



Technology + Innovation = Sustainability  
Annual Report 2013

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## Financial Calendar 2014

<b>April 30</b>	Annual General Meeting
<b>April 30</b>	Interim report January – March 2014
<b>July 24</b>	Interim report January – June 2014
<b>October 24</b>	Interim report January – September 2014

# 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 energy production, compressors, cranes, refrigeration and street-cleaning vehicles as well as military and airport vehicles.



DC PACK LIFT / LOWER



TRANSMISSION



LOW NOISE PUMP

### Trucks

Concentric sells its solutions to OEM's 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 trucks.



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.



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.



AXLE COOLING

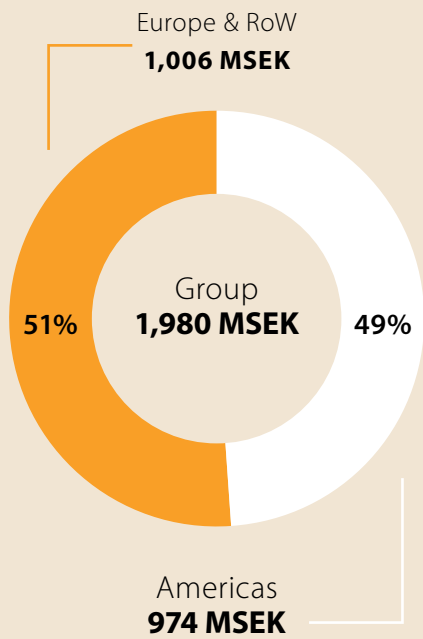


FUEL TRANSFER PUMP

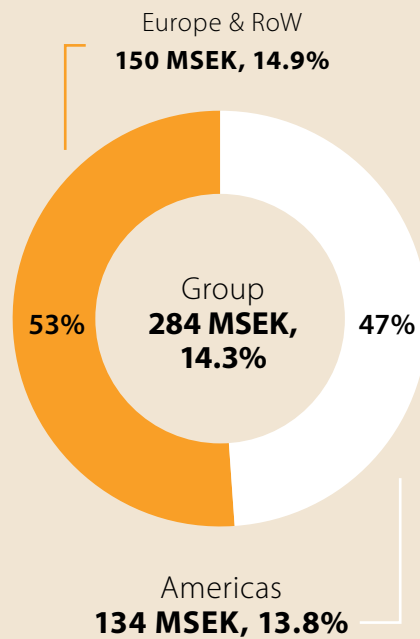


FAN DRIVE

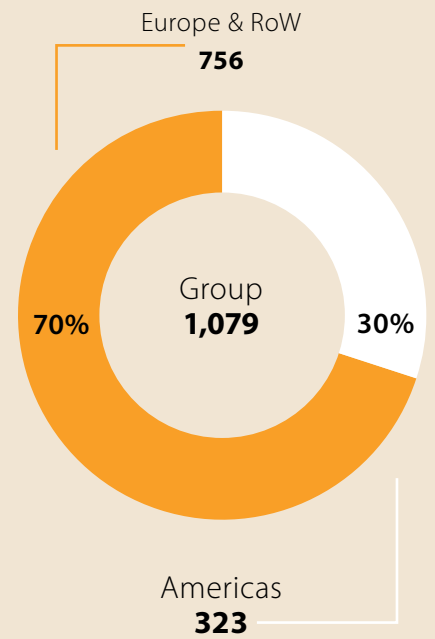
## Net External Sales



## Operating Result & Margin on External Sales



## Average Number Employees



## Global presence

Concentric's global manufacturing presence includes factories in Sweden, Germany, the UK, the USA, 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

# Well positioned for the future

### The underlying growth drivers

**Emissions legislation** for transport and machinery has focused on the reduction of pollutants, primarily nitrogen oxides and particulate matter and it has had a dramatic effect in reducing the exhaust of these pollutants, but the CO<sub>2</sub> exhaust volumes have not been reduced to the same extent.

**The first phase of the greenhouse gas (GHG) regulation** comes into effect in the USA in 2014, setting standards for CO<sub>2</sub> emissions and fuel consumption for medium and heavy duty commercial vehicles. When fully implemented in 2017, the regulation will reduce CO<sub>2</sub> emissions by approximately 6% compared to 2010.

**The second phase of the EPA GHG regulation** is now under development and is expected to result in considerably stricter CO<sub>2</sub> emission standards.

**The EU are expected to gradually align their mandatory targets to that of EPA** and, therefore, reduced CO<sub>2</sub> emissions will be higher on the agenda of all OEMs in mature markets.

**Fuel efficiency** is important to improve the competitiveness for the Company's customers as the fuel constitutes the largest share of operating costs for the end-user.

**Concentric's added value is increasing** in both production and R&D, with OEMs narrowing their scope of core competencies.

**The overall trend of tougher emission legislation** also holds true for emerging markets such as China, India and Brazil, even though this has been at a slower pace.

**Significant investments in infrastructure is increasing** the demand across all of Concentric's end-market applications including off-highway vehicles, even though the legislation for is more difficult to predict in this market segment.

**More complexity** within a smaller chassis/bonnet profile is adding to the number of secondary hydraulic circuits on vehicles. Customers are also increasingly asking for higher power density and reliability, all together meaning expected continued strong demand for custom made solutions.

**Increased legislation for machinery and equipment working indoors** is driving customer demand for improved levels of noise, vibration and harshness ("NVH").

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

**Concentric's market leading technology** puts the Company in a unique position to benefit from the increased focus on fuel efficient engine products and high performance hydraulic products.

**Concentric serves the largest OEMs and engine manufacturers** with engine products that improve fuel efficiency and reduce CO<sub>2</sub> emissions. Concentric's variable flow pumps reduce fuel consumption by as much as 3–5%.

**The frictional losses are reduced** thanks to Concentric's engine products, enabling a more compact sized engine while delivering absolute reliability.

**A wide range of hydraulic products** focused on improved efficiency, higher power density and lower noise for installations in a vast array of industrial vehicles and diesel engines are offered by Concentric.

**Concentric is the supplier of choice** in the Company's niche markets thanks to high performance and reliability, combined with flexible design and a global manufacturing footprint.

**Concentric is the only global player in the market** for diesel engine pumps and its hydraulic products occupy strong positions in niche areas where the technology included in the product is more advanced or requires customer specific solutions.

**Reduced cyclicity of the business** thanks to Concentric's geographic spread and four distinct end-markets.

**Customers increasingly demand** Concentric's niche products within hydraulics for high quality and durability aimed at safety critical and long-life applications.

**Sales in emerging economies of existing products will continue to increase** as production is localized in these markets. The new regulations gradually being introduced in Europe and North America will eventually be adopted in other regions, enabling Concentric to further penetrate these markets.

### The Concentric Business Excellence programme is the foundation

The Concentric Business Excellence programme ensures the group's flexibility and that everyone assumes responsibility for their performance. The programme also includes a sourcing strategy aimed at achieving a competitive cost structure and

it ensures flexibility in operations by retaining a certain percentage of labour force under fixed-termed contracts. Despite the drop in demand seen in 2013, Concentric was again able to flex its operations and improve margins.

## 2013 in brief

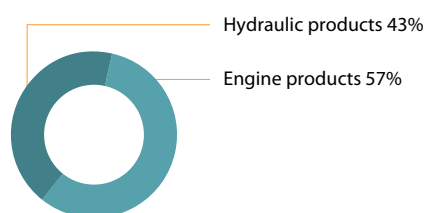
# Operating margins strengthen despite drop in sales

Key figures <sup>1</sup> , amounts in MSEK unless otherwise specified	2013	2012 <sup>2</sup>	2011	2010
Net sales	1,980	2,129	2,283	1,977
Sales growth, constant currency, %	-7	-9	25	53
Operating income before items affecting comparability	284	297	305	151
Operating margin before items affecting comparability, %	14.3	13.9	13.4	7.6
Operating income	284	281	281	109
Net income for the year	176	171	176	35
Cash flow from operating activities	209	298	227	204
Basic and diluted earnings per share, SEK	4.00	3.88	3.98	0.79
Dividends, SEK	2.75	2.50	2.00	-
Net debt	391	446	114	312
Gearing (Debt/equity) ratio, %	50	73	12	45
Capital Employed	1,176	1,019	1,151	1,267
Return on capital employed, before items affecting comparability, %	25.8	26.7	27.0	12.1
Return on equity, %	27.2	26.5	22.1	5.2

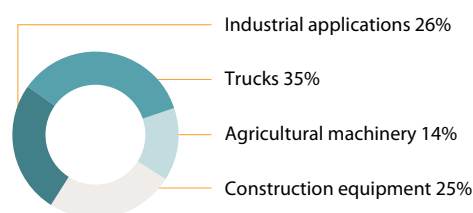
<sup>1</sup> All figures from 1 April 2011 are consolidated. Figures for earlier periods are combined. For further information see "basis for preparation" in note 2, accounting principles, in the notes for the group.

<sup>2</sup> Figures for 2012 have been restated for the amendments to IAS19, Employee benefits. Figures for earlier periods are as reported.

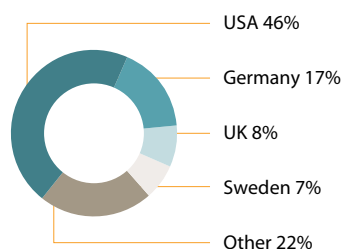
Net sales per product line, % of 1,980 MSEK



Net sales by end market, % of 1,980 MSEK



Net sales by customer location, % of 1,980 MSEK



# 2013 in brief

## Major events during the year

### Concentric variable flow oil and water pumps in USA-funded Supertruck

Variable flow pumps developed by Concentric have made a significant contribution to the USA-funded "Supertruck" programme which is developing a new generation of fuel-efficient heavy-duty trucks.



### Concentric complete acquisition of LICOS Trucktec GmbH

Concentric completed the acquisition of LICOS Trucktec GmbH, a leading producer of water pumps and electromagnetic fan clutches for the truck industry, in June 2013 for a total consideration of MEUR 12.5. The acquisition broadens the group's product portfolio in a growing niche, the semi-variable water pump, and presents an opportunity to leverage Concentric's position in North America.

The high quality product range of LICOS has attracted the business of global top-tier OEMs. Annual revenues for LICOS amounted to MEUR 14 in 2012 with an EBIT of MEUR 0.25 corresponding to an EBIT margin of 1.8%. Through a ramp-up of existing contracts in LICOS, annual revenues will grow by 50% over the coming three-year period enabling LICOS to reach Concentric's existing margin levels.

### Concentric opens European hydraulics centre in Hof, Bavaria

Concentric opened a new plant in Hof, Bavaria, consolidating all its European hydraulics manufacturing operations into a single site. The inauguration of the new 9,000m<sup>2</sup> Hof facility creates one centre of excellence for Concentric's hydraulics technology and manufacturing in Europe, mirroring our approach in the USA with our hydraulics facility in Rockford, Illinois.

### Concentric pumps for JCB's 6-cylinder engine

Concentric signed an agreement to supply oil and coolant pumps for JCB's new 7.2 litre Dieselmix 672, the largest engine in their range, which will be used in high-horsepower JCB excavators...



### Concentric oil and "smart" water pumps for Euro truck engines

Concentric signed a multi-year contract with a global truck manufacturer to supply oil and variable flow water pumps for its new 11 litre engine which is designed to meet the requirements of Euro VI / USA EPA13 legislation. Annual revenues will be in the region of MSEK 76, based on mature volumes. This contract follows on from an earlier order announced in October 2012 from the same customer for water pumps on its new 13 litre engine, taking the total annual revenues anticipated for both contracts to approximately MSEK 148, based on total mature volumes.



## CEO letter

# Concentric is well positioned

Concentric AB made progress on all of its strategic goals in 2013 and developed the business in terms of its people, products and markets while delivering improved margins.



*“ Following the successful acquisition and integration of LICOS, we will continue to look at acquisitions that provide us with enabling technology. In short, Concentric is well positioned, financially and operationally to fully leverage the opportunities for 2014. ”*



**WITH A RECOVERY IN TRADING CONDITIONS**, we saw improvements in our four end markets (Truck, Agricultural Machinery, Construction Equipment and Industrial Applications) from the third quarter in both engine products and hydraulic products. Across the year revenues were MSEK 1,980 (2012: MSEK 2,129), with an operating income margin of 14.3% (2012: 13.9%) generating a net income for the year of MSEK 176 (2012: MSEK 171). The good margin development was the outcome of the team's commitment and dedication to the Concentric Business Excellence (CBE) programme. The improvements in performance were not limited to monetary effects as Concentric also improved its service, delivery and quality to our global customers, as supported by the feedback received in our annual customer survey.

We have continued to follow our belief that "Technology + Innovation = Sustainability", and this has helped us with progress towards our strategic goals.

**1,980** revenue (MSEK)

**14.3%** income margin

**176** net income (MSEK)

*We set out to achieve the following in 2013:*

### Continuous product development

Calma and Ferra hydraulic pumps, representing our latest technology in low noise and high power density products, were successfully "productionised" and launched in our facility in Rockford, Illinois. The joint venture with Alfa Laval, Alfdex, launched a number of new projects on customer programmes in Europe to give our customers the ability to meet the Euro VI, strict emission standards (January 2014). This utilises both "next generation" product and a more highly automated production system.

### Grow in emerging markets

We concluded that the best route to the Brazilian market was to establish a new manufacturing facility and steps were taken to fully engage with customers and develop our own project team. The targets are ambitious in that we want to be producing the first products in Brazil before the end of 2014. In Asia, our manufacturing plants in India and China continued to both localise manufacturing for the region and provide support to the rest of the group in developing low-cost country sourcing and supply.

### Explore bolt-on acquisitions

We acquired LICOS Trucktec GmbH gaining excellent technology in the market-proven electro-magnetic clutches, which both complements Concentric's fully variable flow water pump technology and provides excellent opportunities to strengthen the design teams and the strategic product supply chain. We believe that this will also accelerate sales growth by offering customers the chance to move from standard water pump technology to "on/off" systems that can save up to 1% of fuel.

### Stay close to customers through our local manufacturing footprint with global reach

We created a European Centre of Excellence for Hydraulics by consolidating our two European entities into one new facility in Hof, Germany. The investment was MSEK 36, with an expected pay-back of two years and improved customer service and delivery.

### Thrive through business excellence and a flexible cost base

Our ongoing investment in the business excellence programme has continued to improve our operations. Our new product and manufacturing capacity was increased in all areas of the business, spearheaded by the programmes announced over the last 18 months with global truck manufacturers for water pumps, oil pumps and fuel pumps which have led to on-time, on-cost launches with low-volume production in 2013, that are expected to ramp up to full volume by 2015.

As we look forward into the new year of 2014, we believe the business is in very good shape to maximize the opportunities we see. As there is increasing pressure to reduce fuel consumption in all forms of machinery and trucks, our development programmes with our customers for our variable flow pump technology will continue and have good potential going forward. Brazil will remain as a key project to win new business and localise production and supply to our strategic and global customers. This will provide an excellent opportunity for both our engine and hydraulic products.

Following the successful acquisition and integration of LICOS Trucktec GmbH, we will continue to look to at acquisitions that provide us with enabling technology. In short, Concentric is well positioned, financially and operationally to fully leverage the opportunities for 2014.

Our Concentric Business Excellence programme, and specifically our third-party customer and people surveys which have provided such a focus for our successes, will be continued in all plants around the world.

**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, Daimler, DAF, FPT Industrial, Navistar, Scania, Volvo



Agricultural machinery

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



Construction equipment

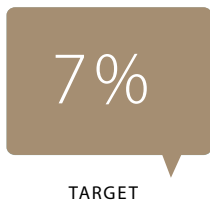
Caterpillar, CNH, John Deere, JCB, Komatsu, Vögele, Volvo

See pages 17–21

# Business targets

Our financial targets and our achievements in 2013

## Organic sales growth in constant currency (annually)



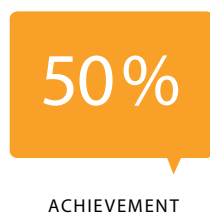
Sales for 2013 were down 7% (9) as reduced demand was experienced across most of the Group's end-markets and regions during the first half of the year. However, this trend started to reverse in the second half of 2013, with improvements from the third quarter in the sales of both engine and hydraulic products.

## Operating margin before items affecting comparability (over a business cycle)



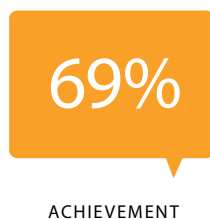
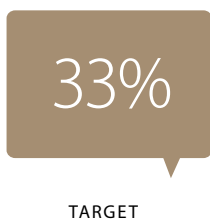
The Operating margin before items affecting comparability increased to 14.3% (13.9) in 2013, despite the pressure on margins from reduced demand in the first half of the year. The year-on-year improvement reflects effective cost management through the Concentric Business Excellence programme.

## Gearing (Debt/equity)



The indebtedness was reduced to MSEK 391 (446), after the restatements arising from the amendments to pension accounting (IAS19, Employee benefits), as a result of continued strong cash conversion of profit during the year.

## Dividend payout ratio (over a business cycle)



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 1.50 (1.25) per share for the 2013 fiscal year, plus an additional dividend of SEK 1.25 (1.25).

# Business strategic objectives

## Addressing the challenges facing customers tomorrow

As a niche player in the premium segment, technology is at the very core of Concentric's offering. The company will continue to invest in the development of products to bring class-leading solutions to tomorrow's market. For engines, the focus is on advancing

efficiency and controllability, while the development of hydraulic products focuses on meeting the demands for products that are quieter, have higher power density and higher pressure rating.

## Leverage leading market positions

### **New niche applications**

The company's innovative products and strong market position in developed markets will be the foundation for increased sales of new niche applications.

### **Refine sales in all channels**

Concentric continues to grow and develop its distribution sales channel, in particular for off-the-shelf products, and further develop the aftermarket business for hydraulics products.

### **Grow in emerging markets**

The company will continue to sell its existing products and explore new opportunities in

emerging economies, such as China, India and Brazil.

### **Explore 'bolt-on' acquisitions**

Concentric's strategy includes identifying potential acquisitions to strengthen the company's product offering by supplementing the existing portfolios in both engine and hydraulic products.

### **Reducing cyclical risk**

Concentric serves a variety of customers in many end-markets and geographies. Such a level of diversity is designed to protect the company's overall sales since both individual end-markets and regions have varied growth profiles.

## Stay close to customers through local manufacturing footprint

Concentric is already a global company with the local capability to design, assemble and test right next to the company's customers, backed by efficient sourcing from low-cost countries. This enables the company to sell locally to global customers.

Purchasing and manufacturing strategies are refined in order to leverage a more co-ordinated group and product structure to align best practices and rationalise the supplier base.

## Thrive through business excellence and a flexible cost base

### **Accountability**

Every plant in Concentric runs its own profit and loss account, ensuring that everyone throughout the organization assumes responsibility for their profitability and the continuous improvement of their operations. The Group's pursuit of business excellence will ensure strong profitability and cash flow are maintained through efficient use of capital.

### **Optimal cost structure**

Concentric will continue to pursue a sourcing strategy based on buying the best parts from the best suppliers at the best price, in order to achieve a competitive cost structure. The company maintains flexibility in its operations by retaining a certain percentage of the labour force under fixed-termed contracts and adapting overtime work.

# Driving forces

## Increased focus on fuel efficiency

In society at large, there is a strong movement towards more efficient use of energy resources.

### Increased energy efficiency

A higher cost of fuel spurs Concentric's OEM customers to develop more fuel-efficient machines and engines in order to reduce the product's operating costs in the next level of the customer chain. Increased fuel prices also acts as an incentive for end-customers to invest in new and more fuel-efficient machinery when their current machines become less profitable.

### Regulations

Increased energy efficiency is also closely linked to the need to reduce society's impact on the environment and, particularly, to reduce emissions of CO<sub>2</sub> (carbon dioxide) and other gases. Drivers of these changes are both market-based price mechanisms, such as permits for carbon dioxide emissions, and significant regulations at regional and national level aimed at reducing emissions from transport and machinery. The progress of such legislation has differed in the various regions, but in general North America and Europe have made greater progress, in the form of more restrictive emissions legislation, than emerging economies, such as the BRIC countries.

### Business is driven by international standards

Diesel engines for North American and European trucks represent one example of this trend. The Euro VI standards, the emissions standards introduced in July 2009 by the EU, came into effect in 2013 and now apply to all heavy-duty vehicle registrations in the EU.

The first phase of the Environment Protection Agency's (EPA) greenhouse gas (GHG) legislation in the USA went into effect in 2014, for the first time setting mandatory standards for CO<sub>2</sub> emissions and fuel consumption for medium- and heavy-duty commercial vehicles. The first phase of EPA's GHG legislation will be fully implemented by 2017 and will reduce CO<sub>2</sub> emissions by approximately 6% compared to 2010. The second phase of the EPA GHG regulation is now in development and is widely expected to set tough targets, driving the need for efficient accessories. Concentric expects that the EU will gradually align its mandatory targets to that of the EPA.

