

INTERIM REPORT Q2/2016



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FINANCIAL RESULTS IN BRIEF GROUP

SECOND QUARTER

Net sales

MSEK 522 (620) – down 11% y-o-y, after adjusting for currency (–5%).

Operating income

MSEK 89 (88), generating an operating margin of 17.0% (14.2) – comparative for Q2 2015 includes one-off expenses of MSEK 14 recognised following the acquisition of GKN Pumps.

Earnings after tax

MSEK 63 (62); basic EPS of SEK 1.52 (1.45).

Strong cash flow generated from operating activities

MSEK 132 (114) driven by reduction in working capital, which represented 3.4% (3.9) of annual sales.

Group's net debt

MSEK 686 (455); gearing ratio of 112% (49) following the recognition of further pension remeasurement losses of MSEK 136 (gains 244), a dividend payout of MSEK 134 (127) and own share buy-backs of MSEK 47 (42) during the second quarter.

FIRST SIX MONTHS

Net sales

MSEK 1,040 (1,243) – down 13% y-o-y, after adjusting for currency (–3%).

Operating income

MSEK 174 (205), generating an operating margin of 16.7% (16.5) – comparative for 2015 includes negative goodwill of MSEK 15 and one-off expenses of MSEK 14, both associated with the acquisition of GKN Pumps.

Earnings after tax

MSEK 123 (151); basic EPS of SEK 2.98 (3.55).

Solid cash flow generated from operating activities

MSEK 196 (177).

Key figures – Group

Amounts in MSEK	Apr–Jun			Jan–Jun			Jul–Jun	Jan–Dec
	2016	2015	Change	2016	2015	Change	2015/16	2015
Net sales	522	620	–16%	1,040	1,243	–16%	2,103	2,306
Operating income before items affecting comparability	89	102	–13%	174	204	–15%	352	382
Operating income	89	88	1%	174	205	–15%	350	381
Earnings before tax	82	84	–2%	163	198	–18%	328	363
Net income for the period	63	62	2%	123	151	–19%	243	271
Cash flow from operating activities	132	114	16%	196	177	11%	385	366
Net debt	686	455	51%	686	455	51%	686	488
Operating margin before items affecting comparability, %	17.0	16.5	0.5	16.7	16.4	0.3	16.7	16.6
Operating margin, %	17.0	14.2	2.8	16.7	16.5	0.2	16.6	16.5
Basic EPS, before items affecting comparability, SEK	1.52	1.78	–0.26	2.98	3.53	–0.55	5.95	6.48
Basic EPS, SEK	1.52	1.45	0.07	2.98	3.55	–0.57	5.90	6.45
Return on equity, %	29.4	33.8	–4.4	29.4	33.8	–4.4	29.4	31.7
Gearing ratio, %	112	49	63	112	49	63	112	57



» Our continued focus on business excellence will help us respond to these challenging market conditions as we prepare for the positive demand trend for European medium and heavy duty trucks to flatten out in the second half of 2016. «



President and CEO, David Woolley, comments on Q2 2016 interim report.

The group's sales for the second quarter and the first six months were down year-on-year by 11% and 13% respectively in constant currency. The primary reason for the fall in sales year-on-year continues to be the lower US volumes in the Class 8 heavy duty truck market, down by over 30% in both the second quarter and the first six months, following a peak in the replacement cycle during the second half of 2015 and a subsequent correction of inventory levels. Conversely, the European truck market has shown steady year-on-year growth for the sixth consecutive quarter. Off-highway sectors in both North America and Europe have remained soft as a result of low commodity prices and dealers having to de-stock inventory. Overall, Concentric's sales for the first six months were broadly in line with published market indices.

Concentric Business Excellence ("CBE") has been 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 continued to strengthen the consolidated results in spite of the market headwinds, ensuring that the underlying EBIT margin for both the second quarter and the first six months improved to 17.0% and 16.7% respectively. In addition, we have continued to protect and enhance our sales and engineering resources to support the organic growth objectives that we set out at our Capital Markets Day back in 2014.

We also continue to explore acquisition opportunities for enabling technologies that will enhance our solutions for variable displacement pumps and provide us with an even greater presence alongside our global customers.

Outlook

The referendum on the UK's future in the EU resulted in a win for the leave campaign. At this point it is difficult to determine what the impact of this decision will be or what the new trade agreements will look like. However, as a global business with a strong manufacturing footprint and R&D focus in the UK, Concentric is well positioned to face the challenges that lay ahead.

Looking forward, the orders received, and expected to be fulfilled during the third quarter of 2016, were slightly behind the sales levels of the second quarter of 2016. Our continued focus on business excellence will help us respond to these challenging market conditions as we prepare for the positive demand trend for European medium and heavy duty trucks to flatten out in the second half of 2016. North and South America will remain challenging for both on- and off-highway sectors. Market indices have been revised during the second quarter and now suggest that production volumes blended to Concentric's end-markets and regions will remain soft during the second half of 2016, down 7% year-on-year for the full year 2016. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.



KEY EVENTS IN 2016

27 January

Concentric secures nomination for Electro Hydraulic Steering (“EHS”) system with leading global OEM.

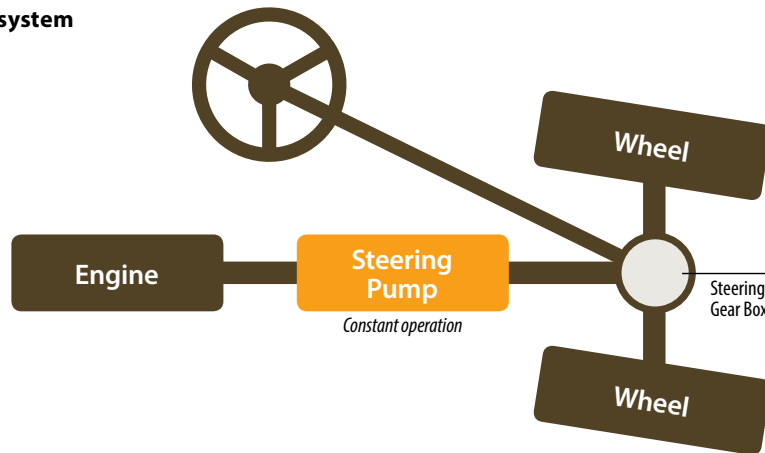
A leading global manufacturer of heavy trucks and buses has nominated Concentric AB to manufacture EHS units for their hybrid applications. Production will start in the fourth quarter of 2016, reaching mature volumes in 2018, which are expected to generate annual revenues of approximately MSEK 15 across Europe.

The EHS unit replaces the normal power steering pump and provides power steering assistance when needed. Conventional hydraulic steering systems use an IC engine driven pump which follows engine speed. Typically the pump is dimensioned to give full power steering function already at

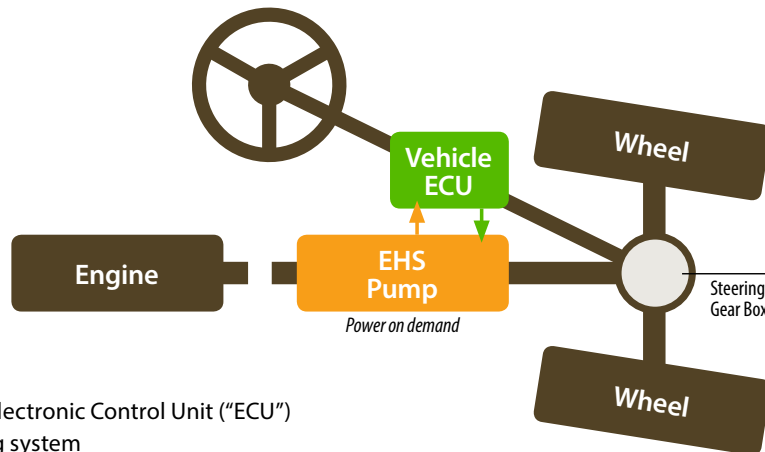
idle speed of the IC engine. The pump is constantly running and consuming power from the engine. In a hybrid application where the vehicle can operate in pure electric mode, the conventional power steering system cannot be used since the IC engine is turned off during electric mode. However, using Concentric’s EHS system, the unit only provides the required power on demand and can still operate during the electric mode for hybrid applications. The primary benefit of the EHS system is reduced energy consumption, achieving up to 50% in certain applications.

