



**Technology  
Innovation  
Sustainability**

**2023**

**ANNUAL REPORT**

# Contents

## Introduction

Concentric in brief	2
Highlights 2023	4
CEO Comment	6
Priorities & targets	10

## Markets

Business model	12
Value proposition	14
Case story: Electrification	18
Market and trends	22
Case story: New markets	24
End-markets	26

## Risks

Risk assessment	32
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## Sustainability

34

## The share

49

## Corporate Governance

Corporate Governance Report	52
The Board	64
Group Management	66

## Statutory annual report<sup>1)</sup>

Board of Directors' Report	68
Financial statements – Group	86
Group notes, note 1–38	90
Financial statements – Parent Company	114
Parent Company notes, note 1–21	118
Auditor's report	124

## Sustainability reporting – GRI

130

2023 GRI Index	134
Global Compact	137

APM reconciliation	138
Taxonomy	140
Glossary	142
Definitions	143
Shareholder information	144
Addresses	145

1) The statutory annual report encompasses pages 68–123. 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.







## Focused on **innovations** that create **sustainable value**

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

True to the ethos of Technology, Innovation and Sustainability, 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

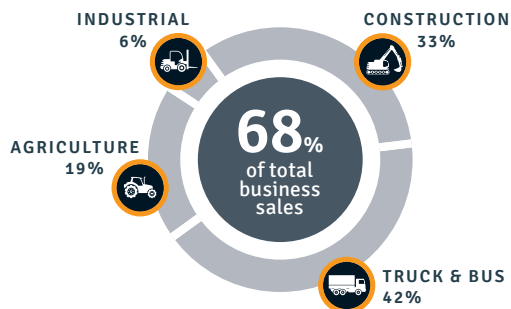


## Two business segments



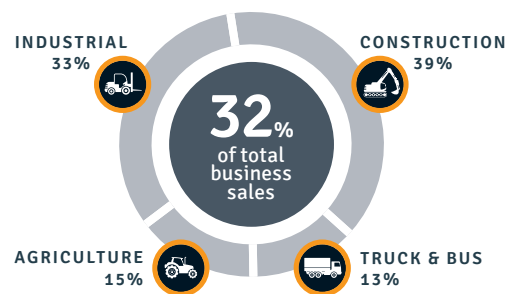
### Engines

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 coolant 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.



### TRUCK & BUS

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



### AGRICULTURE

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



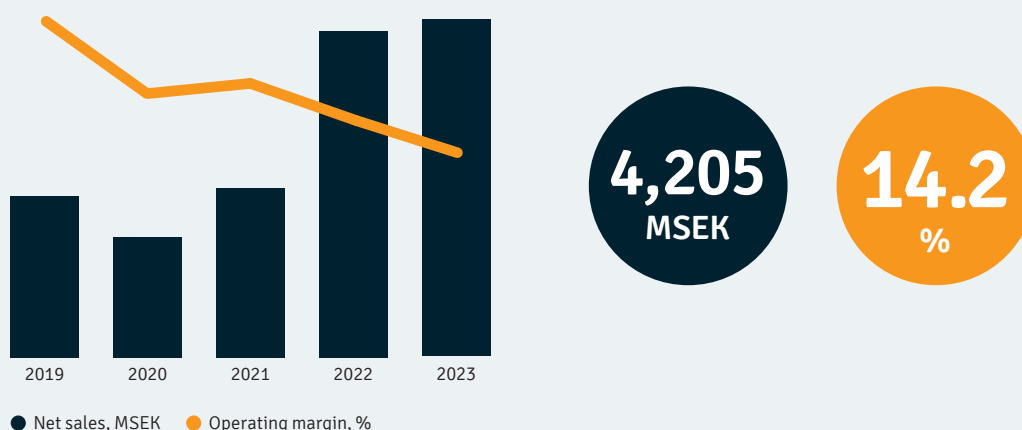
### INDUSTRIAL

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 2023

- Strategy and new financial targets communicated during the Capital Markets Day
- Delivered on our electric sales goal, being 20% of Group sales
- Expanded our end-markets to include data centres, electric trailers and static power generators
- Biggest OEM business nomination for Hydraulic products in our listed history
- Significant capital investment to support future business growth and strong cash generation

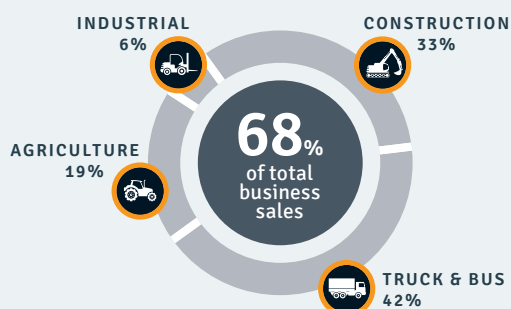
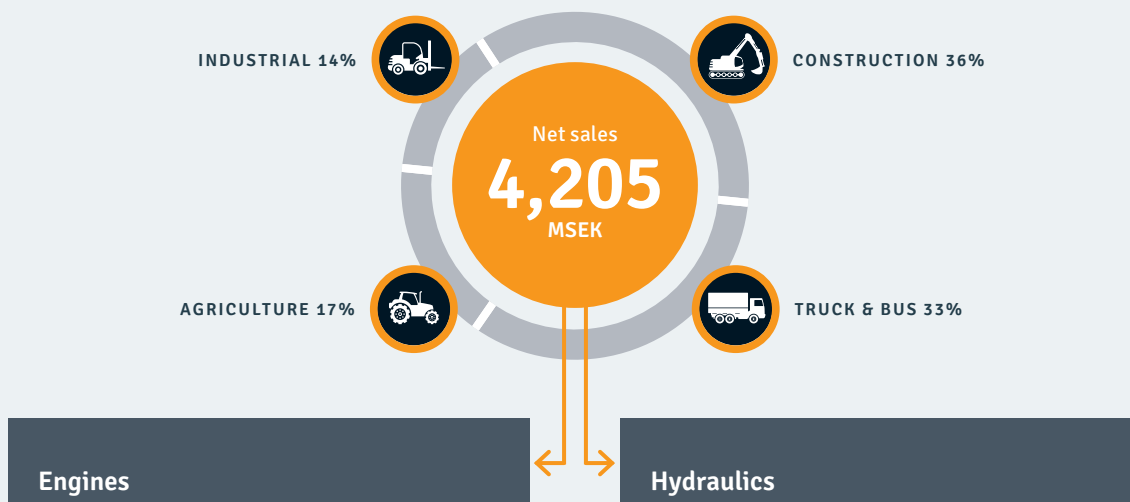
## Sales and Operating margins



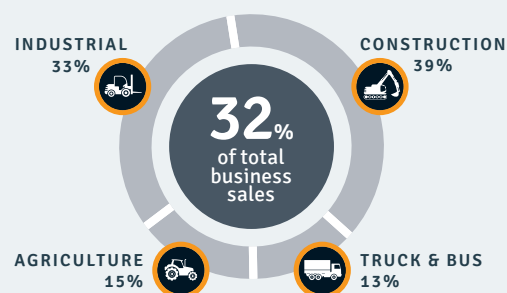
Key figures, amounts in MSEK unless otherwise specified	2023	2022	2021	2020	2019
Net sales	4,205	4,056	2,115	1,502	2,012
Organic sales growth, constant currency, %	-1	15	31	-23	-20
Operating income before items affecting comparability	617	668	443	291	472
Operating margin before items affecting comparability, %	14.7	16.5	20.9	19.4	23.5
Operating income	595	677	403	276	472
Operating margin, %	14.2	16.7	19.1	18.4	23.5
Net income for the year	417	501	338	205	321
Cash flow from operating activities	615	529	260	337	386
Diluted earnings per share, SEK	11.00	13.18	8.88	5.42	8.36
Basic earnings per share, SEK	11.00	13.20	8.91	5.43	8.37
Dividends, SEK	4.25 <sup>1)</sup>	4.00	3.75	3.50	3.25
Net debt	617	925	1,192	86	54
Gearing (Net debt/equity) ratio, %	28	45	82	8	5
Return on equity, %	18.9	26.6	26.2	17.5	29.5
Market capitalisation	6,822	7,414	10,658	6,938	6,005

1) Proposed dividend at the 2024 AGM.

## Group total net sales by business segment



External net sales	<b>2,855</b> MSEK	<b>68%</b>
Operating income	<b>420</b> MSEK	<b>71%</b>
Average number of employees	<b>879</b>	<b>69%</b>



32%	<b>1,350</b> MSEK
29%	<b>175</b> MSEK
31%	<b>403</b>

### Net sales – Group

This has been a tough year for Concentric with both of our reporting divisions having been affected by a combination of a generally weaker market and ongoing customer destocking activities which started in the third quarter. This has resulted in a drop of 1% in underlying sales for the year. However, there has been progress in executing our electrification strategy and we have achieved our key target set in 2019, which was to have sales of e-products exceed 20% of Group sales by 2025. We have also been successful in diversifying our electrification business into new end-markets with a business win in the energy storage sector.

### Operating income – Group

The reported Operating income for the year amounted to MSEK 595 (677) resulting in an Operating margin of 14.2% (16.7). The weakening demand from our customers has impacted the Operating margin and resulted in the need to adjust the operational cost base in the second half of the year. Costs associated with this cost reduction programme of MSEK 22 were booked in the year, resulting in an Operating margin before items affecting comparability of 14.7% (16.5).



CEO review of 2023

# Reflecting on the year



**A**s I reflect on the year, it is evident that our business has faced a market environment marked by challenges and opportunities alike. While our sales have been affected by a combination of market decline and customer destocking, necessitating further operational cost reductions, we have, amidst these challenges, nonetheless continued to execute our electrification and growth strategy with great success.

The published market indices suggest our end-markets remained broadly flat over the year, whilst demand for our engine products showed slight strength, outperforming hydraulics, which faced headwinds from declining end-market demand in our core geographical regions.

Against the backdrop of a weakening general economic outlook and ongoing stabilisation of the global supply chain, our customers actively destocked, striving to align their component inventory levels with pre-pandemic norms. We have observed our European customers being more affected by this downturn than their North American counterparts.

In response to these dynamics, we have remained agile and proactive in our approach. While navigating through market uncertainties, we have doubled down on operational efficiency, driving further cost reductions to bolster our Operating margins. The full effects of these cost reductions is expected to be realised in the first half of 2024, and should drive Operating margin improvement versus the levels seen in Q4-2023.

Furthermore, our commitment to innovation and growth remains unwavering. We have continued to advance our electrification initiatives and we are actively pursuing opportunities for expansion into new markets, ensuring that Concentric is well-positioned to thrive in a rapidly evolving landscape.

In fact, I am pleased to advise that, as an organisation, we have already managed to achieve our key electrification target previously set in 2019, namely to have sales of e-products exceed 20% of Group sales by 2025, two years earlier than initially anticipated.

From a growth perspective, Concentric has invested in our facilities to support these projects, including the ramp-up of our market-leading high-voltage solutions in North America. I am also delighted to welcome Dr. Roger Ingemey to the Concentric team, as SVP of Hydraulics and a member of my senior leadership team.

### **Strategic agenda**

At our capital markets day in May 2023 we announced an updated strategy that sets out our roadmap for the next five years, accelerating profitable growth in both our base and electrical businesses. We outlined ambitious plans to generate strong cash flows, invest capital wisely to expand into new markets, and deliver strategic acquisitions that will provide strong returns to our shareholders.

Central to our approach is the electrification of our end-markets, which presents an opportunity to increase the value our products deliver to customers while advancing their sustainability goals. With approximately 30% of our sales projected to come from e-products by 2028, we are well-positioned to capitalise on this transformational shift.

Key pillars of our renewed strategy include the following:

- **Developing our base business**

We continue to focus on growing our base business, maximising opportunities arising from regulatory changes and sustained demand for our hydraulic products and fuel-efficient internal combustion engine solutions.

- **Accelerating electrification**

We are leveraging our high-quality e-product offering to drive electric sales growth, capitalising on the shift from internal combustion engines to electric vehicles.

- **Expanding into new end markets and applications**

By targeting new markets and investing in innovative solutions, we are poised to meet the evolving needs of industries beyond our traditional scope.

• **Investing in a platform for growth in India**

With a strong track record and forecasted growth in India, we are committed to expanding our presence in this promising market.

• **Active acquisition strategy**

We are actively pursuing targets to support our electrification strategy, enhance our technological capabilities, and strengthen our global footprint in either our base or electric business.

Furthermore, we have set new financial targets to guide our performance over the business cycle, including a compound annual growth rate of 15% for e-product sales, Operating margins at or above 16%, cash conversion at or above 100% of adjusted Operating income, and return on capital employed at or above 20%.

Our strategic review also included the optimisation of our North American manufacturing footprint to create dedicated centres of excellence closer to our customers, and ensure the achievement of financial and other targets. In line with this, we closed our facility in Itasca, Illinois in December 2023, relocating assembly and machining to existing facilities located in Greenfield, Indiana, and Escanaba, Michigan.

**Continued success in both existing and new markets**

Over the past year, we have celebrated several significant customer win milestones, each contributing to our continued growth and expansion into new markets. This includes our entry into the data centre liquid cooling market, with the recent announcement of our first multi-year business nomination from a leading global OEM customer in this market, as well as an important new business nomination in the growing Indian market for electric commercial vehicles with our seal-less e-coolant pump.

In addition, base market wins included our largest individual nomination for its state-of-the-art hydraulics products since the Company listed in 2011, with a contract in place to supply a customised high-pressure electric power pack to a global leader in the agriculture equipment market. Another significant hydraulics order

was also received from a leading European electric bus OEM for our next-generation Electro Hydraulic Steering pump.

Concentric further increased its traction within the electrification market with a prototype order for high-voltage electric fans by an OEM venturing into mobile and stationary hydrogen electric power generation, in addition to our selection by a new US customer for an innovative trailer electrification solution using our e-fans and e-coolant pumps, and the securing of an order from a global bus OEM for use in a ground-breaking battery electric bus.

These achievements underscore our commitment to innovation, sustainability and growth, positioning us as a leader in providing cutting-edge solutions to our customers worldwide.

**Financial performance**

As touched on, Group sales for the full year in constant currency were broadly flat year-on-year; however, the year was a tale of two halves. Sales for the first half of the year were up +5%, whilst the second half sales were down -6%. As the economic outlook deteriorated and our end-markets weakened, our customers destocked their component inventory, thereby impacting our sales. This change in the level of demand for our products during the latter half of the year also affected the Operating margin, which for the full year were 14.2% (16.7).

To protect our Operating margin, we took actions to reduce our operational costs during the third and fourth quarters, which incurred restructuring costs amounting to MSEK 22. The Operating margin before items affecting comparability for 2023 was 14.7% (16.5).

The business continued to generate strong operational cash flows with a profit-to-cash conversion ratio of 141% for the year, benefitting from a working capital reduction primarily during the fourth quarter. We continue to invest in the business at above historical rates, in both our base and electric businesses, to increase production capacity supporting recent new business wins.



The strong operational cash flow continues to maintain our robust balance sheet with both the EBITDA to Net Debt ratio and gearing percentage reducing to 0.78 (1.08) and 28% (45) respectively, whilst continuing to hold a healthy level of cash at the end of the year, at MSEK 724 (624). This level of liquidity is sufficient to finance the day-to-day operations, and the strength of the balance sheet ensures we have the debt capacity for future acquisitions.

We were also able to pay a 2022 dividend to shareholders of SEK 4.00 (3.75) per share and conducted an own share buy-back programme, which totalled MSEK 100, ensuring we optimised the capital structure.

#### **Sustainability at Concentric**

At Concentric, we acknowledge the strategic and growing importance of sustainability and the value it creates across our entire value chain, particularly as our customers move towards electrification. We believe that a sustainable business leads to successful economic performance and positive returns for society as a whole.

As a result, during the past year, we have taken some important steps in our sustainability culture.

We conducted a Double Materiality Assessment along with stakeholders, identifying the most critical topics and strategic challenges for our business to address with regards to sustainability in the coming years. We created and mobilised our Sustainability Committee, to share best practices and innovations across the Group, providing opportunities for our employees to build and champion our sustainability culture. In addition, we contributed to the many communities in which we serve in different ways, whether through fundraising, educational resources, or STEM (Science, technology, engineering, and mathematics) educational activities.

We continued to work with our customers to develop and innovate exciting new products and combinations of products that deliver higher levels of operational efficiency. We strengthened our processes around

cybersecurity and also in supplier management, ensuring that we partner with those who share the highest ethical and quality standards so we can continue to make world class products.

#### **2024 outlook**

Our strategic vision was clearly communicated during the 2023 Capital Markets Day. In the upcoming year, we are unwavering in our commitment to advancing our strategic agenda.

Collaborating closely with our customers, we will drive innovation in both electric and mechanical products. Our recent business nominations in new markets, leveraging our existing electric offerings, have established crucial footholds. These bridgeheads hold promise for further expansion in the year ahead. With a robust balance sheet, we will continue to invest in new plant and equipment, fortifying our business growth initiatives and ensuring that our dedication to nurturing our people remains a priority, recognising their pivotal role in executing our strategy.

Concentric's growth ambition extends beyond organic sales growth, and business acquisitions play a pivotal role in our growth strategy. We aim to acquire new skills to bolster our electrification growth plan and explore new or complementary technologies within North America and Europe. Our robust financial position empowers us to drive this initiative forward, even during economic downturns.

Despite the current challenges in our end-markets, we remain steadfast in our commitment to achieving robust Operating margins. Our proactive measures during the fourth quarter of 2023 to align our cost base to the lower demand will yield benefits during 2024, and we will diligently assess our sales order intake and take further cost reduction actions as and when needed.

**Martin Kunz**  
President and CEO

# Priorities and targets



## Driving forces

### Cyclical

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 CO<sub>2</sub> 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

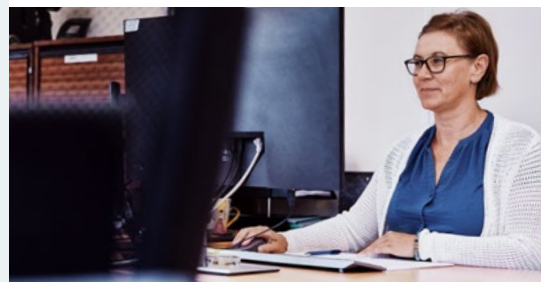
We work on behalf of shareholders to deliver a return on their capital both through dividend distributions and growth.

### Financial institutions

We balance business risks to ensure we comply with our contractual obligations with financial institutions.

### Governments

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



## Strategies and success factors

### Electrification

Supporting our customers' transition to electric products, in line with CO<sub>2</sub> reduction targets, will take our business forward into the next generation of products.

### Continuous improvement and innovation

Drive continuous business improvement in operating efficiency and reducing costs.

### Global sourcing and supply chain management

Sourcing globally to maintain a competitive cost structure and ensure 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 2023



**Growth**  
Revenue

**Outcome**  
2023

BASE

3%

-5%

ELECTRICAL

15%

18%



**Profitability**  
Operating margin<sup>1)</sup>

**Outcome**  
2023

≥16%

14.7%

1) Before items affecting comparability.



**Cash flow**  
Cash conversion

**Outcome**  
2023

≥100%

141%

of adjusted  
Operating income



**Returns**  
ROCE

**Outcome**  
2023

≥20%

16.7%



# Business model for innovation

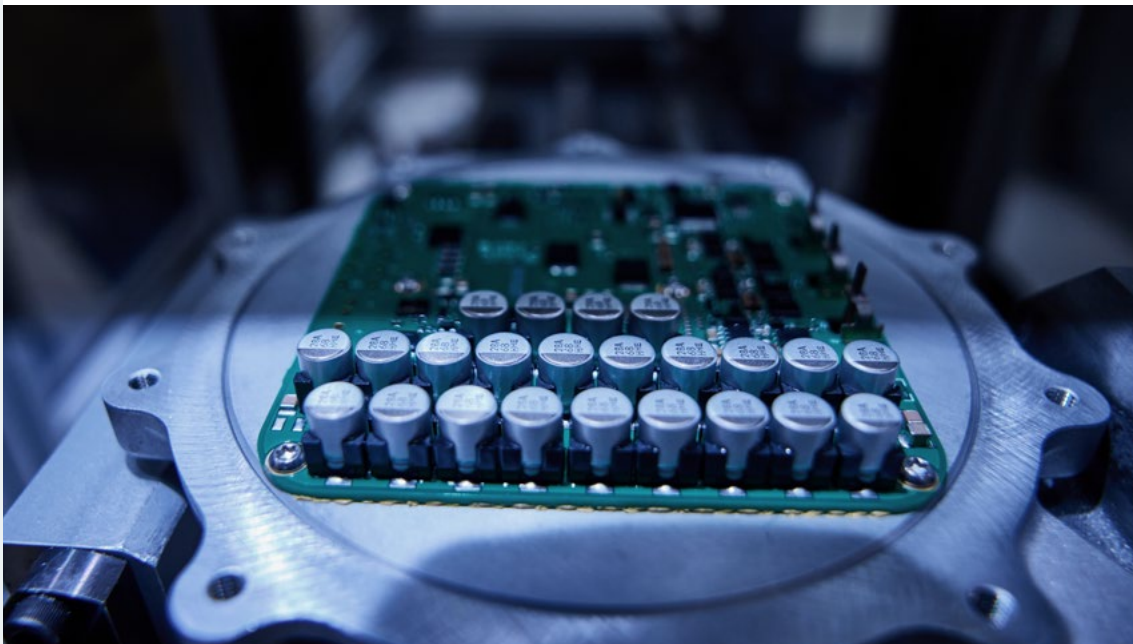
Our business is built around customer-focused innovation based on our deep technological expertise. With it, we aim to supply sustainable solutions that add value to our customers' products.

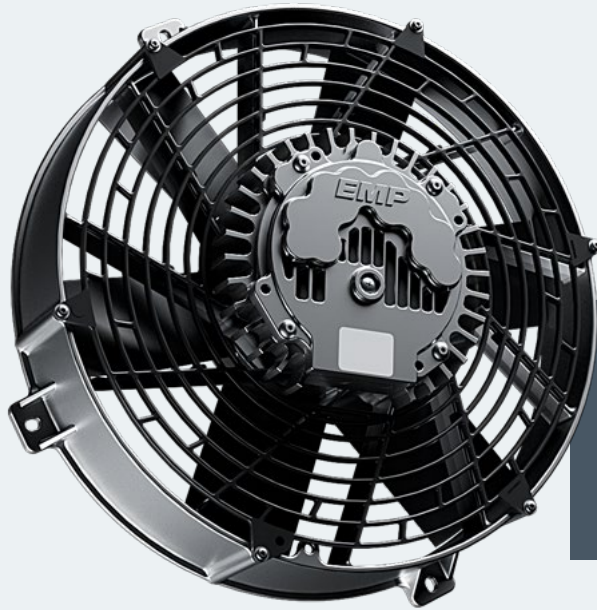
## We work in partnership with our customers ...

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.

Read about our geographical footprint on page 26. ►





## Two sales channels

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

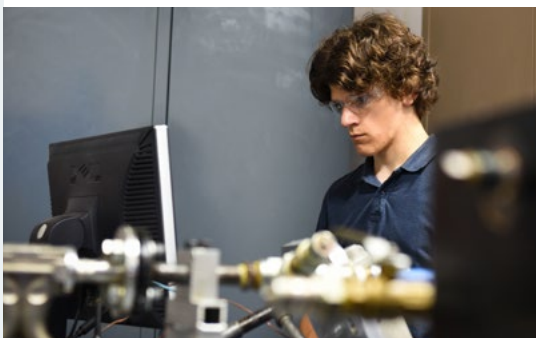
## ... to develop products ...

- Engine products
- Hydraulic products

### Our products provide

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

Read more about our product offering on pages 14–17. ▶



## for primary end-markets



Construction



Truck & Bus



Agriculture



Industrial

Read more about our end-markets on pages 28–31. ▶



# 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 as well as e-products and thermal management solutions for electric drivetrains, diesel engines and new markets such as data centres and energy storage. Alfdex, our 50/50 joint venture with Alfa Laval, manufactures oil mist separators.

## Products

### E-COOLANT PUMP

Concentric and EMP offer complimentary e-coolant 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



### 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

### MINI-HYBRID ELECTRIC COOLING SYSTEM

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



### 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.

### COOLANT PUMP

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



### OIL PUMP

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

### 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.

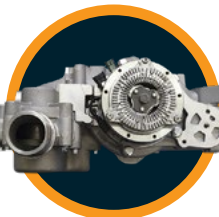


### ALFDEX OIL MIST SEPARATOR

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.

### LICOS CLUTCH

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



### DUAL CONE CLUTCH

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





### 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 CO<sub>2</sub> 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.

Read more about our joint value proposition together with EMP on pages 18–21. ►

# 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

### 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.

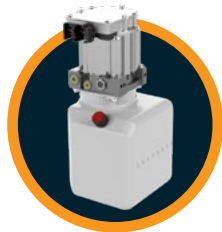


### INTERNAL GEAR PUMP

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

### CONTROLLED POWER PACKS CAN

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



### DC POWER PACKS

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

### MAIN HYDRAULIC PUMPS

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



### TRANSMISSION PUMPS

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.



### LOW NOISE PUMPS

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



## CENTRIC URBAN EXCAVATOR

### 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.



CASE: Electrification

# Concentric powers up its high-voltage electrification focus

In the rapidly evolving landscape of electrification, a number of key markets are witnessing a shift toward high-voltage systems.