Given these developments, expectations are that fuel efficiency and reduced CO<sub>2</sub> emissions will be even higher on the agenda of OEMs and diesel engine manufacturers in mature markets. Concentric's variable flow oil and water pump will play an important role in helping engines satisfy the emissions legislation, since fuel consumption may be reduced by 1–3% per pump installation, dependent upon the duty cycle of the vehicle.

For diesel engine applications that are not intended for use in road transportation, both the USA and the EU introduced in May 2004 the new Tier 4 standards, which are being enforced gradually during 2008–2015. According to these standards, emissions of nitrogen oxides (NOx) and particles have to be reduced by approximately 90%. Concentric is currently launching many new pumps that support its customers' Tier 4 efforts.

### Improved work environment

The impact of noise, from the viewpoint of both the machine operator and those exposed to noise at worksites, is also attracting increasing attention. In this area, for example, Concentric markets forklift applications in which its development of optimized gear profiles has led to a new hydraulic pump that generates little noise. This has also resulted in a significant increase in sales and market share.

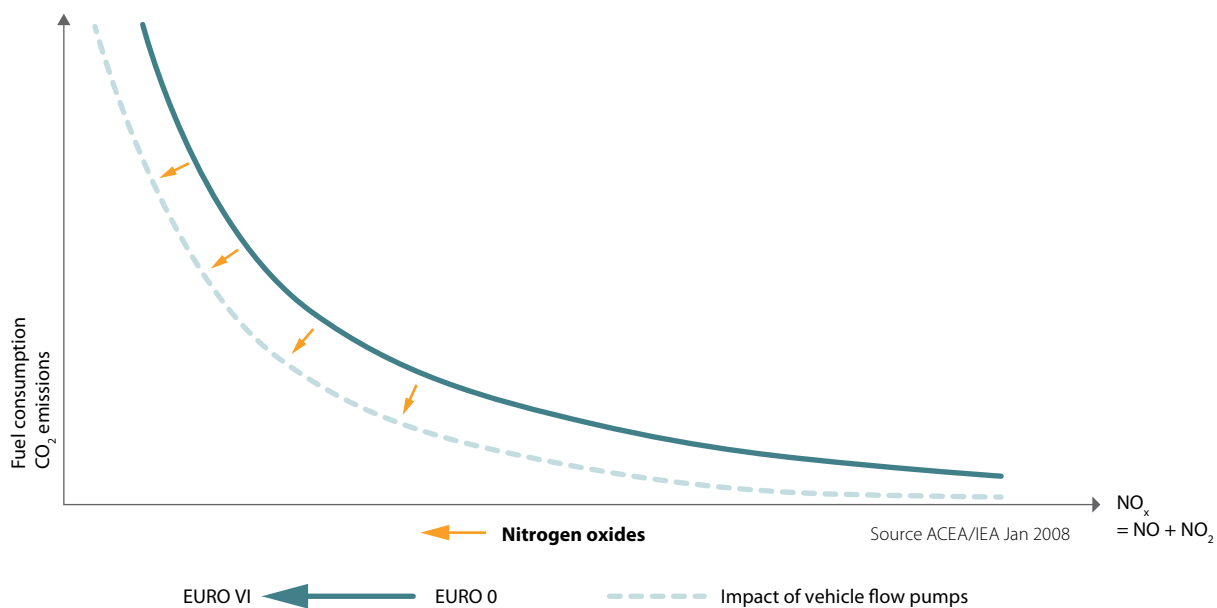
### An end-user who is yet to benefit

Emissions legislation for transport and machinery has, during the past few decades, focused on the reduction of pollutants, namely NOx and particulate matter. The implementation of legislation has had a dramatic effect in reducing the exhaust of these pollutants but Concentric has not seen a corresponding improvement in fuel efficiency or reduction of CO<sub>2</sub> exhaust volumes. There are technical goal conflicts in simultaneous minimisation of particulates and nitrogen oxide emissions, requiring the use of extensive exhaust gas cleaning technologies. Stricter Euro standards increase vehicle cost and in some cases also increase fuel consumption.

The focus of legislators in mature markets is gradually shifting towards improving fuel economy and reducing CO<sub>2</sub> emissions of the transportation industry, exemplified by the first phase of EPA GHG legislation.



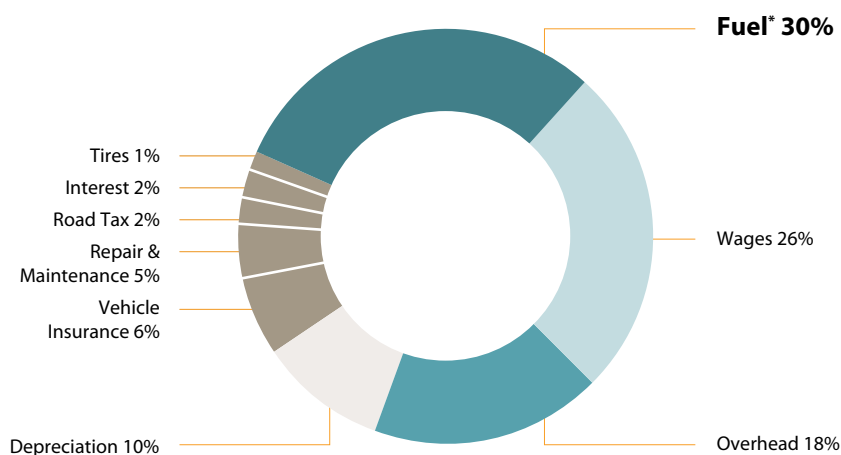
### Emissions Trade-off curve



Concentric expects that fuel efficiency and reduced CO<sub>2</sub> emissions will be higher on the agenda of OEMs in mature markets. Not only is this based on the expectation of tougher legislation,

it is also a case of providing more value for the end-user. Fuel currently constitutes the largest share of operating costs for fleet managers in mature markets.

### Importance of fuel economy\*



\*Fuel represents the single largest cost to truck owners in Western Europe over the life of the vehicle.

\*Distribution of costs of a truck in Western Europe. Source: Commercial Vehicles and CO<sub>2</sub>, ACEA/Iveco 2011

# Driving forces

## Freight activity

### Transportation growth

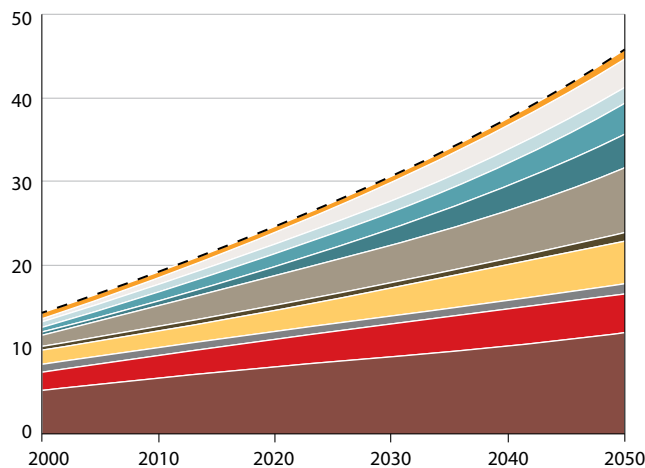
Transport services facilitate the movement of goods, which is an important enabler of economic growth. Demand for commercial vehicles is cyclical and closely correlates with the total output of the global economy, but the overall trend is clear – demand for freight transport will continue to increase.

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

### Freight transport activity by region

#### Trillions (10<sup>12</sup> of Tonne-Kilometers/Year

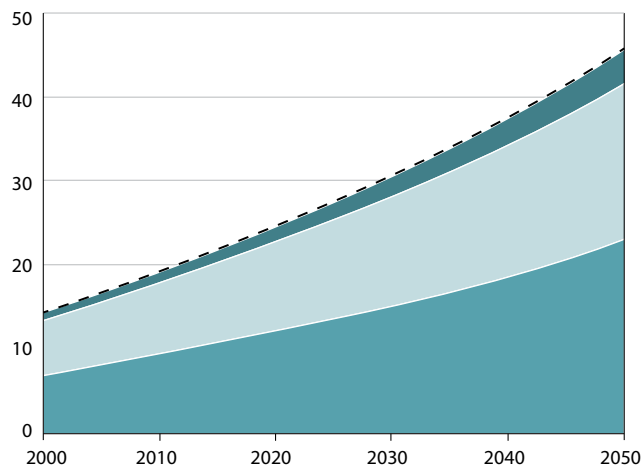


#### Average Annual Growth Rates

	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%

### Freight transport activity by mode

#### Trillions (10<sup>12</sup> of Tonne-Kilometers/Year



#### Average Annual Growth Rates

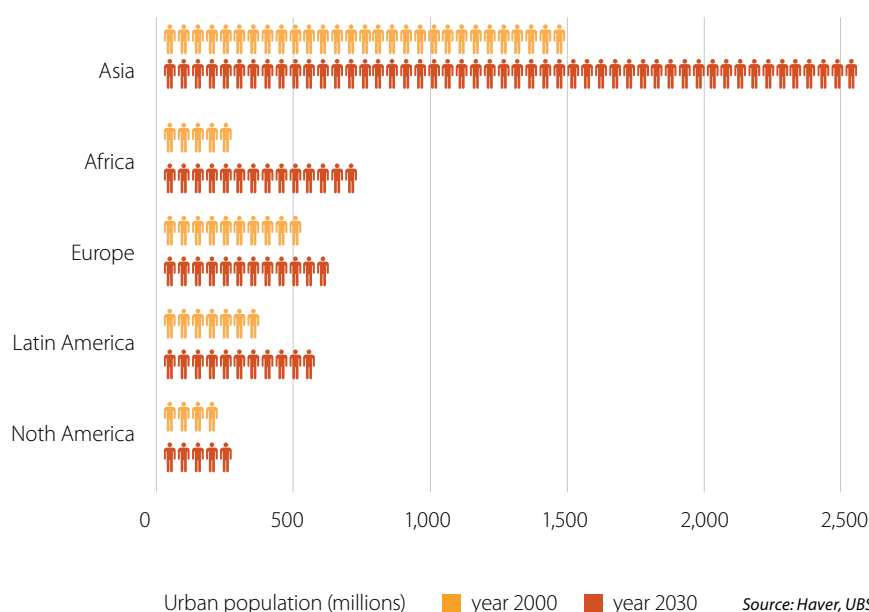
	2000–2030	2000–2050
--- Total	2.5%	2.3%
Medium Duty Trucks	3.0%	2.7%
Freight Rail	2.3%	2.2%
Heavy Duty Trucks	2.7%	2.4%

# Driving forces

## Infrastructure investment

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



**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%** 2010–2025.

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.

**AS A GLOBAL SUPPLIER** with established local presence and production in India, China and soon also in Brazil, Concentric is well positioned to capitalize on the economic growth expected in these economies. Even though the company has recently seen a slight slow-down in economic activity in these markets, their growth potential remains intact. In order for emerging markets to continue on their path of growth, they must continue to invest in infrastructure. As the new economies grow, global investment will shift from investments that typically occur in mature economies, meaning upgrades of capital stock, to investments that are more typical for emerging economies, such as in infrastructure and housing.

#### Continued urbanization in the long run

In June 2012, the report from McKinsey Global Institute: "The Urban world and the rise of the consuming class" showed that up to 2025 the global rate of investment in infrastructure will increase significantly in the growth of cities in the emerging markets. Urbanization and per capita GDP tend to move in close synch as countries develop. The report points out

that the difference in today's wave of mass urbanization is its unprecedented speed and scale. A driving force is the incomes in developing economies that are rising faster, and at a greater scale, than at any previous point in history.

The incomes of the new consuming urban classes are rising even faster than the number of individuals in the consuming classes.

The growth is exemplified by two areas – building and port capacity. The report predicts that by 2025, cities will need to construct floor space equivalent to 85 percent of all of today's urban residential and commercial building stock. In the Emerging 440 largest cities alone, the demand for residential and commercial floor space will grow by 44,000 square kilometers.

The capacity of ports to handle global container traffic needs to rise by more than 2.5 times from today's level to meet rising consumer demand for products across the globe. The investment needed to expand port capacity to 2025 is calculated to exceed \$200 billion, with 85 percent of it taking place in emerging markets.

## 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 Tier1 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 stabilization, reduced emissions and greater noise reduction.



### Main conventional products:

- ▶ Fixed displacement gerotor and gear oil pumps
- ▶ Fixed displacement water pumps
- ▶ Fuel transfer pumps, mechanical and electric actuation options
- ▶ Hydraulic pumps and motors with low noise levels, low speed and high power density
- ▶ Alfdex system for treatment of crankcase gases (Alfdex AB is a joint venture with Alfa Laval)

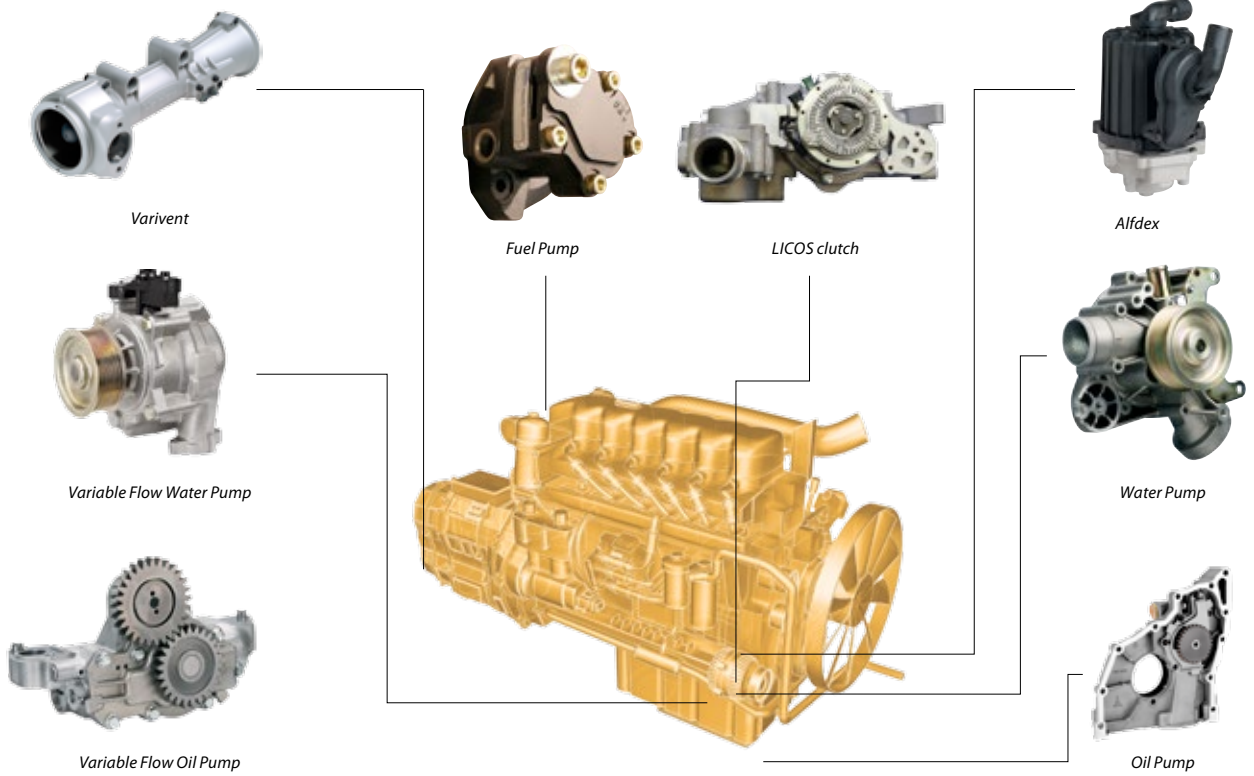
### Recent product launches:

- ▶ Oil pumps for the new Perkins Tier 4 engine
- ▶ Highly-efficient water pumps for a new Euro VI / USA EPA 13 engine which include a LICOS clutch
- ▶ Advanced fuel transfer pump on a fuel system for a new Euro VI / USA EPA 13 engine
- ▶ Rollout of Ferra hydraulic gear pump in USA

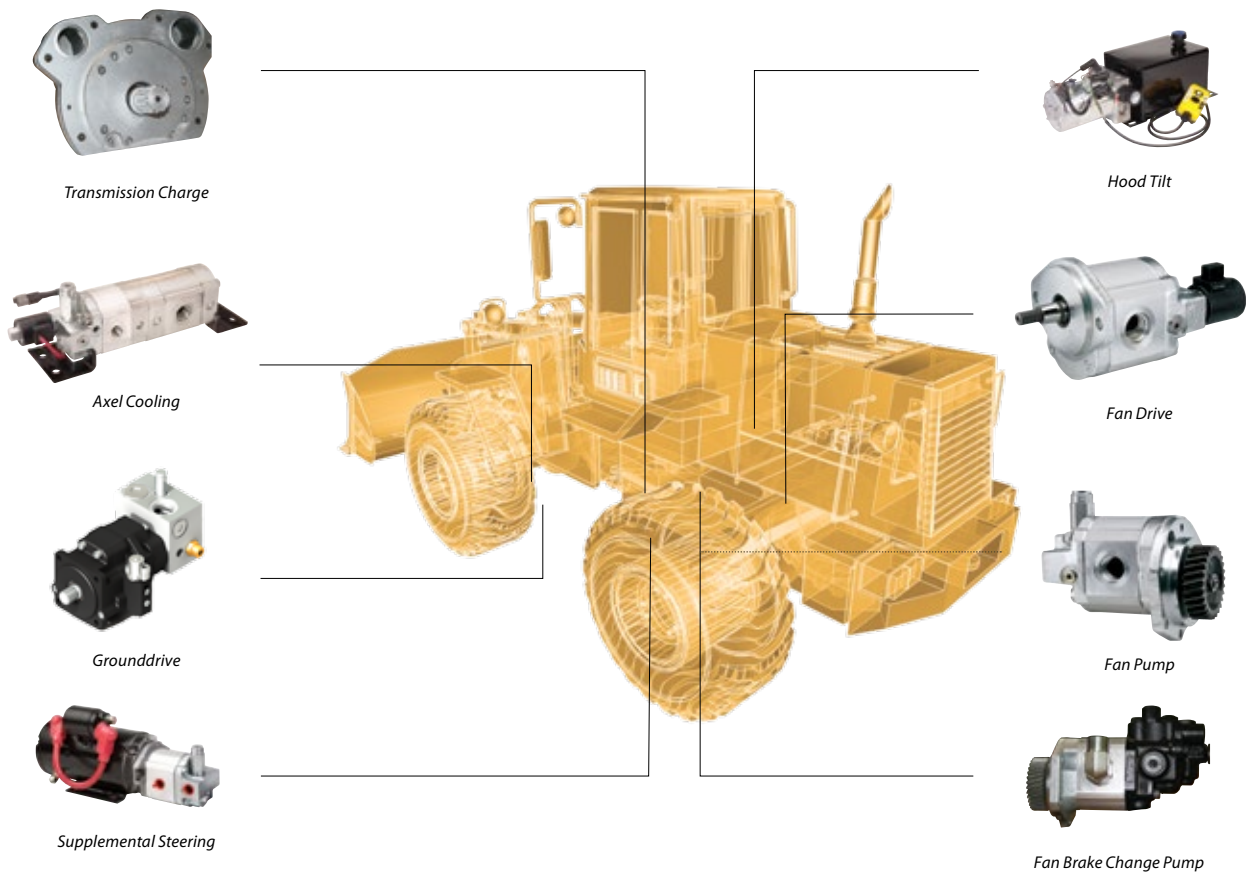
### New product developments:

- ▶ Variable flow oil and water pumps, mechanical or electronic control
- ▶ Hydraulic hybrid drive systems (offering 40–50 percent fuel savings, combined with potential for engine size reduction)
- ▶ Varivent EGR pumps that provide a greater displacement of re-circulated exhaust gas, thus further reducing emissions

### ENGINE PRODUCTS



### HYDRAULIC PRODUCTS





# 3–5% energy saving

#### VARIABLE FLOW TECHNOLOGY

*Concentric's variable flow oil pump (VFOP) has an energy-efficient design that provides variable-speed lubrication for the new generation of engines thus reducing fuel consumption by as much as 3 percent. Concentric's variable flow water pump can further reduce fuel consumption by as much as another 2 percent.*

## 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 product lines with higher volumes and hydraulic production lines with lower volumes. The production lines with higher volumes have a cellular structure that utilizes 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 Organization (ISO), while ISO 14001 is a standard for environmental control systems developed by ISO.

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



# Concentric's Market position

Concentric has a strong position as a global niche supplier of high value-added pumps with high technology content and stable margins in contrast to many regional players operating in the more competitive segments of the standard volume pumps.

## A diversified market for hydraulic products with several players

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

## Concentric hydraulic products occupy strong positions in niche areas

Concentric usually only competes with these companies in certain niche areas where the technology included in the products is generally more advanced, or where Concentric is able to differentiate its products by offering customers specific solutions. Concentric also has a large market share in specific niche areas such as hydraulic fan drive systems, complementary control pumps and other special applications in which customers attach value to low noise, compact size and low weight.

