ANNUAL REPORT
05/06

ADDTECH

CONTENT

This document is a translation of the Swedish Annual report 2005/2006. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

THIS IS ADDTECH

"A LEADING TECHNOLOGY TRADING COMPANY"

Addtech is a leading technology trading company that develops and sells components and systems to the industrial and service industries. Revenues amount to approximately SEK 3.4 billion. The Group's business is conducted in approximately 60 operating companies and the number of employees is approximately 1,200.

NORDIC REGION THE HOME MARKET

The emphasis for Addtech's business is the Nordic Region, but the rest of Northern Europe is increasing in importance. The markets outside the Nordic Region are in Poland, Austria, Germany and the United Kingdom. There are also exports to some 20 additional countries.

WELL DEFINED NICHES

Addtech strives to be the market leader in well defined niches, where the customers demand carefully selected components and systems, often in small and medium-sized volumes. Customers are primarily manufacturing companies in mechanical industry, in telecom and electronics industry, and among laboratories in health care and research in the Nordic Region.

GROWTH THROUGH ACQUSITION

Addtech has a sharp focus on growth, which occurs organically as well as through acquisitions. Over the past ten-year period more than 50 companies have been acquired.

A STRONG CORPORATE CULTURE

A strong corporate culture distinguished by technical competence and entrepreneurship creates opportunities to generate added value, profitability and growth.

VALUE-CREATION FROM FOUR PERSPECTIVES

Customers

Addtech offers its customers a technically innovative co-operation partner that based on the customer's unique situation and approach presents the components, systems or solutions that best satisfy the customer's needs.

Suppliers

Addtech offers suppliers profitable cultivation of a valuable customer base in Northern Europe. Addtech's deep customer relationships open the way for participation in the customer's product development, which is brought back to the suppliers in the form of requirements and specifications, and access to other valuable market information.

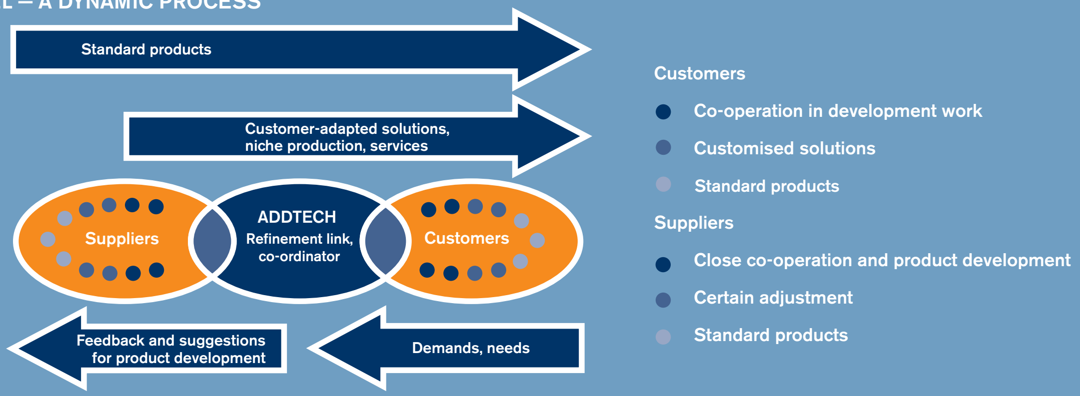
Employees

Addtech offers its employees and entrepreneurs a flexible organisation with good development potential in technology, entrepreneurship as well as international trade.

Shareholders

Addtech offers its shareholders a long-term investment with relatively low risk. Addtech's goal is to generate earnings growth of over 15 percent per year and a return on equity that will exceed 25 percent.

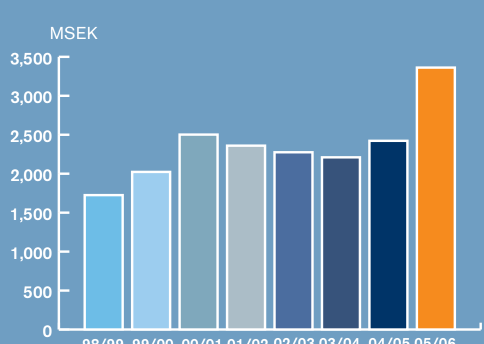
THE BUSINESS MODEL – A DYNAMIC PROCESS



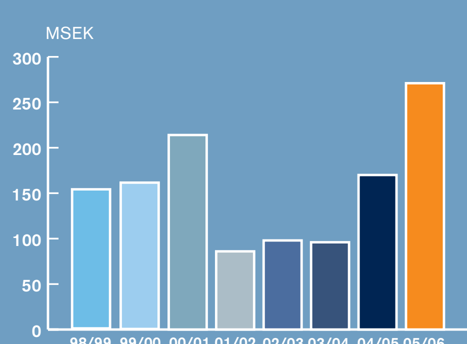
THE GROUP IS ORGANISED IN FOUR BUSINESS AREAS

Numerical data Financial Year 2005/2006	Revenues, MSEK	Operating income, MSEK	Operating margin	Number of employees
ADDTECH COMPONENTS Business area Addtech Components markets and sells components and sub-systems and develops solutions in connection technology, electronics and electro-mechanics to customers in the engineering, vehicle and electronics industries.	889	90	10.1%	189
ADDTECH TRANSMISSION Business area Addtech Transmission markets and sells components and sub-systems based on mechanics, electro-mechanics and hydraulics to customers in manufacturing industry.	1,054	108	10.2%	452
ADDTECH EQUIPMENT Business area Addtech Equipment markets and sells materials, components and equipment primarily to the vehicle and engineering industries as well as the telecom sector. The offering often includes logistics solutions, service and maintenance. .	748	45	6.0%	303
ADDTECH LIFE SCIENCE Business area Addtech Life Science markets and sells instruments and consumables to laboratories in health care and research, diagnostic equipment for the health care industry and process and analytical equipment for industry.	675	34	5.0%	239
GROUP TOTAL	**3,362**	**271**	**8.1%**	**1,198**

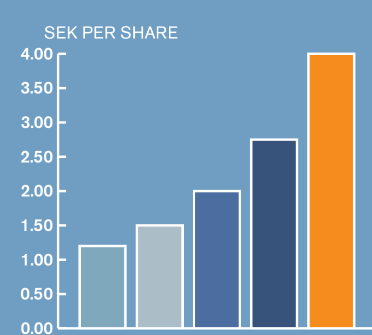
NET REVENUES



INCOME BEFORE TAXES



DIVIDEND



[1] As proposed by the Board of Directors.

THE YEAR IN BRIEF

"OPERATING INCOME INCREASED BY 101 MILLIONS"

- The market situation grew stronger during the year, which together with acquisitions made, led to Addtech's best operating year to date.
- All business areas achieved higher net revenues during the year and significantly higher operating earnings than during the preceding year.
- Net revenues increased by 39 percent to MSEK 3,362 (2,422). Adjusted for acquisitions the increase was 9 percent.
- Operating income increased by 59 percent to MSEK 271 (170).
- Earnings per share increased by 65 percent to SEK 8.00 (4.85).
- The return on equity was 41 percent (28) and the equity ratio was 33 percent (35).
- The Board of Directors proposes a cash dividend of SEK 4.00 per share (2.75).
- Four additional acquisitions were made during the year with aggregate annual revenues of MSEK 145.

KEY FINANCIAL INDICATORS

	2005/2006	2004/2005	2003/2004
Net revenues, MSEK	3,362	2,422	2,210
Operating income, MSEK	271	170	96
Net income for the year, MSEK	194	119	64
Operating margin, %	8.0	7.0	4.3
Earnings per share, SEK	8.00	4.85	2.50
Equity per share, SEK	19.90	18.80	16.70
Dividend per share, SEK	4.00[1]	2.75	2.00
Return on equity, %	41	28	15
Equity ratio, %	33	35	42
Average number of employees	1,198	958	996

1) As proposed by the Board of Directors.

CALENDAR

Interim Report 1 April – 30 June 2006
will be published 2 August 2006.

Annual General Meeting for the 2005/2006 Operating Year
will be held 22 August 2006.

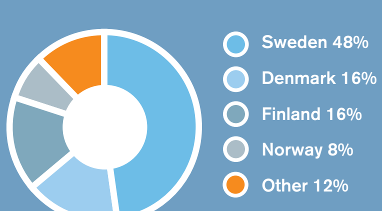
Interim Report 1 April – 30 September 2006
will be published 8 November 2006.

Interim Report 1 April – 31 December 2006
will be published 6 February 2007.

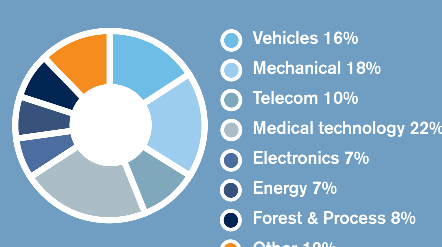
Financial Report for 1 April 2006 – 31 March 2007
will be published 8 May 2007.

All financial information is published on Addtech's Web Site, www.addtech.com, as soon as announced. The annual report is distributed to all shareholders.

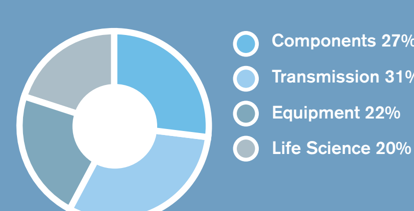
REVENUES BY GEOGRAPHIC MARKET



REVENUES BY CUSTOMER SEGMENT



REVENUES BY BUSINESS AREA



SHARE INFORMATION

"STRONG PERFORMANCE AND RAISED DIVIDEND"

MARKET PERFORMANCE OF THE SHARE AND TURNOVER

The Addtech share increased in value during the year by 56 percent (72). The OMX Stockholm index of Stockholmsbörsen (the Stockholm Stock Exchange) increased by 41 percent during the corresponding period (12). The highest paid price during the year was SEK 107.00. The lowest quotation was SEK 58.00. The last market price before financial year-end was SEK 106.00 on 31 March 2006.

During the period from 1 April 2005 to 31 March 2006 9.9 million (3.2) shares changed hands at an aggregate value of approximately MSEK 812 (165). Relative to the average number of shares outstanding, this is equivalent to a turnover rate of 41 percent (13). Broken down by trading day, a total of just over 39,000 Addtech shares per day (just short of 13,000) were traded at an average value of about SEK 3,171,000 (660,000).

SHARE CAPITAL

The share capital in Addtech amounts to SEK 50,665,664 and is divided into 1,103,814 class A shares and 24,229,018 class B shares. The quota value of each share is SEK 2. Each class A share entitles its holder to ten votes and each class B share entitles its holder to one vote. All shares entitle its holder to the same right to dividends. Only the class B share is listed on Stockholmsbörsen.

REPURCHASE OF OWN SHARES

At the Annual General Meeting held in August 2005, the Board of Directors was authorized to acquire – during the period until the regularly scheduled 2006 Annual General Meeting – up to 10 percent of all class B shares outstanding. During the financial year the Company made purchases of a total of 1,550,000 shares at an average price of SEK 91.20. The total number of shares held in treasury as of 31 March 2006 is 2,285,000 with an average price of SEK 73.20. Shares held in treasury are equivalent to 9.0 percent of the number of shares outstanding and 6.5 percent of the votes. 580,000 of the shares held in treasury secure the Company's undertaking towards holders of personnel options. The average number of shares held in treasury during the year was 1,260,205 (1,368,398). In connection with the acquisition of Insatech A/S in December 2005, 45,000 shares were used in partial payment for the acquisition.

INCENTIVE PROGRAM

In December 2001, 56 members of senior management were awarded a total of 700,000 personnel options. To make this possible, an extra general meeting of shareholders held 17 December 2001 resolved a transfer of up to 700,000 class B shares in the Company in connection with the possible redemption of these options. The redemption price has been set at SEK 44.80, which is equivalent to 110 percent of the average market price of the Addtech share during the period 3 December through 7 December 2001. Following a resolution by an extra general meeting of shareholders held in November 2004, the redemption period for the options has been extended to end 18 February 2010. 50,000 options were exercised during the year to acquire 50,000 shares. A total of 120,000 options have thus been exercised. If all outstanding personnel options are exercised in full, the number of shares outstanding increases by 580,000 shares, equivalent to 2.5 percent of the number of shares outstanding and 1.8 percent of the votes.

DIVIDEND POLICY

The ambition of the Board of Directors is a dividend proportion exceeding 50 percent of consolidated average income over an economic cycle.

PROPOSALS TO THE ANNUAL GENERAL MEETING 2006

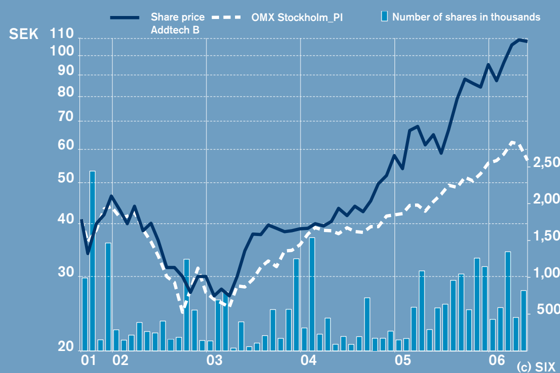
1) Dividend

The Board of Directors proposes a dividend of SEK 4.00 per share (2.75).

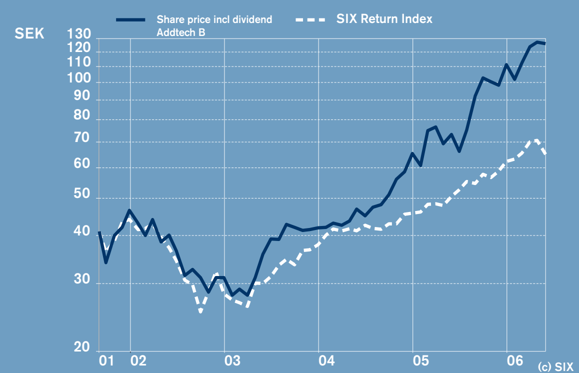
2) Extension of mandate to repurchase shares

The Board of Directors has decided to propose to the Annual General Meeting that the mandate to repurchase own shares be extended. The proposed mandate would give the Board of Directors the right to purchases of own shares limited so that the Company's holding at no time may exceed 10 percent of the total number of shares outstanding. Purchases shall be made over Stockholmsbörsen. The mandate is proposed to include the possibility to use shares held in treasury for acquisitions, or to sell repurchased shares in ways other than over the stock exchange to finance acquisitions.

SHARE PRICE ADDTECH B



TOTAL RETURN, INCLUDING REINVESTED DIVIDENDS



3) Reduction of the share capital through cancellation and bonus issue

The Board of Directors proposes that the Annual Meeting resolves to reduce the share capital by SEK 3,400,000 trough cancellation without repayment of 1, 700,000 shares held by Addtech in treasury.

Following permission by the Swedish Companies Registration Office, the reduction can be effected without a requirement for court approval if Addtech takes measures to prevent the share capital from diminishing as a result of the resolution. The Annual Meeting is therefore requested to resolve an increase of the share capital in the form of a bonus issue by SEK 3,544,924.80 by way of a transfer of this amount from unrestricted equity without issuing shares.

ANALYSTS WHO FOLLOW ADDTECH

David Andreasson, Kaupthing
Henrik Alveskog, Redeye Research
Marcus Almerud, Handelsbanken Capital markets
Robert Ahldin, Remium Securities
Stefan Mattsson, SEB Enskilda

HOLDINGS BY CATEGORY

	Number of shareholders	Proportion, of capital, %
Swedish owners	3,578	87
Foreign owners	139	13
Total	**3,717**	**100**
Legal entities	388	70
Individuals	3,329	30
Total	**3,717**	**100**

SIZE CLASSES

Number of shares	% of share capital	Number of owners	Percentage of owners
1-500	2	2,421	65
501-1,000	2	594	16
1,001-5,000	5	507	14
5,001-10,000	2	78	2
10,001-20,000	2	30	1
20,001-	87	87	2
Total	**100**	**3,717**	**100**

ADDTECH'S LARGEST SHAREHOLDERS 31 MARCH 2006

Shareholder	Number of class A shares	Number of class B shares	Percentage of capital, %	Percentage of votes, %
Anders Börjesson (family)	385,328	40,000	1.8%	11.8%
Tom Hedelius (family)	370,328	5,400	1.6%	11.2%
Robur		3,192,465	13.9%	9.7%
Pär Stenberg	219,152	879,422	4.8%	9.3%
Fourth AP Fund		1,986,775	8.6%	6.0%
Brita Säve	30,000	973,982	4.4%	3.9%
Livförsäkringsbolaget Skandia		1,188,400	5.2%	3.6%
Odin Fonder		1,180,100	5.1%	3.6%
Lannebo Fonder		914,384	4.0%	2.8%
SEB Fonder		887,300	3.8%	2.7%
AMF Pensionförsäkrings AB		800,000	3.5%	2.4%
JP Morgan Chase Bank		746,298	3.2%	2.3%
Handelsbanken		630,000	2.7%	1.9%
Östersjöstiftelsen		440,000	1.9%	1.3%
Didner & Gerge Fonder		382,200	1.7%	1.2%
Total 15 largest shareholders[1)]	**1,004,808**	**14,246,726**	**66.2%**	**73.7%**

TABLE OF KEY FINANCIAL INDICATORS

	2005/2006	2004/2005	2003/2004
Earnings per share, SEK	8.00	4.85	2.50
Price earnings ratio	13	14	16
Dividend per share, SEK	4.00[2]	2.75	2.00
Dividend proportion, %	50	57	80
Dividend yield, %	3.8	4.0	5.1
Most recent market price, SEK	106.00	68.00	39.50
Price/equity ratio	5.3	3.6	2.4
Market capitalisation, MSEK	2,443	1,666	969
Average number of shares outstanding	24,072,627	24,485,674	25,533,515
Number of shares outstanding at year-end	23,047,832[3]	24,502,832	24,532,832
Number of shareholders at year-end	3,717	3,698	3,704

EVOLUTION OF SHARE CAPITAL

	Class A					Class B				
Event	Change number	Number of shares	Proportion of share capital, %	Number of votes	Proportion of votes, %	Change number	Number of shares	Proportion of share capital, %	Number of votes	Proportion of votes %
At time of listing		1,840,286	7	18,402,860	41		26,023,946	93	26,023,946	59
2001/2002										
Conversion of class A shares to class B shares	-726,808	1,113,478	4	11,134,780	29	726,808	26,750,754	96	26,750,754	71
2002/2003										
Conversion of class A shares to class B shares	-6,976	1,106,502	4	11,065,020	29	6,976	26,757,730	96	26,757,730	71
2003/2004										
Cancellation of class B shares		1,106,502	4	11,065,020	30	-1,350,000	24,407,730	96	25,407,730	70
2004/2005										
Cancellation of class B shares		1,106,502	4	11,065,020	31	-1,181,400	24,226,330	96	24,226,330	69
Conversion of class A shares to class B shares	-2,688	1,103,814	4	11,038,140	31	2,688	24,229,018	96	24,229,018	69
Total number of shares outstanding	25,332,832[3]									
Total number of votes	35,267,158									

1) Percentage proportion of capital and votes is calculated not including shares held in treasury by Addtech AB.
2) As proposed by the Board of Directors.
3) The difference between total number of shares and total number of shares outstanding is the shares repurchased by Addtech (2,285,000 class B shares as of 31 March 2006).

PRESIDENT'S STATEMENT

"THE GROUP'S BEST YEAR SO FAR!"

2005/2006 was a very good year for Addtech. We generated the best operating result ever and exceeded our financial goals. The operating margin increased to just over 8 percent and the return on equity was as high as 41 percent.

POSITIVE DEVELOPMENT THROUGHOUT

An improved market situation in the private as well as the public sector meant that we increased sales in virtually all of our operating areas. Sales of products as well as consumables and replacement components and wear parts increased strongly, at the same time as we have recorded increased demand for products with a higher technology content. In all, the positive development contributed to sharply higher consolidated earnings.

In addition to a strong underlying economy, our ongoing efforts to fine-tune operations have contributed to the year's strong earnings performance. Also our most recent acquisitions, our focus on profitability and our willingness to change have been very important for the development.

All four business areas showed a positive development during the year. Profitability levels vary between the different units due to different market conditions. Over the long term this gives Addtech a good balance, where reciprocal action between different segments make possible stable and positive growth for the Group as a whole. Also the breadth and distribution of the customer base, where no customer accounts for more than 3 percent of net revenues, provides Addtech with good stability over the long term.

OFFER WITH ADDED VALUE

Customers demand ever more from their suppliers and co-operation partners. Addtech's ability to determine "the real" needs enables us to deliver a little more. We manage to accomplish this thanks to the engagement and competence of our employees, who also live and work in an environment with high awareness of the need to always "add value."

Crucial to our success is the ability to attract the very best employees. To succeed in that pursuit, we must offer a workplace that is both stimulating and developing. We have an organisation that offers engaged employees opportunity for personal development. We also create conditions for persons with entrepreneurial spirit to develop their ideas within the framework of the Addtech organisation.

Several technology companies have been added to the roster on Stockholmsbörsen in recent years. The companies differ in terms of customer orientation, sales channels and technology content, but the competition is still a source of stimulation. It drives us to perform even better – the goal is of course to be at the top of the class in terms of key financial ratios and results.

Even though manufacturing industry is declining in the markets where we are active, there is always room for niche players. It is primarily the volume-oriented production that is affected by relocation to low-cost countries. Higher technology and more specialised production requires that resources are co-ordinated. In that game we function as a good and often necessary interface between those customers that seek special products and suppliers that are unable to invest in sales and technology resources in smaller markets and in sharply niched technology segments. The costs for such initiatives would be far too high. The technology trade companies combine products from several suppliers and can thus be cost-efficient and offer suppliers profitable cultivation of these market segments.

ACQUISITIONS IMPORTANT FOR GROWTH

Over the past ten years we have taken in some 50 companies by acquisitions. In most cases these have been small and medium-sized companies, which within Addtech have found fertile ground to thrive. During the past year we added volume of well over MSEK 700 through acquisitions.

The largest increment by far comes from what is now Addtech Life Science. Aside from a good contribution to earnings during 2005/2006, Addtech Life Science gives us a new platform for future growth, since we with this acquisition have increased the Medical Technology segment from 8 to 22 percent of consolidated net revenues.

Our rather lengthy acquisition processes, where the relationship with the sellers are built over an extended period and where we get to know the business, means that risks are limited. A hasty acquisition increases the risk for mistakes.

Taking on and engaging ourselves in newly acquired companies is a very significant element of the management work performed within the Group. This work is always based on the prerequisites, culture and personnel of the acquired company.

Our attitude is that we acquire good companies that do not require basic action, but which can be developed even further with support and influences from Addtech. In practice, this is done in the form of board of directors discussions, exchanges with other companies in the group and through different forms of management interaction.

Our acquisitions are also overwhelmingly aimed at companies with the ability to stand on their own legs. We are therefore rarely counting on synergy effects or cost optimisation. Acquisitions are instead mainly driven by growth and profitability focus.

The price is important, but just as often the seller looks to the totality and issues in the realm of the company's long-term development and the future of the personnel. When hard as well as soft parameters are in agreement, the development for all sides is usually favourable, for the company as well as its owners and its personnel. We are in favour of the seller remaining in the Group, contributing to the development of the Group as a whole.

SMALL-SCALE APPROACH AND ENGAGEMENT

At first glance it may be tempting to co-ordinate and streamline our decentralised operations. Our corporate culture is based on a small-scale approach, where each unit, manager as well as employee, has a very strong engagement in the business. This driving force is exceedingly important to foster. At the same time we can make good use of the large company's advantages in the form of knowledge network, more efficient financial control and larger resources, as well as the ability to assume responsibility for long-term business relationships and undertakings. This also means that the subsidiaries can utilise advanced technical and personnel resources that the small privately owned company normally would not have access to.

PROSPECTS FOR THE FUTURE

The future always offers opportunities as well as threats. We counter the threats by always being alert. We have built an organisation that is easily adaptable to seize on the opportunities that present themselves when business conditions change.

Opportunities exist in most markets – for those who create them. We must always fine-tune and develop operations so that new business is developed. During 2005/2006 we have strengthened our positions in several market segments and much of this work and the transactions done during the year will have effects in the longer term. This is true of selling instruments that generate sales of consumable supplies for several years. It is also true in the case of products where special systems and components are integrated into the customers' products, which can generate good sales for many years. Our long-term approach means that we during the year not only have done deals that generate short-term revenues, but also that we have expended large resources on future projects with great potential.

THANK YOU!

It is with happiness and pride that I sum up the record 2005/2006 year as our best year ever, thanks to an enormously engaged and skilled corps of employees.

Roger Bergqvist
PRESIDENT

GROUP PRESENTATION

"ADDTECH CREATES PROFITABLE GROWTH"

Addtech's successes are based on value-creating technology trade, where Addtech creates an attractive and full-coverage offer through concentration in well defined niches, partnership with customers as well as suppliers and through engaged and competent employees .

BUSINESS CONCEPT

Addtech offers high-tech, customer-specific components and systems to industrial companies and the service industry. The Group's companies function as a refining link between manufacturer and customer. Addtech adds value by its close co-operation with manufacturers as well as customers and high technical competence among Addtech's employees.

FINANCIAL GOALS

Addtech's over-arching goal is to create growth in combination with profitability. The Group has the following financial goals:

- Over an business cycle, Addtech shall achieve earnings growth of at least 15 percent per year.
- The long-term return on equity shall be at least 25 percent.

The foremost financial and internal control instrument is the relationship between operating income and working capital, P/WC. For each business unit profitability measured as P/WC shall amount to at least 45 percent.

OPERATING GOALS

Addtech shall position its subsidiaries as market leaders in well defined niches. Customers shall perceive the Group as the most competent and solution-oriented co-operation partner. Addtech shall also be a very attractive employer, where motivated employees exceed customers' and suppliers' expectations.

STRATEGIES

Growth through acquisitions and development

Addtech grows by continually expanding operations in niches where the Group has opportunities of becoming the market leader. Addtech acquires businesses where the business model contributes to refinement and further development. Growth also takes place through development of Addtech's own businesses.

Offers added value to customers as well as suppliers

Addtech offers customers as well as suppliers an attractive trading partner for standardised and specially designed components, subsystems and equipment, and materials and service solutions. The offering of products and services must have high technical content.

The offer to customers is based on deep understanding of the customer's business, technical creativity and competence that is combined with entrepreneurship. Addtech proactively identifies development needs and suggests solutions that are based on standard components and adaptations.

Builds close customer relationships through personal sales

Addtech's close and long-term customer relationships must be maintained and new customer relationships must be deepened. Customer benefit is achieved through personal sales, where Addtech together with the customer develops solutions that improve the customer's production process, products and offers.

Co-operates with leading suppliers

Addtech has well established co-operation with a large number of leading suppliers, the strong brand names of whom are an important success factor for the Group's subsidiaries. Addtech works actively with existing suppliers, at the same time as new suppliers are constantly added.

Organisation in support of growth

In an effort to foster growth, Addtech has a flexible organisational structure into which new companies can be rapidly integrated. The subsidiaries work independently and the original corporate name is normally kept, in part to retain strong engagement on the part of the employees.

Entrepreneurship and high technical competence rewarded

The Group maintains an open and strong corporate culture marked by entrepreneurship, interest in technology and personal responsibility. The corporate culture is developed through internal networks and the associates will continually be trained in profitability thinking and problem-solving ability, where aptitude for business development and sales shall be rewarded.

Production if it benefits the trade flow

The basis for Addtechs business is trading and this is the motor of the operations. Niche production is conducted when it involves a stronger offer and increased trading.

Tube's standard is customised solutions

Peter Johansson and Per Hultman at subsidiary Tube Control discuss a detail in one of the company's many tailor-made products.

Tube's business is a concrete example of the core of Addtech's business model and strategies. Tube designs and manufactures advanced hydraulic system solutions for OEM customers. Tube competes by offering quality and performance, and by providing high quality service.

The hydraulic systems are adapted to each customer's needs and desires and close co-operation with the customers means that sale of problem-solving and design are intertwined in one and the same process. Tube also assumes responsibility for project management, manufacturing, aftermarket and service.

Tube's long-standing and deep co-operation with suppliers is a success factor. A number of selected manufacturers deliver components and sub-systems, which are then packaged in a for the customer optimal system. When existing components are not sufficient, Tube will develop the component that is needed.

GROUP PRESENTATION

"ADDTECH – A REFINING LINK THAT BOLSTERS CUSTOMER'S AS WELL AS SUPPLIER'S SALES"

The Addtech name in many ways summarises the Group's business model. Addtech shall be the "Value Adding Tech provider" – a value-creating supplier of technical components and systems – a link that adds value to customer as well as supplier.

100-YEAR DEVELOPMENT

Addtech's present business model has 100-year roots in general agencies built up during the 1900s, but which lost their monopoly-like position at the end of the 1980s, when free trade within EU tore down the barriers allowing competing parallel imports. Increased price competition from global component suppliers forced structural changes. Some trading companies began to differentiate by adapting solutions that added value to the original standard components. Some of these were then assembled in what today constitutes the Addtech Group.

THE BUSINESS MODEL – A DYNAMIC PROCESS

The business model is based on the fact that Addtech over a period of many years has built a well established network of suppliers and customers, and that there is a basic trading flow with standard technical components. Standard components constitute an important part of the business, but through technical creativity and competence, and good understanding of the needs of customers and the products of the suppliers, Addtech can increase sales by suggesting and delivering new attractive applications, adaptations and solutions.

Opportunities for sales growth and profitability thus lies in Addtech's ability of continuously creating value in the link between customer and supplier. Addtech's refinement role lies close to technical consultancy, with the difference that Addtech gets paid through subsequent sales. The added value created strengthens demand and provides room for a better operating margin.

Acquisitions are Addtech's primary motor for growth, but growth is also created through additional sales to existing customers and by attracting new suppliers and customers to the network. Addtech is also constantly looking for new complementary niches.

Customisation and niche production

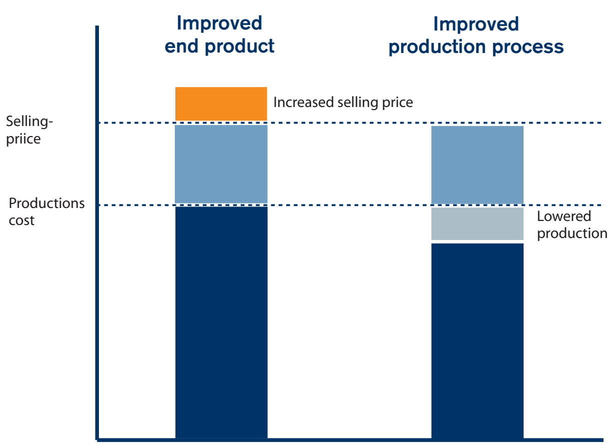
Many of the applications and solutions that Addtech identifies require adjustments in the form of assembling several standard components to form sub-systems, that components are adapted by the supplier, or complemented with some detail or service solution. Production of such customer-adapted solutions is often outsourced with external suppliers. When Addtech sees good opportunities for trading in products produced in-house, Addtech engages in its own niche production.

Innovative co-operation partner

Addtech is a technically innovative co-operation partner that strives for close relationships with customers and taking an active role in the customer's development work.

