

RISKS AND UNCERTAINTIES

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

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

RISK/DESCRIPTION**ADDTECH'S RISK MANAGEMENT****ECONOMY AND MARKET**

Demand for Addtech's products and services is greatly influenced by macroeconomic factors beyond Addtech's control, such as growth and the appetite for investment in the manufacturing industry, the state of the economy in general and conditions in the global capital market. A weakening in these factors in the markets in which Addtech operates could have adverse effects on the financial position and earnings.

With a large number of subsidiaries focusing on different niche markets and add-on sales of technical service, support and consumables, Addtech may be less sensitive to economic fluctuations in individual industrial businesses, sectors and geographical regions. Addtech also strives continuously to develop businesses that are less dependent on a specific market and to align costs to specific conditions.

STRUCTURAL CHANGES

Globalisation, digitalisation and rapid technological development drive structural change in customers' operations. The trend can increase demand for Addtech's advanced services, but it can also result in Addtech's customers disappearing through mergers, closures and relocations to low-cost countries.

Addtech's clear and unique added value services with high technological content, specialisation in advanced technical advisory services, outstanding service and strong presence on niche markets offset price competition, while increasing competitiveness and generating opportunities to deliver beyond the immediate geographic area. Addtech's competitiveness also enables the Company to deliver beyond its immediate geographical region. The Group's exposure to a large number of industries and the fact that no customer accounts for more than 2 per cent of the Group's sales constitute a certain degree of protection against adverse impact on earnings.

COMPETITION

The majority of Addtech's subsidiaries operate in sectors that are vulnerable to competition. In addition, consolidation may take place on the supplier side of the sector, and larger merged suppliers may have a broader offering, which may create pressure on prices. Future competitive opportunities for the subsidiaries will depend on their ability to be at the leading edge of technology and to respond quickly to new market needs. Increased competition or a decline in the ability of a subsidiary to meet new market needs could have a negative impact on Addtech's financial position and earnings.

Addtech strives to offer products and services for which price is not the sole deciding factor. By working closely with both suppliers and customers, we are continuously developing our know-how and competitiveness. We add value in the form of wide-ranging technological knowledge, delivery reliability, service and availability, which reduces the risk of declining demand from the customer. To reduce the risk of competition from suppliers, Addtech focuses continuously on ensuring that collaboration with the Group is the most profitable sales strategy.

ENVIRONMENT

Changed environmental legislation could affect product sales, goods transports and the way in which our customers use the products. There is also a risk that one of the Group's subsidiaries, through its corporate ID number, could be linked to a historical responsibility under the Swedish Environmental Code.

Addtech's subsidiaries are primarily engaged in commerce and business that has a limited direct environmental impact. The Group conducts in limited production. The Group monitors operations and environmental risks with its sustainability report and all companies comply with the Group's Code of Conduct. In conjunction with acquisitions, Addtech conducts an analysis of the prospective object's corporate ID number to counter the risk of being liable for historical environmental issues.

ABILITY TO RECRUIT AND RETAIN STAFF

Addtech's continued success depends on being able to retain experienced employees with specific skills and to recruit new skilled personnel. There are a number of key personnel both among senior executives and among the Group's employees in general. A risk exists that one or several senior executives or other key personnel could leave the Group at short notice. In the event that Addtech fails to recruit suitable replacements for them or new skilled key personnel in the future, this could have a negative impact on Addtech's financial position and earnings.

Addtech prioritises the creation of good conditions enabling the personal development and well-being of employees within the Group. The Group's acquisition strategy includes ensuring that key personnel of the companies are well motivated to continue to run their company independently as part of the Group. The Addtech Business School is aimed at both new employees and senior executives. Its purpose is to expand in-house knowledge transfer, promote personal development of employees and develop the corporate culture. The Group's regular employee surveys serve to find out how employees view their employers and their work situation, and what might be improved and developed.

ACQUISITIONS AND GOODWILL

Historically, Addtech has for the most part grown through acquisitions. Strategic acquisitions will continue to represent an important part of our growth. However, there is a risk that Addtech will not be able to identify suitable objects for acquisition because of, for example, competition with other acquirers. Also, costs connected with acquisitions may be higher than expected, and positive impacts on earnings may take longer to realise than expected. Goodwill risk arises when a business unit under-performs in relation to the assumptions that applied at the time of measurement, and any impairment loss may adversely affect the Group's financial position and earnings. Further risks associated with acquisitions include integration risks and exposure to unknown commitments.