## Only global player in market for diesel engine pumps

The market for diesel engine pumps is easier to define and comprises only a few major suppliers in each region. Concentric is the only global company and it competes with a number of regionally focused companies. Many of these competitors manufacture a large selection of diesel engine products for applications in passenger cars or are trend followers rather

than trend setters and technological innovators. Viewed globally, Concentric is the only company that concentrates its development work on cutting-edge pump technology for the robust environment represented by commercial diesel engines in the 0.8–2.75 litre per cylinder segment for construction equipment, farm tractors and medium-heavy to heavy trucks.

## Segment reporting

The Group has divided its operations into two reporting segments, the Americas and Europe & RoW, considering that it is at this level that the Group's earnings are monitored and strategic decisions are made. The Americas segment comprises the Group's operations in the USA. As the company's operations in India and China remain relatively small in comparison to the Western facilities Europe & RoW continues to be reported as a single combined segment, in line with the management structure, comprising the Group's operations in Europe, India and China.

For further information about the development in figures in the segments, please go to note 4 on pages 46–47.

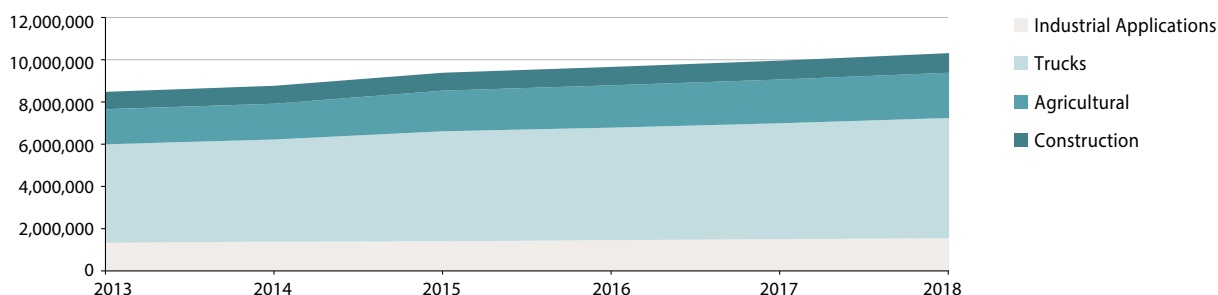
## Concentric end-markets

Apart from the reported regional information, Concentric also defines its markets in four end-markets: Industrial applications, Trucks, Agricultural machinery and Construction equipment, on pages 18–21.



## Forecast market volume

OF DIESEL ENGINES (0.8 - 2.75 LTR/CYLINDER) IN THOUSANDS



Source: Power Systems Research, January 2014 update

# 26%

Share of sales

## 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 standardized 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 3% and 4%, respectively, in North America and Europe over the next five years.

### North America

Market indices published at year-end indicate that North American production volumes for industrial applications increased by 5% for diesel engines and by 2% for lift trucks, when compared with the full year 2012. In contrast, Concentric's actual sales of engine and hydraulic products for industrial applications were down 16% year-on-year, in part reflecting the customer mix of these sales, most noticeably Caterpillar on mining equipment.

### Europe

European market indices for production of diesel engines for the industrial applications market increased by 3% compared with the full year 2012. From a hydraulics products perspective, the European lift truck market decreased by 5% year-on-year. This is comparable with Concentric's actual sales of engine and hydraulic products for industrial applications, which were down 4% year-on-year.

### China/India

Production of diesel engines in China and India for the industrial applications market increased by 10% compared with the full year 2012, although Concentric's exposure to industrial applications in emerging markets still remains very low at less than 1% of the group's consolidated sales.

## Product range



DC PACK LIFT/ LOWER



TRANSMISSION



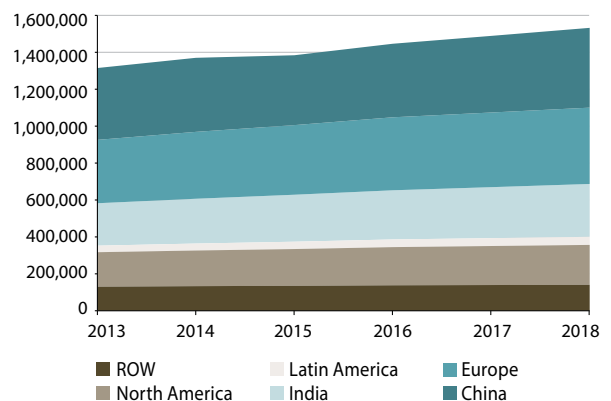
LOW NOISE PUMP

## Major customers

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

## Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER) IN THOUSANDS



Source: Power Systems Research, January 2014 update

35%

Share of sales

## 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 trucks exceeding 7.5 tons and heavy trucks exceeding 16 tons.

Truck markets are expected to grow by a CAGR of 3% 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 for both light vehicles and medium/heavy trucks decreased by 2% compared with the full year 2012. However, Concentric's actual sales of engine products for trucks were much harder hit, down 24% year-on-year.

## Europe

European market indices for production of diesel engines for medium/heavy trucks decreased by 6% compared with the full year 2012. In contrast, Concentric's actual sales of engine products for medium/heavy trucks increased by 22% year-on-year. Removing the impact of the acquisition of LICOS Trucktec GmbH, the underlying actual growth of 4% in 2013 has been driven primarily by Euro VI legislation.

## China/India

Production of diesel engines in China and India for medium/heavy trucks increased by 3% compared with the full year 2012. Concentric's actual sales of engine products for medium/heavy trucks increased by 50% year-on-year, although the medium/heavy truck sector in emerging markets still remains relatively small for Concentric, representing around 3% of the group's consolidated sales.

## Product range



OIL MIST SEPARATOR



LICOS CLUTCH



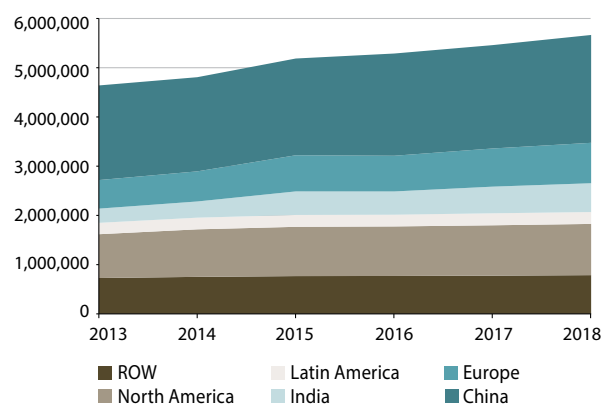
VARIABLE FLOW WATER PUMP

## Major customers

CUMMINS, DAIMLER, DAF, FPT INDUSTRIAL, NAVISTAR, SCANIA, VOLVO

## Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER) IN THOUSANDS



Source: Power Systems Research, January 2014 update



14%

Share of sales

## 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 global growth rate for agriculture equipment markets is expected to be relatively flat (CAGR of 0–1%) in both North America and Europe over the next five years. 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 8% 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 increased by 3% compared with the full year 2012. In contrast, Concentric's actual sales of engine products for agricultural machinery decreased by 12% year-on-year, driven primarily by reduced sales to Cummins in this sector.

### Europe

European market indices for production of diesel engines for agricultural machinery increased by 5% compared with the full year 2012. Concentric's actual sales of engine products for agricultural machinery remained flat year-on-year.

### China/India

The production rate of diesel engines in China and India for the agricultural machinery market increased by 9% compared with the full year 2012. Concentric's actual sales of engine products for agricultural machinery increased by 22% year-on-year, 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



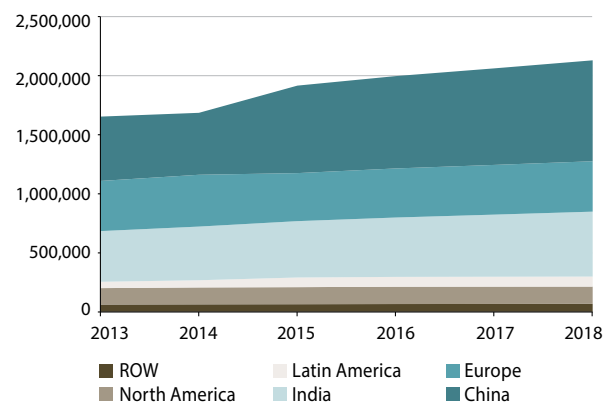
IMPLEMENT PUMPS

## Major customers

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

## Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER) IN THOUSANDS



Source: Power Systems Research, January 2014 update

25%

Share of sales

## 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 2%, respectively, in North America and Europe over the next five years, driven by emission regulations. A higher CAGR of around 4–5% 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 5% compared with the full year 2012. Similarly, from a hydraulics products perspective, the North American construction market also increased by 5% compared with the full year 2012. However, Concentric's actual sales of engine and hydraulic products for construction equipment were down 25% year-on-year, in part reflecting the group's reliance on Caterpillar.

### Europe

European market indices for production of diesel engines for the construction equipment market decreased by 2% compared with the full year 2012. From a hydraulics products perspective, the European construction market decreased in further by 14% when compared with the full year 2012. Concentric's actual sales of engine products for construction equipment remained pretty flat year-on-year.

### China/India

The production rates of diesel engines in China and India for the construction equipment market were up 22% compared with the full year 2012, which is consistent with Concentric's actual sales experience, 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



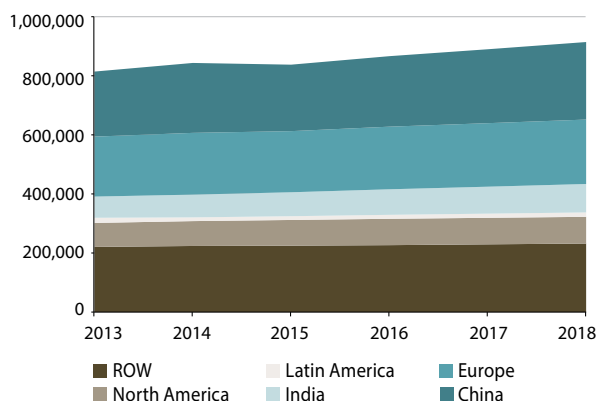
FAN DRIVE

### Major customers

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

### Forecast market volume

OF DIESEL ENGINES (0.8 – 2.75 LTR/CYLINDER) IN THOUSANDS



Source: Power Systems Research, January 2014 update

# Business excellence

## Customers

The Concentric Business Excellence programme, the systematic approach to improving every aspect of business performance, continues to reap rewards. One area which really stands out in 2013 is customer perception, which can be measured in a number of ways, an effective method used by Concentric over the past number of years has been the customer satisfaction surveys.

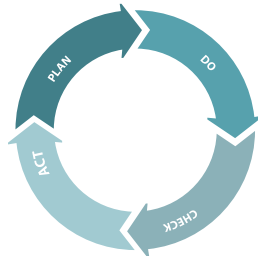
### Plan-Do-Check-Act

**Plan** – The methodical approach to customer surveys ensures they are planned and delivered as effectively as possible, maximising the response potential.

**Do** – The surveys are delivered using online internet based services, by adopting a third party provider gives a very simple and easy to use format, while also giving scope for open comments throughout by ensuring anonymity should customers prefer.

The customer satisfaction surveys provide a valuable opportunity to feedback on such topics as:

- Meeting the needs and the expectations of our customers
- Communication
- Importance of products and services
- Quality
- Cost
- Delivery
- Technology
- Technical Support



**Check** – Much time and effort is put into analysing the results of the surveys, comparing the responses to previous years, and evaluating against the targets we set out to achieve in regard to: response rate, individual questions, and overall perception. A key element in the 'check' phase is also benchmarking internally within the Concentric group, and externally where possible too.

**Act** – The value of our customer's responses is not simply the scoring or comments they supply, the true value is found in what we do with such information. Rapidly following the analysis of the results in the formulation of an 'Action Plan', this provides a clear strategy for continuous improvement.

This continuous improvement in the area of customer satisfaction is a never ending cycle, and each year they are conducted provides valuable evidence as to our ability to effectively deliver actions for improvement and support Concentric's progress in the pursuit of Business Excellence.

### Customer Perception at our facility in Birmingham, UK

An on-going area for improvement highlighted through the customer surveys is the high standards of quality required, not just that of the products we deliver but also the quality of the service we provide. This was verified by correlating customer perception with internal metrics as well as customer quality reporting data. By analysing the data Concentric identified the product groups most affected, and the root causation split between internal, customer and supplier related issues.

Since 2011 the company has focused its efforts on a two prong attack, introducing dedicated cross functional quality improvement teams working with customers and suppliers to improve both the quality of the components and service we provide.

#### Rhetoric vs. Reality – did it work?

First of all looking at our internal metrics for machining, assembly and testing of products, over the last three years rejects have reduced 60% at our customers.

The initial customer who received focus was ZF Friedrichshafen AG, which over the last three years has enabled us to reduce the customer rejection rate measured in parts per million ("PPM") by 96%. Two other examples would be Deutz fuel pumps reduction in PPM of 90%, and Perkins (a Caterpillar company) PPM reduction of 99%. In fact, working together with Perkins on quality has enabled us in 2013 to be awarded the 'Caterpillar Supplier Quality Excellence Process' Bronze award.

#### What were the results of our 2013 customer survey?

##### Did perception also change?

Our 2013 customer survey provided not only our highest response rate in seven years, but also our highest level of satisfaction. Not only did overall satisfaction increase by 20%, but every element of our survey increased too. The greatest areas of improvement by far were the quality of our products delivered to customers and our service levels.

So does Concentric Business Excellence work – the results speak for themselves.



# Business excellence

## Customers

Partner Level award received from John Deere Corporation for our facility in Rockford, USA

The Rockford USA facility has adopted and fully embedded a structured 6 Sigma methodology approach to continuous improvement. The facility has taken on projects throughout the entire value chain which has yielded improved value to the customers and stakeholders. Furthermore, through this process Concentric has trained approximately 25% of the workforce as 6 Sigma DMAIC Green and Yellow Belts. Through the use of other lean tools like Kaizen events, Value Stream Mapping, Overall Equipment Efficiency (OEE), poka-yoke, etc. the facility continues to foster a culture of continuous improvement.

### Ever-improving value

Since the 6 Sigma DMAIC methodology is more of a process improvement method and not necessarily a holistic approach to improving a business, the Rockford facility had started to embrace the Malcolm Baldrige Criteria for Performance Excellence in 2012. The Baldrige criteria has helped the facility improve results to attain goals by aligning the plans with the processes, decisions made, and actions the staff takes. The Rockford facility has experienced organizational performance improvements that have been recognized by many of the customers. Delivering ever-improving value to the customers contributes to the sustainability, improves the overall effectiveness therefore the organization and team members learn and grow.

### Annual surveys

As part of the criteria the facility realized that it needed to understand its people and customers better. Since 2012 the facility has conducted annual surveys to gain meaningful information on how to improve the wavelength with its employees and customers. The Rockford facility has a greater appreciation for their needs and expectations which helped it learn and grow. As a part of the continuous improvement process it has improved each annual survey.

“We are very interested in how we can effectively communicate to our employees and customer’s, how we can lead and motivate the organization, and make sure we are getting the right people involved” says Martin Bradford.

### Recognition

One example of listening to the customers, getting the right people involved, and embracing the Malcolm Baldrige Criteria for Performance Excellence in 2012 is achieving the John Deere Partner Level Achieving Excellence award in February 2014. Only a select group of suppliers are invited to this very prestigious ceremony to be recognized for their outstanding performance for John Deere's 2013 fiscal year. This is the first time that the Rockford facility has been recognized for achieving the highest of the four supplier performance levels of "PARTNER" in their Achieving Excellence programme for the 12 month period.

For a supplier to be recognized they must achieve the highest of the four supplier performance levels of "PARTNER" in their Achieving Excellence programme for the 12 month period in five categories; Quality, Delivery, Technical Support, Wavelength and Cost Management. For example, a supplier must, at a minimum, achieve a 99.988% in Quality and 99.5% in Delivery as well as maintain high scores for the other three categories. The Rockford facility provides product to three different John Deere divisions; Construction & Forestry, Agriculture, and John Deere Power Systems. Since 2011 the Rockford facility has made step improvements each year starting as a conditional supplier. In 2012 the Rockford facility improved to the "APPROVED" supplier level and last year the "PARTNER" level at John Deere Power Systems division.



Congratulations to the Rockford Illinois location for achieving the John Deere Partner Level Achieving Excellence award.

## Business excellence

# Continuous improvement

As part of the continuous improvement process, Concentric actively conduct annual employee survey at each of the company's manufacturing facilities.

Each question in the survey is directly or indirectly related to how Concentric gives and receives information. As an organization, the company is clearly interested in obtaining feedback on the communication practices. Concentric encourages open communication and feedback as a way to continually improve the business.

During the review of the company's 2012 survey results at one particular site, it became clear that the desire for improved communication was a recurring theme. Concentric needed to identify opportunities for improvement in how the company shared information, top down and bottom up.

### Monthly newsletter

As a direct result of employee feedback, the frequency of the HR Newsletter issued at Concentric's Itasca facility was increased from quarterly to monthly. The intent being to provide employees with information on a more regular basis to ensure that they felt informed about current business activities. When asked to comment about something they liked about working at Concentric on the 2013 survey, one employee responded "Ongoing, regular updates to all personnel – monthly newsletter and quarterly luncheon". Improving our communica-

tion and information sharing processes will positively impact employees and help to move them closer to achieving personal and organizational goals.

The newsletter features articles on a variety of topics, including new products, employee wellness, and benefit information. Each issue also includes a spotlight article on our Employee of the Quarter and Great Idea award recipients.

### The 'Great Idea' programme

Employees provided feedback on changes that could be made to improve the organization. Several commented that Concentric needed to find ways to get the company's employees more involved in the improvement process. One employee remarked "Continue to find ways to get the direct labour involved in improving the facility, operations, and processes. This will help strengthen the team and bring us closer together as individuals". These comments were the catalyst behind the restructuring of the employee suggestion programme at our Itasca facility. The 'Great Idea' programme was rolled out and shortly thereafter, Loretta Rose, a production employee, submitted an idea for improvements in her cell. The idea was evaluated, implemented and Loretta was presented with an award.

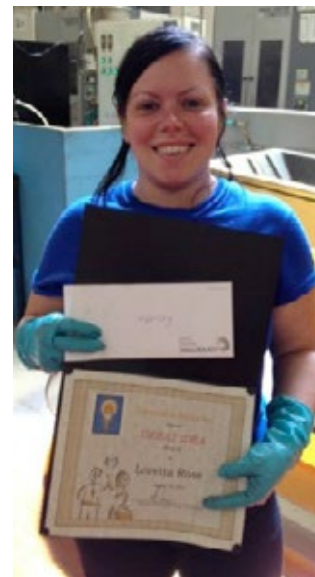
### Great Idea award in Itasca, USA

Congratulations to Loretta Rose for submitting a GREAT IDEA. Loretta identified an opportunity for improvement to ergonomics in the CAT fuel pump assembly line by modifying material handling. The idea was to add a conveyor, so machined product from the previous run could be transported in a way that would reduce walk path time/bending.

The idea was great because it focused attention on the issue, and from this idea further improvements were made. By moving the tilt-lift, the box of material was moved to point of use. This eliminated the need for a conveyor, and in the process a new home for the cell computer was required and a better location was found. From one idea, many improvements were made: a reduced walk path, better cycle time, improved ergonomics and a user-friendly working environment for all shifts. Thanks Loretta!

Since the Great Idea programme has been in place, it has grown exponentially. Each month ideas continue to be submitted for evaluation. Employees are encouraged regularly to be thoughtful about ways that we can improve our business.

*"It is truly important to foster a culture of continuous improvement in which all employees are growing, learning and making contributions to the overall goal."*



# Business excellence

## Supply chain

An interview with Andreas Wolf,  
Senior Vice President

*LICOS joined the Concentric AB group at the end of June 2013. What encouraged you to join forces with Concentric?*

– Concentric Pumps contacted LICOS for the first time in 2006 to test the LICOS 2-speed water pump clutch. Since those early days both companies stayed in a regular contact until 2011 when Concentric signed a contract to purchase the LICOS 2-speed water pump clutch. The excellent customer supplier relationship turned out to be a key factor to negotiate and sign a SPA in June 2013 and join forces with Concentric AB.

*LICOS finished 2013 as a member of Concentric AB group. How did the integration process go and were your expectations met?*

– The integration process went smoothly. Based on the already existing business relationship since 2011 the integration process was built on a solid basis of personal relationship and trust. After roughly 100 days the integration process was successfully concluded.

*What makes LICOS and Concentric AB such a powerful combination?*

– I think the companies are a perfect strategic fit. The acquisition will broaden Concentric's product portfolio in a growing niche,

the semi-variable water pump, and presents an opportunity to leverage Concentric's position in the US for LICOS electromagnetic fan clutches. Our controllable water pump complements Concentric's fully-variable technology, enabling the combined company to offer customers a full range of water pumps to meet every need. The two companies have already collaborated in the field of magnetic clutches and this technology will enable Concentric to offer significant fuel efficiency gains across a wider range of applications.

*How will LICOS reach Concentric's margins?*

– We will apply Concentric's methods for global cost leadership on the LICOS 2-speed water pump products and also use Concentric's global purchasing infrastructure. As existing contracts include a ramp-up, we believe LICOS sales will grow by 50% over the coming three-year period which will also provide us with economies of scale to enable us to reach Concentric's existing margin levels.

