ANNUAL REPORT 2020

TECHNOLOGY
INNOVATION
SUSTAINABILITY

CONCENTRIC

CONTENTS

[1] The statutory annual report encompasses pages 64–111. Unless otherwise stated, all amounts have been stated in SEK million. Certain financial data has been rounded in this annual report. Where the sign "–" has been used, this either means that no number exists or the number rounds to zero.

This English version of the Annual Report is a translation of the Swedish original. If there are any differences the latter shall prevail.

Focused on innovations that create sustainable value

Sustainability is central to all the technological advancement and continuous innovation that has defined Concentric over the years and it will continue to carry us strongly into the future. It is embedded in everything we do and it underscores our commitment to engineering positive impacts and creating real value for our customers and the world. It is also what drives our people to harness the best of their knowledge and expertise to create the most far-reaching, responsible solutions.

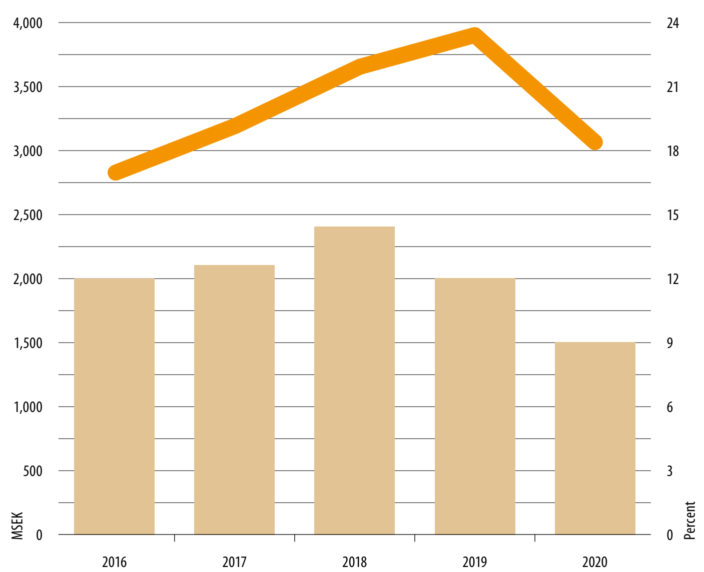
True to the ethos of **Technology + Innovation = Sustainability**, we work closely with our customers to help them reduce their emissions and preserve resources. Our purpose has never been more relevant than it is today, and we focus on those areas where we can make the biggest impact. We value our agility to adapt efficiently to current and emerging industry needs.

Moving forward, we will remain committed to develop, produce and offer sustainable products and solutions and to contribute to the sustainable development of our customers, partners and communities we serve.

Highlights of 2020

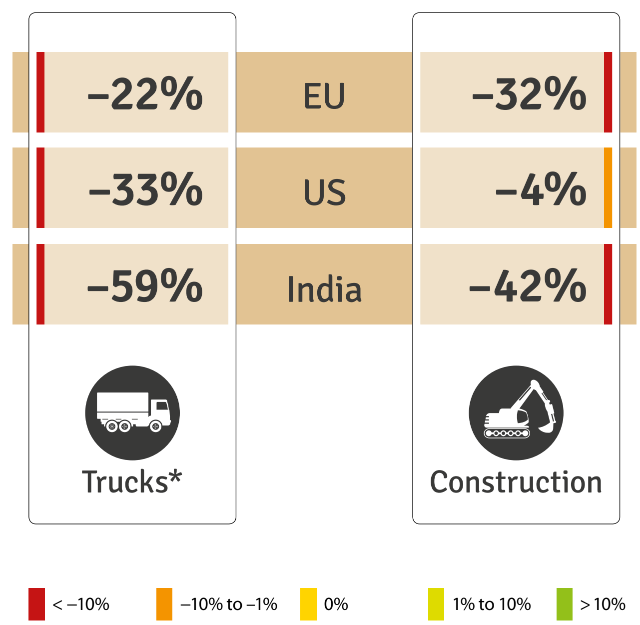
The global pandemic impacted our business throughout 2020, net sales for the year were MSEK 1,502 (2,012). Early decisive action to manage the cost of the business maintained the Operating margin at a strong level, 18.4% (23.5).

Sales and operating margins



Cost control through the CBE programme in 2020 achieved an operating margin of 18.4% (23.5%) despite a 25% year-on-year decline in sales.

FY20 vs FY19 market indices

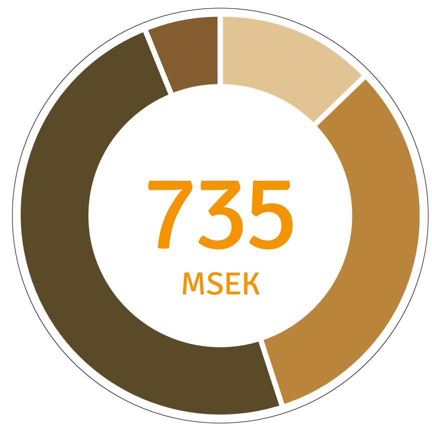


* Medium & heavy trucks

Key figures, amounts in MSEK unless otherwise specified	2020	2019	2018	2017	2016
Net sales	1,502	2,012	2,410	2,104	2,004
Organic sales growth, constant currency, %	–23	–20	12	6	–10
Operating income before items affecting comparability	291	472	525	395	337
Operating margin before items affecting comparability, %	19.4	23.5	22.1	18.7	16.8
Operating income	276	472	529	404	341
Operating income, %	18.4	23.5	21.9	19.2	17.0
Net income for the year	205	321	405	303	246
Cash flow from operating activities	337	386	554	360	409
Diluted earnings per share, SEK	5.42	8.36	10.27	7.52	6.00
Basic earnings per share, SEK	5.43	8.37	10.30	7.54	6.01
Dividends, SEK	3.50[1]	3.25	4.25	3.75	3.50
Net debt	86	54	12	185	300
Gearing (Net debt/equity) ratio, %	8	5	1	21	35
Return on equity, %	17.5	29.5	41.6	37.0	32.2
Market capitalisation	6,938	6,005	4,628	5,971	4,605

1) Proposed dividend at the 2021 AGM.

Net sales by product line*



Engine

Trucks	Construction	Industrial	Agriculture
59%	17%	11%	13%

Engine products accounted for 58% of Group revenues in 2020, with the European Truck market driving volumes in this area.

Hydraulic

Trucks	Construction	Industrial	Agriculture
13%	32%	49%	6%

Hydraulic products accounted for 42% of Group revenue in 2020, with Construction and Industrial as the major drivers.

Net sales by region*

Customer location

North America	Germany	Rest of Europe	Asia
36%	19%	17%	11%
United Kingdom	**Sweden**	**South America**	**Other**
6%	8%	2%	1%

North America and Europe remain the principal territories for Concentric, based upon sales by customer location, reflecting the maturity of these markets. Emerging territories account for 14% of the Group's operating sales of MSEK 1,759.

* Including net sales attributable to joint ventures (Alfdex AB)

Net sales – Group

Sales for the year were down year-on-year by –25%. After adjusting for the impact of currency (–2%), sales in constant currency were down by –23%. This reduction reflects the impact of COVID-19 across our Group. The published market indices suggest production rates, blended for the Group's end-markets and regions, declined by –20% during 2020. This is broadly in line with the –23% decline in constant currency sales experienced by the Group. Sales to all end sectors have declined in the year with the crucial Truck market hardest hit. India has been particularly affected by COVID-19, resulting in a decline in emerging market sales year-on-year.

Operating income – Group

The reported Operating income and Operating margin for the year amounted to MSEK 276 (472) and 18.4% (23.5) respectively. There were a number of one-off items reducing operating income including restructuring costs of MSEK 11, UK pension costs of MSEK 3 and acquisition costs relating to Allied Enterprises MSEK 1. Adjusting for these items, the underlying operating margin for 2020 was 19.4% (23.5). Our management teams have worked efficiently through the Concentric Business Excellence programme throughout the year to reduce the cost of capacity for the reduction in demand from our customers.

Concentric in brief

Concentric's business concept is to be a global leader in engine and hydraulic products, while providing solutions in application areas in which Concentric can add value to our customer's products.

End-markets

40%	Trucks
23%	Construction
26%	Industrial
11%	Agriculture

VISION

Deliver sustainable growth for every application in the markets we serve.

This will be achieved by Business Excellence in all we do. Capitalising upon our global infrastructure and being adjacent to our customers. Developing world class technology with innovative solutions that meet the demands of our customers and end-markets.

MISSION

Innovate new products to meet our customer's needs and manufacture quality products cost effectively.

Concentric's purpose is to design, develop, manufacture and sell high quality, customer focused solutions for hydraulic and engine applications within our global end-markets.

VALUES

Business excellence in all we do

- Performance
- Process
- Change

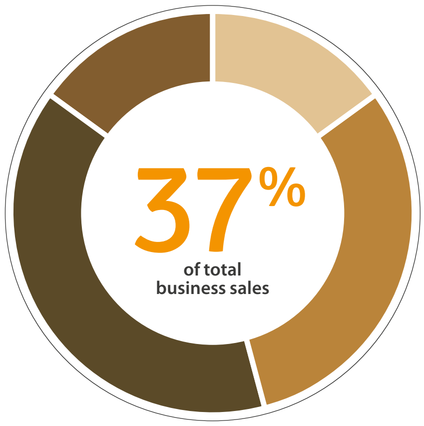
Achievement through our people

- Integrity
- Teamwork
- Resilience
- Openness

Dedicated customer focus

- Sustainable products
- Customer satisfaction

Americas



End-market

Trucks	Construction	Industrial	Agriculture
8%	31%	47%	14%

External net sales

651 MSEK (37%)

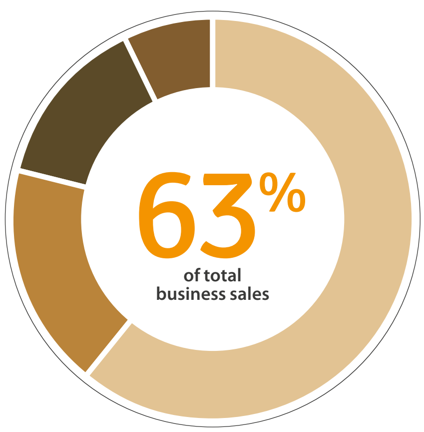
Operating income

93 MSEK (33%)

Average number of employees

232 (32%)

Europe and RoW



End-market

Trucks	Construction	Industrial	Agriculture
59%	18%	15%	8%

External net sales

1,108 MSEK (63%)

Operating income

191 MSEK (67%)

Average number of employees

485 (68%)

Operating Income shown above does not include Group costs.

Our customers provide sustainable transportation, material handling, farming and construction solutions through the engines and vehicles they develop, both on- and off-highway. Concentric's innovative products add value to our customer products by providing:

- Solutions for alternative fuels and electrification;
- Lower fuel consumption and reduced emissions;
- Higher energy efficiency, including intelligent products that respond to the duty cycle;
- Durable and reliable products which improve uptime; and
- 'Fit and forget' products designed for life.

Concentric's business model provides technology and innovation throughout our customer's product life cycle, not just at the evaluation and design phase of projects. We deliver industry-leading solutions in partnership with our customers. Our focus on continuous improvement and the core values of our people means that we also drive out waste and resource inefficiencies through our business excellence programme. This approach provides sustainable products, resources, growth, profitability, employment and shareholder value.

Financial targets

Organic sales growth

Constant currency (annually)

6% above market

5 YEAR TARGET 2020–2025

- Support our customers ambitions to achieve zero CO2 emissions by offering e-Pump technology.
- Penetrate the electrification of machines in the off-highway sector.
- Increased sales via distribution channel for Hydraulics.
- Long-term growth opportunities in emerging markets.
- Introduce new products into serial production on the next generation of platforms and penetrate new market niches and/or end-markets.

3% below indices*

2020 ACHIEVEMENT

Overall, market indices* suggested production rates, blended to the Group's end-markets and regions, were down **–20%** year-on-year. Concentric's actual sales for 2020, including revenues attributable to Alfdex, were down versus these indices at **–23%** year-on-year, after adjusting for currency. This is broadly in line with the market indices, allowing for typical timing differences of 3–6 months.

* Market indices are based on the published data received from Power Systems Research, Off-Highway Research and the Industrial Truck Association.

Operating margin

≥16%

5 YEAR TARGET 2020–2025

- Rationalisation of product and component variants across certain business lines to reduce unnecessary complexity and improve lead times.
- Establishment of global/regional centres of excellence which align best practices in sales & marketing and manufacturing.
- Continuous improvement and innovation within our global work force to increase efficiency and/or flexibility.
- Global sourcing and supply chain management to maintain a competitive cost structure.

18%

2020 ACHIEVEMENT

The reported operating margin for 2020 decreased to **18.4%** (23.5). Operating margin before items affecting comparability was 19.4% after adjusting for a number of one-off items totalling MSEK 15, including MSEK 11 of restructuring costs. Strong margins were maintained despite the decrease in sales due to a focus on a reduction in capacity costs to reflect the reduction in demand from our customers. Core Concentric Business Excellence (CBE) disciplines are embedded in the business and have again delivered strong margins for the Group this year.

Dividend payout ratio

33%

5 YEAR TARGET 2020–2025

- Track record of delivering strong shareholder returns through special dividends and buy-backs.
- The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status.
- Total dividends (ordinary + special) declared for 2016–20 have equated to an average payout ratio of **48% (46)** of net income.

64%

2020 ACHIEVEMENT

Due to the Group's earnings and strong financial position, the Board of Directors intend to propose to the shareholders at the Annual General Meeting an ordinary dividend of SEK 3.50 (3.25) per share for the 2020 fiscal year. The Company has not repurchased any own shares during the year (MSEK 136 in 2019) to maintain the Group's strong balance sheet during the COVID-19 pandemic.

Gearing

(Net debt/equity)

≥50%

5 YEAR TARGET 2020–2025

- Continue to distribute surplus cash through own share buy-backs and special dividends to maintain a minimum gearing of **50%**.
- The maximum permissible debt level of **150%** of Equity can comfortably be serviced given strong cash conversion.
- Additional debt capacity is readily available to use to fund future acquisitions.

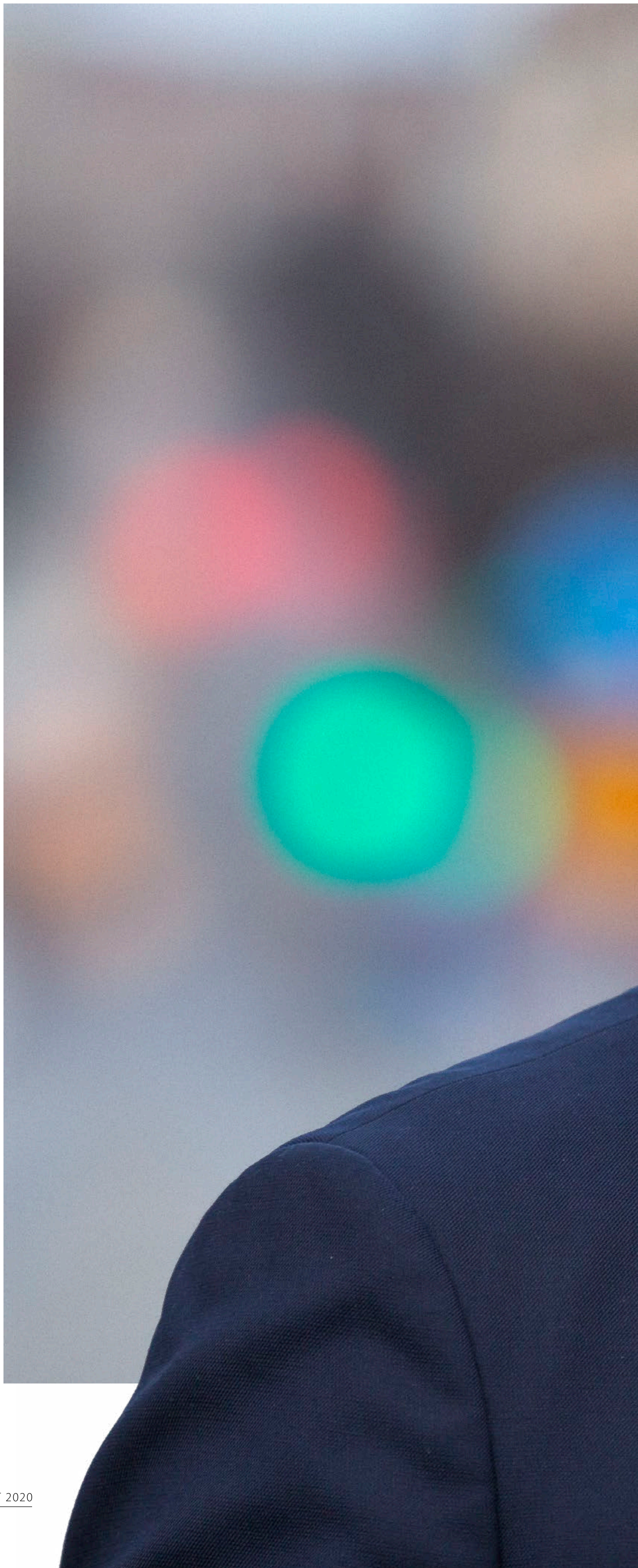
8%

2020 ACHIEVEMENT

The indebtedness increased to MSEK 86 (54), including the increase in liabilities for right of use fixed assets MSEK 129 (85). The low gearing ratio was supported by the continued strong cash flow derived from operating activities of MSEK 337 (386), which was also used to fund the dividend payments in 2020.

Review of 2020

CEO David Woolley shares his reflections on 2020, the impact of the global pandemic, the underlying market and the continued acceleration of demand by customers for our sustainable e-Pumps technology.



Demand in 2020 for medium- and heavy-duty trucks in our core regional markets, namely Europe and North America was forecasted to be lower in 2020 than 2019. Indeed, we saw the expected reduction in demand during the first quarter and the early indications of the impact the global pandemic would have on the global economy. The effects of the pandemic, started to materially impact our business in late March with many of our European & Asian OEM customers forced to cease production as national governments imposed restrictions to limit the spread of the virus.

Concentric reacted quickly to the changes in customer demand reducing our cost of capacity by introducing short-time working arrangements in many of our facilities, furloughing employees or extending plant shutdowns. The Concentric team also established new sanitisation processes within our facilities ensuring our employees remained safe whilst within the work environment. Throughout the pandemic we have focused on our customers' requirements, continuing to work together on new sustainable technologies and maintaining the product quality and delivery performance expected from Concentric.

Demand for our engine products was hit hardest during the second quarter, with some market recovery starting in the third quarter which continued into the fourth. Demand for our hydraulics products reduced during quarter three and the market started to recover modestly in the fourth quarter. This pattern is typical of the end-market applications we serve, and encouragingly, the Group's financial performance during the final quarter of 2020 was broadly similar to pre-pandemic levels.

The truck market remains the largest end-market and accounts for 40% of the Group's sales. Sales into all end- market applications were down year-on-year by double-digit percentages, most notably the truck sector. Demand from the off-highway sectors, construction equipment and agricultural machinery were down by similar percentage points and the industrial applications sector was least impacted by the pandemic. Sales in the emerging markets proved particularly challenging, especially India, as the national government introduced draconian measures to contain the virus, whilst in comparison, demand in China recovered quickly during the second quarter.

Alfdex, our 50:50 joint venture with Alfa Laval was also impacted by the economic crisis, particularly during the second and third quarters, however, customer demand and order intake recovered strongly later in the year. Importantly, the manufacturing investment in our Kunshan, China facility is now operational and we expect strong volumes during 2021 as new Chinese emissions legislation is introduced mid-2021.

» Concentric reacted quickly to the global pandemic, reducing our cost of capacity and protecting margins. «

Acquisitions

Concentric has regularly communicated our intention to improve and expand our technological capability via acquisition and Allied Enterprises, which was acquired on 31 December 2020, represents a key strategic step for Concentric. The acquisition delivers Concentric a strengthened transmission pump capability which complements our existing product offering. The transmission products produced by Allied Enterprises sit between our existing engine and hydraulic categories, in terms of pressure, providing the opportunity to gain an increased market share of the global transmission market. Importantly, this range of pumps can also be adapted to be driven electronically, and therefore accelerate our growth in the strategically important CO_2 neutral Battery Electric Vehicle (BEV) and Hydrogen Fuel Cell (HFC) vehicle and machine markets.

The strength of Concentric's balance sheet supports our ambition for further strategic acquisitions and our dedicated M&A team continues to prioritise opportunities which can offer either technical or geographical revenue growth. However, our priority remains to acquire a business that supports our electrification strategy and the development of our e-Pump product range. This will enable us to penetrate the electrification of transport, construction and industrial sectors, as these will offer real revenue growth in both our current and new market sectors.

Technology: Electrification opportunity

Customers continue to drive towards CO_2 neutrality and zero emissions and Concentric has the technology and innovation to support these developments with world class e-Pump solutions. Our critical success factor has been to develop and offer a wide range of high performance, high efficiency pumps with low to high-pressure capability along with the ability to integrate these pumps seamlessly with electric motors, controllers and software that delivers world-class reliability, low energy use and full diagnostic capability. Emissions legislation will continue to drive opportunities for electrification both on- and off-highway and Concentric's e-Pumps meet the requirements of these new directives.

Concentric has also been successful transposing e-Pump technology developed for on-highway vehicles to new end-market applications. Green electricity generation, whether solar or wind is by nature, intermittent, and requires battery energy storage systems (BESS) to ensure electricity generated isn't wasted. Our e-water pump is ideal, offering a temperature controlling solution to optimise the battery performance in this emerging sector. The same characteristics required from our e-Pumps in commercial vehicles are also required in these new end-market applications, namely a robust design, low operational costs and long service life, all of which Concentric excels in delivering to our customers.

During the second quarter we made a number of important press releases demonstrating we are winning new e-pump business. These new contracts show that our customers value our technology in the strategically important electrification sector. Whilst the pandemic has caused some delays to our customers R&D programs, the programs have continued, albeit at a slower pace, and we hope to announce further new e-Pump business during 2021. We reiterate our previous guidance, sales of e-Pumps could amount to 20% of Group sales by 2025.

Strong Financial Performance

The CBE-programme maintained the Group's profitability at a strong level despite a year-on-year sales reduction of 25%. The full year reported operating margin was 18.4% (23.5) and benefitted from various government employee support programs MSEK 13. The business also completed a targeted restructuring program, reducing excess capacity to right size the business whilst maintaining core business skills, particularly in the sales and engineering functions, and we believe the business is well positioned to enjoy the financial returns from the global recovery.

Cash management has also been a particular focal point during the year, and whilst cash generation was impacted by lower sales, the conversion ratio of operating income to operating cash has met our expectation. The Group's net debt position increased to MSEK 86 (54), increasing the gearing ratio modestly to 8% (5).

The strength of the balance sheet and the liquidity of the business allowed the acquisition of Allied Enterprises to be completed entirely from cash reserves and Concentric was also able to pay a 2019 dividend to shareholders of SEK 3.25 (4.25) per share during the fourth quarter. The cash and cash equivalents at the end of the year were MSEK 505 (531), which is sufficient to both finance the day to day operations and leave room for future acquisitions

Sustainability at Concentric

We include the Global Reporting Initiative (GRI) index in this year's Sustainability Report. Sustainability efforts constitute an integral part of Concentric's operations and is something we consider when engaging with all our stakeholders. The aim is to ensure a holistic approach with as many positive results as possible, environmentally, socially and economically. Every plant within the Concentric Group is certified to ISO 14001 or higher, demonstrating the Group's environmental credentials and commitment to reduce waste. The GRI index is a framework with tangible goals that provides for a structured way to plan, execute and follow-up on Concentric's sustainability efforts.

Our product by its design and high efficiency function is already recognised for reducing engine parasitic losses thereby reducing fuel consumption and CO_2 emissions. Our next generation of e-Pumps raises the bar again as we help to deliver "power-on-demand" further reducing energy wastage.

New sustainability reporting requirements are expected to be clarified during 2021, EU Taxonomy and Task Force on Climate-Related Financial Disclosures (TCFD) to name two. We welcome the new standards and will work during 2021 to meet the reporting requirements which will aid our investors to better understand how our sustainable technology will benefit the global environment.

2021 Prospects

The overall published market indices blended to Concentric's mix of end-market applications and locations suggests the market for the full year 2021 will be up +12%, as the world's economies continue to recover from the global pandemic. The European and North American markets' forecasted growth indices are similar to the overall blended growth rate whilst our emerging markets China and India are expected to recover strongly 2021. Demand for engine products continues to improve quarter-on-quarter and the recovery in the end-market applications for hydraulics products has started during the fourth quarter, we expect this to continue during 2021. Whilst the global pandemic continues there remains an element of uncertainty in our outlook, however with various Covid-19 vaccines approved and the global roll-out program underway, that level of uncertainty will reduce over time.

Customers continue to drive towards CO_2 neutrality and zero emissions and Concentric has the technology and innovation to support these developments with world class e-Pump solutions. We will continue to invest in people and product to support our electrification strategy, and continue the search for further acquisitions to generate inorganic revenue growth.

2020 has been a particularly difficult year, an economic crisis caused by the global pandemic and a socially challenging environment, one that has required us all to adapt to new working patterns and processes. The Concentric team has once again risen to the challenge to meet our customer's requirements, deliver exceptional financial results and all in a safe conducive working environment.

David Woolley,
President and CEO

Key drivers for sustainable global growth

Change is in high gear around the world with a number of key factors driving growth in our industry. Set in motion by the historic Paris agreement, the transition to **a low-carbon economy is underway** and accelerating globally. This is impacting on national legislation, as countries get increasingly stricter, driven partly by consumers not only becoming increasingly aware of the impact of climate change but demanding **real and tangible solutions** for safeguarding the planet.

Emissions legislation, particularly in urban environments, **is driving change** in our industry which will benefit Concentric by offering our customers sustainable e-Pump technology.

Driving vehicle and machine CO_2 emissions down

National governments and municipalities are continuously introducing tougher emissions legislation that restricts the use of the internal combustion engine (ICE) in cities. These organisations are spearheading the change to electric vehicles, particularly in the bus and urban light-duty truck sectors. Simultaneously, the rising demand for environmentally sensitive urban development is driving the electrification of smaller construction equipment like skid steer loaders, mini-excavators and wheel loaders. In the agricultural sector, the current focus is on smaller electric machines, such as tele-handlers and all-terrain vehicles used in farm yard applications.

Opportunities in electrification

Electrification will undoubtedly continue to dominate the conversation as it impacts both on- and off-highway sectors. It is now the industry reality, especially with the efforts for full electrification, to meet inner city zero emission and ultra-low emission zone standards. Pressure to improve urban environments and the drive for lower total cost of ownership, mean this market will grow significantly in the years to come.

The technology presents great opportunities for Concentric as customers seek to optimise their electrified systems and meet regulatory and customer demands. Electrification of the vehicle powertrain means both low and medium pressure engine & transmission pumps will in future be powered by electric motors. This presents a great opportunity for our existing e-Pump range and our recent acquisition, Allied Enterprises, who currently offer a mechanical transmission pump. The electrification of steering systems present interesting prospects for our hydraulic products, we have successfully secured production nominations offering the electro hydraulic steering system. Considering the need for an increased number of e-Pumps on an electric vehicle and the price point of e-Pumps, the revenue growth potential is significant.

The driving force of TCO

Total cost of ownership (TCO) plays an important role in commercial vehicles purchasing considerations. The decreasing cost of lithium battery packs and stricter emissions legislation will push TCO parity between hybrid, electric and ICE commercial vehicles, making e-Pumps increasingly important for Concentric.

City buses were the first electric vehicles to reach TCO-parity, with lighter duty and shorter daily distance trucks close behind. As TCO parity is achieved across different powertrain types, hybrid, battery and fuel cell, we expect to see other transportation sectors such as the medium- and heavy-duty trucks transition to the new sustainable powertrain technologies from 2025. Here, legislation will continue to be the critical driver of change.

Collaboration for innovation

Concentric is at the forefront of technical agility, adapting our pumps to current and emerging industry needs. Our innovative products reduce frictional losses, enabling a more compact sized engine whilst maintaining absolute reliability, improving fuel efficiency and reducing emissions. We work together with our customers to design and develop bespoke e-Pumps to meet their exacting standards.

New technologies are increasingly emerging and making their impact on OEMs' product and investment strategies. Concentric can supply our customers several key technologies by offering a range of electric water, oil and fuel pumps as well as EHS systems for ICE, hybrid and fully electric powertrains. We will continue to leverage existing, strong relationships with our global OEM customers and we expect the truck and bus sectors will be the largest end-markets for Concentric's e-Pumps.

Interestingly, there are emerging lists of companies rising in various markets where Concentric is active and eager to expand. Changing technologies and the demand for new and innovative products and solutions will present brand new opportunities for Concentric to penetrate new OEMs, particularly in the energy storage sector.

Redefining smart

Smart components and systems, supported by sensor data, can also contribute to more efficient systems by utilising new electronic information to enable power on demand from e-Pump technology. Concentric uses elements of its core technology building blocks to aid the design and development of unique solu-

Population increases, rising urbanisation and changing buying habits that are escalating e-commerce are all impacting on the movement of freight. The urbanised, globalised economy serves to underscore the fact that commercial road transport is an essential aspect of production. Through its highly functional, reliable and door-to-door service, road transport is a vital means of connecting businesses and people to all the world's markets. Whilst the bus and truck sectors lead the drive to electric vehicles the off-highway sectors, construction equipment and agricultural machinery are also adapting their technology to include low CO_2 emission machines. As the market changes with these trends, Concentric is well positioned to adapt to this changing landscape.

tions that answer to a variety of key industry market drivers, namely energy savings and power density combined with lower noise. Our key technologies enable our customers to deliver value in their operating areas. These technologies are embedded in, for example, our engines and hydraulics product ranges that include highly efficient pumps that employ 'power on demand' to facilitate energy efficiency as well as our clutched pump applications.

In this mix of emerging opportunities, we can also take into account developments in other industries that will contribute to advancements in the on- and off-highway markets. Moreover, cheaper and more efficient components will emerge, reducing total cost of ownership, with the potential to accelerate the technology transfer between on-road and off-road industries.

Enhancing working environments

Reduced noise is an important issue when considering how to improve the working environment, for example, in a warehouse and in city environments. This will be with a view to providing cities with sustainable, quiet, fully-electric or hybrid vehicles and construction equipment utilised in noise sensitive and residential built-up areas. There are a number of ways to reduce the level of noise, through optimised pump design, the choice of materials used, to minimising the obstructions to flow and pressure pulsations, thereby lowering the noise emitted. Vehicles and machines are getting increasingly more complex, which in turn is setting a premium on space, especially for driver comfort. Consequently, there is a strong demand for higher power density pumps and Concentric has the relevant products that address these key market drivers.

Strong global growth possibilities

The signs mapping growth are clear: rising vehicle production, increasing execution of environmental regulations, growing vehicle electrification and manufacturers increasing integration of advanced automation techniques to restrict vehicle & machine emissions worldwide.

These are exciting times for Concentric. We are experiencing the signs of a vibrant market for e-Pumps in both on- and off- highway vehicles, which presents exciting new opportunities for Concentric. Happily, we are in pole position to capitalise on these trends, equipped with a profound knowledge base, global expertise and the agility that comes with experience.

RISING UP TO CAPITALISE ON THE ELECTRIFICATION OF THE OFF-HIGHWAY MARKET

Electrification of on-highway vehicles continues to gather pace. Now our important off-highway sectors, Construction Equipment and Agricultural Machinery are catching up fast, developing new low emission, sustainable machines.

The off-highway OEMs will require e-Pump technology in their hybrid or fully electric machines which can withstand the harsh operating environments.

Concentric has a long history of supporting our off-highway OEM customers by offering technologically advanced, robust and reliable solutions.

An industry in dynamic transformation

These are exciting times indeed for the off-highway market which is being swept up in the dynamics of a growing construction industry. Strong global currents such as a rising population, rapid urbanisation, and increased per capita income are all strong factors impacting market growth. Moreover, participation from the private sector in infrastructure projects such as housing, power projects, road construction, and airports will result in further demand for construction equipment.

On the agricultural front, machinery is becoming increasingly vital for improving the efficiency and productivity of farms. Government initiatives to promote mechanisation have further driven market growth. In emerging economies of the world, like India, there has been a shift toward agricultural mechanisation.

Moreover, a rise in automation in industries such as mining, infrastructure and others has also increased the use of off-road vehicles in these sectors.

The shift towards electrification

Electric vehicles have driven significant development projects in the entire automotive industry over the last decade and the rate of change continues to accelerate. Whilst this has had a more immediate impact on both passenger and commercial vehicle manufacturers in the on-highway segment, there is increasingly a similar shift taking place in the off-highway market.

At the global level, strengthened emissions regulations and persistently volatile fuel prices drive the electrification of off-highway machinery. As such, every major original equipment manufacturer in key markets is currently developing electrified machines.

Since there is no clear technology that fits all scenarios, the off-highway machinery industry continues to investigate different electrification levels, such as mild hybridisation or full electrification.

The drivers of change

There are a number of key factors driving the upsurge of electrification in the off-highway sectors:

Legislation: Regulatory bodies are imposing rigorous targets globally to reduce carbon emissions, and materially decrease fuel consumption. This has driven major off-highway OEMs and suppliers to develop a range of hybrid technologies that will enable significant fuel savings as well as machinery with improved operability.

Europe and North America have been driving the implementation of stricter standards but looking ahead, the entire international community is expected to take further steps toward introducing harmonised, binding emissions targets. Countries like China and India are driving strong, concerted programs, adamant to achieve significant results in reducing emissions.

Concentric is in pole position to provide the right technology for achieving emission reduction efficiently.

Awareness of climate change: In addition to legislation, there is an increased awareness more broadly amongst OEMs and their end customers of the true impact of climate change and carbon emissions. This generates a profound preference for hybrid and electronic machines and systems even in areas where there is not currently any legislated change.

Power density and efficiency requirements: A leading trend in the industry is to increase power density, allowing vehicles and machines to generate more power from less space. This requirement impacts all of the systems and subsystems in a machine and means that suppliers must develop their technologies with this in mind.

Concentric's Ferra series pumps are developed to meet these requirements, offering power density and built to deliver higher durability within a 20–30 percent smaller space. Similarly, significant fuel savings have been demonstrated for electric machines compared to conventional diesel, providing for lower total cost of ownership.

Control: Users of off-highway equipment increasingly demand better control and more effective use of operational data. The electrification of systems facilitates this in a way that purely mechanical systems cannot achieve. Concentric's e-Pumps and electro-hydraulic steering systems provide better control to users and allow performance to be monitored in an effective and meaningful way.

The combination of improved drive controllability of electric components together with mechanical, high power density hydraulic products enables on-highway and off-highway machines to achieve exceptional range of power on demand functions. This results in even higher system efficiency and improved recharge periods of e-machines.

Noise: As electric driven systems typically have a low noise level, noise radiation and quality receive more focus than in traditional combustion driven vehicles. Such challenges are leading to innovations in quiet technologies, particularly with regards to construction equipment utilised in noise sensitive and residential built-up areas and material handling equipment used indoors.

The impact of noise, from the viewpoint of both the machine operator and those exposed to noise at worksites, is also attracting the attention of legislators. Concentric's Calma series has been developed to reduce outlet pressure pulsation by 75 percent, which has the propensity to deliver up to 8–10 dB lower noise levels.

To meet future demands for noise sensitive applications, Concentric has decided to develop the next generation of pumps with low noise emissions. Internal gear pump designs can provide significant noise reductions within efficient and compact installation requirements.

Combining the best innovations for a cleaner future

Keen focus on sustainability
Advancements in other industries in terms of fuel-saving technologies, hybrid drive systems and electrification are also contributing greatly to the development of the hybrid off-highway machine market. This means that more efficient and cheaper components are emerging on the market, thereby accelerating the technology transfer between the on-highway and off-highway industries. Hence, the journey ahead for the electrification of off-highway machinery and systems will be faster, smoother and more secure.

This evolution in technology is disrupting our customers markets and product development plans, creating significant new opportunities for Concentric. True to the ethos of Technology + Innovation = Sustainability, we are well equipped to go from strength to strength with our market leading e-Pumps and solutions designed for the new generation of off- highway machines.

We have a strategic framework in place for how we will act, utilise our resources and optimise on our competencies. We also have an ever-increasing portfolio of customers who are placing their trust in our engineering excellence to enable and enhance their transition to electrified systems.

Strategically positioned to thrive
The hybridisation and full electrification of off-highway machinery is well underway. Along with the many prototypes developed, some hybrid off-highway machines have been introduced into the market, delivering significant gains in performance and reductions in emissions and operating costs.

To support customer demand for highly efficient systems that simultaneously deliver on reduced emissions and lower operational costs, it is imperative for tier one suppliers to deliver a high degree of specialist engineering knowledge and competence. Consequently, the continuous development of smart, innovative pumps, components and systems are vital.

Concentric is at the forefront in answering the call, developing pumps to meet current and emerging industry needs. We have always driven incremental innovations, resolutely ensuring that our solutions deliver on uncompromising standards of sustainability and performance.

Growth built on customer collaboration
Concentric is constantly in close contact with our customers in order to meet the dynamic requirements for new technology, thereby enabling us to provide them with innovative and future-proof products. Our newly developed products are designed not only for hybrid and electric driven vehicles but are even prepared to be used in off-highway fuel cell applications.

We have secured a number of important business wins on electric and hybrid vehicles and machines including orders for next generation hydraulic steering systems. We are certain that this is only the beginning as we leverage the close, mutually beneficial ties we have secured over the years with leading OEM customers.