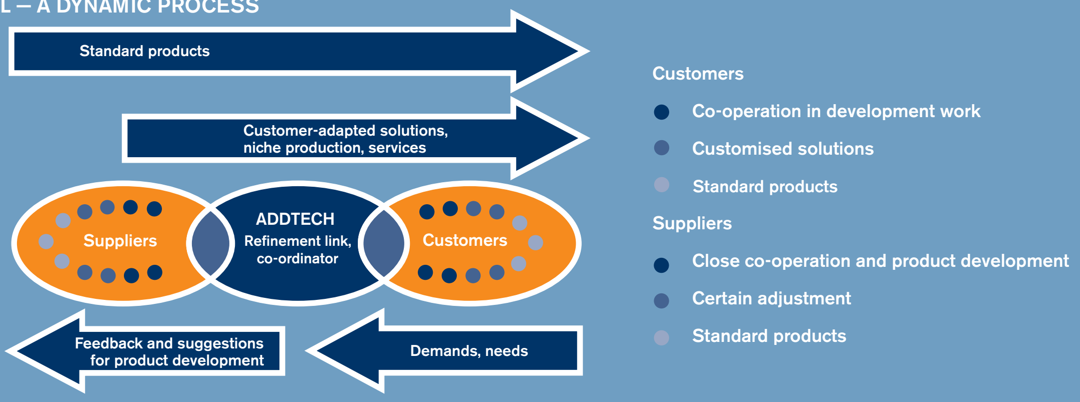
Addtech's sales work is therefore aimed at understanding the customer's situation and need for improvements – knowledge that can be converted to value-creating solutions and which improves the customer's end product or production process.

HOW ADDTECH ADDS VALUE



Addtech adds value in different ways. By helping the customer to develop better end products, the customer's selling margin can increase. In other cases Addtech offers business benefit by improving the production process, which lowers the customer's production cost.

THE BUSINESS MODEL – A DYNAMIC PROCESS



Benefit for customers as well as suppliers

Not only customers derive benefits from Addtech's business model. Suppliers also gain greatly by co-operating with the Group. Addtech cultivates a large number of customers on an attractive Nordic market and Addtech's deeply rooted customer relationships open for insight and dialogue around customers' early product development. Participation at an early product development stage allow the supplier to adapt their solution at the same time as it adds major value for the customer. Suppliers can also count on Addtech to pass on customer requirements and specifications and other valuable market information.

ORGANISATION

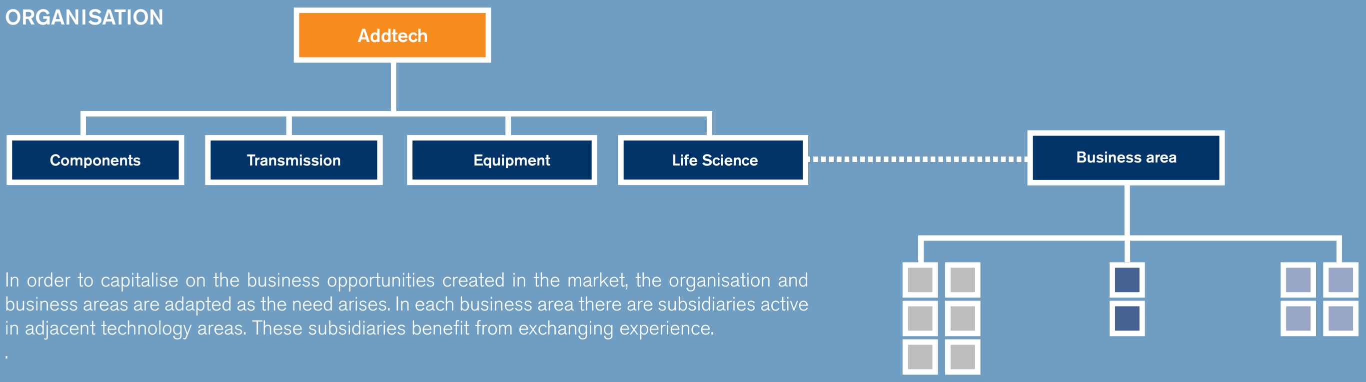
The Addtech Group consists of approximately sixty operating companies in a decentralised structure where subsidiaries operate with a great deal of autonomy. The basic philosophy is that each subsidiary's core business and unique competence should evolve as close to the market and the customer as possible.

Belonging to a strong and committed organisation provides support in various matters, such as strategy issues and business development. Addtech's companies are organised in business areas linked to different overall technology or market areas. Within each business area subsidiaries interact in smaller groupings to exchange experience and to capitalise on synergies. Examples of such groupings exist around battery solutions, laboratory technology and electro-mechanical components.

Flexibility for growth

An important element of Addtech's growth strategy is that the Group's organisational model is flexible and dynamic. The Group is always prepared to take on new companies that can be rapidly integrated into the organisation, thereby contributing to growth. In order to capitalise on the business opportunities created in the market, the organisation and the business areas are adapted as the need arises.

ORGANISATION



In order to capitalise on the business opportunities created in the market, the organisation and business areas are adapted as the need arises. In each business area there are subsidiaries active in adjacent technology areas. These subsidiaries benefit from exchanging experience.

MARKET

"THE NEED FOR NICHE PLAYERS IS RISING IN A RAPIDLY CHANGING MARKET"

The market developed positively during the 2005/2006 operating year. An improved general economy helped increase industrial capital spending in upgrading and maintenance of production facilities. Strong growth was particularly noticeable in the demand for technically advanced products and solutions. Greater capacity utilisation in industry also contributed to improved sales of replacement components and wear parts. The public sector also increased their spending on consumables and investment in equipment and accessories.

TRADING IN TECHNICAL COMPONENTS

Addtech is active in the technology trading market where players buy and sell technical components, sub-systems and solutions. The long-term growth and profitability of the technology trade market depends on the size and diversity of industrial and service economy. In a shorter perspective demand is closely linked to the state of the general economy and the economic situation in the markets where the Group is active.

ADDTECH – A TECHNOLOGY TRADING COMPANY

There are many different types of players in the technology trading market and different ways of adding value. There are, for example, manufacturers with their own direct sales, wholesalers, distributors and technology trading companies, such as Addtech.

Addtech focuses on well defined technology areas with a high technology content. Thanks to deep competence in well defined niches, the Group is an important supplier to industrial companies and technology-intensive service companies.

Addtech strives to add value to the products the Group's companies trade in. These companies thus constitute an important complement to the competence the customers possess. The Addtech companies bring together customers with suitable suppliers and actively participate in problem-solving and product development and sometimes also niche production. Through Addtech, customers gain access to specialist competence and world-leading manufacturers, who do not have their own representation in smaller markets, such as the Nordic market.

THE OEM SEGMENT AND END USERS

Technology trading company sales of products and services are to OEM customers (Original Equipment Manufacturer) and end users.

Sales to the OEM segment comprises components and solutions included in the products and services which industrial customers in turn produce and sell in the market, which is often global. The OEM segment is therefore export-dependent to a large extent. Typical examples of OEM products are components for fork lift trucks or packaging machines. In the OEM segment good customer and application understanding is important for successful sales. Extensive development work often precedes the final offer. Deliveries then follow during the time period when the component is a part of the equipment or products sold to end customers. Deliveries often stretch over several years.

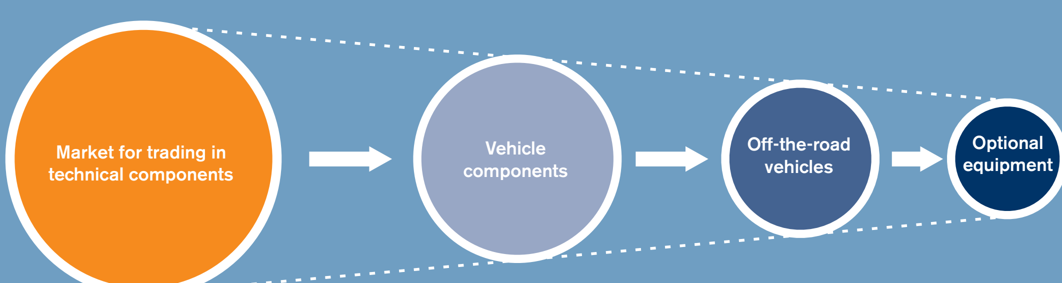
Industrial and service companies themselves are end customers in the end user segment. Here Addtech contributes with solutions that support and improve the customer's production processes. Both the equipment, accompanying consumable supplies and longer service contracts are important to end user sales. In recent years an increasing portion of materials and consumables has led to reduced dependency on the current capital spending climate for each respective industry. Examples of products for end users are analysis apparatuses and consumable supplies for the research and analysis departments at hospitals and laboratories, and battery solutions for trucks used at warehouse facilities.

THE SUPPLIERS' MARKET CHANNEL

The network of suppliers is central to Addtech. Close relationships with large suppliers are an important success factor as access to competence and products in the network increases the ability to offer the most innovative and competitive solutions. A portfolio of well-known and recognised suppliers with strong brand names is also a competitive advantage in the sales process.

The technology trade company is the market channel for suppliers and they offer access to local market knowledge to suppliers, well established customer relationships and technical competence.

THE TECHNOLOGY TRADING MARKET CONTAINS MANY SMALL NICHES



The Addtech companies are active in well defined niches in the technology trading market. The illustration shows an example of one of those niches.

CHANGING MARKET

Internationalisation of world trade is progressing at a rapid rate and leads to changes in market structure and demand. New competitors are constantly added and customers have greater opportunities to choose suppliers and the countries in which purchases are to be made. In order to handle the transformation and to capitalise on the new opportunities offered, there are demands for mobility and flexibility on the part of market players.

In order to lower their production costs, certain companies choose to move the entire or parts of the production to low-cost countries. Left in the Nordic Region is high-tech production, niche production, some assembly, service and development work.

Customers increasingly turn to external co-operation partners for development of specialised solutions and products. Factors such as competence, design and service ability affects the choice of co-operation partner and supplier rather than price.

The competition between customers is tough, which drives product development. To maintain a competitive edge the market players must handle ever shorter product life cycles. Short time-to-market is a clear competitive advantage and the forced tempo places great demands on good collaboration throughout the supply chain.

The technology trading market is distinguished by severe global competition and mounting pricing pressures. In order to maintain a reasonable operating margin technology trading companies such as Addtech must therefore constantly renew their offerings of products and services in order to offer the customer added value.

COMPETITORS

The competitive situation in the technology trading market is distinguished by the fact that competion differs depending on type of product and size in the market. The competitive situation varies among different niches and from Addtech's perspective there is no single company that can be regarded as a main competitor in the market. There is, however, a number of technology trading companies listed on the Stockholm Stock Exchange that from an investor and employee perspective are similar, and hence also compete in the stock market as well as the labour market. Trading groups that conduct operations similar to Addtech's are Indutrade, OEM International, Beijer Electronics and ElektronikGruppen. There are also smaller and medium-sized agency companies in the market, such as for example Östergrens, SKS and Gycom, which compete with Addtech's subsidiaries.

THE NORDIC REGION IS ADDTECH'S MAIN MARKET

The emphasis of Addtech's operations lies in the Nordic Region, but in recent years markets outside of the Nordic countries have increased in importance. The markets outside the Nordic Region are in Poland, Austria, Germany and the United Kingdom. Addtech also exports to some twenty additional countries.

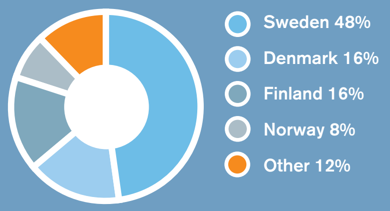
MANY INDUSTRIES, CUSTOMERS AND PRODUCTS

Most of Addtech's customers are active in manufacturing industry, medical research and health care. The Group's customers represent a large number of industries and the dependency on individual industrial segments is small, which reduces the operating risk as a whole. Individual subsidiaries are more exposed to certain industries and their development, however.

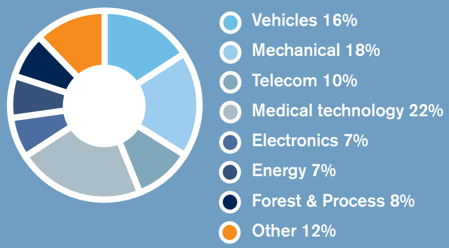
No single customer accounts for more than 3 percent of sales, despite the fact that with several customers there are many separate projects running in parallell. The 10 major customers together account for 12 percent of sales.

Addtech deals in a very large number of products in combination with its own niche production, which entails limited exposure to individual product segments. For product examples, reference is made to each respective business area.

REVENUES BY GEOGRAPHIC MARKET



REVENUES BY CUSTOMER SEGMENT



MARKET

"ADDTECH IS WELL POSITIONED"

GLOBAL SUPPLIERS AND STRONG BRAND NAMES

With its market knowledge and its many and extensive customer relationships Addtech is a profitable alternative for those suppliers who cultivate the north European market.

Addtech's subsidiaries co-operate with a large number of carefully selected suppliers. More than 80 percent of the Group's purchases are made from non-Nordic suppliers in Europe, the United States and Asia. At the Group level no supplier accounts for more than 5 percent of the Group's purchases and the Group is not dependent on any one single supplier.

Leading suppliers are important for development of know-how at Addtech, product development and long-term sales work. Many of the Group's suppliers have internationally strong brand names.

Addtech works actively in developing the network of suppliers. A natural change takes place when new suppliers are added, or in the case of mergers and structural changes.

ADDTECH IS WELL POSITIONED

Addtech's market is dynamic and is constantly changing. Players with good market knowledge and who are able to adapt their offers rapidly to conform with customer needs have good opportunities of creating profitability and growth. The Group is well positioned to meet future challenges and to take advantage of opportunities that present themselves in the marketplace. Some of Addtech's most important strengths are described below.

Attractive co-operation partner

Addtech's well established and deeply rooted customer relationships in the Nordic markets, combined with well functioning contacts with leading suppliers all over the world, make Addtech into a strong player. Addtech's subsidiaries' strong commitment to customers and suppliers creates long-term business flows.

An important strength for Addtech lies in the deep competence of its subsidiaries in well defined technology areas. Through profound understanding of customer problems in a certain area, the subsidiaries together with the network of suppliers can develop solutions that take different aspects, such as technology, environment, economy, logistics and service into account.

Long experience of international trade

When trade is internationalised and the market structure changes, Addtech's experience in creating and co-ordinating international trade under different types of market conditions is an important asset. Changed conditions constantly offer new opportunities that can be transformed into profitable business.

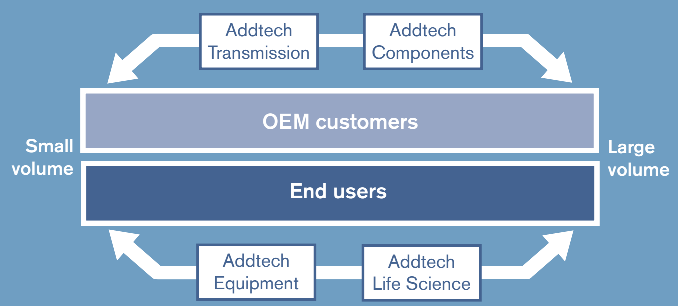
Addtech's willingness to change, and its relative independence of individual suppliers and customers, is a strength when old structures are replaced by new trade patterns.

Rapid time-to-market

Through the subsidiaries' network with suppliers all over the world Addtech also offer attractive opportunities for design, development and delivery of specific components to customers in a cost-efficient way and with short lead-time.

Flexibility and entrepreneurship

Addtech's flexible business model, where companies active in new niches rapidly can be incorporated in the organisation provides conditions for good growth in a global economy. This is reinforced by a strong corporate culture marked by entrepreneurship where motivated associates constantly strive to develop operations further.



Addtech's business areas are aimed at different customer groups and user areas. Addtech Transmission and Addtech Components mainly sell to OEM customers. Addtech Equipment and Addtech Life Science are primarily geared to end users . Volumes delivered vary depending on the type of customer project.

FB Kedjor is out on a typical assembly job at a paper manufacturer. In close co-operation with the customer new chains are installed on the intake table for raw material. The assignment includes everything from planning and removal of worn-out equipment to commissioning of the facility. Preparations begin well in advance of the customer's planned production stoppage. FB Kedjor often inspect the facility at an early stage to prevent unplanned and costly shutdowns. The installation typically involves replacement and upgrading of chain, chain sprocket and wear rails.

FB Kedjor always strives to offer customer-adapted products and to maintain a high degree of service to achieve the best possible economy for the customer.

ADDTECH IN PRACTICE

"WANDFLUH CHOSE ARATRON – INCREASED SALES"

Wandfluh, a world-leading Swiss supplier of hydraulic components and systems for the shipyard and offshore industries, has sold its products and services on the Norwegian market since 1973.

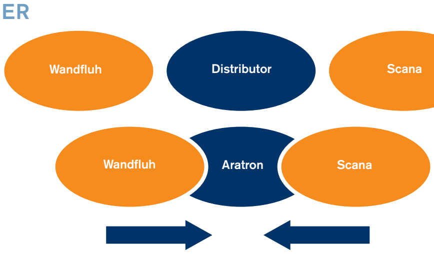
SWITCH TO ARATRON

Four years ago co-operating began between Wandfluh and Aratron AS in the Norwegian market. "We were looking for a more active and innovative co-operation partner that could add value to our components by creating tailor-made solutions where our components are included," says Daniel Bieri, who from Wandfluh's head office in Switzerland is responsible for the Nordic market.

SHARPER FOCUS GIVES BETTER SALES

The choice fell on Aratron, a smaller player, but with clear market orientation towards the product niche in which Wandfluh operates. Wandfluh is today Aratron's main supplier of hydraulic components and Daniel Bieri is very satisfied with how the co-operation has developed and says: "Aratron prioritises the co-operation with us, which leads to better market cultivation. We have taken more new deals on the Norwegian market, much thanks to Aratron's great creativity and understanding of how our products can be applied and adapted to customer needs."

ARATRON BRINGS SUPPLIERS AND CUSTOMERS CLOSER TOGETHER



OFFERED AN ENTIRELY NEW WAY OF CO-OPERATING

Aratron's contribution to Wandfluh's sales is exemplified by how the co-operation with Scana Skarpenord, an important joint customer of Wandfluh, and Aratron developed since Aratron took over the agency. Scana Skarpenord is a long-time customer of Wandfluh, but the co-operation was profoundly changed when Aratron took over the agency for Wandfluh. "They offered us an entirely new way of working," insists Ragnar Øhrn, President of Scana Skarpenord. "Aratron develops products that we can sell, and we see them much more as a co-operation partner than as a contractor. Much of the product development we do in the area we do together with both Aratron and Wandfluh. Our co-operation is successful and the scope of our joint assignments is growing constantly", says Ragnar Øhrn. "Aratron is an active and swift supplier that gives us quick response to allow us to meet the needs of our customers in a good way."

For the specially built freighter Blue Marlin, Scana Skarpenord has delivered a remote system for the complex control of the ballast tanks while loading and at sea. Critical components in the system are valves that Aratron and Wandfluh have developed and delivered. "It feels very positive that we can contribute to the development of our customers' as well as our suppliers' business and market position," says Peter Vrtis (centre), responsible for customers and production area hydraulics at Aratron AS. Seen here together with Ragnar Øhrn, Scana Skarpenord, (left) and Daniel Bieri, Wandfluh (right).

WANDFLUH AG

Wandfluh is a Swiss quality producer of hydraulic components and systems with a strong international brand name. The company's products are sold through a network of distributors throughout the world.

Aratron is since 2003 Wandfluh's co-operation partner for the Norwegian market.

SCANA SKARPENORD AS

Scana Skarpenord is a Norwegian company specialised in development, design and production of remote hydraulic control systems for valves that are used to control the loading and unloading of liquid cargo, or for controlling vessel ballast while at sea. Oil rigs also require similar equipment.

Customers are in the offshore and shipyard industries in the whole world.

ARATRON AS

Aratron is a Norwegian subsidiary of Addtech that offers specialised solutions in fields including hydraulics and electro-mechanics.

By combining customer-adapted systems, own production, services and standard products, Aratron AS can offer its customers tailor-made solutions.

Customers are in the offshore, sub-sea and shipyard industries, and also in the OEM segment in manufacturing industry.

ADDTECH IN PRACTICE

"TRIOLAB HELPS PRIMARY CARE TO MAKE LIFE EASIER FOR PATIENTS!"

The County Council in Östergötland gives priority to primary care in close proximity to the patient. As an element thereof, simpler laboratory medicine with testing and analysis is performed at the county's 37 care centres.

SIGNIFICANT EFFICIENCY INCREASE

Primary care in close proximity to the patient is aimed at making things easier for patients as well as physicians. The goal is that it should be sufficient with one visit to take tests, perform analysis and provide test responses. The waiting time for analysis response is about 30 minutes. That is a significant improvement of efficiency for patients as well as care providers.

COMPETITIVE COMPLETE SOLUTION

"The trend in primary care is towards care in close proximity to the patient where focus is on the patient's needs," says Eva Fremner, responsible for laboratory operations in primary care at the County Council of Östergötland. "This is the modern way of working. To accomplish this our biomedical analysts are on location out at the care centres. They must also have access to good reagents and consumable supplies in order to perform their work," continues Eva Fremner. "At the same time we must always be able to work with equipment that meets our high demands for quality and response time. Triolab offers a competitive complete solution, which in addition to equipment, includes service and logistics solutions."

SUPPLIER THAT MET THE DEMANDS

Through its frequent contacts with the laboratory operations at the County Council of Östergötland, Triolab was early in recognising the need for finding a supplier of laboratory equipment that would function smoothly out at the care centres. Aided by good market knowledge, Triolab together with the customer has chosen a Dutch supplier, Vital, that fulfilled the requirements.

KNOWLEDGABLE PERSONNEL A SUPPORT

"We are also very satisfied with Triolab's competence in terms of technology and methods," says Eva Fremner. "Our biomedical analysts get training and methodology support in order to be able to utilise the equipment in the best possible way. To give our patients the best possible service, good co-ordination between our organisation and or suppliers is a must. Triolab has the breadth and the competence for this," says Eva Fremner.

The picture shows a chemical instrument from the Dutch supplier Vital, which is a part of the solution for equipment and service that Triolab provides to the care centres in Östergötland. Eva Fremner, responsible for laboratory operations in primary care at the County Council of Östergötland, is very satisfied with the way in which the co-operation with Triolab helps the County Council to provide care in close proximity to the patient in the county.

TRIOLAB AB

Triolab, a Swedish subsidiary of Addtech Life Science, is one of the Nordic Region's leading diagnostic companies. Triolab works with customised solutions that include tests, instruments and service in fields including blood gas, coagulation, haematology, clinical chemistry and blood group serology.

Triolab is a leading co-operation partner in diagnostics that supplies products and services with high quality to Swedish health care.

PRIMARY CARE AT COUNTY COUNCIL OF ÖSTERGÖTLAND

Primary care at the County Council of Östergötland offers general care that a large portion of the county's patients are in need of. The care centres, part of the care in close proximity to patients, handle the patients that don't need the technical and medical resources of a hospital for treatment, rehabilitation, care and preventive work. Patients with chronic diseases, such as diabetics, visit the care centres for regular check-ups.

EMPLOYEES

"WE WANT OUR ASSSOCIATES TO FEEL UNIQUE TO ADDTECH"

Addtech is convinced that individual freedom and responsibility to take own initiatives play a crucial role for the Group's long-term success. The knowledge and commitment of associates create business that is important to Addtech's profitability and growth. Confidence in the ability and willingness of associates to succeed is basic to creating a fertile breeding ground for entrepreneurship.

WINNING CORPORATE CULTURE

Addtech's established corporate culture and common ground of values give the associates good guidance for their work. The corporate culture is based on entrepreneurship and technical competence, together with individual freedom and a willingness to take personal responsibility. When customers and suppliers choose to work with Addtech, the attitude of associates is crucially important. Addtech associates are known for their ability to build creative solutions together with customers and suppliers. Entrepreneurship includes an ability to see to one's own company's long-term profitability based on business that is good for customers as well as suppliers.

A GROUP WITH MANY POSSIBILITIES

The associates are an important competitive advantage and the Group gives priority to being an attractive employer where chances for development and a career are many.

Working at Addtech provides many opportunities to combine technology with business as well as taking project responsibility. Addtech's associates often have technical education and a technical interest that is combined with a skill in building and maintaining good business relationships.

The Group's position as an important player in many niches provides opportunities for development in several technical areas and the opportunity to work with leading international suppliers as well as demanding customers.

Internal recruitment is Addtech's most important tool for its supply of leaders. In addition, there is external recruitment. Acquisitions are also an important source of competence supply. In connection with acquisitions skilled and experienced entrepreneurs often find their way into the organisation. With the right matching and support, these persons take further steps into the organisation. Most senior managers in the Group have begun their careers in sales.

COMPETENCE DEVELOPMENT

The Group works on a long-term basis at several levels to develop its personnel and the corporate culture. Important tools are the close relationship with suppliers, Addtech's own Business School and different internal networks.

Suppliers an important source of competence

In the co-operation with suppliers there is major transfer of knowledge between Addtech's and these suppliers' employees. Key persons at Addtech regularly spend time with suppliers in Europe, Asia and the United States. These relationships are important in maintaining high technical competence in the specific technology areas where the subsidiaries are active.

The Business School develops the entrepreneur

An important platform to spread the corporate culture and to develop the associates in entrepreneurship is the Business School. The idea behind the Business School is to educate, train and motivate the personnel to be successful associates with Addtech.

In practice, this means that the Business School offers associates education adapted to experience and job tasks. The Business School is aimed at new hires as well as senior managers in subsidiaries. The curriculum includes such topics as the business model, profitability thinking, corporate philosophy and ethics. In the form of seminars, participants from different companies get opportunity to work together in understanding and developing how these topics affect them in their daily work. Other parts are more practical in nature, such as sales training and an understanding of financial relationships and how to create profitability.

Networks provide knowledge

Great openness prevails in the Group. Exchanges of competence among associates contribute to the organisation's and the individual companies' development. Different networks strengthen competence and the corporate culture. Examples of networks are the Business School, executive meetings, finance conferences and other forms of co-operation in the different corporate groupings within the business areas.

EMPLOYEES AND DEVELOPMENT

Addtech's corporate culture plays an important role for customers and suppliers to meet committed and qualified personnel. The Group has a well established corporate culture based on interplay among technical competence, individual freedom and willingness to assume personal responsibility.

Addtech's associates come back repeatedly to the Business School to develop as associates and in their professional roles. The business school is aimed at everybody in the Group, from personnel with customer contact, who are taught "How to succeed in business," to recurring "training camps" for subsidiary presidents.

Hanne Grinaker, who just has completed three days of sales training at the Business School is satisfied with the training as well as with her work as product specialist at Bergman AS in Norway. Hanne works in sales, training and user support around microscopes and all forms of digital image processing. Hanne has a Master of Science degree and is pleased with her role as sales representative and says that: "The best thing about the job is the variation in contacts with customers and the ability to affect my own job situation."

EMPLOYEES

	2005/2006	2004/2005
Average number of employees	1,198	958
• Proportion of men	70 %	70 %
• Proportion of women	30 %	30 %
Age distribution		
• – 29 years	9 %	8 %
• 30-49 years	61 %	61 %
• 50 years –	30 %	31 %
Average age	43 yrs	42 yrs
Personnel turnover (adjusted as a result of action programs and divestitures)	12 %	11 %
Average period of employment	Approx 10 yrs	Approx 11 yrs

JOB DISTRIBUTION IN THE GROUP

- Management 4 %
- Administration 12 %
- Sales 40 %
- Technical service, support, design 13 %
- Production 18 %
- Warehouse, purchasing 13 %

PROCESSES

"ACQUISITIONS AND DEVELOPMENT – NECESSARY FOR SUCCESS"

Acquisitions are a natural part of operations and key to Addtech's development and growth. On an ongoing basis new businesses and niches are added to the Group, to be further developed using Addtech's business model.

DIFFERENT TYPES OF ACQUISITIONS

Addtech divides its acquisitions into three categories:

- Supplementary acquisitions: smaller businesses that strengthen the position in an already existing niche.
- Complementary acquisitions: companies that fit well with the strategy for already established market or technology areas.
- Strategic acquisitions: create opportunities for development of new business areas.

EXPERIENCE IN ACQUISITIONS

Addtech is highly experienced in making acquisitions and uses a well-tried and clear acquisition process. Potential acquisition candidates are identified and are monitored on an ongoing basis. When evaluating acquisitions, each candidate is appraised based on a number of considerations, such as:

- Are sales made through personal customer cultivation?
- Do services and products have a high technology content?
- Does the offer provide large value added for the customer?
- Is the company a market leader, or does it have the potential to be a market leader in a well defined niche?
- Is the company well managed and profitable?
- Will the company strengthen Addtech's platform for profitability and growth?

If these criteria are met, there are good opportunities for the company to be developed in the Addtech Group. When a company is acquired, it is expected to contribute to the Group's profitability from day one, and also to have good prospects for growth. Companies are typically wholly owned by Addtech.

ACQUIRE, KEEP AND DEVELOP

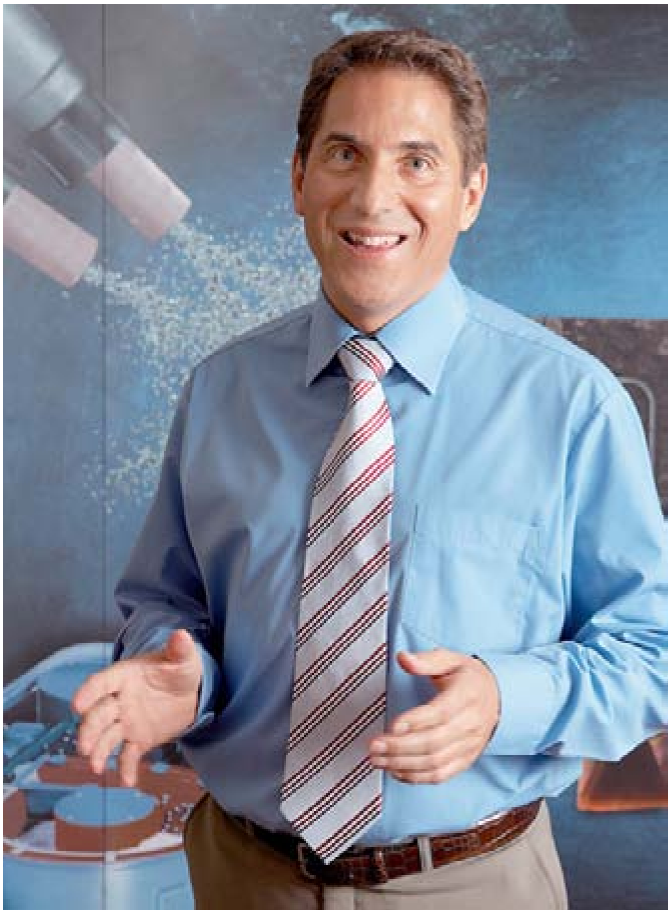
Addtech acquires companies to keep and further develop them on a long-term basis. A steady stream of new suppliers, companies and products is important in order to develop the Group's business and market position. High requirements for growth and profitability will cause businesses that do not live up to expectations to be phased out to create room for development.

Acquired companies usually continue their business under their own name, which is motivated since it encourages entrepreneurship and personal commitment in the company. At the same time the acquired company gets a financially strong, well established and engaged owner with clear goals for profitability and development.

Former owners and members of senior management often continue to be engaged in the business after the time of acquisition. This increases competence and the proportion of genuine entrepreneurs in Addtech. Belonging to the Group opens the door to all the opportunities that the new organisation offers in the form of competence, new co-operation as well as a broadened customer base and financial strength.

ADDTECH IS AN ATTRACTIVE OWNER

Addtech has long experience of acquiring and developing its companies. In the competition for acquisitions in the marketplace, Addtech is an attractive owner for many entrepreneur-run closely held companies. The entrepreneur meets a buyer that wants to further develop the business on a long-term basis, at the same time as the small-scale approach and the company's identity is preserved.



Five years ago Mikael Boberg sold his company, KMC Ytbehandling, to Addtech. The company has since seen a very strong development and is today the market leader in its niche. Mikael sees clear advantages with being part of a larger entity. "From a business viewpoint it means that we now can do bigger deals and that we have considerably sharper focus on profitability and sales than before. Personally, it has also been very positive – especially to see one's life-work flourish."

