CONCENTRIC

Technology + Innovation = Sustainability

Annual Report 2014

Contents[1)]

1) The statutory annual report encompasses the following pages: 28–67, and 69–74.

Financial Calendar 2015

March 26	Annual General Meeting
April 28	Interim report January – March 2015
July 24	Interim report January – June 2015
October 23	Interim report January – September 2015

Essence of Concentric

Technology + Innovation = Sustainability

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

Industrial applications

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

24%

DC PACK LIFT / LOWER

TRANSMISSION

LOW NOISE PUMP

Trucks

Concentric sells its solutions to OEMs and diesel engine manufacturers in the truck segment. The solutions pertain to flow generation for fuel, oil and coolants, and for the separation of oil drops from crankcase gases using the Alfdex system. Concentric's products are generally used in medium/heavy duty trucks.

39%

OIL MIST SEPARATOR

LICOS CLUTCH

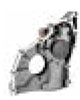
VARIABLE FLOW WATER PUMP

Agricultural machinery

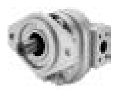
Concentric provides its solutions to OEMs of agricultural equipment. The main solutions are engine pumps, hydraulic fan drives and ancillary hydraulic pumps for tractors, combines and other specialty equipment, such as harvesters and balers.

11%

SEEDER MOTOR



OIL PUMP



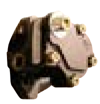
IMPLEMENT PUMPS

Construction equipment

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

26%

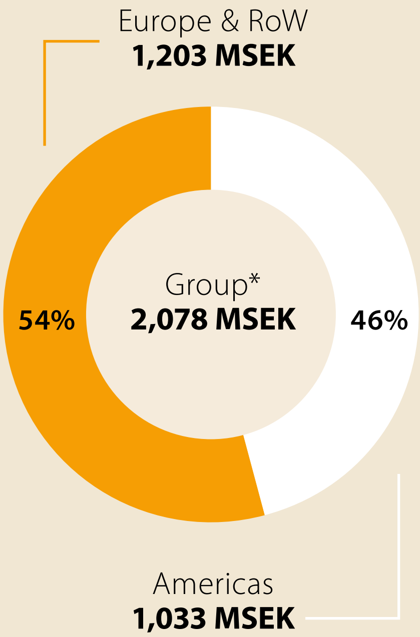
AXLE COOLING



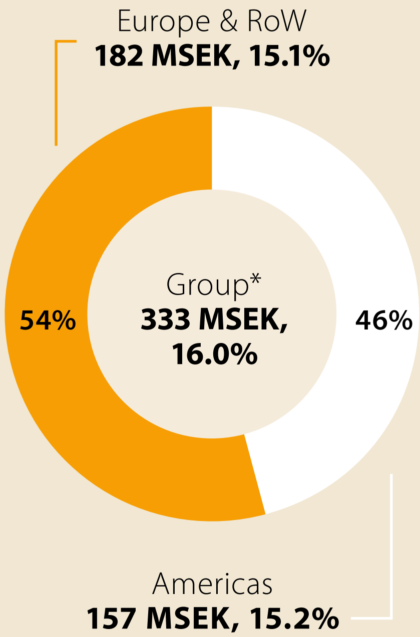
FUEL TRANSFER PUMP

FAN DRIVE

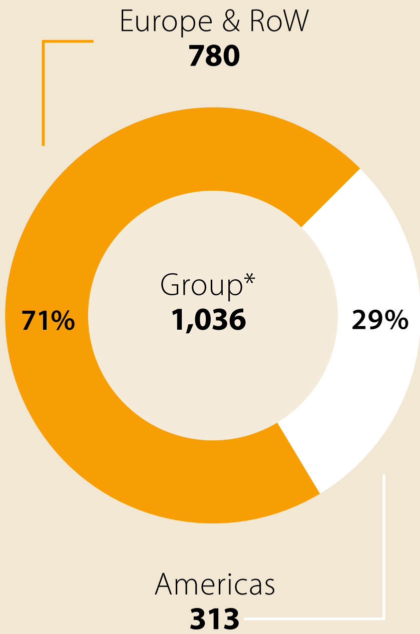
Net External Sales



Operating Result & Margin on External Sales



Average Number Employees



** Group sales, operating margin and employees are all stated after the amendments to IFRS 11, Joint Arrangements.*

Global footprint

Following the Acquisition of GKN Sinter Metals de Argentina SA in January 2015, Concentric's global manufacturing presence now includes factories in Sweden, Germany, the UK, the USA, Argentina, India and China, backed by central support and development functions. This means we sell locally to our global customers. The business fuses Concentric's strengths as a pumps maker with longstanding expertise in hydraulic products. Our customers make trucks, construction equipment, agricultural machinery and general industrial applications.

Investment case

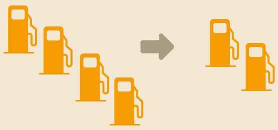
Concentric's unique position to capture long-term growth…

Engine products	Hydraulic products

Driving forces

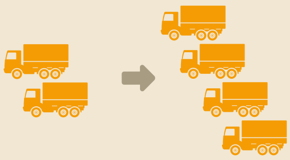
Engine products

Fuel efficiency



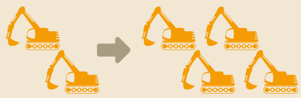
Increasingly tougher CO_2 emission standards drive further fuel efficiency improvements.

Increased freight activity



Increased demand for freight transport as medium/heavy duty trucks are expected to account for larger share of land-based transport.

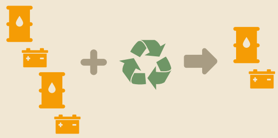
Global infrastructure



Continued urbanisation and economic growth, especially in emerging economies.

Hydraulic products

Energy efficiency



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

Size reduction and reliability

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

Environmental impact

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

Strengths

Engine products

- Concentric is the only global player in the market for diesel engine pumps and the footprint enables Concentric to sell locally to global customers.
- Concentric serves the largest OEMs and engine manufacturers with market leading technology that improves fuel efficiency and reduces CO_2 emissions.
- Frictional losses are reduced thanks to Concentric's engine products, enabling a more compact sized engine while delivering absolute reliability.
- Innovative products such as the Controllable Water Pumps, the Separator and Controllable Oil Pumps improve fuel efficiency and/or reduce emissions.

Hydraulic products

- Concentric's hydraulic products occupy strong positions in a very fragmented market.
- Concentric has leading niche positions where the technology included in the product is more advanced and requires absolute reliability together with customer specific options.
- There are a number of innovative products that address the key market drivers. The Integrated Clutch allows for power on demand and improved energy efficiency of fluid power systems, the Ferra Series is smaller in size and delivers higher power density and the Calma Series reduces noise levels.

…whilst maintaining margins and financial flexibility

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

2014 in brief

Operating margins strengthened in spite of low sales growth

Key figures[1], amounts in MSEK unless otherwise specified	2014	2013[2]	2012[3]	2011	2010
Net sales	2,078	1,858	2,129	2,283	1,977
Organic sales growth, constant currency, %	3	-8	-9	25	53
Operating income before items affecting comparability	333	279	297	305	151
Operating margin before items affecting comparability, %	16.0	15.0	13.9	13.4	7.6
Operating income	333	279	281	281	109
Net income for the year	241	176	171	176	35
Cash flow from operating activities	340	199	298	227	204
Basic earnings per share, SEK	5.54	4.00	3.88	3.98	0.79
Dividends, SEK	3.00[4]	2.75	2.50	2.00	–
Net debt	528	409	446	114	312
Gearing (Debt/equity) ratio, %	65	52	73	12	45
Capital Employed	1,278	1,194	1,019	1,151	1,267
Return on capital employed, before items affecting comparability, %	27.1	25.0	26.7	27.0	12.1
Return on equity, %	29.6	27.2	26.5	22.1	5.2

[1] *All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "basis for preparation" in note 2, accounting principles, in the notes for the group.*

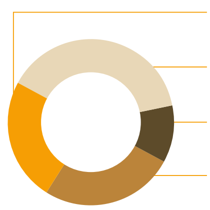
[2] *Figures for 2013 have been restated for the amendments to IFRS 11, Joint Arrangements. Figures for earlier periods are as reported.*

[3] *Figures for 2012 have been restated for the amendments to IAS19, Employee benefits. Figures for earlier periods are as reported.*

[4] *Proposed dividend for consideration at the 2015 AGM.*

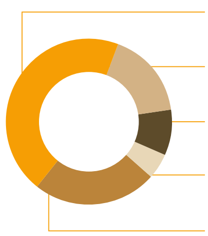
Net sales per product line, % of 2,237 MSEK*

Net sales by end market, % of 2,237 MSEK*



**Including sales from Alfdex AB*

Net sales by customer location, % of 2,078 MSEK



2014 in brief

Major events during the year

1st quarter: John Deere "Partner-level Supplier"

Concentric in Rockford, Illinois earned recognition as a Partner-level supplier for 2013 in the John Deere Achieving Excellence Programme. The Partner-level status is Deere & Company's highest supplier rating. The Rockford, IL manufacturing facility was selected for the honor in recognition of its dedication to providing products and service of outstanding quality as well as its commitment to continuous improvement.

Suppliers who participate in the Achieving Excellence programme are evaluated annually in several key performance categories, including quality, cost management, delivery, technical support and wavelength, which is a measure of responsiveness.

Bill Pizzo (Head of Hydraulics Engineering & Development) and Jesse Smith (General Manager of Concentric Rockford) receiving the Partner-level award for Rockford, IL from the John Deere Achieving Excellence Programme, the company's highest supplier rating.

2nd quarter: Electro-hydraulic steering unit launched

Concentric launched EHS – Electro Hydraulic Steering, designed primarily for servo steering applications in trucks, buses and off-highway applications, at the IAA trade fair in Hannover.

Concentric's EHS offers system power savings through its variable pressure and speed control capability with the option of low-noise pump technology and direct electronic control features via CAN Bus communications. It also offers on-demand steering and variable speed capability.

The base components for the electro hydraulic steering unit embody an advanced development of Concentric's current DC electric motor pump technology, which has established a well-founded reputation for reliability and build quality in steering applications around the world, both on and off-highway. The new EHS product range allows CAN Bus communication between the motor and the vehicle's main control system so as to control pressure and flow on demand. This significantly reduces system losses compared to traditional mechanical drive systems ensuring optimum performance from the steering system.

3rd quarter: £ multi-million contract for heavy truck transmission pumps

A leading global manufacturer of heavy trucks awarded Concentric a multi-million pound contract to manufacture transmission pumps for lubrication and for cooling the transmission oil in a range of gearboxes.

Concentric will build two different transmission pumps in its Birmingham, UK plant for seven manual gearboxes, which are available across a range of heavy trucks. The Concentric pumps were introduced into volume production during the latter part of 2014 following a rapid prototyping programme.

The transmission pumps are of rotor configuration and relatively simple arrangement. They will be located on the end wall of the gearbox and are driven by a gear via the countershaft. Oil is forced through an integrated, full-flow filter then continues out to all the bearings, apart from the rear bearing of the countershaft, which is lubricated by partial immersion in oil.

4th quarter: Caterpillar Silver Status Supplier

Concentric was awarded Caterpillar's prestigious Supplier Quality Excellence Process (SQEP) silver award in its UK and Indian plants located respectively in Birmingham and Pune.

Caterpillar's SQEP programme is designed to place special emphasis on supplier performance excellence and certification is awarded only to suppliers that have achieved the highest levels of quality, delivery, process control and 6 sigma. SQEP is extremely rigorous and requires companies to demonstrate process control capability and 6 sigma discipline in driving continuous improvement.

Nick Dale, Process Control Engineer at Caterpillar subsidiary Perkins Engines, congratulates the SQEP team at Concentric's Birmingham, UK plant, led by John Beadsworth (Managing Director of Concentric Birmingham) and Paul Moseley (Quality and Programme Manager) together with Nitin Pagrut of Concentric India.

CEO letter

2014 Annual Report

Overall, the development of our business in 2014 derived from our four end-markets was pleasing. We were able to improve sales, operating income and operating cash flows across both the Americas and Europe & RoW regions.

"The continued strong financial performance is the result of our leading market position and our continuous work to improve the efficiency of our operations."

These improvements are also true when looking at the sales performance of the individual product lines, engine and hydraulic products. Group sales, excluding our share of sales from Alfdex AB, were MSEK 2,078 (2013: MSEK 1,858) with an operating income margin of 16.0% (2013: 15.0%) and net income for the year of MSEK 241 (2013: MSEK 176). The continued strong financial performance is the result of our leading market position and our continuous work to improve the efficiency of our operations.

Delivering according to plan

The new contracts previously announced for Euro VI engine programmes were successfully launched during 2014 and the output volumes have now ramped up in line with expectations. These contracts included product launches for controllable water pumps, oil separators and a new electro-hydraulic steering system for use in heavy duty trucks.

The business excellence program has served the business well for a number of years. 2014 was no exception as we continued to see better scores in our customer surveys. Concentric also won a record amount of supplier awards from our key customers, Caterpillar and John Deere. These successes extended to our facilities in Europe, the USA and Asia.

Exploring acquisitions

In January 2015 we concluded the strategic acquisition of a pump manufacturing company in South America. The business, GKN Sinter Metals de Argentina SA, supplies to a number of our key strategic global customers and provides a platform within the Mercosur economic region to localise manufacturing and support our sales growth in South America. Concentric has invested in dedicated resources for Advanced R&D and Business Development during 2014. Looking forward, we anticipate that these two functions will further expand our reach and capability to identify and evaluate further acquisition opportunities in the future.

Concentric also signed new financing agreements with improved terms with its existing banks securing total credit facilities for the group of approximately MSEK 735. These funds are readily available for potential acquisitions and do not compromise our dividend policy.

Strategy update

At the Capital Markets Day held in September 2014, we announced a strategy update as well as new financial targets for the next five years.

We announced that Concentric will leverage its market leading position for engine products to:

- Target the next generation engine platform, deriving from tougher emission and CO_2 legislation;
- Exploit innovative engine products such as the 2-speed water pump clutches, Alfdex oil mist separator and variable flow oil pump; and
- Explore long-term growth opportunities by growing with existing customers in emerging markets.

We also announced that Concentric will leverage its niche position for hydraulic products to:

- Exploit innovative products that address the key market drivers such as increased energy efficiency, size reduction and noise reduction, through the Integrated Clutch, Ferra Series and Calma Series;
- Significantly expand the distributor network, in particular in Europe; and
- Explore new market opportunities, in particular for agricultural machinery.

A new year

As we look forward into 2015, we believe the recent organisational changes and our unique position will enable us to outgrow the market. Despite fluctuations in the price of oil, the need to reduce fuel consumption remains unchanged as increasingly tougher CO_2 emission standards are implemented. We therefore remain very well positioned to continue to grow organically. There are also dedicated resources in place to identify potential acquisition targets that can enhance our product offering or strengthen our geographical footprint. In short, Concentric is well positioned, financially and operationally to fully leverage the opportunities for 2015.

DAVID WOOLLEY, *CEO and President*

Adding value
to the customer's products

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

Vision

→

Our Vision is to deliver sustainable growth for every application in the markets we serve. We will achieve this by:

» Developing world class technology with innovative solutions that meet the demands of our customers / end-markets

» Capitalising upon our global infrastructure and being adjacent to our customers

» Business Excellence in all we do

Driving forces

Environment and legislation

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

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

Global infrastructure growth

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

See pages 10–13

Our solutions

Engine products

Concentric is a Tier 1-supplier to engine manufacturers and major OEMs. We offer lubricant, coolant and fuel pumps for diesel engines. Alfdex manufactures oil separators under a joint venture with Alfa Laval. Our products have been developed to improve fuel efficiency and/or reduce emissions.

Hydraulic products

Concentric offers a wide range of hydraulic products, including gear and gerotor pumps, along with hydraulic power packs and hydraulic hybrid systems for installation in a vast array of industrial vehicles and diesel engines. Our products are focused on improving the efficiency of hydraulic systems and reducing emissions, such as noise.

See pages 14–16

Mission

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

Values

Customer-focused

- Sustainable products
- Customer satisfaction

Achievement through our people

- Integrity
- Teamwork
- Resilience
- Openness

Business excellence in all we do

- Performance
- Process
- Change

End-markets	Major customers
Industrial applications	Crown, Jungheinrich, Kion, NACCO, Perkins, Toyota (BT, Raymond)
Trucks	Cummins/TATA, Daimler, DAF/Paccar, FPT Industrial, Navistar, MAN/Scania, Volvo/Dongfeng, CNHTC
Agricultural machinery	Agco, CNH, Class, John Deere, Deutz, Valtra
Construction equipment	Caterpillar, CNH, Hyundai, John Deere, JCB, Komatsu, Vögele, Volvo

See pages 18–21

Business objectives for 2014

Our financial targets and achievements in 2014

Organic sales growth in constant currency (annually)

7 %

TARGET

3%

ACHIEVEMENT

The reported Sales, after IFRS 11 amendments, for 2014 were up 3% (down 8%) driven primarily by the structural growth achieved in the European truck market from the ramp up of Euro VI platforms launched at the start of the year. In North America, the higher demand for medium and heavy duty trucks was largely offset by the weaker demand for agricultural machinery.

Operating margin (over a business cycle)

11%

TARGET

16%

ACHIEVEMENT

The reported operating margin ,after IFRS 11 amendments, increased to 16.0% (15.0) in 2014, as the business continued to demonstrate its strong operating leverage, supported by effective cost management through the Concentric Business Excellence programme.

Gearing (Net Debt/Equity)

<100%

TARGET

65 %

ACHIEVEMENT

The indebtedness increased to MSEK 528 (409), following the revaluation of pension liabilities which recognised actuarial losses of MSEK 127 (gains 139) at year end. The continued strong cash flow derived from operating activities of MSEK 340 (199) was used to fund dividend payments and own share buybacks during 2014.

Dividend payout ratio (over a business cycle)

33%

TARGET

54%

ACHIEVEMENT

Due to the Group's strong earnings and financial position, the Board of Directors intend to propose to the shareholders at the Annual General Meeting an ordinary dividend of SEK 2.00 (1.50) per share for the 2014 fiscal year, plus an additional dividend of SEK 1.00 (1.25). As noted above, the company has also repurchased own shares during the year amounting to MSEK 148 (nil).

Business objectives for 2015 and beyond

Our new financial targets for the next 5 years (effective from 2015)

Organic sales growth in constant currency (annually)

6% above market

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

Operating margin

≥16%

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

Gearing (Net Debt/Equity)

50% ≤ND/E≤ 150%

- Continue to distribute surplus cash through own share buy-backs and additional dividends to maintain a minimum gearing of 50%
- Debt levels of up to 150% of Equity can comfortably be serviced given strong cash conversion
- Additional debt capacity is readily available to use to fund future acquisitions

Ordinary dividend payout ratio

33%

- Track record of delivering strong shareholder returns through additional dividends and buy-backs
- Total dividends (ordinary + additional) declared for FY 2011–14 have equated to an average payout ratio of 59% of net income

Driving forces
Engine products

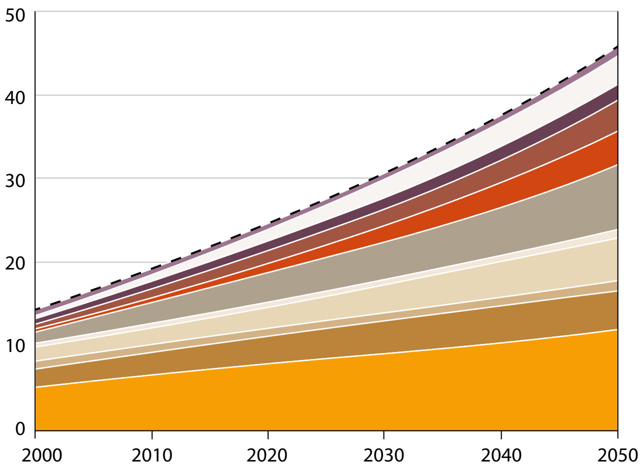
Increased freight activity

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

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

Freight transport activity by region

Trillions (10[12]) of Tonne-Kilometers/Year

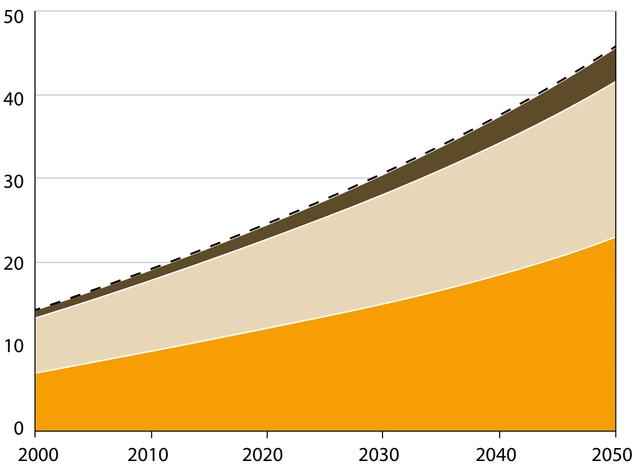


Average Annual Growth Rates	2000–2030	2000–2050
Total	2.5%	2.3%
Africa	2.5%	2.3%
Latin America	3.4%	3.1%
Middle East	2.8%	2.4%
India	4.2%	3.8%
Other Asia	4.1%	3.7%
China	3.7%	3.3%
Eastern Europe	2.7%	2.8%
Former Soviet Union	2.3%	2.2%
OECD Pacific	1.8%	1.6%
OECD Europe	1.9%	1.5%
OECD North America	1.9%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

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

Freight transport activity by mode

Trillions (10[12]) of Tonne-Kilometers/Year

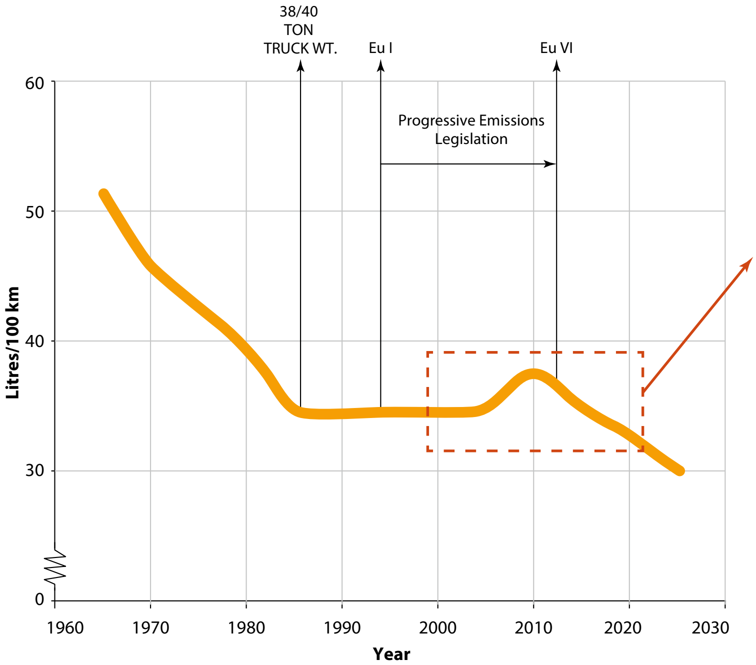


Average Annual Growth Rates	2000–2030	2000–2050
Total	2.5%	2.3%
Medium Duty Trucks	3.0%	2.7%
Freight Rail	2.3%	2.2%
Heavy Duty Trucks	2.7%	2.4%

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

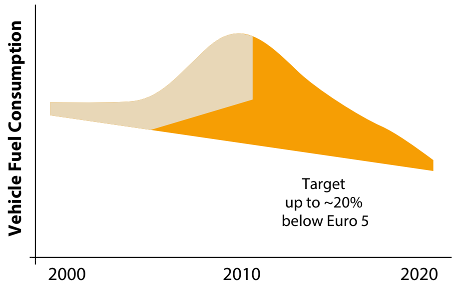
Fuel efficiency

Average fuel consumption



Source: Lastauto Omnibus, April 2014

Target to achieve up to ~20% improvement in truck fuel economy in 10 years



Source: Ricardo

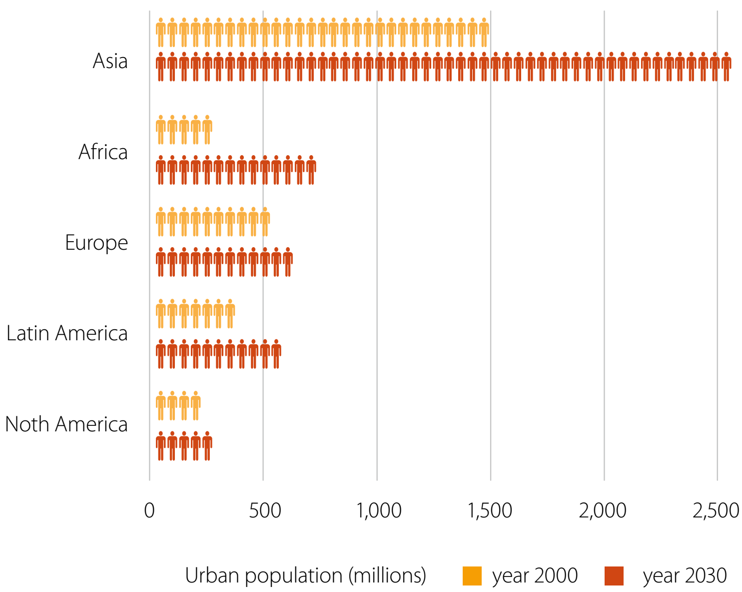
Further improvements:

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

Global infrastructure

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

Urban populations, by region



Source: Haver, UBS

1 billion new consumers in emerging market cities by 2025.