*LICOS has built up its reputation as an innovation leader. What inputs can LICOS give to the Concentric business*

– LICOS started in 1999 as a very small company with one product and one customer. Today we are a market leader for 2-speed water pump clutches and our products have received innovation awards from recognized organizations. Combining the LICOS innovation skills with Concentric's global presence and cost leadership will create a real Global Supplier for our global commercial vehicle customers!



# 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 Tier1 suppliers, end-users, suppliers, partners, employees, shareholders and financial markets.

*Concentric's operations in 2013, distributed by stakeholder, based on the company's income statement.*

### Amounts in MSEK

Customers	Sales of engines and hydraulic products	1,980
Suppliers	Procurement of goods and services as well as depreciation, amortization	1,290
Employees	Wages, social expenses and competence development	406
Financial institutions	Interest	36
The state	Taxes	72
Shareholders	Net income	176

## 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 characterized 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 minimized; 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 authorization 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 ww 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:

- ▶ *minimize the consumption of energy and raw materials;*
- ▶ *minimize 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 Organization'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 endeavors 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 endeavors 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 offers all employees equal opportunities and does not discriminate on the basis of ethnic or national origin, religion, caste, functional disabilities, gender, age, sexual orientation, trade union membership or membership of a political organization.

#### Suppliers

Concentric endeavors 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 organizations 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 Divisional Human Resources, Group Human Resources or the Chairman of the Board 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

During 2014, Concentric plans to continue recruiting for the future. A key feature of the Group's HR efforts is the annual Management 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 minimizing 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.

Country	2013	2012	2011	2010
Germany	207	130	174	163
India	228	235	243	195
USA	289	316	418	393
UK	212	186	233	229
Sweden	52	115	112	133
Other	37	34	40	37
<b>Total</b>	<b>1,025</b>	<b>1,016</b>	<b>1,220</b>	<b>1,150</b>

<sup>1</sup> Calculated as full time equivalents (FTEs)



# The Concentric share

The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange midcap list since June 16, 2011, and is traded under the ticker symbol COIC. Share capital in Concentric amounts to 97.3 MSEK represented by 43,956,675 shares.

## Price trend and trading

The price paid for the Concentric share rose 29 (36) percent in 2013 to 72.75 (56) SEK. The Industrial Goods & Services index rose 3.5 (17) percent during the same period. The highest price paid for the share during the year was registered at 77 (63.75) SEK and the lowest price was 53.75 (41) SEK. Concentric's market value as of 31 December, 2013 was 3,216 (2,476) MSEK. In 2013, a total of 20.9 (24.6) million Concentric shares were traded, corresponding to 47 (55) percent of the total number of shares.

## 33-percent foreign owned

At the end of 2013, Concentric had a total of 9,661 (10,716) shareholders. Foreign shareholders accounted for approximately 33 (29) percent of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 54 (57) percent of the company was owned by legal entities and 13 (14) percent by private individuals.

## Dividend policy

The dividend policy represents the endeavor 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 2013 resolved on the implementation of a long-term incentive programme, LTI 2013, under which 6 senior executives and key employees participated, entitling them to a maximum of 130,000 stock options. See note 8 on page 48 for further details. The board of directors have proposed for a similar incentive programme to be resolved at the annual general meeting 2014.

## Performance criteria

### 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 earnings per share 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 return on equity 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 earnings per share of the financial year 2014 reach or exceed SEK 5.50.

The second performance employee stock option will entitle the participant to acquire one (1) Concentric share per option if Concentric's reported return on equity reaches or exceeds 20 per cent per year in average over the financial years 2012, 2013 and 2014.

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

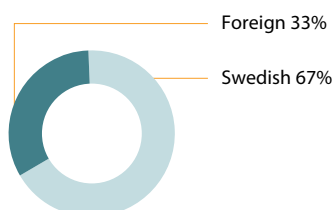
Taking into account the requirements set in non-disclosure agreements that may occasionally be demanded by customers, the company may not always be at liberty to divulge the customer's identity and/or business in detail.

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

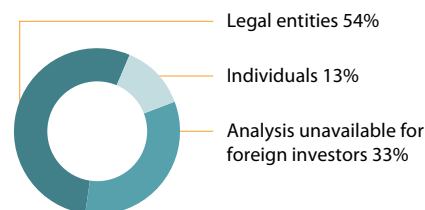
## Annual report available through Concentric's website

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](http://www.concentricab.com)

## Swedish and foreign shareholders, number of shares



## Legal entities and individuals, number of shares



## Distribution of shares, 30 Dec. 2013

No of shares	No of shareholders	% of total shares
1–500	6,657	68.9
501–1,000	1,448	15.0
1,001–5,000	1,217	12.6
5,001–10,000	125	1.3
10,001–15,000	48	0.5
15,001–20,000	29	0.3
> 20,001	137	1.4
<b>Total</b>	<b>9,661</b>	<b>100.0</b>

## 10 largest shareholders, 30 Dec. 2013

Owner	Votes capital %	No. of shares
Lannebo Fonder	11.1	4,903,118
Swedbank Robur Fonder	9.9	4,391,601
Nordea Investment Funds	6.7	2,947,294
Creades AB	6.6	2,905,184
Handelsbanken Fonder AB Re JPMEL	5.1	2,268,151
Fjärde AP-fonden	4.1	1,821,320
SEB Investment Management	4.1	1,801,610
JPM Chase NA	3.0	1,340,278
Fondita Nordic Micro Cap Sr	2.8	1,225,676
Enter Fonder	1.7	744,200
<b>Total 10 largest external shareholders</b>	<b>55.1</b>	<b>24,348,432</b>
Total other external shareholders	44.3	19,608,243
<b>Total, excl. own holding</b>	<b>99.4</b>	<b>43,956,675</b>
Own share holding	0.6	259,295
<b>Total</b>	<b>100.0</b>	<b>44,215,970</b>

## Analysts monitoring Concentric

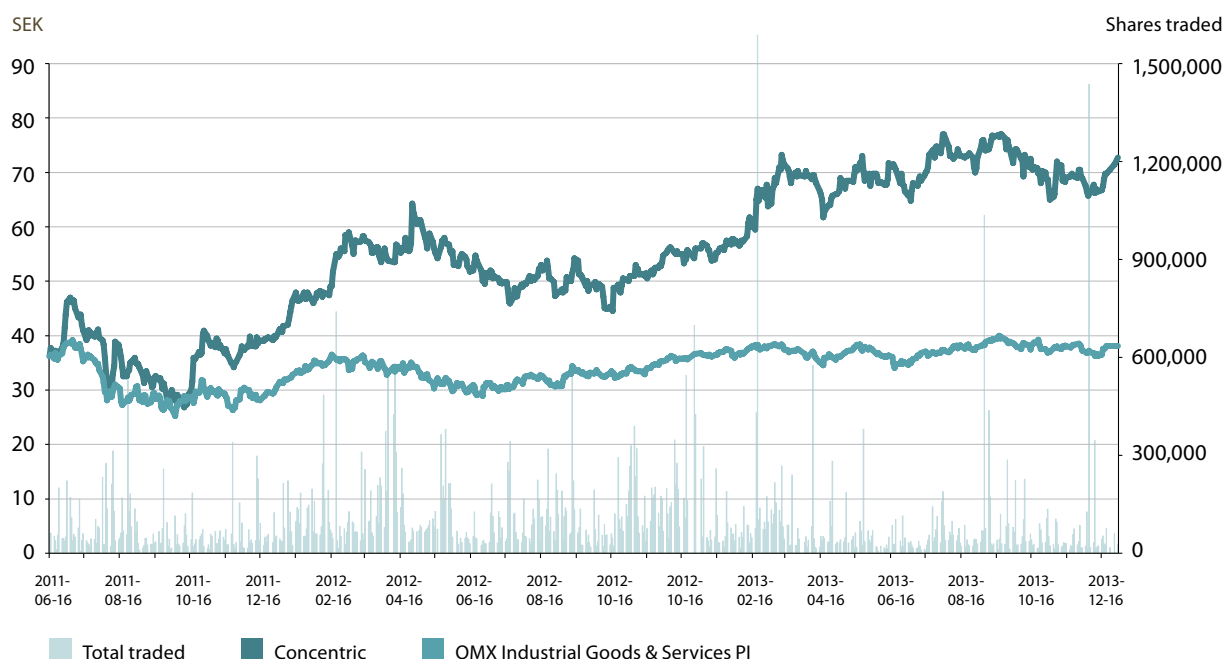
ABG Sundal Collier	Johan Edvardsson
Danske Bank	Max Frydén
Handelsbanken Capital Market	Jon Hyltner
SEB Enskilda	Anders Trapp
Swedbank Markets	Mats Liss

## Data per share

	2013	2012*	2011
Earnings before items affecting comparability, SEK	4.00	4.13	4.38
Earnings before dilution, SEK	4.00	3.88	3.98
Earnings after dilution, SEK	4.00	3.88	3.98
Return on equity, SEK:	27.2	26.5	22.1
Dividend, SEK	2.75	2.50	2.00
Market price at year end, SEK	72.75	56.00	39.90
Equity, SEK	17.80	13.97	21.16
EBIT multiple	11.3	8.8	6.7
P/E ratio	18.3	14.5	10.0
Payout ratio, %	68.8	64.4	50.2
Dividend yield, %	3.8	4.5	5.0
Average number of shares before dilution (000's)	43,922	44,094	44,216
Average number of shares after dilution (000's)	43,962	44,094	44,216
No of shares at 31 December (000's)	43,957	43,966	44,216

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

## Share price and trading 2011–2013



# 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 2013. 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 gestation 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 2013, Concentric had, on average, a total of 1,079 (1,131) employees at its sites in China, Germany, India, United Kingdom, United States and Sweden and its sales offices in France, Italy and Korea.

### Operating Segments

Concentric has a global manufacturing presence, supported by central support and development functions. The Group is organized 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 were MSEK 1,980 (2,129), down 7% year-on-year in absolute terms, driven primarily by the lower demand experienced across most end-markets and regions during the year. Adjusting for the acquisition of LICOS Trucktec GmbH (+3%) and the impact of currency (-3%), the underlying year-on-year drop in sales for the full year was also 7%.

Consolidated Gross profit decreased to MSEK 544 (564), resulting in a gross margin of 27.5% (26.5%). Reported EBIT and EBIT margin amounted to MSEK 284 (281) and 14.3% (13.2) respectively. The comparative figure for 2012 has been restated for the amendments to IAS 19, Employee benefits, thereby removing the amortisation of previously unrecognised actuarial losses and increasing the reported operating income by MSEK 28.

Reported EBIT in 2013 did not include any items affecting comparability. Reported EBIT in the comparative period for 2012 included the following items affecting comparability:

- Restructuring costs and impairments amounting to MSEK -36 related to the closure of the assembly plant in Skånes Fagerhult, Sweden and consolidation of the Group's hydraulics capacity in Europe;
- Pension curtailment gains of MSEK 19 related to the selective buy-out of certain defined pension obligations from UK members using existing scheme assets; and
- Profit on disposal of MSEK 1 related to the sale of the Group's vacant freehold property in Statesville, North Carolina, USA.

Adjusting for these items, the underlying EBIT and EBIT margin for 2012 were MSEK 297 and 13.9% respectively.

### Americas

External sales for the full year amounted to MSEK 974 (1,212).

Sales were down 16% in constant currency for the full year.

Reported EBIT and EBIT margin as a percentage of total sales amounted to MSEK 134 (154) and 13.6% (12.6) respectively.

Adjusting for the profit arising in 2012 from the disposal of the vacant freehold property in Statesville, North Carolina, USA of MSEK 1, the underlying operating margin based on total sales increased to 13.6% (12.5). The year on year earnings improvement can largely be attributed to process improvement and effective cost management achieved through the Concentric Business Excellence programme.

### Europe & RoW

External sales for the full year amounted to MSEK 1,006 (917).

Sales were up 5% 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 150 (127) and 13.6% (12.4) respectively, including acquisition related legal and advisory costs of MSEK 1 (nil). Adjusting for the restructuring costs and one-off pension curtailment gains recognised in 2012 noted above, the underlying operating margin based on total sales actually decreased to 13.6% (14.0).

## Net financial items, taxes and net earnings

Net financial expenses for the full year amounted to MSEK 36 (38), comprising interest on loans and commission relating to commitments of unutilized credit facilities and other interest payable of MSEK 14 (13) and net financial expenses in respect of net pension liabilities of MSEK 22 (25). The comparative period in 2012 has been restated for the amendments to IAS 19, Employee benefits, thereby lowering the recognised return on plan assets and increasing the reported net financial expenses in respect of net pension liabilities by MSEK 6. Accordingly, consolidated income before taxation amounted to MSEK 248 (243) for the full year.

The Group's tax expenses for the fiscal year 2012 amounted to MSEK 72 (72), equal to an effective annual tax rate of 29% (30). The comparative period in 2012 has been restated for the amendments to IAS 19, Employee benefits, thereby increasing the reported net tax expenses by MSEK 6. Any movement in the group's effective rate largely reflects the change in mix of taxable earnings across the various tax jurisdictions in which the group operates.

Earnings after tax amounted to MSEK 176 (171). Earnings per share before and after dilution amounted to SEK 4.00 (3.88). The comparative figure for 2012 has been restated for the amendments to IAS 19, Employee benefits, thereby increasing the reported net income by MSEK 16.

### Cash Flow

Cash flow from operating activities for the full year amounted to MSEK 209 (298) which represents SEK 4.77 (6.76) per share. The year-on-year reduction in cash flow may be attributed to the following factors:

- lower underlying operating income amounting to MSEK 284 (297);
- cash payments during the year of MSEK 25 (2) in respect of the closure reserves booked for the Skånes Fagerhult facility; and
- a negative working capital impact arising from the stronger than usual cash flow achieved in the fourth quarter of 2012.

### Investments and Product development

The Group's net investments for the full year amounted to MSEK 41 (51), of which capitalized development costs accounted for MSEK 1 (3).

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 72 (76), representing 3.6% (3.6) 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, 2013 the fair value of those derivative instruments that were assets was MSEK 1 (0), and the fair value of those derivative instruments that were liabilities was MSEK 3 (0). These fair value measurements belong to level 2 in the fair value hierarchy.

As of 1 January, 2013, amendments to IAS 19, Employee benefits, became effective. As a result, the Group's balance sheet was restated as of 1 January 2012 onwards to reflect previously unrecognised pension liabilities, together with a corresponding deferred tax asset. Accordingly, as at 31 December, the Group's net debt was MSEK 391 (464), comprising loans and corporate bonds of MSEK 184 (187) and full recognition of the group's net pension liabilities of MSEK 406 (547), net of cash amounting to MSEK 199 (288).

Shareholders' equity amounted to MSEK 783 (615), resulting in a gearing ratio of 50% (73). Excluding the Group's net pension liabilities, the operating leverage would be nil (nil).

### Acquisitions

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.

Further details of the consideration paid and the fair values of the identifiable assets acquired and the liabilities assumed are provided in note 33, on page 57.

### 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. During 2012 and 2013 the AGM have decided upon two 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 Organization'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 offers all employees equal opportunity, and refrain from discriminating on the basis of ethnic or national origin, religion, caste, handicapped status, gender, age, sexual orientation, union affiliation or membership in any political organization.

### 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 utilization 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 capitalizes 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 557 (633) at year-end, corresponding to 28% (30) of 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.

Currency	Average rates		Closing rates	
	2013	2012	2013	2012
EUR	8,6494	8,7053	8,9430	8,6166
GBP	10,1863	10,7340	10,7329	10,4914
USD	6,5140	6,7754	6,5084	6,5156

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 purchases.

Currency	Net income for the year		Equity	
	2013	2012	2013	2012
EUR	9	9	30	9
GBP	9	11	51	40
USD	13	13	66	55

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, 2013, 58% (56) 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 2013 to hedge invoiced and forecast currency flows. At 31 December, 2013, these contracts had a net value of MSEK 102 (101) with a market value of MSEK -2 (nil).

### 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 to a large extent are 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 217 (159) at year-end and are recognised at the amounts expected to be paid. Concentric customers are primarily major OEMs, engine manufacturers and hydraulic distributors. During 2013, no single customer accounted for more than 16% (19) 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 during the third quarter 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 capitalized,

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 capitalized 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, buy-back 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 9,661 (10,716) share holders at the end of the financial year. The Company's largest shareholder was Lannebo Fonder (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 has not purchased or sold any of its own shares during the year, other than the 64,308 ordinary shares that were transferred as part of the purchase consideration for LICOS Trucktec GmbH. Consequently the holdings of own shares at 31 December 2013 was 259,295 (323,603). Consequently, the number of shares outstanding as at the year-end excluding any dilution from share options was 43,956,675 (43,892,367). 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 2013, the following board members were elected:

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

In addition, an authorization 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 2013 AGM adopted remuneration policies were as follows. The actual remuneration agreed during the year is detailed in note 8 on page 48.

##### *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 organization 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 2013 programme resolved at the last AGM are provided in note 8, page 48.

#### *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 who are employed in Sweden retire by the age of 65 and other senior executives 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 2014 AGM that the above policies on executive remuneration shall apply until the 2015 AGM. Expected cost for variable salaries and LTI-schemes will be about 10.5 MSEK for 2014.

#### **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 3 (1) at the balance sheet date.

#### **Post Balance Sheet Events**

There are no post balance sheet events to report.

#### **Parent Company**

Net sales and EBIT for the full year amounted to MSEK 23 (21) and MSEK 7 (6) respectively. The company also received the following income from subsidiaries and joint ventures during the year:

- Dividends amounting to MSEK 817 (nil) arising from its wholly owned US subsidiary undertaking, Concentric Americas, Inc.;
- Profits amounting to MSEK 474 (nil) 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 11 (5) arising from contributions made by its wholly owned Swedish subsidiary undertaking, Concentric Skånes Fagerhult AB; and
- Dividends amounting to MSEK 12 (10) arising from its 50% ownership in the Swedish joint-venture company, Alfdex.

The cumulative net exchange rate losses for the full year were MSEK 1 (gain 7). Net interest expenses have reduced in the full year to MSEK 5 (6).

#### 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 2014

Looking forward into 2014, the Board considers that Concentric is in a strong position to maximize 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 company is also in the process of localising production in Brazil which will enable Concentric to better serve its global customers and win new business both for engine and hydraulic products.

Following the successful acquisition and integration of LICOS Trucktec GmbH, the company will continue to look at further acquisition opportunities to improve its competitive position. In short, Concentric is well positioned, financially and operationally to fully leverage the opportunities for 2014.

