CONCENTRIC

Technology Innovation Sustainability

ANNUAL REPORT 2021

Contents

1) The statutory annual report encompasses pages 64–117. Unless otherwise stated, all amounts have been stated in SEK million. Certain financial data has been rounded in this annual report. Where the sign "–" has been used, this either means that no number exists or the number rounds to zero.

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

Focused on innovations that create sustainable value

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

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

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

Concentric in brief

Concentric focuses on its core ethos of Technology + Innovation = Sustainability to be a global leader across all four end markets, providing solutions in which Concentric can add value to our customer’s products.

TRUCKS
Concentric sells products, primarily into the medium- and heavy-duty truck markets directly to the Truck OEMs and Tier 1 diesel engine manufacturers.

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

INDUSTRIAL
Industrial applications encompass a wide variety of markets, from forklifts for the retail and distribution industries to heavy machines used in mining. We supply directly to OEMs and via our distribution network.

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

ENGINE PRODUCTS
Engine products encompass lubricant, coolant and fuel transfer pumps from our conventional business, supplied into major OEMs and Tier 1 diesel engine manufacturers of both on- and off-highway vehicles. It also includes our growing e-Pump business of both Concentric branded water and oil e-Pumps and EMP products, including the mini-hybrid cooling system.

HYDRAULIC PRODUCTS
Hydraulic products are supplied into both major OEMs and distributors of hydraulic solutions. It encompasses gear pumps, power packs, Allied branded transmission pumps, internal gear pumps and our growing range of Electro Hydraulic Steering pumps.

Vision

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

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

Mission

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

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

Values

Business excellence in all we do

- Performance
- Process
- Change

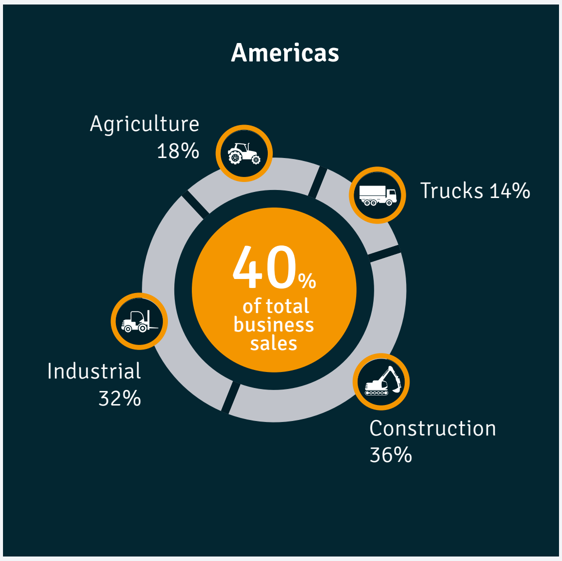
Achievement through our people

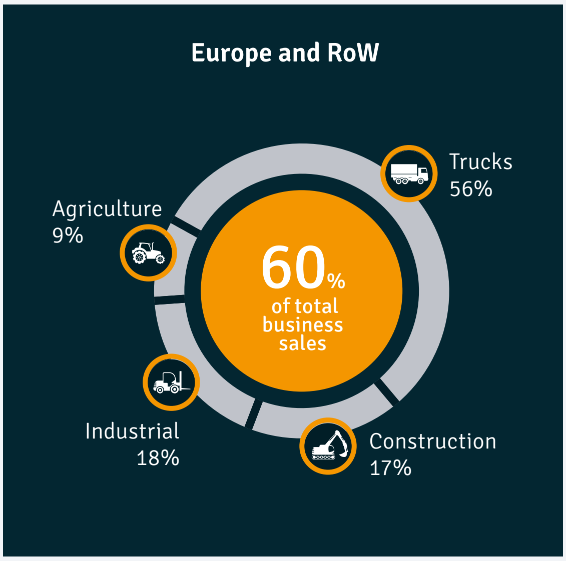
- Integrity
- Teamwork
- Resilience
- Openness

Dedicated customer focus

- Sustainable products
- Customer satisfaction

Group total net sales by end-market areas

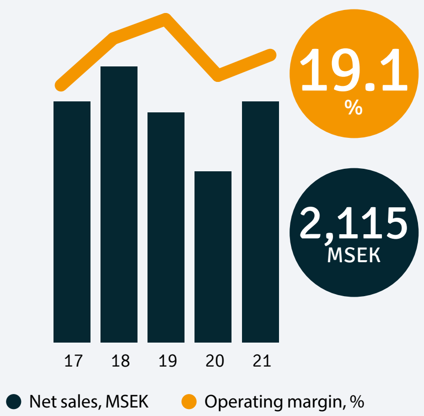




Highlights 2021

The recovery from the global pandemic supported our reported sales growth of 41%. Concentric Business Excellence supported our margins during a period of supply chain difficulty ensuring we continued to supply our customers and maintained strong margins, resulting in an operating margin of 19.1%.

Sales and operating margins



Full year market indices 2021 vs 2020

	US	EU	India
Trucks*	18%	18%	63%
Construction	11%	9%	44%
Agriculture	16%	9%	13%

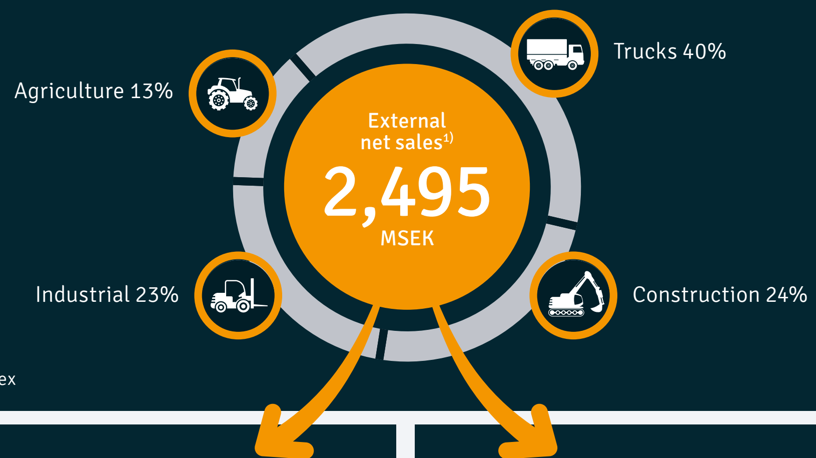
* Medium & heavy trucks

< –10% –10% to –1% 0% 1% to 10% > 10%

Key figures, amounts in MSEK unless otherwise specified	2021	2020	2019	2018	2017
Net sales	2,115	1,502	2,012	2,410	2,104
Organic sales growth, constant currency, %	31	–23	–20	12	6
Operating income before items affecting comparability	443	291	472	525	395
Operating margin before items affecting comparability, %	20.9	19.4	23.5	22.1	18.7
Operating income	403	276	472	529	404
Operating income, %	19.1	18.4	23.5	21.9	19.2
Net income for the year	338	205	321	405	303
Cash flow from operating activities	260	337	386	554	360
Diluted earnings per share, SEK	8.88	5.42	8.36	10.27	7.52
Basic earnings per share, SEK	8.91	5.43	8.37	10.30	7.54
Dividends, SEK	3.75 [1)]	3.50	3.25	4.25	3.75
Net debt	1,192	86	54	12	185
Gearing (Net debt/equity) ratio, %	82	8	5	1	21
Return on equity, %	26.2	17.5	29.5	41.6	37.0
Market capitalisation	10,658	6,938	6,005	4,628	5,971

1) Proposed dividend at the 2022 AGM.

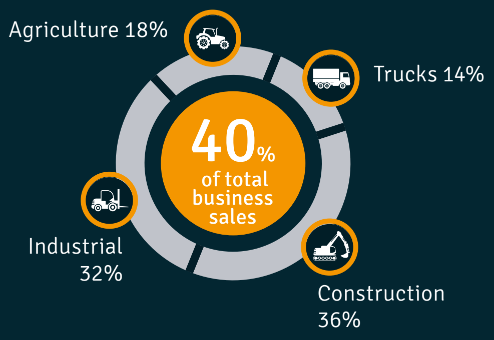
Group total net sales by end-market areas



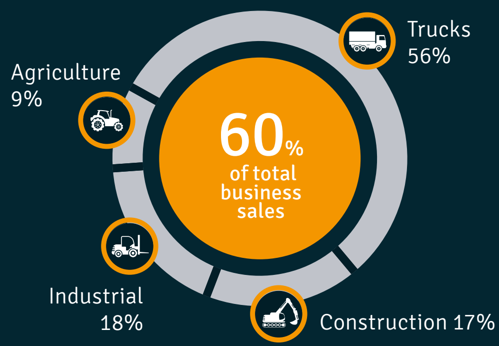
1) Includes Alfdex

	Americas		Europe and RoW	
External net sales[1]	999 MSEK	40%	60%	1,496 MSEK
Operating income[1]	92 MSEK	21%	79%	342 MSEK
Average number of employees[1]	333	36%	64%	581

Americas



Europe and RoW



1) Includes Alfdex

Net sales – Group

Reported sales for the year were up year-on-year by 41%. After adjusting for the impact of currency (–8%), Allied Enterprises (+6%) and EMP (+12%), sales in constant currency were up by 31%. This increase reflects the rebound following the COVID-19 pandemic as all our regions recover strongly. The published market indices suggest production rates, blended for the Group's end-markets and regions, increased 20% year-on-year, less than Concentric's sales growth in constant currency of 31%. Sales to all end market sectors have recovered, showing growth year-on-year.

Operating income – Group

The reported Operating income and Operating margin for the year amounted to MSEK 403 (276) and 19.1% (18.4) respectively. There were two one-off items reducing operating income, costs relating to the closure of Chivilcoy (MSEK 22) and costs relating to the acquisition of EMP (MSEK 18). Adjusting for these items, the underlying operating margin for 2021 was 20.9% (19.4). Our Concentric Business Excellence Program continues to deliver strong margins despite inflationary cost pressures from suppliers.

Review of 2021

Resigning CEO David Woolley shares his reflections on 2021, the economic recovery post the global pandemic, the inflationary pressures caused by this resurgence in demand within the industry supply chain, and the transformational acquisition of EMP to position Concentric to meet the opportunities presented by the electrification of our global end markets.

Demand from our end markets improved consistently each quarter throughout 2021 as the regional economies recovered from the global pandemic. This increase in demand created new challenges, whether capacity within the sea freight network, availability of raw materials and components or labour shortages in certain regional markets. The demand increase also brought inflationary pressures on a scale not seen in many years, resulting in metal or economic price increases from our suppliers.

Concentric reacted quickly to this new operating environment ensuring we had sufficient stock to support our customers near term demands. We also ensured supplier cost increases were passed to our customers in a timely manner to ensure Concentric retained healthy operating margins. The availability of raw materials constrained sales to our end markets, ensuring the order backlog increased each consecutive quarter during 2021, particularly in our North American facilities, and we hope to satisfy these customer orders during 2022 once the global supply chain stabilises.

The truck market remains the largest end-market and accounts for 40% of the Group's sales. Sales into all end-market applications were up year-on-year by double-digit percentages, most notably agricultural machinery, construction equipment and the important truck sector. The industrial applications sector also grew but not to the extent of on-highway and off-highway sectors. Sales to our domestic customers in India were particularly good as the global pandemic hit the Asia region hard during 2020, recovering strongly this year and doubling our sales year-on-year.

Our strategy to achieve 20% of group sales from electric pumps by 2025 remained on plan during 2021 with sales of Concentric's e-Pumps and electro-hydraulic steering pumps doubling year over year. This target will be achieved before 2025 with the acquisition of EMP, where a significant proportion of their sales are already from electric products. As we integrate EMP and intensify our electrification strategy post the acquisition, we will define a new electric products sales target and communicate to the stock market later.

Alfdex, our joint venture with Alfa Laval also benefitted from the economic recovery in North America and Europe. The much-anticipated new Chinese emissions legislation was implemented mid-2021, with some regions granted an extension, meaning demand for Alfdex products in China increased steadily during the second half of 2021.

The Concentric team has continued to focus on our customers' requirements, working on new sustainable technologies and maintaining the product quality and delivery performance expected from Concentric, during another challenging year.

Strong Financial Performance

Group sales in constant currency and excluding Allied and EMP were up +31% and reported sales were up +41% for the full year. The CBE-programme supported the growth in sales maintaining the Group's profitability at a strong level despite inflationary cost increases from suppliers, whether metal or economic increases, which were passed to our customers with the usual one quarter delay. The full year reported operating margin before items affecting comparability was 20.9% (19.4).

We recently announced two significant events, the acquisition of EMP and the closure of our facility in Chivilcoy, Argentina. The costs associated with both of these activities totalled MSEK 40 and classified as items affecting comparability. The operating margin for the full year was 19.1% (18.4).

To fund the acquisition of EMP, Concentric borrowed MUSD 125, corresponding to MSEK 1,072, which at year-end FX closing rates amounted to MSEK 1,146. The Group's net debt position at the end of 2021 was MSEK 1,192 (86), with a gearing ratio of 82% (8), and within our gearing target range.

Cash always remains a focus area for Concentric. This year the cash conversion ratio for the full year was 80%, because of the raw material supply issues we increased our investment in inventory to support our customer's requirements.

We were also able to pay a 2020 dividend to shareholders of SEK 3.50 (3.25) per share and maintain a healthy cash and cash equivalents position at the end of the year, namely MSEK 440 (505). This is sufficient to both finance the day to day operations and provide room for future acquisitions.

EMP – The transformational acquisition for Concentric

Concentric has regularly communicated our intention to improve and expand our technological capability via acquisition and this year was an important year executing that plan. During the first half of the year, we completed the integration of Allied, acquired on 31 December 2020. This acquisition brought mechanical transmission pump technology to Concentric, and importantly, this range of pumps can also be adapted to be driven electronically, and therefore accelerate our growth in this strategically important sector.

During the second half of the year, we completed the due diligence and refinancing to acquire EMP, truly a transformational acquisition and a key strategic step for Concentric. Our focus is to develop world class technology with innovative solutions that meet the sustainability needs of our customers. As transport systems and support infrastructures move to a CO_2 neutral future, there are several competing technologies with fuel cells, battery and hybrid solutions. With EMP's product portfolio Concentric can offer its customers products that are universally applicable regardless of the preferred technology. In addition, EMP's thermal system capabilities gives Concentric the ability to supply entire integrated cooling systems.

The strength of Concentric's balance sheet supports our ambition for further acquisitions and our dedicated M&A team continues to prioritise opportunities, which can offer either technical or geographical revenue growth.

Sustainability at Concentric

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

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

New sustainability reporting requirements have been clarified and Concentric has complied with the EU Taxonomy financial disclosures requirements. We welcome the new standard and will work during 2022 to meet further sustainability reporting requirements, which will aid our investors to better understand how our sustainable technology will benefit the global environment.

2022 Prospects

Based upon the activity levels experienced during 2021 and considering the market indices weighted for our end markets, 2022 has the potential to offer continued growth across all of our end markets and geographies. We also expect to see an increasing demand from the rapidly evolving battery electric and hydrogen fuel cell vehicles and we will continue to invest in people, product and manufacturing capacity to support this strategically important development. The EMP acquisition will add skills and electrification capability to support our strategy as well as add critical mass to the Group, increasing our sales by +50%.

Despite the continued strong demand from our end markets and applications, the availability of critical raw materials will influence our sales during 2022 and we expect the shortage of raw materials and components will continue to have an inflationary cost effect, both from the metal indices and general supplier economic price increases. We have been successfully passing these cost increases onto our customers, and we will continue to do so during 2022 to maintain our strong trading margins.

2021 was a year of economic recovery following the global pandemic and presented new challenges to our business and employees. Thanks to their hard work and dedication, the year was a success on many levels and we continued to meet our customers supply needs in these challenging circumstances.

We are optimistic for the coming year, our markets are forecast to grow and we continue the process of integrating EMP and identifying sales synergies in both Europe and North America. The future is bright; as our markets electrify new technologies will be created to meet regional emission legislation offering new and exciting opportunities. Concentric is positioned to exploit the commercial opportunities offered from the electrification of our markets, creating further shareholder value.

The Company is closely following the developing situation in Ukraine. It remains too early to be able to quantify the financial and commercial effects on the business as while sales and purchases to this region are not material to the Group, any further escalation in the conflict could impact both the regional and global economies.

Reflecting on 10 years in the CEO role and highlights since listing on the NASDAQ OMX Stockholm Mid Cap exchange in June 2011

In June 2011, Concentric AB listed on the Stockholm exchange with an initial share price of 35 SEK and over the last 43 reporting quarters Concentric has created shareholder value, increasing the share price from its initial offering to the value, 281 SEK as of 31 December 2021. The journey of taking Concentric from good to great over the decade was the result of many activities and the dedication of the Concentric teams.

Over the last 5 years, apart from navigating through the dramatic effect of the global pandemic, was all about repositioning Concentric products to take huge advantage from the emerging clean energy electrification opportunities. The acquisition of EMP was the next major milestone in the journey to the Concentric future. I welcome Martin Kunz who joins the Company as CEO at this exciting juncture and wish him well to continue the success of Concentric.

David Woolley
Resigning President and CEO

Comment from Martin Kunz, new President and CEO of Concentric from 1 March 2022

I'm delighted to be joining Concentric AB. Based on our people, products and the global footprint, there are many opportunities to grow our business as our markets electrify.

With the recent acquisition of EMP we have a step change capability to secure new business with existing as well as new customers. We will also continue to look for further acquisitions that will offer new technologies, support our electrification strategy and deliver geographic expansion.

Our people will be critical to delivering profitable business growth and I'm excited to be working with this great team.

Martin Kunz
President and CEO

Business model for innovation

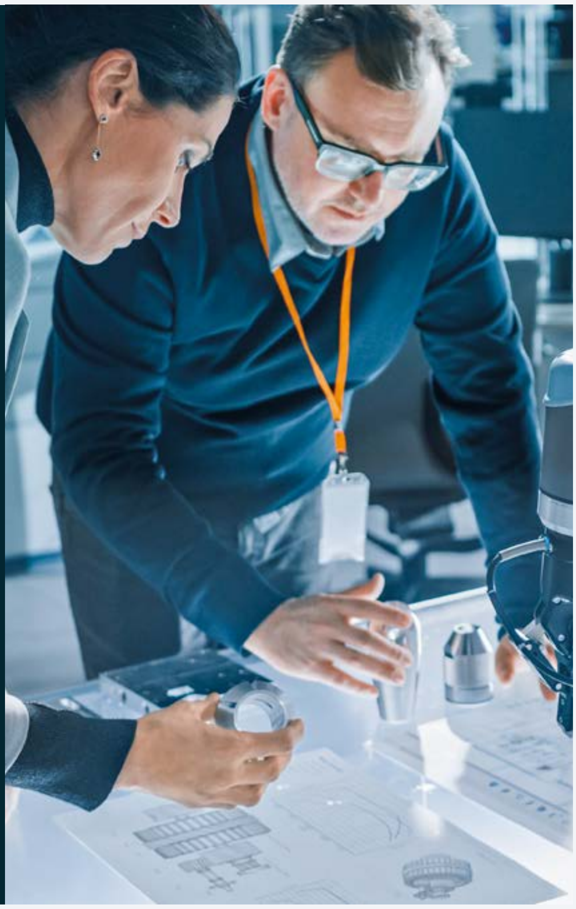
Our business is built around customer-focused innovation based on our deep technological expertise. With it, we aim to supply sustainable solutions that add value to our customers' products.

We work in partnership with our customers ...

We design, develop, manufacture and sell, high quality, customer-focused solutions. Our business model is to supply technology and innovation throughout our customers' product life cycle, not just at the evaluation and design phase. As such we work in close partnership with our customers to supply industry leading solutions.

Through our Concentric Business Excellence programme, we relentlessly strive for continuous improvement and to drive out waste and inefficiencies in our operations.

Read about our geographical footprint on pages 20–21.



Two sales channels
- Direct sales to OEM and Tier-1 suppliers
- Distribution

... to develop products ...

... for four end markets.

- **Engine products**
- **Hydraulic products**

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

Read more about our product offering on pages 12–15. ▶

- Truck & bus
- Construction
- Industrial
- Agriculture

Read more about our end markets on pages 22–25. ▶

Engine products

Concentric is a Tier 1-supplier to diesel engine manufacturers and major OEMs. We offer lubricant, coolant and fuel transfer pumps for diesel engines and e-Pumps for electric drivetrains, diesel engines and energy storage among other uses. The acquisition of EMP strengthened our e-Pump range and added thermal management systems to our offering. Alfdex, our 50/50 joint venture with Alfa Laval, manufactures oil mist separators.

Products

MINI-HYBRID ELECTRIC COOLING SYSTEM
The electric fan design of EMP's mini-hybrid system outperforms mechanical fans, resulting in significant fuel savings.

FUEL TRANSFER PUMP
The Concentric low pressure fuel transfer pump range supports the high pressure fuel injection systems used in medium and heavy duty diesel engines. Each bespoke design enables fast priming and low energy performance.

E-FUEL PUMP
A new range of electric fuel transfer pumps delivering improved fuel system performance, including energy savings and enhanced priming times. The software also enables fuel system diagnostics including predicting fuel filter lifetime.

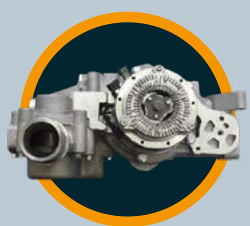
OIL PUMP
High performance positive displacement pumps that are designed and validated for 1.5 million km lifetime and beyond.

E-OIL PUMP
e-Pumps are powered by their own electrical motor and controlled by software, which enables more precise optimisation of running parameters. EMP significantly adds to our range of e-Pumps.

WATER PUMP
Concentric and EMP offer conventional water pumps for commercial and off highway vehicles optimised for reliability and performance.

E-WATER PUMP
Concentric and EMP offer complimentary e-water pumps for cooling of hybrid and electric commercial vehicles. The sealless wet rotor design enables high power density and extremely long lifetimes and are suitable for the many harsh environments encountered in on and off highway commercial applications

LICOS CLUTCH
The LICOS clutch system enable pumps with semi-variable flow, which reduces power consumption.



ALFDEX OIL MIST SEPARATOR
The Alfdex oil mist separator uses a centrifugal separation technique to prevent unclean ventilated crankcase gases returning to the inlet of diesel engines or being emitted to the environment.

Market position

Concentric is a Tier-1 supplier with a long history and a proven track-record within the industry. Today, we are one of the few global players in the market for both diesel engine pumps and e-Pumps. Alfdex is a global market leader in crankcase gas ventilation. With the acquisition of EMP in 2021, we significantly strengthened our position in e-Pump technology and our presence in North America.

Priorities

- Target the next generation of engine platforms that will be driven by more stringent emissions regulations for CO_2 and, especially in cities, micro particulates.
- Support the switch to electrical drivetrains and look for opportunities to transpose e-Pump technology to new end markets like energy storage and distribution.
- Explore cross-selling opportunities for EMP and Concentric products.
- Explore long-term growth opportunities by growing with existing customers in emerging markets.

Value proposition

We design, develop and manufacture our products to add value to our customers' solutions. That means working closely with our customers to find the optimal flow and pressure characteristics and delivering solutions that contribute to lowering fuel consumption, emissions and noise levels.

See articles on pages 16–17 and 28–31 for more information on our joint value proposition together with EMP.

Hydraulic products

Hydraulic products encompass gear pumps and motors, as well as power packs produced for major OEMs of both on- and off-highway vehicles and for distributors of hydraulic solutions. We also offer electric products including our Electro Hydraulic Steering unit to support our customers, improve system efficiency and reduce emissions.

Products

DC POWER PACKS

Electrohydraulic systems including AC and DC motors in combination with a wide range of standard and low noise gear pump products provide solutions for various material handling and tail gate lift functions with the integration of valves and sensors.

MAIN HYDRAULIC PUMPS

A full range of high efficiency hydraulic gear pumps and motors can be offered for on- and off-road hydraulic systems. The product range provides low noise technology as well as high power density products.

TRANSMISSION PUMPS (ALLIED)

Our transmission pumps offer mid pressure lubrication for engine and gearbox applications with and without stator support.

SUPPLEMENTARY STEERING

These products provide efficient pressure and flow to customer steering systems. Together with integrated safety and protection functions the proven low noise gear technology can be used to reduce pressure pulsation in steering systems.

HIGH POWER DENSITY UNITS

The FERRA series offer increased power density and higher durability in demanding hydraulic systems.

LOW NOISE PUMPS

The CALMA series reduces the outlet pressure pulsation by 75 percent which can deliver 8–10 dB lower noise levels.

DUAL CONE CLUTCH

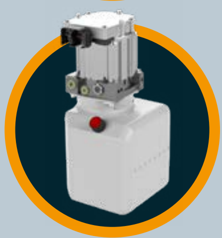
The Dual Cone Clutch products enable power on and off functions in hydraulic systems to eliminate parasitic losses for vehicle applications.

INTERNAL GEAR PUMP

The internal gear pump product provides a complete new generation for low noise emissions and improved sound quality requirements in combination with electric motors or in traditional applications.

CONTROLLED POWER PACKS CAN

Including CAN control technology these products can provide power on demand functionality offering energy savings and noise reduction.



ELECTRO HYDRAULIC STEERING

The EHS unit has sufficient power for full steering control in all conditions and is highly efficient, which improves fuel economy and electric vehicle range.

Market position

The global hydraulics market is very fragmented. There are a few global players which compete mainly in the high-volume areas of the market as well as several regional players. Concentric occupy leading positions in selected niches of the pump market and have a large market share in specific niche areas such as hydraulic fan drive systems and complementary control pumps.

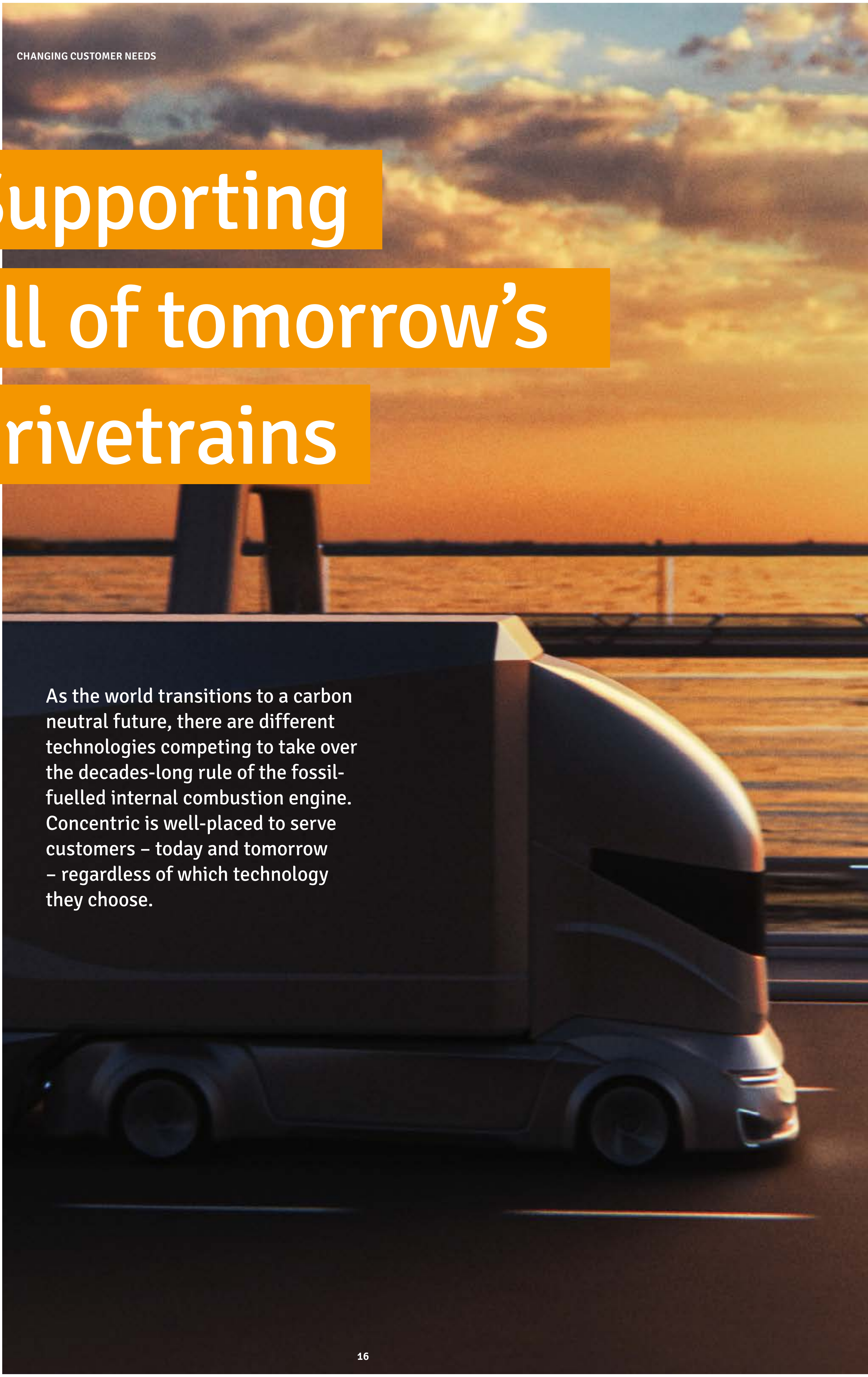
Priorities

- Expand the distributor network, particularly in Europe and Asia.
- Support customers to deliver on their priorities: energy efficiency, size reduction (which is due to increasing machine complexity) and noise reduction.
- Explore new market opportunities, especially for agricultural machinery.

