

Administration Report

1 April 2011-31 March 2012

The Board of Directors and the CEO of Addtech AB (publ.), company ID number 556302-9726, hereby submit the annual accounts and consolidated financial statements for the 2011/2012 financial year.

Market trend during the year

The year's good development of both sales and earnings is a combination of sound organic growth and implemented acquisitions, which developed well in the Group.

On the whole, demand was good for our operations during the first half of the year. Organic growth was also healthy during the second half, despite several customers being more cautious in their order forecasts. Demand in our product and market areas continued to develop positively.

The market is more fragmented than in the past and we are seeing substantial variations between different geographic markets, customer segments and product niches. Demand from Nordic healthcare was stable at a high level throughout the financial year. In the market for production components for Nordic manufacturing companies, a certain degree of restraint towards the end of the year mostly affected the Group's operations in Sweden and Denmark. The Group's companies in Norway, Finland and markets outside the Nordics continued to perform well.

Reorganisation

The business has developed extensively in recent years, partly thanks to the increase in contacts and cooperation between the Group's subsidiaries. In parallel, a large number of newly acquired companies have been added, which also contributed to the need for change in our operations and offering. As a result of these developments we implemented a small-scale reorganisation in the Group, effective as of 1 April 2012. The reorganisation comprised moving a number of companies between our four business areas and creating two new business units. The reorganisation did not affect the Life Science business area. See also Note 5 Segment reporting. As of the first quarter of the 2012/2013 financial year, reporting for the Group will be according to this new structure.

Development per quarter

- **First quarter.** The financial year started with ever stronger demand from Nordic manufacturing companies, while the business situation in Nordic healthcare was stable. Sales in the quarter rose by 22 percent. In terms of geographic markets, sales in our Swedish operations levelled off to a good position. Our Finnish and Norwegian operations enjoyed ever greater demand, while our sales in Denmark did not improve at the same rate as in other markets. The Group's companies that operate in markets outside the Nordics continued to perform well. Demand for production components from Nordic manufacturing companies was good, which above all benefited Components and Industrial Solutions, our more industry-oriented business areas. In the energy-related market segment, the picture was patchier in the first quarter. The market for the Life Science business area remained stable, although with slightly lower volumes than before.
- **Second quarter.** During the second quarter demand continued to improve, yielding a 20 percent increase in sales in this quarter. Half the increase was through acquisition. Demand for power transmission products to the energy sector was high, and the business situation for industrial battery solutions was positive. The Energy & Equipment business area achieved its

highest sales and profit ever. The Industrial Solutions business area also enjoyed strong demand for production components and automation solutions. Towards the end of the second quarter, however, heightened unease about the market was noticeable among several customers in Nordic industry. For the Components business area, this resulted in slightly subdued demand and certain customers postponed some delivery plans. For the Life Science business area, demand remained robust for diagnostic equipment, laboratory equipment and measuring and analysis instruments.

- **Third quarter.** During the third quarter the positive growth continued and sales rose by 15 percent. Unease regarding the market in the Nordic manufacturing industry prevailed and demand continued to be somewhat subdued. The weaker market situation above all affected our operations in Components - primarily in Sweden and Denmark - while our operations in Norway and Finland continued to develop well. The business situation in above all the Swedish market was also slightly hesitant for Industrial Solutions. The development in markets outside the Nordic countries, however, remained favourable. Energy & Equipment achieved a strong quarter and a 35 percent rise in sales through both organic and acquired growth. Demand for niche products in electrical power distribution and for electrical safety products and electrical installation materials remained robust. The market for Life Science remained stable for diagnostic and laboratory equipment, while demand for measuring and analysis instruments for the process industry further improved.
- **Fourth quarter.** The year ended with a fourth quarter in which sales rose by 15 percent. For Components, demand was stable on the whole during the fourth quarter, even though the caution from previous quarters persisted - especially in the Swedish and Danish markets. Energy & Equipment reported yet another strong quarter, with sales growth of 32 percent; this was largely driven by acquisitions in the business area. Energy & Equipment also experienced a slightly more cautious market, and growth in demand was more subdued than earlier in the year. Looking at individual segments, niche products in electrical power distribution, electrical safety products and electrical installation materials continued their positive development at a high level. The Industrial Solutions business area retained its stable development during the final quarter of the year in all geographic markets. Good development was noted in above all these customer segments: the vehicle industry, medical technology, automation solutions and machine components. For Life Science the market situation remained as positive as in previous quarters for diagnostic and laboratory equipment. The business situation for measuring and analysis instruments to the Nordic process industry which had grown stronger earlier in the year, now displayed a degree of caution in certain customer segments.

