

Pro forma financial information

General information on the pro forma financial statements

The Hydraulic Systems Division has been part of the Haldex Group. Separation will therefore entail changes, among other things, to the tax and financing situation of the independent Concentric Group, as these functions will no longer be shared with the rest of the Haldex Group. The aim of this section is to illustrate the changes to the financial statements of Concentric, as if it had been a standalone entity in 2010 and the first quarter of 2011.

On separating from Haldex, Concentric will utilize the credit facilities that it has entered into with a number of institutions for future financing requirements and to replace intra-group financing with Haldex. These new credit facilities comprise:

- a revolving multi-currency credit facility agreement with two banks totaling EUR 40 m (approximately SEK 360 m), with a term of three years and an interest margin ranging from 0.90 – 1.85 percent above STIBOR for the applicable currency drawn; and
- a SEK 175m corporate bond to be issued by Concentric to Svensk Exportkredit in connection with the contemplated distribution, with a term of three years and six months and an interest margin of 2.75 percent above STIBOR.

The new credit facilities are repayable in full on maturity and will involve changes to the borrowing terms, such as lower interest margins and credit charges compared with the previous intra-group financing when Concentric was part of the Haldex Group.

It should be noted that in 2010 Concentric paid management fees to Haldex for certain services received including for example business development, human resources, treasury and corporate controller. No adjustments have been made to the pro forma financial statement 2010 for these costs, since they are judged to essentially reflect the cost level the Company would have had to pay for these services. This is not the case in Q1 2011, where there is certain duplication of corporate costs, explained in note (A) in “Proforma income statement as at March 31, 2011”.

The pro forma financial statements below have been prepared in order to illustrate what the income statement for the Concentric Group might have been had the new credit facilities entered into been in force as of January 1, 2010 and 2011 and what the balance sheet position might have been at March 31, 2011 if the refinancing and other standalone effects had taken place at this date.

The pro forma financial statements are intended to describe a hypothetical situation and have been produced solely for illustration purposes in order to provide information and shed light on facts and are not intended to present the financial position or income that the business would actually have achieved had the new loan terms or any other standalone effects taken effect on the reported dates; nor are they to show an actual financial position or the business’s result at any future date or in any future period. The pro forma financial statements are based on Hydraulics Systems Division within the Haldex Group, as presented in “Historical financial statements”.

Reported amounts are rounded off to the nearest million SEK, while calculations are carried out using multiple decimal points. Percentages are reported with one decimal point, and have also been rounded off. Note that the rounding off of figures may give the impression that certain calculations do not add up.

Accounting principles of the Concentric Group

The pro forma financial statements for the Group have been prepared in accordance with the accounting principles applicable to the Concentric Group and with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union, the Swedish Annual Accounts Act and the recommendations published by the Swedish Reporting Board. A description of the accounting principles can be found in “Historical financial statements”.

The pro forma financial statements have been adjusted for all changes in respect of the separation and the refinancing, and these changes are deemed to be enduring in nature as regards to the new Concentric Group.

Pro forma income statement as at December 31, 2010

The pro forma table below is based on the 2010 combined financial statements for Concentric. Proforma adjustments have been made to illustrate Concentric as a standalone entity, if the separation had been made as per January 1, 2010.

Amounts in SEK m	Note	Concentric 2010	Interest Expense	Taxes	Pro forma
Net sales		1,977			1,977
Cost of goods sold		(1,505)			(1,505)
Gross income		472	-	-	472
Selling expenses		(84)			(84)
Administrative expenses		(150)			(150)
Product development expenses		(73)			(73)
Other operating income and expenses		(56)			(56)
Operating income		109	-	-	109
Net financial items	A	(56)	36	-	(20)
Income before tax		52	36	-	89
Taxes	B	(17)	(11)	1	(27)
Net income		35	25	1	62
<i>Operating margin, %</i>		7.6%			7.6%
<i>EPS, SEK</i>		0.79			1.40

Net financial items (A)

