

ADMINISTRATION REPORT

1 APRIL 2013 - 31 MARCH 2014

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 2013/2014 financial year.

MARKET TREND DURING THE YEAR

Overall, business conditions for the Group were stable in the first six months of the year, despite relatively volatile underlying demand based on mixed market conditions in terms of geography, customer and product segments. The situation was more positive in the third quarter, but sales were weak due to a number of customers taking a cautious approach to purchasing before the end of the calendar year. Underlying demand was unchanged in the final quarter and the postponed deliveries from the third quarter were carried out as planned. This resulted in the fourth quarter showing very strong organic sales and earnings growth.

Conditions have gradually become more stable over the financial year, although demand for production components from Nordic manufacturers remains hesitant, particularly in the vehicle and engineering industries. This particularly affects the Components and Industrial Solutions business areas, with the Danish and Finnish markets having faced tougher market conditions. The Norwegian market has been performing well and the Swedish market recovered somewhat during the year. The Group's companies operating on markets outside the Nordic region enjoyed very positive development. The Life Science and Energy business areas have seen good demand from segments such as Nordic healthcare and customers in the energy segment. The Group's sales and earnings growth in the financial year came both from organic growth and from acquisitions, as well as from the selective cost-cutting measures carried out which have had a positive earnings effect.

PERFORMANCE BY QUARTER

- **First quarter.** Overall, the business climate in the first quarter was relatively stable, but the mixed market conditions from the previous year remained, with parts of the business performing well while others faced a tougher market. Demand for production components from Nordic manufacturers, particularly in the vehicle and engineering industries, remained cautious in the quarter and mainly affected our Components and Industrial Solutions business areas. The Energy business area continued to enjoy good market conditions, reporting its highest ever sales and earnings in the quarter. The Life Science business area experienced increasing overall demand. As a whole, the Group's sales for comparable units were in line with the relatively strong first quarter of the previous financial year. The Group's sales and earnings growth was due to acquisitions combined with a positive effect from selective cost-saving measures initiated in the previous financial year.
- **Second quarter.** The market situation in the second quarter remained largely unchanged from the first quarter. Net sales for comparable units increased by four percent in the second quarter. Parts of the business experienced good demand, while others faced more difficult conditions. Demand from Nordic manufacturers was worse in the second quarter, and this principally affected the Components business area. The Finnish businesses in particular faced a tougher market climate. Business conditions between the quarters were unchanged for Industrial Solutions, while the businesses outside the Nordic region enjoyed a more positive trend. The healthy demand seen in the first quarter persisted in the second quarter for the Energy business area, and Life Science saw a continued improvement in conditions.

- **Third quarter.** Business conditions were generally more positive and slightly more stable in the third quarter compared with the first six months of the financial year. Despite this, sales did not increase at the same rate due to a number of customers adopting a cautious approach to purchasing before the end of the calendar year. These postponed deliveries, in part to manufacturers and certain customers in the electric power segment, above all affected our Components and Energy business areas. Many of the Group's manufacturing customers took an extended break over Christmas and the New Year, as did our own production units in Industrial Solutions. The Life Science business area continued to develop well. Overall, sales for comparable units fell by 4 percent in the quarter. Overall business conditions improved slightly for the Group's business in Sweden and Denmark. The Norwegian market remained stable at a high level, while the Group's Finland-based businesses, which have manufacturing customers, saw decreased demand. These companies operating on markets outside the Nordics continued to enjoy very positive development.
- **Fourth quarter.** Net sales rose by 15 percent in the final quarter of the year. Comparable units increased by 9 percent and acquisition-based growth totalled 5 percent. Underlying demand was unchanged in the final quarter. The postponed deliveries from the third quarter were carried out as planned. This resulted in the fourth quarter showing very strong organic sales and earnings growth. For the Components and Industrial Solutions business areas, demand remained cautious, mainly from Nordic manufacturing companies in the vehicle and engineering industry segments. The Energy business area experienced high overall business activity in the quarter, especially in the transmission segment. Life Science continued to enjoy good business conditions, although it finished the year slightly weaker than in the previous quarter.

KEY EVENTS DURING THE YEAR

To sum up, the 2013/2014 financial year featured a continued cautious and uneven business climate with major variations between different parts of the business. During the year the Group implemented measures that have affected the cost and working capital situation of the operations that are experiencing a less favourable business climate. We have also deployed resources to strengthen business operations in other parts of the Group. The focus during the year has been on enhancing the various operations and carrying out acquisitions in selected segments and niches. Five companies were acquired in our business areas.

