Historical financial statements

Basis of presentation of combined financial statements of the Hydraulic Systems segment within the Haldex Group (Concentric)

Description of business

Concentric offers innovative proprietary solutions to the global manufactures of construction machinery, diesel engines and large trucks. The main focus is on products related to fuel efficiency and reduced emission.

The business

The business (Group) consists of Concentric AB group owned by Haldex AB. All companies are consolidated in the Haldex Group's consolidated financial statement.

During 2010, Haldex AB separated the Hydraulic Systems business to Concentric AB through share transfers. The shares that were not transferred relate to Concentric Hydramax Inc.

On December 31, the Concentric AB Group consists of the following wholly-owned subsidiaries: Concentric Hydraulics Plc, Haldex Hydraulics AB, Haldex Hydraulics Gmbh, Concentric S.A.S, Concentric Korea LLC, Concentric Srl and Haldex Hydraulics (Hong Kong) Company Ltd.

The Concentric AB group has been established during the year 2010. 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 combined financial statement is based on the uniting of interests method (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).

Basis of presentation regarding the combined financial statements

Since the business does not form a legal group, consolidated financial information does not exist. Accordingly the combined carve-out financial statements represent an aggregation of the historical financial information of the entities in the Group. The aggregation is based on the financial information of each entity reported to Haldex AB for consolidation purposes.

Adjustments have been made to eliminate transactions between members of the Group. During the periods presented, the Group functioned as part of the larger group of companies controlled by Haldex AB, and accordingly, certain services and functions were managed and provided by Haldex AB or another company within the Haldex Group

Had the business been fully integrated throughout the periods presented, the financial position, results of operations, and cash flows of the Group may have been different. Accordingly the combined financial statements may not be indicative of the Company's future performance and do not necessarily reflect what its combined results of operations, financial position and cash flows would have been had the Company operated as an independent company during the periods presented. To the extent that an asset, liability, revenue or expense is directly associated with the Company, it is reflected in the accompanying combined financial statements.

Consolidation

The combined carve-out financial statements include Concentric AB and all those companies in which the company holds more than 50 percent of the voting rights as well as Concentric Inc.

The business's combined carve-out financial statements represent a combination of the former Hydraulic Systems segment within the Haldex Group.

The Haldex Group's audited consolidated financial statements have been prepared applying the acquisition method. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The net investment balance represents the cumulative net investment by Haldex AB in the group through that date, including any prior net income or loss or other comprehensive income or loss attributed to the group. Certain transactions between the Company and other related parties within the Haldex Group, including allocated expenses, are also included in net investment.

Basis of preparation

The Combined Financial Statements of the business have been prepared in accordance 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 Financial Reporting Board. The basis of accounting and the accounting policies adopted in preparing these combined financial statements are consistent for all periods presented.

Balance sheet

The combined financial statements for the years ended December 31, 2009 and 2010 represent the historical operations of the Hydraulic Systems segment within the Haldex AB Group as described above. These combined carve-out financial statements are derived from the audited consolidated financial statements and accounting records of Haldex AB.

Furthermore a portion of Haldex ABs consolidated debt has been allocated to the Group, on inception of the new parent undertaking, based on a reasonable debt/equity ratio. This debt in the parent undertaking has been assumed to be in existence throughout the period presented in these financial statements. Interest expense has been allocated based on borrowings terms.

Income Statement

Overhead costs

Haldex AB currently provides certain corporate functions to the business and costs associated with these functions have been allocated to the entity. These functions include for example business development, human resources, treasury and corporate controller. The costs of such services have been allocated to the entity based on the most relevant allocation method to the service provided, primarily based on relative percentage of total revenue. Management believes such allocations are reasonable; and is indicative of the actual expense that would have been incurred had the entity been operating as an independent company for the periods presented. The charges for these functions are included primarily in the administrative expenses in the statement of comprehensive income.

Taxes

Tax expense is based on actual current and deferred tax related to the entities.

Cash flow statement

The cash generated from operations and capital expenditures in the cash flow from investing activities are representative of the historical cash flows of the business. Taxes paid in the cash flow statement include taxes paid by the entities included in the combined financial statements of the business adjusted with the allocated income tax receivables and liabilities as well as change of deferred tax assets and liabilities.

Financial Risks

The Group is exposed to financial risks such as market, credit, liquidity and financing risks. To reduce the impact of these risks, Concentric works in accordance with a policy that regulates their management. This policy has been adopted by the Group. Follow-up and control occurs continuously in each particular company and at the corporate level, via a regular monthly review.

Exchange rate risks

Through its international operations, Concentric is exposed to exchange rate risks. Exchange rate changes affect the consolidated income statement and balance sheet in part in the form of transaction risks and in part translation risks.

Transaction risks

The Group's net flows of payments in foreign currencies give rise to transaction risk. In 2010, the value of net flows in foreign currencies totaled approximately SEK 147 m (64). The currency flows with the largest potential impact on earnings is the inflow of EUR into SEK, USD into GBP and EUR into GBP. An exchange rate difference of 10 percent between EUR and SEK affects the Groups earnings after tax by approximately SEK 3 m (nil), USD into GBP affects Group earnings after tax by SEK 4 m (2) and between EUR into GBP affects the Groups earnings after tax by some SEK 4 m (3). In accordance with the current treasury policy, 70 percent of anticipated net flows for the estimated volumes during the forthcoming 12-month period are hedged, with a permissible deviation of +/–10 percent. The Group's treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as counterparties with whom contracts may be signed. Currency forward contracts are in place to hedge invoiced and forecasted currency flows. However, hedge accounting has not been applied.

