CONCENTRIC

Q2 2016 Interim Report

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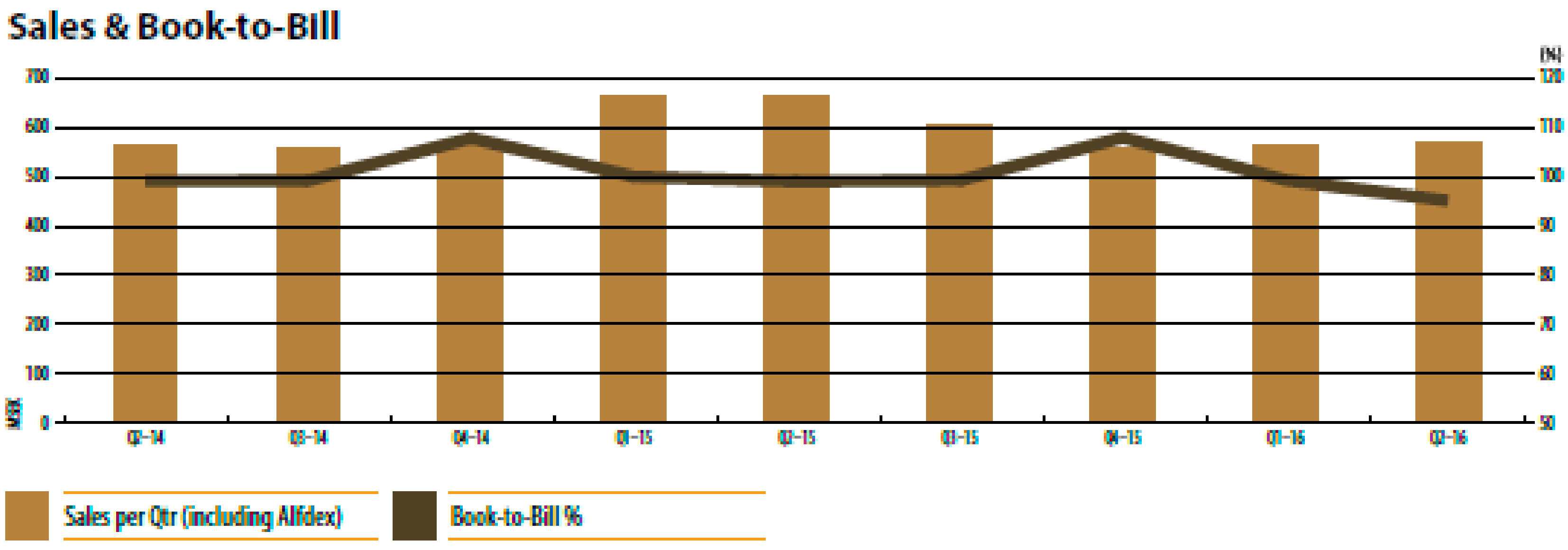
Agenda

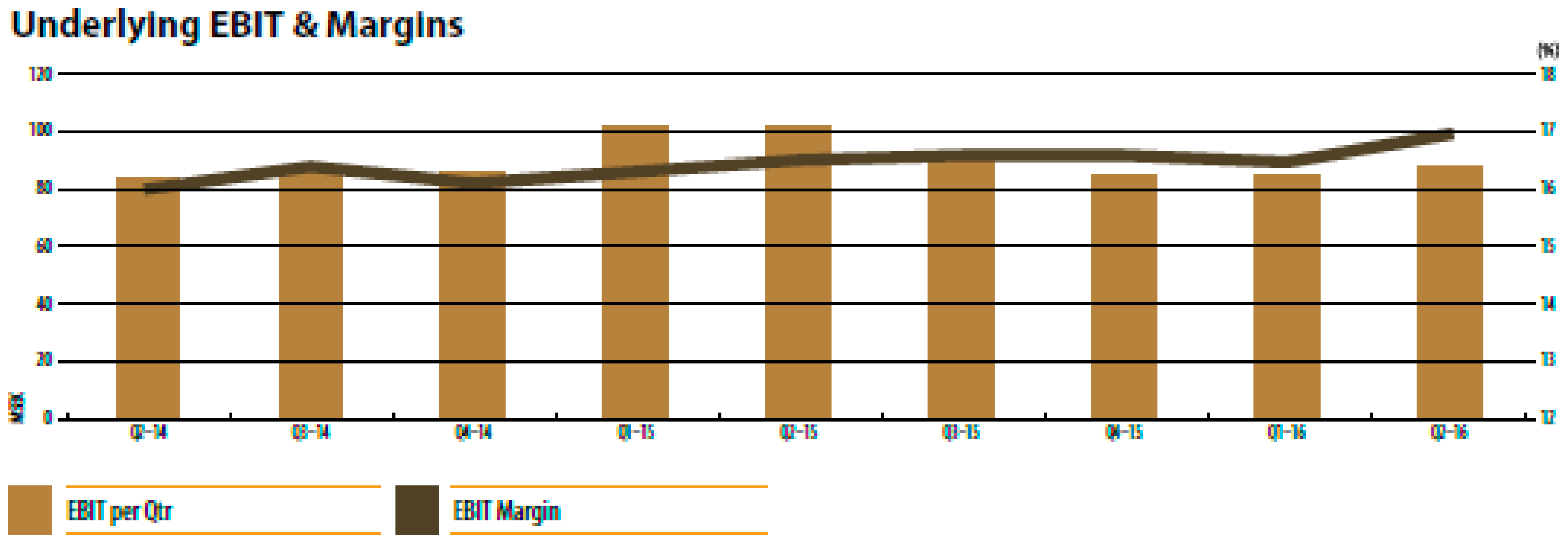
- Highlights for Q2 2016 DW
- Summary of financial results DB
- Q3 2016 Outlook DW
- Q&A DW & DB