The Group's sales and earnings growth in the financial year had a positive effect on earnings. Combined with our focus on working capital, this has resulted in good cash flow and a strong financial position, providing good future opportunities.

During the financial year the company carried out a share split. The extraordinary shareholders' meeting on 19 November 2013 decided that the number of shares in the company should be increased by splitting each share into three (3) shares. The reason for the split is to increase liquidity in the company's shares, as a large number of shares and a lower price per share helps turnover of the company's shares.

Acquisitions

Addtech is constantly on the lookout for companies to acquire and is engaged in discussions with a number of possible companies. During this financial year Addtech made five acquisitions that came into effect during the year. Eight companies were acquired in the previous year. The year's acquisitions were carried out in all business areas and are diverse both in terms of the markets and products covered.

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 80 companies. The following companies were acquired during the year:

- **The Rutab Group.** 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.
- **Holger Eldfast AB.** On 1 July Holger Eldfast AB was acquired, forming part of the Industrial Solutions business area. Holger Eldfast conducts agency operation in fireproof materials, mainly on the Swedish market. The company has two employees and sales of about SEK 15 million.
- **Vimex AS.** On 6 August Vimex AS was acquired for the Life Science business area. Vimex's business focuses on analysis products for the shipping industry. Vimex has seven employees and sales of NOK 13 million.
- **Sittab AB.** On 1 October Sittab AB was acquired, forming part of the Industrial Solutions business area. Sittab is a niche player delivering ergonomic solutions for drivers' seats, chiefly for construction machines and buses. Sittab has 26 employees and sales of about SEK 65 million.
- **Valnor AS.** On 2 December Valnor AS was acquired for the Components business area. Valnor is a technology trading company providing components in the field of valves for instrumentation and piping installation. Valnor has 12 employees and sales of around NOK 50 million.

The total purchase consideration for the year's five acquisitions was SEK 234 million.

The combined effect of the acquisitions on the Addtech Group's net sales was SEK 225 million, on operating profit SEK 15 million and on profit after tax for the period SEK 9 million. If the acquisitions had taken place at 1 April 2013, they would have had an effect of an estimated SEK 300 million on consolidated net sales, about SEK 22 million on operating profit and about SEK 15 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 87 people as a result of the year's acquisitions.

NET SALES, PROFIT AND FINANCIAL POSITION

NET SALES AND PROFIT

The Addtech Group's net sales rose by 13 percent during the financial year to SEK 6,089 million (5,403). Comparable units showed an increase of 2 percent and acquisition-based growth was 11 percent. Changes in exchange rates had a marginally negative effect on net sales and operating profit, corresponding to SEK 20 million and SEK 1 million, respectively, for the year.

During the financial year, operating profit rose by 15 percent to SEK 501 million (437) and the operating margin reached 8.2 percent (8.1). The operating margin before amortisation of intangible non-current assets equalled 9.5 percent (9.2). Net financial items were SEK -26 million (-29) and profit after financial items increased by 17 percent to SEK 475 million (408).

Profit after tax for the financial year increased by 14 percent to SEK 369 million (323) and EPS rose to SEK 5.50 (4.85). The effective tax rate was 22 percent (21). Following a revised tax rate in Norway and Finland in 2014, deferred tax fell by a net amount of SEK 4 million. In the previous year deferred tax fell by an equivalent of SEK 25 million as a result of a reduced tax rate in Sweden in 2013. Excluding these changes, the effective tax rate for the financial year would have amounted to 23 percent (27).



Profitability, financial position and cash flow

At the end of the financial year, the return on equity was 30 percent (31) and the return on capital employed was 24 percent (25).

Return on working capital, P/WC (operating profit in relation to working capital), amounted to 47 percent (45). 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 1,075 million (969) at the end of the financial year.

At the end of the financial year the equity ratio stood at 39 percent (36). Equity per share, excluding non-controlling interest, totalled SEK 20.10 (16.70). Consolidated financial net debt at the end of the year stood at SEK 524 million (523), excluding pension liabilities of SEK 252 million (239). The net debt/equity ratio, based on net debt excluding pension provisions, was 0.4 (0.5).

Cash and cash equivalents, consisting of cash and bank balances together with approved but non-utilised credit facilities, totalled SEK 559 million (668) at 31 March 2014. The Group's available credit facilities totalled SEK 1,028 million (1,132) at 31 March 2014.

