

Deltaco AB (publ)



ANNUAL REPORT 2013

ANNUAL REPORT 2013

Deltaco shall acquire, own and develop niche distributors within IT, Mobility, Home electronics, Networks and Data communication in the Nordic region and surrounding areas. The member companies of the Deltaco Group supply both B2B and B2C products to the IT market in the Nordic region and surrounding areas. Deltaco's shares are listed on First North under the abbreviation DELT, and the company's Certified Adviser is Remium Nordic AB. For additional information visit www.deltacoab.se.



Table of contents

04	The year in brief
06	Managing Director's comments
10	About Deltaco / Company History
16	About Alcadon
22	About Aurora
28	About SweDeltaco
34	Corporate governance / Risks and risk management
40	Auditor's opinion on the corporate governance report
42	Administration report
46	Financial reports
54	Accounting principles and notes to the accounts
69	Assurance
70	Auditor's report
72	Deltaco's share and owners
74	Board of Directors, leading executives and auditors
77	Multi-year financial summary
78	Definitions/Annual General Meeting
79	Addresses

The year in brief

Q1 2013

- SweDeltaco and Alcadon showed stable profits.
- Net sales rose by 43 %, the gross margin improved by 4.7 % and operating results rose by 70 % compared with the same period in 2012.

Q2 2013

- Deltaco completed the acquisition of Aurora, creating one of the largest IT accessory distribution groups in the Nordic region. Aurora will operate as an independent sister company of SweDeltaco and Alcadon. Aurora's results are consolidated in the Delta Group's profit and loss statement beginning on April 1, 2013. The job of creating synergies throughout the Group has begun.
- Deltaco appointed Hans Bråneryd as CFO.
- Resolutions adopted at the Annual General Meeting on April 29, 2013 include:
 - Distributing a dividend of SEK 1.20 per share for the 2012 financial year.
 - Re-electing Arne Myhrman, Björn Abild, Jonas Mårtensson and Charlotte Hansson as regular members of the Board of Directors.
 - Reappointing registered public accounting firm Grant Thornton Sweden AB as the auditor and authorised public accountant Mats Fridblom as chief auditor and senior partner.

Q3 2013

- The Group's net sales rose by 117 %, the gross margin improved by 4.4 % and operating profit before depreciation rose by 134 % in January-September 2013 compared with the same period in 2012.
- Profits remained stable at Alcadon and SweDeltaco, while Aurora performed worse than expected during the first six months after the acquisition, with operating profit before depreciation of MSEK 1.9 for April- September 2013.

Q4 2013

- Henrik Finnedal replaced Pauli Joensen as CEO of the Aurora Group, and 12 positions were cut.
- SweDeltaco appointed Christer Schultzberg as Deputy Managing Director.
- In accordance with the AGM resolution of 29 April 2013, the members of Deltaco's Nomination Committee for the 2013 AGM were announced. They are Ulf Strömsten, Catella Fondförvaltning, Tedde Jeansson, Tamt AB and Arne Myhrman, Chairman of the Deltaco Board of Directors.

NET SALES

In 2013 net sales grew by 106.6 % to MSEK 1,021.3

MSEK 1,021.3

GROWTH

Sales have risen by an average of 38 % in the last five years.

38 %

OPERATING PROFIT/LOSS

Operating profit before depreciation totalled MSEK 35.3 (24.0).

MSEK 35.3

OPERATING MARGIN

The operating margin before depreciation was 3.5 % (4.9 %).

3.5 %

EQUITY/ASSETS RATIO

The equity/assets ratio was 28.4 % (54.0 %)

28.4 %

EARNINGS PER SHARE

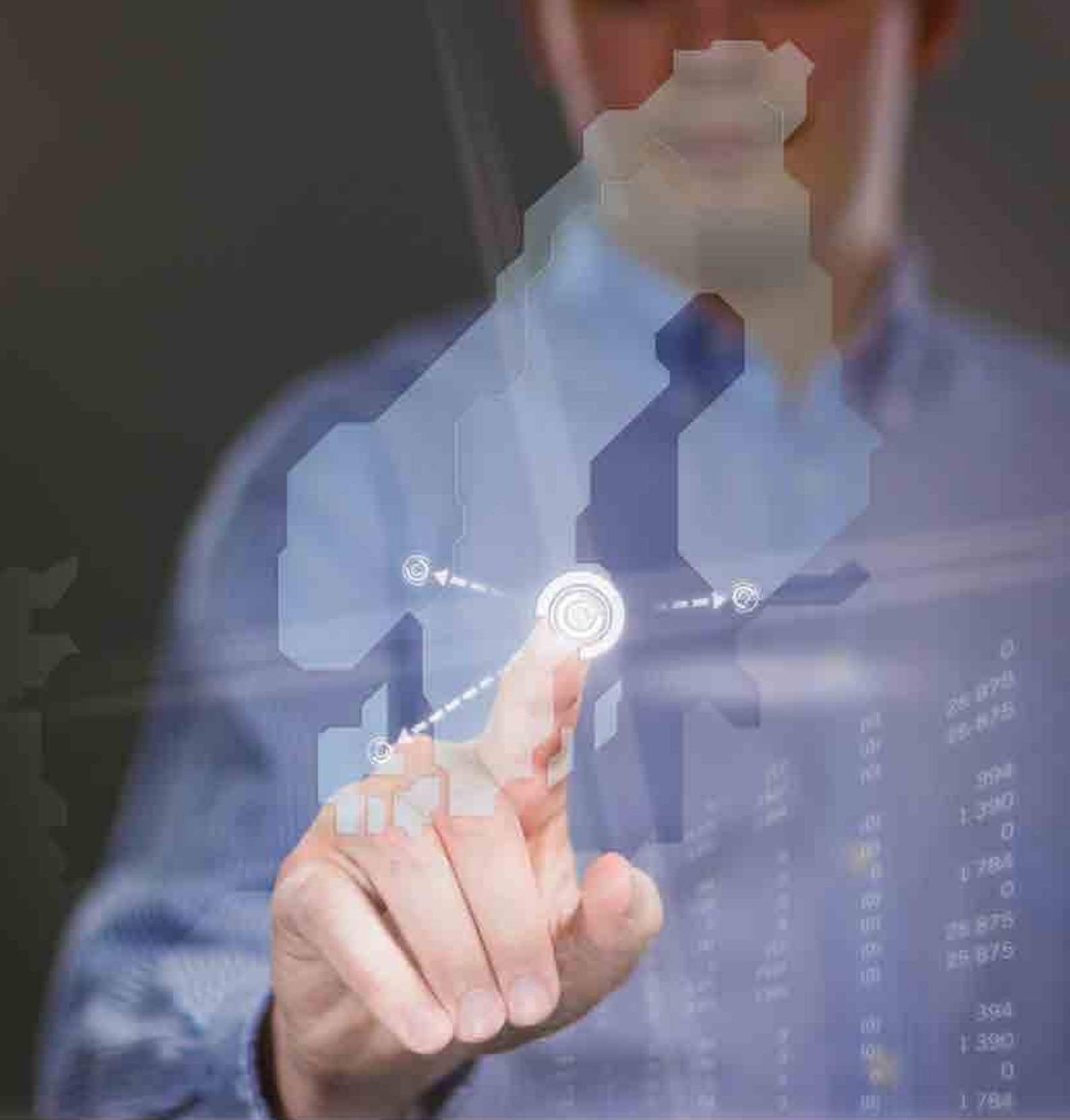
Earnings per share were SEK 1.19 (0.40).

SEK 1.19

DIVIDEND PER SHARE

The Board of Directors proposes a dividend of SEK 1.20 (1.20) per share.

SEK 1.20

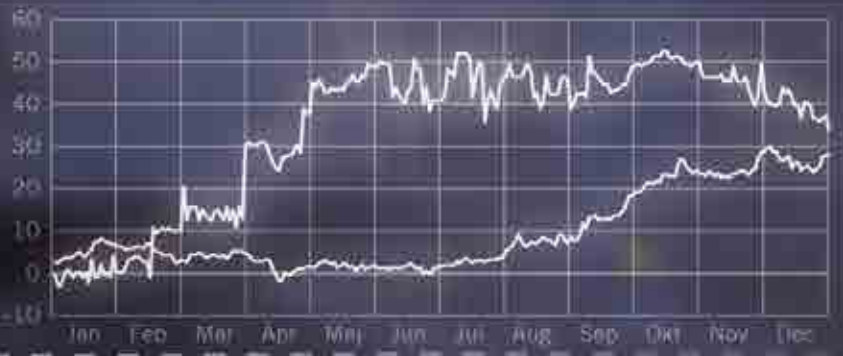


DELTACO

ALCADON

AURORA

SWEDELTACO



Managing Director's comments

SALES AND PROFIT/LOSS

The Group had MSEK 1,021.3 (494.4) in sales. The gross margin improved by 3.0 %, operating profit before depreciation was MSEK 35.3 (24.0), and the Group's after-tax profit was MSEK 13.1 (4.4). Earnings per share before dilution were SEK 1.19 (0.40).

With sales of over MSEK 1,000, the Deltaco Group is a stable and well-established group in the fields of IT accessories and networks in the Nordic region. Our size gives us advantages of scale in a market characterised by price pressure and low margins.

