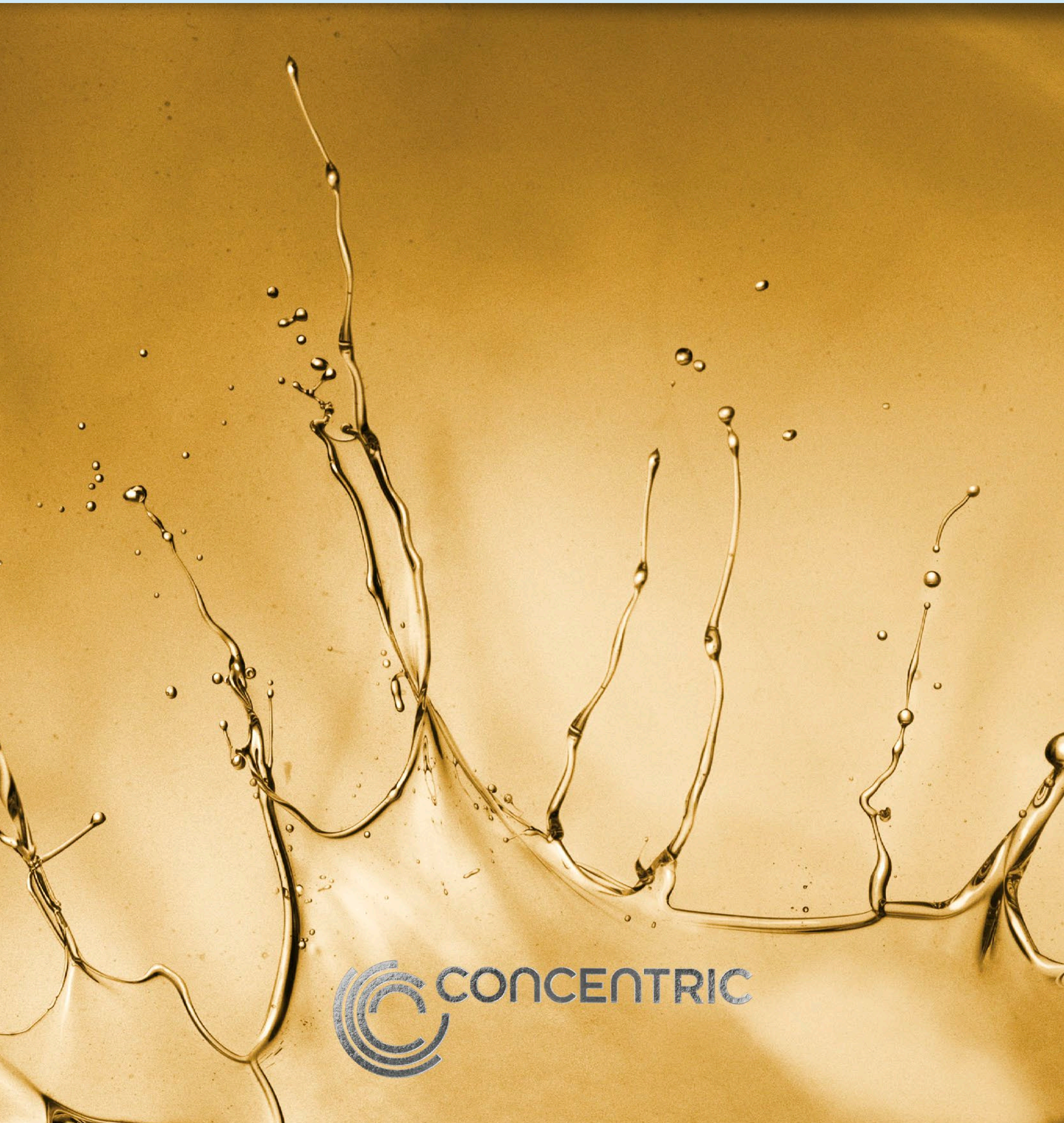
INTERIM REPORT Q1/2018



CONTENTS

FIRST QUARTER

Net sales
MSEK 603 (546) – up 15% y-o-y, after adjusting for currency (–5%).

Operating income
MSEK 120 (100), generating an operating margin of 19.9% (18.3).

Earnings after tax
MSEK 89 (74); basic EPS of SEK 2.26 (1.83).

Strong cash flow generated from operating activities
MSEK 111 (78) driven by management of working capital.

Group's net debt
MSEK 92 (225); gearing ratio of 9% (29).

Key figures – Group

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Change	Apr–Mar 2017/18	Jan–Dec 2017
Net sales	**603**	**546**	**10%**	**2,161**	**2,104**
Operating income before items affecting comparability	120	100	20%	415	395
Operating income	**120**	**100**	**20%**	**424**	**404**
Earnings before tax	115	97	19%	409	391
Net income for the period	**89**	**74**	**20%**	**318**	**303**
Cash flow from operating activities	111	78	42%	393	360
Net debt	**92**	**225**	**–59%**	**92**	**185**
Operating margin before items affecting comparability, %	19.9	18.3	1.6	19.2	18.7
Operating margin, %	**19.9**	**18.3**	**1.6**	**19.6**	**19.2**
Basic EPS before items affecting comparability, SEK	2.26	1.83	0.43	7.75	7.39
Basic EPS, SEK	**2.26**	**1.83**	**0.43**	**7.98**	**7.54**
Return on equity, %	37.6	34.6	3.0	37.6	37.0
Gearing ratio, %	**9**	**29**	**–20**	**9**	**21**

» The largest year-on-year improvements for the quarter were achieved in the medium and heavy-duty truck market, but there was also steady growth in construction equipment and agricultural machinery. «

President and CEO, David Woolley, comments on Q1 2018 interim report.

Sales development

Group sales for the first quarter were up year-on-year by 15% in constant currency, well ahead of the published market indices. The increased activity levels in the first quarter reflect strong demand across our core regions of North America and Europe. The emerging markets where Concentric is present also experienced strong year on year growth namely South America, India and China. The largest year-on-year improvements for the quarter were achieved in the medium and heavy-duty truck market, but there was also steady growth in construction equipment and agricultural machinery.

Concentric Business Excellence in conjunction with increased demand

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 growing demand.

The CBE-programme has continued to improve the group's profitability and the reported operating margin for the first quarter increased to 19.9% (18.3) with a year-on-year operating profit drop through of 35%.

Technology

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, but last year we saw a step change in OEMs development of electric and hybrid vehicles in order to address the tougher legislation aimed at reducing emission levels. This increase of development activity has persisted into 2018 and Concentric has been working collaboratively with OEMs to find solutions that utilise Concentric's electrically driven water pumps, oil pumps and electro- hydraulic steering pumps.

Similarly, the announcements to introduce Euro 6 legislation in India (Bharat VI) by April 2020 and in China (China 6) by July 2020 have led to OEMs initiating talks with Concentric on appropriate technology solutions as they strive to introduce cleaner engines that meet these new stringent emission standards.