Cash flow from operating activities reached SEK 479 million (339) in the financial year. Company acquisitions, including settlement of additional purchase consideration for acquisitions implemented in previous years, totalled SEK 205 million (311). Investments in non-current assets amounted to SEK 58 million (42) and disposals of non-current assets amounted to SEK 4 million (2). The dividend for the year amounted to SEK 176 million (174), the repurchase of treasury shares amounted to SEK 15 million (-) and the exercise and issued call options totalled SEK 30 million (24).



TRENDS AND EARNINGS OF THE BUSINESS AREAS

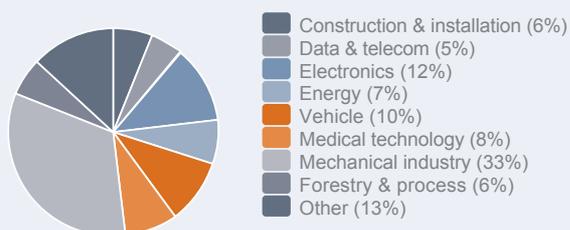
ADDTECH COMPONENTS

Addtech Components' net sales rose by 1 percent to SEK 1,554 million (1,542). Operating profit declined to SEK 96 million (98).

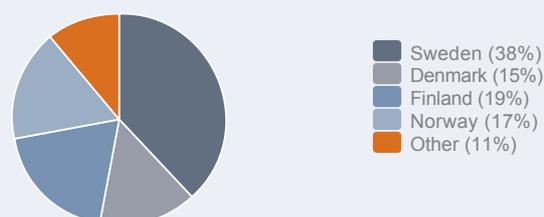
Overall for this business area, demand for production components from Nordic manufacturers has gradually become more stable over the financial year, although variations between different customer segments and geographic regions remain. Customers, particularly those in the vehicle and engineering industry segments and in electronics production, reduced their production rate during the year. Demand has been most positive in customer segments such as energy, oil & gas in Norway and from large machinery manufacturers with sales to markets other than the vehicle and engineering industry segments.

During the year an acquisition, Valnor AS, was carried out for this business area.

Components sales by customer segment



Components sales by geographic market



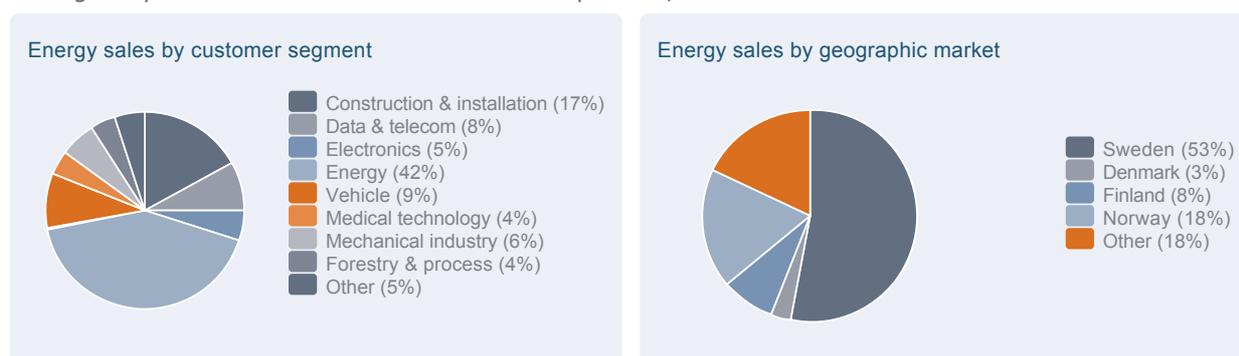
	Addtech Components	
	2013/2014	2012/2013
Net sales, SEKm	1,554	1,542
Operating profit, SEKm	96	98
Operating margin, %	6.2	6.4
Working capital year average, SEKm	293	298
Return on working capital (P/WC), %	33	33
Average number of employees	429	420

ADDTECH ENERGY

Addtech Energy's net sales totalled SEK 1,975 million (1,576), an increase of 25 percent. Operating profit rose by 31 percent to SEK 200 million (152).

Overall, the business area saw good demand during the year, starting and ending on a solid note, but with a weaker period during the third quarter. Demand was good throughout the year for electric power distribution and transmission products. Following a very high pace of supply in the transmission segment, our customers have announced they will be investing at a slightly lower level, which could impact this business area in the short term. Business conditions for battery solutions on the Nordic market have improved over the year. The electrical installation products market, which was weak for part of the financial year, showed signs of greater willingness to invest in the final quarter of the year.