Key events during the year

To sum up, the 2011/2012 financial year was a positive year for growth in both sales and earnings. The year was characterised by good organic growth and several successful acquisitions that have developed well in the Group. All business areas strengthened their positions in various markets and reported a positive earnings trend, but the market is more fragmented than in the past.

Financially speaking, the Group's position was robust during the year, maintaining a high equity ratio and a low net debt/equity ratio. We have surpassed, and have also increased, our profitability goal for P/WC. As a result, the Group generated strong cash flow from operations during the year, which has been used for investments in existing operations and acquisitions of new companies. The Group is thereby very well-equipped for further expansion of its business.

The focus in several areas during the year was to implement acquisitions and invest in existing operations to enhance the Group's market position in selected segments and niches. The Group is very well-equipped for further expansion of its business.

Acquisitions and disposals

Addtech is continually on the lookout for companies to acquire and is engaged in discussions with several possible companies. During this financial year Addtech made six acquisitions that came into effect during the year. A total of 12 acquisitions were made during the preceding year, which was partly due to the fact that only one acquisition was made in the year before that. The past year's acquisitions were implemented in all business areas and are diverse as regards 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 more than 60 companies. The following acquisitions were made during the financial year:

- **Elteco.** Addtech acquired Elteco AS on 1 April and the company is now part of the Addtech Energy & Equipment business area. Elteco AS is a technology trading company with products in electricity distribution and automation. Elteco has 19 employees and sales of about NOK 80 million.
- **Trinergi.** On 1 April Addtech acquired Trinergi AB, which became part of Addtech's Energy & Equipment business area. Trinergi is a technology trading company with products for electrical power measurement and thermography. Trinergi has sales of about SEK 20 million and seven employees.
- **Maxeta.** Addtech acquired Maxeta AS on 1 July to become part of the Addtech Energy & Equipment business area. Maxeta is a technology trading company operating in two main fields: products for electricity distribution and electrical installation materials. It has 50 employees and sales of about NOK 80 million.
- **Ramström Transmission.** On 1 October, Addtech acquired Ramström Transmission AB, which became part of the Addtech Industrial Solutions business area. Ramström Transmission is a technology trading company working in the field of transmission components. The company joins the Motion Technology business unit, where its products constitute a good complement to existing sales of mechanical transmission components in the Nordic markets. Ramström Transmission has 19 employees and sales of about SEK 50 million.
- **Rollco Holding.** Rollco Holding AB was acquired on 2 January to become part of the Addtech Components business area. Rollco Holding AB is the parent company of the Rollco group, which operates in the Nordics and Taiwan. Rollco is a leading supplier of components and solutions for linear motion and automation solutions to the manufacturing industry in the Swedish and Danish markets. The Rollco group has 38 employees and sales of roughly SEK 100 million.

- BioNordika Holding.** On 26 January Addtech acquired BioNordika Holding AB which became part of the Addtech Life Science business area. BioNordika Holding AB is the parent of the BioNordika group, with subsidiaries in the Nordics and Estonia. The group sells reagents and instruments for biomedical research - mainly to the pharmaceuticals industry and public institutes. The BioNordika group has 24 employees and sales of roughly SEK 80 million.

The total purchase consideration for the period's six acquisitions was SEK 301 million. Addtech also acquired the remaining 20 percent of the shares in Egil Eng AS for SEK 2 million.

The acquisitions had a combined effect of SEK 264 million on the Addtech Group's net sales, SEK 22 million on operating profit and SEK 15 million on profit after tax for the period. If the acquisitions had been made at 1 April 2011, they would have had an effect of about SEK 453 million on consolidated net sales, about SEK 41 million on operating profit and about SEK 28 million on profit after tax for the period. The acquisitions were made using an average EV/EBIT multiple of about 5. The number of Addtech employees increased by 157 people via the year's acquisitions.

Disposal of Electra-Box Pharma AB took place on 30 January; it was a subsidiary of Electra-Box Diagnostica AB, which is part of the Addtech Life Science business area. The company has annual sales of roughly SEK 4 million and 2 employees.

