

# Global experts in fluid engineering



Annual Report 2011

## THE ESSENCE OF CONCENTRIC

Concentric is one of the world's leading pump manufacturers. Our flow dynamics gives customers advanced technology oil pumps, water pumps, fuel pumps and hydraulic systems.

We aim to increase fuel economy, reduce emissions and improve engine control through our technical solutions and precision engineering.

Concentric's global manufacturing presence includes factories in Sweden, Germany, the UK, the USA, India and China, backed by central support and development functions. This means we sell locally to our global customers. The business fuses Concentric's strengths as a pumps maker with longstanding expertise in hydraulic products. Our customers make trucks, construction equipment, agricultural machinery and general industrial applications.



### Americas

Net Sales: MSEK 1,238

Average employees: 416

### Europe & RoW

Net Sales: MSEK 1,045

Average employees: 763

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### FINANCIAL CALENDAR

April 19	Annual General Meeting
April 26	Interim report January – March 2012
July 19	Interim report January – June 2012
October 18	Interim report January – September 2012

# A global niche player

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Concentric is a global expert in fluid engineering. The company succeeds by offering great value to end-users and OEMs. Our competitive edge comes from doing things better.

We aim to cut the running costs for end users and to pass on benefits from high quality and prompt supply to our customers.

The investment case for Concentric comes from the spread of Concentric's business, its enthusiasm to grow where the world market is growing, and from its relentless pursuit of excellence.

We specialise in things we are good at - producing diesel engine pumps and niche hydraulic systems.

## **Concentric grows by responding to the ever changing market, recognising the force of the environmental imperative and the strength of emerging markets**

Comprehensive environmental legislation is forcing manufacturers to adapt and improve their products. At the same time end-users are wanting more fuel efficiency.

The emerging market countries are sustaining fast growth rates. Now they are much larger as a share of the world economy, their growth is becoming ever more central to our wish to grow shareholder assets and earnings. Concentric has a well established sales and manufacturing presence in both India and China.

## **Concentric grows its business both geographically and in end-markets, which protects shareholders from the different cycles within those end-markets and geographies**

Concentric serves four main end-markets – trucks, industrial applications, construction equipment and agricultural machinery. We serve more than 700 OEMs and Tier 1 suppliers with hydraulic products. We sell diesel engine pumps in all the main markets of the world, and to many of the major engine manufacturers.

We see a wide spread of business as essential, to make sure we are where the growth is, and to provide us with stability against regional market fluctuations.

## **Concentric strives for excellence in the technology it offers and the service it provides**

Our company likes to work with OEMs from the early stage of new platform design. We can offer ground-breaking technology to help our customers achieve high standards of fuel efficiency and emissions. Concentric aim to invest in dedicated production cells that meet their demands and requirements for high standards. The company offers customers an exemplary service in terms of quality, cost and delivery.

## **Concentric aims to generate cash for future investment and for shareholder dividends**

Our financial stability means that our customers need not worry about our long-term commitment to their work. It means we have the ability to invest in new technology and extra capacity when needed.

Concentric manages cash professionally. Some of our workforce are retained on flexible contracts in case orders decline in some areas. Working capital costs are kept down by close control of trading relationships and supply chain/inventory management. We have clear investment policies that support growth by both increasing both capacity and productivity.

## **Concentric pursues Business Excellence**

The Concentric Business Excellence Programme is the foundation for continuous improvement in all processes. This ensures that the business is focused on the needs of our customers, employees and other stakeholders.

## **Shareholder reward**

By serving our customers well we aim to make money for shareholders. Our policy promises a strong dividend ratio. We aim to ensure that dividends pay out one third of the Group's net earnings over a business cycle.

# 25%

Organic sales growth  
(in constant currencies)

Target over the business cycle: 7%

# 13.4%

Operating margin  
(adjusted for one-off demerger costs)

Target over the business cycle: 11%

# 12%

Net indebtedness  
(Debt/equity)

Target over the business cycle: <100%

# 1/2

in dividends of 2011 net earnings

Target over the business cycle: 1/3 of net earnings





# The year in brief

## Second quarter

- Concentric re-emerges as independently listed company

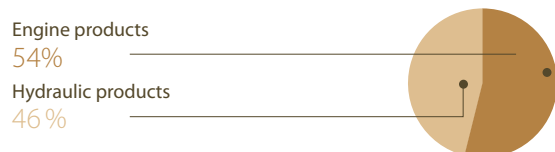
## Third quarter

- Concentric concentrates hydraulics operations in Rockford, ILL.
- David Woolley appointed President and CEO of Concentric
- Concentric's latest FERRA hydraulic gear pump launched
- Wim Goossens announced as new Senior Vice President at Concentric AB

## Fourth quarter

- Concentric AB's innovative pump technology won four significant development contracts with major European truck manufacturers and tier one system suppliers for next generation, Euro 6 engines
- JCB chooses Concentric's high power density hydraulic pump for new TMI80 articulated wheeled loading shovel - exceptional flow rate and power density enables JCB to use a smaller pump
- Concentric AB launched the Concentric Business Excellence programme to provide a systematic approach to helping all the companies within the group to improve every aspect of their performance
- Break through order for new variable flow oil pump. First order from a global truck manufacturer

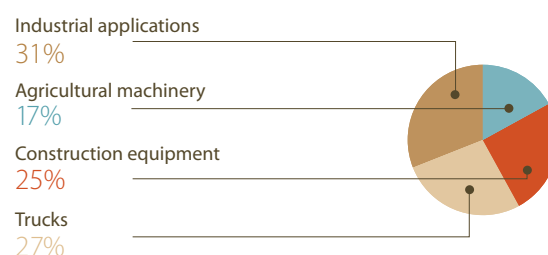
## Net sales per product line, % of 2,283 MSEK



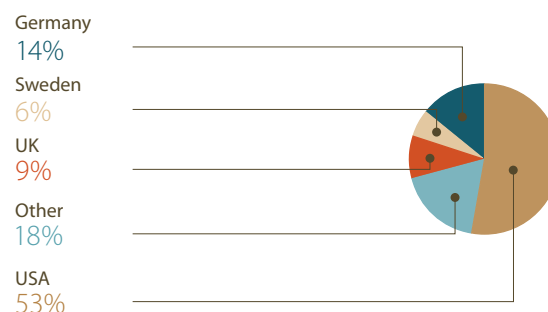
## Announcements after year-end

- One of the world's largest producer of heavy trucks chooses Alfdex
- Investment in automated facility in Concentric's Birmingham plant
- The Board of Directors intend to propose to the shareholders at the Annual General Meeting a dividend of SEK 2.00 per share for the 2011 fiscal year, corresponding to around 50% of earnings per share.

## Net sales by end market, % of 2,283 MSEK



## Net sales by customer location, % of 2,283 MSEK



## Key figures<sup>1</sup>, amounts in MSEK unless otherwise specified

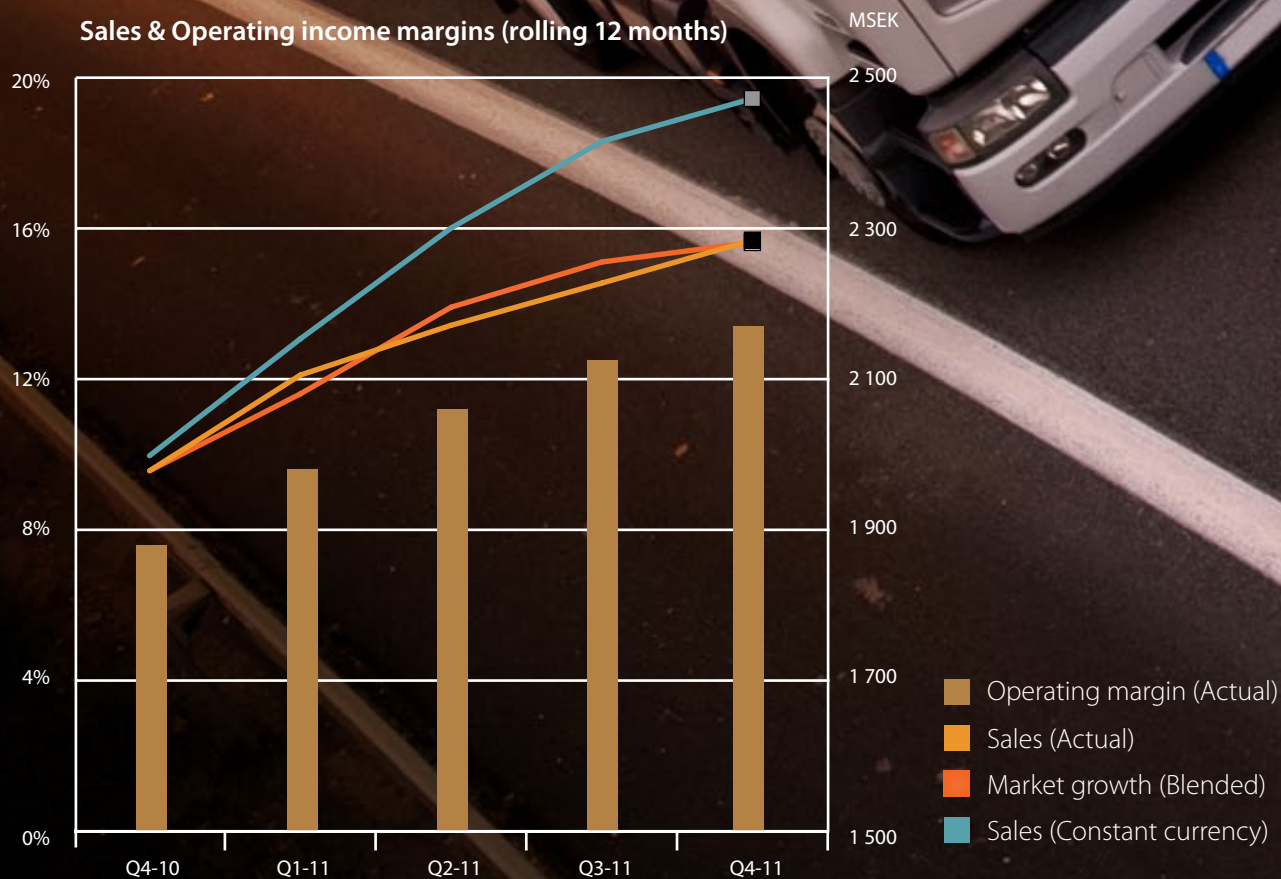
	2011	2010	2009
Net sales	2,283	1,977	1,406
Sales growth, like for like, %	25	53	-45
Operating income before items affecting comparability	305	151	-79
Operating margin before items affecting comparability, %	13.4	7.6	-5.6
Operating income	281	109	-116
Earnings after tax	176	35	-134
Cash flow from operating activities	227	204	92
Earnings per share, SEK <sup>2</sup>	3.98	0.79	-3.03
Net debt	114	312	510
Gearing (Debt/equity) ratio, %	12	45	97
Capital Employed	1,232	1,267	1,431
Return on capital employed, before items affecting comparability, %	25.0	12.1	-4.4

<sup>1</sup> All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "basis for preparation" in note 2, accounting principles, in the notes for the group.

<sup>2</sup> Assumes current number of shares in the company as average throughout the three year period.



Sales & Operating income margins (rolling 12 months)



# Letter from the CEO

2011 was a good year for Concentric. Our sales rose by 25% (in constant currencies). Operating income doubled. Our cash flow generation was strong, leaving us with a very solid balance sheet. The proposed dividend to shareholders is 2 SEK per share.

I am proud to take over the leadership of Concentric. The team has worked hard this year to produce outstanding results in the company's first year of being independently listed on the NASDAQ OMX. Cash generation has been strong, and operating margins have almost doubled. We have sold more products. Most importantly, the Group has secured its first order for our ground-breaking variable flow oil pumps. We have also secured an important contract for the Alfdex crank case cleaning technology that the Group has pioneered through a joint venture company.

In 2008-9 our business was affected by the financial crisis. By taking tough management action we were able to continue to generate cash, despite falling order levels. 2010 brought some recovery. 2011 has shown more fruits from our continuous work to raise quality, sell new technology solutions and win business in new markets outside Europe and the USA.

In 2011, sales advanced in all areas of the world. Underlying market growth was strongest in the emerging market economies. Further, the sales growth was assisted by catching up on order backlogs as supplier pressures eased. New emission requirements for off-highway vehicles from January 2012 also led to advance buying in 2011.

In total, we grew by 25% (in constant currencies), faster than our market.

We achieved an operating margin of 12.3%, which is above the company's long-term target of 11% over a business cycle. Tight control of costs and good management of quality allowed us to translate our strong sales growth into higher profits.

One of the core elements of our business model is the close control of trading relationships and effective management of our working capital. We also have a good track record of matching capital investment to customer demand and maximising capacity and productivity. Both of these have contributed to us converting the higher profits into cash.

We have used some of the cash generated this year to reduce debt. By year-end, our net debt was just 12% of equity. Our strong balance sheet will enable us to invest more in the future of the business whilst still distributing around half of this year's net profits as dividends.

**Concentric is a growing company. We aim for future growth from innovation, new technology and the pursuit of excellence. We help others contribute to a more sustainable world, by driving greater fuel efficiency. We follow lean production systems which means we run sustainable manufacturing facilities working to high standards of cleanliness and precision.**

## Innovation + Technology = Sustainability

We put client needs first. Our engineers work with customers to ensure the right solution for their engine or machine. We offer technology, engineering support, testing and service. We know the product needs to be cost effective, it needs to be reliable, and it needs to be delivered on time.

I have been particularly keen to develop our Business Excellence Programme. I see it as critical to our future. It is the customer's guarantee of receiving great products, and the shareholder's reassurance for future returns. We build continuous process improvement into our whole approach. We strive for lower fuel bills, to hit the most exacting emission standards, to get things right first time, to avoid waste, and to provide a good working environment. Above all, we recognize that the people in our business are crucial to producing a good product.

Our aim is to grow by testing and selling better technologies and by moving into faster growing markets as they emerge.

## Concentric is well prepared for 2012


In 2012, our patented variable flow pump technology will start to have a favourable impact on our results. The first client orders and a range of development contracts in Europe and the USA will be a feature of 2012, as the world demands greater fuel efficiency and further emission reductions. Our Alfdex product also moves into the next phase, with an important five-year contract from one of the world's largest producers of heavy trucks.

For 2012, we see continuing growth in China, India and the USA, with Europe likely to experience more difficult conditions. However, we firmly believe that our geographical spread and four distinct end-market segments, together with the flexibility we have in our operations through our Business Excellence program, make Concentric very well positioned to tackle any challenges in 2012.

Given our strong financial position, we are able to explore potential acquisitions to widen our geographical reach further into a country like Brazil or to strengthen our product offering. The criterion for this on-going project is an acquisition that will make a significant strategic contribution to the business.

Long-term, we continue to see great growth opportunities by providing value to our customers through our leading technology addressing the key drivers in our market niches, such as the forthcoming changes in emissions legislation and increased focus on reducing fuel consumption.



A professional headshot of David Woolley, a middle-aged man with short brown hair, smiling warmly. He is wearing a dark suit jacket, a white dress shirt, and a patterned tie. The background is a plain, light color.

"I am excited by the prospects for the Group. I would like to take this opportunity to say a big "Thank you" to my team, who have worked hard to sell more and to raise the quality of our output, dedicated to the pursuit of business excellence."

Alvechurch, 28 March 2012  
David Woolley  
*CEO and President*

# The business and its objectives

Concentric's business concept is to be a global leader in engine and hydraulic products, while providing solutions in application areas in which Concentric can add value to the customer's products.

## Driving forces

### Environment and legislation

#### *Increased energy efficiency*

Increasing fuel costs strengthens the need for technology to improve fuel efficiency in machines and engines.

#### *Regulations*

The demand to reduce emissions continues to be a strong environmental driving force. Far-reaching regulations being enacted at regional and national levels aimed at reducing emissions from transport and machinery are forcing manufacturers to adapt their products.

### Global infrastructure growth

Continued economic growth in emerging economies, particularly those known as the BRIC countries, entails increased demand for Concentric's products in all major end-markets.

## Concentric's solutions

### Engine products

Concentric is a Tier 1 supplier to engine manufacturers and major OEMs. We offer lubricant, coolant and fuel pumps for diesel engines. Alfdex manufactures oil separators under a joint venture with Alfa Laval. Our products have been developed to improve fuel efficiency and/or reduce emissions.

### Hydraulic products

Concentric offers a wide range of hydraulic products, including gear and gerotor pumps, along with hydraulic power packs and hydraulic hybrid systems for installation in a vast array of industrial vehicles and diesel engines. Our products are focused on improving the efficiency of hydraulic systems and reducing emissions, such as noise.

## Vision

Concentric's vision is to remain the global sector leader in innovative energy-conserving technology by maintaining global manufacturing situated close to customers.

## Objectives

Operationally, Concentric aims to maintain its position as a leading player in both engine and hydraulic products and to leverage its success by building on the market growth driven by global infrastructure build-out and increasingly stringent emissions requirements.

## Financial targets

*Organic sales growth* of 7 percent annually

*An operating margin* of 11 percent over a business cycle

*Net indebtedness* that is less than 1

## Dividend policy

In the long term, the company's policy is that the annual dividend should correspond to about one third of the Group's net earnings for the fiscal year, provided that the size of the dividend can be accommodated within the parameters of Concentric's strategy and financial position, as well as other financial objectives and risks that are deemed relevant by the Board.

## End-markets



**Industrial applications**



**Trucks and Engines**



**Agricultural machinery**



**Construction equipment**

## Major customers

### **Industrial Applications:**

Crown, Jungheinrich, Kion, NACCO, Perkins,  
Toyota (BT, Raymond)

### **Trucks and Engines:**

Cummins, Daimler, FPT Industrial, Navistar, Volvo

### **Agricultural machinery:**

Agco, CNH, Class, John Deere, Deutz, Valtra

### **Construction equipment:**

Caterpillar, CNH, John Deere, JCB, Komatsu,  
Vögele, Volvo



# Strategy

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Concentric aims to maintain its leading position in engine and hydraulic products through capitalizing on the strong market growth, driven by the increased focus on energy efficiency, more stringent emissions legislation and global investments in infrastructure.

## **Leverage our leading market positions in premium niches**

The combination of product innovation and increased penetration in emerging markets will enable Concentric to achieve organic sales growth that exceeds the underlying market.

### *Continuous product development*

The company's innovative products and strong market position in developed markets will be the foundation for increased sales of new niche applications.

Development will be focused on improving performance throughout our range of pumps to generate energy savings and help our customers to comply with the new emissions standards imposed by authorities.

Concentric also aims to spearhead the development of the new generation of electronically controlled pumps by developing software and monitoring and control systems. The company will seek to patent proprietary developed Innovations and continuously expand its active patent portfolio.

### *Grow in emerging markets*

The company will continue to launch its existing products in emerging economies, such as the BRIC nations. The new regulations gradually being introduced in Europe and North America will eventually be adopted in other regions, enabling us to further penetrate these markets.

### *Explore 'bolt-on' acquisitions*

Concentric's strategy includes identifying potential acquisitions to widen our geographical reach further into a country like Brazil or to strengthen our product offering by supplementing our existing portfolios in both engine and hydraulic products.

## **Take advantage of our broad geographic spread and diverse end-markets**

Concentric serves a variety of customers in many end-markets and geographies. Such a level of diversity is designed to protect the company's overall sales even if specific regions are beset by

downturns, since the end-markets have varied growth profiles. Exposure to emerging market economies will limit the impact of a potential European downturn. This also means that opportunities for Concentric's new technologies exist in a large number of potential applications.

## **Stay close to customers through our local manufacturing footprint with global reach**

Concentric is already a global company with the local capability to design, assemble and test right next to our customers, backed by efficient sourcing from low-cost countries. This enables us to maintain close working relationships with our customers whilst minimising our working capital. Our global presence also represents an ideal foundation for increasing sales to emerging economies as the demand for Concentric's sophisticated products rises in these countries.

## **Thrive through business excellence and a flexible cost base**

### *Accountability*

Every plant in Concentric runs its own profit and loss account, ensuring that everyone throughout the organization assumes responsibility for their profitability and the continuous improvement of their operations. The Group's pursuit of business excellence will ensure that we maintain strong profitability and cash flow through efficient use of capital.

### *Optimal cost structure*

Concentric will continue to pursue a sourcing strategy based on buying the best parts from the best suppliers at the best price, in order to achieve a competitive cost structure.

We will maintain flexibility in our operations by retaining a certain percentage of our labour force under fixed-termed contracts and adapting overtime work.





Varivent



Fuel Pump



Alfdex



Variable Flow Water Pump



Water Pump



Variable Flow Oil Pump



Oil Pump



Transmission Charge



Hood Tilt



Axel Cooling



Fan Drive



Grounddrive



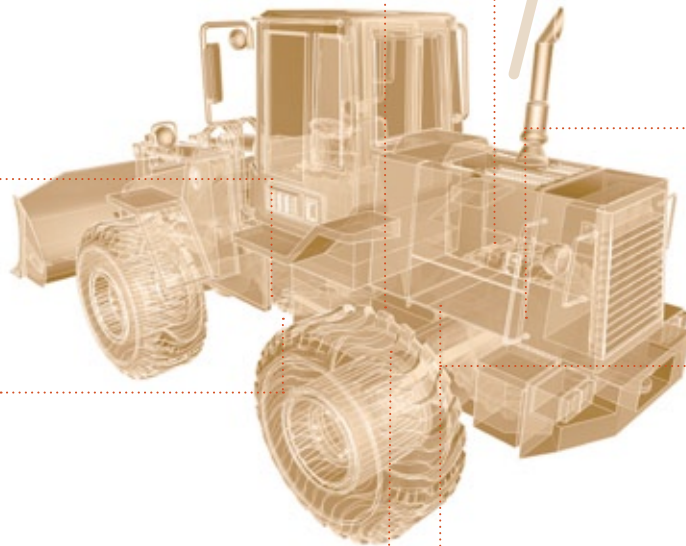
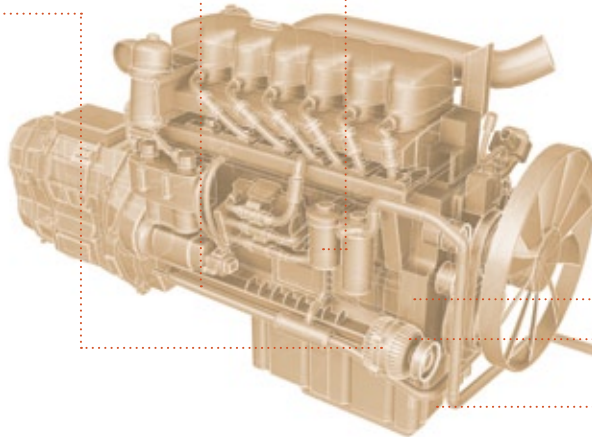
Fan Pump



Supplemental Steering



Fan Brake Change Pump



APPLICATIONS OF CONCENTRIC'S PRODUCTS

# Full control throughout the value chain

Concentric's business is based on delivering solutions and not just individual components. The value chain includes identifying customers' requirements and then developing products which match against their needs, production, marketing, distribution and aftermarket service. We are building enduring relationships with our customers in order to ensure that we remain supplier of choice for the long term.

## Customer requirements

The core products are developed in partnership with customers so as to deliver solutions adapted to their specific flow and pressure requirements.

## Research and development

Concentric pursues global research and development, focusing on the engine and hydraulics product areas. The applications technology is divided regionally to ensure proximity to customers, thus enabling Concentric to develop customized solutions in partnership with customers. Rather than just developing products to customer specification, Concentric focuses on advancing the technology and finding groundbreaking solutions that will provide significant benefit in serial production.

Concentric has two principal development centres, one each for engine products (in the UK) and hydraulic products (in the USA). In addition, there are local engineering resources that give close customer support and application expertise. Each facility has the capacity to conduct performance, sustainability and environmental testing, supported by software modelling and diagnostic tools. With its 50 years of experience, Concentric has a wide empirical database that is combined with state-of-the-art software modelling technology to offer excellent forecasting capability to minimize risk and smooth the customer's way in introducing new products.

## Purchasing

Purchasing is devolved to the regional level and is coordinated globally via a purchasing director. This strategy gives each plant the alternative of either sourcing locally, where this is advantageous, or benefitting from the group's buying power. Overall purchasing from low-cost countries will continue to account for more than 50 percent of expenditure. Concentric demands ISO/TS16949 and ISO 14001 certification from all of its suppliers.

