ADDTECH

ANNUAL REPORT 2016/2017

The year in brief

SUCCESSFUL YEAR EXCEEDS FINANCIAL TARGETS

CEO comment

EFFICIENCY WORK AND ACQUISITIONS GAVE STRONG PROFIT GROWTH

Net sales

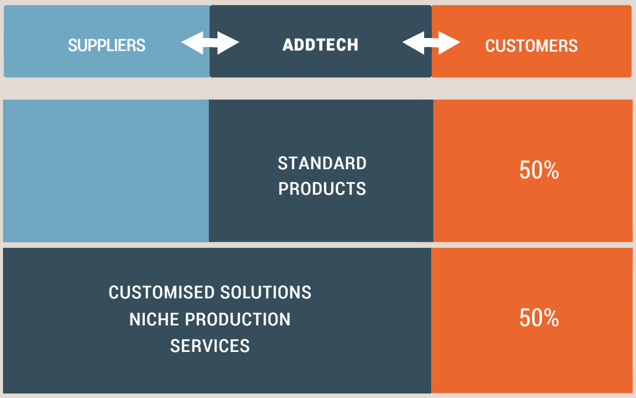
7 178

MILLIONS

ADDTECH IN BRIEF

Addtech is a Swedish publicly listed technology trading group that provides both technological and economic value added in the link between manufacturers and customers. The business consists of about 120 independent companies that sell high-tech products and solutions to customers chiefly in the manufacturing and infrastructure sectors in around 20 countries. About half of sales are generated from standard products and solutions and half from specially adapted products. Addtech creates optimal conditions for the profitability and growth of subsidiaries.

Addtechs position in the value chain



Addtech's shareholder value is driven by:

- 120 subsidiaries' ability to generate profit growth
- Corporate governance that drives the subsidiaries to achieve even better results and development
- Acquisitions that bring new employees, customers and suppliers to Addtech

CONTENTS

The year in brief

SUCCESSFUL YEAR EXCEEDS FINANCIAL TARGETS

In the 2016/2017 financial year, Addtech reported growth in both sales and earnings. Our strong profit growth and improved operating margin increased through higher sales of our solutions and products, combined with successful efficiency work. During the year, ten acquisitions were made, adding annual sales of around SEK 500 million. Cash flow from operating activities during the year totalled SEK 551 million.

Q1 HIGH PACE OF ACQUISITIONS

The business performed well during the quarter. Both sales and earnings increased organically and via acquisitions. The selective cost-savings implemented started to deliver a positive impact on earnings. Four acquisitions were made.

Q2 POSITIVE EARNINGS GROWTH

The Group continued to perform strongly and grew despite the challenging economic situation. The selective cost-savings implemented delivered a positive impact on earnings and the operating margin improved.

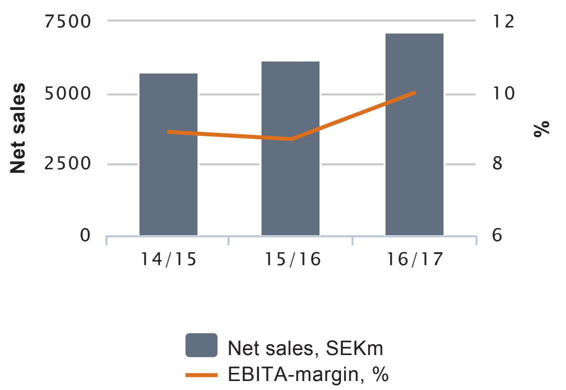
Q3 STRONG DEMAND

Demand during the quarter was firm and the economic situation in our markets stabilised. We continued to grow in all four business areas. Three acquisitions were made.

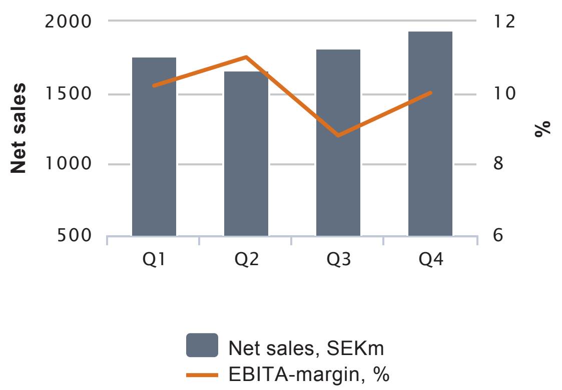
Q4 STRONG FINISH

The quarter brought a strong finish to a year of profit growth in all of our four business areas. The business climate improved and the operating margin continued to strengthen. Three acquisitions were made.

Net sales and EBITA-margin, year



Net sales and EBITA-margin, quarter



	2016/2017	2015/2016	Change, %
Net sales, SEKm	7,178	6,155	17
EBITA	715	536	34
EBITA-margin, %	10.0	8.7	
Operating profit, SEKm	604	443	36
Cash flow from operations, SEKm	551	474	16
Earnings per share before dilution, SEK	6.60	4.85	36
Earnings per share after dilution, SEK	6.55	4.85	35
Shareholders' equity per share, SEK	25.45	22.10	15
Return on working capital (P/WC), %	53	44	
Return on equity, %	28	20	
Equity ratio, %	39	40	

For definitions, see page 105.

All data in this report refer to continuing operations, excluding the distribution of AddLife, unless otherwise stated. All figures regarding the income statement refer to continuing operations retroactively from 1 April 2014. All figures regarding the balance sheet refer to continuing operations from 31 March 2016 without retroactivity for earlier periods.

Comments by the President and CEO

A SUCCESSFUL YEAR FOR ADDTECH

Strengthened positions and an improved market situation, combined with efficiency work and contributions from acquisitions delivered very strong profit growth.

STRONG PROFIT GROWTH AND HIGHER OPERATING MARGIN

I am pleased to confirm that in all four business areas, we continued to grow, both through sound organic growth and through contributions from acquisitions. Increased sales of our products and solutions, combined with successful efficiency work, led to an increase of 35 percent in our profit and an improvement in our EBITA margin from 8.7 to 10.0 percent.

Addtech's operations span many niche markets, customer segments and countries, providing us with a source of strength and a good spread of risks. All in all, the market situation improved for the Group over the year, and we strengthened our positions in most of our markets. Of Addtech's sales, half consists of production components sold to manufacturing companies and half of products and solutions sold to end customers. The latter part has grown more rapidly during the year, driven by the increase in infrastructure investments among Nordic electricity network companies. Demand for production components also increased overall during the year and the business situation was favourable in most customer segments.

THROUGH ACQUISITIONS WE ARE DEVELOPING AND BUILDING A SUCCESSFUL ORGANISATION

We develop and build our Group systematically in accordance with our well-established strategy. Every company represents a unique building block that fits in with the Group structure. We continuously evaluate both acquisitions of independent, profitable technology companies with market-leading niche positions, and small bolt-on acquisitions that may strengthen the market positions and profitability of our existing companies. Business development at Addtech is based on our excellent entrepreneurship, and the acquisitions contribute with new business opportunities and employees who want to develop. Many privately-owned companies want to sell to Addtech so they can retain their decentralised responsibility but also gain support for development via an active, long-term owner.

> **Addtech believes in freedom with responsibility and having a small scale approach on a large scale. This means that every business that joins Addtech must stand on its own feet and fit in with the Group structure.**

Addtech believes in freedom with responsibility and having a small scale approach on a large scale. This means that every business that joins Addtech must stand on its own feet and fit in with the Group structure. On that basis, acquired businesses are incorporated into Addtech, but continue to operate under their own well-established company name and brands. Our acquisitions are generally small, enabling us to spread our risks and making for easier integration into the Group. Our basic philosophy is to build the Group from relatively small, flexible businesses with in-depth technical expertise, which work close to the customer and can respond rapidly to changes in the market. We are convinced that the organisation performs best when our entrepreneurs and subsidiaries have great freedom in how they manage and develop their business, underpinned by support from Addtech's network, accumulated expertise and financial resources.

Acquisition activity during the financial year remained high, and ten new companies joined Addtech. The acquisitions together add annual sales of around SEK 500 million and 129 employees.

INCREASED FOCUS ON THE GROUP'S SUSTAINABILITY WORK

Our long-term sustainability work focuses on economic, social and environmental responsibility. This commitment is a foundation for both maintaining and further developing our business with products and solutions that meet or surpass our customers' expectations. Satisfied customers who can depend on Addtech's expertise and ethical agenda are our most important task. Our focus on profitability also gives us the muscle to invest in sustainable business development and to constantly refine our acquisition agenda. Just as our customers must always be able to rely on Addtech as a partner, we have a deeply-rooted focus on being a reliable and attractive owner, both of our existing subsidiaries and the businesses that we are seeking to acquire.

In our well-established corporate culture, our business activities are driven forward via a system of decentralised responsibility in our companies, underpinned by support at Group level. We work in exactly the same way on sustainability. The Group supports its companies via ongoing skills development via the wide-ranging programme of our Business School, and offers tools and processes for employee surveys, supplier evaluation and quality and environmental assurance etc. This gives strength to our independent, often relatively small entrepreneurial businesses, making them more attractive and at the same time enabling us to reduce our risks.

TOWARDS THE FUTURE

Our employees' day-to-day dedication makes a big difference, and is an absolute prerequisite for our success. Skills and an appetite for change create opportunities to develop Addtech for our shareholders and customers. These factors, combined with gradually improving markets over the past year, makes me have good hopes for another successful year. Our strong financial position will also allow us to continue complementing existing companies with attractive acquisitions.

> **To us, being a leader is not about being the biggest but about being very good at what we choose to focus on.**

We will continue to work to achieve our vision of being a leader in value-adding technology trading. To us, being a leader is not about being the biggest but about being very good at what we choose to focus on. This demands entrepreneurship in a continuous process of business and organisational development. We have a very strong driving force that delivers clear results in the initiatives we take. This driving force comes from our corporate culture, where freedom with responsibility has a central role but is supported by our other core values – simplicity, efficiency and change. Our corporate culture drives entrepreneurship and sets us apart from our competitors. Addtech continues to combine the flexibility, personality and efficiency of a small company with the resources, networks and long-term approach of a large business. Through our small scale approach on a large scale, we optimise our opportunities for long-term profitable growth.

I would like to thank all our employees for a successful year – together we are strong!

Johan Sjö, President and CEO, Addtech AB

Vision, business concept, goals and strategies

WE WILL BE LEADING IN VALUE-ADDING TECHNOLOGY TRADING

Our vision is to be the leading value adding tech provider. As a Group-wide guiding principle, our vision directs how we should act in various situations, while effectively and successfully combining continuity with development. To achieve this vision we have broken it down into goals, strategy and business concept.

FINANCIAL TARGETS AND FOLLOW-UP DURING THE YEAR

At Addtech, the expectations on earnings growth, profitability and development determine the conditions for each individual business. Our financial target is average earnings growth of more than 15 percent over a business cycle. In practice, this means doubling our earnings every five years. The economic climate naturally has a bearing on our opportunities each year. Over the financial year, earnings growth totalled 35 per cent, well above our long-term target.

At Addtech we measure profitability via the P/WC ratio. To calculate that, we apply the EBITA earnings measure (P) to our working capital (WC). The P/WC ratio in every unit shall amount to no less than 45 per cent. Everything done day-to-day can be linked to the P/WC target, with the aim of optimising operations. P/WC places a premium on high earnings and low levels of tied-up capital, which in combination with earnings growth, provides good opportunities for a positive cash flow and long-term profitable growth. The P/WC ratio for the financial year was 53 per cent, well above our target.

STRATEGIES

We are developing and building our Group systematically in accordance with our well-established strategy. Every company represents a unique building block that fits in with the Group structure. During our acquisition process, we assess new businesses in order to identify new building blocks that fill the gaps we have, or that can strengthen our existing companies.

MARKET-LEADING NICHE POSITIONS

Addtech strives to be market-leading and active in carefully selected niches with high levels of knowledge and technology. Our customers are seeking carefully selected solutions, sub-systems or products, often in small or medium-sized volumes. We customise and sell solutions to our customers in partnership with selected suppliers. The market-leading position is important to achieve stable growth and profitability.

OPERATING MOBILITY - FLEXIBLITY AND ACTIVE OWNERSHIP

Operational mobility is characterised by a flexible organisation with solution-oriented, innovative employees who recognise and take full advantage of new business opportunities. Via active ownership of our companies, we can merge or separate whole or parts of businesses. That way, we can fully develop the growth potential of the individual subsidiary or segment. Operational mobility also requires us to have effective processes for integrating new companies into the Group.

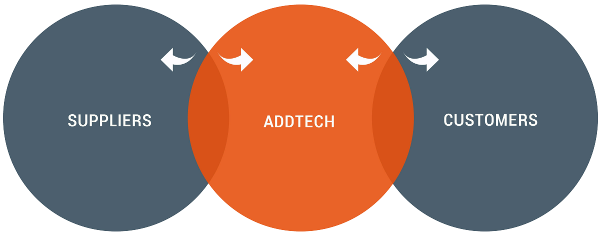
GROWTH THROUGH ACQUISITIONS

Addtech is constantly growing through acquisitions of independent technology companies with market-leading niche positions. This makes it possible to complement business areas through new market segments in areas where we see the right conditions for gaining market leadership. Business units can expand and build market and/or product positions in selected market segments. We also make small bolt-on acquisitions that may serve to strengthen the market positions of our existing companies. The ability to apply the Group's business model is a success factor in all acquisitions.

PARTNER THAT CREATES TECHNICAL AND FINANCIAL ADDED VALUE

Addtech has maintained the same successful business concept for more than 100 years. Our business concept is to offer high-technology products and solutions to companies in the manufacturing and infrastructure sectors. We provide both technological and economic added value by serving as an expert and professional partner to both customers and suppliers.

Addtech acts as a value-adding link between customers and suppliers. At one end of the chain, our customers seek a technical solution to meet their unique needs. As their business partner, we customise solutions in collaboration with our carefully selected suppliers. We create and add value for our customers to ensure that their products are more competitive in the end market. We have a large number of suppliers across the world and our purchases are made in large part from suppliers outside the Nordics, in Europe, the USA and Asia. Addtech conducts its own production on a minor scale, and so the major share of production takes place via orders to our suppliers.



SUCCESS FACTORS

Addtech was listed in 2001, and has since then performed well both in terms of sales and profitability. Profitable growth is achieved through continuous business and organisational development. The following are the most important factors behind our successful business model.

COMPETENT EMPLOYEES

Addtech's employees are the absolutely key condition for our success. Our employees represent high business acumen and technical expertise that are continuously focused on developing existing and new lines of business. When employees enjoy their work and can develop personally, it is possible to drive up sales of products, solutions and sub-systems. Employees who are creative and decisive can prioritize among their tasks and raise their sights and look forward.

DECENTRALISED ORGANISATION

Addtech has organised its business on the basis of decentralised responsibility for profitability and earnings. This offers good opportunities for combining the flexibility, personality and efficiency of a small company with the resources, networks and long-term approach of a large business. Every company has great freedom as to which customers it serves, but also has great responsibility to live up to expectations of earnings growth and profitability.

CONSISTENCY AND STRONG BUSINESS CULTURE

Addtech is charactarised by a deeply rooted culture based on strategic and consistent acting, good planning, a long-term approach, diligent decision-making and effective implementation. Furthermore, Addtech is charactarised by strong business acumen, a firm focus on profitability and an ethical approach.

Acquisitions

WE LOOK FOR COMPANIES TO MAINTAIN AND DEVELOP

Acquisitions are an important part of Addtech's strategy. We continuously evaluate both acquisitions of independent, profitable technology companies with market-leading niche positions, and small bolt-on acquisitions that may serve to strengthen the market positions and profitability of our existing companies. Over the financial year, ten acquisitions were made. Of these, six were independent companies and four complementary acquisitions.

Addtech owns around 120 independent subsidiaries and is a financially strong, well-established and committed owner. Each year, we acquire entrepreneur-led technology trading companies that support existing operations or bring in new product or market segments where the conditions are right for gaining leading niche positions. We hold on to our companies and develop them long term. New companies contribute with a presence on new sub-markets, and bring skilled employees with a strong entrepreneurial spirit.

SPECIALISTS IN ACQUISITIONS

In each acquisition process the company is evaluated according to a series of criteria that, when met, create good conditions for further development within Addtech. Acquired companies are expected to contribute to the Group's profitability in both the short and long term and have good growth prospects. Addtech's subsidiaries are generally wholly owned.

The route to a successful acquisition for both buyer and seller is rarely a rapid process. Giving the parties time to get to know each other reduces the risk of misplaced expectations. It also creates trust, which lays the foundation for the parties and employees to be satisfied with the outcome once the acquisition has been completed.

Over the years, Addtech has acquired and integrated more than 80 companies, and from these experiences a clear, successful process for integrating and developing the companies acquired has emerged. We set clear goals and provide tools for development and profitability.

ADDTECH SEEKS COMPANIES WITH:

- Profitability and growth potential
- High knowledge and technology content
- Developed supplier relationships
- Niche market focus
- Relationship selling

WHY SELL TO ADDTECH?

- Maintain relationships
- Realise values
- Generational shift
- Secure the workplace
- Add expertise and networks

Acquistions	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Number of acquisitions	10	10	9	5	8
Acquired annual sales*	503	643	540	299	591
Number of employees	129	161	140	87	300

* Refers at the time of acquisition on a full-year basis.

NEW COMPANIES DEVELOP WITHIN ADDTECH

Many privately-owned companies want to sell to Addtech so they can maintain their decentralised responsibility, but also to gain support for development via an active, long-term owner. Each business area includes a number of niche business units. As a result, many entrepreneurs see a natural position where their companies could fit within the Group. The year's acquisitions have strengthened our business areas and have contributed to earnings growth. As our markets are changing, opportunities continue to be created for developing new business segments. At the same time Addtech is gradually moving its positions forward.

OUR MAIN REASONS FOR ACQUISITIONS:

- **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.

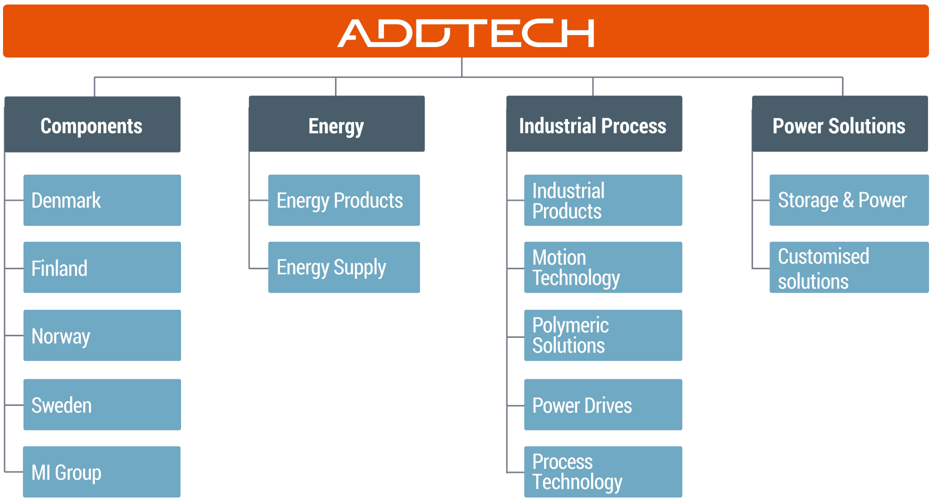
Organisation

SUCCESSFUL ENTREPRENEURIAL COMPANIES ON A LARGE SCALE

The Group has about 2,200 employees in around 120 subsidiaries. Freedom with responsibility is the core principle that applies throughout Addtech's decentralised organisation as we are convinced that the best business decisions are made close to the customer and the market.

ORGANISATION THAT PROMOTES EFFICIENCY AND DEVELOPMENT

Addtech works actively to utilise the organisation as efficiently as possible and its companies cooperate with one another to varying degrees. The organisation is structured into four business areas: Components, Energy, Industrial Process and Power Solutions. Addtech's business areas consist of a number of business units corresponding to different market segments. The task of each business unit is to identify and capitalise on business opportunities in their respective market segments and create exchanges between subsidiaries. The business units therefore form the basis for Addtech's strategy in which success factors are based on combining the flexibility, personality and efficiency of a small company with the resources, networks and long-term approach of a large business.

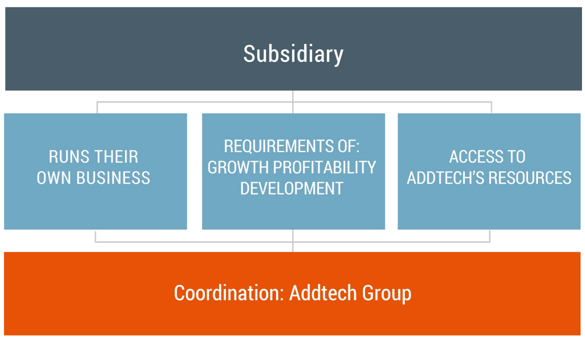


DEVELOPMENT OPPORTUNITIES FOR SUBSIDIARIES

The independence of the subsidiaries is crucial in recruiting and retaining talented employees and entrepreneurs. Addtech does not micromanage its companies. Instead, it exercises active ownership through Board work and financial follow-up. Every subsidiary has good presrequisites for growth and development of its business, in the form of both support from its Board of Directors and via a range of common Group tools. These tools are available in areas that contribute to the subsidiaries' efficiency and profitability, including law, accounting and finance, training, quality management and IT systems, as well as in framework agreements (master contracts) for the purchase of services.

MARKET LEADER IN SELECT NICHES

The common denominator of the subsidiaries' business concepts is that they market and sell technology products in select niches. Irrespective of whether the subsidiaries conduct technology trading or their own production operations, Addtech is a technology partner and specialist that helps its customers find the right technical solution and product. Acquisitions of new subsidiaries enable expansion to new markets and a broader range of niche products and services. The subsidiaries' technological capabilities, long-term customer relationships and a good understanding of customers' business have led to cooperation with a large number of world-leading companies.



Our business areas

COMPONENTS

Components markets and sells components and subsystems in mechanics, electro mechanics, hydraulics and electronics, as well as automation solutions. Its customers mainly operate in the Nordic manufacturing industry.

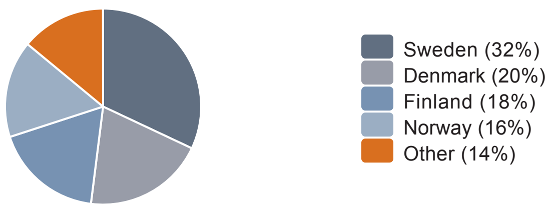
BUSINESS

Components focuses on technology trading, based on suppliers' range of components. For more complex customer needs, the subsidiaries offer solutions that may be a combination of components and subsystems. Companies in the business area strive continuously to increase the added value in their offering. Products and solution are often cusomised in collaboration with the customer and supplier.

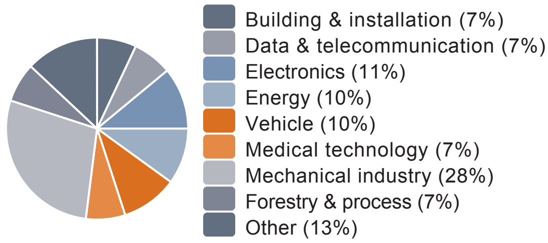
MARKET

The business area holds a strong market position in the Nordics. A local base combined with high levels of technical expertise provide the companies with competitive advantages in their respective niche markets. Demand tracks developments in the manufacturing industry.
Competition is tough for standard products in large volumes. Segments with lower volumes, which is our focus, prioritise service, customisation and delivery capacity. Long-term relationships with leading global suppliers are essential and a high priority.

Components - Geographic market



Components - Customer segment



DEVELOPMENT DURING 2016/2017

Increased sales of production components to Nordic manufacturing companies combined with acquisitions generated strong profit growth. Demand increased in all our major customer segments, such as the mechanical industry, electronics, wind energy and special vehicles. The business situation improved in both Sweden and Finland and stayed positive in Denmark. The Norwegian oil and gas market was weak, but thanks to good demand in infrastructure and the food industry, the business situation was stable overall.

Key financial indicators	2016/2017	2015/2016
Net sales, SEKm	2,355	2,029
EBITA, SEKm	187	149
EBITA-margin, %	8.0	7.4
Return on working capital, %	42	37
Average number of employees	561	510
Acquired annual sales*	233	242

* Refers to conditions at the time of acquisition on a full-year basis.

A large share of sales go to OEM customers. In more concrete terms, this means customised components and sub-systems that are sold to customers who produce machinery. One area that performed well during the year was sales to companies in wind power. This involves sales of, for example, cable and connection systems.

Our business areas

ENERGY

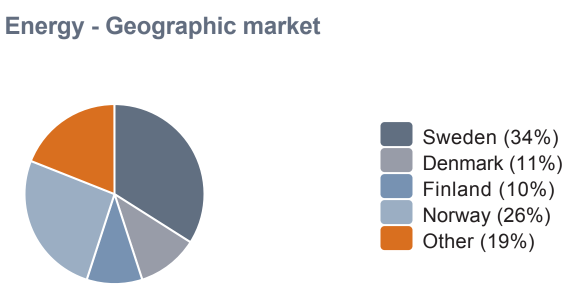
Energy markets and sells products for the transmission and distribution of electricity and products in electrical safety, electrical installation and connection technology. Its customers mainly operate in the energy and electrical installation market.

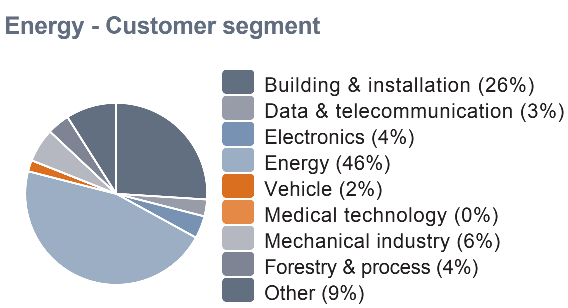
BUSINESS

Energy focuses on the markets for electrical power distribution and electrical installation, as well as products and solutions in electrical safety, energy efficiency and connection technology. Companies also carry out the customisation of standard components and solutions for products, primarily in electric power transmission.

MARKET

Energy's companies hold leading market positions in their respective niche areas in electrical power products and electrical safety. In addition to trading, several companies also manufacture niche products under their own brands. Demand in the energy market is relatively stable and is affected by the electricity companies' investment rate. Energy's subsidiaries also offer aftermarket services such as education, service and support, which generates both long-term customer relationships and current income.





DEVELOPMENT DURING 2016/2017

The market has been favourable throughout the financial year. During the quarter demand increased somewhat more from an already high level. Acquisitions and above all greater efficiency in our operations generated very favourable profit growth. Infrastructure investments in national and regional networks in the Nordic countries have continued to increase, and they are at a high level in Sweden in particular. Demand for niche products in electrical power distribution remained stable. Sales of products in the areas of electrical installation and electrical safety developed well in the Nordics and Great Britain.

Key financial indicators	2016/2017	2015/2016
Net sales, SEKm	1,807	1,487
EBITA, SEKm	225	149
EBITA-margin, %	12.5	10.1
Return on working capital, %	69	55
Average number of employees	585	576
Acquired annual sales*	100	251

* Refers to conditions at the time of acquisition on a full-year basis.

Sales in the electrical installation and electrical safety sectors include products with an important role in renovation and new-building, such as fuses, cable ducts and presence and movement detectors. With a continued high tempo in the construction and installation sector, demand for Energy's subsidiaries also continues to rise.

INDUSTRIAL PROCESS

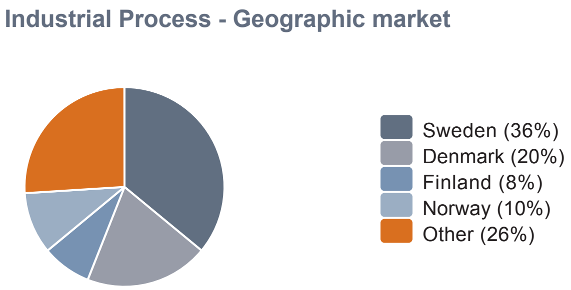
Industrial Process markets and sells solutions, subsystems and components that contribute to optimized industrial process flows. Customers have an emphasis on industry in northern Europe.

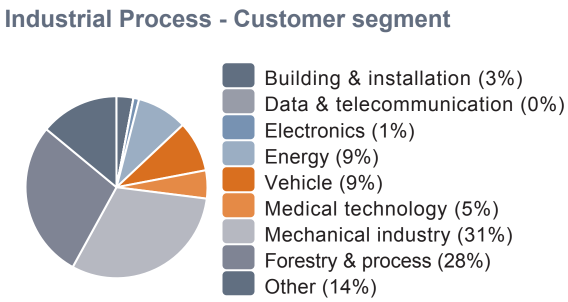
BUSINESS

Industrial Process focuses on developing customers' business benefits and offer service and product solutions that help streamline customers' solid, liquid or gaseous industrial process flows. The added value created involves more competitive products, resource savings, positive environmental impact, time gains and other favourable outcomes that help improve quality and profitability for the customer. The solutions are customised and applied in a wide range of areas.

MARKET

Through their technical expertise the subsidiaries hold leading positions within several narrow niches. High development and innovation rate for industrial process flows and increased demands for reduced environmental impact drives the pace of investment. Competition is relatively hard but for companies who work closely with customers and offer high technical competence, efficiency and system solutions, the competition is much lower.





DEVELOPMENT DURING 2016/2017

Sales to the production industry in the Nordics increased overall during the year and demand increased from the majority of customer segments. Investments in the Nordic process and manufacturing industry grew. Demand in the shipping market improved, while the business situation in oil and gas remained weak. The situation for our operations outside the Nordics remained good, especially in customer segments such as vehicles and energy. Efficiency improvements are being implemented in several operations to meet the Group's demands on profit growth, profitability and development.

Key financial indicators	2016/2017	2015/2016
Net sales, SEKm	1,585	1,423
EBITA, SEKm	125	116
EBITA-margin, %	7.9	8.1
Return on working capital, %	38	35
Average number of employees	639	631
Acquired annual sales*	110	–

* Refers to conditions at the time of acquisition on a full-year basis.

One sector where the business area expanded strongly during the year was sales of measurement systems for ships. With new environmental regulations imposing stricter demands on emissions from ships, investments in e.g. measurement equipment rises. Increased need for inspection and analysis of e.g. fuel consumption and purity and composition of discharged process water will affect not just the marine sector, but also industries such as the paper, energy, chemical and pharmaceutical industries.

Our business areas

POWER SOLUTIONS

Power Solutions develops, markets and sells components and system solutions that ensure power supply, as well as operation and control of movements or energy flows. Customers mainly work with special vehicles and telecoms.

BUSINESS

Power Solutions focuses on creating automated systems. The companies often work with the customer during the design phase, allowing them to be involved in controlling and optimizing the end product. Most of the customers are therefore OEMs, but also a large number of end users. The business area has developed a large range of its own strong brands and has significant R&D expertise and niche production.

MARKET

The business area is the Nordic region’s largest independent distributor of batteries and has agents for several leading global brands. The companies hold cutting-edge expertise and leading market positions in their respective niche areas. Demand depends on the development in the markets for vehicles, telecom, environmental technology and medical technology. Rapid technological development drives demand for technically skilled companies who can contribute in the products’ design phase.

Power Solutions - Geographic market

Power Solutions - Customer segment

DEVELOPMENT DURING 2016/2017

All in all, demand was good, and profit growth was driven by a very strong organic sales increase. Greater demand for controls and ergonomics products for the special vehicles industry – the largest customer segment in this business area – made a strong contribution. The market for solutions with new battery technology and power supply solutions in the Nordic markets continued to improve. Demand decreased, however, from telecom and wind power customers.

Key financial indicators	2016/2017	2015/2016
Net sales, SEKm	1,439	1,226
EBITA, SEKm	187	136
EBITA-margin, %	13.0	11.1
Return on working capital, %	72	63
Average number of employees	305	273
Acquired annual sales*	60	150

* Refers to conditions at the time of acquisition on a full-year basis.

The strongest increase in demand during the year came from manufacturers of special vehicles, in segments such as forklift trucks and mining and forestry machinery. As more and more goods are being shipped worldwide and logistics management is taking on an increasingly important role, the need for modern transport vehicles is also growing. Many such vehicles use systems solutions and products from Power Solutions.

BUSINESS SKILLS AND FREEDOM WITH RESPONSIBILITY

Our employees' combined expertise and dedication is the foundation of Addtech's development. Our established corporate culture and shared values connect our employees and guide us forward.

EMPLOYEES WHO DEVELOP PERSONALLY INCREASE OUR COMPETITIVENESS

Our employees are our most important resource and competitive asset. They drive our business development and play a part in the development of society. Our CEOs at the subsidiaries are supported via active Board work, and through that interaction our competitiveness grows.

We look after our employees' interest in developing their capacity to take on more and more responsibility in their particular company or other parts of the Group. As our employees develop their capacity, we also gain an in-house supply of management resources. We view in-house recruitment favourably and most of those in managerial positions in the Group have started their careers in sales in one of the subsidiaries.

Our personnel policy centres on being an attractive employer and providing a workplace where employees enjoy their work, have a sense of pride and develop personally. For more information on how we work on and follow up personnel matters, see Addtech's Sustainability Report 2016/2017.

COOPERATION AND THE ADDTECH BUSINESS SCHOOL

We encourage our companies to work with each other. Experience and expertise sharing helps to advance the development of the Group, the companies and the employees. Examples of internal networks that reinforce the corporate culture and expertise include our own Business School, CEO meetings and partnerships among subsidiaries, business areas and business units.

Addtech's business school includes all employees and is an important platform for spreading our business culture and further developing the business acumen. The various courses offered by the business school provide employees with training adapted to their experience and roles, and are aimed at both newly employed and senior executives in the companies. It is important that our sales staff receive a thorough education in business acumen so they can combine it with their deep skills in their specific product areas. In connection to the acquisition of new companies, an education in Addtech's Vision and Corporate Philosophy is held.

CORPORATE CULTURE THAT LEADS THE WAY

To be able to live up to our vision of being the leading value-adding tech provider, we must comply with our corporate culture and core values. We call this Addtech's soul. Our culture helps our employees relate to their responsibilities, customers, partners, colleagues and the outside world.

Responsibility and Freedom are two of Addtech's core values and are summarized as "Freedom with responsibility". This is a central concept within the Group and a key prerequisite to enable subsidiaries and employees to work closely with customers and suppliers. Our decentralised organisation is based on our conviction that decisions achieve the best results when they are taken close to the market.

Over time, Addtech's corporate culture has become a deeply anchored root system that links employees and subsidiaries. It also paves the way for Addtech's future, and all employees are trained in the corporate philosophy via the Addtech Business School. In total, there are five core values that should permeate employees' work. Freedom and responsibility have already been mentioned, the other three are simplicity, efficiency and change.

Market Drivers

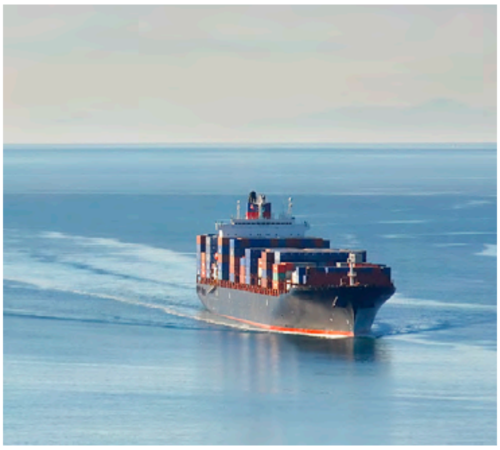
GLOBALISATION AND TECHNOLOGICAL DEVELOPMENT

Addtech operates in the international technology trading market, where companies buy, adapt and sell technical products and solutions. We have chosen to focus on special niches with a high technology and knowledge content. The rapid development of technology makes it vital to constantly stay at the forefront of technological development. This is where we can make a difference for our customers and manufacturers.

THE NORTHERN EUROPEAN MARKET

Addtech is based in Nordic industry, but operates internationally. The emphasis is on the Nordic region, but we have performed well in markets outside the Nordic countries and these have increased in significance. Besides having its own operations in around 15 countries outside the Nordic region, Addtech also exports to a further 20 or so countries. Many of Addtech’s products are incorporated into the end products of globally exporting customers. Addtech often continues to supply its parts to these customers when they relocate their manufacturing operations abroad.

MACROTRENDS



Global macrotrends such as increased globalisation, climate change and a growing middle class pose challenges for both Addtech and our customers, but they also entail good business opportunities. Demographic changes in terms of population growth and a growing middle class entail increased demand for capital and consumer goods, as well as an increased need for infrastructure investments. Climate change also increases requirements and the demand for sustainable technological solutions, a market trend that benefits Addtech. Our focus on offering products, services and systems that streamline our customers’ operations often involves measures to improve energy efficiency while reducing environmental impact. We apply Addtech’s expertise in sustainable technology to help our customers meet external challenges and to reduce their environmental impact.

MARKET DEVELOPMENT

The long-term growth and profitability of the market depends on the size and diversity of the industrial and service sectors. Northern Europe's relatively high costs have spurred the development of knowledge-intensive, automated and specialised industrial and service sectors. This has also contributed to differentiation of the value chain, increased trade and greater reliance on external partners like Addtech for product development and component modifications as well as for maintenance and other aftermarket services.

The supplier market is becoming increasingly complex and customers have a growing need for partners who help them select the right supplier and technology. When we can provide a range of market-leading products, combined with our own technological and market knowledge alongside flexible customisation options, we become an attractive partner for customers. Our goal is to always be a value-adding company, which means that we can add value to our customers’ products and processes through our expertise, understanding and resources.

GROWTH AND PROFITABILITY

In the short term, growth and profitability are closely tied to industrial economic conditions and the economic conditions prevailing in Addtech's markets. Addtech's focus on infrastructure and narrow market niches, as well as large number of subsidiaries, reduces sensitivity to economic volatility. However, growth and profitability are highly dependent on the state of competition among our customers and their possibilities of performing well domestically and/or globally. Addtech therefore evaluates each of its markets on an ongoing basis to ensure that there are conditions for reaching the Group's financial targets.

Sustainability

WE ENGAGE IN SUSTAINABLE TECHNOLOGICAL DEVELOPMENT

Addtech's vision is to be the leading value-adding tech provider. The vision entails a long-term focus on developing the business by constantly being a value-adding knowledge provider. To achieve that vision we must run our business sustainably. Addtech aims to meet the sustainability requirements and expectations set by customers, shareholders and employees and to promote sustainable technological development.

We take long-term responsibility for sustainable development of profitability, employees and the environment. Global and local demand for lower emissions and greater sustainability in society are making sustainable products and solutions into a competitive asset in the technology trading market. We aim to be a better choice than our competitors and focus actively on meeting this demand. With a structured sustainability programme, we are developing the business to make it both stronger and more sustainable, for example by highlighting the potential for savings and improvements, as well as the risks. We are also meeting this demand by ensuring that our companies are committed to developing and offering solutions that increase customers' energy efficiency and reduce their negative environmental impact. By continuing to develop sustainable solutions for our customers, we increase our competitiveness while helping to bring about a sustainable society.

THREE AREAS OF FOCUS FOR STRATEGIC SUSTAINABILITY WORK

Addtech's aim is to create value for its five stakeholders: customers, suppliers, employees, shareholders and society. During the year, a new stakeholder dialogue was carried out, indicating that the areas of highest priority in sustainability were development of products to take account of environmental impact, business ethics and liability for suppliers, creating and delivering economic added value and looking after our employees and their health. It is in these areas that our sustainability work will be conducted, which we bring together within three categories: economic, social and environmental value added.

- **Economic value added.** Financial strength is a cornerstone of our ability to invest in sustainable development, and Addtech is dedicated to ensuring that we are both competitive and cost-efficient.
- **Social value added.** The key to continued sustainable business development and success at Addtech lies in the long-term relationships we have built with our employees, customers and suppliers. To uphold our good reputation, we must maintain high quality and a high standard of business ethics in all our undertakings. We strive at all times to be a responsible operator.
- **Environmental value added.** Conservation of the environment is an important part of our strategy. The aim is to minimise our environmental impact and we therefore focus actively on cutting our carbon dioxide emissions, raising the proportion of renewable energy consumed in our operations and finding ways of using natural resources more efficiently and carefully. The subsidiaries are also actively working to develop more energy-efficient solutions for their customers.

SUSTAINABILITY REPORT

The sustainability report is an important part of the sustainability work of the Addtech Group as it focuses on these issues so that employees, shareholders and other stakeholders are given the opportunity to take part of the development of the work. The reports are the basis for the Group's further development within sustainability. Some of the topics presented are the Group's energy consumption, carbon footprint, employee turnover, and employee occupational health and safety.

In our separate sustainability report for 2016/2017 more information on how the Group works with sustainability issues, goals and follow-up can be found. Please, see www.addtech.com.

Addtech Shares

SHARE PRICE TREND AND RETURN

The Addtech shares are listed on Nasdaq OMX Stockholm. Since their listing in September 2001 until 31 April 2017, the total return on the shares until 31 March 2017 has averaged 18 percent per year. The OMX Stockholm index on the Nasdaq OMX Stockholm Exchange increased by 6 percent in the corresponding period.

The Addtech share increased by 33 percent in value during the financial year. The OMX Stockholm index on the Nasdaq OMX Stockholm Exchange increased by 16 percent in the corresponding period. The highest price paid during the year was SEK 157.00 and was quoted on 2 February 2017. The lowest was SEK 95.25 on 16 June 2016. The final price paid before the end of the financial year was SEK 148.50, corresponding to a market value of SEK 9.6 billion (7.3).

During the period 1 April 2016 - 31 March 2017, 12 million (8) shares were traded with an aggregate value of approximately SEK 2 billion (1 billion). Relative to the average number of Class B shares outstanding, this is equivalent to a turnover rate of 18 percent (13). Broken down by trading day, an average of 45,716 (33,295) Addtech shares were traded at an average value of about SEK 6 million (4).

SHARE CAPITAL

At 31 March 2017, Parent Company share capital stood at SEK 51,1 million, distributed over the following number of shares with a quotient value of SEK 0.75 per share.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Class A shares, 10 votes per share	3,237,564	32,375,640	4.7	33.3
Class B shares, 1 vote per share	64,960,932	64,960,932	95.3	66.7
Total number of shares before repurchases	**68,198,496**	**97,336,572**	**100.0**	**100.0**
Of which repurchased class B shares	1,374,721		2.0	1.4
Total number of shares after repurchases	**66,823,775**			

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 400 million and overdraft facilities of SEK 1,100 million can be terminated.

REPURCHASE OF TREASURY SHARES AND INCENTIVE PROGRAMMES

The Annual General Meeting in August 2016 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 2017. During the financial year Addtech repurchased 300,000 of its own Class B shares. At year-end the number of treasury shares was 1,374,721 (1,240,000), with an average purchase price of SEK 81.17 (68.83). These shares correspond to 2.0 percent (1.8) of the number of shares issued and 1.4 percent (1.3) of the votes.

Addtech has four outstanding call option programmes for a total of 1,374,721 shares. Call options issued on repurchased shares entail a dilution effect of about 0.3 percent during the latest 12-month period. Addtech’s own shareholdings fully meet the needs of the outstanding call option programmes.

The Board intends to propose that the Annual General Meeting in August 2017 approve an incentive programme according to the same, or an essentially similar, model as decided at the 2009-2016 AGMs.

Outstanding programme	Number of options	Corresponding number of shares	Proportion of total shares	Initial exercise price	Adjusted exercise price	Expiration period
2016/2020	300,000	300,000	0.4%	159.00	-	16 Sep 2019 - 5 Jun 2020
2015/2019	350,000	430,500	0.6%	154.50	125.10	17 Sep 2018 - 3 Jun 2019
2014/2018	350,000	430,500	0.6%	116.70	94.50	17 Sep 2017 - 1 Jun 2018
2013/2017	57,762	213,721	0.3%	106.13	85.90	19 Sep 2016 - 2 Jun 2017

OWNERSHIP STRUCTURE

The total number of shareholders on 31 March 2017 was 4,791 (4,266), including 3,490 (2,929) owners who held stakes of 1,000 shares or less. The 15 largest shareholders accounted for 56.2 (57.8) percent of the total number of shares and 67.3 (68.2) percent of the total votes. Anders Börjesson (with family interests) is the largest owner in terms of votes; he owns shares corresponding to 15.4 percent, followed by Tom Hedelius, who owns shares corresponding to 14.9 percent. The proportion of foreign owners was 29 percent (28) of total capital.

ADDITIONAL INFORMATION

Addtech's website www.addtech.com is updated continuously with information about shareholder changes and share price performance. The site also contains information about which analysts follow Addtech.

KEY INDICATORS

	2016/2017		2015/2016	2014/2015
Earnings per share before dilution (EPS), SEK	6.60		4.85	4.70
Shareholders' equity per share, SEK	25.45		22.10	22.60
Price/earnings ratio	23		23	25
Dividend per share, SEK	3.50	1)	3.25	3.25
Payout ratio, %	55		55	55
Dividend yield, %	2.4		2.9	2.8
Last price paid, SEK	148.50		112.00	115.75
Price/equity, multiple	5.8		5.1	5.1
Market capitalisation, SEKm	9,647		7,276	7,519
Average number of shares outstanding	66,823,990		66,703,379	66,288,174
Number of shares outstanding at year-end	66,823,775	2)	66,958,496	66,456,196
Number of shareholders at year-end	4,791		4,266	3,932

1) Dividend proposed by the Board of Directors

2) The difference between the total number of shares and shares outstanding equals the shares repurchased by Addtech: 1,374,721 Class B shares at 31 mars 2017.

ADDTECH'S LARGEST SHAREHOLDERS, 31 MARCH 2017

			Proportion of	
Shareholder	**Class A shares**	**Class B shares**	**capital, %**	**votes, %**
Anders Börjesson (family)	1,492,776	121,050	2.4	15.5
Tom Hedelius	1,447,776	16,200	2.2	14.9
Swedbank Robur Fonder	0	6,420,560	9.4	6.6
Lannebo Fonder	0	5,987,813	8.8	6.2
SEB Investment Management	0	5,095,610	7.5	5.2
Livförsäkringsbolaget Skandia	0	2,538,485	3.7	2.6
AMF Försäkringar och Fonder	0	2,125,000	3.1	2.2
State Street Bank And Trust Com. Boston	0	2,020,451	3.0	2.1
Odin Fonder	0	2,000,633	2.9	2.1
State Street Bank And Trust Client	0	1,846,318	2.7	1.9
Familjen Säve	60,000	1,210,000	1.9	1.9
Sandrew AB	0	1,800,000	2.6	1.8
Didner & Gerge Fonder Aktiebolag	0	1,454,154	2.1	1.5
Handelsbankens Fonder	0	1,383,334	2.0	1.4
Fidelity Low Priced Stock Found	0	1,323,400	1.9	1.4
Total 15 largest owners 3)	**3,000,552**	**35,343,008**	**56.2**	**67.3**

3) The proportion of capital and votes includes the shares held in treasury by Addtech AB.

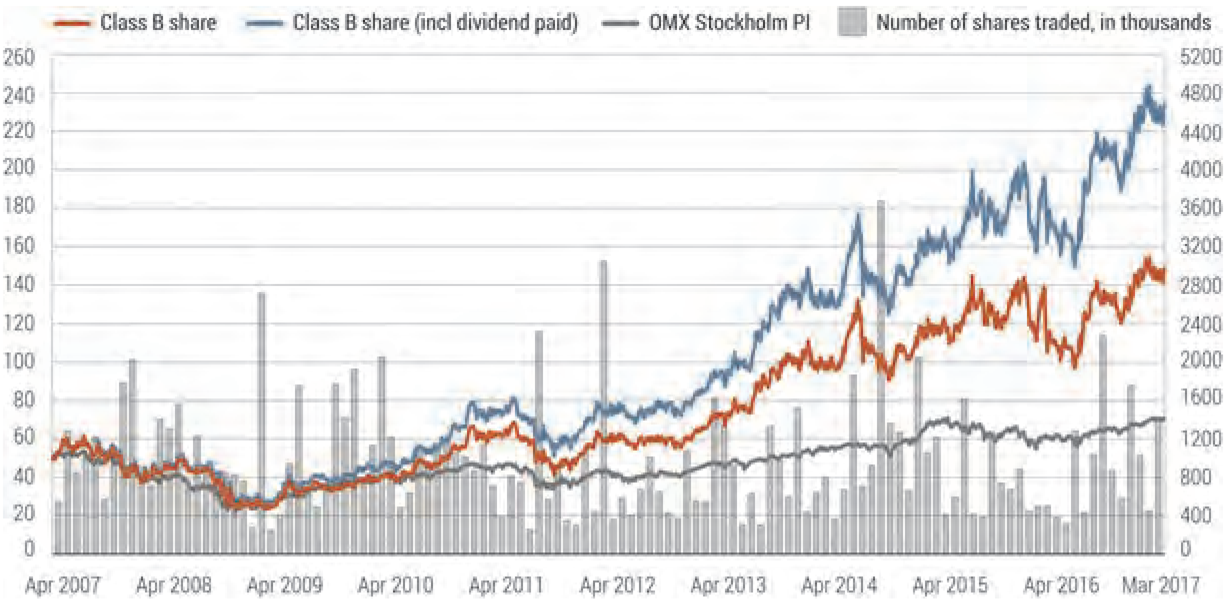
SIZE CLASSES

Number of shares	% of share capital	Number of shareholders	% of number of shareholders
1 - 500	1	2,872	60
501 - 1 000	1	618	13
1 001 - 5 000	3	861	18
5 001 - 10 000	2	176	3
10 001 - 15 000	1	57	1
15 001 - 20 000	1	26	1
20 001 -	91	181	4
Total	**100**	**4,791**	**100**

HOLDINGS BY CATEGORY

	2016/2017		2015/2016	
	Number of shareholders	Proportion of capital, %	Number of shareholders	Proportion of capital, %
Swedish owners	4,514	71	4,020	73
Foreign owners	277	29	246	27
Total	**4,791**	**100**	**4,266**	**100**
Legal entities	519	77	517	76
Natural persons	4,272	23	3,749	24
Total	**4,791**	**100**	**4,266**	**100**

SHARE PERFORMANCE CHART



ADMINISTRATION REPORT

1 APRIL 2016 - 31 MARCH 2017

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 2016/2017 financial year. All data in this report refer to continuing operations, excluding the distribution of AddLife, unless otherwise stated. All figures regarding the income statement refer to continuing operations retroactively from 1 April 2014. All figures regarding the balance sheet refer to continuing operations from 31 March 2016 without retroactivity for earlier periods. Comparisons in parentheses refer to the corresponding period of the previous year, unless stated otherwise.

THE OPERATIONS

Addtech is a Swedish listed technology trading group that provides technological and economic value added in the link between manufacturers and customers. Addtech operates in selected niches in the market for advanced technology products and solutions. Its customers primarily operate in the manufacturing industry and infrastructure. Addtech has around 120 independent subsidiaries that operate under their own brands and about 2,200 employees. The Group's sales amount to over SEK 7 billion and half consist of sales of standard products and half consist of sales of customised products and solutions. Addtech creates optimal conditions for the profitability and growth of subsidiaries. The Addtech share is listed on Nasdaq Stockholm since 2001.

MARKET TREND DURING THE YEAR

The business situation improved during 2016/2017, and we consolidated our positions in the majority of our markets. As before, sales of production components to manufacturing companies and sales of products and solutions to end customers each accounted for roughly half of the Group’s sales. The latter grew more rapidly during the year, driven by the increase in infrastructure investments among Nordic power network companies. In the customer segment Energy, which includes the wind power industry, demand rose during the year. Investments in oil & gas remained low, but in our view the lowest point has been passed. Demand for production components increased overall, and the business situation was favourable in most customer segments, including the mechanical industry, electronics and medical technology. The biggest increase in demand came from manufacturers of special vehicles, in segments such as forklift trucks, mining, forestry and contracting. The business situation among customers in telecom remained weak. Sales of products to the industrial aftermarket, for example, the mechanical, forest and process industries, developed strongly in both the Nordic region and Europe. Demand from the ship supply market was very buoyant. The business situation remained positive for electricity-related products in building and installation.

THE YEAR IN BRIEF

The 2016/2017 financial year was highly eventful, and we delivered in line with our financial targets for growth combined with profitability. The Group increased sales by 17 percent, EBITA rose by 34 percent and we posted an EBITA margin of 10 percent. Return on working capital was 53 percent and return on equity 28 percent. The Group’s strong profit growth and its improved operating margin arose through higher sales of our products and solutions, combined with a successful efficiency drive. The focus was on further developing the Group’s various operations and making acquisitions in selected segments and niches. We maintained a high rate of acquisitions and ten were made during the year, which will add annual sales of around SEK 500 million.

PERFORMANCE BY QUARTER

- **First quarter.** The Group performed well during the first quarter. Sales and earnings rose, both organically and via acquisitions. The selective cost adjustments implemented had a positive impact on earnings. Demand showed firm growth in the majority of niche markets, although there were wide variations between various customer segments. Demand rose strongly from customers in infrastructure sectors such as power transmission and building & installation in the Swedish market, while other geographical markets were relatively stable. In the energy sector, the market situation was particularly favourable in wind power. Demand in oil & gas in Norway remained at the same low level as in the preceding quarter. Sales of production components to manufacturers rose slightly in all the Nordic markets. This was evident in the majority of customer segments, including machinery manufacture, medical technology, ship supply and electronics. Demand for products in telecom weakened, while demand for products for special vehicles was relatively stable. Overall, the business situation in our markets outside the Nordic regions was favourable. Four acquisitions were carried out during the quarter.

- **Second quarter.** The Group turned in a very strong performance in the second quarter, and despite a challenging economic situation, we continued to expand. Our operating margin strengthened and the increase in earnings was, in equal measure, acquisition-related and an effect of organic growth with good control of costs. The selective cost savings implemented had a positive impact on earnings. Overall, the underlying demand was stable during the quarter, but the market situation varied according to geographical region and customer segment. Demand for production components from Nordic manufacturing companies remained stable at a high level in the majority of customer segments, including machinery manufacturers, the engineering industry and medical technology. The business situation with customers in special vehicles, transport and wind power improved. Demand for products in telecom fell away considerably and investments in oil & gas in Norway remained at a low level. On the Norwegian market, rising demand was recorded in areas such as infrastructure and the food industry. Demand from industrial aftermarket customers was generally unchanged. Investments by customers in power transmission increased, but demand from customers in power distribution remained stable at a high level. The market for electricity-related products in building and installation grew strongly. One acquisition was carried out during the quarter.

- **Third quarter.** During the third quarter, the Group recorded strong demand and the economic situation in our markets stabilised. In all four business areas, the Group continued to expand, both through firm organic growth and contributions from acquisitions made. Higher sales of our products and solutions combined with a successful efficiency drive led to further strong growth in profits and the operating margin improved. Demand for production components from Nordic manufacturing companies rose overall, but the business situation continued to vary from one customer segment to another. Demand from machinery manufacturers, the engineering industry and medical technology was relatively stable, but increased in customer segments such as special vehicles, electronics and transport. The market situation remained weak in oil & gas and declined somewhat in telecom and wind power. Overall, the business situation for production components in our markets outside the Nordic regions was favourable. Sales of products to industrial aftermarket customers in the Nordic region were generally stable. Demand from customers in infrastructure sectors such as power transmission and power distribution remained on the same level as in the preceding year. The business situation remained positive for electricity-related products in building and installation. Two acquisitions were made during the quarter.

- **Fourth quarter.** The fourth quarter brought a strong finish to a year of profit growth in all of our four business areas. Infrastructure investments in national and regional grids in the Nordic region continued to increase. The wind power industry, which is serviced via the customer segment Energy, experienced higher demand. Investments in oil & gas remained low, but in our view the lowest point has been passed. Demand for production components increased overall, and the business situation was favourable in most customer segments, including the mechanical industry, electronics and medical technology. The biggest increase in demand came from manufacturers of special vehicles, in segments such as forklift trucks, mining, forestry and contracting. The business situation among customers in telecom remained weak. Sales of products to the industrial aftermarket, for example, the mechanical, forest and process industries, developed strongly in both the Nordic region and Europe. Demand from the ship supply market was very buoyant. The business situation remained positive for electricity-related products in building and installation. Three acquisitions were made during the quarter.

ACQUISITIONS

Addtech is constantly on the lookout for companies to acquire and is engaged in discussions with a number of possible companies. This financial year Addtech completed ten acquisitions in the continuing operations that came into effect during the year. Ten 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.

Since becoming a listed company in 2001, Addtech has acquired around 80 companies. The following companies were acquired during the year:

- **Sammet Dampers Oy.** On 1 April, Addtech acquired Sammet Dampers Oy to become part of the Industrial Process business area. Sammet Dampers is a leading developer and supplier of industrial dampers in Northern Europe. The company has sales of around EUR 5 million and 12 employees.
- **Poryan China Company Ltd.** On 5 April, Addtech acquired Poryan China Company Ltd to become part of the Power Solutions business area. Poryan China Company Ltd provide component solutions and subsystems in circuit protection primarily to the train and signaling market in China. The company has sales of around SEK 50 million and 22 employees.
- **ETS Cable Components.** On 5 April, Addtech acquired ETS Cable Components to become part of the Energy business area. ETS Cable Components supplies products, systems and services in the field of cable accessories for power cable installation, including cable cleats brackets, cable glands, cable lugs, flexible conduits, cable ties and cable tooling above all for the UK market. The company has sales of around GBP 8.5 million and 35 employees.
- **Elektro-Tukku Oy.** On 2 May, Addtech acquired 100 percent of the shares in Elektro-Tukku Oy, Finland, to become part of the Components business area. Elektro-Tukku Oy sells measuring and control instruments to industry, OEMs and the public sector. The company has sales of around SEK 8 million and 3 employees. The operation will be part of an existing company.
- **Penlink AB.** On 3 October, Penlink AB was acquired to become part of the Components business area. Penlink delivers products and solutions in the fields of rotating transmission and electro optics. The company has sales of around SEK 25 million and five employees.
- **Itek AS.** On 9 November, Itek AS was acquired to become part of the Industrial Process business area. Itek is a leading supplier in Norway of energy efficient solutions and systems for clean air, process cooling and dust collection. The company has sales of around NOK 60 million and 13 employees.
- **Carmac Inc.** On 12 December, the net assets of Carmac Inc. were acquired to become part of the Power Solutions business area. Carmac supplies drivers' seats and accessories to dealers/retailers and small OEMs. The acquisition of the net assets adds two employees and sales of about USD 1 million.
- **Sensor Control Nordic AB and Sensor ECS AB.** On 2 January 2017, Sensor Control Nordic AB and Sensor ECS AB, Sweden, were acquired to become part of the Components business area. The Sensor-companies deliver products and solutions in the fields of sensor, control and drives. The companies have sales of around SEK 160 million and 30 employees.
- **Vallentin Elektronik A/S.** On 2 January 2017, Vallentin Elektronik A/S, Denmark, was acquired to become part of the Components business area. Vallentin is a technology trading company that supplies thermal solutions for OEM/built-in to customers, mainly in the area of electronics. The company has sales of about DKK 15 million and four employees.
- **Ex-Tekniikka Oy.** On 1 March 2017, Ex-tekniikka Oy, Finland, was acquired to become part of the Components business area. Ex-Tekniikka Oy is a technology trading company that supplies Ex products for OEM installation as well as process industry. The company has sales of about EUR 2 million and three employees.

The total initial purchase consideration, for the year's acquisitions amounted to SEK 457 million, including cash and cash equivalents in the acquired companies of SEK 141 million.

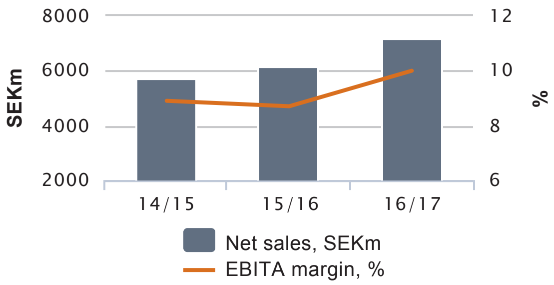
If all the acquisitions had been completed on 1 April 2016, their impact would have been an estimated SEK 528 million on Group net sales, about SEK 55 million on operating profit and about SEK 39 million on profit after tax for the financial year. During the financial year, the acquisitions increased the number of employees with 129.

