint venture	65	44	55
Deferred tax assets	153	150	137
Long-term receivables	29	6	6
<b>Total fixed assets</b>	<b>1,283</b>	<b>1,258</b>	<b>1,198</b>
Inventories	158	173	147
Current receivables	283	332	243
Cash and cash equivalents	582	780	531
<b>Total current assets</b>	<b>1,023</b>	<b>1,285</b>	<b>921</b>
<b>Total assets</b>	<b>2,306</b>	<b>2,543</b>	<b>2,119</b>
<b>Total Shareholders' equity</b>	<b>1,253</b>	<b>1,186</b>	<b>1,136</b>
Pensions and similar obligations	509	524	499
Deferred tax liabilities	21	23	20
Long-term liabilities for right of use fixed assets	84	80	62
Other long-term interest-bearing liabilities	–	175	–
Other long-term liabilities	4	7	5
<b>Total long-term liabilities</b>	<b>618</b>	<b>809</b>	<b>586</b>
Short-term liabilities for right of use fixed assets	15	23	23
Other short-term interest-bearing liabilities	1	5	1
Other current liabilities	419	520	373
<b>Total current liabilities</b>	<b>435</b>	<b>548</b>	<b>397</b>
<b>Total equity and liabilities</b>	<b>2,306</b>	<b>2,543</b>	<b>2,119</b>

## 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 0 (5), and the fair value of derivative instruments that were liabilities was MSEK 1 (1). These measurements belong in level 2 in the fair value hierarchy.

## Consolidated changes in shareholders' equity

	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Opening balance</b>	<b>1,136</b>	<b>1,026</b>	<b>1,026</b>
Net income for the period	60	94	321
Other comprehensive income	56	65	73
<b>Total comprehensive income</b>	<b>116</b>	<b>159</b>	<b>394</b>
Dividend	–	–	–164
Own share buy-backs	–	–	–136
Sale of own shares to satisfy LTI – options exercised	–	–	13
Long-term incentive plan	1	1	3
<b>Closing balance</b>	<b>1,253</b>	<b>1,186</b>	<b>1,136</b>

## Consolidated cash flow statement, in summary

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
<b>Earnings before tax</b>	<b>80</b>	<b>121</b>	<b>412</b>	<b>453</b>
Reversal of depreciation and amortisation of fixed assets	20	25	94	99
Reversal of net income from joint venture	–6	–6	–20	–20
Reversal of other non-cash items	8	3	28	23
Taxes paid	–15	–19	–131	–135
<b>Cash flow from operating activities before changes in working capital</b>	<b>87</b>	<b>124</b>	<b>383</b>	<b>420</b>
Change in working capital	–6	–22	–18	–34
<b>Cash flow from operating activities</b>	<b>81</b>	<b>102</b>	<b>365</b>	<b>386</b>
<b>Net investments in property, plant and equipment</b>	<b>–3</b>	<b>–6</b>	<b>–16</b>	<b>–19</b>
New loans paid to joint venture	–40	–	–40	–
Loans repayment from joint venture	15	–	15	–
Other repayment of long-term receivables	2	–	2	–
<b>Net cash flow from long term receivables</b>	<b>–23</b>	<b>–</b>	<b>–23</b>	<b>–</b>
<b>Cash flow from investing activities</b>	<b>–26</b>	<b>–6</b>	<b>–39</b>	<b>–19</b>
Dividend	–	–	–164	–164
Dividend received from joint venture	–	–	2	2
Buy-back of own shares	–	–	–136	–136
Selling of own shares to satisfy LTI – options exercised	–	–	13	13
New loans	–	–	1	1
Repayment of loans	–3	–6	–204	–207
Pension payments and other cash flows from financing activities	–18	–14	–43	–39
<b>Cash flow from financing activities</b>	<b>–21</b>	<b>–20</b>	<b>–531</b>	<b>–530</b>
<b>Cash flow for the period</b>	<b>34</b>	<b>76</b>	<b>–205</b>	<b>–163</b>
Cash and bank assets, opening balance	531	683	780	683
Exchange-rate difference in cash and bank assets	17	21	7	11
<b>Cash and bank assets, closing balance</b>	<b>582</b>	<b>780</b>	<b>582</b>	<b>531</b>