Adjustment has been made for the reduced interest expense caused by the new loan terms. The new loans are assumed to be drawn in SEK, GBP, EUR and USD. The average borrowing in 2010 (net of excess liquid funds) after adjusting for the capital contribution made in the first quarter of 2011 (reduces debt by SEK 50 m) and the reclassification of inter-company non-trading liabilities with Haldex Group companies due to be settled upon the separation (increases debt by SEK 50 m), was SEK 329 m with an average interest rate for 2010 of 3.2 percent, including currency effects, based on the new loan terms. In addition to interest net, financial items also include foreign exchange differences, pension interest and other financial items of SEK 9. The proforma net financial items amount to SEK 20 m in total, giving a pro forma adjustment of SEK 36 m. Income before tax amounts to SEK 89 m following the aforementioned adjustments.

Income tax (B)

The actual tax for the period was distorted by capital losses totalling SEK 19 m, which had no attributable tax credits. Adjusting for these items, the underlying income tax rate would have been 26 percent. This compares with an effective tax rate of approximately 30 percent looking at the mix of taxable profits generated in 2010. The average tax rate of 30 percent has been applied to the reduced interest expense of SEK 36 m (see also note A) to calculate the tax effect. In addition, the effective income tax rate has been revised from 33 percent to 30 percent to reflect the estimated rate applicable in 2010 for Concentric as a standalone tax group. The increase in income tax totals SEK 10 m. Net income amounts to SEK 62 m following the aforementioned adjustments.

Pro forma income statement as at March 31, 2011

Proforma adjustments have been made to illustrate Concentric as a standalone entity, if the separation had been made as per January 1, 2011.

Amounts in SEK m	Note	Concentric 2011 Jan-Mar	One-off costs relating to spin-off (A)	Interest Expense	Pro forma
Net sales		554	-	-	554
Cost of goods sold		(410)	-	-	(410)
Gross income		144	-	-	144
Selling expenses		(19)	-	-	(19)
Administrative expenses		(42)	-	-	(42)
Product development expenses		(14)	-	-	(14)
Other operating income and expenses	A	(10)	8	-	(2)
Operating income		58	8	-	66
Net financial items	B	(12)	-	9	(3)
Income before tax		46	8	9	63
Taxes	C	(15)	(2)	(3)	(20)
Net income		31	6	6	43
<i>Operating margin, %</i>		<i>10.4%</i>			<i>11.9%</i>
<i>EPS, SEK</i>		<i>0.70</i>			<i>0.97</i>

(A) One-off costs relating to the spin-off

Adjustment has been made for those items, namely Concentric's share of Haldex's duplicated corporate costs relating to the spin-off totaling SEK 3 m and transaction costs relating to the spin-off of SEK 5 m. Operating income amounts to SEK 66 m following these adjustments. The costs are not expected to affect the income statement in the future.

(B) Net financial items

Adjustment has been made for the reduced interest expense caused by the new loan terms. The new loans are assumed to be drawn in SEK, GBP, EUR and USD. Total borrowings as per March 31, 2011 amount to SEK 239 m with an average interest rate for the first quarter of 4.2 percent, including currency effects, based on the new loan terms. The reduction in interest expense totals SEK 9 m. Income before tax amounts to SEK 63 m following the aforementioned adjustments.

(C) Income tax

The effective tax rate applied on the one-off costs relating to the spin-off was 27 percent. An adjustment has also been made for the tax effect (32 percent effective tax rate) of the reduced interest expense of SEK 9 m (see also note B). The effective income tax rate of 32 percent reflects the expected rate for Concentric as a new standalone tax group. The increase in income tax totals SEK 5 m. Net income amounts to SEK 43 m following the aforementioned adjustments.

