

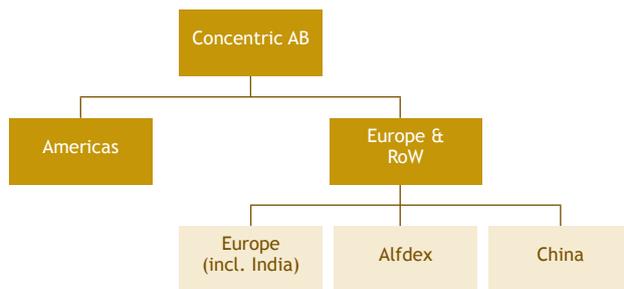
Business description

Overview

Concentric produces and sells a range of products, based on its core technical competence in pumps, to OEMs. The OEM customers are spread globally, and their products serve a range of end markets, categorized by Concentric as industrial applications, trucks, agricultural machinery and construction equipment. Concentric has a global manufacturing presence, supported by central support and development functions. It develops and sells products, which allow its customers to achieve their goals on fuel economy, emissions reduction and noise control.

Concentric is organized on the basis of its two geographical segments, **the Americas** and **Europe and the Rest of the World**, with a regional focus on two main product groups, namely engines and hydraulics.

Overview operational structure



On the engine products side, Concentric offers products for diesel engines, used for pumping lubricating oil, coolants and diesel fuel. The engines are used in trucks, buses, construction machinery and agricultural machines. Concentric is a Tier 1 supplier to engine manufacturers and large truck manufacturers which produce diesel engines for their own trucks and construction machinery, and hence supplies at Tier 2 level to the vehicle or machinery manufacturer.

On the hydraulic products side, Concentric offers a broad product range of both gear and gerotor pumps together with hydraulic power packs and high-density hydraulic hybrid systems for a wide range of industrial vehicle and diesel-engine installations. Concentric is a Tier 1 supplier to manufacturers of construction machinery, forklifts, tail lifts and agricultural machinery.

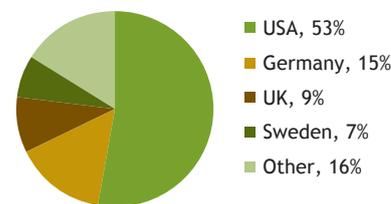
Alfdex is a 50/50 joint venture with Alfa Laval for the development, production and selling of oil mist separators. Production takes place in Landskrona

Concentric products are typically providing power on secondary hydraulic circuits to drive ancillary equipment such as hydraulic cooling fans and hydraulic steering systems. These are engineered niche applications. Concentric does not focus on the primary hydraulics power circuit to drive the machines primary functions as these tend to be low profit, standard pump designs.

In the Americas the main production site for hydraulics products is Rockford (United States), and for engine products Itasca (United States) and Rockford. In Europe and RoW the main production sites for hydraulics products are Skånes Fagerhult (Sweden), Hof (Germany), Suzhou (China) and Pune (India), and for engine products Birmingham (United Kingdom), Hof, Landskrona (Sweden), Pune and Suzhou.

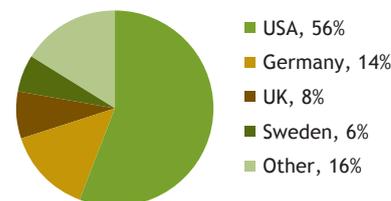
The Company aims to produce products close to customers and price its products to ensure consistent profitability regardless of the particular geography.

2010 Sales by customer location



Note: Other mainly consists of China, India and Latin America.

2009 Sales by customer location



Note: Other mainly consists of China, India and Latin America.

The Company monitors demand growth in the various end markets for each sales destination separately as end markets display different growth characteristics within the different regions.

2010 Sales by end market



Note: Based on Concentric's sales by direct customer and management estimates of those customers end markets.

History

Concentric's history can be traced back through the history of the Haldex Hydraulic Systems Division, and Concentric plc that was acquired by Haldex in April 2008. The Hydraulic Systems Division's history began with two companies, the German company Reichert, that started to manufacture cogwheel pumps in 1908, and the Swedish company Hesselman,

that started to manufacture components and engines for the automotive industry in the late 1920s, and hydraulic systems in the early 1960s.

