TECHNOLOGY + INNOVATION = SUSTAINABILITY
ANNUAL REPORT 2015

CONCENTRIC

SUMMARY

1,205 MSEK 48%

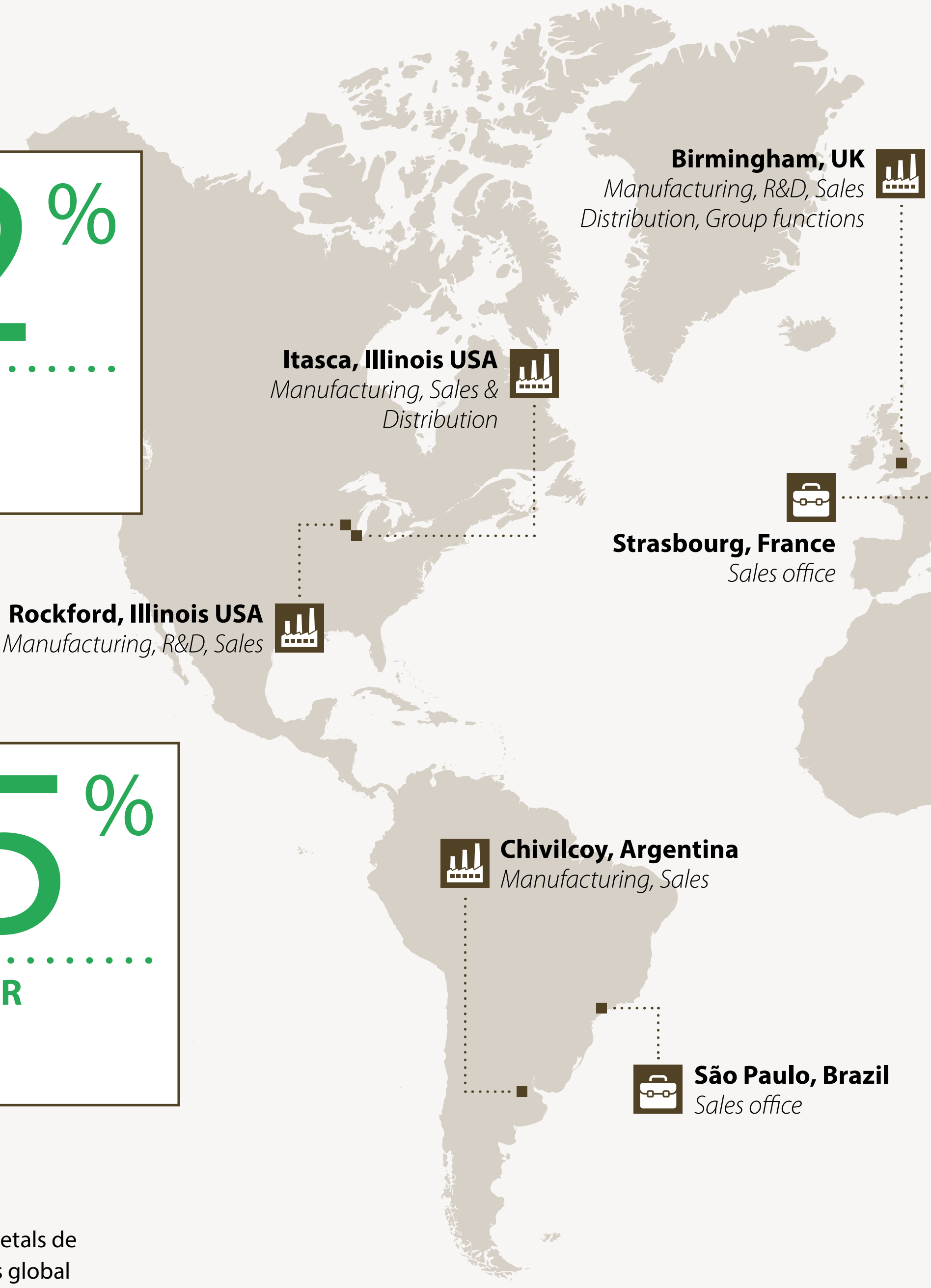
EXTERNAL NET SALES
AMERICAS

163 MSEK 42%

OPERATING INCOME & MARGIN (13.5%)
AMERICAS

407 35%

AVERAGE NUMBER EMPLOYEES
AMERICAS



Global footprint

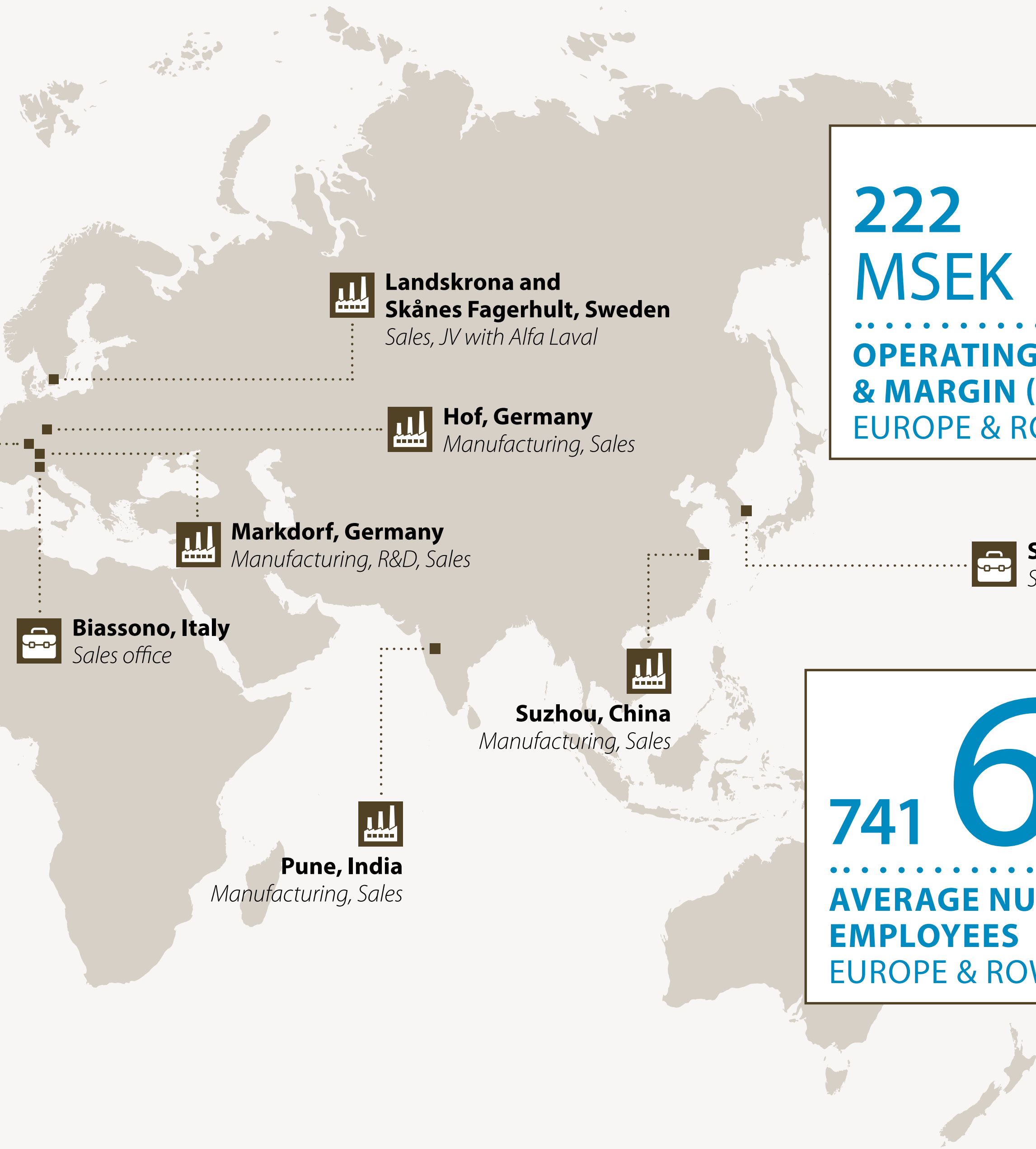
Following the acquisition of GKN Sinter Metals de Argentina SA in January 2015, Concentric's global manufacturing presence now includes a joint venture based in Sweden and wholly owned facilities based in Germany, the UK, the USA, Argentina, India and China, backed by central support and development functions. 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 make trucks, construction equipment, agricultural machinery and general industrial applications.

2,306 MSEK

EXTERNAL NET SALES
GROUP

1,292 MSEK **52 %**

EXTERNAL NET SALES
EUROPE & ROW



222 MSEK **58 %**

OPERATING INCOME & MARGIN (17.2%)
EUROPE & ROW

741 **65 %**

AVERAGE NUMBER EMPLOYEES
EUROPE & ROW

381 MSEK

OPERATING INCOME & MARGIN (16.5%) GROUP

1,088

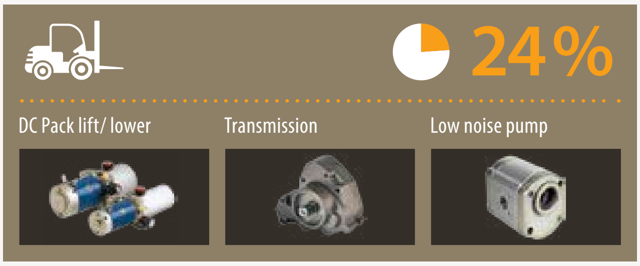
AVERAGE NUMBER EMPLOYEES
GROUP

CONTENTS

The statutory annual report encompasses pages 50–99 and 102–109.

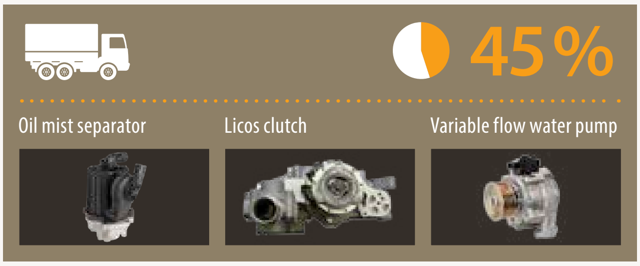
Unless otherwise stated, all amounts have been stated in SEK million. Certain financial data has been rounded in this annual report. Where the sign "–" has been used, this either means that no number exists or the number rounds to zero.

ESSENCE OF CONCENTRIC



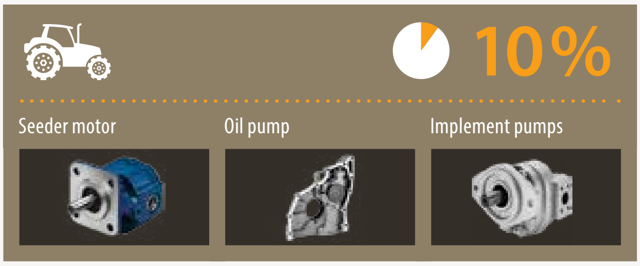
Industrial applications

Industrial applications encompass a wide variety of uses, 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.



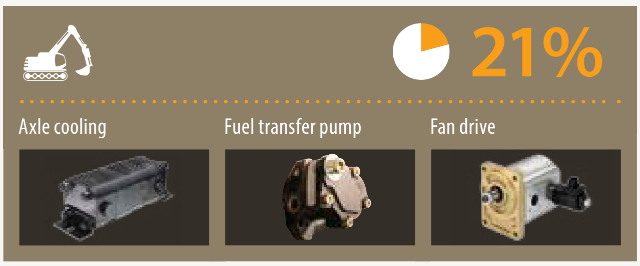
Trucks

Concentric sells its solutions to OEMs and diesel engine manufacturers in the truck segment. The solutions 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/heavy duty trucks.



Agricultural machinery

Concentric provides its solutions to OEMs of agricultural equipment. The main solutions 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 solutions are used in a wide range of construction machinery and vehicles. The main solutions are for engine pumps, hydraulic fan drives and ancillary hydraulic pumps. These are used on smaller equipment such as skid steer and backhoe loaders, and on heavier equipment such as wheel loaders, bulldozers and excavators.

Concentric is one of the world's leading pump manufacturers. Our flow dynamics give customers advanced technology oil pumps, water pumps, fuel pumps and hydraulic systems. We aim to increase fuel economy, reduce emissions and improve engine control through our technical solutions and precision engineering. We have four end markets, each with its own business cycle.

INVESTMENT CASE

ENGINE 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.

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 reduce emissions.

OUR PROPOSITION

Concentric targets the next generation of engine platforms that will be driven by tougher emissions legislation.

Concentric exploits its innovative engine products, such as the 2-speed water pump clutches, the Alfdex oil mist separator and the variable flow oil pump.

Concentric explores long-term growth opportunities by growing with existing customers in emerging markets.

HYDRAULIC PRODUCTS

DRIVING FORCES

SIZE REDUCTION AND RELIABILITY

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

ENERGY EFFICIENCY

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

ENVIRONMENTAL IMPACT

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

OUR STRENGTHS

- Concentric's hydraulic products occupy leading niche positions in a very fragmented market, where the technology included in the product is more advanced and requires absolute reliability together with customer specific options.
- Concentric has innovative products that address the key market drivers of increased energy efficiency, pressure to reduce size due to increased machines complexity and working environment restrictions to reduce noise.

OUR PROPOSITION

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 additional 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 30–31, 34–35

OUR SOLUTIONS

Engine products

Concentric is a Tier 1-supplier to engine manufacturers and major OEMs. We offer lubricant, coolant and fuel 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 28–29, 32–33

END MARKETS

Industrial applications

Major customers

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

Trucks

Major customers

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

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 36–41

Mission

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

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.

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 2015 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.

2015 ACHIEVEMENT

–3% below indices*

Overall, market indices* suggested production rates, blended to the Group's end market and regions, were down **3 percent** year-on-year. Concentric's actual sales for 2015, including revenues attributable to Alfdex, were down **6 percent** year-on-year, adjusting for currency and the acquisition of GKN Pumps. This shortfall against expectations was principally due to lower sales of hydraulic product in North America, reflecting Concentric's reliance on Caterpillar and John Deere.

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.

2015 ACHIEVEMENT

16.6%

The reported operating margin for 2015 increased to **16.6 percent** (16.0) in spite of the market headwinds, as the business continued to demonstrate its ability to flex costs in a market downturn, supported through the Concentric Business Excellence programme.

* 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 additional dividends and buy-backs.
- Total dividends (ordinary + additional) declared for FY 2011–15 have equated to an average payout ratio of **57 percent** of net income.

2015 ACHIEVEMENT

50 %

Due to the Group's strong earnings and financial position, the Board of Directors intend to propose to the shareholders at the Annual General Meeting an ordinary dividend of **SEK 2.25** (2.00) per share for the 2015 fiscal year, plus an additional dividend of **SEK 1.00** (1.00). As noted above, the company has also repurchased own shares during the year amounting to **MSEK 142** (148), which corresponds to a further shareholder distribution in the year of **SEK 3.44** (3.49) per share.

GEARING
(NET DEBT/EQUITY)

5 YEAR TARGET 2015–2019

≥50 %

- Continue to distribute surplus cash through own share buy-backs and additional 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.

2015 ACHIEVEMENT

57 %

The indebtedness decreased slightly to **MSEK 488** (528), following the revaluation of pension liabilities which recognised net actuarial gains of **MSEK 1** (losses 127) at year end. The continued strong cash flow derived from operating activities of **MSEK 366** (340) was used to fund dividend payments and further own share buybacks in 2015.

2015 IN BRIEF. NET SALES AND OPERATING INCOME – GROUP

Net sales for the year were MSEK 2,306 (2,078), up 11 percent year-on-year in absolute terms. However, adjusting for the impact of currency (+15 %) and the acquisition of GKN Pumps (+4 %), sales were actually down eight percent year-on-year.

Key figures [1], amounts in MSEK unless otherwise specified	2015	2014	2013 [2]	2012 [3]	2011
Net sales	2,306	2,078	1,858	2,129	2,283
Organic sales growth, constant currency, %	–8	3	–8	–9	25
Operating income before items affecting comparability	382	333	279	297	305
Operating margin before items affecting comparability, %	16.6	16.0	15.0	13.9	13.4
Operating income	381	333	279	281	281
Net income for the year	271	241	176	171	176
Cash flow from operating activities	366	340	199	298	227
Diluted earnings per share	6.44	5.53	4.00	3.88	3.98
Basic earnings per share, SEK	6.45	5.54	4.00	3.88	3.98
Dividends, SEK	3.25 [4]	3.00	2.75	2.50	2.00
Net debt	488	528	409	446	114
Gearing (Debt/equity) ratio, %	57	65	52	73	12
Capital Employed	1,254	1,278	1,194	1,019	1,151
Return on capital employed, before items affecting comparability, %	28.9	27.1	25.0	26.7	27.0
Return on equity, %	31.7	29.6	27.2	26.5	22.1
Basic average number of shares (000's)	42,058	43,421	43,922	44,094	44,216
Diluted average number of shares (000's)	42,119	43,523	43,962	44,109	44,216
Number of shares at 31 December (000's)	41,180	42,392	43,957	43,966	44,216
Number of stock options at 31 December (000's)	341	403	287	178	–
Market capitalisation	4,406	3,942	3,198	2,462	1,764

[1] All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "basis for preparation" in note 2, accounting principles, in the notes for the group.
[2] Figures for 2013 have been restated for the amendments to IFRS 11, Joint Arrangements. Figures for earlier periods are as reported.
[3] Figures for 2012 have been restated for the amendments to IAS19, Employee benefits. Figures for earlier periods are as reported.
[4] Proposed dividend for consideration at the 2016 AGM.

For the period from the initial listing on 16 June 2011 to 31 December 2015, Concentric's shares have given a total annual average return to shareholders of 30 percent. The corresponding figure for the year ended 31 December 2015 was 18 percent.

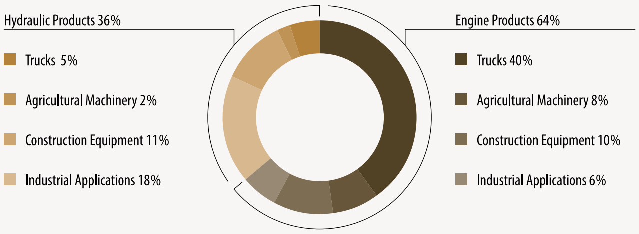
The on-highway sector has been Concentric's strongest end market, with the Class 8 heavy-duty truck cycle reaching its peak in the US towards the end of the year. The growth in the European truck market was less striking but the trend has shown continual improvement across the year. Conversely, our off-highway sectors have been relatively weak throughout most of 2015, which has been further affected by dealers having to de-stock inventory. This softening in demand has particularly affected sales of our hydraulic product range and, as a result, the underlying net sales for the year were slightly disappointing.

The reported operating income and margin for the year amounted to MSEK 381 (333) and 16.5 percent (16.0) respectively. This included the following one-off items associated with the acquisition of GKN Pumps:

- MSEK 13 (0) income arising from negative goodwill calculated from surplus of net assets acquired compared to the purchase consideration.
- MSEK 2 (0) of expenses relating to legal and advisory deal costs.
- MSEK 11 (0) of expenses relating to the Chivilcoy redundancy programme.
- MSEK 1 (0) of expenses relating to other post-acquisition integration costs.

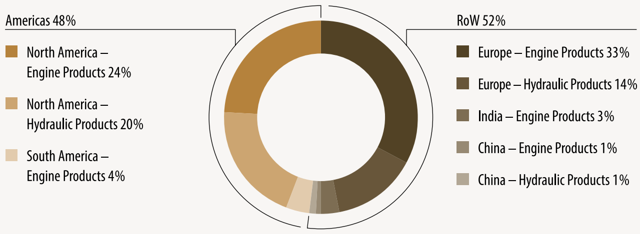
Adjusting for the net effect of these items, the operating margin before items affecting comparability for the full year was 16.6 percent (16.0). Concentric Business Excellence has been a fundamental part of the continuous improvement of the performance of the business, including customer service, employee motivation and operational excellence.

Net sales by product line and end market, % of 2,497 MSEK



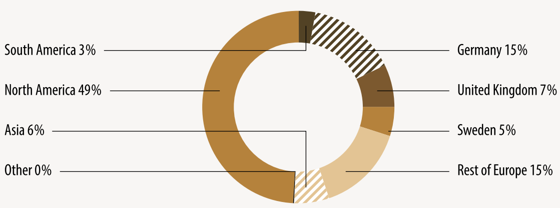
The balance of sales between engine and hydraulic products was almost 2:1 for 2015, driven primarily by growth in US and European truck markets, the ramp-up of EURO VI platforms secured in 2014 and the GKN Pumps Acquisition. Hydraulic product sales for construction equipment have been the worst affected by the market downturn seen in the second half of 2015. Global demand for large agricultural machinery remains very soft.

Net sales by region and product line, % of 2,497 MSEK



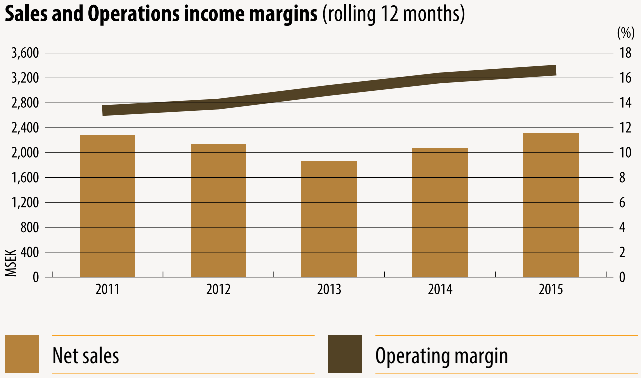
Sales remain evenly distributed across the two reported regions. However, the mix of sales in the Americas region has shifted more towards engine products in 2015, on the back of the Group's expansion into South America and the strength of the US 'Class 8' truck market, compared with the weak North American demand for hydraulic products.

Net sales by customer location, % of 2,306 MSEK



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.

Sales and Operations income margins (rolling 12 months)



2015 was a record year for Concentric as we reported our highest sales and operating income to date.

» Even though fuel prices have fallen significantly, the most important point to consider for our fuel saving technologies will be emissions legislation. «

CEO David Woolley shares his reflections on business performance in 2015, the role of emerging markets, the potential impacts of stricter emission controls, and our unwavering commitment to sustainable profitable growth.

How do you reflect on the business year 2015 in relation to the four distinct end markets that Concentric serves?
The importance of the truck market to our business increased both by winning new business on the back of the Euro VI legislation and the acquisition of Licos back in 2013. In the US we saw the Class 8 heavy-duty truck cycle reach its peak towards the end of the year. In Europe the growth was less striking but it did show continual improvement across the year.

The construction markets were comparatively flat in Europe and the US, and were slightly affected by dealers having to de-stock inventory. Our market share was protected and we also managed to launch some of our newest low-cost, high-performance hydraulic products.

The agriculture market was possibly the most difficult as commodity prices for grain remained low. We were able to protect our market position and even increased our share for some of the higher technology hydraulic pumping systems.

Industrial applications, such as material handling, saw ultimately a combination of the effects that we experienced in construction and agriculture.

How did Concentric perform in the emerging markets?
As Concentric has manufacturing operations in India, China and also South America since February 2015, we have a good insight into the performance of those markets. In macro-economic terms, the weak commodity prices for metals, oil and gas as well as grain prices, dominated these markets too. Concentric has a comparatively small exposure to these markets so in one sense we were protected from the most dramatic movements in these markets. More importantly though, we see these territories as long-term drivers of economic wealth and growth; therefore, even in more difficult trading conditions we strengthened our engineering and selling capabilities in these areas.

The Business has frequently talked about the Concentric Business Excellence model. Will this still be relevant in future years?
Concentric Business Excellence (CBE) has been a fundamental part of the continuous improvement of the performance of each business. This includes customer service, employee motivation and operational excellence. The passion with which we have followed this model has continued to strengthen the results of the business. As trading conditions have become more challenging, CBE continues to play an important part in optimising our performance.

As the price of oil and fuel has fallen so dramatically, does this reduce the benefits of the Concentric fuel-saving technologies?
Even though fuel prices have fallen significantly the most important point to consider for our fuel saving technologies will be the emissions legislation, measured in the reduction of CO_2, rather than the associated economic benefits.

How do you view the GHG legislation in the US and its impact on Concentric?
Phase one was introduced in 2014 and Phase two will be phased in for model years 2021–2027. Once fully implemented in 2027, standards would achieve 24 percent CO_2 savings compared to Phase one standards. It is important to note that the proposed standards provide multiple technological pathways to compliance but a minimum of four percent of savings must come from engines. We share our customers' view that our technologies will play an important role in achieving these savings. We have a range of solutions to help our customers achieve these fuel savings and reduce CO_2 emissions.

These include:
- High efficiency/low friction oil pumps which are interchangeable with "today's" technology.
- Electric valve re-circulation oil pumps.
- Variable flow gerotor and gear pumps with options for hydraulic or electronic control.
- Licos electro-magnetic clutches for coolant pumps and oil pumps.
- Electrically driven pumps for steering, braking and fan cooling.

Emissions have been in the headlines over the past year. Even though this news related to passenger cars, do you foresee that it will have an impact on regulation for commercial vehicles too?

It is very clear that the recent emission scandal will increase regulators' focus on the issue. The EU Commission announced that new car models sold as of September 2017, will have to pass Real Driving Emissions tests. The EU is the first to introduce such testing methods. It is difficult to say what the exact implications are for heavy-duty trucks but I think it is safe to say that real driving tests will sooner or later also be introduced for trucks.

What are the growth ambitions for Concentric in the years to come?

The objectives that we set out in our Capital Markets Day in 2014 remain very much the basis of our strategy for sustainable profitable growth. The economic drivers for growth of each end market are based on population growth, road infrastructure expansion and the construction that supports the infrastructure building. We still see exciting possibilities of using our high-performance and reliable products to increase our market shares in all our four end markets, and as described earlier, CO2 reducing legislation that starts on-highway but is migrating to off-highway applications will continue to require our latest CO2 reducing technologies.

Our message has been consistent and we also want to continue to grow through acquisitions. Concentric has completed two successful acquisitions in the past four years, one based on technology and the other based on improved global footprint, and we have an appetite and financial resources to make more acquisitions.

How do you see the challenges and opportunities for 2016 and beyond?

Looking in the shorter term and considering the lower prices for many commodities, we expect that 2016 will have some market challenges. However, we are well positioned, both financially and operationally, to respond to these challenges and our focus will remain on increasing our market share. In particular, we see opportunities due to the CO2 reduction legislation for on-highway applications and the knock-on effect into many of the off-highway applications we enjoy.

Our well defined strategic objectives for organic growth and growth by acquisitions of enabling technologies and even greater presence, remain the foundation of our business model. Our global footprints in both the developed and emerging markets will allow us to serve our customers while strengthening relationships with our more regional customers.

Our now embedded passion for continuous improvement using our Concentric Business Excellence model, will continue to be the catalyst to enable us to realise our potential.

Business Excellence- In our team …

In a busy year, we developed our products, markets and processes which have all contributed to exciting progress towards our ambitious targets. We could not have achieved this without the passion and inspiration we are fortunate to have in abundance within the Concentric team. Therefore, I would like to take this opportunity to publicly recognise the team's achievements and thank them for all their efforts in 2015.

CBE SPOTLIGHT: SUSTAINABLE HEALTH & SAFETY

The Safety Banner Programme that **Jesse Smith** and **Lee Schwendinger** introduced at Concentric Rockford in 2012 encourages employees to take a more proactive approach to workplace health & safety and recognises them for their achievements. The result has been a steady and sustained improvement in the site safety record.

Interview with Jesse Smith, VP and GM for Concentric Rockford, and Lee Schwendinger, HR Manager at Concentric Rockford.


Jesse Smith

What is the link between sustainability and health & safety?

Jesse: I think a big part of working sustainably is maximising the wellbeing of our employees – for me the link is crystal clear. If our employees come to work with 10 fingers and 10 toes, we want to make sure they go home with 10 fingers and 10 toes. We've worked hard to develop a strong safety mind-set here in Rockford, and we're very proud of that.

Lee: For me, sustainability means no waste. And injury is a form of waste – for example, wasted production time, the need for replacement workers and all the additional resources required to take care of any injury. Making safety the first priority not only shows we care about our employees, it also makes good business sense. The consistent message we communicate to employees is: Safety is first, then Quality, then Production.

You have a number of best-practice initiatives at Concentric Rockford to improve health & safety. Can you tell us a bit about them?

Jesse: The most important thing, I think, is that we have fostered a culture in which all employees feel empowered to speak up if they see potentially unsafe practices. We believe that problems are most easily fixed by those who are closest to them. We've made it very easy for anyone to report an issue and quickly see it resolved. Any employee can enter a work order advising maintenance about their concerns. In addition, our department-level health & safety teams have the power to make changes quickly as required.

Lee: Every day our production employees get safety reminders and updates at their Lean Daily Management System meetings. We have a Safety Steering Committee that meets twice a month to discuss current status and potential improvements. The health & safety teams meet once a month, and we rotate the members so that as many employees as possible have the opportunity to contribute to safety planning and action.

Jesse: Another activity I would like to highlight is Safety Month in June. At first it was just a week but it became so popular that it developed into a full month in which we raise awareness about workplace safety issues. The agenda includes health & safety training, visits from Shoe Mobile (safety footwear), safety drills in the event of a disaster like a fire or storm, and much more.

And what about the Safety Banner Programme – what's that all about?

Jesse: I got the idea for it when I visited a Toyota plant in Columbus, Indiana, that had won Industry Week Magazine's Best Plant Award after adopting a safety banner initiative that had led to huge improvements. So I had the Safety Steering Committee adapt the idea to suit the Rockford plant.

Lee: It's a fantastic programme that provides team recognition and encourages employees to have a sense of pride about their work and how they focus on safety. When we introduced it in 2012 we noticed a dramatic change in attitude and behaviours toward safety almost immediately. Previously we focused on 'lost-time incidents' but now the focus is on

reducing 'recordables,' which is a much broader concept. The result has been a steady and sustained improvement in the site safety record.

Sounds like a great idea. How does it work?
Jesse: Teams of employees are rewarded for consistent periods of safe working with no recordable incidents. The definition of a recordable incident is based in Occupational Safety and Health Administration's (OSHA) guidelines and in very simple terms it is defined as an injury that requires treatment beyond first aid or requires prescription medication. There are five levels of achievement: Bronze (500 hours with no recordable incidents), Silver (1,000 hours), Gold (2,000 hours), Platinum (4,000 hours) and Diamond (10,000 hours).


Lee Schwendinger

Lee: When a team achieves Platinum status, it's a big deal for the whole site. We congratulate the team in front of all the other employees and present them with a banner for their work area which shows everyone that they have achieved Platinum status. They also get a cake and each team member receives a fleece jacket embroidered with the Safety Banner Platinum Award emblem.
Jesse: The first production team to achieve Platinum status was the Transmission Channel team, which is made up of machinists and assemblers who work across three shifts. They manufacture the largest hydraulic pump in the Hydraulics range – a pump which weighs 150 lbs (68 kg)!
Lee: We are very proud of them, absolutely. But I think the best thing that has come out of the Safety Banner Programme is the safety mind-set that all of our teams have adopted, regardless of which level of recognition they've achieved. Safe working practices are just a natural outcome of our employees being proactive about taking care of themselves and watching out for one another.

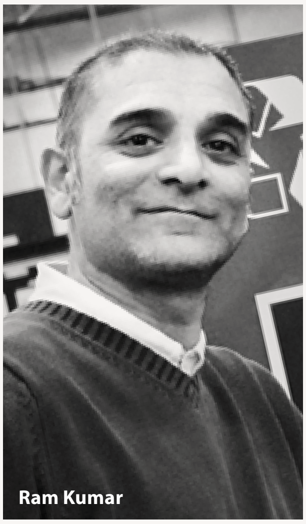
You make it all sound so easy. Have there been any bumps in the road?
Lee: Changing the culture and capturing people's hearts and minds isn't always easy. For example, it can be difficult for employees to understand why we count repetitive motion injuries. Supervisors often have to explain that the quicker the employee reports such injuries, the sooner the repetitive motion can be engineered out of the work process.
Jesse: Our safety-first approach enables employees to impact the process quickly and nip problems in the bud. That's really important, because when it comes to repetitive motion injuries, we know that getting therapy early can help to prevent surgery later.

How do you measure your progress in health & safety?
Lee: We track both recordables and lost-time incidents, and we use OSHA's methods for measuring safety. We track our safety record against other hydraulics manufacturers, and we benchmark well.
Jesse: I'm confident that our continuous improvement actions in health & safety will push us well ahead of other similar manufacturers in 2016. Watch this space!

CBE SPOTLIGHT: ENVIRONMENTAL SUSTAINABILITY

Ram Kumar and **Mark McFall** play major roles in the effort to continuously improve environmental sustainability at Concentric Birmingham. It is Ram's job to ensure that the site is compliant with environmental legislation, lead external and internal audits, and monitor conservation and Ultra Filtration (UF) equipment. Mark is responsible for new project management, including the introduction of new and/or improved processes onto the shop floor, supported by his deep knowledge of continuous improvement techniques such as Kaizen, Lean and Six Sigma.

Interview with Ram Kumar, Environmental & Fluidcare Manager, Birmingham and Mark McFall, Manufacturing Engineering & Continuous Improvement Manager, Birmingham.



Ram Kumar

What does sustainability mean to you?

Ram: Sustainability is a state in which the demands placed on the environment can be met without reducing its capacity to allow all people to live well, now and in the future. For Concentric, that means ensuring that from design to procurement to end-of-life of our products we use materials that come from sources where environmental considerations are at the forefront.

Mark: To me sustainability is primarily about not depleting our resources, about reducing our carbon footprint and finding ways to improve the way we work in order to minimize any harm. What's great about my role is that I can see that it has a direct impact in terms of our products, processes and people.

What sustainable working practices do you see in your day-to-day work?

Mark: I see them everywhere – from the way parts are delivered to us in returnable packaging, to the processes we set up on the shop floor, and beyond. If we look at machining we have optimised processes in order to minimise the effort to machine our products as well as line balance our cells in order to optimise our people. In our newer processes we request that a sleep mode function is fitted to the machines to reduce energy consumption. We also reduce tank sizes in order to minimise the amount of time oils need to be heated, and we add oil evacuation stations to machines to minimise oil loss.

Other examples include controllable lighting, air and heating systems, which save a lot of energy. We have a new insulated roof, new machining technology, new tooling technology, and our assembly and test cells have been set up based on No Fault Forward philosophies. We also have well-established recycling programs for cast iron, aluminium and water, as well as some types of wood and plastic.

Ram: Both recycling and re-use are big focus areas for us now. We aim to reduce our landfill waste to zero by sending our general waste to a Material Recovery Facility for processing. In terms


Mark McFall

of procurement, we try to use easily recyclable materials as much as we can, to avoid depleting non-renewable resources.

I would also like to highlight the fact that our machining centres that use water soluble cutting coolant are cleaned out daily as part of the Total Productive Maintenance (TPM) programme. This is a full cleanout of the machine's sump – first the used coolant is removed, then the debris. The used coolant is taken to our Conservation unit for recycling, where it is passed through various filtration sections to remove debris/free oils, until the coolant is ready for reuse across the plant. This process ensures a significant reduction in the amount of fresh mains water we use.

Why are we putting so much energy into sustainable working practices?

Ram: I really think sustainability and efficiency go hand in hand. Reducing energy consumption shrinks our carbon footprint at the same time that it saves money. Also, I think there's growing awareness about the importance of sustainability among our customers, and their customers, and an increasing willingness to pay a premium for more environmentally sound products.

Mark: In the beginning it was about legislation and compliance relating to things like emission levels, gases within air conditioning units, segregation of waste, recycling and so on. Then we wanted to meet accreditation targets for ISO14001. Now I would say that our sustainability efforts are driven by our customers, by market expectations. Also, we have seen some financial benefits both in terms of marketing and turning waste products into revenue streams.

How do employees, customers, investors and the larger communities in which we work benefit from all this?

Mark: Our commitment to sustainability gives our employees confidence in our long term future. The deeper our commit-

ment to sustainability, the better the shop floor environment has become as a workplace, in terms of lighting, heating and housekeeping, for example. The benefit to customers is that we can better control our consumption cost and gain a competitive edge with our newer technologies.

For investors, I think the benefit is mainly in terms of competitive edge and increased confidence in our longevity as a business. The communities we work in benefit in terms of peace of mind, knowing that we are not engaged in harmful practices.

Ram: For employees, we've seen that the cleaner working environment has led to high staff retention rates. They are also very positive about the recycling programme, because it proves to them that we care about the impact we have on the local community, the place where they and their families live.

For our customers, I think our commitment to sustainability is important because it shows that we are proactive about a major global issue, rather than waiting for someone else to do something. Looking forward, identifying ways to reduce waste offers so many benefits in terms of resource efficiency, sustainability and cost savings. Equally, there is great potential in re-using and recycling materials. These can provide much-needed resources for the manufacturing sector and often use less energy and water, further reducing the overall environmental impact of our plant.

CBE SPOTLIGHT: SUSTAINABILITY AND PRODUCT DESIGN

Concentric's design engineers comprise a diverse group of men and women who are passionate about science, ideas and innovation. Three of them – **Ed Zarzycki, Corinna Schweizer** and **Robert Johansson** – sat down with us to share their reflections on what sustainability means in their daily work.

Interview with Corinna Schweizer, Design Engineer in Germany), Ed Zarzycki, Senior Design and Development Engineer in the UK and Robert Johansson, Design & Applications Manager in Sweden.


Ed Zarzycki

We start by asking them a simple question: ***"What does a design engineer at Concentric do?"***

Ed answers first: "Concept design, detailing, simulation control, test and validation."

Corinna nods in agreement. "Yes, that's a good summary. I also think a really important part of our job is communicating with the sales teams and customers concerning design questions. Otherwise, I personally do a lot of project management, planning of tests for new products, and documenting our findings."

She pauses for a moment. "One thing I really love about my work is that sustainability is deeply relevant to it. Sustainability for me is acting with respect for the world of tomorrow and saving the environment for future generations. A big part of that is minimizing waste and protecting the world's water supply. We are doing this in our design work by making smarter, safer material selection choices – cutting out the use of toxic substances, for example."

The sustainability mind-set

"I've been with Concentric for nearly 14 years now, and in my experience sustainability has always been an important consideration in our design engineering process," Robert says. "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."

"I'd say that there are two main aspects we have to consider," Ed adds. "The performance of the products themselves is a very important part of how sustainability fits into our work, obviously, but we also make significant contributions to sustainability on the production side. At Concentric, we strive to be smart about raw materials – we're always on the lookout for ways to avoid unnecessary overconsumption and waste production. The efficiency gains that result from this approach are substantial."


Corinna Schweizer

The role of the customer

Corinna points out that sustainability in the design process at Concentric is highly influenced by the input that comes in from cus-

» … our task is to develop new products and solutions that perform better than previous-generation products … «

tomers, both directly and via the sales teams. "Many of our customers take sustainable business practices very seriously and they are continuously raising the bar for their suppliers," she stresses. "This is good for Concentric because it helps us differentiate ourselves from our competitors, who in many cases have not come as far as we have in their sustainability work. Our customers are counting on us to develop the innovations they need to both meet and exceed increasingly strict regulations and legislation."

One obvious example of that, **Ed** explains, is that customers are under increasing pressure to reduce their CO_2 emissions, which requires fuel efficiency improvements. "We've been working on this issue for a long time, and our line of variable flow products has been available for over ten years now," he comments. "They are tried and tested, robust and reliable. Our variable flow oil pump technology provides 1.25 percent fuel savings, which is really significant in our industry."

"Similarly, my team is proud to have developed a water pump clutch that provides fuel savings of 0.5 to 1 percent, which is also very significant," **Corinna** points out.

"And on the Hydraulics side, we offer an electrohydraulic unit that uses much less fuel than a conventional solution," **Robert** adds. "In the Hydraulics business we are very focused on reducing energy consumption and weight as much as we can, allowing customers to improve fuel efficiency and use smaller and lighter batteries."

The challenges ahead

According to all three of them, the biggest challenge Concentric faces in terms of developing more sustainable products and solutions is market-readiness to bear the higher costs. "More efficient and lightweight products are possible, but they are perceived to be too expensive for the market," **Ed** explains. "For example, pressure die cast aluminium is a common material used in the industry today. Magnesium castings are 30 percent lighter and more energy efficient to manufacture, but they would increase the price of the end products."

Despite the challenges, they all agree that the future is bright. "New doors are opening up every day," **Robert** says. "For example, we are working closely with the hybrid groups at the big truck manufacturing companies where there is a higher level of acceptance for new ideas. They are extremely keen to improve energy efficiency, and one way to do so is to improve energy recovery. We are hard at work finding new solutions. It's a very exciting time to be in this line of work."

CBE SPOTLIGHT: SUSTAINABILITY IN PRODUCTION

Vasant Nagargoje joined Concentric as Senior Manager Process Engineering at our manufacturing operation in Pune, India, in 2011. He quickly learned the ins and outs of the business and applied his expertise in Total Productive Maintenance (TPM) and lean manufacturing practices in a variety of ways that have improved efficiency and significantly reduced both energy consumption and waste across the organisation.

Interview with Vasant Nagargoje, Senior Manager Process Engineering for Concentric, India.


Vasant Nagargoje

"My goal is to satisfy the customer on time, in full, every time," he explains. "At the same time, I want to make sure that I am doing so at the lowest possible cost with minimal waste. As a result, my team and I are always on the lookout for opportunities to eliminate waste in all aspects of our work."

The team in Pune, made up of 15 salaried employees and 125 associate level machine operators, have been open to his ideas and quick to come with suggestions of their own. "They are very enthusiastic and interested in innovation, always looking for ways to do things better," he says.

According to Vasant, sustainable working practices go hand in hand with a Total Productive Maintenance approach. "Our guiding principle is 'What I produce should be right the first time.' With TPM, our goal is to achieve a working environment with zero breakdowns, zero accidents and zero defects," he explains.

Employee engagement

An important part of the TPM approach has been the formation of TPM circles. "The circles are made up of machine operators who meet for 10 minutes every day to discuss ideas about how to work more effectively and sustainably." Vasant says. "We have also provided the machine operators with a daily preventive maintenance checklist so that they are on the lookout for leakage of oil or air from their machines."

Further, Vasant has instituted monthly Kaizen competitions in which all employees are encouraged to submit ideas for continuous improvement. "If your idea is adopted, you are recognised with a formal certificate and a financial incentive, as well as seeing your idea put into practice," Vasant explains.

One example of how the TPM approach is contributing to sustainability is how the Process Engineering team has been working to reduce the amounts of oil and coolant used in the processes they run. They have started filtering and reconditioning as much as possible, which reduces both costs and the negative environmental impact of waste disposal.

Energy-saving initiatives

In terms of energy efficiency, Vasant and his team have made improvements in several areas. "We have replaced the air ventilators on the roof with ones that do not require energy to run, which has both improved air quality and flow in the factory and substantially reduced energy costs. We are also in the process of installing more efficient air compressors. The introduction of Variable Frequency Drive means that they will consume much less energy," he says. "Also, in March 2015, we changed the shop floor lighting from Sodium Vapour Lamps to LED lamps which is better for our workers, makes the quality inspection process easier and reduces energy consumption and costs."

Perhaps the most notable change of all in terms of efficient use of energy, though, was the decision to introduce an express feeder. "We'd been experiencing major fluctuations in the supply of energy to the shop floor," Vasant says. "This was terrible for production – the machines would stop in mid-process, which damages the tooling, creates lots of waste and increases the need for maintenance on the machines. Not only did the costs of production increase because of these problems, but the team was also missing its production goals through no fault of their own."

The new express feeder ensures uninterrupted power supply. "On the face of it, the express feeder is more expensive but it means no interruption to production, no damaged tools, less machine maintenance, less waste, and the team are able to hit their production goals consistently. So it's a worthwhile investment," Vasant says.

An added benefit of the express feeder is that because the power supply is never interrupted, they no longer need to resort to using a diesel generator as backup, thereby reducing emissions into the environment.

Looking to the future, Vasant thinks it would be fantastic to be able to use solar panels for energy production one day but currently the return on investment is too long, at between five and seven years. Ultimately, though, he envisions a time when Concentric Pune will be able to run production entirely on renewable energy sources.

Measurable results

Vasant tracks several Key Performance Indicators (KPIs) that prove the work the Pune team is doing is generating concrete results in terms of improved efficiency and waste reduction. "For example, consumable tool costs as a percentage of sales were reduced by over 20 percent in just one year," he explains. "On-time, in-full delivery performance improved by 6 percent during 2015. Our Overall Equipment Effectiveness (OEE) score is currently running at 11 percent higher than in 2014. And customer PPM (parts per million) rejects were 80 percent lower in 2015 compared to the previous year. So we're making real progress here."

Concentric Pune has a number of externally recognised certifications, including ISO 14001, OHSAS 18001, and Investors in Excellence (IIP). The IIP Auditor has confirmed that the new practices in energy efficiency and oil and coolant reduction demonstrate good practice in sustainability. Vasant thinks that Concentric has been on a par with competitors in terms of sustainability actions previously but he now believes that we are demonstrating best practice in many areas.

"For me, it's pretty straightforward," Vasant concludes. "Fundamentally, TPM and lean manufacturing are about the elimination of waste. The link to sustainability is clear. At Concentric, our sustainability strategy helps us create long term shareholder value by embracing opportunities and managing risks – deriving from economic, environmental and social developments. It's win-win."

CBE SPOTLIGHT: ECONOMIC SUSTAINABILITY

Debbie Corker has worked for Concentric Birmingham Limited for 11 years. As Credit Control Manager, she is responsible for managing the cash book, overseeing the process of invoicing for the UK business, recovering unpaid accounts, banking cash, advising the Profit and Loss account, facilitating the banking arrangements and maintaining debit and credit notes with customers. She also manages payroll and supports her Manufacturing Engineering and Environmental colleagues to generate revenue from waste products from manufacturing processes, making her a key player in our sustainability efforts – in economic, social and environmental terms.

Interview with Debbie Corker, Credit Control Manager, Birmingham, UK.


Debbie Corker

"Cash flow is of vital importance to the economic sustainability of any business," Debbie says. "Whilst it may look better to have large inflows of revenue from sales, no business can survive long without enough cash to meet its immediate needs." By controlling cash and ensuring that money owed is collected on time and that we pay creditors in accordance with our contract terms, Debbie helps to ensure that the cash position of the company remains healthy. As well as maintaining the cash books, Debbie also tracks spend against budget. By ensuring that the Birmingham business stays within budget she helps to ensure that the Company does not over-extend itself.

"From my point of view, working in a sustainable manner means keeping on top of things," Debbie says. "It's important to be well organised and to establish and apply consistent, streamlined processes to ensure that the receipt of payments and the recovery of monies owed is managed efficiently throughout the business."

Concentric has clear processes and procedures drawn up to show how we work across the business and Finance is no exception, according to Debbie. "Our processes are regularly audited for external certifications such as ISO accreditations from British Standards and we are recognised for business excellence awards through EFQM where sustainability is an important criterion for success," she explains.

Debbie's role is closely integrated into the business, with many contact points. "Concentric's customers are big companies that generally pay according to a timetable, usually on time, but when queries arise, I'm the one who follows them up with my colleagues in the sales, quality and logistics departments," she says.

Debbie applies standardised processes to address any queries, which means that customers can rest assured that their questions will be handled promptly and professionally. "Our processes also ensure that customers are invoiced on time,

that invoices are sent to the correct contact and that the order numbers and prices stipulated are correct," she adds. "Our efficiency and attention to detail mean that the payment processes at the customers' end can run smoothly too."

Another important aspect of sustainability that Debbie contributes to in her work is social sustainability, since she is responsible for payroll. "Most of our 215 employees live in and around the local area so our success feeds back into the community," she points out. "By continuing to be a successful local employer, we are keeping people in work, earning money to care for themselves and their families, and contributing to the local economy."

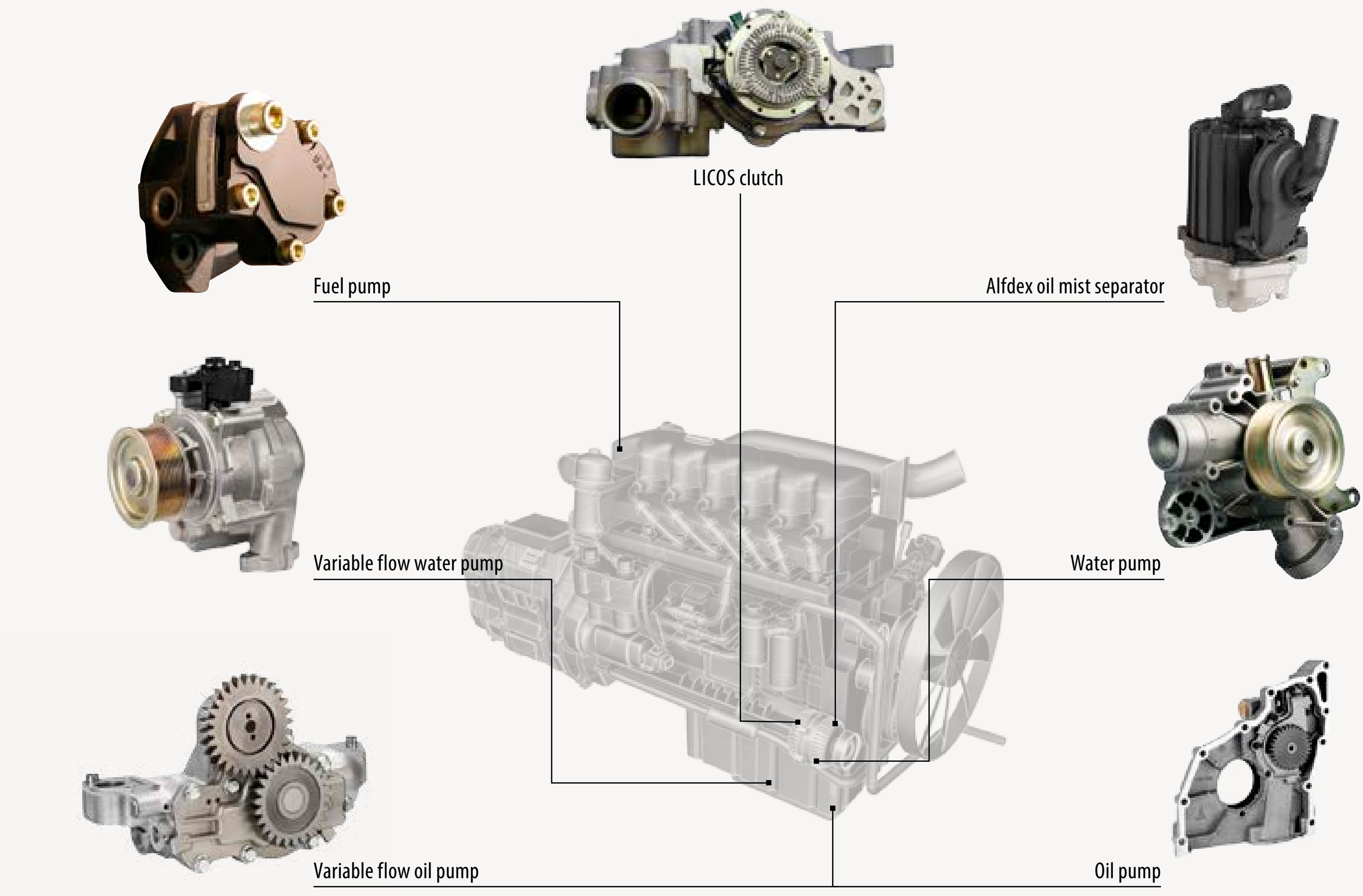
The workforce in Birmingham is quite stable, which is an advantage when it comes to sustainable working practices, according to Debbie. "Our sustainability culture is embedded and the processes we apply are well understood. Changes in personnel can stop things running so smoothly and a little time is required to get new employees up to speed."

Debbie also oversees and reconciles all the payments to the government for payroll taxes and social security, as well as contributions to pension providers. "There are big penalties for companies that do not pay on time so ensuring our compliance in this area also contributes to making Concentric a sustainable employer," she explains.

On top of her work in credit control and payroll, Debbie also supports her Manufacturing Engineering and Environmental colleagues to generate revenue from scrap metal, coolants, cardboard packaging and other waste products from manufacturing processes. "I raise the invoices for scrap metals such as aluminium, cast iron and carbide and for paper and cardboard too," she explains. "This recycling program is not only better for the environment – since these materials can be reused – it makes good economic sense too."

Debbie believes that Concentric's continuous improvement mind-set is key to its success in all aspects of sustainability. "We're always looking for ways to improve on what we do today," she says. "Our revenue streams from recycling are a great example of that. Now that we see how successful it's been, we are investigating the possibility of recycling wooden packaging as well. Every little step we take adds up and brings us that much closer to a more sustainable future."

Engine pumps are produced directly for manufacturers of diesel engines that, in turn, supply the same machine manufacturers.



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 covers 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.

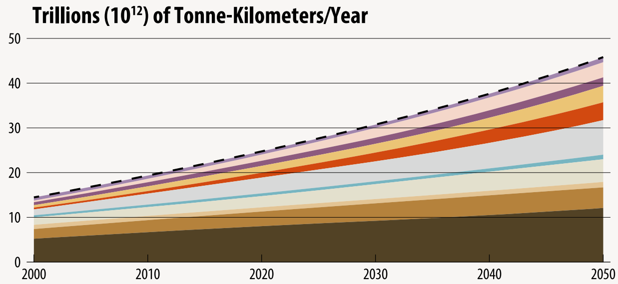
ENGINE PRODUCTS
DRIVING FORCES

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.

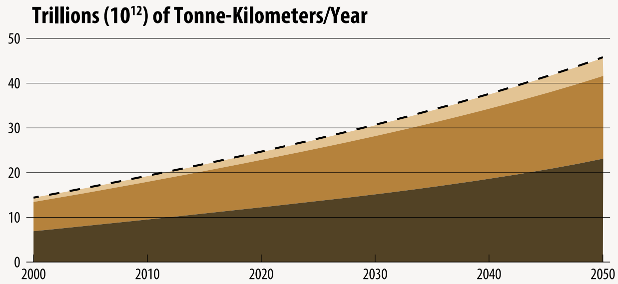
Freight transport activity by region



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 %

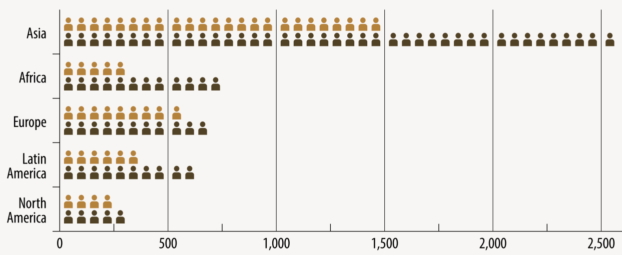
Source: *World Business Council for Sustainable Development – Mobility 2030: Meeting the challenges to sustainability*

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

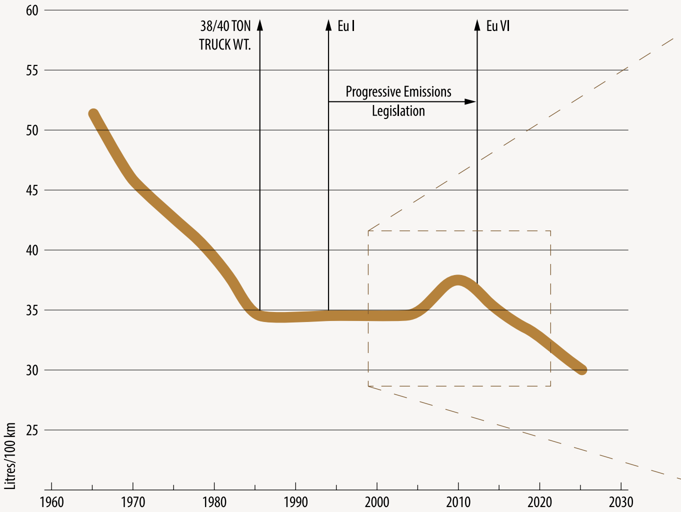
The US Environmental protection agency (EPA) have proposed greenhouse gas (GHG) emissions and fuel efficiency standards for medium and heavy duty vehicles. The proposed standards will cover model years 2021 to 2027. The engines for these models are currently being developed and our new technology is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

Further improvements:

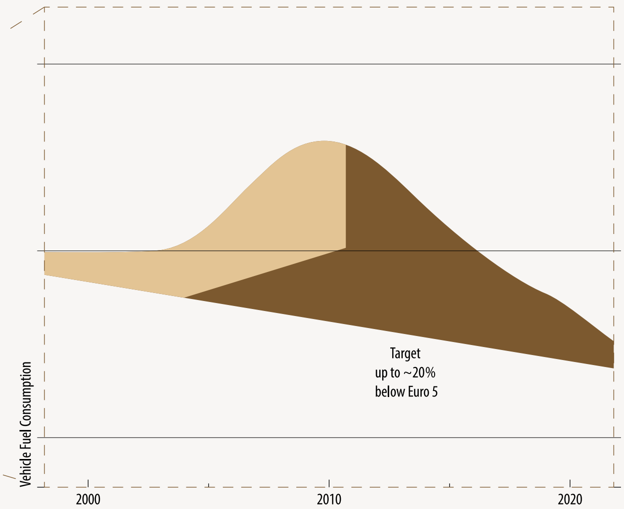
- Base engine boost and after-treatment.
- Vehicle and transmission.
- Electrification, intelligent auxiliaries (including variable flow pump technology), stop start Cooling system.
- Waste heat and braking energy recovery.
- Telematics and location awareness.

Average fuel consumption



Source: *Lastauto Omnibus, April 2014*

Target to achieve up to ~24% improvement in truck fuel economy in 12 years

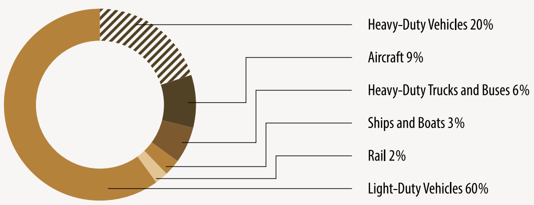


Source: *Ricardo*

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 Institue in a paper to support the introduction of the Phase two regulations.



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

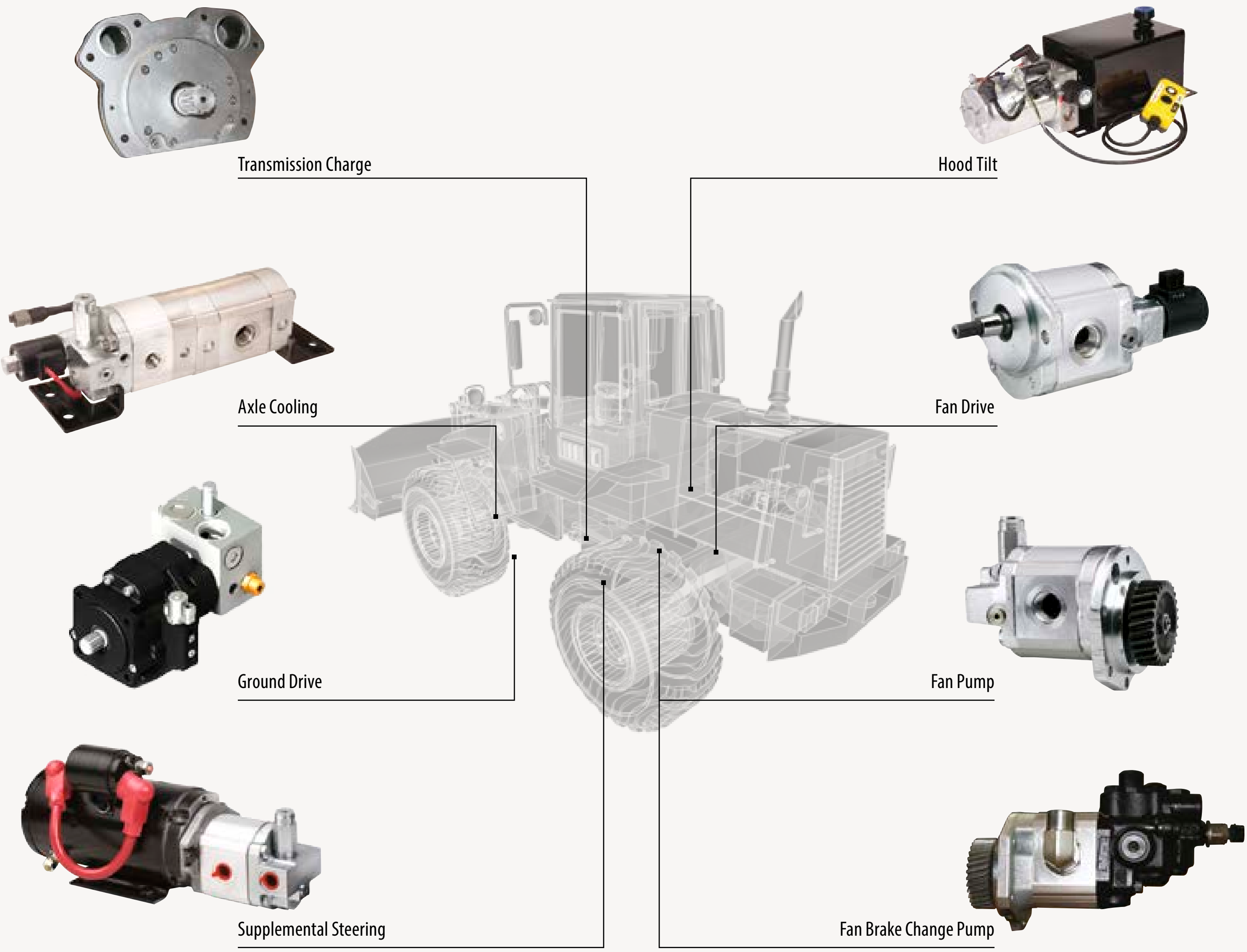
Heavy-duty vehicles are responsible for about one fifth of the energy use and GHG emissions from transportation sources.

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 pumps and power packs are produced directly for machine and vehicle manufacturers.



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.

Concentric's business is driven by a number of specific demands from the 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.

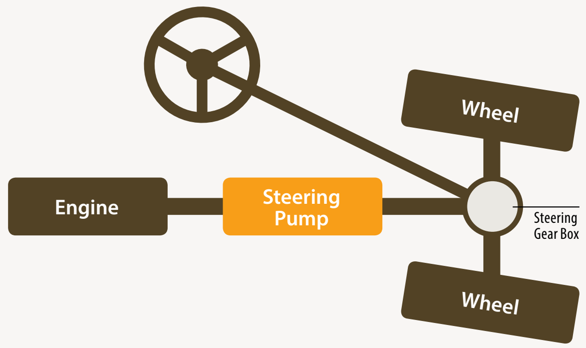
Ever increasing machine complexity is putting a premium on space availability which is driving the demand for higher power density pumps. In addition, the growing requirements to limit the environmental impact of equipment in the working environment is leading to further development and expansion of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

Energy efficiency

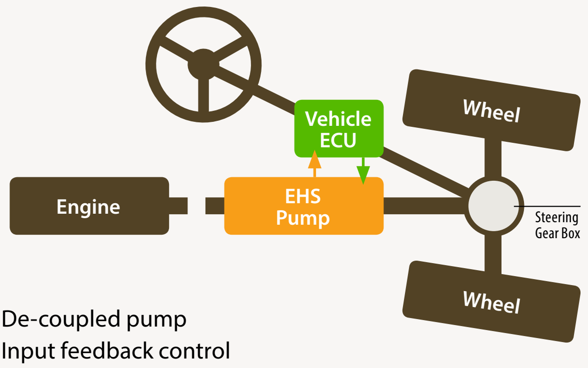
In 2015, the NFPA Technology Roadmap Task Force provided an update to the work previously published in 2012. The task force maintained that energy efficiency is one of the key areas in need of development. Improvements can be made through increased efficiencies of components and systems, reduced consumption 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



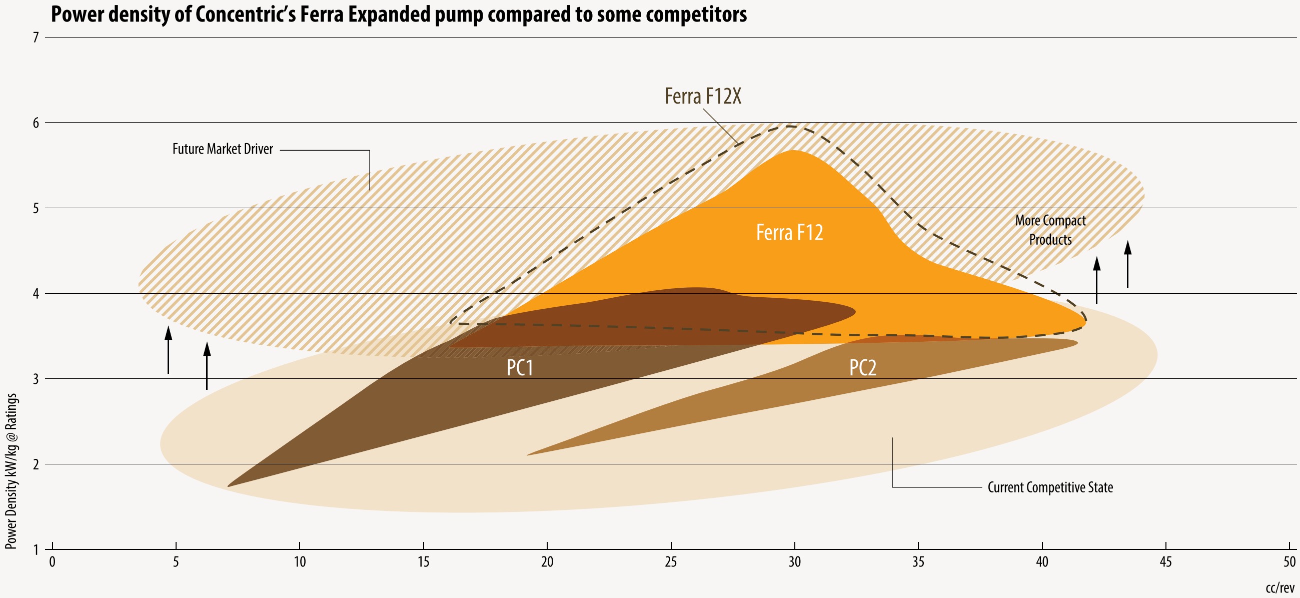
- Conventional steering system



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

Size reduction and reliability

Power density of Concentric's Ferra Expanded pump compared to some competitors



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.

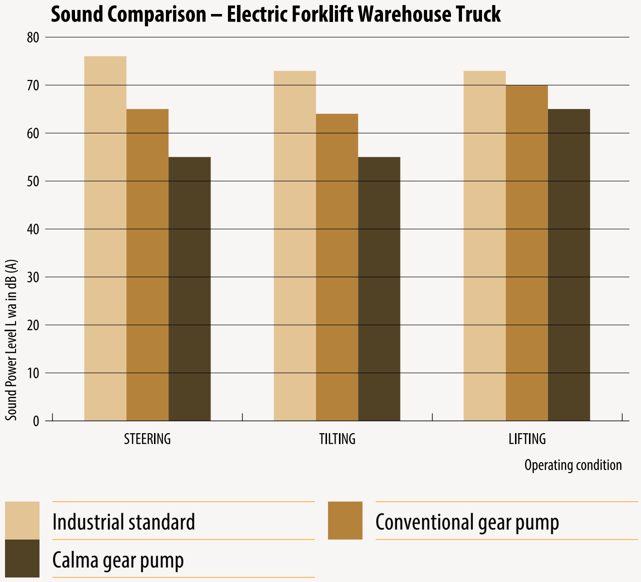
Concentric continues to develop and expand it's product offering by pushing the power density envelope even higher. The ability to deliver the same power output within a smaller pump body allows vehicle designers greater flexibility when space allocation is limited. In addition, the cast iron body is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

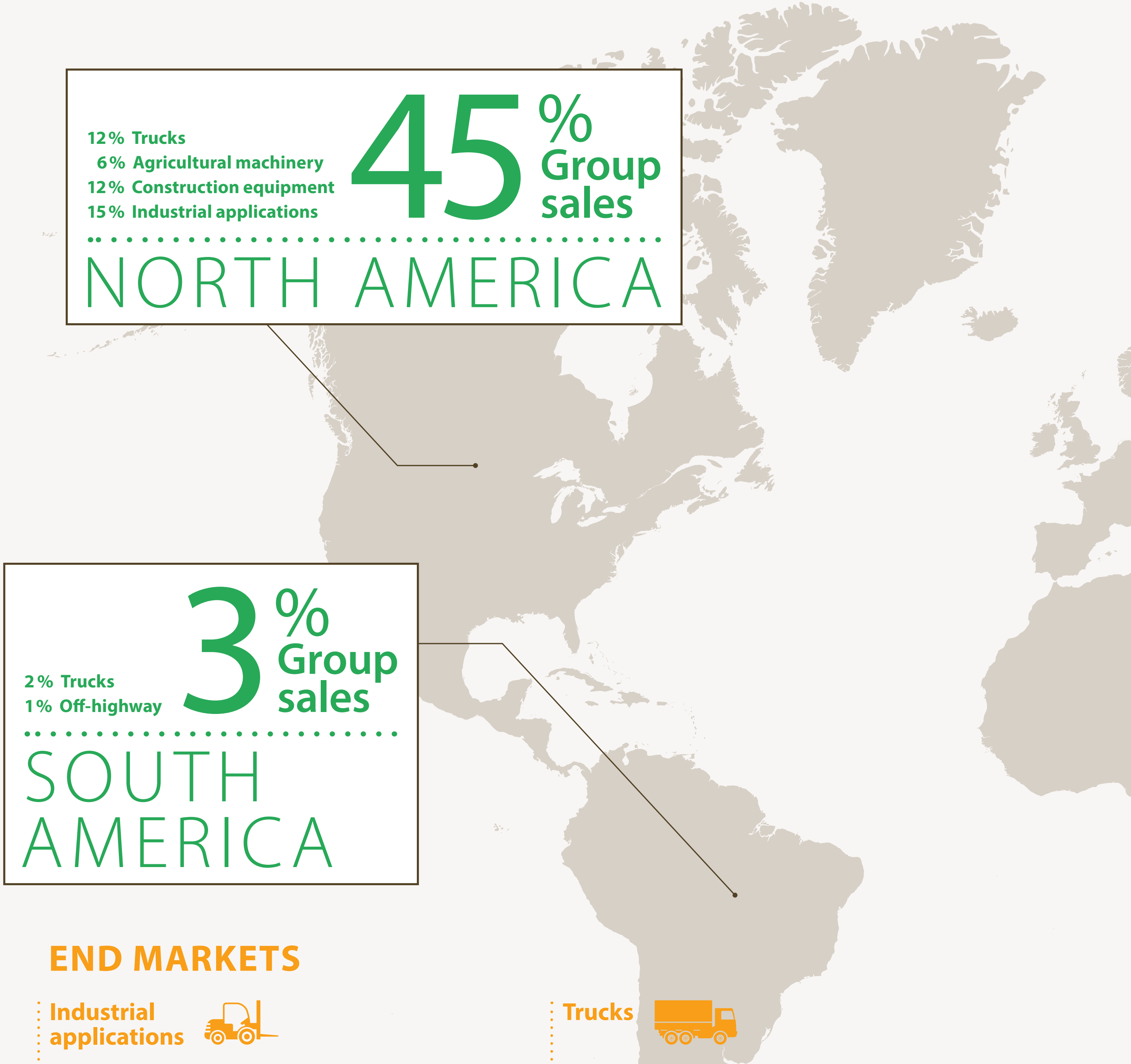
Reduced noise is an important issue when considering how to improve the working environment in a warehouse. There are a number of ways to reduce the level of noise. Power on demand options is one method. Additionally, novel designs in the components used within the system can impact the overall noise 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.

Sound Comparison – Electric Forklift Warehouse Truck



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

GROUP SALES



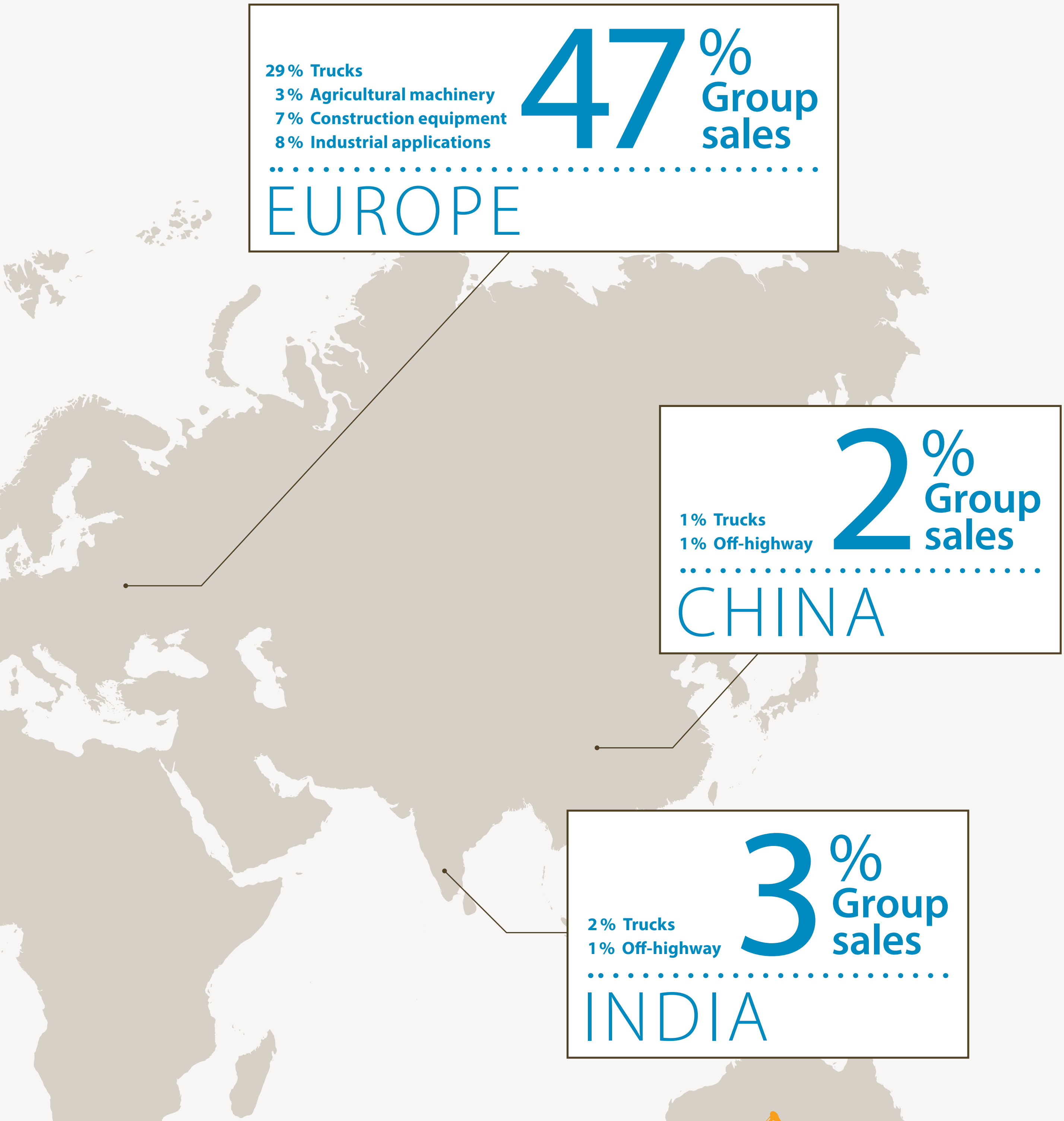
END MARKETS

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.

Trucks

Concentric sells its solutions to OEM customers and diesel engine manufacturers in the truck segment. The solutions pertain 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-heavy duty trucks exceeding 7.5 tons and heavy duty trucks exceeding 16 tons.



Agricultural machinery

Concentric provides its solutions to OEMs of agricultural equipment. The main solutions 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 solutions are used in a wide range of construction machinery and vehicles. The main solutions are for engine pumps, hydraulic fan drives and ancillary hydraulic pumps. These are 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.

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 are expected to grow in our largest 2 territories by a CAGR of 1 percent in North America and 2 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 2 percent for diesel engines and by 4 percent for lift trucks. Concentric's actual sales of engine and hydraulic products for industrial applications were down 7 percent year-on-year in constant currency, reflecting the customer mix of these sales.

Europe

European market indices decreased year-on-year by 3 percent for the production of diesel engines and by 4 percent for lift trucks for the industrial applications market. Concentric's actual sales of engine and hydraulic products for industrial applications were down 9 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 India for industrial applications increased year-on-year by 1 percent and 8 percent respectively, and were down 11 percent for China. However, Concentric's exposure to industrial applications in these emerging markets remained very low at around 1 percent of the group's total net sales for 2015.

PRODUCT RANGE

DC pack lift/ lower

Transmission

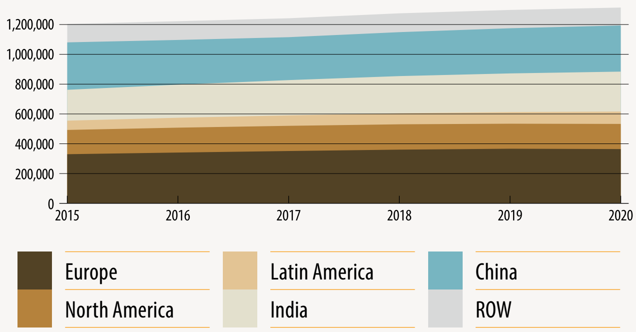
Low noise pump

MAJOR CUSTOMERS

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

FORECAST MARKET VOLUME

Diesel engines (0.8 – 2.75 ltr/cylinder)



Source: Power Systems Research, January 2016 update.

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 5 percent in Europe, 8 percent in South America, 6 percent in India and 1 percent in China. However, given that the Class 8 heavy-duty truck cycle peaked in the US during 2015, the North American truck market is actually expected to be flat over the next 5 years.

North America

Market indices published at year-end indicated that North American production of diesel engines decreased year-on-year by 1 percent for light trucks but increased by 10 percent for medium-heavy duty trucks. This was broadly consistent with Concentric's actual sales of engine products for trucks which were up 5 percent year-on-year in constant currency.

Europe

European market indices for the production of diesel engines for medium-heavy duty trucks increased year-on-year by 3 percent. Concentric's actual sales of engine products for medium-heavy duty trucks increased by 14 percent year-on-year in constant currency, driven primarily by the ramp-up of Euro VI platforms.

Emerging Markets

Market indices for the production of diesel engines in South America and China for trucks decreased significantly year-on year by 43 percent and 10 percent respectively, and were up 17 percent for India. However, in spite of the GKN Pumps acquisition, 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 2015.

PRODUCT RANGE

Oil mist separator

Licos clutch

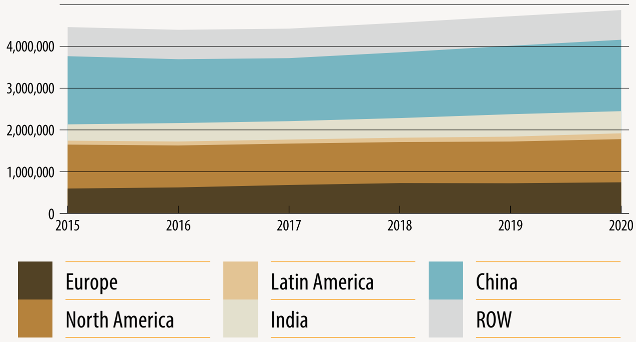
Variable flow water pump

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.

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 percent in Europe, 4 percent in South America, 4 percent in India and 1 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 10 percent. This was consistent with Concentric's actual sales of engine and hydraulic products for agricultural machinery in 2015.

Europe

European market indices for production of diesel engines for agricultural machinery decreased year-on-year by 11 percent. Concentric's actual sales of engine and hydraulic products for agricultural machinery were down 26 percent year-on-year in constant currency, reflecting both the mix of customers and applications associated with these sales.

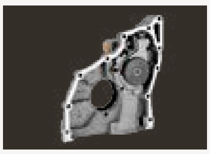
Emerging Markets

Market indices for the production of diesel engines in South America for agricultural machinery increased year-on-year by 5 percent, but were down in both India and China by 5 percent and 2 percent respectively. However, Concentric's exposure to agricultural machinery in these emerging markets remained very low at around 1 percent of the group's total net sales for 2015.

PRODUCT RANGE

Seeder motor

Oil pump



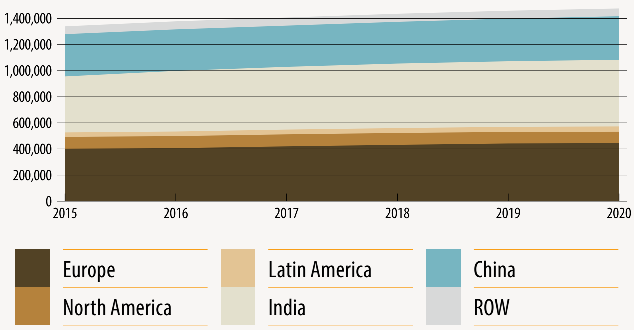
Implement pumps

MAJOR CUSTOMERS

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

FORECAST MARKET VOLUME

Diesel engines (0.8 – 2.75 ltr/cylinder)



Source: Power Systems Research, January 2016 update.

Construction equipment

Based on the forecast production of diesel engines over the next 5 years, agricultural machinery is expected to grow by a CAGR of 0.5 percent in North America, 2 percent in Europe, 4 percent in South America and 7 percent in India, with a 3 percent decrease forecast in China.

North America

Market indices published at year-end indicated that North American production volumes for construction equipment decreased year-on-year by 8 percent for diesel engines and 7 percent for hydraulic equipment. This was in stark contrast with Concentric's actual sales of engine and hydraulic products for construction equipment which were down year-on-year by 19 percent and 35 percent respectively in constant currency, reflecting the mix of customers and applications associated with these sales, in particular the impact of Caterpillar.

Europe

European market indices for the production of diesel engines and hydraulic equipment for the construction market decreased year-on-year by 9 percent and 4 percent respectively. Concentric's actual sales of engine products for construction equipment were down year-on-year by 25 percent in constant currency, again largely reflecting the customer mixes. However, Concentric's actual sales of hydraulic products in Europe for construction equipment remained stable year-on-year.

Emerging Markets

Market indices for the production of diesel engines in South America and China for construction equipment were significantly lower in 2015, down year-on-year by 22 percent and 19 percent respectively, although Indian volumes were up 4 percent. However, Concentric's exposure to construction equipment in these emerging markets remained low at less than 2 percent of the group's total net sales for 2015.

PRODUCT RANGE

Axle cooling

Fuel transfer pump

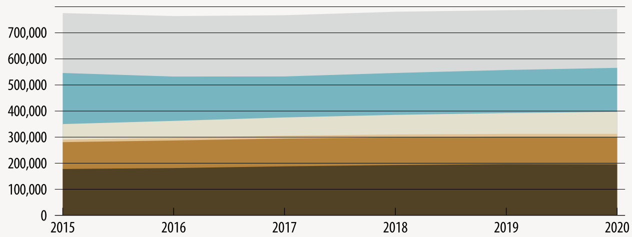
Fan drive

MAJOR CUSTOMERS

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

FORECAST MARKET VOLUME

Diesel engines (0.8 – 2.75 ltr/cylinder)



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

Source: Power Systems Research, January 2016 update.