## Group notes

### Data per share

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Basic earnings per share, SEK	1.60	2.43	7.54	8.37
Diluted earnings per share, SEK	1.60	2.42	7.45	8.27
Equity per share, SEK	33.18	30.68	33.18	30.09
Cash-flow from current operations per share, SEK	2.15	2.65	9.56	10.05
Basic weighted average no. of shares (000's)	37,767	38,633	38,155	38,369
Diluted weighted average no. of shares (000's)	37,819	38,731	38,635	38,849
Number of shares at period-end (000's)	37,767	38,633	37,767	37,767

### Key figures <sup>1)</sup>

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Sales growth, %	-20	-6	n/a	-17
Sales growth, constant currency, % <sup>2)</sup>	-22	-12	n/a	-20
EBITDA margin, %	23.4	26.5	27.8	28.4
Operating margin, %	19.1	22.2	22.8	23.5
Capital Employed, MSEK	1,180	1,165	1,180	1,126
ROCE before items affecting comparability, %	37.6	53.3	37.6	42.5
ROCE, %	37.6	50.5	37.6	42.5
ROE, %	25.4	39.5	25.4	29.5
Working Capital, MSEK	23	-17	23	18
Working capital as a % of annual sales	1.2	-0.7	1.2	0.9
Net Debt, MSEK <sup>2)</sup>	27	27	27	54
Gearing ratio, %	2	2	2	5
Net investments in PPE	3	6	16	19
R&D, %	2.4	2.3	2.3	2.3
Number of employees, average	743	917	803	844

<sup>1)</sup> For additional information see pages 25–26 and 29.

<sup>2)</sup> For additional information see page 29.

**Consolidated income statement in summary – by type of cost**

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Net sales	456	566	1,902	2,012
Direct material costs	-210	-266	-892	-948
Personnel costs	-111	-122	-444	-455
Depreciation and amortisation of fixed assets	-20	-25	-94	-99
Share of net income in joint venture	7	6	21	20
Other operating income and expenses	-35	-33	-60	-58
<b>Operating income</b>	<b>87</b>	<b>126</b>	<b>433</b>	<b>472</b>
Financial income and expense	-7	-5	-21	-19
<b>Earnings before tax</b>	<b>80</b>	<b>121</b>	<b>412</b>	<b>453</b>
Taxes	-20	-27	-125	-132
<b>Net income for the period</b>	<b>60</b>	<b>94</b>	<b>287</b>	<b>321</b>

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

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Tooling income	1	1	10	10
Royalty income from joint venture	9	15	52	58
Amortisation of acquisition related surplus values	-10	-10	-39	-39
Other	2	3	5	6
<b>Other operating income and expenses</b>	<b>2</b>	<b>9</b>	<b>28</b>	<b>35</b>

## 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.

Proportional consolidation of the joint venture company Alfdex is used in Europe & RoW in the segment reporting, but adjusted to equity accounting in the statements according to IFRS 11.

## First quarter

	Americas		Europe & RoW		Elims-Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	192	250	351	413	-87	-97	456	566
External net sales	189	244	336	394	-69	-72	456	566
Operating income	21	37	68	90	-2	-1	87	126
Operating margin, %	11.3	15.3	20.2	22.8	n/a	n/a	19.1	22.2
Financial income and expense	-	-	-	-	-7	-5	-7	-5
Earnings before tax	21	37	68	90	-9	-6	80	121
Assets	557	595	1,317	1,465	432	483	2,306	2,543
Liabilities	263	304	782	854	8	199	1,053	1,357
Capital employed	346	337	816	828	18	-	1,180	1,165
ROCE before items affecting comparability, %	42.7	72.1	36.8	45.5	n/a	n/a	37.6	53.3
ROCE, %	42.7	71.0	36.8	42.2	n/a	n/a	37.6	50.5
Net investments in PPE	1	2	16	31	-14	-27	3	6
Depreciation and amortisation of fixed assets	7	7	15	18	-2	-	20	25
Number of employees, average	258	328	567	661	-82	-72	743	917