Conventional steering system compared to an Energy Savings steering system

Conventional steering system



EHS system



- De-coupled pump
- Input feedback from Electronic Control Unit (“ECU”)
- Energy Saving steering system

11 March

Concentric shows innovative pump technology at BAUMA 2016.

The worldwide Concentric group was exhibiting its extensive range of pumps at BAUMA 2016, the leading trade fair for construction, building material and mining equipment and vehicles. Concentric's latest range of hydraulic products build upon the company's reputation for reducing fuel consumption, increasing system efficiency, providing high power density and reducing noise. Principal exhibits include:

- EHS unit which replaces the conventional IC engine driven power steering pump.
- F12 X high-pressure cast-iron FERRA series gear pump offering pressure capability up to 330 bar.
- Dual cone clutch pump, patented design, for hydraulic applications with high roading or intermittent duty cycle applications.
- 2-stage transmission oil pump, unique design for dual-clutch transmissions providing lubrication, cooling and clutch actuation.
- Variable flow oil pump, replaces the conventional engine lubrication pump.
- 2-speed water pump clutch, replaces the conventional engine coolant pump.



EHS Unit



Transmission Oil Pump



FERRA Gear Pump



Variable Flow Oil Pump



Dual Cone Clutch Pump



2-speed Water Pump Clutch



6 April

Paul Fleetwood appointed SVP at Concentric AB.

We are proud to announce that Paul Fleetwood has been appointed Senior Vice President of Europe and Rest of World (RoW) at Concentric AB, with responsibility for operations in the UK, Sweden, Germany, China and India. Paul is based in the UK, with his appointment effective from Monday 9th May 2016. Paul joined Concentric from Wärtsilä Corporation where he was the Divisional Managing Director of the Hamworthy Pumps and Valves business (acquired in 2012).



FINANCIAL SUMMARY GROUP

Key figures – Group

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Operating margin before items affecting comparability, %	17.0	16.5	0.5	16.7	16.4	0.3	16.7	16.6
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Basic EPS, before items affecting comparability, SEK	1.52	1.78	–0.26	2.98	3.53	–0.55	5.95	6.48
Basic EPS, SEK	1.52	1.45	0.07	2.98	3.55	–0.57	5.90	6.45
Diluted EPS, SEK	1.52	1.44	0.08	2.98	3.54	–0.56	5.90	6.44
Return on equity, %	29.4	33.8	–4.4	29.4	33.8	–4.4	29.4	31.7
ROCE, %	27.5	29.0	–1.5	27.5	29.0	–1.5	27.5	28.8

Sales

Sales for the second quarter were down year-on-year by 11%, adjusting for the impact of currency (–5%). As a result, sales for the first six months were down year-on-year by 13% adjusting for the impact of currency (–3%). North American demand for Class 8 heavy-duty trucks remained weak following a peak in the replacement cycle during the second half of 2015.

This has been partially mitigated by the steady growth experienced in the European truck market, up year-on-year for the sixth consecutive quarter. However, commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. Construction equipment markets in North America and Europe have also remained soft with the macro economic uncertainty.

Operating income

Operating margins for the second quarter and the first six months improved year-on-year, in spite of the drop in sales, after adjusting operating income in the prior year for those one-off items booked in respect of the acquisition of GKN Pumps. The CBE programme underpinned the group's strong results, optimising customer service, employee motivation and operational performance to adapt the business to the lower demand.

Net financial items

Net financial expenses in the second quarter comprised of pension financial expenses of MSEK 5 (5) and other net interest expense of 2 (income 1). Accordingly, net financial expenses in the first six months comprised of pension financial expenses of MSEK 10 (10) and other net interest expense of 1 (income 3).

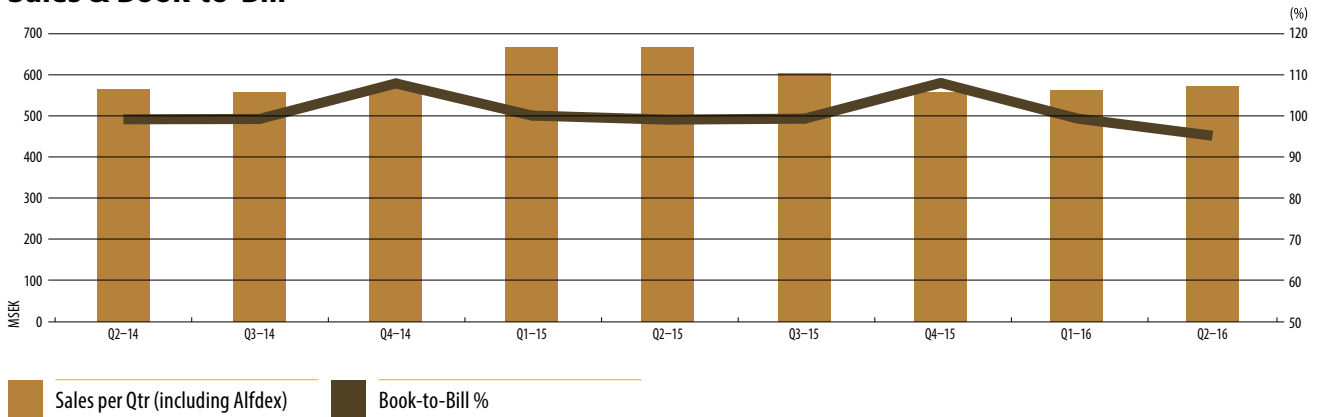
Taxes

The underlying effective tax rate for the second quarter and the first six months was 23% (26) and 25% (24) respectively, adjusting earnings before tax in the prior year for MSEK 15 of negative goodwill which had no tax related entries. These rates reflect the mix of taxable earnings and tax rates applicable across the various tax jurisdictions.