Pro forma balance sheet as at March 31, 2011

Amounts in SEK m	Note	Concentric		Pro forma
		2011 Jan-Mar	Refinancing	
ASSETS				
Fixed assets				
Goodwill		470	-	470
Other intangible fixed assets		405	-	405
Tangible fixed assets		184	-	184
Financial fixed assets		7	-	7
Total fixed assets		1,065	-	1,065
Current assets				
Current assets, excluding liquid funds		479	-	478
Liquid funds	A	273	(200)	73
Total current assets		751	(200)	551
TOTAL ASSETS		1,817	(200)	1,617
EQUITY AND LIABILITIES				
EQUITY				
Long-term liabilities		722	-	722
Interest-bearing long-term liabilities - Pensions		116	-	116
Interest-bearing long-term liabilities - Loans	B	-	239	239
Non-interest-bearing provisions		68	-	68
Total long-term liabilities		184	239	423
Current liabilities				
Non-interest-bearing liabilities	C	505	(34)	471
Interest-bearing current liabilities - Loans	B	405	(405)	-
Total current liabilities		911	(439)	471
TOTAL LIABILITIES		1,095	(200)	895
TOTAL EQUITY AND LIABILITIES		1,817	(200)	1,617
Working capital		(26)	34	8
Net Debt		248	34	282
<i>Net debt / equity ratio, %</i>		<i>34.0%</i>		<i>39.0%</i>

(A) Liquid funds

Liquid funds for Concentric in March 31, 2011 refer to actual liquid funds under the Haldex cash pooling arrangements, according to the Combined Financial Statements of Concentric. An adjustment has been made to net down SEK 200 m surplus liquid funds against interest bearing liabilities to reflect an adequate level of liquid funds. After adjustments, liquid funds amount to SEK 73 m.

(B) Interest-bearing liabilities

Interest-bearing liabilities for Concentric in March 31, 2011 refer to actual interest bearing liabilities according to the Combined Financial Statements of Concentric. An adjustment has been made to net down SEK 200 m surplus liquid funds (as noted above) and borrowings have been reclassified between current and long-term to reflect the new loan terms. In addition, other current inter-company liabilities

with Haldex Group companies, due to be settled upon the separation, have also been reclassified to borrowings (see note C). After adjustments, total borrowings amount to SEK 239 m, comprising SEK 175 m in respect of the Svensk Exportkredit corporate bond with the balance drawn against the revolving multi-currency credit facilities.

(C) Other non-interest bearing current liabilities

Other non-interest bearing current liabilities for Concentric at March 31, 2011 refer to actual other non-interest bearing current liabilities according to the Combined Financial Statements of Concentric. An adjustment has been made to reclassify SEK 34 m of inter-company non-trading liabilities with Haldex Group companies which are due to be settled upon the separation as part of the refinancing. After adjustments, other non-interest bearing current liabilities amount to SEK 471 m.

Auditor's report on the pro forma financial information

To the Board of Directors in Concentric AB (publ) Corp. ID No. 556828-4995

We have reviewed the Pro Forma Financial Information set forth on pages 34–37 of Concentric ABs prospectus dated May 23 2011.

The Pro Forma Financial Information has been prepared for the sole purpose of illustrating how a distribution of the shares in Concentric AB to the shareholders of Haldex AB might have affected the consolidated balance sheet of Concentric AB as per March 31, 2011 and the income statement of Concentric AB for the period January 1, 2010 – December 31, 2010 and for the period January 1, 2011 – March 31, 2011.

Responsibility of the Board of Directors and the President

It is the Board of Directors' and the President's responsibility to prepare the Pro Forma Financial Information in accordance with the requirements of the Prospectus Regulation, 809/2004/EC.

Auditor's responsibility

It is our responsibility to provide an opinion in accordance with Annex II, item 7 of the Prospectus Regulation, 809/2004/EC. We are not responsible for expressing any other opinion regarding the Pro Forma Financial Information or any of its constituent elements. We assume no liability with respect to financial information used in the compilation of the Pro Forma Financial Information, other than our

liability in respect of the audit reports regarding such historical financial information which we have previously provided.

Work performed

We have performed our work in accordance with Fars Recommendation RevR 5 Examination of Prospectus. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with source documents, assessing the basis for the pro forma adjustments and discussing the Pro Forma Financial Information with the senior management of the company.

We planned and performed our work so as to obtain the information and the explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated on pages 34–37 and that this basis is in accordance with the accounting policies applied by Concentric AB.

Opinion

In our opinion, the Pro Forma Financial Information has been properly compiled on the basis stated on pages 34–37 and that basis is consistent with the accounting policies applied by Concentric AB.

Stockholm May 23 2011

ÖhrlingsPricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant