

Business mission, goals and strategies

Mission

Concentric is a global leader specialising in engines and hydraulics, delivering custom solutions in application niches where Concentric adds value to the customer's products.

Vision

Concentric's vision is to remain the global industry leader providing innovative energy saving technology via a global manufacturing footprint adjacent to Concentric's customers.

Financial targets and dividend policy

Financial targets

Concentric's long-term target is to achieve a compound annual organic growth in sales of 7 percent and an EBIT margin of 11 percent over a business cycle. Net debt to equity should be less than one.

Dividend policy

Concentric's Board of Directors will seek to provide shareholders with a good dividend yield, and to adjust the level of dividend to Concentric's strategy, financial position and other financial goals and risks that the Board deems relevant. Concentric's dividend policy provides that, in the long term, the annual dividend, taking into consideration the above, should correspond to approximately one-third of the Group's net income for the financial year.

Strategy

Growth

Concentric aims to maintain its position as a leading company in both engines and hydraulics, to allow it to take full advantage of strong market growth, driven by global infrastructure investment and tighter regulation of emissions.

Within the hydraulic pumps area, Concentric's strategy is to use its innovative products and strong market position in developed markets to expand sales in new niche applications, as well as introducing its products to new markets in developing economies such as the so called BRIC countries. Development will focus on improving the performance of Concentric's range of pumps as well as on specific hybrid hydraulic pumps that can offer significant energy saving.

Within the engine pumps area, Concentric intends to use its technological leadership to take full advantage of tougher emission regulations that affect its customers, by selling products that allow the customers to meet these regulations. The regulation is proceeding in steps, with Europe

and North America leading the way, and other regions certain to follow in time. Concentric also intends to lead the development of the new generation of electronically controlled pumps, through development of software, monitoring and control systems.

Concentric plans to continue to serve a broad range of customers, in a wide range of end markets. Such diversity can protect overall sales from downturns in specific sectors, when end markets are not moving in unison, and provide opportunities for Concentric's new technologies in a wide range of potential applications.

Concentric is already a global company, particularly on the production side, with production in close proximity to its customers, and efficient sourcing from low cost countries. This global presence provides an ideal basis for growth in sales to developing economies, as demand for Concentric's sophisticated products develops there. The combination of new products and increased penetration of developing markets should allow Concentric to grow sales faster than the underlying market.

Profitability

Concentric will seek to continue to execute a low-cost country and global sourcing strategy, to ensure that the cost structure of its products is competitive.

Concentric's management focus on ensuring maximum profitability and cash flow from the business. This is evidenced by the Group's financial performance through the downturn in 2008 and 2009, where it was able to maintain positive operational cash flow in every quarter, and by the Group's ability to increase its sales in 2010 without a corresponding increase in costs or rise in working capital.

Internal targets are set for profitability of new sales, ensuring that responsibility is taken throughout the organization for achieving profitable growth. The Group intends to continue to take forceful management actions with the aim to maintain its profitability, its high level of cash flow conversion and its efficient use of capital.

Acquisitions

Concentric's strategy includes identifying acquisition targets complementary to existing product categories, with a particular focus on consolidating its leadership within the engine pump sector as well as extending the hydraulic product portfolio in certain growth areas.