



Alcadon Group



2020

ANNUAL REPORT

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Annual Report 2020

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The year in brief

Significant events during the year

- Alcadon Group signs agreement on the acquisition of Danish 6X International ApS and its German subsidiary 6X International GmbH.
- A central warehouse in Västberga, south of Stockholm, replaces four former warehouses in Sweden, and a new store is opened in connection with the warehouse.
- Lars Engström takes office as a new member of Alcadon Group AB's Board of Directors.
- The Group management was strengthened during the year with the addition of a new sales manager of Alcadon AB. In January 2021, the Group management was further strengthened with the addition of the CEO and former owner of 6X, Susanne Stengade.
- New certified adviser as of 19 November 2020 is Svensk Kapitalmarknadsgranskning AB (SKMG).

Historical summary

	2020	2019	2018
Net sales, MSEK	467,6	485,2	544,0
Operating profit, MSEK	43,1	31,1	56,9
Operating margin, %	9,2	6,4	10,5
Earnings per share, SEK	1,72	1,15	2,17
Solidity, %	52	48	46



A word from the CEO

STRONG ORGANIC PROFIT GROWTH AND GEOGRAPHIC EXPANSION

To sum up the year 2020, we achieved our desired goals despite the challenges arisen from the pandemic. Major efforts to strengthen profitability resulted in an operating profit growth of 39 percent. At the same time, our conditions for continued profitable growth have strengthened considerably during the year. A clear strategic agenda for growth and a transformative acquisition provides for a positive development in the years ahead, in an industry that is looking very interesting.

For the year 2020 as a whole, operating profit after depreciation/amortization (EBIT) increased by 39 percent to MSEK 43, and earnings per share increased by 50 percent. Net sales decreased by 3.6 percent to MSEK 468. In unchanged currency levels, net sales decreased by 1.1 percent. The gross margin increased from 26.8 percent to 28.7 percent, and the operating margin increased from 6.4 percent to 9.2 percent. Solidity increased from 47.8 percent to 51.9 percent and cash flow from operating activities remained strong at MSEK 31.1. The net debt decreased by MSEK 8.5 and amounted to MSEK 101.4. Overall, it was a strong year; key ratios improved significantly, and we saw strong profit growth in both our geographies.

The last year was, of course, characterized by the pandemic, which brought short-term challenges also to our industry. In the long term, it is clear that the developments during the year has strengthened the conditions for growth significantly in network infrastructure. Work from home, demand for stable and secure connection, and the 5G transition are driving forces behind a development to our benefit.

While the uncertainty due to the pandemic will linger for the near future, we expect to see a positive development during 2021 as a whole. Our entry into new markets, synergies arising from the 6X International acquisition and the efforts taken in 2019 and 2020 should create favourable conditions for the Alcadon group, moving forward.

Furthermore, a number of significant customer contracts signed in 2020 indicate that there is a strong interest in the market for business development with Alcadon.

INDUSTRIALLY RATIONAL ACQUISITIONS AND GEOGRAPHIC EXPANSION

Acquisitions are an important part of our strategy. Our aim is to carry out industrially rational acquisitions with a clear strategic agenda on a continuous basis. By acquiring well-managed, profitable companies in our own core business segment, with a clear agenda, we will be more likely to achieve a successful integration and hence a value-creating outcome. Today, we have a strong offer for entrepreneurs. There is significant room for influence and autonomy within the group, in an entrepreneurial environment characterized by industry excellence. Simply stated, it is an environment to evolve in and to benefit from.

The acquisition of the 6X International group at the beginning of 2021 gives Alcadon a strong position on the growth markets Germany and Denmark.

In combination with cross-selling synergies and competence sharing, this presence will have a positive impact on the Group's development for many years to come. Alcadon and 6X have worked together in 2019 and 2020 and there are many similarities between the business culture of the companies, with a common focus on entrepreneurship, product competence and premium solutions. This will make for a successful integration. In addition, our group management is strengthened with Susanne Stengade, the former owner and CEO of the 6X group.

Since the listing in 2016, when the Group reported net sales of approximately MSEK 280, five acquisitions have been completed, 6X included. As a result, the Group's net sales have increased by more than MSEK 400. We intend to maintain a high pace of acquisitions in the future as well. The basis of our acquisition strategy is that there should be significant synergies and exchange of competence between us and the acquired companies – and, of course, cultural similarities. As in the past, we are evaluating acquisitions on both existing and new geographic markets. Following last year's strong development, we have the financial resources needed to continue our growth journey.

BUSINESS DEVELOPMENT FOR CONTINUOUS IMPROVEMENT

We find it essential to maintain our strong position in the premium segment of commercial properties and fiber networks (FTTx). The best way of achieving that is by focusing on our employees and their development, and

by developing value-creating solutions in collaboration with customers, thus retaining our role as a center of excellence. According to our employee and customer surveys, we are currently succeeding in that resolve – but we strive to become even better, and we are working consistently to address issues such as diversity and decentralized leadership. You are welcome to read more about our sustainability efforts in our sustainability report, which is available on alcadongroup.se.

The year 2019 was characterized by the optimization of our organization and cost structure. This laid the foundation for profitable growth in 2020, which also saw further positive developments with the introduction of a new central logistics unit, a number of key recruitments and increased gross margins. As a result, we now stand even stronger as we move into 2021, with the whole Group focusing solely on continued profitable growth. Now more than ever, we are developing new solutions in fiber networks and cable systems to support our growth agenda. The efforts that we initiated in 2020 have been successful and will continue in 2021. A good example is our focus on data centers, which saw growth beyond 40 percent during 2020.

NETWORK INFRASTRUCTURE – THE FOUNDATION OF A DIGITAL AND SUSTAINABLE SOCIETY

Alcadon provides products and complete systems for managing intra-property, inter-property and inter-city data transfer. The offer includes cable systems for properties as well as fiber cabling with accessories for complete fiber networks in connection with broadband and 5G rollouts.

Investments in digital infrastructure with robust networks create the basis for a sustainable society, promoting competitiveness and enabling the emergence of the Internet of Things (IoT), smart properties and flexible workplaces. FTTH Council Europe has been able to demonstrate that societies that invest in digital infrastructure and transition from copper to fibre experience significant benefits. Benefits include significantly improved energy efficiency, reduced unemployment, lower maintenance costs and an increased number of business start-ups.

In addition, the growth conditions for network infrastructure are apparent from current megatrends. The fundamental driver of investment needs is the growing amount of data, which in Europe is expected to increase by 35 to 50 percent annually over the coming years. This growth is not manageable without 5G and broadband rollouts, and this affects our Fiber networks business area.

