

ADMINISTRATION REPORT

1 april 2013 - 31 march 2014

The Board of Directors and the CEO of Addtech AB, company ID number 556302-9726, hereby submit the annual accounts and consolidated financial statements for the 2013/2014 financial year.

MARKET TREND DURING THE YEAR

Overall, business conditions for the Group were stable in the first six months of the year, despite relatively volatile underlying demand based on mixed market conditions in terms of geography, customer and product segments. The situation was more positive in the third quarter, but sales were weak due to a number of customers taking a cautious approach to purchasing before the end of the calendar year. Underlying demand was unchanged in the final quarter and the postponed deliveries from the third quarter were carried out as planned. This resulted in the fourth quarter showing very strong organic sales and earnings growth.

Conditions have gradually become more stable over the financial year, although demand for production components from Nordic manufacturers remains hesitant, particularly in the vehicle and engineering industries. This particularly affects the Components and Industrial Solutions business areas, with the Danish and Finnish markets having faced tougher market conditions. The Norwegian market has been performing well and the Swedish market recovered somewhat during the year. The Group's companies operating on markets outside the Nordic region enjoyed very positive development. The Life Science and Energy business areas have seen good demand from segments such as Nordic healthcare and customers in the energy segment. The Group's sales and earnings growth in the financial year came both from organic growth and from acquisitions, as well as from the selective cost-cutting measures carried out which have had a positive earnings effect.

Performance by quarter

- **First quarter.** Overall, the business climate in the first quarter was relatively stable, but the mixed market conditions from the previous year remained, with parts of the business performing well while others faced a tougher market. Demand for production components from Nordic manufacturers, particularly in the vehicle and engineering industries, remained cautious in the quarter and mainly affected our Components and Industrial Solutions business areas. The Energy business area continued to enjoy good market conditions, reporting its highest ever sales and earnings in the quarter. The Life Science business area experienced increasing overall demand. As a whole, the Group's sales for comparable units were in line with the relatively strong first quarter of the previous financial year. The Group's sales and earnings growth was due to acquisitions combined with a positive effect from selective cost-saving measures initiated in the previous financial year.
- **Second quarter.** The market situation in the second quarter remained largely unchanged from the first quarter. Net sales for comparable units increased by four percent in the second quarter. Parts of the business experienced good demand, while others faced more difficult conditions. Demand from Nordic manufacturers was worse in the second quarter, and this principally affected the Components business area. The Finnish businesses in particular faced a tougher market climate. Business conditions between the quarters were unchanged for Industrial Solutions, while the businesses outside the Nordic region enjoyed a more positive trend. The healthy demand seen in the first quarter persisted in the second quarter for the Energy business area, and Life Science saw a continued improvement in conditions.

- **Third quarter.** Business conditions were generally more positive and slightly more stable in the third quarter compared with the first six months of the financial year. Despite this, sales did not increase at the same rate due to a number of customers adopting a cautious approach to purchasing before the end of the calendar year. These postponed deliveries, in part to manufacturers and certain customers in the electric power segment, above all affected our Components and Energy business areas. Many of the Group's manufacturing customers took an extended break over Christmas and the New Year, as did our own production units in Industrial Solutions. The Life Science business area continued to develop well. Overall, sales for comparable units fell by 4 percent in the quarter. Overall business conditions improved slightly for the Group's business in Sweden and Denmark. The Norwegian market remained stable at a high level, while the Group's Finland-based businesses, which have manufacturing customers, saw decreased demand. These companies operating on markets outside the Nordics continued to enjoy very positive development.
- **Fourth quarter.** Net sales rose by 15 percent in the final quarter of the year. Comparable units increased by 9 percent and acquisition-based growth totalled 5 percent. Underlying demand was unchanged in the final quarter. The postponed deliveries from the third quarter were carried out as planned. This resulted in the fourth quarter showing very strong organic sales and earnings growth. For the Components and Industrial Solutions business areas, demand remained cautious, mainly from Nordic manufacturing companies in the vehicle and engineering industry segments. The Energy business area experienced high overall business activity in the quarter, especially in the transmission segment. Life Science continued to enjoy good business conditions, although it finished the year slightly weaker than in the previous quarter.

Key events during the year

To sum up, the 2013/2014 financial year featured a continued cautious and uneven business climate with major variations between different parts of the business. During the year the Group implemented measures that have affected the cost and working capital situation of the operations that are experiencing a less favourable business climate. We have also deployed resources to strengthen business operations in other parts of the Group. The focus during the year has been on enhancing the various operations and carrying out acquisitions in selected segments and niches. Five companies were acquired in our business areas.

The Group's sales and earnings growth in the financial year had a positive effect on earnings. Combined with our focus on working capital, this has resulted in good cash flow and a strong financial position, providing good future opportunities.

During the financial year the company carried out a share split. The extraordinary shareholders' meeting on 19 November 2013 decided that the number of shares in the company should be increased by splitting each share into three (3) shares. The reason for the split is to increase liquidity in the company's shares, as a large number of shares and a lower price per share helps turnover of the company's shares.