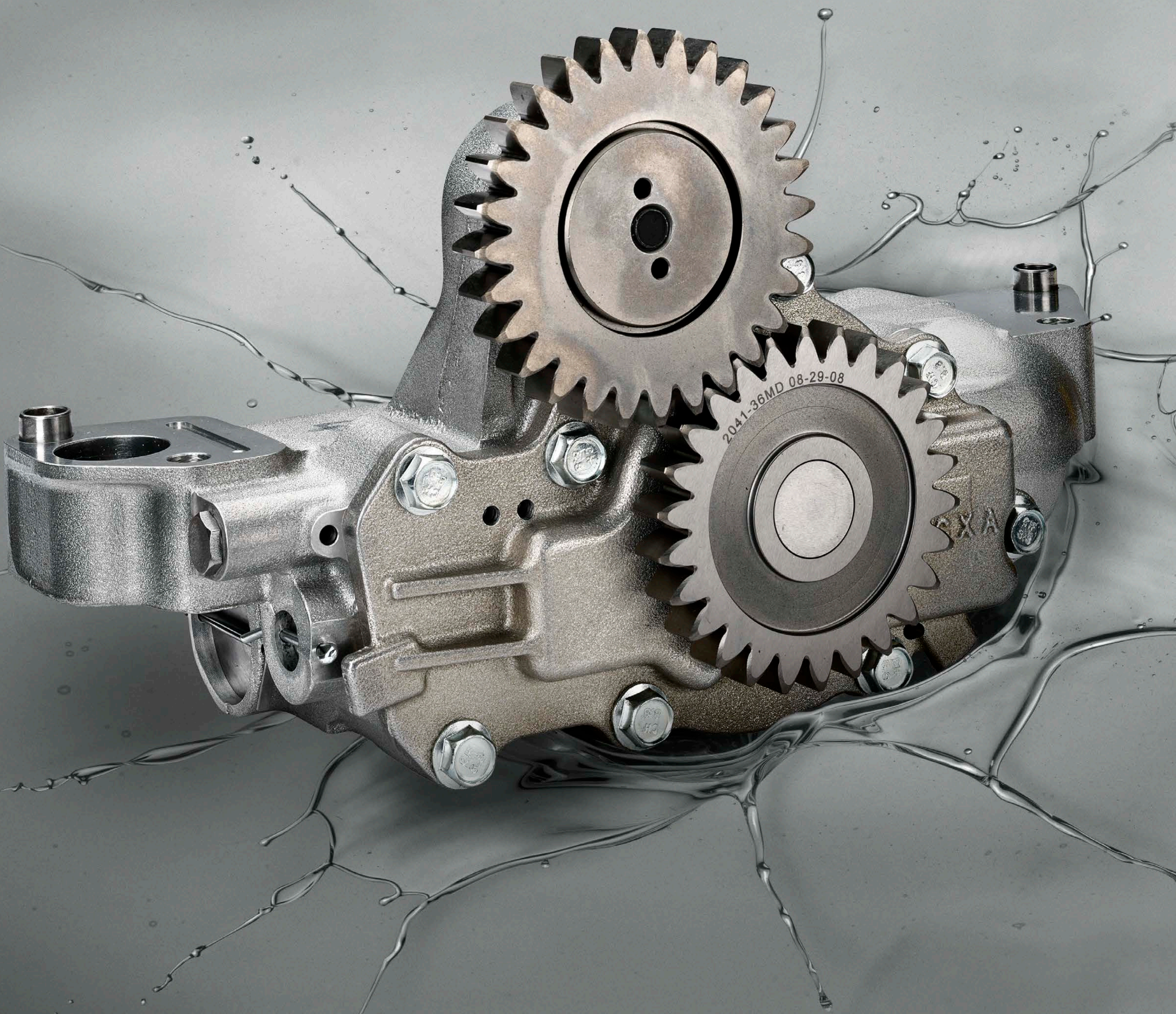
TECHNOLOGY + INNOVATION = SUSTAINABILITY
ANNUAL REPORT 2016



CONCENTRIC

SUMMARY

988 MSEK **45%**

EXTERNAL NET SALES

AMERICAS

147 MSEK **43%**

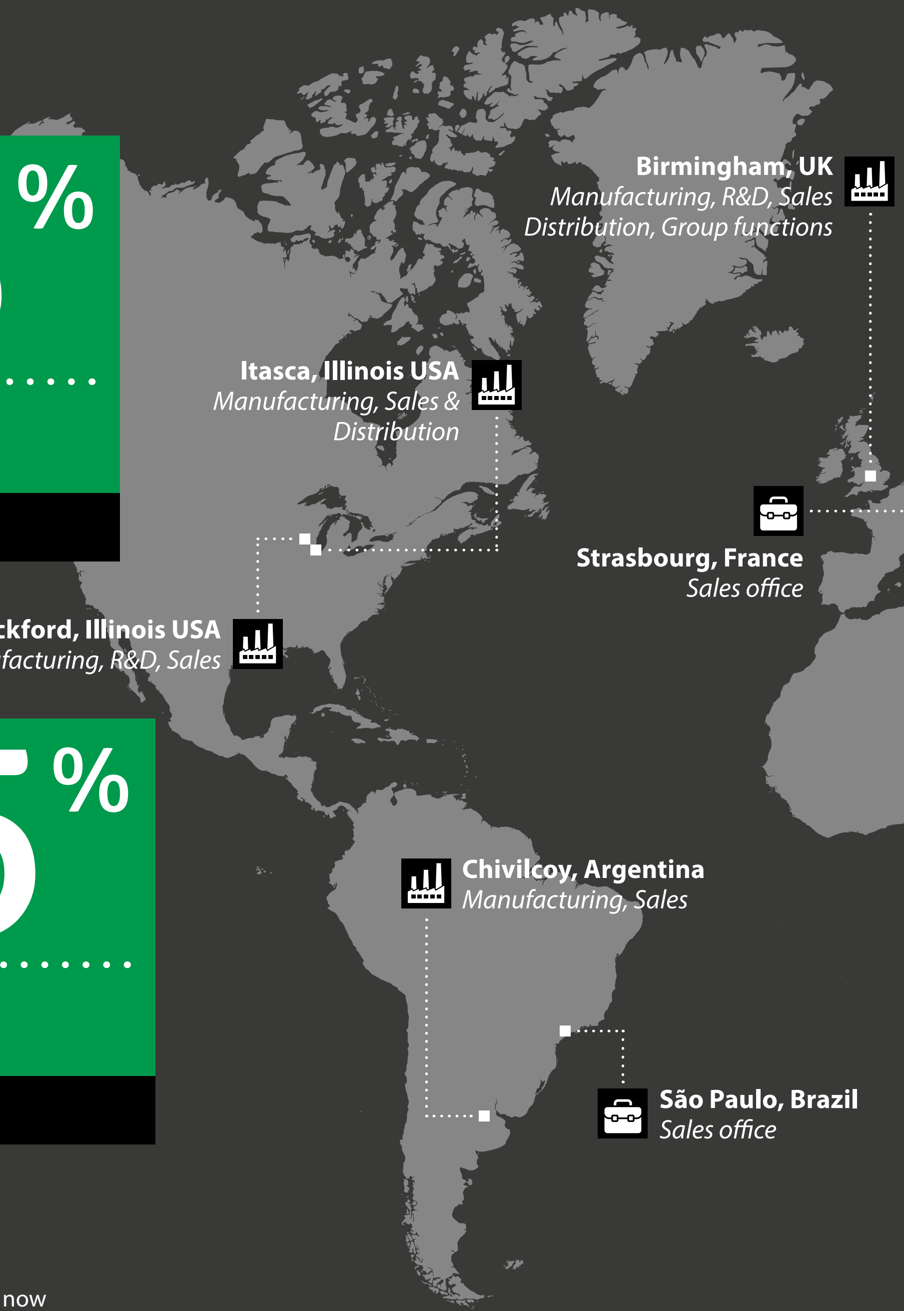
OPERATING INCOME & MARGIN (14.9%)

AMERICAS

375 **35%**

AVERAGE NUMBER EMPLOYEES

AMERICAS



Global footprint

Concentric's global manufacturing presence now includes wholly owned facilities based in Germany, the UK, the USA, Argentina, India and China, backed by central support and development functions, together with a joint venture ("JV") based in Sweden. This means we sell locally to our global customers. The business fuses Concentric's strengths as a pumps maker with long-standing expertise in hydraulic products. Our customers use pumps for trucks, general industrial applications, agricultural machinery and construction equipment.

2,004 MSEK

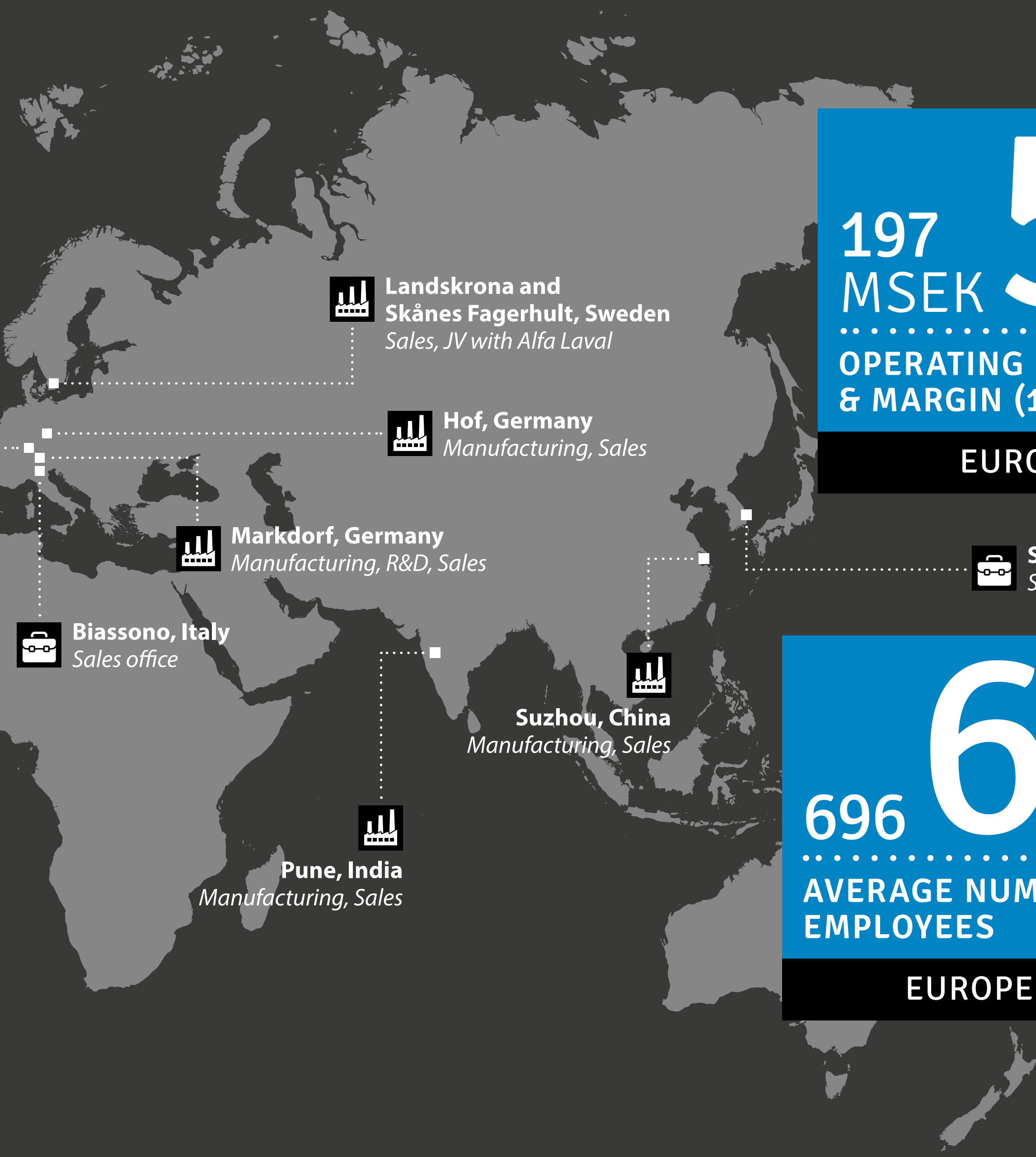
EXTERNAL NET SALES
GROUP (EXCLUDING JV SALES)

1,199 MSEK

55 %

EXTERNAL NET SALES

EUROPE & ROW



197 MSEK

57 %

OPERATING INCOME
& MARGIN (16.4%)

EUROPE & ROW

696

65 %

AVERAGE NUMBER
EMPLOYEES

EUROPE & ROW

341 MSEK

OPERATING INCOME
& MARGIN (17.0%) GROUP

1,011

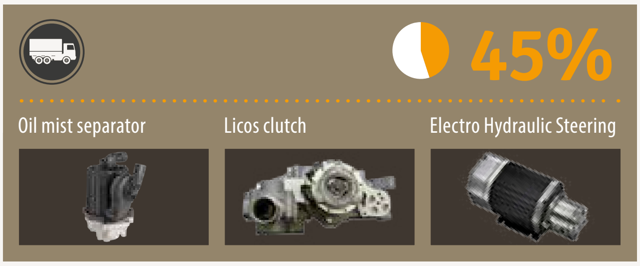
AVERAGE NUMBER EMPLOYEES
GROUP

CONTENTS

The statutory annual report encompasses pages 58–105.

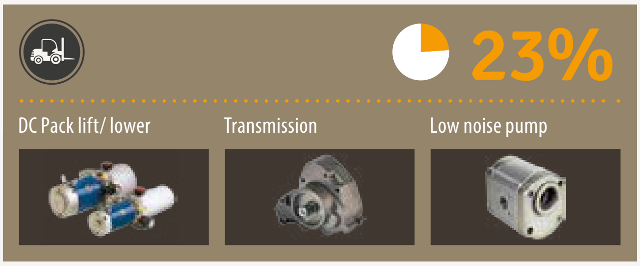
Unless otherwise stated, all amounts have been stated in SEK million. Certain financial data has been rounded in this annual report. Where the sign "–" has been used, this either means that no number exists or the number rounds to zero.

ESSENCE OF CONCENTRIC



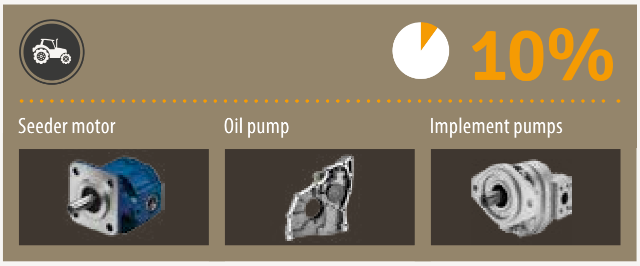
Trucks

Concentric sells both directly to the OEMs of trucks and also via Tier 1 diesel engine manufacturers in the truck market. The solutions provided relate to flow generation for fuel, oil and coolants, and for the separation of oil drops from crankcase gases using the Alfdex system. Concentric's products are generally used in medium and heavy duty trucks.



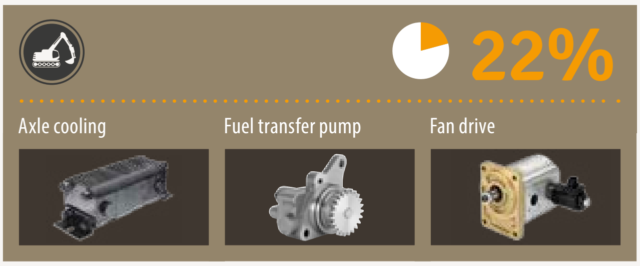
Industrial applications

Concentric provides pumping solutions for a wide variety of industrial applications, from forklifts used in the retail trade to heavy machines used in the mining industry. They also include applications for the marine industry, energy production, compressors, cranes, refrigeration and street-cleaning vehicles as well as military and airport vehicles.



Agricultural machinery

Concentric primarily sells directly to the OEMs of agricultural machinery. The main solutions provided are engine pumps, hydraulic fan drives and ancillary hydraulic pumps for tractors, combines and other specialty equipment, such as harvesters and balers.

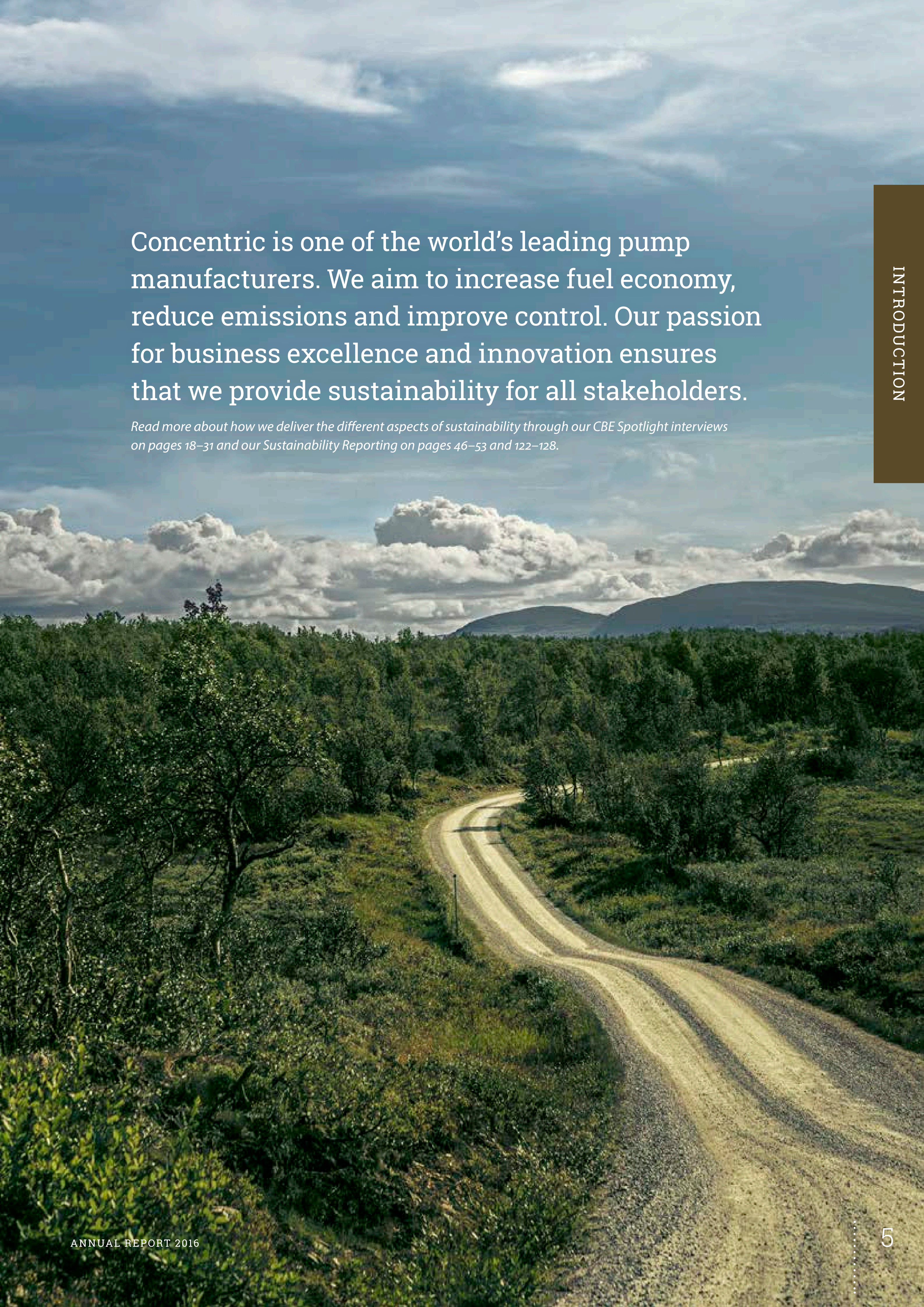


Construction equipment

Concentric provides pumping solutions used in a wide range of mobile construction equipment, including engine pumps, hydraulic fan drives and ancillary hydraulic pumps. These solutions are typically used on smaller equipment such as skid steer and backhoe loaders, and on heavier equipment such as wheel loaders, bulldozers and excavators.

» When I think about sustainability, I immediately think of support – supporting what you value and ensuring its future. «

Read more in the CBE Spotlight interview with Jennifer Hentrich, Controller, Itasca on pages 18–21.



Concentric is one of the world's leading pump manufacturers. We aim to increase fuel economy, reduce emissions and improve control. Our passion for business excellence and innovation ensures that we provide sustainability for all stakeholders.

Read more about how we deliver the different aspects of sustainability through our CBE Spotlight interviews on pages 18–31 and our Sustainability Reporting on pages 46–53 and 122–128.

INVESTMENT CASE

	ENGINE PRODUCTS	HYDRAULIC PRODUCTS
DRIVING FORCES	**Increased freight activity** Increased demand for freight transport as medium/heavy duty trucks are expected to account for larger share of land-based transport. **Fuel efficiency** Increasingly tough CO_2 emission standards drive further fuel efficiency requirements. **Global infrastructure** Continued urbanisation and economic growth, especially in emerging economies.	**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 serves the largest OEMs and engine manufacturers with market leading technology that improves fuel efficiency and reduces CO_2 emissions. ■ Concentric is the only global player in the market for diesel engine pumps and the footprint enables Concentric to sell locally to global customers. ■ Innovative products reduce frictional losses, enabling a more compact sized engine whilst maintaining absolute reliability, and improving fuel efficiency and/or reducing emissions.	■ 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 machines complexity and working environment restrictions to reduce noise.
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.	■ Significantly expand the distributor network, particularly in Europe. ■ 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.

... whilst maintaining margins and financial flexibility

- The Concentric Business Excellence programme ("CBE") ensures that our operations have both a competitive cost structure and a flexible cost base.
- Staying close to our customers, sourcing locally where possible and robust working capital management practices all contribute to the strong cash conversion levels.
- Track record of delivering strong shareholder returns through special dividends and own share buy backs.
- Further opportunities to accelerate growth through acquisitions using available funding capacity.

ADDING VALUE TO THE CUSTOMER'S PRODUCTS

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 the customer's products.

DRIVING FORCES

Environment and legislation

Increased energy efficiency

Increasing fuel costs strengthens the need for technology to improve fuel efficiency in machines and engines.

Regulations

The demand to reduce emissions continues to be a strong environmental driving force. Far-reaching regulations being enacted at regional and national levels aimed at reducing emissions from transport and machinery are forcing manufacturers to adapt their products.

Global infrastructure growth

Continued economic growth in emerging economies, particularly those known as the BRIC countries, entails increased demand for Concentric's products in all major end-markets.

See pages 34–35 and 38–39

OUR SOLUTIONS

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. Our products have been developed to improve fuel efficiency and/or reduce emissions.

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. Our products are focused on improving the efficiency of hydraulic systems and reducing emissions, such as noise.

See pages 32–33 and 36–37

END-MARKETS

Trucks

Major customers

Cummins/TATA, Daimler, DAF/Paccar, FPT Industrial, Navistar, MAN/Scania, Volvo/Dongfeng, CNHTC

Industrial applications

Major customers

Crown, Doosan, Kion, NACCO, Perkins, Toyota (BT, Raymond)

Agricultural machinery

Major customers

Agco, CNH, Class, John Deere, Deutz, Valtra

Construction equipment

Major customers

Caterpillar, CNH, Hyundai, John Deere, JCB, Komatsu, Wirtgen Group, Volvo, Doosan, Atlas Copco

See pages 40–45

Vision

Our Vision is to deliver sustainable growth for every application in the markets we serve.

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/end-markets.

Mission

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

Customer focused

- Sustainable products
- Customer satisfaction

Achievement through our people

- Integrity
- Teamwork
- Resilience
- Openness

BUSINESS OBJECTIVES 2016 AND BEYOND

ORGANIC SALES GROWTH
CONSTANT CURRENCY (ANNUALLY)

5 YEAR TARGET 2015–2019

6% above market

- Leverage LICOS clutch technology.
- Increased sales via distribution channel for Hydraulics.
- Other innovative products that address key market drivers to provide solutions for our customers.
- Long-term growth opportunities in emerging markets.
- Introduce new products into serial production on the next generation of platforms (e.g. variable flow oil pumps) and penetrate new market niches and/or end-markets.

2016 ACHIEVEMENT

–2% below indices*

Overall, market indices* suggested production rates, blended to the Group's end-markets and regions, were down **8 percent** year-on-year. Concentric's actual sales for 2016, including revenues attributable to Alfdex, were down **10 percent** year-on-year, adjusting for currency. This shortfall against expectations was principally due to Concentric's reliance on Cummins and Caterpillar, especially in the Class 8 heavy duty truck market where European OEMs have 'in-sourced' more of their engines for the North American market.

OPERATING MARGIN

5 YEAR TARGET 2015–2019

≥16%

- 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.

2016 ACHIEVEMENT

17%

The reported operating margin for 2016 increased to **17.0 percent** (16.5). Adjusting for restructuring expenses and pension related items affecting comparability, the underlying operating margin improved to 16.8% (16.6) in spite of the market headwinds, as the business continued to demonstrate its ability to flex costs in a market downturn, supported through CBE.

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

DIVIDEND PAYOUT RATIO

5 YEAR TARGET 2015–2019

33%

- Track record of delivering strong shareholder returns through special dividends and buy-backs.
- Total dividends (ordinary + special) declared for FY 2012–16 have equated to an average payout ratio of **58 percent** of net income.

2016 ACHIEVEMENT

58%

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 2.00 (2.25) per share for the 2016 fiscal year, plus a special dividend of SEK 1.50 (1.00). As noted above, the company has also repurchased own shares during the year amounting to MSEK 85 (142), which corresponds to a further shareholder distribution in the year of SEK 2.10 (3.44) per share.

GEARING
(NET DEBT/EQUITY)

5 YEAR TARGET 2015–2019

≥50%

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

2016 ACHIEVEMENT

35%

The indebtedness decreased to MSEK 300 (488), in spite of the revaluation of pension liabilities which recognised net remeasurement losses of MSEK 59 (gains 1) at year end. This was driven by the continued strong cash flow derived from operating activities of MSEK 409 (366), which was also used to fund dividend payments and further own share buybacks in 2016.

NET SALES AND OPERATING INCOME – GROUP

Net sales for the year were MSEK 2,004 (2,306), down 10 percent year-on-year after adjusting for –3% impact of currency. However, the underlying operating margin improved to 16.8% (16.6), adjusting for restructuring expenses and pension related items affecting comparability.

Key figures, amounts in MSEK unless otherwise specified	2016	2015	2014	2013[1]	2012[2]
Net sales	2,004	2,306	2,078	1,858	2,129
Organic sales growth, constant currency, %	–10	–8	3	–8	–9
Operating income before items affecting comparability	337	382	333	279	297
Operating margin before items affecting comparability, %	16.8	16.6	16.0	15.0	13.9
Operating income	341	381	333	279	281
Net income for the year	246	271	241	176	171
Cash flow from operating activities	409	366	340	199	298
Diluted earnings per share, SEK	6.00	6.44	5.53	4.00	3.88
Basic earnings per share, SEK	6.01	6.45	5.54	4.00	3.88
Dividends, SEK	3.50[3]	3.25	3.00	2.75	2.50
Net debt	300	488	528	409	446
Gearing (Debt/equity) ratio, %	35	57	65	52	73
Capital Employed	1,083	1,254	1,278	1,194	1,019
Return on capital employed, before items affecting comparability, %	28.6	28.9	27.1	25.0	26.7
Return on equity, %	32.2	31.7	29.6	27.2	26.5
Basic average number of shares (000's)	40,924	42,058	43,421	43,922	44,094
Diluted average number of shares (000's)	40,973	42,119	43,523	43,962	44,109
Number of shares at 31 December (000's)	40,482	41,180	42,392	43,957	43,966
Number of stock options at 31 December (000's)	413	341	403	287	178
Market capitalisation	4,605	4,406	3,942	3,198	2,462

[1] Figures for 2013 have been restated for the amendments to IFRS 11, Joint Arrangements. Figures for earlier periods are as reported.

[2] Figures for 2012 have been restated for the amendments to IAS19.

[3] Proposed dividend for consideration at the 2017 AGM.

The evolution of the Group's net sales over the five years to 31 December 2016 reflects:

- Development of Concentric's four end-markets during that period.
- Re-organisation and re-focus of hydraulic products sales, including the exit from low margin business during 2012–2014.
- Impact of excluding net sales made by Alfdex from January 2013 onwards.
- Inclusion of net sales made by Licos Tructec GmbH, acquired in June 2013 onwards.
- Inclusion of net sales made by GKN Pumps, acquired in January 2015 onwards.

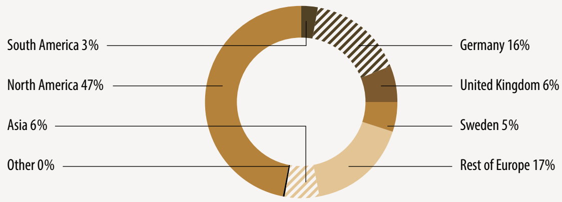
For the five years to 31 December 2016, Concentric's shares have given a total annual average return to shareholders of 26 percent. The corresponding figure for the year ended 31 December 2016 was 10 percent.

Net sales – Group

The primary reason for the year-on-year decline in 2016 sales was the 20% reduction in end-customer demand and 30% reduction in production of Class 8 heavy duty trucks following the peak in the US replacement cycle during 2015 and a subsequent correction of inventory levels. European truck sales softened in the second half of 2016 as the demand for trucks in Southern Europe was satisfied. Sales to off-highway end-markets in North America and Europe remained soft during 2016 due to the ongoing macro-economic uncertainty.

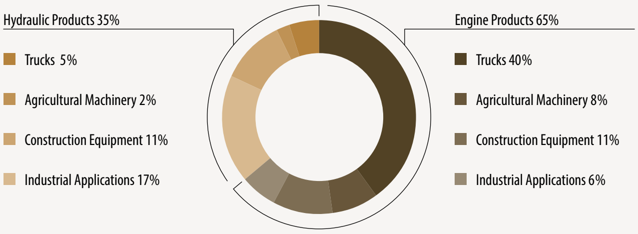
Sales to our end-markets in South America were down across the board in 2016. China remained relatively stable whilst demand in India improved for Trucks and Construction Equipment under the new Government economic initiatives to stimulate investment.