Because Technology + Innovation = Sustainability
We are experiencing the signs of a vibrant market for e-Pumps in off-highway vehicles, which presents exciting new opportunities for Concentric. Interesting and potentially lucrative new markets for e-Pumps are opening up for us to explore and capitalise upon.

We have responded strategically and with agility to ensure that e-Pumps for off-highway applications are on the shelves, ready to meet our customers' requirements. We have also worked to ensure that dedicated production resources are in place in order to satisfy a growing demand for these products.

We see outstanding possibilities moving forward, as our customers develop their products to meet new and demanding environmental standards. Concentric is determined to play a strong role in helping to shape it, by doing what we do best: combining technology and innovation to achieve a sustainable e-future.

Global sales

35% Group sales

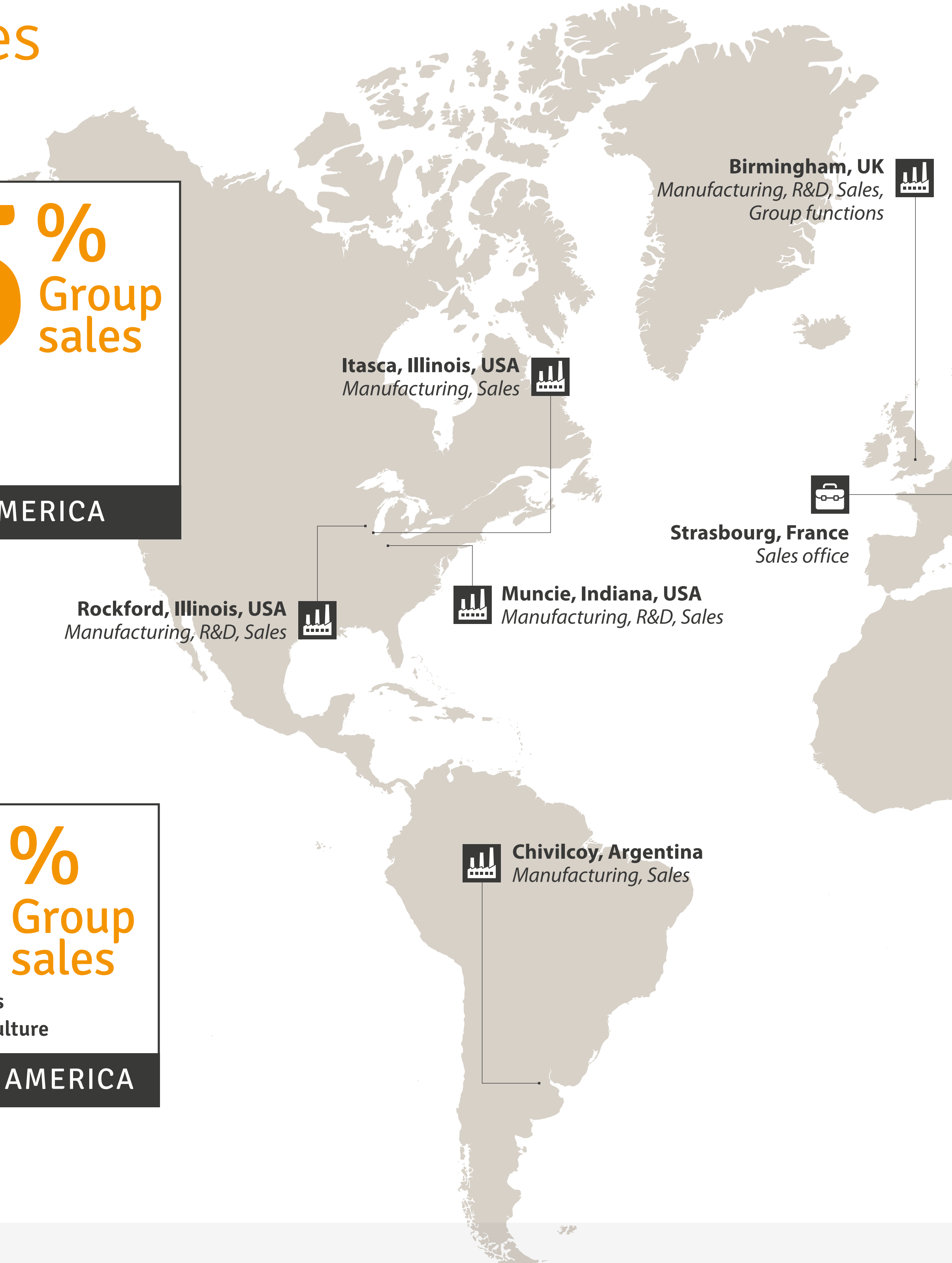
- 2% Trucks
- 11% Construction
- 17% Industrial
- 5% Agriculture

NORTH AMERICA

2% Group sales

- 1% Trucks
- 1% Agriculture

SOUTH AMERICA



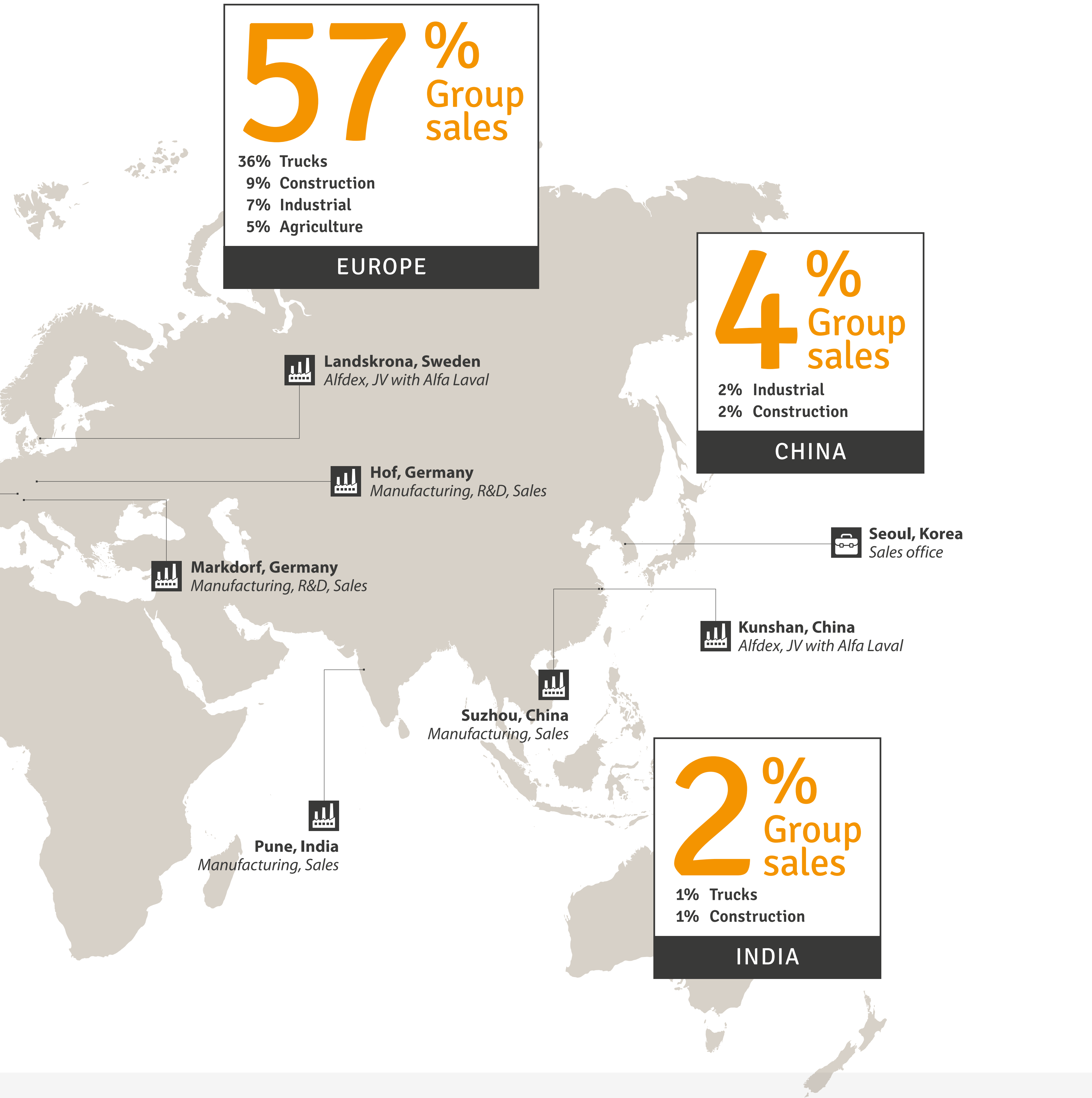
END-MARKETS

Trucks

Concentric sells both directly to the Truck OEMs and also via Tier 1 diesel engine manufacturers. Products are typically used in the medium- and heavy-duty truck market.

Construction

Concentric provides pumping solutions used in a wide range of mobile construction equipment, including engine pumps, hydraulic fan drives and ancillary hydraulic pumps.



Industrial

Industrial applications encompass a wide variety of uses, from forklifts for the retail trade to heavy machines used in the mining industry.

Agriculture

Concentric primarily sells directly to the OEMs of agricultural machinery, providing products for tractors and other speciality equipment.

40% of the Group's net sales

Trucks

The global medium- and heavy-duty truck market shrank 7% in 2020, all regions experienced declines of more than 20% except China which grew 26%. The crucial European market declined 22% year-on-year. This is forecast to reverse in 2021 with all markets except China experiencing significant growth.

Based on the forecasted production of diesel engines over the next 5 years, on-highway medium- and heavy-duty trucks are expected to grow by a CAGR of 6.2% in Europe, 6.1% in North America, 10.9% in South America and 14.3% in India and decline by 5.2% in China.

North America

Market indices published at year-end indicated that North American production of diesel engines for medium- and heavy-duty trucks decreased year-on-year by 33%. Concentric's actual sales of engine and hydraulic products for trucks were down 64% year-on-year in constant currency. North American truck sales represent 2% of total sales.

Europe

European market indices for the production of diesel engines for medium- heavy-duty trucks decreased year-on-year by 22%. Concentric's actual sales of engine and hydraulic products for trucks decreased 23% year-on-year in constant currency broadly in line with the overall market. The European truck market is our largest end-market, representing 36% of total Group sales.

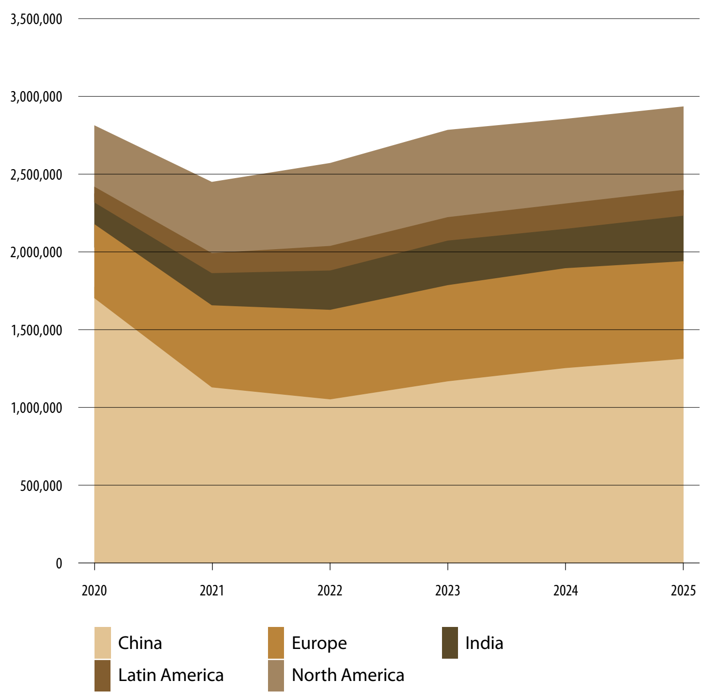
Emerging markets

Market indices for the production of diesel engines in South America for medium- and heavy-duty trucks have decreased 28% year-on-year. Despite this decline, Concentric's actual sales have increased 34% on a constant currency basis. The market indices for India indicate a year-on-year decline of 59%. Concentric's actual sales have fallen more than the indice. The market indice for China has increased 26% year-on-year, despite this, Concentric's sales have decreased 74% on a constant currency basis.

Concentric's exposure to trucks in these emerging markets remained relatively low at approximately 2% of the Group's total net sales for 2020.

Forecast market volume

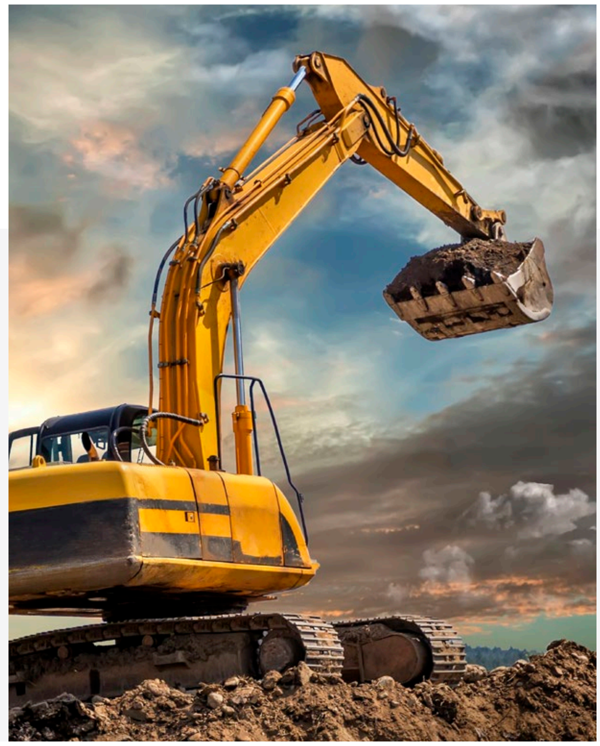
Diesel engines (0.8–2.75 ltr/cylinder)



Source: Power Systems Research, January 2021 update.

23% of the Group's net sales

Construction



The global construction equipment market declined 8% in 2020 and is forecast is to increase by a CAGR of 4% over the next 5 years. Growth rates are forecast to be strongest in India, with a CAGR of 8%.

Based on the forecasted production of diesel engines over the next 5 years, construction equipment is expected to grow by a CAGR of 4.1% in Europe, 4.5% in North America, 5.0% in South America, 7.9% in India and 3.6% in China.

North America

Market indices published at year-end indicated that North American production volumes for Construction Equipment decreased year-on-year by 4% for diesel engines. Concentric's actual sales of engine and hydraulic products for construction equipment were down 24% year-on-year in constant currency.

Europe

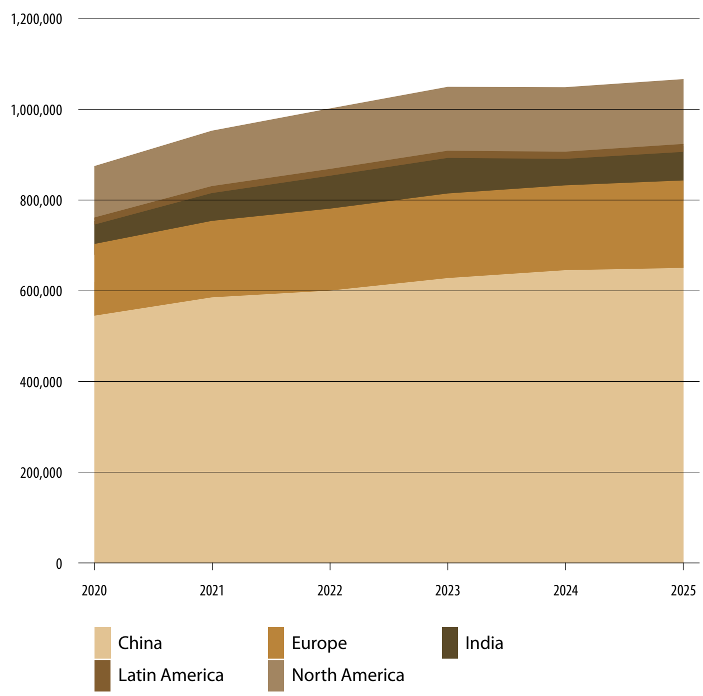
European market indices for the production of diesel engines for the construction market decreased 32% year-on-year. Concentric's actual sales for construction equipment were down 17% year-on-year in constant currency, fairing significantly better than the overall market.

Emerging markets

Market indices for the production of diesel engines for Construction Equipment were down year-on-year in India and South America by 42%, and 7% respectively. The market indice for China was up 6%. However, Concentric's exposure to construction equipment in these emerging markets remained relatively low at approximately 3% of the Group's total net sales for 2020.

Forecast market volume

Diesel engines (0.8–2.75 ltr/cylinder)



Source: Power Systems Research, January 2021 update.

26% of the Group's net sales

Industrial

The industrial sector has declined by 18% in 2020 and is forecast to grow at a CAGR of 4% over the next 5 years driven by growth in North America at 6%, based upon the forecast production of diesel engines.

Since the industrial sector comprises a wide variety of applications, there is no single forecast for this market. Based on the forecasted production of diesel engines over the next 5 years, off-highway industrial applications in our two largest territories are expected to grow by a CAGR of 6.3% in North America and 4.1% in Europe.

North America

Market indices published at year-end indicated that North American production volumes for Industrial Applications decreased year-on-year by 11% for both diesel engines and lift trucks. Concentric's actual sales of engine and hydraulic products for industrial applications were down 7% year-on-year in constant currency, slightly out performing the market indices.

Europe

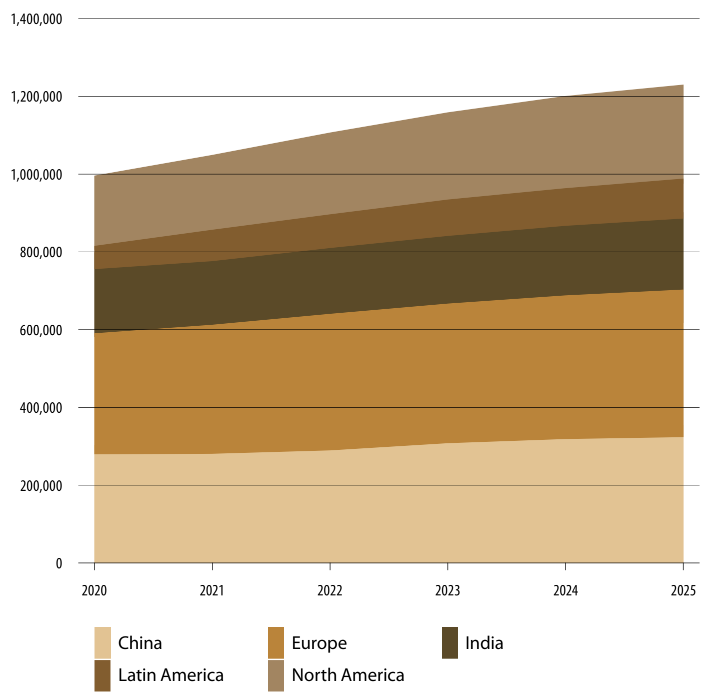
European market indices decreased year-on-year by 32% for the production of diesel engines and 12% for lift trucks for the industrial applications market. Concentric's actual sales of engine and hydraulic products for industrial applications were down 19% year-on-year in constant currency, within the range of the two indices.

Emerging markets

Market indices for the production of diesel engines in South America and India for Industrial Applications decreased year-on-year by 14% and 21% respectively. The index for China increased 3% year-on-year. However, Concentric's exposure to industrial applications in these emerging markets remained relatively low at approximately 2% of the Group's total net sales for 2020.

Forecast market volume

Diesel engines (0.8–2.75 ltr/cylinder)



Source: Power Systems Research, January 2021 update.

Note: Industrial Applications includes our sales of e-Pumps to battery energy storage systems (BESS) customers.

11 % of the Group's net sales

Agriculture

The global agricultural machinery market declined 9% year-on-year. This decline is expected to reverse and grow at a CAGR of 5%, driven by growth in all regions around the world.

Based on the forecasted production of diesel engines over the next 5 years, agricultural machinery is expected to grow by a CAGR of 5.7% in North America, 5.3% in Europe, 8.9% in South America, 3.8% in India and 5.3% in China. Pressure on food supplies from rising incomes and changing tastes in emerging countries will continue to drive growth on the back of increasing food prices.

North America

Market indices published at year-end indicated that North American production of diesel engines for Agricultural Machinery decreased year-on-year by 8%. Concentric's actual sales for Agricultural Machinery decreased year-on-year by 30% in constant currency.

Europe

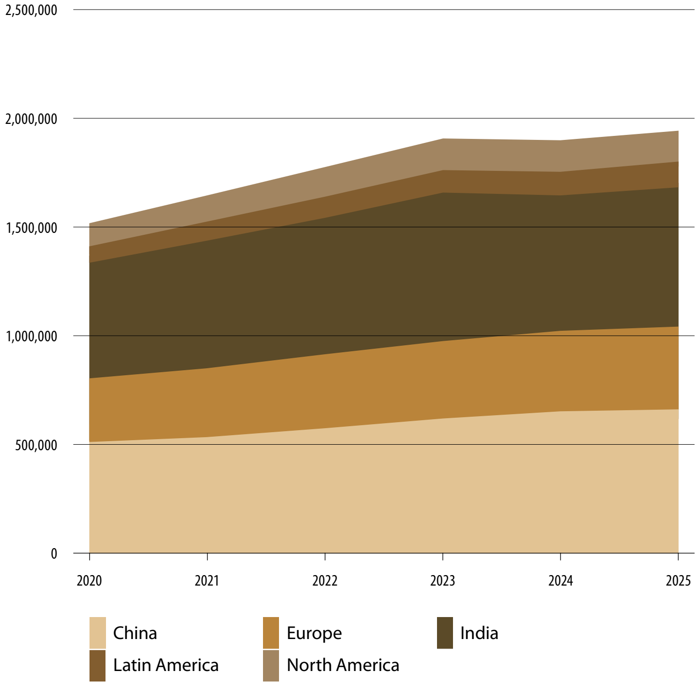
European market indices for production of diesel engines for agricultural machinery decreased year-on-year by 38%. Despite this, Concentric's actual sales of engine and hydraulic products for agricultural machinery increased year-on-year by 9%.

Emerging markets

Market indices for the production of diesel engines for agricultural machinery increased year-on-year by 9% in China and were down 2% in India and 2% in South America. However, Concentric's exposure to Agricultural Machinery in these emerging markets remained relatively low at approximately 1% of the Group's total net sales for 2020.

Forecast market volume

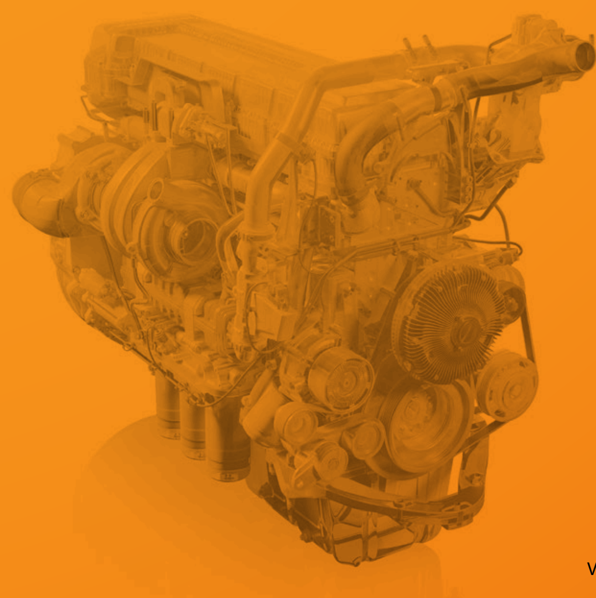
Diesel engines (0.8–2.75 ltr/cylinder)

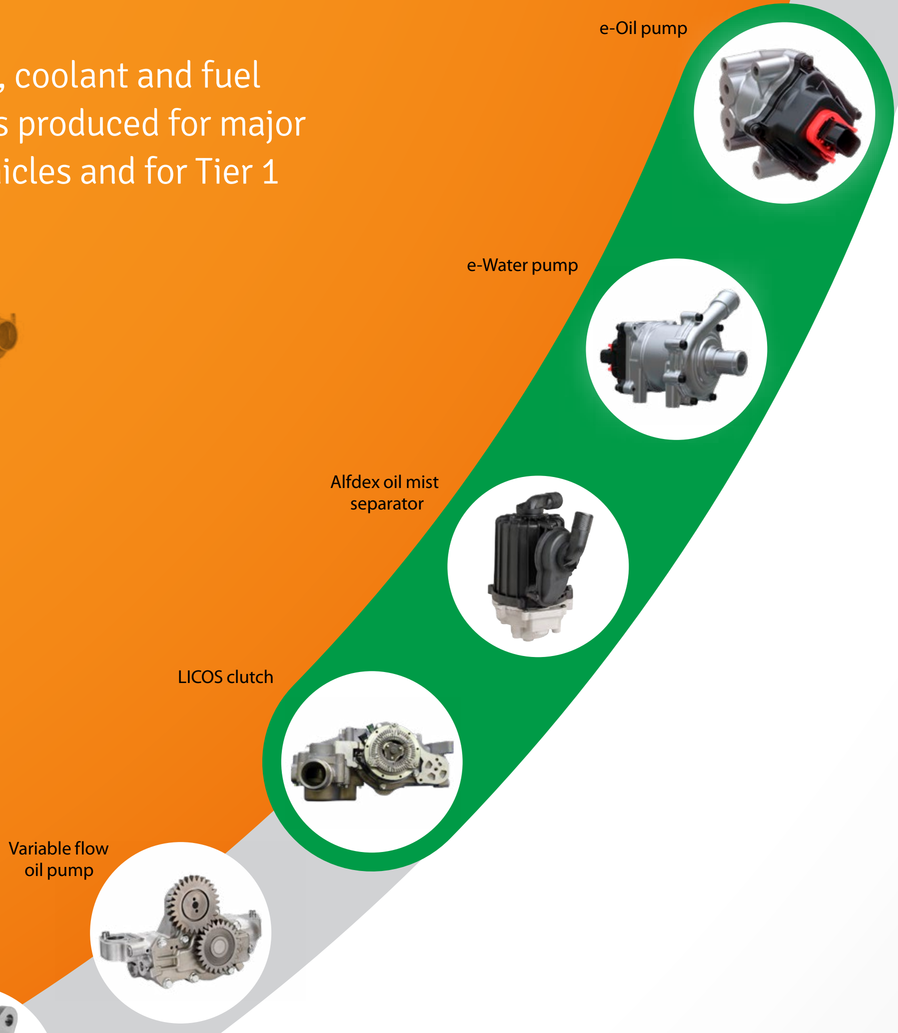


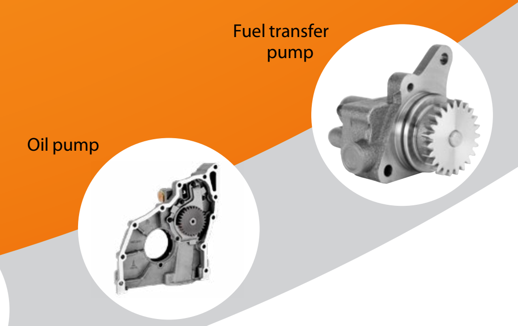
Source: Power Systems Research, January 2021 update.

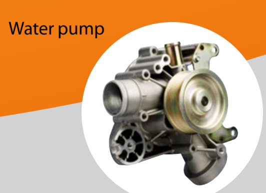
Engine products

Engine products encompass lubricant, coolant and fuel transfer pumps and oil mist separators produced for major OEMs of both on- and off-highway vehicles and for Tier 1 manufacturers of diesel engines.









Concentric's customer solutions are based on the Company's core technical skills and expertise in the pump sector. The pumps are designed to enable customer-specific solutions requiring a certain flow or pressure and/or that reduce power consumption or noise levels. This creates environmental benefits in the form of lower fuel consumption, noise levels and emissions.

The pumps are used by OEMs and Tier 1-suppliers in many end-markets and adapted for use in many different applications. Traditional mechanical oil pumps and water pumps are developed to deliver variable flow via hydraulic or electronic control, thus offering energy savings, more efficient engines, improved temperature stabilisation, reduced emissions and greater noise reduction.

Concentric is on the road towards sustainable, highly efficient electrical and hybrid powertrains. Propulsion and vehicle efficiency is shifting gears dramatically, moving us forever from traditional vehicle powertrains to transformative electrical load minimisation technologies. The drive toward electrification of commercial vehicles encompasses a spectrum of uncertainties, realities and challenges for both internal combustion engine vehicles, and the range of full or partially electrified vehicles. We are strategically positioned to drive the agenda forward by enabling the right technologies for achieving electric vehicles. Electrification of vehicles, both on-and off-highway, is today highly critical to us. It is our focus to harness the best of our resources and capabilities to deliver on the rapidly evolving needs of a market that is racing towards dynamic electrification of commercial vehicles.

Driving forces

Engine products

	Emissions legislation	Fuel efficiency	Global infrastructure
DRIVING FORCES	Increased demand for new technology to meet tighter emissions legislation, particularly in urban areas.	Increasingly tough CO_2 emission standards drive further fuel efficiency in diesel engine applications.	Continued urbanisation, population and economic growth, especially in emerging economies.
OUR STRENGTHS	Concentric supports our customer's drive towards CO_2 neutrality and zero emissions through our high performance, high efficiency pumps with low-high pressure capability, powered with electric motors.	Innovative products reduce frictional losses, enabling a more compact sized engine whilst maintaining absolute reliability, and improving fuel efficiency and/or reducing emissions.	Concentric is the only global player in the market for both diesel engine pumps and e-Pumps, our footprint enables Concentric to sell locally to global customers.
OUR PROPOSITION	Target the next generation of engine platforms that will be driven by tougher emissions legislation.	Exploit innovative engine products, such as the 2-speed water pump clutches, the Alfdex oil mist separator and the variable flow oil pump.	Explore long-term growth opportunities by growing with existing customers in emerging markets.

Electrification

- Concentric continues to support the switch to electric vehicles through our advanced, sustainable efficient e-Pump technology.
- Concentric continues to transpose e-Pump technology to new end-market applications such as battery energy storage systems, often used in conjunction with renewable energy applications.

Hydraulic products

Hydraulic products encompass gear pumps and power packs produced for major OEMs of both on- and off-highway vehicles and for distributors of hydraulic solutions.

There are several major players in the global market for hydraulic pumps, such as Bosch Rexroth, Parker Hannifin, Eaton and Sauer Danfoss, all of which are active in high-volume areas of the market. There are also regional competitors in Japan, such as Shimadzu and Kayaba, and other regions, such as Hawe in Europe and HPI in the USA. The market is highly diversified.

Concentric usually only competes with these companies in certain niche areas where the technology included in the products is generally more advanced, or where Concentric is able to differentiate its products by offering customers specific solutions.

Concentric also has a large market share in specific niche areas such as hydraulic fan drive systems, complementary control pumps and other special applications in which customers attach value to low noise, compact size and low weight.

Driving forces

Hydraulic products

DRIVING FORCES

Size reduction and reliability
Increased machine complexity is putting a premium on space which is driving demand for higher power density pumps.

Energy efficiency
Increasing trend to apply systems approach and improve energy recovery to reduce consumption.

Environmental impact
Requirement to limit the environmental impact by reducing noise in the working environment and minimising leakage and waste.

OUR STRENGTHS

Concentric's hydraulic products occupy leading niche positions in a very fragmented market, where the technology included in the product is more advanced and requires absolute reliability together with customer specific options.

Concentric has innovative products that address the key market drivers of increased energy efficiency, pressure to reduce size due to increased machine complexity and working environment restrictions to reduce noise.

OUR PROPOSITION

Expand the distributor network, particularly in Europe and Asia.

Continue to exploit products such as the Integrated Clutch which enables power on demand, the Ferra Series which delivers higher power density and the Calma Series which reduces noise levels.

Explore new market niche opportunities, especially for agricultural machinery.

Electrification

- Innovative electro-hydraulic steering systems help our customers achieve emissions reductions whilst also providing better control and performance monitoring.
- Quiet technology, particularly in urban environments, is driving new technologies such as our internal gear pump which provides a low-noise, efficient and compact solution.

Pumping up our added value offerings with **Allied Enterprises**

The new year brings bright new openings for Concentric, and this year already sees us going from strength to strength. We are proud to announce the acquisition of Allied Enterprises, LLC. ("Allied Enterprises"), the US manufacturer of transmission products for the construction, agricultural, material handling and stationary power markets.

This is a key strategic acquisition for Concentric, whereby we extend our transmission pump offerings, bolster our inherent skills and technologies and ultimately, enhance the value we offer to customers around the world. The business was acquired for MSEK 95.4 (MUSD 11.7) on a cash and debt free basis and the entire consideration was paid in cash. Allied Enterprises balance sheet has been consolidated in Concentric's financial statements as of 31 December, 2020.

Allied Enterprises: a history of quality

Established over 30 years ago in Muncie, Indiana, USA, Allied Enterprises was founded by John Miller who continues to have a key role in the business. Today the second generation of the Miller family are actively involved in the company together with 40 employees. Allied Enterprises supply high quality power transmission products into the Construction, Agricultural, Material Handling and Aftermarkets for equipment rated below 150 horsepower.

The company has long established trading relationships with a number of leading OEMs and remanufacturing suppliers around the world. The business delivers a solid profit and has delivered a robust and growing financial performance for a number of years, driven by the strong trading relationships with their key customers. For the year ended 31st December 2019, Allied Enterprises achieved MSEK 58.8 (MUSD 7.2) in sales.

The perfect fit for success

Over time, Concentric has strategically built a wide range of lower pressure engine pumps together with a range of higher pressure hydraulic pumps. Allied Enterprise shines through as a calculated acquisition for their transmission pumps that sit neatly between these existing product ranges, namely in the mid-pressure category. This opens a world of opportunities for Concentric to increase our share of the global transmission market.

CONCENTRIC

ENGINE PRODUCTS

Concentric is a Tier 1-supplier to engine manufacturers and major OEMs. We offer lubricant, coolant and fuel transfer pumps for diesel engines. Alfdex manufactures oil separators under a joint venture with Alfa Laval.

Lower pressure up to 10 bar

ALLIED ENTERPRISES

TRANSMISSION PRODUCTS

With the acquisition of Allied Enterprises, Concentric is now able to offer customers a range of transmission pumps which are available with a wide variety of sizes, outputs and features – with and without stator supports

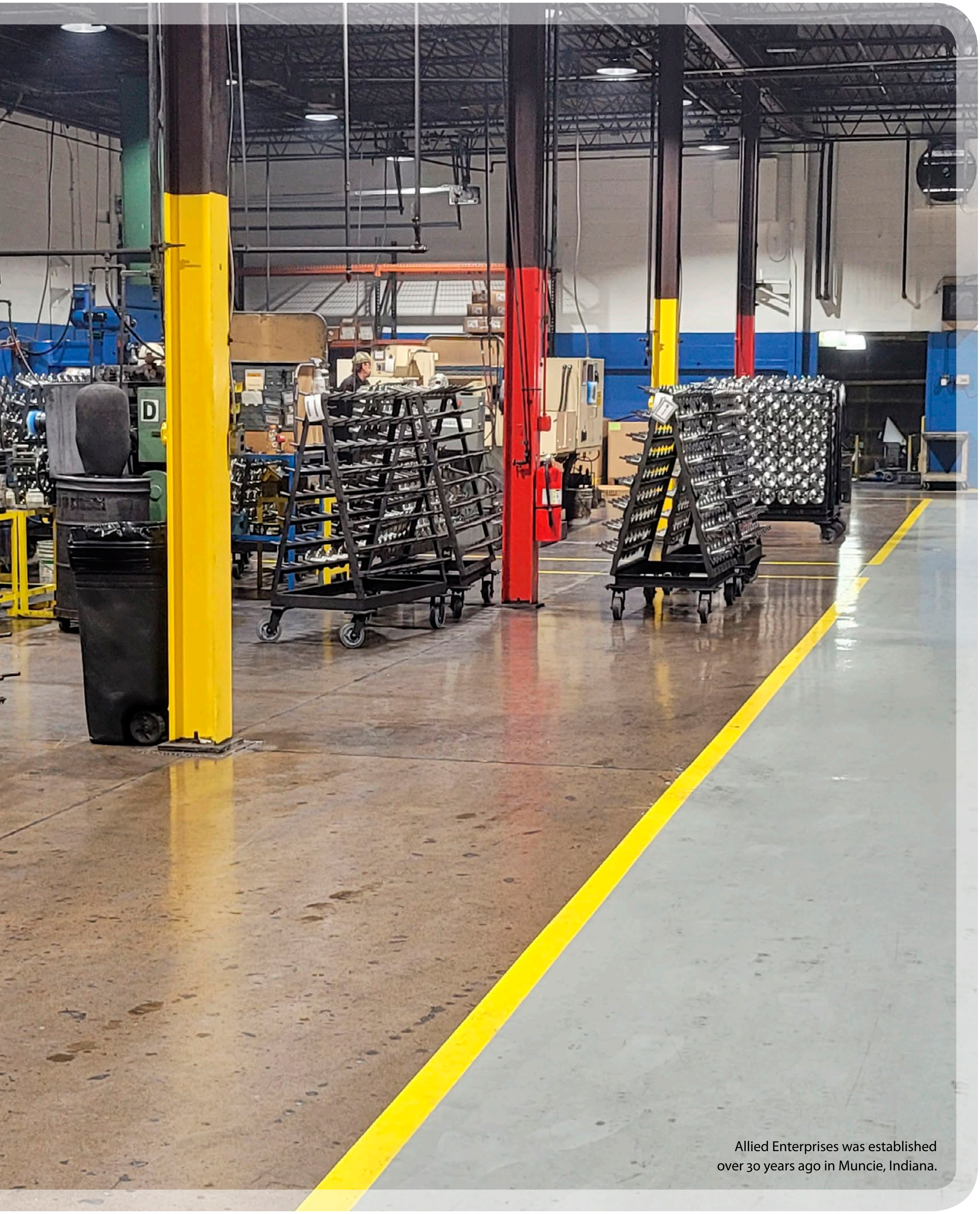
Mid pressure typically 14 to 21 bar

CONCENTRIC

HYDRAULIC PRODUCTS

Concentric offers a wide range of hydraulic products, including gear and gerotor pumps, along with hydraulic power packs and hydraulic hybrid systems for installation in a vast array of industrial vehicles and diesel engines.