FINANCIAL DEVELOPMENT

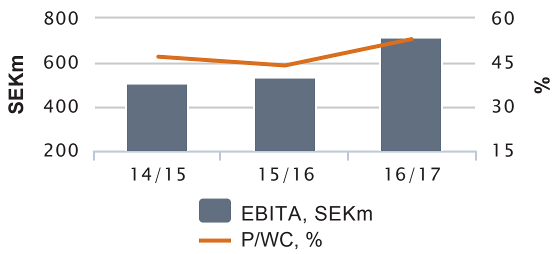
NET SALES AND PROFIT

Net sales in the Addtech Group increased by 17 percent during the financial year to SEK 7,178 million (6,155). The organic growth amounted to 7 percent and acquired growth amounted to 9 percent. Exchange rate changes had a positive effect of 1 percent on net sales, corresponding to SEK 46 million, and a marginally positive effect on operating profit. Operating profit increased during the financial year by 36 percent to SEK 604 million (443) and the operating margin amounted to 8.4 percent (7.2). Net financial items were SEK -24 million (-20) and profit after financial items increased by 37 percent to SEK 580 million (423). Profit after tax for the financial year rose by 35 percent to SEK 450 million (333) and the effective tax rate was 22 percent (21). Earnings per share before dilution for the financial year amounted to SEK 6.60 (4.85).

Net sales and EBITA margin



EBITA and return on working capital (P/WC)



Profitability, financial position and cash flow

Shareholders' equity at the end of the financial year amounted to SEK 1,741 million (1,514). The return on equity at the end of the financial year was 28 percent (20), and return on capital employed was 23 percent (16). Return on working capital P/WC (EBITA in relation to working capital) amounted to 53 percent (44).

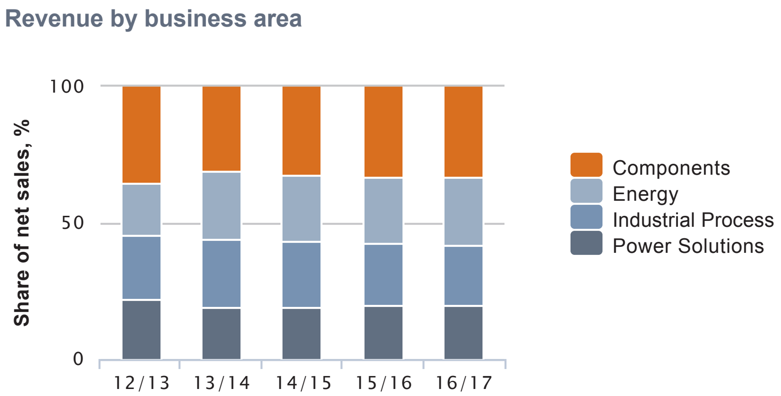
At the end of the financial year the equity ratio stood at 39 percent (40). Equity per share, excluding non-controlling interest, totalled SEK 25.45 (22.10). The Group's net debt at the end of the year amounted to SEK 801 million (623), excluding pension liabilities of SEK 210 million (199). The net debt/equity ratio, calculated on the basis of net debt excluding provisions for pensions, amounted to 0.5 (0.4).

Cash and cash equivalents, consisting of cash and bank balances together with approved but non-utilised credit facilities, amounted to SEK 818 million (754) at 31 March 2017.

Cash flow from operating activities amounted to SEK 551 million (474) during the financial year. Company acquisitions and disposals including settlement of contingent consideration regarding acquisitions implemented in previous years amounted to SEK 335 million (623). Investments in non-current assets totalled SEK 68 million (90) and disposal of non-current assets amounted to SEK 5 million (24). Dividend from associated company amounted to SEK 3 million (0). Repurchase of treasury shares amounted to SEK 40 million (45) and repurchase of call options amounted to SEK 6 million (0). Exercised and issued call options totalled SEK 18 million (61). Dividends paid to the shareholders of the Parent Company totalled SEK 218 million (217), corresponding to SEK 3.25 (3.25) per share.

BUSINESS AREAS

The division into business areas reflects Addtech's internal organisation and reporting system. Addtech reports its business areas as operating segments. Addtech’s operating companies have been organised in the four business areas Components, Energy, Industrial Process and Power Solutions. For further information on the Group's operating segments, see note 5.



COMPONENTS

Net sales in Components during the financial year increased by 16 percent to SEK 2,355 million (2,029) and EBITA increased by 25 percent to SEK 187 million (149).

ENERGY

Net sales in Energy during the financial year increased by 22 percent to SEK 1,807 million (1,487) and EBITA increased by 50 percent to SEK 225 million (149).

INDUSTRIAL PROCESS

Net sales in Industrial Process during the financial year increased by 11 percent to SEK 1,585 million (1,423) and EBITA increased by 9 percent to SEK 125 million (116).

POWER SOLUTIONS

Net sales in Power Solutions during the financial year increased by 17 percent to SEK 1,439 million (1,226) and EBITA increased by 38 percent to SEK 187 million (136).

RISKS AND UNCERTAINTIES

An investment in securities is always associated with risk. 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. Effective risk assessment unites Addtech’s business opportunities and performance with the demands of shareholders and other stakeholders for stable long-term value growth and control. When assessing the future development of Addtech it is therefore important to consider not only the opportunities for positive development, but also the various risks in operations. Naturally, not all risk factors can be described in this section, for which reason an overall assessment must also include other information in the annual report, as well as a general assessment of external circumstances.

Addtech works with risk management on both a strategic and operational level. Risk management involves identifying and measuring risks and preventing them from occurring, as well as continually making improvements to reduce future risks. The Addtech Group has guidelines and policies to identify deviations that could develop into risks. The level of risk in the operations is systematically followed up at Board meetings and in monthly reports, in which deviations or risks are identified and remedied. Addtech's most significant risks are the state of the economy combined with structural changes and competition. Addtech is also affected by financial risks such as transaction exposure, translation exposure, financing and interest rate risk, as well as credit and counterparty risk. See Note 3 for a more detailed description of how Addtech manages financial risks.

RISK/DESCRIPTION	ADDTECH'S RISK MANAGEMENT
ECONOMY AND MARKET	
Demand for Addtech's products and services is greatly influenced by macroeconomic factors beyond Addtech's control, such as growth and the appetite for investment in the manufacturing industry, the state of the economy in general and conditions in the global capital market. A weakening in these factors in the markets in which Addtech operates could have adverse effects on the financial position and earnings.	With a large number of subsidiaries focusing on different niche markets and add-on sales of technical service, support and consumables, Addtech may be less sensitive to economic fluctuations in individual industrial businesses, sectors and geographical regions. Addtech also strives continuously to develop businesses that are less dependent on a specific market and to align costs to specific conditions.
STRUCTURAL CHANGES	
Globalisation, digitalisation and rapid technological development drive structural change in customers' operations. The trend can increase demand for Addtech's advanced services, but it can also result in Addtech's customers disappearing through mergers, closures and relocations to low-cost countries.	Addtech's clear and unique added value services with high technological content, specialisation in advanced technical advisory services, outstanding service and strong presence on niche markets offset price competition, while increasing competitiveness and generating opportunities to deliver beyond the immediate geographic area. Addtech's competitiveness also enables the Company to deliver beyond its immediate geographical region. The Group's exposure to a large number of industries and the fact that no customer accounts for more than 2 per cent of the Group's sales constitute a certain degree of protection against adverse impact on earnings.
COMPETITION	
The majority of Addtech's subsidiaries operate in sectors that are vulnerable to competition. In addition, consolidation may take place on the supplier side of the sector, and larger merged suppliers may have a broader offering, which may create pressure on prices. Future competitive opportunities for the subsidiaries will depend on their ability to be at the leading edge of technology and to respond quickly to new market needs. Increased competition or a decline in the ability of a subsidiary to meet new market needs could have a negative impact on Addtech's financial position and earnings.	Addtech strives to offer products and services for which price is not the sole deciding factor. By working closely with both suppliers and customers, we are continuously developing our know-how and competitiveness. We add value in the form of wide-ranging technological knowledge, delivery reliability, service and availability, which reduces the risk of declining demand from the customer. To reduce the risk of competition from suppliers, Addtech focuses continuously on ensuring that collaboration with the Group is the most profitable sales strategy.
ENVIRONMENT	
Changed environmental legislation could affect product sales, goods transports and the way in which our customers use the products. There is also a risk that one of the Group's subsidiaries, through its corporate ID number, could be linked to a historical responsibility under the Swedish Environmental Code.	Addtech's subsidiaries are primarily engaged in commerce and business that has a limited direct environmental impact. The Group conducts in limited production. The Group monitors operations and environmental risks with its sustainability report and all companies comply with the Group's Code of Conduct. In conjunction with acquisitions, Addtech conducts an analysis of the prospective object's corporate ID number to counter the risk of being liable for historical environmental issues.

RISK/DESCRIPTION	ADDTECH'S RISK MANAGEMENT
ABILITY TO RECRUIT AND RETAIN STAFF	
Addtech’s continued success depends on being able to retain experienced employees with specific skills and to recruit new skilled personnel. There are a number of key personnel both among senior executives and among the Group's employees in general. A risk exists that one or several senior executives or other key personnel could leave the Group at short notice. In the event that Addtech fails to recruit suitable replacements for them or new skilled key personnel in the future, this could have a negative impact on Addtech's financial position and earnings.	Addtech prioritises the creation of good conditions enabling the personal development and well-being of employees within the Group. The Group’s acquisition strategy includes ensuring that key personnel of the companies are well motivated to continue to run their company independently as part of the Group. The Addtech Business School is aimed at both new employees and senior executives. Its purpose is to expand in-house knowledge transfer, promote personal development of employees and develop the corporate culture. The Group’s regular employee surveys serve to find out how employees view their employers and their work situation, and what might be improved and developed.
ACQUISITIONS AND GOODWILL	
Historically, Addtech has for the most part grown through acquisitions. Strategic acquisitions will continue to represent an important part of our growth. However, there is a risk that Addtech will not be able to identify suitable objects for acquisition because of, for example, competition with other acquirers. Also, costs connected with acquisitions may be higher than expected, and positive impacts on earnings may take longer to realise than expected. Goodwill risk arises when a business unit under-performs in relation to the assumptions that applied at the time of measurement, and any impairment loss may adversely affect the Group’s financial position and earnings. Further risks associated with acquisitions include integration risks and exposure to unknown commitments.	Addtech has many years of solid experience in acquiring and pricing companies. All potential acquisitions and their operations are carefully examined before completing the acquisition. There are well-established procedures and structures for pricing and implementing the acquisition, as well as for integrating the acquired companies. An effort is made in the agreements to obtain the necessary guarantees to limit the risk of unknown liabilities. The large number of companies acquired entails a significant distribution of risk.
FINANCIAL RISKS	
The Group is exposed to various financial risks. Currency risk is the risk that exchange rates have an adverse impact on Addtech’s financial position and earnings. Transaction exposure is the risk that arises because the Group has incoming and outgoing payments based on payment flows in foreign currencies. Translation exposure arises because the Group, through its subsidiaries, has net investments in foreign currencies. The Group is also exposed to financial risk, that is, the risk that financing for the Group’s capital requirements becomes less readily available or more expensive. Interest rate risk is the risk that unfavourable changes in interest rates have an adverse impact on Addtech’s financial position and earnings.	Addtech strives for structured and efficient management of the financial risks that arise in its operations, in accordance with the financial policy adopted by the Board of Directors. The financial policy expresses the goal of identifying, minimising and controlling financial risks, and establishes responsibility for managing how such risks are to be delegated within the organisation. The aim is to minimise the impact of financial risks on earnings. See Note 3 to the Financial Statements for a more detailed description of how Addtech manages its financial risks.

RISK/DESCRIPTION	ADDTECH'S RISK MANAGEMENT
SUPPLIERS AND CUSTOMERS	
In order to deliver products, Addtech is dependent on the ability of external suppliers to fulfil agreements in terms of volume, quality, delivery date etc. Incorrect or delayed deliveries, or non-deliveries, may have adverse impact on Addtech's financial position and earnings. Addtech's reputation is also dependent on its suppliers' ability to maintain a high level of business ethics, for example in terms of human rights and working conditions. Addtech's many and excellent relationships with carefully selected suppliers reduce the risk that Addtech might be unable to deliver in line with commitments. Agreements with customers vary, for example in terms of contract length, warranties and limitations of liability. In some supplier relationships there are no written supplier agreements, which could result in legal uncertainty regarding the content of the agreement	Addtech's long-term close relationships with reliable suppliers reduce the risk of not being able to deliver as promised. To ensure that the Group's high standards in terms of business ethics are maintained, all suppliers are also required to observe Addtech's Code of Conduct for Suppliers. In a longer-term perspective, Addtech is not dependent on any individual supplier or customer. Addtech's biggest customer accounts for about 2 percent of the Group's net sales.
ORGANISATION	
Addtech's decentralised organisation is based on subsidiaries having a large responsibility for their own operations, which sets high standards for financial reporting and monitoring; shortcomings in this area could lead to inadequate control of the operations.	Addtech controls its subsidiaries through board work, a Group-wide framework for overarching policies and financial reporting. By continuously monitoring the development of its subsidiaries and being active owners, risks at the subsidiary level and potential deficiencies in operations or reporting can quickly be identified and addressed in accordance with the Group's internal guidelines.
SEASONAL EFFECTS	
There is a risk that Addtech's operations, earnings and cash flow could be affected by strong seasonal effects driven by customer demand.	No significant seasonal effects are associated with Addtech's sales of high-tech products and solutions to companies in the manufacturing and infrastructure sectors. However, the number of production days, customer demand and the will to invest may vary from one quarter to another.

EMPLOYEES AND DEVELOPMENT

EMPLOYEES

The average number of employees in the latest 12-month period was 2,133 (2,386). At the end of the financial year, the number of employees was 2,176, compared to 2,076 at the beginning of the financial year. During the financial year implemented acquisitions increased the number of employees by 129.

	2016/2017	2015/2016	2014/2015
Average number of employees	2,133	2,386	2,224
proportion of men	75%	75%	74%
proportion of women	25%	25%	26%
Age distribution			
-up to 29 years old	10%	10%	10%
30-49 years	53%	54%	54%
50 and older	37%	36%	36%
Average age	45 years	45 years	45 years
Personnel turnover	13%	14%	13%
Average length of employment	about 10 years	about 10 years	about 10 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 has decided to propose that the Annual General Meeting in August 2017 to 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. Retirement pension, 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.

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.

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.

DIVIDEND AND AMENDED DIVIDEND POLICY

Addtech's dividend policy is to propose a dividend that exceeds 50 percent of average Group profit after tax over a business cycle. The Board of Directors proposes dividend of SEK 3.50 (3.25 includes Addlife) per share. The dividend corresponds to a total of SEK 234 million (218). The year's proposed dividend represents a payout ratio that exceeds 50 percent.

Addtech has a succesful record of making acquisitions. There are still good opportunities to make acquisitions with good returns benefiting Addtech's shareholders so therefore, the Board of Directors of Addtech has decided on an altered dividend policy. The new policy has the objective of proposing a dividend that exceeds 30 percent of average Group profit after tax over a business cycle. In the dividend proposal, the Group's equity, long-term financing and investment requirements, growth plans and other factors that the Company Board deems significant are considered.

PARENT COMPANY

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

Parent Company net sales amounted to SEK 54 million (58) and profit after financial items was SEK 312 million (200). This amount includes revenues of SEK 318 million (190) from shares in Group companies. Net investments in non-current assets were SEK 0 million (2). The Parent Company's net financial liabilities was SEK 88 million (+21) at the end of the year.

FUTURE PROSPECTS AND EVENTS AFTER THE REPORTING PERIOD

FUTURE PROSPECTS

Addtech operates on an international technology trading market where demand is largely influenced by macroeconomic factors. Group companies operate in different but carefully selected niches, resulting in a smoothing effect between sectors, geographical markets and customer segments. Our independent companies continually work to adapt to changes based on their market and the competitive situation.

Historically, Addtech's continuous pursuit of profit growth, profitability (P/WC) and development have provided good average value growth. Our cash flow and financial position form a stable foundation for continued long-term profitable growth based on the same mission.

EVENTS AFTER THE REPORTING PERIOD

On 3 April 2017, Dovitech A/S, Denmark, was acquired to become part of the Components business area. Dovitech delivers inductive special solutions as well as electromechanical- and automation products. The company has sales of around DKK 80 million and five employees.

On 6 April 2017, Craig & Derricott Holdings Ltd, Great Britain, was acquired to become part of the Power Solutions business area. Craig & Derricott is engaged in design, manufacturing and marketing of low electrical control equipment and switchgear for the UK market and export markets. The company has sales of about GBP 10 million and 90 employees.

On 11 May 2017, Addtech announced that the Board of Directors has decided on a new dividend policy. The new policy has the objective of proposing a dividend that exceeds 30 percent of average Group profit after tax over a business cycle.

On 12 June 2017, Addtech sold Batteriunion i Järfälla AB to Midac S.P.A. Batteriunion AB with a sales of about SEK 140 million and 16 employees, has belonged to the business area Power Solutions.

PROPOSED ALLOCATION OF EARNINGS 2016/2017

The following amounts are available for distribution by the Annual General Meeting of Addtech AB:	
Retained earnings	516 SEKm
Profit for the year	210 SEKm
	726 SEKm

The Board of Directors and the CEO propose that the funds available for distribution be allocated as follows:

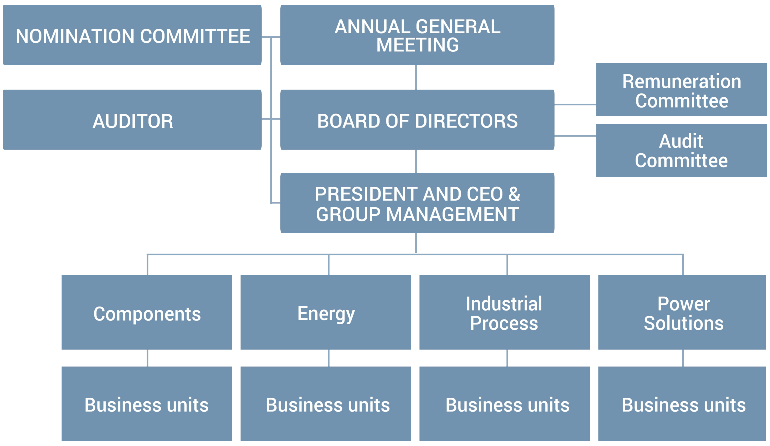
A dividend paid to shareholders of SEK 3.50 per share 1)	234 SEKm
To be carried forward	492 SEKm
	726 SEKm

1) Based on the number of shares outstanding at 31 May 2017. The total dividend payout may change if the number of treasury shares repurchased changes prior to the proposed dividend record date of 4 September 2017.

CORPORATE GOVERNANCE

PRINCIPLES FOR CORPORATE GOVERNANCE

The Addtech Group considers sound corporate governance to be an important foundation for achieving a confiding relationship with shareholders and other important stakeholders. The Swedish Corporate Governance Code, which is applied by the Addtech Group, aims to create a good balance between shareholders, the Board of Directors and senior management. Sensible corporate governance, with high standards for openness, reliability and ethical values, has always been a guiding principle for Addtech's operations.



COMPLIANCE WITH THE SWEDISH CODE OF CORPORATE GOVERNANCE

Addtech’s shares are traded on Nasdaq Stockholm and Addtech therefore follows the Nasdaq Stockholm Rule Book for Issuers. As a listed company Addtech also applies the Swedish Code of Corporate Governance (the Code), which is available at www.corporategovernanceboard.se. 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 URL is: www.addtech.com.

COMPLIANCE WITH APPLICABLE RULES FOR TRADING

No violations of any applicable stock exchange rules occurred in 2016/2017 and Addtech’s operations were conducted in accordance with good practices in the stock market.

SHARES AND SHAREHOLDERS

The Addtech AB share register is maintained by Euroclear Sweden AB. As of 31 March 2017 Addtech had 4,791 shareholders according to the shareholder register and the total number of shares was 68,198,496 divided among 3,237,564 A shares, each carrying 10 votes, and 64,960,932 B shares, each carrying one vote. The total number of voting rights was 97,336,572. More information about the Addtech share and shareholders can be found in the annual report under the section the Share.

KEY EVENTS IN 2016/2017

On 15 July 2016, it was announced that Hans Andersén took office as new business area manager for Energy and joined Addtech's Group Management from 1 April. He succeeded Åke Darfeldt who retired.

On 31 August 2016, the resolutions adopted at Addtech's AGM were announced. These included approval of a dividend of SEK 3.25 per share, equivalent to a payout ratio of 55 percent, amounting to SEK 218 million. It was further resolved to introduce a long-term incentive programme in which participants are offered the chance to, at market price, acquire call options on repurchased shares in Addtech AB.

On 16 September 2016, it was announced that 300,000 class B shares had been bought back at an average price of SEK 132.00.

On 23 September 2016, it was announced that the share-related incentive programme, approved by the AGM in 2016, aimed at approximately 20 members of management comprising a maximum of 300,000 call options on repurchased class B shares, had been fully subscribed.

During the financial year 10 acquisitions were made, adding annual sales of about SEK 500 million.

ARTICLES OF ASSOCIATION

According to the Articles of Association, the Company's name is Addtech Aktiebolag and the financial year is from 1 April to 31 March. The Articles of Association have no special provisions about the appointment and dismissal of Board members and about amendments to the Articles. The Articles of Association do not limit the number of votes that each shareholder may cast at an Annual General Meeting. For the full Articles of Association, which the EGM adopted in their present form on 19 November 2013, please see the Company’s website under Investors/Corporate governance/Articles of Association of Addtech.

ANNUAL GENERAL MEETING

Shareholder influence in the Company is exercised by the Annual General Meeting (AGM) or, where appropriate, an Extraordinary General Meeting, which is Addtech’s highest decision-making body. The AGM must be held in Stockholm within six months of the end of the financial year. The items on the agenda of the AGM for resolution include the election of the Board of Directors and the Chairman of the Board, the appointment of an auditor, the adoption of the income statement and balance sheet, the appropriation of the Company’s unappropriated earnings, the discharge from liability for the Members of the Board and the CEO, the Nomination Committee and its work, and remuneration guidelines for senior executives. Details of the company’s previous AGMs can be found on Addtech’s website, which also includes information on shareholders’ entitlement to raise matters for consideration at the AGM, and on when such requests for consideration should be received by Addtech. 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. Most decisions at shareholders’ meetings are taken with a simple majority and for elections the candidate who receives the most votes in an election is considered to be elected. Certain decisions, however, such as amendments to the Articles of Association, require a qualified majority.

2016 ANNUAL GENERAL MEETING

Addtech’s Annual General Meeting was held on Wednesday, 31 August 2016 in Stockholm. 93 shareholders were present at the AGM, in person or by proxy, representing 66.79 percent of votes and 55.09 percent of capital. Chairman of the Board Anders Börjesson was elected to serve as chairman of the AGM. All members of the Board and Group Management attended the AGM. Authorised public accountant George Pettersson, principal auditor for Addtech, and Authorised public accountant Jonas Eriksson were also present at the meeting. The decisions taken by the AGM were:

- Dividend of SEK 3.25 per share.
- Re-election of directors Anders Börjesson, Eva Elmstedt, Tom Hedelius, Malin Nordesjö, Ulf Mattsson and Johan Sjö. Kenth Eriksson was elected to serve on the Board of Directors. Anders Börjesson was elected Chairman of the Board. At the subsequent first meeting of the new Board following its election, Tom Hedelius was reappointed Vice Chairman of the Board.
- Re-election of registered auditors, KPMG AB, for a period of one year.
- Introduction of a long-term incentive programme in which participants are offered the chance to acquire, at market price, call options on repurchased shares in Addtech AB.
- Authorisation to the Board of Directors to repurchase, until the next AGM, up to the maximum number of class B shares that the Company’s holding of treasury shares at any given time does not exceed 10 percent of the total number of shares outstanding in the Company.

The other resolutions of the AGM can be seen in the complete agenda from the AGM, which is available along with other information about the 2016 AGM at www.addtech.com.

2017 ANNUAL GENERAL MEETING

Addtech 2017 Annual General Meeting will be held Thursday 31 August at IVA in Stockholm. For additional information about the 2017 AGM please see the section called “Welcome to the Annual General Meeting” in the annual report, as well as Addtech’s website www.addtech.com.

NOMINATION COMMITTEE DUTIES

The Nomination Committee's mandate from the Annual General Meeting is to evaluate the composition and work of the Board of Directors as well as to submit proposals to the AGM for the Chairman of the AGM, Directors and Chairman of the Board, remuneration to directors who are not employed by the company, election, where appropriate, of a registered auditing firm and auditors' fees, as well as principles for election of members to the Nomination Committee. The members of the Nomination Committee receive no remuneration from the Company for their work on the committee. The committee had three meetings at which minutes were taken prior to the 2017 AGM. The complete proposals of the Nomination Committee to the AGM are presented in the notice to attend the meeting and on the Company's website.

COMPOSITION OF THE NOMINATION COMMITTEE

The meeting decided that the following principles will apply until further notice. Consequently, the AGM does not decide on these principles and the Nomination Committee assignments annually, unless the principles or the assignments are to be changed. The Nomination Committee consists of representatives of the five largest known shareholders by vote at year-end (grouped by shareholdings on 31 December) and the Chairman of the Board, who was also tasked with convening the first meeting of the Nomination Committee. The Nomination Committee will appoint a Chairman among its members. The composition of the Nomination Committee shall be announced not later than six months before the AGM.

The following were thus chosen as of 31 December 2016: Åsa Nisell (representing Swedbank Robur), Martin Wallin (representing Lannebo Fonder), Johan Strandberg (representing SEB fonder), and Tom Hedelius and Anders Börjesson, Chairman of the Board. The composition of the Nomination Committee was disclosed in conjunction with the presentation of the interim report for the third quarter on 2 February 2017.

Two Nomination Committee members are Board members and are not independent of the Company's major shareholders, which deviates from the Code's rules 2.4 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 2.4, which state that the chairperson of the Nomination Committee shall not be a Board member of the Company. 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 and who has good knowledge of both the company and other shareholders.

Members of Nomination Committee

Nomination Committee prior to 2017 AGM (appointed by the largest shareholders in terms of voting rights on 31 December 2016)

Name	Representing	Percentage of votes in percent, 2016-12-31
Anders Börjesson (Chairman)	A-Shareholders	15.5
Tom Hedelius	A-Shareholders	14.9
Åsa Nisell	Swedbank Robur Fonder	7.0
Martin Wallin	Lannebo fonder	6.6
Johan Strandberg	SEB Investment Management fonder	5.6
Total		**49.6**

BOARD DUTIES

The primary duty of the Board of Directors is to manage the Group's operations on behalf of the owners in such a way that the owners' interests in a long-term return on capital are optimally protected. The Board of Directors holds overall responsibility for Addtech's organisation and management of Addtech's business. It is responsible for the Group's long-term development and strategy, for continuously monitoring and assessing the Group's operations, and for any other task conferred by the Swedish Companies Act.

COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board is to consist of at least three and at most nine members. The directors serve from the end of the AGM when they are elected until the end of the next AGM. There is no limit to the number of consecutive terms a director may serve on the Board. The 2016 AGM re-elected directors Anders Börjesson, Eva Elmstedt, Tom Hedelius, Ulf Mattsson, Malin Nordesjö and Johan Sjö and elected director Kenth Eriksson. Anders Börjesson was elected Chairman of the Board.

At the subsequent first meeting of the new Board following its election, Tom Hedelius was reappointed Vice Chairman of the Board. The members of the Board of Directors are presented in the Board of Directors section of the annual report and on the Company’s website.

Independence of the Board of Directors

Several different types of independence requirements apply to the Board of Directors and its committees. Addtech applies independence requirements taken from applicable Swedish legislation, the Swedish Code of Corporate Governance, and the rules of the Nasdaq Stockholm Stock Exchange. The Nomination Committee evaluates the Board’s independence ahead of the Annual General Meeting. 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, Kenth Eriksson and Ulf Mattsson are also independent of the Company's major shareholders. The Board has thus been assessed as complying with the requirement that at least two of the members who are independent of the Company are also independent of major shareholders.

Rules of procedure

The Board of Directors adopts written Rules of Procedure every year in accordance with the provisions of the Swedish Companies Act. The rules of procedure clarify the distribution of work between members of the Board, including its committees, the number of regular Board meetings, matters to be addressed at regular board meetings and duties as the Chairman of the Board. The Chairman shall organise and lead the work of the Board, be responsible for contacts with the owners regarding ownership issues and communicate shareholders’ views to the Board, ensure that the Board receives satisfactory information and decision support documentation for their work and verify that the Board's decisions are implemented. The Board has also issued written instructions specifying the details of financial reporting to the Board and the distribution of work between the Board and the CEO.

Duties of the Chairman of the Board

The Chairman is responsible for ensuring that the Board’s work is well-organised and conducted efficiently and that the Board fulfils its obligations. The Chairman monitors operations in dialogue with the Chief Executive Officer. The Chairman is also responsible for ensuring that other Board members receive the introduction, information and documentation necessary to maintain the high quality of the discussions and decisions, as well as for monitoring that the Board's decisions are implemented. The Chairman represents Addtech in ownership issues.

Work of the Board of Directors 2016/2017

According to the Board's rules of procedure, 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 in 2016, three of which were before the 2016 AGM and six after the AGM. The following table shows attendance at Board meetings:

Board member	Elected	Born	Board	Remuneration committee	Audit committee	Independent in relation to the Company	Independent in relation to major shareholders	Total compensation, SEK
Anders Börjesson (ordförande)	2001	1948	9 (9)	1 (1)	2 (2)	Yes	No	500,000
Eva Elmstedt	2005	1960	9 (9)		2 (2)	Yes	Yes	250,000
Kenth Eriksson 1)	2016	1961	5 (5)		2 (2)	Yes	Yes	250,000
Tom Hedelius (vice ordförande)	2001	1939	9 (9)	1 (1)	2 (2)	Yes	No	380,000
Ulf Mattsson	2012	1964	9 (9)		2 (2)	Yes	Yes	250,000
Malin Nordesjö	2015	1976	9 (9)		2 (2)	Yes	No	250,000
Johan Sjö 2)	2008	1967	9 (9)		2 (2)	No	Yes	-

1) Took over at 2016 Annual General Meeting

2) No fee is paid to directors who are employed at Addtech

All meetings followed an agenda, which was provided to members prior to Board meetings along with documentation for each item on the agenda. Regular board meetings usually last half a day to allow time for presentations and discussions. The Chief Executive Officer or his designee presents all matters relating to the operations of the Company and the Group. Other salaried employees in the Company take part in Board meetings to present certain issues or when otherwise deemed suitable. The Company's CFO is the Board Secretary and the secretary of the Nomination Committee. The Board discussed the following matters at its meetings:

- Approval of significant policies such as the Board’s rules of procedure, attestation policy, financial policy, Code of Conduct, insider policy, communication policy and dividend policy.
- Strategic direction and significant goals.
- Significant issues concerning optimisation of capital structure, financing, dividend, repurchase of treasury shares, investments, acquisitions and divestments of operations.
- Monitoring and control of operations, financial development, information provision and organisational issues.
- Review with and report from the Company’s external auditors. Review with auditors, without Group management's attendance, for evaluation of the CEO and Group management.
- Evaluation of the work of the Board of Directors. Every year, the Board Chairman initiates and oversees the evaluation.
- Approval of interim reports, year-end report and annual report.

Evaluation of the work of the Board

The Board conducts an annual evaluation of its work. Each year the Chairman initiates and leads the evaluation of the Board’s work. The purpose of the evaluation is to further improve working methods, dynamics, efficiency and working environment, as well as the main focus of the Board’s work. This evaluation also focuses on access to and the need for special expertise on the Board. The evaluation includes interviews and group discussions. In addition, the Chairman of the Board conducts individual discussions with each director. The evaluations were discussed at a Board meeting and also serve as a basis for the Nomination Committee’s work when proposing directors.

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 tasks of the Audit Committee are performed by the Board and conducted as an integral part of the Board’s work at its regular meetings. The Committee’s Chairman has knowledge of accounting and auditing. The role of the Audit Committee is to monitor the Company's financial reporting; to monitor the effectiveness of the Company's internal control and risk management regarding the financial reporting; to stay informed about the audit of the annual accounts and the consolidated financial statements; to assess and monitor the impartiality and independence of the auditor and in doing so to pay particular attention to whether the auditor provides the Company with other services besides auditing services; and to assist in drawing up proposals for the AGM's decision on selection of an auditor.

In conjunction with the adoption of the 2016/2017 annual accounts, the Board held discussions with the Company's external auditors and received their reporting. The Board also discussed matters with the auditors at this meeting, which was not attended by the CEO or other members of Company management.

AUDITOR

The Articles of Association stipulate that a registered auditing firm must be selected as auditor. The 2016 Annual General Meeting elected KPMG to serve as the Company's auditor until the close of the 2017 Annual General Meeting. Joakim Thilstedt is the Auditor in charge, assisted by Jonas Eriksson.

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. KPMG audits Addtech AB and practically all its subsidiaries. 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 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. The Company’s auditor 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, taxation issues and listing rules.

Quarterly review by auditors

Addtech's six-month or nine-month reports were not reviewed by Addtech's external auditors during the 2016/2017 financial year, which deviates from the rules of the Code 7.6. Among other things, after consultation with the Company's external auditors, the Board has so far judged that the benefit and additional cost to the Company of extended quarterly reviewing by the auditors cannot be justified.

Chosen auditors KPMG AB

JOAKIM THILSTEDT

Auditor in charge

Authorised Public Accountant, Stockholm. Born 1967. Joakim Thilstedt has been auditor in charge for the Addtech Group since 2016/2017. He also serves as auditor in charge for companies including Sandvik, Modern Times Group MTG, Ahlsell and L E Lundbergföretagen.

JONAS ERIKSSON

Assistant auditor

Authorised Public Accountant, Stockholm. Born in 1974. Jonas Eriksson has been the assistant auditor for the audit of the Addtech Group since 2013/2014 and is also involved in auditing companies including AddLife AB and Sandvik AB. Jonas is also in charge of auditing Seco Tools AB and numerous medium-size companies, including Carglass Sweden AB and the Silva Group.

CHIEF EXECUTIVE OFFICER AND GROUP MANAGEMENT

The Chief Executive Officer, Johan Sjö, heads the operations in accordance with 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 motivates proposals for decisions. The Chief Executive Officer leads the work of the Group Executive Board and makes decisions in consultation with other members of Group Management. At the end of 2016/2017, in addition to Johan Sjö (CEO), Group Management included Christina Kassberg (Chief Financial Officer), Anders Claeson (Executive Vice President and Business Area Manager of Components), Hans Andersén (Business Area Manager of Energy) , Johan Dyberg (Business Area Manager of Industrial Process) and Niklas Stenberg (Business Area Manager of Power Solutions). Group management regularly reviews operations in meetings chaired by the CEO. The Chief Executive Officer is presented in more detail in the Board and Management section of the annual report and on the Company’s website.

REMUNERATION TO SENIOR MANAGEMENT

Principles for remuneration to senior management at Addtech are adopted by the Annual General Meeting. Senior management consists of the CEO and other people in Group Management. The 2016 AGM adopted the recommendations of the Nomination Committee regarding remuneration guidelines for senior executives. These guidelines are essentially consistent with the principles previously applied.

Addtech aims to offer a reasonable as well as 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 compensation is primarily based on the Group’s growth in earnings, profitability and cash flow. Annual variable remuneration can be at most 40 percent of the fixed salary. Each year the Board of Directors evaluates whether or not to propose a long-term incentive scheme to the Annual General Meeting and, if such is the case, whether or not the proposed long-term incentive scheme should include a transfer of shares in the Company. Retirement pension and sickness and other benefits should be structured in accordance with applicable rules and market norms. Pensions should be based on defined-contribution plans where possible.

For more details regarding remuneration to senior management, please see note 6 of the Annual Report. In 2016 the Company complied with the principles for remuneration to senior management as approved by the AGM and the principles proposed to the 2017 AGM are unchanged. Please see page 104, for the Board’s complete proposals to the 2017 Annual General Meeting.

LONG-TERM INCENTIVE SCHEMES

Addtech has four outstanding call option programmes totalling 1,374,721 B shares. The purpose of long-term incentive schemes is to give management personnel within the Addtech Group the opportunity to learn about and work towards an increase in the value of the Company’s shares through their own investment. The schemes are also expected to create improved conditions for retaining and recruiting skilled personnel for the Addtech Group, to provide competitive remuneration and to unite the interests of the shareholders and the management personnel. The intention of the schemes is to contribute towards senior executives increasing their shareholdings in Addtech in the long term. Those members of management personnel included in the schemes are the group who, in an otherwise heavily decentralised organisation, are able to have a positive impact on profits through cooperation between the Group’s subsidiaries. The share-related incentive schemes approved by the AGM do not involve any net charge to the Company’s equity.

REMUNERATION TO THE BOARD OF DIRECTORS AND AUDITOR

The AGM of Addtech AB resolves each year regarding guidelines for remuneration to the Board of Directors and the auditor. According to the resolution of the 2016 Annual General Meeting, Board fees for each director will remain unchanged from the previous year.

Fees shall be paid as follows: SEK 500,000 to the Chairman of the Board, SEK 380,000 to the Vice Chairman of the Board and SEK 250,000 to each other director appointed by the AGM who is not employed by the Company. Total Board fees amount to SEK 1,880,000. No fee is paid for work on committees. For further details of Board fees, see Note 6 to the Financial Statements.

Auditor’s fees will be paid according to approved invoice, as directed by the AGM. For further details of Auditor’s fees and of fees for non-auditing services, see Note 7 to the Financial Statement.

OPERATING ORGANISATION AND MANAGEMENT

Addtech’s operating companies have been organised in the four business areas Components, Energy, Industrial Process and Power Solutions. The division into business areas reflects Addtech's internal organisation and reporting system.

Taken together the Addtech Group consists of approximately 120 independent companies in about 20 countries. Decisions about the companies’ operations are taken close to the market, but from a governance perspective it is important to integrate the acquired company in certain issues of significance to the Group, such as financial reporting, administrative procedures and common core values.

Each operating company has a board of directors, on which the company's managing director and management employees 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 head of business area. Each head of business area reports to Addtech AB’s CEO. The business areas and business units hold internal board meetings chaired by the CEO and attended by the CFO of Addtech AB, along with the respective head of business area and controller. Other salaried employees take part in the business area’s Board meetings to present certain issues or when otherwise judged suitable.

BOARD OF DIRECTORS

The information about shareholdings and call options is as per 31 May 2017.

ANDERS BÖRJESSON

M.Sc. Econ.

Born in 1948. Board Chairman since 2001. Other board assignments: Chairman of Bergman & Beving Holding, Tisenhultgruppen and Lagercrantz. Director of Bostad Direkt, Futuraskolan, Ventilationsgrossisten Nordic, Expando Electronics and Northpower Stålhallar. Professional experience: President and CEO of Bergman & Beving. Ownership (incl. associated): 1,492,776 Class A shares and 121,050 Class B shares.

EVA ELMSTEDT

Bachelor of Economics and Computer Science

Born in 1960. Director since 2005. Other board assignments: Director of Proact IT, Gunnebo, Know IT, and Thule. Professional experience: Senior management at NSN, Nokia Networks, Ericsson, 3, Semcon and IBM. Ownership (own and company): 26,450 Class B shares.

TOM HEDELIUS

M.Sc. Econ., Hon. Dr. of Economics.

Born in 1939. Vice Chairman since 2001. Other board assignments: Honorary Chairman of Svenska Handelsbanken. Chairman of Anders Sandrews Stiftelse and Jan Wallanders and Tom Hedelius Stiftelse. Professional experience: Senior management at Svenska Handelsbanken and Industrivärden. Ownership: 1,447,776 Class A shares and 16,200 Class B shares.

ULF MATTSSON

M.Sc. Econ.

Born in 1964. Director since 2012. Industrial advisor at EQT. Other board assignments: Chairman of AcadeMedia, itslearning and Crem International. Director of Oras Invest Oy. Professional experience: Senior management at Tarkett, CEO of Domco, Mölnycke Health Care, Capio and Gambro. Ownership: 8,000 Class B-shares.

MALIN NORDESJÖ

M.Sc. Econ.

Born in 1976. Director since 2015. Other board assignments: Chairman of Expando Electronics and Futuraskolan. Director of Bergman & Beving Holding, Tisenhultgruppen, Bostad Direkt, Northpower Stålhallar and Ventilationsgrossisten Nordic. Professional experience: Senior management at Tisenhultgruppen and Tritech Technology. Ownership: 19,502 Class B shares.

KENTH ERIKSSON

M. Eng. and MBA

Born 1961. Director since 2016. Other board assignments: Director, Concentric and Technology Nexus. Professional experience: CEO, Tradimus, and senior roles at Electrolux. Partner, Athanase Industrial Partner. Ownership: 15,000 Class B shares.

JOHAN SJÖ

M.Sc. Econ.

Born in 1967. Director, President and CEO. Director since 2008. Other board assignments: Chairman of AddLife and director of Bergman & Beving Holding. Professional experience: Senior management at B&B TOOLS, Alfred Berg/ABN Amro. Ownership: 10,080 Class A shares and 208,786 Class B shares. Call options corresponding to 99,150 shares.

GROUP MANAGEMENT

The information about shareholdings and call options is as per 31 May 2017.

JOHAN SJÖ

M.Sc. Econ.

Born in 1967. Director, President and CEO. Employed in the Group since 2007. Other board assignments: Chairman of AddLife and director of Bergman & Beving Holding. Professional experience: Senior management at B&B TOOLS, Alfred Berg/ABN Amro. Ownership: 10,080 Class A shares and 208,786 Class B shares. Call options corresponding to 99,150 shares.

CHRISTINA KASSBERG

B. Sc. Business Administration

Born in 1968. Chief Financial Officer. Employed in the Group since 2016. Professional experience: CFO Stim, EVP Finance and Administration Medivir, controller Medivir and accountant Öhrling PricewaterhouseCoopers. Ownership (incl. associated) : 1,600 Class B shares. Call options corresponding to 30,000 shares.

ANDERS CLAESON

M.Eng.

Born in 1956. Executive Vice President and Business Area Manager of Components. Employed in the Group since 1982. Professional experience: Various managerial positions at Bergman & Beving. Ownership: 271,785 Class B shares. Call options corresponding to 91,500 shares.

HANS ANDERSÉN

Electric Power Engineer

Born in 1961. Business Area Manager of Energy. Employed in the Group since 2006. Professional experience: CEO and owner of AB Gevea and Business Unit Manager Energy Supply. Ownership: 61,835 Class B shares. Call options corresponding to 76,125 shares.

JOHAN DYBERG

M.Sc Mechanical eng.

Born in 1967. Business Area Manager of Industrial Process. Employed in the Group since 2012. Professional experience: Leading positions at small entrepreneur-driven companies as well as at large service and product companies including Electrolux and Husqvarna. Ownership: 28,218 Class B shares. Call options corresponding to 76,125 shares.

NIKLAS STENBERG

Bachelor of Laws

Born in 1974. Business Area Manager of Power Solutions. Employed in the Group since 2010. Professional experience: Leading positions at B&B TOOLS, prior to which he was an attorney-at-law. Ownership: 14,000 Class B shares. Call options corresponding to 61,125 shares.

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 operates well-established routines for internal control and risk management in financial reporting with regard to the risks that the Board of Directors and Group management see as significant. Risk assessments start with the Group's income statement and balance sheet to identify the risk of material errors. In the Addtech Group as a whole, the greatest risks in financial reporting are linked to intangible non-current assets related to business acquisitions. The degree of exposure is determined by the degree of dependence on internal control or judgements that may affect financial reporting. The Group operates annual procedures for impairment testing in order to identify any indications of impairment.

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 accurate 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 work of self-assessment, a more in-depth analysis of the internal control in about 25 operating companies takes place each year. This is termed 'internal auditing' and is performed at the companies by business area controllers and employees from the Parent Company's central finance and accounting function. Central processes at the companies, and control points for the latter, are analysed, tested and recorded. The external auditors study the records kept in conjunction with auditing of the companies. The process provides a solid basis on which to chart and assess the internal control in the Group. An external party also regularly reviews and assesses the Group's internal control processes.

Information and communication

Governing guidelines, policies and instructions are available on the Group intranet. The documents are regularly updated as needed. Changes are communicated separately via e-mail and at meetings for those concerned.

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.

Follow-up

The outcome of the internal control is analysed and communicated annually. 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.

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.

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.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEKm	Notes	2016/2017	2015/2016
Continuing operations			
Net sales	4, 5	7,178	6,155
Cost of sales		-4,939	-4,244
GROSS PROFIT		**2,239**	**1,911**
Selling expenses		-1,241	-1,100
Administrative expenses		-432	-384
Other operating income	9	48	28
Other operating expenses	9	-12	-13
Income from associated companies		2	1
OPERATING PROFIT	**3-10,16**	**604**	**443**
Finance income	11	2	2
Finance costs	11	-26	-22
NET FINANCIAL ITEMS		**-24**	**-20**
PROFIT BEFORE TAX		**580**	**423**
Income tax expense	13	-130	-90
PROFIT FOR THE YEAR, CONTINUING OPERATIONS		**450**	**333**
Discontinued operations			
Net profit from discontinued operations		–	1,636
PROFIT FOR THE YEAR, DISCONTINUED OPERATIONS	**34**	**–**	**1,636**
PROFIT FOR THE YEAR		**450**	**1,969**
Attributable to:			
Equity holders of the Parent Company		440	1,950
Non-controlling interests		10	19
Earnings per share before dilution (EPS), (SEK)	30		
Continuing operations		6.60	4.85
Discontinued operations		–	24.35
Total earnings per share before dilution		6.60	29.20
Earnings per share after dilution (EPS), (SEK)	30		
Continuing operations		6.55	4.85
Discontinued operations		–	24.35
Total earnings per share after dilution		6.55	29.20
Average number of shares after repurchases ('000s)		66,824	66,703
Number of shares at end of period after repurchases ('000s)		66,824	66,958

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2016/2017	2015/2016
Profit for the year	450	1,969
Components that will be reclassified to profit of the year		
Cash flow hedges	1	-2
Foreign currency translation differences for the period	52	-58
Tax attributable to items that can later be reversed in profit or loss	0	0
Components that will not be reclassified to profit of the year		
Revaluations of defined benefit pension plans	-13	44
Tax attributable to items not to be reversed in profit or loss	3	-10
OTHER COMPREHENSIVE INCOME	**43**	**-26**
Comprehensive income for the year	**493**	**1,943**
Attributable to:		
Equity holders of the Parent Company	482	1,925
Non-controlling interests	11	18

CONSOLIDATED BALANCE SHEET

SEKm	Notes	2017-03-31	2016-03-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	1,892	1,498
Property, plant and equipment	15	190	168
Deferred tax assets	13	8	6
Other financial assets		19	21
TOTAL NON-CURRENT ASSETS		**2,109**	**1,693**
CURRENT ASSETS			
Inventories	18	942	874
Tax assets		10	24
Accounts receivable	3	1,170	972
Prepaid expenses and accrued income	19	68	74
Other receivables		38	28
Cash and cash equivalents		178	140
TOTAL CURRENT ASSETS		**2,406**	**2,112**
TOTAL ASSETS		**4,515**	**3,805**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	**20**		
Share capital		51	51
Other contributed capital		344	344
Reserves		-25	-77
Retained earnings, including profit for the year		1,331	1,161
Equity attributable to equity holders of the Parent Company		**1,701**	**1,479**
Non-controlling interests		40	35
TOTAL SHAREHOLDERS' EQUITY		**1,741**	**1,514**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	24	69	41
Provisions for pensions	22	210	199
Deferred tax liabilities	13	278	242
Non-Interest-bearing long-term liablities		18	0
Total non-current liabilities		**575**	**482**
CURRENT LIABILITIES			
Current interest-bearing liabilities	25	910	721
Accounts payable		622	570
Tax liabilities		45	23
Other liabilities		273	190
Accrued expenses and deferred income	26	323	292
Provisions	23	26	13
Total current liabilities		**2,199**	**1,809**
TOTAL LIABILITIES		**2,774**	**2,291**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,515**	**3,805**

For information about contingent liabilities and pledged assets, see Note 27

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other contributed capital	Reserves	Retained earnings, including profit for the year	Total, equity holders of the Parent Company	Non-controlling interests	Total equity
EQUITY, OPENING BALANCE 2016-04-01	**51**	**344**	**-77**	**1,161**	**1,479**	**35**	**1,514**
Profit for the year	**–**	**–**	**–**	**440**	**440**	**10**	**450**
Cash flow hedges	–	–	1	–	1	–	1
Foreign currency translation differences	–	–	51	–	51	1	52
Revaluations of defined benefit pension plans	–	–	–	-13	-13	–	-13
Tax attributable to other comprehensive income	–	–	–	3	3	–	3
Other comprehensive income	**–**	**–**	**52**	**-10**	**42**	**1**	**43**
Total comprehensive income	**–**	**–**	**52**	**430**	**482**	**11**	**493**
Call options issued	–	–	–	4	4	–	4
Call options exercised	–	–	–	14	14	–	14
Call options repurchased	–	–	–	-6	-6	–	-6
Repurchase of treasury shares	–	–	–	-40	-40	–	-40
Dividend	–	–	–	-218	-218	-8	-226
Option debt, acquisition	–	–	–	-9	-9	-	-9
Distribution of AddLife	–	–	–	-5	-5	0	-5
Change in non-controlling interests	–	–	–	–	–	2	2
EQUITY, CLOSING BALANCE 2017-03-31	**51**	**344**	**-25**	**1,331**	**1,701**	**40**	**1,741**

SEKm	Share capital	Other contributed capital	Reserves	Retained earnings, including profit for the year	Total, equity holders of the Parent Company	Non-controlling interests	Total equity
EQUITY, OPENING BALANCE 2015-04-01	**51**	**344**	**-18**	**1,127**	**1,504**	**35**	**1,539**
Profit for the year	**–**	**–**	**–**	**1,950**	**1,950**	**19**	**1,969**
Cash flow hedges	–	–	-2	–	-2	–	-2
Foreign currency translation differences	–	–	-57	–	-57	-1	-58
Revaluations of defined benefit pension plans	–	–	–	44	44	–	44
Tax attributable to other comprehensive income	–	–	0	-10	-10	–	-10
Other comprehensive income	**–**	**–**	**-59**	**34**	**-25**	**-1**	**-26**
Total comprehensive income	**–**	**–**	**-59**	**1,984**	**1,925**	**18**	**1,943**
Call options issued	–	–	–	3	3	–	3
Call options exercised	–	–	–	58	58	–	58
Repurchase of treasury shares	–	–	–	-45	-45	–	-45
Issue in kind	–	–	–	234	234	–	234
Dividend	–	–	–	-219	-219	-8	-227
Distribution of AddLife	–	–	–	-1,927	-1,927	-63	-1,990
Change in non-controlling interests	–	–	–	-54	-54	53	-1
EQUITY, CLOSING BALANCE 2016-03-31	**51**	**344**	**-77**	**1,161**	**1,479**	**35**	**1,514**

For comments on shareholders' equity, refer to Note 20.

SEK	2016/2017	2015/2016
Dividend per share	3,50 [1]	3,25

[1] As proposed by the Board of Directors.

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Notes	2016/2017	2015/2016
OPERATING ACTIVITIES			
Profit after financial items		580	423
Profit from discontinued operations after financial items		–	1,658
Adjustment for items not included in cash flow	28	134	-1,413
Income tax paid		-123	-160
Cash flow from operating activities before changes in working capital		591	508
Cash flow from changes in working capital			
Changes in inventories		-7	-53
Changes in operating receivables		-104	-36
Changes in operating liabilities		71	55
CASH FLOW FROM OPERATING ACTIVITIES		**551**	**474**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-58	-70
Disposal of property, plant and equipment		4	9
Acquisition of intangible non-current assets		-10	-19
Disposal of intangible non-current assets		–	14
Acquisition of operations, net liquidity effect	28	-336	-629
Disposal of operations, net liquidity effect		1	6
Change in financial assets		4	–
Disposal of discontinued operations, net liquidity effect		–	337
CASH FLOW FROM INVESTING ACTIVITIES		**-395**	**-352**
FINANCING ACTIVITIES			
Repurchase of treasury shares		-40	-45
Exercised and issued call options		12	61
Borrowings		462	164
Repayments on loans		-332	6
Other financing		-2	-13
Dividend paid to equity holders of the Parent Company		-218	-217
Dividend paid to non-controlling interests		-8	-8
CASH FLOW FROM FINANCING ACTIVITIES		**-126**	**-52**
Cash flow for the year		**30**	**70**
Cash and cash equivalents at beginning of year		140	83
Exchange differences on cash and cash equivalents		8	-13
Cash and cash equivalents at year-end		**178**	**140**

PARENT COMPANY INCOME STATEMENT

SEKm	Notes	2016/2017	2015/2016
Net sales		54	58
Administrative expenses		-63	-69
OPERATING PROFIT/LOSS	**6–8, 16**	**-9**	**-11**
Profit from interests in Group companies	11	318	190
Profit from non-current financial assets	11	15	27
Interest income and similar items	11	7	10
Interest expense and similar items	11	-19	-16
PROFIT AFTER FINANCIAL ITEMS		**312**	**200**
Year-end appropriations	12	-42	-20
PROFIT BEFORE TAX		**270**	**180**
Income tax expense	13	-60	-38
PROFIT FOR THE YEAR		**210**	**142**
OTHER COMPREHENSIVE INCOME		**–**	**–**
Total comprehensive income for the year		**210**	**142**

PARENT COMPANY BALANCE SHEET

SEKm	Notes	2017-03-31	2016-03-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	–	0
Property, plant and equipment	15	3	4
Non-current financial assets			
Interests in Group companies	17	1,004	1,004
Receivables from Group companies	17	1,478	1,442
Total non-current financial assets		**2,482**	**2,446**
TOTAL NON-CURRENT ASSETS		**2,485**	**2,450**
CURRENT ASSETS			
Receivables from Group companies		406	283
Tax assets		–	9
Other receivables		2	5
Prepaid expenses and accrued income	19	8	7
Total current receivables		**416**	**304**
Cash and bank balances		–	–
TOTAL CURRENT ASSETS		**416**	**304**
TOTAL ASSETS		**2,901**	**2,754**
EQUITY AND LIABILITIES	20		
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital (3 237 672 A shares, 64 960 824 B shares)		51	51
Legal reserve		18	18
Unrestricted equity			
Retained earnings		516	625
Profit for the year		210	142
TOTAL SHAREHOLDERS' EQUITY		**795**	**836**
UNTAXED RESERVES	21	417	375
PROVISIONS			
Provisions for pensions and similar obligations	22	15	16
LIABILITIES			
Liabilities to Group companies	24	278	390
Total non-current liabilities		**278**	**390**
Liabilities to credit institutions	25	861	687
Accounts payable		1	8
Liabilities to Group companies		500	422
Tax liabilities		16	–
Other liabilities		2	3
Accrued expenses and deferred income	26	16	17
Total current liabilities		**1,396**	**1,137**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,901**	**2,754**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity		Unrestricted equity	
SEKm	Share capital	Legal reserve	Retained earnings, including profit for the year	Total equity
EQUITY, OPENING BALANCE 1 APR 16	**51**	**18**	**767**	**836**
Profit for the year	**–**	**–**	**210**	**210**
Comprehensive income for the year	**–**	**–**	**210**	**210**
Dividend	–	–	-218	-218
Distribution of AddLife	–	–	-5	-5
Call options issued	–	–	4	4
Call options exercised	–	–	14	14
Repurchase call options	–	–	-6	-6
Repurchase of treasury shares	–	–	-40	-40
EQUITY, CLOSING BALANCE 31 MAR 17	**51**	**18**	**726**	**795**

	Restricted equity		Unrestricted equity	
SEKm	Share capital	Legal reserve	Retained earnings, including profit for the year	Total equity
EQUITY, OPENING BALANCE 1 APR 15	**51**	**18**	**905**	**974**
Profit for the year	**–**	**–**	**142**	**142**
Comprehensive income for the year	**–**	**–**	**142**	**142**
Dividend	–	–	-217	-217
Distribution of AddLife	–	–	-79	-79
Call options issued	–	–	3	3
Call options exercised	–	–	58	58
Repurchase of treasury shares	–	–	-45	-45
EQUITY, CLOSING BALANCE 31 MAR 16	**51**	**18**	**767**	**836**

For comments on shareholders' equity, refer to Note 20.

PARENT COMPANY CASH FLOW STATEMENT

SEKm	Notes	2016/2017	2015/2016
OPERATING ACTIVITIES			
Profit after financial items		312	200
Adjustment for items not included in cash flow	28	-317	-192
Income tax paid		-35	-51
Cash flow from operating activities before changes in working capital		**-40**	**-43**
Cash flow from changes in working capital			
Changes in operating receivables		0	-2
Changes in operating liabilities		-8	10
CASH FLOW FROM OPERATING ACTIVITIES		**-48**	**-35**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible non-current assets		0	-2
Acquisition of financial non-current assets		–	0
Rights issue AddLife		–	-67
CASH FLOW FROM INVESTING ACTIVITIES		**0**	**-69**
FINANCING ACTIVITIES			
Repurchase of treasury shares		-40	-45
Exercised and issued call options		12	61
Change in loans		474	200
Repayment of loans		-300	-21
Change in receivables from Group companies		-31	76
Change in liabilities to Group companies		-34	-168
Dividend paid		-218	-217
Group contributions		190	230
Other financing activities		-5	-12
CASH FLOW FROM FINANCING ACTIVITIES		**48**	**104**
Cash flow for the year		0	0
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at year-end		**0**	**0**

NOTE 1 ACCOUNTING AND VALUATION POLICIES

GENERAL ACCOUNTING POLICIES

The consolidated annual accounts were prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Union (EU). Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, was also applied.

The annual accounts of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

The Parent Company's and the Group's accounting policies are consistent with each other, except in the case of reporting pensions, untaxed reserves and appropriations. See also "Accounting policies of the Parent Company".

The Board approved the Parent Company's annual report and the Group's consolidated financial statements for publication on 22 June 2017. The Parent Company's and Group's respective income statements and balance sheets will be submitted for adoption to the Annual General Meeting on 31 August 2017.

PRESENTATION OF THE ANNUAL REPORT

The financial reports are stated in million Swedish kronor (SEK million) unless otherwise specified. The Parent Company's functional currency is the Swedish krona, as is the presentation currency for the Parent Company and the Group. Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are measured at fair value. Assets held for sale are recognised at the lower of the previous carrying amount and fair value, less selling expenses.

Preparing financial reports according to IFRS requires that management makes judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and numerous other factors deemed reasonable under the circumstances at the time. Estimates and assumptions are reviewed periodically.

The annual accounts were prepared in compliance with IAS 1 Presentation of Financial Statements, such that separate income statements and balance sheets, as well as statements of other comprehensive income, financial position, changes in shareholders' equity and cash flow, are prepared and notes are provided that detail the accounting policies and disclosures applied.

Receivables and liabilities, as well as income and expenses, are offset only if required or if expressively permitted according to IFRS.

New or revised IFRS applied during the 2016/2017 financial year

No new or revised IFRS, implemented as of the current year, have materially affected the Consolidated or Parent Company financial statements financial reporting.

New or amended IFRSs issued but not yet in force

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for financial years beginning on or after 1 January 2018, which in Addtech’s case means beginning with the 2018/2019 financial year. IFRS 9 defines new criteria for classification and measurement of financial instruments, a forward-looking (“expected loss”) model for impairment and a simplified approach to hedge accounting. The effects of IFRS 9 on the Group are in the process of being analysed and have not yet been quantified. Because the Group does not use hedge accounting, the relevant parts of IFRS 9 do not affect Addtech’s financial statements. In addition, classification and measurement of Addtech’s financial assets and liabilities are not expected to be materially affected by IFRS 9. Finally, it is noted that due to the marginal scale of the Group’s bad debt losses and financial assets other than receivables, the new model for impairment is not expected to have any material effect either.