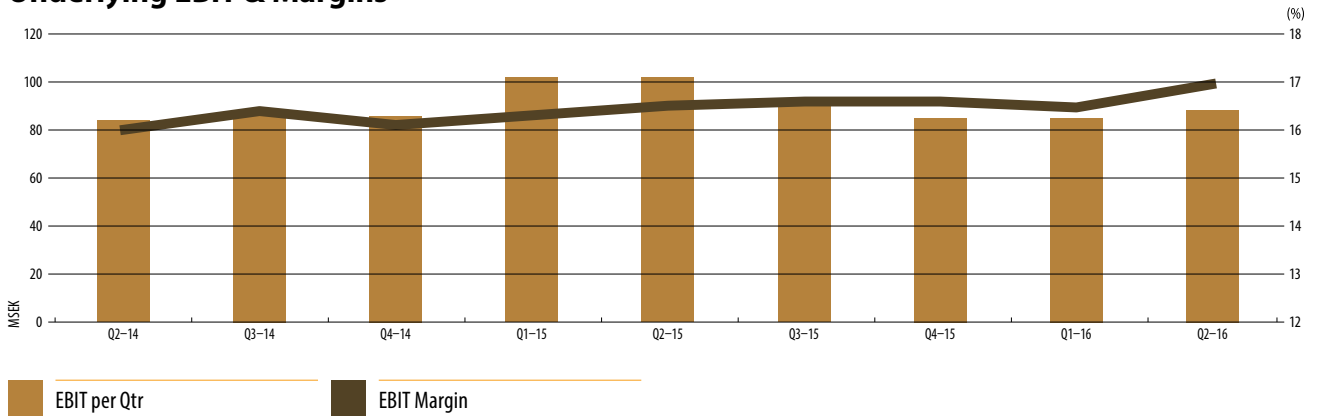
Earnings per share

The underlying basic EPS for the first six months was SEK 2.98 (3.53), down just SEK 0.55 per share after adjusting reported earnings per share in the prior year for one-off items in respect of the acquisition of GKN Pumps.

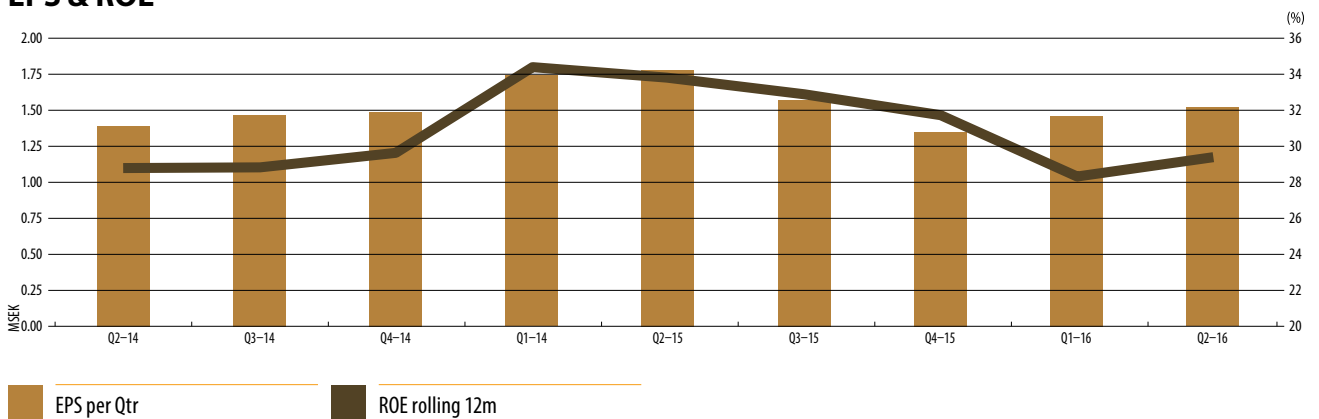
Sales & Book-to-Bill



Underlying EBIT & Margins



EPS & ROE





NET SALES AND OPERATING INCOME BY REGION

Americas

Amounts in MSEK	Apr-Jun			Jan-Jun			Jul-Jun	Jan-Dec
	2016	2015	Change	2016	2015	Change	2015/16	2015
External net sales	251	333	-25%	501	664	-25%	1,042	1,205
Operating income before items affecting comparability	32	46	-30%	64	91	-30%	137	164
Operating income	32	34	-6%	64	94	-32%	133	163
Operating margin before items affecting comparability, %	12.8	13.9	-1.1	12.8	13.8	-1.0	13.1	13.6
Operating margin, %	12.8	10.3	2.5	12.8	14.2	-1.4	12.8	13.5
ROCE, %	33.7	52.4	-18.7	33.7	52.4	-18.7	33.7	44.0

Sales for the second quarter and the first six months were both down year-on-year by 22%, adjusting for the impact of currency (-3%). North American demand for Class 8 heavy-duty trucks remained weak following the peak in the replacement cycle during the second half of 2015. Commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. The construction equipment market in North America has also been adversely affected by the macro economic uncertainty. Demand in South America remains very weak across all end sectors.

Operating margins for the second quarter and the first six months have both fallen year-on-year, after adjusting operating income in the prior year for one-off items booked in respect of the acquisition of GKN Pumps. This is primarily due to the ongoing impact of the GKN operations acquired in Chivilcoy (Argentina), which continued to operate at a net loss under challenging market conditions. Excluding the results of Chivilcoy entirely, the operating margin in the first six months for the region's US businesses actually improved slightly year-on-year to 14.5% (14.2).

Europe & RoW

Amounts in MSEK	Apr-Jun			Jan-Jun			Jul-Jun	Jan-Dec
	2016	2015	Change	2016	2015	Change	2015/16	2015
External net sales (including Alfdex)	322	334	-4%	637	673	-5%	1,256	1,292
Operating income	58	58	0%	112	116	-3%	218	222
Operating margin, %	18.0	17.3	0.7	17.5	17.1	0.4	17.4	17.2
ROCE, %	24.5	21.8	2.7	24.5	21.8	2.7	24.5	22.9

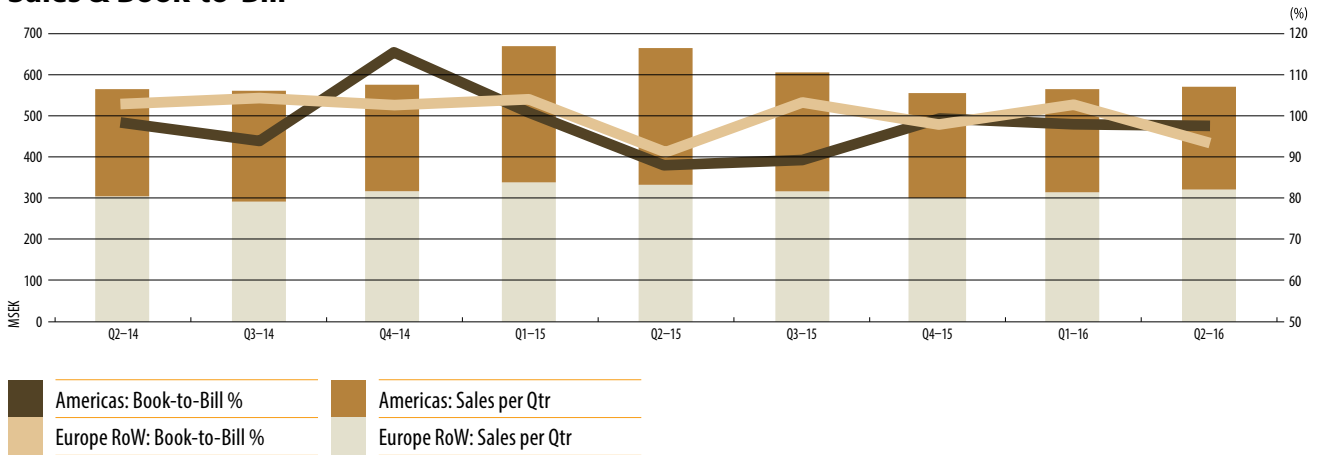
Sales for the second quarter were flat year-on-year, adjusting for the impact of currency (-4%). As a result, sales for the first six months were down year-on-year by 2%, adjusting for the impact of currency (-3%). Commodity prices continue to suppress global demand for agricultural machinery and industrial applications, especially within the oil and gas industry. The construction equipment market in Europe has also remained soft with the macro economic uncertainty. This has largely been mitigated by the continued steady growth experienced

in the European truck market, up year-on-year for the six consecutive quarter.