Most countries have ambitious state objectives for broadband rollouts; in Sweden, about 30 percent of investments are still to be made before state objectives are met, and in Germany, the number of households with broadband access are expected to increase more than sevenfold by 2026. Denmark and Norway are in a development phase between Sweden's and Germany's. In addition, more and more people are expected to demand robust network connections regardless of workplace in the wake of the pandemic, which should have a significant effect on the pace of fiber network rollout. A 5G rollout further requires about 2 to 6 times more fiber than at a broadband rollout, and significantly more than the construction of the 4G network. Moreover, due to technology development and population growth, the fiber deployment will never be completely finished.

The increasing amounts of data will also impact commercial property network investment, as approximately 80 percent of the bandwidth is in use indoors. Over the last 10 years, commercial property cable systems have shown steady annual growth of around 7 percent. The cable systems are generally replaced at least every 12 years, but also in conjunction with relocations, reconstruction and renovation. Technology development is shortening the exchange cycles considerably over time, and that trend is expected to continue when wireless components become more abundant. The segment most affected by increased amounts of data may be investments in data centers, which in the coming years is expected to grow by 10 to 25 percent annually in the Nordic countries. This is a very interesting development.

Thus, the market trend is positive and I am convinced that we are properly positioned to take advantage of the development together with the operators, installers, construction companies and data centers with whom we cooperate.

The conditions for profitable growth look favourable. All in all, I can only express my satisfaction with our achievement in 2020, which, in a positive sense, became a transformative year.



Sonny Mirborn
CEO and President

Organization of the Group

ALCADON GROUP

Operations began in 1988 and the current group was formed on 21 December 2015. The Group conducts its business through the subsidiary Alcadon AB and the Norwegian subsidiary Alcadon AS. The other companies belonging to the Group have no active operations. The main function of the other companies in the Group is to act as holding companies. A merger procedure was initiated in 2020 involving three of the holding companies. The merger was completed in the first quarter of 2021. The mergers have no material impact on the Group and were carried out to reduce administrative work. The Group's functions for group management, finance and IR/PR are handled by the parent company.

OPERATING COMPANIES

Alcadon AB is present in Stockholm (the head office), Malmö, Gothenburg and Örebro. The company also has sales representatives in Denmark and Finland. During the fourth quarter of 2020, four former local warehouses were replaced by a new central warehouse in Västberga, south of Stockholm. At the same time, a new store was opened in connection with the central warehouse. Alcadon AS has offices and warehouses in Oslo and Sandefjord and sales offices in Bergen, Hamar and Mosjøen.

In January 2021, Alcadon carried out the acquisition of 6X International, headquartered in Nivå north of Copenhagen, Denmark. Since the end of 2019, 6X is also present in Germany following the establishment of the wholly-owned subsidiary 6X International GmbH, with an office in Kiel.

STRATEGY & GOVERNANCE

Alcadon Group's strategy is to grow organically and through acquisitions.

Organic growth is achieved by continuous development of the business models of the companies in conjunction with a flexible organization and an ongoing analysis of the driving forces in the market.

Acquired businesses should either strengthen Alcadon Group's total offering and position, expand its geographic presence or complement the group's customer base. The leadership in acquired companies should be characterized by competence and entrepreneurship, good earning power and a proven business model.

Each active subsidiary of the group should strive to identify and realize synergies between the companies when the gains are higher than the coordination costs.

ALCADON GROUP AB

ALCADON INRESSETER AB

ALCADELTA AB

ALCADON AB

ALCADON AS

6X INTERNATIONAL
ApS¹⁾

6X INTERNATIONAL
GMBH¹⁾

¹⁾ 6X International ApS and 6X International GmbH are part of the Group as of January 2021 and are not included in the 2020 financial statements.



Business description

INTRODUCTION

Since its inception in 1988, the Alcadon Group has established itself as a leading supplier of network infrastructure systems and products in the Nordic countries. Alcadon offers a wide range of high-quality systems and components from leading manufacturers as well as private label brands such as ECS (European Cabling Systems) and DC-Line.

The strength of Alcadon's business concept lies in extensive competence and experience in network infrastructure and the related technology development, in combination with a strong focus on quality and service. This allows Alcadon to offer well-functioning and comprehensive network infrastructure solutions to a broad customer base comprising network installers, system integrators, construction companies and network owners.

Alcadon maintains offices and own warehouses in Stockholm, Malmö, Gothenburg, Örebro, Oslo and Sandefjord. The head office is located on the island of Stora Essingen in Stockholm, and in autumn 2020, a new central warehouse was opened in Västberga, south of Stockholm.

The Group also has sales offices in Hamar, Bergen and Mosjøen. The Group had 65 employees on 31 December 2020.

Through the acquisition of 6X International in January 2021, Alcadon is now also established in Denmark and Germany. The head office of 6X International is located in Nivå, north of Copenhagen, Denmark. Since the end of 2019, 6X is also present in Germany following the establishment of the wholly-owned subsidiary 6X International GmbH, with an office in Kiel.

VISION

Alcadon's vision is:

- To be a leading supplier in network-related products and systems and broadband solutions.
- To offer a broad range of products with high availability and security of supply, at a reasonable price.

- To maintain a high level of competence with good knowledge of market developments to be able to offer goods and services that improve our customers' business opportunities.

BUSINESS CONCEPT

Alcadon's business concept is to meet the market's need and requirements for data communication products and systems and to be a natural partner of companies that carry out installations and build network solutions for current and future needs.