Value proposition

We aid in the design and development of solutions that save energy, increase power density and reduce noise in select niche areas of the market where the technology in the product is more advanced and requires absolute reliability and customer specific options.

Supporting all of tomorrow's drivetrains



As the world transitions to a carbon neutral future, there are different technologies competing to take over the decades-long rule of the fossil-fuelled internal combustion engine. Concentric is well-placed to serve customers – today and tomorrow – regardless of which technology they choose.

The internal combustion engine is an engineering marvel. Combined with a relatively energy-dense fuel like diesel, it has been adapted to serve a very wide range of use cases in both the on-highway and off-highway sectors for decades. It has been cheap enough to compete with other modes of transport and provided vehicles with long operating ranges as well as quick refuelling times. But as the need to quickly reduce CO_2 emissions becomes ever more apparent, replacements need to be found.

There are several alternatives, all with different strengths and weaknesses. To fully replace fossil fuels as an energy source, a combination of technologies will likely be needed. Which one will be used in each instance will likely depend on the particular use case and geography. For example, batteries may be preferred in places with abundant clean energy for charging, whereas fuel cells may be an alternative if a premium is put on operating range and fast refuelling times.

Besides electric drivetrains, using alternative cleaner fuels for the internal combustion engine is another possibility. Whichever technology prevails, Concentric's and EMP's range of products covering pumps, fans and thermal management systems will continue to meet our customers cooling and lubrication needs.

Electric drivetrains

Electric vehicles use batteries, currently lithium-ion batteries, or fuel cells as a power source for the electric drivetrain – motors, gears and axles – and the auxiliaries. These systems need cooling and lubrication.

The pumping requirement increases as the size of the battery pack increases and there can be multiple battery packs in one vehicle. Typically there is one pump for each battery pack or alternatively a bigger, higher priced pump for all. As a result of greater heat output, fuel cell stacks for medium- and heavy-duty trucks have significantly higher cooling demands and therefore pumping needs when compared to battery packs.

The electric motors in a vehicle or machine, which can vary in number from one motor on a single axle to many, for instance one for each wheel, need cooling using water or oil. Depending on where the motors are placed, this can require several pumps. On heavy vehicles, there is also often a gear or gearbox between the motor and the axle, which needs lubrication – as do the axles. Then there are the auxiliary systems such as air conditioning and brake compressors that can also need cooling via an e-Pump.

Concentric's product range, which now include fans and thermal management systems after the acquisition of EMP, serve all these applications. And since electric lubrication- and cooling pumps, which have their own motor and control unit, are also more advanced and higher priced, the transition to electric vehicles is likely to increase the value that Concentric can offer and therefore also increase Concentric's sales value per vehicle.

Internal combustion engines

Reducing CO_2 emissions while keeping the internal combustion engine can mean two things: switch to an alternative fuel or reduce fuel consumption, albeit the latter one alone is not a viable long-term solution. Since the internal combustion engine is an established and trusted technology, many manufacturers are experimenting with alternative fuels, such as hydrogen, ethanol, methanol or HVO100.

Regardless of fuel, reducing fuel consumption has for a long time been, and will likely continue to be, a focus for engine manufacturers. The latest experiments include switching to electrical pumps to put less strain on the engine. Start/stop functionality, that allows the engine to shut itself off when the vehicle comes to a stop, is also being introduced in heavy commercial vehicles. This requires an e-Pump to run the gearbox actuators to keep the vehicle from rolling involuntarily.

The need for more advanced pumps in internal combustion engines is also likely to increase as we reduce CO_2 emissions, which once again, together with the expanded offering after the EMP acquisition, increases Concentric's sales value per vehicle.

Supporting the transition

Whichever way the transition to carbon neutrality takes, Concentric is well-placed to drive this transition by working with our customers to develop reliable and efficient solutions.

Adapting to a changing market

Our markets are constantly undergoing change from the cyclicality of markets and long term trends towards a more efficient and CO_2 neutral future. Concentric is well placed to benefit from these changes.

MARKET AND TRENDS

Short term characteristics

Cyclicality

Each of our four end markets, trucks, construction equipment, agricultural machinery and industrial applications are all cyclical markets that closely track the wider economic cycle.

Whilst the relative impact of economic trends varies by market, all Concentric's end markets are impacted to some extent.

Long term trends

Economic growth

Long term economic growth across the globe drives increases in our end markets as economies look to increase productivity and trade, increasing demand for trucks, machinery and equipment with more modern features and efficiency.

In addition to economic growth, continued population growth and urbanisation, particularly in emerging economies, is driving increased spending on infrastructure which in turn increases demand in our end markets.

OUR RESPONSE

Concentric's business model allows us to scale up and down our cost base in response to changes in demand to ensure margins remain strong. We have consistently demonstrated market leading levels of flexibility and responsiveness to market trends allowing us to deliver strong results in all market conditions.

Contentric continues to maintain strong relationships with customers to get insight and move quickly to changes in demand.

2021 Market Growth

20%

based on market indices blended to our end markets and regions

Over many years Concentric has developed a truly global footprint. This allows us to be closer to our customers in markets which are growing fastest. We have sites in the USA, Germany, the United Kingdom, India and China to be able to grow with our customers.

Concentric remains one of the few global players in the market for both diesel engine pumps and e-Pumps.

Fuel and energy efficiency

Customers are demanding increasingly more efficient products to help achieve lower CO_2 emissions, reduced fuel costs and longer battery life. This increased efficiency also reduces the total cost of ownership of the end products.

In addition to customer demand, climate change is driving society's demand to reduce CO_2 emissions, particulate matter and noise pollution. Legislation is being introduced around the world, particularly in urban environments, to meet this societal demand.

Concentric has been investing for a long time in improving our products to become more fuel and noise efficient. Our range of variable flow oil pumps, low noise Calma hydraulic pumps, high power denisty Ferra hydraulic pumps and internal gear pumps amongst other products are all designed to increase efficiency and reduce noise.

More recently, our range of electric pumps takes this a step further, allowing our products to vary the output independently to match power output with that which is required.

Electrification

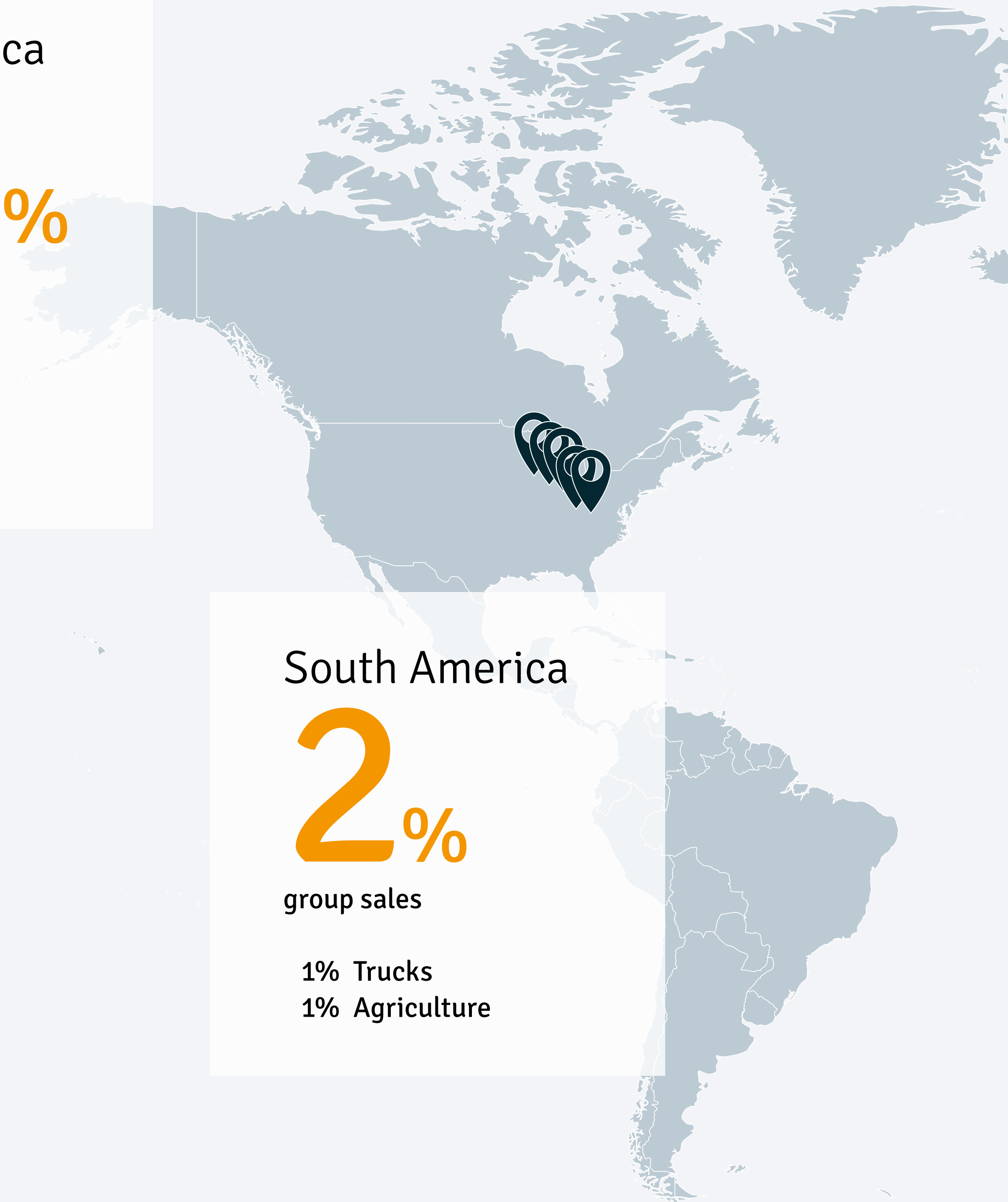
To meet societies demand for a more sustainable future, our customers are moving away from hydrocarbons as a fuel source and towards electric power sources such as battery packs and fuel cells. This results in zero tail pipe emissions for their products and helps the overall drive for a CO_2 neutral future.

As different technologies compete, products will improve and prices will come down allowing the switch to electric products to pick up pace.

Concentric is investing heavily in electric products across both our Hydraulics and Engines product lines. Our electro-hydraulic steering systems, water, oil and fuel e-Pumps are all designed to meet the needs of our electric customers regardless of power source, battery, fuel cell or others.

The acquisition of EMP expands our electric product portfolio into fans and thermal management systems giving us great full system capability.

Global sales



North America

38%

group sales

5% Trucks
14% Construction
12% Industrial
7% Agriculture

South America

2%

group sales

1% Trucks
1% Agriculture

Europe

55%

group sales

33% Trucks
8% Construction
9% Industrial
5% Agriculture

China

3%

group sales

2% Industrial
1% Construction

North America

Itasca, Illinois, USA
Manufacturing, Sales

Muncie, Indiana, USA
Manufacturing, R&D, Sales

Rockford, Illinois, USA
Manufacturing, R&D, Sales

Escanaba, Michigan, USA
Manufacturing, R&D, Sales

Greenfield, Indiana, USA
Manufacturing, Sales

Europe

Strasbourg, France
Sales office

Hof, Germany
Manufacturing, R&D, Sales

Markdorf, Germany
Manufacturing, R&D, Sales

Landskrona, Sweden
Alfdex, JV with Alfa Laval

Birmingham, UK
Manufacturing, R&D, Sales, Group functions

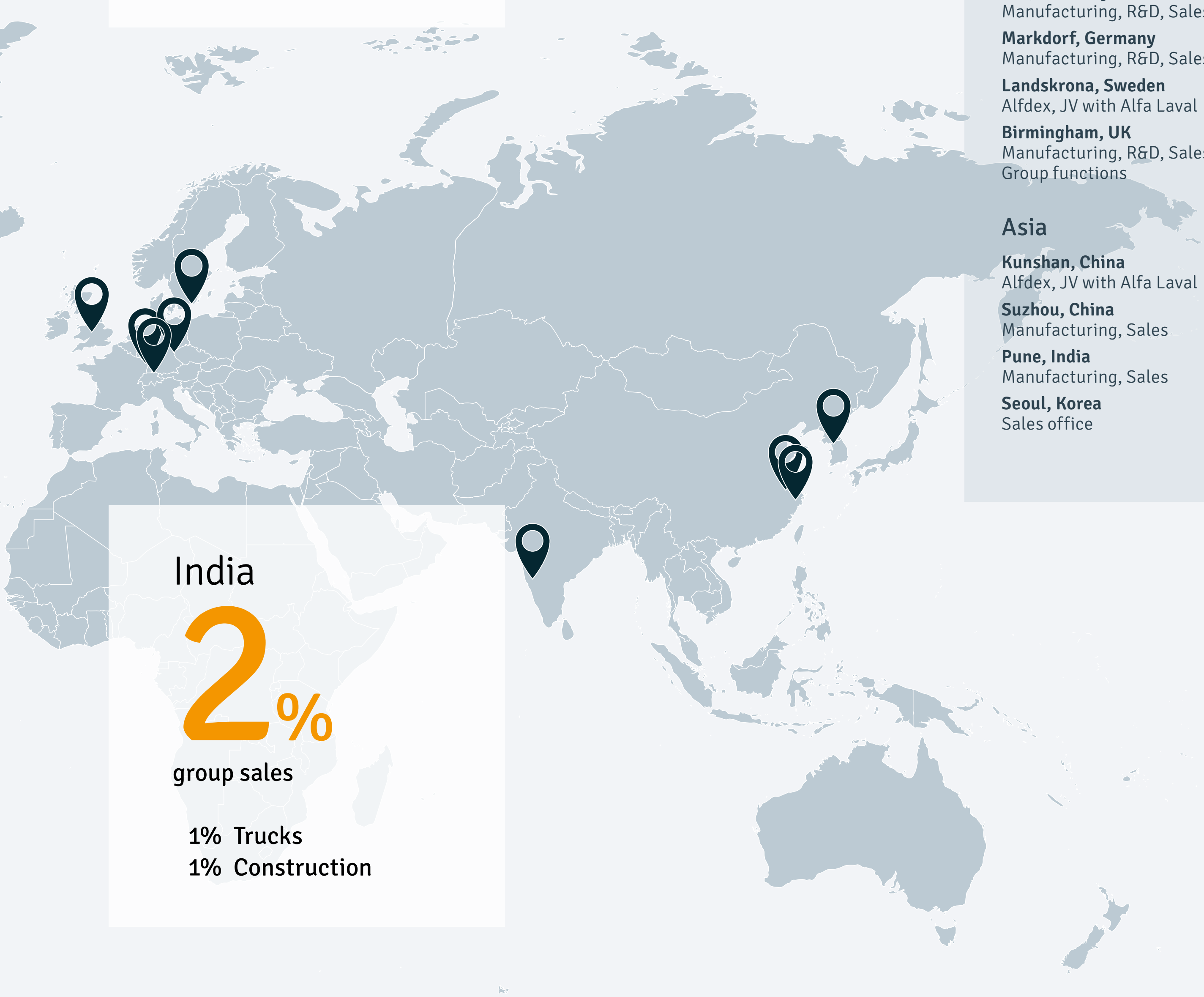
Asia

Kunshan, China
Alfdex, JV with Alfa Laval

Suzhou, China
Manufacturing, Sales

Pune, India
Manufacturing, Sales

Seoul, Korea
Sales office



India

2%

group sales

1% Trucks
1% Construction

Trucks

40%
of Group net sales

The global medium- and heavy-duty truck market grew 7% in 2021, all regions except China grew by more than 10%, the crucial European market grew 21% year-on-year. This trend is set to continue with all markets except China forecast to grow in the next 5 years with an overall CAGR of 2%, with the key European market growing at a CAGR of 4%.

Based on the forecasted production of diesel engines over the next 5 years, on-highway medium- and heavy-duty trucks are expected to grow by a CAGR of 4.4% in Europe, 3.0% in North America, 2.5% in India and decline by 0.3% in China.

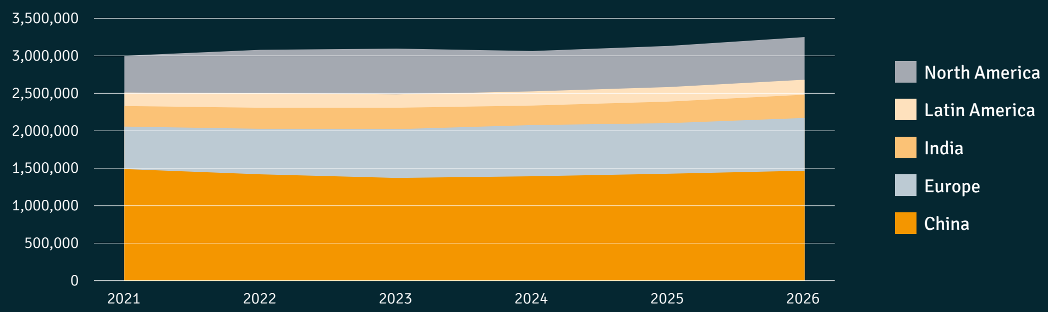
North America
Market indices published at year-end indicated that North American production of diesel engines for medium- and heavy-duty trucks increased year-on-year by 18%. Concentric's actual sales of engine and hydraulic products for trucks were up 22% year-on-year in constant currency. North American truck sales represent 5% of total sales.

Europe
European market indices for the production of diesel engines for medium- heavy-duty trucks increased year-on-year by 18%. Concentric's actual sales of engine and hydraulic products for trucks increased 43% year-on-year in constant currency ahead of the overall market. The European truck market is our largest end-market, representing 33% of total Group sales.

Emerging markets
Market indices for the production of diesel engines in South America for medium- and heavy-duty trucks have increased 60% year-on-year. Concentric's actual sales have increased 215% on a constant currency basis. The market indices for India indicate a year-on-year increase of 63%. Concentric's actual sales have increased 90%, ahead of the market index. The market index for China has decreased 20% year-on-year, Concentric's sales have decreased 69% on a constant currency basis.

Concentric's exposure to trucks in these emerging markets remained relatively low at approximately 2% of the Group's total net sales for 2021.

Diesel Engines – 0.8 to 2.75 Litres/Cylinder – Excluding 1 and 2 Cylinder engines – Excluding Cars.



Source: Power Systems Research, January 2022.

Construction

24%
of Group net sales

The global construction equipment market grew 18% in 2021 and is forecast to increase by a CAGR of 2% over the next 5 years. Growth rates are forecast to be broadly similar across all regions in the low single digits.

Based on the forecasted production of diesel engines over the next 5 years, construction equipment is expected to grow by a CAGR of 3.2% in Europe, 2.2% in North America, 1.1% in India and 1.2% in China.

North America

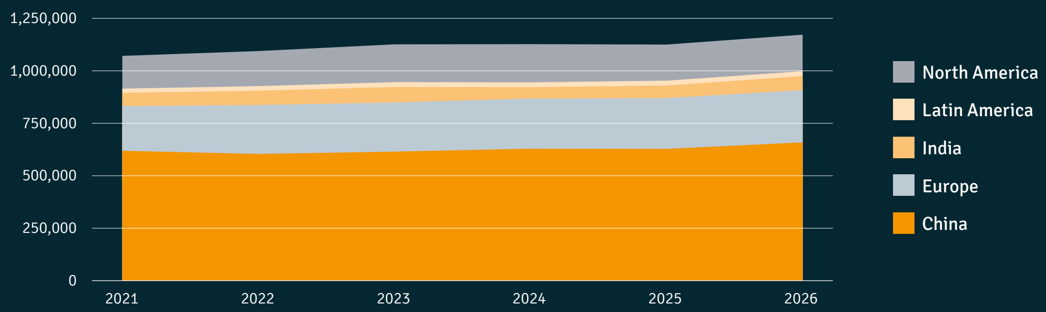
Market indices published at year-end indicated that North American production volumes for Construction Equipment increased year-on-year by 11% for diesel engines. Concentric's actual sales of engine and hydraulic products for construction equipment were up 39% year-on-year in constant currency excluding the impact of EMP and Allied Enterprises, significantly ahead of the market index. North American construction sales make up 14% of total Group sales and is therefore a key market.

Europe

European market indices for the production of diesel engines for the construction market increased 9% year-on-year. Concentric's actual sales for construction equipment were up 33% year-on-year in constant currency ahead of the market index.

Emerging markets

Market indices for the production of diesel engines for Construction Equipment were up year-on-year in India, South America and China by 44%, 32% and 10% respectively. However, Concentric's exposure to construction equipment in these emerging markets remained relatively low at approximately 2% of the Group's total net sales for 2021.



Source: Power Systems Research, January 2022.

Industrial

23%
of Group net sales

The industrial sector has grown by 20% in 2021 and is forecast to grow at a CAGR of 3% over the next 5 years driven by growth in China at 4% , based upon the forecast production of diesel engines.

Since the industrial sector comprises a wide variety of applications, there is no single forecast for this market. Based on the forecasted production of diesel engines over the next 5 years, off-highway industrial applications in our two largest territories are expected to grow by a CAGR of 2.6% in North America and 3.2% in Europe.

North America

Market s published at year-end indicated that North American production volumes for Industrial Applications increased year-on-year by 8% for diesel engines and 47% for hydraulic lift trucks. Concentric's actual sales of engine and hydraulic products for industrial applications were up 9% year-on-year in constant currency excluding the impact of EMP and Allied Enterprises, broadly in line with the diesel engine index. The North American Industrial Application market repesents 12% of total Group sales and is therefore a key market.

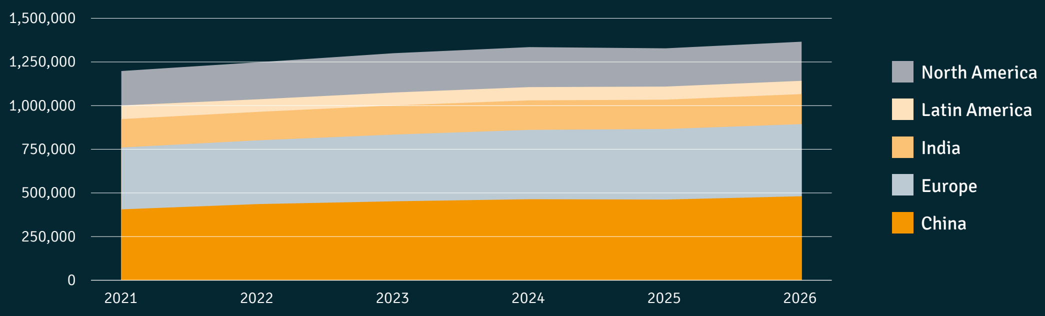
Europe

European market indices increased year-on-year by 7% for the production of diesel engines and 23% for lift trucks for the industrial applications market. Concentric's actual sales of engine and hydraulic products for industrial applications were up 20% year-on-year in constant currency, within the range of the two indices.

Emerging markets

Market indices for the production of diesel engines in South America and China for Industrial Applications increased year-on-year by 29% and 14% respectively. Indices decreased in India –2%. However, Concentric's exposure to industrial applications in these emerging markets remained relatively low at approximately 2% of the Group's total net sales for 2021.

Diesel Engines – 0.8 to 2.75 Litres/Cylinder – Excluding 1 and 2 Cylinder engines – Excluding Cars.



Source: Power Systems Research, January 2022.

Agriculture

13%
of Group net sales

The global agricultural machinery market grew 17% year-on-year. This growth is expected to continue at a CAGR of 2% until 2026, driven by growth in China and Europe, both growing at a CAGR of 4%.

Based on the forecasted production of diesel engines over the next 5 years, agricultural machinery is expected to grow by a CAGR of 1.8% in North America, 4.1% in Europe and 3.8% in China. The indices forecast India's Agricultural Machinery market to decrease at a CAGR of –1.4% over the next 5 years.

North America

Market indices published at year-end indicated that North American production of diesel engines for Agricultural Machinery increased year-on-year by 16%. Concentric's actual sales for Agricultural Machinery increased year-on-year by 23% in constant currency excluding the impact of EMP and Allied Enterprises.

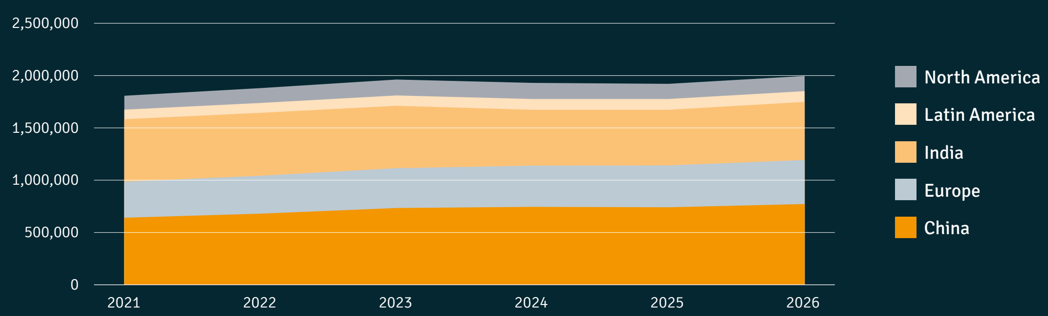
Europe

European market indices for production of diesel engines for agricultural machinery increased year-on-year by 9%. Concentric's actual sales of engine and hydraulic products for agricultural machinery increased year-on-year by 56%, much higher than the market indices.

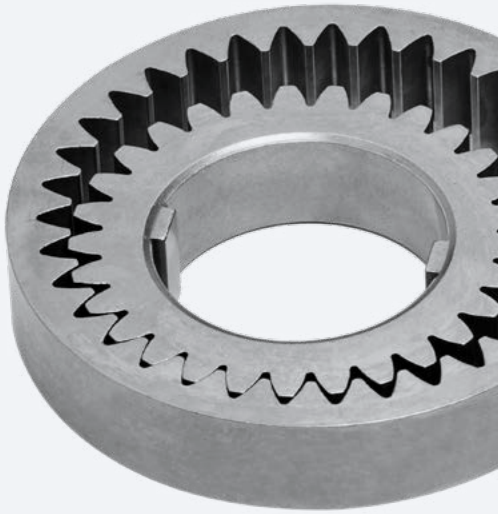
Emerging markets

Market indices for the production of diesel engines for Agricultural Machinery increased year-on-year by 24%, 13% and 9% in South America, India and China respectively. However, Concentric's exposure to Agricultural Machinery in these emerging markets remained relatively low at approximately 1% of the Group's total net sales for 2021.

Diesel Engines – 0.8 to 2.75 Litres/Cylinder – Excluding 1 and 2 Cylinder engines – Excluding Cars.



Source: Power Systems Research, January 2022.



Priorities and targets

Driving forces

Cyclicality
Each of our four end markets are cyclical markets that closely track the wider economic cycle.

Economic Growth
Long term economic growth across the globe drives increases in our end markets. Continued population growth and urbanisation, particularly is emerging economies, is driving increased spending on infrastructure which in turn increases economic growth.

Fuel & energy efficiency
Customers are demanding increasingly more efficient products to help achieve lower CO_2 emissions, longer battery life and lower total cost of ownership of their products.

Electrification
To meet societies demand for a more sustainable future, our customers are moving away from hydrocarbons as a fuel source and towards electric power sources such as battery packs and fuel cells. This results in zero tail pipe emissions but requires new technologies to support these new fuel sources.

Stakeholders

Customers
We develop products for our customers to meet their requirements and improve their products, benefitting both parties.

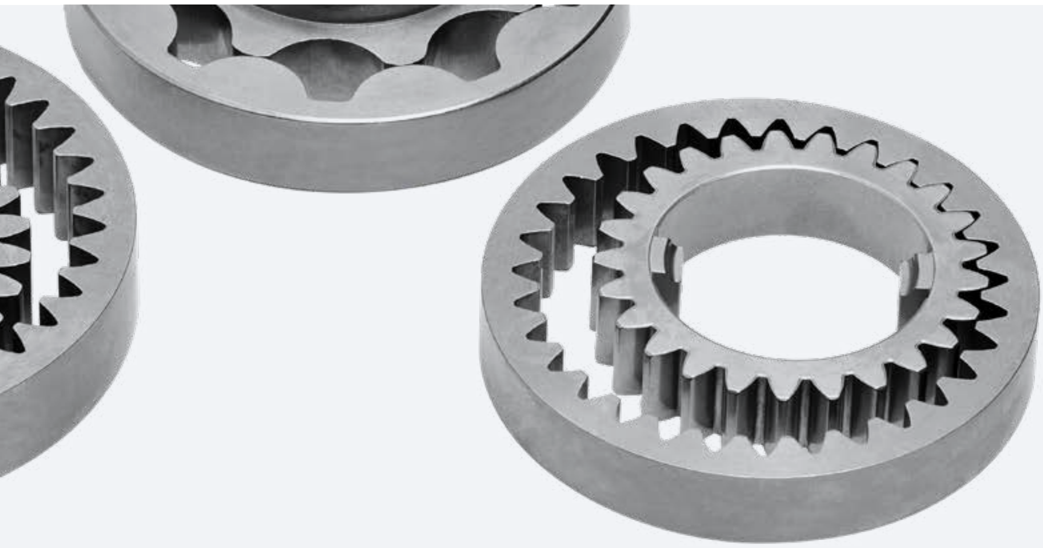
Suppliers
We collaborate with our suppliers to incorporate their products in our designs, helping their success.