Net sales by customer location, % of MSEK 2,187*



North America and Europe remain the principal territories for Concentric, based upon sales by customer location, reflecting the maturity of these markets. Emerging territories still account for less than 10 percent of the Group's sales.

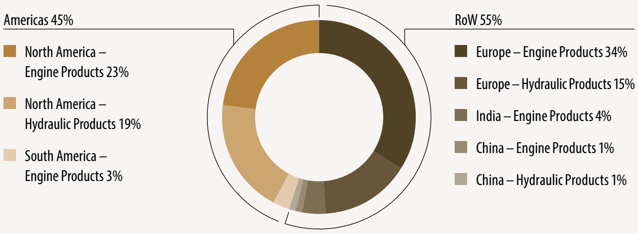
Net sales by product line and end-market, % of MSEK 2,187*



The balance of sales between engine and hydraulic products remained around 2:1 in 2016, driven primarily by the volume of business directed at the US and European truck markets. Hydraulic product sales for off-highway equipment has remained soft.

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

Net sales by region and product line, % of MSEK 2,187*



Sales continue to be quite evenly distributed across the two reported regions with a bias towards engine products in both regions, driven by the US and European truck markets.

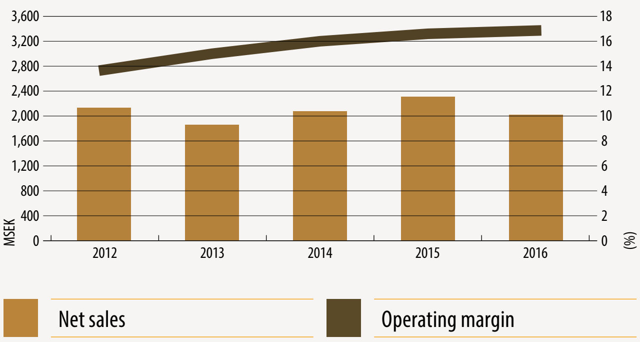
Operating income – Group

The reported operating income and margin for the year amounted to MSEK 341 (381) and 17.0 percent (16.5) respectively. This included the following specific items:

- MSEK 39 (0) of gains associated with the curtailment of certain retirement benefits provided to both existing and former employees of our operations in Rockford, Illinois USA and Hof, Germany.
- MSEK 9 (0) of fixed asset write-downs and exit costs associated with the lower activity levels and rationalisation of warehousing facilities used in both the USA and Europe.
- MSEK 26 (11) of restructuring expenses relating to a reduction in force ("RIF") programme which removed 70 (34) employees, principally in Hof, Germany and Chivilcoy, Argentina (prior year Chivilcoy only).
- MSEK 0 (10) of net income arising from negative goodwill and other expenses relating to the acquisition of the GKN Pumps business in Chivilcoy.

Adjusting for the net effect of these items, the operating margin before items affecting comparability for 2016 was 16.8 percent (16.6). CBE has been a fundamental part of the continuous improvement of the performance of the business, including customer service, employee motivation and operational excellence.

Sales and Operating margins



2016 was a record year for Concentric in terms of the highest operating margin achieved.

» Growth remains the highest priority for Concentric and during the year we have continued to invest in product development and strengthen both our sales team and engineering resources. «

CEO David Woolley shares his reflections on the tough market conditions in 2016, Concentric's performance and the increased focus on sustainability throughout the business.

Sales development in 2016

We experienced a rather challenging market in 2016 as demand softened across most geographic markets. The group's sales for 2016 were down year-on-year 10% in constant currency, which was broadly in line with published market indices. The primary reason for the decline in sales was the 20% reduction in end-customer demand and 30% reduction in production of Class 8 heavy duty trucks following the peak in the US replacement cycle during 2015 and a subsequent correction of inventory levels. European truck sales softened in the second half of 2016 as the demand for trucks in Southern Europe was satisfied.

Looking at our emerging markets' presence, our end-markets in South America were down across the board in 2016. China remained relatively stable whilst demand in India improved for Trucks and Construction Equipment under the new Government economic initiatives to stimulate investment. It should be noted that emerging markets still have limited impact on group accounts and represent less than 10% of total sales. Nevertheless it is encouraging to see that the Indian market is moving in the right direction.

Whilst commodity prices strengthened during the year, it did not have any significant impact on our sales for 2016, although there was some evidence of increased activity within raw material production areas towards the end of the year. Overall, demand for Construction equipment in North America and Europe during 2016 remained soft due to the ongoing macro-economic uncertainty.

Addressing the market conditions

Growth remains the highest priority for Concentric and during the year we have continued to invest in product development and strengthen both our sales team and engineering resources. At the same time we cannot disregard the current tough market conditions in Europe, North and South America. We therefore recently announced the impact of the restructuring plans initiated and executed during the second half of 2016 as a direct response to the sustained weak outlook for end-markets in these regions. The restructuring corresponded to a 7% reduction of the group's total workforce, primarily affecting operations in Chivilcoy, Argentina and Hof, Germany. Additionally, warehousing facilities have been rationalized. All in all, these measures have resulted in annual savings that correspond to MSEK 30 for 2017.

All parts of the business also continue to participate in the Concentric Business Excellence programme ("CBE") and this has also provided a framework for the restructuring plan. The successful implementation of CBE has continued to support the consolidated results, ensuring that the underlying operating margin for 2016 improved to 16.8%, in spite of the market headwinds.

Sustainability at Concentric

We are happy to include a Global Reporting Initiative (GRI) index for the first time 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 stake-

holders. The aim is to ensure a greater wholeness 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. In line with the GRI guidelines, we have therefore translated long-term goals to operational goals for the following areas: Ethics & Value Creation, Product Responsibility & Climate Impact, Responsible Suppliers, Equality & Diversity and Resource Efficiency.

Concentric's principal contribution to a sustainable world takes place through the use of the company's products. We measure the efficiency of our products through the customer validation process and the overall rating in the annual customer survey – and we have delivered stronger results for both these areas in 2016. Yet another important aspect of limiting the environmental impact of our products is through the efficient use of energy and raw materials. Since Concentric purchases a wide range of commodities, we track the share of recycled material being used. We are pleased with the progress made in a number of areas but also recognise that we need to do more in areas like Equality and Diversity. Concentric wants to have an even

gender distribution in the organisation and we made some progress in 2016 towards our operational goal as the share of female wage earners increased to 12.0%, but more actions are required to further improve the gender distribution. Concentric's Sustainability Report, which is prepared in accordance with GRI guidelines, is available on pages 46–53 and 122–128.

Outlook

2016 was a rather tough year due to supressed prices for many commodities and a down-turn for trucks sales. Looking ahead, the increase of public spending in the US on infrastructure investments promised by the new Trump administration could have a positive impact in 2017 for most of our end-markets in the region. We will continue to focus on CBE to enable us to respond to the prevailing market conditions. Market indices suggest that production volumes blended to Concentric's end-markets and regions will be flat year-on-year for 2017. We have seen a number of truck OEMs recently release their financial results and we note that the sales development in Europe was generally stronger and that several OEMs raised their guidance for truck sales in Europe for 2017. This more favourable development in Europe is naturally also beneficial to Concentric's outlook. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

CBE SPOTLIGHT:
SUSTAINABILITY ENABLED THROUGH THE SUPPORT FUNCTIONS

» When I think about sustainability, I immediately think of support – supporting what you value and ensuring its future. «

Interview with Jennifer Hentrich, Controller, Itasca

In your role as Controller, how are you involved with sustainability?
"I joined Concentric 13 years ago in the Finance Function at Itasca. I started as Staff Accountant and in 2013 I was promoted to the position of Controller. As Controller, I have full responsibility for the finance function at the site. In 2014 I was given the additional responsibility of managing IT. I enjoyed the challenge of learning about a new function immensely and this was quickly followed by the addition of human resources to my remit. It is hugely enjoyable to see how other departments work and I feel a sense of reward when I see how the Company has helped them to perform at their best."

Since 2009, Jennifer has been a key driver for Concentric Business Excellence (CBE) at Itasca so accepting responsibility for the business improvement function at Itasca during 2016 in addition to her other support function responsibilities was a natural next step. "For a long time, I have headed up Committees that oversee business excellence audits for the site. These internal audit projects run regularly at Itasca to continuously improve the business."

Concentric Business Excellence objectives

- Promoting a safe and productive work environment.
- Improving the quality of products and service to customers.
- Implementing thorough process reviews that increase efficiency.

"Additionally, on a quarterly basis, I'm part of a team of internal auditors from the plant that conduct Layer Process Audits (LPAs) that audit processes for every Work Centre. They watch each process from start to finish."

Layer Process Audits 4 areas of focus:

- Equipment.
- Work instructions.
- Health & safety.
- General areas for improvement.

Jennifer explained, "The auditors review if the operators have the equipment that they need to perform their job well and check if everything is in good working order. They ascertain that there are clear, unambiguous work instructions and that these are being followed correctly. They monitor if health and safety precautions are being followed and finally, they assess, with the help of the operators, how the process can be improved to make it more efficient." Jennifer adds, "… my role is all about sustainability. When I think of sustainability I immediately think of support – supporting what you value and ensuring its future."


Jennifer Hentrich

Sustainability in finance: we predict performance based on business planning and forecasts. We report what we actually achieve and compare it to what we planned and we constantly ask "can we do even more and ultimately improve the success of the business and its profitability?"

Sustainability in human resources: we are constantly checking to ensure a safe, healthy and functional business. We recruit and develop talented employees who can meet our customers' needs and grow our business.

Sustainability in IT: our systems and processes support our employees to do great work as efficiently as possible and we make sure they have the tools and technologies that allow them to do what is required of them.

CBE SPOTLIGHT

» Concentric Business Excellence simply brings it all together – to push for change and continuous improvement. «

Describe some examples of sustainability in your day-to-day work.
Firstly, Jennifer described Itasca's great track record for safety, "Ask any of our employees and they will confirm that having a safe working environment is a priority which is never compromised. "Concentric Itasca is 1 of only 34 companies in Illinois to hold the SHARP certification. SHARP is the Safety and Health Achievement and Recognition Program. It recognises employers who have used the US Government's Occupational Safety and Health Administration (OSHA) On-Site Consultation Program services and operate an exemplary injury and illness prevention programme. She continued, "Acceptance into SHARP by OSHA is an achievement of status which singles us out amongst our business peers as a model for workplace safety and health. We are very proud of this fact."

Then Jennifer talked about how effective internal communications are an important component of a sustainable business, "The business goals are regularly and clearly communicated to all employees. The goals are broken down into monthly activities and targets, by department. Departmental teams meet at least monthly, often weekly and sometimes daily, to work through what has to be done collectively to meet our goals." In Operations, meetings that used to be called lean daily management meetings (LDMS) are now referred to as CBE meetings. "Every morning, the shop floor teams meet with their supervisors to agree what they can do to ensure that we ship our product to our customers on time and to the agreed quality standards."

Driving a culture of continuous improvement is what underpins sustainability at Itasca and Concentric Business Excellence is on everybody's agenda. Jennifer explained, "Even actions as simple as 5S, which ensures there is a cleaner, more organised and standardised work environment, makes a difference and inspires employees every day." The Layer Process Audits (LPAs) and the other process improvements carried out by the Manufacturing Engineers through their monthly audit groups are evidence of continuous improvement in action. Jennifer went on to add, "Their work is supplemented by the Great Ideas Programme which has created lots of energy at the plant since 2013 when it was first introduced." The programme encourages suggestions from across the business and no idea is too small. This has helped to embed a continuous improvement mind-set and has led to incremental improvements as well as bigger, winning ideas which have been more impactful. A number of improvements have been introduced as a result of ideas from operators. Jennifer explained, "They will often ask *'Why do we do this like this?'*, then with a simple adjustment in the process, by moving this from here to there we instead find we have a reduced operator foot-fall, decreased fatigue and improved efficiency." Jennifer says, "It can be a very small change, but effective."

Other simple examples have included the introduction of visual cues to identify products – this has made it quicker and easier for employees to work with improved accuracy. The results are evidenced in improved performance indicators and this is clearly beneficial for our customers.

Recognising our employees for their role in improving our business has always been a priority at Itasca. There are quarterly luncheons for employees that also serve as an all employee communication meeting during which company performance is shared. The management team at Itasca always take the opportunity to publicly recognise and reward employees who have generated winning improvement ideas. As an added incentive to get involved, winners' names are put into a lottery and at the end of the year there is an additional prize for one lucky winner.

Jennifer continues that sustainability is not just about continuous improvement but it is also about being careful with the environment. She adds that "the ISO and TS certifications

which we hold, demonstrate a level of commitment to protecting our environment. Of course Itasca does all the expected things such as encouraging returnable packaging, recycling batteries, fluids, waste effluents and other waste products. In addition, we have introduced special technologies that save energy for lighting and heating and systems that optimise our water usage." She points out that all of these actions add up, "… but sustainability is not only about saving money. Sustainability ensures that our employees have a safe working environment, they feel involved in making improvements and they are empowered in their day to day operations. They tell us that they enjoy their work as a result and we have seen productivity improvements. Working in a sustainable manner is just how we do business."

What are the benefits to our stakeholders?

"Our customers seek out our technology products because the lower emissions help them to meet their goals for efficient, competitive products. The components we manufacture and supply are important to our customers' success," says Jennifer.

Concentric's investors want to see an improving bottom line year on year and the associated growth in the share price. Their continued investment in the company creates funds available for product development and growth which is good for employees and customers alike.

Jennifer also explains that "the local communities where we live and work are interested to know what we are doing to care for the environment and for the safety of our employees. By reducing waste in our manufacturing processes, by developing low emission products, there is clearly a benefit to the environment and maintaining an impeccable safety record contributes to our employer brand too. These practical measures establish Concentric as a good neighbour and reputable employer in our local communities."

What's next for sustainability at Itasca?

Jennifer commented that good practices come at an expense and it is a sometimes a challenge to juggle the long term benefits of sustainability with the short-term payback. However, she added that this is no different to any other business decision. "We will continue the good work already in place. Across the Group, there is also an opportunity to incorporate more internal benchmarking and sharing of good practice." She cautions though, "The secret of success will be in ensuring that we do not become so structured that we lose our creativity and agility because that is what enables us to adapt and improve. We want to be sure that we can take the best of the best and benefit from that learning as well as share with our colleagues some of the great things that we are doing in Itasca."

The key site indicators reassure Jennifer that the business is moving in the right direction, as evidenced by:

- Improvements in on-time delivery.
- Improvements in product quality – reductions in Customer Parts per Million (PPM).
- Energy consumption and water usage reduced.
- Profitability and variable costs under control.

In closing, Jennifer talked about the importance employees play in sustainability. "Our Customer Service Coordinator, Janice Rosario, was recently acknowledged for achieving 3 months of 100% on time delivery for a critically important customer on an account which had previously been experiencing some difficulties. Our employees recognise the importance of business excellence in everything that we do. Of course there is always more that we can do to engage our employees. We have great processes and great people. We will always try to push the needle to improve our business for the benefit of all of our stakeholders."

CBE SPOTLIGHT: SUSTAINABILITY IN EMERGING MARKETS

Both Frank Lu and Rubén Fabbi are fairly new to Concentric – Rubén joined in February 2015 when Concentric acquired his employer, and Frank was hired in April that same year. Despite the fact that they live and work many thousands of kilometres apart – Frank in China and Rubén in Argentina – they share very similar outlooks when it comes to sustainability.

Interview with Frank Lu, Managing Director at Concentric in Suzhou (China) and
Rubén Fabbi, Head of Operations, Engineering and Quality at Concentric in Chivilcoy (Argentina)

"Sustainability is a culture," **Rubén** says. "It includes many technical activities such as environmental audits but it is much wider – it is about our communities and their families, our customers, our employees and our shareholders. Of course productivity improvements are a crucial element of having a sustainable business, as are cost savings. It is also about having a learning culture, though, that continuously grows and evolves, as well as a strong focus on increasing profitable sales."


Frank Lu

"Yes," **Frank** agrees. "Sustainability and performance go hand in hand. Only a business that's performing well has a chance of being a sustainable business. Our commitment to our customers in terms of delivery, performance and quality ensures that they, in turn, can meet their commitments to their customers. This enables us to win more business and is helping to establish Concentric as a strategic partner for our customers."

Rising to new heights

To continuously improve performance, **Frank** tells us that he and his team in Suzhou have created a suite of key performance indicators which are regularly monitored. "And in Operations, we are concentrating on developing lean methods of working and adopting best practices to make sure our processes are as streamlined as possible. This helps to make our products more cost effective," **Frank** says. "The quicker we can achieve critical mass the better we will be able to meet our goals and improve our competitive position."

Frank says that keeping a close eye on performance enables him and his team to take swift action to ensure they deliver the product goals and meet agreed targets. He has a robust routine of daily, weekly and monthly meetings with his team, with Finance and with Group. These regular meetings keep each function on track for cost, quality, delivery and overall performance.

Similar activities are ongoing in Chivilcoy, **Rubén** says. He adds that he and his colleagues on the management team have also introduced local management training for newly appointed lead supervisors for Engineering, Quality and Production.


Rubén Fabbi

"In addition to that, we're running training sessions in health & safety and quality for a wide group of employees," he adds. "We're working to improve health and welfare more generally, with a process to improve internal communications and a programme to encourage employees to stop smoking. All of these activities have been put in place to make improvements today and enable a sustainable business for tomorrow."

Frank is also passionate about ensuring that Concentric offers a good work environment for employees. "Employee loyalty is so important," he says. "Employees in a business that is performing well tend to choose to stay with the business. In Suzhou we have well trained, engaged employees who know our products and are committed to good customer service. This strengthens our reputation with the customer for reliable supply which in turn results in repeat orders and will help fuel our growth."

Working sustainably in South America

Rubén describes Chivilcoy as a close-knit community with a heavy emphasis on agriculture. "Perhaps this helps to explain why our employees have such a passion to take care of our natural resources," he adds. "This includes our use of water, our disposal of effluents, our reduction in waste and our reuse of resources as well as recycling waste, where possible."

Rubén explains that prior to Concentric acquiring the business, liquid waste – coolants and other effluents – was stored in underground storage tanks and metal barrels above ground. Both represented potential spillage and contamination risks. "But we've managed to both reduce the risks and the costs associated with liquid waste management by switching to stackable, above-ground plastic storage containers and a new, environmentally-certified collection and disposal service provider that is less costly than the previous contractor," he says. "Yes, there are environmental benefits to taking this action but that was not the driving reason. It was a normal, logical business decision that helps build our future."

Rubén is convinced that a culture of sustainability makes good business sense because it has benefits for all stakeholders. "In a small community like Chivilcoy, we can make a big impact," he says. "In their private lives, our employees are friends and they socialise together. Our professional standards of health, safety and welfare, for example, have a direct bearing on their immediate wellbeing. For our customers, our focus on quality, training and productivity reduces their risk. Our certifications reassure them that we are prepared, accredited to the correct standards and capable to deliver and maintain their supply chain."

Rubén explains that what is happening in Chivilcoy is not only important for the Argentinian market – the Chivilcoy business is, in fact, leading the development of Concentric in South America. "With our learning culture, we are adopting best practices from around the Group and other sources, and we're sharing our knowledge too. Our employees have lots of ideas that we are tapping into to make improvements. I'm convinced that this close teamwork and collaboration will help us build a sustainable future."

Growing environmental awareness in China

Frank reports that there is a clear trend toward rising environmental standards in China. In fact, he predicts that it won't be long before China's environmental standards will be on par

with those of Europe and North America.

"It's still fair to say that China's commercial vehicle market, particularly the domestic market, is very cost driven," he explains. "Nonetheless, when I visit customers and attend conferences, it's obvious that the commitment to the environmental framework is becoming an important criteria for commercial suppliers."

He says that Chinese society is now paying much more attention to the environment. "You only have to take a look at the daily press to understand that air quality in cities like Beijing is an important consideration for many Chinese," Frank says. "This is why, for example, the commercial vehicle market is taking a much greater interest in promoting hybrid and electric buses. In the past emission standards have been at Euro II levels but from October 2017 any new commercial vehicles sold in China must comply with the Euro IV emission standards. Concentric products meet Euro V and Euro VI standards, so we make it easy for our customers to commit to environmental regulations."

Involving employees on the journey is fundamental to achieving growth goals, Frank stresses. He says that's why he takes the time to generate awareness about the KPIs, what they mean and their impact. He encourages each employee to be accountable and propose improvement actions.

"I'm optimistic about the future," Frank says. "We have serious products and sustainable technical designs. Our hydraulics business is well established and there is a growing opportunity for our engines business in China. The trend to reduce emissions only strengthens our position.

CBE SPOTLIGHT: SUSTAINABILITY & PRODUCT DESIGN

» I've been with Concentric for 14 years now, and sustainability has always been an important consideration in our design engineering process. «

Interview with Robert Johansson, Design & Applications Manager.

Sustainability and efficiency tend to go hand in hand, really. As design engineers our task is to develop new products and solutions that perform better than previous-generation products while at the same time using less energy. That's what our customers – and their customers – demand, and that's what we strive to deliver.

A good example of how sustainability and efficiency works in practice is the new Electro Hydraulic Steering ("EHS") unit recently launched, which consists of Concentric's well-known low noise Calma design gear pump linked to a brushless permanent magnet DC-motor. It's designed to meet the rigorous demands for both On- and Off highway vehicles and replaces the conventional engine driven power steering pump. The unit is well protected from its working environment allowing it to be chassis mounted even in exposed conditions. Built into the motor is the drive control system which becomes a node in the vehicles CAN bus system. The vehicle's ECU communicates with the EHS unit and only provides the required power on demand.

The primary benefit of the EHS system is reduced energy consumption, achieving up to 50% in certain applications. It also fits very well into hybrid vehicles where conventional systems cannot be used. The EHS system is typically placed close to the steering gear which also means reduced installation costs, eliminating the need for long oil pipes, such as on bus applications which today require pipes from the engine compartment in the rear to the front axle.


Robert Johansson

We are working closely with the hybrid groups at the big truck manufacturing companies. They are extremely keen to improve energy efficiency and recovery and to reduce weight, thereby allowing customers to improve fuel efficiency and use smaller and lighter batteries. We are hard at work finding new solutions. It's a very exciting time to be in this line of work.

CBE SPOTLIGHT:
SUSTAINABILITY & SALES

» I've been with LICOS for 11 years now, the last 3 of which have been within the Concentric group, and sustainability in terms of building relationships and understanding the value that our customers attribute to our products has always been at the core of our sales process. «

Interview with Kurt Peter, VP of Sales for Engine Product in Europe.

How would you describe sustainability in relation to sales?
It is simple – sustainability in the selling process is all about the customer relationship – to deeply understand the customers' needs and how they operate. The market is constantly changing and what the customer wants and needs today is not the same as it was 10 years ago. Design engineers amongst our customers don't always have the time to review and analyse new technologies and Concentric can help them understand how our technology can improve their products.

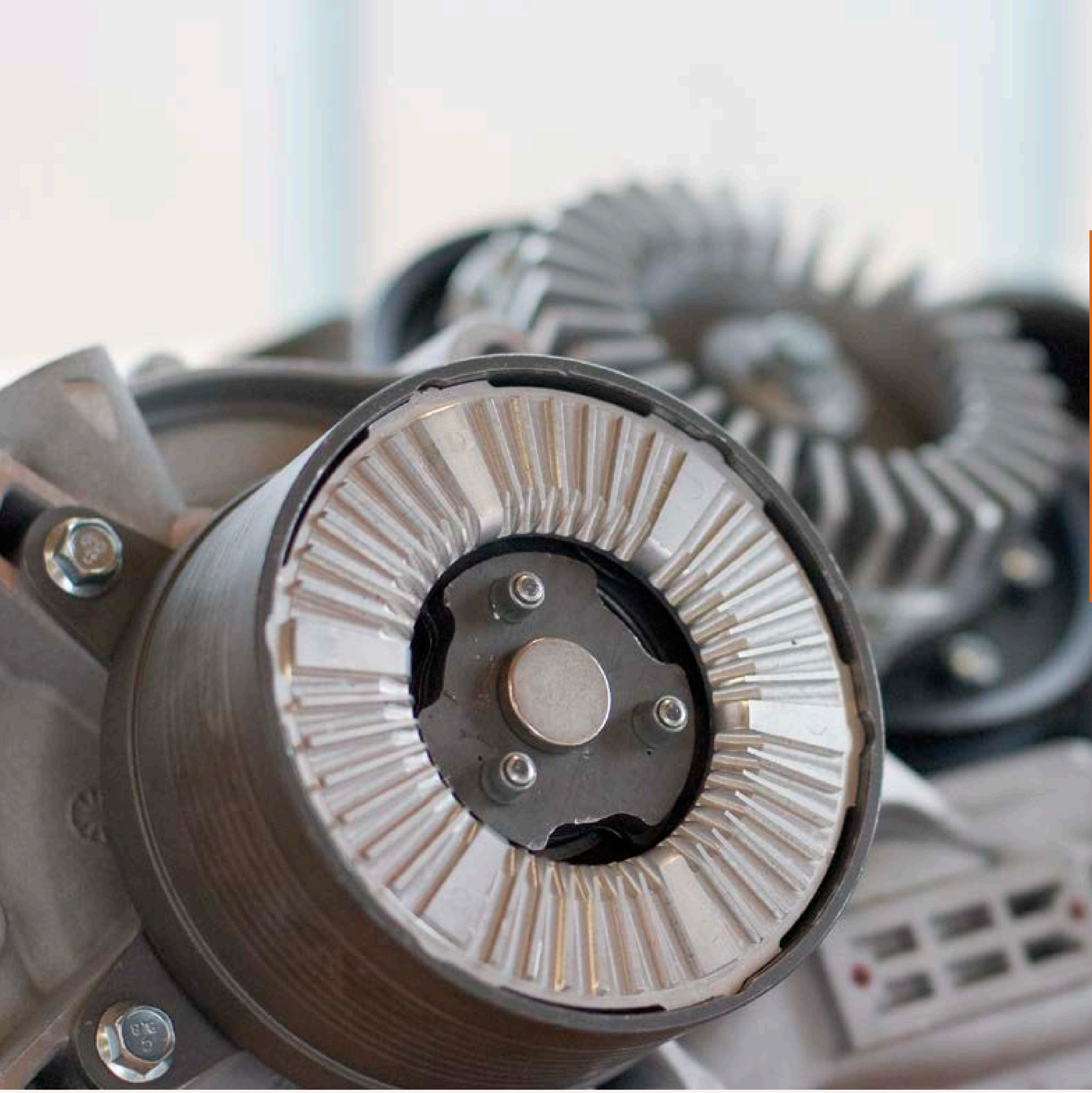
One of the things that Concentric and LICOS are well-known for is the quality of the product – LICOS clutches and Concentric pumps are "fit and forget" products. Once our product has been designed into one of our customer's engine platforms, the end-user never needs to worry about the reliability of the component again. Our focus on high quality, high reliability and high performance products fits with a sustainable business model which avoids expensive "in-field" remedial costs.

Our sales teams are committed to the benefits the product can bring to the customer and the ultimate end user in terms of performance, fuel savings and lower emissions – thus making their product more marketable and moving firmly towards environmental goals for sustainability, encouraged by Governments and espoused by many customers and end user organisations.

Our success is driven by engaging customers in advance of new projects. Ideally, we act as a consultant and thought leader, getting the customer's designers to start thinking about the benefits of switching to a new technology to save fuel and/or reduce emissions. These strong relationships built up with the customer help to ensure that Concentric is a supplier of choice for customers when they have new projects.

Where do you think we stand on sustainability both globally and relative to our competitors?
In Concentric, the sustainability message is understood by everyone – from engineering design, to sales and through to our production and customer services teams. In mature markets, like Europe especially, you cannot get a seat at the table if you cannot explain how your products align with customers' goals for sustainability. This is also dependent upon the philosophy of the customer too. However, Concentric's growth strategy has been to focus its sales efforts on the global OEMs/CV engine manufacturers, for whom sustainability is an important business goal. Based upon our annual customer surveys, ongoing development programs and recent technology road shows, Concentric is well placed to leverage these global relationships for new platform launches expected over the next 5 years.

In emerging countries, even though we may compete favourably on the sustainability front, the demands for sustainable products and processes are often not yet top priority. We can reasonably predict that their markets will develop in this way over time but in emerging countries today, as we do elsewhere, we match the value our products and service brings to meet our customers' needs. We don't assume that they feel as passionately about sustainability as we do.



Do you track and report the benefits from sustainable products sold? If so, what results have you seen?
The Sales teams have to be able to report the benefits of our products to our customers. For example, the following expected fuel consumption forms the basis of our value proposition for the LICOS water pump clutch:

Annual km of a long haul heavy-duty truck	150,000 km
Average fuel consumption	33 ltr / 100 km
Annual diesel consumption	50,000 ltr / year
Average saving of LICOS water pump clutch	1% of total consumption
Annual saving in diesel consumption	500 ltr / year

These annual savings compare favourably against the expectations of the long haul heavy duty fleet owners, who generally accept a payback of up to 1 year on new technology. The best environmentally sustainable technologies also make good commercial sense … it's not an ideology, but just simply a business case!

CBE SPOTLIGHT: SUSTAINABILITY SHOWCASED AT TECHNOLOGY ROADSHOWS

Throughout 2016, our senior design and sales leaders have been invited by customers to showcase Concentric's product range, including both existing and upcoming innovative technologies. Paul Shepherd, Advanced R&D Director, Mark Rimkus, Vice President for Sales, North America and Tom Elliott, Senior Sales Manager, Europe each took time out to tell us more about these Technology Roadshows. The first Roadshows were held in the US and events are continuing with customers across Europe.

Interview with Paul Shepherd, Advanced R&D Director, Mark Rimkus, Vice President for Sales, North America and Tom Elliott, Senior Sales Manager, Europe.

What was behind the idea to host Technology Roadshows?

Paul Shepherd took the lead to make the Technology Roadshows a reality. "For some time, customers from both product groups told us they wanted dedicated time with the product and design experts from Concentric to discuss their own challenges and upcoming advances in fluid transfer technologies and hydraulic systems. The Roadshows provided the perfect opportunity for customers to learn about current and new technologies and ask questions in the privacy of their own premises, allowing them to be more specific about their current projects and their own design considerations", said Paul.