We also continue to explore acquisition opportunities utilising our internal team and external advisor network by reviewing companies that offer enabling technologies or technologies that enhance our current product offering and/or geographical presence alongside our global customers.

Outlook

Looking forward, the orders received, and expected to be fulfilled during the second quarter of 2018, were slightly ahead of the sales levels of the first quarter in 2018. We expect that the current strong demand for the North American and European end markets will continue during the year. We have also strengthened our sales teams in order to support this continued growth. Market indices suggest that production volumes blended to Concentric's end markets and regions will be up 10% year-on-year for 2018. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

KEY EVENTS IN 2018

24 April 2018

Concentric AB appoints Philip Broad as Vice President of Sales for Engines in Europe and Asia.

Philip Broad is appointed Vice President of Sales in Europe and Asia for Engine Products. Philip holds a B.Eng (Hons) in Systems Engineering and has over 20 years of experience in the commercial vehicle marketplace both on and off highway, in business development, programme management and sales leadership. He has lived and worked from a Central European base for the last 15 years for Honeywell Turbo Technologies in Switzerland where he held the position of Global Business Manager for Turbochargers.

Phil has a proven track record of winning large, profitable contracts in the commercial vehicle market. Dave Bessant, Senior Vice President of Concentric AB said, "With his knowledge of our customer base, his strong focus on results combined with his coaching leadership style, Phil will work with his team to develop our customer account mapping; identifying new opportunities with customers, products and markets and securing additional programmes with our existing customers."

Philip Broad
Vice President of Sales for Engines in Europe and Asia

25 April 2018

Concentric AB Secures order for new electric coolant pump technology.

Concentric AB has recently received an order from a global truck and bus OEM, to produce electric coolant pumps for a new range of electric vehicles. This is the third nominated application for the Concentric electric pump technology, in this case relating to an electrically driven water pump that controls the temperature of the vehicle's battery pack.

Concentric's electric coolant 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.

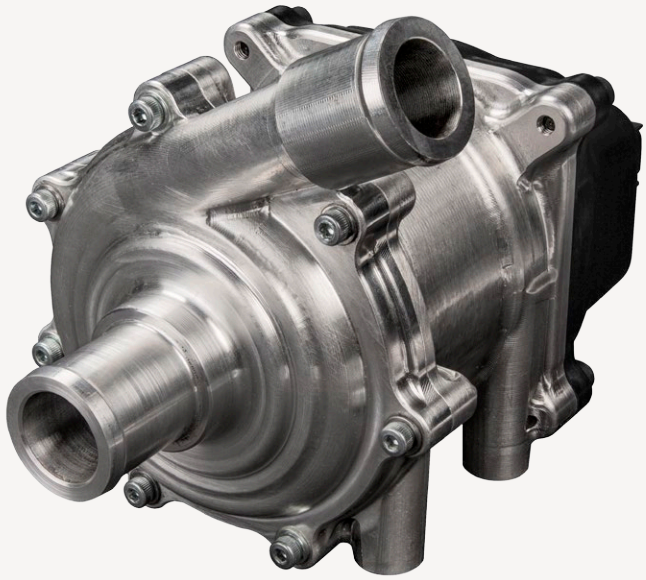
A key benefit of the Concentric electric pump is the fact that it utilises a wet rotor concept. This removes the potential failure mode of a dynamic seal and is one of the key enablers to meet the demanding service life requirements.

The Concentric electric coolant pump utilises a high efficiency permanent magnet electric machine matched to a pump with superior hydraulic performance.

The new electric coolant 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 third major nomination for Concentric's new electric pump technology and another significant breakthrough in the fast growing Electromobility area."

Concentric's range of electric coolantpumps have a modular design that 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.



Concentric's "Modular" design strategy is ideally suited for a wide range of applications in the fast growing Electromobility area.

FINANCIAL SUMMARY GROUP

Key Figures

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Operating margin before items affecting comparability, %	19.9	18.3	1.6	19.2	18.7
Operating margin, %	19.9	18.3	1.6	19.6	19.2
ROCE, %	39.9	31.0	8.9	39.9	38.0
Return on equity, %	37.6	34.6	3.0	37.6	37.0
Basic EPS, before items affecting comparability, SEK	2.26	1.83	0.43	7.75	7.39
Basic EPS, SEK	2.26	1.83	0.43	7.98	7.54
Diluted EPS, SEK	2.25	1.82	0.43	7.94	7.52

Sales
Sales for the first quarter were up year-on-year by 15%, adjusting for the impact of currency (–5%). Strong end market growth particularly in the North America medium and heavy-duty Truck sector and a steady increase in demand across all European end markets are the main drivers for the strong first quarter sales performance. The emerging markets also saw strong growth in key market segments reporting double-digit growth year-on-year.

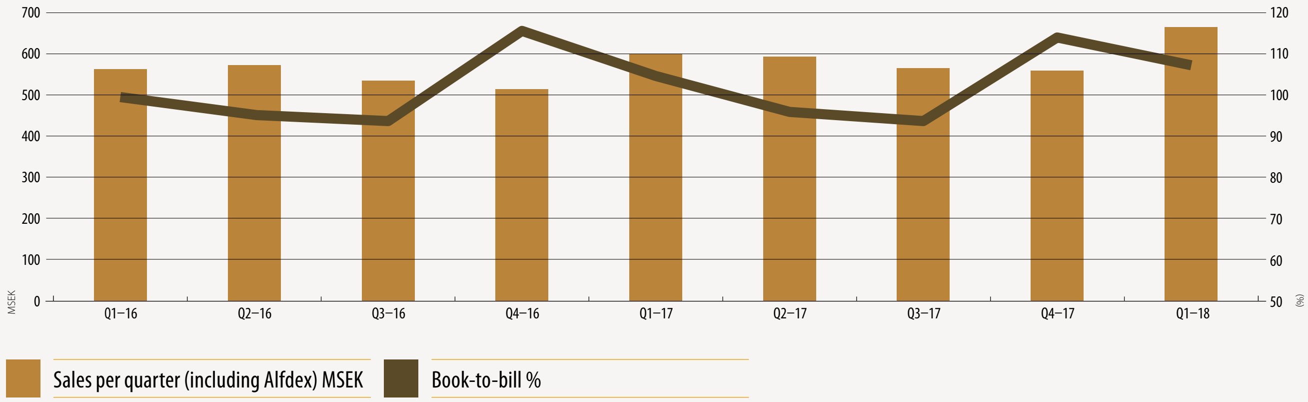
Operating income
The operating margin increased to 19.9% (18.3) in the first quarter because of the strong drop through achieved from the increased sales. Concentric's Business Excellence programme has allowed the business to deliver the increased sales leveraging its cost position.