Cities are expected to need to build floor space equivalent to **85%** of today's building stock – an area the size of Austria, at a **annual growth rate of 4.2%** from 2010 to 2025.

Over **2.5 times** today's level of port infrastructure needed to meet rising container shipping demand. Container traffic will grow at a compound **annual rate of 7.2%** from 2010 to 2025.

4.4% annual GDP growth in cities globally 2010 to 2025.

Driving forces
Hydraulic products

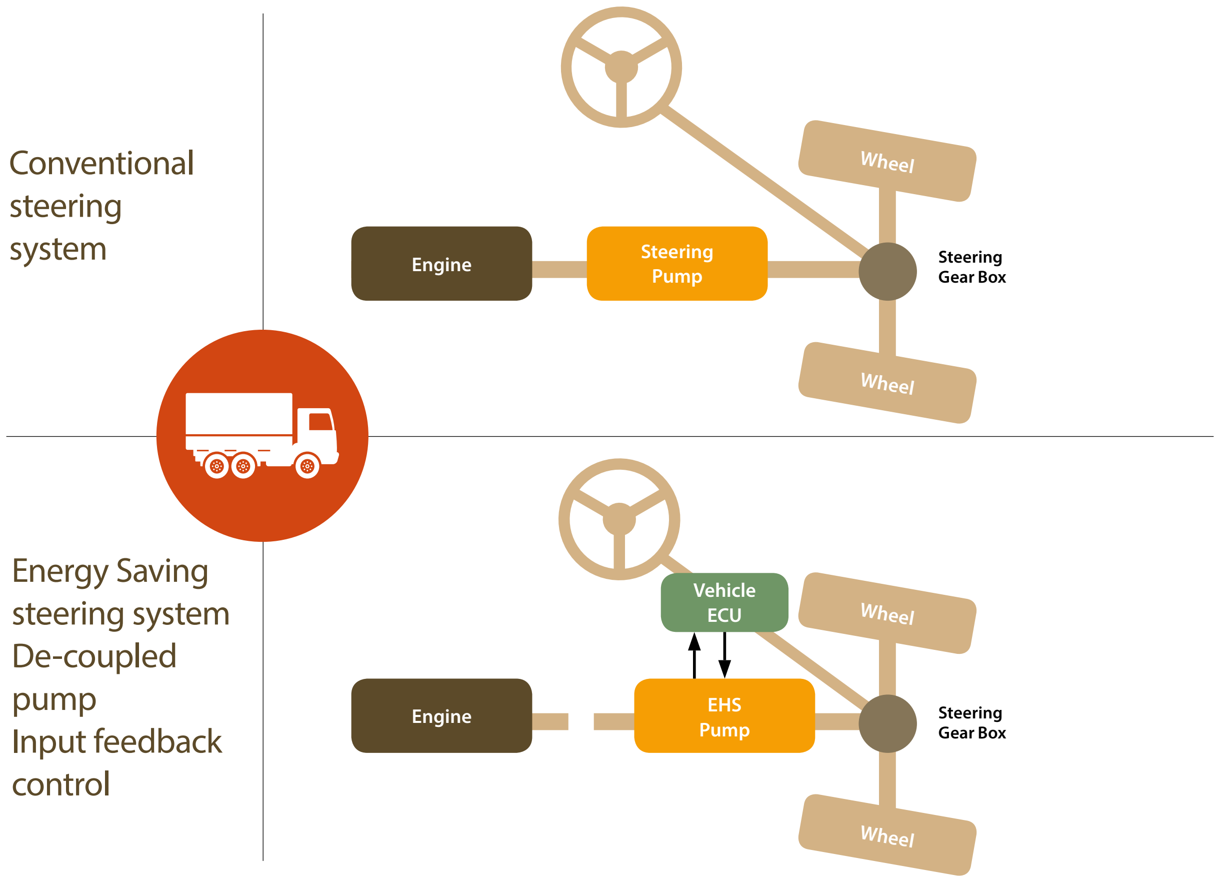
Concentric's business is driven by a number of specific demands from the industry to increase performance in a variety of areas.

These specific demands are being addressed in a number of ways, thus improving the overall efficiency of hydraulic systems. The market trends include a move towards applying more of a systems approach and improving energy recovery to reduce energy consumption.

Increased machine complexity is putting a premium on space which is driving the demand for higher power density pumps. In addition, the growing requirements to limit the environmental impact of equipment is leading to noise reduction in the working environment and minimising leakage and waste.

Energy efficiency

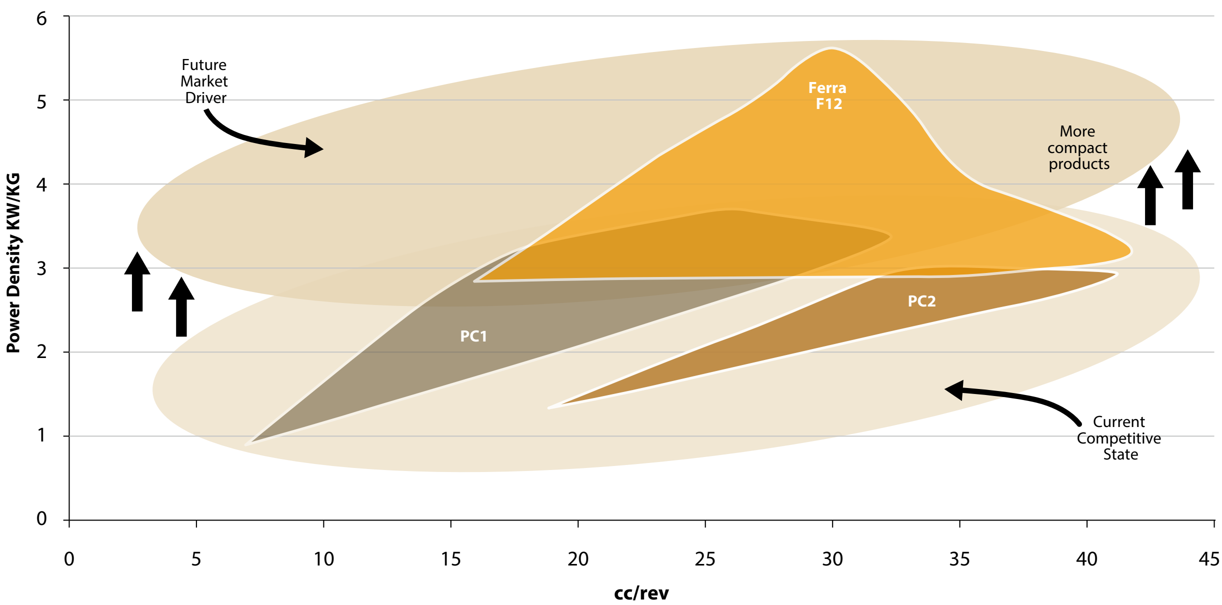
A conventional steering system as compared to an Energy Savings steering system



In 2012, the NFPA Roadmap Task Force identified energy efficiency as one of the key areas in need of development. There are a number of ways of improving the energy efficiency of fluid power systems. One method is developing new machine structures that reduce the burden of overhead, i.e. moving the machine in favour of moving the load. Another is to improve energy recovery methods of fluid power systems. Finally, smart components and systems can also contribute to more efficient use of energy by incorporating sensor data to support diagnostics and control, as well as power on demand systems.

Size reduction and reliability

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

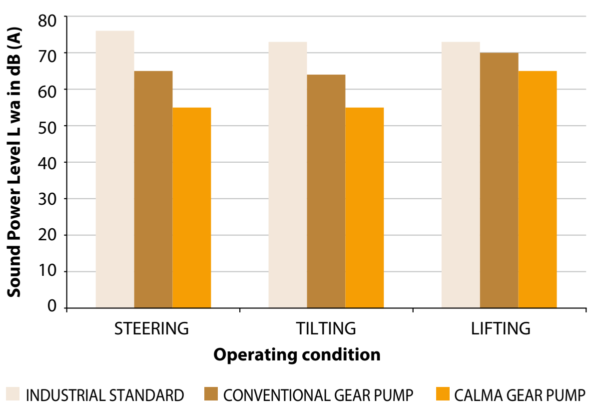


The power density of Concentric's current product along with some of the competitive products. The bar has been raised on power density and the Ferra series products fill the void.

Another key market development for hydraulic products is the requirement for increased power density, i.e. to deliver the same power output but with a smaller pump. Vehicle complexity and reduction in size has many systems competing for precious space. The packaging of components into smaller spaces while maintaining the same or higher power output allows the vehicle OEMs greater design flexibility. Reliability can also be improved by better integration of components into a more contained system and reducing maintenance requirements.

Environmental impact - Noise reduction

Sound Comparison - Electric Forklift Warehouse Truck



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

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

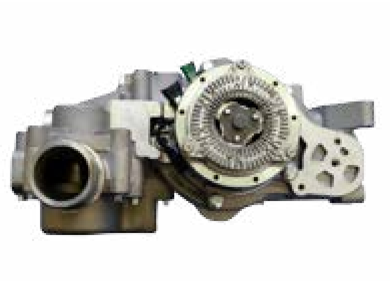
The products
– the fruits of Concentric's collective expertise

Hydraulic pumps and power packs are produced directly for machine and vehicle manufacturers. Engine pumps are produced directly for manufacturers of diesel engines that, in turn, supply the same machine manufacturers.

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

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

Engine products



LICOS clutch

2 speed water pumps ➡ Fuel efficiency

Two-speed water pump clutches reduce fuel consumption and help to optimise thermal management by providing fast switching time and a fail-safe minimum rotation speed. The integration of the clutch within the pulley minimises packaging. Switched water pumps are state of the art for modern EPA13/EuroVI engines.

LICOS clutch technology is the global market leader for controllable water pumps.

Alfdex oil mist separator

Crankcase ventilation ➡ Lower emissions

The Alfdex oil mist separator is a unique product that uses the centrifugal separation technique to prevent unclean ventilated crankcase gases returning to the inlet of diesel engines or being emitted to the environment.

The advantage of an oil-driven separator is that there already is a surplus of oil flow available from the engine's lubrication pump, and this is more than sufficient to drive the separator. Using oil to drive the unit also guarantees that the bearings are properly lubricated throughout the separator's service life, which is the same as the lifetime of the engine.

Alfdex technology is the global market leader for crankcase gas ventilation.

VARIABLE FLOW OIL PUMP

Variable flow technology ➡ Fuel efficiency

Concentric's variable flow oil pump (VFOP) has an energy-efficient design that provides variable flow lubrication for the new generation of engines thus reducing fuel consumption by as much as 3 percent.

Concentric's fully variable flow water pump can reduce fuel consumption further, by as much as another 2 percent.

No OEM supplier has fully variable flow oil pumps currently in serial production. Therefore, Concentric is focussed on development contracts with customers to launch variable flow technology on their next generation of engine platforms.

Production

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

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

Quality and environmental-control critical to profitability

All production plants are certified in accordance with ISO/TS16949 and ISO 14001. ISO/TS16949, 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 Organisation (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.

Hydraulic products

EHS Electro Hydraulic Steering

Power Consumption ➡ Energy efficiency

Concentric's EHS technology replaces the traditional power steering pump and provides power assisted steering only when needed, or power on demand. The design incorporates Concentric's well known CALMA series pumps for additional low noise benefits. Its built in electronic controller communicates with other vehicle systems through the CAN bus system. The vehicles ECU communicates to the EHS to provide sufficient power depending on the need. The benefits of the EHS system allow for reduced energy consumption, up to 50% in some applications, through its on/off control. The EHS is typically placed close to the steering gear thereby reducing the need for long pipes or hoses.

Ferra series

Power Density ➡ Size reduction

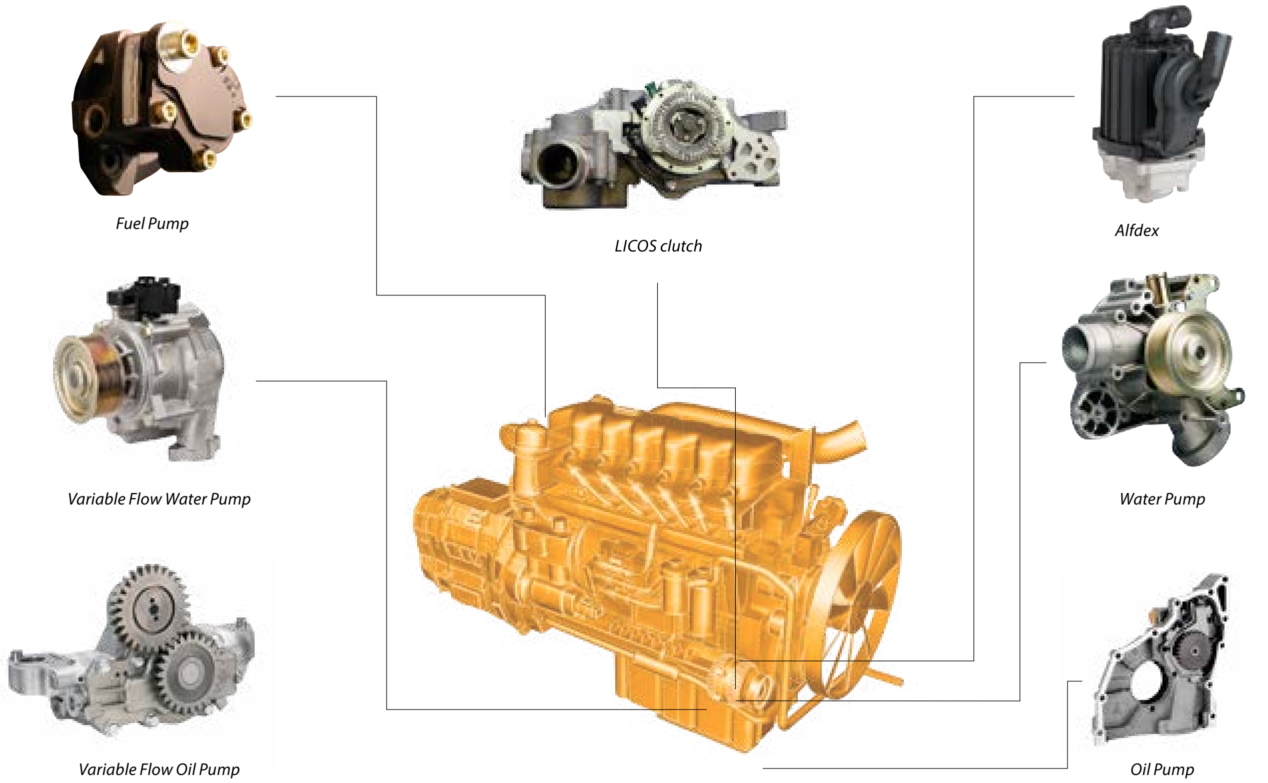
The Ferra series pumps offer increased power density and delivers higher durability within a 20–30% smaller space claim. The two piece cast iron design is extremely robust across a broad temperature range and offer installation flexibility due to the compact design as compared to conventional designs. Further expansion of the Ferra series product line continues in development.

CALMA pump

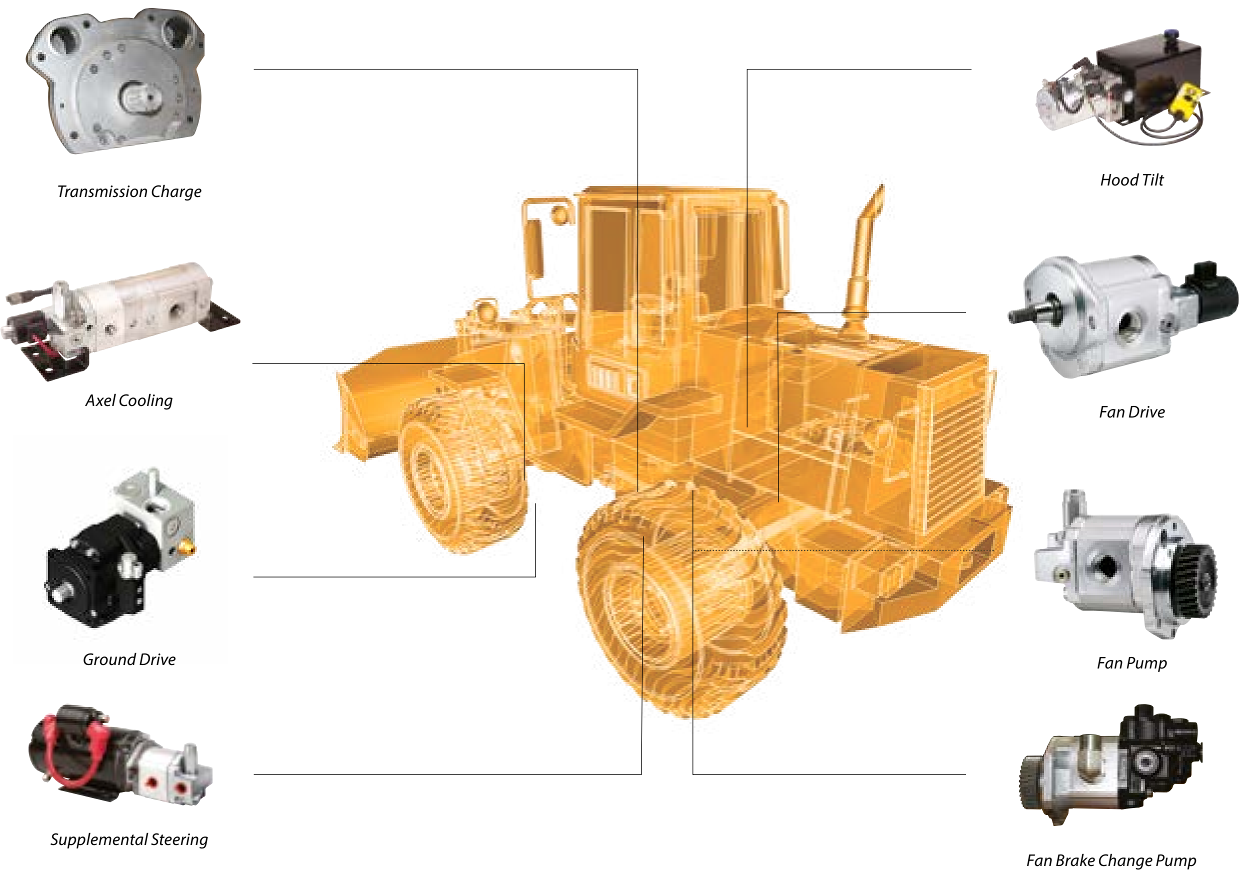
Environmental impact ➡ Noise Reduction

The impact of noise, from the viewpoint of both the machine operator and those exposed to noise at worksites, is also attracting attention from legislators. Concentric's Calma series reduces outlet pressure pulsation by 75% which can deliver up to 8–10 dB lower noise levels. Further expansion of the CALMA series product line continues in development.

ENGINE PRODUCTS



HYDRAULIC PRODUCTS



Concentric
Business model

Concentric prefers to participate from the early stages of its customers' development work on products and systems. We contribute to meeting their expectations by offering good technical solutions. We manufacture against orders and can offer short delivery times.

Repetitive sales cycle
In terms of volume, the sales cycle for certain products is shortened due to the increased focus on fuel economy and as more stringent legislation governing emissions is introduced in the national markets.

Marketing focused on customer value
Marketing activities are conducted through several different channels. The primary channel is through regionally co-ordinated sales and application engineers. This is supported by the company's website, which is presented in three languages, advertising and brochure material, partnership programmes, participation in exhibitions and fairs in major international industrial sectors as well as technical documentation, training and support. These information channels are important for the customers' development engineers.

The sales organisation is based on regional divisions and products are divided between the markets for engine and hydraulic products. Customer account personnel are generally based at the plant that delivers to each specific customer. Global customer accounts are managed in matrix structures by one of four sales directors who handle the accounts globally. The company also sells its products via distributors to smaller OEMs and aftermarkets.

Engine products – mainly to OEMs
Most sales of engine products are made directly to OEMs or engine manufacturers of trucks, construction equipment, agricultural machinery and industrial applications such as mining equipment.

Hydraulic products – more diversified
Although sales of hydraulic products are more diversified with a variety of sales channels, most sales are channelled directly to OEMs, who account for approximately 70 percent of hydraulic product sales in North and South America and 90 percent of hydraulic product sales in Europe & RoW.

Evaluation phase
Evaluation of Concentric as a supplier and discussions of development specifications. Normally, the evaluation phase is relatively short, while the decision phase to select a Concentric product for product design takes a long time.

Design phase
Concentric adapts its product to meet each customer's requirement specifications. The design phase can take up to 3 years, depending on the customer's product launch plan.

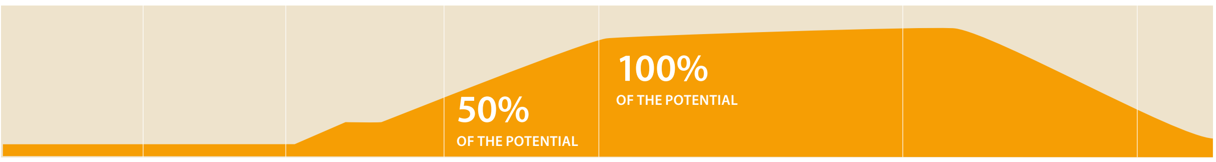
Production year 1
The customer's application featuring Concentric products is launched. The product launch does not normally take place simultaneously in all markets. Normally 50 percent of the potential in each individual market is achieved by the end of the first year.