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.

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.

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

Work on sustainability is treated as an integral part of operations. The company's CEO has ultimate responsibility.

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 and financial markets.

Concentric's operations in 2015, distributed by stakeholder, based on the company's income statement.

Amounts in MSEK

Customers	Sales of engine and hydraulic products	2,306
Suppliers	Procurement of goods and services as well as depreciation, amortisation	1,439
Employees	Wages, social expenses and competence development	486
Financial Institutions	Interest	18
The State	Taxes	92
Shareholders	Net income	271

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.

Concentric Business Excellence

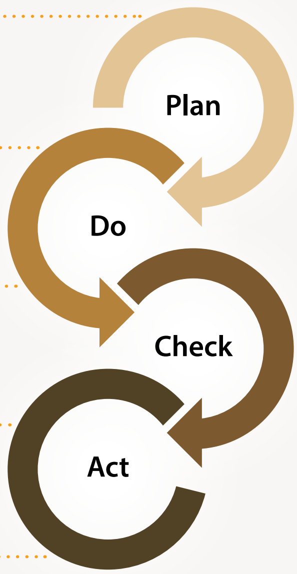
Concentric's Business Excellence programme ("CBE") underpins the group's approach to sustainability in everything we do.

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 18–27

Production

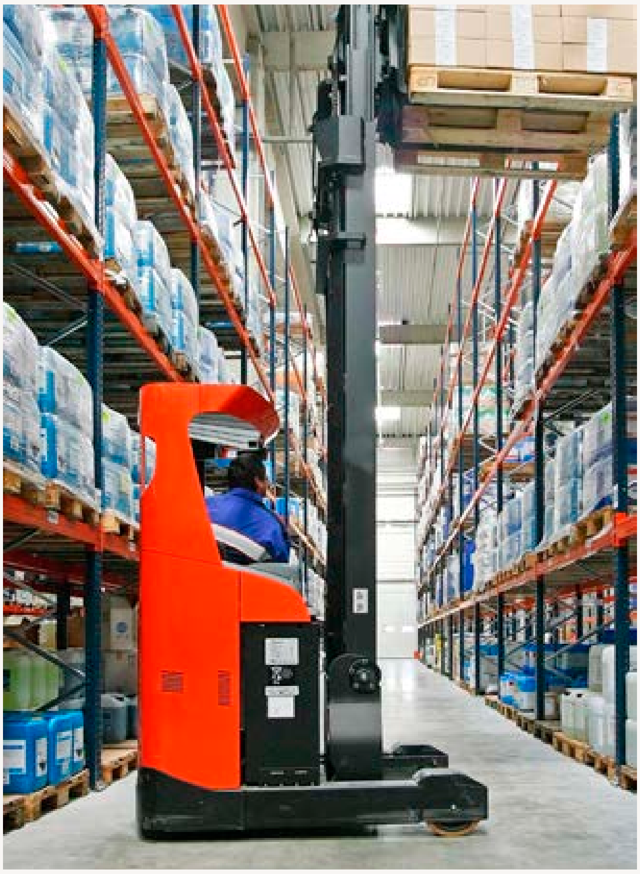
Concentric's business activities are divided by region, with full earnings and balance sheet responsibility at both regional and plant levels. Every plant has a local manager who assumes earnings responsibility for the entire range of plant operations.

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

Concentric's products and industrial operations must fulfil the following:

- Minimise the consumption of energy and raw materials.
- Minimise the production of waste and residual products.
- Facilitate waste treatment and recycling when possible.

This is achieved through the Concentric Business Excellence programme.

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.

Child labour

Concentric endeavours to ensure that minors are protected in a satisfactory manner and, as a matter of fundamental principle, refrains from employing children or supporting child labour, unless it occurs within the framework of government-approved programmes for young people, such as apprentice training.

Freedom of contract

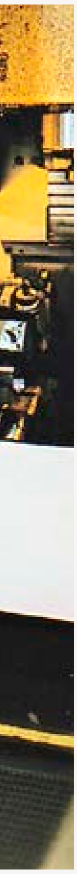
Concentric ensures that all employees accept positions within the company of their own free will.

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.

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.



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's comment 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 association to represent their interests.

Suppliers

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

Concentric employees by country[1)]

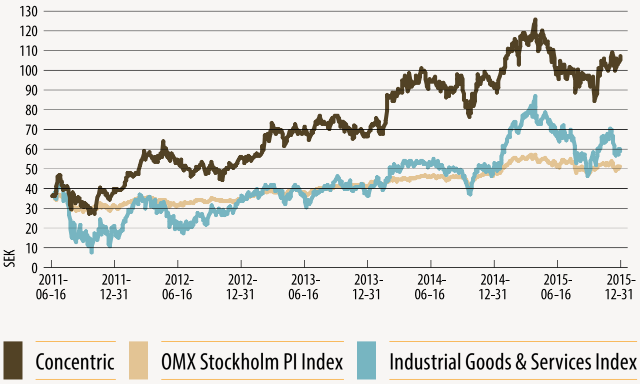
Country	2015	2014	2013	2012	2011
Argentina	127	–	–	–	–
China	21	30	33	30	36
Germany	219	206	207	130	174
India	174	203	228	235	243
Sweden	62	59	52	115	112
UK	193	212	212	186	233
USA	256	272	289	316	418
Other	3	3	4	4	4
Total	**1,055**	**985**	**1,025**	**1,016**	**1,220**

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

THE CONCENTRIC SHARE

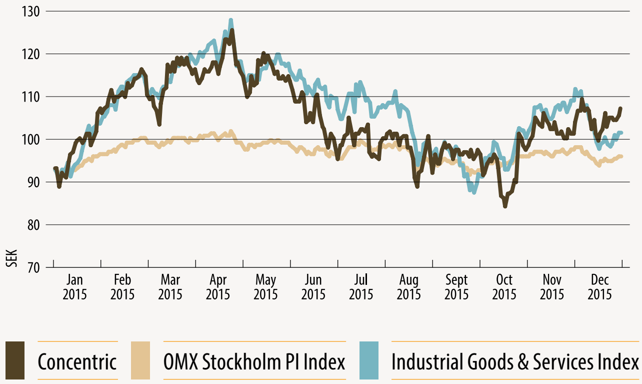
The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange midcap list since June 16, 2011, and is traded under the ticker symbol COIC. The market capitalisation of Concentric at 31 December, 2015 amounted to MSEK 4,406 represented by 41,180,104 shares at a market price of SEK 107.00.

Concentric share (16 Jun 2011 – 31 Dec 2015)



Source: SIX

Concentric share (1 Jan 2015 – 31 Dec 2015)



Price trend and trading

The price paid for the Concentric share rose 15 (28) percent in 2015 to 107 (93) SEK at year-end. The Industrial Goods & Services index rose 7.7 (2.6) percent during the same period. The highest price paid for the share during the year was registered at 125.50 (101.50) SEK and the lowest price was 84.25 (64.75) SEK. Concentric's market value as of 31 December, 2015 was 4,407 (3,942) MSEK. In 2015, a total of 20.8 (17.4) million Concentric shares were traded, corresponding to 48 (39) percent of the total number of shares. For the period from the initial listing on 16 June 2011 to 31 December 2015, Concentric's shares have given a total annual average return to shareholders of 30 percent. The corresponding figure for the year ended 31 December 2015 was 18 percent.

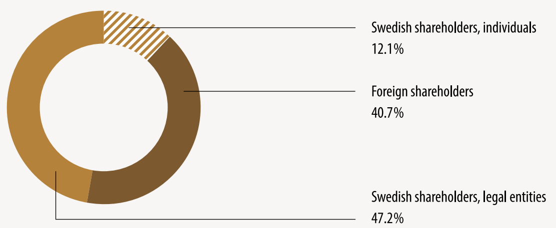
Ownership structure

At the end of 2015, Concentric had a total of 9,081 (9,181) shareholders. Foreign shareholders accounted for approximately 41 (39) percent of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 47 (49) percent of the company was owned by legal entities and 12 (12) percent by private individuals.

10 largest shareholders, 30 Dec. 2015

Name	Votes capital, %	No. of shares
Lannebo fonder	11.9	5,092,559
Nordea Investment Funds	10.2	4,377,205
Swedbank Robur fonder	10.0	4,294,160
Vulcan Value Partners, LLC	6.1	2,615,678
SEB Investment Management	5.6	2,396,849
Handelsbanken fonder	3.7	1,604,404
CBNY-Norges Bank	3.0	1,305,590
Didner & Gerge Fonder Aktiebolag	2.0	858,610
Fondita Nordic Micro Cap Sr	1.8	760,000
DnB – Carlson fonder	1.6	691,884
Total 10 largest external shareholders	**56.0**	**23,996,939**
Total other external shareholders	40.1	17,183,165
Total, excl own holding	**96.1**	**41,180,104**
Own share holding	3.9	1,672,396
Total shares	**100.0**	**42,852,500**

Swedish and foreign shareholders



Analysts monitoring Concentric

Institution	Analyst
ABG Sundal Collier	Olof Cederholm
Danske Bank	Max Frydén
Handelsbanken Capital Market	Carl Bertilsson
SEB Enskilda	Anders Trapp
Swedbank Markets	Mats Liss

Distribution of shares, 30 Dec. 2015

No. of shares	No. of shareholders	% of total shares	% of total share capital
1–500	6,415	70.6	2.8
501–1,000	1,289	14.2	2.5
1,001–5,000	1,071	11.8	5.7
5,001–10,000	109	1.2	1.8
10,001–15,000	35	0.4	1.1
15,001–20,000	26	0.3	1.1
> 20,001	136	1.5	85.0
Total	**9,081**	**100.0**	**100.0**

Incentive programmes

Concentric AB Annual General Meeting 2012–2015 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.

Employee stock options	LTI 2015	LTI 2014	LTI 2013	LTI 2012
President and CEO	85,360	78,400	63,200	102,200
Other senior executives	38,240	23,520	66,440	55,560
Total stock options	**123,600**	**101,920**	**129,640**	**157,760**
Employee stock options	61,800	50,960	57,680	78,880
Performance stock option 1	30,900	25,480	28,840	39,440
Performance stock option 2	30,900	25,480	28,840	39,440
Total stock options (=Number of shares)	**123,600**	**101,920**	**115,360**	**157,760**
Criteria for performance stock option 1	2017 EPS ≥ SEK 7.50	2016 EPS ≥ SEK 6.00	2015 EPS ≥ SEK 6.25 [1]	2014 EPS ≥ SEK 5.50 [1]
Criteria for performance stock option 2	2015–17 Average ROE ≥ 25 %	2014–16 Average ROE ≥ 20 %	2013–15 Average ROE ≥ 20 % [1]	2012–14 Average ROE ≥ 20 % [1]
Number of senior executives	**3**	**5**	**5**	**4**
Conditioned by own investment of shares	**30,900**	**25,480**	**28,840**	**39,440**

Changes in number of stock options	2015	2014	2013	2012
Opening balance, 1 January	403,320	286,880	177,760	–
Granted	123,600	115,920	109,120	177,760
Granted LTI 2013 in 2014	–	20,520	–	–
Options LTI 2012 exercised in 2015	–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	**340,880**	**403,320**	**286,880**	**177,760**
Average exercise price, SEK	96.55	80.10	63.13	50.95
Average price per option, SEK	24.88	23.78	12.18	12.05
Risk free interest rate, %	0.00	0.98	0.98	0.98
Expected volatility [2], %	28.00	28.00	26.00	35.00
Assumed dividend during 3 year period, SEK	10.92	9.57	8.54	6.72
Average share price at grant date, SEK	115.50	99.25	68.00	55.85
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2015, MSEK	1.3	1.3	0.6	0.9
Annual cost of scheme, MSEK	2.1	1.3	0.6	1.0
Total cost of scheme spread across the 3 year vesting period, MSEK	**6.4**	**3.9**	**1.9**	**3.0**

[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, the annual dividend should correspond to approximately one third of the Group's net income over a business cycle.

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, meaning 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

	2015	2014	2013
Earnings before items affecting comparability, SEK	6.48	5.54	4.00
Earnings before dilution, SEK	6.45	5.54	4.00
Earnings after dilution, SEK	6.44	5.53	4.00
Return on equity, SEK	31.70	29.60	27.20
Dividend, SEK	3.25*	3.00	2.75
Own shares repurchased, SEK	3.44	3.49	0.00
Market price at year end, SEK	107.00	93.00	72.75
Equity, SEK	20.46	19.13	17.80
EBIT multiple	12.90	13.30	11.30
P/E ratio	16.60	16.80	18.30
Payout ratio, %	50.40	54.20	68.80
Dividend yield, %	3.00	3.20	3.80
Dividend and buy-back yield, %	6.25	7.00	3.80
Basic average number of shares (000's)	42,058	43 421	43 922
Diluted average number of shares (000's)	42,119	43 523	43 962
No. of shares at 31 December (000's)	41,180	42 392	43 957

* Proposed dividend for consideration at the 2016 AGM

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 2015. 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. 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 2015, Concentric had, on average, a total of 1,088 (1,036) 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 2,306 (2,078), up 11% year-on-year in absolute terms. Adjusting for the acquisition of GKN Pumps (+4%) and the impact of currency (+15%), the underlying year-on-year sales decreased for the full year by 8%.

Consolidated gross profit increased to MSEK 623 (568), resulting in a gross margin of 27.0% (27.3%). Reported EBIT and EBIT margin amounted to MSEK 381 (333) and 16.5% (16.0) respectively. The reported EBIT includes a net expense of MSEK 1 (0) relating to one-off items associated with the acquisition of GKN Pumps.

Americas

External sales for the full year amounted to MSEK 1,205 (1,033). Sales were up 17% in absolute terms, but down 12% after taking into consideration currency (+20%) and the acquisition of GKN Pumps (+9%). The year-on-year decrease in sales in constant currency was driven by weak demand, particularly for hydraulic product, in all end markets in North America, with the exception of the medium and heavy duty truck market.

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 163 (157) and 13.5% (15.2) respectively. The underlying operating margin for the full year, excluding the acquisition of GKN Pumps entirely, was 15.5%.

Europe & RoW

External sales for the full year amounted to MSEK 1,292 (1,203). Sales were flat in constant currency for the full year, after adjusting for the impact of currency (+7%).

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 222 (182) and 17.2% (15.1) respectively.

Net financial items, taxes and net earnings

Net financial expenses for the full year amounted to MSEK 18 (17), comprising net exchange gains of MSEK 5 (6), net income arising from other interest of MSEK 1 (expense 5) and net financial expenses in respect of net pension liabilities of MSEK 24 (18). Accordingly, consolidated income before taxation amounted to MSEK 363 (316) for the full year.

The Group's tax expenses for the fiscal year 2015 amounted to MSEK 92 (75). The Group's effective annual tax rate for 2015 was 25% (24). Adjusting the EBIT for MSEK 13 (0) of negative goodwill associated with the acquisition of GKN Pumps which had no related tax entries, the underlying effective tax rate for the Group was 26%. 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 271 (241). Basic and diluted earnings per share amounted to SEK 6.45 (5.54) and SEK 6.44 (5.53) respectively.

Cash Flow

Cash flow from operating activities for the full year amounted to MSEK 366 (340) which represents SEK 8.70 (7.83) 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 35 (25).

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 50 (58), which represents 2.2% (2.8) of the Group's annual sales value.

[1] See Note 2 section c) Consolidation

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 2015 the fair value of those derivative instruments that were assets was MSEK 0 (4), 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 remeasurement gain for the full year was MSEK 1 (losses 127).

As a result, the Group's net debt at 31 December 2015 was MSEK 488 (528), comprising bank loans and corporate bonds of MSEK 182 (195) and net pension liabilities of MSEK 564 (568), net of cash amounting to MSEK 258 (235).

Shareholders' equity amounted to MSEK 852 (811), resulting in a gearing ratio of 57% (65).

Acquisitions

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.

Income arising from negative goodwill of MSEK 13 (0) and acquisition related expenses and restructuring costs MSEK 14 (0) have been recognised, giving a net expense of MSEK 1 (0). Full details of the fair values of the identifiable assets acquired and liabilities assumed are provided in Note 34.

Related-party transactions

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 4 years, the AGM has decided upon four 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.

Concentric's work in this area has focused on implementing the policy as a part of existing procedures and guidelines.

For example, the social policy has been integrated into the Company's purchasing manual. Implementation efforts are continuing, with a focus on the development and completion of action plans at a unit level.

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 the cost of 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.

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 806 (447) at year-end, corresponding to 35% (22) 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. 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	**2015**	**2014**	**2015**	**2014**
EUR	9.3562	9.0968	9.1350	9.5155
GBP	12.8962	11.2917	12.3785	12.1388
USD	8.4350	6.8577	8.3524	7.8117

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	**2015**	**2014**	**2015**	**2014**
EUR	7	7	32	29
GBP	4	15	58	59
USD	15	12	93	86

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, 2015, 71% (76) of the anticipated net flows was hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as the counterparties with whom contracts may be signed. Currency forward contracts were used during 2015 to hedge invoiced and forecast currency flows. At 31 December, 2015, these contracts had a net value of MSEK 118 (111) with a market value of MSEK 2 (4).

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 166 (196) 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 2015, no single customer accounted for more than 16% (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 approximately 10 further years' time. 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 dividend 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 9,081 (9,181) shareholders at the end of the financial year. The Company's largest shareholder was Lannebo Fonder (11.9%). There are three shareholders that hold in excess of 10% of the votes and capital of the company and they held together 32.1%.

Share Capital, shares outstanding and rights

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

During 2015 Concentric AB sold 157,760 of its own shares for MSEK 8, representing 0.4% of the share capital of the company. The company also bought back 1,369,315 (1,565,016) of its own shares for a purchase price of MSEK 142 representing 3.2% (3.5%) of the shares of the company. The total number of holdings of own shares at year-end 2015 was 1,672,396 (1,824,311), which represented 3.9% (4.1) of the total number of shares of the company.

The number of shares outstanding at year-end, excluding any dilution from share options, was 41,180,104 (42,391,659). 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 46–49.

Board Authorisations

At the last AGM in April 2015, 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 102–109.

Remuneration

The 2015 AGM adopted remuneration policies were as follows. The actual remuneration agreed during the year is detailed in note 8 on page 71–72.

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, page 71–72.

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'. 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 2016 AGM that the above policies on executive remuneration shall apply until the 2017 AGM. Expected cost for variable salaries and LTI-schemes will be about 14 MSEK (excluding social security cost) for 2016.

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 45 (28), generating an operating income of MSEK 25 (7). The company also received the following income from subsidiaries and joint ventures during the current and previous years:

- Dividends amounting to MSEK 99 (0) arising from its wholly owned US subsidiary undertaking, Concentric US Finance 2 Limited.
- Dividends amounting to MSEK 17 (0) arising from its wholly owned Swedish subsidiary undertaking, Concentric Skånes Fagerhult AB. In 2014 the parent company received profits amounting to MSEK 13 arising from group contribution 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 34 (108) and MSEK 3 (5) respectively.
- In 2014 a write-down of shares in Concentric Innovations AB was made with MSEK 6.

Accounting Principles

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

Outlook for 2016

Looking forward into 2016, the Board considers that Concentric is in a good position to maximise the foreseeable business opportunities and continue to outperform the market. As pressure to reduce fuel consumption in all forms of machinery and trucks increases, Concentric's development programmes with customers for variable flow pump technology will continue to present opportunities. The acquisition of the GKN pumps business in Argentina will enable Concentric to better serve its global customers and win new business both for engine and hydraulic products.

With dedicated resources in place, the company will continue to look at further acquisition opportunities to enhance its product offering and/or strengthen its geographical footprint. In short, Concentric is well positioned, financially and operationally, to fully leverage the opportunities for 2016.