**W**ith demand for cleaner, more powerful, and more cost-effective electric solutions continuing to increase around the world, commercial vehicle manufacturers are seeking competitive advantages through the implementation of advanced high-voltage systems powered by batteries or hydrogen fuel cells. As technologies mature, engineers are increasingly focussing on electric-powered components to enhance performance and efficiency of vehicles and machines while minimising costs. The commercial electric vehicle (EV) sector is at the forefront of high-voltage adoption.

#### **Concentric's high-voltage product range**

Concentric continues to lead innovation when it comes to electrification, and offers a diverse range of high-voltage components. These products are designed to meet the heavy-duty thermal management needs of commercial vehicles and machines, both on- and off-highway.

Concentric's EMP branded range of high-voltage fans and e-coolant pumps include a powerful 15-inch fan that can produce market-leading cooling performance, the likes of which has never been achievable from any low-voltage component of similar package size.

The larger brushless 31-inch fan provides an even greater level of cooling performance for our customers and is capable of up to 18kW of power. When used in a high voltage system, the fan consumes just 4% of the current that an array of low-voltage fans would require to deliver the same power. This reduced current draw increases vehicle range and provides significant cost savings to our customers.

The high-voltage fans are air-cooled and therefore do not require any external coolant supply.

High-voltage coolant pumps can also produce superior performance compared to low-voltage solutions of similar spatial geometry and Concentric is able to offer our customers a full range of high-voltage coolant pumps with power ranges from 1kW to 5kW.



cont. CASE: Electrification

These innovative high-voltage products continue to offer all of the well-developed features and durability of Concentric's proven low-voltage e-pumps. These pumps include seal-less technology, which significantly enhances the reliability of our products versus competing technologies on the market. Typical applications include cooling of batteries, power electronics and fuel cells.

Concentric's high-voltage electric components offer numerous advantages to commercial EV manufacturers and end-users, including the elimination of costly DC/DC converters, thereby reducing cost and complexity.

Furthermore, these products deliver efficient thermal management, helping to simplify the vehicle architecture and creating additional space for battery packs, crucial for improving power and range. In addition, they contribute to increased vehicle performance, by enabling components like fans to operate at faster speeds.

**Highlighting Concentric's high-voltage leadership**

Concentric is gaining traction in a range of markets with our high-voltage electrification products.

Notably we received a strategic prototype order in 2023, for our high-voltage fans from a major Original Equipment

Manufacturer (OEM) in the hydrogen electric power generation field. This order is in a completely new market for Concentric and emphasises our leadership in sustainable energy and our commitment to developing innovative technology for energy systems.

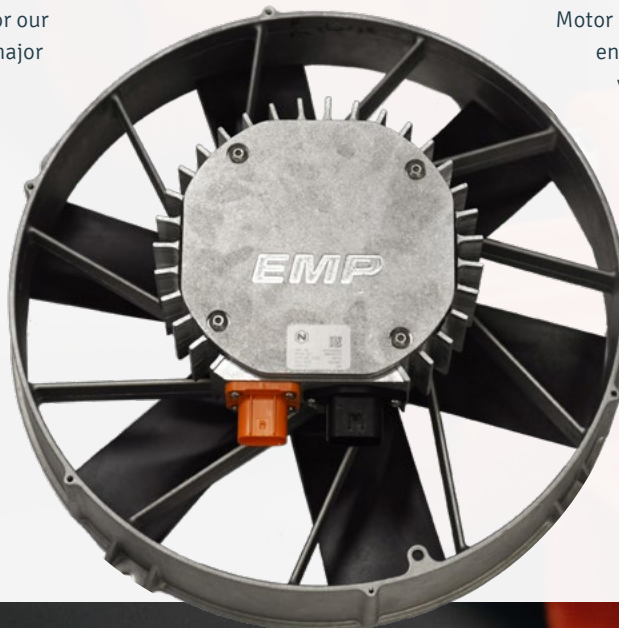
The global hydrogen power generation market is expected to grow at a compound annual growth rate (CAGR) of circa 11 percent from 2022 to 2027 and is projected to reach \$264 billion<sup>1</sup>, indicating a bright future and further growth potential for our high-voltage solutions, particularly within transportation and power generation. Concentric's expertise and technological leadership in this field aligns with the shift toward sustainable power sources.

**Future product developments**

As well as entering into new markets, Concentric also continues to lead the way for innovation in electric components and subsystems by working directly with leading global OEMs to optimise technology for the heavy-duty commercial EV sector.

Future products in the high-voltage pipeline will incorporate additional fan sizes, multi-fan systems, and oil pumps.

The Company's new High Voltage Motor Pump Unit (HVMPU) offers entry into the world of high-voltage hydraulic units.



1. Global intelligence and market research platform, MarketsandMarkets





Delivering an integrated high-voltage motor capable of 7.5kW in conjunction with Concentric's range of hydraulic pumps, the HVMPU is suitable for a wide range of high-voltage electrical applications, spanning the steering of pavers and vibration units on rollers, to hydraulic PTOs or any distributed hydraulic application.

As usual with Concentric's range of pumps and fans, the HVMPU is verified to automotive standards and designed for long life.

Together with the proven low-noise gear pumps of Concentric's CALMA series, and the new internal gear pumps of the IGP series, the unit has been optimised for noise sensitive applications.

These developments cater to evolving market needs and underline Concentric's dedication to serving a wide range of high-voltage electrification applications.

The Company also continues to offer a full portfolio of heavy-duty low-voltage fans, coolant pumps, oil pumps, and complete cooling systems to fill the needs of any thermal management application.

#### **A bright future**

With a proven track record of success and a commitment to future innovation, Concentric will continue to deliver value and insight to our customers in the rapidly evolving landscape of high-voltage electrification, playing a role in driving the ongoing development of this sector across a range of markets.

# Thriving as our end-markets evolve

Our markets are constantly undergoing change, from the general cyclicity of markets and long-term trends towards a more efficient and CO<sub>2</sub> neutral future. Concentric continue to thrive in the commercial vehicle market, and finds new end-markets for e-products.

Market and trends

## Short term characteristics

### Cyclicity

Each of our primary end-markets, truck and bus, 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 trend 1

### 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.

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 engine pumps, hydraulic pumps and e-products.







Long-term trend 2

### Fuel and energy efficiency

Customers are demanding increasingly more efficient products to help achieve lower CO<sub>2</sub> emissions, reduced fuel costs and longer battery life. This increased efficiency also reduces the total cost of ownership of the end products.

In addition to customer demand, climate change is driving society's demand to reduce CO<sub>2</sub> emissions, particulate matter and noise pollution. Legislation is being introduced around the world, particularly in urban environments, to meet this societal demand.



Concentric has been investing for a long time in improving our products to become more fuel and noise efficient. Our range of variable flow oil pumps, low noise Calma hydraulic pumps, high power 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 e-products takes this a step further, allowing our products to vary the output independently to match power output with that which is required.

Long-term trend 3

### Electrification

To meet societies demand for a more sustainable future, our customers are moving away from hydrocarbons as a fuel source and towards electric power sources such as battery packs and fuel cells. This results in zero tail pipe emissions for their products and helps the overall drive for a CO<sub>2</sub> neutral future.

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



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



CASE: New markets

## Expanding horizons: Navigating new markets

Concentric has an unwavering commitment to innovation and technological excellence. These values are driving the organisation's quest to support customers in new markets, in addition to a continued market-leading presence in its legacy market sectors. Historically, Concentric's strategic focus has been on construction, truck and bus, agriculture and industrial applications as the cornerstones of the business, but the increasing need for thermal management solutions has allowed it to broaden its reach across a range of previously unexplored markets, paving the way for a promising future.

### **T**hermal management: a gateway to new markets

Thermal management is the catalyst for unlocking new market opportunities. As industries transition from conventional power sources to batteries and fuel cells, the significance of thermal management technology cannot be understated. Essentially, any market generating energy from batteries or fuel cells requires efficient thermal management solutions, and electric pumps and fans are playing an increasingly important role for a broad range of customer applications.

It is here that Concentric's solutions are gaining traction in new areas, including the following:

#### • **Energy storage**

Energy storage systems, especially those utilising batteries, require thermal management to enhance battery performance. By controlling temperatures, Concentric's thermal management solutions extend the lifespan of batteries, reduce the risk of hazardous situations, where heat generation could lead to fires or explosions in batteries, and help to maintain consistent performance.

In 2019, Concentric achieved a major breakthrough in this sector, earning its first significant energy



storage win with the supply of e-coolant pumps to a US-based multinational automotive and clean energy company for energy storage applications. This venture has been highly successful, delivering substantial revenue growth in 2023. Ongoing discussions with the company are a positive sign of further opportunities, including supporting their global expansion plans.

- **Power generation**

Thermal management plays a key role in optimising the efficiency of power generation systems, improving overall efficiencies by reducing heat losses and ensuring that the wear and tear on components, such as turbines and engines, is reduced, extending their lifespan.

Concentric is making early inroads into the power generation sector with a specific emphasis on its high-voltage fans. The company's partnership with the hydrogen fuel cell business of a leading automotive Original Equipment Manufacturer (OEM) underscores Concentric's entry into mobile and stationary hydrogen electric power generation, a market with high potential for sustainable energy solutions. Concentric is currently assisting the customer with a mobile power generator project, and anticipates that the next focus will be in the area of rapid charging.

- **Data centres**

Information technology equipment housed within data centres generates substantial heat during operation, making thermal management systems essential to maintain suitable temperatures, preventing overheating and the related potential downtime and data loss.

Efficient thermal management in data centres also contributes to overall energy efficiency. By effectively cooling the equipment, energy consumption can be optimised, reducing operational costs and environmental impact.

The shift towards liquid cooling in data centres, with 30% of the market expected to be liquid cooled by 2030, is being driven by a requirement for more powerful chips due to the current AI explosion. AI has fundamentally redefined the way chips are designed and utilised in the semiconductor industry, leading to optimised energy efficiency and performance for larger datasets. As performance requirements increase, so does the need for cooling. Liquid cooling is more effective than air cooling in handling a data centre's growing densities, as these systems directly dissipate heat from the battery cells through the coolant,

allowing our customers to achieve precise temperature control, unaffected by external conditions.

This move aligns with the Company's expertise, making it well-positioned to cater to this evolving market. In fact, Concentric is pleased to have recently announced its first new multi-year business nomination within the liquid cooling space.

- **Trailer electrification**

An essential part of the transportation fleet, trailers – in comparison to truck design in particular – have not seen much in the way of evolution over the past 30 years. Today, however, the electrification of trailers is playing an important role in the reduction of emissions, and the related compliance gains, and energy savings. According to TersusStrategy Research, the global electric & hybrid semi-trailers market is projected to reach USD 8.33 billion by 2030, growing at a CAGR of 17%.

Concentric recently entered the trailer electrification market with its new power train-agnostic application which, based on the addition of trailer power, enables fleet owners to make the full switch to EV powertrain, even if they are not yet ready to do so. This revolutionary solution is set to contribute to the transformation of the transportation industry by reducing carbon emissions and increasing fuel efficiency, and is an exciting new market for the organisation.

### **Accelerating sustainable mobility and infrastructure**

In summary, as the world electrifies, significant opportunities are being created for Concentric. Many of these are in industries previously inaccessible to the business, and it is already demonstrating an ability to deliver value to key customers in these new markets, thanks to a robust product design and solid engineering. In many cases, Concentric has been able to enter these markets with its existing technologies, with products requiring very limited adaptation to meet the needs of our new customers, while maintaining its continued strong presence in legacy sectors.

Concentric's well-defined goals, combined with the selected strategic decisions outlined in this section, all underpinned by such fundamentals as its products, technologies, global account management, operational excellence and optimised footprint, will drive continued growth and expansion.

# Global sales



## North America

67%

of group sales

- 26% Construction
- 17% Truck & Bus
- 15% Agriculture
- 9% Industrial



### North America

- Escanaba, Michigan, USA**  
Manufacturing, R&D, Sales
- Greenfield, Indiana, USA**  
Manufacturing, Sales
- Muncie, Indiana, USA**  
Manufacturing, R&D, Sales
- Rockford, Illinois, USA**  
Manufacturing, R&D, Sales

## Europe

31%

of group sales

- 8% Construction
- 16% Truck & Bus
- 2% Agriculture
- 5% Industrial



### 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

2%

of group sales

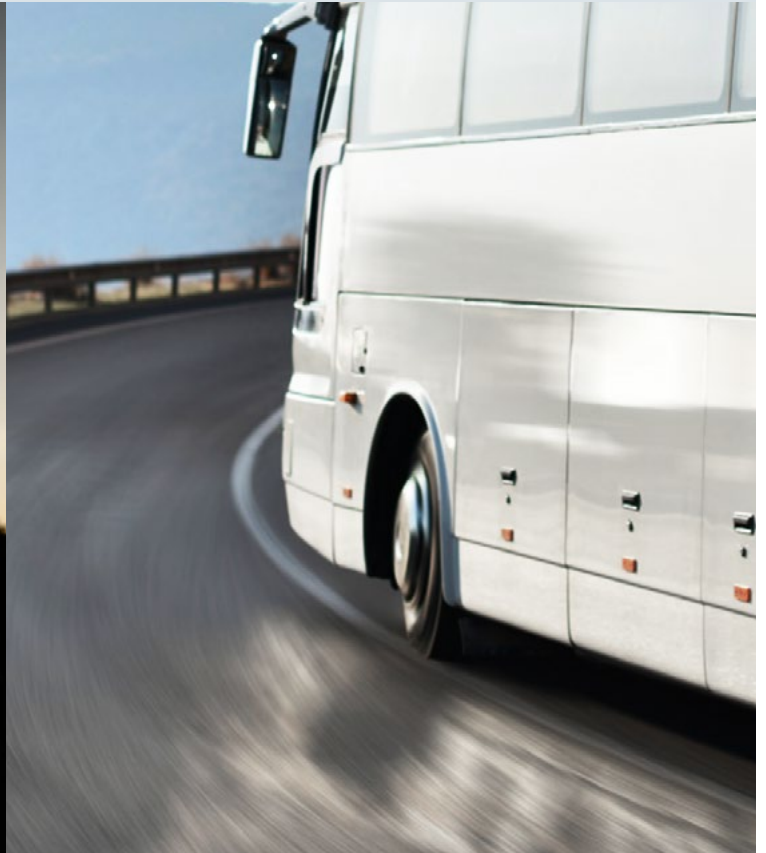
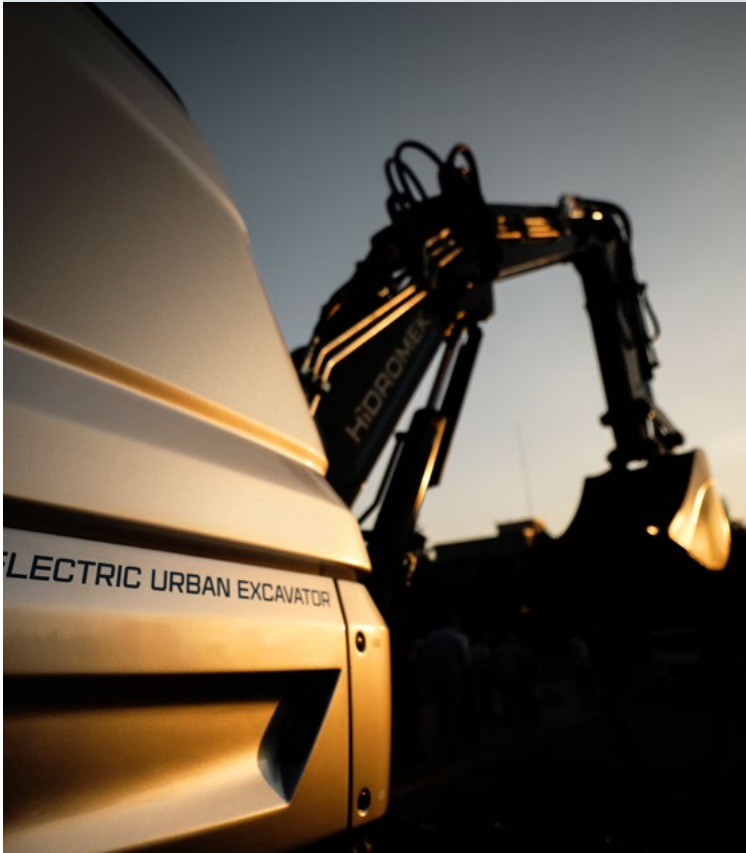
- 2% Construction



### Asia

- Kunshan, China**  
Alfdex, JV with Alfa Laval
- Pune, India**  
Manufacturing, R&D, Sales
- Seoul, Korea**  
Sales office
- Suzhou, China**  
Manufacturing, Sales





# Construction



The global construction equipment market experienced a marginal 1% decline in 2023, and current forecasts indicate a further deceleration at a CAGR of 4% over the next five years. All of Concentric’s core sales regions are aligning in this trajectory, with each region exhibiting a roughly 4% decline.

Based on the forecasted production of diesel engines over the next 5 years, construction equipment is expected to fall by a CAGR of 4.3% in Europe, 3.5% in North America, 5.5% in China and 4.9% in India.

### North America

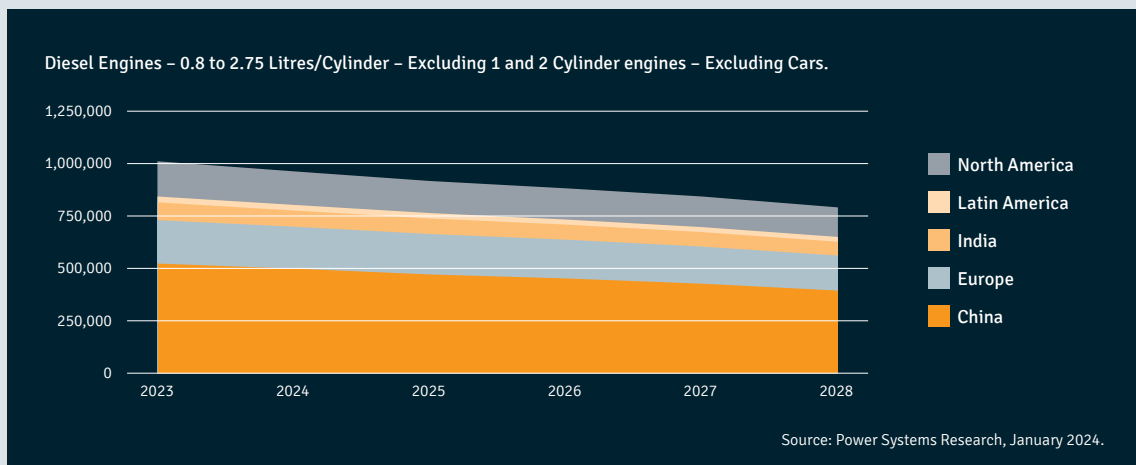
Market indices published at year-end indicate that North American production volumes for construction equipment increased year-on-year by 1% for diesel engines, however decline is then expected for the next five years. Concentric’s actual sales of engine and hydraulic products for construction equipment were down 2% year-on-year in constant currency as the movements in the market indices lag the Group’s order intake experience. North American construction sales make up 26% of total Group sales and remain our biggest market.

### Europe

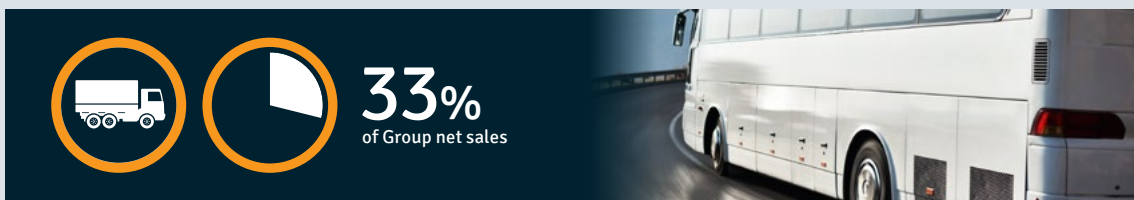
European market indices for the production of diesel engines for the construction equipment market were flat year-on-year. Concentric’s actual sales for construction equipment were down 7% in constant currency, as the movements in the market indices lag the Group’s order intake experience. The European 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 3% but down 2% 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 2023.



# Truck & Bus



The global truck and bus market grew 9% in 2023, driven by growth in both North America and Europe. Over the next five years the truck and bus market is expected to remain flat, however the key European market is slowing at a CAGR of 1%.

Based on the forecasted production of diesel engines over the next 5 years, the truck and bus market is expected to slow by a CAGR of 1.4% in Europe and 4.5% in North America but grow by 5.0% in India with China flat.

### North America

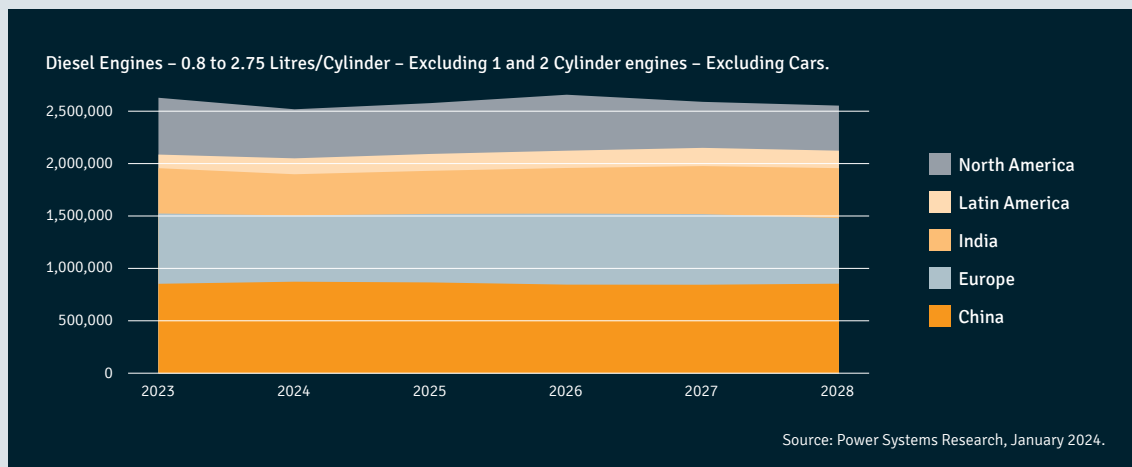
Market indices published for 2023 indicated that North American production of diesel engines for the truck and bus market increased year-on-year by 5%. Concentric’s actual sales of engine and hydraulic products for trucks and buses were up 12% year-on-year in constant currency ahead of the market indices. North American truck and bus sales represent 17% of total Group sales.

### Europe

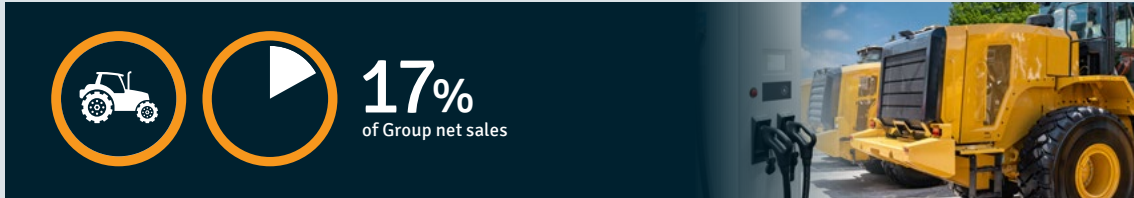
European market indices for the production of diesel engines for the truck and bus market increased year-on-year by 10%. Concentric’s actual sales of engine and hydraulic products for trucks and buses were flat year-on-year in constant currency as the market begins to slow, forecast market indices for 2024 suggest the market will decline 6%. The European truck and bus sales represent 16% of total Group sales.

### Emerging markets

The market indices for India indicate the market has increased year-on-year by 7% and 33% in China. Concentric’s exposure to trucks and buses in these territories remained relatively low at less than 1% of the Group’s total sales for 2023.



# Agriculture



The global agricultural machinery market grew 7% in 2023, driven by significant growth in the China market. However, decline is expected over the next 5 years at a CAGR of 5%, with all major regions being impacted.

Based on the forecasted production of diesel engines over the next 5 years, agricultural machinery is expected to slow by a CAGR of 3.3% in North America, 3.9% in Europe, 6.3% in China and 3.4% in India.

### North America

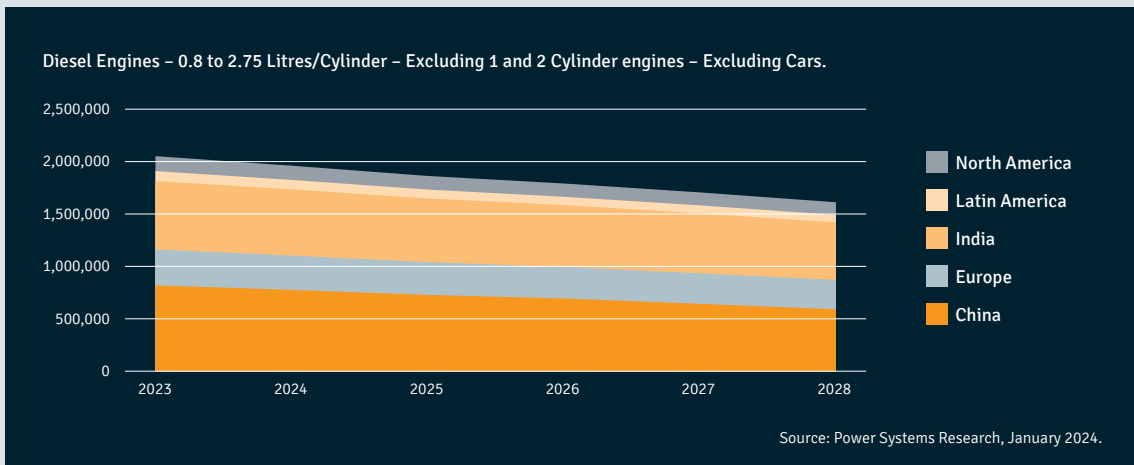
Market indices published at year-end indicate North American production of diesel engines for agricultural machinery increased year-on-year by 1%, however this in then followed by five years of decline. Concentric’s actual sales for agricultural machinery decreased year-on-year by 4% in constant currency as the movements in the market indicies lag the Group’s order intake experience. North American construction sales make up 15% of total Group sales and remain a key market.