The Group's profit before depreciation of MSEK 35.3 is among the better results among IT distributors. A charge of MSEK 6.6 in severance costs was taken against profits. The Group is well positioned for higher growth and profits in 2014.

CASH FLOW AND GROUP FINANCES

Cash flow was affected by the acquisition of Aurora, which amounted to MSEK 63.5 net. In addition, working capital increased by MSEK 64.3, primarily as a result of the acquisition. Working capital tied up in SweDeltaco and Alcadon declined during the year, despite the increase in sales.

The acquisition of Aurora was financed partly by a MEUR 4.3 loan by the seller, Solar A/S, which is due in March 2015, and partly by bank loans. In addition, MEUR 1 of the purchase sum is reserved in the form of an additional purchase price to be paid in 2015, depending on profits in 2014.

The Group's bank loans, including an overdraft facility utilised, rose by a total of MSEK 63.9 in 2013. The Group's liquidity remains favourable. At the end of the year liquid funds amounted to MSEK 36.7, and together with unused credit limits totalling MSEK 53.8, the Group's available liquid funds totalled MSEK 90.5 as of December 31, 2013.

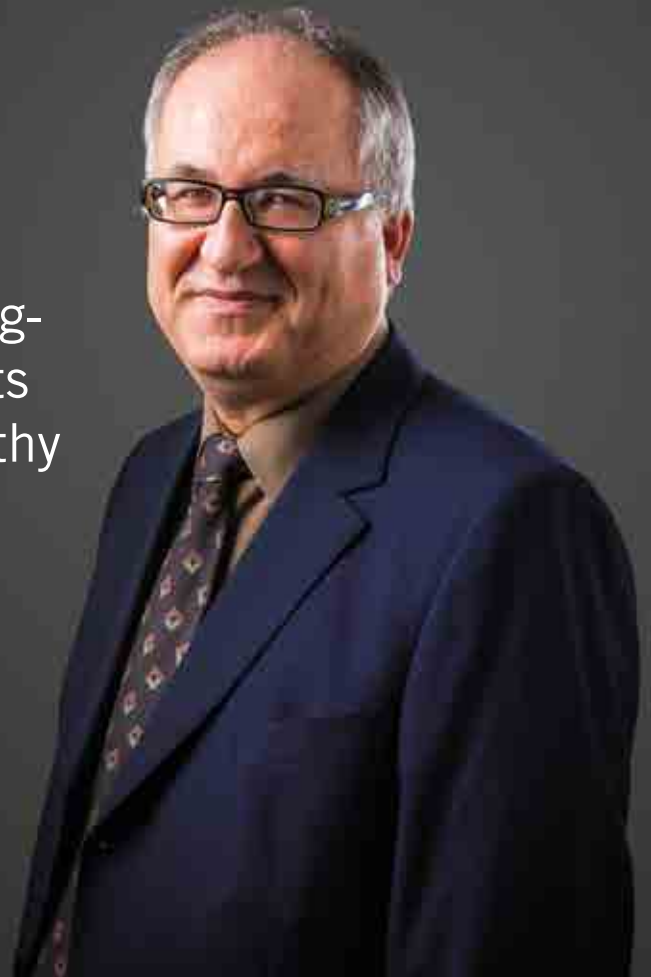
OUR SUBSIDIARIES

Today the Deltaco Group consists of three niche distributors in IT accessories and home electronics: Alcadon, Aurora and SweDeltaco. The Group's member companies operate throughout the Nordic region, and have strong positions in their markets. The Group's products are meant for both consumers and businesses, and our customers can be found in home electronics chains, e-commerce, network installers, telecom operators, low-price chains, FMCG (fast-moving consumer goods) and independent specialist shops.

Alcadon is a leading distributor of products for data- and telecommunication solutions. The company has a long history of experience with products and solutions for networks and infrastructure for data- and telecommunications.

Deltaco acquired Alcadon in October 2012. In 2013 the company had MSEK 193 in sales and operating profit before depreciation was MSEK 19. The market for Alcadon's products and services appears to be stable, and in our opinion Alcadon will maintain its position and market share in 2014 as well.

“Our objective is to identify long-term trends and stable products with the ability to generate healthy profits in the long term.”



Aurora is a leading distributor of products for home electronics in the Nordic region. Aurora is one of few distributors in the region that is able to offer an overall solution for home electronics stores of different sizes, and the company has solid expertise and experience in marketing and selling niche brands in the Nordic region.

Deltaco acquired Aurora in April 2013. The company had about MSEK 518 in sales in 2013, and the operating profit before depreciation was MSEK 0.7. A charge of MSEK -5.5 was taken against profits for severance costs. The operating profit before depreciation and before these costs was about MSEK 6.2.

Aurora's performance in 2013 was not satisfactory. Henrik Finnedal was appointed as the new Managing Director in the fourth quarter. The change process continues at Aurora, and is now particularly focused on:

- a) diversifying the company's sales channels to cover more channels in the market (home electronics chains, e-commerce, low-price chains, FMCG and B2B)
- b) reducing costs within the company

SweDeltaco is a leading distributor of accessory products for the Nordic IT market. SweDeltaco's revenues and profits come from different parts of the IT market (B2B and B2C), and the company has had outstanding success in selling its goods via different sales channels (virtual and physical shops). The company created a stable foundation for growth and profits last year. In 2013 the company had about MSEK 441 (439) in sales, and operating profit before depreciation was MSEK 23.5 (19.0).

GROWTH AND ACQUISITIONS

Deltaco shall acquire, own and develop distributors within IT accessories and data communication in the Nordic region and surrounding areas. Deltaco acquired Aurora in 2013, creating a Nordic Group of well-known distributors with leading positions in various parts of the IT market. Our geographic focus is on the Nordic region and surrounding areas, and we are seeking niche distributors with an attractive and profitable offering.

TRENDS

Consumer products:

Mobility: In the first decade of the 2000s, the core of product development lay in PCs and laptops. In the 2010s, the main market driver is mobility (smart phones, tablets and thin laptops). New products in these areas are coming out rapidly, and the competition between the major market players (Apple and Samsung) is hard-fought. Both Aurora and SweDeltaco offer a wide assortment of accessories for mobile products.

Wireless speakers, wearable tech products such as smart watches and sports wristbands, 4K/Ultra HDTV (TV with resolution four times greater than current Full HDTV), and Internet-based surveillance cameras for daily use are other clear trends in the consumer hardware market. Another important trend is the Internet Of Things or connected devices, which means that toys, cars and tyres, locks and alarms, refrigerators and freezers are connected to the Internet. The Deltaco Group's member companies offer products in these areas with their own brands or in partnership with the leading manufacturers in the market.

The trends in mobility, wireless and connected devices benefit sales of IT accessories and the Group's member companies. Our objective is to identify long-term trends and stable products with the ability to generate healthy profits in the long term.

Company products:

Cloud technology (data processing using the processing power of an external computer, with commands and replies transmitted across the Internet) is at the beginning of its development, and will have a negative impact on current server sales. The Group does not have much exposure to the server market, and thus will not be affected by the decline. The market for networking products, storage and security will be stable in 2014. About 40 % of the Group's revenues come from networks and storage, and SweDeltaco and Alcadon are well positioned to improve their market share in these areas.

Sales channels:

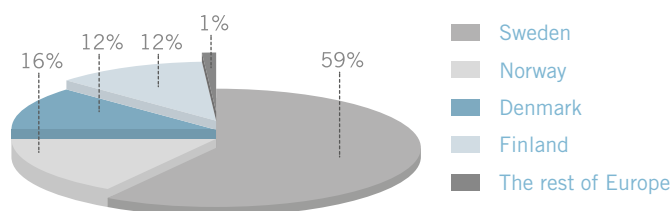
Great changes are under way in various IT sales channels. The main issue for the players in the market is how to put products in front of customers. The priority is how to create a marketplace for seamless trade. The term here is "omni-channel" retailing, which is when a company provides consumers with a shopping experience where the advantages of shopping in a brick-and-mortar shop, and the information-rich experience of an online shop all come together seamlessly. Physical shops such as Elgiganten, Mediamarkt and Expert are making big investments in e-commerce, and online shops are opening brick and mortar shops. Consumers want to reach shops (physical or virtual) when it is most convenient for them, for example at home in the evening, when they're out visiting a retail shop, or on their phones or tablets. This places high demands on IT and home electronics sales organisations. We have strong long-term relationships with companies in retail, e-commerce, low-price chains and specialist shops. We keep a close eye on developments in these sales channels, and we try to customise the customer mix in a way that reflects changes in the sales channels.

On the business side, we see a tendency for the entire purchasing process to become more automated through EDI and links between the seller's and purchaser's computers to simplify and streamline purchasing.

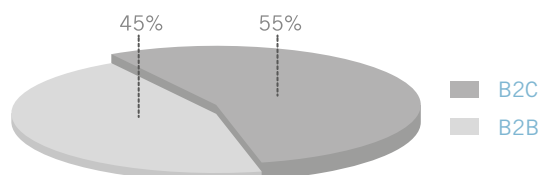
THE MARKET

Sales by country:

The Group's sales are broken down by country as follows. Sweden 59 %, Norway 16 %, Denmark 12 %, Finland 12 % and the rest of Europe 1 %.

