New Company, Great Possibilities

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Q2 2011 Interim Report

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Innovation in Flow Control and Fluid Power

Results Summary
Q2 2011

- Sales at SEK 559 m increased by 3% in constant currencies compared to first quarter 2011, and 30% compared to second quarter 2010
- Market demand is being sustained with orders slightly ahead of sales activity
- Operating income was SEK 76 m, adjusting for SEK 16 m one-off costs associated with the demerger
- Operating income margin for the second quarter 2011 was 13.6% compared to 11.9% for first quarter 2011
- Earnings after tax were SEK 33 m (2); Earnings per share amounted to SEK 0.74 (0.06); After adjusting for the post-tax impact of one-time de-merger costs, the earnings per share was SEK 1.00
- Cash flow from operating activities was SEK 36 m (38)
- Net debt was reduced to SEK 269 m (404) and gearing was reduced to 36% (53%)

Market Data
Strong demand in Q2 2011

CONCENTRIC

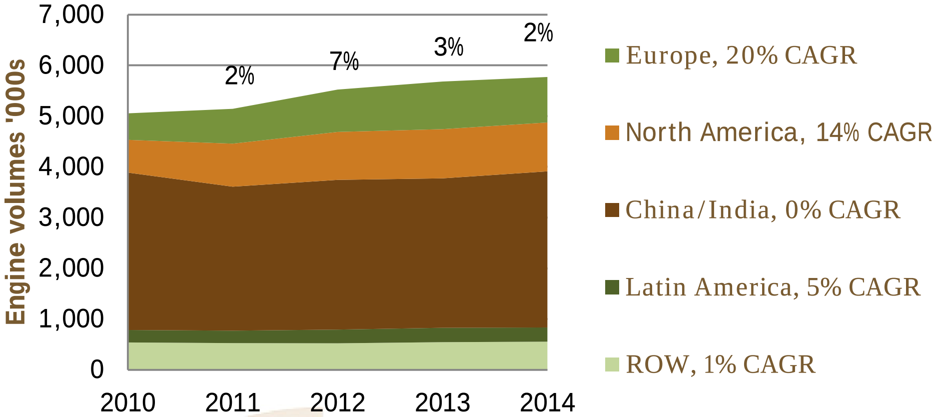
	Q2-11 vs. Q2-10		Q2-11 vs. Q1-11	
	North America	Europe	North America	Europe
Truck	+50%	+38%	+13%	+5%
Construction equipment	+16%	+9%	+6%	+4%
Agricultural machinery	+14%	+5%	+13%	+5%
Industrial applications	+28%	+20%	+16%	-1%

Source: Based on statistics from Power Systems & Research, Off-Highway Research and International Truck Association Q2 2011 update

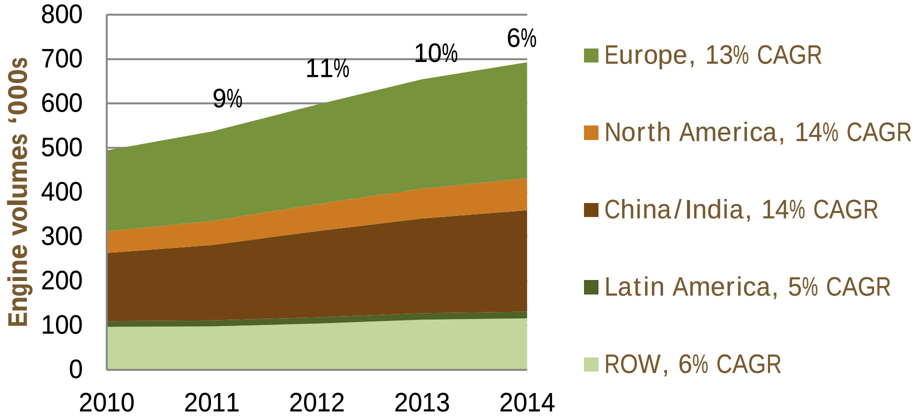
- Increasing demand in US Heavy Truck sector as industry capacity restrictions are easing
- Strong sustained demand across all end markets, driven by:
  - New emission requirements for off-road diesel engines
  - Global infrastructure growth
  - Rising commodity prices (agriculture and mining)