### Europe

European market indices for production of diesel engines for agricultural machinery was flat year-on-year. Concentric’s actual sales of engine and hydraulic products for agricultural machinery decreased year-on-year by 7%. Concentric’s exposure to agricultural machinery in Europe remained relatively low in 2023 at 2% of total Group sales.

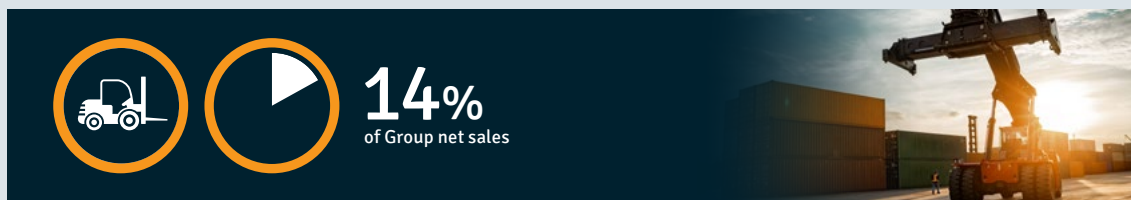
### Emerging markets

Market indices for the production of diesel engines for agricultural machinery increased year-on-year by 19% in China and 3% in India. Concentric’s exposure to agricultural machinery in these territories is less than 1% in 2023.





# Industrial



The industrial sector has grown by 2% in 2023 and is forecast to decline at a CAGR of 4% over the next 5 years, with both core sales regions of North America and Europe slowing by 5%.

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 decline by a CAGR of 4.5% in Europe and 5.4% in North America.

### North America

Market indices published at year-end indicate North American production volumes for industrial applications increased year-on-year by 1% for diesel engines and decreased 31% for hydraulic lift trucks. Concentric’s actual sales of engine and hydraulic products for industrial applications were down 11% year-on-year in constant currency in line with the downward trend of the market. The North American industrial application market represents 9% of total Group sales and is therefore a key market.

### Europe

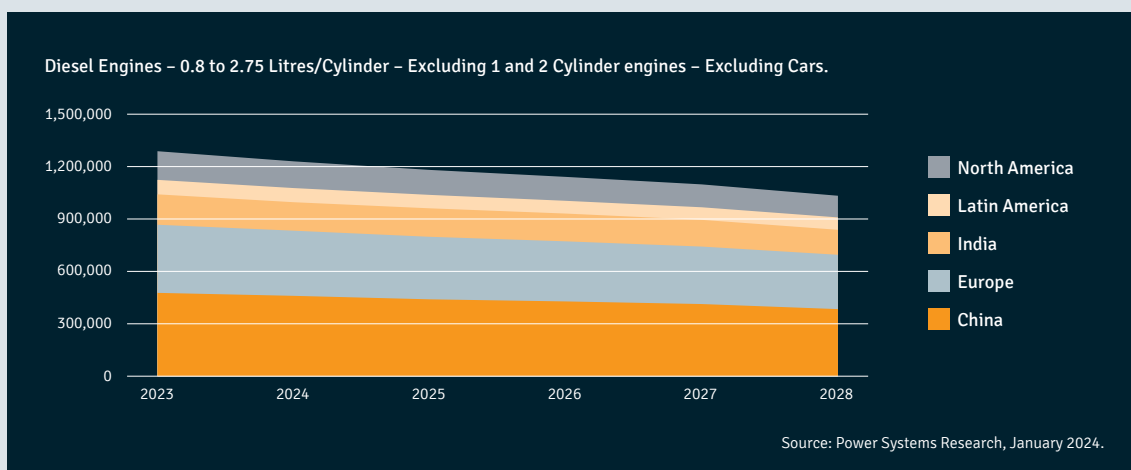
European market indices were flat year-on-year for the production of diesel engines and down 4% for lift trucks for the industrial applications market. Concentric’s actual sales of engine and hydraulic products for industrial applications were down 1% year-on-year in constant currency, again, in line with the market decline.

### Emerging markets

Market indices for the production of diesel engines in India and China for industrial applications were both down by double digit percentages. Concentric’s exposure to industrial applications in these territories remained relatively low and less than 1% of total Group sales.

### Energy system

Within Industrial sector sales are sales to the Energy system market which made up 2% of total Group sales in 2023. Throughout 2024 sales into this sector will be reported separately as a fifth key end-market for Concentric.



# 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
<p><b>Competition &amp; pricing pressure risk</b> 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.</p> <p><b>Management</b> 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.</p>	●●●	●●○
<p><b>Risk of losing a customer</b> 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.</p> <p><b>Management</b> 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.</p>	●●○	●●○
<p><b>Raw material supply risk</b> 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.</p> <p><b>Management</b> 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.</p>	●○○	●●○
<p><b>Raw material pricing risk</b> 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.</p> <p><b>Management</b> 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.</p>	●○○	●●○
<p><b>Risk of production downtime</b> 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.</p> <p><b>Management</b> 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 there could be a time delay between switching capacity between facilities. 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.</p>	●○○	●●●

○○○ Low ●○○ Medium ●●● High

Risk area	Likelihood	Impact
<p><b>Risk of failure at product launch</b></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><b>Management</b></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><b>Risk of product recall, complaints and product liability</b></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 dismantling, 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><b>Management</b></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><b>Intellectual property rights infringement risk</b></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><b>Management</b></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><b>Risk of dispute</b></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><b>Management</b></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>		

# 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 for our business.


At Concentric, we acknowledge the strategic and growing importance of sustainability and the value it creates across our entire value chain. We think about sustainability across three key areas:

- Our People – At Concentric we empower our people to deliver the best solutions to customers and to make a meaningful difference in the world. We give them opportunities to suggest improvements to their work, to help everyone work safely, and we listen to their feedback.
- Our Planet – We aim to achieve sustainable long-term financial growth in an ethical manner that contributes to the improved welfare of our planet. Together, we work towards a carbon neutral future and we are committed to continuing to invest in technology that can deliver on the rapidly evolving needs of the market, particularly in the area of electrification technology.
- Innovative Products and Partnerships - As one of the world’s leading pump manufacturers, we drive increased fuel efficiency and reduced emissions across the flow control and fluid power solutions we

offer our customers. We consciously deliver leading products that enable customers to increase their energy efficiency and reduce their environmental impact.

We strongly believe that a sustainable business leads to successful economic performance and high returns for society. The impacts of climate change, natural resource availability and societal changes continue to be just a few of the disruptive forces that we contend with and which sharpen our view on how we can step up our sustainability efforts to address these critical challenges.

In 2023 we completed a Double Materiality Assessment aligned to the Corporate Sustainability Reporting Directive (CSRD) requirements, identifying the areas most critical for our business and its stakeholders which we will address in 2024. This process included global and sector research, mapping ESG factors impacting our value chain and interviews with key stakeholders. This highlighted the focus areas for our future strategy and resources.

 **We think about sustainability across three key areas – Our People, Our Planet, and our Innovative Products and Partnerships**



We are now strengthening our approach and implementing activities to address the most material topics including supplier management, health and safety, cyber security and privacy, employee value proposition, responsible sourcing of raw materials, sustainable product design, human rights and playing a bigger part in the low carbon transition.

The Double Materiality Assessment, covering both impact materiality as well as financial materiality, highlighted to Concentric a number of opportunities where we can increase our impact across the value chain such as, supporting the climate transition towards low carbon and net zero shifting more towards the circular economy, setting clearer standards with suppliers around topics such as human rights and environmental standards, whilst maintaining our focus on health and safety.

In 2023 we created our Sustainability Committee which serves as a mechanism to engage employees, share best practices, generate ideas, implement new CSRD reporting requirements and input into strategy. It also serves as a forum to review, continuously improve and strengthen our collective capabilities and improve sustainability awareness. The committee ensures a mix of our talented and diverse employees are focused on the business's highest priority sustainability topics, helping to integrate our sustainability into our culture.

As well as supporting our customers, health and safety continues to be a top priority. We strive to offer a safe work environment for all our people and do all that we can to minimise risks. During the past year, we have regularly communicated our Health and Safety strategy with a focus on zero harm. We share best practices and lessons learned across the group as well as analysis of leading indicators on a regular and ongoing basis. Most importantly for culture change, we focus on engaging our employees in health and safety solutions. Many of our sites have implemented health and wellbeing initiatives such as employee health check days and bike to work schemes.

Sustainability is a journey. Whether focused on products or people, sustainability has played a rich part in

“ **The shifting of our customers towards more electrified products as part of their sustainability roadmap sees opportunities for Concentric to play a leading part in their journey as well as our own**

our product innovation over many years, it constitutes an integral part of our day-to-day operations and it is considered in the interactions we have with all of our stakeholders.

Our Core Values of Customer focused, Achievement through our people, and Business excellence in all that we do further underpin our approach and aspiration to achieve long-term sustainable financial and business growth.

Concentric has an exciting future ahead of us in sustainability. In the past year we have expanded our business into exciting new sectors. We have announced a number of strategic wins with our existing and evolving product portfolio. The shifting of our customers towards more electrified products as part of their sustainability roadmap sees opportunities for Concentric to play a leading part in their journey as well as our own.

We are excited for the journey ahead of us as we strengthen our approach to critical sustainability topics and integrate them into our business culture, and together with our stakeholders, to move towards a carbon-neutral future.

Martin Kunz  
President and CEO

# Stakeholders

Concentric has a wide network of stakeholders across its value chain comprising of 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)
<b>Customers</b>	Sales of engine and hydraulic products	More sustainable products	4,205
<b>Suppliers</b>	Procurement of goods and services as well as depreciation, amortisation	Long lasting partnerships	-2,634
<b>Employees</b>	Wages, social expenses and skills development	Great place to work	-976
<b>Financial Institutions</b>	Interest	Financial stability	-69
<b>Shareholders</b>	Net income	More sustainable ROI	417
<b>The State</b>	Taxes	Taxes paid	-109

A number of 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:

- Double Materiality Assessment
- Customer feedback and 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)
- Supplier days
- Employee surveys
- Investor perception studies
- 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 engine and hydraulic applications within its global end-markets.**

The following sustainability aspects are regarded as some of the most material topics for Concentric's stakeholders.

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

# Sustainability Governance

During the past year Concentric has strengthened its sustainability governance, operationalised its Sustainability Committee, commenced reporting of valuable business metrics as well as increased engagement of its employees around sustainability topics.

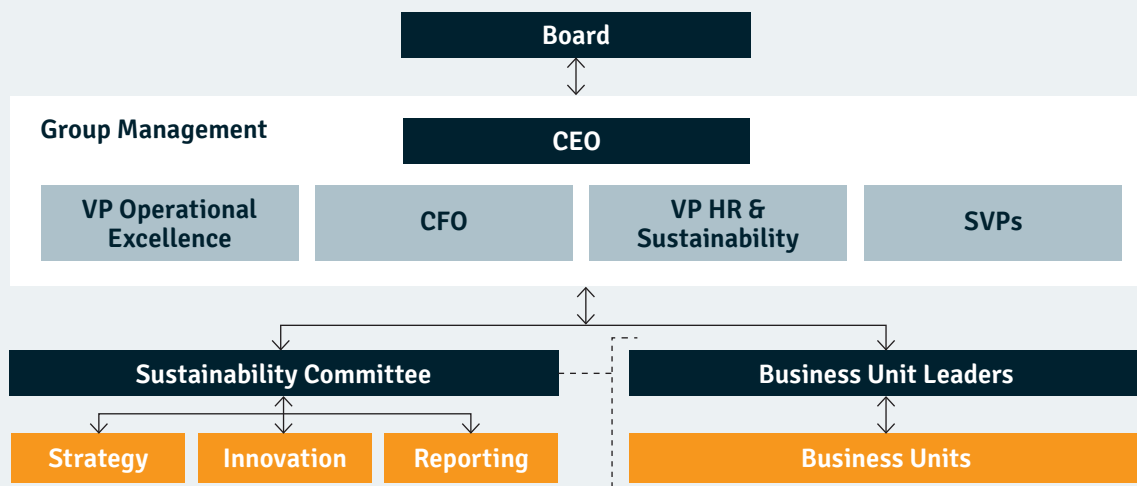
The Board of Directors has ultimate oversight of sustainability, setting policy and direction. The Board have established several principles which underpin all business activities outlined across policy documents including the Code of Conduct, Code of Conduct to Suppliers, Information Policy, Insider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

for delivery of the sustainability strategy in line with policies set by the Board. Group Management define Concentric’s approach to sustainability including its strategy and, track progress towards plans and goals. In particular, the CEO and SVPs are responsible for strategic implications of sustainability for the business. The CFO is responsible for sustainability reporting. The Vice President of Human Resources & Sustainability is responsible for delivery of the forthcoming sustainability strategy and to ensure intersectional oversight across business functions via the Sustainability Committee.

During the past year Concentric has taken several steps to strengthen its sustainability governance. The Sustainability Committee supplements the traditional chain of command to facilitate robust bottom-up and top-down collaboration and dialogues about the company’s most material ESG topics. Committee members have site responsibilities as well as responsibilities for specific areas of expertise which align to CSRD reporting guidelines. The committee focuses on the business’s highest priority sustainability areas and includes a diverse mix of employees across all parts of the business.

Over the coming year, the committee structure will help to establish reporting mechanisms and input into site-level initiatives that collectively will support the broader delivery of sustainability goals determined by Concentric’s Group Management.





# Sustainability Roadmap

Building on a solid foundation of innovative products, ISO and other internationally recognised accreditations at many sites, and an engaged and diverse global workforce, Concentric commits to continue taking action to ensure the business is set up for ESG success. Acting upon outcomes of the Double Materiality Survey conducted last year, and implementing EU regulatory changes, its focus is on defining and communicating a clear ESG strategy, informed by holistic stakeholder insights and underpinned with the right metrics, targets and a robust approach to managing risks. Investment

in technology for innovation and production of quality products is also key.

The opportunities for Concentric identified this year to strengthen its approach include increasing its impact across the value chain, namely, supporting the climate transition and contributing to the low carbon economy as a point of differentiation, shifting more towards the circular economy through product design and sourcing activities, and elevating supplier management practices further by setting clearer standards around topics such as human rights and environmental standards.



## 2023 Progress update against sustainability goals

Material aspects of sustainability	Social contribution	Long-term goal	Operational goal	Results	
				2023	2022
<b>Ethics &amp; value creation</b>	<b>General</b> Long-term financially strong and ethically correct for all our end-markets where we are present as an engine and hydraulic component supplier  <b>UN's sustainable development goals:</b> No.8: Promote sustainable economic growth	Concentric achieves long-term financial growth in an ethical manner that contributes to the improved welfare of society	Underlying Operating margin should amount to $\geq 16\%$	14.7%	16.5%
			Gearing (Net Debt/Equity) should amount to $50\% \geq 150\%$	28%	45%
			Dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle	40%	30%
			No. of ethical breaches based on Concentric's values	0	0
			No. of insider trading violations investigated by Finansinspektionen <sup>1)</sup>	0	0
			No. of acts of fraudulent behaviour identified <sup>2)</sup>	1	0
<b>Responsible suppliers</b>	<b>General</b> Ensure the application of labour law, human rights, anti-corruption and environmental responsibility in the supply chains for both on- and off-highway vehicles  <b>UN's sustainable development goals:</b> No.8: Promote sustainable economic growth	Concentric promotes social responsibility in its operations and value chain	<b>Procedure</b> Concentric evaluates and approves all material suppliers from a sustainability perspective, including environmental and human rights criteria	100%	100%
<b>Equality &amp; diversity</b>	<b>General</b> A workplace that offers diversity and equal opportunity  <b>UN's sustainable development goals:</b> No.5: Achieve equal opportunity	Concentric is an equal opportunities organisation that has an even gender distribution amongst its salaried employees and managers	Increase the number of female salaried employees and managers to 33% by 2025	26%	24%
			Increase the number of female wage earners to 22% by 2025	16%	16%
			No. of human rights claims brought against Concentric	0	0

1) Sweden's financial supervisory authority.

2) In 2023 the whistleblowing process identified a minor transgression at our Pune, India site. This was independently investigated and the impact was immaterial to the Company.

## People

Concentric strongly believes that its people can make a meaningful difference in the world. They are given opportunities to feedback their ideas and suggest improvements to their work, in both structured and informal ways.

Concentric's Core Values of Customer focused, Achievement through our people, and Business excellence in all that we do describe the way colleagues work together across all areas of the company's operations to achieve challenging goals.

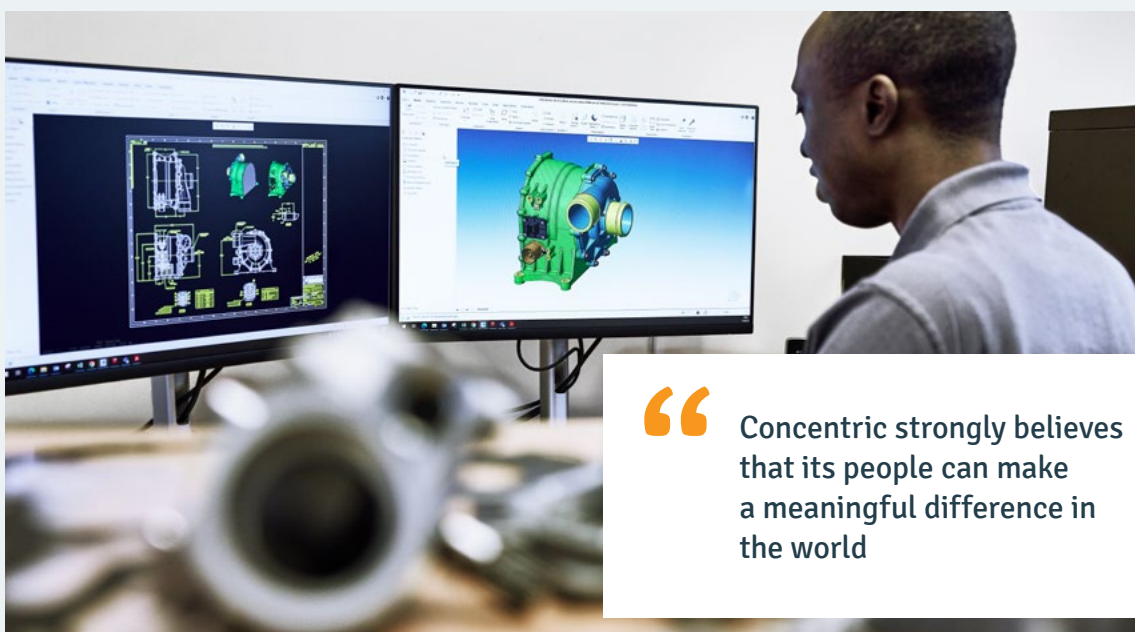
Concentric prides itself on its open culture where employees feel valued and their voices heard. Key to this is the employee survey which has a high participation rate across the Group. In response to the survey, each site communicates results back to employees and develops an action plan based on the feedback, which is reviewed regularly. Additionally, in the past year Concentric leaders have started to hold skip level meetings, listening sessions, with small groups of diverse employees across various departments, so 2-way feedback can be shared and discussed openly. These meetings have proven very valuable for our Group leadership, strengthening an open and transparent

culture. Cultivating a culture where employees feel empowered and valued is of high priority to Concentric.

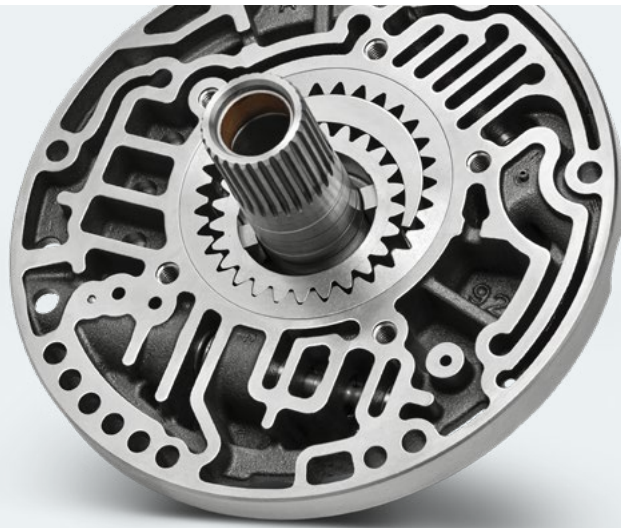
Critical to the organisation is the health and safety of its workforce, with specific sites having received International Standardisation Organisation (ISO) 45001 certification regarding management systems of occupational health and safety. Across the network Concentric provides a safe work environment. 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.

Last year for the first time, the Company incorporated an ESG metric into its incentive plans. This approach is embraced to motivate and encourage employees to consider sustainability as a core business imperative which is visible and rewarded.

Concentric endeavours to contribute to the local communities in which it operates and at a site level, community-based activities are encouraged. Some of the Company's activities are highlighted on the next page.



“ Concentric strongly believes that its people can make a meaningful difference in the world



### 2023 key highlights

- Employees within the Company’s two EMP plants based in Escanaba each year are involved in a school’s competition called First Robotics. This programme involves employees mentoring and educating children from the local community who compete in robotic games. Our Rockford based employees also support the Rockford Robotics initiative. These programmes are designed to encourage interest and mentoring in STEM activities and careers.
- Many Concentric sites in Germany, the UK and North America provide apprenticeship programmes, summer internships and work closely with local colleges and universities to provide local jobs.
- The Company’s site in Greenfield, North America supports local fundraising activities for schools, teachers and job fairs. In 2023 one of the Company’s employees helped organise the Riley Festival, a four-day poetry, arts, food and music festival.
- EMP Advanced Products in Escanaba is a member of various associations including the American Public Transportation Association and the Michigan Economic Development Corporation. In Rockford, one of our employees is involved with the National Fluid Power Association. These organisations benefit local communities as well as connect the Company with customers and other organisations on various sustainability topics.
- Employees at the Company’s site in Pune, India partnered with a local school to enhance facilities for students, namely classroom upgrades and enrichment of the library.
- Birmingham, UK employees conducted an assessment day involving group and individual activities and plant tour for 20 local students. The Company’s new apprentices were hired from this group. For another community initiative, employees at the site collected more than 15 sacks of unwanted warm clothes for the Birmingham City Mission to help homeless and struggling families.
- Many sites including Suzhou, China, Hof and Licos, Germany and Rockford, North America, have implemented improved health and wellbeing initiatives for employees, including annual health examinations and employee or family events during the year.

### Looking ahead to 2024

Concentric’s success is driven by the value it places on its people, with many long serving employees providing testament to this. In alignment with the Company’s Double Materiality Assessment as well as strengthening existing CSRD activities, Concentric commits to:

- Continuing to embrace a safer work culture by measuring and analysing leading indicators for safety as well as building on the flexible work scheme with wellbeing initiatives for employees. Each large site has a health and safety committee which is a diverse mix of managers and employees who meet regularly to discuss ideas on how to improve safety. The committee is involved in safety observations as well as communication, consultation and providing input into safety training plans.
- Improve diversity and inclusion at both Group and site level, this includes continuing to increase the number of apprenticeships and internships, collaborating with both local schools and technology colleges as well as strengthening our talent management approach across the group with improved succession planning and mentoring programmes.
- Communicating, training and coaching employees on the Company’s most material ESG topics including supplier management, health and safety, cyber security and privacy, responsible sourcing, our Code of Conduct and human rights. Concentric encourages it’s employees to play a bigger part in the low carbon transition through the introduction of local suggestion schemes.



