

Administration Report

1 April 2012 - 31 March 2013

The Board of Directors and the CEO of Addtech AB, company ID number 556302-9726, hereby submit the annual accounts and consolidated financial statements for the 2012/2013 financial year.

Market trend during the year

The business climate on many of the Group's markets was hesitant and uneven during the year. Demand varied between the months, but on the whole sales and profit for comparable units fell for the full year. Including the sales and profit contribution from the acquired companies, the Group's net sales increased by a total of 4 percent. Operating profit fell slightly from the previous year, however. During the course of the year, the market was fragmented, with business climate variations between different geographic markets, customer segments and product niches. In particular, sales to customers in the vehicle, paper and pulp, and engineering industries fell during the financial year. The Group's operations focusing on medical technology and energy-related market segments, and on Nordic healthcare, continued to perform well. In the production components market for Nordic manufacturing companies, the operations in Sweden and Denmark in particular were affected by a weaker business climate during the year. The Group's operations in Norway and Finland, and on non-Nordic markets, generally performed more strongly during the year.

Performance by quarter

- **First quarter.** The financial year started with relatively stable demand, despite the unease prevailing on many of the Group's markets. On the whole, the Group did not show any underlying growth in the quarter, and the 8 percent sales increase was mainly attributable to acquisitions. The market was fragmented, and the business climate varied between different geographic markets, customer segments and product niches. Demand in many product and market areas remained stable, but the market for production components from Nordic manufacturing companies featured greater caution. The Industrial Solutions business area in particular was affected by customer restraint during the quarter. For the Components business area, demand was relatively stable, but the trend was fragmented between the different geographic markets. The Energy and Life Science business areas enjoyed robust demand despite a more hesitant market in individual niches.
- **Second quarter.** In the second quarter, sales fell by 2 percent. There was a drop in production component sales to several of the Group's manufacturing customers. We saw greater caution among customers, resulting in delayed delivery plans. The Group's sales for comparable units declined in the quarter, while the contribution of acquired companies to sales and profit was as expected. The market was unchanged from the first quarter, with business climate variations between different geographic markets, customer segments and product niches. Both the Components and Industrial Solutions business areas experienced sustained subdued demand from Nordic manufacturing companies, particularly in the vehicle and engineering industry segments during the quarter. Demand was relatively stable for the Energy business area, although greater customer caution was noted here too, with delays in deliveries in certain segments. For the Life Science business area, demand remained robust for both diagnostic equipment and measuring and analysis instruments for the Nordic process industry.
- **Third quarter.** The unease prevailing on most of the Group's markets in the first two quarters continued into the third quarter. Sales increased by 2 percent. Demand varied between the months, but on the whole sales for comparable units fell in the quarter. In particular, sales of production components for manufacturing customers in the vehicle, paper and pulp and engineering industry fell. Several customers in manufacturing chose to shut down their production for a longer period in December this year than in previous years. During the quarter, the Group initiated activities to address the cost and working capital situation in the operations experiencing a poorer business climate. Sustained market weakness affected the Components operations, chiefly in Sweden and Denmark. For Industrial Solutions, the weakening trend seen in previous quarters continued into the third quarter and was noted in more market segments than before. New projects were delayed and demand for electromechanical components declined from several large customers in the special vehicles industry. The operations of the Energy business area showed overall stable demand, with many operations being affected by a weaker market, while others continued to enjoy a positive business climate. The robust demand for Life Science continued for diagnostic equipment and reagents.

- **Fourth quarter.** In the final quarter of the year, net sales rose by 7 percent. Comparable units fell by 2 percent and acquired growth totalled 11 percent. In the fourth quarter, the business climate in certain areas stabilised slightly and the decrease for comparable units was lower in the fourth quarter than in the second and third quarters. During the quarter, work continued on measures to adapt costs and working capital in selected operations. On the whole, the adaptations affected around 100 employees. For the Components and Industrial Solutions business areas, demand was relatively weak, chiefly from Nordic manufacturing companies in the vehicle and engineering industry segments. On the whole, the Energy business area enjoyed sound business activity in the quarter, although we noted variations between the different operations here too. Demand remained solid mainly for niche products in electrical power distribution. Life Science ended the year on a strong note, recording its highest ever sales. The sales and profit growth was generated both by its own operations and successful acquisitions. The market remained upbeat for diagnostic equipment. Sales of measuring and analysis instruments to the Nordic process industry were slightly weaker in the quarter due to shifts in deliveries in certain projects, while the sale of laboratory equipment ended on a strong note with several substantial instrument sales.

Key events during the year

To sum up, the 2012/2013 financial year featured a hesitant and uneven business climate with major variations between the months. The market is fragmented, with business climate variations between different geographic markets, customer segments and product niches. Focus during the year has been on enhancing the various operations and carrying out acquisitions in selected segments and niches. Eight companies were acquired in three of our business areas. The acquired companies have performed well, making a positive contribution to both sales and profit, and compensating for the overall weaker organic trend. During the year the Group has worked more actively on measures that affect the cost and working capital situation of the operations that are experiencing a less favourable business climate. The activities continue, and on the whole the adjustments have affected around 100 employees so far.

Financially, the Group's position was strong during the year. The equity/assets ratio remains high, and the net debt/equity ratio is low. The Group's profitability measured as P/WC came down from 53 percent to 45 percent during the year. The measures being taken in the various operations will lead to a better adapted cost level and reduced working capital which, combined with a strong financial position, give solid future opportunities. The Group is well-equipped for further expansion of its business.

Acquisitions and disposals

Addtech is constantly on the lookout for companies to acquire and is engaged in discussions with several possible companies. During this financial year Addtech made eight acquisitions that came into effect during the year. Six companies were acquired in the previous year. The past year's acquisitions were implemented in the Components, Energy and Life Science business areas and are diverse in terms of both markets and products.

Our three main reasons for acquisitions are so that our:

- Subsidiaries can make small-scale bolt-on acquisitions in order to reinforce existing operations in their niche.
- Business units can expand and build market and/or product positions in selected market segments.
- Business areas can add new market segments in the areas where we see the right conditions for being able to become market leaders.

Since becoming a listed company in 2001, Addtech has acquired around 70 companies. The following companies were acquired during the year:

- **Staubo Elektro Maskin.** On 1 July, Staubo Elektro Maskin AS was acquired and became part of the Addtech Energy business area. Staubo Elektro Maskin is a technology trading company that supplies comprehensive solutions in battery and power supply, electric motors and signalling systems. Staubo Elektro Maskin has 15 employees and sales of about NOK 65 million.
- **ASI Automatikk.** On 1 July, ASI Automatikk AS was acquired and became part of the Addtech Components business area. ASI Automatikk AS is a technology trading company that offers electromechanical components for machinery manufacturers and for the marine and offshore sector. ASI Automatikk has seven employees and sales of some NOK 40 million.

