



Q4 and Full Year 2015 Interim Report

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Agenda



- **Highlights for Q4 & FY 2015** **DW**
- **Summary of financial results** **DB**
- **Q1 2016 Outlook** **DW**
- **Q&A** **DW & DB**

Highlights for Q4 & FY 2015



- The North American 'Class 8' heavy-duty Truck market, which was strong during the first half of the year, reached a peak in Q4 and has started to soften
- The steady improvement in European demand for heavy-duty Trucks seen during Q1-3 of this year has continued into Q4.
- Off-highway markets for Construction Equipment, Agriculture Machinery and Industrial Applications softened in Q4, more noticeably in North America than in Europe.
- India has experienced similar trends to those seen in North America and Europe.
- Both On- and Off-highway demand in China remained suppressed, although the impact of this region for Concentric is small.
- The recession in South America continued to worsen in Q4, but the new government in Argentina has been received positively.

Highlights for Q4 & FY 2015 (continued)



- Overall, the full year for 2015 compares positively to 2014:
 - Sales down 8% y-o-y, adjusting for currency (+15%) and GKN (+4%)
 - Reported operating income margin increased to 16.5% (16.0%)
- Q4 2015 v Q4 2014:
 - Sales down 16% y-o-y, adjusting for currency (+6%) and GKN (+4%)
 - Reported operating income margin increased to 16.4% (16.1%)
- Conversion of income into cash remained strong:
 - Cash flow from operating activities for Q4 was MSEK 127 (97)
 - Share buy-backs in Q4 amounted to MSEK 50 (50), taking the cumulative buy-backs to MSEK 142 (148) for the full year
- Gearing ratio reduced slightly to 57% (65), following the share buy-backs
- Board of Directors intend to propose a dividend of SEK 3.25 (3.00)



Summary of financial results

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Q4 & FY 2015 Results



MSEK	Oct-Dec			Jan-Dec		
	2015	2014	Change	2015	2014	Change
Net Sales	504	535	-31	2,306	2,078	228
<i>Δ in constant currency (1)</i>	<i>-16%</i>	<i>3%</i>		<i>-8%</i>	<i>3%</i>	
Gross income	130	147	-17	623	568	55
Underlying operating income (2)	85	86	-1	382	333	49
Reported operating income	83	86	-3	381	333	48
Reported operating margin	16.4%	16.1%		16.5%	16.0%	
Earnings before tax	76	83		363	316	
Net income	54	64		271	241	
Underlying basic EPS (SEK) (2)	1.35	1.49		6.48	5.54	
Basic EPS (SEK)	1.32	1.49		6.45	5.54	
Underlying ROCE (2)	28.9%	27.1%				
ROCE	28.8%	27.1%				
ROE	31.7%	29.6%				
Net debt	488	528				
Gearing (Debt/Equity)	57%	65%				

(1) Adjusted for sales derived from acquisitions

(2) Adjusted for MSEK 13 of negative goodwill and MSEK 14 of one-off expenses re: GKN Pumps

Q4 2015 Market Data

End-markets & Regions



>+5% >+2% >0% >-2% >-5%

Q4-15 vs. Q4-14

North America South America Europe India China

Agricultural machinery

Diesel engines



Construction equipment

Diesel engines



Hydraulic equipment



Truck

Light vehicles



Medium/Heavy vehicles



Industrial applications

Other Off-highway



Hydraulic lift trucks



Market development

1. Global demand for Ag & Construction remained weak in Q4-15

2. Medium/Heavy duty trucks still strongest end-market, although NA Class 8 truck cycle has peaked in Q4-15

3. Hydraulic product market indices remained weak in Q4-15

Source: Power Systems Research, Off-Highway Research and ITA Q4 2015 updates

FY 2015 Market development

Key messages



- Overall, the latest published market indices indicate that demand was down 3%* y-o-y for the full year, compared with Concentric's actual YTD sales, which were down 6%, including Alfdex sales but after adjusting for currency and GKN Pumps.
- At a regional level Concentric's performance in Europe & RoW was slightly better than the latest published indices, flat y-o-y.
- Conversely, Concentric's performance in North America was worse than the latest published indices, down 12% y-o-y for the full year, due to the continued weak demand in for hydraulic products, linked to Concentric's reliance on Caterpillar and John Deere.
- However, as noted in previous quarters, movements in the market indices tend to lag the group's order intake experience by 3-6 months.