Translation risks

The net assets (i.e. equity) of the non-Swedish subsidiaries represent investments in foreign currencies which, when consolidated into SEK, give rise to a translation difference. In its treasury policy, the Group has established a framework for how the translation exposure that arises, shall be managed in order to control the impact of translation differences on the Group's capital structure. The treasury policy stipulates that the Group's net debt shall be distributed in proportion to the capital employed per currency. Wherever necessary, this goal is achieved by raising loans in the various currencies used by the subsidiaries.

Gains or losses on such loans that are adjudged as effective hedging of translation differences are recognized directly in shareholders' equity, while gains and losses on loans that cannot be adjudged as effective hedging are recognized in the income statement as a financial item.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on Group earnings. Since the Group has no significant holdings of interest-bearing assets, 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 borrowing. According to the treasury policy, the average fixed interest term must be between 1 and 12 months. The risk must also be spread over time so that a lesser part of the total debt is renegotiated at the same time. However, the loan structure in place 2010 has predominately been intercompany loans with Haldex. In anticipation to the planned separation of the Concentric Group from Haldex in June 2011, all long term loans were reclassified at the end of 2010 to short term loans. The total intercompany short term loans amounted to SEK 439 m by 31 December 2010. The loan structure as of December 2010 will be replaced by external loan facilities in 2011. See note 2 in the notes to the Group's combined financial statements. The interest costs in 2010 are not representative for the level of financing costs going forward as an independent Concentric Group.

Credit risk

Credit risk arises when a party to a transaction cannot fulfill his obligations and thereby creates a loss for the other party.

The risk that customers will default on payment for delivered products is minimized by conducting thorough checks of new customers and following up with monthly payment behavior reviews of existing customers, combined with credit insurance, according to the Group's credit policy. The Group's accounts receivable totaled SEK 222 m on December 31, 2010 (198) and are recognized at the amounts expected to be paid. Concentric's customers are primarily blue chip manufacturers of construction machinery, diesel engines and large trucks. The geographic distribution of receivables from customers largely corresponds to the division of sales per region. No single customer accounts for more than 20 percent of sales.

Accounts receivables

Due but not impaired	2010	2009
1–30 days	36	35
30–60 days	4	7
> 60 days	4	14

The year's net cost for doubtful accounts receivables amounted to SEK 1 m (nil)

The provision for doubtful receivables changed as follows:

Provision for doubtful receivables	2010	2009
Provision on January 1	8	8
Divestment of subsidiary company	(5)	–
Change in provision for anticipated losses	(1)	–
Confirmed losses	(1)	–
Exchange-rate effect	–	–
Provision on December 31	**1**	**8**

The credit risk associated with financial assets is managed in accordance with the treasury policy. The risk is minimized through such measures as limiting investments to interest bearing instruments demonstrating low risk and high liquidity, as well as by maximizing the amount invested with specific counterparties and by checking credit ratings. To additionally reduce the risk, framework agreements governing offsetting rights are entered into with most of the counterparties. The credit risk in foreign currency and interest rate derivatives corresponds to their positive market value, i.e. potential gains on these contracts.

Financing risk

The Group's financing risk is the risk that the company will be unable to raise new loans or to refinance existing loans. This risk is reduced by a stipulation in the treasury policy stating that the loans raised must have a long maturity.

Liquidity risk

Liquidity risk, meaning the risk the Group's immediate capital requirements will not be met, is limited by holding sufficient cash and cash equivalents and granted but unused credit facilities that can be utilized without conditions. The current goal according to the treasury policy is that cash and cash equivalents and available credit facilities must total at least 5 percent of net sales. The loan structure in place 2010 has predominately been intercompany loans with Haldex. The Concentric Group has also been part of the Haldex cash-pool system. The loan structure as of December 2010 will be replaced by external loan facility in 2011. Hence, the credit, loan and cash structure in 2010 is not representative for an independent Concentric Group. See notes to the Group's combined financial statements for information regarding the refinancing and the new finance facilities.

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 the shareholders, issue new shares or sell assets in order to reduce debt.

Combined income statement

Amounts in SEK	Note	2010	2009
Net sales		1,977	1,406
Cost of goods sold	10	(1,505)	(1,179)
Gross income		**472**	**227**
Selling expenses	10	(84)	(87)
Administrative expenses	10	(150)	(165)
Product development expenses	10	(73)	(46)
Other operating income and expenses		(56)	(45)
Operating income/loss		**109**	**(116)**
Financial income		4	8
Financial expenses		(61)	(56)
Financial items – net	11	**(56)**	**(48)**
Earnings/loss before tax		52	(164)
Taxes	12	(17)	30
Net income/loss for the year		**35**	**(134)**
Attributable to:			
Parent company shareholders		36	(127)
Non controlling interest		(1)	(8)
Earnings per share before and after dilution, SEK [1)]		0.82	(3.73)
Average number of shares (000) [1)]		43,840	34,030

[1)] Concenric's AB's average number of shares assumes a 1:1 ratio to the numbers of shares of Haldex AB

Combined statement of comprehensive income

Amounts in SEK	2010	2009
Net income/loss for the year	35	(134)
Other comprehensive income		
Foreign currency translation difference	(67)	30
Total other comprehensive income/loss	**(67)**	**30**
Total comprehensive income	**(32)**	**(104)**