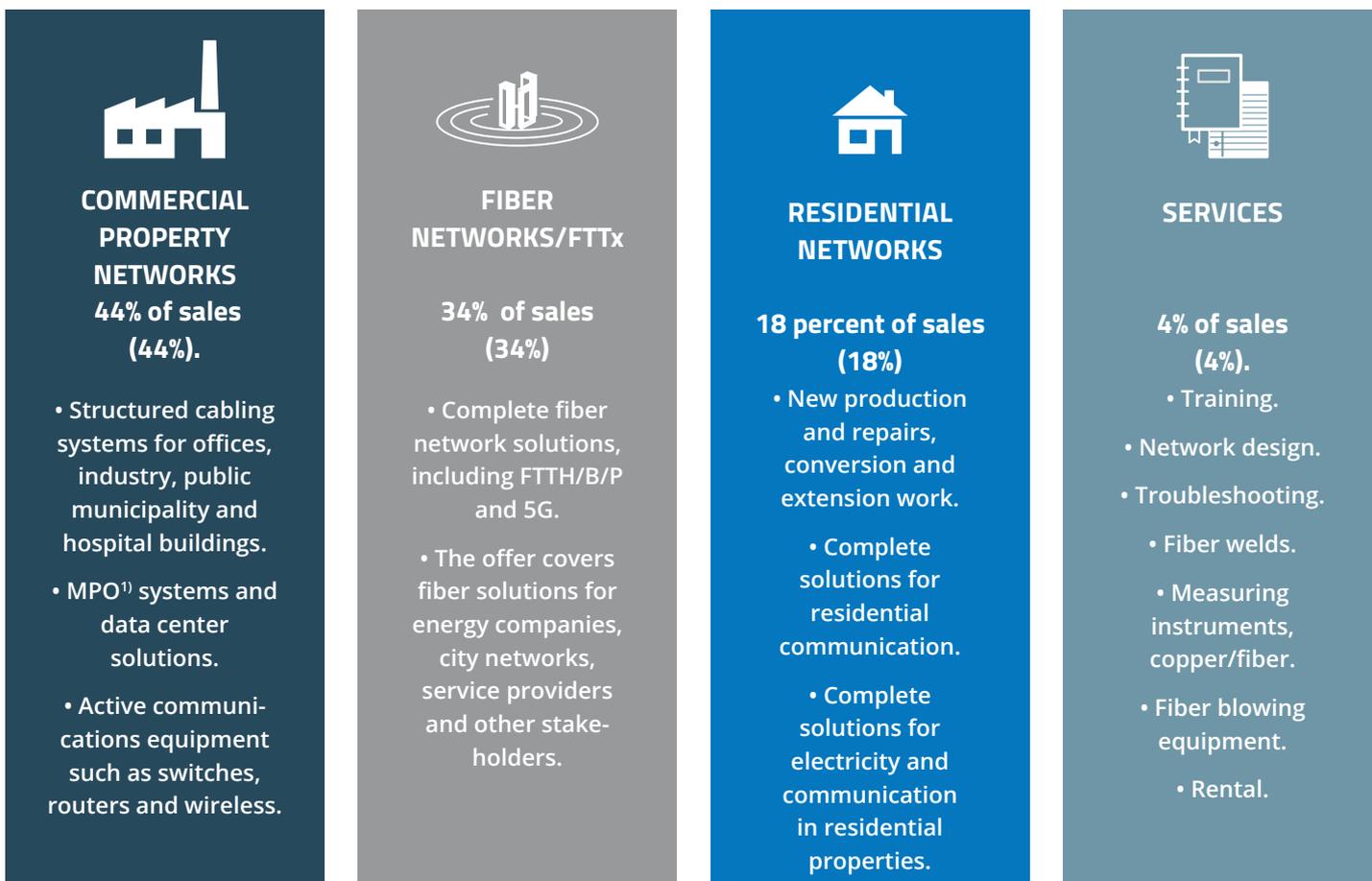
BUSINESS MODEL

Alcadon's main niche in the Nordic market for data communications products is network infrastructure. The Company's business model is to develop systems and products and act as a data communications distributor to installers, telecommunication providers, system integrators and major end users.

The success factors are our customer focus, the staff's extensive skills and long experience, efficient logistics management, high-quality products, and prompt service of a high standard.

BUSINESS AREAS

We have defined our operations in four business areas.



¹⁾MPO (Multi-fiber Push On) is a universal cable system for fiber networks.

PRODUCTS

Alcadon offers a wide range of high-quality products and components for data- and telecommunications from leading manufacturers. In addition, we offer private label brands such as ECS (European Cabling Systems), for commercial property networks, and DC Line, which is primarily targeted at residential networks.

ECS (European Cabling Systems), a structured cabling system for passive infrastructure in commercial properties, has been supplied since 1995.

Since then, approximately 4,000 installers have been licensed by Alcadon for ECS installation, and more than two million systems have been installed in the Nordic countries. In 2020, the ECS and DC-line brands accounted for 29 (31) percent of net sales.

The strength of Alcadon's business concept lies in extensive competence and experience in network communications and the technology development in the field, in combination with a strong focus on quality and service. This allows Alcadon to offer well-functioning and comprehensive network infrastructure solutions to a broad customer base of network installers.



FINANCIAL OBJECTIVES

Alcadon's financial objectives are for the Group to achieve growth in earnings per share at a rate of 10 percent per annum over an economic cycle and a solidity amounting to no less than 25 percent.

LOCATION

Alcadon AB is present in Stockholm (the head office), Malmö, Gothenburg and Örebro. During the fourth quarter of 2020, three former local warehouses were replaced by a new central warehouse in Västberga, south of Stockholm. At the same time, a new store was opened in connection with the central warehouse. Alcadon AS has offices and warehouses in Oslo and Sandefjord and sales offices in Bergen, Hamar and Mosjøen. Alcadon also has sales representatives in Helsinki.

In January 2021, Alcadon carried out the acquisition of 6X International, headquartered in Nivå north of Copenhagen, Denmark. Since the end of 2019, 6X is also present in Germany following the establishment of the wholly-owned subsidiary 6X International GmbH, with an office in Kiel.

From the central warehouse in Stockholm and the warehouses in Oslo and Sandefjord, deliveries are sent daily to customers throughout Sweden and to the other Nordic countries.

CUSTOMERS

Alcadon directs sales to companies active in installation, system integrators, and companies and other market participants that operate or own data- and telecommunication networks. Network installers represent approximately 75 percent of the customers and thus are the Company's main customer group. Alcadon has more than 2,800 active customers where the ten largest customers usually account for around 30 percent of net sales.

The main market is Sweden, which in 2020 accounted for 73 percent of net sales, while the Norwegian market accounted for 27 percent of net sales.

SUPPLIERS

Alcadon has chosen to focus on a smaller number of market areas to stay at the forefront of the market development. The products are developed in cooperation with world-leading manufacturers and suppliers in Europe, the United States and Asia, with close attention to developments relating to product standards and to the different needs of customers in the Nordic market. Products under the private label brand ECS are manufactured at several factories around the world.

Alcadon offers products from around 200 suppliers in addition to the proprietary product range.

LOGISTICS AND WAREHOUSING

Alcadon stocks approximately 2,800 products.

In September 2020, four smaller local warehouses in Stockholm, Gothenburg, Malmö and Örebro were replaced by a new central warehouse in Västberga, south of Stockholm. The new central warehouse allows us to ensure a high delivery precision to the whole of Sweden and our Norwegian warehouses. At the same time, it enhances our storage capacity and efficiency, which aligns with our ambition for growth. Alcadon is well experienced with the efficient planning of purchasing and logistics, which is of great importance considering that the delivery time for certain products can be several months. The risk of inventory obsolescence is assessed as low.