In the mid-1980s, Hesselman, Haldex and Garphyttan were consolidated under the name Haldex AB. In 1987, the group of companies acquired JS Barnes, a U.S. company founded by Swedish emigrants in 1929, in Rockford, Illinois, for the manufacture of hydraulic systems. In 1989, Schabmüller, a German manufacturer of direct-current motors, was acquired. Two years later, the German company Reichert was acquired. At the time, Reichert was a Vickers company engaged in the production of hydraulic pumps in Statesville, NC, in the U.S.

In 1994, the group of companies was renamed Garphyttan Pumps & Systems and included Hesselman, Schabmüller and JS Barnes. Schabmüller was sold the following year, and the new operations were renamed Haldex Hydraulic Systems in 2002.

In 2008 Haldex acquired Concentric, to form the current Haldex Hydraulic Systems Division. Concentric was founded in Birmingham, England in 1921, and started to produce engine pumps in 1948. By the time of the acquisition Concentric had become a leading global supplier of oil, water and

fuel pumps for medium and large diesel engines for applications in commercial vehicles and construction equipment. In spring 2011 the Haldex Hydraulic Systems Division was renamed Concentric to prepare for separation from Haldex and listing on NASDAQ OMX Stockholm.

Products

Concentric customer solutions are based on its core technical competence in pumps, which are tailored to produce customer specific solutions requiring flow or pressure and/or a reduction in power consumption or noise to drive the pump, thereby providing environmental benefits in terms of better fuel consumption, lower noise and lower emissions. Major products include:

- Oil pumps, fixed and variable displacement, mechanical or electronic control
- Water pumps, fixed and variable control with future stretch for electrification
- Fuel transfer pumps, mechanical with electrification options
- Hydraulic pumps and motors featuring low noise, low speed and high power density

Examples of Concentric's products by end market

TRUCKS			INDUSTRIAL EQUIPMENT		
					
Oil mist separator	Variable oil pump	Variable water pump	DC Pack Lift/ Lower	Transmission	Low noise pump
					
AGRICULTURE			CONSTRUCTION		
					
Seeder motor	Oil pump	Implement pumps	Axle Cooling	Fuel pump	Fan Drive
					

Note: Many of the product examples are used in several of Concentric's end markets.

Key new products include:

- Alfdex oil mist separators (in the Alfdex joint venture with Alfa Laval)
- Hydraulic Hybrid drive systems (that can offer 40–50 percent fuel savings together with engine downsizing options)
- Varivent EGR pumps to provide a greater mass of recirculated exhaust gas, further reducing emissions

Customers

Concentric has a large number of OEM customers in the different end markets, ranging from large multinational OEMs, to regional or niche market specialist OEMs. The largest customers are major engine makers such as Cummins, Deutz and Perkins, whose engines are used in the trucks end market, but also in construction and agriculture end markets. The major truck companies such as IVECO, Volvo and Scania also use Concentric products in their engines and are major customers in the truck end market. In the construction equipment and agriculture machinery end markets, the major producers of construction and agricultural machinery such as Caterpillar, John Deere, VCE, JCB, Terex, Atlas Copco and CNH are Concentric’s main customers. In the industrial application end market, the customer base is generally more fragmented. There are large customers in the area of fork lift trucks, such as Still, Linde, BT and Nacco, as well as in tail lifts, such as Zepro, Bär, Maxxon and Sörensen.

The top 10 customers contributed 64 percent of the Group’s net sales for 2010.