Production years 2–3
The customer's product is established more firmly and reaches its full market potential by the close of the period.

Production years 4–7
The customer's sales normally grow in parallel with market growth in the end-market segment.

Production years 8–10
The customer initiates the launch of a new product generation and sales of the old product start to decline.

Production year 10 + aftermarket
Sales of spare parts or replacements.



END-MARKET

Industrial applications

Industrial applications encompass a wide variety of uses, from forklifts for the retail trade to heavy machines used in the mining industry. They also include applications for energy production, compressors, cranes, refrigeration and street-cleaning vehicles as well as military and airport vehicles. Virtually all of these machines and vehicles are fitted with standardised driveline and engine pumps as well as hydraulic equipment resembling what is used in the machines in other end-user markets. Since the industrial sector comprises a wide variety of applications, there is no single forecast for this market. Based on the forecast production of diesel engines, off-highway product segments are expected to grow by a CAGR of 2% and 1%, in North America and Europe respectively, over the next five years.

North America

Market indices published at year-end indicate that North American production volumes for industrial applications increased by 2% for diesel engines and by 13% for lift trucks, when compared with the full year 2013. Concentric's actual sales of engine and hydraulic products for industrial applications were only up 1% year-on-year in constant currency reflecting the customer mix of these sales.

Europe

European market indices increased by 3% for the production of diesel engines and by 4% for lift trucks for the industrial applications market compared with the full year 2013. This is broadly in line with Concentric's actual sales of engine and hydraulic products for industrial applications, which were up 1% year-on-year in constant currency.

China/India

Production of diesel engines in China and India for the industrial applications market increased by 6% compared with the full year 2013, although Concentric's exposure to industrial applications in emerging markets still remains very low at less than 0.5% of the group's consolidated sales.

Product range

DC PACK LIFT/ LOWER

TRANSMISSION

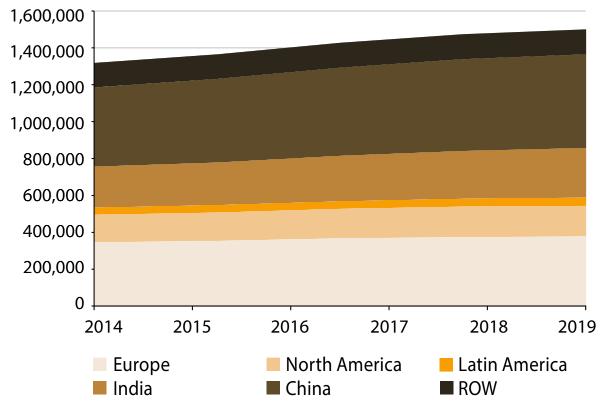
LOW NOISE PUMP

Major customers

CROWN, JUNGHEINRICH, KION, NACCO, PERKINS, TOYOTA (BT, RAYMOND)

Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER)



Source: Power Systems Research, January 2015 update

END-MARKET

Trucks

Concentric sells its solutions to OEM customers and diesel engine manufacturers in the truck segment. The solutions pertain to flow generation for fuel, oil and coolants, and for the separation of oil drops from crankcase gases using the Alfdex system. Concentric's products are generally used in medium-heavy duty trucks exceeding 7.5 tons and heavy duty trucks exceeding 16 tons.

Truck markets are expected to grow by a CAGR of 2% and 7%, respectively, in North America and Europe over the next five years. This growth will be driven by the Environment Protection Agency's (EPA) greenhouse gas (GHG) legislation in North America, with the EU expected to align its mandatory targets to that of the EPA.

The growth in emerging economies continues to be driven by large-scale infrastructure projects and new construction. Eventually, however, legislation will become an increasingly important factor in these regions, when heavier trucks with larger engines constitute a more sizeable market for more advanced pump products.

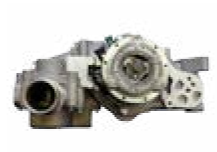
North America
Market indices published at year-end indicate that North American production of diesel engines increased by 5% for light vehicles and by 15% for medium/heavy duty trucks compared with the full year 2013. This is broadly consistent with Concentric's actual sales of engine products for trucks which were up 5% year-on-year in constant currency.

Europe
European market indices for production of diesel engines for medium/heavy duty trucks decreased by 12% compared with the full year 2013. In contrast, Concentric's actual sales of engine products for medium/heavy duty trucks increased by 34% year-on-year in constant currency. Removing the impact of the acquisition of LICOS Trucktec GmbH, the underlying growth of 21% in 2014 has been driven primarily by Euro VI legislation.

China/India
Production of diesel engines in China and India for medium/heavy trucks decreased by 3% compared with the full year 2013. Concentric's actual sales of engine products for medium/heavy duty trucks decreased by 25% year-on-year in constant currency, although the medium/heavy duty truck sector in emerging markets still remains relatively small for Concentric, representing around 2% of the group's consolidated sales.

Product range


OIL MIST SEPARATOR


LICOS CLUTCH

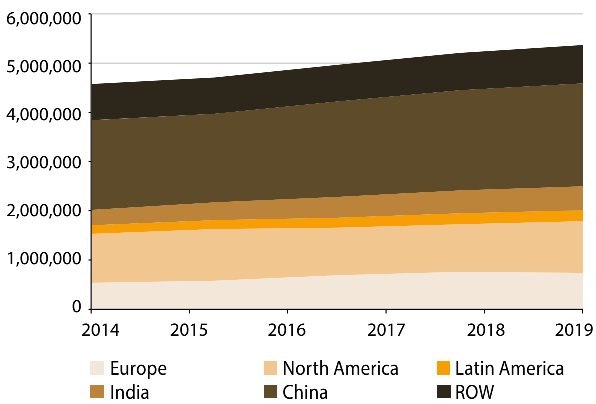

VARIABLE FLOW WATER PUMP

Major customers

CUMMINS/TATA, DAIMLER, DAF/PACCAR, FPT INDUSTRIAL, NAVISTAR, MAN/SCANIA, VOLVO/DONGFENG, CNHTC

Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER)



Source: Power Systems Research, January 2015 update

END-MARKET

Agricultural machinery

Concentric provides its solutions to OEMs of agricultural equipment. The main solutions are engine pumps, hydraulic fan drives and ancillary hydraulic pumps for tractors, combines and other specialty equipment, such as harvesters and balers. Many agricultural machines use on-highway engines and truck engine derivatives, and there are many OEMs that operate both in the truck and agriculture machinery sectors.

The long-term trend for agricultural production is a function of demographics and rising living standards, largely in the developing economies. This will maintain upwards pressure on the productivity of farmland, and sustain demand for agricultural products. The market for agricultural machines is driven by investments made by farmers. Although food production is relatively stable, commodity food prices vary considerably so investments by farmers are less stable.

The growth rate for agriculture equipment is expected to be a CAGR of 2% in Europe over the next five years. However the North American agriculture equipment market is expected to decline annually by an average rate of 3% over the same period. Pressure on food supplies from rising incomes and changing tastes in Asia continues to drive stronger growth expectations in China and India on the back of increasing food prices, reflected in an expected CAGR of 4% in this region over the next five years.

North America

Market indices published at year-end indicate that North American production of diesel engines for agricultural machinery decreased by 13% compared with the full year 2013. This is consistent with Concentric's actual sales of engine products for agricultural machinery which decreased by 21% year-on-year in constant curreny.

Europe

European market indices for production of diesel engines for agricultural machinery decreased by 3% compared with the full year 2013. Concentric's actual sales of engine products for agricultural machinery were down 6% year-on-year in constant currency.

China/India

The production rate of diesel engines in China and India for the agricultural machinery market remained flat compared with the full year 2013. Concentric's actual sales of engine products for agricultural machinery decreased by 19% year-on-year in constant currency, driven primarily by the lower demand from a major customer, although agricultural machinery in emerging markets still remains very low for Concentric at just over 1% of the group's consolidated sales.

Product range

SEEDER MOTOR

OIL PUMP

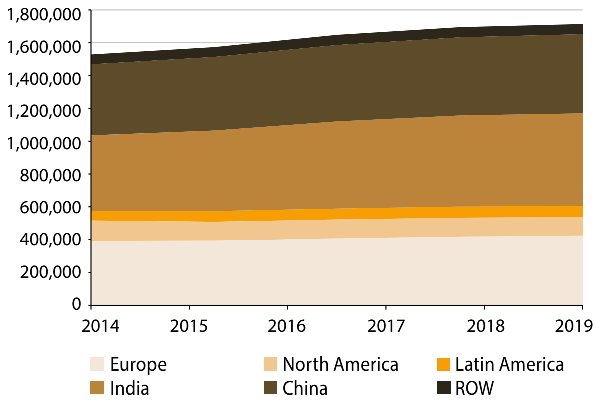
IMPLEMENT PUMPS

Major customers

AGCO, CNH, CLASS, JOHN DEERE, DEUTZ, VALTRA

Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER)



Source: Power Systems Research, January 2015 update

END-MARKET

Construction equipment

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

Current market estimates indicate that the global market for construction equipment will grow by a CAGR of 3% in North America and by 2% in Europe over the next five years, driven by emission regulations. A higher CAGR of around 4% is anticipated in China and India driven by infrastructure investment.

To date, construction equipment manufactured in India and China for domestic consumption has tended to be simple machines with less complicated hydraulics than equivalent machines produced in the USA, Europe and Japan. As a result, sales of hydraulic products have been limited since there has been less use of secondary hydraulic circuits to drive ancillary functions. This situation is now changing as domestic markets grow and mature, and is particularly evident in China where domestic manufacturers are starting to export to surrounding Asian countries which demand higher-specification machinery. In both India and China, the company continues to be well placed to use the existing facilities to launch hydraulic products as both markets start to develop.

North America
Market indices published at year-end indicate that North American production rate of diesel engines for the construction equipment market was up 4% compared with the full year 2013. From a hydraulics products perspective, the North American indices for the construction market increased by 30% compared with the full year 2013. Concentric's actual sales of engine and hydraulic products for construction equipment were up 13% year-on-year in constant currency.

Europe
European market indices for production of diesel engines for the construction equipment market increased by 5% compared with the full year 2013. From a hydraulics products perspective, the European construction market decreased by 17% when compared with the full year 2013. Concentric's actual sales of engine products for construction equipment were up 3% year-on-year in constant currency.

China/India
The production rates of diesel engines in China and India for the construction equipment market were up 10% compared with the full year 2013, which is consistent with Concentric's actual sales experience , up 13% year-on-year in constant currency, although construction equipment in emerging markets still remains pretty low for the group at just over 2% of consolidated sales.

Product range


AXLE COOLING


FUEL TRANSFER PUMP

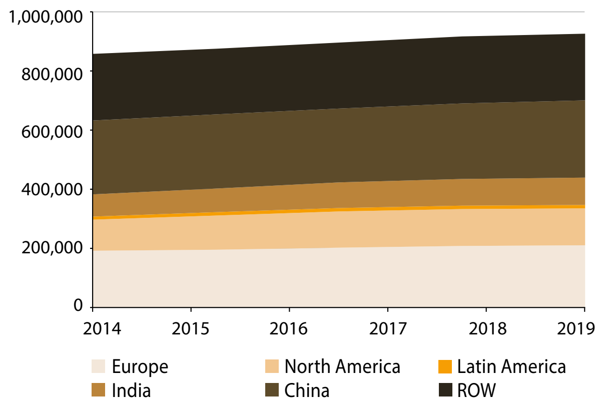

FAN DRIVE

Major customers

CATERPILLAR, CNH, HYUNDAI, JOHN DEERE, JCB, KOMATSU, VÖGELE, VOLVO

Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER)



Source: Power Systems Research, January 2015 update

Business excellence
Global Centre of Excellence

As part of Concentric's strategy to establish global/regional centres of excellence, our operation in Pune, India was designated as the group's global centre of excellence for water pumps and set the challenge of aligning best manufacturing practices.

The Journey

To accelerate the progress towards a global centre of excellence for water pumps, the Pune facility launched a 'Lean Journey' initiative during the second half of 2014.

The Lean Journey team was formed and challenged to focus and demonstrate sustained improvements on a Pilot Model Cell ("PMC") that would set the benchmark for performance and align the group's global standards on productivity, defect free parts and on-time-in-full delivery rates, in line with customer expectations. In order to achieve this, the team used 'Lean Manufacturing Techniques' from the Concentric Business Excellence tool kit.

A high volume manufacturing cell producing water pumps for Tier IV off-highway diesel engines was selected as the PMC for the Lean Journey Improvements. A clear time bound action plan was set with high importance given to small and incremental improvement ideas generated by the shop floor team. For example, reduction of the complexity of the tooling set-up process for different product variants on the PMC, thereby shortening change-over times and lowering defect rates.

Lean Manufacturing Techniques were aided by a Total Productive Maintenance ("TPM") culture ensuring the workforce's engagement in the process. After imparting awareness training, TPM circles were formed across the plant, with the ultimate aim of no fault forward. To support this approach, the Lean Journey team started Autonomous Maintenance for the upkeep of machines, i.e. I Do, I Check, I Maintain philosophy, which helped eliminate production abnormalities, breakdowns, unsafe working practices that would lead to accidents and ultimately led to improved product quality.

Results achieved on PMC

- The number of machines in the cell was lowered by 3 (38% reduction)
- Machining productivity in the cell improved by 31% and assembly productivity by 24%
- Customer defects reduced in one month from 92 to 13 defects
- A multi-skilled team was developed providing additional flexibility to manage changes in production levels
- In-process inventory was reduced from 3 to 2 days

Next steps

After the success of the PMC, the local team is in the process of scaling up the Lean Journey learning's by creating 14 other model cells across plant, spread over the next 2 years.

The team is developing the abilities of all employees through lean tools and techniques being incorporated which is embedding a "Zero Defect Product is my responsibility" culture through self-certification of the product before handing over to next internal customer. This will ultimately enable the team in Pune to deliver their vision "To achieve 50 PPM & sustain".

Commenting on the initiative launched in India, Dr. Andreas Wolf, SVP of Europe and ROW said: "The whole team in Pune has fully embraced the philosophy of the Concentric Business Excellence programme and the results of the pilot cell illustrate the potential for further operational improvements that will support our ambitious growth aspirations."

Motivated Concentric Team focussed on continuous improvements (Kobetsu Kaizens) in the 'Lean Journey' towards a global centre of excellence for water pumps.

Supplier Partners Engaged in Gemba ("Go & See") Review, on pilot model machine cell to improve quality of supply parts.

Business excellence
Customers

By embracing Concentric Business Excellence (CBE), the Rockford, USA facility's continuous improvement efforts are being recognised.

In 2012 the Rockford facility started on it's journey in adopting and embracing CBE and the Malcolm Baldrige Criteria for Performance Excellence. This integrated management system is a structured approach for us to improve every aspect of our business.

Customer focused

Two goals the Rockford facility set out to achieve in 2014 were John Deere's Achieving Excellence (AE) programme Partner level for the second straight year and Caterpillar's Supplier Quality Excellence Programme (SQEP) Bronze award.

To achieve these goals suppliers must maintain Quality PPM levels below 500 for Caterpillar and 120 for John Deere and delivery performance to the customer's requested date greater than 95% to Caterpillar and 99.5% to John Deere for 12 months. The journey began back in 2009/2010 where the Rockford facility Quality PPM levels were around 4,500 annually with monthly spikes exceeding 12,000 and delivery performance between 45–50%. By truly understanding expectations and collaborating with our customers, deep-diving into the opportunities, creating the necessary actions plans, improving our processes, and engaging our people, the Rockford facility achieved Caterpillar SQEP Bronze certification and attained Partner level for the second straight year with the John Deere Power Systems division.

Since 2012, the Rockford facility conducts annual customer surveys to understand our customers' 'wavelength'. Overall, we have seen annual customer satisfaction scores improve especially in the three key areas of Quality, Delivery, and Responsiveness which have gone up by 10 percentage points to 60% and when asked how we are doing against our competition in the three key areas Rockford received 90% positive feedback which is up by 30 percentage points to 50% since inception of the survey.

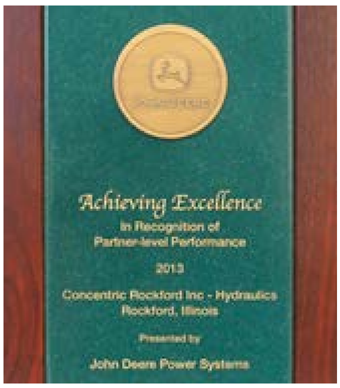
Achievement through our people

The Rockford facility could not have achieved these prestigious awards without getting the right people involved. From the beginning it was necessary to have the process owners on action teams whose members were to be open and honest with the understanding that we were all accountable for our respective actions. CBE and the Baldrige criteria forced us not to only listen to our customers but our employees as well.

Since 2012, the Rockford facility has conducted annual employee surveys to gain meaningful information on how to improve employee satisfaction. Since 2012, we have achieved year-over-year improvement in a number of areas, including satisfaction, communication and leadership just to name a few. By getting the right people involved on the survey teams analysing, brainstorming, and taking action on those areas that have scored the lowest, we have a better understanding of our employee's needs and expectations which helped us achieve performance levels never seen by the Rockford facility.

Business excellence in all we do

The Rockford facility submitted applications in 2012 and 2014 for the Illinois Performance Excellence (ILPEx) award. Both years we were awarded the ILPEx Bronze Award for Commitment to Excellence. The application process is based on a scoring system and Rockford improved its total score by 35 percentage points. Again, this was achieved by getting the right people involved in the process to address the opportunities for improvement. 2015 is a Plan-Do-Check-Act year and will re-apply in 2016 with the goal of achieving the ILPEx Silver Award.



Commenting on the ILPEx award, Martin Bradford, SVP of the Americas said: "We are proud of our team in Rockford. The Illinois Performance Excellence model is the foundation of our CBE programme in North America. This is the second time the Rockford team has been recognised by ILPEx and confirms that our journey for excellence in all we do remains steadfast and on track to support our business growth aspirations for the future. "

Concentric from a sustainability perspective

Sustainability efforts constitute an integral part of Concentric's operations. The aim is to ensure a greater wholeness with as many positive results as possible – environmentally, socially and economically.

Technology + Innovation = Sustainability

The philosophy of the Board of Directors and Group Management is that Concentric's principal contribution to a sustainable world, in terms of everything to do with the environment and society, takes place through the use of the company's products.

Integrated governance processes

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

Stakeholders

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

Concentric's operations in 2014, distributed by stakeholder, based on the company's income statement.

Amounts in MSEK

Customers	Sales of engine and hydraulic products	2,078
Suppliers	Procurement of goods and services as well as depreciation, amortisation	1,346
Employees	Wages, social expenses and competence development	399
Financial Institutions	Interest	17
The State	Taxes	75
Shareholders	Net income	241

The environment

Environmental policy

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

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

All members of Group Management are responsible for implementing the action plan that is based on the environmental policy.

Internal work on the environment

Concentric pursues operations in Sweden that are subject to notification and authorisation pursuant to the Environmental Code. Concentric's own environmental impact arises primarily from energy usage and indirect consumption of raw materials through the refinement of components purchased from sub-suppliers.

The company is working purposefully to limit electricity consumption, through such measures as the use of low-energy light bulbs, efficient use of local resources and night-time reduction of temperatures.

Material usage is limited through the recycling of paper and metal.

Environmental responsibility and CSR

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

Continuous improvements

Concentric's environmental activities are to be integrated into all operations and improved continuously through:

- *the design, communication and follow-up of clearly defined targets; and*
- *the commitment of all employees.*

Technological development

Concentric strives to exceed the demands and expectations of customers through:

- *the development of products with a focus on reducing fuel consumption;*
- *the reduced usage of ecologically harmful materials; and*
- *an increase in recycling capacity.*

Resource efficiency

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

- *minimise the consumption of energy and raw materials;*
- *minimise the production of waste and residual products; and*
- *facilitate waste treatment and recycling when possible.*

This is achieved through the Concentric Business Excellence programme.

Social issues

Social policy

Concentric has adopted a social policy that is based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labor Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD's guidelines for multinational enterprises.

Concentric's work in this area has focused on the implementation of policies as a part of existing procedures and guidelines. For example, the social policy has been integrated in the company's purchasing manual. Implementation work is on-going, but currently focuses specifically on the development and execution of action plans at division and unit levels.

Concentric in the community

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

Human rights

Concentric supports and respects the international conventions on human rights.

Child labour

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

Freedom of contract

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

Equal opportunities

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.

Suppliers

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

Business ethics

Concentric applies high standards in terms of business ethics and integrity, and supports the efforts of national and international organisations to establish and maintain strict ethical standards for all companies.

Reports on violations

Reports on violations of this social policy can be submitted anonymously and confidentially to Concentric's Group VP of Human Resources or the Chairman of the Audit Committee 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. Employees in various countries, with diverse cultural backgrounds, must be able to work together to create added value for the company, customers and shareholders.

To achieve this, Concentric builds on the Malcolm Baldrige/EFQM methodology. In addition, a formal succession plan has been developed throughout the organisation.

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 the potential of our current talent along with accessing future needs for management/leadership competency. 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.

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.

Concentric employees by country[1)]

Country	2014	2013	2012	2011	2010
Germany	206	207	130	174	163
India	203	228	235	243	195
USA	272	289	316	418	393
UK	212	212	186	233	229
Sweden	59	52	115	112	133
Other	33	37	34	40	37
Total	985	1,025	1,016	1,220	1,150

[1)] *Calculated as full time equivalents (FTEs), including our 50% share of Alfdex AB*

The Concentric Share (2014)

The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange midcap list since June 16, 2011, and is traded under the ticker symbol COIC. Share capital in Concentric at 31 December, 2014 amounts to 97.3 MSEK represented by 42,391,659 shares.

Price trend and trading

The price paid for the Concentric share rose 28 (29) percent in 2014 to 93 (72.75) SEK at year-end. The Industrial Goods & Services index rose 2.6 (3.5) percent during the same period. The highest price paid for the share during the year was registered at 101.50 (77) SEK and the lowest price was 64.75 (53.75) SEK. Concentric's market value as of 31 December, 2014 was 4,112 (3,216) MSEK. In 2014, a total of 17.4 (20.9) million Concentric shares were traded, corresponding to 39 (47) percent of the total number of shares.

39-percent foreign owned

At the end of 2014, Concentric had a total of 9,181 (9,661) shareholders. Foreign shareholders accounted for approximately 39 (33) percent of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 49 (54) percent of the company was owned by legal entities and 12 (13) percent 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, the annual dividend should correspond to approximately one third of the Group's net income over a business cycle.

Incentive programme

The annual general meeting 2014 resolved on the implementation of a long-term incentive programme, LTI 2014, under which up to 8 senior executives and key employees participated, entitling them to a maximum of 170,000 stock options. See note 8 on page 46 for further details. The board of directors has proposed for a similar incentive programme to be resolved at the annual general meeting 2015.

Performance criteria

LTI 2014

The conditional right to exercise the LTI 2014 performance employee stock options is subject to the fulfilment of the following performance criteria. The first performance employee stock option will entitle the participant to acquire one (1) Concentric share per option if Concentric's reported basic EPS of the financial year 2016 reach or exceed SEK 6.00.

The second performance employee stock option will entitle the participant to acquire one (1) Concentric share per option if Concentric's reported ROE reaches or exceeds 20 per cent per year in average over the financial years 2014, 2015 and 2016.