- **Leica Nilomark.** On 1 October Leica Nilomark Oy was acquired and became part of the Addtech Life Science business area. Leica Nilomark offers consumables and instruments for laboratories for healthcare and medical research. Leica Nilomark has ten employees and sales of around EUR 3 million.
- **Active Care.** On 8 October Active Care Sverup AB was acquired and became part of the Addtech Life Science business area. Active Care sells medical technology products with related consumables. Active Care has eight employees and sales of about SEK 25 million.
- **Quality Documentation.** On 1 November, the acquisition of Quality Documentation Scandinavia AB ("QDOC") took effect, with the company becoming part of the Addtech Components business area. QDOC is a technology trading company in the area of fibre and copper instruments, and network measuring, monitoring and documentation. The company has five employees and sales of about SEK 11 million.
- **Necks Electric.** On 1 November, the acquisition of the Necks Electric group took effect, with it becoming part of the Addtech Energy business area. The Necks Electric group is a supplier of holistic customised power line systems. The Necks Electric group has subsidiaries in Sweden, Poland, Norway and Finland. The group has approximately 175 employees and sales of around SEK 220 million.
- **Vallin Baltic.** On 30 November Vallin Baltic AS and Vallin Baltic SIA were acquired and became part of the Addtech Energy business area. The Vallinn Baltic companies are technology trading companies that provide electrical installation products with related measuring systems and telecom equipment in the Baltic countries. The companies have around 20 employees and sales of about SEK 50 million.
- **Norsk Analyse.** On 7 January the Norsk Analyse group was acquired and became part of the Addtech Life Science business area. The Norske Analyse group sells system solutions and analysers for gas and fluid analysis, and performs service and maintenance on delivered equipment. The Norsk Analyse group has subsidiaries in Sweden, Denmark, Finland, Trinidad/Tobago and Turkey. The group has around 60 employees and total sales of about NOK 120 million.

The total purchase consideration for the year's eight acquisitions was SEK 346 million.

The acquisitions had a combined effect of SEK 303 million on the Addtech Group's net sales, SEK 13 million on operating profit and SEK 7 million on profit after tax for the year. If the acquisitions had taken place at 1 April 2012, they would have had an effect of an estimated SEK 630 million on consolidated net sales, about SEK 45 million on operating profit and about SEK 25 million on profit after tax for the year. The acquisitions were made using an average EV/EBIT multiple of about 5. The number of Addtech employees increased by 300 people through the year's acquisitions.

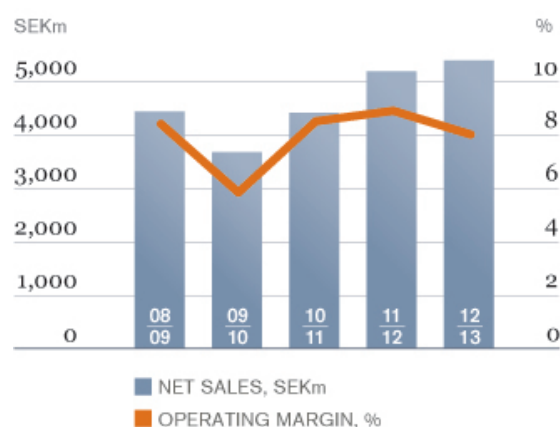
Net sales and profit

The Addtech Group's net sales rose by 4 percent during the financial year to SEK 5,403 million (5,200). Comparable units fell 4 percent and acquired growth was 9 percent. Exchange rate changes had an adverse effect of 1 percent on net sales, corresponding to SEK 79 million, and an adverse effect of 1 percent on operating profit, corresponding to SEK 5 million during the year.

During the financial year, operating profit fell by 7 percent to SEK 437 million (470) and the operating margin reached 8.1 percent (9.0). The operating margin before amortisation of intangible non-current assets equalled 9.2 percent (10.1). Net financial items were SEK -29 million (-23) and profit after financial items decreased by 9 percent to SEK 408 million (447).

Profit after tax for the financial year declined by 1 percent to SEK 323 million (327) and EPS fell to SEK 14.60 (14.65). The effective tax rate was 21 percent (27). Following a changed tax rate in Sweden in 2013 from 26.3 to 22 percent, deferred tax fell by a net amount of SEK 25 million, which entailed tax revenue in the same amount. Excluding this change, the effective tax rate was 27 percent.

Net sales and operating margin



Operating profit and return on working capital (P/WC)



Profitability, financial position and cash flow

At the end of the financial year, the return on equity was 30 percent (34) and the return on capital employed was 25 percent (32).

Return on working capital, P/WC (operating profit in relation to working capital), amounted to 45 percent (53). The long-term target for P/WC in the Group and all units is 45 percent. The P/WC profitability ratio encourages high operating profit and low levels of tied-up capital. When combined with the growth target of 15 percent, this provides conditions for profitable growth in the companies and Group. Average working capital, which comprises inventories plus net accounts receivable and accounts payable for the calculation of P/WC, reached SEK 969 million (890) at the end of the financial year.

At the end of the financial year the equity ratio stood at 37 percent (37). Equity per share, excluding non-controlling interest, totalled SEK 51.20 (46.20). Consolidated financial net debt at the end of the year stood at SEK 726 million (534) and included pension liabilities of SEK 201 million (195). Net debt in relation to operating profit with reversed depreciation/amortisation (EBITDA) amounted to 1.3 (0.9), and the net debt/equity ratio was 0.6 (0.5).

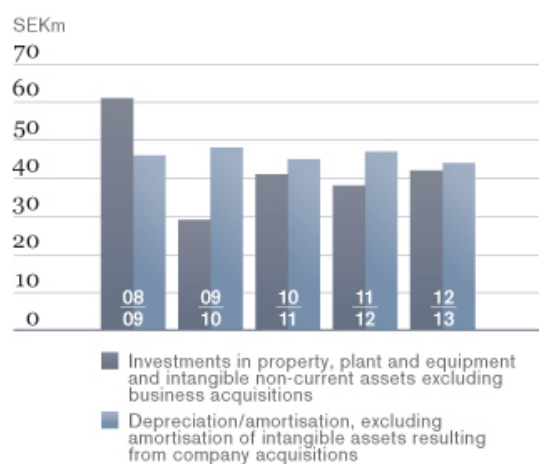
Cash and cash equivalents, consisting of cash and bank balances together with approved but non-utilised credit facilities, totalled SEK 668 million (717) at 31 March 2013. The Group's available credit facilities totalled SEK 1,132 million (955) at 31 March 2013.

Cash flow from operating activities reached SEK 339 million (415) in the financial year. The separate transition rules in the new Tax Procedures Act for companies with split financial years gave rise to extra tax payments in the fourth quarter referable to the 2011/2012 taxation year. Investments in non-current assets were SEK 42 million (38) and company acquisitions, including settlement of additional purchase consideration for acquisitions implemented in previous years, totalled SEK 311 million (260). Disposals of non-current assets amounted to SEK 2 million (2). Dividend for the year amounted to SEK 174 million (156), repurchase of treasury shares to SEK 0 million (71) and exercised and issued call options totalled SEK 24 million (1).

Return on equity and capital employed



Investments, depreciation and amortisation



Trends and earnings of the business areas

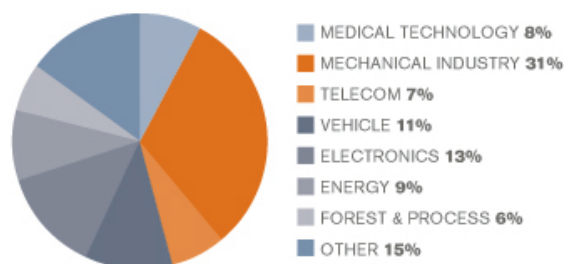
Addtech Components

Addtech Components' net sales decreased by 2 percent to SEK 1,542 million (1,568). Operating profit declined to SEK 98 million (125). Demand for the business area's production components has been weak on the whole since the second quarter, with major variations between different customer segments and geographic regions. Nordic manufacturers, particularly those in the vehicle and engineering industry segments and in electronics production, reduced their production rate during the year. Customer segments such as energy and medical technology enjoyed the most stable demand, and so did large machinery manufacturers with sales to markets other than the vehicle and engineering industry segments. The trend on Nordic markets varied, with sustained unease on the Swedish and Danish markets, while our operations in Norway and Finland performed well.

During the year, two companies were acquired which became part of the business area - ASI Automatikk AS and Quality Documentation Scandinavia AB.