Combined balance sheet

Amounts in SEK m	Note	2010	2009
ASSETS			
Fixed assets			
Intangible fixed assets	13	926	1,073
Tangible fixed assets	14	200	286
Financial fixed assets			
Derivative instruments	17	–	–
Deferred tax assets	16	60	34
Long-term receivables		7	180
Total fixed assets		**1,193**	**1,573**
Inventories	18	181	149
Current receivables			
Accounts receivables from customers		222	198
Other currents receivables	19	31	75
Derivative instruments	17	1	2
Cash and cash equivalents	20	257	217
Total current assets		**692**	**641**
Total assets		**1,885**	**2,215**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Net Investment		658	596
Foreign currency translation reserve		41	108
Attributable to parent company shareholders		**699**	**704**
Non controlling interest		–	1
Total equity		**699**	**705**
Long-term liabilities			
Long-term interest-bearing liabilities	21	–	590
Pensions and similar obligations	22	126	142
Deferred taxes	16	131	154
Other long-term liabilities		8	8
Total long term liabilities		**265**	**894**
Short term loans		**442**	**167**
Accounts payable		265	219
Derivative instruments	17	1	0
Other provisions	23	30	29
Other current liabilities	24	183	200
Total current liabilities		**921**	**616**
Total equity and liabilities		**1,885**	**2,215**
Collateral pledged		None	None
Contingent liabilities		1	1

Combined changes in Group equity

	Attributable to parent company shareholders				
	Concentric's net investment	Foreign currency translation reserve	Total	Non controlling interest	Total equity
Opening balance January 1, 2009	**704**	**77**	**781**	**8**	**789**
Components of Comprehensive Income					
Profit or loss	(127)		(127)	(7)	(134)
Foreign currency translation difference		31	31		31
Total comprehensive income	**(127)**	**31**	**(96)**	**(7)**	**(103)**
Net investment	19		19		19
Closing balance December 31, 2009	**596**	**108**	**704**	**1**	**705**

	Attributable to parent company shareholders				
	Concentric's net investment	Foreign currency translation reserve	Total	Non controlling interest	Total equity
Opening balance January 1, 2010	**596**	**108**	**704**	**1**	**705**
Components of Comprehensive Income					
Profit or loss	36	–	36	0	36
Foreign currency translation difference		(67)	(67)	0	(67)
Total comprehensive income	**36**	**(67)**	**(31)**	**0**	**(31)**
Decrease in non controlling interest	1	0	1	(1)	0
Net investment	25		25		25
Value of employees' services	1		1		1
Closing balance December 31, 2010	**658**	**41**	**699**	**0**	**699**

Combined cash flow statement

Amounts in SEK m	2010	2009
Cash flow from operating activities		
Operating income	109	(116)
Reversal of depreciation, amortization and impairment losses	101	132
Interest paid	(33)	(36)
Capital loss on sale of shares in subsidiaries	19	0
Taxes paid	(52)	25
Cash flow from operating activities before changes in working capital	**144**	**5**
Change in working capital		
Current receivables	(23)	(19)
Inventories	(59)	89
Operating liabilities	142	17
Change in working capital	**60**	**87**
Cash flow from operating activities	**204**	**92**
Cash flow from investing activities		
Investments in property, plant and equipment	(16)	(26)
Product development	(3)	(12)
Other investment activities	1	(1)
Sale of shares in subsidiaries	0	0
Cash flow from investing activities	**(17)**	**(39)**
Cash flow from financing activities		
Repayment of loans	(305)	(63)
New share issue	0	0
Change in long-term receivables	174	(2)
Cash flow from financing activities	**(131)**	**(65)**
Cash flow for the period	**56**	**(13)**
Cash and bank assets, opening balance	217	239
Exchange-rate difference in cash and bank assets	(16)	(10)
Cash and bank assets, closing balance	257	217

Notes, Group

NOTE 1 General information

Concentric AB (parent company) and its subsidiaries form the Concentric Group. Concentric offers innovative proprietary solutions to the global manufactures 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 Stockholm, Sweden.

NOTE 2 Summary of important accounting principles

Basis of preparation

The combined financial statement 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 combined 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 combined financial statement is 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

Going Concern

The combined financial statement of the Concentric AB Group have been prepared on a going concern basis, taking it to account the following new debt facilities entered into subsequent to December 31, 2010, namely:

- a revolving multi currency credit facility for EUR 40 m (approximately SEK 360 m), with a term of three years, repayable in full at the end of the term, and
- a corporate bond with SEK, novated from Haldex AB, totaling SEK 175 m, with a term of three years six months, also repayable in full at the end of the term.

Consolidation

Subsidiaries are 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 values 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.

Transactions with non-controlling interest

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.

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 fulfill 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 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.

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 significant risk 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.

Leasing

As 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.

Tangible fixed assets

Tangible fixed assets consist of buildings (offices, factories, 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. Buildings are depreciated over 25–50 years. Machinery and equipment are usually depreciated over 3–10 years, while heavier machinery, has an economic life of 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.

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 fulfills 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 licenses and patents is estimated at 3–15 years. The expected useful life of brands is estimated at 20 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 development of software that are 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.

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 fiscal 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.

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 fair value of derivatives that are classified as fair value hedges and fulfill 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, is sold or terminated, what remains is 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 fulfill 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) is 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.

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 labor, other direct costs and related production overheads (based on normal operating capacity).

Accounts receivable from customers

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

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.

Receivables and liabilities

Receivables and liabilities in foreign currencies are valued at the year-end 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.

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.

Employee benefits

Pension commitments

The Group has both defined-benefit and defined-contribution pension plans. Administration of the plans is handled by a third party at e.g. a fund management company, an insurance company or a bank. The plans are fee-financed and the financing is recognized in profit and loss. The size of the fee depends on actuarial estimations that are performed once annually.

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.

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.

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 Group has a share-based payment plan 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 is expensed and based on the fair value of the allotted options. The cost is distributed over the vesting period, meaning the period during which the stated vesting conditions shall be fulfilled. For further information about the incentive program, see Note 8.

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 taxes 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.

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.

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.

Amendments to accounting principles and informative statements

New and amended standards adopted by the group as of January 1, 2010

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010. This concerns those standards and interpretations that are deemed material for the company.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The group will apply the standard prospectively.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2010 and not early adopted

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The project is divided into several parts and will be finalized during 2011.