Paul Shepherd

The Roadshows were designed to include elements interesting to customers' engineering and commercial teams alike. **Paul** explained that a typical day at a Roadshow involved setting up exhibition stands, ensuring that product samples and product information was easily available to customers who could ask questions directly of the Concentric experts who were on hand. Meanwhile, a varied programme of seminars was scheduled throughout the day. Some seminars helped customers understand current product, such as "Design Guidelines for Coolant and Lubrication Pumps"; other seminars previewed future developments like "The Electrification of Pumps". Some sessions were purely educational such as "Advances in Coolant Pump Reliability" and others directly addressed the demand for sustainable product, including "Controlling Engine Coolant for Fuel Economy Improvements", for example. Seminars highlighting new product advances such as "Electric Hydraulic Steering" and the "Innovative Friction Clutch for Switchable Auxiliaries" attracted a great deal of interest.

Mark Rimkus commented that the Technology Roadshows had different objectives for different customers. "If they know our technology well and we are building prototypes with them we focused on providing guidance and education, helping them to expand their knowledge of the technologies especially among the engineers new to pumps and clutches and the specific projects. With other customers, with whom we may not yet have innovative technologies in play, **Mark** explained "We were able to explore their interest in our production ready technologies such as Electric Hydraulic Steering and the 2 Speed Clutch and other upcoming innovative products. We were able to feature new innovations such as the Dual Cone Clutch (DCC) and the Variable Flow Oil Pump and draw attention to the value these products offer. "


Mark Rimkus

> » The interest generated at the Technology Roadshows has helped us to cement our relationships with existing customers and extend our network with a range of new contacts too «
>
> Paul Shepherd, Advanced R&D Director.

What did Customers Say?

"Customers have commented that they like the focus and the insight into system applications – giving them ideas about how Concentric's products can be effectively applied in their engine field", said Tom Elliott. He added, "If we can both learn from our customers and help to educate them about the optimal integration of the pump and engine there are benefits all round." The Roadshows help engine designers understand what is critical to achieving a well integrated pump. We asked Tom to say a bit more about why this is important and he said, "Well integrated pumps run more efficiently, are more cost effective for the customer and long term reliability is not compromised in any way. The advantages of having optimal pump and engine integration include better loading on the pumps and bearings, the use of appropriate material grades and acceptable tolerances in engine design, amongst other things. All of these advantages underline what is meant by sustainability. It is simply how we do business."

"At the Roadshows customers told us that they value our engineering expertise and know-how. When it comes to technical support, Concentric consistently gets good feedback from customers, as evidenced by the results to the recent customer survey." said Tom. "We demonstrated that we have a pipe-line of innovative products. Our customers are excited by them. When it comes to technology products, they also value having access to our technical support."

He continued, "The relevance for our customers' engineers is obvious but purchasing leaders who attended seminars told us how the learning they gained would better equip them to evaluate our proposals and those of our competitors."


Tom Elliott

Sustainability through Added Value

The Roadshows provided the opportunity to present our new technologies and show how our products add value through fuel economy. **Mark** explained "This is a key selling point for us. It moves our products beyond commodity which is critical to securing a long term future for our organisation. We showcased our wide product portfolio and were able to demonstrate how our product developments align with customers' current and future needs".

Tom commented that for our customers, fuel efficiency makes it easier to sell their products. He said "It's about supplying our OEM customers with high quality and reliable products that payback in an acceptable timeframe so that their own products have a competitive advantage". He added, "The seminars not only addressed the advantages of the new technologies, giving our customers options for their engine designs but importantly, the information we learned from them enables us to refine our technology roadmap".

Paul emphasised that the biggest benefit that comes from these Roadshows is in how relationships with our customers' engineers develop. Strong and close relationships between us and our customers ultimately results in optimisation of the design for manufacture. Optimal design for manufacture leads to reduced costs, the use of the most appropriate materials, less waste (less machining), fewer resources such as coolant and energy and generally a reassurance that the components have not been over designed for the application. We asked **Paul** if he could provide an example and he said, "There are numerous examples of where strong relationships have resulted in tangible benefits in design. For example, for one customer we removed a cover plate from a pump, allowing the engine block to perform the same function as the plate. The lighter pump used less material and time in manufacture and this was a win for the customer and Concentric alike".

Customers are also concerned about the ability to recycle products at the end of the product's life. Their designs sometimes define materials that can or cannot be used and, occasionally they specify materials to be marked up so they can be easily recycled later. The Roadshows also provided the opportunity to explore the extent to which this is a priority for our customers.

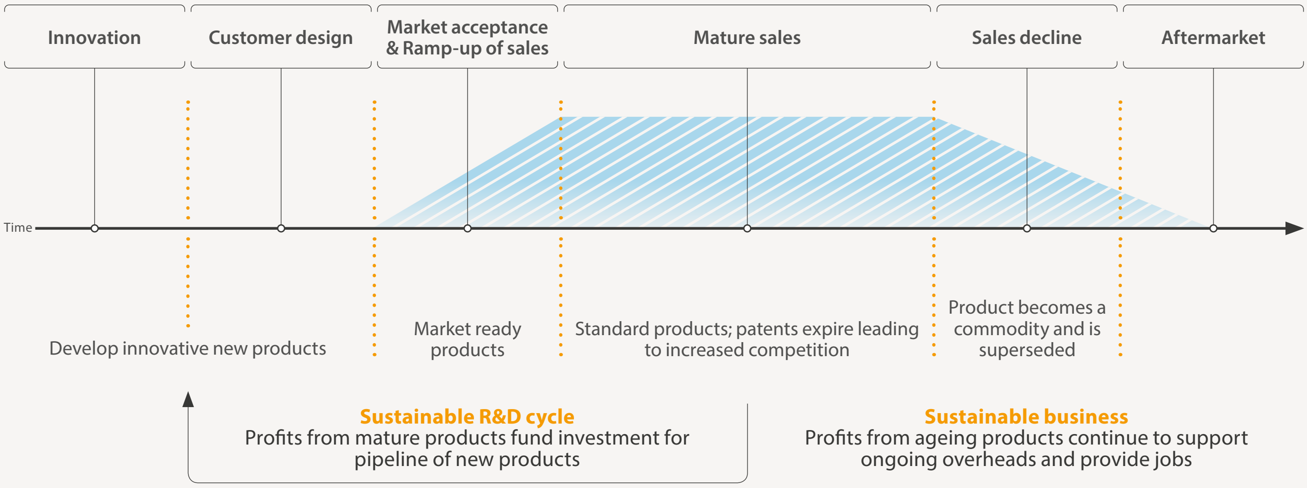
The environmental aspects of sustainability are frequently talked about but **Mark** has always seen the economic value in having products that solve customers' problems and add value for the customer. Products like Concentric's fuel transfer pumps offer customers fuel efficient, quality products that clearly address environmental requirements. In addition **Mark** pointed out "A reliable engine that performs better and saves more fuel than a competitive product is going to be in demand. That is simple economics and the result is good for the customer, our employees and our investors." **Mark** is passionate about operational excellence which stems from his background using lean manufacturing methodologies and he continued, "This is where Concentric Business Excellence plays its part, to ensure that we get reliable, consistently high quality products that add value to the customer, delivered on time."

"There is no doubt that sustainability is moving up our customers' agendas." said Tom. "With the introduction of hybrid technologies, customers are using our pumps for cooling batteries in hybrid motors, another example of how our products are helping our customers meet their goals for sustainability."

A typical display stand, featuring product samples.

Sustainability – product life cycle

Stay close to customers to validate product portfolio



Sustainability and Innovation

Mark emphasised that it is the innovative products that solve problems for our customers and add value. The margins from the sales fund the next innovations so it is a sustainable cycle.

Paul added that "A steady supply of innovative products that add value to the customer is crucial if we are to prevent our product range from becoming commoditised. A healthy product cycle includes products in all categories from Standard product, to production ready technology to innovative products. Employees don't just benefit from jobs for the future – their work is interesting too."

"Yes!" continued Mark "As you solve problems for customers with innovative products your solutions save them money and we earn fair margins for the value we provide. This commercialisation of new innovations increases our profits, which are in part reinvested in research and development. The reinvestment leads to new innovations and the cycle continues."

Even when products are reaching the commodity stage of the life cycle, there are ways to develop profitable sales, "High quality product always attracts more sales, vertically integrated supply chain, manufacturing in low cost countries and providing a good level of support to our customers enables us to be successful with standard products too." said Mark. Our core capabilities and our global footprint enable us to compete at all stages of the product cycle.

What Next?

The Roadshows clarified that our technology roadmap is closely aligned with those of our customers. When it comes to adopting new technologies though, engine manufacturers will be cautious. We are confident that our variable flow technology will enable customers to achieve even higher levels of fuel efficiency more quickly than their current solutions. The Roadshows gave us the opportunity to address customers' questions and concerns. We showed the added value our innovative products can bring so that they will be more confident to make the switch.

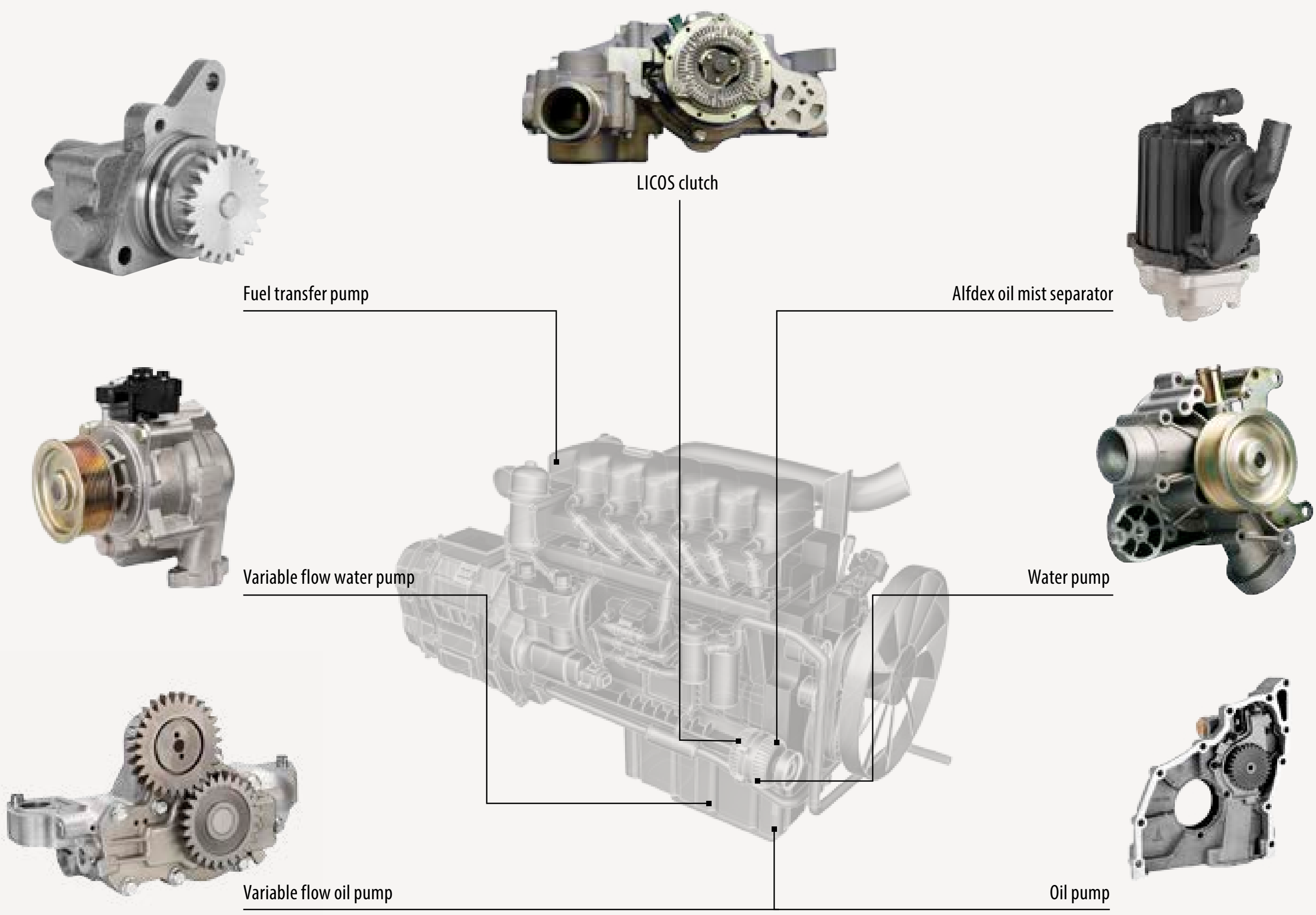
Customers are always more careful when considering new technologies, they are typically more expensive and the customer needs to be convinced – they don't just want proof of concept but they need proof in validation – reliability and longevity in field. The future is about validation and closer working with customers' design engineers to prove the new innovations deliver.

Paul concluded that for him the greatest benefit of the Roadshows is the deepening relationships with engineers at our customers and the increased number of contacts. Tom added that the opportunity to showcase our technology portfolio and understand where our technology needs to develop is also a major benefit. He said "If we come away understanding where the opportunities for the future lie, which developments are of greatest benefit to each specific customer and what currently excites them the Roadshow has been a success". In doing so, we have promoted Concentric as a technology company with value added solutions that address their needs.

Mark closed by saying "There are bigger pump and hydraulics systems suppliers out there but we showed how we can compete. For an organisation of our size, we surprised some of our customers with our breadth of product, global footprint and capability. In fact one customer commented that we 'punch above our weight'." The Roadshows continue with customers throughout Europe. There are also opportunities to engage with potential new customers in developing markets like Asia – particularly with those manufacturers who have a reputation for being early adopters of technology.

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.

Alfdex oil mist separator

Crankcase ventilation ➡ Lower emissions

Alfdex technology is the global market leader for crankcase gas ventilation on heavy duty diesel engines. Now Alfdex has introduced a new product specifically sized for medium duty diesel engines which provides the same operation and benefits in a more compact configuration suited for medium duty commercial diesel engines.

Variable flow oil pump

Variable flow technology ➡ Fuel efficiency

Concentric has developed its leading edge variable flow oil pumps towards a modular approach that offers different technologies and levels of sophistication to meet the varying application needs. This includes fixed drive pumps with electronic pressure regulating valves to enable precise mapping of the oil pressure to suit the engine load requirements. Concentric is currently focused on our customers' next generation engine platforms that will exploit these technologies.

Controllable Coolant Pump

2 speed water pumps ➡ Fuel efficiency

The Licos clutch technology provided by Concentric is the global market leader for controllable pump technology, as used on EPA13/EuroVI engines. This unique two-speed clutch provides an energy saving mode during conditions of low power operation which directly reduces fuel consumption.

Concentric is building on its existing controllable coolant pump technology to provide even more sophisticated control solutions to further increase fuel efficiency.

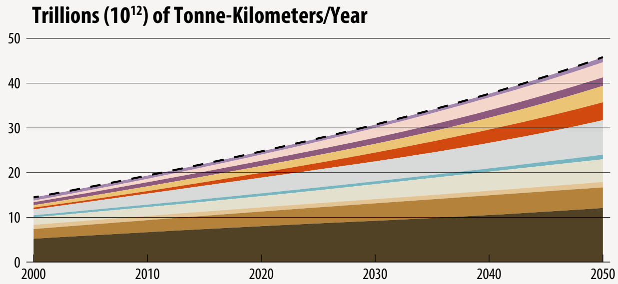
ENGINE PRODUCTS
DRIVING FORCES

Increased freight activity

Transport services facilitate the movement of goods, which is an important enabler of economic growth. Demand for commercial vehicles is cyclical and closely correlates with the total output of the global economy, but the overall trend is clear – demand for freight transport will continue to increase.

OECD's report "Mobility 2030: Meeting the challenges to sustainability" forecasts that emerging markets will be important in driving this growth and that medium and heavy-duty trucks will account for an increasingly larger share of the total market for land-based transport.

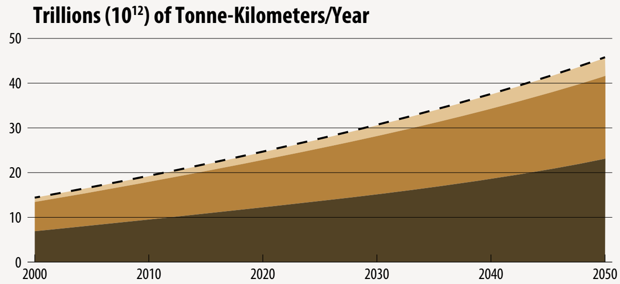
Freight transport activity by region



Average Annual Growth Rates	2000–2030	2000–2050
– – Total	2.5%	2.3%
Africa	2.5%	2.3%
Latin America	3.4%	3.1%
Middle East	2.8%	2.4%
India	4.2%	3.8%
Other Asia	4.1%	3.7%
China	3.7%	3.3%
Eastern Europe	2.7%	2.8%
Former Soviet Union	2.3%	2.2%
OECD Pacific	1.8%	1.6%
OECD Europe	1.9%	1.5%
OECD North America	1.9%	1.7%

Source: *World Business Council for Sustainable Development – Mobility 2030: Meeting the challenges to sustainability*

Freight transport activity by mode



Average Annual Growth Rates	2000–2030	2000–2050
– – Total	2.5%	2.3%
Medium Duty Trucks	3.0%	2.7%
Freight Rail	2.3%	2.2%
Heavy Duty Trucks	2.7%	2.4%

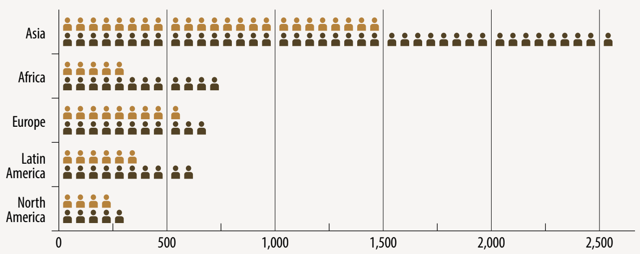
Source: *World Business Council for Sustainable Development – Mobility 2030: Meeting the challenges to sustainability*

Global infrastructure

The continued economic growth in emerging markets, particularly the BRIC countries, is driving increased demand for Concentric products in all major end-user markets.

- **1 billion** new consumers in emerging market cities by 2025.
- Cities are expected to need to build floor space equivalent to **85 percent** of today's building stock – an area the size of Austria, at a **annual growth rate of 4.2 percent** from 2010 to 2025.
- Over **2.5 times** today's level of port infrastructure needed to meet rising container shipping demand. Container traffic will grow at a compound **annual rate of 7.2 percent** from 2010 to 2025.
- **4.4 percent** annual GDP growth in cities globally 2010 to 2025.

Urban populations, by region



Urban population (millions)

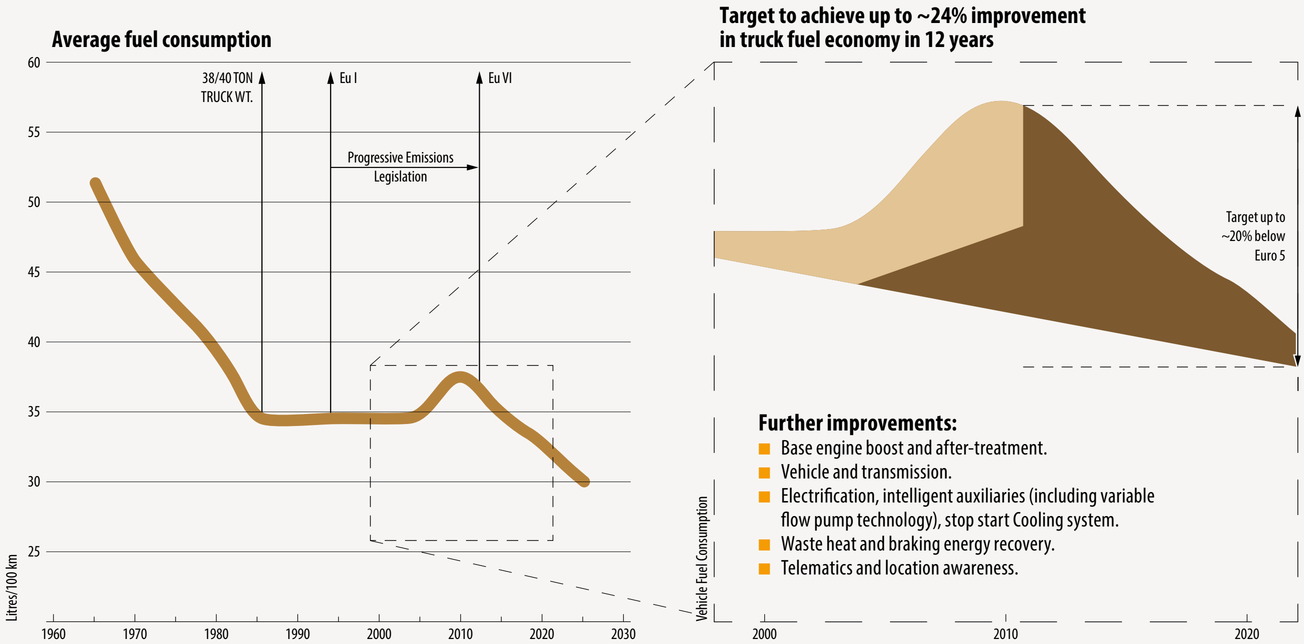
year 2000	year 2030

Source: *Haver, UBS*

Fuel efficiency

The US Environmental protection agency (EPA) have proposed greenhouse gas (GHG) emissions and fuel efficiency standards for medium and heavy duty vehicles. The proposed standards will cover model years 2021 to 2027. The engines for these models are currently being developed and our new technology is under consideration for use within them.

The Phase two GHG standards in 2027 for Class 8 heavy-duty trucks will give a reduction in CO_2 of 24 percent for the whole vehicle and four percent for the engine alone.



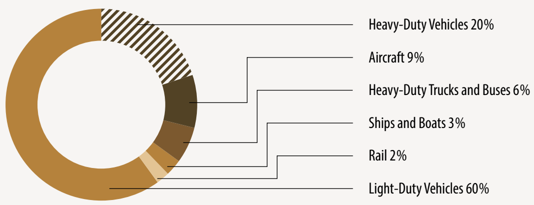
Source: *Lastauto Omnibus, April 2014*

Source: *Ricardo*

A four percent reduction in CO_2 at today's fuel prices is equivalent to a fuel saving of approximately 2400 Euros per year.

The proposed standards do not mandate the use of specific technologies. Rather they establish standards to be achieved through a range of technology options, and allow manufacturers to choose those technologies that work best for their products and for their customers.

High on the list of technologies to achieve very low payback periods for the end customer are variable flow pumps, as referenced by the Southwest Research Institute in a paper to support the introduction of the Phase two regulations.



Source: *US Energy information, Administration, Annual Energy Outlook 2014*

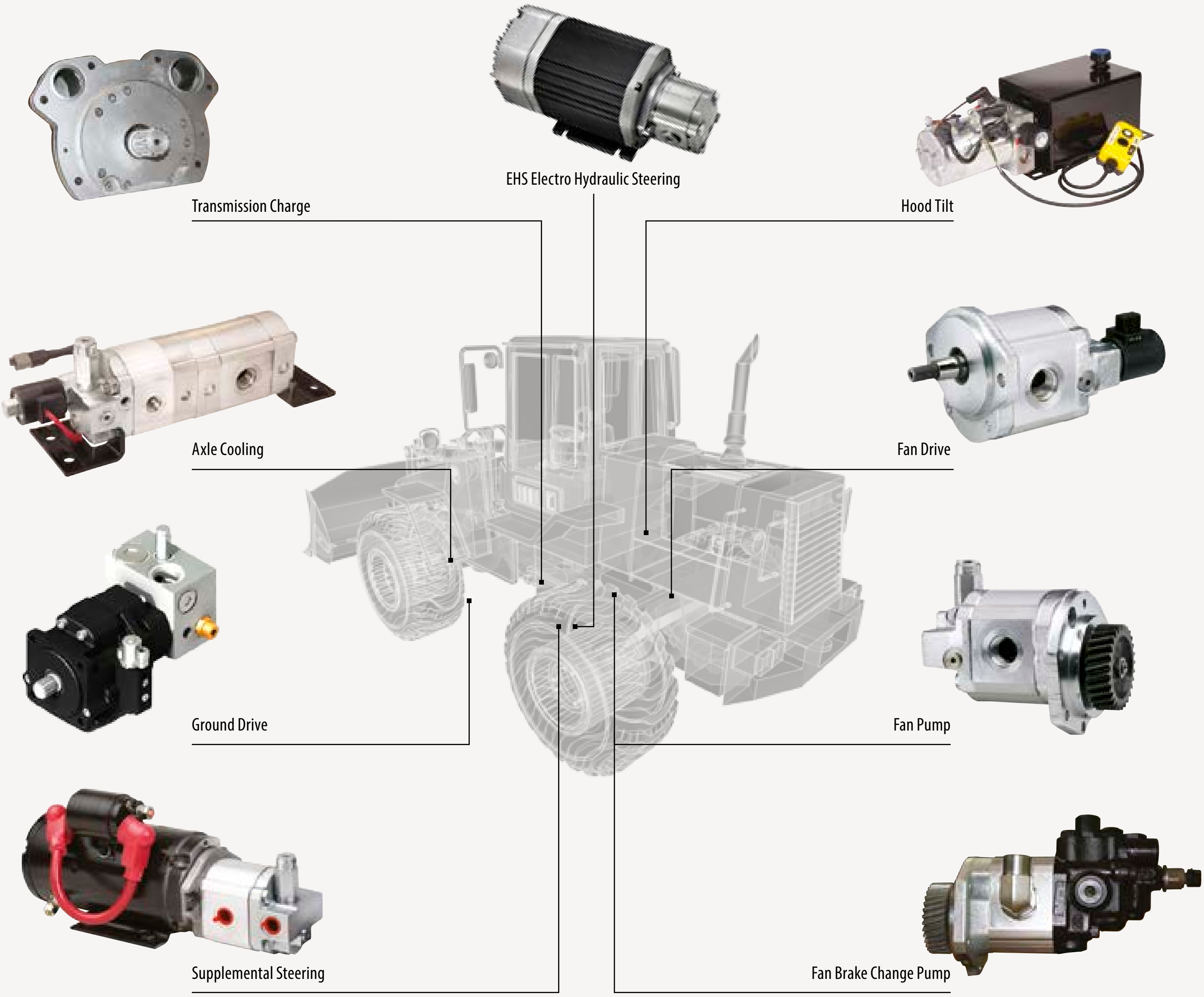
Heavy-duty vehicles are responsible for about one fifth of the energy use and GHG emissions from transportation sources.

Category	CO_2 Emissions and Fuel Consumption Reductions in 2027
Combination Tractors	up to 24%
Trailers Pullered by Combination Tractors	up to 8%
Vocational Vehicles	up to 16%
Pickups/Vans	up to 16%
Engines	up to 4%

Source: *EPA GHG legislation, published June 2015*

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 soluitions.



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.

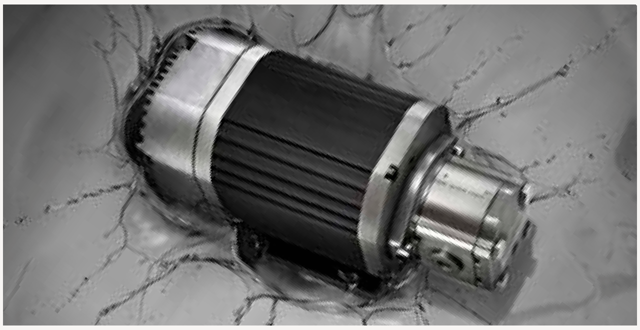
Concentric usually only competes with these companies in certain niche areas where the technology included in the products is generally more advanced, or where Concentric is able to differentiate its products by offering customers specific solutions.

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.

Calma pump

Environmental impact ➡ Noise Reduction

The impact of noise, from the viewpoint of both the machine operator and those exposed to noise at worksites, is also attracting attention from legislators. Concentric's Calma series reduces outlet pressure pulsation by 75 percent which can deliver up to 8–10 dB lower noise levels. The Calma product line is being expanded to include the Ferra series products, namely the F15 and F12 pumps. The F9 Calma is slated for future development and product introduction.



EHS Electro Hydraulic Steering

Power Consumption ➡ Energy efficiency

Concentric's EHS technology replaces the traditional power steering pump and provides power assisted steering only when needed. The design incorporates Concentric's well known Calma series pumps for additional low noise benefits. Its built in electronic controller communicates with other vehicle systems through the CAN bus system. The vehicle's ECU communicates to the EHS unit to provide power on demand. The benefits of the EHS system allow for reduced energy consumption, up to 50 percent in some applications, through its on/off control.

Ferra series

Power Density ➡ Size reduction

The Ferra series pumps offer increased power density and delivers higher durability within a 20–30 percent smaller space claim. The two piece cast iron design is extremely robust across a broad temperature range and offers installation flexibility due to its compact design. The expanded pressure ranges up to 300 bar available with the Ferra series pumps and birotational motors offer designers various options when selecting products. The new F20/30 FerraExpress program also allows for quick delivery to address the dynamic needs of today's market.

HYDRAULIC PRODUCTS
DRIVING FORCES

Concentric's business is driven by a number of specific demands from the fluid power industry to increase performance in a variety of areas.

These specific demands are being addressed in a number of ways, thus improving the design and function of fluid power components and systems. The market trends include a move towards applying more of a systems approach utilising components that increase performance and productivity, improve machinery up-time, reduce the life cycle costs and better predictability of maintenance.

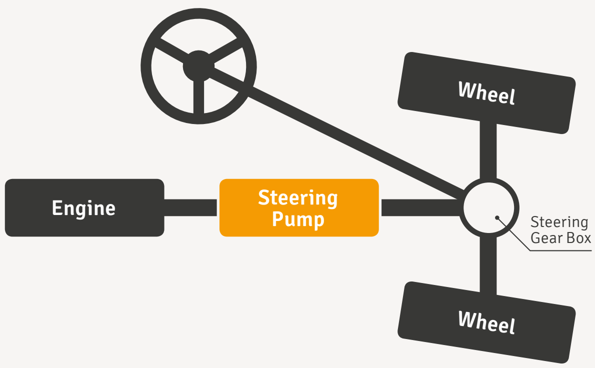
Ever increasing machine complexity is putting a premium on space availability which is driving the demand for higher power density pumps. In addition, the growing requirements to limit the environmental impact of equipment in the working environment is leading to further development and expansion of noise reduction technology in vehicles.