No partial exercising of performance employee stock options will be allowed if the performance criteria are not fully met.

LTI 2013

The conditional right to exercise the LTI 2013 performance employee stock options is subject to the fulfilment of the following performance criteria. The first performance employee stock option will entitle the participant to acquire one (1) Concentric share per option if Concentric's reported basic EPS of the financial year 2015 reach or exceed SEK 6.20.

The second performance employee stock option will entitle the participant to acquire one (1) Concentric share per option if Concentric's reported ROE reaches or exceeds 20 per cent per year in average over the financial years 2013, 2014 and 2015.

No partial exercising of performance employee stock options will be allowed if the performance criteria are not fully met.

LTI 2012

The conditional right to exercise the LTI 2012 performance employee stock options is subject to the fulfilment of the following performance criteria. The first performance employee stock option will entitle the participant to acquire one (1) Concentric share per option if Concentric's reported basic EPS of the financial year 2014 reach or exceed SEK 5.50. The actual reported basic EPS for the financial year 2014 was SEK 5.54.

The second performance employee stock option will entitle the participant to acquire one (1) Concentric share per option. if Concentric's reported ROE reaches or exceeds 20 per cent per year in average over the financial years 2012, 2013 and 2014. The actual reported ROE was 26.5% for financial year 2012, 27.2% for financial year 2013 and 29.6% for financial year 2014.

Accordingly, the performance criteria for LTI 2012 have been fully met.

Concentric's communication policy

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

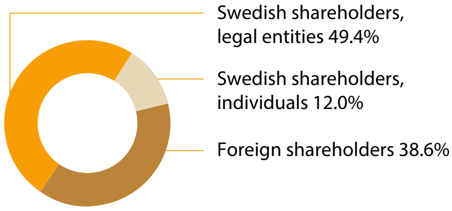
Taking into account the requirements set in non-disclosure agreements that may occasionally be demanded by customers, the company may not always be at liberty to divulge the customer's identity and/or business in detail.

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

Annual report available through Concentric's website

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

Swedish and foreign shareholders



Distribution of shares, 30 Dec. 2014

No of shares	No of shareholders	% of total shares
1–500	6,403	69.7
501–1,000	1,332	14.5
1,001–5,000	1,113	12.1
5,001–10,000	121	1.3
10,001–15,000	42	0.5
15,001–20,000	29	0.3
> 20,001	141	1.6
Total	**9,181**	**100.0**

10 largest shareholders, 30 Dec. 2014

Name	Votes capital, %	No of shares
Nordea Investment Funds	11.1	4,915,635
Swedbank Robur fonder	9.7	4,294,160
Lannebo fonder	8.9	3,943,280
Handelsbanken Fonder AB Re JPMEL	4.8	2,135,555
SEB Investment Management	4.3	1,898,814
Norges Bank	3.0	1,304,606
Creades AB	2.9	1,295,830
Enter fonder	2.8	1,244,302
Fondita Nordic Micro Cap Sr	2.1	930,000
SEB Micro Cap Fund	1.7	740,000
Total 10 largest external shareholders	**51.3**	**22,702,182**
Total other external shareholders	44.6	19,689,477
Total, excl own holding	**95.9**	**42,391,659**
Own share holding	4.1	1,824,311
Total shares	**100.0**	**44,215,970**

Analysts monitoring Concentric

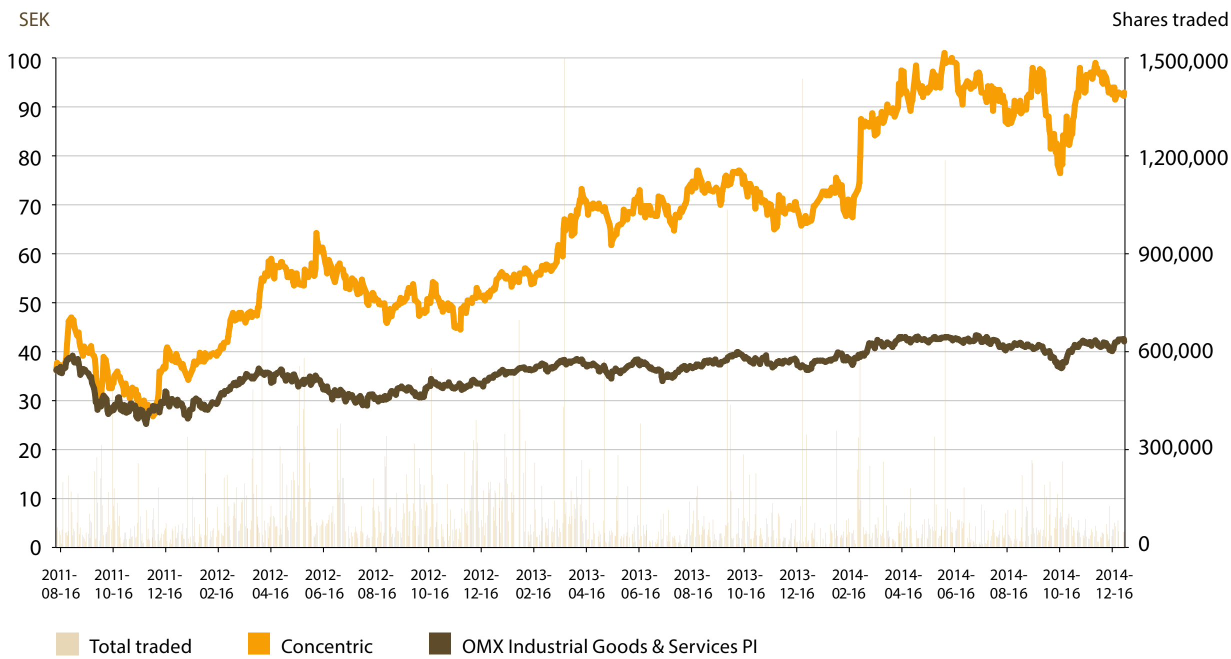
ABG Sundal Collier	Johan Edvardsson
Danske Bank	Max Frydén
Handelsbanken Capital Market	Carl Bertilsson
SEB Enskilda	Anders Trapp
Swedbank Markets	Mats Liss

Data per share

	2014	2013	2012*
Earnings before items affecting comparability, SEK	5.54	4.00	4.13
Earnings before dilution, SEK	5.54	4.00	3.88
Earnings after dilution, SEK	5.53	4.00	3.88
Return on equity, SEK:	29.6	27.2	26.5
Dividend, SEK	3.00	2.75	2.50
Market price at year end, SEK	93.00	72.75	56.00
Equity, SEK	19.13	17.80	13.97
EBIT multiple	13.3	11.3	8.8
P/E ratio	16.8	18.3	14.5
Payout ratio, %	54.2	68.8	64.4
Dividend yield, %	3.2	3.8	4.5
Basic average number of shares (000's)	43,421	43,922	44,094
Diluted average number of shares (000's)	43,523	43,962	44,094
No. of shares at 31 December (000's)	42,392	43,957	43,966

** Figures for 2012 have been restated for the amendments to IAS19, Employee benefits.*

Share price and trading 2011–2014



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 2014. The Company has its registered address in Ringvägen 3 SE-280 40 Skånes Fagerhult, Sweden. Unless otherwise stated, all amounts are in SEK million. Information in brackets refers to the preceding fiscal year. The terms "Concentric", "Group", and "Company" all refer to the Parent Company—Concentric AB—and its subsidiaries.

Overview of Concentric

Group

Concentric produces and sells a range of products, based on its core technical competence in pumps, to OEMs and Tier 1-suppliers. The main products are oil pumps, water pumps, fuel transfer pumps and hydraulic systems. Core products are developed together with customers, to provide custom solutions to their specific flow and pressure requirements. A typical product development period can be up to 3 years, and a typical product life is in excess of 10 years. Concentric's customers are spread globally, and their products serve four end-markets, industrial applications, trucks, agricultural machinery and construction equipment. Concentric's solutions allow its customers to achieve their goals on fuel economy, emissions reduction and noise control.

During 2014, Concentric had, on average, a total of 1,036 (1,031) employees at its sites in China, Germany, India, United Kingdom, United States and its sales offices in Brazil, France, Italy, Korea and Sweden.

Operating Segments

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

Sales and Business Performance

Sales for the full year, excluding revenues attributable to Alfdex AB, were MSEK 2,078 (1,858), up 12% year-on-year in absolute terms. Adjusting for the acquisition of LICOS Trucktec GmbH (+2%) and the impact of currency (+7%), the underlying year-on-year increase in sales for the full year was 3%, driven primarily by the structural growth achieved from the ramp up of Euro VI platforms during 2014.

Consolidated Gross profit increased to MSEK 568 (485), resulting in a gross margin of 27.3% (26.1%). Reported EBIT and EBIT margin amounted to MSEK 333 (279) and 16.0% (15.0) respectively.

The comparative figures for 2013 have been restated for the amendments to IFRS 11, Joint Arrangements, as follows:

- Sales and gross income were reduced by MSEK 122 and MSEK 59 respectively, to remove Concentrics's 50% share of those revenues and gross income attributable to Alfdex AB.
- EBIT was reduced by MSEK 5 to reflect the reclassification of interest and taxation previously recognised below these lines in respect of Alfdex AB.

Reported EBIT for both 2014 and 2013 did not include any items affecting comparability.

Americas

External sales for the full year amounted to MSEK 1,033 (974). Sales were up 1% in constant currency for the full year.

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 157 (134) and 15.2% (13.8) respectively. The year on year earnings improvement can largely be attributed to process improvements and effective cost management achieved through the Concentric Business Excellence programme.

Europe & RoW

External sales for the full year amounted to MSEK 1,203 (1,006). Sales were up 8% in constant currency for the full year, after adjusting for the acquisition of LICOS Trucktec GmbH.

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 182 (150) and 15.1% (14.9) respectively.

Net financial items, taxes and net earnings

Net financial expenses for the full year amounted to MSEK 17 (36), comprising interest on loans and commission relating to commitments of unitilised credit facilities and other interest payable of MSEK 5 (12) and net financial expenses in respect of net pension liabilities of MSEK 18 (20). Accordingly, consolidated income before taxation amounted to MSEK 316 (243) for the full year.

The Group's tax expenses for the fiscal year 2014 amounted to MSEK 75 (67).

As noted above, the comparative period in 2013 has been restated for the amendments to IFRS 11, Joint arrangements, thereby reclassifying the interest and taxation in respect of Alfdex AB to the share of profits from joint ventures included within reported EBIT.

The group's effective annual tax rate for 2014 was 25% (29), before processing the amendments to IFRS 11, Joint arrangements. The internal refinancing undertaken for the group during 2013 actually accounts for 3% of the 4% reduction in the group's effective annual tax rate. Any other movements in the group's effective annual tax rate largely reflect the change in mix of taxable earnings across the various tax jurisdictions in which the group operates.

Earnings after taxation amounted to MSEK 241 (176). Basic and diluted earnings per share amounted to SEK 5.54 (4.00) and SEK 5.53 (4.00) respectively.

Cash Flow

Cash flow from operating activities for the full year amounted to MSEK 340 (199) which represents SEK 7.83 (4.54) per share.

Investments and Product development

The Group's net investments for the full year amounted to MSEK 25 (37).

Every year, the Group makes investments in development projects to maintain its market-leading products. Product development and application engineering expenses for the full year amounted to MSEK 58 (62), which represents 2.8% (3.4) 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 value. Financial instruments carried at fair value on the balance sheet consist solely of derivative instruments. As of 31 December, 2014 the fair value of those derivative instruments that were assets was MSEK 4 (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 the amendments to IFRS 11, "Joint arrangements", the cash and bank assets attributable to the group's joint venture have been excluded from the reported consolidated balance sheet. Accordingly, the comparative figure for 2013 has been restated to remove Concentric's 50% share of the cash and bank assets attributable to Alfdex.

Following the revaluation of the Group's defined benefit pension plans, a total actuarial loss of MSEK 127 (gain 139) has been recognised in the net pension liabilities at year-end.

As a result, the Group's net debt at year-end was MSEK 528 (409), comprising loans and corporate bonds of MSEK 195 (196) and net pension liabilities of MSEK 568 (406), net of cash amounting to MSEK 235 (193).

Shareholders' equity amounted to MSEK 811 (783), resulting in a gearing ratio of 65% (52). Excluding the Group's net pension liabilities, the operating leverage would be nil (nil).

Acquisitions

There were no acquisitions or divestments in 2014. On 28 June 2013, Concentric completed the acquisition of the entire share capital of LICOS Trucktec GmbH, a leading producer of water pumps and electromagnetic fan clutches for the truck industry based in Markdorf, Germany. The primary purpose of the acquisition was to broaden Concentric's current product portfolio in the growing niche market of variable flow pumps.

Related-party transactions

No transactions have been carried out between Concentric AB and its subsidiary undertakings and any related parties that had a material impact on either the company's or the group's financial position and results. Over the last 3 years, the AGM have decided upon three long-term incentive plans for the management and key personnel.

Environment and Corporate Social Responsibility

All of Concentric's sites are certified to ISO14001 and OHSAS18001 standard (the latter being a standard for occupational health and safety management systems). Concentric environmental programmes are characterised by continual 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 Labor Organisation's (ILO) basic principles on labor law and the OECD guidelines for multinational companies.

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

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

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 customer's 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. Again, Concentric manages this risk by working closely with its customers to solve their problems and meet their needs.

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 is 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 increases 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.

If there were to be interruptions to the raw materials and semi-finished goods supply chains, and temporary shortages of certain materials, 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 by ensuring there are at least dual supply arrangements in place for all key commodity groups.

Company-related and operational risks

Production

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

Concentric conducts production at a number of plants for certain product lines, thus there is the potential to reduce the implications of an interruption by raising output at other plants. However, such action generally results in added costs and may, in the short run, have a negative impact on the Group's operations, financial position and earnings, particularly for production where the capacity utilisation is high.

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 costs for major new product development projects, a failed launch would give rise to an impairment requirement and may adversely affect the Group's operations, financial position and earnings.

Complaints, product recalls and product liability

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

Recalls pertain to cases where an entire production series or a large part has to be recalled from customers in order to rectify deficiencies. This occurs occasionally in Concentric's end-markets. The Group has no insurance covering recalls. The assessment is that the cost of such insurance would not be proportionate to the risk covered by the insurance. Concentric has historically not been affected by any major recalls of products. There is always a risk that customers demand that suppliers cover costs in addition to replacing the product, such as the cost of dismounting, assembly and other ancillary costs. If a product causes damage to a person or property, the Group could be liable to pay damages. A recall on a larger scale or a major product liability claim, may affect the Group's operations, financial position and earnings negatively.

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.

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.

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.

Financial risks

Liquidity risk

The Group's liquidity risk is the risk that the Company will be unable to meet its immediate capital requirements either through holding sufficient cash and cash equivalents or through granted and unused credit facilities that can be utilised without conditions. The goal according to the Group's finance policy is that cash and cash equivalents and available credit facilities must total at least 5% of the rolling annual net sales for the Group at any point in time. These funds amounted to MSEK 447 (551) at year-end, corresponding to 22% (30) 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. The Group's net interest expense depends, among other things, on the average fixed interest term. It cannot be guaranteed that Concentric's measures to reduce its exposure to interest rate changes and other interest risks are efficient or sufficient enough in order for Concentric's financial position and earnings not to be adversely affected. If the interest rates will increase or decrease with 1%, the yearly interest expense will increase or decrease with 2 MSEK.

Exchange rate risks

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

	Average rates		Closing rates	
Currency	**2014**	**2013**	**2014**	**2013**
EUR	9.0968	8.6494	9.5155	8.9430
GBP	11.2917	10.1863	12.1388	10.7329
USD	6.8577	6.5140	7.8117	6.5084

The table below shows the currency effect on Net income for the year and Equity if the respective currency changes with 10% The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and puchases.

	Net income for the year		Equity	
Currency	**2014**	**2013**	**2014**	**2013**
EUR	7	7	29	27
GBP	15	10	59	51
USD	12	11	86	64

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, 2014, 76% (58) of the anticipated net flows were 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 2014 to hedge invoiced and forecast currency flows. At 31 December, 2014, these contracts had a net value of MSEK 111 (102) with a market value of MSEK 4 (-2).

Translational risks

Concentric's operations give rise to extensive cash flows in foreign currency. The most important currencies in the Group's cash flow are SEK, USD, EUR and GBP. The effects of exchange rate movements have an impact on the Group's earnings when the income statements of foreign subsidiaries are translated to SEK. Since the Group's earnings are mainly generated outside 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 fulfill his 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 behavior reviews of existing customers, including robust credit stop procedures. The Group's accounts receivable amounted to MSEK 196 (196) at year-end and are recognised at the amounts expected to be paid. Concentric customers are primarily major OEMs, engine manufacturers and hydraulics distributors. During 2014, no single customer accounted for more than 17% (16) of sales. The Group's customer losses are historically low and normally are less than 0.1% of sales.

Changes in value of fixed assets

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

Pension obligations

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

Capital risk

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

Share-Related information

Ownership status

The Company's shares have been listed on Nasdaq OMX Stockholm since 16th June, 2011. Concentric AB had 9,181 (9,661) shareholders at the end of the financial year. The Company's largest shareholder was Nordea Investment Funds (11.1%), the only shareholder to hold in excess of 10% of the votes and capital of the company.

Share Capital, shares outstanding and rights

Since the listing date, there have been no shares issued or bonus issues in the period. The company purchased 1,565,016 (sold 64,308) of its own shares during the year for a total consideration of MSEK 148. Consequently the holdings of own shares at 31 December 2014 was 1,824,311 (259,295) and the number of shares outstanding at year-end, excluding any dilution from share options, was 42,391,659 (43,956,675). 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 aware of no agreements between shareholders which may limit the right to transfer shares. Further information about the Concentric AB share is provided on pages 28–29.

Board Authorisations

At the last AGM in April 2014, the following board members were elected:

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

In addition, an 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 69–74.

Remuneration

The 2014 AGM adopted remuneration policies were as follows. The actual remuneration agreed during the year is detailed in note 8 on page 46.

Scope of the policies

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

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

Fundamental principles and forms of remuneration

It is of fundamental importance to the company and its shareholders that the guidelines for remuneration to senior executives, in both a short and long term perspective, enable the company to attract and retain senior executives and other employees with excellent competence. To obtain this it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and compensation levels. The terms of employment for senior executives shall consist of a balanced combination of fixed salary, annual bonus, long-term incentive programme, pension and other benefits and terms for dismissal /severance payment.

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

The remuneration should be based on performance. It should therefore consist of a combination of fixed salary and bonus, where the variable remuneration forms a rather substantial part of the total remuneration, but it is understood that the bonus is always capped to a pre-defined maximum amount.

Principles for various types of remuneration

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

Fixed Pay

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

Variable Pay

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

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

The part of the total remuneration consisting of annual bonus varies depending on position and may amount up to 50 percent of the fixed annual salary at full goal achievement. The bonus goals are constructed so that no bonus will be paid if a certain minimum performance level is not achieved. All bonus schemes within the organisation are discretionary and payable at the sole discretion of the management unless payment is guaranteed by an existing legal agreement or contract.

Application of variable pay guidelines

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

Long-term Incentive Programmes

In order to foster a long-term perspective in the decision making and to ensure long term achievement of goals, the Board have set up a long-term incentive programme. Remuneration in form of long-term incentive programmes shall be in accordance with market practice on each relevant market. Further details of the LTI programmes resolved at previous AGMs are provided in note 8, page 46.

Pension Benefits

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

Other

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

Terms of notice

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

In addition to the above described remunerations, agreements on additional remunerations may be made in exceptional situations, for example, when considered necessary to attract and retain key personnel or induce individuals to move to new places of service or accept new positions. Such special remunerations shall be limited in time and may not exceed 36 months. Further, the total remuneration must not exceed an amount equivalent to two times the remuneration the individual would have received in the absence of an agreement on special remunerations. Terms for dismissal and severance pay shall correspond to what may be deemed common market practice for each geographical market. When entering into new employment contracts, agreement may be made with senior executives on severance pay upon termination of the employment by the Company, corresponding to a maximum of 12 months' fixed salary. Upon termination of the employment, local practice on the geographical market where the senior executive operates shall be complied with.

The Board of Directors' preparation and resolutions related to pay and other terms of employment for executives

Proposal on new executive remuneration policies

The Board of Directors will propose to the 2015 AGM that the above policies on executive remuneration shall apply until the 2016 AGM. Expected cost for variable salaries and LTI-schemes will be about 14 MSEK for 2015.

Provisions of the Articles of Association: Appointment and Discharge of Directors and Amendments

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

Significant Agreements

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

Contingent Liabilities

The Group's contingent liabilities amounted to MSEK 1 (3) at the balance sheet date.

Post Balance Sheet Events

On 29 January, 2015, Concentric AB signed new financing agreements with its existing banks, securing a five year term loan for MSEK 175, to replace the maturing bond facility in the same amount, and a three year multi-currency revolving credit facility for approximately MSEK 560.

On 30 January, 2015 Concentric AB completed the acquisition of the entire share capital of GKN Sinter Metals de Argentina SA ("GKN Pumps"), a supplier of engine pumps in South America, to strengthen its presence in this region. GKN Pumps will be consolidated in Concentric's financial statements as of 1 February, 2015. For the year ended 31 December, 2014, GKN Pumps made sales of approximately MSEK 100 with 166 employees.

Parent Company

Net sales for the full year amounted to MSEK 28 (23), generating an operating income of MSEK 7 (7). The company also received the following income from subsidiaries and joint ventures during the year and last year:

- Dividends amounting to MSEK nil (817) arising its wholly owned US subsidiary undertaking, Concentric Americas, Inc.;
- Profits amounting to MSEK nil (474) arising from the disposal of its wholly owned German subsidiary undertaking, Concentric Hof GmbH, following the group reorganisation undertaken subsequent to the LICOS Trucktec GmbH acquisition;
- Profits amounting to MSEK 13 (11) arising from contributions made by its wholly owned Swedish subsidiary undertaking, Concentric Skånes Fagerhult AB; and
- Dividends amounting to MSEK 12 (12) arising from its 50% ownership in the Swedish joint-venture company, Alfdex AB.

The cumulative net exchange rate losses and interest expenses for the full year amounted to MSEK 108 (1) and MSEK 11 (5) respectively.

Accounting Principles

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

Outlook for 2015

Looking forward into 2015, the Board considers that Concentric is in a good position to maximise the foreseeable business opportunities and continue to outperform the market. As pressure to reduce fuel consumption in all forms of machinery and trucks increases, Concentric's development programmes with customers for variable flow pump technology will continue to present opportunities. The recent acquisition of the GKN pumps business in Argentina will enable Concentric to better serve its global customers and win new business both for engine and hydraulic products.

With dedicated resources now in place, the company will continue to look at further acquisition opportunities to enhance its product offering or stengthen its geographical footprint. In short, Concentric is well positioned, financially and operationally to fully leverage the opportunities for 2015.

Dividend policy

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's strong earnings and financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a total dividend of SEK 3.00 (2.75) per share for 2014. This corresponds to an ordinary dividend of SEK 2.00 (1.50) which equates to around 36% (38) of earnings per share, plus an additional dividend of SEK 1.00 (1.25) associated with the Group's strong financial position.

