

Concentric Birmingham Limited
Annual report and financial statements
for the year ended 31 December 2022

Registered number: 00671254



Concentric Birmingham Limited

Annual report and financial statements for the year ended 31 December 2022

Contents

	Page
Directors and advisors	1
Strategic report for the year ended 31 December 2022	2
Directors' report for the year ended 31 December 2022	5
Statement of directors' responsibilities for the year ended 31 December 2022	7
Independent auditor's report to the members of Concentric Birmingham Limited	8
Profit and loss account for the year ended 31 December 2022	12
Statement of comprehensive income	13
Balance Sheet as at 31 December 2022	14
Statement of changes in equity as at 31 December 2022	15
Notes to the financial statements for the year ended 31 December 2022	16

Concentric Birmingham Limited

Directors and advisors

Directors

M Kunz
M Whitehouse
R Storer

Registered office

Unit 10
Gravelly Industrial Park
Tyburn Road
Birmingham
B24 8HW

Independent auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers

Nordea Bank AB (publ)
Smalandsgatan 17
105 71
Stockholm
Sweden

SEB
New York Branch
245 Park Avenue
42nd Floor
New York
NY10167-0061
USA

Concentric Birmingham Limited

Strategic report for the year ended 31 December 2022

Principal activities and business review

Whilst the principal activity of the company continues to be the manufacturing of pumps for the diesel engine market, the demand for electric pumps has been increasing and is expected to form a greater proportion of revenue in future years.

2022 revenue levels saw a 21% increase from the previous year mainly as a result of the global markets picking up momentum to expected levels. There has been a general surge of demand moving from traditional fuel pumps to electric pumps across all customer and this new opportunity in innovative ePump technology is being embraced by the company and will gradually expand in all served markets.

The outlook for 2023 is looking positive with general market indicators projecting an increase in demand across all OEM's worldwide. In the 2023 results to date, the company has seen some softening in schedules from various customers (a reduction of 7%) which is projected to continue throughout 2023 and into 2024. However, in the light of current market analysis the company also expects to continue to see the impact from global supply chain, inflationary rates and macro-economic impacts for the remainder of 2023. The forecast forward is showing order books softening a little, however this is expected to improve and increase revenues going into 2024, the challenge will remain to match potential recovery of metals, freight, energy and economic impacts to be further passed on within the supply chain.

Principle Risks and Uncertainties

The Company's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk and exchange risk.

- **Price risk**

The Company is exposed to commodity price risk, particularly for raw materials. The Company monitors these costs through regular market analysis and assessment of metal escalator triggers and takes corrective action when required.

- **Credit risk**

The Company has implemented policies that require appropriate credit checks on potential customers and ongoing review of credit levels for existing customers. These credit limits are amended when appropriate.

- **Exchange risk**

The Company's operations give rise to extensive cash flows in foreign currency, the most significant of which are in US Dollars, Euros and Indian Rupees. The company monitors the net exposure of these cash flows on a rolling 12 month basis and uses forward contracts to hedge the associated risk.

- **Liquidity Risk**

The Company has a very stable cash position and has a cash pool facility with the parent company. Cash remains a key strategic focus for the business and the Company is managed to remain in a strong liquid position.

- **Operational Risk**

The Company has implemented processes that require due diligence and attention on key areas including business interruption, health & safety, failure of IT systems, product failure, key stakeholder analysis, litigation and fraud. Each one of these and more are topics that are addressed and discussed regularly in the business monthly operational meetings.

- **Cash flow Risk**

The Company has carefully managed and monitored its cash flow risks through weekly management reporting and by managing the external market variables influencing the business and its cash flow capabilities. This involves regularly monitoring its working capital movements, managing and matching better payments terms with key customers and suppliers and a robust capital authorisation process for the investment projects on innovative new developments for the business.

Concentric Birmingham Limited

Strategic report for the year ended 31 December 2022 (continued)

Key performance indicators ("KPIs")

The company measures the following KPIs to monitor the performance of the business:

	2022	2021
Operating Margin	29.2%	24.8%
Working Capital as a % of Revenue	34.7%	39.6%
Return on Net Assets	38.8%	23.0%

- Operating Margin is defined as Operating profit divided by Turnover
- Working Capital is defined as Net Current Assets less Cash at bank and in hand
- Return on Net Assets is defined as Profit for the financial year divided by Net assets

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 ("the Act")

The board of Concentric Birmingham Limited considers that it is comprised with appropriate individuals with suitable skills and experience and the directors consider that they have acted, both individually and together, in ways which would most likely promote the success of the company for the benefit of its members as a whole, having regard to key stakeholders and matters set out in section 172 (1) of the Companies Act 2006.

The board has implemented policies and processes to inform and assist its strategic planning, management and decision making in line with its culture and values. Details of the business unit's key stakeholders and how we engage with them are set out below.

• *Shareholders*

Concentric Group takes a lead in regards to assuring the strategy, performance and key decisions take into account stakeholder's interests in decision making. The parent company and the subsidiaries individually performs its stakeholders assessments and uses the information to assess the impact of decisions on each stakeholder group as part of its own decision making process.

• *Employees*

Concentric Group as a whole embraces various platforms to communicate and reach out to its employees, of which some of these platforms include:

- Quarterly briefings videos by the CEO, addressing the wider group and company performance and forward strategic planning
- Quarterly Local level management briefings, addressing local performance, targeted expectations and providing a platform for employees to raise any issues and concerns
- Regular monthly newsletters, addressing and engaging with employees on various aspects concerning their interests and welfare
- Annual employee surveys are conducted, a collaborative approach to address and highlight key issues and achievements, followed by feedback with clear plan of actions

• *Suppliers and Customers*

- Regular contacts are encouraged and addressed with key suppliers and customers through regular meetings, addressing day to day key operational aspects and shared strategic aim to improving key stakeholder interaction, relationship and feedback

Concentric Birmingham Limited

Strategic report for the year ended 31 December 2022 (continued)

- The Company has policies and processes that act as a monitoring tool to ensure there is no involvement in modern slavery, corruption or bribery, this is also advocated through Concentric values
 - Annual customer surveys are a key part of Concentric group's values and vision, it takes pride in putting its customers first and by conducting these surveys the company reaches out to its customers for in-depth analysis and feedback.
- *Government and Regulators*
 - The Company has a quarterly business continuity plan review which address the current status with a view to maintain all aspects concerning business going concern, regulations, legislation, business relations with the wider community and any other key stakeholders.
 - Regular business unit reviews are conducted between business unit leaders and the Executive team for the key business managers in the business to communicate and discuss group's strategic direction with a key focus on compliance with laws and regulation.
- *Environment*
- The company conducts business in an environmentally responsible way by:
- Operating our facilities in compliance with all environmental laws, rules and regulations
 - Providing training to employees in proper waste management procedures
 - Acting as good neighbours to our surrounding communities by communicating with the public regarding our environmental management practices where required
 - Minimizing the creation of waste, and disposing of all waste in a safe and responsible manner

On behalf of the Board,



Marcus Whitehouse

Director

Company registered number: 00671254

Date: 27 November 2023

Concentric Birmingham Limited

Directors' report for the year ended 31 December 2022

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2022.

Results and dividends

The profit before taxation for the year amounted to £13,825,000 (2021: £9,133,000). The directors anticipate continuing profitability from ongoing operations. This improved profitability was due to increased turnover and surcharge recovery from customers to mitigate the cost increases from various suppliers around the world.

There was £14,500,000 of dividends paid during the year (2021: £nil).

Director

The directors serving during the year and subsequent to the year-end were as follows:

D Woolley (resigned 28th Feb 2022)

M Kunz (appointed 1st March 2022)

R Storer

M Whitehouse

Directors' Indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Post balance sheet events

Since the balance sheet dated 31 December 2022, the ongoing war in Ukraine continues to impact the global economy. The directors believe the company is reasonably well placed to mitigate the impact of the recent inflationary and supply chain issues arising from this. The directors continue to monitor the situation closely and will adapt the business continuity plans as required.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company participates in Concentric AB's ("the Group") centralised treasury arrangements through a cash pool facility and so, where appropriate, shares banking arrangements with its parent and fellow subsidiaries. As part of the terms of the cash pool facility, the Group have the ability to utilise the cash balance on demand.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. The base cash flow forecasts assume a gradual year-on-year increase through better customer relationship management and recovery through the rest of 2023 and 2024 with trading expected to improve. The forecasts includes a severe but plausible downside scenario with sales falling by 25% for 2024 against the base case, which the directors believe to be cautious in light of the trading results in recent months as a result of the impacts from general economic movement. In such a downside scenario the company will have sufficient funds to meet its liabilities as they fall due for that period.

However, the directors recognise that as part of the cash pooling arrangement the Group is able to call on the cash pool balances. Therefore, the directors have considered the Group's forecasts and are satisfied that the Group will not be reliant on the cash pool amounts in the Company for the forecast period, even in a plausible downside scenario. The Directors therefore continue to assume that they will have access to the cash pool balances for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Concentric Birmingham Limited

Directors' report (continued) for the year ended 31 December 2022

Research and Development

Research and development activities continue to be aligned with our customer requirements to reduce parasitic losses within engine components to improve fuel economy. The variable flow range of products is attracting significant interest to include evaluation testing on various customer vehicles. The separation of advanced R&D from the main engineering function is driving a dedicated focus on new product development, innovative range of ePump technologies with proven ultra-high levels of efficiency and reliability are the key enablers to support newer innovative solutions and markets.

The research and development costs charged to the profit and loss account during the year ended 31 December 2022 amounted to £1,151,000 (2021: £946,000), the increase from the previous year is predominantly due to the levels returning to pre-COVID functioning.

Employees

The importance of good communications and relations with all employees is recognised. The company attempts to achieve this by a policy of keeping employees informed on matters affecting their interests at meetings with employees or through employee elected representatives.

In dealing with applications for employment from disabled persons or where individuals become disabled whilst in the employment of the company, every reasonable effort is made to provide opportunities within the potential aptitude and ability of the individuals concerned and to provide training and other facilities as may contribute appropriately to their career development or promotion.

Various communication methods are also discussed in the s172 statement in the strategic report.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Statement of disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG LLP, will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

On behalf of the Board,



Marcus Whitehouse
Director

Unit 10
Gravelly Industrial Park
Tyburn Road
Birmingham
B24 8HW
Company registered number: 00671254

Date: 27 November 2023

Concentric Birmingham Limited

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements for the year ended 31 December 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Concentric Birmingham Limited

Opinion

We have audited the financial statements of Concentric Birmingham Limited ("the company") for the year ended 31 December 2022 which comprise the Profit and loss account, Statement of comprehensive income, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and management meeting minutes.

Independent auditor's report to the members of Concentric Birmingham Limited (continued)

- Considering remuneration incentive schemes and performance targets for management/directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
As required by auditing standards, taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period.
We did not identify any additional fraud risks.
We performed procedures including:
 - Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts; and
 - Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, regulatory capital and liquidity and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any.

Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Concentric Birmingham Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Concentric Birmingham Limited (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



John Hughes (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date: 1 December 2023

Concentric Birmingham Limited

Profit and loss account for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	5	45,430	37,638
Cost of sales		(33,550)	(27,644)
Gross profit		11,880	9,994
Distribution costs		(410)	(298)
Administrative expenses		(3,034)	(1,598)
Dividend income		3,931	-
Other operating income	6	914	1,225
Operating profit		13,281	9,323
Other finance income	8	2,878	1,721
Other finance expense	7	(2,334)	(1,911)
Profit before taxation		13,825	9,133
Tax on profit	12	(1,141)	(1,320)
Profit for the financial year		12,684	7,813

The notes form an integral part of these financial statements.

Concentric Birmingham Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Profit for the financial year		12,684	7,813
Other comprehensive income:			
Re-measurement of net defined benefit obligations	20	651	3,516
Movement in deferred tax relating to pension deficit	12	(163)	(769)
Other comprehensive income/(losses) for the year, net of tax		488	2,747
Total comprehensive income for the financial year		13,172	10,560

The notes form an integral part of these financial statements.

Concentric Birmingham Limited

Balance Sheet as at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	13	3,386	2,740
Investments	14	727	727
Post-employment benefits	20	-	1,356
		4,113	4,823
Current assets			
Stocks	15	3,220	2,868
Debtors (including amounts falling due in more than one year of £1,774,000 (2021: £2,107,000))	16	30,157	28,980
Cash at bank and in hand		21,791	25,132
		55,168	56,980
Creditors: amounts falling due within one year	17	(17,634)	(16,959)
Net current assets		37,534	40,021
Total assets less current liabilities		41,647	44,844
Provisions for liabilities			
Other provisions	18	(450)	(458)
Post-employment benefits	20	(8,528)	(10,389)
Net assets		32,669	33,997
Capital and reserves			
Called up share capital	19	-	-
Share premium		718	718
Retained earnings		31,951	33,279
Total equity		32,669	33,997

The notes form an integral part of these financial statements.

These financial statements were approved by the board of directors on 27 November 2023 and were signed on its behalf by:



Marcus Whitehouse

Director

Company registered number: 00671254

Concentric Birmingham Limited

Statement of changes in equity as at 31 December 2022

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2021	-	718	22,719	23,437
Profit for the year	-	-	7,813	7,813
Other comprehensive income for the year	-	-	2,747	2,747
Total comprehensive income for the year	-	-	10,560	10,560
Balance as at 31 December 2021	-	718	33,279	33,997
Balance as at 1 January 2022	-	718	33,279	33,997
Profit for the year	-	-	12,684	12,684
Other comprehensive income for the year	-	-	488	488
Dividend	-	-	(14,500)	(14,500)
Total comprehensive income for the year	-	-	13,172	13,172
Balance as at 31 December 2022	-	718	31,951	32,669

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022

1 General Information

Concentric Birmingham Limited is a subsidiary company of the Concentric group of companies. The company is incorporated and domiciled in the United Kingdom. The address of its registered office is Unit 10, Gravelly Industrial Park, Tyburn Road, Birmingham, B24 9HW.

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). The presentation currency of these financial statements is pound sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company participates in Concentric AB's ("the Group") centralised treasury arrangements through a cash pool facility and so, where appropriate, shares banking arrangements with its parent and fellow subsidiaries. As part of the terms of the cash pool facility, the Group have the ability to utilise the cash balance on demand.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. The base cash flow forecasts assume a gradual year-on-year increase through better customer relationship management and recovery through the rest of 2023 and 2024 with trading expected to improve. The forecasts includes a severe but plausible downside scenario with sales falling by 25% for 2024 against the base case, which the directors believe to be cautious in light of the trading results in recent months as a result of the impacts from general economic movement. In such a downside scenario the company will have sufficient funds to meet its liabilities as they fall due for that period.

However, the directors recognise that as part of the cash pooling arrangement the Group is able to call on the cash pool balances. Therefore, the directors have considered the Group's forecasts and are satisfied that the Group will not be reliant on the cash pool amounts in the Company for the forecast period, even in a plausible downside scenario. The Directors therefore continue to assume that they will have access to the cash pool balances for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102.

FRS 102 allows a qualifying entity to take certain disclosure exemptions. The company has taken advantage of the available exemption under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Concentric AB, includes the company's cash flows in its own consolidated financial statements. The company has also taken advantage of exemptions available under FRS102 section 11 Basic Financial Instruments and FRS102 section 12 Other Financial Instruments in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1. Under FRS 102 paragraph 33.7 the company has taken advantage of the exemption not to disclose the total compensation for key management personnel.

In accordance with Paragraph 33.1A of FRS 102, the company does not disclose transactions with members of the same group that are wholly owned.

Consolidated financial statements

During the year, the company was a wholly owned subsidiary of Concentric AB and, in accordance with section 401 of the Companies Act 2006, the company has not prepared consolidated financial statements. The results of the company and its subsidiaries are consolidated in the financial statements of Concentric AB, a company registered in Sweden (see note 22).

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The company has a cash pooling facility from its parent company Concentric AB and are able to draw down cash on demand under the rules of the arrangement.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial assets (including trade and other debtors) (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Royalty Income

Payment made for the use of property, (i.e. trademark or patent) are based on a percentage of revenue obtained through the sale of certain products recognised over time.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods to customers. Turnover is recognised when goods are delivered to customers by the Company, or when goods are collected by the customer.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Tooling Income

Tooling income is recognised on the percentage of completion method of accounting and is calculated based on the percentage of costs incurred to date compared with the total expected costs for the contract. Tooling contracts are agreed with customers for the sale of tooling and prototypes. This may include lump-sum advance payment from the customers in some arrangements, whilst in others the company may be reimbursed periodically as certain milestones are met. The company assesses the terms of the contract to determine if control transfers over time.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Taxation

The taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Deferred tax

The charge for taxation is based on the pre-tax result for the financial year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse and is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists.
- Deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions unless there is a binding agreement to sell the asset and the gain or loss expected to arise.
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	shorter of life of lease or 25 years
Plant and machinery	-	5 to 12 years
Fixtures and fittings	-	3 to 10 years

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Investments in subsidiary companies are held at historic cost less accumulated impairment losses. At each balance sheet date the investments are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying value of the asset.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the 'first in first out' methodology is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Consumable tools are expensed as purchased.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re measurement to fair value is recognised immediately in profit or loss.

4 Critical accounting judgements and estimation uncertainty

Critical judgements in applying the company's accounting policies

No critical judgements have been taken when applying the accounting policies of the company. The policies have been applied as they are stated in Note 3.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, inflation and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends and relevant discount rate, mortality rates, CPI and RPI are applied. See note 20 for the disclosures relating to the defined benefit pension scheme.

5 Turnover

All turnover is attributable to the company's principal activity of manufacturing pumps for diesel and electric engines for agricultural and commercial vehicles. The analysis of turnover by geographical market is given below:

	2022 £'000	2021 £'000
United Kingdom	11,443	10,322
Rest of Europe	21,846	20,802
USA	9,700	4,268
Far East	2,441	2,246
	45,430	37,638

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

6 Other Operating Income

	2022 £'000	2021 £'000
Product Development and Tooling Income	670	1,050
Royalty Income	244	175
	914	1,225

7 Other finance expense

	2022 £'000	2021 £'000
Net loss on financial liabilities measured at fair value through P&L	-	(3)
Pension Interest expense (Note 20)	(2,334)	(1,906)
Interest expense on bank accounts	-	(2)
	(2,334)	(1,911)

8 Other finance income

	2022 £'000	2021 £'000
Net loss of financial liabilities measured at fair value through P&L	490	-
Interest income on fair value of plan assets (Note 20)	2,182	1,721
Interest income on bank accounts	206	-
	2,878	1,721

9 Expenses and Auditor's remuneration

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Depreciation of Tangible Fixed Assets – owned (note 13)	611	824
Hire of Other - Operating Leases	152	244
Rental – Operating Leases	504	494
Research and Development Expenditure	1,151	946
Services provided by the Company's Auditor:		
Audit Fees payable to the Company's Auditor	73	63

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Employee information

The average monthly number of persons employed by the company (including directors) during the year was as follows:

By activity:	Number of employees	
	2022	2021
Production	131	124
Administration	15	13
	146	137

The aggregate payroll costs of these individuals were as follows:	2022 £'000	2021 £'000
Wages and salaries	5,245	5,382
Social security costs	558	533
Pension costs	172	191
	5,975	6,106

11 Directors' emoluments

Remuneration in respect of directors was as follows:

	2022 £'000	2021 £'000
Directors' emoluments	128	120
Company contributions to defined contribution schemes	7	7
	135	127

Members of:	Number of directors	
	2022	2021
Company defined contribution schemes	1	1

During the year ended 31 December 2022 none of the directors were accruing benefits under a defined benefit pension scheme (2021: none).

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

12 Taxation

(a) Total tax recognised in the profit and loss account

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the year	1,881	1,488
Adjustment in respect of prior periods	(910)	67
Total current tax	971	1,555
Deferred taxation		
Origination and reversal of timing differences	137	371
Adjustment in respect of prior periods	(3)	1
Changes in tax rates or laws	36	(607)
Total deferred taxation	170	(235)
Total tax recognised in the profit and loss account	1,141	1,320

(b) Total tax recognised in other comprehensive income

	2022 £000	2021 £000
Deferred taxation		
Origination and reversal of timing differences	163	883
Impact of change in tax rates	-	(114)
Total deferred taxation	163	769
Total tax recognised in other comprehensive income	163	769

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

Taxation (continued)

(c) Summary of total tax within the financial statements

	2022			2021		
	£'000	£'000	£'000	£'000	£'000	£'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in the profit and loss account	971	170	1,141	1,555	(235)	1,320
Recognised in other comprehensive income	-	163	163	-	769	769
Total tax	971	333	1,304	1,555	534	2,089

(d) Reconciliation of effective tax rate

The tax assessed for the year is the standard effective rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	13,825	9,133
Total tax recognised in the profit and loss account	1,141	1,320
Profit multiplied by the standard rate of tax in the UK 19.00% (2021: 19%)	2,627	1,735
Effects of:		
Tax exempt income	(734)	-
Patent box incentives	-	(24)
Transfer Pricing Adjustment	113	106
Non-deductible expenses	9	42
Adjustment in respect of prior periods	(910)	68
Change in tax rates	36	(607)
Total tax charge/(credit) for the year	1,141	1,320

Adjustments in respect of prior periods relate to differences between the accounting position and final submitted tax returns to HMRC.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

Taxation (continued)

(e) Factors that may affect future tax charges

Since 1 April 2002, the UK Corporation tax rate applicable has been at 19 per cent. A change to the main UK corporation tax rate from 19 to 25 percent with effect from 1 April 2023 was announced in the Budget on 3 March 2021, and was substantively enacted on 24 May 2021.

Accordingly, UK deferred tax has been provided at a rate of 25 per cent on assets (2022: 25 per cent) and 25 per cent on liabilities (2022: 25 per cent), recognising the applicable tax rate at the point when the timing difference is expected to reverse.

Deferred taxation

Deferred tax recognised in the financial statements in the current and previous year is as follows:

	2022		2021	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Capital allowances	(367)	-	(160)	-
Post-employment benefits	2,141	-	2,267	-
Included in Debtors (falling due more than one year)	1,774	-	2,107	-
Total deferred tax (see note 16)	1,774	-	2,107	-

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

13 Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2022	919	27,312	4,607	32,838
Additions	-	1,232	25	1,257
At 31 December 2022	919	28,544	4,632	34,095
Accumulated depreciation				
At 1 January 2022	919	24,694	4,485	30,098
Charge for the year	-	586	25	611
At 31 December 2022	919	25,280	4,510	30,709
Net book value				
At 31 December 2021	-	2,618	122	2,740
At 31 December 2022	-	3,264	122	3,386

14 Fixed Asset Investments

Shares in subsidiary undertakings
£'000

Cost and net book value	
At 1 January and 31 December 2022	727

The directors consider the value of the investments to be supported by their underlying assets.
Subsidiary undertakings' details are as follows:

Name	Country of incorporation	Registered address	% of ordinary shares held	Nature of business
Complete Parts Limited	England and Wales	5 Brooklands, Redditch, Worcester B98 9DW	100%	Dormant
Concentric Engineering Limited	England and Wales	5 Brooklands, Redditch, Worcester B98 9DW	100%	Dormant
Concentric Pumps Pune (Pte) Limited	India	Gate No. 26/1, 27 & 28 (Part), off Pune Nagar Road, Lonikand, Pune: 412216, INDIA	98%	Vehicle component manufacturing

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

15 Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	2,713	2,277
Work in progress	447	383
Finished goods	60	208
	3,220	2,868

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £25,409,000 (2021: £18,526,000). The write-down of stocks to net realisable value amounted to £11,000 (2021: £21,000). The write-down and reversal are included in cost of sales.

16 Debtors

	2022 £'000	2021 £'000
Trade debtors	6,061	5,525
Other debtors	653	370
Prepayments and accrued income	586	266
Amounts owed by group undertakings	21,083	20,712
Deferred tax asset	1,774	2,107
	30,157	28,980

Amounts owed by group undertakings are unsecured, interest free and represent trading balances. Included within Debtors is a deferred tax asset of £1,774,000 (2020: £2,107,000) due in more than one year.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

17 Creditors: amounts due within one year

	2022 £'000	2021 £'000
Trade creditors	6,348	4,039
Amounts owed to group undertakings	8,958	11,708
Other creditors	31	27
Other taxes and social security costs	192	196
Corporation tax liability	1,090	47
Accruals and deferred income	1,015	942
	17,634	16,959

Amounts owed to group undertakings are unsecured, interest free and represent trading balances. These balances are repayable on demand.

18 Other Provisions

	Dilapidations £'000	Warranty £'000	Total £'000
At 1 January 2022	275	183	458
Utilised in the year	-	(8)	(8)
Charge in the year	-	-	-
At 31 December 2022	275	175	450

Dilapidations provision

A dilapidations provision has been recognised to cover contractual dilapidation costs under the lease agreement for the building. The dilapidation provision has not been discounted as the effect (or impact) has been considered to be immaterial.

Warranty provision

A warranty provision has been recognised to cover expected warranty obligations to customers. The provision is expected to unwind over the course of the next two years.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19 Called up share capital

	2022 Number	2021 Number	2022 £	2021 £
Authorised, allotted and fully paid:				
Ordinary shares of £1 each	100	100	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

20 Post-employment benefits

Defined benefit schemes

The company participated in two defined benefit pension schemes (the "Main" scheme and the "Directors" scheme) in the United Kingdom, both of which are considered to be related parties to the Company providing benefits based on final pensionable pay. The schemes are funded by the payment of contributions to separately administered trust funds that hold the pension scheme assets to meet the long term pension liabilities. Both of these schemes have been closed to new entrants and future accrual and replaced by defined contribution schemes. The Directors' scheme shares risks between entities under common control being Concentric Pumps Limited and Concentric Tipton Limited. Separate disclosures have not been included in these financial statements in respect of the Directors' scheme as the directors have concluded these are not material. Amounts in this note reflect both the Main scheme and Concentric Birmingham Limited's share of the Directors' scheme.

Employee Benefits

In respect of the Directors' scheme the benefit costs and contributions attributable to the Company are calculated on a pro-rata basis. Mercer are the actuarial advisors to the Company.

Allocation of defined benefit obligation between employers in the Directors' Scheme

The split of defined benefit obligation is based upon the latest actuarial funding valuation results. Which for the year-end 31 December 2022 is the 31 December 2021 valuation. Benefit payments from the Scheme are not recorded by entity and, therefore, a pro-rata approach is taken based upon the total defined benefit obligation at the start of the year from the valuation split by entity and member status

Allocation of Plan Assets between Companies within the Directors' Scheme

The total assets of the scheme were initially pro-rated to each based on the defined benefit obligation at that time. Each year this is updated to reflect a consistent basis as that calculated for the liability as explained above.

	2022 £'000	2021 £'000
Defined benefit obligation	(92,458)	(128,841)
Plan assets	83,930	119,808
Deficit in the schemes	(8,528)	(9,033)

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued) Post-employment benefits (continued)

Movements in present value of defined benefit obligation

	2022 £'000
At 1 January 2022	(128,841)
Benefits paid	5,642
Interest expense	(2,334)
Actuarial gains	34,999
Service cost for salary link	(1,600)
Expenses	(324)
At 31 December 2022	(92,458)

The DBO has reduced significantly primarily as a result of corporate bond yields increasing following the change of government in Q4 and impact of the then chancellor's mini-budget. The scheme assets have reduced significantly accordingly as a result of the scheme's asset liability matching strategy, the bond and insurance portfolio has reduced in line with the liability. The multi asset mutual fund has also decreased significantly as a result of general market volatility.

Movements in fair value of plan assets

	2022 £'000
At 1 January 2022	119,808
Benefits paid	(5,642)
Interest income	2,182
Actuarial losses	(35,748)
Actuarial gains in respect of prior year (see below)	1,400
Employer contributions	1,930
At 31 December 2022	83,930

During the year, the directors identified that fair value movements in pension assets had been understated in the prior year. The impact is to increase the pension assets by £1,400,000 in the year which has been recognised in other comprehensive income in the current year.

The adjustment has been recognised in the current financial year rather than prior periods as the directors have concluded that the adjustment is not sufficiently material to restate comparative information presented.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

Post-employment benefits (continued)

Defined benefit costs recognised in the profit and loss:

	2022 £'000	2021 £'000
Expenses	(324)	(394)
Service cost for salary link	(1,600)	-
Gains/ (losses) due to benefit changes	-	3,516
Interest income	2,182	1,721
Interest expense	(2,334)	(1,906)
Defined benefit costs recognised in the profit and loss account	(2,076)	2,937

In 2022 a new sole Trustee and Administrator was appointed to manage the pension schemes. Upon takeover the new Trustees completed a review of the Scheme Rules and identified the Plans did not close to accrual and that a salary link should have remained for members still employed by the Company (although link to service was severed). The Trustees and Scheme Actuary have completed an analysis based on the available data and estimate that the additional liability to members represents 1.9% of the defined benefit obligation for the Main scheme. The impact is to increase the defined benefit obligation by £1,600,000 in the year which has been recognised as a past service cost in the profit and loss account for the year. The adjustment has been recognised in the current financial year rather than prior periods as the directors have concluded that the adjustment is not sufficiently material to restate comparative information presented.

It is recognised that as the administrators of the scheme complete their data exercises and confirmations, the estimate will be refined and there is therefore a degree of uncertainty in the estimate recorded. This however represents the directors best estimate of the impact based on information available at the balance sheet date. Subsequent changes to the estimate will be recorded through other comprehensive income as experience adjustments.

Defined benefit income/(losses) recognised in other comprehensive income:

	2022 £'000	2021 £'000
Return on plan assets	(34,348)	(3,203)
Re-measurement gains/(losses)	34,999	6,719
Defined benefit income/(losses) recognised in other comprehensive income	651	3,516

The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 1 January 2023 is £2,005,000.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

Post-employment benefits (continued)

Scheme assets

The fair value of the scheme's assets and the return on those assets were as follows:

	2022 £'000	2021 £'000
Bonds	33,962	47,549
Multi Asset Mutual fund	34,938	54,615
Cash	1,660	1,308
Insured Assets	13,370	16,336
Fair value of plan assets	83,930	119,808

None of the fair values of the assets shown above includes any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Principal actuarial assumptions at the year-end were as follows:

	2022	2021
Discount rate	5.05%	1.85%
Rate of inflation - Retail Price Index ("RPI")	3.15%	3.40%
- Consumer Price Index ("CPI")	2.65%	2.90%
Allowance for commutation of pension for cash at retirement	80%	100%
Rate of increase in pension payment	3.50%	3.55%

The last actuarial valuation for both the Main scheme and the Directors' scheme was updated to 31 December 2022 by a qualified actuary, using the projected unit basis, independent of the scheme's sponsoring employers. The contributions for the year were £1,930,000 (2021: £2,005,000). The last triennial valuation for the Main scheme was 31 December 2022 and for the Directors' scheme was 31 December 2021.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions have not been updated to reflect the potential impacts of COVID-19 as a result of the uncertainty of the impact on long-term mortality rates. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2022 Years
Longevity at age 65 for current pensioners:	
Men	21.4
Women	23.7
Longevity at age 65 for future pensioners:	
Men	22.7
Women	25.2

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2022 (continued) Post-employment benefits (continued)

The scheme administrators were informed in the prior year that the scheme may retain responsibility for the GMP liability in respect of 32 members whose benefits were secured with an insurer historically. The Company and the administrator are awaiting further details from the annuity providers and therefore there is insufficient information available to confirm whether a liability will arise for the scheme. The Company do not expect a material increase to the defined benefit liability will be required with respect to this matter.

Defined contribution scheme

The company operates a defined contribution pension scheme. The pension cost for the period represents contributions payable by the company and amounted to £191,000 (2021: £191,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

21 Financial commitments

At 31 December 2022, the company had annual commitments under non-cancellable operating leases as set out below:

	Other		Land and buildings	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	42	56	513	513
- In second to fifth years inclusive	17	43	2,052	2,051
After more than five years	-	-	1,539	2,052
	59	99	4,104	4,616

22 Immediate and ultimate parent undertaking and controlling party

The directors consider Concentric Pumps Ltd to be the immediate parent undertaking.

Throughout the year, the ultimate parent undertaking and controlling party was Concentric AB, which was the parent company of the smallest and largest group to consolidate these financial statements in full. Copies of Concentric AB consolidated financial statements can be obtained from the group's website at www.concentricab.com.



Technology
Innovation
Sustainability

Annual report

COMPANIES HOUSE

TABLE OF CONTENTS

Contents

Introduction	
Concentric in brief	2
Highlights 2022	4
CEO comment	6
Markets	
Business model	10
Value proposition	12
Electrification	16
Market and trends	18
End-markets	22
Strategy	
Priorities & targets	28
EMP integration	30
Risk assessment	32
Sustainability	34
The share	48
Corporate Governance	
Corporate Governance Report	50
The Board	64
Group Management	66
Statutory annual report¹⁾	
Board of Directors' Report	68
Financial statements – Group	82
Group notes, note 1–38	86
Financial statements – Parent Company	110
Parent Company notes, note 1–21	114
Auditor's report	120
Sustainability reporting – GRI	126
2022 GRI Index	130
Global Compact	133
APM reconciliation	134
Taxonomy	136
Glossary	138
Definitions	139
Shareholder information	140
Addresses	

1) The statutory annual report encompasses pages 68–119.
Unless otherwise stated, all amounts have been stated in SEK million. Certain financial data has been rounded in this annual report. Where the sign “ ” has been used, this either means that no number exists or the number rounds to zero.

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



Focused on innovations that create sustainable value

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

True to the ethos of

“We are in this together”, we work closely and proactively

with our customers to help them reduce their emissions and preserve resources. Our purpose has never been more relevant than it is today, and we focus on those areas where we can make the biggest impact. We value our ability to adapt efficiently to current and emerging industry needs.