#### 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 2.75 (2.50) per share for 2013. This corresponds to an ordinary dividend of SEK 1.50 (1.25) which equates to around 38% (32) of earnings per share, plus an additional dividend of SEK 1.25 (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	374
Profit for the year	1,312
<b>Total</b>	<b>1,686</b>

The board of directors and the president propose that the funds of MSEK 1,686 be allocated as follows:

##### Amounts in MSEK

Dividend of SEK 2.75 per share to shareholders	121
Carried forward	1,565
<b>Total</b>	<b>1,686</b>

#### Statement by the Board of Directors concerning the proposed dividend

The proposed dividend reduces the company's equity to assets ratio from 67.9 percent to 66.4 percent and the Group's equity to assets ratio from 41.4 percent to 37.4 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 utilized 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	2013	2012
			Restated <sup>1)</sup>
Net sales		1,980	2,129
Cost of goods sold		-1,436	-1,565
<b>Gross income</b>		<b>544</b>	<b>564</b>
Selling expenses		-65	-69
Administrative expenses		-112	-125
Product development expenses		-72	-76
Other operating income	11	19	51
Other operating expenses	11	-30	-64
<b>Operating income</b>	4, 5, 6, 7, 8, 9, 10, 16	<b>284</b>	<b>281</b>
Financial income	12	3	2
Financial expenses	12	-39	-40
<b>Financial items – net</b>		<b>-36</b>	<b>-38</b>
<b>Earnings before tax</b>		<b>248</b>	<b>243</b>
Taxes	13	-72	-72
<b>Net income for the year</b>		<b>176</b>	<b>171</b>
<i>Attributable to:</i>			
Parent Company shareholders		176	171
Non controlling interest		-	-
Basic and diluted earnings per share, SEK	14	4.00	3.88
Basic weighted average number of shares (000)	14, 24	43,922	44,094
Diluted weighted average number of shares (000)	14, 24	43,962	44,094

<sup>1)</sup> See Note 2

## Consolidated Statement of comprehensive income

Amounts in MSEK	2013	2012
		Restated <sup>1)</sup>
Net income for the year	176	171
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gains/losses	139	-58
Tax arising on actuarial gains/losses	-37	14
Tax arising from reduction in tax rates	-11	-6
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net investment hedging	-3	10
Tax arising from net investment hedging	1	-2
Cash-flow hedging	-1	0
Tax arising from cash-flow hedging	0	0
Foreign currency translation difference	8	-43
<b>Total other comprehensive income</b>	<b>96</b>	<b>-85</b>
<b>Total comprehensive income</b>	<b>272</b>	<b>86</b>

<sup>1)</sup> See Note 2



# Consolidated Balance sheet

Amounts in MSEK	Note	31-Dec-13	31-Dec-12 Restated <sup>1)</sup>	01-Jan-12 Restated <sup>1)</sup>
<b>ASSETS</b>				
<i>Fixed assets</i>				
Goodwill	15	534	481	501
Other intangible fixed assets	15	337	336	389
Tangible fixed assets	16, 17	194	181	185
Deferred tax assets	18	145	156	142
Long-term receivables	37	4	5	6
<b>Total fixed assets</b>		<b>1,214</b>	<b>1,159</b>	<b>1,223</b>
<i>Current assets</i>				
Inventories	19	205	167	190
Accounts receivables	20, 37	217	159	245
Other current receivables	21, 37	54	45	58
Assets held for sale	22	–	–	5
Cash and cash equivalents	23, 37	199	288	183
<b>Total current assets</b>		<b>675</b>	<b>659</b>	<b>681</b>
<b>Total assets</b>		<b>1,889</b>	<b>1,818</b>	<b>1,904</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
	24			
Share Capital		97	97	97
Additional Contributed Capital		583	583	583
Reserves		17	12	47
Retained Earnings		86	-77	-94
<b>Total equity</b>		<b>783</b>	<b>615</b>	<b>633</b>
<i>Long-term liabilities</i>				
Pensions and similar obligations	25	406	547	524
Deferred tax liabilities	18	110	71	96
Long-term interest-bearing liabilities	26, 27, 37	178	175	175
Other long-term liabilities	37	4	4	8
<b>Total long-term liabilities</b>		<b>698</b>	<b>797</b>	<b>803</b>
<i>Current liabilities</i>				
Short-term interest-bearing liabilities	26, 28, 37	6	13	18
Accounts payable	26, 37	227	192	240
Other provisions	29	29	57	40
Other current liabilities	26, 30, 37	146	144	170
<b>Total current liabilities</b>		<b>408</b>	<b>406</b>	<b>468</b>
<b>Total equity and liabilities</b>		<b>1,889</b>	<b>1,818</b>	<b>1,904</b>

Information of pledged assets and contingent liabilities, see note 31

<sup>1)</sup> See Note 2

# Consolidated Changes in shareholders' equity



Amounts in MSEK	Share capital	Additional contributed capital	Hedging reserve	Translation reserve	Retained earnings	Total Equity
<b>Opening Balance January 1, 2012</b>	<b>97</b>	<b>583</b>	<b>0</b>	<b>47</b>	<b>209</b>	<b>936</b>
<i>Effect due to changes in accounting principles:</i>						
Actuarial losses	-	-	-	-	-419	<b>-419</b>
Special payroll tax in Sweden on pensions	-	-	-	-	-2	<b>-2</b>
Changes in deferred taxes	-	-	-	-	118	<b>118</b>
<b>Total impact of changes in accounting principles</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-303</b>	<b>-303</b>
<b>Restated Opening Balance January 1, 2012</b>	<b>97</b>	<b>583</b>	<b>0</b>	<b>47</b>	<b>-94</b>	<b>633</b>
<i>Components of comprehensive income</i>						
Net income for the year	-	-	-	-	171	<b>171</b>
Other Comprehensive income	-	-	0	-35	-50	<b>-85</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-35</b>	<b>121</b>	<b>86</b>
Dividend	-	-	-	-	-88	<b>-88</b>
Buy-back of own shares	-	-	-	-	-16	<b>-16</b>
<b>Closing balance December 31, 2012</b>	<b>97</b>	<b>583</b>	<b>0</b>	<b>12</b>	<b>-77</b>	<b>615</b>
<b>Opening balance January 1, 2013</b>	<b>97</b>	<b>583</b>	<b>0</b>	<b>12</b>	<b>-77</b>	<b>615</b>
<i>Components of Comprehensive Income</i>						
Net income for the year	-	-	-	-	176	<b>176</b>
Other Comprehensive income	-	-	0	5	91	<b>96</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>5</b>	<b>267</b>	<b>272</b>
Dividend	-	-	-	-	-110	<b>-110</b>
Sale of own shares for acquisition of subsidiary	-	-	-	-	5	<b>5</b>
Long-term incentive plan	-	-	-	-	1	<b>1</b>
<b>Closing balance December 31, 2013</b>	<b>97</b>	<b>583</b>	<b>0</b>	<b>17</b>	<b>86</b>	<b>783</b>

<sup>1)</sup> See Note 2

# Consolidated Cash flow statement

Amounts in MSEK	Note	2013	2012
<b>Cash flow from operating activities</b>			Restated <sup>1)</sup>
Earnings before tax		248	243
Reversal of depreciation, amortization and write-down of fixed assets		91	100
Reversal of other non-cash items	32	1	-2
Taxes paid		-90	-87
<b>Cash flow from operating activities before changes in working capital</b>		<b>250</b>	<b>254</b>
<b>Change in working capital</b>			
Inventories		-25	16
Current receivables		-37	78
Current liabilities		21	-50
<b>Change in working capital</b>		<b>-41</b>	<b>44</b>
<b>Cash flow from operating activities</b>		<b>209</b>	<b>298</b>
<b>Cash flow from investing activities</b>			
Investments in subsidiaries	33	-105	-
Investments in property, plant and equipment		-44	-54
Product development		-1	-3
Divestments in property, plant and equipment	34	4	6
<b>Cash flow from investing activities</b>		<b>-146</b>	<b>-51</b>
<b>Cash flow from financing activities</b>			
Dividend		-110	-88
Buy-back of own shares		-	-16
New loans		47	-
Repayment of loans		-55	-5
Pension payments and other cash flows from financing activities		-32	-29
<b>Cash flow from financing activities</b>		<b>-150</b>	<b>-138</b>
<b>Cash flow for the year</b>		<b>-87</b>	<b>109</b>
Cash and bank assets, opening balance		288	183
Exchange-rate difference in cash and bank assets		-2	-4
<b>Cash and bank assets, closing balance</b>		<b>199</b>	<b>288</b>

<sup>1)</sup> 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 April 9, 2014.

## 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 2013. Other changes in IFRS with a 2013 effective date have not had a material impact on the financial statements of the Group.

IAS 19, "Employee Benefits" was amended in June 2011, and became effective as of January 1, 2013. The revised standard has been applied retrospectively, and hence the closing balance for 2011 is adjusted in accordance with revised IAS 19 and the reported numbers for 2012 have been restated accordingly for comparison purposes.

Concentric previously used the "corridor method", whereas unrecognized gains and losses were reported off balance sheet. Unrecognized losses over the corridor of 10% were amortised in the income statement. As at 31 December 2012, the Group had unrecognised pension liabilities of 444 (419) MSEK.

The amended standard removes the option to use the corridor method and, as such, actuarial gains and losses are recognised in full through other comprehensive income. Accordingly, the previously unrecognised pension liabilities have been recorded on the Group's balance sheet, together with a corresponding deferred tax asset. In addition, all past service costs have been recognised immediately and interest cost and recognised return on plan assets have been replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The rest of the fair value changes of plan assets are recognized in OCI as remeasurements that are not recognized in the income statement.

The gains and losses exclude changes that might occur in respect of the way in which particular taxes on income and dividends are treated when making estimations in accordance with IAS 19.

The Group have applied the amended standard for the financial year beginning 1 January 2013. The effect on equity of not using the "corridor method" is shown in the table below. Shareholders' equity have decreased by MSEK -303 net of deferred taxes in the opening balance for 2012.

MSEK	Sweden	Germany	Great Britain	USA	Total
Opening balance					
effect on equity					
after tax as of					
1 January 2012	-8	-19	-235	-41	-303

Actuarial gains and losses arising in the year 2013 have been booked in other comprehensive income for the year 2013, the same applies for the comparative year 2012.

The standard has been endorsed by the EU.

In the tables below you find the detailed changes in the income statement, OCI and balance sheet. Cash flow statement is not affected by the new principles, only different starting point and adjustments.

Amounts in MSEK	Old Policy	Change	New Policy
<b>Restated Consolidated income Statement 2012</b>			
Net sales	2,129	-	2,129
Cost of goods sold	-1,570	5	-1,565
<b>Gross income</b>	<b>559</b>	<b>5</b>	<b>564</b>
Selling expenses	-70	1	-69
Administrative expenses	-147	22	-125
Product development expenses	-76	-	-76
Other operating income and expenses	-13	-	-13
<b>Operating income</b>	<b>253</b>	<b>28</b>	<b>281</b>
Financial income and expense	-32	-6	-38
<b>Earnings before tax</b>	<b>221</b>	<b>22</b>	<b>243</b>
Taxes	-66	-6	-72
<b>Net income for the period</b>	<b>155</b>	<b>16</b>	<b>171</b>
of which minority interests	-	-	-
Earnings per share, before dilution	3.51	0.37	3.88
Earnings per share, after dilution	3.51	0.37	3.88

## Restated Other Comprehensive Income (OCI) 2012

	155	16	171
<b>Net income for the period</b>	<b>155</b>	<b>16</b>	<b>171</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial Gains/Losses	-	-58	-58
Tax arising on actuarial gains/losses	-	14	14
Tax arising from reduction in tax rates	-	-6	-6
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net investment hedging	8	-	8
Cash-flow hedging	-	-	-
Foreign currency translation difference	-52	9	-43
<b>Total other comprehensive income</b>	<b>-44</b>	<b>-41</b>	<b>-85</b>
<b>Total comprehensive income</b>	<b>111</b>	<b>-25</b>	<b>86</b>

Amounts in MSEK	Old Policy	Change	New Policy
<b>Restated Consolidated Balance Sheet per 31 December 2012</b>			
Goodwill	481	-	481
Other intangible fixed assets	336	-	336
Tangible fixed assets	181	-	181
Deferred tax assets	38	118	156
Long-term receivables	5	-	5
<b>Total fixed assets</b>	<b>1,041</b>	<b>118</b>	<b>1,159</b>
Inventories	167	-	167
Current receivables	204	-	204
Cash and cash equivalents	288	-	288
<b>Total current assets</b>	<b>659</b>	<b>-</b>	<b>659</b>
<b>Total assets</b>	<b>1,700</b>	<b>118</b>	<b>1,818</b>
<b>Total Shareholders' equity</b>			
Pensions and similar obligations	101	446	547
Deferred tax liabilities	71	-	71
Long-term interest-bearing liabilities	175	-	175
Other long-term liabilities	4	-	4
<b>Total long-term liabilities</b>	<b>351</b>	<b>446</b>	<b>797</b>
Short-term interest-bearing liabilities	13	-	13
Other current liabilities	393	-	393
<b>Total current liabilities</b>	<b>406</b>	<b>-</b>	<b>406</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,700</b>	<b>118</b>	<b>1,818</b>
<b>Restated Consolidated Balance Sheet per 1 January 2012</b>			
Goodwill	501	-	501
Other intangible fixed assets	389	-	389
Tangible fixed assets	185	-	185
Deferred tax assets	24	118	142
Long-term receivables	6	-	6
<b>Total fixed assets</b>	<b>1,105</b>	<b>118</b>	<b>1,223</b>
Inventories	190	-	190
Current receivables	308	-	308
Cash and cash equivalents	183	-	183
<b>Total current assets</b>	<b>681</b>	<b>-</b>	<b>681</b>
<b>Total assets</b>	<b>1,786</b>	<b>118</b>	<b>1,904</b>
<b>Total Shareholders' equity</b>			
Pensions and similar obligations	103	421	524
Deferred tax liabilities	96	-	96
Long-term interest-bearing liabilities	175	-	175
Other long-term liabilities	8	-	8
<b>Total long-term liabilities</b>	<b>382</b>	<b>421</b>	<b>803</b>
Short-term interest-bearing liabilities	18	-	18
Other current liabilities	450	-	450
<b>Total current liabilities</b>	<b>468</b>	<b>-</b>	<b>468</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,786</b>	<b>118</b>	<b>1,904</b>

Amended IAS 1 "Presentation of Financial Statements" (Presentation of Items of Other Comprehensive Income). The amendment requires items reported in "Other Comprehensive Income" to be grouped into two categories; items that will be reclassified subsequently to profit or loss when specific conditions are met and item that will not be reclassified subsequently to profit or loss. Items that will be reclassified include exchange differences on translating foreign operations and gains (losses) on cash flow hedges. Items that will not be reclassified include actuarial gains (losses) on defined benefit pension plans. Comparative figures for 2012 have also been presented in accordance with the amendment to IAS 1.

IFRS 13 "Fair Value Measurement". The standard provides a precise definition and a single source of fair value measurement and disclosures and guidance on the application when other IFRSs already require or permit fair value measurement.

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

IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 11, "Joint arrangements", will no longer provide a choice of accounting treatment. A joint arrangement is defined as an arrangement where two or more parties contractually agrees to share control. The purpose is to focus on rights and obligations rather than on the legal form of an arrangement. 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 recognized in relation to the interest in the arrangement. A joint venture gives parties rights to the net assets and earnings relating to the arrangement. An interest in a joint venture will therefore be recognized using the equity method as the proportionate method no longer will be permitted. Concentric intends to apply IFRS 11 as of the fiscal year beginning January 1, 2014. For Concentric, the new standard will lead to a reduction in the total assets as the different items previously reported line by line according to the proportionate method instead will be reported on a single line that represents the share of the net assets. The income statement for Group will also be impacted as the share of earnings from joint ventures will be reported on one line instead of reported line by line as a share of revenue and expenses.

MSEK	Net Operating		Total	Equity	Equity
	Revenue	income	assets in	Share in	Share in
			Balance	Income	Balance
IFRS 11-effects on Reported Numbers			Sheet	Statement	Sheet
2013	-123	-5	-20	16	26

IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and "structured entities". The Group will apply the new standard, for the financial year beginning 1 January 2014.

None of the other IFRS and IFRIC interpretations endorsed by the EU, but not early adopted by the Group, are recognised 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. IASB has, however, not yet completed all parts of IFRS 9 and there is currently no fixed effective date. IASB considers the earliest possible effective date to be 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 recognised 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 recognizes 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 recognized directly in the statement of comprehensive income. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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 recognized in the consolidated income statement. Exchange rate gains or losses from transactions that fulfil the requirements for hedge accounting are recognized 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 recognized 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 recognized 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 recognized in operating income. Exchange gains and losses on financial transactions are recognized as financial income or expense in the income statement.

**e) Revenue Recognition**

The Group's recognized 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 recognized 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 recognized as a liability in the balance sheet. Fixed assets are depreciated according to plan over their useful life, while lease payments are recognized as interest expenses and amortization of debt. Leasing agreements which are not financial are operating leases. No asset or liability items are recognized 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 recognized 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.

The documentary basis for capitalizing 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 recognized at cost less accumulated amortization taking into account any impairment losses.

Amortization 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 recognized at cost less accumulated amortization plus any impairment losses. Brands, licenses and patents, which are acquired through business acquisitions, are recognized at fair value on the day of acquisition. Brands, licenses and patents have a determinable useful life over which straight-line amortization 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 recognized at fair value on the day of the acquisition and subsequently at cost less accumulated amortization and any impairment losses. Customer relations have a determinable useful life estimated at 11–17 years. Straight-line amortization 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 capitalized and amortized 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 recognized 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 recognized in the income statement. Impairment losses recognized 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 amortization, if no impairment loss had been recognized.

**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 recognized.

**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 recognized in the balance sheet at amortized cost.

**Financial liabilities**

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

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

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

**Recognition of derivative instruments**

Derivative instruments are recognized 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 recognized directly in OCI. The ineffective portion of profit or loss is recognized directly in the income statement, among financial items. The unrealized profit or loss that is accumulated in OCI is reversed and recognized 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 recognized in the income statement at the same time as the forecast transaction is finally recognized in the income statement. When a forecast transaction is no longer recognised to occur, the accumulated profit or loss recognized 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 recognized 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.

**j) Inventories**

Inventories are valued at the lowest of the acquisition cost, in accordance with the first-in first-out principle and the net realizable 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in OCI as remeasurements that are not recognized 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 and 2013 decided upon a share-based payment plan for the Group in the form of an incentive programme 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 recognized 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 48. Expenses for social charges related to the option programme are recognized 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 recognized in the income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized 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 recognized, 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 recognized 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 substantively enacted by the balance sheet date and are recognised to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 recognized 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 recognized periods, potential ordinary shares comprise share options granted to senior executives and key employees. The options are dilutive if the exercise price is lower than the share price. Dilution is greater, the greater the difference between the exercise price and the share price. The exercise price is adjusted by an addition of the value of future services calculated as remaining cost to recognise in accordance with IFRS 2.

#### t) 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 recognized 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 realized, 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 realize the asset and settle the liability at the same time.

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

### 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 2013, the total goodwill amounted to MSEK 534 (481). 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 162 (161) and to Europe and RoW segment amounts to MSEK 372 (320). The significant changes between the years is the acquisition of LICOS (MSEK 45), plus the 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 7.3% (9.0) was used for the Europe and RoW segment and 7.6% (8.9) was used for the Americas segment.

This corresponds to WACC before tax of 9.3% (11.5%) for Europe and RoW segment, and 11.0% (14.2%) 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 rate.
- Markets risk premium: 6% (7).
- 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 Group's current debt instruments and gearing of 50%, which is considered a good proxy for the group's long-term financing structure.
- Tax rate: According to the tax rates applying in the specific countries in that segment.

The impairment tests performed in 2013 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 capitalizes costs concerning development projects. The carrying amount in the balance sheet per 31 December 2013 was 11 MSEK (30) and the capitalized amount this year was 1 MSEK (3). These capitalized 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 recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### Warranty reserves

The Group continuously assesses the value of the reserves in relation to the estimated need. The warranty reserve amounted to 29 MSEK (26) and represented 1.3 (1.4) percent of net sales as of December 31, 2013.

#### Pensions

The pension liabilities recognized in the balance sheet are actuarial estimates based on annual assumptions and amounted to 406 MSEK (547) at year-end 2013. The principal assumptions are described in Note 25. At 31 December 2013, there was an increase in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in Sweden, Great Britain and US, which lead to actuarial gains in the current reporting period. Discount rates in Germany was unchanged in comparison to last year.

Given the sensitivity of the discount rate to these actuarial calculations, we have reviewed the impact of a +/-0.25% change in the rates assumed. Our actuaries estimate that a 0.25% increase in the assumed discount rates used would decrease the present value of the Group's defined benefit obligations by approximately MSEK 53 (64). Conversely, a 0.25% decrease in the assumed discount rates used would increase the present value of the Group's estimated pension obligations by approximately MSEK 57 (68). Since the Group's UK-companies account for approximately 72% (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

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

The operating segments derive their revenues from the development, 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 net sales of the Group as a whole. The top two customers for the group contributed net sales in 2013 of MSEK 312 (396), or 15.7 percent (18.6 percent) and MSEK 287 (329) or 14.5 percent (15.4 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.

Amounts in MSEK	2013	2012 Restated <sup>1)</sup>
<b>Americas</b>		
External net sales	974	1,212
Total net sales	985	1,221
Operating income	134	154
Operating margin (based on total sales), %	13.6	12.6
Assets	494	514
Liabilities	250	265
Capital employed	309	332
Return on capital employed, %	39.6	40.5
Net investments	5	-
Depreciation and amortization	23	48
Number of employees, average	323	383
<b>Europe &amp; RoW</b>		
External net sales	1,006	917
Total net sales	1,105	1,027
Operating income	150	127
Operating margin (based on total sales), %	13.6	12.4
Assets	1,258	1,069
Liabilities	601	718
Capital employed	886	707
Return on capital employed, %	19.7	17.3
Net investments	36	51
Depreciation and amortization	67	52
Number of employees, average	756	748
<b>Not broken down by segments</b>		
Elimination of inter-segmental sales	-110	-119
Operating income/loss	0	0
Assets	137	235
Liabilities	255	220
<b>Total Group</b>		
Net sales	1,980	2,129
Operating income	284	281
Operating margin, %	14.3	13.2
Assets	1,889	1,818
Liabilities	1,106	1,203
Capital employed	1,176	1,019
Return on capital employed, %	25.8	25.3
Net investments	41	51
Depreciation and amortization	91	100
Number of employees, average	1,079	1,131
<b>Operating income (EBIT) per operating segment:</b>		
Americas	134	154
Europe & RoW	150	127
Not broken down by segments	-	-
<b>Total operating income (EBIT)</b>	<b>284</b>	<b>281</b>
Financial net	-36	-38
<b>Earnings before tax</b>	<b>248</b>	<b>243</b>

1) See note 2.