IFRS 15 Revenue from Contracts with Customers is a new standard for revenue recognition. The standard establishes principles regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 enters into force on 1 January 2018. In Addtech's case, this means implementation for the financial year beginning on 1 April 2018. IFRS 15 will replace the current IAS 11 Construction Contracts, IAS 18 Revenue and the relevant interpretations IFRIC 13, 15, 18 and SIC-31. Any effects of IFRS 15 have been analysed per business area, namely Components, Energy, Industrial Process and Power Solutions. Various income streams have been identified per business area, after which contracts with customers have been analysed per income stream. The Group's revenue is generated above all from the sale of goods and contracts are generally short. On the basis of analysis performed, IFRS 15 is not deemed to have any material impact on how and when revenue is recognised within the Group. The adoption of IFRS 15 will therefore not have any effects on the Group's revenue recognition. On the other hand, the disclosure requirements will be more extensive and their impact has not yet been analysed. As a result, no choice of transitional method has yet been decided.

IFRS 16 Leases is a new standard on recognition of leases. In accounting by lessees, the classification into operational and finance leases in IAS 17 is eliminated and replaced by a system in which assets and liabilities relating to all lease contracts are recognised on the balance sheet and related depreciation costs and interest expenses in the income statement. Exemptions to balance sheet recognition are allowed for lease contracts of minor value and contracts with a term of no more than 12 months. IFRS 16 will be applied for the first time in the 2019/2020 financial year. The effects of recognising the Group's operating leases in terms of assets and liabilities, with depreciation costs and interest expenses, have not yet been quantified and transitional method has not been decided. For further information on existing leases, see Note 16.

In accordance with an additional provision in IAS 7 Statement of Cash Flows, for implementation in financial years beginning on or after 1 January 2017, a disclosure will be added in the next annual report with reconciliation of the year's change in liabilities within financing activities.

No new or amended IFRS scheduled for implementation in the future are expected to have any material impact on Addtech's financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the annual accounts for the Parent Company and those companies that are under controlling influence of the Parent Company. Controlling influence exists if the Parent Company has influence over the object of investment, is exposed or entitled to variable yield from its involvement and can exert its influence over the investment to affect the yield. In the assessment of whether controlling influence exists, potential shares with an entitlement to vote are considered and whether de facto control exists. Shareholdings in Group companies are eliminated using the acquisition method. In brief, this means that identifiable assets, liabilities and contingent liabilities in the company acquired are measured and recognised in the consolidated financial statements as if they had been acquired directly by purchase and not indirectly by acquisition of the company's shares. The valuation is based on fair values. If the value of the net assets is less than the acquisition price, consolidated goodwill arises. If the opposite occurs, the difference is recognised directly in profit or loss. Goodwill is determined in local currency and is recognised at cost, less any impairment losses. Consolidated equity includes the Parent Company's equity and the portion of subsidiaries' equity earned after the time of acquisition. Companies acquired or disposed of are consolidated or deconsolidated, respectively, from the date of acquisition or disposal.

Contingent considerations are measured at fair value at the time of the transaction and are subsequently revalued on each reporting occasion. Effects of the revaluation are recognised as income or expense in consolidated profit or loss. Transaction costs in conjunction with acquisitions are expensed. It is possible for a holding that is not a controlling interest to be measured at fair value upon acquisition, which means that goodwill is included in non-controlling interests. Alternatively, non-controlling interests constitute part of net assets. The choice is determined individually for each acquisition.

Intra-Group receivables and liabilities and transactions between companies in the Group, as well as related unrealised gains, are wholly eliminated. Unrealised losses are eliminated in the same way as unrealised gains, except in the case of impairment.

EXCHANGE RATE EFFECTS

Translation of the financial reports of foreign Group companies

Assets and liabilities in foreign operations, including goodwill and other surpluses and deficits on consolidation, are converted to Swedish kronor using the exchange rate prevailing at the end of the reporting period. Income and expenses in foreign businesses are converted to Swedish kronor using the average rate, which is an approximation of the rates prevailing at the time of each transaction. Translation differences resulting from the conversion of foreign operations' accounts are recognised through other comprehensive income in the foreign currency translation reserve in equity.

Transactions denominated in foreign currencies

A transaction denominated in a foreign currency is converted to the functional currency at the rate of exchange on the transaction date. Monetary assets and liabilities in foreign currency are converted to the functional currency using the rate prevailing at the end of the reporting period. Non-monetary assets and liabilities recognised at historical cost are converted using the exchange rate at the time of the transaction. Exchange differences that arise in conversion are recognised in profit or loss. Exchange differences on operating receivables and operating liabilities are included in operating profit or loss, while exchange differences on financial receivables and liabilities are recognised among financial items.

FINANCIAL ASSETS AND LIABILITIES, RECOGNITION AND DERECOGNITION

Financial instruments recognised in the balance sheet primarily include, on the assets side, cash and cash equivalents, accounts receivable and derivatives. The liabilities include accounts payable, loans payable, contingent considerations and derivatives. A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. A financial asset (or part thereof) is removed from the balance sheet when the rights in the contract are realised or expire or the Company loses control over them. A financial liability (or part thereof) is removed from the balance sheet when the obligation in the contract is fulfilled or in some other way ceases to exist. A financial asset and a financial liability are only offset and recognised at the net amount in the balance sheet when the Company is legally entitled to offset their amounts and the Company intends to settle the items with a net amount or simultaneously realise the asset and settle the liability.

FINANCIAL ASSETS AND LIABILITIES, MEASUREMENT AND CLASSIFICATION

A financial instrument that is not a derivative is initially recognised at cost, equivalent to the instrument's fair value plus transaction costs; this applies to all financial instruments except those in the category of financial assets measured at fair value through profit or loss. At initial recognition, a financial instrument is classified based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Financial instruments measured at fair value are classified in a hierarchy based on the origin of the inputs used in the evaluation. At level 1 are financial instruments with a price quoted in an active market. Level 2 comprises financial instruments whose value is determined based on observable market data, though not prices quoted in an active market. Level 3 includes using inputs, such as cash flow analyses, not based on observable market data.

Financial assets and liabilities measured at fair value through profit or loss

This category consists of two subgroups: financial assets and liabilities held for trading, and other financial assets and liabilities that the Company initially chose to place in this category. The first group includes derivatives unless they are designated hedging instruments. The other group contains contingent considerations in conjunction with acquisitions of subsidiaries.

Accounts receivable and loan receivables

Loan receivables and accounts receivable are financial assets that are not derivatives, with fixed payments or with payments that can be determined, and that are not quoted on an active market. Assets in this category are measured at amortised cost.

Accounts receivable are recognised at the amount expected to be recovered, after deduction for doubtful receivables, assessed individually. The expected maturities of accounts receivable are short, so they are recognised at nominal amounts without discounting. Impairment losses on accounts receivable are recognised in operating expenses.

Cash and cash equivalents

Cash and cash equivalents consists of cash and funds immediately available in banks and equivalent institutions, as well as short-term liquid investments that mature within three months of the time of acquisition and are subject to only a negligible risk of fluctuation in value.

Unlisted equity instruments carried at cost

A holding of unlisted shares in housing companies, whose fair value cannot be reliably calculated, is measured at cost and tested for impairment when an indication of impairment is observed.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. These liabilities are measured at amortised cost. Accounts payable are measured at nominal amounts without discounting.

Derivatives and hedge accounting

Derivative instruments include currency clauses, forward foreign exchange contracts, currency options and currency swaps used to cover the risk of foreign exchange rate fluctuations. An embedded derivative, for example a currency clause, is disclosed separately unless closely related to its host contract. Hedge accounting is not used. Derivatives are initially recognised at fair value, with the result that transaction costs are charged to profit or loss for the period. After the initial recognition, the derivative instrument is measured at fair value via income statement.

Increases and decreases in the value of such derivatives are recognised as income and expense, respectively, in operating profit or loss or in net financial items, based on the intended use of the derivative and whether or not its use is related to an operating item or a financial item.

ASSETS AND LIABILITIES, CLASSIFICATION

Current assets consist of assets expected to be realised within one year or the company’s normal business cycle. Other assets are non-current assets. A liability is classified as non-current if, at the end of the reporting period, the entity has an unconditional right to defer settlement for at least twelve months after the reporting period and if it is not an operating debt expected to be settled within the entity’s normal business cycle. Other liabilities are classified as current.

DISCONTINUED OPERATIONS

The Group's discontinued operations, as indicated in the income statement for the year shown for comparison, consist of a separate major line of business (AddLife). The operation was classified as discontinued from the time of the divestment. Income after tax from discontinued operations is recognised on a separate line in the income statement for the year 2015/2016 shown for comparison.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, less accumulated depreciation and any impairment losses. The cost comprises the purchase price, including customs and excise duties, as well as costs directly attributable to the asset to bring it to the location in such condition that it can be used as intended by the acquisition. Discounts and the like are deducted from the purchase price. Examples of directly attributable costs included in the cost are shipping and handling, installation, legal ratification and consulting services.

Borrowing costs are also capitalised in the cost of qualifying assets. The Group does not normally have qualifying assets.

Additional expenditure for an item of property, plant and equipment is only added to the cost if it increases the future economic benefits. All other expenditure, such as expenditure for repair and maintenance, is expensed on a current basis. A decisive factor as to when an incremental expenditure should be added to the cost is whether the expenditure refers to the replacement of identified components or parts thereof, in which case the expenditure is capitalised. Also, if a new component has been created, the expenditure is added to the cost. Any undepreciated carrying amounts for replaced components, or parts of components, are retired and expensed in conjunction with the replacement.

Depreciation is effected on a straight-line basis over the estimated useful life and taking account of any residual value at the end of that period.

Property, plant and equipment comprising parts that have different useful lives are treated as separate components.

The carrying amount of an item of property, plant and equipment is removed from the balance sheet upon retirement or disposal of the asset, or when no future economic benefits are expected to be derived from its use. Gains or losses realised upon the disposal or retirement of an asset consist of the difference between the selling price and the carrying amount of the asset, less direct selling expenses. Gains or losses are recognised as other operating income or other operating expense.

Property, plant and equipment	Useful life
Buildings	15–100 years
Leasehold improvements	3–5 years
Equipment	3–5 years
Land improvements	20 years
Machinery	3–10 years

LEASES

Distinction is made between finance and operating leases. A finance lease is characterised by the lessee assuming, in all essential respects, the economic benefits and risks associated with ownership of the asset. If that is not the case, the lease is regarded as an operating lease.

The Group for the most part uses operating leases, such that lease payments are charged as an operating expense on a straight-line basis over the term of the lease.

INTANGIBLE NON-CURRENT ASSETS

An intangible asset is an identifiable non-monetary asset, without physical substance, that is used for marketing, producing or supplying goods or services, or for rental and administration. To be recognised as an asset, it must be probable that the future economic benefits attributable to the asset will benefit the Company and that the (acquisition) cost can be calculated reliably.

Additional expenditure for an intangible asset is only added to the cost if it increases future economic benefits beyond the original assessment and if the expenditure can be calculated reliably. All other expenditure is expensed as it is incurred.

Goodwill represents the difference between the acquisition cost of a business combination and the fair value of identifiable assets acquired, liabilities assumed and contingent liabilities.

Goodwill and intangible non-current assets with indefinable useful lives (trademarks) are measured at acquisition cost, less any accumulated impairment losses. Goodwill and trademarks are allocated among cash-generating units or groups of cash-generating units and are not amortised but annually tested for impairment.

Intangible assets aside from goodwill and trademarks are recognised at their original acquisition cost, less accumulated amortisation and impairment losses.

Borrowing costs are also capitalised in the cost of qualifying assets. The Group does not normally have qualifying assets.

Amortisation is charged on a straight-line basis and is based on the useful lives of the assets, which are reviewed on an annual basis. An asset's useful life is based on historical experience of use of similar assets, areas of application and other specific features of the asset.

Amortisation is included in cost of sales, selling expenses or administrative expenses, depending on where in the business the assets are used.

Expenditure for development, in which the results of research or other knowledge are applied to achieve new or improved products or processes, is recognised as an asset in the balance sheet if the product is technically and commercially viable and the Company has sufficient resources to complete development and subsequently use or sell the intangible asset. Other development expenditure is expensed as it is incurred.

Expenditure for internally generated goodwill and trademarks is recognised in profit or loss as an expense as it is incurred.

Intangible non-current assets	Useful life
Capitalised development projects	3-5 years
Customer relationships	5–10 years
Supplier relationships	5–33 years
Software for IT operations	3–5 years
Technology	5–15 years
Trademarks	indeterminable

IMPAIRMENT LOSSES

Property, plant and equipment, intangible assets and interests in subsidiaries and associates

The carrying amounts of Group assets are tested as soon as there is an indication that the asset in question has decreased in value. If such indication exists, impairment is determined after calculating the recoverable amount of the asset, which is the higher of an asset's value in use and its fair value. Impairment loss is recognised if the recoverable amount is less than the carrying amount. The value in use is calculated as the present value of future payments that the Company is expected to receive by using the asset. The estimated residual value at the end of the useful life is included in the value in use. If the recoverable amount of an individual asset cannot be determined, the recoverable amount is set at the recoverable amount for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that give rises to continuous payment inflows that are independent of other assets or groups of assets. Goodwill on consolidation is attributed to the business areas (which accord with the Group’s operating segments) to which the goodwill is linked. Impairment losses are reversed when the impairment, wholly or partly, no longer exists. However, this does not apply to goodwill or intangible non-current assets with indefinable useful lives.

For goodwill, other intangible assets with an indeterminable useful life and intangible assets not yet ready for use, the recoverable amount is calculated annually, in addition to the above.

Financial assets

When accounts are prepared for reporting, the Company assesses whether there is objective evidence that any financial asset or group of assets is impaired. The recoverable amount of loan receivables and accounts receivable recognised at amortised cost is calculated as the present value of future cash flows discounted by the effective interest rate prevailing when the asset was first recognised. Assets with short maturities are not discounted. Impairment losses are charged to the income statement.

INVENTORIES

Inventories, that is, raw materials and finished goods for resale, are carried at the lower of cost and net realisable value, hence taking into account the risk of obsolescence. The cost is calculated using the first in, first out (FIFO) principle or weighted average prices.

In the case of finished and semi-finished goods manufactured in-house, the cost consists of direct manufacturing costs and a reasonable portion of indirect manufacturing costs. Normal capacity utilisation is taken into account in valuation.

CAPITAL

No expressed measure related to shareholders' equity is used internally. Externally, Addtech's objective is to have a robust equity ratio.

Shareholders' equity

Addtech's dividend policy 2016/2017 involves a pay-out ratio exceeding 50 percent of consolidated average profit after tax over a business cycle.

Repurchasing treasury shares occurs, and the Board normally proposes obtaining a mandate to repurchase treasury shares, which involves acquiring an amount of shares such that Addtech's own holding at no time exceeds 10 percent of all shares in the Company. The purpose of the repurchase is to provide the Board with increased scope for action in its work with the Company's capital structure, to enable the use of repurchased shares as payment in acquisitions, and to secure the Company's commitments in existing incentive programmes.

When treasury shares are repurchased, the entire consideration reduces retained earnings. Proceeds from the disposal of equity instruments are recognised as an increase in retained earnings, as are any transaction costs.

EMPLOYEE BENEFITS

Employee benefits after termination of employment, pension obligations

Addtech has defined-contribution pensions and defined-benefit pension plans in Sweden and Norway. The plans cover a large number of employees. The defined-benefit pension plans are based mainly on the individual’s final salary. Subsidiaries in other countries in the Group mainly have defined contribution pension plans.

In defined contribution plans, the Company pays stipulated fees to a separate legal entity and has no obligation to pay additional fees. Costs are charged to the Group's profit or loss at the rate at which the benefits are earned. In defined benefit pension plans, benefits are paid to current and former employees based on their salary upon retirement and the number of years of service. The Group bears the risk for payment of promised benefits.

The Group's net obligation to defined benefit plans is calculated individually for each plan by estimating future benefits that employees have earned through employment in current and previous periods. These benefits are discounted to a present value. Any unreported costs related to service in previous periods and the fair value of any plan assets are deducted.

Defined benefit pension plans are both funded and unfunded. When a plan is funded, its assets have been separated into plan assets. These plan assets can only be used for payments of benefits as per the pension agreements. The net value of the estimated present value of the obligations and the fair value of plan assets is recognised in the balance sheet, either as a provision or as a non-current financial receivable. When a surplus in a plan cannot be fully utilised, only the portion of the surplus that the Company can recover through reduced future fees or repayments is recognised.

A surplus in one plan is only offset by a deficit in another plan if the Company is entitled to utilise a surplus in one plan to settle a deficit in another plan, or if the obligations are intended to be settled on a net basis.

The pension cost and pension obligation for defined benefit pension plans are calculated using the Projected Unit Credit Method. This method distributes the cost of pensions at the rate at which employees perform services for the Company that increase their rights to future benefits. The aim is to expense expected future pension pay-outs in a manner that provides an even cost over the employee's period of employment. This calculation takes into account anticipated future salary increases and anticipated inflation. The Company's obligation is calculated annually by independent actuaries. The discount rate used is equivalent to the interest rate on high-quality corporate bonds or mortgage bonds with a maturity equivalent to the average maturity of the obligation and currency. For Swedish pension liabilities, the interest rate for Swedish housing bonds is used as a basis and for Norwegian pension liabilities, the interest rate for Norwegian corporate bonds is used.

Revaluations may arise when establishing the obligation's present value and fair value on plan assets. These may arise either because the actual outcome differs from previously made assumptions (known as experienced-based adjustments), or because assumptions were changed. Such revaluations are recognised in the balance sheet and in profit or loss under other comprehensive income. The net present value of the defined benefit obligation is established by means of discounting estimated future cash flows. The discount rate used is equivalent to the interest rate on high-quality corporate bonds or government bonds with a maturity equivalent to the average maturity of the obligation and currency.

A portion of the Group's defined benefit pension obligations has been financed through premiums to Alecta. The required information cannot be obtained from Alecta, so these pension obligations are reported as a defined contribution pension plan.

The special employer's contribution constitutes part of the actuarial assumptions and is therefore recognised as part of the net obligation/asset. To make it simpler, the part of the special employer's contribution that is calculated based on the Swedish Act on Safeguarding Pension Obligations in legal entities is recognised as an accrued expense instead of as part of the net obligation/asset.

Policyholder tax is recognised on an ongoing basis for the period to which the tax relates and is therefore not included in the calculation of liabilities. In the case of funded plans, the tax is on the return on plan assets and is recognised in other comprehensive income. For unfunded or partially unfunded plans, the tax is levied on profit for the year.

When the cost of a pension is determined differently in a legal entity than in the Group, a provision or claim for taxes on pension costs is recognised, such as a special employer's contribution for Swedish companies based on this difference. The present value for the provision or claim is not calculated.

Benefits upon termination of employment

A cost for benefits in conjunction with termination of employment is recognised only if there is a formal, detailed plan to terminate employment prior to the normal date.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognised as an expense when the related services are performed.

A provision for the expected costs of bonus disbursements is recognised when the Group has a valid legal or informal obligation to make such payments as a result of services received from employees and where the obligation can be calculated reliably.

Share-based incentive programmes

The Group's share-based incentive programmes make it possible for Group management to purchase shares in the Company. The employees have paid a market premium for call options on Class B shares. The programme includes a subsidy so that the employee receives the same sum as the option premium paid in the form of cash payment, i.e. salary. This subsidy shall be paid two years after the issue decision, providing that the option holder is still employed in the Group and owns call options at that time. The subsidy, and related social security costs, is distributed as employee benefits expense over the vesting period. Addtech has no obligation to repurchase the options when an employee terminates employment. The holder can redeem the options irrespective of future employment at the Group. See also Note 6.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised in the balance sheet when the Company has a formal or informal obligation as a result of a transpired event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, the provision is based on a present value calculation.

Provisions are made for future costs resulting from warranty undertakings. The calculation is based on expenditure during the financial year for similar undertakings or the estimated costs for each undertaking.

Provisions for restructuring costs are recognised when a detailed restructuring plan has been adopted and the restructuring has either begun or been announced.

Contingent liabilities are recognised when a possible undertaking exists stemming from past events and the existence of the undertaking is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the Company's control. Other obligations are also recognised as contingent liabilities if they result from past events but are not recognised as a liability or provision because it is unlikely that an outflow of resources will be required to settle the undertaking or because the size of the undertaking cannot be determined with sufficient accuracy.

REVENUE RECOGNITION

The fair value of what has been received, or what will be received, is recognised as sales revenue. Deductions are made for value-added tax, returns, discounts and price reductions. Revenue from sales of goods is recognised when certain requirements have been met. These requirements are that material risks and benefits associated with ownership of the goods have been transferred to the purchaser, that the selling company does not retain any involvement in ongoing administration nor does it exert any real control over the goods sold, that the revenue can be calculated reliably, that it is likely that the economic benefits that the Company will obtain from the transaction will accrue to the Company, and that the expenses that have arisen or are expected to arise as a result of the transaction can be calculated reliably.

Revenue from projects in progress is recognised in increments as projects are completed. The degree of completion is determined on the basis of accumulated project expenses at the end of the period as a proportion of estimated total project expenses. If future costs to complete a project are estimated to exceed remaining revenue, a provision is made for estimated losses.

FINANCE INCOME AND EXPENSES

Interest income on receivables and interest expense on liabilities are computed using the effective interest method. The effective interest rate is the rate that makes the present value of all future incoming and outgoing payments during the term equal to the carrying amount of the receivable or liability. Interest income includes accrued rebates, premiums and other differences between the original value of the receivable and the amount received upon maturity.

Interest and dividends are recognised as income when it is probable that the economic benefits associated with the transaction will accrue to the Company and that the income can be calculated reliably.

INCOME TAXES

Tax expense/income is recognised in the income statement, except when the underlying transaction is recognised in other comprehensive income or directly in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity. Current tax refers to tax that is to be paid or refunded for the current year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated using the liability method based on temporary differences between carrying amounts and tax bases of assets and liabilities. The amounts are calculated depending on how the temporary differences are expected to be settled and by applying the tax rates and tax rules enacted or announced at the end of the reporting period. Temporary differences are not taken into account in Group goodwill, nor in differences attributable to interests in subsidiaries or associates owned by Group companies outside Sweden that are not expected to be taxed in the foreseeable future. In the consolidated financial statements, untaxed reserves are allocated to deferred tax liability and equity. Deferred tax assets related to deductible temporary differences and tax loss carry-forwards are only recognised to the extent it is likely they will reduce tax payments in the future.

SEGMENT REPORTING

Assets and liabilities as well as income and expenses are attributed to the operating segment where they are used, earned and consumed, respectively. The operating segment's earnings are monitored by the highest executive decision-maker, i.e. the CEO of Addtech.

The division into operating segments is based on the business area organisation, by which the Group's operations are managed and monitored. These are Components, Energy, Industrial Process and Power Solutions. Operations that do not belong to these areas of operation are included under the heading Parent Company and Group items.

EARNINGS PER SHARE

Addtech discloses earnings per share (EPS) in direct connection with the income statement. Calculation of EPS is based on consolidated profit or loss for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. To calculate diluted EPS, the average number of shares is adjusted to take into account the effect of potentially dilutive ordinary shares that, during the periods reported, result from options awarded to employees.

CASH FLOW STATEMENT

In preparing the cash flow statement, the indirect method was applied as per IAS 7 Statement of Cash Flows. In addition to flows of cash and bank funds, current investments maturing within three months of the acquisition date that can be converted into bank deposits at an amount known beforehand are classified as cash and cash equivalents.

EVENTS AFTER THE REPORTING PERIOD

Events that occurred after the reporting period but whose circumstances were identifiable at the end of the reporting period are included in the reporting. If significant events occurred after the reporting period but did not affect the recognised results of operations or financial position, the event is disclosed under a separate heading in the administration report and in note 33.

RELATED PARTY DISCLOSURES

Where appropriate, information will be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement.

CHANGES IN ACCOUNTING POLICIES

When there is a change in accounting policy, the current period, previous period and accumulated amount per the opening of the comparative period are restated, unless otherwise prescribed by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. If a change in accounting policy affects equity, the effect is recognised on a separate line in the statement of changes in equity.

GOVERNMENT GRANTS

Government grants refers to support from the government in the form of transfers of resources to a company in exchange for the company fulfilling (in the past or future) certain conditions regarding its operations.

The Group is active in areas where government grants are insignificant in scope.

PERSONNEL INFORMATION

The Swedish Annual Accounts Act requires more information than IFRS, including information about the gender of the Board of Directors and Group management.

Data on gender distribution refer to the situation at the end of the reporting period. 'Members of the Board of Directors' are directors, elected by a general meeting of shareholders, in the Parent Company and in Group companies. 'Members of senior management' are people in Group management, Managing Directors and vice MDs at Group companies.

ACCOUNTING POLICIES OF THE PARENT COMPANY

The Parent Company applies the same accounting policies as the Group, except where the Swedish Annual Accounts Act and the Swedish Act on Safeguarding Pension Obligations prescribe different procedures, or if the connection to taxation gives rise to other reporting.

The Parent Company prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities, from the Swedish Financial Reporting Board. RFR 2 prescribes that, in the annual accounts for its legal entity, the Parent Company shall apply all EU-approved IFRSs and standard interpretations to the greatest extent possible within the scope of the Annual Accounts Act and taking account of the relationship between reporting and taxation. The recommendation specifies which exceptions from and additions to IFRSs must be made.

Interests in Group companies are recognised in the Parent Company using the cost method, which means that transaction costs are included in the carrying amount for holdings in subsidiaries. Any changes in liabilities for contingent consideration are added to or reduce the (acquisition) cost. In the Group, transaction costs are expensed and changes in liabilities for contingent considerations are entered as income or expense.

Instead of IAS 19, the Swedish Act on Safeguarding Pension Obligations is applied in the Parent Company when calculating defined benefit pension plans. The most significant differences compared to IAS 19 are the method for determining the discount rate, that the defined benefit obligation is calculated based on current salaries without assuming future salary increases and that all actuarial gains and losses are recognised in profit or loss as they occur.

The Parent Company recognises untaxed reserves including deferred tax liabilities, rather than dividing them into deferred tax liabilities and equity as is done for the Group.

Group contributions are recognised in the Parent Company in accordance with the alternative rule. A Group contribution received from a subsidiary is recognised in the Parent Company as a financial income item, while a Group contribution paid from a Parent Company to a subsidiary is recognised as a financial expense. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in the contributor's shares and interests, insofar as no impairment is required.

As provided for in the Swedish Financial Reporting Board’s standard RFR 2, the Company has elected not to apply IAS 39 (Financial Instruments: Recognition and Measurement) to financial instruments and financial guarantee contracts.

NOTE 2 CRITICAL ESTIMATES AND ASSUMPTIONS

The carrying amounts of certain assets and liabilities are based in part on estimates and assumptions. This applies particularly to impairment testing of goodwill (Note 14) and to defined benefit pension obligations (Note 22). Assumptions and estimates are continually evaluated and are based on historical experience and expectations regarding future events deemed reasonable under prevailing circumstances.

Tests are performed each year to determine if goodwill is impaired. The recoverable amount for cash-generating units has been determined by calculating values in use. For these calculations, certain estimates must be made.

A large part of the Group's pension obligations for salaried employees is on a defined benefit basis and is covered by collective policies with Alecta. Currently, it is impossible to obtain data from Alecta on the Group's share of obligations and plan assets, so the pension plan with Alecta must be recognised as a defined contribution plan. The consolidation ratio reported by Alecta does not indicate any deficit, but it is not possible to obtain detailed information from Alecta about the size of the pension obligation.

The present value of pension obligations recognised as defined benefit plans depends on multiple factors determined on an actuarial basis using a number of assumptions. In establishing these assumptions, Addtech consults with actuaries, and for the Norwegian pension liabilities Addtech complies with the guidelines issued by The Norwegian Accounting Standards Board. The assumptions used to determine the present value of the obligation include the discount rate and salary increases. Each change in these assumptions will affect the carrying amount of pension obligations. See also Note 22.

NOTE 3 FINANCIAL RISKS AND RISK MANAGEMENT

GOALS AND POLICY FOR RISK MANAGEMENT

Addtech strives for structured and efficient management of the financial risks that arise in operations, which is manifest in the financial policy adopted by the Board of Directors. The financial operations are not conducted as a separate line of the business; they are merely intended to constitute support for the business and reduce risks in the financial operations. 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. The financial risks defined in the financial policy are transaction exposure, translation exposure, refinancing risk, interest rate risk, margin risk, liquidity risk and issuer/borrower risk. Operational risks, that is, financial risks related to operating activities, are managed by each subsidiary's management according to principles in the financial policy and subordinate process descriptions approved by the Group's Board of Directors and management. Risks such as translation exposure, refinancing risk and interest rate risk are managed by the Parent Company, Addtech AB. Financial derivatives with external counterparties may only be entered by Addtech AB. The subsidiaries hedge their risk via Addtech AB which, in turn, obtains hedges on the external market.

CURRENCY RISK

The Addtech Group conducts extensive trade abroad and a material currency exposure therefore arises in the Group, which must be managed in such a way as to minimise the impact on earnings ensuing from exchange rate fluctuations. The Group applies decentralised responsibility for currency risk management. This involves risk identification and risk hedging occurring at subsidiary level. It is important to capitalise on the size of the Group and natural conditions to match flows, and the subsidiaries must therefore hedge their risk via the Parent Company which, in turn, obtains hedges on the external market. For Addtech, currency risk arises 1) as a result of future payment flows in foreign currency, known as transaction exposure, and 2) because parts of the Group's equity comprise net assets in foreign subsidiaries, known as translation exposure. Monetary financial assets and liabilities in currencies other than each Group company’s functional currency occur to a limited extent.