PERSONNEL

As at 31 December 2020, Alcadon had 65 (62) employees. 50 (46) of the employees are based in Sweden and 15 (15) in Norway.



The majority of Alcadon's employees have extensive experience in the industry. The senior management and Alcadon's other employees are shareholders in Alcadon and therefore take a long-term approach to the continued development of the company.

HISTORIC MILESTONES

1988: Alcadon AB is established on Lilla Essingen in Stockholm, Sweden.

1989-1990: Offices open in Gothenburg, Oslo and Malmö.

1995: Launch of the proprietary cabling system ECS.

1997: Alcadon AB's headquarters is moved to Stora Essingen in Stockholm, gathering key functions of management, marketing, servicing, purchasing and economy in connection with the central warehouse.

1997: MRV Communications Inc, a U.S. Company listed on Nasdaq in the United States, acquires parts of Alcadon in a joint venture. MRV later acquires the remaining part of Alcadon AB as well and subsequently owns 100 percent of the company.

2012: DistIT acquires Alcadon from MRV Communications.

2015: DistIT announces its intention to carry out a spin-off and separate listing of Alcadon (under the Lex ASEA provisions) and Alcadon is prepared for listing on Nasdaq First North.

2016: Alcadon Group AB is listed on Nasdaq First North on 14 september 2016.

2017: Alcadon acquires DataConnect Norden AB and Svagströmsmateriel AB.

2018: Alcadon acquires CableCom AS.

2019: Sonny Mirborn takes position as new CEO and President.

2020: A new central warehouse is opened in Västberga, south of Stockholm. Alcadon signs agreement on the acquisition of Danish 6X International, with operations in Denmark and Germany.

COMPETITIVE ADVANTAGE AND GROWTH STRATEGY

Alcadon's main competitive advantage is the extensive competence and experience that exist in the company. Alcadon offers cost-efficient solutions with first-class service and support. The staff helps customers find the right products and comprehensive solutions, taking future network technologies into consideration. We also offer training in the installation and use of our systems.

Quality is a clear priority for Alcadon, which competes through high product quality and level of service rather than through price. To achieve that, the company declines projects where the margin is very low, as such projects may involve a greater risk of compromising quality to achieve a profit.

A further significant competitive advantage is the private label brands ECS and DC-Line, which are developed in-house and adapted to the market. The combination of private label brands and brands from leading manufacturers makes Alcadon flexible and unique.

Alcadon's aim is to grow further, both organically and through strategic acquisitions that can complement existing operations.

Alcadon is continuously identifying prospective acquisitions that would contribute to further expansion in Alcadon's existing markets and other related markets. Potential acquisition targets are those that can add value, either from similar products that fit in with Alcadon's current activities or from products that enable the company to expand into new market segments.

Corporate Governance Report

A limited company whose transferable securities are admitted to trading on a regulated market shall prepare a corporate governance report. The Corporate Governance Report has been reviewed by the company's auditors in accordance with the provisions of the Swedish Annual Accounts Act, and the auditor's remarks are included in conjunction with this report. Application of the Swedish Code of Corporate Governance ("Code") is at present not compulsory for companies whose shares are traded on NASDAQ First North. The Board of Directors of Alcadon Group AB intends to apply the Code in the sections that are considered relevant to the company and its shareholders, and taking into account the scope of operations.

Alcadon Group AB (publ), corporate identity no. 559009-2382, is a Swedish public limited company that is subject to Swedish law. Operations during 2020 consisted of the operating subsidiary Alcadon AB and Alcadon AS. Alcadon operates in Sweden and Norway.

The Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act. The corporate governance of Alcadon Group AB is based on Swedish legislation, primarily the Swedish Companies Act, the agreement with the marketplace First North, and other relevant rules and guidelines. Since 14 September 2016, the company's share is listed on NASDAQ First North, with the ticker ALCA.

The basis for governance of the company and the group is, among other things, the Articles of Association, the Swedish Companies Act and the Stockholm Stock Exchange's regulations for listing on First North.

Due to the fact Alcadon Group's share is not listed on a regulated marketplace, the company is not covered by the Code. However, Alcadon Group's work with corporate governance is largely inspired by the Code. Since 2017, a Nomination Committee has been in place which fulfils the guidelines regarding independence as stated in the Code.

SHAREHOLDERS

Alcadon Group's share is listed on Nasdaq First North. For companies associated with Nasdaq First North, a Certified Advisor is required who, among other things, shall carry out some supervision. Alcadon Group's Certified Advisor is Svensk Kapitalmarknadsgranskning AB (SKMG).

The number of shareholders in Alcadon Group on 31 December 2020 totalled 5,861.

GENERAL MEETING

The company's highest decision-making body is the General Meeting, where the shareholders' influence in the company is exercised. Shareholders who want to participate at the General Meeting, personally or via proxy, shall be entered in the share register six weekdays prior to the General Meeting, and submit a registration to the company according to the notice.

Notice of the General Meeting takes place via an announcement in Post- och Inrikes Tidningar and on the company's website (www.alcadongroup.se). An announcement that the notice has taken place shall be published in Svenska Dagbladet at the same time as the notice.

An Annual General Meeting shall be held within six months of the end of the financial year. At the Annual General Meeting, the shareholders decide, among other things, on the election of the Board of Directors and auditor, how the Nomination Committee is to be appointed, and on the discharge of the Board of Directors and the CEO for the previous year. Decisions are made also on the adoption of the financial reports, appropriation of retained earnings, and fees for the Board of Director and auditor.

ANNUAL GENERAL MEETING 2020

The Annual General Meeting 2020 took place in Stockholm on Friday 24 April 2020 at 10:00 at the company's premises. For information on the Annual General Meeting and the decisions made, please refer to the company's communiqué from the Annual General Meeting available on the company's website (in Swedish) www.alcadongroup.se/investare/bolagsstammor/

THE BOARD

According to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of ten members, with a maximum of five deputies. The five elected members were appointed by the Annual General Meeting 2020 for the period up to the next Annual General Meeting, in accordance with the Swedish Code of Corporate Governance. There is no rule on the longest time a member may serve on the Board of Directors. The board members' average age is 56 years old, and one of the members is a woman.

Three of the board members are considered by the Nomination Committee to be independent in relation to the company, the company management and the company's major owners. Pierre Fors has previously been employed by the company and is also a large shareholder in Alcadon Group AB,

and is therefore not considered independent. Stefan Charette is independent in relation to the company and company management, and dependent in relation to one of the company's major owners, Athanase Industrial Partner. The Alcadon Group therefore fulfils the requirements set in the Code with regard the Board of Directors' independence in relation to the company, the company management and the company's major owners.