## Planet

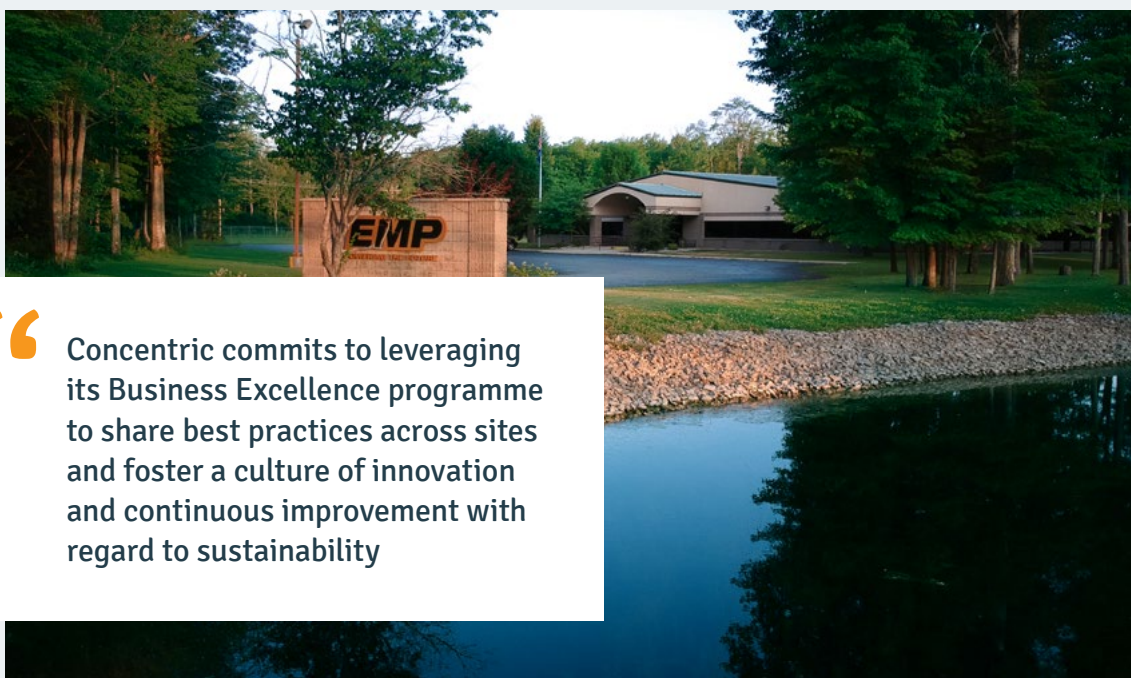
At Concentric, environmental activities are integrated in all operations and are the subject of continuous improvement through the Business Excellence programme. The programme underpins the Group's approach to sustainability across all its activities. Whilst the focus of the Company is to develop world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

The Group's products and processes are designed in such a way that energy, natural resources and raw materials are used efficiently, and that 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.

At 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, solar panels, installing LED lighting, eliminating toxic elements from product designs and manufacturing processes, coolant recycling, investment in new machines and technology, as well as initiatives to reduce the amount of packaging on products.

In addition to Concentric's own operations, environmental screening is a key component of Concentric's supplier selection and validation process. Specific environmental criteria have been in place since 2016 to ensure the business procures from ethical and sustainable suppliers. Concentric expect its suppliers to commit to reducing the environmental impact of their own operations through utilising an environmental resource management and adopting environmental management systems such as ISO 14001.

At many sites, company and employee-driven initiatives have been implemented over the past year to reduce the negative environmental impact of operations. Some activities are highlighted on the next page.



“ Concentric commits to leveraging its Business Excellence programme to share best practices across sites and foster a culture of innovation and continuous improvement with regard to sustainability

### 2023 key highlights

- In 2023, Birmingham site led a number of employee-driven initiatives with the creation of an Energy Reduction Team and a Fluid Recycling Team. The Energy Reduction Team implemented e-stop vs idling as well as replaced lighting with more energy efficient LEDs. Plant machinery was assessed so that capital expenditure can target the Company's less energy efficient equipment in the coming years. The Fluid Recycling Team focused on optimising processes to improve coolant re-use and coolant life extension in order to reduce hazardous waste at the plant.
- The Company's Advanced Products plant in Escanaba has implemented a number of initiatives including the elimination of plastic overmold for coolant pump stators, reduction in packaging materials used, lead-free solder transition on PCBAs and motor technology. Air conditioning for the building is geothermal at both plants based in Escanaba and the company moved to an electric stand-up forklift last year.
- Employees in Licos, and Hof, Germany benefit from a leasing scheme to encourage them to bike to work more and the Licos site has reduced the cycle time of some processes by up to 20% resulting in energy savings for the plant.
- Employees in Greenfield, US partner with a local college and the site is investigating working more closely together for the purpose of energy assessments and environmental impacts assessments in the coming year.
- The Company's plant in Licos achieved Silver Status for the EcoVadis Sustainability rating which is awarded to the top 25% of suppliers.
- EMP Advanced in Escanaba received a gold rating from one of its customers for supplier performance, delivery and quality.
- During 2023 Concentric added more hybrid and electric vehicles to its company fleet and provides electric vehicle charging stations for employees.

### Looking ahead to 2024

Concentric maintains a global perspective with a local presence. This enables shorter lead times, local adaptations, economies of scale, faster innovation and reduced impact on the planet.

During 2024 Concentric remains committed to reducing its environmental impact with improved initiatives which contribute towards a carbon neutral future. The Company will focus on:

- Localisation and optimisation strategies to ensure that products are sourced and created as close to the market as possible to reduce cost and environmental impact.
- Continue to make improvements across sites including leveraging technological developments and embedding further the efficient use of resources, making capital investments where they will have the most impact.
- Stronger supplier management processes and expectations, ensuring suppliers are aware of and meet enhanced sustainability requirements.
- Leveraging its Business Excellence programme to share best practices across sites and foster a culture of innovation and continuous improvement with regard to sustainability.

## Innovative Products and Partnerships

As a leader and innovator in flow control and fluid power, Concentric's products support the transition towards a sustainable, net zero future. Designing energy efficient products across its portfolio is a core part of Concentric's value add for customers.

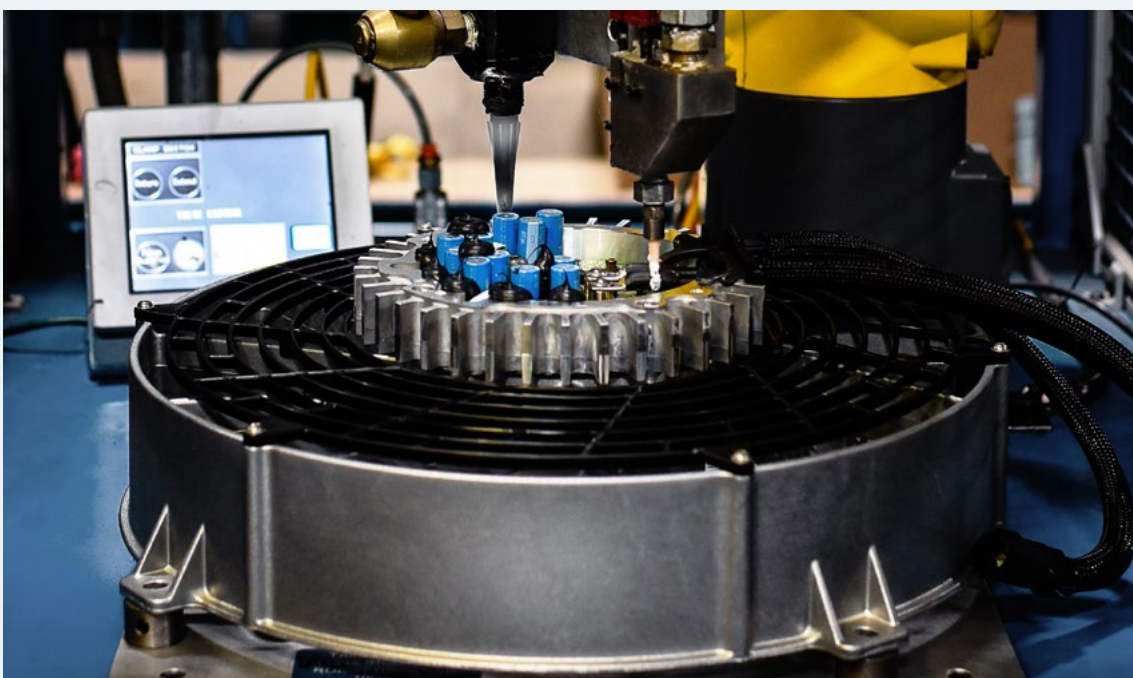
Decarbonisation of the construction industry plays a critical role globally for countries to meet their 2015 Paris Agreement commitments. In 2023 the Company saw acceleration of electrification in the construction market which was supported by a number of strategic wins. The Company's e-products support clients operating in the electro-mobility market, driving energy efficiency and reductions in air pollution. Additionally, entering new markets such as energy storage and data

centre liquid cooling demonstrates new and exciting opportunities for the Company's innovative products.

In addition to providing reliable and quality components, Concentric's products offer various environmental benefits, including energy efficiency improvements and associated reductions in GHG emissions.

Concentric's variable flow coolant 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 2023 Concentric expanded on its innovative designs. Some examples are highlighted on the next page.



### 2023 key highlights

- Concentric has recently released a high voltage version of its popular Smart Flow® FiC-15 e-fan, where it was first to market, followed by the FiC-31 high voltage e-fan. These robustly built brushless fans are currently being integrated into several fuel cell electric vehicles (FCEV) and battery electric vehicle (BEV) cooling applications. A key differentiator in the Company's technology is maintaining an air-cooled design, as opposed to others in the sector that need to be liquid-cooled. This eliminates the requirement for the additional cooling capacity needed for liquid-cooled systems.
- Concentric's Electric Fuel Transfer Pump range has been developed to meet future market needs, specifically around cleaner engines, increased fuel efficiency, and a reduced total cost of ownership. It is often used to replace both the mechanical transfer pump and the electric prime pump, and is compatible with diesel and biodiesel. The extended design lifetime and heightened reliability are achieved through a brushless motor, aided by liquid cooling of the electronics. The pump is compact in design and validated to withstand high vibration levels.
- Moving towards more modular designs has an added benefit for many of Concentric's customers as space within commercial electric vehicles will become a limited resource in coming years.
- Concentric continues to refine and improve its electro-hydraulic steering systems (EHS), which supply hydraulic pressure via a fully electronic and software-controlled electric motor, in combination with a high performance and low noise hydraulic gear pump (e-pump) unit. This does not draw power from the engine, providing energy savings and reduces parasitic losses in steering systems. The Company's EHS technology is expected to be used in further on- and off-highway vehicles in parallel to full electric steering solutions. The solution can deliver reduced energy consumption of up to 50% in certain applications.
- In 2023 Concentric announced a new business nomination with a leading Indian electric bus OEM in the growing Indian market for electric commercial vehicles. The Company's market leading electric coolant pump was selected by a leading OEM for a new battery electric bus platform. The decision of this strategic customer for the Company's seal-less e-pump was made because of its innovative design and proven durability for the global truck and bus market. The successful nomination highlights the execution of two of the Company's strategic pillars, namely its electrification growth strategy and geographic expansion plans in the fast-growing Indian market.

### Looking ahead to 2024

Concentric continues to innovatively respond to the growing sustainability needs of its customers. It has a significant opportunity to leverage its innovative culture and engaged employees to produce sustainable, responsible products and shift more towards the circular economy. Some opportunities include:

- Reduce the waste from Concentric's products, specifically the possibility to design pumps and fans to last a second full life, therefore doubling the current 50,000 hours.
- 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.
- Expand share of wallet by leveraging products across its entire portfolio, to both existing and new customers and markets. In 2023 the Company was awarded an important contract in North America for the supply of precision machined components with an existing global OEM customer that specialises in engines and power generators. The business was won based on a long-standing relationship with this strategically important customer. The products will be produced in the Company's EMP plant in Escanaba Michigan from 2024, and components will be fitted onto medium-duty trucks.
- Shift to more circular, sustainable and responsible product design through partnerships and investments into innovation and research and development.
- Capture the Company's contribution to the low carbon economy as a point of differentiation to strengthen its customer relationships and elevate its supplier expectations and standards.



# 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 that 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. Concentric has 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 environ-

mental objectives, whilst also meeting minimum social safeguards. In line with taxonomy requirements for 2023, Concentric is reporting the proportion of revenue, operating expenses and capital expenditure that are considered to be Taxonomy-eligible and Taxonomy-aligned in the information below.

## **Concentric's taxonomy-eligible economic activities**

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:

**e-coolant pumps**

Concentric’s e-coolant 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. e-coolant pumps are finding new end-markets which require thermal management.

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.

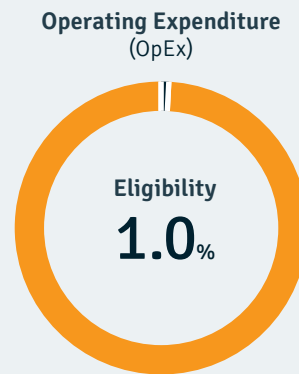
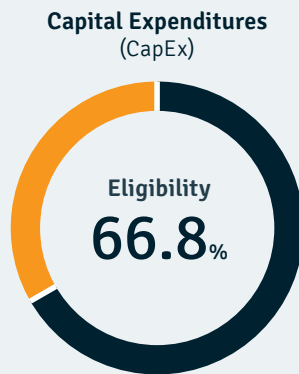
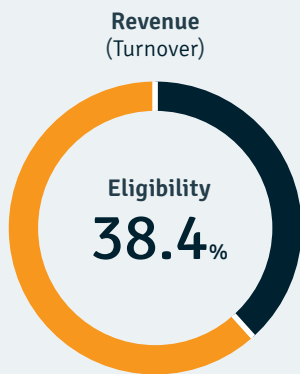
**Mini-hybrid electric cooling system**

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.

**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

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

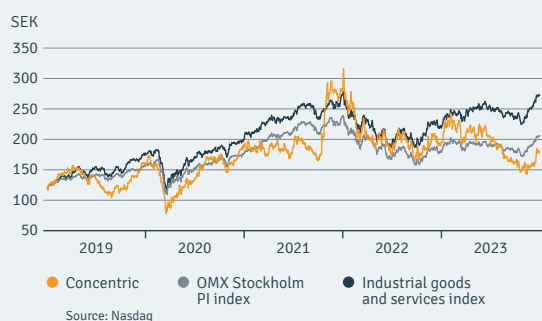


## The Concentric share

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, 2023 amounted to MSEK 6,822 represented by 37,987,012 shares at a market price of SEK 179.60.

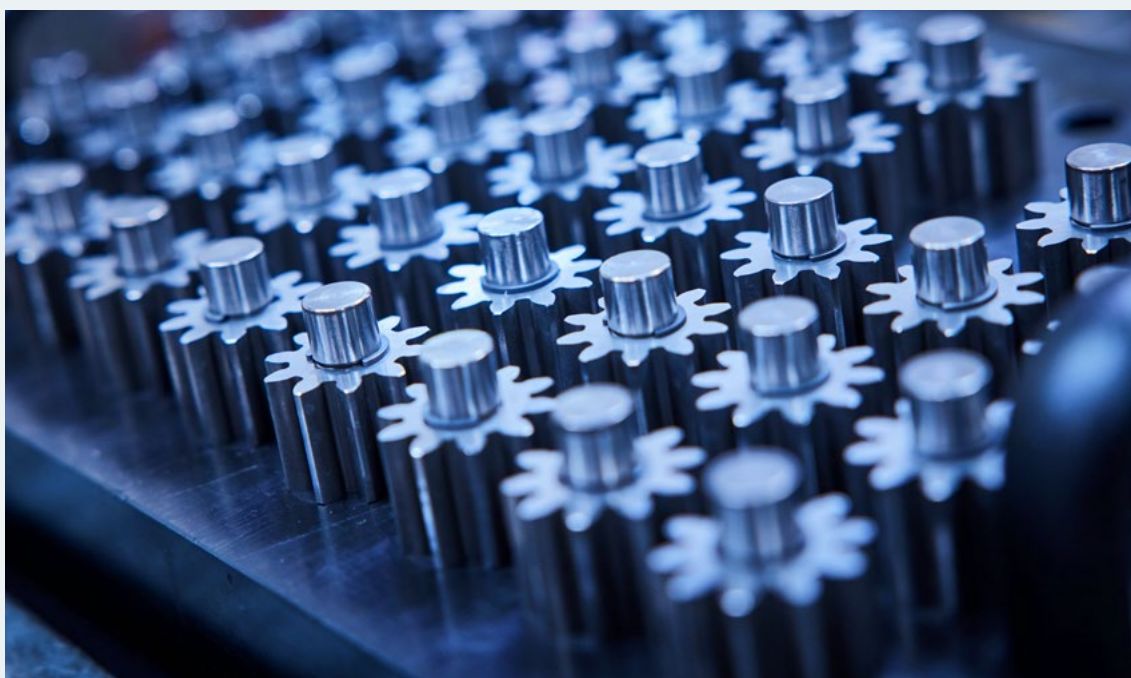
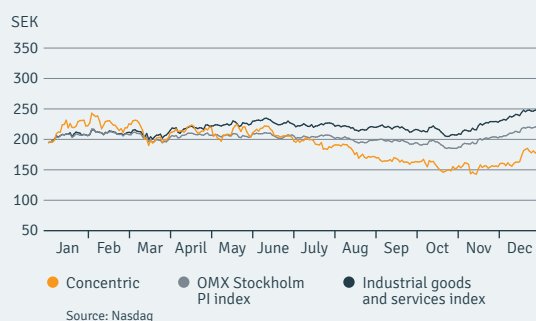
### Share development

(1 January 2019–31 December 2023)



### Share development

(1 January 2023–31 December 2023)



## Data per share

	2023	2022	2021	2020	2019
Basic earnings before items affecting comparability, SEK	11.44	13.01	9.82	5.73	8.37
Basic Earnings, SEK	11.00	13.20	8.91	5.43	8.37
Diluted Earnings, SEK	11.00	13.18	8.88	5.42	8.36
Return on equity, %	18.9	26.6	26.2	17.5	29.5
Dividend, SEK	4.25 <sup>1)</sup>	4.00	3.75	3.50	3.25
Own shares repurchased, SEK	2.60	0.00	0.00	0.00	3.60
Market price at year end, SEK	179.60	195.20	281.00	183.20	159.00
Equity, SEK	57.41	54.49	38.54	28.18	30.08
EBITDA multiple	9.47	9.64	23.6	19.4	11.0
EBIT multiple	12.50	12.32	29.4	25.4	12.6
P/E ratio	16.37	14.79	31.6	33.8	18.7
Payout ratio, %	38.8	30.3	42.1	64.5	53.8
Dividend yield, %	2.4	2.0	1.3	1.9	2.8
Dividend and buy-back yield, %	3.7	2.0	1.3	1.9	5.1
Basic weighted average number of shares (000's)	37,872	37,961	37,902	37,815	38,369
Diluted weighted average number of shares (000's)	37,893	38,030	38,020	37,860	38,403
No. of shares at 31 December (000's)	37,383	37,980	37,930	37,870	37,767

1) Proposed dividend for consideration at the 2024 AGM.

## Price trend and trading

The price paid for the Concentric share decreased 8% (31) in 2023 to SEK 179.60 (195.20) at year-end. The Industrial Goods & Services index increased 15% (decrease 17) and the OMX Stockholm PI Index increased 30% (decrease 25) during 2023. The highest closing price for the share during the year was registered at SEK 243.00 (316.00) and the lowest closing price was SEK 143.00 (164.60). Concentric's market value as of 31 December 2023 was MSEK 6,822 (7,414). In 2023, a total of 12.9 (9.9) million Concentric shares were traded, corresponding to 34% (26) of the total number of shares. For the five years ending 31 December 2023, Concentric's shares have given a total annual average return to shareholders of 14% (11). Total shareholder return for the year ended 31 December 2023 was -6% (-29).

## Ownership

At the end of 2023, Concentric had a total of 8,022 (8,191) shareholders. Foreign shareholders accounted for approximately 31% (32) of the total number of shares. Swedish institutions accounted for the main part of Swedish ownership. At year-end, 60% (59) 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 the repurchase of own shares and could use special dividends 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.

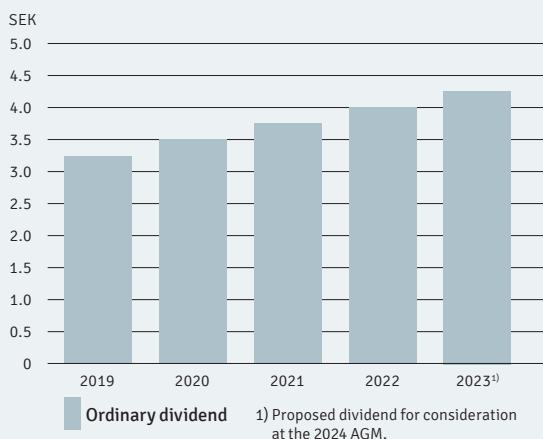
Taking into account the requirements set in non-disclosure agreements that may occasionally be demanded by customers, the Company may not always be at liberty to divulge the customer's identity and/or business in detail.

### Distribution of shares, 31 December 2023

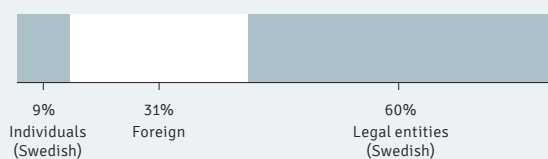
No. of shares	No. of shareholders	% of shareholders	% of total share capital
1–500	6292	78.4	2.8
501–1,000	893	11.1	2.1
1,001–5,000	639	8.0	3.9
5,001–10,000	64	0.8	1.2
10,001–15,000	26	0.3	0.6
15,001–20,000	13	0.2	0.5
> 20,001	95	1.2	88.9
<b>Total</b>	<b>8022</b>	<b>100.0</b>	<b>100.0</b>

### Dividend development

Dividend development per share for FY 2019–2023.



### Swedish and foreign shareholders



### 10 largest shareholders, 31 December 2023

Name	Votes capital, %	No. of shares
Swedbank Robur Fonder	9.1	3,481,227
Första AP-Fonden	9.0	3,441,964
Nordea Investment Funds	8.9	3,391,958
Cliens Fonder	6.4	2,444,270
Handelsbankens Fonder	5.1	1,950,488
Fjärde AP-Fonden	4.7	1,800,832
State Street Bank and Trust Co, W9	4.6	1,777,405
AMF – Försäkring och Fonder	4.6	1,773,113
The Bank of New York Mellon	3.9	1,483,193
Societe Generale	2.1	819,555
<b>Total 10 largest external shareholders</b>	<b>58.4</b>	<b>22,364,005</b>
<b>Total other external shareholders</b>	<b>39.2</b>	<b>15,019,144</b>
<b>Total, excl own holding</b>	<b>97.6</b>	<b>37,383,149</b>
Own share holding	2.4	914,451
<b>Total shares</b>	<b>100.0</b>	<b>38,297,600</b>

# Corporate governance in Concentric

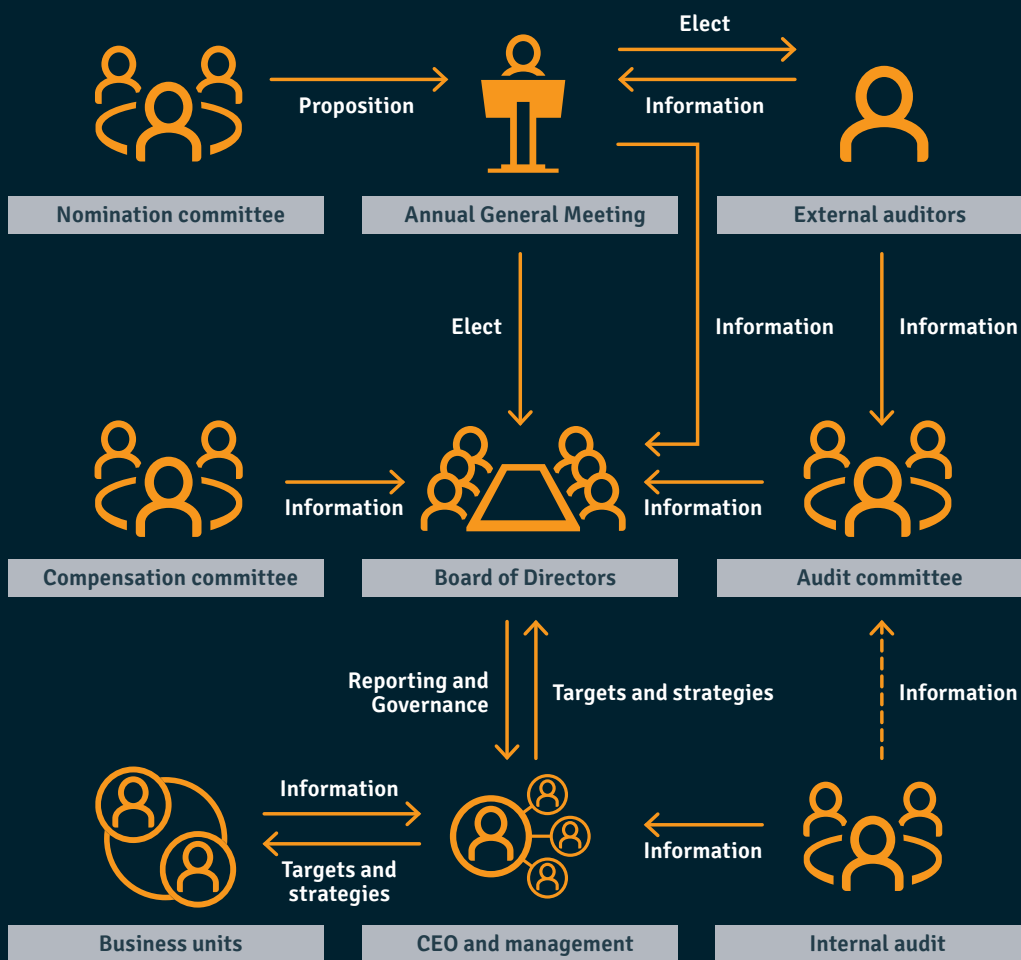
Concentric AB is a publicly traded Swedish limited liability company. Corporate governance in Concentric proceeds from the Swedish Companies Act, other applicable laws and regulations, NASDAQ OMX Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance ("the Code"). The basis for 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.