VALUE-CREATING PROCESSES

Since Addtech's business concept is based on linking together customers' specific needs with suppliers' offers, the work in Addtech's subsidiaries' supplier, product development and customer development processes are integrated with each other.

Product development

In its role as refinement link, Addtech co-operates with customers and suppliers around development of different product and service solutions. The Group is aimed at application adaptation in order to improve the functionality of products and to develop complete solutions that also include logistics, content and service. User requirements have priority over technology content.

Product development work is carried out in line with current quality requirements for each respective industry. The Group limits the risk in product development by an approach based on identified needs and that the development takes place in the network of suppliers and customers.

Customer co-operation

Addtech's work is controlled by the customers' needs. The subsidiaries invest on a long-term basis in their business relationships and associates spend a lot of time with customers to catch up on needs and to suggest solutions. This work often generates several co-operation projects with the customer over time.

Sales are handled by the companies themselves and they are responsible for technical as well as commercial solutions. The subsidiaries co-operate in varying degrees to take advantage of each others' competence and business relationships. The Group gives the individual companies support in creating business solutions in, for instance, complex contract situations. The companies also have guidelines for customer limits, etc. to limit the business risk.

Supplier co-operation

Based on the needs of the customer, Addtech works in close collaboration with its suppliers to find and develop applications and solutions. Such collaboration applies to sales of the supplier's standard components as well as adaptations of components to develop new applications.

Addtech's companies are always actively on the look-out for new suppliers in new niches. This occurs via established contacts, or at e.g. trade shows. Stringent requirements are placed on Addtech's suppliers in order for close co-operation to be developed. A good supplier is characterised by room being left for Addtech to add value and that the supplier:

- is a market leader in its niche,
- works with high quality requirements,
- works in a profitable and a for Addtech interesting niche,
- has attractive product development, and
- has a good attitude to ethics and environmental issues.

The choice of strategically important suppliers is of crucial importance to Addtech and requires major engagement. The ultimate responsibility for selecting suppliers therefore rests with the presidents and the boards of directors of the subsidiaries.

OTHER PROCESSES

Steering

Each of Addtech's subsidiaries is led by a president. An important tool and indicator is the P/WC relationship (operating income/working capital) used to manage and evaluate the companies' performance from a financial perspective. A common denominator is that work that leads to added value in the offer to the customer is given priority.

At their disposal subsidiary presidents have an organisation that provides support in strategy and business development issues. Business area management are strongly engaged in each company. They participate in the companies board work and initiate and support co-operation among companies. They are a link between Group management and operations. Group and business area management are important as role models to the rest of the organisation.

The Group works actively with benchmarking among different subsidiaries, who can compare their efforts and results with each other. This acts as an incentive for improvement and good experiences can be shared between subsidiaries.

Giving associates individual freedom in the organisation places great demands on them and the organisation's leaders. The leaders must formulate clear goals and guidelines for how work is to be performed, and associates are responsible for reaching those goals.

IT and administration

The same enterprise system is used at Group level and in several companies. As new companies are integrated in the operations, their accounting and IT solutions are replaced if and when it is deemed economically feasible. Some companies also share administrative services in order to achieve higher efficiency.

Purchasing and logistics

In some cases several companies identify common opportunities for utilising synergies in purchasing and logistics. The differences between Addtech's niches often make over-arching solutions of this nature impractical.

ETHICS, ENVIRONMENT AND QUALITY

"IT SHOULD BE SIMPLE TO BE PROUD"

Addtech's business is based on respect for employees, business partners, the surrounding world and the environment. Work with issues relating to ethics, environment and quality is an integrated part of subsidiary operations.

ETHICAL ENTERPRISE

Addtech strives to have an ethical perspective on the entire business activity. Evaluation of the ethical principles that should permeate Addtech's business activity and corporate culture are therefore important topics for the Business School. There, associates have opportunities to discuss ethical standpoints encountered in the course of business.

RESPONSIBILITY FOR THE ENVIRONMENT

The subsidiaries conduct active environmental work and the Group operates in accordance with an overall environmental policy. Environmental work is performed within the framework of Addtech's business model, and is integrated into day-to-day operations. The environmental work involves three areas:

Products

Environmental considerations mark the entire product cycle – from development and design to purchasing and recycling. It is important for the subsidiaries to meet all the specific requirements in the different segments where they are active. Environmental work also means business opportunities where the subsidiaries create solutions that are good for the customer's business from an environmental perspective. Addtech maintains a high level of competence around the environmental requirements that apply to the area where each subsidiary is active. This means, for instance, that the subsidiaries are early in making suggestions for solutions as to how customers can meet new environmental requirements, or suggest material with lower environmental impact when choosing between materials with equivalent properties.

Waste

Waste is of concern primarily for the producing companies, which recycle all waste from development and production. Certain subsidiaries offer products of a character that the company is obliged to take care of after they have been consumed. All subsidiaries also work with recycling of packaging and consumable supplies.

Transport

Transportation issues concern the entire supply chain, from supplier to customer. When choosing mode of transportation aspects such as price, shipping time and environmental impact are reviewed. Products that in other respects are similar should be purchased in the part of the world where the transportation will be most economical from an environmental point of view.

QUALITY A COMPETITIVE ADVANTAGE

Quality is necessary and a self-evident part of Addtech's offer to its customers. Addtech therefore conducts extensive quality work, both with respect to products and processes, where all routines, from purchasing and stocking to delivery of product and solutions shall interact to produce a high quality offering.

The companies work in line with the quality requirements set in each respective industry. The requirements are as a rule very high.

ENVIROMENTALLY AND QUALITY CERTIFIED SUBSIDIARIES

A large number of Addtech' subsidiaries are environmentally certified and/or quality certified. Environmental certification is in accordance with ISO-14001 or EMAS (Eco-Management and Audit Scheme) and quality certification is according to ISO-9001. Stringent requirements are set for certification of companies, with demands for good organisation and well-tried control systems and routines. In many cases the customer demands that a supplier has ISO certification so as to have a receipt ensuring that the business is operationally safe and meets high requirements.

DEMANDS ON SUPPLIERS

The largest risk for divergence from Addtech's stringent requirements with respect to quality, environment and ethics is among suppliers. The Group's suppliers are in Europe, the United States and Asia. Stringent requirements are placed on suppliers so as to be able to guarantee that due consideration is given to these issues. Delivery security, quality and environment are evaluated as well as adherence to the law and other regulations in the country of the supplier before co-operation is initiated with a new supplier. Addtech associates continually visit suppliers and on those occasions these issues are reviewed.

ADDTECH'S ENVIRONMENTAL POLICY

The Addtech Group's environmental policy expresses a desire to assume our part of the responsibility for improving the environment and to work for a sustainable development.

The tenet of circulation and economising with natural resources shall be an important consideration for the Group's business activity. Environmental work shall be conducted within the framework of our business model and shall be well integrated in day-to-day operations.

With high competence among our associates, and by always developing our knowledge about the environmental effects, we can have a holistic approach to environmental issues. Environmental measures will be taken as long as they are economically and technically feasible and motivated from an environmental point of view. Responsibility for day-to-day environmental work rests with each individual company in the Group.

For Addtech, environmental work is a matter of reducing our environmental impact as well as developing solutions and products that reduce the environmental impact by end users.

The circuit card in the picture is an example of a new product that Beving Compotech has developed and which in several ways reduces the environmental impact. First and foremost the manufacturing follows the RoHS directive, Restriction of Hazardous Substances in EEE (Electronic and Electric Equipment), a directive aimed at limiting the use of dangerous substances in electric and electronic products so that e.g. lead, other heavy metals and hazardous flame arrestors do not end up in our forests or watercourses. Secondly, Beving Compotech has also reduced the environmental impact from transportation by locating the production in Riga rather than as before in China. Finally, the circuit card contributes to end users the world over reducing their consumption of electricity thanks to precise control mechanism and optimally adapted electrically powered heat shunts.

BUSINESS AREA

ADDTECH COMPONENTS

Business area Addtech Components markets and sells components and sub-systems, and develops solutions in connection technology, electronics and electro-mechanics for customers in the engineering, vehicle and electronics industries.

During 2005/2006 revenues in the business area amounted to MSEK 889, which is equivalent to 27 percent of Addtech's revenues.

BUSINESS

Components' subsidiaries are active in many separate niches, such as electro-mechanical solutions for the vehicle industry, equipment in HMI (Human-Machine-Interface) and small motors and sensors for the manufacturing industry.

Components develops products and solutions in cooperation with a qualified and international network of suppliers, that add a variety of competencies in development, manufacturing and logistics. The solutions are tailor-made for the customers and can be developed with short lead time.

CUSTOMERS AND MARKET

The Nordic Region is the main market and approximately 85 percent of Components' s sales go to the OEM segment.

The company's customers are mainly found in the engineering, vehicle and electronics industries. Examples of customers are makers of forest machinery and producers of advanced medical equipment for research and health care. Several of these customers have strong international positions, which offers good opportunities for growth and profitability.

Components also has its own brand names, such as Caldaro joysticks and Adiator's product line in fuel pre-heating.

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DEVELOPMENT 2005/2006

Business area Components continued to show good earnings performance during the operating year and all twelve subsidiaries in the business area contributed to this performance. The development in the business area's niche markets was strong during the year.

Aside from continuous development of current operations, Components strive to strengthen the core areas of the business area through acquisitions. The business area has also worked to promote subsidiaries' to move forward in the value chain, offering customers a larger proportion of customised solutions and solutions produced in-house.

Key indicators	2005/2006	2004/2005	2003/2004
Net revenues, MSEK	889	802	676
Operating income, MSEK	90	71	46
Operating margin, %	10.1	8.9	6.9
Operative capital, MSEK	130	125	135
Return on operative capital, %	69	57	34
Capital expenditures in tangible non-current assets, MSEK	3	7	2
Average number of employees	189	188	176

EXAMPLES OF PRODUCTS

Joysticks, connectors and cable harnesses, small electrical motors, sensors.

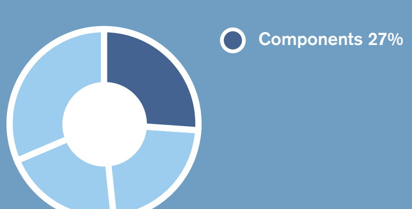
EXAMPLES OF CUSTOMERS

ABB, BT Industries, Gambro, Timberjack and Volvo.

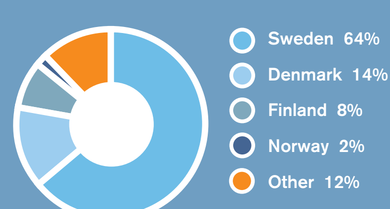
EXAMPLES OF COMPETITORS

Beijer Electronics, ElektronikGruppen and OEM International.

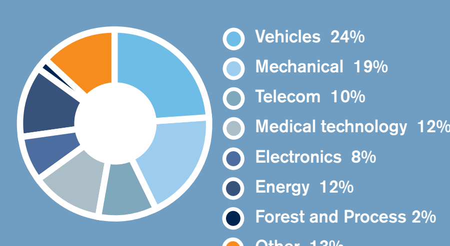
REVENUES BY BUSINESS AREA



REVENUES BY GEOGRAPHIC MARKET



REVENUES BY CUSTOMER SEGMENT



Pontus Lundin, sales representative at R&K Tech AB has with the aid of the company's long experience in technology trade in Asia assisted Flir in opening the doors to a Japanese manufacturer, that previously lacked experience in European trade. R&K's participation in time resulted in an optimal solution for the customer. This solution became possible much thanks to good relationships created between manufacturers and R&K. As confidence has grown, the co-operation has expanded and Pontus Lundin today has project responsibility for co-ordination and problem-solving.

Pontus Lundin is satisfied with his job, where he combines sales with technology development in co-operation with customers. Pontus often gets the role of project co-ordinator and describes his job as ideal: "The job contains all ingredients that I can wish for: frequent contacts with customers with technical challenges and interesting products. The projects are varied and there are many parameters to take into consideration, especially when business is transacted in an international environment."

BUSINESS AREA

ADDTECH TRANSMISSION

Business area Addtech Transmission markets and sells components and sub-systems based on mechanics, electro-mechanics and hydraulics to customers primarily in manufacturing industry.

During 2005/2006 revenues in the business area amounted to MSEK 1,054, which is equivalent to 31 percent of Addtech's revenues.

BUSINESS

Addtech Transmission offers solutions that are often critical to the end user and adapted to specific requirements, which means high demands for good understanding of the customer and great flexibility.

The subsidiaries strive to be present throughout the life cycle, from early product development to streamlining of the existing production process. Niche thinking is a central theme and the companies primarily concentrate on products in short series with requirements for high adaptation.

CUSTOMERS AND MARKET

The Nordic Region accounts for 82 percent of Transmission's sales and 60 percent goes to the OEM segment, where the subsidiaries are suppliers to major industrial customers in the mechanical, vehicle and forest industries.

Transmission's competence and market position offers opportunities for development and profitable production of proprietary products, which also increases sales of components. Transmission has its own strong brand names, such as FB in chains and Addcoat in seals and gaskets. The producing subsidiaries are geared to markets in as well as outside the Nordic Region. 18 percent revenues are derived from markets outside the Nordic Region, through, among other, own subsidiaries in the United Kingdom, Germany and Austria.

Of the business area's revenues, 80 percent refer to trading in supplier products, while 20 percent are attributable to sales of products produced in-house.

DEVELOPMENT 2005/2006

Business area Transmission had a continued very strong development in all technology areas and strengthened its market positions in its respective markets.

High underlying demand, combined with focused marketing and sales efforts aimed at profitable segments paved the way for strong earnings.

Operations were complemented during the year through the acquisition of LMT Transmission A/S. This acquisition strengthens the position as a supplier of motors and gear units on the Danish and German markets. In the area of transmissions and chains the position on the German market was strengthened by the formation of subsidiary FB Ketten GmbH.

Key indicators	2005/2006	2004/2005	2003/2004
Net revenues, MSEK	1,054	894	829
Operating income, MSEK	108	63	33[1]
Operating margin, %	10.2	7.0	4.0
Operative capital, MSEK	180	177	190
Return on operative capital, %	60	36	17
Capital expenditures in tangible non-current assets , MSEK	8	7	9
Average number of employees	452	450	478

[1] Not including result of sale of business.

EXAMPLES OF PRODUCTS

Gaskets, vibration dampers, chains, electric motors, gear units, hydraulic components, transmission parts, controls.

EXAMPLES OF CUSTOMERS

ABB, BT Industries, Indexator, Man B&W, Tetra Pak and Vestas.

EXAMPLES OF COMPETITORS

Fr Ramström, OEM International and SKS.

REVENUES BY BUSINESS AREA

REVENUES BY GEOGRAPHIC MARKET

REVENUES BY CUSTOMER SEGMENT

Yvonne Nilsson, export sales rep at Carbex AB, demonstrates electric brushes manufactured in Vadstena. The electric brush is a component used for signal transmission and for supplying power to rotating switches. The brushes are used in a wide array of different en products, such as wind power mills and computer tomographers.

In the first instance Carbex works with niche products in small and medium-size series. Yvonne Nilsson explains Carbex's success with that the products have a small but very important role for function and performance, which allows Carbex to come into the product development process at an early stage. Carbex designs and dimensions the functions and then delivers the products for years to come.

Since Carbex works on the world market with an export share of 80 percent, Yvonne Nilsson meets many persons from different cultures, something she feels makes it extra fun to work, especially when the contacts lead to friendship.

BUSINESS AREA

ADDTECH EQUIPMENT

Business area Addtech Equipment markets and sells materials and components mainly for the vehicle and engineering industries and to the electronics and telecom sectors.

During 2005/2006 revenues in the business area amounted to MSEK 748, which is equivalent to 22 percent of Addtech's revenues.

BUSINESS

Addtech Equipment sells production equipment, specially adapted materials and consumable supplies. Sales include equipment for blasting, batteries for power supply and consumables.

The equipment and the products are often used in manufacturing processes and high quality is of crucial importance to the customers. The companies' commitments often include logistics solutions, service and maintenance, which create long-term customer relationships as well as current revenue.

The Equipment companies also endeavour to develop adapted solutions, which primarily takes place in the niches for power supply and specialised production machinery and equipment. In the energy area the companies deliver customer-specific solutions with a high degree of technical competence for the customer's specific needs.

The subsidiaries also work with design and production. Production of smaller volumes is done in the Nordic Region, while larger volumes are produced in Poland and Asia. Equipment has several proprietary brand names, such as Batteriunion and Tufvassons.

CUSTOMERS AND MARKET

The main market is the Nordic Region and 60 percent of Equipment' sales go to the end user segment. The business area's customers are found primarily in the electronics, vehicle and telecom industries.

Sales outside the Nordic Region account for 13 percent of revenues, with the most important markets being Poland and the Baltic States.

In batteries and transformers, the business area's subsidiaries command leading market positions in niches with stable demand for new purchases and from the aftermarket. Important customer segments for batteries exist in, for instance, special vehicles for hospitals and care centers and larger warehouses, and special batteries for telecom operator base stations.

DEVELOPMENT 2005/2006

The subsidiaries in the energy and battery area showed a positive development during the year. Application of new technology in combination with good demand contributed to higher sales as well as improved earnings. For products aimed at the electronics and telecom sectors, demand continued to be weak. The operating margin improved and reached 6.0 percent.

The business area's operations in batteries, power supply and other similar energy components were complemented during the year by the acquisition of Abatel AB.

Key indicators	2005/2006	2004/2005	2003/2004
Net revenues, MSEK	748	730	707
Operating income, MSEK	45	40	26
Operating margin, %	6.0	5.5	3.7
Operative capital, MSEK	97	89	100
Return on operative capital, %	47	45	27
Capital expenditures in tangible non-current assets, MSEK	9	3	4
Average number of employees	303	308	331

EXAMPLES OF PRODUCTS

Batteries, chargers, power supplies, transformers, production machinery, consumable supplies.

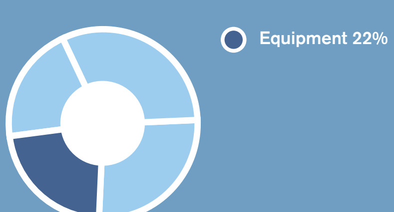
EXAMPLES OF CUSTOMERS

ABB, Atlet, Flextronics, Nokia och Volvo.

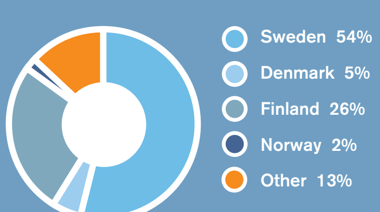
EXAMPLES OF COMPETITORS

G&L Beijer, Indutrade and OEM International.

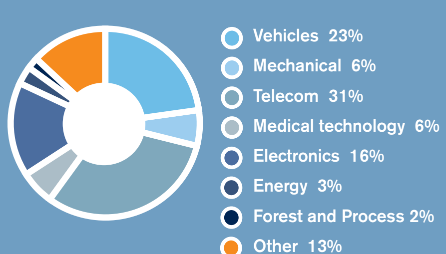
REVENUES BY BUSINESS AREA



REVENUES BY GEOGRAPHIC MARKET



REVENUES BY CUSTOMER SEGMENT



Jesper Björkén proudly demonstrates Abatel's latest battery. What in the picture looks rather insignificant, is actually a pioneering and market-leading design in telecom.

Long and close co-operation with the customer led to a request to Abatel to develop the next generation of battery. The customer specified the requirements in terms of size, weight, capacity as well as function and service quality. Abatel assembled its professional network and in less than two weeks a tailor-made solution had been hammered out, which captured the order in competition with three other suppliers. After another five months Abatel was able to deliver the pictured battery, which is significantly smaller, lighter and more efficient than all other products existing in the market today. The order means that Abatel during the entire 6–10 year life of the system platform will deliver a certain number of products at a today set price per unit.

Jesper Björkén explains: "The key to the order is that Abatel over several years has gained the trust of the customer by always delivering quality, being super flexible and coming into the customer's projects at an early stage."

BUSINESS AREA

ADDTECH LIFE SCIENCE

Business area Addtech Life Science markets and sells instruments and consumable supplies to laboratories in health care and research, diagnostics equipment for the health care industry and process and analysis equipment for industry.

During 2005/2006 revenues in the business area amounted to MSEK 675, which is equivalent to 20 percent of Addtech's revenues.

BUSINESS

Life Science offers equipment and consumable supplies used for diagnostics, laboratory and process analysis. The products are sold together with peripheral services, such as training, technical support and service.

Product offerings are provided by global suppliers. The business area contributes added value by offering extensive application knowledge and a high service level so that the customer obtains maximum benefit from the products.

CUSTOMERS AND MARKET

A major portion of sales are to end users in the Nordic Region. Customers are found mostly in the health care, research, forest, food and pharmaceutical industries.

The business area's companies have strong market positions in their respective operating areas in the Nordic Region. Together, they constitute an important co-operation partner for customers as well as suppliers.

DEVELOPMENT 2005/2006

Business area Life Science has concluded its first operating year as an Addtech sub-group. The development was positive, with a sharp growth in sales and improved operating income.

In Diagnostics, the business area has a market-leading position in blood gas and coagulation, which is explained by long-term and successful sales work combined with increased demand. Also the subsidiaries active in process technology were able to advance their market positions and have grown, both in terms of volume and earnings in an otherwise stable market.

In the market for laboratory technology there are severe competition and pricing pressures, which has prompted certain restructuring and reorganisation. To better meet the current market situation, focus has been moved in the direction of concept solutions.

The business area strengthened the Norwegian diagnostics business during the year by acquiring the business in Ervik AS, who supplies equipment and consumable supplies to the Norwegian health care industry. Insatech A/S was also acquired during the year, which complements the Swedish business and establishes the business area in process technology in Denmark.

Key indicators	2005/2006	2004/2005[1]	2003/2004[1]
Net revenues, MSEK	675	582	588
Operating income, MSEK	34		
Operating margin, %	5.0		
Operative capital, MSEK	173		
Return on operative capital, %	20		
Capital expenditures in tangible non-current assets, MSEK	11		
Average number of employees	239	237	248

1) Addtech Life Science is a part of the Addtech Group since 31 March 2005. For 2004/2005 and 2003/2004 data is only provided on net revenues and the average number of employees.

EXAMPLES OF PRODUCTS

Blood gas equipment for the health care industry, chromatography equipment for research and health care and pressure transmitters for the process industry.

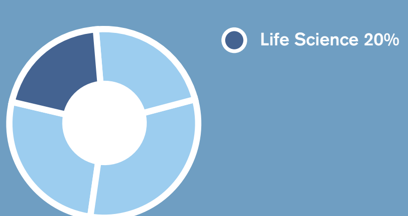
EXAMPLES OF CUSTOMERS

Akademiska Sjukhuset in Uppsala, Rikshospitalet in Oslo, Karolinska Institutet, AstraZeneca, Kvaerner and Novo Nordisk.

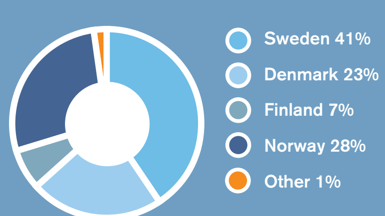
EXAMPLES OF COMPETITORS

Endress+Hauser, Roche and VWR.

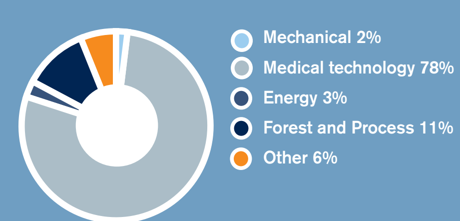
REVENUES BY BUSINESS AREA

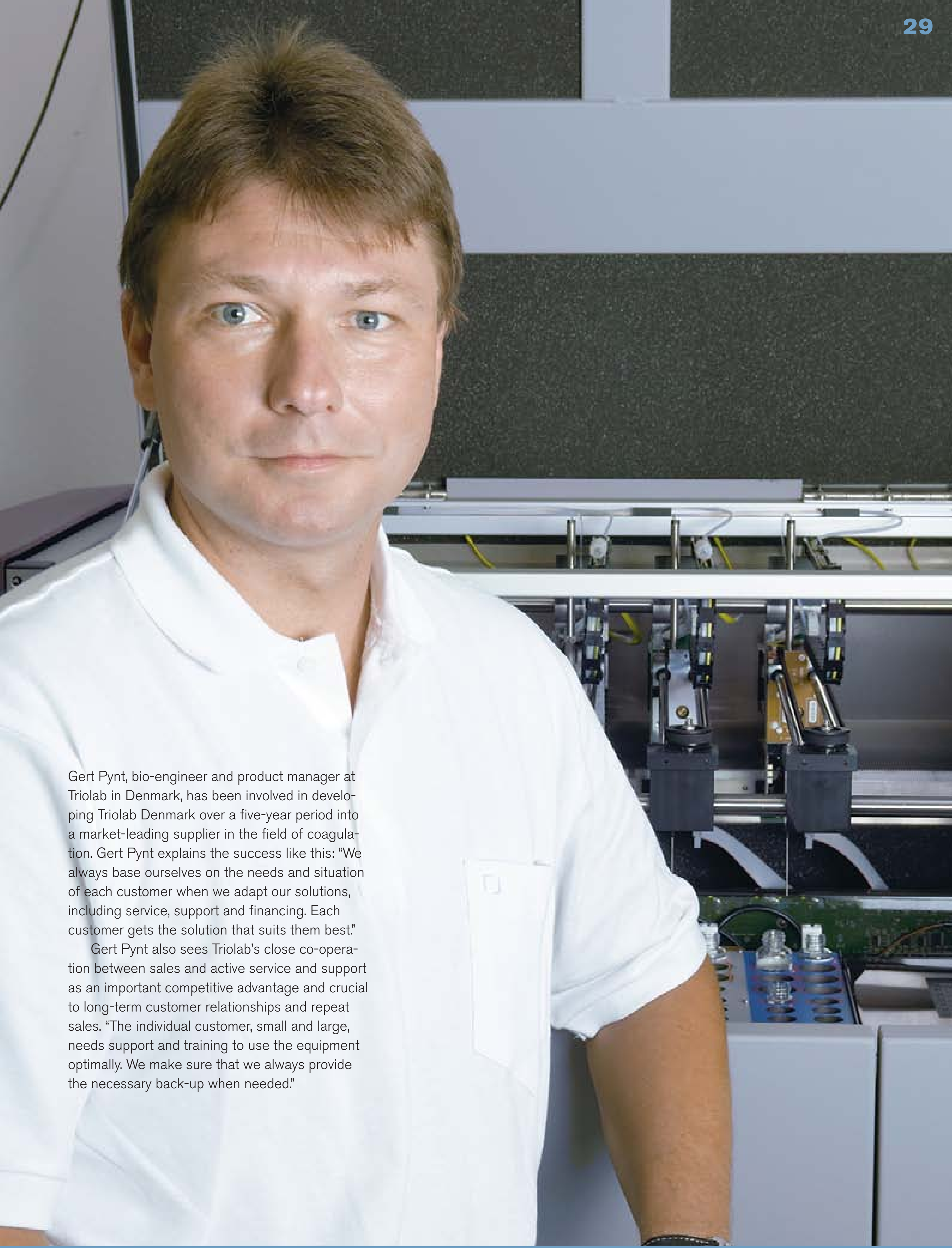


REVENUES BY GEOGRAPHIC MARKET



REVENUES BY CUSTOMER SEGMENT





Gert Pynt, bio-engineer and product manager at Triolab in Denmark, has been involved in developing Triolab Denmark over a five-year period into a market-leading supplier in the field of coagulation. Gert Pynt explains the success like this: "We always base ourselves on the needs and situation of each customer when we adapt our solutions, including service, support and financing. Each customer gets the solution that suits them best."

Gert Pynt also sees Triolab's close co-operation between sales and active service and support as an important competitive advantage and crucial to long-term customer relationships and repeat sales. "The individual customer, small and large, needs support and training to use the equipment optimally. We make sure that we always provide the necessary back-up when needed."

KEY FINANCIAL INDICATORS

MULTI-YEAR SUMMARY

Starting 1 April 2005, Addtech applies International Financial Reporting Standards (IFRS).
Comparative data for the 2004/2005 financial year have been restated to IFRS, but not 2003/2004 and earlier.

MSEK	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
Net revenues	3,362	2,422	2,210	2,275	2,360	2,502	2,023	1,725
Operating income[1]	271	170	96	98	86	214	161	153
Operating income not including items affecting comparability	271	170	103	94	85	201	161	153
Financial income and expenses	-7	-5	-3	-5	-5	-7		
Income after financial items	264	165	93	93	81	207		
Net income for the year	**194**	**119**	**64**	**64**	**53**	**149**		
[1]For purpose of comparison, the following items are included in the above operating income								
Sale of businesses	–	–	-7	–	–	–	–	–
Sale of real property	–	–	–	13	4	-1	–	–
Closing of businesses	–	–	–	-9	–	–	–	–
Alecta funds	–	–	–	–	–	14	–	–
Listing costs	–	–	–	–	-3	–	–	–
Total	**–**	**–**	**-7**	**4**	**1**	**13**	**–**	**–**
Intangible non-current assets	210	174	35	29	13			
Tangible non-current assets	180	176	147	159	176	211	167	183
Financial non-current assets	15	10	11	7	6	7	8	7
Inventories	391	356	298	313	347	376	269	234
Current receivables	520	455	362	373	407	472	344	287
Liquid funds	110	159	121	97	92	151		
Total Assets	**1,426**	**1,330**	**974**	**978**	**1,041**	**1,217**		
Equity attributable to the Parent Company's shareholders	459	460	410	432	417	415		
Minority interest	6	5	4	3	6	6		
Interest-bearing liabilities and provisions	215	189	99	101	166	167		
Non-interest-bearing liabilities and provisions attributable to the Parent Company's shareholders	746	676	461	442	452	629	395	329
Total Equity och Liabilities	**1,426**	**1,330**	**974**	**978**	**1,041**	**1,217**		
Capital employed	680	656	513	536	589	588		
Operative capital	570	497	392	439	497	437	393	382
Financial net indebtedness	105	32	-22	4	74	16		
Operating margin (%)	8.1	7.0	4.3	4.2	3.6	8.6	8.0	8.9
Profit margin (%)	7.9	6.8	4.2	4.0	3.4	8.3		
Return on equity (%)	41	28	15	15	12	36		
Return on capital employed (%)	41	32	19	18	15	38		
Equity ratio (%)	33	35	42	44	41	34		
Debt equity ratio	0.5	0.4	0.2	0.2	0.4	0.4		
Interest coverage ratio	20.9	17.7	10.5	8.6	6.9	12.8		
Earnings per share (SEK)	8.00	4.85	2.50	2.45	1.90	5.35		
Earnings per share, fully diluted basis (SEK)	7.90	4.80	2.50	2.45	1.90	5.35		
Cash flow per share (SEK)	11.00	8.10	6.20	6.40	1.50	8.00		
Shareholders' equity per share (SEK)	19.90	18.80	16.70	16.80	15.70	14.90		
Dividend per share (SEK)	4.00[2]	2.75	2.00	1.50	1.20			
Average number of shares outstanding after repurchases ('000)	24,073	24,486	25,534	26,446	27,496	27,864		
Average number of shares outstanding adjusted for dilution ('000)	24,366	24,616	25,534	26,446	27,496	27,864		
Market price of share 31 March, SEK	106.00	68.00	39.50	27.00	43.00			
Turnover rate of share, %	41	13	21	20	29			
Cash flow from current operations	265	197	159	169	41	223		
Cash flow from investment activities	-124	-124	-32	-41	-9	-220		
Cash flow from financing activities	-192	-35	-103	-123	-90			
Cash flow for the year	-51	38	24	5	-58			
Average number of employees	1,198	958	996	1,072	1,155	940	811	723
Number of employees at year-end	1,211	1,198	966	1,035	1,100	1,162	823	758

[2]) As proposed by the Board of Directors.
The Addtech Group was capitalised 31 March 2001. Certain data have therefore been omitted.
Comparative data for 2001/2002 and years prior are pro forma and based on the assumptions presented in Addtech's prospectus in August 2001.
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DEFINITIONS

- **Capital employed**
  Balance sheet total, less non-interest-bearing liabilities and provisions.