Proposed Appropriation of Earnings

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

Amounts in MSEK	
Profit brought forward	1,417
Loss for the year	-66
Total	**1,351**

The board of directors and the president propose that the funds of MSEK 1,351 be allocated as follows:

Amounts in MSEK	
Dividend of SEK 3.00 per share to shareholders	127
Carried forward	1,224
Total	**1,351**

Statement by the Board of Directors concerning the proposed dividend

The proposed dividend reduces the company's equity to assets ratio from 54 percent to 47 percent and the Group's equity to assets ratio from 39 percent to 26 percent. The company's and the group's non-restricted equity will be sufficient in relation to the nature, scope and risks of the business. In making this assessment, the board has considered, among other things, the company's and the group's growth historically, its budgeted growth and the financial situation.

The board has evaluated the company's and the group's financial position and the company's and the group's possibilities to fulfill 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 fulfill its respective payment obligations. The company and the group have access to both short and long-term credit facilities. These facilities may be utilised at short notice, for which reason the board assesses that the company's and the group's preparedness to handle both changes in the liquidity and unrecognised events are good.

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

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

Consolidated Income statement

Amounts in MSEK	Note	2014	2013
			Restated [1]
Net sales		2,078	1,858
Cost of goods sold		-1,510	-1,373
Gross income		**568**	**485**
Selling expenses		- 82	- 60
Administrative expenses		- 116	- 105
Product development expenses		- 58	- 62
Share of net income in joint venture	19	12	16
Other operating income	11	46	36
Other operating expenses	11	- 37	- 31
Operating income	4,5,6,7,8,9,10,17	**333**	**279**
Financial income	12	9	3
Financial expenses	12	- 26	- 39
Financial items – net		**- 17**	**- 36**
Earnings before tax		**316**	**243**
Taxes	13	- 75	- 67
Net income for the year		**241**	**176**
Attributable to:			
Parent Company shareholders		241	176
Non controlling interest		–	–
Basic earnings per share, SEK	14	5.54	4.00
Diluted earnings per share, SEK	14	5.53	4.00
Basic weighted average number of shares (000)	14	43,421	43,922
Diluted average number of shares (000)	14,24	43,523	43,962

[1] See Note 2

Consolidated Statement of comprehensive income

Amounts in MSEK	2014	2013
		Restated [1]
Net income for the year	241	176
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Actuarial gains/losses	-127	139
Tax arising on actuarial gains/losses	33	-37
Tax arising from reduction in tax rates	–	-11
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences related to liabilities to foreign operations	-108	-3
Tax arising from exchange rate differences related to liabilities to foreign operations	24	1
Cash-flow hedging	4	-1
Tax arising from cash-flow hedging	-2	-
Foreign currency translation difference	231	8
Total other comprehensive income	**55**	**96**
Total comprehensive income	**296**	**272**

[1] See Note 2

Consolidated Balance sheet

Amounts in MSEK	Note	31-Dec-14	31-Dec-13	01-Jan-13
			Restated[1]	Restated [1]
ASSETS				
Fixed assets				
Goodwill	15	612	534	481
Other intangible fixed assets	15	335	337	336
Tangible fixed assets	16,17	194	185	172
Share of net assets in joint venture	19	26	26	22
Deferred tax assets	18	165	144	155
Long-term receivables	37	4	4	5
Total fixed assets		**1,336**	**1,230**	**1,171**
Current assets				
Inventories	20	222	199	163
Accounts receivable	21,37	196	196	146
Other current receivables	22,37	77	51	43
Cash and cash equivalents	23,37	235	193	274
Total current assets		**730**	**639**	**626**
Total assets		**2,066**	**1,869**	**1,797**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity	24			
Share Capital		97	97	97
Additional Contributed Capital		583	583	583
Reserves		166	17	12
Retained Earnings		- 35	86	- 77
Total equity		**811**	**783**	**615**
Long-term liabilities				
Pensions and similar obligations	25	568	406	547
Deferred tax liabilities	18	64	107	70
Long-term interest-bearing liabilities	26, 27,37	3	178	175
Other long-term liabilities	37	5	4	4
Total long-term liabilities		**640**	**695**	**796**
Current liabilities				
Short-term interest-bearing liabilities	26,28,37	185	6	13
Short-term loans payable to associated companies	29,37	12	14	14
Accounts payable	26,37	211	214	178
Other provisions	30	44	21	51
Other current liabilities	26,31,37	163	136	130
Total current liabilities		**615**	**391**	**386**
Total equity and liabilities		**2,066**	**1,869**	**1,797**

Information of pledged assets and contingent liabilities, see note 32
[1] See Note 2

Consolidated
Changes in shareholders' equity

			Reserves			
Amounts in MSEK	**Share capital**	**Additional contributed capital**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Total**
Opening balance January 1, 2013	**97**	**583**	**–**	**12**	**-77**	**615**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	176	**176**
Other Comprehensive income	–	–	–	5	91	**96**
Total comprehensive income	**–**	**–**	**–**	**5**	**267**	**272**
Dividend	–	–	–	–	-110	-110
Sale of own shares for acquisition of subsidiary	–	–	–	–	5	5
Long-term incentive plan	–	–	–	–	1	1
Closing balance December 31, 2013	**97**	**583**	**–**	**17**	**86**	**783**
Opening balance January 1, 2014	**97**	**583**	**–**	**17**	**86**	**783**
Components of Comprehensive Income						
Net income for the year	–	–	–	–	241	**241**
Other Comprehensive income	–	–	2	147	-94	**55**
Total comprehensive income	**–**	**–**	**2**	**147**	**147**	**296**
Dividend	–	–	–	–	-121	**-121**
Buy-back own shares	–	–	–	–	-148	**-148**
Long-term incentive plan	–	–	–	–	1	**1**
Closing balance December 31, 2014	**97**	**583**	**2**	**164**	**-35**	**811**

[1] See Note 2

Consolidated Cash flow statement

Amounts in MSEK	Note	2014	2013
			Restated[1]
Cash flow from operating activities			
Earnings before tax		316	243
Reversal of depreciation, amortisation and write-down of fixed assets		83	88
Reversal of net income from joint venture		-12	-16
Reversal of other non-cash items	33	17	1
Taxes paid		-99	-83
Cash flow from operating activities before changes in working capital		**305**	**233**
Change in working capital			
Inventories		4	-23
Current receivables		44	-30
Current liabilities		-13	19
Change in working capital		**35**	**-34**
Cash flow from operating activities		**340**	**199**
Cash flow from investing activities			
Investments in subsidiaries	34	–	-105
Investments in property, plant and equipment		-25	-40
Product development		–	-1
Divestments in property, plant and equipment		–	4
Cash flow from investing activities		**-25**	**-142**
Cash flow from financing activities			
Dividend		-121	-110
Dividend received from joint venture		12	12
Buy-back of own shares		-148	–
New loans		16	59
Repayment of loans		-19	-65
Pension payments and other cash flows from financing activities		-39	-32
Cash flow from financing activities		**-299**	**-136**
Cash flow for the year		**16**	**-79**
Cash and bank assets, opening balance		193	274
Exchange-rate difference in cash and bank assets		26	-2
Cash and bank assets, closing balance		**235**	**193**

[1] See Note 2

Group Notes

NOTE 1 General information

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

Concentric AB, corp. ID. No. 556828-4995, is a registered limited liability corporation with its registered office in Skånes Fagerhult, Sweden. The visiting and postal address of the head office is Ringvägen 3, 280 40 Skånes Fagerhult, Sweden. The company is listed on the Nasdaq OMX Stockholm Mid-Cap list, since June 2011.

The annual report and the consolidated accounts were approved for publication by the board of directors on March 5, 2015.

NOTE 2 Summary of Important Accounting Principles

New and Amended Standards and Interpretations adopted by the Group

The following new and amended standards have been applied by the Group as of January 1 2014. Other changes in IFRS with a 2014 effective date have not had a material impact on the financial statements of the Group.

IFRS 11,"Joint arrangements". 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. The proportionate method is no longer permitted for joint ventures. Management has assessed that Concentric's interest in Alfdex constitute a joint venture under IFRS 11. In prior periods, Alfdex has been reported in accordance with the proportionate method. As a result of the application of IFRS 11, Alfdex is as of January 1, 2014 instead reported using the equity method.

The change has in accordance with IAS 8 been applied retrospectively and has affected the financial statements in the following manner:

	Old Policy	Change	New Policy
Restated Consolidated income Statement 2013			
Net sales	1,980	-122	1,858
Cost of goods sold	-1,436	63	-1,373
Gross income	**544**	**-59**	**485**
Selling expenses	-65	5	-60
Administrative expenses	-112	7	-105
Product development expenses	-72	10	-62
Share of profit in joint venture	–	16	16
Other operating income and expenses	-11	16	5
Operating income	**284**	**-5**	**279**
Financial income and expense	-36	0	-36
Earnings before tax	**248**	**-5**	**243**
Taxes	-72	5	-67
Net income for the year	**176**	**–**	**176**
of which minority interests	–	–	–
Basic earnings per share, SEK	4.00	–	4.00
Diluted earnings per share, SEK	4.00	–	4.00

	Old Policy	Change	New Policy
Restated Consolidated Other Comprehensive Income (OCI) 2013			
Net income for the year	**176**	**–**	**176**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial Gains/Losses	139	–	139
Tax arising on actuarial gains/losses	-37	–	-37
Tax arising from reduction in tax rates	-11	–	-11
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences related to liabilities to foreign operations	-2	–	-2
Cash-flow hedging	-1	–	-1
Foreign currency translation difference	8	–	8
Total other comprehensive income	**96**	**–**	**96**
Total comprehensive income	**272**	**–**	**272**

	Old Policy	Change	New Policy
Restated Consolidated Balance Sheet per 31 December 2013			
Goodwill	534	–	534
Other intangible fixed assets	337	–	337
Tangible fixed assets	194	-9	185
Share of net assets in joint venture	–	26	26
Deferred tax assets	145	-1	144
Long-term receivables	4	–	4
Total fixed assets	**1,214**	**16**	**1,230**
Inventories	205	-6	199
Current receivables	271	-24	247
Cash and cash equivalents	199	-6	193
Total current assets	**675**	**-36**	**639**
Total assets	**1,889**	**-20**	**1,869**
Total Shareholders' equity	**783**	**–**	**783**
Pensions and similar obligations	406	–	406
Deferred tax liabilities	110	-3	107
Long-term interest-bearing liabilities	178	–	178
Other long-term liabilities	4	–	4
Total long-term liabilities	**698**	**-3**	**695**
Short-term interest-bearing liabilities	6	12	18
Other current liabilities	402	-29	373
Total current liabilities	**408**	**-17**	**391**
Total liabilities and shareholders' equity	**1,889**	**-20**	**1,869**

	Old Policy	Change	New Policy
Restated Consolidated Balance Sheet per 1 January 2013			
Goodwill	481	–	481
Other intangible fixed assets	336	–	336
Tangible fixed assets	181	-9	172
Share of net assets in joint venture	–	22	22
Deferred tax assets	156	-1	155
Long-term receivables	5	–	5
Total fixed assets	**1,159**	**12**	**1,171**
Inventories	167	-4	163
Current receivables	204	-15	189
Cash and cash equivalents	288	-14	274
Total current assets	**659**	**-33**	**626**
Total assets	**1,818**	**-21**	**1,797**
Total Shareholders' equity	**615**	**–**	**615**
Pensions and similar obligations	547	0	547
Deferred tax liabilities	71	-1	70
Long-term interest-bearing liabilities	175	–	175
Other long-term liabilities	4	–	4
Total long-term liabilities	**797**	**-1**	**796**
Short-term interest-bearing liabilities	13	10	23
Other current liabilities	393	-30	363
Total current liabilities	**406**	**-20**	**386**
Total liabilities and shareholders' equity	**1,818**	**-21**	**1,797**

IFRS 12, "Disclosures of interests in other entities". IFRS 12 requires increased disclosures for all forms of interests in other entities, including joint arrangements, associates and "structured entities". The application of IFRS 12 has resulted in increased disclosures on the Group's interest in Alfdex. The disclosures are presented in note 19.

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

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

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

IFRS 9 "Financial instruments" deals with the classification, measurement and reporting of financial liabilities and assets and will replace IAS 39. The categories for financial assets in IAS 39 are replaced by two categories, where financial assets are measured either at fair value or amortised cost. Most of the rules for classification and measurement of financial liabilities is in line with the rules in IAS 39. The effective date for IFRS 9 is January 1, 2018. Concentric has not yet assessed the effects of IFRS 9.

None of the other IFRS and IFRIC interpretations that have not yet been endorsed are expected to have a material impact on the Group.

a) Basis of preparation

The consolidated financial statements of the Concentric AB 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 Concentric AB 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.

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 Concentric Group.

Transactions and balance sheet items

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

Subsidiaries

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

Exchange rate differences on loans and other instruments that are used as hedging instruments for net investments in foreign currency are recognised directly in the translation reserves in OCI.

Receivables and liabilities

Receivables and liabilities in foreign currencies are valued at the year-end rate.

Exchange gains and losses pertaining to operational currency flows are recognised in operating income. Exchange gains and losses on financial transactions are recognised as financial income or expense in the income statement

e) Revenue Recognition

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

f) Leases

Lessee

Leasing is classified in the consolidated financial statements as either finance or operating leases, depending on whether the Company retains all the risks and benefits associated with ownership of the underlying asset. A requirement for the reporting of financial leasing is that the fixed asset be posted as an asset item in the balance sheet and that the leasing obligation be recognised as a liability in the balance sheet. Fixed assets are depreciated according to plan over their useful life, while lease payments are recognised as interest expenses and amortisation of debt. Leasing agreements which are not financial are operating leases. No asset or liability items are recognised in the balance sheet in the case of operating leases.

The lease payments of operating leases are expensed in the income statement on a straight-line basis over the term of the lease.

g) Tangible Fixed Assets

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

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

Land is not depreciated. The assets' residual values and useful lives are reassessed every closing day and adjusted if needed. The tangible assets are free from any pledges or other encumbrances.

h) Intangible Assets

Product Development

Costs for developing new products are recognised as intangible fixed assets when the following criteria are met: it is likely that the assets will result in future financial benefits to the company; the acquisition value can be calculated reliably; the company intends to finish the asset and has technical and financial resources to complete its development.

Documents to verify capitalisation of product development costs can consist of business plans, budgets or the company's forecasts of future earnings. The acquisition value is the sum of the direct and indirect expenses accruing from the point in time when the intangible asset fulfils the above criteria. Intangible assets are recognised at cost less accumulated amortisation taking into account any impairment losses.

Amortisation begins when the asset becomes usable and is applied in line with the estimated useful life and in relation to the financial benefits that are recognised to be generated by the product development. The useful life is not normally assessed as exceeding five years.

Brands, licenses and patents

Brands, licenses and patents are recognised at cost less accumulated amortisation plus any impairment losses. Brands, licenses and patents, which are acquired through business acquisitions, are recognised at fair value on the day of acquisition. Brands, licenses and patents have a determinable useful life over which straight-line amortisation is applied to distribute the cost in the income statement. The recognised useful life of brands is estimated at 20 years.
The recognised useful life of licenses and patents is estimated at 3–15 years.

Customer relations

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

Software and IT systems

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

Goodwill

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

Impairment

The carrying amounts of Concentric's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. The recoverable amounts of units containing goodwill are not only estimated upon indication of impairment, but also once per year, at the same time of the year. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is never reversed. In respect of other assets, an impairment loss is reversed if there is an indication that the loss has decreased or no longer exists and if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Financial Instruments

The Group classifies its financial instruments in the following categories:

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

Loans and receivables

Loans and receivables are non-derivative financial assets with established or determinable payments that are not listed on an active market. They occur when the Group supplies money, products or services directly to the customer without intending to trade the resulting claim.

They are included in current assets, with the exception of items with due dates more than 12 months after the closing day, which are classified as fixed assets.

Financial assets in this category are recognised in the balance sheet at amortised cost.

Financial liabilities

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

Borrowings are recognised initially at fair value, net of transaction costs.

Borrowings are subsequently stated at amortised cost and any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank overdraft facilities are recognised in the balance sheet as borrowings under current liabilities.

Recognition of derivative instruments

Derivative instruments are recognised in the balance sheet as of the trade date and are measured at fair value, both initially and during subsequent revaluations.

The method used for recognizing the profit or loss arising at every revaluation occasion depends on whether the derivative has been identified as a hedging instrument and, if this is the case, the nature of the hedged item. The Group identifies certain derivatives as either: 1) hedging of the fair value of assets or liabilities; 2) hedging of forecast flows (cash flow hedging) or 3) hedging of net investment in a foreign operation. To qualify for hedge accounting, certain documentation is required concerning the hedging instrument and its relation to the hedged item. The Group also documents goals and strategies for risk management and hedging measures, as well as an assessment of the hedging relationship's effectiveness in terms of countering changes in fair value or cash flow for hedged items, both when the hedging is first entered into and subsequently on an ongoing basis.

Cash flow hedging

Cash flow hedging is applied for future flows from sales. The portion of changes in the value of derivatives that satisfy the conditions for hedge accounting is recognised directly in OCI. The ineffective portion of profit or loss is recognised directly in the income statement, among financial items. The Unrealised profit or loss that is accumulated in OCI is reversed and recognised in the income statement when the hedged item affects profit or loss (for example, when the forecast sale that has been hedged actually occurs).

If a derivative instrument no longer meets the requirements for hedge accounting, or is sold or terminated, what remains of any accumulated fair value in OCI, which is recognised in the income statement at the same time as the forecast transaction is finally recognised in the income statement. When a forecast transaction is no longer recognised to occur, the accumulated profit or loss recognised in equity is immediately transferred to the income statement.

Hedging of net investments

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

Calculation of fair value

Fair value of financial instruments that are traded in an active market (for example, publicly quoted derivative instruments, financial assets that are held for trade and financial assets that are held for sale) are based on the quoted market rate on the closing day. The quoted market rates used for the Company's financial assets are the actual bid prices; quoted market rates used for financial liabilities are the actual asked prices. These instruments are categorized 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 categorized in level 2

Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party according to the contractual terms. A receivable is recognised when the company has performed and a contractual obligation exists for the other party to pay, even if the bill has not been sent. Accounts receivable is recorded in the balance sheet when the invoice is received.

Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received.

Accounts payable is recognised when the invoice is received. A financial asset is removed from the balance sheet when the rights are realised, expires or the company loses control over them. The same applies to part of a financial asset.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or otherwise extinguished. The same applies to part of a financial liability.

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

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

j) Inventories

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

k) Impairment of financial assets

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

l) Cash and cash equivalents

Cash and cash equivalents includes cash, cash in banks, 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 fulfillment 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 which 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 closing day 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 calculates tax on pension costs, on 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 2012–2014 decided upon share-based payment plan for the Group in the form of incentive programmes directed at senior executives and key employees. The company obtains services from employees as compensation for equity instruments (options) in the Group.

The fair value of the services is recognised as expense over the vesting period, meaning the period during which the stated vesting conditions are to be fulfilled. The fair value of the services is estimated as the fair value of the options on grant date. The total expense recognised is adjusted for any options being forfeited due to non-completion of the required service period; while expenses recognised do not take into consideration any effects of changes in the share price, including options not being exercised due to the share price being below the exercise price. For further information about the incentive programme, see Note 8 on page 46. 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 has reduced the acquisition value of the particular assets. This means that the asset has been recognised at a net acquisition value, on which the size of depreciation has been based.

s) Earnings per share

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

NOTE 3 Important Estimations and Assumptions

The Consolidated Financial Statements contain estimations and assumptions about the future. These are based on both historical experience and expectations for the future. The areas with the highest risk for future adjustments of carrying amounts are mentioned below.

Goodwill

During the year the Group's goodwill was tested for impairment. As per 31 December 2014, the total goodwill amounted to MSEK 612 (534). The testing was performed at 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 194 (162) and to Europe and RoW segment amounts to MSEK 418 (372). The change between the years is only an effect of that different currency rates have been used when translating the amount into SEK. The impairment testing is performed by discounting expecting future cash flows, as determined in the individual segments business plans. The value is set in relation to the carrying amount of the segment's goodwill. Future cash flow is calculated on the basis of official market data relevant to Concentric's type of industry, while consideration is also taken for the Concentric's historical financial performance and future benefits from committed restructuring programmes.

The forecast period for testing of goodwill is five years and after the explicit forecast period, a residual value is assigned, which is assumed to represent the value of the business following the final year of the forecast period. In addition to the latest published end-market indices and historical performance, the group's forecasts are compiled using product sales plans, productivity initiatives, capital investment programmes and working capital targets prepared by each individual operating location. The key assumptions for the forecast of cash flows during the coming five years are sales growth, EBIT margin, level of working capital and capital expenditures. The residual value has been calculated on the basis of an assumption concerning a sustainable level for the free cash flow (after the forecast period) and the level of growth. The growth after the end of forecast period has been estimated to 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 8.1% (7.3) was used for the Europe and RoW segment and 6.4% (7.6) was used for the Americas segment.

This corresponds to WACC before tax of 11.1% (9.3%) for Europe and RoW segment, and 8.7% (11.0%) 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 2014 did not reveal any need to impair goodwill.

A reasonably possible change in any of the key assumptions would not lead to impairment.

Development projects

Concentric capitalises costs concerning development projects. The carrying amount in the balance sheet per 31 December 2014 was 0 MSEK (11) and the capitalised amount this year was 0 MSEK (1). These capitalised development projects are tested for impairment each year or when there is an indication of a decrease in value. The tests are based on a prediction of future revenue and corresponding production costs. In case the future volumes, prices or costs diverge negatively from the predictions, an impairment loss may arise.

Development projects are considered to be a normal part of Concentric's business. Generally impairment tests are carried out with the same assumptions (i.e. WACC) as the impairment test on goodwill.

However, since individual risk assessment points out different risks in the different projects, the WACC is adjusted to consider the estimated risk in each individual project. Development projects considered a higher risk are tested with a higher WACC than a project with a considered lower risk.

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 40 MSEK (26) and represented 1.8 (1.3) percent of net sales as of December 31, 2014.

Pensions

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounted to 568 MSEK (406) at year-end 2014. The principal assumptions are described in Note 25. At 31 December 2014, there was an increase in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in Sweden, Germany, Great Britain and US, which lead to actuarial 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 149. 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 168. Since the Group´s

UK companies account for approximately 75% (72) of the Group´s total estimated defined benefit obligations, fluctuations in the UK discount rate would have the greatest impact.

NOTE 4 Segment Reporting

Following the amendments to IFRS 11, "Joint arrangements", the restatement of the group's results has only been carried out at a consolidated level, i.e. the segmental reporting remains as previously reported with joint arrangements included using the proportional method. 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 are derive their revenues from the development, manufacturing and distribution of hydraulic lifting systems, drive systems for industrial vehicles, pumps for lubricants, cooling water and fuel in diesel engines.

The Americas segment comprises the Group's operation in the United States. The Europe and the RoW segment comprise the Group's operation in Europe, India and China.

The evaluation of an operating segment's earnings is based on operating income or EBIT.

Assets and liabilities not allocated to segments are financial assets and liabilities.

No single customer accounts for more than 20 percent of the comprehensive income of the Group as a whole. The top two customers for the group contributed net sales in 2014 of MSEK 387 (312), or 17.3 percent (15.7 percent) and MSEK 321 (287) or 14.4 percent (14.5 percent) respectively. These two customers were supplied from both the Americas and Europe & ROW operating segments.

The location of the customer forms the basis of sales by geographic area.