	Addtech Components	
	2012/2013	2011/2012
Net sales, SEKm	1,542	1,568
Operating profit, SEKm	98	125
Operating margin, %	6.4	8.0
Working capital year average, SEKm	298	274
Return on working capital (P/WC), %	33	46
Investments in property, plant and equipment, SEKm	10	5
Average number of employees	420	376

Addtech Components sales by customer segment



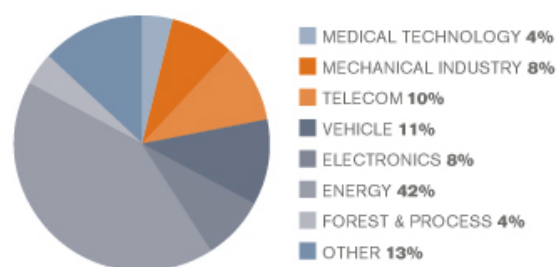
Addtech Energy

Addtech Energy's net sales totalled SEK 1,576 million (1,392), an increase of 13 percent. Operating profit amounted to SEK 152 million (151). On the whole, the business area's market was relatively stable during the year, starting and ending on a solid note, but with a weaker period during the second and third quarters. The business climate remained favourable for niche products in electrical power distribution. For electrical safety and electrical installation products, and aftermarket products for the energy sector, demand was stable overall during the year, although some manufacturing customers were more hesitant during the second half of the year. The market for new types of battery technology was subdued, while there was relatively sound demand for traditional battery solutions.

During the year the business area carried out three acquisitions, of Staubo Elektro Maskin AS, Necks Electric Holding AB and Vallin Baltic AS.

	Addtech Energy	
	2012/2013	2011/2012
Net sales, SEKm	1,576	1,392
Operating profit, SEKm	152	151
Operating margin, %	9.7	10.8
Working capital year average, SEKm	274	246
Return on working capital (P/WC), %	56	62
Investments in property, plant and equipment, SEKm	8	6
Average number of employees	477	379

Addtech Energy sales by customer segment

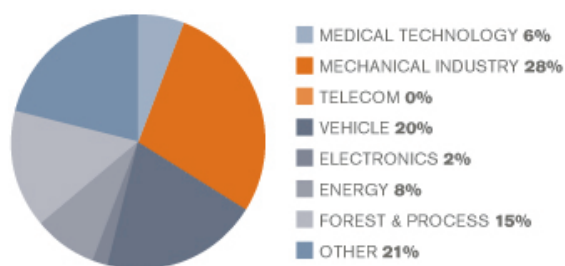


Addtech Industrial Solutions

Addtech Industrial Solutions' net sales fell by 8 percent to SEK 1,150 million (1,245). Operating profit declined to SEK 93 million (112). The business climate was relatively weak throughout the entire financial year, although it stabilised to a certain extent in the fourth quarter compared to the third. Demand for products made of polymeric materials was lacklustre on the Danish market, and many large clients in the special vehicles industry gradually reduced their demand for electromechanical components during the year. The weak business climate for electric motor solutions in the first half of the year improved, however, in the second half, and the machinery components and production equipment market was relatively stable.

	Addtech Industrial Solutions	
	2012/2013	2011/2012
Net sales, SEKm	1,150	1,245
Operating profit, SEKm	93	112
Operating margin, %	8.1	9.0
Working capital year average, SEKm	256	253
Return on working capital (P/WC), %	36	44
Investments in property, plant and equipment, SEKm	6	5
Average number of employees	524	518

Addtech Industrial Solutions sales by customer segment



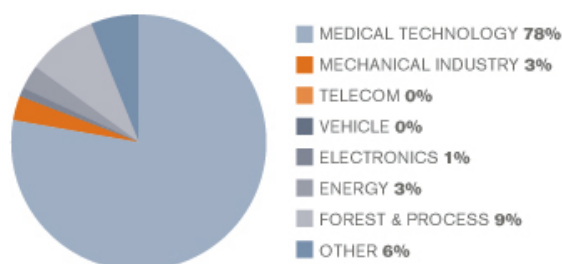
Addtech Life Science

Addtech Life Science's net sales were SEK 1,141 million (1,002), a 14 percent increase. Operating profit amounted to SEK 108 million (98). With a good final quarter, the business area for the first time achieved a full-year operating profit in excess of SEK 100 million. The growth in sales and profit came from a combination of solid organic growth and strategic acquisitions. Demand for diagnostic equipment and reagents from the Nordic healthcare sector was upbeat throughout the entire financial year. The market for measuring and analysis instruments for the Nordic process industry remained unchanged during the year, although the fourth quarter was weaker because of shifts in deliveries in certain projects. The market for equipment for Nordic healthcare and research laboratories, which was stable during the year, ended with a strong final quarter with several substantial instrument sales.

During the year the business area carried out three acquisitions, of Leica Nilomark OY, Active Care Sverup AB and Norsk Analyse AS.

	Addtech Life Science	
	2012/2013	2011/2012
Net sales, SEKm	1,141	1,002
Operating profit, SEKm	108	98
Operating margin, %	9.5	9.8
Working capital year average, SEKm	147	121
Return on working capital (P/WC), %	74	81
Investments in property, plant and equipment, SEKm	9	14
Average number of employees	347	299

Addtech Life Science sales by customer segment



Risks and uncertainties

Exposure to risks is part of the business. This is reflected in Addtech's ongoing risk management work, which aims to identify and measure risks and prevent them from occurring, and to continually make improvements, thus reducing potential risks. Our risk management focuses on business risks, financial risks and other potential material risks, such as legal risks. Assessments of the operation's risk take place in all units. The Addtech Group has internal rules in the form of policies and instructions that give the responsible managers tools with which to identify and follow up the progress of the operation and to detect deviations that could become risks. Monthly reports, in which the managers describe developments in their respective units, are a systematic way of following up the situation in our operations. In these monthly reports, 'warning flags' about negative deviations are raised or risks are identified.

Addtech's profit and financial position, as well as its strategic position, are affected by various internal factors within Addtech's control and various external factors over which Addtech has limited influence. Addtech's most significant risks are the state of the economy combined with structural changes and competition.

In addition, Addtech is affected by financial risks such as transaction exposure, translation exposure, financing risk, interest rate risk and credit and counterparty risk. See Note 3 for a more detailed description of how Addtech manages financial risks.

State of the economy

The markets in which Addtech is active largely follow general industry trends. The past year was a turbulent one in large parts of Europe, and the general state of the economy in industry was uneasy and relatively weak on many of our markets. Through the Life Science business area, trends in the national economy in general are important to the Group, because these trends partly govern the scope for investments and consumption in healthcare and research. In the Energy business area, public investments in infrastructure - primarily in electricity distribution - have certain significance to the development of the Group. Addtech's sensitivity to the economy is reduced through geographic spread and industry diversity, in that the customers of Addtech's 130 or so operating subsidiaries work in different phases of the business cycle, and through a focus on multiple niche markets. Addtech's significant sales of technical service, support and consumables to the aftermarket, as well as to healthcare and laboratories, reduce the risk of fluctuations in the economy in individual industries having a major impact on the Group.

Structural changes in customers' operations

Structural changes and consolidation in customer channels constantly accentuate demand for value added in offerings from suppliers. Companies active in the market must be of sufficient size in terms of financial strength, service content and product offerings. In many industries, parts of production have been subcontracted. This involves risks as well as opportunities for Addtech, because a contract manufacturer could choose other suppliers, or new business opportunities could materialise.

Heightened internationalisation in the past ten years has brought about the relocation of high-volume production in particular from the Nordic countries to Asia. Addtech's companies normally focus on the low and medium-sized volume segment, and such operations therefore often remain in the Nordic countries and Europe. The Group's exposure to a large number of industries and the fact that no single customer accounts for more than 2 percent of consolidated sales also reduce the impact of individual companies potentially deciding to relocate abroad. Clear value added and the uniqueness of Addtech's offering to customers generate opportunities to deliver beyond the immediate geographic area as well.