Higher pressure up to 330 bar



Allied Enterprises was established over 30 years ago in Muncie, Indiana.

Our winning growth strategy

We have a dedicated team focused on identifying and realising acquisitions which align with our corporate strategy. The core objectives of this acquisition strategy are to find prospects that either deliver opportunities for geographical expansion or deliver new technologies which enhance or expand our existing portfolio.

Bearing this in mind, Allied Enterprises represents a key strategic step for Concentric. Allied Enterprises has a long history of developing and manufacturing robust, reliable and technically advanced transmission products. The business bolsters Concentric with a new range of capabilities and adds another range of pumps to the product portfolio.

We have collaborated with Allied Enterprises for a number of years and they have added value with their technical expertise in transmission pumps. Allied Enterprise's range of transmission pumps can also be adapted to be driven electronically. This will be critical to enabling us to accelerate our growth in the strategically important CO_2 neutral Battery Electric Vehicle (BEV) and Hydrogen Fuel Cell (HFC) vehicle and machine markets.

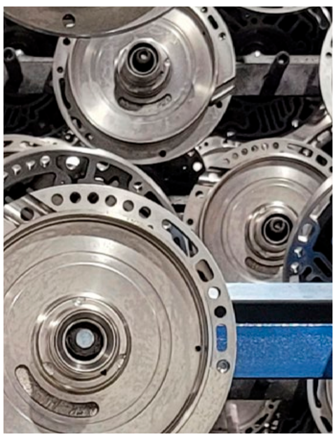
The leading lights at Concentric

The people of Concentric are our most important asset and will always be of key focus in our decisions and actions. The acquisition of Allied Enterprises empowers us with 40 new colleagues, each with their own unique competence and knowledge to add to our business.

We understand how vital the role communication plays in enabling our people to identify with the company they work for: our values, strategic direction, key messages and grounding principles. We have been engaging with Allied Enterprises employees from the very outset, with key Concentric people on site to answer questions and help our new colleagues understand the acquisition. Allied employees have also been invited to participate in our people survey (carried out in February 2021) to ensure that they have a voice within the organisation.

At the heart of CBE is our people, and it is they who make the difference. We will be working with Allied Enterprise employees to ensure they understand the core principles of CBE. We strongly believe that in this way we will achieve the same high level of performance we have achieved throughout our Group.

We will continue to provide ongoing training and development opportunities for our people in Muncie. It is important to us that we invest strategically in our people to ensure that they continue to have engaging roles within our organisation.



Smooth, secure path forward

We have been running the business since Allied Enterprise's acquisition on 31 December 2020 and our transition activities are already well underway. Our top priority is to ensure that the business can continue to operate effectively within the Concentric corporate structure. It is also crucial that customers are served and supported as reliably and efficiently as they have always been through the years. To help support this process, the previous owner and CEO, John Miller, will remain with the company in an advisory capacity for the first three quarters of 2021.

Allied Enterprises also has a very experienced and highly skilled management team, many of whom have worked for the business for several years. This team will continue to lead the business, under the guidance of the Concentric executive team. In this way, we will minimise disruption as a result of the acquisition as well as ensure that the strong corporate identity and culture that Allied Enterprise's management and employees have built over many years is secured.

Along with ensuring business continuity, we have also begun the implementation of a detailed plan which seeks to identify and leverage potential synergies between the two companies. These include, but are not limited to:

- Exploring new sales opportunities with potential Allied Enterprises transmission customers.
- Identifying cross selling opportunities involving Concentric products to existing Allied Enterprises customers and vice versa.
- Achieving cost savings through:
  - Strengthened purchasing power towards suppliers.
  - Improved efficiency through implementing Concentric Business Excellence Programme.
- Technology and expertise transfer between the Concentric and Allied Enterprises engineering teams.

Looking ahead at a robust future

We truly believe that Allied Enterprises and Concentric can achieve great things together, and that the combination of our businesses can unlock a level of value that could not be achieved separately. Despite challenging global market conditions, Concentric have achieved a number of key strategic business wins in the last 12 months.

Building on this with the acquisition of Allied Enterprises is seen as a fundamental step ahead in Concentric's overarching growth strategy. Our balance sheet remains strong even after the acquisition of Allied Enterprises. Indeed, we have both the resources and the appetite to continue to keep growing through more strategic acquisitions to come.

Our acquisition team is already looking to build on the momentum we have generated in 2020 and we continue to hold discussions with potential businesses we believe have the capacity to enhance Concentric with key technologies and growth. To this end, we have incorporated a keen focus on opportunities that will sharpen our penetration of the electrification of transportation, construction and industrial sectors. We have identified these areas to be of strategic importance as we believe they offer real revenue growth in both our existing and new markets.

Sustainability report

Sustainability efforts constitute an integral part of Concentric's operations and is something we consider when engaging with all our stakeholders. The aim is to ensure a holistic approach with as many positive results as possible environmentally, socially and economically.

Technology + Innovation = Sustainability

The philosophy of the Board of Directors and Group Management is that Concentric's principal contribution to a sustainable world, in terms of everything to do with the environment and society, takes place through the use of the Company's products. Concentric's Sustainability Report is prepared according to the GRI Standards: Core option. Therefore we report the year 2020 as fully GRI compliant and include the outcomes of the Group's efforts on sustainability and environmental matters, see pages 116–123.

Code of Conduct

Concentric's Code of Conduct stipulates that the Group shall comply with the laws and regulations of each country in which it operates; demonstrate and promote a commitment to responsible business practice in policies, decisions and activities; contribute towards improving economic, environmental and social conditions through an open dialogue with the relevant interest Groups in those local societies in which we operate, and integrate the principles of the Code of Conduct into all critical processes.

The code incorporates the following areas:

- Requirements on business partners, including a ***Code of Conduct for Suppliers***;
- Business principles which provide guidance on accounting and reporting (including an ***Information Policy***), anti-corruption, money laundering, conflicts of interest, company assets, taxation, customer offering (including marketing and fair competition), insider trading (including an ***Insider Policy***) and political involvement;
- Principles on human rights, non-discrimination and freedom from harassment, forced and child labour, freedom of association, workplace practices (including an ***Assignment and Transfer Policy***) and compensation and working practices (including a ***Social Policy***);
- Environmental principles on resource efficiency (including an ***Environmental Policy***) and a precautionary principle to avoid the use of materials and methods which pose environmental and/or health risks when suitable alternatives are available.
- Concentric's Code of Conduct is readily available to all employees through the Company's intranet and supported by local Human Resources teams. All employees are encouraged to report suspected violations of any aspect of the Conduct of Conduct to their direct line manager, their manager's manager or Human Resources. Alternatively, matters may be escalated through the ***Whistle Blowing Policy***. Compliance with the code is also monitored through a combination of key performance indicators (see table opposite), self-assessment returns and internal/external audits.

The environment

Environmental policy

In accordance with Concentric's environmental policy, which encompasses all activities undertaken by the Company's facilities, Concentric's environmental programme is to be characterised by continuous improvement, technical development and efficient use of resources. Such measures will help Concentric achieve a competitive edge and contribute to sustainable development.

The environmental impact of Concentric's products, industry operations and services must be minimised; the fundamental requirement of all operations will be the prevention of pollution alongside compliance with current legislation, respect for the environment in local communities and respect for stakeholders.

The environmental policy is annually reviewed and adopted by the Board of Directors. All members of Group Management are responsible for implementing the action plan that is based on the environmental policy.

From a sustainability perspective, the Board continuously evaluates economic, environmental and social aspects of the Group's performance and reviews specific issues such as work-related injuries, energy consumption and Code of Conduct adherence. Further information around Management's approach to sustainability is set out on page 117.

Environmental and corporate social responsibility

All of Concentric's facilities are certified according to ISO 14001 and OHSAS 18001 (the latter is a British Standard for occupational health and safety management systems).

Integrated governance processes

The Group's management and operations system meets the standards set by the ISO for quality and environmental management. The purpose of these systems is to support and steer our operations towards a uniform way of working with lower costs and improved customer value. Work on sustainability is treated as an integral part of operations, for which the Company's CEO has ultimate responsibility. The clear control and follow-up processes mean that the risk of non-compliance with legal or internal requirements on sustainability is small, and if non-compliance should still occur it can be quickly identified and resolved.

Stakeholders

As a company pursuing commercial interests, Concentric has a multifaceted network of stakeholders comprising OEMs and Tier 1-suppliers, end-users, suppliers, partners, employees, shareholders, financial markets and the State.

Concentric's group-wide aspects and targets in sustainability

Material of aspects sustainability	Social contributions	Long-term goal	Operational goal	Results	
				2020	2019
Ethics & value creation	**General** Long-term financially strong and ethically correct for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction equipment) where we are present as an engine and hydraulic pump supplier **UN's sustainable development goals** No.8: Promote sustainable economic growth	Concentric achieves long-term financial growth in an ethical manner that contributes to the improved welfare of society	Underlying operating margin should amount to ≥ 16%	**19.4%**	**23.5%**
			Gearing (Net Debt/Equity) should amount to 50% ≥ 150%	**8%**	**5%**
			Dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle	**64%**	**54%**
			No. of ethical breaches based on Concentric's values	**0**	**0**
			No. of insider trading violations investigated by Finansinspektionen[1]	**0**	**0**
			No. of acts of fraudulent behaviour identified	**0**	**0**
Product responsibility & climate Impact	**General** Reduced impact on the climate for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction Equipment) derived from the innovative development of engine and hydraulic pumps **UN's sustainable development goals** No.9: Promote inclusive and sustainable industrialisation and foster innovation No.13: Combat climate change and its impacts by regulating emissions and promoting developments to improve emissions	Concentric develops class leading pumps to enable OEMs to increase energy efficiency and reduce the environmental impact of their vehicles/equipment	**Procedure** The efficiency of all products is verified during the customer validation process	**n/a**	**n/a**
		Concentric is recognised as a credible and long-term supplier of first choice by customers for both on- and off-highway commercial vehicles	Improve our overall rating in the annual customer survey to an average score of ≥ 4.00 out of a maximum score of 5.00	**3.71**	**3.76**
Responsible suppliers	**General** Ensure the application of labour law, human rights, anti-corruption and environmental responsibility in the supply chains for both on- and off-highway commercial vehicles **UN's sustainable development goals** No. 8: Promote sustainable economic growth	Concentric promotes social responsibility in its operations and value chain	**Procedure** Concentric evaluates and approves all material suppliers from a sustainability perspective, including environmental and human rights criteria	**100%**	**100%**
Equality & diversity	**General** A workplace that offers diversity and equal opportunity **UN's sustainable development goals** No.5: Achieve equal opportunity	Concentric is an equal opportunities organisation that has an even gender distribution amongst its salaried employees and managers	Increase the number of female salaried employees and managers to 33% by 2025	**25.0%**	**22.6%**
			Increase the number of female wage earners to 22% by 2025	**11.3%**	**15.5%**
			No. of human rights claims brought against Concentric	**0**	**0**
Resource efficiency	**General** A resource efficient society **UN's sustainable development goals** No.12: Secure sustainable consumption and production	Minimise consumption of energy and raw materials, the production of waste and residual products and facilitate waste treatment and recycling when possible	Concentric purchases a wide range of commodities. From 2016 onwards, Concentric has tracked the percentage of recycled material being used within grey iron and aluminium components purchased as a percentage of the tonnage of material.	**25.7%**	**24.1%**
			Improve operating efficiency by reducing energy consumption (kWh per MSEK 1 of sales value)	**12.22**	**11.43**

[1] Sweden's financial supervisory authority

Concentric's operations in 2020 distributed by stakeholder, based on the Company's income statement.

Stakeholder engagement

It is of great importance that Concentric has an open dialogue with its stakeholders. The table below summarises how Concentric communicates with its stakeholders to understand their primary areas for concern and how these relate to Concentric's material sustainability aspects.

Key stakeholder activities include:

- Annual **customer** surveys.
- **Customer** accreditation programmes, eg CAT (SQEP) and John Deere (Achieving Excellence).
- **Industry** accreditation programmes in the US (Malcolm Baldrige) and Europe (IiE & EFQM).
- Regular **supplier** days.
- Annual **employee** surveys.
- Regular **investor** perception studies.
- **Customer** technology roadshows.

Amounts in MSEK

Customers	Sales of engine and hydraulic products	**1,502**
Suppliers	Procurement of goods and services as well as depreciation, amortisation	**–883**
Employees	Wages, social expenses and competence development	**–343**
Financial Institutions	Interest	**–20**
The State	Taxes	**–51**
Shareholders	Net income	**205**

Stakeholder group	How we work	Primary areas	Examples of identified aspects for stakeholders	Link to Concentric's material sustainability aspects
Customers	■ Annual customer surveys ■ Customer accreditation programmes ■ Technology roadshows	■ Overall customer satisfaction ■ Product quality ■ On time fulfilment of orders & continuity of supply ■ Technology & innovation	■ Customer service & relationship ■ PPM & warranty claims record ■ Delivery (OTIF%) ■ Product development to support changes in emissions legislation	■ Product responsibility ■ Climate impact ■ Resource efficiency
Suppliers	■ Regular supplier days & workshops ■ Factory inspections & on-site supplier audits ■ Code of conduct for suppliers	■ Product quality & warranty claims record ■ On time fulfilment of orders & continuity of supply ■ Technology & innovation ■ Environmental program ■ Health & safety	■ PPM & warranty claims record ■ Delivery (OTIF%) ■ Product development ■ Waste management ■ Human rights ■ Anti-corruption ■ Risk management ■ Co-operation	■ Ethics & value creation ■ Product responsibility ■ Responsible suppliers ■ Resource efficiency
Employees	■ Annual employee surveys ■ Personal development discussions ■ Training & education ■ Code of conduct	■ Recruitment & employer branding ■ Ethics & values ■ Skills development ■ Succession planning ■ Health & safety ■ Remuneration	■ Company culture ■ Environmental compliance ■ Skills development ■ Equal opportunity ■ Health & safety ■ Reward & benefits	■ Ethics & value creation ■ Equality & diversity ■ Resource efficiency
Shareholders, analysts & financial institutions	■ Regular perceptions studies ■ Investor roadshows & seminars ■ One-to-one meetings in person/ by telephone ■ Analysts presentations & capital markets days	■ Corporate update	■ Value drivers ■ Product development ■ Debt servicing capabilities ■ Sustainability ■ Human rights ■ Anti-corruption ■ Risk management ■ Operating leverage	■ Ethics & value creation ■ Product responsibility ■ Climate impact ■ Responsible suppliers ■ Equality & diversity ■ Resource efficiency
The state & local community	■ Ongoing dialogue with emissions legislators ■ Participation in government initiatives, e.g. US SuperTruck ■ Ongoing dialogues with local community representatives	■ Product development ■ Energy efficiency & climate Impact ■ Involvement in the local community ■ Environmental program	■ Long-term financial strength of employer ■ Social sustainability ■ Climate & energy ■ Environmental compliance ■ Domestic supply chain ■ Waste management ■ Human rights	■ Ethics & value creation ■ Product responsibility ■ Climate impact ■ Responsible suppliers ■ Equality & diversity ■ Resource efficiency

Production

Concentric's business activities are divided by region, with full earnings and balance sheet responsibility at both regional and plant levels. Every plant has a local manager who assumes earnings responsibility for the entire range of plant operations.

Concentric differentiates between engine production lines with higher volumes and hydraulic production lines with lower volumes. The production lines with higher volumes have a cellular structure that utilises automatic or semi-automatic no-fault forward methods for the production of single items, or only a few varieties. The production lines with lower volumes have a production channel structure based on a group method that supports sales of smaller production batches of similar products.

Quality and environmental control critical to profitability

All production plants are certified in accordance with ISO/TS 16949 and ISO 14001. ISO/TS 16949, a standard for quality control systems for suppliers to the automotive industry, was developed by the International Automotive Task Force (IATF) and the International Standardization Organization (ISO), while ISO 14001 is a standard for environmental control systems developed by ISO.

The Company pursues continuous improvement and lean-manufacturing methods that are driven by the Baldrige/EFQM model (European Federation of Quality Management) and an internal improvement programme called Concentric Business Excellence. Personnel at all levels take part in development activities and are encouraged to increase their skills and expertise through relevant training programmes.

Concentric Business Excellence

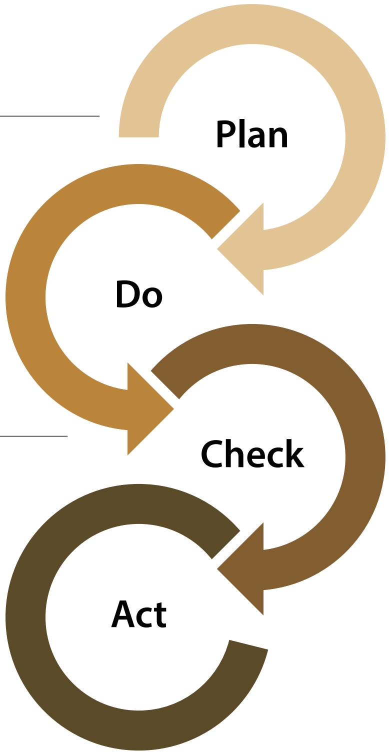
Concentric's Business Excellence programme ("CBE") underpins the Group's approach to sustainability in everything we do.

Plan
Design and communicate clear targets

Do
Implement improvement activities

Check
Obtain feedback and analyse results

Act
Formulate action plan for continuous improvement



Resource efficiency

The Group's environmental activities shall be integrated in all operations and shall be the subject of continuous improvement through the Concentric Business Excellence programme ("CBE").

The Group's products and processes shall be designed in such a way that energy, natural resources and raw materials are used efficiently, and that any waste and residual products are minimised, in line with the Group's Environmental Policy.

Social issues

Concentric has adopted a social policy that is based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labor Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD's guidelines for multinational enterprises. Concentric's work in this area has focused on the implementation of policies as a part of existing procedures and guidelines. For example, the social policy has been integrated in the Company's purchasing manual. Implementation work is on-going and continues to focus, specifically on the development and execution of action plans at division and unit levels.

Concentric in the community

Concentric endeavours to contribute to the improvement of economic, environmental and social conditions by means of an open dialogue with relevant interest groups in the communities where Concentric has operations.

Human rights

Concentric supports and respects the international conventions on human rights and make sure the Group is not complicit in human rights abuses.

Forced and/or child labour

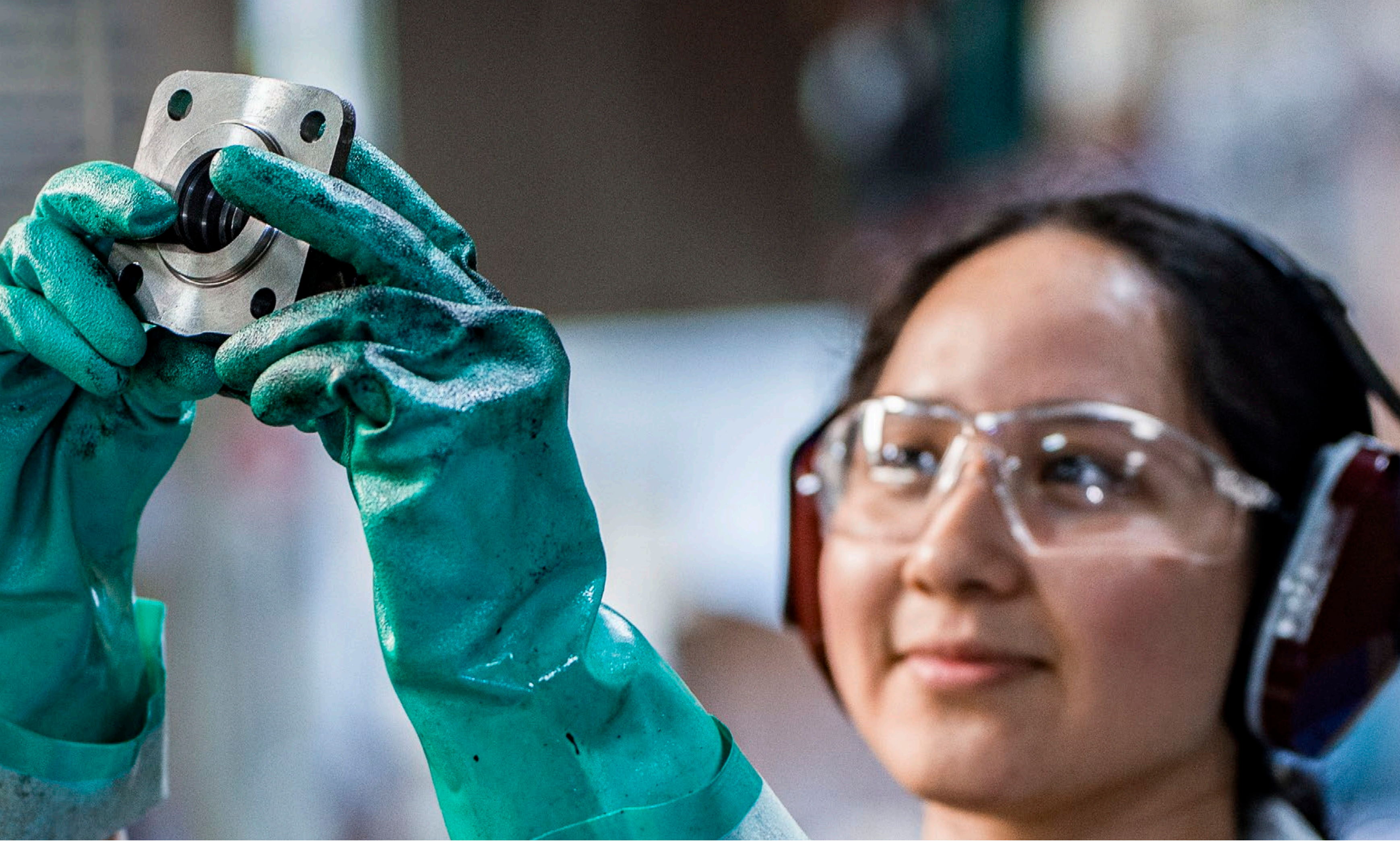
Concentric shall not engage in or support forced, bonded or compulsory labour, nor shall it require any form of deposit or confiscate identification papers from its employees. Employees are completely free to leave their employment after reasonable notice, as required by law and contract. Child labour is not tolerated. The minimum employment age is the age of completion of compulsory school, but never less than 15 years.

Freedom of contract and association

Concentric ensures that all employees accept positions within the Company of their own free will. Concentric respects the right of all employees to join an association to represent their interests as employees, to organise and to bargain collectively or individually. The Group shall respect the recognised unions. An employee's right to refrain from joining a union is equally respected. The Group shall ensure that all employees' representatives and relevant government authorities are notified of major changes in our operations as required by law.

Work environment and health

Concentric offers a safe work environment at all of its workplaces and takes actions to prevent accidents and work-related injuries by minimising the risks in work environments to the greatest possible



extent. Concentric also invests in preventive healthcare for its employees. The Company supports Employee Wellness programmes that have gained national recognition in the USA and other countries.

Reports on violations

Reports on violations of this social policy can be submitted anonymously and confidentially to the local Head of Human Resources, Group VP of Human Resources or the Chairman of the Board of directors' in accordance with Concentric's whistle-blowing policy. Individuals who make reports in good faith will not suffer any repercussions or other negative consequences.

Employees

Concentric's success is based on the competencies and abilities of its employees. Creating an environment to attract and retain the best employees is a high priority for Concentric. Every year, employees have the opportunity to participate in an employee survey and, should they wish, they can be part of the action teams that work on follow up action plans. Employees in various countries, with diverse cultural backgrounds, must be able to work together to create added value for the company, customers and shareholders.

Personnel development and focus on the future

Concentric plans to continue recruiting for the future. A key feature of the Group's HR efforts is the annual Leadership Talent Review Programme, which is used to evaluate and develop the potential of our current talent along with addressing future needs for management/leadership skills and competence. The main purpose of this management tool is to ensure a long-term supply of qualified personnel, at both the corporate and the unit level, and to identify talent for growth opportunities.

Equal opportunities

Concentric is committed to creating and maintaining a respectful workplace, free of harassment and where all individuals are treated with fairness, dignity and respect. All employees shall have equal opportunities based on competencies, experience and performance regardless of gender, race, religion, marital status, age, disability, sexual orientation, gender reassignment, nationality, political opinion, union affiliation, social background or ethnic origin. The Group has a zero tolerance policy as regards any form of discrimination, physical or verbal harassment, or threats.

Concentric employees by country[1)]

Country	2020	2019	2018	2017	2016
Argentina	63	75	83	84	89
China	17	19	19	18	21
Germany	166	164	199	190	200
India	121	145	169	173	171
Sweden	81	61	70	59	57
UK	123	149	182	182	182
USA	180	201	243	242	216
Other	2	0	1	3	3
Total	**753**	**814**	**966**	**951**	**939**

1) Calculated as full time equivalents (FTEs), including our 50% share of Alfdex AB per end of each year.

Business ethics

Concentric applies high standards in terms of business ethics and integrity, and supports the efforts of national and international organisations to establish and maintain strict ethical standards for all companies. Concentric has established a reputation for corporate trustworthiness, based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities. Success in business depends on building and maintaining the trust of customers, shareholders, employees, governments and the general public.

Accounting and reporting

All financial transactions shall be reported in line with generally accepted accounting practices, and the accounting records must show the nature of all transactions in a correct and non-misleading manner. Concentric shall report in a transparent and timely manner with the aim of conveying a true and fair view of the Group's performance, in line with the Group's Information Policy.

Anti-corruption

Concentric shall not participate in or endorse any corrupt practices and shall not accept, facilitate or support money laundering. All representatives of Concentric shall conduct their private and other external activities and financial interests in a manner that does not conflict or appear to conflict with the interests of the Group.

Customer offering, sales and marketing

Concentric shall ensure that its products meet applicable regulatory requirements, are designed with a focus on our core values of quality, reliability, safety, environmental care and delivering value for customers and are presented accurately.

Fair competition practices

Concentric shall compete in a fair manner and with integrity and shall use legitimate methods to gather information about our competitors. The Group shall not exchange information or enter into agreements or understandings with competitors, customers or suppliers in a way that improperly influences the market place or the outcome of a bidding process.

Insider trading

Concentric employees and representatives who have access to non-public information that may affect the Concentric AB share price, are not permitted to buy or sell Concentric shares or any other financial instruments that relate to the Concentric share, such as futures or options. In addition, such individuals may not induce anyone else, by giving advice or in some other manner, to undertake such trading, in line with the Group's Insider Policy. As part of this policy, Concentric maintains a log book of insiders and liaises with Finansinspektionen in the event of any unusual share price activity which may lead to a potential investigation.

Political involvement

Concentric shall observe neutrality with regard to political parties and candidates for public office.

Supply chain

Concentric endeavours to use appropriate methods to evaluate and select suppliers based on their ability to meet the requirements of Concentric's social policies and other social principles, and document their continuous fulfilment of these requirements.

Our sourcing team aims at developing Concentric's suppliers as partners. We do this through selecting high performing suppliers that deliver the best possible products and superior services that add real business value for the Concentric Group, on both a global and regional basis. Our joint collaboration drives growth, profitability and continuous improvements focusing on customer success. The strong relationships and requirements are based upon Concentric's values and the high expectations of our customers.

To achieve these goals we have high expectations of our suppliers. We expect the highest standards on products and services where good management delivers state of the art quality from project planning through to delivery into our plants. We expect continuous improvement by involvement, contribution and collaboration to achieve our mutual goals, in respect of product quality, environmental sustainability and competitive costs.

Expectations of our plants are conveyed with all suppliers in support of our long held ambition for zero defects. Quality increasingly should no longer be seen as a number it must be an underlying principle in all aspects of our suppliers' business and simply be reflected in the products they supply to our plants.

Together with our suppliers, Concentric has a responsibility to reduce the environmental impacts from transport and other services. We expect suppliers to actively contribute and commit to the principle of reducing the environmental impact of present and future products through utilising their own environmental resource management and adopting environmental management systems such as ISO 14001.

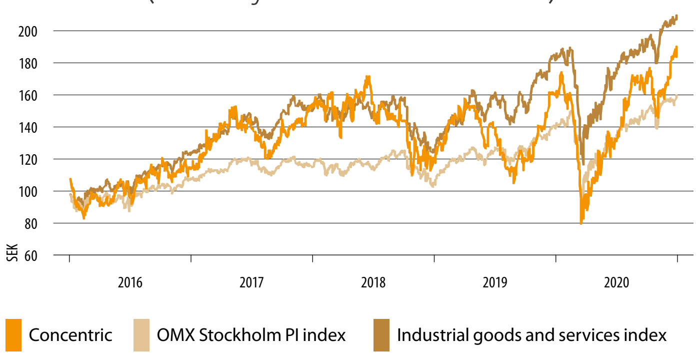
Suppliers to Concentric shall deploy and respect ethical standards throughout the supply chain in compliance with the Concentric Codes of Conduct and shall ensure these are implemented in their everyday business actions and decisions.

One element of Concentric's vision is to be recognised as a credible and long-term supplier of first choice by customers in both on- and off-highway commercial vehicle industries. To achieve this and live up to our customers increasing demands regarding safety, environment, quality, time and cost we must maintain a process of continuous improvement. Our supplier community is an integral part of fulfilling these demands and, as such, continuous improvement must be a natural part of our supplier's management system and their daily work.

The Concentric share

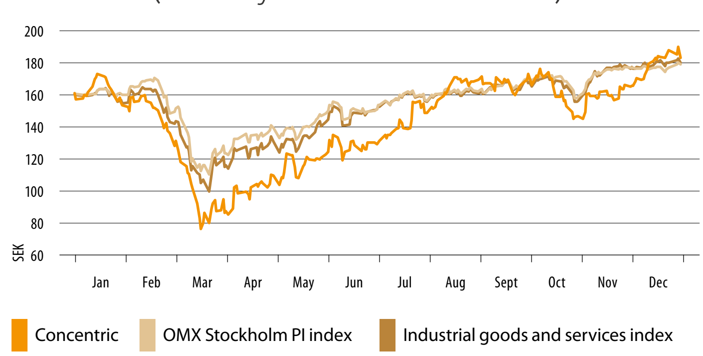
The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange midcap list since June 16, 2011, and is traded under the ticker symbol COIC. The market capitalisation of Concentric at 31 December, 2020 amounted to MSEK 6,938 represented by 37,869,533 shares at a market price of SEK 183.20.

Share value (1 January 2016–31 December 2020)



Source: Nasdaq

Share value (1 January 2020–31 December 2020)



Source: Nasdaq

Data per share

	2020	2019	2018	2017	2016
Basic earnings before items affecting comparability, SEK	5.73	8.37	10.22	7.39	5.95
Basic Earnings, SEK	5.43	8.37	10.30	7.54	6.01
Diluted Earnings, SEK	5.42	8.36	10.27	7.52	6.00
Return on equity, %	17.5	29.5	41.6	37.0	32.2
Dividend, SEK	3.50 [1]	3.25	4.25	3.75	3.50
Own shares repurchased, SEK	0.00	3.60	3.79	3.60	2.10
Market price at year end, SEK	183.20	159.00	119.80	151.00	113.75
Equity, SEK	28.18	30.08	26.55	22.36	21.18
EBITDA multiple	19.4	11.0	7.7	13.1	11.4
EBIT multiple	25.4	12.6	8.8	15.2	14.4
P/E ratio	33.8	18.7	11.4	19.7	18.7
Payout ratio, %	64.5	53.8	41.3	49.7	58.2
Dividend yield, %	1.9	2.8	3.5	2.5	3.1
Dividend and buy-back yield, %	1.9	5.1	6.7	4.9	4.9
Basic average number of shares (000's)	37,815	38,369	39,322	40,238	40,924
Diluted average number of shares (000's)	37,860	38,403	39,456	40,374	40,973
No. of shares at 31 December (000's)	37,870	37,767	38,633	39,542	40,482

[1] Proposed dividend for consideration at the 2021 AGM

Price trend and trading

The price paid for the Concentric share increased 15% (33) in 2020 to SEK 183.20 (159.00) at year-end. The Industrial Goods & Services index increased 14% (45) and the OMX Stockholm PI Index increased 13% (30) during 2020.

The highest closing price for the share during the year was registered at SEK 190.00 (161.20) and the lowest closing price was SEK 78.60 (104.40). Concentric's market value as of 31 December 2020 was MSEK 6,938 (6,005). In 2020, a total of 15.8 (16.5) million Concentric shares were traded, corresponding to 42% (44) of the total number of shares. For the five years ending 31 December 2020, Concentric's shares have given a total annual average return to shareholders of 17% (14). Total shareholder return for the year ended 31 December 2020 was 17% (36).

Incentive programmes

Concentric AB Annual General Meeting 2017–2020 have decided upon four long-term performance based incentive programmes, under which senior executives and key employees participating in the schemes are entitled to receive employee stock options that entitle them to acquire Concentric shares. The fair value of the options has been calculated according to the Black & Scholes-method.

In order to ensure and maximise the management's engagement in Concentric, allocation of employee stock options was conditioned upon the participants becoming shareholders in Concentric by their own investments of Concentric shares in the stock market.

Delivery of shares under the LTI programmes is conditional upon continuity of employment and holdings of these savings shares throughout the respective three year lock up period.

All incentive programmes are equity-settled. See also note 24 for the Group.

Ownership

At the end of 2020, Concentric had a total of 8,703 (8,441) shareholders. Foreign shareholders accounted for approximately 39% (33) of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 52% (57) of the Company was owned by legal entities and 9% (10) by private individuals.

Dividend policy

The dividend policy represents the endeavour to provide a high return to shareholders and the adaptation of the size of dividends according to Concentric's strategy, financial position and other financial targets, as well as risks that the Board of Directors regards as relevant. In accordance with Concentric's dividend policy, dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle.

Capital structure

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. The Board currently uses special dividends paid to shareholders and repurchase of own shares to manage the Group's capital structure.

Concentric's communication policy

Concentric's ambition is to communicate information internally and externally with the aim of maintaining confidence in and knowledge of the Group and its operations. The information should be correct, relevant and well-formulated and adapted to target groups, i.e. shareholders, capital markets, the media, employees, suppliers, customers, authorities and the general public.

Taking into account the requirements set in non-disclosure agreements that may occasionally be demanded by customers, the Company may not always be at liberty to divulge the customer's identity and/or business in detail.

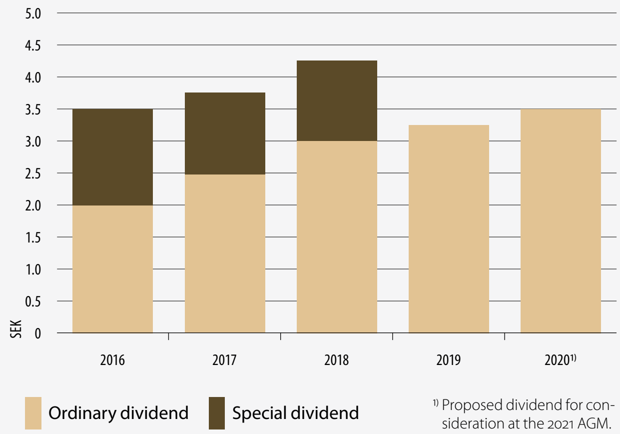
The official spokesman for the Company is the President and CEO.

Annual report available through Concentric's website

In consideration of the environment and costs, Concentric has opted not to print and distribute annual reports to shareholders. Annual reports and quarterly reports, as well as press releases, are available through the Company's website *www.concentricab.com*

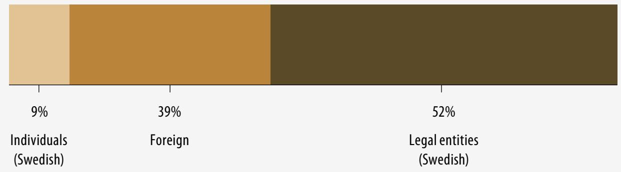
Dividend development

Dividend development per share for FY 2016–2020.



[1] Proposed dividend for consideration at the 2021 AGM.