Energy efficiency

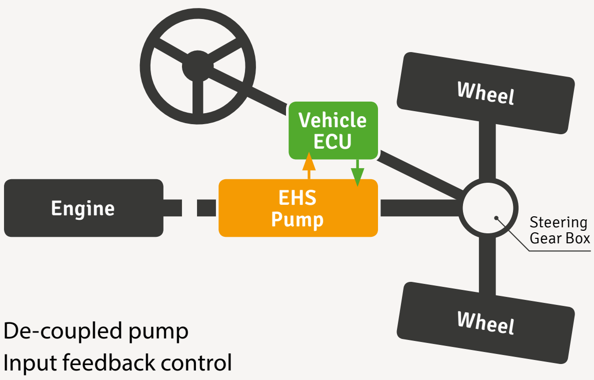
In 2015, the National Fluid Power Association in the USA (NFPA) have, through their Technology Roadmap Task Force, provided an update to the work previously published in 2012. The task force maintained that energy efficiency is one of the key areas in need of development. Improvements can be made through increased efficiencies of components and systems, reduced consumption of energy within the system as well as improvement in energy recovery methods.

Smarter use of energy as well as elimination of parasitic losses all aid in the development of more efficient systems. In addition, smart components and systems, supported by sensor data, can also contribute to more efficient systems by utilising power on demand and variable displacement devices and technology.

Conventional steering system compared to an Energy Savings steering system

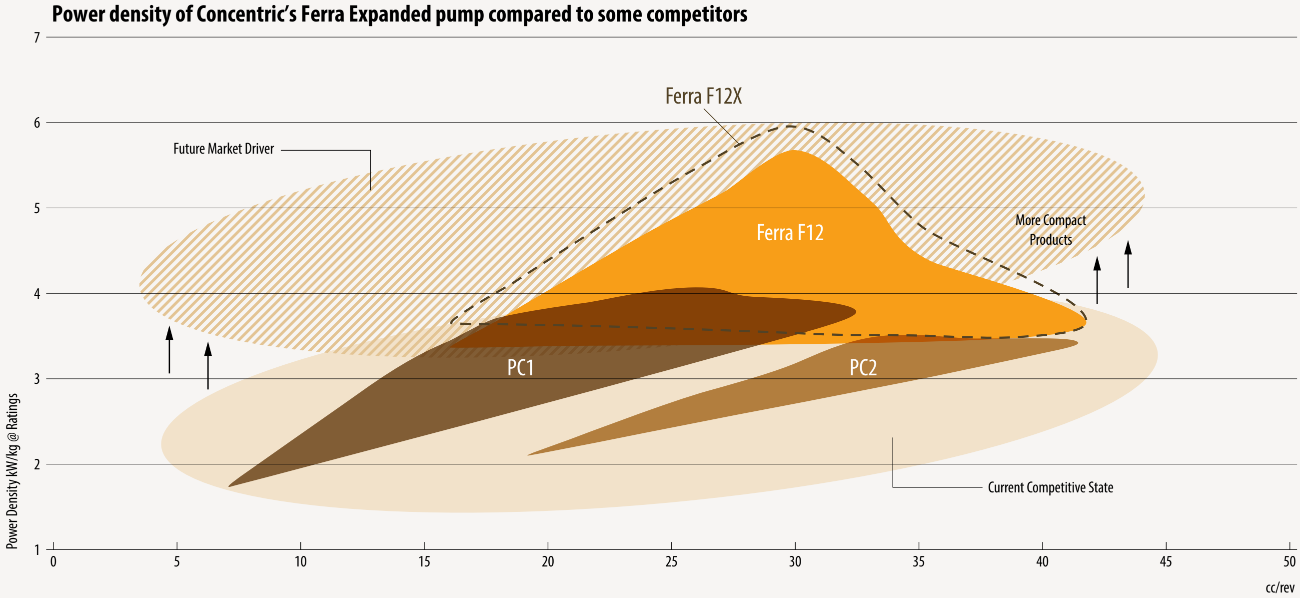


- Conventional steering system



- De-coupled pump
- Input feedback control
- Energy Saving steering system

Size reduction and reliability



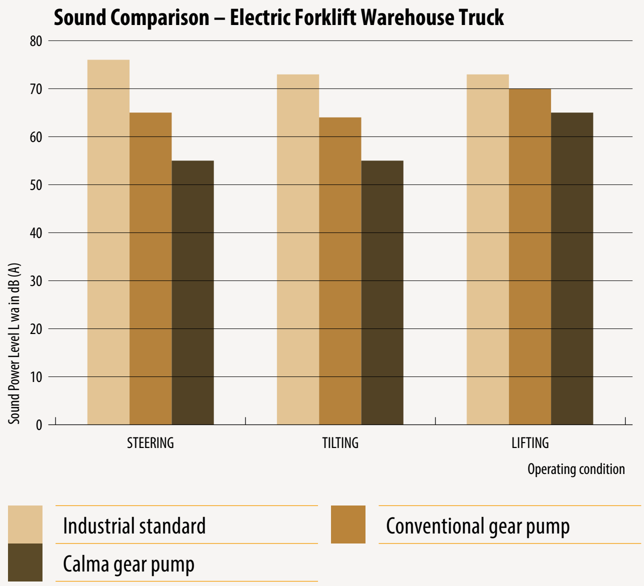
Concentric continues to raise the bar on the power density of its products as compared to competitive product offerings, illustrated by PC1 and PC2 in the above graph. The Ferra 12 series has increased its rated pressure for smaller displacements up to 300 bar.

Concentric continues to develop and expand it's product offering by pushing the power density envelope even higher. The ability to deliver the same power output within a smaller pump body allows vehicle designers greater flexibility when space allocation is limited. In addition, the cast iron body is more durable and performs better under various environmental conditions.

Reliability can also be improved by better integration of components into a more contained system and reducing maintenance requirements.

Environmental impact – Noise reduction

Reduced noise is an important issue when considering how to improve the working environment in a warehouse. There are a number of ways to reduce the level of noise. Power on demand options is one method. Additionally, novel designs in the components used within the system can impact the overall noise emission levels. Pump designs can be optimised, including materials selected, to reduce obstructions to the flow and pressure pulsations thereby lowering the resulting noise emitted.



The Concentric Calma pump is compared against the industry standard as well as other conventional gear pumps.

GROUP SALES

42%
Group sales

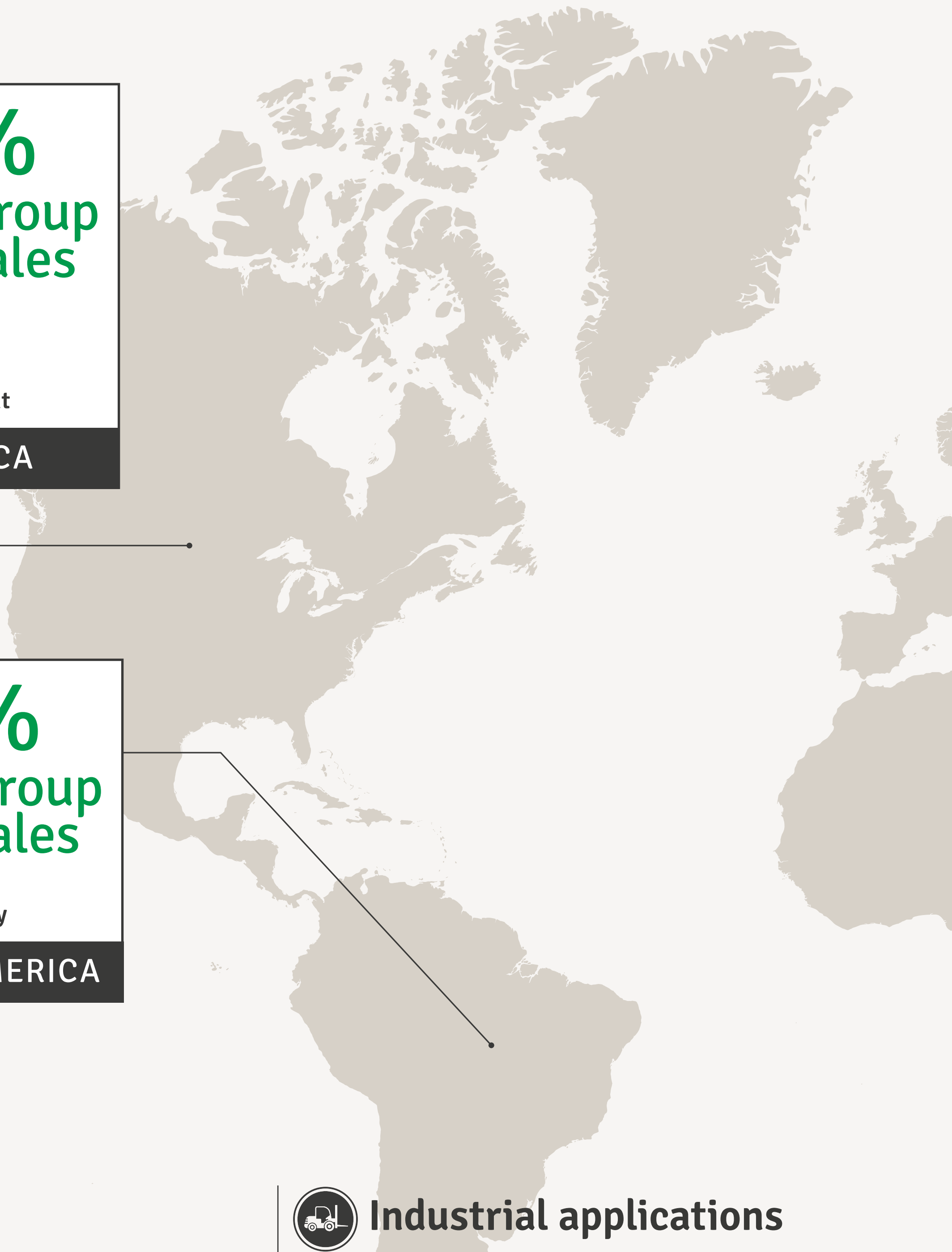
10% Trucks
15% Industrial applications
5% Agricultural machinery
12% Construction equipment

NORTH AMERICA

3%
Group sales

1% Trucks
2% Off-highway

SOUTH AMERICA



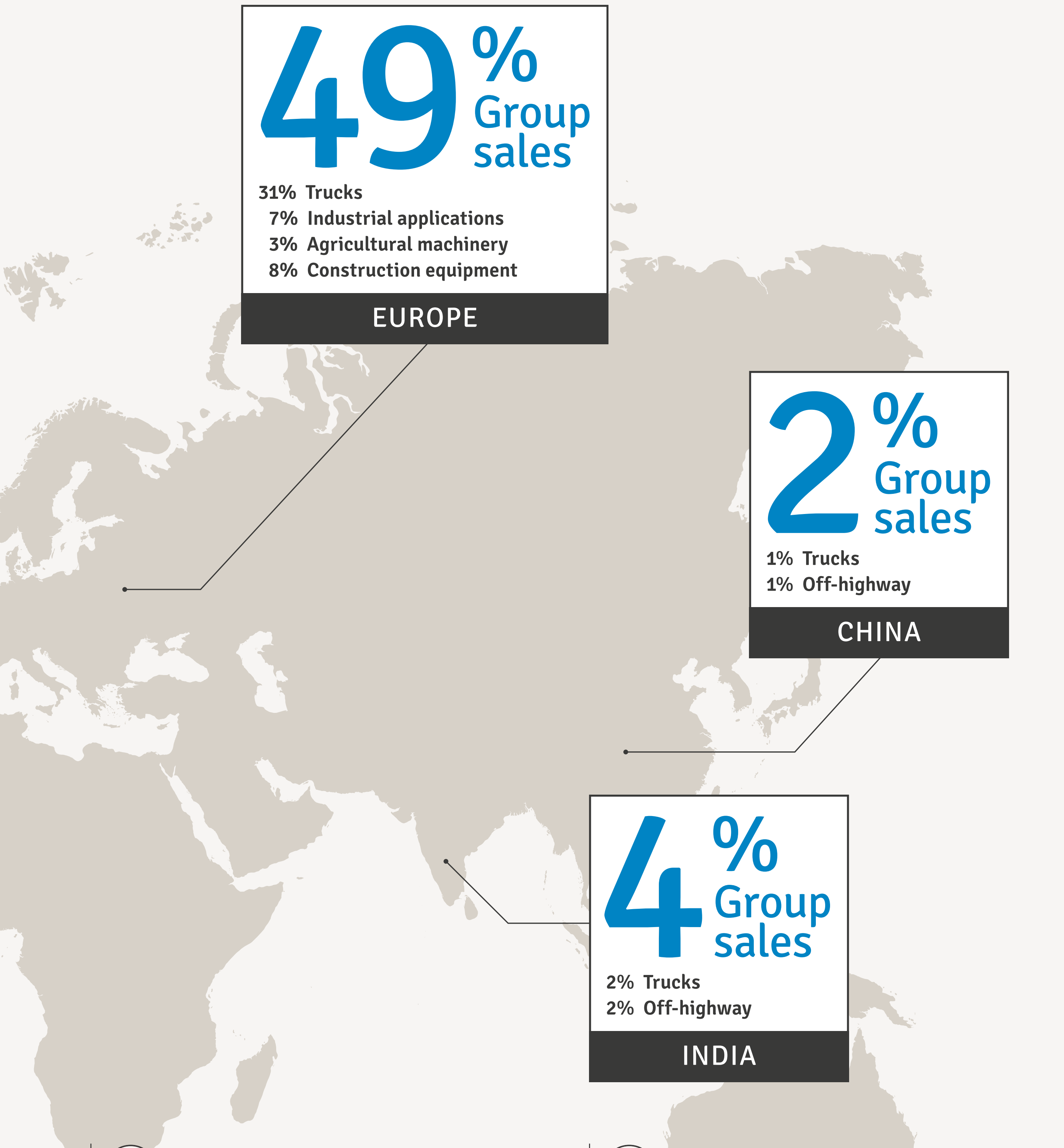
END-MARKETS

Trucks

Concentric sells both directly to the OEMs of trucks and also via Tier 1 diesel engine manufacturers in the truck market. The solutions provided relate to flow generation for fuel, oil and coolants, and for the separation of oil drops from crank-case gases using the Alfdex system. Concentric's products are generally used in medium duty trucks exceeding 7.5 tons and heavy duty trucks exceeding 16 tons.

Industrial applications

Industrial applications encompass a wide variety of uses, from forklifts for the retail trade to heavy machines used in the mining industry. They also include applications for energy production, compressors, cranes, refrigeration and street-cleaning vehicles as well as military and airport vehicles. Virtually all of these machines and vehicles are fitted with standardised driveline and engine pumps as well as hydraulic equipment resembling what is used in the machines in other end-user markets.



Agricultural machinery

Concentric primarily sells directly to the OEMs of agricultural machinery. The main solutions provided are engine pumps, hydraulic fan drives and ancillary hydraulic pumps for tractors, combines and other specialty equipment, such as harvesters and balers. Many agricultural machines use on-highway engines and truck engine derivatives, and there are many OEMs that operate both in the truck and agriculture machinery sectors. The long-term trend for agricultural production is a function of demographics and rising living standards.

Construction equipment

Concentric provides pumping solutions used in a wide range of mobile construction equipment, including engine pumps, hydraulic fan drives and ancillary hydraulic pumps. These solutions are typically used on smaller equipment such as skid steer and backhoe loaders, and on heavier equipment such as wheel loaders, bulldozers and excavators. The engines used in this end-market are often similar to those used in trucks, and subject to a similar regulation and development cycle.

Trucks

Based on the forecast production of diesel engines over the next 5 years, on-highway medium-heavy duty trucks are expected to grow by a CAGR of 3.7 percent in Europe, 8.4 percent in South America, 3.9 percent in India and 2.3 percent in China. However, despite the drop in the US Class 8 heavy-duty truck in 2016 following the peak in the replacement cycle the year before, the North American truck market is expected to grow by a CAGR of 0.9 percent over the next 5 years.

North America

Market indices published at year-end indicated that North American production of diesel engines for light trucks and medium-heavy duty trucks decreased year-on-year by 3 percent and 15 percent respectively. Concentric's actual sales of engine and hydraulic products for trucks were down 29 percent year-on-year in constant currency reflecting the correction in inventory levels for the peak in the Class 8 heavy-duty replacement cycle and Concentric's customer mix, as European OEMs have 'in-sourced' more of their engines for the North American truck market.

Europe

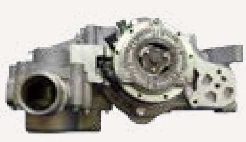
European market indices for the production of diesel engines for medium-heavy duty trucks increased year-on-year by 2 percent. Concentric's actual sales of engine and hydraulic products for trucks actually decreased by 1 percent year-on-year in constant currency, again largely reflecting the customer mix of these sales.

Emerging markets

Market indices for the production of diesel engines in South America and China for medium-heavy trucks decreased significantly year-on-year by 19 percent and 2 percent respectively, and were up 10 percent for India. However, Concentric's exposure to trucks in these emerging markets remained relatively low at less than 5 percent of the group's total net sales for 2016.

PRODUCT RANGE


Oil mist separator


Licos clutch

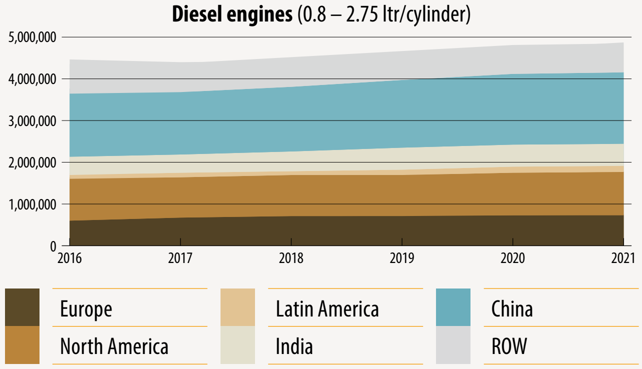

Electro Hydraulic Steering

MAJOR CUSTOMERS

Cummins/TATA, Daimler, DAF/Paccar, FPT Industrial, Navistar, MAN/Scania, Volvo/Dongfeng, CNHTC

FORECAST MARKET VOLUME

Diesel engines (0.8 – 2.75 ltr/cylinder)



Source: Power Systems Research, January 2016 update.

Industrial applications

Since the industrial sector comprises a wide variety of applications, there is no single forecast for this market. Based on the forecast production of diesel engines over the next 5 years, off-highway industrial applications in our largest 2 territories are only expected to grow by a CAGR of 0.4 percent in North America and 1.4 percent in Europe.

North America

Market indices published at year-end indicated that North American production volumes for industrial applications decreased year-on-year by 34 percent for diesel engines and by 15 percent for lift trucks. Concentric's actual sales of engine and hydraulic products for industrial applications were down 12 percent year-on-year in constant currency, reflecting the customer mix of these sales.

Europe

European market indices decreased year-on-year by 7 percent for the production of diesel engines and by 14 percent for lift trucks for the industrial applications market. Concentric's actual sales of engine and hydraulic products for industrial applications were down 18 percent year-on-year in constant currency, again reflecting the customer mix of these sales.

Emerging markets

Market indices for the production of diesel engines in South America and China for industrial applications decreased year-on-year by 5 percent and 8 percent respectively, but increased 3 percent for India. However, Concentric's exposure to industrial applications in these emerging markets remained very low at less than 1 percent of the group's total net sales for 2016.

PRODUCT RANGE

DC pack lift/ lower

Transmission

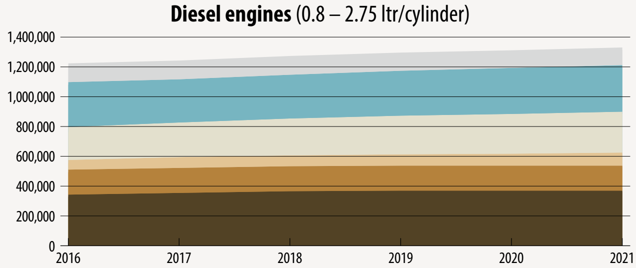
Low noise pump

MAJOR CUSTOMERS

Crown, Doosan, Kion, NACCO, Perkins, Toyota (BT, Raymond)

FORECAST MARKET VOLUME

Diesel engines (0.8 – 2.75 ltr/cylinder)



Europe | Latin America | China
North America | India | ROW

Source: Power Systems Research, January 2016 update.

Agricultural machinery

Based on the forecast production of diesel engines over the next 5 years, agricultural machinery is expected to remain pretty flat in North America and grow by a CAGR of 2.1 percent in Europe, 3.8 percent in South America, 2.0 percent in India and 1.0 percent 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 percent. Concentric's actual sales for agricultural machinery decreased year-on-year by 23 percent in constant currency, reflecting both the mix of customers and applications associated with these sales.

Europe

European market indices for production of diesel engines for agricultural machinery decreased year-on-year by 9 percent. Concentric's actual sales of engine and hydraulic products for agricultural machinery were up 1 percent year-on-year in constant currency, again reflecting both the mix of customers and applications associated with these sales.

Emerging markets

Market indices for the production of diesel engines for agricultural machinery decreased year-on-year by 32 percent in South America, 2 percent in India and 24 percent in China. However, Concentric's exposure to agricultural machinery in these emerging markets remained very low at around 1.5 percent of the group's total net sales for 2016.

PRODUCT RANGE


Seeder motor

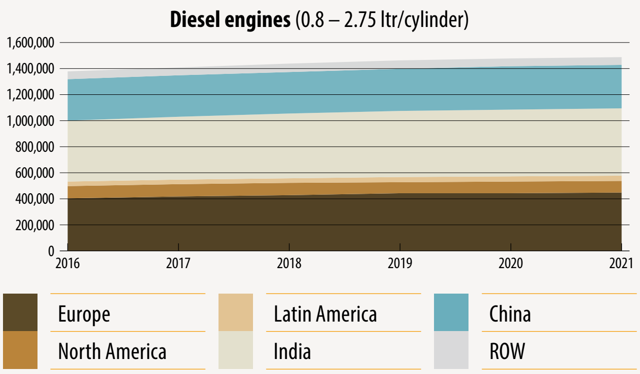

Oil pump


Implement pumps

MAJOR CUSTOMERS

Agco, CNH, Class, John Deere, Deutz, Valtra

FORECAST MARKET VOLUME



Source: Power Systems Research, January 2016 update.

Construction equipment

Based on the forecast production of diesel engines over the next 5 years, construction equipment is expected to remain pretty flat in North America and China and grow by a CAGR of 1.7 percent in Europe, 3.5 percent in South America and 6.1 percent in India.

North America

Market indices published at year-end indicated that North American production volumes for construction equipment decreased year-on-year by 18 percent for diesel engines and 12 percent for hydraulic equipment. Concentric's actual sales of engine and hydraulic products for construction equipment were down year-on-year by 3 percent and 25 percent respectively in constant currency, reflecting the applications and customer mix, in particular the impact of Caterpillar.

Europe

European market indices for the production of diesel engines and hydraulic equipment for the construction market were down 18 percent and up 1 percent year-on-year respectively. Concentric's actual sales of engine and hydraulic products for construction equipment were down year-on-year by 4 percent and 7 percent respectively in constant currency, again largely reflecting the customer mix of these sales.

Emerging markets

Market indices for the production of diesel engines in South America for construction equipment were down year-on-year by 42 percent, although production volumes in India and China were up 22 percent and 2 percent respectively. However, Concentric's exposure to construction equipment in these emerging markets remained low at around 2 percent of the group's total net sales for 2016.

PRODUCT RANGE

Axle cooling

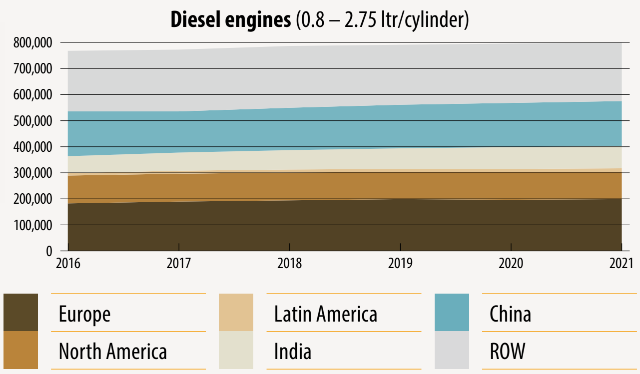
Fuel transfer pump

Fan drive

MAJOR CUSTOMERS

Caterpillar, CNH, Hyundai, John Deere, JCB, Komatsu, Wirtgen Group, Volvo, Doosan, Atlas Copco

FORECAST MARKET VOLUME



Source: Power Systems Research, January 2016 update.

OUR SUSTAINABILITY PERSPECTIVE

Sustainability efforts constitute an integral part of Concentric's operations. The aim is to ensure a greater wholeness 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 in accordance with GRI guidelines, see pages 122–128.

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 periodically 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.

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.

SUSTAINABILITY

Concentric's group-wide aspects and targets in sustainability

Material of Aspects Sustainability	Social Contributions	Long-term Goal	Operational Goal	Results 2016	Results 2015
Ethics and 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%	16.8%	16.6%
			Gearing (Net Debt/Equity) should amount to 50% ≥ 150%	35%	57%
			Dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle	58%	50%
			No ethical breaches based on Concentric's Values.	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	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
	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 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	3.63	3.43
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[1)]	100%	n/a
Equality and 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	21.2%	21.3%
			Increase the number of female wage earners to 18% by 2025	12.0%	11.8%
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.	24.8%	n/a

1) Percentages from October 2016 onwards, following introduction of formal procedures to screen new suppliers using environmental and human rights criteria.

Concentric's operations in 2016, distributed by stakeholder, based on the company's income statement.

Amounts in MSEK		
Customers	Sales of engine and hydraulic products	2,004
Suppliers	Procurement of goods and services as well as depreciation, amortisation	1,221
Employees	Wages, social expenses and competence development	442
Financial Institutions	Interest	23
The State	Taxes	72
Shareholders	Net income	246

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.

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.

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 and continuity of supply ▪ Technology and innovation	▪ Customer service & relationship ▪ PPM and Warranty claims record ▪ Delivery (OTIF%) ▪ Product development to support changes in emissions legislation	▪ Product Responsibility ▪ Climate Impact ▪ Resource Efficiency
Suppliers	▪ Regular supplier days and workshops ▪ Factory inspections and on-site supplier audits ▪ Code of Conduct for suppliers	▪ Product quality and warranty claims record ▪ On time fulfilment of orders and continuity of supply ▪ Technology and innovation ▪ Environmental program ▪ Health & Safety	▪ PPM and Warranty claims record ▪ Delivery (OTIF%) ▪ Product development ▪ Waste management ▪ Human rights ▪ Anti-corruption ▪ Risk management ▪ Co-operation	▪ Ethics and Value Creation ▪ Product Responsibility ▪ Responsible Suppliers ▪ Resource Efficiency
Employees	▪ Annual employee surveys ▪ Personal development discussions ▪ Training and 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 and Value Creation ▪ Equality and 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 and Value Creation ▪ Product Responsibility ▪ Climate Impact ▪ Responsible Suppliers ▪ Equality and 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 and Energy ▪ Environmental compliance ▪ Domestic supply chain ▪ Waste management ▪ Human rights	▪ Ethics and Value Creation ▪ Product Responsibility ▪ Climate Impact ▪ Responsible Suppliers ▪ Equality and Diversity ▪ Resource Efficiency

Concentric Business Excellence

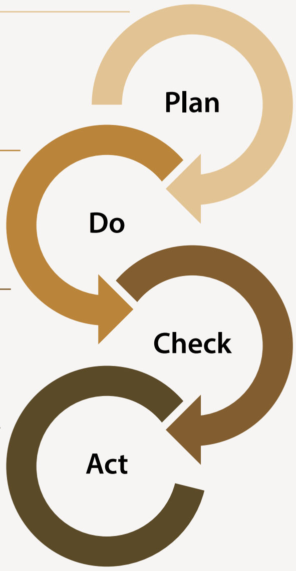
Concentric's Business Excellence programme ("CBE") underpins the group's approach to sustainability in everything we do.

Plan
Design and communicate clear targets

Do
Implement improvement activities

Check
Obtain feedback and analyse results

Act
Formulate action plan for continuous improvement



See pages 18–31 for CBE Spotlight interviews

Production

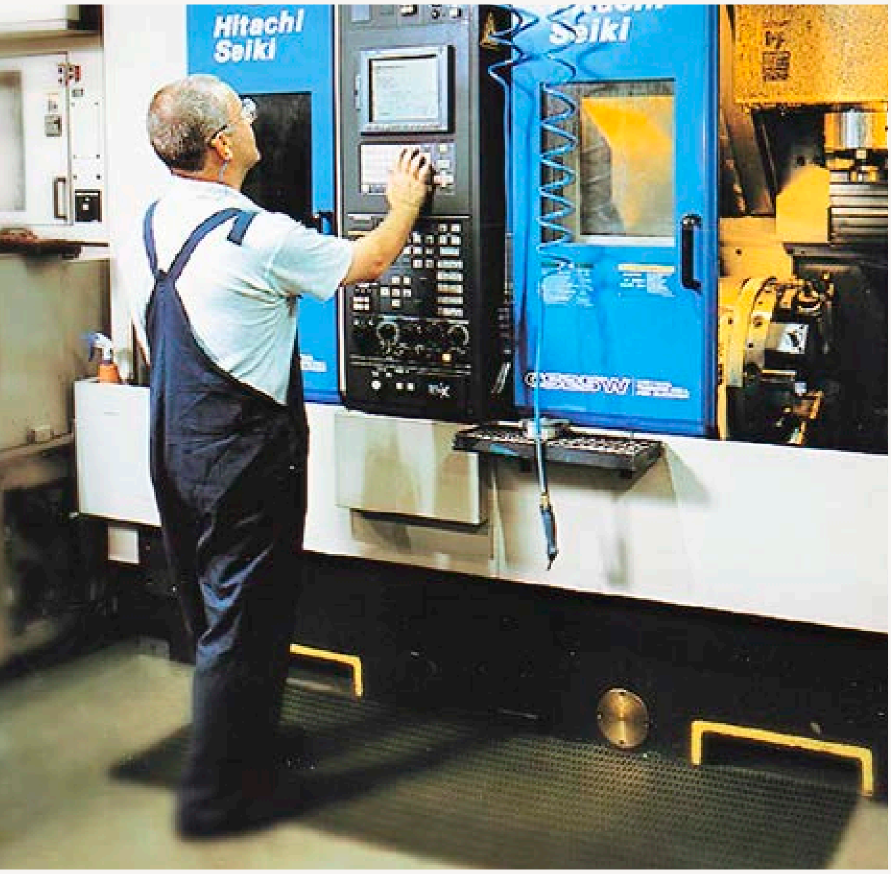
Concentric's business activities are divided by region, with full earnings and balance sheet responsibility at both regional and plant levels. Every plant has a local manager who assumes earnings responsibility for the entire range of plant operations.