- **Cash flow per share**
  Cash flow from current operations, divided by average number of shares outstanding.

- **Debt equity ratio**
  Interest-bearing liabilities and interest-bearing provisions in relation to total equity.

- **Earnings per share**
  Net income for the year attributable to the shareholders in relation to the average number of shares outstanding.

- **Earnings per share, fully diluted basis**
  Net income for the year attributable to the shareholders, divided by the average number of shares outstanding, adjusted for shares added through utilisation of outstanding personnel options.

- **Equity ratio**
  Shareholders' equity, plus minority interest in percent of balance sheet total.

- **Financial net liabilities**
  Interest-bearing liabilities and interest-bearing provisions, less liquid funds.

- **Interest coverage ratio**
  Income before taxes, plus interest expense, plus/minus exchange rate differences in relation to interest expense plus/minus exchange rate differences.

- **Operating margin**
  Operating income in percent of net revenues.

- **Operative capital**
  Capital employed, less liquid funds.

- **Personnel turnover**
  Number of employees who have left the Company in relation to average number of employees.

- **Profit margin**
  Income before taxes in percent of net revenues.

- **Return on capital employed**
  Income before taxes, plus interest expense, plus/minus exchange rate differences in percent of average capital employed.

- **Return on equity**
  Net income for the year attributable to the shareholders of the Parent Company in percent of average shareholders' equity.

- **Return on operative capital**
  Operating income in percent of average operative capital.

- **Shareholders' equity per share**
  Equity attributable to the shareholders of the Parent Company divided by the number of shares outstanding at year-end.

- **Shares outstanding**
  Total number of shares outstanding, less number of shares repurchased by the Company.

ADMINISTRATION REPORT

1 APRIL 2005–31 MARCH 2006

The Board of Directors and the President of Addtech AB (publ). company number 556302-9726, hereby submit their Annual Accounts and consolidated financial statements for the 2005/2006 operating year. The Annual Accounts, including the audit report, comprise pages 32–73.

BUSINESS

Addtech is a leading technology trading group that develops and sells components and systems to industrial companies and the service industry. The majority of customers are manufacturers in the mechanical, vehicle, telecom, electronics industries and laboratories in the health care sector in the Nordic Region. Addtech provides its customers with technical as well as economic value added. The Group is organised in four business areas: Addtech Components, Addtech Transmission, Addtech Equipment and Addtech Life Science. Operations are conducted in subsidiaries in Sweden, Finland Denmark, Norway, the United Kingdom, Austria, Germany and Poland.

Addtech is listed on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange) since September 2001. The name Addtech is a clear expression of the Group's ambition, that of delivering added value in every situation and in every relationship.

NET REVENUES AND INCOME

Net revenues of the Addtech Group for the financial year increased by 39 percent to MSEK 3,362 (2,422). Adjusted for acquired and sold units, the increase was 9 percent. Demand grew stronger for most of the Group's operating areas during the financial year. All business areas achieved higher net revenues during the year, and significantly higher operating earnings than during the preceding year.

Operating income increased by 59 percent to MSEK 271 (170) and income after financial items increased by 60 percent to MSEK 264 (165). The operating margin was 8.1 percent (7.0). The improved result is primarily explained by higher net revenues. Continued streamlining of operations and an improved product mix also impacted earnings in a positive direction.

Foreign exchange effects when converting foreign units, adjusted for units acquired and sold, affected net revenues by MSEK 37 and operating income by MSEK 3.

Net financial items amounted to MSEK –7 (–5). Income after taxes increased by 63 percent to MSEK 194 (119) and earnings per share increased by 65 percent to SEK 8.00 (4.85). The effective tax rate was 27 percent (28).

BUSINESS AREAS

Addtech Components

Addtech Components' net revenues increased by 11 percent to MSEK 889 (802). Operating income increased to MSEK 90 (71). A positive development for special components and sub-systems with high technology and added value content are the primary explanations for the increase in net revenues as well as the improved result.

Addtech Transmission

Addtech Transmission's net revenues increased by 18 percent to MSEK 1,054 (894). Adjusted for units acquired and sold, the increase was 14 percent. Operating income increased to MSEK 108 (63). Aftermarket demand for replacement components for maintenance and service work in industry was good. The market situation for production elements grew stronger during the year. The earnings improvement is explained primarily by higher net revenues in existing operations and incremental revenue from acquired companies.

Addtech Equipment

Addtech Equipment's net revenues increased by 2 percent and amounted to MSEK 748 (730). Operating income increased to MSEK 45 (40). The market situation for the business area's energy components developed well during the year, while demand for the business area's products aimed at the electronics and telecom sectors was weak.

Addtech Life Science

Net revenues for Addtech Life Science, which since 31 March 2005 is part of the Addtech Group, amounted to MSEK 675. Operating income amounted to MSEK 34. Demand for diagnostic equipment and their consumables developed well during the year and were further strengthened, which had significant impact on the business area's result as a whole. The installed base of instruments grew during the year, which generates future sales of consumable supplies. The market for instruments and materials for laboratories was characterised by continued pricing pressures. The action program implemented during the year to increase efficiency in these operations burdened the result by approximately MSEK 9.

PROFITABILITY, FINANCIAL POSITION, CASH FLOW

The return on capital employed was 41 percent (32) and the return on equity was 41 percent (28).

The equity ratio stood at 33 percent at year-end (35). Shareholders' equity computed as the shareholders' portion of shareholders' equity amounted to SEK 19.90 (18.80). The Group's net financial indebtedness amounted to MSEK 105 at the end of the period, compared to MSEK 32 at the beginning of the year.

Cash flow from current operations continued strong and amounted to MSEK 265 (197). Investments in non-current assets amounted to MSEK 43 (25) and disposals were MSEK 1 (4). Own shares were repurchased for MSEK 141 during the year and dividends were paid to shareholders in an amount of MSEK 67.

ACQUISITIONS

Four acquisitions were made during the year. In April 2005 an agreement was concluded to acquire all shares outstanding in the Danish company LMT Transmission A/S. LMT Transmission is a supplier in the area of industrial transmission to Danish industry and is consolidated in business area Addtech Transmission from May 2005. In June, Bergman Diagnostika AS, in business area Addtech Life Science, acquired the diagnostics business from Ervik AS in

ADMINISTRATION REPORT

Norway. On 1 December 2005 the Danish company Insatech A/S was acquired for business area Addtech Life Science. Insatech sells process equipment from leading suppliers to end users in Denmark in the engineering, pharmaceutical, food and energy industries. On 1 January 2006 operations in Addtech Equipment were complemented by acquisition of Abatel AB. Abatel develops and sells battery and power supply solutions, mainly to Swedish customers.

The aggregate purchase money for the acquisitions consummated during the year amounted to MSEK 56. MSEK 3.7 of the purchase money for Insatech was paid for in the form of 45,000 previously repurchased class B shares in Addtech AB, which in calculating the purchase money were assigned a value equivalent to the market price of the Addtech share at the time of the transaction.

The acquisitions had an aggregate impact on Addtech's consolidated revenues of MSEK 63, and affected the period's income after taxes by MSEK 3. The acquisitions would have affected consolidated net revenues by MSEK 144 and the period's income after taxes by approximately MSEK 6 during the financial year if the acquisitions had been made as of 1 April 2005.

On 1 September 2005 Tubex Hydraul AB, part of business area Addtech Transmission, was sold. Tubex Hydraul had revenues of MSEK 20 and 15 employees. The sale had only a marginal effect on the Group's earnings and financial position.

In March 2006 an agreement was concluded to acquire all shares outstanding in Kurt Wiig AS. The company, which is part of business area Addtech Transmission, delivers customer-specific hydraulic solutions to customers, primarily in the Norwegian offshore and sub-sea industries.

EMPLOYEES

At the end of the year the number of employees was 1,211, which can be compared with 1,198 at the beginning of the financial year. Acquisitions and disposals during the year had the net effect of increasing the number of employees by 42. The average number of employees during the year was 1,198, compared with 958 during the preceding financial year.

REPURCHASE OF OWN SHARES AND INCENTICE PROGRAM

At the Annual General Meeting held in August 2005, the Board of Directors was given a mandate to repurchase up to 10 percent of the shares outstanding in the Company, the authorisation to remain valid until the regularly scheduled Annual General Meeting of 2006. A total of 1,550,000 class B shares were repurchased during the financial year. The total number of shares held in treasury as of 31 March 2006 amounts to 2,285,000, equivalent to 9.0 percent of the total number of shares outstanding and 6.5 percent of the votes. 580,000 of the shares held in treasury secure the undertaking to holders of personnel options. The average purchase price of shares held in treasury amounts to SEK 73.20. The average number of shares held in treasury during the year was 1,260,205 (1,368,398).

In connection with the acquisition of the Danish company Insatech A/S in November 2005, 45,000 shares were used as partial payment for the acquisition.

Upon full utilisation of the personnel option program, the number of outstanding class B shares increases by 580,000, equivalent to 2.5 percent of the total number of shares outstanding and 1.8 percent of the votes. The program runs until 18 February 2010 with a redemption price of SEK 44.80. During the financial year 50,000 personnel options were exercised to acquire 50,000 class B shares. Together with options exercised in previous years, a total of 120,000 personnel options have thus been exercised. The cost of social benefits associated with any utilisation of the right to exercise personnel options is expensed on a current basis in line with the development of the market price of the share. The accumulated reserve for social benefits amounts to MSEK 10, which constitutes an increase of the reserve by MSEK 6 since the beginning of the financial year. In the interest of reducing the effect of the social benefit fees on the personnel options, and from the 2006/2007 financial year to essentially eliminate this effect, Addtech during the fourth quarter acquired a financial derivative with a remaining term corresponding to the term of the personnel option program. During the fourth quarter operating income was affected positively thereby in the amount of MSEK 1.

The Board of Directors has decided to propose to the Annual General Meeting to be held in August 2006 a renewed mandate for the Board of Directors to buy back own shares. The proposal includes a mandate for the Board of Directors, during the period until the next following Annual General Meeting, to acquire up to the number of shares so that the number of shares held in treasury from time to time does not exceed 10 percent of shares outstanding. Repurchases shall be made via the Stockholm Stock Exchange. The mandate is proposed to include the option to use shares held in treasury as payment for acquisitions, or to sell shares held in treasury in ways other than via the Stockholm Stock Exchange to finance acquisitions. The Board of Directors has also decided to propose to the Annual General Meeting to reduce the share capital by SEK 3,400,000 through cancellation without repayment of 1,700,000 shares held in treasury by Addtech.

FINANCIAL RISKS

Addtech strives for structured and efficient management of the financial risks that arise in operations, which is manifested in the financial policy adopted by the Board of Directors. This policy spells out goals and guidelines for how risks are to be managed, and lays a framework for how to limit such risks. The finance policy expresses the ambition to limit or eliminate financial risks. The policy defines and identifies financial risks that can be found in Addtech, and how the responsibility to manage these risks is distributed within the organisation.

The risks defined in the financial policy are transaction exposure, translation exposure, financing risk, interest rate risk and credit and counterparty risk. Operative risks, i.e. risks that depend on current operations, are managed by each respective subsidiary's management according to principles approved by the Group's Board of Directors and management. Risks such as translation exposure, financing risk and interest rate risk are managed by Addtech AB, the Parent Company.

For a detailed description of how Addtech manages the various financial risks, refer to Note 2.

ADMINISTRATION REPORT

ENVIRONMENTAL IMPACT

Active environmental work is conducted in the Group for the purpose of reducing the Group's environmental impact. The work is conducted locally by each respective company based on the conditions for each company. A Group-wide environmental policy has been adopted and this policy is spelled out in the Annual Report in the section on Ethics, environment and quality (pages 20–21). Some fifteen companies are certified according to ISO 14001, or equivalent. The Group conducts operations requiring a permit according to the Swedish Environmental Act in one subsidiary and operations requiring notification in one other subsidiary. The Group's companies are not involved in any environmentally related disputes.

RESEARCH AND DEVELOPMENT

The Group is involved in research and development to a very limited degree. The Group's business model entails continuous dialogue with, and feedback from, the Group's suppliers, which account for most of the research and development that affects the Group's product offerings.

ADOPTION OF IFRS 1 APRIL 2005

Starting 1 April 2005, Addtech applies IFRS (International Financial Reporting Standards) in preparing its consolidated financial statements. This is a consequence of EU directives that apply to all listed companies within EU. In all reports after 1 April 2005, comparative data for the 2004/2005 financial year are restated in accordance with IFRS, with the exception of IAS 39 in accordance with a voluntary exemption in IFRS 1. The accounting standard with the greatest impact on Addtech's financial accounting is IFRS 3 Business Combinations. The effect on Addtech's accounting, income and financial position of the adoption of IFRS is set out in Note 34 on page 71.

LEGISLATION AND ARTICLES OF ASSOCIATION

Swedish corporate law is applicable to Addtech AB and the Company adheres to the rules that follow from the fact that the Company's share is listed on Stockholmsbörsen (the Stockholm Stock Exchange). Addtech AB also adheres to the provisions of its Articles of Association. The Articles of Association are available on Addtech's website.

Addtech is currently not subject to the Swedish Code of Corporate Governance.

WORK OF THE BOARD OF DIRECTORS AND GROUP GOVERNANCE

Addtech's Board of Directors consists of six members, including the Company's President. The directors are elected annually by the Annual General Meeting for the period ending at the adjournment of the next-following regularly scheduled Annual General Meeting. At the Annual General Meeting held in August 2005, all previously elected directors were re-elected. In addition, Eva Elmstedt was newly elected. The Board of Directors appoints a Chairman and a Vice Chairman among its members. Members of the Company's senior management participate in Board of Directors meetings as reporters and in the capacity of secretary. Secretary to the Board of Directors is the Company's Chief Financial Officer. According to the requirement of Stockholmsbörsen for continuing registration, all directors elected by general meetings of shareholders are independent relative to the Company, with the exception of Roger Bergqvist, President. Three of the independent directors are also independent of the major shareholders of the Company. The Board of Directors is presented on page 74.

During the operating year the Board of Directors convened meetings on five occasions, in addition to the statutory meeting after the Annual General Meeting. Four meetings were held in conjunction with the Company's publication of interim reports and one meeting was especially devoted to strategic issues. Other matters dealt with by the Board of Directors included issues about the Group's financial goals, acquisitions, capital expenditures, accounting issues and evaluation of the work of the Board of Directors. In the course of the meeting in connection with the annual closing of the books for the operating year, the auditors reported on their audit work, observations made in connection with the audit of the Parent Company and the Group, and internal control in the Group.

Attendance among the directors was very high during the year. Only one director was otherwise engaged on one occasion.

The Board of Directors has adopted rules of procedure. These rules of procedure govern the work forms of the Board of Directors, the distribution of responsibility between the Board of Directors and the President, and the type of current information to be delivered to the Board of Directors. On a monthly basis the Directors receive comments in writing on the Group's economic development and other important events.

The Board of Directors has a compensation committee and an audit committee. The compensation committee consists of the Chairman of the Board, Anders Börjesson, and Tom Hedelius, Vice Chairman, with Roger Bergqvist, President, as reporter. The compensation committee deals with issues about salaries and other terms of employment for the President and other members of senior management. Information on compensation to the Board of Directors, the President and other members of senior management is provided in Note 5 on pages 58–60. The audit committee is made up of those directors who are not employed by the Company.

The President is responsible for day-to-day operations and together with the Board of Directors for control thereof. Addtech's Group management consists of five persons including the Company's President. Information about the President and other members of senior management is found on page 75. The Group's four business areas are led by four business area managers and the Group's operations are conducted in approximately 60 subsidiaries. Each subsidiary has a Board of Directors with a Chairman from the respective business area management groups.

ELECTION COMMITTEE

The regularly scheduled 2005 Annual General Meeting resolved to authorise the Chairman of the Board of Directors to appoint members among representatives of major shareholders to constitute an election committee together with the Chairman for upcoming election of Directors. The Election Committee includes Magnus Bakke, representing Robur Fonder, Anders Börjesson, Björn Franzon, Fourth AP Fund, Tom Hedelius and Pär Stenberg.

The tasks of the Election Committee include to evaluate the composition of the Board of Directors and its work, and to make

ADMINISTRATION REPORT

a proposal for Chairman of the Annual General Meeting, Directors, fees to the Directors not employed by the Company, and as the case may be, election of a registered auditing firm and audit fees, as well as principles for election of members of the Election Committee.

Information about the composition of the Election Committee was given in the interim report published 8 February 2006.

The proposal of the Election Committee to the Annual General Meeting will be presented in the notice for the Annual General Meeting and on the Company's website.

PARENT COMPANY

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

The Parent Company's net revenues amounted to MSEK 28 (23) and income after financial items amounted to MSEK 178 (100). This result includes revenue from shares in Group companies in a net amount of MSEK 188 (105). Net investments in non-current assets were made in an amount of MSEK 0 (0). The Parent Company's financial net liability amounted to MSEK 241 at the end of the period, as compared with MSEK 105 at the beginning of the financial year.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

In March 2006 an agreement was concluded to acquire all shares outstanding in Kurt Wiig AS. The company is included in business area Addtech Transmission from 1 April, 2006.

In May, 200,000 class B shares were repurchased at an average price of MSEK 114, after which the number of class B shares held in treasury amounts to a total of 2,485,000, equivalent to 9.8 percent of the total number of shares outstanding and 7.0 percent of the votes.

FUTURE PROSPECTS

The market situation strengthened during the operating year. The financial position is strong and Addtech has excellent opportunities for future growth. The Group's goal is to achieve earnings growth over a business cycle of at least 15 percent per year and that profitability, measured as return on equity, should be at least 25 percent.

DIVIDEND

The Board of Directors proposes a dividend of SEK 4.00 per share (2.75). The total dividend payment amounts to MSEK 92 (67). Addtech's dividend policy has as its goal to pay a dividend exceeding 50 percent of average consolidated income after taxes over a business cycle.

PROPOSED ALLOCATION OF EARNINGS

The following amounts are available for distribution by Addtech AB:

Retained earnings	MSEK 505
Net income for the year	MSEK 132
	MSEK 637

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

A dividend to the shareholders of SEK 4.00 per share	MSEK 92
To be carried forward	MSEK 545
	MSEK 637

The Board of Directors is of the opinion that the dividend justifiable relative to the requirements the Group's operations, scope and risks entail with respect to the Group's equity and to the Group's need for consolidation, liquidity and position in other respects.

In equity for parent company on closing day MSEK 1 represents the effect due to financial assets and liabilities are valued at fair value in accordance with chapter 4 § 14 section a in Annual Accounts Act.

Stockholm 21 June 2006

Anders Börjesson
CHAIRMAN

Tom Hedelius
VICE CHAIRMAN

Eva Elmstedt

Urban Jansson

Lars Spongberg

Roger Bergqvist
PRESIDENT

Our audit report was submitted 21 June 2006

KPMG Bohlins AB

George Pettersson
AUTHORISED PUBLIC ACCOUNTANT

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

MSEK	Note	2005/2006	2004/2005
Net revenues	3, 4	3,362	2,422
Cost of goods sold		-2,242	-1,649
Gross profit		**1,120**	**773**
Selling expenses		-562	-372
Administrative expenses		-299	-229
Other operating income	8	31	8
Other operating expenses	8	-19	-10
Operating income	2-9, 15	**271**	**170**
Financial income	10	6	5
Financial expense	10	-13	-10
Net financial items		**-7**	**-5**
Income before taxes		**264**	**165**
Taxes	12	-70	-46
Net income for the year		**194**	**119**
Attributable to the:			
Parent Company's shareholders		193	118
Minority interest		1	1
Earnings per share, SEK	31	8.00	4.85
Earnings per share after dilution, (SEK)	31	7.90	4.80
Proposed dividend per share, (SEK)		4.00	2.75
Number of shares outstanding after repurchases ('000)		24,073	24,486
Number of shares outstanding after repurchases ('000)		23,048	24,503

NET REVENUES

Net revenues of the Addtech Group increased by 39 percent during the financial year to MSEK 3,362 (2,422). Adjusted for units acquired and disposed of, the increase was 9 percent during the financial year. Currency effects in translation of foreign subsidiaries affected revenues positively by MSEK 37 (–2).

OPERATING INCOME

Consolidated operating income amounted to MSEK 271 (170). Currency effects in translation of foreign subsidiaries affected income by MSEK 3 (0).

The operating margin increased to 8.1 percent (7.0). The increase in margin is explained primarily by higher net revenues in combination with the effects of continued efficiency-improvements and an improved product mix.

The single largest of the Group's operating expense items refer to personnel costs, which make up approximately 20 percent of the Group's net revenues and approximately 65 percent of operating overhead. Depreciation and amortisation account for approximately 5 percent of the operating overhead.

The item other operating income and expense, net, amounted to MSEK 12 (–2). This item consists primarily of rental income, compensation for agency rights, exchange rate effects of an operating nature and the result on disposal of non-current assets and businesses.

NET FINANCIAL ITEMS

Net financial items amounted to MSEK –7 (–5). Net financial items include foreign exchange rate effects in an amount of MSEK 1 (–1).

TAXES

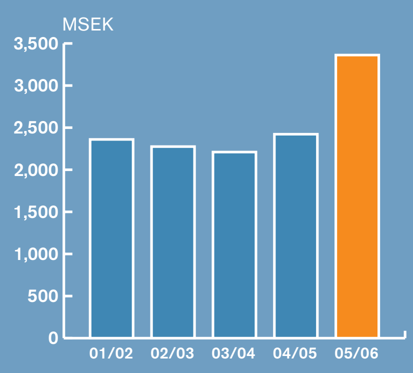
The year's tax expense amounted to MSEK 70 (46). equivalent to 26.5 percent (27.8) of income before taxes. The total weighted nominal tax rate for the Group's operations was 28.0 percent (28.6) during the year.

EARNINGS PER SHARE

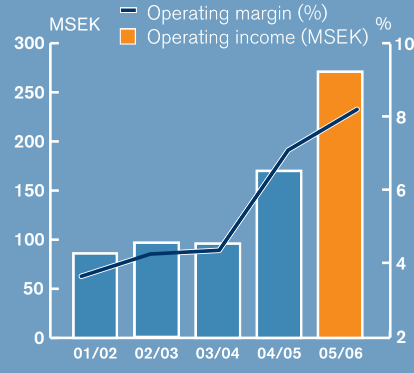
Earnings per share amounted to SEK 8.00 (4.85). Adjusted for expected dilution, due to outstanding personnel options, earnings per share are SEK 7.90 (4.80).

Earnings per share have been computed based on the shareholders' portion of the year's income of MSEK 193, divided by the average number of shares outstanding during the year after repurchases, 24,072,627 and 24,365,695, respectively, for calculation of earnings per share after dilution.

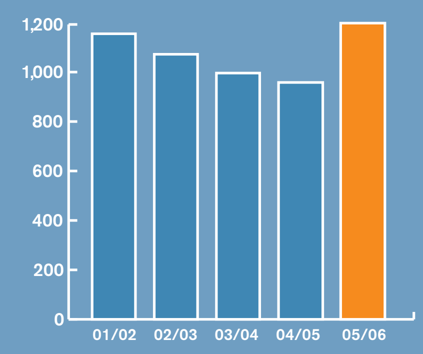
NET REVENUES



OPERATING INCOME AND OPERATING MARGIN



AVERAGE NUMBER OF EMPLOYEES



FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

MSEK	Note	31/3/06	31/3/05
ASSETS			
Non-current assets			
Intangible non-current assets	13	210	174
Tangible non-current assets	14	180	176
Financial investments	16	11	4
Non-current receivables	16	1	1
Deferred income tax assets	16, 22	3	5
Total non-current assets		**405**	**360**
Current assets			
Inventories	17	391	354
Tax claim		0	1
Accounts receivable		475	415
Prepaid expenses and accrued income	18	30	27
Other receivables		15	14
Liquid funds		110	159
Total current assets		**1,021**	**970**
TOTAL ASSETS	27	**1,426**	**1,330**
EQUITY AND LIABILITIES			
Equity	19		
Share capital		51	51
Other capital contributed		344	344
Reserves		8	0
Retained earnings, including net income for the year		56	65
Equity attributable to the Parent Company's shareholders		**459**	**460**
Minority interest		6	5
Total equity		**465**	**465**
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	24	14	12
Provisions for pensions	21	163	156
Deferred tax liabilities	22	74	68
Total non-current liabilities		**251**	**236**
Current liabilities			
Current interest-bearing liabilities	25	38	21
Accounts payable		332	274
Tax liabilities		40	28
Other liabilities		107	137
Accrued expenses and prepaid income	26	171	148
Provisions	23	22	21
Total current liabilities		**710**	**629**
Total liabilities	27	**961**	**865**
TOTAL EQUITY AND LIABILITIES		**1,426**	**1,330**

ASSETS

The Group's total assets increased by MSEK 96 to MSEK 1,426 (1,330). Currency effects when translating the Group's foreign units entailed an increase in total assets by MSEK 26.

NON-CURRENT ASSETS

Goodwill increased in connection with corporate acquisitions by MSEK 22 and amounted to MSEK 142 by year's end (120). In connection with acquisitions, MSEK 15 was allocated to intangible assets in the form of supplier contacts, customer relationships and trademarks. The intangible non-current assets item also includes capitalised expenses for IT systems and capitalised development costs, etc. valued at MSEK 13 (12).

Buildings and land increased during the year by MSEK 11 to MSEK 110 (99). Depreciation amounted to MSEK 3 (3). Properties with a residual value according to plan of MSEK 5 were added during the year in connection with acquisitions.

Machinery decreased by MSEK 6 to MSEK 22 (28) and equipment decreased by MSEK 2 to MSEK 42 (44). Depreciation for these assets amounted to MSEK 7 (7) and MSEK 20 (16), respectively.

INVENTORIES AND ACCOUNTS RECEIVABLE

Inventories stood at MSEK 391 (354) at financial year-end. This is equivalent to 11 percent of net revenues during the most recent quarter of the financial year annualised and corrected for acquisitions (11 percent at the end of the preceding financial year).

Accounts receivable amounted to MSEK 475 (415). which is equivalent to 13 percent of net sales during the most recent quarter of the financial year annualised (13). The Group's working capital of MSEK 534 (495). consisting of inventories and accounts receivable less accounts payable, advance payments to suppliers and bills of exchange payable, was equivalent to 15 percent of net revenues at financial year-end (15).

EQUITY

Equity was unchanged MSEK 465 (465). The change in accounting policy in connection with adoption of IAS 39 Financial Instruments: Recognition and Measurement entailed a decrease in shareholders' equity by MSEK 1. Repurchases of own shares during the year reduced shareholders' equity by MSEK 141 (9). A dividend totalling MSEK 67 (49) was declared. In connection with the acquisition of Insatech, 45,000 class B shares held in treasury were utilised as part payment for the acquisition. Equity thereby increased with MSEK 4. Redemption of personnel options added MSEK 2 in equity. Translation differences amounted to MSEK 8 (0).

LIABILITIES AND PROVISIONS

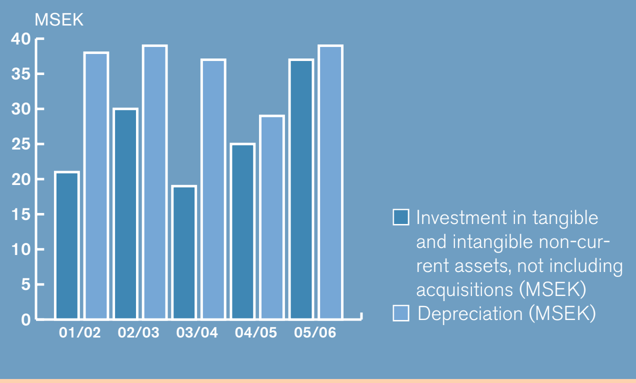
Interest-bearing liabilities increased by MSEK 19 during the year to MSEK 52 (33) and interest-bearing provisions increased by MSEK 7 to MSEK 163 (156). Interest-bearing provisions refer to pension liability.

The Group's net financial liability amounted to MSEK 105 (32) at year-end.

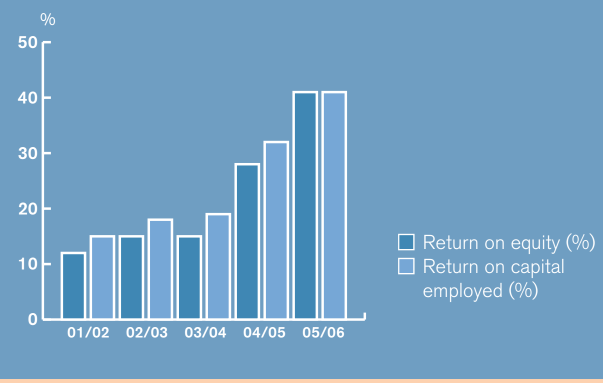
KEY FINANCIAL INDICATORS

The debt equity ratio was 0.2 (0.1) at the end of the year and the equity ratio stood at 33 percent (35).

CAPITAL EXPENDITURES AND DEPRECIAITION



RETURN ON EQUITY AND CAPITAL EMPLOYED



FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	2005/2006	2004/2005
Operating activities			
Income after financial items		264	165
Adjustment for items not included in cash flow	29	50	35
Income tax paid		-57	-31
Cash flow from operating activities before changes in working capital		**257**	**169**
Cash flow from changes in working capital			
Changes in inventories		-16	6
Changes in operating receivables		-33	3
Changes in operating liabilities		57	19
Cash flow from operating activities		**265**	**197**
Investment activities			
Purchase of tangible non-current assets		-32	-18
Sales of tangible non-current assets		1	4
Purchase of intangible non-current assets		-5	-7
Acquisitions of subsidiaries, net liquidity effect	29	-87	-103
Sales of subsidiaries, net liquidity effect	29	5	–
Investments in financial assets		-6	–
Cash flow from investment activities		**-124**	**-124**
Financing activities			
Repurchase of own shares		-141	-9
Options redeemed by personnel		2	3
Loans raised		21	20
Repayment of loans		-6	-3
Other financing		-1	3
Dividend paid to the Parent Company's shareholders		-67	-49
Dividend paid to minority interest		0	0
Cash flow from financing activities		**-192**	**-35**
Cash flow for the year		**-51**	**38**
Liquid funds at beginning of year		159	121
Exchande rate difference in liquid funds		2	0
Liquid funds at year-end		**110**	**159**

CASH FLOW FROM OPERATING ACTIVITIES

Interest received during the year amounted to MSEK 3 (3) and interest paid during the year amounted to MSEK 2 (1). Adjustment for items not included in cash flow includes depreciation and amortisation according to plan in an amount of MSEK 38 (28). There were also other items not affecting cash flow, such as results on sales of non-current assets, and the cost of indexing the pension liability. Taxes paid amounted to MSEK 57 (31). compared to the Group's tax expense of MSEK 70 (46).