Transaction exposure

Transaction exposure comprises all future contracted and forecast ingoing and outgoing payments in foreign currency. The Group's currency flows usually pertain to flows in foreign currency from purchases, sales and dividends. Transaction exposure also comprises financial transactions and balances. During the year, the Group's payment flows in foreign currencies were distributed as follows:

	Currency flows, gross 2016/2017		Currency flows, net	
SEKm	Inflows	Outflows	2016/2017	2015/2016
EUR	1,328	1,905	-577	-505
USD	584	634	-50	-11
NOK	59	34	25	16
JPY	54	80	-26	-41
DKK	41	103	-62	-36
GBP	27	69	-42	-46
CHF	17	67	-50	-70

The effects of exchange rate fluctuations are reduced by buying and selling in the same currency, through currency clauses in customer contracts and, to a certain degree, by forward purchases or sales of foreign currency. Currency clauses are a common method in the industry for handling uncertainty associated with future cash flows. A currency clause means that compensation will be paid for any changes in the exchange rate that exceed a certain predefined level during the contract period. If these thresholds are not reached, for example when the exchange rate changes by less than two percentage points, no compensation is paid. The currency clauses adjust the exchange rate change between the time the order is placed and the invoice date. Currency clauses are symmetrically designed, which means that compensation is charged or credited when the exchange rate rises or declines beyond the predefined thresholds.

Of Group net sales, currency clauses cover about 13 percent (11) and sales in the purchasing currency make up about 33 percent (33). In certain transactions, there is a direct link between the customer's order and the associated purchase order, which is a good basis for effective currency risk management. However, in many cases the dates of the orders do not coincide, which may reduce the effectiveness of these measures. The subsidiaries have reduced their currency exposure by using forward foreign exchange contracts. At the end of the financial year, there were outstanding forward foreign exchange contracts in a gross amount of SEK 155 million (171), of which EUR equalled SEK 102 million (107), JPY SEK 16 million (15), USD SEK 15 million (27), CHF SEK 1 million (4), PLN SEK 15 million (16) and DKK SEK 8 million (0). Out of the total contracts, SEK 110 million (135) matures within six months, SEK 45 million (34) within 12 months and SEK 0 million (2) withing 18 months. Hedge accounting does not apply to forward foreign exchange contracts and they are classified as a financial asset measured at fair value held for trading. Hedge accounting applies to embedded derivatives consisting of currency clauses, and they are classified as derivatives used in hedge accounting. The cash flow effect from embedded derivatives normally occurs within six months.

The Group has a net exposure in several currencies. If each separate currency pair changes by 5 percent, the aggregate effect on profit would total about SEK 36 million (34), all else being equal. Inflows and outflows in the same currency mean that the Group's exposure is relatively limited. Currency flows in the Parent Company are mainly in Swedish kronor (SEK). To the extent that internal and external loans and investments in the Parent Company are in foreign currency, 100 percent of the capital amount is hedged.

Translation exposure

The translation exposure of the Addtech Group is currently not hedged. The Group's net assets are divided among foreign currencies as follows:

	31 Mar 17		31 Mar 16	
Net investments	**SEKm**	**Sensitivity analysis** 1)	**SEKm**	**Sensitivity analysis** 2)
NOK	736.0	36.8	679.0	34.0
EUR	450.0	22.5	357.0	17.9
DKK	358.0	17.9	357.0	17.9
PLZ	52.0	2.6	53.0	2.7
TTD	28.0	1.4	25.0	1.3
GBP	155.0	7.8	21.0	1.1
HKD	14.0	0.7	9.0	0.5

1) Impact of +/−5% in exchange rate on Group equity

2) Circumstances in the previous year

When translating the income statement of units with a functional currency other than SEK, a translation effect arises when exchange rates vary. With the present distribution of Group companies' different functional currencies, a change of 1 percentage point in the exchange rates would have an effect of SEK +/- 41 million (34) on net sales and SEK +/- 3 million (2) on operating profit.

The exchange rates used in the financial statements are shown in the following table:

	Average rate		Closing day rate	
Exchange rate	**2016/2017**	**2015/2016**	**2017-03-31**	**2016-03-31**
CHF 1	8.78	8.70	8.91	8.44
CNY 100	128.88	133.15	129.44	125.50
DKK 100	127.88	125.18	128.16	123.80
EUR 1	9.51	9.34	9.53	9.23
GBP 1	11.32	12.77	11.14	11.66
HKD 1	1.12	1.09	1.15	1.05
JPY 1000	80.20	70.50	79.70	72.00
NOK 100	103.93	102.33	103.97	98.00
PLZ 1	2.19	2.21	2.26	2.17
TRY 1	2.72	2.98	2.45	2.87
TTD 1	1.32	1.33	1.34	1.25
TWD 1	0.28	0.26	0.30	0.25
USD 1	8.68	8.47	8.92	8.10

FINANCING AND LIQUIDITY

The overall objective of Addtech's financing and debt management is to secure financing for the operations in both the long and short term, and to minimise borrowing costs. The capital requirement is to be secured through an active and professional borrowing procedure comprising overdraft and other credit facilities. Raising of external financing is centralised at Addtech AB. Adequate payment capacity is to be achieved through contractual credit facilities. Surplus liquidity is primarily used to pay down outstanding credits. The Parent Company is responsible for the Group's long-term financing as well as its supply of liquidity. The Parent Company provides an internal bank which lends to and borrows from the subsidiaries. The Group's and Parent Company's non-current and current interest-bearing liabilities are shown in Notes 24 and 25.

To manage surpluses and deficits in different currencies, Addtech uses currency swaps from time to time. This allows the Group to reduce its financing costs and the Company's liquid funds to be used in an efficient manner.

Refinancing risk

The refinancing risk is the risk of Addtech not having access to sufficient financing on each occasion. The refinancing risk increases if Addtech's credit rating deteriorates or if Addtech becomes too dependent on one source of financing. If all or a large part of the debt portfolio matures on a single or a few occasions, this could involve the turnover or refinancing of a large proportion of the loan volume having to occur on disadvantageous interest and borrowing terms.

In order to limit the refinancing risk, the procurement of long-term credit facilities is commenced no later than nine months before the credit facility matures. On 31 March 2017, the Group’s credit facilities amounted to SEK 1,502 million (1,315), represented by bank overdraft facilities of SEK 1,102 million (1,002) and other agreed credit facilities of SEK 400 million (315). During the year the overdraft facility increased by SEK 100 million (202) and other agreed credit facilities increased by SEK 100 million (1). At 31 March 2017, the Group had utilised SEK 861 million (387) of the bank overdraft facilities and SEK 0 million (313) of the other credit facilities. Unutilised bank overdraft facilities and credit facilities amounted to SEK 641 million (617). The Group’s credit facilities are contingent upon loan covenants, the conditions of which are fulfilled with a wide margin. For covenants, Addtech uses two ratios: EBITDA/net financial items and equity/assets.

INTEREST RATE RISK

The interest rate risk is regulated by ensuring that the average fixed interest term of the debt portfolio varies between 0-3 years. The debt portfolio consists of bank overdraft facilities and outstanding external loans. The interest rate at 31 March 2017 was variable, that is, 0-3 months. Addtech's main exposure to interest rate risk is in its debt portfolio. Aside from the pension liability, interest-bearing external debt totals SEK 979 million (762).
With the current net financial debt, the impact on the Group's net financial items is SEK +/- 5 million if interest rates change by 1 percentage point.

ISSUER/BORROWER RISK AND CREDIT RISK

Issuer/borrower risk and credit risk are defined as the risk of Addtech's counterparties failing to fulfil their contractual obligations. Addtech is exposed to credit risk in its financial transactions, that is, in investing its surplus liquidity and executing forward foreign exchange transactions, and in its commercial operations in connection with accounts receivable and advance payments to suppliers. Maximum credit risk exposure from financial assets is consistent with the carrying amount of those assets.

Addtech's financial function at the Parent Company is responsible for assessing and managing issuer/borrower risk. The financial policy prescribes that surplus liquidity only be invested with counterparties that have a very high credit rating. As in prior years, in 2016/2017 surplus funds were not invested with any counterparties other than Swedish banks, aside from the Group's normal bank contacts.

To utilise its subsidiaries' detailed knowledge of Addtech's customers and suppliers, Addtech has each company assess the credit risk in its commercial transactions. New customers are assessed before credit is granted, and credit limits set are strictly enforced. Short credit periods are the goal, and avoiding excessive concentration of business with individual customers and with specific sectors helps minimise risks. No individual customer accounts for more than 2 percent (2) of total credit exposure during a one-year period. The equivalent figure for the ten largest customers is about 13 percent (12). Exposure per customer segment and geographic market is presented in Note 5. Bad debt losses totalled SEK 1 million (1) during the year, equal to 0 percent (0) of net sales.

Accounts receivable, SEKm	2017-03-31	2016-03-31
Carrying amount	1,170	972
Impairment losses	-9	5
Cost	**1,161**	**977**

Change in impaired accounts receivable	2016/2017	2015/2016
Amount at start of year	-5	-4
Corporate acquisitions	-1	-1
Year’s impairment losses/reversals	-4	-1
Settled impairment losses	1	1
Translation effects	0	0
Total	**-9**	**-5**

Time analysis of accounts receivable that are overdue but not impaired	2017-03-31	2016-03-31
< = 30 days	96	97
31–60 days	16	26
> 60 days	23	13
Total	**135**	**136**

NOTE 4 NET SALES BY REVENUE TYPE

Group	2016/2017	2015/2016
OEM		
Components	4,086	3,608
Products for end users		
Components	2,502	2,000
Machinery/Instruments	345	312
Materials	170	162
Services	75	73
Total	**7,178**	**6,155**

OEM components are built into the products that Addtech’s customers produce. OEM stands for ‘original equipment manufacturer’. Products for end users comprise all other uses. Regarding other revenue types, dividends and interest income are recognised in financial items, see Note 11.

Components	2016/2017	2015/2016
OEM		
Components	1,731	1,492
Products for end users		
Components	480	403
Machinery/Instruments	74	63
Materials	52	56
Services	18	15
Total	**2,355**	**2,029**

Energy	2016/2017	2015/2016
OEM		
Components	665	637
Products for end users		
Components	1,058	768
Machinery/Instruments	62	60
Materials	17	16
Services	5	6
Total	**1,807**	**1,487**

Industrial Process	2016/2017	2015/2016
OEM		
Components	621	566
Products for end users		
Components	623	551
Machinery/Instruments	206	186
Materials	88	75
Services	47	45
Total	**1,585**	**1,423**

Power Solutions	2016/2017	2015/2016
OEM		
Components	1,084	924
Products for end users		
Components	335	280
Machinery/Instruments	2	1
Materials	13	14
Services	5	7
Total	**1,439**	**1,226**

NOTE 5 SEGMENT REPORTING

The division into business areas reflects Addtech's internal organisation and reporting system. Addtech reports its business areas as operating segments. Addtech is organised into four business areas: Components, Energy, Industrial Process and Power Solutions.

Components

Components markets and sells components and sub-systems in mechanics, electromechanics, hydraulics and electronics as well as automation solutions. Its customers are mainly in the manufacturing industry.

Energy

Energy markets and sells products for the transmission and distribution of electricity and products in electrical safety, electrical installation and connection technology (circuitry). Its customers mainly operate in the energy and electrical installation market via specifiers and electricity wholesalers.

Industrial Process

Industrial Process markets and sells solutions, sub-systems and components (often under own brand) which help to optimise industrial processes and flows. Its customers mainly operate in the North European manufacturing industry.

Power Solutions

Power Solutions develops, markets and sells components and system solutions that ensure power supply, as well as operation and control of movements or energy flows, such as battery solutions and products used in the interaction between humans and machines. The business area's customers mainly work with special vehicles, telecoms, environmental technology and medical technology.

Data by operating segment	2016/2017			2015/2016		
Net sales	**External**	**Internal**	**Total**	**External**	**Internal**	**Total**
Components	2,354	1	2,355	2,027	2	2,029
Energy	1,806	1	1,807	1,486	1	1,487
Industrial Process	1,580	5	1,585	1,418	5	1,423
Power Solutions	1,438	1	1,439	1,224	2	1,226
Parent Company and Group items	–	-8	-8	0	-10	-10
Total	**7,178**	**0**	**7,178**	**6,155**	**0**	**6,155**

	2016/2017			2015/2016		
Operating profit/loss, assets and liabilities	**Operating profit /loss**	**Assets 1)**	**Liabilities 1)**	**Operating profit /loss**	**Assets 1)**	**Liabilities 1)**
Components	153	1,429	407	122	1,086	339
Energy	183	1,129	292	115	997	246
Industrial Process	110	858	264	101	706	236
Power Solutions	170	759	239	122	680	209
Parent Company and Group items	-12	340	1,572	-17	336	1,261
Operating profit/loss, assets and liabilities	**604**	**4,515**	**2,774**	**443**	**3,805**	**2,291**
Finance income and expenses	-24			-20		
Profit after financial items	**580**			**423**		

1) Does not include balances in Group accounts or financial transactions with Group companies.

Investments in non-current assets	2016/2017 Intangible 1)	2016/2017 Property, plant and equipment 1)	2016/2017 Total	2015/2016 Intangible 1)	2015/2016 Property, plant and equipment 1)	2015/2016 Total
Components	1	18	19	3	6	9
Energy	0	12	12	0	10	10
Industrial Solutions	1	20	21	1	13	14
Power Solutions	7	7	14	1	6	7
Discontinued operations	–	–	–	1	33	34
Parent Company and Group Items	0	1	1	13	2	15
Total	**9**	**58**	**67**	**19**	**70**	**89**

1) The amounts do not include the effects from acquisitions.

Depreciation/amortisation of non-current assets	2016/2017 Intangible	2016/2017 Property, plant and equipment	2016/2017 Total	2015/2016 Intangible	2015/2016 Property, plant and equipment	2015/2016 Total
Components	-35	-10	-45	-28	-8	-36
Energy	-43	-10	-53	-35	-9	-44
Industrial Solutions	-16	-11	-27	-13	-11	-24
Power Solutions	-17	-6	-23	-14	-5	-19
Discontinued operations	–	–	0	-26	-13	-39
Parent Company and Group Items	-1	-2	-3	-3	-2	-5
Total	**-112**	**-39**	**-151**	**-119**	**-48**	**-167**

Significant profit or loss items, other than depreciation or amortisation, not matched by payments in 2015/2016	Capital gains	Change in pension liability	Other items	Total
Components	0	3	-6	-3
Energy	0	-5	5	0
Industrial Solutions	0	0	-3	-3
Power Solutions	-9	1	8	0
Parent Company and Group Items	0	-2	-8	-10
Total	**-9**	**-3**	**-4**	**-16**

Data by country

	2016/2017 Net sales, external	2016/2017 Assets 1)	2016/2017 Of which non-current assets	2015/2016 Net sales, external	2015/2016 Assets 1)	2015/2016 Of which non-current assets
Sweden	2,581	2,035	972	2,324	1,717	764
Denmark	1,048	573	213	978	543	210
Finland	903	539	230	750	422	169
Norway	1,098	831	511	837	756	456
Other countries	1,548	400	157	1,266	201	59
Parent Company, Group items and unallocated assets	–	137	-1	–	166	8
Total	**7,178**	**4,515**	**2,082**	**6,155**	**3,853**	**1,741**

1) Does not include Group account balances and financial assets. External net sales are based on the customers' location, and the carrying amounts of assets are based on where the assets are located.

Investments in non-current assets	2016/2017 Intangible	2016/2017 Property, plant and equipent	2016/2017 Total	2015/2016 Intangible	2015/2016 Property, plant and equipent	2015/2016 Total
Sweden	3	19	22	17	12	29
Denmark	1	9	10	1	4	5
Finland	0	14	14	0	5	5
Norway	0	4	4	–	3	3
Other countries	5	12	17	0	13	13
Discontinued operations	–	–	0	1	33	34
Total	**9**	**58**	**67**	**19**	**70**	**89**

The Group has no single customer whose revenues account for 10 percent of total revenue, for which reason there is no related reporting.

NOTE 6 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

	2016/2017			2015/2016		
Average number of employees	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Sweden						
Parent Company	6	5	11	7	6	13
Other companies	633	190	823	688	255	943
Denmark	200	95	295	238	161	399
Finland	184	61	245	220	118	338
Norway	225	73	298	325	27	352
Other countries	344	117	461	273	68	341
Total	**1,592**	**541**	**2,133**	**1,751**	**635**	**2,386**
Of which discontinued operations	–	–	–	208	224	432

	2016/2017			2015/2016		
Salaries and remuneration	**Senior management**	**of which profit-related remune-ration**	**Other employees**	**Senior management**	**of which profit-related remune-ration**	**Other employees**
Sweden						
Parent Company	21	4	4	22	4	7
Other companies	47	5	362	60	6	404
Denmark	23	3	184	26	3	227
Finland	16	2	121	23	3	135
Norway	23	1	176	22	2	184
Other countries	15	2	85	13	2	69
Total	**145**	**17**	**932**	**166**	**20**	**1,026**
Of which discontinued operations	–	–	–	24	3	196

Senior management is defined as Group management, Managing Directors and vice MD’s in Group subsidiaries.

	Group		Parent Company	
Salaries, remuneration and social security costs	**2016/2017**	**2015/2016**	**2016/2017**	**2015/2016**
Salaries and other remuneration	1,077	1,193	25	30
Contractually agreed pensions for senior management	19	24	4	4
Contractual pensions to others	81	128	1	2
Other social security costs	200	197	10	10
Total	**1,377**	**1,542**	**40**	**46**
Of which discontinued operations	-	336	-	-

At year-end, outstanding pension commitments to senior management totalled SEK 9 million (9) for the Group and SEK 2 million (2) for the Parent Company. Different accounting policies are applied to pension costs in the Parent Company and the Group (see Note 1 Accounting Policies).

	Group		Parent Company	
Proportion of women	**2017-03-31**	**2016-03-31**	**2017-03-31**	**2016-03-31**
Board of Directors (not including alternates)	4%	4%	29%	29%
Other members of senior management	14%	16%	17%	17%

PREPARATION AND DECISION-MAKING PROCESS FOR REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND GROUP MANAGEMENT

The guidelines applied in the 2016/2017 financial year for remuneration to senior management correspond to those in the proposal for the coming year included in the administration report. The principle for remuneration to the Board of Directors, Chief Executive Officer (CEO) and Group management is that remuneration should be competitive. The nomination committee proposes Board fees to the Annual General Meeting (AGM). Board fees are paid based on a resolution of the AGM. No separate fees are paid for committee work.

For remuneration to the CEO, members of Group management and other members of senior management in the Group, the Board of Directors has appointed a remuneration committee consisting of the Chairman and Vice Chairman of the Board, with the CEO as the reporting member. A fixed salary, variable remuneration and conventional employment benefits are paid to the CEO, Group management and other members of senior management. In addition, pension benefits and incentive programmes apply, as described below. The remuneration committee adheres to the guidelines for remuneration to senior management approved by Addtech AB's AGM.

PERSONNEL OPTIONS FOR MEMBERS OF SENIOR MANAGEMENT

Scheme 2016/2020

The 2016 AGM resolved to approve an incentive scheme for senior management and a selected number of senior executives of the Addtech Group who are directly able to have an impact on the Group’s financial performance. The scheme consists of call options for shares repurchased by Addtech, where each call option carries the right to acquire a repurchased Class B share. Members of the Board of Directors have not had the right to purchase call options, with the exception of the CEO. Similar call option schemes for senior management and a selected number of senior executives in the Addtech Group were resolved by the AGMs from 2009 to 2015.

The call options are freely transferable as financial instruments. In order to encourage participation in the scheme, a subsidy will be paid corresponding to the premium paid for each call option. This subsidy will be paid two years following the AGM, providing that the option holder’s employment with the Group has not been terminated and that the call options have not been disposed of prior to this point. Scheme expenses consist of the subsidy plus social security costs. The subsidy corresponds to the option premium that the Company receives on transferring the call options, for which reason the scheme will not involve any net charge to the Company’s equity.

The allotment as resolved by the 2016 Annual General Meeting included 20 senior executives and a total of 300,000 call options, corresponding to 0.4 percent of the total number of shares and approximately 0.3 percent of the total number of votes in the Company. The allotment varied between 7,500 – 37,500 options per person. The Chief Executive Officer acquired 31,500 and the others in Group Management 135,000.

The options carry the right to the purchase of repurchased Class B shares between 16 September 2019 and 5 June 2020. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company’s B shares on NASDAQ Stockholm between 1 September 2016 and 14 September 2016. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company’s Class B shares on NASDAQ Stockholm between 8 September 2016 and 14 September 2016.

The strike price for the call options was set at SEK 159.00. The market value of the call options was set at SEK 11.80.

The costs of the scheme consist of the subsidy paid during September 2018 as detailed above and the social security fees payable on this subsidy. The total cost of the subsidy, including social security fees, has been estimated at approximately SEK 3.6 million after corporation tax. The subsidy corresponds to the option premium that the Company will receive on transfer of the call options. The employee benefits cost is reported on an accruals basis over the vesting period.

The Company is entitled to buy back call options from the holder if the holder does not wish to exercise all call options acquired. Options are to be acquired at a price that at any one time corresponds to the highest market value. Shares may not, however, be bought back during any such period when trading in the Company’s shares is forbidden.

Scheme 2015/2019

The 2015 AGM resolved to approve an incentive scheme for senior management and a selected number of senior executives of the Addtech Group who are directly able to have an impact on the Group's financial performance. The scheme consists of call options for shares repurchased by Addtech, where each call option carries the right to acquire a repurchased Class B share. Members of the Board of Directors have not had the right to purchase call options, with the exception of the CEO.

The call options are freely transferable as financial instruments. In order to encourage participation in the scheme, a subsidy will be paid corresponding to the premium paid for each call option. This subsidy will be paid two years following the AGM, providing that the option holder's employment with the Group has not been terminated and that the call options have not been disposed of prior to this point. Scheme expenses consist of the subsidy plus social security costs. The subsidy corresponds to the option premium that the Company receives on transferring the call options, for which reason the scheme will not involve any net charge to the Company's equity.

The allotment as resolved by the 2015 Annual General Meeting included 24 senior executives and a total of 350,000 call options, corresponding to 0.5 percent of the total number of shares and approximately 0.4 percent of the total number of votes in the Company. The allotment varied between 4,000 – 30,000 options per person. The Chief Executive Officer acquired 30,000 and the others in Group Management 150,000.

The options carry the right to the purchase of repurchased Class B shares between 17 September 2018 and 3 June 2019. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company's B shares on NASDAQ Stockholm between 31 August 2015 and 11 September 2015. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company's Class B shares on NASDAQ Stockholm between 7 September 2015 and 11 September 2015.

The strike price for the call options was set at SEK 154.50. The market value of the call options was set at SEK 10.20. According to terms resolved by the Annual General Meeting, the scheme will be recalculated following the Group's distribution of AddLife. The exercise price for the call options was established, after recalculation, at SEK 125.10, entitling the holder to 1.23 shares per option.

The costs of the scheme consist of the subsidy paid in 2017 including social security charges, which amount to approximately SEK 3.5 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues the vesting period.

Scheme 2014/2018

The allotment as resolved by the 2014 Annual General Meeting for 2014 included 25 people and a total of 350,000 call options, corresponding to approximately 0.5 percent of the total number of shares and approximately 0.4 percent of the total number of votes in the Company. The allotment varied between 3,900 – 30,000 options per person. The Chief Executive Officer acquired 30,000 and the others in Group Management 140,000.

The options carry the right to the purchase of repurchased Class B shares between 17 September 2017 and 1 June 2018. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company's B shares on NASDAQ Stockholm between 29 August 2014 and 11 September 2014. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company's Class B shares on NASDAQ Stockholm between 5 September 2014 and 11 September 2014.

The strike price for the call options was set at SEK 116.70. The market value of the call options was set at SEK 6.40. According to terms resolved by the Annual General Meeting, the scheme will be recalculated following the Group's distribution of AddLife. The exercise price for the call options was established, after recalculation, at SEK 125.10, entitling the holder to 1.23 shares per option.

The costs of the scheme consist of the subsidy paid in 2016 including social security charges, which amount to approximately SEK 3 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues the vesting period.

Scheme 2013/2017

The allotment as resolved by the 2013 Annual General Meeting for 2013 included 25 senior executives for a total of 180,000 call options, corresponding to approximately 0.8 percent of the total number of shares and approximately 0.6 percent of the total number of votes in the Company. The allotment varied between 4,000 – 26,550 options per person. The Chief Executive Officer acquired 26,550 and the others in Group Management 89,000.

The options carry the right to the purchase of repurchased Class B shares between 19 September 2016 and 2 June 2017. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company’s B shares on NASDAQ Stockholm between 30 August and 12 September 2013. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company’s Class B shares on NASDAQ Stockholm between 6 September 2013 and 12 September 2013.

The exercise price for the call options was established at SEK 106.13. The market value of the call options was set at SEK 5.73. According to terms resolved by the Annual General Meeting, the scheme was recalculated after the Group’s distribution of AddLife. After recalculation, the exercise price for the call options amounts to SEK 85.90, entitling the holder to 3.7 shares per option.

The costs of the scheme consist of the subsidy paid in 2015 including social security charges, which totalled approximately SEK 3 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues the vesting period.

In June 2016, 77,568 options were repurchased under current market conditions as of 13 June 2016, based on an independent external valuation using the Black & Scholes model. Between 1 September 2016 and 31 March 2017, 44,670 options were exercised, corresponding to 165,279 shares. Since the financial year-end, the remaining 57,762 options have been exercised, corresponding to 213,721 shares.

BOARD OF DIRECTORS

The Board fees of SEK 1,880 thousand (1,880) set by the AGM are distributed, as per the AGM's decision, among those Board Directors who are not employed by the Parent Company.

PARENT COMPANY'S CEO

Johan Sjö, Parent Company CEO, received a fixed salary of SEK 5,013 thousand (4,196) and SEK 1,734 thousand (2,097) in variable pay. Variable remuneration includes SEK 294 thousand regarding the year’s cost for a subsidy for participation in the Group’s incentive programme. Taxable benefits totalling SEK 94 thousand (92) are additional. From age 65, the CEO is covered by a defined contribution pension, the size of which depends on the outcome of pension insurance agreements. During 2016/2017, a total of SEK 1,600 thousand (1,350) in pension premiums, determined annually by the remuneration committee, were paid for the CEO. Variable salary is not pensionable income.

Variable remuneration based on Group earnings may be payable in an amount up to 30 percent of fixed salary. In addition, a further premium of 20 percent may be payable of the variable remuneration received used in acquisition of shares in Addtech AB.

The period of notice is of 12 months when the Company terminates the employment contract and six months when the CEO does so. In the case of termination on the initiative of the Company, the CEO is entitled to a severance payment equivalent to one year's salary in addition to salary during the period of notice. No severance package is payable if the employee terminates the employment contract.

OTHER MEMBERS OF GROUP MANAGEMENT

Other members of Group management were paid a total of SEK 8,843 thousand (10,769) in fixed salaries and SEK 3,561 thousand (3,205) in variable remuneration. Variable remuneration includes SEK 930 thousand (572) regarding the year’s cost for a subsidy for participation in the Group’s incentive programme. This variable remuneration was expensed during the 2016/2017 financial year and was paid during 2017/2018. Taxable benefits totalling SEK 402 thousand (570) are additional. Persons in Group management are covered from age 65 by pension entitlements based on individual agreements. Existing pension schemes consist of defined contribution schemes, in which the pension amount depends on the outcome of pension insurance agreements, as well as defined benefit schemes.

The cost of the defined benefit pensions and the defined contribution schemes is basically equivalent to the ITP plan (supplementary pension scheme for salaried employees).During 2016/2017, a total of SEK 2,553 thousand (2,934) in pension premiums was paid for the group 'Other members of Group management'.

Variable remuneration based on Group earnings may be payable in an amount up to 30 percent of fixed salary. In addition, a further premium of 20 percent may be payable of the variable remuneration received used in acquisition of shares in Addtech AB.

The period of notice is 12 months when the Company terminates the employment contract and six months when the employee does so. Severance pay is payable upon termination of employment equivalent to no more than one year's salary. No severance package is payable if the employee terminates the employment contract.

Remuneration and other benefits 2016/2017	Basic salary/ Board fees	Variable remuneration 1)	Other benefits	Pension costs	Total
Chairman of the Board	0.5	–	–	–	0.5
Other members of the Board	1.4	–	–	–	1.4
Chief Executive Officer	5.0	1.7	0.2	1.6	8.5
Other members of Group management 2)	8.8	3.6	0.5	2.6	15.5
Total	**15.7**	**5.3**	**0.7**	**4.2**	**25.9**

1) Including remuneration to group management participating in incentive programmes.

2) During the year, other members of Group Management consisted of five people, including one woman and four men.

Remuneration and other benefits 2015/2016	Basic salary/ Board fees	Variable remuneration 1)	Other benefits	Pension costs	Total
Chairman of the Board	0.5	–	–	–	0.5
Other members of the Board	1.4	–	–	–	1.4
Chief Executive Officer	4.2	2.1	0.1	1.4	7.8
Other members of Group management 2)	10.8	3.2	0.6	2.9	17.5
Total	**16.9**	**5.3**	**0.7**	**4.3**	**27.2**

1) Including remuneration to group management participating in incentive programmes.

2) At the beginning of the year, other members of Group Management consisted of six people, including one woman and five men. At the end of the year, other members of Group Management consisted of five people, including one woman and four men.