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.



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

Social policy

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 Concentric's Local VP 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 illegal threats.

Concentric employees by country[1)]

Country	2016	2015	2014	2013	2012
Argentina	89	127	–	–	–
China	21	21	30	33	30
Germany	200	219	206	207	130
India	171	174	203	228	235
Sweden	57	62	59	52	115
UK	182	193	212	212	186
USA	216	256	272	289	316
Other	3	3	3	4	4
Total	**939**	**1,055**	**985**	**1,025**	**1,016**

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.

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.

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.

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 fulfillment 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.

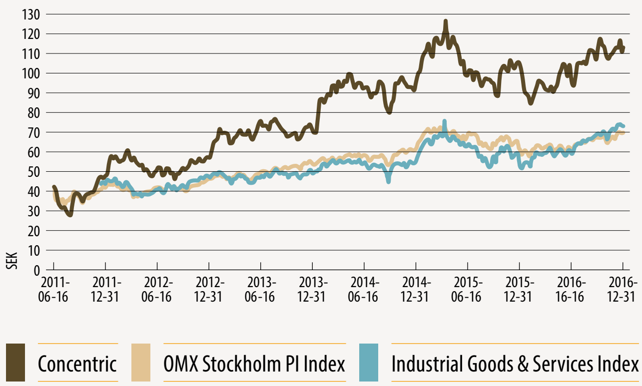
Together with our suppliers, Concentric has a responsibility to reduce the environmental impacts from transport and other services. We expect suppliers to actively contribute and commit to the principle of reducing the environmental impact of present and future products through utilising their own environmental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

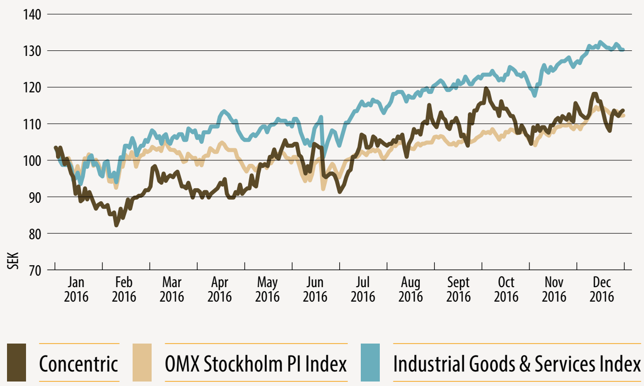
The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange midcap list since June 16, 2011, and is traded under the ticker symbol COIC. The market capitalisation of Concentric at 31 December, 2016 amounted to MSEK 4,605 represented by 40,481,984 shares at a market price of SEK 113.75.

Concentric share (16 Jun 2011 – 31 Dec 2016)



Source: SIX

Concentric share (1 Jan 2016 – 31 Dec 2016)



Price trend and trading

The price paid for the Concentric share rose 6 (15) percent in 2016 to SEK 113.75 (107.00) at year-end. The Industrial Goods & Services index rose 22 (8) and the OMX Stockholm PI Index rose 6% (7%) during 2016. The highest price paid for the share during the year was registered at SEK Swedbank 120.00 (125.50) and the lowest price was SEK 82.25 (84.25). Concentric's market value as of 31 December, 2016 was MSEK 4,605 (4,406). In 2016, a total of 8.7 (20.8) million Concentric shares were traded, corresponding to 21 (48) percent of the total number of shares. For the five years ending 31 December 2016, Concentric's shares have given a total annual average return to shareholders of 26 percent. The corresponding figure for the year ended 31 December 2016 was 10 (18) percent.

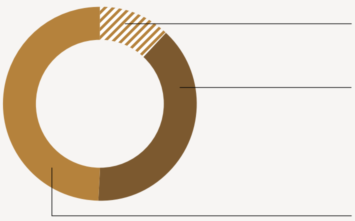
Ownership structure

At the end of 2016, Concentric had a total of 8,458 (9,081) shareholders. Foreign shareholders accounted for approximately 39 (41) percent of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 50 (47) percent of the company was owned by legal entities and 11 (12) percent by private individuals.

10 largest shareholders, 30 December 2016

Name	Votes capital, %	No. of shares
Lannebo fonder	10.9	4,539,202
Nordea Investment Funds	10.7	4,443,944
Swedbank Robur fonder	10.2	4,256,264
Euroclear bank S.A/N.V, W8-IMY	7.3	3,042,326
SEB Investment Management	4.3	1,796,285
Handelsbanken fonder	3.5	1,428,242
DnB – Carlson fonder	2.8	1,173,202
Didner & Gerge Fonder Aktiebolag	2.6	1,085,069
CBNY-Norges Bank	2.4	973,551
State Street Bank & Trust com. Boston	1.8	762,054
Total 10 largest external shareholders	**56.5**	**23,500,139**
Total other external shareholders	40.9	16,981,845
Total, excl own holding	**97.4**	**40,481,984**
Own share holding	2.6	1,088,616
Total shares	**100.0**	**41,570,600**

Swedish and foreign shareholders



Distribution of shares, 30 December 2016

No. of shares	No. of shareholders	% of shareholders	% of total share capital
1–500	6,009	71.0	2.6
501–1,000	1,192	14.1	2.4
1,001–5,000	961	11.4	5.2
5,001–10,000	110	1.3	2.0
10,001–15,000	30	0.4	1.0
15,001–20,000	28	0.3	1.2
> 20,001	128	1.5	85.6
Total	**8,458**	**100.0**	**100.0**

Analysts monitoring Concentric

Institution	Analyst
Danske Bank	Max Frydén
Handelsbanken Capital Market	Hampus Engellau
SEB Enskilda	Olof Larshammar
Swedbank Markets	Mats Liss

Incentive programmes

Concentric AB Annual General Meeting 2013–2016 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 maximize 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 on page 87.

Employee stock options	**LTI 2016**	**LTI 2015**	**LTI 2014**	**LTI 2013**
President and CEO	102,240	85,360	78,400	63,200
Other senior executives	84,932	38,240	23,520	52,160
Total stock options	**187,172**	**123,600**	**101,920**	**115,360**
Employee stock options	93,586	61,800	50,960	57,680
Performance stock option 1	46,793	30,900	25,480	28,840
Performance stock option 2	46,793	30,900	25,480	28,840
Total stock options (=Number of shares)	**187,172**	**123,600**	**101,920**	**115,360**
Criteria for performance stock option 1	2018 EPS ≥ SEK 10.00	2017 EPS ≥ SEK 7.50	2016 EPS ≥ SEK 6.00[1]	2015 EPS ≥ SEK 6.25[1]
Criteria for performance stock option 2	2016–18 Average ROE ≥ 25%	2015–17 Average ROE ≥ 25%	2014–16 Average ROE ≥ 20%[1]	2013–15 Average ROE ≥ 20%[1]
Number of senior executives	**6**	**3**	**5**	**5**
Conditioned by own investment of shares	**46,793**	**30,900**	**25,480**	**28,840**

Changes in number of stock options	**2016**	**2015**	**2014**	**2013**
Opening balance, 1 January	340,880	403,320	286,880	177,760
Granted	187,172	123,600	115,920	109,120
Granted LTI 2013 in 2014		–	20,520	–
Options exercised	–115,360	–157,760	–	–
Lapsed LTI 2012 in 2014	–	–	–20,000	–
Lapsed LTI 2013 in 2015	–	–14,280	–	–
Lapsed LTI 2014 in 2015	–	–14,000	–	–
Closing balance	**412,692**	**340,880**	**403,320**	**286,880**
Average exercise price, SEK	79.75	96.55	80.10	63.13
Average price per option, SEK	25.73	24.88	23.78	12.18
Risk free interest rate, %	0.00	0.00	0.98	0.98
Expected volatility[2], %	30.00	28.00	28.00	26.00
Assumed dividend during 3 year period, SEK	10.14	10.92	9.57	8.54
Average share price at grant date, SEK	103.50	115.50	99.25	68.00
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2016, MSEK	1.2	2.1	1.3	0.2
Annual cost of scheme, MSEK	2.0	2.1	1.3	0.6
Total cost of scheme over 3 year vesting period, MSEK	**6.0**	**6.4**	**3.9**	**1.9**

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.

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 the special dividends paid to shareholders and the 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.

Data per share

	2016	2015	2014
Earnings before items affecting comparability, SEK	5.95	6.48	5.54
Earnings before dilution, SEK	6.01	6.45	5.54
Earnings after dilution, SEK	6.00	6.44	5.53
Return on equity, %	32.2	31.7	29.6
Dividend, SEK	3.50*	3.25	3.00
Own shares repurchased, SEK	2.10	3.44	3.49
Market price at year end, SEK	113.75	107.00	93.00
Equity, SEK	21.18	20.46	19.13
EBITDA multiple	11.4	10.8	10.7
EBIT multiple	14.4	12.9	13.3
P/E ratio	18.7	16.6	16.8
Payout ratio, %	58.2	50.4	54.2
Dividend yield, %	3.1	3.0	3.2
Dividend and buy-back yield, %	4.9	6.3	7.0
Basic average number of shares (000's)	40,924	42,058	43,421
Diluted average number of shares (000's)	40,973	42,119	43,523
No. of shares at 31 December (000's)	40,482	41,180	42,392

* Proposed dividend for consideration at the 2017 AGM

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 2016. The Company has its registered office in Stockholm, Sweden and its visiting and postal address at Strandgatan 2, 582 26 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 3 years, and a typical product life is in excess of 10 years. Concentric's customers are spread globally, and their products principally serve four end-markets; industrial applications, trucks, agricultural machinery and construction equipment.

During 2016, Concentric had, on average, a total of 1,011 (1,088) employees at its sites in Argentina, China, Germany, India, United Kingdom, United States, and its sales offices in Brazil, France, Italy, 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 full year, excluding revenues attributable to Alfdex AB[1)], were MSEK 2,004 (2,306), down 13% year-on-year in absolute terms. Adjusting for the impact of currency (–3%), the underlying year-on-year sales decreased for the full year by 10%.

Consolidated gross profit decreased to MSEK 575 (623), resulting in a gross margin of 28.7% (27.0%). Reported EBIT and EBIT margin amounted to MSEK 341 (381) and 17.0% (16.5) respectively.

1) See Note 2 section c) Consolidation

Americas

External sales for the full year amounted to MSEK 988 (1,205). Sales were down 18% in absolute terms, and down 16% after adjusting for the impact of currency (–2%). The year-on-year decrease in sales in constant currency was driven by weak demand, particularly for Class 8 heavy-duty trucks following the peak in the US replacement cycle during 2015 and for hydraulic product across all end-markets in North America. Demand in South America has also been very weak across all end-markets.

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 147 (163) and 14.9% (13.5) respectively. The underlying operating margin for the full year, excluding restructuring expenses and pension related items affecting comparability, was 12.0% (13.6).

Europe & RoW

External sales for the full year amounted to MSEK 1,199 (1,292). Sales were down 7% in absolute terms, and down 4% after adjusting for the impact of currency (–3%). The year-on-year decrease in sales in constant currency was driven by weak demand, particularly off-highway end-markets in Europe which have been suppressed by relatively weak commodity prices.

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 197 (222) and 16.4% (17.2) respectively. The underlying operating margin for the full year, excluding restructuring expenses and pension related items affecting comparability, was 17.8% (17.2).

NET FINANCIAL ITEMS, TAXES AND NET EARNINGS

Net financial expenses for the full year amounted to MSEK 23 (18), comprising net exchange losses of MSEK 6 (gains 5), net income arising from other interest of MSEK 2 (1) and net financial expenses in respect of net pension liabilities of MSEK 19 (24). Accordingly, consolidated income before taxation amounted to MSEK 318 (363) for the full year.

The Group's tax expenses for the fiscal year 2016 amounted to MSEK 72 (92). The Group's effective annual tax rate was 23% (25). Any movements in the group's underlying effective annual tax rate largely reflect the change in mix of taxable earnings across the various tax jurisdictions in which the group operates.

Earnings after taxation amounted to MSEK 246 (271). Basic and diluted earnings per share amounted to SEK 6.01 (6.45) and SEK 6.00 (6.44) respectively.

CASH FLOW

Cash flow from operating activities for the full year amounted to MSEK 409 (366) which represents SEK 9.99 (8.74) per share.

INVESTMENTS AND PRODUCT DEVELOPMENT

The Group's net investments in subsidiaries and property, plant and equipment for the full year amounted to MSEK 12 (35).

Every year, the Group makes investments in development projects to maintain its market-leading products. Product development and application engineering expenses for the full year amounted to MSEK 49 (50), which represents 2.4% (2.2) 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 2016 the fair value of those derivative instruments that were assets was MSEK 5 (0), and the fair value of those derivative instruments that were liabilities was MSEK 0 (0). 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 re-measurement losses for the full year was MSEK 59 (gain 1).

As a result, the Group's net debt at 31 December 2016 was MSEK 300 (488), comprising bank loans and corporate bonds of MSEK 178 (182) and net pension liabilities of MSEK 560 (564), net of cash amounting to MSEK 438 (258).

Shareholders' equity amounted to MSEK 857 (852), resulting in a gearing ratio of 35% (57).

ACQUISITIONS

There were no acquisitions completed during 2016. On 30 January 2015, Concentric completed the acquisition of the entire share capital of GKN Sinter Metals de Argentina SA ("GKN Pumps"), a supplier of engine pumps in South America. The primary purpose of the acquisition was to strengthen Concentric's presence in the region. GKN Pumps has a production facility in Chivilcoy, Argentina, providing an important foothold in the Mercosur trade bloc, thereby enabling further penetration of the South American market.

RELATED-PARTY TRANSACTIONS

Other than 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 5 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.

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 20 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 breakdowns, 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 5% of the rolling annual net sales for the Group at any point in time. These funds amounted to MSEK 1,012 (806) at year-end, corresponding to 51% (35) 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 (excluding pensions) will increase or decrease by MSEK 2 (2). 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	**2016**	**2015**	**2016**	**2015**
EUR	9.4704	9.3562	9.5669	9.1350
GBP	11.5664	12.8962	11.1787	12.3785
USD	8.5613	8.4350	9.0971	8.3524

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	**2016**	**2015**	**2016**	**2015**
EUR	6	7	36	32
GBP	4	4	52	58
USD	15	15	104	93

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, 2016, 85% (71) of the anticipated net flows was hedged via derivative instruments. The permissible deviation was temporarily exceeded to take the advantage of the relatively good rates at the end of the year. 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 2016 to hedge invoiced and forecast currency flows. At 31 December 2016, these contracts had a net value of MSEK 153 (118) with a market value of MSEK 3 (2).

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 160 (166) 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 2016, no single customer accounted for more than 17% (17) of sales. The Group's customer losses are historically low and normally are less than 0.1% of sales.

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 the special dividends paid to shareholders and the repurchase of own shares to manage the Group's capital structure. Alternatively, the Board could look to repay capital to shareholders, issue new shares or sell assets in order to reduce debt.

SHARE-RELATED INFORMATION

Ownership status

The Company's shares have been listed on Nasdaq OMX Stockholm since 16th June, 2011. Concentric AB had 8,458 (9,081) shareholders at the end of the financial year. The Company's largest shareholder was Lannebo Fonder 10.9% (11.9). There are three shareholders that hold in excess of 10% of the votes and capital of the company and they held together 31.8% (32.1).

Share Capital, shares outstanding and rights

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

During 2016 Concentric AB sold 115,360 (157,760) of its own shares for MSEK 7 (8), representing 0.3% of the share capital of the company, to satisfy options granted under the company's LTI programmes which were exercised. The company also bought back 813,480 (1,369,315) of its own shares for a purchase price of MSEK 85 (142) representing 2.0% (3.2%) of the shares of the company. The total number of holdings of own shares at year-end 2016 was 1,088,616 (1,672,396), which represented 2.6% (3.9) of the total number of shares of the company.

The number of shares outstanding at year-end, excluding any dilution from share options, was 40,481,984 (41,180,104). 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 54–57.

Board Authorisations

At the last AGM in April 2016, the following board members were elected:

Stefan Charette, Marianne Brismar, Kenth Eriksson, Martin Sköld, Claes Magnus Åkesson, Martin Lundstedt and Susanna Schneeberger.

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 110–119.

Remuneration

The 2016 AGM adopted remuneration policies were as follows. The actual remuneration agreed during the year is detailed in note 8 on pages 79–80.

Scope of the policies

The policies apply to remuneration and other terms of employment for the individuals who, while the policies are in effect, are members of Group management for Concentric AB, collectively referred to hereinafter as "executives".

The policies apply to agreements made according to AGM resolutions and to amendments to existing agreements made after this date. The Board of Directors shall have the right to depart from the policies if there is particular justification for doing so in individual cases. The policies shall be subject to annual review.

Fundamental principles and forms of remuneration

It is of fundamental importance to the company and its shareholders that the guidelines for remuneration to senior executives, in both a short and long-term perspective, enable the company to attract and retain senior executives and other employees with excellent competence. 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. 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, where the variable remuneration forms a rather substantial part of the total remuneration, but it is understood that the bonus is always capped to a pre-defined maximum amount.

Principles for various types of remuneration

The remuneration system of the company consists of various forms of remuneration in order to create a well-balanced compensation that fosters and supports management and achievement of goals in both a short and long-term perspective.

Fixed Pay

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

Variable Pay

Senior executives have an annual bonus, payable after each year-end, which is structured as a variable part of the fixed salary. Bonus goals shall primarily be based on the outcomes of financial objectives for the entire company as well as clearly defined individual goals with respect to specific assignments. The latter is to ensure that the senior executive also focuses on non-financial targets of specific interest.

Bonus related financial objectives for the Group shall be established by the Board annually in order to ensure that they are in line with the Groups' business strategy and profit targets. The Board establishes the financial objectives for individual units proposed by the CEO.

The annual bonus as a component of total remuneration varies depending on position and may amount up to 50 percent of the fixed annual salary at full goal achievement. The bonus goals 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 at the sole discretion of the management unless payment is guaranteed by an existing legal agreement or contract.

Application of variable pay guidelines

Under pre-existing employment contracts, there are ongoing deviations from the variable pay guidelines outlined above in respect of the CEO and one other senior executive, whereby they continue to be entitled to an annual bonus of up to 80 percent of their fixed salary at full goal achievement.

Long-term Incentive Programmes

In order to foster a long-term perspective in the decision making and to ensure long term achievement of goals, the Board has set up a long-term incentive programme. Remuneration in form of long-term incentive programmes shall be in accordance with market practice on each relevant market. Further details of the LTI programmes resolved at previous AGMs are provided in note 8 on pages 79–80.

Pension Benefits

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 premiums are based solely on fixed salary. Certain adjustments may occur in individual cases in accordance with local market practice.

Other

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

Terms of notice

The CEO has a maximum notice period of 12 months and other senior executives have a notice period of up to 6 months. Upon termination of employment by Concentric, a so-called termination agreement including severance pay may be made with senior executives on a discretionary basis or as required by law. Any such severance pay shall correspond to what may be deemed reasonable and common practice on the relevant geographical market, but not exceed 12 months' fixed salary.

In addition to the above described remunerations, agreements on additional remunerations may be made in exceptional situations, for example, when considered necessary to attract and retain key personnel or induce individuals to move to new places of service or accept new positions. Such special remunerations shall be limited in time and may not exceed 36 months' fixed salary. Further, the total remuneration 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. Terms for dismissal and severance pay shall correspond to what may be deemed common market practice for each geographical market.

When entering into new employment contracts, 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 salary. Upon termination of employment, local practice in the geographical market where the senior executive operates shall be complied with.

THE BOARD OF DIRECTORS' PREPARATION AND RESOLUTIONS RELATED TO PAY AND OTHER TERMS OF EMPLOYMENT FOR EXECUTIVES:

Proposal on new executive remuneration policies

The Board of Directors will propose to the 2017 AGM that the above policies on executive remuneration shall apply until the 2018 AGM. Estimated costs for variable remuneration and LTI-schemes will be about MSEK 15 (including social security cost) for 2017.

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.

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to report.

PARENT COMPANY

Net sales for the full year amounted to MSEK 43 (45), generating an operating income of MSEK 44 (25). The company also received the following income from subsidiaries and joint ventures during the current and previous years:

- Dividends amounting to MSEK 125 (99) arising from its wholly owned US subsidiary undertaking, Concentric US Finance 2 Limited.

- Group contribution amounting to MSEK 7 (0) arising from its wholly owned Swedish subsidiary undertaking, Concentric Skånes Fagerhult AB. In 2015 the parent company received profits amounting to MSEK 17 arising from dividends from the same company;
- Dividends amounting to MSEK 12 (12) arising from its 50% ownership in the Swedish joint-venture company, Alfdex AB.
- The cumulative net exchange rate losses and net interest expenses for the full year amounted to MSEK 52 (34) and MSEK 4 (3) 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 on pages 70–76 or more detail).

OUTLOOK FOR 2017

2016 was a rather tough year due to supressed prices for many commodities and a down-turn for trucks sales. Looking ahead, the increase of public spending in the US on infrastructure investments promised by the new Trump administration could have a positive impact in 2017 for most of our end-markets in the region. We will continue to focus on CBE to enable us to respond to the prevailing market conditions. Market indices suggest that production volumes blended to Concentric's end-markets and regions will be flat year-on-year for 2017.

We have seen a number of truck OEMs recently release their financial results and we note that the sales development in Europe was generally stronger and that several OEMs raised its guidance for truck sales in Europe in 2017. This more favourable development in Europe is naturally also beneficial to Concentric's outlook. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

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 earnings and 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 2016. This corresponds to an ordinary dividend of SEK 2.00 (2.25) which equates to around 33% (35) of earnings per share, plus a special dividend of SEK 1.50 (1.00) associated with the Group's strong financial position.

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 MSEK	
Profit brought forward	997
Net income for the year	133
Total	**1,130**

The board of directors and the president propose that the funds of MSEK 1,130 be allocated as follows:

Amounts in MSEK	
Dividend of SEK 3.50 per share to shareholders	142
Carried forward	988
Total	**1,130**

STATEMENT BY THE BOARD OF DIRECTORS CONCERNING THE PROPOSED DIVIDEND

The proposed dividend reduces the company's equity to assets ratio from 44 percent to 41 percent and the Group's equity to assets ratio from 42 percent to 38 percent. 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.

Consolidated income statement

	Note	2016	2015
Net sales		2,004	2,306
Cost of goods sold		–1,429	–1,683
Gross income		**575**	**623**
Selling expenses		–71	–77
Administrative expenses		–145	–147
Product development expenses		–49	–50
Share of net income in joint venture	19	11	7
Other operating income	11	91	78
Other operating expenses	11	–71	–53
Operating income	**4, 5, 7, 8, 9, 10, 17, 38**	**341**	**381**
Financial income	12	9	12
Financial expenses	12	–32	–30
Financial items – net		**–23**	**–18**
Earnings before tax		**318**	**363**
Taxes	13	–72	–92
Net income for the year		**246**	**271**

Attributable to:			
Parent Company shareholders		246	271
Non controlling interest		–	–
Basic earnings per share, SEK	14	6.01	6.45
Diluted earnings per share, SEK	14	6.00	6.44
Basic weighted average number of shares (000)	14	40,924	42,058
Diluted weighted average number of shares (000)	14, 24	40,973	42,119

Consolidated statement of comprehensive income

	2016	2015
Net income for the year	246	271
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement gains	**10**	**35**
Tax arising on remeasurement gains	–4	–8
Remeasurement losses	–69	–34
Tax arising on remeasurement losses	10	14
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences related to liabilities to foreign operations	–51	–34
Tax arising from exchange rate differences related to liabilities to foreign operations	11	7
Cash-flow hedging	4	–3
Tax arising from cash-flow hedging	–1	1
Foreign currency translation differences	59	50
Total other comprehensive income	**–31**	**28**
Total comprehensive income	**215**	**299**

Consolidated balance sheet

	Note	31-Dec-16	31-Dec-15
ASSETS			
Fixed assets			
Goodwill	15	615	631
Other intangible fixed assets	15	262	306
Tangible fixed assets	16, 17	150	187
Share of net assets in joint venture	19	19	20
Deferred tax assets	18	129	145
Long-term receivables	37	5	4
Total fixed assets		**1,180**	**1,293**
Current assets			
Inventories	20	172	201
Accounts receivable	21, 37	160	166
Other current receivables	22, 37	86	88
Cash and cash equivalents	23, 37	438	258
Total current assets		**856**	**713**
Total assets		**2,036**	**2,006**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	24		
Share Capital		97	97
Additional Contributed Capital		583	583
Reserves		209	187
Retained Earnings		–32	–15
Total equity		**857**	**852**
Long-term liabilities			
Pensions and similar obligations	25	560	564
Deferred tax liabilities	18	36	43
Long-term interest-bearing liabilities	26, 27, 37	177	178
Other provisions	30	7	7
Other long-term liabilities	37	4	3
Total long-term liabilities		**784**	**795**
Current liabilities			
Short-term interest-bearing liabilities	26, 28, 37	1	4
Short-term loans payable to associated companies	29, 37	–	–
Accounts payable	26, 37	183	194
Other provisions	30	64	32
Other current liabilities	26, 31, 37	147	129
Total current liabilities		**395**	**359**
Total equity and liabilities		**2,036**	**2,006**

Information of pledged assets and contingent liabilities, see note 32 on page 93

Consolidated changes in shareholders' equity

	Share capital	Additional contributed capital	Reserves: Hedging reserve	Reserves: Translation reserve	Retained earnings	Total
Opening balance January 1, 2015	**97**	**583**	**2**	**164**	**–35**	**811**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	271	271
Other Comprehensive income	–	–	–2	23	7	28
Total comprehensive income	**–**	**–**	**–2**	**23**	**278**	**299**
Dividend	–	–	–	–	–127	–127
Buy-back own shares	–	–	–	–	–142	–142
Sale of own shares to satisfy LTI 2012 options exercised					8	8
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2015	**97**	**583**	**–**	**187**	**–15**	**852**
Opening balance January 1, 2016	**97**	**583**	**–**	**187**	**–15**	**852**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	246	246
Other Comprehensive income	–	–	3	19	–53	–31
Total comprehensive income	–	–	3	19	193	215
Dividend	–	–	–	–	–134	–134
Buy-back own shares	–	–	–	–	–85	–85
Sale of own shares to satisfy LTI 2013 options exercised	–	–	–	–	7	7
Long-term incentive plan	–	–	–	–	2	2
Closing balance December 31, 2016	**97**	**583**	**3**	**206**	**–32**	**857**

Consolidated cash flow statement

	Note	2016	2015
Cash flow from operating activities			
Earnings before tax		318	363
Reversal of depreciation, amortisation and write-down of fixed assets		88	74
Reversal of net income from joint venture		–11	–7
Reversal of other non-cash items	33	–2	27
Taxes paid		–42	–100
Cash flow from operating activities before changes in working capital		**351**	**357**
Change in working capital			
Inventories		34	31
Current receivables		9	41
Current liabilities		15	–63
Change in working capital		**58**	**9**
Cash flow from operating activities		**409**	**366**
Cash flow from investing activities			
Investments in subsidiaries	34	–	–10
Investments in property, plant and equipment		–12	–25
Cash flow from investing activities		**–12**	**–35**
Cash flow from financing activities			
Dividend		–134	–127
Dividend received from joint venture		12	12
Buy-back of own shares		–85	–142
New loans		31	227
Repayment of loans		–31	–240
Pension payments and other cash flows from financing activities		–26	–40
Cash flow from financing activities		**–233**	**–310**
Cash flow for the year		**164**	**21**
Cash and bank assets, opening balance		258	235
Exchange-rate difference in cash and bank assets		16	2
Cash and bank assets, closing balance		**438**	**258**

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 Strandgatan 2, 582 26 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 8 March, 2017.

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

No changes in IFRS with a 2016 effective date have had a material impact on the financial statements of the Group.

New standards, amendments and interpretations to existing standards that have been endorsed by EU but have not been early adopted by the Group

IFRS 9 – "Financial instruments" deals with the classification, measurement and reporting of financial liabilities and assets and will replace IAS 39. The categories for financial assets in IAS 39 have been replaced by three categories, where financial assets are measured either at amortised cost, fair value through profit and loss or fair value through other comprehensive income. Most of the rules for classification and measurement of financial liabilities are in line with the rules in IAS 39. The effective date for IFRS 9 is January 1, 2018. Concentric has started an evaluation of the effects of IFRS 9. Concentric's preliminary assessment is that the standard won't have a material impact on the Group's balance sheet or income statement, but the standard does bring additional disclosure requirements.

IFRS 15 – "Revenue from contracts with customers" replaces current standards and interpretations on revenue recognition in IFRS. The standard contains revised principles for revenue recognition and also requires considerably more disclosures compared to existing requirements in IFRS. The effective date for IFRS 15 is January 1, 2018. An evaluation of the effects of IFRS 15 is in progress. Concentric's preliminary assessment is that the standard won't have a material impact on the Group's balance sheet or income statement.