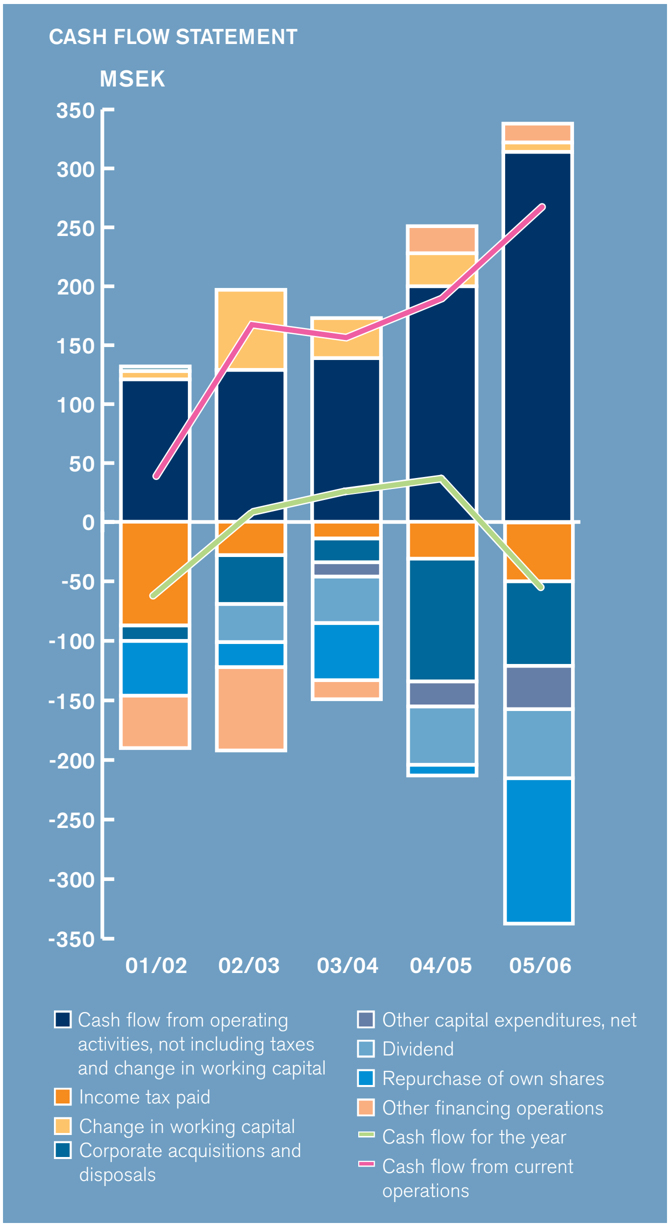
The net working capital of units acquired during the year amounted to MSEK 19 (41). Cash flow from operating activities amounted to MSEK 265 (197).

INVESTMENT ACTIVITIES

The year's investments in tangible and intangible non-current assets amounted to MSEK 37 (25). consisting mostly of office equipment, machinery, equipment for rental and IT systems. Disbursements for acquired businesses, after deduction for liquid funds existing in acquired companies, amounted to MSEK 87 (103). The consolidated cash flow statement has been adjusted for units acquired and disposed of according to the specification in Note 29.

FINANCING ACTIVITIES

Repurchase of own shares entailed a payment of MSEK 141 (9). Dividends to shareholders amounted to MSEK 67 (49). Interest-bearing liabilities increased during the year by MSEK 19 (25). MSEK 3 of which consisted of interest-bearing liabilities in businesses acquired during the year.



Data in the diagram for years 2001/2002 to 2003/2004 not recalculated in accordance with IFRS.

CORPORATE ACQUISITIONS AND DISPOSALS SINCE 1 APRIL 2004

The following corporate acquisitions and disposals have been effected over the past two years:

Date	Acquisition (disposal)	Business area	Revenues (MSEK)*	Number of employees*
2006/07 Q 1	Kurt Wiig	Transmission	25	6
2005/06 Q 4	Abatel	Equipment	30	6
2005/06 Q 3	Insatech	Life Science	75	37
2005/06 Q 2	(Tubex Hydraul)	Transmission	(20)	(15)
2005/06 Q 1	Ervik	Life Science	5	1
2005/06 Q 1	LMT Transmission	Transmission	25	13
2004/05 Q 4	Bergman & Beving MediTech	Life Science	580	237
2004/05 Q 3	BTC Industribatterier	Equipment	20	4
2004/05 Q 2	Carbexgruppen	Transmission	50	24

* Annual revenues and number of employees at time of acquisition (disposal).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the Parent Company's shareholders						
MSEK	Share capital	Other contributed capital	Reserves	Retained earnings incl. income for the year	Total	Minority interest	Total equity
Opening equity 1 April 2004	**53**	**344**	**–**	**-4**	**393**	**4**	**397**
Year's change of restatement reserve	–	–	0	–	0	–	0
Net income for the year	–	–	–	118	118	1	119
Total net wealth change, not including transactions with the Company's owners	**–**	**–**	**0**	**118**	**118**	**1**	**119**
Dividend	–	–	–	-49	-49	0	-49
Reduction of share capital through cancellation	-2	–	–	2	0	–	0
Private placement of class C shares	2	–	–	–	2	–	2
Redemption of class C shares	-2	–	–	–	-2	–	-2
Non-cash issue	–	–	–	4	4	–	4
Options exercised by personnel	–	–	–	3	3	–	3
Repurchase of own shares	–	–	–	-9	-9	–	-9
Closing equity 31 March 2005	**51**	**344**	**0**	**65**	**460**	**5**	**465**

MSEK	Share capital	Other contributed capital	Reserves	Retained earnings incl. income for the year	Total	Minority interest	Total equity
Opening equity 1 April 2005	**51**	**344**	**0**	**65**	**460**	**5**	**465**
Adjustment for changed accounting policy (IAS 39)	–	–	-1	0	-1	–	-1
Adjusted equity 1 April 2005	**51**	**344**	**-1**	**65**	**459**	**5**	**464**
Effect of hedge accounting in accordance with IAS 39	–	–	1	–	1	–	1
Period's translation difference	–	–	8	–	8	–	8
Net income for the year	–	–		193	193	1	194
Total net wealth change, not including transactions with the Company's owners	**–**	**–**	**9**	**193**	**202**	**1**	**203**
Dividend	–	–	–	-67	-67	0	-67
Non-cash issue	–	–	–	4	4	–	4
Options exercised by personnel	–	–	–	2	2	–	2
Repurchase of own shares	–	–	–	-141	-141	–	-141
Closing equity 31 March 2006	**51**	**344**	**8**	**56**	**459**	**6**	**465**

For comments on shareholders' equity, refer to Note 19.

FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

MSEK	Note	2005/2006	2004/2005
Net revenues		28	23
Administrative expenses		-36	-29
Operating income	5-7, 15	**-8**	**-6**
Result from shares in Group companies	10	188	105
Result from other securities and receivables classified as non-current assets	10	–	1
Other interest income and similar items	10	3	3
Interest expense and similar items	10	-5	-3
Income after financial items		**178**	**100**
Year-end appropriations	11	-26	-18
Income before taxes		**152**	**82**
Taxes	12	-20	-15
Net income for the year		**132**	**67**

FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

MSEK	Note	31/3/06	31/3/05
ASSETS			
Non-current assets			
Intangible non-current assets	13	1	1
Tangible non-current assets	14	1	1
Financial non-current assets			
Shares in Group companies	16	921	920
Due from Group companies	16	2	10
Other non-current securities holdings	16	5	–
Deferred tax claim	22	3	–
Other non-current receivables		0	0
Total financial non-current assets		**931**	**930**
Total non-current assets		**933**	**932**
Current assets			
Due from Group companies		197	128
Prepaid expenses and accrued income	18	2	1
Total current receivables		**199**	**129**
Cash and cash equivalents		62	48
Total current assets		**261**	**177**
TOTAL ASSETS	27	**1,194**	**1,109**
EQUITY AND LIABILITIES			
Equity	19		
Restricted equity			
Share capital		51	51
Legal reserve		16	16
Unrestricted equity			
Retained earnings		505	638
Net income for the year		132	67
Total shareholders' equity		**704**	**772**
Untaxed reserves	20	**77**	**51**
Provisions			
Provisions for pensions and similar obligations	21, 27	9	9
Liabilities			
Due to Group companies	24	155	42
Total non-current liabilities	27	**155**	**42**
Liabilities to credit institutions	25	19	20
Accounts payable		1	1
Due to Group companies		195	146
Current tax liabilities		19	14
Other liabilities		2	45
Accrued expenses and prepaid income	26	13	9
Total current liabilities	27	**249**	**235**
TOTAL EQUITY AND LIABILITIES		**1,194**	**1,109**
Pledged assets	28	0	0
Contingent liabilities	28	125	85

FINANCIAL STATEMENTS

PARENT COMPANY CASH FLOW STATEMENT

MSEK	Note	2005/2006	2004/2005
Operating activities			
Income after financial items		178	100
Adjustment for items not included in cash flow	29	-114	-85
Income tax paid		-17	-12
Cash flow from operating activities before changes in working capital		**47**	**3**
Cash flow from changes in working capital			
Changes in operating receivables		8	34
Changes in operating liabilities		6	1
Cash flow from operating activities		**61**	**38**
Investment activities			
Purchase of intangible non-current assets		-57	-222
Sales of subsidiaries		19	34
Investments in financial assets		2	69
Cash flow from investment activities		**-36**	**-119**
Financing activities			
Repurchase of own shares		-141	-9
Options redeemed by personnel		–	3
Loans raised		-1	20
Change in liabilities to Group companies		113	4
Dividend paid		-67	-49
Group contributions received		85	60
Cash flow from financing activities		**-11**	**29**
Cash flow for the year		**14**	**-52**
Liquid funds at beginning of year		48	100
Liquid funds at year-end		**62**	**48**

FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity		Unrestricted equity	
MSEK	Share capital	Legal reserve	Retained earnings incl. year's income	Total equity
Opening equity 1 April 2004	**53**	**14**	**689**	**756**
Net income for the year	–	–	67	67
Total net wealth change, not including transactions with the Company's owners	**–**	**–**	**67**	**67**
Dividend	–	–	-49	-49
Reduction of share capital through cancellation	-2	–	2	0
Private placement of class C shares	2	–	–	2
Redemption of class C shares	-2	–	–	-2
Non-cash issue	–	–	4	4
Options exercised by personnel	–	–	3	3
Transfer to legal reserve	–	2	-2	0
Repurchase of own shares	–	–	-9	-9
Closing equity 31 March 2005	**51**	**16**	**705**	**772**

	Restricted equity		Unrestricted equity	
MSEK	Share capital	Legal reserve	Retained earnings incl. year's income	Total equity
Opening equity 1 April 2005	**51**	**16**	**705**	**772**
Net income for the year	–	–	132	132
Total net wealth change, not including transactions with the Company's owners	**–**	**–**	**132**	**132**
Dividend	–	–	-67	-67
Non-cash issue	–	–	4	4
Options exercised by personnel	–	–	4	4
Repurchase of own shares	–	–	-141	-141
Closing equity 31 March 2006	**51**	**16**	**637**	**704**

For comments on shareholders' equity, refer to Note 19.

RISK AND SENSITIVITY ANALYSIS

RISK AND SENSITIVITY ANALYSIS

Addtech's result and financial position, as well as its strategic position, are affected by a number of internal factors over which Addtech exerts control, and a number of external factors where the possibilities of affecting the course of events are limited.

The most important risk factors for Addtech are the state of the economy, the competitive situation in combination with structural changes and the development of foreign exchange rates.

STATE OF THE ECONOMY

The market in which Addtech is active largely follows the general trend in industry. With the acquisition of Addtech Life Science, the development of the overall economy has increased in importance since the room for capital spending in health care and research is partially influenced thereby. Thanks to industry diversification, which means that Addtech's customers find themselves in different phases of the economic cycle, and focus on a number of niches, Addtech becomes cyclically less sensitive. And since Addtech has significant sales to the aftermarket in the form of technical service, support and consumables, the sensitivity to economic cycles is reduced further.

STRUCTURAL CHANGES AMONG CUSTOMERS

As structural changes and consolidation among customers progress, the requirements for added value in supplier offerings are accentuated. To meet these requirements the units that act outward in the market must be of a certain stature in terms of financial strength, as well as in terms of service content and product offerings. In recent years there has been a clear trend among certain industries to outsource parts of the production to contract manufacturers. This involves a risk as well as an opportunity for Addtech, since the contract manufacturer may choose other suppliers at the same time as new business opportunities may present themselves.

The effects of increased internationalisation, where production is relocated to different countries, has been limited, with the exception of the migration of telecom and electronic industry during the early years of the 2000s. The Group's exposure to a large number of industries, and the fact that no single customer accounts for more than about three percent of the Group's revenue, reduces the effects of a decision of individual companies to relocate. Clear added value and the unique quality of Addtech's offer to the customers lead to opportunities to deliver outside the immediate geographic area.

COMPETITIVE SITUATION

Change and consolidation in the industry is constantly changing the competitive situation. Economies of scale may lead to pricing pressures, but Addtech's strategy includes achieving market-leading positions in specific niches, with an offering of products and services where price is not the sole deciding factor.

FUTURE LEVEL OF CAPITAL SPENDING

During the past three years, aggregate capital spending in tangible non-current assets have amounted to MSEK 81, most of it in IT equipment, machinery and other equipment. Investments in corporate acquisitions amounted to MSEK 210 during the same period. Over time, the most important determinant of the future level of capital spending is therefore the rate of corporate acquisitions.

SEASONAL VARIATIONS

Addtech's business is distinguished by limited exposure to seasonal variations. The business volume normally follows the seasonal pattern of producing industry, which means lower sales during the summer months. Based on a historical pattern, just short of half of the result is generated during the first two quarters, i.e. the period April – September, and just over half during the last two quarters of Addtech's financial year, October – March. Major deviations from this pattern can occur in the event of rapid cyclical changes during a financial year. In individual business areas, such as Addtech Life Science, seasonal variations can be greater.

CHANGES IN THE VOLUME OF SALES

A small volume increment in the various businesses of the Group can be expected to have a positive effect on income at about the same level as the gross margin in each respective business. However, after a certain volume increase, the business will reach a plateau where resources must be expanded. Stepped effects present themselves, which, over time, tend to lower the income effect of incremental business volume to a level approaching the operating margin. In the event of declining volumes, the negative effect on operating income can be assumed to be greater in the short term than the corresponding positive effect resulting from a volume increase. Active measures must be taken to meet the negative effect so that it in the slightly longer term will approach the operating margin. It should also be noted that the Group's different units operate under varying conditions with respect to, for instance, gross margin and resource utilisation. This leads to varying ability of coping with a volume increase within the framework of the existing operations, or reducing resources in the event of a volume decrease. The reported effects shall be seen as an indication only and do not include any effects of offsetting action the Company would take if this were to happen.

Sensitivity Analysis	Change	Effect on operating income MSEK
Income items		
Sales volume	+/-5%	+15/-55
Cost of goods sold	+/-1%	-/+20
Payroll expense	+1%	-7
Overhead, not including payroll costs	+1%	-4

FINANCIAL RISKS

For an account of the Group's financial risks, reference is made to Note 2.

ACCOUNTING POLICIES

ACCOUNTING AND VALUATION POLICIES

GENERAL ACCOUNTING POLICIES AND NEWS

The annual report has been prepared in accordance with EU-approved IFRS (International Financial Reporting Standards) issued by IASB (International Accounting Standards Board) and interpretation statements from IFRIC (International Financial Reporting Interpretations Committee). Recommendation RR 30 Supplementary rules for consolidated financial reporting of the Swedish Financial Accounting Standards Council has also been applied. This financial report is the first complete financial report prepared in accordance with IFRS. For the transition from previously applied accounting principles to IFRS, the Group has applied IFRS 1, which describes how the adoption of IFRS should be reported.

In accordance with its listing agreement with Stockholmsbörsen (the Stockholm Stock Exchange). the Group also provides information about outstanding incentive programs and the benefits of members of senior management.

Note 34 contains a description of how the adoption of IFRS has affected the Group's income, financial position and cash flows. Pursuant to a voluntary exemption in IFRS 1, IAS 39 is not applied to comparative data for 2004/2005, only to data from 1 April 2005 and forward.

PRESENTATION OF ANNUAL REPORT

The financial reports are stated in million Swedish kronor (MSEK) unless otherwise specifically noted. The Parent Company's functional currency is Swedish kronor, which also constitutes the reporting currency for the Parent Company and the Group. Assets and liabilities are reported at historical acquisition values, with the exception of certain financial assets and liabilities, which are valued at fair value. Assets held for sale are reported at the lower of the previously reported value and fair value, after deduction of selling costs.

Preparation of financial reports in accordance with IFRS requires that management makes judgments and estimates, and makes assumptions, that affect the application of the accounting policies and the reported amounts for assets, liabilities, revenue and costs. These estimates and assumptions are based on historical experience and a number of other factors that based on current conditions are deemed to be reasonable. Estimates and assumptions are reviewed on a regular basis.

The annual report is prepared in accordance with IAS 1 Presentation of Financial Statements, inter alia meaning that separate reports are prepared with respect to income and balance, change in shareholders' equity and cash flow, and that an account of accounting policies applied and disclosures is provided in notes.

Assets are divided into current assets and non-current assets. An asset is considered to be a current asset if it is expected to be realised within twelve months form the balance sheet date, or within the company's operating cycle. By operating cycle is meant the time form start of production until the company receives payment for goods or services delivered. The Group's operating cycle is deemed to be less than one year.

If an asset does not fulfil the requirement for current asset, it is classified as a non-current asset.

Offset of receivables and liabilities, and of revenue and costs, is affected only if required or is expressly permitted under IFRS.

In Note 27 assets are divided into those with amounts expected to be recovered within twelve months after the balance sheet date and those later than twelve months after the balance sheet date.

Liabilities are divided into current liabilities and non-current liabilities. As current liabilities are reported liabilities that either are to be paid within twelve months from the balance sheet date, or, but only in the case of operations-related liabilities, those expected to be paid within the operating cycle. Since the operating cycle is taken into account, no interest-bearing liabilities, such as accounts payable and accrued personnel costs, are reported as non-current liabilities.

In Note 27 are reported the amounts of liabilities to be paid within twelve months from the balance sheet date and those to be paid after twelve months from the balance sheet date.

In the Parent Company, group contributions received in lieu of dividends are reported in net financial items. The Parent Company's and the Group's accounting policies are consistent, except in the case of reporting pensions, untaxed reserves and year-end appropriations. The Parent Company's pension costs are calculated in accordance with the Swedish act on securing pension obligations. In the Group, pension costs are calculated in accordance with IAS 19 Employee Benefits. In the Group, untaxed reserves are removed and the tax portion thereof is reported among deferred taxes and the remainder as equity.

Early application of IFRS and interpretations issued or revised during the 2005/2006 financial year

No new IFRS or interpretations have been subject to early application.

New or revised IFRS that will be applied during coming periods

In December 2004, IASB amended the rules in IAS 19 relating to actuarial gains and losses thus that one additional alternative accounting method is offered, namely to consistently carry actuarial gains and losses directly to equity. Addtech has not yet decided if this method of accounting will be adopted.

Except for the effects of possible application of the amended rules in IAS 19, no significant effect is expected to arise with respect to earnings or financial position upon application of the newly issued IFRS and interpretations.

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ACCOUNTING POLICIES

CONSOLIDATED ACCOUNTING

The consolidated accounting conforms with IFRS 3 Business Combinations, and includes the financial statements for the Parent Company and those companies in which the Parent Company, directly or indirectly, has controlling influence. Such influence exists when the Parent Company, directly or indirectly, has the power to govern a company's financial and operative strategies for the purpose of obtaining economic benefits. Normally, this means that the Parent Company holds more the 50 percent of the voting rights.

Share holdings in Group companies have been eliminated in accordance with the purchase method, which briefly means that the identified assets, liabilities and contingent liabilities of the company taken over are valued and entered in the consolidated financial statements as if they had been taken over through a direct purchase and not indirectly via 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 is the case the difference is carried directly to the income statement. Goodwill is determined in local currency and is reported at acquisition value, less any impairment. Consolidated equity includes the Parent Company's equity and that part of the subsidiaries' equity earned after the time of acquisition. Companies acquired and disposed of are consolidated and deconsolidated, respectively, from the date of acquisition or disposal.

Intra-Group receivables and liabilities, and transactions between companies in the Group, as well as unrealised gains in conjunction therewith, are eliminated in their entirety. Unrealised losses are eliminated in the same way as unrealised gains, unless there is a need for an impairment charge.

CURRENCY EFFECTS

Translation of the financial reports of foreign Group companies

Assets and liabilities in foreign businesses, including goodwill and other consolidation surpluses and deficits, are converted to Swedish kronor using the exchange rate prevailing on the balance sheet date. Revenue and costs in foreign businesses are converted to Swedish kronor using the average exchange rate that is an approximation of the exchange rates prevailing at the respective time of transactions. Translation differences that arise in converting foreign businesses are carried directly to equity as a restatement reserve, which contains translation differences accumulated from 1 April 2004, the time for adopting IFRS.

Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency at the transaction day rate of exchange. Monetary assets and liabilities in foreign currency are converted to the functional currency using the balance sheet date rate of exchange. Non-monetary assets and liabilities reported at historical acquisition values are recalculated using the exchange rate at the time of the transaction. Foreign exchange rate differences that arise in conversion are reported in the income statement. Exchange rate differences on operating receivables and operating liabilities are included in the operating result, but exchange rate differences on financial receivables and liabilities are reported among financial items. The Group uses foreign exchange forward contracts to a certain extent to reduce its exposure to foreign exchange rate fluctuations. Foreign exchange contracts are carried at fair value on the balance sheet date.

FINANCIAL ASSETS AND LIABILITIES, BOOKING AND REMOVING

All financial instruments are carried in the balance sheet. A financial asset or financial liability is entered in the balance sheet when the Company becomes party to the terms and conditions of the instrument. Accounts receivable are entered in the balance sheet when and invoice has been sent. A liability is entered when the counterparty has performed 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 obligation in the contract is fulfilled, ceases to exist or the company loses control over it. A financial liability (or part thereof) is removed from the balance sheet when the obligation in the contract is fulfilled, or ceases to exist in some other way.

FINANCIAL ASSETS AND LIABILITIES, VALUATION AND CLASSIFICATION

Financial instruments are valued and accounted for in the Group in accordance with the rules in IAS 39.

Financial instruments are initially accounted for at acquisition value, equivalent to the instrument's fair value, plus transaction costs for all financial instruments except those that belong to the category financial assets reported at fair value via the income statement. Financial instruments are thereafter accounted for depending on how they have been classified as outlined below.

IAS 39 classifies financial instruments in a number of categories. The classification depends on the purport behind the acquisition of the financial instrument. The categories below are relevant for the Addtech Group:

Financial assets at fair value via the income statement

This category consists of two sub-groups: available-for-sale financial assets and other financial assets the company initially chooses to place in this category. Derivatives are classified as available-for-sale holdings, except when they are used for hedge accounting (see below). Assets in this category are valued on a current basis at fair value with changes in value accounted for in the income statement. For Addtech, it is primarily derivatives in the form of currency clauses and foreign exchange forward contracts that are included in this category.

Loans and accounts receivable

"Loans and accounts receivable" are financial assets that constitute derivatives with fixed payments, or with payments that can be determined, and which are not quoted in an active market. Assets in this category are valued at accrued acquisition value.

Accounts receivable are reported at the amount expected to be collected, after deduction for doubtful credits, which are assessed individually. The term of accounts receivable is short so the value is reported at nominal amount without discounting to present value. Impairment of accounts receivable is accounted for in operating costs.

Financial liabilities valued at fair value via the income statement

This category includes available-for sale liabilities with the primary purpose of generating profit, and derivatives with negative values. Assets in this category are valued on a current basis at fair value with changes in value accounted for in the income statement. For Addtech, it is mostly derivatives in the form of currency clauses and foreign exchange forward contracts that are included in this category.

Other financial liabilities

Not available-for-sale financial liabilities are initially reported at amount received after deduction of transaction costs. Subsequent valuation is performed at accrued acquisition value.

Accounts payable are included in this category and are valued at nominal amount without discounting to present value.

Derivatives and hedge accounting

Derivative instruments include currency clauses, foreign exchange forward contracts, options and swaps used to cover foreign exchange rate fluctuation risks and exposure to interest rate risks. Changes in the value of derivative instruments are accounted for in the income statement based on the purport of the holding. In cases where derivatives are used for hedge accounting, changes in value are accounted for on the same line and at the same time in the income statement as the hedged item.

Even if hedge accounting is not practised, increases and decreases in value of the derivative are reported as revenue and cost, respectively, in the operating result or in net financial items based on the purport with the use of the derivative instrument and whether the use is related to an operating item or a financial item. The change in value of the call option relating to Addtech shares acquired to handle the effects of social benefit fees under the personnel option programme is reported as other operating income/ other operating expense.

In the case of hedge accounting, the ineffective portion is reported in the same way as changes in value of derivatives not used for hedge accounting.

Transaction exposure — cash flow hedging

Foreign exchange exposure relating to future contracted and forecasted flows are hedged either through currency clauses in customer and supplier contracts, or by foreign exchange forward contracts/currency options. These derivatives, which protect the forecasted flow, are reported in the balance sheet at fair value. Changes in value are accounted for directly against equity in the hedging reserve until the hedged flow strikes the income statement, whereupon the accumulated change in value of the hedging instrument is transferred to the income statement, where it will meet and match the result effects from the hedged transactions.

Net investments in foreign subsidiaries

Investments in foreign subsidiaries (net assets including goodwill) are currently not hedged.

FINANCIAL ASSETS AND LIABILITIES, CLASSIFICATION

Liquid funds

Liquid funds consist of cash and immediately available balances with banks and equivalent institutions, and short-term, liquid investments with a term from the time of acquisition of less than three months, which are subject to only a minimal risk of fluctuation in value.

Financial investments and short-term investments

Financial investments are classified either as financial non-current assets or short-term investments depending on the purport of the holding. If the term or the expected period of holding is longer than one year, the financial assets are considered to be non-current assets, and if they are shorter than one year, short-term investments.

Non-current receivables and other current receivables

Non-current receivables and other current receivables are receivables that arise when the company provides funds without intention of trading in the credit instrument. If the anticipated holding period is longer than one year, they constitute non-current receivables and if they are shorter they constitute current receivables.

Liabilities

Non-current liabilities have an anticipated term exceeding one year while current liabilities have a term of less than one year.

ACCOUNTING POLICIES

TANGIBLE NON-CURRENT ASSETS

According to IAS 16 Property, Plant and Equipment, tangible non-current assets are carried at acquisition value, less accumulated depreciation according to plan and any impairment. The acquisition value includes the purchase price including customs duties and excise taxes as well as costs directly attributable to the asset to bring it to the location in a condition where it can be utilised in accordance with the intention of the acquisition. From the purchase price is deducted rebates, discounts, etc. Examples of directly attributable costs included in the acquisition value are shipping and handling costs, installation, legal ratification and consulting services.

Additional expenditure for a tangible non-current asset is added to the acquisition value only to the extent it increases the future economic benefits. All other expenditure, such as expenditure for repair and maintenance, is expensed on a current basis. Crucial to the decision as to when an incremental expenditure can be added to the acquisition value is whether or not the expenditure refers to replacement of identifiable components, or parts thereof. If such is the case the expenditure is capitalised. Also in cases where a new component has been created, the expenditure is added to the acquisition value. Any not yet depreciated reported values of replaced components, or parts of components, are disposed of and expensed in connection with the replacement.

The acquisition value does not contain any borrowing costs, which instead are charged to income in the period to which they refer, regardless of how the loan proceeds were applied. Impairment is accounted for in accordance with IAS 36 Impairment of Assets.

Depreciation according to plan is effected on a straight-line basis based on the estimated useful life of the asset and taking any residual value at the end of that period into account.

Tangible non-current assets	Period of use, years
Buildings	15-100
Land improvements	20
Leasehold improvements	3-5
Machinery	3-10
Equipment	3-5

Tangible non-current assets consisting of parts with varying periods of use are treated as separate components.

The reported value of a tangible non-current asset is removed from the balance sheet upon disposal or sale, or when no future economic benefits are expected to be derived from its use. Gains or losses realised upon sale or disposal of an asset consist of the difference between the selling price and the reported value of the asset, less direct selling costs. Gains or losses are accounted for as other operating income/expense.

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LEASING

IAS 17 Leases differentiates between financial and operating leases. A financial lease contract is characterised by the fact that the economic benefits and risks associated with ownership in all essential respects have passed to the lessee. Where that is not the case, the lease is an operating lease.

Significant financial lease contracts are reported as non-current assets, initially valued at the present value of minimum leasing fees when the lease is entered into. On the liability side the present value of the remaining future lease payments are recorded as interest-bearing current and non-current liabilities. The asset is depreciated over the value in use, which normally corresponds to the lease period, and taking any residual value at the end of the period into account. A test for impairment is performed in accordance with IAS 36 Impairment of Assets. Lease payments are divided into interest and repayment of the liability. Other lease obligations are accounted for in accordance with the rules for operating leases, which means that leasing fees are expensed on a straight-line basis over the lease period as an operating expense.

INTANGIBLE NON-CURRENT ASSETS

Intangible non-current assets are accounted for in accordance with IAS 38 Intangible Assets at acquisition value, less accumulated amortisation according to plan and is divided into goodwill and Other intangible non-current assets. Impairment of intangible assets is accounted for in accordance with IAS 36 Impairment of Assets.

An intangible asset is an identifiable non-monetary asset without physical substance and which is used for marketing, production or supplying of goods or services, or for rental and administration. In order to be accounted for as an asset, it must both be probable that the future economic benefits attributable to the asset will enure to the benefit of the company and that the acquisition value can be calculated in a reliable manner.

Additional expenditure for an intangible asset is added to the acquisition value only to the extent it increases the future economic benefits, which exceeds the original assessment, and to the extent the expenditure can be calculated in a reliable manner. All other expenditure is expensed as incurred.

Goodwill represents the difference between the acquisition value in connection with a corporate acquisition and the fair value of acquired assets, assumed liabilities and contingent liabilities.

In the case of acquisitions that took place before 1 April 2004, goodwill after provision for impairment has been reported at an acquisition value that corresponds to fair value according to previously applied accounting principles. Classification and the accounting treatment of corporate acquisitions that took place before 1 April 2004 have not been retested in accordance with IFRS 3 when preparing the Group's opening balance as of 1 April 2004 in accordance with IFRS.

ACCOUNTING POLICIES

Goodwill and intangible non-current assets with indefinable period of use are valued at acquisition value, less any accumulated impairment. Goodwill and intangible non-current assets with indefinable period of use are distributed to cash-generating units and is not amortised, but is instead tested for impairment on an annual basis.

Intangible assets aside from goodwill are reported at original acquisition value, less accumulated amortisation and any impairment. Amortisation is performed on a straight-line basis and is based on the period of use of the assets, which is reviewed on an annual basis. Periods of use are based on historical experience of use of similar assets, area of application and also other specific features of the asset.

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

Only expenditure for such research and development that has the effect that the intangible asset fulfils the recommendation's criteria for capitalisation can be recorded as an asset. Other expenditure for research and development is reported as costs directly in the income statement as incurred.

Expenditure for internally generated goodwill and trademarks is reported in the income statement as an expense as incurred.

Intangible non-current assets	Period of use, years
Capitalised development projects	3
Software for IT operations	3-5
Trademarks	Indefinable
Supplier relationships	25-33
Technology	5-15
Customer relationships	5-10

Goodwill, trademarks and all Other intangible assets with an indefinable period of use are tested for impairment on an annual basis, or as soon as there are indications that the asset in question has diminished in value.