Net sales, profit and financial position

Net sales in the Addtech Group rose by 18 percent during the financial year to SEK 5,200 million (4,418). For comparable units, the growth was 7 percent and acquired growth totalled 12 percent. Exchange rate changes had an adverse effect of 1 percent on net sales, corresponding to SEK 47 million, and an adverse effect of 1 percent on operating profit, corresponding to SEK 4 million during the year.

Revenue and operating margin



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



During the financial year, operating profit climbed by 24 percent to SEK 470 million (380) and the operating margin reached 9.0 percent (8.6).

The operating margin before amortisation of intangible non-current assets equalled 10.1 percent (9.6).

Net financial items were SEK -23 million (-16) and profit after financial items increased by 23 percent to SEK 447 million (364).

Profit after tax for the financial year rose by 23 percent to SEK 327 million (265) and EPS rose to SEK 14.65 (11.80). The effective tax rate was 27 percent (27).

At the end of the financial year, the return on equity was 34 percent (31) and the return on capital employed was 32 percent (33).

Return on working capital, P/WC (operating profit in relation to working capital), amounted to 53 percent (50). The long-term target in the Group and all units is for P/WC to exceed 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 for the calculation of P/WC comprises inventories plus net accounts receivable and accounts payable, reached SEK 890 million (753).

At the end of the financial year the equity ratio stood at 37 percent (40). Equity per share, excluding non-controlling interest, totalled SEK 46.20 (40.80). Consolidated financial net debt at the end of the year stood at SEK 534 million (358) and included pension liabilities of SEK 195 million (186). Net debt in relation to operating profit with reversed depreciation/amortisation (EBITDA) amounted to 0.9 (0.8). The net debt/equity ratio was 0.5 (0.4).

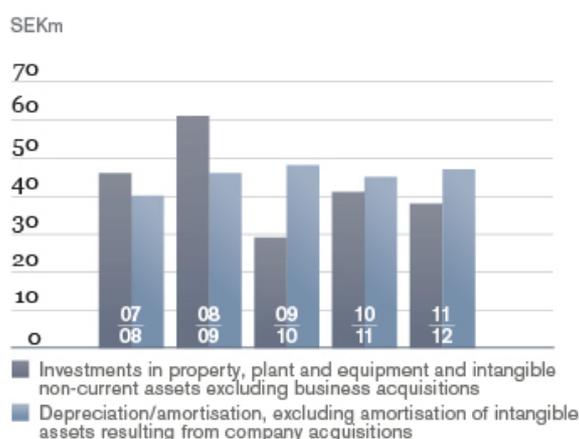
Cash and cash equivalents, consisting of cash and bank balances together with approved but non-utilised credit facilities, totalled SEK 717 million (655) at 31 March 2012. During the fourth quarter, the Group extended its available credit facilities by SEK 220 million.

Cash flow from operating activities reached SEK 415 million (300) in the financial year. Investments in non-current assets were SEK 38 million (41) and company acquisitions, including settlement of additional purchase consideration for acquisitions implemented in previous years, totalled SEK 260 million (273). Disposal of operations totalled SEK 0 million (11), and disposals of non-current assets totalled SEK 2 million (1). The year's dividend amounted to SEK 156 million (111) and the repurchase of treasury shares totalled SEK 71 million (3).

Return on equity and capital employed



Investments, depreciation and amortisation



Trends and earnings in the business areas

The account below follows the organisational structure that applied during the 2011/2012 financial year.

Addtech Components

Net sales in Addtech Components increased by 10 percent to SEK 1,243 million (1,128). Operating profit rose to SEK 97 million (82).

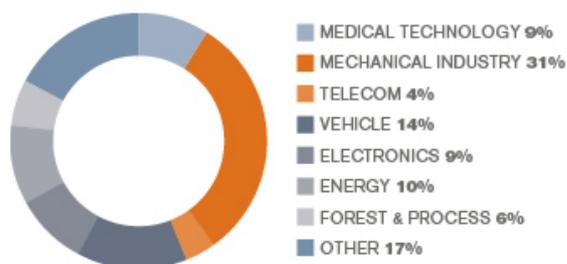
On the whole, demand for production components from Nordic manufacturing companies was good during the financial year. During the second half of the year, heightened unease about the market was perceivable among our customers in all Nordic countries. The customer segments that achieved the best development during the year consisted of machinery manufacturers and mobile hydraulics. The business situation was stable in telecom, but weaker demand was noted in the electronics industry and medical technology segments. The Swedish market enjoyed a

favourable business climate in the first two quarters, after which it was affected by greater unease and caution. Demand in the Finnish market was on a good level throughout the financial year, while the Danish market was generally weak. The market in Norway continues to be fragmented; the Norwegian engineering industry is performing relatively poorly, while demand from the oil and gas industry is better.