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

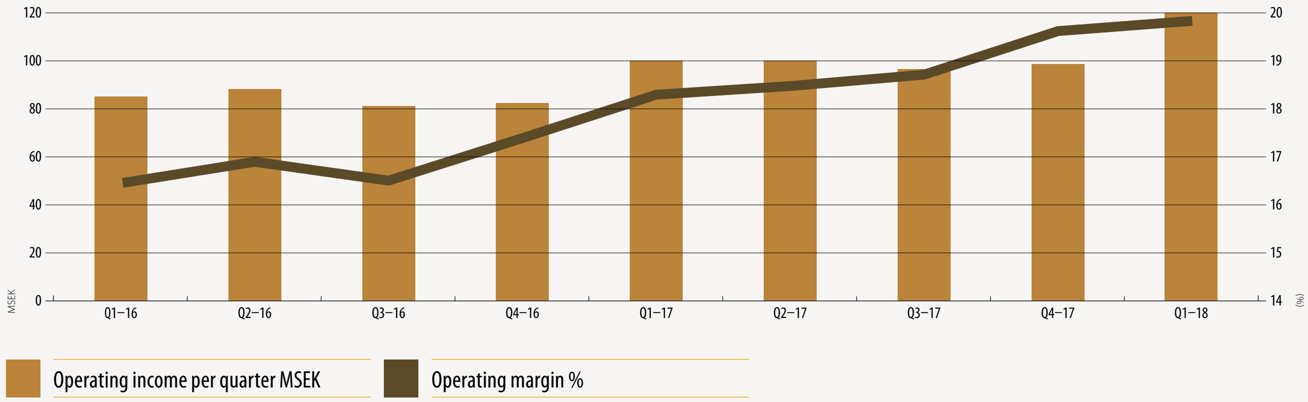
Taxes
The underlying effective tax rate for the first quarter was 22% (24). This rate largely reflected the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

Earnings per share
The basic EPS reported for the first quarter was SEK 2.26 (1.83), an improvement year-on-year by SEK 0.43.

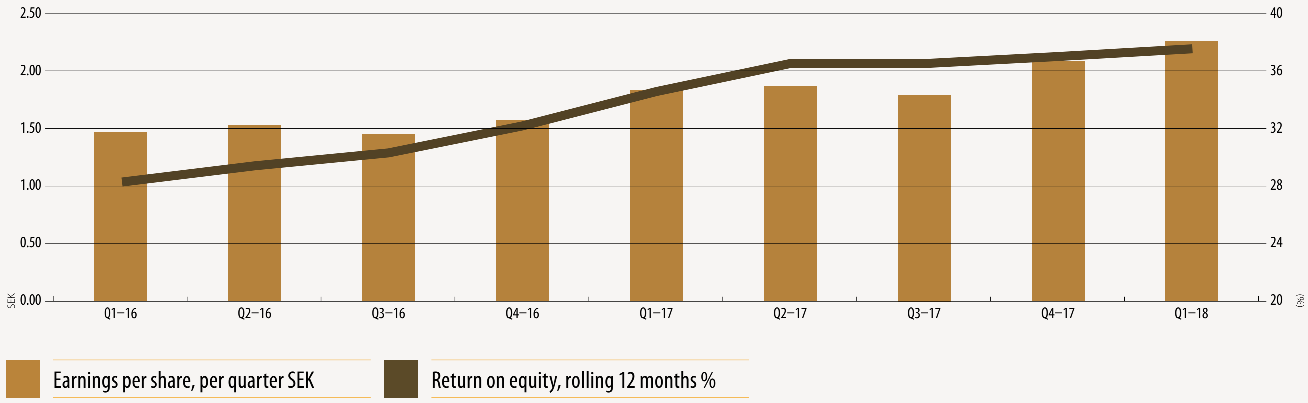
Sales & Book-to-bill



Underlying Operating income & margins



Earnings per share & Return on equity



NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Change	Apr–Mar 2017/18	Jan–Dec 2017
Net sales	288	264	9%	1,079	1,055
Operating income before items affecting comparability	45	37	22%	163	155
Operating income	45	37	22%	163	155
Operating margin before items affecting comparability, %	15.5	13.9	1.6	15.1	14.7
Operating margin, %	15.5	13.9	1.6	15.1	14.7
ROCE, %	51.9	40.8	11.1	51.9	47.7

Sales for the first quarter were up year-on-year by 21%, adjusting for the impact of currency (–12%). Overall, North America demand increased across all market segments but most notably in the medium and heavy-duty Trucks which were up significantly year-on-year. Agricultural machinery and construction equipment also experienced double digit year-on-year growth rates.

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.

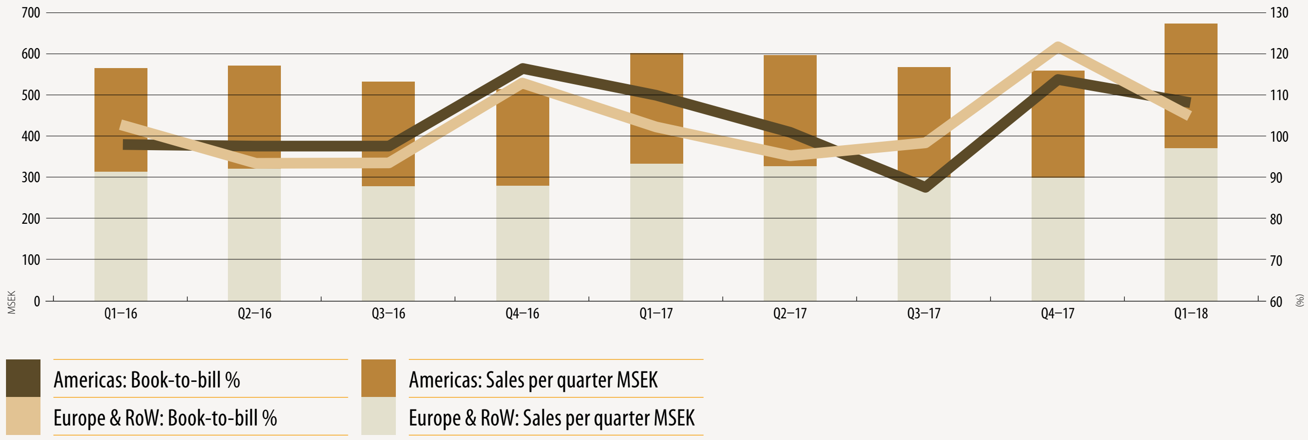
Europe & RoW

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Change	Apr–Mar 2017/18	Jan–Dec 2017
Net sales	380	335	13%	1,311	1,266
Operating income before items affecting comparability	77	64	20%	255	242
Operating income	77	64	20%	263	250
Operating margin before items affecting comparability, %	20.2	19.2	1.0	19.5	19.1
Operating margin, %	20.2	19.2	1.0	20.1	19.8
ROCE, %	31.2	25.0	6.2	31.2	30.3