IMPAIRMENT

The reported values of the Group's assets are checked on each balance sheet date to determine if there are any indications of impairment. If such indication exists, impairment is recognised after calculation of the recoverable amount, which is the higher of an asset's net realisable value and its value in use. Impairment is charged if the recoverable value is less than the reported value. The value in use is calculated as the present value of all future payments that the company is expected to receive by using the asset. The estimated residual value at the end of the period of use is included in the value in use. If the recoverable value of an individual asset cannot be determined, the recoverable value is instead set at the recoverable value for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that may give rise to current payment surpluses independent of other assets or groups of assets. Consolidated goodwill is attributable to the cash-generating unit to which the goodwill is linked. Reversals of impairment occur when the premises, wholly or partially, for impairment no longer exist. However, this does not apply to goodwill and intangible non-current assets with indefinable period of use.

For goodwill and Other intangible assets with undeterminable period of use that are not yet ready for use, the recoverable value is calculated annually. Goodwill and Other intangible assets with undeterminable period of use were tested for impairment as of 1 April 2005 even though there was no indication of impairment at the time.

INVENTORIES

Inventories are carried at the lower of acquisition value and net realisable value, with due consideration to risk of obsolescence. The acquisition value is calculated using the first-in-first-out (FIFO) principle, or using weighted average prices.

In the case of goods fully- and semi-manufactured in house, the acquisition value consists of direct manufacturing costs and a reasonable portion of indirect manufacturing costs. Normal capacity utilisation is assumed in the valuation.

SHAREHOLDERS' EQUITY

When own shares are repurchased the purchase money in its entirety reduces shareholders' equity. Proceeds from the sale of equity instruments are reported as an increase of shareholders' equity. Any transaction costs are accounted for against equity.

EMPLOYEE BENEFITS

Employee benefits are reported in the consolidated financial statements in accordance with IAS 19 Employee Benefits.

Employee benefits after termination of employment, pension obligations

The recommendation differentiates between defined contribution pension plans and defined benefit pension plans. In defined contribution plans the company pays stipulated fees to a separate legal entity and has no obligation to pay additional fees. The Group's result is charged at the rate at which the benefits are earned. In defined benefit pension plans benefits are paid to the employees and former employees based on salary at the time of retirement and the number of years of service. The Group bears the risk for payment of promised benefits.

Defined benefit pension plans are both funded and unfunded. In cases when the plans are funded, assets have been segregated, so-called managed assets. These managed assets can only be used to pay benefits in accordance with the pension agreements. In the balance sheet is reported the net of estimated present value of the obligations and the fair value of the managed assets, either as a provision or as a non-current financial receivable. In cases 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 reported. A surplus in one plan is offset against a deficit in another plan only if the company has a right to utilise a surplus in one plan to offset a deficit in another plan, or if the obligations are intended to be settled on a net basis.

The pension cost and the pension obligation for defined benefit pension plans is calculated in accordance with the so-called 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 right to future benefits. The intention is that expected future pension payments shall be expensed in a manner that provides an even cost over the employee's period of employment. Expected future salary increases and expected inflation are taken into consideration in the calculation. The company's obligation is calculated annually by independent actuaries. The obligation consists of the present value of expected future payments. The discount rate used is equivalent to the interest rate on investment grade corporate bonds, or, alternatively, government bonds with a term equivalent to the average term of the obligations and the proceeds.

When determining the present value of pension benefit obligations and the fair value of managed assets, actuarial gains and losses may arise, either because the actual outcome differs from previously made assumptions, or because assumptions were changed. In order to avoid major changes in pension costs between years, changes within certain limits (the so-called corridor) are disregarded in the income statement and the balance sheet. The corridor means that actuarial gains and losses affect the Group's income only to the extent they exceed the higher of 10 percent of the present value of the pension obligation and 10 percent of the fair value of the managed assets. The portion of the accumulated actuarial gains and losses, at the end of the preceding year, that exceeds 10 percent of the present value of the largest obligations and the fair value of managed assets is reported in the income statement over the expected average remaining service period of the employees covered by the plan. The reported return on the managed assets refers to the return at the beginning of the year and therefore normally differs from the actual return during the year. The difference is an actuarial gain or loss.

A portion of the Group's defined benefit pension obligations have been financed by premiums to Alecta. Since the required information cannot be obtained from Alecta, these pension obligations are reported as a defined contribution pension plan.
Taxes payable on pension cost, e.g. the Swedish payroll tax, have been taken into account when the pension obligations have been recalculated as described above.

Share-based payments

In accordance with IFRS 1 transition provisions, Addtech's personnel option programme is not accounted for in accordance with IFRS 2 for other than options newly granted during the period, which during the year have been re-distributed within the framework of the originally resolved personnel option programme. Newly awarded personnel options are expensed on a current basis until the end of the vesting period. The options were valued at fair value at the time granted with the aid of the Black-Scholes model.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is set aside in the balance sheet when the company has a formal or informal obligation as a consequence of a transpired event, and where it is probable that an outflow of resources will be required to settle the obligation, and an accurate assessment of the amount can be made. Where the effect is significant, a present value computation of the provision is made.

Provisions are set aside for future costs due to warranty undertakings. The calculation is based on expenditure during the financial year for similar undertakings or the calculated costs for each respective undertaking.

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

Contingent liabilities are reported as a memorandum item when there is a possible undertaking emanating from events that have occurred, and the existence of which are confirmed only by the occurrence or non-occurrence of one or more future uncertain events that are not entirely within the Company's control. As contingent liability is also reported obligations emanating from events that have occurred, but which are not reported as a liability or provision because it is unlikely that an outflow of resources will be required to settle the undertaking, or that the size of the undertaking cannot be determined with sufficient accuracy.

REVENUE RECOGNITION

Sales revenue and revenue from current projects are reported in accordance with IAS 18 Revenue. The actual value of what has been received, or what will be received, is recorded as sales revenue. The company therefore reports revenue in accordance with invoice amount if the company receives compensation directly in conjunction with delivery. Deductions are made for value added tax, returns, discounts and price reductions. Revenue from the sales of goods is recognised when certain requirements have been satisfied. These requirements are that the significant risks and benefits associated with ownership of the goods have been transferred to the buyer; that the selling company retains no engagement in the current management, nor exercises any real control over the goods sold; that revenue can be calculated in an accurate manner; that it is probable that the economic benefits derived by the company by the transaction will enure to the benefit of the company; and that expenditure incurred, or expected to be incurred, as a result of the transaction can be calculated in an accurate manner.

Revenue from projects in progress is reported gradually as projects are completed. The degree of completion is based on the proportion of sunk costs relative to total costs for the project at the end of the period. If the costs to complete such a contract are estimated to exceed remaining revenue, a provision is set aside to cover the estimated loss.

Rental income is recorded on a straight-line basis in the income statement based on the terms of the lease.

FINANCIAL INCOME AND EXPENSES

Interest income on receivables and interest expense on liabilities are computed using the effective rate method. The effective interest rate is the rate that makes the present value of all future payments and disbursements during the period of fixed interest equal to the reported value of the receivable or liability. Issuing costs and similar direct transaction costs to raise loans are charged to income in the period to which they are attributable, regardless of how the borrowed funds are applied. The Group does not capitalise interest in the acquisition cost of assets. Interest income includes any rebates, premiums and other differences between the original value of the receivable and the amount received upon maturity on an accrual basis.

Interest and dividends are recorded as revenue when it is probable that the economic benefits associated with the transaction will enure to the benefit of the company and that the income can be calculated in an accurate manner. Interest income is recorded applying the interest rate that generates an even return on the asset in question. Dividend income is recorded when the shareholder's right to receive the dividend is deemed to be certain.

INCOME TAXES

Reporting of income tax is in accordance with IAS 12 Income Taxes. Recording is performed in the income statement, except when the underlying transaction is carried directly to equity, in which case the appurtenant tax effect is also accounted for in equity, in which case the tax effect is reflected in equity. Current taxes refer to taxes for the current year that are to be paid or refunded. Adjustments of current taxes attributable to prior periods also belong here. Deferred taxes are computed according to the balance sheet method based on temporary differences between reported values and values for tax purposes of assets and liabilities. The amounts are computed based on how the temporary differences are expected to be settled and applying the tax rates and tax rules in effect or announced as of the balance sheet date. Temporary differences are not taken into account for consolidated goodwill, nor in differences attributable to shares in subsidiaries and affiliated companies owned by Group companies outside Sweden not expected to be taxed in the foreseeable future. In the consolidated financial statements untaxed reserves are allocated to deferred tax liability and shareholders' equity. Deferred tax claims relating to deductible temporary differences and tax loss carry-forwards are reported only to the extent it is probable that they will entail lower tax payments in the future.

SEGMENT REPORTING

The Group's business is described in accordance with IAS 14 Segment Reporting – operating segments and geographic areas. Operations are divided in accordance with the recommendation into primary and secondary segments. Assets and liabilities and revenue and costs are attributed to the segment where they are used, earned and consumed, respectively.

The division into primary segments is based on the business area organisation according to which the Group's operations are managed and followed up. These are Addtech Components, Addtech Transmission, Addtech Equipment and Addtech Life Science. Businesses that do not belong to these business segments are included under the heading Parent Company/Group functions/eliminations.

The division into secondary segments is based on the countries in which the Group conducts business. These countries are Sweden, Finland, Denmark, Norway and Other countries.

EARNINGS PER SHARE

Earnings per share are reported in direct conjunction with the income statement.

If the number of shares outstanding is changed during the year, a weighted average of the number of shares outstanding during the period is computed. Estimated dilutive effect as a consequence of outstanding personnel options is taken into account.

CASH FLOW STATEMENT

The indirect method in accordance with IAS 7 Cash Flow Statements is applied for compiling the cash flow statement. Aside from cash and bank flows, short-term investments with term of less than three months, the conversion of which to bank funds can be effected in an amount known beforehand, are classified as liquid funds.

EVENTS AFTER THE BALANCE SHEET DATE

Events that occur after the balance sheet date, but where the circumstances existed on the balance sheet date, have been taken into account in the financial statements. If significant events occur after the balance sheet date, but do not affect income and the financial position, the account of the event will be under a separate heading in the annual report and in a note.

RELATED PARTY DISCLOSURES

Information about transactions and agreements with closely related companies and individuals is reported in accordance with IAS 24 Related Party Disclosures as the case may be. In the consolidated financial statements, intra-group transactions fall outside of the reporting requirement.

CHANGE IN ACCOUNTING PRINCIPLE

When there is a change in accounting principle, comparative data are recalculated unless otherwise prescribed by IAS 8 Accounting Policies, Changes in Accounting Estimates, and Errors. In the event that the change in accounting principle has an effect on shareholders' equity, this is reported on a separate line in the summary of changes in shareholder' equity.

GOVERNMENT GRANTS

By government grants are meant support from the government in the form of transfers of resources to a company in exchange for the company's fulfilment of certain conditions regarding its business.

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

THE ANNUAL ACCOUNTS ACT

The Swedish Annual Accounts Act contains requirements for more information compared to IFRS, including information about absence due to illness among employees and distribution according to gender on the Board of Directors and in senior management.

Data on gender distribution refers to the situation on the balance sheet date. By members of the Board of Directors are meant directors elected by a general meeting of shareholders in the Parent Company and in business area parent companies reporting directly to the Parent Company. By members of senior management are meant Group management, presidents, executive vice presidents and management groups in the Group's companies.

ACCOUNTING POLICIES OF THE PARENT COMPANY

The Parent Company applies the same accounting policies as the Group except in those cases where the Swedish Annual Accounts Act and the Swedish act on securing pension obligations prescribes a different application in the Parent Company.

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RR 32 Accounting for legal entities of the Swedish Financial Accounting Standards Council. RR 32 prescribes that the Parent Company in the annual accounts for legal entities must apply all IFRS approved by EU, and all statements to the greatest extent possible within the framework of the Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation spells out which exceptions from and additions to IFRS that must be made.

Shares in Group companies are reported in the Parent Company in accordance with the purchase method. As revenue is reported dividends received on the condition that these emanate from funds earned after the acquisition.

The Swedish act on securing pension obligations is applied to the calculation of defined benefit pension plans; not IAS 19. The most significant differences compared to the rules of IAS 19 is how the discount rate is determined, that the calculation of the defined benefit obligation is performed based on the current salary level without assumption of future salary increases, and that actuarial gains and losses are reported via the income statement as incurred.

Untaxed reserves are reported in the Parent Company including deferred tax liabilities, and not as in the Group allocated to deferred tax liability and equity.

Group contributions and shareholder contributions are reported in the Parent Company in accordance with the statement form the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council (URA 7 Group contributions and shareholder contributions).

Changes in the Parent Company's accounting policies are reported in accordance with the transitional provisions for each respective standard, alternatively in accordance with the rules of IAS 8.

NOTES

Amounts in MSEK unless otherwise specifically stated.

NOTE 1 Important estimates and judgments

The reported values of certain assets and liabilities are partially based on judgements and estimates. This applies particularly to the need for charging impairment to goodwill (Note 13). tangible non-current assets (Note 14) and defined benefit pension obligations (Note 21). Estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and expectations regarding future events that under prevailing circumstances are deemed reasonable.

Tests are performed on an annual basis to determine if goodwill has suffered any impairment. The recovery value of cash-generating units has been determined by calculating the value in use. For these calculations certain estimates must be made.

The Group determines the estimated period of use and hence the period of depreciation for machinery and equipment. Estimates are based on expected period of use of the asset and their technical and commercial life expectancy.

A major portion of the Group's pension obligations for salaried employees and employees insured collectively in Alecta. Since it is currently not possible to obtain data from Alecta on the Group's share of obligations and managed assets, the pension plan written by Alecta must be reported as defined contribution plan. The solvency margin reported by Alecta does not indicate there is a deficit, but detailed information about the size of the pension obligation cannot be obtained from Alecta.

The present value of pension obligations reported as defined benefit plans depends on a number of factors that are determined on an actuarial basis with the help of a number of assumptions. The assumptions used to determine the present value of the obligation include the discount rate and future salary increases. Each change in these assumptions will affect the reported value of the pension obligations.

NOTE 2 Financial risks and risk management

Goals and policy for risk management

Addtech seeks to attain structured and effective management of the financial risks that arise in the business, which is expressed in the financial policy adopted by the Board of Directors. The policy contains goals and guidelines for how risk management is to be handled, and limits for how to contain risks. The financial policy expresses the ambition of limiting or eliminating the financial risks. The policy defines and identifies risks that exist in Addtech and how the responsibility for managing these risks is distributed within the organisation. The financial risks defined in the financial policy are transaction exposure, translation exposure, financing risk, interest risk and credit & counterparty risk. Operative risks, i.e. risks that relate to current operations, are managed by each respective subsidiary's management in accordance with principles approved by the Group's Board of Directors and Group management. Risks such as translation exposure, financing risk and interest risk are managed by the Parent Company, Addtech AB.

Currency risks

Currency risk is defined as the risk for a negative effect on earnings due to changes in foreign exchange rates. For Addtech, currency risk arises as a consequence of future payment flows in foreign currency and also since parts of consolidated equity consists of net assets in foreign subsidiaries, so-called translation exposure.

Transaction exposure

The Group's currency flows are mainly attributable to importation from Europe, Asia and North America. During the year the Group's payment flows in foreign currency were distributed as follows:

	Currency flows, gross 2005/2006		Currency flows, net	
	Inflows	Outflows	2005/2006	2004/2005
EUR	430	880	-450	-100
USD	70	200	-130	-60
JPY	85	130	-45	-50
CHF	5	45	-40	-25
GBP	30	65	-35	-25

The effects of exchange rate fluctuations are eliminated through purchases and sales in one and the same currency, through currency clauses in customer contracts and, to some degree, by forward purchases and sales of currencies. Currency clauses are a common method in the industry for handling the uncertainty associated with future cash flows in foreign currency. A currency clause means that compensation is paid for changes in the exchange rate that exceeds a certain predefined level during the contract period. Where these thresholds are not reached, for example when the exchange rate change is less than 2 percentage points, there is no compensation. 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 and declines, respectively, more than the predefined threshold levels.

NOTE 2 cont'd

More than half of the Group's net revenues are covered by currency clauses or sale in the same currency as the purchase currency. In certain transactions there is direct link between the order from the customer and the relevant purchase order, which constitutes a good basis for effective exchange rate risk management. In many cases, however, there is a difference in time between when these orders are placed and, which may reduce the effectiveness of measures taken.

The net realizable value of foreign exchange forward contracts has been calculated with the aid of current forward rates at the accounting period end and the average remaining term. The extent of outstanding foreign exchange forward contracts was limited at the end of the financial year.

Currency flows in the Parent Company are mainly in SEK.

Translation exposure

The translation exposure of the Addtech group is currently not hedged. The Group's equity in foreign subsidiaries is divided among different currencies as follows:

	Nominal amount	Sensitivity analysis, +/– 5 % in exchange rate has this effect on The Group' equity
DKK	206.8	10.3
EUR	103.8	5.2
GBP	17.5	0.9
NOK	49.1	2.5
PLZ	13.0	0.7

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

Exchange rate	Average rate		Closing day rate	
	2005/2006	2004/2005	31/3/06	31/3/05
DKK 100	125.41	122.33	125.95	122.65
EUR 1	9.35	9.10	9.40	9.14
NOK 100	117.51	109.99	117.95	111.55
GBP 1	13.71	13.35	13.49	13.27
PLZ 1	2.36	2.10	2.39	2.23
USD 1	7.68	7.24	7.74	7.06
JPY 1000	67.90	67.38	65.95	65.90
CHF 1	6.03	5.91	5.95	5.90

Financing risk

Financing risk is defined as the risk that the Group's need for financing cannot be met. To ensure sufficient future financing, an amount exceeding by 20 percent the estimated capital need must be secured in the form of available liquid funds or binding credit agreements. As of 31 March 2006, the Group's contracted unutilised credit commitments in excess of contractual committed credit facilities (see Note 25) amounted to MSEK 330 (330).

The Parent Company is responsible for the Group's non-current financing as well as its supply of liquidity. The Group's non-current and current interest-bearing liabilities are shown in Notes 24 and 25.

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

The fair value of the currency swaps has been calculated using forward exchange rates at the time of the closing of the financial statements and the average remaining term of the currency swaps.

Currency swaps outstanding

As of 31 March 2005 there were no outstanding currency swaps in the Group.

	31/3/06		
	Nominal amount, original currency	Book value, MSEK	Average remaining term
EUR thousand	1,500	14	10 days
DKK thousand	20,000	25	20 days

The change in value of currency swaps is recorded on a current basis in the consolidated and the Parent Company's income statements.

NOTE 2 cont'd

Interest rate risk

Interest rate risk is defined as the risk for negative effects on income due to changes in the general interest rate level. Addtech is generally exposed to interest rate risk in its portfolio of liabilities. Aside from the pension liability, the interest-bearing external liability amounts to MSEK 52. Addtech's exposure to interest rate risk is thus limited.

Addtech's assets are of a rather short-term nature. All investments must have a tenor of less than six months. As of 31 March 2006 there were no short-term investments.

In order to achieve favourable matching of the interest rate risk, Addtech's financial policy prescribes that a maximum of 50 percent of the portfolio of liabilities, not including the pension liability, should have a period of fixed interest exceeding one year. Loans at a fixed rate of interest amounted to MSEK 1.1 as of 31 March 2006.

At year-end the average interest rate on interest-bearing assets was 2.37 percent (1.43). The corresponding data for the Parent Company was 3.37 (2.18).

The average rate of interest at year-end for all of the Group's interest-bearing liabilities (not including pension liability) was 2.92 percent (2.92). The corresponding data for the Parent Company was 2.00 percent (1.83).

Credit and counterparty risks

Credit risk is defined as the risk that Addtech's counterparties fail to fulfil their contractual obligations. Addtech is exposed to credit risk in its financial dealings, that is in investing its surplus liquidity and when engaging in currency forward transactions, and also in its commercial business in connection with accounts receivable and advance payments to suppliers.

Addtech's finance department is responsible for evaluating and managing the financial credit risk. The finance policy prescribes that surplus liquidity may be only placed with counterparty with a very high rating. As in prior years, no other counterparties than Swedish banks were utilised during 2005/2006 aside from the Group's normal bank contacts for investing surplus liquid funds.

In order to utilise its subsidiaries' detailed knowledge about Addtech's customers and suppliers, credit evaluation for the commercial business is handled by each respective company. New customers are examined before credit is granted and set credit limits are strictly enforced. Short credit periods are strived for and the lack of concentration to individual customers and specific sectors contributes to minimising risks. No individual customer accounts for more than 3 percent of the total credit exposure seen over a one-year period. The corresponding percentage for the 10 largest customers is approximately 12 percent. The exposure by customer segment and geographic market is shown in the presentation on pages 1 and 58. Bad debt losses during the year amounted to MSEK 1.2 (3.5). equivalent to 0.0 percent of net revenues (0.1).

Valuation at fair value

The book value of financial assets and liabilities essentially corresponds to fair value.

NOTE 3 Net revenues by type of revenue

	2005/2006	2004/2005
OEM		
Components	1,709	1,525
Products for end users		
Components	882	595
Machinery/instruments	280	104
Materials	353	119
Services	138	79
Total	**3,362**	**2,422**

OEM components are built into the product that Addtech's customer produces. OEM stands for Original Equipment Manufacturer. Products for end users are for all other uses.

Other types of revenue such as dividends and interest income are reported among financial items, see Note 10.

NOTE 4 SEGMENT REPORTING

The division into business areas reflects Addtech's internal organisation and reporting systems. Addtech reports business areas as its primary segments. The four business areas are Addtech Components, Addtech Transmission, Addtech Equipment and Addtech Life Science. Geographic markets are reported as secondary segments. The market grouping made reflects the natural definition of markets in the Group. Intra-Group sales are based on pricing that an independent party would have paid for the product. MSEK 28 (23) of the Parent Company's net revenues refer to Group Companies. The Parent Company made no purchases from subsidiaries during the year.

A. PRIMARY SEGMENTS

Net revenues	2005/2006			2004/2005		
	External	Internal	Total	External	Internal	Total
Components	888	1	889	801	1	802
Transmission	1,051	3	1,054	891	3	894
Equipment	748	0	748	730	0	730
Life Science	675	0	675	–	–	–
Parent Company and consolidation items	–	-4	-4	0	-4	-4
Total	**3,362**	**0**	**3,362**	**2,422**	**0**	**2,422**

Operating income, Assets och Liabilities	2005/2006			2004/2005		
	Operating income	Assets[1]	Liabilities	Operating income	Assets[1]	Liabilities
Components	90	284	153	71	258	132
Transmission	108	399	185	63	362	154
Equipment	45	239	132	40	210	122
Life Science	34	328	139	–	280	108
Parent Company and consolidation items	-6	176	352	-4	220	349
Total	**271**	**1,426**	**961**	**170**	**1,330**	**865**

[1)] Not including transactions on Group accounts and financial transactions between Group companies.

Investment in non-current assets	2005/2006			2004/2005		
	Intangible	Tangible	Total	Intangible	Tangible	Total
Components	–	3	3	1	7	8
Transmission	–	8	8	–	7	7
Equipment	0	9	9	1	3	4
Life Science	0	11	11	–	–	–
Parent Company and consolidation items	5	1	6	5	1	6
Total	**5**	**32**	**37**	**7**	**18**	**25**

NOTE 4 cont'd

Depreciation of non-current assets	2005/2006			2004/2005		
	Intangible	Tangible	Total	Intangible	Tangible	Total
Components	1	4	5	1	5	6
Transmission	1	12	13	0	14	14
Equipment	0	5	5	0	6	6
Life Science	3	8	11	–	–	–
Parent Company and consolidation items	2	2	4	1	2	3
Total	**7**	**31**	**38**	**2**	**27**	**29**

Significant expenses other than depreciation and amortisation not giving rise to payments 2005/2006	Addtech Equipment	Addtech Transmission	Addtech Components	Addtech Life Science	Parent Company and consolidation items	Total
Capital gains	–	1	0	0	–	1
Capital losses	0	0	–	-3	0	-3
Change in pension liability	0	-1	-6	0	0	-7
Other items	0	0	-1	-1	–	-2
Total	**0**	**0**	**-7**	**-4**	**0**	**-11**

B. SECONDARY SEGMENTS

By geographic market	2005/2006		2004/2005	
	Net revenues external	Assets[1]	Net revenues external	Assets[1]
Sweden	1,596	693	1,247	746
Denmark	538	235	366	162
Finland	543	167	414	151
Norway	281	110	83	65
Other countries	404	58	312	43
Parent Company, consolidation items and unallocated assets	–	163	–	163
Total	**3,362**	**1,426**	**2,422**	**1,330**

[1] Not including transactions on Group accounts.
External revenue is based on where the customers are located.
Reported asset values are based on where the assets are located.

Investment in non-current assets	2005/2006			2004/2005		
	Intangible	Tangible	Total	Intangible	Tangible	Total
Sweden	5	11	16	7	9	16
Denmark	–	10	10	–	6	6
Finland	0	3	3	–	2	2
Norway	–	1	1	–	0	0
Other countries	–	7	7	–	1	1
Total	**5**	**32**	**37**	**7**	**18**	**25**

NOTE 5 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	2005/2006			2004/2005		
	Men	Women	Total	Men	Women	Total
Sweden						
Parent Company	5	4	9	4	4	8
Other companies	405	178	583	337	146	483
Finland	154	59	213	140	59	199
Denmark	160	84	244	102	60	162
Norway	44	14	58	16	3	19
Other countries	73	18	91	67	20	87
Total	**841**	**357**	**1,198**	**666**	**292**	**958**

NOTE 5 cont'd

Salaries and compensation	2005/2006			2004/2005		
Group	Board of Directors and President	Of which profit related remuneration	Other employees	Board of Directors and President	Of which profit related remuneration	Other employees
Sweden						
Parent Company	9.1	1.9	2.6	7.2	1.7	1.6
Other companies	43.6	7.2	195.9	28.0	6.2	142.0
Finland	8.0	1.3	69.2	5.3	0.6	60.6
Denmark	9.1	0.7	95.3	5.5	0.2	64.6
Norway	5.2	0.5	31.8	1.7	0.2	7.2
Other länder	6.3	1.1	15.0	5.6	1.0	15.1
Total	**81.3**	**12.7**	**409.8**	**53.3**	**9.9**	**291.1**

In addition to payroll costs as above, costs for appreciation of personnel options have been expensed in Swedish Group companies in a total amount of MSEK 9.7. This cost is reversed in the Group. In addition, there is appreciation of personnel options in the Parent Company in the amount of MSEK 14.9 (9.2). which according to current accounting rules is not recorded as a cost.

Salaries, compensation and social benefits	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Salaries and other compensation	491.1	344.4	11.7	8.8
Contractual pensions to Board of Directors and President	14.8	11.4	1.8	1.7
Contractual pensions to others	42.8	33.8	0.6	0.1
Other social benefits	118.0	77.9	7.6	5.8
Total	**666.7**	**467.5**	**21.7**	**16.4**

Outstanding pension commitments to the group Board of Directors and President amounted to MSEK 6.2 (6.1) at year-end in the Group and MSEK 2.6 (2.8) in the Parent Company. Different accounting principles are applied to pension costs in the Parent Company and the Group (refer to Accounting policies, page 55).

Proportion of women	31/3/06	31/3/05	31/3/06	31/3/05
	Group	Group	Parent Company	Parent Company
Board of Directors (not including alternates)	3%	0%	17%	0%
Other members of senior management	12%	10%	0%	0%

Absence due to illness in percent	Group	
	2005/2006	2004/2005
Total absence due to illness	3.6	3.7
Non-current absence due to illness	1.3	0.8
Absence due to illness for men	2.9	2.8
Absence due to illness for women	4.9	5.8
Employees, age to 29 years	7.5	3.8
Employees, age 30–49 years	2.7	4.3
Employees, 50 years and older –	4.1	2.7

Total absence due to illness in the Parent Company was 0.2 percent (0.6). For reasons of integrity, the Parent Company's data are not provided by category.

Drafting and decision-making process with respect to compensation to Board of Directors, the President and Group management

The principle for compensation to the Board of Directors, the President and members of senior management is that it should be competitive.

The Election Committee makes a suggestion to the Annual General Meeting for Board of Directors fees. Fees to the Board of Directors are paid pursuant to resolution of the Annual General Meeting. No separate fees are paid for committee work.

For compensation to the President & CEO, members of Group management and other members of senior management in the Group the Board of Directors has appointed a compensation committee consisting of the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors and with the President as reporter. Compensation is paid to the President, Group management and other members of senior management in the form of a fixed salary, variable compensation and the usual employment benefits. In addition hereto, there are pension benefits and incentive programs in accordance with the description below. Regarding holdings of the Board of Directors and Group management of personnel options relating to Addtech AB, reference is made to the information provided below.

Personnel options to members of senior management

In December 2001 the Board of Directors granted 700,000 so-called personnel options to 56 members of senior management in the Group. To make this possible, an extra meeting of shareholders held 17 December 2001 resolved that the Company shall transfer up to 700,000 class B shares in the Company in connection with any redemption of these options. The personnel option programme is secured by Addtech's holding of own shares in treasury.

The President has been granted 100,000 and other members of Group management have been granted between 5,000 and 70,000 per person. The total holdings of personnel options by Group management, not including the President, are 170,000. A total of 60,000 options were re-distributed during the year within the framework of the original programme. Options granted during the year were fully vested at the time they were granted. The redemption price is set at SEK 44.80, equivalent to 110 percent of the average market price of the Addtech share during the period 3 – 7 December 2001. During the 2005/2006 financial year 50,000 options to acquire 50,000 shares at a weighted average share price of SEK 86 were exercised. A total of 120,000 options have thus been exercised. Upon full utilisation of the personnel options, the number of shares outstanding increases by 580,000, equivalent to 2.5 percent of the total number of shares outstanding and 1.8 percent of the voting stock.

Following a resolution by an extra general meeting held in November 2004, the redemption period has been extended to 18 February 2010. The original redemption period encompassed the period 19 July 2004 — 18 February 2005. Before the resolution on extension of the personnel option programme by the extra general meeting, information was given that the theoretical transfer of value as a result of the extension due to granting unutilised personnel options amounted to a total of MSEK 3.7. The options are non-transferable, with the exception of the options held by the President and Executive Vice Presidents in the Parent Company, whose options can be transferred following a decision by the Board of Directors. The options can only be exercised so long as the holder is an employee of the Company. Hence the options are not defined as securities. For this reason and others, the options have been granted free of charge.

The social benefits payable in the case of redemption of the personnel options are expensed on a current basis in line with the development of the market share price. The accumulated reserve for social benefits amounts to MSEK 10.0, which is an increase of the reserve by MSEK 5.6 since the beginning of the financial year. For the purpose of reducing the effect of the social benefits on the personnel options, and starting with the 2006/2007 financial year to significantly eliminate this effect, Addtech during the latter part of the financial year acquired a financial derivative with a term equivalent to the remaining term of the personnel option program. Operating income was affected positively thereby in the amount of MSEK 0.7.

Information about compensation to the Board of Directors, the President and other members of senior management

The group "Board of Directors and Presidents" includes the Directors, the President and Senior Executive Vice Presidents in the Parent Company.

Board of Directors

The Board of Directors has distributed the directors' fee set by the Annual General Meeting in the amount of SEK 1,300,000 (800,000) among those directors who are not employed by the Company. The Chairman received SEK 400,000 (250,000). the Vice Chairman SEK 300,000 (200,000) and the other directors SEK 200,000 each (150,000).

Parent Company's President

The President had a fixed salary of SEK 2,075,000 (2,002,000) and variable compensation of SEK 685,000 (666,000). This variable compensation was expensed during the 2005/2006 operating year and will be paid during 2006/2007. Taxable benefits of SEK 99,000 (89,000) are additional. From age 65, the President is covered by a defined contribution pension, the size of which depends on the outcome of pension annuities signed. During 2005/2006 pension premiums, the size of which is determined annually by the Compensation Committee, have been paid in the amount of MSEK 800,000 (700,000). The variable compensation is not pensionable.