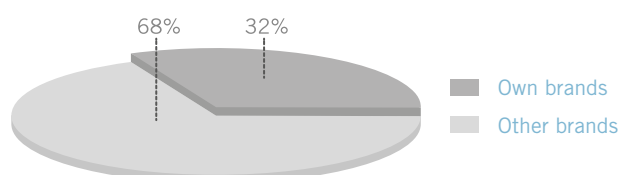


Sales by customer segment:

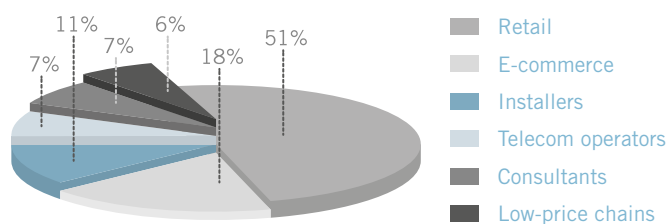


Sales of own and other brands:

The Group currently has 10 own brands. Our margins are 3-4 % better on average on our own brands.



Sales by sales channel:



SYNERGIES

We were able to cut our freight costs from Asia in 2013, and efforts are under way to cut our freight costs in the Nordic region. Cables make up a significant share of the Group's revenue and profits. All of our companies have a broad assortment of cables for different markets, and there is a project under way at the Group to coordinate our purchases of cables. In 2014 we will see the results of this project in the shape of better margins on our cables.

Siamak Alian
Managing Director and CEO

“Three containers arrive at the Deltaco Group every day on average”

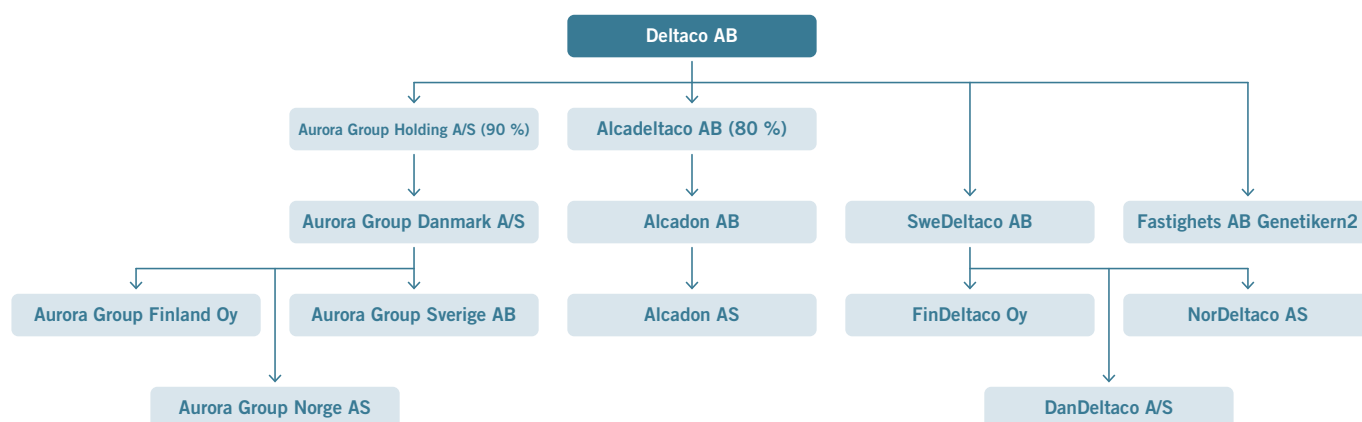


About Deltaco

“Companies that we acquire shall have a leadership characterised by competency and entrepreneurship, good earning capacity and a proven business model”



Group organisation



ORGANISATION

Business concept and vision

Deltaco shall acquire, own and develop niche distributors within IT, mobility, home electronics, networks and data communication in the Nordic region and surrounding areas. The Delta Group's member companies supply both B2B and B2C products to the IT market in the Nordic region and surrounding areas.

Business goals

The Delta Group's member companies shall offer the best product selection in the market in the niches where these companies operate, with the Nordic region as their principal market. Competitive prices, quick deliveries and good service and support shall be our guiding words.

Financial objectives

The Deltaco Group shall achieve 10 % earnings growth per share annual over an economic cycle, and an equity/assets ratio of at least 35 %. Individual operational objectives are established for each subsidiary.

Growth strategy

Deltaco's growth strategy is made up of both organic growth and acquisitions.

Organic growth in each company shall be achieved through continual development of business models, a flexible organisation and a thorough analysis of the forces driving the market.

Acquisition of new firms shall strengthen Deltaco's offering and position, expand its geographic presence or complement the Group's customer base. Companies that we acquire shall have a leadership characterised by competency and entrepreneurship, good earning capacity and a proven business model.

Our subsidiaries

Since the acquisition of Aurora Group in April 2013, the Deltaco Group consists of three effective sub-groups: SweDeltaco, Alcadon and Aurora Group. Detailed information

about each companies and its operations will be reported separately in this annual report.

Corporate governance

Each company within the Group shall act as a separate profit centre. Companies that we acquire shall remain independent and keep their own identities, management and organisation, brands and objectives and strategies.

There are always different levels of potential synergies among distribution firms. Each subsidiary within the Group shall endeavour to identify and realise synergies between the companies when the profits are greater than the coordination costs.

Employees

In December 2013 there were 216 (124) employees, an increase of 92 people compared with December 2012. The increase in staff is primarily due to the acquisition of Aurora Group, which had 87 employees in December 2013. The others are new hires in 2013, made in order to strengthen the SweDeltaco subsidiary and invest for future growth. Marketing and sales were the primary areas for recruitment. One important aspect when recruiting is to find employees who fit into Deltaco's corporate culture, which is characterised by a high level of dedication, loyalty and long-term thinking in customer and supplier relationships.

SUSTAINABILITY

Environment

Since 2008, environmental issues have been overseen by an environmental director. Through our environmental director, coordination and integration are increased in our operations, as well as with our suppliers. Our environmental work includes projects and activities associated with all of the company's operations.

ACTION PLAN

We have prepared an action plan based on our established goals. The action plan covers the following:

- Sorting of waste**
 We sort our waste and remove paper for recycling.
- Energy-saving measures**
 An established goal of ours is to increase the use of computers and adequate software in order to reduce the use of paper for distributing information to personnel, customers and suppliers. The company uses low-energy light bulbs in its light fixtures where possible.
- Environmentally friendly purchasing**
 Another established goal of ours is to always consider the environmental aspects of the purchase of products used in our operations, including everything from vehicles and fuel, to copy paper and pens. This has resulted in a change to more environmentally-friendly products. Adherence to these requirements is a must and is discussed at personnel meetings.
- Environmental requirements for our products and services**
 The products and services we market shall be produced of materials which can be recycled, or of recycled material, whenever possible. One of the company's goals is to remove products from our operations which are not produced in an environmentally-friendly manner, or which contain substances that are harmful to the environment. We are affiliated with REPA, which is the business community's solution to producer responsibility for packaging made of plastic, metal, paper/cartons and corrugated cardboard. REPA's task is to offer all companies access to the nationwide recycling system for packaging materials. By being REPA affiliates, we fulfil our requirements pursuant to the Ordinance of Producers' Responsibility for Packaging (SFS 2006:1273).
- Environmental requirements for our suppliers**
 One of the company's environmental goals is to get our primary suppliers to always consider the environmental aspects of their production and operations.
- Using the best highest-quality fuel possible and reduced fuel consumption**
 One of the environmental goals established for the company prescribes the highest quality fuel possible and requirements for measures to reduce fuel consumption.
- Environmental information for employees, customers and suppliers**
 All of the company's employees will be aware of the company's environmental goals. Follow-up occurs regularly at personnel meetings once per month, where any new information is also given. Through verbal and written communications, our customers are informed of our continual environmental work. We have constant, ongoing dialogue with our suppliers about environmental improvement measures.

We are also members of EI-Kretsen, which is the business community's service company for fulfilling producer responsibility with electronics and electronic products, including batteries. The laws that regulate producer responsibility and thus serve as the foundation for EI-Kretsen's activities are SFS 2005:209, 2005:210 and 2008:834. The Swedish Environmental Protection Agency is the supervisory authority for these laws and is responsible for compliance.

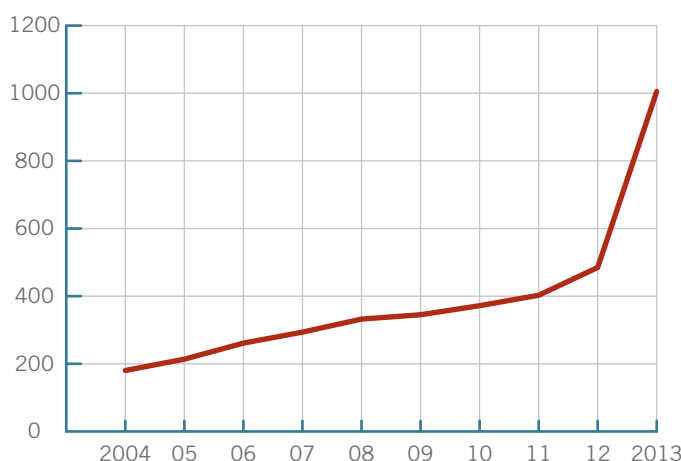
CORPORATE RESPONSIBILITY

At Deltaco, quality does not simply mean that our products will meet or exceed the customers' expectations. It also means that production will be done under good conditions and that our customers will be pleased with us as a company. Taking responsibility for how people and the environment are affected by our operations is also an important component for SweDeltaco to be able to grow and prosper.