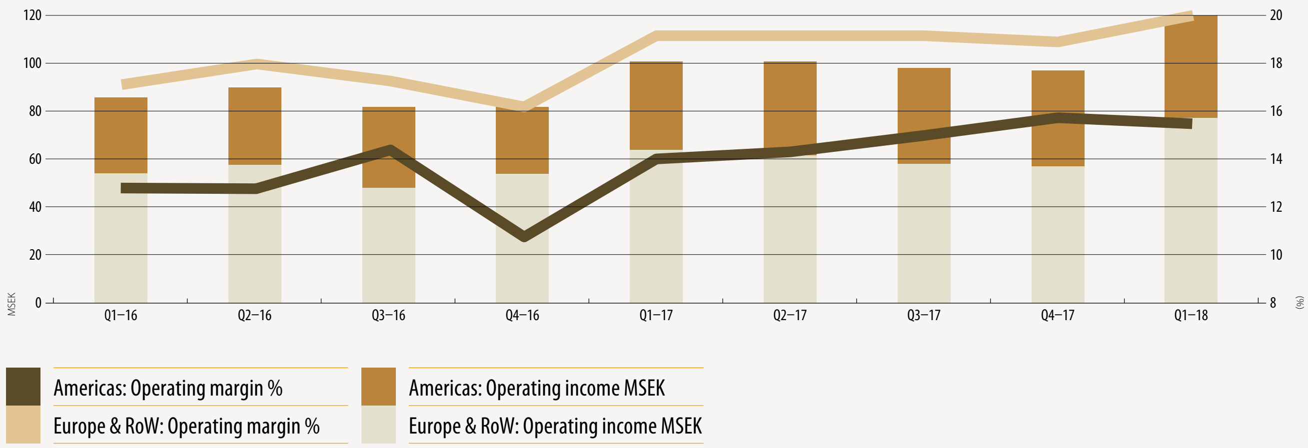
Sales for the first quarter were up year-on-year by 11%, adjusting for the impact of currency (+2%). European demand increased steadily across all market segments whilst India achieved double digit growth in the agricultural machinery, construction equipment and medium and heavy-duty Truck segments.

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 first quarter were well ahead of published market indices

Americas end-markets

North America

- Sales to our North American end-markets were up in the first quarter, well ahead of market indices.
- Sales of medium- and heavy-duty Trucks showed the most significant year-on-year growth.

South America

- Sales to our South American end-markets continued to show improvement during the first quarter, with strong growth in agricultural machinery, construction equipment & medium and heavy-duty Trucks.

Europe & RoW end-markets

Europe

- Sales to our European end-markets were up across the board in the first quarter, slightly ahead of the market indices.
- Engine product sales to off-highway markets performed the strongest during the first quarter.

Rest of the world

- Overall, emerging end-markets in the Rest of the World only account for less than 7% of the group's total revenues.

Consolidated sales development

	Q1-18 vs. Q1-17			FY-18 vs. FY-17		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average [1]	12%	8%	**10%**	12%	6%	**9%**
Actual – constant currency [2]	21%	11%	**15%**			

[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 10% year-on-year for the first quarter. Concentric's actual sales for the first quarter were well ahead of these indices, indices across the core geographical regions and market segments.

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

		Q1-18 vs Q1-17					FY-18 vs FY-17				
		North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agricultural machinery	Diesel engines	5%	12%	5%	15%	0%	5%	11%	4%	14%	0%
Construction equipment	Diesel engines	4%	10%	5%	16%	13%	4%	10%	3%	15%	13%
Construction equipment	Hydraulic equipment	7%	n/a	2%	n/a	n/a	7%	n/a	2%	n/a	n/a
Trucks	Light vehicles	5%	n/a	n/a	n/a	n/a	5%	n/a	n/a	n/a	n/a
Trucks	Medium & Heavy vehicles	22%	19%	7%	11%	–15%	22%	19%	3%	10%	–15%
Industrial applications	Other off-highway	7%	7%	6%	8%	7%	4%	7%	5%	7%	7%
Industrial applications	Hydraulic lift trucks	23%	n/a	21%	n/a	n/a	23%	n/a	21%	n/a	n/a

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

The market indices summarised in the table above reflect the Q1 2018 update of production volumes received from Power Systems Research, Off-Highway Research and the International Truck Association of lift trucks.

FINANCIAL POSITION

Operational cash flow
The reported cash inflow from operating activities for the first quarter amounted to MSEK 111 (78), which represents SEK 2.80 (1.92) per share.

Working capital
Total working capital at 31 March was MSEK 20 (38), which represented 0.9% (1.9) of annual sales.

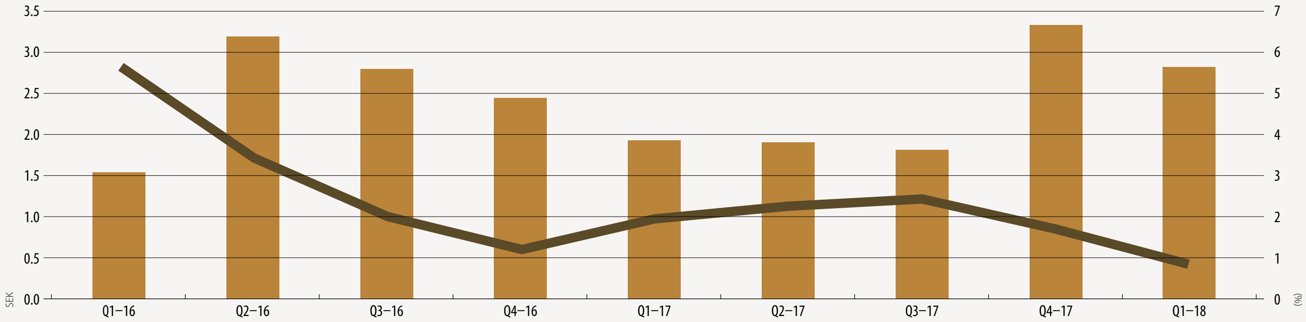
Net investments in fixed assets
The Group's net investments in tangible fixed assets amounted to MSEK 4 (3) for the first quarter.

Net debt & 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 2018.

Overall, the Group's net debt at 31 March decreased to MSEK 92 (225), comprising bank loans of MSEK 178 (178) and net pension liabilities of MSEK 471 (544), net of cash amounting to MSEK 557 (497). Shareholders' equity amounted to MSEK 1,009 (787), resulting in a gearing ratio of 9% (29) at the end of the first quarter.

The Board of Directors have proposed to the shareholders at the forthcoming Annual General Meeting a total dividend of SEK 3.75 (3.50) per share for 2017.