Market Data
Continued growth beyond 2011

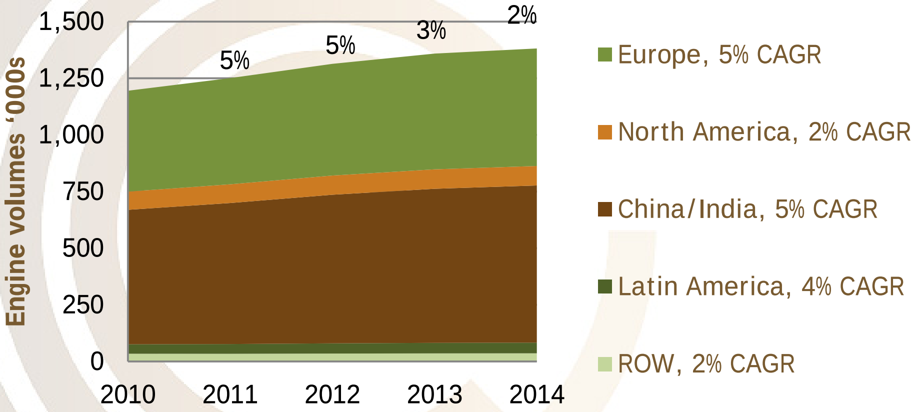
Truck



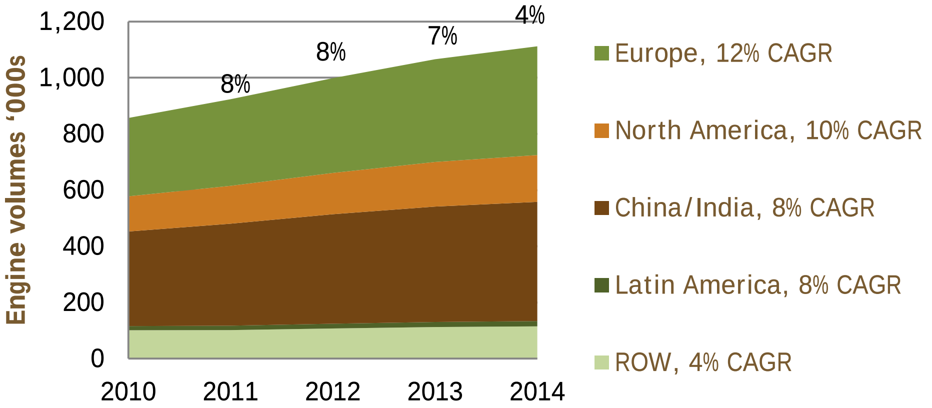
Construction equipment



Agricultural machinery

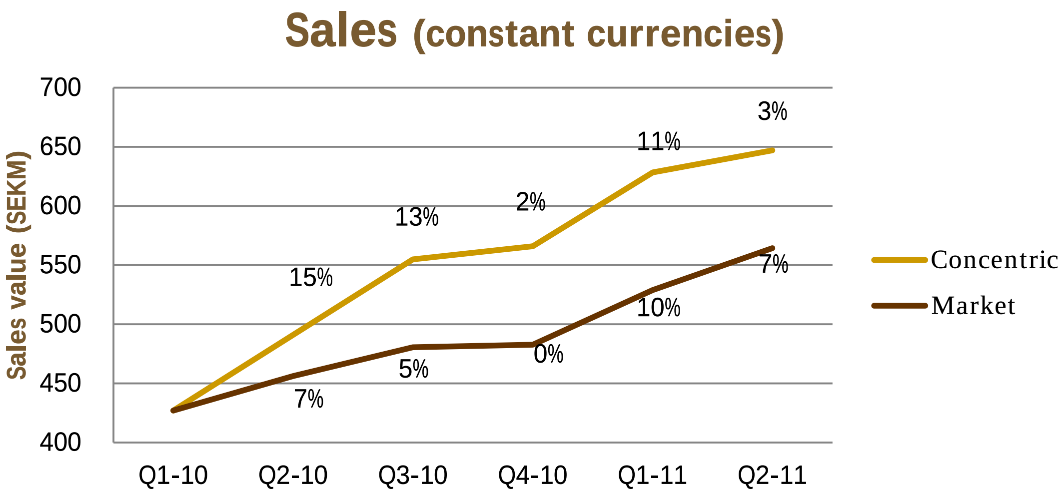


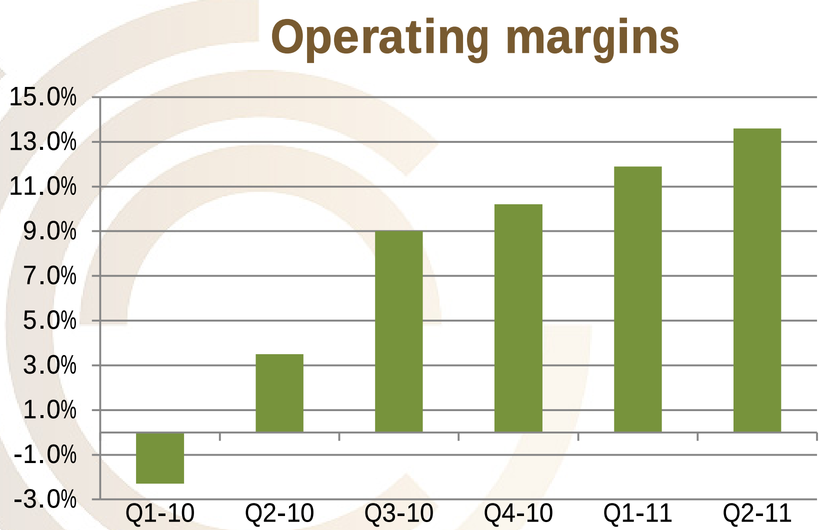
Industrial applications



Source: Based on statistics from Power Systems & Research, Off-Highway Research and International Truck Association Q2 2011 update

Sales & Operating margins
Profitable growth





Above market sales growth driven by:

- Inventory replenishment and sustained demand thereafter
- Introduction of new Tier 4 emissions programs in Europe & North America
- Market share growth in India and China

Improved operating margins driven by:

- Increased sales volumes
- Realisation of benefits from cost reduction program
- Ongoing cost management

Development per segment - Americas

Amounts in SEK m	Q2-11	Q2-10	Change
Net sales	305	272	12%
Operating income 1)	32	23	9
Operating margin, % 1)	10.6	8.5	2.1
Return on capital employed, % 1,2)	24.2	6.1	18.1

1) The operating income and margin is stated before one-off advisor fees associated with the de-merger.
2) The quarterly ROCE has been calculated on a rolling 12 month basis.

- Second quarter sales increased 33% compared to 2010 in constant currencies
  - Increase applies to all end sectors
  - Sales in the second quarter were up 8.5% on first quarter 2011 in constant currencies

- Operating income SEK amounted to 32 m (23)
  - Operating margin of 10.6 % (8.5%)
  - Operating income continued to improve, due to increased sales volumes, pass through of material escalators and a lower cost base.

Development per segment
- Europe & ROW

Amounts in SEK m	Q2-11	Q2-10	Change
Net sales	254	221	15%
Operating income/loss 1)	40	-6	46
Operating margin, % 1)	15.7	-2.7	18.4
Return on capital employed, % 1,2)	20.2	-8.5	28.7

1) The operating income and margin is stated before one-off advisor fees associated with the de-merger.
2) The quarterly ROCE has been calculated on a rolling 12 month basis.

- Second quarter sales increased 26% compared to 2010 in constant currencies