During the year this business area made one acquisition, Rutab AB.



	Addtech Energy	
	2013/2014	2012/2013
Net sales, SEKm	1,975	1,576
Operating profit, SEKm	200	152
Operating margin, %	10.1	9.7
Working capital year average, SEKm	331	274
Return on working capital (P/WC), %	61	56
Average number of employees	659	477

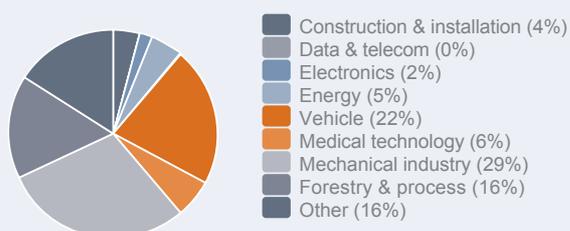
ADDTECH INDUSTRIAL SOLUTIONS

Addtech Industrial Solutions' net sales rose by 2 percent to SEK 1,173 million (1,150). Operating profit amounted to SEK 93 million (93).

Following a relatively weak third quarter, demand was at a good level in the latest quarter. However, there is still significant variation in conditions for this business area between different geographic markets and product areas. The business climate for products to the specialist vehicle industry has become more positive, but remains weaker in the mining segment. Demand from customers in forestry, paper and pulp has improved in Sweden but it was subdued in other markets. Sales were stable for electric motor solutions, products made of polymeric materials on the Danish market and machinery components and production equipment for industrial after-market customers.

This business area made two acquisitions during the year, Holger Eldfast AB and Sittab AB.

Industrial Solutions sales by customer segment



Industrial Solutions sales by geographic market



	Addtech Industrial Solutions	
	2013/2014	2012/2013
Net sales, SEKm	1,173	1,150
Operating profit, SEKm	93	93
Operating margin, %	7.9	8.1
Working capital year average, SEKm	256	256
Return on working capital (P/WC), %	36	36
Average number of employees	528	524

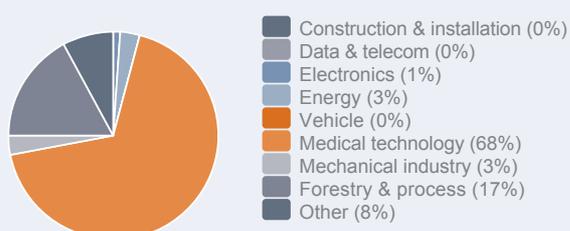
ADDTECH LIFE SCIENCE

Addtech Life Science's net sales were SEK 1,393 million (1,141), a 22 percent increase. Operating profit rose by 16 percent to SEK 125 million (108).

The business area enjoyed good growth in earnings over the financial year, despite a relative weaker result in the fourth quarter. Overall, demand for this business area continued to grow during the final quarter. Demand for diagnostic equipment and reagents for the Nordic healthcare sector was good throughout the financial year. Conditions improved during the year for measuring and analysis instruments for the Nordic process industry, particularly in the marine segment. Demand for equipment and reagents for healthcare and research laboratories over the year was stable.

During the year this business area made one acquisition, Vimex AS.

Life Science sales by customer segment



Life Science sales by geographic market



	Addtech Life Science	
	2013/2014	2012/2013
Net sales, SEKm	1,393	1,141
Operating profit, SEKm	125	108
Operating margin, %	9.0	9.5
Working capital year average, SEKm	201	147
Return on working capital (P/WC), %	62	74
Average number of employees	436	347

RISKS AND UNCERTAINTIES

Addtech uses risk management at both a strategic and operational level. Risk management involves identifying, measuring and preventing risks from occurring, and continually making improvements in order to reduce 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 policies and instructions that give the responsible managers tools with which to identify and follow up the progress of operations and to detect deviations that could become risks. The level of risk is monitored via monthly reports, in which managers describe developments in their respective units. 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.