This is to be considered to the standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The group has not evaluated the effect of IFRS 9 of the financial reports.

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.

The revised standard clarifies and simplifies the definition of a related party. The group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

Several other changes have been made of standards and interpretations however they are not considered to have any impact on the group's financial statements.

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 2010, the Group's goodwill was tested for impairment. As per 31 December 2010, the total goodwill amounted to SEK 494 m (558). The testing was performed at operating segment level. Americas segment and Europe and RoW segment constitute the Group's cash generating units. The goodwill value assigned to Americas segment amounts to SEK 172 m and to Europe and RoW segment amounts to SEK 322 m. 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: 5 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 2010 and 2009 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.

A 1 percent change in the discount rate or a 10 percent decrease in cash flow does not change the outcome of the assessment.

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 1.3 percent of net sales as of December 31, 2010 (2.1).

Pensions

The pension liabilities recognized in the balance sheet are actuary-estimated and are based on annual assumptions. These assumptions are described in Note 22.

A change in estimate has been done regarding discount rate of the Swedish defined benefit pension plans. Haldex Group has previously used government bonds but as of 2010-12-31 Swedish mortgage-bonds are used, which are considered to be high quality corporate bonds. The change in estimate of discount rate has lead to an actuarial gain for the reporting period.

NOTE 4 Segment reporting

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

The operating segments derive their revenues from 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 comprises the Group's operation in Europe, India and China.

The evaluation of an operating segment's earnings is based on 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 2010 of SEK 388m (19.6 percent) and SEK 302m (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.

Amounts in SEK m	2010	2009
Americas		
Net sales [1]	1,068	796
Operating income/loss (EBIT)	62	17
Operating margin, %	*5.8*	*2.1*
Assets	723	815
Liabilities	295	330
Return on capital employed, %	*13.1*	*4.5*
Net investments	(4)	(7)
Depreciation and amortization	48	37
Number of employees, average	417	461
Europe & RoW		
Net sales [1]	909	610
Operating income/loss (EBIT)	47	(132)
Operating margin, %	*5.1*	*(21.8)*
Assets	1,156	1,189
Liabilities	523	821
Return on capital employed, %	*5.7*	*(12.5)*
Net investments	22	46
Depreciation and amortization	53	71
Number of employees, average	862	1,174
Not broken down by segments		
Assets	5	210
Liabilities	368	359
Total Group		
Net sales [1]	1,977	1,406
Operating income/loss (EBIT)	109	(116)
Operating margin, %	*5.5*	*(8.2)*
Assets	1,885	2,215
Liabilities	1,186	1,510
Return on capital employed, %	*8.8*	*(6.7)*
Net investments	17	39
Depreciation and amortization	101	107
Number of employees, average	1,279	1,635

[1] Sales by operating segment, external sales

Operating income/loss (EBIT) per operating segment:

	2010	2009
Americas	*62*	*17*
Europe & RoW	*47*	*(132)*
Total operating income/loss (EBIT)	**109**	**(116)**
Financial net	(56)	(48)
Earnings/loss before tax	**52**	**(164)**

Sales by customer location – geographic area

Amounts in SEK m	2010	2009
USA	1,050	792
Germany	293	198
UK	173	104
Sweden	132	82
Other	329	230
Total Group	**1,977**	**1,406**

Sales by product line

Amounts in SEK m	2010	2009
Hydraulic products[1]	1,005	765
Engine products[1]	972	641
Total Group	**1,977**	**1,406**

[1] Hydraulics products consist of products sold primarily for use in hydraulic systems.

[2] Engine products consist of products sold primarily for use in diesel engines

Tangible assets by operating location

Amounts in SEK m	2010	2009
USA	91	123
Germany	41	60
UK	31	33
Sweden	17	20
Other	20	50
Total Group	**200**	**286**

NOTE 5 Costs distributed by type

	2010	2009
Direct material costs	(964)	(712)
Personnel costs	(484)	(438)
Depreciation and amortization	(101)	(107)
Other operating costs	(319)	(265)
Total operating costs	**(1,868)**	**(1,522)**

NOTE 6 Average number of employees

	2010			2009		
	Women	Men	Total	Women	Men	Total
Sweden	41	86	128	33	76	109
USA	131	284	414	115	342	457
China	26	88	114	161	381	541
Germany	21	151	172	19	149	168
Great Britain	34	208	241	22	170	193
India	15	191	206	14	148	162
France	0	2	2		2	2
Italy	0	1	1		1	1
South Korea	0	1	1		1	1
	268	**1,011**	**1,279**	**364**	**1,271**	**1,635**

NOTE 7 Salaries and other remuneration

2010	Salaries and remuneration	Of which Board of Directors and CEO	Social security costs	Of which, pension costs
Sweden	46	1	10	2
USA	177	7	51	10
China	11	1	0	0
Germany	61	2	31	5
Great Britain	72	7	9	2
India	7	0	0	0
France	1	0	1	0
Italy	1	0	0	0
South Korea	1	0	0	0
	376	**18**	**102**	**21**

2009	Salaries and remuneration	Of which Board of Directors and CEO	Social security costs	Of which, pension costs
Sweden	38	2	11	2
USA	143	5	52	15
China	22	1	0	0
Germany	52	2	24	4
Great Britain	64	5	9	3
India	4	0	0	0
France	1	0	1	0
Italy	1	0	0	0
South Korea	1	0	0	0
	326	**16**	**96**	**24**

The Board of Directors, President and other senior executives comprised 7 people (7). Variable remuneration to the President and other senior executives amounted to SEK 6 m (4). Pension costs for the President and other senior executives accounted SEK 2 m (2) of the group's total pension costs.