Competitive situation

Change and consolidation among companies in the technology trading industry are constantly altering the competitive situation. Economies of scale may pressure prices, but Addtech's strategy includes achieving market-leading positions in specific niches by offering products and services for which price is not the sole deciding factor. Many of the niches in which we operate are experiencing rapid technological development, involving a change in competition over time. Our companies have to be innovative and active in this movement in order to remain competitive on their markets.

Seasonal variations

Overall, Addtech's business has limited vulnerability to seasonal variations. Business activities normally follow the seasonal pattern of production industry operations, which means lower sales during the summer months. Based on historical results, just under half of the earnings are normally generated in the first two quarters of

Addtech's financial year (April-September), and just over half in the last two quarters (October- March). Major divergences from this pattern may occur if conditions in the economy change rapidly during the course of a financial year or in the event of substantial acquisitions. In individual operations in Addtech Life Science and Addtech Energy, seasonal variations are more substantial.

Employee risks

The companies in the Addtech Group strive to be attractive employers and provide their employees with sound opportunities for personal growth. Internal recruitment is Addtech's most important tool for the supply of managers, and our employees are our most important competitive advantage. Our skilled employees are business professionals with high technological expertise. Understanding of customers' businesses is crucial and often leads to more in-depth cooperation and development. It is therefore important for Addtech to constantly attract new employees and be able to retain our skilled employees. The Group therefore works long-term on several levels to increase knowledge transfer internally, help its employees to continue growing and refine its corporate culture.

For many years, the Group has been running its own Business School. It covers all employees and constitutes a key platform from which to convey corporate culture, enhance business acumen and raise the degree of professionalism among employees. The Business School creates scope for both personal and professional growth. The Group's deeply rooted decentralised corporate culture and entrepreneurship are additional important success factors for us.

The Group conducted its second employee survey during the financial year. This forms part of our heightened focus on conducting operations that are sustainable in the long term. The purpose of the survey is to find out how employees view the subsidiaries as employers, their work situation and what might potentially require further improvement and development in the individual companies and at Group level.

In conjunction with acquisitions, the Group places particular emphasis on motivating and ensuring long-term commitment from key people in the acquired company.

Changes in sales volumes

A small increase in volume in the Group's various operations can be expected to boost operating profit in line with the gross margin in that business. However, after a certain increase, the operation reaches a level of resource utilisation at which resources must be expanded. Incremental effects arise and tend to reduce the increase in earnings from additional volume to a level that eventually approaches the operating margin. When volumes decline, the negative effect on operating profit in the short term may be assumed to be greater than the corresponding positive effect of greater volumes. Action must be taken to deal with this negative effect so that, in the slightly longer term, it approaches the operating margin. It should also be noted that the Group's different businesses operate under varying conditions with respect to gross margins and resource utilisation, for instance. This leads to different possibilities of coping with volume growth within the framework of existing resources, or of reducing resources in the event of decreasing volumes. The effects shown should be seen as indications of more short-term effects only and do not include any effects of offsetting actions that the Group would take in such eventualities. The calculation below of effects of factors such as changed sales volume has therefore only taken into account a higher or lower contribution margin, not whether adaptation of the number of employees or other overheads needs to be adjusted accordingly.

Profit/loss items	Change	Effect on operating profit
Sales volume	+/-5%	+/-88 SEKm
Cost of sales	+/-1%	-/+32 SEKm
Payroll expenses	+/-1%	-/+9 SEKm
Overheads, not including payroll expenses	+/-1%	-/+5 SEKm

Acquisition risks

Addtech's overriding goal is to achieve growth combined with profitability. The Group's objective is earnings growth of at least 15 percent per year over the course of a business cycle. To achieve this we require a combination of organic growth and acquisitions. To ensure the success of our acquisitions, Addtech has a well-established process and structure for implementing the deals and integrating acquired companies into the Group effectively. All acquisitions involve a risk and it is not always certain that all acquisitions will prove favourable. Costs attributable to acquisitions may therefore be higher than expected and positive effects of acquisitions may sometimes take longer time to realise than expected. Acquired goodwill is tested annually

for impairment. Goodwill testing takes place for each business unit. If goodwill is not deemed to have been correctly valued in such assessment, this may result in an impairment loss that would affect the Addtech Group's results.

Employees, environment and development

Employees

At the end of the period, the number of employees was 2,011, compared to 1,700 at the beginning of the financial year. The year's acquisitions increased the number of employees by 300 (155). The average number of employees in the latest 12-month period was 1,815 (1,612).

	2012/2013	2011/2012	2010/2011
Average number of employees	1,815	1,612	1,445
proportion of men	74%	72%	72%
proportion of women	26%	28%	28%
Age distribution			
-up to 29 years old	9%	7%	8%
30-49 years	58%	60%	60%
50 and older	34%	33%	32%
Average age	45 years	45 years	44 years
Personnel turnover (adjusted as a result of programmes of measures and disposals)	10%	10%	13%
Average length of employment	about 10 years	about 11 years	about 11 years

Environment and sustainable development

Active environmental efforts are made in the Group with the aim of reducing the Group's impact on the environment. The main business of Group companies consists of technology trading, so the environmental footprint of our own operations is limited. The combined environmental impact of the products that our companies provide also includes production operations at our suppliers, the transport of products and the way in which our customers use the products. We therefore take the entire lifecycle of our operations into account in the improvement work performed on a continual basis in the Group. Each company performs this work locally based on its specific circumstances.

In the Group, 45 companies (41) have earned ISO 14001 or equivalent certification. The Group conducts operations requiring notification under the Swedish Environmental Code in five subsidiaries and operations requiring a permit under this Code in three subsidiaries. Together these businesses account for about seven (9) percent of consolidated net sales.

No Group companies have been fined for environmental offences or are involved in any environment-related disputes.

During the financial year the Group continued to conduct more active sustainability work than in the past. This work started in 2010/2011 and we are now publishing our third sustainability report. This reporting complies with Application Level C of the Global Reporting Initiative (GRI). The Group's Code of Conduct includes all important issues in the environment, human rights, working terms and conditions, and corruption. The code is based on the UN's Global Compact, ILO's Core Conventions, and the OECD's Guidelines for Multinational Enterprises, and it is aimed at our operations and those of our suppliers.

Research and development

The Addtech Group conducts limited research and development. The Group's business model includes continuous dialogue with and feedback to the Group's suppliers, who conduct most of the R&D that is relevant to the Group's product range.

Principles for remuneration to senior management

The Board intends to propose that the Annual General Meeting in August 2013 approves the same guidelines as in the preceding year:

The guidelines are to relate to remuneration of the CEO and other members of Addtech Group management ('Group management').

Addtech seeks to offer a reasonable and competitive total remuneration package capable of attracting and retaining skilled individuals. The size of the overall package varies in relation to the performance of the employee and the Group and may comprise the different elements stated below.

A fixed salary forms the foundation of the total remuneration. The salary should be competitive and reflect the responsibilities of the position. Fixed salaries are reviewed annually.

Variable pay can be based on factors such as the Group's earnings growth, profitability and cash flow. Annual variable remuneration can be at most 40 percent of the fixed salary.

The Board of Directors will evaluate on an annual basis whether or not a long-term incentive programme shall be proposed to the Annual General Meeting and, if such is the case, whether or not the proposed long-term incentive programme shall include a transfer of shares in the Company.

Retirement pension and sickness and healthcare benefits should be structured in accordance with applicable rules and market norms. The pensions should be based on defined contribution plans where possible.