Rollco Holding AB was acquired during the year to become part of the business area.

	Addtech Components	
	2011/2012	2010/2011
Revenue, SEKm	1,243	1,128
Operating profit, SEKm	97	82
Operating margin, %	7.8	7.3
Working capital, SEKm	229	202
Return on working capital (P/WC), %	43	41
Investments in property, plant and equipment, SEKm	4	8
Average number of employees	308	280

Addtech Components sales by customer segment



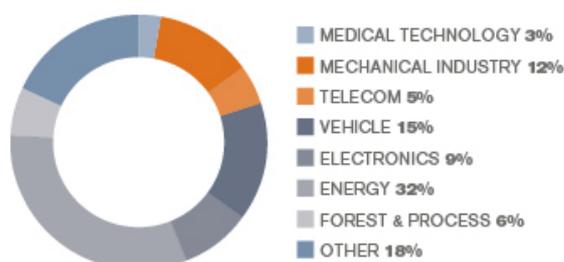
Addtech Energy & Equipment

Net sales in Addtech Energy & Equipment totalled SEK 1,133 million (851), which is an increase of 33 percent. Operating profit amounted to SEK 128 million (91). Demand was good in the business area during the financial year, which, combined with implemented acquisitions, produced a significant increase in both sales and profit. During the fourth quarter, the market was generally somewhat more hesitant, and growth in demand slowed down slightly compared to earlier in the year. The business situation for industrial battery solutions was stable during the year. Demand for niche products in electrical power distribution and for electrical safety products and electrical installation materials remained robust at a high level throughout the year. Demand for equipment and consumables for the manufacturing industry was sound during most of the year, but some stagnation was noted during the final quarter.

The business area acquired three companies during the year: Elteco AS, Trinergi AB and Maxeta AS.

	Addtech Energy & Equipment	
	2011/2012	2010/2011
Revenue, SEKm	1,133	851
Operating profit, SEKm	128	91
Operating margin, %	11.3	10.7
Working capital, SEKm	178	134
Return on working capital (P/WC), %	72	68
Investments in property, plant and equipment, SEKm	5	2
Average number of employees	334	273

Addtech Energy & Equipment sales by customer segment



Addtech Industrial Solutions

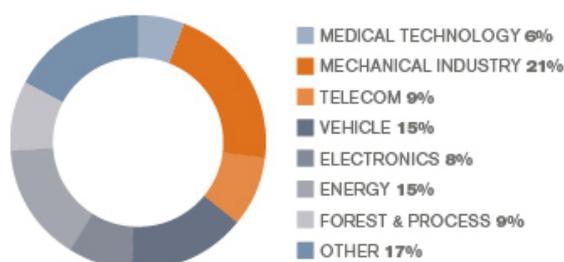
Net sales in Addtech Industrial Solutions increased by 17 percent to SEK 1,830 million (1,567). Operating profit climbed to SEK 163 million (128). For the full financial year, demand from manufacturing companies displayed positive development, particularly during the first six months. During the second half of the year, demand was stable on the whole, despite the greater caution shown by several customers in Sweden. In general, the markets outside the Nordic countries continued to grow. Favourable development was noted in the vehicle industry and medical technology customer segments as well as for automation solutions and machinery components. Demand for electric motor solutions was strong at the start of the year, but stagnated slightly during the final two quarters. The business situation in the telecom segment and the wood products and paper industry was more subdued.

Sales of products made of polymeric materials in the Danish market prevailed at the same level as during the preceding year, while demand for aftermarket products to the energy segment grew well throughout the financial year.

One acquisition was made in the business area during the year: Ramström Transmission AB.