## Production

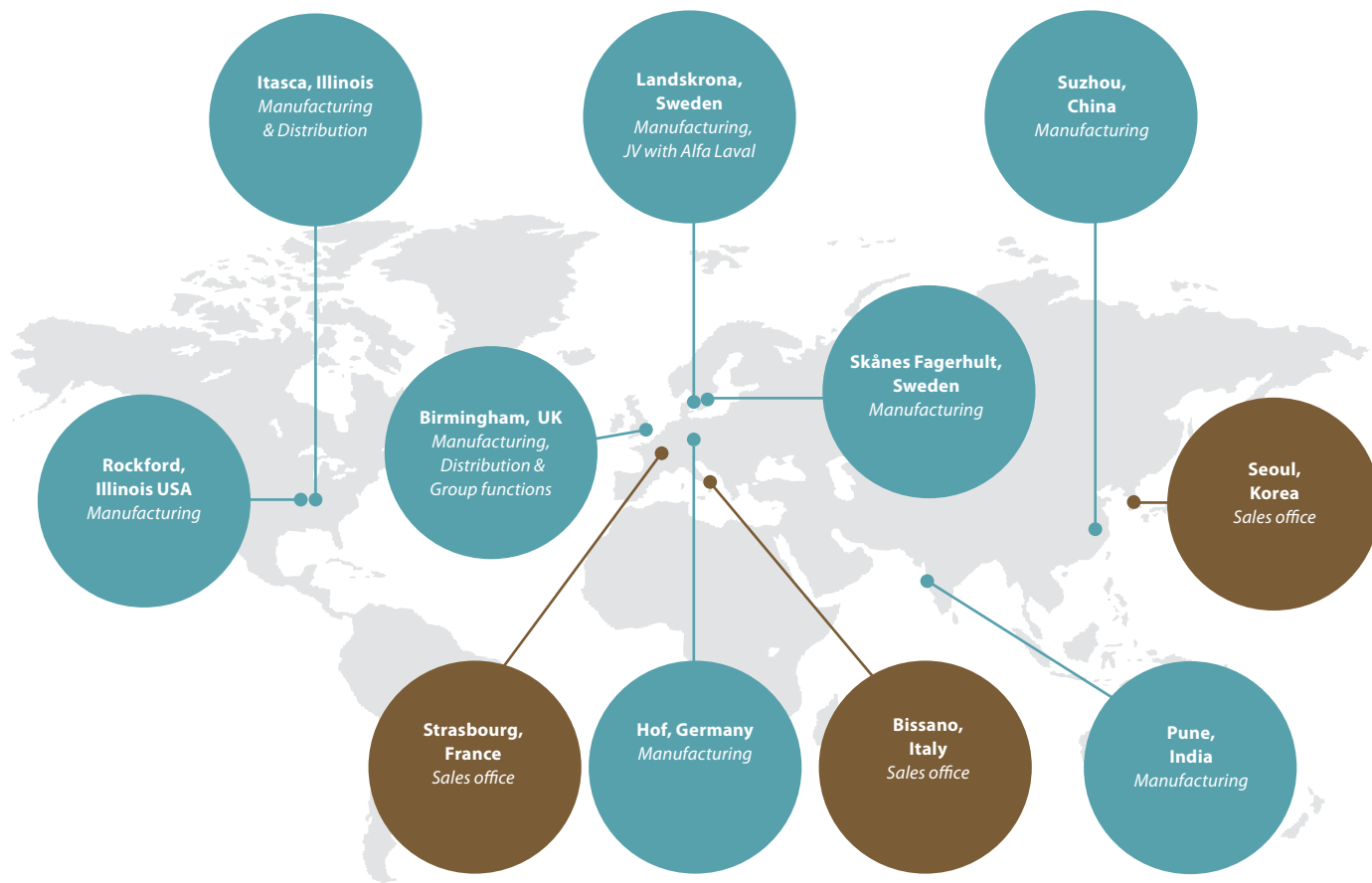
Concentric's operations are divided by region, with profit centres at both regional and plant level. All production plants are certified to ISO/TS16949 and ISO 14001.

The Concentric Business Excellence programme is based on the internationally renowned Baldrige/EFQM model. It delivers continuous improvement in all core activities focussing on lean manufacturing techniques to promote world class levels of productivity, with "no fault forward" automation and control. Personnel at all levels participate in development activities and are encouraged to enhance their competencies through relevant training.

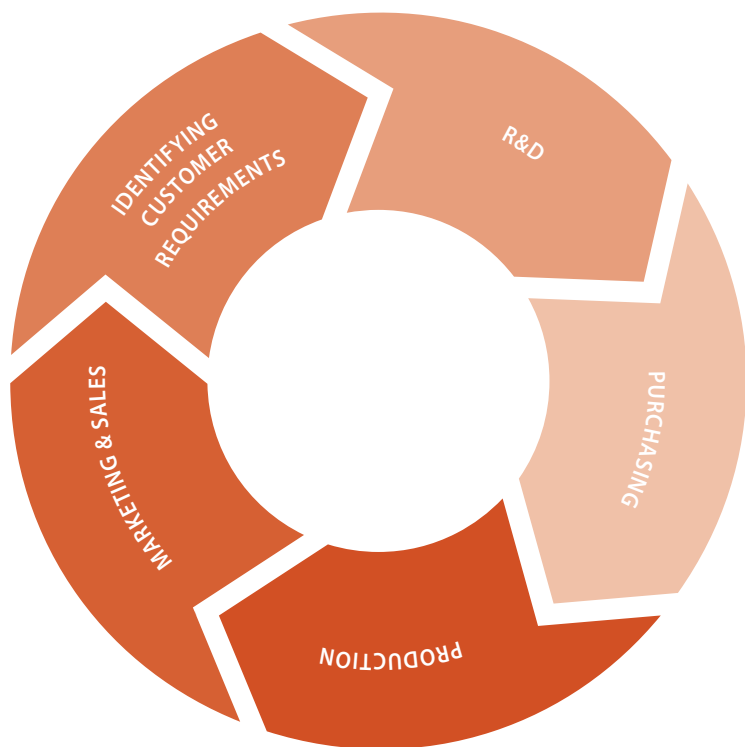
## Marketing and sales

The sales organization is divided by region, separated for the engine and hydraulics markets. In general, account management is based in the plant that delivers to the specific customer. Global accounts are managed in accordance with matrix structures, and are coordinated by one of four sales managers who manage their specific accounts globally.

"With its 50 years of experience, Concentric has a wide empirical database that is combined with state-of-the-art software modelling technology, to offer excellent forecasting capability to minimize risk and smooth the customer's way in introducing new products."



CONCENTRIC

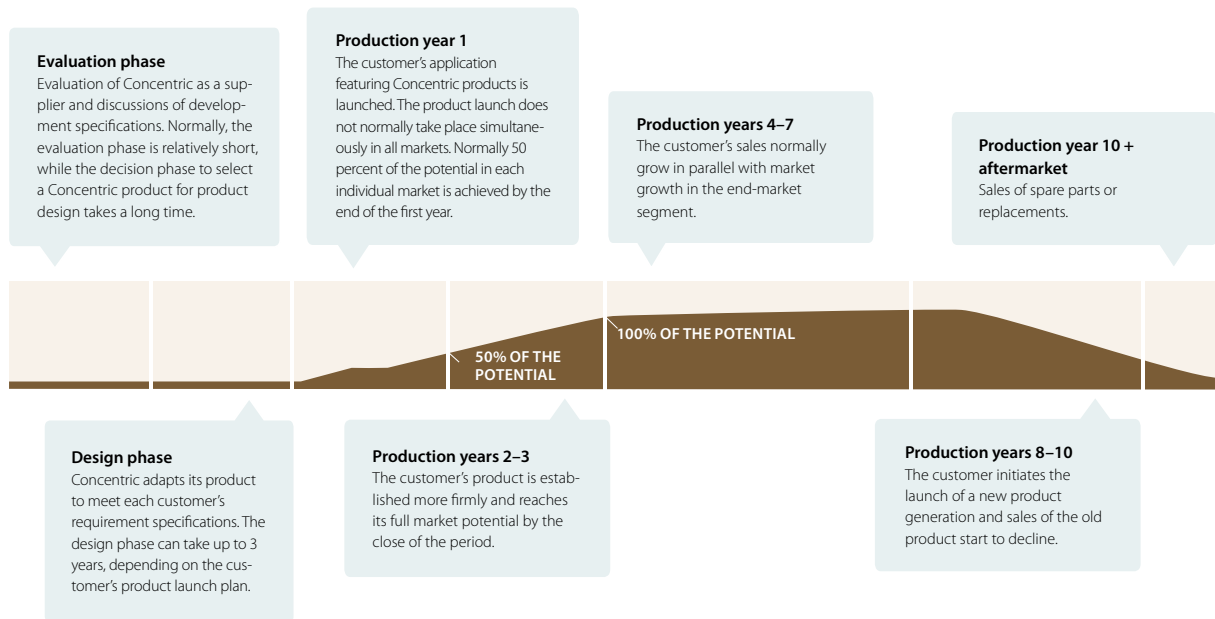


### Concentric's value chain

comprises product development, driven by specific customer requirements, production, marketing and sales, as well as after-market service. All phases are conducted within the company.

# Concentric business model

Concentric prefers to participate from the early stages of its customers' development work on products and systems. We contribute to meeting their expectations by offering good technical solutions. We manufacture against orders and can offer short delivery times.



## Repetitive sales cycle

In terms of volume, the sales cycle for certain products is shortened due to the increased focus on fuel economy and as more stringent legislation governing emissions is introduced in the national markets. Reference is also made to regional legislation on page 18.

## Marketing focused on customer value

Marketing activities are conducted through several different channels. The primary channel is through regionally coordinated sales and application engineers. This is supported by the company's website, which is presented in three languages, advertising and brochure material, partnership programmes, participation in exhibitions and fairs in major international industrial sectors as well as technical documentation, training and support. These information channels are important for the customers' development engineers.

## Sales organization is divided regionally

The sales organization is based on regional divisions and products are divided between the markets for engine and hydraulic products. Customer account personnel are generally based at the plant that delivers to each specific customer. Global customer accounts are managed in matrix structures by one of four sales directors who handle the accounts globally.

The company also sells its products via distributors to smaller OEMs and aftermarkets.

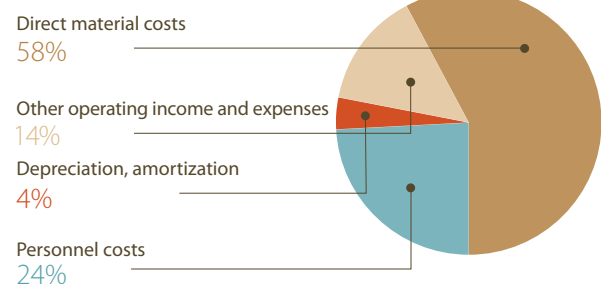
## Engine pumps – mainly to OEMs

Most sales of engine pumps are made directly to OEMs or engine manufacturers of trucks, construction equipment, agricultural machinery and industrial applications such as mining equipment.

## Hydraulic products – more diversified

Although sales of hydraulic products are more diversified with a variety of sales channels, most sales are channeled directly to OEMs, who account for 70 percent of sales in North and South America and 90 percent of sales in Europe & RoW.

## Cost structure, MSEK breakdown of 2,002 MSEK





# Driving forces

The market is being driven by increased energy efficiency, environmental regulations and global infrastructure growth. In addition to the macro-economic situation, there is a significant impact from certain factors that Concentric counters by pursuing various contingency strategies.

## Environment and legislation

### *Increased energy efficiency*

In society at large, there is a strong movement towards more efficient use of energy resources. Due to higher fuel costs, Concentric's OEM customers are being spurred to develop more fuel-efficient machines and engines, while reducing the product's operating costs for the benefit of the next level of the customer chain. Increased fuel prices also function as an incentive for end-customers to invest in new and more fuel-efficient machinery when their current machines become less profitable.

### *Regulations*

The trend towards increased energy efficiency is also closely linked to the need to reduce society's impact on the environment and, particularly, to reduce emissions of CO<sub>2</sub> (carbon dioxide) and other gases. Drivers of these changes are both market-based price mechanisms, such as permits for carbon dioxide emissions, and significant regulations at regional and national level aimed at reducing emissions from transport and machinery. The progress of such legislation has differed in the various regions, but it can be said generally that somewhat greater progress has been made in North America and Europe, in the form of more restrictive emissions legislation, than in emerging economies, such as the BRIC countries.

### *Business is driven by international standards*

Diesel engines for American and European trucks represent one example of this trend. The Euro 6 standards, that is the emissions standards introduced in July 2009 by the EU, through ordinance

595/2009, entail great potential to increase the market for Concentric's products. The new standards are comparable to the US 2010 standards that will gradually become effective as of 2013 and will apply to all new truck legislation as of 2014.

To be able to satisfy the new standards, both existing customers and, significantly, four new European and North American engine manufacturers have entered into development agreements with a view to developing new intelligent variable flow pumps, both oil pumps and water pumps, that are scheduled for launch in late 2012. These important new products will help the engines to satisfy the new emission limits, since fuel consumption is reduced by 1–5% per pump installation.

For diesel engine applications that are not intended for use in road transportation, both the US and the EU introduced in May 2004 the new Tier 4 standards, which are being enforced gradually during 2008–2015. According to these standards, emissions of NO<sub>x</sub> (nitrogen oxides) and particles have to be reduced by approximately 90%. Concentric is currently launching many new pumps that support its customers' Tier 4 efforts.

### *Improved work environment*

The impact of noise, from the viewpoint of both the machine operator and those exposed to noise at worksites, is also attracting increasing attention. In this area, for example, Concentric markets forklift applications in which its development of optimized gear profiles has led to a new hydraulic pump that generates little noise. This has also resulted in a significant increase in sales and market share.

The trend towards increased energy efficiency is also closely linked to the need to reduce society's impact on the environment, particularly by reducing emissions of CO<sub>2</sub> (carbon dioxide) and other gases. The changes are being driven both by market-based price mechanisms, such as permits for carbon dioxide emissions, and by widespread regulation at regional and national level in order to reduce emissions from transport and machinery. The diagrams show the progress made by such legislation in the various regions. Generally speaking, the greatest progress has been made in North America and Europe, in the form of more stringent emissions legislation, compared with the emerging economies, such as the BRIC countries.

SEE GRAPH



“However large the engine, wherever it is made and wherever it is used, on or off highway, there will be tougher emissions standards and increased focus on reducing fuel consumption. This offers opportunities for Concentric’s technology.”

## Regulation in the U.S, EU and Asia (source: ACEA)

### U.S. EPA OFF-HIGHWAY STANDARDS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
175+hp	Tier3					Tier4				
75-175	Tier2	Tier2-3	Tier3				Tier4			
<75 hp	Tier2		Tier4							

### U.S. EPA ON-HIGHWAY STANDARDS

	2004-2006	2007-2009	2010
>33,000 lb. GVWR	US'04	US'07	US'10
19,500 to 33,000 lb. GVWR			
8500 to <19,500 lb. GVWR*			
Light Duty	Tier 2 (phase-in 2004-2009)		

### EUROPEAN UNION (EU) OFF-Road STANDARDS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
130-560 KW	Stage3a				Stage3b			Stage4		
56-130 KW	Stage2	Stage2/3a	Stage3a				Stage3b	Stage4 (October 2014)		
18-56 KW	Stage2	Stage2/3a	Stage3a	Stage3b						

### EUROPEAN UNION (EU) ON-HIGHWAY STANDARDS

	2000-2004	2005-2007	2008-2009	2014-2015
Light-Duty Vehicles	Euro3	Euro4	Euro5	Euro6
Heavy-Duty Vehicles	Euro3	Euro4	Euro5	Euro6

### JAPAN STANDARDS

	2003-2004	2005-2008	2009-2010
Light-Duty Vehicles	Japan 2003	Japan 2005	Japan 2009
Heavy-Duty Vehicles	Japan 2003	Japan 2005	Japan 2009 (2010 over 12 tons)

### BRAZIL STANDARDS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Light-Duty Vehicles	Euro3				Euro4				Euro5		
Heavy-Duty Vehicles	Euro3	Euro4						Euro5			

### CHINA STANDARDS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Light-Duty Vehicles Major Cities	Euro3	Euro4				Euro5					
Nationwide	Euro2	Euro3			Euro4		Euro5				
Heavy-Duty Vehicles	Euro2			Euro3		Euro4		Euro5			

### INDIA STANDARDS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Light-Duty Vehicles Major Cities	Euro3					Euro4					
Nationwide	Euro2					Euro3					
Heavy-Duty Vehicles	Euro2					Euro3					

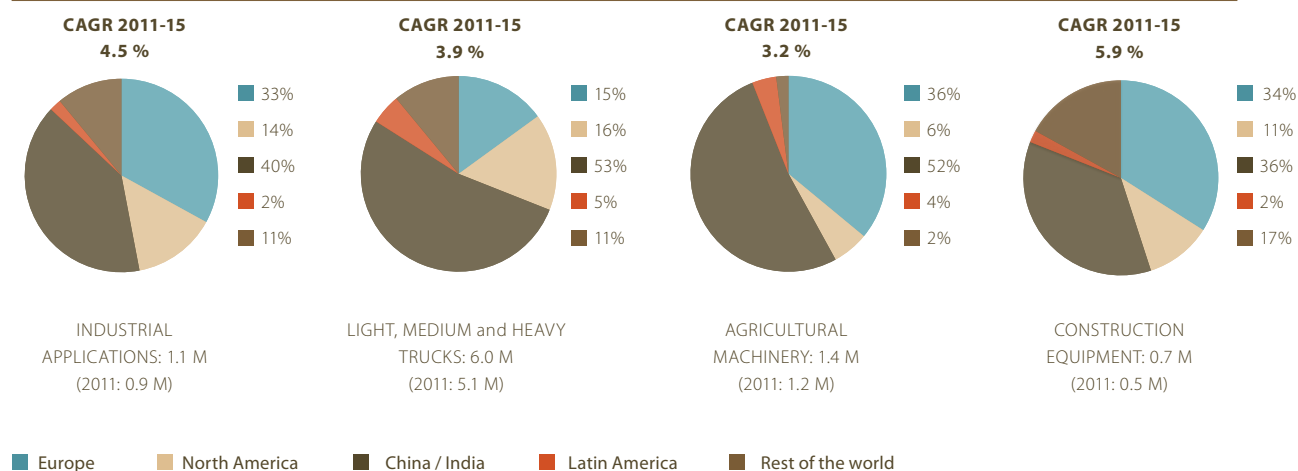
### KOREA STANDARDS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Light-Duty Vehicles	Euro3	Euro4									
Heavy-Duty Vehicles	Euro3		Euro4								

### RUSSIA STANDARDS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Light-Duty Vehicles	Euro2		Euro3			Euro4					
Heavy-Duty Vehicles				Euro3		Euro4					

## Forecast market volume 2015 of diesel engines (0.8 - 2.75 ltr/cylinder)



Source: Power Systems Research

“The continued economic growth of developing countries, in particular the so-called BRIC countries, is increasing demand for Concentric products in all major end-markets.”

### Global infrastructure growth

The continued economic growth in emerging markets, particularly the BRIC countries, is entailing increased demand for Concentric products in all major end-user markets.

As a global supplier with a strong local presence and production in India and China, Concentric is well positioned to capitalize on the continued above-average economic growth expected in these economies.

In recent years, rapid economic growth in emerging markets has resulted in a significant rise in global infrastructure investment. As the new economies grow, global investment will shift from investments that typically occur in mature economies, meaning upgrades of capital stock, to investments that are more typical for emerging economies, such as in infrastructure and housing.

In December 2010, a report from McKinsey Global Institute showed that the global rate of investment in infrastructure increased from a low level of approximately 20.8% of GDP in 2002 to 23.7% in 2008. The increase resulted largely from the very forceful investments in China and India (consistently above 40% and 30%, respectively, in 2008 compared with 2004, according to Business Monitor International), while other emerging economies also contributed. Given the comparatively low levels

of physical capital stock that have been accumulated to date in these emerging economies and, assuming that the forecast GDP growth is realized, it is highly probable that the rapid rate of investment will continue.

### Macro-economic conditions creating uncertainty

The government debt problems facing a number of European countries and the USA are expected to have an inhibiting impact on global economic growth.

The company is well aware of the importance of macro-economic factors to the various markets and, by focusing on a number of key areas, it has a high level of preparedness to counter a decline in business conditions:

**Labour expenses**, by retaining a certain percentage of the labour force under fixed-termed contracts and the opportunity to adapt overtime work.

**Working capital**, by continuously monitoring income levels and focusing on cash flow.

**Investments**, by building an investment programme closely matched to firm orders from our customers.

**Product development**, by retaining core activities for long-term stability in business transactions.

# Concentric's market

Concentric has a strong position as a global player in high value-added pumps with high technology content and stable margins in contrast to many regional players operating in the more competitive segments of the standard volume pumps.

## A diversified market with several players

There are several major players in the global market for hydraulic pumps, such as Bosch Rexroth, Parker Hannifin, Eaton and Sauer Danfoss, all of which are active in high-volume areas of the market. There are also regional competitors in Japan, such as Shimadzu and Kayaba, and other regions, such as HVE in Europe and HPI in the US. The market is highly diversified.

## Concentric hydraulic products occupy strong positions in niche areas

Concentric usually only competes with these companies in certain niche areas where the technology included in the products is generally more advanced, or where Concentric is able to differentiate its products by offering customers specific solutions. Concentric also has a large market share in specific niche areas such as hydraulic fan drive systems, complementary control pumps and other special applications in which customers attach value to low noise, compact size and low weight.

## Only global player in market for diesel engine pumps

The market for diesel engine pumps is easier to define and comprises only a few major suppliers in each region. Concentric is the only global company and it competes with a number of regionally focused companies. Many of these competitors manufacture a large selection of diesel engine products for applications in passenger cars or are trend followers rather than trend setters and technological innovators. Viewed globally, Concentric is the only company that concentrates its develop-

ment work on cutting-edge pump technology for the robust environment represented by commercial diesel engines in the 0.8–2 litre per cylinder segment for construction equipment, farm tractors and medium-heavy to heavy trucks.

## Segment reporting

The Group has divided its operations into two reporting segments, the Americas and Europe & RoW, considering that it is at this level that the Group's earnings are monitored and strategic decisions are made.

The Americas segment comprises the Group's operations in the USA. The Europe & RoW segment comprises the Group's operations in Europe, India and China.

For further information about the development in figures in the segments, please go to note 4 on page 47.

## Concentric end-markets

Apart from the reported regional information, Concentric also defines its markets in four end-markets: Industrial applications, Trucks, Agricultural machinery and Construction equipment.

### The end-market changes in production volumes, 2010 to 2011

	North America	Europe
Industrial applications	29%	29%
Trucks	11%	11%
Agricultural machinery	3%	5%
Construction equipment	15%	25%





## Sales by end-markets



### Industrial applications

Industrial applications encompass a wide variety of uses, from forklifts used in the retail trade to heavy machines used in the mining industry. They also include applications for energy production, compressors, cranes, refrigeration and street-cleaning vehicles as well as military and airport vehicles. Virtually all of these machines and vehicles are fitted with standardized driveline and engine pumps as well as hydraulic equipment resembling what is used in the machines in other end-user markets.

Since the industrial sector comprises a wide variety of applications, there is no single forecast for this market. Market forecasts show that sales of hydraulic products fitted in, for example, forklift and lifting equipment, can be expected to increase by 10% and 8%, respectively, in Europe and North America.

The market for mining-industry applications is also growing rapidly at present, driven by high commodity prices, while growth in the retail sector is relatively sluggish due to the slow economic recovery in Europe.

The company estimates that these product segments will grow by an average of 4–5% in the markets where Concentric is active.

#### Increased production in 2011

The 2011 full year growth in diesel engines for the North American industrial applications market was up by 8% compared with the full year 2010.

From a hydraulics products perspective, the North American lift truck market increased by 21% compared with the full year 2010.

In Europe, production of diesel engines for the industrial applications market increased by 10% compared with the full year 2010.

From a hydraulics products perspective, the European lift truck market increased by 43% compared with the full year 2010.



### Trucks

Concentric sells its solutions to OEM customers and diesel engine manufacturers in the truck segment. The solutions pertain to flow generation for fuel, oil and coolants, and for the separation of oil drops from crankcase gases using the Alfdex system. Concentric's products are generally used in medium-heavy trucks, exceeding 7.5 tons, and heavy trucks, exceeding 16 tons.

The North American and European markets are expected to grow by an annual average of 5% and 8%, respectively, during 2011–2015, primarily as a result of prevailing and future emissions legislation, US 2010 and Euro 6.

The growth rate in emerging economies is currently being driven by large-scale infrastructure projects and new construction. Eventually, however, legislation will become an increasingly important factor in these regions, when heavier trucks with larger engines constitute a more sizeable market for more advanced pump products.

#### Increased production in 2011

In North America, the combined production of diesel engines for light, medium and heavy trucks rose by 29% compared with the full year 2010.

In Europe, production of diesel engines for medium and heavy trucks rose by 29% compared with the full year 2010.





## Agricultural machinery

Concentric provides its solutions to OEMs of agricultural equipment. The main solutions are engine pumps, hydraulic fan drives and ancillary hydraulic pumps for tractors, combines and other specialty equipment, such as harvesters and balers. Many agricultural machines use on-highway engines and truck engine derivatives, and there are many OEMs that operate both in the truck and agriculture machinery sectors.

The long-term trend for agricultural production is a function of demographics and rising living standards, largely in the developing economies. This will maintain upwards pressure on the productivity of farmland, and sustain demand for agricultural products. The market for agricultural machines is driven by investments made by farmers. Although food production is relatively stable, commodity food prices vary considerably so investments by farmers are less stable.

The growth rate for agriculture equipment markets is relatively stable across all regions. Market estimates indicate growth rates of some 1–3 percent in North America and Europe. Pressure on food supplies from rising incomes and changing tastes in Asia may produce stronger growth on the back of increasing food prices.

### Increased production in 2011

The production rate of diesel engines for the North American agricultural market was up by 3% compared with the full year 2010 to 3%.

The production rate of diesel engines in Europe increased by 5% compared with the full year 2010.



## Construction equipment

Concentric solutions are used in a wide range of construction machinery and vehicles. The main solutions are for engine pumps, hydraulic fan drives and ancillary hydraulic pumps. These are used on smaller equipment such as skid steer and backhoe loaders, and on heavier equipment such as wheel loaders, bulldozers and excavators at the heavier end. The engines used in this end-market are often similar to those used in trucks, and subject to a similar regulation and development cycle.

Current market estimates indicate double digit growth rates in the market for construction equipment in most regions, driven by emission regulations in North America and Europe and infrastructure investment in China, India and other developing economies.

To date, construction equipment manufactured in India and China for domestic consumption has tended to be simple machines with less complicated hydraulics than equivalent machines produced in the USA, Europe and Japan. As a result, sales of hydraulic products have been limited since there has been less use of secondary hydraulic circuits to drive ancillary functions. This situation is now changing as domestic markets grow and mature, and is particularly evident in China where domestic manufacturers are starting to export to surrounding Asian countries which demand higher-specification machinery. In both India and China, the company is well placed to use the existing facilities to launch hydraulic products as both markets start to develop.

### Increased production in 2011

The production rate of diesel engines for the North American construction market was up 11% compared with the full year 2010.

From a hydraulics products perspective, the North American construction market increased by 10% compared with the full year 2010.

In Europe, production of diesel engines for the construction market increased by 10% compared with the full year 2010.