Other benefits may be provided to individual or all members of Group management and are structured to reflect market norms. These benefits may not account for a material portion of an individual's total remuneration package.

A notice period of 6 months applies to termination of own employment by members of Group management. They are entitled to a maximum notice period of 12 months if the Company terminates their employment contracts. Members of Group management whose contracts are terminated by the Company are entitled to severance pay of up to 12 months' salary, in addition to salary and other employment benefits during the notice period. No severance pay is payable if the employee initiates termination.

The Board of Directors is entitled to waive the above guidelines for remuneration in individual cases and if there are special reasons for doing so. In the event of any such deviation, information about this and the reasons for the deviation shall be reported at the next Annual General Meeting.

The remuneration committee appointed by the Board prepares and submits proposals for the remuneration of the CEO to the Board, which decides on the matter. The remuneration committee sets the remuneration of other members of Group management based on proposals from the CEO. The Board is informed of the remuneration committee's decisions.

See Note 6 Employees and employee benefits expense for more details.

Parent Company

Operations of the Parent Company, Addtech AB, include Group management, Group reporting and financial management.

Parent Company net sales totalled SEK 45 million (35) and profit after financial items was SEK 243 million (233). Income from interests in Group companies is included and totals SEK 234 million (227). At the end of the financial year the Parent Company's financial net debt stood at SEK 44 million (69).

Share capital, repurchase of treasury shares, incentive programmes and dividend

At 31 March 2013, Parent Company share capital stood at SEK 51,148,872, distributed over the following number of shares with a quotient value of SEK 2.25 per share.

Share class	Number of shares	Number of votes	Percentage of capital	Percentage of votes
A 10 votes	1,086,380	10,863,800	4.8	33.4
B 1 vote	21,646,452	21,646,452	95.2	66.6
Total	22,732,832	32,510,252	100.0	100.0

The total number of shareholders on 31 March 2013 was 3,379 (3,715). Two shareholders each control 10 percent or more of the votes: Anders Borjesson (with family interests) owns shares corresponding to 15.4 percent of the votes and Tom Hedelius (with family interests) owns shares corresponding to 14.8 percent of the votes.

Chapter 6, Section 2a of the Swedish Annual Accounts Act requires listed companies to disclose specific circumstances that may affect the prospects for acquiring the Company via a public share offer. In the event of the Company being delisted from NASDAQ OMX Stockholm or a party other than the present principal shareholder attaining an ownership holding exceeding 50 percent of the capital or votes, the granted credit line of SEK 300 million can be terminated.

Repurchase of treasury shares and incentive programmes

The Annual General Meeting in August 2012 authorised the Board of Directors to repurchase a maximum of ten percent of all shares in the Company during the period until the Annual General Meeting in 2013.

No treasury shares were repurchased during the financial year. At 31 March 2013, Addtech's holding of treasury shares was 811,400 Class B shares, with an average purchase price of SEK 124. These shares correspond to 3.6 percent of the number of shares issued and 2.5 percent of the votes. Of the shares repurchased, 682,300 shares secure the Company's undertakings to holders of call options, issued by the Company, on repurchased Class B shares. The average number of treasury shares held during the year was 934,801 (788,713).

The Board of Directors will recommend that the Annual General Meeting in August 2013 approves renewal of the mandate to repurchase treasury shares. The mandate would empower the Board to acquire Company shares during the period until the next Annual General Meeting, provided that the Company's holding does not exceed 10 percent of all shares in the Company at any time. Repurchases shall be made in the stock market. The proposed mandate would also allow use of repurchased shares as payment for acquisitions or disposal of the repurchased shares outside the stock market to finance acquisitions.

In accordance with a resolution of the August 2012 AGM, 25 members of management were offered the opportunity to acquire 200,000 call options on repurchased Class B shares. The programme was fully subscribed. If fully exercised, the number of B shares outstanding will increase by 200,000, equivalent to 0.9 percent of the total number of shares and 0.6 percent of the votes. The call options were transferred at a price of SEK 11.60 per option, equivalent to the fair (market) value of the options based on an independent valuation. The redemption price of issued call options attributable to the share-based incentive programme for 2012 is SEK 214.50; the redemption period is 14 September 2015 until 3 June 2016.

In accordance with a resolution of the August 2011 AGM, 25 members of management were offered the opportunity to acquire 200,000 call options on repurchased Class B shares. The programme was fully subscribed, and if all options are exercised, the number of Class B shares outstanding will increase by 200,000, equivalent to 0.9 percent of the number of shares outstanding and 0.6 percent of the votes. The redemption price of issued call options attributable to the share-based incentive programme for 2011 is SEK 179.40; the redemption period is 15 September 2014 until 29 May 2015.

In accordance with a resolution of the August 2010 AGM, 24 members of management were offered the opportunity to acquire 236,000 call options on repurchased Class B shares. Employees subscribed for 221,700 call options in the programme. If the options are fully exercised, the number of B shares outstanding will increase by 221,700, equivalent to 1.0 percent of the number of shares outstanding and 0.7 percent of the votes. The redemption price of issued call options attributable to the share-based incentive programme for 2010 is SEK 164.70; the redemption period is 16 September 2013 until 30 May 2014.

The redemption price of issued call options attributable to the share-based incentive programme for 2009 is SEK 127.70; the redemption period is 3 September 2012 until 14 June 2013. During the period 3 September 2012 until 31 March 2013, 175,400 options out of a total of 236,000 were redeemed to shares. The remaining 60,600 have been redeemed since the end of the financial year.

The Board has decided to propose that the Annual General Meeting in August 2013 approves an incentive programme according to the same, or an essentially similar, model as decided at the 2009-2012 AGMs.

Dividend

The Board of Directors proposes a dividend of SEK 8.00 (8.00) per share. The total dividend amounts to SEK 175 million (174). Addtech's dividend policy is to pay as a dividend more than 50 percent of average Group profit after tax over a business cycle. The proposed dividend represents a payout ratio of 55 percent (55).

Future prospects and events after the reporting period

Future prospects

The hesitant and uneven business climate that prevailed throughout most of the financial year looks set to continue for a while longer on most of our markets. We therefore generally expect a more modest growth rate in the coming year too. The market remains fragmented, with variations between different geographic markets, customer segments and product niches. While there are some signs of an upturn in certain segments, others feature uncertainty. Many of our customers state that they expect the autumn to be better, but that this remains to be seen.

During the year, the Group has conducted activities to adjust the cost and working capital situation in some of its operations. The adaptations continue, and have affected around 100 employees so far. These measures will lead to a better adapted cost level which, combined with a strong financial position, gives solid future opportunities. The Group stands well-equipped ahead of the opportunities that may arise with respect to both organic growth and acquisitions. The Group's goal is earnings growth of at least 15 percent per year over a business cycle, combined with profitability.

Events after the reporting period

One company has been acquired after the reporting period:

On 2 April, 80 percent of the shares in the Rutab group were acquired, forming part of the Energy business area. Rutab is a supplier of electrotechnical materials and components for automation technology, focusing on cable glands, conduits, cable guards and machinery cable. Rutab has around 40 employees and sales of about SEK 150 million.

Proposed allocation of earnings

See further under "Financial Statements".