The work and responsibilities of the Board of Directors

On 24 April 2020, the Board of Directors adopted a Rules of Procedure for the Board, with instructions regarding division of duties between the Board of Directors and the CEO, and instructions for financial reporting. The Board of Directors is responsible for ensuring that Alcadon Group's organisation is designed so that the accounting, management of funds, and other financial conditions are controlled in a satisfactory manner. The Board of Directors shall continuously assess the group's financial situation.

The Board of Directors' rules of procedure state that the Chair of the Board shall, in consultation with the CEO, prior to releasing a notice, draw up an agenda for each meeting and determine the decision-supporting and general documentation necessary for the relevant issues. The Board of Directors is called to a Statutory Meeting after the Annual General Meeting and, in addition, at least four ordinary meetings per year.

The four ordinary meetings coincide with the timing of the external financial reporting. In addition, an ordinary meeting is held in June for a strategic discussion, as well as a discussion relating to corporate governance, and a meeting in December with a review of the budget and business plan for the following year.

At the board meeting where the annual accounts are presented, usually in February, the auditor takes part in order to convey their observations from the audit for the previous year. In addition to the ordinary meetings, the Board of Directors is called to extra meetings when the situation requires. During the year, the Board of Directors met 11 times, including a Statutory Board Meeting

Attendance frequency of the Board of Directors 2020

Name	Position	Elected	Dependence	Attendance frequency
Pierre Fors	Chair	2016	Yes ²⁾	11/11
Marie Ygge	Member	2019	No	11/11
Stefan Charette	Member	2016	No/Yes ¹⁾	10/11
Jonas Mårtensson	Member	2016	No	11/11
Lars Engström	Member	2020	No	7/7

1) Stefan Charette is independent in relation to the company and company management, and dependent in relation to one of the company's major owners, Athanase Industrial Partner.

2) As former CEO of the company and board member, and large shareholder in Alcadon Group, Pierre Fors is considered dependent in relation to the company and the company management.

The Chair of the Board leads the Board of Directors' work and is responsible for ensuring that the other board members receive, on an ongoing basis, the information necessary so that the quality of the board's work is maintained and pursued according to the Swedish Companies Act. The Chair, together with the CEO, represents the company in ownership issues.

goals and strategies, decides on budget and business plans, processes and approves annual accounts and interim reports, and defines key policies and regulatory systems. The Board of Directors shall follow the financial development, ensure the quality of financial reporting and internal control, and regularly monitor and evaluate operations based on the objectives and guidelines set by the Board. The Board of Directors shall also decide on significant investments and changes in Alcadon Group AB's organisation and operations.

Remuneration to the Board of Directors

The Chair of the Board and board members were paid fees according to the parent company's Annual General Meeting 2020.

Any work in addition to standard board duties shall take place on market grounds and shall be agreed directly between the company and the board member it concerns. The extent of these consulting fees is specifically reported in the annual report. In addition to the standard fees, the company has had transactions of MSEK 0.7 with Paseca AB, owned by the Chair of the Board, Pierre Fors. The transactions relate to consulting services. In connection with Alcadon's acquisition of 6X, the group has had transactions of SEK 50 000 with JNM Invest AB for advice and administrative services.

Fees to the Board of Directors

KSEK	2020
Pierre Fors, board member and Chair of the Board	280
Jonas Mårtensson, board member	140
Stefan Charette, board member	140
Marie Ygge, board member	140
Lars Engström, board member as of 24 April 2020	97

BOARD COMMITTEES

During the year, the Board of Directors has not appointed any special board committees. Issues regarding remuneration to the CEO and senior executives, as well as audit matters, are dealt with by the entire Board of Directors. The Board of Directors appoints, when needed, internal work groups whose tasks are to develop and prepare supporting documentation prior to upcoming Board of Directors' decisions.

AUDIT

Auditors have the task of reviewing the company's financial reporting and the Board of Directors' and CEO's administration of the company. The selection of auditor took place at the Annual General Meeting 2020, when Grant Thornton Sweden AB was re-elected as auditor for the period until the end of the Annual General Meeting 2021. The principal auditor is chartered accountant Daniel Forsgren (born 1972).

The principal auditor receives regular notices of board meetings and general meetings, board minutes, monthly financial reporting, CEO reports, and other information of material importance to the operations.

The audit also includes the company's internal controls and administration audit. The review is based on a risk assessment and specific areas of importance. At the Board of Directors' yearly review of the annual accounts, the auditors prefer a written audit report be prepared.

The principal auditor has, on one occasion, met the Board of Directors to present the work relating to the evaluation of internal controls and the audit of the annual accounts for the financial year 2020. Members of the Board have, on a number of occasions during the year, met the auditor without the presence of the CEO or another person from the executive management.

Grant Thornton submits the audit report relating to Alcadon Group AB and the group. Grant Thornton also performs services for companies within the Alcadon group in addition to the audit work. This has mainly covered matters linked to the fusion of subsidiaries, review of the year-end report, and a financial company inspection during the acquisition of 6x International ApS. For this work, Grant Thornton has invoiced a total amount of SEK 120,000 for 2020.

The auditor receives fees for its work in accordance with the decision at the Annual General Meeting.

CHIEF EXECUTIVE OFFICER

The Board appoints a CEO for Alcadon Group AB, who is also the Group CEO. The CEO leads the operations within the framework that the Board of Directors has established. The CEO prepares the necessary information and decision-supporting documentation prior to board meetings, is a rapporteur at board meetings, and submits justified proposals for decisions.

Every month, the CEO provides the members of the Board with the information required in order to monitor the company's and the group's position, operations and development, and keeps the Chair of the Board regularly informed of operations. The CEO shall take the measures necessary for the accounting to be performed in accordance with law, and for the management of funds to be handled in a

secure manner. For a more detailed division of responsibilities between the Board of Directors' and the CEO's tasks, there is a written CEO instruction which is continuously updated. The CEO attended all Board meetings in 2020.

Sonny Mirborn has been CEO and Group CEO of Alcadon Group AB since 11 July 2019.

The Board of Directors carries out an internal evaluation of the CEO's work internally at least once a year. This includes both verification that established instructions and reporting procedures are followed, as well as an assessment that a number of operational criteria have been achieved. This involves a number of soft criteria, such as leadership, business acumen and respect, as well as how well the management team's undertakings work and the ability to manage overall issues.

REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

The Board of directors determines and decides on the basic salary, variable remuneration, pension benefits and other terms of employment for the CEO. The CEO, together with the Chair of the Board, manages and decides on corresponding matters for other senior executives, and is responsible for the preparation of general principles for salary setting. The CEO can apply a salary conversion.