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

IFRS 16 – "Leases" sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date. However, Concentric does not plan to apply IFRS 16 before the effective date. IFRS 16 replaces the previous leases Standard, IAS 17 "Leases", and related Interpretations.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

For Concentric, total assets and liabilities are expected to increase as a result of recognising leases on the balance sheet that are now classified as operational leases. This will affect operating income positively since the entire leasing fee for the period will not be included in operating income on leases that are currently classified as operational. However, depreciation and financial expenses will increase. Concentric currently does not have sufficient data to present a quantitative impact analysis. The effects upon transitioning to IFRS 16 will also depend on which of the various transition options that Concentric choose to apply.

Amendments to IAS 7 "Statement of cash flows" will be applied in the 2017 annual report and onwards. Disclosures will be added regarding changes in financial liabilities that relate to financing activities, specifying for instance new loans, repayment of loans, investments/divestments of subsidiaries and foreign currency gains and losses.

None of the other IFRS and IFRIC interpretations that have not yet been endorsed are expected to have a 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 on pages 77–78).

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.

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

The Group's recognised net sales pertain mainly to revenues from sales of goods. Net sales are, if the occasion arises, reduced by the value of discounts granted and by returns. Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to external parties, normally when the goods are delivered to the customer.

f) Leases

Lessee

Leasing is classified in the consolidated financial statements as either finance or operating leases, depending on whether the company retains substantially all the risks and benefits associated with ownership of the underlying asset. A requirement for the reporting of financial leasing is that the fixed asset be posted as an asset item in the balance sheet and that the leasing obligation be recognised as a liability 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. Leasing agreements which are not financial are operating leases. No asset or liability items are recognised in the balance sheet in the case of operating leases. The lease payments of operating leases are expensed in the income statement on a straight-line basis over the term of the lease.

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

The Group classifies its financial instruments in the following categories:

Financial assets valued at fair value through profit or loss; loans and receivables; financial instruments held to maturity, and; financial assets available for sale. The classifications are based on the purpose of the acquired instrument. Management determines the classification of the instruments when they are first recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with established or determinable payments that are not listed on an active market. They occur when the Group supplies money, products or services directly to the customer without intending to trade the resulting claim. They are included in current assets, with the exception of items with due dates more than 12 months after the balance sheet date, which are classified as fixed assets. Financial assets in this category are recognised in the balance sheet at amortised cost.

Financial liabilities

Current and long-term interest-bearing liabilities are recognised in the balance sheet at amortised cost using the effective interest rate method.

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost and 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.

Recognition of 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 reversed 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, financial assets that are held for trade and financial assets that are held for sale) 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. A receivable is recognised when the company has performed and a contractual obligation exists for the other party to pay, even if the bill has not been sent. 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. Accounts payable is recognised when the invoice is received. A financial asset is removed from the balance sheet when the rights are realised, expires or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or otherwise extinguished. The same applies to part of a financial liability.

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. Purchases and sales of financial assets are recognised on the trade date. Trade date is the date on which the company commits to purchase or sell the asset.

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

Receivables are recorded to the amount that, after an individual assessment, are expected to be paid. The need for a provision is reviewed on an ongoing basis and is recognised when there is objective evidence that the due amounts will not be collected in full. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, negligence in making payments and the aging schedule of the debtor balances are indicators that the receivable is impaired.

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 2012–2016 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 on pages 79–80. 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.

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 2016, the total goodwill amounted to MSEK 615 (631). 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 226 (207) and to Europe and RoW segment amounts to MSEK 389 (424). The 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 6.6 percent (6.6) was used for the Europe and RoW segment and 6.9 percent (6.5) was used for the Americas segment. This corresponds to WACC before tax of 9.1 percent (9.0) for Europe and RoW segment, and 9.5 percent (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 percent (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 2016 did not reveal any need to impair goodwill. A reasonably 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 47 (29) and represented 2.3 (1.2) percent of net sales as of December 31, 2016.

Pensions

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounted to MSEK 560 (564) at year-end 2016. The principal assumptions are described in Note 25 on pages 88–91. At 31 December 2016, there was a decrease in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in UK and Germany, 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 percent change in the rates assumed. Our actuaries estimate that a 0.5 percent increase in the assumed discount rates used would decrease the present value of the Group´s defined benefit obligations by approximately MSEK 155 (142). Conversely, a 0.5 percent decrease in the assumed discount rates used would increase the present value of the Group´s estimated pension obligations by approximately MSEK 174 (160). Since the Group´s UK companies account for approximately 73 percent (73) of the Group´s total estimated defined benefit obligations, fluctuations in the UK discount rate would have the greatest impact.

Note 4 Segment Reporting

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. The Europe and the RoW segment comprise the Group's operation 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.

No single customer accounts for more than 20 percent of the comprehensive income of the Group as a whole. The top two customers for the group contributed net sales in 2016 of MSEK 340 (392), or 17.0 percent (15.7) and MSEK 302 (374) or 15.1 percent (15.0) respectively. These two customers were supplied from both the Americas and Europe & ROW operating segments. The location of the customer forms the basis of sales by geographic area.

	2016	2015
Americas		
External net sales	988	1,205
Total net sales	1,009	1,231
Operating income	147	163
Operating margin (based on external sales), %	14.9	13.5
Operating margin (based on total sales), %	14.6	13.2
Assets	598	625
Liabilities	307	299
Capital employed	343	401
Return on capital employed, %	38.4	44.0
Net investments	4	13
Depreciation, amortisation and impairment losses	27	14
Number of employees, average	375	407

	2016	2015
Europe & RoW		
External net sales	1,199	1,292
Total net sales	1,288	1,398
Operating income	197	222
Operating margin (based on external sales), %	16.4	17.2
Operating margin (based on total sales), %	15.3	15.9
Assets	1,243	1,316
Liabilities	657	633
Capital employed	824	868
Return on capital employed, %	23.6	22.9
Net investments	8	12
Depreciation, amortisation and impairment losses	62	60
Number of employees, average	696	741

	2016	2015
Eliminations and unallocated items[1]		
Elimination of sales	–183	–191
Operating income	–3	–4
Assets	195	65
Liabilities	215	222
Capital employed	–84	–15
Net investments	–	–
Depreciation, amortisation and impairment losses	–1	–
Number of employees, average	–60	–60

	2016	2015
Group		
Net sales	2,004	2,306
Operating income	341	381
Operating margin, %	17.0	16.5
Assets	2,036	2,006
Liabilities	1,179	1,154
Capital employed	1,083	1,254
Return on capital employed, %	28.9	28.8
Net investments	12	25
Depreciation, amortisation and impairment losses	88	74
Number of employees, average	**1,011**	**1,088**

[1] Eliminations and unallocated items include the elimination of the effects of using the proportional method for joint arrangements in the segment reporting for Europe & RoW. See also note 2 section c) Consolidation on page 71.

	2016	2015
Operating income (EBIT) per operating segment		
Americas	147	163
Europe & RoW	197	222
Not broken down by segments	–3	–4
Total operating income (EBIT)	**341**	**381**
Financial net	–23	–18
Earnings before tax	**318**	**363**

	2016	2015
Sales by customer location – geographic area		
Total USA	918	1,110
Rest of North America	20	24
South America	52	72
Germany	326	355
UK	124	167
Sweden	100	105
Rest of Europe	335	339
Asia	126	129
Other	3	5
Total	**2,004**	**2,306**

	2016	2015
Total net sales per product group		
Concentric branded Engine products	1,080	1,271
LICOS branded Engine products	158	142
Alfdex branded Engine products	182	191
Total Engine products	1,420	1,604
Total Hydraulics products	766	893
Eliminations	–182	–191
Total Group	**2,004**	**2,306**

	2016	2015
Tangible assets by operating location		
USA	46	51
Germany	38	43
UK	39	60
South America	11	14
Other	16	19
Total Group	**150**	**187**

	2016	2015
Intangible assets by operating location		
USA	321	307
Germany	77	78
UK	479	552
Total Group	**877**	**937**

Note 5 Costs distributed by type

	2016	2015
Direct material costs	984	1,180
Personnel costs	442	486
Depreciation and amortisation	88	74
Other operating costs, net	160	192
Total operating costs	**1,674**	**1,932**

Note 6 Average number of employees

	2016	2015
Women	164	193
Men	847	895
	1,011	**1,088**

Note 7 Salaries and other remuneration

	2016	2015
Salaries and remuneration	352	388
Pension costs	15	17
Social security costs	66	73
Other personnel costs	9	8
Total personnel costs	**442**	**486**

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to MSEK 26 (23). The Board of Directors, consists of 7 (7) members, of whom 2 (2) are women. For information on the individual remuneration paid to them and the CEO, refer to Note 8 for the Group below.

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

	2016					2015				
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										
Stefan Charette, Chairman	518	–	–	–	518	488	–	–	–	488
Marianne Brismar	248	–	–	–	248	235	–	–	–	235
Kenth Eriksson	297	–	–	–	297	285	–	–	–	285
Martin Lundstedt	248	–	–	–	248	235	–	–	–	235
Susanna Schneeberger	248	–	–	–	248	180	–	–	–	180
Martin Sköld	248	–	–	–	248	235	–	–	–	235
Claes Magnus Åkesson	322	–	–	–	322	310	–	–	–	310
Total Board of Directors	**2,129**	**–**	**–**	**–**	**2,129**	**1,968**	**–**	**–**	**–**	**1,968**

	2016					2015				
	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	5,124	2,079	1,690	90	8,983	4,578	3,301	6,698	542	15,119
Total President and CEO	**5,124**	**2,079**	**1,690**	**90**	**8,983**	**4,578**	**3,301**	**6,698**	**542**	**15,119**
Other senior executives[1]	10,702	2,810	1,395	530	15,437	11,709	4,195	3,713	902	20,519
Total	**15,826**	**4,889**	**3,085**	**620**	**24,420**	**16,287**	**7,496**	**10,411**	**1,444**	**35,638**

[1] Other senior executives consisted of 6 (6) people, of whom 1 (1) is a woman.

Note 8 (cont.) Incentive Programmes

Concentric AB Annual General Meeting 2013–2016 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 entitles them to acquire Concentric shares. The fair value of the options have 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 investment 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 on page 87.

Employee stock options	LTI 2016	LTI 2015	LTI 2014	LTI 2013
President and CEO	102,240	85,360	78,400	63,200
Other senior executives	84,932	38,240	23,520	52,160
Total stock options	**187,172**	**123,600**	**101,920**	**115,360**
Employee stock options	93,586	61,800	50,960	57,680
Performance stock option 1	46,793	30,900	25,480	28,840
Performance stock option 2	46,793	30,900	25,480	28,840
Total stock options (=Number of shares)	**187,172**	**123,600**	**101,920**	**115,360**
Criteria for performance stock option 1	2018 EPS ≥ SEK 10.00	2017 EPS ≥ SEK 7.50	2016 EPS ≥ SEK 6.00[1]	2015 EPS ≥ SEK 6.25[1]
Criteria for performance stock option 2	2016–18 Average ROE ≥ 25%	2015–17 Average ROE ≥ 25%	2014–16 Average ROE ≥ 20%[1]	2013–15 Average ROE ≥ 20%[1]
Number of senior executives	**6**	**3**	**5**	**5**
Conditioned by own investment of shares	**46,793**	**30,900**	**25,480**	**28,840**

Changes in number of stock options	2016	2015	2014	2013
Opening balance, 1 January	340,880	403,320	286,880	177,760
Granted	187,172	123,600	115,920	109,120
Granted LTI 2013 in 2014	–	–	20,520	–
Options LTI 2012 excercised in 2015	–	–157,760	–	–
Options LTI 2013 excercised in 2016	–115,360	–	–	–
Lapsed LTI 2012 in 2014	–	–	–20,000	–
Lapsed LTI 2013 in 2015	–	–14,280	–	–
Lapsed LTI 2014 in 2015	–	–14,000	–	–
Lapsed LTI 2015 in 2016	–	–	–	–
Closing balance, 31 December	**412,692**	**340,880**	**403,320**	**286,880**
Average exercise price, SEK	79.75	96.55	80.10	63.13
Average price per option, SEK	25.73	24.88	23.78	12.18
Risk free interest rate, %	0.00	0.00	0.98	0.98
Expected volatility[2], %	30.00	28.00	28.00	26.00
Assumed dividend during 3 year period, SEK	10.14	10.92	9.57	8.54
Average share price at grant date, SEK	103.50	115.50	99.25	68.00
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2016, MSEK	1.2	2.1	1.3	0.2
Annual cost of scheme, MSEK	2.0	2.1	1.3	0.6
Total cost of scheme spread across the 3 year vesting period, MSEK	**6.0**	**6.4**	**3.9**	**1.9**

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

	2016	2015
KPMG		
Audit assignments	3	3
Other assignments	–	–
	3	**3**

Note 10 Depreciation and Amortisation

	2016	2015
Cost of goods sold	38	43
Administrative costs	3	4
Product development costs	2	2
Other operating expenses	36	38
Impairment of tangible assets	9	–
Negative goodwill	–	–13
	88	**74**

Note 11 Other operating income and expenses

	2016	2015
Other operating income		
Revenue from tooling etc	6	12
Income from royalty from joint venture	40	43
Negative goodwill	–	13
Export incentives	6	10
Pension curtailment gains	39	–
	91	**78**

Other operating expenses		
Amortisation of acquisition related surplus values	36	39
Increase in restructuring reserve	26	12
Impairment of tangible assets	9	–
Acquisition-related cost	–	2
	71	**53**

Note 12 Financial items – Net

	2016	2015
Financial income		
Interest income, external	9	7
Foreign exchange rate gains, net	–	5
Total Financial income	**9**	**12**

Financial expenses		
Interest expenses, external	–3	–4
Pension financial expenses	–19	–24
Foreign exchange rate losses, net	–6	–
Other financial items, external	–4	–2
Total Financial expenses	**–32**	**–30**
Financial items – net	**–23**	**–18**

Note 13 Taxes

	2016	2015
Current tax	–50	–83
Deferred tax	–22	–9
Total income tax	**–72**	**–92**

Deferred taxes relates mainly to pensions, provisions, intangible fixed assets and tax losses.

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	2016	2015
Earnings before tax (MSEK)	318	363
Tax at applicable tax rate in Sweden, %	**–22**	**–22**
Effect of different tax rates in foreign countries of operation, %	–6	–7
Effect of changes in tax rates, %	–	–
Non-tax deductible expenses , %	–	–
Non-taxable income, %	6	5
Tax attributable to prior years, %	3	–
Changes in temporary differences without corresponding capitalisation of deferred tax, %	–4	–1
Other permanent differences, %	1	1
Other timing differences, %	–1	–1
Reported effective tax rate, %	**–23**	**–25**

Note 14 Earnings per share

	2016	2015
Net income for the year, KSEK	245,989	271,335
Basic weighted average number of shares	40,924,392	42,058,209
Adjustments for the option programmes	48,812	60,594
Diluted weighted average no of shares	**40,973,204**	**42,118,803**
Basic earnings per share, SEK	**6.01**	**6.45**
Diluted earnings per share, SEK	**6.00**	**6.44**

Note 15 Intangible fixed assets

	Goodwill	Other intangible assets[1]	Capitalised development costs	Total
Acquisition value				
Balance at 1 January 2015	617	573	34	1,224
Investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	19	17	–	36
Balance at 31 December 2015	**636**	**590**	**34**	**1,260**
Balance at 1 January 2016	636	590	34	1,260
Investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–16	–14	–	–30
Balance at 31 December 2016	**620**	**576**	**34**	**1,230**
Accumulated depreciation and amortisation, including write-downs[2]				
Balance at 1 January 2015	5	238	34	277
Depreciation and amortisation	–	41	–	41
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–	5	–	5
Balance at 31 December 2015	**5**	**284**	**34**	**323**
Balance at 1 January 2016	5	284	34	323
Depreciation and amortisation	–	37	–	37
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–	–7	–	–7
Balance at 31 December 2016	**5**	**314**	**34**	**353**
Carrying amounts				
As at 31 December 2015	**631**	**306**	**–**	**937**
As at 31 December 2016	**615**	**262**	**–**	**877**

[1] The acquisition value of other intangible assets of MSEK 576 (590) relates to Customer relationships and contracts of MSEK 340 (350), Brand MSEK 119 (122), Technology MSEK 96 (98) and other intangible assets MSEK 21 (20).
[2] Accumulated write-downs amounted to MSEK 32 (32)

Note 16 Tangible fixed assets

	Buildings and Leasehold buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
Acquisition value						
Balance at 1 January 2015	101	23	723	260	12	1,119
Investments	13	–	17	14	5	49
Sales/discards/reclassifications	–17	–1	–1	–	–	–19
Effect of movements in exchange rates	2	–	16	3	–	21
Balance at 31 December 2015	**99**	**22**	**755**	**277**	**17**	**1,170**
Balance at 1 January 2016	99	22	755	277	17	1,170
Investments	4	–	13	4	–8	13
Sales/discards/reclassifications	–	–	–3	–	1	–2
Effect of movements in exchange rates	6	1	2	8	–1	16
Balance at 31 December 2016	**109**	**23**	**767**	**289**	**9**	**1,197**
Accumulated depreciation and amortisation, including write-downs[1)]						
Balance at 1 January 2015	77	9	597	242	–	925
Depreciation and amortisation	5	1	32	8	–	46
Sales/discards/reclassifications	–11	–	–1	–	–	–12
Effect of movements in exchange rates	4	–	14	6	–	24
Balance at 31 December 2015	**75**	**10**	**642**	**256**	**–**	**983**
Balance at 1 January 2016	75	10	642	256	–	983
Depreciation and amortisation, including write-downs[2)]	5	1	38	7	–	51
Sales/discards/reclassifications	–	–	–3	–	–	–3
Effect of movements in exchange rates	5	–	3	8	–	16
Balance at 31 December 2016	**85**	**11**	**680**	**271**	**–**	**1,047**
Carrying amounts						
As at 31 December 2015	**24**	**12**	**113**	**21**	**17**	**187**
As at 31 December 2016	**24**	**12**	**87**	**18**	**9**	**150**

[1)] Accumulated write-downs amounted to MSEK 8 (–). [2)] For write downs see Note 10 and 11.

Note 17 Operational leases

The Group's payment for operational non-terminable leasing agreements fall due as follows:

	Premises		Machinery		Total	
	2016	2015	2016	2015	2016	2015
up to 1 year	17	15	4	9	21	24
2–5 years	40	35	9	9	49	44
more than 5 years	2	3	1	–	3	3
Total	**59**	**53**	**14**	**18**	**73**	**71**

Total leasing cost charged to income statement during 2016 totaled MSEK 25 (32). The leasing agreements primarily include rented premises and industrial machinery, but also includes computers, office equipment, and vehicles.

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.

	2016	2015
At 1 January	**102**	**101**
Income statement charge (note 13)	–22	–9
Tax charged directly to equity	16	14
Re-classification to current taxes	–3	–5
Exchange differences	–	1
At 31 December	**93**	**102**

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

2016	Assets	Liabilities	Net
Tax loss carry-forwards	25	–	25
Tangible fixed assets	1	–9	–8
Intangible assets	4	–	4
Provisions	16	–	16
Pension and similar obligations	129	–	129
Acquisition related surplus values	1	–71	–70
Other	–2	–1	–3
Netting	–45	45	–
Net deferred tax receivables/tax liabilities	**129**	**–36**	**93**

2015	Assets	Liabilities	Net
Tax loss carry-forwards	23	–	23
Tangible fixed assets	1	–8	–7
Intangible assets	7	–	7
Provisions	14	–	14
Pension and similar obligations	143	–	143
Acquisition related surplus values	–	–80	–80
Other	8	–6	2
Netting	–51	51	–
Net deferred tax receivables/tax liabilities	**145**	**–43**	**102**

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.

Unused tax losses and temporary differences for which no deferred tax asset is recognised amounted to MSEK 27 (24).

Note 19 Shares of net assets in joint venture

Company name	Corp. reg. no.	Reg'd office	Participations	%	2016	2015
Alfdex AB	556647–7278	Landskrona	50,000	50%	19	20

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.

	2016	2015
Income statement		
Net Sales	366	386
Cost of goods sold[1)]	–287	–328
Gross income	**79**	**58**
Operating expenses[1)]	–50	–44
Operating income	**29**	**14**
Financial items – net	–	–
Earnings before tax	**29**	**14**
Taxes	–7	–4
Net income for the year	**22**	**10**
[1)] Depreciation and amortisation in Income Statement	–4	–7

	2016	2015
Movement in shares of net assets in joint venture		
Share of net assets, Opening Balance	**20**	**28**
Share of net income in joint venture	11	5
Dividend	–12	–12
Remeasurement loss, pensions	–	–1
Share of net assets, Closing Balance	**19**	**20**
Elimination of internal gain, inventory	–	–
Book value, Closing Balance	**19**	**20**

	2016	2015
Balance sheet		
Fixed assets	9	10
Current assets	85	92
Cash and bank	19	18
Total assets	**113**	**120**
Equity	38	40
Pensions and similar obligations	5	2
Deferred tax liabilities	1	2
Current liabilities	69	76
Total equity and liabilities	**113**	**120**

	2016	2015
Share of net income in joint venture – Income Statement		
Share of net income in joint venture	11	5
Change in internal gain, inventory	–	2
Total share of net income in joint venture	**11**	**7**

Note 20 Inventories

	2016	2015
Raw materials	121	140
Semi-manufactured products	23	23
Finished products	28	38
	172	**201**

Note 21 Accounts receivable

	2016	2015
Accounts receivable, gross	161	168
Provision for doubtful receivables	–1	–2
Accounts receivable, net	**160**	**166**
Current receivable	139	133
Overdue receivable:		
1–30 days	19	26
31–60 days	1	4
> 60 days	1	3
Sum of overdue receivable	21	33
Accounts receivable, net	160	166

Provision for doubtful receivable		
Provision on January 1	2	2
Change in provision for anticipated losses, net	–1	–
Provision on December 31	**1**	**2**

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

Note 22 Other current receivables

	2016	2015
VAT	12	22
Tax receivables	18	15
Prepaid expenses and accrued income		
Rents and insurance	6	5
Accrued income	4	6
Other prepaid expenses	19	11
Derivative instruments	5	–
Other current receivables	22	29
	86	**88**

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 30 (37) are not included in Note 37 regarding financial assets.

Note 23 Cash and cash equivalents

	2016	2015
Bank accounts and cash	438	258

Note 24 Shareholders' equity

See also notes 8 and 14 for the Group on pages 79–80 and 82, and note 12 for the parent company on pages 103–104.

Share capital

Refers to the share capital in the parent company.

Additional contributed capital

Refers to equity contributed by the owners. Total contribution from Haldex AB during 2010–2011 was 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 contains 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 IAS39. 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 857 (852), resulting in a gearing ratio of 35 percent (57).

Cash dividend decided by the Annual General Meeting 2016 was SEK 3.25 (3.00) per share or total of MSEK 133.8 (127.2). 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 2016. This corresponds to an ordinary dividend of SEK 2.00 (2.25), which equates to around 33 percent (35) of the earnings per share, plus a special dividend of SEK 1.50 (1.00) associated with the Group´s strong financial position.

Annual General Meeting 2012–2016 have decided upon five 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 2016 Concentric AB sold 115,360 (157,760) of its own shares, representing 0.3 percent (0.4) of the share capital of the company.

During 2016 Concentric AB bought back 813,480 (1,369,315) of its own shares, representing 2.0 percent (3.2) of the shares of the company. The total number of holdings of its own shares at year-end 2016 was 1,088,616 (1,672,396), which represented 2.6 percent (3.9) of the total number of shares of the company. 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.

On 29 January, 2015, Concentric AB signed new financing agreements with its existing banks, securing a five year term loan for MSEK 175, that replaced the maturing bond facility on the same amount, and a three year multi-currency revolving credit facility for EUR million 60.

Some of the loan agreements 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 574 (548).

Note 25 Pensions and similar obligations

	2016	2015
Defined Benefit Plans	560	564

	Defined Benefit Obligation		Fair value of plan assets		Net defined benefit liability	
	2016	2015	2016	2015	2016	2015
Balance at 1 January	**2,023**	**2,020**	**–1,459**	**–1,452**	**564**	**568**
Included in Income Statement:						
Current Service Cost	12	13	–	–	12	13
Settlement	–39	–3	–	2	–39	–1
Interest Cost	72	77	–53	–56	19	21
	45	**87**	**–53**	**–54**	**–8**	**33**
Included in Other Comprehensive Income:						
Remeasurement loss (gain)	187	–54	–128	53	59	–1
Effect of movements in exchange rates	–112	45	100	–34	–12	11
	75	–9	–28	19	47	10
Other:						
Contributions paid by the employer	–	–	–43	–46	–43	–46
Benefits paid	–86	–75	86	74	–	–1
	–86	–75	43	28	–43	–47
Balance at 31 December	**2,057**	**2,023**	**–1,497**	**–1,459**	**560**	**564**
Represented by plans in:						
Sweden	39	39	–	–	39	39
Germany	189	169	–81	–75	108	94
UK	1,494	1,480	–1,207	–1,206	287	274
USA	335	335	–209	–178	126	157
Balance at 31 December	**2,057**	**2,023**	**–1,497**	**–1,459**	**560**	**564**

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, UK 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 plan assets were MSEK 59 (gain 1) during 2016.

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 53 (56), while the actual return was MSEK 72 (77). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Sweden pension plans

There are 3 different defined benefit plans in Sweden, of which 2 minor plans correspond to 11 percent (13) 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 2016 the Defined Benefit Obligation ("DBO") amounted to MSEK 39 (39), corresponding to 2 percent (2) of the Group's total obligations.

The average duration of the DBO at the period ending 31 December 2016 is 19 (19) years.

The best estimate of pensions to be paid by the group for the year commencing 1 January 2017 is MSEK 1 (1).

Germany pension plan

This defined benefit plan is a direct pension promise according to the German Company Pensions Act. 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. In December 2016, the Group gave notice of its intention to close the plan to further service accrual, effective from 31 March 2017.

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 the 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.

A curtailment gain amounting to MSEK 7 (nil) was recognised in 2016 relating to those members made redundant as part of the restructuring plan, effective 31 December 2016. There were no curtailment gains arising from the notice to close the plan to further service accrual.

As of 31 December 2016 the DBO amounted to MSEK 189 (169), corresponding to 9 percent (8) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 81 (75). Net defined benefit liability amounted to MSEK 108 (94).

The average duration of the DBO at the period ending 31 December 2016 is 20 (20) years.

The best estimate of contributions to be paid by the Group to the plan for the year commencing 1 January 2017 is MSEK 5 (4).

UK pension plans

The Group sponsors two defined benefit plans, which are separately funded and provide benefits 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. 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.

There have been no plan amendments, curtailments or settlements in the accounting period.

As of 31 December 2016 the DBO amounted to MSEK 1,494 (1,480), corresponding to 73 percent (73) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 1,207 (1,206). Net defined benefit liability amounted to MSEK 287 (274).

The average duration of the DBO at the period ending 31 December 2016 is 18 (15) years.

The best estimate of regular contributions to be paid by the Group to the plans for the year commencing 1 January 2017 is MSEK 31 (29). In addition, the Group agreed to make an additional deficit contribution of MSEK 6 (nil) to the plans in January 2017.

USA pension plans

During 2016 the Group sponsored 3 (3) different defined benefit plans in the USA which comprised both pensions and other post retirement benefits.

In September 2016, the Group gave notice of its intention to close the Retiree Health Plan ("RHP"), effective 31 December 2016.

The Defined Benefit Pension Plan ("DBPP") is equivalent to 99 percent (90) of the total pension liability, the Supplementary Executive Retirement Plan ("SERP") corresponds to 1 percent (1) and the closed RHP corresponded earlier to 9 percent. All plans are frozen in the sense that no new participants are allowed to enter the plans.

The benefits provided under the DBPP 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 design controls the growth of benefit obligations very carefully. The number of participants in the RBPP has been declining since 2006 as beneficiaries pass away and some active participants leave employment.

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

The DBPP 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. Virtually all investments are made in highly diversified, passively managed mutual funds. The investment manager consults every month with the 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.

A curtailment gain amounting to MSEK 32 (nil) was recognised in 2016 following the closure of the RHP, effective 31 December 2016. There have been no other amendments or settlements in the plans during the accounting period.

As of 31 December 2016 the DBO amounted to MSEK 335 (335), corresponding to 17 percent (17) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 209 (178). Net defined benefit liability amounted to MSEK 126 (157).

The average duration of the DBO at the period ending 31 December 2016 is 14 (15) years.

The best estimate of contributions to be paid by the Group to the plans for the year commencing 1 January 2017 is MSEK 12 (11).