Swedish and foreign shareholders



Distribution of shares, 30 December 2020

No. of shares	No. of shareholders	% of shareholders	% of total share capital
1–500	6,804	78.2	2.7
501–1,000	974	11.2	2.1
1,001–5,000	698	8.0	3.9
5,001–10,000	81	0.9	1.6
10,001–15,000	23	0.3	0.8
15,001–20,000	18	0.2	0.9
> 20,001	105	1.2	88.0
Total	**8,703**	**100.0**	**100.0**

10 largest shareholders, 30 December 2020

Name	Votes capital, %	No. of shares
Nordea Investment Funds	8.5	3,267,898
SEB Investment Management	8.5	3,252,061
Handelsbankens Fonder	8.2	3,152,712
Lannebo Fonder	7.0	2,680,000
Swedbank Robur Fonder	5.0	1,911,530
Fjärde AP-Fonden	4.3	1,645,953
Första AP-Fonden	3.6	1,380,611
CBNY-Norges Bank	3.6	1,361,904
RBC Investor Services Bank S.A.	3.3	1,243,423
State Street Bank and Trust CO, W9	3.0	1,165,067
Total 10 largest external shareholders	**55.0**	**21,061,159**
Total other external shareholders	**43.9**	**16,808,374**
Total, excl own holding	**98.9**	**37,869,533**
Own share holding	1.1	428,067
Total	**100.0**	**38,297,600**

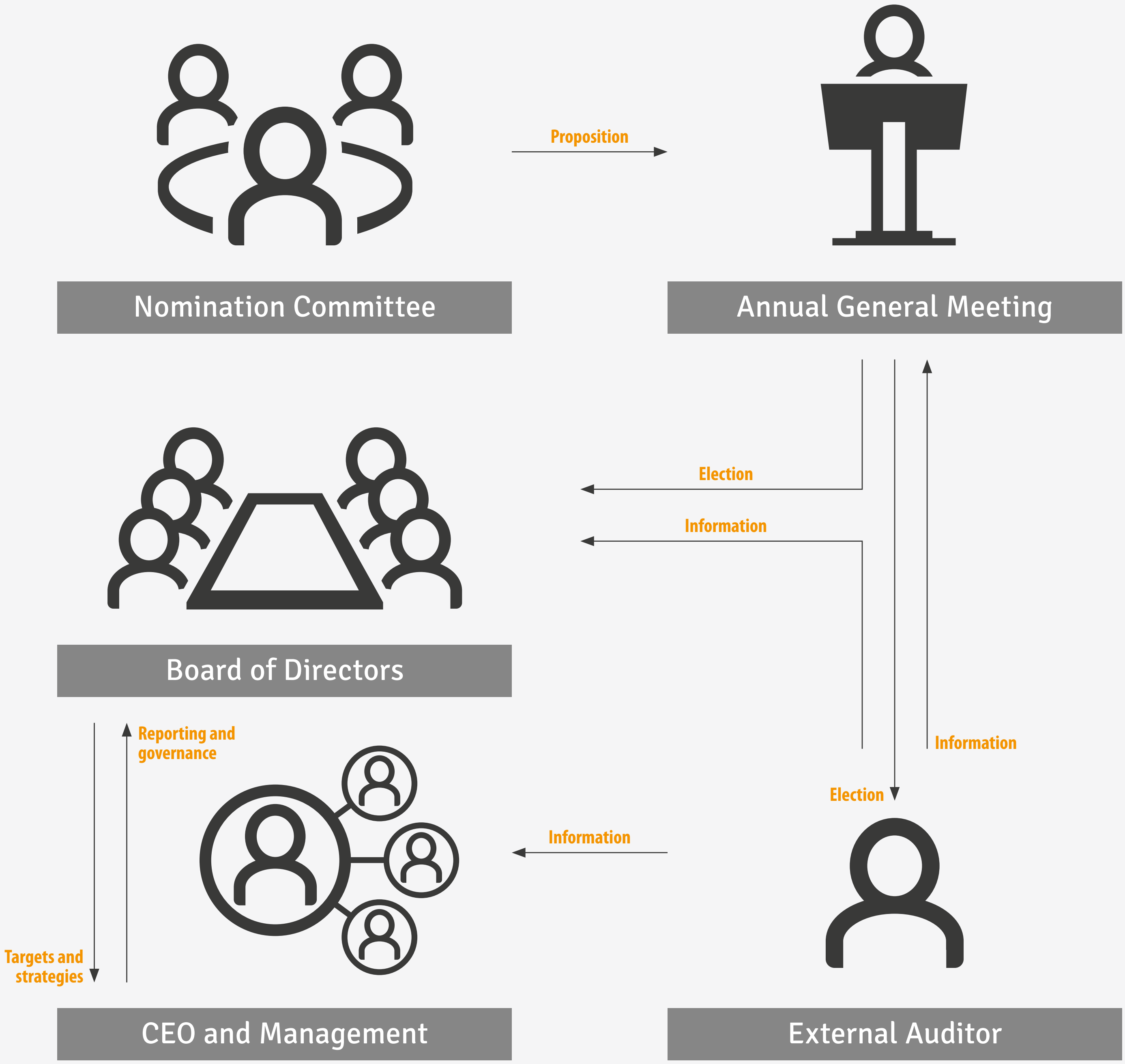
Corporate governance in Concentric

Concentric AB is a publicly traded Swedish limited liability company. Corporate governance in Concentric proceeds from the Swedish Companies Act, other applicable laws and regulations, NASDAQ OMX Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance ("the Code"). The basis for good corporate governance at Concentric is clear goals, strategies and values that are well understood by the Company's employees.

Foundation for corporate governance within Concentric

Concentric sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders.

Shareholders form the annual general meeting and appoint the nomination committee



External control system
The Swedish Companies Act, other applicable legislation and regulations for publicly traded companies, NASDAQ OMX Stockholm's Rule Book for Issuers, and the Code.

Internal control system
The Articles of Association, Operating Procedures of the Board of Directors, Instructions for the President, the Concentric Code of Conduct and the Treasury Policy, along with a number of other Group policies and manuals that contain rules as well as recommendations that specify principles and provide guidance for the Group's operations and employees.

Annual General Meeting

Concentric AB is a publicly traded Swedish limited liability company with its registered office in Stockholm, Sweden. With no exceptions, Concentric complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance report for 2020. The report has been prepared in accordance with the Swedish Companies Act.

Shareholders and Annual General Meeting

The shareholders exercise their influence by participating in the Annual General Meeting (and, as the case may be, at Extraordinary General Meetings), which is Concentric's supreme decision-making body. The Annual General Meeting is held in Stockholm, Sweden, every calendar year before the end of June. Extraordinary General Meetings are held when necessary. The Annual General Meeting resolves on a number of issues, such as the Articles of Association, the adoption of the income statement and balance sheet, the appropriation of the Company's profit or loss and the discharge from liability towards the Company for the Board members and the CEO, composition of the Nomination Committee, the election of Board members (including the Chairman of the Board) and auditor, remuneration to the Board members and the auditor, principles for remuneration and employment terms for the CEO and other senior executives and any amendments to the Articles of Association.

Notice to attend the Annual General Meeting, as well as Extraordinary General Meetings at which amendments to the Articles of Association are to be addressed, are issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice to attend other Extraordinary General Meetings is issued not earlier than six weeks and not later than three weeks prior to the meeting. Notices are published in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the Company's website. An announcement that notice has been issued is simultaneously published in Dagens Nyheter.

To be entitled to participate in a General Meeting, shareholders must be recorded in the share register maintained by Euroclear Sweden five weekdays prior to the meeting and provide notification of their intention to attend the meeting not later than the date stipulated in the notice convening the meeting. Such date must not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and must not occur earlier than the fifth weekday prior to the meeting.

Shareholders may attend the AGM in person or by proxy and may be accompanied. Shareholders are able to register for the AGM in several different ways: by telephone, email or letter.

The Board of Directors may before a General Meeting resolve that the shareholders shall be entitled to vote by post prior to the General Meeting

Shareholders wishing to have an issue brought before the AGM must submit a written request to that effect to the Board of Directors. Any such requests must reach the Board of Directors no later than seven weeks prior to the AGM to ensure that the issue can be included in the notice.

Shareholders

Concentric has been listed on the NASDAQ OMX Stockholm Stock Exchange since June 16, 2011. The share capital in Concentric AB at 31 December, 2020 totals MSEK 97.3 (97.3), represented by 37,869,533 (37,766,733) outstanding shares, excluding own shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2020 amounted to 8,703 (8,441), with Nordea Investment Funds representing the largest owner with 8.5% (9.4) of the share capital. Swedish ownership totalled 61% (67) at year end 2020. Information concerning ownership is updated each month on Concentric's website, *www.concentricab.com*.

Annual General Meeting 2020

Concentric's Annual General Meeting was held in Stockholm on 23 April, 2020.

In total, 89 shareholders participated at the Annual General Meeting. These represented 58.6% of the registered shares in Concentric and 60.9% of the outstanding shares, excluding the own shares.

Resolutions

The minutes of the meeting are available on Concentric's web site, *www.concentricab.com*. The resolutions passed include the following:

The meeting resolved that the Board would comprise eight members with no deputies. Marianne Brismar, Kenth Eriksson, Karin Gunnarsson, Martin Lundstedt, Anders Nielsen, Susanna Schneeberger, Martin Sköld and Claes Magnus Åkesson were all re-elected for the period until the Annual General Meeting in 2021. The meeting elected Kenth Eriksson as chairman of the board.

- It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2021.
- It was decided on unchanged fees to the Board of Directors. The Chairman of the Board will receive SEK 700,000, and other members of the Board of Directors will receive SEK 325,000 as remuneration for work on the board. Additional consideration shall be paid with SEK 100,000 to the chairman of the Compensation Committee and the members of the Compensation Committee shall receive SEK 50,000. The Chairman of the Audit Committee shall receive SEK 150,000 and the members of the Audit Committee shall receive SEK 75,000.
- Fees to the auditor in respect of services performed are proposed to be paid against approved account.
- A resolution was taken, in accordance with the board's proposal, on no dividend depending on the uncertainty concerning market development as a result of the rapid spread of the coronavirus and the extraordinary social measures that have been taken around the world.
- A resolution was taken on a performance based incentive programme.
- A resolution was taken on directed issue of warrants and approval of transfer of warrants.
- A resolution was taken on authorisation of the board to resolve on acquisition and transfer of own shares either directly or indirectly, via an employee stock option trust, to participants in the performance based incentive programme.
- A resolution was taken on delivery of shares under LTI 2020 to participants resident in the United Kingdom to take part in a Joint Share Ownership Plan ("JSOP").
- A resolution was taken to retire 926,500 of the Company's own repurchased shares. The retirement of shares was carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital. Altogether, the resolution resulted in the number of shares outstanding being reduced by 926,500 and the share capital being increased by SEK 136.

Extraordinary General Meeting 2020

Concentric's Extraordinary General Meeting was held in Stockholm on 9 December, 2020 and the following resolutions was made:

- In accordance with the board's proposal, on a dividend for the shareholders for the financial year 2019 of SEK 3.25 per share.
- To amend item 9 in the Articles of Association by removing information regarding record date as an adaptation to an implemented legislative change. Moreover, the Meeting resolved to insert a new item regarding collection of proxies and postal voting.

Nomination Committee

Concentric's Annual General Meeting resolves on principles for the appointment of members of the Nomination Committee and the Committee's work. The Nomination Committee's assignment includes the preparation and presentation of proposals for the election of members of the Board of Directors, the Chairman of the Board, the Chairman of General Meetings and auditor as well as proposals regarding the remuneration of Board members, members of any Board Committees and fees to the auditor. The 2020 Annual General Meeting resolved that the Nomination Committee shall consist of four members, representing each of the four largest shareholders. The names of these four members and the shareholders they represent will be announced via a press release and on Concentric's web site at least six months before the Annual General Meeting, based on the shareholdings immediately prior to such announcement.

The members' term of office will end when a new Nomination Committee has been appointed. Provided that the members of the Nomination Committee do not agree otherwise, the member representing the largest shareholder is to be appointed chairman of the Committee. If a shareholder that has appointed a member of the Nomination Committee during the Committee's term of assignment no longer is one of the four largest shareholders, the member representing such shareholder may be replaced by a representative of the shareholder that instead has become one of the four largest shareholders.

A shareholder that has appointed a member of the Nomination Committee may also replace such representative with a new member. No remuneration is to be paid to members of the Nomination Committee.

The Nomination Committee's proposals are presented in the notice convening the Annual General Meeting and on Concentric's web site. In conjunction with the issuance of the notice convening the Annual General Meeting, the Nomination Committee shall publish on Concentric's web site a statement in support of its proposal to the Board. At least one member of the Nomination Committee shall attend the Annual General Meeting in order to present and account of the work performed by the Nomination Committee and present and state the reasons for the Nomination Committee's proposals.

Nomination Committee for the 2021 Annual General Meeting

In accordance with a decision by the 2020 Annual General Meeting, the Chairman of the Board and one representative of each of the four largest shareholders have been appointed to form the Nomination Committee for the 2021 Annual General Meeting. Based on the ownership structure as of 31 August, 2020, these shareholders were:

- Lannebo Fonder, Nordea AB, Handelsbankens Fonder and SEB Fonder. Combined, they represented 32.2% of the voting rights in Concentric AB per 31 December 2020.

The shareholders' representatives who will comprise members of the 2020 Nomination Committee are:

- Göran Espelund (Chairman) of Lannebo Fonder, Erik Durhan, Nordea AB, Malin Björkmo, Handelsbankens Fonder and Per Trygg, SEB Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's website, on 6 October, 2020. The Company's shareholders were given the opportunity to submit opinions and proposals to the Nomination Committee via e-mail to the address specified on the Company's website, under the heading Investors – Governance – Corporate Governance in Concentric – AGM 2021.

The Nomination Committee's work during its mandate included the following:

- Studied an evaluation of the Board's work.
- Reviewed competence needs and discussed the Board's composition in the light of Concentric's strategies.
- Nominated Board members.
- Verified the candidates' independence.
- Presented remuneration proposals for the Board (including performance based incentive programmes) and the Auditor.
- Reviewed and issued a proposal on the principles for appointing the Nomination Committee for the 2020 AGM.

Board of Directors

Responsibility and work of the Board

The duties of the Board are set forth in the Swedish Companies Act, the Company's Articles of Association and the Code. In addition to this, the work of the Board is guided by Operating Procedures that the Board adopts every year. The Operating Procedures govern the division of work and responsibility among the Board, its Chairman and the CEO. The Board sets operational goals and strategies and is responsible for the Group's organisation and the management of its affairs, developing and monitoring the overall strategies, deciding on major acquisitions, divestments and investments, ongoing monitoring of operations and adoption of interim and year-end reports. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring and internal controls of the Group's financial reporting and position. Moreover, the Board ensures that the Company's external disclosure of information is characterised by openness and that it is accurate, relevant and clear. During Board meetings, the following items regularly appear on the agenda: the Group's performance and position, the business status, organisational matters, monthly accounts, external communication, disputes, acquisitions and divestments, major business agreements, development projects and investments.

From a sustainability perspective, the Board continuously evaluates economic, environmental and social aspects of the Group's performance and reviews specific issues such as work-related injuries, energy consumption and Code of Conduct adherence.

Responsibilities of the Chairman of the Board

The Chairman, in collaboration with the CEO, monitors the Group's operations and performance, prepares and chairs Board meetings. The Chairman is also responsible for ensuring that the Board evaluates its work each year.

CEO and Senior Management

The CEO is responsible for the day-to-day management and development of the Company in accordance with applicable legislation and regulations, including the rules of NASDAQ OMX Stockholm and the Code, and the instructions and strategies determined by the Board.

The CEO ensures that the Board is provided with objective and relevant information required in order for the Board to make well-informed decisions. Furthermore, the CEO monitors compliance with the targets, policies and strategic plans of the Company and the Group that have been adopted by the Board, and is responsible for keeping the Board informed of the Company's development between Board meetings.

The CEO leads the work of the senior management team, which is responsible for overall business development. In addition to the CEO, the senior management comprises the CFO, the VP Group Human Resources and the heads of geographical regions, a total of five persons including the CEO.

Steering instruments

External

Steering instruments that form the basis for Corporate Governance in Concentric primarily include the Swedish Companies Act, other applicable legislation and regulations for publicly traded companies, NASDAQ OMX Stockholm's Rule Book for Issuers, and the Swedish Code.

Internal

Internal binding steering instruments include the Articles of Association adopted by the Annual General Meeting, and documents approved by the Board that include the Operating Procedures of the Board of Directors, Instructions for the President, the Concentric Code of Conduct and the Treasury Policy. In addition, the Group has a number of other policies and manuals that contain rules as well as recommendations that specify principles and provide guidance for the Group's operations and employees.

Operating Procedures of the Board of Directors

The Operating Procedures regulate the Board of Directors' internal division of work, the line of decision within the Board of Directors, the procedural rules for Board meetings and the duties of the Chairman of the Board. The work of the Board follows a fixed procedure aimed at ensuring that the Board of Directors' information requirements are met.

Instructions for the CEO

The Instructions for the CEO establishes the boundaries for the President's responsibility for the operational administration, the forms for reporting to the Board of Directors and what this shall contain, requirements for internal steering instruments and matters that require the approval of the Board of Directors or that notification be provided to the Board of Directors.

Board of Directors independence

The Board's assessment of the members' independence, in relation to the Company, its senior management and major Shareholders, is presented in "Board of Directors" on page 64. All Board members are considered to be independent of the Company, its senior management and major Shareholders. Consequently, the Company meets the independence requirements of the Code.

Work of the Board

The Board of Directors held a statutory meeting immediately following the Annual General Meeting.

During 2020, the Board of Directors held a total of 10 meetings. The main issues addressed were:

- Reviewing relevant policies, procedures and instructions for the Group.
- Reviewing external communications, including interim reports and financial statements for the Group and Parent Company.
- Reviewing budget and strategic plans, including proposals for development projects, significant capital investments and major business agreements.
- Reviewing the Group's capital structure and ongoing financing arrangements.
- Appraising acquisition opportunities.
- Reviewing financial forecasts to ensure the business maintained sufficient liquidity to finance operational needs throughout the global pandemic.
- Ongoing monitoring of the Group's operations, including evaluating economic, environmental and social aspects of the Group's performance, end-market developments, organisational matters, monthly accounts, disputes and the overall performance of management.

Composition of the Board of Directors

Under the Articles of Association, Concentric's Board shall consist of not less than three and not more than ten members elected each year by the Annual General Meeting for the period up until the next Annual General Meeting.

None of the Group's senior executives or employee representatives were members of the Board in 2020. However, Concentric's CEO participates in Board meetings and the Group's CFO serves as the Board's secretary. Other salaried employees attend Board meetings in connection with the presentation of particular issues.

When electing the Board of Directors, the aim is to ensure that the Board as a whole, for the purpose of its work, possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of the Concentric Group are carried out. According to the Code, which Concentric follows, the composition of the Board should be appropriate to the Company's operations, phase of development and other relevant circumstances. The Board members elected by the General Meeting shall collectively exhibit the necessary diversity and breadth of qualifications, experience and background. Concentric use section 4.1 in the Code as its diversity policy, which for example means that the Company shall strive for gender balance on the Board. The Chairman of the Board shall discuss the Company's requirements regarding the competence, experience and background of its Board members with the Nomination Committee. The Nomination Committee shall report on its work and explain its proposals at the Annual General Meeting and shall publish a reasoned statement in support of its proposals on Concentric's website.

Pursuant to requirements of the Code, more than half of the members of the Board elected by the General Meeting must be independent of the Company and senior management. This requirement does not apply to any employee representatives.

A director's independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence of the Company or its senior management, such as recent employment with the Company or a closely related company. At least two of the members of the Board who are independent of the Company and its senior management are also to be independent in relation to the Company's major shareholders.

In order to determine such independence, the extent of the member's direct and indirect relationships with major shareholders is to be taken into consideration. Major shareholders, as defined in the Code, are shareholders who directly or indirectly control 10% or more of the shares or voting capital in the Company.

Meetings attended 2020

Board member	Board	Audit Committee	Compensation Committee	2020/21 Board Fees (SEK)
Kenth Eriksson [1]	10	8	4	825,000
Anders Nielsen [2]	9	–	4	425,000
Claes Magnus Åkesson [3]	10	8	–	475,000
Karin Gunnarsson	10	8	–	400,000
Marianne Brismar	10	–	–	325,000
Martin Lundstedt	8	–	–	325,000
Susanna Schneeberger	10	–	–	325,000
Martin Sköld	10	–	–	325,000
				3,425,000

[1] Chairman of the Board
[2] Chairman of the Compensation Committee
[3] Chairman of the Audit Committee

Compensation Committee

Tasks

Under the Code and the Swedish Companies Act, the Board is to establish a Compensation Committee within its own ranks, or, alternatively, the tasks of such committee should be performed by the entire Board.

In the inaugural Board meeting directly following each AGM, separate committees were established. The main tasks undertaken during the separately convened Compensation Committee meetings were to prepare Board resolutions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior executives, to monitor and evaluate programmes for variable remuneration for senior executives, and to monitor and evaluate the application of the guidelines for remuneration to senior executives resolved upon by the Annual General Meeting as well as remuneration structures and levels. During 2020, there were 4 Compensation Committee meetings.

Remuneration of the Board of Directors

Fees to the Board members elected by the General Meeting are resolved upon by the General Meeting after proposals from the Compensation Committee. The 2020 Annual General Meeting resolved of unchanged fees totalling SEK 3,425,000 will be paid for the period up until the end of the 2021 Annual General Meeting and be distributed among the Board members as set out in the table on page 59. The remuneration to the Board is fixed, with no variable component.

Guidelines

The terms of employment for senior executives shall consist of a balanced combination of fixed salary, annual bonus, long-term incentive programme, pension and other benefits and terms for dismissal/severance payment.

The total annual monetary remuneration, i.e. fixed salary, bonus and other long-term monetary remuneration, shall be in accordance with market practice on the geographical market where the senior executive operates. The total level of the compensation will be evaluated annually to ensure that it is in line with market practice for corresponding positions within the relevant geographical market.

The remuneration should be based on performance. It should therefore consist of a combination of fixed salary and bonus, which is capped to a percentage of fixed annual salary, where the variable remuneration forms a rather substantial part of the total remuneration.

When entering into new pension agreements with senior executives who are entitled to pension, the pension shall be based on defined contribution plans in accordance with local regulations on pension. As a main principal, pension premiums are based solely on fixed salary. Certain adjustments may occur in individual cases in accordance with local market practice.

For more details of the guidelines, please see in Board of Directors report on the pages 69–71.

Incentive programmes

Concentric AB Annual General Meeting 2017–2020 have decided upon four long-term performance based incentive programmes, under which senior executives and key employees participating in the schemes are entitled to receive employee stock options that entitle them to acquire Concentric shares. The fair value of the options has been calculated according to the Black & Scholes-method.

In order to ensure and maximise the management's engagement in Concentric, allocation of employee stock options was conditioned upon the participants becoming shareholders in Concentric by their own investments of Concentric shares in the stock market.

Delivery of shares under the LTI programmes is conditional upon continuity of employment and holdings of these savings shares throughout the respective three year lock up period. All incentive programmes are equity-settled. Key data and parameters are included in the tables below. See also note 24 for the Group.

Incentive programme 2020

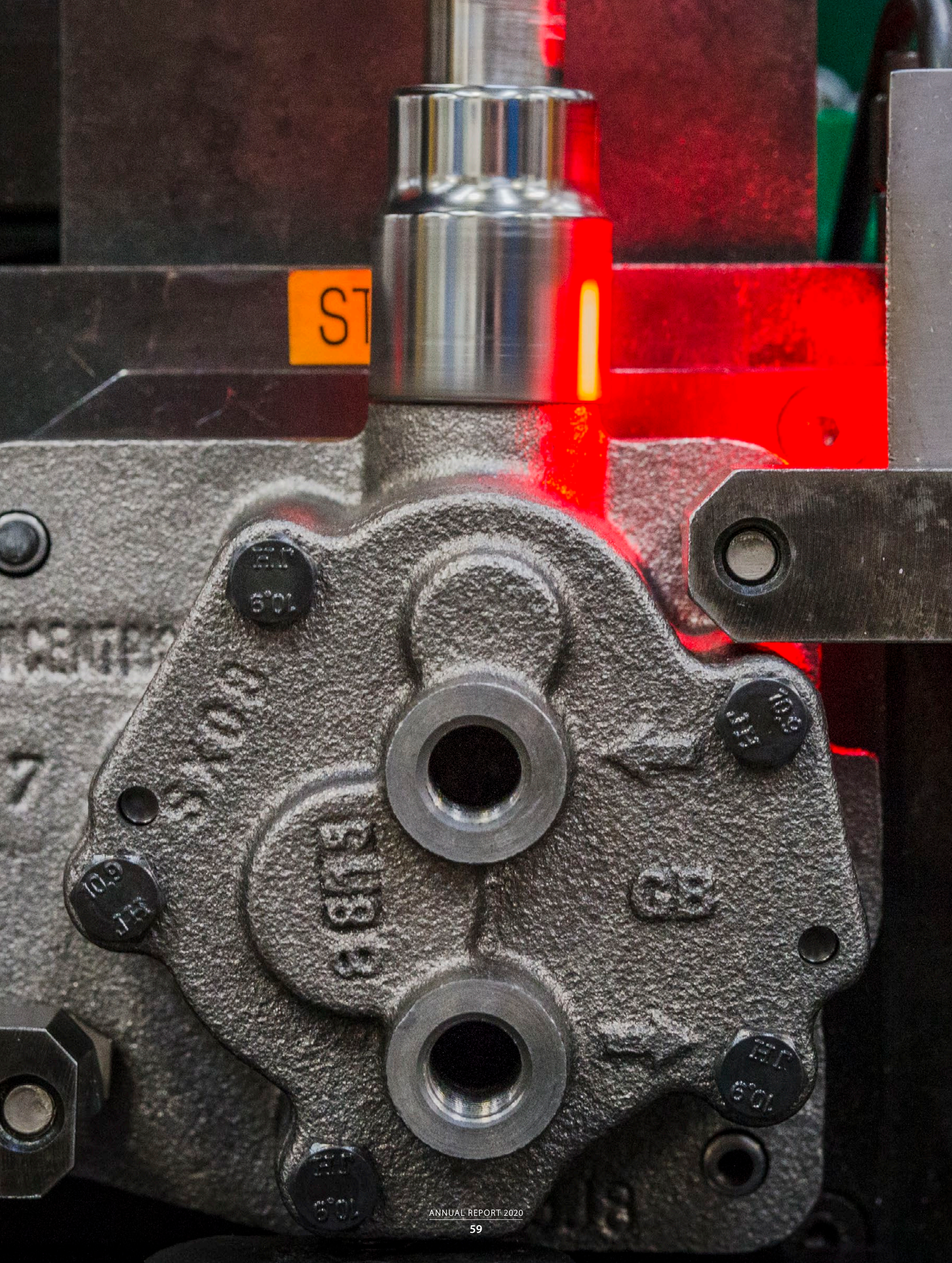
The AGM resolved on a long-term incentive programme, LTI 2020, consistent with previous years.

The programme comprise 5 senior executives, including the CEO, and other key employees within the Concentric Group. In order to participate in LTI 2020, the participants made their own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2020 entitled the participants to two free employee stock options, where each, after a three year lock-up period, will entitle the participant to acquire one Concentric share at a price of SEK 126.20 and SEK 189.40 respectively.

For more information about the Company's LTI schemes, see Group note 8 on page 87–88.

Amounts in KSEK	Basic salary/ Benefits in kind	Annual variable remuneration	Long term variable remuneration	Pension	2020 Total
President and CEO David Woolley	5,848	1,715	2,480	–	10,043
Other senior executives	8,833	1,084	603	411	10,931
Total	**14,681**	**2,799**	**3,083**	**411**	**20,974**

The number of other senior executives are 4 (4). For guidelines on remuneration see pages 69–71.



Audit Committee

The Board's responsibility for internal controls is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act and the Code. Information on the main components of the Company's systems for internal controls and risk management relating to the financial reporting must be disclosed annually in the Company's corporate governance report.

The processes for internal control, risk assessment, control activities and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with IFRS, applicable laws and regulations and other requirements for companies listed on NASDAQ OMX Stockholm.

The Audit Committee comprises three members, Claes Magnus Åkesson, Kenth Eriksson and Karin Gunnarsson. During 2020 there were 8 Audit Committee meetings. The principal tasks undertaken during the seperately convened Audit Committee meetings were:

- Review and analyse the financial statements, interim reports and Annual Report;
- Quality assessment of internal control systems, control procedures and risk management;
- Review the audit plan of the external auditors in both the short-term and long-term;
- Preparation of the Corporate Governance Report;
- Recommendation for the election of external auditors in consultation with the Management Team, the Board of Directors and the Nomination Committee prior to the Nomination Committee's recommendation for the Annual General Meeting;
- Review and monitoring of the auditor's impartiality and independence regarding approval of fees and compensation due to the auditors for auditing work as well as advance approval of the auditor's provision of non-audit services;
- Monitoring the statutory audit;
- Reporting and presentation to the Board of Directors observations noted during review sessions with auditors and Management; and
- Otherwise complete the tasks placed on the Audit Committee according to applicable laws, ordinances and the Swedish Code of Corporate Governance.

External audit

The Annual General Meeting elects the external auditor for a period of one year at a time. The auditor reviews the Annual Report, the accounts, the corporate governance report, as well as the administration of the Board and the CEO, and follows an audit schedule set in consultation with the Audit Committee. In connection with the audit, the auditor shall report its observations to senior management for reconciliation and then to the Audit Committee. The report to the Board takes place in conjunction with the adoption of the Annual Report.

The Board meets with the auditor once a year, where the auditor reports its observations directly to the Board without the presence of the CEO and the CFO. The auditor also regularly reports to the Audit Committee. Finally, the auditor attends the Annual General Meeting and briefly describes the auditing work and the recommendations in the Audit Report.

Control environment

The Board has specified a set of instructions and working plans regarding the roles and responsibilities of the CEO and the Board. The manner in which the Board monitors and ensures the quality of the internal controls is documented in the Operating Procedures of the Board and Concentric's Treasury Policy.

The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years and overseeing various issues such as the internal control routines and accounting principles applied by the Group. The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the CEO, although the ultimate responsibility rests with the Board. Other executives at various levels have in turn responsibilities within their respective areas of operation. Senior management regularly reports to the Board according to established routines. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The Company operates a COSO model (developed by the Committee of Sponsoring Organisation of the Treadway Commission) for the identification and assessment of risks in all areas. These risks are reviewed regularly by the Board and include both the risk of losing assets as well as irregularities and fraud. Designing control activities is of particular importance to enable the Company to prevent and identify shortcomings. Assessing and controlling risks also involves the management for each reporting unit, where monthly business review meetings are held. The CEO, the CFO, and local and regional management participate in the meetings. Minutes are kept for these meetings.

Information and communication

Guidelines and manuals used in the Company's financial reporting are communicated to the employees concerned. There are formal as well as informal information channels to the senior management and to the Board for information from the employees identified as significant. Guidelines for external communication are designed to ensure that the Company applies the highest standards for providing accurate information to the financial market.

Evaluation, monitoring and reporting

The Board regularly evaluates the information provided by senior management. The Board receives regular updates of the Group's development between its meetings. The Group's financial position, its strategies and investments are discussed at every Board meeting. The Audit Committee is responsible for the follow-up of the internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and to follow-up suggestions for actions emerging from the external audits. The Company operates an annual control self-assessment process for the evaluation of risk management and internal control activities. This assessment includes reviewing the application of established routines and guidelines. The key findings from this annual assessment process, together with the status of any actions regarding the Company's internal control environment, are reported to the Board.

Internal audit

Given the risk assessment described above and how the control activities are designed, including self-assessment and in-depth analysis of the internal control, the Board of Directors has chosen not to establish a specific internal audit function.

The Board

Kenth Eriksson
Chairman of the Board 2017 and member since 2010
Born 1961

M.Sc. Civil Engineering and MBA.

Partner of Athanase Industrial Partners, a value investor in public companies. Previously CEO of Tradimus AB and prior to that, several other positions within the Electrolux Group. Kenth left Electrolux in 2000 as Vice President and Head of Business Area Refrigeration in Electrolux's European household appliances operations. Member of the Board of Addtech AB.

Shareholding in Concentric: 50,175 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Claes Magnus Åkesson
Chairman of the Audit Committee and member since 2010
Born 1959

B.Sc. Business Administration.

CFO of listed residential developer JM AB since 1998. Claes Magnus has a broad international experience from different treasury and controller positions at Ericsson 1987–1998. Boardmember of Handicare Group AB and has several board assignments within the JM Group.

Shareholding in Concentric: 8,000 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Anders Nielsen
Chairman of the Remuneration Committee and member since 2017
Born 1962

M.Sc. Industrial Engineering and Management.

CTO Vestas Wind Systems A/S from 1 April 2020. Previously CTO at TRATON, responsible for product development associated with the brands of Scania, MAN and Volkswagen Caminhões e Ônibus 2016-2019, CEO of MAN Truck & Bus AG 2012–2015. Anders' career began at Scania in 1987, culminating with his appointment to the Board of Scania AB as Head of Production and Logistics in 2010. Member of the Board of Haldex AB 2015–2017, Konecranes Oy 2017-2019.

Shareholding in Concentric: 2,100 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Marianne Brismar
Member since 2010
Born 1961

M.Sc. Pharmacy and B.Sc Business Administration.

Senior partner of Intercept AB. President and CEO of fork lift truck manufacturer Atlet AB 1995–2007. Prior to that, several other positions within the Atlet Group. The Group was sold to Nissan Material Handling in 2007. Chairman of the Board of Almi Företagspartner Väst AB. Board member of Axis Communications AB, Derome AB, Greencarrier Holding AB and JOAB AB.

Shareholding in Concentric: 31,440 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Karin Gunnarsson
Member since 2019
Born 1962

B.Sc. Business Administration.

Boardmember of Beijer Electronics Group AB and Bulten AB. Previously CFO and responsible for Investor Relations in HEXPOL AB. Experience from various positions in Finance and Controlling, such as SVP Group Controlling at Telelogic AB and as Group Accounting Manager at Trelleborg AB.

Shareholding in Concentric: 2,500 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Martin Lundstedt
Member since 2012
Born 1967

M.Sc.Industrial Engineering and Management.

President and CEO of the Volvo Group. Previously President and CEO of Scania Group. Joined Scania in 1992 as a trainee. Martin Lundstedt has held various managerial positions within engine production and engine development. In 2001, Martin Lundstedt became Managing Director of Scania Production in Angers, France. Appointed Head of product marketing and member of the Executive Board in 2005. He was appointed Senior Vice President and Head of Trucks in 2006 and in 2007, he became head of franchise and factory sales. Chairman of Permobil AB and Partex Marking Systems AB. Member of Teknikföretagen.

Shareholding in Concentric: 0 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Susanna Schneeberger
Member since 2015
Born 1973

M.Sc. International Business Administration and MBA European Affairs.

Executive Board Member and Chief Digital Officer at KION Group. Previously Executive Vice President at Konecranes Corporation and CEO at DEMAG Cranes & Components 2015–2018, as well as global roles within the Trelleborg Group 2007–2014. Earlier experience includes multiple commercial managerial positions internationally. Boardmember of Hempel A/S and SKF Group.

Shareholding in Concentric: 1,000 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Martin Sköld
Member since 2010
Born 1973

Ph D Business Administration, M.Sc. Industrial management and Business Administration, and B.Sc. Innovation Engineering. Ph D Innovation and Operations Management at Stockholm School of Economics.

Director and member of the Foundation IMIT. Chairman of Vedum Kök & Bad AB and Kvänum Kök AB. Corporate advisor for multinational corporations and assignments within family firm businesses manufacturing trailers for the heavy truck industry, and a wholesale dealer for heavy trailer spare parts.

Shareholding in Concentric: 400 shares. Independent in relation to the Company, the senior Management and to major shareholders.

The Management

David Woolley
President and
Chief Executive Officer
Born 1962

B.Sc. Metals Technology.

David Woolley has been Group CEO of Concentric since 2011. David has long experience of Concentric's business and was Managing Director of the subsidiary Concentric Ltd from 2002 until Haldex acquired Concentric plc. Subsequently David was responsible for the business with respect to diesel engine pumps in the UK and India and was Head of region Europe and RoW 2010–2011.

Shareholding in Concentric: 120,000 shares.

Marcus Whitehouse
Chief Financial Officer
Born 1971

Fellow of the Association of Chartered and Certified Accountants.

Marcus Whitehouse joined Concentric as Group CFO in January 2018 from JCB, where he had worked for the last 10 years, most recently as Director of Group Finance. At JCB, Marcus held a number of senior financial roles leading strategy and operational improvements for the international manufacturer. Prior to joining JCB, Marcus worked for Linpac (PE owned), the Huntsman Group (NYSE) and Albright & Wilson PLC (LSE).

Shareholding in Concentric: 5,378 shares.

Emma Tamplin
Vice President Group,
Human Resources
Born 1977

Member of Institute of Personnel and Development (CIPD).

Emma Tamplin joined Concentric as VP Human Resources in January 2021. Emma has 20 years of experience as a Human Resources professional. Emma joined from L3Harris Technologies, a global aerospace and defence firm where she was HR Director of the Intelligence and Cyber International division. Emma has previously also worked for Moog Inc as Global Talent Director and Intercall as Human Resources & Group Services Director.

Shareholding in Concentric: 0 shares.

David Bessant
Head of region Europe
and RoW
Born 1971

B.Sc. Accountancy and Financial Analysis, FCA.

David Bessant was appointed Senior Vice President, Head of region Europe and the Rest of the World in November 2017 and had been Group CFO of Concentric since 2010. Prior to joining Concentric in 2009, David had more than 7 years of experience from listed and private equity financed multinational groups in the automotive sector. David has also spent over 10 years at KPMG (Audit and Advisory), in his last role as Senior Manager. His previous roles include Group Financial Controller at Wagon Plc and Group Financial Controller at TMD.

Shareholding in Concentric: 27,600 shares.

Jesse Smith
Head of region Americas
Born 1969

B.Sc. Business Management Systems and MBA.

Jesse Smith was appointed as Senior Vice President, Head of region Americas in July 2019. Jesse has over 10 years' experience with Concentric, previously holding the role of VP and Managing Director of the Rockford facility. Prior to joining Concentric, Jesse held a number of operations leadership positions within industry.

Shareholding in Concentric: 750 shares.

Board of Directors' report

General

The Board of Directors and the CEO of Concentric AB, corporate identity number 556828-4995, hereby present the annual consolidated and Company accounts for the financial year 2020. The Company has its registered office in Stockholm, Sweden and its visiting and postal address at Ågatan 39, 582 22 Linköping, Sweden. Unless otherwise stated, all amounts have been stated in SEK million ("MSEK"). Information in brackets refers to the preceding fiscal year. The terms "Concentric", "Group", and "Company" all refer to the Parent Company – Concentric AB – and its subsidiaries.