In addition to the CEO, the group of other senior executives consists of six people. Through group management, we create opportunities for stronger leadership, we strengthen the ties between our Swedish and foreign operations, and promote cross-functional business development projects. Internal recruitment to group management means that we benefit from the collective experience and strong culture the company demonstrates today, while external recruitment provides us further good prerequisites when we enter the next phase in our development, with both continuity and development of our group management. The remuneration principles for 2020 have been unchanged compared with that applied previously. The notice period for the CEO is a mutual notice of six months with full pay and other remuneration. In the event of termination by the company, severance pay corresponding to three months' salary is paid. For other senior executives, a notice period of three to twelve months applies.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN FINANCIAL REPORTING

In accordance with the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice, the Board of Directors is obliged to ensure that the company has satisfactory internal controls, to stay informed about the company's internal control systems, and to assess how well the system works.

Alcadon Group's work with internal control is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). These principles have five basic elements;

1. Control environment
2. Risk assessment,
3. Control activities,
4. Information/communication, and
5. Monitoring.

Control environment

Internal control within Alcadon Group is based on a control environment including organisation, decision-making routes, authorities and responsibilities. This is documented and communicated in governing documents such as internal policies, guidelines and instructions. For example, this applies to the division of work between the Board of Directors and the CEO, and instructions for attestation rights, accounting and reporting.

Risk assessment

The Board of Directors has the ultimate responsibility for risk management. Through a clear organisation and decision-making process, including high awareness of risks among employees, with common definitions and principles within established frameworks, controlled risk-taking is achieved. Risk areas are business- and industry-related risks, as well as risks in connection with the year-end closing process linked to financial reporting, operational risks and legal risk. See also pages 17-18 with regard to risks and risk management.

Control activities

The group's business processes include financial controls with respect to the approval and reporting of business transactions. In the year-end and reporting process, there are controls which, among other things, relate to accounting, evaluation and disclosure requirements, as well as regarding the application of material accounting principles and estimates, both in individual subsidiaries and at group level. The finance function at Alcadon Group AB is responsible for the preparation of financial statements, quarterly reports, controls and analyses, in the group and in all subsidiaries. The regular analysis of each operation's monthly financial reporting includes significant items such as assets, liabilities, income, expenses and cash flow.

Together with the analysis carried out at group level, this important aspect of internal control helps to ensure that the financial reporting does not contain any material errors or deviates from good accounting practice, or laws and regulations.

All financial reports and other press releases are published at the same time, with publication on Alcadon Group's website.

Information/Communication

The group has information and communication channels with the aim of supporting complete and accurate financial and operational reporting.

Internal instructions and guidelines with regard to accounting of operations and financial reporting, as well as regular updates and notices on reporting, and requirements on information disclosure and changes in accounting principles, are made available and known to the personnel concerned. All subsidiaries compile monthly financial reports, and report on their administration to group management with analyses and comments on financial results and risks.

The Board of Directors of Alcadon Group receives the CEO's monthly compilation of the subsidiaries' reports together with an operational report for Alcadon Group and a financial report for the group compiled by the CFO.

Monitoring

The Board of Directors has not established a function for internal audit.

The main work relating to internal auditing is handled by the company's CFO. The Board of Directors' assessment is that this approach, together with the monthly financial reports which the Board of Directors receives at present, is satisfactory and fulfils the requirements on reporting and internal control that can be set.

At each Board meeting, the group's financial situation is addressed. The Board of Directors reviews all interim reports and the annual report before publication. The Board of Directors receives annual and regular reports from the auditors. The Board of Directors monitors all measures taken to improve or change the controls.

The group's process for financial reporting is reviewed annually by group management, and forms the basis for the evaluation of the internal management system and the internal governing documents to ensure that these cover all important areas related to financial reporting. The processes for financial reporting are of material importance for the Board of Directors' monitoring of operations and are evaluated continuously.

DIRECT OR INDIRECT SHAREHOLDINGS

On 31 December 2020, people with a so-called insider position in the company own shares corresponding to 22.4 percent of the capital and votes in the company.

PROCEDURES FOR INSIDER INFORMATION, INSIDER LISTS AND REPORTING CHANGES IN HOLDINGS FOR PEOPLE IN SENIOR POSITION

On 3 July 2016, EU Market Abuse Regulation 596/2014/EU (MAR) entered into force and thereby became directly applicable as Swedish law. The Market Abuse Regulation extends the rules relating to market abuse, which previously only covered financial instruments admitted to trading on a regulated market, to also include financial instruments traded on a Multilateral Trading Facility (MTF), i.e. including Nasdaq First North. Alcadon Group AB is consequently covered by this law and these rules.

The Board of Directors has developed a procedure for how this shall be handled. The procedure contains the following sections;

- Procedure for disclosure inside information.
- Procedure for establishing an insider list.
- Procedure for transactions performed by people in senior positions and related parties.
- Procedure for trade bans during the so-called closed periods.

The above procedures specify which measures shall be taken to ensure that Alcadon Group AB fulfils its obligations in accordance with the Market Abuse Ordinance. Alcadon Group's Board of Directors is responsible for the preparation and establishment of the procedures. The above procedures are administered by the company's CFO, Niklas Svensson, on behalf of Alcadon.

VOTING RESTRICTIONS

The Articles of Association do not contain any restrictions on how many votes each shareholder can cast at a General Meeting.

CERTAIN ARTICLES OF ASSOCIATION PROVISIONS

The Articles of Association do not contain special provisions on the appointment and dismissal of board members or on amendments to the Articles of Association.

AUTHORISATIONS PROVIDED BY THE GENERAL MEETING

The Annual General Meeting on 24 April 2020 authorized the Board of Directors to, on one or more occasions before the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, decide on a new issue of shares to a number which combined at any time does not exceed 10 per cent of the total number of outstanding shares in the company. The authorization shall include the right of the

Board of Directors to decide on a new issue of shares against cash payment, and with or without a provision on non-cash contribution or set-off or otherwise with conditions, in accordance with the Swedish Companies Act. The main purpose of the authorisation is to give the Board of Directors flexibility in the work of ensuring that the company can provide capital for company and business acquisitions in an appropriate manner. The authorization shall also enable the Board of Directors to make decisions on private placements, even in situations that do not involve acquisitions but when the purpose is more to secure the company's liquidity. The authorization has comprised a maximum of 1,642,174 shares, corresponding to a maximum of 10 percent of the company's existing share capital on the date of the 2020 Annual General Meeting.

In conjunction with the acquisition of 6X Internation ApS, the Board of Directors has used the authorization, and will carry out a non-cash issue in January 2021 of 981,780 shares in Alcadon, corresponding to MDKK 20. The number of shares in Alcadon Group increases to 17,841,026.