NOTE 8 Information on remuneration of executive committee

	2010			2009		
Amounts in SEK '000	Basic salary/ Director fees	Variable remuneration	Pension	Basic salary/ Director fees	Variable remuneration	Pension
Board of Directors [1]	–	–	–	–	–	–
President and CEO	2,305	1,844	267	2,385	491	286
Other senior executives (8 people, including 1 woman)	10,422	4,172	1,165	10,208	2,879	1,261

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

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 carries the entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.5 Haldex share. A condition for allotment is that Haldex's pre-tax income has increased in relation to the preceding fiscal year by more than 7 percent. Maximum allotment occurs on condition that pre-tax income has increased in relation to the preceding year by 20 percent or more. Employee stock options are issued in three series and, in accordance with decisions by the Haldex Board of Directors, will be allotted during 2008, 2009 and 2010. No allotment of the 2008 and 2009 options will occur 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 provides entitlement to the acquisition of 1.0 Haldex share. A condition for allotment is that Haldex's operating margin exceeds 1 percent, excluding restructuring expenses and non-recurring cost/income from acquisitions or divestments during the 2010 fiscal year. Maximum allotment occurs if the company's operating margin, as stated above, exceeds 4 percent. Employee stock options are issued based on the company's earnings outcome for 2010 and in accordance with the Haldex's board's decision during 2011, Allotment will occur in 2011.

Employee stock options	LTI 2007	LTI 2010		Number of shares
President and CEO	10,000	–	LTI 2007	45,000
Other senior executives	20,000	60,000	LTI 2010	60,000
	30,000	**60,000**		**105,000**

NOTE 9 Auditing fees

PwC	2010	2009
Audit assignments	1	2
Audit operation outside the audit assignment	1	1
Tax advice	–	–
Other assignments	–	–
	2	**3**

NOTE 10 Depreciation

	2010	2009
Cost of goods sold	49	64
Administrative costs	5	7
Product development costs	18	5
	72	**76**

NOTE 11 Financial items net

	2010	2009
Interest income	4	8
Interest expenses	(31)	(38)
Other financial items	(9)	(2)
Miscellaneous expenses	(21)	(16)
Financial items net	**(57)**	**(48)**

NOTE 12 Taxes

	2010	2009
Total current tax	(53)	25
Total deferred tax	35	5
Total income tax	**(17)**	**30**

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:

Reconciliation of effective tax rate	**2010**	**2009**
Earnings before tax	52	(164)
Tax at applicable tax rate in Sweden	26%	26%
Differences in tax rates of different countries of operation	(2%)	(8%)
Non-deductible expenses	11%	(4%)
Non-taxable revenues	0%	0%
Tax attributable to prior years	(9%)	10%
Utilization of previously unrecognized loss carryforwards	0%	(2%)
Tax loss carryforwards for which no deferred tax asset has been recognized	7%	(3%)
Other taxes	0%	(1%)
Reported effective tax rate	**33%**	**18%**

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

	2010	2009
Deferred tax:		
Group contribution	2	(8)
	2	(8)

NOTE 13 Intangible assets

At January 31, 2009	**Goodwill**	**Patents and other intangible assets**	**Capitalized develop-ment costs**	**Total**
Acquisition value	584	525	84	1,193
Accumulated depreciation	–	(33)	(14)	(47)
Carrying amount	**584**	**492**	**69**	**1,146**
January 1–December 31,2009				
Opening carrying amount	584	492	69	1,146
Exchange rate differences	(26)	7	(4)	(23)
Investments	–	–	12	12
Acquisition/reclassification	–	–	–	0
Sales/scrappage	–	(16)	–	(16)
Depreciation	–	(3)	(3)	(5)
Write-down	–	(10)	–	(10)
Amortization on acquisition-related surplus values	–	(31)	–	(31)
Carrying amount	**558**	**440**	**75**	**1,073**
At December 31, 2009				
Acquisition value	558	515	92	1,164
Accumulated depreciation	–	(9)	(17)	(26)
Accumulated write-down	–	(10)	–	(10)
Accumulated amortization on acquisition-related surplus values	–	(56)	–	(56)
Carrying amount	**558**	**440**	**75**	**1,073**
January 1–December 31,2010				
Opening carrying amount	558	440	75	1,073
Exchange rate differences	(39)	(30)	(2)	(71)
Investments	–	–	3	3
Acquisition/reclassification	–	–	–	0
Sales/scrappage	(24)	(8)	–	(33)
Depreciation	–	(2)	(15)	(17)
Write-down	–	–	–	0
Amortization on acquisition-related surplus values	–	(29)	–	(29)
Carrying amount	**494**	**371**	**61**	**926**
At December 31, 2010				
Acquisition value	494	458	90	1,043
Accumulated depreciation	–	(2)	(29)	(32)
Accumulated write-down	–	–	–	0
Accumulated amortization on acquisition-related surplus values	–	(85)	–	(85)
Carrying amount	**494**	**371**	**61**	**926**