Production

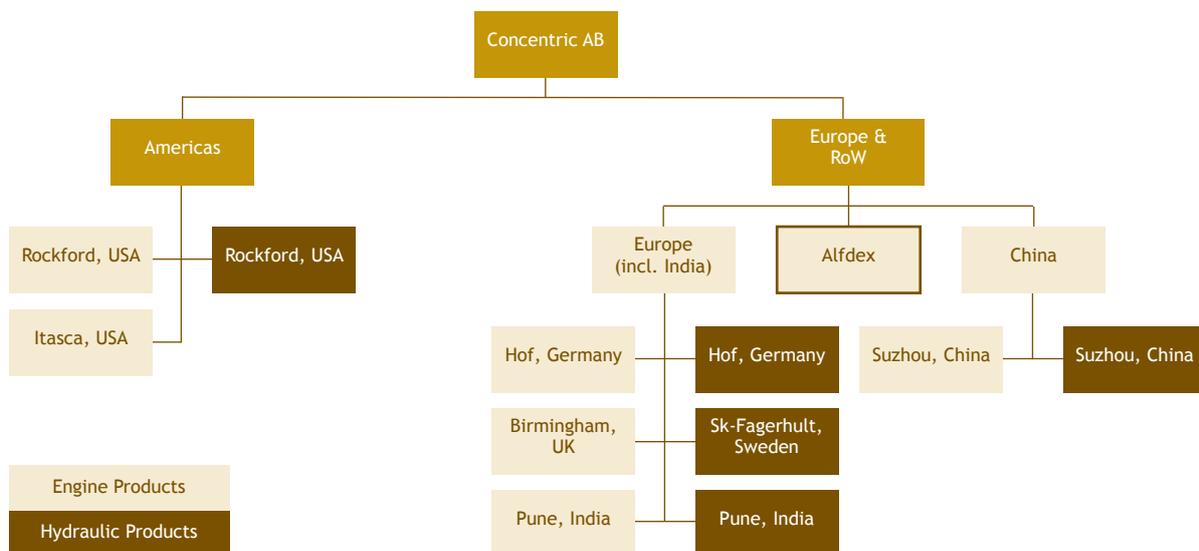
Concentric operations are organised by region, with full P&L and balance sheet accountability at both regional and site level. Each site has a General Manager, who is responsible for all operational activity and with P&L responsibility. All production sites are ISO/TS16949 and ISO14001 certified. ISO/TS16949 is a standard for quality management systems for suppliers to the automotive industry developed by the International Automotive Task Force (IATF) and the International Organization for Standardization (ISO), while ISO14001 is a standard for environmental management systems developed by the ISO.

Concentric distinguishes between two manufacturing platforms, one for higher volume plants (Birmingham, Itasca, Hof, Pune, Rockford, Landskrona and Suzhou), and one for lower volume plants (Skånes Fagerhult, Rockford, Hof). The higher volume plants operate a cellular structure using automated or semi-automated no fault forward methodology dedicated to production of one part number or a small range of variants. The lower volume plants operate a product channel structure based around a group methodology in order to support sales of smaller consignments of similar products.

The typical project gestation period is 2–3 years and typical product life is 10 years. Hydraulic applications have wide variety and typical volumes are in the range 250 to 5,000 per annum. Engine applications have limited variety and typical volumes are in the range 50,000 to 200,000 per annum.

The Company operates a continuous improvement and lean manufacturing methodology, driven by the Baldrige/EFQM model (European Federation of Quality Management)

Operational structure



Production sites



and an internal improvement programme inherited from the Haldex Group, the “Haldex Way”. Staff at all levels participate in development activities and are encouraged to improve their skills with appropriate training.

Research & Development

Concentric currently spends approximately 4 percent of revenue on its engineering competence and organizes research and development on a global basis, focused on both product areas, engines and hydraulics. Applications engineering is organized regionally to be closer to the customer, so that Concentric can develop bespoke solutions together with its customers. This is also focused on a product basis.

Concentric has three primary development centres in the United States, the United Kingdom and Sweden, each facility is comprehensively equipped with modern performance, durability and environmental test equipment supported by software modeling and diagnostic tools. With its fifty years of experience the Company has a very comprehensive empirical database, which when combined with the latest software modeling techniques enables Concentric to offer a very good predictive capability which significantly reduces customers’ risk from new products.

Supply chain

Purchasing is based within the regions, and co-ordinated on a global basis via a Purchasing Director located in China. The purchasing structure is currently undergoing change as China is becoming less competitive, however low-cost country sourcing is expected to remain at above 50 percent of spend. Concentric requires ISO/TS16949 and ISO14001 certification from all its suppliers.

Marketing and sales organisation

Sales and account management are organised regionally to address both engine and hydraulic markets. In general the account manager responsible will be based at the plant that supplies to the specific customer. Global accounts are managed on a matrix basis, and co-ordinated by one of four sales vice presidents, who leads the account on a global basis.

Support functions

In general support functions are decentralized to the regions and the specific operational sites. Group level coordination is then added where necessary, in areas such as Finance and Treasury, IT, R&D and Intellectual Property and Quality Control. The small head office is located in Alvechurch,

Birmingham, not far from the Birmingham facility. The CEO and CFO are based here, and have primary responsibility also for investor relations. Each site has its own finance and treasury organization which report through the business regions to the CFO. External legal counsel is retained in Sweden for corporate matters, and locally for other matters.