Employees
We foster a company culture in which we collaborate to achieve our goals and grow together.

Shareholders
We work on behalf of shareholders to deliver a return on their capital both through dividend distributions and growth.

Financial Institutions
We maintain a strong balance sheet to ensure financial institutions receive interest on their loans.

Governments
We operate within legislation and guidance in all territories in which we operate, benefitting local communities.



Strategies and success factors

Electrification
Support our customers transition to electric products, in line with CO_2 reduction targets, will take our business forward into the next generation of products.

Continuous improvement and innovation
Concentric Business Excellence drives continuous business improvement improving operating efficiency and reducing costs.

Global sourcing and supply chain management
Sourcing globally to maintain a competitive cost structure and ensure consistent and reliable supply to our customers.

Increased sales via distribution channel for Hydraulics
Increase our sales globally through our network of distribution partners who help reach a broader range of end customers.

Long-term growth opportunities in emerging markets
Use our global footprint to supply customers across the world, targeting emerging markets and supporting growth in these regions.

Financial targets and outcome 2021

Target	Outcome 2021
Organic Sales Growth 6% above market in constant currency	11% above market in constant currency
Operating Margin ≥16%	19%
Dividend Payout Ratio 33%	42%
Gearing (Net debt/equity) ≥50% and ≤150%	82%

Concentric's acquisition of Engineered Machined Products (EMP) in late 2021 was transformational for the company in several ways – and a great leap towards becoming a true global market leader in electric pump technology.

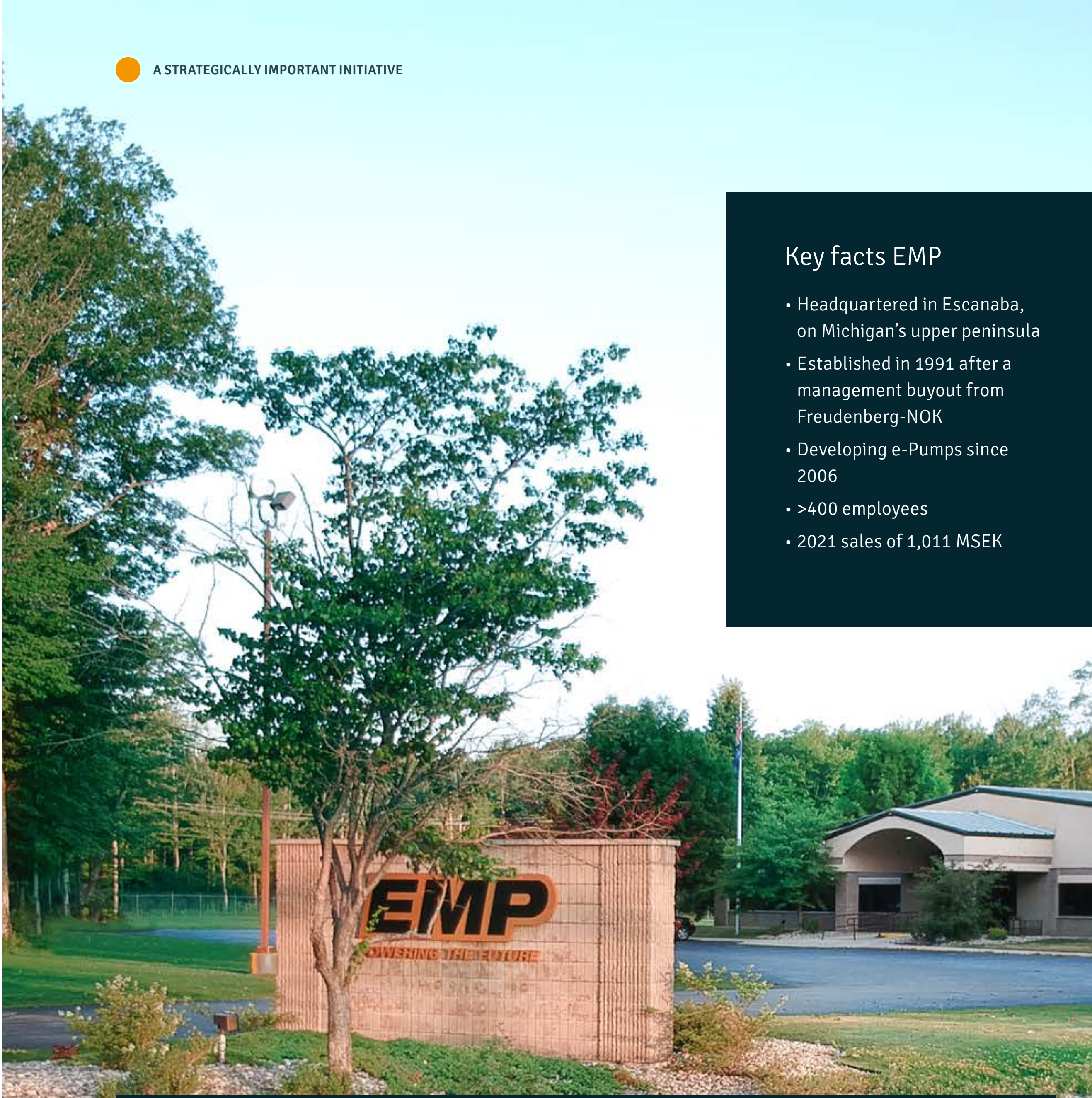
EMP acquisition sparks new era

Acquisitions are an important tool for Concentric to achieve three strategic aims. The first is technology. We are looking for companies with technology in areas complementary to ours which usually target the same end-markets. Since we are a company which operates in selected niches with highly specialised technology, bespoke to specific customer needs, the technology we acquire should occupy a similar market position.

The second is sales growth. Our strong ability to generate cash from our operations allows us to regularly supplement our organic growth with inorganic growth through strategic acquisitions.

The third is geographical footprint. We have strong global presence but are always looking for new opportunities to be closer to our customers. Companies that reinforce our local presence and offer opportunities for cross-selling, where we can sell their products to our customers and vice versa, are a good fit.


EMP



Key facts EMP

- Headquartered in Escanaba, on Michigan's upper peninsula
- Established in 1991 after a management buyout from Freudenberg-NOK
- Developing e-Pumps since 2006
- >400 employees
- 2021 sales of 1,011 MSEK

A complete technology offering regardless of the energy source for the powertrain

Fossil fuels	Alternative fuels	Hydrogen	Hybrid	Battery Electric	Hydrogen fuel cell
Internal combustion			Electrified		

Suppliers	Product
CONCENTRIC, EMP	Mechanical pumps
CONCENTRIC, EMP	Electric Oil pumps
CONCENTRIC, EMP	Electric Water pumps
CONCENTRIC	Electro-Hydraulic Steering
EMP	Electric Fans
EMP	Thermal management systems

Electrification is coming

Our key target markets of truck, agriculture, construction and industrial are very clearly moving towards electrification to reduce CO_2 emissions. In the passenger car segment, where we are generally not active, this change is largely being driven by the shift towards battery electric vehicles. In the heavy-duty commercial vehicle segment, where we do operate, there are competing electrification technologies such as fuel cells. (Read the article on page 16 for more information.)

As electrification technology advances and energy density of batteries improve, it is highly likely that a very sizeable share of our end markets will replace the internal combustion engine with an electric drivetrain. Due to the necessity of fluid cooling systems for the batteries or fuel cells, more pumps are likely to be needed compared with an internal combustion engine vehicle. The pumps will also have higher price due to the extra sophistication. Pumps that used to be powered by the rotation of the combustion engine, are in electric vehicles powered by a separate electric motor which is controlled by a control unit, in the form of a control board and software.

This offers exciting new opportunities for pumps. With the control unit, one can more precisely monitor how the pump runs and fine-tune it to conserve energy or to reduce noise. e-Pumps also offer better opportunities for diagnostics since they are run by software which allows generation and storage of performance data. e-Pumps are therefore a much more sophisticated product than a mechanical pump and allow Concentric to increase the value which we can offer to our customers.

Building in-house competence

Concentric already has industry-leading expertise in the mechanical part of e-Pumps and is building in-house competence in the other parts of the e-Pump: electric motors, controllers and software. Building new competences within an organisation takes time, and we have therefore been looking for acquisitions to accelerate this process. In EMP, we found a step change for our electrification strategy that dramatically increases our capacity, technological know-how and product portfolio.

With headquarters and manufacturing in Escanaba, Michigan, and another manufacturing facility in Greenfield, Indiana, EMP has been developing and selling e-Pumps and electric thermal management systems since 2006. Over the years, they have developed in-depth knowledge of control board design and software and today about one third of their revenues come from electric products.

More than technology

EMP brings more to Concentric than technology. It is a transformational acquisition in terms of size, adding approximately 50 percent to both revenues and employees. It also strengthens our geographical footprint as EMP significantly strengthens our position in the North American market which is the home of many major OEMs. Indeed, EMP counts many of these major North American OEMs as key customers, some of which are shared with Concentric, others new.

Thus, the acquisition of EMP fulfils all three strategic aims: technology, growth, and geography.

Lots to learn from each other

There are many things Concentric and EMP can learn from each other to make sure the combined entity becomes more than the sum of its parts. As both companies share a similar culture with a strong focus on innovation and reliability of their products, there is plenty of scope for that to happen.

For example, EMP has come a long way in automating manufacturing operations at its two sites. There are advances our existing plants can make based on EMP's experience. Concentric on the other hand has a very successfully implemented Business Excellence (CBE) programme which has helped to significantly improve the efficiency and reliability of our operations over many years, increasing the value that we can offer to our customers and our shareholders. The CBE programme is about constantly striving to improve and there are clear areas where those techniques can help EMP.

Invest for growth

More than that, we want to invest and grow our business and the combined entity provides an excellent base for doing that on a global scale. There are, of course, opportunities for cross-selling and to offer our respective customers the improved value proposition of our combined product offering. EMP's management team will remain as part of the combined entity and continue the growth journey they have been on since the financial crisis in 2008-2009.

There is now also a larger organisation with in-depth electrification knowledge in place, whose expertise can more easily be added to via targeted filling of gaps, either by recruiting or via acquisitions, compared to a smaller organisation. Having a larger organisation with more specialists on-board also increases our ability to innovate and to proactively provide solutions to customers that they did not know to ask for.

Risk assessment

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 of particular significance and how the risk is managed by the Group.

Risk area	Likelihood	Impact
Competition & pricing pressure risk 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. **Management** 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.	●●●	●●○
Risk of losing a customer 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. **Management** 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 material supply risk Concentric 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. **Management** 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.	●●○	●●○
Raw material pricing risk 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. **Management** 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.	●●○	●○○
Risk of production downtime Damage to production facilities caused, for example, by fire, in addition to manufacturing stoppages or disruptions in any part of the production process caused, for example, by break-downs, weather conditions, geographic conditions, labour disputes, terrorist activities and natural disasters, may have adverse implications in the form of direct damage to property as well as interruptions that undermine the potential to meet obligations to customers. In turn, this may lead customers to select alternative suppliers. Accordingly, such disruptions or interruptions may impact negatively on the Company's operations, financial position and earnings. **Management** 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.	●○○	●●○

●○○ Low ●●○ Medium ●●● High

Risk area	Likelihood	Impact
Risk of failure at product launch 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. **Management** Concentric manages this risk through the design and testing process to ensure our products meet the specification as set out in the customers requirements.	●○○	●○○
Risk of product recall, complaints and product liability Concentric is exposed to complaints in the event that the Group's products fail to function the way they should. In such cases, the Group may be obliged to rectify or replace the defective products. Recalls pertain to cases where an entire production series or a large part has to be recalled from customers in order to rectify deficiencies. This occurs occasionally in Concentric's end-markets. The Group has no insurance covering recalls. The assessment is that the cost of such insurance would not be proportionate to the risk covered by the insurance. Concentric has historically not been affected by any major recalls of products. There is always a risk that customers demand that suppliers cover costs in addition to replacing the product, such as access and restoration costs associated with dismounting, assembly and other ancillary costs. If a product causes damage to a person or property, the Group could be liable to pay damages. A recall on a larger scale or a major product liability claim, may affect the Group's operations, financial position and earnings negatively. **Management** Concentric manages this risk through its internal processes regarding the receipt of goods from suppliers, employing Poka-yoke methodology for all of its manufacturing and testing procedures, as well as effective use of quality monitoring systems deployed at both suppliers and customers. In addition, the Group has insurance cover for general product liability, including access and restoration costs associated with replacing product in the field.	●○○	●●●
Intellectual property rights infringement risk 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. **Management** 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.	●○○	●○○
Risk of dispute 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. **Management** 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.	●○○	●○○

For financial risks, please see the Board of Directors' report on pages 64–77.

●○○ Low ●●○ Medium ●●● High

Sustainability report

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

Technology + Innovation = Sustainability

The philosophy of the Board of Directors and Group Management is that Concentric's principal contribution to a sustainable world, in terms of everything to do with the environment and society, takes place through the use of the Company's products. Concentric's Sustainability Report is prepared according to the GRI Standards: Core option. Therefore we report the year 2021 as fully GRI compliant and include the outcomes of the Group's efforts on sustainability and environmental matters, see pages 124–131.

Code of Conduct

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

The code incorporates the following areas

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

The environment

Environmental policy

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

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

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

From a sustainability perspective, the Board continuously evaluates economic, environmental and social aspects of the Group's performance and reviews specific issues such as work-related injuries, energy consumption and Code of Conduct adherence. Further information around Management's approach to sustainability is set out on page 125.

Environmental and corporate social responsibility
Most of Concentric's sites are certified to ISO14001 (environmental management) and some sites to ISO45001 (healthy and safety management).

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

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

Concentric's group-wide aspects and targets in sustainability

Material of aspects sustainability	Social contribution	Long-term goal	Operational goal	Results 2021	Results 2020
Ethics & value creation	**General** Long-term financially strong and ethically correct for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction equipment) where we are present as an engine and hydraulic pump supplier UN's sustainable development goals No.8: Promote sustainable economic growth	Concentric achieves long-term financial growth in an ethical manner that contributes to the improved welfare of society	Underlying operating margin should amount to ≥ 16%	20.9%	19.4%
			Gearing (Net Debt/Equity) should amount to 50% ≥ 150%	82%	8%
			Dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle	42%	64%
			No. of ethical breaches based on Concentric's values	0	0
			No. of insider trading violations investigated by Finansinspektionen[1]	0	0
			No. of acts of fraudulent behaviour identified	0	0
Product responsibility & climate Impact	**General** Reduced impact on the climate for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction Equipment) derived from the innovative development of engine and hydraulic pumps UN's sustainable development goals No.9: Promote inclusive and sustainable industrialisation and foster innovation No.13: Combat climate change and its impacts by regulating emissions and promoting developments to improve emissions	Concentric develops class leading pumps to enable OEMs to increase energy efficiency and reduce the environmental impact of their vehicles/equipment	**Procedure** The efficiency of all products is verified during the customer validation process	n/a	n/a
		Concentric is recognised as a credible and long-term supplier of first choice by customers for both on- and off-highway commercial vehicles	Improve our overall rating in the annual customer survey to an average score of ≥ 4.00 out of a maximum score of 5.00	3.38	3.71
Responsible suppliers	**General** Ensure the application of labour law, human rights, anti-corruption and environmental responsibility in the supply chains for both on- and off-highway commercial vehicles UN's sustainable development goals No. 8: Promote sustainable economic growth	Concentric promotes social responsibility in its operations and value chain	**Procedure** Concentric evaluates and approves all material suppliers from a sustainability perspective, including environmental and human rights criteria	100%	100%
Equality & diversity	**General** A workplace that offers diversity and equal opportunity UN's sustainable development goals No.5: Achieve equal opportunity	Concentric is an equal opportunities organisation that has an even gender distribution amongst its salaried employees and managers	Increase the number of female salaried employees and managers to 33% by 2025	23.9%	25.0%
			Increase the number of female wage earners to 22% by 2025	14.1%	11.3%
			No. of human rights claims brought against Concentric	0	0

1) Sweden's financial supervisory authority

Concentric's operations in 2021 distributed by stakeholder, based on the Company's income statement.

Stakeholder engagement

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

Key stakeholder activities include:

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

Amounts in MSEK		
Customers	Sales of engine and hydraulic products	2,115
Suppliers	Procurement of goods and services as well as depreciation, amortisation	–1,242
Employees	Wages, social expenses and competence development	–470
Financial Institutions	Interest	–13
The State	Taxes	–52
Shareholders	Net income	338

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

Production

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

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

Quality and environmental control critical to profitability

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

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

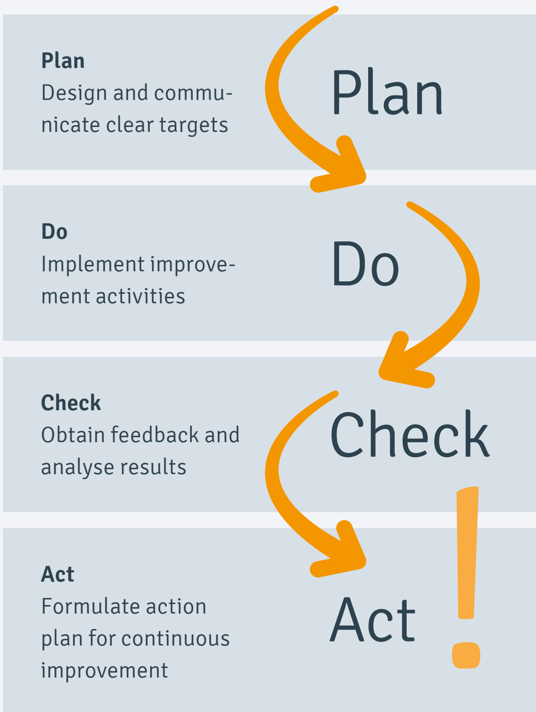
Resource efficiency

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

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

Concentric Business Excellence

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



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

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

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

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

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

Work environment and health
Concentric offers a safe work environment at all of its workplaces and takes actions to prevent accidents and work-related injuries by minimising the risks in work environments to the greatest possible extent. Concentric also invests in preventive healthcare for its employees. The Company supports Employee Wellness programmes that have gained national recognition in the USA and other countries.

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

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

Personnel development and focus on the future
Concentric plans to continue recruiting for the future. A key feature of the Group's HR efforts is the annual Leadership Talent Review Programme, which is used to evaluate and develop the potential of our current talent

> The Group's environmental activities shall be integrated in all operations

along with addressing future needs for management/leadership skills and competence. The main purpose of this management tool is to ensure a long-term supply of qualified personnel, at both the corporate and the unit level, and to identify talent for growth opportunities.

Equal opportunities

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

Concentric employees by country[1)]

Country	2021	2020	2019	2018	2017
Argentina	58	63	75	83	84
China	16	17	19	19	18
Germany	151	166	164	199	190
India	144	121	145	169	173
Sweden	91	81	61	70	59
UK	140	123	149	182	182
USA	592	180	201	243	242
Other	2	2	0	1	3
Total	**1,194**	**753**	**814**	**966**	**951**

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

Business ethics

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

Accounting and reporting

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

Anti-corruption

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

Customer offering, sales and marketing

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

Fair competition practices

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

Insider trading

Concentric employees and representatives who have access to non-public information that may affect the Concentric AB share price, are not permitted to buy or sell Concentric shares or any other financial instruments that relate to the Concentric share, such as futures or options.

> Concentric endeavours to use appropriate methods to evaluate and select suppliers

In addition, such individuals may not induce anyone else, by giving advice or in some other manner, to undertake such trading, in line with the Group's Insider Policy. As part of this policy, Concentric maintains a log book of insiders and liaises with Finansinspektionen in the event of any unusual share price activity which may lead to a potential investigation.

Political involvement

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

Supply chain

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

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

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

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

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

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

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

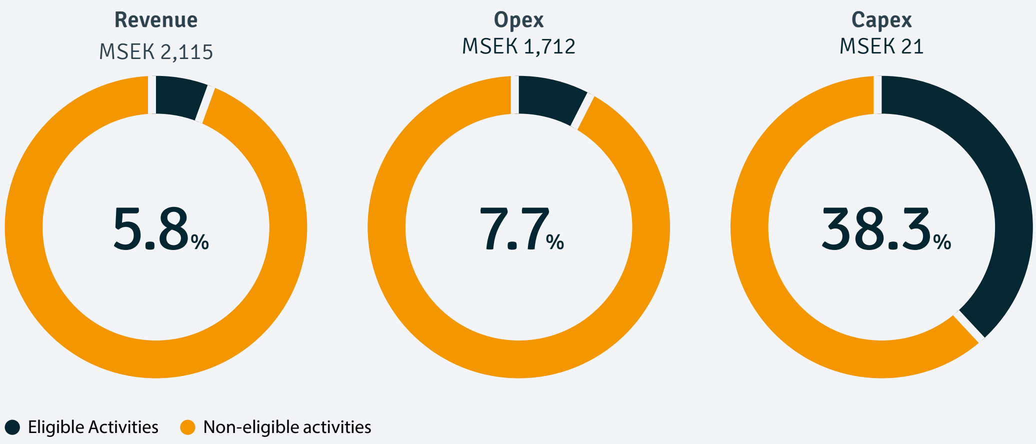
EU Taxonomy

In accordance with EU Taxonomy requirements, Concentric has assessed which of its business activities and products can be classified as 'taxonomy eligible' in terms of climate change adaptation and mitigation.

As a non-financial company, in line with taxonomy requirements for 2021, Concentric is reporting the proportion of revenue, operating expenses and capital expenditure which we consider to be taxonomy eligible in the information below.

Brand	Eligible Activities	Non-eligible activities
Concentric	Water, Oil & Fuel e-Pumps Electro-hydraulic steering systems	Mechanical Pumps Hydraulic Pumps & Systems
Licos		Clutches
EMP	Water & Oil e-Pumps Mini-Hybrid Systems Other Electric Products	Mechanical Pumps Machined Products
Alfdex		Oil Mist Separators

Proportion of taxonomy eligible activities

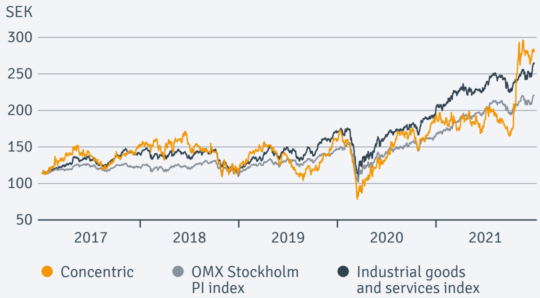


Please note that this analysis excludes Concentric's JV Alfdex.

The Concentric share

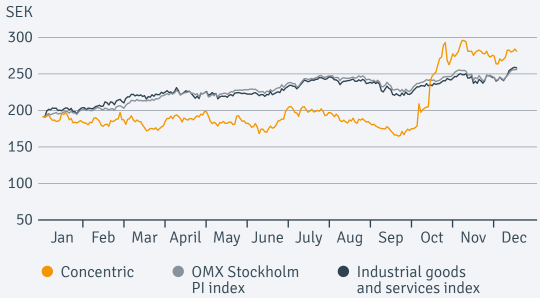
The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange Mid Cap list since June 16, 2011, and is traded under the ticker symbol COIC. The market capitalisation of Concentric at 31 December, 2021 amounted to MSEK 10,658 represented by 37,929,908 shares at a market price of SEK 281.

Share value (1 January 2017–31 December 2021)



Source: Nasdaq

Share value (1 January 2021–31 December 2021)



Source: Nasdaq

Data per share

	2021	2020	2019	2018	2017
Basic earnings before items affecting comparability, SEK	9.82	5.73	8.37	10.22	7.39
Basic Earnings, SEK	8.91	5.43	8.37	10.30	7.54
Diluted Earnings, SEK	8.88	5.42	8.36	10.27	7.52
Return on equity, %	26.2	17.5	29.5	41.6	37.0
Dividend, SEK	3.75 [1)]	3.50	3.25	4.25	3.75
Own shares repurchased, SEK	0.00	0.00	3.60	3.79	3.60
Market price at year end, SEK	281.00	183.20	159.00	119.80	151.00
Equity, SEK	38.54	28.18	30.08	26.55	22.36
EBITDA multiple	23.6	19.4	11.0	7.7	13.1
EBIT multiple	29.4	25.4	12.6	8.8	15.2
P/E ratio	31.6	33.8	18.7	11.4	19.7
Payout ratio, %	42.1	64.5	53.8	41.3	49.7
Dividend yield, %	1.3	1.9	2.8	3.5	2.5
Dividend and buy-back yield, %	1.3	1.9	5.1	6.7	4.9
Basic weighted average number of shares (000's)	37,902	37,815	38,369	39,322	40,238
Diluted weighted average number of shares (000's)	38,020	37,860	38,403	39,456	40,374
No. of shares at 31 December (000's)	37,930	37,870	37,767	38,633	39,542

1) Proposed dividend for consideration at the 2022 AGM.

Price trend and trading

The price paid for the Concentric share increased 53% (15) in 2021 to SEK 281.00 (183.20) at year-end. The Industrial Goods & Services index increased 37% (14) and the OMX Stockholm PI Index increased 35% (13) during 2021. The highest closing price for the share during the year was registered at SEK 296.00 (190.00) and the lowest closing price was SEK 164.80 (78.60).

Concentric's market value as of 31 December 2021 was MSEK 10,658 (6,938). In 2021, a total of 15.8 (15.8) million Concentric shares were traded, corresponding to 42% (42) of the total number of shares. For the five years ending 31 December 2021, Concentric's shares have given a total annual average return to shareholders of 26% (17). Total shareholder return for the year ended 31 December 2021 was 56% (17).

Ownership

At the end of 2021, Concentric had a total of 8,052 (8,703) shareholders. Foreign shareholders accounted for approximately 34% (39) of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 57% (52) of the Company was owned by legal entities and 9% (9) by private individuals.

Dividend policy

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

Capital structure

The Group's objective in respect of the capital structure is to secure Concentric's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. The Board currently uses special dividends paid to shareholders and repurchase of own shares to manage the Group's capital structure.

Concentric's communication policy

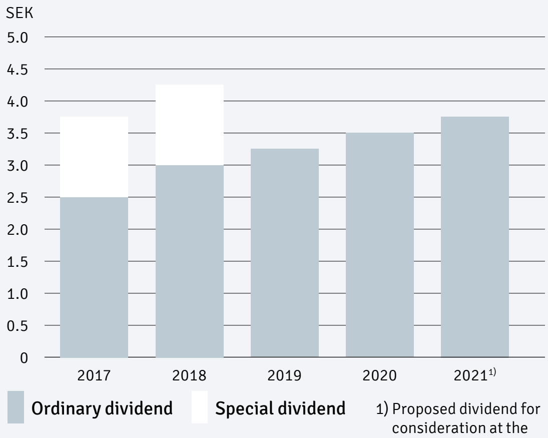
Concentric's ambition is to communicate information internally and externally with the aim of maintaining confidence in and knowledge of the Group and its operations. The information should be correct, relevant and well-formulated and adapted to target groups, i.e. shareholders, capital markets, the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

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

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

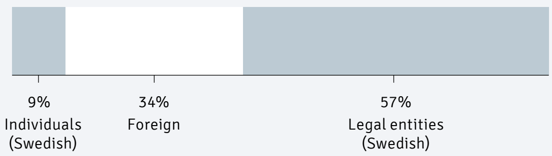
Dividend development

Dividend development per share for FY 2017–2021.



1) Proposed dividend for consideration at the 2022 AGM.