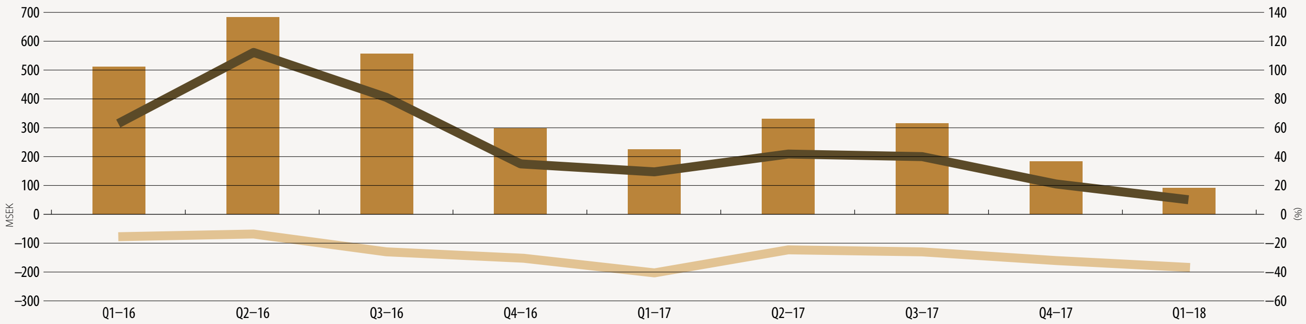
Cash flow from operating activities & Working capital



Cash flow from operating activities per share SEK

Working capital as % of sales

Net debt & Gearing

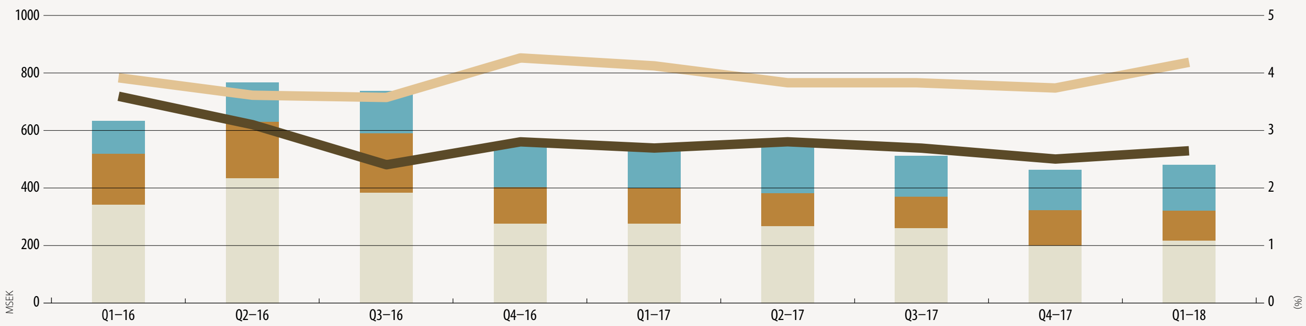


Net debt MSEK

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: THE VALUE OF TECHNICAL EXPERTISE IN DELIVERING SUSTAINABLE GROWTH

We interviewed Jürgen Berthold Applications Manager for Hydraulics in Europe to discover how he and his team contribute to sustainable, profitable growth. "Success is founded in our ability to translate the needs of the customer into an appropriate technical solution".

Interview with Jürgen Berthold , Applications Manager for Hydraulics in Europe.

Secrets to Success

Jürgen Berthold is the Applications Manager for Hydraulics in Europe. With over 20 years of experience at Concentric, Jürgen attributes his success to working collaboratively with a strong team. When he started as an Applications Engineer, and throughout his career since then, he has worked collaboratively with capable, supportive colleagues focused on meeting the needs of our customers. We asked Jürgen to share his secrets for success.

Jürgen noted that when he first became a manager he was determined to ensure that he had a strong team who would embody the values of team-working, technical strength, openness and customer focus. The success of the applications group is founded in their ability to translate the needs of the customer into an appropriate technical solution – one which uses standard Concentric components where possible, customising only when needed – which allows competitive pricing in the market and improves our value proposition to our customers.

"The applications engineers work closely with their sales colleagues to support new projects – sometimes accompanying them to customer meetings." said Jürgen. "Collaborative working is just the way we do business. The applications engineers advise on the appropriate application design and show the technical measurements and data that demonstrates to the customer that their technical needs can be met. Customers value the evidence that proves the technical capability of the solution and they also value access to technical expertise, providing swift responses to questions about the application."

As his career has progressed through the organisation Jürgen has continued to maintain responsibility for a number of long standing customers. He says that this has kept him connected to the needs of the customer. He sees how the market is changing and how the competition is moving. This galvanises his drive for continuous improvement. It makes him and his team more determined than ever to ensure that solutions for customers are simple, effective and technically sound.

Jürgen coaches his team in the important role they play in supporting sales. He points out the solutions provided have a strong influence on whether a customer decides to place an order with Concentric.

He describes his and the work of his team like artists – creating the best ideas and advice for the customer. Like artists, they start with an outline of an idea which is presented to the customer, with the fine detail filled in later. From this analogy, it will not surprise you to learn that Jürgen enjoys painting as a hobby.

Sustainability

In this competitive world, quality, reliability and service are a must. In addition, our solutions address customer demands for sustainability which can be for energy efficiency or noise reduction, amongst other things. In each case, our solutions seek to optimise cost and value for both the customer and Concentric. These design features differentiate us from the competition.

Jürgen said, "We are top of mind for the customer when it comes to solving hydraulic problems – and if they think of us first, we have a head start on the competition. We take a customer's problem seriously. We talk the same language as our customers and we take time to understand their needs and constraints when creating a workable solution. They value our input if we suggest different technical options. They also tell us that they like the continuity and stability in the team, many commenting about the relationships which have been built up over the years."

European Hydraulic Applications Team: Maria Distler, Ulrich Zuber, Susanne Klötzer, Christoph Herrmann, Claudia Steude, Jürgen Berthold

There are examples where ease of access to a leading engineer, a quick turnaround with a prototype and a swift response to the customer has displaced much bigger competitors with far greater resources than we have. The accessibility of technical expertise and the value which we place on relationships with our customers is a powerful influence in securing new orders.

"Success is also down to our faith in our technical expertise and our willingness to investigate new and previously untapped markets." said Jürgen. "For example, our first venture into aerospace came through spotting an opportunity with a helicopter manufacturer where we identified that we could provide a pump for pilot servo assistance (main steering functions) allowing the pilot to continue to fly if there is a steering failure."

Our facility in Hof delivers the complete workflow for customers – it houses everything required for design through to production, including an engineering centre of excellence, purchasing, manufacturing, testing and assembly. "This is another component of our success. With all the key functions under one roof we can be agile and responsive. When it comes to production or modifying a design, everything is easy to control and the flexibility we can offer is a significant advantage over many of our largest competitors." said Jürgen.

In another example where a potential customer wanted a fan motor, the applications engineers were able to offer 3 workable solutions. "The customer saw that we were prepared, knowledgeable and competent. It gave them the confidence that Concentric could offer the best technical solution and a competitive price." he said. "Our tailored solution and the relationship we were able to build with the customer, secures new business."

The collaboration between sales and engineering is leading to more and more enquiries from new and existing customers but also from some previous customers we can regain. Jürgen explained, "Our reputation and history is well known – customers can see we are not a new comer and many value the continuity we can offer their business. When they need a supplier, we are convincing them to think of us first."

What of the Future?

"This is a successful formula and the future is bright for Concentric Hydraulics business. In addition to our way of working, we are looking at ways to offer higher pressure pumps which will open us up to even more applications. There are other developments too such as the addition of speed sensors to our gear motors which can add value for the customer. The Electro Hydraulic Steering products have been an important development for us. Our product offering has helped to position Concentric as an innovative partner in the developing electrification space." said Jürgen.