From a hydraulics products perspective, the European construction market increased by 10% compared with the full year 2010.

# The products

– the fruits of Concentric’s collective expertise

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Hydraulic pumps and power packs are produced directly for machine and vehicle manufacturers. Engine pumps are produced directly for manufacturers of diesel engines that, in turn, supply the same machine manufacturers.

Concentric’s customer solutions are based on the company’s core technical skills and expertise in the pump sector. The pumps are designed to enable customer-specific solutions requiring a certain flow or pressure and/or that reduce power consumption or noise levels. This creates environmental benefits in the form of lower fuel consumption, noise levels and emissions.

The pumps are used by OEMs and Tier1 suppliers in many end-markets and adapted for use in many different applications. Traditional mechanical oil pumps and water pumps are developed to deliver variable flow, via hydraulic or electronic control, thus offering energy savings, more efficient engines, improved temperature stabilization, reduced emissions and greater noise reduction.

#### The main conventional products are:

- Fixed displacement gerotor and gear oil pumps
- Fixed displacement water pumps
- Fuel transfer pumps, mechanical and electric actuation options
- Hydraulic pumps and motors with low noise levels, low speed and high power density

#### New key products:

- Variable flow oil and water pumps, mechanical or electronic control
- Alfdex system for treatment of crankcase gases (Alfdex AB is a joint venture with Alfa Laval)

#### New developments:

- Hydraulic hybrid drive systems (offering 40-50 percent fuel savings, combined with potential for engine size reduction)
- Varivent EGR pumps that provide a greater displacement of re-circulated exhaust gas, thus further reducing emissions

Footnote: Several of the product examples are used in applications in more than one of Concentric’s end-markets.



Variable flow technology

3–5%

energy saving

Concentric’s variable flow oil pump (VFOP) has an energy-efficient design that provides variable-speed lubrication for the new generation of engines thus reducing fuel consumption by as much as 3 percent. Concentric’s variable flow water pump can further reduce fuel consumption by as much as another 2 percent.





## Trucks



OIL MIST SEPARATOR



VARIABLE FLOW OIL PUMP



VARIABLE FLOW WATER PUMP



## Industrial applications



DC PACK LIFT / LOWER



TRANSMISSION



LOW NOISE PUMP



## Agricultural machinery



SEEDER MOTOR



OIL PUMP



IMPLEMENT PUMPS



## Construction equipment



AXLE COOLING



FUEL TRANSFER PUMP



FAN DRIVE

### Production

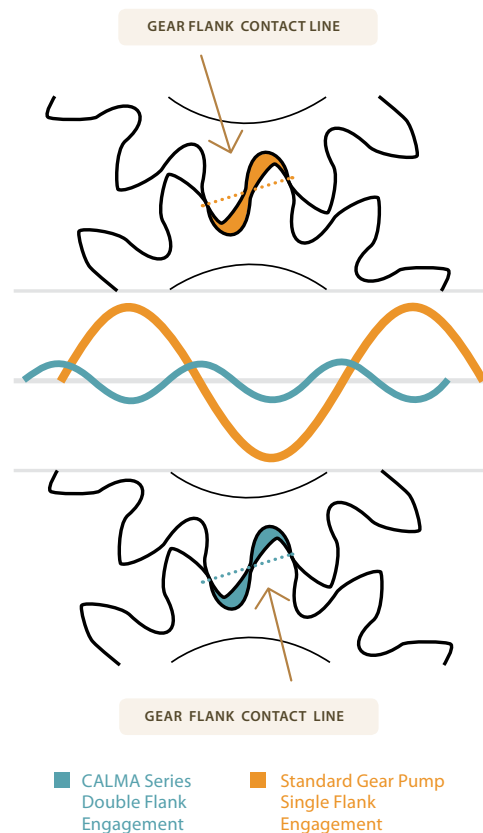
Concentric's business activities are divided by region, with full earnings and balance sheet responsibility at both regional and plant levels. Every plant has a local manager who assumes earnings responsibility for the entire range of plant operations.

Concentric differentiates between two production platforms, one for plants with higher volumes (Birmingham, Itasca, Hof, Pune, Rockford, Landskrona and Suzhou) and one for plants with lower volumes (Skånes Fagerhult, Rockford, Hof). The plants with higher volumes have a cellular structure that utilizes automatic or semi-automatic no-fault forward methods for the production of single items, or only a few varieties. The plants with lower volumes have a production channel structure based on a group method that supports sales of smaller production batches of similar products.

### Quality and environmental-control critical to profitability

All production plants are certified in accordance with ISO/TS16949 and ISO 14001. ISO/TS16949, a standard for quality control systems for suppliers to the automotive industry, was developed by the International Automotive Task Force (IATF) and the International Standardization Organization (ISO), while ISO 14001 is a standard for environmental control systems developed by ISO.

The company pursues continuous improvement and lean-manufacturing methods that are driven by the Baldrige/EFQM model (European Federation of Quality Management) and an internal improvement programme called the Concentric Business Excellence. Personnel at all levels take part in development activities and are encouraged to increase their skills and expertise through relevant training programs.



The Calma low-noise technology reduces noise levels sharply in such products as hydraulic pumps for the lifting systems of forklifts.

**Research and development in close cooperation with customers**

Concentric allocates about 4 percent of revenues for technical development and conducts research and development on a global basis, with a particular focus on the engines and hydraulics product areas. Application technology is divided regionally as part of efforts to work more closely with customers, thus enabling Concentric to develop customized solutions in cooperation with its customers. Technology in this area is also product-oriented.

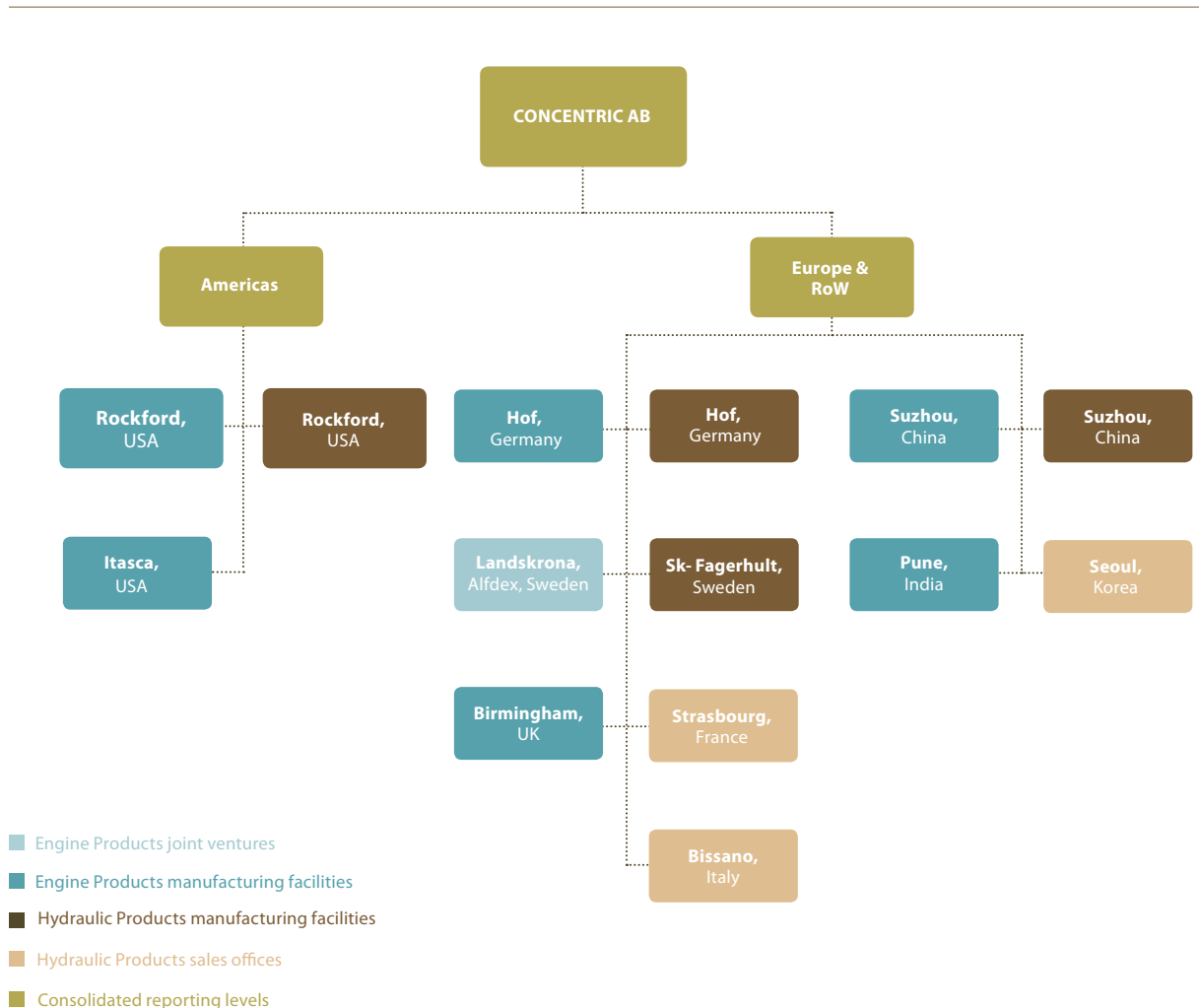
Concentric has two main development centres in the US and the UK which globally co-ordinate the development of engine and hydraulic products. Every unit is fully equipped with modern equipment for performance, sustainability and environmental tests supported by programme modelling and diagnostic tools. With its 50 years of experience, the company has a comprehensive empirical database that, combined with the latest modelling technology, enables Concentric to offer an advanced forecasting capability, which constitutes a firm foundation for customers introducing new technologies.

**Purchasing**

Purchasing is conducted at a regional level and coordinated globally via a purchasing director. This strategy gives each plant the alternative of either sourcing locally, where this is advantageous, or benefitting from the Group's buying power. Overall, procurement in low cost countries accounts for more than 50 percent of this expenditure. Concentric requires its suppliers to have ISO/TS16949 and ISO 14001 certification.

**Support functions**

The support functions are generally decentralized to the regions and the specific operating plants. Coordination at Group level is applied as required, for example within finance and accounting, IT, R&D, patents and quality control. The head office is situated in Alvechurch, near the production plant in Birmingham, England. Other plants are Hof in Germany, Skånes Fagerhult and Landskrona in Sweden, Itasca and Rockford in the US, Pune in India and Suzhou in China. The CEO and CFO are based in Alvechurch and are also responsible for investor relations. Every installation has its own finance and accounting organization that reports via the business regions to the CFO. External legal expertise in Sweden is called upon for corporate issues and locally for other questions.





# Concentric from a sustainability perspective

Sustainability efforts constitute an integral part of Concentric's operations. The aim is to ensure a greater wholeness with as many positive results as possible – environmentally, socially and economically.

## Innovation + technology = sustainability

The philosophy of the Board of Directors and Group Management is that Concentric's principal contribution to a sustainable world, in terms of everything to do with the environment and society, takes place through the use of the company's products.

## Integrated governance processes

Work on sustainability is treated as an integral part of operations. The company's CEO has ultimate responsibility.

## Stakeholders

As a company pursuing commercial interests, Concentric has a multifaceted network of stakeholders comprising OEMs and Tier1 suppliers, end-users, suppliers, partners, employees, shareholders and financial markets.

*Concentric's operations in 2011, distributed by stakeholder, based on the company's income statement.*

Customers	Sales of engines and hydraulic products	SEK 2,283 M
Suppliers	Procurement of goods and services as well as depreciation, amortization	SEK 1,521 M
Employees	Wages, social expenses and competence development	SEK 481 M
Financial institutions	Interest	SEK 30 M
The state	Taxes	SEK 75 M
Shareholders	Net income	SEK 176 M

## The environment

### Environmental policy

In accordance with Concentric's environmental policy, which encompasses all activities undertaken by the company's facilities, Concentric's environmental programme is to be characterized by continuous improvement, technical development and efficient use of resources. Such measures will help Concentric achieve a competitive edge and contribute to sustainable development. The environmental impact of Concentric's products, industry operations and services must be minimized; the fundamental requirement of all operations will be the preven-

tion of pollution alongside compliance with current legislation, respect for the environment in local communities and respect for stakeholders. All members of Group Management are responsible for implementing the action plan that is based on the environmental policy.

### Internal work on the environment

Concentric pursues operations in Sweden that are subject to notification and authorization pursuant to the Environmental Code. Concentric's own environmental impact arises primarily from energy usage and indirect consumption of raw materials through the refinement of components purchased from sub-suppliers.

The company is working purposefully to limit electricity consumption, through such measures as the use of low-energy light bulbs, efficient use of local resources and night-time reduction of temperatures.

Material usage is limited through the recycling of paper and metal.

### Environmental responsibility and CSR

All of Concentric's facilities are certified according to ISO 14001 and OHSAS 18001 (the latter is a British Standard for occupational health and safety management systems).

### Continuous improvements

Concentric's environmental activities are to be integrated into all operations and improved continuously through:

- *the design, communication and follow-up of clearly defined targets*
- *the commitment of all employees*

### Technological development

Concentric strives to exceed the demands and expectations of customers through:

- *the development of products with a focus on reducing fuel consumption*
- *the reduced usage of ecologically harmful materials*
- *an increase in recycling capacity*



#### Resource efficiency

Concentric's products and industrial operations must fulfill the following:

- minimize the consumption of energy and raw materials
- minimize the production of waste and residual products
- facilitate waste treatment and recycling when possible

#### Social issues

##### Social policy

Concentric has adopted a social policy that is based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD's guidelines for multinational enterprises.

Concentric's work in this area has focused on the implementation of policies as a part of existing procedures and guidelines. For example, the social policy has been integrated in the company's purchasing manual. Implementation work is on-going, but currently focuses specifically on the development and execution of action plans at division and unit levels.

##### Concentric in the community

Concentric endeavors to contribute to the improvement of economic, environmental and social conditions by means of an open dialogue with relevant interest groups in the communities where Concentric has operations.

##### Human rights

Concentric supports and respects the international conventions on human rights.

##### Child labour

Concentric endeavors to ensure that minors are protected in a satisfactory manner and, as a matter of fundamental principle, refrains from employing children or supporting child labour, unless it occurs within the framework of government-approved programmes for young people, such as apprentice training.

##### Freedom of contract

Concentric ensures that all employees accept positions within the company of their own free will.

##### Equal opportunities

Concentric offers all employees equal opportunities and does not discriminate on the basis of ethnic or national origin, religion, caste, functional disabilities, gender, age, sexual orientation, trade union membership or membership of a political organization.

##### Suppliers

Concentric endeavors to use appropriate methods to evaluate and select suppliers based on their ability to meet the requirements of Concentric's social policies and other social principles, and document their continuous fulfillment of these requirements.

#### Business ethics

Concentric applies high standards in terms of business ethics and integrity, and supports the efforts of national and international organizations to establish and maintain strict ethical standards for all companies.

##### Reports on violations

Reports on violations of this social policy can be submitted anonymously and confidentially to Concentric Divisional Human Resources, Group Human Resources or the Chairman of the Board in accordance with Concentric's whistle-blowing policy. Individuals who make reports in good faith will not suffer any repercussions or other negative consequences.

##### Employees

Concentric's success is based on the competencies and abilities of its employees. Creating an environment to attract and retain the best employees is a high priority for Concentric.

Employees in various countries, with diverse cultural backgrounds, must be able to work together to create added value for the company, customers and shareholders.

To achieve this, Concentric builds on the Malcolm Baldrige/EFQM methodology. In addition, in 2011 a formal succession plan was developed throughout the organisation.

##### Personnel development and focus on the future

During 2012, Concentric plans to continue recruiting for the future. A key feature of the Group's HR efforts is the annual Management Review Program, which is used to evaluate the potential of our current talent along with accessing future needs for management/leadership competency. The main purpose of this management tool is to ensure a long-term supply of qualified personnel, at both the corporate and the unit level, and to identify talent for growth opportunities.

##### Work environment and health

Concentric offers a safe work environment at all of its workplaces and takes actions to prevent accidents and work-related injuries by minimizing the risks in work environments to the greatest possible extent.

Concentric also invests in preventive healthcare for its employees. The company supports Employee Wellness programs that have gained national recognition in the USA.

#### Number of employees per country at year-end

Country	2011	2010	2009
China <sup>1</sup>	37	34	611
Germany	174	163	174
India	243	195	138
USA	418	393	427
UK	233	236	169
Sweden	115	135	113
<b>Total</b>	<b>1,220</b>	<b>1,156</b>	<b>1,632</b>

1. Reduction in China between 2010 and 2011 is due to the sale of the HHQ-operation in Quinqzhou.



# The Concentric share

The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange midcap list since June 16, 2011, and is traded under the ticker symbol COIC. Share capital in Concentric amounts to 97.3 MSEK represented by 44,215,970 shares.

## Price trend and trading

The price paid for the Concentric share rose 10 percent in 2011 to 39.9 SEK. The OMX Stockholm declined 10 percent during the same period while the Industrial Goods & Services index fell 17 percent. The highest price paid for the share during the year was registered at 47.40 SEK on July 4 and the lowest rate was 25.70 SEK on October 12. Concentric's market value as of December 31, 2011 was 1,764 MSEK.

In 2011, a total of 15.3 M Concentric shares were traded, corresponding to 35 percent of the total number of shares. The total value of trading in the share was 549 MSEK. On average, approximately 108,000 shares were traded daily.

## 27-percent foreign owned

At the end of 2011, Concentric had a total of 12,134 shareholders.

At year-end, foreign shareholders accounted for approximately 27 percent of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 57 percent of the company was owned by legal entities and 16 percent by private individuals.

## Dividend policy

The dividend policy represents the endeavor to provide a high return to shareholders and the adaptation of the size of dividends according to Concentric's strategy, financial position and other financial targets, as well as risks that the Board of Directors regards as relevant. In accordance with Concentric's dividend policy, the annual dividend, over the long-term and taking into account the aforementioned, should correspond to approximately one third of the Group's net income for the fiscal year.

## Incentive program

In 2011, there was no incentive program within Concentric.

### Analysts who are monitoring Concentric:

ABG Sundal Collier	Senai Ayob
Handelsbanken Capital Market	Hampus Engellau
SEB Enskilda	Stefan Cederberg
Swedbank Markets	Mats Liss

## Concentric's communication policy

Concentric's ambition is to communicate information internally and externally with the aim of maintaining confidence in and knowledge of the Group and its operations. The information should be correct, relevant and well-formulated and adapted to target groups, meaning shareholders, capital markets, the media, employees, suppliers, customers, authorities and the general public.

Taking into account the requirements set in non-disclosure agreements that may occasionally be demanded by customers, the company may not always be at liberty to divulge the customer's identity and/or business in detail.

The official spokesman for the company is the President and CEO.

## Annual report available through Concentric's website

In consideration of the environment and costs, Concentric has opted not to print and distribute annual reports to shareholders. Annual reports and quarterly reports, as well as press releases, are available through the company's website

<http://www.concentricab.com>

### Data per share – table

	2011	2010	2009
Earnings, SEK	3.98	0.79	-3.03
Dividend, SEK	2.00	n/a	n/a
Market price at year end, SEK	39.90	n/a	n/a
Equity, SEK	21.17	15.81	15.94
EBIT multiple	6.7	n/a	n/a
P/E ratio	10.0	n/a	n/a
Payout ratio, %	50.2	n/a	n/a
Dividend yield, %	5.0	n/a	n/a

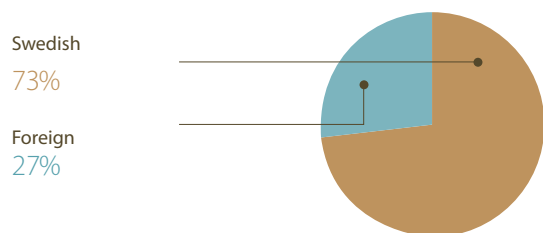
### Distribution of shares as of December 31, 2011

Number of shares	Number of shareholders	Percentage of total shares (%)
1–500	8,256	68.0
501–1,000	1,874	15.4
1,001–5,000	1,588	13.1
5,001–10,000	183	1.5
10,001–15,000	58	0.5
15,001–20,000	31	0.3
> 20,001	144	1.2
	<b>12,134</b>	<b>100.0</b>

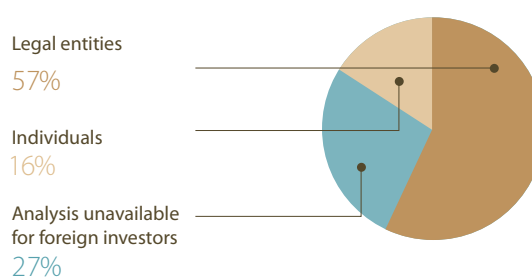
## Concentric's 10 largest shareholders on December 31, 2011

Owner	Number of shares	% of votes and capital
Creades (spun out of Investment AB Öresund)	5,780,061	13.1
Lannebo fonder	4,569,500	10.3
Handelsbanken Fonder	2,467,224	5.6
SSB CL Omnibus AC	2,230,190	5.0
AFA Försäkrings AB	2,000,000	4.5
Göran Carlsson	1,800,000	4.1
Unionen	1,296,753	2.9
JPM Chase NA	977,645	2.2
CBNY-DFA-INT SML Cap V	764,229	1.7
Swedbank Robur Fonder	759,949	1.7
Total holdings of the 10 largest	22,645,551	51.2
Total holdings of other shareholders	21,570,419	48.8
<b>Total</b>	<b>44,215,970</b>	

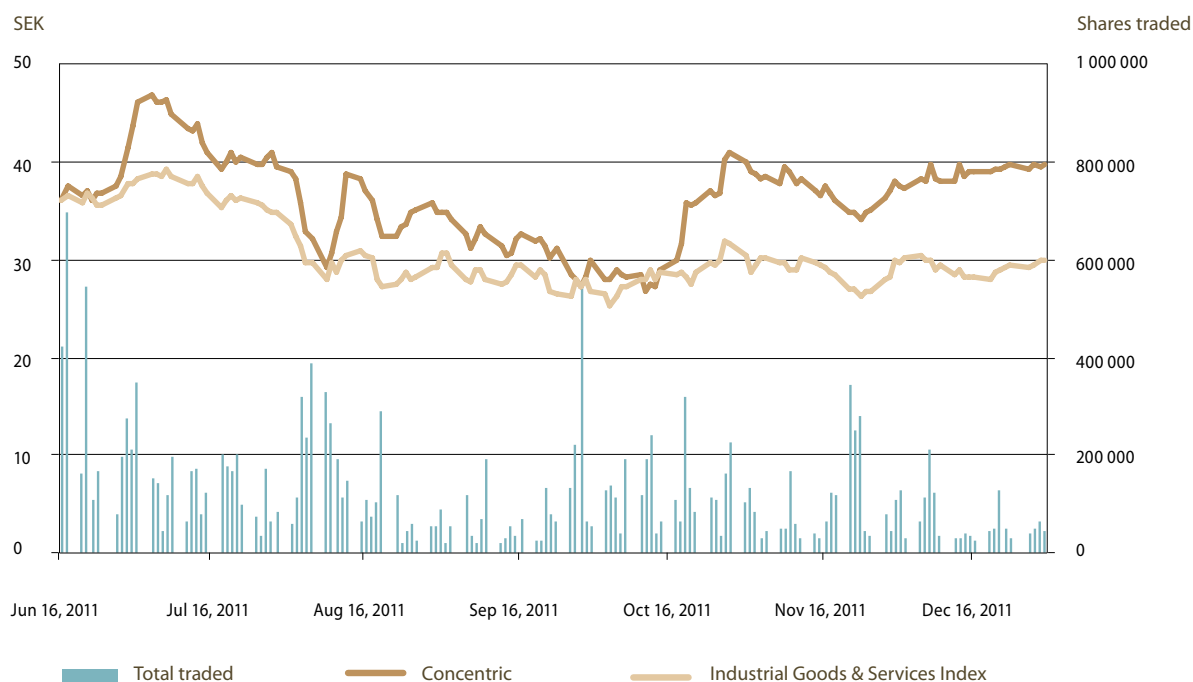
SWEDISH AND FOREIGN SHAREHOLDERS, NUMBER OF SHARES



LEGAL ENTITIES AND INDIVIDUALS, NUMBER OF SHARES



## The Concentric Share 2011



# Board of Directors' Report

## General

The Board of Directors and the CEO of Concentric AB, corporate identity number 556828-4995, hereby present the annual consolidated and company accounts for the financial year 2011. The Company has its registered address in Ringvägen 3 SE-280 40 Skånes Fagerhult, Sweden. Unless otherwise stated, all amounts are in SEK million. Information in brackets refers to the preceding fiscal year. The terms "Concentric", "Group", and "Company" all refer to the Parent Company—Concentric AB—and its subsidiaries.

## Overview of Concentric

### Group

Concentric produces and sells a range of products, based on its core technical competence in pumps, to OEMs and Tier 1 suppliers. The main products are oil pumps, water pumps, fuel transfer pumps and hydraulic systems. Core products are developed together with customers, to provide custom solutions to their specific flow and pressure requirements. A typical product gestation period can be up to 3 years, and a typical product life is in excess of 10 years. Concentric's customers are spread globally, and their products serve four end-markets, trucks, construction equipment, agricultural machinery and general industrial applications. Concentric's solutions allow its customers to achieve their goals on fuel economy, emissions reduction and noise control.

During 2011, Concentric had, on average, a total of 1,179 (1,138) employees at its sites in China, Germany, India, United Kingdom, United States and Sweden and its sales offices in France, Italy and Korea.

### Parent Company

On July 16, 2010, Haldex announced its intention to reorganize the Hydraulic Systems division into a separate group and to distribute what is now the parent company, Concentric AB, to the shareholders of Haldex, as well as to list the Company on NASDAQ OMX Stockholm. The shareholders of Haldex resolved at the Annual General Meeting on June 8, 2011, to distribute all the shares in Concentric to the shareholders of Haldex, such that they received one share in Concentric for every share they held in Haldex. Accordingly, the shares in Concentric were listed and traded on NASDAQ OMX Stockholm as of June 16, 2011.