	Addtech Industrial Solutions	
	2011/2012	2010/2011
Revenue, SEKm	1,830	1,567
Operating profit, SEKm	163	128
Operating margin, %	8.9	8.2
Working capital, SEKm	366	305
Return on working capital (P/WC), %	44	42
Investments in property, plant and equipment, SEKm	8	11
Average number of employees	630	575

Addtech Industrial Solutions sales by customer segment



Addtech Life Science

Net sales for Addtech Life Science were SEK 1,002 million (884), which is a 13 percent increase. Operating profit amounted to SEK 98 million (90). The business area displayed stable development during the financial year, which, combined with an implemented acquisition, produced an increase in both sales and profit. Demand from the Nordic healthcare sector for diagnostic equipment and reagents was sound right through the year. The market for equipment to Nordic healthcare laboratories and research laboratories continued to grow throughout the

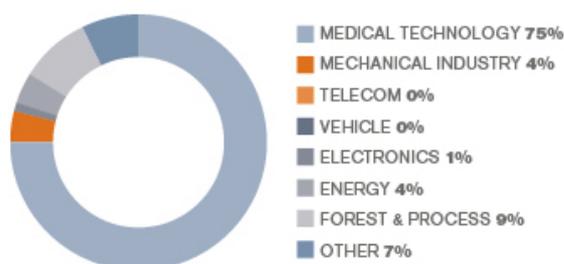
year. With higher systems sales, the business situation for measuring and analysis instruments to Nordic process industries was reinforced during the year.

During the fourth quarter, however, demand was more hesitant in certain customer segments compared to earlier in the financial year.

The business area made one acquisition during the the year: BioNordika Holding AB.

	Addtech Life Science	
	2011/2012	2010/2011
Revenue, SEKm	1,002	884
Operating profit, SEKm	98	90
Operating margin, %	9.8	10.2
Working capital, SEKm	121	116
Return on working capital (P/WC), %	81	78
Investments in property, plant and equipment, SEKm	14	14
Average number of employees	299	280

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 significant 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. Through the Addtech 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 & Equipment business area, investments in infrastructure - primarily in electricity distribution - have certain significance to the development of the Group. Addtech's sensitivity to the state of the economy is reduced through geographic spread and

industry diversity (in that the customers of Addtech's more than 100 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 among and consolidation by customers are accentuating demands for value added in offerings from suppliers. To meet these demands, operations 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 are being subcontracted. This involves risks as well as opportunities for Addtech, because a contract manufacturer could choose other suppliers, or new business opportunities could materialise.

The effects of growing internationalisation, in which production is being relocated to different countries, have been limited so far - except in the early 2000s when telecom and electronics firms relocated. The production that has relocated so far largely comprises high-volume production, and Addtech normally focuses on the low-volume and medium-volume segment. The Group's exposure to a large number of industries and the fact that no single customer accounts for more than three percent of consolidated sales reduce the impact of individual companies 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.

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 than 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 deviations from this pattern may occur if conditions in the economy change rapidly during the course of a financial year. In individual operations in Addtech Life Science and Addtech Energy & Equipment, 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 people with high levels of technical 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.

The Group runs 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 first employee survey during the financial year. It is part of our greater focus on sustainability work and aims to find out how employees view the subsidiaries as employers, 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 volumes of sales

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 depending on factors such as changed sales volume has therefore only taken into account higher or lower contribution margin, not whether adaptation of overheads needs to be adjusted accordingly.

Sensitivity analysis

Profit/loss items	Change	Effect on operating profit
Sales volume	+/-5%	+/-85 SEKm
Cost of sales	+/-1%	-/+31 SEKm
Payroll expenses	+/-1%	-/+8 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 1,700, compared to 1,512 at the beginning of the financial year. The year's acquisitions and disposals increased the number of employees by 155 (163). The average number of employees during the latest 12-month period was 1,612 (1,445). The increase in the number of employees during the year is a result of several subsidiaries seeing a need to reinforce their organisations to boost growth in the various niches in which the companies operate.

Read more about our employees on the company's website at www.addtech.com/medarbetare

	2011/2012	2010/2011	2009/2010
Average number of employees	1,612	1,445	1,335
proportion of men	72 %	72 %	70 %
proportion of women	28 %	28 %	30 %
Age distribution			
-up to 29 years old	7 %	8 %	9 %
30-49 years	60 %	60 %	61 %
50 and older	33 %	32 %	30 %
Average age	45 years	44 years	44 years
Personnel turnover (adjusted as a result of programmes of measures and disposals)	10 %	13 %	12 %
Average length of employment	about 11 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, 41 companies (36) 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 nine (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 second sustainability report. This reporting complies with Application Level C of the Global Reporting Initiative (GRI). In the preceding financial year we updated our Group-wide Code of Conduct, which includes all important points in the areas of 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 Guidelines for Multinational Enterprises, and it is aimed at our operations and those of our suppliers.