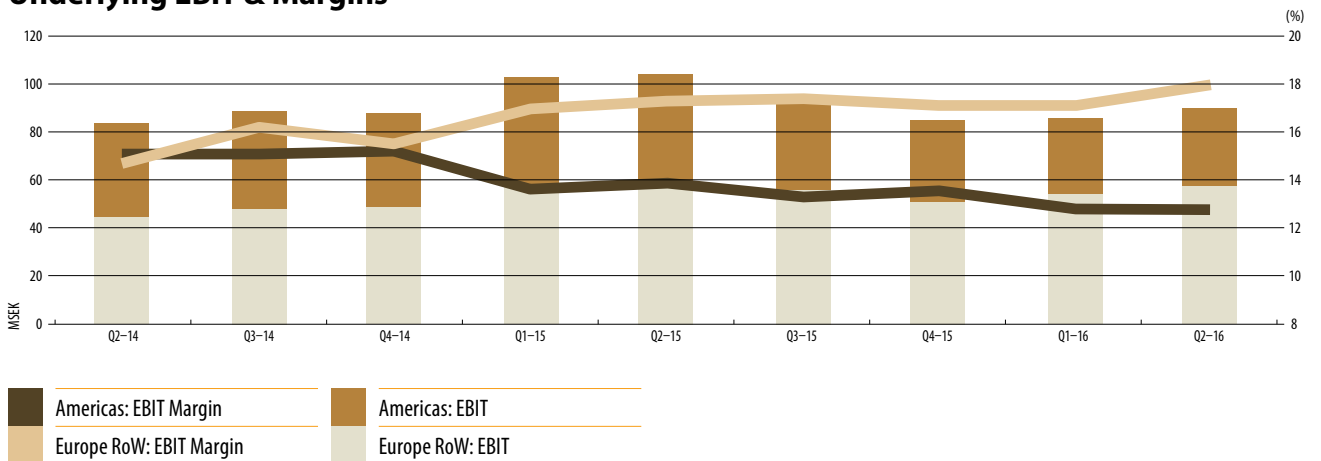
Demand for trucks in India and China has shown some signs of improvement during the first six months but the off-highway sectors in these regions have remained weak.

Overall, the operating margins for the first six months improved year-on-year, as the associated decrease in operating income represented a drop-out rate of just 11% on the reduction in sales value.

Sales & Book-to-Bill



Underlying EBIT & Margins





MARKET DEVELOPMENT

Concentric's sales for the first six months were broadly in line with published market indices

North American end-markets

- Sales to our North American end markets remained down across the board in the second quarter, in line with the market indices.
- The worst affected end-market was Class 8 heavy-duty trucks, with sales down 30% year-on-year, following the peak in the replacement cycle during the second half of 2015 and a subsequent correction of inventory levels. This significant drop off in volumes also partly reflects Concentric's customer mix, as European OEMs have 'in-sourced' more of their engines for the North American market.

European end-markets

- Sales to our European end markets in the second quarter were also directionally in line with the market indices.
- The strongest end-market in the second quarter continued to be medium and heavy duty trucks, with sales up 4% year-on-year. Conversely, sales in the construction equipment and industrial applications end-markets were worse than the market indices suggest, especially for our hydraulic products.

Emerging end-markets

- Sales to our South American end markets were down across the board in the second quarter, in line with the market indices, although this region represents less than 3% of the group's total revenues.
- Total Indian sales were actually up 11% in the second quarter, in contrast to the published market indices for the quarter, but more in line with the indices for the first six months. However, this did not have a significant impact on the group's results as the region only represents around 3% of total revenues.
- Sales to our Chinese end markets were down across the board in the second quarter, in line with the market indices, although this region represents less than 2% of the group's total revenues in the quarter.

Consolidated sales development

Concentric	Q2-16 vs Q2-15			H1-16 vs H1-15			FY-16 vs FY-15		
	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Market – weighted average ¹⁾	-13%	-1%	-7%	-16%	-1%	-8%	-12%	-3%	-7%
Actual – constant currency ²⁾	-22%	0%	-11%	-22%	-2%	-13%			

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 down 7% year-on-year for the second quarter and down 8% for the first six months.

These indices are broadly in line with Concentric's actual

sales, although Concentric has experienced lower volumes in North America, particularly for Class 8 heavy duty trucks.

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

		Q2-16 vs Q2-15					H1-16 vs H1-15					FY-16 vs FY-15				
		North America	South America	Europe	India	China	North America	South America	Europe	India	China	North America	South America	Europe	India	China
Agricultural machinery	Diesel engines	-14%	-15%	0%	-15%	0%	-16%	-25%	-1%	-2%	-1%	-8%	-19%	-2%	0%	1%
	Construction equipment															
	Diesel engines	-20%	-28%	-2%	-10%	-12%	-22%	-37%	-3%	4%	-12%	-19%	-31%	-10%	-10%	-13%
	Hydraulic equipment	-6%	n/a	1%	n/a	n/a	-6%	n/a	-4%	n/a	n/a	-8%	n/a	1%	n/a	n/a
	Light vehicles	-5%	n/a	n/a	n/a	n/a	-6%	n/a	n/a	n/a	n/a	-3%	n/a	n/a	n/a	n/a
Trucks	Medium & Heavy vehicles	-11%	-20%	1%	1%	12%	-12%	-30%	1%	16%	12%	-6%	-19%	-2%	18%	13%
	Industrial applications															
	Other off-highway	-36%	-1%	0%	-13%	-5%	-37%	-7%	0%	1%	-5%	-34%	-1%	6%	-13%	-5%
	Hydraulic lift trucks	-8%	n/a	-10%	n/a	n/a	-14%	n/a	-15%	n/a	n/a	-12%	n/a	-11%	n/a	n/a



The market indices summarised in the table above reflect the Q2 2016 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 second quarter amounted to MSEK 132 (114), which represents SEK 3.21 (2.69) per share. This takes the cash inflow from operating activities for the first six months to MSEK 196 (177).

Working capital

Total working capital at 30 June was MSEK 72 (89), which represented 3.4% (3.9) of annual sales.

Net investments in fixed assets

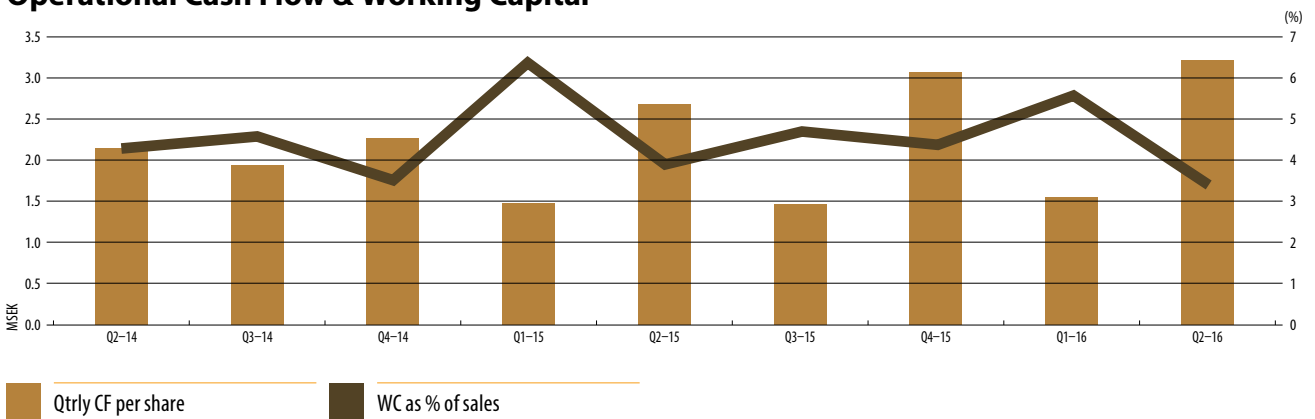
The Group's net investments in tangible fixed assets amounted to MSEK 4 (8) for the first six months.