Swedish and foreign shareholders



Distribution of shares, 30 December 2021

No. of shares	No. of shareholders	% of shareholders	% of total share capital
1–500	6,302	78.3	2.4
501–1,000	879	10.9	1.9
1,001–5,000	665	8.3	3.8
5,001–10,000	70	0.9	1.4
10,001–15,000	20	0.2	0.7
15,001–20,000	17	0.2	0.8
> 20,001	99	1.2	89.0
Total	**8,052**	**100.0**	**100.0**

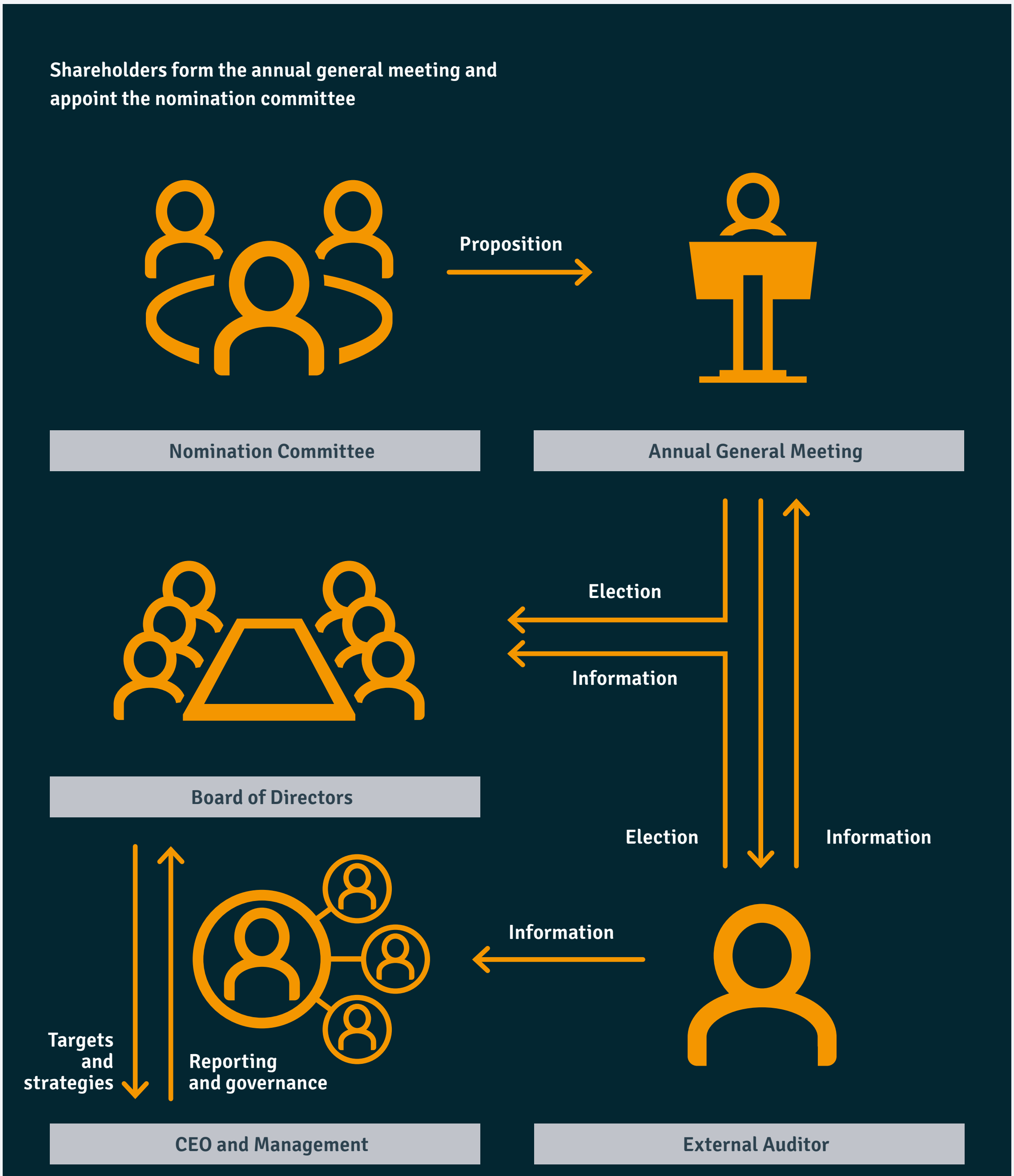
10 largest shareholders, 30 December 2021

Name	Votes capital, %	No. of shares
Nordea Investment Funds	9.2	3,526,846
Handelsbankens Fonder	8.6	3,290,087
Swedbank Robur Fonder	6.3	2,426,348
Lannebo Fonder	5.7	2,159,214
State Street Bank and Trust Co, W9	5.6	2,154,331
HSBC Trinkhaus and Burkhardt AG	5.0	1,927,549
AMF – Försäkring och Fonder	4.9	1,890,527
Första AP-Fonden	4.9	1,880,611
Fjärde AP-Fonden	4.4	1,668,403
Länsförsäkringar fondförvaltning AB	2.8	1,066,555
Total 10 largest external shareholders	**57.4**	**21,990,471**
Total other external shareholders	**41.6**	**15,939,437**
Total, excl own holding	**99.0**	**37,929,908**
Own share holding	1.0	367,692
Total shares	**100.0**	**38,297,600**

Corporate governance in Concentric

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

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



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

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

Annual General Meeting

Concentric AB is a publicly traded Swedish limited liability company with its registered office in Stockholm, Sweden. With no exceptions, Concentric complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance report for 2021. The report has been prepared in accordance with the Swedish Companies Act.

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

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

To be entitled to participate in a General Meeting, shareholders must be recorded in the share register

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

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

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

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

Shareholders

Concentric has been listed on the NASDAQ OMX Stockholm Stock Exchange since June 16, 2011. The share capital in Concentric AB at 31 December, 2021 totals MSEK 97.3 (97.3), represented by 37,929,908 (37,869,533) outstanding shares, excluding own shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2021 amounted to 8,052 (8,703), with Nordea Investment Funds representing the largest owner with 9.2% (8.5) of the share capital. Swedish ownership totalled 66% (61) at year end 2021. Information concerning ownership is updated each month on Concentric's website, www.concentricab.com.

Annual General Meeting 2021

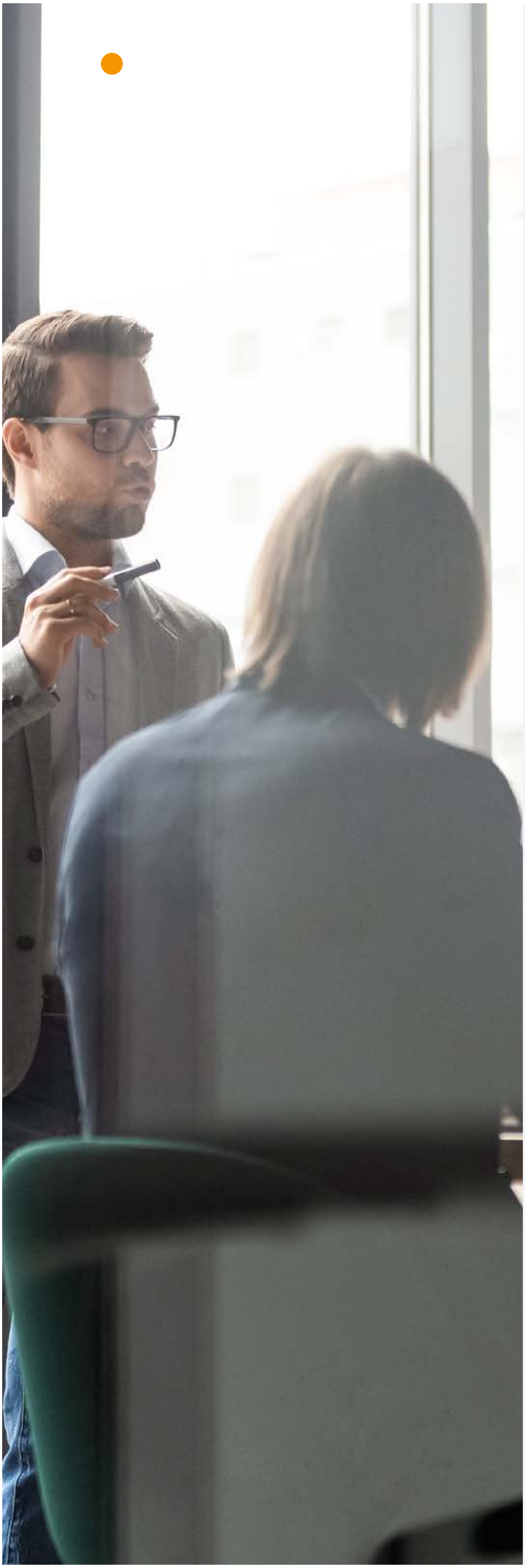
Concentric's Annual General Meeting was held in Stockholm on 22 April, 2021.

The meeting was held without physical presence, and was carried out through advance voting (postal voting). These represented 68.3% of the registered shares in Concentric and 69.1% of the outstanding shares, excluding the own shares.

Resolutions

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

The meeting resolved that the Board would comprise seven members with no deputies. Karin Gunnarsson, Anders Nielsen, Susanna Schneeberger, Martin Sköld and Claes Magnus Åkesson were all re-elected for the period until the Annual General Meeting in 2022. The meeting elected Petra Sundström and Joachim Rosenberg as new members. The meeting elected Anders Nielsen as chairman of the board.



- It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2022.
- It was decided on increased fees to the Board of Directors. The Chairman of the Board will receive SEK 800,000 (700,000), and other members of the Board of Directors will receive SEK 350,000 (325,000) as remuneration for work on the board. Unchanged consideration of SEK 100,000 to the chairman of the Compensation Committee and the members of the Compensation Committee shall receive unchanged SEK 50,000. The Chairman of the Audit Committee shall receive unchanged SEK 150,000 and the members of the Audit Committee shall receive unchanged SEK 75,000.
- Fees to the auditor in respect of services performed are proposed to be paid against approved account.
- In accordance with the board's proposal, on a dividend for the shareholders for the financial year 2020 of SEK 3.50 per share.
- A resolution was taken on approval of Remuneration Report.
- A resolution was taken on a performance based incentive programme.
- A resolution was taken on directed issue of warrants and approval of transfer of warrants.
- A resolution was taken on authorisation of the board to resolve on acquisition and transfer of own shares either directly or indirectly, via an employee stock option trust, to participants in the performance based incentive programme.
- A resolution was taken on delivery of shares under LTI 2021 to participants resident in the United Kingdom to take part in a Joint Share Ownership Plan ("JSOP").

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 2019 Annual General Meeting resolved that the Nomination Committee shall consist of five members, representing the Chairman of the Board and one member from each of the four largest shareholders. The names of these four members and the shareholders they represent will be announced via a press release and on Concentric's web site at least six months before the Annual General Meeting, based on the shareholdings immediately prior to such announcement.

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

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

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

Nomination Committee for the 2022 Annual General Meeting

In accordance with a decision by the 2019 Annual General Meeting, the Chairman of the Board and one representative of each of the four largest shareholders have been appointed to form the Nomination Committee for the 2022 Annual General Meeting. Based on the ownership structure as of 30 September, 2021, these shareholders were:

- Lannebo Fonder, Nordea AB, Handelsbankens Fonder and Swedbank Robur Fonder. Combined, they represented 29.8% of the voting rights in Concentric AB per 31 December 2021.

The shareholders' representatives who will comprise members of the 2021 Nomination Committee are:

- Erik Durhan (Chairman), Nordea AB, Malin Björkmo, Handelsbankens Fonder, Per Trygg Lannebo Fonder and Monica Åsmyr, Swedbank Robur Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's website, on 5 November, 2021. The Company's shareholders were given the opportunity to submit opinions and proposals to the Nomination Committee via e-mail to the address specified on the Company's website, under the heading Investors – Governance – Corporate Governance in Concentric – AGM 2022.

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 2022 AGM.

Board of Directors

Responsibility and work of the Board

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

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

Responsibilities of the Chairman of the Board

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

CEO and Senior Management

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

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

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

Steering instruments

External

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

Internal

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

Operating Procedures of the Board of Directors

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

Instructions for the CEO

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

Board of Directors independence

The Board's assessment of the members' independence, in relation to the Company, its senior management and major Shareholders, is presented in "The Board" on pages 60–61. All Board members are considered to be independent of the Company, its senior management and major Shareholders. Consequently, the Company meets the independence requirements of the Code.

Work of the Board

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

During 2021, the Board of Directors held a total of 10 meetings. The main issues addressed were:

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

Meetings attended 2021

Board member	Board	Audit Committe	Compensation Committee	2021/22 Board Fees (SEK)
Kenth Eriksson[1]	2	2	1	–
Anders Nielsen[2]	10	3	4	925,000
Claes Magnus Åkesson[3]	10	6	–	500,000
Susanna Schneeberger[4]	10	–	3	450,000
Karin Gunnarsson	10	6	–	425,000
Marianne Brismar	2	–	–	–
Martin Lundstedt	2	–	–	–
Joachim Rosenberg	7	–	–	350,000
Petra Sundström	7	–	–	350,000
Martin Sköld	10	–	–	350,000
				3,350,000

1) Chairman of the Board 2020/2021
2) Chairman of the Board 2021/2022
3) Chairman of the Audit Committee
4) Chairman of the Compensation Committee

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

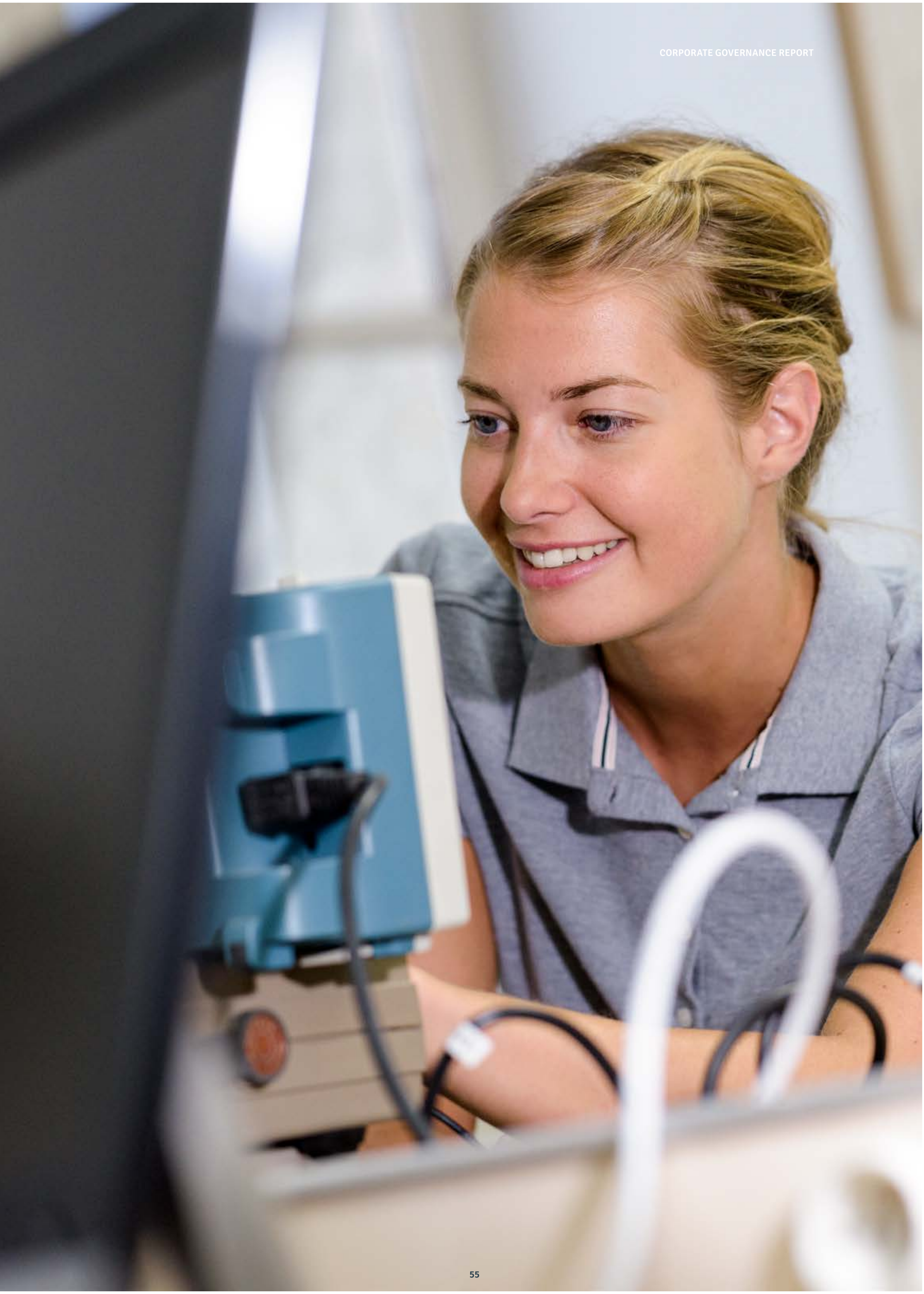
None of the Group's senior executives or employee representatives were members of the Board in 2021. However, Concentric's CEO participates in Board meetings and the Group's CFO serves as the Board's secretary. Other salaried employees attend Board meetings in connection with the presentation of particular issues.

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

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

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

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



Compensation Committee

Tasks

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

In the inaugural Board meeting after AGM 2021, separate committees were established. The Compensation Committee comprises two members, Susanna Schneeberger and Anders Nielsen. 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 2021, there were 4 Compensation Committee meetings.

Remuneration of the Board of Directors

Fees to the Board members elected by the General Meeting are resolved upon by the General Meeting after proposals from the Compensation Committee. The 2021 Annual General Meeting resolved of unchanged fees totalling SEK 3,350,000 will be paid for the period up until the end of the 2022 Annual General Meeting and be distributed among the Board members as set out in the table on page 53. The remuneration to the Board is fixed, with no variable component.

Guidelines

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

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

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

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

For more details of the guidelines, please see in Board of Directors' report on the pages 71–75.

Amounts in kSEK	Basic salary/ Benefits in kind	Annual variable remuneration	Long term variable remuneration	Pension	Total 2021
President and CEO David Woolley	6,125	4,164	2,036	–	12,325
Other senior executives	9,796	1,460	210	361	11,827
Total	**15,921**	**5,624**	**2,246**	**361**	**24,153**

The number of other senior executives are 6 (4). For guidelines on remuneration see pages 71–75.

Incentive programmes

Concentric AB Annual General Meeting 2018–2021 have decided upon four long-term performance based incentive programmes, under which senior executives and key employees participating in the schemes are entitled to receive employee stock options that entitle them to acquire Concentric shares. The fair value of the options has been calculated according to the Black & Scholes-method.

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

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

Incentive programme 2021

The AGM resolved on a long-term incentive programme, LTI 2021, consistent with previous years.

The programme comprise 7 senior executives and other key employees within the Concentric Group. In order to participate in LTI 2021, the participants made their own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2021 entitled the participants to two free employee stock options, where each, after a three year lock-up period, will entitle the participant to acquire one Concentric share at a price of SEK 144.70 and SEK 217.10 respectively.

For more information about the Company's LTI schemes, see Group note 8 on pages 91–92.

Audit Committee

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

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

The Audit Committee comprises three members, Claes Magnus Åkesson, Anders Nielsen and Karin Gunnarsson. During 2021 there were 6 Audit Committee meetings. The principal tasks undertaken during the separately convened Audit Committee meetings were:

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

External audit

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

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

Control environment

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

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

Risk assessment and control activities

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

Information and communication

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

Evaluation, monitoring and reporting

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

Internal audit

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

The Board

Anders Nielsen

Chairman of the Board
and member since 2017
Born 1962

M.Sc. Industrial Engineering and Management.

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

Shareholding in Concentric: 3,700 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Claes Magnus Åkesson

Chairman of the Audit
Committee and member
since 2010
Born 1959

B.Sc. Business Administration.

Chairman of JM@Home. Boardmember of VIE SPAC AB. Previously CFO of JM AB. Claes Magnus has a broad international experience from different treasury and controller positions at Ericsson 1987–1998. Boardmember of Handicare Group AB 2017–2021 and has had 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.

Karin Gunnarsson

Member since 2019
Born 1962

B.Sc. Business Administration.

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

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

Petra Sundström

Member since 2021
Born 1976

Fil. Dr in Human Computer Interaction, Master in Computer Science

Vice President and Head of Digital Offering at Sandvik Rock Processing. Former chairman of the board of IoT Sverige. Petra has previously worked at Husqvarna Group and is a regularly appointed lecturer in topics such as Digital transformation, innovation and the Internet of Things.

Shareholding in Concentric: 200 shares. Independent in relation to the Company, the senior Management and to major shareholders.

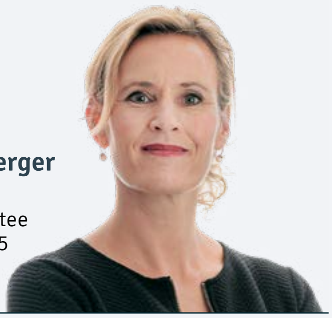
Martin Sköld

Member since 2010
Born 1973

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

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

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



Susanna Schneeberger

Chairman of the Remuneration Committee and member since 2015
Born 1973

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

Senior Advisor. Previously Executive Board Member and Chief Digital Officer at KION Group 2018–2021, Vice President at Konecranes Corporation and CEO at DEMAG Cranes & Components 2015–2018, as well as global roles within the Trelleborg Group 2007–2014. Earlier experience includes multiple commercial managerial positions internationally. Boardmember of Hempel A/S and SKF Group.

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

Joachim Rosenberg

Member since 2021
Born 1970

M.Sc. Industrial Engineering and Management, Master of Business Administration and Master of Economics.

Executive Vice President for Volvo Group. Joachim has worked within the Volvo Group since 2005 and has been a member of the company's Executive Board since 2012. He is President of Volvo Energy since 2021. Before Volvo, Joachim worked at McKinsey & Company for eight years, based in Europe and the USA.

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

Group Management

Martin Kunz

President and Chief Executive Officer as of 1 March 2022

Born 1965

M.Sc. Mechanical engineering and Business Administration

Martin Kunz joined Concentric in March 2022 as President and Chief Executive Officer. Prior to that he worked for 6 years at Xylem Inc. as Vice President & General Manager of Applied Water Systems EMEA and the global Specialty Flow Control business, and most recently as Vice President Commercial, Europe responsible for sales of more than $1bn. Before joining Xylem, Martin held global functional and General Management responsibilities at Pentair Inc., Ahlstrom OY and Acument Global Technologies (previously Textron Fastening Systems).

Shareholding in Concentric: 0 shares.

Marcus Whitehouse

Chief Financial Officer

Born 1971

Fellow of the Association of Chartered and Certified Accountants

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

Shareholding in Concentric: 6,188 shares.

Deborah Clayton

Vice President Group HR

Born 1965

MA Human Resources, MCIPD

Deborah Clayton joined Concentric as VP Group HR in September 2021. Deborah has held European HR Director and Leadership roles within European and US global matrix organisations in engineering, manufacturing and supply chain sectors and supported a reorganisation within the NHS as Transition Director. An early career in finance and general management in SME's in retail services and design sectors, Deborah gained management and operational skills before specialising in Human Resources.

Shareholding in Concentric: 0 shares.

Jesse Smith

Head of region Americas

Born 1969

B.Sc. Business Management Systems and MBA

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

Shareholding in Concentric: 750 shares.

Brandon Larche

Senior Vice President EMP

Born 1983

B.Sc. Business Administration

Brandon Larche joined Concentric as SVP and COO when EMP was acquired by Concentric in October, 2021. Brandon has over 16 year of manufacturing experience. Prior to his current role, Brandon held roles as CFO, COO and President at EMP. In addition to his upper management responsibilities, Brandon has held numerous financial and operational positions.

Shareholding in Concentric: 4,400 shares.

David Woolley

President and Chief Executive Officer until 28 February 2022

Board of Directors' report

General

The Board of Directors and the CEO of Concentric AB, corporate identity number 556828-4995, hereby present the annual consolidated and Company accounts for the financial year 2021. The Company has its registered office in Stockholm, Sweden and its visiting and postal address at Ågatan 39, 582 22 Linköping, Sweden. Unless otherwise stated, all amounts have been stated in SEK million ("MSEK"). Information in brackets refers to the preceding fiscal year. The terms "Concentric", "Group", and "Company" all refer to the Parent Company – Concentric AB – and its subsidiaries.

Overview of Concentric Group

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

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

During 2021, Concentric had, on average, a total of 817 (641) employees at its sites in Argentina, China, Germany, India, United Kingdom, United States, and its sales offices in France, South Korea and Sweden.

Operating segments

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

Sales and business performance

Sales for the year, excluding revenues attributable to Alfdex AB, were MSEK 2,115 (1,502), up 41% year-on-year in absolute terms. After adjusting for the impact of currency (–8%), Allied Enterprises (+6%) and EMP (+12%), sales in constant currency were up +31%. The year-on-year recovery continues to be both broad and strong with all our Europe & Rest of World end markets experiencing year-on-year growth and Trucks, Agricultural machinery and Construction equipment all showing growth in the Americas.

Consolidated gross income was MSEK 620 (463), resulting in a gross margin of 29% (31%). Reported EBIT and EBIT margin amounted to MSEK 403 (276) and 19.1% (18.4) respectively. Reported EBIT was impacted by transaction costs relating to the EMP acquisition of MSEK 18 and costs relating to the closure of our facility in Chivilcoy, Argentina, MSEK 22. The operating margin before items affecting comparability for the year was 20.9% (19.4).

The recovery from the pandemic continues to apply pressure to our supply chain, both inflationary pressures on many of the components the group purchases and the availability of some critical components. Our commercial teams, working through the Concentric Business Excellence program, ensured to pass on these cost increases to our customers to maintain strong EBIT margin.

Americas

External sales for the year amounted to MSEK 999 (651). Sales for the year were up 53% and after adjusting for the impact of currency (–14%), Allied Enterprises (+13%) and EMP (+27%) sales in constant currency were up 27%.

Sales were up year-on-year in constant currency as the demand in the North American market increased substantially with sales to the medium- and heavy-duty truck and agricultural machinery sectors experiencing the strongest growth.

Reported EBIT and EBIT margin as a percentage of external sales amounted to MSEK 92 (93) and 9.2% (14.2) respectively. After adjusting for the impact of the closure of our facility in Chivilcoy, Argentina (MSEK 22) and the transaction costs relating to the EMP acquisition (MSEK 12), the operating margin for the year, before items affecting comparability was 12.6% (14.6).

Included within this margin is MSEK 9 of amortisation of intangible assets and depreciation on the fair value uplift of tangible assets, and the impact from the inventory fair value adjustment of MSEK 6 which fully unwound during the year. Operating margin before items affecting comparability for the Americas excluding EMP was 14%.

Europe & RoW

External sales for the year amounted to MSEK 1,496 (1,108). Sales were up year-on-year by 35% and after adjusting for the impact of currency (–2%), sales in constant currency were down 37%. Demand in our European markets has been strong across all end market sectors with sales to each end market sector growing year-on-year, including our crucial European truck market which grew by 32%.

The Indian market is also showing strong growth as sales have increased significantly year-on-year. The medium- and heavyduty truck and industrial application markets have been particularly strong.

Reported EBIT and EBIT margin as a percentage of external sales amounted to MSEK 342 (191) and 22.8% (17.2) respectively. The underlying operating margin for the year, excluding items affecting comparability, was 22.8% (18.4), resulting from the growth in sales whilst maintaining cost control under the Concentric Business Excellence program. Last year the restructuring costs and additional pension costs were the main items affecting comparability.

Net financial items, taxes and net earnings

Net financial expenses for the year amounted to MSEK 13 (20), comprising of pension financial expenses of MSEK 5 (8), interest expenses for leases MSEK 5 (7) and other net interest expenses of MSEK 3 (5). Accordingly, consolidated income before taxation amounted to MSEK 390 (256) for the year.

The Group's tax expenses for the fiscal year 2021 amounted to MSEK 52 (51). The Group's effective annual tax rate was 14% (20). The low tax rate in the year was primarily due to the coming change in UK corporate tax rate in 2023, which decreased the effective tax rate by 3%. Positive tax from previous years had also an effect of 2% and the remaining decrease reflects the mix of taxable earnings.

Earnings after taxation amounted to MSEK 338 (205). Basic and diluted earnings per share amounted to SEK 8.91 (5.43) and SEK 8.88 (5.42) respectively.

Cash flow

Cash flow from operating activities for the year amounted to MSEK 260 (337) which represents SEK 6.89 (8.90) per share. This reduction relates to the increase in working capital, mainly for inventory and accounts receivable.

Investments and product development

The Group's net investments in property, plant and equipment for the year amounted to MSEK 21 (10).

Every year, the Group makes investments in development projects to maintain its market-leading products. Product development and application engineering expenses for the year amounted to MSEK 37 (28), which represents 1.7% (1.8) of the Group's annual sales value.

Financial position and liquidity

The carrying amount of financial assets and liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist solely of derivative instruments. As of 31 December 2021 the fair value of those derivative instruments that were assets was MSEK

3 (0), and the fair value of those derivative instruments that were liabilities was MSEK 0 (0). These fair value measurements belong to level 2 in the fair value hierarchy.

Following a final review of the actuarial assumptions used to value the Group's defined benefit pension plans, the total cumulative net remeasurement gains for the year was MSEK 81 (loss 42).

As a result, the Group's net debt at 31 December 2021 was MSEK 1,192 (86), comprising bank loans of MSEK 1,131 (1), loans related to the acquisition of EMP MSEK 15 (–), loans related to leasing MSEK 125 (129) and net pension liabilities of MSEK 361 (462), net of cash amounting to MSEK 440 (505).

Shareholders' equity amounted to MSEK 1,462 (1,067), resulting in a gearing ratio of 82% (8).

To fund the acquisition of EMP, Concentric signed new financing agreements with its existing banks, securing a new term loan for a tenor of four years in the amount of MUSD 100. 50% of the term loan will be repaid quarterly in equal instalments over the four years starting in Q1 2022. In addition, a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 was signed. This replaced the previous revolver on the same amount. At the acquisition, Concentric borrowed MUSD 125, corresponding to MSEK 1,073. At year end, this amounted to MSEK 1,131 at closing FX rates.