## 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 61 (64) for the Group, with an average of 61 (62) working days for the Americas region and 60 (64) working days for the Europe & RoW region.



### Segment External Sales reporting by geographic location of customer

Amounts in MSEK	Jan–Mar							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	167	213	13	15	–12	–14	168	214
Rest of North America	10	10	2	3	–	–	12	13
South America	4	8	–	1	–	–	4	9
Germany	2	1	104	119	–17	–17	89	103
UK	–	4	32	36	–	–	32	40
Sweden	–	–	38	50	–14	–23	24	27
Rest of Europe	1	2	98	123	–11	–14	88	111
Asia	4	6	48	45	–15	–2	37	49
Other	1	–	1	2	–	–2	2	–
<b>Total Group</b>	<b>189</b>	<b>244</b>	<b>336</b>	<b>394</b>	<b>–69</b>	<b>–72</b>	<b>456</b>	<b>566</b>

### Total sales by product groups

Amounts in MSEK	Jan–Mar							
	Americas		Europe & RoW		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded Engine products	67	100	115	166	–	–	182	266
LICOS branded Engine products	–	–	50	53	–	–	50	53
Alfdex branded Engine products	–	–	69	72	–69	–72	–	–
Total Engine products	67	100	234	291	–69	–72	232	319
Total Hydraulics products	122	144	102	103	–	–	224	247
<b>Total Group</b>	<b>189</b>	<b>244</b>	<b>336</b>	<b>394</b>	<b>–69</b>	<b>–72</b>	<b>456</b>	<b>566</b>

### Total sales by end-markets

	Jan–Mar							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	20	41	195	241	–69	–72	146	210
Construction	60	74	64	72	–	–	124	146
Industrial	83	89	51	48	–	–	134	137
Agriculture	26	40	26	33	–	–	52	73
<b>Total Group</b>	<b>189</b>	<b>244</b>	<b>336</b>	<b>394</b>	<b>–69</b>	<b>–72</b>	<b>456</b>	<b>566</b>

## 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

The Board of Directors of Concentric AB withdrew the previously communicated dividend proposal of SEK 4.50 to the Annual General Meeting on April 23, 2020. The Board instead proposed that no dividend is distributed to the shareholders for the 2019 financial year. At the same time, the Nomination Committee withdrew the previously announced proposal to increase Board fees, instead proposing to maintain current Board fees. The AGM meeting resolved in accordance with the board's proposal.

Due to the current market situation caused by COVID-19, the Board of Directors has prioritised maintaining financial flexibility. Provided that the market conditions and visibility improves adequately over the year Concentric is planning to reassess the possibility of distributing a dividend later in 2020.

The financial position of Concentric is strong, both regarding capital structure and liquidity and as previously communicated Concentric is undertaking measures to adapt its operations to meet the customers' requirements.

### Business overview

Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2019 Annual Report on pages 6–9 and pages 14–33.

### 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 2019 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments and the effects of the pandemic COVID-19 during 2020. Please refer to the Risk and Risk Management section on pages 67–70 of the 2019 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 2019 Annual Report.

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

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

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

## Parent Company

### Net sales and operating income

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

### Buy-back and holdings of own shares

The total number of holdings of own shares at 1 January 2020 was 1,156,667 (1,210,516) and shares transferred in 2017–2019 to an Employee Share Ownership Trust (“ESOT”) was 300,700 (188,020). Including these shares the company’s holdings was 1,457,367 (1,398,536) and the total number of shares in issue was 39,224,100 (40,031,100).