NOTE 5 cont'd

Variable compensation, in addition to fixed compensation, may be payable in a maximum amount of 30 percent of the fixed salary. In addition thereto, a further variable compensation premium may be payable up to 20 percent of the variable compensation awarded, provided the amount received is used to acquire shares in Addtech AB. The period of notice is 12 months when termination is at the initiative of the Company and 6 months when termination is at the initiative of the President. In the case of termination at the initiative of the Company, the President is entitled to a severance payment equivalent to one year's salary in addition to salary during the period of notice. No severance payment is payable in the case of termination at the initiative of the President.

Other members of Group management

Fixed salaries have been paid to other members of Group management in an aggregate amount of SEK 4,131,000 (3,530,000) and variable compensation of SEK 1,400,000 (985,000). This variable compensation was expensed during the 2005/2006 operating year and will be paid during 2006/2007. Taxable benefits of SEK 326,000 (268,000) are additional. Persons in Group management are covered from age 65 by a right to pension according to individual agreements. Existing pension solutions are both of the defined contribution type, where the size of which, depends on the outcome of pension annuities taken out, and defined benefit pensions. The cost to the Group of both the existing defined benefit pensions and the defined contribution schemes are basically equivalent to the ITP plan. During 2005/2006 pension premiums for the group Other persons in Group management were paid in an amount of SEK 1,227,00 (1,046,000). The variable compensation is pensionable.

Variable compensation, in addition to fixed compensation, may be payable in a maximum amount of 30 percent of the fixed salary. In addition thereto a further variable compensation premium may be payable up to 20 percent of the variable compensation awarded provided the amount received is used to acquire shares in Addtech AB. The period of notice is 12 months when termination is at the initiative of the Company and 6 months when termination is at the initiative of the employee. In the case of termination at the initiative of the Company, the employee is entitled to a severance payment equivalent to maximum one year's salary. No severance payment is payable in the case of termination at the initiative of the employee.

Compensation and other benefits during the year	Basic salary/ director's fee	Variable compensation	Other benefits	Pension costs	Financial instruments	Personnel options*	Other compensation	Total
Chairman of the Board	0.4	–	–	–	–	–	–	0.4
Other directors	0.9	–	–	–	–	–	–	0.9
President	2.1	0.7	0.1	0.8	–	–	–	3.7
Other members of senior management (4 persons)	4.1	1.4	0.3	1.2	–	0.9	–	7.9
Total	**7.5**	**2.1**	**0.4**	**2.0**	**–**	**0.9**	**–**	**12.9**

* Refers to the theoretical transfer of value as a consequence of the redistribution of the personnel options.

NOTE 6 Compensation to auditors

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Audit assignments:				
KPMG	3.7	3.3	0.5	0.4
Other auditing firms	0.2	0.1	–	–
Total compensation for audit assignments	**3.9**	**3.4**	**0.5**	**0.4**
Other assignments:				
KPMG	1.4	1.2	1.0	0.6
Other auditing firms	–	–	–	–
Total compensation for other assignments	**1.4**	**1.2**	**1.0**	**0.6**
Total compensation to auditors	**5.3**	**4.6**	**1.5**	**1.0**

NOTE 7 Depreciation and amortisation according to plan

Depreciation and amortisation according to function	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Cost of goods sold	-11.0	-8.5	–	–
Selling expenses	-13.4	-10.2	–	–
Administrative expenses	-12.8	-8.1	-0.6	-0.7
Other operating expenses	-1.3	-1.6	–	–
Total	**-38.5**	**-28.4**	**-0.6**	**-0.7**

Depreciation and amortisation according to type of asset	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Goodwill	–	–	–	–
Intangible Assets	-7.1	-1.6	-0.3	-0.2
Buildings and land	-3.1	-2.5	–	–
Leasehold improvements	-1.6	-1.1	–	–
Machinery	-6.7	-7.3	–	–
Equipment	-20.0	-15.9	-0.3	-0.5
Total	**-38.5**	**-28.4**	**-0.6**	**-0.7**

NOTE 8 Other operating income and expenses

Other operating income 2005/2006 consist primarily of external rental income, capital gains on the sale of non-current assets and businesses, agency compensation and exchange rate losses. Other operating expenses consist of real estate costs and capital losses on the sale of non-current assets, business and foreign exchange rate effects. In 2004/2005 other operating items consisted of the same type of income and expenses.

NOTE 9 Operating expenses

	Group	
	2005/2006	2004/2005
Personnel costs	695.7	491.5
Depreciation and amortisation	38.5	28.4
Impairment of inventories	18.4	16.1
Impairment of doubtful accounts receivable	1.2	3.5

NOTE 10 Financial income and expenses

	Group	
	2005/2006	2004/2005
Interest income	2.4	3.3
Dividend	0.0	0.0
Exchange rate changes	3.0	1.3
Other financial income	0.3	0.3
Financial income	**5.7**	**4.9**
Interest expense	-9.5	-6.4
Exchange rate changes	-1.9	-2.3
Other financial expense	-1.8	-1.4
Financial expenses	**-13.2**	**-10.1**
Net financial items	**-7.5**	**-5.2**

	Parent Company	
	2005/2006	2004/2005
Dividend income	73.7	19.6
Group contributions	114.0	85.3
Result from shares in Group companies	**187.7**	**104.9**
Interest income:		
Group companies	0.0	1.0
Result from financial non-current assets	**0.0**	**1.0**
Interest income:		
Group companies	1.8	1.6
Other	1.0	1.5
Interest income and similar items	**2.8**	**3.1**
Interest expense:		
Group companies	-2.7	-1.5
Other	-2.2	-1.5
Interest expense and similar items	**-4.9**	**-3.0**
Financial income and expenses	**185.6**	**106.0**

NOTE 11 Year-end appropriations — Parent Company

	Parent Company	
	2005/2006	2004/2005
Appropriation to tax allocation reserve	-26.3	-18.5
Total	**-26.3**	**-18.5**

Had the Parent Company reported deferred taxes on year-end appropriations in accordance with the same principles as applied in the consolidated financial statements, the deferred tax expense would have amounted to MSEK 7.4 (5.2).

NOTE 12 Taxes

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Period's current taxes	-69.0	-41.5	-21.5	-15.9
Adjustment from previous years	1.0	-0.4	-0.7	0.4
Total current taxes	**-68.0**	**-41.9**	**-22.2**	**-15.5**
Deferred taxes	-1.7	-4.0	2.7	–
Total deferred taxes	**-69.7**	**-45.9**	**-19.5**	**-15.5**

The year's tax cost of MSEK 69.7 (45.9) constitutes 26.5 percent (27.8) of income after financial items.

Group	2005/2006	%	2004/2005	%
Income before taxes	263.7		164.7	
Weighted average taxes based on national tax rates	-73.8	28.0	-47.1	28.6
Tax effect of:				
Utilisation of prior tax loss carryforwards not utilised	0.1	0.0	–	–
Non-deductible costs/ non-taxable income	-3.8	1.4	-0.8	0.5
Effect of personnel options	5.4	-2.0	3.1	-1.9
Standard taxes on tax allocation reserves	-1.6	0.6	–	–
Adjustments from prior years	1.0	-0.4	-0.7	0.4
Miscellaneous	3.0	-1.1	-0.4	0.2
Reported tax expense	**-69.7**	**26.5**	**-45.9**	**27.8**

Parent Company	2005/2006	%	2004/2005	%
Income before taxes	151.9		82.0	
Weighted average taxes based on national tax rates	-42.5	28.0	-22.9	28.0
Tax effect of:				
Effect of personnel options	2.7	-1.8	2.5	-3.0
Standard taxes on tax allocation reserves	-0.3	0.2	–	–
Non-deductible costs:				
Miscellaneous	-0.1	0.0	-0.6	0.8
Non-taxable income:				
Dividends from subsidiaries	20.7	-13.6	5.5	-7.6
Reported tax expense	**-19.5**	**12.8**	**-15.5**	**18.2**

NOTE 13 Intangible non-current assets

Group	Goodwill	Supplier and customer relationships and technology	Trademarks	Capitalised expenses for research and development	Renting rights and similar rights	Software	Total
							2005/2006
Accumulated acquisition values							
Opening balance	120.5	40.9	1.3	4.3	0.2	13.0	180.2
Corporate acquisitions	21.2	14.4	0.9	–	–	–	36.5
Capital expenditures	–	–	–	–	–	5.4	5.4
Year's translation differences	0.0	–	–	–	–	0.0	0.0
Closing balance	**141.7**	**55.3**	**2.2**	**4.3**	**0.2**	**18.4**	**222.1**
Accumulated amortisation according to plan							
Opening balance	–	0.0	–	-2.3	0.0	-3.1	-5.4
Corporate acquisitions	–	–	–	–	–	–	–
Amortisation according to plan	–	-3.1	–	-1.0	–	-3.0	-7.1
Year's translation differences	–	–	–	–	–	–	–
Closing balance	**–**	**-3.1**	**–**	**-3.3**	**0.0**	**-6.1**	**-12.5**
Closing residual value according to plan	**141.7**	**52.2**	**2.2**	**1.0**	**0.2**	**12.3**	**209.6**
Opening residual value according to plan	120.5	40.9	1.3	2.0	0.2	9.9	174.8

Group	Goodwill	Supplier and customer relationships and technology	Trademarks	Capitalised expenses for research and development	Renting rights and similar rights	Software	Total
							2004/2005
Accumulated acquisition values							
Opening balance	31.7	–	–	2.9	0.2	1.6	36.4
Corporate acquisitions	88.8	40.9	1.3	–	–	5.3	136.3
Capital expenditures	–	–	–	1.4	–	6.1	7.5
Year's translation differences	0.0	–	–	–	–	0.0	0.0
Closing balance	**120.5**	**40.9**	**1.3**	**4.3**	**0.2**	**13.0**	**180.2**
Accumulated amortisation according to plan							
Opening balance	–	–	–	-1.0	0.0	-0.5	-1.5
Corporate acquisitions	–	–	–	–	–	-2.3	-2.3
Amortisation according to plan	–	0.0	–	-1.3	0.0	-0.3	-1.6
Year's translation differences	–	–	–	–	–	–	–
Closing balance	**–**	**0.0**	**–**	**-2.3**	**0.0**	**-3.1**	**-5.4**
Closing residual value according to plan	**120.5**	**40.9**	**1.3**	**2.0**	**0.2**	**9.9**	**174.8**
Opening residual value according to plan	31.7	–	–	1.9	0.2	1.1	34.9

	2005/2006		2004/2005	
Parent Company	Software	Total	Software	Total
Accumulated acquisition values				
Opening balance	1.1	1.1	1.1	1.1
Closing balance	**1.1**	**1.1**	**1.1**	**1.1**
Accumulated amortisation according to plan				
Opening balance	-0.2	-0.2	–	–
Amortisation according to plan	-0.3	-0.3	-0.2	-0.2
Closing balance	**-0.5**	**-0.5**	**-0.2**	**-0.2**
Closing residual value according to plan	**0.6**	**0.6**	**0.9**	**0.9**
Opening residual value according to plan	1.1	1.1	1.1	1.1

Goodwill distributed by business area	Group	
	31/3/06	31/3/05
Addtech Components	29	29
Addtech Transmission	23	20
Addtech Equipment	8	3
Addtech Life Science	82	68
Total	**142**	**120**

Test for need of impairment charge against goodwill

The Group's reported goodwill amounts to MSEK 142 (120). After the transition to IFRS, goodwill is no longer amortised according to plan. Instead, the value of goodwill is tested annually in accordance with IFRS 36. Tests were performed in connection with the transition to IFRS, and again i connection with the closing of the books as of 31 March 2006.

Goodwill is distributed to cash-generating units, which in the normal case coincides with the company acquired. In cases where the acquired company is integrated with another Addtech business to such an extent that it is not possible to separate assets and cash flows attributable to the acquired company, the impairment test of goodwill is performed at a higher level, but not at level higher than segment level. The impairment test for the acquisition of Bergman & Beving MediTech is performed at the Addtech Life Science business area level.

The recovery value has been calculated based on value in use, in turn based on a current estimate of cash flows for the coming five-year period, where gross profit, operating margin and working capital requirement as a proportion of net revenues are assumed to be constant over time. Cash flows beyond this time horizon have been extrapolated based on the assumption of constant annual growth of two percent. Cash flows have been discounted using a weighted cost of capital which is equivalent to approximately 13 percent before taxes. The calculation shows a value in use that by a considerable margin exceeds the reported value. The sensitivity of the calculations means that the goodwill value could still be defended even if the discount rate were to be raised by 1 percentage point, or the long-term growth rate were to be lowered by 1 percentage point.

Other impairment testing

No events or altered conditions that would motivate impairment testing of Other intangible non-current assets have been identified.

NOTE 14 Tangible non-current assets

	2005/2006						2004/2005					
Group	Buildings and land	Leasehold improve-ments	Machinery	Equipment	Construc-tion in progress	Total	Buildings and land	Leasehold improve-ment	Machinery	Equipment	Construc-tion in progress	Total
Accumulated acquisition values												
Opening balance	147.6	10.0	114.0	212.1	0.0	483.7	118.4	8.5	115.6	149.7	–	392.2
Corporate acquisitions	6.5	–	–	4.8	–	11.3	27.6	1.6	14.0	58.0	–	101.2
Capital expenditures	7.0	2.0	2.3	20.3	0.5	32.1	2.2	2.3	1.7	11.7	0.0	17.9
Sales and disposals	0.3	0.0	-6.7	-25.4	–	-31.8	–	-2.4	-16.3	-9.1	0.0	-27.8
Reclassification	0.9	–	0.6	-0.6	–	0.9	–	–	–	2.3	–	2.3
Year's translation differences	2.4	0.1	2.2	2.8	0.0	7.5	-0.6	0.0	-1.0	-0.5	0.0	-2.1
Closing balance	**164.7**	**12.1**	**112.4**	**214.0**	**0.5**	**503.7**	**147.6**	**10.0**	**114.0**	**212.1**	**0.0**	**483.7**
Accumulated depreciation according to plan												
Opening balance	-48.4	-4.8	-85.6	-168.6	–	-307.4	-40.4	-5.3	-89.5	-118.1	–	-253.3
Corporate acquisitions	-1.4	–	–	-4.0	–	-5.4	-5.5	-0.5	-3.9	-41.4	–	-51.3
Accumulated depreciation according to plan	-3.1	-1.6	-6.7	-20.0	–	-31.4	-2.5	-1.1	-7.3	-15.9	–	-26.8
Sales and disposals	–	0.0	4.3	22.4	–	26.7	–	2.1	14.3	6.9	–	23.3
Reclassification	-1.1	–	-0.3	0.3	–	-1.1	–	–	–	-0.4	–	-0.4
Year's translation differences	-0.8	-0.1	-1.7	-2.3	–	-4.9	0.0	0.0	0.8	0.3	–	1.1
Closing balance	**-54.8**	**-6.5**	**-90.0**	**-172.2**	–	**-323.5**	**-48.4**	**-4.8**	**-85.6**	**-168.6**	**–**	**-307.4**
Residual value according to plan at year-end	**109.9**	**5.6**	**22.4**	**41.8**	**0.5**	**180.2**	**99.2**	**5.2**	**28.4**	**43.5**	**0.0**	**176.3**
Residual value according to plan at beginning of year	99.2	5.2	28.4	43.5	0.0	176.3	78.0	3.2	26.1	31.6	0.0	138.9

Equipment	Parent Company	
	2005/2006	2004/2005
Accumulated acquisition values		
Opening balance	2.5	2.7
Capital expenditures	0.2	0.1
Sales and disposals	-0.5	-0.3
Closing balance	**2.2**	**2.5**
Accumulated depreciation according to plan		
Opening balance	-1.7	-1.4
Depreciation according to plan	-0.3	-0.5
Sales and disposals	0.3	0.2
Closing balance	**-1.7**	**-1.7**
Residual value according to plan at year-end	**0.5**	**0.8**
Residual value according to plan at beginning of year	0.8	1.3

Tax assessment values, Swedish properties	Group	
	2005/2006	2004/2005
Buildings	35.2	30.6
Land	6.3	6.3

NOTE 15 Operating leases

Operational leasing contracts	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Leasing fees				
Leasing fees paid during the financial year	67.1	42.8	2.3	2.1
of which variable fees	0.6	0.7	–	–
Future payments fall due as follows:				
1 year after the current financial year	49.4	41.9	1.6	1.9
2 years after the current financial year	36.9	38.8	0.2	1.4
3 years after the current financial year	23.1	25.3	0.1	–
4 years after the current financial year	8.5	14.5	–	–
5 years and later	9.2	12.0	–	–
	127.1	**132.5**	**1.9**	**3.3**

Leasing revenue in a total amount of MSEK 3.0 was received during the financial year. Leasing contracts where companies in the Addtech Group are lessors are of the operating lease type. MSEK 1.4 remains to be collected within 1 year. MSEK 1.3 remains to be collected thereafter within 3 years.

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

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

NOTE 16 Financial non-current assets

Group	2005/2006 Other non-current securities holdings	2005/2006 Deferred tax claim	2005/2006 Non-current receivables	2005/2006 Total	2004/2005 Other non-current securities holdings	2004/2005 Deferred tax claim	2004/2005 Non-current receivables	2004/2005 Total
Accumulated acquisition values								
Opening balance	4.5	4.6	1.1	10.2	5.0	2.4	3.5	10.9
Net accounting previous year	–	11.3	–	11.3	–	–	–	–
Corporate acquisitions	–	–	0.0	0.0	–	8.6	0.6	9.2
Deductions	0.0	0.0	–	0.0	-0.5	-0.9	-3.0	-4.4
Additions	6.2	11.1	0.1	17.4	–	5.8	–	5.8
Net accounting against deferred tax liability	–	-24.2	–	-24.2	–	-11.3	–	-11.3
Closing balance	**10.7**	**2.8**	**1.2**	**14.7**	**4.5**	**4.6**	**1.1**	**10.2**

Due from Group companies	Parent Company 2005/2006	Parent Company 2004/2005
Opening balance	9.7	69.4
Increase during the year	–	–
Decrease during the year	-7.5	-59.7
Closing balance	**2.2**	**9.7**

Other non-current securities	Parent Company 2005/2006	Parent Company 2004/2005
Opening balance	–	–
Additions	5,2	–
Deductions	–	–
Closing balance	**5,2**	**–**

The amount consists of a stock option valued at fair value, with the change in value accounted for in the income statement.

Shares in Group companies	Parent Company 2005/2006	Parent Company 2004/2005
Accumulated acquisition values		
Opening balance	1,200.3	967.6
Shareholder contribution	3.8	47.0
Capital expenditures	19.6	220.0
Disposals	-19.6	-34.3
Adjustment of supplementary purchase money	-3.0	–
Closing balance	**1,201.1**	**1,200.3**
Accumulated impairment		
Opening balance	-280.0	-280.0
Year's impairment	–	–
Closing balance	**-280.0**	**-280.0**
Closing book value	**921.1**	**920.3**
Opening book value	920.3	687.6

Specification of shares in group companies	Number of shares	Currency	Nominal value	Stake %	Book value 31/3/06	Book value 31/3/05
Addtech Equipment AB, 556199-7866, Järfälla	5,000	SEK	100	100	197.6	194.6
Addtech Transmission AB, 556546-3469, Stockholm	500,000	SEK	100	100	251.3	250.9
Addtech Components AB, 556236-3076, Stockholm	1,750	SEK	100	100	124.9	124.5
Addtech Business Support AB, 556625-7092, Stockholm	1,000	SEK	100	100	2.1	2.1
Ritaren 3 AB, 556061-5667, Sollentuna	50,000	SEK	100	100	31.0	31.0
Addtech A/S, 68132, Köpenhamn	2	DKK		100	131.6	131.6
Addtech Life Science AB, 556546-6785, Stockholm	200,000	SEK	100	100	182.6	185.6
Total					**921.1**	**920.3**

A complete statutory specification has been attached to the Annual Accounts submitted to the Swedish Companies Registration Office. This specification can be obtained from Addtech AB, Box 602, SE-101 32 Stockholm.

NOTE 17 Inventories

	Group 31/3/06	Group 31/3/05
Raw materials and supplies	25.9	27.0
Work in progress	11.6	11.1
Finished goods	353.6	316.1
Total	**391.1**	**354.2**

Cost of goods sold in the Group includes an impairment charge against inventory of MSEK 18.4 (16.1). No significant reversals of prior impairment charges were made during 2005/2006 or during 2005/2004.

NOTE 18 Prepaid expenses and accrued income

	Group 31/3/06	Group 31/3/05	Parent Company 31/3/06	Parent Company 31/3/05
Rent	10.4	8.9	0.5	0.5
Other prepaid expenses	17.2	16.9	1.2	0.7
Other accrued income	2.3	1.3	0.1	0.3
Total	**29.9**	**27.1**	**1.8**	**1.5**

NOTE 19 Shareholders' equity

GROUP

Other contributed capital.
Refers to capital contributed by the shareholders

Reserves	Group	
	2005/2006	2004/2005
Restatement reserve		
Opening restatement reserve	0.4	–
Year's translation differences	8.0	0.4
Closing restatement reserve	**8.4**	**0.4**
Hedging reserve		
Opening hedging reserve	–	–
Adjustment for changed accounting principle	-1.1	–
Adjusted opening hedging reserve	**-1.1**	**–**
Revaluation carried directly to equity	4.2	–
Reported in the income statement upon disposal	-3.2	–
Reported in the income statement upon impairment	–	–
Taxes attributable to the year's revaluations	-0.3	–
Closing hedging reserve	**-0.4**	**–**
Total reserves	**8.0**	**–**

Restatement reserve
The restatement reserve includes all translation differences that arise when converting the financial reports of foreign businesses who have prepared their financial reports in a currency other than the one in which the Group's financial reports are presented. The Parent Company and the 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 of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

Retained earnings including net income for the year
Retained earnings including net income for the year include earned income in the Parent Company and its subsidiaries. Prior allocations to legal reserve are included in this capital item.

Repurchased shares
Repurchased shares include the acquisition cost of own shares held in treasury by the Parent Company. As of the balance sheet date the, Group's holding of own shares in treasury was 2,285,000 (830,000).

Dividend
After the balance sheet date the Board of Directors has proposed a dividend of SEK 4 per share. The dividend is subject to approval by the Annual General Meeting to be held 22 August 2006.

PARENT COMPANY

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

Legal reserves
The purpose of the legal reserve is to save a portion of net income, not required to cover a loss carried forward.

Retained earnings
Retained earnings consist of the previous year's unrestricted equity after any allocation to the legal reserve, and after any dividend declared. Together with net income for the year and any fair value reserve, retained earnings constitute the sum total of unrestricted equity, i.e. the amount available to be paid as dividends to the shareholders.

Number of shares outstanding
The share capital as of 31 March 2006 consists of (a) 1,103,814 class A shares, entitling its holders to 10 votes per share, and (b) 24,229,018 class B shares entitling its holders to 1 vote per share. The quota value of the share is SEK 2. 2,285,000 class B shares have been repurchased, 1,550,000 of which during the 2005/2006 financial year, within the framework of the Company's current repurchase programme. Net, after deduction of repurchased shares, the number of class B shares outstanding is 21,944,018.

NOTE 19 cont'd

Number of shares outstanding	Class A shares	Class B shares	All classes of shares
Opening balance	1,103,814	23,399,018	24,502,832
Repurchases of own shares	–	-1,550,000	-1,550,000
Non-cash issue	–	45,000	45,000
Redemption of personnel options	–	50,000	50,000
Closing balance	**1,103,814**	**21,944,018**	**23,047,832**

NOTE 20 Untaxed reserves

	Parent Company	
	31/3/06	31/3/05
Tax allocation reserve, allocation for tax assessment 2003	7.8	7.8
Tax allocation reserve, allocation for tax assessment 2004	9.5	9.5
Tax allocation reserve, allocation for tax assessment 2005	15.5	15.5
Tax allocation reserve, allocation for tax assessment 2006	18.5	18.5
Tax allocation reserve, allocation for tax assessment 2007	26.2	–
Closing balance	**77.5**	**51.3**

MSEK 21.7 of the Parent Company's untaxed reserves totalling MSEK 77.5 consist of deferred taxes included in the item deferred taxes in the consolidated balance sheet.

NOTE 21 Provision for pensions and similar obligations

Addtech has defined benefit pension plans in Sweden and Norway. The pension in these plans is determined mainly by the salary upon retirement. These plans cover a large number of employees, but there are also defined contribution plans. Subsidiaries in other countries in the Group have mainly defined contribution pension plans.

The Parent Company's data about pensions are reported in accordance with the Swedish Act on Securing Pension Obligations.

Defined benefit plans
The pension plans are mainly retirement pension plans. Each respective employer typically has an obligation to pay life-long pension. Vesting is based on the number of years of service. The employee must subscribe to the plan for a certain number of years in order to be vested for full retirement benefits. Each year the employee earns an increased right to retirement benefits which is reported as pension earned during the period and an increase in pension obligation.

In Norway there are funded pension plans. These pension obligations are secured by managed assets.

Addtech applies the rules for "corridor." Under these rules part of the actuarial gains and losses are reported in the income statement and the balance sheet during the next-following period if they exceed the higher of:
– 10 percent of the present value of the pension obligation, and
– 10 percent of the net fair value of assets under management.
At the end of the year the actuarial losses amounted to approximately 12 percent of the present value of the pension obligations.

Commitments for retirement pension and family pension for salaried employees in Sweden are secured by insurance in Alecta. According to statement URA 42 of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council this is a defined benefits plan covering several employers. For the 2005/2006 financial year the Company has not had access to information making it possible to report this plan as a defined benefits plan. The pension plan according to ITP secured by insurance in Alecta is therefore reported as a defined contribution plan. The year's fees for pension insurance written by Alecta amounts to MSEK 11.0 (9.7).

Defined contribution plans
The plans are mainly retirement pension plans, disability pension and family pension. Premiums are paid currently during the year by each respective Group company to separate legal entities, such as insurance companies. The size of the premium is based on the salary. The pension cost for the period is included in the income statement.

NOTE 21 cont'd

Pension liability according to the balance sheet	Group		Parent Company	
	31/3/06	31/3/05	31/3/06	31/3/05
Pension liability according to the balance sheet	152.2	148.3	8.8	9.1
Other pension obligations	11.0	7.5	0.2	0.3
Total	**163.2**	**155.8**	**9.0**	**9.4**

Reconciliation of net amount for pensions in the balance sheet	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Net amount in the balance sheet as of 1 April	155.5	103.7	9.1	–
Cost of defined benefit plans	13.3	7.6	0.4	0.4
Payment of pensions	-2.1	-1.3	-0.7	-0.6
Funds contributed by employer	-2.1	–	–	–
Effect of acquired/sold businesses	–	45.3	–	–
Pension liability taken over from subsidiary	–	–	–	9.3
Year's translation differences	0.3	0.1	–	–
Other	-1.9	0.1	–	–
Net amount in balance sheet as of 31 March	**163.0**	**155.5**	**8.8**	**9.1**

Return on managed assets	Group	
	2005/2006	2004/2005
Real return on managed assets	0.6	0.2
Expected return on managed assets	0.6	0.2
Actuarial result on managed assets during the period	**0.0**	**0.0**

Obligations for benefits to employees, defined benefits plans

Defined benefit obligations and the value of managed assets	Group		Parent Company	
	31/3/06	31/3/05	31/3/06	31/3/05
Wholly or partially funded obligations:				
Present value of defined benefit obligations	16.1	15.2	0.2	0.3
Fair value of managed assets	-12.7	-10.4	-0.2	-0.3
Wholly or partially funded obligations, net	**3.4**	**4.8**	**0.0**	**0.0**
Present value of unfunded defined benefit obligations	183.6	157.7	8.8	9.1
Net obligations before adjustment	**187.0**	**162.5**	**8.8**	**9.1**
Adjustments:				
Accumulated unreported actuarial gains (+) and losses (–)	-24.0	-7.0	–	–
Net amount in the balance sheet (obligation +. asset –)	**163.0**	**155.5**	**8.8**	**9.1**
The net amount is reported in the following items in the balance sheet:				
Financial non-current assets	-0.2	-0.3	-0.2	-0.3
Provisions for pension and similar obligations	163.2	155.8	9.0	9.4
Net amount in the balance sheet (obligation +. asset –)	**163.0**	**155.5**	**8.8**	**9.1**
The net amount is distributed to plans in the following countries:				
Sweden	157.0	149.3	8.8	9.1
Norway	6.0	6.2	–	–
Net amount in the balance sheet (obligation +. asset –)	**163.0**	**155.5**	**8.8**	**9.1**

NOTE 21 cont'd

Pension costs	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Defined benefits plans				
Costs for pensions earned during the year	6.6	2.7	–	0.4
Interest expense	7.3	5.1	0.4	0.1
Expected return on managed assets	-0.6	-0.2	–	–
Total cost of defined benefits plans	**13.3**	**7.6**	**0.4**	**0.5**
Total cost of defined contribution plans	51.2	42.5	2.4	0.2
Social benefits on pension costs	8.8	6.8	0.5	0.6
Total cost for benefits after termination of employment	**73.3**	**56.9**	**3.3**	**1.3**

Interest expenses are classified as financial expenses. Other costs for pensions are classified as cost of goods sold, selling expenses and administrative expenses.

Actuarial assumptions	2005/2006		2004/2005	
	Sweden	Norway	Sweden	Norway
The following significant actuarial assumptions have been applied for calculating the commitments:				
Discount rate 1 April 2005	4.25%	4.50%	4.75%	4.50%
Discount rate 31 March 2006	3.60%	4.10%	4.25%	4.50%
Expected return on managed assets	–	5.10%	–	5.50%
Future salary increases	3.50%	3.00%	3.50%	3.00%
Future increases in pensions (change in income base amount)	2.50%	–	2.00%	–
Personnel turnover	5.00%	2.00-5.00%	5.00%	2.00%
Expected "G regulation"	–	2.50%	–	2.50%

Future increases in pensions are based on inflation assumptions. Remaining time of service (life expectancy) is based on statistical tables developed by The Financial Supervisory Authority and The Insurance Society, in Sweden P94 and in Norway K63. Expected G regulation is used for calculations in Norway and are equivalent to Sweden's base amount.

NOTE 22 Deferred tax claim/liability

	31/3/06			31/3/05		
Group	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Non-current assets	6.2	-28.2	-22.0	1.5	-20.7	-19.2
Untaxed reserves	–	-66.7	-66.7	–	-60.3	-60.3
Inventories	0.7	–	0.7	2.0	–	2.0
Pension provisions	10.2	-0.7	9.5	5.7	-0.0	5.7
Other	9.9	-2.6	7.3	11.3	-3.4	7.9
Reported net	-24.2	24.2	–	-15.9	15.9	0.0
Deferred taxes, net, at year-end	**2.8**	**-74.0**	**-71.2**	**4.6**	**-68.5**	**-63.9**

	31/3/06			31/3/05		
Parent Company	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Personnel options	2.7	–	2.7	–	–	–
Deferred taxes, net, at year-end	**2.7**	**–**	**2.7**	**–**	**–**	**–**

Group 2005/2006	At beginning of year	Reported via income statement	Acquisitions and disposals	Carried to equity	Amount at year-end
Non-current assets	-19.2	2.3	-5.1	–	-22.0
Untaxed reserves	-60.3	-5.8	-0.6	–	-66.7
Inventories	2.0	-1.3	–	–	0.7
Pension provisions	5.7	3.8	–	–	9.5
Other	7.9	-0.7	–	0.1	7.3
Deferred taxes, net, at year-end	**-63.9**	**-1.7**	**-5.7**	**0.1**	**-71.2**

Parent Company 2005/2006	At beginning of year	Reported via income statement	Acquisitions and disposals	Carried to equity	Amount at year-end
Personnel options	–	2.7	–	–	2.7
Deferred taxes, net, at year-end	**–**	**2.7**	**–**	**–**	**2.7**

Tax loss carryforwards not capitalised in the Group	31/3/06	31/3/05
Tax loss carryforwards expiring within 1 year	–	0.1
Tax loss carryforwards expiring between 1 and 3 years	0.8	0.8
Tax loss carryforwards expiring later than in 3 years	–	0.0
Total	**0.8**	**0.9**

NOTE 23 Provisions

Group 2005/2006	Premises	Personnel	Warranties	Other	Total
Reported value at beginning of period	9.0	2.8	4.3	5.1	21.2
Provisions set aside during the period	0.2	6.0	1.3	0.9	8.4
Amounts utilised during the period	-1.6	-1.5	0.0	-5.1	-8.2
Corporate acquisitions	–	–	0.1	–	0.1
Reported value at end of period	**7.6**	**7.3**	**5.7**	**0.9**	**21.5**

Premises
The provision for premises refers to premises that the Group has vacated and which cannot be rented out or used during the remaining rental period.