Total pension costs	**2016**	**2015**
Pensions vested during the period	12	13
Interest on obligations	72	77
Calculated return on plan assets	–53	–56
Settlement	–39	–1
Pension costs, defined-benefit plans	**–8**	**33**
Pension costs, defined-contribution plans	3	4
Total pension costs	**–5**	**37**

					Total	
DBO remeasurement losses (gain) arising from	**Sweden**	**Germany**	**UK**	**USA**	**2016**	**2015**
Experience adjustment	–	–1	–23	–6	–30	–13
Demographic assumptions	–1	–	–60	–	–61	3
Financial assumptions	2	15	257	4	278	–44
Total DBO remeasurement losses (gains)	**1**	**14**	**174**	**–2**	**187**	**–54**

	Defined Benefit Obligation				**Total**	
Members, percent	**Sweden**	**Germany**	**UK**	**USA**	**2016**	**2015**
Active members	6	53	–	20	8	8
Deferred members	66	7	52	40	46	49
Pensioners	28	40	48	40	46	43

	Fair value of plan assets				**Total**	
Instruments	**Sweden**	**Germany**	**UK**	**USA**	**2016**	**2015**
Equity instruments[1]	–	–	609	115	724	709
Debt instruments[1]	–	–	238	78	316	304
Property[1]	–	–	82	12	94	97
Cash and cash equivalents	–	–	63	2	65	34
SUM	**–**	**–**	**992**	**207**	**1,199**	**1,144**
Insurance policies	–	81	215	2	298	315
Total	**–**	**81**	**1,207**	**209**	**1,497**	**1,459**

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

Actuarial assumptions 2016, percent	Sweden	Germany	UK	USA
Discount rate	2.60	1.85	2.80	4.25
Recognised salary increase	2.50	2.00	N/A	N/A
Recognised inflation	1.50	1.85	2.30	2.00
Turnover, personnel	2.00	1.60	N/A	N/A

Actuarial assumptions 2015, percent	Sweden	Germany	UK	USA
Discount rate	3.00	2.30	3.90	4.34
Recognised salary increase	2.50	2.00	N/A	N/A
Recognised inflation	1.50	1.85	2.10	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 2016	Sweden		Germany		UK		USA	
Defined Benefit Obligation	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	–2.9	3.3	–17.4	20.2	–112.4	126.6	–21.9	24.3
Future salary growth (0.5% movement)	0.6	–0.5	4.9	–4.5	N/A	N/A	N/A	N/A
Future pension growth (0.5% movement)	2.9	–2.6	13.0	–11.9	23.0	–20.8	N/A	N/A
Future mortality (+/– 1 year)	1.3	–1.3	8.1	–8.3	50.8	–50.3	0.9	–0.9

Note 26 Maturity analysis for financial liabilities

Nominal amount	0–6 months 2016	0–6 months 2015	7–12 months 2016	7–12 months 2015	13–60 months 2016	13–60 months 2015	>60 months 2016	>60 months 2015	Total 2016	Total 2015
Term loan	–	–	–	–	175	175	–	–	175	175
Loans related to finance leases	–	–	1	–	1	1	–	2	2	3
Other long-term liabilities	–	–	–	–	4	3	–	–	4	3
Short-term interest-bearing liabilities	1	4	–	–	–	–	–	–	1	4
Short-term loans payable to associated companies	–	–	–	–	–	–	–	–	–	–
Derivative liabilities	–	–	–	–	–	–	–	–	–	–
Accounts payable	183	194	–	–	–	–	–	–	183	194
Other current liabilities	108	90	–	–	–	–	–	–	108	90
	292	**288**	1	–	**180**	**179**	–	**2**	**473**	**469**
Expected total future interest payments	1	1	2	2	5	8	–	–	8	11

Note 27 Long-term interest-bearing liabilities

	2016	2015
Term loan	175	175
Loans related to finance leases	2	3
	177	**178**

For further details see note 15 for the Parent Company on page 104.

Note 28 Short-term interest-bearing liabilities

	2016	2015
Other short-term loans	1	4
	1	**4**

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

Note 29 Short-term loans payable to associated companies

	2016	2015
Accounts payable to Alfdex AB	–	–
Loans to Alfdex AB	–	–
	–	**–**

Note 30 Other provisions

	Acquisition related provisions	Provision for share based payments	Total long-term provisions
Opening balance January 1, 2016	**5**	**2**	**7**
Provisions	–	5	5
Utilisation of provision	–	–4	–4
Exchange rate differences	–1	–	–1
December 31, 2016	**4**	**3**	**7**

	Warranty reserves	Restructuring reserves	Total short-term provisions
Opening balance January 1, 2016	**29**	**3**	**32**
Provisions	30	15	45
Utilisation of provision	–14	–1	–15
Exchange rate differences	2	–	2
December 31, 2016	**47**	**17**	**64**

Note 31 Other liabilities

	2016	2015
Liabilities for VAT and social security costs	2	7
Tax liabilities	37	32
Derivative instruments	–	–
Accrued expenses:		
Personnel costs	43	45
Other accrued expenses	46	39
Other current liabilities	19	6
	147	**129**

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 39 (39) are not included in Note 26 and 37 related to financial liabilities.

Note 32 Pledged assets and contingent liabilities

	2016	2015
Contingent liabilities	1	1

Note 33 Reversal of other non-cash items

	2016	2015
Reversal of financial pension expenses	19	24
Reversal of curtailment gains, pensions	–39	–
Provision to/Release of restructuring reserve	15	–2
Reversal of cost for LTI-schemes	5	3
Reclassification of acquisition cost subsidiary	–	2
Other	–2	–
	–2	**27**

Note 34 Investments in subsidiaries

There were no acquisitions or divestments during 2016. On 30 January 2015, Concentric completed the acquisition of the entire share capital of GKN Sinter Metals de Argentina SA ("GKN Pumps"), a supplier of engine pumps in South America, strengthening Concentric's presence in the region. GKN Pumps has a production facility in Chivilcoy, Argentina, providing an important foothold in the Mercosur trade bloc, thereby enabling further penetration of the South American market.

The total purchase consideration paid for the shares in GKN Pumps was MSEK 20, settled in cash. Concentric also incurred acquisition-related legal and advisory costs of MSEK 2 which were expensed in the income statement. In addition, the fair values of the identifiable assets acquired and the liabilities assumed included MSEK 12 of cash. As a result, the net cash outflow arising from investments in subsidiaries in 2015 was MSEK 10.

The acquisition resulted in negative goodwill of MSEK 13.

Fair value of assets and liabilities acquired in aggregate of MSEK 70 and MSEK 37 respectively.

No adjustments have been made to fair values presented in the Annual Report 2015.

Note 35 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 on page 100.

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. During 2012–2016, the AGM have decided upon five long-term incentive plans for the management and key personnel.

Note 36 Events after balance-sheet date

There were no significant post balance sheet events to report.

Note 37 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 IAS39. For a description of the Group's exposures to financial risks, and its financial risk management, please see pages 61–62 in the Board of Directors' report.

	Note	Derivatives used for hedging 2016	Derivatives used for hedging 2015	Loans and receivables 2016	Loans and receivables 2015	Total 2016	Total 2015
Financial assets at fair value							
Other current receivables							
– Foreign currency derivatives	22	5	–	–	–	5	–
Financial assets not at fair value							
Long-term receivables		–	–	5	4	5	4
Accounts receivable	21	–	–	160	166	160	166
Other current receivables	22	–	–	50	51	50	51
Cash and cash equivalents	23	–	–	438	258	438	258
Total financial assets		**5**	**–**	**653**	**479**	**658**	**479**

	Note	Derivatives used for hedging 2016	Derivatives used for hedging 2015	Financial liabilities at amortised cost 2016	Financial liabilities at amortised cost 2015	Total 2016	Total 2015
Financial liabilities at fair value							
Other current liabilities							
– Foreign currency derivatives	31	–	–	–	–	–	–
Financial liabilities not at fair value							
Long-term interest-bearing liabilities	27	–	–	177	178	177	178
Other long-term liabilities		–	–	4	3	4	3
Short-term interest-bearing liabilities	28	–	–	1	4	1	4
Short-term loans payable to associated companies	29	–	–	–	–	–	–
Accounts payable	26	–	–	183	194	183	194
Other current liabilities	31	–	–	108	90	108	90
Total financial liabilities		**–**	**–**	**473**	**469**	**473**	**469**

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 instituition that is the counterparty to each contract.

Note 38 Alternative performance measures

	2016	2015
EBIT or Operating income	**341**	**381**
Negative goodwill related to the acquisition of GKN Pumps[1)]	–	–13
Restructuring cost and acquisition related expenses	26	14
Impairment of tangible assets	9	–
Curtailment gains, pensions	–39	–
Underlying EBIT or operating income	**337**	**382**
EBIT or Operating margin (%)	17.0	16.5
Underlying EBIT or Operating margin (%)[2)]	16.8	16.6

1) Negative goodwill had no tax related entries.
2) Underlying EBIT or Operating margin have been chosen as alternative performance measures as they better reflect the underlying performance of the business.

Parent company income statement

	Note	2016	2015
Net sales	2	43	45
Other operating income	2	21	–
Operating costs	2, 3, 4	–20	–20
Operating income		**44**	**25**
Income from shares in subsidiaries	5	132	116
Income from shares in joint venture	5	12	12
Interest income and similar items	5	2	3
Interest expenses and similar items	5	–58	–40
Financial items – net		**88**	**91**
Earnings before tax		**132**	**116**
Taxes	6	1	3
Net income for the year		**133**	**119**

Statement of comprehensive income in parent company

	2016	2015
Net income for the year	133	119
Other comprehensive income	–	–
Total comprehensive income	**133**	**119**

Parent company balance sheet

	Note	2016	2015
ASSETS			
Shares in subsidiaries	7	2 433	2,414
Shares in joint venture	8	10	10
Long-term loans receivable from subsidiaries	9	8	29
Deferred tax assets	6	24	23
Total financial fixed assets		**2,475**	**2,476**
Other current receivables	10	3	3
Short-term loans receivable from subsidiaries		80	80
Cash and cash equivalents	11	249	103
Total current assets		**332**	**186**
Total assets		**2,807**	**2,662**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share Capital	12	97	97
Total restricted equity		**97**	**97**
Retained earnings		997	1,090
Total comprehensive income		133	119
Total unrestricted equity	20	**1,130**	**1,209**
Total Shareholders' equity		**1,227**	**1,306**
Pensions and similar obligations	13	18	17
Long-term interest-bearing liabilities	14, 15	175	175
Long-term loans payable to subsidiaries	14	1 362	1,136
Total long-term liabilities		**1,555**	**1,328**
Accounts payable	14	1	1
Short-term loans payable to subsidiaries	14	18	19
Other current liabilities	14, 16	6	8
Total current liabilities		**25**	**28**
Total equity and liabilities		**2,807**	**2,662**

Changes in shareholders' equity in parent company

	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2015	**97**	**1,351**	**1,448**
Net income for the year	–	119	119
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**119**	**119**
Transactions with shareholders			
Dividend	–	–127	–127
Sale of own shares to satisfy LTI 2012 options exercised	–	8	8
Buy-back own shares	–	–142	–142
Total transactions with shareholders	**–**	**–261**	**–261**
Closing balance at December 31, 2015	**97**	**1,209**	**1,306**

	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2016	**97**	**1,209**	**1,306**
Net income for the year	–	133	133
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**133**	**133**
Transactions with shareholders			
Dividend	–	–134	–134
Sale of own shares to satisfy LTI 2013 options exercised	–	7	7
Buy-back own shares	–	–85	–85
Total transactions with shareholders	**–**	**–212**	**–212**
Closing balance at December 31, 2016	**97**	**1,130**	**1,227**

Parent company cash flow statement

	Note	2016	2015
Cash flow from operating activities			
Earnings before tax		132	116
Reversal of non-cash items	18	46	41
Cash flow from operating activities before changes in working capital		**178**	**157**
Change in working capital			
Current receivables		–	–2
Current liabilities		–2	–4
Change in working capital		**–2**	**–6**
Cash flow from operating activities		**176**	**151**
Cash flow from investing activities			
Investments in subsidiaries	19	–19	–19
Cash flow from investing activities		**–19**	**–19**
Cash flow from financing activities			
Dividend		–134	–127
Buy-back own shares		–85	–142
Sale of own shares		7	8
New loans received		31	223
Repayment of loans		–31	–230
New loans from subsidiaries		201	121
Cash flow from financing activities		**–11**	**–147**
Cash flow for the period		**146**	**–15**
Cash and bank assets, opening balance		103	118
Cash and bank assets, closing balance		**249**	**103**

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, 2016 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 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

Due to the connection between accounting and taxation, the rules for financial instruments and hedge accounting in IAS 39, is not applied for in the parent company as a legal entity. 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.

d) Pension obligations

Pensions are recognised according to Tryggandelagen in the parent company, but according to IAS 19 for the Group.

Note 2 Net sales/Other operating income

Inter-company transactions/ Related party transactions

Of the parent company's net sales, MSEK 43 (45) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 4 (5).

All transactions in the parent company with related parties occur on commercial market terms. See also note 34 for the Group on page 94.

Insurance compensation

During the year, the company has received insurance compensation of MSEK 21 for a customer claim.

Note 3 Auditing fees

	2016	2015
Audit assignments, KPMG	1	1
	1	**1**

Note 4 Salaries and other remuneration

	2016	2015
Salaries and remuneration	3.8	3.5
of which Board of Directors	2.1	2.0
Social security costs	1.6	0.6
of which pension costs	0.5	–0.5
Other personnel cost	0.1	0.4

The Board of Directors, consists of 7 members (7), of whom 2 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 2 (2).

The CEO is employed by Concentric Pumps Ltd (formerly Plc) 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 MSEK 4 (5).

Provision according to Tryggandelagen was 0.2 MSEK (negative 0.7). See also Note 13, Pensions, on page 104.

Note 5 Financial items – Net

	2016	2015
Income from shares in subsidiaries		
Group contribution from subsidiaries	7	–
Dividend from Concentric Finance 2 Ltd	125	99
Dividend from Concentric Skånes Fagerhult AB	–	17
	132	**116**
Income from shares in associated companies		
Dividend from Alfdex AB	12	12
Interest income and similar items		
Interest income, external	–	–
Interest income from subsidiaries	2	3
	2	**3**
Interest expenses and similar items		
Interest expenses, external	–3	–3
Interest expenses to subsidiaries	–	–
Foreign exchange rate gains/losses	–52	–34
Pension financial expenses	–1	–1
Other financial items, external	–2	–2
	–58	**–40**
Financial items – net	**88**	**91**

Note 6 Taxes

	2016	2015
Current tax	–	–
Deferred tax	1	3
Total income tax	**1**	**3**
Reconciliation of effective tax rate		
Earnings before tax	132	116
Tax at applicable tax rate, %	–22	–22
Non taxable dividend from subsidiaries and associated companies, %	23	24
Non-tax deductible write-downs in subsidiaries, %	–	–
Non-tax deductible expenses, %	–	–
Reported effective tax rate, %	**1**	**2**
Total deferred tax assets related to tax loss carried forward	24	23

Deferred tax assets are recognized for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. Calculated tax losses for 2016 amounted to MSEK 24 (23).

Note 7 Shares in subsidiaries

Company name	Corp, Reg. No.	Reg'd office	Participations	%	2016	2015
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	38	19
Concentric US Finance 2 Ltd		UK	100	100	817	817
Concentric Skånes Fagerhult AB	556105-8941	Örkelljunga, Sweden	30,000	100	22	22
Concentric Innovations AB	556908-4535	Stockholm, Sweden	50,000	100	–	–
Concentric SAS		France	10	100	–	–
Concentric Korea LLC		South Korea	12,000	100	–	–
Concentric Srl		Italy	10,000	100	–	–
					2,433	**2,414**

Indirect Investments in principal trading subsidiaries

Company name	Reg'd office	%
Concentric Itasca, Inc.	US	100
Concentric Rockford, Inc.	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	2016	2015
Opening balance, acquisition value	2,420	2,401
Concentric Argentina Ltd	19	19
Closing Balance, acquisition value	**2,439**	**2,420**
Opening balance, write-downs	– 6	– 6
Closing Balance, write-downs	**–6**	**–6**
Closing Balance, carrying amount	**2,433**	**2,414**

Note 8 Shares in associated companies

Company name	Corp, Reg. No	Reg'd office	Participations	%	2016	2015
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 percent 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 2016 is MSEK 11 (7) and share of equity per year-end 2016 is MSEK 19 (20). See also Note 19 for the Group on page 85.

Note 9 Long-term loans receivable from subsidiaries

	2016	2015
Total loans	8	29
of which reported as short-term loans	–	–
Long-term loans	**8**	**29**

The loans relate primarily to USD-loans amounting to 540,000 (1,190,000). Maturity date 31 July 2018. New USD-loans during the year amounted to 1,450,000. A total amount of USD 2,100,000 have been converted to equity in subsidiary.

There is also a GBP-loan amounting to 175,000 (1,500,000) per 31 December 2016. The loan has been repaid during the year with GBP 1,325,000. Maturity date 29 January 2020.

The balance sheet item consists also of two minor loans of EUR 100,000 (100,000). Maturity date 29 January 2020.

The interest rate on the GBP loan was 2.25 percent (2.5), USD-loan 6.8 percent (6.1) and on the EUR-loans 1.5 percent (2.0) as of 31 December 2016. Average rates during the year on the GBP loan was 2.4 percent (2.8) and on the EUR-loans 1.7 percent (2.3).

Average rates during the year on the new USD-loan was 6.4 percent (6.1).

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

Note 10 Other current receivables

	2016	2015
Other prepaid expenses	3	3
	3	**3**

Note 11 Cash and cash equivalents

	2016	2015
Bank accounts and cash	249	103

Note 12 Share capital

See also note 14, Earnings per share, and note 24, Shareholder´s equity, for the Group on pages 82 and 87 respectively.

Changes in share capital	Number of shares	Quota value	Total
Opening balance January 1, 2010	–	–	–
At incorporation	500	100.00	50,000
December 31, 2010	**500**	**100.00**	**50,000**
Bonus share issue April 18, 2011	44,215,470	2.20	97,225,134
December 31, 2011–2014	**44,215,970**	**2.20**	**97,275,134**
Retirement of repurchased own shares April 9, 2015	–1,363,470	2.20	–2,999,634
Bonus share issue April 9, 2015	–	–	2,999,675
December 31, 2015	**42,852,500**	**2.27**	**97,275,175**
Retirement of repurchased own shares April 6, 2016	–1,281,900	2.27	–2,909,913
Bonus share issue April 6, 2016			2,909,942
December 31, 2016	**41,570,600**	**2.34**	**97,275,204**
Number of outstanding shares			
Number of registered shares December 31, 2011	44,215,970	–	–
Buy-back of own shares 2012	–323,603	–	–
Number of outstanding shares December 31, 2012	**43,892,367**	**–**	**–**
Sale of own shares for acquiring subsidiary	64,308	–	–
Number of outstanding shares December 31, 2013	**43,956,675**	**–**	**–**
Buy-back of own shares 2014	–1,565,016	–	–
Number of outstanding shares December 31, 2014	**42,391,659**	**–**	**–**
Sale of own shares to satisfy LTI 2012 options exercised	157,760	–	–
Buy-back of own shares 2015	–1,369,315	–	–
Number of outstanding shares December 31, 2015	**41,180,104**	**–**	**–**
Sale of own shares to satisfy LTI 2013 options exercised	115,360	–	–
Buy-back of own shares 2016	– 813,480	–	–
Number of outstanding shares December 31, 2016	**40,481,984**	**–**	**–**

	2016	2015
Number of average outstanding shares	**40,924,392**	**42,058,209**
Number of shares adjusted for ongoing option programs	48,812	60,594
Number of average outstanding shares, after dilution	**40,973,204**	**42,118,803**

The cash dividend decided by the Annual General Meeting 2016 was SEK 3.25 (3.00) per share or total of MSEK 133.8 (127.2). The AGM 2016 also resolved to retire 1,281,900 of the company´s own repurchased shares. During 2016 Concentric AB sold 115,360 (157,760) of its own shares, representing 0.3 percent (0.4) of the shares of the company.

During 2016 Concentric AB bought back 813,480 (1,369,315) of its own shares, representing 2.0 percent (3.2) of the shares of the company. The total number of holdings of its own shares at year-end 2016 was 1,088,616 (1,672,396), which represented 2.6 percent (3.9) of the total number of shares of the company.

Annual General Meeting 2012–2016 have decided upon five 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

	2016	2015
FPG/PRI pension plan	18	17

	2016	2015
Opening Balance, 1 January	**17**	**18**
Provision according to Tryggandelagen, Personnel cost	1	–1
Provision according to Tryggandelagen, Financial cost	1	1
Payment	–1	–1
Closing Balance, 31 December	**18**	**17**

Pension obligation is a defined-benefit plan and is recognised according to Tryggandelagen.

In 2015 the provision was negative due to transfer of employees to Concentric Innovations AB. See also note 4, Salaries and other remuneration, on page 100.

Note 14 Maturity analysis for financial liabilities

	0–6 months		7–12 months		13–60 months		>60 months		Total	
Nominal amount	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Pensions and similar obligations	–	–	–	–	–	–	18	17	18	17
Term loan	–	–	–	–	175	175	–	–	175	175
Long-term loans payable to subsidiaries	–	–	–	–	–	–	1,362	1,136	1,362	1,136
Short-term loans payable to subsidiaries	18	19	–	–	–	–	–	–	18	19
Accounts payable and other current liabilities	5	4	–	–	–	–	–	–	5	4
	23	**23**	**–**	**–**	**175**	**175**	**1,380**	**1,153**	**1,578**	**1,351**
Expected total future interest payments	1	1	2	2	5	8	–	–	8	11

Note 15 Long-term interest-bearing liabilities

	2016	2015
Term loan	175	175

On 29 January, 2015, Concentric AB signed new financing agreements with its existing banks, securing a five year term loan for MSEK 175, to replace the maturing bond facility, and a three year multi-currency revolving credit facility for approximately MSEK 548. The interest rate on the Term loan was 1.50 percent (1.50) as of 31 December 2016. The average interest rate on the liability during 2016 was 1.57 percent (1.51).

The amount of available unused credit facilities at year-end was EUR million 60 (60), or about MSEK 574 (548).

Note 16 Other current liabilities

	2016	2015
Accrued interest cost	1	–
Other accrued expenses	3	3
VAT	2	5
	6	**8**

Liabilites for VAT of MSEK to (5) are not included in note 14 related to financial liabilities.

Note 17 Contingent liabilities

	2016	2015
General collateral guarantee for subsidiaries		
Loan	53	44
Operational leasing commitment	54	49
	107	**93**

The above commitments are not expected to result in any payments. General guarantee regarding the loan is for the operations in China and Argentina. The leasing commitments are for the operations in Rockford and Itasca in the US.

Note 18 Reversal of non-cash items

	2016	2015
Financial exchange rate differences	52	34
Change in dividend receivable	–6	7
	46	**41**

Note 19 Investments in subsidiaries

	2016	2015
Investments in Concentric Argentina Ltd.	–19	–19
Net investments	**–19**	**–19**

Concentric Argentina Limited was formed in 2015 for the investment in Chivilcoy, Argentina. The acquisition value amounted to MSEK 19. During 2016 an additional capital contribution of MSEK 19 has been made. See also note 34 for the Group on page 94.

Note 20 Proposed Appropriation of Earnings

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

Amounts in KSEK	
Profit brought forward	996,739
Net income for the year	132,915
Total	**1,129,654**

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

Amounts in KSEK	
Dividend of 3.50 per share to shareholders	141,687
Carried forward	987,967
Total	**1,129,654**

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 8 March, 2017

Stefan Charette
Chairman of Board

Marianne Brismar
Member of the Board

Kenth Eriksson
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 8 March, 2017
KPMG AB

Anders Malmeby
Authorised Public Accountant

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 2016, except for the corporate governance statement on pages 110–119. The annual accounts and consolidated accounts of the company are included on pages 58–105 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 2016 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 2016 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. Our opinions do not cover the corporate governance statement on pages 110–119. 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.

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.

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

See accounting principles provided within Group note 2(e) on page 71 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 and accounting principles provided within Group notes 2(n), 3 and 30 on pages 74, 77 and 93 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 judgments made in determining the Group's provisions. We also considered the adequacy of the Group's disclosures.

Valuation of goodwill (Group) and Participations in group companies (parent company)
See disclosure and accounting principles provided within Group notes 2(h), 3 and 15 on pages 72–73, 76 and 82 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The Group's balance sheet includes goodwill, principally arising from historical acquisitions. The risk is that the goodwill allocated to cash generating units ('CGU') is not recoverable and should be impaired. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas for our audit.

The Group annually carries out an impairment assessment of goodwill using a value-in-use model which is based on the net present value of the forecast earnings of the cash-generating unit ('value-in-use'). This is calculated using certain assumptions around discount rates, growth rates and cash flow forecasts.

A similar impairment assessment is performed by the parent company for the ownership in subsidiaries ("Shares in subsidiaries") where the conditions are similar to the ones described above for goodwill.

Response in the audit
Our procedures included assessing the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we:

- considered the consistency and appropriateness of the allocation of businesses and related goodwill balances into CGUs;
- considered the underlying assumptions in determining the cash flows and growth assumptions applied with reference to historical forecasting accuracy and wider macro environment conditions;
- challenged the assumptions used in the calculation of the discount rates used by the Group, including comparisons with external data sources and consideration of the potential risk of management bias;
- performed our own sensitivity analysis, including a reasonably possible reduction in assumed growth rates and cash flows to identify areas to focus our procedures on.

We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the valuation of goodwill.

Pensions
See disclosure and accounting principles provided within Group notes 2(o), 3 and 25 on pages 74–75, 77 and 88–91 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 was MSEK 560. 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 1–57 and 120–130. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Managing Director of Concentric AB (publ) for the year 2016 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 Managing Director 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 Managing Director

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 Managing Director 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 Managing Director 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.

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.

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 110–119 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.

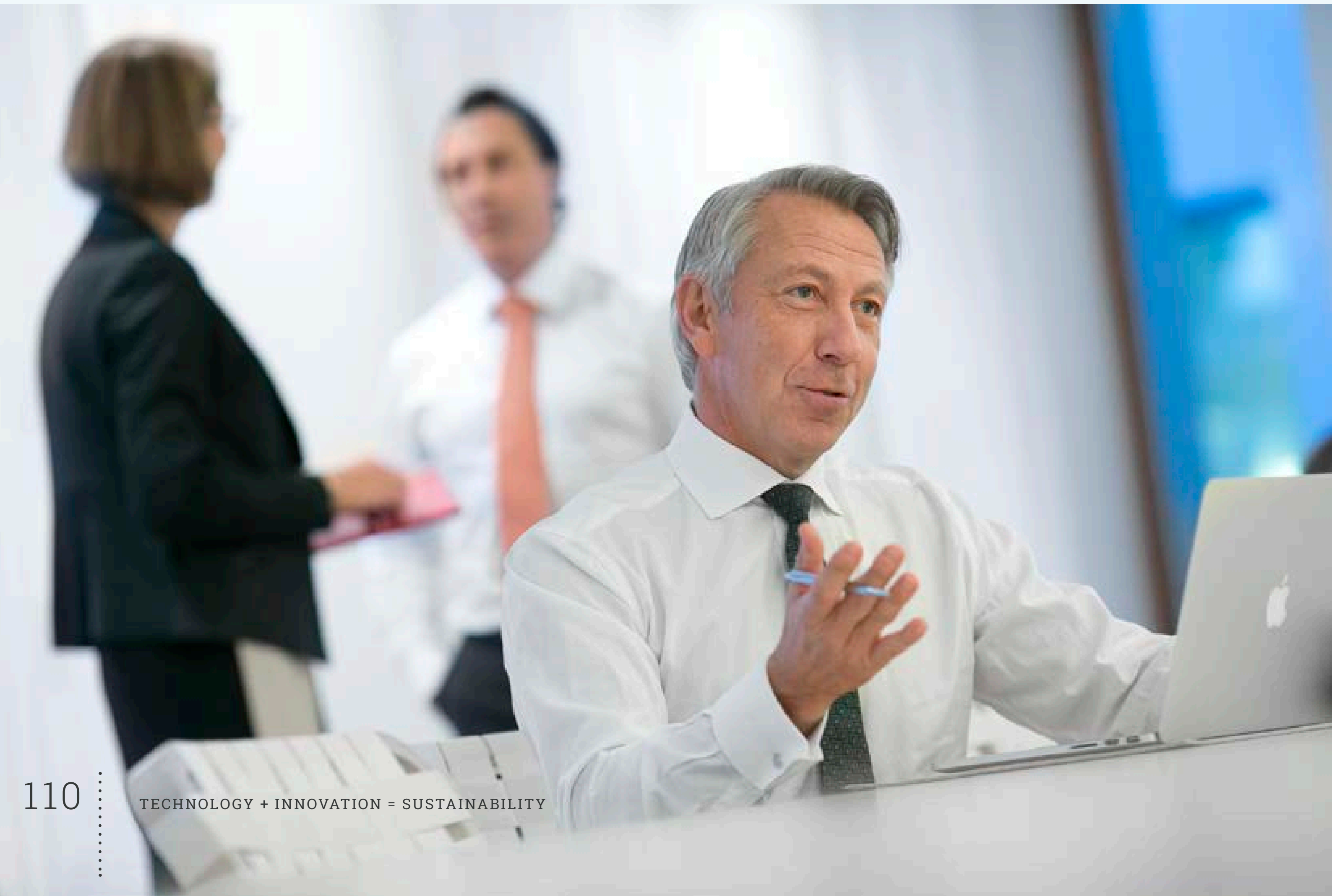
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts are in accordance with the Annual Accounts Act.

Stockholm 8 March, 2017

KPMG AB
Anders Malmeby
Authorised Public Accountant

CORPORATE GOVERNANCE IN CONCENTRIC

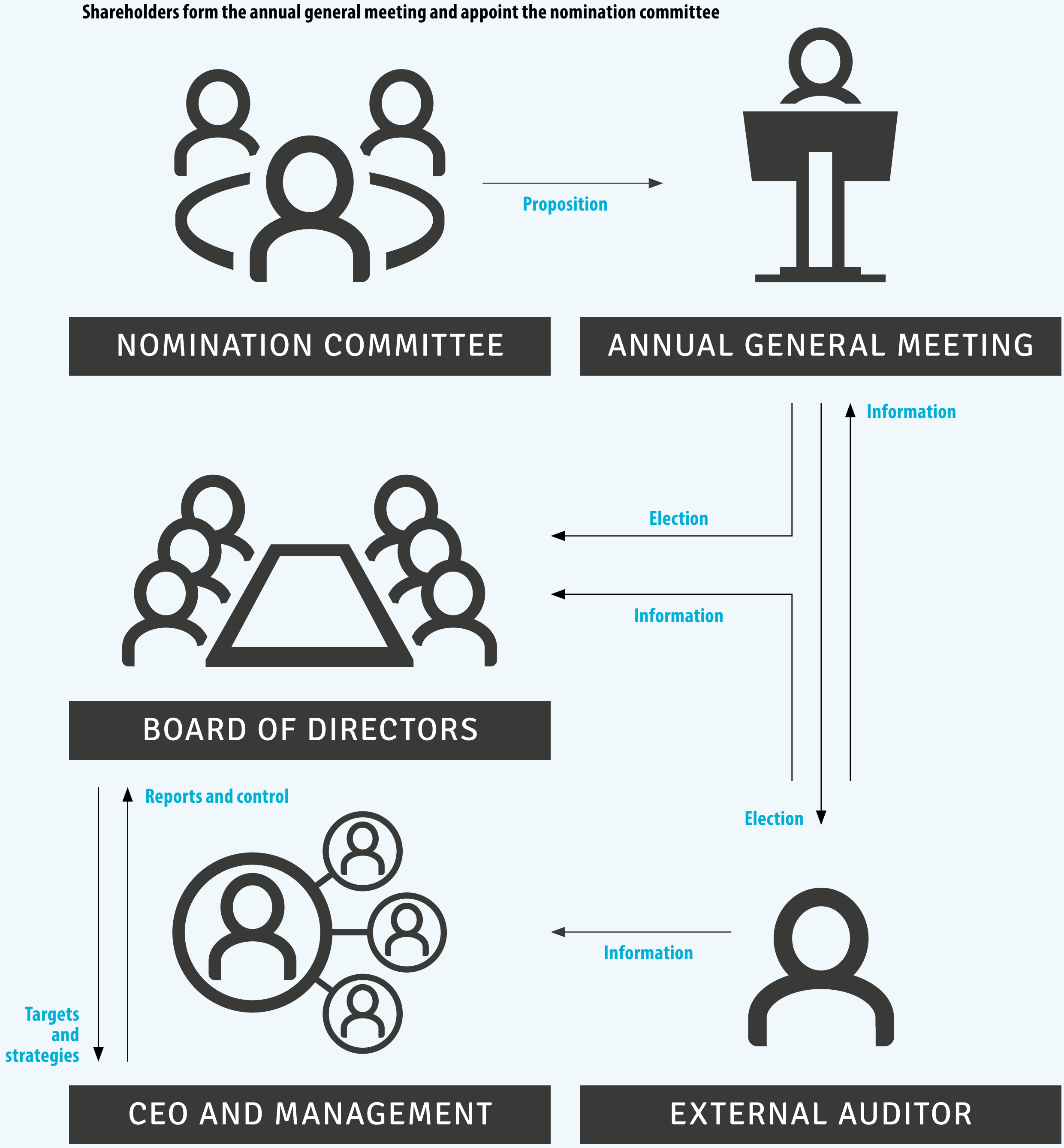
Concentric AB is a publicly traded Swedish limited liability company that was listed on June 16, 2011. Corporate governance in Concentric proceeds from the Swedish Companies Act, other applicable laws and regulations, NASDAQ OMX Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance. The 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 Swedish 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.