	2014	2013
Americas		
External net sales	1,033	974
Total net sales	1,049	985
Operating income	157	134
Operating margin (based on external sales), %	15.2	13.8
Operating margin (based on total sales), %	14.9	13.6
Assets	565	494
Liabilities	286	250
Capital employed	334	309
Return on capital employed, %	49.9	40.9
Net investments	0	5
Depreciation, amortisation and impairment losses	22	23
Number of employees, average	313	323
Europe & RoW		
External net sales	1,203	1,006
Total net sales	1,301	1,105
Operating income	182	150
Operating margin (based on external sales), %	15.1	14.9
Operating margin (based on total sales), %	14.0	13.6
Assets	1,397	1,258
Liabilities	733	601
Capital employed	959	886
Return on capital employed, %	20.0	19.0
Net investments	27	36
Depreciation, amortisation and impairment losses	65	68
Number of employees, average	780	756
Eliminations and unallocated items[2]		Restated[1]
Elimination of sales	-158	-122
Operating income	-6	-5
Assets	104	117
Liabilities	236	238
Capital employed	-15	-1
Net investments	-2	-4
Depreciation, amortisation and impairment losses	-3	-3
Number of employees, average	-57	-50
Group		Restated[1]
Net sales	2,078	1,858
Operating income	333	279
Operating margin, %	16.0	15.0
Assets	2,066	1,869
Liabilities	1,255	1,086
Capital employed	1,278	1,194
Return on capital employed, %	27.1	25.0
Net investments	25	37
Depreciation, amortisation and impairment losses	84	88
Number of employees, average	1,036	1,031

	2014	2013
Operating income (EBIT) per operating segment:		Restated[1]
Americas	157	134
Europe & RoW	182	150
Not broken down by segments	-6	-5
Total operating income (EBIT)	**333**	**279**
Financial net	-17	-36
Earnings before tax	**316**	**243**

	2014	2013
Sales by customer location – geographic area		Restated[1]
Total USA	942	884
Rest of North America	90	95
South America	3	9
Germany	343	305
UK	178	149
Sweden	95	95
Rest of Europe	299	195
Asia	124	120
Other	4	6
TOTAL	**2,078**	**1,858**

	2014	2013
Total net sales per product group		Restated[1]
Concentric branded Engine products	1,060	942
LICOS branded Engine products	128	65
Alfdex branded Engine products	159	122
Total Engine products	1,347	1,129
Total Hydraulics products	890	851
Eliminations	-159	-122
Total Group	**2,078**	**1,858**

	2014	2013
Tangible assets by operating location		Restated[1]
USA	48	51
Germany	55	52
UK	65	57
Sweden	3	1
Other	23	24
Total Group	**194**	**185**

	2014	2013
Intangible assets by operating location		
USA	299	258
Germany	86	86
UK	562	516
Sweden	0	11
Total Group	**947**	**871**

[1] See note 2.
[2] Eliminations and unallocated items include the elimination of the effects of using the proportional method for joint arrangements in the segment reporting. Also see note 2.

NOTE 5 Costs distributed by type

	2014	2013
		Restated[1]
Direct material costs	1,095	977
Personnel costs	399	381
Depreciation and amortisation	84	88
Other operating costs, net	179	149
Total operating costs	**1,757**	**1,595**

NOTE 6 Average number of employees

	2014	2013
		Restated[1]
Women	206	315
Men	830	716
	1,036	**1,031**

NOTE 7 Salaries and other remuneration

	2014	2013
		Restated[1]
Salaries and remuneration	309	288
Pension costs	10	11
Social security costs	75	77
Other personnel costs	5	5
Total personnel costs	**399**	**381**

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to 19 (16) MSEK.
The Board of Directors, consists of 6 members (6), of whom 1 (1) is a woman. 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

Amounts in SEK '000	**2014**				**2013**			
	Directors´ fees	**Variable remuneration**	**Pension**	**Total**	**Directors´ fees**	**Variable remuneration**	**Pension**	**Total**
Board of Directors								
Stefan Charette, Chairman	433	–	–	433	400	–	–	400
Marianne Brismar	213	–	–	213	200	–	–	200
Kenth Eriksson	255	–	–	255	225	–	–	225
Martin Sköld	213	–	–	213	200	–	–	200
Martin Lundstedt	213	–	–	213	200	–	–	200
Claes Magnus Åkesson	280	–	–	280	250	–	–	250
Total Board of Directors	**1,607**	**–**	**–**	**1,607**	**1,475**	**–**	**–**	**1,475**

	Basic Salary/ Benefits in kind	**Variable remuneration**	**Pension**	**Total**	**Basic Salary/ Benefits in kind**	**Variable remuneration**	**Pension**	**Total**
President and CEO								
David Woolley	3,852	2,840	342	7,034	3,066	1,528	336	4,930
Total President and CEO	**3,852**	**2,840**	**342**	**7,034**	**3,066**	**1,528**	**336**	**4,930**
Other senior executives[1]	9,953	2,803	762	13,518	9,683	2,168	626	12,477
Total	**13,805**	**5,643**	**1,104**	**20,552**	**12,749**	**3,696**	**962**	**17,407**

1) Other senior executives consisted of 7 (5) people, of whom 1 (0) woman.

Incentive Programmes

Concentric AB Annual General Meetings 2012-2014 have decided upon three long-term performance based incentive programmes, under which senior executives and key employees participating in the schemes entitled them to receive employee stock options that entitles them to acquire Concentric shares. The fair value of the options have been calculated according to the Black & Scholes-method.

In order to ensure and maximise the management's engagement in Concentric, allocation of employee stock options was conditioned upon the participants becoming shareholders in Concentric by their own 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 table below. See also note 24 for the Group.

Employee stock options	**LTI 2014**	**LTI 2013**	**LTI 2012**
President and CEO	78,400	63,200	102,200
Other senior executives	37,520	66,440	55,560
Total	**115,920**	**129,640**	**157,760**
Number of shares	**115,920**	**129,640**	**157,760**
Number of senior executives	**6**	**6**	**4**
Conditioned by own investment of shares	**28,980**	**32,410**	**39,440**

Changes in number of stock options	**2014**	**2013**	**2012**
Opening balance, 1 January	286,880	177,760	–
Granted	115,920	109,120	177,760
Granted LTI 2013 in 2014	20,520	–	–
Lapsed LTI 2012 in 2014	-20,000	–	–
Closing balance, 31 December	**403,320**	**286,880**	**177,760**

1) See note 2.

	LTI 2014	LTI 2013	LTI 2012
Average exercise price	80.10 SEK	63.13 SEK	50.95 SEK
Average price per option	23.78 SEK	12.18 SEK	12.05 SEK
Risk free interest rate	0.98%	0.98%	0.98%
Expected volatility	28.00%	26.00%	35.00%
Assumed dividend during 3 year period	9.57 SEK	8.54 SEK	6.72 SEK
Average share price at grant date	99.25 SEK	68.00 SEK	55.85 SEK
Lock up duration of scheme	3 years	3 years	3 years
Personnel cost recognised in year 2014	0.4 MSEK	0.6 MSEK	1.0 MSEK
Annual cost of scheme	1.3 MSEK	0.6 MSEK	1.0 MSEK
Total cost of scheme	3.9 MSEK	1.9 MSEK	3.0 MSEK

NOTE 9 Auditing fees

	2014	2013
KPMG		
Audit assignments	3	2
Other assignments	0	1
	3	**3**

NOTE 10 Depreciation and Amortisation

	2014	2013
		Restated[1]
Cost of goods sold	36	36
Administrative costs	4	1
Product development costs	13	22
Other operating expenses	31	29
	84	**88**

NOTE 11 Other operating income and expenses

	2014	2013
		Restated[1]
Revenue from tooling etc	24	10
Income from royalty from joint venture	22	18
Release of restructuring reserve	–	8
Total operating income	**46**	**36**
Amortisation of acquisition related surplus values	33	29
Reversal of write-down of building	-2	–
Increase in restructuring reserve	4	–
Acquisition-related cost	2	2
Total operating expenses	**37**	**31**

NOTE 12 Financial items – Net

	2014	2013
Financial income		
Interest income, external	3	3
Foreign exchange rate gains, net	6	–
Total Financial income	**9**	**3**
Financial expenses		
Interest expenses, external	-7	-10
Foreign exchange rate losses, net	–	-4
Pension financial expenses	-18	-22
Other financial items, external	-1	-3
Total Financial expenses	**-26**	**-39**
Financial items – net	**-17**	**-36**

NOTE 13 Taxes

	2014	2013
		Restated[1]
Current tax	-78	-68
Deferred tax	3	1
Total income tax	**-75**	**-67**

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

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

Reconciliation of effective tax rate	2014	2013
		Restated[1]
Earnings before tax	316	243
Tax at applicable tax rate in Sweden	**-22%**	**-22%**
Effect of different tax rates in foreign countries of operation	-9%	-8%
Effect of changes in tax rates	0%	0%
Non-tax deductible expenses	0%	0%
Non-taxable income	7%	6%
Tax attributable to prior years	0%	-6%
Changes in temporary differences without corresponding capitalisation of deferred tax	-2%	3%
Other permanent differences	0%	2%
Other timing differences	2%	-3%
Reported effective tax rate	**-24%**	**-28%**

[1] See note 2.

NOTE 14 Earnings per share

	2014	2013
Net income for the year, KSEK	240,677	175,644
Basic weighted average number of shares	43,421,310	43,921,663
Adjustments for the option programmes	101,820	40,216
Diluted weighted average no of shares	**43,523,130**	**43,961,879**
Basic earnings per share, SEK	**5.54**	**4.00**
Diluted earnings per share, SEK	**5.53**	**4.00**

NOTE 15 Intangible fixed assets

	Goodwill	Other intangible assets[1]	Capitalised development costs	Total
Acquisition value				
Balance at 1 January 2013	485	447	83	1,015
Investments through business combinations	44	42	–	86
Other Investments	–	4	1	5
Sales/discards/reclassifications	–	-1	-50	-51
Effect of movements in exchange rates	9	8	–	17
Balance at 31 December 2013	**538**	**500**	**34**	**1,072**
Balance at 1 January 2014	538	500	34	1,072
Other Investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	79	73	–	152
Balance at 31 December 2014	**617**	**573**	**34**	**1,224**
Accumulated depreciation and amortisation, including write-downs				
Balance at 1 January 2013	4	141	53	198
Depreciation and amortisation, including write-downs	–	29	20	49
Sales/discards/reclassifications	–	–	-50	-50
Effect of movements in exchange rates	–	4	–	4
Balance at 31 December 2013	**4**	**174**	**23**	**201**
Balance at 1 January 2014	4	174	23	201
Depreciation and amortisation, including write-downs	–	35	11	46
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	1	29	–	30
Balance at 31 December 2014	**5**	**238**	**34**	**277**
Carrying amounts				
As at 31 December 2013	**534**	**326**	**11**	**871**
As at 31 December 2014	**612**	**335**	**0**	**947**

[1] The carrying value of other intangible assets consist of intangibles regarding purchase price allocation of 332 MSEK (322).
The acquisition value of 555 MSEK (483) relates to Customer relationships and contracts of 340 MSEK (296), Brand 119 MSEK (103) and Technology 96 MSEK (84).

NOTE 16 Tangible fixed assets

Restated[1]	Buildings and Leasehold buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
Acquisition value						
Balance at 1 January 2013	87	13	601	218	19	938
Investments through business combinations	–	–	1	2	1	4
Other Investments	–	–	12	8	29	49
Sales/discards/reclassifications	-1	–	-31	-3	-1	-36
Effect of movements in exchange rates	–	–	6	1	1	8
Balance at 31 December 2013	**86**	**13**	**589**	**226**	**49**	**963**
Balance at 1 January 2014	86	13	589	226	49	963
Other Investments	–	8	37	4	-26	23
Sales/discards/reclassifications	–	–	12	–	-14	-2
Effect of movements in exchange rates	15	2	85	30	3	135
Balance at 31 December 2014	**101**	**23**	**723**	**260**	**12**	**1,119**
Accumulated depreciation and amortisation, including write-downs						
Balance at 1 January 2013	62	6	498	200	–	766
Depreciation and amortisation, including write-downs	3	1	28	6	–	38
Sales/discards/reclassifications	-1	–	-32	-1	–	-34
Effect of movements in exchange rates	–	–	6	2	–	8
Balance at 31 December 2013	**64**	**7**	**500**	**207**	**–**	**778**
Balance at 1 January 2014	64	7	500	207	–	778
Depreciation and amortisation, including write-downs	2	1	27	7	–	37
Sales/discards/reclassifications	1	1	-2	–	–	0
Effect of movements in exchange rates	10	–	72	28	–	110
Balance at 31 December 2014	**77**	**9**	**597**	**242**	**–**	**925**
Carrying amounts						
As at 31 December 2013	**22**	**6**	**89**	**19**	**49**	**185**
As at 31 December 2014	**24**	**14**	**126**	**18**	**12**	**194**

1) See note 2.

NOTE 17 Operational leases

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

	Premises		Machinery		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
up to 1 year	13	9	11	12	24	21
2–5 years	31	31	9	11	40	42
more than 5 years	5	–	–	–	5	–
Total	**49**	**40**	**20**	**23**	**69**	**63**

Total leasing cost charged to income statement during 2014 totaled MSEK 28 (24).
The leasing agreements primarily include rented premises and industrial machinery, but also includes computers, office equipment, and vehicles.

NOTE 18 Deferred Taxes

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

The gross movement on the deferred income tax account is as follows:

	2014	2013 Restated[1]
At 1 January	37	85
Income statement charge (note 13)	3	1
Tax charged directly to equity	57	-48
Re-classification to current taxes	-5	-2
Exchange differences	9	1
At 31 December	**101**	**37**

Deferred income tax assets and liabilities is as follows:

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

2013 – Restated [1]	Assets	Liabilities	Net
Tax loss carry-forwards	1	-	1
Tangible fixed assets	4	-11	-7
Intangible assets	16	-2	14
Provisions	1	–	1
Untaxed Reserves	0	0	0
Pension and similar obligations	101	–	101
Acquisition related surplus values	–	-86	-86
Other	22	-9	13
Netting	-1	1	–
Net deferred tax receivables/tax liabilities	**144**	**-107**	**37**

Deferred income tax receivables are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. All recognised tax loss carry-forwards have an expiry day exceeding ten years and there is no time-limit for tax loss carried forward in Sweden.
Unused tax losses for which no deferred tax asset is recognised amounted to 12 MSEK (13).

1) See note 2.

NOTE 19 Shares of net assets in joint venture

Company name	Corp. reg. no	Reg'd office	Participations	%	2014	2013
Alfdex AB	556647-7278	Landskrona	50,000	50%	26	26

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. See also Note 8 for the parent company.

The following amounts constitute 100% of the assets, liabilities, revenue and expenses in the joint venture.
Adjustments to Concentrics accounting principles have been made.

Income Statement	2014	2013
Net Sales	334	266
Cost of goods sold	- 233	- 187
Gross income	**101**	**79**
Operating expenses	- 68	- 38
Operating income	**33**	**41**
Financial items - net	0	0
Earnings before tax	**33**	**41**
Taxes	- 8	- 9
Net income for the year	**25**	**32**

Share of net income in joint venture - Income Statement	2014	2013
Share of net income in joint venture	13	16
Change in internal gain, inventory	-1	0
Total share of net income in joint venture	**12**	**16**

Balance Sheet	2014	2013
Fixed assets	16	18
Current assets	98	89
Cash and bank	14	13
Total assets	**128**	**120**
Equity	54	55
Deferred tax liabilities	6	5
Current liabilities	68	60
Total equity and liabilities	**128**	**120**

Movement in shares of net assets in joint venture	2014	2013
Share of net assets, Opening Balance	**27**	**23**
Share of net income in joint venture	13	16
Dividend	- 12	- 12
Other movements	0	0
Share of net assets, Closing Balance	**28**	**27**
Elimination of internal gain, inventory	-2	-1
Book value, Closing Balance	**26**	**26**

NOTE 20 Inventories

	2014	2013
		Restated[1)]
Raw materials	156	127
Semi-manufactured products	23	28
Finished products	43	44
	222	**199**

1) See note 2.

NOTE 21 Accounts receivable

	2014	2013
		Restated[1)]
Accounts receivable, gross	198	198
Provision for doubtful receivables	-2	-2
Accounts receivable, net	**196**	**196**
Aging of accounts receivable		
Current receivable	170	153
Overdue receivable:		
1 - 30 days	24	35
31 - 60 days	1	5
> 60 days	1	3
Sum of overdue receivable	26	43
Accounts receivable, net	**196**	**196**

Provision for doubtful receivables	2014	2013
Provision on January 1	2	3
Change in provision for anticipated losses	–	-1
Provision on December 31	**2**	**2**

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

NOTE 22 Other current receivables

	2014	2013
		Restated[1]
Tax receivables	19	3
Prepaid expenses and accrued income		
Rents and insurance	2	4
Accrued income	3	1
Other prepaid expenses	22	14
Derivative instruments	4	1
Other current receivables	27	28
	77	**51**

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

NOTE 23 Cash and cash equivalents

	2014	2013
		Restated[1]
Bank accounts and cash	235	193

NOTE 24 Shareholder´s equity

See also note 8, 14 and note 36 for the Group and note 12 for the parent company.2

Share capital

Refers to the share capital in the parent company.

Additional contributed capital

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

Reserves

Translation reserve consists of foreign currency translation differences, arising from translation of the Group's foreign entities' financial reports, that has been prepared in a currency different from the Group's currency; Swedish krona.

Reserves also contains the gains and losses from hedges of net investments.

Hedge reserve consists of the fair value of the hedge instruments, i.e. forward contracts at the end of the period, that have not yet been recognised in the income statement. The Group applies hedge accounting, as defined in IAS39. Gains and losses on derivative instruments are recognised in the hedging reserve to the extent that the hedge is effective. Gains and losses are relatesed to profit and loss at the same time as the hedged item impacts earnings.

Retained earnings

Retained Earnings includes earnings for the year, plus profit/loss carried forward in the parent company and the Group.

1) See note 2.

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 811 (783), resulting in a gearing ratio of 65% (52).

Cash dividend decided by the Annual General Meeting 2014 was SEK 2.75 (2.50) per share or total of MSEK 120.9 (109.7). The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders, taking into account the Group's anticipated financial status. However, due to the Group's strong earnings and financial position, the Board of Directors propose to the shareholders at the Annual General Meeting a total dividend of SEK 3.00 (2.75) per share for 2014. This corresponds to an ordinary dividend of SEK 2.00 (1.50), which equates to around 36% (38) of the earnings per share, plus an additional dividend of SEK 1.00 (1.25) associated with the Group´s strong financial position.

Annual General Meeting 2012–2014 have decided upon three long-term performance based incentive programmes under which a number of senior executives and key employees participated in the schemes, entitled them to receive employee stock options that entitles them to acquire Concentric shares. For further details see note 8 for the Group.

During 2013 Concentric AB sold 64 308 of own shares, representing 0.1% of the share capital of the company. During 2014 Concentric AB bought back 1,565,016 of own shares, representing 3.5% of the share capital of the company. The total number of bought back-shares per year-end 2014 is 1,824,311 of own shares, representing 4.1% of the share capital of the company. The repurchase is made on the purposes determined by the annual general meeting, i.e. in order to increase the flexibility for the board in connection to potential future corporate acquisitions, as well as to be able to improve the company's capital structure and to cover costs for, and enable delivery of shares in accordance with the option programmes.

Some of the loan agreements in the Group contain financial covenants which the Group must comply with. The covenants are net debt in relation to EBITDA (Operating earnings before depreciation and amortisation) and in relation to Equity. At the year-end Concentric AB fulfilled these covenants with broad margins.

On 29 January, 2015, Concentric AB signed new financing agreements with its existing banks, securing a five year term loan for MSEK 175, to replace the maturing bond facility in the same amount, and a three year multi-currency revolving credit facility for approximately MSEK 560.

No changes in the capital management have been made during the year.

NOTE 25 Pensions and similar obligations

	2014	2013
Defined Benefit Plans	568	406

	Defined Benefit Obligation		Fair value of plan assets		Net defined benefit liability	
	2014	2013	2014	2013	2014	2013
Balance at 1 January	**1 373**	**1 438**	**-967**	**-891**	**406**	**547**
Included in Income Statement:						
Current Service Cost	6	7	–	–	6	7
Settlement	-	-1	–	–	–	-1
Interest Cost	64	61	-46	-39	18	22
	70	**67**	**-46**	**-39**	**24**	**28**
Included in Other Comprehensive Income:						
Remeasurement loss (gain)	428	-118	-300	-21	128	-139
Effect of movements in exchange rates	213	24	-156	-21	57	3
	641	**-94**	**-456**	**-42**	**185**	**-136**
Other:						
Contributions paid by the employer	–	–	-46	-32	-46	-32
Benefits paid	-64	-35	63	37	-1	2
Reclassifications	–	-3	–	–	–	-3
	-64	**-38**	**17**	**5**	**-47**	**-33**
Balance at 31 December	**2 020**	**1 373**	**-1 452**	**-967**	**568**	**406**

Represented by plans in:						
Sweden	37	36	–	–	37	36
Germany	182	128	-77	-69	105	59
Great Britain	1 508	987	-1 202	-763	306	224
USA	293	222	-173	-135	120	87
Balance at 31 December	**2 020**	**1 373**	**-1 452**	**-967**	**568**	**406**

Overview Defined Benefit Plans

Below you can find descriptions of the defined benefit plans in each country. Concentric has defined-benefit plans for pensions in Sweden, Germany, Great Britain and USA. The pensions under these plans are based mainly on final salary. Contribution-based plans are also found in these countries, Net remeasurement loss on pension obligations and planned assets decreased during 2014 by MSEK 128 (gain 139).

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 46 (39), while the actual return was MSEK 64 (60). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Sweden pension plans

There are 3 different plans in Sweden, of which 2 minor plans correspond to 13% 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 2014 the pension obligation amounted to 37 MSEK (36), corresponding to 2% (3) of the Group's total obligations.

The average duration of the defined benefit obligation at the period ending 31 December 2014 is 29 (29) years.

The best estimate of pensions to be paid by the group for the period commencing 1 January 2015 is 1 (1) MSEK.

Germany pension plan

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

The plan has been closed to new entrants since 2005.

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

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

The company holds plan assets in 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.

As of 31 December 2014 the pension obligation amounted to 182 MSEK (128), corresponding to 9% (9) of the Group's total obligations. The fair value of the plan assets amounted to 77 (69). Net defined benefit liability amounted to 105 MSEK (59).

The average duration of the defined benefit obligation at the period ending 31 December 2014 is 20 (18) years. The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 January 2015 is 5 (4) MSEK.

Great Britain pension plans

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

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

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

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

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

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

As of 31 December 2014 the pension obligation amounted to 1,508 MSEK (987), corresponding to 75% (72) of the Group's total obligations. The fair value of the plan assets amounted to 1,202 MSEK (763). Net defined benefit liability amounted to 306 MSEK (224).

The average duration of the defined benefit obligation at the period ending 31 December 2014 is 16 (17) years.

The best estimate of contributions to be paid by the Group to the plans for the period commencing 1 January 2015 is 28 (25) MSEK.

USA pension plans

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

The Defined Benefit Plan is equivalent to 90% (87) of the total pension liability, the SERP-plan (Supplementary Executive Retirement Plan) corresponds to 1% (1) and the Retiree Health Plan corresponds to 9% (12). All plans are frozen in the sense that no new participants are allowed to enter the plans.