NOTE 14 Tangible fixed assets

As per January 1, 2009	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
Acquisition value	160	18	807	261	25	1,271
Accumulated depreciation	(77)	(3)	(612)	(211)	(0)	(904)
Book value	**83**	**15**	**194**	**50**	**25**	**367**
January 1–December 31, 2009						
Opening book value	83	15	194	50	25	367
Exchange rate difference	(4)	(1)	(9)	(2)	0	(16)
Investments	2	0	28	8	(11)	27
Corporate differences/reclassifications	–	–	–	(0)	–	(0)
Sales/discards	(1)	–	(4)	(0)	–	(5)
Depreciation	(8)	(1)	(43)	(20)	–	(71)
Write-down	(15)	–	–	–	–	(15)
Reclassification to	0	–	–	–	–	
Book value	**57**	**13**	**166**	**37**	**14**	**286**
As per December 31, 2009						
Acquisition value	151	17	786	256	14	1,224
Accumulated depreciation	(79)	(4)	(620)	(220)	(0)	(923)
Accumulated write-down	(15)	–	–	–	–	(15)
Reclassification to	–	–	–	–	–	
Book value	**57**	**13**	**166**	**37**	**14**	**286**
January 1–December 31, 2010						
Opening book value	57	13	166	37	14	286
Exchange rate difference	(2)	(1)	(10)	(2)	(1)	(16)
Investments	2	0	19	3	(2)	23
Corporate differences/reclassifications	(2)	–	1	–	–	(1)
Sales/discards	(13)	–	(20)	(3)	0	(36)
Depreciation	(6)	(1)	(37)	(13)	–	(56)
Write-down						0
Reclassification to	0		0			
Book value	**37**	**11**	**119**	**21**	**12**	**200**
As per December 31, 2010						
Acquisition value	99	16	686	229	12	1,041
Accumulated depreciation	(62)	(5)	(567)	(208)	–	(841)
Accumulated write-down						0
Reclassification to						
Book value	**37**	**11**	**119**	**21**	**12**	**200**

NOTE 15 Operational leases

The group's operational lease contracts fall due as follows:

	Premises	Machinery and other equipment	Total
2011	8	17	24
2012–2015	19	38	57
2016–	16	0	17

Expensed leasing fees during 2010 totaled SEK 26 t (21).

NOTE 16 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforcable right to offset current taxes and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on eighter 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:

	2010	2009
At 1 January	(119)	(120)
Income statement charge (note 11)	35	5
Acquisition of subsidiary	0	0
Tax charged directly to equity (note 11)	2	(8)
Re-classification from current taxes	0	0
Exchange differences	12	4
At 31 December	**(71)**	**(119)**

Deferred income tax assets and liabilities, without taking into consideration to the offsetting of balances within the same tax jurisdiction, is as follows:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Tax loss carry-forwards	14	–	–	–	14	0
Tangible fixed assets	–	–	14	14	(14)	(14)
Intangible assets	–	–	20	31	(20)	(31)
Provisions	5	4	–	–	5	4
Tax allocation reserves	–	–	–	–	0	0
Pension and similar obligations	35	43	–	–	35	43
Acquisition related surplus values	–	–	104	119	(104)	(119)
Other	14	3	–	6	14	(2)
Net deferred tax assets/ tax liability	**68**	**50**	**138**	**169**	**(71)**	**(119)**

Deferred income tax assets 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.

NOTE 17 Derivative instruments

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	1	1	1	0
Currency swaps – at fair value through profit or loss	–	–	1	–
	1	**1**	**2**	**0**

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 18 Inventories

	2010	2009
Raw materials	119	88
Semi-manufactured products	19	23
Finished products	42	38
	181	**149**

NOTE 19 Other current receivables

	2010	2009
Tax receivables	1	18
Prepaid expenses and accrued income		
Rents and insurance	5	5
Accrued income	0	1
Other prepaid expenses	9	7
Other current receivables	16	44
	31	**75**

NOTE 20 Cash and cash equivalents

	2010	2009
Bank accounts and cash	257	217
	257	**217**

NOTE 21 Long-term interest-bearing liabilities

	2010	2009
Other secured loans	–	590
Total	**–**	**590**

NOTE 22 Pensions and similar obligations

Pension liabilities in the balance sheet	2010	2009
FPG/PRI-pensions	20	19
Defined-benifit healthcare benefit	33	41
Other defined-benefit plan	73	82
	126	**142**

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 planed assets increased during 2010 by SEK 1 m. At the year-end the net actuarial losses totaled 7 percent of the present value of the pension obligation.

The return on plan assets recognised in the income statement totaled SEK 57 m, while the actual return was 101 m. The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds. The defined-benefit plans in Great Britain and in USA are currently underfunded and there is an agreed schedule of annual make-up payments totalling approximately SEK 28 m currently in place.

Group	2010	2009
Pension obligations, funded plans, present value as of December 31	1,101	1,089
Plan assets, fair value as of December 31	(922)	(896)
Total	**179**	**193**
Pension obligations, unfunded plans, present value as of December 31	26	27
Unreported actuarial gains (+), losses (–)	(79)	(78)
Net liability in the balance sheet	**126**	**142**

Total pension costs

Group	2010	2009
Pensions vested during the period	(9)	(11)
Interest on obligations	(61)	(61)
Expected return on plan assets	57	56
Amortization of unreported actuarial gains (+), losses (–)	(4)	0
Pension costs, defined-benifit plans	**(17)**	**(16)**
Pension costs, defined-contribution plans	(8)	(8)
Total pension costs	**(25)**	**(24)**

Pension obligation

Group	2010	2009
Opening balance	1,117	942
Pensions vested during the period	9	11
Interest on obligation	61	62
Benefit paid	(18)	(23)
Unreported actuarial gains (–), losses (+), pension obligations	57	134
Exchange rate differences	(99)	(9)
Pension obligations, current value	**1,127**	**1,117**

Plan assets

Group	2010	2009
Opening balance, pension liabilities (net)	896	789
Expected return on plan assets	57	56
Contribution from employers	15	31
Disbursement of pension payments	(14)	(21)
Unreported actuarial gains (+), losses (–), plan assets	44	40
Exchange rate difference	(76)	1
Plan assets, fair value	**922**	**896**

Reconciliation of interest-bearing pension liabilities

Group	2010	2009
Opening balance, pension liabilities (net)	142	161
Pension cost	17	17
Benefit paid	(18)	(23)
Contribution from employers	(15)	(31)
Compensation from plan assets	14	21
Exchange rate difference	(14)	(3)
According to balance sheet	**126**	**142**