Efficiency increase and higher power density is another key trend. Customers want the same performance (or better) using less space. We are developing our Ferra range to be smaller, more light-weight and therefore offering better fuel efficiency. "The FP12 pump in this range offers Group 3 power but only requires the space of a Group 2 pump. This is added value for our customer." explained Jürgen. In parallel, through Concentric Business Excellence, we seek to apply manufacturing benefits and other improvements to keep costs down on low volumes and offer the best price for these new developments.

Customer Feedback

Our annual customer survey is a valuable data point to supplement the feedback we actively seek from our new and existing customers when we meet with them. Jürgen said, "I constantly ask myself and my team – what can we do to respond to customer needs and expectations, specifically in the area of technical expertise and customer service? Our survey results show us that the actions we are taking have driven year on year improvements and we continually strive to raise the bar."

Jürgen concluded by saying, "All of this would not be possible without the support of the full Hof team. We have a team of bright, motivated, and loyal employees. Their commitment and technical competence is a powerful combination and this coupled with their attention to the customer means that success is no coincidence."

Consolidated income statement, in summary

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Net sales	603	546	2,161	2,104
Cost of goods sold	–398	–376	–1,474	–1,452
Gross income	**205**	**170**	**687**	**652**
Selling expenses	–43	–25	–98	–80
Administrative expenses	–40	–39	–159	–158
Product development expenses	–12	–12	–48	–48
Share of profit in joint venture, net of interest and tax	5	4	11	10
Other operating income and expenses	5	2	31	28
Operating income	**120**	**100**	**424**	**404**
Financial income and expense	–5	–3	–15	–13
Earnings before tax	**115**	**97**	**409**	**391**
Taxes	–26	–23	–91	–88
Net income for the period	**89**	**74**	**318**	**303**
Basic earnings per share before items affecting comparability, SEK	2.26	1.83	7.75	7.39
Basic earnings per share, SEK	2.26	1.83	7.98	7.54
Diluted earnings per share, SEK	2.25	1.82	7.94	7.52
Basic average number of shares (000)	39,542	40,482	39,980	40,238
Diluted average number of shares (000)	39,721	40,592	40,136	40,374

Consolidated statement of comprehensive income

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Net income for the period	**89**	**74**	**318**	**303**
Other comprehensive income				
Items that will not be reclassified to the income statement				
Net remeasurement gains and losses	–	–	58	58
Tax on net remeasurement gains and losses	–	–	–10	–10
Decrease on tax receivables related to changed tax rate in the USA	–	–	–8	–8
Net remeasurement gains and 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	–59	25	9	93
Tax arising from exchange rate differences related to liabilities to foreign operations	9	–3	–2	–14
Cash-flow hedging	–	2	–3	–1
Tax arising from cash-flow hedging	–	–	–	–
Foreign currency translation differences	93	–28	–8	–129
Total other comprehensive income	**43**	**–4**	**35**	**–12**
Total comprehensive income	**132**	**70**	**353**	**291**

Consolidated balance sheet, in summary

Amounts in MSEK	31 Mar 2018	31 Mar 2017	31 Dec 2017
Goodwill	618	609	592
Other intangible fixed assets	217	250	217
Tangible fixed assets	128	143	130
Share of net assets in joint venture	32	23	27
Deferred tax assets	121	129	92
Long-term receivables	6	6	6
Total fixed assets	**1,122**	**1,160**	**1,064**
Inventories	181	175	179
Current receivables	338	298	275
Cash and cash equivalents	557	497	455
Total current assets	**1,076**	**970**	**909**
Total assets	**2,198**	**2,130**	**1,973**
Total Shareholders' equity	**1,009**	**787**	**875**
Pensions and similar obligations	471	544	462
Deferred tax liabilities	30	32	30
Long-term interest-bearing liabilities	176	177	176
Other long-term liabilities	11	12	10
Total long-term liabilities	**688**	**765**	**678**
Short-term interest-bearing liabilities	2	1	2
Dividend declared not yet paid	–	142	–
Other current liabilities	499	435	418
Total current liabilities	**501**	**578**	**420**
Total equity and liabilities	**2,198**	**2,130**	**1,973**

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 1 (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 Mar 2018	31 Mar 2017	31 Dec 2017
Opening balance	**875**	**857**	**857**
Net income for the period	89	74	303
Other comprehensive loss/income	43	-4	–12
Total comprehensive income	**132**	**70**	**291**
Dividend	–	–142	–142
Own share buy-backs	–	–	–142
Sale of own shares to satisfy LTI 2012 options exercised	–	–	8
Long-term incentive plan	2	2	3
Closing balance	**1,009**	**787**	**875**

Consolidated cash flow statement, in summary

	Jan–Mar		Apr–Mar	Jan–Dec
Amounts in MSEK	**2018**	**2017**	**2017/18**	**2017**
Earnings before tax	115	97	409	391
Reversal of depreciation, amortization and fixed asset write-downs	18	19	64	65
Reversal of share of profit in joint venture	–5	–4	–11	–10
Reversal of other non-cash items	6	2	9	5
Taxes paid	–14	–8	–81	–75
Cash flow from operating activities before changes in working capital	**120**	**106**	**390**	**376**
Change in working capital	–9	–28	3	–16
Cash flow from operating activities	**111**	**78**	**393**	**360**
Investments in property, plant and equipment	–4	–3	–14	–13
Cash flow from investing activities	**–4**	**–3**	**–14**	**–13**
Dividends paid	–	–	–142	–142
Dividends received from joint venture	–	–	1	1
Buy back of own shares	–	–	–142	–142
Selling of own shares to satisfy LTI-options exercised	–	–	8	8
New loans received	–	–	2	2
Repayment of loans	–	–	–2	–2
Pension payments and other cash flows from financing activities	–12	–19	–43	–50
Cash flow from financing activities	**–12**	**–19**	**–318**	**–325**
Cash flow for the period	**95**	**56**	**61**	**22**
Cash and bank assets, opening balance	455	438	497	438
Exchange-rate difference in cash and bank assets	7	3	–1	–5
Cash and bank assets, closing balance	**557**	**497**	**557**	**455**

Group notes

Data per share

	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Basic earnings per share before items affecting comparability, SEK	2.26	1.83	7.75	7.39
Basic earnings per share, SEK	2.26	1.83	7.98	7.54
Diluted earnings per share, SEK	2.25	1.82	7.94	7.52
Equity per share, SEK	25.52	19.44	25.52	22.36
Cash-flow from current operations per share, SEK	2.80	1.92	9.85	8.97
Basic weighted average no. of shares (000's)	39,542	40,482	39,980	40,238
Diluted weighted average no. of shares (000's)	39,721	40,592	40,136	40,374
Number of shares at period-end (000's)	39,542	40,482	39,542	39,542