Board fees, SEK '000s		2016/2017	2015/2016
Name	**Position**	**Fee**	**Fee**
Anders Börjesson	Chairman of the Board	500	500
Tom Hedelius	Vice Chairman of the Board	380	380
Eva Elmstedt	Director	250	250
Ulf Mattsson	Director	250	250
Johan Sjö	Director	–	–
Lars Spongberg	Director	–	250
Malin Nordesjö	Director	250	250
Kenth Eriksson	Director	250	–
Total		**1,880**	**1,880**

NOTE 7 REMUNERATION TO AUDITORS

	Group		Parent Company	
	2016/2017	2015/2016	2016/2017	2015/2016
KPMG				
Audit assignment	5	5	0	0
Tax consultation	1	0	0	0
Other assignments	2	2	1	0
TOTAL REMUNERATION TO KPMG	**8**	**7**	**1**	**0**
Other auditors				
Audit assignment	1	1	–	–
Tax consultation	0	0	–	–
Other assignments	0	0	–	–
TOTAL REMUNERATION TO OTHER AUDITORS	**1**	**1**	**–**	**–**
Total remuneration to auditors	**9**	**8**	**1**	**0**

NOTE 8 DEPRECIATION AND AMORTISATION

	Group		Parent Company	
Depreciation and amortisation, by function	2016/2017	2015/2016	2016/2017	2015/2016
Cost of sales	-20	-20	–	–
Selling expenses	-121	-98	–	–
Administrative expenses	-10	-10	-1	-1
Discontinued operations	–	-39	–	–
Total	**-151**	**-167**	**-1**	**-1**

	Group		Parent Company	
Depreciation and amortisation, by type of asset	2016/2017	2015/2016	2016/2017	2015/2016
Intangible assets	-112	-119	0	0
Buildings and land	-3	-4	–	–
Leasehold improvements	-2	-2	-1	-1
Machinery	-14	-15	–	–
Equipment	-20	-27	0	0
Total	**-151**	**-167**	**-1**	**-1**
Of which discontinued operations	–	-39		

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

Group	2016/2017	2015/2016
Other operating income		
Rental revenue	2	1
Gain on sale of operations and non-current assets	2	2
Change in value of derivatives	1	-
Exchange gains, net	7	-
Revaluation of contingent considerations	21	14
Other	15	11
Total	**48**	**28**
Other operating expenses		
Property costs	1	-1
Loss on sale of operations and non-current assets	-1	-2
Change in value of derivatives	-	-1
Exchange losses, net	-	-2
Revaluation of contingent considerations	-8	-4
Other	-5	-3
Total	**-12**	**-13**

NOTE 10 OPERATING EXPENSES

Group	2016/2017	2015/2016
Inventories, raw materials and consumables	4,379	3,772
Employee benefits expense	1,424	1,296
Depreciation/amortisation	151	128
Impairment of inventories	13	14
Impairment of doubtful accounts receivable	4	1
Other operating expenses	653	519
Total	**6,624**	**5,730**

NOTE 11 FINANCE INCOME AND COSTS

Group	2016/2017	2015/2016
Interest income on bank balances	2	2
Dividends	0	0
Exchange rate changes, net	0	0
Other finance income	0	0
FINANCE INCOME	**2**	**2**
Interest expense on financial liabilities measured at amortised cost	-6	-7
Interest expense on financial liabilities measured at fair value	-4	-2
Interest expense on pension liability	-5	-5
Changes in value from revaluation of financial assets/liabilities, net	-1	-1
Other finance costs	-10	-7
FINANCE COSTS	**-26**	**-22**
Net financial items	**-24**	**-20**

Parent Company	2016/2017	2015/2016
Group contribution	318	190
PROFIT FROM INTERESTS IN GROUP COMPANIES	**318**	**190**
Interest income:		
Group companies	15	27
PROFIT FROM NON–CURRENT FINANCIAL ASSETS	**15**	**27**
Interest income, etc:		
Group companies	0	2
Other interest income, change in value of derivatives and exchange rate differences	7	8
INTEREST INCOME AND SIMILAR ITEMS	**7**	**10**
Interest expense, etc:		
Group companies	-1	-1
Other interest expense, change in value of derivatives and banking fees	-18	-15
INTEREST EXPENSE AND SIMILAR ITEMS	**-19**	**-16**
Finance income and costs	**321**	**211**

NOTE 12 YEAR-END APPROPRIATIONS - PARENT COMPANY

	2016/2017	2015/2016
Reversal of tax allocation reserve	49	35
Provision made to tax allocation reserve	-91	-55
Excess amortisation/depreciation	0	0
Total	**-42**	**-20**

Had the Parent Company reported deferred tax on year-end appropriations as per the policies applied in the consolidated financial statements, the deferred tax expense would have totalled SEK 9 million (4).

NOTE 13 TAXES

	Group		Parent Company	
	2016/2017	2015/2016	2016/2017	2015/2016
Current tax for the period	-147.6	-109.3	-60.5	-37.0
Adjustment from previous years	0.3	0.6	–	–
Total current tax expense	**-147.3**	**-108.7**	**-60.5**	**-37.0**
Deferred tax	17.2	18.9	0.0	-1.0
Total recognised tax expense	**-130.1**	**-89.8**	**-60.5**	**-38.0**

Group	2016/2017	%	2015/2016	%
Profit before tax	579.6		422.5	
Weighted average tax based on national tax rates	-125.9	21.7	-89.7	21.2
Tax effects of				
Non-deductible costs	-5.4	0.9	-6.2	1.5
Non-taxable income	1.9	-0.3	1.3	-0.3
Transaction costs, revaluation contingent considerations acquisitions	1.1	-0.2	2.0	-0.5
Other	-1.8	0.3	2.8	-0.7
Recognised tax expense	**-130.1**	**22.4**	**-89.8**	**21.3**

Parent Company	2016/2017	%	2015/2016	%
Profit before tax	270.1		180.0	
Tax based on current tax rate for parent company	-59.4	22.0	-39.6	22.0
Tax effects of				
Standard interest on tax allocation reserves	-0.2	0.0	-0.3	0.2
Non-deductible costs	-1.0	0.4	-0.4	0.2
Other	0.1	0.0	2.7	-1.5
Recognised tax expense	**-60.5**	**22.4**	**-37.6**	**20.9**

Deferred taxes, net, at year-end	2017-03-31			2016-03-31		
Group	Assets	Liabilities	Net	Assets	Liabilities	Net
Non-current assets	1	-186	-185	1	-156	-155
Untaxed reserves	–	-113	-113	–	-102	-102
Pension provisions	15	0	15	14	0	14
Other	13	0	13	8	-1	7
Net recognised	-21	21	0	-17	17	0
Deferred taxes, net, at year–end	**8**	**-278**	**-270**	**6**	**-242**	**-236**

Group	2017-03-31 Amount at start of year	Recognised in profit or loss	Discontinued operations	Acquisitions and disposals	Recognised in other comprehensive income	Translation effects	Amount at year-end
Non-current assets	-154.9	23.5	-	-49.5	0.3	-4.2	-184.8
Untaxed reserves	-102.8	-7.1	-	-4.2	0.7	0.0	-113.4
Pension provisions	13.9	-1.1	-	-	2.6	0.0	15.4
Other	8.1	1.9	-	2.3	-0.2	0.4	12.5
Deferred taxes, net	**-235.7**	**17.2**	**-**	**-51.4**	**3.4**	**-3.8**	**-270.3**

Group	2016-03-31 Amount at start of year including discontinued operations	Recognised in profit or loss	Discontinued operations	Acquisitions and disposals	Recognised in other comprehensive income	Translation effects	Amount at year-end
Non-current assets	-152.1	20.1	20.3	-47.1	0.7	3.2	-154.9
Untaxed reserves	-95.6	-6.2	-3.0	0.0	–	2.0	-102.8
Pension provisions	32.2	-0.5	-7.7	0.0	-9.8	-0.3	13.9
Other	2.3	5.5	5.5	-3.2	0.0	-2.0	8.1
Deferred taxes, net	**-213.2**	**18.9**	**15.1**	**-50.3**	**-9.1**	**2.9**	**-235.7**

	2017-03-31			2016-03-31		
Parent Company	Amount at start of year	Recognised in profit or loss	Amount at year-end	Amount at start of year	Recognised in profit or loss	Amount at year-end
Financial instruments	-0.1	0.0	-0.1	0.5	-0.6	-0.1
Deferred taxes, net	**-0.1**	**0.0**	**-0.1**	**0.5**	**-0.6**	**-0.1**

The Group has tax loss carryforwards of SEK 51 (42) that have not been capitalised.

NOTE 14 INTANGIBLE NON-CURRENT ASSETS

	2017-03-31							
	Intangible assets acquired						Intangible assets developed in the Group	
Group	Goodwill	Supplier relationships, customer relationships and technology	Trademarks	Capitalised R&D expenses	Leases (rental) and similar rights	Software	Software	Total
Accumulated cost								
Opening balance	856	1,001	22	17	2	61	4	1,963
Acquisition of companies	226	242	–	–	–	–	–	468
Investments	–	1	–	1	–	2	–	4
Reclassifications	–	–	–	–	-1	–	–	-1
Translation effect for the year	19	24	–	0	-1	2	–	44
Closing balance	**1,101**	**1,268**	**22**	**18**	**0**	**65**	**4**	**2,478**
Accumulated amortisation								
Opening balance	–	-390	0	-14	-1	-56	-4	-465
Amortisation	–	-108	–	-1	0	-3	–	-112
Reclassifications	–	–	–	–	1	–	–	1
Translation effect for the year	–	-9	–	0	0	-1	–	-10
Closing balance	**–**	**-507**	**0**	**-15**	**0**	**-60**	**-4**	**-586**
Carrying amount at year-end	**1,101**	**761**	**22**	**3**	**0**	**5**	**0**	**1,892**
Carrying amount at start of year	**856**	**611**	**22**	**3**	**1**	**5**	**0**	**1,498**

Group	2016-03-31							
	Intangible assets acquired						Intangible assets developed in the Group	
	Goodwill	Supplier relationships, customer relationships and technology	Trademarks	Capitalised R&D expenses	Leases (rental) and similar rights	Software	Software	Total
Accumulated cost								
Opening balance	903	983	23	16	1	67	4	1,997
Acquisition of companies	515	394	–	1	–	10	–	920
Investments	–	2	–	1	1	15	–	19
Discontinued operations	-543	-354	-1	–	–	-14	–	-912
Disposals and retirement of assets	–	0	–	0	–	-17	–	-17
Translation effect for the year	-19	-24	–	-1	0	0	–	-44
Closing balance	**856**	**1,001**	**22**	**17**	**2**	**61**	**4**	**1,963**
Accumulated amortisation								
Opening balance	–	-379	0	-13	-1	-57	-4	-454
Acquisition of companies	–	-8	–	–	–	-3	–	-11
Amortisation	–	-111	0	-2	0	-6	–	-119
Discontinued operations	–	101	–	–	–	7	–	108
Disposals and retirement of assets	–	0	–	0	–	3	–	3
Translation effect for the year	–	7	–	1	0	0	–	8
Closing balance	**–**	**-390**	**0**	**-14**	**-1**	**-56**	**-4**	**-465**
Carrying amount at year-end	**856**	**611**	**22**	**3**	**1**	**5**	**0**	**1,498**
Carrying amount at start of year	**903**	**604**	**23**	**3**	**0**	**10**	**0**	**1,543**

	2017-03-31		2016-03-31	
Parent Company	**Software**	**Total**	**Software**	**Total**
Accumulated cost				
Opening balance	2.8	2.8	2.8	2.8
Closing balance	**2.8**	**2.8**	**2.8**	**2.8**
Accumulated amortisation				
Opening balance	-2.8	-2.8	-2.7	-2.7
Amortisation	0.0	0.0	-0.1	-0.1
Closing balance	**-2.8**	**-2.8**	**-2.8**	**-2.8**
Carrying amount at year-end	**0.0**	**0.0**	**0.0**	**0.0**
Carrying amount at start of year	**0.0**	**0.0**	**0.1**	**0.1**

	Group	
Goodwill distributed by business area	**2017-03-31**	**2016-03-31**
Components	429	288
Energy	358	307
Industrial Process	165	114
Power Solutions	149	147
Total	**1,101**	**856**

Impairment testing of goodwill

The Group's recognised goodwill amounts to SEK 1,101 million (856), allocated as above to the units where impairment testing is performed. Goodwill is not monitored internally at a level lower than the business areas, and impairment testing is therefore performed at that level. The business areas accord with the Group's operating segments. Impairment testing took place most recently in March 2017.

The recoverable amount was based on value in use, calculated from a current estimate of cash flows in the year ahead. Forecast earnings and investments in working capital and non-current assets for the next financial year, 2017/2018, are based on previous outcomes and experiences. The forecast is produced on the basis of a relatively detailed budgeting process for the various parts of Group. The major components of the cash flow are sales, the various operating costs and investments in working capital and non-current assets.

The sales forecast is based on judgements taking into account factors such as order bookings, the general economy and the market situation. The forecast for operating costs is based on current pay agreements and previous years’ levels of gross margins and overheads, adapted to expectations for the year ahead taking into account factors as referred to for the sales forecast. Anticipated investments in working capital and non-current assets are linked to the growth in sales.

Since the businesses are deemed to be in a phase that is representative of the long-term perspective, the cash flow from the first forecast year is extrapolated by a long-term growth rate of 2 per cent (2) per year for all business areas. Cash flows were discounted using a weighted cost of capital corresponding to roughly 10 percent (10) before tax. These calculations show that value in use significantly exceeds the carrying amount. Consequently, impairment testing indicated no impairment. The margin for impairment is considerable for all business areas and it is not judged that any possible changes in important assumptions that may reasonably expected to lead to impairment.

Other impairment testing

Each year, trademarks are tested for impairment, applying the same policies as for goodwill. No events or changes in circumstances were identified that would motivate impairment testing for other intangible non-current assets that are amortised.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	2017-03-31					
Group	Buildings and land	Leasehold improvements	Machinery	Equipment	Construction in progress	Total
Accumulated cost						
Opening balance	121	25	232	244	3	625
Acquisition of companies	0	0	–	8	–	8
Investments	5	5	17	29	1	57
Disposals and retirement of assets	-1	-2	-4	-8	–	-15
Reclassifications	–	1	1	0	-1	1
Translation effect for the year	3	1	4	5	0	13
Closing balance	**128**	**30**	**250**	**278**	**3**	**689**
Accumulated depreciation and impairment losses						
Opening balance	-58	-19	-180	-199	-1	-457
Acquisition of companies	0	0	–	-5	–	-5
Depreciation	-3	-2	-14	-20	–	-39
Disposals and retirement of assets	1	1	4	6	–	12
Reclassifications	–	-1	–	–	–	-1
Translation effect for the year	-1	0	-4	-4	0	-9
Closing balance	**-61**	**-21**	**-194**	**-222**	**-1**	**-499**
Carrying amount at year-end	**67**	**9**	**56**	**56**	**2**	**190**
Carrying amount at start of year	**63**	**6**	**52**	**45**	**2**	**168**

	2016-03-31					
Group	Buildings and land	Leasehold improvements	Machinery	Equipment	Construction in progress	Total
Accumulated cost						
Opening balance	132	32	231	354	5	754
Acquisition of companies	11	–	31	27	–	69
Investments	2	4	11	48	5	70
Disposals and retirement of assets	-17	-2	-8	-24	–	-51
Discontinued operations	-11	-9	-31	-157	0	-208
Reclassifications	5	–	2	0	-7	0
Translation effect for the year	-1	0	-4	-4	0	-9
Closing balance	**121**	**25**	**232**	**244**	**3**	**625**
Accumulated depreciation and impairment losses						
Opening balance	-63	-23	-179	-290	-1	-556
Acquisition of companies	-4	–	-20	-12	–	-36
Depreciation	-4	-2	-15	-27	–	-48
Disposals and retirement of assets	8	1	8	22	–	39
Discontinued operations	5	5	23	105	–	138
Reclassifications	–	–	0	0	–	0
Translation effect for the year	0	0	3	3	0	6
Closing balance	**-58**	**-19**	**-180**	**-199**	**-1**	**-457**
Carrying amount at year-end	**63**	**6**	**52**	**45**	**2**	**168**
Carrying amount at start of year	**69**	**9**	**52**	**64**	**4**	**198**

Parent Company	2017-03-31 Leasehold improvements	Equipment	Total	2016-03-31 Leasehold improvments	Equipment	Total
Accumulated cost						
Opening balance	4	3	7	3	2	5
Investments	–	0	0	1	1	2
Disposals and retirement of assets	–	0	0	–	0	0
Closing balance	**4**	**3**	**7**	**4**	**3**	**7**
Accumulated depreciation according to plan						
Opening balance	-2	-1	-3	-1	-1	-2
Depreciation	0	-1	-1	-1	0	-1
Disposals and retirement of assets	–	0	0	–	0	0
Closing balance	**-2**	**-2**	**-4**	**-2**	**-1**	**-3**
Carrying amount at year-end	**2**	**1**	**3**	**2**	**2**	**4**
Carrying amount at start of year	**2**	**2**	**4**	**2**	**1**	**3**

NOTE 16 LEASING

Operating leases	Group		Parent Company	
Addtech as leasee	2016/2017	2015/2016	2016/2017	2015/2016
Lease payments				
Lease payments made during the financial year	196	104	5	4
of which variable payments	1	0	–	–
Future minimum lease payments under non-cancellable contracts fall due as follows:				
Within one year	93	93	5	2
Later than one year and within five years	188	151	8	5
Five years or later	19	21	–	–
Total	**300**	**265**	**13**	**7**

Significant operating leases primarily constitute rental contracts for premises in which the Group conducts business.

Addtech as lessor

At present there are no significant operating lease revenue in the Group.

Finance leases

At present there are no significant finance leases in the Group.

NOTE 17 FINANCIAL ASSETS AND LIABILITIES

Receivables from Group companies	Parent Company 2017-03-31	Parent Company 2016-03-31
Opening balance	1,442	1,489
Increase during the year	138	99
Decrease during the year	-102	-146
Carrying amount at year-end	**1,478**	**1,442**

Specification of interests in Group companies	Country	Number of shares	Quotient value	Holding %	Parent Company Carrying amount 2017-03-31	Parent Company Carrying amount 2016-03-31
Addtech Nordic AB, 556236-3076, Stockholm	Sweden	1,750	100	100	1,004	1,004
Total					**1,004**	**1,004**

A complete statutory specification is included as an annex to the annual accounts submitted to the Swedish Companies Registration Office. The specification can be obtained from Addtech AB.

Interests in Group companies	Parent Company 2017-03-31	Parent Company 2016-03-31
Accumulated cost		
Opening balance	1,119	1,119
Intra-Group restructuring (disposal of subsidiaries)	–	0
Closing balance	**1,119**	**1,119**
Accumulated impairment losses		
Opening balance	-115	-115
Closing balance	**-115**	**-115**
Carrying amount at year-end	**1,004**	**1,004**
Carrying amount at start of year	**1,004**	**1,004**

Carrying amounts and financial instruments are recognised in the balance sheet according to the following tables.

2017-03-31

Group	Measured at fair value through profit	Derivatives used in hedge accounting	Unlisted equity instruments reported at cost	Accounts receivable and loan receivables	Other liabilities	Total carrying amount
Other financial assets	–	–	7	–	–	7
Non-current receivables	–	–	–	3	–	3
Accounts receivable	–	–	–	1,170	–	1,170
Other receivables	2	1	–	35	–	38
Cash and cash equivalents	–	–	–	178	–	178
Non-current interest-bearing liabilities	67	–	–	–	2	69
Current interest-bearing liabilities	38	–	–	–	872	910
Accounts payable	–	–	–	–	622	622
Other liabilities	1	0	–	–	–	1
Total	**108**	**1**	**7**	**1,386**	**1,496**	**2,998**

2016-03-31

Group	Measured at fair value through profit	Derivatives used in hedge accounting	Unlisted equity instruments reported at cost	Accounts receivable and loan receivables	Other liabilities	Total carrying amount
Other financial assets	–	–	7	–	–	7
Non-current receivables	–	–	–	4	–	4
Accounts receivable	–	–	–	972	–	972
Other receivables	2	1	–	25	–	28
Cash and cash equivalents	–	–	–	140	–	140
Non-current interest-bearing liabilities	35	–	–	–	6	41
Current interest-bearing liabilities	20	–	–	–	701	721
Accounts payable	–	–	–	–	570	570
Other liabilities	2	3	–	–	–	5
Total	59	4	7	1,141	1,277	2,488

Current and non-current loans are carried at amortised cost. The difference between carrying amount and fair value is marginal for these items. The same applies to other financial instrument for larger amounts, since maturity is short.

Financial instruments, SEKm	31 Mar 17			31 Mar 16		
	Carrying amount	Level 2	Level 3	Carrying amount	Level 2	Level 3
Derivatives used in hedge accounting	1	1	–	1	1	–
Derivatives held for trading purposes	2	2	–	2	2	–
Total financial assets at fair value per level	**3**	**3**	**–**	**3**	**3**	**–**
Derivatives used in hedge accounting	0	0	–	3	3	–
Derivatives held for trading purposes	1	1	–	2	2	–
Contingent considerations	105	–	105	55	–	55
Total financial liabilities at fair value per level	**106**	**1**	**105**	**60**	**5**	**55**

Fair value and carrying amount are recognised in the balance sheet according to the table above.
Level 1 refers to when fair value is determined based on quoted prices in an active market. At the end of the reporting period, the Group had no items in this category.
Level 2 refers to when fair value is determined based on either directly or indirectly observable market data not included in level 1. This is done for foreign currency accounts and embedded derivatives.
Level 3 is not observable in the market. A cash flow-based valuation is carried out for the Group's contingent considerations. For the Group's other financial assets and liabilities, fair value is estimated to be equal to the carrying amount.

Contingent considerations	2016/2017	2015/2016
Carrying amount, opening balance	55	31
Acquisitions during the year	86	54
Reversed through profit or loss	-12	-10
Consideration paid	-27	-21
Interest expenses	3	2
Exchange differences	0	-1
Carrying amount, closing balance	**105**	**55**

Impact of financial instruments on net earnings	2016/2017	2015/2016
Assets and liabilities measured at fair value through profit or loss	-4	-3
Derivatives used in hedge accounting	0	-3
Accounts receivable and loan receivables	-5	-3
Available-for-sale financial assets	0	–
Other liabilities	-7	-8
Total	**-16**	**-17**

NOTE 18 INVENTORIES

Group	2017-03-31	2016-03-31
Raw materials and consumables	86	84
Work in progress	50	42
Finished goods	806	748
Total	**942**	**874**

The cost of sales for the Group includes impairment losses of SEK 13 million (14) on inventories. No significant reversals of prior impairment losses were made in 2016/2017 or 2015/2016.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	2017-03-31	2016-03-31	2017-03-31	2016-03-31
Rent	15	15	1	1
Insurance premiums	7	7	2	2
Pension costs	4	9	1	0
Lease payments	4	3	0	0
Other prepaid expenses	28	26	4	4
Other accrued income	10	14	0	0
Total	**68**	**74**	**8**	**7**

NOTE 20 SHAREHOLDERS' EQUITY

GROUP

Other contributed capital

Refers to equity contributed by shareholders.

	Group	
Reserves 1)	2016/2017	2015/2016
Foreign currency translation reserve		
Opening translation reserve	-76	-19
Translation effect for the year	51	-57
Closing translation reserve	**-25**	**-76**
Hedging reserve 2)		
Opening hedging reserve	-1	1
Revaluations recognised via other comprehensive income	1	-1
Recognised in profit or loss upon disposal (other operating income/expenses)	0	-2
Taxes attributable to the year's revaluations	0	0
Taxes attributable to disposals	0	1
Closing hedging reserve	**0**	**-1**
Total reserves	**-25**	**-77**

1) Refers to reserves attributable to equity holders of the Parent Company.

2) Relates to cash flow hedges, consisting of currency clauses in customer contacts.

Foreign currency translation reserve

The translation reserve includes all exchange differences that arise in translating financial reports of foreign operations prepared in a currency other than the Group's presentation currency for financial reports. The Parent Company and Group present their financial reports in Swedish kronor (SEK).

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in fair value for a cash-flow hedging instrument attributable to hedge transactions that have not yet occurred.

Retained earnings, including profit for the year

Retained earnings including profit for the year include earnings in the Parent Company and its subsidiaries. Prior provisions to the legal reserve are included in this equity item.

Repurchased shares

Repurchased shares includes the acquisition cost of own shares held in treasury by the Parent Company (known as treasury shares). At the end of the reporting period, the Group's holding of treasury shares was 1,374,721 (1,240,000).

Dividend

After the reporting period, the Board of Directors proposed a dividend of SEK 3.50 per share. The dividend is subject to approval by the Annual General Meeting on 31 August 2017.

PARENT COMPANY

Restricted reserves

Restricted reserves are funds that cannot be paid out as dividends.

Statutory reserve

The purpose of the statutory reserve is to save a portion of net profit that will not be used to cover a loss carried forward.

Retained earnings

Retained earnings comprises the previous year's unrestricted equity, less any provision to the statutory reserve and less any dividend paid. Together with profit for the year and any fair value reserve, retained earnings constitute the sum of unrestricted equity, that is, the amount available to be paid as dividends to shareholders.

Number of shares

The number of shares at 31 March 2017 consisted of 3,237,564 Class A shares, entitling the holders to 10 votes per share, and 64,960,932 Class B shares, entitling the holders to one vote per share. The quotient value of the share is SEK 0.75. The Company has repurchased 1,374,721 Class B shares, in the framework of the Company's ongoing repurchase programme. After subtracting repurchased shares, the number of Class B shares is 63,586,211.

Number of shares outstanding 2017-03-31	Class A shares	Class B shares	All share classes
At start of year	3,237,672	63,720,824	66,958,496
Exercised call options	–	165,279	165,279
Repurchase of treasury shares	–	-300,000	-300,000
Conversion of Class A shares to Class B shares	-108	108	–
At year-end	**3,237,564**	**63,586,211**	**66,823,775**

Number of shares outstanding 2016-03-31	Class A shares	Class B shares	All share classes
At start of year	3,241,704	63,214,492	66,456,196
Exercised call options	–	852,300	852,300
Repurchase of treasury shares	–	-350,000	-350,000
Conversion of Class A shares to Class B shares	-4,032	4,032	–
At year-end	**3,237,672**	**63,720,824**	**66,958,496**

NOTE 21 UNTAXED RESERVES

Parent Company	2017-03-31	2016-03-31
Tax allocation reserve, allocation for tax assessment 2012	-	49
Tax allocation reserve, allocation for tax assessment 2013	61	61
Tax allocation reserve, allocation for tax assessment 2014	67	67
Tax allocation reserve, allocation for tax assessment 2015	67	67
Tax allocation reserve, allocation for tax assessment 2016	75	75
Tax allocation reserve, allocation for tax assessment 2017	55	55
Tax allocation reserve, allocation for tax assessment 2018	91	-
Accumulated excess depreciation/amortisation	1	1
Closing balance	**417**	**375**

SEK 92 million of the Parent Company’s total untaxed reserves of SEK 417 million represent deferred tax included in the deferred tax line item in the consolidated balance sheet.

NOTE 22 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Addtech has defined contribution and defined benefit pension plans in Sweden and Norway. The plans cover a large number of employees. Subsidiaries in other countries mainly have defined contribution pension plans. The Parent Company's data on pensions are reported in accordance with the Swedish Act on Safeguarding Pension Obligations.

DEFINED CONTRIBUTIONS

These plans are mainly retirement pension plans, disability pensions and family pensions. Premiums are paid on an ongoing basis during the year by each Group company and the size of the premium is based on the salary. The pension cost for the period is included in profit or loss.

Obligations for retirement pensions and family pensions for salaried employees in Sweden are secured by insurance in Alecta. According to statement UFR 3 of the Swedish Financial Reporting Board, this is a defined benefit plan covering multiple employers. For the 2016/2017 financial year, the Company did not have access to information enabling it to report this plan as a defined benefit plan. Thus the pension plan according to ITP2 and secured by insurance in Alecta is recognised as a defined contribution plan. The year's fees for pension insurance with Alecta totalled SEK 24 million (22). Fees for the next financial year are considered to be in line with those for the latest year. The collective consolidation level for Alecta was 152 percent (144) in March 2017. The pension plan according to ITP1 is recognised as a defined-contribution plan.

DEFINED BENEFIT PLANS

These pension plans primarily comprise retirement pensions. Each employer generally has an obligation to pay a lifelong pension and vesting is based on the number of years of employment. The employee must subscribe to the plan for a certain number of years to be fully entitled to retirement benefits. Each year increases the employee's entitlement to retirement benefits, which is recognised as pension earned during the period and as an increase in pension obligations. Both funded and unfunded pension plans apply in Norway and Sweden. The funded pension obligations are secured by plan assets that are managed by insurance companies. The Group estimates that SEK 0 million (2) will be paid in 2017/2018 to the funded defined-benefit plans. The total number of commitments of 677 (874) included in the obligation consists of 77 active (104), 355 paid-up policy holders (493) and 245 pensioners (277).