RISK/DESCRIPTION	MANAGEMENT BY ADDTECH
<p>ECONOMIC FLUCTUATIONS</p> <p>Addtech's sales performance depends on demand from customers and their willingness to invest, which in turn are linked to customers' confidence in economic growth.</p> <p>A significant percentage of sales track the performance of the Nordic manufacturing industry. General economic performance and willingness to invest in the medical sector, research and healthcare as well as infrastructure is also of great significance to the Group.</p>	<p>Addtech's focus on niche markets and effort in every order it receives to offer value added means Addtech is less sensitive to fluctuations in specific fields, sectors and geographic regions that experience major economic fluctuations.</p> <p>Addtech takes a systematic approach to developing businesses that are less dependent on the performance of the Nordic manufacturing industry. Addtech's significant sales of technical service, support and consumables to the aftermarket, as well as to healthcare and research laboratories, reduce the risk of fluctuations in the economy in individual industries having a major impact on the Group.</p>
<p>STRUCTURAL CHANGES IN CUSTOMERS' OPERATIONS</p> <p>Addtech's customers are exposed to tough competition, which leads to mergers, closures and the relocation of industrial production to low-cost countries.</p> <p>This involves risks as well as opportunities, because a contract manufacturer could choose other suppliers, or new business opportunities could materialise.</p>	<p>Addtech is constantly endeavouring to become more competitive by developing and delivering greater value added for customers. Acquisitions of new companies strengthen and develop the businesses by adding niches that are of interest.</p> <p>Addtech is also building on its Nordic presence, which combined with its financial strength and a broad service and production offering makes Addtech an attractive partner for many global suppliers serving the Nordic market.</p>

RISK/DESCRIPTION

GLOBALISATION

Heightened internationalisation in the past ten years has resulted in the relocation of parts of high-volume production from the Nordic countries and increased competition from low-cost countries.

MANAGEMENT BY ADDTECH

Addtech's companies have focused on the low- and medium-volume segment as it is in these segments that we can offer customers value added. Production in these segments largely remains in the Nordic countries and Europe.

Clear value added and the uniqueness of Addtech's offering to customers help counter competition on price and also provide Addtech with the opportunity to supply customers outside its domestic markets. The Group's exposure to a large number of industries and the fact that no single customer accounts for more than two percent of consolidated sales also reduce the impact of individual companies potentially deciding to relocate abroad.

COMPETITIVE SITUATION

Change and consolidation among companies in the technology trading industry are constantly altering the competitive situation. Economy of scale can lead to pricing pressure, while rapid technological change can undermine our offering.

Addtech's strategy aims to achieve market-leading positions in specific niches by offering products and services for which price is not the sole deciding factor.

To keep up with technological developments, our companies need to be innovative and participate in these developments. Working closely with both suppliers and customers develops our expertise and we remain a competitive player on our markets.

ENVIRONMENT

The Addtech Group's companies are primarily involved in technology trading, so our operations have a limited direct environmental impact. Active environmental efforts are made in the Group with the aim of reducing the Group's impact on the environment. 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.

Despite this, under the relevant environmental legislation there is always a risk that, through its corporate identification number, one of the Group's subsidiaries could be associated with a liability for historical environmental pollution.

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 fourth sustainability report. The Group's Code of Conduct includes all important issues in the environment, human rights, labour conditions, and corruption.

In the Group, 47 companies (45) 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 6 (7) percent of consolidated net sales.

When making acquisitions, Addtech conducts an analysis of the company's corporate identification number to mitigate the risk of being deemed liable for historical pollution.

RISK/DESCRIPTION EMPLOYEES

Employees are Addtech's main resource and most important means of being a competitive business. Our employees are business professionals with high technological expertise. Understanding customers' businesses is crucial and is the key to in-depth and close cooperation. Addtech's employee risks mainly involve the possibility of losing key members of staff and a lack of technically skilled and innovative business people. In addition, a lack of skilled managers can hinder the development of the business.

MANAGEMENT BY ADDTECH

Addtech's companies should be attractive employers that both develop capable employees and attract new employees. Employees should have good opportunities for personal development and Addtech takes a long-term approach on several levels aimed at increasing internal knowledge transfer, furthering the growth of employees and refining the corporate culture.

Addtech Business School is key to developing Group employees, building common values and ensuring the supply of management staff. All employees undergo one or more stages in the business school, which constitutes a key platform from which to convey corporate culture, enhance business acumen and raise the degree of professionalism among employees.

The Group conducts regular employee surveys. The purpose of these surveys 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.

ACQUISITIONS

Addtech's objective is to achieve long-term earnings growth of at least 15 percent a year. To achieve this we require a combination of organic growth and acquisitions. 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 to realise than expected. This means the Group runs the risk of paying too high a price for the results that the company will deliver.

To ensure the success of our acquisitions, Addtech has well-established processes and structures for pricing and implementing the deals and integrating acquired companies into the Group effectively.