Overview of Concentric Group

Concentric produces and sells a range of products, based on its core technical competence in pumps, to OEMs, Tier 1-suppliers and distributors. The main products are oil pumps, water pumps and fuel transfer pumps for diesel engines and hydraulic gear pumps, motors and systems for mobile equipment. Core products are developed together with customers, to provide custom solutions to their specific flow and pressure requirements, whilst achieving the customer's goals on reducing fuel consumption, noise levels and emissions. A typical product development period can be up to three years, and a typical product life is in excess of ten years. Concentric's customers are spread globally, and their products principally serve four end-markets; trucks, construction equipment, industrial applications and agricultural machinery.

Last year saw a step-change in the number of opportunities and order nominations of our e-Pumps. Our critical success factor has been to develop and offer a wide range of high performance, high efficiency pumps with low to high-pressure capability and the ability to integrate these pumps seamlessly with electric motors, controllers and software that deliver world-class reliability, low energy use and full diagnostic capability.

During 2020, Concentric had, on average, a total of 641 (844) employees at its sites in Argentina, China, Germany, India, United Kingdom, United States, and its sales offices in France, South Korea and Sweden.

Operating segments

Concentric has a global manufacturing presence, supported by central support and development functions. The Group is organised and reported on the basis of its two geographical segments, the Americas and Europe & RoW, with a regional focus on two main product groups, namely engine products and hydraulic products.

Sales and business performance

Sales for the year, excluding revenues attributable to Alfdex AB, were MSEK 1,502 (2,012), down 25% year-on-year in absolute terms. Adjusting for the impact of currency (–2%), the underlying year-on-year sales decreased for the year by 23%. This year's sales reduction reflects the impact of COVID-19 on the global economy.

Consolidated gross income was MSEK 463 (627), resulting in a gross margin of 31% (31%). Reported EBIT and EBIT margin amounted to MSEK 276 (472) and 18.4% (23.5) respectively. Reported EBIT was impacted by restructuring costs MSEK –11 and pension & acquisition costs of MSEK –4. The operating margin before items affecting comparability for the year was 19.4% (23.5).

Last year there was a warranty provision release associated with a product quality claim. The claim was resolved amicably with the customer at no cost to Concentric. The underlying operating margin, excluding this release was 21.8% compared to the reported operating margin of 23.5%.

Our management teams have worked efficiently through the Concentric Business Excellence programme throughout the year to reduce the cost of capacity because of the reduction in customer demand to maintain strong EBIT margin.

Americas

External sales for the year amounted to MSEK 651 (863). Sales for the year were down 25% and after adjusting for the impact of currency (–4%), sales in constant currency were down 21%.

Sales were down year-on-year in constant currency across all North American end-markets as a result of the pandemic. Sales revenue in all our South American end-markets grew year-on-year impacted by the hyper-inflationary economy and foreign exchange rates.

Reported EBIT and EBIT margin as a percentage of external sales amounted to MSEK 93 (161) and 14.2% (18.7) respectively. The operating margin for the year, before items affecting comparability was 14.6% (18.7). The operating margin is still strong as a result of the Concentric Business Excellence program and US Government support of MSEK 10 received during Q2 2020 through the paycheck protection program, which was recognised as grant income in the year. The Allied Enterprises acquisition costs of MSEK 1 was the main item affecting operating income comparability.

Europe & RoW

External sales for the year amounted to MSEK 1,108 (1,432). Sales were down year-on-year by 23% and after adjusting for the impact of currency (–2%), sales in constant currency were down 21%. Sales in the key truck market have recovered partly from the global pandemic, but sales are still lower compared to previous year. All Indian end-market applications were challenging as they were heavily affected by the global pandemic.

Reported EBIT and EBIT margin as a percentage of external sales amounted to MSEK 191 (317) and 17.2% (22.2) respectively. The underlying operating margin for the year, excluding items affecting comparability, was 18.4% (22.2). Restructuring costs and additional pension costs are the main items affecting comparability in the year.

Net financial items, taxes and net earnings

Net financial expenses for the year amounted to MSEK 20 (19), comprising of pension financial expenses of MSEK 8 (13) and other net interest expenses of MSEK 12 (6). Accordingly, consolidated income before taxation amounted to MSEK 256 (453) for the year.

The Group's tax expenses for the fiscal year 2020 amounted to MSEK

51 (132). The Group's effective annual tax rate was 20% (29). The high effective tax rate last year, largely reflects a withholding tax charge for the payment of a dividend within the Group from India to the UK. This one-off withholding tax increased the effective tax rate by 6%. The remaining decrease reflects the mix of taxable earnings.

Earnings after taxation amounted to MSEK 205 (321). Basic and diluted earnings per share amounted to SEK 5.43 (8.37) and SEK 5.42 (8.27) respectively.

Cash flow

Cash flow from operating activities for the year amounted to MSEK 337 (386) which represents SEK 8.90 (10.05) per share.

Investments and product development

The Group's net investments in property, plant and equipment for the year amounted to MSEK 10 (19).

Every year, the Group makes investments in development projects to maintain its market-leading products. Product development and application engineering expenses for the year amounted to MSEK 28 (46), which represents 1.8% (2.3) of the Group's annual sales value.

Financial position and liquidity

The carrying amount of financial assets and liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist solely of derivative instruments. As of 31 December 2020 the fair value of those derivative instruments that were assets was MSEK 0 (2), and the fair value of those derivative instruments that were liabilities was MSEK 0 (1). These fair value measurements belong to level 2 in the fair value hierarchy.

Following a final review of the actuarial assumptions used to value the Group's defined benefit pension plans, the total cumulative net remeasurement losses for the year was MSEK 42 (1).

As a result, the Group's net debt at 31 December 2020 was MSEK 86 (54), comprising bank loans of MSEK – (1), loans related to leasing MSEK 129 (85) and net pension liabilities of MSEK 462 (499), net of cash amounting to MSEK 505 (531).

Shareholders' equity amounted to MSEK 1,067 (1,136), resulting in a gearing ratio of 8% (5).

On 22 December 2017, Concentric AB signed a new financing agreements with its existing banks, to replace the existing undrawn credit facility in the same amount, which was due to expire. The new multicurrency revolving credit facility is for a minimum of three years, maximum five years, in the amount of MEUR 60 (approximately MSEK 602).

Acquisitions

Allied Enterprises LLC, which was acquired on 31 December 2020 for MUSD 11.7 on a cash free debt free basis, represents a key strategic step for Concentric.

The acquisition delivers Concentric a strengthened transmission pump capability which complements its product offering. The transmission products produced by Allied Enterprises sit between our existing product categories, engines and hydraulics in terms of pressure, providing the opportunity to gain an increased market share of the global transmission market. Importantly, this range of pumps can also be adapted to be driven electronically, and therefore accelerate our growth in the strategically important CO_2 neutral Battery Electric Vehicle (BEV) and Hydrogen Fuel Cell (HFC) vehicle and machine markets.

This additional product breadth enhances the value Concentric can offer to its existing global customers and to Allied Enterprises customers and creates significant cross selling opportunities.

Related party transactions

Other than routine transactions related to intra-group financing and cash pooling arrangements, no transactions have been carried out between Concentric AB and its subsidiary undertakings and any related parties that had a material impact on either the Company's or the Group's financial position and results. Over the last five years, the AGM has decided upon five long-term incentive plans for the management and key personnel.

Environment and corporate social responsibility

All of Concentric's sites are certified to ISO14001 and OHSAS18001 standard (the latter being a standard for occupational health and safety management systems). Concentric environmental programmes are characterised by continuous improvement, technical development and resource efficiency. Concentric's environmental policy covers all activities performed at Concentric sites. Concentric has adopted a social policy based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labour Organisation's (ILO) basic principles on labour law and the OECD guidelines for multinational companies. Our 2020 Sustainability Report has been prepared in accordance with GRI Standards:Core option and is included on pages 38–47 and 116–123.

Equal opportunity

Concentric's commitment to employees is that all employees shall be treated with respect and be offered equal opportunities, be provided the conditions for a safe and healthy work environment and have the right to join an association to represent their interests.

Risk and risk management

A number of factors, not entirely controllable by Concentric, affect and may come to affect Concentric's business. Described below are some of the risk factors, which are considered to be of particular significance to Concentric's future development. The Board of Concentric AB bears an overriding responsibility for identifying, following up and managing all risks.

Industry and market risks

Competition and price pressure

Concentric operates in competitive markets, where price pressure is a natural feature. Stiffer competition and price pressure may impact negatively on the Group's operations, financial position and earnings. For example, customers may increasingly opt for products competing with the Concentric product range and it cannot be excluded that more intense competition may adversely affect Concentric's current margins.

Concentric manages this risk through innovation and product development, which maintain its market-leading products that solve its customers' problems and differentiate Concentric from the competition.

Customers

Concentric is active in several different market segments and has a large number of customers distributed among several areas of operation. No single customer accounts for more than 16 percent of the Group's net sales. A loss of a major customer or the loss or delay of a major contract may have an adverse impact on the Group's sales and earnings. Moreover, if Concentric's customers do not meet their obligations or drastically reduce operations or terminate activities, the Group's sales and earnings may be negatively affected.

Concentric manages this risk by working closely with its customers to solve their problems and meet their needs, as well as undertaking annual surveys with all of its major customers.

Raw materials and prices of raw materials

The Group depends directly or indirectly on a number of raw materials, semi-finished goods and conversion processes. The greatest exposure on raw materials relates to the supply of aluminium, various steel grades and cast iron. Concentric is also affected by changes in raw materials price levels. Concentric manages the risk of price changes by ensuring it has contractual material escalator agreements with all its major customers. However, where rising raw materials prices cannot be offset through higher prices for Concentric's products, the Group's operations, financial position and earnings may be adversely affected.

In addition, Concentric also makes regular assessments of its exposure to bought-in and semi-finished goods, such as bearings, gears, sintered gerotors, etc. If there were any interruptions to these supply chains due to quality and/or availability, this could impact the deliveries of Concentric products to its customers, which could have an adverse effect on the Group's operations, sales and earnings. Concentric manages this risk through annual supplier audits and by ensuring that there are at least dual supply arrangements in place for all key commodity groups.

Company-related and operational risks

Production

Damage to production facilities caused, for example, by fire, in addition to manufacturing stoppages or disruptions in any part of the production process caused, for example, by break-downs, weather conditions, geographic conditions, labour disputes, terrorist activities and natural disasters, may have adverse implications in the form of direct damage to property as well as interruptions that undermine the potential to meet obligations to customers. In turn, this may lead customers to select alternative suppliers. Accordingly, such disruptions or interruptions may impact negatively on the Company's operations, financial position and earnings.

Concentric employs the same production methodology across all of its sites and, for certain product lines, it conducts production of the same or very similar products at a number of plants, thus there is the potential to reduce the implications of an interruption by switching output to other plants in the Group to ensure continuity of supply to customers. Although, such action generally results in added costs which, in the short run, will have a negative impact on the Group's operations, financial position and earnings, given that the current capacity utilisation across the Group is relatively low, the negative impact would be limited. In addition, the Group has insurance cover for property damage and business interruption.

Product development

Requirements from users and legislators for higher safety, lower noise levels and reduced environmental impact result in higher demand for the products provided by Concentric. Accordingly, it is essential that the Group develops new products and continues to improve existing products to satisfy this demand so that market shares are not only maintained, but also increased.

Consequently, a key part of Concentric's strategy involves developing new products in those areas that the Group regards as important for growth and/or for defending market shares.

The development of new products always entails the risk that a product launch will fail for some reason, which could have significant consequences. It is the Group's policy to expense evolutionary product development projects, but since the Group capitalises certain costs for major new product development projects, a failed launch potentially would give rise to an impairment requirement and may adversely affect the Group's operations, financial position and earnings.

Complaints, product recalls and product liability

Concentric is exposed to complaints in the event that the Group's products fail to function the way they should. In such cases, the Group may be obliged to rectify or replace the defective products.

Recalls pertain to cases where an entire production series or a large part has to be recalled from customers in order to rectify deficiencies. This occurs occasionally in Concentric's end-markets. The Group has no insurance covering recalls. The assessment is that the cost of such insurance would not be proportionate to the risk covered by the insurance. Concentric has historically not been affected by any major recalls of products. There is always a risk that customers demand that suppliers cover costs in addition to replacing the product, such as access and restoration costs associated with dismounting, assembly and other ancillary costs. If a product causes damage to a person or property, the Group could be liable to pay damages. A recall on a larger scale or a major product liability claim, may affect the Group's operations, financial position and earnings negatively. Concentric manages this risk through its internal processes regarding the receipt of goods from suppliers, employing Poka-yoke methodology for all of its manufacturing and testing procedures, as well as effective use of quality monitoring systems deployed at both suppliers and customers. In addition, the Group has insurance cover for general product liability, including access and restoration costs associated with replacing product in the field.

Legal risks

Intellectual property rights ("IPR")

Concentric invests significant resources in product development. To secure returns on these investments, the Group actively claims its rights and monitors competitors' activities closely. There is always a risk that competitors infringe on the Group's patents and other IPR. The risk of the marketing of unlicensed copies of the Group's products has increased in recent years, particularly in the Asian markets. If required, the Group protects its IPR through legal action. However, it cannot be guaranteed that Concentric will be able to defend its granted patents, trademarks and other IPR or that submitted registration applications will be approved. Accordingly, there can be no guarantee that the Group will receive trademark or similar legal protection in respect of "CONCENTRIC" in all relevant jurisdictions. Disputes regarding infringement of IPR can, just like disputes in general, be costly and time consuming and may adversely affect Group's operations, financial position and earnings. Concentric manages this IPR risk by engaging external legal advice to monitor potential infringements and act early. As a result, the Group has historically not been adversely affected by any IPR disputes.

In addition, the industries in which Concentric operates have displayed rapid technological progress in many respects. Accordingly, there is a risk that new technologies and products can be developed, which circumvent or surpass Concentric's IPR, as noted in the Product Development section.

Disputes

Companies within the Group are occasionally involved in disputes in the ordinary course of business and are subject to the risk, similar to other companies operating in Concentric's market, of becoming subject to claims such as those in relation to contractual matters, product liability, alleged defects in delivery of goods and services, environmental issues and intellectual property rights. Such disputes and claims may prove time-consuming, disrupt normal operations, involve large amounts and result in significant costs. In addition, the outcome of complicated disputes may be difficult to foresee. Concentric manages this risk through the use of standard contractual terms wherever possible and engaging external legal advice when appropriate. The Group has historically not been adversely affected by any disputes.

Financial risks

Liquidity risk

The Group's liquidity risk is the risk that the Company will be unable to meet its immediate capital requirements either through holding sufficient cash and cash equivalents or through granted and unused credit facilities that can be utilised without conditions. The goal according to the Group's finance policy is that cash and cash equivalents and available credit facilities must total at least 10% of the rolling annual net sales for the Group at any point in time. These funds amounted to MSEK 1,107 (1,157) at year-end, corresponding to 74% (58) of the annual net sales.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on the Group's financial position and earnings. The Group's only significant interest bearing asset is cash and liquid funds. 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 borrowings. As these borrowings are currently relatively small, the Group has decided not to purchase any derivatives to hedge this interest exposure. If interest rates increase or decrease by 1%, the direct impact on the yearly interest expense for Group borrowings (including liabilities for leasing, but excluding pensions) will increase or decrease by MSEK 1 (1). Please refer to the sensitivity analysis in note 25 for indirect impact of interest rate movements on the Group's pension liabilities.

Exchange rate risks

The following significant currency rates have been applied during the year:

	Average rates		Closing rates	
Currency	**2020**	**2019**	**2020**	**2019**
EUR	**10.4867**	**10.5892**	**10.0375**	**10.4356**
GBP	**11.7981**	**12.0658**	**11.0873**	**12.2145**
USD	**9.2037**	**9.4604**	**8.1886**	**9.3171**

The table below shows the currency effect in SEK million on Net income for the year and Equity if the respective currency changes by 10%. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Net income for the year		Equity	
Currency	**2020**	**2019**	**2020**	**2019**
EUR	**8**	**10**	**4**	**8**
GBP	**3**	**4**	**29**	**33**
USD	**8**	**10**	**30**	**29**

Through its international operations, Concentric is exposed to exchange rate risks. Exchange rate risks refer to the risk of exchange rate fluctuations having an adverse impact on Group's consolidated income statement, balance sheet and/or cash flows. Foreign exchange exposure occurs in conjunction with goods and services being bought or sold in currencies other than the respective subsidiary's local currency (transaction exposure) and during conversion of the balance sheets and income statements of foreign subsidiaries into "SEK" (translation exposure). Moreover, the comparability of Concentric's result between periods is affected by changes in currency exchange rates.

Transaction risks

In accordance with the Group's Treasury policy, 65% of the anticipated net flows for the estimated volumes during the forthcoming 12-month period should be hedged, with a permissible deviation of +/–15%. At 31 December, 2020, 57% (58) of the anticipated net flows was hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as the counterparties with whom contracts may be signed. Currency forward contracts were used during the year to hedge invoiced and forecast currency flows. At 31 December 2020, the Group had outstanding derivatives with a total net nominal value of MSEK 135 (133) with a fair value of MSEK –0 (–1).

Translational risks

Concentric's operations give rise to extensive cash flows in foreign currency. The most important currencies in the Group's cash flow are SEK, USD, EUR and GBP. The effects of exchange rate movements have an impact on the Group's earnings when the income statements of foreign subsidiaries are translated to SEK. Since the Group's earnings are mainly generated outside of Sweden, the impact on the Group's consolidated income statement may be significant. In connection with translation of the net assets of non-Swedish subsidiaries into SEK, there is a risk that exchange rate fluctuations will affect the Group's consolidated balance sheet. If the measures Concentric undertakes to hedge and otherwise control the effects of exchange rate movements should prove not to be sufficient, Concentric's sales, financial position and earnings may be adversely affected.

Credit risk

Credit risk arises when a party to a transaction cannot fulfil their obligations and thereby creates a loss for the other party. The risk that customers will default on payment for delivered products is minimised by conducting thorough checks of new customers and following up with payment behaviour reviews of existing customers, including robust credit stop procedures.

The Group's accounts receivable amounted to MSEK 180 (178) at year-end and are recognised at the amounts expected to be paid. Concentric customers are primarily major OEMs, engine manufacturers and hydraulics distributors. During 2020, no single customer accounted for more than 16% (16) of sales. The Group's customer losses are historically low and normally are less than 0.1% of sales.

The Group also has a credit exposure in cash and cash equivalents. As per December 31, 2020 the Group had MSEK 393 (414) placed in banks with a long term rating from Moody's of Aa1–Aa3, MSEK 22 (28) in banks with a Moody's rating of A1–A3 and MSEK 84 (84) in banks with a Moody's rating (or equivalent) of Baa1–Baa3. The remaining MSEK 6 (5) of cash and cash equivalents was placed in various banks with different ratings.

Changes in value of fixed assets

Concentric has substantial fixed assets, of which goodwill represents the largest part. The carrying value of goodwill is reviewed annually and tested as appropriate to identify any necessary impairment requirements. In the event that future tests regarding continuing changes in the value of tangible as well as intangible assets would lead to write-downs, this may have a substantial adverse effect on Concentric's financial position and earnings.

Pension obligations

In the United States and the United Kingdom, funded defined benefit plans are operated with assets held separately from those of Concentric. The U.S. scheme is underfunded and Concentric therefore makes top-up payments, which are recognised to continue for at least a further 10 years. According to the latest report from the responsible actuary, the UK plans are sufficiently capitalised, even though there is currently a deficit. However, under the rules applicable to the UK plans, the supervisory authority may request that they be fully capitalised should an event take place having a significant negative effect on Concentric's ability to meet its pension commitments. The Company feels that there is no reason to assume that such a situation will arise, but it cannot be ruled out that the authority might assess the situation differently at some point in time. See also "Pension obligations" in note 25.

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. The Board currently uses special dividends paid to shareholders and repurchase of own shares to manage the Group's capital structure.

Share-related information

Ownership status

The Company's shares have been listed on Nasdaq OMX Stockholm since 16th June, 2011. Concentric AB had 8,703 (8,441) shareholders at the end of the financial year. The Company's largest shareholder was Nordea Investment Funds 8.5% (9.4). At year-end there were no shareholders that hold in excess of 10% of the votes and capital of the Company. The four largest shareholders held together 32% (33).

Share capital, shares outstanding and rights

Since the listing date, there have been no new shares issued.

The total number of holdings of own shares at 1 January 2020 was 1,156,667 (1,210,516) and shares transferred in 2017–2019 to an Employee Share Ownership Trust ("ESOT") was 300,700 (188,020). Including thes shares the company's holdings was 1,457,367 (1,398,536) and the total number of shares in issue was 39,224,100 (40,031,100).

On 23 April 2020, the AGM resolved to retire 926,500 of the company's own repurchased shares. The retirement of shares has been carried out through a reduction of share capital with retirement of shares and a subsequent bonus issue to restore the share capital.

The annual general meeting also resolved to transfer up to 138,600 shares to an Employee Share Ownership Trust ("ESOT") as a part of a Joint Share Ownership Plan ("JSOP") under LTI 2020. In accordance with the annual general meeting's resolution and the terms of LTI 2020, the board of Concentric has executed the transfer in regards to 93,712 shares. The ESOT has also transferred 89,600 own shares to Concentric.

The company has not repurchased any own shares during 2020, but has sold 102,800 (169,400) of own shares, to exercise and satisfy the Company's LTI-programmes, which were exercised.

The total number of holdings of own shares at 31 December 2020 was 123,255 (1,156,667) and the total number of shares in issue was 38,297,600 (39,224,100). Consequently the company's total holdings of own shares now represent 0.3% (2.9) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 304,812 (300,700). Including these shares the company's holdings was 428,067 (1,457,367) representing 1.1% (3.7) of the total number of shares.

The number of shares outstanding at year-end, excluding any dilution from share options, was 37,869,533 (37,766,733). All shares convey equal rights to a percentage of the Company's assets, profits and any surplus upon liquidation. Each share carries one vote and there is only one class of shares. There is no limit to the number of votes a shareholder may cast at the Annual General Meeting or with respect to transfer of shares. The Company is not aware of any agreements between shareholders which may limit the right to transfer shares. Further information about the Concentric AB share is provided on pages 48–51.

Board authorisations

At the last AGM in April 2020, the following board members were re-elected: Kenth Eriksson, Anders Nielsen, Claes Magnus Åkesson, Marianne Brismar, Martin Lundstedt, Martin Sköld, Susanna Schneeberger and Karin Gunnarsson.

In addition, authorisation was provided to the board to resolve on the acquisition and transfer of own shares.

Corporate governance

Supported by Chapter 6, Section 8 of the Annual Accounts Act, Concentric AB has elected to prepare its Corporate Governance Report as a separate document from the Annual Report. The Corporate Governance Report, which, among other things includes an account of the Group's governance and work of the Board of Directors over the year, is presented on pages 52–63.

Executive remuneration policies

The below executive remuneration policies were adopted on the 2020 AGM and are valid until the 2024 AGM. The actual remuneration during the year is detailed in note 8.

Estimated costs for variable remuneration and LTI-schemes will be about MSEK 15 (15), including social security cost, for 2021.

Guidelines for salary and other remuneration

The Annual General Meeting 2020 resolved on the following guidelines for salary and other remuneration to directors, the Chief Executive Officer (CEO) and other senior executives. The group of senior executives encompassed by these guidelines comprises the CEO and other members of the group executive management who report directly to the CEO and have strategic accountability for business unit operations and governance matters directed by the Board. These guidelines are valid for agreements entered into after the general meeting's resolution and for changes made to existing agreements thereafter. These guidelines do not apply to any director fees decided or approved by the general meeting or such issues and transfers as are covered by Chapter 16 in the Swedish Companies Act.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

In short, Concentric's business strategy is the following:
Concentric is one of the world's leading pump manufacturers and seek to deliver sustainable growth for every application in the markets the company serve. Concentric strive to improve fuel economy, reduce emissions and improve engine control through technical solutions and precision engineering.

Concentric create value for its customers through:

- developing world class technology with innovative solutions that meet the demands of customers/end markets;
- selling locally to global customers by capitalising on the global infrastructure and teams the company have; and
- embedding business excellence in all that the company do.

The people are Concentric's most valuable asset and the company aim to leverage and nurture the unique skills of the company's teams across the globe through a strong and inclusive corporate culture.

Concentric aim to deliver strong and sustainable shareholder returns and target growth both organically and through acquisitions which deliver complementary technologies.

For more information regarding the company's business strategy, please see *www.concentricinvestors.com*.

It is of fundamental importance to the company and its shareholders that these guidelines, in both a short and long term perspective, enable the company to attract and retain senior executives and other employees with excellent competence. The purpose of these guidelines is to increase transparency in remuneration and to create incentives for senior executives, to execute strategic plans and deliver effective operational results to support the company's business strategy and long-term interests, including its sustainability. To obtain this it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and compensation levels. These guidelines enable the company, regardless of geographical market, to offer the senior executives a competitive total compensation.

Remuneration and remuneration forms

The terms of employment for senior executives should consist of a balanced combination of fixed remuneration, annual bonus, pension and other benefits and terms for dismissal/ severance payment.

Furthermore, the Board may prepare and the general meeting resolve, on share and share-price related incentive programmes. Such a combination of compensation fosters and supports management and achievement of objectives in both a short and long-term perspective.

The remuneration should be based on performance and be competitive. The various types of remuneration that may be paid out are described below. As a share of the total compensation the following guidance shall apply:

- Fixed remuneration 50%
- Annual bonus 25%
- Long-term incentive programme (LTI) 25%

The total compensation of the senior executives shall be evaluated against relevant (geographical and industry) market data to maintain fair and balanced terms which are at the same time competitive within the market.

Fixed remuneration

The fixed remuneration shall be individually determined and shall be based on each individual's responsibility and role as well as the individual's competence and experience in the relevant position.

Annual bonus

Senior executives have an annual bonus that is payable after each year end. The annual bonus is structured as a variable part of the total compensation. Bonus objectives shall primarily be based on the outcomes of financial objectives for the entire company as well as clearly defined individual objectives with respect to specific assignments. The latter is to ensure that the senior executive also focuses on non-financial objectives of specific interest. The financial and non-financial objectives shall be designed so as to contribute to the company's business strategy, long-term interests, including its sustainability.

The financial objectives for the company shall be established by the Board annually. On behalf of the Board, the Compensation Committee establishes the financial objectives for individual units proposed by the CEO. The Compensation Committee shall make its annual evaluation based on the latest financial information made public by the company.

The individual objectives for senior executives are set up to a maximum of four which account for between 15 and 30 per cent of the total annual bonus award. Individual objectives will focus on strategic targets related to people, revenue growth in all economies and accelerating technology.

The individual objectives for the CEO are directly aligned to strategic growth and development of the business and are agreed by the Compensation Committee. In turn, the individual objectives for the senior executives have the same focus and alignment to ensure flow-down through each business and function. The individual objectives are proposed by the senior executives in agreement with the CEO, with final approval from the Compensation Committee. At the end of the bonus period, each senior executive will provide an evidence-based assessment of their performance against individual objectives for agreement and approval by the CEO. The CEO's assessment of performance will be agreed and approved by the Compensation Committee.

The part of the total compensation consisting of the annual bonus varies depending on position and may be up to 50 per cent of the fixed remuneration at full objectives achievement. The bonus objectives are constructed so that no bonus will be paid if a certain minimum performance level is not achieved. All bonus schemes within the organisation are discretionary and payable only after approval by the Compensation Committee unless payment is guaranteed by an existing legal agreement or contract.

The company does not have any potential deferral periods or according to agreements any possibility to reclaim variable remuneration.

Remuneration payable to directors

In certain cases, directors elected by the general meeting should be able to receive fees and other remuneration for work carried out on the company's behalf, alongside their Board work. Fees at market rates, to be approved by the Board, may be payable for such services.

Pension

When entering into new pension agreements with senior executives who are entitled to pension, the pension shall be based on defined contribution plans. Senior executives retire in accordance with local regulations on pension.

As a main principle, pension contributions are based solely on fixed remuneration and the pension scheme(s) in operation will be appropriate to comply with governing local legislation. Senior executives in the UK are invited to participate in a defined contribution plan which sets 12 per cent employer contribution rate. Senior executives in the USA participate in a 401(k) pension scheme. The company ensures adherence to the scheme rules of each plan.

For employments governed by rules other than Swedish, pension benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Other benefits

Other benefits, such as company car, compensation for healthcare and health and medical insurance shall form a minor part of the total compensation and shall correspond to what may be deemed market practice on each relevant market.

For employments governed by rules other than Swedish, other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Special remuneration

Further variable remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and do not exceed 36 months, and may only be made on an individual basis, either for the purpose of recruiting or retaining executives, or to induce individuals to move to new places of service or accept new positions or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Further, the total compensation must not exceed an amount equivalent to two times the remuneration the individual would have received in the absence of an agreement on special remunerations. Any resolution on such remuneration shall be made by the Board based on a proposal from the Compensation Committee.

Long-term incentive programme

In order to foster a long-term perspective in the decision-making and to ensure long-term achievement of objectives, the Board may propose the general meeting to resolve on long-term incentive programmes.

The Board has used long-term incentives in order to ensure that senior executives within the company have a long-term interest in a stable value increase of the Concentric share, which support the company's business strategy, including its sustainability. By implementing an incentive programme that is connected to the company's profits and at the same time its increase in value, the long-term growth of the company is rewarded and fostered. Further, long-term incentive programmes also aim to make the company a more attractive employer, which contributes to the company's ability to retain key employees within the group as well as to recruit new key employees.

The Board has several times proposed long-term performance based incentive programmes under which senior executives and key employees have been entitled to receive employee stock options, that entitle the participants to acquire shares in the company. The structure of the scheme requires the employee to acquire shares in Concentric AB in order to participate in the scheme. Under the programmes, the employee stock options can, after three years and subject to certain conditions, be exercised to acquire Concentric shares. This will be possible during a three-month period from the date when the company's report for the first quarter after those three years is published.

The LTI scheme is subject to proposal and agreement within a clear governance structure which, in order, is the Compensation Committee, the Board and finally, the annual general meeting.

Terms for dismissal etc.

Terms for dismissal and severance pay shall correspond to what may be deemed market practice on each relevant market. The CEO has a notice period of 12 months. Other senior executives have a notice period up to 6 months. In addition hereto, agreement may be made with senior executives on severance pay upon termination of employment by the company, corresponding to a maximum of 12 months' fixed remuneration.

Remuneration and employment conditions for other employees

In the preparation of these guidelines, remuneration and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board and its Compensation Committee resolve on the structures of remuneration systems, as well as levels and forms of remuneration to senior executives. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Compensation Committee shall monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines as well as the current remuneration structures and compensation levels in the company.

The members of the Compensation Committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. Conflicts of interest are counteracted in all decisions and any potential conflicts of interest are handled in accordance with the company's framework for governance, consisting out of a code of conduct, policies and guidelines.

Derogation from the guidelines

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Compensation Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration

The content of the guidelines has been reviewed and adapted to the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/ EC as regards encouragement of the long-term shareholder engagement.

Provisions of the Articles of Association: Appointment and discharge of directors and amendments

There are no provisions in the Articles of Association on appointment and discharge of directors and amendment of the Articles of Association. In accordance with the provisions in the Company's Act, directors are elected by the AGM for the period extending until the close of the first AGM after that at which they were elected, and amendments to the Articles of Association are determined by resolution of a General Meeting of Shareholders.

Significant agreements

The Company is not party to any significant agreements that will take effect, be altered, or become null if control over the Company changes due to a public takeover bid. Nor are there any agreements between the Company and directors which require compensation if such persons resign, are terminated without reasonable cause, or their employment is terminated due to a public takeover bid in respect to shares in the Company.

Contingent liabilities
The Group's contingent liabilities amounted to MSEK 1 (1) at the balance sheet date.

Significant post balance sheet events
There are no significant post balance sheet events to report.

Parent Company
Net sales for the year amounted to MSEK 49 (62), generating an operating income of MSEK 30 (42).

The Company received income from subsidiaries and joint ventures in form of dividends and group contributions amounted to MSEK 690 (749). Last year the shares and receivables in our subsidiary in Argentina, was impaired with MSEK 35.

The cumulative net exchange rate gains and net interest expenses for 2020 amounted to MSEK 75 (– 76) and MSEK 11 (17) respectively.

Accounting principles
The Group applies International Financial Reporting Standards (IFRS) to the consolidated accounts, as adopted by the European Commission for application within the European Union (see note 2 for more details).

Sustainability report
According to the statutory requirements the Sustainability Report is prepared as a separate report and can be found on pages 38–47 and 116–123.

Outlook for 2021
The overall published market indices blended to Concentric's mix of end-market applications and locations suggests the market for 2021 will be up +12%, as the world's economies continue to recover from the global pandemic. The European and North America markets forecast growth indices are similar to the overall blended growth rate whilst our emerging markets, China and India are expected to recover strongly next year.

Demand for engine products have improved second half of the year and the recovery in the end-market applications for hydraulics products has started towards the end of the year, we expect this to continue during 2021.

Our various facilities around the world have operated normally during the autumn with new sanitising protocols proving to be effective against the spread of the virus within our factories. Whilst the global pandemic continues there remains an element of uncertainty in our outlook, however with various COVID-19 vaccines approved and the global roll-out program underway, that level of uncertainty will reduce over time.

Customers continue to drive towards CO_2 neutrality and zero emissions and Concentric has the technology and innovation to support these developments with world class e-Pumps solutions. We reiterate our previous guidance, sales of e-Pumps could amount to 20% of Group sales by 2025.

The financial position of Concentric remains strong, both capital structure and liquidity and Concentric remains committed to meeting our customers' requirements.

Dividend policy
The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status. However, due to the Group's strong financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a total dividend of SEK 3.50 (3.25) per share for 2020, which equates to around 64% (39) of earnings per share.

Proposed appropriation of earnings
As stated in the Parent Company balance sheet, the Annual General Meeting has the following funds at its disposal:

Amounts in KSEK	
Profit brought forward	1,617,882
Net income for the year	762,460
Total	**2,380,342**

The board of directors and the president propose that the funds of KSEK 2,380,342 be allocated as follows:

Amounts in KSEK	
Dividend of SEK 3.50 per share to shareholders	132,543
Carried forward	2,247,799
Total	**2,380,342**

Statement by the Board of Directors concerning the proposed dividend
The proposed dividend reduces the Company's equity to assets ratio from 69% to 68% and the Group's equity to assets ratio from 52% to 49%. The Company's and the Group's non-restricted equity will be sufficient in relation to the nature, scope and risks of the business. In making this assessment, the board has considered, among other things, the Company's and the Group's growth historically, its budgeted growth and the financial situation. The board has evaluated the Company's and the Group's financial position and the Company's and the Group's possibilities to fulfil their obligations in the short and long-term perspective. The Company's and the Group's solvency are assessed to be good with regard to the business in which the Group is active.

The dividend will not affect the Company's or the Group's ability to fulfil its respective payment obligations. The Company and the Group have access to both short and long-term credit facilities. These facilities may be utilised at short notice, for which reason the board assesses that the Company's and the Group's preparedness to handle both changes in the liquidity and unrecognised events are good.

The board takes the view that the Company and the Group have the requirements to take future business risk and also to bear possible losses. The dividend will not negatively affect the Company's and the Group's ability to make further commercially motivated investments in accordance with the board's plans.

In view of the above, and based on what the board is otherwise aware of, the board considers, after a comprehensive assessment of the financial position of the Company and Group, the proposed dividend is in accordance with Chapter 17, Section 3, paragraphs 2 and 3 of the Swedish Companies Act. The Board considers, therefore, that the proposed dividend is justifiable in view of the requirements imposed by the nature, extent and risks associated with the equity of the Company and its balance sheet, and the liquidity and financial position of both the Parent Company and the Group.