The loan agreements in the Group contain financial covenants which the Group must comply with. The covenants are net debt in relation to EBITDA and in relation to Equity. At the year-end Concentric AB fulfilled these covenants with broad margins.

The amount of available unused credit facilities at year-end was EUR million 38 (60), or about MSEK 388 (602).

Acquisitions

Engineered Machined Products (EMP) Inc. was acquired on 30 October 2021 for MUSD 151.5 (MSEK 1,290).

The group acquired 100% of the shares in EMP, a manufacturer of thermal management systems, mechanical and electric water and oil pumps. The acquisition is a transformational event as it significantly strengthens Concentric's capabilities in electrical products including electrical fans, oil and water e-Pumps and will increase the Group's revenues by more than 50% on an annual basis.

EMP is predominantly active in North America, enabling significant growth opportunities by expanding the Group's geographical reach through our global presence and sales force. As EMP also has relationships with a number of key customers in Concentric's markets, the combination of the two companies increases the combined value proposition to these customers and provides Concentric with access to new customers and platforms in our current markets.

Related party transactions

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

Environment and corporate social responsibility

Most of Concentric's sites are certified to ISO14001 (environmental management) and some sites to ISO45001 (healthy and safety management). Concentric environmental programmes are characterised by continuous improvement, technical development and resource efficiency. Concentric's environmental policy covers all activities performed at Concentric sites. Concentric has adopted a social policy based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labour Organisation's (ILO) basic principles on labour law and the OECD guidelines for multinational companies. Our 2021 Sustainability Report has been prepared in accordance with GRI Standards: Core option, as a separate part and is included on pages 34–43 and 124–131.

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 material prices cannot be offset through higher prices for Concentric's products, the Group's operations, financial position and earnings may be adversely affected.

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

Company-related and operational risks

Production

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

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

Product development

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

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

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

Complaints, product recalls and product liability

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

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

Legal risks

Intellectual property rights ("IPR")

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

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

Disputes

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

Financial risks

Liquidity risk

The Group's liquidity risk is the risk that the Company will be unable to meet its immediate capital requirements either through holding sufficient cash and cash equivalents or through granted and unused credit facilities that can be utilised without conditions. The goal according to the Group's finance policy is that cash and cash equivalents and available credit facilities must total at least 10% of the rolling annual net sales for the Group at any point in time. These funds amounted to MSEK 827 (1,107) at year-end, corresponding to 39% (74) of the annual net sales.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on the Group's financial position and earnings. The Group's only significant interest bearing asset is cash and liquid funds. Revenues and cash flow from operating activities are, in all significant respects, independent of changes in market interest rates. The Group's interest rate risk arises from its borrowings. As these borrowings are currently relatively small, the Group has decided not to purchase any derivatives to hedge this interest exposure. If interest rates increase or decrease by 1%, the direct impact on the yearly interest expense for Group borrowings (including liabilities for leasing, but excluding pensions) will increase or decrease by MSEK 13 (1). Please refer to the sensitivity analysis in note 25 for indirect impact of interest rate movements on the Group's pension liabilities.

Exchange rate risks

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

	Average rates		Closing rates	
Currency	**2021**	**2020**	**2021**	**2020**
EUR	10.1449	10.4867	10.2269	10.0375
GBP	11.8022	11.7981	12.1790	11.0873
USD	8.5815	9.2037	9.0437	8.1886

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	**2021**	**2020**	**2021**	**2020**
EUR	18	8	7	4
GBP	8	3	39	29
USD	4	8	177	30

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, 2021, 56% (57) of the anticipated net flows was hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as the counterparties with whom contracts may be signed. Currency forward contracts were used during the year to hedge invoiced and forecast currency flows.

At 31 December 2021, the Group had outstanding derivatives with a total net nominal value of MSEK 185 (135) with a fair value of MSEK 2 (–0).

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 392 (180) 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 2021, no single customer accounted for more than 20% (16) of sales. The Group's customer losses are historically low and normally are less than 0.1% of sales.

The Group also has a credit exposure in cash and cash equivalents. As per December 31, 2021 the Group had MSEK 294 (393) placed in banks with a long term rating from Moody's of Aa1–Aa3, MSEK 52 (22) in banks with a Moody's rating of A1–A3 and MSEK 93 (84) in banks with a Moody's rating (or equivalent) of Baa1–Baa3. The remaining MSEK 1 (6) of cash and cash equivalents was placed in various banks with different ratings.

Changes in value of fixed assets

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

Pension obligations

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

Capital risk

The Group's objective in respect of the capital structure is to secure Concentric's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. The Board currently uses special dividends paid to shareholders and repurchase of own shares to manage the Group's capital structure.

Share-related information

Ownership status

The Company's shares have been listed on Nasdaq OMX Stockholm since 16th June, 2011. Concentric AB had 8,052 (8,703) shareholders at the end of the financial year. The Company's largest shareholder was Nordea Investment Funds 9.2% (8.5). At year-end there were no shareholders that hold in excess of 10% of the votes and capital of the Company. The four largest shareholders held together 30% (32).

Share capital, shares outstanding and rights

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

The total number of holdings of own shares at 1 January 2021 was 123,255 (1,156,667) and shares transferred to an Employee Share Ownership Trust ("ESOT") was 304,812 (300,700). Including these shares the company's holding was 428,067 (1,457,367) and the total number of shares in issue was 38,297,600 (39,224,100).

No transfer to the ESOT in this year (last year 93,712), but a transfer of 53,085 (89,600) own shares to Concentric was made.

The company has not repurchased any own shares during 2020 and 2021, but has sold 60,375 (102,800) of own shares, to exercise and satisfy the Company's LTI-programmes, which were exercised.

The total number of holdings of own shares at 31 December 2021 was 115,965 (123,255) and the total number of shares in issue was 38,297,600 (38,297,600). Consequently the company's total holdings of own shares now represent 0.3% (0.3) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 251,727 (304,812). Including these shares the company's holdings was 367,692 (428,067) representing 1.0% (1.1) of the total number of shares.

The number of shares outstanding at year-end, excluding any dilution from share options, was 37,929,908 (37,869,533). 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 44–45.

Board authorisations

At the last AGM in April 2021, the following board members were re-elected: Anders Nielsen, Claes Magnus Åkesson, Martin Sköld, Susanna Schneeberger and Karin Gunnarsson. Petra Sundström and Joachim Rosenberg was elected as new members.

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 46–59.

Executive remuneration policies

The below executive remuneration policies were adopted on the 2021 AGM and are valid until the 2024 AGM. The actual remuneration during the year is detailed in note 8.

Estimated costs for variable remuneration and LTI-schemes will be about MSEK 12 (15), including social security cost, for 2022.

Guidelines for salary and other remuneration

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

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

In short, Concentric's business strategy is the following:

Concentric is one of the world's leading pump manufacturers and seeks to deliver sustainable growth for every application in the markets the company serves. Concentric strives to improve fuel economy, reduce emissions and improve engine control through technical solutions and precision engineering.

Concentric create value for its customers through:

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

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

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

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

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

Remuneration and remuneration forms

The terms of employment for senior executives should consist of a balanced combination of fixed remuneration, annual bonus, pension and other benefits and terms for dismissal/ severance payment. Furthermore, the Board may prepare and the general meeting resolve, on share and share-price related incentive programmes. Such a combination of compensation fosters and supports management and achievement of objectives in both a short and long-term perspective.

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

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

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

Fixed remuneration

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

Annual bonus

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

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

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

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

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

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

Remuneration payable to directors

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

Pension

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

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

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

Other benefits

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

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

Special remuneration

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

Long-term incentive programme

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

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

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

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

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

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

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

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

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

Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration
The content of the guidelines has been reviewed and adapted to the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/ EC as regards encouragement of the long-term shareholder engagement.

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

Significant agreements
The Company is not party to any significant agreements that will take effect, be altered, or become null if control over the Company changes due to a public takeover bid. Nor are there any agreements between the Company and directors which require compensation

if such persons resign, are terminated without reasonable cause, or their employment is terminated due to a public takeover bid in respect to shares in the Company.

Contingent liabilities

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

Significant post balance sheet events

On 7 January 2022 Concentric announced the closure of our facility in Chivilcoy, Argentina. The investment in this facility was written down to nil during the year at a cost of MSEK 22.

On 24 January 2022 Concentric announced the appointment of Martin Kunz as the new President and CEO, succeeding David Woolley from 1 March 2022.

The Company is closely following the developing situation in Ukraine. It remains too early to be able to quantify the financial and commercial effects on the business as while sales and purchases to this region are not material to the Group, any further escalation in the conflict could impact both the regional and global economies.

Parent Company

Net sales for the year amounted to MSEK 28 (49), generating an operating loss of MSEK 2 (profit 30).

Net sales reflected mostly the royalty income received from the joint venture, Alfdex AB, a year-on-year reduction in the royalty rate and costs relating to the acquisition of EMP led to an operating loss of MSEK 2 (profit 30) in the year.

During the year the company received a dividend of MSEK 46 from Alfdex AB. Exchange rate losses on foreign liabilities to subsidiaries was MSEK 53 (gain 75) in the year, and the remaining financial items netted to MSEK –6 (–11). Income from shares in subsidiaries amounted to MSEK –5 (690), related to dividends of MSEK 1,018 (690) and write-downs of shares of MSEK 1,023 (–). Accordingly, earnings before tax was a loss of MSEK 20 (profit 784) for the year.

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

The cumulative net exchange rate gains and net interest expenses for 2021 amounted to MSEK –53 (75) and MSEK 11 (17) respectively.

Accounting principles

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

Sustainability report

According to the statutory requirements the Sustainability Report is prepared as a separate report and can be found on pages 34–43 and 124–131.

Outlook for 2022

Market indices suggest that production volumes blended to Concentric's end markets and regions will conservatively increase by +6% during 2022, as demand from our customers for both our engine and hydraulic products continues to increase.

Concentric and EMP have made great progress to date integrating the businesses and the functional teams will continue this valuable work throughout 2022.

The availability of critical raw materials will continue to influence our sales during 2022 as our industry supply chain stabilises to meet the new market demand. The ongoing shortage of raw materials and components continues to have an inflationary effect, both from the metal indices and general supplier economic price increases. We have been successful passing these cost increases onto our customers, albeit with a quarters delay, and we will continue to pass on costs increases to our customers during 2022 to maintain our strong trading margins. As the supply constraints ease during the first half of 2022 so will the working capital investment, particularly our investment in inventory.

We expect the majority of the sales order backlog, predominantly relating to our North American businesses, will be supplied to our customers during the first half of 2022. Concentric remains well positioned both financially and operationally, to fully leverage our market opportunities.

Dividend policy

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status. However, due to the Group's strong financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a dividend of SEK 3.75 (3.50) per share for 2021, which equates to around 42% (64) of earnings per share.

Proposed appropriation of earnings

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

Amounts in kSEK	
Profit brought forward	2,255,838
Net income for the year	–10,604
Total	**2,245,234**

The board of directors and the president propose that the funds of kSEK 2,245,234 be allocated as follows:

Amounts in kSEK	
Dividend of SEK 3.75 per share to shareholders	142,237
Carried forward	2,102,997
Total	**2,245,234**

The record date for determining who is entitled to receive dividends is proposed to be Monday April 25, 2022. Resolves the AGM according to the proposal, the dividend will be distributed on Thursday, April 28, 2022. For additional information, see Note 21, for the parent company.

Concentric Group

Consolidated income statement

	Note	2021	2020
Net sales		2,115	1,502
Cost of goods sold		–1,495	–1,039
Gross income		**620**	**463**
Selling expenses		–60	–46
Administrative expenses		–159	–136
Product development expenses		–37	–28
Share of net income in joint venture	19	81	21
Other operating income	11	40	61
Other operating expenses	11	–82	–59
Operating income	4, 5, 7, 8, 9, 10, 17	**403**	**276**
Financial income	12	4	2
Financial expenses	12	–17	–22
Financial items – net		**–13**	**–20**
Earnings before tax		**390**	**256**
Taxes	13	–52	–51
Net income for the year		**338**	**205**
Attributable to:			
Parent Company shareholders		338	205
Non controlling interest		–	–
Basic earnings per share, SEK	14	8.91	5.43
Diluted earnings per share, SEK	14	8.88	5.42
Basic weighted average number of shares (000)	14	37,902	37,815
Diluted weighted average number of shares (000)	14, 24	38,020	37,860

Consolidated statement of comprehensive income

	2021	2020
Net income for the year	338	205
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement gains of net pension liabilities	81	–
Tax arising on remeasurement gains of net pension liabilities	–24	–
Remeasurement losses of net pension liabilities	–	–42
Tax arising on remeasurement losses of net pension liabilities	–	10
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences related to liabilities to foreign operations	–53	75
Tax arising from exchange rate differences related to liabilities to foreign operations	11	–16
Cash-flow hedging	3	–1
Tax arising from cash-flow hedging	–1	–
Share of OCI related to joint venture	9	–4
Foreign currency translation differences	153	–187
Total other comprehensive income	**179**	**–165**
Total comprehensive income	**517**	**40**

Consolidated balance sheet

	Note	31 Dec 2021	31 Dec 2020
Assets			
Fixed assets			
Goodwill	15	1,303	649
Other intangible fixed assets	15	447	110
Right of use fixed assets	16, 17	112	120
Other tangible fixed assets	16, 17	430	88
Share of net assets in joint venture	19	116	72
Deferred tax assets	18	98	107
Long-term loans receivable from joint venture	38	–	25
Other long-term receivables	38	4	4
Total fixed assets		**2,510**	**1,175**
Current assets			
Inventories	20	382	120
Accounts receivable	21, 38	392	180
Short-term loans receivable from joint venture	29, 38	1	2
Other current receivables	22, 38	58	65
Cash and cash equivalents	23, 38	440	505
Total current assets		**1,273**	**872**
Total assets		**3,783**	**2,047**
Shareholders' equity and liabilities			
Shareholders' Equity	24		
Share Capital		97	97
Additional Contributed Capital		583	583
Reserves		274	151
Retained Earnings		508	236
Total Shareholders' equity		**1,462**	**1,067**
Long-term liabilities			
Pensions and similar obligations	25, 34	361	462
Deferred tax liabilities	18	131	15
Long-term liabilities for right of use fixed assets	26, 27, 34, 38	105	111
Other long-term interest-bearing liabilities	26, 27, 34, 38	791	–
Other provisions	30	4	3
Other long-term liabilities	26, 38	1	2
Total long-term liabilities		**1,393**	**593**
Current liabilities			
Short-term liabilities for right of use fixed assets	26, 28, 34, 38	20	18
Other short-term interest-bearing liabilities	26, 28, 34, 38	355	–
Short-term loans payable to joint venture	29, 38	–	–
Accounts payable	26, 38	313	154
Other provisions	30	36	31
Other current liabilities	26, 31, 38	204	184
Total current liabilities		**928**	**387**
Total Shareholders' equity and liabilities		**3,783**	**2,047**

Information of pledged assets and contingent liabilities, see note 32

Consolidated changes in shareholders' equity

	Share capital	Additional contributed capital	Reserves: Hedging reserve	Reserves: Translation reserve	Retained earnings	Total
Opening balance January 1, 2020	**97**	**583**	**1**	**284**	**171**	**1,136**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	205	205
Other Comprehensive income	–	–	–1	–133	–31	–165
Total comprehensive income	**–**	**–**	**–1**	**–133**	**174**	**40**
Dividend	–	–	–	–	–123	–123
Buy-back own shares	–	–	–	–	–	–
Sale of own shares to satisfy LTI-options exercised	–	–	–	–	11	11
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2020	**97**	**583**	**–**	**151**	**236**	**1,067**
Opening balance January 1, 2021	**97**	**583**	**–**	**151**	**236**	**1,067**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	338	338
Other Comprehensive income	–	–	2	121	56	179
Total comprehensive income	**–**	**–**	**2**	**121**	**394**	**517**
Dividend	–	–	–	–	–133	–133
Buy-back own shares	–	–	–	–	–	–
Sale of own shares to satisfy LTI-options exercised	–	–	–	–	8	8
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2021	**97**	**583**	**2**	**272**	**508**	**1,462**

Consolidated cash flow statement

	Note	2021	2020
Cash flow from operating activities			
Earnings before tax		390	256
Reversal of depreciation, amortisation and write-down of fixed assets		98	86
Reversal of net income from joint venture		–81	–21
Other adjustments	33	44	26
Taxes paid		–54	–48
Cash flow from operating activities before changes in working capital		**397**	**299**
Change in working capital			
Inventories		–92	23
Current receivables		–71	–16
Current liabilities		26	31
Change in working capital		**–137**	**38**
Cash flow from operating activities		**260**	**337**
Cash flow from investing activities			
Investments in subsidiaries	35	–1,206	–95
Closure of subsidiary		–22	–
Net investments in property, plant and equipment		–21	–10
New loans paid to joint venture		–	–40
Loans repayment from joint venture		25	15
Other repayment of long-term receivables		–	3
Cash flow from investing activities		**–1,224**	**–127**
Cash flow from financing activities			
Dividend		–133	–123
Dividend received from joint venture		46	–
Buy-back of own shares		–	–
Selling of own shares to satisfy LTI – options exercised		8	11
New loans	34	1,073	10
Repayment of loans	34	–52	–31
Pension payments and other cash flows from financing activities	34	–65	–58
Cash flow from financing activities		**877**	**–191**
Cash flow for the year		**–87**	**19**
Cash and bank assets, opening balance		505	531
Exchange-rate difference in cash and bank assets		22	–45
Cash and bank assets, closing balance		**440**	**505**

Group notes

NOTE 1

General information

Concentric AB (Parent Company) and its subsidiaries form the Concentric Group. Concentric offers innovative proprietary solutions to the global manufacturers of construction machinery, diesel engines and large trucks. The main focus is on products related to fuel efficiency and reduced emissions.

Concentric AB, Corp. ID. No. 556828-4995 is a registered limited liability corporation with its registered office in Stockholm, Sweden. The visiting and postal address of the head office is Ågatan 39, 582 22 Linköping, Sweden. The Company is listed on the Nasdaq OMX Stockholm Mid-Cap list, since June 2011.

The annual report and the consolidated accounts were approved for publication by the board of directors on 24 March, 2022. The statements will be adopted by the Annual General Meeting on 21 April 2022.

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

NOTE 2

Summary of important accounting principles

New and amended standards and interpretations adopted by the Group

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

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

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

a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, RFR 1 "Additional rules for group accounting" and related interpretations issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The basis of accounting and the accounting policies adopted in preparing these consolidated financial statements are consistent for all periods presented.

b) Going concern

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

c) Consolidation

Subsidiaries are defined as all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consolidation of joint venture

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

Non-controlling Interests

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

d) Translation of foreign currency

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

Advance consideration

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

Transactions and balance sheet items

Transactions in foreign currency are translated into SEK using the exchange rates at the transaction date. Exchange gains and losses resulting from these transactions and the translation of monetary assets and liabilities at the closing rate are recognised in the consolidated income statement. Exchange rate gains or losses from transactions that fulfil the requirements for hedge accounting are recognised in the consolidated statement of comprehensive income.

Subsidiaries

The balance sheets and income statements of subsidiaries with a different functional currency than that of the Group's presentation currency are translated by translating assets and liabilities at the closing rate and income and expenses at the average rate during the year. Translation differences resulting from the translation of foreign subsidiaries' net assets at different rates on the opening and the closing dates are recognised directly in the translation reserves in OCI. Exchange rate differences on loans and other instruments that are used as hedging instruments for net investments in foreign currency are recognised directly in the translation reserves in OCI.

Receivables and liabilities

Receivables and liabilities in foreign currencies are valued at the year-end rate. Exchange gains and losses pertaining to operational currency flows are recognised in operating income. Exchange gains and losses on financial transactions are recognised as financial income or expense in the income statement.

e) Revenue recognition

Sale of goods

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

Design and development

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

Variable consideration – prompt payment discounts

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

f) Leases

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

g) Tangible fixed assets

Tangible fixed assets consist of buildings (offices, factories, and warehouses), land and land improvements, machines, tools and installations. These assets are measured at cost less depreciation and any impairment losses. Scheduled depreciation is based on the acquisition value and estimated economic life of the assets. The following depreciation rates are used:

- Buildings: 25–50 years
- Machinery and equipment: 3–10 years
- Heavy machinery: 20 years

Land is not depreciated. The assets' residual values and useful lives are reassessed every reporting 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. Product Development, which are acquired through business acquisitions, are recognised at fair value on the day of acquisition. Product Development 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 Product Development is estimated at 7 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 15–20 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 10–17 years. Straight-line amortisation is applied over the estimated useful life of customer relations.

Software and IT systems

Acquired software licenses and costs for the development of software that is recognised to generate future financial benefits for the Group for more than three years are capitalised and amortised over the recognised useful life 3–5 years.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Impairment

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

i) Financial instruments

Initial measurement

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

Classification and subsequent measurement of financial assets

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

Classification and subsequent measurement of financial liabilities

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

Derivative instruments

Derivative instruments are recognised in the balance sheet as of the trade date and are measured at fair value, both initially and during subsequent revaluations. The method used for recognising the profit or loss arising at every revaluation occasion depends on whether the derivative has been identified as a hedging instrument and, if this is the case, the nature of the hedged item. The Group identifies certain derivatives as either:

1. Hedging of the fair value of assets or liabilities;
2. Hedging of forecast flows (cash flow hedging) or
3. Hedging of net investment in a foreign operation.

To qualify for hedge accounting, certain documentation is required concerning the hedging instrument and its relation to the hedged item. The Group also documents goals and strategies for risk management and hedging measures, as well as an assessment of the hedging relationship's effectiveness in terms of countering changes in fair value or cash flow for hedged items, both when the hedging is first entered into and subsequently on an ongoing basis.

Cash flow hedging of forecast sales

The Group applies hedge accounting for derivatives used to hedge foreign exchange risk exposure in future cash flows from sales. The portion of changes in the value of derivatives that satisfy the conditions for hedge accounting is recognised directly in OCI. Any ineffectiveness is recognised directly in the income statement, among financial items. The unrealised profit or loss that is accumulated in OCI is reclassified and recognised in the income statement when the 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 expected to occur, the accumulated profit or loss recognised in equity is immediately transferred to the income statement.

Cash flow hedging of interest rate risk

The Group uses an interest rate swap to hedge the exposure to variability in interest rates on its floating rate borrowing in USD. The portion of changes in the value of interest rate swap that satisfy the conditions for hedge accounting is recognised directly in OCI. Any ineffectiveness is recognised directly in the income statement, among financial items. Interest coupons paid or received on the swap are recognised as part of "Financial expenses".

Hedging of net investments

Accumulated gains/losses from revaluation of hedges of net investments that fulfil the conditions for hedge accounting are recognised in OCI. When operations are divested, the accumulated effects are transferred to the income statement and affect the Company's net profit/loss from the divestment.

Calculation of fair value

Fair value of financial instruments that are traded in an active market (for example, publicly quoted derivative instruments) are based on the quoted market rate on the closing day. The quoted market rates used for the Company's financial assets are the actual bid prices; quoted market rates used for financial liabilities are the actual asked prices. These instruments are categorised as level 1 in the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy. The only financial instruments that are measured at fair value are forward contracts which are categorised in level 2.

Recognition and derecognition of financial instruments

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

Offsetting

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

j) Inventories

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

k) Impairment of financial assets

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

l) Cash and cash equivalents

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

m) Assets held for sale

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

n) Provisions

Provisions are recognised in the balance sheet when the Group has future obligations resulting from an event that is likely to result in expenses that can be reasonably estimated. Provisions for restructuring costs are recognised when the Group has presented a plan for carrying out the measures and the plan has been communicated to all affected parties. Provision for restructuring is calculated individually for each plan and consists of cost for redundancy of employees. Provision for warranty obligation is based on experiences of historical fulfilment of warranty obligations.

o) Employee benefits

Pension commitments

The Group has both defined-contribution and defined benefit pension plans. Administration of the plans is handled by a third party e.g. a fund management company, an insurance company or a bank. Defined-contribution plans mainly include retirement pensions, disability pensions and family pensions, and a defined contribution, normally expressed as a percentage of current salary, is paid to a separate legal entity.

The employee is responsible for the risk inherent in these plans and the Group does not have any further obligations if the fund's assets decline in value. No debt is recognised in the balance sheet. Contributions are expensed to the profit and loss account as incurred.

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

The debt recognised in the balance sheet pertaining to defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets, including any remeasurement gains/losses. Defined benefit pension obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the obligations is determined by discounting the estimated future cash flow.

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

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

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

Share-based payment

The Annual General Meeting 2012–2021 decided upon share-based payment plans for the Group in the form of incentive programmes directed at senior executives and key employees. The Company obtains services from employees as compensation for equity instruments (options) in the Group. The fair value of the services is recognised as expense over the vesting period, meaning the period during which the stated vesting conditions are to be fulfilled. The fair value of the services is estimated as the fair value of the options on grant date. The total expense recognised is adjusted for any options being forfeited due to non-completion of the required service period; while expenses recognised do not take into consideration any effects of changes in the share price, including options not being exercised due to the share price being below the exercise price. For further information about the incentive programme, see note 8. Expenses for social charges related to the option programme are recognised according to the same principle, with the difference that the fair value is recalculated on each reporting date.

Short-term employee benefits

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

Profit-sharing and bonus payments

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

Termination benefits

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

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

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

p) Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts recognised to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are recognised to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

q) Cash flow statement

The cash flow statement is prepared using the indirect method. This means that the operating income is adjusted for transactions that do not entail receipts or disbursements during the period, and for any income and expenses referable to cash flows for investing or financing activities.

r) Government grants

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

s) Earnings per share

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

t) Hyperinflationary economy

Concentric closed its operations in Argentina in January 2022. Since 2018, Argentina has been a hyperinflationary economy under the criteria in IAS 29. Concentric has assessed the impact of making the adjustments required by IAS 29 and has concluded that the impact on the Group's financial statements is non-material due to the limited extent of the operations in Argentina compared with the Group as a whole.

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 2021, the total goodwill amounted to MSEK 1,303 (649). 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 880 (261) and to Europe and RoW segment amounts to MSEK 423 (389). The increase to the Americas segment is in relation to the acquisition of EMP. The remaining change between the years is due to different currency rates being used when translating the amount into SEK. The impairment testing is performed by discounting expected future cash flows translated into SEK, as determined in the individual segments business plans. The value is set in relation to the carrying amount of the segment's goodwill. Future cash flows are calculated on the basis of official market data relevant to Concentric's type of industry, while consideration is also taken for the Concentric's historical financial performance and future benefits from committed restructuring programmes.

The forecast period for testing of goodwill is five years and after the explicit forecast period, a residual value is assigned, which is assumed to represent the value of the business following the final year of the forecast period. In addition to the latest published end-market indices and historical performance, the Group's forecasts are compiled using product sales plans, productivity initiatives, capital investment programmes and working capital targets prepared by each individual operating location. The key assumptions for the forecast of cash flows during the coming five years are sales growth, EBIT margin, level of working capital and capital expenditures. The residual value has been calculated on the basis of an assumption concerning a sustainable level for the free cash flow (after the forecast period) and the level of growth. The growth after the end of forecast period has been estimated at 2 (2) percent. The calculation of the residual value includes all future cash flows after the end of the forecast period. When discounting recognised future cash flows, a weighted average cost of capital after tax (WACC) of 6.3% (5.6) was used for the Europe and RoW segment and 6.6% (5.9) was used for the Americas segment. This corresponds to WACC before tax of 6.5% (5.9) for Europe and RoW segment, and 7.2% (6.5) for Americas segment. The weighted average cost of capital was calculated on the basis of the following assumptions:

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

The impairment tests performed in 2021 did not reveal any need to impair goodwill. A reasonable possible change in any of the key assumptions would not lead to impairment.

Income taxes

The Group pays tax in many different countries. Detailed calculations of future tax obligations are completed for each tax object within the Group. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Warranty reserves

The Group continuously assesses the value of the reserves in relation to the estimated need. The warranty reserve amounted to MSEK 36 (23) and represented 1.7% (1.6) of net sales as of December 31, 2021.

Pensions

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounts to a defined benefit obligation of 2,349 (2,309), plan assets of 1,988 (1,847) and net pension liabilities of MSEK 361 (462) at year-end 2021. The principal assumptions are described in Note 25. At 31 December 2021, there was a decrease in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in UK, US and Sweden, which lead to remeasurement losses in the current reporting period. Given the sensitivity of the discount rate to these actuarial calculations, we have reviewed the impact of a +/– 0.5% change in the rates assumed. Our actuaries estimate that a 0.5% increase in the assumed discount rates used would decrease the present value of the Group's defined benefit obligations by approximately MSEK 158 (167). Conversely, a 0.5% decrease in the assumed discount rates used would increase the present value of the Group's estimated pension obligations by approximately MSEK 175 (182). Since the Group's UK companies account for approximately 71% (71) of the Group's total estimated defined benefit obligations, fluctuations in the UK discount rate would have the greatest impact.