Obligations for employee benefits, defined benefit pension plans

	Group		Parent Company	
Pension liability as per balance sheet	**2017-03-31**	**2016-03-31**	**2017-03-31**	**2016-03-31**
Pension liability PRI	206	189	15	16
Other pension obligations	4	10	–	–
Total cost of defined benefit plans	**210**	**199**	**15**	**16**

Obligations for defined benefits and the value of plan assets	Group		Parent Company	
	2017-03-31	2016-03-31	2017-03-31	2016-03-31
Funded obligations:				
Present value of funded defined benefit obligations	27	48	–	–
Fair value of plan assets	-23	-38	–	–
Net debt, funded obligations	**4**	**10**	**–**	**–**
Present value of unfunded defined benefit obligations	206	189	15	16
Net amount in the balance sheet (obligation +, asset –)	**210**	**199**	**15**	**16**
Pension obligations and plan assets per country:				
Sweden				
Pension obligations	232	213	15	16
Plan assets	-23	-22	–	–
Net amount in Sweden	**209**	**191**	**15**	**16**
Norway				
Pension obligations	2	24	–	–
Plan assets	-1	-16	–	–
Net amount in Norway	**1**	**8**	**–**	**–**
Net amount in the balance sheet (obligation +, asset –)	**210**	**199**	**15**	**16**

Reconciliation of net amount for pensions in the balance sheet	Group		Parent Company	
	2016/2017	2015/2016	2016/2017	2015/2016
Opening balance	199	318	16	16
Cost defined benefit plans	4	14	0	1
Payment of pension benefits	-6	-7	-1	-1
Funds contributed by employer	-1	-7	–	–
Discontinued operations	–	-74	–	–
Translation effects	1	-1	–	–
Revaluations	13	-44	–	–
Net amount in balance sheet (obligation +, asset -)	**210**	**199**	**15**	**16**

Changes in the obligation for defined benefit plans recognised in the balance sheet	Group	
	2016/2017	2015/2016
Opening balance	237	375
Pensions earned during the period	5	10
Pensions earned prior periods, vested	-6	-2
Interest on plan assets	6	7
Benefits paid	-6	-8
Revaluations:		
Gain (-)/loss (+) resulting from demographic assumptions	11	–
Gain (-)/loss (+) resulting from financial assumptions	4	-43
Experienced-based gains (-)/losses (+)	-2	0
Discontinued operations	–	-92
Translation effects	2	-3
Gains and losses from settlements	-17	-7
Present value of pension obligations	**234**	**237**

Changes in plan assets	Group	
	2016/2017	2015/2016
Opening balance	38	57
Funds contributed by employer	1	7
Benefits paid	0	-1
Interest income recognised in profit or loss	1	1
Return on plan assets, excluding interest income	0	1
Discontinued operations	–	-18
Translation effects	1	-2
Gains and losses from settlements	-17	-7
Fair value of plan assets	**24**	**38**

Pension costs	Group		Parent Company	
	2016/2017	2015/2016	2016/2017	2015/2016
Defined-benefit pension plans				
Cost for pensions earned during the year	5	10	–	–
Revenue for pensions earned in prior periods	-6	-2	–	–
Interest on obligations	6	7	0	1
Interest income recognised in profit or loss	-1	-1	–	–
Total cost of defined benefit plans	**4**	**14**	**0**	**1**
Total cost of defined contribution plans	99	115	5	6
Social security costs on pension costs	15	16	2	1
Total cost of benefits after termination of employment	**118**	**145**	**7**	**8**

Allocation of pension costs in the income statement	Group	
	2016/2017	2015/2016
Cost of sales	20	19
Selling and administrative expenses	93	90
Net financial items	5	5
Discontinued operations	–	31
Total pension costs	**118**	**145**

Actuarial assumptions	2016/2017		2015/2016	
	Sweden	Norway	Sweden	Norway
The following material actuarial assumptions were applied in calculating obligations:				
Discount rate, 1 April 2016, %	2.70	2.40	2.30	2.30
Discount rate, 31 March 2017, %	2.75	2.40	2.70	2.40
Future salary increases, %	2.75	2.50	3.00	2.50
Future increases in pensions (change in income base amount), %	2.75	–	2.50	–
Employee turnover, %	10.00	2.00-5.00	10.00	2.00-5.00
Expected 'G regulation', %	–	2.25	–	2.25
Mortality table	DUS14	K2013 B.E	FFFS 2007:24	K2013 B.E

Sensitivity of pension obligations to changes in assumptions	Sweden	Norway	Total
Defined benefit pension obligations at 31 March 2017	232	2	234
The discount rate increases by 0.5%	-23	-1	-24
The discount rate decreases by 0.5%	27	0	27
Expected life expectancy increases by 1 year	10	0	10
Expected life expectancy decreases by 1 year	-10	0	-10

The discount rate used is equivalent to the interest rate on high-quality corporate bonds or mortgage bonds with a maturity equivalent to the average maturity of the obligation and currency.

Swedish pension liabilities are based on the interest rate for Swedish housing bonds while Norwegian pension liabilities are based on the interest rate for Norwegian corporate bonds. The weighted average maturity for the commitment is around 18 years (18), which is used as a basis on which to determine the discount rate. Future increases in pensions are based on inflation assumptions. Remaining period of employment (life expectancy) is based on statistical tables prepared by Insurance Sweden and Försäkringssällskapet (the Insurance Society), in Sweden DUS14 and in Norway K2013 B.E. The anticipated basic pension adjustment, corresponding to Sweden's income base amount, is used for the calculations in Norway.

The sensitivity analyses are based on a change in an assumption, while all other assumptions are held constant. The same method, the projected unit credit method, is used to calculate the sensitivity in the defined benefit obligation as to calculate the pension obligation recognised in the balance sheet.

NOTE 23 PROVISIONS

Group 2016/2017	Premises	Personnel	Warranties	Other	Total
Carrying amount at start of period	0	1	2	10	13
Acquisitions	–	–	3	–	3
Provisions made during the period	4	2	11	0	17
Amounts utilised during the period	–	-1	0	-5	-6
Unutilised amounts reversed	–	–	-1	–	-1
Translation effects	0	–	0	–	0
Carrying amount at end of period	**4**	**2**	**15**	**5**	**26**

Group 2015/2016	Premises	Personnel	Warranties	Other	Total
Carrying amount at start of period	3	2	1	5	11
Provisions made during the period	1	4	1	10	16
Amounts utilised during the period	-4	-2	0	-3	-9
Unutilised amounts reversed	0	-3	0	-1	-4
Translation effects	0	0	0	-1	-1
Carrying amount at end of period	**0**	**1**	**2**	**10**	**13**

PREMISES

The provision for premises refers to premises that the Group has vacated and cannot sublet or use during the remainder of the lease.

PERSONNEL

The provision refers to costs of personnel, including estimated remuneration upon termination of employment in connection with changes in operations. A provision is made when there is an approved restructuring plan and the restructuring has been announced.

WARRANTIES

Recognised provisions for warranties associated with products and services are based on calculations performed based on historical data or, in specific cases, on an individual assessment.

OTHER

Other includes provisions not classified under premises, personnel or warranties, such as equipment that cannot be used due to changes in operations. All provisions are classified as short-term and are expected to lead to an outflow of resources within 12 months of the end of the reporting period.

NOTE 24 NON-CURRENT INTEREST-BEARING LIABILITIES

	Group	
	2017-03-31	2016-03-31
Liabilities to credit institutions:		
Maturing within 2 years	–	1
Maturing within 3-5 years	0	–
Maturing in five years or later	–	–
TOTAL NON-CURRENT LIABILITIES TO CREDIT INSTITUTIONS	**0**	**1**
Other interest-bearing liabilities:		
Maturing within 2 years	44	22
Maturing within 3 years	18	18
Maturing within 4-5 years	7	–
Maturing in five years or later	–	–
TOTAL OTHER NON-CURRENT INTEREST-BEARING LIABILITIES	**69**	**40**
Total	**69**	**41**

There were no non-current interest-bearing liabilities in the Parent Company at 31 March 2017(-). Other interest-bearing liabilities largely consist of additional contingent considerations with estimated interest of 5.0 percent.

The Addtech Group's non-current liabilities to credit institutions are divided among currencies as follows:

	2017-03-31		2016-03-31	
Currency	**Local currency**	**SEKm**	**Local currency**	**SEKm**
SEK	–	–	1	1
Other	0	0	–	–
Total		**0**		**1**

	Parent Company	
	2017-03-31	2016-03-31
Liabilities to Group companies	278	390
Total	**278**	**390**

The Parent Company's liabilities to Group companies have no fixed maturity dates.

NOTE 25 CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2017-03-31	2016-03-31	2017-03-31	2016-03-31
Credit facilities				
Approved overdraft facility	1,102	1,002	1,100	1,000
Approved other liabilities to credit institutions	400	300	400	300
Unutilised portion	-641	-615	-639	-613
Credit amount utilised	**861**	**687**	**861**	**687**
Other interest-bearing liabilities	49	34	–	–
Total	**910**	**721**	**861**	**687**

Other interest-bearing liabilities largely consist of additional contingent considerations with estimated interest of 5.0 percent.

The Addtech Group's current liabilities to credit institutions are divided among currencies as follows:

	2017-03-31		2016-03-31	
Currency	**Local currency**	**SEKm**	**Local currency**	**SEKm**
SEK	–	–	301	301
CNY	8	10	8	10
NOK	–	–	2	2
Total		**10**		**313**

The Group's financing is primarily managed by the Parent Company Addtech AB.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2017-03-31	2016-03-31	2017-03-31	2016-03-31
Other deferred income	1	1	–	–
Salaries and holiday pay	209	180	8	7
Social security costs and pensions	74	65	6	7
Other accrued expenses 1)	39	46	2	3
Total	**323**	**292**	**16**	**17**

1) Other accrued expenses mainly consist of overhead accruals.

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2017-03-31	2016-03-31	2017-03-31	2016-03-31
Pledged assets for liabilities to credit institutions				
Real estate and site leasehold mortgages	25	23	–	–
Floating charges	19	42	–	–
Other pledged assets	5	4	–	–
Total	**49**	**69**	**–**	**–**
Contingent liabilities				
Guarantees and other contingent liabilities	20	18	0	0
Guarantees for subsidiaries 1)	–	–	122	119
Total	**20**	**18**	**122**	**119**

1) Relates to PRI liabilities.

NOTE 28 CASH FLOW STATEMENT

	Group		Parent Company	
Adjustment for items not included in cash flow	2016/2017	2015/2016	2016/2017	2015/2016
Depreciation/amortisation	151	167	1	1
Gain/loss on sale of operations and non-current assets	-1	-7	–	–
Change in pension liability	-3	0	0	0
Group contributions/dividends not paid	–	–	-318	-190
Change in other provisions and accrued items	5	0	–	–
Net profit from distribution of AddLife	–	-1,562	–	–
Other	-18	-11	0	-3
Total	**134**	**-1,413**	**-317**	**-192**

For the Group, interest received during the year totalled SEK 2 million (2), and interest paid was SEK 7 million (9). For the Parent Company, interest received during the year was SEK 16 million (29), and interest paid was SEK 6 million (6).

The following adjustments were made as a result of the value of assets and liabilities in companies acquired during the year, together with adjustments such as contingent considerations paid for acquisitions made in previous years:

	2016/2017	2015/2016
Non-current assets	468	953
Inventories	38	185
Receivables	87	191
Cash and cash equivalents	141	82
Total	**734**	**1,411**
Interest-bearing liabilities and provisions	-152	-234
Non-interest-bearing liabilities and provisions	-123	-282
Total	**-275**	**-516**
Consideration paid incl. contingent consideration 1)	-477	-711
Cash and cash equivalents in acquired companies	141	82
Effect on the Group's cash and cash equivalents	**-336**	**-629**

1) The consideration paid includes a contingent consideration charged to the income statement in the amount of SEK 12 million.

All businesses acquired during the year were consolidated in the accounts using the acquisition method.

Cash and cash equivalents in the cash flow statement consist of cash and bank balances. The same definition applied to determine cash and cash equivalents in the balance sheet was applied in the cash flow statement.

NOTE 29 ACQUISITIONS OF COMPANIES

Acquisitions completed as of the 2015/2016 financial year are distributed among the Group's business areas as follows:

Acquisitions	Country	Date of acquisition	Net sales, SEKm*	Number of employees*	Business area
Dafine Engineering Oy	Finland	April, 2015	25	4	Energy
EB Elektro RE AS	Norway	July, 2015	85	20	Energy
CTM Lyng AS	Norway	September, 2015	135	55	Energy
Partco Oy	Finland	September, 2015	20	10	Components
RECAB Embedded Computers AB	Sweden	October, 2015	100	18	Components
Kretsteknik Nordic AB (assets and liabilities)	Sweden	October, 2015	25	1	Components
Enöque Svenska AB	Sweden	October, 2015	6	2	Energy
Powermec AB	Sweden	November, 2015	150	26	Power Solutions
Goodtech Products AS	Norway	February, 2016	85	23	Components
INL System AB	Sweden	March, 2016	12	2	Components
Sammet Dampers Oy	Finland	April, 2016	45	12	Industrial Process
Poryan China Company Ltd	China	April, 2016	50	22	Power Solutions
E.T.S. Portsmouth Limited	Great Britain	April, 2016	100	35	Energy
Elektro-Tukku Oy	Finland	May, 2016	8	3	Components
Penlink AB	Sweden	October, 2016	25	5	Components
Itek AS	Norway	November, 2016	65	13	Industrial Process
Carmac Inc (assets and liabilities)	USA	December. 2016	10	2	Power Solutions
Sensor Companies	Sweden	January, 2017	160	30	Components
Vallentin Elektronik A/S	Denmark	January, 2017	20	4	Components
EX-Tekniikka Oy	Finland	March, 2017	20	3	Components
Dovitech A/S	Denmark	April, 2017	100	5	Components
Craig & Derricott Holdings Ltd	Great Britain	April, 2017	110	90	Power Solutions

* Refers to assessed condition at the time of acquisition on a full-year basis.

Assets and liabilities included in the acquisitions were as follows:

	2016/2017			2015/2016		
	Carrying amount at acquisition date	Adjustment to fair value	Fair value	Carrying amount at acquisition date	Adjustment to fair value	Fair value
Intangible non-current assets	0	242	242	10	386	396
Other non-current assets	6	–	6	37	5	42
Inventories	37	–	37	185	–	185
Other current assets	229	–	229	273	–	273
Deferred tax liability/tax asset	2	-50	-48	-7	-88	-95
Other liabilities	-119	–	-119	-366	–	-366
Acquired net assets	**155**	**192**	**347**	**132**	**303**	**435**
Goodwill			220			515
Non-controlling interests			-2			–
Consideration 1)			**565**			**950**
Less: cash and cash equivalents in acquired businesses			-141			-82
Issue in kind			–			-234
Less: consideration not yet paid			-108			-55
Effect on the Group’s cash and cash equivalents			**316**			**579**

1) The consideration is stated excluding acquisition expenses.

The combined consideration for the year’s acquisition was SEK 565 million, of which SEK 462 million, according to preliminary acquisition analyses, was allocated to goodwill and other intangible assets. Had the acquisitions been completed on 1 April 2016, their impact would have been an estimated SEK 528 million on Group net sales, about SEK 55 million on operating profit and about SEK 39 million on profit after tax.

The outcome of contingent consideration depends on future results achieved in the companies, and the estimated outcome from the year’s acquisitions amounts to SEK 94 million. The contingent consideration is payable within 1–4 years and is estimated to total a maximum of SEK 105 million.

Of the consideration not yet paid for acquisitions during the year, estimated fair value of contingent consideration amounts to SEK 84 million. The outcome depends on the results achieved in the companies.

For acquisitions that resulted in ownership transfer during the financial year, transaction costs totalled SEK 7 million (3) and are recognised in selling expenses.

During the financial year contingent consideration was net revalued to SEK 12 million (10). The impact on profits is recognised in other operating income and other operating expenses, respectively. No material changes in acquisition analyses were made in the financial year with regard to acquisitions carried out in the year or in previous years.

The Group’s goodwill at the time of the acquisition, regarding the expected future sales trend and profitability, is the amount by which the acquisition value exceeds the fair value of net assets acquired. As of 31 March 2017 goodwill, non-taxable, amounted to SEK 1,101 million, to be compared with SEK 856 million as of 31 March 2016. The change is attributable to acquisitions, the distribution of AddLife and exchange differences. The change is attributable to acquisitions and exchange rate differences. The Group’s goodwill is assessed annually for impairment, and no needs for impairment have been identified.

The values allocated to intangible non-current assets, such as supplier relationships, customer relationships, technology and trademarks, were assessed at the discounted value of future cash flows. The amortisation period is determined by estimating the annual decrease in sales attributable to each asset. Supplier relationships are generally amortised over a period of 5-33 years; customer relationships and technology are amortised over 5-15 years. Trademarks are not amortised but are tested annually (for impairment) as per IAS 36. Annual calculated amortisation regarding intangible non-current assets for the year's acquisitions amounts to about SEK 21 million.

NOTE 30 EARNINGS PER SHARE (EPS) BEFORE AND AFTER DILUTION

	2016/2017	2015/2016
Earnings per share before and after dilution (EPS), SEK*		
Continuing operations before dilution	6.60	4.85
Continuing operations after dilution	6.55	4.85
Discontinued operations	-	24.35
Total earnings per share before dilution	6.60	29.20
Total earnings per share after dilution	6.55	29.20
See Note 1 for the method of calculation.		
The numerators and denominators used to calculate the above EPS are derived as stated below.		

EARNINGS PER SHARE BEFORE DILUTION

The calculation of earnings per share for 2016/2017 is based on profit for the year attributable to Parent Company shareholders, totalling SEK 440 million (1,950), and a weighted average number of shares outstanding during 2016/2017 of 66,824 thousand (66,703). The two components were calculated in the following manner:

	2016/2017	2015/2016
Profit for the year attributable to the equity holders of the Parent Company, before dilution (SEKm)	440	1,950

Weighted average number of shares outstanding, before dilution

In thousands of shares	2016/2017	2015/2016
Total number of shares 1 April	66,958	66,456
Effect of treasury shares held	-134	247
Weighted average number of shares during the year, before dilution	**66,824**	**66,703**

EARNINGS PER SHARE AFTER DILUTION

The calculation of diluted EPS for 2016/2017 is based on profit attributable to Parent Company shareholders, totalling SEK 440 million (1,950), and a weighted average number of shares outstanding during 2016/2017 of 67,008 thousand (66,809). The two components were calculated in the following manner:

	2016/2017	2015/2016
Profit for the year attributable to the equity holders of the Parent Company, after dilution (SEKm)	440	1,950

Weighted average number of shares outstanding, after dilution

In thousands of shares	2016/2017	2015/2016
Weighted average number of shares during the year, before dilution	66,824	66,703
Effect of share options issued	184	106
Weighted average number of shares during the year, after dilution	**67,008**	**66,809**

NOTE 31 DISCLOSURES ABOUT PARENT COMPANY

Addtech AB, corporate ID number 556302-9726, is the Parent Company of the Group. The Company's registered office is in Stockholm, Stockholm County, and according to Swedish law Addtech AB is a limited liability company.

Head office address:
Addtech AB (publ.)
Box 5112
102 43 Stockholm, Sweden
Tel +46 8 470 49 00
Fax +46 8 470 49 01
www.addtech.com

NOTE 32 RELATED PARTY DISCLOSURES

For the Addtech Group, related parties mainly comprise members of senior management. Information about personnel costs is provided in Note 6 Employees and employee benefits expense.

NOTE 33 EVENTS AFTER THE REPORTING PERIOD

On 3 April 2017, Dovitech A/S, Denmark, was acquired to become part of the Components business area. Dovitech delivers inductive special solutions as well as electromechanical- and automation products. The company has sales of around DKK 80 million and five employees.

On 6 April 2017, Craig & Derricott Holdings Ltd, Great Britain, was acquired to become part of the Power Solutions business area. Craig & Derricott is engaged in design, manufacturing and marketing of low electrical control equipment and switchgear for the UK market and export markets. The company has sales of about GBP 10 million and 90 employees.

On 11 May 2017, Addtech announced that the Board of Directors has decided on a new dividend policy. The new policy has the objective of proposing a dividend that exceeds 30 percent of average Group profit after tax over a business cycle.

On 12 June 2017, Addtech sold Batteriunion i Järfälla AB to Midac S.P.A. Batteriunion AB with a sales of about SEK 140 million and 16 employees, has belonged to the business area Power Solutions.

NOTE 34 DISCONTINUED OPERATIONS

On 9 March 2016, the Extraordinary General Meeting resolved on the distribution of all Addtech shares in AddLife AB to the shareholders of Addtech. The first day of trading of AddLife's Class B shares on Nasdaq Stockholm was 16 March 2016.

The divestment has been reported separately as discontinued operations in the income statement in accordance with IFRS 5. A discontinued operation is recognised separately from continuing operations in the income statement with retroactive effect for earlier periods. AddLife is recognised as a discontinued operation below. (For further information, see note 34 Discontinued operations in Annual report 2015/2016).

Profit for discontinued operations for the period, SEKm	2016/2017	2015/2016
Operting income	–	1,402
Operating expenses	–	-1,303
OPERATING PROFIT	**–**	**99**
Profit from disposal operations	–	1,562
Financial items	–	-3
PROFIT BEFORE TAX	**–**	**1,658**
Income tax expense	–	-22
Profit after tax	**–**	**1,636**

Cash flow attributable to discontinued operations, SEKm	2016/2017	2015/2016
Cash flow from operating activities	–	109
Cash flow from investing activities	–	-266
Cash flow from financing activities	–	76
Cash flow for the period	**–**	**-81**

Assets of discontinued operations, SEKm	2016/2017	2015/2016
Goodwill	–	543
Intangible non-current assets	–	261
Property, plant and equipment	–	70
Non-current financial assets	–	10
Inventories	–	224
Other current assets	–	325
Total assets	**–**	**1,433**

Liabilities of discontinued operations, SEKm	2016/2017	2015/2016
Deferred tax liabilities	–	58
Non-current liabilities	–	611
Current liabilities	–	348
Total liabilities	**–**	**1,017**

Assurance of the Board of Directors

The Board of Directors and the Chief Executive Officer deem the consolidated financial statements and annual accounts to be prepared in accordance with IFRS, as adopted by the EU, and with generally accepted accounting principles, and that they provide a true and fair overview of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives a true and fair overview of the Group's and the Parent Company's operating activities, financial position and results of operations and describes significant risks and uncertainties to which the Parent Company and the companies that comprise the Group are exposed. The other aspects of the results of operations and financial position of the Group and the Parent Company are shown in the income statements, balance sheets, cash flow statements and notes to the financial statements.

Stockholm, 22 June 2017

Anders Börjesson
Chairman of the Board

Tom Hedelius
Vice Chairman of the Board

Eva Elmstedt
Director

Kent Eriksson
Director

Ulf Mattsson
Director

Malin Nordesjö
Director

Johan Sjö
Director *and CEO*

We submitted our auditor's report on 22 June 2017

KPMG AB

Joakim Thilstedt
Authorised Public Accountant
Auditor in charge

KPMG AB

Jonas Eriksson
Authorised Public Accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of Addtech AB (publ.), corp. id. 556302-9726

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Addtech AB (publ.) for the financial year 2016-04-01—2017-03-31. The annual accounts and consolidated accounts of the company are included on pages 18-98 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 March 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 March 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of acquired intangible assets and the parent company's interests in group companies.
See notes 14 and 17 in addition to the accounting principles on pages 51 and 53-54 of the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The book value of acquired intangible assets, consisting of goodwill, supplier relationships, technology etc., amount to 1 892 MSEK as at 31 March 2017, representing 42 % of total assets.

Goodwill and intangible assets with an indefinite useful life should be subject to an annual impairment test. Other intangible assets are tested when impairment indicators are identified.

Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.

The parent company's interests in group companies amount to 1 004 MSEK as at 31 March 2017. If the book value of the interests exceeds the equity in the respective group company, an impairment test is performed following the same methodology and using the same assumptions as for goodwill valuations.

Response in the audit
We have obtained and assessed the group’s impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS.

Furthermore, we have evaluated management’s future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate and the assumed discount rate, by obtaining and evaluating the group’s written documentation and plans. We have also considered previous years’ forecasts in relation to the actual outcome.

An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group’s sensitivity analysis.

We have also analysed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-17 and 103-105. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Addtech AB (publ.) for the financial year 2016-04-01—2017-03-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, 22 june 2017

KPMG AB	KPMG AB
Joakim Thilstedt	Jonas Eriksson
Authorised Public Accountant	*Authorised Public Accountant*
Auditor in Charge	

MULTI-YEAR SUMMARY

SEKm, unless stated otherwise	2016/2017	2015/2016	2014/2015
Net sales	7,178	6,155	5,719
EBITDA	755	570	542
EBITA	715	536	510
Operating profit	604	443	431
Profit after financial items	580	423	408
Profit for the year	450	333	321
Intangible non-current assets	1,892	1,498	1,543
Tangible and financial non-current assets	217	195	222
Inventories	942	874	849
Current receivables	1,286	1,098	1,156
Cash and cash equivalents	178	140	83
Total assets	**4,515**	**3,805**	**3,853**
Shareholders' equity	1,701	1,479	1,504
Non-controlling interests	40	35	35
Interest-bearing liabilities and provisions	1,189	962	911
Non-interest-bearing liabilities and provisions	1,585	1,329	1,403
Total shareholders' equity and liabilities	**4,515**	**3,805**	**3,853**
Capital employed	2,930	2,476	2,450
Working capital	1,362	1,208	1,084
Financial net liabilities	1,011	822	828
Net liabilities, excl. pensions	801	623	510
EBITA margin, %	10.0	8.7	8.9
Operating margin, %	8.4	7.2	7.5
Profit margin, %	8.1	6.9	7.6
Return on equity, %	28	20	28
Return on capital employes, %	23	16	23
Return on working capital (P/WC), %	53	44	47
Equity ratio, %	39	40	40
Debt/equity ratio, multiple	0.6	0.6	0.6
Net debt/equity ratio, multiple	0.5	0.4	0.3
Interest coverage ratio, multiple	23.9	20.3	21.9
Financial net liabilities/EBITDA, multiple	1.3	1.4	1.2
Earnings per share (EPS), SEK	6.60	4.85	4.70
EPS, after dilution, SEK	6.55	4.85	4.70
Cash flow per share, SEK	8.25	7.10	8.40
Shareholders' equity per share, SEK	25.45	22.10	22.60
Dividend per share, SEK	3,50 1)	3.25	3.25
Average number of shares after repurchases, '000s	66,824	66,703	66,288
Average number of shares adjusted for dilution, '000s	67,008	66,809	66,615
Market price of share at 31 March, SEK	148.50	112.00	115.75
Cash flow from operating activities	551	474	557
Cash flow from investing activities	-395	-352	-323
Cash flow from financing activities	-126	-52	-231
Cash flow for the year	30	70	3
Average number of employees	2,133	2,386	2,224
Number of employees at year-end	2,176	2,076	2,286

1) As proposed by the Board of Directors.

*All figures regarding the income statement refer to continuing operations, excluding the distriubtion of AddLife, retroactively from 1 April 2014. All figures regarding the balance sheet refer to continuing operations from 31 March 2016 without retroactivity for earlier periods.

WELCOME TO THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Addtech AB (publ.) will be held at 4.00 p.m. on 31 August 2017 at IVA, Grev Turegatan 16, Stockholm.

NOTICE OF PARTICIPATION

Shareholders who wish to participate in the Annual General Meeting must

- be entered in the shareholders' register held by Euroclear Sweden AB on Friday, 25 August 2017,
- and provide the Company with notification of their attendance by 3.00 p.m. Friday, 25 August 2017 at the latest: by contacting Addtech AB (publ), Box 5112, 102 43 Stockholm, Sweden; by calling +46 (0)8-470 49 00; by faxing +46 (0)8-470 49 01; through the Company's website www.addtech.com/investors; or by e-mailing info@addtech.com. Such notice must contain the shareholder's name, personal identification number (or corporate ID number), address, telephone number and the number of shares represented as well as advisors/assistance (a maximum of two). The data submitted in such notification will be processed and used for the 2017 AGM.

Shareholders whose shares are held in trust must temporarily register their shares in their own name in order to exercise their voting rights at the AGM. Such changes in registration must be completed no later than Friday, 25 August 2017. If a shareholder intends to participate by representation through a proxy, the original of the proxy notice as well as any documents for authorisation must be sent to the Company well before the AGM. Representatives of a legal entity must also submit a certified copy of the registration certificate or equivalent documents for authorisation that demonstrate that they are entitled to represent the legal entity. The Company provides a proxy form for shareholders which is available from the head office or from the Company's website www.addtech.com/arsstamma no later than 21 July 2017.

PAYMENT OF DIVIDEND

The dividend resolution adopted by the AGM will specify the date on which shareholders must be recorded in the share register maintained by Euroclear Sweden AB to be entitled to receive the dividend. The record date proposed by the Board is Monday, 4 September 2017 for dividend payment. Provided the AGM adopts the proposal, the dividend is expected to be paid through Euroclear Sweden AB on Thursday, 7 September 2017, to shareholders entered in the share register at the record date.

CHANGE OF ADDRESS OR BANK ACCOUNT

Shareholders who have changed their name, address or account number should inform their trustee or account operator (bank) of any such change as soon as possible. A special form is available from banks.

PROPOSALS TO THE ANNUAL GENERAL MEETING

- **Dividend.** The Board of Directors proposes a dividend of SEK 3.50 (3.25) per share. The dividend amounts to SEK 234 million (218).
- **Extension of repurchase mandate.** The Board of Directors has decided to propose to the AGM that the mandate to repurchase treasury shares be renewed. The proposed mandate would entitle the Board of Directors, during the period until the next AGM, to purchase shares such that the Company's holding at no time exceeds ten percent of the total number of shares in the Company. 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.

DEFINITIONS

Return on equity[2]
Earnings after tax divided by equity. The components are calculated as the average of the last 12 months.

Return on working capital (P/WC)[1]
EBITA divided by working capital.

Return on capital employed
Profit before tax plus financial expenses as a percentage of capital employed. The components are calculated as the average of the last 12 months.

EBITA[1]
Operating profit before amortisation of intangible assets.

EBITA-margin
EBITA as a percentage of net sales.

EBITDA[1]
Operating profit before depreciation and amortisation.

Equity per share
Equity divided by number of shares outstanding at the reporting period's end.

Financial net debt
The net of interest-bearing debt and provisions minus cash and cash equivalents.

Net debt/EBITDA
Financial net liabilities divided by EBITDA.

Cash flow from operating activities per share
Cash flow from operating activities, divided by the average number of outstanding shares after repurchase.

Net debt excluding pensions/Equity ratio[2]
Net debt excluding pensions divided by shareholders' equity.

Employee turnover
Number of employees who left during the year, in relation to the average number of employees.

Interest coverage ratio
Profit after net financial items plus financial expenses divided by financial expenses.

Working capital (WC)[1]
Working capital is measured through an annual average defined as inventories plus accounts receivable less accounts payable.

Operating margin
Operating profit as a percentage of net sales.

Equity ratio[2]
Equity as a percentage of total assets.

Debt/equity ratio[2]
Financial net liabilities divided by equity.

Capital employed
Total assets minus non-interest-bearing liabilities and provisions.

Outstanding shares
Total number of shares less treasury shares repurchased by the Company.

Earnings per share (EPS)
Shareholders' proportion of profit for the year in relation to the average number of shares outstanding.

Earnings per share (EPS), diluted
Shareholders' proportion of profit for the year in relation to the average number of shares outstanding, adjusted for additional shares from the exercise of outstanding personnel options or similar programmes.

[1]The performance measure is an alternative performance measure according to ESMA's guidelines.
[2]Minority interest is included in equity when the performance measures are calculated.