Net debt & gearing

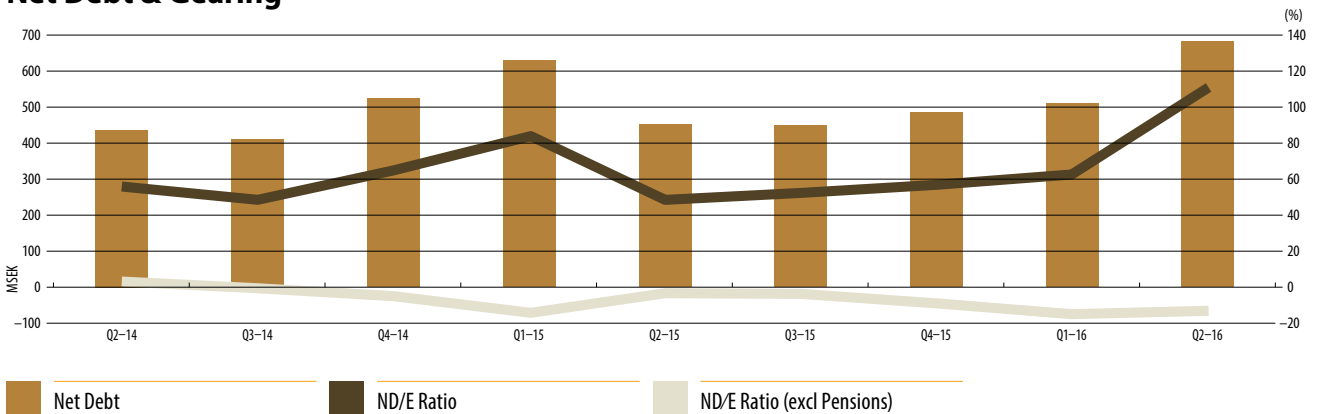
Following a review of the actuarial assumptions used to value the Group's defined benefit pension plans, remeasurement losses of MSEK 136 (gains 244) have been recognised in net pension liabilities during the second quarter, largely related to movements in the respective discount and inflation rates applied. As a result, the cumulative remeasurement losses for the first six months were MSEK 244 (gains 100).

Consequently, the Group's net debt at 30 June increased to MSEK 686 (455), comprising bank loans and corporate bonds of MSEK 180 (184) and net pension liabilities of MSEK 768 (488), net of cash amounting to MSEK 262 (217). Shareholders' equity amounted to MSEK 611 (929), resulting in a gearing ratio of 112% (49) at the end of the second quarter.

Operational Cash Flow & Working Capital



Net Debt & Gearing







CBE SPOTLIGHT: SUSTAINABILITY & SALES

I've been with LICOS for 11 years now, the last 3 of which have been within the Concentric group, and sustainability in terms of building relationships and understanding the value that our customers attribute to our products has always been at the core of our sales process.

Interview with Kurt Peter, VP of Sales for Engine Product in Europe.

How would you describe sustainability in relation to sales?

It is simple – sustainability in the selling process is all about the customer relationship – to deeply understand the customer's needs and how they operate. The market is constantly changing and what the customer wants and needs today is not the same as it was 10 years ago. Design engineers amongst our customers don't always have the time to review and analyse new technologies and Concentric can help them understand how our technology can improve their products.



One of the things that Concentric and LICOS are well known for is the quality of the product – LICOS clutches and Concentric pumps are “fit and forget” products. Once our product has been designed into one of our customer's engine platforms, the end-user never needs to worry about the reliability of the component again. Our focus on high quality, high reliability and high performance products fits with a sustainable business model which avoids expensive “in-field” remedial costs.

Our sales teams are committed to the benefits the product can bring to the customer and the ultimate end user in terms of performance, fuel savings and lower emissions – thus making their product more marketable and moving firmly towards envi-

ronmental goals for sustainability, encouraged by Governments and espoused by many customers and end user organisations.

Our success is driven by engaging customers in advance of new projects. Ideally, we act as a consultant and thought leader, getting the customer's designers to start thinking about the benefits of switching to a new technology to save fuel and/or reduce emissions. These strong relationships built up with the customer help to ensure that Concentric is a supplier of choice for customers when they have new projects.

Where do you think we stand on sustainability both globally and relative to our competitors?

In Concentric, the sustainability message is understood by everyone – from engineering design, to sales and through to our production and customer services teams. In mature markets, like Europe especially, you cannot get a seat at the table if you cannot explain how your products align with customers' goals for sustainability. This is also dependent upon the philosophy of the customer too. However, Concentric's growth strategy has been to focus its sales efforts on the global OEMs/CV engine manufacturers, for whom sustainability is an important business goal. Based upon our annual customer surveys, ongoing development programs and recent technology road shows, Concentric is well placed to leverage these global relationships for new platform launches expected over the next 5 years.

In emerging countries, even though we may compete favourably on the sustainability front, the demands for sustainable products and processes are often not yet top priority. We can reasonably predict that their markets will develop in this way over time but in emerging countries today, as we do elsewhere, we match the value our products and service brings to meet our customers' needs. We don't assume that they feel as passionately about sustainability as we do.



Do you track and report the benefits from sustainable products sold? If so, what results have you seen?

The Sales teams have to be able to report the benefits of our products to our customers. For example, the following expected fuel consumption forms the basis of our value proposition for the LICOS water pump clutch:

■ Annual km of a long haul heavy-duty truck	150,000 km
■ Average fuel consumption	33 ltr/100 km
■ Annual diesel consumption	50,000 ltr/year
■ Average saving of LICOS water pump clutch	1% of total consumption
■ Annual saving in diesel consumption	500 ltr/year

These annual savings compare favourably against the expectations of the long haul heavy duty fleet owners, who generally accept a payback of up to 1 year on new technology. The best environmentally sustainable technologies also make good commercial sense ... it's not an ideology, but just simply a business case!