NOTE 4

Segments and revenue

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

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

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

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

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

No single customer accounts for more than 20% (16%) of the comprehensive income of the Group as a whole. There are two (three) customers with more than 10% of the Group's net sales in 2021. These customers contributed net sales of MSEK 668 (615), or 31.6% (40.9) and were supplied from both the Americas and Europe & RoW operating segments. The location of the customer forms the basis of sales by geographic area.

	Americas		Europe & RoW[1]		Elims/Adjs		Group	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total net sales	1,015	662	1,563	1,158	–463	–318	2,115	1,502
External net sales	999	651	1,496	1,108	–380	–257	2,115	1,502
Operating income before items affecting comparability	126	95	342	204	–25	–8	443	291
Operating income	92	93	342	191	–31	–8	403	276
Operating margin before items affecting comparability, %	12.6	14.6	22.8	18.4	n/a	n/a	20.9	19.4
Operating margin, %	9.2	14.2	22.8	17.2	n/a	n/a	19.1	18.4
Financial income and expense	–	–	–	–	–13	–20	–13	–20
Earnings before tax	92	93	342	191	–44	–28	390	256
Assets	2,238	529	1,346	1,189	199	329	3,783	2,047
Liabilities	460	221	758	750	1,103	9	2,321	980
Capital employed	1,930	354	779	695	40	32	2,749	1,081
Return on capital employed before items affecting comparability, %	18.3	29.0	45.7	27.0	n/a	n/a	30.1	26.5
Return on capital employed, %	13.4	28.4	45.7	25.4	n/a	n/a	27.4	25.2
Net investments in property, plant and equipment	6	4	26	21	–11	–15	21	10
Depreciation, amortisation and write-downs	39	25	67	67	–8	–7	98	85
Number of employees, average	333	232	581	485	–97	–76	817	641

1) Including the joint venture company Alfdex AB.

Disaggregation of revenue

Segment external sales reporting by geographic location of customer	Americas		Europe & RoW[1]		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
USA	801	577	54	39	−46	−38	809	578
Rest of North America	45	20	12	8	—	−2	57	26
South America	34	27	2	2	1	−1	37	28
Germany	8	6	452	326	−88	−62	372	270
UK	40	4	128	103	—	−1	168	106
Sweden	4	–	145	134	−57	−51	92	83
Rest of Europe	9	5	402	297	−55	−35	356	267
Asia	54	10	271	190	−133	−69	192	131
Other	4	2	30	9	−2	2	32	13
Total Group	**999**	**651**	**1,496**	**1,108**	**−380**	**−257**	**2,115**	**1,502**

1) Including the joint venture company Alfdex AB.

Total sales by product groups	Americas		Europe & RoW[1]		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Concentric branded Engine products	326	237	523	361	1	–	850	598
EMP branded Engine products	168	–	–	–	–	–	168	–
LICOS branded Engine products	–	–	226	169	–	–	226	169
Alfdex branded Engine products	–	–	381	257	−381	−257	–	–
Total Engine products	**494**	**237**	**1,130**	**787**	**−380**	**−257**	**1,244**	**767**
Total Hydraulics products	**505**	**414**	**366**	**321**	**–**	**–**	**871**	**735**
Total Group	**999**	**651**	**1,496**	**1,108**	**−380**	**−257**	**2,115**	**1,502**

1) Including the joint venture company Alfdex AB.

Total sales by end-markets	Americas		Europe & RoW[1]		Elims/Adjs		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Trucks	139	51	844	645	−358	−242	625	454
Construction	357	202	251	202	–	–	608	404
Industrial	318	306	268	170	–	–	586	476
Agriculture	185	92	133	91	−22	−15	296	168
Total Group	**999**	**651**	**1,496**	**1,108**	**−380**	**−257**	**2,115**	**1,502**

1) Including the joint venture company Alfdex AB.

Revenues from contracts with customers

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

Contract balances

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

Tangible assets by operating location	2021	2020
USA	389	49
Germany	36	46
UK	76	73
South America	–	2
Asia	41	38
Total Group	**542**	**208**

Intangible assets by operating location	2021	2020
USA	1,274	299
Germany	55	59
UK	421	401
Total Group	**1,750**	**759**

NOTE 5
Costs distributed by type

	2021	2020
Direct material costs	1,037	708
Personnel costs	470	348
Warranty cost	5	4
Depreciation and amortisation	98	86
Share of net income in joint venture	–81	–21
Other operating income	–46	–68
Other operating costs	229	169
Total operating costs	**1,712**	**1,226**

NOTE 6
Average number of employees

	2021	2020
Women	215	146
Men	602	495
Total	**817**	**641**

NOTE 7
Salaries and other remuneration

	2021	2020
Salaries and remuneration	382	288
Pension costs	14	14
Social security costs	52	39
External cost for temporary personnel	14	3
Other personnel costs	8	4
Total personnel costs	**470**	**348**

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to MSEK 30 (24). The Board of Directors, consists of 7 (8) members, of whom 3 (3) are women. For information on the individual remuneration paid to them and the CEO, refer to Note 8 for the Group.

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

	2021					2020				
Amounts in SEK (thousands)	**Directors' fees**	**Annual variable remune-ration**	**Long-term variable remune-ration**	**Pension**	**Total**	**Directors' fees**	**Annual variable remune-ration**	**Long-term variable remune-ration**	**Pension**	**Total**
Board of Directors										
Kenth Eriksson, Chairman 2020/2021	206	–	–	–	206	825	–	–	–	825
Anders Nielsen, Chairman 2021/2022	800	–	–	–	800	425	–	–	–	425
Marianne Brismar	81	–	–	–	81	325	–	–	–	325
Karin Gunnarsson	419	–	–	–	419	400	–	–	–	400
Martin Lundstedt	81	–	–	–	81	325	–	–	–	325
Joachim Rosenberg	263	–	–	–	263	–	–	–	–	–
Petra Sundström	263	–	–	–	263	–	–	–	–	–
Susanna Schneeberger	419	–	–	–	419	325	–	–	–	325
Martin Sköld	344	–	–	–	344	325	–	–	–	325
Claes Magnus Åkesson	493	–	–	–	493	475	–	–	–	475
Total Board of Directors	**3,369**	**–**	**–**	**–**	**3,369**	**3,425**	**–**	**–**	**–**	**3,425**

	2021					2020				
Amounts in SEK (thousands)	**Basic salary/ Benefits in kind**	**Annual variable remune-ration**	**Long-term variable remune-ration**	**Pension**	**Total**	**Basic salary/ Benefits in kind**	**Annual variable remune-ration**	**Long-term variable remune-ration**	**Pension**	**Total**
President and CEO										
David Woolley	6,125	4,164	2,036	–	12,325	5,848	1,715	2,480	–	10,043
Other senior executives[1)]	9,796	1,460	210	361	11,827	8,833	1,084	603	411	10,931
Total	**15,921**	**5,624**	**2,246**	**361**	**24,153**	**14,681**	**2,799**	**3,083**	**411**	**20,974**

1) Other senior executives consisted of 6 (4) people, of whom 2 (1) are women.

Employee stock options	LTI 2021	LTI 2020	LTI 2019	LTI 2018
President and CEO	–	–	70,760	61,480
Other senior executives	22,320	9,512	28,424	38,860
Total stock options	**22,320**	**9,512**	**99,184**	**100,340**
Employee stock options	11,160	4,756	49,592	50,170
Performance stock option 1	5,580	2,378	24,796	25,085
Performance stock option 2	5,580	2,378	24,796	25,085
Total stock options (=Number of shares)	**22,320**	**9,512**	**99,184**	**100,340**
Criteria for performance stock option 1	2023 EPS ≥ SEK 8.00	2022 EPS ≥ SEK 9.50	2021 EPS ≥ SEK 12.00[1]	2020 EPS ≥ SEK 10.00[1]
Criteria for performance stock option 2	2023 EPS ≥ SEK 10.00	2022 EPS ≥ SEK 12.00	2019–21 Average ROE ≥ 30%[1]	2018–20 Average ROE ≥ 25%[2]
Number of senior executives	**7**	**3**	**6**	**5**
Conditioned by own investment of shares	**5,580**	**2,378**	**24,796**	**25,085**

Changes in number of stock options	2021	2020	2019	2018
Opening balance, 1 January	**319,876**	**331,444**	**390,380**	**421,732**
Granted	22,320	97,712	128,304	104,740
Options exercised	–100,340	–102,800	–169,400	–123,600
Lapsed LTI 2016	–	–	–	–4,692
Lapsed LTI 2017	–	–	–17,840	–3,400
Lapsed LTI 2018	–	–	–	–4,400
Lapsed LTI 2019	–22,640	–6,480	–	–
Lapsed LTI 2020	–88,200	–	–	–
Closing balance, 31 December	**131,016**	**319,876**	**331,444**	**390,380**

Key parameters	LTI 2021	LTI 2020	LTI 2019	LTI 2018
Average exercise price, SEK	162.80	142.00	128.25	131.30
Average price per option, SEK	34.83	28.95	23.13	24.60
Risk free interest rate, %	–0.25	–0.32	–0.24	–0.35
Expected volatility[3], %	29.00	28.00	26.00	26.00
Assumed dividend during 3 year period, SEK	16.60	15.09	14.32	11.25
Average share price at grant date, SEK	180.90	157.80	142.50	142.40
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2021, MSEK	0.3	1.3	1.9	1.6
Annual cost of scheme, MSEK	0.4	1.3	1.9	1.6
Total cost of scheme over 3 year vesting period, MSEK	1.2	3.9	5.8	4.9

1) Criteria for the performance stock options were not achieved.

2) Criteria for the performance stock options were successfully achieved.

3) 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

	2021	2020
KPMG		
Audit assignments	3	3
Other assignments	–	–
	3	**3**

NOTE 10
Depreciation and Amortisation

	2021	2020
Cost of goods sold	44	38
Administrative costs	10	9
Product development costs	2	1
Other operating expenses	42	38
Total depreciation and amortisation	**98**	**86**

NOTE 11
Other operating income and expenses

	2021	2020
Other operating income		
Revenue from tooling etc	11	2
Income from royalty from joint venture	24	45
Export incentives	2	3
Other income	3	11
	40	**61**
Other operating expenses		
Amortisation of acquisition related surplus values	42	38
Restructuring cost	–	11
UK pension benefit, equalisation (GMP)	–	3
Acquisition costs	18	1
Closure of subsidiary cost	22	–
Other expenses	–	6
	82	**59**

NOTE 12
Financial items – Net

	2021	2020
Financial income		
Interest income, external	1	2
Foreign exchange rate gains, net	3	–
Total financial income	**4**	**2**
Financial expenses		
Interest expenses, external	–3	–1
Pension financial expenses	–5	–8
Interest expenses for right of use assets, IFRS16	–5	–7
Foreign exchange rate losses, net	–	–3
Other financial items, external	–4	–3
Total financial expenses	**–17**	**–22**
Financial items – net	**–13**	**–20**

NOTE 13
Taxes

	2021	2020
Current tax	–70	–41
Deferred tax	19	–10
Withholding tax	–1	–
Total income tax	**–52**	**–51**

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Reconciliation of effective tax rate	2021	2020
Earnings before tax (MSEK)	390	256
Applicable tax rate in Sweden, %	–21	–21
Effect of different tax rates in foreign countries of operation, %	3	–2
Withholding taxes, %	–	–
Non-tax deductible expenses, %	–	–
Non-taxable income, %	–	1
Tax attributable to prior years, %	2	1
Utilisation of previously unrecognised tax losses, %	2	–
Change in temporary difference, %	–	1
Change in temp diff without cap of def tax, %	–2	–
Effect of changes in tax rates, %	2	–
Reported effective tax rate, %	**–14**	**–20**

NOTE 14
Earnings per share

	2021	2020
Net income for the year, kSEK	337,526	205,250
Basic weighted average number of shares	37,902,337	37,814,628
Adjustments for the option programmes	117,447	45,106
Diluted weighted average no of shares	**38,019,784**	**37,859,734**
Basic earnings per share, SEK	8.91	5.43
Diluted earnings per share, SEK	8.88	5.42

NOTE 15
Intangible fixed assets

	Goodwill	Other intangible assets[1]	Capitalised development costs	Total
Acquisition value				
Opening Balance at 1 January 2020	**662**	**618**	**34**	**1,314**
Investments through business combinations	57	–	–	57
Other investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–66	–60	–	–126
Closing Balance at 31 December 2020	**653**	**558**	**34**	**1,245**
Opening Balance at 1 January 2021	**653**	**558**	**34**	**1,245**
Investments through business combinations	558	348	–	906
Other investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	97	74	–	171
Closing Balance at 31 December 2021	**1,308**	**980**	**34**	**2,322**
Accumulated depreciation and amortisation, including write-downs[2]				
Opening Balance at 1 January 2020	**6**	**456**	**34**	**496**
Depreciation and amortisation	–	38	–	38
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–2	–46	–	–48
Closing Balance at 31 December 2020	**4**	**448**	**34**	**486**
Opening Balance at 1 January 2021	**4**	**448**	**34**	**486**
Depreciation and amortisation	–	42	–	42
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	1	43	–	44
Closing Balance at 31 December 2021	**5**	**533**	**34**	**572**
Carrying amounts				
As at 31 December 2020	**649**	**110**	**–**	**759**
As at 31 December 2021	**1,303**	**447**	**–**	**1,750**

1) The acquisition value of other intangible assets of MSEK 980 (558) relates to Customer relationships and contracts of MSEK 611 (327), Brand MSEK 173 (114), Technology MSEK 171 (93) and other intangible assets MSEK 25 (24).
2) Accumulated write-downs amounted to MSEK 32 (32) and relates to Capitalised development costs.

NOTE 16

Tangible fixed assets

	Right of use fixed assets – IFRS16	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
Acquisition value							
Opening Balance at 1 January 2020	**111**	**104**	**23**	**841**	**303**	**12**	**1,394**
Investments through business combinations	8	4	–	–	11	–	23
Other investments	48	–	–	7	4	–	59
Sales/discards/reclassifications	–	–	–	3	–	–3	–
Effect of movements in exchange rates	–13	–12	–1	–78	–27	–1	–132
Closing Balance at 31 December 2020	**154**	**96**	**22**	**773**	**291**	**8**	**1,344**
Opening Balance at 1 January 2021	**154**	**96**	**22**	**773**	**291**	**8**	**1,344**
Investments through business combinations	–	109	13	175	19	17	333
Other investments	6	1	–	11	4	5	27
Sales/discards/reclassifications	–6	–1	–	25	–9	–16	–7
Effect of movements in exchange rates	12	16	1	74	22	1	126
Closing Balance at 31 December 2021	**166**	**221**	**36**	**1,058**	**327**	**15**	**1,823**
Accumulated depreciation and amortisation							
Opening Balance at 1 January 2020	**27**	**96**	**14**	**782**	**293**	**–**	**1,212**
Depreciation and amortisation	19	1	1	20	5	–	46
Sales/discards/reclassifications	–9	–	–	–	–	–	–9
Effect of movements in exchange rates	–3	–10	–1	–73	–26	–	–115
Closing Balance at 31 December 2020	**34**	**87**	**14**	**729**	**272**	**–**	**1,136**
Opening Balance at 1 January 2021	**34**	**87**	**14**	**729**	**272**	**–**	**1,136**
Depreciation and amortisation	21	3	1	24	7	–	56
Sales/discards/reclassifications	–3	–	–	–	–	–	–3
Effect of movements in exchange rates	2	9	2	60	19	–	92
Closing Balance at 31 December 2021	**54**	**99**	**17**	**813**	**298**	**–**	**1,281**
Carrying amounts							
As at 31 December 2020	**120**	**9**	**8**	**44**	**19**	**8**	**208**
As at 31 December 2021	**112**	**122**	**19**	**245**	**29**	**15**	**542**

NOTE 17

Leases

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

The weighted average incremental borrowing rate used for the IFRS 16 calculation is 2.6%. There were no short-term lease in 2020-21. The total cash-flow from leases amounted to MSEK 24 (19).

Right of use assets – by type of assets

	Acquisition value 31 Dec 2021	Depreciation 31 Dec 2021	Acquisition value 31 Dec 2020	Depreciation 31 Dec 2020
Land and building	155	45	144	17
Machinery	3	3	3	3
Vehicles	6	4	5	2
Other	2	2	2	2
Total right of use assets	**166**	**54**	**154**	**24**

NOTE 18

Deferred Taxes

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

	2021	2020
At 1 January	**92**	**117**
Income statement charge (note 13)	19	–10
Tax charged directly to OCI	–15	–6
Re-classification to current taxes	–2	–3
Acquired through business combination	–119	–
Exchange differences	–8	–6
At 31 December	**–33**	**92**

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

2021	Assets	Liabilities	Net
Tax loss carry-forwards	11	–	11
Tangible fixed assets	–	–9	–9
Intangible assets	–	–	–
Provisions	16	–	16
Pension and similar obligations	93	–4	89
Acquisition related surplus values	–	–146	–146
Other	6	–	6
Netting	–28	28	–
Net deferred tax receivables/tax liabilities	**98**	**–131**	**–33**

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

NOTE 19

Shares of net assets in joint venture

Company name	Corp. reg. no.	Reg'd office	Participations	%	2021	2020
Alfdex AB	**556647-7278**	**Landskrona**	**50,000**	**50%**	**116**	**72**

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 correspond with Concentric's accounting principles have been made.

Income statement	2021	2020
Net Sales	761	514
Cost of goods sold[1)]	–457	–388
Gross income	**305**	**126**
Operating expenses[1)]	–94	–70
Operating income	**211**	**56**
Financial items – net	–	–1
Earnings before tax	**211**	**55**
Taxes	–50	–14
Net income for the year	**161**	**41**
[1)] Depreciation and amortisation in Income statement	–16	–10

Movement in shares of net assets in joint venture	2021	2020
Share of net assets, opening balance	**72**	**55**
Share of net income in joint venture	81	21
Dividend	–46	–
Other comprehensive income	9	–4
Share of net assets, closing balance	**116**	**72**

Balance sheet	2021	2020
Fixed assets	71	46
Current assets	265	141
Cash and bank	142	148
Total assets	**478**	**335**
Equity	231	145
Pensions and similar obligations	20	17
Deferred tax liabilities	16	7
Current liabilities	211	50
Long term liabilities	–	116
Total equity and liabilities	**478**	**335**

NOTE 20
Inventories

	2021	2020
Raw materials	316	86
Semi-manufactured products	28	17
Finished products	38	17
	382	**120**

NOTE 21
Accounts receivable

	2021	2020
Accounts receivable, gross	408	181
Provision for doubtful receivables	–16	–1
Accounts receivable, net	**392**	**180**
Current receivable	323	156
Overdue receivable:		
1–30 days	48	18
31–60 days	17	4
> 60 days	20	3
Sum of overdue receivable	85	25
Accounts receivable, gross	**408**	**181**
Provision for doubtful receivable		
Provision on January 1	1	1
Change in provision for anticipated losses, net	15	–
Provision on December 31	**16**	**1**

The year’s net cost for doubtful accounts receivables amounted to MSEK 2 (0).

NOTE 22
Other current receivables

	2021	2020
VAT	12	7
Tax receivables	5	31
Prepaid expenses and accrued income		
Rents and insurance	5	1
Accrued income	1	2
Other prepaid expenses	19	12
Derivative instruments	3	–
Other current receivables	13	12
	58	**65**

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

Claims related to income tax, VAT and other taxes of MSEK 17 (38) are not included in Note 38 regarding financial assets.

NOTE 23
Cash and cash equivalents

	2021	2020
Bank accounts and cash	434	500
Deposits	6	5
Cash and cash equivalents	**440**	**505**

NOTE 24
Shareholders' equity

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

Share capital

Refers to the share capital in the Parent Company.

Additional contributed capital

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

Reserves

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

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

Retained earnings

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

Capital management

The Group's objective in respect of the capital structure is to secure Concentric's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. To manage the capital structure, the Group could change the dividend paid to the shareholders, repay capital to shareholders, issue new shares or sell assets in order to reduce debt.

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

Shareholders' equity amounted to MSEK 1,462 (1,067), resulting in a gearing ratio of 82% (8).

Cash dividend decided by the Annual General Meeting 2021 was SEK 3.50 (3.25) per share or total of MSEK 132.5 (123.1). The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status. However, due to the Group's earnings and strong financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a dividend of SEK 3.75 (3.50) per share for the financial year 2021, which equates to around 42% (64) of the earnings per share.

Annual General Meeting, 2018–2021 have decided upon four long-term performance based incentive programmes, under which a number of senior executives and key employees participated in the schemes, entitling them to receive employee stock options that entitles them to acquire Concentric shares. For further details, see note 8 for the Group.

During 2020 and 2021 Concentric AB didn´t buy-back any own shares, but have sold 60,375 (102,800) of its own shares, representing 0.2% (0.3) of the shares of the Company.

No transfer to the Employee Share Ownership Trust (ESOT) in this year (last year 93,712), but a transfer of 53,085 (89,600) own shares to Concentric was made. The total number of holdings of own shares at year-end 2021 was 115,965 (123,255), which represented 0.3% (0.3) of the total number of shares of the Company. In addition to this, the total number of own shares transferred to an ESOT are 251,727 (304,812). Including these shares the company's holdings was 367,692 (428,067) representing 1.0% (1.1) of the total number of shares.

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

To fund the acquisition of EMP, Concentric signed new financing agreements with its existing banks, securing a new term loan for a tenor of four years in the amount of MUSD 100. 50% of the term loan will be repaid quarterly in equal instalments over the four years starting in Q1 2022. In addition, a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 was signed. This replaced the previous revolver of the same amount. At the acquisition, Concentric borrowed MUSD 125, corresponding to MSEK 1,073. At year end, this amounted to MSEK 1,131 at closing FX rates.

The loan agreements in the Group contain financial covenants which the Group must comply with. The covenants are net debt in relation to EBITDA and in relation to Equity. At the year-end Concentric AB fulfilled these covenants with broad margins.

The amount of available unused credit facilities at year-end was EUR million 38 (60), or about MSEK 388 (602).

NOTE 25
Pensions and similar obligations

	2021	2020
Defined benefit plans	361	462

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2021	2020	2021	2020	2021	2020
Opening Balance at 1 January	**2,309**	**2,328**	**–1,847**	**–1,829**	**462**	**499**
Included in Income statement:						
Current service cost	7	8	–	–	7	8
UK pension benefit, equalisation (GMP)	–	3	–	–	–	3
Interest cost	35	47	–30	–39	5	8
	42	**58**	**–30**	**–39**	**12**	**19**
Included in Other Comprehensive Income:						
Remeasurement loss (gain)	–112	251	30	–208	–82	43
Effect of movements in exchange rates	199	–225	–177	186	22	–39
	87	**26**	**–147**	**–22**	**–60**	**4**
Other:						
Contributions paid by the employer	–	–	–53	–60	–53	–60
Benefits paid	–89	–103	89	103	–	–
	–89	**–103**	**36**	**43**	**–53**	**–60**
Closing Balance at 31 December	**2,349**	**2,309**	**–1,988**	**–1,847**	**361**	**462**
Represented by plans in:						
Sweden	51	52	–	–	51	52
Germany	237	250	–93	–88	144	162
UK	1,675	1,639	–1,582	–1,485	93	154
USA	386	368	–313	–274	73	94
Closing Balance at 31 December	**2,349**	**2,309**	**–1,988**	**–1,847**	**361**	**462**

Overview of the Group's defined benefit plans

Below you can find descriptions of the defined benefit plans in each country. Concentric has defined benefit plans for pensions in Sweden, Germany, Great Britain and in the USA. The pensions under these plans are based mainly on final salary. Contribution-based plans are also found in these countries. Net remeasurement gains on pension obligations and planned assets were MSEK 82 (43 loss) during 2021.

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

The return on plan assets recognised in the income statement totaled MSEK 30 (39), while the actual return was MSEK 35 (47). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Sweden pension plans

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

As of 31 December 2021 the pension obligation amounted to MSEK 51 (52), corresponding to 2% (2) of the Group's total obligations.

The average duration of the defined benefit obligation at the period ending 31 December 2020 is 16 (17) years.

The best estimate of pensions to be paid by the Group for the year commencing 1 January 2022 is MSEK 2 (1).

Germany pension plan

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

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

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

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

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

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

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

No curtailment gains have been recognised in 2021. There were no curtailment gains arising from the notice to close the plan to further service accrual.

As of 31 December 2021 the pension obligation amounted to MSEK 237 (250), corresponding to 10% (10) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 93 (88). Net defined benefit liability amounted to MSEK 144 (162).

The average duration of the defined benefit obligation at the period ending 31 December 2021 is 19 (20) years.

The best estimate of contributions to be paid by the Group to the plan for the year commencing 1 January 2022 is MSEK 6 (6).

UK pension plans

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

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

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

The Trustees of the plans are required to act in the best interest of the plan's beneficiaries. The appointment of the Trustees is determined by the plan's trust documentation. It is policy that at least half of all Trustees should be nominated by the members. It is the policy of the Trustees and the Group to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

As of 31 December 2021 the pension obligation amounted to MSEK 1,675 (1,639), corresponding to 71% (71) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 1,582 (1,485). Net defined benefit liability amounted to MSEK 93 (154).

The average duration of the defined benefit obligation at the period ending 31 December 2021 is 15 (17) years.

The best estimate of regular contributions to be paid by the Group to the plans for the year commencing 1 January 2022 is MSEK 28 (26).

USA pension plans

During 2021 the Group sponsored 2 (2) different plans in the USA which comprised both pensions and other post-retirement benefits.

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

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

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

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

No curtailment gains have been recognised in 2021. There have been no other amendments or settlements in the plans during the accounting period.

As of 31 December 2021 the pension obligation amounted to MSEK 386 (368), corresponding to 11% (17) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 313 (274). Net defined benefit liability amounted to MSEK 73 (94).

The average duration of the defined benefit obligation at the period ending 31 December 2021 is 13 (14) years.

The best estimate of contributions to be paid by the Group to the plans for the year commencing 1 January 2022 is MSEK 16 (15).

Total pension costs	**2021**	**2020**
Pensions vested during the period	7	8
Interest on obligations	35	47
Calculated return on plan assets	–30	–39
Settlement	–	3
Pension costs, defined benefit plans	**12**	**19**
Pension costs, defined-contribution plans	7	6
Total pension costs	**19**	**25**

					Total	
DBO remeasurement losses (gain) arising from	**Sweden**	**Germany**	**UK**	**USA**	**2021**	**2020**
Experience adjustment	–	1	–9	1	–7	–29
Demographic assumptions	–	–	–3	1	–2	7
Financial assumptions	–1	–15	–71	–16	–103	–229
Total DBO remeasurement losses (gains)	–1	–14	–83	–14	–112	–251

	Defined Benefit Obligation				Total	
Members, %	**Sweden**	**Germany**	**UK**	**USA**	**2021**	**2020**
Active members	4	45	–	17	7	8
Deferred members	41	11	46	31	40	41
Pensioners	55	44	54	52	53	51

	Fair value of plan assets				Total	
Instruments	**Sweden**	**Germany**	**UK**	**USA**	**2021**	**2020**
Equity instruments[1)]	–	–	990	65	1,055	983
Debt instruments[1)]	–	–	352	245	597	521
Property[1)]	–	–	39	–	39	43
Cash and cash equivalents	–	–	2	1	3	6
Sum	**–**	**–**	**1,383**	**311**	**1,694**	**1,553**
Insurance policies	–	93	199	2	294	294
Total	**–**	**93**	**1,582**	**313**	**1,988**	**1,847**

1) All instruments have quoted prices in active markets.

Actuarial assumptions 2021, %	**Sweden**	**Germany**	**UK**	**USA**
Discount rate	1.75	0.90	1.85	2.70
Recognised salary increase	3.20	2.00	n/a	n/a
Recognised inflation	2.20	1.85	2.90	n/a
Turnover, personnel	2.00	1.60	n/a	n/a

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

Sensitivity analysis

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

31 December 2021 Defined Benefit Obligation	Sweden		Germany		UK		USA	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	–3.8	4.3	–21.3	24.7	–110.6	122.2	–22.3	24.5
Future salary growth (0.5% movement)	0.5	–0.5	5.0	–4.7	n/a	n/a	n/a	n/a
Future pension growth (0.5% movement)	3.9	–3.5	17.1	–15.5	18.4	–18.6	n/a	n/a
Future mortality (+/– 1 year)	2.1	–2.1	12.0	–12.1	73.0	–72.4	12.6	–12.7

NOTE 26

Maturity analysis for financial liabilities

	0–6 months		7–12 months		13–60 months		>60 months		Total	
Nominal amount	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Term loan	57	–	57	–	790	–	–	–	904	–
Multicurrency revolver loan	–	–	–	–	226	–	–	–	226	–
Loans related to leased assets	10	9	10	9	62	74	43	37	125	129
Other long-term liabilities	–	1	–	–	–	–	–	–	–	1
Other short-term interest-bearing liabilities	16	–	–	–	–	–	–	–	16	–
Short-term loans payable to joint venture	–	–	–	–	–	–	–	–	–	–
Derivative liabilities	–	–	–	–	–	–	–	–	–	–
Accounts payable	313	154	–	–	–	–	–	–	313	154
Other current liabilities	133	102	–	–	–	–	–	–	133	102
Total financial liabilities	**529**	**266**	**67**	**9**	**1,078**	**74**	**43**	**37**	**1,717**	**386**
Expected total future interest payments	12	2	11	2	53	14	18	12	94	30

NOTE 27

Long-term interest-bearing liabilities

	2021	2020
Term loan	791	–
Loans related to leased assets	105	111
Total	**896**	**111**

To fund the acquisition of EMP, Concentric AB signed new financing agreements with its existing banks, securing a new term loan for a minimum tenor of four years in the amount of MUSD 100. 50% of the term loan will be repaid quarterly in equal instalments over the four years starting in Q1 2022. In addition, a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 was signed. This replaced the previous revolver of the same amount. At the acquisition, Concentric borrowed MUSD 125, corresponding to MSEK 1,073. At year end, this amounted to MSEK 1,131 at closing FX rates.