**Shareholders form the annual general meeting and appoint the nomination committee**



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

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

## Annual General Meeting

Concentric AB is a publicly traded Swedish limited liability company with its registered office in Stockholm, Sweden. With no exceptions, Concentric complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance report for 2023. 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, 2023 totals MSEK 97.3 (97.3), represented by 37,383,149 (37,979,500) outstanding shares, excluding own shares. Each share carries equal voting right and dividend rights.

The number of Concentric's shareholders at 31 December, 2023 amounted to 8,022 (8,191), with Swedbank Robur Fonder representing the largest owner with 9.1% (6.6) of the share capital. Swedish ownership totalled 69% (68) at year end 2023. Information concerning ownership is updated each month on Concentric's website, [www.concentricab.com](http://www.concentricab.com).

#### **Annual General Meeting 2023**

Concentric's Annual General Meeting was held in Stockholm on 18 April, 2023.

The shareholders present represented 68.8% of the registered shares in Concentric and 70.4% of the outstanding shares, excluding the own shares.

#### **Resolutions**

The minutes of the meeting are available on Concentric's website, [www.concentricab.com](http://www.concentricab.com). The resolutions passed include the following:

The meeting resolved that the Board would comprise seven members with no deputies. Anders Nielsen, Claes Magnus Åkesson, Karin Gunnarsson, Joachim Rosenberg, Susanna Schneeberger, Martin Sköld and Petra Sundström and were all re-elected for the period until the Annual General Meeting in 2024.

It was decided that the registered accounting firm KPMG AB shall be auditor until the end of the annual general meeting 2024.



# 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 2024

### 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 2024 Annual General Meeting. Based on the ownership structure as of 31 August, 2023, these shareholders were:

- Swedbank Robur Fonder, Nordea Fonder, Första AP-fonden, and Cliens Fonder. Combined, they represented 33.3% of the voting rights in Concentric AB per 31 December 2023.

The shareholders' representatives who will comprise members of the 2024 Nomination Committee are:

- Monica Åsmyr, Swedbank Robur Fonder (Chairman), Maria Rengefors, Nordea Fonder, Anette Dahlberg, Första AP-fonden and Carl Sundblad, Cliens Fonder.

The composition of the Nomination Committee was disclosed through a press release and a posting on Concentric's website, on 11 October, 2023. 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 2024.

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 2024 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 the Engine division and Hydraulic division, 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 2023, the Board of Directors held a total of 9 meetings. The main issues addressed were:

- Reviewing relevant policies, procedures and instructions for the Group.
- Reviewing 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.

### 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 2023. 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.

### Meetings attended 2023

Board member	Board	Audit Committee	Compensation Committee	2023/24 Board Fees (SEK)
Anders Nielsen <sup>1)</sup>	9	7	4	1,025,000
Claes Magnus Åkesson <sup>2)</sup>	9	7		550,000
Susanna Schneeberger <sup>3)</sup>	9		4	500,000
Karin Gunnarsson	9	7		450,000
Joachim Rosenberg	9			375,000
Petra Sundström	8			375,000
Martin Sköld	7			375,000

1) Chairman of the Board

2) Chairman of the Audit Committee

3) Chairman of the Compensation Committee

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 2023, 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 2023, there were 4 Compensation Committee meetings.

### Remuneration of the Board of Directors

Fees to the Board members elected by the General Meeting are resolved upon by the General Meeting after proposals from the Nomination Committee. The 2023 Annual General Meeting resolved of unchanged fees totalling SEK 3,650,000 will be paid for the period up until the end of the 2024 Annual General Meeting and be distributed among the Board members as set out in the table on page 59. 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 78–82.

### Incentive programmes 2018–2022

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 2023

The AGM resolved on a long-term incentive programme, LTI 2023, with an updated reward mechanism. LTI 2023 no longer requires the participants to become shareholders in Concentric AB.

The programme comprised of 37 senior executives and other key employees within the Concentric Group. Each participant will free of charge receive a performance share award entitling the participant to receive an allocation of a number of Concentric shares free of charge from Concentric subject to the satisfaction of the performance conditions and the participant remaining employed in the Concentric group throughout the three-year lock-up period.

For more information about the Company's LTI schemes, see Group note 8 on pages 99–100.

Amounts in kSEK	Basic salary/ Benefits in kind	Annual variable remuneration	Long term variable remuneration	Pension	Total 2023
President and CEO					
Martin Kunz	7,148	1,981	–	132	9,261
Other senior executives	18,833	5,297	346	713	25,190
<b>Total</b>	<b>25,981</b>	<b>7,278</b>	<b>346</b>	<b>845</b>	<b>34,451</b>

The number of other senior executives are 6 (8). For guidelines on remuneration see pages 78–82.

## 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 2023 there were 7 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 account-



ing 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**

Concentric's internal audit function provides the Senior Leadership Team and Audit Committee with an independent, risk based and objective assurance on the effectiveness and the efficiency of the governance, risk management and control systems of the Concentric Group. Group Internal Audit performs internal audits in selected focus areas, identified through a risk assessment process involving key stakeholders, input from past audits and from the other assurance functions including the external auditors. In addition, special assignments requested by management can be performed. The audits cover, among other things, assessments on the adequacy and effectiveness of the Concentric Group's processes for controlling its activities and managing its risks and evaluation of compliance with policies and directives. The Group Internal Audit manager reports directly to the CFO.

## 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

CEO and board member of Anders Bodin Fastigheter AB. Chairman of JM@Home. Boardmember of Nyfosa 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

Board member of Ependion 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



Ph D in Human Computer Interaction, Master in Computer Science

MD at TRATON Charging Solutions part of the TRATON Group. Former chairman of the board of IoT Sverige. Petra was previously Vice President and Head of Digital Offering at Sandvik Rock Processing and has previously worked at Husqvarna Group.

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




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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

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Scania associate professor at Stockholm School of Economics. Chairman of Vedum K k & Bad AB and Kv num K k 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.

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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




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M.Sc. International Business Administration and MBA European Affairs

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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.

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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




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

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Executive Vice President Strategic Initiatives, 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.

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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: 12,990 shares.

### Marcus Whitehouse

Chief Financial Officer  
Born 1971



Fellow of the Association of Chartered Certified Accountants

Marcus Whitehouse joined Concentric as Chief Financial Officer 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: 6,500 shares.

### Jennifer Todd-Wilson

Vice President Human Resources & Sustainability  
Born 1979



Bachelor of Commerce in Industrial Relations, 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: 11,100 shares.

### **Roger Ingemey**

Senior Vice President  
Hydraulics Division  
Born 1967



PhD in Physical Chemistry

Roger joined Concentric in February 2024 as SVP Hydraulics. Before he served as Chief Operating Officer at Optek-Danulat in Germany with a focus on continuous improvement, profitable growth and leadership development and was previously the Vice President for the business unit Power & Process at Circor. Roger holds a PhD in physical chemistry from the University of Duisburg-Essen.

Shareholding in Concentric: 0 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 2023. 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; construction, truck and bus, agricultural and industrial applications.

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

During 2023, Concentric had, on average, a total of 1,282 (1,207) 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

Concentric has a global manufacturing presence, supported by central support and development functions. The Group is organised and reported on the basis of its two technology segments, Engine and Hydraulic products.

The Engine division will include all Concentric, Licos and EMP branded engine products, including royalties and net income from our joint venture, Alfdex. The Hydraulic division will include Concentric and Allied branded hydraulic products.

## Sales and business performance

Sales for the year were MSEK 4,205 (4,056), up 4% year-on-year in absolute terms. After adjusting for the impact of currency +5%, sales in constant currency were down 1%.

This has been a challenging year for Concentric with both of our reporting divisions having been affected by a combination of a generally weaker market and ongoing customer destocking activities which started in the third quarter.

Consolidated gross income was MSEK 1,061 (1,065), resulting in a gross margin of 25% (26%). Reported Operating income and Operating margin amounted to MSEK 595 (677) and 14.2% (16.7) respectively. Reported Operating income was impacted by restructuring costs associated with the cost reduction programme of MSEK 22. The Operating margin before items affecting comparability for the year was 14.7% (16.5).

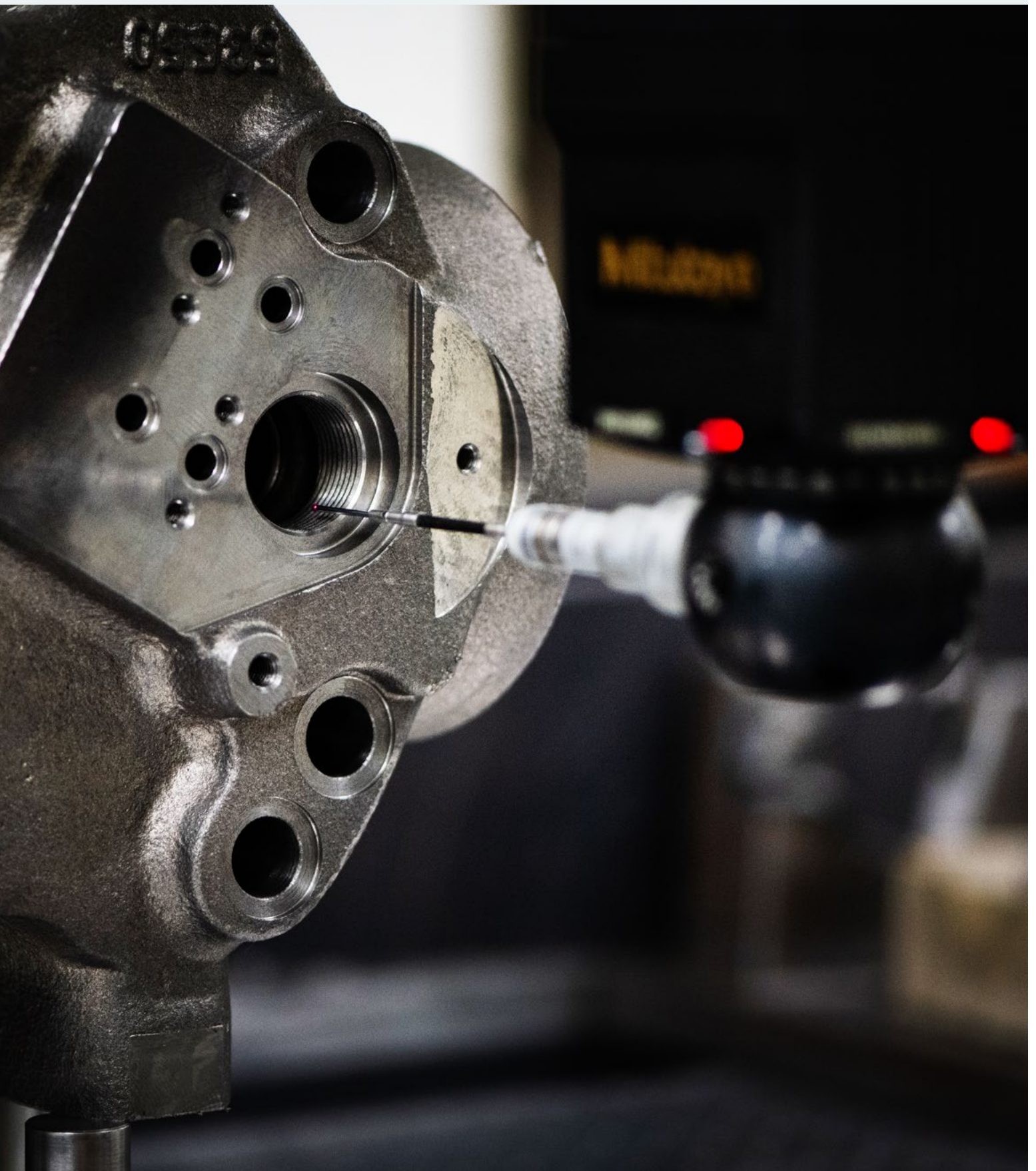
Based on the available information, we estimate that our end-markets will be weaker during 2024. In the last quarter of 2023 we took measures to align our cost base with the reduced demand from our customers, enabling the business to return to improved levels of profitability.

## Engines

External sales for the year amounted to MSEK 2,855 (2,691). Sales for the year were up 6% and after adjusting for the impact of currency +5%, sales in constant currency were up 1%.

Sales of Engine products were lower year-on-year in all end-markets other than truck & bus. In our core sales regions North America was flat year-on-year but Europe showed 4% growth.

Reported Operating income and Operating margin as a percentage of external sales amounted to MSEK 420 (427) and 14.7% (15.9) respectively.



### Hydraulics

External sales for the year amounted to MSEK 1,350 (1,365). Sales were down year-on-year by 1% and after adjusting for the impact of currency +5%, sales in constant currency were down 6%. Sales of Hydraulic products were lower year-on-year to all of our end-markets other than agriculture, with both of our core sales regions of North America and Europe showing a year-on-year decline of 2% and 13% respectively.

Reported Operating income and Operating margin as a percentage of external sales amounted to MSEK 175 (241) and 13.0% (17.7) respectively. The decrease in Operating margin is a result of the drop in sales volumes and higher capacity and labour costs relative to reported sales.

### Net financial items, taxes and net earnings

Net financial expenses for the year amounted to MSEK 69 (43), comprising of pension financial expenses of MSEK 10 (5), interest expenses for leases MSEK 4 (4), interest expense on the loan of MSEK 59 (44) and other net interest income of MSEK 4 (10). Accordingly, consolidated income before taxation amounted to MSEK 526 (634) for the year.

The Group's tax expenses for the calendar year 2023 amounted to MSEK 109 (133). The Group's effective annual tax rate was 21% (21).

Earnings after taxation amounted to MSEK 417 (501). Basic and diluted earnings per share amounted to SEK 11.00 (13.20) and SEK 11.00 (13.18) respectively.

### Cash flow

Cash flow from operating activities for the year amounted to MSEK 615 (529) which represents SEK 16.23 (13.95) per share, resulting in a strong profit to cash conversion ratio of 141% (102).

### Investments and product development

The Group's net investments in property, plant and equipment for the year amounted to MSEK 94 (62).

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 95 (91), which represents 2.2% (2.2) 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 2023 the fair value of those derivative instruments that were assets was MSEK 19 (30), 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 loss for the year was MSEK 12 (gain 75).

As a result, the Group's net debt at 31 December 2023 was MSEK 617 (925), comprising bank loans of MSEK 1,005 (1,174), loans related to leasing MSEK 99 (114) and net pension liabilities of MSEK 237 (261), net of cash amounting to MSEK 724 (624).

Shareholders' equity amounted to MSEK 2,181 (2,070), resulting in a gearing ratio of 28% (45).

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 (37), or about MSEK 415 (407).

### Acquisitions

There were no acquisitions in 2023.

### 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 2023 Sustainability Report has been prepared in accordance with GRI Standards: Core option, as a separate part and is included on pages 34–48 and 130–137 in this document.

### **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 dismantling, 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 1,139 (1,031) at year-end, corresponding to 27% (25) 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 11 (9). 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	
	2023	2022	2023	2022
EUR	11.4765	10.6317	11.0960	11.1283
GBP	13.1979	12.4669	12.7680	12.5811
USD	10.6128	10.1245	10.0416	10.4371

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	
	2023	2022	2023	2022
EUR	27	22	15	17
GBP	8	8	39	37
USD	27	44	198	209

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, 2023, 50% (54) 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 2023, the Group had outstanding derivatives with a total net nominal value of MSEK 193 (224) with a fair value of MSEK -1 (-4).

#### Translational risks

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

#### Credit risk

Credit risk arises when a party to a transaction cannot fulfil their obligations and thereby creates a loss for the other party. The risk that customers will default on payment for delivered products is minimised by conducting thorough checks of new customers and following up with payment behaviour reviews of existing customers, including robust credit stop procedures. The Group's accounts receivable amounted to MSEK 464 (521) 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 2023, no single customer accounted for more than 22% (24) 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, 2023 the Group had MSEK 640 (532) placed in banks with a long-term rating from Moody's of Aa1–Aa3, MSEK 23 (31) in banks with a Moody's rating of A1–A3 and MSEK 60 (59) in banks with a Moody's rating (or equivalent) of Baa1–Baa3. The remaining MSEK 1 (2) 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 5 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 share-

holders 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 repurchase of own shares and could use special dividends paid to shareholders 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 8,022 (8,191) shareholders at the end of the financial year. The Company's largest shareholder was Swedbank Robur Fonder 9.1% (6.6). 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 33% (27).

##### **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 2023 was 108,153 (115,965) and shares transferred to an Employee Share Ownership Trust ("ESOT") was 209,947 (251,727). Including these shares the Company's holdings was 318,100 (367,692) and the total number of shares in issue was 38,297,600 (38,297,600). The Company repurchased 603,863 (nil) of own shares during the year, for a total consideration of MSEK 100 (nil). During the second quarter the Company sold 7,512 (49,592) of own shares to exercise and satisfy the LTI programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 5,512 (41,780) own shares to Concentric was made. The total number of holdings of own shares at 31 December 2023 was 710,016 (108,153) and the total number of shares in issue was 38,297,600 (38,297,600), consequently the Company's holdings of own shares represent 1.9% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings was 914,451 (318,100), which represents 2.4% (0.8) of the total number of shares.

The number of shares outstanding at year-end, excluding any dilution from share options, was



37,383,149 (37,979,500). 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.

#### **Board authorisations**

At the last AGM in April 2023, the following board members were re-elected: Anders Nielsen, Claes Magnus Åkesson, Karin Gunnarsson, Joachim Rosenberg, Susanna Schneeberger, Martin Sköld and Petra Sundström.

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 52–63 in this document.

#### **Executive remuneration policies**

The below executive remuneration policies were adopted at the 2023 AGM and are valid until the 2027 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 2023 resolved on the following guidelines for the establishment of salaries and other compensation 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, the Company's business strategy is the following:

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

The Company creates value for its customers through:

- Developing world class technology with innovative solutions that meet the demands of customers and end-markets;
- Selling locally to the Company's global customers by capitalising on the global infrastructure and teams; and
- Embedding business excellence in all that the Company does.

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

The Company aims 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](http://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 issues and through relevant remuneration structures 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 well-functioning 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 is 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 in order to ensure that they are in line with the Company's business strategy and profit targets. 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 4 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 a maximum of 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 board of directors, under exceptional circumstances, may limit or cancel payments of variable remuneration provided that such actions are deemed reasonable (*malus*). The board of directors shall also have the possibility, under local law or contractual provisions and subject to the restrictions thereof, to in whole or in part reclaim variable remuneration paid on incorrect grounds (*clawback*).

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

#### **Special remuneration**

Further variable remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and do not exceed 36 months, and may only be made on an individual basis, either for the purpose of recruiting or retaining executives, or to induce individuals to move

to new places of service or accept new positions or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Further, the total compensation must not exceed an amount equivalent to two times the remuneration the individual would have received in the absence of an agreement on special remunerations. Any resolution on such remuneration shall be made by the Board based on a proposal from the compensation committee.

#### **Long-term incentive programme**

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

The board uses 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.

As all such long-term incentive programmes are proposed by the board and voted at a general meeting in the company, these remuneration guidelines do not apply to such long-term incentive programmes.

For more information about the Company's long-term incentive programmes, including the criteria that outcomes are based on, refer to [www.concentricinvestors.com](http://www.concentricinvestors.com). Target fulfilment is reported in the Company's annual reports and is also available at the Company's website. The board nominates participants for long-term incentive programmes and the board will evaluate whether or not long-term incentive programmes will be proposed at future general meetings.

#### **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 the boards' proposal for 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's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed annually in the Company's remuneration report.

#### **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's processing of and resolutions regarding remuneration-related



matters in so far as they are affected by such matters. Conflicts of interest are counteracted in all decisions and any potential conflicts of interest are handled in accordance with the company's framework for governance, consisting out of a code of conduct, policies and guidelines.

#### **Derogation from the guidelines**

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

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

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

#### **Remunerations previously decided but not yet due**

At the time of the annual general meeting on 18 April 2023, Concentric has no unsettled obligations of remuneration, except ongoing obligations to senior executives in accordance with the principles of remuneration described in the annual report.

#### **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 were nil (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 44 (29), generating an operating loss of MSEK 2 (profit 3).

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

During the year the Company received a dividend of MSEK 58 (48) from Alfdex AB. Exchange rate losses on foreign liabilities to subsidiaries was MSEK 30 (78) in the year, and the remaining financial items netted to MSEK -91 (-44). Income from shares in subsidiaries amounted to MSEK 744 (138), related to dividends of MSEK 783 (363) and write-downs of shares of MSEK 39 (225). Accordingly, earnings before tax was a profit of MSEK 684 (67) for the year.

#### **Accounting principles**

The Group applies IFRS Accounting Standards 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 34–48 and 130–137.

### Outlook for 2024

The environment going into 2024 remains uncertain. Based on the available information, we estimate that our end-markets will be weaker during 2024. As a result, we expect net sales during 2024 to be slightly lower than the net sales achieved in 2023. In the fourth quarter of 2023, we took measures to align our cost base with the reduced demand from our customers. This will enable us to return to improved levels of profitability. If we experience further reduction in sales during 2024, we will take additional action in a timely manner.

### 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 4.25 (4.00) per share for 2023, which equates to around 39% (30) 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	1,943,620
Net income for the year	683,209
<b>Total</b>	<b>2,626,829</b>

The board of directors and the president propose that the funds of kSEK 2,626,829 be allocated as follows:

#### Amounts in kSEK

Dividend of SEK 4.25 per share to shareholders	158,878
Carried forward	2,467,951
<b>Total</b>	<b>2,626,829</b>

The record date for determining who is entitled to receive dividends is proposed to be Monday April 22, 2024. The dividend will be distributed on Tuesday, April 25, 2024. For additional information, see Note 21, for the parent Company.



# Concentric Group

## Consolidated income statement

	Note	2023	2022
Net sales		4,205	4,056
Cost of goods sold		-3,144	-2,991
<b>Gross income</b>		<b>1,061</b>	<b>1,065</b>
Selling expenses		-115	-118
Administrative expenses		-280	-210
Product development expenses		-95	-91
Share of net income in joint venture	19	74	62
Other operating income	11	46	42
Other operating expenses	11	-96	-73
<b>Operating income</b>	4, 5, 7, 8, 9, 10, 17	<b>595</b>	<b>677</b>
Financial income	12	19	17
Financial expenses	12	-88	-60
<b>Financial items – net</b>		<b>-69</b>	<b>-43</b>
<b>Earnings before tax</b>		<b>526</b>	<b>634</b>
Taxes	13	-109	-133
<b>Net income for the year</b>		<b>417</b>	<b>501</b>
Attributable to:			
Parent Company shareholders		417	501
Non controlling interest		-	-
Basic earnings per share, SEK	14	11.00	13.20
Diluted earnings per share, SEK	14	11.00	13.18
Basic weighted average number of shares (000)	14	37,872	37,961
Diluted weighted average number of shares (000)	14, 24	37,893	38,030

## Consolidated statement of comprehensive income

	2023	2022
Net income for the year	417	501
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement gains of net pension liabilities	-12	75
Tax arising on remeasurement gains of net pension liabilities	8	-23
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange rate differences related to liabilities to foreign operations	-30	-78
Tax arising from exchange rate differences related to liabilities to foreign operations	6	16
Cash-flow hedging	-10	27
Tax arising from cash-flow hedging	2	-6
Share of OCI related to joint venture	-9	5
Foreign currency translation differences	-15	223
<b>Total other comprehensive income</b>	<b>-60</b>	<b>239</b>
<b>Total comprehensive income</b>	<b>357</b>	<b>740</b>



## Consolidated balance sheet

	Note	31 Dec 2023	31 Dec 2022
<b>Assets</b>			
<b>Fixed assets</b>			
Goodwill	15	1,422	1,455
Other intangible fixed assets	15	350	435
Right of use fixed assets	16, 17	83	99
Other tangible fixed assets	16, 17	437	450
Share of net assets in joint venture	19	149	138
Deferred tax assets	18	104	117
Long-term loans receivable from joint venture	38	–	–
Other long-term receivables	38	24	35
<b>Total fixed assets</b>		<b>2,569</b>	<b>2,729</b>
<b>Current assets</b>			
Inventories	20	455	538
Accounts receivable	21, 38	464	521
Short-term loans receivable from joint venture	29, 38	–	2
Other current receivables	22, 38	94	81
Cash and cash equivalents	23, 38	724	624
<b>Total current assets</b>		<b>1,737</b>	<b>1,766</b>
<b>Total assets</b>		<b>4,306</b>	<b>4,495</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' Equity</b>			
	24		
Share Capital		97	97
Additional Contributed Capital		583	583
Reserves		404	461
Retained Earnings		1,097	929
<b>Total Shareholders' equity</b>		<b>2,181</b>	<b>2,070</b>
<b>Long-term liabilities</b>			
Pensions and similar obligations	25, 34	237	261
Deferred tax liabilities	18	95	140
Long-term liabilities for right of use fixed assets	26, 27, 34, 38	80	97
Other long-term interest-bearing liabilities	26, 27, 34, 38	628	783
Other provisions	30	2	2
Other long-term liabilities	26, 38	–	–
<b>Total long-term liabilities</b>		<b>1,042</b>	<b>1,283</b>
<b>Current liabilities</b>			
Short-term liabilities for right of use fixed assets	26, 28, 34, 38	19	17
Other short-term interest-bearing liabilities	26, 28, 34, 38	377	391
Short-term loans payable to joint venture	29, 38	–	–
Accounts payable	26, 38	374	401
Other provisions	30	33	33
Other current liabilities	26, 31, 38	280	300
<b>Total current liabilities</b>		<b>1,083</b>	<b>1,142</b>
<b>Total Shareholders' equity and liabilities</b>		<b>4,306</b>	<b>4,495</b>

Information of pledged assets and contingent liabilities, see note 32

### Consolidated changes in shareholders' equity

	Share capital	Additional contributed capital	Reserves		Retained earnings	Total
			Hedging reserve	Translation reserve		
<b>Opening balance January 1, 2022</b>	<b>97</b>	<b>583</b>	<b>2</b>	<b>272</b>	<b>508</b>	<b>1,462</b>
Net income for the year	-	-	-	-	501	501
Other Comprehensive income	-	-	21	166	52	239
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>166</b>	<b>553</b>	<b>740</b>
Dividend	-	-	-	-	-142	-142
Buy-back own shares	-	-	-	-	-	-
Sale of own shares to satisfy LTI-options exercised	-	-	-	-	7	7
Long-term incentive plan	-	-	-	-	3	3
<b>Closing balance December 31, 2022</b>	<b>97</b>	<b>583</b>	<b>23</b>	<b>438</b>	<b>929</b>	<b>2,070</b>
<b>Opening balance January 1, 2023</b>	<b>97</b>	<b>583</b>	<b>23</b>	<b>438</b>	<b>929</b>	<b>2,070</b>
Net income for the year	-	-	-	-	417	417
Other Comprehensive income	-	-	-8	-49	-3	-60
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-8</b>	<b>-49</b>	<b>414</b>	<b>357</b>
Dividend	-	-	-	-	-152	-152
Buy-back own shares	-	-	-	-	-100	-100
Sale of own shares to satisfy LTI-options exercised	-	-	-	-	1	1
Long-term incentive plan	-	-	-	-	5	5
<b>Closing balance December 31, 2023</b>	<b>97</b>	<b>583</b>	<b>15</b>	<b>389</b>	<b>1,097</b>	<b>2,181</b>

## Consolidated cash flow statement

	Note	2023	2022
<b>Cash flow from operating activities</b>			
Earnings before tax		526	634
Reversal of depreciation, amortisation and write-down of fixed assets		191	188
Reversal of net income from joint venture		-74	-62
Other adjustments	33	31	3
Taxes paid		-146	-125
<b>Cash flow from operating activities before changes in working capital</b>		<b>528</b>	<b>638</b>
<b>Change in working capital</b>			
Inventories		70	-94
Current receivables		68	-76
Current liabilities		-51	61
<b>Change in working capital</b>		<b>87</b>	<b>-109</b>
<b>Cash flow from operating activities</b>		<b>615</b>	<b>529</b>
<b>Cash flow from investing activities</b>			
Investments in subsidiaries		-	-16
Closure of subsidiary		-8	-
Net investments in property, plant and equipment		-94	-62
New loans paid to joint venture		-	-
Loans repayment from joint venture		-	-
Other repayment of long-term receivables		-	-
<b>Cash flow from investing activities</b>		<b>-102</b>	<b>-78</b>
<b>Cash flow from financing activities</b>			
Dividend		-152	-142
Dividend received from joint venture		58	48
Buy-back of own shares		-100	-
Selling of own shares to satisfy LTI – options exercised		1	7
New loans	34	-	-
Repayment of loans	34	-162	-153
Pension payments and other cash flows from financing activities	34	-41	-83
<b>Cash flow from financing activities</b>		<b>-396</b>	<b>-323</b>
<b>Cash flow for the year</b>		<b>117</b>	<b>128</b>
Cash and bank assets, opening balance		624	440
Exchange-rate difference in cash and bank assets		-17	56
<b>Cash and bank assets, closing balance</b>		<b>724</b>	<b>624</b>

# 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 25 March, 2024. The statements will be adopted by the Annual General Meeting on 18 April 2024.

