

CEO's statement

Dear Future Shareholders,

In April 2008 Haldex acquired Concentric plc, creating the current division Haldex Hydraulic Systems, the “new” Concentric. Both companies have long histories of developing novel pump technologies. The combination linked Concentric plc's strengths in engine pumps with Haldex's strength in hydraulic pumps creating a leading company able to serve customers globally with the resources and skills to remain at the front of technological development.

Customers and end users of machinery which contain our products are under intense pressure to improve their energy efficiency, and lower their environmental impact. This pressure is both a regulatory requirement, and a business necessity given the increasing cost of energy. Our advanced pumps assist them in this, ensuring a strong market for our products.

The integration of Concentric plc and Haldex was hastened by the onset of the worst recession in living memory, at the end of 2008. In these circumstances, the strength of the organization came to the fore. Measures were taken rapidly and total headcount was reduced by over 1,000 from the acquisition of Concentric plc to the end of 2009. The result was that Concentric, despite a drop in sales of 46 percent, remained cash positive in every quarter of the downturn. This performance through the recession is a testament to our ability to adjust the cost structure and continued in 2010, despite the upturn in activity, with the divestment of the Qingzhou, China operations and the closure of the operations in Statesville U.S. Just as importantly, Concentric has now regained its position with a slimmer organization, and we remain firmly committed to maintain this competitive cost base in order to maximize our operational leverage and drive profit margin and cash conversion.

The fundamental growth drivers of our markets, global infrastructure growth and tougher emission legislations are strong. Our strong market positions in fuel pumps and oil pumps, makes us well positioned to take full advantage of this growing market. In addition, our leading position in premium, specialist gear pumps enables us to explore new opportunities and expand into BRIC countries to further fuel growth.

Our products are used in hundreds of applications, from highly consolidated areas such as diesel engines, to a myriad of smaller applications. Our customers are broadly in four sectors; industrial applications, trucks, agricultural machinery and construction equipment. Emissions legislation in all regions and sectors is being updated every four to five years to progressively tighten standards. Whilst this does add an element of cyclicality to sales, it generally represents an opportunity to win additional business as machinery is re-engineered to meet the more exacting standards. This diverse

spread of end markets together with our geographical spread reduces the cyclicality of our sales when the end markets are not moving in unison. It also provides a base for growth in India, Asia and other emerging markets.

We are a leader in this global market, where we have a full global presence and are a partner to our customers wherever they are. The diversity of applications for our products provides ample opportunity for us to develop new niches or bring new technologies to new geographic areas as they are needed.

For example, emissions from diesel engines are closely regulated by authorities in the United States and Europe. These are today our major markets and our products help our customers to meet the emission targets from 2011–2014. In addition, there is already a defined tightening of emission standards in Brazil, China and India, and as this legislation is enforced these large markets will open up for us too.

More specifically, Concentric is leading the development of intelligent engine pumps and hydraulic hybrid systems electronically linked to the vehicle control system to reduce unnecessary power consumption and improve fuel efficiency, in some cases by 30–40 percent.

We can demonstrate a track record of finding profitable growth opportunities in diverse end markets, through new product introductions or acquisitions. A key element has been our flexibility in these changing markets, and this flexibility will be enhanced by Concentric being a separately listed company, with a more direct link to shareholders who support our business. Our financial goals are annual organic growth in sales of 7 percent and an EBIT margin of 11 percent over a business cycle with a net debt to equity ratio of less than one. These are backed by an ambitious development plan, which we believe will make Concentric an attractive investment proposition.

I myself have been with Concentric for 9 years and the Company is now in a stronger position than ever before. After the listing, I will be stepping down, and leaving to my successor the exciting journey as an independently listed company. I am confident that the strong processes and depth of talent within the Company offer my successor the ideal opportunity to continue the successful development.



Ian Dugan