The interest rate on the Term loan was 1.7859 percent as of 31 December 2021 and the average interest rate on the loan during 2021 was also 1.7859 percent. The interest rate on the multi-currency revolving loan was 1.1359 percent as of 31 December 2021 and the average interest rate on this loan during 2021 was also 1.1359 percent.

The amount of available unused credit facilities at year-end was EUR million 38 (60), or about MSEK 388 (602). See also note 15 for the Parent Company.

Total loans related to leased assets according to IFRS 16 is MSEK 125 (129) at year-end. See also Note 28 below.

NOTE 28

Short-term interest-bearing liabilities

	2021	2020
Term loan	114	–
Multicurrency revolver loan	226	–
Loans related to leased assets	20	18
Consideration owed to sellers of EMP	15	–
	375	**18**

NOTE 29
Short-term loans receivable and payable, joint venture

	2021	2020
Accounts receivable from Alfdex AB	1	2
Accounts payable to Alfdex AB	–	–
Loans from Alfdex AB	–	25
	1	**27**

NOTE 30
Other provisions

	Provision for share based payments	Total long-term provisions
Opening balance January 1, 2021	**3**	**3**
Provisions	1	1
Utilisation of provision	–	–
Exchange rate differences	–	–
Closing balance December 31, 2021	**4**	**4**

	Warranty reserves	Restructuring reserves	Total short-term provisions
Opening balance January 1, 2021	**23**	**8**	**31**
Provisions	5	–	5
Acquired through business combination	11	–	11
Utilisation of provision	–5	–8	–13
Exchange rate differences	2	–	2
Closing balance December 31, 2021	**36**	**–**	**36**

NOTE 31
Other current liabilities

	2021	2020
Liabilities for VAT and social security costs	–	2
Tax liabilities	71	80
Derivative instruments	–	–
Accrued expenses:		
Personnel costs	65	26
Other accrued expenses	60	73
Other current liabilities	8	3
	204	**184**

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

Liabilities for income tax, VAT and other tax liabilities of MSEK 71 (82) are not included in Note 26 and 37 related to financial liabilities.

NOTE 32
Pledged assets and contingent liabilities

	2021	2020
Contingent liabilities	1	1

NOTE 33
Other adjustments

	2021	2020
Financial pension expenses	5	8
Provision to/Release of restructuring reserve	–8	–
Leases according to IFRS 16	4	6
Financial interests	–1	6
Cost for LTI-schemes	4	2
Acquisition costs	18	–
Closure of subsidiary	22	4
	44	**26**

NOTE 34

Reconciliation of interest-bearing liabilities from financing activities

	Loans	Pension 1)	Total
Opening balance January 1, 2021	**129**	**462**	**591**
Cash flow, pension and other loans	1,130	–40	1,090
Cash flow, financial liabilities IFRS 16	–19	–	–19
Non-cash items, financial liabilities IFRS16	16	–	16
Other non-cash items	–	–61	–61
Closing balance December 31, 2021	**1,256**	**361**	**1,617**

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

NOTE 35

Investments in subsidiaries

On 30 October 2021 the group acquired 100% of the issued share capital of Engineered Machined Products (EMP) Inc., a manufacturer of thermal management systems, mechanical and electric water and oil pumps. The acquisition is a transformational event as it significantly strengthens Concentric's capabilities in electrical products including electrical fans, oil and water e-Pumps and will increase the Group's revenues by more than 50% on an annual basis.

EMP is predominantly active in North America, enabling significant growth opportunities by expanding the Group's geographical reach through our global presence and sales force. As EMP also has relationships with a number of key customers in Concentric's markets, the combination of the two companies increases the combined value proposition to these customers and provides Concentric with access to new customers and platforms in our current markets.

Concentric's focus remains to develop world class technology with innovative solutions that meet the sustainability needs of our customers. As transport systems and support infrastructures move to a CO_2 neutral future, there are several competing technologies with fuel cells, battery and hybrid solutions. With EMP's product portfolio Concentric can offer its customers products that are universally applicable regardless of the preferred technology. Concentric now have the capability not only to be a market leading e-Pump supplier, but also to supply the entire pumping and cooling systems for vehicles and machines, and become a full solution provider.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

MSEK	
Consideration paid in cash	1,276
Deferred consideration	14
Total consideration	**1,290**

Cash flow from the acquisition

Consideration paid in cash	1,276
Acquisition related costs	18
Cash and cash equivalents of the acquired company	–88
Total cash flow from the acquisition	**1,206**

The assets and liabilities recognised as a result of the acquisition are as follows:

MSEK	Expected useful lives (years)	Book value	Adjust-ment	Fair value
Intangible assets		1	–1	–
Customer relationships	10–15	–	239	239
Developed technology	7	–	65	65
Brand	15	–	45	45
Property, plant and equipment	3–18	213	120	333
Cash		88	–	88
Inventories		142	6	148
Trade and other receivables		142	–	142
Trade and other payables		–154	–	–154
Borrowings		–50	–	–50
Deferred tax		–12	–112	–124
Fair value of net assets acquired		**370**	**362**	**732**
Goodwill				558
Total net assets				**1,290**

Goodwill relates to the expected synergies across our group as we expand to cross sell products worldwide, the skilled workforce and technical know-how of employees and the alignment and strategic fit to our existing customer base.

Acquired receivables

The fair value of acquired trade receivables is MSEK 138. The gross contract amount of trade receivables due is MSEK 142, with a loss allowance of MSEK 4 recognised on acquisition.

Revenue and profit contribution

The acquired business contributed revenues of MSEK 167 and net loss of MSEK 4 to the group for the period from 30 October 2021 to 31 December 2021.

If the acquisition period had occurred on 1 January 2021, revenue and net profit before items affecting comparability for the year ended 31 December 2021 would have been MSEK 1,011 and MSEK 51 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and subsidiary.

Acquisition-related costs of MSEK 18 that were not directly attributable to the purchase of the shares are included in operating income in the statement of profit or loss, but in investing activities in the statement of cash flows.

NOTE 36

Related party transactions

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

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

NOTE 37

Significant events after balance-sheet date

On 7 January 2022 Concentric announced the closure of our facility in Chivilcoy, Argentina. The investment in this facility was written down to nil during the year at a cost of MSEK 22.

On 24 January 2022 Concentric announced the appointment of Martin Kunz as the new President and CEO, succeeding David Woolley from 1 March 2022.

The Company is closely following the developing situation in Ukraine. It remains too early to be able to quantify the financial and commercial effects on the business as while sales and purchases to this region are not material to the Group, any further escalation in the conflict could impact both the regional and global economies.

NOTE 38

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

The carrying amount of financial assets and liabilities are considered to be reasonable approximations of fair value for each class of financial assets and financial liabilities. The Group's interest bearing liabilities have floating base interest rates. Hence, changes in the base interest rate do not materially affect the fair value of the liabilities. Furthermore, there has not been any change in credit spread during the year that in Concentric's view would materially impact fair value.

Accounts receivable and payable are all short-term and therefore their carrying amounts are also considered to be reasonable approximations of their fair values. The table below shows the carrying amount of financial assets and financial liabilities per measurement category in IFRS 9. For a description of the Group's exposures to financial risks, and its financial risk management, please see pages 69–70 in the Board of Directors' report.

		Derivatives used for hedging		Financial assets measured at amortised cost		Total	
	Note	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Financial assets at fair value							
Other current receivables							
– Foreign currency derivatives	22	3	–	–	–	3	–
Financial assets not at fair value							
Long-term receivables		–	–	4	29	4	29
Accounts receivable	21	–	–	393	180	393	180
Short-term loans receivable from joint venture	29	–	–	–	2	–	2
Other current receivables	22	–	–	38	27	38	27
Cash and cash equivalents	23	–	–	440	505	440	505
Total financial assets		**3**	**–**	**875**	**743**	**878**	**743**

		Derivatives used for hedging		Financial liabilities at amortised cost		Total	
	Note	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Financial liabilities at fair value							
Other current liabilities							
– Foreign currency derivatives	31	–	–	–	–	–	–
Financial liabilities not at fair value							
Long-term interest-bearing liabilities	27	–	–	896	111	896	111
Other long-term liabilities		–	–	–	1	–	1
Short-term interest-bearing liabilities	28	–	–	375	18	375	18
Short-term loans payable to joint venture	29	–	–	–	–	–	–
Accounts payable	26	–	–	313	154	313	154
Other current liabilities	31	–	–	133	102	133	102
Total financial liabilities		–	**–**	**1,717**	**386**	**1,717**	**386**

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 financial derivatives are based on valuations received from the financial institution that is the counterparty to each contract.

Hedge accounting is applied for the derivatives that are used to hedge foreign currency transactions. Derivative assets are reported under "Other current receivables" (note 22) and derivative liabilities are reported under "Other current liabilities" (note 31). During the reporting period an amount of MSEK 1.9 (2.1) was reclassified from the hedging reserve and included in finance net and an amount of MSEK 0.5 (1.8) was reclassified and included in Cost of goods sold.

Parent Company

Parent Company income statement

	Note	2021	2020
Net sales	2	28	49
Operating costs	2, 3, 4	–26	–19
Other operating expenses		–4	–
Operating income		**–2**	**30**
Income from shares in subsidiaries	5	–5	690
Income from shares in joint venture	5	46	–
Interest income and similar items	5	7	82
Interest expenses and similar items	5	–66	–18
Financial items – net		**–18**	**754**
Earnings before tax		**–20**	**784**
Taxes	6	10	–22
Net income for the year		**–10**	**762**

Statement of comprehensive income in Parent Company

	2021	2020
Net income for the year	–10	762
Other comprehensive income	–	–
Total comprehensive income	**–10**	**762**

Parent Company balance sheet

	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Shares in subsidiaries	7	4 243	3,149
Shares in joint venture	8	10	10
Long-term loans receivable from subsidiaries	9	1 017	1
Long-term loans receivable from joint ventures	9	–	25
Deferred tax assets	6	11	–
Total financial fixed assets		**5,281**	**3,185**
Other current receivables	10	10	3
Short-term loans receivable from subsidiaries	9	128	6
Short-term loans receivable from joint ventures		–	2
Cash and cash equivalents	11	290	390
Total current assets		**428**	**401**
Total assets		**5,709**	**3,586**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share Capital	12	97	97
Total restricted equity		**97**	**97**
Retained earnings		2,255	1,618
Total comprehensive income		−10	762
Total unrestricted equity	**21**	**2,245**	**2,380**
Total Shareholders' equity		**2,342**	**2,477**
Pensions and similar obligations	13	18	18
Long-term interest-bearing liabilities	14, 15	791	–
Long-term loans payable to subsidiaries	14	1,987	1,041
Total long-term liabilities		**2,796**	**1,059**
Accounts payable	14	1	1
Short-term interest-bearing liabilities	14,15	340	–
Short-term loans payable to subsidiaries	14	221	43
Other current liabilities	14, 16	9	6
Total current liabilities		**571**	**52**
Total equity and liabilities		**5,709**	**3,586**

Changes in shareholders' equity in Parent Company

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

	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2021	**97**	**2,380**	**2,477**
Net income for the year	–	–10	–10
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**–10**	**–10**
Transactions with shareholders			
Dividend	–	–133	–133
Sale of own shares to satisfy LTI-options exercised	–	8	8
Buy-back own shares	–	–	–
Total transactions with shareholders	**–**	**–125**	**–125**
Closing balance at December 31, 2021	**97**	**2,245**	**2,342**

Parent Company cash flow statement

	Note	2021	2020
Cash flow from operating activities			
Earnings before tax		–20	784
Reversal of non-cash items	18	1,076	–75
Cash flow from operating activities before changes in working capital		**1,056**	**709**
Change in working capital			
Current receivables		–5	5
Current liabilities		–1	–4
Change in working capital		**–6**	**1**
Cash flow from operating activities		**1,050**	**710**
Cash flow from investing activities			
New loans paid to joint venture		–	–40
Repayment of loans from joint venture		25	15
New loans paid to subsidiaries	19	–1,073	–4
Repayment of loans from subsidiaries	19	4	–
Investments in subsidiaries	19	–2,116	–
Cash flow from investing activities		**–3,160**	**–29**
Cash flow from financing activities			
Dividend		–133	–123
Buy-back own shares		–	–
Sale of own shares		8	11
New loans received from subsidiaries	20	1,073	374
New loans	20	1,073	–
Repayment of loans to subsidiaries	20	–11	–958
Cash flow from financing activities		**2,010**	**–696**
Cash flow for the period		**–100**	**–15**
Cash and bank assets, opening balance		**390**	**405**
Cash and bank assets, closing balance		**290**	**390**

Parent Company notes

NOTE 1
Accounting principles

The Annual Report for the Parent Company has been prepared in accordance with the 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, 2021 have had a significant impact on the Parent Company´s Income statement or Balance sheet.

b) Group contribution

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

c) Shares in subsidiaries and associated companies

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

d) Financial instruments

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

The Parent Company uses an interest rate swap to hedge the exposure to variability in interest rates on its floating rate borrowing in USD. Hedge accounting is applied for the interest rate swap and the Parent Company does not report any unrealized gains or losses on the swap. Interest coupons paid or received on the swap are recognised as part of "Financial expenses and similar items".

e) Leases

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

f) Pension obligations

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

NOTE 2
Net sales and other operating income

Inter-company transactions/Related party transactions

All of the Parent Company's net sales, MSEK 28 (49) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 9 (5). The sales relates mostly to royalties and recharges.

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

NOTE 3
Auditing fees

	2021	2020
Audit assignments, KPMG	1	1
	1	**1**

NOTE 4
Salaries and other remuneration

Amounts in SEK (thousands)	2021	2020
Salaries and remuneration	4,420	4,462
of which Board of Directors	3,369	3,425
Pension costs	92	448
Social security costs	1,403	1,343
Other personnel cost	1,140	227
Total personnel costs	**7,055**	**6,480**

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

The CEO is employed by Concentric Pumps Ltd. in the UK and the cost for the CEO, CFO, Group HR, Group Finance and Mergers & Acquisitions, related to shareholder's services in the Parent Company, has been invoiced and amounts to kSEK 8,816 (4,309).

Provision according to Tryggandelagen was kSEK −92 (272). See also Note 13, Pensions.

NOTE 5
Financial items – Net

	2021	2020
Income from shares in subsidiaries		
Group contribution from subsidiaries	3	7
Dividend from Concentric US Finance 2 Ltd	5	–
Dividend from Concentric Pumps Ltd	1,010	–
Dividend from Concentric Skånes Fagerhult AB	–	1
Dividend from Concentric Innovations	–	682
Write-down of shares in Concentric Pumps Ltd	−1,010	–
Write-down of shares and receivables in Concentric Argentina Ltd	−13	–
	−5	**690**
Income from shares in joint venture		
Dividend from Alfdex AB	46	–
	46	**–**
Interest income and similar items		
Interest income, external	–	–
Interest income from subsidiaries	7	7
Foreign exchange rate gains	–	75
	7	**82**
Interest expenses and similar items		
Interest expenses, external	−3	–
Interest expenses to subsidiaries	−7	−15
Foreign exchange rate losses	−53	–
Pension financial expenses	−1	−1
Other financial items, external	−2	−2
	−66	**−18**
Financial items – net	**−18**	**754**

NOTE 6
Taxes

	2021	2020
Current tax	−1	–
Deferred tax	11	−22
Total income tax	**10**	**−22**
Reconciliation of effective tax rate		
Earnings before tax	−20	784
Applicable tax rate, %	21	−21
Tax attributable to previous years, %	−4	–
Non-taxable dividend from subsidiaries and associated companies, %	−19	18
Non-tax deductible write-downs in subsidiaries, %	51	–
Non-tax deductible expenses, %		–
Reported effective tax rate, %	**49**	**−3**
Total deferred tax assets related to tax loss carried forward	**11**	**–**

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 2021 amounted to MSEK 11 (–).

NOTE 7
Shares in subsidiaries

Company name	Corp, Reg. No.	Reg'd office	Participations	%	2021	2020
Concentric Pumps Ltd (formerly Plc)		UK	518,397	100	954	1,556
Concentric Americas, Inc.		US	1,000	100	750	–
Concentric Germany GmbH		Germany	1	100	260	
Concentric Argentina Ltd		UK	1	100	–	12
Concentric US Finance 2 Ltd		UK	100	100	11	–
Concentric Skånes Fagerhult AB	556105-8941	Örkelljunga, Sweden	30,000	100	22	22
Concentric Innovations AB	556908-4535	Stockholm, Sweden	50,000	100	2,245	1,559
Concentric SAS		France	10	100	–	–
Concentric Korea LLC		South Korea	12,000	100	1	–
Concentric Srl		Italy	10,000	100	–	–
					4,243	**3,149**

Indirect Investments in principal trading subsidiaries

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

Changes in shares in subsidiaries	2021	2020
Opening balance, acquisition value	4,001	4,001
Concentric Pumps Ltd	408	
Concentric Innovations AB	687	–
Concentric US Finance 2 Ltd	11	–
Concentric Germany GmbH	260	
Concentric Americas Inc.	750	–
Closing balance, acquisition value	**6,117**	**4,001**
Opening balance, write-downs	–852	–852
Concentric Pumps Ltd	–1,010	–
Concentric Argentina Ltd	–12	–
Closing balance, write-downs	–1,874	–852
Closing balance, carrying amount	**4,243**	**3,149**

NOTE 8
Shares in joint venture

Company name	Corp, Reg. No	Reg'd office	Participations	%	2021	2020
Alfdex AB	556647–7278	Landskrona	50,000	50%	10	10

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. Alfdex's product is based on separation technology for cleaning of crank-case gases in diesel engines for vehicles, electric generators and ships. Concentric ABs share of profit for 2021 is MSEK 81 (21) and share of equity per year-end 2021 is MSEK 116 (72). See also Note 19 for the Group.

NOTE 9
Long-term loans receivable from subsidiaries and joint ventures

	2021	2020
Total loans	1,145	26
of which reported as short-term loans	–128	–
Long-term loans	**1,017**	**26**

The loans relate primarily to a new loan amounted to MUSD 125 (MSEK 1,131). Maturity date 26 October 2025. The loan will be repaid with MUSD 12.5 per year (MSEK 113). Both average and closing interest rate was 2.875%.

The loan to Alfdex AB of MSEK 25, have been fully repaid during the year.

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

NOTE 10
Other current receivables

	2021	2020
Prepaid insurance premiums	1	1
Prepaid interest costs	7	1
Other prepaid expenses	2	1
	10	**3**

NOTE 11
Cash and cash equivalents

	2021	2020
Bank accounts and cash	290	390

NOTE 12
Share capital

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

Changes in share capital	Number of shares	Quota value	Total
Number of registered shares:			
Opening balance January 1, 2020	39,224,100	2.48	97,275,768
Retirement of repurchased own shares April 23, 2020	–926,500	2.48	–2,297,720
Bonus share issue April 23, 2020			2,297,856
Closing balance December 31, 2020	**38,297,600**	**2.54**	**97,275,904**
Closing balance December 31, 2021	**38,297,600**	**2.54**	**97,275,904**
Number of outstanding shares:			
Number of registered shares December 31, 2019	39,224,100	–	–
Number of own shares December 31, 2019	–1,457,367	–	–
Number of outstanding shares December 31, 2019	**37,766,733**	**–**	**–**
Number of registered shares December 31, 2020	38,297,600	–	–
Number of own shares December 31, 2020	–428,067	–	–
Number of outstanding shares December 31, 2020	**37,869,533**	**–**	**–**
Number of registered shares December 31, 2021	38,297,600		
Number of own shares December 31, 2021	–367,692		
Number of outstanding shares December 31, 2021	**37,929,908**		

	2021	2020
Number of average outstanding shares	37,902,337	37,814,628
Number of shares adjusted for ongoing option programs	117,447	34,173
Number of average outstanding shares, after dilution	**38,019,784**	**37,848,801**

The cash dividend decided by the Annual General Meeting 2021 was SEK 3.50 (3.25) per share or a total of MSEK 132.5 (123.1). As in 2020 Concentric AB didn't buy-back any own shares during 2021, but have sold 60,375 (102,800) of its own shares, to exercise and satisfy LTI-programme. Last year 926,500 of the company´s own shares was retired.

The total number of holdings of its own shares at year-end 2021 was 115,965 (123,255), which represented 0.3% (0.3) of the total number of shares of the Company. In addition to this, the total number of own shares transferred to an Employee Share Ownership Trust is 251,727 (304,812). Including these shares the company's holdings was 367,692 (428,067) representing 1.0% (1.1) of the total number of shares.

Annual General Meeting 2018–2021 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

	2021	2020
FPG/PRI pension plan	18	18

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

	2021	2020
Opening balance, 1 January	**18**	**18**
Provision according to Tryggandelagen, Personnel cost	–	–
Provision according to Tryggandelagen, Financial cost	1	1
Payment	–1	–1
Closing balance, 31 December	**18**	**18**

NOTE 14
Maturity analysis for financial liabilities

	0–6 months		7–12 months		13–60 months		>60 months		Total	
Nominal amount	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Pensions and similar obligations	–	–	–	–	–	–	18	18	18	18
Term loan	57	–	57	–	791	–	–	–	905	–
Multicurrency revolving loan	–	–	–	–	226	–	–	–	226	–
Long-term loans payable to subsidiaries	–	–	–	–	966	–	1,021	1,041	1,987	1,041
Short-term loans payable to subsidiaries	167	43	54	–	–	–	–	–	221	43
Accounts payable and other current liabilities	8	5	–	–	–	–	–	–	8	5
Total financial liabilities	**232**	**48**	**111**	**–**	**1,983**	**–**	**1,039**	**1,059**	**3,364**	**1,107**
Expected total future interest payments	26	1	25	1	115	5	–	1	166	8

NOTE 15
Interest-bearing liabilities

	2021	**2020**
Term loan	905	–
Multicurrency revolving loan	226	–
Total interest-bearing liabilities	**1,131**	**–**

	Long-term borrowings	**Short-term borrowings**
Term loan	791	114
Multicurrency revolving loan	–	226
Total interest-bearing liabilities	**791**	**340**

For additional information see Notes 26-28 for the Group.

NOTE 16
Other current liabilities

	2021	**2020**
Accrued interest cost	4	–
Accrued audit fee	1	1
Accrued personnel cost	1	1
VAT	–	2
Other accrued expenses	3	2
	9	**6**

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

NOTE 17
Contingent liabilities

	2021	**2020**
General collateral guarantee for loans in subsidiaries	31	27
Other contingent liabilities	1	1
	32	**28**

The above commitments are not expected to result in any payments. General guarantee regarding the loans are for the operations in Argentina and China.

NOTE 18
Reversal of non-cash items

	2021	**2020**
Unrealised financial exchange rate differences	53	–74
Write-down of shares in Concentric Pumps UK Ltd.	1,010	–
Write-down of shares and receivables in Chivilcoy, Argentina	13	–
	1,076	**–74**

NOTE 19
Investments in subsidiaries

	2021	**2020**
Short-term loan to subsidiaries	–1,073	–4
Repayment loan from subsidiaries	4	–
Shares in Concentric Americas Inc	–750	–
Shares in Concentric Lucerne	–687	–
Shares in Concentric Germany GmbH	–260	–
Shares in Concentric Pumps Ltd. UK	–408	–
Shares in Concentric US Finance 3 Ltd.	–11	–
Net investments	**–3,185**	**–4**

NOTE 20
Reconciliation of liabilities from financing activities

	External Loans	**Loans to subsidiaries**	**Total**
Opening balance, January 1, 2021	–	1,084	1,084
Cash flow	1,073	1,062	2,135
Other non-cash items	58	62	120
Closing balance, December 31, 2021	**1,131**	**2,208**	**3,339**

NOTE 21

Proposed appropriation of earnings

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

Amounts in kSEK	
Profit brought forward	2,255,838,105
Net income for the year	–10,604,554
Total	**2,245,233,551**

The Board of Directors proposed appropriation of earnings:

Amounts in kSEK	
Dividend of SEK 3.75 per share to the shareholders	142,237,155
Profit to carry forward	2,102,996,396
Total	**2,245,233,551**

The record date for determining who is entitled to receive dividends is proposed to be Monday April 25, 2022. In view of the Board of Directors' proposal to the Annual General Meeting to be held April 21, 2022 to decide on the distribution of a dividend of SEK 3.75 per share, the Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The proposed dividend reduces the Company's equity to assets ratio from 41% to 40% and the Group's equity to assets ratio from 39% to 36%. 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.

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 28 March, 2022

Anders Nielsen
Chairman of Board

Petra Sundström
Member of the Board

Joachim Rosenberg
Member of the Board

Karin Gunnarsson
Member of the Board

Martin Sköld
Member of the Board

Claes Magnus Åkesson
Member of the Board

Susanna Schneeberger
Member of the Board

Martin Kunz
President and CEO

Our audit report was submitted on 29 March, 2022
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Concentric AB for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 64–117 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

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

Key Audit Matters

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

Acquisition of Engineered Machine Products Inc

See disclosure 35 and accounting principles on pages 83–84 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At the end of October 2021, all the shares in Engineered Machine Products Inc. were acquired for a total purchase price of SEK 1,290 million. Following a business combination, the acquired operations should be accounted for in the consolidated accounts, which requires acquired assets and liabilities to be identified and measured at fair value at the acquisition date. The difference between the purchase price and the identified assets and liabilities is goodwill.

The purchase price allocation requires judgements to be made regarding which assets to account for in the consolidated accounts – in particular intangible assets may be difficult to assess – including the assigned fair values in the consolidated accounts. These judgments will affect the group's future profits, partly depending on whether the identified assets are to be amortised or not in the consolidated accounts.

Response in the audit

We have analysed the purchase price allocation in order to assess whether it has been prepared in accordance with commonly prescribed methods and that all assets, in particular intangible assets, and liabilities have been identified. We have received and assessed the documentation that management has prepared with assistance from external experts.

Furthermore, we have focused on whether the techniques used to measure the acquired assets and liabilities to fair value are in accordance with the prescribed framework and established valuation techniques. In the purchase price allocation intangible assets consisting of customer relationships, brands and technology amounting to SEK 349 million have been identified in addition to what was recorded in Engineered Machine Products Inc. Goodwill amount to SEK 558 million.

We have also assessed the disclosures relating to the business combination included in the annual accounts and the consolidated accounts.

Pensions the UK

See disclosure 25 and accounting principles on pages 86–87 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group's share of the pension schemes' net deficit for the UK was MSEK 93, consisting of defined benefit obligation of MSEK 1,675 and plan assets of MSEK 1,582. Given the size of the schemes, small changes in assumptions and estimates used to value the Group's retirement benefit obligations have a significant impact on the Group's share of the retirement benefit obligations.

