



Concentric announces new financial targets and a strategy update

Financial targets

	New (over next five years)	Old (over business cycle)
Organic sales growth	6 percentage points p.a. above market*	7%
Operating margin	≥ 16%	11%
Net Debt/Equity	50% ≤ ND/E ≤ 150%	<100%
Dividend payout ratio	33%	33%

* Blended market growth estimated 2.5%

David Woolley, President and CEO of Concentric AB comments:

"Concentric is now increasing its efforts to boost sales and we have set some ambitious targets for ourselves. We want to grow significantly faster than the market while maintaining our high margins. We now have dedicated resources in place to identify potential acquisition targets that enhance our product offering or strengthen our geographical footprint within both engine and hydraulic products. We estimate that we can adequately serve net debt amounting to 150% of the current equity levels which implies that there is additional debt capacity of MSEK 750-800 readily available for potential acquisitions without compromising our dividend policy. At the same Concentric remains well positioned both financially and operationally to continue to grow organically."

Strategy update

Financials

- The company will continue to distribute surplus net cash in order to maintain the current gearing ratio (including pension liabilities) of at least 50%
- The company has additional debt capacity of MSEK 750-800 readily available for potential acquisitions without compromising the dividend policy and staying within a maximum gearing ratio of 150% of the current equity levels
- Net share buybacks are projected to be more than MSEK 100 by end of Q3 2014 (MSEK 62 at end of Q2 2014)

Engine products

Concentric will leverage its market leading positions to:

- Target the next generation engine platform, deriving from tougher emission and CO2 legislation
- Exploit its innovative engine products
 - 2-speed water pump clutches: forecasted volume - 120,000 units in 2014 and - 200,000 units in 2016
 - Alfdex oil mist separator for heavy duty engines: forecasted volume of over 400,000 units in 2014; compact separator has also been developed to meet the requirements for medium duty engines
 - Potential for variable flow oil pumps: Concentric's forecasted worldwide production volume of the conventional oil pumps for medium/heavy duty engines is - 500,000 units in 2014
- Explore long-term growth opportunities by growing with existing customers in emerging markets

Hydraulic products

Concentric will leverage its niche position to:

- Exploit innovative products that address the key market drivers such as increased energy efficiency, size reduction and noise reduction, through the Integrated Clutch, Ferra Series and Calma Series
- Significantly expand its distributor network, in particular in Europe
- Explore new market opportunities, in particular for agricultural machinery

Concentric today holds a Capital Markets Day at Västra Trädgårdsgatan 15, Stockholm. The event starts at CET 09.30 and concludes at CET 13.30.

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