### Operating Segments

Concentric has a global manufacturing presence, supported by central support and development functions. The Group is organized and reported on the basis of its two geographical segments, the Americas and Europe & RoW, with a regional focus on two main product groups, namely engine products and hydraulic products.

## Sales and Business Performance

Sales increased by 16% to MSEK 2,283 (1,977) during the full year 2011 compared to the full year 2010. Sales growth, like for like, was 25%, reflecting strong market demand across all end-markets and regions for the full year.

Consolidated Gross profit rose to MSEK 630 (474), resulting in a gross margin of 27.6% (23.9%). EBIT and EBIT margin amounted to MSEK 281 (109) and 12.3% (5.5) respectively.

Reported EBIT included the following items affecting comparability:

- Duplication of certain corporate costs totaling MSEK 7 (nil) that will not feature post-demergers;
- One-off advisor costs associated with the demerger of MSEK 17 (nil); and
- Restructuring costs and capital losses totaling MSEK nil (42) that were expensed as part of the cost reduction program.

Adjusting for these items, the EBIT and EBIT margin were MSEK 305 (151) and 13.4% (7.6) respectively.

### Americas

Sales for the full year amounted to MSEK 1,238 (1,068). Sales growth, like for like, was 29% for the full year. For further details of the sales development in the Americas during 2011, please refer to the end-market commentary on pages 20-21.

EBIT and EBIT margin amounted to MSEK 131 (62) and 10.6% (5.8) respectively. The comparative EBIT for 2010 included restructuring costs of MSEK 17 in respect of the merger of two of the Group's production units in the USA. Adjusting for these costs, the earnings improvement reflects both the increase in sales volumes and the realization of benefits derived from the cost reduction program undertaken.

### Europe & RoW

Sales for the full year amounted to MSEK 1,045 (909). Sales growth, like for like, was 21% for the full year. For further details of the sales development in Europe & RoW during 2011, please refer to the end-market commentary on pages 20-21.

EBIT and EBIT margin amounted to MSEK 167 (46) and 15.9% (5.1) respectively. The comparative EBIT for 2010 included restructuring costs of MSEK 6 in respect of personnel cutbacks that were implemented at the Group's plant in Hof, Germany and capital losses of MSEK 19 relating to the sale of the operation in Qingzhou, China. Adjusting for these costs, the earnings improvement reflects both the increase in sales volumes and the realization of benefits derived from the cost reduction program undertaken.

## Net financial items, taxes and net earnings

Net financial expenses incurred for the full year amounted to MSEK 30 (56). These consisted mainly of interest on loans, pension liabilities and commission relating to commitments of unutilized credit facilities.

The Group's tax expenses for the fiscal year 2011 amounted to MSEK 75 (17), equal to an effective annual tax rate of 30% (33%) for the period. The increased tax expenses correspond to the higher income before taxation this year.

Earnings after tax amounted to MSEK 176 (35). Earnings per share before and after dilution amounted to SEK 3.98 (0.79). After adjusting for the post-tax impact of one-time de-merger costs, the earnings per share was SEK 4.38.

### **Cash Flow**

Cash flow from operating activities for the full year remained strong and amounted to MSEK 227 (204), despite the pressures from high sales growth. As part of the reorganization, non-operating working capital balances with Haldex AB to a value of MSEK 57 were settled when the group was refinanced.

### **Investments and Product development**

The Group's net investments for the full year totaled MSEK 50 (17), of which capitalized development costs accounted for MSEK 3 (3). The comparative net investments for 2010 were distorted by MSEK -9 derived from proceeds for US equipment leases finalized in the period.

Every year, the Group makes substantial investments in development projects to maintain its market-leading products. Product development expenses for the full year totaled MSEK 77 (73), representing 3.4% (3.7) of the Group's annual sales value.

### **Financial position and liquidity**

New financing agreements were signed during the first quarter of 2011 with two banks, securing MEUR 40 (approximately MSEK 360) of multi-currency credit facilities for a term of 3 years. In addition, an agreement was made with Haldex AB's bondholder to novate MSEK 175 of the bond facility to Concentric.

At year end the bond remained fully drawn. Repayments of MSEK 100 were made in the second half of 2011, reducing the drawings against the multi-currency credit facilities to MSEK nil. As part of the de-merger during the second quarter, all inter-company balances with Haldex AB were settled. The combined impact of this settlement together with the capital contribution, currency fluctuations and strong cash flow has decreased Group's net debt by MSEK 198.

As at 31 December, the Group's net debt was MSEK 114 (312), comprising loans and corporate bonds of MSEK 193 (442) and pension liabilities of MSEK 103 (126), net of cash amounting to MSEK 183 (257).

Shareholders' equity amounted to MSEK 936 (699), resulting in a gearing ratio of 12% (45).

### **Environment and Corporate Social Responsibility**

All of Concentric's sites are certified to ISO14001 and OH-SAS18001 standard (the latter being a standard for occupational health and safety management systems). Concentric environmental programmes are characterised by continual improvement, technical development and resource efficiency.

Concentric's environmental policy covers all activities performed at Concentric sites.

Concentric has adopted a social policy based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labor Organization's (ILO) basic principles on labor law and the OECD guidelines for multinational companies.

Concentric's work in this area has focused on implementing the policy as a part of existing procedures and guidelines. For example, the social policy has been integrated into the Company's purchasing manual. Implementation efforts are continuing, now with a particular focus on the development and completion of action plans at division and unit levels.

### **Equal opportunity**

Concentric offers all employees equal opportunity, and refrain from discriminating on the basis of ethnic or national origin, religion, caste, handicapped status, gender, age, sexual orientation, union affiliation or membership in any political organization.

### **Risk and Risk Management**

A number of factors, not entirely controllable by Concentric, affect and may come to affect Concentric's business. Described below are some of the risk factors, which are considered to be of particular significance to Concentric's future development. The Board of Concentric AB bears an overriding responsibility for identifying, following up and managing all risks.

### **Industry and market risks**

#### *Impact of the economy*

The Group operates worldwide and is active in a diverse range of end-markets for industrial applications, trucks, agriculture machinery and construction equipment. Demand for the Company's products is dependent on the demand in these markets, which in turn is driven by global trade, infrastructure construction as well as economic trends in the particular geographic market. Concentric's main geographic markets are North America and Europe, but the Group is also active in the Asian and South American markets. Production in the truck, construction, agriculture and the industrial sectors is an indication of the trend in Concentric's market. Under normal conditions, each of these sectors has historically displayed a cyclical pattern. Concentric manages this risk by ensuring its business remains well-spread geographically, with a broad customer base within several end market segments. However, there remains a residual risk that Concentric's operations, financial position and earnings could still be adversely affected by a weak economic trend as well as cyclical patterns in end market segments.

#### *Competition and price pressure*

Concentric operates in competitive markets, where price pressure is a natural feature. Stiffer competition and price pressure may impact negatively on the Group's operations, financial position and earnings. For example, customers may increasingly opt for products competing with the Concentric product range and

it cannot be excluded that more intense competition may adversely affect Concentric's current margins. Concentric manages this risk through innovation and product development, which maintain its market-leading products that solve its customer's problems and differentiate Concentric from the competition.

#### *Customers*

Concentric is active in several different market segments and has a large number of customers distributed among several areas of operation. No single customer accounts for more than 20 percent of the Group's net sales. A loss of a major customer or the loss or delay of a major contract may have an adverse impact on the Group's sales and earnings. Moreover, if Concentric's customers do not meet their obligations or drastically reduce operations or terminate activities, the Group's sales and earnings may be negatively affected. Again, Concentric manages this risk by working closely with its customers to solve their problems and meet their needs.

#### *Raw materials and prices of raw materials*

The Group depends directly or indirectly on a number of raw materials, semi-finished goods and conversion processes. The greatest exposure is to the supply of aluminium, various steel grades and cast iron. Concentric is also affected by changes in raw materials price levels. Concentric manages the risk of price increases by ensuring it has contractual material escalator agreements with all its major Customers. However, where rising raw materials prices cannot be offset through higher prices for Concentric's products, the Group's operations, financial position and earnings may be adversely affected.

If there were to be interruptions to the raw materials and semi-finished goods supply chains, and temporary shortages of certain materials, this could impact the deliveries of Concentric products to its customers, which could have an adverse effect on the Group's operations, sales and earnings. Concentric manages this risk by ensuring there are at least dual supply arrangements in place for all key commodity groups.

#### **Company-related and operational risks**

##### *Production*

Damage to production facilities caused, for example, by fire, in addition to manufacturing stoppages or disruptions in any part of the production process caused, for example, by breakdowns, weather conditions, geographic conditions, labour disputes, terrorist activities and natural disasters, may have adverse implications in the form of direct damage to property as well as interruptions that undermine the potential to meet obligations to customers. In turn, this may lead customers to select alternative suppliers. Accordingly, such disruptions or interruptions may impact negatively on the Company's operations, financial position and earnings.

Concentric conducts production at a number of plants for certain product lines, thus there is the potential to reduce the implications of an interruption by raising output at other plants.

However, such action generally results in added costs and may, in the short run, have a negative impact on the Group's operations, financial position and earnings, particularly for production where the capacity utilization is high.

##### *Product development*

Requirements from users and legislators for higher safety, lower noise levels and reduced environmental impact result in higher demand for the products provided by Concentric. Accordingly, it is essential that the Group develops new products and continues to improve existing products to satisfy this demand so that market shares are not only maintained, but also increased. Consequently, a key part of Concentric's strategy involves developing new products in those areas that the Group regards as important for growth and/or for defending market shares.

The development of new products always entails the risk that a product launch will fail for some reason, which could have significant consequences. It is the Group's policy to expense evolutionary product development projects, but since the Group capitalizes costs for major new product development projects, a failed launch would give rise to an impairment requirement and may adversely affect the Group's operations, financial position and earnings.

##### *Complaints, product recalls and product liability*

Concentric is exposed to complaints in the event that the Group's products fail to function the way they should. In such cases, the Group may be obliged to rectify or replace the defective products.

Recalls pertain to cases where an entire production series or a large part has to be recalled from customers in order to rectify deficiencies. This occurs occasionally in Concentric's end-markets. The Group has no insurance covering recalls. The assessment is that the cost of such insurance would not be proportionate to the risk covered by the insurance. Concentric has historically not been affected by any major recalls of products. There is always a risk that customers demand that suppliers cover costs in addition to replacing the product, such as the cost of dismounting, assembly and other ancillary costs. If a product causes damage to a person or property, the Group could be liable to pay damages. A recall on a larger scale or a major product liability claim, may affect the Group's operations, financial position and earnings negatively.

##### **Legal risks**

##### *Legislation and regulations*

As a result of its worldwide operations, Concentric is subject to a variety of laws, ordinances, regulations, treaties and guidelines, including those pertaining to the environment, health and safety, trade restrictions, competition regulations and currency regulations. Concentric continually monitors rules and regulations in each market and strives to adjust the Group to any identified future changes. However, changes in legislation, regulations, customs rules and other trade barriers, price and currency controls as well as other guidelines in the countries in which Concentric is active, may affect the Group's operations, financial position and earnings negatively.



### *Environmental risks*

All of the Group's manufacturing facilities are either subject to reporting obligations or are regulated by the environmental legislation in each country. Concentric believes that all units have the required permits and agreements, and that they also meet the required reporting and control requirements. Changes in legislation and official regulations entailing stricter requirements and changes in conditions in terms of health, safety and environment or progress towards a stricter official application of legislation and regulations may require additional investment and lead to higher costs and other undertakings by Group operations that are subject to such regulations.

### *Intellectual property rights ("IPR")*

Concentric invests significant resources in product development. To secure returns on these investments, the Group actively claims its rights and monitors competitors' activities closely. There is always a risk that competitors infringe on the Group's patents and other IPR. The risk of the marketing of unlicensed copies of the Group's products has increased in recent years, particularly in the Asian markets. If required, the Group protects its IPR through legal action. However, it cannot be guaranteed that Concentric will be able to defend its granted patents, trademarks and other IPR or that submitted registration applications will be approved. Accordingly, there can be no guarantee that the Group will receive trademark or similar legal protection in respect of "CONCENTRIC" in all relevant jurisdictions. Disputes regarding infringement of IPR can, just like disputes in general, be costly and time consuming and may adversely affect Group's operations, financial position and earnings.

In addition, the industries in which Concentric operates have displayed rapid technological progress in many respects. Accordingly, there is a risk that new technologies and products can be developed, which circumvent or surpass Concentric's IPR.

### *Tax risks*

Concentric conducts its operations through companies in a number of countries. The business, including transactions between Group companies, is conducted in accordance with Concentric's interpretation of prevailing tax legislations, tax treaties and regulations in the various concerned countries and demands by relevant tax authorities. Whilst it cannot be ruled out that Concentric's interpretation of applicable laws, tax treaties and regulations is not entirely correct, there is no history of any material breaches in this area. However, Concentric's tax situation may change through decisions by the relevant authorities which may have a negative impact on the Group's financial position and earnings.

During late 2010 and the first half of 2011, the Haldex Group was restructured for the purpose of separating Concentric from Haldex. It is the opinion of Haldex and Concentric that transactions during the restructuring have been made at fiscally correct prices. Whilst it cannot be ruled out that the tax authorities in the countries where transfers have been made will judge certain

pricing to have been incorrect and that reassessments then may occur, which may adversely affect the Group's financial position and earnings, there has been no indication that any such issues will arise.

### *Disputes*

Companies within the Group are occasionally involved in disputes in the ordinary course of business and are subject to the risk, similar to other companies operating in Concentric's market, of becoming subject to claims such as those in relation to contractual matters, product liability, alleged defects in delivery of goods and services, environmental issues and intellectual property rights. Such disputes and claims may prove time-consuming, disrupt normal operations, involve large amounts and result in significant costs. In addition, the outcome of complicated disputes may be difficult to foresee.

### **Financial risks**

#### *Financial risk*

The Group's financing risk is the risk that the Company will be unable to raise new loans or to refinance existing loans. Although Concentric has access to long-term financing for its operations, it cannot be ruled out that Concentric in the future may breach financial covenants in its credit and/or loan agreements due to, for example, the economy or disruption in the capital or credit markets, which may adversely affect the Group's turnover, financial position and earnings.

Even though the Group's financial position is very strong it cannot be ruled out that Concentric may have to obtain additional financing through, for example, taking up loans or issuing new shares. The availability of additional financing is dependent on a variety of factors, such as market conditions, the general availability of credit, the overall availability of credit within the financial markets and Concentric's credit rating and credit capacity. Disruptions or uncertainty in the capital and credit markets may also limit access to capital required in order to operate the business.

#### *Liquidity risk*

The Group's liquidity risk is the risk that the Company will be unable to meet its immediate capital requirements either through holding sufficient cash and cash equivalents or through granted and unused credit facilities that can be utilised without conditions. The goal according to the Group's finance policy is that cash and cash equivalents and available credit facilities must total at least 5% of the rolling annual net sales for the Group at any point in time. These funds totaled MSEK 566 (257) at year-end, corresponding to 25% (13) of net sales.

#### *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will have a negative impact on the Group's financial position and earnings. The Group's only significant interest bearing asset is cash and liquid funds. Revenues and cash flow from operating activities are, in all significant respects, independent of changes in

market interest rates. The Group's interest rate risk arises from its borrowings. The Group's net interest expense depends, among other things, on the average fixed interest term. It cannot be guaranteed that Concentric's measures to reduce its exposure to interest rate changes and other interest risks are efficient or sufficient enough in order for Concentric's financial position and earnings not to be adversely affected.

#### *Exchange rate risks*

Through its international operations, Concentric is exposed to exchange rate risks. Exchange rate risks refer to the risk of exchange-rate fluctuations having an adverse impact on Group's consolidated income statement, balance sheet and/or cash flows. Foreign exchange exposure occurs in conjunction with goods and services being bought or sold in currencies other than the respective subsidiary's local currency (transaction exposure) and during conversion of the balance sheets and income statements of foreign subsidiaries into SEK (translation exposure). Moreover, the comparability of Concentric's result between periods is affected by changes in currency exchange rates.

#### *Transaction risks*

In accordance with the Group's Treasury policy, 65% of the anticipated net flows for the estimated volumes during the forthcoming 12-month period should be hedged, with a permissible deviation of +/-15%. At 31 December, 2011, 62% of the anticipated net flows were hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as the counterparties with whom contracts may be signed. Currency forward contracts were used during 2011 to hedge invoiced and forecast currency flows. At 31 December, 2011, these contracts had a net value of MSEK 132 with a negative market value of MSEK 1.

#### *Translational risks*

Concentric's operations give rise to extensive cash flows in foreign currency. The most important currencies in the Group's cash flow are SEK, USD, EUR and GBP. The effects of exchange rate movements have an impact on the Group's earnings when the income statements of foreign subsidiaries are translated to SEK. Since the Group's earnings to a large extent are generated outside Sweden, the impact on the Group's consolidated income statement may be significant. In connection with translation of the net assets of non-Swedish subsidiaries into SEK, there is a risk that exchange rate fluctuations will affect the Group's consolidated balance sheet. If the measures Concentric undertakes to hedge and otherwise control the effects of exchange rate movements should prove not to be sufficient, Concentric's sales, financial position and earnings may be adversely affected.

#### *Credit risk*

Concentric, like other companies, is subject to credit risk, meaning the risk that a party to a transaction cannot fulfill its payment obligations and thereby creates a loss for Concentric.

Financial credit risk is the exposure to default of counterparties with which the Group has invested cash and other financial assets. The credit risk in foreign currency and interest rate derivatives corresponds to their positive market value, i.e. potential gains on these contracts. If Concentric does not succeed in handling its credit risks, this may have a substantial adverse effect on Group's sales, financial position and earnings.

#### *Changes in value of fixed assets*

Concentric has substantial fixed assets, of which goodwill represents the largest part. Goodwill is tested annually during the third quarter to identify any necessary impairment requirements. In the event that future tests regarding continuing changes in the value of tangible as well as intangible assets would lead to write-downs, this may have a substantial adverse effect on Concentric's financial position and earnings.

#### *Pension obligations*

In the United States and the United Kingdom, funded defined benefit plans are operated with assets held separately from those of Concentric. The U.S. scheme is underfunded and Concentric therefore makes top payments, which are expected to continue during approximately 10 years time. According to the latest report from the responsible actuary, the UK plans are sufficiently capitalized, even though there is currently a deficit. However, under the rules applicable to the UK plans, the supervisory authority may request that they be fully capitalized should an event take place having a significant negative effect on Concentric's ability to meet its pension commitments. The Company feels that there is no reason to assume that such a situation will arise, but it cannot be ruled out that the authority might assess the situation differently at some point in time. See also "Pension obligations" in note 25.

#### *Capital risk*

The Group's objective in respect of the capital structure is to secure Concentric's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. To manage the capital structure, the Group could change the dividend paid to the shareholders, repay capital to shareholders, issue new shares or sell assets in order to reduce debt.

#### **Share-Related information**

##### *Ownership status*

The Company's shares have been listed on Nasdaq OMX Stockholm since 16th June, 2011. Concentric AB had 12,134 shareholders at the end of the financial year.

##### *Share Capital, shares outstanding and rights*

Since the listing date, there have been no shares issued or bonus issues in the period. The number of shares outstanding as at the year-end was 44,215,970. All shares convey equal

rights to a percentage of the Company's assets, profits and any surplus upon liquidation. Each share carries one vote and there is only one class of shares. There is no limit to the number of votes a shareholder may cast at the Annual General Meeting or with respect to transfer of shares. The Company is aware of no agreements between shareholders which may limit the right to transfer shares. Further information about the Concentric AB share is provided on pages 28-29.

#### **Board Authorisations**

At the last AGM in April 2011, the existing board of directors were all re-elected. There were no other appointments. Other than the preparations associated with the ongoing demerger process at that time, no authorisations were given to the Board to either issue or repurchase shares.

#### **Corporate Governance**

Supported by Chapter 6, Section 8 of the Annual Accounts Act, Concentric AB has elected to prepare its Corporate Governance Report as a separate document from the Annual Report. The Corporate Governance Report, which, among other things includes an account of the Group's governance and work of the Board of Directors over the year, is presented on pages 65-70.

#### **Remuneration**

The 2011 AGM adopted remuneration policies were as follows. The actual remuneration agreed during the year is detailed in note 8.

##### *Scope of the policies*

The policies apply to remuneration and other terms of employment for the individuals who, while the policies are in effect, are members of Group management for Concentric AB, collectively referred to hereinafter as executives.

The policies apply to agreements made according to AGM resolutions and to amendments to existing agreements made after this date. The Board of Directors shall have the right to depart from the policies if there is particular justification for doing so in individual cases. The policies shall be subject to annual review.

##### *Fundamental principles and forms of remuneration*

It is of fundamental importance to the company and its shareholders that the guidelines for remuneration to senior executives, in both a short and long term perspective, enable the company to attract and retain senior executives and other employees with excellent competence. To obtain this it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and compensation levels.

The terms of employment for senior executives shall consist of a balanced combination of fixed salary, annual bonus, long-term incentive program, pension and other benefits and terms for dismissal/severance payment.

The total annual monetary remuneration, i.e. fixed salary, bonus and other long-term monetary remuneration, shall be in

accordance with market practice on the geographical market where the senior executive operates. The total level of the compensation will be evaluated annually to ensure that it is in line with market practice for corresponding positions within the relevant geographical market.

The remuneration should be based on performance. It should therefore consist of a combination of fixed salary and bonus, where the variable remuneration forms a rather substantial part of the total remuneration.

##### *Principles for various types of remuneration*

###### *Fixed Pay*

The fixed remuneration shall be individually determined based on the respective role and responsibility as well as the individual's competence and experience in the relevant position.

###### *Variable Pay*

Senior executives have an annual bonus, payable after each year-end, that is structured as a variable part of the fixed salary. Bonus goals shall primarily be based on the outcomes of financial objectives for the entire Group and financial goals for the business unit for which senior executive is responsible as well as clearly defined individual goals with respect to specific assignments. The latter is to ensure that the senior executive also focuses on non-financial targets of specific interest. Bonus related financial objectives for the Group shall be established by the Board annually in order to ensure that they are in line with the Groups' business strategy and profit targets. The Board establishes the financial objectives for individual units proposed by the CEO. The part of the total remuneration consisting of annual bonus varies depending on position and may amount up to 50 percent of the fixed annual salary at full goal achievement. The bonus goals are constructed so that no bonus will be paid if a certain minimum performance level is not achieved.

###### *Application of variable pay guidelines*

Under pre-existing employment contracts, there are ongoing deviations from the variable pay guidelines outlined above in respect of the CEO and two other senior executives, whereby they continue to be entitled to an annual bonus of up to 80 percent of their fixed salary at full goal achievement.

###### *Long-term Incentive Programs*

In order to foster a long-term perspective in the decision-making and to ensure long term achievement of goals, the Board may propose the General Meeting to resolve on long-term incentive programs. Potential remuneration in form of long-term incentive programs shall be in accordance with market practice on each relevant market.

###### *Pension Benefits*

When entering into new pension agreements with senior executives who are entitled to pension, the pension shall be based on defined contribution plans. Senior executives who are

employed in Sweden retire by the age of 65 and other senior executives in accordance with local regulations on pension. As a main principal, pension premiums are based solely on fixed salary. Certain adjustments may occur in individual cases in accordance with local market practice.

#### *Other*

Other benefits, such as company car, compensation for healthcare and health and medical insurance, etc. shall form a minor part of the total compensation and shall correspond to what may be deemed common market practice in each geographical market.

#### *Terms of notice*

The CEO has a notice period of 12 months and other senior executives have a notice period of up to 6 months. Upon the termination of the employment by Concentric, a so-called termination agreement including severance pay may be made with senior executives on a discretionary basis or as required by law. Any such severance pay shall correspond to what may be deemed reasonable and common practice on the relevant geographical market, but not exceed 12 months' fixed salary.

In addition to the above described remunerations, agreements on additional remunerations may be made in exceptional situations, for example, when considered necessary to attract and retain key personnel or induce individuals to move to new places of service or accept new positions. Such special remunerations shall be limited in time and may not exceed 36 months. Further, the total remuneration must not exceed an amount equivalent to two times the remuneration the individual would have received in the absence of an agreement on special remunerations.

Terms for dismissal and severance pay shall correspond to what may be deemed common market practice for each geographical market. When entering into new employment contracts, agreement may be made with senior executives on severance pay upon termination of the employment by the Company, corresponding to a maximum of 12 months' fixed salary. Upon termination of the employment, local practice on the geographical market where the senior executive operates shall be complied with.

#### **The Board of Directors' preparation and resolutions related to pay and other terms of employment for executives**

##### *Proposal on new executive remuneration policies*

The Board of Directors will propose to the 2012 AGM that the above policies on executive remuneration shall apply until the 2013 AGM.

#### **Provisions of the Articles of Association: Appointment and Discharge of Directors and Amendments**

There are no provisions in the Articles of Association on appointment and discharge of directors and amendment of the Articles of Association. In accordance with the provisions in the Company's Act, directors are elected by the AGM for the period extending until the close of the first AGM after that at which they were elected, and amendments to the Articles of

Association are determined by resolution of a General Meeting of Shareholders.

#### **Significant Agreements**

The Company is not party to any significant agreements that will take effect, be altered, or become null if control over the Company changes due to a public takeover bid. Nor are there any agreements between the Company and directors which require compensation if such persons resign, are terminated without reasonable cause, or their employment is terminated due to a public takeover bid in respect to shares in the company.

#### **Contingent Liabilities**

The Group's contingent liabilities amounted to MSEK 1 (1) at the balance sheet date.

#### **Post Balance Sheet Events**

There are no post balance sheet events to report.

#### **Parent Company**

The parent company, Concentric AB, was formed in December 2010. As part of the restructuring of the Haldex Group, Concentric AB acquired the Hydraulics Systems divisional operations in Europe, India and Hong Kong from Haldex in 2010 and the operations in the USA in March 2011.