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

Concentric in brief

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

Vision

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

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

Mission

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

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

Values

Business excellence in all we do

- Performance
- Process
- Change

Achievement through our people

- Integrity
- Teamwork
- Resilience
- Openness

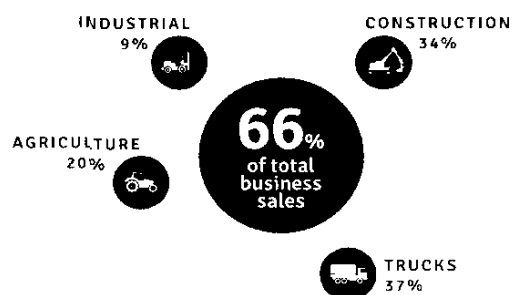
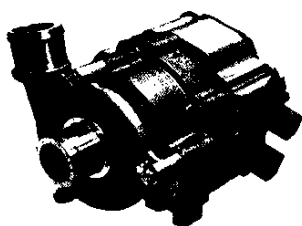
Dedicated customer focus

- Sustainable products
- Customer satisfaction

Two business segments

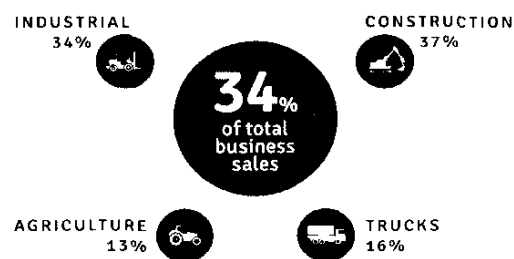
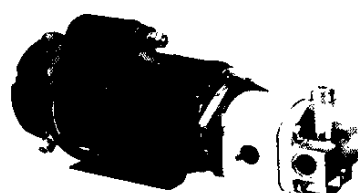
Engines

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



Hydraulics

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



Primary end markets



CONSTRUCTION

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



AGRICULTURE

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



TRUCKS

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



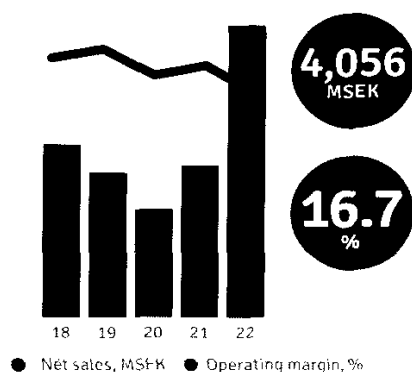
INDUSTRIAL

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




Highlights 2022

- Record sales performance
- Operating margin resilience during a challenging year
- Strong cash generation through working capital management
- Electric sales are 17% of total sales
- Successful integration of EMP

Sales and operating margins



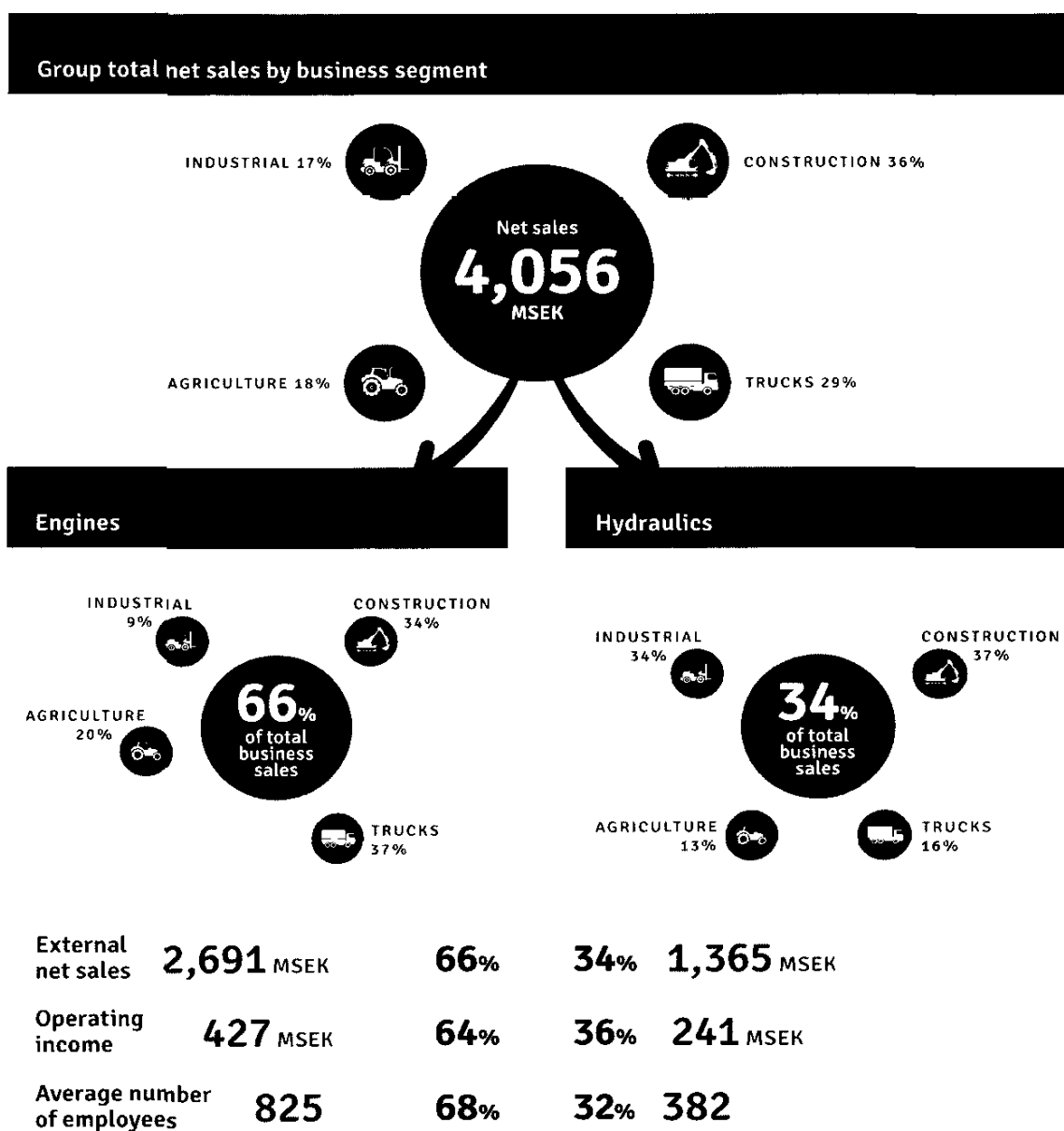
Full year market indices 2022 vs 2021

	US	EU	India
Construction			
	10%	-3%	14%
Trucks*			
	12%	3%	21%
Agriculture			
	10%	-2%	-13%

* Medium & heavy trucks

Key figures, amounts in MSEK unless otherwise specified	2022	2021	2020	2019	2018
Net sales	4,056	2,115	1,502	2,012	2,410
Organic sales growth, constant currency, %	15	31	-23	-20	12
Operating income before items affecting comparability	668	443	291	472	525
Operating margin before items affecting comparability, %	16.5	20.9	19.4	23.5	22.1
Operating income	677	403	276	472	529
Operating margin, %	16.7	19.1	18.4	23.5	21.9
Net income for the year	501	338	205	321	405
Cash flow from operating activities	529	260	337	386	554
Diluted earnings per share, SEK	13.18	8.88	5.42	8.36	10.27
Basic earnings per share, SEK	13.20	8.91	5.43	8.37	10.30
Dividends, SEK	4.00 ¹⁾	3.75	3.50	3.25	4.25
Net debt	925	1,192	86	54	12
Gearing (Net debt/equity) ratio, %	45	82	8	5	1
Return on equity, %	26.6	26.2	17.5	29.5	41.6
Market capitalisation	7,414	10,658	6,938	6,005	4,628

1) Proposed dividend at the 2023 AGM.



Net sales – Group

This has been a transformational year for Concentric following the successful acquisition and integration of EMP, which combined with an overall strong trading performance has increased our net sales for the full year to SEK 4.1B, the highest in the Company's history. However, this has also been a challenging year with the war in Europe, the energy crisis, continued instability in the global supply chain and general inflationary pressures, but still Concentric achieved 15% organic growth in 2022. Sales also grew due to the impact of currency +12% and acquisition of EMP +65%, for total growth of 92%.

Operating income – Group

The reported Operating income for the year amounted to MSEK 677 (403) resulting in an Operating margin of 16.7% (19.1). Excluding the profit from the sale of Chivilcoy, the underlying operating margin for 2022 was 16.5% (20.9). Our Business Excellence programme continues to deliver strong margins despite inflationary cost pressures from suppliers.

CEO COMMENT

CEO review of 2022

Reflecting on the year

I am honoured and pleased about taking on the role as President and CEO of the Concentric Group, in what has proved to be a transformational year for the company.



This has truly been a transformational year for Concentric following the successful acquisition and integration of EMP, which combined with an overall strong trading performance has increased our reported net sales for the full year to SEK 4.1 billion, the highest in the Company's history.

At the same time, this has also been a challenging year, with the war in Europe, the energy crisis, continued instability in the global supply chain and general inflationary pressures. Despite these challenges, the Concentric team has delivered strong sales and robust operating margins each quarter throughout 2022.

Demand has continued to exceed supply throughout the year, albeit in an environment that has progressively improved quarter-on-quarter. However, the availability of raw materials and components constrained sales to our end markets, causing an increase in the order backlog each consecutive quarter during 2022, particularly in our North American facilities. We endeavour to satisfy these customer orders during 2023. This supply and demand imbalance, as well as the additional difficulties mentioned above, have pressurised the global supply chain, resulting in metal and economic price increases from our suppliers on a scale and consistency not seen in some time. Our commercial teams have been successful, passing these cost increases up the value chain working closely with our customers to maintain our strong operating margins.

This year we took a major step forward to achieve our target of 20% of group sales coming from e-Products by 2025, following the acquisition of EMP, a business that already attributes a significant proportion of sales to electric products. For the 2022 period, 17% of our total sales stemmed from e-Products. This could have been even closer to our target percentage had it not been for the global shortage of semi-conductors, constraining sales. We have also defined other key performance indicators, which we have shared with investors quarterly to track our progress in this increasingly important strategic growth area.

Overall, our end-markets remained at a sustained high-level year-on-year, constrained by supply but with a geographically mixed picture. The North American market was strong with growth in all end-market applications. Within the European market the truck sector grew modestly, and the off-highway sectors, Construction and Agriculture contracted. India continued to offer growth opportunities in both the construction equipment and medium- and heavy-duty truck sectors; both markets grew in excess of 10% in 2022. India remains a pillar of our growth strategy and we recently announced our first on-highway business nominations in this region.

The economic situation in China has been affected by a headwind all year, particularly for Alfdex, our joint venture with Alfa Laval, which has a significant presence in China, supplying oil-mist separators to key OEMs to achieve China VI emission standards. Stringent Covid-19 policies have dampened demand and slowed economic growth. However, we are hopeful that recent announcements in relaxing of the Covid-19 rules will reinvigorate the economy during 2023.

Financial performance

Group sales, in constant currency and excluding EMP, were up +15% and reported sales were up +92% for the full year. Our Business Excellence programme enhanced by new pillars such as global sourcing maintained the Group's profitability at a strong level despite inflationary cost increases from suppliers.

The full-year reported operating margin was 16.7% (19.1).

With the ongoing disruption within our global supply chain, we continued to hold the required levels of inventory to meet our customers' production needs. At the same time, a broader focus on our working capital management ensured this year's profit-to-cash conversion ratio of 102%. Strong cash flows from operations, remeasurement of pensions liabilities and continuing to paydown term loans, ensured the reduction

of net debt for the Group to 925 MSEK and a gearing ratio of 45%. We were also able to pay a 2021 dividend to shareholders of SEK 3.75 (3.50) per share and maintain a healthy cash and cash-equivalents position at the end of the year, to the value of MSEK 624 (440). This is sufficient to both finance the day-to-day operations and lends room for future acquisitions.

EMP – successfully integrated

The acquisition of EMP during the fourth quarter of 2021 has been truly transformational and a great success story because of the hard work and dedication of all our employees to complete the important integration work during 2022, which included:

- The merging of commercial teams managing our mechanical products business, creating one face to the customer, which has been well received;
- The completion of training for both European and North American commercial teams to allow them to cross sell both e-Product and our mechanical product ranges; and
- Operational synergies in North America in progress, among them the recently implemented strategic sourcing organisation.

Whilst much of the integration work is complete, we will work to identify further opportunities to integrate operations, reduce cost and maximise sales opportunities in the coming year.

The strategic rationale for acquiring EMP was to support our electrification strategy, allowing us to develop world-class technology with innovative solutions that meet the sustainability needs of our customers, whether the powertrain technology is fuel cell, battery or a hybrid solution. Our combined technology offering has created a high level of interest from customers in North America and Europe, particularly for our high voltage e-Products, mini hybrid cooling systems and

electro hydraulic steering units across the range of zero emission powertrains. Progress in winning prototype orders, shipping prototype units or new business nominations will be regularly shared with investors.

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

Sustainability at Concentric

We include the Global Reporting Initiative (GRI) index in this year's Sustainability Report. Sustainability efforts constitute an integral part of Concentric's operations and is something we consider when engaging with all our stakeholders. The aim is to ensure a holistic approach with as many positive results as possible, environmentally, socially and economically. Most plants within the Concentric Group are certified to ISO 14001 or higher, demonstrating the Group's environmental credentials and commitment to reduce emissions and waste. The GRI index is a framework with tangible goals that provides for a structured way to plan, execute and follow-up on Concentric's sustainability efforts. Our product by its design and high efficiency function is already recognised for reducing engine parasitic losses, thereby reducing fuel consumption and CO₂ emissions. Our next-generation e-Pumps raise the bar again, as we help to deliver "power-on-demand", further reducing energy wastage.

New sustainability reporting requirements have been clarified and Concentric has complied with the EU Taxonomy financial disclosures requirements. We welcome the new standard and will work during 2023 to meet further sustainability reporting requirements, which will aid our investors to better understand how our sustainable technology will benefit the global environment.

2023 outlook

The overall published market indices blended to Concentric's mix of end-market applications and locations suggests the market for the full year 2023 will be weaker than 2022, as regional central banks continue to increase interest rates to tackle the high inflationary environment, meaning the macroeconomic picture remains uncertain. However, near-term demand from our customers and their medium-term outlook remains positive, indicating demand for our products could continue at similar levels to those experienced during 2022. We expect the availability of critical raw materials and components to continue to influence our sales during 2023 as well as enduring inflationary cost pressures, mainly due to supplier increases and shortages. Despite this we expect that the initiatives we will execute during 2023 will enable us to maintain our strong trading margins.

Whilst the economic outlook is uncertain, our customers continue to strive towards CO₂ neutrality and zero emissions, and Concentric has the technology and innovation to support these developments with world-class e-Product solutions. We will continue to invest in people and product to support our electrification strategy, and will search for further acquisitions to generate inorganic revenue growth.

The last three years have been challenging, 2022 in particular, and I'd like to thank all employees for their commitment and hard work in supporting our customer's needs whilst creating strong financial returns for our shareholders.

Personal words on taking on the role & new leadership team

A year ago, I took on the role as CEO and President of the Concentric group. The past year has been a transformational one for the company where record results could only be delivered with exceptional collaboration from our dedicated employees, supported by our suppliers and customers to overcome such a challenging business environment. Working together as One Concentric, the group delivered excellent organic growth, record sales and strong margins.

With the integration of EMP into the Concentric family, our team expanded by an additional 400 motivated and skilled employees, exciting our people and customers with new opportunities. The integration of the EMP business, created closer ties between employees across the globe. We instigated diverse, cross-functional teams to collaborate on key growth initiatives during the year with many of these activities providing development opportunities for our people and strengthening our One Concentric approach.

I am incredibly proud of the achievements of our team during 2022 and look forward to the continuation of these efforts to deliver strong performance in the coming year.

Martin Kunz
President and CEO

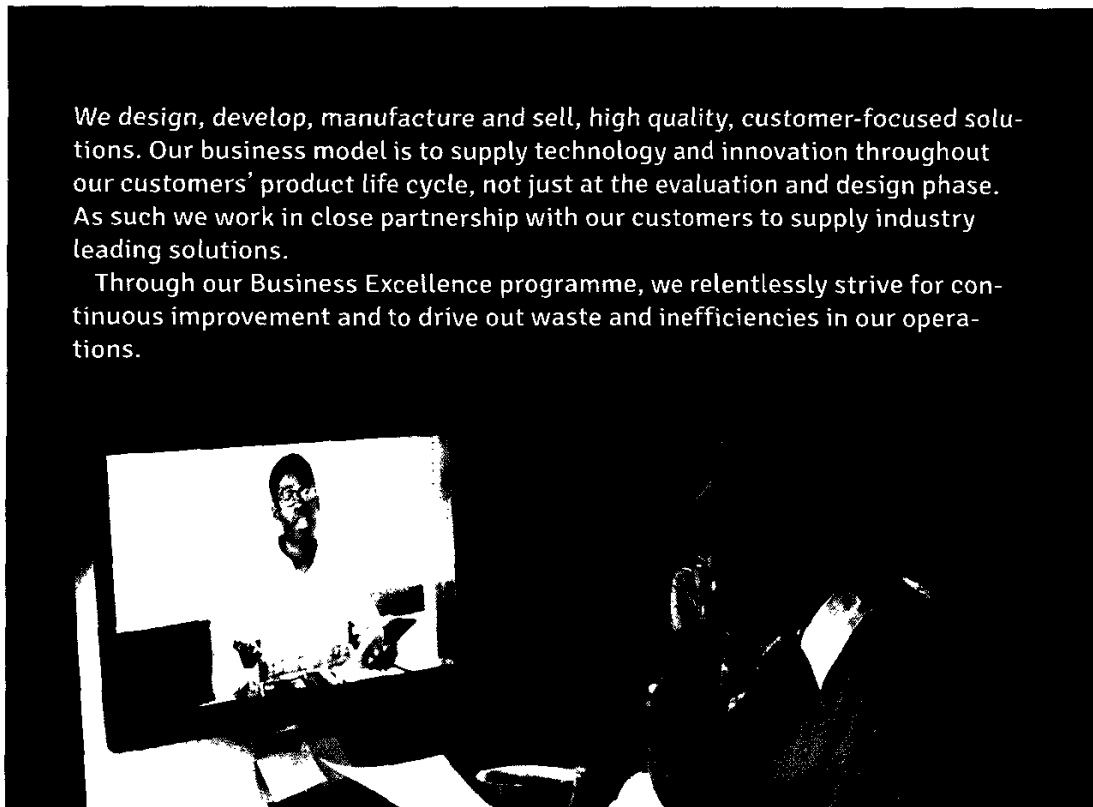
Business model for innovation

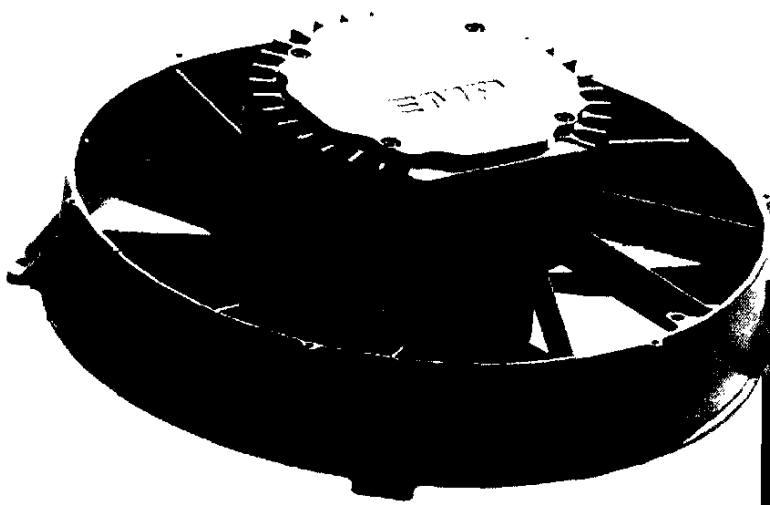
Our business is built around customer-focused innovation based on our deep technological expertise. With it, we aim to supply sustainable solutions that add value to our customers' products.

We work in partnership
with our customers ...

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

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





Two sales channels

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

... to develop products ...



... for primary end markets.

- Engine products
- Hydraulic products

Our products provide:

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



Construction



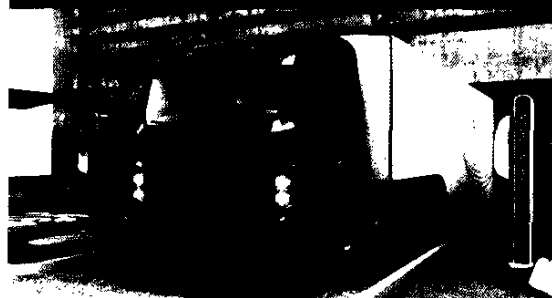
Trucks



Agriculture



Industrial



Engine products

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

Products

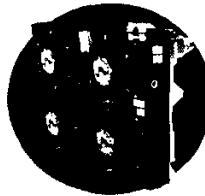
OIL PUMP

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



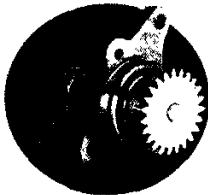
MINI-HYBRID ELECTRIC COOLING SYSTEM

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



FUEL TRANSFER PUMP

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



E-FUEL PUMP

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



WATER PUMP

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



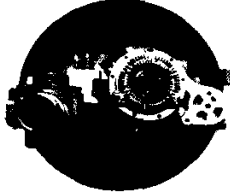
E-OIL PUMP

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



LICOS CLUTCH

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



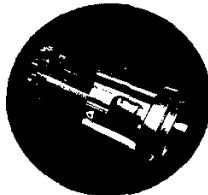
E-WATER PUMP

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



DUAL CONE CLUTCH

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



ALFDEX OIL MIST SEPARATOR

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





Market position

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

Priorities

- Target the next generation of engine platforms that will be driven by more stringent emissions regulations for CO₂ and, especially in cities, micro particulates.
- Support the switch to electrical powertrains and look for opportunities to transpose e-Product technology to new end markets like energy storage and distribution.
- Secure cross-selling opportunities for EMP and Concentric products.
- Explore long-term growth opportunities by growing sales in emerging markets.

Value proposition

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

See articles on pages 16-19 and 30-31 for more information on our joint value proposition together with EMP.

Hydraulic products

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

Products

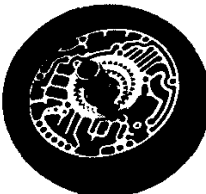
DC POWER PACKS

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



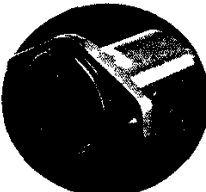
TRANSMISSION PUMPS (ALLIED)

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



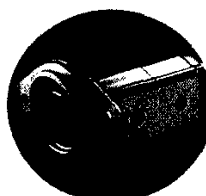
HIGH POWER DENSITY UNITS

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



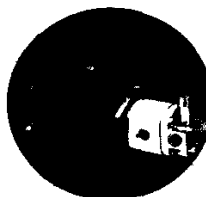
CONTROLLED POWER PACKS CAN

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



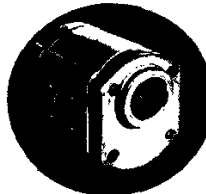
MAIN HYDRAULIC PUMPS

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



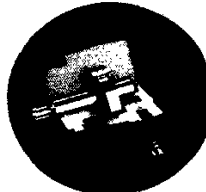
SUPPLEMENTARY STEERING

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



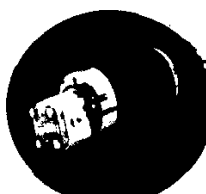
LOW NOISE PUMPS

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



INTERNAL GEAR PUMP

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



ELECTRO HYDRAULIC STEERING

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

Market position

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

Priorities

- Expand the distributor network, particularly in Europe and Asia.
- Continue to develop and offer our EHS product for zero emission vehicles for both on and off-highway applications.

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

Value proposition

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

The electrification of on-highway vehicles, such as trucks and buses, is gathering momentum, says the International Council on Clean Transportation (ICCT). This is being propelled by global regulations for the reduction of new vehicle fleet emissions and greater use of zero-emission technologies, supported by governments across the world.

Concentric supports customers in on-highway electrification journey

As outlined in the International Energy Agency's (IEA) Global EV Outlook 2022, registrations of electric buses and medium and heavy-duty trucks saw good growth over 2021, particularly within China, Europe and the United States. 'Sales of electric buses increased 40 percent over the previous year even as the global bus market remained roughly constant. Global sales of electric medium- and heavy-duty trucks more than doubled over 2020 volumes, while total sales volumes remained at roughly the same level as the previous year.'

The IEA's report further states that, 'in 2021, the global electric bus stock totalled 670,000 vehicles, driven by growth specifically within transit buses that operate in urban areas with strong needs for emission reductions'. Electric heavy-duty truck numbers were recorded at



CASE Electrification



66,000 vehicles. These figures represent around four percent of the global fleet for buses and 0.1 percent for medium and heavy-duty trucks respectively.

Research conducted by Interact Analysis shows further positive progression within this sector over the next few years, stating that, by 2030, we should see these numbers increase to more than nine million battery electric trucks and buses out of a total market of 21 million. The rate of uptake will however be influenced by several factors, including the rate of global charging infrastructure, developments in battery technology, legislation, and the total cost of ownership of commercial vehicles.

Concentric supports zero-emission commercial vehicle development

There's no question that the world is moving towards a net zero future, and the growing demand for zero-emission vehicles – both battery and fuel cell technology.

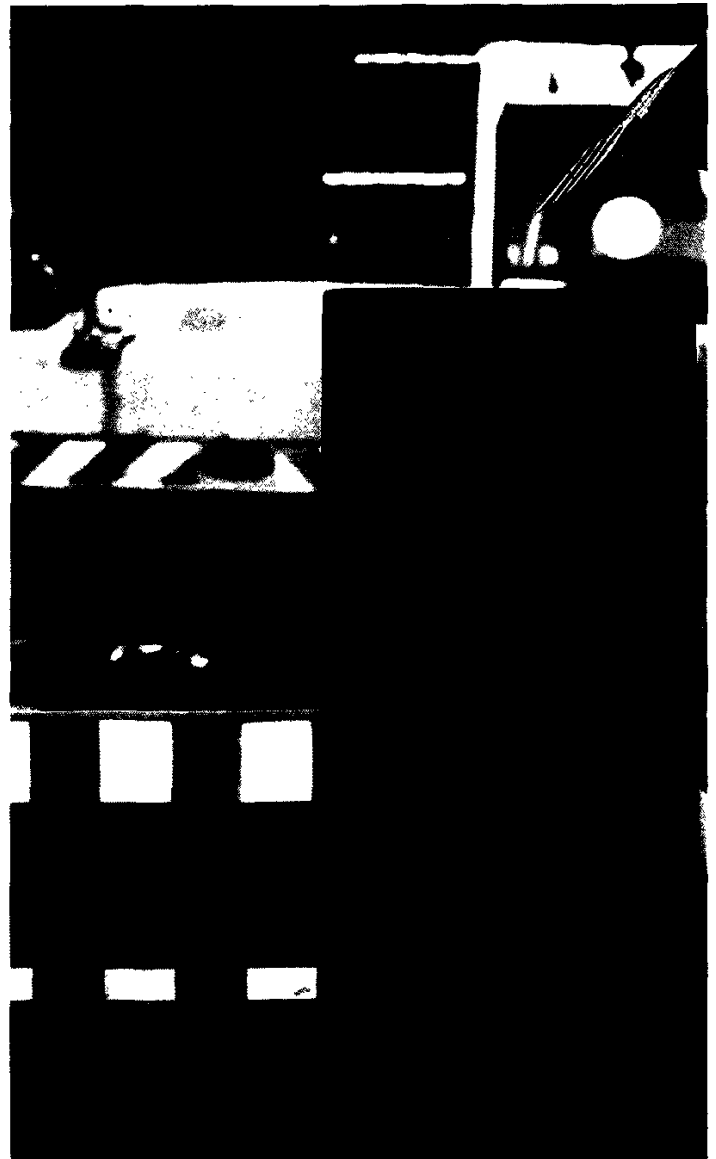
As is clear from the research sources already mentioned, buses and short-haul trucks have been early adopters of new technologies, with heavy-duty vehicles increasingly following suit.

As OEMs increase their production volume of electric commercial vehicles, the market size for Concentric's electric products continues to grow. This provides significant growth opportunities for our business in the coming years. This growth potential is boosted even further by the fact that e-Products offer increased functionality and value to our customers versus mechanical products.

Looking to the near future

Concentric previously outlined an ambitious electrification target, aiming to derive 20 percent of our sales from electric products by 2025, and believe that our acquisition of Engineered Machined Products, Inc. (EMP), a leading US producer of electric and mechanical water and oil pumps, electric fans, thermal management systems and precision machined components in late 2021, is assisting us in moving forward, as a Group. We are currently setting a new sales target for electric products, to be communicated in due time.

Concentric continues to innovate and respond to the evolving needs of our customers. As a result, we are well positioned to continue to make inroads in supplying this market with both electrified and mechanical products. Known for the robustness and reliability of our products, as well as the ability to deliver tailored solutions to meet our customers specific requirements, we have established a strong presence over time in our legacy markets, such as buses and trucks, as well as within the construction and agriculture sectors. These qualities, established over more than 100 years con-



tinue to be as important to our customers today as they have ever been. Indeed, as customers experience increased market and technology disruption, the ability to depend on reliable, high quality supply partners is more important to them than ever.

We now have electric products on vehicles and construction, agriculture and industrial machines all around the world and continue to receive nominations in our legacy markets, such as the important nomination with a North American OEM-supplier for a electro-hydraulic steering (EHS) system. This will be used on a new range of medium-duty battery electric trucks received in 2021, and a new development contract attained in 2022 to supply electric coolant pumps to cool fuel cells for a global truck, bus and construction OEM.

Concentric's technology is proudly industry agnostic and, as is clear, we are able to address any market and any application using zero emission powertrains, mitigating increased heat emitted by new power sources and providing temperature controlling systems for the vehicle.



New market opportunities

As well as continued growth in our core markets, e-Products are also helping to open up new markets for Concentric.

An example of this growth is a new development contract recently received by Concentric to supply high voltage electric coolant pumps for a battery electric mining machine. The customer, a global construction OEM, will use our e-Pumps to cool the batteries and power electronics on a large fully electric mining machine.

We are constantly analysing opportunities for our electric products in other adjacent new markets. Another example is a success that has been realised in the energy storage market, where our electric coolant pumps are being used by a market-leading OEM of storage systems for battery cooling.

We have identified other adjacent new markets, and the organisation is currently looking at the viability and opportunities that these markets could offer Concentric.

The acquisition of EMP has further supported the future development of e-Products and has generated

cross-selling opportunities in both Europe and North America. We explore the latest status of the integration of EMP later in the annual report.

We continue to look for ways to support and accelerate our electrification growth plans through further acquisitions and have a dedicated team in place to explore these opportunities. The continued strength of our balance sheet means that we retain the capacity to deliver material growth through acquisitions, with a focus on those targets which enhance our existing technology portfolio and deliver on our global growth strategy.

Exciting opportunities for Concentric

In summary, the trend towards electrification creates exciting opportunities for Concentric to both grow our market share, and also our share of wallet with our customers. We continue to innovate to deliver products that meet the needs of ever evolving markets and we remain well positioned to capitalise on opportunities for growth in the coming years.

Adapting to a changing market

Our markets are constantly undergoing change, from the general cyclicity of markets and long term trends towards a more efficient and CO₂ neutral future. Concentric is well placed to benefit from these changes.

MARKET AND TRENDS

Short term characteristics

Cyclicity

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

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

Long term trends

Economic growth

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

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

OUR RESPONSE

Concentric's business model allows a flexible cost base in order to quickly react to changes in demand to ensure margins remain strong. We have consistently demonstrated market leading levels of flexibility and responsiveness to market trends allowing us to deliver strong results in all market conditions.

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

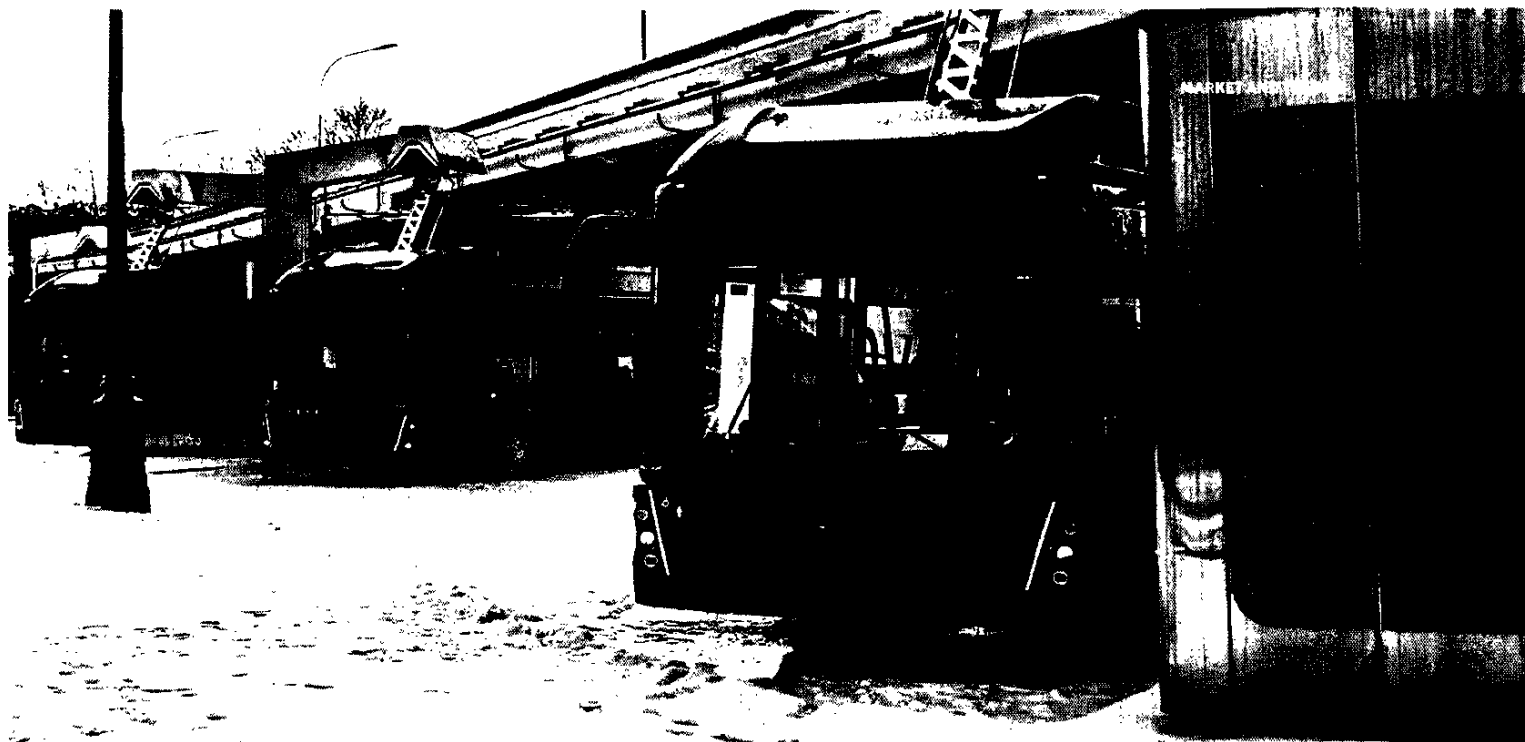
2022
Market Growth

3%

based on market indices
blended to our end
markets and regions

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

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



Fuel and energy efficiency

Customers are demanding increasingly more efficient products to help achieve lower CO₂ emissions, reduced fuel costs and longer battery life. This increased efficiency also reduces the total cost of ownership of the end products.

In addition to customer demand, climate change is driving society's demand to reduce CO₂ emissions, particulate matter and noise pollution. Legislation is being introduced around the world, particularly in urban environments, to meet this societal demand.



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

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

Electrification

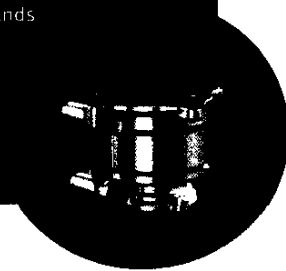
To meet societies demand for a more sustainable future, our customers are moving away from hydrocarbons as a fuel source and towards electric power sources such as battery packs and fuel cells. This results in zero tail pipe emissions for their products and helps the overall drive for a CO₂ neutral future.