GROUP

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

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Cost of goods sold	-373	-455	-744	-906	-1,521	-1,683
Gross income	149	165	296	337	582	623
Selling expenses	-20	-21	-34	-44	-67	-77
Administrative expenses	-37	-37	-76	-74	-149	-147
Product development expenses	-12	-13	-26	-25	-51	-50
Share of profit in joint venture, net of interest and tax	5	5	7	10	4	7
Other operating income and expenses	4	-11	7	1	31	25
Operating income	89	88	174	205	350	381
Financial income and expense	-7	-4	-11	-7	-22	-18
Earnings before tax	82	84	163	198	328	363
Taxes	-19	-22	-40	-47	-85	-92
Net income for the period	63	62	123	151	243	271
Basic earnings per share before items affecting comparability, SEK	1.52	1.78	2.98	3.53	5.95	6.48
Basic earnings per share, SEK	1.52	1.45	2.98	3.55	5.90	6.45
Diluted earnings per share, SEK	1.52	1.44	2.98	3.54	5.90	6.44
Basic average number of shares (000)	41,116	42,379	41,148	42,385	41,243	42,058
Diluted average number of shares (000)	41,171	42,546	41,200	42,543	41,298	42,119

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in MSEK	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2016	2015	2016	2015	2015/16	2015
Net income for the period	63	62	123	151	243	271
Other comprehensive income						
<i>Items that will not be reclassified to the income statement</i>						
Net remeasurement gains and losses	-136	244	-244	100	-343	1
Tax on net remeasurement gains and losses	32	-60	59	-21	86	6
<i>Items that may be reclassified subsequently to the income statement</i>						
Exchange rate differences related to liabilities to foreign operations	-25	32	-	-37	3	-34
Tax arising from exchange rate differences related to liabilities to foreign operations	5	-7	-	8	-1	7
Cash-flow hedging	-1	-8	5	-1	3	-3
Tax arising from cash-flow hedging	-	2	-1	-	-	1
Foreign currency translation differences	35	-50	-10	78	-38	50
Total other comprehensive income	-90	153	-191	127	-290	28
Total comprehensive income	-27	215	-68	278	-47	299

CONSOLIDATED BALANCE SHEET, IN SUMMARY

Amounts in MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Goodwill	605	646	631
Other intangible fixed assets	276	332	306
Tangible fixed assets	166	204	187
Share of net assets in joint venture	15	19	20
Deferred tax assets	193	164	145
Long-term receivables	5	4	4
Total fixed assets	1,260	1,369	1,293
Inventories	184	232	201
Current receivables	300	361	254
Cash and cash equivalents	262	217	258
Total current assets	746	810	713
Total assets	2,006	2,179	2,006
Total Shareholders' equity	611	929	852
Pensions and similar obligations	768	488	564
Deferred tax liabilities	32	62	43
Long-term interest-bearing liabilities	177	177	178
Other long-term liabilities	8	12	10
Total long-term liabilities	985	739	795
Short-term interest-bearing liabilities	2	7	4
Other current liabilities	408	504	355
Total current liabilities	410	511	359
Total equity and liabilities	2,006	2,179	2,006

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 30 June the fair value of derivative instruments that were assets was MSEK 5 (2), 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	30 Jun 2016	30 Jun 2015	31 Dec 2015
Opening balance	852	811	811
Net income for the period	123	151	271
Other comprehensive loss/income	-191	127	28
Total comprehensive income	-68	278	299
Dividend	-134	-127	-127
Own share buy-backs	-47	-42	-142
Sale of own shares to satisfy LTI – options exercised	7	8	8
Long-term incentive plan	1	1	3
Closing balance	611	929	852

CONSOLIDATED CASH FLOW STATEMENT, IN SUMMARY

Amounts in MSEK	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2016	2015	2016	2015	2015/16	2015
Earnings before tax	82	84	163	198	328	363
Reversal of depreciation, amortization and write-downs	20	22	40	29	85	74
Reversal of share of profit in joint venture	-5	-5	-7	-10	-4	-7
Reversal of other non-cash items	7	13	10	20	17	27
Taxes paid	-6	-9	-11	-27	-84	-100
<i>Cash flow from operating activities before changes in working capital</i>	<i>98</i>	<i>105</i>	<i>195</i>	<i>210</i>	<i>342</i>	<i>357</i>
Change in working capital	34	9	1	-33	43	9
Cash flow from operating activities	132	114	196	177	385	366
Investments in subsidiaries ¹⁾	-	-	-	-10	-	-10
Net investments in property, plant and equipment	-2	-7	-4	-8	-21	-25
Cash flow from investing activities	-2	-7	-4	-18	-21	-35
Dividends paid	-134	-127	-134	-127	-134	-127
Dividends received from joint venture	8	2	8	12	8	12
Buy back of own shares	-47	-42	-47	-42	-147	-142
Selling of own shares to satisfy LTI-options exercised	7	8	7	8	7	8
New loans received	25	5	31	183	75	227
Repayment of loans	-28	-	-31	-194	-77	-240
Pension payments and other cash flows from financing activities	-9	-14	-21	-25	-44	-48
Cash flow from financing activities	-178	-168	-187	-185	-312	-310
Cash flow for the period	-48	-61	5	-26	52	21
Cash and bank assets, opening balance	307	286	258	235	258	235
Exchange rate differences in cash and bank assets	3	-8	-1	8	-7	2
Cash and bank assets, closing balance	262	217	262	217	303	258

¹⁾ The total net cash outflow relating to the investment in GKN Pumps of MSEK 10 comprised the cash purchase consideration of MSEK 20 plus acquisition-related expenses MSEK 2, less the cash balances acquired of MSEK 12.

GROUP NOTES

DATA PER SHARE

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
Basic EPS, before items affecting comparability, SEK	1.52	1.78	2.98	3.53	5.95	6.48
Basic earnings per share, SEK	1.52	1.45	2.98	3.55	5.90	6.45
Diluted earnings per share, SEK	1.52	1.44	2.98	3.54	5.90	6.44
Equity per share, SEK	14.96	22.02	14.96	22.02	14.96	20.46
Cash-flow from current operations per share, SEK	3.21	2.69	4.76	4.18	9.33	8.70
Basic weighted average no. of shares (000's)	41,116	42,379	41,148	42,385	41,243	42,058
Diluted weighted average no. of shares (000's)	41,171	42,546	41,200	42,543	41,298	42,119
Number of shares at period-end (000's)	40,831	42,178	40,831	42,178	40,831	41,180

KEY FIGURES

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
Sales growth, %	-16	13	-16	17	n/a	7
Sales growth, constant currency, % ¹⁾	-11	5	-13	-2	n/a	-8
EBITDA margin, %	20.7	17.7	20.6	18.8	20.7	19.7
Operating margin before items affecting comparability, %	17.0	16.5	16.7	16.4	16.7	16.6
Operating margin, %	17.0	14.2	16.7	16.5	16.6	16.5
Capital Employed, MSEK	1,181	1,344	1,181	1,344	1,181	1,254
ROCE before items affecting comparability, %	27.5	28.9	27.5	28.9	27.5	28.9
ROCE, %	27.5	29.0	27.5	29.0	27.5	28.8
ROE, %	29.4	33.8	29.4	33.8	29.4	31.7
Working Capital, MSEK	72	89	72	89	84	101
Working capital as a % of annual sales	3.4	3.9	3.4	3.9	4.0	4.4
Net Debt, MSEK	686	455	686	455	686	488
Gearing ratio, %	112	49	112	49	112	57
Net investments in PPE	2	7	4	8	21	25
R&D, %	2.4	2.1	2.5	2.0	2.5	2.2
Number of employees, average	1,025	1,138	1,031	1,103	1,054	1,088

¹⁾ Also excludes the impact of any acquisition or divestments in that period.

CONSOLIDATED INCOME STATEMENT IN SUMMARY, BY TYPE OF COST

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
Net sales	522	620	1,040	1,243	2,103	2,306
Direct material costs	-257	-320	-516	-641	-1,055	-1,180
Personnel costs	-116	-132	-226	-253	-451	-478
Depreciation, amortization and write-downs	-20	-22	-40	-29	-85	-74
Share of profit in joint venture, net of tax	5	5	7	10	4	7
Other operating costs, net	-45	-63	-91	-125	-166	-200
Operating income	89	88	174	205	350	381
Financial income and expenses	-7	-4	-11	-7	-22	-18
Earnings before tax	82	84	163	198	328	363
Taxes	-19	-22	-40	-47	-85	-92
Net income for the period	63	62	123	151	243	271

OTHER OPERATING INCOME AND EXPENSES

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
Tooling income	1	5	2	9	5	12
Royalty income from joint venture	10	7	21	13	51	43
Amortisation of acquisition related surplus values	-9	-10	-18	-19	-38	-39
Negative Goodwill	-	-	-	15	-2	13
Acquisition-related expenses	-	-2	-	-2	-	-2
Restructuring expenses	-	-12	-	-12	-	-12
Other	2	1	2	-3	15	10
Other operating income and expenses	4	-11	7	1	31	25

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.