Concentric Group

Consolidated income statement

	Note	2020	2019
Net sales		1,502	2,012
Cost of goods sold		–1,039	–1,385
Gross income		**463**	**627**
Selling expenses		–46	–24
Administrative expenses		–136	–140
Product development expenses		–28	–46
Share of net income in joint venture	19	21	20
Other operating income	11	61	77
Other operating expenses	11	–59	–42
Operating income	**4, 5, 7, 8, 9, 10, 17**	**276**	**472**
Financial income	12	2	9
Financial expenses	12	–22	–28
Financial items – net		**–20**	**–19**
Earnings before tax		**256**	**453**
Taxes	13	–51	–132
Net income for the year		**205**	**321**
Attributable to:			
Parent Company shareholders		205	321
Non controlling interest		–	–
Basic earnings per share, SEK	14	5.43	8.37
Diluted earnings per share, SEK	14	5.42	8.36
Basic weighted average number of shares (000)	14	37,815	38,369
Diluted weighted average number of shares (000)	14, 24	37,860	38,403

Consolidated statement of comprehensive income

	2020	2019
Net income for the year	205	321
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement gains of net pension liabilities	–	75
Tax arising on remeasurement gains of net pension liabilities	–	–13
Remeasurement losses of net pension liabilities	–42	–76
Tax arising on remeasurement losses of net pension liabilities	10	20
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences related to liabilities to foreign operations	75	–105
Tax arising from exchange rate differences related to liabilities to foreign operations	–16	16
Cash-flow hedging	–1	–1
Tax arising from cash-flow hedging	–	–
Foreign currency translation differences	–191	157
Total other comprehensive income	**–165**	**73**
Total comprehensive income	**40**	**394**

Consolidated balance sheet

	Note	31-Dec-20	31-Dec-19
Assets			
Fixed assets			
Goodwill	15	649	656
Other intangible fixed assets	15	110	162
Right of use fixed assets	16, 17	120	84
Other tangible fixed assets	16, 17	88	98
Share of net assets in joint venture	19	72	55
Deferred tax assets	18	107	137
Long-term loans receivable from joint venture	38	25	–
Long-term receivables	38	4	6
Total fixed assets		**1,175**	**1,198**
Current assets			
Inventories	20	120	147
Accounts receivable	21, 38	180	178
Short-term loans receivable from joint venture	29, 38	2	3
Other current receivables	22, 38	65	62
Cash and cash equivalents	23, 38	505	531
Total current assets		**872**	**921**
Total assets		**2,047**	**2,119**
Shareholders' equity and liabilities			
Equity	24		
Share Capital		97	97
Additional Contributed Capital		583	583
Reserves		151	284
Retained Earnings		236	172
Total equity		**1,067**	**1,136**
Long-term liabilities			
Pensions and similar obligations	25, 34	462	499
Deferred tax liabilities	18	15	20
Long-term liabilities for right of use fixed assets	26, 27, 34, 38	111	62
Other long-term interest-bearing liabilities	26, 27, 34, 38	–	–
Other provisions	30	3	3
Other long-term liabilities	26, 38	2	2
Total long-term liabilities		**593**	**586**
Current liabilities			
Short-term liabilities for right of use fixed assets	26, 28, 34, 38	18	23
Other short-term interest-bearing liabilities	26, 28, 34, 38	–	1
Short-term loans payable to joint venture	29, 38	–	–
Accounts payable	26, 38	154	156
Other provisions	30	31	29
Other current liabilities	26, 31, 38	184	188
Total current liabilities		**387**	**397**
Total equity and liabilities		**2,047**	**2,119**

Information of pledged assets and contingent liabilities, see note 32

Consolidated changes in shareholders' equity

			Reserves			
	Share capital	Additional contributed capital	Hedging reserve	Translation reserve	Retained earnings	Total
Opening balance January 1, 2019	97	583	3	215	128	1,026
Components of Comprehensive Income						
Net income for the year	–	–	–	–	321	321
Other Comprehensive income	–	–	–2	69	6	73
Total comprehensive income	–	–	–2	69	327	394
Dividend	–	–	–	–	–164	–164
Buy-back own shares	–	–	–	–	–136	–136
Sale of own shares to satisfy LTI 2016 options exercised	–	–	–	–	13	13
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2019	97	583	1	284	171	1,136
Opening balance January 1, 2020	97	583	1	284	171	1,136
Components of Comprehensive Income						
Net income for the year	–	–	–	–	205	205
Other Comprehensive income	–	–	–1	–133	–31	–165
Total comprehensive income	–	–	–1	–133	174	40
Dividend	–	–	–	–	–123	–123
Buy-back own shares	–	–	–	–	–	–
Sale of own shares to satisfy LTI 2016 options exercised	–	–	–	–	11	11
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2020	97	583	–	151	236	1,067

Consolidated cash flow statement

	Note	2020	2019
Cash flow from operating activities			
Earnings before tax		256	453
Reversal of depreciation, amortisation and write-down of fixed assets		86	99
Reversal of net income from joint venture		–21	–20
Reversal of other non-cash items	33	26	23
Taxes paid		–48	–135
Cash flow from operating activities before changes in working capital		**299**	**420**
Change in working capital			
Inventories		23	25
Current receivables		–16	49
Current liabilities		31	–108
Change in working capital		**38**	**–34**
Cash flow from operating activities		**337**	**386**
Cash flow from investing activities			
Investments in subsidiaries	35	–95	–
Net investments in property, plant and equipment		–10	–19
New loans paid to joint venture		–40	–
Loans repayment from joint venture		15	–
Other repayment of long-term receivables		3	–
Cash flow from investing activities		**–127**	**–19**
Cash flow from financing activities			
Dividend		–123	–164
Dividend received from joint venture		–	2
Buy-back of own shares		–	–136
Selling of own shares to satisfy LTI - options exercised		11	13
New loans	34	10	1
Repayment of loans	34	–31	–207
Pension payments and other cash flows from financing activities	34	–58	–39
Cash flow from financing activities		**–191**	**–530**
Cash flow for the year		**19**	**–163**
Cash and bank assets, opening balance		531	683
Exchange-rate difference in cash and bank assets		–45	11
Cash and bank assets, closing balance		**505**	**531**

Group notes

NOTE 1

General information

Concentric AB (Parent Company) and its subsidiaries form the Concentric Group. Concentric offers innovative proprietary solutions to the global manufacturers 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. The visiting and postal address of the head office is Ågatan 39, 582 22 Linköping, Sweden. The Company is listed on the Nasdaq OMX Stockholm Mid-Cap list, since June 2011.

The annual report and the consolidated accounts were approved for publication by the board of directors on 30 March, 2021. The statements will be adopted by the Annual General Meeting on 22 April 2021.

Unless otherwise stated, all amounts have been stated in SEK million ("MSEK"). Certain financial data has been rounded in this annual report. Where the sign "–" has been used, this either means that no number exists or the number has been rounded to zero.

NOTE 2

Summary of important accounting principles

New and amended standards and interpretations adopted by the Group

None of the IFRS and IFRIC interpretations endorsed by the EU are considered to have a material impact on the Group.

New standards, amendments and interpretations to existing standards that have not yet been endorsed

None of the new standards, amendments and interpretations issued but not yet endorsed by the EU is expected to have any material impact on the Group.

a) Basis of preparation

The consolidated financial statements of the 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 consolidated financial statements are consistent for all periods presented.

b) Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis.

c) Consolidation

Subsidiaries are defined as 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 value 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 recognises 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 recognised directly in the statement of comprehensive income. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consolidation of joint venture

IFRS 11 classifies a joint arrangement as either a joint operation or a joint venture. In a joint operation the parties to the arrangement have direct rights to the assets and obligations for the liabilities. In such an arrangement, assets, liabilities, income and expenses shall be recognised in relation to the interest in the arrangement. A joint venture gives parties rights to the net assets and earnings relating to the arrangement. Under IFRS 11, an interest in a joint venture must be recognised using the equity method. This means that one-line consolidation is used; the share of net profit in the income statement and the share of equity in the balance sheet. The proportionate method is not permitted for joint ventures. Management has assessed that Concentric's interest in Alfdex constitutes a joint venture under IFRS 11. While the Company is using the equity method for the Group, the proportionate method is used for the segment reporting (see note 4).

Non-controlling Interests

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.

d) Translation of foreign currency

The functional currency for the Parent Company is Swedish kronor (SEK) and also the presentation currency for the Group.

Advance consideration

The interpretation in IFRIC 22 concerns situations where an entity pays or receives consideration in foreign currency in advance of the item it relates to – which may be an asset, an expense or income. IFRIC 22 clarifies that the resulting asset, expense or income should be recognised at the exchange rate which existed when the entity initially recognised the advance consideration.

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 recognised in the consolidated income statement. Exchange rate gains or losses from transactions that fulfil the requirements for hedge accounting are recognised in the consolidated statement of comprehensive income.

Subsidiaries

The balance sheets and income statements of subsidiaries with a different functional currency than that of the Group's 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 recognised 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 recognised directly in the translation reserves in OCI.

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 recognised in operating income. Exchange gains and losses on financial transactions are recognised as financial income or expense in the income statement.

e) Revenue recognition

Sale of goods

The Group's recognised net sales pertain mainly to revenues from sales of goods. Net sales are reduced by the value of discounts granted and by returns. Revenue from the sale of goods are normally recognised when the goods are delivered to the customer, which is when the customer obtains control over the goods and Concentric satisfies the performance obligation in the contract with the customer.

Design and development

The Group also has some revenue that arises from design and development services. Product development creates a specialised asset that does not have an alternative use to Concentric and the Group also has an enforceable right to payment for performance completed to date. Revenue from product development is therefore recognised over time. Revenue from sale of pre-production and off production prototypes are recognised when control transfers to the customer (i.e. upon delivery).

Variable consideration – prompt payment discounts

Some of the Group's facilities offer prompt payment discounts. The prompt payment discounts constitute variable consideration, which mean that the outcome of the discount is estimated as part of the transaction price when revenue is first recognised (provided certain conditions are met).

f) Leases

All leases, except for leases of low value (kSEK <10) and short-term leases (12 months or less), are reported as fixed asset in the balance sheet. The leasing obligations are reported as liabilities in the balance sheet. Fixed assets are depreciated according to plan over their useful life, while lease payments are recognised as interest expenses and amortisation of debt.

g) Tangible fixed assets

Tangible fixed assets consist of buildings (offices, factories, and 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. The following depreciation rates are used:

- Buildings: 25–50 years
- Machinery and equipment: 3–10 years
- Heavy machinery: 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.

h) Intangible assets

Product Development

Costs for developing new products are recognised 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. Documents to verify capitalisation of 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 fulfils the above criteria. Intangible assets are recognised at cost less accumulated amortisation taking into account any impairment losses. Amortisation 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 recognised 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 recognised at cost less accumulated amortisation plus any impairment losses. Brands, licenses and patents, which are acquired through business acquisitions, are recognised at fair value on the day of acquisition. Brands, licenses and patents have a determinable useful life over which straight-line amortisation is applied to distribute the cost in the income statement. The recognised useful life of brands is estimated at 20 years. The recognised useful life of licenses and patents is estimated at 3–15 years.

Customer relations

Customer relations acquired through business combinations are recognised at fair value on the day of the acquisition and subsequently at cost less accumulated amortisation and any impairment losses. Customer relations have a determinable useful life estimated at 11–17 years. Straight-line amortisation is applied over the estimated useful life of customer relations.

Software and IT systems

Acquired software licenses and costs for the development of software that is recognised to generate future financial benefits for the Group for more than three years are capitalised and amortised over the recognised 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.

Impairment

The carrying amounts of Concentric's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. The recoverable amounts of units containing goodwill are not only estimated upon indication of impairment, but also once per year, at the same time of the year. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of other assets in the unit on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is never reversed. In respect of other assets, an impairment loss is reversed if there is an indication that the loss has decreased or no longer exists and if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Financial instruments

Initial measurement

Financial assets and financial liabilities are initially measured at fair value including transaction costs that are directly attributable to their acquisition or issue. However, trade receivables (that do not have a significant financing component) are measured at their transaction price.

Classification and subsequent measurement of financial assets

All the Group's financial assets, except for derivative assets (see separate section below), are measured at amortised cost since the assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows and the contractual terms of the assets give rise only to payments of principal and interest on the principal amount outstanding. They are included in current assets, with the exception of items with are due dates more than 12 months after the balance sheet date, which are classified as fixed assets.

Classification and subsequent measurement of financial liabilities

All the Group's financial liabilities, except for derivative liabilities (see separate section below), are measured at amortised cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Bank overdraft facilities are recognised in the balance sheet as borrowings under current liabilities.

Derivative instruments

Derivative instruments are recognised 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 recognising 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.

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 recognised directly in OCI. The ineffective portion of profit or loss is recognised directly in the income statement, among financial items. The unrealised profit or loss that is accumulated in OCI is reclassified and recognised 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, or is sold or terminated, what remains of any accumulated fair value in OCI, which is recognised in the income statement at the same time as the forecast transaction is finally recognised in the income statement. When a forecast transaction is no longer recognised to occur, the accumulated profit or loss recognised in equity is immediately transferred to the income statement.

Hedging of net investments

Accumulated gains/losses from revaluation of hedges of net investments that fulfil the conditions for hedge accounting are recognised 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) are 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 categorised 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 categorised in level 2.

Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party according to the contractual terms. Accounts receivable is recorded in the balance sheet when the invoice is sent. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. The Company derecognises a financial asset when the contractual rights to the cash flows from financial asset expire, or it transfers the rights to receive the contractual cash flow in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability at the same time.

j) Inventories

Inventories are valued at the lowest of the acquisition cost, in accordance with the first-in first-out principle and the net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

k) Impairment of financial assets

For trade receivables and contract assets, the Group recognises a loss allowance at an amount that is equal to the expected credit losses over the lifetime of the receivable. The Group makes an individual assessment of the expected credit loss for receivables where there is objective evidence that the due amounts will not be collected in full. For other receivables, the Group makes a loss allowance for expected credit losses based on loss statistics that is regularly updated to ensure that the loss reserve is forwards looking. Receivables are reported net of the allowance for expected credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due and the cash flows that the Group expects to receive.)

l) Cash and cash equivalents

Cash and cash equivalents includes cash, cash in banks and other short-term investments that fall due in less than three months.

m) Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

n) Provisions

Provisions are recognised 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 recognised when the Group has presented a plan for carrying out the measures and the plan has been communicated to all affected parties. Provision for restructuring is calculated individually for each plan and consists of cost for redundancy of employees. Provision for warranty obligation is based on experiences of historical fulfilment of warranty obligations.

o) Employee benefits

Pension commitments

The Group has both defined-contribution and defined benefit pension plans. Administration of the plans is handled by a third party e.g. a fund management company, an insurance company or a bank. 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 recognised in the balance sheet. Contributions are expensed to the profit and loss account as incurred.

Defined benefit plans state the amount an employee can expect to receive after retirement, calculated on the basis of factors such as age, length of service and future salary.

The debt recognised in the balance sheet pertaining to defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets, including any remeasurement 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.

Fair value changes from plan assets are recognised in the income statement to the discount rate applied for discounting the matching defined benefit pension liabilities. The rest of the fair value changes of plan assets are recognised in OCI as remeasurements that are not recognised in the income statement.

The discount rate is the interest on balance sheet date on high quality corporate bonds, including mortgage bonds, with a maturity corresponding to the Group's pension obligations. When there isn't a viable market for such bonds, the market for government bonds with a similar maturity is used.

According to practice, Swedish Group companies calculate tax on pension costs by taking the difference between pension costs in accordance with IAS 19, and pension costs determined in accordance with local regulations.

Share-based payment

The Annual General Meeting 2012–2020 decided upon share-based payment plans for the Group in the form of incentive programmes 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 services is recognised as expense over the vesting period, meaning the period during which the stated vesting conditions are to be fulfilled. The fair value of the services is estimated as the fair value of the options on grant date. The total expense recognised is adjusted for any options being forfeited due to non-completion of the required service period; while expenses recognised do not take into consideration any effects of changes in the share price, including options not being exercised due to the share price being below the exercise price. For further information about the incentive programme, see note 8. Expenses for social charges related to the option programme are recognised according to the same principle, with the difference that the fair value is recalculated on each reporting date.

Short-term employee benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Examples include wages, salaries, profit-sharing and bonuses and non-monetary benefits paid to current employees. The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognised in that period. The expected cost of short-term compensated absences is recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements at the end of the period.

Profit-sharing and bonus payments

An entity recognises the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made.

Termination benefits

A termination benefit liability is recognised at the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits – additional guidance is provided on when this date occurs in relation to an employee's decision to accept an offer of benefits on termination, and as a result of an entity's decision to terminate an employee's employment.
- When the entity recognises costs for a restructuring under IAS 37 Provisions, Contingent Liabilities and Contingent Assets which involves the payment of termination benefits.

Termination benefits are measured in accordance with the nature of employee benefit, i.e. as an enhancement of other post-employment benefits, or otherwise as a short-term employee benefit or other long-term employee benefit.

p) Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised 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 recognised to be paid to the tax authorities.

Deferred income tax is recognised, 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 recognised 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 recognised to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 tax 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.

q) 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.

r) Government grants

Government grants connected to the acquisition of fixed assets reduce the acquisition value of the particular assets. This means that the asset has been recognised at a net acquisition value, on which the size of depreciation has been based.

s) Earnings per share

The calculation of basic earnings per share is based on consolidated net income attributable to the Parent Company shareholders and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, the average number of shares outstanding is adjusted to take into account the dilutive effects of potential ordinary shares. During the recognised periods, potential ordinary shares comprise share options granted to senior executives and key employees. The options are dilutive if the exercise price is lower than the share price. Dilution is greater, the greater the difference between the exercise price and the share price. The exercise price is adjusted by an addition of the value of future services calculated as remaining cost to recognise in accordance with IFRS 2.

t) Hyperinflationary economy

Concentric has operations in Argentina. During the third quarter 2018, Argentina was declared a hyperinflationary economy under the criteria in IAS 29. Concentric has assessed the impact of making the adjustments required by IAS 29 and has concluded that the impact on the Group's financial statements is non-material due to the limited extent of the operations in Argentina compared with the Group as a whole. The Group continues to monitor the situation in Argentina.

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 the year the Group's goodwill was tested for impairment. As at 31 December 2020, the total goodwill amounted to MSEK 649 (656). The testing was performed at the operating segment level. The Americas segment and the Europe and RoW segment constitute the Group's cash generating units. The goodwill value assigned to the Americas segment amounts to MSEK 261 (231) and to Europe and RoW segment amounts to MSEK 389 (425). The increase to the Americas segment is in realtion the acquisition of Allied Enterprises LLC. The remaining change between the years is due to different currency rates being used when translating the amount into SEK. The impairment testing is performed by discounting expected future cash flows translated into SEK, 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 flows are 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 committed restructuring programmes.

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. In addition to the latest published end-market indices and historical performance, the Group's forecasts are compiled using product sales plans, productivity initiatives, capital investment programmes and working capital targets prepared by each individual operating location. The key assumptions for the forecast of cash flows during the coming five years are sales growth, EBIT margin, level of working capital and capital expenditures. 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 growth after the end of forecast period has been estimated at 2 (2) percent. The calculation of the residual value includes all future cash flows after the end of the forecast period. When discounting recognised future cash flows, a weighted average cost of capital after tax (WACC) of 5.6% (7.0) was used for the Europe and RoW segment and 5.9% (7.0) was used for the Americas segment. This corresponds to WACC before tax of 5.9% (8.3) for Europe and RoW segment, and 6.5% (8.8) for Americas segment. The weighted average cost of capital was calculated on the basis of the following assumptions:

- Risk-free interest rate: Ten year government bond market.
- Markets risk premium 6% (6).
- Beta: Established beta value for the Group's operating segments.
- Interest expense: Has been calculated as a weighted interest rate on the basis of the current debt instruments and gearing in the Group's operating segments, which is considered a good proxy for the long-term financing structure.
- Tax rate: According to the tax rates applying in the specific countries in that segment.

The impairment tests performed in 2020 did not reveal any need to impair goodwill. A reasonable possible change in any of the key assumptions would not lead to impairment.

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 recognises 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 amounted to MSEK 23 (27) and represented 1.6% (1.3) of net sales as of December 31, 2020.

Pensions

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounts to a defined benefit obligation of 2,312 (2,328), plan assets of 1,848 (1,829) and net pension liabilities of MSEK 462 (499) at year-end 2020. The principal assumptions are described in Note 25. At 31 December 2020, there was a decrease in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in UK, US and Sweden, which lead to remeasurement losses in the current reporting period. Given the sensitivity of the discount rate to these actuarial calculations, we have reviewed the impact of a +/0.5% change in the rates assumed. Our actuaries estimate that a 0.5% increase in the assumed discount rates used would decrease the present value of the Group's defined benefit obligations by approximately MSEK 167 (165). Conversely, a 0.5% decrease in the assumed discount rates used would increase the present value of the Group's estimated pension obligations by approximately MSEK 182 (203). Since the Group's UK companies account for approximately 71% (71) of the Group's total estimated defined benefit obligations, fluctuations in the UK discount rate would have the greatest impact.

NOTE 4

Segments and revenue

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

The operating segments derive their revenues from the development, manufacture and distribution of hydraulic lifting systems, drive systems for industrial vehicles and pumps for lubricants, cooling water and fuel in diesel engines.

The Americas segment comprises the Group's operation in the United States and Argentina. As our operations in India and China remain relatively small in comparison to our Western facilities, Europe & RoW continues to be reported as a single combined segment, in line with our management structure, comprising the Group's operations in Europe, India and China.

The evaluation of an operating segment's earnings is based on operating income or EBIT. Assets and liabilities not allocated to segments are financial assets and liabilities.

Proportional consolidation of Alfdex is used in Europe & RoW in the segment reporting, but adjusted to equity accounting in the statements according to IFRS 11.

No single customer accounts for more than 16% (16%) of the comprehensive income of the Group as a whole. There are three (three) customers with more than 10% of the Group's net sales in 2020. These customers contributed net sales of MSEK 615 (849), or 40.1% (42.2) and were supplied from both the Americas and Europe & RoW operating segments. The location of the customer forms the basis of sales by geographic area.

	Americas		Europe & RoW[1]		Elims–Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	662	882	1,158	1,504	–318	–374	1,502	2,012
External net sales	651	863	1,108	1,432	–257	–283	1,502	2,012
Operating income	93	161	191	317	–8	–6	276	472
Operating margin, %	14.2	18.7	17.2	22.2	n/a	n/a	18.4	23.5
Financial income and expense	–	–	–	–	–20	–19	–20	–19
Earnings before tax	93	161	191	317	–28	–25	256	453
Assets	529	516	1,189	1,227	329	376	2,047	2,119
Liabilities	221	241	750	720	9	22	980	983
Capital employed	354	334	695	768	32	24	1,081	1,126
Return on capital employed, %	28.4	49.9	25.4	40.6	n/a	n/a	25.2	42.5
Net investments in property, plant and equipment	4	6	21	14	–15	–1	10	19
Depreciation, amortisation and write-downs	25	27	67	76	–7	–4	85	99
Number of employees, average	232	300	485	615	–76	–71	641	844

[1] Including the joint venture company Alfdex AB.

Disaggregation of revenue

Segment external sales reporting by geographic location of customer	Americas		Europe & RoW[1]		Elims/Adjs		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
USA	577	744	39	49	–38	–47	578	746
Rest of North America	20	28	8	10	–2	–	26	38
South America	27	31	2	2	–1	–	28	33
Germany	6	8	326	432	–62	–69	270	371
UK	4	13	103	143	–1	1	106	157
Sweden	–	–	134	166	–51	–73	83	93
Rest of Europe	5	8	297	414	–35	–46	267	376
Asia	10	27	190	213	–69	–48	131	192
Other	2	4	9	3	2	–1	13	6
Total Group	**651**	**863**	**1,108**	**1,432**	**–257**	**–283**	**1,502**	**2,012**

[1] Including the joint venture company Alfdex AB.

	Americas		Europe & RoW[1]		Elims/Adjs		Group	
Total sales by product groups	2020	2019	2020	2019	2020	2019	2020	2019
Concentric branded Engine products	237	337	361	557	–	–	598	894
LICOS branded Engine products	–	–	169	225	–	–	169	225
Alfdex branded Engine products	–	–	257	283	–257	–283	–	–
Total Engine products	**237**	**337**	**787**	**1,065**	**–257**	**–283**	**767**	**1,119**
Total Hydraulics products	414	526	321	367	–	–	735	893
Total Group	**651**	**863**	**1,108**	**1,432**	**–257**	**–283**	**1,502**	**2,012**

[1] Including the joint venture company Alfdex AB.

	Americas		Europe & RoW[1]		Elims/Adjs		Group	
Total sales by end-markets	2020	2019	2020	2019	2020	2019	2020	2019
Trucks	51	126	645	874	–242	–268	454	732
Construction	202	270	202	245	–	–	404	515
Industrial	306	338	170	206	–	–	476	544
Agriculture	92	129	91	107	–15	–15	168	221
Total Group	**651**	**863**	**1,108**	**1,432**	**–257**	**–283**	**1,502**	**2,012**

[1] Including the joint venture company Alfdex AB.

Revenues from contracts with customers

Total amount of revenue from contracts with customers under IFRS 15 corresponds with reported net sales for the Group. The Group does not have any performance obligations that are part of a contract that has an original expected duration of more than one year. Therefore, no information is provided concerning transaction price allocated to unsatisfied performance obligations as is permitted by IFRS 15.

Contract balances

The Group's contract balances consisted of accounts receivable and contract assets in the form of accrued income. For a specification of opening and closing balances of account receivables, see note 21. Accrued income is specified in note 22.

Tangible assets by operating location	2020	2019
USA	49	36
Germany	46	57
UK	73	46
South America	2	2
Asia	38	41
Total Group	**208**	**182**

Intangible assets by operating location	2020	2019
USA	299	288
Germany	59	67
UK	401	463
Total Group	**759**	**818**

NOTE 5
Costs distributed by type

	2020	2019
Direct material costs	708	948
Personnel costs	348	455
Warranty cost	4	–35
Depreciation and amortisation	86	99
Share of net income in joint venture	–21	–20
Other operating income	–68	–81
Other operating costs	169	174
Total operating costs	**1,226**	**1,540**

NOTE 6
Average number of employees

	2020	2019
Women	146	130
Men	495	714
	641	**844**

Note: FTEs in 2020 is reduced partially due to short-time working and furlough schemes used in the year.

NOTE 7
Salaries and other remuneration

	2020	2019
Salaries and remuneration	288	359
Pension costs	14	10
Social security costs	39	67
External cost for temporary personnel	3	15
Other personnel costs	4	4
Total personnel costs	**348**	**455**

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to MSEK 30 (24). The Board of Directors, consists of 8 (8) members, of whom 3 (3) are women. For information on the individual remuneration paid to them and the CEO, refer to Note 8 for the Group.

NOTE 8
Information on remuneration of Board of Directors, CEO and Executive Committee

	2020					2019				
Amounts in SEK (thousands)	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total
Board of Directors										
Kenth Eriksson, Chairman	825	–	–	–	825	779	–	–	–	779
Marianne Brismar	325	–	–	–	325	322	–	–	–	322
Karin Gunnarsson	400	–	–	–	400	300	–	–	–	300
Martin Lundstedt	325	–	–	–	325	310	–	–	–	310
Anders Nielsen	425	–	–	–	425	404	–	–	–	404
Susanna Schneeberger	325	–	–	–	325	310	–	–	–	310
Martin Sköld	325	–	–	–	325	310	–	–	–	310
Claes Magnus Åkesson	475	–	–	–	475	447	–	–	–	447
Total Board of Directors	**3,425**	**–**	**–**	**–**	**3,425**	**3,182**	**–**	**–**	**–**	**3,182**

	2020					2019				
Amounts in SEK (thousands)	Basic salary /Benefits in kind	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Basic salary /Benefits in kind	Annual variable remuneration	Long-term variable remuneration	Pension	Total
President and CEO										
David Woolley	5,848	1,715	2,480	–	10,043	5,786	2,414	4,541	–	12,741
Other senior executives [1]	8,833	1,084	603	411	10,931	9,078	1,837	2,166	387	13,468
Total	**14,681**	**2,799**	**3,083**	**411**	**20,974**	**14,864**	**4,251**	**6,707**	**387**	**26,209**

[1] Other senior executives consisted of 4 (4) people, of whom 1 (1) is a woman.

Employee stock options	LTI 2020	LTI 2019	LTI 2018	LTI 2017
President and CEO	66,840	70,760	61,480	68,800
Other senior executives	30,872	51,064	38,860	34,000
Total stock options	**97,712**	**121,824**	**100,340**	**102,800**

Employee stock options	48,856	60,912	50,170	51,400
Performance stock option 1	24,428	30,456	25,085	25,700
Performance stock option 2	24,428	30,456	25,085	25,700
Total stock options (=Number of shares)	**97,712**	**121,824**	**100,340**	**102,800**

Criteria for performance stock option 1	2022 EPS ≥ SEK 9.5	2021 EPS ≥ SEK 12.00	2020 EPS ≥ SEK 10.00	2019 EPS ≥ SEK 8.00 [1]
Criteria for performance stock option 2	2022 EPS ≥ SEK 12	2019–21 Average ROE ≥ 30%	2018–20 Average ROE ≥ 25%	2017–19 Average ROE ≥ 25% [1]
Number of senior executives	**5**	**7**	**5**	**4**
Conditioned by own investment of shares	**24,428**	**30,456**	**25,085**	**25,700**

Changes in number of stock options	2020	2019	2018	2017
Opening balance, 1 January	**331,444**	**390,380**	**421,732**	**412,692**
Granted	97,712	128,304	104,740	124,040
Options exercised	–102,800	–169,400	–123,600	–101,200
Lapsed LTI 2014	–	–	–	–720
Lapsed LTI 2016	–	–	–4,692	–13,080
Lapsed LTI 2017	–	–17,840	–3,400	–
Lapsed LTI 2018	–	–	–4,400	–
Lapsed LTI 2019	–6,480	–	–	–
Closing balance, 31 December	**319,876**	**331,444**	**390,380**	**421,732**

Key parameters	LTI 2020	LTI 2019	LTI 2018	LTI 2017
Average exercise price, SEK	142.00	128.25	131.30	110.80
Average price per option, SEK	28.95	23.13	24.60	29.28
Risk free interest rate, %	–0.32	–0.24	–0.35	–0.47
Expected volatility[2], %	28.00	26.00	26.00	29.00
Assumed dividend during 3 year period, SEK	15.09	14.32	11.25	11.35
Average share price at grant date, SEK	157.80	142.50	142.40	123.10
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2020, MSEK	1.8	1.9	1.6	0.4
Annual cost of scheme, MSEK	2.6	1.9	1.6	2.2
Total cost of scheme over 3 year vesting period, MSEK	8.0	5.8	4.9	6.6

[1] All criteria for the performance stock options were successfully achieved.
[2] The volatility applied in the valuation has been estimated based on the weighted average of the 100-day historical volatility for the shares traded on NASDAQ OMX Stockholm.

NOTE 9
Auditing fees

	2020	2019
KPMG		
Audit assignments	3	3
Other assignments	–	–
	3	**3**

NOTE 10
Depreciation and Amortisation

	2020	2019
Cost of goods sold	38	46
Administrative costs	9	12
Product development costs	1	2
Other operating expenses	38	39
Total depreciation and amortisation	**86**	**99**

NOTE 11
Other operating income and expenses

	2020	2019
Other operating income		
Revenue from tooling etc	2	10
Income from royalty from joint venture	45	58
Export incentives	3	5
Other income	11	4
	61	**77**
Other operating expenses		
Amortisation of acquisition related surplus values	38	39
Restructuring cost	11	–
UK pension benefit, equalisation (GMP)	3	–
Acquisition cost for Allied Enterprises LLC	1	–
Other expenses	6	3
	59	**42**

NOTE 12
Financial items – Net

	2020	2019
Financial income		
Interest income, external	2	9
Foreign exchange rate gains, net	–	–
Total financial income	**2**	**9**
Financial expenses		
Interest expenses, external	–1	–3
Pension financial expenses	–8	–13
Interest expenses for right of use assets, IFRS16	–7	–2
Foreign exchange rate losses, net	–3	–5
Other financial items, external	–3	–5
Total financial expenses	**–22**	**–28**
Financial items – net	**–20**	**–19**

NOTE 13
Taxes

	2020	2019
Current tax	–41	–87
Deferred tax	–10	–15
Withholding tax	–	–30
Total income tax	**–51**	**–132**

Deferred taxes relates mainly to pensions, provisions and intangible fixed assets. Last year the withholding tax was related to dividend from India to UK.

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	2020	2019
Earnings before tax (MSEK)	256	515
Applicable tax rate in Sweden, %	–21	–21
Effect of different tax rates in foreign countries of operation, %	–2	2
Withholding taxes, %	–	–6
Non-tax deductible expenses , %	–	–2
Non-taxable income, %	1	–
Tax attributable to prior years, %	1	–1
Change in temporary difference %	1	–
Other timing differences, %	–	–1
Effect of changes in tax rates, %	–	–
Reported effective tax rate, %	**–20**	**–29**

NOTE 14

Earnings per share

	2020	2019
Net income for the year, KSEK	205,250	321,112
Basic weighted average number of shares	37,814,628	38,369,281
Adjustments for the option programmes	45,106	33,939
Diluted weighted average no of shares	**37,859,734**	**38,403,220**
Basic earnings per share, SEK	5.43	8.37
Diluted earnings per share, SEK	5.42	8.36

NOTE 15

Intangible fixed assets

	Goodwill	Other intangible assets[1]	Capitalised development costs	Total
Acquisition value				
Opening Balance at 1 January 2019	625	585	34	1,244
Investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	37	33	–	70
Closing Balance at 31 December 2019	662	618	34	1,314
Opening Balance at 1 January 2020	662	618	34	1,314
Investments through business combinations	57	–	–	57
Other investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–66	–60	–	–126
Closing Balance at 31 December 2020	653	558	34	1,245
Accumulated depreciation and amortisation, including write-downs[2]				
Opening Balance at 1 January 2019	5	395	34	434
Depreciation and amortisation	–	39	–	39
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	1	22	–	23
Closing Balance at 31 December 2019	6	456	34	496
Opening Balance at 1 January 2020	6	456	34	496
Depreciation and amortisation	–	38	–	38
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–2	–46	–	–48
Closing Balance at 31 December 2020	4	448	34	486
Carrying amounts				
As at 31 December 2019	**656**	**162**	**–**	**818**
As at 31 December 2020	**649**	**110**	**–**	**759**

[1] The acquisition value of other intangible assets of MSEK 558 (618) relates to Customer relationships and contracts of MSEK 327 (363), Brand MSEK 114 (127), Technology MSEK 93 (103) and other intangible assets MSEK 24 (24).
[2] Accumulated write-downs amounted to MSEK 32 (32).

NOTE 16

Tangible fixed assets

	Right of use fixed assets – IFRS16	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
Acquisition value							
Opening Balance at 1 January 2019	–	103	23	795	292	11	1,224
Restated Opening Balance at 1 January 2019	75	103	23	795	292	11	1,299
Investments	28	–	–	12	3	–2	41
Sales/discards/reclassifications	6	–2	–	–2	–1	3	4
Effect of movements in exchange rates	2	3	–	36	9	–	50
Closing Balance at 31 December 2019	111	104	23	841	303	12	1,394
Opening Balance at 1 January 2020	111	104	23	841	303	12	1,394
Investments through business combinations	8	4	–	–	11	–	23
Other investments	48	–	–	7	4	–	59
Sales/discards/reclassifications	–	–	–	3	–	–3	–
Effect of movements in exchange rates	–13	–12	–1	–78	–27	–1	–132
Closing Balance at 31 December 2020	154	96	22	773	291	8	1,344
Accumulated depreciation and amortisation							
Opening Balance at 1 January 2019	–	91	13	729	279	–	1,112
Depreciation and amortisation	27	3	1	24	5	–	60
Sales/discards/reclassifications	–	–1	–	–2	–	–	–3
Effect of movements in exchange rates	–	3	–	32	8	–	43
Closing Balance at 31 December 2019	27	96	14	783	292	–	1,212
Opening Balance at 1 January 2020	27	96	14	783	292	–	1,212
Depreciation and amortisation	19	1	1	21	5	–	47
Sales/discards/reclassifications	–9	–	–	–	–	–	–9
Effect of movements in exchange rates	–3	–10	–1	–75	–25	–	–114
Closing Balance at 31 December 2020	34	87	14	729	272	–	1,136
Carrying amounts							
As at 31 December 2019	**84**	**8**	**9**	**58**	**11**	**12**	**182**
As at 31 December 2020	**120**	**9**	**8**	**44**	**19**	**8**	**208**

NOTE 17

Leases

The Group apply the accounting principles for Leases according to IFRS16 for 2019 and 2020.

The weighted average incremental borrowing rate used for the IFRS 16 calculation is 2.6%. There were no short-term lease in 2020. The total cash-flow from leases amounted to MSEK 19.

Right of use assets – by type of assets

	Acquisition value	Depreciation	Acquisition value	Depreciation
	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019
Land and building	115	17	80	24
Machinery	1	–	1	–
Vehicles	3	2	2	2
Other	1	–	1	1
Total right of use assets	**120**	**19**	**84**	**27**

NOTE 18

Deferred Taxes

Deferred income tax receivables and liabilities are offset when there is a legally enforceable right to offset current taxes and when the deferred income tax receivables and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. See table opposite for the gross movement on deferred income taxes.

	2020	2019
At 1 January	117	108
Income statement charge (note 13)	–10	–15
Tax charged directly to OCI	–6	23
Re-classification to current taxes	–3	–2
Exchange differences	–6	3
At 31 December	**92**	**117**

Deferred income tax assets and liabilities are summarised in the tables below:

2020	Assets	Liabilities	Net
Tax loss carry-forwards	–	–	–
Tangible fixed assets	–	–4	–4
Intangible assets	–	–	–
Provisions	10	–	10
Pension and similar obligations	110	–	110
Acquisition related surplus values	–	–27	–27
Other	7	–4	3
Netting	–20	20	–
Net deferred tax receivables/tax liabilities	**107**	**–15**	**92**

2019	Assets	Liabilities	Net
Tax loss carry-forwards	22	–	22
Tangible fixed assets	1	–4	–4
Intangible assets	–	–	–
Provisions	11	–	21
Pension and similar obligations	114	–	114
Acquisition related surplus values	–	–34	–34
Other	8	–1	7
Netting	– 19	19	–
Net deferred tax receivables/tax liabilities	**137**	**–20**	**117**

Deferred income tax receivables are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. All recognised tax loss carry-forwards have an expiry day exceeding ten years and there is no time-limit for tax loss carried forward in Sweden.

All tax losses from 2019 amounting to MSEK 22 have been consumed during the year.

NOTE 19
Shares of net assets in joint venture

Company name	Corp. reg. no.	Reg'd office	Participations	%	2020	2019
Alfdex AB	556647–7278	Landskrona	50,000	50%	72	55

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. See also Note 8 for the Parent Company. The following amounts constitute 100% of the assets, liabilities, revenue and expenses in the joint venture. Adjustments to Concentric's accounting principles have been made.