** Blended growth rate using Concentric's sales mix by end-market and customer location*

Q4 & FY 2015 Results

Americas Region



	Q4		FY	
	2015	2014	2015	2014
<i>Amounts in MSEK</i>				
External net sales	253	258	1,205	1,033
Underlying operating income	34	39	164	157
Reported operating income	30	39	163	157
<i>Reported operating margin %</i>	<i>11.8</i>	<i>15.2</i>	<i>13.5</i>	<i>15.2</i>
<i>Reported ROCE %</i>	<i>44.0</i>	<i>49.9</i>		

North American end-markets weakened further in Q4

- Sales in constant currency were down 19% for Q4 and down 12% for the full year y-o-y. Softening demand in Agriculture, Construction and Lift trucks has particularly affected sales of hydraulic product.
- However, with translational benefits derived from currency, average sales on a working day basis were actually up to MSEK 4.4 (4.2) for Q4 and MSEK 4.7 (4.1) for the full year.

Like-for-like operating margins improved

- Adjusting for the full impact of GKN pumps acquisition, like-for-like operating margins actually increased to 16.2% (15.2) for Q4 and 15.5% (15.2) for the full year.

Q4 & FY 2015 Results

Europe & RoW Region



	Q4		FY	
	2015	2014	2015	2014
<i>Amounts in MSEK</i>				
External net sales <i>(including Alfdex sales)</i>	301	317	1,292	1,203
Operating income	51	49	222	182
Reported operating margin %	17.1	15.5	17.2	15.1
Reported ROCE %	22.9	20.0		

European demand weakened in Q4

- Sales were down 9% y-o-y in Q4, including our 50% share of Alfdex sales, after adjusting for the impact of currency. As a result, the full year was flat y-o-y on the same basis.
- Average sales on a working day basis were MSEK 5.0 (4.7) for Q4 and MSEK 5.2 (4.8) for YTD.

Operating margins continued to improve

- The operating margin improved to 17.1% for Q4 and 17.2% for the full year, reflecting a drop-through rate of 45% on the y-o-y additional sales for the full year.
- The additional benefits from the consolidation of the European hydraulics business have continued to be realised in Q4 2015.

Robust Financial Position



<i>Amounts in MSEK</i>	31 Dec		<i>Comments</i>
	2015	2014	
Balance Sheet			
Working Capital	101	72	Working capital management solid.
<i>As % of annualised sales</i>	4.4%	3.5%	
Capital Employed	1,254	1,278	
Net Debt	488	528	
Shareholders' equity	852	811	
<i>Gearing ratio</i>	57%	65%	
Cash Flow			
	FY-15	FY-14	
Underlying EBITDA	455	417	
Cash inflow from op activities	366	340	
Net investments	-35	-25	
Cash outflow from financing	-310	-299	Including MSEK 127 (121) for FY-14 dividends paid in FY-15 and MSEK 142 (148) of own share buy-backs in FY-15.
Net cash flow for period	21	16	



Q1 2016 Outlook

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Q1 2016 Outlook



- Orders received during Q4 2015 based on working days, indicate that demand in Q1 2016 will remain level or slightly down.
- On-highway markets looks steady in Europe and slightly lower in the US.
- Off-highway markets for Construction equipment, Agriculture machinery and Industrial Applications look broadly unchanged.
- Emerging markets in South America, India and China still look volatile, although these regions still only represent less than 10% of the group's total revenues
- The positive pressure on customers to consider technologies to reduce CO₂ increases.
- Concentric remains well positioned, both financially and operationally, to fully leverage our market opportunities.



Any Questions?

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