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.

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.

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 2016 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.

Board of Directors

Under the Articles of Association, Concentric's Board shall consist of not less than three and not more than seven 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 2016. 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.

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 percent or more of the shares or voting capital in the Company.

Responsibility and work

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.

A sustainability perspective is included in the Board of Directors tasks from 1 November 2015. The Board of Directors shall establish guidelines regarding the company´s conduct in society in order to ensure its long-term value creation capacity and requires a broader responsibility for internal control.

Concentric's Board of Directors is currently working on these new tasks.

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 heads of geographical regions, and the heads of product engineering and development and the Group VP of Human Resources, a total of seven persons including the CEO.

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 Board. The report to the Board takes place after the conclusion of the audit of the administration and the review of the hard close accounts and 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. Finally, the auditor attends the Annual General Meeting and briefly describes the auditing work and the recommendations in the Audit Report.

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 President

The Instructions for the President 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.

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 2016. The report has been prepared in accordance with the Swedish Companies Act.

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, 2016 totals MSEK 97.3 (97.3), represented by 40,481,984 (41,180,104) shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2016 amounted to 8,458 (9,081), with Lannebo Fonder representing the largest owner with 10.9% (11.9) of the share capital. Swedish ownership totalled 61% (59) at year end 2016. Information concerning ownership is updated each month on Concentric's website, www.concentricab.com.

Annual General Meeting 2016

Concentric's Annual General Meeting was held in Stockholm on 6 April, 2016. The following board members were re-elected: Stefan Charette, Claes Magnus Åkesson, Marianne Brismar, Kenth Eriksson, Martin Lundstedt, Susanna Schneeberger and Martin Sköld. In total, 136 shareholders participated at the Annual General Meeting. These represented 48.83% of the shares in Concentric.

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 seven members with no deputies. Stefan Charette, Claes Magnus Åkesson, Marianne Brismar, Kenth Eriksson, Martin Lundstedt, Susanna Schneeberger and Martin Sköld were all re-elected for the period until the Annual General Meeting in 2017.
- It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2017.
- It was decided that the Chairman of the Board will receive SEK 525,000, and that other members of the Board of Directors will receive SEK 250,000 as remuneration for work on the board. Additional consideration shall be paid with SEK 50,000 to the chairman of the Compensation Committee and the Chairman 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 a dividend of SEK 3.25 per share.
- 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 to participants in the performance based incentive programme.
- A resolution was taken to retire 1,281,900 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 1,281,900 and the share capital being increased by SEK 29.

Nomination Committee for the 2017 Annual General Meeting

In accordance with a decision by the 2016 Annual General Meeting, the four largest shareholders have each appointed a representative to form the Nomination Committee for the 2017 Annual General Meeting. Based on the ownership structure as of 30 September, 2016, these shareholders were:

Lannebo Fonder, Nordea AB, Swedbank Robur and SEB Fonder. Combined, they represented 36.1% of the voting rights in Concentric AB per 31 December 2016. The shareholders' representatives who will comprise members of the 2017 Nomination Committee are: Göran Espelund (Chairman) of Lannebo Fonder, Erik Durhan, Nordea AB, Marianne Nilsson, Swedbank Robur and Johan Strandberg, SEB Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's website, on 17 October, 2016. 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 – Corporate Governance – Annual General Meeting.

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 2017 AGM.

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 120. 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.

Board activities

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

During 2016, the Board of Directors held a total of 7 meetings. The main issues addressed were:

- Reviewing relevant policies, procedures and instructions for the group.
- Reviewing interim reports and financial statements for the group and parent company.

- Reviewing budget and strategic plans, including any proposals for significant capital investments and/or major business agreements.
- Reviewing the group's capital structure and ongoing financing arrangements.
- Appraising acquisition opportunities.
- Ongoing monitoring of the group's operations and evaluation of management.

Auditor

At the 2016 Annual General Meeting, the registered accounting firm KPMG AB was elected as auditors for the period until the 2017 AGM is held.

Authorised Public Accountant Anders Malmeby was reappointed the company's auditor-in-charge. Anders Malmeby has been an Authorised Public Accountant since 1986, and is also the elected auditor of the listed companies Bravida Holding AB and East Capital Explorer AB. Anders Malmeby has no other assignments in other companies that are associated with Concentric's largest owners or President.

Compensation and Audit Committee tasks

Under the Code and the Swedish Companies Act, the Board is to establish a Compensation Committee and an Audit Committee within its own ranks, or, alternatively, the tasks of such committees should be performed by the entire Board. The Board of Concentric deemed that up to the 2012 AGM it was more appropriate for the entire Board to perform said tasks.

In the inaugural Board meeting directly following the 2012 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 2016, there were 3 Compensation Committee meetings.

The principal tasks undertaken during the separately convened Audit Committee meetings were to monitor the Company's financial reporting, to monitor the efficiency of the Company's internal controls, internal audits and risk management in respect of the financial reporting, to keep itself informed regarding audit of the annual report and group accounts, and to review and monitor the impartiality and independence of the auditor, paying special attention to whether the auditor provides the Company with services other than auditing services. During 2016, there were 6 audit 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 2016 Annual General Meeting resolved that fees totalling SEK 2,150,000 will be paid for the period up until the end of the 2017 Annual General Meeting and be distributed among the Board members as set out in the table on page 119. 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, 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.

Incentive programme

In order to foster a long-term perspective in the decision-making and to ensure long term achievement of goals, the AGM resolved on a long-term incentive programme, LTI 2016, consistent with previous years.

The programme shall comprise up to 8 senior executives, including the CEO, and other key employees within the Concentric Group. In order to participate in LTI 2016, the participants must make their own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2016 will entitle 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 70.90 SEK and 106.30 SEK respectively.

For more information about the Company's LTI schemes, see Group note 8 on pages 79–80.

Internal controls

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. This process involves the Board, senior management and personnel.

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 audit 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 Com-

mission) 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 Board is also 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 internal and 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. The external auditor also regularly reports to the Board.

Meetings attended 2016

Board	Board	Audit Committee	Compensation Committee	2016/17 Board Fees (SEK)
Stefan Charette[1]	6	6	3	525,000
Marianne Brismar	7	4	–	250,000
Susanna Schneeberger	7	–	–	250,000
Kenth Eriksson[2]	7	–	3	300,000
Martin Sköld	7	–	–	250,000
Claes Magnus Åkesson[3]	7	6	–	325,000
Martin Lundstedt	4	–	–	250,000
				2,150,000

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

Amounts in KSEK	Basic salary/ Benefits in kind	Annual variable remuneration	Long term variable remuneration	Pension	2016 Total
President and CEO David Woolley	5,124	2,079	1,690	90	8,983
Other senior executives	10,702	2,810	1,395	530	15,437
Total	15,826	4,889	3,085	620	24,420

For guidelines on remuneration see pages 63–64.

THE BOARD

STEFAN CHARETTE
Chairman of the Board 2010
Born 1972

M.Sc. Mathematical Finance and B.Sc. Electrical Engineering.

Partner of Athanase Industrial Partners. Previously CEO of Creades AB, Investment AB Öresund, AB Custos and President of the Brokk Group. Corporate advisor for multinational corporations at Lehman Brothers and Salomon Smith Barney. Chairman of the Athanase Industrial Partners group companies. Board member of Kitron AS, Alcadon Group AB and DistIT AB.

Shareholding in Concentric: 92,177 shares directly, through companies and pension insurance.
Independent in relation to the Company and senior Management, and in relation to major shareholders.

CLAES MAGNUS ÅKESSON
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. 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.

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. Board member of Beijer Alma AB, Axel Johnson International AB, Creades AB, Semcon AB, Lindab AB and JOAB AB.

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

KENTH ERIKSSON
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 and Technology Nexus AB.

Shareholding in Concentric: 45,175 shares.
Independent in relation to the Company, the senior Management and to major shareholders.

GROUP 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. He is also Non-executive Director of Investors in Excellence.

Shareholding in Concentric: 87,500 shares.

DAVID BESSANT
Chief Financial Officer
Born 1971

B.Sc. Accountancy and Financial Analysis, FCA.

David Bessant has 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: 21,550 shares.

MARTIN BRADFORD
Head of region Americas
Born 1962

B.Sc. Metals Technology.

Martin Bradford was appointed as Senior Vice President, Head of region Americas in January 2013. Martin joined Concentric in 2008 as General Manager for the US Hydraulics business. Prior to joining Concentric, Martin managed manufacturing businesses based in Europe, the Middle East and America during his career.

Shareholding in Concentric: 6,730 shares.

PAUL FLEETWOOD
Head of region Europe & RoW
Born 1962

B.Eng (Hons), M.Sc in Engineering Business Management & C.Eng.

Paul Fleetwood joined Concentric from Wärtsilä Corporation in May 2016 as Senior Vice President, Head of region Europe & RoW. His previous roles include Divisional Managing Director for Hamworthy Pumps and Valves (acquired by Wärtsilä in 2012), Managing Director of Hamworthy's pumps business in Singapore and General Manager of Hamworthy's pumps business in Suzhou. Paul also has work experience with Eaton Transmissions Ltd, David Brown Transaxles Ltd and Rolls Royce plc.

Shareholding in Concentric: 3,270 shares.

MARTIN LUNDSTEDT

Member since 2012

Born 1967

Master of Science in 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 Vice President, Konecranes Corporation Previously Vice President & Managing Director of Terex Material Handling (DEMAG) 2015–2017 VP Sales & Marketing at Trelleborg Industrial Solutions between 2012–2015; Director of Strategic Business Development at Trelleborg AB between 2007–2012; Director of Strategy & Markets and Head of European Marketing at Opentext/IXOS Software between 2002–2006, as well as further leading commercial roles internationally. Previous Board assignments include Rosengård Invest AB, EFL and Partnership Foundation Lund University, ManTec Trelleborg Energy Excellence AB.

Shareholding in Concentric: 0 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.

CHRISTINE KELLY

Head of Group Human Resources

Born 1966

Chartered MCIPD and Certified Diploma in Accounting and Finance.

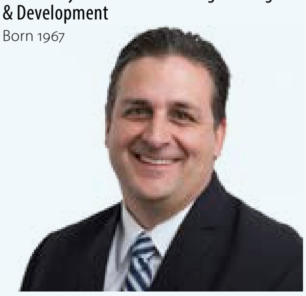
Christine Kelly was appointed Vice President of Group Human Resources in August 2014. Prior to joining Concentric, Christine had over 20 years of experience as a human resource professional, most recently as Human Resources Director for the EMEA region of Brady Corporation (listed on NYSE) between 2006–2014.

Shareholding in Concentric: 1,173 shares.

WILLIAM PIZZO

Head of Hydraulic Products Engineering & Development

Born 1967



B.Sc. Mechanical Engineering and MBA.

William Pizzo has been Head of Hydraulic Products Engineering & Development since 2008. Prior to joining Concentric, he was General Manager of Chicago Panel & Truss and before that held senior positions at Amtec Precision and Molded Products, SPX – Filtran and Illinois Tool Works.

Shareholding in Concentric: 7,400 shares.

PAUL SHEPHERD

Head of Engine Products Engineering & Development*

Born 1975

B.Eng (Hons) degree in Mechanical Engineering.

Paul Shepherd was appointed Head of Engine Products Engineering & Development in February 2017 and is a fellow of the Institute of Mechanical Engineers and a Chartered Engineer. Paul has been with Concentric since April 2005, most recently in the role of Director, Advanced Research & Development. Prior to joining Concentric, Paul had senior design roles with Cosworth Racing Ltd and Perkins Engines.

Shareholding in Concentric: 0 shares.

* David Williams previously held this role up until his resignation in February 2017.

GLOBAL REPORTING INITIATIVE

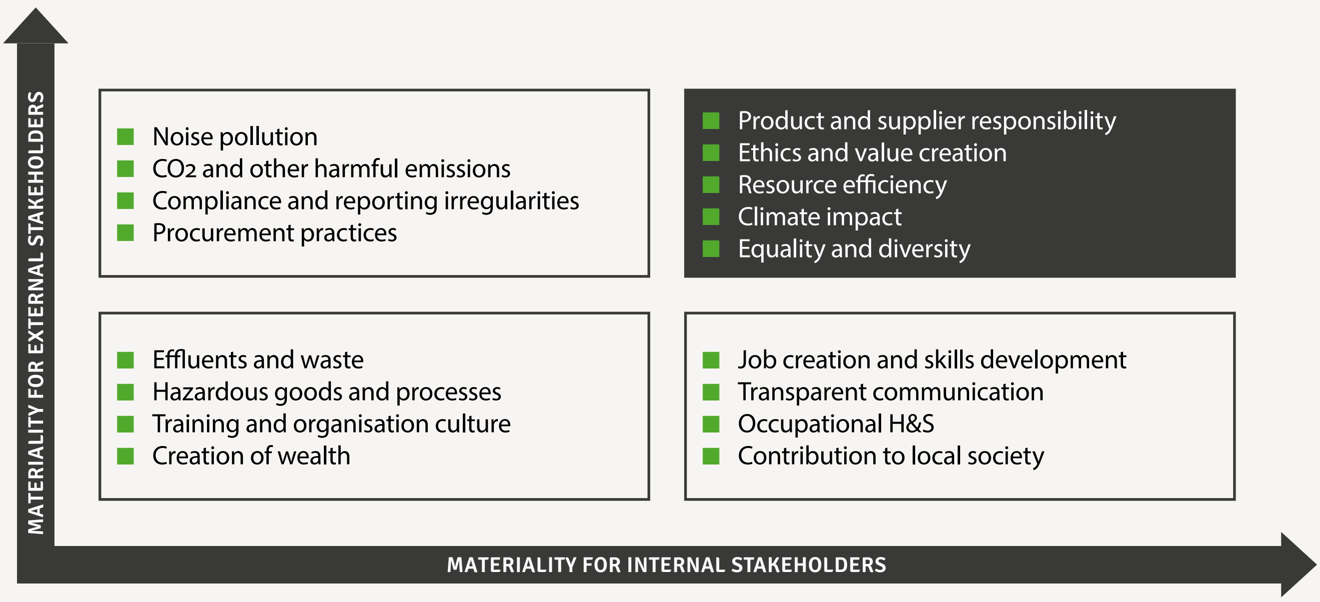
Concentric describes its work with sustainability and reports on fulfilment of financial, environment and social goals and indicators in Our Sustainability Perspective on pages 46–53 of the annual report. It follows the GRI's guidelines (GRI G4 Core) and reports the achieved results for the accounting 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

Our Sustainability Perspective refers to the 2016 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. We have addressed both the standard and relevant specific disclosures and provided an index of these disclosures by GRI code with a page reference on pages 126–128.

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	Why Material	Governance	Follow-up through GRI Indicator Aspects for Stakeholders
Ethics and Value Creation (DMA Economic Performance & Procurement Practices)	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	G4-EC1 Direct economic value generated, distributed and retained G4-EC9 Proportion of expenditure with local suppliers
Product Responsibility & Climate Impact (DMA Product and Service Labelling and Emissions)	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	G4-PR5 Results of measuring customer satisfaction
Responsible Suppliers (DMA Supplier Environmental and Human Rights Assessment)	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	G4-EN32 Environmental performance indicators G4-HR10 Supplier Human Rights
Work Environment (DMA Occupational Health and Safety)	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	G4-LA 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)	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	G4-10 & G4-LA 12 Breakdown by age and gender of all employees, including the composition of governance bodies
Resource Efficiency (DMA Materials and Energy)	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	G4-EN1 Recycled materials used by weight G4-EN3 Energy consumption (total gas and electricity)

Facts and key performance indicators for sustainability

GRI Reference	Stakeholder	Key Performance Indicator	2016			2015		
ETHICS & VALUE CREATION			Americas	Europe & RoW	Group	Americas	Europe & RoW	Group
Direct economic value generated, G4-EC1	Customer	Revenues generated from the sale of engine and hydraulic products	988	1,199	2,004	1,205	1,292	2,306
Direct economic value distributed, G4-EC1	Suppliers	Operating costs: procurement of goods and services, including depreciation and amortisation	–666	–711	–1,221	–838	–758	–1,439
	Employees	Wages, salaries, pensions and other benefits, including competence development	–175	–291	–442	–204	–312	–486
	Financial Institutions	Interest and similar items related to providers of capital	–74	51	–23	–63	45	–18
	The State	Tax expenses and other payments made to government	–27	–48	–72	–33	–63	–92
	Shareholders	Own share buy-backs and proposed dividends	n/a	n/a	–227	n/a	n/a	–276
Direct economic value retained, G4-EC1	Shareholders	Earnings/(deficit) retained after own share buy-backs & proposed dividends	n/a	n/a	19	n/a	n/a	–5
Procurement practices, G4-EC9	Suppliers	Proportion of expenditure with local suppliers[1]	39%	57%	49%	41%	60%	51%
RESPONSIBLE SUPPLIERS								
Environmental performance indicators, G4-EN32	Suppliers	Percentage of new suppliers that were screened using environmental criteria[2]	100%	100%	100%	n/a	n/a	n/a
Supplier Human Rights, G4-HR10	Suppliers	Percentage of new suppliers that were screened using human rights criteria[2]	100%	100%	100%	n/a	n/a	n/a
WORK ENVIRONMENT			Women	Men	Total	Women	Men	Total
Work-related injuries and frequency, G4-LA6	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			14 241,933 days			16 269,464 days
Lost days, G4-LA6	Employees	Total number of absence days due to work-related injuries as a percentage of the total days worked for all employees			0.2%			0.1%
Absenteeism, G4-LA6	Employees	Total number of all absence days as a percentage of total days worked for all employees	3.9%	2.7%	2.9%	3.3%	2.1%	2.3%
Work-related fatalities, G4-LA6	Employees	Total number			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] Percentages from October 2016 onwards, following introduction of formal procedures to screen new suppliers using environmental and human rights criteria.
[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	2016			2015		
DIVERSITY & EQUAL OPPORTUNITY			**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Age and gender distribution, G4-10 & G4-LA12	Wage earners[3)]	≤ age 25	1	78	79	2	91	93
		age 26–35	7	153	160	6	172	178
		age 36–45	24	96	120	25	128	153
		age 46–55	18	110	128	25	129	154
		≥ age 56	23	98	121	25	104	129
		Total number	**73**	**535**	**608**	**83**	**623**	**706**
	Salaried employees[3)]	≤ age 25	2	6	8	1	6	7
		age 26–35	53	7	45	12	40	52
		age 36–45	12	52	64	13	65	78
		age 46–55	22	50	72	24	52	76
		≥ age 56	12	30	42	11	36	47
		Total number	**55**	**183**	**238**	**61**	**199**	**260**
	Managers	age 26–35	2	–	2	2	1	3
		age 36–45	1	21	22	2	23	25
		age 46–55	7	26	33	7	31	38
		≥ age 56	1	16	17	1	15	16
		Total number	**11**	**63**	**74**	**12**	**70**	**82**
	Executives	age 36–45	–	1	1	–	1	1
		age 46–55	1	5	6	1	4	5
		≥ age 56	–	–	–	–	–	–
		Total number	**1**	**6**	**7**	**1**	**5**	**6**
	Board of Directors	age 36–45	1	2	3	1	2	3
		age 46–55	1	2	3	1	2	3
		≥ age 56	–	1	1	–	1	1
		Total number	**2**	**5**	**7**	**2**	**5**	**7**

RESOURCE EFFICIENCY

GRI Reference	Stakeholder	Key Performance Indicator	2016	2015
Recycled materials used by weight, G4-EN1	Society	Percentage of recycled material by weight used within grey iron and aluminium	24.8%	n/a
Energy consumption, G4-EN3	Society	Group consumption of gas and electricity	30.8 million kWh	32.6 million kWh

2016 GRI Index

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.

Standard disclosures

GRI code	Description/ indicator	Reference	Page	External assurance
STRATEGY AND ANALYSIS				
G4-1	Statement from the CEO	CEO Letter	14–17	
ORGANISATIONAL PROFILE				
G4-3	Name of the organisation	Board of Directors' Report	58	
G4-4	Primary brands, products, and/or services	Engine Products Hydraulic Products	32–33 36–37	
G4-5	Location of organisation's headquarters	Addresses	130	
G4-6	Countries where the organisation operates	Summary Group Note 4 Segment Reporting	Front flap 77–78	
G4-7	Nature of ownership and legal form	The Concentric Share	54–57	Yes
G4-8	Markets served	End-Markets	40–45	
G4-9	Scale of the reporting organisation	Board of Directors' Report Consolidated Income Statement Consolidated Balance Sheet	58–65 66 67	Yes
G4-10	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	51 79 124–125	
G4-11	Percentage of employees covered by collective bargaining agreements	50% of employees in the group are covered by collective agreements		
G4-12	Organisation's supply chain	Supply Chain	53	
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain	Board of Directors' Report Group Note 34 Investments in subsidiaries	58–65 94	Yes
G4-14	Description of how the company addresses the precautionary principle	Our Sustainability Perspective	46–53	
G4-15	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		
G4-16	Memberships in organisations and/or national or international advocacy organisations	Malcolm Baldrige, Investors in Excellence & European Foundation for Quality Management		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Operational structure, units, business areas, subsidiaries and joint ventures	Parent Note 7 Shares in subsidiaries Foundation of corporate governance	101 111	Yes
G4-18	Definition of report content and relevant sustainability aspects	Our Sustainability Perspective Scope of the GRI report	46–53 122	
G4-19	Material aspects identified in the process for defining report content	Concentric's group-wide aspects and targets in sustainability	47	
G4-20	Aspect boundaries within the organisation	Materiality analysis	122	
G4-21	Aspect boundaries outside the organisation	Materiality analysis	122	

GRI code	Description/ indicator	Reference	Page	External assurance
STAKEHOLDER ENGAGEMENT				
G4-24	Stakeholder groups	Stakeholder engagement	48	
G4-25	Identification and selection of stakeholders	Stakeholder engagement	48	
G4-26	Approaches to stakeholder engagement	Stakeholder engagement	48	
G4-27	Key topics raised through stakeholder engagement	Stakeholder engagement	48	
REPORT PROFILE				
G4-28	Reporting period	Board of Directors' Report	58	
G4-29	Date of most recent previous report	2015 Annual Report, published in 2016		
G4-30	Reporting cycle	Scope of the GRI report	122	
G4-31	Contact point for the report	Board of Directors & Group CEO		
G4-32	Table showing information for all parts of the GRI's standard disclosures	2016 GRI Index	126–127	
G4-33	Policy and current practice for external assurance	2016 GRI Index	126	
GOVERNANCE				
G4-34–55	Corporate Governance	Integrated governance processes Corporate Governance in Concentric	46 110–119	Yes
ETHICS & INTEGRITY				
G4-56–58	Values, principles, standards and norms of behaviour	Values Social issues	9 50–53	

Specific standard disclosures

GRI code	Description/ indicator	Reference	Page	External assurance
G4-DMA	Disclosure on management approach	Concentric's management approach to sustainability	123	
ECONOMIC PERFORMANCE INDICATORS				
G4-EC1	Direct economic value generated and distributed	Consolidated Income Statement Consolidated Balance Sheet	66 67	Yes
G4-EC3	Defined benefit plan obligations	Group Note 25 Pensions and similar obligations	88–91	Yes
G4-EC9	Procurement practices	Facts and key performance indicators for sustainability	124	
ENVIRONMENTAL PERFORMANCE INDICATORS				
G4-EN1	Materials used by weight, analysed between renewable and non-renewable	Facts and key performance indicators for sustainability	125	
G4-EN3	Energy consumption within organisation	Facts and key performance indicators for sustainability	125	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Facts and key performance indicators for sustainability	124	
SUPPLIER HUMAN RIGHTS				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Facts and key performance indicators for sustainability	124	
EMPLOYMENT CONDITIONS AND WORK CONDITIONS				
G4-LA6	Rates of injuries, lost days, absenteeism, and number of work related fatalities	Facts and key performance indicators for sustainability	124	
G4-LA12	Composition of governance bodies and breakdown of other employee types according to gender and age group	Facts and key performance indicators for sustainability	125	
SOCIETY				
G4-SO3	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		
G4-SO7	Number of pending/completed legal actions brought for anti-competitive behaviour, anti-trust and/or monopoly practices	None		
PRODUCT RESPONSIBILITY				
G4-PR2	Number of incidence of non-compliance with regulations concerning the health and safety impacts of products provided to customers during their life cycle	None		
G4-PR5	Results of measuring customer satisfaction	Concentric's group-wide aspects and targets in sustainability	47	

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	Reference	Page
HUMAN RIGHTS		
1. Support and respect the protection of internationally proclaimed human rights in the spheres the company can influence	Social policy	50
2. Make sure that the company is not complicit in human rights abuses	Human rights	50
LABOUR LAW		
3. Uphold freedom of association and the effective recognition of the right to collective bargaining	Freedom of contract and association	50
4. Elimination of all forms of forced and compulsory labour	Forced labour	50
5. Effective abolition of child labour	Child labour	50
6. Elimination of discrimination in respect of employment and occupation	Equal opportunities	51
ENVIRONMENT		
7. Support a precautionary approach to environmental challenges	Our Sustainability Perspective	46–53
8. Undertake initiatives to promote greater environmental responsibility	Our Sustainability Perspective	46–53
9. Encourage the development and diffusion of environmentally friendly technologies	Our Sustainability Perspective	46–53
ANTI-CORRUPTION		
10. Work against corruption in all its forms, including extortion and bribery	Anti-corruption	53

Glossary

5S	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
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
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
OEM	Original Equipment Manufacturer
Off-highway	Collective term for industrial applications, agricultural machinery and construction equipment end-markets
Oil mist separator	Product that recycles oil from crankcase gases
Piston pump	Positive displacement pump that utilises a moving piston to displace the fluid
PPM	Parts Per Million defect rate
Primary pump	Main pump used in a multi circuit configuration
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

Americas	Americas operating segment comprising the Group's USA and Argentina operations
CAGR	Compound annual growth rate
Capital employed	Total assets and non-interest bearing liabilities less: interest bearing financial assets, cash and cash equivalents, tax assets and tax liabilities
Dividend yield	Dividend divided by market price at year end
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBIT or Operating income	Earnings before interest and taxes
EBIT or EBITDA multiple	Market value at year end plus net debt divided by EBIT or EBITDA
EBIT or Operating margin	Operating income as a percentage of net sales
EPS	Earnings per share, net income divided by the average number of shares
Europe & RoW	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
Gearing ratio	Ratio of net debt to shareholders' equity
Gross margin	Net sales less cost of goods sold, as a percentage of net sales
Net debt	Total interest-bearing liabilities less liquid finds
Net investments in fixed assets	Fixed asset additions net of fixed asset disposals and retirements
P/E ratio	Market value at year-end divided by net earnings
Pay-out ratio	Dividend divided by EPS
R&D	Research and development expenditure
ROCE	Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over a rolling 12 months
ROE	Return on equity; net income as a percentage of the average shareholders' equity over a rolling 12 months
Sales growth, constant currency	Growth rate based on sales restated at prior year foreign exchange rates
Underlying or Before items affecting comparability	Adjusted for restructuring costs and other specific items (including tax effects thereon, as appropriate)
Working capital	Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities

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 minimize cost and environmental impact. Annual reports, quarterly reports and press releases are available on the Concentric's web site for investors.

Reporting calendar for 2017

Annual General Meeting	*30 March, 2017*
Interim report January – March 2017	*3 May, 2017*
Interim report January – June 2017	*21 July, 2017*
Interim report January – September 2017	*8 November, 2017*

Annual General Meeting

Annual General Meeting for the fiscal year 2016 will be held in Kreugersalen at 10 a.m. CET on Thursday, 30 March, 2017 at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm.

Participation in 2017 Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB as of Friday, 24 March, 2017. Notification must be made no later than Friday, 24 March, 2017. Proxies and representatives of a legal person are asked to submit documents of authorisation prior to the General Meeting.

In order to participate in the Annual General Meeting, shareholders with nominee registered shares must request their bank or broker to have their shares temporarily owner registered with Euroclear Sweden as of Friday, 24 March, 2017, and the bank or broker should therefore be notified in due time before said date.

Notification

Concentric AB, Strandgatan 2, 582 26 Linköping,
by telephone +46 722 269 080,
by e-mail to info@concentricab.com or
through Concentric's website.

On giving notice of attendance, the shareholder shall state:

- name
- personal identity number or equivalent (corporate identity number)
- address, telephone number
- shareholding

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