Highlights for Q2 & H1 2016
Net Sales



- Currency adjusted: Q2 sales down 11% y-o-y; H1 sales down 13% y-o-y
- NA Class 8 truck sales have remained weak throughout H1-16 following the peak in replacement cycle during H2-15 and the subsequent inventory correction
- Fall in NA truck sales has been partly mitigated by the continued steady growth in Euro truck sales, which are up y-o-y for the 6th consecutive quarter
- Low commodity prices and the ongoing macro uncertainty have continued to suppress off-highway end sectors

Highlights for Q2 & H1 2016
Earnings



- Underlying EBIT margins improved: 17.0% (16.5%) for Q2 and 16.7% (16.4) for H1, in spite of the lower sales – primarily driven by ongoing CBE programme
- Strong operating cash conversion in Q2
- Gearing up to 112% (49) – adversely affected by pension re-measurement losses
- Dividend payout of MSEK 134 (127) and own share buy-backs of MSEK 47 (42) have been made during Q2

Highlights for Q2 & H1 2016
Update on Strategic Objectives

- 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.
- 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, with increasing demand from our customers to develop technologies to reduce CO_2 emissions and save fuel.
- 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.

Summary of financial results

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Q2 & H1 2016 Results
Group Summary

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
Underlying Operating income	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 operations	132	114	16%	196	177	11%	385	366
Net debt	686	455	51%	686	455	51%	686	488
Underlying Operating margin, %	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, 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
Gearing ratio, %	112	49	63	112	49	63	112	57

Q2 & H2 2016 Results
Published Market Indices

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Sector	Segment	Q2-16 vs Q2-15 North America	Q2-16 vs Q2-15 South America	Q2-16 vs Q2-15 Europe	Q2-16 vs Q2-15 India	Q2-16 vs Q2-15 China	H1-16 vs H1-15 North America	H1-16 vs H1-15 South America	H1-16 vs H1-15 Europe	H1-16 vs H1-15 India	H1-16 vs H1-15 China	FY-16 vs FY-15 North America	FY-16 vs FY-15 South America	FY-16 vs FY-15 Europe	FY-16 vs FY-15 India	FY-16 vs FY-15 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%
Construction equipment	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
Trucks	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%
Industrial applications	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

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

North America

- Q2 indices down across the board – demand for Industrial Applications (Mining, Oil & Gas) worst hit

South America

- Remains very weak in all end-sectors

Europe

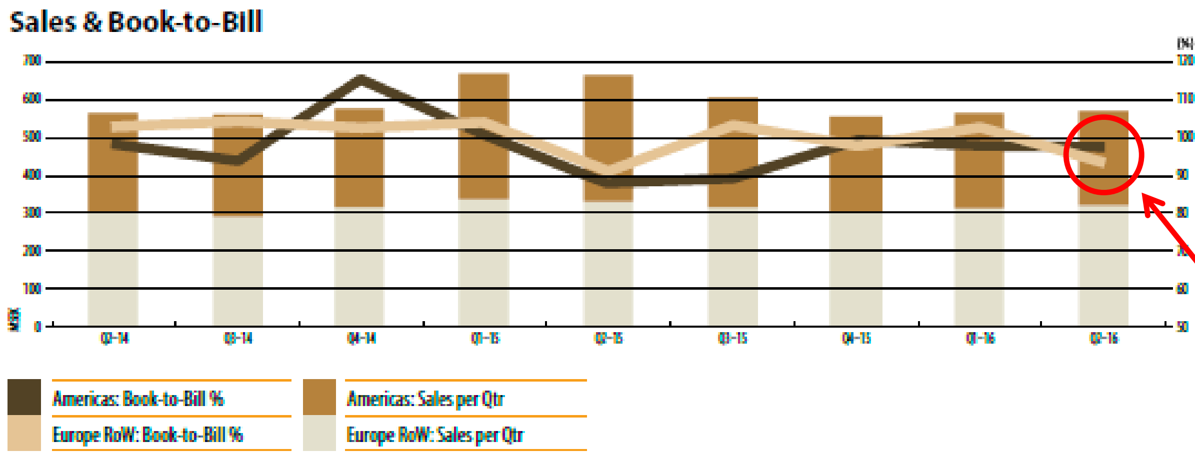
- Steady growth in European medium/heavy duty trucks
- Off-Highway is softer

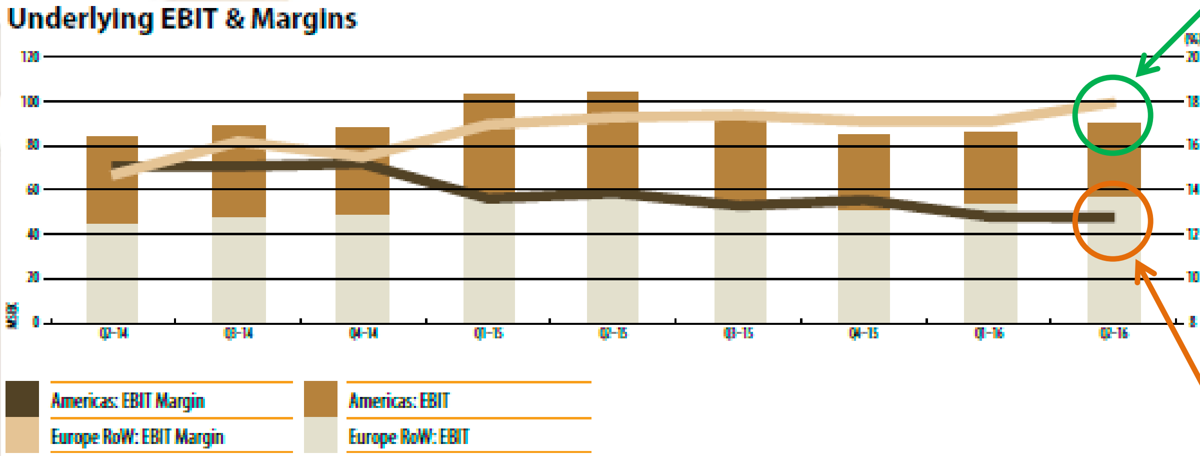
India & China

- Medium/heavy duty trucks showing some signs of improvement
- Weak demand across all off-highway end-sectors

Source: Power Systems Research, Off-Highway Research and ITA Q2 2016 updates

Q2 & H2 2016 Results
Segmental analysis by Region





Europe & RoW

- Q2 sales: flat y-o-y; H2 sales: down 2%;
- Steady growth in truck sales y-o-y for 6th Qtr
- Off-Highway sales remain soft, same as Americas
- Q2 book-to-bill: only 94%
- Continued strong margins

Americas

- Q2 and H2 sales: down 22% y-o-y; Q2: 98% book-to-bill
- NA Class 8 truck sales down >30%; OEM in-sourcing
- Low commodity prices & economic uncertainty has suppressed Off-Highway
- South America sales & EBIT margins remain very weak but solid NA EBIT margins