RISK/DESCRIPTION	MANAGEMENT BY ADDTECH
GOODWILL	
<p>Goodwill arises when Addtech acquires businesses that are valued above the carrying amount.</p> <p>Goodwill is tested annually and if the 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.</p>	<p>Acquired goodwill is tested annually for impairment in accordance with accounting rules on acquired goodwill. Goodwill testing takes place for each business unit.</p>
FINANCIAL RISKS	
<p>Various financial risks arise in the business operations, such as transaction exposures and currency translation exposure, as well as credit risk relating to customers. In addition, the overall Group is affected by financial risks such as financing risk, interest rate risk and credit and counterparty risk.</p>	<p>Addtech strives for structured and efficient management of the financial risks that arise in operations, in accordance with the financial policy adopted by the Board of Directors.</p> <p>The policy stipulates goals and risks in the financial operations, and how they are to be managed. The financial policy expresses the goal of minimising and controlling financial risks. The policy defines and identifies the financial risks that arise at Addtech and how responsibility for managing these risks is distributed in the organisation.</p>

EMPLOYEES AND DEVELOPMENT

EMPLOYEES

At the end of the period, the number of employees was 2,150, compared to 2,011 at the beginning of the financial year. The year's acquisitions increased the number of employees by 87 (300). In addition, temporary hirings in production operations have increased the number of employees by 53. The average number of employees in the latest 12-month period was 2,100 (1,815).

	2013/2014	2012/2013	2011/2012
Average number of employees	2,100	1,815	1,612
proportion of men	75%	74%	72%
proportion of women	25%	26%	28%
Age distribution			
-up to 29 years old	11%	9%	7%
30-49 years	55%	58%	60%
50 and older	34%	34%	33%
Average age	45 years	45 years	45 years
Personnel turnover (adjusted as a result of programmes of measures and disposals)	11%	10%	10%
Average length of employment	about 10 years	about 10 years	about 11 years

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 2014 approve 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 48 million (45) and profit after financial items was SEK 211 million (243). Income from interests in Group companies is included and totals SEK 203 million (234). Net investments in non-current assets amounted to SEK 5 million (0). At the end of the financial year the Parent Company's financial net debt stood at SEK 40 million (44).

SHARE CAPITAL, REPURCHASE OF TREASURY SHARES, INCENTIVE PROGRAMMES AND DIVIDEND

At 31 March 2014, Parent Company share capital stood at SEK 51,148,872, distributed over the following number of shares with a quotient value of SEK 0.75 per share.

Share class	Number of shares	Number of votes	Percentage of capital	Percentage of votes
A 10 votes	3,253,800	32,538,000	4.8	33.4
B 1 vote	64,944,696	64,944,696	95.2	66.6
TOTAL	68,198,496	97,482,696	100.0	100.0

The Extraordinary General Meeting of the shareholders in Addtech AB on 19 November 2013 decided to carry out a split in the number of shares in the company by splitting each share into three (3) shares. The number of shares in the company increased to 68,198,496, of which 3,253,800 are Class A shares and 64,944,696 are Class B shares. The split was carried out on 13 December 2013. The share split also resulted in each outstanding call option entitling holders to three Class B shares.

The total number of shareholders on 31 March 2014 was 3,557 (3,379). Two shareholders each control 10 percent or more of the votes: Anders Börjesson (with family interests) owns shares corresponding to 15.4 percent of the votes and Tom Hedelius 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 in terms of contractual credit facilities of SEK 300 million and overdraft facilities of 500 SEK million can be terminated.

REPURCHASE OF TREASURY SHARES AND INCENTIVE PROGRAMMES

The Annual General Meeting in August 2013 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 2014.

152,700 treasury shares were repurchased during the financial year. At 31 March 2014, Addtech's holding of treasury shares was 2,063,400 Class B shares, with an average purchase price of SEK 45.60. These shares correspond to 3.0 percent of the number of shares issued and 2.1 percent of the votes. Of the shares repurchased, 2,063,400 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 2,195,148 (2,804,404).

The Board of Directors will recommend that the Annual General Meeting in August 2014 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 2013 AGM, 25 members of management were offered the opportunity to acquire 180,000 call options on repurchased Class B shares. The programme was fully subscribed. If fully exercised, the number of B shares outstanding will increase by 540,000, equivalent to 0.8 percent of the total number of shares and 0.6 percent of the votes. The call options were transferred at a price of SEK 21.20 per option, equivalent to the fair (market) value of the options based on an independent valuation. The redemption price per share attributable to the share-based incentive programme for 2013 is SEK 106.13; the redemption period is 19 September 2016 until 2 June 2017.