Net sales and earnings after tax for the full year amounted to MSEK 17 and a loss of MSEK 18 respectively.

#### **Accounting Principles**

The Group continues to apply International Financial Reporting Standards (IFRS) to the consolidated accounts, as adopted by the European Commission for application within the European Union (see note 2 for more detail).

#### **Outlook for 2012**

For 2012, we see continuing growth in China, India and the USA, with Europe likely to experience more difficult conditions.

The Board believe that the geographical spread and four distinct end-market segments, together with the flexibility they consider the Group to have in its operations through its Business Excellence program, make Concentric very well positioned to tackle any challenges in 2012.

#### **Dividend policy**

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's strong earnings and financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a dividend of SEK 2.00 per share for the 2011 fiscal year, corresponding to around 50% of earnings per share.

### Proposed Appropriation of Earnings

As stated in the Parent Company balance sheet, the Annual General Meeting has the following funds at its disposal:

Profit brought forward	MSEK 583
Loss for the year	MSEK -18
Total	MSEK 565

The board of directors and the president propose that the funds of MSEK 565 be allocated as follows:

Dividend of SEK 2.00 per share to stockholders	MSEK 88
Carried forward	MSEK 477
Total	MSEK 565

### Statement by the Board of Directors concerning the proposed dividend

The proposed dividend reduces the company's asset/equity ratio from 55.8 percent to 52.3 percent and the Group's asset/equity ratio from 52.4 percent to 49.9 percent. The company's and the group's non-restricted equity will be sufficient in relation to the nature, scope and risks of the business. In making this assessment, the board has considered, among other things, the company's and the group's growth historically, its budgeted growth and the financial situation.

The board has evaluated the company's and the group's

financial position and the company's and the group's possibilities to fulfill their obligations in the short and long term perspective. The company's and the group's solvency are assessed to be good with regard to the business in which the group is active.

The dividend will not affect the company's or the group's ability to fulfill its respective payment obligations. The company and the group have access to both short and long-term credit facilities. These facilities may be utilized at short notice, for which reason the board assesses that the company's and the group's preparedness to handle both changes in the liquidity and unexpected events are good.

The board takes the view that the company and the group have the requirements to take future business risk and also to bear possible losses. The dividend will not negatively affect the company's and the group's ability to make further commercially motivated investments in accordance with the board's plans.

In view of the above and based on what the board is otherwise aware of, the board considers that a comprehensive assessment of the financial position of the company and Group justifies a dividend in accordance with Chapter 17, Section 3, paragraphs 2 and 3 of the Swedish Companies Act, i.e. taking into consideration the requirements imposed by the nature, extent and risks associated with doing business on the equity of the company and Group and considering the need of the company and Group to strengthen its balance sheet, liquidity and financial position in general.



# Consolidated Income statement <sup>1)</sup>

Amounts in MSEK	Note	2011	2010
Net sales		2,283	1,977
Cost of goods sold		-1,653	-1,505
<b>Gross income</b>		<b>630</b>	<b>472</b>
Selling expenses		-91	-84
Administrative expenses		-151	-150
Product development expenses		-77	-73
Other operating income and expenses	11	-30	-56
<b>Operating income</b>	<b>4,5,6,7,8,9,10,16</b>	<b>281</b>	<b>109</b>
Interest income and similar income	12	3	4
Interest expenses and similar expenses	12	-33	-61
<b>Financial items - net</b>		<b>-30</b>	<b>-57</b>
Earnings before tax		251	52
Taxes	13	-75	-17
<b>Net income for the year</b>		<b>176</b>	<b>35</b>
Attributable to:			
Parent Company shareholders		176	36
Non controlling interest		-	-1
Earnings per share before and after dilution, SEK 2)		3.98	0.79
Average number of shares (000) 2)		44,216	44,216

## Consolidated statement of comprehensive income <sup>1)</sup>

Amounts in MSEK	2011	2010
Net income for the year	176	35
<b>Other comprehensive income/loss</b>		
Foreign currency translation difference	6	-67
<b>Total other comprehensive income/loss</b>	<b>6</b>	<b>-67</b>
<b>Total comprehensive income/loss</b>	<b>182</b>	<b>-32</b>

1) All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "Basis for preparation" in note 2, accounting principles, in the Notes for the Group.

2) Concentric's average number of shares assumes the current numbers of shares in the company.

# Consolidated Balance Sheet<sup>1)</sup>

Amounts in MSEK	Note	2011	2010
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	14	890	926
Tangible fixed assets	15,16	185	200
Deferred tax assets	17	24	60
Long-term receivables		6	7
<b>Total fixed assets</b>		<b>1,105</b>	<b>1,193</b>
<b>Current assets</b>			
Inventories	18	190	181
Accounts receivables	19	245	222
Other currents receivables	20	57	31
Derivative instruments	21	1	1
Cash and cash equivalents	22	183	257
<b>Total current assets</b>		<b>676</b>	<b>692</b>
<b>Assets held for sale</b>	<b>23</b>	<b>5</b>	<b>-</b>
<b>Total assets</b>		<b>1,786</b>	<b>1,885</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	<b>24</b>		
Share Capital		97	-
Additional Contributed Capital		583	-
Net Investment		-	658
Reserves		47	41
Retained Earnings		209	-
<b>Total equity</b>		<b>936</b>	<b>699</b>
<b>Provisions</b>			
Pensions and similar obligations	25	103	126
Deferred taxes	17	96	131
<b>Total provisions</b>		<b>199</b>	<b>257</b>
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	26	175	-
Other long-term liabilities		8	8
<b>Total long term liabilities</b>		<b>183</b>	<b>8</b>
<b>Current liabilities</b>			
Short-term interest-bearing liabilities	27	18	442
Accounts payable		240	265
Derivative instruments	21	-	1
Other provisions	28	40	30
Other current liabilities	29	170	183
<b>Total current liabilities</b>		<b>468</b>	<b>921</b>
<b>Total equity and liabilities</b>		<b>1,786</b>	<b>1,885</b>

Information of pledged assets and contingent liabilities, see note 30

1) All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "Basis for preparation" in note 2, accounting principles, in the Notes for the Group.

# Consolidated Changes in Shareholders' equity <sup>1)</sup>



Amounts in MSEK	Share Capital	Additional Contributed Capital	Net Investment	Reserves	Retained Earnings	Total	Non Controlling Interest	Total Equity
<b>Opening balance January 1, 2010</b>	-	-	596	108	-	704	1	705
<b>Components of Comprehensive Income</b>								
Profit or loss	-	-	36	-	-	36	-	36
Foreign currency translation difference	-	-	-	-67	-	-67	-	-67
<b>Total comprehensive income</b>	-	-	36	-67	-	-31	-	-31
Decrease in non controlling interest	-	-	1	-	-	1	-1	-
Net investment	-	-	25	-	-	25	-	25
Value of employees' services	-	-	1	-	-	1	-	1
<b>Closing balance December 31, 2010</b>	-	-	658	41	-	699	-	699

	Share Capital	Additional Contributed Capital	Net Investment	Reserves	Retained Earnings	Total	Non Controlling Interest	Total Equity
<b>Opening balance January 1, 2011</b>	-	-	658	41	-	699	-	699
<b>Components of Comprehensive Income</b>								
Profit or loss	-	-	-	-	176	176	-	176
Foreign currency translation difference	-	-	-	6	-	6	-	6
<b>Total comprehensive income</b>	-	-	-	6	176	182	-	182
Transfer of Net investment	-	625	-658	-	33	-	-	-
Shareholder's Contribution	-	55	-	-	-	55	-	55
Bonus Issue	97	-97	-	-	-	-	-	-
<b>Closing balance December 31, 2011</b>	97	583	-	47	209	936	-	936

1) All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "Basis for preparation" in note 2, accounting principles, in the Notes for the Group.

# Consolidated Cash flow statement<sup>1)</sup>

Amounts in MSEK	Note	2011	2010
<b>Cash flow from operating activities</b>			
Operating income		281	109
Reversal of depreciation, amortization and impairment losses		90	101
Interest paid		-18	-33
Capital loss on sale of shares in subsidiaries	31	-	19
Taxes paid		-93	-52
<b>Cash flow from operating activities before changes in working capital</b>		<b>260</b>	<b>144</b>
<b>Change in working capital</b>			
Inventories		-10	-59
Current receivables		-51	-23
Current liabilities		28	142
<b>Change in working capital</b>		<b>-33</b>	<b>60</b>
<b>Cash flow from operating activities</b>		<b>227</b>	<b>204</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment		-42	-16
Product development		-3	-3
Other investment activities		-5	1
<b>Cash flow from investing activities</b>		<b>-50</b>	<b>-17</b>
<b>Cash flow from financing activities</b>			
Capital Contribution (from Haldex AB)		50	0
New loans		275	0
Repayment of loans		-525	-305
Other changes in financing activities		-48	174
<b>Cash flow from financing activities</b>		<b>-248</b>	<b>-131</b>
<b>Cash flow for the year</b>		<b>-71</b>	<b>56</b>
Cash and bank assets, opening balance		257	217
Exchange-rate difference in cash and bank assets		-3	-16
<b>Cash and bank assets, closing balance</b>		<b>183</b>	<b>257</b>

1) All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "Basis for preparation" in note 2, accounting principles, in the Notes for the Group.



# Consolidated Notes

## Note 1 General information

Concentric AB (Parent Company) and its subsidiaries form the Concentric Group. Concentric offers innovative proprietary solutions to the global manufacturers of construction machinery, diesel engines and large trucks. The main focus is on products related to fuel efficiency and reduced emission. Concentric AB, corp. ID. No. 556828-4995, is a registered limited liability corporation with its registered office in Skånes Fagerhult, Sweden.

The visiting and postal address of the head office is Ringvägen 3, 280 40 Skånes Fagerhult, Sweden.

The company is listed on the Nasdaq OMX Stockholm Mid-Cap list, since June 2011

The annual report and the consolidated accounts were approved for publication by the board of directors on March 28, 2012.

## Note 2 – Summary of Important Accounting Principles

### *New and Amended Standards and Interpretations adopted by the Group*

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning January 1, 2013, have had a significant impact on the Group's Income Statement or Balance Sheet.

### *New standards, amendments and interpretations to existing standards that have not yet been endorsed and have not been early adopted by the Group*

IAS 19, 'Employee Benefits' was amended in June 2011, and will become effective as of January 1, 2013. The revised standard is applied retrospectively, and hence the closing balance for 2011 will be adjusted in accordance with revised IAS 19 and the reported numbers for 2012 will be restated accordingly for comparison purposes.

Concentric currently uses the "corridor method", whereas unrecognized gains and losses are reported off balance sheet. Unrecognized losses over the corridor of 10% are amortised in the income statement. As at 31 December, the Group had unrecognized pension liabilities of MSEK 419 (79).

The amended standard removes the option to use the corridor method and, as such, actuarial gains and losses will be recognised in full through other comprehensive income. Accordingly, the previously unrecognized pension liabilities will be recorded on the Group's balance sheet, together with a corresponding deferred tax asset. In addition, all past service costs will be recognised immediately and interest cost and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset).

The gains and losses exclude changes that might occur in respect of the way in which particular taxes on income and dividends are treated when making estimations in accordance with IAS 19.

The Group intends to apply the amended standard for the financial year beginning 1 January 2013. Estimated effect on equity of not using the "corridor method" from 2013, is shown in the table below. Shareholders' equity will decrease by approximately MSEK -301 net of deferred taxes in the opening balance for 2012. For the Swedish part of the net pension liability there are still some uncertainties regarding the accounting for Swedish special payroll tax and Swedish yield tax, and is therefore excluded from the effect on equity.

MSEK	Sweden	Germany	Great Britain	USA	Total
Opening balance effect on equity after tax as of 1 January 2012	-6	-19	-235	-41	-301

Actuarial gains and losses arising in the year 2013 will be booked in other comprehensive income for the year 2013, the same applies for the comparative year 2012.

Full transition effects will be presented in the 2012 Annual Report for Concentric Group, until then the presented figures are not based on full actuarial reports and hence preliminary.

The standard has not yet been endorsed by the EU.

IFRS 9 "Financial instruments" deals with the classification, valuation and reporting of financial liabilities and assets and replaces parts of IAS 39. IFRS 9 requires that financial assets be classified into two different categories and determined at initial recognition. For financial liabilities there are smaller changes, which refer to liabilities that are designated at fair value. The Group intends to apply the new standard by the financial year beginning 1 January 2015 and has not yet evaluated the effects. The standard has not yet been endorsed by the EU.

IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 11, "Joint arrangements", will no longer provide a choice of accounting treatment. A joint arrangement is defined as an arrangement where two or more parties contractually agrees to share control. The purpose is to focus on rights and obligations rather than on the legal form of an arrangement. IFRS 11 classifies a joint arrangement as either a joint operation or a joint venture. In a joint operation the parties to the arrangement have direct rights to the assets and obligations for the liabilities. In such an arrangement, assets, liabilities, income and expenses shall be recognized in relation to the interest in the arrangement. A joint venture gives parties rights to the net assets and earnings relating to the arrangement. An interest in a joint venture will therefore be recognized using the equity method as the proportionate method no longer will be permitted. Concentric intends to apply IFRS 11 as of the fiscal year beginning January 1, 2013. For Concentric, the new standard will lead to a reduction in the total assets as the different items previously reported line by line according to the proportionate method instead will be reported on a single line that represents the share of the net assets. The income statement for Group will also be impacted as the share of earnings from joint ventures will be reported on one line instead of reported line by line as a share of revenue and expenses.

IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and "structured entities". The group is yet to assess IFRS 12's full impact. The Group intends to apply the new standard, for the financial year beginning 1 January 2013. The standard has not yet been endorsed by the EU.

IFRS 13 "Fair Value Measurement" provides a precise definition and a single source of fair value measurement and disclosures and guidance on the application when other IFRSs already require or permit fair value measurement. The Group has not yet evaluated the full impact of IFRS 13 on the financial statements. The Group intends to apply the new standard, in the financial year beginning 1 January 2013. The standard has not yet been endorsed by the EU.

None of the other IFRS and IFRIC interpretations that have not yet entered into force are expected to have a material impact on the Group.

#### **a) Basis of preparation**

The consolidated financial statements of the Concentric AB group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, RFR 1 "Additional rules for Group Accounting" and related interpretations issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The basis of accounting and the accounting policies adopted in preparing these consolidated financial statements are consistent for all periods presented. The financial statements of Concentric AB Group are based on the predecessor values of the consolidated accounts of the Haldex AB Group.

The Concentric AB Group has been established during the year. The acquisitions of the subsidiaries are common control transactions; therefore an accounting policy has been established for these business combinations as IFRS is currently silent on the treatment of those transactions.

The financial statements are combined for all periods up to 31 March 2011 and thereafter consolidated. The consolidated financial statements are based on the uniting of interests' model (predecessor accounting). This method requires that the assets and liabilities of the combining entities are presented using the book values for the highest level of common control (i.e. Haldex AB) for which financial statements are prepared and the transaction is presented and as if it had taken place at the beginning of the earliest period presented (i.e. comparatives are restated). All transactions and balances between entities included in the combined financial statements are eliminated.

#### **b) Going Concern**

The consolidated financial statements of the Concentric AB Group have been prepared on a going concern basis.

#### **c) Consolidation**

Subsidiaries are defined as all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### **Non-Controlling Interests**

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### **d) Translation of Foreign Currency**

The functional currency for the Concentric Group and the presentation currency is Swedish kronor (SEK).

#### **Transactions and balance sheet items**

Transactions in foreign currency are translated into SEK using the exchange rates at the transaction date. Exchange gains and losses resulting from these transactions and the translation of monetary assets and liabilities at the closing rate are recognized in the consolidated income statement. Exchange rate gains or losses from transactions that fulfil the requirements for hedge accounting are recognized in other comprehensive income (OCI).

#### **Subsidiaries**

The balance sheets and income statements of subsidiaries with a different functional currency than that of the groups' presentation currency are translated by translating assets and liabilities at the closing rate and income and expenses at the average rate during the year. Translation differences resulting from the translation of foreign subsidiaries' net assets at different rates on the opening and the closing dates are recognized directly in the translation reserves in OCI.

Exchange rate differences on loans and other instruments that are used as hedging instruments for net investments in foreign currency are recognized directly in the translation reserves in OCI.

#### **Receivables and liabilities**

Receivables and liabilities in foreign currencies are valued at the yearend rate. Exchange gains and losses pertaining to operational currency flows are recognized in operating income. Current and long-term interest-bearing liabilities are recognized in the balance sheet at amortized cost.

#### **e) Revenue Recognition**

Income from the sale of goods and services is recognized when the goods/ services are delivered in accordance with the terms of delivery with the customer, as soon as the significant risks and rewards associated with ownership are adjudged to have been transferred to the purchaser. The income is reported at fair value net of vat, discounts granted, and returned goods. Intra-Group transactions are eliminated.

#### **f) Leases**

##### **Lessee**

Leasing is classified in the consolidated financial statements as either finance or operating leases, depending on whether the Company retains all the risks and benefits associated with ownership of the underlying asset. A requirement for the reporting of financial leasing is that the fixed asset be posted as an asset item in the balance sheet and that the leasing obligation be recognized as a liability in the balance sheet. Fixed assets are depreciated according to plan over their useful life, while lease payments are recognized as interest expenses and amortization of debt. Leasing agreements which are not financial are operating leases. No asset or liability items are recognized in the balance sheet in the case of operating leases.

The lease payments of operating leases are expensed in the income statement on a straight-line basis over the term of the lease.

#### **g) Tangible Fixed Assets**

Tangible fixed assets consist of buildings (offices, factories, and warehouses), land and land improvements, machines, tools and installations. These assets are measured at cost less depreciation and any impairment losses. Scheduled depreciation is based on the acquisition value and estimated economic life of the assets. The following depreciation rates are used:

- Buildings:	25–50 years
- Machinery and equipment:	3–10 years
- Heavy machinery:	20 years

Land is not depreciated. The assets' residual values and useful lives are reassessed every closing day and adjusted if needed. The tangible assets are free from any pledges or other encumbrances.

## **h) Intangible Assets**

### **Product Development**

Costs for developing new products are recognized as intangible fixed assets when the following criteria are met: it is likely that the assets will result in future financial benefits to the company; the acquisition value can be calculated reliably; the company intends to finish the asset and has technical and financial resources to complete its development.

The documentary basis for capitalizing product development costs can consist of business plans, budgets or the company's forecasts of future earnings. The acquisition value is the sum of the direct and indirect expenses accruing from the point in time when the intangible asset fulfils the above criteria. Intangible assets are recognized at cost less accumulated amortization taking into account any impairment losses.

Amortization begins when the asset becomes usable and is applied in line with the estimated useful life and in relation to the financial benefits that are expected to be generated by the product development. The useful life is not normally assessed as exceeding five years.

### **Brands, licenses and patents**

Brands, licenses and patents are recognized at cost less accumulated amortization plus any impairment losses. Brands, licenses and patents, which are acquired through business acquisitions, are recognized at fair value on the day of acquisition. Brands, licenses and patents have a determinable useful life over which straight-line amortization is applied to distribute the cost in the income statement. The expected useful life of brands is estimated at 20 years. The expected useful life of licenses and patents is estimated at 3–15 years.

### **Customer relations**

Customer relations acquired through business combinations are recognized at fair value on the day of the acquisition and subsequently at cost less accumulated amortization and any impairment losses. Customer relations have a determinable useful life estimated at 11–17 years. Straight-line amortization is applied over the estimated useful life of customer relations.

### **Software and IT systems**

Acquired software licenses and costs for the development of software that is expected to generate future financial benefits for the Group for more than three years are capitalized and amortized over the expected useful life (3–5 years).

### **Goodwill**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

## **i) Financial Instruments**

The Group classifies its financial instruments in the following categories: financial assets valued at fair value through profit or loss; loans and receivables; financial instruments held to maturity, and; financial assets available for sale. The classifications are based on the purpose of the acquired instrument. Management determines the classification of the instruments when they are first recognized. During the financial year, the Group had financial instruments belonging to financial assets measured at fair value through profit or loss, as well as loans and receivables.

### **Financial assets measured at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and assets that from the very beginning are attributed to the category measured at fair value through profit or loss. A financial asset is classified in this category if it has been acquired primarily with a view to being resold in the near future or if this classification is determined by company management. Derivative instruments are also categorized as being held for sale, assuming that they have not been identified as hedging instruments.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with established or determinable payments that are not listed on an active market. They occur when the Group supplies money, products or services directly to the customer without intending to trade the resulting claim.

They are included in current assets, with the exception of items with due dates more than 12 months after the closing day, which are classified as fixed assets.

### **Financial assets available for sale**

#### **Recognition of derivative instruments**

Derivative instruments are recognized in the balance sheet as of the trade date and are measured at fair value, both initially and during subsequent revaluations. The method used for recognizing the profit or loss arising at every revaluation occasion depends on whether the derivative has been identified as a hedging instrument and, if this is the case, the nature of the hedged item. The Group identifies certain derivatives as either: 1) hedging of the fair value of assets or liabilities; 2) hedging of forecast flows (cash flow hedging) or 3) hedging of net investment in a foreign operation. To qualify for hedge accounting, certain documentation is required concerning the hedging instrument and its relation to the hedged item. The Group also documents goals and strategies for risk management and hedging measures, as well as an assessment of the hedging relationship's effectiveness in terms of countering changes in fair value or cash flow for hedged items, both when the hedging is first entered into and subsequently on an ongoing basis.

#### **Fair value hedges**

Changes in the fair value of derivatives that are classified as fair value hedges and fulfil the conditions for hedge accounting are recognized in the income statement with the changes in the fair value of the asset or liability that caused the hedged risk.

#### **Cash flow hedging**

Cash flow hedging is applied for future flows from sales. The portion of changes in the value of derivatives that satisfy the conditions for hedge accounting is recognized directly in OCI. The ineffective portion of profit or loss is recognized directly in the income statement, among financial items. The unrealized profit or loss that is accumulated in OCI is reversed and recognized in the income statement when the hedged item affects profit or loss (for example, when the forecast sale that has been hedged actually occurs).

If a derivative instrument no longer meets the requirements for hedge accounting, or is sold or terminated, what remains of any accumulated fair value in OCI, which is recognized in the income statement at the same time as the forecast transaction is finally recognized in the income statement. When a forecast transaction is no longer expected to occur, the accumulated profit or loss recognized in equity is immediately transferred to the income statement.

#### **Hedging of net investments**

Accumulated gains/losses from revaluation of hedges of net investments that fulfil the conditions for hedge accounting are recognized in OCI. When operations are divested, the accumulated effects are transferred to the Income Statement and affect the Company's net profit/loss from the divestment.

#### **Calculation of fair value**

Fair value of financial instruments that are traded in an active market (for example, publicly quoted derivative instruments, financial assets that are held for trade and financial assets that are held for sale) are based on the quoted market rate on the closing day. The quoted market rates used for the Company's financial assets are the actual bid prices; quoted market rates used for financial liabilities are the actual asked prices. These instruments are categorized as level 1 in the fair value hierarchy.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of

observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy. The only financial instruments that are measured at fair value are forward contracts which are categorized in level 2.

#### **j) Inventories**

Inventories are valued at the lowest of the acquisition cost, in accordance with the first-in first-out principle and the net realizable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

#### **k) Accounts receivable from customers**

After individual valuation, receivables are valued in the amounts in which they are expected to be paid.

#### **l) Cash and cash equivalents**

Cash and cash equivalents includes cash, cash in banks, other short term investments that fall due in less than three months and bank overdraft facilities. Bank overdraft facilities are recognized in the balance sheet as borrowing under current liabilities.

#### **m) Assets held for sale**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

#### **n) Provisions**

Provisions are recognized in the balance sheet when the Group has future obligations resulting from an event that is likely to result in expenses that can be reasonably estimated. Provisions for restructuring costs are recognized when the Group has presented a plan for carrying out the measures and the plan has been communicated to all affected parties.

#### **o) Employee benefits**

##### **Pension commitments**

The Group has both defined-contribution and defined-benefit pension plans. Administration of the plans is handled by a third party e.g. a fund management company, an insurance company or a bank.

Defined-contribution plans mainly include retirement pensions, disability pensions and family pensions, and a defined contribution, normally expressed as a percentage of current salary, is paid to a separate legal entity. The employee is responsible for the risk inherent in these plans and the Group does not have any further obligations if the fund's assets decline in value. No debt is recognized in the balance sheet. Contributions are expensed to the profit and loss account as incurred.

Defined-benefit plans state which amount an employee can expect to receive after retirement, calculated on the basis of factors such as age, length of service and future salary.

The debt recognized in the balance sheet pertaining to defined-benefit pension plans is the present value of the defined-benefit obligation on the closing day less the fair value of the plan assets, adjusted for any non-recognized actuarial gains/losses. Defined-benefit pension obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the obligations is determined by discounting the estimated future cash flow.

Actuarial gains/losses from experience-based adjustments and changes in actuarial assumptions exceeding the highest of 10 percent of the value of the plan assets and 10 percent of the defined-benefit obligation are recognized as an expense or revenue over the employees' average remaining period of service in accordance with the "corridor method".

Swedish Group companies apply UFR 4, which means that tax on pension costs is calculated on the difference between pension costs in accordance with IAS 19 and pension costs determined in accordance with local regulations.

#### **Share-based payment**

The Board has proposed a share-based payment plan for the Group in the form of an incentive program directed at senior executives and key employees. The company obtains services from employees as compensation for equity instruments (options) in the Group.

The fair value of the service that entitles employees to an allotment of options will be expensed and based on the fair value of the allotted options. The cost will be distributed over the vesting period, meaning the period during which the stated vesting conditions shall be fulfilled. For further information about the incentive program that existed under Haldex ownership, see Note 8.

#### **p) Taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **q) Cash flow statement**

The Cash Flow Statement is prepared using the indirect method. This means that the operating income is adjusted for transactions that do not entail receipts or disbursements during the period, and for any income and expenses referable to cash flows for investing or financing activities.