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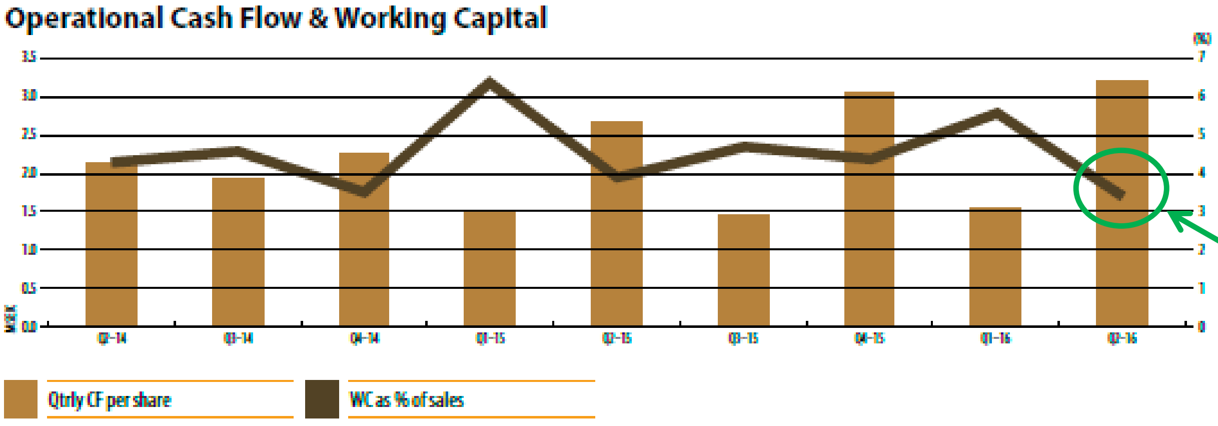
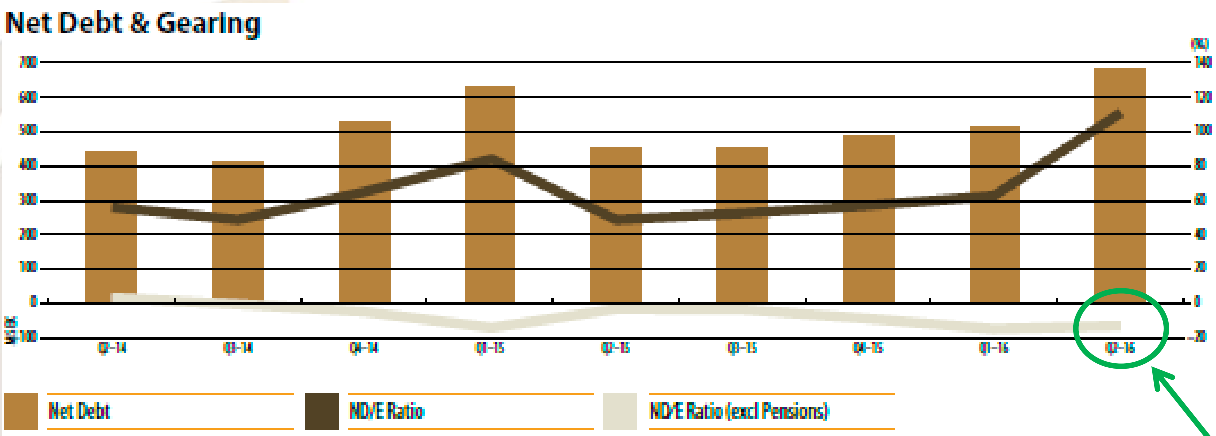
Q2 & H2 2016 Results
Robust Financial Position





Cash Flow & Working Cap

- Strong cash inflow from operations in Q2: MSEK 132 (114), which represents SEK 3.21 (2.69) per share
- Based upon continued tight working capital management

Net Debt & Gearing

- Further re-measurement losses of MSEK 136 (gains 244) were recognised in net pension liabilities for Q2, due to lower discount rates
- As a result, the Group's reported net debt was MSEK 686 (455), resulting in a gearing ratio of 112% (49)
- Surplus funds w/o pensions

Q3 2016 Outlook

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Q3 2016 Outlook

- Orders received during Q2 2016 were slightly behind sales, indicating that the sales in Q3 2016 may be as much as 5% lower sequentially, based on book-to-bill.
- North American heavy-duty truck sales will remain challenging. Mid-range truck market will be maintained.
- European and Rest of World heavy-duty truck demand is expected to flatten out during H2 2016.
- Both North American and European end-markets for Agricultural Machinery, Construction Equipment and Industrial Applications will remain soft.
- Market indices suggest that production volumes will remain at similar levels for the remainder of the year, with FY 2016 expected to be down 7% y-o-y, blended to Concentric's mix of end-markets and locations.
- It is difficult to determine what the impact of the UK's decision to leave the EU 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.
- Concentric also remains well positioned both financially and operationally, to fully leverage our market opportunities.

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Any Questions?

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