Income statement	2020	2019
Net Sales	514	566
Cost of goods sold [1]	–388	–437
Gross income	**126**	**129**
Operating expenses [1]	–70	–75
Operating income	**56**	**54**
Financial items – net	–1	–
Earnings before tax	**55**	**54**
Taxes	–14	–13
Net income for the year	**41**	**41**
[1] Depreciation and amortisation in Income statement	–10	–10

Movement in shares of net assets in joint venture	2020	2019
Share of net assets, opening balance	**55**	**39**
Share of net income in joint venture	21	20
Dividend	–	–2
Remeasurement loss, pensions	–4	–2
Share of net assets, closing balance	**72**	**55**

Balance sheet	2020	2019
Fixed assets	46	35
Current assets	141	126
Cash and bank	148	75
Total assets	**335**	**236**
Equity	145	110
Pensions and similar obligations	17	14
Deferred tax liabilities	7	7
Current liabilities	50	105
Long term liabilities	116	–
Total equity and liabilities	**335**	**236**

NOTE 20
Inventories

	2020	2019
Raw materials	86	99
Semi-manufactured products	17	21
Finished products	17	27
	120	**147**

NOTE 21
Accounts receivable

	2020	2019
Accounts receivable, gross	181	179
Provision for doubtful receivables	–1	–1
Accounts receivable, net	**180**	**178**
Current receivable	155	145
Overdue receivable:		
1–30 days	18	25
31–60 days	4	7
> 60 days	3	1
Sum of overdue receivable	25	33
Accounts receivable, net	**180**	**178**
Provision for doubtful receivable		
Provision on January 1	1	1
Change in provision for anticipated losses, net	–	–
Provision on December 31	**1**	**1**

The year's net cost for doubtful accounts receivables amounted to MSEK 0 (0).

NOTE 22
Other current receivables

	2020	2019
VAT	7	8
Tax receivables	31	34
Prepaid expenses and accrued income		
Rents and insurance	1	3
Accrued income	2	3
Other prepaid expenses	12	7
Derivative instruments	–	2
Other current receivables	12	5
	65	**62**

The financial instruments recognised at fair value in the balance sheet belong to Level 2 in the fair value hierarchy, meaning that their fair value is determinable, directly or indirectly, from observable market data.

Claims related to income tax, VAT and other taxes of MSEK 38 (42) are not included in Note 38 regarding financial assets.

NOTE 23
Cash and cash equivalents

	2020	2019
Bank accounts and cash	500	462
Deposits	5	69
Cash and cash equivalents	**505**	**531**

NOTE 24
Shareholders' equity

See also notes 8 and 14 for the Group and note 12 for the Parent Company.

Share capital

Refers to the share capital in the Parent Company.

Additional contributed capital

Refers to equity contributed by the owners. Total contribution is MSEK 680, of which MSEK 97 has been issued as share capital. The remaining amount, MSEK 583, is reported as additional contributed capital.

Reserves

Translation reserve consists of foreign currency translation differences, arising from translation of the Group's foreign entities' financial reports, that have been prepared in a currency different to the Group's currency; Swedish kronor. Reserves also contain the gains and losses from hedges of net investments.

Hedge reserve consists of the fair value of the hedge instruments, i.e. forward contracts at the end of the period, that have not yet been recognised in the income statement. The Group applies hedge accounting, as defined in IFRS9. Gains and losses on derivative instruments are recognised in the hedging reserve to the extent that the hedge is effective. Gains and losses are released to profit and loss at the same time as the hedged item impacts earnings.

Retained earnings

Retained Earnings includes earnings and other comprehensive income for the year, plus the surplus/deficit in earnings carried forward in the Group, net of any shareholder distributions, either through dividends or own share buy-backs, and any LTI related equity adjustments.

Capital management

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

Capital is defined as Equity and refers to the equity attributable to the owners of shares in the Parent Company.

Shareholders' equity amounted to MSEK 1,067 (1,136), resulting in a gearing ratio of 8% (5).

Cash dividend decided by the Extraordinary General Meeting 2020 was SEK 3.25 (4.25) per share or total of MSEK 123.1 (164.2). The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status. However, due to the Group's earnings and strong financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a total dividend of SEK 3.50 (3.25) per share for the financial year 2020. This corresponds to an ordinary dividend of SEK 3.50 (3.25), which equates to around 64% (39) of the earnings per share. No special dividend proposed during 2019 and 2020.

Annual General Meeting 2017–2020 have decided upon four long-term performance based incentive programmes under which a number of senior executives and key employees participated in the schemes, entitled them to receive employee stock options that entitles them to acquire Concentric shares. For further details see note 8 for the Group.

During 2020 Concentric AB sold 102,800 (169,400) of its own shares, representing 0.3% (0.4) of the shares of the Company.

During 2020 Concentric AB didn´t buy-back any own shares. During 2019 buy-back of own shares was 1,035,231, representing 2.6% of the shares of the Company. The total number of holdings of its own shares at year-end 2019 was 123,255 (1,156,667), which represented 0.3% (2.9) of the total number of shares of the Company. In addition to this, the total number of own shares transferred to an Employee Share Ownership Trust are 304,812 (300,700). Including these shares the company's holdings was 428,067 (1,457,367)representing 1.1% (3.7) of the total number of shares.

The repurchase is made on the purposes determined by the Annual General Meeting, i.e. in order to increase the flexibility for the board in connection to potential future corporate acquisitions, as well as to be able to improve the Company's capital structure and to cover costs for, and enable delivery of shares in accordance with the option programmes.

During 2019, Concentric AB fully repaid its term loan amounted to MSEK 175. The Company, still has in place the multi-currency revolving credit facility amounted to MEUR 60.

The loan agreement in the Group contain financial covenants which the Group must comply with. The covenants are net debt in relation to

EBITDA and in relation to Equity. At the year-end Concentric AB fulfilled these covenants with broad margins.

No changes in the capital management have been made during the year. The amount of available unused credit facilities at year-end was EUR million 60 (60), or about MSEK 602 (626).

NOTE 25

Pensions and similar obligations

	2020	2019
Defined benefit plans	462	499

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020	2019	2020	2019	2020	2019
Opening Balance at 1 January	**2,328**	**2,041**	**–1,829**	**–1,527**	**499**	**514**
Included in Income statement:						
Current service cost	8	8	–	–	8	8
UK pension benefit, equalisation (GMP)	3	–	–	–	3	–
Interest cost	47	62	–39	–47	8	15
	58	**70**	**–39**	**–47**	**19**	**23**
Included in Other Comprehensive Income:						
Remeasurement loss (gain)	251	190	–208	–191	43	–1
Effect of movements in exchange rates	–225	127	186	–104	–39	23
	26	**317**	**–22**	**–295**	**4**	**22**
Other:						
Contributions paid by the employer	–	–	–60	–56	–60	–56
Benefits paid	–103	–100	103	96	–	–4
	–103	–100	43	40	–60	–60
Closing Balance at 31 December	**2,309**	**2,328**	**–1,847**	**–1,829**	**462**	**499**
Represented by plans in:						
Sweden	52	53	–	–	52	53
Germany	250	240	–88	–91	162	149
UK	1,639	1,638	–1,485	–1,463	154	175
USA	368	397	–274	–275	94	122
Closing Balance at 31 December	**2,309**	**2,328**	**–1,847**	**–1,829**	**462**	**499**

Overview of the Group's defined benefit plans

Below you can find descriptions of the defined benefit plans in each country. 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 remeasurement losses on pension obligations and planned assets were MSEK 42 (1 gain) during 2020.

These plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

The return on plan assets recognised in the income statement totaled MSEK 39 (47), while the actual return was MSEK 47 (62). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Sweden pension plans

There are three different plans in Sweden, of which two minor plans correspond to 13% (14) of the pension's liability. The obligations for the major plan that Concentric Group have within the ITP 2-plan are lifelong retirement pensions. The benefits in the lifelong pensions are established by different percentages in different salary intervals. The salary intervals are established in relation to the income base amount. The plan is based on final salary. The plan is closed for new employees and is unfunded. The minimum funding target is decided by PRI Pensionsgaranti, this is mandatory in order to stay in the system and get insurance for the pension liability.

As of 31 December 2020 the pension obligation amounted to MSEK 52 (53), corresponding to 2% (2) of the Group's total obligations.

The average duration of the defined benefit obligation at the period ending 31 December 2020 is 17 (17) years.

The best estimate of pensions to be paid by the Group for the year commencing 1 January 2021 is MSEK 1 (1).

Germany pension plan

This pension plan is a so-called direct pension promise according to the German Company Pensions Act. As such, it is a defined benefit plan according to IAS 19. Benefits which originate from the direct pension promise are partially funded via pledged reinsurance contracts. The plan also comprises lump-sum payments in case of death during employment and optional old-age benefits based on employee contributions, which are both set up as so-called direct insurance promises. These parts of the promise are also reported as part of the defined benefit plan and the direct insurance contracts are considered as plan assets.

The plan has been closed to new entrants since 2005. From 31 March 2017, the plan has been closed to further service accrual.

The plan grants employee benefits to entitled employees in case of reaching the retirement age and in case of disability. In case of death of the entitled employee, benefits are granted to the surviving dependents.

The normal retirement age is reached at the age of 65. The old-age benefit plan formula represents a so-called average final-pay plan. The pension amount depends on the creditable years of service and the highest average pensionable salary during five consecutive years of service within the last ten years of service before retirement.

The Company holds plan assets in form of direct insurance and pledged re-insurance contracts. Certain benefits that are funded by direct insurance contracts are fully funded (100% asset liability matching).

The remaining benefits that are funded through re-insurance contracts are only partially funded according to IAS 19.

As no market quotation exists for direct insurance and re-insurance policies in an active market, the fair value at the balance sheet date is derived from the so-called active value, which has been notified by the insurance company.

No curtailment gains have been recognised in 2020. There were no curtailment gains arising from the notice to close the plan to further service accrual.

As of 31 December 2020 the pension obligation amounted to MSEK 250 (240), corresponding to 10% (10) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 88 (91). Net defined benefit liability amounted to MSEK 162 (149).

The average duration of the defined benefit obligation at the period ending 31 December 2020 is 20 (20) years.

The best estimate of contributions to be paid by the Group to the plan for the year commencing 1 January 2021 is MSEK 6 (6).

UK pension plans

The Group sponsors two plans, which are funded and provide benefits which are linked to each members final pay at the earlier of their date of leaving or retirement. Both plans are closed to new entrants and further service accrual.

These plans operate separate Trustee administered funds holding the pension plan assets to meet long term pension liabilities for about 2,000 past employees in Concentric. The level of retirement benefit is linked to changes in inflation up to retirement.

The plans are subject to the funding legislation outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The Trustees of the plans are required to act in the best interest of the plan's beneficiaries. The appointment of the Trustees is determined by the plan's trust documentation. It is policy that at least half of all Trustees should be nominated by the members.

It is the policy of the Trustees and the Group to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

In 2020, the High Court of Justice of England and Wales issued a judgment in a claim between Lloyds Banking Group Pension Trustees Limited (the claimant) and Lloyds Bank plc (defendant) that UK pension schemes should equalise pension benefits for men and women for the calculation of their guaranteed minimum pension liability (GMP). The judgment concluded that the claimant has a duty to amend their pension schemes to equalise benefits and provided comments on the method to be adopted to equalise the benefits. This court ruling impacts the majority of companies with a UK defined benefit pension plan that was in existence before 1997. For the UK Pension Scheme an estimate was made of the impact of equalisation which increased the pension liabilities by MSEK 3 with a corresponding charge to other operating costs in the income statement for 2020.

As of 31 December 2020 the pension obligation amounted to MSEK 1,639 (1,638), corresponding to 71% (71) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 1,485 (1,463). Net defined benefit liability amounted to MSEK 154 (175).

The average duration of the defined benefit obligation at the period ending 31 December 2020 is 17 (17) years.

The best estimate of regular contributions to be paid by the Group to the plans for the year commencing 1 January 2021 is MSEK 26 (26).

USA pension plans

During 2020 the Group sponsored 2 (2) different plans in USA which comprised both pensions and other post-retirement benefits.

The Defined Benefit Plan is equivalent to 99% (99) of the total pension liability and the SERP-plan (Supplementary Executive Retirement Plan) corresponds to 1% (1). Both plans are frozen in the sense that no new participants are allowed to enter the plans.

The benefits under the Pension Plan are based on annual salary earned over the career as contrasted with a final average salary earned over the last few years before retirement. As such, the Plan design controls the growth of benefit obligations very carefully. The number of participants in the Plan has been declining since 2006 as beneficiaries pass away and some active participants leave the Company.

The benefits for the SERP are fixed and will not change.

The defined benefit Pension Plan has a Trust by which benefits are financed. The investment manager has established a Statement of Investment Objectives which has been signed by the Trustees of the Plan.

Virtually all investments are made in highly diversified, passively managed mutual funds. The investment manager consults every month with the Plan Trustees and the actuary to make certain that all parties understand and agree with the investment strategy. The investments are conservative, with preservation of capital being a very important component of the strategy. If there is an imminent financial threat, the investment manager, the actuary and all Trustees have the ability to call an emergency meeting to discuss the issue with the others. Inflows into the Trust from corporate contributions continue to exceed the outflow of pension benefits.

No curtailment gains have been recognised in 2020. There have been no other amendments or settlements in the plans during the accounting period.

As of 31 December 2020 the pension obligation amounted to MSEK 371 (397), corresponding to 16% (17) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 277 (275). Net defined benefit liability amounted to MSEK 94 (122).

The average duration of the defined benefit obligation at the period ending 31 December 2020 is 14 (14) years.

The best estimate of contributions to be paid by the Group to the plans for the year commencing 1 January 2021 is MSEK 14 (15).

Total pension costs	2020	2019
Pensions vested during the period	8	8
Interest on obligations	47	62
Calculated return on plan assets	–39	–47
Settlement	3	–
Pension costs, defined benefit plans	**19**	**23**
Pension costs, defined-contribution plans	6	8
Total pension costs	**25**	**31**

					Total	
DBO remeasurement losses (gain) arising from	Sweden	Germany	UK	USA	2020	2019
Experience adjustment	–	–3	–25	–1	–29	78
Demographic assumptions	–	–	4	3	7	–11
Financial assumptions	–1	–20	–166	–42	–229	–257
Total DBO remeasurement losses (gains)	–1	–23	–187	–40	–251	–190

	Defined Benefit Obligation				Total	
Members, %	Sweden	Germany	UK	USA	2020	2019
Active members	2	52	–	14	8	8
Deferred members	65	13	46	34	41	42
Pensioners	34	35	54	52	51	50

	Fair value of plan assets				Total	
Instruments	Sweden	Germany	UK	USA	2020	2019
Equity instruments[1]	–	–	916	67	983	976
Debt instruments[1]	–	–	326	195	521	503
Property[1]	–	–	33	10	43	48
Cash and cash equivalents	–	–	6	0	6	4
Sum	–	–	**1,281**	**272**	**1,553**	**1,531**
Insurance policies	–	88	204	2	294	298
Total	–	**88**	**1,485**	**274**	**1,847**	**1,829**

[1] All instruments have quoted prices in active markets.

Actuarial assumptions 2020, %	Sweden	Germany	UK	USA
Discount rate	1.00	0.60	1.40	2.35
Recognised salary increase	2.50	2.00	n/a	n/a
Recognised inflation	1.50	1.85	1.40	n/a
Turnover, personnel	2.00	1.60	n/a	n/a

Actuarial assumptions 2019, %	Sweden	Germany	UK	USA
Discount rate	1.40	1.00	2.05	3.20
Recognised salary increase	2.80	2.00	n/a	n/a
Recognised inflation	1.80	1.85	2.05	2.00
Turnover, personnel	2.00	1.60	n/a	n/a

Sensitivity analysis

Reasonably possible changes at the reporting date to the one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below.

31 December 2020	**Sweden**		**Germany**		**UK**		**USA**	
Defined Benefit Obligation	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	–4.1	4.7	–23.6	27.4	–117.2	125.1	–22.5	24.8
Future salary growth (0.5% movement)	0.5	–0.5	5.9	–5.5	n/a	n/a	n/a	n/a
Future pension growth (0.5% movement)	4.2	–3.7	18.6	–16.9	31.8	–16.2	n/a	n/a
Future mortality (+/– 1 year)	2.2	–2.2	12.7	–12.8	71.2	–75.2	3.3	– 3.3

NOTE 26

Maturity analysis for financial liabilities

	0–6 months		**7–12 months**		**13–60 months**		**>60 months**		**Total**	
Nominal amount	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Term loan	–	–	–	–	–	–	–	–	–	–
Loans related to leased assets	9	12	9	13	74	39	37	21	129	85
Other long-term liabilities	1	–	–	–	–	2	–	–	1	2
Other short-term interest-bearing liabilities	–	1	–	–	–	–	–	–	–	1
Short-term loans payable to joint venture	–	–	–	–	–	–	–	–	–	–
Derivative liabilities	–	–	–	–	–	–	–	–	–	–
Accounts payable	154	156	–	–	–	–	–	–	154	156
Other current liabilities	102	96	–	–	–	–	–	–	102	96
Total financial liabilities	**266**	**265**	9	**13**	**74**	**41**	37	**21**	**386**	**340**
Expected total future interest payments	2	2	2	2	14	10	12	8	30	22

NOTE 27

Long-term interest-bearing liabilities

	2020	**2019**
Term loan	–	–
Loans related to leased assets	111	62
Total	**111**	**62**

Term loan was fully repaid during 2019. For further details see note 15 for the Parent Company.

Total loans related to leased assets according to IFRS 16 is MSEK 129 at year-end. See also Note 28 below.

NOTE 28

Short-term interest-bearing liabilities

	2020	**2019**
Loans related to leased assets	18	23
Other short-term loans	–	1
	18	**24**

Other short-term loans relate to overdraft positions within local bank accounts held outside the Group's cash pooling arrangements.

NOTE 29

Short-term loans receivable and payable, joint venture

	2020	**2019**
Accounts receivable from Alfdex AB	2	3
Accounts payable to Alfdex AB	–	–
Loans from Alfdex AB	25	–
	27	**3**

NOTE 30
Other provisions

	Provision for share based payments	Total long-term provisions
Opening balance January 1, 2020	**3**	**3**
Provisions	1	1
Utilisation of provision	–1	–1
Exchange rate differences	–	–
Closing balance December 31, 2020	**3**	**3**

	Warranty reserves	Restructuring reserves	Total short-term provisions
Opening balance January 1, 2020	**27**	**2**	**29**
Provisions	4	11	15
Utilisation of provision	–6	–4	–10
Exchange rate differences	–2	–1	–3
Closing balance December 31, 2020	**23**	**8**	**31**

NOTE 31
Other current liabilities

	2020	2019
Liabilities for VAT and social security costs	2	1
Tax liabilities	80	90
Derivative instruments	–	1
Accrued expenses:		
Personnel costs	26	34
Other accrued expenses	73	58
Other current liabilities	3	4
	184	**188**

The financial instruments recognised at fair value in the balance sheet belong to Level 2 in the fair value hierarchy, meaning that their fair value is determinable, directly or indirectly, from observable market data.

Liabilities for income tax, VAT and other tax liabilities of MSEK 82 (91) are not included in Note 26 and 37 related to financial liabilities.

NOTE 32
Pledged assets and contingent liabilities

	2020	2019
Contingent liabilities	1	1

NOTE 33
Reversal of other non-cash items

	2020	2019
Financial pension expenses	8	13
Provision to/Release of restructuring reserve	6	–2
Leases according to IFRS16	6	2
Financial interests	2	6
Cost for LTI-schemes	4	4
	26	**23**

NOTE 34
Reconciliation of interest-bearing liabilities from financing activities

	Loans	Pension[1]	Total
Opening balance January 1, 2020	**86**	**499**	**585**
Cash flow, pension and other loans	–	–51	–51
Cash flow, financial liabilities IFRS 16	–19	–	–19
Non-cash items, financial liabilities IFRS16	62	–	62
Other non-cash items	–	14	14
Closing balance December 31, 2020	**129**	**462**	**591**

[1] For additional information, see Note 25 – Pension and similar obligations.

NOTE 35

Investments in subsidiaries

On 31 December 2020 Concentric acquired the entire share capital and voting rights of Allied Enterprises, LLC ("Allied Enterprises"), which is based in Muncie, Indiana, USA. Original consideration of MSEK 95 (MUSD 11.7) was entirely paid from cash reserves, there is no deferred consideration but a working capital adjustment of MSEK 2 has been identified to date, reducing the consideration to MSEK 93.

Allied Enterprises is a manufacturer of transmission pumps for the construction, agricultural, material handling and stationary power markets. This acquisition strengthens our product offering by expanding our transmission pump capability, in line with our previously communicated aims of technical expansion.

Fair values – Allied acquisition

	Fair values
Cash	93
Total purchase consideration	**93**
Total fixed assets acquired	**15**
Inventories	8
Current receivables	15
Cash and cash equivalents	–
Total current assets acquired	**23**
Other current liabilities	(2)
Net assets acquired	**36**
Goodwill arising on acquisition	**57**

Fair value measurements on a provisional basis

The principal fair value adjustment identified relates to the fixed assets which were increased by MSEK 11.

A provisional adjustment for working capital as at completion compared to the agreed target working capital has been calculated. The final figures are still being finalised with the seller.

Allied Enterprises was acquired on the last day of the reporting period, if new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The goodwill and the fair value adjustment of PPE are tax deductible. As such, at the initial point of acquisition no variance between book and tax basis exists, no deferred tax assets or liabilities are recorded. As activity commences (such as depreciation or amortisation) the book and tax basis will deviate and create deferred tax assets and/or liabilities.

Acquisition-related costs

Concentric incurred acquisition related costs of MSEK 1 on legal and due diligence fees, these have been included in other operating income and expenses but also included in the adjustment for items affecting comparability.

Goodwill

Goodwill relates to the expected synergies from the new product portfolio, the skills and technical know-how of the Allied Enterprises workforce and alignment and strategic fit to our existing customer base.

NOTE 36

Related party transactions

The Parent Company is a related party to its subsidiaries and associated companies. Transactions with subsidiaries and associated companies occur on commercial market terms. Remuneration to senior executives is presented in Note 8. See also Note 2 for the Parent Company.

During 2019 a significant withholding tax payment was made for a dividend within the Group from India to UK. Other than this payment and the routine transactions related to intra-group financing and cash pooling arrangements, no transactions have been carried out between Concentric AB and its subsidiary undertakings and any related parties that had a material impact on either the Company's or the Group's financial position and results. Over the last five years, the AGM has decided upon five long-term incentive plans for the management and key personnel.

NOTE 37

Significant events after balance-sheet date

There are no significant post balance sheet events to report.

NOTE 38

Categories of financial assets and financial liabilities and disclosures of fair value

The carrying amount of financial assets and liabilities are considered to be reasonable approximations of fair value for each class of financial assets and financial liabilities. The Group's interest bearing liabilities have floating base interest rates. Hence, changes in the base interest rate do not materially affect the fair value of the liabilities. Furthermore, there has not been any change in credit spread during the year that in Concentric's view would materially impact fair value. Accounts receivable and payable are all short-term and therefore their carrying amounts are also considered to be reasonable approximations of their fair values. The table below shows the carrying amount of financial assets and financial liabilities per measurement category in IFRS 9. For a description of the Group's exposures to financial risks, and its financial risk management, please see pages 69–70 in the Board of Directors' report.

	Note	Derivatives used for hedging 2020	Derivatives used for hedging 2019	Financial assets measured at amortised cost 2020	Financial assets measured at amortised cost 2019	Total 2020	Total 2019
Financial assets at fair value							
Other current receivables							
– Foreign currency derivatives	22	–	2	–	–	–	2
Financial assets not at fair value							
Long-term receivables		–	–	29	6	29	6
Accounts receivable	21	–	–	180	178	180	178
Short-term loans receivable from joint venture	29	–	–	2	3	2	3
Other current receivables	22	–	–	27	18	27	18
Cash and cash equivalents	23	–	–	505	531	505	531
Total financial assets		**–**	**2**	**743**	**736**	**743**	**738**

	Note	Derivatives used for hedging 2020	Derivatives used for hedging 2019	Financial liabilities at amortised cost 2020	Financial liabilities at amortised cost 2019	Total 2020	Total 2019
Financial liabilities at fair value							
Other current liabilities							
– Foreign currency derivatives	31	–	–	–	–	–	–
Financial liabilities not at fair value							
Long-term interest-bearing liabilities	27	–	–	111	62	111	62
Other long-term liabilities		–	–	1	2	1	2
Short-term interest-bearing liabilities	28	–	–	18	24	18	24
Short-term loans payable to joint venture	29	–	–	–	–	–	–
Accounts payable	26	–	–	154	156	154	156
Other current liabilities	31	–	–	102	96	102	96
Total financial liabilities		**–**	**–**	**386**	**340**	**386**	**340**

The fair values of the foreign currency derivatives belong to Level 2 in the fair value hierarchy, meaning that their fair values are determined directly or indirectly from observable data. The fair values of the derivatives financial are based on valuations received from the financial institution that is the counterparty to each contract.

Hedge accounting is applied for the derivatives that are used to foreign currency transactions. Derivative assets are reported under "Other current receivables" (note 22) and derivative liabilities are reported under "Other current liabilities" (note 31). During the reporting period an amount of MSEK 2.1 (1.8) was reclassified from the hedging reserve and included in finance net and an amount of MSEK 1.8 (0.3) was reclassified and included in Cost of goods sold.

Parent Company

Parent Company income statement

	Note	2020	2019
Net sales	2	49	62
Operating costs	2, 3, 4	–19	–20
Operating income		**30**	**42**
Income from shares in subsidiaries	5	690	712
Income from shares in joint venture	5	–	2
Interest income and similar items	5	82	4
Interest expenses and similar items	5	–18	–97
Financial items – net		**754**	**621**
Earnings before tax		**784**	**663**
Taxes	6	–22	7
Net income for the year		**762**	**670**

Statement of comprehensive income in Parent Company

	2020	2019
Net income for the year	762	670
Other comprehensive income	–	–
Total comprehensive income	**762**	**670**

Parent Company balance sheet

	Note	2020	2019
ASSETS			
Shares in subsidiaries	7	3,149	3,149
Shares in joint venture	8	10	10
Long-term loans receivable from subsidiaries	9	1	1
Long-term loans receivable from joint ventures	9	25	–
Deferred tax assets	6	–	22
Total financial fixed assets		**3,185**	**3,182**
Other current receivables	10	3	4
Short-term loans receivable from joint ventures		2	3
Short-term loans receivable from subsidiaries		6	17
Cash and cash equivalents	11	390	405
Total current assets		**401**	**429**
Total assets		**3,586**	**3,611**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share Capital	12	97	97
Total restricted equity		**97**	**97**
Retained earnings		1,618	1,061
Total comprehensive income		762	669
Total unrestricted equity	**21**	**2,380**	**1,730**
Total Shareholders' equity		**2,477**	**1,827**
Pensions and similar obligations	13	18	18
Long-term interest-bearing liabilities	14, 15	–	–
Long-term loans payable to subsidiaries	14	1,041	1,063
Total long-term liabilities		**1,059**	**1,081**
Accounts payable	14	1	1
Short-term loans payable to subsidiaries	14	43	697
Other current liabilities	14, 16	6	5
Total current liabilities		**52**	**703**
Total equity and liabilities		**3 586**	**3 611**

Changes in shareholders' equity in Parent Company

	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2019	**97**	**1,347**	**1,444**
Net income for the year	–	670	670
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**670**	**670**
Transactions with shareholders			
Dividend	–	–164	–164
Sale of own shares to satisfy LTI-options exercised	–	13	13
Buy-back own shares	–	–136	–136
Total transactions with shareholders	**–**	**–287**	**–287**
Closing balance at December 31, 2019	**97**	**1,730**	**1,827**

	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2020	**97**	**1,730**	**1,827**
Net income for the year	–	762	762
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**762**	**2,589**
Transactions with shareholders			
Dividend	–	–123	–123
Sale of own shares to satisfy LTI- options exercised	–	11	11
Buy-back own shares	–	–	–
Total transactions with shareholders	**–**	**–112**	**–112**
Closing balance at December 31, 2020	**97**	**2,380**	**2,477**

Parent Company cash flow statement

	Note	2020	2019
Cash flow from operating activities			
Earnings before tax		784	663
Reversal of non-cash items	18	–75	109
Cash flow from operating activities before changes in working capital		**709**	**772**
Change in working capital			
Current receivables		5	–3
Current liabilities		–4	–3
Change in working capital		**1**	–6
Cash flow from operating activities		**710**	**766**
Cash flow from investing activities			
New loans paid to joint venture		–40	–
Repayment of loans from joint venture		15	–
New loans paid to subsidiaries		–4	–
Cash flow from investing activities		**–29**	**–**
Cash flow from financing activities			
Dividend		–123	–164
Buy-back own shares		–	–136
Sale of own shares		11	13
New loans received from subsidiaries	20	374	1,036
Repayment of loans	20	–	–175
Repayment of loans to subsidiaries	20	–958	–1,368
Cash flow from financing activities		**–696**	–794
Cash flow for the period		**–15**	**–28**
Cash and bank assets, opening balance		**405**	**433**
Cash and bank assets, closing balance		**390**	**405**

Parent Company notes

NOTE 1

Accounting principles

The Annual Report for the Parent Company has been prepared in accordance with Swedish Annual Accounts Act (Årsredovisningslagen) and the Swedish Financial Reporting Board RFR 2 – Financial reporting for legal entities (Redovisning för juridiska personer).

According to the rules stated in RFR 2, the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and statements to the extent possible within the framework of the Annual Accounts Act, and taking into account the relationship between reporting and taxation. This recommendation specifies the exceptions from IFRS that are permissible and the necessary supplementary information.

The Parent Company's accounting principles correspond to those for the Group with the exceptions listed below.

a) New accounting principles

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning January 1, 2020 have had a significant impact on the Parent Company´s Income statement or Balance sheet.

b) Group contribution

According to the "main principle", group contributions paid by the Parent Company shall be accounted for as investments in subsidiaries and group contributions received shall be accounted for as a dividend (financial income) and included in the item income from shares in subsidiaries. As an alternative, both group contribution received and paid by the Parent Company can be reported as appropriations. The Parent Company is reporting group contributions received as a dividend.

c) Shares in subsidiaries and associated companies

Shares in subsidiaries and associated companies 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 recognised in the items Income from shares in subsidiaries and Income from shares in associated companies.

d) Financial instruments

IFRS 9 is not applied in the Parent Company as allowed in RFR 2. In the Parent Company financial fixed assets are valued at cost less impairment and financial current assets at the lower of cost or market value. The cost of debt instrument is adjusted for the accrual difference between what was originally paid, net of transaction costs, and the amount payable at maturity.

e) Leases

The parent company does not apply IFRS 16 in accordance with the exception in RFR 2. The lessee recognises the lease payment as an expense linear over the lease term and does not recognise any right-of-use asset or lease liability in the balance sheet. As in the consolidation, the non-lease components are not separated in leases of property, however the lease and associated non-lease components are accounted as a single lease component.

f) Pension obligations

Pensions are recognised according to the Swedish Act Tryggandelagen in the Parent Company, but according to IAS 19 for the Group.

NOTE 2

Net sales and other operating income

Inter-company transactions/Related party transactions

All of the Parent Company's net sales, MSEK 49 (62) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 5 (5). The sales relates mostly to royalties and recharges.

All transactions in the Parent Company with related parties occur on commercial market terms. See also note 36 for the Group.

NOTE 3

Auditing fees

	2020	2019
Audit assignments, KPMG	1	1
	1	**1**

NOTE 4

Salaries and other remuneration

Amounts in SEK (thousands)	2020	2019
Salaries and remuneration	4,462	4,355
of which Board of Directors	*3,425*	*3,182*
Pension costs	448	507
Social security costs	1,343	1,382
Other personnel cost	227	62
Total personnel costs	**6,480**	**6,306**

The Board of Directors, consists of 8 members (7), of whom 3 are women (2). For information on the individual remuneration paid to them and the CEO, refer to Note 7–8 for the Group. The average number of employees in the Parent Company was 1 (1).

The CEO is employed by Concentric Pumps Ltd. in the UK and the cost for the CEO and CFO related to shareholder's services in the Parent Company has been invoiced and amounted to KSEK 4,309 (4,678).

Provision according to Tryggandelagen was KSEK 272 (323). See also Note 13, Pensions.

NOTE 5

Financial items – Net

	2020	2019
Income from shares in subsidiaries		
Group contribution from subsidiaries	7	4
Dividend from Concentric Pumps Ltd	–	743
Dividend from Concentric Skånes Fagerhult AB	1	–
Dividend from Concentric Innovations	682	–
Write-down of shares and receivables in Concentric Argentina Ltd	–	–35
	690	**712**
Income from shares in joint venture		
Dividend from Alfdex AB	–	2
	–	**2**
Interest income and similar items		
Interest income, external	–	2
Interest income from subsidiaries	7	2
Foreign exchange rate gains	75	–
	82	**4**
Interest expenses and similar items		
Interest expenses, external	–	–3
Interest expenses to subsidiaries	–15	–15
Foreign exchange rate losses	–	–76
Pension financial expenses	–1	–1
Other financial items, external	–2	–2
	–18	**–97**
Financial items – net	**754**	**621**

NOTE 6

Taxes

	2020	2019
Current tax	–	–
Deferred tax	–22	7
Total income tax	**–22**	**7**
Reconciliation of effective tax rate		
Earnings before tax	784	663
Applicable tax rate, %	–21	–21
Non-taxable dividend from subsidiaries and associated companies, %	18	24
Non-tax deductible write-downs in subsidiaries, %	–	–1
Non-tax deductible expenses, %	–	–1
Reported effective tax rate, %	**–3**	**1**
Total deferred tax assets related to tax loss carried forward	**–**	**22**

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. All tax losses from 2019 amounted to MSEK 22 have been consumed during the year.

NOTE 7

Shares in subsidiaries

Company name	Corp, Reg. No.	Reg'd office	Participations	%	2020	2019
Concentric Pumps Ltd (formerly Plc)		UK	518,397	100	1,556	1,556
Concentric Americas, Inc.		US	1,000	100	–	–
Concentric Argentina Ltd		UK	1	100	12	12
Concentric US Finance 2 Ltd		UK	100	100	–	–
Concentric Skånes Fagerhult AB	556105-8941	Örkelljunga, Sweden	30,000	100	22	22
Concentric Innovations AB	556908-4535	Stockholm, Sweden	50,000	100	1,559	1,559
Concentric SAS		France	10	100	–	–
Concentric Korea LLC		South Korea	12,000	100	–	–
Concentric Srl		Italy	10,000	100	–	–
					3,149	**3,149**

Indirect Investments in principal trading subsidiaries

Company name	Reg'd office	%
Concentric Itasca, Inc.	US	100
Concentric Rockford, Inc	US	100
Allied Enterprises LLC	US	100
Concentric Chivilcoy SA	Argentina	100
Concentric Birmingham Ltd	UK	100
Concentric Hof GmbH	Germany	100
LICOS Trucktec GmbH	Germany	100
Concentric Pumps Pune (Pvt) Ltd	India	100
Concentric Pumps (Suzhou) co, Ltd	China	100

Changes in shares in subsidiaries	2020	2019
Opening balance, acquisition value	4,001	4,001
Concentric Innovations AB	–	–
Concentric Argentina Ltd	–	–
Closing balance, acquisition value	**4,001**	**4,001**
Opening balance, write-downs	–852	–823
Concentric Argentina Ltd	–	–29
Closing balance, write-downs	–852	–852
Closing balance, carrying amount	**3,149**	**3,149**

NOTE 8

Shares in joint venture

Company name	Corp, Reg. No	Reg'd office	Participations	%	2020	2019
Alfdex AB	556647–7278	Landskrona	50,000	50%	10	10

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. Alfdex's product is based on separation technology for cleaning of crankcase gases in diesel engines for vehicles, electric generators and ships. Concentric ABs share of profit for 2020 is MSEK 21 (20) and share of equity per year-end 2020 is MSEK 72 (55). See also Note 19 for the Group.

NOTE 9

Long-term loans receivable from subsidiaries and joint ventures

	2020	2019
Total loans	26	1
of which reported as short-term loans	–	–
Long-term loans	**26**	**1**

The loans relate primarily to Alfdex AB, amounts to MSEK 25, a new loan of MSEK 40 and a repayment of MSEK 15. Average interest rates during the year was 1.88% and the closing rate was 1.75%. Maturity date is 31 January 2022.

Loan amounting to USD 654,000 (633,000) to Concentric Chivilcoy. Maturity date 31 July 2021. New loans during the year amounted to USD 21,000. The total loan of MSEK 5 is written-down.

The balance sheet item consists also of a minor loan of EUR 50,000 (100,000). Maturity date 29 January 2021.

The interest rate on the USD-loan was 8.2% (8.2) and on the EUR-loans 1.5% (1.5) as of 31 December 2020.

Average rates during the year on the EUR-loans 1.5% (1.5) and on the USD-loan 8.2% (8.2).

Both long-term loans from subsidiaries and and short-term receivables from subsidiaries are classified as loans and receivables.

NOTE 10

Other current receivables

	2020	2019
Prepaid insurance premiums	1	1
Prepaid interest costs	1	1
Other prepaid expenses	1	2
	3	**4**

NOTE 11

Cash and cash equivalents

	2020	2019
Bank accounts and cash	390	405

NOTE 12

Share capital

See also note 14, Earnings per share, and note 24, Shareholder's equity, for the Group.