Actuarial assumptions Percent	Sweden	Germany	Great Britain	USA
Discount rate, January 1	4.10	5.70	5.75	5.70
Discount rate, December 31	4.80	5.10	5.70	5.45
Expected return on assets	5.10	4.70	6.90–7.00	7.20
Expected salary increase	3.00	3.00	4.00	3.50
Expected inflation	2.00	2.00	3.20	2.50

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

	2010	2009
Present value uf defined benefit obligation	1,127	1,117
Plan assets	922	896
Surplus (+)/deficit (–)	205	221
Experienced-based adjustment of obligation	(9)	(29)
Experienced-based adjustment of assets	44	40

Experienced-based adjustments of obligations is any deviation from the basic assumptions made in the calculation of the pension obligation. This could, for example, pertain to change in expectation concerning employee turnover, premature retirement, pay increases and length of life.

Experienced-based adjustments of plan assets is any discrepancy between the expected return and the real return on the plan assets.

NOTE 23 Other provisions

	Warranty reserves	Restructuring reserves	Total
Opening balance January 1, 2010	**29**		**29**
Provisions		4	4
Reversals	(–3)		(–3)
December 31, 2010	**26**	**4**	**30**

NOTE 24 Current liabilities

	2010	2009
Tax liabilities	14	6
Accrued expenses		
Personnel costs	45	35
Other accrued expenses	88	63
Other current liabilities	36	96
	183	**200**

NOTE 25 Corporate divestments

The sale of Hydraulics Systems operation in Qingzhou, China was finalised in April 2010. The selling price was SEK 24.5 m on a debt-free basis. The proceeds received from the transaction were paid to a Haldex AB subsidiary outside of the Concetric 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 SEK 19 m.

NOTE 26 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.

NOTE 27 Events after balance-sheet date

During the first quarter of 2011, new financing agreements have been signed with a couple of banks, securing EUR 40 m (approximately SEK 360 m) of multi-currency credit facilities for a term of 3 years. An agreement has also been made with Haldex AB's corporate bond-holder to novate SEK 175 m of the current bond facility to Concentric for a term of 3 years and 6 months. In addition, Haldex AB made a capital contribution of SEK 50 m into Concentric.

The parent company, Concentric AB, was formed in November 2010. As part of the restructuring of the Haldex Group, Concentric AB acquired the Hydraulic Systems Division's operations in the USA in March of 2011.

Auditor’s report on historical financial statements

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

We have audited the financial statements for Concentric AB on pages 80–99, which comprise the balance sheet as of December 31, 2010 and December 31, 2009 and the income statement, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors and the Managing Directors responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Reporting Standards as adopted by the EU and as described in note 2 Summary of important accounting principles and the requirements of the Prospectus Directive Implementing Regulation 809/2004/EC. This responsibility includes designing, implementing and maintaining the internal control relevant to prepare and appropriately present the financial statements free from material misstatements, whether due to fraud or error.

The Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Fars Recommendation RevR 5 Examination of Prospectus. This recommendation requires that we have complied with ethical guidelines and that we have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit in accordance with Fars Recommendation RevR 5 Examination of Prospectus involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant the Company´s preparation and presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall financial statement presentation.

We believe that the audit evidence received is sufficient and appropriate supporting documentation for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position, financial performance, changes in equity and cash flow of Concentric AB as of December 31, 2010 and December 31, 2009, in accordance with International Financial Standards as adopted by EU and as described in note 2 “Summary of important accounting principles”.

Stockholm May 23 2011

ÖhrlingsPricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

Historical financial statements for the parent company

The information presented in the below is an extract from the annual report and accounts for 2010 which was adopted by the Annual General Meeting on April 18, 2011.

Annual reports and accounts for Concentric AB

Corp. Reg. No. 556828-4995

Directors report

The Board of Directors and the President of Concentric AB hereby issue the annual report and Accounts for 2010.

Information of the business

The company was founded during 2010 and is a wholly-owned subsidiary of Haldex AB corp. reg. No. 556010-1155. The company has its registered office in Stockholm. The main purpose of the company is to manage investments in subsidiaries.

The operations during the financial year

During the financial year the company has aquired shares in subsidiaries from the parent company. The company has not had any employees during the financial year. Salaries and wages have not been paid during the year. The administration has been handled by the parent company. Audit fees have been paid by the parent company.

Significant events during the financial year

During the financial year the company has acquired shares in Haldex Concentric Plc, Haldex Hydraulics AB, Haldex Hydraulics Gmbh, Haldex Hydraulics Hong Kong Company Ltd., Concentric S.A.S., Concentric Korea LLC and Concentric Srl.

Significant events after the financial year

During the first quarter of 2011 Haldex AB has transferred its investment in Alfdex AB and Concentric Inc. to Concentric AB.

The Board of Haldex AB will, on the Annual General Meeting 2011, propose a split of the Haldex Group and its Divisions, to thereby become independent listed companies. Concentric AB will be the issuer of the Haldex Hydraulics division and will be listed – if the proposal is granted – on the NASDAQ OMX Stockholm in June 2011. A restructuring of the Haldex Group has been carried out during 2010, and this work will be continued during 2011.

By the year end 2010 the company did have an internal loan towards Haldex AB of SEK 300 m at the interest rate 6.45 percent. After the financial year new credit pledges have been received and these will become effective in connection with the listing on the stock exchange in June 2011.

Risks

Investments in shares in subsidiaries are tested annually. In 2010 there was no indication of impairment of these assets.
Unless otherwise indicated, all amounts are in thousands of SEK.