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 IFRS Accounting Standards 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 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. 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.

The excess of the consideration transferred 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. 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. 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. Management has assessed that Concentric's interest in Alfdex constitutes a joint venture under IFRS 11.

#### d) Translation of foreign currency

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

#### Transactions and balance sheet items

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

#### Subsidiaries

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



**Receivables and liabilities**

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

**e) Revenue recognition****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.

**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****Brands, licenses and patents and customer relations**

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 have a determinable useful life estimated at 10–17 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 out-

standing. 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) 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.

**k) 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 2012–2023 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.

### **l) 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.

### **m) 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.

### **n) Earnings per share**

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



**NOTE 3****Important estimations and assumptions**

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

**Goodwill**

During the year the Group's goodwill was tested for impairment. As at 31 December 2023, the total goodwill amounted to MSEK 1,422 (1,455). 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 1,348 (1,379) and the Hydraulic segment amounts to MSEK 74 (76). 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 9.7% (7.2) was used. This corresponds to WACC before tax of 10.1% (7.6). 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 2.3% (5.0).
- 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 2023 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 25 (33) and represented 0.6% (0.8) of net sales as of December 31, 2023.

**Pensions**

The pension liabilities recognised in the balance sheet are actuarial estimates based on annual assumptions and amounts to a defined benefit obligation of 1,791 (1,767), plan assets of 1,556 (1,506) and net pension liabilities of MSEK 235 (261) at year-end 2023. The principal assumptions are described in Note 25. 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 92 (88). 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 101 (96). Since the Group's UK companies account for approximately 70% (70) 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 22% (24) 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 2023. These customers contributed net sales of MSEK 1,461 (1,495), or 34.7% (36.9) 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Total net sales	2,870	2,702	1,354	1,366	-19	-12	4,205	4,056
External net sales	2,855	2,691	1,350	1,365	-	-	4,205	4,056
Operating income before items affecting comparability	438	427	179	241	-	-	617	668
Operating income	420	427	175	241	-	9	595	677
Operating margin before items affecting comparability, %	15.3	15.9	13.3	17.7	n/a	n/a	14.7	16.5
Operating margin, %	14.7	15.9	13.0	17.7	n/a	n/a	14.2	16.7
Financial income and expense	-	-	-	-	-69	-43	-69	-43
Earnings before tax	420	427	175	241	-69	-34	526	634
Assets	3,063	3,282	509	599	734	614	4,306	4,495
Liabilities	700	784	315	388	1,110	1,253	2,125	2,425
Capital employed	3,239	2,756	671	225	-391	141	3,519	3,122
Return on capital employed before items affecting comparability, %	12.4	15.6	24.3	88.4	n/a	n/a	17.3	21.8
Return on capital employed, %	12.2	12.6	23.9	30.3	n/a	n/a	16.7	22.1
Net investments in property, plant and equipment	73	55	20	7	1	-	94	62
Depreciation, amortisation and write-downs	171	169	19	18	1	1	191	188
Number of employees, average	879	825	403	382	-	-	1,282	1,207

## Disaggregation of revenue

Segment external sales reporting by geographic location of customer	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
USA	1,877	1,725	701	677	2,578	2,402
Rest of North America	66	116	11	22	77	138
South America	1	-	1	3	2	3
Germany	219	198	168	177	387	375
UK	158	165	62	57	220	222
Sweden	63	46	68	70	131	116
Rest of Europe	319	281	164	180	483	461
Asia	107	122	164	161	271	283
Other	45	38	11	18	56	56
<b>Total Group</b>	<b>2,855</b>	<b>2,691</b>	<b>1,350</b>	<b>1,365</b>	<b>4,205</b>	<b>4,056</b>

Total sales by product groups	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Concentric branded products	829	924	1,252	1,277	2,081	2,201
EMP branded products	1,761	1,530	-	-	1,761	1,530
LICOS branded products	265	237	-	-	265	237
Allied branded products	-	-	98	88	98	88
<b>Total Group</b>	<b>2,855</b>	<b>2,691</b>	<b>1,350</b>	<b>1,365</b>	<b>4,205</b>	<b>4,056</b>

Total sales by end-markets	Engines		Hydraulics		Group	
	2023	2022	2023	2022	2023	2022
Truck & Bus	1,201	950	202	234	1,403	1,184
Construction	943	925	527	507	1,470	1,432
Industrial	174	259	425	442	599	701
Agriculture	537	557	196	182	733	739
<b>Total Group</b>	<b>2,855</b>	<b>2,691</b>	<b>1,350</b>	<b>1,365</b>	<b>4,205</b>	<b>4,056</b>

## 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	2023	2022
USA	368	391
Germany	31	39
UK	83	80
South America	-	-
Asia	38	39
<b>Total Group</b>	<b>520</b>	<b>549</b>

Intangible assets by operating location	2023	2022
USA	1,317	1,420
Germany	56	56
UK	399	414
<b>Total Group</b>	<b>1,772</b>	<b>1,890</b>

**NOTE 5**

**Costs distributed by type**

	2023	2022
Direct material costs	2,093	2,052
Personnel costs	976	879
Warranty cost	-1	1
Depreciation and amortisation	191	188
Share of net income in joint venture	-74	-62
Other operating income	-53	-47
Other operating costs	478	368
<b>Total operating costs</b>	<b>3,610</b>	<b>3,379</b>

**NOTE 6**

**Average number of employees**

	2023	2022
Women	418	355
Men	864	852
<b>Total</b>	<b>1,282</b>	<b>1,207</b>

**NOTE 7**

**Salaries and other remuneration**

	2023	2022
Salaries and remuneration	839	752
Pension costs	28	20
Social security costs	82	70
External cost for temporary personnel	14	25
Other personnel costs	13	12
<b>Total personnel costs</b>	<b>976</b>	<b>879</b>

Salaries and remuneration to the Board of Directors, CEO, senior leadership team and site General Managers amounted to MSEK 59 (43). 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)	2023					2022				
	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total	Directors' fees	Annual variable remuneration	Long-term variable remuneration	Pension	Total
<b>Board of Directors</b>										
Anders Nielsen, Chairman	1,025	–	–	–	1,025	1,010	–	–	–	1,010
Karin Gunnarsson	450	–	–	–	450	443	–	–	–	443
Joachim Rosenberg	375	–	–	–	375	370	–	–	–	370
Petra Sundström	375	–	–	–	375	370	–	–	–	370
Susanna Schneeberger	500	–	–	–	500	493	–	–	–	493
Martin Sköld	375	–	–	–	375	370	–	–	–	370
Claes Magnus Åkesson	550	–	–	–	550	542	–	–	–	542
<b>Total Board of Directors</b>	<b>3,650</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,650</b>	<b>3,598</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,598</b>

Amounts in SEK (thousands)	2023					2022				
	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
<b>President and CEO</b>										
David Woolley	–	–	–	–	–	1,418	–	2,764	–	4,182
Martin Kunz	7,148	1,981	–	132	9,261	4,841	1,887	–	222	6,950
Other senior executives <sup>1)</sup>	18,833	5,297	346	713	25,190	13,075	3,798	485	281	17,639
<b>Total</b>	<b>25,981</b>	<b>7,278</b>	<b>346</b>	<b>845</b>	<b>34,451</b>	<b>19,334</b>	<b>5,685</b>	<b>3,248</b>	<b>503</b>	<b>28,771</b>

1) Other senior executives consisted of 6 (8) people, of whom 1 (1) are women.

Employee share awards	LTI 2023
President and CEO	25,060
Other senior executives	53,874
<b>Total share awards</b>	<b>78,934</b>
<b>Performance award 1</b>	<b>31,574</b>
Criteria for year 1	11.5 < 2023 EPS < 13.5
Criteria for year 2	12.5 < 2024 EPS < 14.5
Criteria for year 3	13.5 < 2025 EPS < 15.5
<b>Performance award 2</b>	<b>31,574</b>
Criteria for year 1	18% < 2023 ROCE < 21%
Criteria for year 2	18% < 2024 ROCE < 21%
Criteria for year 3	19% < 2025 ROCE < 22%
<b>Performance award 3</b>	<b>15,786</b>
Criteria for year 3	20% < 2025 Electric sales % < 23%
<b>Total performance awards</b>	<b>78,934</b>
<b>Number of senior executives</b>	<b>23</b>



Employee stock options	2023	LTI 2022	LTI 2021	LTI 2020
President and CEO	n/a	51,960	–	–
Other senior executives	n/a	51,064	15,920	7,512
<b>Total stock options</b>	<b>n/a</b>	<b>103,024</b>	<b>15,920</b>	<b>7,512</b>
Employee stock options	n/a	51,512	7,960	3,756
Performance stock option 1	n/a	25,756	3,980	1,878
Performance stock option 2	n/a	25,756	3,980	1,878
<b>Total stock options (=Number of shares)</b>	<b>n/a</b>	<b>103,024</b>	<b>15,920</b>	<b>7,512</b>
Criteria for performance stock option 1	n/a	2024 EPS ≥ SEK 10.50	2023 EPS ≥ SEK 8.00	2022 EPS ≥ SEK 9.5
Criteria for performance stock option 2	n/a	2024 EPS ≥ SEK 12.50	2023 EPS ≥ SEK 10.00	2022 EPS ≥ SEK 12
<b>Number of senior executives</b>	<b>n/a</b>	<b>14</b>	<b>5</b>	<b>2</b>
<b>Conditioned by own investment of shares</b>	<b>n/a</b>	<b>25,756</b>	<b>3,980</b>	<b>1,878</b>

Changes in number of stock options	2023	2022	2021	2020
<b>Opening balance, 1 January</b>	<b>136,136</b>	<b>131,016</b>	<b>319,876</b>	<b>331,444</b>
Granted	n/a	110,704	22,320	97,712
Options exercised	-7,512	-49,592	-100,340	-102,800
Lapsed LTI 2019	–	-49,592	-22,640	-6,480
Lapsed LTI 2020	–	-2,000	-88,200	–
Lapsed LTI 2021	-2,000	-4,400	–	–
Lapsed LTI 2022	-7,680	–	–	–
<b>Closing balance, 31 December</b>	<b>118,944</b>	<b>136,136</b>	<b>131,016</b>	<b>319,876</b>

Key parameters	LTI 2023	LTI 2022	LTI 2021	LTI 2020
Average exercise price, SEK	n/a	194.40	162.80	142.00
Average price per option, SEK	n/a	47.80	34.83	28.95
Average price per award, SEK	195.70	n/a	n/a	n/a
Risk free interest rate, %	2.66	0.05	-0.25	-0.32
Expected volatility <sup>1)</sup> , %	30	30	29	28
Assumed dividend during 3 year period, SEK	11.83	12.73	16.60	15.09
Average share price at grant date, SEK	207.50	215.60	181.00	157.80
Lock up duration of scheme, years	3	3	3	3
Personnel cost recognised in year 2023, MSEK	3.8	2.4	0.3	0.1
Annual cost of scheme, MSEK	6.4	2.4	0.3	0.1
Total cost of scheme over 3 year vesting period, MSEK	19.2	7.3	0.9	0.3

1) 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**

	2023	2022
<b>KPMG</b>		
Audit assignments	5	5
Other assignments	–	–
	<b>5</b>	<b>5</b>

**NOTE 10****Depreciation and Amortisation**

	2023	2022
Cost of goods sold	101	100
Administrative costs	14	13
Product development costs	2	2
Other operating expenses	74	73
<b>Total depreciation and amortisation</b>	<b>191</b>	<b>188</b>

**NOTE 11****Other operating income and expenses**

	2023	2022
<b>Other operating income</b>		
Revenue from tooling etc	6	8
Income from royalty from joint venture	26	22
Export incentives	–	–
Sale of Chivilcoy	–	9
Other income	14	3
	<b>46</b>	<b>42</b>
<b>Other operating expenses</b>		
Amortisation of acquisition related surplus values	74	73
Increase in restructuring reserve	22	–
Closure of subsidiary cost	–	–
Other expenses	–	–
	<b>96</b>	<b>73</b>

**NOTE 12****Financial items – Net**

	2023	2022
<b>Financial income</b>		
Interest income, external	19	8
Foreign exchange rate gains, net	–	9
<b>Total financial income</b>	<b>19</b>	<b>17</b>
<b>Financial expenses</b>		
Interest expenses, external	–59	–44
Pension financial expenses	–10	–5
Interest expenses for right of use assets, IFRS16	–4	–4
Foreign exchange rate losses, net	–8	–
Other financial items, external	–7	–7
<b>Total financial expenses</b>	<b>–88</b>	<b>–60</b>
<b>Financial items – net</b>	<b>–69</b>	<b>–43</b>

**NOTE 13****Taxes**

	2023	2022
Current tax	–132	–163
Deferred tax	24	36
Withholding tax	–1	–6
<b>Total income tax</b>	<b>–109</b>	<b>–133</b>

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:

<b>Reconciliation of effective tax rate</b>	2023	2022
Earnings before tax (MSEK)	526	634
Applicable tax rate in Sweden, %	–21	–21
Effect of different tax rates in foreign countries of operation, %	–	–2
Non-tax deductible expenses, %	–2	–
Non-taxable income, %	1	1
Tax attributable to prior years, %	3	–2
Effect of changes in tax rates, %	–2	3
<b>Reported effective tax rate, %</b>	<b>–21</b>	<b>–21</b>

**NOTE 14**

**Earnings per share**

	2023	2022
Net income for the year, kSEK	416,683	501,223
Basic weighted average number of shares	37,871,686	37,960,750
Adjustments for the option programmes	21,744	69,386
<b>Diluted weighted average no of shares</b>	<b>37,893,429</b>	<b>38,030,136</b>
Basic earnings per share, SEK	11.00	13.20
Diluted earnings per share, SEK	11.00	13.18

**NOTE 15**

**Intangible fixed assets**

	Goodwill	Other intangible assets <sup>1)</sup>	Capitalised development costs	Total
<b>Acquisition value</b>				
<b>Opening Balance at 1 January 2022</b>	<b>1,308</b>	<b>980</b>	<b>34</b>	<b>2,322</b>
Investments through business combinations	–	–	–	–
Other investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	156	104	–	260
<b>Closing Balance at 31 December 2022</b>	<b>1,464</b>	<b>1,084</b>	<b>34</b>	<b>2,582</b>
<b>Opening Balance at 1 January 2023</b>	<b>1,464</b>	<b>1,084</b>	<b>34</b>	<b>2,582</b>
Investments through business combinations	–	–	–	–
Other investments	–	–	–	–
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	-33	-20	–	-53
<b>Closing Balance at 31 December 2023</b>	<b>1,431</b>	<b>1,064</b>	<b>34</b>	<b>2,529</b>
<b>Accumulated depreciation and amortisation, including write-downs<sup>2)</sup></b>				
<b>Opening Balance at 1 January 2022</b>	<b>5</b>	<b>533</b>	<b>34</b>	<b>572</b>
Depreciation and amortisation	–	73	–	73
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	4	43	–	47
<b>Closing Balance at 31 December 2022</b>	<b>9</b>	<b>649</b>	<b>34</b>	<b>692</b>
<b>Opening Balance at 1 January 2023</b>	<b>9</b>	<b>649</b>	<b>34</b>	<b>692</b>
Depreciation and amortisation	–	74	–	74
Sales/discards/reclassifications	–	–	–	–
Effect of movements in exchange rates	–	-9	–	-9
<b>Closing Balance at 31 December 2023</b>	<b>9</b>	<b>714</b>	<b>34</b>	<b>757</b>
<b>Carrying amounts</b>				
<b>As at 31 December 2022</b>	<b>1,455</b>	<b>435</b>	<b>–</b>	<b>1,890</b>
<b>As at 31 December 2023</b>	<b>1,422</b>	<b>350</b>	<b>–</b>	<b>1,772</b>

1) The acquisition value of other intangible assets of MSEK 1,064 (1,084) relates to Customer relationships and contracts of MSEK 665 (678), Brand MSEK 187 (190), Technology MSEK 186 (190) and other intangible assets MSEK 26 (26).

2) Accumulated write-downs amounted to MSEK 34 (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
<b>Acquisition value</b>							
<b>Opening Balance at 1 January 2022</b>	<b>166</b>	<b>221</b>	<b>36</b>	<b>1,058</b>	<b>327</b>	<b>15</b>	<b>1,823</b>
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
<b>Closing Balance at 31 December 2022</b>	<b>182</b>	<b>253</b>	<b>42</b>	<b>1,192</b>	<b>370</b>	<b>26</b>	<b>2,065</b>
<b>Opening Balance at 1 January 2023</b>	<b>182</b>	<b>253</b>	<b>42</b>	<b>1,192</b>	<b>370</b>	<b>26</b>	<b>2,065</b>
Investments through business combinations	–	–	–	–	–	–	–
Other investments	10	6	–	54	11	21	102
Sales/discards/reclassifications	–1	–	–	–38	–4	–	–43
Effect of movements in exchange rates	–3	–10	–1	–22	–6	–	–42
<b>Closing Balance at 31 December 2023</b>	<b>188</b>	<b>249</b>	<b>41</b>	<b>1,186</b>	<b>371</b>	<b>47</b>	<b>2,082</b>
<b>Accumulated depreciation and amortisation</b>							
<b>Opening Balance at 1 January 2022</b>	<b>54</b>	<b>99</b>	<b>17</b>	<b>813</b>	<b>298</b>	<b>–</b>	<b>1,281</b>
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
<b>Closing Balance at 31 December 2022</b>	<b>83</b>	<b>120</b>	<b>22</b>	<b>948</b>	<b>343</b>	<b>–</b>	<b>1,516</b>
<b>Opening Balance at 1 January 2023</b>	<b>83</b>	<b>120</b>	<b>22</b>	<b>948</b>	<b>343</b>	<b>–</b>	<b>1,516</b>
Depreciation and amortisation	25	8	4	65	15	–	117
Sales/discards/reclassifications	–	–	–	–38	–4	–	–42
Effect of movements in exchange rates	–3	–4	–2	–15	–5	–	–29
<b>Closing Balance at 31 December 2023</b>	<b>105</b>	<b>124</b>	<b>24</b>	<b>960</b>	<b>349</b>	<b>–</b>	<b>1,562</b>
<b>Carrying amounts</b>							
<b>As at 31 December 2022</b>	<b>99</b>	<b>133</b>	<b>20</b>	<b>244</b>	<b>27</b>	<b>26</b>	<b>549</b>
<b>As at 31 December 2023</b>	<b>83</b>	<b>125</b>	<b>17</b>	<b>226</b>	<b>22</b>	<b>47</b>	<b>520</b>

**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 2023. The total cash-flow from leases amounted to MSEK 29 (27).

**Right of use assets – by type of assets**

	Acquisition value 31 Dec 2023	Depreciation 31 Dec 2023	Acquisition value 31 Dec 2022	Depreciation 31 Dec 2022
Land and building	167	94	162	71
Machinery	10	5	6	3
Vehicles	6	3	9	6
Other	5	3	5	3
<b>Total right of use assets</b>	<b>188</b>	<b>105</b>	<b>182</b>	<b>83</b>

**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.

	2023	2022
<b>At 1 January</b>	<b>-23</b>	<b>-33</b>
Income statement charge (note 13)	24	36
Tax charged directly to OCI	6	-13
Exchange differences	2	-13
<b>At 31 December</b>	<b>9</b>	<b>-23</b>

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

2023	Assets	Liabilities	Net
Tax loss carry-forwards	36	-	36
Tangible fixed assets	-	-46	-46
Intangible assets	-	-	-
Provisions	32	-	32
Pension and similar obligations	66	-2	64
Acquisition related surplus values	-	-84	-84
Hedging	-	-4	-4
Other	11	-	11
Netting	-41	41	-
<b>Net deferred tax receivables/tax liabilities</b>	<b>104</b>	<b>-95</b>	<b>9</b>

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	-
<b>Net deferred tax receivables/tax liabilities</b>	<b>117</b>	<b>-140</b>	<b>-23</b>

**NOTE 19**

**Shares of net assets in joint venture**

Company name	Corp. reg. no.	Reg'd office	Participations	%	2023	2022
Alfdex AB	556647-7278	Landskrona	50,000	50%	149	138

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	2023	2022
Net Sales	770	636
Cost of goods sold <sup>1)</sup>	-516	-415
<b>Gross income</b>	<b>254</b>	<b>221</b>
Operating expenses <sup>1)</sup>	-70	-69
<b>Operating income</b>	<b>184</b>	<b>152</b>
Financial items – net	4	1
<b>Earnings before tax</b>	<b>188</b>	<b>153</b>
Taxes	-40	-29
<b>Net income for the year</b>	<b>148</b>	<b>124</b>
1) Depreciation and amortisation in Income statement	-13	-15

Balance sheet	2023	2022
Fixed assets	113	95
Current assets	194	194
Cash and bank	281	222
<b>Total assets</b>	<b>588</b>	<b>511</b>
Equity	298	276
Pensions and similar obligations	17	15
Deferred tax liabilities	28	22
Current liabilities	245	198
Long term liabilities	-	-
<b>Total equity and liabilities</b>	<b>588</b>	<b>511</b>

Movement in shares of net assets in joint venture	2023	2022
<b>Share of net assets, opening balance</b>	<b>138</b>	<b>116</b>
Share of net income in joint venture	74	62
Dividend	-58	-48
Other comprehensive income	-5	8
<b>Share of net assets, closing balance</b>	<b>149</b>	<b>138</b>

#### NOTE 20 Inventories

	2023	2022
Raw materials	360	468
Semi-manufactured products	31	36
Finished products	64	34
	<b>455</b>	<b>538</b>

#### NOTE 21 Accounts receivable

	2023	2022
Accounts receivable, gross	476	542
Provision for doubtful receivables	-12	-21
<b>Accounts receivable, net</b>	<b>464</b>	<b>521</b>
Current receivable	360	432
Overdue receivable:		
1-30 days	82	71
31-60 days	12	19
> 60 days	21	20
Sum of overdue receivable	115	110
<b>Accounts receivable, gross</b>	<b>476</b>	<b>542</b>

#### Provision for doubtful receivable

Provision on January 1	21	16
Change in provision for anticipated losses, net	-9	5
<b>Provision on December 31</b>	<b>12</b>	<b>21</b>

The year's net cost for doubtful accounts receivables amounted to MSEK 3 (10).