NOMINATION COMMITTEE

Alcadon Group's work with corporate governance is largely inspired by the Code. The Code states that the Nomination Committee is the General Meeting's body with the sole task of preparing the meeting's decisions on election and fee issues and, where applicable, procedural matters for the next Nomination Committee. The members of the Nomination Committee shall, regardless of how they are appointed, safeguard the interests of all shareholders.

Prior to the 2021 Annual General Meeting, the Nomination Committee for Alcadon Group AB has been appointed in accordance with the principles decided at the 2020 Annual General Meeting, which means, among other things, that;

- The Chair of the Board shall, no later than 15 October 2020, convene the three largest, in terms of votes, shareholders or owners representing the three largest ownership groups in the company, who have since had the right to appoint one member each to the Nomination Committee.
- In addition, the Chair of the Board shall be a member of the Nomination Committee at the time of the constitution of the Nomination Committee.

Nomination Committee

On 13 October 2020, in accordance with the above, Alcadon Group AB informed that Alcadon Group's Nomination Committee for the 2021 Annual General Meeting consists of;

- Sven Thorén (appointed by and representing Athanase Industrial Partner), Chair of the Nomination Committee
- Anders Bladh (appointed by and representing Ribbskottet AB)

- Pierre Fors (Chair of the Board)
- Mikael Vaezi (appointed by and representing Investment AB Spiltan)

The Nomination Committee has evaluated the Board of Directors' work, competence and composition. In the evaluation, the Nomination Committee has given special consideration to the requirement on versatility and breadth in the Board of Directors, and the requirement for an even gender distribution. The results of the board evaluation have been submitted in writing to the Nomination Committee, the Board of Directors, the CEO and the auditor. The board evaluation has been discussed at several of the Nomination Committee's working meetings and at an ordinary Board meeting of Alcadon Group AB.

The members have not received any fees or remuneration for their work in the Nomination Committee. At the three meetings of the Nomination Committee held, all members of the Nomination Committee participated by being physically present or via telephone.

Proposal to be submitted to the Annual General Meeting 2021 for decision

The Nomination Committee will submit proposals to the 2021 Annual General Meeting for decisions on;

- election of the Chair for the Annual General Meeting
- remuneration and fees to the Board of Directors and auditor
- the number of board members and deputies
- election of the Board of Directors and the Chair of the Board
- election of auditor
- principles for the appointment of the Nomination Committee

It is noted that Pierre Fors did not participate in the decision regarding the Nomination Committee's proposal on remuneration to the board members, nor in the decision regarding the Nomination Committee's proposal on the re-election of Pierre Fors to the Board of Directors.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

It is the Board of Directors that is responsible for the corporate governance statement and for preparing it in accordance with the Annual Accounts Act.

Our examination was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement.

This means that our examination of the corporate governance statement has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and the generally accepted auditing practice in Sweden.

We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6, section 6, the second paragraph, items 2-6 of the Annual Accounts Act and chapter 7, section 31, the second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts, and are in accordance with the Annual Accounts Act

Stockholm, 24 March 2021

Grant Thornton Sweden AB Daniel Forsgren

INDICATORS FOR THE GROUP	Quarter 4		Full year	
	2020	2019	2020	2019
Operating profit, MSEK	110,8	118,1	467,6	485,2
Gross margin, %	31,2	27,3	28,7	26,8
Operating profit after depreciation/amortization (EBIT),MSEK	9,4	5,8	43,1	31,1
Operating margin after depreciation/amortization (EBIT),%	8,5	4,9	9,2	6,4
Profit or loss for the period, MSEK	6,3	3,1	29,0	19,5
Net margin, %	5,7	2,6	6,2	4,0
Solidity, %	51,9	47,8	51,9	47,8
Return on equity, %	12,5	9,4	13,1	9,6
Net interest-bearing debt, MSEK	101,4	109,9	101,4	109,9
Cash flow from operating activities, MSEK	20,8	43,2	31,1	35,6
Cash flow from operating activities per share, SEK	1,2	2,6	1,8	2,1
Equity per share, SEK	13,9	12,3	13,9	12,3
Earnings per share, SEK	0,38	0,18	1,72	1,15
Number of shares at the end of the period ¹⁾	16 859 246	16 859 246	16 859 246	16 859 246
Average number of shares	16 859 246	16 859 246	16 859 246	16 859 246
Number of employees at the end of the period	65	62	65	62
Average number of employees during the period	65	63	61	67

¹⁾ On 6 January 2021, the Board of Directors resolved upon a directed new issue of 981,780 shares in Alcadon Group AB to Susanne Stengade Holding ApS as part of the payment for the acquisition of Danish 6X International ApS and its German subsidiary 6X International GmbH. As a result of the new issue, the number of shares in Alcadon Group AB increased from 16,859,246 to 17,841,026.

DEFINITIONS

Gross margin:	Gross result as a percentage of net sales for the period.
EBIT margin:	Operating result after depreciation as a percentage of net sales for the period.
Net margin:	Profit or loss for the period as a percentage of net sales.
Return on equity:	Net profit or loss for the last 12 months as a percentage of average equity.
Net interest-bearing liabilities:	The net total of financial assets including cash and cash equivalents less interest-bearing provisions and liabilities.
Solidity:	Equity as a percentage of total assets (excluding cash balance and financial assets) at the end of the period.
Earnings per share:	Net profit or loss for the period divided by the average number of shares during the period.
Cash flow from operating activities per share, SEK:	Cash flow from operating activities divided by the average number of shares during the period.

The Company applies the ESMA Guidelines on Alternative Performance Measures. An alternative performance measure is a financial measure other than those defined or specified in the applicable rules of financial reporting (such as IFRS and the Swedish Annual Accounts Act). The alternative performance measures must therefore be explained in the financial reports. In accordance with these guidelines, the Group's alternative performance measures are defined above. The Group applies alternative performance measures as the Company has made the assessment that they provide valuable, additional information to the management and investors, since they are key to the understanding and evaluation of the Group's operations.

Risks and risk management

Alcadon's operations are affected by a number of factors beyond the Group's control and also by many factors whose effects the Group can influence through its actions. The section below does not claim to be complete. Other risks and uncertainties currently unknown to the group or currently not considered material may also have a negative impact on the Group's operations. The risk description is not arranged in order of magnitude and is not intended to rank the probability of the various circumstances occurring. Nor does it indicate the potential impact of the risks should they occur. To assess the development of the Group, it is important to assess the aforementioned and potential additional risk factors and their significance for the future development of the Group. All risk factors have in common that they could, to varying degrees, impact negatively on the Group's operations, performance and financial position.