SECOND QUARTER

Amounts in MSEK	Apr-Jun							
	Americas		Europe & RoW		Elims-Adjs		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Total net sales	259	339	343	362	-80	-81	522	620
External net sales	251	333	322	334	-51	-47	522	620
Operating income before items affecting comparability	32	46	58	58	-1	-2	89	102
Operating income	32	34	58	58	-1	-4	89	88
Operating margin before items affecting comparability, %	12.8	13.9	18.0	17.3	n/a	n/a	17.0	16.5
Operating margin, %	12.8	10.3	18.0	17.3	n/a	n/a	17.0	14.2
Earnings before tax	12	17	42	39	28	28	82	84
Assets	644	703	1,335	1,424	27	52	2,006	2,179
Liabilities	367	373	814	665	214	212	1,395	1,250
Capital employed	415	337	790	1,026	-24	-19	1,181	1,344
ROCE before items affecting comparability, %	33.7	52.2	24.5	21.8	n/a	n/a	27.5	28.9
ROCE, %	33.7	52.4	24.5	21.8	n/a	n/a	27.5	29.0
Net investments in PPE	-	4	2	3	-	-	2	7
Depreciation, amortization and write-downs	6	7	13	15	1	-	20	22
Number of employees, average	382	443	704	755	-61	-60	1,025	1,138

FIRST SIX MONTHS

Amounts in MSEK	Jan-Jun							
	Americas		Europe & RoW		Elims/Adjs		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Total net sales	514	677	679	730	-153	-164	1,040	1,243
External net sales	501	664	637	673	-98	-94	1,040	1,243
Operating income before items affecting comparability	64	91	112	116	-2	-3	174	204
Operating income	64	94	112	116	-2	-5	174	205
Operating margin before items affecting comparability, %	12.8	13.8	17.5	17.1	n/a	n/a	16.7	16.4
Operating margin, %	12.8	14.2	17.5	17.1	n/a	n/a	16.7	16.5
Earnings before tax	22	61	81	88	60	49	163	198
Assets	644	703	1,335	1,424	27	52	2,006	2,179
Liabilities	367	373	814	665	214	212	1,395	1,250
Capital employed	415	337	790	1,026	-24	-19	1,181	1,344
ROCE before items affecting comparability, %	33.7	52.2	24.5	21.8	n/a	n/a	27.5	28.9
ROCE, %	33.7	52.4	24.5	21.8	n/a	n/a	27.5	29.0
Net investments in PPE	1	4	3	4	-	-	4	8
Depreciation, amortization and write-downs	13	-1	27	30	-	-	40	29
Number of employees, average	390	404	703	756	-62	-57	1,031	1,103

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

The weighted average number of working days in the first six months was 126 (125) for the Group, with an average of 126 (124) working days for the Americas region and 127 (126) working days for the Europe & RoW region.

SALES BY PRODUCT GROUPS (including Alfdex)

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
Concentric branded Engine products	277	334	554	667	1,158	1,271
LICOS branded Engine products	40	42	77	80	139	142
Alfdex branded Engine products	51	47	98	94	195	191
Total Engine products	368	423	729	841	1,492	1,604
Total Hydraulics products	205	244	409	496	806	893
Eliminations	-51	-47	-98	-94	-195	-191
Total Group	522	620	1,040	1,243	2,103	2,306

SALES BY GEOGRAPHIC LOCATION OF CUSTOMER

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
USA	232	301	470	610	970	1,110
Rest of North America	5	6	7	11	20	24
South America	15	22	29	39	62	72
Germany	88	96	173	194	334	355
UK	35	40	70	85	152	167
Sweden	28	32	54	58	101	105
Rest of Europe	85	83	174	167	346	339
Asia	34	36	63	75	117	129
Other	-	4	-	4	1	5
Total Group	522	620	1,040	1,243	2,103	2,306

Employees

The average number of full-time equivalents employed by the group during the second quarter and the first six months was 1,025 (1,138) and 1,031 (1,103) respectively.

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 2015 Annual Report on pages 8–11 and pages 18–41.

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 2015 Annual Report and confirm that there have been no changes other than those comments made above in respect of market developments during the year. Please refer to the Risk and Risk Management section on pages 51–54 of the 2015 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 2015 Annual Report.

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

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

PARENT COMPANY

Net sales and Operating income

Net sales for the period largely reflected the royalty income received from the joint venture, Alfdex AB. Operating income for the first six months improved due to the total remuneration received for services rendered. The company also received a dividend of MSEK 12 (12) in the first six months from their 50% ownership in Alfdex AB.

Buy-back and Holdings of Own Shares

The total number of holdings of own shares at 1 January 2016 was 1,672,396 and the company did not repurchase any shares during the first quarter of 2016.

On 6 April 2016, the AGM resolved to retire 1,281,900 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital. Altogether, the resolution resulted in the total number of shares in issue reduced to 41,570,600 (42,852,500) and the share capital being increased by SEK 29. In addition, the AGM resolved to authorise the Board of Directors, during the period up to the next AGM in 2017, to resolve

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

During the second quarter, 115,360 (157,760) options granted under the company's LTI programmes were exercised and satisfied in full using the company's holdings of own shares. In addition, under the own share buyback mandate resolved at the 2016 Annual General Meeting, the company also purchased 464,150 (371,104) ordinary shares for a total consideration of MSEK 47 (42). Consequently the company's total holdings of own shares at the end of the second quarter was 739,286 (674,185), which represented 1.8% (1.6) of the total number of shares in issue of 41,570,600 (42,852,500).

PARENT COMPANY'S INCOME STATEMENT, IN SUMMARY

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
Net sales	10	8	21	14	52	45
Other operating income	–	–	21	–	21	–
Operating costs	–3	–5	–8	–9	–19	–20
Operating income	7	3	34	5	54	25
Income from shares in subsidiaries	–	99	–	99	17	116
Income from shares in joint venture	12	–	12	12	12	12
Net foreign exchange rate differences	–25	32	–	–37	3	–34
Other financial income and expense	–1	–1	–2	–1	–4	–3
Earnings before tax	–7	133	44	78	82	116
Taxes	4	–8	–7	7	–11	3
Net income for the period ¹⁾	–3	125	37	85	71	119

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

PARENT COMPANY'S BALANCE SHEET, IN SUMMARY

Amounts in MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Shares in subsidiaries	2,414	2,415	2,414
Shares in joint venture	10	10	10
Long-term loans receivable from subsidiaries	22	27	29
Deferred tax assets	16	28	23
Total financial fixed assets	2,462	2,480	2,476
Other current receivables	5	4	3
Short-term receivables from joint ventures	4	–	–
Short-term receivables from subsidiaries	76	74	80
Cash and cash equivalents	97	76	103
Total current assets	182	154	186
Total assets	2,644	2,634	2,662
Total Shareholders' equity	1,169	1,372	1,306
Pensions and similar obligations	17	18	17
Long-term interest-bearing liabilities	175	175	175
Long-term loans payable to subsidiaries	1,256	1,022	1,136
Total long-term liabilities	1,448	1,215	1,328
Short-term loans payable to joint ventures	–	5	–
Short-term loans payable to subsidiaries	20	35	19
Other current liabilities	7	7	9
Total current liabilities	27	47	28
Total equity and liabilities	2,644	2,634	2,662

PARENT COMPANY'S CHANGES IN SHAREHOLDERS' EQUITY, IN SUMMARY

Amounts in MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Opening balance	1,306	1,448	1,448
Net income for the period	37	85	119
Dividend	–134	–127	–127
Sale of own shares to satisfy LTI – options exercised	7	8	8
Buy-back of own shares	–47	–42	–142
Closing balance	1,169	1,372	1,306

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 22 July 2016.