Amounts in MSEK	2013	2012
<b>Sales by customer location – geographic area</b>		
USA	920	1,163
Germany	335	298
UK	149	169
Sweden	130	121
Other	446	378
<b>Total Group</b>	<b>1,980</b>	<b>2,129</b>
	<b>2013</b>	<b>2012</b>
<b>Total net sales per product group</b>		
Engine Products	1,131	1,131
Hydraulic Products	849	998
<b>Total net sales per product group</b>	<b>1,980</b>	<b>2,129</b>

Amounts in MSEK	2013	2012
<b>Tangible assets by operating location</b>		
USA	51	59
Germany	52	34
UK	57	46
Sweden	10	12
Other	24	30
<b>Total Group</b>	<b>194</b>	<b>181</b>

Amounts in MSEK	2013	2012
<b>Intangible assets by operating location</b>		
USA	258	268
Germany	85	0
UK	517	519
Sweden	11	30
<b>Total Group</b>	<b>871</b>	<b>817</b>

#### NOTE 5 Costs distributed by type

	2013	2012
Direct material costs	1,013	1,111
Personnel costs	406	443
Depreciation and amortization	91	100
Other operating costs, net	186	194
<b>Total operating costs</b>	<b>1,696</b>	<b>1,848</b>

#### NOTE 6 Average number of employees

	2013	2012
Women	236	262
Men	843	869
	<b>1,079</b>	<b>1,131</b>

#### NOTE 7 Salaries and other remuneration

	2013	2012
Salaries and remuneration	303	330
Pension costs	13	15
Social security costs	82	86
Other personnel costs	8	12
<b>Total personnel costs</b>	<b>406</b>	<b>443</b>

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to 16 (17) MSEK.

The Board of Directors, consists of six members (6), of whom 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	2013				2012			
	Directors' fees	Variable remuneration	Pension	Total	Directors' fees	Variable remuneration	Pension	Total
<b>Board of Directors</b>								
Stefan Charette, Chairman	400	–	–	400	383	–	–	383
Marianne Brismar	200	–	–	200	192	–	–	192
Kenth Eriksson	225	–	–	225	208	–	–	208
Joakim Olsson	–	–	–	–	59	–	–	59
Martin Sköld	200	–	–	200	192	–	–	192
Martin Lundstedt	200	–	–	200	133	–	–	133
Claes Magnus Åkesson	250	–	–	250	225	–	–	225
<b>Total Board of Directors</b>	<b>1,475</b>	<b>–</b>	<b>–</b>	<b>1,475</b>	<b>1,392</b>	<b>–</b>	<b>–</b>	<b>1,392</b>
	Basic Salary/ Benefits in kind	Variable remuneration	Pension	Total	Basic Salary/ Benefits in kind	Variable remuneration	Pension	Total
<b>President and CEO</b>								
David Woolley	3,066	1,528	336	4,930	2,838	2,275	358	5,471
<b>Total President and CEO</b>	<b>3,066</b>	<b>1,528</b>	<b>336</b>	<b>4,930</b>	<b>2,838</b>	<b>2,275</b>	<b>358</b>	<b>5,471</b>
Other senior executives <sup>1)</sup>	9,683	2,168	626	12,477	9,326	2,311	955	12,592
<b>Total</b>	<b>12,749</b>	<b>3,696</b>	<b>962</b>	<b>17,407</b>	<b>12,164</b>	<b>4,586</b>	<b>1,313</b>	<b>18,063</b>

<sup>1)</sup> Other senior executives consisted of 5 (4) people, of whom 0 (0) woman.

## Incentive programmes

## • LTI 2012 (Concentric AB shares)

Concentric AB Annual General Meeting 2012 decided upon a long-term performance based incentive programme ("LTI 2012") under which 5 senior executives and key employees participated in scheme entitled them to receive up to a maximum of 177,760 employee stock options that entitles them to acquire Concentric shares. The average exercise price for the granted warrants amounts to 50.95 SEK and the fair value of the options have been calculated according to Black & Scholes-method. In order to ensure and maximize the management's engagement in Concentric, allocation of employee stock options under LTI 2012 was conditioned upon the participants becoming shareholders in Concentric by own investments of 44,440 Concentric shares in the stock market. The incentive programme is equity-settled. The average price per option was 12.05 SEK and on calculation the following parameters were used:

- Risk-free interest rate: 0.98%
- Recognised volatility: 35% (based on historical volatility)
- Assumed dividend during the 3 year's period: 6.72 SEK

The volatility applied in the valuation has been estimated based on a statistic analysis of the 100-day historical volatility for the shares traded on NASDAQ OMX Stockholm, taking into consideration the relatively short period since listing.

Average share price when the options were granted was 55.85 SEK.

The delivery of shares under LTI 2012 will be made no earlier than 2015, assuming continuity of employment and holdings of savings shares throughout the three year lock up period. The options can be exercised during a three months period after the publication of Concentric's report for Q1 2015.

The total personnel cost for this programme amounted to 1 MSEK during the year and will have a yearly cost of 1 MSEK and a total cost of 3 MSEK until 2015. See also note 24 for the Group.

## • LTI 2013 (Concentric AB shares)

Concentric AB Annual General Meeting 2013 decided upon a long-term performance based incentive programme ("LTI 2013") under which 5 senior executives and key employees participated in scheme entitled them to receive up to a maximum of 109,120 employee stock options that entitles them to acquire Concentric shares. The average exercise price for the granted warrants amounts to 63.13 SEK and the fair value of the options have been calculated according to Black & Scholes-method. In order to ensure and maximize the management's

engagement in Concentric, allocation of employee stock options under LTI 2013 was conditioned upon the participants becoming shareholders in Concentric by own investments of 27,280 Concentric shares in the stock market. The incentive programme is equity-settled. The average price per option was 12.18 SEK and on calculation the following parameters were used:

- Risk-free interest rate: 0.98%
- Recognised volatility: 26% (based on historical volatility)
- Assumed dividend during the 3 year's period: 8.54 SEK

The volatility applied in the valuation has been estimated based on a statistic analysis of the 100-day historical volatility for the shares traded on NASDAQ OMX Stockholm, taking into consideration the relatively short period since listing.

Average share price when the options were granted was 68.00 SEK.

The delivery of shares under LTI 2013 will be made no earlier than 2016, assuming continuity of employment and holdings of savings shares throughout the three year lock up period. The options can be exercised during a three months period after the publication of Concentric's report for Q1 2016.

The total personnel cost for this programme amounted to 0.4 MSEK during the year and will have a yearly cost of 0.6 MSEK and a total cost of 1.9 MSEK until 2016. See also note 24 for the Group.

Employee stock options	LTI 2013	LTI 2012
President and CEO	63,200	102,200
Other senior executives	45,920	75,560
<b>Total</b>	<b>109,120</b>	<b>177,760</b>
Number of shares	109,120	177,760
Changes in number of stock options	2013	2012
Opening balance, 1 January	177,760	–
Granted	109,120	177,760
Exercised	–	–
<b>Closing balance, 31 December</b>	<b>286,880</b>	<b>177,760</b>

**NOTE 9 Auditing fees**

	2013	2012
<b>KPMG</b>		
Audit assignments	2	2
Other assignments	1	1
<b>PwC</b>		
Audit assignments	-	1
Tax advice	-	2
	<b>3</b>	<b>6</b>

**NOTE 10 Depreciation and Amortization**

	2013	2012
Cost of goods sold	39	37
Administrative costs	1	2
Product development costs	23	25
Other operating income and expenses	28	36
	<b>91</b>	<b>100</b>

**NOTE 11 Other operating items***Other operating income*

	2013	2012
Revenue from tooling etc	11	18
Pension curtailment gains	-	19
Gain on sale of fixed assets	-	1
Release of restructuring reserve	8	-
Other operating income	-	13
	<b>19</b>	<b>51</b>

*Other operating expenses*

	2013	2012
Amortisation of acquisition related surplus values	28	28
Restructuring cost related to fixed assets	-	8
Other restructuring cost	-	28
Acquisition-related cost	2	-
	<b>30</b>	<b>64</b>

**NOTE 12 Financial items – Net**

	2013	2011 Restated <sup>1)</sup>
<i>Financial income</i>		
Interest income, external	3	2
<i>Financial expenses</i>		
Interest expenses, external	-10	-10
Foreign exchange rate gains/losses	-4	-1
Pension financial expenses	-22	-25
Other financial items, external	-3	-4
<b>Total Financial expenses</b>	<b>-39</b>	<b>-40</b>
<b>Financial items – net</b>	<b>-36</b>	<b>-38</b>

**NOTE 13 Taxes**

	2013	2012 Restated <sup>1)</sup>
Current tax	-72	-79
Deferred tax	0	7
<b>Total income tax</b>	<b>-72</b>	<b>-72</b>

Deferred taxes last year related foremost to pensions, intangible fixed assets and provisions for restructuring. 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:

	2013	2012 Restated <sup>1)</sup>
<b>Reconciliation of effective tax rate</b>		
Earnings before tax	248	243
<b>Tax at applicable tax rate in Sweden</b>	<b>-22%</b>	<b>-26%</b>
Effect of different tax rates in foreign countries of operation	-8%	-9%
Effect of changes in tax rates	0%	0%
Non-tax deductible expenses	0%	-1%
Non-taxable income	6%	2%
Tax attributable to prior years	-6%	5%
Changes in temporary differences without corresponding capitalization of deferred tax	3%	-1%
Other permanent differences	2%	0%
Other timing differences	-4%	0%
<b>Reported effective tax rate</b>	<b>-29%</b>	<b>-30%</b>

<sup>1)</sup> See note 2.

## NOTE 14 Earnings per share

	2013	2012 Restated <sup>1)</sup>
Net income for the year, KSEK	175,644	171,298
Basic weighted average number of shares	43,921,663	44,094,197
Adjustments for the option programmes	40,216	–
Diluted weighted average number of shares	43,961,879	44,094,197
<b>Basic earnings per share, SEK</b>	<b>4.00</b>	<b>3.88</b>
<b>Diluted earnings per share, SEK</b>	<b>4.00</b>	<b>3.88</b>

1) See note 2.

## NOTE 15 Intangible fixed assets

	Goodwill	Other intangible assets <sup>1)</sup>	Capitalized development costs	Total
<b>Acquisition value</b>				
Balance at 1 January 2012	501	461	83	1,045
Investments through business combinations	–	–	–	–
Other Investments	–	–	3	3
Sales/discards/reclassifications	–	–	–	0
Effect of movements in exchange rates	-16	-14	-3	-33
<b>Balance at 31 December 2012</b>	<b>485</b>	<b>447</b>	<b>83</b>	<b>1,015</b>
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
<b>Balance at 31 December 2013</b>	<b>538</b>	<b>500</b>	<b>34</b>	<b>1,072</b>
<b>Accumulated depreciation and amortization, including write-downs</b>				
Balance at 1 January 2012	–	116	39	155
Depreciation and amortization, including write-downs	4	29	17	50
Sales/discards/reclassifications	–	–	–	0
Effect of movements in exchange rates	–	-4	-3	-7
<b>Balance at 31 December 2012</b>	<b>4</b>	<b>141</b>	<b>53</b>	<b>198</b>
Balance at 1 January 2013	4	141	53	198
Depreciation and amortization, including write-downs	–	29	20	49
Sales/discards/reclassifications	–	–	-50	-50
Effect of movements in exchange rates	–	4	–	4
<b>Balance at 31 December 2013</b>	<b>4</b>	<b>174</b>	<b>23</b>	<b>201</b>
<b>Carrying amounts</b>				
<b>As at 31 December 2012</b>	<b>481</b>	<b>306</b>	<b>30</b>	<b>817</b>
<b>As at 31 December 2013</b>	<b>534</b>	<b>326</b>	<b>11</b>	<b>871</b>

<sup>1)</sup> The carrying amount of other intangible assets consists of intangibles regarding purchase price allocation of 322 MSEK (305). The acquisition value of 483 MSEK (438) relates to Customer relationships and contracts of 296 MSEK (273), Brand 103 MSEK (95) and Technology 84 MSEK (70).

## NOTE 16 Tangible fixed assets

	Buildings and Leasehold buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
<b>Acquisition value</b>						
Balance at 1 January 2012	86	14	621	232	12	965
Investments through business combinations	-	-	-	-	-	-
Other Investments	5	-	30	5	14	54
Sales/discards/reclassifications	-	-	-15	-9	-3	-27
Effect of movements in exchange rates	-4	-1	-25	-9	-1	-40
<b>Balance at 31 December 2012</b>	<b>87</b>	<b>13</b>	<b>611</b>	<b>219</b>	<b>22</b>	<b>952</b>
Balance at 1 January 2013	87	13	611	219	22	952
Investments through business combinations	1	-	4	2	1	8
Other Investments	-	-	13	7	25	45
Sales/discards/reclassifications	-	-	-29	-3	-1	-33
Effect of movements in exchange rates	-	-	5	2	2	9
<b>Balance at 31 December 2013</b>	<b>88</b>	<b>13</b>	<b>604</b>	<b>227</b>	<b>49</b>	<b>981</b>
<b>Accumulated depreciation and amortization, including write-downs</b>						
Balance at 1 January 2012	56	5	509	209	-	779
Depreciation and amortization, including write-downs	10	1	29	9	-	49
Sales/discards/reclassifications	-	-	-16	-10	-	-26
Effect of movements in exchange rates	-3	-	-20	-8	-	-31
<b>Balance at 31 December 2012</b>	<b>63</b>	<b>6</b>	<b>502</b>	<b>200</b>	<b>-</b>	<b>771</b>
Balance at 1 January 2013	63	6	502	200	-	771
Depreciation and amortization, including write-downs	3	1	31	7	-	42
Sales/discards/reclassifications	-1	-	-31	-1	-	-33
Effect of movements in exchange rates	-	-	5	2	-	7
<b>Balance at 31 December 2013</b>	<b>65</b>	<b>7</b>	<b>507</b>	<b>208</b>	<b>-</b>	<b>787</b>
<b>Carrying amounts</b>						
<b>As at 31 December 2012</b>	<b>24</b>	<b>7</b>	<b>109</b>	<b>19</b>	<b>22</b>	<b>181</b>
<b>As at 31 December 2013</b>	<b>23</b>	<b>6</b>	<b>97</b>	<b>19</b>	<b>49</b>	<b>194</b>

## NOTE 17 Operational leases

	Premises		Machinery		Total	
	2013	2012	2013	2012	2013	2012
up to 1 year	9	7	12	14	21	21
2-5 years	31	32	11	23	42	55
more than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>40</b>	<b>39</b>	<b>23</b>	<b>37</b>	<b>63</b>	<b>76</b>

Total leasing cost charged to income statement during 2013 totaled MSEK 24 (24).

The leasing agreements primarily include rented premises and industrial machinery, but even includes computers, office equipment, and vehicles.

**NOTE 18 Deferred tax receivables and liabilities**

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

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

	2013	2012 Restated <sup>1)</sup>
At 1 January	85	46
Income statement charge (note 13)	0	7
Tax charged directly to equity	-49	6
Re-classification to current taxes	-2	25
Exchange differences	1	1
At 31 December	35	85

Deferred income tax assets and liabilities is as follows:

2013	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	-	-3	-3
Pension and similar obligations	101	-	101
Acquisition related surplus values	-	-86	-86
Other	23	-9	14
Netting	-1	1	-
<b>Net deferred tax receivables/tax liabilities</b>	<b>145</b>	<b>-110</b>	<b>35</b>
<b>2012 Restated<sup>1)</sup></b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Tax loss carry-forwards	2	-	2
Tangible fixed assets	8	-10	-2
Intangible assets	1	-7	-6
Provisions	14	-	14
Untaxed Reserves	-	-2	-2
Pension and similar obligations	150	-	150
Acquisition related surplus values	-	-86	-86
Other	19	-4	15
Netting	-38	38	-
<b>Net deferred tax receivables/tax liabilities</b>	<b>156</b>	<b>-71</b>	<b>85</b>

Deferred income tax receivables are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. All recognized 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 13 MSEK (15).

<sup>1)</sup> See note 2.

**NOTE 19 Inventories**

	2013	2012
Raw materials	131	110
Semi-manufactured products	29	16
Finished products	45	41
	<b>205</b>	<b>167</b>

**NOTE 20 Accounts receivables**

	2013	2012
Current receivables	170	132
Overdue receivables:		
1 – 30 days	39	23
31 – 60 days	5	3
> 60 days	3	1
Sum of overdue receivables	47	27
<b>Total accounts receivables</b>	<b>217</b>	<b>159</b>

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

Provision for doubtful receivables	2013	2012
Provision on January 1	3	3
Change in provision for anticipated losses	-1	-
<b>Provision on December 31</b>	<b>2</b>	<b>3</b>

**NOTE 21 Other current receivables**

	2013	2012
Tax receivables	4	1
<b>Prepaid expenses and accrued income</b>		
Rents and insurance	4	5
Accrued income	1	1
Other prepaid expenses	14	12
Derivative instruments	1	-
Other current receivables	30	26
	<b>54</b>	<b>45</b>

The financial instruments recognized 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 22 Assets held for sale**

	2013	2012	1 Jan 2012
Building in Statesville, USA	-	-	5

During the third quarter of 2012, the group completed the sale of its vacant freehold property in Statesville, North Carolina, USA for a net consideration of MSEK 6, of which gave rise to a profit on disposal of MSEK 1. See Note 34.

**NOTE 23 Cash and cash equivalents**

	2013	2012
Bank accounts and cash	199	288

## NOTE 24 Shareholder's equity

### Share capital

Refers to the share capital in the parent company.

### Additional contributed capital

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

### Reserves

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

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

### Retained earnings

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

Changes in share capital	Number of shares	Quota value	Total
<b>Opening balance</b>			
January 1, 2010	-	-	-
At incorporation	500	100.00	50,000
<b>December 31, 2010</b>	<b>500</b>	<b>100.00</b>	<b>50,000</b>
Bonus share issue			
18 April 2011	44,215,470	2.20	97,225,134
<b>December 31, 2011</b>	<b>44,215,970</b>	<b>2.20</b>	<b>97,275,134</b>
<b>Number of registered shares</b>			
<b>December 31, 2012</b>	<b>44,215,970</b>	<b>2.20</b>	<b>97,275,134</b>
Buy-back of own shares			
2012	-323,603		
<b>Number of outstanding shares</b>			
<b>December 31, 2012</b>	<b>43,892,367</b>		
Selling of own shares for acquiring subsidiary	64,308		
<b>Number of outstanding shares</b>			
<b>December 31, 2013</b>	<b>43,956,675</b>		
	<b>2013</b>	<b>2012</b>	
Basic weighted average number of shares	43,921,663	44,094,197	
Number of shares adjusted for the option programme LTI 2012 and LTI 2013	40,216	-	
Diluted weighted average number of shares	43,961,879	44,094,197	

### 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 783 (615), resulting in a gearing ratio of 50% (73).

Cash dividend decided by the Annual General Meeting 2013 was SEK 2.50 (2.00) per share or total of MSEK 109.7 (88.4). 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 2.75 (2.50) per share for 2013. This corresponds to an ordinary dividend of SEK 1.50 (1.25), which equates to around 38% (32) of the earnings per share, plus an additional dividend of SEK 1.25 (1.25) associated with the Group's strong financial position.

Annual General Meeting 2012 decided upon a long-term performance based incentive programme ("LTI 2012") under which 5 senior executives and key employees participated in scheme entitled them to receive up to a maximum of 177,760 employee stock options that entitles them to acquire Concentric shares. The average exercise price for the granted warrants amounts to 50.95 SEK and the fair value of the options have been calculated according to Black & Scholes-method. In order to ensure and maximize the management's engagement in Concentric, allocation of employee stock options under LTI 2012 was conditioned upon the participants becoming shareholders in Concentric by own investments of 44,440 Concentric shares in the stock market. The delivery of shares under LTI 2012 will be made no earlier than 2015, as there is a three-year lock-up period. The options can be exercised during a three months period after the publication of Concentric's report for Q1 2015.

Annual General Meeting 2013 decided upon a long-term performance based incentive programme ("LTI 2013") under which 5 senior executives and key employees participated in scheme entitled them to receive up to a maximum of 109,120 employee stock options that entitles them to acquire Concentric shares. The average exercise price for the granted warrants amounts to 63.13 SEK and the fair value of the options have been calculated according to Black & Scholes-method. In order to ensure and maximize the management's engagement in Concentric, allocation of employee stock options under LTI 2013 was conditioned upon the participants becoming shareholders in Concentric by own investments of 27,280 Concentric shares in the stock market. The delivery of shares under LTI 2013 will be made no earlier than 2016, as there is a three-year lock-up period. The options can be exercised during a three months period after the publication of Concentric's report for Q1 2016.

See also note 8 for the Group.

No shares have been bought back during 2013, but Concentric AB sold 64,308 of own shares, representing 0.1% of the share capital of the company. Per 31 December 2013 the number of remaining own shares were 259,295. Repurchases are 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 amortization) and in relation to Equity. At the year-end Concentric AB fulfilled these covenants with broad margins.