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

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

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

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

The Retiree Health Plan has no Trust. Benefits are paid monthly from the corporate general funds. The primary financial risk is the possibility that health care costs may significantly exceed the budget. The corporation does have individual and aggregate stop loss coverage to guard against such an eventuality.

As of 31 December 2014 the pension obligation amounted to 293 MSEK (222), corresponding to 14% (16) of the Group's total obligations. The fair value of the plan assets amounted to 173 (135). Net defined benefit liability amounted to 120 MSEK (87).

The average duration of the defined benefit obligation at the period ending 31 December 2014 is 15 (14) years.

The best estimate of contributions to be paid by the group to the plans for the period commencing 1 January 2015 is 10 (11) MSEK.

Total pension costs	**2014**	**2013**
		Restated[1)]
Pensions vested during the period	6	7
Interest on obligations	64	61
Calculated return on plan assets	-46	-39
Settlement	–	-1
Pension costs, defined-benefit plans	**24**	**28**
Pension costs, defined-contribution plans	4	4
Total pension costs	**28**	**32**

1) See note 2.

Cont. Note 25

					Total	
Remeasurement losses (gain) arising from	**Sweden**	**Germany**	**Great Britain**	**USA**	**2014**	**2013**
Experience adjustment	-3	5	215	-8	209	-51
Demographic assumptions	0	0	0	0	0	-55
Financial assumptions	3	35	155	26	219	-12
Total remeasurement losses (gains)	**0**	**40**	**370**	**18**	**428**	**-118**

		Defined benefit Obligation			Total	
Members	**Sweden**	**Germany**	**Great Britain**	**USA**	**2014**	**2013**
Active members	38%	55%	0%	27%	9%	10%
Deferred members	42%	4%	56%	35%	48%	55%
Pensioners	20%	41%	44%	38%	43%	35%

		Fair value of plan assets			Total	
Instruments	**Sweden**	**Germany**	**Great Britain**	**USA**	**2014**	**2013**
Equity instruments [1]	–	–	461	99	560	457
Debt instruments [1]	–	–	364	65	429	331
Property [1]	–	–	85	6	91	97
Cash and cash equivalents	–	–	36	2	38	12
SUM	**–**	**–**	**946**	**172**	**1,118**	**897**
Insurance policies	–	77	256	1	334	70
TOTAL	**–**	**77**	**1,202**	**173**	**1,452**	**967**

1) All instruments have quoted prices in active markets.

Actuarial assumptions 2014

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

Actuarial assumptions 2013

Percent	**Sweden**	**Germany**	**Great Britain**	**USA**
Discount rate	4.00	3.50	4.60	5.00
Recognised salary increase	3.00	2.00	N/A	3.00
Recognised inflation	2.00	1.85	3.00	2.50
Turnover, personnel	2.00	1.60	N/A	3.00

Sensitivity analysis

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

31 December 2014	**Sweden**		**Germany**		**Great Britain**		**USA**	
Defined Benefit Obligation	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	-2.7	3.1	-16.9	19.6	-109.4	123.0	-20.0	22.3
Future salary growth (0.5% movement)	0.8	-0.7	5.8	-5.3	N/A	N/A	0.3	-0.3
Future pension growth (0.5% movement)	2.6	-2.3	12.4	-11.3	18.8	-18.0	N/A	N/A
Future mortality (+/- 1 year)	1.0	-1.0	7.1	-7.4	43.7	-43.7	0.8	-0.8

NOTE 26 Maturity analysis for financial liabilities

Nominal amount	0–6 months 2014	0–6 months 2013	7–12 months 2014	7–12 months 2013	13–60 months 2014	13–60 months 2013	>60 months 2014	>60 months 2013	TOTAL 2014	TOTAL 2013
		Restated[1]								Restated[1]
Bond loan	175	–	–	–	–	175	–	–	**175**	**175**
Loans related to finance leases	–	–	–	1	1	2	2	–	**3**	**3**
Other long-term liabilities	–	–	–	–	3	4	–	–	**3**	**4**
Short-term interest-bearing liabilities	10	6	–	–	–	–	–	–	**10**	**6**
Short-term loans payable to associated companies	12	14	–	–	–	–	–	–	**12**	**14**
Derivative liabilities	0	3	–	–	–	–	–	–	**0**	**3**
Accounts payable	211	214	–	–	–	–	–	–	**211**	**214**
Other current liabilities	122	91	–	–	–	–	–	–	**122**	**91**
	530	**328**	**–**	**1**	**4**	**181**	**2**	**–**	**536**	**510**

Expected total future interest payments are 1 MSEK, of which 1 MSEK refers to the interval 0–6 months.

NOTE 27 Long-term interest-bearing liabilities

	2014	2013
Bond loan	–	175
Loans related to finance leases	3	3
	3	**178**

Bond loan has been reclassified to short-term interest bearing liabilities, see note 28.

NOTE 28 Short-term interest bearing liabilities

	2014	2013
Local credit facility in China	0	4
Bond loan	175	–
Other short-term loans	10	2
	185	**6**

Bond loan is denominated in SEK and the maturity date is 20 January 2015, and therefore has been reclassified from Long-term interest bearing liabilities. For further details, see also note 27 for the Group and note 15 for the parent company.

NOTE 29 Short-term loans payable to associated companies

	2014	2013
Accounts payable to Alfdex	5	2
Loans to Alfdex	7	12
	12	**14**

NOTE 30 Other provisions

	Warranty reserves	Restructuring reserves	Total
Opening balance January 1, 2014 Restated[1]	**18**	**3**	**21**
Provisions	22	4	26
Utilisation of provision	-7	-3	-10
Exchange rate differences	6	1	7
December 31, 2014	**39**	**5**	**44**

NOTE 31 Other current liabilities

	2014	2013
		Restated[1]
Tax liabilities	60	42
Derivative instruments	0	3
Accrued expenses:		
Personnel costs	40	40
Other accrued expenses	56	43
Other current liabilities	7	8
	163	**136**

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

NOTE 32 Pledged assets and contingent liabilities

	2014	2013
Contingent liabilities	1	3

NOTE 33 Reversal of other non-cash items

	2014	2013
		Restated[1]
Reversal of financial pension expenses	18	22
Provision to/Release of restructuring reserve	2	-25
Other	-3	4
	17	**1**

1) See note 2.

NOTE 34 Investments in subsidiaries

On 28 June 2013, Concentric completed the acquisition of the entire share capital of LICOS Trucktec GmbH ("LICOS"), a leading producer of water pumps and electromagnetic fan clutches for the truck industry based in Markdorf, Germany. The primary purpose of the acquisition was to broaden Concentric's current product portfolio in the growing niche market of variable flow pumps.

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

Fair values – LICOS acquisition Amounts in MSEK	Book values	Adjust-ments	Fair value
Cash	77	–	77
Shares in Concentric AB (64,308 ordinary shares[1])	4	–	4
Total purchase consideration for LICOS shares	**81**	–	**81**
Other intangible fixed assets	0	42	42
Tangible fixed assets	12	3	15
Total fixed assets acquired	**12**	**45**	**57**
Inventories	12	–	12
Current receivables	32	-9	23
Cash and cash equivalents	3	–	3
Total current assets acquired	**47**	**-9**	**38**
Short-term interest-bearing liabilities	30	3	33
Other current liabilities	20	5	25
Total current liabilities assumed	**50**	**8**	**58**
Net assets acquired	**9**	**28**	**37**
Goodwill arising on acquisition	**72**	**-28**	**44**

1) The settlement rate used to calculate the number of shares was based on the weighted average share price for the last 5 days trading that preceded the contract signing date.

Fair value adjustments

The principal fair value adjustments identified were in respect of other intangible fixed assets. These assets may be summarised as follows:

- MSEK 14 for Product development – expected useful lives of between 10 and 15 years,
- MSEK 7 for Brands, licences and patents – expected useful lives of 10 years, and
- MSEK 21 for Customer relations – expected useful lives of 8 years.

Accordingly, an associated deferred tax liability of MSEK 12 was also recognised within other current liabilities.

The only other significant change from the book values, related to a net down of MSEK 9 between current receivables and other current liabilities.

Acquisition costs

In addition to the total purchase consideration for LICOS shares shown above, acquisition-related legal and advisory costs of MSEK 1 were incurred and expensed in the income statement.

Goodwill

Goodwill relates to expected synergies from the new product portfolio.

2013 Trading results for LICOS

The net sales, EBIT margin and net income of LICOS for the first six months of 2013 (which have not been included in the consolidated results for Concentric AB) were MSEK 59, 9.3% and MSEK 5 respectively.

The net sales, EBIT margin and net income of LICOS for the last six months of 2013 (which have been included in the consolidated results for Concentric AB) were MSEK 66, 10.6% and MSEK 3 respectively. In addition, an amortisation charge of MSEK 2 has also been included in the consolidated results of Concentric AB in respect of those identifiable intangible assets recognised as part of the acquisition accounting.

Cash flow

Total cash-flow of MSEK -105 relating to the investment in LICOS Trucktec GmbH, comprising cash consideration MSEK -77, short-term loans repaid on acquisition MSEK -30, cash balances acquired MSEK 3 and acquisition-related expenses MSEK -1.

NOTE 35 Related party transactions

The Parent Company is a related party to its subsidiaries and associated companies. Transactions with subsidiaries and associated companies occur on commercial market terms. Remuneration to senior executives is presented in Note 8. See also Note 2 for the Parent Company. No transactions have been carried out between Concentric AB and its subsidiary undertakings and any related parties that had a material impact on either the company's or the group's financial position and results. During 2012, 2013 and 2014 the AGM have decided upon three long-term incentive plans for the management and key personnel.

NOTE 36 Events after balance-sheet date

On 29 January, 2015, Concentric AB signed new financing agreements with its existing banks, securing a five year term loan for MSEK 175, to replace the maturing bond facility in the same amount, and a three year multi-currency revolving credit facility for approximately MSEK 560.

On 30 January 2015, Concentric AB acquired the entire share capital of GKN Sinter Metals de Argentina SA ("GKN Pumps"), a supplier of engine pumps in South America. The primary purpose of the acquisition was to strengthen Concentric's presence in the region. For the year ended 31 December, 2014, GKN Pumps made sales of approximately MSEK 100 with 166 employees. As all information isn´t currently available, a full acquisition note has not been presented. The fair values of the identifiable assets acquired and the liabilities assumed will be incorporated in 2015.

NOTE 37 Categories of financial assets and financial liabilities and disclosures of fair value

The carrying amount of financial assets and liabilities are considered to be a reasonable approximations of fair value for each class of financial asset and financial liabilities. The Group's interest bearing liabilities have floating base interest rates. Hence, changes in the base interest rate do not materially affect the fair value of the liabilities. Furthermore, there has not been any change in credit spread during the year that in Concentric's view would materially impact fair value. Accounts receivables and payable are all short term and therefore their carrying amounts are also considered to be reasonable approximations of their fair values. The table below shows the carrying amount of financial assets and financial liabilities per measurement category in IAS39. For a description of the Group's exposures to financial risks, and its financial risk management, please see pages 29–31 in the Board of Directors' report.

		Derivatives used for hedging		Loans- and receivables		Total	
	Note	2014	2013	2014	2013	2014	2013
					Restated[1)]		Restated[1)]
Financial assets at fair value							
Other current receivables	22						
- Foreign currency derivatives		4	1	–	–	4	1
Financial assets not at fair value							
Long-term receivables		–	–	4	4	4	4
Accounts receivable	21	–	–	196	196	196	196
Other current receivables	22	–	–	36	28	36	28
Cash and cash equivalents	23	–	–	235	193	235	193
Total financial assets		**4**	**1**	**471**	**421**	**475**	**422**

		Derivatives used for hedging		Financial liabilities at amortised cost		Total	
	Note	2014	2013	2014	2013	2014	2013
					Restated[1)]		Restated[1)]
Financial liabilities at fair value							
Other current liabilities	31						
- Foreign currency derivatives		0	3	–	–	0	3
Financial liabilities not at fair value							
Long-term interest-bearing liabilities	27	–	–	3	178	3	178
Other long-term liabilities		–	–	3	4	3	4
Short-term interest-bearing liabilities	28	–	–	185	6	185	6
Short-term loans payable to associated companies	29	–	–	12	14	12	14
Accounts payable	26	–	–	211	214	211	214
Other current liabilities	31	–	–	122	91	122	91
Total financial liabilities		**0**	**3**	**536**	**507**	**536**	**510**

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

1) See note 2.

Parent company
Income statement

Amounts in MSEK	Note	2014	2013
Net sales	2	28	23
Operating costs	2,3,4	-21	-16
Operating income		**7**	**7**
Income from shares in subsidiaries	5	7	1,302
Income from shares in associated companies	5	12	12
Interest income and similar items	5	3	4
Interest expense and similar items	5	-116	- 10
Financial items - net		**-94**	**1,308**
Earnings before tax		**-87**	**1,315**
Taxes	6	21	- 3
Net expense/income for the year		**-66**	**1,312**

Parent company
Statement of comprehensive income

Amounts in MSEK	2014	2013
Net expense/income for the year	-66	1,312
Other comprehensive income	–	–
Total comprehensive income	**-66**	**1,312**

Parent company Balance sheet

Amounts in MSEK	Note	31-Dec-14	31-Dec-13
ASSETS			
Shares in subsidiaries	7	2,395	2,395
Shares in associated companies	8	10	10
Long-term loans receivable from subsidiaries	9	52	46
Deferred tax assets	6	20	–
Total financial fixed assets		**2,477**	**2,451**
Other current receivables	10	1	1
Short-term loans receivable from subsidiaries		63	36
Cash and cash equivalents	11	118	138
Total current assets		**182**	**175**
Total assets		**2,659**	**2,626**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Share capital	12	97	97
Total restricted equity		**97**	**97**
Retained earnings		1,417	374
Total comprehensive income		- 66	1,312
Total unrestricted equity		**1,351**	**1,686**
Total Shareholder's equity		**1,448**	**1,783**
Pensions and similar obligations	13	18	19
Long-term interest-bearing liabilities	14,15	–	175
Long-term loans payable to subsidiaries	14,15	976	604
Total long-term liabilities		**994**	**798**
Accounts payable	14	1	1
Short-term interest-bearing liabilities	14,15	175	–
Short-term loans payable to associated companies	14	8	12
Short-term loans payable to subsidiaries	14	28	27
Other current liabilities	14,16	5	5
Total current liabilities		**217**	**45**
Total equity and liabilities		**2,659**	**2,626**
Assets pledged		**None**	**None**
Contingent liabilities	**17**	**87**	**72**

Parent company

Changes in shareholders´ equity

Amounts in MSEK	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2013	**97**	**479**	**576**
Net income for the year	–	1,312	1,312
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	**1,312**	**1,312**
Transactions with shareholders			
Dividend	–	-110	-110
Sale of own shares for acquisition of subsidiary	–	5	5
Total transactions with shareholders	**–**	**-105**	**-105**
Closing balance at December 31, 2013	**97**	**1,686**	**1,783**
Opening balance at January 1, 2014	**97**	**1,686**	**1,783**
Net income for the year	–	-66	-66
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**-66**	**-66**
Transactions with shareholders			
Dividend	–	-121	-121
Buy-back own shares	–	-148	-148
Total transactions with shareholders	**–**	**-269**	**-269**
Closing balance at December 31, 2014	**97**	**1,351**	**1,448**

Parent company
Cash flow statement

Amounts in MSEK	Note	2014	2013
Cash flow from operating activities			
Earnings before tax		-87	1,315
Reversal of non-cash items	18	101	-1,296
Cash flow from operating activities before changes in working capital		**14**	**19**
Change in working capital			
Current receivables		1	1
Current liabilities		8	-3
Change in working capital		**9**	**-2**
Cash flow from operating activities		**23**	**17**
Cash flow from investing activities			
Investments in subsidiaries	19	–	-163
Cash flow from investing activities		**–**	**-163**
Cash flow from financing activities			
Dividend		-121	-110
Buy-back own shares		-148	–
New loans from subsidiaries		226	164
Cash flow from financing activities		**-43**	**54**
Cash flow for the period		**-20**	**-92**
Cash and bank assets, opening balance		138	230
Cash and bank assets, closing balance		**118**	**138**

Parent Company Notes

Note 1 Accounting principles

The Annual Report for the Parent company have been prepared in accordancewith 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, 2014 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 parent company shall be accounted for as investments in subsidiaries and group contributions received shall be accounted for as dividend (financial income) and included in the item income from shares in subsidiaries. As an alternative, both group contribution received and paid by the parent company can be reported as appropriations. The parent company is reporting group contributions received as dividend.

c) Shares in subsidiaries and associated companies

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

d) Financial instruments

Due to the connection between accounting and taxation, the rules for financial instruments and hedge accounting in IAS 39, is not applied for in the parent company as a legal entity. In the parent company financial fixed assets are valued at cost less impairment and financial current assets at the lower of cost or market. The cost of debt instrument is adjusted for the accrual difference between what was originally paid, net of transaction costs, and the amount payable at maturity.

d) Pension obligations

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

Note 2 – Inter-company transactions/ Related party transactions

Of the parent company's net sales, MSEK 28 (23) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 6 (4).

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

NOTE 3 Auditing fees

	2014	2013
Audit assignments, KPMG	1	1
	1	**1**

NOTE 4 Salaries and other remuneration

	2014	2013
Salaries and remuneration	4.9	5.2
of which Board of Directors and CEO	1.6	1.5
Social security costs	0.4	2.2
of which pension costs	-1.5	0.6

The Board of Directors, consists of 6 members (6), of whom 1 is a woman (1). For information on the individual remuneration paid to them and the CEO, refer to Note 7–8 for the Group.

The average number of employees in the parent company amounted to 6 (7). The CEO is employed by Concentric Pumps Plc in UK and the cost for the CEO and CFO related to shareholder's services in the parent company, has been invoiced and amounted to MSEK 5 (3).

Provision according to Tryggandelagen is negative,1.8 MSEK, due to deaths. See also Note 13, Pensions.

NOTE 5 Financial items – Net

	2014	2013
Income from shares in subsidiaries		
Group contribution from subsidiaries	13	11
Write-down of shares in subsidiaries	-6	–
Gain on sale of subsidiary Concentric Hof GmbH	–	474
Dividend from Concentric Americas Inc	–	817
	7	**1,302**
Income from shares in associated companies		
Dividend	12	12
Interest income and similar items		
Interest income, external	–	–
Interest income from subsidiaries	3	4
	3	**4**
Interest expenses and similar items		
Interest expenses, external	-7	-7
Interest expenses to subsidiaries	–	–
Foreign exchange rate gains/losses	-108	-1
Pension financial expenses	-1	–
Other financial items, external	0	-2
	-116	**-10**
Financial items – net	**-94**	**1,308**

Following group reorganisation in Germany and USA, the company have made a gain of sale of subsidiaries and received dividend from subsidiary.

NOTE 6 Taxes

	2014	2013
Current tax	–	–
Deferred tax	21	-3
Total income tax	**21**	**-3**
Reconciliation of effective tax rate		
Earnings before tax	-87	1,315
Tax at applicable tax rate	22%	-22%
Non taxable dividend from subsidiaries and associated companies	3%	14%
Non taxable gain on sale of subsidiary	0%	8%
Non-tax deductible write-downs in subsidiaries	-1%	–
Non-tax deductible expenses	0%	–
Reported effective tax rate	**24%**	**0%**
Total deferred tax assets	20	–

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. Calculated tax income on the losses for 2014 amounted to MSEK 21.

NOTE 7 Shares in subsidiaries

Company name	Corp, Reg. No	Reg'd office	Participations	%	2014	2013
Concentric Pumps Plc.		UK	518,397	100	1,556	1,556
Concentric Americas, Inc.		US	1,000	100	–	–
Concentric US Finance 2 Ltd		UK	100	100	817	817
Concentric Skånes Fagerhult AB	556105-8941	Örkeljunga, Sweden	30,000	100	22	22
Concentric Innovations AB	556908-4535	Stockholm, Sweden	50,000	100	–	–
Concentric Hof Gmbh		Germany	1	100	–	–
Concentric SAS		France	10	100	–	–
Concentric Korea LLC		Korea	12,000	100	–	–
Concentric Srl		Italy	10,000	100	–	–
					2,395	**2,395**

Indirect Investments in principal trading subsidiaries

Company Name	Reg'd office	%
Concentric Itasca, Inc.	US	100
Concentric Rockford, Inc.	US	100
Concentric Birmingham Limited	UK	100
Concentric Hof GmbH	Germany	100
LICOS Trucktec GmbH	Germany	100
Concentric Pumps Pune (Pvt) Limited	India	100
Concentric Pumps (Suzhou) co, Ltd.	China	100

Changes in shares in subsidiaries	2014	2013
Opening balance, acquisition value	2,395	937
US Finance 2 Ltd	–	817
Concentric Americas Inc	–	-288
Concentric Hof GmbH	–	–6
Concentric Innovations AB, shareholder´s contribution	6	–
Concentric Pumpc Plc	–	935
Closing Balance, acquisition value	**2,401**	**2,395**
Opening balance, write-downs	–	–
Concentric Innovations AB	- 6	–
Closing Balance, write-downs	**-6**	–
Closing Balance, carrying amount	**2,395**	**2,395**

The changes in 2013 was a result from group reorganisations.

NOTE 8 Shares in associated companies

Company name	Corp. reg. no	Reg'd office	Participations	%	2014	2013
Alfdex AB	556647-7278	Landskrona	50,000	50%	10	10

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights.
Alfdex product is based on separation technology for cleaning of crankcase gases in diesel engines for vehicles, electric generators. and ships. Concentric ABs share of profit for 2014 is MSEK 12 (16) and share of equity per year-end 2014 is MSEK 26 (26). See also Note 19 for the Group.

NOTE 9 Long-term loans receivable from subsidiaries

	2014	2013
Total loans	52	46
of which reported as short-term loans	–	–
Long-term loans	**52**	**46**

All loans to subsidiaries matures 29 January 2020. The loans relates primarily to GBP-loan amounting to 4,200,000 (4,200,000) per 31 December 2014. The balance sheet item consists also of two minor loans of EUR 100,000 (100,000). The interest rate on the GBP loan was 4,0% (4,0%) and on the EUR-loans 3,5% (3,5%) as of 31 December 2014.

Average rates during the year on the GBP loan was 4,00% (4,00%) and on the EUR-loans 3.6% (3.5%). Both Long-term loans from subsidiaries and and short-term receivables from subsidiaries are classified as Loans and receivables.

NOTE 10 Other current receivables

	2014	2013
Other prepaid expenses	1	1
	1	**1**

NOTE 11 Cash and cash equivalents

	2014	2013
Bank accounts and cash	118	138

NOTE 12 Share capital

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

Changes in share capital	Number of shares	Quota value	Total
Opening balance January 1, 2010	–	–	–
At incorporation	500	100.00	50,000
December 31, 2010	**500**	**100.00**	**50,000**
Bonus share issue 18 April 2011	44,215,470	2.20	97,225,134
December 31, 2011	**44,215,970**	**2.20**	**97,275,134**
Number of registered shares December 31, 2012–2014	**44,215,970**	**2.20**	**97,275,134**
Buy-back of own shares 2012	-323,603		
Number of outstanding shares December 31, 2012	**43,892,367**		
Selling of own shares for acquiring subsidiary	64,308		
Number of outstanding shares December 31, 2013	**43,956,675**		
Buy-back of own shares 2014	-1,565,016		
Number of outstanding shares December 31, 2014	**42,391,659**		

	2014	2013
Number of average outstanding shares	**43,421,310**	**43,921,663**
Number of shares adjusted for the optionprogram LTI 2012-2014	101,820	40,216
Number of average outstanding shares, after dilution	**43,523,130**	**43,961,879**

Cash dividend decided by the Annual General Meeting 2014 was SEK 2.75 (2.50) per share or total of MSEK 120.9 (109.7).