The company did not repurchase any shares during the first quarter and consequently the total holdings of own shares at the end of the quarter was 1,457,367 (1,398,536), which represented 3.7% (3.5) of the total number of shares.

On 23 April 2020, the AGM resolved to retire 926,500 of the company’s own repurchased shares. The retirement of shares has been carried out

through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital.

The annual general meeting also resolved to transfer up to 138,600 shares to an Employee Share Ownership Trust (“ESOT”) as a part of a Joint Share Ownership Plan (“JSOP”) under LTI 2020. In accordance with the annual general meeting’s resolution and the terms of LTI 2020, the board of Concentric has executed the transfer in regards to 93,712 shares.

The total number of holdings of own shares after the above transactions will be 136,455 and the total number of shares in issue will be 38,297,600. Consequently the company’s total holdings of own shares will represent 0.4% of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT during 2017–2020 will be 394,412. Including these shares the company’s holdings will be 530,867 representing 1.4% of the total number of shares.

### Parent Company’s income statement

	Jan–Mar		Apr–Mar	Jan–Dec
	2020	2019	2019/20	2019
Net sales	10	15	57	62
Operating costs	-5	-4	-21	-20
<b>Operating income</b>	<b>5</b>	<b>11</b>	<b>36</b>	<b>42</b>
Income from shares in subsidiaries	-	-	712	712
Income from shares in joint venture	-	-	2	2
Net foreign exchange rate differences	-58	-68	-66	-76
Other financial income and expense	-3	-5	-15	-17
<b>Earnings before tax</b>	<b>-56</b>	<b>-62</b>	<b>669</b>	<b>663</b>
Taxes	12	13	6	7
<b>Net income for the period <sup>1)</sup></b>	<b>-44</b>	<b>-49</b>	<b>675</b>	<b>670</b>

<sup>1)</sup> Total Comprehensive Income for the Parent Company is the same as Net income/loss for the period.

## Parent Company's balance sheet

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Shares in subsidiaries	3,149	3,178	3,149
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	27	7	1
Deferred tax assets	34	28	22
<b>Total financial fixed assets</b>	<b>3,220</b>	<b>3,223</b>	<b>3,182</b>
Other current receivables	3	3	4
Short-term receivables from subsidiaries	82	164	17
Short-term receivables from joint ventures	–	–	3
Cash and cash equivalents	454	502	405
<b>Total current assets</b>	<b>539</b>	<b>669</b>	<b>429</b>
<b>Total assets</b>	<b>3,759</b>	<b>3,892</b>	<b>3,611</b>
<b>Total shareholders' equity</b>	<b>1,783</b>	<b>1,395</b>	<b>1,827</b>
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	–	175	–
Long-term loans payable to subsidiaries	881	2,281	1,063
<b>Total long-term liabilities</b>	<b>899</b>	<b>2,474</b>	<b>1,081</b>
Short-term loans payable to subsidiaries	1,070	16	697
Other current liabilities	7	7	6
<b>Total current liabilities</b>	<b>1,077</b>	<b>23</b>	<b>703</b>
<b>Total equity and liabilities</b>	<b>3,759</b>	<b>3,892</b>	<b>3,611</b>

## Parent Company's changes in shareholders' equity

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Opening balance	1,827	1,444	1,444
Net income for the period	–44	–49	670
Dividend	–	–	–164
Sale of own shares to satisfy LTI options exercised	–	–	13
Buy-back of own shares	–	–	–136
<b>Closing balance</b>	<b>1,783</b>	<b>1,395</b>	<b>1,827</b>



**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 6 May, 2020.

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

**Concentric's web site for investors**

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

**Reporting calendar for 2020**

Interim report January – June 2020	23 July, 2020
Interim report January – September 2020	4 November, 2020