Dividend policy

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, 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 3.25 (3.00) per share for 2015. This corresponds to an ordinary dividend of SEK 2.25 (2.00) which equates to around 35% (36) of earnings per share, plus an additional dividend of SEK 1.00 (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	1,090
Net income for the year	119
Total	**1,209**

The board of directors and the president propose that the funds of MSEK 1,209 be allocated as follows:

Amounts in MSEK	
Dividend of SEK 3.25 per share to shareholders	134
Carried forward	1,075
Total	**1,209**

Statement by the Board of Directors concerning the proposed dividend

The proposed dividend reduces the company's equity to assets ratio from 49 percent to 46 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	2015	2014
Net sales		2,306	2,078
Cost of goods sold		–1,683	–1,510
Gross income		**623**	**568**
Selling expenses		–77	–82
Administrative expenses		–147	–116
Product development expenses		–50	–58
Share of net income in joint venture	19	7	12
Other operating income	11	78	46
Other operating expenses	11	–53	–37
Operating income	**4, 5, 6, 7, 8, 9, 10, 17**	**381**	**333**
Financial income	12	12	9
Financial expenses	12	–30	–26
Financial items – net		**–18**	**–17**
Earnings before tax		**363**	**316**
Taxes	13	–92	–75
Net income for the year		**271**	**241**

Attributable to:			
Parent Company shareholders		271	241
Non controlling interest		–	–
Basic earnings per share, SEK	14	6.45	5.54
Diluted earnings per share, SEK	14	6.44	5.53
Basic weighted average number of shares (000)	14	42,058	43,421
Diluted weighted average number of shares (000)	14, 24	42,119	43,523

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
Net income for the year	271	241
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement gains	35	–
Tax arising on remeasurement gains	–8	–
Remeasurement losses	–34	–127
Tax arising on remeasurement losses	14	33
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences related to liabilities to foreign operations	–34	–108
Tax arising from exchange rate differences related to liabilities to foreign operations	7	24
Cash-flow hedging	–3	4
Tax arising from cash-flow hedging	1	–2
Foreign currency translation difference	50	231
Total other comprehensive income	**28**	**55**
Total comprehensive income	**299**	**296**

CONSOLIDATED BALANCE SHEET

	Note	31-Dec-15	31-Dec-14
ASSETS			
Fixed assets			
Goodwill	15	631	612
Other intangible fixed assets	15	306	335
Tangible fixed assets	16, 17	187	194
Share of net assets in joint venture	19	20	26
Deferred tax assets	18	145	165
Long-term receivables	37	4	4
Total fixed assets		**1,293**	**1,336**
Current assets			
Inventories	20	201	222
Accounts receivable	21, 37	166	196
Other current receivables	22, 37	88	77
Cash and cash equivalents	23, 37	258	235
Total current assets		**713**	**730**
Total assets		**2,006**	**2,066**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	24		
Share Capital		97	97
Additional Contributed Capital		583	583
Reserves		187	166
Retained Earnings		–15	–35
Total equity		**852**	**811**
Long-term liabilities			
Pensions and similar obligations	25	564	568
Deferred tax liabilities	18	43	64
Long-term interest-bearing liabilities	26, 27, 37	178	3
Other provisions	30	7	1
Other long-term liabilities	37	3	4
Total long-term liabilities		**795**	**640**
Current liabilities			
Short-term interest-bearing liabilities	26, 28, 37	4	185
Short-term loans payable to associated companies	29, 37	–	12
Accounts payable	26, 37	194	211
Other provisions	30	32	44
Other current liabilities	26, 31, 37	129	163
Total current liabilities		**359**	**615**
Total equity and liabilities		**2,006**	**2,066**

Information of pledged assets and contingent liabilities, see note 32

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Additional contributed capital	Reserves		Retained earnings	Total
			Hedging reserve	Translation reserve		
Opening balance January 1, 2014	**97**	**583**	**–**	**17**	**86**	**783**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	241	241
Other Comprehensive income	–	–	2	147	–94	55
Total comprehensive income	**–**	**–**	**2**	**147**	**147**	**296**
Dividend	–	–	–	–	–121	–121
Buy-back own shares	–	–	–	–	–148	–148
Long-term incentive plan	–	–	–	–	1	1
Closing balance December 31, 2014	**97**	**583**	**2**	**164**	**–35**	**811**
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**

CONSOLIDATED CASH FLOW STATEMENT

	Note	2015	2014
Cash flow from operating activities			
Earnings before tax		363	316
Reversal of depreciation, amortisation and write-down of fixed assets		74	84
Reversal of net income from joint venture		–7	–12
Reversal of other non-cash items	33	27	17
Taxes paid		–100	–99
Cash flow from operating activities before changes in working capital		**357**	**306**
Change in working capital			
Inventories		31	4
Current receivables		41	44
Current liabilities		–63	–14
Change in working capital		**9**	**34**
Cash flow from operating activities		**366**	**340**
Cash flow from investing activities			
Investments in subsidiaries	34	–10	–
Investments in property, plant and equipment		–25	–25
Cash flow from investing activities		**–35**	**–25**
Cash flow from financing activities			
Dividend		–127	–121
Dividend received from joint venture		12	12
Buy-back of own shares		–142	–148
New loans		227	16
Repayment of loans		–240	–19
Pension payments and other cash flows from financing activities		–40	–39
Cash flow from financing activities		**–310**	**–299**
Cash flow for the year		**21**	**16**
Cash and bank assets, opening balance		235	193
Exchange-rate difference in cash and bank assets		2	26
Cash and bank assets, closing balance		**258**	**235**

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 March 15, 2016.

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 that 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 2015 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

None of the IFRS and IFRIC interpretations endorsed by the EU, but not early adopted by the Group, are expected to have a material impact on the Group.

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

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 not yet assessed the effects of IFRS 9.

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. IFRS 15 is not expected to have any material impact on the Group, but has not yet been fully assessed.

IFRS 16 – "Leases" sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie 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 but only if it also applies IFRS 15 "Revenue from Contracts with Customers". IFRS 16 replaces the previous leases Standard, IAS 17 "Leases", and related Interpretations.

All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, 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.

IFRS 16 is expected to have a material impact on the Group, but has not yet been fully assessed. 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 constitute a joint venture under IFRS 11.

While the company is using equity method for the Group, the proportionate method is used for the segment reporting (see note 4).

Non-Controlling Interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

d) Translation of foreign currency

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

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 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 remeasurement 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 2012–2015 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 page 71–72. 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 2015, the total goodwill amounted to MSEK 631 (612). 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 207 (194) and to Europe and RoW segment amounts to MSEK 424 (418). 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 expecting future cash flows, as determined in the individual segments business plans. The value is set in relation to the carrying amount of the segment's goodwill. Future cash flow is calculated on the basis of official market data relevant to Concentric's type of industry, while consideration is also taken for the Concentric's historical financial performance and future benefits from 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 (8.1) was used for the Europe and RoW segment and 6.5 percent (6.4) was used for the Americas segment. This corresponds to WACC before tax of 9.0 percent (11.1%) for Europe and RoW segment, and 8.8 percent (8.7%) 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 2015 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 29 MSEK (39) and represented 1.2 (1.9) percent of net sales as of December 31, 2015.

Pensions

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounted to 564 MSEK (568) at year-end 2015. The principal assumptions are described in Note 25. At 31 December 2015, there was an increase in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in Great Britain and US, which lead to actuarial gains 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 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 160. Since the Group´s UK companies account for approximately 73 percent (75) 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 2015 of MSEK 392 (321), or 15.7 percent (14.4 percent) and MSEK 374 (387) or 15.0 percent (17.3 percent) respectively. These two customers were supplied from both the Americas and Europe & ROW operating segments. The location of the customer forms the basis of sales by geographic area.

	2015	2014
Americas		
External net sales	1,205	1,033
Total net sales	1,231	1,049
Operating income	163	157
Operating margin (based on external sales), %	13.5	15.2
Operating margin (based on total sales), %	13.2	14.9
Assets	625	565
Liabilities	299	286
Capital employed	401	334
Return on capital employed, %	44.0	49.9
Net investments	13	–
Depreciation, amortisation and impairment losses	14	22
Number of employees, average	407	313

	2015	2014
Europe & RoW		
External net sales	1,292	1,203
Total net sales	1,398	1,301
Operating income	222	182
Operating margin (based on external sales), %	17.2	15.1
Operating margin (based on total sales), %	15.9	14.0
Assets	1,316	1,397
Liabilities	633	733
Capital employed	868	959
Return on capital employed, %	22.9	20.0
Net investments	12	27
Depreciation, amortisation and impairment losses	60	65
Number of employees, average	741	780

	2015	2014
Eliminations and unallocated items [1]		
Elimination of sales	–191	–158
Operating income	–4	–6
Assets	65	104
Liabilities	222	236
Capital employed	–15	–15
Net investments	–	–2
Depreciation, amortisation and impairment losses	–	–3
Number of employees, average	–60	–57

[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

	2015	2014
Group		
Net sales	2,306	2,078
Operating income	381	333
Operating margin, %	16.5	16.0
Assets	2,006	2,066
Liabilities	1,154	1 255
Capital employed	1,254	1,278
Return on capital employed, %	28.8	27.1
Net investments	25	25
Depreciation, amortisation and impairment losses	74	84
Number of employees, average	1,088	1,036

	2015	2014
Operating income (EBIT) per operating segment		
Americas	163	157
Europe & RoW	222	182
Not broken down by segments	–4	–6
Total operating income (EBIT)	**381**	**333**
Financial net	–18	–17
Earnings before tax	**363**	**316**

	2015	2014
Sales by customer location – geographic area		
Total USA	1,110	942
Rest of North America	24	90
South America	72	3
Germany	355	343
UK	167	178
Sweden	105	95
Rest of Europe	339	299
Asia	129	124
Other	5	4
Total	**2,306**	**2,078**

	2015	2014
Total net sales per product group		
Concentric branded Engine products	1,271	1,060
LICOS branded Engine products	142	128
Alfdex branded Engine products	191	159
Total Engine products	1,604	1,347
Total Hydraulics products	893	890
Eliminations	–191	–159
Total Group	**2,306**	**2,078**

	2015	2014
Tangible assets by operating location		
USA	51	48
Germany	43	55
UK	60	65
Sweden	–	3
South America	14	–
Other	19	23
Total Group	**187**	**194**

	2015	2014
Intangible assets by operating location		
USA	307	299
Germany	78	86
UK	552	562
Sweden	–	–
Other	–	–
Total Group	**937**	**947**

Note 5 Costs distributed by type

	2015	2014
Direct material costs	1,180	1,095
Personnel costs	486	399
Depreciation and amortisation	74	84
Other operating costs, net	192	179
Total operating costs	**1,932**	**1,757**

Note 6 Average number of employees

	2015	2014
Women	193	206
Men	895	830
	1,088	**1,036**

Note 7 Salaries and other remuneration

	2015	2014
Salaries and remuneration	388	309
Pension costs	17	10
Social security costs	73	75
Other personnel costs	8	5
Total personnel costs	**486**	**399**

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to 23 (19) MSEK. The Board of Directors consists of 7 members (6), of whom 2 are women (1). For information on the individual remuneration paid to them and the CEO, refer to Note 8 for the Group.

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

	2015					2014			
Amounts in SEK (thousands)	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Directors' fees	Variable remuneration	Pension	Total
Board of Directors									
Stefan Charette, Chairman	488	–	–	–	488	433	–	–	433
Marianne Brismar	235	–	–	–	235	213	–	–	213
Kenth Eriksson	285	–	–	–	285	255	–	–	255
Martin Lundstedt	235	–	–	–	235	213	–	–	213
Susanna Schneeberger	180	–	–	–	180	–	–	–	–
Martin Sköld	235	–	–	–	235	213	–	–	213
Claes Magnus Åkesson	310	–	–	–	310	280	–	–	280
Total Board of Directors	**1,968**	**–**	**–**	**–**	**1,968**	**1,607**	**–**	**–**	**1,607**

	2015					2014			
	Basic salary/ Benefits in kind	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Basic salary/ Benefits in kind	Variable remuneration	Pension	Total
President and CEO									
David Woolley	4,578	3,301	6,698	542	15,119	3,852	2,840	342	7,034
Total President and CEO	**4,578**	**3,301**	**6,698**	**542**	**15,119**	**3,852**	**2,840**	**342**	**7,034**
Other senior executives [1)]	11,709	4,195	3,713	902	20,519	9,953	2,803	762	13,518
Total	**16,287**	**7,496**	**10,411**	**1,444**	**35,638**	**13,805**	**5,643**	**1,104**	**20,552**

[1)] Other senior executives consisted of 6 (7) people, of whom 1 (1) is a woman.

Note 8 (cont.) Incentive Programmes

Concentric AB Annual General Meeting 2012–2015 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.

Employee stock options	LTI 2015	LTI 2014	LTI 2013	LTI 2012
President and CEO	85,360	78,400	63,200	102,200
Other senior executives	38,240	23,520	66,440	55,560
Total stock options	**123,600**	**101,920**	**129,640**	**157,760**
Employee stock options	61,800	50,960	57,680	78,880
Performance stock option 1	30,900	25,480	28,840	39,440
Performance stock option 2	30,900	25,480	28,840	39,440
Total stock options (=Number of shares)	**123,600**	**101,920**	**115,360**	**157,760**
Criteria for performance stock option 1	2017 EPS ≥ SEK 7.50	2016 EPS ≥ SEK 6.00	2015 EPS ≥ SEK 6.25 [1]	2014 EPS ≥ SEK 5.50 [1]
Criteria for performance stock option 2	2015–17 Average ROE ≥ 25 %	2014–16 Average ROE ≥ 20 %	2013–15 Average ROE ≥ 20 % [1]	2012–14 Average ROE ≥ 20 % [1]
Number of senior executives	**3**	**5**	**5**	**4**
Conditioned by own investment of shares	**30,900**	**25,480**	**28,840**	**39,440**

Changes in number of stock options	2015	2014	2013	2012
Opening balance, 1 January	403,320	286,880	177,760	–
Granted	123,600	115,920	109,120	177,760
Granted LTI 2013 in 2014	–	20,520	–	–
Options LTI 2012 exercised in 2015	–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, 31 December	**340,880**	**403,320**	**286,880**	**177,760**
Average exercise price, SEK	96.55	80.10	63.13	50.95
Average price per option, SEK	24.88	23.78	12.18	12.05
Risk free interest rate, %	0.00	0.98	0.98	0.98
Expected volatility [2], %	28.00	28.00	26.00	35.00
Assumed dividend during 3 year period, SEK	10.92	9.57	8.54	6.72
Average share price at grant date, SEK	115.50	99.25	68.00	55.85
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2015, MSEK	1.3	1.3	0.6	0.9
Annual cost of scheme, MSEK	2.1	1.3	0.6	1.0
Total cost of scheme spread across the 3 year vesting period, MSEK	**6.4**	**3.9**	**1.9**	**3.0**

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

	2015	2014
KPMG		
Audit assignments	3	3
Other assignments	–	–
	3	**3**

Note 10 Depreciation and Amortisation

	2015	2014
Cost of goods sold	43	36
Administrative costs	4	4
Product development costs	2	13
Other operating expenses	38	31
Negative goodwill	–13	–
	74	**84**

Note 11 Other operating income and expenses

	2015	2014
Other operating income		
Revenue from tooling etc	12	21
Income from royalty from joint venture	43	22
Negative goodwill	13	–
Export incentives	10	3
	78	**46**

Other operating expenses		
Amortisation of acquisition related surplus values	39	33
Reversal of write-down of building	–	–2
Increase in restructuring reserve	12	4
Acquisition-related cost	2	2
	53	**37**

Note 12 Financial items – Net

	2015	2014
Financial income		
Interest income, external	7	3
Foreign exchange rate gains, net	5	6
Total Financial income	**12**	**9**
Financial expenses		
Interest expenses, external	–4	–7
Pension financial expenses	–24	–18
Other financial items, external	–2	–1
Total Financial expenses	**–30**	**–26**
Financial items – net	**–18**	**–17**

Note 13 Taxes

	2015	2014
Current tax	–83	–78
Deferred tax	–9	3
Total income tax	**–92**	**–75**

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	2015	2014
Earnings before tax	363	316
Tax at applicable tax rate in Sweden, %	–22	–22
Effect of different tax rates in foreign countries of operation, %	–7	–9
Effect of changes in tax rates, %	–	–
Non-tax deductible expenses, %	–	–
Non-taxable income, %	5	7
Tax attributable to prior years, %	–	–
Changes in temporary differences without corresponding capitalisation of deferred tax, %	–1	–2
Other permanent differences, %	1	–
Other timing differences, %	–1	2
Reported effective tax rate, %	**–25**	**–24**

Note 14 Earnings per share

	2015	2014
Net income for the year, KSEK	271,335	240,677
Basic weighted average number of shares	42,058,209	43,421,310
Adjustments for the option programmes	60,594	101,820
Diluted weighted average no of shares	**42,118,803**	**43,523,130**
Basic earnings per share, SEK	**6.45**	**5.54**
Diluted earnings per share, SEK	**6.44**	**5.53**

Note 15 Intangible fixed assets

	Goodwill	Other tangible assets	Capitalised development costs	Total
Acquisition value				
Balance at 1 January 2014	538	500	34	1,072
Other Investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	79	73	–	152
Balance at 31 December 2014	**617**	**573**	**34**	**1,224**
Balance at 1 January 2015	617	573	34	1,224
Other Investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	19	17	–	36
Balance at 31 December 2015	**636**	**590**	**34**	**1,260**
Accumulated depreciation and amortisation, including write-downs				
Balance at 1 January 2014	4	174	23	201
Depreciation and amortisation, including write-downs	–	35	11	46
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	1	29	–	30
Balance at 31 December 2014	**5**	**238**	**34**	**277**
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**
Carrying amounts				
As at 31 December 2014	**612**	**335**	**–**	**947**
As at 31 December 2015	**631**	**306**	**–**	**937**

[1)] The carrying value of other intangible assets consist of intangibles regarding purchase price allocation of 305 MSEK (332). The acquisition value of 572 MSEK (555) relates to Customer relationships and contracts of 351 MSEK (340), Brand 123 MSEK (119) and Technology 98 MSEK (96).

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 2014	86	13	589	226	49	963
Other Investments	–	8	37	4	–26	23
Sales/discards/reclassifications	–	–	12	–	–14	–2
Effect of movements in exchange rates	15	2	85	30	3	135
Balance at 31 December 2014	**101**	**23**	**723**	**260**	**12**	**1,119**
Balance at 1 January 2015	101	23	723	260	12	1,119
Other 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**
Accumulated depreciation and amortisation, including write-downs						
Balance at 1 January 2014	64	7	500	207	–	778
Depreciation and amortisation	2	1	27	7	–	37
Sales/discards/reclassifications	1	1	–2	–	–	–
Effect of movements in exchange rates	10	–	72	28	–	110
Balance at 31 December 2014	**77**	**9**	**597**	**242**	**–**	**925**
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**
Carrying amounts						
As at 31 December 2014	**24**	**14**	**126**	**18**	**12**	**194**
As at 31 December 2015	**24**	**12**	**113**	**21**	**17**	**187**

Note 17 Operational leases

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

	Premises		Machinery		Total	
	2015	2014	2015	2014	2015	2014
up to 1 year	15	13	9	11	24	24
2–5 years	35	31	9	9	44	40
more than 5 years	3	5	–	–	3	5
Total	**53**	**49**	**18**	**20**	**71**	**69**

Total leasing cost charged to income statement during 2015 totalled MSEK 32 (28). The leasing agreements primarily include rented premises and industrial machinery, but also include 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. The gross movement on the deferred income tax account is as follows:

	2015	2014
At 1 January	101	37
Income statement charge (note 13)	–9	3
Tax charged directly to equity	14	55
Re-classification to current taxes	–5	–5
Exchange differences	1	11
At 31 December	**102**	**101**

Deferred income tax assets and liabilities is as follows:

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**

2014	Assets	Liabilities	Net
Tax loss carry-forwards	21	–	21
Tangible fixed assets	1	–10	–9
Intangible assets	11	–	11
Provisions	24	–	24
Pension and similar obligations	151	–	151
Acquisition related surplus values	–	–89	–89
Other	7	–15	–8
Netting	–50	50	–
Net deferred tax receivables/tax liabilities	**165**	**–64**	**101**

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 for which no deferred tax asset is recognised amounted to 24 MSEK (14).

Note 19 Shares of net assets in joint venture

Company name	Corp. reg. no.	Reg'd office	Participations	%	2015	2014
Alfdex AB	556647-7278	Landskrona	50,000	50%	20	26

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.

	2015	2014
Income statement		
Net Sales	386	334
Cost of goods sold [1]	–328	– 233
Gross income	**58**	**101**
Operating expenses [1]	–44	–68
Operating income	**14**	**33**
Financial items – net	–	–
Earnings before tax	**14**	**33**
Taxes	–4	–8
Net income for the year	**10**	**25**
[1] Depreciation and amortisation in Income Statement	–7	–7

Movement in shares of net assets in joint venture		
Share of net assets, Opening Balance	**28**	**27**
Share of net income in joint venture	5	13
Dividend	–12	–12
Remeasurement loss, pensions	–1	–
Share of net assets, Closing Balance	**20**	**28**
Elimination of internal gain, inventory	–	–2
Book value, Closing Balance	**20**	**26**

	2015	2014
Balance sheet		
Fixed assets	10	16
Current assets	92	98
Cash and bank	18	14
Total assets	**120**	**128**
Equity	40	54
Deferred tax liabilities	2	6
Current liabilities	78	68
Total equity and liabilities	**120**	**128**

Share of net income in joint venture – Income Statement		
Share of net income in joint venture	5	13
Change in internal gain, inventory	2	–1
Total share of net income in joint venture	**7**	**12**

Note 20 Inventories

	2015	2014
Raw materials	140	156
Semi-manufactured products	23	23
Finished products	38	43
	201	**222**

Note 21 Accounts receivable

	2015	2014
Accounts receivable, gross	168	198
Provision for doubtful receivables	–2	–2
Accounts receivable, net	**166**	**196**
Current receivable	133	170
Overdue receivable:		
1–30 days	26	24
31–60 days	4	1
> 60 days	3	1
Sum of overdue receivable	33	26
Accounts receivable, net	**166**	**196**

The year's net cost for doubtful accounts receivable amounted to MSEK 0 (1).