WORKING CONDITIONS

All of the products sold by the Group must be produced under acceptable working conditions by suppliers who are environmentally conscious. The best way to influence and contribute to positive development is for us to have close, long-term relationships with our suppliers. By supporting our suppliers, we hope to motivate them to take greater responsibility for people and the environments through their own initiatives.

SALES (MSEK)



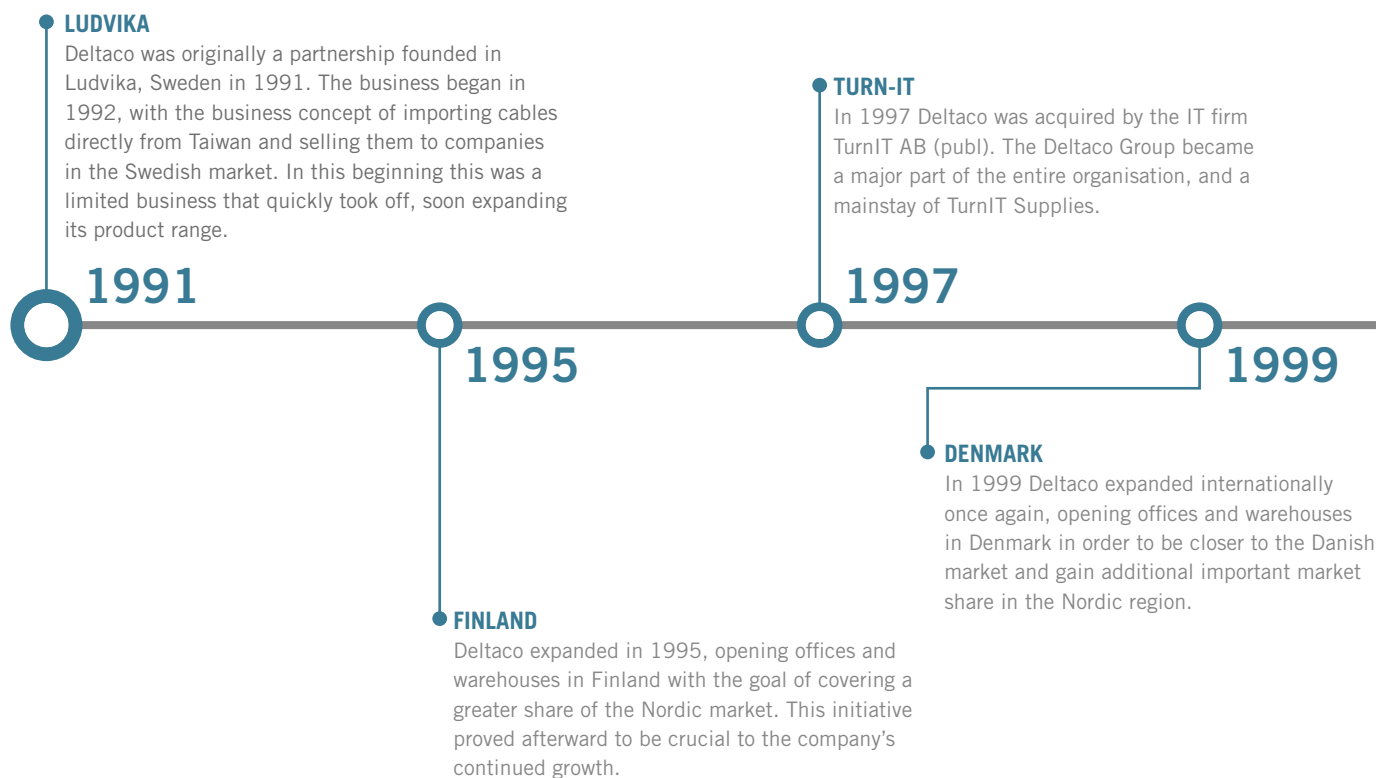
OPERATING PROFIT BEFORE DEPRECIATION (MSEK)

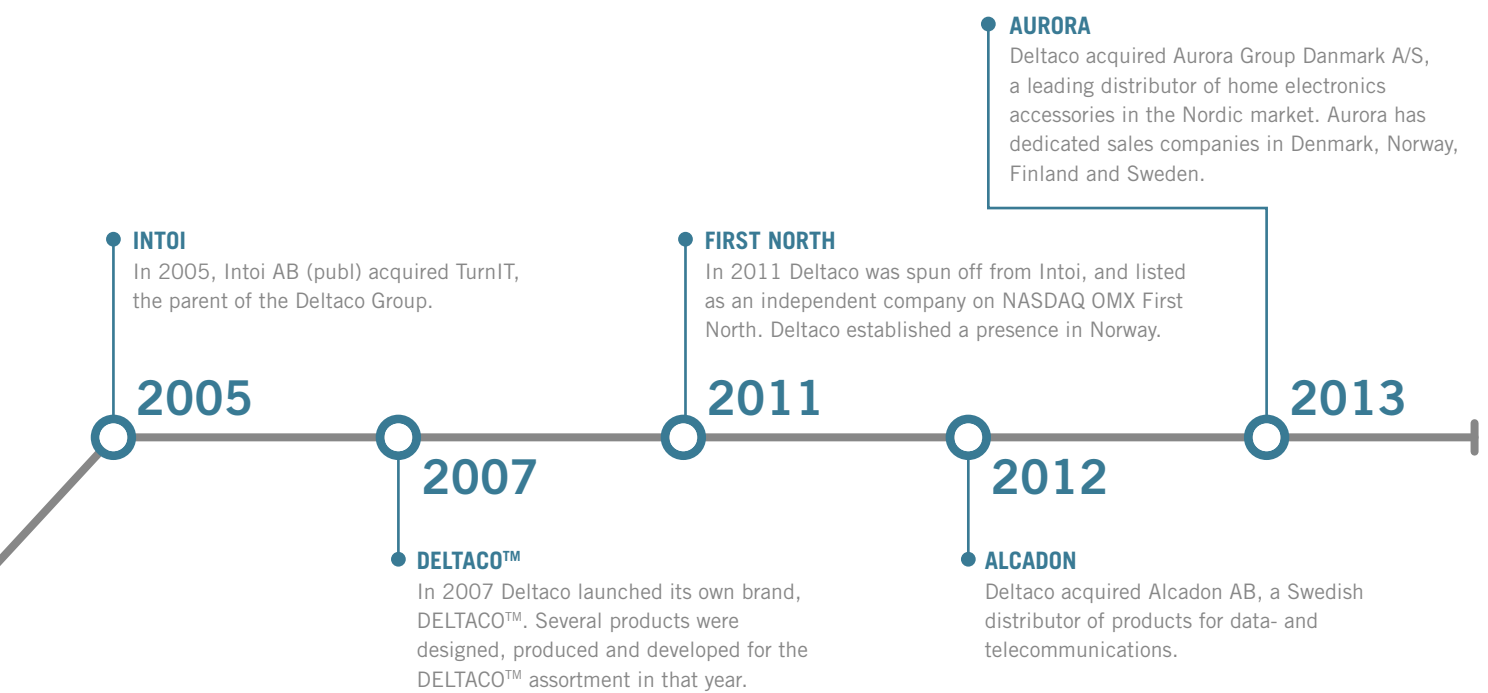




History

22 years of growth and profits, a true story





“We want to be the leading supplier of products for data- and telecommunication solutions.”





BUSINESS CONCEPT AND VISION

Alcadon's business concept is to meet the market's demands and needs for products and systems for data- and telecommunications, as well as to be the natural choice as a business partner for companies that install and construct network solutions for their present and future needs.

Our vision is to:

- be the leading supplier of products for data- and telecommunication solutions.
- offer a wide assortment, high availability and highly dependable deliveries for a reasonable price.
- maintain in-depth expertise on suppliers' offerings and trends in the market, in order to offer goods and services that enhance our customers' business prospects.

BUSINESS DESCRIPTION

Alcadon AB (Alcadon) began in 1988 as a distributor/wholesaler of products for data- and telecommunications in the Nordic region. The company has offices, subsidiaries and salespeople in the following locations: Alcadon AB in Stockholm, Malmö and Gothenburg, Alcadon A/S in Oslo and sales representatives in Copenhagen and Helsinki.

The strength of Alcadon's business concept lies in its comprehensive expertise and long experience in data- and network communications. The company offers cost-effective solutions and first-class service and support.

With the best components and products from world-leading suppliers, Alcadon is able to offer a wide assortment of products for both passive and active infrastructure. This product portfolio enables the company to assist its customers and offer them overall solutions that take future network technology into account. Alcadon has developed ECS (European Cabling Systems), a structured cable system for passive infrastructure in properties and industrial areas, which the company has supplied since 1997.

The installation industry is still in a phase of structural transformation, with large companies growing through acquisitions.

The reason is greater demand for overall solutions in coordinated installations that require several different professional disciplines. There is still potential in the areas of telecom, data and security, where continued stable growth of a couple of percentage points per year is predicted. Another area is residential installations, which have promising potential for growth in the next few years, although the market is under serious pressure.

The market for LAN fibre is still growing, while the market for xDSL is declining. The market for Ethernet (copper networks) is also growing, as it transitions into fibre so-called "mobile backhaul" solutions. The need for more broadband is growing, and this helps Alcadon's business to grow in all of its segments.