During 2013 Concentric AB sold 64 308 of own shares, representing only 0.1% of the share capital of the company.

During 2014 Concentric AB bought back 1,565,016 of own shares, representing 3.5% of the share capital of the company. The total number of bought back-shares per year-end 2014 is 1,824,311 of own shares, representing 4.1% of the share capital of the company.

Annual General Meeting 2012–2014 have decided upon three long-term performance based incentive programmes, under which a number of senior executives and key employees participated in the schemes,entitled them to receive employee stock options that entitles them to acquire Concentric shares.

For further details, see note 8 for the Group.

NOTE 13 Pension and similar obligations

	2014	2013
FPG/PRI pension plan	18	19

Pension obligation was transferred from Concentric Skånes Fagerhult AB in 2013 and is recognised according to Tryggandelagen. The pension plan is a defined-benefit plan.

Provision according to Tryggandelagen is negative due to deaths. See also Note 4 - Salaries.

	2014	2013
Opening Balance, 1 January	**19**	**–**
Provision according to Tryggandelagen, Personnel Cost	-2	–
Provision according to Tryggandelagen, Financial cost	1	–
Transfer from subsidiary	0	19
Payment	0	–
Closing Balance, 31 December	**18**	**19**

NOTE 14 Maturity analysis for financial liabilities

	0–6 months		7–12 months		13–60 months		>60 months		TOTAL	
Nominal amount	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Pensions and similar obligations	–	–	–	–	–	–	18	19	18	19
Bond loan	175	–	–	–	–	175	–	–	175	175
Long-term loans payable to subsidiaries	–	–	–	–	–	–	976	604	976	604
Short-term loans payable to subsidiaries	28	27	–	–	–	–	–	–	28	27
Accounts payable and other loans	14	18	–	–	–	–	–	–	14	18
	217	**45**	**–**	**–**	**–**	**175**	**994**	**623**	**1 211**	**843**

Expected total future interest payments are MSEK 1, of which MSEK 1 refers to the interval 0–6 months.

NOTE 15 Interest-bearing liabilities

Long-term	**2014**	**2013**
Bond loan	–	175
Short-term	**2014**	**2013**
Bond loan	175	–

Bond loan is denominated in SEK and the maturity date is 20 January 2015. The interest rate on the liability is 3,36% (4,16%) as of 31 December 2014. The average interest rate on the liability during 2014 was 3,69% (4,22%). Available unused amount on Credit Facilities at year-end was EUR 10 m and USD 15 m (EUR 40 m), or about MSEK 212 (358).

On 29 January, 2015, Concentric AB signed new financing agreements with its existing banks, securing a five year term loan for MSEK 175, to replace the maturing bond facility above, and a three year multi-currency revolving credit facility facility for approximately MSEK 560.

NOTE 16 Other current liabilities

	2014	2013
Accrued interest cost	1	1
Other accrued expenses	3	3
VAT	1	1
	5	**5**

NOTE 17 Contingent liabilities

	2014	2013
General collateral guarantee for subsidiaries		
Loan	41	34
Operational leasing commitment	46	38
	87	**72**

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

NOTE 18 Reversal of non-cash items

	2014	2013
Financial exchange rate differences	108	1
Change in dividend receivable	-7	-7
Gain on sale in subsidiaries	–	-474
Dividend from Concentric Americas Inc	–	-816
	101	**-1,296**

NOTE 19 Investments in subsidiaries

	2014	2013
Shareholder´s contribution to Concentric Pumps Plc UK:		
For Concentric Hofs acquisition of the operations in Concentric Skånes Fagerhult AB	–	58
For Concentric Germany GmbHs aquisition of LICOS Trucktec GmbH	–	105
Net investments	**–**	**163**

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 inSweden 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.

Skånes Fagerhult 5 March 2015

Stefan Charette
Chairman of Board

Marianne Brismar
Member of the Board

Kenth Eriksson
Member of the Board

Martin Lundstedt
Member of the Board

Martin Sköld
Member of the Board

Claes Magnus Åkesson
Member of the Board

David Woolley
President and CEO

Our audit report was submitted on 5 March 2015
KPMG AB

Anders Malmeby
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Concentric AB (publ.) for the year 2014, except for the corporate governance statement on pages 69–74. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28–67.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards (IFRS), as adopt by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 69–74. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Concentric AB (publ.) for the year 2014. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 69–74 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

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

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

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

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

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

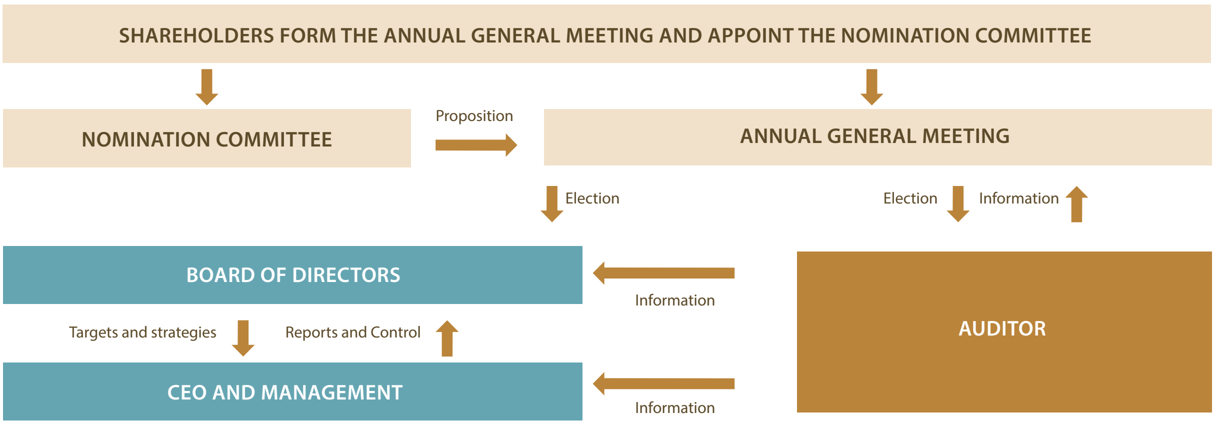
Stockholm 5 March 2015
KPMG AB

Anders Malmeby
Authorised Public Accountant

Corporate Governance
in Concentric (Annual Report 2014)

Concentric AB is a publicly traded Swedish limited liability company that was listed on June 16, 2011. Prior to the listing, the operations were a division in the Haldex Group – Hydraulic Systems. Corporate governance in Concentric proceeds from the Swedish Companies Act, other applicable laws and regulations, NASDAQ OMX Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance. The basis for good corporate governance at Concentric is clear goals, strategies and values that are well understood by the company's employees.

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



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

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

These rules regulate the delegation.

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 Örkelljunga or 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 weekdays prior to the meeting.

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

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

Nomination Committee

Concentric's Annual General Meeting resolves on principles for the appointment of members of the Nomination Committee and the Committee's work. The Nomination Committee's assignment includes the preparation and presentation of proposals for the election of members of the Board of Directors, the Chairman of the Board, the Chairman of General Meetings and auditor as well as proposals regarding the remuneration of Board members, members of any Board Committees and fees to the auditor.

The 2014 Annual General Meeting resolved that the Nomination Committee shall consist of four members, representing each of the four largest shareholders. The names of these four members and the shareholders they represent will be announced via a press release and on Concentric's web site at least six months before the Annual General Meeting, based on the shareholdings immediately prior to such announcement.

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

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

Board of Directors

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

None of the Group's senior executives or employee representatives were members of the Board in 2014. However, Concentric's CEO participates in Board meetings and the Group's CFO serves as the Board's secretary. Other salaried employees attend Board meetings in connection with the presentation of particular issues.

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

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

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

Responsibility and work

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

Responsibilities of the Chairman of the Board

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

CEO and Senior Management

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

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

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

External audit

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

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

Steering instruments

External

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

Internal

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

Operating Procedures of the Board of Directors

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

Instructions for the President

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

Corporate Governance at Concentric in 2014

Concentric AB is a publicly traded Swedish limited liability company with its registered office in Skånes Fagerhult, Sweden. With no exceptions, Concentric complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance report for 2014. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Code for Corporate Governance and has been reviewed by the company's auditors.

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, 2014 totals MSEK 97.3 (97.3), represented by 42,391,659 (43,956,675) shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2014 amounted to 9,181 (9,661), with Nordea Investment Funds representing the largest owner with 11.1% of the share capital (Lannebo Fonder: 11.1%). Swedish ownership totaled 61% (67) at year end 2014. Information concerning ownership is updated each month on Concentric's website, www.concentricab.com.

Annual General Meeting 2014

Concentric's Annual General Meeting was held in Stockholm on 30 April, 2014. The following board members were elected: Stefan Charette, Marianne Brismar, Kenth Eriksson, Martin Sköld, Claes Magnus Åkesson and Martin Lundstedt. In total, 129 shareholders participated at the Annual General Meeting. These represented 44.58% of the shares in Concentric.

Resolutions

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

- The meeting resolved that the Board would comprise six members with no deputies. Stefan Charette, Marianne Brismar, Kenth Eriksson, Martin Lundstedt, Martin Sköld and Claes Magnus Åkesson were elected for the period until the Annual General Meeting in 2015.
- It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2015.
- It was decided that the Chairman of the Board will receive SEK 450,000, and that other members of the Board of Directors will receive SEK 220,000 as remuneration for work on the board. Additional consideration shall be paid with SEK 50,000 to the chairman of the Compensation Committee and the Chairman of the audit Committee shall receive SEK 75,000.
- Fees to the auditor in respect of services performed are proposed to be paid against approved account.
- A resolution was taken, in accordance with the board's proposal, on a dividend of SEK 2.75 per share.
- A resolution was taken on a performance based incentive programme.
- A resolution was taken on directed issue of warrants and approval of transfer of warrants.
- A resolution was taken on authorisation of the board to resolve on acquisition and transfer of own shares to participants in the performance based incentive programme.

Nomination Committee for the 2015 Annual General Meeting

In accordance with a decision by the 2014 Annual General Meeting, the four largest shareholders have each appointed a representative to form the Nomination Committee for the 2015 Annual General Meeting. Based on the ownership structure as of 29 August, 2014, these shareholders were: Lannebo Fonder, Nordea AB, Swedbank Robur and SEB Fonder. Combined, they represented 34.2% of the voting rights in Concentric AB. The shareholders' representatives who will comprise members of the 2015 Nomination Committee are: Göran Espelund (Chairman) of Lannebo Fonder, Erik Durhan, Nordea AB, Marianne Nilsson, Swedbank Robur and Johan Strandberg, SEB Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's website, on 26 September, 2014. The company's shareholders were given the opportunity to submit opinions and proposals to the Nomination Committee via e-mail to the address specified on the company's web site, under the heading Investors–Corporate Governance – Annual General Meeting.

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

- Studied an evaluation of the Board's work.
- Reviewed competence needs and discussed the Board's composition in the light of Concentric's strategies.
- Nominated Board members.
- Verified the candidates' independence.
- Presented remuneration proposals for the Board (including performance based incentive programmes) and the Auditor.
- Reviewed and issued a proposal on the principles for appointing the Nomination Committee for the 2015 AGM.

Board of Directors

Board of Directors' Independence

The Board's assessment of the members' independence, in relation to the Company, its senior management and major Shareholders, is presented in "Board of Directors" on page 75. All Board members are considered to be independent of the Company, its senior management and major Shareholders. Consequently, the Company meets the independence requirements of the Code.

Board activities

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

During 2014, the Board of Directors held a total of 9 meetings. The main issues addressed were:

- Reviewing relevant policies, procedures and instructions for the group;
- Reviewing interim reports and financial statements for the group and parent company;
- Reviewing budget and strategic plans, including any proposals for significant capital investments and/or major business agreements;
- Reviewing the group's capital structure and ongoing financing arrangements;
- Appraising acquisition; and
- Ongoing monitoring of the group's operations and evaluation of management.

Auditor

At the 2014 Annual General Meeting, the registered accounting firm KPMG AB was elected as auditors for the period until the 2015 AGM is held.

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

Compensation and Audit Committee tasks

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

In the inaugural Board meeting directly following the 2012 AGM, separate committees were established. The main tasks undertaken during the separately convened Compensation Committee meetings were to prepare Board resolutions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior executives, to monitor and evaluate programmes for variable remuneration for senior executives, and to monitor and evaluate the application of the guidelines for remuneration to senior executives resolved upon by the Annual General Meeting as well as remuneration structures and levels. During 2014, there were 4 Compensation Committee meetings.

The principal tasks undertaken during the separately convened Audit Committee meetings were to monitor the Company's financial reporting, to monitor the efficiency of the Company's internal controls, internal audits and risk management in respect of the financial reporting, to keep itself informed regarding audit of the annual report and group accounts, and to review and monitor the impartiality and independence of the auditor, paying special attention to whether the auditor provides the Company with services other than auditing services. During 2014, there were 7 audit Committee meetings.

Remuneration of the Board of Directors

Fees to the Board members elected by the General Meeting are resolved upon by the General Meeting after proposals from the Compensation Committee. The 2014 Annual General Meeting resolved that fees totaling SEK 1,675,000 will be paid for the period up until the end of the 2015 Annual General Meeting and be distributed among the Board members as set out in the table below. The remuneration to the Board is fixed, with no variable component.

Guidelines

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

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

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

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

	2014 Meetings attended			
Board	**Board**	**Audit Committee**	**Compensation Committee**	**2014/15 Board Fees (SEK)**
Stefan Charette [1]	9	7	4	450,000
Marianne Brismar	9	–	–	220,000
Kenth Eriksson [2]	9	–	4	270,000
Martin Sköld	9	–	–	220,000
Claes Magnus Åkesson [3]	9	7	–	295,000
Martin Lundstedt	5	–	–	220,000
				1,675,000

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

Amounts in TSEK	Basic salary/ Benefits in kind	Variable remuneration	Pension	Total
President and CEO David Woolley	3,852	2,840	342	7,034
Other senior executives	9,953	2,803	762	13,518
Total	**13,805**	**5,643**	**1,104**	**20,552**

For guidelines on remuneration see pages 46–47.

Incentive programme

In order to foster a long-term perspective in the decision-making and to ensure long term achievement of goals, the AGM resolved on a long-term incentive programme, LTI 2014, consistent with previous years.

The programme shall comprise up to 8 senior executives, including the CEO, and other key employees within the Concentric Group. In order to participate in LTI 2014, the participants must make own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2014 will entitle the participants to two free employee stock options, where each, after a three year lock-up period, will entitle the participant to acquire one Concentric share at a price of 71.20 SEK and 106.80 SEK respectively.

For more information about the Company's LTI schemes, see note 8 on page 46.

Internal controls

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

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

Control environment

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

The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years and overseeing various issues such as the internal audit function and accounting principles applied by the Group. The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the CEO, although the ultimate responsibility rests with the Board.

Other executives at various levels have in turn responsibilities within their respective areas of operation. Senior management regularly reports to the Board according to established routines. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

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

Information and communication

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

Evaluation, monitoring and reporting

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

The Board

STEFAN CHARETTE
Chairman of the Board 2010.
Born 1972.

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

Partner of Athanase Industrial Partner. Previously CEO of Creades AB, Investment AB Öresund, AB Custos and President of the Brokk Group. Corporate advisor for multinational corporations at Lehman Brothers and Salomon Smith Barney.
Chairman of Athanase Industrial Partner Ltd and Athanase Capital Partners AB.
Board member of Creades AB, Haldex AB, Transcom WorldWide S.A. and Lindab AB.

Shareholding in Concentric: 4,000 shares
Independent in relation to the Company and senior Management, and in relation to major shareholders.

MARIANNE BRISMAR
Member since 2010.
Born 1961.

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

Senior partner of Intercept AB. President and CEO of fork lift truck manufacturer Atlet AB between 1995–2007. Prior to that, several other positions within the Atlet Group. The Group was sold to Nissan Material Handling in 2007.
Board member of Beijer Alma AB, Axel Johnson International AB, Creades AB, Semcon AB och Wollenius Invest AB.

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

KENTH ERIKSSON
Member since 2010.
Born 1961.

M.Sc. Civil Engineering and MBA.

Partner of investment company Itum Invest AB. Prior to that, several other positions within the Electrolux Group. Kenth left Electrolux in 2000 as vice president and head of business area Refrigeration in Electrolux's European household appliances operations.
Member of the Board of Transportes Azkar, S.A., Technology Nexus AB and Satpoint AB.

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

MARTIN LUNDSTEDT
Member since 2012.
Born 1967.

Master of Science in Industrial Engineering and Management.

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

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

MARTIN SKÖLD
Member since 2010.
Born 1973.

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

Director and member of the Foundation IMIT.
Chairman of Vedum Kök & Bad AB and Kvänum Kök AB.
Corporate advisor for multinational corporations and assignments within family firm businesses manufacturing trailers for the heavy truck industry, and a whole sale dealer for heavy trailer spares parts.
Shareholding in Concentric: 400 shares

Independent in relation to the Company, the senior Management and to major shareholders.

CLAES MAGNUS ÅKESSON
Member since 2010.
Born 1959.

B. Sc. Business Administration.

CFO of listed residential developer JM AB since 1998.
Claes Magnus has a broad international experience from different treasury and controller positions at Ericsson between 1987– 1998.
Several board assignments within the JM Group.
Shareholding in Concentric: 8 000 shares

Independent in relation to the Company, the senior Management and to major shareholders.

Group Management

David Woolley
President and Chief Executive Officer
Born 1962

B.Sc. Metals Technology.

David Woolley has long experience of Concentric's business and was Managing Director of the subsidiary Concentric Ltd from 2002 until Haldex acquired Concentric plc. Subsequently David has also been responsible for the business with respect to diesel engine pumps in the UK and India. Head of region Europe and RoW 2010– 2011.
Other current assignments/positions (outside Concentric): Non-executive Director of Investors in Excellence.
Previous assignments/positions: Managing Director Engine Pumps UK and India of Haldex Concentric Pumps Ltd. Managing Director of Concentric Ltd.

Shareholding in Concentric: 60,950 shares

David Bessant
Chief Financial Officer
Born 1971

B.Sc. Accountancy and Financial Analysis.

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

Shareholding in Concentric: 13,500 shares

Andreas Wolf
Head of region Europe and Rest of World
Born 1957

Mechanical Engineering degree, University of Karlsruhe.
Ph.D. Mechanical Engineering, University of Stuttgart

Dr. Ing. Andreas Wolf joined the Concentric group as Managing Director of LICOS Trucktec GmbH in June 2013 when LICOS was acquired by Concentric.
Previous assignments include senior positions at ZF Luftfahrttechnik GmbH and ZF Friedrichshafen AG.
Other current assignments/positions (outside Concentric): Member of the German VDA council as automotive suppliers' representative

Shareholding in Concentric: 70,000 shares

David Williams
Head of Engine Engineering & Development
Born 1964

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

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

Shareholding in Concentric: 6,180 shares

William Pizzo
Head of Hydraulics Engineering & Development
Born 1967

B.Sc. Mechanical Engineering and MBA.

William Pizzo has been General Manager of Chicago Panel & Truss and before that held senior positions at Amtec Precision and Molded Products, SPX – Filtran and Illinois Tool Works.

Shareholding in Concentric: 6,400 shares

Martin Bradford
Head of region Americas
Born 1962

B.Sc. Metals Technology.

Martin Bradford joined Concentric in 2008 as General Manager for the US Hydraulics business.
Prior to joining Concentric, Martin managed manufacturing businesses based in Europe, the Middle East and America during his career.

Shareholding in Concentric: 6,730 shares

Glossary & Definitions

Glossary

Axle cooling	Heat Exchanger to control the temperature of the axle gear train
Baler	Farm machinery used to compress a cut and raked crop (such as hay, straw, or silage) into compact bales that are easy to handle, transport and store
BRIC countries or emerging markets	Brazil, Russia, India and China
Fuel transfer pump	Pump to lift the fuel from the fuel tank to the high pressure system
DC Pack Lift/lower	Integrated unit comprising of DC motor, hydraulic pump and reservoir
Fan drive	Hydraulic motor used for driving cooling fan
Fuel pump	Pumping device for fuel
Gerotor pump	Type of positive displacement pump
Hydraulic hybrid system	Hydraulic propulsion system for vehicles
Hydraulic power pack	Integrated unit comprising of DC motor, hydraulic pump and reservoir
Hydraulic pump	Positive displacement pump for pumping hydraulic fluids such as oil
Implement pump	Hydraulic pump used for auxiliary vehicle functions
Seeder motor	Hydraulic motor used for blowing seed into seeding device for planting
OEM	Original Equipment Manufacturer
Oil mist separator	Product that recycles oil from crankcase gases
Piston pump	Positive displacement pump that utilises a moving piston to displace the fluid
PPM	Parts Per Million defect rate
Primary pump	Main pump used in a multi circuit configuration
Secondary circuit pump	Secondary pump used in a multi circuit configuration
Steering pump	Hydraulic pump used to provide hydraulic power to a vehicle steering system
Tail lift	A mechanical device permanently fitted to the back of van or lorry designed to facilitate the materials handling of goods from ground level to the level of the vehicle, or vice versa
Tier 1-, Tier 2-supplier	Different levels of sub suppliers, typical within the automotive industry
Variable flow oil pump	Oil pump with controllable flow capacity
Variable water pump	Water pump with controllable flow capacity
Varivent EGR pump	Air pump used to pump the exhaust gas recirculated back into the engine intake
Windrower	A self propelled or tractor-drawn farm machine for cutting grain and laying down the stalks in windrows for later threshing and cleaning

Definitions

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

Shareholder information

Concentric's web site for investors

www.concentricab.com contains information about the company, the share and insider information as well as archives for reports and press releases.

The Annual Report on www.concentricab.com

Concentric has chosen not to distribute its Annual Report to shareholders to minimize cost and environmental impact. Annual reports, quarterly reports and press releases are available on the Concentric's web site for investors.

Financial information for 2014

Annual General Meeting	26 March, 2015
Interim report January – March 2015	28 April, 2015
Interim report January – June 2015	24 July, 2015
Interim report January – September 2015	23 October, 2015

Annual General Meeting

Annual General Meeting for the fiscal year 2014 will be held at 10 a.m. CET on Thursday, 26 March, 2015 at the Grand Hotel, Södra Blasieholmshamnen 8, Stockholm.

Participation in 2015 Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB as of Friday, 20 March, 2015. Notification must be made no later than Monday, 23 March, 2015. Proxies and representatives of a legal person shall submit documents of authorization prior to the General Meeting.

In order to participate in the Annual General Meeting, shareholders with nominee registered shares must request their bank or broker to have their shares temporarily owner registered with Euroclear Sweden as of Friday, 20 March, 2015, and the bank or broker should therefore be notified in due time before said date.

Notification

Concentric AB, Ringvägen 3, 280 40 Skånes Fagerhult,
by telephone +46 708 326 854 or
by e-mail to info@concentricab.com

On giving notice of attendance, the shareholder shall state
– name
– personal identity number or equivalent (corporate identity number)
– address, telephone number
– shareholding

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