Corporate governance

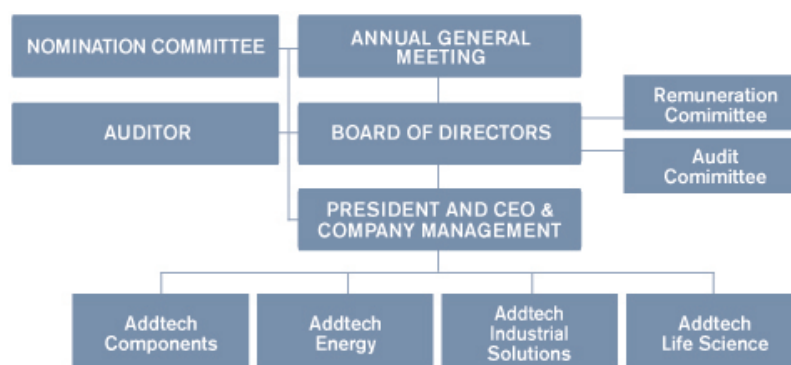
Principles for corporate governance

In addition to requirements stipulated by law or other ordinances, Addtech applies the Swedish Code of Corporate Governance (the Code). The Code is part of self-regulation in Swedish trade and industry and is based on the 'comply or explain' principle. This means that a company that applies the Code may deviate from certain rules but, if so, must provide an explanation and reason for each deviation.

Deviations from aspects of the Code and justification for such deviations are stated where applicable throughout the text. The Company deviates on three points, two of which are included in the section on the Nomination committee and one in the section on Quarterly review by auditors. The Company's auditor has examined this corporate governance report. The Company's website is: www.addtech.com.

Distribution of responsibilities

The aim of corporate governance is to create a clear distribution of roles and responsibilities between owners, the Board of Directors, the Board's committees and executive management. Corporate governance at Addtech is based on applicable legislation, mainly the Swedish Companies Act, the stock exchange listing agreement with NASDAQ OMX Stockholm, the Swedish Code of Corporate Governance (the Code) and internal guidelines and regulations.



System for internal control and risk management in financial reporting

Internal control

The Board of Directors has overall responsibility for ensuring that the Group has an effective system for management and internal control. This responsibility includes annually evaluating the financial reports it receives and stipulating the content and format of these reports to ensure their quality. This requirement means that the financial reporting must fulfil its purpose and comply with applicable accounting rules and other requirements incumbent on listed companies. The CFO annually reports on the Group's internal control work to the Board.

Control environment

Addtech builds and organises its business on the basis of decentralised responsibility for profitability and earnings. Internal control in a decentralised operation is founded on a firmly established process for defining goals and strategies for each operation. Internal directives and Board-approved policies convey defined decision-making channels, powers of authority and responsibilities. The financial and currency policy, reporting manual, treasury manual and instructions for each annual/quarterly accounts are the Group's primary financial policy documents. A Group-wide reporting system with related analysis tools is used in the Group's annual/quarterly accounts process. At a more comprehensive level, all operations in the Addtech Group must comply with the Group's Code of Conduct.

Risk assessment

Addtech has set procedures for managing the risks that the Board and Company management deem pertinent to internal control of financial reporting. The Group's exposure to several market and customer segments and the fact that operations are run in approximately 130 companies constitute a substantial distribution of risks. Risk assessments begin with the Group's income statement and balance sheet to identify the risk of material errors. For the Addtech Group as a whole, the greatest risks are linked to inventories and carrying amounts of intangible non-current assets related to business acquisitions, as well as revenue recognition.

Control activities

Control activities include transaction-related controls such as authorisation and investment rules and clear payment procedures, but also analytical controls performed by the Group controller function and the central finance and accounting function. Controllers and financial managers at all levels of the Group play a key role in creating the right environment for transparent and true financial reporting. This role places great demands on integrity, expertise and the capabilities of individuals.

Regular finance conferences are held to discuss current issues and safeguard effective sharing of knowledge and experience within the finance and accounting functions. The monthly review of results that is performed via the internal reporting system and is analysed and commented on internally by the Board is a key overall control activity. The review includes an evaluation of results compared to targets set and previous performance as well as a follow-up of key indicators.

A 'self-evaluation' of internal control issues is performed in all Group companies each year. The companies comment on how important issues were handled, such as business terms and conditions in customer contracts, assessments of customers' credit ratings, valuation and documentation of inventories, payment procedures, documentation and analysis of financial statements/closing accounts, and compliance with

internal policies and procedures. An accepted minimum level has been set for critical issues and processes, and all companies are expected to meet this level. The responses of each company are validated and commented on by that company's external auditor in conjunction with the ordinary audit. The responses are then compiled and analysed, after which they are presented to business area management and Group management. The results of self-evaluation are taken into consideration in planning the self-evaluation and external auditing for the coming year.

In addition to the 'self-evaluation' work, a more in-depth analysis of the internal control in about 20 operating companies takes place each year. This is classed as 'internal auditing' and is performed at the companies by business area controllers and employees from the Parent Company's central finance and accounting function. This audit work involves charting and testing the companies' key processes and control points in such processes. The external auditors study the records kept of the internal audits in conjunction with their audit of the companies. The process provides a good foundation on which to chart and assess the internal control in the Group. KPMG also performs an annual review and assessment of the Group's internal control process.

Follow-up, information and communication

The Board receives monthly comments from the CEO regarding the business situation and development of operations. The Board reviews all quarterly reports and the annual report before their publication. The Board is updated annually about the internal control work and its results. The Board also examines the assessment made by KPMG of the Group's internal control processes.

The Group CFO, Group controller and business area controllers analyse the outcome of the internal control each year. An assessment is made of the improvement measures that are to be implemented in the various companies. The boards in the Group companies are informed of the outcome of the internal control in each company and the improvement measures that should be implemented. The business area controllers and company boards subsequently follow up this work on a continual basis during the following year.

Governance guidelines, policies and instructions are available on the Group intranet. The documents are regularly updated as needed. Changes are communicated separately via email and at meetings for controllers and financial managers.

Access to the documents for internal information on the intranet is governed via levels of authorisation. The Group's employees are divided into different groups and the groups have various levels of access to information. All financial guidelines, policies and instructions are available for each company's managing director and financial manager, business unit managers, business area managers, business area controllers and the central finance and accounting function. Access to financial data for the Group is also governed centrally via levels of authorisation.

Internal auditing

In light of the above risk assessment and structure of control activities, including self-evaluation and a more in-depth analysis of internal control, the Board has chosen not to have a separate internal auditing function.

Auditor

The Articles of Association stipulate that a registered auditing firm be selected as auditor.

The Company's auditor works according to an audit plan that includes comments from the Board and reports his or her findings to company managements and business area managements, Group management and the Board of Addtech AB. This takes place during the audit and when establishing the annual accounts. The Company's auditor also takes part in the Annual General Meeting, describing and commenting on his or her audit work.

The independence of the external auditor is regulated in a special directive decided on by the Board. It states the areas in which the services of the external auditor may be used regarding issues that are not part of regular auditing. KPMG continually assesses its independence of the Company and submits written affirmation to the Board each year stating that the auditing firm is independent of Addtech. In the past year, the auditors performed advisory assignments, mainly concerning accounting and taxation issues. The total fee for KPMG's non-auditing services totalled SEK 1.5 million during the 2012/2013 financial year and SEK 0.9 million during the preceding year.

The 2009 Annual General Meeting elected KPMG to serve as the Company's auditor until the close of the 2013 Annual General Meeting. Joakim Thilstedt is the Auditor in charge. KPMG audits Addtech AB and practically all its subsidiaries.

Quarterly review by auditors

Addtech's six-month or nine-month reports were not reviewed by Addtech's external auditors during the 2012/2013 financial year, which deviates from the rules of the Code. Among other things, after consultation with the Company's external auditors, the Board has so far judged that the additional cost to the Company of extended quarterly reviewing by the auditors cannot be justified.