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 600,000, 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 per share attributable to the share-based incentive programme for 2012 is SEK 71.50; 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 600,000, equivalent to 0.9 percent of the total number of shares outstanding and 0.6 percent of the votes. The redemption price per share attributable to the share-based incentive programme for 2011 is SEK 59.80; the redemption period is 15 September 2014 until 29 May 2015.

The redemption price per share attributable to the share-based incentive programme for 2010 is SEK 54.90; the redemption period is 16 September 2013 until 30 May 2014. Between 16 September 2013 and 31 March 2014, 113,900 options out of a total of 221,700 were redeemed to shares. The remaining 107,800 have been redeemed since the end of the financial year.

The Board has decided to propose that the Annual General Meeting in August 2014 approve an incentive programme according to the same, or an essentially similar, model as decided at the 2009-2013 AGMs.

DIVIDEND

The Board of Directors proposes a dividend of SEK 3.00 (2.67) per share. The total dividend amounts to SEK 199 million (176). Addtech's dividend policy is based on a target of paying as a dividend more than 50 percent of average Group profit after tax over a business cycle. The proposed dividend represents a pay-out ratio of 55 percent (55).

FUTURE PROSPECTS AND EVENTS AFTER THE REPORTING PERIOD

FUTURE PROSPECTS

Business conditions have gradually become more stable over the financial year, although demand for production components from Nordic manufacturers remains cautious. We generally expect a more modest growth rate in the coming year as recovery is progressing slowly in a number of areas of the industry. The market remains mixed, with variations between our various niches and between different geographic markets and customer segments. In the hope of somewhat better market conditions we are now focussing on further improving growth in the Group. We need to raise the bar and be even better at enhancing what we are already good at.

During the year, the Group has conducted activities to adjust the cost and working capital situation in some of its operations, and we have also deployed additional resources in other companies. These measures have resulted in strong cash flow, which combined with a strong financial position offers good 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

Three companies have been acquired after the reporting period:

On 1 April GigaCom AB and GigaCom AS were acquired, becoming part of the Addtech Components business area. The GigaCom companies are technology trading companies supplying fibre-optic components and systems on the Swedish and Norwegian markets. The companies have six employees and sales of around SEK 30 million.

On 5 May Solar Supply Sweden AB was acquired for the Addtech Energy business area. Solar Supply is a technology trading company marketing and installing solar PV systems and related components on the Swedish market. Solar Supply has three employees and sales of about SEK 15 million.

On 17 June an agreement was signed to acquire 90 percent of shares outstanding in Hans Følsgaard A/S to become part of business areas Addtech Components and Addtech Energy. Hans Følsgaard is a technology trading company that delivers components and systems to OEM customers and larger end users within the manufacturing industry and also products within infrastructure and power transmissions to e.g. electric producers and wind power manufacturers. Hans Følsgaard has 65 employees and sales of about DKK 300 million. The closing is estimated to take place in the beginning of July 2014.

PROPOSED ALLOCATION OF EARNINGS

See "Financial Statements" for details.

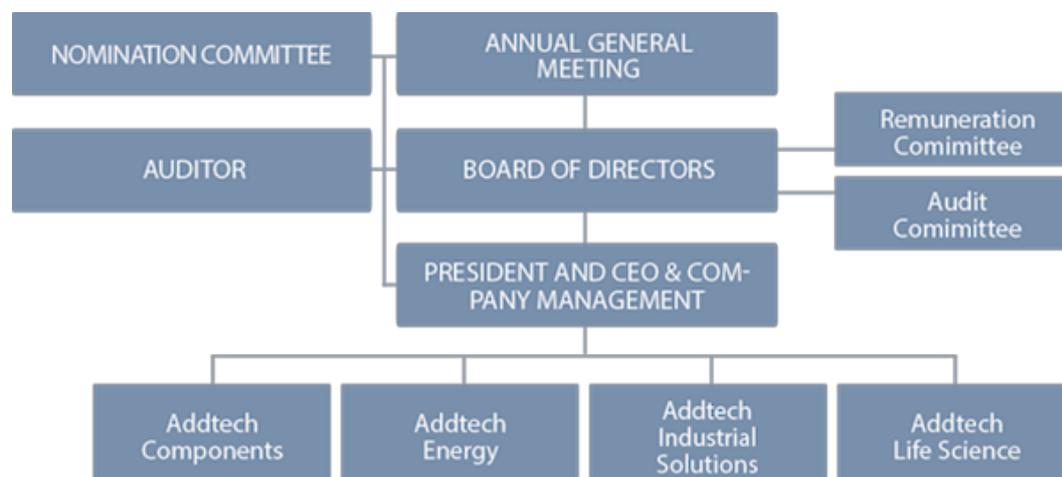
CORPORATE GOVERNANCE

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 policy, reporting 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.