Addtech has many years of solid experience in acquiring and pricing companies. All potential acquisitions and their operations are carefully examined before completing the acquisition. There are well-established procedures and structures for pricing and implementing the acquisition, as well as for integrating the acquired companies. An effort is made in the agreements to obtain the necessary guarantees to limit the risk of unknown liabilities. The large number of companies acquired entails a significant distribution of risk.

FINANCIAL RISKS

The Group is exposed to various financial risks. Currency risk is the risk that exchange rates have an adverse impact on Addtech's financial position and earnings.

Transaction exposure is the risk that arises because the Group has incoming and outgoing payments based on payment flows in foreign currencies.

Translation exposure arises because the Group, through its subsidiaries, has net investments in foreign currencies.

The Group is also exposed to financial risk, that is, the risk that financing for the Group's capital requirements becomes less readily available or more expensive. Interest rate risk is the risk that unfavourable changes in interest rates have an adverse impact on Addtech's financial position and earnings.

Addtech strives for structured and efficient management of the financial risks that arise in its operations, in accordance with the financial policy adopted by the Board of Directors. The financial policy expresses the goal of identifying, minimising and controlling financial risks, and establishes responsibility for managing how such risks are to be delegated within the organisation. The aim is to minimise the impact of financial risks on earnings. See Note 3 to the Financial Statements for a more detailed description of how Addtech manages its financial risks.

SUPPLIERS AND CUSTOMERS

In order to deliver products, Addtech is dependent on the ability of external suppliers to fulfil agreements in terms of volume, quality, delivery date etc. Incorrect or delayed deliveries, or non-deliveries, may have adverse impact on Addtech's financial position and earnings. Addtech's reputation is also dependent on its suppliers' ability to maintain a high level of business ethics, for example in terms of human rights and working conditions. Addtech's many and excellent relationships with carefully selected suppliers reduce the risk that Addtech might be unable to deliver in line with commitments. Agreements with customers vary, for example in terms of contract length, warranties and limitations of liability. In some supplier relationships there are no written supplier agreements, which could result in legal uncertainty regarding the content of the agreement

Addtech's long-term close relationships with reliable suppliers reduce the risk of not being able to deliver as promised. To ensure that the Group's high standards in terms of business ethics are maintained, all suppliers are also required to observe Addtech's Code of Conduct for Suppliers. In a longer-term perspective, Addtech is not dependent on any individual supplier or customer. Addtech's biggest customer accounts for about 3,5 percent of the Group's net sales.

ORGANISATION

Addtech's decentralised organisation is based on subsidiaries having a large responsibility for their own operations, which sets high standards for financial reporting and monitoring; shortcomings in this area could lead to inadequate control of the operations.

Addtech controls its subsidiaries through board work, a Group-wide framework for overarching policies and financial reporting. By continuously monitoring the development of its subsidiaries and being active owners, risks at the subsidiary level and potential deficiencies in operations or reporting can quickly be identified and addressed in accordance with the Group's internal guidelines.

SEASONAL EFFECTS

There is a risk that Addtech's operations, earnings and cash flow could be affected by strong seasonal effects driven by customer demand.

No significant seasonal effects are associated with Addtech's sales of high-tech products and solutions to companies in the manufacturing and infrastructure sectors. However, the number of production days, customer demand and the will to invest may vary from one quarter to another.

BUSINESS ETHICS AND HUMAN RIGHTS

Addtech's continued success is strongly dependent on our good reputation and business ethics. Violations of human rights in its own or its suppliers' operations would have a negative impact on the Group's reputation among employees, customers and other stakeholders and influence demand for the Group's products.

The Group works internally with business ethics through initiatives such as the Business School and annually monitors compliance with anti-corruption and human rights regulations. Addtech's many long-term close relationships with reliable suppliers reduce the risk of the occurrence of violations of human rights among our suppliers. To ensure that the Group's high standards in terms of business ethics are maintained, all suppliers are also required to observe Addtech's Code of Conduct for Suppliers and special supplier audits are conducted.