**Further information:**

David Woolley (President and CEO) or  
 Marcus Whitehouse (CFO) at  
 Tel: +44 (0) 121 445 6545 or  
 E-mail: [info@concentricab.com](mailto:info@concentricab.com)

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

**David Woolley**

President and CEO

*Stockholm, 6 May, 2020*  
*Concentric AB (publ)*

## Alternative Performance Measures reconciliation

	Jan-Mar		Apr-Mar	Jan-Dec
	2020	2019	2019/20	2019
<b>Underlying EBIT or operating income</b>				
<b>EBIT or operating income</b>	<b>87</b>	<b>126</b>	<b>433</b>	<b>472</b>
<b>Items affecting comparability:</b>	-	-	-	-
<b>Underlying operating income</b>	<b>87</b>	<b>126</b>	<b>433</b>	<b>472</b>
Net Sales	456	566	1,902	2,012
Underlying Net Sales	456	566	1,902	2,012
<b>Operating margin (%)</b>	<b>19.1</b>	<b>22.2</b>	<b>22.8</b>	<b>23.5</b>
<b>Underlying operating margin (%)</b>	<b>19.1</b>	<b>22.2</b>	<b>22.8</b>	<b>23.5</b>

	Jan-Mar		Apr-Mar	Jan-Dec
	2020	2019	2019/20	2019
<b>Underlying EBITDA or operating income before amortisation and depreciation</b>				
<b>EBIT or operating income</b>	<b>87</b>	<b>126</b>	<b>433</b>	<b>472</b>
Operating amortisation/depreciation	10	15	55	60
Amortisation of purchase price allocation	10	10	39	39
<b>EBITDA or operating income before amortisation and depreciation</b>	<b>107</b>	<b>151</b>	<b>527</b>	<b>571</b>
<b>Underlying EBITDA or underlying operating income before amortisation and depreciation</b>	<b>107</b>	<b>151</b>	<b>527</b>	<b>571</b>
Net sales	456	566	1,902	2,012
Underlying Net Sales	456	566	1,902	2,012
<b>EBITDA margin (%)</b>	<b>23.4</b>	<b>26.5</b>	<b>27.8</b>	<b>28.4</b>
<b>Underlying EBITDA margin (%)</b>	<b>23.4</b>	<b>26.5</b>	<b>27.8</b>	<b>28.4</b>

	Jan-Mar		Apr-Mar	Jan-Dec
	2020	2019	2019/20	2019
<b>Net income before items affecting comparability</b>				
<b>Net income</b>	<b>60</b>	<b>94</b>	<b>287</b>	<b>321</b>
Items affecting comparability after tax	-	-	-	-
<b>Net income before items affecting comparability</b>	<b>60</b>	<b>94</b>	<b>287</b>	<b>321</b>
Basic average number of shares (000)	37,767	38,633	38,155	38,369
<b>Basic earnings per share</b>	<b>1.60</b>	<b>2.43</b>	<b>7.54</b>	<b>8.37</b>
<b>Basic earnings per share before items affecting comparability</b>	<b>1.60</b>	<b>2.43</b>	<b>7.54</b>	<b>8.37</b>

<b>Net debt</b>	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
Pensions and similar obligations	509	524	499
Liabilities for right of use fixed assets	99	103	85
Other long term interest bearing liabilities	–	175	–
Other short term interest bearing liabilities	1	5	1
<b>Total interest bearing liabilities</b>	<b>609</b>	<b>807</b>	<b>585</b>
Cash and cash equivalents	–582	–780	–531
<b>Total net debt</b>	<b>27</b>	<b>27</b>	<b>54</b>
<b>Net debt, excluding pension obligations</b>	<b>–482</b>	<b>–497</b>	<b>–445</b>