Personnel
The provision refers to personnel costs, including estimated severance payments in connection with change of business. A provision is set aside when there is an approved restructuring plan and the restructuring has been announced.

Warranties
The provision is based on calculations on grounds of historical data for warranties relating to products and services.

Other
Included here are provisions not classified under premises, personnel and warranties, for example equipment that cannot be used due to changes in business.

All provisions are classified as short-term and are expected to lead to an outflow of resources within twelve months of the balance sheet date.

NOTE 24 Non-current interest-bearing liabilities

	Group	
	31/3/06	31/3/05
Liabilities to credit institutions		
Maturing within 2 years	4.1	0.9
Maturing within 3 years	0.7	2.5
Maturing within 4 years	0.2	0.6
Maturing within 5 years	0.2	0.2
Maturing within 6 years	0.1	0.3
Non-current liabilities to credit institutions	**5.3**	**4.5**
Other interest-bearing liabilities	9.2	8.0
Total	**14.5**	**12.5**

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

Currency	31/3/06		31/3/05	
	Local currency	MSEK	Local currency	MSEK
EUR	0.4	3.3	0.2	1.7
DKK	0.9	1.1	1.4	1.7
NOK	0.8	0.9	0.9	1.1
Total		**5.3**		**4.5**

The loan in NOK carries variable interest. The average interest rate has been 3.9%.
The loans in EUR carry variable interest. The average interest rate has been 3.8%.
The loan in DKK is at a fixed interest rate of 5.1% until 30 September 2008.

	Parent Company	
	31/3/06	31/3/05
Due to Group companies	155.0	42.2
Total	**155.0**	**42.2**

The Parent Company's liabilities to subsidiaries are on open-ended terms.

NOTE 25 Current liabilities to credit institutions

	Group		Parent Company	
	31/3/06	31/3/05	31/3/06	31/3/05
Committed credit facility				
Approved credit limit	251.8	219.3	236.6	219.3
Unutilised portion	-217.9	-199.2	-217.9	-199.2
Credit amount utilised	**33.9**	**20.1**	**18.7**	**20.1**
Liabilities to credit institutions	4.1	1.4	–	–
Current liabilities	**38.0**	**21.5**	**18.7**	**20.1**

NOTE 25 cont'd

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

Currency	31/3/06		31/3/05	
	Local currency	MSEK	Local currency	MSEK
EUR	0.2	1.5	0.1	0.8
DKK	2.1	2.6	0.5	0.6
Total		**4.1**		**1.4**

NOTE 26 Accrued expenses and prepaid income

	Group		Parent Company	
	31/3/06	31/3/05	31/3/06	31/3/05
Rental revenue	0.2	0.1	–	–
Other prepaid income	2.6	5.9	–	–
Salaries and holiday pay	89.1	74.4	3.7	3.3
Social benefits and	57.5	44.6	8.3	3.7
Other accrued expenses	21.4	22.6	1.4	1.5
Total	**170.8**	**147.6**	**13.4**	**8.5**

Other accrued expenses consist mainly of overhead accruals.

NOTE 27 Anticipated recovery periods for assets, provisions and liabilities

Amounts expected to be recovered	2005/2006		
Group	Within 12 months	After 12 months	Total
Non-current assets			
Intangible non-current assets [1)]	8.0	201.6	209.6
Tangible non-current assets [1)]	28.0	152.2	180.2
Financial non-current assets	–	14.7	14.7
Current assets			
Inventories	391.1	–	391.1
Tax claims	0.4	–	0.4
Accounts receivable	475.4		475.4
Prepaid expenses and accrued income	29.9	–	29.9
Other receivables	14.5	–	14.5
Liquid funds	109.6	–	109.6
Total Assets	**1,056.9**	**368.5**	**1,425.6**

[1)] Anticipated depreciation is reported as amount expected to be recovered within 12 months.

NOTE 27 cont'd

Amounts expected to be recovered	2005/2006		
Group	Within 12 months	After 12 months	Total
Non-current liabilities			
Liabilities to credit institutions	–	5.3	5.3
Other interest-bearing liabilities	–	9.2	9.2
Provisions for pensions	3.4	159.8	163.2
Deferred tax liabilities	–	74.0	74.0
Current liabilities			
Interest-bearing liabilities			
Liabilities to credit institutions	38.0	–	38.0
Non-interest-bearing liabilities			
Accounts payable	332.2	–	332.2
Tax liabilities	40.3	–	40.3
Other liabilities	106.6	–	106.6
Accrued expenses and prepaid income	170.8	–	170.8
Provisions	21.5	–	21.5
Total liabilities and provisions	**712.8**	**248.3**	**961.1**

Amounts expected to be recovered	2005/2006		
Parent Company	Within 12 months	After 12 months	Total
Non-current assets			
Intangible non-current assets	0.3	0.3	0.6
Tangible non-current assets	0.3	0.2	0.5
Shares in Group companies	–	921.1	921.1
Due from Group companies	–	2.2	2.2
Other financial non-current assets	–	8.1	8.1
Current assets			
Due from Group companies	197.4	–	197.4
Prepaid expenses and accrued income	1.8	–	1.8
Cash and cash equivalents	62.4	–	62.4
Total Assets	**262.2**	**931.9**	**1,194.1**

Amounts expected to be paid	2005/2006		
Parent Company	Within 12 months	After 12 months	Total
Provisions			
Pensions and similar obligations	0.7	8.3	9.0
Non-current liabilities			
Due to Group companies	–	155.0	155.0
Current liabilities			
Liabilities to credit institutions	18.7	–	18.7
Accounts payable	0.7	–	0.7
Due to Group companies	195.2	–	195.2
Tax liabilities	19.1	–	19.1
Other liabilities	1.9	–	1.9
Accrued expenses and prepaid income	13.4	–	13.4
Total liabilities and provisions	**249.7**	**163.3**	**413.0**

NOTE 28 Pledged assets and contingent liabilities

	Group		Parent Company	
	31/3/06	31/3/05	31/3/06	31/3/05
Pledged assets and contingent liabilities				
Real estate mortgages	11.7	11.8	–	–
Corporate mortgages	35.9	17.9	–	–
Other pledged assets	0.2	0.3	0.2	0.3
Total	**47.8**	**30.0**	**0.2**	**0.3**
Contingent liabilities				
Guaranties and other contingent liabilities	15.0	14.0	0.2	0.3
Guaranties for subsidiaries	–	–	125.3	85.2
Total	**15.0**	**14.0**	**125.5**	**85.5**

NOTE 29 Cash flow statement

	Group		Parent Company	
Adjustment for items not included in cash flow	2005/2006	2004/2005	2005/2006	2004/2005
Depreciation and amortisation according to plan	38.5	28.4	0.6	0.7
Result on sales of companies and non-current assets	1.7	0.9	–	–
Change in pension liability	7.1	4.1	-0.4	–
Group contributions/ dividends not paid	–	–	-114.0	-85.3
Other	2.2	1.2	0.1	–
Total	**49.5**	**34.6**	**-113.7**	**-84.6**

NOTE 29 cont'd

Interest income in the Group amounted to MSEK 2.8 (2.9) during the year and interest paid amounted to MSEK 2.2 (1.4). Interest income in the Parent Company amounted to MSEK 2.8 (3.4) during the year and interest paid amounted to MSEK 3.3 (1.7).

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 additional purchase money paid for acquisitions made in prior years:

	2005/2006	2004/2005
Non-current assets	40.8	174.1
Inventories	15.9	69.0
Receivables	26.0	98.2
Liquid funds	1.9	104.2
Total	**84.6**	**445.5**
Interest-bearing liabilities and provisions	-0.1	49.6
Liquid funds in acquired companies	-8.0	189.1
Total	**-8.1**	**238.7**
Purchase money paid	-89.3	-206.8
Liquid funds in acquired companies	1.9	104.2
Effect on the Group's liquid funds	**-87.4**	**-102.6**

Acquisitions of businesses during the year				
Company	Country	Time of acquisition	Ownership stake	Acquisition price, MSEK
Abatel AB	Sweden	1/1/2006	100%	14.7
Insatech A/S	Denmark	1/12/2005	100%	29.2
Ervik (assets & liabilities)	Norway	3/6/2005	–	3.9
LMT Transmission A/S	Denmark	1/5/2005	100%	8.6

All of the year's acquired businesses are accounted for in the consolidated financial statements in accordance with the purchase method of accounting.

The following adjustments have been made of the value of assets and liabilities in Tubex Hydraul AB, which was sold during the year:

	2005/2006	2004/2005
Non-current assets	-1.0	–
Inventories	-2.9	–
Receivables	-0.4	–
Liquid funds	-0.5	–
Total	**-4.8**	–
Result of companies sold	1.0	
Interest-bearing liabilities and provisions	–	–
Liquid funds in acquired companies	-0.8	–
Total	**0.2**	–
Purchase money paid	5.0	–
Liquid funds in companies sold	-0.5	–
Effect on the Group's liquid funds	**4.5**	–

NOTE 30 Corporate acquisitions

Acquisitions during 2005/2006

Four acquisitions were made during the year. In April 2005 an agreement was concluded to acquire all shares outstanding in the Danish company LMT Transmission A/S. LMT Transmission, with annual sales of MDKK 20, is a supplier in the field of industrial transmissions to Danish industry. The company is consolidated in business area Addtech Transmission from May 2005. In June, Bergman Diagnostika AS in business area Addtech Life Science acquired the diagnostics business from Ervik AS in Norway, with annual revenues of MSEK 5. On 1 December 2005 the Danish company Insatech A/S was acquired for business area Addtech Life Science with annual revenues of MDKK 60. Insatech sells processing equipment from leading suppliers to end users in Denmark in, among others, the engineering, pharmaceutical, food and energy industries. On 1 January 2006 the business in business area Addtech Equipment was complemented with Abatel AB. Abatel's annual revenues amount to approximately MSEK 30. The company develops and sells battery and power supply solutions, primarily to Swedish customers.

The aggregate purchase money for acquisitions made during the year amounted to MSEK 56. MSEK 3.7 of the purchase money for Insatech was paid in the form of 45,000 previously repurchased class B shares, which for purposes of computing the purchase money were assigned a value equivalent to the market price of the share at the time of the transaction.

The aggregate effect of the acquisitions on Addtech's net revenues was MSEK 63, and on the period's income after taxes MSEK 3. The acquisitions would have affected the Group's net revenues by an estimated MSEK 144 and the period's income after taxes by approximately MSEK 6 had the acquisitions been made as of 1 April 2005. The assets and liabilities included in the acquisitions of LMT Transmission, Ervik, Insatech and Abatel were as follows:

	Reported value at time of acquisition	Adjustment to fair value	Fair value
Supplier relationships, customer relationships and technology	–	14	14
Trademarks	–	1	1
Tangible non-current assets	5	1	6
Inventories	16	–	16
Current receivables	26	–	26
Liquid funds	2	–	2
Deferred tax liability	-1	-4	-5
Other non-current liabilities	-3	–	-3
Current liabilities	-23	–	-23
Acquired net assets	**22**	**12**	**34**
Goodwill			22
Purchase money			**56**
Less: liquid funds in acquired businesses			-2
Less: purchase money not yet paid			-9
Less: payment in the form of own shares			-4
Effect on the Group's liquid funds			**41**

The values allocated to intangible non-current assets, such as supplier relationships, customer relationships, technology and trademarks, have been valued at the discounted value of future cash flows. An assessment has thus been made of which types of assets that in each acquired unit can be assumed to be important to the companies' future capacity to generate a return on the purchase money. The period of amortisation is determined by an assessment of the loss of parts of the revenues attributable to each respective asset. Supplier relationships are amortised over a period of 25—33 years, while customer relationships and technology are amortised over a period of 5—15 years. Trademarks are not amortised, but are instead tested for impairment in accordance with IAS 36.

The goodwill arising in connection with these acquisitions is due to the fact that the Group's position in the markets in question for each respective acquisition is expected to grow stronger, and to the knowledge that exists in the acquired companies.

Acquisition after the end of the financial year

In march 2006, an agreement was concluded to acquire all the shares outstanding in Kurt Wiig AS with annual revenues of MNOK 25. The company, which from 1 April is a part of business area Addtech Transmission, delivers customer-specific hydraulic solutions to customers, mainly in the Norwegian offshore and sub-sea industries

NOTE 31 Earnings per share before and after dilution

	2005/2006	2004/2005
Earnings per share before dilution (SEK)	8.00	4.85
Earnings per share, fully diluted basis (SEK)	7.90	4.80

See definitions page 31 for calculation method.

Calculation of the numerators and denominators used in the above calculations of earnings per share are stated below.

Earnings per share before dilution

The calculation of earnings per share for 2005/2006 was based on the year's income attributable to the Parent Company's shareholders amounting to MSEK 193 (118) and a weighted average number of shares outstanding ('000) during 2005/2006 of 24,073 (24,486). The two components have been calculated in the following manner:

	2005/2006	2004/2005
Net income for the year attributable to the parent Company's shareholders, before dilution	193	118

Weighted average number of shares outstanding, before dilution

In thousands of shares	2005/2006	2004/2005
Total number of class A common shares 1 April	24,503	24,533
Effect of shares held in treasury	-430	-47
Weighted average number of common shares outstanding during the year, before dilution	**24,073**	**24,486**

Earnings per share, fully diluted basis

The calculation of earnings per share on a fully diluted basis for 2005/2006 was based on earnings attributable to the holders of common shares amounting to MSEK 193 (118) and a weighted average number of shares ('000) outstanding during 2005/2006 of 24,366 (24,616). The two components have been calculated in the following manner:

	2005/2006	2004/2005
Net income for the year attributable to the parent Company's holders of common shares, fully diluted basis	193	118

Weighted average number of common shares outstanding, fully diluted basis

In thousands shares	2005/2006	2004/2005
Weighted average number of common shares outstanding during the year, before dilution	24,073	24,486
Effect of options issued	293	130
Weighted average number of common shares outstanding during the year, fully diluted basis	**24,366**	**24,616**

NOTE 32 Supplementary information

Addtech AB, company number 556302-9726, is the Parent Company of the Group. The Company has its registered office in Stockholm, County of Stockholm, and is a limited liability company according to Swedish legislation.

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NOTE 33 Events after the balance sheet date

Included from 1 April, 2006 is Kurt Wig AS in business are Addtech Transmission. The company, with annual revenues of MNOK 25, delivers customer-specific hydraulic solutions to customers, primarily in the Norwegian offshore and sub-sea industries.

In May, 200,000 class B shares were repurchased at an average price of SEK 114, whereupon the holding of own shares amounts to a total of 2,485,000 class B shares, equivalent to 9.8 percent of the total number of shares outstanding and 7.0 percent of the votes.

The financial reports were signed 21 June 2006 and will be presented for adoption at the Annual General Meeting in Addtech to be held 22 August 2006.

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NOTE 34 Adoption of IFRS

As stated in Accounting Policies, this financial report for the Group is the first prepared in accordance with IFRS.

From 2005, all listed companies in the European Union must prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The accounting policies in accordance with IFRS have been applied when preparing the Addtech Group's financial reports for the 2005/2006 financial year, and for the 2004/2005 comparative year, as well as for the Group's opening balance January 1, 2004, except for IAS 39, which in accordance with an exemption in IFRS 1 only applies to 2005/2006.

The most significant changes in the accounting policies of the Addtech Group are described below in conjunction with the presentation of the effects on reported net income for 2004/2005, assets and liabilities as of 1 April 2004 and 31 March 2005, an the effect on equity as of 31 March 2004 and 31 March 2005.

Summary of the effect of the adoption of IFRS

Group

Income Statement	Note	SE GAAP	Adjustment IFRS	IFRS 2004/2005
Net revenues		2,422		2,422
Cost of goods sold		-1,649		-1,649
Gross income		**773**		**773**
Selling costs	a)	-380	8	-372
Administrative expenses		-229	0	-229
Other operating revenue and expenses	b)	-2	0	-2
Operating income		**162**	**8**	**170**
Financial income and expense		-5		-5
Income after financial items		**157**	**8**	**165**
Taxes	c)	-44	-2	-46
Minority interest	d)	-1	1	–
Net income for the year		**112**	**7**	**119**
– of which attributable to the shareholders				118
– of which attributable to the minority				1

Balance sheet 1/4/2004	Note	SE GAAP	Adjustment IFRS	IFRS
Goodwill	a)	32		32
Other intangible non-current assets	a)	3		3
Tangible non-current assets	b)	147	-8	139
Other Assets		792		792
Total Assets		**974**	**-8**	**966**
Shareholders' equity	a)-d)	399	-2	397
Minority interest	d)	4	-4	–
Deferred tax liability	c)	55	-2	53
Other liabilities and provisions		516		516
Total Shareholders' equity and Liabilities		**974**	**-8**	**966**

NOTE 34 cont'd

Balance Sheet 31/3/05	Note	SE GAAP	Adjustment IFRS	IFRS
Goodwill	a)	145	-24	121
Other intangible non-current assets	a)	12	42	54
Tangible non-current assets	b)	184	-8	176
Other Assets		979		979
Total Assets		**1,320**	**10**	**1,330**
Shareholders' equity	a)-d)	460	5	465
Minority interest	d)	5	-5	–
Deferred tax liability	c)	58	10	68
Other liabilities and provisions		797		797
Total Shareholders' equity and Liabilities		**1,320**	**10**	**1,330**

Shareholders' equity	Note	
Shareholders' equity in accordance with Swedish principles 1/4/2004		399
Minority interest	d)	4
Net effect of adopting IAS 16, Property, Plant and Equipment	b)	-6
Shareholders' equity in accordance with IFRS 1/4/2004		**397**

Specification of change in Shareholders' equity in accordance with IFRS	IFRS
Opening balance of Shareholders' equity in accordance with Swedish principles 1/4/2004	397
Private placement of class C shares	2
Redemption of class C shares	-2
Non-cash issue	4
Redemption of personnel options	3
Translation difference for the period	0
Repurchase of own shares	-9
Dividend	-49
Net income for the year	119
Closing shareholders' equity in accordance with IFRS 31/3/2005	**465**

Parent Company

Income Statement 2004/2005	SE GAAP	Adjustment IFRS	IFRS 2004/2005
Net revenues	23	–	23
Administrative expenses	-38	9	-29
Operating income	**-15**	**9**	**-6**
Net financial items	106	–	106
Income after financial items	**91**	**9**	**100**
Year-end appropriations	-18	–	-18
Income before taxes	**73**	**9**	**82**
Taxes	-15	–	-15
Net income for the year	**58**	**9**	**67**

a) Acquisitions

IFRS 3 Business Combinations was adopted 31 March 2004. Addtech has not made adjustments for any of the acquisitions consummated before the date of enactment of IFRS 3. On the other hand, adjustments have been made with respect to the distribution of purchase money for acquisitions made after the date of enactment, 1 April 2004. Compared to the previous allocation of purchase money, where the residual between the value of identifiable assets and purchase money was allocated to goodwill, IFRS 3 will call for a potentially larger proportion of the purchase money to be allocated to intangible assets. For Addtech these will, for example, consist of customer relationships, supplier relationships, trademarks and technology. Amortisation of goodwill will cease under IFRS 3 and will be replaced by an annual test for impairment, regardless of whether there is any indication that the value of goodwill is in need of an impairment charge or not.

For Addtech, the application of IFRS 3 impacts 2004/2005 operating income by MSEK 8, net, compared to the result according to the previous set of rules and regulations. Goodwill decreases by MSEK 24 and other intangible non-current assets increase with the adoption of IFRS 3 by MSEK 42. Addtech has performed impairment tests of goodwill as of 31 March 2005 as well as of 31 March 2006. According to these tests there is no need for an impairment charge.

b) Tangible non-current assets

In accordance with IAS 16, the acquisition cost of a non-current asset is allocated to each individual part of a non-current asset that is significant in relation to the total acquisition cost of the asset. Each individual part of the asset shall be depreciated separately. For Addtech this means that each individual property is divided into significant parts, which means that different parts of a property are depreciated over different useful lives. Addtech's 2004/2005 operating income is affected by MSEK –0.1 as a consequence of IAS 16, at the same time as the asset item tangible non-current assets (properties) is reduced by MSEK 8.1 as of 31 March 2005 compared to the previous set of rules and regulations.

c) Taxes / Deferred tax liability

The Group's tax expense and deferred tax liability are affected both by taxes on intangible non-current assets that are not classified as goodwill being taken into account, and by the adjustment of value that follows from the application of IAS 16 Property, Plant and Equipment.

d) Minority interest

According to IAS 1, minority interest should be reported as a separate component of equity in the balance sheet, as opposed to previous rules that prescribe reporting minority interest as an item between liabilities and equity. In the income statement, the minority interest in the year's income should be included as a part of net income. Instead, the year's income attributable to the owners of the Parent Company and the minority owners in subsidiaries shall be specified under net income.

Financial instruments

When IFRS is adopted, all financial derivatives, such as for example foreign exchange forward contracts, futures, currency swaps and embedded derivatives in purchasing and sales contracts, will be valued at market on a current basis, all in accordance with IAS 39. This accounting policy was introduced in the Group 1 April 2005, without adjustment of comparative data. Addtech applies hedge accounting. In connection with the preparations for adopting the new principles, the Group took stock of any financial derivatives existing in the Group. The Group primarily uses currency clauses in customer and supplier contracts as a way of reducing the effects of foreign exchange rate fluctuations. The financial derivative instruments used have been acquired to hedge the value of future cash flows. The net effect of market valuation of financial instruments as of 31 March 2005 amounts to MSEK –1.

Shareholders' equity in accordance with IFRS as of 31/3/2005 (MSEK)	**465**
Market valuation of financial instruments –1.5, less taxes 0.4	-1
Shareholders' equity in accordance with IFRS 1/4/2005	**464**

Balance Sheet 31/3/05	SE GAAP	Adjustment IFRS	IFRS
Total Assets	**1,109**	**–**	**1,109**
Equity	764	8	772
Untaxed reserves	51	–	51
Provisions	9	–	9
Non-current liabilities	42	–	42
Current liabilities	243	-8	235
Total Equity och Liabilities	**1,109**	**0**	**1,109**

The Parent company applies IFRS 2 from 1 april 2004.

AUDIT REPORT AND QUARTERLY DATA

AUDIT REPORT

To the Annual General Meeting in Addtech AB (publ)
Company number 556302-9726

We have examined the Annual Accounts, consisting of pages 32—72, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of Addtech AB (publ) for the financial year 1 April 2005 — 31 March 2006. Responsibility for the accounting records and management, and for application of the Swedish Annual Accounts Act in preparing the Annual Accounts, and for application of International Financial Reporting Standards (IFRS) as adopted by EU and the Swedish Annual Accounts Act in preparing the consolidated financial statements, rests with the Board of Directors and the President. Our responsibility is to render our opinion on the Annual Accounts, the consolidated financial statements and the management based on our audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that we have planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting principles, and the Board of Directors' and the management's application thereof, and making an assessment of the critical estimates made by the Board of Directors and the President in preparing the Annual Accounts and the consolidated financial statements, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. As a basis for our statement on discharge from liability, we have examined significant decisions, actions and circumstances in the company to allow us to form an opinion as to whether any Director or the President is liable for damages to the company. We have also examined whether any director or the President has acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We are of the opinion that our audit gives us a reasonable ground for our statements below.

The Annual Accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair picture of the company's performance and financial position in accordance with generally accepted accounting standards in Sweden. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and the Swedish Annual Accounts Act and provide a true and fair picture of the group's performance and financial position. The Administration Report is consistent with the other parts of the Annual Accounts and the consolidated financial statements.

We recommend that the Annual General Meeting adopts the income statement and the balance sheet for the parent company and for the group, deals with the earnings in the parent company in accordance with the recommendation contained in the Administration Report and that the members of the Board of Directors and the President be granted discharge from liability for the financial year.

Stockholm 21 June 2006

KPMG Bohlins AB
George Pettersson
AUTHORISED PUBLIC ACCOUNTANT

QUARTERLY DATA

	Net revenues			Operating income		
	2005/2006	2004/2005	2003/2004	2005/2006	2004/2005	2003/2004
Components	889	802	676	90	71	46
Transmission	1,054	894	829	108	63	26
Equipment	748	730	707	45	40	26
Life Science*	675	–	–	34	–	–
Parent Company & consolidation items	-4	-4	-2	-6	-4	-2
Group Total	**3,362**	**2,422**	**2,210**	**271**	**170**	**96**

Net revenues by business area	2005/2006				2004/2005			
	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Components	242	224	202	221	212	194	185	211
Transmission	279	271	243	261	237	223	205	229
Equipment	193	202	171	182	191	202	160	177
Life Science*	194	191	121	169	–	–	–	–
Parent Company & consolidation items	-1	-2	0	-1	-2	0	-1	-1
Group Total	**907**	**886**	**737**	**832**	**638**	**619**	**549**	**616**

Operating income by business area	2005/2006				2004/2005			
	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Components	28	20	20	22	19	15	16	21
Transmission	33	27	22	26	19	12	16	16
Equipment	14	11	9	11	11	12	9	8
Life Science*	14	8	0	12	–	–	–	–
Parent Company & consolidation items	-3	0	-4	1	-1	-2	0	-1
Operating income	**86**	**66**	**47**	**72**	**48**	**37**	**41**	**44**
— in percent of net revenues	*9.5*	*7.4*	*6.4*	*8.7*	*7.5*	*6.0*	*7.5*	*7.1*
Financial income and expense	-2	-3	-1	-1	-2	-1	-1	-1
Income after financial items	**84**	**63**	**46**	**71**	**46**	**36**	**40**	**43**
— in percent of net revenues	*9.3*	*7.1*	*6.2*	*8.5*	*7.2*	*5.8*	*7.3*	*7.0*

*Addtech Life Science was acquired 31 March 2005, so comparative data for prior periods is not available.

BOARD OF DIRECTORS






ANDERS BÖRJESSON, born 1948.
Chairman since 2001.
Other assignments: Chairman of Boomerang AB, Cibenon AB, Cibes Lift AB and Lagercrantz Group AB. Vice Chairman of Bergman & Beving AB.
Ownership (family): 385,328 class A shares and 40,000 class B shares.

TOM HEDELIUS, born 1939.
Vice Chairman since 2001.
Honorary Chairman of Svenska Handelsbanken AB. Other assignments: Chairman of Anders Sandrews stiftelse, Bergman & Beving AB and Industrivärden AB. Vice Chairman of Lagercrantz Group AB, Jan Wallanders och Tom Hedelius stiftelse. Director of SCA AB, Volvo AB and L E Lundbergföretagen AB.
Ownership: 370,328 class A shares and 5,400 class B shares.

ROGER BERGQVIST, born 1948.
Director since 2001.
President of Addtech AB.
Employed in the Group since 1973.
Ownership: 20,000 class B shares.
Personnel Options: 100,000.

LARS SPONGBERG, born 1945.
Director since 2001.
Partner in Nordic Capital.
Other assignments: Director of Westergyllen AB, Intervalor AB, Skyways Holding AB, Cibenon AB, Cobolt AB and of Nordic Capital portfolio companies.
Ownership: 1,500 class B shares.

EVA ELMSTEDT, born 1960.
Director since 2005.
Vice President, IT Service Delivery, Ericsson AB.
Other assignments: Director of Syntavia AB.
Ownership: 1,000 class B shares.

URBAN JANSSON, born 1945.
Director since 2001.
Other assignments: Chairman of Jetpak Group AB, Siemens AB and Tylö AB. Vice Chairman of Ahlstrom Corp and Plantasjen AS. Director of CapMan Plc, Clas Ohlsson AB, Eniro AB, Ferd AS, HMS Holding AB, SEB AB and the Corporate Committee of Stockholmsbörsen.
Ownership: 35,000 class B shares.

GROUP MANAGEMENT

KENNET GÖRANSSON, born 1963.
Executive Vice President and Chief Financial Officer of Addtech AB.
Secretary to the Board of Directors.
Employed by the Group since 1995.
Ownership: 13,100 class B shares.
Personnel options: 70,000.

ROGER BERGQVIST, born 1948.
President of Addtech AB.
Employed by the Group since 1973.
Ownership: 20,000 class B shares.
Personnel options: 100,000.

TOMMY HAGLUND, born 1963.
Executive Vice President of Addtech AB.
Employed by the Group since 1988.
Ownership: 6,400 class B shares.
Personnel options: 20,000.

RICHARD GUSTAFSSON, born 1958.
Vice President and responsible for business development at Addtech AB.
Employed by the Group since 2005.
Ownership: 17,700 class B shares.
Personnel options: 10,000.

ANDERS CLAESON, born 1956.
Executive Vice President of Addtech AB.
Employed by the Group since 1982.
Ownership: 9,300 class B shares.
Personnel options: 70,000.

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WELCOME TO THE ANNUAL GENERAL MEETING

The Annual General Meeting of Addtech AB (publ) will be held at 4:00 p.m. 22 August 2006 at IVA conference centre, Grev Turegatan 16, Stockholm.

NOTICE OF PARTICIPATION

Shareholders who wish to participate in the proceedings of the Annual General Meeting must:

- be entered in the share register maintained by VPC AB not later than by Wednesday, 16 August 2006, and
- file notice with the Company's head office under address Addtech AB (publ). Box 602, SE-101 32 Stockholm, by telephone +46-8-470 49 08, telefax +46-8-470 49 01 or to info@addetch.com not later than by 3:00 p.m. Friday, 18 August 2006. Such notice must contain the shareholder's name, personal registration number (organisation number), address, telephone number and information about the number of shares represented.

Shareholders whose shares are held in the name of a nominee must, in order to have the right to exercise their voting right at the Annual General Meeting, temporarily register their shares in their own name. Such re-registration must be completed not later than by Wednesday, 16 August 2006.

If shareholders will participate by authorization, the proxy has to be sent to the company in plenty of time before the Annual General Meeting. Representative of legal person has to send a certified copy of registration certificate or corresponding document of authorization.

PAYMENT OF DIVIDEND

The resolution of the Annual General Meeting with respect to dividend will contain information as to the day when shareholders must be registered in the share register maintained by VPC AB in order to be entitled to receive dividend. The Board of Directors has proposed Friday, 25 August 2006 as record date. Provided the Annual General Meeting passes a resolution in accordance with the proposal, the dividend is expected to be remitted by VPC AB Wednesday, 30 August 2006 to those who are registered in the share register on the record date.

CHANGE OF ADDRESS AND BANK ACCOUNT

Shareholders who have changed their name, address or account number should inform their custodian or account operator (bank) of any such change as soon as possible. A special form for this purpose is available at all Swedish bank branch offices.

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ADDTECH ANNUAL REPORT 05/06

ANNUAL REPORT 05/06

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CONTENT

This document is a translation of the Swedish Annual report 2005/2006. In the event of any differences between this translation and the Swedish original, the latter shall prevail.