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



## NOTE 25 Pensions and similar obligations

	Defined Benefit Obligation		Fair value of plan assets		Net defined benefit liability	
	2013	2012 Restated <sup>1)</sup>	2013	2012 Restated <sup>1)</sup>	2013	2012 Restated <sup>1)</sup>
<b>Balance at 1 January</b>	<b>1,438</b>	<b>1,413</b>	<b>-891</b>	<b>-888</b>	<b>547</b>	<b>525</b>
<b>Included in Income Statement:</b>						
Current Service Cost	7	9	-	-	7	9
Settlement	-1	-26	-	7	-1	-19
Interest Cost	61	68	-39	-49	22	19
	<b>67</b>	<b>51</b>	<b>-39</b>	<b>-42</b>	<b>28</b>	<b>9</b>
<b>Included in Other Comprehensive Income:</b>						
Remeasurement loss (gain)	-118	66	-21	-3	-139	63
Effect of movements in exchange rates	24	-38	-21	23	3	-15
	<b>-94</b>	<b>28</b>	<b>-42</b>	<b>20</b>	<b>-136</b>	<b>48</b>
<b>Other:</b>						
Contributions paid by the employer	-	-	-32	-33	-32	-33
Benefits paid	-35	-54	37	52	2	-2
Reclassifications	-3	-	-	-	-3	-
	<b>-38</b>	<b>-54</b>	<b>5</b>	<b>19</b>	<b>-33</b>	<b>-35</b>
<b>Balance at 31 December</b>	<b>1,373</b>	<b>1,438</b>	<b>-967</b>	<b>-891</b>	<b>406</b>	<b>547</b>
Represented by plans in:						
Sweden	36	38	-	-	36	38
Germany	128	118	-69	-65	59	53
Great Britain	987	1,038	-763	-701	224	337
USA	222	244	-135	-125	87	119
<b>Balance at 31 December</b>	<b>1,373</b>	<b>1,438</b>	<b>-967</b>	<b>-891</b>	<b>406</b>	<b>547</b>

**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 gains on pension obligations and planned assets increased during 2013 by MSEK 139 (loss 63).

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

The return on plan assets recognised in the income statement totaled MSEK 39 (49), while the actual return was MSEK 60 (52). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

All equity instruments have quoted prices in active markets.

**Sweden pension plans**

There are 3 different plans in Sweden, of which 2 minor plans correspond to 13% of the pensions liability. The obligations for the major plan that Concentric Group has within the ITP 2-plan are lifelong retirement pensions. The benefits in the lifelong pensions are established by different percentages in different salary intervals. The salary intervals are established in relation to the income base amount. The plan is based on final salary. The plan is closed for new 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 2013 the pension obligation amounted to 37 MSEK (38), corresponding to 3% (3) of the Group's total obligations.

The average duration of the defined benefit obligation at the period ending 31 December 2013 is 29 years.

The best estimate of pensions to be paid by the group for the period commencing 1 January 2014 is 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 is closed for new entries 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 dependants.

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. As far as benefits are funded by direct insurance contracts benefits are fully funded (100% asset liability matching).

For the remaining part of the benefits, re-insurance contracts are set up but is 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 2013 the pension obligation amounted to 128 MSEK (118), corresponding to 9% (8) of the Group's total obligations. The fair value of the plan assets amounted to 69 (65). Net defined benefit liability amounted to 59 MSEK (53).

The average duration of the defined benefit obligation at the period ending 31 December 2013 is 18 years.

The best estimate of contributions to be paid by the group to the plan for the period commencing 1 January 2014 is 4 MSEK.

#### Great Britain pension plans

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

These are separate trustee administered funds holding the pension plan assets to meet long term pension liabilities for some 1,922 past employees as at 31 December 2013. 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 2013 the pension obligation amounted to 987 MSEK (1,038), corresponding to 72% (72) of the Group's total obligations. The fair value of the plan assets amounted to 763 (701). Net defined benefit liability amounted to 224 MSEK (337).

The average duration of the defined benefit obligation at the period ending 31 December 2013 is 17 years.

The best estimate of contributions to be paid by the group to the plans for the period commencing 1 January 2014 is 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 87% of the total pension liability, the SERP-plan (Supplementary Executive Retirement Plan) corresponds to 12% and the Retiree Health Plan corresponds to 1%. 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 2013 the pension obligation amounted to 222 MSEK (244), corresponding to 16% (17) of the Group's total obligations. The fair value of the plan assets amounted to 135 (125). Net defined benefit liability amounted to 87 MSEK (119).

The average duration of the defined benefit obligation at the period ending 31 December 2013 is 14.5 years.

The best estimate of contributions to be paid by the group to the plans for the period commencing 1 January 2014 is 11 MSEK.

<sup>1)</sup> See note 2.

Remeasurement losses (gain) arising from	2013
Experience adjustment	-51
Demographic assumptions	-55
Financial assumptions	-12
<b>Total remeasurement losses (gains)</b>	<b>-118</b>

Total pension costs Group	2013	2012 Restated <sup>1)</sup>
Pensions vested during the period	7	9
Interest on obligations	61	68
Calculated return on plan assets	-39	-49
Settlement	-1	-19
<b>Pension costs, defined-benefit plans</b>	<b>28</b>	<b>9</b>
Pension costs, defined-contribution plans	6	6
<b>Total pension costs</b>	<b>34</b>	<b>15</b>

#### Obligation analysis

Defined benefit obligation per 31 December 2013 can be distributed on the members of the plans as follows:

Members	Defined Benefit Obligation
Active members	10 %
Deferred members	55 %
Pensioners	35 %

Specification of Plan Assets	2013	2012
<b>Plan assets comprise:</b>		
Equity instruments	457	424
Debt instruments	331	329
Property	97	25
Cash and cash equivalents	12	48
<b>SUM</b>	<b>897</b>	<b>826</b>
Insurance policies	70	65
<b>TOTAL</b>	<b>967</b>	<b>891</b>

Percent	Sweden	Germany	Great Britain	USA
<b>Actuarial assumptions 2013</b>				
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	2.0	1.60	N/A	3.0
<b>Actuarial assumptions 2012</b>				
Discount rate	3.60	3.50	4.60	4.35
Recognised salary increase	3.00	2.00	N/A	3.00
Recognised inflation	2.00	1.85	3.10	2.50
Turnover, personnel	2.0	1.60	N/A	3.0

The Group's best estimate of cash contribution recognised to be paid into defined benefit plans for the year ending 31 December 2014 is MSEK 40.

#### 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 2013	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (0.25% movement)	-53	57
Future salary growth (1% movement)	8	-8
Future pension growth (1% movement)	74	-48
Medical cost trend rate (1% movement)	4	-4
Future mortality (1% movement)	-5	5

At 31 December 2013, the weighted-average duration of the defined benefit obligation was 17 years.

#### NOTE 26 Maturity analysis for financial liabilities

Nominal amount	0–6 months		7–12 months		13–60 months		>60 months		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Bond loan	–	–	–	–	175	175	–	–	175	175
Loans related to finance leases	–	–	1	–	2	–	–	–	3	–
Short-term interest-bearing liabilities	6	13	–	–	–	–	–	–	6	13
Derivative liabilities	3	–	–	–	–	–	–	–	3	–
Accounts payable and other loans	281	242	–	–	4	4	–	–	285	246
	<b>290</b>	<b>255</b>	<b>1</b>	<b>–</b>	<b>181</b>	<b>179</b>	<b>–</b>	<b>–</b>	<b>472</b>	<b>434</b>

Expected total future interest payments are 9 MSEK, of which 4 MSEK refers to the interval 0-6 months, 4 MSEK in 7–12 months and 1 MSEK in 13–60 months.

#### NOTE 27 Long-term interest-bearing liabilities

	2013	2012
Bond loan	175	175
Loans related to finance leases	3	–
	<b>178</b>	<b>175</b>

#### NOTE 28 Short-term interest bearing liabilities

	2013	2012
Local credit facility in China	4	11
Other short-term loans	2	2
	<b>6</b>	<b>13</b>

Bond loan is denominated in SEK and the maturity date is 20 January 2015. The interest rate on the liability is 4,16% (4,46%) as of 31 December 2013. The average interest rate on the liability during 2013 was 4,22% (5,10%). Available unused amount on Multicurrency Revolving Credit Facility is EUR 40 m, or about MSEK 358 (345).

**NOTE 29 Other provisions**

	Warranty reserves	Restructuring reserves	Total
<b>Opening balance January 1, 2013</b>	<b>29</b>	<b>28</b>	<b>57</b>
Provisions	-	-	-
Restructuring reserves reducing fixed assets	-	-	-
Reversals	-3	-25	-28
Exchange rate differences	-	-	-
<b>December 31, 2013</b>	<b>26</b>	<b>3</b>	<b>29</b>

**NOTE 30 Other current liabilities**

	2013	2012
Tax liabilities	43	46
Derivative instruments	3	-
<b>Accrued expenses:</b>		
Personnel costs	45	47
Other accrued expenses	46	46
Other current liabilities	9	5
	<b>146</b>	<b>144</b>

The financial instruments recognized 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 31 Pledged assets and contingent liabilities**

	2013	2012
Pledged assets	-	-
Contingent liabilities	3	1

**NOTE 32 Reversal of other non-cash items**

	2013	2012
Reversal of financial pension expenses	22	25
Gains on pension plan curtailment	-	-19
Release of restructuring reserve	-25	-
Other	4	-8
	<b>1</b>	<b>-2</b>

**NOTE 33 Investments in subsidiaries**

On 28 June 2013, Centric 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 Centric'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	Adjustments	Fair value
Cash	77	-	77
Shares in Centric AB (64,308 ordinary shares) <sup>1)</sup>	4	-	4
<b>Total purchase consideration for Licos shares</b>	<b>81</b>	<b>-</b>	<b>81</b>
Intangible fixed assets	0	42	42
Tangible fixed assets	12	3	15
<b>Total fixed assets acquired</b>	<b>12</b>	<b>45</b>	<b>57</b>
Inventories	12	-	12
Current receivables	32	-9	23
Cash and cash equivalents	3	-	3
<b>Total current assets acquired</b>	<b>47</b>	<b>-9</b>	<b>38</b>
Short-term interest-bearing liabilities	30	3	33
Other current liabilities	20	5	25
<b>Total current liabilities assumed</b>	<b>50</b>	<b>8</b>	<b>58</b>
<b>Net assets acquired</b>	<b>9</b>	<b>28</b>	<b>37</b>
<b>Goodwill arising on acquisition</b>	<b>72</b>	<b>-28</b>	<b>44</b>

<sup>1)</sup> 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 – recognised useful lives of between 10 and 15 years,
- MSEK 7 for Brands, licences and patents – recognised useful lives of 10 years, and
- MSEK 21 for Customer relations – recognised 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 34 Corporate divestments

During the third quarter of 2012, the group completed the sale of its vacant freehold property in Statesville, North Carolina, USA for a net consideration of MSEK 6, of which gave rise to a profit on disposal of MSEK 1. See also Note 23.

### 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 and 2013 the AGM have decided upon two long-term incentive plans for the management and key personnel.

### NOTE 36 Events after balance-sheet date

There were no post balance sheet events to report.

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

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

impact fair value. Accounts receivables and payables 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 IAS 39. For a description of the Group's exposures to financial risks, and its financial risk management, please see pages 32–34 in the Board of Directors' report.

	Note	Derivatives used for hedging		Loans- and receivables		Total	
		2013	2012	2013	2012	2013	2012
<b>Financial assets at fair value</b>							
Other current receivables	21						
- Foreign currency derivatives		1				1	0
<b>Financial assets not at fair value</b>							
Long term receivables	-			4	5	4	5
Accounts receivables	20			217	159	217	159
Other current receivables	21			31	27	31	27
Cash and cash equivalents	23			199	288	199	288
<b>Total financial assets</b>		<b>1</b>	<b>0</b>	<b>451</b>	<b>479</b>	<b>452</b>	<b>479</b>

	Note	Derivatives used for hedging		Financial liabilities at amortised cost		Total	
		2013	2012	2013	2012	2013	2012
<b>Financial liabilities at fair value</b>							
Other current liabilities	30						
- Foreign currency derivatives		3				3	0
<b>Financial liabilities not at fair value</b>							
Long-term interest-bearing liabilities	27			178	175	178	175
Other long-term liabilities	-			4	4	4	4
Short-term interest-bearing liabilities	28			6	13	6	13
Accounts payable	26			227	192	227	192
Other current liabilities	30			100	98	100	98
<b>Total financial liabilities</b>		<b>3</b>	<b>0</b>	<b>515</b>	<b>482</b>	<b>518</b>	<b>482</b>

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



# Parent company Income statement

Amounts in MSEK	Note	2013	2012
Net sales	2	23	21
Operating costs	2,3,4	-16	- 15
<b>Operating income</b>		<b>7</b>	<b>6</b>
Income from shares in subsidiaries	5	1,302	5
Income from shares in associated companies	5	12	10
Interest income and similar items	5	4	6
Interest expense and similar items	5	- 10	- 5
<b>Financial items – net</b>		<b>1,308</b>	<b>16</b>
<b>Earnings before tax</b>		<b>1,315</b>	<b>22</b>
Taxes	6	-3	-4
<b>Net income for the year</b>		<b>1,312</b>	<b>18</b>

# Parent company Statement of comprehensive income

Amounts in MSEK	Note	2013	2012
Net income for the year		1,312	18
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>1,312</b>	<b>18</b>

# Parent company Balance sheet

Amounts in MSEK	Note	2013	2012
<b>ASSETS</b>			
Shares in subsidiaries	7	2,395	937
Shares in associated companies	8	10	10
Long-term loans receivable from subsidiaries	9	46	80
Deferred tax assets	6	–	2
<b>Total financial fixed assets</b>		<b>2,451</b>	<b>1,029</b>
Other current receivables	10	1	2
Short-term loans receivable from subsidiaries		36	36
Cash and cash equivalents	11	138	230
<b>Total current assets</b>		<b>175</b>	<b>268</b>
<b>Total assets</b>		<b>2,626</b>	<b>1,297</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
Share capital	12	97	97
<b>Total restricted equity</b>		<b>97</b>	<b>97</b>
Retained earnings		374	461
Total comprehensive income		1,312	18
<b>Total unrestricted equity</b>		<b>1,686</b>	<b>479</b>
<b>Total Shareholder's equity</b>		<b>1,783</b>	<b>576</b>
Pensions and similar obligations	13	19	–
Long-term interest-bearing liabilities	14,15	175	175
<b>Total long-term liabilities</b>		<b>194</b>	<b>175</b>
Accounts payable	14	1	1
Short-term loans payable to associated companies	14	12	10
Short-term loans payable to subsidiaries	14	631	530
Other current liabilities	14,16	5	5
<b>Total current liabilities</b>		<b>649</b>	<b>546</b>
<b>Total equity and liabilities</b>		<b>2,626</b>	<b>1,297</b>
<b>Assets pledged</b>		<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	<b>17</b>	<b>72</b>	<b>72</b>

# Parent company

## Changes in shareholders' equity

Amounts in MSEK	Share capital	Retained earnings	Total equity
<b>Opening balance at January 1, 2012</b>	<b>97</b>	<b>565</b>	<b>662</b>
Net income for the year	-	18	18
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>18</b>	<b>18</b>
<b>Transactions with shareholders</b>			
Dividend		-88	-88
Buy-back of own shares		-16	-16
<b>Total transactions with shareholders</b>	<b>0</b>	<b>-104</b>	<b>-104</b>
<b>Closing balance at December 31, 2012</b>	<b>97</b>	<b>479</b>	<b>576</b>
<b>Amounts in MSEK</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Opening balance at January 1, 2013</b>	<b>97</b>	<b>479</b>	<b>576</b>
Net income for the year		1,312	1,312
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,312</b>	<b>1,312</b>
<b>Transactions with shareholders</b>			
Dividend	-	-110	-110
Sale of own shares for acquisition of subsidiary	-	5	5
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-105</b>	<b>-105</b>
<b>Closing balance at December 31, 2013</b>	<b>97</b>	<b>1,686</b>	<b>1,783</b>

# Parent company

## Cash flow statement

Amounts in MSEK	Note	2013	2012
<b>Cash flow from operating activities</b>			
Earnings before tax		1,315	22
Reversal of non-cash items	18	-1,296	-5
<b>Cash flow from operating activities before changes in working capital</b>		<b>19</b>	<b>17</b>
<b>Change in working capital</b>			
Current receivables		1	-1
Current liabilities		-3	-
<b>Change in working capital</b>		<b>-2</b>	<b>-1</b>
<b>Cash flow from operating activities</b>		<b>17</b>	<b>16</b>
<b>Cash flow from investing activities</b>			
Investments in subsidiaries	19	-163	-
<b>Cash flow from investing activities</b>		<b>-163</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Dividend		-110	-88
Buy-back own shares		-	-16
New loans from subsidiaries		164	192
<b>Cash flow from financing activities</b>		<b>54</b>	<b>88</b>
<b>Cash flow for the period</b>		<b>-92</b>	<b>104</b>
Cash and bank assets, opening balance		230	126
<b>Cash and bank assets, closing balance</b>		<b>138</b>	<b>230</b>

# Parent Company Notes

## Note 1 Accounting principles

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

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

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

### a) New Accounting principles

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning January 1, 2013 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 acquisition-related costs. Dividends received are recorded as financial income. When there is an indication that stocks and shares in subsidiaries or associated companies decreased in value, an estimate of its recoverable amount is set. If this is lower than the carrying amount a write down is done. Impairment losses are recognized 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 23 (21) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 4 (3).

All transactions in the parent company with related parties occur on commercial market terms. See also note 35 for the Group.

## NOTE 3 Auditing fees

	2013	2012
Audit assignments, KPMG	1	1
	<b>1</b>	<b>1</b>

## NOTE 4 Salaries and other remuneration

	2013	2012
Salaries and remuneration	5.2	2.3
of which Board of Directors and CEO	1.5	1.4
Social security costs	2.2	0.9
of which pension costs	0.6	0.1

The Board of Directors, consists of six members (6), of whom 1 is a woman. 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 7 (1). 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 3 (2).

## NOTE 5 Financial items – Net

	2013	2012
<i>Income from shares in subsidiaries</i>		
Group contribution from subsidiaries	11	5
Gain on sale of subsidiary Concentric Hof GmbH	474	–
Dividend from Concentric Americas Inc	817	–
	<b>1,302</b>	<b>5</b>
<i>Income from shares in associated companies</i>		
Dividend	12	10
<i>Interest income and similar items</i>		
Interest income, external	–	1
Interest from subsidiaries	4	5
	<b>4</b>	<b>6</b>
<i>Interest expense and similar items</i>		
Interest expenses, external	-7	-9
Interest expenses to subsidiaries	–	–
Foreign exchange rate gains/losses	-1	7
Other financial items, external	-2	-3
	<b>-10</b>	<b>-5</b>
<b>Financial items – net</b>	<b>1,308</b>	<b>16</b>

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

	2013	2012
Current tax	-	-
Deferred tax	-3	-4
<b>Total income tax</b>	<b>-3</b>	<b>-4</b>
<b>Reconciliation of effective tax rate</b>		
Earnings before tax	1,315	22
Tax at applicable tax rate	-22%	-26%
Non taxable dividend from subsidiaries and associated companies	14%	12%
Non taxable gain on sale of subsidiary	8%	-
Effect of changes in tax rates from 26,3% to 22%	-	-2%
Non-deductible expenses	-	-2%
<b>Reported effective tax rate</b>	<b>0%</b>	<b>-18%</b>
Total deferred tax assets related to tax loss carried forward	-	2

Deferred tax assets are recognized for tax loss carried forward to the extent that the realization of the related tax benefit through future taxable profit is probable. Tax losses of MSEK 2 have been fully utilized in 2013.

## NOTE 7 Shares in subsidiaries

Company name	Corp. Reg. No	Reg'd office	Participations	%	2013	2012
Concentric Pumps Plc.		UK	518,397	100	1,556	621
Concentric Americas, Inc.		US	1,000	100	-	288
Concentric US Finance 2 Ltd		UK	100	100	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	-	6
Concentric SAS		France	10	100	-	-
Concentric Korea LLC		Korea	12,000	100	-	-
Concentric Srl		Italy	10,000	100	-	-
					<b>2,395</b>	<b>937</b>

*Indirect Investments in principal trading subsidiaries*

Company Name	Reg'd office	%	Aquisition value	2013	2012
Concentric Itasca, Inc.	US	100	Opening balance	937	937
Concentric Rockford, Inc.	US	100	US Finance 2 Ltd	817	-
Concentric Birmingham Limited	UK	100	Concentric Americas Inc	-288	-
Concentric Hof GmbH	Germany	100	Concentric Hof GmbH	-6	-
LICOS Trucktec GmbH	Germany	100	Concentric Innovations AB	-	-
Concentric Pumps Pune (Pvt) Limited	India	100	Concentric Pumpc Plc	935	-
Concentric Pumps (Suzhou) co, Ltd.	China	100	<b>Closing Balance</b>	<b>2,395</b>	<b>937</b>

The above changes is a result from group reorganisations during 2013.

**NOTE 8 Shares in associated companies**

Company name	Corp. reg. no	Reg'd office	Participations	%	2013	2012
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. The following amounts constitute the companies' share of the assets, liabilities, revenue and expenses in the joint venture and are included in the companies' financial reports.