#### **r) Government assistance**

Government assistance connected to the acquisition of fixed assets has reduced the acquisition value of the particular assets. This means that the asset has been recognized at a net acquisition value, on which the size of depreciation has been based.



### Note 3 – Important Estimations and Assumptions

The Consolidated Financial Statements contain estimations and assumptions about the future. These are based on both historical experience and expectations for the future. The areas with the highest risk for future adjustments of carrying amounts are mentioned below.

#### Goodwill

During 2011, the Group's goodwill was tested for impairment. As per 31 December 2011, the total goodwill amounted to SEK 501 m (494 m). The testing was performed at operating segment level. The Americas segment and the Europe and RoW segment constitute the Group's cash generating units. The goodwill value assigned to the Americas segment amounts to MSEK 176 (172) and to Europe and RoW segment amounts to MSEK 325 (322). The changes between the years is only an effect of that different currency rates have been used when translating the amount into SEK. The impairment testing is performed by discounting expecting future cash flows, as determined in the individual segments business plans. The value is set in relation to the carrying amount of the segment's goodwill. Future cash flow is calculated on the basis of official market data relevant to Concentric's type of industry, while consideration is also taken for the Concentric's historical financial performance and future benefits from current improvement programs.

The forecast period for testing of goodwill is five years and after the explicit forecast period, a residual value is assigned, which is assumed to represent the value of the business following the final year of the forecast period. The residual value has been calculated on the basis of an assumption concerning a sustainable level for the free cash flow (after the forecast period) and the level of growth. The residual value has been calculated on the basis of an assumption concerning a sustainable level for the free cash flow after the end of the forecast period. The growth after the end of forecast period has been estimated to 2 percent (2 percent). The calculation of the residual value includes all future cash flows after the end of the forecast period.

When discounting expected future cash flows, a weighted average cost of capital before tax (WACC) is used, currently 9 percent (9 percent).

The weighted average cost of capital has been calculated on the basis of the following assumptions:

- Risk-free interest rate: Ten year government bond rate.
- Markets risk premium: 7 percent.
- Beta: Established beta value for the Group.
- Interest expense: Has been calculated as a weighted interest rate on the basis of the Group's financing structure in various currencies, and taking a loan premium into account.
- Tax rate: According to the tax rate applying in the specific country.

The impairment tests performed in 2011 and 2010 did not reveal any need to impair goodwill. A 1 percent change in the discount rate or a 10 percent decrease in cash flow does not change the outcome of the assessment.

#### Development projects

Concentric capitalizes costs concerning development projects. These capitalized development projects are tested for impairment each year or when there is an indication of a decrease in value. The tests are based on a prediction of future revenue and corresponding production costs. In case the future volumes, prices or costs diverge negatively from the predictions, an impairment loss may arise.

Development projects are considered to be a normal part of Concentric's business. Generally impairment tests are carried out with the same assumptions (i.e. WACC) as the impairment test on goodwill.

However, since individual risk assessment points out different risks in the different projects, the WACC is adjusted to consider the estimated risk in each individual project. Development projects considered a higher risk are tested with a higher WACC than a project with a considered lower risk.

#### Income taxes

The Group pays tax in many different countries. Detailed calculations of future tax obligations are completed for each tax object within the Group.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### Warranty reserves

The Group continuously assesses the value of the reserves in relation to the estimated need. The warranty reserve represented 1.8 (1.3) percent of net sales as of December 31, 2011.

#### Pensions

The pension liabilities recognized in the balance sheet are actuarial estimates based on annual assumptions. The principal assumptions are described in Note 25. At 31 December 2011, there was a reduction in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in Sweden, Germany, Great Britain and US, which lead to actuarial losses in the current reporting period.

Given the sensitivity of the discount rate to these actuarial calculations, we have reviewed the impact of a +/- 0.25% change in the rates assumed. Our actuaries estimate that a 0.25% increase in the assumed discount rates used would decrease the present value of the Group's defined benefit obligations by approximately MSEK 59. Conversely, a 0.25% decrease in the assumed discount rates used would increase the present value of the Group's estimated pension obligations by approximately MSEK 63. Since the Group's UK-companies account for approximately 73% of the Group's total estimated defined benefit obligations, fluctuations in the UK discount rate would have the greatest impact.

### NOTE 4 Segment Reporting

Operating segments reported in a manner that matches how internal reporting is submitted to the Group's highest executive decision maker considering that it is at this level that the Group's earnings are monitored and strategic decisions are made. The Group has divided its operation into two reporting segments; the Americas, and; Europe and the Rest of the World (RoW).

The operating segments derive their revenues from the development, manufacturing and distribution of hydraulic lifting systems, drive systems for industrial vehicles, pumps for lubricants, cooling water and fuel in diesel engines.

The Americas segment comprises the Group's operation in the United States. The Europe and the RoW segment comprise the Group's operation in Europe, India and China.

The evaluation of an operating segment's earnings is based on operating income or EBIT.

Assets and liabilities not allocated to segments are financial assets and liabilities.

No single customer accounts for more than 20 percent of the comprehensive income of the Group as a whole. The top two customers for the group contributed net sales in 2011 of MSEK 436 (388), or 19.1 percent (19.6 percent) and MSEK 395 (302) or 17.3 percent (15.3 percent) respectively. These two customers were supplied from both the Americas and Europe & ROW operating segments.

The location of the customer forms the basis of sales by geographic area.

#### NOTE 4 Segment Reporting (continued)

Amounts in MSEK	2011	2010
<b>Americas</b>		
Net sales 1)	1,238	1,068
Operating income	131	62
Operating margin, %	10.6	5.8
Assets	631	723
Liabilities	266	295
Return on capital employed, %	31.2	13.1
Net investments	12	-4
Depreciation and amortization	46	48
Number of employees, average	416	422
<b>Europe &amp; RoW</b>		
Net sales 1)	1,045	909
Operating income	167	47
Operating margin, %	15.9	5.1
Assets	1,016	1,156
Liabilities	438	523
Return on capital employed, %	24.2	5.7
Net investments	38	21
Depreciation and amortization	44	53
Number of employees, average	763	853
<b>Not broken down by segments</b>		
Operating income/(loss)	-17	0
Assets	139	5
Liabilities	146	368
<b>Total Group</b>		
Net sales 1)	2,283	1,977
Operating income	281	109
Operating margin, %	12.3	5.5
Assets	1,786	1,885
Liabilities	850	1,186
Return on capital employed, %	23.1	8.8
Net investments	50	17
Depreciation and amortization	90	101
Number of employees, average	1,179	1,275
1) Sales by operating segment, external sales		
<b>Operating income per operating segment:</b>		
Americas	131	62
Europe & RoW	167	47
Not broken down by segments	-17	0
<b>Total operating income</b>	<b>281</b>	<b>109</b>
Financial net	-30	-56
<b>Earnings before tax</b>	<b>251</b>	<b>52</b>

#### Sales by customer location - geographic area

Amounts in MSEK	2011	2010
USA	1,210	1,050
Germany	328	293
UK	207	173
Sweden	131	132
Other	407	329
<b>Total Group</b>	<b>2,283</b>	<b>1,977</b>

#### Tangible assets by operating location

Amounts in MSEK	2011	2010
USA	73	91
Germany	36	41
UK	31	31
Sweden	16	17
Other	29	20
<b>Total Group</b>	<b>185</b>	<b>200</b>

#### NOTE 5 Costs distributed by type

Amounts in MSEK	2011	2010
Direct material costs	-1,169	-964
Personnel costs	-481	-484
Depreciation and amortization	-90	-101
Other operating costs, net	-262	-319
<b>Total operating costs</b>	<b>-2,002</b>	<b>-1,868</b>

#### NOTE 6 Average number of employees

2011	2010
Women	267
Men	1,008
<b>Total</b>	<b>1,275</b>

#### NOTE 7 Salaries and other remuneration

2011	2010
Salaries and remuneration	376
<i>Of which Board of Directors, CEO and site general managers</i>	18
Social security costs	102
<i>Of which, pension costs</i>	21

The Board of Directors, consists of six members (6), of whom 1 is a woman. For information on the individual remuneration paid to them and the CEO, refer to Note 8 for the Group.

## NOTE 8 Information on remuneration of Board of Directors, CEO and Executive Committee

Amounts in SEK '000	2011				2010			
	Directors' fees	Variable remuneration	Pension	Total	Directors' fees	Variable remuneration	Pension	Total
<b>Board of Directors 1)</b>								
Stefan Charette, Chairman	350	-	-	350	-	-	-	-
Marianne Brismar	175	-	-	175	-	-	-	-
Kent Eriksson	175	-	-	175	-	-	-	-
Joakim Olsson 2)	117	-	-	117	-	-	-	-
Martin Sköld	175	-	-	175	-	-	-	-
Claes Magnus Åkesson	175	-	-	175	-	-	-	-
<b>Total Board of Directors</b>	<b>1,167</b>	<b>-</b>	<b>-</b>	<b>1,167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Basic salary/ Benefits in kind	Variable remuneration	Pension	Total	Basic salary/ Benefits in kind	Variable remuneration	Pension	Total
<b>President and CEO</b>								
Ian Dugan 3)	1,343	-	156	1,499	2,305	1,844	267	4,416
David Woolley 4)	1,041	817	135	1,994	-	-	-	-
<b>Total President and CEO</b>	<b>2,384</b>	<b>817</b>	<b>292</b>	<b>3,493</b>	<b>2,305</b>	<b>1,844</b>	<b>267</b>	<b>4,416</b>
Other senior executives 4)	9,549	5,342	1,189	16,080	10,422	4,172	1,165	15,759
(7 people, of whom 1 is woman)								
<b>Total</b>	<b>11,933</b>	<b>6,159</b>	<b>1,481</b>	<b>19,573</b>	<b>12,727</b>	<b>6,016</b>	<b>1,432</b>	<b>20,175</b>

1) As Concentric AB was formed in December 2010 no fees to the Board of Directors were recognised in the 2010 accounts.

2) For the period up to 16 June 2011, Joakim Olsson was ineligible to receive a board fee for Concentric under his employment contract with Haldex AB.

3) Ian Dugan resigned during the year and was replaced by David Woolley on 1 August 2011.

4) For the period before 1 August 2011, David Woolley's remuneration is included in other senior executives.

### Incentive program

Haldex's Annual General Meeting resolved in April 2007 to introduce a long-term performance-based incentive program under which senior executives and key personnel would be allotted employee stock options on condition that the participants became shareholders by making their own investment in Haldex shares in the stock market.

In 2007 program, each share acquired in the market carried the entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provided entitlement to the acquisition of 1.5 Haldex share. A condition for allotment was that Haldex's pre-tax income had increased in relation to the preceding fiscal year by more than 7%. Maximum allotment occurred on condition that pre-tax income had increased in relation to the preceding year by 20% or more. Employee stock options were issued in three series and, in accordance with decisions by the Haldex Board of Directors, would be allotted during 2008, 2009 and 2010. No allotment of the 2008 and 2009 options occurred on the basis of the company's earnings outcome. Options were allotted in 2010.

In the 2010 program, each share acquired in the market carries entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provided entitlement to the acquisition of 1.0 Haldex share. A condition for allotment was that Haldex's operating margin exceeds 1%, excluding restructuring expenses and non-recurring cost/income from acquisitions or divestments during the 2010 fiscal year. Maximum allotment occurred if the company's operating margin, as stated above, exceeded 4%. Employee stock options were issued based on the company's earnings outcome for 2010 and in accordance with the Haldex's board's decision during 2011. Options were allotted in 2011.

Employee stock options	LTI 2007	LTI 2010
President and CEO	10,000	-
Other senior executives	20,000	60,000
	<b>30,000</b>	<b>60,000</b>
<b>Number of shares in Haldex</b>	<b>45,000</b>	<b>60,000</b>

**NOTE 9 Auditing fee**

<b>PwC</b>	<b>2011</b>	<b>2010</b>
Audit assignments	2	1
Audit operation outside the audit assignment	1	1
Tax advice	1	-
Other assignments	-	-
	<b>4</b>	<b>2</b>

**NOTE 10 Depreciation and Amortization**

	<b>2011</b>	<b>2010</b>
Cost of goods sold	39	49
Administrative costs	2	5
Product development costs	22	18
Other operating income and expenses	27	29
	<b>90</b>	<b>101</b>

**NOTE 11 Other operating income and expenses**

	<b>2011</b>	<b>2010</b>
Other operating income	-14	-15
Amortisation of acquisition related surplus values	27	29
Restructuring cost	-	23
Capital loss sale of subsidiary	-	19
De-merger cost	17	-
	<b>30</b>	<b>56</b>

**NOTE 12 Financial items - Net**

	<b>2011</b>	<b>2010</b>
<b>Interest income and similar income</b>		
Interest income, external	2	1
Interest income, Haldex AB	1	3
	<b>3</b>	<b>4</b>
<b>Interest expenses and similar expenses</b>		
Interest expenses, external	-8	-15
Interest expenses, Haldex AB	-13	-16
Foreign exchange rate gains/losses	-3	-3
Pension financial expenses	1	-5
Other financial items, external	-1	-1
Other financial items, Haldex AB	-9	-21
	<b>-33</b>	<b>-61</b>
<b>Financial items - net</b>	<b>-30</b>	<b>-57</b>

**NOTE 13 Taxes**

	<b>2011</b>	<b>2010</b>
Current tax	-93	-52
Deferred tax	18	35
<b>Total income tax</b>	<b>-75</b>	<b>-17</b>

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<b>Reconciliation of effective tax rate</b>	<b>2011</b>	<b>2010</b>
Earnings before tax	251	52
Tax at applicable tax rate in Sweden	-26%	-26%
Differences in tax rates of different countries of operation	-8%	2%
Non-deductible expenses	-	-11%
Non-taxable revenues	2%	-
Tax attributable to prior years	-6%	9%
Changes in temporary differences without corresponding capitalization of deferred tax	8%	-
Tax loss carryforwards for which no deferred tax asset has been recognized	-	-7%
<b>Reported effective tax rate</b>	<b>-30%</b>	<b>-33%</b>

The income tax charged to equity during the year is as follows:

	<b>2011</b>	<b>2010</b>
<b>Deferred tax:</b>		
Group contribution	-	2



## NOTE 14 Intangible fixed assets

At January 1, 2010	Goodwill	Patents and other intangible assets	Capitalized development costs	Total
Acquisition value	558	515	92	1,164
Accumulated depreciation, including write-downs	-	-19	-17	-36
Accumulated amortization on acquisition-related surplus values	-	-56	-	-56
<b>Carrying amount</b>	<b>558</b>	<b>440</b>	<b>75</b>	<b>1,073</b>
<b>January 1-December 31 2010</b>				
Opening carrying amount	558	440	75	1,073
Exchange rate differences	-39	-30	-2	-71
Investments	-	-	3	3
Sales/discards	-24	-8	-	-33
Depreciation, including write-downs	-	-2	-15	-17
Amortization on acquisition-related surplus values	-	-29	-	-29
<b>Closing carrying amount</b>	<b>494</b>	<b>371</b>	<b>61</b>	<b>926</b>
<b>At December 31, 2010</b>				
Acquisition value	494	458	90	1,043
Accumulated depreciation, including write-downs	-	-2	-29	-32
Accumulated amortization on acquisition-related surplus values	-	-85	-	-85
<b>Carrying amount</b>	<b>494</b>	<b>371</b>	<b>61</b>	<b>926</b>
<b>January 1-December 31 2011</b>				
Opening carrying amount	494	371	61	926
Exchange rate differences	7	4	-1	10
Investments	-	-	3	3
Sales/discards	-	-3	-	-3
Depreciation, including write-downs	-	-	-19	-19
Amortization on acquisition-related surplus values	-	-27	-	-27
<b>Closing carrying amount</b>	<b>501</b>	<b>345</b>	<b>44</b>	<b>890</b>
<b>At December 31, 2011</b>				
Acquisition value	501	461	83	1,045
Accumulated depreciation, including write-downs	-	-11	-39	-50
Accumulated amortization on acquisition-related surplus values	-	-105	-	-105
<b>Carrying amount</b>	<b>501</b>	<b>345</b>	<b>44</b>	<b>890</b>

## NOTE 15 Tangible fixed assets

	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
<b>As per January 1, 2010</b>						
Acquisition value	151	17	786	256	14	1,224
Accumulated depreciation	-79	-4	-620	-220	-	-923
Accumulated write-down	-15	-	-	-	-	-15
<b>Book value</b>	<b>57</b>	<b>13</b>	<b>166</b>	<b>37</b>	<b>14</b>	<b>286</b>
<b>January 1 - December 31, 2010</b>						
Opening book value	57	13	166	37	14	286
Exchange rate difference	-2	-1	-10	-2	-1	-16
Investments	2	-	19	3	-2	23
Reclassifications	-2	-	1	-	-	-1
Sales/discards	-13	-	-20	-3	-	-36
Depreciation	-6	-1	-37	-13	-	-56
<b>Book value</b>	<b>37</b>	<b>11</b>	<b>119</b>	<b>21</b>	<b>12</b>	<b>200</b>
<b>As per December 31, 2010</b>						
Acquisition value	99	16	686	229	12	1,041
Accumulated depreciation	-62	-5	-567	-208	-	-841
<b>Book value</b>	<b>37</b>	<b>11</b>	<b>119</b>	<b>21</b>	<b>12</b>	<b>200</b>
<b>January 1 - December 31, 2011</b>						
Opening book value	37	11	119	21	12	200
Exchange rate difference	-	-	-1	-	-1	-2
Investments	4	-	28	11	4	47
Reclassifications	-6	-	-	-	-	-6
Sales/discards	-	-2	-5	-	-3	-10
Depreciation	-4	-1	-29	-9	-	-43
<b>Book value</b>	<b>31</b>	<b>8</b>	<b>112</b>	<b>23</b>	<b>12</b>	<b>186</b>
<b>As per December 31, 2011</b>						
Acquisition value	86	14	621	232	12	965
Accumulated depreciation	-55	-6	-509	-209	-	-779
<b>Book value</b>	<b>31</b>	<b>8</b>	<b>112</b>	<b>23</b>	<b>12</b>	<b>186</b>

## NOTE 16 Operational leases

	Premises		Machinery		Total	
	2011	2010	2011	2010	2011	2010
up to 1 year	7	8	16	16	23	24
2-5 years	24	19	31	38	55	57
more than 5 years	14	17	1	-	15	17
<b>Total</b>	<b>45</b>	<b>44</b>	<b>48</b>	<b>54</b>	<b>93</b>	<b>98</b>

## NOTE 17 Deferred tax receivables and liabilities

Deferred income tax receivables and liabilities are offset when there is a legally enforceable right to offset current taxes and when the deferred income taxes receivables and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The gross movement on deferred income tax account is as follows:

	2011	2010
At 1 January	-71	-119
Income statement charge (note 13)	18	35
Tax charged directly to equity (note 13)	-	2
Re-classification from current taxes	-14	-
Exchange differences	-5	11
<b>At 31 December</b>	<b>-72</b>	<b>-71</b>

Deferred income tax assets and liabilities is as follows:

2010	Assets	Liabilities	Net
Tax loss carry-forwards	14	-	14
Tangible fixed assets	-	-14	-14
Intangible assets	-	-20	-20
Provisions	5	-	5
Pension and similar obligations	35	-	35
Acquisition related surplus values	-	-104	-104
Other	14	-	14
Netting	-8	8	-
<b>Net deferred tax receivables</b>	<b>60</b>	<b>-131</b>	<b>-71</b>

2011	Assets	Liabilities	Net
Tax loss carry-forwards	7	-	7
Tangible fixed assets	-	-19	-19
Intangible assets	-	-16	-16
Provisions	10	-	10
Untaxed reserves	-	-1	-1
Pension and similar obligations	29	-	29
Acquisition related surplus values	-	-95	-95
Other	13	-	13
Netting	-35	35	-
<b>Net deferred tax receivables</b>	<b>24</b>	<b>-96</b>	<b>-72</b>

Deferred income tax receivables are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. All recognized tax loss carry-forwards have an expiry day exceeding ten years and there is no time-limit for tax loss carried forward in Sweden.

## NOTE 18 Inventories

	2011	2010
Raw materials	113	119
Semi-manufactured products	19	19
Finished products	58	43
	<b>190</b>	<b>181</b>

## NOTE 19 Accounts receivables

	2011	2010
Current Receivables	192	177
Overdue receivables:		
1 – 30 days	45	37
30 – 60 days	5	4
> 60 days	3	4
Sum of overdue receivables	53	45
	<b>245</b>	<b>222</b>

The year's net cost for doubtful accounts receivables amounted to MSEK 2 (1)

The provision for doubtful receivables changed as follows:

Provision for doubtful receivables	2011	2010
Provision on January 1	1	8
Divestment of subsidiary company	-	-5
Change in provision for anticipated losses:	2	-1
Confirmed losses	-	-1
<b>Provision on December 31</b>	<b>3</b>	<b>1</b>

## NOTE 20 Other current receivables

	2011	2010
Tax receivables	12	1
Prepaid expenses and accrued income:		
Rents and insurance	6	5
Other prepaid expenses	12	9
Other current receivables	27	16
	<b>57</b>	<b>31</b>

## NOTE 21 Derivative instruments

The financial instruments recognized at fair value in the balance sheet belong to Tier 2 in the fair value hierarchy, meaning that their fair value is determinable, directly or indirectly, from observable market data.

	2010	
	Assets	Liabilities
Forward exchange contracts	1	1

	2011	
	Assets	Liabilities
Currency swaps – at fair value through profit or loss	1	-

## NOTE 22 Cash and cash equivalents

	2011	2010
Bank accounts and cash	183	51
Cash-pool, Haldex AB	-	206
	<b>183</b>	<b>257</b>

## NOTE 23 Assets held for sale

	2011	2010
Building in Statesville, USA	5	-

Following the merger of two of the Group's production units in the US during 2010, the property owned in Statesville vacated in the first quarter of 2011. This building is expected to be sold during 2012. The building has been measured at fair value less cost to sell.

## NOTE 24 Shareholder's equity

### Share Capital

Refers to the share capital in the Parent Company.

### Additional Contributed Capital

Refers to equity contributed by the owners. Total contribution from Haldex AB during 2010-2011 was 680 MSEK, of which 97 MSEK has been issued as share capital. The remaining amount, 583 MSEK, is reported as additional contributed capital.

### Net Investment

Refers to equity, excluding reserves, prior to 1 April 2011, before the formation of the current legal group structure. This equity has been reclassified to Additional Contributed Capital and Retained earnings.

### Reserves

The Reserves consists solely of foreign currency translation differences, arising from translation of the Group's foreign entities financial reports, that has been prepared in a currency different from the Group's currency; Swedish krona.

### Retained Earnings

Retained Earnings includes earnings for the year, plus profit/loss carried forward in the Parent and the Group, plus MSEK 33 in respect of the demerger from Haldex AB.

Changes in Share Capital	Number of shares	Quota value	Total
Opening balance January 1, 2010	-	-	-
At incorporation	500	100.00	50,000
<b>December 31, 2010</b>	<b>500</b>	<b>100.00</b>	<b>50,000</b>
Bonus share issue 18 April 2011	44,215,470	2.20	97,225,134
<b>December 31, 2011</b>	<b>44,215,970</b>	<b>2.20</b>	<b>97,275,134</b>

## NOTE 25 Pensions and similar obligations

Pension liabilities in the balance sheet	2011	2010
FPG/PRI-pensions	22	20
Defined-benefit healthcare benefit	34	33
Other defined-benefit plan	47	73
	<b>103</b>	<b>126</b>

Concentric has defined-benefit plans for pensions in Sweden, Germany, Great Britain and USA. The pensions under these plans are based mainly on final salary. Contribution-based plans are also found in these countries, Net actuarial losses on pension obligations and plan assets increased during 2011 by MSEK 340. At the year-end the net actuarial losses totaled 30% (7%) of the present value of the pension obligation. The return on plan assets recognised in the income statement totaled MSEK 62 (57), while the actual return was negative this year with MSEK 66. The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Group	2011	2010
Pension obligations, funded plans, present value as of December 31	1,386	1,101
Plan assets, fair value as of December 31	-888	-922
<b>Total net deficit, funded plans</b>	<b>498</b>	<b>179</b>
Pension obligations, unfunded plans, present value as of December 31	24	26
Unreported actuarial gains (+), losses (-)	-419	-79
<b>Net liability in the balance sheet</b>	<b>103</b>	<b>126</b>

### Total pension costs

Group	2011	2010
Pensions vested during the period	-10	-9
Interest on obligations	-61	-61
Expected return on plan assets	62	57
Amortization of unreported actuarial gains (+), losses (-)	-4	-4
<b>Pension costs, defined-benefit plans</b>	<b>-13</b>	<b>-17</b>
Pension costs, defined-contribution plans	-9	-8
<b>Total pension costs</b>	<b>-22</b>	<b>-25</b>

### Pension obligations

Group	2011	2010
Opening balance, present value	1,127	1,117
Pensions vested during the period	10	9
Interest on obligation	61	61
Benefit paid	-18	-18
Unreported actuarial gains (-), losses (+), pension obligations	215	57
Exchange rate differences	15	-99
<b>Closing balance, present value</b>	<b>1,410</b>	<b>1,127</b>

**NOTE 25 Pension and similar obligations (continued)**

<b>Plan assets</b>		
<b>Group</b>	<b>2011</b>	<b>2010</b>
Opening balance, fair value	922	896
Expected return on plan assets	62	57
Contribution from employers	33	15
Disbursement of pension payments	-14	-14
Unreported actuarial gains (+), losses (-), plan assets	-128	44
Exchange rate difference	13	-76
<b>Closing balance, fair value</b>	<b>888</b>	<b>922</b>

**Reconciliation of interest-bearing pension liabilities**

<b>Group</b>	<b>2011</b>	<b>2010</b>
Opening balance, pension liabilities (net)	126	142
Pension cost	13	17
Benefit paid	-18	-18
Contribution from employers	-33	-15
Compensation from plan assets	14	14
Exchange rate difference	1	-14
<b>Closing balance, pension liabilities (net)</b>	<b>103</b>	<b>126</b>

**Actuarial assumptions 2011**

<b>Percent</b>	<b>Sweden</b>	<b>Germany</b>	<b>Great Britain</b>	<b>USA</b>
Discount rate	3.60	5.00	5.00	4.70
Expected return on assets	N/A	4.70	5.67	6.00
Expected salary increase	3.00	3.00	N/A	3.00
Expected inflation	2.00	2.00	3.00	2.50

**Actuarial assumptions 2010**

<b>Percent</b>	<b>Sweden</b>	<b>Germany</b>	<b>Great Britain</b>	<b>USA</b>
Discount rate	4.80	5.10	5.70	5.45
Expected return on assets	N/A	4.70	6.90	7.20
Expected salary increase	3.00	3.00	N/A	3.50
Expected inflation	2.00	2.00	3.20	2.50

**Experience-based change in unrecognized actuarial gains (+)/losses (-)**

	<b>2011</b>	<b>2010</b>
Present value of defined benefit obligation	1 410	1 127
Plan assets	888	922
<b>Net deficit</b>	<b>-522</b>	<b>-205</b>
Experienced-based adjustment of obligation	-9	-9
Experienced-based adjustment of assets	-120	44

The group's best estimate of cash contribution expected to be paid into defined benefit plans for the year ending 31 December 2012, including any agreed make-up payments for the plans in Great Britain and the USA, is MSEK 36.