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



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

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



Global sales

North America

68%

group sales

27% Construction
15% Trucks
16% Agriculture
10% Industrial



Europe

28%

group sales

7% Construction
13% Trucks
2% Agriculture
6% Industrial

China

1%

group sales

1% Construction



North America

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

Greenfield, Indiana, USA
Manufacturing, Sales

Itasca, Illinois, USA
Manufacturing

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

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

Europe

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

Hof, Germany
Manufacturing, R&D, Sales

Stockholm, Sweden
Registered office

Markdorf, Germany
Manufacturing, R&D, Sales

Monza, Italy
Administration office

Strasbourg, France
Sales office

Landskrona, Sweden
Alfdex, JV with Alfa Laval

Asia

Kunshan, China
Alfdex, JV with Alfa Laval

Pune, India
Manufacturing, R&D, Sales

Seoul, Korea
Sales office

Suzhou, China
Manufacturing, Sales

India

3%

group sales

1% Construction
1% Trucks
1% Industrial

Construction



The global construction equipment market fell 7% in 2022 and the latest forecast suggests the market will slow by 1% over the next 5 years. All regions are forecasting low single digit growth, other than India which is showing the market remaining flat.

Based on the forecasted production of diesel engines over the next 5 years, construction equipment is expected to grow by a CAGR of 0.4% in Europe, 1.3% in North America, 2.6% in China and fall 0.1% in India.

North America

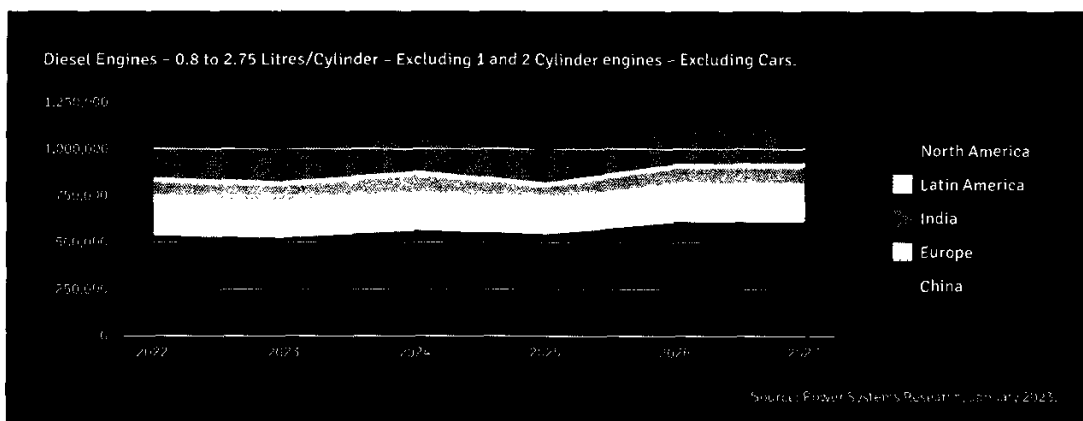
Market indices published at year-end indicate that North American production volumes for Construction Equipment increased year-on-year by 10% for diesel engines. Concentric's actual sales of engine and hydraulic products for Construction Equipment were up 18% year-on-year in constant currency excluding the impact of EMP, ahead of the market index. North American construction sales make up 27% of total Group sales and remain a key market.

Europe

European market indices for the production of diesel engines for the Construction Equipment market decreased 3% year-on-year. Concentric's actual sales for Construction Equipment were up 15% in constant currency ahead of the market index. The European Construction Equipment sales represent 7% of total Group sales.

Emerging markets

Market indices for the production of diesel engines for Construction Equipment were up year-on-year in India by 14% but down 18% in China. Concentric's exposure to the Construction Equipment market in these territories remained relatively low at approximately 2% of the Group's total sales for 2022.



Trucks



The global medium- and heavy-duty truck market fell 15% in 2022, driven by a decline in the China market, all other regions showed growth. The crucial European market grew 3% year-on-year. Over the next five years the truck market is expected to remain flat, however the key European market is growing at a CAGR of 3%.

Based on the forecasted production of diesel engines over the next 5 years, on-highway medium- and heavy-duty trucks are expected to grow by a CAGR of 2.6% in Europe, 6.0% in India and decline by 4.4% in China and 4.3% in North America.

North America

Market indices published for 2022 indicated that North American production of diesel engines for medium- and heavy-duty trucks increased year-on-year by 12%. Concentric's actual sales of engine and hydraulic products for trucks were up 18% year-on-year in constant currency excluding the impact of EMP. North American truck sales represent 15% of total Group sales.

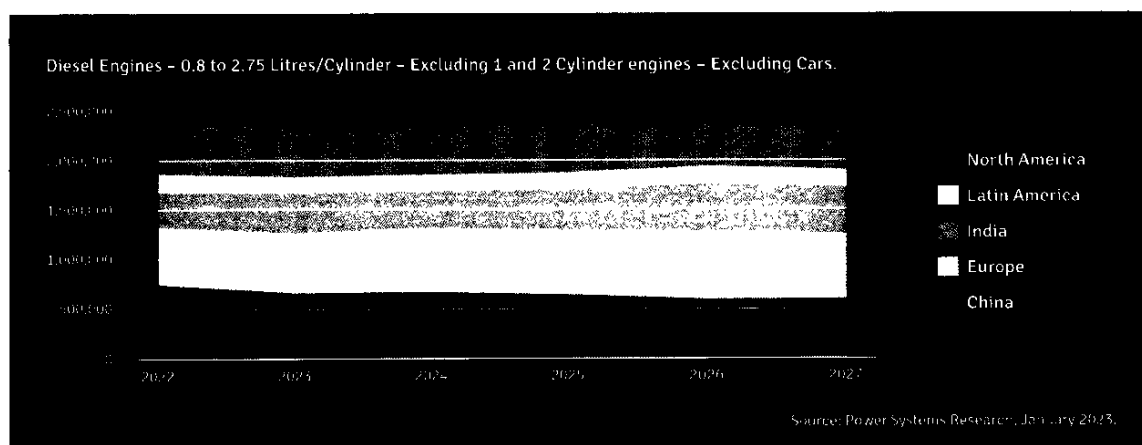
Europe

European market indices for the production of diesel engines for medium- heavy-duty trucks increased year-on-year by 3%. Concentric's actual sales of engine and hydraulic products for trucks increased 10% year-on-year in constant currency. The European truck sales represent 13% of total Group sales.

Emerging markets

The market indices for India indicate the market has increased year-on-year by 21%, whilst Concentric's actual sales decreased 14%. The market index for China has decreased 45% year-on-year, Concentric's sales have decreased 22% on a constant currency basis.

Concentric's exposure to Trucks in these territories remained relatively low at approximately 1% of the Group's total sales for 2022.



Agriculture



18%
of Group net sales

The global agricultural machinery market declined 3% year-on-year, driven by a sharp fall in the India market. However, growth is expected over the next 5 years at a CAGR of 2%, with growth across all regions other than India which only begins to show recovery during 2027.

Based on the forecasted production of diesel engines over the next 5 years, agricultural machinery is expected to grow by a CAGR of 1.3% in North America, 2.7% in Europe and 3.5% in China. The indices forecast India's Agricultural Machinery market to be flat over the next 5 years.

North America

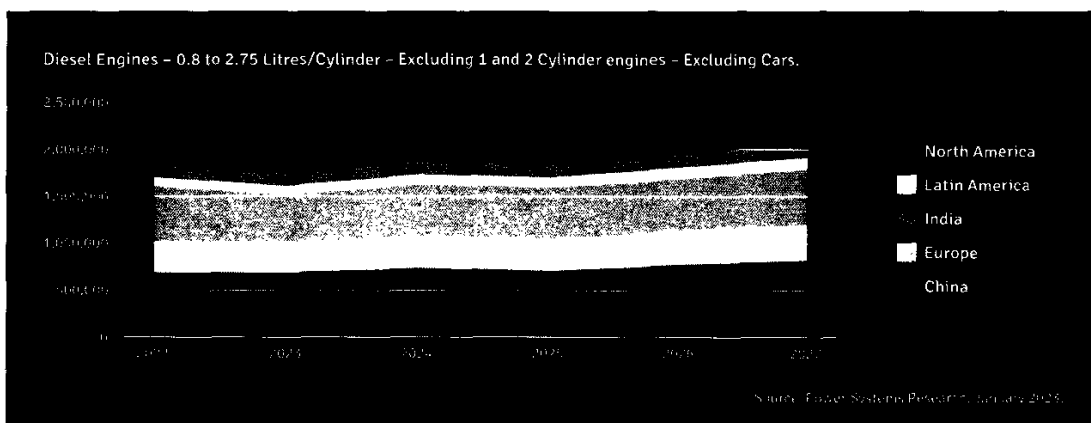
Market indices published at year-end indicate North American production of diesel engines for Agricultural Machinery increased year-on-year by 10%. Concentric's actual sales for Agricultural Machinery increased year-on-year by 41% in constant currency excluding the impact of EMP.

Europe

European market indices for production of diesel engines for Agricultural Machinery decreased year-on-year by 2%. Despite the market trend Concentric's actual sales of engine and hydraulic products for Agricultural Machinery increased year-on-year by 13%.

Emerging markets

Market indices for the production of diesel engines for Agricultural Machinery decreased year-on-year by 13% in India and increased 3% in China. Concentric's exposure to Agricultural Machinery in these territories remained relatively low in 2022.



Industrial



The industrial sector has grown by 2% in 2022 and is forecast to grow at a CAGR of 1% over the next 5 years driven by growth in India, based upon the forecast production of diesel engines.

Since the industrial sector comprises a wide variety of applications, there is no single forecast for this market. Based on the forecasted production of diesel engines over the next 5 years, off-highway industrial applications in our two largest territories are expected to grow by a CAGR of 0.8% in Europe but decline by 2.3% in North America. The Indian market is forecasting the highest growth with the market expected to grow by a CAGR of 4.6%

North America

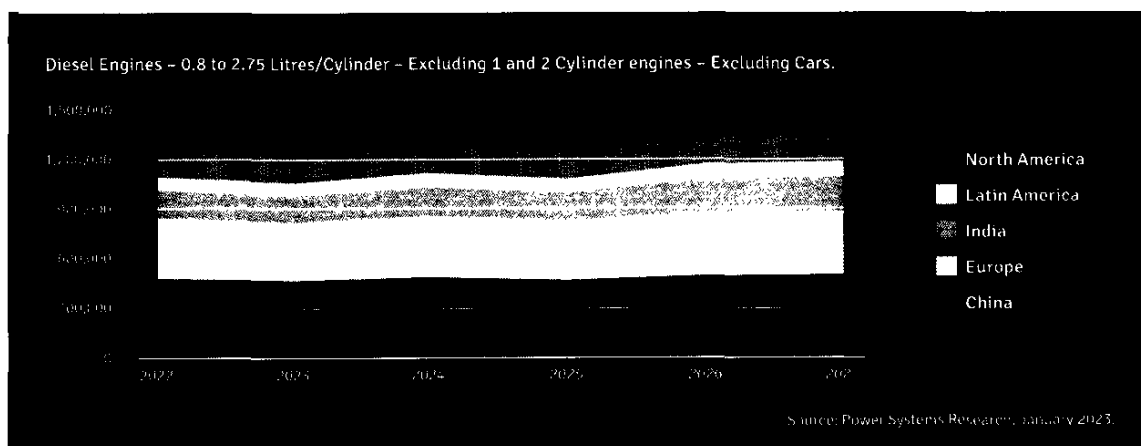
Market indices published at year-end indicate North American production volumes for Industrial Applications increased year-on-year by 9% for diesel engines and decreased 2% for hydraulic lift trucks. Concentric's actual sales of engine and hydraulic products for industrial applications were up 49% year-on-year in constant currency excluding the impact of EMP, significantly ahead of the diesel engine index. The North American Industrial Application market represents 10% of total Group sales and is therefore a key market.

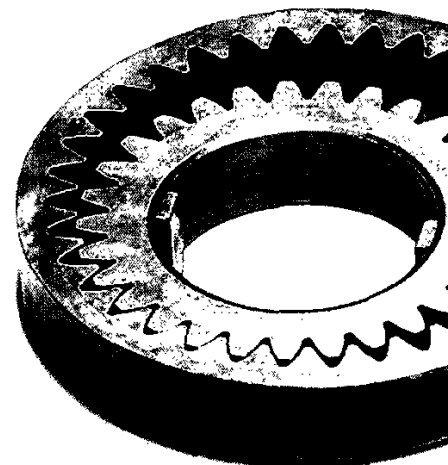
Europe

European market indices decreased year-on-year by 1% for the production of diesel engines and 7% for lift trucks for the Industrial Applications market. Concentric's actual sales of engine and hydraulic products for industrial applications were up 15% year-on-year in constant currency, in spite of the market decline.

Emerging markets

Market indices for the production of diesel engines in India and China for Industrial Applications were relatively flat with India showing 1% growth and China a 1% decline. Concentric's exposure to Industrial Applications in these territories remained relatively low at approximately 1% of the Group's total net sales for 2022.





Priorities and targets

Driving forces

Cyclicality

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

Economic Growth

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

Fuel & energy efficiency

Customers are demanding increasingly more efficient products to help achieve lower CO₂ emissions, longer battery life and lower total cost of ownership of their products.

Electrification

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

Stakeholders

Customers

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

Suppliers

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

Employees

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

Shareholders

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

Financial Institutions

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

Governments

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

Strategies and success factors

Electrification

Support our customers transition to electric products, in line with CO₂ reduction targets, will take our business forward into the next generation of products.

Continuous improvement and innovation

Drive continuous business improvement improving operating efficiency and reducing costs.

Global sourcing and supply chain management

Sourcing globally to maintain a competitive cost structure and ensure consistent and reliable supply to our customers, as well as consistent management of risk within the supply chain.

Increased sales via distribution channel for Hydraulics

Increase our sales globally through our network of distribution partners who help reach a broader range of end customers.

Long-term growth opportunities in emerging markets

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

Financial targets and outcome 2022

Organic Sales Growth

above market in
constant currency

Outcome 2022

► **12%**
above market in
constant currency

Operating Margin

Outcome 2022

► **17%**

Dividend Payout Ratio

Outcome 2022

► **30%**

Gearing (Net debt/equity)

Outcome 2022

and

► **45%**

EMP integration

The acquisition of EMP in late 2021 was a significant move for Concentric, and one that was in line with the company's strategy to expand our technical expertise and develop world-class technology, allowing us to deliver innovative solutions that meet the sustainability needs of our customers.

EMP's lengthy track record of developing and commercialising electrical products (e-Products) and systems, including both water and oil pumps, high voltage components, as well as its range of mechanical solutions which complement Concentric's existing product portfolio, was a critical influencing factor in this landmark acquisition. Its extensive in-house electrical engineering team also played a strong role.

A year in review

Now, one year post transaction, we are pleased to have achieved EMP's integration within the broader Concentric group. Several important milestones have been completed and further key projects with strategic medium- and long-term impact were initiated.

The initial strategic steps towards this unification have been put in place. These include:

- **Revenue synergies:** Concentric has leveraged the experienced sales team for EMP Advanced Products to increase its commercial footprint within the US for its electric-hydraulic steering (EHS) offering based on a significant overlap in the targeted market segments. In addition to that, major revenue synergies for cross-selling opportunities with EMP electric products have been identified in Europe.
- **Product line consolidation:** we are pleased that the merging of e-water pump product offering from both organisations is currently underway. In addition, we have demonstrable evidence of value added by Concentric's seal-less pump technology to EMP's thermal system solutions.
- **Operational benefits:** the Group has consolidated its commercial organisation for conventional products in North America and has started to implement important synergies in the regional manufacturing organisation.
- **Cost synergies:** With the acquisition of EMP, Concentric's purchasing volumes have significantly increased, in particular in North America. Through the implementation of a new global sourcing organisation, the group's purchasing power can be better leveraged and group-wide expertise will be enhanced to source raw materials and components more effectively.

Through the rationalisation and optimisation of our now combined product range, encompassing Concentric's legacy electrified engine products and EMP's electrification advanced products, we believe that there are many advantages for our customers. As a combined group, we have improved our electrification capabilities through further investments into in-house software and hardware development. A broader solution range also enables Concentric to tailor solutions to meet each customer's specific requirements, while our enhanced inhouse engineering expertise allows for even greater responsiveness than ever before.

Stronger together

Internally, we continue to open up opportunities on a global level for all employees, and introduce best practices across the board for all functions.

We have strengthened our senior leadership capabilities in the North American region through the appointment of Boris Gavric as Senior Vice President for Engines Europe & Asia and Advanced Products at Concentric. Boris is a member of the Group Senior Leadership Team reporting directly to Martin Kunz, Concentric President and CEO, and will be instrumental in the execution of the group strategic plan and the further development of the group's combined electrification capabilities.

Growth achieved over the past year

As a business, Concentric has been pleased with its progress over the past year, showing growth in revenue of 92% from MSEK 2,115 in revenue for 2021 to MSEK 4,056 in 2022.

We are confident that the integration of EMP into Concentric is an important step in the successful execution of our global electrification strategy, as we have managed to significantly grow our capacity, technological know-how and product portfolio to ensure the acceleration of our growth in electrical products.

Beside the % of sales for electric products from total net sales, which has grown from 6% in 2021 to 17% in 2022, the amount of prototype orders for electric products – an important key performance indicator for future business awards – has increased significantly over the same period of time. A significant driver for this very positive development has been the launch of EMP's new high voltage fan product range.

High voltage components can provide more efficient cooling as compared to low voltage components, resulting in improved performance in a smaller package. With high voltage components, EMP is able to help simplify the overall electrical architecture of a vehicle or application, not only providing more efficient cooling but also eliminating costly AC-DC converters. This will allow our customers to help reduce costs and free up space for larger battery packs. Our high voltage cooling components can be scaled up or down more easily to meet the changing cooling requirements, providing greater flexibility for future upgrades and expansions. The applications we are focused on will include the on-highway and off-highway commercial vehicle segments that are using a hybrid drive, battery electric drive or fuel cell powered electric drive.

By building a robust, global organisation serving the needs of current and future valued customers, Concentric will be well equipped to stand by our mission to 'accelerate sustainable mobility and infrastructure', targeting new opportunities and achieving further profitable growth in our identified target markets.

Risk assessment

A number of factors, not entirely controllable by Concentric, affect and may come to affect Concentric's business. Described below are some of the risk factors which are of particular significance and how the risk is managed by the Group.

Risk area	Likelihood	Impact
Competition & pricing pressure risk Concentric operates in competitive markets, where price pressure is a natural feature. Stiffer competition and price pressure may impact negatively on the Group's operations, financial position and earnings. For example, customers may increasingly opt for products competing with the Concentric product range and it cannot be excluded that more intense competition may adversely affect Concentric's current margins. Management Concentric manages this risk through innovation and product development, which maintain its market-leading products that solve its customers' problems and differentiate Concentric from the competition.	●●●	●●○
Risk of losing a customer Concentric is active in several different market segments and has a large number of customers distributed among several areas of operation. A loss of a major customer or the loss or delay of a major contract may have an adverse impact on the Group's sales and earnings. Moreover, if Concentric's customers do not meet their obligations or drastically reduce operations or terminate activities, the Group's sales and earnings may be negatively affected. Management Concentric manages this risk by working closely with its customers to solve their problems and meet their needs, as well as undertaking annual surveys with all of its major customers.	●●○	●●○
Raw material supply risk Concentric makes regular assessments of its exposure to bought-in and semi-finished goods, such as bearings, gears, sintered gerotors, etc. If there were any interruptions to these supply chains due to quality and/or availability, this could impact the deliveries of Concentric products to its customers, which could have an adverse effect on the Group's operations, sales and earnings. Management Concentric manages this risk through annual supplier audits and by ensuring that there are at least dual supply arrangements in place for all key commodity groups.	●●○	●●○
Raw material pricing risk The Group depends directly or indirectly on a number of raw materials, semi-finished goods and conversion processes. The greatest exposure on raw materials relates to the supply of aluminium, various steel grades and cast iron. Concentric is also affected by changes in raw materials price levels. Management Concentric manages the risk of price changes by ensuring it has contractual material escalator agreements with all its major customers. However, where rising raw materials prices cannot be offset through higher prices for Concentric's products, the Group's operations, financial position and earnings may be adversely affected.	●●○	●●○
Risk of production downtime Damage to production facilities caused, for example, by fire, in addition to manufacturing stoppages or disruptions in any part of the production process caused, for example, by break-downs, weather conditions, geographic conditions, labour disputes, terrorist activities and natural disasters, may have adverse implications in the form of direct damage to property as well as interruptions that undermine the potential to meet obligations to customers. In turn, this may lead customers to select alternative suppliers. Accordingly, such disruptions or interruptions may impact negatively on the Company's operations, financial position and earnings. Management Concentric employs the same production methodology across all of its sites and, for certain product lines, it conducts production of the same or very similar products at a number of plants, thus there is the potential to reduce the implications of an interruption by switching output to other plants in the Group to ensure continuity of supply to customers. Although, such action generally results in added costs which, in the short run, will have a negative impact on the Group's operations, financial position and earnings, given that the current capacity utilisation across the Group is relatively low, the negative impact would be limited. In addition, the Group has insurance cover for property damage and business interruption.	●○○	●●○

●○○ Low ●●○ Medium ●●● High

Risk area	Likelihood	Impact
<p>Risk of failure at product launch</p> <p>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.</p> <p>Consequently, a key part of Concentric's strategy involves developing new products in those areas that the Group regards as important for growth and/or for defending market shares. The development of new products always entails the risk that a product launch will fail for some reason, which could have significant consequences. It is the Group's policy to expense evolutionary product development projects, but since the Group capitalises certain costs for major new product development projects, a failed launch potentially would give rise to an impairment requirement and may adversely affect the Group's operations, financial position and earnings.</p> <p>Management</p> <p>Concentric manages this risk through the design and testing process to ensure our products meet the specification as set out in the customers requirements</p>	●○○○	●○○○
<p>Risk of product recall, complaints and product liability</p> <p>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.</p> <p>The Group has no insurance covering recalls. The assessment is that the cost of such insurance would not be proportionate to the risk covered by the insurance. Concentric has historically not been affected by any major recalls of products. There is always a risk that customers demand that suppliers cover costs in addition to replacing the product, such as access and restoration costs associated with dismounting, assembly and other ancillary costs. If a product causes damage to a person or property, the Group could be liable to pay damages. A recall on a larger scale or a major product liability claim, may affect the Group's operations, financial position and earnings negatively.</p> <p>Management</p> <p>Concentric manages this risk through its internal processes regarding the receipt of goods from suppliers, employing Poka-yoke methodology for all of its manufacturing and testing procedures, as well as effective use of quality monitoring systems deployed at both suppliers and customers. In addition, the Group has insurance cover for general product liability, including access and restoration costs associated with replacing product in the field.</p>	●○○○	●●●●
<p>Intellectual property rights infringement risk</p> <p>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.</p> <p>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.</p> <p>Management</p> <p>Concentric manages this IPR risk by engaging external legal advice to monitor potential infringements and act early. As a result, the Group has historically not been adversely affected by any IPR disputes. In addition, the industries in which Concentric operates have displayed rapid technological progress in many respects. Accordingly, there is a risk that new technologies and products can be developed, which circumvent or surpass Concentric's IPR, as noted in the Product Development section.</p>	●○○○	●○○○
<p>Risk of dispute</p> <p>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.</p> <p>Management</p> <p>Concentric manages this risk through the use of standard contractual terms wherever possible and engaging external legal advice when appropriate. The Group has historically not been adversely affected by any disputes.</p>	●○○○	●○○○

For financial risks, please see the Board of Directors' report on pages 68–81.

●○○○ Low ●●○○ Medium ●●●● High

Sustainability Report

Letter from the CEO

I am delighted to give an update on our sustainability activities over the past year and share some of the key highlights from our work in this important and evolving area.

At Concentric, we strongly believe that a sustainable business leads to successful economic performance and high returns for society. The world is facing an uncertain future with climate change, natural resource availability and societal changes being just a few of the disruptive forces which will likely impact our business going forward. We acknowledge the growing importance of sustainability globally and how it can create value for all the stakeholders across our entire value chain so are committed to playing our part.

The philosophy of the Board of Directors and Group Management is that Concentric's principal contribution to a sustainable world takes place through the use of the Company's products. As one of the world's leading pump manufacturers, we have the opportunity to use innovation to drive increased fuel efficiency and reduced emissions across the flow control and fluid power solutions we offer our customers. I am proud that Concentric is working towards a sustainable and carbon neutral future and we are committed to continuing to invest in technology that can deliver on the rapidly evolving needs of the market, whilst also actively supporting organisations in their electrification process.

“ Sustainability, whether focused on products or people, constitutes an integral part of our operations

As well as supporting our customers, health and safety is also a top priority for our business. We strive to always offer a safe work environment for all our people and do all that we can to minimise the associated risks. Over the past year, we have reviewed our Health and Safety strategy with a focus on zero harm and reducing lost time incidents and we will continue to embed related leading practice across our organisation over the coming year.

Indeed sustainability, whether focused on products or people, constitutes an integral part of our operations and is considered in the interactions we have with all of our stakeholders on a day-to-day basis. Underpinning our approach are our core values which are Customer focused and achieved through our people and Business excellence in all that we do. These values are aligned with a number of commitments including making sustainable products, operating transparently and with integrity. This is one way in which we strive to embed responsible business principles across our organisation and I'm pleased to be able to share some of the ways we have really lived these core values over the past year in this report, as well as our plans for the coming year.

We are in the early stages of our group-wide sustainability journey, however, we know there is more that we can do to build on our progress so far to ensure our business can thrive in the long term. However, we are excited to be continuing along this journey – thank you for joining us.

Martin Kunz
President and CEO

Stakeholders

Concentric has a wide network of stakeholders across its value chain comprising customers, suppliers, employees, financial institutions, shareholders, the State and communities.

Concentric aims to maintain an open dialogue with all of its stakeholders whilst delivering societal and monetary value through its engagements as shown below.

Stakeholder	Activities	Societal Value	Value (MSEK)
Customers	Sales of engine and hydraulic products	More sustainable products	4,056
Suppliers	Procurement of goods and services as well as depreciation, amortisation	Long lasting partnerships	-2,500
Employees	Wages, social expenses and skills development	Great place to work	-879
Financial Institutions	Interest	More sustainable ROI	-43
The State	Taxes	Taxes paid	-135
Shareholders	Net income	More sustainable ROI	501

A number of engagement mechanisms are currently used by Concentric to engage its stakeholders, all of which help to define which topics should be considered the most material for the business on an ongoing basis:

- Annual customer surveys
- Customer accreditation programmes, e.g. CAT (SQEP) and John Deere (Achieving Excellence)
- Industry accreditation programmes in the US (Malcolm Baldrige) and Europe (IIE & EFQM)
- Regular supplier days
- Annual employee surveys
- Customer technology roadshows

Vision

Concentric's vision is to deliver sustainable growth for every application in the markets they serve.

Mission

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

The following table gives details of the sustainability aspects which have been highlighted as most material over the past two years. The business will shortly conduct a double materiality assessment to enhance and

update its understanding of the most material topics to Concentric and this will shape next year's sustainability reporting.

Stakeholder group	How we work	Primary areas	Examples of identified aspects for stakeholders	Link to Concentric's material sustainability aspects
Customers	<ul style="list-style-type: none"> Annual customer surveys Customer accreditation programmes Technology roadshows 	<ul style="list-style-type: none"> Overall customer satisfaction Product quality On time fulfilment of orders & continuity of supply Technology & innovation 	<ul style="list-style-type: none"> Customer service & relationship PPM & warranty claims record Delivery (OTIF%) Product development to support changes in emissions legislation 	<ul style="list-style-type: none"> Product responsibility Climate impact Resource efficiency
Suppliers	<ul style="list-style-type: none"> Regular supplier days & workshops Factory inspections & on-site supplier audits Code of conduct for suppliers 	<ul style="list-style-type: none"> Product quality & warranty claims record On time fulfilment of orders & continuity of supply Technology & innovation Environmental programme Health & safety 	<ul style="list-style-type: none"> PPM & warranty claims record Delivery (OTIF%) Product development Waste management Human rights Anti-corruption Risk management Co-operation 	<ul style="list-style-type: none"> Ethics & value creation Product responsibility Responsible suppliers Resource efficiency
Employees	<ul style="list-style-type: none"> Annual employee surveys Personal development discussions Training & education Code of conduct 	<ul style="list-style-type: none"> Recruitment & employer branding Ethics & values Skills development Succession planning Health & safety Remuneration 	<ul style="list-style-type: none"> Company culture Environmental compliance Skills development Equal opportunity Health & safety Reward & benefits 	<ul style="list-style-type: none"> Ethics & value creation Equality & diversity Resource efficiency
The state & local community	<ul style="list-style-type: none"> Ongoing dialogue with emissions legislators Participation in government initiatives, e.g. US SuperTruck Ongoing dialogues with local community representatives 	<ul style="list-style-type: none"> Product development Energy efficiency & climate impact Involvement in the local community Environmental program 	<ul style="list-style-type: none"> Long-term financial strength of employer Social sustainability Climate & energy Environmental compliance Domestic supply chain Waste management Human rights 	<ul style="list-style-type: none"> Ethics & value creation Product responsibility Climate impact Responsible suppliers Equality & diversity Resource efficiency
Shareholders, analysts & financial institutions	<ul style="list-style-type: none"> Investor roadshows & seminars One-to-one meetings in person/by telephone Analysts presentations & capital markets days 	<ul style="list-style-type: none"> Corporate update 	<ul style="list-style-type: none"> Value drivers Product development Debt servicing capabilities Sustainability Human rights Anti-corruption Risk management Operating leverage 	<ul style="list-style-type: none"> Ethics & value creation Product responsibility Climate impact Responsible suppliers Equality & diversity Resource efficiency

Sustainability Governance

During the past year Concentric has taken several steps to strengthen its sustainability governance structure to ensure that sustainability is prioritised and embedded throughout the organisation. Over the course of the next year, Concentric aims to fully operationalise its plans to support the business to grow, whilst also transitioning to a carbon neutral future.

The Board of Directors have ultimate oversight of sustainability, setting policy and direction. The Board have established several principles which underpin all business activities outlined across policy documents including the Code of Conduct, Code of Conduct to Suppliers, Information Policy, Insider Policy, Social Policy, Environmental Policy and Whistleblowing Policy.

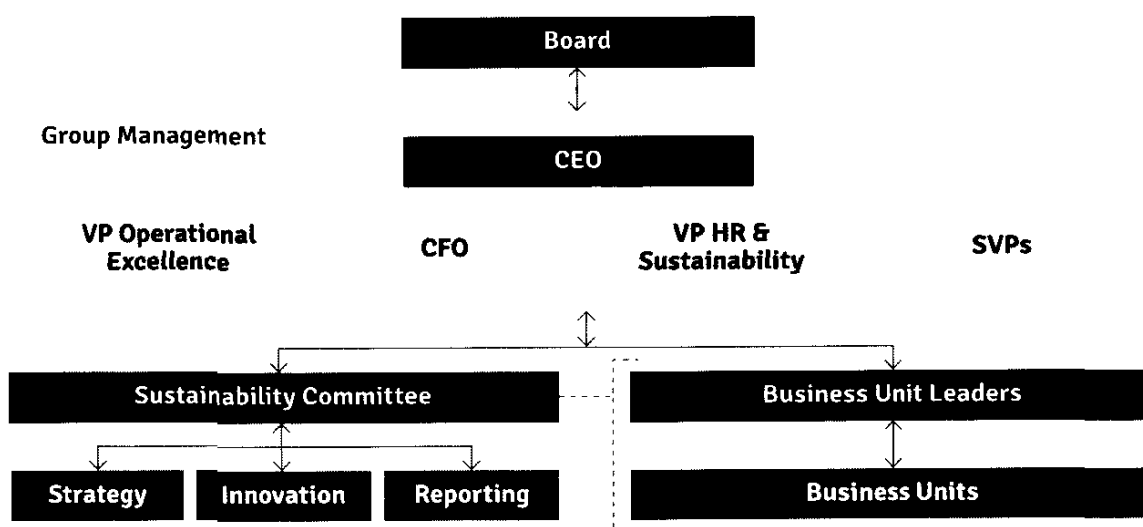
As an example of some of the principles built into Concentric's business model, the Code of Conduct stipulates that the Group shall comply with the laws and regulations of each country in which it operates; demonstrate and promote a commitment to responsible business practice in policies, decisions and activities; contribute towards improving economic, environmental and social conditions through an open dialogue with the relevant interest Groups in those local societies in which the Group operates, and integrate the principles of the Code of Conduct into all critical processes. The Code of Conduct also includes a precautionary principle to avoid the use of materials and methods which pose environmental and/or health risks when suitable alternatives are available.

The CEO and Group Management oversee the sustainability approach. Going forward, Group Management will be responsible for delivery of the sustainability strategy in line with policies set by the Board.

Group Management will define Concentric's approach to sustainability including its strategy and, in due course, track progress towards established sustainability goals. In particular, the CEO and SVPs will be responsible for strategic implications of sustainability for the business. The CFO will remain responsible for sustainability reporting. The recently appointed Vice President of Human Resources & Sustainability, will be responsible for delivery of the forthcoming sustainability strategy and ensure intersectional oversight over sustainability across business functions via the Sustainability Committee.

Over the next year, Concentric plans to operationalise its Sustainability Committee, chaired by the Vice President of Human Resources & Sustainability. This committee will serve as a forum to generate ideas and discuss initiatives at a site level and will meet on a monthly basis. The committee will be divided into sub-committees structured around the business's highest priority sustainability areas, open to individuals from across all business units to share their feedback. This structure will help to establish site-level initiatives that collectively will support the broader delivery of sustainability goals determined by Group Management.

The Sustainability Committee supplements the traditional chain of command to ensure responsibility for sustainability is embedded throughout the organisation and to facilitate robust bottom-up and top-down collaboration and dialogues. Over the next year, the governance structure outlined below will be fully operationalised to help further embed sustainability across the organisation:



Sustainability Roadmap

Concentric is early on its sustainability journey and is committed to continue taking action this year to ensure the business is set up for success. As a priority, the focus will be on clearly defining an ESG strategy which is informed by holistic stakeholder insights and underpinned with the right metrics, targets and a robust approach to risk identification and management. The mechanisms to achieve this will be built into Concentric's sustainability roadmap for the coming year.

In order to develop a leading practice ESG strategy and accompanying measurement approach, Concentric will conduct a double materiality assessment and an action plan to prepare for the EU regulatory changes which will impact the business and reporting approach. Delivering against this roadmap will help Concentric to strengthen its sustainable business model and communicate its progress more effectively with all of its stakeholders.