Read more about Addtech's sustainability work in the section 'The Business/Addtech's CSR work.'

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 2012 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 six 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 a proposal 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 (publ.), include Group management, Group reporting and financial management.

Parent Company net sales totalled SEK 35 million (32) and profit after financial items was SEK 233 million (177). Income from interests in Group companies is included and totals SEK 227 million (163). Net investments in non-current assets were SEK 0 million (0). At the end of the year the Parent Company's financial net debt stood at SEK 69 million (30).

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

At 31 March 2012, 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	1,090,848	10,908,480	4.8	33.5
B 1 vote	21,641,984	21,641,984	95.2	66.5
Total	22,732,832	32,550,464	100.0	100.0

If requested by the holders of Class A shares, such Class A shares should be possible to convert into Class B shares.

The total number of shareholders on 31 March 2012 was 3,715 (3,833). 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 (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. No such circumstances exist in respect of Addtech AB.

Repurchase of treasury shares and incentive programmes

The Annual General Meeting (AGM) in August 2011 authorised the Board of Directors to repurchase a maximum of 10 percent of all shares in the Company during the time until the 2012 AGM.

A total of 500,000 shares at SEK 142.50 each were repurchased on 24 August. Addtech's holding of treasury shares totals 986,800, with an average purchase price of SEK 124. These shares correspond to 4.3 percent of the number of shares issued and 3.0 percent of the votes. Of the shares repurchased, 657,700 secure the undertaking towards holders of call options issued by the Company on repurchased Class B shares. The average number of treasury shares held during the year was 788,713 (479,951).

The Board of Directors will recommend that the Annual General Meeting in August 2012 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 also includes the possibility of using repurchased shares as payment in acquisitions or disposing of repurchased shares outside the stock market to finance acquisitions.

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 Class B shares repurchased by the Company. 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 total number of shares outstanding and 0.6 percent of the votes.

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 Class B shares repurchased by the Company. Employees have 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.

In accordance with a resolution of the August 2009 AGM, 22 members of management were offered the opportunity to acquire 236,000 call options on Class B shares repurchased by the Company. The programme was fully subscribed, and if all options are exercised the number of Class B shares outstanding will increase by 236,000, equivalent to 1.1 percent of the total 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 2009 is SEK 127.70; the redemption period is 3 September 2012 until 14 June 2013. 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 2011 is SEK 179.40; the redemption period is 15 September 2014 until 29 May 2015.

The Board has decided to propose that the Annual General Meeting in August 2012 approves an incentive programme according to the same, or an essentially similar, model as decided on at the AGMs in 2009, 2010 and 2011.

Dividend

The Board of Directors proposes a dividend of SEK 8.00 (7.00) per share. The total dividend amounts to SEK 174 million (156). 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 (59).

Future prospects and events after the reporting period

Future prospects

The financial year was one of good demand in our product and market areas. During the second half of the year, a general increase in unease was noted in the market and several customers were more cautious in their order forecasts. The market is more fragmented than in the past, with variations between different geographic markets, customer segments and product niches. We expect a more modest rate of growth in the Nordic market during the coming year. The situation is partly different in our other markets, where we see several opportunities for good growth ahead.

Addtech's financial position remains strong, which creates favourable opportunities for future growth, both organically and via 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

Two company acquisitions took place after the reporting period:

An agreement was signed on 23 May 2012 for the acquisition of all shares in Staubo Elektro Maskin AS which will become part of the 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. The company will be included in the Energy Storage business unit, which develops and sells battery solutions and power supply products. Staubo Elektro Maskin has 15 employees and sales of about NOK 65 million. Ownership is estimated to

commence at the start of July 2012 after the relevant authorities have granted their permission.

On 31 May 2012, an agreement was signed for acquisition of all shares in ASI Automatikk AS, which will become part of the Components business area. ASI Automatikk is a technology trading company that supplies electrical and mechanical components for automation/robotics. It will be included in the Components Norway business unit. ASI Automatikk has seven employees and sales of about NOK 40 million. Ownership is estimated to commence at the start of July 2012 after the relevant authorities have granted their permission.