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

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

Note 22 Other current receivables

	2015	2014
Tax receivables	16	19
Prepaid expenses and accrued income		
Rents and insurance	5	2
Accrued income	6	3
Other prepaid expenses	11	22
Derivative instruments	–	4
Other current receivables	50	27
	88	**77**

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.

Note 23 Cash and cash equivalents

	2015	2014
Bank accounts and cash	258	235

Note 24 Shareholders' equity

See also note 8 and 14 for the Group and note 12 for the parent company.

Share capital

Refers to the share capital in the parent company.

Additional contributed capital

Refers to equity contributed by the owners. Total contribution from Haldex AB during 2010–2011 was 680 MSEK, of which 97 MSEK has been issued as share capital. The remaining amount, 583 MSEK, is reported as additional contributed capital.

Reserves

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

Hedge reserve consists of the fair value of the hedge instruments, i.e. forward contracts at the end of the period, that have not yet been recognised in the income statement. The Group applies hedge accounting, as defined in 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 for the year, plus profit/loss carried forward in the parent company and the Group.

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 852 (811), resulting in a gearing ratio of 57 percent (65).

The cash dividend decided by the Annual General Meeting 2015 was SEK 3.00 (2.75) per share or total of MSEK 127.2 (120.9). The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, 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 3.25 (3.00) per share for the financial year 2015. This corresponds to an ordinary dividend of SEK 2.25 (2.00), which equates to around 35 percent (36) of the earnings per share, plus an additional dividend of SEK 1.00 (1.00) associated with the Group´s strong financial position.

Annual General Meeting 2012–2015 have decided upon four long-term performance based incentive programmes under which a number of senior executives and key employees participated in the schemes, entitled them to receive employee stock options that entitles them to acquire Concentric shares. For further details see note 8 for the Group.

During 2015 Concentric AB sold 157,760 of its own shares, representing 0.4 percent of the share capital of the company.

During 2015 Concentric AB bought back 1,369,315 (1,565,016) of own shares, representing 3.2 percent (3.5%) of the shares of the company. The total number of holdings of own shares at year-end 2015 was 1,672,396 (1,824,311), which represented 3.9 percent (4.1) 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 of the same amount and a three year multi-currency revolving credit facility for approximately MSEK 548.

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 (Operating earnings before depreciation and amortisation) 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.

Note 25 Pensions and similar obligations

	2015	2014
Defined Benefit Plans	564	568

	Defined Benefit Obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
Balance at 1 January	**2,020**	**1,373**	**–1,452**	**–967**	**568**	**406**
Included in Income Statement:						
Current Service Cost	13	6	–	–	13	6
Settlement	–3	–	2	–	–1	–
Interest Cost	77	64	–56	–46	21	18
	87	**70**	**–54**	**–46**	**33**	**24**
Included in Other Comprehensive Income:						
Remeasurement loss (gain)	–54	428	53	–301	–1	127
Effect of movements in exchange rates	45	213	–34	–156	11	57
	–9	641	19	–457	10	184
Other:						
Contributions paid by the employer	–	–	–46	–45	–46	–45
Benefits paid	–75	–64	74	63	–1	–1
Reclassifications	–	–	–	–	–	–
	–75	–64	28	18	–47	–46
Balance at 31 December	**2,023**	**2,020**	**–1,459**	**–1,452**	**564**	**568**
Represented by plans in:						
Sweden	39	37	–	–	39	37
Germany	169	182	–75	–77	94	105
Great Britain	1,480	1,508	–1,206	–1,202	274	306
USA	335	293	–178	–173	157	120
Balance at 31 December	**2,023**	**2,020**	**–1,459**	**–1,452**	**564**	**568**

Overview Defined Benefit Plans

Below you can find descriptions of the defined benefit plans in each country. Concentric has defined-benefit plans for pensions in Sweden, Germany, Great Britain and USA. The pensions under these plans are based mainly on final salary. Contribution-based plans are also found in these countries. The net remeasurement gain on pension obligations and planned assets was MSEK 1 (loss 128) during 2015.

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 totalled MSEK 56 (46), while the actual return was MSEK 77 (64). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Sweden pension plans

There are 3 different plans in Sweden, of which 2 minor plans correspond to 13 percent of the pension's liability. The obligations for the major plan that Concentric Group has 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 entrants 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 at 31 December 2015 the pension obligation amounted to MSEK 39 (37), corresponding to 2 percent (2) of the Group's total obligations.

The average duration of the defined benefit obligation at the period ending 31 December 2015 is 19 (29) years.

The best estimate of pensions to be paid by the group for the period commencing 1 January 2016 is MSEK 1 (1).

Germany pension plan

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

The plan has been closed to new entrants since 2005. 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 percent 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.

As at 31 December 2015 the pension obligation amounted to MSEK 169 (182), corresponding to 8 percent (9) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 75 (77). Net defined benefit liability amounted to MSEK 94 (105).

The average duration of the defined benefit obligation at the period ending 31 December 2015 is 20 (20) years.

The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 January 2016 is MSEK 4 (5).

Great Britain pension plans

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

These are 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 one third 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 at 31 December 2015 the pension obligation amounted to MSEK 1,480 (1,508), corresponding to 73 percent (75) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 1,206 (1,202). Net defined benefit liability amounted to MSEK 274 (306).

The average duration of the defined benefit obligation at the period ending 31 December 2015 is 15 (16) years.

The best estimate of contributions to be paid by the Group to the plans for the period commencing 1 January 2016 is MSEK 29 (28).

USA pension plans

There are 3 different plans in USA which comprise both pensions and other benefits, such as healthcare.

The Defined Benefit Plan is equivalent to 90 percent (90) of the total pension liability, the SERP-plan (Supplementary Executive Retirement Plan) corresponds to 1 percent (1) and the Retiree Health Plan corresponds to 9 percent (9). All plans are frozen in the sense that no new participants are allowed to enter the plans.

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

The enrolment in the Retiree Health Plan is steadily declining because the benefits are available only to an ever-diminishing group of employees and former employees.

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

The defined benefit Pension Plan has a Trust by which benefits are financed. The investment manager has established a Statement of Investment Objectives which has been signed by the Trustees of the Plan. Virtually all investments are made in highly diversified, passively managed mutual funds. The investment manager consults every month with the Plan Trustees and the actuary to make certain that all parties understand and agree with the investment strategy. The investments are conservative, with preservation of capital being a very important component of the strategy. If there is an imminent financial threat, the investment manager, the actuary and all Trustees have the ability to call an emergency meeting to discuss the issue with the others. Inflows into the Trust from corporate contributions continue to exceed the outflow of pension benefits. The Retiree Health Plan has no Trust. Benefits are paid monthly from the corporate general funds. The primary financial risk is the possibility that health care costs may significantly exceed the budget. The corporation does have individual and aggregate stop loss coverage to guard against such an eventuality.

Plan curtailment gain amounted to MSEK 3 and has arisen from closure of the scheme to further service accruals, effective from 31 December 2015. There have been no plan amendments or settlements in the accounting period.

As at 31 December 2015 the pension obligation amounted to MSEK 335 (293), corresponding to 17 percent (14) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 178 (173). Net defined benefit liability amounted to MSEK 157 (120).

The average duration of the defined benefit obligation at the period ending 31 December 2015 is 15 (15) years.

The best estimate of contributions to be paid by the group to the plans for the period commencing 1 January 2016 is MSEK 11 (10).

Total pension costs	**2015**	**2014**
Pensions vested during the period	13	6
Interest on obligations	77	64
Calculated return on plan assets	–56	–46
Settlement	–1	–
Pension costs, defined-benefit plans	**33**	**24**
Pension costs, defined-contribution plans	4	4
Total pension costs	**37**	**28**

					Total	
Remeasurement losses (gain) arising from	**Sweden**	**Germany**	**Great Britain**	**USA**	**2015**	**2014**
Experience adjustment	–1	–10	–4	2	–13	209
Demographic assumptions	–	–	–19	22	3	–
Financial assumptions	–	–	–40	–4	–44	219
Total remeasurement losses (gains)	**–1**	**–10**	**–63**	**20**	**–54**	**428**

	Defined benefit Obligation				**Total**	
Members	**Sweden**	**Germany**	**Great Britain**	**USA**	**2015**	**2014**
Active members, %	5	51	–	22	8	9
Deferred members, %	6	7	56	39	49	48
Pensioners, %	27	42	44	39	43	43

	Fair value of plan assets				**Total**	
Instruments	**Sweden**	**Germany**	**Great Britain**	**USA**	**2015**	**2014**
Equity instruments[1]	–	–	608	101	709	560
Debt instruments[1]	–	–	238	66	304	429
Property[1]	–	–	91	6	97	91
Cash and cash equivalents	–	–	30	4	34	38
SUM	**–**	**–**	**967**	**177**	**1,144**	**1,118**
Insurance policies	–	75	239	1	315	334
Total	**–**	**75**	**1,206**	**178**	**1,459**	**1,452**

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

Actuarial assumptions 2015, percent	Sweden	Germany	Great Britain	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	5.00

Actuarial assumptions 2014, percent	Sweden	Germany	Great Britain	USA
Discount rate	3.00	2.30	3.70	4.25
Recognised salary increase	2.50	2.00	N/A	2.00
Recognised inflation	1.50	1.85	1.90	2.00
Turnover, personnel	2.00	1.60	N/A	5.00

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 defined benefit obligation by the amounts shown below.

31 December 2015	Sweden		Germany		Great Britain		USA	
Defined Benefit Obligation	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	–2.7	3.0	–15.3	17.7	–101.1	113.2	–23.2	25.9
Future salary growth (0.5% movement)	0.4	–0.4	4.7	–4.4	N/A	N/A	N/A	N/A
Future pension growth (0.5% movement)	2.9	–2.6	11.5	–10.4	16.2	–15.6	N/A	N/A
Future mortality (+/– 1 year)	1.1	–1.1	6.8	–7.0	43.3	–43.3	0.9	–0.9

Note 26 Maturity analysis for financial liabilities

Nominal amount	0–6 months 2015	0–6 months 2014	7–12 months 2015	7–12 months 2014	13–60 months 2015	13–60 months 2014	>60 months 2015	>60 months 2014	Total 2015	Total 2014
Term loan	–	–	–	–	175	–	–	–	175	–
Bond loan	–	175	–	–	–	–	–	–	–	175
Loans related to finance leases	–	–	–	–	1	1	2	2	3	3
Other long-term liabilities	–	–	–	–	3	4	–	–	3	4
Short-term interest-bearing liabilities	4	10	–	–	–	–	–	–	4	10
Short-term loans payable to associated companies	–	12	–	–	–	–	–	–	–	12
Derivative liabilities	–	–	–	–	–	–	–	–	–	–
Accounts payable	194	211	–	–	–	–	–	–	194	211
Other current liabilities	90	102	–	–	–	–	–	–	90	102
	288	**510**	**–**	**–**	**179**	**5**	**2**	**2**	**469**	**517**
Expected total future interest payments	1	1	2	–	8	–	–	–	11	1

Note 27 Long-term interest-bearing liabilities

	2015	2014
Term loan	175	–
Loans related to finance leases	3	3
	178	**3**

For further details see note 28 for the Group and note 15 for the parent company.

Note 28 Short-term interest-bearing liabilities

	2015	2014
Bond loan	–	175
Other short-term loans	4	10
	4	**185**

For further details see note 27 for the Group and note 15 for the parent company.

Note 29 Short-term loans payable to associated companies

	2015	2014
Accounts payable to Alfdex AB	–	5
Loans to Alfdex AB	–	7
	–	**12**

Note 30 Other provisions

	Acquisition related provisions	Provision for share based payments	Total long-term provisions
Opening balance January 1, 2015	**–**	**1**	**1**
Provisions	7	1	8
Utilisation of provision	–	–	–
Exchange rate differences	–2	–	–2
Balance at December 31, 2015	**5**	**2**	**7**

	Warranty reserves	Restructuring reserves	Total short-term provisions
Opening balance January 1, 2015	**39**	**5**	**44**
Provisions	15	2	17
Utilisation of provision	–28	–4	–32
Exchange rate differences	3	–	3
Balance at December 31, 2015	**29**	**3**	**32**

Note 31 Other liabilities

	2015	2014
Tax liabilities	32	60
Derivative instruments	–	–
Accrued expenses:		
Personnel costs	45	40
Other accrued expenses	39	56
Other current liabilities	13	7
	129	**163**

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.

Note 32 Pledged assets and contingent liabilities

	2015	2014
Contingent liabilities	1	1

Note 33 Reversal of other non-cash items

	2015	2014
Reversal of financial pension expenses	24	18
Provision to/Release of restructuring reserve	–2	2
Reversal of cost for LTI-schemes	3	2
Reclassification of acquisition cost subsidiary	2	–
Other	–	–5
	27	**17**

Note 34 Investments in subsidiaries

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 fair values of the identifiable assets acquired and the liabilities assumed were determined as follows:

Fair values – GKN Pump acquisition

Amounts in MSEK	Book values	Adjust-ments	Fair values
Cash	20	–	20
Total purchase consideration for shares in GKN Pumps	**20**	**–**	**20**
Other intangible fixed assets [1]	1	–1	–
Tangible fixed assets [2]	19	1	20
Total fixed assets acquired	**20**	**–**	**20**
Inventories [2,3]	13	–2	11
Current receivables	27	–	27
Cash and cash equivalents	12	–	12
Total current assets acquired	**52**	**–2**	**50**
Short-term interest-bearing liabilities	1	–	1
Other current liabilities [4]	26	10	36
Total current liabilities assumed	**27**	**10**	**37**
Net assets acquired	**45**	**–12**	**33**
Negative goodwill arising on acquisition	**–25**	**12**	**–13**

Concentric have recognised MSEK 13 of income arising from negative goodwill, as the fair value of the net assets acquired with GKN Pumps exceeded the purchase price. Historically, GKN Pumps has been an unprofitable venture and, as a result, the seller approached Concentric intent upon a strategic exit from the pump manufacturing business. This, together with the apparent overmanning in the Chivilcoy facility at the date of acquisition, enabled Concentric to agree a favourable purchase price.

Fair value adjustments

The fair value adjustments identified may be summarised as follows:

1) Write-down of intangible fixed assets to their net realisable value;
2) Reclassification of tooling from inventories to tangible fixed assets;
3) Write-down of consumables included in inventories, in line with Concentric's policies;
4) Additional accruals and provisions for bonuses, legal claims, warranty and environmental remediation.

Given the history of trading losses for GKN Pumps, no corresponding deferred tax assets have been recognised in respect of these adjustments.

Acquisition-related costs

In addition to the total purchase consideration for the shares in GKN Pumps shown above, acquisition-related legal and advisory costs of MSEK 2 were incurred and expensed in the income statement.

Pre-acquisition trading results

The net sales of GKN Pumps for the year ended 31 December 2014 (excluded from Concentric's consolidated results for FY 2014) of MSEK 99 generated a loss at both an EBIT and net income level of MSEK 6, after the push back of fair value adjustments.

The net sales of GKN Pumps for January 2015 (excluded from Concentric's consolidated results for 2015) of MSEK 6 generated a loss at both an EBIT and net income level of MSEK 1.

Post-acquisition trading results

The net sales of GKN Pumps for the eleven months ended 31 December 2015 (included in Concentric's consolidated results) of MSEK 89 generated a loss at both an EBIT and net income level of MSEK 9. In addition, the following one-off items associated with the acquisition of GKN Pumps were recognised in Concentric's consolidated results for the full year:

- MSEK 13 (0) of income arising from the negative goodwill calculated from the surplus of net assets acquired compared to the purchase consideration.
- MSEK 2 (0) of expenses relating to legal and advisory deal costs.
- MSEK 11 (0) of expenses relating to the Chivilcoy redundancy programme.
- MSEK 1 (0) of expenses relating to other post-acquisition integration costs.

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.

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, 2013, 2014 and 2015, the AGM has decided upon four 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 asset 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 receivables 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 51–54 in the Board of Directors' report.

	Note	Derivatives used for hedging		Loans and receivables		Total	
		2015	2014	2015	2014	2015	2014
Financial assets at fair value							
Other current receivables	22	–	–	–	–	–	–
- Foreign currency derivatives		–	4	–	–	–	4
Financial assets not at fair value							
Long-term receivables		–	–	4	4	4	4
Accounts receivable	21	–	–	166	196	166	196
Other current receivables	22	–	–	51	36	51	36
Cash and cash equivalents	23	–	–	258	235	258	235
Total financial assets		**–**	**4**	**479**	**471**	**479**	**475**

	Note	Derivatives used for hedging		Financial liabilities at amortised cost		Total	
		2015	2014	2015	2014	2015	2014
Financial liabilities at fair value							
Other current liabilities							
- Foreign currency derivatives	31	–	–	–	–	–	–
Financial liabilities not at fair value							
Long-term interest-bearing liabilities	27	–	–	178	3	178	3
Other long-term liabilities		–	–	3	4	3	4
Short-term interest-bearing liabilities	28	–	–	4	185	4	185
Short-term loans payable to associated companies	29	–	–	–	12	–	12
Accounts payable	26	–	–	194	211	194	211
Other current liabilities	31	–	–	90	102	90	102
Total financial liabilities		**–**	**–**	**469**	**517**	**469**	**517**

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

FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

	Note	2015	2014
Net sales	2	45	28
Operating costs	2, 3, 4	–20	–21
Operating income		**25**	**7**
Income from shares in subsidiaries	5	116	7
Income from shares in associated companies	5	12	12
Interest income and similar items	5	3	3
Interest expenses and similar items	5	–40	–116
Financial items – net		**91**	**–94**
Earnings before tax		**116**	**–87**
Taxes	6	3	21
Net income/expense for the year		**119**	**–66**

STATEMENT OF COMPREHENSIVE INCOME IN PARENT COMPANY

	2015	2014
Net income/expense for the year	119	–66
Other comprehensive income	–	–
Total comprehensive income	**119**	**–66**

PARENT COMPANY BALANCE SHEET

	Note	2015	2014
ASSETS			
Shares in subsidiaries	7	2,414	2,395
Shares in associated companies	8	10	10
Long-term loans receivable from subsidiaries	9	29	52
Deferred tax assets	6	23	20
Total financial fixed assets		**2,476**	**2,477**
Other current receivables	10	3	1
Short-term loans receivable from subsidiaries		80	63
Cash and cash equivalents	11	103	118
Total current assets		**186**	**182**
Total assets		**2,662**	**2,659**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share Capital	12	97	97
Total restricted equity		**97**	**97**
Retained earnings		1,090	1,417
Total comprehensive income		119	–66
Total unrestricted equity		**1,209**	**1,351**
Total Shareholders' equity		**1,306**	**1,448**
Pensions and similar obligations	13	17	18
Long-term interest-bearing liabilities	14, 15	175	–
Long-term loans payable to subsidiaries	14, 15	1,136	976
Total long-term liabilities		**1,328**	**994**
Accounts payable	14	1	1
Short-term interest-bearing liabilities	14, 15	–	175
Short-term loans payable to associated companies	14	–	8
Short-term loans payable to subsidiaries	14	19	28
Other current liabilities	14, 16	8	5
Total current liabilities		**28**	**217**
Total equity and liabilities		**2,662**	**2,659**
Assets pledged		**None**	**None**
Contingent liabilities	17	**93**	**87**

CHANGES IN SHAREHOLDERS' EQUITY IN PARENT COMPANY

	Share capital	Retained earnings	Total equity
Opening balance January 1, 2014	**97**	**1,686**	**1,783**
Net expense for the year	–	–66	–66
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**–66**	**–66**
Transactions with shareholders			
Dividend	–	–121	–121
Buy-back own shares	–	–148	–148
Total transactions with shareholders	**–**	**–269**	**–269**
Closing balance at December 31, 2014	**97**	**1,351**	**1,448**

	Share capital	Retained earnings	Total equity
Opening balance 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**

PARENT COMPANY CASH FLOW STATEMENT

	Note	2015	2014
Cash flow from operating activities			
Earnings before tax		116	–87
Reversal of non-cash items	18	41	101
Cash flow from operating activities before changes in working capital		**157**	**14**
Change in working capital			
Current receivables		–2	1
Current liabilities		–4	8
Change in working capital		**–6**	**9**
Cash flow from operating activities		**151**	**23**
Cash flow from investing activities			
Investments in subsidiaries	19	–19	–
Cash flow from investing activities		**–19**	**–**
Cash flow from financing activities			
Dividend		–127	–121
Buy-back own shares		–142	–148
Sale of own shares		8	–
New loans received		223	–
Repayment of loans		–230	–
New loans from subsidiaries		121	226
Cash flow from financing activities		**–147**	**–43**
Cash flow for the period		**–15**	**–20**
Cash and bank assets, opening balance		118	138
Cash and bank assets, closing balance		**103**	**118**

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, 2015 have had a significant impact on the Parent Company´s Income Statement or Balance Sheet.

b) Group Contribution

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

c) Shares in subsidiaries and associated companies

Shares in subsidiaries and associated companies are carried at cost less any impairment. The cost includes acquisition related costs. Dividends received are recorded as financial income. When there is an indication that stocks and shares in subsidiaries or associated companies decreased in value, an estimate of its recoverable amount is set. If this is lower than the carrying amount a write down is done. Impairment losses are recognised in the items Income from investments in subsidiaries and profit from 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. 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 Inter-company transactions/ Related party transactions

Of the parent company's net sales, MSEK 45 (28) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 5 (6).