Personnel Staff development

Concentric's success is based on the competencies and abilities of its employees and the endeavor to always, in good times and bad, continuously develop its workplaces around the world to attract the best employees. Creating such attractive workplaces is a high priority for Concentric. Employees in various countries, with diverse cultural backgrounds, must be able to work together well to create added value for the Company and for customers. This, in turn, increases the demands on employees and on the organization's performance readiness. To achieve this, Concentric builds on the Baldrige/EFQM methodology and encourages its employees to undertake global assignments, and a variety of training plans, both locally and often with an international element.

Managing the impact of the recession

Concentric employees contributed hard work and significant sacrifices to help the Group emerge from the recession. A dominant focus in the various sections of the Group was to manage the impact of the recession, which was addressed at an early stage, and already during autumn 2008 measures were implemented to rapidly reduce the Group's expenses. This included significant cuts in the Group's HR efforts, production halts and a reduction of working hours, and consequently, lower wages and salaries. The Group's entire workforce (including management and blue-collar employees) was the subject of work hour reductions and 20 percent pay cuts during 2009.

The number of permanent employees reduced significantly in 2008 – 2010 with worldwide headcount reductions being implemented in all three years. Concentric's employees showed great loyalty to the Company in this necessary work, which was successful. In 2010 the Group has returned to normal pay for all employees.

Number of employees per country at year end

Country	2010	2009	2008
China	34	611	853
Germany	163	174	193
India	195	138	145
U.S.	393	427	482
UK	236	169	321
Sweden	135	113	141
TOTAL	1,156	1,632	2,135

Note: The reduction in China relates largely to the divestment of the HHQ operation in Qingzhou.

Environment and Corporate Social Responsibility

All of Concentric's sites are certified to ISO14001 and OHSAS18001 standard (the latter being a standard for occupational health and safety management systems).

Environmental policy

According to Concentric's corporate environmental policy, Concentric environmental programmes shall be characterised by continual improvement, technical development and resource efficiency. Concentric's environmental policy covers all activities performed at Concentric sites. Concentric will, by these means, gain competitive advantage and contribute to sustainable development. The environmental impact of Concentric's products, industrial operations and services shall be minimized by making pollution prevention a fundamental requirement of all operations, with applicable legislation and respecting the environment of the local community and stakeholders. Each senior executive is responsible for implementing action programmes based on the environmental policy.

Continual improvement

Concentric's environmental activities shall be integrated in all operations and shall be improved continually by:

- Formulating, communicating and monitoring clearly-defined goals;
- Involving all employees.

Technical development

Concentric shall strive to exceed the customers' demands and expectations by:

- Developing products that target reductions in fuel consumption
- Reducing the use of environmentally harmful materials;
- Increasing recycling ability.

Resource efficiency

Concentric's products and industrial operations shall be such that:

- The consumption of energy and raw materials is minimised;
- The production of waste and residual products is minimised;
- Waste management is facilitated and where practical waste is recycled

Social policy

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.

Concentric in society

Concentric will contribute to improving economic, environmental and social conditions through open dialogue with relevant interest groups in the societies where Concentric operates.

Human rights

Concentric will support and respect the protection of internationally decreed human rights.

Child labor

Concentric will see to it that minors are protected in a satisfactory manner and, as a basic principle, refrain from hiring children or supporting child labor unless it occurs in a government-approved training program for young people, for example, practical work experience.

Freedom of contract

Concentric will ensure that all employees accept positions in the Company of their own free will.

Health and safety

Concentric will offer a safe work environment at all its workplaces, and take measures to prevent accidents and occupational injuries by minimizing the risks in the work environment to the greatest possible extent.

Equal opportunity

Concentric will offer 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.

Suppliers

Concentric will use appropriate methods to assess and choose suppliers based on their ability to meet the requirements of Concentric's social policy and other social principles, and document their continued fulfillment of those requirements.

Business ethics

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

Reports of violations

Reports of violations of the social policy may be submitted anonymously and confidentially to Concentric Divisional Human Resources, Group Human Resources or the chairman of the Board according to Concentric's Whistle-Blowing Policy. There shall be no retaliation or other negative consequences for persons reporting in good faith.