Material aspects of sustainability	Social contribution	Long-term goal	Operational goal	Results	
				2022	2021
Ethics & value creation	General Long-term financially strong and ethically correct for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction equipment) where we are present as an engine and hydraulic pump supplier	Concentric achieves long-term financial growth in an ethical manner that contributes to the improved welfare of society	Underlying operating margin should amount to > 16%	16.5%	20.9%
			Gearing (Net Debt/Equity) should amount to 50% < 150%	45%	82%
			Dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle	30%	42%
	UN's sustainable development goals: No.8: Promote sustainable economic growth		No. of ethical breaches based on Concentric's values	-	-
			No. of insider trading violations investigated by Finansinspektionen ¹⁾	-	-
			No. of acts of fraudulent behaviour identified	-	-

1) Sweden's financial supervisory authority

Material aspects of sustainability	Social contribution	Long-term goal	Operational goal	Results	
				2022	2021
Product responsibility & climate impact	General Reduced impact on the climate for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction Equipment) derived from the innovative development of engine and hydraulic pumps	Concentric develops class leading pumps to enable OEMs to increase energy efficiency and reduce the environmental impact of their vehicles/equipment	Procedure The efficiency of all products is verified during the customer validation process	n/a	n/a
	UN's sustainable development goals: No.9: Promote inclusive and sustainable industrialisation and foster innovation No.13: Combat climate change and its impacts by regulating emissions and promoting developments to improve emissions	Concentric is recognised as a credible and long-term supplier of first choice by customers for both on- and off-highway commercial vehicles	Improve our overall rating in the annual customer survey to an average score of ≥ 4.00 out of a maximum score of 5.00	n/a	3.38
				no customer survey in 2022	
Responsible suppliers	General Ensure the application of labour law, human rights, anti-corruption and environmental responsibility in the supply chains for both on- and off-highway commercial vehicles	Concentric promotes social responsibility in its operations and value chain	Procedure Concentric evaluates and approves all material suppliers from a sustainability perspective, including environmental and human rights criteria	100%	100%
	UN's sustainable development goals: No.8: Promote sustainable economic growth				
Equality & diversity	General A workplace that offers diversity and equal opportunity	Concentric is an equal opportunities organisation that has an even gender distribution amongst its salaried employees and managers	Increase the number of female salaried employees and managers to 33% by 2025	24.0%	23.9%
	UN's sustainable development goals: No.5: Achieve equal opportunity		Increase the number of female wage earners to 22% by 2025	15.5%	14.1%
			No. of human rights claims brought against Concentric:	-	-

People

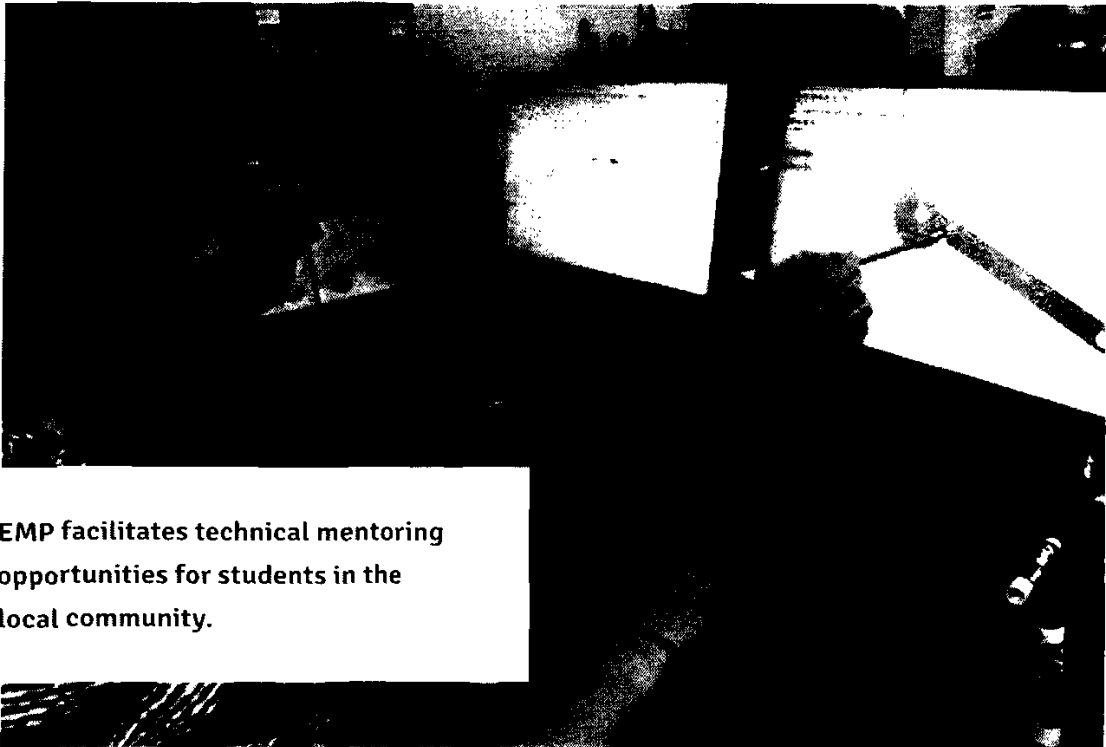
Concentric prides itself on its open culture where employees feel valued and their voices are heard. Key to this is the annual employee survey which has a high participation rate across the Group. In response to the survey, each site is required to develop an action plan based on the feedback. The success of the business is based on the competencies and skill set of its workforce, and therefore enabling a culture where employees feel empowered is of high priority to Concentric.

Also critical to the organisation is the health and safety of its workforce, with specific sites having received International Standardisation Organisation (ISO) 45001 certification regarding management systems of occupational health and safety. Across the network Concentric provides a safe work environment. It takes actions to prevent accidents and work-related injuries by minimising the risks in work environments

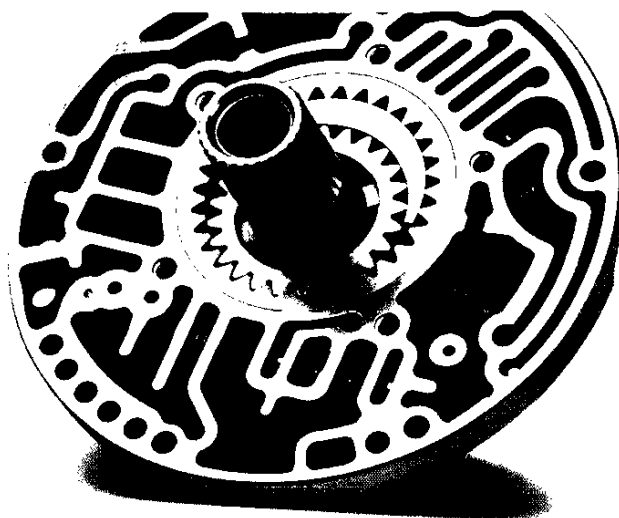
to the greatest possible extent. Employees also have access to an occupational health screening, and this is in addition to a dedicated benefits scheme providing financial, mental and physical health support.

Concentric also endeavours to contribute to the communities in which it operates and at a site level, community-based activities are encouraged. This includes sponsoring local schools to help raise money for teacher grants, an activity which recently took place at one of the EMP sites. The Group also offers apprenticeships and internships supporting younger generations at schools and universities to help them develop critical skills.

During the last year, significant progress has been made in relation to the support offered to employees and wider communities, with key activities highlighted below:



“ EMP facilitates technical mentoring opportunities for students in the local community.



2022 key highlights

- Employees within the EMP team in Escanaba were given the opportunity to participate in cross-functional projects. As an example, some team members were involved in a community school's programme called First Robotics. This programme consisted of EMP employees mentoring and educating children from the local community and competing in robotic games.
- Concentric was featured in the 2022 Power Progress Yearbook which marks the business's first feature as an electric product supplier.
- Concentric's ongoing commitment to broader society is reflected in its charitable donations. At the Birmingham site, there has been a long-standing tradition to raise money for Comic Relief, although in recent years this has been made more difficult due to the impacts of Covid-19. In the past year, the team hosted a fund-raising event for the charity to help tackle homelessness, hunger, domestic abuse and mental health stigma, both in the UK and Ireland.

Looking ahead to 2023

Concentric's success is driven by the value it places on its people, with several long service employees providing testament to this. Whilst significant improvements have been made during the last year, Concentric recognises that more can be done to ensure continued growth of the business and some of these plans are highlighted below:

- Improve diversity and inclusion at both a Group and site level - this includes increasing the number of apprenticeships and internships that the Group offers, collaborating with both local schools and technology colleges.
- Build on the great progress made in 2022 with the introduction of the flexible working scheme and the **development of the new Health and Safety strategy**. Implementation of the strategy in 2023 will see sites moving from lagging indicators to leading indicators including reporting near misses and site self-assessments. This will allow for continuous improvement against defined standards. With the implementation of this strategy focusing on zero harm, Concentric aims to reduce recordable injuries and lost time incidents consistently year-on-year. Additionally, the

business plans to establish a safety committee supported by an underlying safety and training plan at each of its sites.

- Incorporate sustainability metrics into incentive plans for the first time during 2023 – this will form an important part of driving a mindset shift across the organisation so that employees are more motivated to embed sustainability principles in their day-to-day roles, helping the organisation to meet its related targets.



Production

As a leader and innovator in flow control and fluid power, Concentric's products support the transition towards a sustainable, Net Zero future. The decarbonisation of the medium and heavy-duty truck market will play a critical role globally for countries to meet their 2015 Paris Agreement commitments. As the electrification of the medium and heavy-duty truck market continues to accelerate, Concentric will play an increasingly significant role supporting organisations with this process. The Group's portfolio consists of both engines and hydraulics.

In addition to providing reliable and quality components, several of Concentric's products offer various

environmental benefits, including energy efficiency improvements and associated reductions in greenhouse gas emissions. For example, Concentric's variable flow water pumps can provide fuel savings of at least 2% on standard drive cycles as well as reductions of up to 15% in carbon monoxide, hydrocarbon, carbon dioxide, diesel particulate and nitrogen oxide emissions.

During the year Concentric continued to expand on its innovative designs ensuring that the demands of a rapidly evolving market continued to be met. Some examples of recent developments are highlighted on the next page.



2022 key highlights

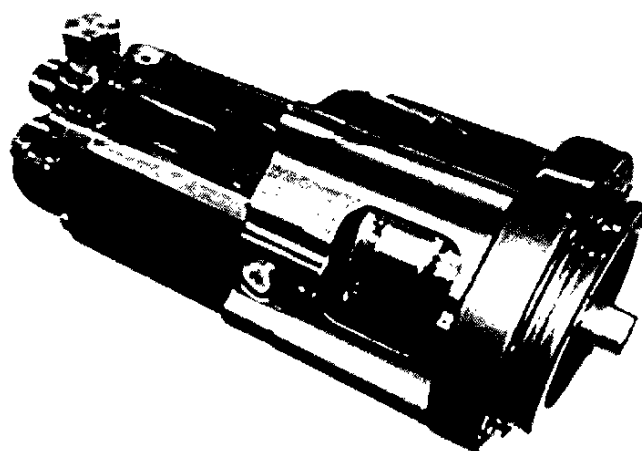
- In 2022, EMP focused its efforts on developing a range of high voltage (HV) components to meet the heavy-duty thermal management needs of commercial vehicles as well as on-and-off highway applications. One of the components includes a HV version of EMP's already popular Smart Flow® FiC-15 e-fan, which is well suited for electric industrial vehicles. This e-fan presents a significant growth opportunity for Concentric as the electric vehicle market continues to expand. The higher voltage of the component enables the fan blade to run faster, allowing for increased performance and efficiency of vehicles.
- Concentric launched its dual cone clutch product which is used to declutch air compressors. When applied to heavy-duty trucks, this technology provides up to 1% fuel savings, enabling a reduction in associated greenhouse gas emissions. Additionally, the clutch produces a lower noise output when compared to competing products in the market, highlighting Concentric's innovation in this space.
- Concentric developed and introduced a new generation of low noise internal gear pumps, which in comparison to the previous generation, provide up to a further 30% noise reduction assisting with lower noise pollution.

Looking ahead to 2023

There are several different developments in the pipeline as Concentric continues to respond to the growing sustainability needs of its customers whilst also focusing on reducing its own footprint. In order to further increase the percentage of electric products sold as part of its broader portfolio, Concentric recognises that it must continue to seek out viable opportunities and leverage its expertise to develop advanced solutions. Some of the developments in the pipeline include:

- Expand its e-Pump range with the development of a hybrid electric coolant pump. This technology provides further fuel savings in addition to the existing two speed clutch product.
- During April last year, Concentric received a new development contract to supply electric coolant pumps for a fuel cell application and this project will continue in 2023. Fuel cells are one of the key technology enablers for zero emissions on-highway vehicles and off-highway machines. Providing similar

power density to internal combustion engines, and therefore suitable for high power and long-range applications, Concentric's electric coolant pumps bring additional benefits including a robust, compact design with a long service life of over 50,000 hours. This increases the durability of the product, reduces the need for replacements and therefore the amount of waste associated.



Planet

At Concentric, environmental activities are integrated in all operations and are the subject of continuous improvement through the Concentric Business Excellence programme (CBE). The CBE programme underpins the Group's approach to sustainability across all its activities. Whilst the focus of the company is to develop world class technology and innovative solutions to meet the sustainability needs of its customers, Concentric also pursues improvements with regards to its own environmental impact.

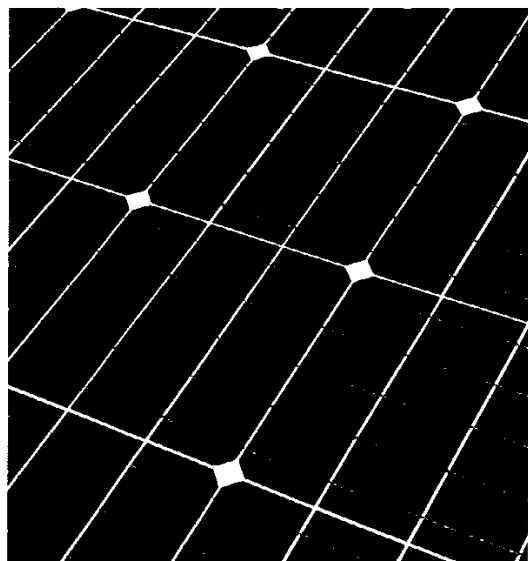
The Group's products and processes are designed in such a way that energy, natural resources and raw materials are used efficiently, and that any waste and residual products are minimised, in line with the Group's Environmental Policy. Concentric's joint venture, Alfdex, focuses on producing products with improved separation efficiency and reduced energy consumption during their lifetime. On top of this, many of Concentric's sites have also been certified in accordance with ISO accreditations with several complying with ISO 14001 relating to environmental management systems. Additionally, at a site level, a number of initiatives are in place to ensure Concentric continuously

improves its environmental performance. Global examples include reducing plastic usage and water consumption, installing solar panels and eliminating toxic elements from product designs and manufacturing processes.

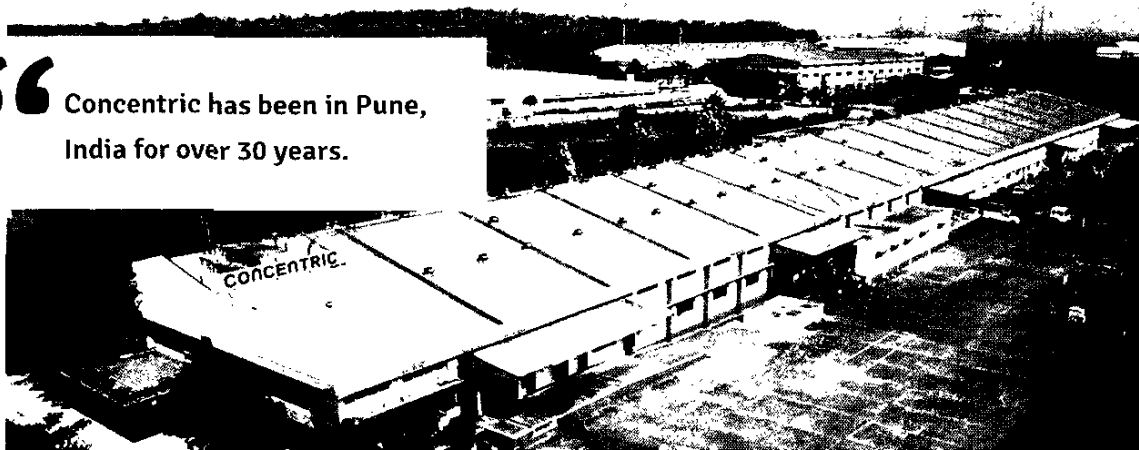
As well as across Concentric's own operations, environmental screening is a key component of Concentric's supplier selection and validation process. Specific environmental criteria has been in place since 2016 to ensure the business procures from suppliers who also take sustainability seriously. Concentric expect its suppliers to actively contribute and commit to the principle of reducing the environmental impact of their own operations through utilising an environmental resource management and adopting environmental management systems such as ISO 14001.

Whilst Concentric acknowledges that further progress is required with regards to its environmental footprint, significant efforts have been made over the past year to reduce the negative environmental impact of operations and optimise energy efficiency. A wide range of activities have taken place across the business during 2022, with select examples outlined below:

“ Specific environmental criteria has been in place since 2016 to ensure the business procures from suppliers who take sustainability seriously.



“Concentric has been in Pune, India for over 30 years.



2022 key highlights

- 2022 saw the appointment of a new Vice President (VP) for Human Resources & Sustainability to help drive forwards the development of Concentric's Sustainability strategy.
- At the Birmingham Site, annual targets have been set to help reduce waste production. These targets are approved by management and include initiatives such as implementing returnable packaging options where possible. Additionally, during the last year, 93% of all waste was recycled, and this has now been established as a minimum target.
- In India, several initiatives and programmes took place during the year in an effort to protect and preserve the natural environment. This included the distribution of seed bombs during the onset of the monsoon season, helping to improve foliage in the vicinity. Additionally, members of staff have been exploring the feasibility of rainwater harvesting.

Looking ahead to 2023

Concentric remains committed to reducing its environmental impact going forward and a key priority for the Group in 2023 will be further shaping the role it can play towards a carbon neutral future.

Concentric will continue to implement various environmental initiatives across its sites and ensure the recertification of existing environmental standards where relevant. Additionally Concentric has the following plans in place:

- Continue to make improvements across sites including leveraging technological developments and embedding further the efficient use of resources. This includes obtaining ISO 14001 certification at additional sites.
- With the VP for Human Resources & Sustainability role now in place, Concentric will begin to develop its new environmental strategy, accompanied by a supporting roadmap for the short, medium and long term.
- At the Birmingham site, an ESOS (Energy Savings Opportunity Scheme) and SECR (Streamlined Energy and Carbon Reporting) programme has been established to run throughout 2023. This programme will provide recommendations for further efficiency improvements and help to mitigate the site's impact on the environment.

Introduction to EU Taxonomy

As part of the EU's drive to become carbon neutral by 2050, the EU Action Plan on Sustainable Finance was developed to help unlock funding for the projects, assets and businesses which will play a critical role in helping the transition to a low carbon economy. The EU Taxonomy, a classification system and transparency tool, is a key part of this action plan and has been designed to provide useful insights on the most sustainable economic activities. In order to facilitate investment decisions and enable informed comparisons to be made between companies and investment portfolios, eligible companies are required to disclose their share of Taxonomy-aligned activities.

The EU Taxonomy recognises those economic activities that make a substantial contribution to at least one of the EU's six climate and environmental objectives, referred to as Taxonomy-eligible activities, e.g. climate change adaptation, whilst also not significantly harming any of these objectives and meeting minimum social safeguards, referred to as Taxonomy-aligned activities. Economic activities which are not officially recognised by the EU Taxonomy Delegated Acts as making a substantial contribution to the climate and environmental objectives, should not, however, be considered to be harmful to the environment or unsustainable. There are also a number of activities which have the potential to make a substantial contribution to these objectives, but which are not yet recognised as part of the EU Taxonomy Delegated Acts. As the list of Delegated Acts develops over time, the Taxonomy's scope will expand allowing for a broader range of activities to be recognised.

In accordance with EU Taxonomy requirements, Concentric has assessed which of its business activities and products can be classified as 'Taxonomy-eligible', with more detail on this process provided below. Additionally, for the first time this year and in line with reporting requirements, Concentric has also assessed which of its business activities and products can be classified as 'Taxonomy-aligned'. To qualify as 'Taxonomy-aligned', as outlined above, products that meet the eligibility criteria must not significantly harm any of the climate and environmental objectives, whilst also meeting minimum social safeguards. As a non-financial

company, in line with taxonomy requirements for 2022, Concentric is reporting the proportion of revenue, operating expenses and capital expenditure which are considered to be Taxonomy-eligible and Taxonomy-aligned in the information below.

Concentric's taxonomy-eligible economic activities

During the last year, Concentric has worked to strengthen its approach and build on its prior year EU Taxonomy report and this is reflected in the higher proportion of eligible activities which has increased from 5.8% to 33.8%. To determine the Taxonomy-eligibility of Concentric's portfolio, the business mapped its products against the EU Taxonomy criteria. Specifically, product descriptions were mapped against NACE codes to indicate which activities in the Taxonomy its products are likely to be eligible for. This process was supported throughout with technical input from key internal stakeholders to enable complex product descriptions and end-uses to be captured. Capital and operating expenditures were also mapped against NACE codes to indicate which expenses are eligible within the Taxonomy.

Concentric's taxonomy-aligned economic activities

As shown in this Sustainability report, Concentric places great importance on increasing fuel efficiency and reducing emissions through its technical solutions and precision engineering. Currently, the EU Taxonomy is structured in a way which doesn't recognise a large number of Concentric's economic activities as contributing substantially to the EU's climate and environmental objectives. This is why, whilst Concentric has high eligibility figures, it is not possible to reflect Taxonomy-alignment across the various product lines. However, as the Taxonomy matures, Concentric hopes to be able to report on a greater number of aligned products to more accurately represent the contribution the business makes to a more sustainable future.

To help bring to life the ways in which Concentric's products contribute towards climate mitigation and adaptation, the following examples demonstrate some of the most innovative products which lead to increased fuel efficiency and emissions reductions:

Water e-pumps:

Concentric's e-water pumps can be used for the cooling of hybrid and electric commercial vehicles, both of which are linked to reductions in greenhouse gas emissions. The seal-less wet rotor design enables high power density, extremely long lifetimes and is suitable for the many harsh environments encountered in on and off highway commercial applications, optimising both reliability and performance.

Electro hydraulic steering (EHS):

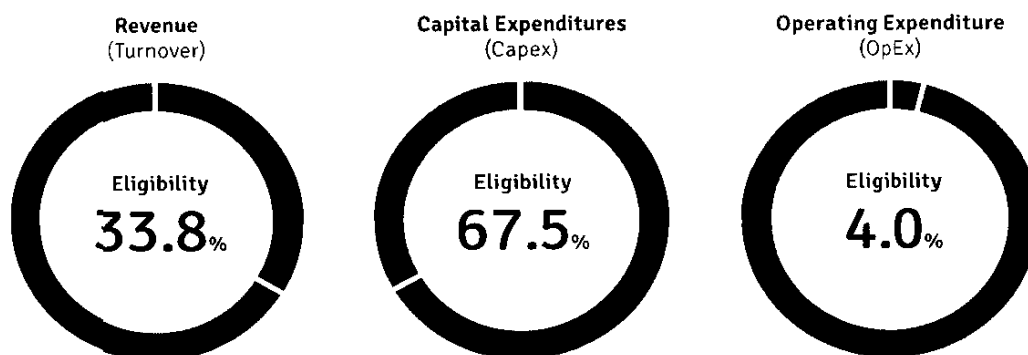
Amongst its hydraulics range, Concentric's EHS unit offers sufficient power for full steering control in all

conditions and is highly efficient, providing power 'on demand' contrary to conventional steering systems that provide continuous power. This design leads to power savings of up to 25% when compared to conventional steering units.

Mini-hybrid electric cooling system

Concentric's mini-hybrid electric cooling system offers between 7–10% fuel savings on diesel, hybrid and electric vehicle applications. The cooling system outperforms mechanical fans, providing considerable energy efficiency and in some cases zero emissions.

Division	Eligible Activities	Non-eligible activities
Engines	<ul style="list-style-type: none"> • Semi Variable Flow Water Pumps • Electric Water & Oil Pumps • Clutch 	<ul style="list-style-type: none"> • Mechanical Fuel, Oil & Water Pumps • Other Engine Products • Other Engine Electric Products • Fan Brackets • Transmission Pump • Engine Prototype
EMP	<ul style="list-style-type: none"> • Electric Oil & Water Pumps • Mini-Hybrid Electric Cooling System • Other Engine Electric Products • Other Engine Products • Electric Fan 	<ul style="list-style-type: none"> • Mechanical Fuel, Oil & Water Pumps • Mechanical Components
Hydraulics	<ul style="list-style-type: none"> • Low Noise Pumps • External Gear Pumps & Gear Motors • Electro Hydraulic Steering • High Power Density Units • Controlled Power Packs • Hydraulic Prototypes 	<ul style="list-style-type: none"> • Main Hydraulic Pumps • Calma Pressure Balanced Power Units • Transmission Pump • DC Power Packs • Supplementary Steering • Other Hydraulic Products
Alfdex		<ul style="list-style-type: none"> • Oil Mist Separators

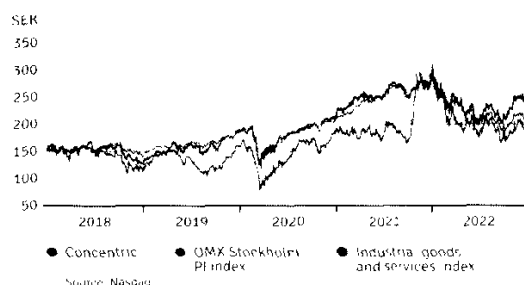


The Concentric share

The Concentric share has been listed on the NASDAQ OMX Stockholm Exchange Mid Cap list since June 16, 2011, and is traded under the ticker symbol COIC. The market capitalisation of Concentric at 31 December, 2022 amounted to MSEK 7,414 represented by 37,979,500 shares at a market price of SEK 195.20.

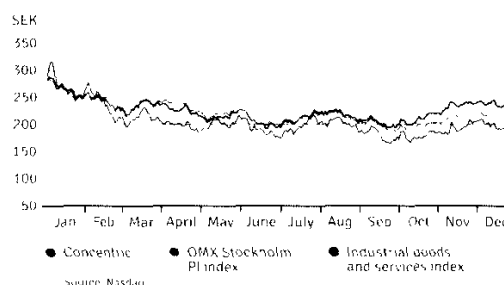
Share development

(1 January 2018–31 December 2022)



Share development

(1 January 2022–31 December 2022)



Data per share

	2022	2021	2020	2019	2018
Basic earnings before items affecting comparability, SEK	13.01	9.82	5.73	8.37	10.22
Basic Earnings, SEK	13.20	8.91	5.43	8.37	10.30
Diluted Earnings, SEK	13.18	8.88	5.42	8.36	10.27
Return on equity, %	26.6	26.2	17.5	29.5	41.6
Dividend, SEK	4.00 ¹⁾	3.75	3.50	3.25	4.25
Own shares repurchased, SEK	0.00	0.00	0.00	3.60	3.79
Market price at year end, SEK	195.20	281.00	183.20	159.00	119.80
Equity, SEK	54.49	38.54	28.18	30.08	26.55
EBITDA multiple	9.64	23.6	19.4	11.0	7.7
EBIT multiple	12.32	29.4	25.4	12.6	8.8
P/E ratio	14.79	31.6	33.8	18.7	11.4
Payout ratio, %	30.3	42.1	64.5	53.8	41.3
Dividend yield, %	2.0	1.3	1.9	2.8	3.5
Dividend and buy-back yield, %	2.0	1.3	1.9	5.1	6.7
Basic weighted average number of shares (000's)	37,961	37,902	37,815	38,369	39,322
Diluted weighted average number of shares (000's)	38,030	38,020	37,860	38,403	39,456
No. of shares at 31 December (000's)	37,980	37,930	37,870	37,767	38,633

1) Proposed dividend for consideration at the 2023 AGM

Price trend and trading

The price paid for the Concentric share decreased 31% (increase 53) in 2022 to SEK 195.20 (281.00) at year-end. The Industrial Goods & Services index decreased 17% (increase 37) and the OMX Stockholm PI Index decreased 25% (increase 35) during 2022. The highest closing price for the share during the year was registered at SEK 316.00 (296.00) and the lowest closing

price was SEK 164.60 (164.80). Concentric's market value as of 31 December 2022 was MSEK 7,414 (10,658). In 2022, a total of 9.9 (15.8) million Concentric shares were traded, corresponding to 26% (42) of the total number of shares. For the five years ending 31 December 2022, Concentric's shares have given a total annual average return to shareholders of 11% (26). Total shareholder return for the year ended 31 December 2022 was -29% (56).

Ownership

At the end of 2022, Concentric had a total of 8,191 (8,052) shareholders. Foreign shareholders accounted for approximately 32% (34) of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 59% (57) of the Company was owned by legal entities and 9% (9) by private individuals.

Dividend policy

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

Capital structure

The Group's objective in respect of the capital structure is to secure Concentric's ability to continue to conduct

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

Concentric's communication policy

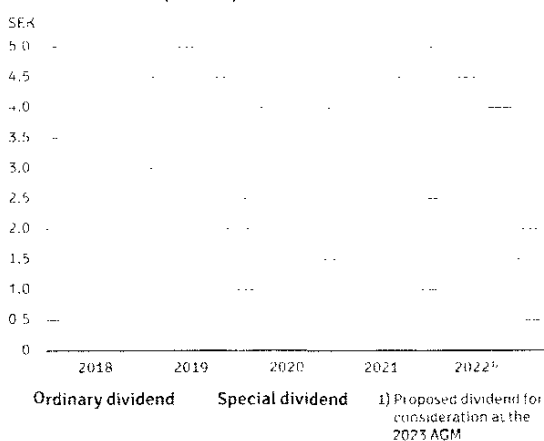
Concentric's ambition is to communicate information internally and externally with the aim of maintaining confidence in and knowledge of the Group and its operations. The information should be correct, relevant and well-formulated and adapted to target groups, i.e. shareholders, capital markets, the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

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

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

Dividend development

Dividend development per share for FY 2018–2022.



Distribution of shares, 30 December 2022

No. of shares	No. of shareholders	% of shareholders	% of total share capital
1–500	6,417	78.3	2.6
501–1,000	904	10.9	2.1
1,001–5,000	657	8.3	4.0
5,001–10,000	67	0.9	1.3
10,001–15,000	26	0.2	0.6
15,001–20,000	17	0.2	0.8
> 20,001	103	1.2	88.6
Total	8,191	100.0	100.0

Swedish and foreign shareholders

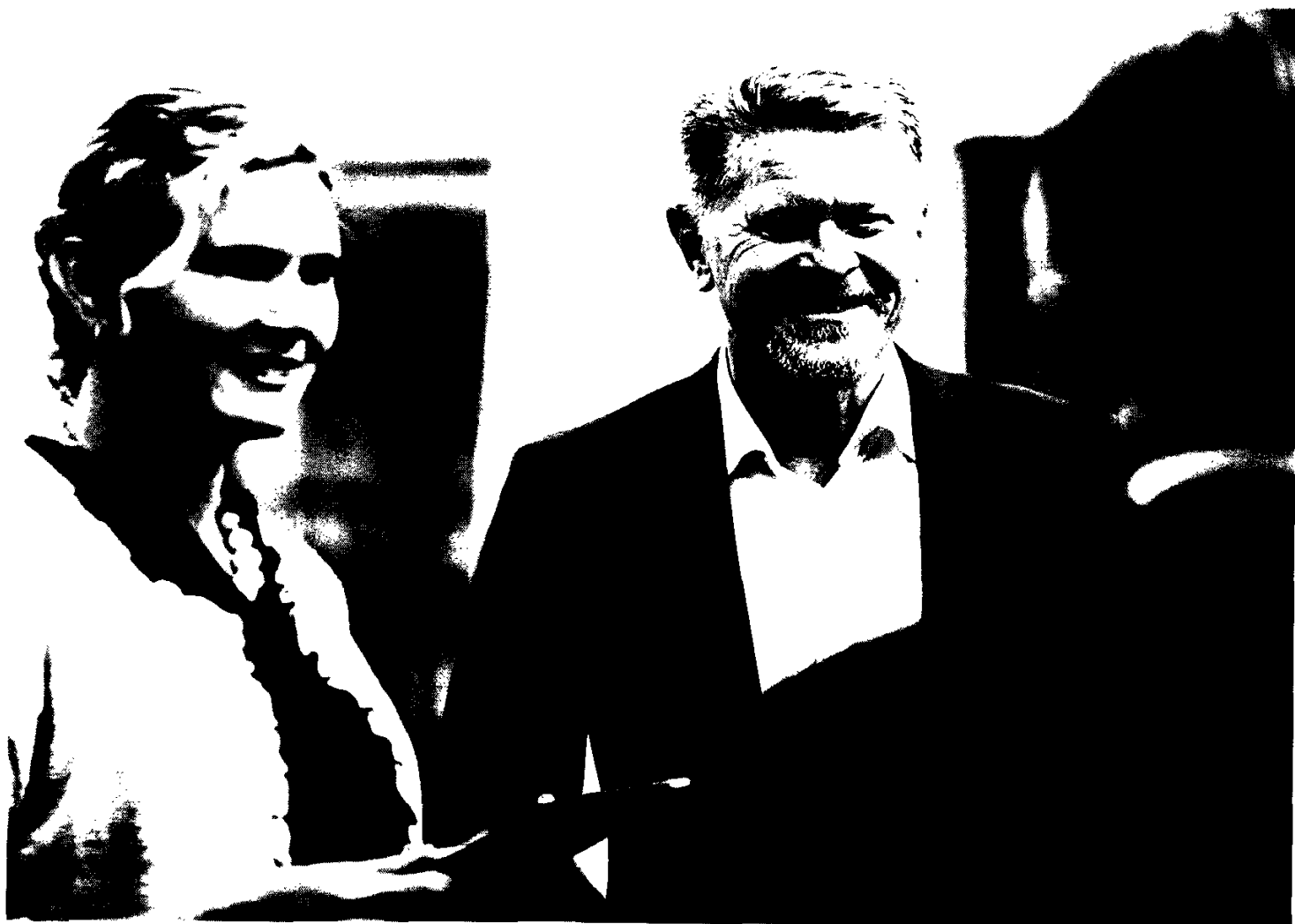
9%	32%	59%
Individuals (Swedish)	Foreign	Legal entities (Swedish)

10 largest shareholders, 30 December 2022

Name	Votes capital, %	No. of shares
Nordea Investment Funds	8.4	3,217,104
Swedbank Robur Fonder	6.6	2,526,348
Första AP-Fonden	6.2	2,353,227
Handelsbankens Fonder	6.0	2,317,141
State Street Bank and Trust Co, W9	5.8	2,207,617
Lannebo Fonder	5.5	2,095,081
AMF - Forsäkring och Fonder	4.9	1,890,527
Fjärde AP-Fonden	4.9	1,882,201
Chens Fonder	4.2	1,602,375
CBNY-NORGES BANK	2.1	819,403
Total 10 largest external shareholders	54.6	20,911,024
Total other external shareholders	44.6	17,068,476
Total, excl own holding	99.2	37,979,500
Own share holding	0.8	318,100
Total shares	100.0	38,297,600

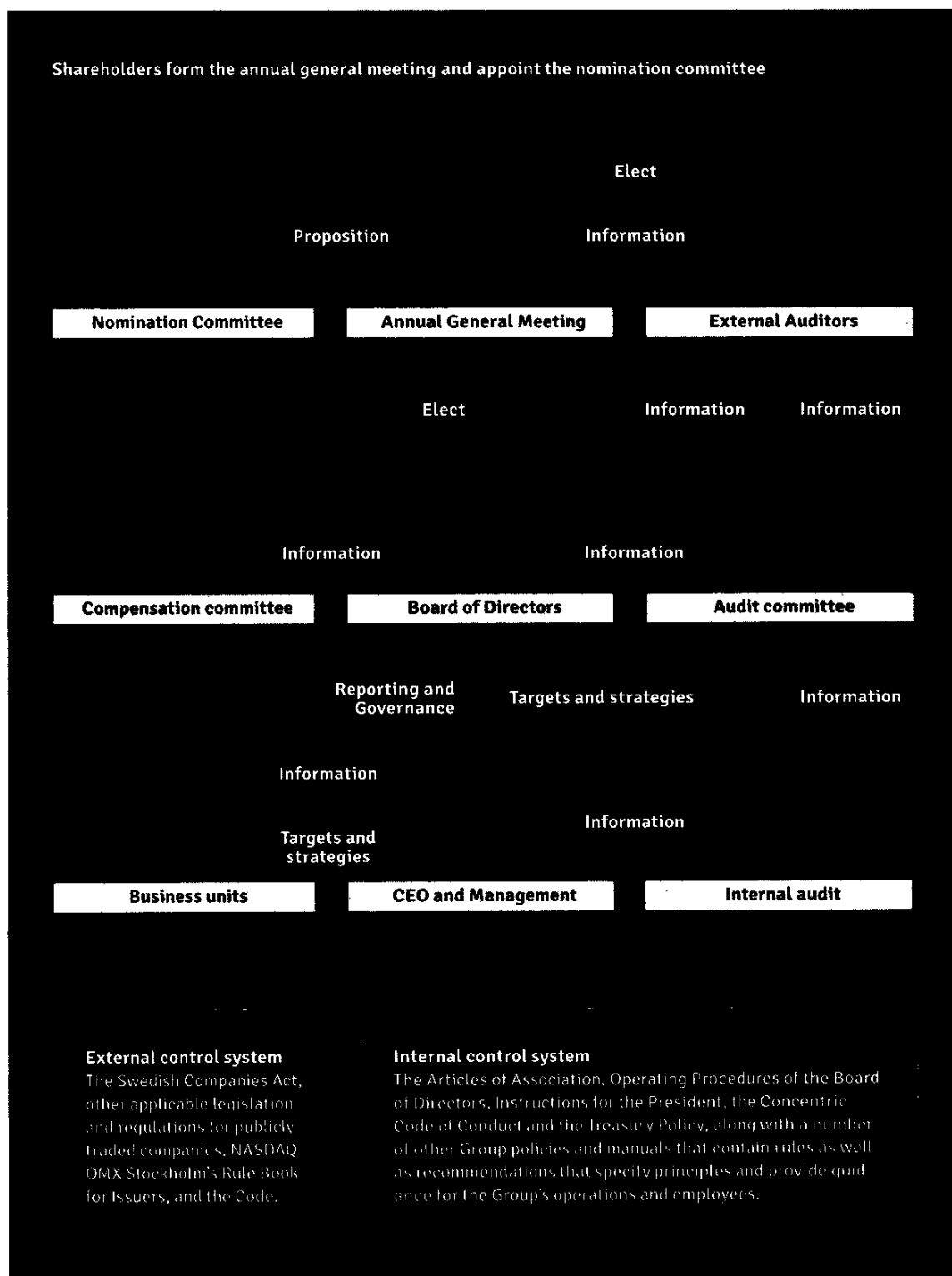
Corporate governance in Concentric

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



Foundation for corporate governance within Concentric

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



Annual General Meeting

Concentric AB is a publicly traded Swedish limited liability company with its registered office in Stockholm, Sweden. With no exceptions, Concentric complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance report for 2022. The report has been prepared in accordance with the Swedish Companies Act.