#### NOTE 22 Other current receivables

	2023	2022
VAT	3	11
Tax receivables	58	27
Prepaid expenses and accrued income		
Rents and insurance	6	7
Accrued income	-	-
Other prepaid expenses	11	18
Derivative instruments	-	-
Other current receivables	16	18
	<b>94</b>	<b>81</b>

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 61 (38) are not included in Note 38 regarding financial assets.

**NOTE 23**

**Cash and cash equivalents**

	2023	2022
Bank accounts and cash	720	620
Deposits	4	4
<b>Cash and cash equivalents</b>	<b>724</b>	<b>624</b>

**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 2,181 (2,070), resulting in a gearing ratio of 28% (45).

Cash dividend decided by the Annual General Meeting 2023 was SEK 4.00 (3.75) per share or total of MSEK 151.9 (142.2). 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 4.25 (4.00) per share for the financial year 2023, which equates to around 39% (30) of the earnings per share.

Annual General Meeting, 2018–2023 have decided upon six long-term performance based incentive programmes, under which a number of senior executives and key employees participated in the schemes. For further details, see note 8 for the Group.

The Company repurchased 603,863 (nil) of own shares during the year, for a total consideration of MSEK 100 (nil). During the second quarter the Company sold 7,512 (49,592) of own shares to exercise and satisfy the LTI programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 5,512 (41,780) own shares to Concentric was made. The total number of holdings of own shares at 31 December 2023 was 710,016 (108,153) and the total number of shares in issue was 38,297,600 (38,297,600), consequently the Company's holdings of own shares represent 1.9% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings was 914,451 (318,100), which represents 2.4% (0.8) 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.

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 (37), or about MSEK 415 (407).



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 2023. There were no curtailment gains arising from the notice to close the plan to further service accrual.

As of 31 December 2023 the pension obligation amounted to MSEK 175 (162), corresponding to 10% (9) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 103 (105). Net defined benefit liability amounted to MSEK 72 (57).

The average duration of the defined benefit obligation at the period ending 31 December 2023 is 17 (18) years.

The best estimate of contributions to be paid by the Group to the plan for the year commencing 1 January 2024 is MSEK 7 (1).

### **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 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 2023 the pension obligation amounted to MSEK 1,248 (1,229), corresponding to 70% (70) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 1,149 (1,110). Net defined benefit liability amounted to MSEK 99 (119).

The average duration of the defined benefit obligation at the period ending 31 December 2023 is 13 (14) years.

The best estimate of regular contributions to be paid by the Group to the plans for the year commencing 1 January 2024 is MSEK 29 (29).

### **USA pension plans**

During 2023 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 2023. There have been no other amendments or settlements in the plans during the accounting period.

As of 31 December 2023 the pension obligation amounted to MSEK 328 (338), corresponding to 18% (19) of the Group's total obligations. The fair value of the plan assets amounted to MSEK 304 (291). Net defined benefit liability amounted to MSEK 24 (47).

The average duration of the defined benefit obligation at the period ending 31 December 2023 is 11 (12) years.

The best estimate of contributions to be paid by the Group to the plans for the year commencing 1 January 2024 is MSEK 20 (21).

<b>Total pension costs</b>	<b>2023</b>	<b>2022</b>
Pensions vested during the period	13	7
Interest on obligations	88	45
Calculated return on plan assets	-78	-40
Settlement	-	-
<b>Pension costs, defined benefit plans</b>	<b>23</b>	<b>12</b>
Pension costs, defined-contribution plans	14	12
<b>Total pension costs</b>	<b>37</b>	<b>24</b>

<b>DBO remeasurement losses (gain) arising from</b>	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>USA</b>	<b>Total</b>	
					<b>2023</b>	<b>2022</b>
Experience adjustment	2	7	3	-1	11	103
Demographic assumptions	-	-	-27	-	-27	5
Financial assumptions	1	9	34	7	51	-763
<b>Total DBO remeasurement losses (gains)</b>	<b>3</b>	<b>16</b>	<b>10</b>	<b>6</b>	<b>35</b>	<b>-655</b>

<b>Members, %</b>	<b>Defined Benefit Obligation</b>				<b>Total</b>	
	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>USA</b>	<b>2023</b>	<b>2022</b>
Active members	-	34	-	15	6	6
Deferred members	35	10	39	23	33	33
Pensioners	65	56	61	61	61	61

<b>Instruments</b>	<b>Fair value of plan assets</b>				<b>Total</b>	
	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>USA</b>	<b>2023</b>	<b>2022</b>
Equity instruments <sup>1)</sup>	-	-	360	32	392	523
Debt instruments <sup>1)</sup>	-	-	508	269	777	684
Property <sup>1)</sup>	-	-	-	-	-	-
Cash and cash equivalents	-	-	129	0	129	24
<b>Sum</b>	<b>-</b>	<b>-</b>	<b>996</b>	<b>302</b>	<b>1,298</b>	<b>1,231</b>
Insurance policies	-	103	153	3	258	275
<b>Total</b>	<b>-</b>	<b>103</b>	<b>1,149</b>	<b>304</b>	<b>1,556</b>	<b>1,506</b>

1) All instruments have quoted prices in active markets.

<b>Actuarial assumptions 2023, %</b>	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>USA</b>
Discount rate	3.20	3.25	4.80	4.85
Recognised salary increase	2.60	2.00	n/a	n/a
Recognised inflation	1.60	1.85	2.70	n/a
Turnover, personnel	2.00	1.60	n/a	n/a

<b>Actuarial assumptions 2022, %</b>	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>USA</b>
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



### 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 2023 Defined Benefit Obligation	Sweden		Germany		UK		USA	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-2.5	2.7	-11.3	12.7	-63.9	70.3	-13.8	14.9
Future salary growth (0.5% movement)	-	-	2.2	-2.1	n/a	n/a	n/a	n/a
Future pension growth (0.5% movement)	2.7	-2.4	9.6	-8.8	-12.6	11.8	n/a	n/a
Future mortality (+/- 1 year)	1.4	-1.4	7.4	-7.6	-38.2	37.2	8.1	-8.3

### NOTE 26

#### Maturity analysis for financial liabilities

Nominal amount	0–6 months		7–12 months		13–60 months		>60 months		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Term loan	63	65	63	65	628	783	-	-	754	913
Multicurrency revolver loan	251	261	-	-	-	-	-	-	251	261
Loans related to leased assets	10	8	9	9	52	75	28	22	99	114
Accounts payable	374	401	-	-	-	-	-	-	374	401
Other current liabilities	134	163	-	-	-	-	-	-	134	163
<b>Total financial liabilities</b>	<b>832</b>	<b>898</b>	<b>72</b>	<b>74</b>	<b>680</b>	<b>858</b>	<b>28</b>	<b>22</b>	<b>1,612</b>	<b>1,852</b>
Expected total future interest payments	45	40	41	34	82	130	5	7	172	211

### NOTE 27

#### Long-term interest-bearing liabilities

	2023	2022
Term loan	628	783
Loans related to leased assets	80	97
<b>Total</b>	<b>708</b>	<b>880</b>

The average interest rate on the Term loan was 6.71 percent and the average interest rate on the multi-currency revolving loan was 6.68 percent in 2023.

The amount of available unused credit facilities at year-end was EUR million 37 (38), or about MSEK 415 (407). See also note 15 for the Parent Company.

Total loans related to leased assets according to IFRS 16 is MSEK 99 (114) at year-end. See also Note 28 below.

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

	2023	2022
Term loan	126	130
Multicurrency revolver loan	251	261
Loans related to leased assets	19	17
	<b>396</b>	<b>408</b>

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

	2023	2022
Accounts receivable from Alfdex AB	-	2
	<b>-</b>	<b>2</b>

**NOTE 30****Other provisions**

	Provision for share based payments	Total long-term provisions	
<b>Opening balance January 1, 2023</b>	<b>2</b>	<b>2</b>	
Provisions	1	2	
Utilisation of provision	-1	-1	
Exchange rate differences	-	-	
<b>Closing balance December 31, 2023</b>	<b>2</b>	<b>3</b>	
	Warranty reserves	Restructuring reserves	Total short-term provisions
<b>Opening balance January 1, 2023</b>	<b>33</b>	<b>-</b>	<b>33</b>
Provisions	-1	22	21
Utilisation of provision	-7	-14	-21
Exchange rate differences	-	-	-
<b>Closing balance December 31, 2023</b>	<b>25</b>	<b>8</b>	<b>33</b>

**NOTE 31****Other current liabilities**

	2023	2022
Liabilities for VAT and social security costs	1	1
Tax liabilities	147	137
Derivative instruments	-	-
<b>Accrued expenses:</b>		
Personnel costs	67	105
Other accrued expenses	58	47
Other current liabilities	8	10
	<b>281</b>	<b>300</b>

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 148 (138) are not included in Note 26 and 38 related to financial liabilities.

**NOTE 32****Pledged assets and contingent liabilities**

	2023	2022
Contingent liabilities	-	1

**NOTE 33****Other adjustments**

	2023	2022
Financial pension expenses	9	5
Provision to/Release of restructuring reserve	8	-
Leases according to IFRS 16	7	4
Financial interests	-10	-5
Cost for LTI-schemes	8	-1
Acquisition costs	-	-
Closure of subsidiary	9	-
	<b>31</b>	<b>3</b>

**NOTE 34**

**Reconciliation of interest-bearing liabilities from financing activities**

	Loans	Pension <sup>1)</sup>	Total
<b>Opening balance January 1, 2023</b>	<b>1,288</b>	<b>261</b>	<b>1,549</b>
Cash flow, pension and other loans	-133	-45	-178
Cash flow, financial liabilities IFRS 16	-29	-	-29
Non-cash items, financial liabilities IFRS16	14	-	14
Other non-cash items	-36	21	-15
<b>Closing balance December 31, 2023</b>	<b>1,104</b>	<b>237</b>	<b>1,341</b>

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

**NOTE 35**

**Investments in subsidiaries**

There were no acquisitions in 2023.

**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.

Accounts receivable and payable are all short-term and therefore their carrying amounts are also considered to be reasonable approximations of their fair values. The table below shows the carrying amount of financial assets and financial liabilities per measurement category in IFRS 9. For a description of the Group’s exposures to financial risks, and its financial risk management, please see pages 70–71 in the Board of Directors’ report.

Note	Derivatives used for hedging		Financial assets measured at amortised cost		Total	
	2023	2022	2023	2022	2023	2022
<b>Financial assets at fair value</b>						
Long-term derivatives	-	32	-	-	-	32
Short-term derivatives	22	19	-	-	19	-
<b>Financial assets not at fair value</b>						
Long-term receivables	-	-	5	4	5	4
Accounts receivable	21	-	464	521	464	521
Short-term loans receivable from joint venture	29	-	-	2	-	2
Other current receivables	22	-	33	44	33	44
Cash and cash equivalents	23	-	724	624	724	624
<b>Total financial assets</b>		<b>19</b>	<b>32</b>	<b>1,227</b>	<b>1,196</b>	<b>1,246</b>

	Note	Derivatives used for hedging		Financial liabilities at amortised cost		Total	
		2023	2022	2023	2022	2023	2022
<b>Financial liabilities at fair value</b>							
Short-term derivatives	31	-	2	-	-	-	2
<b>Financial liabilities not at fair value</b>							
Long-term interest-bearing liabilities	27	-	-	708	880	708	880
Short-term interest-bearing liabilities	28	-	-	396	408	396	408
Accounts payable	26	-	-	374	401	374	401
Other current liabilities	31	-	-	134	163	134	163
<b>Total financial liabilities</b>		<b>-</b>	<b>2</b>	<b>1,611</b>	<b>1,852</b>	<b>1,611</b>	<b>1,854</b>

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

Hedge accounting is applied for the derivatives that are used to hedge foreign currency transactions. Derivative assets are reported under “Other current receivables” (note 22) and derivative liabilities are reported under “Other current liabilities” (note 31). During the reporting period an amount of MSEK 1.6 (3.6) was reclassified from the hedging reserve and included in finance net and an amount of MSEK 1.5 (5.6) was reclassified and included in Cost of goods sold.

# Parent Company

## Parent Company income statement

	Note	2023	2022
Net sales	2	44	29
Operating costs	2, 3, 4	-46	-33
Other operating income/expenses		-	7
<b>Operating income</b>		<b>-2</b>	<b>3</b>
Income from shares in subsidiaries	5	744	138
Income from shares in joint venture	5	58	48
Interest income and similar items	5	53	42
Interest expenses and similar items	5	-175	-164
<b>Financial items – net</b>		<b>681</b>	<b>64</b>
<b>Earnings before tax</b>		<b>679</b>	<b>67</b>
Taxes	6	5	17
<b>Net income for the year</b>		<b>684</b>	<b>84</b>

## Statement of comprehensive income in Parent Company

	2023	2022
Net income for the year	684	84
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>684</b>	<b>84</b>



## Parent Company balance sheet

	Note	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>			
Shares in subsidiaries	7	4,289	4,329
Shares in joint venture	8	10	10
Long-term loans receivable from subsidiaries	9	879	1,044
Long-term loans receivable from joint ventures	9	-	-
Deferred tax assets	6	34	28
<b>Total financial fixed assets</b>		<b>5,212</b>	<b>5,411</b>
Other current receivables	10	9	9
Short-term loans receivable from subsidiaries	9	132	136
Short-term loans receivable from joint ventures		-	2
Cash and cash equivalents	11	637	536
<b>Total current assets</b>		<b>778</b>	<b>683</b>
<b>Total assets</b>		<b>5,990</b>	<b>6,094</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share Capital	12	97	97
<b>Total restricted equity</b>		<b>97</b>	<b>97</b>
Retained earnings		1,943	2,110
Total comprehensive income		684	84
<b>Total unrestricted equity</b>	<b>21</b>	<b>2,627</b>	<b>2,194</b>
<b>Total Shareholders' equity</b>		<b>2,724</b>	<b>2,291</b>
Pensions and similar obligations	13	21	20
Long-term interest-bearing liabilities	14, 15	628	783
Long-term loans payable to subsidiaries	14	2,125	2,459
<b>Total long-term liabilities</b>		<b>2,774</b>	<b>3,262</b>
Accounts payable	14	6	4
Short-term interest-bearing liabilities	14, 15	377	391
Short-term loans payable to subsidiaries	14	109	142
Other current liabilities	14, 16	-	4
<b>Total current liabilities</b>		<b>492</b>	<b>541</b>
<b>Total equity and liabilities</b>		<b>5,990</b>	<b>6,094</b>

### Changes in shareholders' equity in Parent Company

	Share capital	Retained earnings	Total equity
<b>Opening balance at January 1, 2022</b>	<b>97</b>	<b>2,245</b>	<b>2,342</b>
Net income for the year	-	84	84
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>84</b>	<b>84</b>
<b>Transactions with shareholders</b>			
Dividend	-	-142	-142
Sale of own shares to satisfy LTI-options exercised	-	7	7
Buy-back own shares	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-135</b>	<b>-135</b>
<b>Closing balance at December 31, 2022</b>	<b>97</b>	<b>2,194</b>	<b>2,291</b>

	Share capital	Retained earnings	Total equity
<b>Opening balance at January 1, 2023</b>	<b>97</b>	<b>2,194</b>	<b>2,291</b>
Net income for the year	-	684	684
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>684</b>	<b>2,975</b>
<b>Transactions with shareholders</b>			
Dividend	-	-152	-152
Sale of own shares to satisfy LTI-options exercised	-	1	1
Buy-back own shares	-	-100	-100
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-251</b>	<b>-251</b>
<b>Closing balance at December 31, 2023</b>	<b>97</b>	<b>2,627</b>	<b>2,724</b>

## Parent Company cash flow statement

	Note	2023	2022
<b>Cash flow from operating activities</b>			
Earnings before tax		678	67
Reversal of non-cash items	18	69	303
<b>Cash flow from operating activities before changes in working capital</b>		<b>747</b>	<b>370</b>
<b>Change in working capital</b>			
Current receivables		4	6
Current liabilities		–	–6
<b>Change in working capital</b>		<b>4</b>	<b>–</b>
<b>Cash flow from operating activities</b>		<b>751</b>	<b>370</b>
<b>Cash flow from investing activities</b>			
Repayment of loans from subsidiaries	19	133	327
Investments in subsidiaries	19	–	–310
<b>Cash flow from investing activities</b>		<b>133</b>	<b>17</b>
<b>Cash flow from financing activities</b>			
Dividend		–152	–142
Buy-back own shares		–100	–
Sale of own shares		1	7
New loans received from subsidiaries	20	–	236
Repayment of loans	20	–133	–127
Pension payments		–1	1
Repayment of loans to subsidiaries	20	–398	–116
<b>Cash flow from financing activities</b>		<b>–783</b>	<b>–141</b>
<b>Cash flow for the period</b>		<b>101</b>	<b>246</b>
<b>Cash and bank assets, opening balance</b>		<b>536</b>	<b>290</b>
<b>Cash and bank assets, closing balance</b>		<b>637</b>	<b>536</b>

# 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, 2023 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 Tryggandlagen 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 44 (29) pertained to subsidiaries and associated companies, while purchases from subsidiaries amounted to MSEK 14 (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

	2023	2022
Audit assignments, KPMG	1	1
	<b>1</b>	<b>1</b>

## NOTE 4

### Salaries and other remuneration

Amounts in SEK (thousands)	2023	2022
Salaries and remuneration	3,650	4,028
of which Board of Directors	3,650	3,575
Pension costs	1,959	2,306
Social security costs	1,148	1,656
Other personnel cost	44	1,296
<b>Total personnel costs</b>	<b>6,801</b>	<b>9,286</b>

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 (0).

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 13,006 (8,097).

Provision according to Tryggandelagen was kSEK 1,743 (2,197). See also Note 13, Pensions.

**NOTE 5****Financial items – Net**

	2023	2022
<b>Income from shares in subsidiaries</b>		
Group contribution from subsidiaries	3	3
Dividend from Concentric Americas Inc	343	-
Dividend from Concentric US Finance 2 Ltd	-	101
Dividend from Concentric Pumps Ltd	123	155
Dividend from Concentric Innovations AB	125	104
Dividend from Concentric Germany GmbH	189	-
Write-down of shares in Concentric US Finance 2 Ltd	-39	-225
Write-down of shares in Concentric Pumps Ltd	-	-
Write-down of shares and receivables in Concentric Argentina Ltd	-	-
	<b>744</b>	<b>138</b>
<b>Income from shares in joint venture</b>		
Dividend from Alfdex AB	58	48
	<b>58</b>	<b>48</b>
<b>Interest income and similar items</b>		
Interest income, external	18	6
Interest income from subsidiaries	35	36
Foreign exchange rate gains	-	-
	<b>53</b>	<b>42</b>
<b>Interest expenses and similar items</b>		
Interest expenses, external	-59	-42
Interest expenses to subsidiaries	-83	-40
Foreign exchange rate losses	-30	-78
Pension financial expenses	-	-
Other financial items, external	-3	-4
	<b>-175</b>	<b>-164</b>
<b>Financial items – net</b>	<b>681</b>	<b>64</b>

**NOTE 7****Shares in subsidiaries**

Company name	Corp, Reg. No.	Reg'd office	Participations	%	2023	2022
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	58	97
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	-	-
					<b>4,290</b>	<b>4,329</b>

**NOTE 6****Taxes**

	2023	2022
Current tax	-	-
Deferred tax	5	17
<b>Total income tax</b>	<b>5</b>	<b>17</b>
<b>Reconciliation of effective tax rate</b>		
Earnings before tax	678	67
Applicable tax rate, %	21	21
Effect of different tax rates in foreign countries of operation, %	-	1
Non-tax deductible expenses, %	4	-
Tax attributable to previous years, %	-	10
Non-taxable dividend from subsidiaries and associated companies, %	-26	-127
Non-tax deductible write-downs in subsidiaries, %	-	69
<b>Reported effective tax rate, %</b>	<b>-1</b>	<b>-26</b>
<b>Total deferred tax assets related to tax loss carried forward</b>	<b>5</b>	<b>17</b>

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 2023 amounted to MSEK 33 (28).



### Indirect Investments in principal trading subsidiaries

Company name	Reg'd office	%	Changes in shares in subsidiaries		
			2023	2022	
EMP Inc.	US	100	Opening balance, acquisition value	6,428	6,117
Concentric Itasca, Inc.	US	100	Concentric US Finance 2 Ltd	-	311
Concentric Rockford, Inc.	US	100	<b>Closing balance, acquisition value</b>	<b>6,428</b>	<b>6,428</b>
Allied Enterprises LLC	US	100	Opening balance, write-downs	-2,099	-1,874
Concentric Birmingham Ltd.	UK	100	Concentric US Finance 2 Ltd	-39	-225
Concentric Hof GmbH	Germany	100	Closing balance, write-downs	-2,138	-2,099
LICOS Trucktec GmbH	Germany	100	<b>Closing balance, carrying amount</b>	<b>4,290</b>	<b>4,329</b>
Concentric Pumps Pune (Pvt) Ltd.	India	100			
Concentric Pumps (Suzhou) co, Ltd.	China	100			

### NOTE 8

#### Shares in joint venture

Company name	Corp, Reg. No	Reg'd office	Participations	%	2023	2022
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 2023 is MSEK 74 (62) and share of equity per year-end 2023 is MSEK 149 (138). See also Note 19 for the Group.

### NOTE 9

#### Long-term loans receivable from subsidiaries and joint ventures

	2023	2022
Total loans	1,005	1,180
of which reported as short-term loans	-126	-136
<b>Long-term loans</b>	<b>879</b>	<b>1,044</b>

The loans relate primarily to a loan amounted to MUSD 112.5 (MSEK 1,174) (in 2022). 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

	2023	2022
Prepaid insurance premiums	4	3
Prepaid interest costs	3	5
Other prepaid expenses	2	1
	<b>9</b>	<b>9</b>

### NOTE 11

#### Cash and cash equivalents

	2023	2022
Bank accounts and cash	637	536

**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
<b>Number of outstanding shares:</b>	
Number of registered shares December 31, 2021	38,297,600
Number of own shares December 31, 2021	-367,692
<b>Number of outstanding shares December 31, 2021</b>	<b>37,929,908</b>
Number of registered shares December 31, 2022	38,297,600
Number of own shares December 31, 2022	-318,100
<b>Number of outstanding shares December 31, 2022</b>	<b>37,979,500</b>
Number of registered shares December 31, 2023	38,297,600
Number of own shares December 31, 2023	-914,451
<b>Number of outstanding shares December 31, 2023</b>	<b>37,383,149</b>

	2023	2022
Number of average outstanding shares	37,871,686	37,960,750
Number of shares adjusted for ongoing option programmes	21,744	69,386
<b>Number of average outstanding shares, after dilution</b>	<b>37,893,429</b>	<b>38,030,136</b>

The cash dividend decided by the Annual General Meeting 2023 was SEK 4.00 (3.75) per share or a total of MSEK 151.9 (142.2). 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 Company repurchased 603,863 (nil) of own shares during the year, for a total consideration of MSEK 100 (nil). During the second quarter the Company sold 7,512 (49,592) of own shares to exercise and satisfy the LTI programme. No transfer to the ESOT neither in this year nor last year, but a transfer of 5,512 (41,780) own shares to Concentric was made. The total number of holdings of own shares at 31 December 2023 was 710,016 (108,153) and the total number of shares in issue was

38,297,600 (38,297,600), consequently the Company's holdings of own shares represent 1.9% (0.3) of the total number of shares. Including the own shares transferred to the ESOT, the total own holdings was 914,451 (318,100), which represents 2.4% (0.8) of the total number of shares.