Income Statement	2013	2012
Net Sales	133	131
Cost of goods sold	- 65	- 68
<b>Gross income</b>	<b>68</b>	<b>63</b>
Other operating income	1	2
Operating expenses	- 51	- 45
<b>Operating income</b>	<b>18</b>	<b>20</b>
Financial items – net	–	–
<b>Earnings before tax</b>	<b>18</b>	<b>20</b>
Taxes	- 4	- 5
<b>Net income for the year</b>	<b>14</b>	<b>15</b>

Balance Sheet	2012	2011
Fixed assets	9	8
Current assets	44	34
Cash and bank	7	14
<b>Total assets</b>	<b>60</b>	<b>56</b>
Equity	25	23
Deferred tax liabilities	2	2
Current liabilities	33	31
<b>Total equity and liabilities</b>	<b>60</b>	<b>56</b>

**NOTE 9 Long-term loans receivable from subsidiaries**

	2013	2012
Total loans	46	101
of which reported as short-term loans	–	-21
<b>Long-term loans</b>	<b>46</b>	<b>80</b>

All loans to subsidiaries matures 20 January 2015. However, 1 500 000 GBP and 600 000 EUR have been amortized in January 2013 and therefore have 21 MSEK of total loans of 101 MSEK been reported as short-term loans in 2012. GBP-loan to Concentric Plc have been further amortized in December 2013 with 800,000. Remaining loan amounts to GBP 4,200,000 (6,500,000) per 31 December 2013. In connection with the Germany restructuring the loan to Concentric Hof was amortized in full, EUR 3,700,000. 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 3,50% (3,50%) as of 31 December 2013.

Average rates during the year on the GBP loan was 4,00% (4,31%) and on the EUR-loans 3,50% (4,06%). Both Long-term loans from subsidiaries and and short-term receivables from subsidiaries are classified as Loans and receivables.

**NOTE 10 Other current receivables**

	2013	2012
Other prepaid expenses	1	2
	<b>1</b>	<b>2</b>

The financial instruments recognized 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 11 Cash and cash equivalents**

	2013	2012
Bank accounts and cash	138	230

**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
<b>Opening balance January 1, 2010</b>	–	–	–
At incorporation	500	100.00	50,000
<b>December 31, 2010</b>	<b>500</b>	<b>100.00</b>	<b>50,000</b>
Bonus share issue 18 April 2011	44,215,470	2.20	97,225,134
<b>December 31, 2011</b>	<b>44,215,970</b>	<b>2.20</b>	<b>97,275,134</b>
<b>Number of registered shares December 31, 2012</b>	<b>44,215,970</b>	<b>2.20</b>	<b>97,275,134</b>
Buy-back of own shares 2012	-323,603		
<b>Number of outstanding shares December 31, 2012</b>	<b>43,892,367</b>		
Selling of own shares for acquiring subsidiary	64,308		
<b>Number of outstanding shares December 31, 2013</b>	<b>43,956,675</b>		
	<b>2013</b>	<b>2012</b>	
<b>Basic weighted average number of shares</b>	<b>43,921,663</b>	<b>44,094,197</b>	
Number of shares adjusted for the option programme LTI 2012 and LTI 2013	40,216	–	
<b>Diluted weighted average number of shares</b>	<b>43,961,879</b>	<b>44,094,197</b>	

Cash dividend decided by the Annual General Meeting 2013 was SEK 2.50 (2.00) per share or total of MSEK 109.7 (88.4).

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

Annual General Meeting 2012 decided upon a long-term performance based incentive programme ("LTI 2012") under which 5 senior executives and key employees participated in scheme entitled them to receive up to a maximum of 177,760 employee stock options that entitles them to acquire Concentric shares. The average exercise price for the granted warrants amounts to 50.95 SEK and the fair value of the options have been calculated according to Black & Scholes-method. In order to ensure and maximize the management's engagement in Concentric, allocation of employee stock options under LTI 2012 was conditioned upon the participants becoming shareholders in Concentric by own investments of 44,440 Concentric shares in the stock market. The delivery of shares under LTI 2012 will be made no earlier than 2015, as there is a three-year lock-up period. The options can be exercised during a three months period after the publication of Concentric's report for Q1 2015.

Annual General Meeting 2013 decided upon a long-term performance based incentive programme ("LTI 2013") under which 5 senior executives and key employees participated in scheme entitled them to receive up to a maximum

of 109,120 employee stock options that entitles them to acquire Concentric shares. The average exercise price for the granted warrants amounts to 63.13 SEK and the fair value of the options have been calculated according to Black & Scholes-method. In order to ensure and maximize the management's engagement in Concentric, allocation of employee stock options under LTI 2013 was conditioned upon the participants becoming shareholders in Concentric by own investments of 27,280 Concentric shares in the stock market. The delivery of shares under LTI 2013 will be made no earlier than 2016, as there is a three-year lock-up period. The options can be exercised during a three months period after the publication of Concentric's report for Q1 2016.

See also note 8 for the Group.

**NOTE 13 Pension and similar obligations**

	2013	2012
FPG/PRI pension plan	19	–

Pension obligation have been transferred from Concentric Skånes Fagerhult AB and is recognized according to Tryggandelagen. The pension plan is a defined-benefit plan.

**NOTE 14 Maturity analysis for financial liabilities**

Nominal amount	0–6 months		7–12 months		13–60 months		>60 months		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Pensions and similar obligations	–	–	–	–	–	–	19	–	19	–
Bond loan	–	–	–	–	175	175	–	–	175	175
Short-term loans payable to subsidiaries	–	–	631	530	–	–	–	–	631	530
Accounts payable and other loans	18	16	–	–	–	–	–	–	18	16
	<b>18</b>	<b>16</b>	<b>631</b>	<b>530</b>	<b>175</b>	<b>175</b>	<b>19</b>	<b>–</b>	<b>843</b>	<b>721</b>

Expected total future interest payments are 9 MSEK, of which 4 MSEK refers to the interval 0–6 months, 4 MSEK in 7–12 months and 1 MSEK in 13–60 months.

**NOTE 15 Long-term interest bearing liabilities**

	2013	2012
Bond loan	175	175

Bond loan is denominated in SEK and the maturity date is 20 January 2015. The interest rate on the liability is 4.16% (4.46%) as of 31 December 2013. The average interest rate on the liability during 2013 was 4.22% (5.10%). Available unused amount on Multicurrency Revolving Credit Facility is EUR 40 m, or about MSEK 358 (345).

**NOTE 16 Other current liabilities**

	2013	2012
Accrued interest cost	1	2
Other accrued expenses	3	3
VAT	1	-
	<b>5</b>	<b>5</b>

**NOTE 17 Contingent liabilities**

	2013	2012
General collateral guarantee for subsidiaries:		
Loan	34	34
Operational leasing commitment	38	38
	<b>72</b>	<b>72</b>

The above commitments are not recognised 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**

	2013	2012
Financial exchange rate differences	1	-8
Change in dividend receivable	-7	3
Gain on sale in subsidiaries	-474	0
Dividend from Concentric Americas Inc	-816	0
	<b>-1,296</b>	<b>-5</b>

**NOTE 19 Investments in subsidiaries**

	2013	2012
Shareholder's contribution to Concentric Pumps Plc UK:		
For Concentric Hofs aquisition of Concentric Skånes Fagerhult AB	58	-
For Concentric Germany GmbHs aquisition of LICOS Trucktec GmbH	105	-
	<b>163</b>	<b>-</b>

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial

position and results of operations. The Board of Directors' Report for the Concentric Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

*Skånes Fagerhult 9 April, 2014*

Stefan Charette  
Chairman of Board

Marianne Brismar  
Member of the Board

Kent 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 9 April, 2014  
KPMG AB

Anders Malmeby  
Authorized 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 2013, 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 30–67.

## 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, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

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

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

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

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its 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 2013 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 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 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 2013. 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 9 April 2014  
KPMG AB

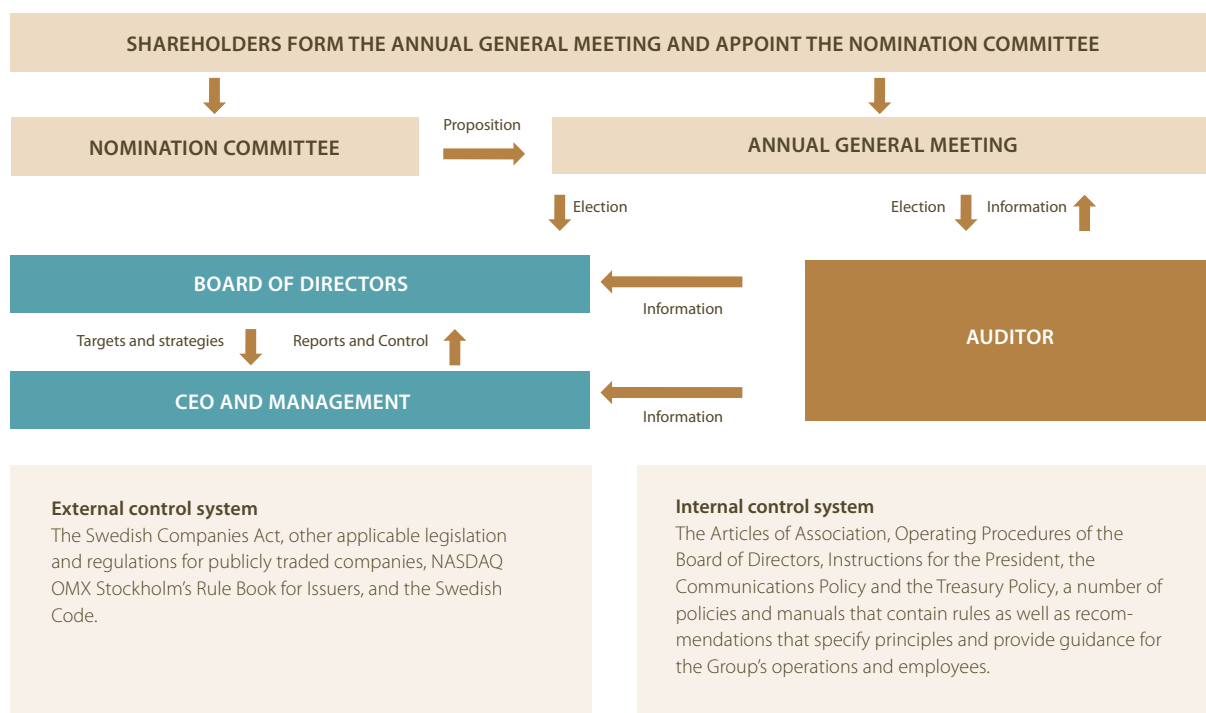
Anders Malmeby  
Authorized Public Accountant

# Corporate Governance in Concentric

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.



These rules regulate the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO.

## 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 2013 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 2013. 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 organization 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 characterized 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, organizational 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, a total of six 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 Centric 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 2013

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 2013. 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 totals SEK 97.3 MSEK, represented by 44,215,970 shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders amounted to 9,661 at year end. Lannebo Fonder represented the largest owner with about 11.1% of the share capital. Swedish ownership totaled 67% at year end 2013. Information concerning ownership is updated each month on Concentric's web site, [www.concentricab.com](http://www.concentricab.com).

## Annual General Meeting 2013

Concentric's Annual General Meeting was held in Stockholm on April 24, 2013. The following board members were elected: Stefan Charette, Marianne Brismar, Kenth Eriksson, Martin Sköld, Claes Magnus Åkesson and Martin Lundstedt. In total, 107 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](http://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 2014.
- It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2014.
- It was decided that the Chairman of the Board will receive SEK 400,000, and that other members of the Board of Directors will receive SEK 200,000 as remuneration for work on the board. Additional consideration shall be paid with SEK 25,000 to the chairman of the Compensation Committee and the Chairman of the audit Committee shall receive SEK 50,000. 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 2.50 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 authorization of the board to resolve on acquisition and transfer of own shares to participants in the performance based incentive programme.

## Nomination Committee for the 2014 Annual General Meeting

In accordance with a decision by the 2013 Annual General Meeting, the four largest shareholders have each appointed representatives to form the Nomination Committee for the 2014 Annual General Meeting. Based on the ownership structure as of September 30, 2013, these shareholders were: Lannebo Fonder, Creades AB, Svenska Handelsbanken and Swedbank Robur Fonder. Combined, they represented 32% of the voting rights in Concentric AB. The shareholders' representatives who will comprise members of the 2014 Nomination Committee are: Göran Espelund (Chairman) of Lannebo Fonder, Stefan Charette of Creades AB, Frank Larsson of Handelsbanken Fonder, and Birger Gezelius of Swedbank Robur Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's web site, on October 31, 2013. 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 and the Auditor.
- 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 2014 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 independent of the Company, the senior management, and of the Company's 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 2013, the Board of Directors held twelve 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 proposals, including the acquisition of LICOS Trucktec GmbH; and
- Ongoing monitoring of the group's operations and evaluation of management.

### Auditors

At the 2013 Annual General Meeting, the registered accounting firm KPMG AB was elected as auditors for the period until the 2014 AGM is held.

Authorized Public Accountant Anders Malmeby was reappointed the company's auditor-in-charge.

Anders Malmeby has been an Authorized Public Accountant since 1986, and is also the elected auditor of the following listed companies: Boule Diagnostics AB and East Capital Explorer AB.

Anders Malmeby has no other assignments in other companies that are associated with Concentric's largest owners or President.

### Compensation and Audit Committee tasks

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

The main tasks undertaken during the separately convened Compensation Committee meetings were to prepare Board resolutions on issues concerning principles for remuneration,

remunerations and other terms of employment for the senior executives, to monitor and evaluate programmes for variable remuneration for senior executives, and to monitor and evaluate the application of the guidelines for remuneration to senior executives resolved upon by the Annual General Meeting as well as remuneration structures and levels. During 2013, there were three 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 2013, there were seven 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 2013 Annual General Meeting resolved that fees totaling SEK 1,475,000 will be paid for the period up until the end of the 2014 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.

Board	2013 Meetings attended			2013/14 Board Fees (SEK)
	Board	Audit Committee	Compensation Committee	
Stefan Charette <sup>1)</sup>	12	7	3	400,000
Marianne Brismar	11	–	–	200,000
Kenth Eriksson <sup>2)</sup>	12	–	3	225,000
Martin Sköld	12	–	–	200,000
Claes Magnus Åkesson <sup>3)</sup>	12	7	–	250,000
Martin Lundstedt	10	–	–	200,000
				<b>1,475,000</b>

<sup>1)</sup> Chairman

<sup>2)</sup> Chairman of the Compensation Committee

<sup>3)</sup> Chairman of the Audit Committee

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.

Amounts in MSEK	Basic salary/ Benefits in kind	Variable remuneration	Pension	Total
President and CEO				
David Woolley	3,066	1,528	336	4,930
Other senior executives	9,683	2,168	626	12,477
<b>Total</b>	<b>12,749</b>	<b>3,696</b>	<b>962</b>	<b>17,407</b>

For guidelines on remuneration see pages 34–35.

#### *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 2013.

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 2013, the participants must make own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2013 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 56.10 SEK and 84.20 SEK respectively.

For more information about LTI 2013, see note 8 on page 48.

## 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 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 Organization 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 scrutinizing 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.



# Board of Directors

## STEFAN CHARETTE

*Chairman of the Board since 2010.*  
Born 1972.



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

CEO of Creades AB. CEO of the public investment company Investment AB Öresund since 2010. Previously CEO of AB Custos and President of the Brokk Group. Corporate advisor for multinational corporations at Lehman Brothers and Salomon Smith Barney. Chairman of NOTE AB and Athanase Capital Partners AB. Board member of Lindab International AB, Haldex AB, Transcom Worldwide S.A. and Creades AB. Shareholding in Concentric: 9,700 shares. Direct ownership, company, pension and pension insurance. Independent in relation to the Company, to 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. Chairman of Newbody AB. Board member of Beijer Alma AB, Creades AB, Engelhardt AB, Semcon AB och Wollenius invest AB. Shareholding in Concentric: 23,000 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.



M.Sc. Industrial Engineering and Management.

CEO and President of Scania. Previously Executive Vice President and 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. Managing Director of Scania Production Angers in France in 2001. Appointed Head of Product Marketing in 2005. Appointed Senior Vice President and Head of Trucks in 2006. Chairman of Partex Marking Systems AB. Shareholding in Concentric: nil. 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. Programme Director of General Management IFL Executive Education, Stockholm School of Economics. Assignments within family firm businesses BRIAB and Trailereffekter AB, a manufacturer of trailers for the heavy truck industry, and a whole sale dealer for heavy trailer spare 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 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 in the past five years: Managing Director Engine Pumps UK and India of Haldex Concentric Pumps Ltd. Managing Director of Concentric Ltd.

Shareholding in Concentric: 41,350 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 in the past five years: Group Financial Controller of Wagon Plc (2007–2009). Board Member of several subsidiaries to Wagon Plc.

Shareholding in Concentric: 9,750 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

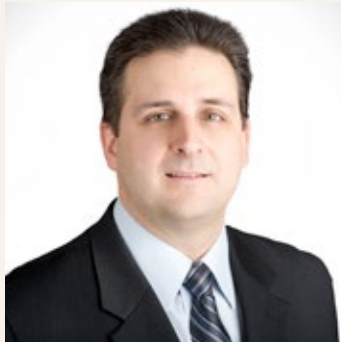


M.Sc. Engineering Business Management and B.Eng. Mechanical Engineering.

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: 6,000 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. Previous assignments/positions in the past five years: General Manager of Chicago Panel & Truss

Shareholding in Concentric: 6,100 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: 0 shares

# Glossary & Definitions

## Glossary

<b>Axle cooling</b>	Heat Exchanger to control the temperature of the axle gear train
<b>Baler</b>	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
<b>BRIC countries or emerging markets</b>	Brazil, Russia, India and China
<b>Fuel transfer pump</b>	Pump to lift the fuel from the fuel tank to the high pressure system
<b>DC Pack Lift/lower</b>	Integrated unit comprising of DC motor, hydraulic pump and reservoir
<b>Fan drive</b>	Hydraulic motor used for driving cooling fan
<b>Fuel pump</b>	Pumping device for fuel
<b>Gerotor pump</b>	Type of positive displacement pump
<b>Hydraulic hybrid system</b>	Hydraulic propulsion system for vehicles
<b>Hydraulic power pack</b>	Integrated unit comprising of DC motor, hydraulic pump and reservoir
<b>Hydraulic pump</b>	Positive displacement pump for pumping hydraulic fluids such as oil
<b>Implement pump</b>	Hydraulic pump used for auxiliary vehicle functions
<b>Seeder motor</b>	Hydraulic motor used for blowing seed into seeding device for planting
<b>OEM</b>	Original Equipment Manufacturer
<b>Oil mist separator</b>	Product that recycles oil from crankcase gases
<b>Piston pump</b>	Positive displacement pump that utilises a moving piston to displace the fluid
<b>Primary pump</b>	Main pump used in a multi circuit configuration
<b>Secondary circuit pump</b>	Secondary pump used in a multi circuit configuration
<b>Steering pump</b>	Hydraulic pump used to provide hydraulic power to a vehicle steering system
<b>Tail lift</b>	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
<b>Tier 1-, Tier 2-supplier</b>	Different levels of sub suppliers, typical within the automotive industry
<b>Variable flow oil pump</b>	Oil pump with controllable flow capacity
<b>Variable water pump</b>	Water pump with controllable flow capacity
<b>Varivent EGR pump</b>	Air pump used to pump the exhaust gas recirculated back into the engine intake
<b>Windrower</b>	A self propelled or tractor-drawn farm machine for cutting grain and laying down the stalks in windrows for later threshing and cleaning

## Definitions

<b>Americas</b>	Americas operating segment comprising the Group's USA operations
<b>Dividend yield</b>	Dividend divided by market price at year end
<b>CAGR</b>	Compound annual growth rate
<b>Capital employed</b>	Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities
<b>EBIT or Operating income</b>	Earnings before interest and taxes
<b>EBIT multiple</b>	Market value at year end plus net debt divided by EBIT
<b>EBIT or Operating margin</b>	Operating income as a percentage of net sales
<b>EPS</b>	Earnings per share, net income divided by the average number of shares
<b>Europe &amp; RoW</b>	Europe and the rest of the world operating segment comprising the Group's operations in Europe, India and China
<b>Gearing ratio</b>	Ratio of net debt to shareholders' equity
<b>Gross margin</b>	Net sales less cost of goods sold, as a percentage of net sales
<b>Net debt</b>	Total interest-bearing liabilities less liquid funds
<b>Net investments in fixed assets</b>	Fixed asset additions net of fixed asset disposals and retirements
<b>P/E ratio</b>	Market value at year-end divided by net earnings
<b>Payout ratio</b>	Dividend divided by EPS
<b>R&amp;D</b>	Research and development expenditure
<b>ROCE</b>	Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over a rolling 12 months
<b>ROE</b>	Return on equity; net income as a percentage of the average shareholders' equity over a rolling 12 months
<b>Sales growth, constant currency</b>	Growth rate based on sales restated at prior year foreign exchange rates
<b>Underlying or Before items affecting comparability</b>	Adjusted for restructuring costs and other "one-off" items (including tax effects thereon, as appropriate)
<b>Working capital</b>	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	30 April, 2014
Interim report January – March 2014	30 April, 2014
Interim report January – June 2014	24 July, 2014
Interim report January – September 2014	24 October, 2014

### Annual General Meeting

Annual General Meeting for the fiscal year 2013 will be held at 1 p.m. CET on Wednesday, 30 April, 2014 at the Grand Hotel, Södra Blasieholmshamnen 8, Stockholm.

### Participation in 2014 Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB as of Thursday, 24 April, 2014. Notification must be made no later than Friday, 25 April, 2014. 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 Thursday, 24 April, 2014, 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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