  - Sales in the second quarter reduced by 3.6% compared to the first quarter 2011 in constant currencies, as a result of less working days in the calendar at the Birmingham plant
- Operating income amounted to SEK 40 m (-6)
  - Operating margin of 15.7% (-2.5%)
  - Operating income continued to improve as a result of increasing sales, pass through of material escalators and a lower cost base

Actual 2011
Balance sheet

Amounts in SEK m	Q2-11	Q2-10	COMMENTS
Working Capital	42	-38	• SEK 57 m of non-operating working capital balances with Haldex AB were settled as part of the refinancing arrangement.
Intangible assets	864	1,077	• Largely relates to Concentric PLC acquisition accounting – reduction primarily due to FX retranslation and amortisation in the period.
Capital Employed	1,153	1,405	
Total Assets	1,716	2,080	• Reduction in intangibles (see above) and utilisation of excess cash on refinancing.
Net Debt	269	404	• Strong cash flow in period.
Equity	756	759	
Gearing ratio	36%	53%	

Actual 2011
Cash flows

Amounts in SEK m	Q2-11	Q2-10	COMMENTS
EBITDA	94	60	• Increase derived from strong operating performance
De-merger costs	-16	-	• One-off advisor fees and duplicate corporate costs
Working capital change	-14	-8	• Pressure from increased sales activity
Capital expenditure	-12	-12	
Operating cash flow	52	40	
Net interest & taxes paid	-28	-14	• Higher taxes due to improved trading
Cash inflow before financing	24	26	

Outlook

- Latest market indices suggest year on year growth of 15% in constant currencies
- Orders received during the second quarter 2011 indicate that sales activity levels during the second quarter will be sustained in the third quarter of 2011. Therefore, we believe we will exceed the market projection for the full year 2011
- Further US heavy truck sales growth as industry capacity restrictions are easing
- Demand remains stable and we see no signs of weakening
- We will continue to focus on cost and working capital control, material availability and cost, and we will continue to pass on all material increases through escalator agreements
- The relative strength of the SEK against the USD, EUR and GBP will continue to have an significant impact on the reported results

Any questions?

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