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

<i>Interim report January – September 2016</i>	<i>1 November, 2016</i>
<i>Interim report January – December 2016</i>	<i>9 February, 2017</i>
<i>Annual Report January – December 2016</i>	<i>9 March, 2017</i>
<i>Annual General Meeting 2017</i>	<i>30 March, 2017</i>

Stockholm, 22 July, 2016

Concentric AB (publ)

Stefan Charette
Chairman

Claes Magnus Åkesson
Board member

Marianne Brismar
Board member

Kenth Eriksson
Board member

Martin Lundstedt
Board member

Martin Sköld
Board member

Susanna Schneeberger
Board member

David Woolley
President and CEO

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Corporate Registration Number 556828-4995

Auditors' Report on Review of Interim Financial Information

Introduction

We have reviewed the interim report of Concentric AB (publ), corporate identity number 556828-4995, as of 30 June, 2016 and for the six-month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim annual report based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that we would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, 22 July, 2016. KPMG AB

Anders Malmeby
Authorised Public Accountant

Glossary & Definitions

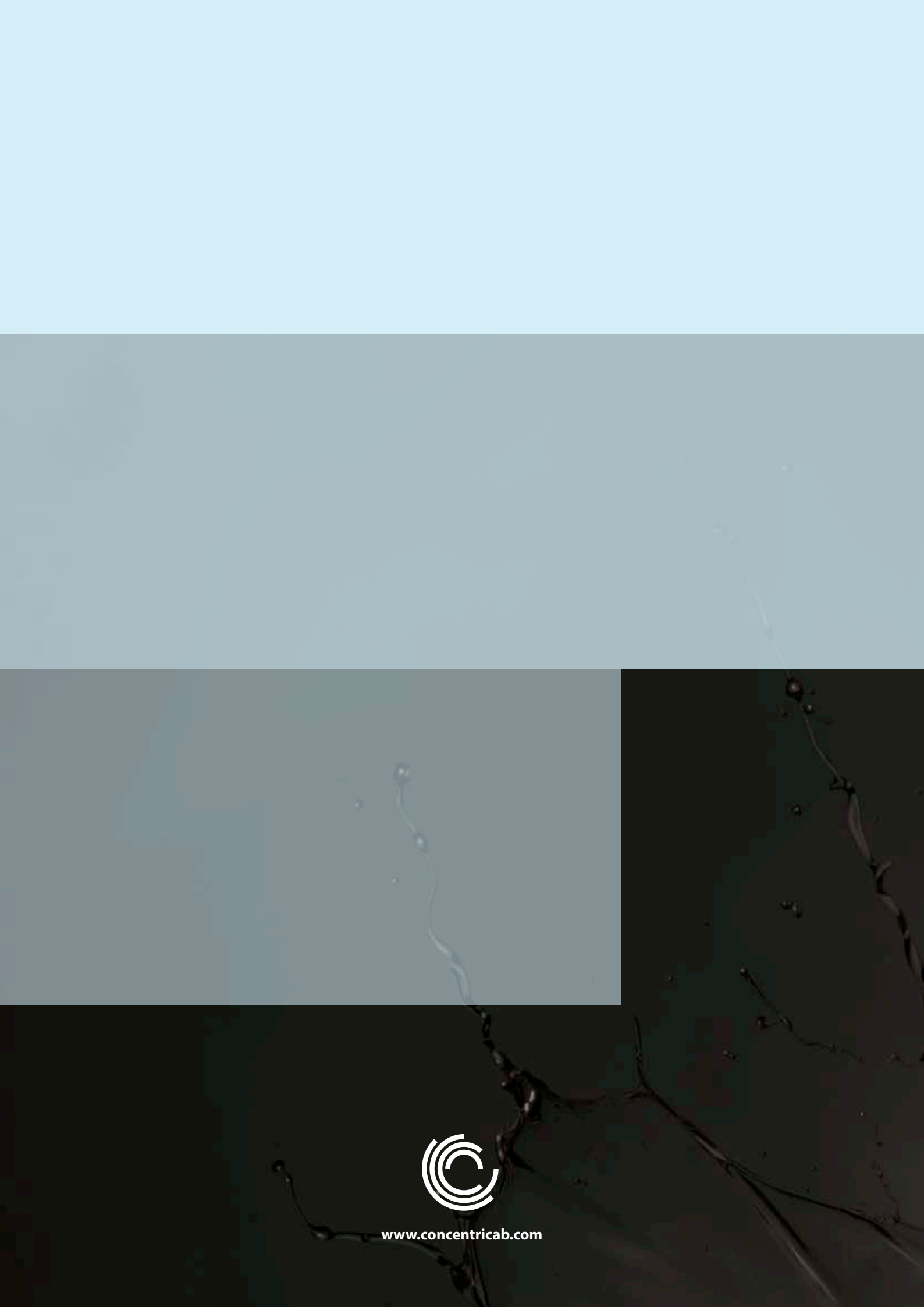
Americas	Americas operating segment comprising the Group's operations in the USA and South America
Book-to-bill	Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period
Capital 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
Drop-through rate	Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales
EBIT or Operating income	Earnings before interest and tax
EBIT or Operating margin	Operating income as a percentage of net sales
EPS	Earnings per share, net income divided by the average number of shares
Europe & RoW	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
Gearing ratio	Ratio of net debt to shareholders' equity
Gross margin	Net sales less cost of goods sold, as a percentage of net sales
Net debt	Total interest-bearing liabilities less liquid funds
Net investments	Fixed asset additions net of fixed asset disposals and retirements
PPE	Property, Plant and Equipment
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	Research and development expenditure
ROCE	Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over a rolling 12 months
ROE	Return on equity; net income as a percentage of the average shareholders' equity over a rolling 12 months
Sales growth, constant currency	Growth rate based on sales restated at prior year foreign exchange rates
Structural growth	Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts
"Underlying" or "before items affecting comparability"	Adjusted for restructuring costs and other 'one-off' items (including the taxation effects thereon, as appropriate)
Working capital	Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities

ALTERNATIVE PERFORMANCE MEASURES

Amounts in MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2016	2015	2016	2015	2015/16	2015
EBIT or Operating income	89	88	174	205	350	381
Negative goodwill related to the acquisition of GKN Pumps ¹⁾	–	–	–	–15	2	–13
Restructuring cost related to the acquisition of GKN Pumps	–	14	–	14	–	14
Underlying EBIT or operating income	89	102	174	204	352	382
EBIT or Operating margin (%)	17.0	14.2	16.7	16.5	16.6	16.5
Underlying EBIT or Operating margin (%)	17.0	16.5	16.7	16.4	16.7	16.6

¹⁾ Negative goodwill had no tax related entries.

Underlying EBIT or Operating margin have been chosen as a measurement as this gives a fairer view of the performance of the business.



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