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

Note 3 Auditing fees

	2015	2014
Audit assignments, KPMG	1	1
	1	**1**

Note 4 Salaries and other remuneration

	2015	2014
Salaries and remuneration	3.5	4.9
of which Board of Directors and CEO	2.0	1.6
Social security costs	0.6	0.4
of which pension costs	–0.5	–1.5

The Board of Directors consists of 7 members (6), of whom 2 are women (1). 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 amounted to 2 (6).

The CEO is employed by Concentric Pumps 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 5 (5).

Provision according to Tryggandelagen is negative, MSEK 0.7 (1.8), depending on transfer of employees to the subsidiary Concentric Innovations. See also Note 13, Pensions.

Note 5 Financial items – Net

	2015	2014
Income from shares in subsidiaries		
Group contribution from subsidiaries	–	13
Write-down of shares in subsidiaries	–	–6
Dividend from Concentric Finance 2 Ltd	99	–
Dividend from Concentric Skånes Fagerhult AB	17	–
	116	**7**
Income from shares in associated companies		
Dividend	12	12
Interest income and similar items		
Interest income, external	–	–
Interest income from subsidiaries	3	3
	3	**3**
Interest expenses and similar items		
Interest expenses, external	–3	–7
Interest expenses to subsidiaries	–	–
Foreign exchange rate gains/losses	–34	–108
Pension financial expenses	–1	–1
Other financial items, external	–2	–
	–40	**–116**
Financial items – net	**91**	**–94**

Note 6 Taxes

	2015	2014
Current tax	–	–
Deferred tax	3	21
Total income tax	**3**	**21**
Reconciliation of effective tax rate		
Earnings before tax	116	–87
Tax at applicable tax rate, %	–22	22
Non-taxable dividend from subsidiaries and associated companies, %	24	3
Non-tax deductible write-downs in subsidiaries, %	–	–1
Non-tax deductible expenses, %	–	–
Reported effective tax rate, %	**2**	**24**
Total deferred tax assets related to tax loss carried forward	23	20

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. Calculated tax losses for 2015 amounted to MSEK 23 (20).

Note 7 Shares in subsidiaries

Company name	Corp, Reg. No.	Reg'd office	Participations	%	2015	2014
Concentric Pumps Plc.		UK	518,397	100	1,556	1,556
Concentric Americas, Inc.		US	1,000	100	–	–
Concentric Argentina Ltd.		UK	1	100	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 Hof Gmbh		Germany	1	100	–	–
Concentric SAS		France	10	100	–	–
Concentric Korea LLC		Korea	12,000	100	–	–
Concentric Srl		Italy	10,000	100	–	–
					2,414	**2,395**

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 Limited	UK	100
Concentric Hof GmbH	Germany	100
LICOS Trucktec GmbH	Germany	100
Concentric Pumps Pune (Pvt) Limited	India	100
Concentric Pumps (Suzhou) co, Ltd.	China	100

Changes in shares in subsidiaries	2015	2014
Opening balance, acquisition value	2,401	2,395
Concentric Argentina Ltd.	19	–
Concentric Innovations AB, shareholder´s contribution	–	6
Closing Balance, acquisition value	**2,420**	**2,401**
Opening balance, write-downs	–6	–
Concentric Innovations AB	–	–6
Closing Balance, write-downs	**–6**	**–6**
Closing Balance, carrying amount	**2,414**	**2,395**

Note 8 Shares in associated companies

Company name	Corp, Reg. No	Reg'd office	Participations	%	2015	2014
Alfdex AB	556647-7278	Landskrona	50,000	50 %	10	10

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. Alfdex 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 2015 is MSEK 7 (12) and share of equity per year-end 2015 is MSEK 20 (26). See also Note 19 for the Group.

Note 9 Long-term loans receivable from subsidiaries

	2015	2014
Total loans	29	52
of which reported as short-term loans	–	–
Long-term loans	**29**	**52**

The loans relate primarily to GBP-loan amounting to 1,500,000 (4,200,000) as at 31 December 2015. The maturity date is 29 January 2020. There is a new USD-loan amounting to 1,190,000 (–). Maturity date 31 July 2018. The balance sheet item consists also of two minor loans of EUR 100,000 (100,000). The maturity date is 29 January 2020.

The interest rate on the GBP loan was 2.5% (4.0%), USD-loan 6.1% (–) and on the EUR-loans 2.0% (3.5%) as of 31 December 2015.

Average rate during the year on the GBP loan was 2.8% (4.0%) and on the EUR-loans 2.3% (3.6%). Average rates during the year on the new USD-loan was 6.1% (–).

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

Note 10 Other current receivables

	2015	2014
Other prepaid expenses	3	1
	3	**1**

Note 11 Cash and cash equivalents

	2015	2014
Bank accounts and cash	103	118

Note 12 Share capital

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

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**
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**	**–**	**–**

	2015	2014
Number of average outstanding shares	**42,058,209**	**43,421,310**
Number of shares adjusted for ongoing optionprogrammes	60,594	101,820
Number of average outstanding shares, after full dilution	**42,118,803**	**43,523,130**

The cash dividend decided by the Annual General Meeting 2015 was SEK 3.00 (2.75) per share or total of MSEK 127.2 (120.9). The AGM 2015 also resolved to retire 1,363,470 of the company´s own repurchased shares.

During 2015 Concentric AB sold 157,760 (–) of its own shares, representing only 0.4 percent of the share capital of the company.

During 2015 Concentric AB bought back 1,369,315 (1,565,016) of its own shares, representing 3.2 percent (3.5%) of the share capital of the company. The total number of holdings of own shares at year-end 2015 was 1,672,396 (1,824,311), which represented 3.9 percent (4.1) of the total number of shares of the company.

Annual General Meeting 2012–2015 have decided upon four long-term performance based incentive programmes, under which a number of senior executives and key employees participating in the schemes, entitled them to receive employee stock options that are entitled them to acquire Concentric shares. For further details, see note 8 for the Group.

Note 13 Pensions and similar obligations

	2015	2014
FPG/PRI pension plan	17	18

	2015	2014
Opening Balance, 1 January	**18**	**19**
Provision according to Tryggandelagen, Personnel Cost	–1	–2
Provision according to Tryggandelagen, Financial cost	1	1
Payment	–1	–
Closing Balance, 31 December	**17**	**18**

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

Provision according to Tryggandelagen is negative due to transfer of employees to Concentric Innovations AB. See also Note 4 – Salaries.

Note 14 Maturity analysis for financial liabilities

	0–6 months		7–12 months		13–60 months		>60 months		Total	
Nominal amount	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Pensions and similar obligations	–	–	–	–	–	–	17	18	17	18
Term loan	–	–	–	–	175	–	–	–	175	–
Bond loan	–	175	–	–	–	–	–	–	–	175
Long–term loans payable to subsidiaries	–	–	–	–	–	–	1,136	976	1,136	976
Short–term loans payable to subsidiaries	19	28	–	–	–	–	–	–	19	28
Accounts payable and other loans	4	14	–	–	–	–	–	–	4	14
	23	**217**	**–**	**–**	**175**	**–**	**1,153**	**994**	**1,351**	**1,211**
Expected total future interest payments	1	1	2	–	8	–	–	–	11	1

Note 15 Interest-bearing liabilities

	2015	2014
Long-term		
Term loan	175	–
Short-term		
Bond loan	–	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 (–) as of 31 December 2015. The average interest rate on the liability during 2015 was 1.51 percent (–).

Bond loan was denominated in SEK and the maturity date was 20 January 2015. The interest rate on the liability was 3.36 percent as of 31 December 2014. The average interest rate on the liability during 2014 was 3.69 percent.

Available unused amount on Credit Facilities at year-end was EUR 60 m (2014: EUR 10 m and USD 15 m), or about MSEK 548 (212).

Note 16 Other current liabilities

	2015	2014
Accrued interest cost	–	1
Other accrued expenses	3	3
VAT	5	1
	8	**5**

Note 17 Contingent liabilities

	2015	2014
General collateral guarantee for subsidiaries		
Loan	44	41
Operational leasing commitment	49	46
	93	**87**

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

Note 18 Reversal of non-cash items

	2015	2014
Financial exchange rate differences	34	108
Change in dividend receivable	7	–7
	41	**101**

Note 19 Investments in subsidiaries

	2015	2014
Acquisition of Concentric Argentina Ltd.	–19	–
Net investments	**–19**	–

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 March 15, 2016

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 15 March 2016
KPMG AB

Anders Malmeby
Authorised Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Concentric AB (publ) for the year 2015, except for the corporate governance statement on pages 102–109. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 50–99.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 2015 and of their financial performance and cash flows 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 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 102–109. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the income statement and statement of comprehensive income and balance sheet for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Concentric AB (publ) for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 102–109 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As 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.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory 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 audit standards in Sweden.

Opinions

We recommend to the annual 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.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

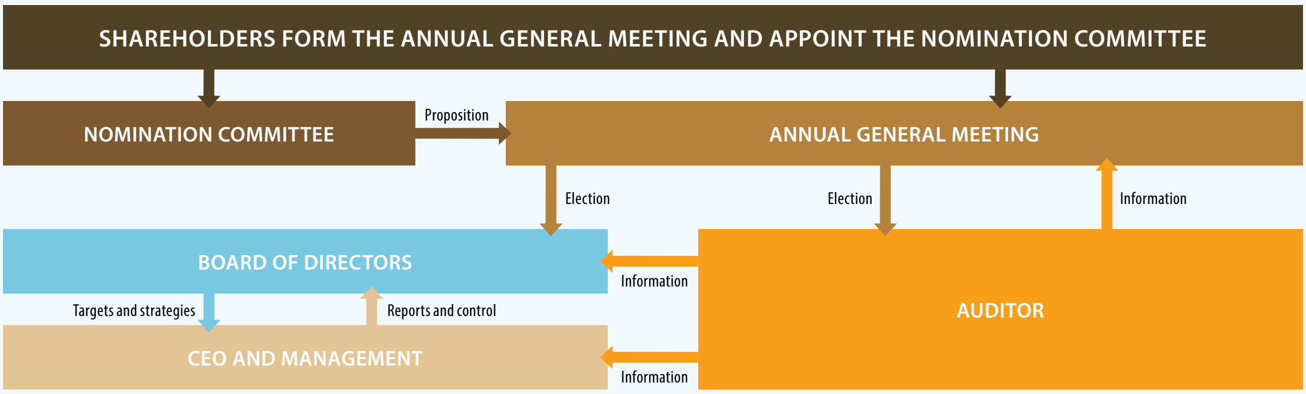
Stockholm March 15, 2016

KPMG AB
Anders Malmeby
Authorised Public Accountant

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.



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 Communications Policy and the Treasury Policy, a number of 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 2015 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 2015. 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 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 Communications Policy and the Treasury Policy. In addition, the Group has a number of 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 regulates 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

CORPORATE GOVERNANCE AT CONCENTRIC IN 2015

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 2015. 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, 2015 totals MSEK 97.3 (97.3), represented by 41,180,104 (42,391,659) shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2015 amounted to 9,081 (9,181), with Lannebo Fonder representing the largest owner with 11.9% of the share capital (Nordea Investments Funds 11.1%). Swedish ownership totalled 59% (61) at year end 2015. Information concerning ownership is updated each month on Concentric's website, www.concentricab.com.

Annual General Meeting 2015

Concentric's Annual General Meeting was held in Stockholm on 26 March, 2015. The following board members were re-elected: Stefan Charette, Marianne Brismar, Kenth Eriksson, Martin Sköld, Claes Magnus Åkesson and Martin Lundstedt. The AGM also elected Susanna Schneeberger as a new director. In total, 135 shareholders participated at the Annual General Meeting. These represented 46.16% 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, Marianne Brismar, Kenth Eriksson, Martin Lundstedt, Martin Sköld and Claes Magnus Åkesson was re-elected for the period until the Annual General Meeting in 2016. The AGM also elected Susanna Schneeberger as a new member.
- It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2016.
- It was decided that the Chairman of the Board will receive SEK 500,000, and that other members of the Board of Directors will receive SEK 240,000 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 3.00 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 1,363,470 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 1,363,470 and the share capital being increased by SEK 41.

Nomination Committee for the 2016 Annual General Meeting

In accordance with a decision by the 2015 Annual General Meeting, the four largest shareholders have each appointed a representative to form the Nomination Committee for the 2016 Annual General Meeting. Based on the ownership structure as of 31 August, 2015, these shareholders were:

Lannebo Fonder, Nordea AB, Swedbank Robur and SEB Fonder. Combined, they represented 36.7% of the voting rights in Concentric AB. The shareholders' representatives who will comprise members of the 2016 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 30 September, 2015. 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 web site, 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 2016 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 110.

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 2015, the Board of Directors held a total of 10 meetings. The main issues addressed were:

- Reviewing relevant policies, procedures and instructions for the group.
- Reviewing 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 2015 Annual General Meeting, the registered accounting firm KPMG AB was elected as auditors for the period until the 2016 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 East Capital Explorer AB and Bravida Holding 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 2015, there were 4 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 2015, 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 2015 Annual General Meeting resolved that fees totalling SEK 2,065,000 will be paid for the period up until the end of the 2016 Annual General Meeting and be distributed among the Board members as set out in the table below. 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 2015, 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 2015, the participants must make their own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2015 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 85.80 SEK and 128.80 SEK respectively.

For more information about the Company's LTI schemes, see note 8 on page 71–72.

Meetings attended 2015

Board	Board	Audit Committee	Compensation Committee	2015/16 Board Fees (SEK)
Stefan Charette [1)]	10	6	4	500,000
Marianne Brismar	10	–	–	240,000
Susanna Schneeberger	6	–	–	240,000
Kenth Eriksson [2)]	9	–	4	290,000
Martin Sköld	10	–	–	240,000
Claes Magnus Åkesson [3)]	10	6	–	315,000
Martin Lundstedt	7	–	–	240,000
				2,065,000

[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	Total
President and CEO David Woolley	4,578	3,301	6,698	542	15,119
Other senior executives	11,709	4,195	3,713	902	20,519
Total	16,287	7,496	10,411	1,444	35,638

For guidelines on remuneration see pages 71–72.

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 function and accounting principles applied by the Group. The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the CEO, although the ultimate responsibility rests with the Board. Other executives at various levels have in turn responsibilities within their respective areas of operation. Senior management regularly reports to the Board according to established routines. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

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

Information and communication

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

Evaluation, monitoring and reporting

The Board regularly evaluates the information provided by senior management. The Board receives regular updates of the Group's development between its meetings. The Group's financial position, its strategies and investments are discussed at every Board meeting. The 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.

THE BOARD

STEFAN CHARETTE
Chairman of the Board 2010
Born 1972

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

Partner of Athanase Industrial Partner, a value investor in public companies. 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 Athanase Industrial Partner Ltd and Athanase Capital Partners AB. Board member of Creades AB, Haldex AB, Transcom WorldWide S.A. and Lindab AB.

Shareholding in Concentric: 164,145 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 Partner, 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 Transportes Azkar, S.A., Technology Nexus AB and Satpoint 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 long experience of Concentric's business and was Managing Director of the subsidiary Concentric Ltd from 2002 until Haldex acquired Concentric plc. Subsequently David has also been responsible for the business with respect to diesel engine pumps in the UK and India. Head of region Europe and RoW 2010–2011. Previous assignments/positions: Non-executive Director of Investors in Excellence, Managing Director Engine Pumps UK and India of Haldex Concentric Pumps Ltd. Managing Director of Concentric Ltd.

Shareholding in Concentric: 87,500 shares.

DAVID BESSANT
Chief Financial Officer
Born 1971

B.Sc. Accountancy and Financial Analysis.

David Bessant had more than 7 years of experience from listed and private equity financed multinational groups in the same sector as Concentric before joining them in 2009. David has also spent over 10 years at KPMG (Audit and Advisory), in his last role as Senior Manager. Other previous assignments include Group Financial Controller at Wagon Plc and Group Financial Controller at TMD. CFO of Concentric (Including IR and IT) since 2010. Previous assignments/positions: Board Member of several subsidiaries to Wagon Plc.

Shareholding in Concentric: 19,070 shares.

MARTIN BRADFORD
Head of region Americas
Born 1962

B.Sc. Metals Technology.

Martin Bradford 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.

CHRISTINE KELLY
Vice President of Group Human Resources
Born 1966

Chartered MCIPD and Certified Diploma in Accounting and Finance.

Christine Kelly has 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) 2006–2014.

Shareholding in Concentric: 0 shares.

MARTIN LUNDSTEDT
Member since 2012
Born 1967

Master of Science in Industrial Engineering and Management.

President and CEO of Volvo Group. Previously President and CEO of Scania Group. Head of Franchise and Factory Sales of Scania AB. Joined Scania in 1992 as a trainee. He commenced his career at Scania working within the Engine production as Production Engineer, and thereafter as Manager in the field of Engine production. In 2001, Martin Lundstedt became Managing Director of Scania Production Angers in France. Appointed Head of Product Marketing in 2005. Appointed Senior Vice President and Head of Trucks in 2006. Chairman of the Commercial Vehicle Board of Directors of the European Automobile Manufacturers' Association, 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.

Vice President & Managing Director of Terex Material Handling. Previously VP Sales & Marketing at Trelleborg Industrial Solutions between 2012–2015; Director of Strategic Business Development at Trelleborg AB 2007–2012; Director of Strategy & Markets and Head of European Marketing at Opentext/IXOS Software 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
Independent in relation to the Company, the senior Management and to major shareholders.

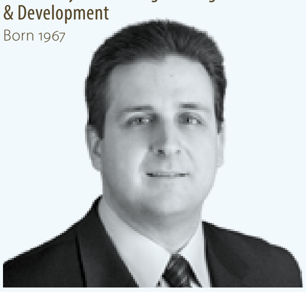
MARTIN SKÖLD
Member since 2010
Born 1973

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 whole sale dealer for heavy trailer spares parts.

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

WILLIAM PIZZO
Head of Hydraulics Engineering & Development
Born 1967



B.Sc. Mechanical Engineering and MBA.

William Pizzo has been 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: 6,400 shares.

DAVID WILLIAMS
Head of Engine Engineering & Development
Born 1964

M.Sc. Engineering Business Management and B.Eng. Mechanical Engineering.

David Williams worked as Group Technical Director at Concentric plc from 2006 until Haldex acquired the company in 2008. Previous positions include the post of Director of Engineering at Dana Automotive Systems.

Shareholding in Concentric: 2,420 shares.

Glossary

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
Fuel transfer pump	Pump to lift the fuel from the fuel tank to the high pressure system
DC Pack Lift/lower	Integrated unit comprising of DC motor, hydraulic pump and reservoir
Fan drive	Hydraulic motor used for driving cooling fan
Fuel pump	Pumping device for fuel
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
Seeder motor	Hydraulic motor used for blowing seed into seeding device for planting
OEM	Original Equipment Manufacturer
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
Steering pump	Hydraulic pump used to provide hydraulic power to a vehicle steering system
Tail lift	A mechanical device permanently fitted to the back of van or lorry designed to facilitate the materials handling of goods from ground level to the level of the vehicle, or vice versa
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 water pump	Water pump with controllable flow capacity
Varivent EGR pump	Air pump used to pump the exhaust gas recirculated back into the engine intake
Windrower	A self-propelled or tractor-drawn farm machine for cutting grain and laying down the stalks in windrows for later threshing and cleaning

Definitions

Americas	Americas operating segment comprising the Group's USA and Argentina operations
Dividend yield	Dividend divided by market price at year end
CAGR	Compound annual growth rate
Capital employed	Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities
EBIT or Operating income	Earnings before interest and taxes
EBIT multiple	Market value at year end plus net debt divided by EBIT
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 "one -off" items (including tax effects thereon, as appropriate)
Working capital	Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities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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.

Financial information for 2015

Annual General Meeting	*6 April, 2016*
Interim report January – March 2016	*26 April, 2016*
Interim report January – June 2016	*22 July, 2016*
Interim report January – September 2016	*1 November, 2016*

Annual General Meeting
Annual General Meeting for the fiscal year 2015 will be held in Kreugersalen at 10 a.m. CET on Wednesday, 6 April, 2016 at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm.

Participation in 2016 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 Thursday, 31 March, 2016. Notification must be made no later than Thursday, 31 March, 2016. 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 Thursday, 31 March, 2016, 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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