MARKET TRENDS

Shielded category 6A (class Ea), will continue to gain market share from category 5e. Unshielded category 6A will also continue to make up a smaller part of demand. Demand for category 6A cable with varying levels of shielding is expected to rise in the future. In other words, everything from a shared shield around the cable to individually foil-shielded twisted pairs with an overall braid-shield.

As in previous years, category 7 (class E) and 7A (class Ea o) will make up a small share of the market.

Markets with numerous large data centres, such as the US, continue to drive demand for solutions for high data speeds over short distances (less than 40 metres). This means greater interest in category 8, a standard which is now under development in Europe as well.

Fibre-optic cable systems are also affected by requirements for compact high-speed systems. Therefore modular systems with MTP/MPO connectors are growing in popularity. Alcadon continues to develop its range of compact fibre solutions, since both Swedish and Norwegian customers are demanding them. Even if single-model cable is gaining market share from multi-mode cable, the demand for high-speed solutions for data

centres will ensure that multi-mode OM3 and OM4 will remain important.

Alcadon will continue to supply fibre-optic cable to broadband expansions still in progress in Sweden in 2014.

CHALLENGES

Alcadon's business model is to function as a distributor and wholesaler to network installers, telecom operators, system integrators and large end users.

Historically, it has achieved expansion through the following factors:

- Time to market - release good products at the right time.
- Retain customers through continuous product development.
- Stay close to customers thanks to a professional sales force.
- Having the right products in stock.
- Competitive prices.

COMPETITIVE ADVANTAGES

Alcadon's strength is our comprehensive expertise and long experience in network communications. Alcadon can offer its customers and partners cost-effective solutions, superior service and support, high availability, fast deliveries and competitive prices. We achieve this with an extensive range of products for both active and passive infrastructure, incorporating the best components and products from world-leading suppliers.

In order to offer our customers a high level of delivery readiness and availability, Alcadon has offices with dedicated warehouses in Sweden and Norway, as well as sales representatives in Denmark and Finland.

CONTINUED EXPANSION

Today the majority of Alcadon's customers are in the business market. The company's mission is to allow network installation customers to sell active products and various system solutions. This can be achieved by providing technical support and organised training sessions for our customers. We see the potential to increase our market share in this segment. We are also focusing on the surveillance market, volume sales of patch cables and other accessories that will be suitable for the markets discussed above. We will continue to cultivate the telecom operator market by offering

suitable products. Alcadon will continue to find new product areas and successful products through its own product

development and by monitoring the market in order to improve and sell products found there under its own brand.

We will also remain focused on higher sales through active cultivation of the market, targeted marketing efforts and expanded development of our website.

ALCADON'S MARKET AND SALES

We have built up offices, subsidiaries and sales organisations throughout the Nordic region since early 1988. Alcadon AB has locations in Stockholm (head office), Malmö and Gothenburg, and Alcadon A/S is located in Oslo. The company also has sales representatives in Denmark and Finland.

From our sales offices in Sweden and our main warehouse in Stockholm, we can arrange for fast deliveries nationwide as well as to other offices and customers in the Nordic region. Alcadon has over 2,200 customers and offers over 4,000 products.

ALCADON'S CUSTOMERS

Our customers are companies that perform installations, system integrators and companies that manage and/or own data and telecommunications networks.

Sales are divided into two main areas:

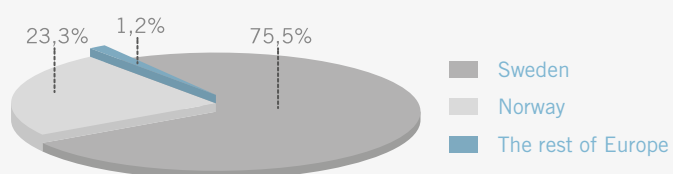
Passive products

- Installation materials such as copper and optical fibre cable, sockets and connectors.
- Testing instruments and tools
- Technical support and training.

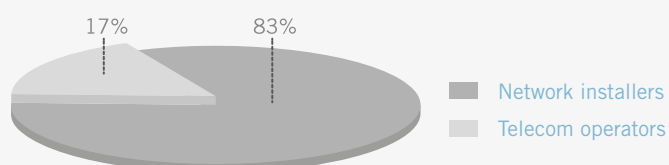
Active products

- Active equipment (switches, converters, SFP/XFP's and wireless products).
- Technical support and training.

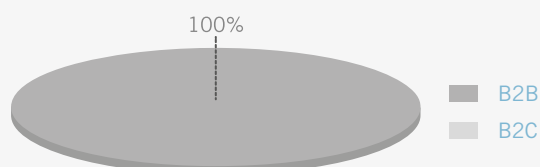
Sales by country:



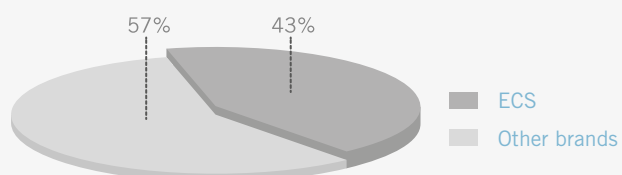
Sales by sales channel:



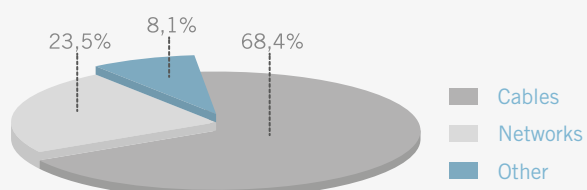
Sales by customer segment:



Sales of own and other brands:



Sales by product group:

**PROFIT/LOSS MSEK****2013**

Net sales	193.3
EBITDA	18.9
EBIT	17.1
Gross margin (%)	36.0
EBITDA %	9.8
EBIT %	8.8





About Aurora

“Our vision is to be the leading distributor of accessories for the home electronics market”





BUSINESS CONCEPT AND VISION

Aurora's business concept is to offer home electronics accessories to the Nordic market.

Our vision is to:

- be the leading distributor of accessories for the home electronics market.
- create added value for customers by offering innovative concepts and products at competitive prices.

BUSINESS DESCRIPTION

Aurora Group was formed in 1999 through a merger of Rudolph Schmidt A/S in Denmark, OSK Elektrotillbehør AS in Norway, Ortoconnex AB in Sweden and Teletarvike Järvinen Oy in Finland. In 2006 it acquired the Norwegian firm tCom AS, and in 2010 the Swedish firm Haneström was added to the Group.

Deltaco acquired Aurora Group Danmark A/S, the Aurora Group's parent company, in April 2013.

Today the business operates through four sales companies located in Copenhagen Denmark, Trondheim Norway, Tampere Finland and Sundbyberg Sweden. Logistics for the entire Nordic market is centralised to Jönköping Sweden, except for Haneström's vacuum cleaner bags, which are distributed from their small warehouse in Lilla Edet.

The majority of administrative functions are centralised to Copenhagen.

Aurora operates primarily in the product areas of small appliances, white goods, home office and telecommunications. It creates added value by focusing on:

- Brand management/construction.
- Efficient logistics.
- "In-store execution".

BRAND MANAGEMENT

Brand management focuses on several strategic brands that are exclusive to Aurora Group, such as Razer, Puro, SMS Audio, Vogels, Innergie, Rapoo and others. Moreover,

Aurora has several own brands such as QNECT, Betasphere audio, Panzer, Essentials, E:ZO and Nordic Quality. Brand management is handled by several product developers, who support the sales organisation in each country through visits to customers, product presentations, product training and technical support

EFFICIENT LOGISTICS

Efficient logistics are achieved through a main Nordic warehouse located in Jönköping, Sweden. Deliveries are offered to all of our Nordic customers from this warehouse within 24 hours. Delivery capacity, including transports, is followed up every day. Aurora offers its customers fully-integrated EDI solutions in order to manage orders smoothly. An efficient online shop is available for customers who do not employ EDI.

All customers have access to support in their own language through local customer service offices in Denmark, Norway, Finland and Sweden.

IN-STORE EXECUTION

"In-store execution" is important for the portion of Aurora's products that are sold in shops. At present Aurora has about 25 consultants around the Nordic region charged with promoting in-store sales at Aurora's customers' shops. Various types of shop activities, product presentations, training of shop staff and tracking turnaround time by product are all important parts of this effort.

EMPLOYEES

A successful company depends on its employees. Aurora actively engages in different programmes to motivate its staff. Clear goals are stated for all parts of the organisation, which lays the foundation for daily work along with clearly defined areas of authority and responsibility.

Our watchwords are:

- A focus on the customer.
- Taking responsibility.
- Leadership is the responsibility of every person.

CUSTOMERS

Aurora's customers are largely made up of home electronics chains, low-price chains, white goods chains, e-commerce and telecommunications customers. The trend is for e-commerce to grow at the cost of traditional store sales. Even established home electronics chains are investing more and more on e-commerce. Aurora is making active efforts to adapt to these changes, through measures such as integrating its IT systems with its customers' e-commerce solutions.

Examples of customers:

Home electronics chains:

Expert, Elkjøp, Mediamarkt, Fona, Siba, Spaceworld, Euronics, AudioVideo, Teknikmagasinet, Kjell & Company.

Low-price chains and FMCG:

DSG, Coop, Gekås, Julia, Clas Ohlson, Antilla, City Market, Prisma, ICA.