Key figures

	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Sales growth, %	10	5	n/a	5
Sales growth, constant currency, %	15	4	n/a	6
EBITDA margin before items affecting comparability, %	22.9	21.7	22.5	22.2
EBITDA margin, %	22.9	21.7	22.6	22.3
Operating margin before items affecting comparability, %	19.9	18.3	19.2	18.7
Operating margin, %	19.9	18.3	19.6	19.2
Capital Employed, MSEK	1,073	1,093	1,073	1,030
ROCE before items affecting comparability, %	39.1	30.6	39.1	37.1
ROCE, %	39.9	31.0	31.0	38.0
ROE, %	37.6	34.6	37.6	37.0
Working Capital, MSEK	20	38	20	36
Working capital as a % of annual sales	0.9	1.9	0.9	1.7
Net Debt, MSEK	92	224	92	185
Gearing ratio, %	9	29	9	21
Net investments in PPE	4	3	14	13
R&D, %	2.0	2.3	2.2	2.3
Number of employees, average	945	934	940	937

Consolidated income statement in summary, by type of cost

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Net sales	603	546	2,161	2,104
Direct material costs	–283	–266	–1,036	–1,019
Personnel costs	–117	–114	–451	–448
Depreciation, amortization and impairment losses	–18	–19	–64	–65
Share of profit in joint venture, net of tax	5	4	11	10
Other operating costs, net	–70	–51	–197	–178
Operating income	**120**	**100**	**424**	**404**
Financial income and expense	–5	–3	–15	–13
Earnings before tax	**115**	**97**	**409**	**391**
Taxes	–26	–23	–91	–88
Net income for the period	**89**	**74**	**318**	**303**

Other operating income and expenses

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Tooling income	–	1	5	6
Royalty income from joint venture	13	10	49	46
Amortisation of acquisition related surplus values	–9	–9	–36	–36
Reversal of impairment of tangible assets	–	–	9	9
Other	1	–	4	3
Other operating income and expenses	**5**	**2**	**31**	**28**

Segment reporting

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

First quarter

	Americas		Europe & RoW		Elims–Adjs		Group	
Amounts in MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total net sales	292	270	406	362	–95	–86	603	546
External net sales	288	264	380	335	–65	–53	603	546
Operating income before items affecting comparability	45	37	77	64	–2	–1	120	100
Operating income	45	37	77	64	–2	–1	120	100
Operating margin before items affecting comparability, %	15.5	13.9	20.2	19.2	n/a	n/a	19.9	18.3
Operating margin, %	15.5	13.9	20.2	19.2	n/a	n/a	19.9	18.3
Financial income and expense	–	–	–	–	–5	–3	–5	–3
Earnings before tax	45	37	77	64	–7	–4	115	97
Assets	544	571	1,344	1,266	310	293	2,198	2,130
Liabilities	296	307	715	724	178	312	1,189	1,343
Capital employed	285	347	897	841	–109	–95	1,073	1,093
ROCE before items affecting comparability, %	51.6	34.9	30.2	26.9	n/a	n/a	39.1	30.6
ROCE, %	51.9	40.8	31.2	25.0	n/a	n/a	39.9	31.0
Net investments in PPE	1	–	5	4	–2	–1	4	3
Depreciation, goodwill and fixed asset write-downs	6	7	13	13	–1	–1	18	19
Number of employees, average	350	333	659	660	–64	–59	945	934

Seasonality

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

However, there is no significant seasonality in the demand profile of Concentric's customers and, therefore, the most significant driver is actually the number of working days in the period. The weighted average number of working days in the first quarter was 64 (64) for the Group, with an average of 63 (64) working days for the Americas region and 65 (65) working days for the Europe & RoW region.

Sales by geographic location of customer

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
USA	264	241	960	937
Rest of North America	9	8	40	39
South America	7	7	42	42
Germany	103	95	353	345
UK	24	34	82	92
Sweden	29	23	95	89
Rest of Europe	98	99	341	342
Asia	66	38	244	216
Other	3	1	4	2
Total Group	**603**	**546**	**2,161**	**2,104**

Sales by product groups (including Alfdex)

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Concentric branded Engine products	309	275	1,119	1,085
LICOS branded Engine products	61	50	202	191
Alfdex branded Engine products	64	52	225	213
Total Engine products	434	377	1,546	1,489
Total Hydraulics products	233	221	840	828
Eliminations	–64	–52	–225	–213
Total Group	**603**	**546**	**2,161**	**2,104**

Business risks, accounting principles and other information

Employees
The average number of full-time equivalents employed by the group during the first quarter was 945 (934).

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

Events after the balance-sheet date
There were no significant post balance sheet events to report.

Business overview
Descriptions of Concentric's business and its objectives, the excellence programme, its products, the driving forces it faces, market position and the end-markets it serves are all presented in the 2017 Annual Report on pages 8–11 and pages 18–49.

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 2017 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during 2018. Please refer to the Risk and Risk Management section on pages 63–66 of the 2017 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 and amended standards and interpretations adopted by the Group

IFRS 9 – "Financial instruments". The effective date for IFRS 9 is January 1, 2018 and replaced 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 have not impact how Concentric classifies and measures financial assets and financial liabilities. The changes regarding hedge accounting have not either impact the Group. However, the transition to IFRS 9 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 increased by only 65 KSEK after tax as per 1 January 2018, due to the new impairment requirements in IFRS 9. This have been reported as an adjustment against opening retained earnings as per 1 January, 2018 since Concentric used 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 replaced 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 previous accounting principles, revenue was reduced by with the discount when it became known if the customer used 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 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 have been reported as an adjustment to opening equity as per 1 January 2018. The opening equity is reduced by 53 KSEK after tax due to the change in accounting principles.

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

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

Concentric does not plan to apply IFRS 16 before the effective date. IFRS 16 replaces the previous leases Standard, IAS 17 "Leases", and related Interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. For Concentric, total assets and liabilities 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. The effects upon transitioning to IFRS 16 will also depend on which of the various transition options that Concentric choose to apply.

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. Last year´s income from shares in subsidiary undertakings of MSEK 742, reflected the dividends received, net of any write-downs in the carrying value of shares, arising from the internal refinancing of the group undertaken during the first quarter 2017.

Buy-back and Holdings of Own Shares
The total number of holdings of own shares at 1 January 2018 was 1,329,507.

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 1,329,507 (390,016), which represented 3.3% (1.0) of the total number of shares.