Ownership and shareholdings

Addtech is a public limited liability company and was listed on NASDAQ OMX Stockholm on 3 September 2001. The Company was previously part of the listed Bergman & Beving group. Data on owners and shareholdings are provided in the section on the Addtech share in the annual report. Anders Borjesson (with family interests) and Tom Hedelius (with family interests) are the only shareholders who have a direct or indirect shareholding in the Company that represents at least a tenth of the number of votes for all shares in the Company.

Limitations to voting rights

The Company's Articles of Association do not limit the number of votes that each shareholder may cast at an Annual General Meeting.

Articles of Association

According to the Articles of Association, the Company's name is Addtech Aktiebolag. Addtech is a public company. Share capital amounts to SEK 51,148,872 and the number of shares is 22,732,832, of which 1,086,380 are Class A shares, entitling holders to 10 votes per share, and 21,646,452 are Class B shares, with one vote per share.

The Company's financial year is from 1 April to 31 March and the AGM is to be held in Stockholm.

The Company's Articles of Association have no special provisions about the appointment and dismissal of Board members and about amendments to the Articles.

For the full Articles of Association, which the AGM on 24 August 2009 adopted in their present form, see the Company's website under Investors/Corporate governance/Articles of association of Addtech.

Annual General Meeting

The Annual General Meeting (AGM) is the highest decision-making body at which shareholders exercise their voting rights. The AGM makes decisions on the annual report, dividend, election of the Board (and auditor where applicable), remuneration to Board members and the auditor and other issues as per the Swedish Companies Act and the Articles of Association. More information about the AGM and the minutes are available on the Company's website.

No special arrangements regarding the function of the AGM, due to any provisions in the Articles of Association or as far as is known to the Company due to shareholder agreements, apply in the Company.

The 2012 Annual General Meeting

Shareholders representing 61.4 percent of the share capital and 71.3 percent of the votes took part in the AGM on 29 August 2012. Anders Borjesson was elected Chairman of the meeting. The meeting's decisions included approving a dividend of SEK 8.00 per share and a share-based incentive programme. Johan Sjö, the Company's President and CEO, commented on the Group's operations, the 2011/2012 financial year, developments during the first quarter of the new financial year and the Group's outlook for the future.

Board members Anders Borjesson, Eva Elmstedt, Tom Hedelius, Johan Sjö and Lars Spongberg were re-elected, and Ulf Mattsson was newly elected. Anders Borjesson was elected Chairman of the Board. At the subsequent first meeting of the new Board following its election, Tom Hedelius was re-appointed Vice Chairman of the Board.

In accordance with the Board's proposal, the AGM authorised the Board of Directors to purchase and dispose of shares in the Company on one or more occasions during the period until the next AGM. The objective of repurchases is to allow for adaptation of the Group's capital structure, and also to enable the Company to pay for future acquisitions of companies or operations using the Company's own (treasury) shares. Holdings of treasury shares also enable the Company to fulfil its commitments in the share-based incentive programmes decided on at the AGMs in 2009, 2010, 2011 and 2012. Purchases shall be made on the NASDAQ OMX Exchange in Stockholm at a price within the range registered at any given time, which is the

interval between the highest purchase price and the lowest sale price. Purchases of treasury shares are limited by the stipulation that the Company's total holding of treasury shares shall not exceed 10 percent of all shares in the Company at any time.

Disposal of the Company's treasury shares should be possible with or without preferential rights for shareholders, although not via NASDAQ OMX Stockholm. Disposals may take place to finance acquisitions of companies or operations.

At the first meeting of the new Board following its election, the Board of Directors of Addtech AB decided to utilise the authorisation that the AGM on 29 August 2012 granted to the Board to repurchase shares in the Company.

The 2012 AGM was held in Swedish and, in light of the ownership structure, simultaneous interpretation to other languages was not deemed necessary. All material for the meeting was available in Swedish and English. Due to the ownership structure, the minutes of the AGM are only available in Swedish.

Information about the 2013 AGM is available in the Shareholder information section of the annual report and on the Company's website.

Board of Directors

Board structure

According to the Company's Articles of Association, the Board of Directors is to consist of at least three and at most nine members.

Since 2012, the Board of Directors has comprised the following members elected by the AGM: Anders Borjesson (Chairman), Eva Elmstedt, Tom Hedelius (Vice Chairman), Ulf Mattsson, Johan Sjö and Lars Spongberg. The members of the Board of Directors are presented in the Board and management section of the annual report and on the Company's website. All Board members are independent of the Company, apart from Johan Sjö, who is employed in the Company as the CEO. In addition to being independent of the Company, Eva Elmstedt, Ulf Mattsson and Lars Spongberg are also independent of the Company's major shareholders. The Board thus complies with the requirement that at least two of the members who are independent of the Company are also independent of major shareholders.

Board fees

In accordance with the AGM's decision, the fee to each of the external Board members elected by the AGM amounts to SEK 225,000. The Chairman receives SEK 450,000 and the Vice Chairman receives SEK 350,000. Total Board fees amount to SEK 1,475,000, as decided on by the AGM.

Chairman of the Board

The task of the Board Chairman is to ensure that Board work is well organised and efficiently run and that the Board performs its duties. In particular, the Chairman is to organise and lead the work of the Board to create the best possible conditions for the Board's work. The Chairman shall also ensure that any new Board member undergoes requisite introductory training, as well as other training that the Chairman and member jointly deem suitable, that the Board members continually update and deepen their knowledge of the Company, that the Board meets when required and that it receives satisfactory information and background material for making decisions in its work. Additionally, the Chairman shall establish proposals for Board meeting agendas after consulting with the CEO, check that Board decisions are implemented and ensure that Board work is evaluated annually. The Chairman is responsible for contacts with the owners about ownership issues and for conveying owners' opinions to the Board.

Board duties

The Board of Directors annually establishes written procedural rules governing its work and internal delegation of Board duties, including Board committees, Board decision-making processes, Board meeting procedures and the work of the Chairman. The Board has also issued a directive to the CEO and a directive regarding financial reporting to the Board. The Board has adopted various policies for the Group's operations such as a Financial Policy, Investment Policy and Addtech's Code of Conduct.

The Board oversees the work of the CEO through continuous monitoring of operations during the year and is responsible for ensuring that the organisation, the management and the guidelines for managing Company affairs are appropriate, and that the Company has good internal control and effective systems for following up and controlling the Company's operations as well as for ensuring compliance with laws and regulations that apply to the Company's operations. The Board is also responsible for establishing, developing and following up the Company's goals and strategy, decisions on acquisitions and disposals of operations, major

investments and the appointment and remuneration of Group management. The Board and the CEO are responsible for submitting the annual accounts to the AGM.

Board work is evaluated annually in a process led by the Board Chairman, and the nomination committee is informed of the result of the evaluation. The Board continually evaluates the CEO's work. This issue is specially addressed annually, and no one from Company management attends this evaluation. The Board also evaluates and decides on material assignments held by the CEO outside the Company if he has any such assignments.

Board work

According to the Board's procedural rules, the Board is to meet in conjunction with presentation of the interim reports, at an annual strategy meeting and at the first post-election meeting of the new Board per year as well as on other occasions if required. The Board held seven meetings during the financial year, of which four preceded the 2012 AGM and three followed it. The next table shows attendance at Board meetings.

Board member	Elected	Board	Remuneration committee	Audit committee	Independent in relation to the Company	Independent in relation to major shareholders
Number of meetings		7	1	1		
Anders Börjesson (Chairman of the Board)	2001	6	1	1	Yes	No
Eva Elmstedt	2005	7		1	Yes	Yes
Tom Hedelius (Vice Chairman of the Board)	2001	7	1	1	Yes	No
Ulf Mattsson	2012	4			Yes	Yes
Johan Sjö	2008	7			No	Yes
Lars Spongberg	2001	7		1	Yes	Yes

The Company's CFO is the Board Secretary and the secretary of the nomination committee. Other salaried employees in the Company take part in Board meetings to present certain issues or when otherwise judged suitable. The Board's work during the year addressed various issues, for example concerning the Group's strategic development, day-to-day operations, the earnings trend, the profitability trend, business acquisitions, organisation, and the Group's financial position.