Distribution of earnings

At the annual general meeting the following funds are at disposal:

Amounts in SEK	
Profits brought forward	343,115,000
Net profit of the year	(215,287)
Total	**342,899,713**

The Board of Directors propose that profits of 342,899,713 SEK will be carried forward. At Haldex AB's Annual General Meeting it will be proposed that the company will be transformed into a public company, and that a bonus will take place with the company as the issuer.

The company's financial statement at 2010-12-31 is seen in the following income statement and balance sheet.

Parent company's income statement

Amounts in SEK 000'	**2010-11-30–2010-12-31**
Interest costs	(215)
Earnings/loss before tax	**(215)**
Taxes	–
Net income/loss for the year	**(215)**

Statement of comprehensive income

Amounts in SEK 000'	**2010-11-30–2010-12-31**
Net income/loss for the year	(215)
Other comprehensive income	–
Total comprehensive income	**(215)**

Parent company's balance sheet

Amounts in SEK 000'	Note	2010
Financial fixed assets		
Shares in subsidiaries	1	649,186
Total fixed assets		**649,186**
Current assets		
Cash and cash equivalents		50
Total current assets		**50**
Total assets		**649,236**
Equity and liabilities		
Equity		
Share capital (500 shares of SEK 100)		50
Shareholders' contribution		343,115
Net income/loss for the year		(215)
Total equity		**342,950**
Current liabilities		
Liabilities to group companies		306,287
Total current liabilities		**306,287**
Total equity and liabilites		**649,236**
Collateral pledged		None
Contingent liabilites		None

Changes in equity

Amounts in SEK 000'	Attributable to parent company shareholders			
	Share capital	Retained earnings	Total	Total equity
Opening balance November 30, 2010	**0**	**0**	**0**	**0**
Total comprehensive income for the period				
Profit of loss		**(215)**	**(215)**	**(215)**
Total other comprehensive income				–
Total comprehensive income for the period	**0**	**(215)**	**(215)**	**(215)**
Transactions with owners				
Initial capital	50		50	50
Shareholders' contribution		343,115	343,115	343,115
Total transactions with owners	**50**	**343,115**	**343,165**	**343,165**
Closing balance December 31, 2010	**50**	**342,900**	**342,950**	**342,950**

Parent company's cash flow statement

Amounts in SEK 000'	**2010**
Cash flow from operating activities	0
Interest paid	(215)
Adjustment of items that do not affect cash flow	–
Taxes paid	0
Cash flow from operating activities	**(215)**
Chang in working capital	
Current receivables	–
Operating liabilites	–
Change in working capital	**–**
Cash flow from operating activities	**(215)**
Cash flow from investments	
Net investments	(306,071)
Sale of shares in subsidiaries	–
Cash flow from investments	**(306,071)**
Cash flow from financing	
Initial capital	50
Change in loan	306,287
Cash flow from financing	**306,337**
Change in cash and bank assets	50
Cash and bank assets, opening balance	0
Cash and bank assets, closing balance	50

Accounting principles

The Financial Statements have been prepared in accordance with Årsredovisningslagen and RFR 2, Redovisning för juridiska personer.

Group accounting has not been prepared in accordance with Årsredovisningslagen chapter 7, 2§.

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.

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.

Notes, parent company

NOTE 1 Shares and participations

Shares in subsidiaries	Corp. Reg No	Reg'd. office		Participations		%	2010
Haldex Concentric Plc.		UK	A-shares	518,397	GBP 0.10	100	620,831
			B-shares	4,000,000	GBP 1		
Haldex Hydraulics Aktiebolag	556105-8941	Örkeljunga		30,000	SEK 100	100	22,284
Haldex Hydraulics GmbH		Germany		1	DEM 2,000,000	100	5,531
Concentric S.A.S.		France		10	EUR 1,000	100	90
Concentric Korea LLC		Korea		12,000	KRW 5,000	100	361
Concentric Srl		Italy		10,000	EUR 1	100	90
Haldex Hydraulics (Hong Kong) Company Ltd.		Hong Kong		47,707,000	HK$ 1	100	0
							649,186

Indirect investments in subsidiaries

Company name	Reg'd. office	%	2010
Concetric Pumps Limited	UK	100	258,015
Complete Parts Limited	UK	100	9,230
Concentric Tipton Limited	UK	100	0
Concentric Overseas Limited	UK	100	146,470
Concentric Pumps Hong Kong	Hong Kong	100	7,964
Concentric VPF Limited	UK	100	0
Concentric Pumps India (Pvt) Limited	India	99	7,584
Concentric Engineering (Pvt) Limited	UK	100	84
Concentric Suzhou	Hong Kong	100	7,964
Concentric Landon Kingsway Limited	UK	100	0
			437,310

Shares in subsidiaries has increased by acquisition and contribution.

NOTE 2 Audit fees

Audit fees have been paid by the parent company during the financial year.

NOTE 3 Salaries and other remuneration

The company has not had any employees during the year. No wages or other remunerations has been payed during the year.

NOTE 4 Information of remuneration of executive committee

No remuneration to senior executive has been paid during the year. The board of directors consists of 6 members, of whom 1 is a woman.

NOTE 5 Transactions with related parties

The parent company of the largest group of which Concentric AB is a subsidiary and included in their consolidated financial statements is Haldex AB, 556010-1155, Stockholm.

During the year, Concentric AB acquired the financial assets of the company's principal owner of 649,186 TSEK. In the company's accounts, this amount represents the cost of the asset.

Auditor's report on historical financial statements

To the Annual General Meeting of shareholders of Concentric AB
Corporate identity number 556828-4995

We have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Concentric AB for the year 2010-11-30 – 2010-12-31. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm March 30, 2011

ÖhrlingsPricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Lead Partner