**NOTE 13****Pensions and similar obligations**

	2023	2022
FPG/PRI pension plan	21	20

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

	2023	2022
<b>Opening balance, 1 January</b>	<b>20</b>	<b>18</b>
Provision according to Tryggandelagen, Personnel cost	1	2
Provision according to Tryggandelagen, Financial cost	1	1
Payment	-1	-1
<b>Closing balance, 31 December</b>	<b>21</b>	<b>20</b>

#### NOTE 14

### Maturity analysis for financial liabilities

Nominal amount	0–6 months		7–12 months		13–60 months		>60 months		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Pensions and similar obligations	–	–	–	–	–	–	21	20	21	20
Term loan	63	65	63	65	628	783	–	–	754	913
Multicurrency revolving loan	251	261	–	–	–	–	–	–	251	261
Long-term loans payable to subsidiaries	–	–	–	–	1,033	1,160	1,092	1,299	2,125	2,459
Short-term loans payable to subsidiaries	55	88	54	54	–	–	–	–	109	142
Accounts payable and other current liabilities	8	8	–	–	–	–	–	–	6	8
<b>Total financial liabilities</b>	<b>337</b>	<b>422</b>	<b>117</b>	<b>119</b>	<b>1,661</b>	<b>1,943</b>	<b>1,113</b>	<b>1,319</b>	<b>3,266</b>	<b>3,803</b>
Expected total future interest payments	56	52	50	46	93	164	–	–	199	262

#### NOTE 15

### Interest-bearing liabilities

	2023	2022
Term loan	754	913
Multicurrency revolving loan	251	261
<b>Total interest-bearing liabilities</b>	<b>1,005</b>	<b>1,174</b>
	<b>Long-term borrowings</b>	<b>Short-term borrowings</b>
Term loan	628	126
Multicurrency revolving loan	–	251
<b>Total interest-bearing liabilities</b>	<b>628</b>	<b>377</b>

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

#### NOTE 16

### Other current liabilities

	2023	2022
Accrued interest cost	–	–
Accrued audit fee	1	1
Accrued personnel cost	–	–
Other accrued expenses	3	3
	<b>4</b>	<b>4</b>

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

#### NOTE 17

### Contingent liabilities

	2023	2022
General collateral guarantee for loans in subsidiaries	–	30
Other contingent liabilities	–	1
	<b>–</b>	<b>31</b>

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

	2023	2022
Unrealised financial exchange rate differences	30	78
Write-down of shares in Concentric Pumps UK Ltd.	–	–
Write-down of shares and receivables in Chivilcoy, Argentina	–	–
Write-down of shares in Concentric US Finance 2 Ltd.	39	225
Other non-cash items	3	–
	<b>72</b>	<b>303</b>

#### NOTE 19

### Investments in subsidiaries

	2023	2022
Short-term loan to subsidiaries	–103	327
Shares in Concentric US Finance 2 Ltd.	–	–310
<b>Net investments</b>	<b>–103</b>	<b>17</b>

#### NOTE 20

### Reconciliation of liabilities from financing activities

	External Loans	Loans to subsidiaries	Total
Opening balance, January 1, 2023	1,174	2,629	3,803
Cash flow	–133	–365	–498
Other non-cash items	–36	–30	–66
<b>Closing balance, December 31, 2023</b>	<b>1,005</b>	<b>2,234</b>	<b>3,239</b>

**NOTE 21****Proposed appropriation of earnings**

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

**Amounts in kSEK**

Profit brought forward	1,943,620
Net income for the year	683,209
<b>Total</b>	<b>2,626,829</b>

The Board of Directors proposed appropriation of earnings:

**Amounts in kSEK**

Dividend of SEK 4.25 per share to the shareholders	158,878
Profit to carry forward	2,467,951
<b>Total</b>	<b>2,626,829</b>

The record date for determining who is entitled to receive dividends is proposed to be Monday 22 April, 2024. In view of the Board of Directors' proposal to the Annual General Meeting to be held April 18, 2024 to decide on the distribution of a dividend of SEK 4.25 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 45% to 42% and the Group's equity to assets ratio from 51% to 47%. 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 25 March, 2024

**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 25 March, 2024  
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 2023. The annual accounts and consolidated accounts of the company are included on pages 68–123 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, 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 Board of directors 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 3 and 15 and accounting principles on page 91 in the annual account and consolidated accounts for detailed information and description of the matter. For the parent company see disclosure 7 in the annual account and consolidated accounts.

#### Description of key audit matter

The book value of goodwill and other intangible assets amount to SEK 1,772 million as of 31 December 2023, representing 41% 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 4,290 million as of 31 December 2023. 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.

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### Pensions in the UK

See disclosure 3 and 25 and accounting principles on page 93 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 99 million, consisting of defined benefit obligation of SEK 1,248 million and plan assets of SEK 1,149 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 1–51 and 130–145. 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 Accounting Standards 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

### 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 2023 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 2023.

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 International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable 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.

**The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 52–67 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

**Auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the sustainability report on pages 34–48 and 130–137, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's 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 18 April 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2012.

Stockholm 25 March 2024

KPMG AB

Joakim Thilstedt  
Authorized Public Accountant



# Sustainability reporting – GRI

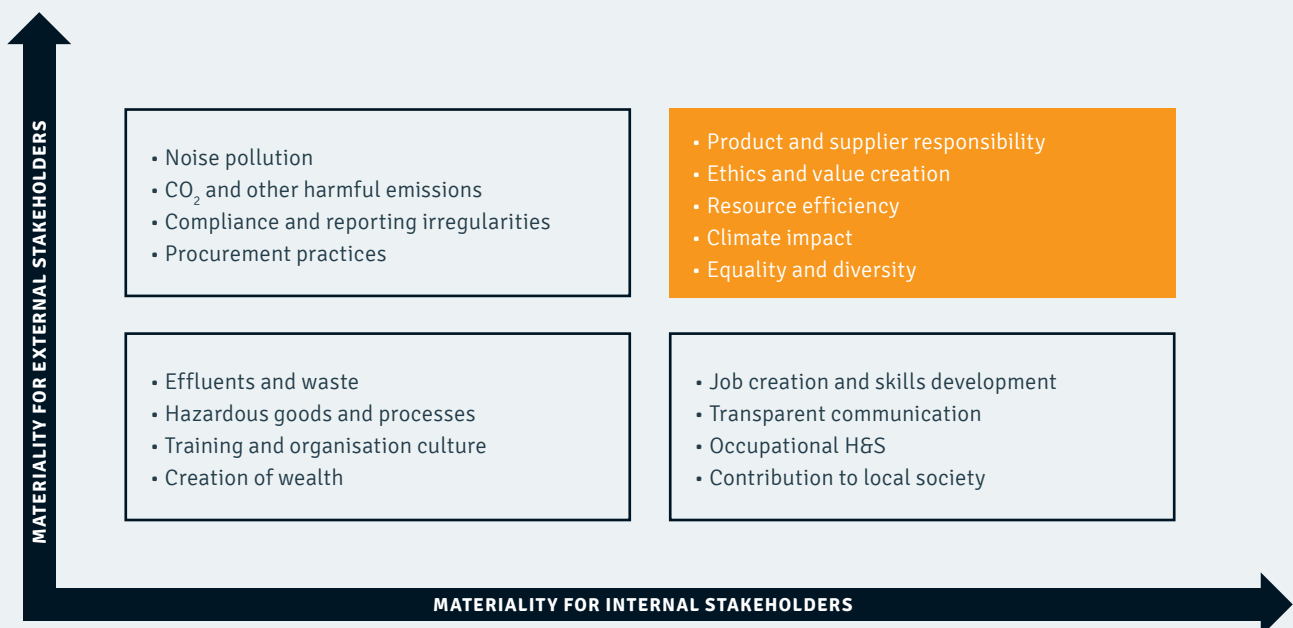
Concentric describes its work with sustainability, and reports on fulfilment of financial, environment and social goals and indicators, in the Sustainability Report on pages 34–48 of the annual report. This report has been in reference to the GRI Standards. It reports the achieved results for the accounting period given our commitments, strategies and sustainability governance. The aim is to measure, report and take responsibility for what we have achieved in our work toward sustainability with respect to both our internal and our external stakeholders.

### Scope of the report

The Sustainability Report refers to the 2023 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. The materiality assessment performed in 2023 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 2023 GRI Index page references can be found on pages 134–136 of the Annual Report 2023.

### 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.



## 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"> <li>• Reputational loss</li> <li>• Legal cost of breaches</li> <li>• Reduced shareholder value</li> </ul> <p>Concentric's long-term profitability is fundamental to value creation</p>	<ul style="list-style-type: none"> <li>• Ethical guidelines</li> <li>• Code of Conduct</li> <li>• Reporting of violations based upon Concentric's values and policies</li> <li>• Whistle-blowing policy</li> <li>• Financial targets</li> <li>• Monthly business reviews</li> <li>• Risk management process</li> </ul>	<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"> <li>• Long-term viability of organisation</li> <li>• Impact on society</li> <li>• Legal cost of breaches</li> <li>• Reduced shareholder value</li> </ul> <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"> <li>• Environmental policy</li> <li>• ISO/TS 16949 Quality Control Systems</li> <li>• Customer surveys</li> <li>• Product design tollgate process</li> <li>• FMEA</li> <li>• Durability and performance testing</li> <li>• Emissions legislation testing both for On- and Off-highway vehicles</li> <li>• ISO 14001 Environmental Management System</li> <li>• Continuous improvement and Lean manufacturing methodologies driven by Concentric Business Excellence programme</li> </ul>	<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"> <li>• Reputational loss</li> <li>• Impact on society</li> <li>• Continuity of supply</li> </ul> <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"> <li>• Social policy</li> <li>• Code of Conduct for suppliers</li> <li>• ISO/TS 16949 Quality Control Systems</li> <li>• ISO 14001 Environmental Management System</li> <li>• Supplier selection and assessment procedures</li> <li>• Supplier days/visits and on-site audits</li> </ul>	<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"> <li>• Safety of employees</li> <li>• Legal cost of breaches</li> <li>• Reduced shareholder value from lower productivity</li> </ul> <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"> <li>• Accident and injury statistics</li> <li>• Clock card records</li> <li>• Skills matrices</li> <li>• Training and development plans</li> <li>• Preventative healthcare and Employee Wellness programmes</li> <li>• 6S methodology</li> <li>• OHSAS 18001</li> <li>• Internal and external audits</li> </ul>	<p>403-9 Work related injuries</p>
Diversity and Equal Opportunity (DMA Diversity and Equal Opportunity)	<ul style="list-style-type: none"> <li>• Reputational loss (employer brand)</li> <li>• Lack of innovation</li> <li>• Unfair treatment of employees</li> </ul> <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"> <li>• Code of Conduct</li> <li>• Employee handbook</li> <li>• Recruitment procedures</li> <li>• Equality targets</li> <li>• Nomination committee</li> </ul>	<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	2023			2022		
			Engines	Hydraulics	Group	Engines	Hydraulics	Group
<b>Ethics &amp; value creation</b>								
Direct economic value generated, 201-1	Customer	Revenues generated from the sale of engine and hydraulic products	2,855	1,350	4,205	2,691	1,365	4,056
Direct economic value distributed, 201-1	Suppliers	Operating costs: procurement of goods and services, including depreciation and amortisation	-1,853	-835	-2,634	-1,717	-828	-2,500
	Employees	Wages, salaries, pensions and other benefits, including competence development	-581	-339	-976	-547	-296	-879
	Financial Institutions	Interest and similar items related to providers of capital	-	-	-69	-	-	-43
	The State	Tax expenses and other payments made to government	-	-	-109	-	-	-133
	Shareholders	Own share buy-backs and dividends	-	-	-252	-	-	-142
Direct economic value retained, 201-1	Shareholders	Earnings/(deficit) retained after own share buy-backs & dividends	-	-	417	-	-	501
Procurement practices, 204-1	Suppliers	Proportion of expenditure with local suppliers <sup>1)</sup>	33%	83%	47%	33%	77%	46%

### 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

		Key performance indicator	2023			2022		
			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			45/ 197,604 days			57/ 194,096 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			0.18%			0.04%
Absenteeism, 403-9	Employees	Total number of all absence days as a percentage of total days worked for all employees	1.2%	3.7%	4.8%	1.0%	3.4%	4.4%
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	2023			2022		
			Women	Men	Total	Women	Men	Total
<b>Diversity &amp; equal opportunity</b>								
Age and gender distribution, 2-7 and 405-1	Colleagues <sup>3)</sup>	≤ age 25	11	75	86	8	79	87
		age 26–35	36	190	226	33	201	234
		age 36–45	52	210	262	52	174	226
		age 46–55	62	202	264	54	188	242
		≥ age 56	58	223	281	54	219	273
		<b>Total number</b>	<b>219</b>	<b>900</b>	<b>1,119</b>	<b>201</b>	<b>861</b>	<b>1,062</b>
	Managers	age 26–35	–	7	7	1	17	18
		age 36–45	3	13	16	1	29	30
		age 46–55	3	23	26	3	32	35
		≥ age 56	2	9	11	4	11	15
		<b>Total number</b>	<b>8</b>	<b>52</b>	<b>60</b>	<b>9</b>	<b>89</b>	<b>98</b>
	Executives	age 36–45	1	2	3	–	2	2
		age 46–55	–	2	2	–	2	2
		≥ age 56	–	3	3	1	2	3
		<b>Total number</b>	<b>1</b>	<b>7</b>	<b>8</b>	<b>1</b>	<b>6</b>	<b>7</b>
	Board of Directors	age 46–55	2	2	4	2	2	4
		≥ age 56	1	2	3	1	2	3
		<b>Total number</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>7</b>

3) Age and gender distribution excludes any part-time/temporary workers employed through agencies.

GRI reference	Stakeholder	Key performance indicator	2023		
			Men	Women	Total
<b>2023 headcount by contract type</b>					
Total workforce by employment type, contract and gender, 2-7 <sup>1)</sup>	Temp/perm	Permanent	801	386	1,187
		Temporary	62	2	64
		<b>Total</b>	<b>863</b>	<b>388</b>	<b>1,251</b>
	Region			<b>Permanent</b>	<b>Temporary</b>
China		16	–	16	
Germany		185	3	188	
India		169	55	224	
Sweden		4	–	4	
UK		154	1	155	
USA		656	5	661	
Other		3	–	3	
<b>Total</b>		<b>1,187</b>	<b>64</b>	<b>1,251</b>	
Employment type			<b>Men</b>	<b>Women</b>	<b>Total</b>
	Full time	841	371	1,212	
	Part time	22	17	39	
	<b>Total</b>	<b>863</b>	<b>388</b>	<b>1,251</b>	

1) Calculated as actual head count at year end.

GRI reference	Stakeholder	Key performance indicator	2023		2022	
<b>Product responsibility, climate impacts and resource efficiency</b>						
Recycled input materials used, 301-2	Society	Percentage of recycled material by weight used within grey iron and aluminium		46%		46%
Energy intensity, 302-3	Society	Group consumption of gas and electricity	9.88 kWh/kSEK Sales		10.90 kWh/kSEK Sales	

Concentric use diesel in generators as a backup power solution but the actual diesel usage in the year was negligible.

# 2023 GRI Index

Concentric has reported the information cited in this GRI Content Index for the period 1st January 2022 to 31st December 2023 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
<b>Organisational profile</b>					
2-1	Name of the organisation	Board of Directors' Report	68		
2-1	Location of organisation's headquarters	Addresses	145		
2-1	Countries where the organisation operates	Summary Group Note 4 Segment Reporting	22-23 96-97		
2-1	Nature of ownership and legal form	The Concentric Share	49-51		Yes
2-6	Primary brands, products, and/or services	Engine Products Hydraulic Products	14 16		
2-6	Markets served	End-Markets	28-31		
2-6	Scale of the reporting organisation	Board of Directors' Report Consolidated Income Statement Consolidated Balance Sheet	68-85 86 87		Yes
2-6	Organisation's supply chain	Supply Chain	45-46		
2-6	Significant changes during the reporting period regarding size, structure, ownership or supply chain	Board of Directors' Report Group Note 35 Investments in subsidiaries	68-85 112		Yes
2-7	Total workforce by employment type, employment contract and gender	Concentric employees by country (FTEs) Group Note 6 Average number of employees Facts and key performance indicators for sustainability	133 98 130-133		
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	34-46		



GRI code	Description/indicator	Reference	Page	Comments/omission	External assurance
<b>Strategy and analysis</b>					
2-22	Statement from the CEO	CEO Letter	6-9		
<b>Ethics &amp; integrity</b>					
2-23	Policy commitments	Values Social issues	2 41-42		
<b>Governance</b>					
2-9	Corporate Governance	Integrated governance processes Corporate Governance in Concentric	36 52-57		Yes
<b>Stakeholder engagement</b>					
2-29	Identifying and selecting stakeholders	Stakeholder engagement	36-37		
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	36-37		
<b>Identified material aspects and boundaries</b>					
2-2	Operational structure, units, business areas, subsidiaries and joint ventures	Parent Note 7 Shares in subsidiaries Foundation of corporate governance	119-120 53		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.	
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
<b>Report profile</b>					
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	2023 GRI index			
<b>Economic performance indicators</b>					
201-1	Direct economic value generated and distributed	Consolidated Income Statement Consolidated Balance Sheet	86 87	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	107-110		Yes
204-1	Procurement practices	Facts and key performance indicators for sustainability	132		
<b>Society</b>					
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			
<b>Environmental performance indicators</b>					
301-2	Recycled input materials used	Facts and key performance indicators for sustainability	133		
302-1	Energy consumption within organisation	Facts and key performance indicators for sustainability	133		
308-1	Percentage of new suppliers that were screened using environmental criteria	Facts and key performance indicators for sustainability	132		
<b>Employment conditions and work conditions</b>					
403-9	Rates of injuries, lost days, absenteeism, and number of work related fatalities	Facts and key performance indicators for sustainability	132	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	133		
<b>Supplier human rights</b>					
414-1	Percentage of new suppliers that were screened using human rights criteria	Facts and key performance indicators for sustainability	132		
<b>Product responsibility</b>					
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	41
2. Make sure that the Company is not complicit in human rights abuses	Human rights	41
<b>Labour law</b>		
3. Uphold freedom of association and the effective recognition of the right to collective bargaining	Freedom of contract and association	41
4. Elimination of all forms of forced and compulsory labour	Forced labour	41
5. Effective abolition of child labour	Child labour	41
6. Elimination of discrimination in respect of employment and occupation	Equal opportunities	42
<b>Environment</b>		
7. Support a precautionary approach to environmental challenges	Sustainability Report	34-46
8. Undertake initiatives to promote greater environmental responsibility	Sustainability Report	34-46
9. Encourage the development and diffusion of environmentally friendly technologies	Sustainability Report	34-46
<b>Anti-corruption</b>		
10. Work against corruption in all its forms, including extortion and bribery	Anti-corruption	42

# APM reconciliation

<b>Underlying EBIT or operating income</b>	<b>2023</b>	<b>2022</b>
<b>EBIT or operating income</b>	<b>595</b>	<b>677</b>
<b>Items affecting comparability:</b>		
Profit from sale of subsidiary	-	-9
Restructuring cost	22	-
<b>Underlying operating income</b>	<b>617</b>	<b>668</b>
Net Sales	4,205	4,056
<b>Operating margin (%)</b>	<b>14.2</b>	<b>16.7</b>
<b>Underlying operating margin (%)</b>	<b>14.7</b>	<b>16.5</b>

<b>Underlying EBITDA or Operating income before amortisation and depreciation</b>	<b>2023</b>	<b>2022</b>
<b>EBIT or Operating income</b>	<b>595</b>	<b>677</b>
Operating amortisation/depreciation	117	115
Amortisation of purchase price allocation	74	73
<b>EBITDA or Operating income before amortisation and depreciation</b>	<b>786</b>	<b>865</b>
Profit from sale of subsidiary	-	-9
Restructuring cost	22	-
<b>Underlying EBITDA or Underlying Operating income before amortisation and depreciation</b>	<b>808</b>	<b>856</b>
Net Sales	4,205	4,056
EBITDA margin (%)	18.7	21.3
<b>Underlying EBITDA margin (%)</b>	<b>19.2</b>	<b>21.1</b>

<b>Net income before items affecting comparability</b>	<b>2023</b>	<b>2022</b>
<b>Net income</b>	<b>417</b>	<b>501</b>
Items affecting comparability after tax	17	-7
<b>Net income before items affecting comparability</b>	<b>434</b>	<b>494</b>
Basic weighted average number of shares (000)	37,872	37,961
<b>Basic earnings per share</b>	<b>11.00</b>	<b>13.20</b>
<b>Basic earnings per share before items affecting comparability</b>	<b>11.44</b>	<b>13.01</b>

<b>Net debt</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Pensions and similar obligations	237	261
Liabilities for right of use fixed assets	99	114
Long-term interest-bearing liabilities	628	783
Short-term interest-bearing liabilities	377	391
<b>Total interest-bearing liabilities</b>	<b>1,341</b>	<b>1,549</b>
Cash and cash equivalents	-724	-624
<b>Total Net Debt</b>	<b>617</b>	<b>925</b>
<b>Net Debt, excluding pension obligations</b>	<b>380</b>	<b>664</b>

<b>Capital employed</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
<b>Total Assets</b>	<b>4,306</b>	<b>4,495</b>
Interest bearing financial assets	-4	-4
<b>Non-interest bearing assets (excl taxes)</b>	<b>4,302</b>	<b>4,491</b>
Non-interest bearing liabilities (incl taxes)	-783	-874
<b>Non-interest bearing liabilities (excl taxes)</b>	<b>-783</b>	<b>-874</b>
<b>Total Capital Employed</b>	<b>3,519</b>	<b>3,618</b>

<b>Working capital</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Accounts receivable	464	524
Other current receivables	92	79
Inventory	455	538
<b>Working capital assets</b>	<b>1,011</b>	<b>1,141</b>
Accounts payable	-374	-401
Other current payables	-313	-333
<b>Working capital liabilities</b>	<b>-687</b>	<b>-734</b>
<b>Total Working Capital</b>	<b>324</b>	<b>407</b>

<b>Cash Conversion</b>	<b>2023</b>	<b>2022</b>
<b>Cash flow from operating activities</b>	<b>615</b>	<b>529</b>
Payments for financial transactions	59	35
Tax payments	146	125
Net investments in property, plant and equipment	-94	-62
Adjustment for royalty from joint-venture (Alfdex)	-26	-22
<b>Operating Cash</b>	<b>700</b>	<b>605</b>
Operating income	595	677
Adjustment for royalty from joint-venture (Alfdex)	-26	-22
Adjustments for share in profit in joint-venture (Alfdex)	-74	-62
<b>Adjusted Operating income</b>	<b>495</b>	<b>593</b>
<b>Cash conversion (%)</b>	<b>141</b>	<b>102</b>



# 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 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 turnover year N %	
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>		<b>1,613,441</b>	<b>38.4</b>															
A.1. Taxonomy-aligned		-	-															
<b>A.1. Taxonomy-eligible but not aligned</b>		<b>1,613,441</b>	<b>38.4</b>															
Manufacture of other low carbon technologies	C27.11 C28.12 C28.13 C28.15	1,613,441	38.4	-	-	-	-	-	N	N	N	N	N	N	N	-	-	E
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITIES</b>		<b>2,591,498</b>	<b>61.6</b>															
Manufacture of engines and turbines	C28.11	623,936	14.8															
Manufacture of fluid power equipment	C28.12	244,600	5.8															
Manufacture of pumps and compressors	C28.13	1,412,551	33.6															
Manufacture of electronic equipment for vehicles	C29.31	10,890	0.3															
Manufacture of parts and accessories for vehicles	C29.32	250,325	6.0															
Revenues with no NACE code	N. A	1,174	0.0															
Unallocated revenues	N. A	48,022	1.1															
<b>TOTAL (A + B)</b>		<b>4,204,939</b>	<b>100</b>															

# CapEx KPI Disclosure Table

Economic activities (1)	NACE Code(s)	Absolute CapEx SEK	Proportion of CapEx %	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 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 %		
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>		<b>68,227,566</b>	<b>66.8</b>																	
A.1. Taxonomy-aligned		-	-																	
A.1. Taxonomy-eligible but not aligned		68,227,566	66.8																	
Installation, maintenance and repair of energy efficiency equipment		60,436,413	59.2	100	-	-	-	-	-	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		7,791,153	7.6	100	-	-	-	-	-	N	N	N	N	N	N	N	N	-	-	E
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITIES</b>		<b>33,921,433</b>	<b>33.2</b>																	
Non-eligible capex		20,647,772	20.2																	
Unallocated capex		13,273,661	13.0																	
<b>TOTAL (A + B)</b>		<b>102,149,000</b>	<b>100</b>																	

# OpEx KPI Disclosure Table

Economic activities (1)	NACE Code(s)	Absolute OpEx kSEK	Proportion of OpEx %	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 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 %		
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>		<b>37,231</b>	<b>1.0</b>																	
A.1. Taxonomy-aligned		-	-																	
A.1. Taxonomy-eligible but not aligned		37,231	1.0																	
Installation, maintenance and repair of energy efficiency equipment		36,629	1.0	100	-	N	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		601	0.0	100	-	N	N	N	N	N	N	N	N	N	N	N	N	-	-	E
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITIES</b>		<b>3,572,617</b>	<b>99.0</b>																	
Non-eligible opex		2,202	0.1																	
Unallocated opex		3,570,416	98.9																	
<b>TOTAL (A + B)</b>		<b>3,609,848</b>	<b>100</b>																	

# 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 non-interest bearing 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](http://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](http://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 2024

Annual General Meeting 2024	18 April, 2024
Interim report January – March 2024	8 May, 2024
Interim report January – June 2024	31 July, 2024
Interim report January – September 2024	6 November, 2024

## 2023 Annual General Meeting

The Annual General Meeting will be held in St Clara at 13.00 CET on Thursday, 18 April, 2024 at Klara Strand, Klarabergsviadukten 90, Stockholm.

## Right to attend and notification to the company

Shareholders wishing to attend the general meeting must:

- (i) be recorded as shareholders in the share register maintained by Euroclear Sweden AB, as of Wednesday 10 April 2024; and
- (ii) notify the company of their intention to participate in the general meeting no later than on Friday 12 April 2024.

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](http://www.concentricab.com) or by e-mail to [GeneralMeetingService@euroclear.com](mailto: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 Friday 12 April 2024 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](http://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 Friday 12 April 2024. 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 Friday 12 April 2024.

The completed form, including any appendices, must be sent by e-mail to [GeneralMeetingService@euroclear.com](mailto: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](http://www.concentricab.com). The form of proxy may also be obtained from the company or by contacting Euroclear Sweden AB at contact information above. If the proxy is issued by a legal person, a copy of their registration certificate or equivalent authority document must be attached. The proxy must have been issued within the past year unless a longer period of validity is specified on the form of proxy, subject to a maximum of five years. To facilitate entry to the meeting, forms of proxy, registration certificates and other documentary authority must be received by the company in good time before the meeting.



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