Remuneration committee

The remuneration committee elected by the Board of Directors consists of: Anders Borjesson (Board Chairman) and Tom Hedelius (Vice Chairman), and Johan Sjö as the reporting member. The remuneration committee draws up the 'Board's proposal for principles regarding remuneration to senior management'. The Board discusses the proposal, which is then presented to the AGM to decide on. The Board sets the remuneration of the CEO based on the AGM's decision. The CEO does not report on his own remuneration and does not take part in making the Board decision. The remuneration committee sets the remuneration of other members of Group management based on proposals from the CEO. The Board is informed of the remuneration committee's decisions. The remuneration committee then has the task of monitoring and evaluating application of the guidelines for remuneration to senior management as decided on by the AGM. In addition, the remuneration committee must monitor and evaluate ongoing programmes, and those completed during the year, for variable remuneration to the Company management.

The remuneration committee had one meeting during the financial year.

Audit committee

The Board has appointed an audit committee consisting of the Board members who are not employed by the Company, in other words, Anders Borjesson, Tom Hedelius, Eva Elmstedt, Ulf Mattsson and Lars Spongberg. The audit committee's tasks were integrated into Board work at the Board's regular meetings, so the Board Chairman also acted as Chair of the audit committee. The committee Chair has accounting and auditing knowledge.

Eva Elmstedt, Ulf Mattsson and Lars Spongberg are also independent of the Company's major shareholders and have accounting knowledge.

Without affecting the Board's responsibility and tasks in other respects, the audit committee shall monitor the Company's financial reporting; monitor the effectiveness of the Company's internal control and risk management regarding the financial reporting; stay informed about the audit of the annual accounts and the consolidated financial statements; assess and monitor the impartiality and independence of the auditor and

in doing so shall pay particular attention to whether the auditor provides the Company with other services besides auditing services; and assist in drawing up proposals for the AGM's decision on selection of an auditor.

In conjunction with the adoption of the 2011/2012 annual accounts at the May 2012 Board meeting, the Board held discussions with the Company's external auditors and received their reporting. At this meeting, the Board also discussed matters with the auditors without the CEO or other members of Company management being present. A corresponding meeting was held in May 2013 for the 2012/2013 financial year.

Chief Executive Officer

Johan Sjö is the CEO of Addtech. He is presented in the Board and management section and on the Company's website.

The CEO heads the operations as per the requirements of the Swedish Companies Act and the frameworks set by the Board. In consultation with the Board Chairman, the CEO prepares requisite documentation for information and decisions prior to Board meetings, gives presentations and explains proposals for decisions. The CEO leads the work of Group management and makes decisions in consultation with other members of the management. Group management consists of Johan Sjö, Artur Aira, Anders Claeson, Ake Darfeldt, Hakan Franzen and Kristina Willgard. Group management regularly reviews operations in meetings chaired by the CEO. The members of Group management are presented in more detail in the Board and management section of the annual report and on the Company's website.

Operating organisation

The Group's operations are organised in four business areas: Addtech Components, Addtech Energy, Addtech Industrial Solutions and Addtech Life Science. The business is conducted through subsidiaries in Sweden, Denmark, Finland, Norway, the United Kingdom, Austria, Germany, Poland, Estonia, Latvia, Lithuania, Japan, China, Taiwan, Trinidad/Tobago and Turkey. Each operating company has a board of directors, in which the company's managing director and employees in managerial positions from business areas or business units are represented. Within each business area the companies are organised in business units linked to product or market concepts. Each company's managing director reports to a business unit manager, who in turn reports to the business area manager. Each business area manager reports to the CEO of Addtech AB. The business areas and business units hold internal board meetings chaired by the CEO of Addtech AB and the managers of the business areas, respectively.

Acquisition of companies

Acquisitions are a key part of the Group's growth strategy, and since its listing in 2001 Addtech has acquired more than 70 companies. From a governance perspective it is important, in certain issues of significance to the Group, to integrate the acquired company directly in conjunction with the acquisition. This work starts before the takeover date, during the negotiation and analysis period. Immediately after the new ownership commences, the company's employees receive training in matters such as the Group's financial reporting, which enables consolidation in the Group's accounts right from the acquisition date. Other areas may consist of drawing up administrative routines to comply with the Group's established working methods, integration in the Group's insurance programmes, or training titled Vision and Corporate Philosophy, in which all employees receive the opportunity to learn about the Group's core values.

Nomination committee

The Annual General Meeting in August 2011 authorised the Board Chairman to establish a nomination committee for the 2012 AGM. The members were to be selected from representatives of the five shareholders known to the Company who controlled the largest number of votes at 31 December 2011, to serve with the Chairman on the nomination committee. The following were thus chosen: Marianne Nilsson (representing Swedbank Robur), Martin Wallin (representing Lannebo Fonder), Johan Strandberg (representing SEB fonder), Tom Hedelius, and Anders Börjesson (Chairman of the Board). For the AGM in August 2012, the nomination committee presented proposals for AGM Chairman, number of Board members, fees to Board members and auditors, candidates for Board members and Board Chair, and proposals for how to appoint the nomination committee in preparation for the AGM in 2013 and its tasks.

The committee had two meetings at which minutes were taken prior to the 2012 AGM. Addtech's Board Chairman provided the nomination committee with information on the Board's own evaluation. In its evaluation, the nomination committee stated that the Board was effective and that the competence required was represented on the Board. The Board was reduced by one member in 2009 and the nomination committee and Board agreed that adding a new Board member would complement the present Board. The

proposal of the nomination committee thus involves the re-election of all members plus the election of a new member.

The Board is responsible for costs linked to performance of the nomination committee's assignments. The members of the nomination committee receive no remuneration from the Company for their work on the committee. During the year the Company paid no costs linked to the nomination committee's assignments.

In August 2012, the AGM resolved that selection criteria and policies for appointing the nomination committee and its assignments shall not be decided annually by the AGM. Rather, the selection criteria and the procedure applicable in previous years shall apply until further notice unless changes need to be made.

The nomination committee comprises: Marianne Nilsson (representing Swedbank Robur), Martin Wallin (representing Lannebo Fonder), Johan Strandberg (representing SEB fonder), Tom Hedelius, and Anders Börjesson (Chairman of the Board). Two nomination committee members are Board members and are not independent of the Company's major shareholders, which deviates from the Code's rules on composition of the nomination committee. If more than one Board member is included on the nomination committee, no more than one of them may be in a position of dependence in relation to the Company's major shareholders. The composition of the committee follows the principles set by the AGM. Anders Borjesson is chairman of the nomination committee and Board Chairman. This deviates from the Code's rules which state that the chairperson of the nomination committee shall not, without an explanation, be a Board member of the Company. However, the Chairman knows the Company and other shareholders well. In conjunction with its first meeting, the nomination committee also deemed it suitable that the committee chairperson should be the member who represents the largest group of shareholders. The composition of the nomination committee was disclosed in conjunction with presentation of the interim report on 12 February 2013.

The nomination committee is to present proposals for selection of an AGM Chairman, the number of Board members, fees to each of the Board members, candidates for Board members and the Board Chair, as well as choice of registered auditing firm and auditing fees. The proposals of the nomination committee to the AGM will be presented in the notice to attend the meeting and on the Company's website.

Contraventions

The Company has not contravened any regulations that apply to the stock exchange on which the Company's shares are listed for trading, nor has it contravened fair practice in the stock market.