Changes in share capital	Number of shares	Quota value	Total
Number of registered shares:			
Opening balance January 1, 2019	40,031,100	2.43	97,275,573
Retirement of repurchased own shares April 17, 2019	–807,000	2.43	–1,961,010
Bonus share issue April 17, 2019			1,961,205
Closing balance December 31, 2019	**39,224,100**	**2.48**	**97,275,768**
Retirement of repurchased own shares April 23, 2020	–926,500	2.48	–2,297,720
Bonus share issue April 23, 2020	–	–	2,297,856
Closing balance December 31, 2020	**38,297,600**	**2.54**	**97,275,904**
Number of outstanding shares:			
Number of registered shares December 31, 2018	40,031,100	–	–
Number of own shares December 31, 2018	–1,398,536	–	–
Number of outstanding shares December 31, 2018	**38,632,564**	**–**	**–**
Number of registered shares December 31, 2019	39,224,100		
Number of own shares December 31, 2019	–1,457,367	–	–
Number of outstanding shares December 31, 2019	**37,766,733**	**–**	**–**
Number of registered shares December 31, 2020	38,297,600	–	–
Number of own shares December 31, 2020	–428,067	–	–
Number of outstanding shares December 31, 2020	**37,869,533**	**–**	**–**

	2020	2019
Number of average outstanding shares	37,814,628	38,369,281
Number of shares adjusted for ongoing option programs	34,173	479,753
Number of average outstanding shares, after dilution	**37,848,801**	**38,849,034**

The cash dividend decided by the Extraordinary General Meeting 2020 was SEK 3.25 (4.25) per share or a total of MSEK 123.1 (164.2). The Annual General Meeting 2020 resolved to retire 926,500 (807,000) of the Company´s own repurchased shares. During 2020 Concentric AB sold 102,800 (169,400) of its own shares, representing 0.3% (0.4) of the shares of the Company.

During 2020 Concentric AB didn´t buy-back any own shares. During 2019 buy-back of own shares was 1,035,231, representing 2.6% of the shares of the Company. The total number of holdings of its own shares at year-end 2020 was 123,255 (1,156,667), which represented 0.3% (2.9) of the total number of shares of the Company. In addition to this, the total number of own shares transferred to an Employee Share Ownership Trust is 304,812 (300,700). Including these shares the company's holdings was 428,067 (1,457,367) representing 1.1% (3.7) of the total number of shares.

Annual General Meeting 2017–2020 have decided upon four long-term performance based incentive programmes, under which a number of senior executives and key employees participating in the schemes, entitled them to receive employee stock options that are entitled them to acquire Concentric shares. For further details, see note 8 for the Group.

NOTE 13

Pensions and similar obligations

	2020	2019
FPG/PRI pension plan	18	18

Pension obligation is a defined benefit plan and is recognised according to Tryggandelagen. See also note 4, Salaries and other remuneration.

	2020	2019
Opening balance, 1 January	18	18
Provision according to Tryggandelagen, Personnel cost	–	–
Provision according to Tryggandelagen, Financial cost	1	1
Payment	–1	–1
Closing balance, 31 December	**18**	**18**

NOTE 14
Maturity analysis for financial liabilities

	0–6 months		7–12 months		13–60 months		>60 months		Total	
Nominal amount	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Pensions and similar obligations	–	–	–	–	–	–	18	18	18	18
Term loan	–	–	–	–	–	–	–	–	–	–
Long-term loans payable to subsidiaries	–	–	–	–	–	–	1,041	1,063	1,041	1,063
Short-term loans payable to subsidiaries	43	697	–	–	–	–	–	–	43	697
Accounts payable and other current liabilities	5	5	–	–	–	–	–	–	5	5
Total financial liabilities	**48**	**702**	–	**–**	**–**	**–**	**1,059**	**1,081**	**1,107**	**1,783**
Expected total future interest payments	1	8	1	5	**5**	8	**1**	2	8	23

NOTE 15
Long-term interest-bearing liabilities

	2020	2019
Term loan	–	–

During 2019, Concentric AB fully repaid its term loan amounted to MSEK 175. The Company, still has in place the multi-currency revolving credit facility amounted to MEUR 60.

The average interest rate on the Term loan during 2019 was 1.15%. Available unused amount on credit facilities at year-end was EUR 60m (EUR 60m), or about MSEK 602 (626).

NOTE 16
Other current liabilities

	2020	2019
Accrued interest cost	–	–
Accrued audit fee	1	1
Accrued personnel cost	1	1
VAT	2	1
Other accrued expenses	2	2
	6	**5**

Liabilities for VAT of MSEK 2 (1) are not included in note 14 related to financial liabilities.

NOTE 17
Contingent liabilities

	2020	2019
General collateral guarantee for subsidiaries		
Loans	28	51
Leasing commitments	–	55
	28	**106**

The above commitments are not expected to result in any payments. General guarantee regarding the loans are for the operations in Argentina and China. The leasing commitments last year were for the operations in Rockford and Itasca in the USA.

NOTE 18
Reversal of non-cash items

	2020	2019
Unrealised financial exchange rate differences	–74	74
Write-down of shares and receivables in Chivilcoy	–	35
	–74	**109**

NOTE 19
Investments in subsidiaries

	2020	2019
Short-term loan to subsidiaries	4	–
Investments in Concentric Argentina Ltd	–	–
Net investments	**4**	**–**

NOTE 20
Reconciliation of liabilities from financing activities

	External Loans	Loans to subsidiaries	Total
Opening balance, January 1, 2020	–	1,760	1,760
Cash flow	–	–584	–584
Other non-cash items	–	–92	–92
Closing balance, December 31, 2020	**–**	**1,084**	**1,084**

NOTE 21
Proposed appropriation of earnings

The Annual General Meeting has the following funds at its disposal:

Amounts in KSEK	
Profit brought forward	1,617,882
Net income for the year	762,460
Total	**2,380,342**

The Board of Directors proposed appropriation of earnings:

Amounts in KSEK	
Dividend of 3.50 per share to the shareholders	132,543
Profit to carry forward	2,247,799
Total	**2,380,342**

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations. The Board of Directors' Report for the Concentric Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 30 March, 2021

Kenth Eriksson
Chairman of Board

Marianne Brismar
Member of the Board

Anders Nielsen
Member of the Board

Karin Gunnarsson
Member of the Board

Martin Lundstedt
Member of the Board

Martin Sköld
Member of the Board

Claes Magnus Åkesson
Member of the Board

Susanna Schneeberger
Member of the Board

David Woolley
President and CEO

Our audit report was submitted on 30 March, 2021 KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Concentric AB (publ), corp. id 556828-4995

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Concentric AB (publ) for the year 2020. The annual accounts and consolidated accounts of the Company are included on pages 64–111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition
See disclosure 4 and accounting principles on page 79 in the annual account and consolidated *accounts for detailed information and description of the matter.*

Description of key audit matter
The Group's commercial terms agreed with customers determine the point at which revenue can be recognised. As these commercial terms can be complex and vary between components of the Group, a detailed review is required by the Group to identify the appropriate timing of revenue recognition in each case. The most significant risk is that the recognition of revenue does not reflect when the Group actually transfers the risks and rewards of ownership.

Response in the audit
Our audit procedures included making our own independent assessment of the appropriate point in time to recognise revenue. Those assessments were compared to the actual accounting treatment applied by the Group for a selection of significant revenue transactions. In doing so, focusing on the periods immediately prior to and after the year end, we obtained customer purchase orders, shipping documentation and sales invoices and identified the commercial terms agreed with the customer before comparing the actual timing of revenue recognition with our expectation.

Warranty provisions
See disclosure 30 and accounting principles on page 81 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
Certain of the Group's products incorporate the right to return infield failures under a pre-agreed warranty policy with its customers. The warranty periods offered vary between the components of the Group and markets (in line with commercial terms agreed with the customer). Determination as to whether to recognise a provision and the amount of the provision to be recognised requires the Group to make judgments and estimates that are inherently subjective, including the likelihood of claims arising, the number of parts affected and the cost of rectification of those parts.

Response in the audit
Our audit procedures included, discussions with the Group as to current and historical quality issues and known or expected warranty claims, corroboration of these discussions through inspection of credit notes and reading board minutes and, where available, inspection of customer correspondence regarding known warranty issues. For specific provisions, we assessed the calculation of the provision taking into account available supporting documentation such as customer correspondence and operational management cost estimates. We challenged the Group's judgements made in determining the Group's provisions. We also considered the adequacy of the Group's disclosures.

Pensions the UK
See disclosure 25 and accounting principles on page 81–82 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The Group's share of the pension schemes' net deficit for the UK was MSEK 154, consisting of defined benefit obligation of MSEK 1,639 and plan assets of MSEK 1,485. Given the size of the schemes, small changes in assumptions and estimates used to value the Group's retirement benefit obligations have a significant impact on the Group's share of the retirement benefit obligations.

Response in the audit
We challenged the key assumptions supporting the Group's retirement benefit obligations valuation, with input from our own actuarial specialists. This included a comparison of the discount rate, inflation and life expectancy assumptions used against externally derived data.

We considered the adequacy of the Group's disclosures in respect of the key assumptions, including the sensitivity of the deficit to changes.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–49 and 116–129. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor´s report. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the Company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the Company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Concentric AB (publ) for the year 2020 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organisation and the administration of the Company's affairs. This includes among other things continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organisation is designed so that the accounting, management of assets and the Company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50–63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 38–47 and 116–122, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Concentric AB (publ) by the general meeting of the shareholders on the 23 April 2020. KPMG AB or auditors operating at KPMG AB have been the Company's auditor since 2012.

Stockholm 30 March, 2021
KPMG AB
Joakim Thilstedt
Authorised Public Accountant

Sustainability reporting – GRI

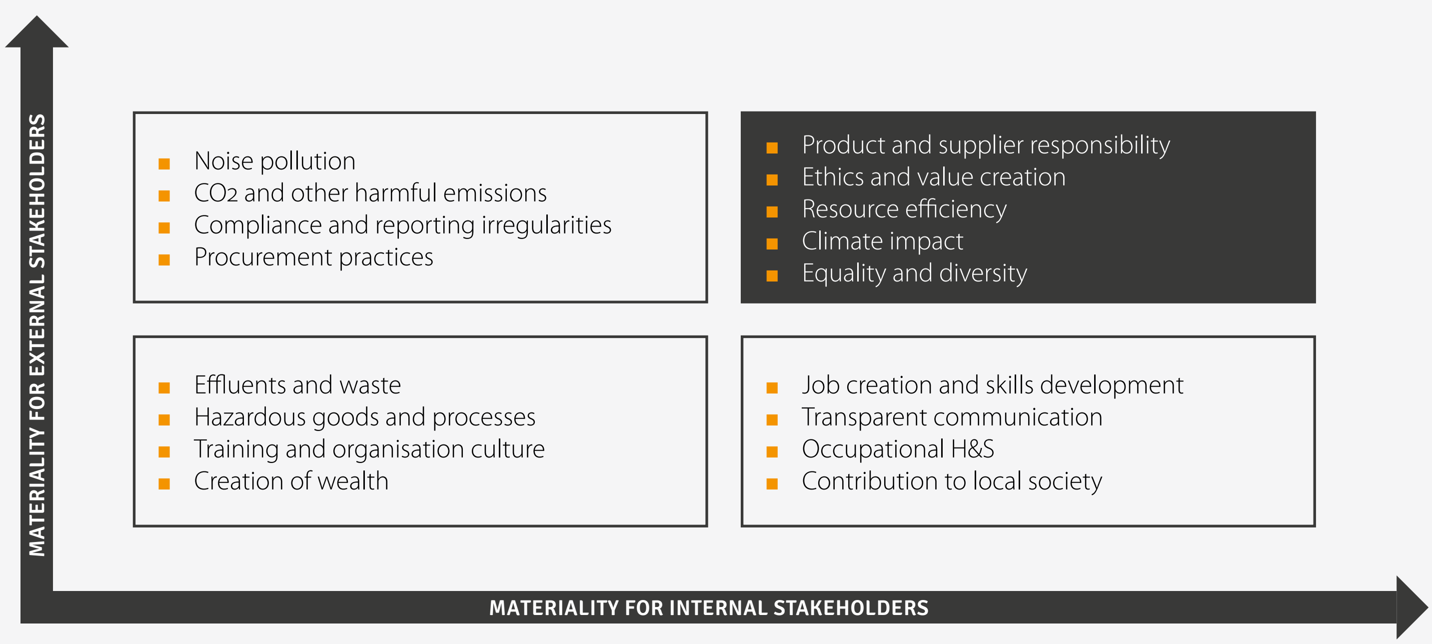
Concentric describes its work with sustainability and reports on fulfilment of financial, environment and social goals and indicators in Sustainability Report on pages 38–47 of the annual report. This report has been in accordance with the GRI Standards: Core option. It reports the achieved results for the accounting period given our commitments, strategies and sustainability governance. The aim is to measure, report and take responsibility for what we have achieved in our work toward sustainability with respect to both our internal and our external stakeholders.

Scope of the report

Sustainability Report refers to the 2020 financial year and encompasses the operations of the entire Group, including subsidiaries. Concentric's ambition is to provide a comprehensive account of its sustainability work and clearly present both negative and positive developments. The sustainability work draws on the policies and guidelines governing the manner in which the business is conducted based on the commitments we have made, for example, to Global Compact. We use a materiality analysis in order to determine the issues that are the most important and thus should be included in the work and the report taking into consideration Concentric's operations and our external and internal stakeholders. This report has been prepared in accordance with the GRI Standards:Core Option. We report the year 2020 as GRI compliant with a page reference on pages 120–122.

Materiality analysis

The materiality analysis is a method used to identify the issues within sustainability that are essential for the Company. It is based on a compilation of information from in-depth interviews with key staff members, survey responses from identified stakeholders, internal investigations and standards, de facto-standards and legislative requirements in the area of sustainability. The information is evaluated based upon the opportunities and risks of different sustainability aspects in Concentric's operations – for long-term value creation both within the Group and the wider society. The results of this evaluation have identified significant sustainability aspects which form the basis for Concentric's sustainability work and what should be reported.



Concentric's management approach to sustainability

Material aspects of sustainability	Key risks and why material	Governance	Follow-up through GRI indicator aspects for stakeholders
Ethics and Value Creation (DMA Economic Performance & Procurement Practices)	■ Reputational loss ■ Legal cost of breaches ■ Reduced shareholder value Concentric's long-term profitability is fundamental to value creation	■ Ethical guidelines ■ Code of Conduct ■ Reporting of violations based upon Concentric's values and policies ■ Whistle-blowing policy ■ Financial targets ■ Monthly business reviews ■ Risk management process	201-1 Direct economic value generated, distributed and retained 204-1 Proportion of expenditure with local suppliers
Product Responsibility & Climate Impact (DMA Product and Service Labelling and Emissions)	■ Long-term viability of organisation ■ Impact on society ■ Legal cost of breaches ■ Reduced shareholder value Concentric develops innovative engine and hydraulic pumps which increase efficiency and reduce emissions, thereby reducing the impact on the climate of Trucks and Off-highway mobile equipment	■ Environmental policy ■ ISO/TS 16949 Quality Control Systems ■ Customer surveys ■ Product design tollgate process ■ FMEA ■ Durability and performance testing ■ Emissions legislation testing both for On- and Off-highway vehicles	102-43 and 102-44 Results of measuring customer satisfaction
Responsible Suppliers (DMA Supplier Environmental and Human Rights Assessment)	■ Reputational loss ■ Impact on society ■ Continuity of supply It is strategically important that the large quantities of materials purchased for Concentric's pumps are manufactured under responsible conditions	■ Social policy ■ Code of Conduct for suppliers ■ ISO/TS 16949 Quality Control Systems ■ ISO 14001 Environmental Management System ■ Supplier selection and assessment procedures ■ Supplier days/visits and on-site audits	308-1 Environmental performance indicators 414-1 Supplier Human Rights
Work Environment (DMA Occupational Health and Safety)	■ Safety of employees ■ Legal cost of breaches ■ Reduced shareholder value from lower productivity The work environment within Concentric's manufacturing operations is exposed to many different risks for accidents and other work-related injuries	■ Accident and injury statistics ■ Clock card records ■ Skills matrices ■ Training and development plans ■ Preventative healthcare and Employee Wellness programmes ■ 6S methodology ■ OHSAS 18001 ■ Internal and external audits	403-2 Scope of injuries, injury frequency, lost days, absenteeism and total number of work-related fatalities by region
Diversity and Equal Opportunity (DMA Diversity and Equal Opportunity)	■ Reputational loss (employer brand) ■ Lack of innovation ■ Unfair treatment of employees Legal costs from breaches in human rights We believe that a long-term employment policy should offer a workplace that is both characterised by and protects equality and diversity	■ Code of Conduct ■ Employee handbook ■ Recruitment procedures ■ Equality targets ■ Nomination committee	102-8 and 405-1 Breakdown by age and gender of all employees, including the composition of governance bodies
Resource Efficiency (DMA Materials and Energy)	■ Impact on society Reduced shareholder value from lower efficiency It is strategically important that Concentric's operations, which use large quantities of materials and consume significant energy, strive to become more efficient and reduce their impact on the climate	■ Environmental policy ■ ISO/TS 16949 Quality Control Systems ■ ISO 14001 Environmental Management System ■ Continuous improvement and Lean manufacturing methodologies driven by Concentric Business Excellence programme	301-1 Recycled materials used by weight 302-3 Energy consumption (total gas and electricity)

Facts and key performance indicators for sustainability

GRI reference	Stakeholder	Key performance indicator	2020			2019		
Ethics & value creation			Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Direct economic value generated, 201-1	Customer	Revenues generated from the sale of engine and hydraulic products	651	1,108	1,503	863	1,432	2,012
Direct economic value distributed, 201-1	Suppliers	Operating costs: procurement of goods and services, including depreciation and amortisation	–436	–679	–883	–522	–825	–1,085
	Employees	Wages, salaries, pensions and other benefits, including competence development	–123	–238	–343	–181	–288	–455
	Financial Institutions	Interest and similar items related to providers of capital	n/a	n/a	–20	n/a	n/a	–19
	The State	Tax expenses and other payments made to government	n/a	n/a	–51	n/a	n/a	–132
	Shareholders	Own share buy-backs and dividends	n/a	n/a	–112	n/a	n/a	–287
Direct economic value retained, 201-1	Shareholders	Earnings/(deficit) retained after own share buy-backs & dividends	n/a	n/a	93	n/a	n/a	34
Procurement practices, 204-1	Suppliers	Proportion of expenditure with local suppliers[1]	21%	76%	54%	16%	70%	45%

Responsible suppliers								
Environmental performance indicators, 308-1	Suppliers	Percentage of new suppliers that were screened using environmental criteria	100%	100%	100%	100%	100%	100%
Supplier Human Rights, 414-1	Suppliers	Percentage of new suppliers that were screened using human rights criteria	100%	100%	100%	100%	100%	100%

Work environment			Women	Men	Total	Women	Men	Total
Work-related injuries and frequency, 403-2	Employees	Work-related injuries that caused at least one day of absence expressed as the number of incidents relative to the total days worked for all employees			16 155,540 days			24 195,879 days
Lost days, 403-2	Employees	Total number of absence days due to work-related injuries as a percentage of the total days worked for all employees			0.07%			0.07%
Absenteeism, 403-2	Employees	Total number of all absence days as a percentage of total days worked for all employees	0.5%	2.6%	3.0%	0.7%	2.4%	3.1%
Work-related fatalities, 403-2	Employees	Total number	0	1[2]	1[2]	0	0	0

[1] Definition of local supplier based upon ability to deliver from the supplier's manufacturing premises to Concentric's facility using road transportation only.
[2] The work related fatality arose due to a car accident on a public highway. No contingent liability is foreseen because of this accident.

GRI reference	Stakeholder	Key performance indicator	2020			2019		
Diversity & equal opportunity			**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Age and gender distribution, 102-8 and 405-1	Colleagues[3]	≤ age 25	2	16	18	6	23	29
		age 26–35	12	117	129	18	161	179
		age 36–45	23	123	146	28	120	148
		age 46–55	34	120	154	37	130	167
		≥ age 56	30	127	157	44	144	188
		Total number	**101**	**503**	**604**	**133**	**578**	**711**
	Managers	age 26–35	2	12	14	0	10	10
		age 36–45	2	31	33	3	32	35
		age 46–55	3	24	27	1	20	21
		≥ age 56	3	16	19	3	8	11
		Total number	**10**	**83**	**93**	**7**	**70**	**77**
	Executives	age 36–45	1	0	1	1	0	1
		age 46–55	0	3	3	0	3	3
		≥ age 56	0	1	1	0	1	1
		Total number	**1**	**4**	**5**	**1**	**4**	**5**
	Board of Directors	age 46–55	1	2	3	1	2	3
		≥ age 56	2	3	5	2	3	5
		Total number	**3**	**5**	**8**	**3**	**5**	**8**

[3] Age and gender distribution excludes employees of joint ventures (Alfdex AB) and any part-time/temporary workers employed through agencies.

GRI reference	Stakeholder	Key performance indicator			
2020 headcount by contract type			**Men**	**Women**	**Total**
Total workforce by employment type, contract and gender, 102-8[1]	Temp/perm	Permanent	622	127	749
		Temporary	16	16	32
		Total	**638**	**143**	**781**
			Permanent	**Temporary**	**Total**
	Region	Argentina	74	–	74
		China	17	–	17
		Germany	175	6	181
		India	121	8	129
		Sweden	89	11	100
		UK	126	–	126
		USA	143	7	150
		Other	4	–	4
		Total	**749**	**32**	**781**
			Men	**Women**	**Total**
	Employment type	Full time	632	122	754
		Part time	6	21	27
		Total	**638**	**143**	**781**

[1] Calculated as actual head count at year end including our 50% share of Alfdex AB.

GRI reference	Stakeholder	Key performance indicator	2020	2019
Resource efficiency				
Recycled materials used by weight, 301-2	Society	Percentage of recycled material by weight used within grey iron and aluminium	**25.7%**	**24.1%**
Energy consumption, 302-3	Society	Group consumption of gas and electricity	**12.22 kWh/MSEK Sales**	**11.43 kWh/MSEK Sales**

Concentric use diesel in generators as a backup power solution but the actual diesel usage in the year was negligible.

2020 GRI Index

This report has been prepared in accordance with the GRI Standards: Core Option. Therefore we report the year 2020 as GRI compliant in the index below.

The intention is for the GRI Index to be used as a cross-reference list to find where in the annual report the information is located. In some cases supplementary or complete answers to a question are provided in the comment field of the index table. The information in the Sustainability Report has not been reviewed by a third party. Other calculations of indicators and key performance indicators have not been reviewed by an external party, with the exception of those that are included in the legal section of the annual report.

GRI-referenced

GRI code	Description/indicator	Reference	Page	Comments/omissions	External assurance
Organisational profile					
102-1	Name of the organisation	Board of Directors' Report	64		
102-2	Primary brands, products, and/or services	Engine Products Hydraulic Products	30 32		
102-3	Location of organisation's headquarters	Addresses	129		
102-4	Countries where the organisation operates	Summary Group Note 4 Segment Reporting	24–25 85–86		
102-5	Nature of ownership and legal form	The Concentric Share	48–49		Yes
102-6	Markets served	End-Markets	26–29		
102-7	Scale of the reporting organisation	Board of Directors' Report Consolidated Income Statement Consolidated Balance Sheet	64–73 74 75		Yes
102-8	Total workforce by employment type, employment contract and gender	Concentric employees by country (FTEs) Group Note 6 Average number of employees Facts and key performance indicators for sustainability	45 87 118–119		
102-9	Organisation's supply chain	Supply Chain	47		
102-10	Significant changes during the reporting period regarding size, structure, ownership or supply chain	Board of Directors' Report Group Note 35 Investments in subsidiaries	64–73 100		Yes
102-11	Description of how the Company addresses the precautionary principle	Sustainability Report	38–47		
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses	UN's Global Compact US SuperTruck Program			
102-13	Memberships in organisations and/or national or international advocacy organisations	Malcolm Baldrige, Investors in Excellence & European Foundation for Quality Management			
Strategy and analysis					
102-14	Statement from the CEO	CEO Letter	10–13		
Ethics & integrity					
102-16	Values, principles, standards and norms of behaviour	Values Social issues	6 44–47		
Governance					
102-18	Corporate Governance	Integrated governance processes Corporate Governance in Concentric	38 50–61		Yes
Stakeholder engagement					
102-40	Stakeholder groups	Stakeholder engagement	42		
102-41	Percentage of employees covered by collective bargaining agreements	50% of employees in the group are covered by collective agreements			
102-42	Identification and selection of stakeholders	Stakeholder engagement	42		
102-43	Approaches to stakeholder engagement	Stakeholder engagement	42		
102-44	Key topics raised through stakeholder engagement	Stakeholder engagement	42		

GRI code	Description/indicator	Reference	Page	Comments/omissions	External assurance
Identified material aspects and boundaries					
102-45	Operational structure, units, business areas, subsidiaries and joint ventures	Parent Note 7 Shares in subsidiaries Foundation of corporate governance	**107–108** **51**		Yes
102-46	Definition of report content and relevant sustainability aspects	Sustainability Report Scope of the GRI report	**38–47** **116**		
102-47	Material aspects identified in the process for defining report content	Concentric's group-wide aspects and targets in sustainability	**39**		
Report profile					
102-50	Reporting period	Board of Directors' Report	**64**		
102-51	Date of most recent previous report	2019 Annual Report, published in 2020			
102-52	Reporting cycle	Scope of the GRI report	**116**		
102-53	Contact point for the report	Board of Directors & Group CEO			
102-54	Table showing information for all parts of the GRI's standard disclosures	2020 GRI Index	**120–121**		
102-56	Policy and current practice for external assurance	2020 GRI Index	**120**		

Specific standard disclosures

GRI code	Description/indicator	Reference	Page	Comments/omissions	External assurance
103-1, 103-2 and 103-3	Disclosure on management approach	Concentric's management approach to sustainability	**56** **117**		
Economic performance indicators					
201-1	Direct economic value generated and distributed	Consolidated Income Statement Consolidated Balance Sheet	**74** **75**	We do not report payments to government by country, and community investments, as the information is not available	Yes
201-3	Defined benefit plan obligations	Group Note 25 Pensions and similar obligations	**95–98**		Yes
204-1	Procurement practices	Facts and key performance indicators for sustainability	**118**		
Society					
205-1	Number and percentage of operations assessed for risks related to corruption	100% of the group's operations were assessed and no significant risks related to corruption were identified			
206-1	Number of pending/completed legal actions brought for anti-competitive behaviour, anti-trust and/or monopoly practices	None			
Environmental performance indicators					
301-2	Recycled input materials used	Facts and key performance indicators for sustainability	**119**		
302-3	Energy consumption within organisation	Facts and key performance indicators for sustainability	**119**		
308-1	Percentage of new suppliers that were screened using environmental criteria	Facts and key performance indicators for sustainability	**118**		
Employment conditions and work conditions					
403-2	Rates of injuries, lost days, absenteeism, and number of work related fatalities	Facts and key performance indicators for sustainability	**118**	We do not report by gender as the information is not available	
405-1	Composition of governance bodies and breakdown of other employee types according to gender and age group	Facts and key performance indicators for sustainability	**119**		
Supplier human rights					
414-1	Percentage of new suppliers that were screened using human rights criteria	Facts and key performance indicators for sustainability	**118**		
Product responsibility					
416-2	Number of incidence of non-compliance with regulations concerning the health and safety impacts of products provided to customers during their life cycle	None			

Global Compact

Although Concentric has not signed the UN's Global Compact, the social and environmental policies adopted by Concentric are based upon the founding ten principles, thereby clearly demonstrating the group's position on issues related to human rights, labour law, accountability for the environment and anti-corruption.

Ten principles of the UN's Global Compact

Human rights	Reference	Page
1. Support and respect the protection of internationally proclaimed human rights in the spheres the Company can influence	Social policy	44
2. Make sure that the Company is not complicit in human rights abuses	Human rights	44
Labour law		
3. Uphold freedom of association and the effective recognition of the right to collective bargaining	Freedom of contract and association	44
4. Elimination of all forms of forced and compulsory labour	Forced labour	44
5. Effective abolition of child labour	Child labour	44
6. Elimination of discrimination in respect of employment and occupation	Equal opportunities	45
Environment		
7. Support a precautionary approach to environmental challenges	Sustainability Report	38–47
8. Undertake initiatives to promote greater environmental responsibility	Sustainability Report	38–47
9. Encourage the development and diffusion of environmentally friendly technologies	Sustainability Report	38–47
Anti-corruption		
10. Work against corruption in all its forms, including extortion and bribery	Anti-corruption	47

APM reconciliation

Underlying EBIT or operating income	2020	2019
EBIT or operating income	**276**	**472**
Items affecting comparability:		
UK pension benefit, equalisation	3	–
Acquisition costs	1	–
Restructurng costs	11	–
Underlying operating income	**291**	**472**
Net Sales	1,502	2,012
Operating margin (%)	**18.4**	**23.5**
Underlying operating margin (%)	**19.4**	**23.5**

Underlying EBITDA or Operating income before amortisation and depreciation	2020	2019
EBIT or Operating income	**276**	**472**
Operating amortisation/depreciation	47	60
Amortisation of purchase price allocation	38	39
EBITDA or Operating income before amortisation and depreciation	**361**	**571**
UK pension benefit, equalisation	3	–
Acquisition costs	1	–
Restructurng costs	11	–
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**376**	**571**
Net Sales	1,502	2,012
EBITDA margin (%)	**24.1**	**28.4**
Underlying EBITDA margin (%)	**25.1**	**28.4**

Net income before items affecting comparability	2020	2019
Net income	**205**	**321**
Items affecting comparability after tax	11	–
Net income before items affecting comparability	**216**	**321**
Basic average number of shares (000)	37,815	38,369
Basic earnings per share	**5.43**	**8.37**
Basic earnings per share before items affecting comparability	**5.73**	**8.37**

Net debt	31 Dec 2020	31 Dec 2019
Pensions and similar obligations	462	499
Liabilities for right of use fixed assets	129	85
Long-term interest-bearing liabilities	–	–
Short-term interest-bearing liabilities	–	1
Total interest-bearing liabilities	**591**	**585**
Cash and cash equivalents	–505	–531
Total Net Debt	**86**	**54**
Net Debt, excluding pension obligations	**–376**	**–445**

Capital employed	31 Dec 2020	31 Dec 2019
Total Assets	**2,047**	**2,119**
Interest bearing financial assets	–29	–6
Cash and cash Equivalents	–505	–531
Tax assets	–138	–171
Non-interest bearing assets (excl taxes)	**1,375**	**1,411**
Non-interest bearing liabilities (incl taxes)	–387	–395
Tax liabilities	93	110
Non-interest bearing liabilities (excl taxes)	**–294**	**–285**
Total Capital Employed	**1,081**	**1,126**

Working capital	31 Dec 2020	31 Dec 2019
Accounts receivable	182	181
Other current receivables	63	62
Inventory	120	147
Working capital assets	**365**	**390**
Accounts payable	–154	–156
Other current payables	–215	–216
Working capital liabilities	**–369**	**–372**
Total Working Capital	**–4**	**18**

Glossary

6S
Method to organise a work space for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order.

Americas
Americas operating segment comprising the Group's operations in the USA and South America.

APM
An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Axle cooling
Heat Exchanger to control the temperature of the axle gear train.

Baler
Farm machinery used to compress a cut and raked crop (such as hay, straw, or silage) into compact bales that are easy to handle, transport and store.

BRIC countries or emerging markets
Brazil, Russia, India and China.

CAN bus
Controller Area Network that connects all the modules working throughout the vehicle so that they can work together to run effectively and efficiently.

CV
Commercial Vehicle.

DC Pack Lift/lower
Integrated unit comprising of direct current motor, hydraulic pump and reservoir.

ECU
Engine Control Unit.

Europe & RoW
Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China.

Fan drive
Hydraulic motor used for driving cooling fan.

Fuel transfer pump
Pump to lift the fuel from the fuel tank to the high pressure system.

Gerotor pump
Type of positive displacement pump.

Hydraulic hybrid system
Hydraulic propulsion system for vehicles.

Hydraulic power pack
Integrated unit comprising of DC motor, hydraulic pump and reservoir.

Hydraulic pump
Positive displacement pump for pumping hydraulic fluids such as oil.

Implement pump
Hydraulic pump used for auxiliary vehicle functions.

LTI
Long term incentive.

Net investments in fixed assets
Fixed asset additions net of fixed asset disposals and retirements.

OEMs
Original Equipment Manufacturers.

Off-highway
Collective term for industrial applications, agricultural machinery and construction equipment end-markets.

Oil mist separator
Product that recycles oil from crankcase gases.

Order backlog
Customer sales orders received which will be fulfilled over the next three months.

Piston pump
Positive displacement pump that utilises a moving piston to displace the fluid.

Poka-Yoke methodology
A method to prevent mistakes from occurring.

PPM
Parts Per Million defect rate.

Primary pump
Main pump used in a multi circuit configuration.

R&D expenditure
Research and development expenditure.

Secondary circuit pump
Secondary pump used in a multi circuit configuration.

Seeder motor
Hydraulic motor used for blowing seed into seeding device for planting.

Steering pump
Hydraulic pump used to provide hydraulic power to a vehicle steering system.

Tier 1, Tier 2-supplier
Different levels of sub suppliers, typical within the automotive industry.

Variable flow oil pump
Oil pump with controllable flow capacity.

Variable flow water pump
Water pump with controllable flow capacity.

Definitions

Book-to-bill
Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period.
Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.

CAGR
Compound annual growth rate.

Capital employed
Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities.
Capital employed measures the amount of capital used and serves as input for return on capital employed.

Dividend yield
Dividend divided by market price at year end.

Drop-through rate
Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales.
This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.
EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.

EBITDA margin
EBITDA as a percentage of net sales.
EBITDA margin is used for measuring the cash flow from operating activities.

EBIT or Operating income
Earnings before interest and tax.
This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the Company.

EBIT or Operating margin
Operating income as a percentage of net sales.
Operating profit margin is used for measuring the operational profitability.

EBIT or EBITDA multiple
Market value at year end plus net debt divided by EBIT or EBITDA.

EPS
Earnings per share, net income divided by the average number of shares.
The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.

Equity per share
Equity at the end of the period divided by number of shares at the end of the period.
Equity per share measures the net-asset value backing up each share of the Company's equity and determines if a Company is increasing shareholder value over time.

Gearing ratio
Ratio of net debt to shareholders' equity.
The net gearing ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, this is calculated based on net debt rather than gross debt.

Gross margin
Net sales less cost of goods sold, as a percentage of net sales.
Gross margin measures production profitability.

Net debt
Total interest-bearing liabilities, including pension obligations less liquid funds.
Net debt is used as an indication of the ability to pay off all debts if these were to fall due simultaneously on the day of calculation, using only available cash and cash equivalents.

Pay-out ratio
Dividend divided by EPS

P/E ratio
Market value at year-end divided by net earnings

ROCE
Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over rolling 12 months.
Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the Company is the reason that this metric is used next to return on equity, because it not only includes equity, but taken into account other liabilities as well.

ROE
Return on equity; net income as a percentage of the average shareholders' equity over rolling 12 months.
Return on equity is used to measure profit generation, given the resources attributable to the Parent Company owners.

Sales growth, constant currency
Growth rate based on sales restated at prior year foreign exchange rates
This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.

Structural growth
Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts
Structural changes measure the contribution of changes in group structure to net sales growth.

"Underlying" or "before items affecting comparability"
Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate)
Enabling a comparison of operational business.

Working capital
Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities
Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

Shareholder information

Concentric's web site for investors

www.concentricab.com contains information about the Company, the share and insider information as well as archives for reports and press releases.

The Annual Report on www.concentricab.com

Concentric has chosen not to distribute its Annual Report to shareholders to minimise cost and environmental impact. Annual reports, quarterly reports and press releases are available on the Concentric's web site for investors.

Reporting calendar for 2021

Annual General Meeting 2021	22 April, 2021
Interim report January – March 2021	5 May, 2021
Interim report January – June 2021	21 July, 2021
Interim report January – September 2021	3 November, 2021

2021 Annual General Meeting

Due to the extraordinary situation as a result of Covid-19, the Meeting will be held in a different way than usually. In order to reduce the risk of spreading the new coronavirus and having regard to the authorities' regulations and advice on avoiding public gatherings, the Meeting will be carried out through advance voting (postal voting) pursuant to temporary legislation. No meeting with the possibility to attend in person or to be represented by a proxy will take place, i.e. the Meeting will be held without physical presence.

Shareholders wishing to attend the Meeting through advance voting must:

(i) be recorded as shareholders in the share register maintained by Euroclear Sweden AB, as of Wednesday 14 April 2021; and

(ii) notify by casting its advance vote in accordance with the instructions under the heading Advance voting below so that the advance voting form is received by Euroclear Sweden AB no later than on Wednesday 21 April 2021.

In order to participate in the Meeting, those whose shares are registered in the name of a nominee must request their bank or broker to have their shares owner-registered with Euroclear Sweden AB as of Friday 16 April 2021 and the bank or broker should therefore be notified in due time before said date. This registration may be made temporarily.

The shareholders may only exercise their voting rights at the Meeting by voting in advance, so-called postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. A special form shall be used for advance voting. The form is available on the Company's website, ***www.concentricab.com.*** The advance voting form is considered as the notification of participation. The completed voting form must be received by Euroclear Sweden AB (which administers the forms on behalf of Concentric AB) no later than on Wednesday 21 April 2021. The form shall in due time be submitted via e-mail to *GeneralMeetingService@euroclear.com* or by mail to ***Concentric AB, "Årsstämma", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm***. Shareholders who are natural persons may also cast their advance votes electronically through BankID verification via Euroclear Sweden AB's website, ***https://anmalan.vpc.se/euroclearproxy***. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote (i.e. the advance vote in its entirety) is invalid. If the shareholder votes in advance by proxy, a signed and dated power of attorney shall be enclosed to the form. If the power-of-attorney is issued by a legal entity, a verified copy of the registration certificate or an equivalent authority document for the legal entity must be appended. Further instructions and conditions are included in the advance voting form.

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