White goods chains:

Elon, Elkjedjan, Whiteaway, Punkt1.

MARKET TRENDS

The home electronics market is dynamic. Thousands of new products come out every year. Aurora's product developers are extremely thorough about identifying market trends and developing a product assortment that is adapted for the Nordic market.

Aurora expects to continue to increase its market share in existing strategic brands such as Razer, Puro, SMS-ljud, Vogels, JVC, Innergie, Rapoo, Jabra, AM Lab and Techlink. Moreover, Aurora will add 2-3 new brands with greater revenue potential to its portfolio in 2014.

Aurora expects the share of its own brands such as QNECT, Betasphere, Receptor, E:ZO and Nordic Quality to increase by over 5 % in 2014 compared with 2013.

Aurora's assessment of the market trends in each segment is discussed below.

Small appliances:

- Earphones (People on the move) -> Growing
- Sound (Multiroom, portable, wireless) -> Growing
- TV (Wall brackets) -> Declining
- Cleaning -> Higher demand
- Cables -> Stable

White goods:

- Health (Integration with smart devices) -> Growing
- Home automation -> Growing
- General -> Stable

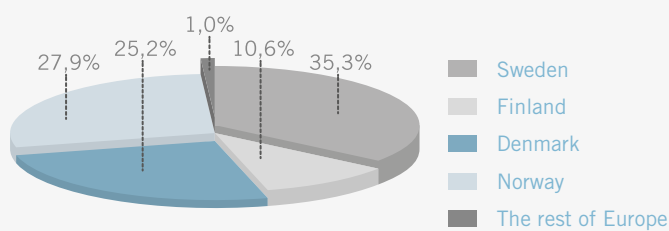
Home Office & Entertainment:

- Games (various platforms) -> Growing
- General (everything wireless) -> Growing
- Work (Notebooks / Touch computers) -> Stable
- Private (Smart phones / Tablets / Smart TVs) -> Stable

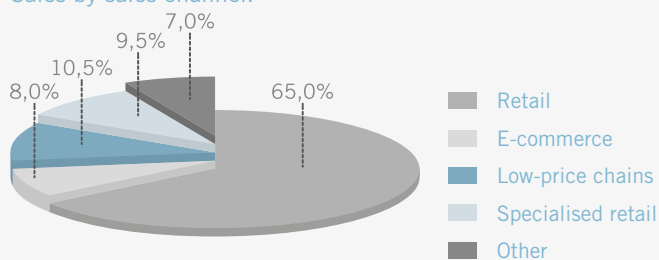
Telecommunications:

- Smart phones -> Growing
- Home automation / health -> Growing
- General -> Sensitive to trends

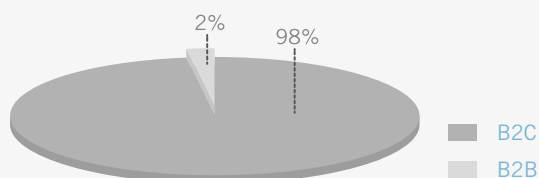
Sales by country:



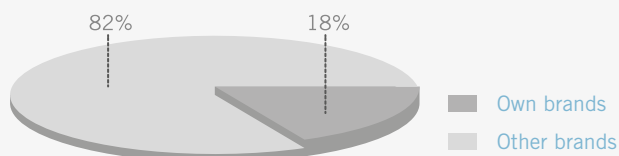
Sales by sales channel:



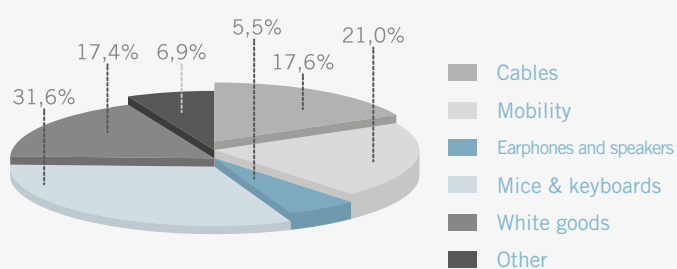
Sales by customer segment:



Sales of own and other brands:



Sales by product group:



PROFIT/LOSS MSEK *

2013

Net sales	517.8
EBITDA	0.7
EBIT	-5.2
Gross margin (%)	27.1
EBITDA %	0.1
EBIT %	-1.0

* Refers to full-year 2013. Aurora is included in the consolidated profit and loss statement beginning in April 2013.





“The company's business concept is, through short delivery times and competitive prices, to offer an attractive selection of IT products to the IT market in the Nordic region”





BUSINESS CONCEPT AND VISION

SweDeltaco's business concept is, through short delivery times and competitive prices, to offer an attractive selection of IT products to the IT market in the Nordic region.

With friendly and knowledgeable staff, extensive business hours, good support and fast deliveries, SweDeltaCo endeavours to be available at all times and to give its customers the best service in the market.

LONG-TERM GROWTH

The business began in 1992, with the business concept of importing cables directly from Taiwan and selling them to companies in the Swedish market. In this beginning this was a limited business that quickly took off, soon expanding its product range.

In 1997 SweDeltaco was acquired by the IT firm TurnIT AB (publ). The SweDeltaco Group became a major part of the entire organisation, and a mainstay of TurnIT Supplies. In 2005 Intoi AB (publ) acquired TurnIT, the parent of the SweDeltaco Group.

SweDeltaco has operated since 2008 in its 8,000 m² premises in the southern Stockholm suburb of Tullinge. The premises also serve as the hub of the company's logistics centre, where several thousand deliveries to customers throughout the Nordic region are coordinated.

Since its inception, SweDeltaco has grown organically while retaining good profits. In 2013 we were able to increase our sales compared with 2012, in a declining market. The IT market as a whole declined by about 8 % in 2013, compared with 2012. This means that we have gained market share from our competitors. Moreover, we improved our operating profit/loss (EBIT) by over 23 %, from MSEK 15.4 in 2012 to MSEK 18.9 in 2013. This is proof that our concept is working, and that we can invest for the long term while preserving healthy margins.

Our primary objective is to have the most satisfied and loyal customers in the market.

THE STRENGTH OF THE CONCEPT

We win customers and market share by delivering quality products with a high level of service and personal dedication to our customers. Therefore we work actively on several fronts to keep our business competitive. When it comes to assortment, brands and logistics, our strategy is well thought out.

We evaluate our assortment continually, and products updated by our suppliers are regularly replaced. It's important for us to keep our assortment updated, both to maintain a good level of stock turnover, and to keep our assortment attractive to our customers.

Thanks to its focus on peripheral and accessories, as well as importing products under its own brand, SweDeltaco is able to deliver net margins that are among the highest in the industry. There are fewer distributors in the market due to consolidation and elimination. As a result, manufacturers appreciate a partnership with a focused, sales-oriented distributor with SweDeltaco's size and logistics capacity.

SKILLED EMPLOYEES

Employees who are highly knowledgeable about our products and have a strong service ethic are important to our business. Service is an important part of our concept. Part of this effort consists of holding continual product trainings in order to provide customers with the support they need.

We are extremely dedicated, regardless of where in the company we work. One important aspect when recruiting is to find employees who fit into our corporate culture, which is characterised by a high level of dedication, loyalty and long-term thinking in customer and supplier relationships. It's important for us all to row in the same direction, and for our communication to be clear and straightforward.

MARKET

SweDeltaco has a presence in Sweden, Finland, Denmark and Norway. Our head office and warehouse are located in Tullinge in Stockholm, with sales offices in Helsinki, Copenhagen and Oslo. Our presence in the Nordic region facilitates cooperation

with our suppliers, and moreover it benefits our customers. Our subsidiaries in Finland and Denmark continued to exhibit strong growth and profits in 2013.

CUSTOMERS

SweDeltaco's customers are quite equally divided between B2B and B2C clients. We have customers in all of the Nordic countries, but about 73 % of our sales come from Sweden. Finland is our second largest market with 17 %, while Denmark comes in at 5 %. Our presence in Norway is quite new, but we were able to do over MSEK 11 in sales in the Norwegian market in 2013, with favourable profits. The prospects for the Nordic market in 2014 look bright.

Examples of customers:

B2B sales:

Atea, Caperio, Office IT Partner, Koneo, Dialect, Oulun Edumedia (Finland)

B2C sales:

Webhallen, Kjell o Co, TeknikMagasinet, Alina Systems, Verkkokauppa (Finland), Proshop (Denmark)

Low-price chains and FMCG:

GeKås, Julia, Dollarstore, Coop, Tokmanni (Finland)

E-commerce:

Dustin, Netonet, Verkukappe, Jimms PC (Finland), Hardwarestore (Denmark)

THE DELTACO™ BRAND

We have a long-term strategic commitment to the DELTACO™ brand. Our margins on DELTACO™ products are significantly better than on other brands that we sell. In 2013 we sold 4.7 million units of DELTACO™ products. This is an increase of about 10 % over 2012.

Sales grew by MSEK 14.8 during the same period, an increase of over 13 % in a weak IT market.

Cabling still makes up the majority of our sales. Our investment in a new assortment of cables in packaging customised for shops was successful. Sales of cabling grew by about MSEK 5, and margins improved by about 4 %. In 2013 we updated our packaging for all cables in bags (about 1200 items), so that the entire DELTACO™ assortment has a uniform appearance.