OPERATIONAL AND INDUSTRY-RELATED RISKS

Fluctuations of the economic cycle

The demand for Alcadon's products is affected by the general economic climate in the markets where the Group is active, which is influenced, among other things, by interest rates, exchange rates, taxes, the development of the equity market, credit availability, the unemployment rate and overall business conditions. Less favourable economic conditions may result in a deterioration in the conditions for new investments and maintenance among Alcadon's final customers and thus a negative impact on the demand for Alcadon's products. In addition, changes in raw material prices may affect the level of activity and result in investments being postponed and existing orders being delayed or cancelled.

The spread of the coronavirus has a negative impact on Alcadon's staffing situation, demand and supply chains. During the year, Alcadon has implemented a number of measures to secure the supply of goods and create safe conditions for employees, customers and suppliers. We are monitoring developments closely and maintain a high level of preparedness for additional measures should they be required. Thus far, Alcadon has passed well through the crisis. Focused efforts on efficiency-enhancing measures and a focus on margins have produced the desired effect. For the forthcoming quarter, a certain uncertainty prevails with regard to the impact of the pandemic, but network infrastructure has been an area left relatively unscathed; rather, the future outlook has only improved over the last year.

Technology development

Alcadon is active in the data- and telecommunications market in the Nordic countries. Changes in the IT industry, where products and future technologies often develop rapidly, may thus be associated with a greater degree of uncertainty compared with companies operating in other, more stable industries and less volatile markets. The Group's products are intended for network infrastructure in the form of fiber and copper cables. There is a risk that new technologies are developed and introduced, which, depending on their success and Alcadon's ability to further develop products and systems, could affect Alcadon's market position.

Price pressure and competition

Alcadon's operations are conducted in an industry exposed to competition. Market participants compete on price, innovation, design and quality, but also on technology and market penetration. Alcadon is facing a large number of competitors, both traditional retailers and specialized suppliers. In recent years, the Group has seen increasing price pressure in the market, which has contributed to decreasing margins on certain product groups and a demand for cost-efficient solutions.

There is a risk that increased competition results in reduced demand for Alcadon's products. The Group may be forced to implement costly restructurings of the operations to maintain its market position and profitability.

Risks related to acquisitions

From time to time, Alcadon may evaluate potential acquisitions that align with the Group's strategic objectives. Acquisitions always involve risks in terms of, for example, errors of assessment at the time of acquisition, the cost of integrating the acquiree and of possible restructuring efforts, financial commitments in the form of contingent consideration, and diversion of the executive management's focus on core activities.

If completed acquisitions fail to be successfully integrated, it may have a negative impact on the Group's performance and financial position. In addition, future acquisitions financed by equity may be dilutive for existing shareholders and debt financing may hamper the group's flexibility and restrict the use of capital.

Regulatory risks

The activities of Alcadon are not subject to licensing but are subject to laws, regulations and standards pertaining to, inter alia, taxes, personnel, the environment and product safety. If the Group fails to comply with such rules, it may face penalties as a result. In addition, unforeseen problems related to the quality of products could damage the Group's reputation and lead to increased warranty costs (see also the section "Risks related to product quality and product safety" below).

Any future revisions or amendments of laws, regulations or standards that result in stricter requirements or changed conditions with regard to product specifications, safety, health or the environment may have several negative implications, such as forcing the Group to make investments or take other measures in compliance. Such changes could also result in certain of the Group's products becoming obsolete or the Group's operations becoming limited or obstructed.

Dependence on suppliers

In order to sell and deliver products, the Group depends on external deliveries fulfilling the agreed requirements with regard to quantities, qualities, delivery times, etc. Defective, delayed or unfulfilled deliveries from suppliers may in turn cause the subsidiaries' deliveries to be delayed, deficient or faulty, which could result in decreased sales.

Dependence on key individuals and personnel

As at 31 December 2020, the Group had 65 employees. The organization is thus relatively small, and Alcadon's future development is dependent on the Group's ability to retain and recruit personnel with relevant experience, knowledge and commitment. Should any member of management or other key employees terminate their employment, this could, at least in the short term, have a materially adverse effect.

Risks related to warehousing and transports

The Group has a central warehouse in Stockholm and smaller warehouses in connection with each local office. There is a risk that the warehouse is subjected to fire, water damage or theft. Even if the Group has the insurances required, such damage may lead to delayed or unfulfilled deliveries to customers, in turn causing damage to the Group's reputation. Should products be damaged during transportation from suppliers, the Group may not be able to deliver to customers on time.

Risks related to product quality and product safety

The products supplied by Alcadon may, in the event that the quality is insufficient, cause personal injury or damage on other property such as other equipment installed in conjunction with the damaged products or components. The Group issues warranties for its products, usually with a warranty period of 12 months. In relation to the private label brand ECS (European Cabling Systems), the warranty period is 15 years. The warranty imposes an obligation on Alcadon to replace or repair products that are inadequate in terms of quality or safety.

Tax risks

Alcadon conducts operations in Sweden and, through a Norwegian subsidiary, in Norway. The operations in these countries are conducted in accordance with Alcadon's interpretation of applicable laws, regulations and judicial practices and the administrative practices of the tax authorities. It cannot be excluded, however, that the tax authorities form a different evaluation in certain matters, and that the Group's previous or present tax situation changes by administrative decision. Moreover, revised tax legislation, possibly with retroactive effect, or revised interpretation of such legislation may have an adverse effect on the Group's

operations, performance and financial position.

RISK MANAGEMENT

Alcadon's executive management is working continuously to develop and adapt the company in order to mitigate the risks described above and minimize the effects and damage caused by such risks. Since a significant proportion of sales is targeted to segments other than new construction and to final customers in a variety of industries, the Company has a reduced exposure to cyclical factors. The role as distributor of proven technology rather than developer of new proprietary technology makes us less exposed to the rapid development in the industry; our organization can distribute the technology that proves to be the leading in each period of time. By developing private label brands and ensuring the staff's high level of knowledge about our niche, we can manage the price competition.

Our staff is an important resource and a means of competition, and it is, therefore, very good that the majority of key employees have been large shareholders in Alcadon for a long time. Furthermore, our good and long-standing relations with Asian and European suppliers are crucial for maintaining a high level of quality and ensuring the availability of goods to customers. Risks related to acquisitions are managed through a very detailed due diligence process, supported by external advisors and with the active participation of the Company's Board of Directors where several members have extensive experience of such processes. The management's industry expertise, which further covers the operations of acquired businesses, has also contributed to efficient integration.