**NOTE 26 Long-term interest-bearing liabilities**

	<b>2011</b>	<b>2010</b>
<b>Bond loans</b>	<b>175</b>	<b>-</b>

Bond loan is denominated in SEK and the maturity date is 20 January 2015. The interest rate on the liability is 5.46% as of 31 December 2011. Available unused amount on Multicurrency Revolving Credit Facility is EUR 40 m, or about MSEK 360.

**NOTE 27 Short-term interest bearing liabilities**

	<b>2011</b>	<b>2010</b>
Short-term loans, Haldex AB	-	439
Local credit facility in China	11	-
Other short-term loans	7	3
	<b>18</b>	<b>442</b>

**NOTE 28 Other provisions**

	<b>Warranty reserves</b>	<b>Restructuring reserves</b>	<b>Total</b>
<b>Opening balance</b>			
January 1, 2011	26	4	30
Provisions	14	-	14
Reversals	-	-4	-4
<b>December 31, 2011</b>	<b>40</b>	<b>-</b>	<b>40</b>

**NOTE 29 Current liabilities**

	<b>2011</b>	<b>2010</b>
Tax liabilities	40	14
<b>Accrued expenses:</b>		
Personnel costs	61	45
Other accrued expenses	62	88
Other current liabilities	7	36
	<b>170</b>	<b>183</b>

**NOTE 30 Pledged assets and Contingent liabilities**

	<b>2011</b>	<b>2010</b>
Pledged assets	-	-
Contingent liabilities	1	1

**NOTE 31 Corporate acquisitions and divestments****Acquisitions**

The parent company, Concentric AB, was formed in December 2010. As part of the restructuring of the Haldex Group, Concentric AB acquired the operations in the USA in March 2011.

**Divestments**

The sale of Hydraulics Systems operation in Qingzhou, China was finalised in April 2010. The selling price was MSEK 24.5 on a debt-free basis. The proceeds received from the transaction were paid to a Haldex AB subsidiary outside of the Concentric Group in settlement for outstanding inter-group loans. As such, the proceed had no impact on Concentric Groups cash flow. The transaction generated a capital loss of MSEK 19.

**NOTE 32 Related party transactions**

The Parent Company is a related party to its subsidiaries. Transactions with subsidiaries occur on commercial market terms. Remuneration to senior executives is presented in Note 8.



# Parent Company Income statement

Amounts in MSEK	Note	2011	2010
Net sales	2	17	-
Operating costs	2,3,4	-18	-
Other operating expenses	2,5	-17	-
<b>Operating loss</b>		<b>-18</b>	-
Income from shares in subsidiaries	6	8	-
Interest income and similar income	6	6	-
Interest expenses and similar expenses	6	-21	-
<b>Financial items - net</b>		<b>-7</b>	-
<b>Loss before tax</b>		<b>-25</b>	-
Taxes	7	7	-
<b>Net loss for the year</b>		<b>-18</b>	-

# Parent Company Statement of Comprehensive income

Amounts in MSEK	2011	2010
Net loss for the year	-18	-
<b>Other comprehensive income</b>		
<b>Total other comprehensive income/loss</b>	-	-
<b>Total comprehensive income</b>	<b>-18</b>	-

# Parent Company

## Balance sheet

Amounts in MSEK	Note	2011	2010
<b>ASSETS</b>			
Shares in subsidiaries	8	937	649
Shares in associated companies	9	10	-
Long-term loans receivable from subsidiaries	10	103	-
Deferred tax assets	7	7	-
<b>Total fixed assets</b>		<b>1,057</b>	<b>649</b>
Other current receivables	11	3	-
Short-term loans receivable from subsidiaries		1	-
Cash and cash equivalents	12	126	-
<b>Total current assets</b>		<b>130</b>	-
<b>Total assets</b>		<b>1,187</b>	<b>649</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
Share capital	13	97	-
<b>Total restricted equity</b>		<b>97</b>	-
Retained earnings		583	343
Net loss for the year		-18	-
<b>Total unrestricted equity</b>		<b>565</b>	<b>343</b>
<b>Total Shareholder's equity</b>		<b>662</b>	<b>343</b>
Long-term interest-bearing liabilities	14	175	-
<b>Total long-term liabilities</b>		<b>175</b>	-
Accounts payable		1	-
Short-term loans payable to previous parent company		-	306
Short-term loans payable to subsidiaries		340	-
Other current liabilities	15	9	-
<b>Total current liabilities</b>		<b>350</b>	-
<b>Total equity and liabilities</b>		<b>1,187</b>	<b>649</b>
<b>Assets pledged</b>		-	-
<b>Contingent liabilities</b>	16	77	-

# Parent Company Changes in Shareholders' equity

Amounts in MSEK	Share capital	Retained earnings	Total equity
<b>Opening balance at incorporation</b>	-	-	-
Loss for the period		-	-
Other comprehensive income	-	-	-
<b>Total Comprehensive Income for the period</b>	-	-	-
<b>Transactions with shareholders</b>			
Shareholders' contribution	-	343	343
<b>Total transactions with shareholders</b>	-	<b>343</b>	<b>343</b>
<b>Closing balance at December 31, 2010</b>	-	<b>343</b>	<b>343</b>
<b>Amounts in MSEK</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Opening balance at January 1, 2011</b>	-	<b>343</b>	<b>343</b>
Loss for the period	-	-18	-18
Other comprehensive income	-	-	-
<b>Total Comprehensive Income for the period</b>	-	<b>-18</b>	<b>-18</b>
<b>Transactions with shareholders:</b>			
Shareholders' contribution	-	337	337
Bonus Issue	97	-97	-
<b>Total transactions with shareholders</b>	<b>97</b>	<b>240</b>	<b>337</b>
<b>Closing balance at December 31, 2011</b>	<b>97</b>	<b>565</b>	<b>662</b>

# Parent Company

## Cash flow statement

Amounts in MSEK	Note	2011	2010
<b>Cash flow from operating activities</b>			
Operating income		(17)	-
Interest received		6	-
Interest paid		(20)	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>(31)</b>	-
<b>Change in working capital</b>			
Current receivables		(3)	-
Current liabilities		8	-
<b>Change in working capital</b>		<b>5</b>	-
<b>Cash flow from operating activities</b>		<b>(26)</b>	-
<b>Cash flow from investing activities</b>			
Net Investments in subsidiaries and associated companies	17	(10)	(306)
Loans to subsidiaries		(117)	-
Repayment of loan from subsidiaries		15	-
<b>Cash flow from investing activities</b>		<b>(112)</b>	<b>(306)</b>
<b>Cash flow from financing activities</b>			
Shareholder's contribution		50	-
New loans from credit institutions		275	-
New loans from previous parent company		117	306
New loans from subsidiaries		353	-
Repayment of loans to previous parent company		(425)	-
Repayment of loans to credit institutions		(100)	-
<b>Cash flow from financing activities</b>		<b>270</b>	<b>306</b>
<b>Cash flow for the year</b>		<b>132</b>	-
Cash and bank assets, opening balance		-	-
<b>Cash and bank assets, closing balance</b>		<b>132</b>	-

# Parent company Notes



## **Note 1 Accounting principles**

The Annual Report for the Parent company have been prepared in accordance with Swedish Annual Accounts Act (Årsredovisningslagen) and the Swedish Financial Reporting Board RFR 2 – Financial reporting for legal entities (Redovisning för juridiska personer).

According to the rules stated in RFR 2, the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and statements to the extent possible within the framework of the Annual Accounts Act, and taking into account the relationship between reporting and taxation. This recommendation specifies the exceptions from IFRS that are permissible and the necessary supplementary information.

The Parent Company's accounting principles correspond to those for the Group with the exceptions listed below.

### **a) New Accounting principles**

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning January 1, 2011 have had a significant impact on the Parent Company's Income Statement or Balance Sheet.

### **b) Group Contribution**

As a consequence of the changes in RFR 2, the Parent company have changed accounting principles regarding Group

Contribution, received and paid. Previous these transactions were accounted for directly in equity, but from this year Group Contribution, received, shall be accounted for as financial income, included in the item Income from shares in subsidiaries. Group Contribution, paid, shall be accounted for as Investments in subsidiaries. No Group Contribution was received or paid in 2010.

### **c) Shares in subsidiaries**

Shares in subsidiaries are carried at cost less any impairment. The cost includes acquisition-related costs. Dividends received are recorded as financial income. When there is an indication that stocks and shares in subsidiaries or associated companies decreased in value, an estimate of its recoverable amount is set. If this is lower than the carrying amount a write down is done. Impairment losses are recognized in the items Income from investments in subsidiaries and Profit from associated companies.

### **d) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortized cost and any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.



## NOTE 2 - Inter-company transactions

Of the Parent Company's net sales, MSEK 17 (-) pertained to Group companies, while purchases from Group companies amounted to MSEK 7 (-), of which MSEK 3 referred to one-off advisor costs associated with the de-merger, see note 5.

Purchases from previous parent company, Haldex AB, amounted to MSEK 21, comprising MSEK 7 of duplicated corporate costs that will not feature post de-merger and MSEK 14 of one-off advisor costs associated with the de-merger, see note 5.

## NOTE 3 Auditing fees

PwC	2011	2010
Audit assignments	1	-
Audit operation outside the audit assignment	-	-
Tax advice	-	-
Other assignments	-	-
	<b>1</b>	<b>-</b>

Last year the audit fee was paid by the previous Parent Company during the financial year.

## NOTE 4 Salaries and other remuneration

	2011
Salaries and remuneration	1.8
<i>Of which Board of Directors and CEO</i>	1.2
Social security costs	0.8
<i>Of which, pension costs</i>	0.1

The Board of Directors, consists of six members (6), of whom 1 is a woman. For information on the individual remuneration paid to them and the CEO, refer to Note 7-8 for the Group.

The parent company has 1 employee, that is working with administration. The CEO is employed by Concentric Pumps Plc in the UK and the cost for the CEO and CFO related to shareholders' services in the parent company, has been invoiced and amounted to MSEK 3 (-). As the company did not have any employees 2010, no wages or other remunerations were paid. No payment was made to Board of Directors during 2010.

## NOTE 5 Other operating expenses

	2011	2010
De-merger cost from Haldex AB	-14	-
De-merger cost from subsidiaries	-3	-
	<b>-17</b>	<b>-</b>

## NOTE 6 Financial items - Net

	2011	2010
<b>Income from shares in subsidiaries:</b>		
Group Contribution from subsidiaries	8	-
	<b>8</b>	<b>-</b>
<b>Interest income and similar income:</b>		
Interest income from subsidiaries	5	-
Interest income, Haldex AB	1	-
<b>Total</b>	<b>6</b>	<b>-</b>
<b>Interest expenses and similar income:</b>		
Interest expenses, external	-6	-
Interest expenses to subsidiaries	-1	-
Interest expenses, Haldex AB	-11	-
Net foreign exchange rate losses	-2	-
Other financial items, external	-1	-
	<b>-21</b>	<b>-</b>
<b>Financial items - net</b>	<b>-7</b>	<b>-</b>

## NOTE 7 Taxes

	2011	2010
Current tax	-	-
Deferred tax	7	-
<b>Total income tax</b>	<b>7</b>	<b>-</b>

<b>Reconciliation of effective tax rate</b>	2011	2010
Earnings before tax	-25	-
Tax at applicable tax rate	26%	26%
Non-deductible expenses	0%	0%
Tax loss carryforwards for which no deferred tax asset has been recognized	0%	0%
<b>Reported effective tax rate</b>	<b>26%</b>	<b>26%</b>

	2011	2010
Total deferred tax assets related to tax loss carried forward	7	-

Deferred tax assets are recognized for tax loss carried forward to the extent that the realization of the related tax benefit through future taxable profit is probable. There is no time limit on the recognised tax loss carried forward above.

## NOTE 8 Shares in subsidiaries

Company name	Corp. Reg. No	Reg'd office	Participations	%	2011	2010
Concentric Pumps Plc		UK	518,397	100	621	621
Concentric Americas, Inc.		US	1,000	100	288	-
Concentric Skånes Fagerhult AB	556105-8941	Örkeljunga, Sweden	30,000	100	22	22
Concentric Hof GmbH		Germany	1	100	6	6
Concentric SAS		France	10	100	-	-
Concentric Korea LLC		Korea	12,000	100	-	-
Concentric Srl		Italy	10,000	100	-	-
Haldex Hydraulics (Hong Kong) Company Ltd.		Hong Kong	47,707,000	100	-	-
					<b>937</b>	<b>649</b>

### Indirect Investments in principal trading subsidiaries

Company Name	Reg'd office	%
Concentric Itasca, Inc.	US	100
Concentric Rockford, Inc.	US	100
Concentric Birmingham Limited	UK	100
Concentric Pumps Pune (Pvt) Limited	India	100
Concentric Pumps (Suzhou) co, Ltd.	China	100

### Changes in shares in subsidiaries

Acquisition value	2011
Opening balance	649
Investments in Concentric Americas, Inc.	288
<b>Closing Balance</b>	<b>937</b>

## NOTE 9 Shares in associated companies

Company name	Corp. Reg. No	Reg'd office	Participations	%	2011	2010
Alfdex AB	556647-7278	Landskrona, Sweden	50 000	50	10	-

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights.

The following amounts constitute the company's share of the assets, liabilities, revenue and expenses in the joint venture and are included in the company's financial reports.

Income Statement	2011	Balance Sheet	2011
Net Sales	114	Fixed assets	5
Cost of goods sold	-64	Current assets	35
Gross income	50	Cash and bank	11
Operating expenses	-39	<b>Total assets</b>	<b>51</b>
Operating income	11	Equity	18
Financial items - net	-	Provisions	6
Earnings before tax	11	Current liabilities	27
Taxes	-3	<b>Total equity and liabilities</b>	<b>51</b>
<b>Net income for the year</b>	<b>8</b>		

## NOTE 10 Long-term loans from subsidiaries

All loans to subsidiaries matures 20 January 2015. The interest rate on the loans is between 4.5% and 4.75% as of 31 December 2011. Both long-term loans from subsidiaries and short-term receivables from subsidiaries are classified as Loans and receivables.

## NOTE 11 Other current receivables

	2011	2010
Derivatives - at fair value through profit or loss	1	-
Other prepaid expenses	2	-
	<b>3</b>	<b>-</b>

The financial instruments recognized at fair value in the balance sheet belong to Tier 2 in the fair value hierarchy, meaning that their fair value is determinable, directly or indirectly, from observable market data.

**NOTE 12 Cash and cash equivalents**

	2011	2010
<b>Bank accounts and cash</b>	<b>126</b>	<b>-</b>

**NOTE 13 Share capital**

See also note 24 for the Group

Changes in Share Capital	Number of shares	Quota value	Total
Opening balance January 1, 2010	-	-	-
At incorporation	500	100.00	50 000
December 31, 2010	500	100.00	50 000
Bonus share issue 18 April 2011	44,215,470	2.20	97,225,134
<b>December 31, 2011</b>	<b>44,215,970</b>	<b>2.20</b>	<b>97,275,134</b>

**NOTE 14 Long-term interest-bearing liabilities**

	2011	2010
<b>Bond loans</b>	<b>175</b>	<b>-</b>

Bond loan is denominated in SEK and the maturity date is 20 January 2015. The interest rate on the liability is 5.46% as of 31 December 2011. Available unused amount on Multicurrency Revolving Credit Facility is MEUR 40, or about MSEK 360.

**NOTE 15 Current liabilities**

	2011	2010
Accrued interest cost	2	-
Other accrued expenses	3	-
VAT	4	-
	<b>9</b>	<b>-</b>

**NOTE 16 Contingent liabilities**

	2011	2010
<b>General Collateral Guarantee for subsidiaries:</b>		
Loan	36	-
Operational leasing commitment	41	-
	<b>77</b>	<b>-</b>

The above commitments are not expected to result in any payments. General guarantee regarding loan is for the operation in China and the leasing commitments are for the operations in Rockford and Itasca in the US.

**NOTE 17 Net Investments in subsidiaries and associated companies**

	2011	2010
Investments in subsidiaries	-298	-649
Shareholders' contribution	288	343
<b>Net Investments</b>	<b>-10</b>	<b>-306</b>

By way of unconditional shareholders' contribution, Haldex AB, transferred shares in wholly-owned subsidiaries during 2010 and 2011, as part of the de-merger. Therefore have these investments been netted in the cash-flow statement.

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations. The Board of Directors' Report for the Concentric Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Skånes Fagerhult 2012-03-28

Stefan Charette  
Chairman of Board

Marianne Brismar  
Member of the Board

Kent Eriksson  
Member of the Board

Joakim Olsson  
Member of the Board

Martin Sköld  
Member of the Board

Claes Magnus Åkesson  
Member of the Board

Our audit report was submitted on March 28, 2012  
Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson  
Authorized Public Accountant

# Auditors' Report

To the annual meeting of the shareholders of Concentric AB (publ.), corporate identity number 556828-4995.

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of Concentric AB (publ.) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30-62.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial perfor-

mance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### *Report on other legal and regulatory requirements*

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Concentric AB (publ.) for the year 2011.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinions*

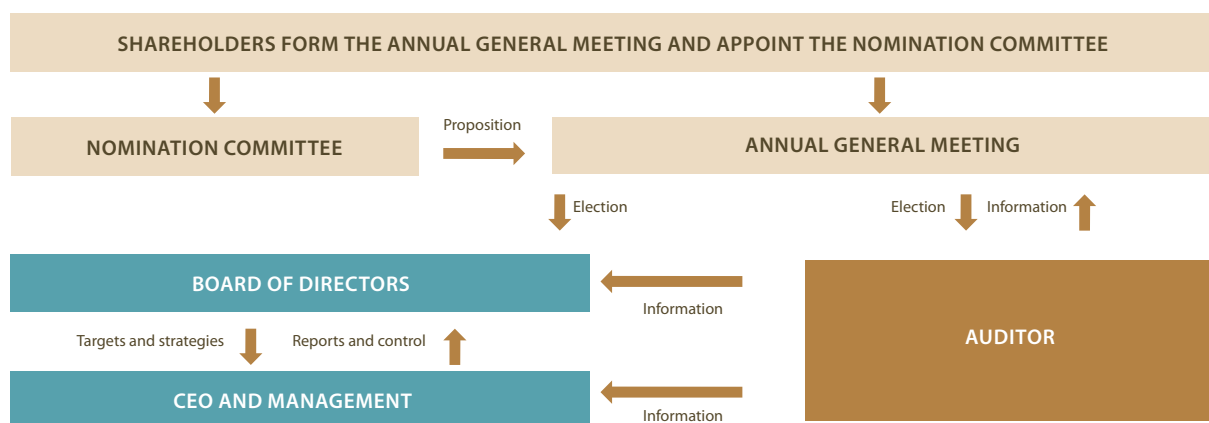
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Stockholm 28 March 2012  
Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson  
Authorised Public Accountant

# Corporate Governance in Concentric

Concentric AB is a publicly traded Swedish limited liability company that was listed on June 16, 2011. Prior to the listing, the operations were a division in the Haldex Group – Hydraulic Systems. Corporate governance in Concentric proceeds from the Swedish Companies Act, other applicable laws and regulations, NASDAQ OMX Stockholm’s Rule Book for Issuers and the Swedish Code of Corporate Governance.



**Internal control system**  
the Articles of Association Operating Procedures of the Board of Directors, Instructions for the President, the Communications Policy and the Treasury Policy, a number of policies and manuals that contain rules as well as recommendations that specify principles and provide guidance for the Group’s operations and employees.

**External control system**  
the Swedish Companies Act, other applicable legislation and regulations for publicly traded companies, NASDAQ OMX Stockholm’s Rule Book for Issuers, and the Swedish Code.

## Shareholders and Annual General Meeting

The right of the shareholders to pass resolutions regarding Concentric’s affairs is exercised at the Annual General Meeting (and, as the case may be, at Extraordinary General Meetings), which is Concentric’s supreme decision-making body. The Annual General Meeting is held in Örkelljunga or Stockholm, Sweden, every calendar year before the end of June. Extraordinary General Meetings are held when necessary. The Annual General Meeting resolves on a number of issues, such as the Articles of Association, the adoption of the income statement

and balance sheet, the appropriation of the Company’s profit or loss and the discharge from liability towards the Company for the Board members and the CEO, composition of the Nomination Committee, the election of Board members (including the Chairman of the Board) and auditor, remuneration to the Board members and the auditor, principles for remuneration and employment terms for the CEO and other senior executives and any amendments to the Articles of Association. Notice to attend the Annual General Meeting, as well as Extraordinary General Meetings at which amendments to the



Articles of Association are to be addressed, are issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice to attend other Extraordinary General Meetings are issued not earlier than six weeks and not later than three weeks prior to the meeting. Notices are published in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the Company's website. An announcement that notice has been issued is simultaneously published in Dagens Nyheter. To be entitled to participate in a General Meeting, shareholders must be recorded in the share register maintained by Euroclear Sweden five weekdays prior to the meeting and provide notification of their intention to attend the meeting not later than the date stipulated in the notice convening the meeting. Such date must not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and must not occur earlier than the fifth weekdays prior to the meeting.

### **Nomination Committee**

Concentric's Annual General Meeting resolves on procedures for the appointment of members of the Nomination Committee and the Committee's work. The Nomination Committee's assignment includes the preparation and presentation of proposals for the election of members of the Board of Directors, the Chairman of the Board, the Chairman of General Meetings and auditor as well as proposals regarding the remuneration of Board members, members of any Board Committees and fees to the auditor.

The 2011 Annual General Meeting resolved that the Nomination Committee shall consist of four members, representing each of the four largest shareholders. The names of these four members and the shareholders they represent will be announced via a press release and on Concentric's website at least six months before the Annual General Meeting, based on the shareholdings immediately prior to such announcement. The members' term of office will end when a new Nomination Committee has been appointed. Provided that the members of the Nomination Committee do not agree otherwise, the member representing the largest shareholder is to be appointed chairman of the Committee. If a shareholder that has appointed a member of the Nomination Committee during the Committee's term of assignment no longer is one of the four largest shareholders, the member representing such shareholder may be replaced by a representative of the shareholder that instead has become one of the four largest shareholders. A shareholder that has appointed a member of the Nomination Committee may also replace such representative with a new member. No remuneration is to be paid to members of the Nomination Committee.

The Nomination Committee's proposals are presented in the notice convening the Annual General Meeting and on Concentric's web site. In conjunction with the issuance of the notice convening the Annual General Meeting, the Nomination Committee shall publish on Concentric's web site a statement in support of its proposal to the Board. At least one member of the Nomination Committee shall attend the

Annual General Meeting in order to present and account of the work performed by the Nomination Committee and present and state the reasons for the Nomination Committee's proposals.

### **Board of Directors**

Under the Articles of Association, Concentric's Board shall consist of not less than three and not more than seven members elected each year by the Annual General Meeting for the period up until the next Annual General Meeting. The 2011 Annual General Meeting elected six Board members. None of the Group's senior executives or employee representatives were members of the Board in 2011. However, Concentric's CEO participates in Board meetings and the Group's CFO serves as the Board's secretary. Other salaried employees attend Board meetings in connection with the presentation of particular issues.

Pursuant to requirements of the Code, more than half of the members of the Board elected by the General Meeting must be independent of the Company and senior management. This requirement does not apply to any employee representatives. A director's independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence of the Company or its senior management, such as recent employment with the Company or a closely related company. At least two of the members of the Board who are independent of the Company and its senior management are also to be independent in relation to the Company's major shareholders.

In order to determine such independence, the extent of the member's direct and indirect relationships with major shareholders is to be taken into consideration. Major shareholders, as defined in the Code, are shareholders who directly or indirectly control 10 percent or more of the shares or voting capital in the Company.

### **Responsibility and work**

The duties of the Board are set forth in the Swedish Companies Act, the Company's Articles of Association and the Code. In addition to this, the work of the Board is guided by Operating Procedures that the Board adopts every year. The Operating Procedures govern the division of work and responsibility among the Board, its Chairman and the CEO. The Board is responsible for the Group's organization and the management of its affairs, determining the Group's overall objectives, developing and monitoring the overall strategies, deciding on major acquisitions, divestments and investments, ongoing monitoring of operations and adoption of interim and year-end reports. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring and internal controls of the Group's financial reporting and position. Moreover, the Board ensures that the Company's external disclosure of information is characterized by openness and that it is accurate, relevant and clear. During Board meetings, the following items regularly appear on the agenda: the Group's performance and position, the business status,

organizational matters, monthly accounts, external communication, disputes, acquisitions and divestments, major business agreements, development projects and investments.

#### *Responsibilities of the Chairman of the Board*

The Chairman, in collaboration with the CEO, monitors the Group's operations and performance, prepares and chairs Board meetings. The Chairman is also responsible for ensuring that the Board evaluates its work each year.