Response in the audit

We challenged the key assumptions supporting the Group's retirement benefit obligations valuation, with input from our own actuarial specialists. This included a comparison of the discount rate, inflation and life expectancy assumptions used against externally derived data. We considered the adequacy of the Group's disclosures in respect of the key assumptions, including the sensitivity of the deficit to changes.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–45 and 124–137. The other information comprises the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Concentric AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Concentric AB for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[WcEDX6+iWwEZ/y0=] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Concentric AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other

Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 46-62 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 34–43 and 124–131, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Concentric AB by the general meeting of the shareholders on 22 April 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Stockholm 29 March 2022

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Sustainability reporting – GRI

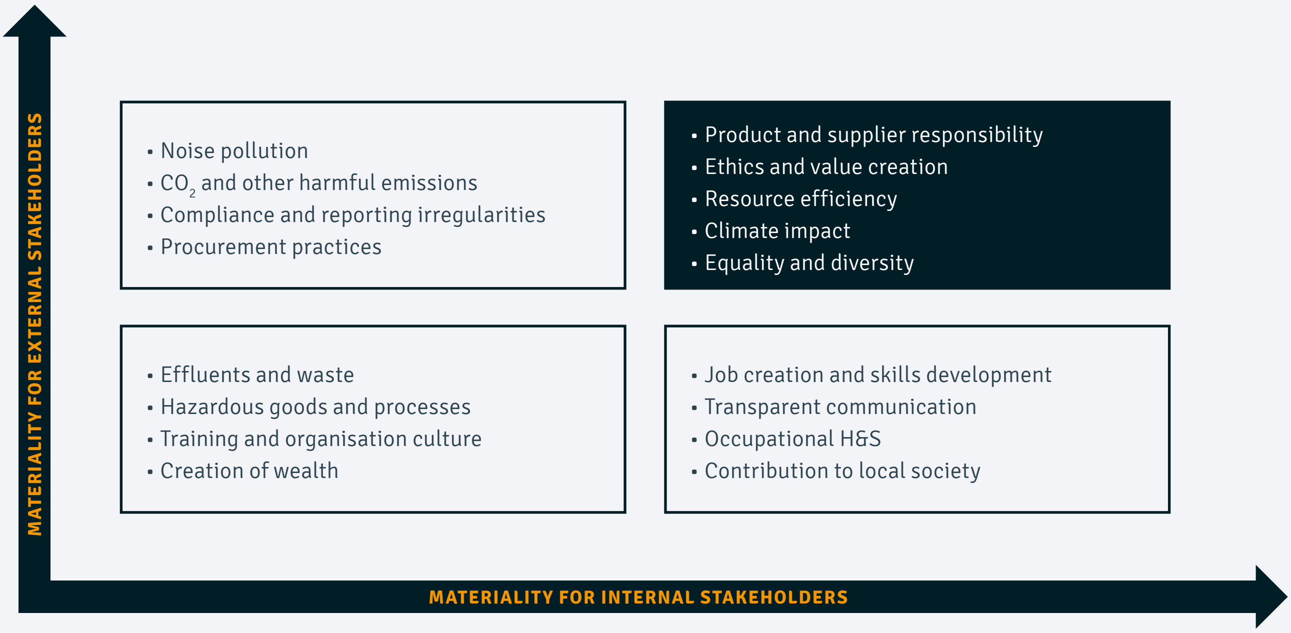
Concentric describes its work with sustainability, and reports on fulfilment of financial, environment and social goals and indicators, in the Sustainability Report on pages 34–43 of the annual report. This report has been in accordance with the GRI Standards: Core option. It reports the achieved results for the accounting period given our commitments, strategies and sustainability governance. The aim is to measure, report and take responsibility for what we have achieved in our work toward sustainability with respect to both our internal and our external stakeholders.

Scope of the report

Sustainability Report refers to the 2021 financial year and encompasses the operations of the entire Group, including subsidiaries. Concentric's ambition is to provide a comprehensive account of its sustainability work and clearly present both negative and positive developments. The sustainability work draws on the policies and guidelines governing the manner in which the business is conducted based on the commitments we have made, for example, to Global Compact. We use a materiality analysis in order to determine the issues that are the most important and thus should be included in the work and the report taking into consideration Concentric's operations and our external and internal stakeholders. This report has been prepared in accordance with the GRI Standards: Core Option. We report the year 2021 as GRI compliant with a page reference on pages 128–130.

Materiality analysis

The materiality analysis is a method used to identify the issues within sustainability that are essential for the Company. It is based on a compilation of information from in-depth interviews with key staff members, survey responses from identified stakeholders, internal investigations and standards, de facto-standards and legislative requirements in the area of sustainability. The information is evaluated based upon the opportunities and risks of different sustainability aspects in Concentric's operations – for long-term value creation both within the Group and the wider society. The results of this evaluation have identified significant sustainability aspects which form the basis for Concentric's sustainability work and what should be reported.



Concentric's management approach to sustainability

Material aspects of sustainability	Key risks and why material	Governance	Follow-up through GRI indicator aspects for stakeholders
Ethics and Value Creation (DMA Economic Performance & Procurement Practices)	• Reputational loss • Legal cost of breaches • Reduced shareholder value Concentric's long-term profitability is fundamental to value creation	• Ethical guidelines • Code of Conduct • Reporting of violations based upon Concentric's values and policies • Whistle-blowing policy • Financial targets • Monthly business reviews • Risk management process	201-1 Direct economic value generated, distributed and retained 204-1 Proportion of expenditure with local suppliers
Product Responsibility & Climate Impact (DMA Product and Service Labelling and Emissions)	• Long-term viability of organisation • Impact on society • Legal cost of breaches • Reduced shareholder value Concentric develops innovative engine and hydraulic pumps which increase efficiency and reduce emissions, thereby reducing the impact on the climate of Trucks and Off-highway mobile equipment	• Environmental policy • ISO/TS 16949 Quality Control Systems • Customer surveys • Product design tollgate process • FMEA • Durability and performance testing • Emissions legislation testing both for On- and Off-highway vehicles	102-43 and 102-44 Results of measuring customer satisfaction
Responsible Suppliers (DMA Supplier Environmental and Human Rights Assessment)	• Reputational loss • Impact on society • Continuity of supply It is strategically important that the large quantities of materials purchased for Concentric's pumps are manufactured under responsible conditions	• Social policy • Code of Conduct for suppliers • ISO/TS 16949 Quality Control Systems • ISO 14001 Environmental Management System • Supplier selection and assessment procedures • Supplier days/visits and on-site audits	308-1 Environmental performance indicators 414-1 Supplier Human Rights
Work Environment (DMA Occupational Health and Safety)	• Safety of employees • Legal cost of breaches • Reduced shareholder value from lower productivity The work environment within Concentric's manufacturing operations is exposed to many different risks for accidents and other work-related injuries	• Accident and injury statistics • Clock card records • Skills matrices • Training and development plans • Preventative healthcare and Employee Wellness programmes • 6S methodology • OHSAS 18001 • Internal and external audits	403-2 Scope of injuries, injury frequency, lost days, absenteeism and total number of work-related fatalities by region
Diversity and Equal Opportunity (DMA Diversity and Equal Opportunity)	• Reputational loss (employer brand) • Lack of innovation • Unfair treatment of employees Legal costs from breaches in human rights We believe that a long-term employment policy should offer a workplace that is both characterised by and protects equality and diversity	• Code of Conduct • Employee handbook • Recruitment procedures • Equality targets • Nomination committee	102-8 and 405-1 Breakdown by age and gender of all employees, including the composition of governance bodies
Resource Efficiency (DMA Materials and Energy)	• Impact on society Reduced shareholder value from lower efficiency It is strategically important that Concentric's operations, which use large quantities of materials and consume significant energy, strive to become more efficient and reduce their impact on the climate	• Environmental policy • ISO/TS 16949 Quality Control Systems • ISO 14001 Environmental Management System • Continuous improvement and Lean manufacturing methodologies driven by Concentric Business Excellence programme	301-1 Recycled materials used by weight 302-3 Energy consumption (total gas and electricity)

Facts and key performance indicators for sustainability

GRI reference	Stakeholder	Key performance indicator	2021			2020		
Ethics & value creation			**Americas**	**Europe & RoW**	**Group**	**Americas**	**Europe & RoW**	**Group**
Direct economic value generated, 201-1	Customer	Revenues generated from the sale of engine and hydraulic products	999	1,496	2,115	651	1,108	1,503
Direct economic value distributed, 201-1	Suppliers	Operating costs: procurement of goods and services, including depreciation and amortisation	–698	–877	–1,241	–436	–679	–883
	Employees	Wages, salaries, pensions and other benefits, including competence development	–209	–278	–470	–123	–238	–343
	Financial Institutions	Interest and similar items related to providers of capital	n/a	n/a	–13	n/a	n/a	–20
	The State	Tax expenses and other payments made to government	n/a	n/a	–52	n/a	n/a	–51
	Shareholders	Own share buy-backs and dividends	n/a	n/a	–125	n/a	n/a	–112
Direct economic value retained, 201-1	Shareholders	Earnings/(deficit) retained after own share buy-backs & dividends	n/a	n/a	213	n/a	n/a	93
Procurement practices, 204-1	Suppliers	Proportion of expenditure with local suppliers 1)	59%	65%	63%	21%	76%	54%

Responsible suppliers								
Environmental performance indicators, 308-1	Suppliers	Percentage of new suppliers that were screened using environmental criteria	100%	100%	100%	100%	100%	100%
Supplier Human Rights, 414-1	Suppliers	Percentage of new suppliers that were screened using human rights criteria	100%	100%	100%	100%	100%	100%

Work environment			**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Work-related injuries and frequency, 403-2	Employees	Work-related injuries that caused at least one day of absence expressed as the number of incidents relative to the total days worked for all employees			10 197,597 days			16 155,540 days
Lost days, 403-2	Employees	Total number of absence days due to work-related injuries as a percentage of the total days worked for all employees			0.02%			0.07%
Absenteeism, 403-2	Employees	Total number of all absence days as a percentage of total days worked for all employees	1.3%	2.5%	3.8%	0.5%	2.6%	3.0%
Work-related fatalities, 403-2	Employees	Total number	0	0	0	0	1 2)	1 2)

1) Definition of local supplier based upon ability to deliver from the supplier's manufacturing premises to Concentric's facility using road transportation only.
2) The work related fatality arose due to a car accident on a public highway. No contingent liability is foreseen because of this accident.

Facts and key performance indicators for sustainability

GRI reference	Stakeholder	Key performance indicator	2021			2020		
Diversity & equal opportunity			**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Age and gender distribution, 102-8 and 405-1	Colleagues[3]	≤ age 25	20	65	85	2	16	18
		age 26–35	26	187	213	12	117	129
		age 36–45	47	192	239	23	123	146
		age 46–55	50	205	255	34	120	154
		≥ age 56	44	201	245	30	127	157
		Total number	**187**	**850**	**1,037**	**101**	**503**	**604**
	Managers	age 26–35	2	14	16	2	12	14
		age 36–45	2	28	30	2	31	33
		age 46–55	2	30	32	3	24	27
		≥ age 56	2	15	17	3	16	19
		Total number	**8**	**87**	**95**	**10**	**83**	**93**
	Executives	age 36–45	–	1	1	1	0	1
		age 46–55	–	2	2	0	3	3
		≥ age 56	1	1	2	0	1	1
		Total number	**1**	**4**	**5**	**1**	**4**	**5**
	Board of Directors	age 46–55	2	2	4	1	2	3
		≥ age 56	1	2	3	2	3	5
		Total number	**3**	**4**	**7**	**3**	**5**	**8**

3) Age and gender distribution excludes employees of joint ventures (Alfdex AB) and any part-time/temporary workers employed through agencies.

GRI reference	Stakeholder	Key performance indicator			
2021 headcount by contract type			**Men**	**Women**	**Total**
Total workforce by employment type, contract and gender, 102-8[1]	Temp/perm	Permanent	894	340	1,234
		Temporary	60	21	81
		Total	**954**	**361**	**1,315**
			Permanent	**Temporary**	**Total**
	Region	Argentina	70	–	70
		China	16	–	16
		Germany	166	19	185
		India	144	17	161
		Sweden	99	6	105
		UK	141	7	148
		USA	596	32	628
		Other	2	–	2
		Total	**1,234**	**81**	**1,315**
			Men	**Women**	**Total**
	Employment type	Full time	947	344	1,291
		Part time	7	17	24
		Total	**954**	**361**	**1,315**

1) Calculated as actual head count at year end including our 50% share of Alfdex AB.

GRI reference	Stakeholder	Key performance indicator	2021	2020
Resource efficiency				
Recycled materials used by weight, 301-2	Society	Percentage of recycled material by weight used within grey iron and aluminium	27.1%	25.7%
Energy consumption, 302-3	Society	Group consumption of gas and electricity	12.04 kWh/MSEK Sales	12.22 kWh/MSEK Sales

Concentric use diesel in generators as a backup power solution but the actual diesel usage in the year was negligible.

2021 GRI Index

This report has been prepared in accordance with the GRI Standards: Core Option. Therefore we report the year 2021 as GRI compliant in the index below.

The intention is for the GRI Index to be used as a cross-reference list to find where in the annual report the information is located. In some cases supplementary or complete answers to a question are provided in the comment field of the index table. The information in the Sustainability Report has not been reviewed by a third party. Other calculations of indicators and key performance indicators have not been reviewed by an external party, with the exception of those that are included in the legal section of the annual report.

GRI-referenced

GRI code	Description/indicator	Reference	Page	Comments/ omissions	External assurance
Organisational profile					
102-1	Name of the organisation	Board of Directors' Report	64		
102-2	Primary brands, products, and/or services	Engine Products Hydraulic Products	12 14		
102-3	Location of organisation's headquarters	Addresses	137		
102-4	Countries where the organisation operates	Summary Group Note 4 Segment Reporting	20–21 89–90		
102-5	Nature of ownership and legal form	The Concentric Share	44–45		Yes
102-6	Markets served	End-Markets	22–25		
102-7	Scale of the reporting organisation	Board of Directors' Report Consolidated Income Statement Consolidated Balance Sheet	64–77 78 79		Yes
102-8	Total workforce by employment type, employment contract and gender	Concentric employees by country (FTEs) Group Note 6 Average number of employees Facts and key performance indicators for sustainability	41 91 126–127		
102-9	Organisation's supply chain	Supply Chain	42		
102-10	Significant changes during the reporting period regarding size, structure, ownership or supply chain	Board of Directors' Report Group Note 35 Investments in subsidiaries	64–77 104		Yes
102-11	Description of how the Company addresses the precautionary principle	Sustainability Report	34–43		
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses	UN's Global Compact US SuperTruck Program			
102-13	Memberships in organisations and/or national or international advocacy organisations	Malcolm Baldrige, Investors in Excellence & European Foundation for Quality Management			

GRI code	Description/indicator	Reference	Page	Comments/ omissions	External assurance
Strategy and analysis					
102-14	Statement from the CEO	CEO Letter	6–9		
Ethics & integrity					
102-16	Values, principles, standards and norms of behaviour	Values Social issues	3 40–42		
Governance					
102-18	Corporate Governance	Integrated governance processes Corporate Governance in Concentric	35 46–59		Yes
Stakeholder engagement					
102-40	Stakeholder groups	Stakeholder engagement	37–38		
102-41	Percentage of employees covered by collective bargaining agreements	50% of employees in the group are covered by collective agreements			
102-42	Identification and selection of stakeholders	Stakeholder engagement	37–38		
102-43	Approaches to stakeholder engagement	Stakeholder engagement	37–38		
102-44	Key topics raised through stakeholder engagement	Stakeholder engagement	37–38		
Identified material aspects and boundaries					
102-45	Operational structure, units, business areas, subsidiaries and joint ventures	Parent Note 7 Shares in subsidiaries Foundation of corporate governance	113–114 47		Yes
102-46	Definition of report content and relevant sustainability aspects	Sustainability Report Scope of the GRI report	34–43 124		
102-47	Material aspects identified in the process for defining report content	Concentric's group-wide aspects and targets in sustainability	36		
Report profile					
102-50	Reporting period	Board of Directors' Report	64		
102-51	Date of most recent previous report	2020 Annual Report, published in 2021			
102-52	Reporting cycle	Scope of the GRI report	124		
102-53	Contact point for the report	Board of Directors & Group CEO			
102-54	Table showing information for all parts of the GRI's standard disclosures	2020 GRI Index	128–130		
102-56	Policy and current practice for external assurance	2020 GRI Index	128		
Specific standard disclosures					
103-1 103-2 103-3	Disclosure on management approach	Concentric's management approach to sustainability	52 125		

GRI code	Description/indicator	Reference	Page	Comments/omissions	External assurance
Economic performance indicators					
201-1	Direct economic value generated and distributed	Consolidated Income Statement Consolidated Balance Sheet	78 79	We do not report payments to government by country, and community investments, as the information is not available	Yes
201-3	Defined benefit plan obligations	Group Note 25 Pensions and similar obligations	99–102		Yes
204-1	Procurement practices	Facts and key performance indicators for sustainability	126		
Society					
205-1	Number and percentage of operations assessed for risks related to corruption	100% of the group's operations were assessed and no significant risks related to corruption were identified			
206-1	Number of pending/completed legal actions brought for anti-competitive behaviour, anti-trust and/or monopoly practices	None			
Environmental performance indicators					
301-2	Recycled input materials used	Facts and key performance indicators for sustainability	127		
302-3	Energy consumption within organisation	Facts and key performance indicators for sustainability	127		
308-1	Percentage of new suppliers that were screened using environmental criteria	Facts and key performance indicators for sustainability	126		
Employment conditions and work conditions					
403-2	Rates of injuries, lost days, absenteeism, and number of work related fatalities	Facts and key performance indicators for sustainability	126	We do not report by gender as the information is not available	
405-1	Composition of governance bodies and breakdown of other employee types according to gender and age group	Facts and key performance indicators for sustainability	127		
Supplier human rights					
414-1	Percentage of new suppliers that were screened using human rights criteria	Facts and key performance indicators for sustainability	126		
Product responsibility					
416-2	Number of incidence of non-compliance with regulations concerning the health and safety impacts of products provided to customers during their life cycle	None			

Global Compact

Although Concentric has not signed the UN's Global Compact, the social and environmental policies adopted by Concentric are based upon the founding ten principles, thereby clearly demonstrating the group's position on issues related to human rights, labour law, accountability for the environment and anti-corruption.

Ten principles of the UN's Global Compact

Human rights	Reference	Page
1. Support and respect the protection of internationally proclaimed human rights in the spheres the Company can influence	Social policy	40
2. Make sure that the Company is not complicit in human rights abuses	Human rights	40

Labour law		
3. Uphold freedom of association and the effective recognition of the right to collective bargaining	Freedom of contract and association	40
4. Elimination of all forms of forced and compulsory labour	Forced labour	40
5. Effective abolition of child labour	Child labour	40
6. Elimination of discrimination in respect of employment and occupation	Equal opportunities	41

Environment		
7. Support a precautionary approach to environmental challenges	Sustainability Report	34–43
8. Undertake initiatives to promote greater environmental responsibility	Sustainability Report	34–43
9. Encourage the development and diffusion of environmentally friendly technologies	Sustainability Report	34–43

Anti-corruption		
10. Work against corruption in all its forms, including extortion and bribery	Anti-corruption	41

APM reconciliation

Underlying EBIT or operating income	2021	2020
EBIT or operating income	**403**	**276**
Items affecting comparability:		
UK pension benefit, equalisation	–	3
Impairment in subsidiary	22	–
Acquisition costs	18	1
Restructurng costs	–	11
Underlying operating income	**443**	**291**
Net Sales	2,115	1,502
Operating margin (%)	**19.1**	**18.4**
Underlying operating margin (%)	**20.9**	**19.4**

Underlying EBITDA or Operating income before amortisation and depreciation	2021	2020
EBIT or Operating income	**403**	**276**
Operating amortisation/depreciation	56	47
Amortisation of purchase price allocation	42	38
EBITDA or Operating income before amortisation and depreciation	**501**	**361**
UK pension benefit, equalisation	–	3
Impairment in subsidiary	22	–
Acquisition costs	18	1
Restructurng costs	–	11
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	**541**	**376**
Net Sales	2,115	1,502
EBITDA margin (%)	23.7	24.1
Underlying EBITDA margin (%)	**25.6**	**25.1**

Net income before items affecting comparability	2021	2020
Net income	**338**	**205**
Items affecting comparability after tax	35	11
Net income before items affecting comparability	**373**	**216**
Basic weighted average number of shares (000)	37,902	37,815
Basic earnings per share	**8.91**	**5.43**
Basic earnings per share before items affecting comparability	**9.82**	**5.73**

Net debt	31 Dec 2021	31 Dec 2020
Pensions and similar obligations	361	462
Liabilities for right of use fixed assets	125	129
Long-term interest-bearing liabilities	791	–
Short-term interest-bearing liabilities	355	–
Total interest-bearing liabilities	**1,632**	**591**
Cash and cash equivalents	–440	–505
Total Net Debt	**1,192**	**86**
Net Debt, excluding pension obligations	**831**	**–376**

Capital employed	31 Dec 2021	31 Dec 2020
Total Assets	**3,783**	**2,047**
Interest bearing financial assets	–4	–29
Cash and cash Equivalents	–440	–505
Tax assets	–103	–138
Non-interest bearing assets (excl taxes)	**3,236**	**1,375**
Non-interest bearing liabilities (incl taxes)	–688	–387
Tax liabilities	201	93
Non-interest bearing liabilities (excl taxes)	**–487**	**–294**
Total Capital Employed	**2,749**	**1,081**

Working capital	31 Dec 2021	31 Dec 2020
Accounts receivable	393	182
Other current receivables	56	63
Inventory	382	120
Working capital assets	**831**	**365**
Accounts payable	–313	–154
Other current payables	–240	–215
Working capital liabilities	**–553**	**–369**
Total Working Capital	**278**	**–4**

Cash Conversion	2021	2020
Cash flow from operating activities	**260**	**337**
Payments for financial transactions	2	5
Tax payments	54	48
Net investments in property, plant and equipment	–21	–10
Adjustment for royalty from joint-venture (Alfdex)	–24	–45
Operating Cash	**271**	**335**
Operating income	403	276
Adjustment for EMP acquisition related costs and for closure costs of facility in Argentina	40	–
Adjustment for royalty from joint-venture (Alfdex)	–24	–45
Adjustments for share in profit in joint-venture (Alfdex)	–81	–21
Adjusted Operating income	**338**	**210**
Cash conversion (%)	**80.2**	**159.5**

Glossary

6S
Method to organise a work space for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order.

Americas
Americas operating segment comprising the Group's operations in the USA and South America.

APM
An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Axle cooling
Heat Exchanger to control the temperature of the axle gear train.

Baler
Farm machinery used to compress a cut and raked crop (such as hay, straw, or silage) into compact bales that are easy to handle, transport and store.

BRIC countries or emerging markets
Brazil, Russia, India and China.

CAN bus
Controller Area Network that connects all the modules working throughout the vehicle so that they can work together to run effectively and efficiently.

CV
Commercial Vehicle.

DC Pack Lift/lower
Integrated unit comprising of direct current motor, hydraulic pump and reservoir.

ECU
Engine Control Unit.

EMP
Engineered Machined Products, Inc and subsidiaries.

Europe & RoW
Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China.

Fan drive
Hydraulic motor used for driving cooling fan.

Fuel transfer pump
Pump to lift the fuel from the fuel tank to the high pressure system.

Gerotor pump
Type of positive displacement pump.

Hydraulic hybrid system
Hydraulic propulsion system for vehicles.

Hydraulic power pack
Integrated unit comprising of DC motor, hydraulic pump and reservoir.

Hydraulic pump
Positive displacement pump for pumping hydraulic fluids such as oil.

Implement pump
Hydraulic pump used for auxiliary vehicle functions.

LTI
Long term incentive.

Net investments in fixed assets
Fixed asset additions net of fixed asset disposals and retirements.

OEMs
Original Equipment Manufacturers.

Off-highway
Collective term for industrial applications, agricultural machinery and construction equipment end-markets.

Oil mist separator
Product that recycles oil from crankcase gases.

Order backlog
Customer sales orders received which will be fulfilled over the next three months.

Piston pump
Positive displacement pump that utilises a moving piston to displace the fluid.

Poka-Yoke methodology
A method to prevent mistakes from occurring.

PPM
Parts Per Million defect rate.

Primary pump
Main pump used in a multi circuit configuration.

R&D expenditure
Research and development expenditure.

Secondary circuit pump
Secondary pump used in a multi circuit configuration.

Seeder motor
Hydraulic motor used for blowing seed into seeding device for planting.

Stator support
Support to a stationary part of a rotary system in an electric motor or generator.

Steering pump
Hydraulic pump used to provide hydraulic power to a vehicle steering system.

Tier 1, Tier 2-supplier
Different levels of sub suppliers, typical within the automotive industry.

Variable flow oil pump
Oil pump with controllable flow capacity.

Variable flow water pump
Water pump with controllable flow capacity.

Definitions

Book-to-bill
Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period.
Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.

CAGR
Compound annual growth rate.

Capital employed
Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities.
Capital employed measures the amount of capital used and serves as input for return on capital employed.

Dividend yield
Dividend divided by market price at year end.

Drop-through rate
Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales.
This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.
EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.

EBITDA margin
EBITDA as a percentage of net sales.
EBITDA margin is used for measuring the cash flow from operating activities.

EBIT or Operating income
Earnings before interest and tax.
This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the Company.

EBIT or Operating margin
Operating income as a percentage of net sales.
Operating profit margin is used for measuring the operational profitability.

EBIT or EBITDA multiple
Market value at year end plus net debt divided by EBIT or EBITDA.

EPS
Earnings per share, net income divided by the average number of shares.
The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.

Equity per share
Equity at the end of the period divided by number of shares at the end of the period.
Equity per share measures the net-asset value backing up each share of the Company's equity and determines if a Company is increasing shareholder value over time.

Gearing ratio
Ratio of net debt to shareholders' equity.
The net gearing ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, this is calculated based on net debt rather than gross debt.

Gross margin
Net sales less cost of goods sold, as a percentage of net sales.
Gross margin measures production profitability.

Net debt
Total interest-bearing liabilities, including pension obligations less liquid funds.
Net debt is used as an indication of the ability to pay off all debts if these were to fall due simultaneously on the day of calculation, using only available cash and cash equivalents.

Pay-out ratio
Dividend divided by EPS.

P/E ratio
Market value at year-end divided by net earnings.

ROCE
Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over rolling 12 months.
Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the Company is the reason that this metric is used next to return on equity, because it not only includes equity, but taken into account other liabilities as well.

ROE
Return on equity; net income as a percentage of the average shareholders' equity over rolling 12 months.
Return on equity is used to measure profit generation, given the resources attributable to the Parent Company owners.

Sales growth, constant currency
Growth rate based on sales restated at prior year foreign exchange rates
This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.

Structural growth
Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts.
Structural changes measure the contribution of changes in group structure to net sales growth.

"Underlying" or "before items affecting comparability"
Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate).
Enabling a comparison of operational business.

Working capital
Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities.
Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

Shareholder information

Concentric's web site for investors
www.concentricab.com contains information about the Company, the share and insider information as well as archives for reports and press releases.

The Annual Report on www.concentricab.com
Concentric has chosen not to distribute its Annual Report to shareholders to minimise cost and environmental impact. Annual reports, quarterly reports and press releases are available on the Concentric's web site for investors.

Reporting calendar for 2022

Annual General Meeting 2022	21 April, 2022
Interim report January – March 2022	4 May, 2022
Interim report January – June 2022	20 July, 2022
Interim report January – September 2022	2 November, 2022

2022 Annual General Meeting
The Annual General Meeting will be held in St Clara at 12.00 CET on Thursday, 21 April, 2022 at Klara Strand, Klarabergsviadukten 90, Stockholm

Right to attend and notification to the company
Shareholders wishing to attend the general meeting must:
(i) be recorded as shareholders in the share register maintained by Euroclear Sweden AB, as of Monday 11 April 2022; and
(ii) notify the company of their intention to participate in the general meeting no later than on Wednesday 13 April 2022.

Notice may be submitted in writing to the company at the address Concentric AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden or by phone to +46 8 402 91 33 business days between 9.00 CET and 16.00 CET, on the company's website, www.concentricab.com or by e-mail to GeneralMeetingService@euroclear.com. On giving notice of attendance, the shareholder should state the shareholder's name (company name), personal identity number (corporate identity number), address, telephone number and number of shares. The registration procedure described above also applies to registration for any advisors. A shareholder that exercises its voting rights through a postal voting form does not have to send in a separate notice of participation, see below under postal voting.

Nominee registered shares
In order to participate in the general meeting, those whose shares are registered in the name of a nominee must request their bank or broker to have their shares owner-registered with Euroclear Sweden AB as of Wednesday 13 April 2022 and the bank or broker should therefore be notified in due time before said date. This registration may be made temporarily.

Postal voting
The shareholders may exercise their voting rights at the general meeting by postal voting. A special form shall be used for postal voting. The form is available on the company's website: www.concentricab.com.

The voting form can also be obtained from the company or by contacting Euroclear Sweden AB at the contact information above. For the items on the agenda where the board or the nomination committee have submitted proposals, it is possible to vote Yes or No, which is clearly stated in the postal voting form. A shareholder can also abstain from voting on any item.

The completed voting form must be received by the company no later than on Wednesday 13 April 2022. The postal voting form is valid as a notification to the meeting. Shareholders can, through verification with BankID, cast their postal vote electronically via Euroclear Sweden AB's website: https://anmalan.vpc.se/euroclearproxy?sprak=1.

Such electronic votes must be submitted no later than Wednesday 13 April 2022.

The completed form, including any appendices, must be sent by e-mail to GeneralMeetingService@euroclear.com or alternatively by post in original to Concentric AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. If the shareholder is a legal entity, a registration certificate or an equivalent authority document, shall be enclosed to the form. The same applies if the shareholder votes in advance by proxy.

The shareholder may not provide special instructions or conditions in the voting form. If so, the postal vote is invalid in its entirety. Further instructions and conditions are included in the postal voting form.

Proxy and proxy form
Anyone who does not attend the meeting in person may exercise their right at the meeting via a proxy in possession of a signed and dated form of proxy. The same applies if a shareholder exercises its voting rights by postal voting. Forms of proxy are available on the company's website www.concentricab.com. The form of proxy may also be obtained from the company or by contacting Euroclear Sweden AB at contact information above. If the proxy is issued by a legal person, a copy of their registration certificate or equivalent authority document must be attached. The proxy must have been issued within the past year unless a longer period of validity is specified on the form of proxy, subject to a maximum of five years. To facilitate entry to the meeting, forms of proxy, registration certificates and other documentary authority must be received by the company in good time before the meeting.

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