Shareholders and Annual General Meeting

The shareholders exercise their influence by participating in the Annual General Meeting (and, as the case may be, at Extraordinary General Meetings), which is Concentric's supreme decision-making body. The Annual General Meeting is held in Stockholm, Sweden, every calendar year before the end of June. Extraordinary General Meetings are held when necessary. The Annual General Meeting resolves on a number of issues, such

as the Articles of Association, the adoption of the income statement and balance sheet, the appropriation of the Company's profit or loss and the discharge from liability towards the Company for the Board members and the CEO, composition of the Nomination Committee, the election of Board members (including the Chairman of the Board) and auditor, remuneration to the Board members and the auditor, principles for remuneration and employment terms for the CEO and other senior executives and any amendments to the Articles of Association.

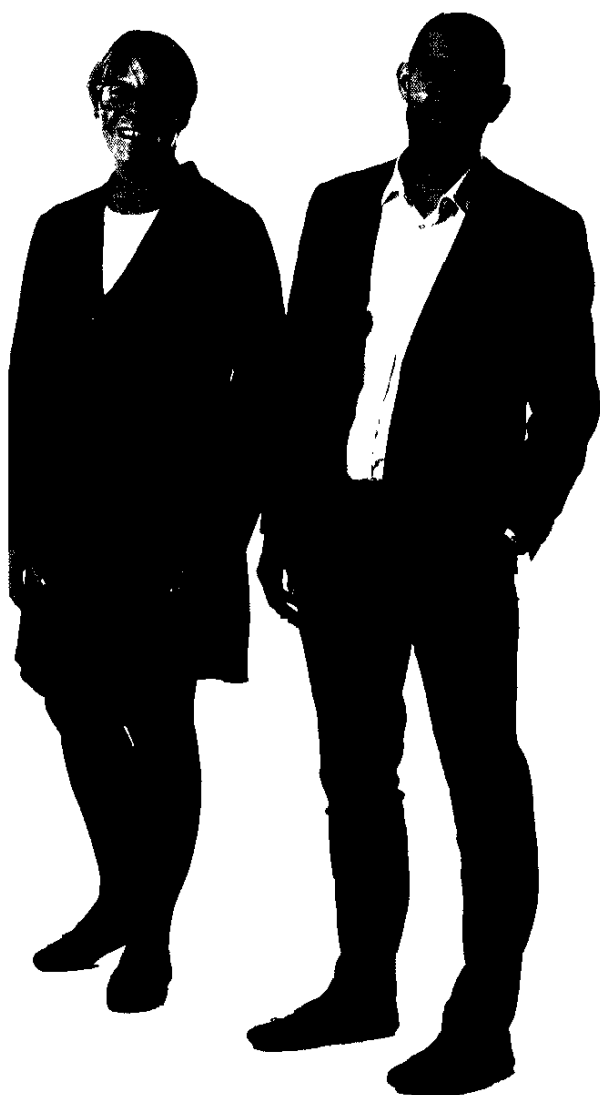
Notice to attend the Annual General Meeting, as well as Extraordinary General Meetings at which amendments to the Articles of Association are to be addressed, are issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice to attend other Extraordinary General Meetings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

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

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

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

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





Shareholders

Concentric has been listed on the NASDAQ OMX Stockholm Stock Exchange since June 16, 2011. The share capital in Concentric AB at 31 December, 2022 totals MSEK 97.3 (97.3), represented by 37,979,500 (37,929,908) outstanding shares, excluding own shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2022 amounted to 8,191 (8,052), with Nordea Investment Funds representing the largest owner with 8.4% (9.2) of the share capital. Swedish ownership totalled 68% (66) at year end 2022. Information concerning ownership is updated each month on Concentric's website, www.concentricab.com.

Annual General Meeting 2022

Concentric's Annual General Meeting was held in Stockholm on 21 April, 2022.

The shareholders present represented 57.2% of the registered shares in Concentric and 57.7% of the outstanding shares, excluding the own shares.

Resolutions

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

The meeting resolved that the Board would comprise seven members with no deputies. Karin Gunnarsson, Anders Nielsen, Susanna Schneeberger, Martin Sköld, Joachim Rosenberg, Petra Sundstrom and Claes Magnus Åkesson were all re-elected for the period until the Annual General Meeting in 2023.

It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2023.

Nomination Committee

Concentric's Annual General Meeting resolves on principles for the appointment of members of the Nomination Committee and the Committee's work. The Nomination Committee's assignment includes the preparation and presentation of proposals for the election of members of the Board of Directors, the Chairman of the Board, the Chairman of General Meetings and auditor as well as proposals regarding the remuneration of Board members, members of any Board Committees and fees to the auditor. The 2019 Annual General Meeting resolved that the Nomination Committee shall consist of five members, representing the Chairman of the Board and one member from each of the four largest shareholders. The names of these four members and the shareholders they represent will be announced via a press release and on Concentric's website 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 website. In conjunction with the issuance of the notice convening the Annual General Meeting, the Nomination Committee shall publish on Concentric's website a statement in support of its proposal to the Board. At least one member of the Nomination Committee shall attend the Annual General Meeting in order to present and account of the work performed by the Nomination Committee and present and state the reasons for the Nomination Committee's proposals.

Nomination Committee for the 2023

Annual General Meeting

In accordance with a decision by the 2019 Annual General Meeting, the Chairman of the Board and one representative of each of the four largest shareholders have been appointed to form the Nomination Committee for the 2023 Annual General Meeting. Based on the ownership structure as of 31 August, 2022, these shareholders were:

- Första AP-fonden, Nordea AB, Handelsbankens Fonder and Swedbank Robur Fonder. Combined, they represented 29.8% of the voting rights in Concentric AB per 31 December 2022.

The shareholders' representatives who will comprise members of the 2022 Nomination Committee are:

- Maria Rengefors (Chairman), Nordea AB, Malin Björkmo, Handelsbankens Fonder, Anette Dahlberg, Första AP-fonden and Monica Åsmyr, Swedbank Robur Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's website, on 3 October, 2022. The Company's shareholders were given the opportunity to submit opinions and proposals to the Nomination Committee via e-mail to the address specified on the Company's website, under the heading Investors – Governance – Corporate Governance in Concentric – AGM 2023.

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

- Studied an evaluation of the Board's work.
- Reviewed competence needs and discussed the Board's composition in the light of Concentric's strategies.
- Nominated Board members.
- Verified the candidates' independence.
- Presented remuneration proposals for the Board (including performance based incentive programmes) and the Auditor.
- Reviewed and issued a proposal on the principles for appointing the Nomination Committee for the 2023 AGM.

Board of Directors

Responsibility and work of the Board

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

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

Responsibilities of the Chairman of the Board

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

CEO and Senior Management

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

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

The CEO leads the work of the senior management team, which is responsible for overall business development. In addition to the CEO, the senior management comprises the CFO, the VP Operational Excellence, the VP HR & Sustainability and the SVP's of EMP, Engine and Hydraulic divisions, a total of seven persons including the CEO.

Steering instruments

External

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

Internal

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

Operating Procedures of the Board of Directors

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

Instructions for the CEO

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

Board of Directors independence

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

Work of the Board

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

During 2022, the Board of Directors held a total of 7 meetings. The main issues addressed were:

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

Meetings attended 2022

Board member	Board	Audit Committee	Compensation Committee	2022/23 Board Fees (SEK)
Anders Nielsen ¹⁾	7	5	5	1,025,000
Claes Magnus Åkesson ²⁾	7	6		550,000
Susanna Schneeberger ³⁾	7		5	500,000
Karin Gunnarsson	7	6		450,000
Joachim Rosenberg	7			375,000
Petra Sundström	6			375,000
Martin Sköld	7			375,000
				3,650,000

1) Chairman of the Board

2) Chairman of the Audit Committee

3) Chairman of the Compensation Committee

Composition of the Board of Directors

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

None of the Group's senior executives or employee representatives were members of the Board in 2022. However, Concentric's CEO participates in Board meetings and the Group's CFO serves as the Board's secretary. Other salaried employees attend Board meetings in connection with the presentation of particular issues.

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

requirements regarding the competence, experience and background of its Board members with the Nomination Committee. The Nomination Committee shall report on its work and explain its proposals at the Annual General Meeting and shall publish a reasoned statement in support of its proposals on Concentric's website.

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

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

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



Compensation Committee

Tasks

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

In the inaugural Board meeting after AGM 2022, separate committees were established. The Compensation Committee comprises two members, Susanna Schneeberger and Anders Nielsen. The main tasks undertaken during the separately convened Compensation Committee meetings were to prepare Board resolutions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior executives, to monitor and evaluate programmes for variable remuneration for senior executives, and to monitor and evaluate the application of the guidelines for remuneration to senior executives resolved upon by the Annual General Meeting as well as remuneration structures and levels. During 2022, there were 5 Compensation Committee meetings.

Remuneration of the Board of Directors

Fees to the Board members elected by the General Meeting are resolved upon by the General Meeting after proposals from the Compensation Committee. The 2022 Annual General Meeting resolved of unchanged fees totalling SEK 3,650,000 will be paid for the period up until the end of the 2023 Annual General Meeting and be distributed among the Board members as set out in the table on page 53. The remuneration to the Board is fixed, with no variable component.

Guidelines

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

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

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

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

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

Amounts in kSEK	Basic salary/ Benefits in kind	Annual variable remuneration	Long term variable remuneration	Pension	Total 2022
President and CEO					
David Woolley (until February 22)	1,418	–	2,764	–	4,182
Martin Kunz (from March 22)	4,841	1,887	–	222	6,951
Other senior executives	13,075	3,798	485	281	17,639
Total	19,334	5,685	3,248	503	28,771

The number of other senior executives are 8 (6). For guidelines on remuneration see pages 71–75.



Incentive programmes

Concentric AB Annual General Meeting 2018–2022 have decided upon five long-term performance based incentive programmes, under which senior executives and key employees participating in the schemes are entitled to receive employee stock options that entitle them to acquire Concentric shares. The fair value of the options has been calculated according to the Black & Scholes-method.

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

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

Incentive programme 2022

The AGM resolved on a long-term incentive programme, LTI 2022, consistent with previous years.

The programme comprised of 17 senior executives and other key employees within the Concentric Group. In order to participate in LTI 2022, the participants made their own investments in Concentric shares in the stock market. Each Concentric share acquired under LTI 2022 entitled the participants to two free employee stock options, where each, after a three year lock-up period, will entitle the participant to acquire one Concentric share at a price of SEK 172.50 and SEK 258.70 respectively.

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

Audit Committee

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

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

The Audit Committee comprises three members, Claes Magnus Åkesson, Anders Nielsen and Karin Gunnarsson. During 2022 there were 6 Audit Committee meetings. The principal tasks undertaken during the separately convened Audit Committee meetings were:

- Review and analyse the financial statements, interim reports and Annual Report;
- Quality assessment of internal control systems, control procedures and risk management;
- Review the audit plan of the external auditors in both the short-term and long-term;
- Preparation of the Corporate Governance Report;
- Recommendation for the election of external auditors in consultation with the Management Team, the Board of Directors and the Nomination Committee prior to the Nomination Committee's recommendation for the Annual General Meeting;
- Review and monitoring of the auditor's impartiality and independence regarding approval of fees and compensation due to the auditors for auditing work as well as advance approval of the auditor's provision of non-audit services;

- Monitoring the statutory audit;
- Reporting and presentation to the Board of Directors observations noted during review sessions with auditors and Management; and
- Otherwise complete the tasks placed on the Audit Committee according to applicable laws, ordinances and the Swedish Code of Corporate Governance.

External audit

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

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

Control environment

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

The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years and overseeing various

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

Risk assessment and control activities

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

Information and communication

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

Evaluation, monitoring and reporting

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

Internal audit

As the group continues to grow the control environment becomes more complex and so in 2022 management made the decision to establish an internal audit function and following this the position of Group Internal Audit Manager was created and then subsequently filled in January 2023, reporting directly to the CFO. The Group now has a dedicated function to manage the control framework and monitor compliance against it.

The Board

Anders Nielsen

Chairman of the Board
and member since 2017
Born 1962



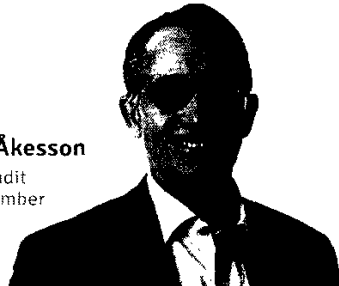
M.Sc. Industrial Engineering and Management.

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

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

Claes Magnus Åkesson

Chairman of the Audit
Committee and member
since 2010
Born 1959



B.Sc. Business Administration.

Chairman of JM@Home. Boardmember of Nyfosa AB. Boardmember of VIE Kapital AB. Previously CFO of JM AB. Claes Magnus has a broad international experience from different treasury and controller positions at Ericsson 1987-1998. Boardmember of Handicare Group AB 2017-2021 and has had several board assignments within the JM Group.

Shareholding in Concentric: 8,000 shares. Independent in relation to the Company, the senior Management and to major shareholders.

Karin Gunnarsson

Member since 2019
Born 1962



B.Sc. Business Administration.

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

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

Petra Sundström

Member since 2021
Born 1976



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

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

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

Martin Sköld

Member since 2010
Born 1973



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

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

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

Susanna Schneeberger

Chairman of the
Remuneration Committee
and member since 2015
Born 1973



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

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

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

Joachim Rosenberg

Member since 2021
Born 1970



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

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

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

Group Management

Martin Kunz

President and Chief Executive Officer as of 1 March 2022
Born 1965



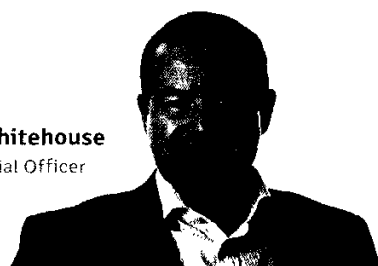
M.Sc. Mechanical engineering and Business Administration

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

Shareholding in Concentric: 12,660 shares.

Marcus Whitehouse

Chief Financial Officer
Born 1971



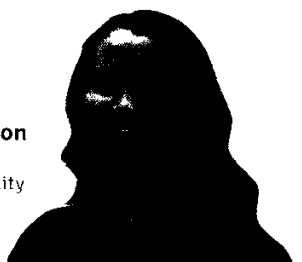
Fellow of the Association of Chartered and Certified Accountants

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

Shareholding in Concentric: 6,388 shares.

Jennifer Todd-Wilson

Vice President Human Resources & Sustainability
Born 1979



Diploma of Business from the Toyota Training Institute

Jennifer joined Concentric in January 2023. Jennifer holds a Diploma of Business from the Toyota Training Institute as well as a Bachelor of Commerce in Industrial Relations from University of Wollongong, New South Wales, Australia. Jennifer joins us from Xylem where she has held several leadership roles over the last ten years, including Director Service, Rental and Continuous Improvement and various international HR positions in the Applied Water Systems division. Prior to joining Xylem Jennifer worked for Onesteel Distribution & PPG and Toyota.

Shareholding in Concentric: 0 shares.

Riccardo Cavallari

Vice President Operational Excellence
Born 1972



BSc Information Technology

Riccardo joined Concentric in August 2022 as VP Operational Excellence. Before he held different leadership positions with Xylem, a global leader in water technologies, pumps and fluid management. During 13 years at Xylem he served as Lean Six Sigma Champion & Master Black Belt, Plant Manager, Director Continuous Improvement & Quality Director and most recently as Director Operational Excellence for a globally operating division. In his earlier career Riccardo worked for Emerson as Industrial Engineering Manager and Lean Six Sigma Program Manager.

Shareholding in Concentric: 0 shares.

Boris Gavric

Senior Vice President
Engines Europe & Asia
and Advanced Products
Born 1974



B.Sc. Biology – University of Windsor
Hon. Applied Science Mechanical Engineering – University of Windsor
M.Sc. Biomedical Engineering – Wayne State University
M.B.A. – Michigan State University

Boris joined Concentric in October 2022 as SVP Engines and Thermal Solutions. Boris previously worked as the COO of the QM Group, a midsize plastic injection molder with global presence. Prior to this, he worked for Henniges Automotive, a global leader in automotive weather sealing. There is held roles ranging in responsibility from engineering, program management, operations, M&A and ending with Global Vice President of Sales and Marketing. In 2010, the SAE Foundation recognized Boris with the Young Manufacturing Leadership Award.

Shareholding in Concentric: 0 shares.

Fernando Palmero

Senior Vice President
Hydraulics Division
Born 1958



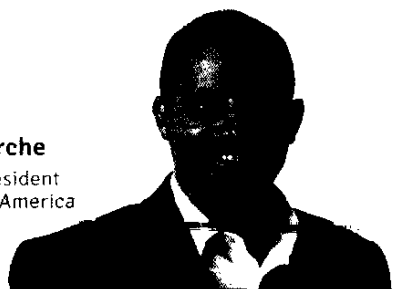
EMBA IESE Business School, BSc Industrial Engineering

Fernando joined Concentric in March 2022 as Interim Manager for the Hydraulics plant in Hof and Commercial Leader for Europe. In August 2022 he took over the Hydraulics business as SVP. Over his career, he held several senior leadership roles within the automotive sector and other engineering products markets, working across multiple diverse geographical sites within IBM, Faurecia, Acument Global Technologies and PSM International.

Shareholding in Concentric: 0 shares.

Brandon Larche

Senior Vice President
Engines North America
Born 1983



B.Sc. Business Administration

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

Shareholding in Concentric: 4,400 shares.

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 2022. The Company has its registered office in Stockholm, Sweden and its visiting and postal address at Box 5058, 102 42 Stockholm, Sweden. Unless otherwise stated, all amounts have been stated in SEK million ("MSEK"). Information in brackets refers to the preceding fiscal year. The terms "Concentric", "Group", and "Company" all refer to the Parent Company – Concentric AB – and its subsidiaries.

Overview of Concentric Group

Concentric produces and sells a range of products to OEMs, Tier-1 suppliers and distributors, based on its core technical competence in pumps, fans, thermal management systems and clutches. Core products are developed together with customers, to provide custom solutions to their specific flow and pressure requirements, whilst achieving the customer's goals on reducing fuel consumption, noise levels and emissions. A typical product development period can be up to three years, and a typical product life is in excess of ten years. Concentric's customers are spread globally, and their products principally serve four end-markets; Trucks, Construction Equipment, Industrial Applications and Agricultural Machinery.

Our critical success factor has been to develop and offer a wide range of high performance, high efficiency pumps with low to high-pressure capability and the ability to integrate these pumps seamlessly with electric motors, controllers and software that deliver world-class reliability, low energy use and full diagnostic capability.

During 2022, Concentric had, on average, a total of 1,207 (817) employees at its sites in China, Germany, India, United Kingdom, United States, and its sales offices in France, South Korea, Italy and Sweden.

Operating segments

Following the acquisition of EMP and an internal organisation and reporting review, the Board has decided the business will report by technology segments, namely

Engines & Hydraulics, rather than geographical regions, which is consistent with both how the business will be managed and reported internally in the future.

The Engine division will include all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulics division will include Concentric and Allied branded hydraulic products. This change is effective from 1 January 2022 and comparative quarterly financial information for 2021 can be seen in the 2022 Interim reports.

Sales and business performance

Sales for the year, were MSEK 4,056 (2,115), up 92% year-on-year in absolute terms. After adjusting for the impact of currency (+12%) and EMP (+65%), sales in constant currency were up +15%.

This has been a transformational year for Concentric following the successful acquisition and integration of EMP, which combined with an overall strong trading performance has increased our net sales for the full year to MSEK 4,056, the highest in the Company's history. However, this has also been a challenging year with the war in Europe, the energy crisis, continued instability in the global supply chain and general inflationary pressures, but despite these challenges Concentric has delivered robust operating margins throughout 2022, mainly through the commitment and dedication of our employees.

Consolidated gross income was MSEK 1,065 (620), resulting in a gross margin of 26% (29%). Reported EBIT and EBIT margin amounted to MSEK 677 (403) and 16.7% (19.1) respectively. Reported EBIT was impacted by the sale of our facility in Chivilcoy, Argentina, MSEK 9. The operating margin before items affecting comparability for the year was 16.5% (20.9).

Economic uncertainty will continue from the war in Europe, ongoing inflationary pressures and the economic situation in China, however Concentric will continue to maintain our strong trading margins through our Business Excellence programme and enhanced capabilities built up during the past year. With the global supply chain stabilising further, we also aim to reduce inventory.

Engines

External sales for the year amounted to MSEK 2,691 (1,115). Sales for the year were up 141% and after adjusting for the impact of currency +9% and EMP +122% sales in constant currency were up +10%.

Overall sales of Engine products were flat year-on-year, maintaining a sustained high. Sales into Agriculture Equipment and Industrial Application sectors were particularly strong this year, whilst sales into Medium and heavy-duty Truck and Construction Equipment sectors showed single digit growth. North America had the strongest growth in the year whilst the Europe and India regions showing a more modest increase.

Reported EBIT and EBIT margin as a percentage of external sales amounted to MSEK 427 (289) and 15.9% (25.9) respectively. The year-on-year margin decrease is a result of the mix change following the acquisition of EMP.

Hydraulics

External sales for the year amounted to MSEK 1,365 (1,000). Sales were up year-on-year by 37% and after adjusting for the impact of currency +16%, sales in constant currency were up 21%. Sales to the North American and European markets fared particularly well and showed double digit growth across most sectors, only the North American Truck market showed a decline year-on-year. China imposed stringent controls for the majority of the year to limit the spread of Covid-19, which negatively impacted the broader economy. Our sales in the region were lower year-on-year, however they remain a small percentage of our Group's net sales.

Reported EBIT and EBIT margin as a percentage of external sales amounted to MSEK 241 (154) and 17.7% (15.4) respectively. The increase in margin is a result of the increase in sales whilst maintaining cost control.

Net financial items, taxes and net earnings

Net financial expenses for the year amounted to MSEK 43 (13), comprising of pension financial expenses of MSEK 5 (5), interest expenses for leases MSEK 4 (5), interest expense on the loan of MSEK 44 (3) and other net interest income of MSEK 10 (nil). Accordingly, con-

solidated income before taxation amounted to MSEK 634 (390) for the year.

The Group's tax expenses for the calendar year 2022 amounted to MSEK 133 (52). The Group's effective annual tax rate was 21% (14).

Earnings after taxation amounted to MSEK 501 (338). Basic and diluted earnings per share amounted to SEK 13.20 (8.91) and SEK 13.18 (8.88) respectively.

Cash flow

Cash flow from operating activities for the year amounted to MSEK 529 (260) which represents SEK 13.95 (6.89) per share, resulting in a strong cash conversion of 102%.

Investments and product development

The Group's net investments in property, plant and equipment for the year amounted to MSEK 62 (21).

Every year, the Group makes investments in development projects to maintain its market-leading products. Product development and application engineering expenses for the year amounted to MSEK 91 (37), which represents 2.2% (1.7) of the Group's annual sales value.

Financial position and liquidity

The carrying amount of financial assets and liabilities are considered to be reasonable approximations of their fair values. Financial instruments carried at fair value on the balance sheet consist solely of derivative instruments. As of 31 December 2022 the fair value of those derivative instruments that were assets was MSEK 30 (3), and the fair value of those derivative instruments that were liabilities was MSEK 0 (0). These fair value measurements belong to level 2 in the fair value hierarchy.

Following a final review of the actuarial assumptions used to value the Group's defined benefit pension plans, the total cumulative net remeasurement gains for the year was MSEK 75 (81).

As a result, the Group's net debt at 31 December 2022 was MSEK 925 (1,192), comprising bank loans of MSEK 1,174 (1,146), loans related to leasing MSEK 114 (125) and net pension liabilities of MSEK 261 (361), net of cash amounting to MSEK 624 (440).

Shareholders' equity amounted to MSEK 2,070 (1,462), resulting in a gearing ratio of 45% (82).

In 2021 Concentric signed new financing agreements with its existing banks, securing a new term loan for a tenor of four years in the amount of MUS\$ 100, and 50% of the term loan will be repaid quarterly in equal instalments over the four years starting in Q1 2022. In addition, a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 was signed. At year end, this amounted to MSEK 1,174 at closing 2022 FX rates.

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

The amount of available unused credit facilities at year-end was EUR million 37 (38), or about MSEK 407 (388).

Acquisitions

There were no acquisitions in 2022.

Related party transactions

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

Environment and corporate social responsibility

Most of Concentric's sites are certified to ISO14001 (environmental management) and some sites to ISO45001 (healthy and safety management). Concentric environmental programmes are characterised by continuous improvement, technical development and resource efficiency. Concentric's environmental policy covers all activities performed at Concentric sites. Concentric has adopted a social policy based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labour

Organisation's (ILO) basic principles on labour law and the OECD guidelines for multinational companies. Our 2022 Sustainability Report has been prepared in accordance with GRI Standards: Core option, as a separate part and is included on pages 34–47 and 126–133.

Equal opportunity

Concentric's commitment to employees is that all employees shall be treated with respect and be offered equal opportunities, be provided the conditions for a safe and healthy work environment and have the right to join an association to represent their interests.

Risk and risk management

A number of factors, not entirely controllable by Concentric, affect and may come to affect Concentric's business. Described below are some of the risk factors, which are considered to be of particular significance to Concentric's future development. The Board of Concentric AB bears an overriding responsibility for identifying, following up and managing all risks.

Industry and market risks

Competition and price pressure

Concentric operates in competitive markets, where price pressure is a natural feature. Stiffer competition and price pressure may impact negatively on the Group's operations, financial position and earnings. For example, customers may increasingly opt for products competing with the Concentric product range and it cannot be excluded that more intense competition may adversely affect Concentric's current margins.

Concentric manages this risk through innovation and product development, which maintain its market-leading products that solve its customers' problems and differentiate Concentric from the competition.

Customers

Concentric is active in several different market segments and has a large number of customers distributed among several areas of operation. A loss of a major customer or the loss or delay of a major contract may

have an adverse impact on the Group's sales and earnings. Moreover, if Concentric's customers do not meet their obligations or drastically reduce operations or terminate activities, the Group's sales and earnings may be negatively affected.

Concentric manages this risk by working closely with its customers to solve their problems and meet their needs, as well as undertaking annual surveys with all of its major customers.

Raw materials and prices of raw materials

The Group depends directly or indirectly on a number of raw materials, semi-finished goods and conversion processes. The greatest exposure on raw materials relates to the supply of aluminium, various steel grades and cast iron. Concentric is also affected by changes in raw materials price levels. Concentric manages the risk of price changes by ensuring it has contractual material escalator agreements with all its major customers. However, where rising raw material prices cannot be offset through higher prices for Concentric's products, the Group's operations, financial position and earnings may be adversely affected.

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

Company-related and operational risks

Production

Damage to production facilities caused, for example, by fire, in addition to manufacturing stoppages or disruptions in any part of the production process caused, for example, by break-downs, weather conditions, geographic conditions, labour disputes, terrorist activities and natural disasters, may have adverse implications in

the form of direct damage to property as well as interruptions that undermine the potential to meet obligations to customers. In turn, this may lead customers to select alternative suppliers. Accordingly, such disruptions or interruptions may impact negatively on the Company's operations, financial position and earnings.

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

Product development

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

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

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

Complaints, product recalls and product liability

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

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

Legal risks

Intellectual property rights ("IPR")

Concentric invests significant resources in product development. To secure returns on these investments, the Group actively claims its rights and monitors competitors' activities closely. There is always a risk that competitors infringe on the Group's patents and other IPR. The risk of the marketing of unlicensed copies of the Group's products has increased in recent years,

particularly in the Asian markets. If required, the Group protects its IPR through legal action. However, it cannot be guaranteed that Concentric will be able to defend its granted patents, trademarks and other IPR or that submitted registration applications will be approved. Accordingly, there can be no guarantee that the Group will receive trademark or similar legal protection in respect of "CONCENTRIC" in all relevant jurisdictions. Disputes regarding infringement of IPR can, just like disputes in general, be costly and time consuming and may adversely affect Group's operations, financial position and earnings. Concentric manages this IPR risk by engaging external legal advice to monitor potential infringements and act early. As a result, the Group has historically not been adversely affected by any IPR disputes.

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

Disputes

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

Financial risks

Liquidity risk

The Group's liquidity risk is the risk that the Company will be unable to meet its immediate capital requirements either through holding sufficient cash and cash equivalents or through granted and unused credit facilities that can be utilised without conditions. The goal according to the Group's finance policy is that cash and cash equivalents and available credit facilities must total at least 10% of the rolling annual net sales for the Group at any point in time. These funds amounted to MSEK 1,031 (827) at year-end, corresponding to 25% (39) of the annual net sales.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on the Group's financial position and earnings. The Group's only significant interest bearing asset is cash and liquid funds. Revenues and cash flow from operating activities are, in all significant respects, independent of changes in market interest rates. The Group's interest rate risk arises from its borrowings in USD which incurs a floating interest rate, to manage this risk an interest rate swap is used to hedge the exposure to variability in the interest rate. If interest rates increase or decrease by 1%, the direct impact on the yearly interest expense for Group borrowings (including liabilities for leasing, but excluding pensions) will increase or decrease by MSEK 9 (13). Please refer to the sensitivity analysis in note 25 for indirect impact of interest rate movements on the Group's pension liabilities

Exchange rate risks

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

Currency	Average rates		Closing rates	
	2022	2021	2022	2021
EUR	10.6317	10.1449	11.1283	10.2269
GBP	12.4669	11.8022	12.5811	12.1790
USD	10.1245	8.5815	10.4371	9.0437

The table below shows the currency effect in SEK million on Net income for the year and Equity if the respective currency changes by 10%. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency	Net income for the year		Equity	
	2022	2021	2022	2021
EUR	22	18	17	7
GBP	8	8	37	39
USD	44	4	209	177

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, 2022, 54% (56) of the anticipated net flows was hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as the counterparties with whom contracts may be signed. Currency forward contracts were used during the year to hedge invoiced and forecast currency flows.

At 31 December 2022, the Group had outstanding derivatives with a total net nominal value of MSEK 224 (185) with a fair value of MSEK -4 (2).

Translational risks

Concentric's operations give rise to extensive cash flows in foreign currency. The most important currencies in the Group's cash flow are SEK, USD, EUR and GBP. The effects of exchange rate movements have an impact on the Group's earnings when the income statements of foreign subsidiaries are translated to SEK. Since the Group's earnings are mainly generated outside of Sweden, the impact on the Group's consolidated income statement may be significant. In connection with translation of the net assets of non-Swedish subsidiaries into SEK, there is a risk that exchange rate fluctuations will affect the Group's consolidated balance sheet. If the measures Concentric undertakes to hedge and otherwise control the effects of exchange rate movements should prove not to be sufficient, Concentric's sales, financial position and earnings may be adversely affected.

Credit risk

Credit risk arises when a party to a transaction cannot fulfil their obligations and thereby creates a loss for the other party. The risk that customers will default on payment for delivered products is minimised by conducting thorough checks of new customers and following up with payment behaviour reviews of existing customers, including robust credit stop procedures. The Group's accounts receivable amounted to MSEK 521 (392) at year-end and are recognised at the amounts expected to be paid. Concentric customers are primarily major OEMs, engine manufacturers and hydraulics distributors. During 2022, no single customer accounted for more than 24% (20) of sales. The Group's customer losses are historically low and normally are less than 0.1% of sales.

The Group also has a credit exposure in cash and cash equivalents. As per December 31, 2022 the Group had MSEK 532 (294) placed in banks with a long term rating from Moody's of Aa1-Aa3, MSEK 31 (52) in banks with a Moody's rating of A1-A3 and MSEK 59 (93) in banks with a Moody's rating (or equivalent) of Baa1-Baa3. The remaining MSEK 2 (1) of cash and cash equivalents was placed in various banks with different ratings.

Changes in value of fixed assets

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

Pension obligations

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

Capital risk

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



Share-related information

Ownership status

The Company's shares have been listed on Nasdaq OMX Stockholm since 16th June, 2011. Concentric AB had 8,191 (8,052) shareholders at the end of the financial year. The Company's largest shareholder was Nordea Investment Funds 8.4% (9.2). At year-end there were no shareholders that hold in excess of 10% of the votes and capital of the Company. The four largest shareholders held together 27% (30).

Share capital, shares outstanding and rights

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

The total number of holdings of own shares at 1 January 2022 was 115,965 (123,255) and shares transferred to an Employee Share Ownership Trust ("ESOT") was 251,727 (304,812). Including these shares the company's holding was 367,600 (428,067) and the total number of shares in issue was 38,297,600 (38,297,600).