Parent company's income statement, in summary

Amounts in MSEK	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/18	Jan–Dec 2017
Net sales	13	10	53	50
Operating costs	–4	–4	–20	–20
Operating income	**9**	**6**	**33**	**30**
Income from shares in subsidiaries	–	742	5	747
Income from shares in joint venture	–	–	1	1
Net foreign exchange rate differences	–42	14	8	64
Other financial income and expense	–2	–1	–6	–5
Earnings before tax	**–35**	**761**	**41**	**837**
Taxes	8	–5	–8	–21
Net income for the period [1)]	**–27**	**756**	**33**	**816**

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

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Parent company's balance sheet, in summary

Amounts in MSEK	31 Mar 2018	31 Mar 2017	31 Dec 2017
Shares in subsidiaries	3,175	3,175	3,175
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	9	10	9
Deferred tax assets	11	18	3
Total financial fixed assets	**3,205**	**3,213**	**3,197**
Other current receivables	4	3	5
Short-term receivables from joint ventures	–	–	6
Short-term receivables from subsidiaries	169	102	142
Cash and cash equivalents	335	302	228
Total current assets	**508**	**407**	**381**
Total assets	**3,713**	**3,620**	**3,578**
Total Shareholders' equity	**1,740**	**1,841**	**1,767**
Pensions and similar obligations	18	18	18
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	1,759	1,420	1,597
Total long-term liabilities	**1,952**	**1,613**	**1,790**
Short-term loans payable to subsidiaries	17	18	17
Dividend declared not yet paid	–	142	–
Other current liabilities	4	6	4
Total current liabilities	**21**	**166**	**21**
Total equity and liabilities	**3,713**	**3,620**	**3,578**

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

Amounts in MSEK	31 Mar 2018	31 Mar 2017	31 Dec 2017
Opening balance	1,767	1,227	1,227
Net income/loss for the period	–27	756	816
Dividend	–	–142	–142
Sale of own shares to satisfy LTI options exercised	–	–	8
Buy-back of own shares	–	–	–142
Closing balance	**1,740**	**1,841**	**1,767**

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 3 May, 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

Interim report January – June 2018	*24 July, 2018*
Interim report January – September 2018	*30 October, 2018*

Stockholm, 3 May, 2018
Concentric AB (publ)

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

Reconciliation alternative performance measures

Amounts in MSEK

Underlying EBIT or operating income	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/2018	Jan–Dec 2017
Operating income	**120**	**100**	**424**	**404**
Impairment of (reversal)/write-down tangible assets	–	–	–9	–9
Underlying operating income	**120**	**100**	**415**	**395**
Net Sales	603	546	2,161	2,104
Operating margin (%)	**19.9**	**18.3**	**19.6**	**19.2**
Underlying operating margin (%)	**19.9**	**18.3**	**19.2**	**18.7**

Underlying EBITDA or Operating income before amortisation and depreciation	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/2018	Jan–Dec 2017
EBIT or Operating income	**120**	**100**	**424**	**404**
Operating amortisation/depreciation	9	10	36	37
Amortisation of purchase price allocation	9	9	36	36
Impairment of (reversal)/write-down tangible assets	–	–	–9	–9
EBITDA or Operating income before amortisation and depreciation	**138**	**119**	**487**	**468**
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**138**	**119**	**487**	**468**
Net Sales	603	546	2,161	2,104
EBITDA margin (%)	**22.9**	**21.8**	**22.5**	**22.2**
Underlying EBITDA margin (%)	**22.9**	**21.8**	**22.5**	**22.2**

Net income before items affecting comparability	Jan–Mar 2018	Jan–Mar 2017	Apr–Mar 2017/2018	Jan–Dec 2017
Net income	**89**	**74**	**318**	**303**
Items affecting comparability after tax	–	–	–6	–6
Net income before items affecting comparability	**89**	**74**	**312**	**297**
Basic average number of shares (000)	39,542	40,482	39,980	40,238
Basic earnings per share	**2.26**	**1.83**	**7.98**	**7.54**
Basic earnings per share before items affecting comparability	**2.26**	**1.83**	**7.75**	**7.39**

Net debt	31 Mar 2018	31 Mar 2018	31 Dec 2017
Pensions and similar obligations	471	544	462
Long-term interest-bearing liabilities	176	177	176
Short-term interest-bearing liabilities	2	1	2
Total interest-bearing liabilities	649	722	640
Cash and cash equivalents	–557	–497	–455
Total Net Debt	**92**	**225**	**185**
Net Debt, excluding pension obligations	–379	–319	–277

Capital employed	31 Mar 2018	31 Mar 2018	31 Dec 2017
Total Assets	**2,198**	**2,130**	**1,973**
Interest bearing financial assets	–6	–6	–6
Cash and Cash Equivalents	–557	–497	–455
Tax assets	–132	–139	–111
Non-interest bearing assets (excl taxes)	**1,503**	**1,488**	**1,401**
Non-interest bearing liabilities (incl taxes)	–536	–476	–454
Tax liabilities	106	81	83
Non-interest bearing liabilities (excl taxes)	–430	–395	–371
Total Capital Employed	**1,073**	**1,093**	**1,030**

Working capital	31 Mar 2018	31 Mar 2018	31 Dec 2017
Accounts receivable	273	229	189
Other current receivables	65	69	86
Inventory	181	175	179
Working capital assets	**519**	**473**	**454**
Accounts payable	–218	–209	–186
Other current payables	–281	–226	–232
Working capital liabilities	–499	–435	**–418**
Total Working Capital	**20**	**38**	**36**

Graph data summary

	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Americas									
Sales, MSEK	288	258	265	268	264	233	253	252	250
Book-to-bill, %	108	115	88	101	110	116	98	98	98
Operating income before items affecting comparability, MSEK	44	40	40	38	37	28	33	32	32
Operating margin before items affecting comparability, %	15.5	15.7	14.9	14.4	13.9	12.0	13.2	12.8	12.8
Europe & RoW									
Sales (including Alfdex), MSEK	379	302	302	327	335	281	281	321	315
Book-to-bill, %	106	122	99	95	102	114	94	94	103
Operating income before items affecting comparability, MSEK	77	57	58	63	64	54	49	58	54
Operating margin before items affecting comparability, %	20.2	18.9	19.2	19.2	19.2	19.2	17.3	18.0	17.1
Alfdex eliminations									
Sales, MSEK	–64	–57	–52	–55	–53	–41	–43	–51	–47
Operating income before items affecting comparability, MSEK	–1	2	–2	–1	–1	–	–1	–1	–1
Group									
Sales (excluding Alfdex), MSEK	603	503	515	540	546	473	491	522	518
Book-to-bill, %	108	114	93	97	105	115	93	95	100
Operating income before items affecting comparability, MSEK	120	99	96	100	100	82	81	88	85
Operating margin before items affecting comparability, %	19.9	19.6	18.7	18.5	18.3	17.4	16.5	17.0	16.5
Basic earnings per share, SEK	2.26	2.04	1.79	1.86	1.83	1.57	1.45	1.52	1.46
Return on equity, %	37.6	37.0	36.5	36.5	34.6	32.2	30.3	29.4	28.3
Cash flow from operating activities per share, SEK	2.80	3.35	1.82	1.90	1.92	2.44	2.79	3.21	1.55
Working capital as % of annualised sales	0.9	1.7	2.4	2.2	1.9	1.2	2.0	3.4	5.6
Net debt, MSEK	92	185	315	335	224	300	559	686	513
Gearing ratio, %	9	21	40	42	29	35	81	112	63
Gearing ratio (excl Pensions), %	–38	–32	–26	–25	–41	–30	–26	–13	–15

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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