The assortment is continually changing, with daily additions and launches of new products. Today the DELTACO™ assortment consists of over 2,600 items. Last year we expanded our selection by over 800 new products, and phased out about 700 products. DELTACO™ PRIME was launched at the end of 2012. These are high-quality cables in attractive packaging, meant for the choosiest consumers. The PRIME assortment was supplemented in 2013. Today we have a more complete "Cables & Connectivity" assortment, and our goal is to expand PRIME with products in other categories.

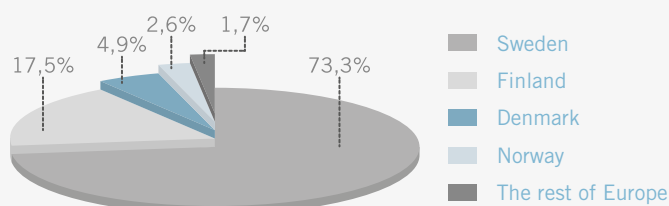
Our cables have a lifetime warranty as a proof of quality, and other products have a three-year warranty. This is one year longer than the Swedish Consumer Agency's recommendation, and dealers and customers perceive it as generous. Our new website for DELTACO™, www.deltaco.eu, helps end customers with information and technical support. In 2013 we increased our warranty on other DELTACO™ products from 3 to 5 years.

OTHER BRANDS

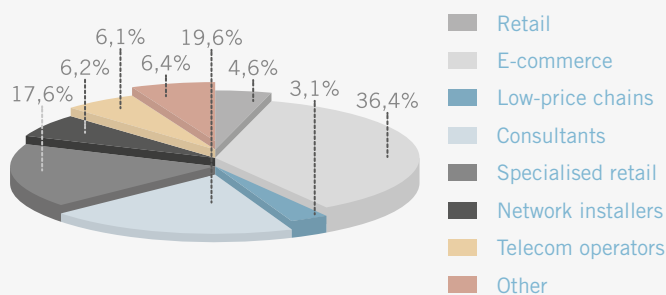
STREETZ is a range of IT accessories that are trendy, with a design most suited to younger buyers. STREETZ products are packaged in elegant modern packages in black/silver. STREETZ products are primarily audio/video products such as headsets and speakers.

STREETZ was launched in 2012 to test the concept. It was well-received by the market, and the range was developed in 2013.

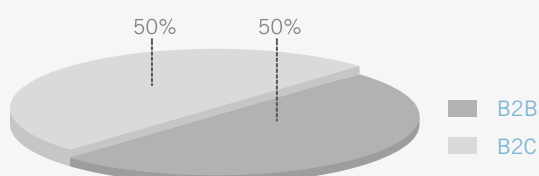
Sales by country:



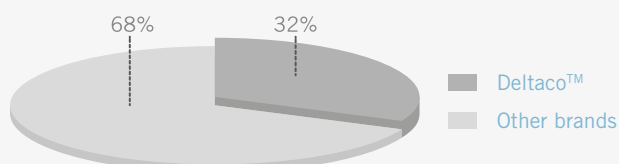
Sales by sales channel:



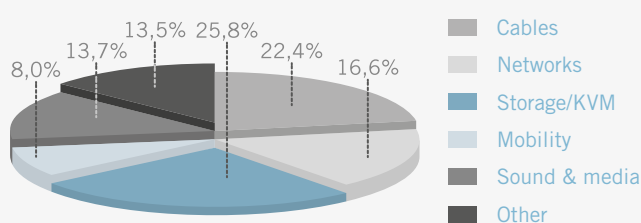
Sales by customer segment:



Sales of own and other brands:



Sales by product group:



PROFIT/LOSS MSEK

	2013	2012
Net sales	440.8	438.6
EBITDA	23.5	19.0
EBIT	18.9	15.4
Gross margin (%)	24.4	22.7
EBITDA %	5.3	4.4
EBIT %	4.3	3.5



Corporate governance



The Deltaco AB Board of Directors from left to right: Björn Abild, Arne Myhrman, Charlotte Hansson and Jonas Mårtensson

Deltaco AB, Corp. ID number 556116-4384, is a Swedish public limited company incorporated under Swedish law. In 2013 the business consisted of operations within its subsidiaries Alcadon AB and SweDeltaco AB. In April 2013 Deltaco AB acquired Aurora Group Danmark A/S, which operates in Sweden and Norway. Aurora Group and SweDeltaco have operations in all of the Nordic countries. The governance of Deltaco AB is based on Swedish legislation, primarily the Swedish Companies Act, the company's agreement with the First North market and other relevant regulations and guidelines. The Company has traded since 19 April 2011 on NASDAQ OMX First North. Its ticker symbol is DELT, and Remium Nordic AB is its Certified Adviser.

CORPORATE GOVERNANCE PRINCIPLES

The Company's and Group's governance is based on the articles of association, the Swedish Companies Act and the Stockholm Stock Exchange's regulations for listing on First North. Since Deltaco is not listed on a regulated exchange, the Company is not subject to the Swedish Code of Corporate Governance. However Deltaco's corporate governance is largely inspired by the Code. A Nomination Committee has been formed for the 2014 AGM, and this committee meets the independence guidelines stipulated by the Swedish Code of Corporate Governance.

SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

According to the Swedish Companies Act, the Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board, the Board of Directors is obligated to ensure that the Company has satisfactory internal controls, to stay informed about the Company's internal control system, and to evaluate the system's effectiveness.

Control environment

Internal control at Deltaco is based on a control environment that encompasses organisation, decision paths, authority and responsibility. This is documented and communicated in governing documents such as internal policies, guidelines and instructions. For example, this applies to the division of labour

between the Board and the Managing Director, and instructions for authorisation, accounting and reporting.

Risk assessment

The Board of Directors has the ultimate responsibility for risk management. Control risk-taking is achieved through a clear organisation and resolutions procedure that incorporates high awareness of risks on the part of employees with common definition and principles within an established framework. Areas of risk are business and industry-related risks, as well as risks connected with the financial close process associated with financial reporting, operational risks and legal risk.

Control activities

The Group's business processes include financial controls for the approval and reporting of business transactions. The financial close and reporting process contains controls for reporting, evaluation and disclosure requirements, as well as for the application of important accounting principles and estimates, both in individual subsidiaries and at the group level. Deltaco AB's accounting and finance function is responsible for closing of accounts, quarterly reports, controls and analyses. Each sub-group has its own accounting function. Regular analysis of each business's monthly financial reporting encompasses significant entries such as assets, liabilities, revenues, costs and cash flow. Along with the analysis performed at the group level, this important part of internal control helps ensure that the financial reporting is free of material errors.

The quality of external financial reporting is assured through several measures and procedures. In addition to auditing the accounts and annual financial statements, the auditor also reviews the second-quarter report. All reports and press releases and published at the same time they are published on Deltaco's website.

Information

The Group's information and communication paths are designed to support complete and correct financial and operating reports. The relevant personnel are provided with and

made aware of internal directions and guidelines for operating and financial reporting, such as regular updates and

notifications about reports, and requirements for information provision and changes to accounting principles. All of the subsidiaries compile monthly financial reports and reports on their administration to Deltaco AB's group management and Board of Directors. These reports contain analyses and comments on financial results and risks. In addition, the Deltaco AB Board of Directors receives the Managing Director's operating and financial report on Deltaco AB every month.

Follow-up

The Group's financial situation is considered at every board meeting. The Board examines all interim reports and the annual report before publication. The Board also receives regular reports from the auditors. The Board follows up all measures taken to improve or change the controls.

The Group's financial reporting process is examined annually by group management. It is used to evaluate the internal management system and internal governing documents in order to ensure that they cover all important areas concerning financial reporting. Because Aurora Group Danmark A/S joined the Group in April 2013, group management performed a review of the financial reporting of each company as well as the consolidated reporting on the eve of the 2014 financial year.

DIRECT OR INDIRECT SHAREHOLDING

As shown in the table "Largest shareholders as of 30 December 2013" on page 73, no single member of the Board of Directors or senior management owns more than 10 percent of the capital or shares in the Company. As of 30 December 2013, company insiders own shares equivalent to 5.40 % (5.91 %) of capital and votes in the Company, as well as 393,000 (343,000) convertibles.

RESTRICTIONS ON VOTING RIGHTS

The Company's articles of association have no restrictions on how many votes each shareholder may cast at a shareholders' meeting.

CERTAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

The Company's articles of association have no special provisions on the appointment or removal of Board members, or on changes to the articles of association.

AUTHORISATIONS BY THE ANNUAL GENERAL MEETING

The AGM of 29 April 2013 authorised the Board of Directors to decide upon issuing new shares in the Company, in connection with company acquisition agreements, upon one or more occasions, with or without deviating from the shareholders' preferential rights. This authorisation was for a maximum of 1,105,000 shares, corresponding to a maximum of 10 percent of the Company's existing equity on the date of the AGM of 29 April 2013. The purpose of the authorisation was for the Company to be able to issue shares as payment as part of a corporate acquisition agreement. The Board of Directors did not

exercise the authorisation approved by the 2013 AGM at any time during the financial year.