No transfer to the ESOT in this year (-), but a transfer of 41,780 (53,085) own shares to Concentric was made. The company has not repurchased any own shares during 2021 and 2022, but has sold 49,592 (60,375) of own shares, to exercise and satisfy the Company's LTI-programmes, which were exercised.

The total number of holdings of own shares at 31 December 2022 was 108,153 (115,965) and the total number of shares in issue was 38,297,600 (38,297,600). Consequently the company's total holdings of own shares now represent 0.3% (0.3) of the total number of shares. In addition to this, the total number of own shares transferred to the ESOT 209,947 (251,727). Including these shares the company's holdings was 318,100 (367,692) representing 0.8% (1.0) of the total number of shares.

The number of shares outstanding at year-end, excluding any dilution from share options, was 37,979,500 (37,929,908). All shares convey equal rights to a percentage of the Company's assets, profits and any surplus upon liquidation. Each share carries one vote and there is only one class of shares. There is no limit to the number of votes a shareholder may cast at

the Annual General Meeting or with respect to transfer of shares. The Company is not aware of any agreements between shareholders which may limit the right to transfer shares. Further information about the Concentric AB share is provided on pages 48–49.

Board authorisations

At the last AGM in April 2022, the following board members were re-elected: Anders Nielsen, Claes Magnus Åkesson, Martin Sköld, Susanna Schneeberger Karin Gunnarsson, Petra Sundström and Joachim Rosenberg.

In addition, authorisation was provided to the board to resolve on the acquisition and transfer of own shares.

Corporate governance

Supported by Chapter 6, Section 8 of the Annual Accounts Act, Concentric AB has elected to prepare its Corporate Governance Report as a separate document from the Annual Report. The Corporate Governance Report, which, among other things includes an account of the Group's governance and work of the Board of Directors over the year, is presented on pages 50–63.

Executive remuneration policies

The below executive remuneration policies were adopted at the 2021 AGM and are valid until the 2025 AGM. The actual remuneration during the year is detailed in note 8.

Estimated costs for variable remuneration and LTI-schemes will be about MSEK 12 (12), including social security cost, for 2023.

Guidelines for salary and other remuneration

The Annual General Meeting 2021 resolved on the following guidelines for salary and other remuneration to directors, the Chief Executive Officer (CEO) and other senior executives. The group of senior executives encompassed by these guidelines comprises the CEO and other members of the group executive management who report directly to the CEO and have strategic accountability for business unit operations and governance matters directed by the Board. These guidelines

are valid for agreements entered into after the general meeting's resolution and for changes made to existing agreements thereafter. These guidelines do not apply to any director fees decided or approved by the general meeting or such issues and transfers as are covered by Chapter 16 in the Swedish Companies Act.

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

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

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

Concentric create value for its customers through:

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

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

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

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

It is of fundamental importance to the company and its shareholders that these guidelines, in both a short

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

Remuneration and remuneration forms

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

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

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

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

Fixed remuneration

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

Annual bonus

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

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

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

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

provide an evidence-based assessment of their performance against individual objectives for agreement and approval by the CEO. The CEO's assessment of performance will be agreed and approved by the Compensation Committee.

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

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

Remuneration payable to directors

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

Pension

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

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

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

Other benefits

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

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

Special remuneration

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

Long-term incentive programme

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

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

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

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

Terms for dismissal etc.

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

Remuneration and employment conditions for other employees

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

The decision-making process to determine, review and implement the guidelines

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

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

Derogation from the guidelines

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term

interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Compensation Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration

The content of the guidelines has been reviewed and adapted to the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/ EC as regards encouragement of the long-term shareholder engagement.

Provisions of the Articles of Association: Appointment and discharge of directors and amendments

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

Significant agreements

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

Contingent liabilities

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

Significant post balance sheet events

There have been no material post balance sheet events which would require disclosure or adjustment to these financial statements.

Parent Company

Net sales for the year amounted to MSEK 29 (28), generating an operating profit of MSEK 3 (loss 2).

Net sales reflected mostly the royalty income received from the joint venture, Alfdex AB.

During the year the company received a dividend of MSEK 48 (46) from Alfdex AB. Exchange rate losses on foreign liabilities to subsidiaries was MSEK 78 (53) in the year, and the remaining financial items netted to MSEK -44 (-6). Income from shares in subsidiaries amounted to MSEK 138 (-5), related to dividends of MSEK 363 (1,018) and write-downs of shares of MSEK 225 (1,023). Accordingly, earnings before tax was a profit of MSEK 67 (loss 20) for the year.

Accounting principles

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

Sustainability report

According to the statutory requirements the Sustainability Report is prepared as a separate report and can be found on pages 34–47 and 126–133.

Outlook for 2023

Economic uncertainty will continue for the new year with a potential recession, the war in Europe, ongoing inflationary pressures and the economic situation in China. However, near-term demand from our customers across our four end-market applications remains consistent with the demand we have enjoyed throughout 2022. Looking into the first quarter of 2023, we estimate sales to be similar to the sales performance achieved during the fourth quarter 2022. We will continue to maintain our strong trading margins through our Business Excellence programme and enhanced

capabilities built up during the past year. As the global supply chain is expected to stabilize further, we also aim to reduce inventory levels during 2023. As customers might do the same, there is a potential risk of temporary adjustment of customer demand.

Dividend policy

The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status. The Board of Directors propose to the shareholders at the Annual General Meeting a dividend of SEK 4.00 (3.75) per share for 2022, which equates to around 30% (42) of earnings per share.

Proposed appropriation of earnings

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

Amounts in kSEK

Profit brought forward	2,109,842
Net income for the year	84,193
Total	2,194,035

The board of directors and the president propose that the funds of kSEK 2,194,035 be allocated as follows:

Amounts in kSEK

Dividend of SEK 4.00 per share to shareholders	151,918
Carried forward	2,042,117
Total	2,194,035

The record date for determining who is entitled to receive dividends is proposed to be Thursday April 20, 2023. The dividend will be distributed on Tuesday, April 25, 2023. For additional information, see Note 21, for the parent company.

Concentric Group

Consolidated income statement

	Note	2022	2021
Net sales		4,056	2,115
Cost of goods sold		-2,991	-1,495
Gross income		1,065	620
Selling expenses		-118	-60
Administrative expenses		-210	-159
Product development expenses		-91	-37
Share of net income in joint venture	19	62	81
Other operating income	11	42	40
Other operating expenses	11	-73	-82
Operating income	4, 5, 7, 8, 9, 10, 17	677	403
Financial income	12	17	4
Financial expenses	12	-60	-17
Financial items – net		-43	-13
Earnings before tax		634	390
Taxes	13	-133	-52
Net income for the year		501	338
Attributable to:			
Parent Company shareholders		501	338
Non controlling interest		-	-
Basic earnings per share, SEK	14	13.20	8.91
Diluted earnings per share, SEK	14	13.18	8.88
Basic weighted average number of shares (000)	14	37,961	37,902
Diluted weighted average number of shares (000)	14, 24	38,030	38,020

Consolidated statement of comprehensive income

	2022	2021
Net income for the year	501	338
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement gains of net pension liabilities	75	81
Tax arising on remeasurement gains of net pension liabilities	-23	-24
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange rate differences related to liabilities to foreign operations	-78	-53
Tax arising from exchange rate differences related to liabilities to foreign operations	16	11
Cash-flow hedging	27	3
Tax arising from cash-flow hedging	-6	-1
Share of OCI related to joint venture	5	9
Foreign currency translation differences	223	153
Total other comprehensive income	239	179
Total comprehensive income	740	517

Consolidated balance sheet

	Note	31 Dec 2022	31 Dec 2021
Assets			
Fixed assets			
Goodwill	15	1,455	1,303
Other intangible fixed assets	15	435	447
Right of use fixed assets	16, 17	99	112
Other tangible fixed assets	16, 17	450	430
Share of net assets in joint venture	19	138	116
Deferred tax assets	18	117	98
Long-term loans receivable from joint venture	38	-	-
Other long-term receivables	38	35	4
Total fixed assets		2,729	2,510
Current assets			
Inventories	20	538	382
Accounts receivable	21, 38	521	392
Short-term loans receivable from joint venture	29, 38	2	1
Other current receivables	22, 38	81	58
Cash and cash equivalents	23, 38	624	440
Total current assets		1,766	1,273
Total assets		4,495	3,783
Shareholders' equity and liabilities			
Shareholders' Equity			
Share Capital	24	97	97
Additional Contributed Capital		583	583
Reserves		461	274
Retained Earnings		929	508
Total Shareholders' equity		2,070	1,462
Long-term liabilities			
Pensions and similar obligations	25, 34	261	361
Deferred tax liabilities	18	140	131
Long-term liabilities for right of use fixed assets	26, 27, 34, 38	97	105
Other long-term interest-bearing liabilities	26, 27, 34, 38	783	791
Other provisions	30	2	4
Other long-term liabilities	26, 38	-	1
Total long-term liabilities		1,283	1,393
Current liabilities			
Short-term liabilities for right of use fixed assets	26, 28, 34, 38	17	20
Other short-term interest-bearing liabilities	26, 28, 34, 38	391	355
Short-term loans payable to joint venture	29, 38	-	-
Accounts payable	26, 38	401	313
Other provisions	30	33	36
Other current liabilities	26, 31, 38	300	204
Total current liabilities		1,142	928
Total Shareholders' equity and liabilities		4,495	3,783

Information of pledged assets and contingent liabilities, see note 52

Consolidated changes in shareholders' equity

	Share capital	Additional contributed capital	Reserves		Retained earnings	Total
			Hedging reserve	Translation reserve		
Opening balance January 1, 2021	97	583	–	151	236	1,067
Net income for the year	–	–	–	–	338	338
Other Comprehensive income	–	–	2	121	56	179
Total comprehensive income	–	–	2	121	394	517
Dividend	–	–	–	–	–133	–133
Buy-back own shares	–	–	–	–	–	–
Sale of own shares to satisfy LTI-options exercised	–	–	–	–	8	8
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2021	97	583	2	272	508	1,462
Opening balance January 1, 2022	97	583	2	272	508	1,462
Net income for the year	–	–	–	–	501	501
Other Comprehensive income	–	–	21	166	52	239
Total comprehensive income	–	–	21	166	553	740
Dividend	–	–	–	–	–142	–142
Buy-back own shares	–	–	–	–	–	–
Sale of own shares to satisfy LTI-options exercised	–	–	–	–	7	7
Long-term incentive plan	–	–	–	–	3	3
Closing balance December 31, 2022	97	583	23	438	929	2,070

Consolidated cash flow statement

	Note	2022	2021
Cash flow from operating activities			
Earnings before tax		634	390
Reversal of depreciation, amortisation and write-down of fixed assets		188	98
Reversal of net income from joint venture		-62	-81
Other adjustments	33	3	44
Taxes paid		-125	-54
Cash flow from operating activities before changes in working capital		638	397
Change in working capital			
Inventories		-94	-92
Current receivables		-76	-71
Current liabilities		61	26
Change in working capital		-109	-137
Cash flow from operating activities		529	260
Cash flow from investing activities			
Investments in subsidiaries		-16	-1,206
Closure of subsidiary		-	-22
Net investments in property, plant and equipment		-62	-21
New loans paid to joint venture		-	-
Loans repayment from joint venture		-	25
Other repayment of long-term receivables		-	-
Cash flow from investing activities		-78	-1,224
Cash flow from financing activities			
Dividend		-142	-133
Dividend received from joint venture		48	46
Buy-back of own shares		-	-
Selling of own shares to satisfy LTI – options exercised		7	8
New loans	34	-	1,073
Repayment of loans	34	-153	-52
Pension payments and other cash flows from financing activities	34	-83	-65
Cash flow from financing activities		-323	877
Cash flow for the year		128	-87
Cash and bank assets, opening balance		440	505
Exchange-rate difference in cash and bank assets		56	22
Cash and bank assets, closing balance		624	440

Group notes

NOTE 1

General information

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

Concentric AB, Corp. ID. No. 556828-4995 is a registered limited liability corporation with its registered office in Stockholm, Sweden. The postal address is Box 5058, 102 42 Stockholm, 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 23 March, 2023. The statements will be adopted by the Annual General Meeting on 18 April 2023.

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

NOTE 2

Summary of important accounting principles

New and amended standards and interpretations adopted by the Group

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

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

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

a) Basis of preparation

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

b) Going concern

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

c) Consolidation

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

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

Consolidation of joint venture

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

Non-controlling Interests

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

d) Translation of foreign currency

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

Advance consideration

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

Transactions and balance sheet items

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

Subsidiaries

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

Receivables and liabilities

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

e) Revenue recognition

Sale of goods

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

Design and development

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

Variable consideration – prompt payment discounts

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

f) Leases

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

g) Tangible fixed assets

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

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

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

h) Intangible assets

Product Development

Costs for developing new products are recognised as intangible fixed assets when the following criteria are met: it is likely that the assets will result in future financial benefits to the Company; the acquisition value can be calculated reliably; the Company intends to finish the asset and has technical and financial resources to complete its development. Documents to verify capitalisation of product development costs can consist of business plans, budgets or the Company's forecasts of future earnings. The acquisition value is the sum of the direct and indirect expenses accruing from the point in time when the intangible asset fulfils the above criteria. Intangible assets are recognised at cost less accumulated amortisation taking into account any impairment losses. Amortisation begins when the asset becomes usable and is applied in line with the estimated useful life and in relation to the financial benefits that are recognised to be generated by the product development. The useful life is not normally assessed as exceeding five years. Product Development, which are acquired through business acquisitions, are recognised at fair value on the day of acquisition. Product Development have a determinable useful life over which straight-line amortisation is applied to distribute the cost in the income statement. The recognised useful life of Product Development is estimated at 7 years.

Brands, licenses and patents

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

Customer relations

Customer relations acquired through business combinations are recognised at fair value on the day of the acquisition and subsequently at cost less accumulated amortisation and any impairment losses. Customer relations have a determinable useful life estimated at 10–17 years. Straight-line amortisation is applied over the estimated useful life of customer relations.

Software and IT systems

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

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the

acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Impairment

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

i) Financial instruments

Initial measurement

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

Classification and subsequent measurement of financial assets

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

Classification and subsequent measurement of financial liabilities

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

Derivative instruments

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

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

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

Cash flow hedging of forecast sales

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

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

Cash flow hedging of interest rate risk

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

Hedging of net investments

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

Calculation of fair value

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

Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party according to the contractual terms. Accounts receivable is recorded in the balance sheet when the invoice is sent. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. The Company derecognises a financial asset when the contractual rights to the cash flows from financial asset expire, or it transfers the rights to receive the contractual cash flow in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retains substantially all of the

risks and rewards of ownership and it does not retain control of the financial asset. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Offsetting

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

j) Inventories

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

k) Impairment of financial assets

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

l) Cash and cash equivalents

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

m) Assets held for sale

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

n) Provisions

Provisions are recognised in the balance sheet when the Group has future obligations resulting from an event that is likely to

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

o) Employee benefits

Pension commitments

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

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

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

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

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

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

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

Share-based payment

The Annual General Meeting 2012–2022 decided upon share-based payment plans for the Group in the form of incentive programmes directed at senior executives and key employees. The Company obtains services from employees as compensation for

equity instruments (options) in the Group. The fair value of the services is recognised as expense over the vesting period, meaning the period during which the stated vesting conditions are to be fulfilled. The fair value of the services is estimated as the fair value of the options on grant date. The total expense recognised is adjusted for any options being forfeited due to non-completion of the required service period; while expenses recognised do not take into consideration any effects of changes in the share price, including options not being exercised due to the share price being below the exercise price. For further information about the incentive programme, see note 8. Expenses for social charges related to the option programme are recognised according to the same principle, with the difference that the fair value is recalculated on each reporting date.

Short-term employee benefits

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

Profit-sharing and bonus payments

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

Termination benefits

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

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

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

p) Taxes

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

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

q) Cash flow statement

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

r) Government grants

Government grants connected to the acquisition of fixed assets reduce the acquisition value of the particular assets. This means

that the asset has been recognised at a net acquisition value, on which the size of depreciation has been based.

s) Earnings per share

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

t) Hyperinflationary economy

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

NOTE 3

Important estimations and assumptions

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

Goodwill

During the year the Group's goodwill was tested for impairment. As at 31 December 2022, the total goodwill amounted to MSEK 1,455 (1,303). The testing was performed at the operating segment level. The Engine segment and the Hydraulics segment constitute the Group's cash generating units. The goodwill value assigned to the Engine segment amounts to MSEK 1,379 (1,237) and the Hydraulic segment amounts to MSEK 76 (66). The change between the years is due to different currency rates being used when translating the amount into SEK. The impairment testing is performed by discounting expected future cash flows translated into SEK, as determined in the individual segments business plans. The value is set in relation to the carrying amount of the segment's goodwill. Future cash flows are calculated on the basis of official market data relevant to Concentric's type of industry, while consideration is also taken for Concentric's historical financial performance and future benefits from committed restructuring programmes.

The forecast period for testing of goodwill is five years and after the explicit forecast period, a residual value is assigned, which is assumed to represent the value of the business following the final year of the forecast period. In addition to the latest published end-market indices and historical performance, the Group's forecasts are compiled using product sales plans, productivity initiatives, capital investment programmes and working capital targets prepared by each individual operating location. The key assumptions for the forecast of cash flows during the coming five years are sales growth, EBIT margin, level of working capital and capital expenditures. The residual value has been calculated on the basis of an assumption concerning a sustainable level for the free cash flow (after the forecast period) and the level of growth. The growth after the end of forecast period has been estimated at 2 (2) percent. The calculation of the residual value includes all future cash flows after the end of the forecast period. When discounting recognised future cash flows, a weighted average cost of capital after tax (WACC) of 7.2% (5.6) was used. This corresponds to WACC before tax of 7.6% (6.3). The weighted average cost of capital was calculated on the basis of the following assumptions:

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

The impairment tests performed in 2022 did not reveal any need to impair goodwill. A reasonable possible change in any of the key assumptions would not lead to impairment.

Income taxes

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

Warranty reserves

The Group continuously assesses the value of the reserves in relation to the estimated need. The warranty reserve amounted to MSEK 33 (36) and represented 0.8% (1.7) of net sales as of December 31, 2022.

Pensions

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounts to a defined benefit obligation of 1,767 (2,349), plan assets of 1,506 (1,988) and net pension liabilities of MSEK 261 (361) at year-end 2022. The principal assumptions are described in Note 25. At 31 December 2022, there was an increase in the assumed discount rates used for the actuarial estimates of the defined benefit pension plans in the UK, US and Sweden, which lead to remeasurement gains in the current reporting period. Given the sensitivity of the discount rate to these actuarial calculations, we have

reviewed the impact of a +/- 0.5% change in the rates assumed. Our actuaries estimate that a 0.5% increase in the assumed discount rates used would decrease the present value of the Group's defined benefit obligations by approximately MSEK 88 (158). Conversely, a 0.5% decrease in the assumed discount rates used would increase the present value of the Group's estimated pension obligations by approximately MSEK 96 (175). Since the Group's UK companies account for approximately 70% (71) of the Group's total estimated defined benefit obligations, fluctuations in the UK discount rate would have the greatest impact.

NOTE 4

Segments and revenue

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

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

The 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 24% (20) of the comprehensive income of the Group as a whole. There are two (two) customers with more than 10% of the Group's net sales in 2022. These customers contributed net sales of MSEK 1,495 (668), or 36.9% (31.6) and were supplied from both the Engines and Hydraulics operating segments. The location of the customer forms the basis of sales by geographic area.

	Engines		Hydraulics		Elims/Adjs		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Total net sales	2,702	1,124	1,366	1,001	-12	-10	4,056	2,115
External net sales	2,691	1,115	1,365	1,000	-	-	4,056	2,115
Operating income before items affecting comparability	427	289	241	154	-	-	668	443
Operating income	427	289	241	154	9	-40	677	403
Operating margin before items affecting comparability, %	15.9	25.9	17.7	15.4	n/a	n/a	16.5	20.9
Operating margin, %	15.9	25.9	17.7	15.4	n/a	n/a	16.7	19.1
Financial income and expense	-	-	-	-	-43	-13	-43	-13
Earnings before tax	427	289	241	154	-34	-53	634	390
Assets	3,282	3,013	599	514	614	256	4,495	3,783
Liabilities	784	644	388	468	1,253	1,209	2,425	2,321
Capital employed	2,756	2,467	225	204	141	78	3,122	2,749
Return on capital employed before items affecting comparability, %	15.6	24.2	88.4	113.2	n/a	n/a	21.8	30.1
Return on capital employed, %	15.6	24.2	88.4	113.2	n/a	n/a	22.1	27.4
Net investments in property, plant and equipment	55	18	7	3	-	-	62	21
Depreciation, amortisation and write-downs	169	79	18	18	1	1	188	98
Number of employees, average	825	486	382	331	-	-	1,207	817

Disaggregation of revenue

Segment external sales reporting by geographic location of customer	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
USA	1,725	338	677	471	2,402	809
Rest of North America	116	46	22	11	138	57
South America	-	35	3	2	3	37
Germany	198	202	177	170	375	372
UK	165	129	57	39	222	168
Sweden	46	34	70	58	116	92
Rest of Europe	281	236	180	120	461	356
Asia	122	69	161	123	283	192
Other	38	26	18	6	56	32
Total Group	2,691	1,115	1,365	1,000	4,056	2,115

Total sales by product groups	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
Concentric branded products	924	722	1,277	921	2,201	1,643
EMP branded products	1,530	168	-	-	1,530	168
LICOS branded products	237	225	-	-	237	225
Allied branded products	-	-	88	79	88	79
Total Group	2,691	1,115	1,365	1,000	4,056	2,115

Total sales by end-markets	Engines		Hydraulics		Group	
	2022	2021	2022	2021	2022	2021
Trucks	950	449	234	198	1,184	647
Construction	925	315	507	373	1,432	688
Industrial	259	160	442	295	701	455
Agriculture	557	191	182	134	739	325
Total Group	2,691	1,115	1,365	1,000	4,056	2,115

Revenues from contracts with customers

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

Contract balances

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

Tangible assets by operating location	2022	2021
USA	391	389
Germany	39	36
UK	80	76
South America	-	-
Asia	39	41
Total Group	549	542

Intangible assets by operating location	2022	2021
USA	1,420	1,274
Germany	56	55
UK	414	421
Total Group	1,890	1,750

NOTE 5

Costs distributed by type

	2022	2021
Direct material costs	2,052	1,037
Personnel costs	879	470
Warranty cost	1	5
Depreciation and amortisation	188	98
Share of net income in joint venture	-62	-81
Other operating income	-47	-46
Other operating costs	368	229
Total operating costs	3,379	1,712

NOTE 6

Average number of employees

	2022	2021
Women	355	215
Men	852	602
Total	1,207	817

NOTE 7

Salaries and other remuneration

	2022	2021
Salaries and remuneration	752	382
Pension costs	20	14
Social security costs	70	52
External cost for temporary personnel	25	14
Other personnel costs	12	8
Total personnel costs	879	470

Salaries and remuneration to the Board of Directors, CEO and site General Managers amounted to MSEK 43 (30). The Board of Directors, consists of 7 (7) members, of whom 3 (3) are women. For information on the individual remuneration paid to them and the CEO, refer to Note 8 for the Group.

NOTE 8

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

Amounts in SEK (thousands)	2022					2021				
	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total
Board of Directors										
Kent Eriksson, Chairman 2020/2021	-	-	-	-	-	206	-	-	-	206
Anders Nielsen, Chairman 2021-2023	1,010	-	-	-	1,010	800	-	-	-	800
Marianne Brismar	-	-	-	-	-	81	-	-	-	81
Karin Gunnarsson	443	-	-	-	443	419	-	-	-	419
Martin Lundstedt	-	-	-	-	-	81	-	-	-	81
Joachim Rosenberg	370	-	-	-	370	263	-	-	-	263
Petra Sundström	370	-	-	-	370	263	-	-	-	263
Susanna Schneeberger	493	-	-	-	493	419	-	-	-	419
Martin Skold	370	-	-	-	370	344	-	-	-	344
Claes Magnus Åkesson	542	-	-	-	542	493	-	-	-	493
Total Board of Directors	3,598	-	-	-	3,598	3,369	-	-	-	3,369

Amounts in SEK (thousands)	2022					2021				
	Basic salary/ Benefits in kind	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Basic salary/ Benefits in kind	Annual variable remuneration	Long-term variable remuneration	Pension	Total
President and CEO										
David Woolley	1,418	-	2,764	-	4,182	6,125	4,164	2,036	-	12,325
Martin Kunz	4,841	1,887	-	222	6,950	-	-	-	-	-
Other senior executives ¹⁾	13,075	3,798	485	281	17,639	9,796	1,460	210	361	11,827
Total	19,334	5,685	3,248	503	28,771	15,921	5,624	2,246	361	24,153

1) Other senior executives consisted of 8 (6) people, of whom 1 (2) are women.

Employee stock options	LTI 2022	LTI 2021	LTI 2020	LTI 2019
President and CEO				
David Woolley	–	–	–	70,760
Martin Kunz	51,960	–	–	–
Other senior executives	58,744	17,920	7,512	28,424
Total stock options	110,704	17,920	7,512	99,184
Employee stock options	55,352	8,960	3,756	49,592
Performance stock option 1	27,676	4,480	1,878	24,796
Performance stock option 2	27,676	4,480	1,878	24,796
Total stock options (=Number of shares)	110,704	17,920	7,512	99,184
Criteria for performance stock option 1	2024 EPS ≥ SEK 10.50	2023 EPS ≥ SEK 8.00	2022 EPS ≥ SEK 9.50	2021 EPS ≥ SEK 12.00 ¹⁾
Criteria for performance stock option 2	2024 EPS ≥ SEK 12.50	2023 EPS ≥ SEK 10.00	2022 EPS ≥ SEK 12.00	2019–21 Average ROE ≥ 30% ¹⁾
Number of senior executives	17	6	2	6
Conditioned by own investment of shares	27,676	4,480	1,878	24,796
Changes in number of stock options				
	2022	2021	2020	2019
Opening balance, 1 January	131,016	319,876	331,444	390,380
Granted	110,704	22,320	97,712	128,304
Options exercised	-49,592	-100,340	-102,800	-169,400
Lapsed LTI 2017	–	–	–	-17,840
Lapsed LTI 2018	–	–	–	–
Lapsed LTI 2019	-49,592	-22,640	-6,480	–
Lapsed LTI 2020	-2,000	-88,200	–	–
Lapsed LTI 2021	-4,400	–	–	–
Closing balance, 31 December	136,136	131,016	319,876	331,444
Key parameters				
	LTI 2022	LTI 2021	LTI 2020	LTI 2019
Average exercise price, SEK	194.40	162.80	142.00	128.25
Average price per option, SEK	47.80	34.83	28.95	23.13
Risk free interest rate, %	0.05	-0.25	-0.32	-0.24
Expected volatility ²⁾ , %	30.00	29.00	28.00	26.00
Assumed dividend during 3 year period, SEK	12.73	16.60	15.09	14.32
Average share price at grant date, SEK	215.60	180.90	157.80	142.50
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2022, MSEK	1.6	0.3	0.1	1.9
Annual cost of scheme, MSEK	2.4	0.3	0.1	1.9
Total cost of scheme over 3 year vesting period, MSEK	7.3	0.9	0.3	5.8

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

2) The volatility applied in the valuation has been estimated based on the weighted average of the 100-day historical volatility for the shares traded on NASDAQ OMX Stockholm.

NOTE 9
Auditing fees

	2022	2021
KPMG		
Audit assignments	5	4
Other assignments	–	–
	5	4

NOTE 10
Depreciation and Amortisation

	2022	2021
Cost of goods sold	100	44
Administrative costs	13	10
Product development costs	2	2
Other operating expenses	73	42
Total depreciation and amortisation	188	98

NOTE 11
Other operating income and expenses

	2022	2021
Other operating income		
Revenue from tooling etc	8	11
Income from royalty from joint venture	22	24
Export incentives	–	2
Sale of Chivilcoy	9	–
Other income	3	3
	42	40
Other operating expenses		
Amortisation of acquisition related surplus values	73	42
Acquisition costs	–	18
Closure of subsidiary cost	–	22
Other expenses	–	–
	73	82

NOTE 12
Financial items – Net

	2022	2021
Financial income		
Interest income, external	8	1
Foreign exchange rate gains, net	9	3
Total financial income	17	4
Financial expenses		
Interest expenses, external	–44	–3
Pension financial expenses	–5	–5
Interest expenses for right of use assets, IFRS16	–4	–5
Other financial items, external	–7	–4
Total financial expenses	–60	–17
Financial items – net	–43	–13

NOTE 13
Taxes

	2022	2021
Current tax	–163	–70
Deferred tax	36	19
Withholding tax	–6	–1
Total income tax	–133	–52

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

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

Reconciliation of effective tax rate	2022	2021
Earnings before tax (MSEK)	634	390
Applicable tax rate in Sweden, %	–21	–21
Effect of different tax rates in foreign countries of operation, %	–2	3
Withholding taxes, %	–	–
Non-tax deductible expenses, %	–	–
Non-taxable income, %	1	–
Tax attributable to prior years, %	–2	2
Utilisation of previously unrecognised tax losses, %	–	2
Change in temporary difference, %	–	–
Change in temp diff without cap of def tax, %	–	–2
Effect of changes in tax rates, %	3	2
Reported effective tax rate, %	–21	–14

NOTE 14**Earnings per share**

	2022	2021
Net income for the year, kSEK	501,223	337,526
Basic weighted average number of shares	37,960,750	37,902,337
Adjustments for the option programmes	69,386	117,447
Diluted weighted average no of shares	38,030,136	38,019,784
Basic earnings per share, SEK	13.20	8.91
Diluted earnings per share, SEK	13.18	8.88

NOTE 15**Intangible fixed assets**

	Goodwill	Other intangible assets ¹⁾	Capitalised development costs	Total
Acquisition value				
Opening Balance at 1 January 2021	653	558	34	1,245
Investments through business combinations	558	348	-	906
Other investments	-	-	-	-
Sales/discards/reclassifications	-	-	-	-
Effect of movements in exchange rates	97	74	-	171
Closing Balance at 31 December 2021	1,308	980	34	2,322
Opening Balance at 1 January 2022	1,308	980	34	2,322
Investments through business combinations	-	-	-	-
Other investments	-	-	-	-
Sales/discards/reclassifications	-	-	-	-
Effect of movements in exchange rates	156	104	-	260
Closing Balance at 31 December 2022	1,464	1,084	34	2,582
Accumulated depreciation and amortisation, including write-downs²⁾				
Opening Balance at 1 January 2021	4	448	34	486
Depreciation and amortisation	-	42	-	42
Sales/discards/reclassifications	-	-	-	-
Effect of movements in exchange rates	1	43	-	44
Closing Balance at 31 December 2021	5	533	34	572
Opening Balance at 1 January 2022	5	533	34	572
Depreciation and amortisation	-	73	-	73
Sales/discards/reclassifications	-	-	-	-
Effect of movements in exchange rates	4	43	-	47
Closing Balance at 31 December 2022	9	649	34	692
Carrying amounts				
As at 31 December 2021	1,303	447	-	1,750
As at 31 December 2022	1,455	435	-	1,890

1) The acquisition value of other intangible assets of MSEK 1,084 (980) relates to Customer relationships and contracts of MSEK 678 (611), Brand MSEK 190 (173), Technology MSEK 190 (171) and other intangible assets MSEK 26 (25).

2) Accumulated write-downs amounted to MSEK 32 (32) and relates to Capitalised development costs.

NOTE 16

Tangible fixed assets

	Right of use fixed assets – IFRS16	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
Acquisition value							
Opening Balance at 1 January 2021	154	96	22	773	291	8	1,344
Investments through business combinations	–	109	13	175	19	17	333
Other investments	6	1	–	11	4	5	27
Sales/discards/reclassifications	–6	–1	–	25	–9	–16	–7
Effect of movements in exchange rates	12	16	1	74	22	1	126
Closing Balance at 31 December 2021	166	221	36	1,058	327	15	1,823
Opening Balance at 1 January 2022	166	221	36	1,058	327	15	1,823
Investments through business combinations	–	–	–	–	–	–	–
Other investments	4	–	–	35	7	9	55
Sales/discards/reclassifications	–	–	–	–2	–	–	–2
Effect of movements in exchange rates	12	32	6	101	36	2	189
Closing Balance at 31 December 2022	182	253	42	1,192	370	26	2,065
Accumulated depreciation and amortisation							
Opening Balance at 1 January 2021	34	87	14	729	272	–	1,136
Depreciation and amortisation	21	3	1	24	7	–	56
Sales/discards/reclassifications	–3	–	–	–	–	–	–3
Effect of movements in exchange rates	2	9	2	60	19	–	92
Closing Balance at 31 December 2021	54	99	17	813	298	–	1,281
Opening Balance at 1 January 2022	54	99	17	813	298	–	1,281
Depreciation and amortisation	24	8	3	66	13	–	114
Sales/discards/reclassifications	–	–	–	–1	–	–	–1
Effect of movements in exchange rates	5	13	2	70	32	–	122
Closing Balance at 31 December 2022	83	120	22	948	343	–	1,516
Carrying amounts							
As at 31 December 2021	112	122	19	245	29	15	542
As at 31 December 2022	99	133	20	244	27	26	549

NOTE 17

Leases

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

The weighted average incremental borrowing rate used for the IFRS 16 calculation is 2.6%. There were no short-term leases in 2021–22. The total cash-flow from leases amounted to MSEK 27 (24).

Right of use assets – by type of assets

	Acquisition value 31 Dec 2022	Depreciation 31 Dec 2022	Acquisition value 31 Dec 2021	Depreciation 31 Dec 2021
Land and building	162	71	155	45
Machinery	6	3	3	3
Vehicles	9	6	6	4
Other	5	3	2	2
Total right of use assets	182	83	166	54

NOTE 18**Deferred Taxes**

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

	2022	2021
At 1 January	-33	92
Income statement charge (note 13)	36	19
Tax charged directly to OCI	-13	-15
Re-classification to current taxes	-	-2
Acquired through business combination	-	-119
Exchange differences	-13	-8
At 31 December	-23	-33

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

2022	Assets	Liabilities	Net
Tax loss carry-forwards	30	-	30
Tangible fixed assets	-	-13	-13
Intangible assets	-	-	-
Provisions	16	-	16
Pension and similar obligations	67	-3	64
Acquisition related surplus values	-	-127	-127
Hedging	-	-8	-8
Other	15	-	15
Netting	-11	11	-
Net deferred tax receivables/tax liabilities	117	-140	-23

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

NOTE 19**Shares of net assets in joint venture**

Company name	Corp. reg. no.	Reg'd office	Participations	%	2022	2021
Alfdex AB	556647-7278	Landskrona	50,000	50%	138	116

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. See also Note 8 for the Parent Company. The following amounts

constitute 100% of the assets, liabilities, revenue and expenses in the joint venture. Adjustments to correspond with Concentric's accounting principles have been made.