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 25 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 2013 Annual General Meeting elected KPMG to serve as the Company's auditor until the close of the 2014 Annual General Meeting. George Pettersson is the Auditor in charge, assisted by Jonas Eriksson. KPMG audits Addtech AB and practically all its subsidiaries.

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 million during the 2013/2014 financial year and SEK 1.5 million during the preceding year.

Quarterly review by auditors

Addtech's six-month or nine-month reports were not reviewed by Addtech's external auditors during the 2013/2014 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 Börjesson (with family interests) and Tom Hedelius 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. The number of shares is 68,198,496, of which 3,253,800 are Class A shares, entitling holders to 10 votes per share, and 64,944,696 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 Extraordinary General Meeting on 19 November 2013 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 2013 Annual General Meeting

Shareholders representing 54.4 percent of the share capital and 66.3 percent of the votes took part in the AGM on 28 August 2013. Anders Börjesson was elected Chairman of the meeting. The meeting's decisions included approving a dividend of SEK 2.67 per share and a share-based incentive programme. Johan Sjö, the Company's President and CEO, commented on the Group's operations, the 2012/2013 financial year, developments during the first quarter of the new financial year and the Group's outlook for the future.

Board members Anders Börjesson, Eva Elmstedt, Tom Hedelius, Ulf Mattsson, Johan Sjö and Lars Spongberg were re-elected. Anders Börjesson 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 2010, 2011, 2012 and 2013. 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 28 August 2013 granted to the Board to repurchase shares in the Company.

The 2013 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 2014 AGM is available in the Shareholder information section of the annual report and on the Company's website.

2013 Extraordinary General Meeting

Shareholders representing 52.9 percent of the share capital and 64.4 percent of the votes took part in the Extraordinary General Meeting (EGM) on 19 November 2013. Anders Börjesson was elected Chairman of the meeting.

In accordance with the Board proposal, the EGM decided to carry out a split in the number of shares in order to achieve an appropriate number of shares in order to increase liquidity in the company's shares. The share split resulted in the number of shares in the company increasing through each share being split into three (3) shares. Following the split, the number of shares amounted to 68,198,496, of which 3,253,800 are Class A shares and 64,944,696 are Class B shares and each share has a quotient value of SEK 0.75. The Board was authorised to decide on the record date for the split and to take other necessary measures to carry out the share split.

The wording in the Articles of Association was changed to the following: "The number of shares shall be no less than sixty million (60,000,000) and no more than two hundred and forty million (240,000,000)."

The EGM was held in Swedish and no simultaneous interpreting into another language was deemed necessary in view of the composition of the company's ownership. All material referred to by the meeting was made available in both Swedish and English. In view of the composition of the company's ownership, the minutes of the meeting are only available in Swedish.

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 Börjesson (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 250,000. The Chairman receives SEK 500,000 and the Vice Chairman receives SEK 380,000. Total Board fees amount to SEK 1,630,000, 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 nine meetings during the financial year, of which four preceded the 2013 AGM and five 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		9	1	1		
Anders Börjesson (Chairman of the Board)	2001	9	1	1	Yes	No
Eva Elmstedt	2005	9		1	Yes	Yes
Tom Hedelius (Vice Chairman of the Board)	2001	9	1	1	Yes	No
Ulf Mattsson	2012	9		1	Yes	Yes
Johan Sjö	2008	9			No	Yes
Lars Spongberg	2001	8		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 Börjesson (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 Börjesson, 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 2012/2013 annual accounts at the May 2013 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 2014 for the 2013/2014 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, Åke Darfeldt, Håkan Franzen and Kristina Willgård. 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, Turkey and the US. 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 80 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 2012 authorised the Board Chairman to establish a nomination committee for the 2013 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 2012, 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 2013, 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 2014 and its tasks.

The committee had two meetings at which minutes were taken prior to the 2013 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 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 Börjesson 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 11 February 2014.

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.