#### **CEO and Senior Management**

The CEO is responsible for the day-to-day management and development of the Company in accordance with applicable legislation and regulations, including the rules of NASDAQ OMX Stockholm and the Code, and the instructions and strategies determined by the Board. The CEO ensures that the Board is provided with objective and relevant information required in order for the Board to make well-informed decisions. Furthermore, the CEO monitors compliance with the targets, policies and strategic plans of the Company and the Group that have been adopted by the Board, and is responsible for keeping the Board informed of the Company's development between Board meetings.

The CEO leads the work of the senior management team, which is responsible for overall business development. In addition to the CEO, the senior management comprises the CFO, the heads of geographical regions, the heads of engineering/development and strategy as well as the head of HR, a total of seven persons.

#### **External audit**

The Annual General Meeting elects the external auditor for a period of one year at a time. The auditor reviews the Annual Report and the accounts as well as the administration of the Board and the CEO, and follows an audit schedule set in consultation with the Board. In connection with the audit, the auditor shall report its observations to senior management for reconciliation and then to the Board.

The report to the Board takes place after the conclusion of the audit of the administration and the review of the hard-close

accounts and in conjunction with the adoption of the Annual Report. The Board meets with the auditor once a year, where the auditor reports its observations directly to the Board without the presence of the CEO and the CFO. Finally, the auditor attends the Annual General Meeting and briefly describes the auditing work and the recommendations in the Audit Report.

#### **Steering instruments**

##### *External*

Steering instruments that form the basis for Corporate Governance in Concentric primarily include the Swedish Companies Act, other applicable legislation and regulations for publicly traded companies, NASDAQ OMX Stockholm's Rule Book for Issuers, and the Swedish Code.

##### *Internal*

Internal binding steering instruments include the Articles of Association adopted by the Annual General Meeting, and documents approved by the Board that include the Operating Procedures of the Board of Directors, Instructions for the President, the Communications Policy and the Treasury Policy. In addition, the Group has a number of policies and manuals that contain rules as well as recommendations that specify principles and provide guidance for the Group's operations and employees.

##### *Operating Procedures of the Board of Directors*

The Operating Procedures regulates the Board of Directors' internal division of work, the line of decision within the Board of Directors, the procedural rules for Board meetings and the duties of the Chairman of the Board. The work of the Board follows a fixed procedure aimed at ensuring that the Board of Directors' information requirements are met.

##### *Instructions for the President*

The Instructions for the President establishes the boundaries for the President's responsibility for the operational administration, the forms for reporting to the Board of Directors and what this shall contain, requirements for internal steering instruments and matters that require the approval of the Board of Directors or that notification be provided to the Board of Directors.

## **Corporate Governance at Concentric in 2011**

Concentric AB is a publicly traded Swedish limited liability company with its registered office in Skånes Fagerhult, Sweden. With no exceptions, Concentric complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance report for 2011. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Code for Corporate Governance and has been reviewed by the company's auditors.

#### **Shareholders**

Concentric has been listed on the NASDAQ OMX Stockholm Stock Exchange since June 16, 2011. The share capital in Concentric AB totals SEK 97.3 MSEK, represented by 44,215,970 shares. Each share carries equal voting right and dividend rights. The number of Concentric's shareholders amounted to 12,134 at

year end. Creades AB (formerly Investment AB Öresund) represented the largest owner with about 13.1% of the share capital. Swedish ownership totaled 73% at year end 2011. Information concerning ownership is updated each month on Concentric's web site, [www.concentricab.com](http://www.concentricab.com).

#### **Annual General Meeting 2011**

Prior to the listing of Concentric on June 16, 2011, the operation was a division of the Haldex Group – Hydraulic Systems. As part of Concentric's listing process, a Board of Directors was elected comprising Stefan Charette, Marianne Brismar, Kenth Eriksson, Joakim Olsson, Martin Sköld and Claes Magnus Åkesson. Concentric's first Annual General Meeting before the listing was held on April 18, 2011. All shares and votes were represented at the meeting, and the shareholder Haldex AB was in attendance through Joakim Olsson, President and CEO of Haldex.

## Resolutions

The minutes of the meeting are available on Concentric's web site, [www.concentricab.com](http://www.concentricab.com). The resolutions passed include the following:

- It was decided that the nomination committee shall have four members and consist of one representative each of the four largest shareholders by votes.
- The meeting resolved that the Board would comprise six members with no deputies. Stefan Charette, Marianne Brismar, Kenth Eriksson, Joakim Olsson, Martin Sköld and Claes Magnus Åkesson were re-elected for the period until the Annual General Meeting in 2012.
- It was decided that the registered accounting firm Öhrlings PricewaterhouseCoopers AB shall be auditor. It was noted that Michael Bengtsson was appointed the company's auditor-in-charge.
- It was decided that the Chairman of the Board will receive SEK 350,000, and that other members of the Board of Directors will receive SEK 175,000 as remuneration for work on the board. Fees to the auditor in respect of the audit and for other services is to be paid on approved current accounts.

## Nomination Committee for the 2012 Annual General Meeting

In accordance with a decision by the 2011 Annual General Meeting, the four largest shareholders have each appointed representatives to form the Nomination Committee for the 2012 Annual General Meeting. At the end of September, these shareholders were Investment AB Öresund, Lannebo Fonder, Handelsbanken Fonder and Göran Carlson through companies. Combined, they represented 33.2% of the voting rights in Concentric AB at September 30, 2011. The shareholders' representatives who will comprise members of the 2012 Nomination Committee are: Stefan Charette (Chairman), of Investment AB Öresund, Johan Lannebo, of Lannebo Fonder, Frank Larsson, of Handelsbanken Fonder, and Göran Carlson.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's web site, on October 20, 2011. The company's shareholders were given the opportunity to submit opinions and proposals

to the Nomination Committee via e-mail to the address specified on the company's web site, under the heading Investors – Corporate Governance – Annual General Meeting.

## Board of Directors

### Board of Directors' Independence

The Board's assessment of the members' independence in relation to the Company, its senior management and major shareholders is presented in "Board of Directors" on page 71. All Board members are considered independent of the Company and senior management. Five of those independent Board members are also considered independent of the Company's major shareholders. Consequently, the Company meets the independence requirements of the Code.

### Board activities

The Board of Directors held a statutory meeting immediately following the Annual General Meeting.

During 2011, the Board of Directors met 10 times. The main issues addressed were:

- Establishing the relevant policies procedures and instructions for the newly formed independent group;
- Reviewing interim reports and financial statements for the group and parent company;
- Reviewing budget and strategic plans, including proposals for significant investments and major business agreements;
- Ongoing monitoring of the group's operations and evaluation of management.

## Auditors

At the 2011 Annual General Meeting, the registered accounting firm ÖhrlingsPricewaterhouseCoopers AB was elected as auditors for the period until the 2012 AGM is held. Authorized Public Accountant Michael Bengtsson is appointed the company's auditor-in-charge.

Michael Bengtsson has been an Authorized Public Accountant since 1988, and is the elected auditor of such companies as Enea AB, Haldex AB, Perstorp Holding AB and Carnegie Investment Bank AB.

Michael Bengtsson has no other assignments in other companies that are associated with Concentric's largest owners or President.

Board of Directors	Board Mtgs	Compensation Committee	Audit Committee	Board Fees
Stefan Charette <sup>1</sup>	10	5	6	350,000
Marianne Brismar	10	5	6	175,000
Kenth Eriksson <sup>2</sup>	9	5	5	175,000
Joakim Olsson	8	3	4	175,000
Martin Sköld	9	4	5	175,000
Claes Magnus Åkesson <sup>3</sup>	8	5	5	175,000
<b>Total</b>				<b>1,225,000</b>

<sup>1</sup> Chairman of the Board <sup>2</sup> Chairman of the Compensation Committee <sup>3</sup> Chairman of the Audit Committee

### Compensation and Audit Committee tasks

Under the Code and the Swedish Companies Act, the Board is to establish a Compensation Committee and an Audit Committee within its own ranks, or, alternatively, the tasks of such committees should be performed by the entire Board. The Board of Concentric has deemed that for 2011 it was more appropriate for the entire Board to perform said tasks, but may in the future decide to establish committees.

The main tasks undertaken during the separately convened Compensation Committee meetings were to prepare Board resolutions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior executives, to monitor and evaluate programmes for variable remuneration for senior executives, and to monitor and evaluate the application of the guidelines for remuneration to senior executives resolved upon by the Annual General Meeting as well as remuneration structures and levels. During 2011, there were 5 Compensation Committee meetings.

The principal tasks undertaken during the separately convened Audit Committee meetings were to monitor the Company's financial reporting, to monitor the efficiency of the Company's internal controls, internal audits and risk management in respect of the financial reporting, to keep itself informed regarding audit of the annual report and group accounts, and to review and monitor the impartiality and independence of the auditor, paying special attention to whether the auditor provides the Company with services other than auditing services. During 2011, there were 6 audit Committee meetings.

### Remuneration of the Board of Directors

Fees to the Board members elected by the General Meeting are resolved upon by the General Meeting after proposals from the Compensation Committee. The 2011 Annual General Meeting resolved that fees totaling SEK 1,225,000 will be paid for the period up until the end of the 2012 Annual General Meeting and be distributed among the Board members as set out in the table below. The remuneration to the Board is fixed, with no variable component.

#### Guidelines

The terms of employment for senior executives shall consist of a balanced combination of fixed salary, annual bonus, long-term incentive program, pension and other benefits and terms for dismissal/severance payment.

The total annual monetary remuneration, i.e. fixed salary, bonus and other long-term monetary remuneration, shall be in accordance with market practice on the geographical market where the senior executive operates. The total level of the compensation will be evaluated annually to ensure that it is in line with market practice for corresponding positions within the relevant geographical market.

The remuneration should be based on performance. It should therefore consist of a combination of fixed salary and bonus, where the variable remuneration forms a rather substantial part of the total remuneration.

When entering into new pension agreements with senior executives who are entitled to pension, the pension shall be

based on defined contribution plans in accordance with local regulations on pension. As a main principal, pension premiums are based solely on fixed salary. Certain adjustments may occur in individual cases in accordance with local market practice.

### Remuneration of the Group Management in 2011

	Basic salary/ Benefits in kind	Variable remunera- tion	Pen- sion	Total
<b>President and CEO</b>				
Ian Dugan <sup>1)</sup>	1,343	-	156	1,499
David Woolley <sup>2)</sup>	1,041	817	135	1,994
<b>Total President and CEO</b>	<b>2,384</b>	<b>817</b>	<b>292</b>	<b>3,493</b>
Other senior execu- tives <sup>2)</sup>				
	9,549	5,342	1,189	16,080
(7 people, of whom 1 is woman)				
<b>Total</b>	<b>11,933</b>	<b>6,159</b>	<b>1,481</b>	<b>19,573</b>

1) Ian Dugan resigned during the year and was replaced by David Woolley on 1 August 2011.

2) For the period before 1 August 2011, David Woolley's remuneration is included in other senior executives.

For guidelines on remuneration see pages 35-36.

### Incentive program

In order to foster a long-term perspective in the decision-making and to ensure long term achievement of goals, the Board of Directors will propose at the 2012 Annual General Meeting a long-term incentive program to be resolved by the shareholders.

In 2011, Concentric had no incentive programs.

### Internal controls

The Board's responsibility for internal controls is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act and the Code. Information on the main components of the Company's systems for internal controls and risk management relating to the financial reporting must be disclosed annually in the Company's corporate governance report.

The processes for internal control, risk assessment, control activities and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with IFRS, applicable laws and regulations and other requirements for companies listed on NASDAQ OMX Stockholm. This process involves the Board, senior management and personnel.

### Control environment

The Board has specified a set of instructions and working plans regarding the roles and responsibilities of the CEO and the Board. The manner in which the Board monitors and ensures the quality of the internal controls is documented in the Operating Procedures of the Board and Concentric's Treasury Policy. The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years and overseeing various issues such as the internal audit and accounting principles applied by the Group.

The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the CEO, although the ultimate responsibility rests with the Board. Other executives at various levels have in turn responsibilities within their respective areas of operation. Senior management regularly reports to the Board according to established routines. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

#### *Risk assessment and control activities*

The Company operates a COSO model (developed by the Committee of Sponsoring Organization of the Treadway Commission) for the identification and assessment of risks in all areas. These risks are reviewed regularly by the Board and include both the risk of losing assets as well as irregularities and fraud. Designing control activities is of particular importance to enable the Company to prevent and identify shortcomings. Assessing and controlling risks also involves the management for each reporting unit, where monthly business review meetings are held. The CEO, the CFO, and local and regional management participate in the meetings. Minutes are kept for these meetings.

#### *Information and communication*

Guidelines and manuals used in the Company's financial reporting are communicated to the employees concerned. There are formal as well as informal information channels to the senior management and to the Board for information from the employees identified as significant. Guidelines for external communication are designed to ensure that the Company applies the highest standards for providing accurate information to the financial market.

#### *Evaluation, monitoring and reporting*

The Board regularly evaluates the information provided by senior management. The Board receives regular updates of the Group's development between its meetings. The Group's financial position, its strategies and investments are discussed at every Board meeting. The Board is also responsible for the follow-up of the internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and to follow-up suggestions for actions emerging from the internal and external audits. The Company operates an annual control self assessment process for the evaluation of risk management and internal control activities. This assessment includes scrutinising the application of established routines and guidelines. The key findings from this annual assessment process together with the status of any actions regarding the Company's internal control environment is reported to the Board. The external auditor also regularly reports to the Board.

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## Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of Concentric AB (publ), corporate identity number 556828-4995

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2011 on pages 64-69 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with Inter-

national Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

*Stockholm March 28, 2012*

*Öhrlings PricewaterhouseCoopers AB*

*Michael Bengtsson*  
*Authorised Public Accountant*



# Board of Directors

## STEFAN CHARETTE

*Chairman of the Board 2010.*  
Born 1972.



M.Sc. Mathematical Finance and B. Sc. Electrical Engineering.

CEO of the public investment company Investment AB Öresund since 2010. Previously CEO and Board member of AB Custos and President of the Brokk Group. Corporate advisor for multinational corporations at Lehman Brothers and Salomon Smith Barney.

Assignments: Chairman of NOTE AB, Global Batterier AB and Athanase Capital Partners AB.

Board member of Haldex AB, Transcom WorldWide S.A. and Bilia AB.

Shareholding in Concentric:  
68 165 shares  
*Independent in relation to the Company and senior Management, but not in relation to major shareholders.*

## MARIANNE BRISMAR

*Member since 2010.*  
Born 1961.



M.Sc. Pharmacy and B.Sc Business Administration

Senior partner of Intercept AB. President and CEO of fork lift truck manufacturer Atlet AB between 1995–2007. Prior to that, several other positions within the Atlet Group. The Group was sold to Nissan Material Handling in 2007.

Chairman of Newbody AB  
Board member of Beijer Alma AB, Engelhardt AB, IMEGO AB, Semcon AB och Wollenius invest AB.

Shareholding in Concentric:  
23 000 shares  
*Independent in relation to the Company, the senior Management and to major shareholders.*

## KENTH ERIKSSON

*Member since 2010.*  
Born 1961.



M.Sc. Civil Engineering and MBA.

Partner of investment company Itum Invest AB. Prior to that, several other positions within the Electrolux Group. Kenth left Electrolux in 2000 as vice president and head of business area Refrigeration in Electrolux's European household appliances operations.

Member of the Board of Transportes Azkar, S.A., Prenax Global AB, Technology Nexus AB and Satpoint AB.

Shareholding in Concentric:  
45 175 shares  
*Independent in relation to the Company, the senior Management and to major shareholders.*

## JOAKIM OLSSON

*Member since 2010.*  
Born 1965.



M. Sc. Mechanical Engineering and MBA.

President and CEO of SAG Group GmbH since 2011. SAG Group is the leading partner for the energy related infrastructure of public utilities and industrial companies. Prior to that President and CEO of Haldex AB 2005 – 2011. Before joining Haldex, Joakim held several positions within the ABB Group, including assignments in Sweden and the US, CEO of ABB's transformers operations in Germany, Group Senior Vice President ABB Ltd (Switzerland), Head of the global Transformer Business Area and President and CEO of ABB Brazil.

Board member of Semcon AB and the Association of Swedish Engineering Industries.

Shareholding in Concentric:  
15 000 shares  
*Independent in relation to the Company, the senior Management and to major shareholders.*

## MARTIN SKÖLD

*Member since 2010.*  
Born 1973.



Ph D Business Administration, M.Sc. Industrial management and Business Administration, and B.Sc. Innovation Engineering.

Ph D Innovation and Operations Management at Stockholm School of Economics. Program Director of General Management IFL Executive Education, Stockholm School of Economics. Assignments within family firm businesses BRIAB and Trailereffekter AB, a manufacturer of trailers for the heavy truck industry, and a whole sale dealer for heavy trailer spares parts.

Shareholding in Concentric:  
400 shares  
*Independent in relation to the Company, the senior Management and to major shareholders.*

## CLAES MAGNUS ÅKESSON

*Member since 2010.*  
Born 1959.



B. Sc. Business Administration.

CFO of listed residential developer JM AB since 1998. Claes Magnus has a broad international experience from from different treasury and controller positions at Ericsson between 1987–1998.

Several board assignments within the JM Group.

Shareholding in Concentric:  
5 000 shares  
*Independent in relation to the Company, the senior Management and to major shareholders.*

# Group Management

## David Woolley

*President and Chief Executive Officer*  
Born 1962



B.Sc. Metals Technology, BTR Diploma of Executive potential, Post Graduate Diploma in Management Studies, TEC and Higher TEC in Material Technology.

David Woolley has long experience of Concentric's business and was Managing Director of the subsidiary Concentric Ltd from 2002 until Haldex acquired Concentric plc. Subsequently David has also been responsible for the business with respect to diesel engine pumps in the UK and India. Head of region Europe and RoW 2010-2011.

Other current assignments/positions (outside Concentric): Non-executive Director of Investors in Excellence.  
Previous assignments/positions in the past five years: Managing Director Engine Pumps UK and India of Haldex Con-centric Pumps Ltd. Managing Director of Concentric Ltd.

Shareholding in Concentric: 21 000 shares.

## David Bessant

*Chief Financial Officer*  
Born 1971



B.Sc. Accountancy and Financial Analysis.

David Bessant has more than 7 years of experience from listed and private equity financed multinational groups in the same sector as Concentric. David has also spent over 10 years at KPMG (Audit and Advisory), in his last role as Senior Manager. Other previous assignments include Group Financial Controller at Wagon Plc and Group Financial Controller at TMD. CFO of Concentric (including Including IR and IT) since 2010.

Previous assignments/positions in the past five years: Group Financial Controller of Wagon Plc (2007 – 2009) and TMD Friction (2004 – 2007). Board Member of several subsidiaries to Wagon Plc.

Shareholding in Concentric: 5 500 shares.

## Wim Goossens

*Head of region Europe and Rest of World*  
Born 1975



BA (Hons) in Management, MBA.

Wim Goossens worked close to 15 years in several senior positions in finance, aftermarket and global distribution at Haldex. Most recently, he was in charge of EU Operations and Business Development

Other current assignments/positions: Director of Maxime BVBA.

Shareholding in Concentric: 10 000 shares.

## David Williams

*Head of Engine Engineering & Development*  
Born 1964



M.Sc. Engineering Business Management and B.Eng. Mechanical Engineering.

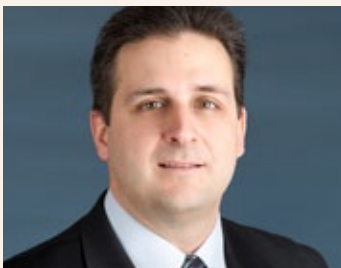
Work experience: David Williams worked as Group Technical Director at Concentric plc from 2006 until Haldex acquired the company in 2008. Previous positions include the post of Director of Engineering at Dana Automotive Systems.

Previous assignments/positions in the past five years: Group Technical Director of Concentric Plc. Director of Engineering of Dana Automotive Systems.

Shareholding in Concentric: 1 500 shares.

## William Pizzo

*Head of Hydraulics Engineering & Development*  
Born 1967



B.Sc. Mechanical Engineering and MBA.

Work experience: William Pizzo has been General Manager of Chicago Panel & Truss and before that held senior positions at Amtec Precision and Molded Products, SPX – Filtran and Illinois Tool Works.

Previous assignments/positions in the past five years: General Manager of Chicago Panel & Truss.

Shareholding in Concentric: 100 shares.

# Glossary & Definitions

<b>Axle cooling</b>	Heat Exchanger to control the temperature of the axle gear train
<b>Baler</b>	Farm machinery used to compress a cut and raked crop (such as hay, straw, or silage) into compact bales that are easy to handle, transport and store
<b>BRIC countries or emerging markets</b>	Brazil, Russia, India and China
<b>Fuel transfer pump</b>	Pump to lift the fuel from the fuel tank to the high pressure system
<b>DC Pack Lift/lower</b>	Integrated unit comprising of DC motor, hydraulic pump and reservoir
<b>Fan drive</b>	Hydraulic motor used for driving cooling fan
<b>Fuel pump</b>	Pumping device for fuel
<b>Gerotor pump</b>	Type of positive displacement pump
<b>Hydraulic hybrid system</b>	Hydraulic propulsion system for vehicles
<b>Hydraulic power pack</b>	Integrated unit comprising of DC motor, hydraulic pump and reservoir
<b>Hydraulic pump</b>	Positive displacement pump for pumping hydraulic fluids such as oil
<b>Implement pump</b>	Hydraulic pump used for auxiliary vehicle functions
<b>Seeder motor</b>	Hydraulic motor used for blowing seed into seeding device for planting
<b>OEM</b>	Original Equipment Manufacturer
<b>Oil mist separator</b>	Product that recycles oil from crank-case gases
<b>Piston pump</b>	Positive displacement pump that utilises a moving piston to displace the fluid
<b>Primary pump</b>	Main pump used in a multi circuit configuration
<b>Secondary circuit pump</b>	Secondary pump used in a multi circuit configuration
<b>Steering pump</b>	Hydraulic pump used to provide hydraulic power to a vehicle steering system
<b>Tail lift</b>	A mechanical device permanently fitted to the back of van or lorry designed to facilitate the materials handling of goods from ground level to the level of the vehicle, or vice versa
<b>Tier 1-, Tier 2-supplier</b>	Different levels of sub suppliers, typical within the automotive industry
<b>Variable flow oil pump</b>	Oil pump with controllable flow capacity
<b>Variable water pump</b>	Water pump with controllable flow capacity
<b>Varivent EGR pump</b>	Air pump used to pump the exhaust gas recirculated back into the engine intake
<b>Windrower</b>	A self propelled or tractor-drawn farm machine for cutting grain and laying down the stalks in windrows for later threshing and cleaning

## Definitions

<b>Americas</b>	Americas operating segment comprising the Group's operations in the USA
<b>Dividend yield</b>	Dividend divided by market price at year end
<b>Capital employed</b>	Total assets less non-interest bearing liabilities
<b>EBIT or Operating income</b>	Earnings before interest and taxes
<b>EBIT multiple</b>	Market value at year end plus net debt divided by EBIT
<b>EBIT or Operating margin</b>	Operating income as a percentage of net sales
<b>EPS</b>	Earnings per share, net income for the year divided by the number of shares
<b>Europe &amp; RoW</b>	Europe and the rest of the world, operating segment comprising the Group's operations in Europe, India and China
<b>Gearing</b>	Ratio of net debt to equity
<b>Gross margin</b>	Gross profit, i.e. net sales less cost of goods sold, as a percentage of net sales
<b>Net debt</b>	Total interest-bearing liabilities less liquid funds
<b>Operating income or margin before items affecting comparability</b>	Operating income or margin adjusted for restructuring and one-off items in the period
<b>ROCE</b>	Return on capital employed, Operating income plus interest income as a percentage of the average capital employed over a rolling 12 months
<b>P/E ratio</b>	Market value at year-end divided by net earnings
<b>Payout ratio</b>	Dividend divided by EPS
<b>Sales growth, like for like</b>	Sales growth adjusted for any acquisitions or divestments, in constant currencies
<b>Working capital</b>	Current assets excluding liquid funds less non-interest-bearing current liabilities

# Shareholder information

## Concentric's web site for investors

www.concentricab.com contains information about the company, the share and insider information as well as archives for reports and press releases.

## *The Annual Report on www.concentricab.com*

Concentric has chosen not to distribute its Annual Report to shareholders to minimize cost and environmental impact. Annual reports, quarterly reports and press releases are available on the Concentric's web site for investors.

## Financial information for 2012

Annual General Meeting	April 19, 2012
Interim report January - March 2012	April 26, 2012
Interim report January - June 2012	July 19, 2012
Interim report January-September 2012	October 18, 2012

## Annual General Meeting

Annual General Meeting for the fiscal year 2011 will be held at 4 p.m. CET on Thursday, April 19, 2012 at the Grand Hotel, Södra Blasieholmshamnen 8, Stockholm.

## *Participation in 2012 Annual General Meeting*

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB as of Friday April 13, 2012. Notification must be made no later than noon on Friday, April 13, 2012. Proxies and representatives of a legal person shall submit documents of authorization prior to the General Meeting.

In order to participate in the Annual General Meeting, shareholders with nominee registered shares must request their bank or broker to have their shares temporarily owner-registered with Euroclear Sweden as of Friday, April 13, 2012, and the bank or broker should therefore be notified in due time before said date.

## *Notification*

Concentric AB, Ringvägen 3, 280 40 Skånes Fagerhult, by telephone +46 708 326 854 or by e-mail to [info@concentricab.com](mailto:info@concentricab.com)

On giving notice of attendance, the shareholder shall state

- name
- personal identity number or equivalent (corporate identity number)
- address, telephone number
- shareholding



Concentric is a global expert in fluid engineering.

The company succeeds by offering great value to end-users and customers. Our competitive edge comes from doing things better.

## Addresses

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