THE BOARD OF DIRECTORS' COMPOSITION AND WORK APPROACH

Composition of the Board of Directors

According to the Company's articles of association the Board of Directors must be composed of a minimum of three and a maximum of seven members, with a maximum of five alternates. The Company's Board of Directors consists of four members, who were all re-elected at the 2013 AGM. Company's four Board members, Arne Myhrman, Charlotte Hansson, Björn Abild and Jonas Mårtensson, are all independent of the Company and its senior management, as well as the Company's major shareholders.

Members elected by the AGM

For information on the members elected by the AGM, see page 74.

WORK OF THE BOARD OF DIRECTORS

Board of Directors' responsibilities

Deltaco's Board of Directors has adopted rules of procedure with instructions for the division of labour between the Board and the Managing Director, as well as instructions for financial reporting. The Board of Directors is responsible for ensuring that Deltaco's organisation is designed so that accounting, management of assets and other financial circumstances are satisfactorily controlled. The Board of Directors shall continually evaluate the Group's financial situation. Before issuing the meetings summons, the Chairman of the Board shall consult with the Managing Director and prepare the agenda for each meeting and determine which decision support information and documentation is needed for the issues at hand. The Board of Directors is summoned to a statutory meeting after the AGM, and well as at least five regular meetings per year in addition. Four of the regular meetings coincide with the dates of the external financial reports. The fifth regular meeting is held in December, and the budget and operating plan for the next year are reviewed. At the board meeting where the annual financial statements are presented, the auditors participate in order to present their observations from the audit. In addition to the regular meetings, the Board is summoned to additional meetings when the situation demands.

The Board of Directors supervises the Managing Director's work, and is responsible for ensuring that the organisation is appropriate. The Board of Directors ratifies the budget and annual financial statements for the Company and Group, and tracks them throughout the year.

Chairman

The Chairman of the Board leads the Board's work, and is responsible for ensuring that the other members continually receive the information needed to maintain the quality of their work and carry it out according to the Swedish Companies Act. The Chairman represents the Company in ownership issues.

Members of the Board of Directors

Name	Elected	Nomination Committee	Shareholdings*
Arne Myhrman Chairman	2011	Member	35,000 shares (personally and through a company)
Björn Abild	2011	–	0 shares
Charlotte Hansson	2012	–	12,900 shares
Jonas Mårtensson	2011	–	300,092 shares

* Equity as of 30 December, 2013

Compensation

The Board's fees and compensation are approved by the AGM. The Board establishes and decides on salaries, other terms of employment, pension benefits and the bonus system for the Managing Director. The Managing Director handles and decides on the equivalent issues for other senior executives, and is responsible for the development of general wage setting principles.

Audit

Audits are performed by an authorised accounting firm designated by the AGM. The chief auditor is continually kept up to date with summonses to board meetings and shareholders' meetings, board minutes, monthly financial reports, the Managing Director's reports and other information that is essential to the operation. The audit examination also covers parts of the Company's internal controls and the management audit. Areas to be examined are selected according to the risk assessment for essential processes. At the Board's annual review of the annual financial statements, the auditors present a written audit memo.

Managing Director

The Managing Director leads the Company within the framework established by the Board of Directors. The Managing Director develops the necessary decision support information for board meetings, presents reports and submits justified proposals for decisions. Every month the Managing Director sends board members the information needed to follow the Company's and the Group's position, operations and performance. The Managing Director also keeps the Chairman continually informed about the business. The Managing Director shall take the necessary steps to ensure that the accounts are prepared according to law, and that management of assets is satisfactorily controlled. There is a written instruction to the Managing Director describing the specific division of responsibilities between the tasks of the Board and the Managing Director. This instruction is kept continually updated.

Auditor

The external auditors are appointed by the AGM. Grant Thornton Sweden AB has been the Company's auditor through chief auditor and partner Mats Fridblom since the AGM of May 4, 2012. Auditor Mats Fridblom was re-elected at the AGM of April 29, 2013.

Evaluation of the Board of Directors and the Managing Director

The Board is evaluated annually as part of the work of the Nomination Committee. This was done in 2013 via

written support documentation whose results were sent to the entire Board, the Managing Director and the auditor in writing; as well as through a verbal interview performed by the two members of the Nomination Committee who are not members of the Board of Directors of Deltaco AB. The evaluation of the Board of Directors was considered at two regular board meetings.

The Board of Directors annually performs an evaluation of the Managing Director's work. The evaluation is performed internally. The evaluation process includes verifying that approved instructions and report procedures were followed, and an assessment of whether several operational criteria were achieved. These include several soft criteria such as leadership, business acumen and respect, as well as the effectiveness of senior management and the ability to deal with overall issues.

WORK DURING THE YEAR

2013 Annual General Meeting

The Deltaco AB Annual General Meeting was held on April 29, 2013. The decisions adopted by the AGM included:

- to adopt the income statement, balance sheet, consolidated income statement and consolidated balance sheet submitted at the 2012 AGM,
- to pay a dividend of one krona and twenty öre per share for the 2012 financial year,
- to re-elect Arne Myhrman as Chairman of the Board,
- to re-elect Charlotte Hansson, Björn Abild and Jonas Mårtensson as Board members,
- to re-elect Grant Thornton Sweden AB and its chief auditor and partner Mats Fridblom as the Company auditors,
- to renew the decision to have the Chairman appoint a Nomination Committee, and
- to authorise the Board to decide on new emissions of shares in connection with company acquisitions.

Nomination Committee

Deltaco's corporate governance work is largely inspired by the Swedish Code of Corporate Governance. In accordance with this code, the AGM of April 29, 2013 renewed the decision to establish a Nomination Committee. The Chairman of the Board shall assemble the two largest shareholders in terms of votes, or the owners representing the largest shareholder groups, on an annual basis and no later than 15 October. In accordance with the resolution of the AGM, Deltaco AB announced on October 9, 2013 that Deltaco's Nomination Committee for the 2014 AGM consists of Ulf Strömsten, Tedde Jeansson and Arne Myhrman.



The task of the Nomination Committee is to propose to the AGM their choice of Chairman of the AGM, their choice of board members and remuneration of these members, and their proposed auditors and remuneration to the auditors. The Nomination Committee has had three meetings where minutes were kept in preparation for the 2014 AGM.

Nomination Committee for 2014 Annual General Meeting

Members

- Ulf Strömsten, Catella Fondförvaltning AB, Chairman of the Nomination Committee
- Tedde Jeansson Jr, Tamt AB
- Arne Myhrman, Chairman of the Board Deltaco AB

Board of Directors

At the AGM of 29 April 2013, Arne Myhrman was re-elected as Chairman of the Board and Board members Charlotte Hansson, Björn Abild and Jonas Mårtensson were all re-elected. At the subsequent statutory meeting, it was decided that in addition to the Board of Directors, two Board members may sign jointly for the firm. The Managing Director also has signatory power in ongoing matters. Siamak Alian has been the Company's Managing Director since March 7, 2011. In 2013 the Board of Directors had nine regular, one statutory and three extra meetings, a total of thirteen meetings. During the year the Managing Director gave reports at all of the regular board meetings. The Company's CFO kept the minutes at the board meetings.

Attendance, Board of Directors 2013

Name	Board meetings	Nomination Committee
Arne Myhrman, Chairman of the Board	13/13	3/3
Charlotte Hansson	13/13	-
Björn Abild	13/13	-
Jonas Mårtensson	13/13	-

The Board of Directors spent time tracking the business's performance against its budget, forecast and operating plan. One of the Board's important tasks during the year was the continued integration of Alcadon AB, which was acquired in 2012, as well as work on the acquisition of Aurora Group Danmark A/S, which was announced on April 25, 2013. A great deal of work was also devoted to strategic issues, where producing business and operating plans for each business for the coming year was a big job. The Board and the Managing Director continually follow developments

in the IT accessories market and analyse the possibilities for product and operation renewal.

Managing Director

Siamak Alian was the Managing Director of Deltaco AB in 2013.

Today the members of Deltaco AB's executive management team are:

Siamak Alian, Managing Director of Deltaco AB and Managing Director SweDeltaco AB, and Hans Bräneryd, CFO.

In addition to the group management of Deltaco AB named above, the senior management of all of the businesses within the Deltaco Group consists of:

- Pierre Fhors, Managing Director, Alcadon AB
- Paul Svensson, Purchasing Manager, Alcadon AB
- Henrik Finnedal, Managing Director, Aurora Group Danmark A/S (beginning in November 2013)
- Bent B. Madsen, Purchasing Manager, Aurora Group Danmark A/S (beginning on April 25, 2013)
- Ali Motazedi, Director of Sales, SweDeltaco AB

Pauli Joensen, former Managing Director of Aurora Group Danmark A/S, was a member of the senior management group listed above from April 25, 2013 through 1 November 2013.

COMPENSATION

Compensation of the Board of Directors

The Chairman and members of the Board of Directors are directors' fees according to the resolution of the AGM. One-twelfth of the fee approved by the AGM is paid each month. No special fee is paid for work on the Nomination Committee. No director's fee is paid to members who receive a salary from a company in the Deltaco Group. This rule did not apply to any Board members in 2013. Directors' fees have been paid as salary or invoiced as a fee. In addition to a directors' fee, social insurance contributions are also paid.

Annual Remuneration to the Board of Directors (kSEK)

Name	2013*
Arne Myhrman, Chairman of the Board	300
Charlotte Hansson	120
Björn Abild	120
Jonas Mårtensson	120

* One-twelfth paid beginning on April 29, 2013. See also Note 8.