<b>Capital employed</b>	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
<b>Total assets</b>	<b>2,306</b>	<b>2,543</b>	<b>2,119</b>
Interest bearing financial assets	–29	–6	–6
Cash and cash equivalents	–582	–780	–531
Tax assets	–186	–171	–171
<b>Non interest bearing assets (excl taxes)</b>	<b>1,509</b>	<b>1,586</b>	<b>1,411</b>
Non interest bearing liabilities (incl taxes)	–442	–548	–395
Tax liabilities	113	127	110
<b>Non interest bearing liabilities (excl taxes)</b>	<b>–329</b>	<b>–421</b>	<b>–285</b>
<b>Total capital employed</b>	<b>1,180</b>	<b>1,165</b>	<b>1,126</b>

<b>Working capital</b>	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
Accounts receivable	223	262	181
Other current receivables	60	69	62
Inventory	158	173	147
<b>Working capital assets</b>	<b>441</b>	<b>504</b>	<b>390</b>
Accounts payable	–186	–217	–156
Other current payables	–232	–304	–216
<b>Working capital liabilities</b>	<b>–418</b>	<b>–521</b>	<b>–372</b>
<b>Total working capital</b>	<b>23</b>	<b>–17</b>	<b>18</b>

## Graph data summary

	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
<b>Americas</b>									
Sales, MSEK	189	179	203	237	244	296	315	285	288
Book-to-bill, %	111	91	97	89	92	92	82	103	108
Operating income before items affecting comparability, MSEK	21	58	28	38	37	48	60	33	45
Operating margin before items affecting comparability, %	11.3	32.3	14.1	15.8	15.3	18.0	18.8	11.5	15.5
<b>Europe &amp; RoW</b>									
Sales (including Alfdex), MSEK	336	334	320	383	394	345	367	388	379
Book-to-bill, %	85	103	91	88	97	108	97	94	106
Operating income before items affecting comparability, MSEK	68	80	63	84	90	81	84	94	77
Operating margin before items affecting comparability, %	20.2	24.1	19.7	22.0	22.8	23.4	22.9	24.4	20.2
<b>Alfdex eliminations</b>									
Sales, MSEK	-69	-83	-60	-67	-73	-59	-60	-70	-64
Operating income before items affecting comparability, MSEK	-2	-4	1	-1	-1	7	-2	-1	-1
<b>Group</b>									
Sales (excluding Alfdex), MSEK	456	430	463	553	566	582	622	603	603
Book-to-bill, %	94	99	94	88	95	102	90	97	108
Operating income before items affecting comparability, MSEK	87	134	91	121	126	136	142	126	120
Operating margin before items affecting comparability, %	19.1	31.1	19.8	21.9	22.2	24.8	22.9	20.9	19.9
Basic earnings per share, SEK	1.60	1.87	1.67	2.39	2.43	2.95	2.74	2.36	2.26
Return on equity, %	25.4	29.5	34.4	39.0	39.5	41.6	40.3	38.1	37.6
Cash flow from operating activities per share, SEK	2.15	1.53	2.53	3.32	2.65	3.44	4.17	3.61	2.80
Working capital as % of annualised sales	1.2	0.9	-0.9	-0.9	-0.7	-1.2	-2.5	-0.6	0.9
Net debt, MSEK	27	54	207	102	27	12	37	132	92
Gearing ratio, %	2	5	20	10	2	1	4	14	9
Gearing ratio (excl Pensions), %	-38	-39	-44	-38	-42	-49	-43	-35	-38



## 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

**Europe & RoW**

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

**LTI**

Long term incentive.

**Net investments in fixed assets**

Fixed asset additions net of fixed asset disposals and retirements.

**OEMs**

Original Equipment Manufacturers.

**Off-highway**

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

**Order backlog**

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

**R&D expenditure**

Research and development expenditure.

**Tier 1, Tier 2-supplier**

Different levels of sub suppliers, typical within the automotive industry

## Definitions

### Book-to-bill

Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period.

Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.

### Capital employed

Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities.

Capital employed measures the amount of capital used and serves as input for return on capital employed.

### Drop-through/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.

### “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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