Income statement	2022	2021
Net Sales	636	761
Cost of goods sold ¹⁾	-415	-457
Gross income	221	305
Operating expenses ¹⁾	-69	-94
Operating income	152	211
Financial items – net	1	–
Earnings before tax	153	211
Taxes	-29	-50
Net income for the year	124	161

¹⁾ Depreciation and amortisation in Income statement

	-15	-16
--	-----	-----

Balance sheet	2022	2021
Fixed assets	95	71
Current assets	194	265
Cash and bank	222	142
Total assets	511	478
Equity	276	231
Pensions and similar obligations	15	20
Deferred tax liabilities	22	16
Current liabilities	198	211
Long term liabilities	–	–
Total equity and liabilities	511	478

Movement in shares of net assets in joint venture	2022	2021
Share of net assets, opening balance	116	72
Share of net income in joint venture	62	81
Dividend	-48	-46
Other comprehensive income	8	9
Share of net assets, closing balance	138	116

NOTE 20 Inventories

	2022	2021
Raw materials	468	316
Semi-manufactured products	36	28
Finished products	34	38
	538	382

NOTE 21 Accounts receivable

	2022	2021
Accounts receivable, gross	542	408
Provision for doubtful receivables	-21	-16
Accounts receivable, net	521	392
Current receivable	432	323
Overdue receivable:		
1–30 days	71	48
31–60 days	19	17
> 60 days	20	20
Sum of overdue receivable	110	85
Accounts receivable, gross	542	408

Provision for doubtful receivable

Provision on January 1	16	1
Change in provision for anticipated losses, net	5	15
Provision on December 31	21	16

The year's net cost for doubtful accounts receivables amounted to MSEK 10 (2).

NOTE 22 Other current receivables

	2022	2021
VAT	11	12
Tax receivables	27	5
Prepaid expenses and accrued income		
Rents and insurance	7	5
Accrued income	–	1
Other prepaid expenses	18	19
Derivative instruments	–	3
Other current receivables	18	13
	81	58

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

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

NOTE 23**Cash and cash equivalents**

	2022	2021
Bank accounts and cash	620	434
Deposits	4	6
Cash and cash equivalents	624	440

NOTE 24**Shareholders' equity**

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

Share capital

Refers to the share capital in the Parent Company.

Additional contributed capital

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

Reserves

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

Hedge reserve consists of the fair value of the hedge instruments, i.e. forward contracts at the end of the period, that have not yet been recognised in the income statement. The Group applies hedge accounting, as defined in IFRS 9. Gains and losses on derivative instruments are recognised in the hedging reserve to the extent that the hedge is effective. Gains and losses are released to profit and loss at the same time as the hedged item impacts earnings.

Retained earnings

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

Capital management

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

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

Shareholders' equity amounted to MSEK 2,070 (1,462), resulting in a gearing ratio of 45% (82).

Cash dividend decided by the Annual General Meeting 2022 was SEK 3.75 (3.50) per share or total of MSEK 142.2 (132.5). The Company's policy for distributing unrestricted capital to the shareholders remains unchanged, whereby at least one-third of annual after-tax profit over a business cycle is to be distributed to the shareholders through dividends taking into account the Group's anticipated financial status. The Board of Directors propose to the shareholders at the Annual General Meeting a dividend of SEK 4.00 (3.75) per share for the financial year 2022, which equates to around 30% (42) of the earnings per share.

Annual General Meeting, 2018-2022 have decided upon five long-term performance based incentive programmes, under which a number of senior executives and key employees participated in the schemes, entitling them to receive employee stock options that entitles them to acquire Concentric shares. For further details, see note 8 for the Group.

During 2021 and 2022 Concentric AB didn't buy-back any own shares, but have sold 49,592 (60,375) of its own shares, representing 0.3% (0.2) of the shares of the Company.

No transfer was made into the Employee Share Ownership Trust (ESOT) in this year or last year, but a transfer of 41,780 (53,085) own shares to Concentric was made. The total number of holdings of own shares at year-end 2022 was 108,153 (115,965), which represented 0.3% (0.3) of the total number of shares of the Company. In addition to this, the total number of own shares transferred to an ESOT are 209,947 (251,727). Including these shares the company's holdings was 318,100 (367,692) representing 0.8% (1.0) of the total number of shares.

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

In 2021 Concentric secured a new term loan for a tenor of four years in the amount of MUSD 100. 50% of the term loan will be repaid quarterly in equal instalments over the four years which started in Q1 2022. In addition, a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 was signed. This replaced the previous revolver of the same amount. At the acquisition, Concentric borrowed MUSD 125, at year end, this amounted to MSEK 1,174 at closing FX rates.

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

The amount of available unused credit facilities at year-end was EUR million 38 (38), or about MSEK 407 (388).

NOTE 25

Pensions and similar obligations

	2022		2021		2020	
Defined benefit plans	261		361		361	
	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
Opening Balance at 1 January	2,349	2,309	-1,988	-1,847	361	462
Included in Income statement:						
Current service cost	7	7	-	-	7	7
Interest cost	45	35	-40	-30	5	5
	52	42	-40	-30	12	12
Included in Other Comprehensive Income:						
Remeasurement loss (gain)	-655	-112	580	30	-75	-82
Effect of movements in exchange rates	124	199	-98	-177	26	22
	-531	87	482	-147	-49	-60
Other:						
Contributions paid by the employer	-	-	-59	-53	-59	-53
Benefits paid	-103	-89	99	89	-4	-
	-103	-89	40	36	-63	-53
Closing Balance at 31 December	1,767	2,349	-1,506	-1,988	261	361
Represented by plans in:						
Sweden	38	51	-	-	38	51
Germany	162	237	-105	-93	57	144
UK	1,229	1,675	-1,110	-1,582	119	93
USA	338	386	-291	-313	47	73
Closing Balance at 31 December	1,767	2,349	-1,506	-1,988	261	361

Overview of the Group's defined benefit plans

Below you can find descriptions of the defined benefit plans in each country. Concentric has defined benefit plans for pensions in Sweden, Germany, Great Britain and in the USA. The pensions under these plans are based mainly on final salary. Contribution-based plans are also found in these countries. Net remeasurement gains on pension obligations and planned assets were MSEK 75 (82) during 2022.

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 40 (30), while the actual return was MSEK 45 (35). The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Sweden pension plans

There are three different plans in Sweden, of which two minor plans correspond to 15% (14) of the pension's liability. The obligations for the major plan that Concentric Group have within the ITP 2-plan are lifelong retirement pensions. The benefits in the lifelong pensions are established by different percentages in different salary intervals. The salary intervals are established in relation to the income base amount. The plan is based on final

salary. The plan is closed for new employees and is unfunded. The minimum funding target is decided by PRI Pensionsgaranti, this is mandatory in order to stay in the system and get insurance for the pension liability.

As of 31 December 2022 the pension obligation amounted to MSEK 38 (51), corresponding to 2% (2) of the Group's total obligations.

The average duration of the defined benefit obligation at the period ending 31 December 2022 is 15 (16) years.

The best estimate of pensions to be paid by the Group for the year commencing 1 January 2023 is MSEK 2 (2).

Germany pension plan

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

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

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

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

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

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

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

No curtailment gains have been recognised in 2022. There were no curtailment gains arising from the notice to close the plan to further service accrual.

As of 31 December 2022 the pension obligation amounted to MSEK 162 (237), corresponding to 9% (10) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 105 (93). Net defined benefit liability amounted to MSEK 57 (144).

The average duration of the defined benefit obligation at the period ending 31 December 2022 is 18 (19) years.

The best estimate of contributions to be paid by the Group to the plan for the year commencing 1 January 2023 is MSEK 1 (6).

UK pension plans

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

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

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

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

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

As of 31 December 2022 the pension obligation amounted to MSEK 1,229 (1,675), corresponding to 70% (71) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 1,110 (1,582). Net defined benefit liability amounted to MSEK 119 (93).

The average duration of the defined benefit obligation at the period ending 31 December 2022 is 14 (15) years.

The best estimate of regular contributions to be paid by the Group to the plans for the year commencing 1 January 2023 is MSEK 29 (28).

USA pension plans

During 2022 the Group sponsored 2 (2) different plans in the USA which comprised both pensions and other post-retirement benefits.

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

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

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

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

No curtailment gains have been recognised in 2022. There have been no other amendments or settlements in the plans during the accounting period.

As of 31 December 2022 the pension obligation amounted to MSEK 338 (386), corresponding to 19% (11) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 291 (313). Net defined benefit liability amounted to MSEK 47 (73).

The average duration of the defined benefit obligation at the period ending 31 December 2022 is 12 (13) years.

The best estimate of contributions to be paid by the Group to the plans for the year commencing 1 January 2023 is MSEK 2 (16).

Total pension costs	2022	2021
Pensions vested during the period	7	7
Interest on obligations	45	35
Calculated return on plan assets	-40	-30
Settlement	-	-
Pension costs, defined benefit plans	12	12
Pension costs, defined-contribution plans	12	7
Total pension costs	24	19

DBO remeasurement losses (gain) arising from	Sweden	Germany	UK	USA	Total	
					2022	2021
Experience adjustment	4	1	99	-1	103	-7
Demographic assumptions	-	-	8	-3	5	-2
Financial assumptions	-15	-88	-566	-94	-763	-103
Total DBO remeasurement losses (gains)	-11	-87	-459	-98	-655	-112

Members, %	Defined Benefit Obligation				Total	
	Sweden	Germany	UK	USA	2022	2021
Active members	-	34	-	16	6	7
Deferred members	32	13	38	25	33	40
Pensioners	68	53	62	59	61	53

Instruments	Fair value of plan assets				Total	
	Sweden	Germany	UK	USA	2022	2021
Equity instruments ¹⁾	-	-	462	61	523	1,055
Debt instruments ¹⁾	-	-	457	227	684	597
Property ¹⁾	-	-	-	-	-	39
Cash and cash equivalents	-	-	24	-	24	3
Sum	-	-	943	288	1,231	1,694
Insurance policies	-	105	167	3	275	294
Total	-	105	1,110	291	1,506	1,988

1) All instruments have quoted prices in active markets.

Actuarial assumptions 2022, %	Sweden	Germany	UK	USA
Discount rate	3.70	3.60	5.05	2.70
Recognised salary increase	3.00	2.00	n/a	n/a
Recognised inflation	2.00	1.85	2.70	n/a
Turnover, personnel	2.00	1.60	n/a	n/a
Actuarial assumptions 2021, %	Sweden	Germany	UK	USA
Discount rate	1.75	0.90	1.85	2.70
Recognised salary increase	3.20	2.00	n/a	n/a
Recognised inflation	2.20	1.85	2.90	n/a
Turnover, personnel	2.00	1.60	n/a	n/a

Sensitivity analysis

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

31 December 2022 Defined Benefit Obligation	Sweden		Germany		UK		USA	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-2.3	2.6	-10.4	11.7	-61.8	66.7	-13.9	15.1
Future salary growth (0.5% movement)	-	-	2.1	-2.0	n/a	n/a	n/a	n/a
Future pension growth (0.5% movement)	2.5	-2.3	8.7	-8.0	-12.2	11.8	n/a	n/a
Future mortality (+/- 1 year)	1.3	-1.3	6.4	-6.6	-36.6	35.7	7.8	-8.0

NOTE 26**Maturity analysis for financial liabilities**

Nominal amount	0-6 months		7-12 months		13-60 months		>60 months		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Term loan	65	57	65	57	783	790	-	-	913	904
Multicurrency revolver loan	-	-	-	-	261	226	-	-	261	226
Loans related to leased assets	8	10	9	10	75	62	22	43	114	125
Other short-term interest-bearing liabilities	-	16	-	-	-	-	-	-	-	16
Accounts payable	401	313	-	-	-	-	-	-	401	313
Other current liabilities	163	133	-	-	-	-	-	-	163	133
Total financial liabilities	637	529	74	67	1,119	1,078	22	43	1,852	1,717
Expected total future interest payments	40	12	34	11	130	53	7	18	211	94

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

	2022	2021
Term loan	783	791
Loans related to leased assets	97	105
Total	880	896

In 2021 Concentric secured a new term loan for a tenor of four years in the amount of MUSD 100. 50% of the term loan will be repaid quarterly in equal instalments over the four years which started in Q1 2022. In addition, a new multi-currency revolving credit facility for a minimum of three years in the amount of MEUR 60 was signed. This replaced the previous revolver of the same amount. At the acquisition of EMP, Concentric borrowed MUSD 125, at year end, this amounted to MSEK 1,174 at closing FX rates.

The interest rate on the Term loan was 5.3241 percent as of 31 December 2022 and the average interest rate on the loan during 2022 was 3.4310 percent. The interest rate on the multi-currency revolving loan was 4.6741 percent as of 31 December 2022 and the average interest rate on this loan during 2022 was 2.7810 percent.

The amount of available unused credit facilities at year-end was EUR million 38 (38), or about MSEK 407 (388). See also note 15 for the Parent Company.

Total loans related to leased assets according to IFRS 16 is MSEK 114 (125) at year-end. See also Note 28 below.

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

	2022	2021
Term loan	130	114
Multicurrency revolver loan	261	226
Loans related to leased assets	17	20
Consideration owed to sellers of EMP	–	15
	408	375

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

	2022	2021
Accounts receivable from Alfdex AB	2	1
Accounts payable to Alfdex AB	–	–
Loans from Alfdex AB	–	–
	2	1

NOTE 30**Other provisions**

	Provision for share based payments	Total long-term provisions
Opening balance January 1, 2022	4	4
Provisions	1	1
Utilisation of provision	–3	–3
Exchange rate differences	–	–
Closing balance December 31, 2022	2	2

	Warranty reserves	Total short-term provisions
Opening balance January 1, 2022	36	36
Provisions	1	1
Acquired through business combination	–	–
Utilisation of provision	–6	–6
Exchange rate differences	2	2
Closing balance December 31, 2022	33	33

NOTE 31**Other current liabilities**

	2022	2021
Liabilities for VAT and social security costs	1	–
Tax liabilities	137	71
Derivative instruments	–	–
Accrued expenses:		
Personnel costs	105	65
Other accrued expenses	47	60
Other current liabilities	10	8
	300	204

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

Liabilities for income tax, VAT and other tax liabilities of MSEK 138 (71) are not included in Note 26 and 37 related to financial liabilities.

NOTE 32**Pledged assets and contingent liabilities**

	2022	2021
Contingent liabilities	1	1

NOTE 33**Other adjustments**

	2022	2021
Financial pension expenses	5	5
Provision to/Release of restructuring reserve	–	–8
Leases according to IFRS 16	4	4
Financial interests	–5	–1
Cost for LTI-schemes	–1	4
Acquisition costs	–	18
Closure of subsidiary	–	22
	3	44

NOTE 34**Reconciliation of interest-bearing liabilities from financing activities**

	Loans	Pension ¹⁾	Total
Opening balance January 1, 2022	1,256	361	1,617
Cash flow, pension and other loans	-127	-64	-191
Cash flow, financial liabilities IFRS 16	-27	-	-27
Non-cash items, financial liabilities IFRS 16	15	-	15
Other non-cash items	171	-36	135
Closing balance December 31, 2022	1,288	261	1,549

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

NOTE 35**Investments in subsidiaries**

There were no acquisitions or divestments in 2022.

NOTE 38**Categories of financial assets and financial liabilities and disclosures of fair value**

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

NOTE 36**Related party transactions**

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

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

NOTE 37**Significant events after balance-sheet date**

There have been no material post balance sheet events which would require disclosure or adjustment to these financial statements.

Note	Derivatives used for hedging		Financial assets measured at amortised cost		Total	
	2022	2021	2022	2021	2022	2021
Financial assets at fair value						
Long-term derivatives	32	-	-	-	32	-
Short-term derivatives	22	-	3	-	-	3
Financial assets not at fair value						
Long-term receivables	-	-	4	4	4	4
Accounts receivable	21	-	521	393	521	393
Short-term loans receivable from joint venture	29	-	2	1	2	1
Other current receivables	22	-	44	38	44	38
Cash and cash equivalents	23	-	624	440	624	440
Total financial assets		32	3	1,196	875	1,228
					1,228	878

		Derivatives used for hedging		Financial liabilities at amortised cost		Total	
	Note	2022	2021	2022	2021	2022	2021
Financial liabilities at fair value							
Short-term derivatives	31	2	–	–	–	2	–
Financial liabilities not at fair value							
Long-term interest-bearing liabilities	27	–	–	880	896	912	896
Short-term interest-bearing liabilities	28	–	–	408	375	376	375
Accounts payable	26	–	–	401	313	401	313
Other current liabilities	31	–	–	163	133	164	133
Total financial liabilities		2	–	1,852	1,717	1,851	1,717

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

Hedge accounting is applied for the derivatives that are used to hedge foreign currency transactions. Derivative assets are reported under "Other current receivables" (note 22) and derivative liabilities are reported under "Other current liabilities" (note 31). During the reporting period an amount of MSEK 3.6 (1.9) was reclassified from the hedging reserve and included in finance net and an amount of MSEK 5.6 (0.5) was reclassified and included in Cost of goods sold.

Parent Company

Parent Company income statement

	Note	2022	2021
Net sales	2	29	28
Operating costs	2, 3, 4	-33	-26
Other operating income/expenses		7	-4
Operating income		3	-2
Income from shares in subsidiaries	5	138	-5
Income from shares in joint venture	5	48	46
Interest income and similar items	5	42	7
Interest expenses and similar items	5	-164	-66
Financial items – net		64	-18
Earnings before tax		67	-20
Taxes	6	17	10
Net income for the year		84	-10

Statement of comprehensive income in Parent Company

	2022	2021
Net income for the year	84	-10
Other comprehensive income	-	-
Total comprehensive income	84	-10

Parent Company balance sheet

	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Shares in subsidiaries	7	4,329	4,243
Shares in joint venture	8	10	10
Long-term loans receivable from subsidiaries	9	1,044	1,017
Long-term loans receivable from joint ventures	9	–	–
Deferred tax assets	6	28	11
Total financial fixed assets		5,411	5,281
Other current receivables	10	9	10
Short-term loans receivable from subsidiaries	9	136	128
Short-term loans receivable from joint ventures		2	–
Cash and cash equivalents	11	536	290
Total current assets		683	428
Total assets		6,094	5,709
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share Capital	12	97	97
Total restricted equity		97	97
Retained earnings		2,110	2,255
Total comprehensive income		84	–10
Total unrestricted equity	21	2,194	2,245
Total Shareholders' equity		2,291	2,342
Pensions and similar obligations	13	20	18
Long-term interest-bearing liabilities	14, 15	783	791
Long-term loans payable to subsidiaries	14	2,459	1,987
Total long-term liabilities		3,262	2,796
Accounts payable	14	4	1
Short-term interest-bearing liabilities	14, 15	391	340
Short-term loans payable to subsidiaries	14	142	221
Other current liabilities	14, 16	4	9
Total current liabilities		541	571
Total equity and liabilities		6,094	5,709

Changes in shareholders' equity in Parent Company

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

	Share capital	Retained earnings	Total equity
Opening balance at January 1, 2022	97	2,245	2,342
Net income for the year	–	84	84
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	84	84
Transactions with shareholders			
Dividend	–	–142	–142
Sale of own shares to satisfy LTI-options exercised	–	7	7
Buy-back own shares	–	–	–
Total transactions with shareholders	–	–135	–135
Closing balance at December 31, 2022	97	2,194	2,291

Parent Company cash flow statement

	Note	2022	2021
Cash flow from operating activities			
Earnings before tax		67	-20
Reversal of non-cash items	18	303	1,076
Cash flow from operating activities before changes in working capital		370	1,056
Change in working capital			
Current receivables		6	-5
Current liabilities		-6	-1
Change in working capital		-	-6
Cash flow from operating activities		370	1,050
Cash flow from investing activities			
New loans paid to joint venture		-	-
Repayment of loans from joint venture		-	25
New loans paid to subsidiaries	19	-	-1,073
Repayment of loans from subsidiaries	19	327	4
Investments in subsidiaries	19	-310	-2,116
Cash flow from investing activities		17	-3,160
Cash flow from financing activities			
Dividend		-142	-133
Buy-back own shares		-	-
Sale of own shares		7	8
New loans received from subsidiaries	20	236	1,073
Repayment of loans	20	-127	-
New loans	20	-	1,073
Pension payments		1	-
Repayment of loans to subsidiaries	20	-116	-11
Cash flow from financing activities		-141	2,010
Cash flow for the period		246	-100
Cash and bank assets, opening balance		290	390
Cash and bank assets, closing balance		536	290

Parent Company notes

NOTE 1

Accounting principles

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

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

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

a) New accounting principles

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning January 1, 2022 have had a significant impact on the Parent Company's Income statement or Balance sheet.

b) Group contribution

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

c) Shares in subsidiaries and associated companies

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

d) Financial instruments

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

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

e) Leases

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

f) Pension obligations

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

NOTE 2

Net sales and other operating income

Inter-company transactions/Related party transactions

All of the Parent Company's net sales, MSEK 29 (28) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 9 (9). The sales relates mostly to royalties and recharges.

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

NOTE 3

Auditing fees

	2022	2021
Audit assignments, KPMG	1	1
	1	1

NOTE 4

Salaries and other remuneration

Amounts in SEK (thousands)	2022	2021
Salaries and remuneration	4,028	4,420
of which Board of Directors	3,575	3,369
Pension costs	2,306	92
Social security costs	1,656	1,403
Other personnel cost	1,296	1,140
Total personnel costs	9,286	7,055

The Board of Directors, consists of 7 members (7), of whom 3 are women (3). For information on the individual remuneration paid to them and the CEO, refer to Note 7-8 for the Group. The average number of employees in the Parent Company was 0 (1).

The CEO is employed by Concentric Pumps Ltd. in the UK and the cost for the CEO, CFO, Group HR, Group Finance and Mergers & Acquisitions, related to shareholder's services in the Parent Company, has been invoiced and amounts to kSEK 8,097 (8,816).

Provision according to Tryggandelagen was kSEK 2,197 (–92). See also Note 13, Pensions.

NOTE 5**Financial items – Net**

	2022	2021
Income from shares in subsidiaries		
Group contribution from subsidiaries	3	3
Dividend from Concentric US Finance 2 Ltd	101	5
Dividend from Concentric Pumps Ltd	155	1,010
Dividend from Concentric Innovations AB	104	–
Write-down of shares in Concentric US Finance 2 Ltd	–225	–
Write-down of shares in Concentric Pumps Ltd	–	–1,010
Write-down of shares and receivables in Concentric Argentina Ltd	–	–13
	138	–5
Income from shares in joint venture		
Dividend from Alfdex AB	48	46
	48	46
Interest income and similar items		
Interest income, external	6	–
Interest income from subsidiaries	36	7
Foreign exchange rate gains	–	–
	42	7
Interest expenses and similar items		
Interest expenses, external	–42	–3
Interest expenses to subsidiaries	–40	–7
Foreign exchange rate losses	–78	–53
Pension financial expenses	–	–1
Other financial items, external	–4	–2
	–164	–66
Financial items – net	64	–18

NOTE 7**Shares in subsidiaries**

Company name	Corp. Reg. No.	Reg'd office	Participations	%	2022	2021
Concentric Pumps Ltd (formerly Plc)		UK	518,397	100	954	954
Concentric Americas, Inc.		US	1,000	100	750	750
Concentric Germany GmbH		Germany	1	100	260	260
Concentric US Finance 2 Ltd		UK	100	100	97	11
Concentric Skånes Fagerhult AB	556105-8941	Örkelljunga, Sweden	30,000	100	22	22
Concentric Innovations AB	556908-4535	Stockholm, Sweden	50,000	100	2,245	2,245
Concentric SAS		France	10	100	–	–
Concentric Korea LLC		South Korea	12,000	100	1	1
Concentric Srl		Italy	10,000	100	–	–
					4,329	4,243

NOTE 6**Taxes**

	2022	2021
Current tax	–	–1
Deferred tax	17	11
Total income tax	17	10

Reconciliation of effective tax rate

Earnings before tax	67	–20
Applicable tax rate, %	21	21
Effect of different tax rates in foreign countries of operation, %	1	–
Tax attributable to previous years, %	10	–4
Non-taxable dividend from subsidiaries and associated companies, %	–127	–19
Non-tax deductible write-downs in subsidiaries, %	69	51
Reported effective tax rate, %	–26	49

Total deferred tax assets related to tax loss carried forward

	17	11
--	----	----

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. Calculated tax losses for 2022 amounted to MSEK 28 (11).

Indirect Investments in principal trading subsidiaries

Company name	Reg'd office	%	Changes in shares in subsidiaries	2022	2021
EMP Inc.	US	100	Opening balance, acquisition value	6,117	4,001
Concentric Itasca, Inc.	US	100	Concentric Pumps Ltd	-	408
Concentric Rockford, Inc.	US	100	Concentric Innovations AB	-	687
Allied Enterprises LLC	US	100	Concentric US Finance 2 Ltd	311	11
Concentric Birmingham Ltd.	UK	100	Concentric Germany GmbH	-	260
Concentric Hof GmbH	Germany	100	Concentric Americas Inc.	-	750
LICOS Trucktec GmbH	Germany	100	Closing balance, acquisition value	6,428	6,117
Concentric Pumps Pune (Pvt) Ltd.	India	100	Opening balance, write-downs	-1,874	-852
Concentric Pumps (Suzhou) co, Ltd.	China	100	Concentric Pumps Ltd	-	-1,010
			Concentric Argentina Ltd	-	-12
			Concentric US Finance 2 Ltd	-225	-
			Closing balance, write-downs	-2,099	-1,874
			Closing balance, carrying amount	4,329	4,243

NOTE 8**Shares in joint venture**

Company name	Corp, Reg. No	Reg'd office	Participations	%	2022	2021
Alfdex AB	556647-7278	Landskrona	50,000	50%	10	10

Alfdex AB is a joint venture with Alfa Laval Holding AB, and Concentric AB has 50% of the shares and voting rights. Alfdex's product is based on separation technology for cleaning of crank-case gases in diesel engines for vehicles, electric generators

and ships. Concentric AB's share of profit for 2022 is MSEK 62 (81) and share of equity per year-end 2022 is MSEK 138 (116). See also Note 19 for the Group.

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

	2022	2021
Total loans	1,180	1,145
of which reported as short-term loans	-136	-128
Long-term loans	1,044	1,017

The loans relate primarily to a loan amounted to MUSD 112.5 (MSEK 1,174). Maturity date 26 October 2025. The loan will be repaid with MUSD 12.5 per year (MSEK 130). Both average and closing interest rate was 2.875%.

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

NOTE 10**Other current receivables**

	2022	2021
Prepaid insurance premiums	3	1
Prepaid interest costs	5	7
Other prepaid expenses	1	2
	9	10

NOTE 11**Cash and cash equivalents**

	2022	2021
Bank accounts and cash	536	290

NOTE 12**Share capital**

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

Changes in share capital	Total
Number of outstanding shares:	
Number of registered shares December 31, 2020	38,297,600
Number of own shares December 31, 2020	-428,067
Number of outstanding shares December 31, 2020	37,869,533
Number of registered shares December 31, 2021	38,297,600
Number of own shares December 31, 2021	-367,692
Number of outstanding shares December 31, 2021	37,929,908
Number of registered shares December 31, 2022	38,297,600
Number of own shares December 31, 2022	-318,100
Number of outstanding shares December 31, 2022	37,979,500

	2022	2021
Number of average outstanding shares	37,960,750	37,902,337
Number of shares adjusted for ongoing option programmes	69,386	117,447
Number of average outstanding shares, after dilution	38,030,136	38,019,784

The cash dividend decided by the Annual General Meeting 2022 was SEK 3.75 (3.50) per share or a total of MSEK 142.2 (132.5). As in 2021 Concentric AB did not buy-back any own shares during 2022, but have sold 49,592 (60,375) of its own shares, to exercise and satisfy LTI-programme.

The total number of holdings of its own shares at year-end 2022 was 108,153 (115,965), which represented 0.3% (0.3) of the total number of shares of the Company. In addition to this, the total number of own shares transferred to an Employee

Share Ownership Trust is 209,947 (251,727). Including these shares the company's holdings was 318,100 (367,692) representing 1.0% (1.0) of the total number of shares.

Annual General Meeting 2018–2022 have decided upon five long-term performance based incentive programmes, under which a number of senior executives and key employees participating in the schemes, entitled them to receive employee stock options that are entitled them to acquire Concentric shares. For further details, see note 8 for the Group.

NOTE 13**Pensions and similar obligations**

	2022	2021
FPG/PRI pension plan	20	18

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

	2022	2021
Opening balance, 1 January	18	18
Provision according to Tryggandelagen, Personnel cost	2	-
Provision according to Tryggandelagen, Financial cost	1	1
Payment	-1	-1
Closing balance, 31 December	20	18

NOTE 14**Maturity analysis for financial liabilities**

Nominal amount	0–6 months		7–12 months		13–60 months		>60 months		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Pensions and similar obligations	–	–	–	–	–	–	20	18	20	18
Term loan	65	57	65	57	783	791	–	–	913	905
Multicurrency revolving loan	–	–	–	–	261	226	–	–	261	226
Long-term loans payable to subsidiaries	–	–	–	–	1,160	966	1,299	1,021	2,459	1,987
Short-term loans payable to subsidiaries	88	167	54	54	–	–	–	–	142	221
Accounts payable and other current liabilities	8	10	–	–	–	–	–	–	8	10
Total financial liabilities	161	234	119	111	2,204	1,983	1,319	1,039	3,803	3,367
Expected total future interest payments	52	26	46	25	164	115	–	–	262	166

NOTE 15**Interest-bearing liabilities**

	2022	2021
Term loan	913	905
Multicurrency revolving loan	261	226
Total interest-bearing liabilities	1,174	1,131
	Long-term borrowings	Short-term borrowings
Term loan	783	130
Multicurrency revolving loan	–	261
Total interest-bearing liabilities	783	391

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

NOTE 16**Other current liabilities**

	2022	2021
Accrued interest cost	–	4
Accrued audit fee	1	1
Accrued personnel cost	–	1
Other accrued expenses	3	3
	4	9

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

NOTE 17**Contingent liabilities**

	2022	2021
General collateral guarantee for loans in subsidiaries	30	31
Other contingent liabilities	1	1
	31	32

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

NOTE 18**Reversal of non-cash items**

	2022	2021
Unrealised financial exchange rate differences	78	53
Write-down of shares in Concentric Pumps UK Ltd.	–	1,010
Write-down of shares and receivables in Chivilcoy, Argentina	–	13
Write-down of shares in Concentric US Finance 2 Ltd.	225	–
	303	1,076

NOTE 19**Investments in subsidiaries**

	2022	2021
Short-term loan to subsidiaries	327	–1,073
Repayment loan from subsidiaries	–	4
Shares in Concentric Americas Inc	–	–750
Shares in Concentric Lucerne	–	–687
Shares in Concentric Germany GmbH	–	–260
Shares in Concentric Pumps Ltd. UK	–	–408
Shares in Concentric US Finance 3 Ltd.	–	–11
Shares in Concentric US Finance 2 Ltd.	–310	–
Net investments	17	–3,185

NOTE 20**Reconciliation of liabilities from financing activities**

	External Loans	Loans to subsidiaries	Total
Opening balance, January 1, 2022	1,131	2,208	3,339
Cash flow	–127	447	320
Other non-cash items	170	–26	144
Closing balance, December 31, 2022	1,174	2,629	3,803

NOTE 21**Proposed appropriation of earnings**

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

Amounts in kSEK

Profit brought forward	2,109,842
Net income for the year	84,193
Total	2,194,035

The Board of Directors proposed appropriation of earnings:

Amounts in kSEK

Dividend of SEK 4.00 per share to the shareholders	151,918
Profit to carry forward	2,042,117
Total	2,194,035

The record date for determining who is entitled to receive dividends is proposed to be Thursday 20 April, 2023. In view of the Board of Directors' proposal to the Annual General Meeting to be held April 18, 2023 to decide on the distribution of a dividend of SEK 4.00 per share, the Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The proposed dividend reduces the Company's equity to assets ratio from 38% to 36% and the Group's equity to assets ratio from 46% to 44%. The Company's and the Group's non-restricted equity will be sufficient in relation to the nature, scope and risks of the business. In making this assessment, the board has considered, among other things, the Company's and the Group's growth historically, its budgeted growth and the financial situation. The board has evaluated the Company's and the Group's financial position and the Company's and the Group's possibilities to fulfil their obligations in the short and long-term perspective. The Company's and the Group's solvency are assessed to be good with

regard to the business in which the Group is active.

The dividend will not affect the Company's or the Group's ability to fulfil its respective payment obligations. The Company and the Group have access to both short and long-term credit facilities. These facilities may be utilised at short notice, for which reason the board assesses that the Company's and the Group's preparedness to handle both changes in the liquidity and unrecognised events are good.

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

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

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations. The Board of Directors' Report for the Concentric Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 23 March, 2023

Anders Nielsen
Chairman of Board

Petra Sundström
Member of the Board

Joachim Rosenberg
Member of the Board

Karin Gunnarsson
Member of the Board

Martin Sköld
Member of the Board

Claes Magnus Åkesson
Member of the Board

Susanna Schneeberger
Member of the Board

Martin Kunz
President and CEO

Our audit report was submitted on 23 March, 2023
KPMG AB

Joakim Thilstedt
Authorised Public Accountant



Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Concentric AB for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 68–119 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Valuation of goodwill and other intangible assets and parent company's shares in subsidiaries

See disclosure 15 and accounting principles on page 88 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The book value of goodwill and other intangible assets amount to SEK 1,890 million as of 31 December 2022, representing 42% of total assets. Goodwill shall be subject to an annual impairment test. Other intangible assets are tested when impairment indicators are identified.

Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, estimated remaining useful life, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.

The parent company's interests in group companies amount to SEK 4,329 million as of 31 December 2022. If the book value of the interests exceeds the equity in the respective group company, an impairment test is performed following the same methodology and using the same assumptions as for the tests in the consolidated accounts.

Response in the audit

We have obtained and assessed the group's impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS.

Furthermore, we have evaluated management's future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate, estimated remaining useful life and the assumed discount rate, by obtaining and evaluating the group's written documentation and plans. We have also considered previous years' forecasts in relation to the actual outcome.

An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group's sensitivity analysis.

We have also analysed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.

Pensions in the UK

See disclosure 25 and accounting principles on pages 90–91 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group's share of the pension schemes' net deficit for the UK was SEK 119 million, consisting of defined benefit obligation of SEK 1,229 million and plan assets of SEK 1,110 million. Given the size of the schemes, small changes in assumptions and estimates used to value the Group's retirement benefit obligations have a significant impact on the Group's share of the retirement benefit obligations.

Response in the audit

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–49 and 126–141. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability

to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Concentric AB for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instruc-

tions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Concentric AB for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Concentric AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Auditor's report on the corporate governance statement

It is the board of directors who is responsible for the corporate governance statement for the year 2022 on pages 50–67 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Auditor's opinion regarding the statutory sustainability report

It is the board of directors who is responsible for the sustainability report for the year 2022 on pages 34–47, 126–133 and 136–137 and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Concentric AB by the general meeting of the shareholders on the 21 April 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2012.

Stockholm 23 March 2023

KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Sustainability reporting – GRI

Concentric describes its work with sustainability, and reports on fulfilment of financial, environmental and social goals and indicators, in the Sustainability Report. This can be found on pages 34–47 of the Annual Report 2022.

Concentric has reported the information cited in this GRI Content Index for the period 1st January 2021 to 31st December 2022 with reference to the GRI Standards. Due to the GRI Standards being updated in January 2023, unlike last year, Concentric is not able to report in accordance with the Standards as the business has not yet undertaken a materiality analysis in accordance with the detailed requirements of GRI 3: Material Topics 2021. As a materiality analysis exercise will take place in the next year, Concentric expects it will once again be able to report in accordance with the GRI Standards in its FY 2023 Sustainability Report. The following Standards have been used for this report: GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, GRI 3: Material Topics 2021 and the relevant GRI Topic Standards.