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.

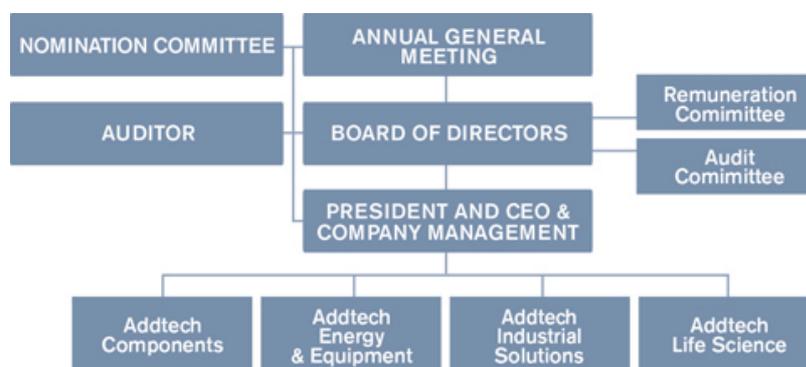
Deviations from aspects of the Code and justification for such deviations are stated where applicable throughout the text. The Company deviates on three points, two of which are included in the section on the Nomination committee and one in the section on Quarterly review by auditors.

The Company's auditor has examined this corporate governance report.

The Company's website is at: 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 more than 100 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 terms of their integrity, competence and capacity to create the right environment for transparent and true financial reporting.

Regular finance conferences are held to discuss current issues and safeguard effective sharing of knowledge and experience within the finance and accounting functions. In addition, 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 review 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.

All governance guidelines, policies and instructions are published on the Group's intranet; they are updated continually when required. 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 0.9 million during the 2011/2012 financial year and SEK 1.0 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 2011/2012 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 (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 1,090,848 are Class A shares, entitling holders to 10 votes per share, and 21,641,984 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 2011 Annual General Meeting

Shareholders representing 52.5 percent of the share capital and 64.2 percent of the votes took part in the AGM on 23 August 2011. Anders Börjesson was elected Chairman of the meeting. The meeting's decisions included approving a dividend of SEK 7.00 per share and a share-based incentive programme. Johan Sjö, the Company's President and CEO, commented on the Group's operations, the 2010/2011 financial year, development 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, 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-related incentive programmes decided on at the AGMs in 2009, 2010 and 2011. 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 23 August 2011 granted to the Board to repurchase shares in the Company.

The 2011 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 2012 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 being elected at the 2009 AGM, the Board of Directors comprises: Anders Börjesson (Chairman), Eva Elmstedt, Tom Hedelius (Vice Chairman), 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 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 1,250,000, 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 business. 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 had nine meetings during the financial year, of which four preceded the 2011 AGM and five followed the AGM. The next table shows attendance at Board meetings.

Attendance at Board and committee meetings 1 April 2011 - 31 March 2012

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
Johan Sjö	2008	9			No	Yes
Lars Spongberg	2001	9		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 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 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 2010/2011 annual accounts at the May 2011 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 2012 for the 2011/2012 financial year.

CEO

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 Franzén 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 & Equipment, 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, Lithuania, Japan, China and Taiwan. 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 60 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 2010 authorised the Board Chairman to establish a nomination committee for the 2011 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 2010, to serve with the Chairman on the nomination committee. The following were thus chosen: Marianne Nilsson, representing Swedbank Robur; Peter Rönström, representing Lannebo Fonder; Per Trygg, representing SEB fonder; Tom Hedelius; and Anders Börjesson (Board Chairman). For the AGM in August 2011, the nomination committee presented proposals for AGM Chairman, number of Board members, fees to Board members and auditors, candidates for Board members and the Board Chair, and proposals for how to appoint the nomination committee in preparation for the AGM in 2012 and its tasks.

The committee had three meetings at which minutes were taken prior to the 2011 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 nomination committee therefore proposed that all members be re-elected.

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 preparation for the Annual General Meeting in August 2012, the selection criteria for and process of appointing the nomination committee were the same as during the preceding year. 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 9 February 2012.

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 and the auditor, candidates for Board members and the Board Chair, as well as proposals for how to appoint the nomination committee in preparation for the 2012 AGM and its tasks. 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.