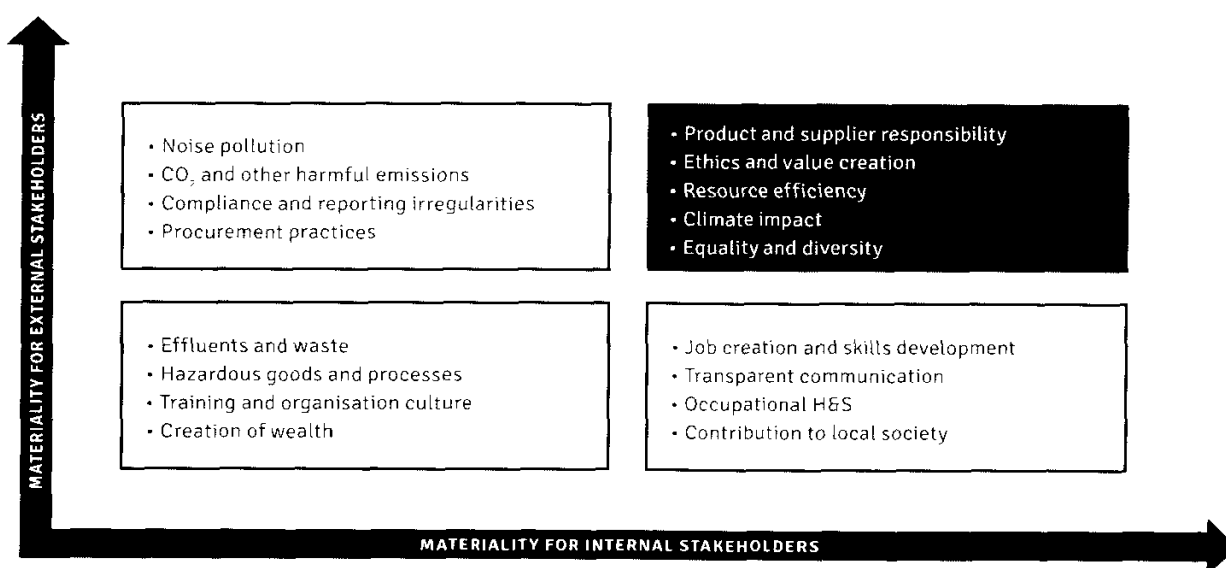
Scope of the report

The Sustainability Report refers to the 2022 financial year and encompasses the operations of the entire Group, including subsidiaries. Concentric's ambition is to provide a comprehensive account of its sustainability work and clearly present both negative and positive developments. The sustainability work draws on the policies and guidelines governing the manner in which the business is conducted based on the commitments made, for example, to the Global Compact. Like in the 2021 GRI Index, in this year's report, Concentric again references the previously conducted materiality analysis. This materiality analysis helped Concentric to determine the issues that are the most important to the business and its stakeholders and which should therefore be prioritised in its Sustainability Report. The 2022 GRI Index page references can be found on pages 130-132 of the Annual Report 2022.

Materiality analysis

Materiality analysis is a method used to identify the topics which should be considered as priority areas of focus for an organisation. The materiality analysis involved capturing numerous stakeholder insights from within and outside of the organisation. This included in-depth interviews with key staff members, survey responses from identified stakeholders, internal investigations and standards, de facto-standards and legislative requirement in the area of sustainability. The information was evaluated based upon the opportunities and risks of different aspects related to Concentric's operations - for long-term value creation both within the Group and the wider society. The results of this evaluation identified a number of themes which have helped inform Concentric's approach to sustainability thus far and what should be reported on.

In 2023, Concentric will be undertaking another and more in-depth materiality analysis exercise which will inform the areas the business reports on in next year's Sustainability Report based on stakeholder priorities and expectations.



Concentric's management approach to sustainability

Material aspects of sustainability	Key risks and why material	Governance	Follow-up through GRI indicator aspects for stakeholders
Ethics and Value Creation (DMA Economic Performance & Procurement Practices)	<ul style="list-style-type: none"> • Reputational loss • Legal cost of breaches • Reduced shareholder value <p>Concentric's long-term profitability is fundamental to value creation</p>	<ul style="list-style-type: none"> • Ethical guidelines • Code of Conduct • Reporting of violations based upon Concentric's values and policies • Whistle-blowing policy • Financial targets • Monthly business reviews • Risk management process 	<p>201-1 Direct economic value generated and distributed</p> <p>204-1 Proportion of spending on local suppliers</p>
Product Responsibility, Climate Impact (DMA Product and Service Labelling and Emissions) and Resource Efficiency (DMA Materials and Energy)	<ul style="list-style-type: none"> • Long-term viability of organisation • Impact on society • Legal cost of breaches • Reduced shareholder value <p>Concentric develops innovative engine and hydraulic pumps which increase efficiency and reduce emissions, thereby reducing the impact on the climate of Trucks and Off-highway mobile equipment is strategically important to the business.</p>	<ul style="list-style-type: none"> • Environmental policy • ISO/TS 16949 Quality Control Systems • Customer surveys • Product design tollgate process • FMEA • Durability and performance testing • Emissions legislation testing both for On- and Off-highway vehicles • ISO 14001 Environmental Management System • Continuous improvement and Lean manufacturing methodologies driven by Concentric Business Excellence programme 	<p>301-2 Recycled input materials used</p> <p>302-3 Energy intensity</p>
Responsible Suppliers (DMA Supplier Environmental and Human Rights Assessment)	<ul style="list-style-type: none"> • Reputational loss • Impact on society • Continuity of supply <p>It is strategically important that the large quantities of materials purchased for Concentric's pumps are manufactured under responsible conditions</p>	<ul style="list-style-type: none"> • Social policy • Code of Conduct for suppliers • ISO/TS 16949 Quality Control Systems • ISO 14001 Environmental Management System • Supplier selection and assessment procedures • Supplier days/visits and on-site audits 	<p>308-1 New suppliers that were screened using environmental criteria</p> <p>414-1 New suppliers that were screened using environmental criteria</p>
Work Environment (DMA Occupational Health and Safety)	<ul style="list-style-type: none"> • Safety of employees • Legal cost of breaches • Reduced shareholder value from lower productivity <p>The work environment within Concentric's manufacturing operations is exposed to many different risks for accidents and other work-related injuries</p>	<ul style="list-style-type: none"> • Accident and injury statistics • Clock card records • Skills matrices • Training and development plans • Preventative healthcare and Employee Wellness programmes • 6S methodology • OHSAS 18001 • Internal and external audits 	<p>403-9 Work related injuries</p>
Diversity and Equal Opportunity (DMA Diversity and Equal Opportunity)	<ul style="list-style-type: none"> • Reputational loss (employer brand) • Lack of innovation • Unfair treatment of employees <p>Legal costs from breaches in human rights</p> <p>We believe that a long-term employment policy should offer a workplace that is both characterised by, and protects equality and diversity</p>	<ul style="list-style-type: none"> • Code of Conduct • Employee handbook • Recruitment procedures • Equality targets • Nomination committee 	<p>2-7 Employees</p> <p>405-1 Diversity of governance bodies and employees</p>

Facts and key performance indicators for sustainability

GRI reference	Stakeholder	Key performance indicator	2022			2021		
Ethics & value creation			Engines	Hydraulics	Group	Engines	Hydraulics	Group
Direct economic value generated, 201-1	Customer	Revenues generated from the sale of engine and hydraulic products	2,691	1,365	4,056	1,115	1,000	2,115
Direct economic value distributed, 201-1	Suppliers	Operating costs: procurement of goods and services, including depreciation and amortisation	-1,717	-828	-2,500	-623	-618	-1,241
	Employees	Wages, salaries, pensions and other benefits, including competence development	-547	-296	-879	-220	-229	-470
	Financial Institutions	Interest and similar items related to providers of capital	n/a	n/a	-43	n/a	n/a	-13
	The State	Tax expenses and other payments made to government	n/a	n/a	-133	n/a	n/a	-52
	Shareholders	Own share buy-backs and dividends	n/a	n/a	-135	n/a	n/a	-125
Direct economic value retained, 201-1	Shareholders	Earnings/(deficit) retained after own share buy-backs & dividends	n/a	n/a	366	n/a	n/a	213
Procurement practices, 204-1	Suppliers	Proportion of expenditure with local suppliers ¹⁾	33%	77%	46%	64%	62%	63%
Responsible suppliers								
New suppliers that were screened using environmental criteria, 308-1	Suppliers	Percentage of new suppliers that were screened using environmental criteria	100%	100%	100%	100%	100%	100%
New suppliers that were screened using social criteria, 414-1	Suppliers	Percentage of new suppliers that were screened using human rights criteria	100%	100%	100%	100%	100%	100%
Work environment			Women	Men	Total	Women	Men	Total
Work-related injuries, 403-9	Employees	Work-related injuries that caused at least one day of absence expressed as the number of incidents relative to the total days worked for all employees			57 183,518 days			10 197,597 days
Lost days, 403-9	Employees	Total number of absence days due to work-related injuries as a percentage of the total days worked for all employees			0.04%			0.02%
Absenteeism, 403-9	Employees	Total number of all absence days as a percentage of total days worked for all employees	1.0%	3.4%	4.4%	1.3%	2.5%	3.8%
Work-related fatalities, 403-9	Employees	Total number	0	0	0	0	0	0

1) Definition of local supplier based upon ability to deliver from the supplier's manufacturing premises to Concentric's facility using road transportation only.

Facts and key performance indicators for sustainability

GRI reference	Stakeholder	Key performance indicator	2022			2021		
Diversity & equal opportunity			Women	Men	Total	Women	Men	Total
Age and gender distribution, 2-7 and 405-1	Colleagues ³⁾	≤ age 25	8	79	87	20	65	85
		age 26–35	33	201	234	26	187	213
		age 36–45	52	174	226	47	192	239
		age 46–55	54	188	242	50	205	255
		≥ age 56	54	219	273	44	201	245
		Total number	201	861	1,062	187	850	1,037
	Managers	age 26–35	1	17	18	2	14	16
		age 36–45	1	29	30	2	28	30
		age 46–55	3	32	35	2	30	32
		≥ age 56	4	11	15	2	15	17
		Total number	9	89	98	8	87	95
	Executives	age 36–45	–	2	2	–	1	1
		age 46–55	–	2	2	–	2	2
		≥ age 56	1	2	3	1	1	2
		Total number	1	6	7	1	4	5
	Board of Directors	age 46–55	2	2	4	2	2	4
		≥ age 56	1	2	3	1	2	3
		Total number	3	4	7	3	4	7

3) Age and gender distribution excludes any part-time/temporary workers employed through agencies.

GRI reference	Stakeholder	Key performance indicator			
2022 headcount by contract type			Men	Women	Total
Total workforce by employment type, contract and gender, 2-7 ¹⁾	Temp/perm	Permanent	808	359	1,167
		Temporary	66	31	97
		Total	874	390	1,264
			Permanent	Temporary	Total
Region		China	16	–	16
		Germany	185	10	195
		India	136	44	180
		Sweden	1	–	1
		UK	154	2	156
		USA	673	41	714
		Other	2	–	2
	Total		1,167	97	1,264
			Men	Women	Total
Employment type	Full time	868	377	1,245	
	Part time	6	13	19	
	Total	874	390	1,264	

1) Calculated as actual head count at year end.

GRI reference	Stakeholder	Key performance indicator	2022	2021
Product responsibility, climate impacts and resource efficiency				
Recycled input materials used, 301-2	Society	Percentage of recycled material by weight used within grey iron and aluminium	46%	27.1%
Energy intensity, 302-3	Society	Group consumption of gas and electricity	10.90 kWh/kSEK Sales	12.04 kWh/kSEK Sales

Concentric use diesel in generators as a backup power solution but the actual diesel usage in the year was negligible.

2022 GRI Index

Concentric has reported the information cited in this GRI Content Index for the period 1st January 2021 to 31st December 2022 with reference to the GRI Standards.

The intention is for the GRI Index to be used as a cross-reference list to find where in the annual report the information is located. In some cases supplementary or complete answers to

a question are provided in the comment field of the index table. The information in the Sustainability Report has not been reviewed by a third party. Other calculations of indicators and key performance indicators have not been reviewed by an external party, with the exception of those that are included in the legal section of the annual report.

GRI-referenced

GRI code	Description/indicator	Reference	Page	Comments/omission	External assurance
Organisational profile					
2-1	Name of the organisation	Board of Directors' Report	64		
2-1	Location of organisation's headquarters	Addresses	137		
2-1	Countries where the organisation operates	Summary	20-21		
		Group Note 4 Segment Reporting	89-90		
2-1	Nature of ownership and legal form	The Concentric Share	44-45		Yes
2-6	Primary brands, products, and/or services	Engine Products	12		
		Hydraulic Products	14		
2-6	Markets served	End-Markets	22-25		
2-6	Scale of the reporting organisation	Board of Directors' Report	64-77		
		Consolidated Income Statement	78		Yes
		Consolidated Balance Sheet	79		
2-6	Organisation's supply chain	Supply Chain	42		
2-6	Significant changes during the reporting period regarding size, structure, ownership or supply chain	Board of Directors' Report	64-77		
		Group Note 35 Investments in subsidiaries	104		Yes
2-7	Total workforce by employment type, employment contract and gender	Concentric employees by country (FTEs)	41		
		Group Note 6 Average number of employees	91		
		Facts and key performance indicators for sustainability	126-127		
2-28	Memberships in organisations and/or national or international advocacy organisations	Malcolm Baldrige, Investors in Excellence & European Foundation for Quality Management			
3-3	Description of how the Company addresses the precautionary principle	Sustainability Report	34-43		

GRI code	Description/indicator	Reference	Page	Comments/omission	External assurance
Strategy and analysis					
2-22	Statement from the CEO	CEO Letter	6-9		
Ethics & integrity					
2-23	Policy commitments	Values Social issues	3 40-42		
Governance					
2-9	Corporate Governance	Integrated governance processes Corporate Governance in Concentric	35 46-59		Yes
Stakeholder engagement					
2-29	Identifying and selecting stakeholders	Stakeholder engagement	37-38		
2-30	Percentage of employees covered by collective bargaining agreements	43% of employees in the group are covered by collective agreements			
2-29	Approaches to stakeholder engagement	Stakeholder engagement	37-38		
Identified material aspects and boundaries					
2-2	Operational structure, units, business areas, subsidiaries and joint ventures	Parent Note 7 Shares in subsidiaries Foundation of corporate governance	113-114 47		Yes
3-1	Process to determine material topics	Sustainability Report Scope of the GRI report		A high level description of how material topics have been determined is included in the Sustainability Report. The organisation is about to undertake a robust double materiality assessment process which will inform next year's reporting in more detail.	
3-2	List of material topics	Concentric's group-wide aspects and targets in sustainability			
3-3	Disclosure on management approach	Concentric's management approach to sustainability		As for 3-1, a high level description of how material topics have been determined, as well as reference to indicators and progress towards targets, is included in the Sustainability Report. The upcoming double materiality assessment will inform Concentric's ESG strategy going forwards and enable Concentric to better define, and report on, indicators, targets and lessons learned.	

GRI code	Description/indicator	Reference	Page	Comments/omissions	External assurance
Report profile					
2-3	Reporting period, frequency and contact point	Board of Directors' Report Scope of the GRI Report			
2-5	Policy and current practice for external assurance	2022 GRI index			
Economic performance indicators					
201-1	Direct economic value generated and distributed	Consolidated Income Statement Consolidated Balance Sheet	78 79	We do not report payments to government by country, and community investments, as the information is not available	Yes
201-3	Defined benefit plan obligations	Group Note 25 Pensions and similar obligations	99-102		Yes
204-1	Procurement practices	Facts and key performance indicators for sustainability	126		
Society					
205-1	Number and percentage of operations assessed for risks related to corruption	100% of the group's operations were assessed and no significant risks related to corruption were identified			
206-1	Number of pending/completed legal actions brought for anti-competitive behaviour, anti-trust and/or monopoly practices	None			
Environmental performance indicators					
301-2	Recycled input materials used	Facts and key performance indicators for sustainability	127		
302-1	Energy consumption within organisation	Facts and key performance indicators for sustainability	127		
308-1	Percentage of new suppliers that were screened using environmental criteria	Facts and key performance indicators for sustainability	126		
Employment conditions and work conditions					
403-9	Rates of injuries, lost days, absenteeism, and number of work related fatalities	Facts and key performance indicators for sustainability	126	We do not report by gender as the information is not available	
405-1	Composition of governance bodies and breakdown of other employee types according to gender and age group	Facts and key performance indicators for sustainability	127		
Supplier human rights					
414-1	Percentage of new suppliers that were screened using human rights criteria	Facts and key performance indicators for sustainability	126		
Product responsibility					
416-2	Number of incidence of non-compliance with regulations concerning the health and safety impacts of products provided to customers during their life cycle	None			

Global Compact

Although Concentric has not signed the UN's Global Compact, the social and environmental policies adopted by Concentric are based upon the founding ten principles, thereby clearly demonstrating

the group's position on issues related to human rights, labour law, accountability for the environment and anti-corruption.

Ten principles of the UN's Global Compact

Human rights	Reference	Page
1. Support and respect the protection of internationally proclaimed human rights in the spheres the Company can influence	Social policy	40
2. Make sure that the Company is not complicit in human rights abuses	Human rights	40
Labour law		
3. Uphold freedom of association and the effective recognition of the right to collective bargaining	Freedom of contract and association	40
4. Elimination of all forms of forced and compulsory labour	Forced labour	40
5. Effective abolition of child labour	Child labour	40
6. Elimination of discrimination in respect of employment and occupation	Equal opportunities	41
Environment		
7. Support a precautionary approach to environmental challenges	Sustainability Report	34-43
8. Undertake initiatives to promote greater environmental responsibility	Sustainability Report	34-43
9. Encourage the development and diffusion of environmentally friendly technologies	Sustainability Report	34-43
Anti-corruption		
10. Work against corruption in all its forms, including extortion and bribery	Anti-corruption	41

APM reconciliation

Underlying EBIT or operating income	2022	2021
EBIT or operating income	677	403
Items affecting comparability:		
Profit from sale of subsidiary	-9	-
Impairment in subsidiary	-	22
Acquisition costs	-	18
Underlying operating income	668	443
Net Sales	4,056	2,115
Operating margin (%)	16.7	19.1
Underlying operating margin (%)	16.5	20.9
Underlying EBITDA or Operating income before amortisation and depreciation	2022	2021
EBIT or Operating income	677	403
Operating amortisation/depreciation	115	56
Amortisation of purchase price allocation	73	42
EBITDA or Operating income before amortisation and depreciation	865	501
Profit from sale of subsidiary	-9	-
Impairment in subsidiary	-	22
Acquisition costs	-	18
Underlying EBITDA or Underlying Operating income before amortisation and depreciation	856	541
Net Sales	4,056	2,115
EBITDA margin (%)	21.3	23.7
Underlying EBITDA margin (%)	21.1	25.6
Net income before items affecting comparability	2022	2021
Net income	501	338
Items affecting comparability after tax	-7	35
Net income before items affecting comparability	494	373
Basic weighted average number of shares (000)	37,961	37,902
Basic earnings per share	13.20	8.91
Basic earnings per share before items affecting comparability	13.01	9.82

Net debt	31 Dec 2022	31 Dec 2021
Pensions and similar obligations	261	361
Liabilities for right of use fixed assets	114	125
Long-term interest-bearing liabilities	783	791
Short-term interest-bearing liabilities	391	355
Total interest-bearing liabilities	1,549	1,632
Cash and cash equivalents	-624	-440
Total Net Debt	925	1,192
Net Debt, excluding pension obligations	664	831

Capital employed	31 Dec 2022	31 Dec 2021
Total Assets	4,495	3,783
Interest bearing financial assets	-4	-4
Cash and cash Equivalents	-624	-440
Tax assets	-145	-103
Non-interest bearing assets (excl taxes)	3,722	3,236
Non-interest bearing liabilities (incl taxes)	-876	-688
Tax liabilities	276	201
Non-interest bearing liabilities (excl taxes)	-600	-487
Total Capital Employed	3,122	2,749

Working capital	31 Dec 2022	31 Dec 2021
Accounts receivable	524	393
Other current receivables	79	56
Inventory	538	382
Working capital assets	1,141	831
Accounts payable	-401	-313
Other current payables	-333	-240
Working capital liabilities	-734	-553
Total Working Capital	407	278

Cash Conversion	2022	2021
Cash flow from operating activities	529	260
Payments for financial transactions	35	2
Tax payments	125	54
Net investments in property, plant and equipment	-62	-21
Adjustment for royalty from joint-venture (Alfdex)	-22	-24
Operating Cash	605	271
Operating income	677	403
Adjustment for EMP acquisition related costs and for closure costs of facility in Argentina	-	40
Adjustment for royalty from joint-venture (Alfdex)	-22	-24
Adjustments for share in profit in joint-venture (Alfdex)	-62	-81
Adjusted Operating income	593	338
Cash conversion (%)	102.1	80.2

Turnover KPI Disclosure Table

Economic activities (1)	NACE Code(s)	Absolute turnover (3) kSEK	Proportion of turnover (4) %	SC					DNSH										Category Enabling/Transitional E/T
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention and control	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover year N	Taxonomy-aligned proportion of turnover year N-1	
A. TAXONOMY-ELIGIBLE ACTIVITIES		1,369,818	33.8																
A.1. Taxonomy-aligned		-	-																
A.1. Taxonomy-eligible but not aligned		1,369,818	33.8																
Manufacture of other low carbon technologies	C27.11 C28.12 C28.13 C28.15	1,369,818	33.8						-	-	N	N	N	N	N	N	-	-	E
B. TAXONOMY NON-ELIGIBLE ACTIVITIES		2,686,274	66.2																
Manufacture of engines and turbines	C28.11	616,233	15.2																
Manufacture of fluid power equipment	C28.12	235,044	5.8																
Manufacture of pumps and compressors	C28.13	1,424,412	35.1																
Manufacture of electronic equipment for vehicles	C29.31	10,377	0.3																
Manufacture of parts and accessories for vehicles	C29.32	266,237	6.6																
Revenues with no NACE code	N. A	1,297	0.0																
Unallocated revenues	N. A	132,674	3.3																
TOTAL (A + B)		4,056,092	100																

CapEx KPI Disclosure Table

Economic activities (1)	NACE Code(s)	SC										DNSH								Category Enabling/Transitional
		Absolute CapEx SEK	Proportion of CapEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution prevention %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution prevention and control Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of CapEx year N %	Taxonomy-aligned proportion of CapEx year N-1 %		
A. TAXONOMY-ELIGIBLE ACTIVITIES		41,843,437	67.5																	
A.1. Taxonomy-aligned		-	-																	
A.1. Taxonomy-eligible but not aligned		41,843,437	67.5																	
Installation, maintenance and repair of energy efficiency equipment		40,358,281	65.1	100	-	-	-	-	-	N	N	N	N	N	N	N	-	-	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		1,485,156	2.4	100	-	-	-	-	-	N	N	N	N	N	N	N	-	-	E	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES		20,156,563	32.5																	
Non-eligible capex		9,157,565	14.8																	
Unallocated capex		10,998,998	17.7																	
TOTAL (A + B)		62,000,000	100																	

Opex KPI Disclosure Table

Economic activities (1)	NACE Code(s)	SC										DNSH								Category Enabling/Transitional
		Absolute OpEx kSEK	Proportion of OpEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution prevention %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution prevention and control Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of OpEx year N %	Taxonomy-aligned proportion of OpEx year N-1 %		
A. TAXONOMY-ELIGIBLE ACTIVITIES		135,882	4.0																	
A.1. Taxonomy-aligned		-	-																	
A.1. Taxonomy-eligible but not aligned		135,882	4.0																	
Installation, maintenance and repair of energy efficiency equipment		135,736	4.0	100	-	N	N	N	N	N	N	N	N	N	N	N	-	-	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		146	0.0	100	-	N	N	N	N	N	N	N	N	N	N	N	-	-	E	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES		3,243,118	96.0																	
Non-eligible opex		143	0.0																	
Unallocated opex		3,242,975	96.0																	
TOTAL (A + B)		3,379,000	100																	

Glossary

6S

Method to organise a work space for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order.

APM

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Axle cooling

Heat Exchanger to control the temperature of the axle gear train.

Baler

Farm machinery used to compress a cut and raked crop (such as hay, straw, or silage) into compact bales that are easy to handle, transport and store.

BRIC countries or emerging markets

Brazil, Russia, India and China.

CAN bus

Controller Area Network that connects all the modules working throughout the vehicle so that they can work together to run effectively and efficiently.

CV

Commercial Vehicle.

DC Pack Lift/lower

Integrated unit comprising of direct current motor, hydraulic pump and reservoir.

ECU

Engine Control Unit.

EMP

Engineered Machined Products, Inc and subsidiaries.

Fan drive

Hydraulic motor used for driving cooling fan.

Fuel transfer pump

Pump to lift the fuel from the fuel tank to the high pressure system.

Gerotor pump

Type of positive displacement pump.

Hydraulic hybrid system

Hydraulic propulsion system for vehicles.

Hydraulic power pack

Integrated unit comprising of DC motor, hydraulic pump and reservoir.

Hydraulic pump

Positive displacement pump for pumping hydraulic fluids such as oil.

Implement pump

Hydraulic pump used for auxiliary vehicle functions.

LTI

Long term incentive.

Net investments in fixed assets

Fixed asset additions net of fixed asset disposals and retirements.

OEMs

Original Equipment Manufacturers.

Off-highway

Collective term for industrial applications, agricultural machinery and construction equipment end-markets.

Oil mist separator

Product that recycles oil from crankcase gases.

Order backlog

Customer sales orders received which will be fulfilled over the next three months.

Piston pump

Positive displacement pump that utilises a moving piston to displace the fluid.

Poka-Yoke methodology

A method to prevent mistakes from occurring.

PPM

Parts Per Million defect rate.

Primary pump

Main pump used in a multi circuit configuration.

R&D expenditure

Research and development expenditure.

Secondary circuit pump

Secondary pump used in a multi circuit configuration.

Seeder motor

Hydraulic motor used for blowing seed into seeding device for planting.

Stator support

Support to a stationary part of a rotary system in an electric motor or generator.

Steering pump

Hydraulic pump used to provide hydraulic power to a vehicle steering system.

Tier-1, Tier-2 supplier

Different levels of sub suppliers, typical within the automotive industry.

Variable flow oil pump

Oil pump with controllable flow capacity.

Variable flow water pump

Water pump with controllable flow capacity.

Definitions

Book-to-bill

Total sales orders received and booked into the order backlog during a three month period, expressed as a percentage of the total sales invoiced during that same three month period.

Book-to-bill is used as an indicator of the next quarter's net sales in comparison to the sales in the current quarter.

CAGR

Compound annual growth rate.

Capital employed

Total assets less interest bearing financial assets and cash and cash equivalents and non-interest bearing liabilities, excluding any tax assets and tax liabilities.

Capital employed measures the amount of capital used and serves as input for return on capital employed.

Dividend yield

Dividend divided by market price at year end.

Drop-through rate

Year-on-year movement in operating income as a percentage of the year-on-year movement in net sales.

This measure shows operating leverage of the business, based on the marginal contribution from the year-on-year movement in net sales.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.

EBITDA margin

EBITDA as a percentage of net sales.

EBITDA margin is used for measuring the cash flow from operating activities.

EBIT or Operating income

Earnings before interest and tax.

This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the Company.

EBIT or Operating margin

Operating income as a percentage of net sales.

Operating profit margin is used for measuring the operational profitability.

EBIT or EBITDA multiple

Market value at year end plus net debt divided by EBIT or EBITDA.

EPS

Earnings per share, net income divided by the average number of shares.

The earnings per share measure the amount of net profit that is available for payment to its shareholders per share.

Equity per share

Equity at the end of the period divided by number of shares at the end of the period.

Equity per share measures the net-asset value backing up each share of the Company's equity and determines if a Company is increasing shareholder value over time.

Gearing ratio

Ratio of net debt to shareholders' equity.

The net gearing ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, this is calculated based on net debt rather than gross debt.

Gross margin

Net sales less cost of goods sold, as a percentage of net sales.

Gross margin measures production profitability.

Net debt

Total interest-bearing liabilities, including pension obligations less liquid funds.

Net debt is used as an indication of the ability to pay off all debts if these were to fall due simultaneously on the day of calculation, using only available cash and cash equivalents.

Pay-out ratio

Dividend divided by EPS.

P/E ratio

Market value at year-end divided by net earnings.

ROCE

Return on capital employed; EBIT or Operating income as a percentage of the average capital employed over rolling 12 months.

Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the Company is the reason that this metric is used next to return on equity, because it not only includes equity, but taken into account other liabilities as well.

ROE

Return on equity; net income as a percentage of the average shareholders' equity over rolling 12 months.

Return on equity is used to measure profit generation, given the resources attributable to the Parent Company owners.

Sales growth, constant currency

Growth rate based on sales restated at prior year foreign exchange rates

This measurement excludes the impact of changes in exchange rates, enabling a comparison on net sales growth over time.

Structural growth

Sales growth derived from new business contracts, i.e. not from changes in market demand or replacement business contracts.

Structural changes measure the contribution of changes in group structure to net sales growth.

"Underlying" or "before items affecting comparability"

Adjusted for restructuring costs, impairment, pension curtailment gains/losses and other specific items (including the taxation effects thereon, as appropriate).

Enabling a comparison of operational business.

Working capital

Current assets excluding cash and cash equivalents, less non-interest-bearing current liabilities.

Working capital is used to measure the Company's ability, besides cash and cash equivalents, to meet current operational obligations.

Shareholder information

Concentric's web site for investors

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

The Annual Report on www.concentricab.com

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

Reporting calendar for 2023

Annual General Meeting 2023	18 April, 2023
Interim report January – March 2023	3 May, 2023
Interim report January – June 2023	26 July, 2023
Interim report January – September 2023	8 November, 2023

2023 Annual General Meeting

The Annual General Meeting will be held in St Clara at 13.00 CET on Tuesday, 18 April, 2023 at Klara Strand, Klarabergs-
viadukten 90, Stockholm

Right to attend and notification to the company

Shareholders wishing to attend the general meeting must:

- (i) be recorded as shareholders in the share register maintained by Euroclear Sweden AB, as of Thursday 6 April 2023; and
- (ii) notify the company of their intention to participate in the general meeting no later than on Wednesday 12 April 2023.

Notice may be submitted in writing to the company at the address Concentric AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden or by phone to +46 8 402 91 33 business days between 9.00 CET and 16.00 CET, on the company's website, www.concentricab.com or by e-mail to GeneralMeetingService@euroclear.com. On giving notice of attendance, the shareholder should state the shareholder's name (company name), personal identity number (corporate identity number), address, telephone number and number of shares. The registration procedure described above also applies to registration for any advisors. A shareholder that exercises its voting rights through a postal voting form does not have to send in a separate notice of participation, see below under postal voting.

Nominee registered shares

In order to participate in the general meeting, those whose shares are registered in the name of a nominee must request their bank or broker to have their shares owner-registered with Euroclear Sweden AB as of Wednesday 12 April 2023 and the bank or broker should therefore be notified in due time before said date. This registration may be made temporarily.

Postal voting

The shareholders may exercise their voting rights at the general meeting by postal voting. A special form shall be used for postal voting. The form is available on the company's website: www.concentricab.com.

The voting form can also be obtained from the company or by contacting Euroclear Sweden AB at the contact information above. For the items on the agenda where the board or the nomination committee have submitted proposals, it is possible to vote Yes or No, which is clearly stated in the postal voting form. A shareholder can also abstain from voting on any item.

The completed voting form must be received by the company no later than on Wednesday 12 April 2023. The postal voting form is valid as a notification to the meeting. Shareholders can, through verification with BankID, cast their postal vote electronically via Euroclear Sweden AB's website: <https://anmalan.vpc.se/euroclearproxy?sprak=1>.

Such electronic votes must be submitted no later than Wednesday 12 April 2023.

The completed form, including any appendices, must be sent by e-mail to GeneralMeetingService@euroclear.com or alternatively by post in original to Concentric AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. If the shareholder is a legal entity, a registration certificate or an equivalent authority document, shall be enclosed to the form. The same applies if the shareholder votes in advance by proxy.

The shareholder may not provide special instructions or conditions in the voting form. If so, the postal vote is invalid in its entirety. Further instructions and conditions are included in the postal voting form.

Proxy and proxy form

Anyone who does not attend the meeting in person may exercise their right at the meeting via a proxy in possession of a signed and dated form of proxy. The same applies if a shareholder exercises its voting rights by postal voting. Forms of proxy are available on the company's website www.concentricab.com. The form of proxy may also be obtained from the company or by contacting Euroclear Sweden AB at contact information above. If the proxy is issued by a legal person, a copy of their registration certificate or equivalent authority document must be attached. The proxy must have been issued within the past year unless a longer period of validity is specified on the form of proxy, subject to a maximum of five years. To facilitate entry to the meeting, forms of proxy, registration certificates and other documentary authority must be received by the company in good time before the meeting.

Addresses

Concentric AB (publ)

Box 5058
102 42 Stockholm,
Sweden.

5 Brooklands
Redditch, Worcestershire
B98 9DW, UK.
Tel: +44 (0) 121 445 6545
Fax: +44 (0) 121 445 7780

E-mail: info@concentricab.com
www.concentricab.com

Allied Enterprises, LLC.

3228 W. Kilgore Avenue,
Muncie, IN 47304-4908, USA.
Tel: +1 765 288 8849
Fax: +1 765 288 8864
E-mail: info@alliedenterprises.net

Concentric Birmingham Ltd.

Gravelly Park, Tyburn Road,
Birmingham B24 8HW, UK.
Tel: +44 121 327 2081
Fax: +44 121 327 6187
E-mail: info.gbbl@concentricab.com

Concentric Hof GmbH

Hofer Str. 19, 95030 Hof, Germany.
Tel: +49-9281-895-0
Fax: +49-9281-87133
E-mail: info.deho@concentricab.com

LICOS Trucktec GmbH

Bergheimer Str. 1
D-88677 Markdorf, Germany.
Tel: +49 7544 9546-0
Fax: +49 7544 8546-90
E-mail: info@licostrucktec.com

Concentric Itasca Inc.

800 Hollywood Avenue, Itasca,
IL 60143-1353, USA.
Tel: +1 630 773 3355
Fax: +1 630 773 1119
E-mail: info.usit@concentricab.com

Concentric Pumps Pune Pvt.Ltd.

Gat. No.26/1,27 and 28 (Part),
P.O: Lonikand, Taluka: Haveli,
Pune: 412216, India.
Tel: +91 98 81071264/5/6
Fax: +91 20 27069658
E-mail: info.inpu@concentricab.com

Concentric Pumps (Suzhou) Co.Ltd.

47 Dongjing Industrial Park,
9 Dong Fu Lu, SIP, Suzhou, Jiangsu,
China 215123.
Tel: +86 512 8717 5100
Fax: +86 512 8717 5101
E-mail: info.chsh@concentricab.com

Concentric Rockford Inc.

2222 15th Street, Rockford,
IL 61104, USA.
Tel: +1 815 398-4400
Toll free No: +1 800-572-7867
Fax: +1 815 398 5977
E-mail: info.usro@concentricab.com

Engineered Machined Products Inc

3111 N. 28th Street, Escanaba,
MI 49829, USA.
Tel: +1 906 786-8404
Fax: +1 906 786-6635
E-mail: info@emp-corp.com

