

“We are assuming that the market will not do us any favours during the coming year. It is simply up to us to do a good job in order to grow and keep profitability high.”

JOHAN SJÖ, Group President and CEO, Addtech AB



Comments by the President and CEO

The Group's profitable growth continued during the financial year of 2011/2012. Sales passed the SEK 5 billion mark for the first time and we achieved our best profit to date. On the whole, growth in the market was good during the year.

In the first six months, the market grew at a sound rate, but weakened during the autumn when the signals of crises from southern Europe became stronger. We noted that although many customers became more cautious in their order forecasts, our growth was good during the third and fourth quarters. The unease primarily affected our operations in Sweden and Denmark, while our operations in Norway and Finland and outside the Nordics continued to develop well. We made six acquisitions with combined sales of SEK 430 million on an annual basis.

Focus gives financial strength

Historically, Addtech has had sound cash flow, and we were pleased to note that this was also the case in the past financial year. The main reason for our success was that we had learnt our lesson from the crisis of 2008-2009; it takes time to improve capital efficiency. When we saw the unease in the Swedish market we did not slam on the brakes. The parts of our operations that displayed profitable growth and needed to recruit employees or make acquisitions were able to do so. We focused on working capital, on keeping our inventories low and not tying up capital unnecessarily. This resulted in cash flow of just over SEK 400 million - the best cash flow for the Group to date. We should be proud of this achievement. Our cash flow gives us a strong balance sheet, which creates stability and opportunities for further expansion.

Continuity and development

We combine continuity and development. Our continuity lies in working methods and corporate culture. We have a long, successful tradition to maintain, but times change and we must develop and evolve over time. Addtech's success builds on our ability to cater for customers' needs and, through this, develop new robust business concepts. It is therefore important

for us to work close to our customers so that we can rapidly detect changes and needs.

This is the Group's strength; our subsidiaries are skilled at changing, because they are relatively small, flexible and efficient. Ultimately, our employees team technical expertise with business skills and are the refining link between suppliers and customers. Our joint business model is based on our employees wanting and being able to take responsibility for delivering technological and economic value added to our customers.

I venture to claim that our customers understand and appreciate our business model more and more, and that our continuity and successful development have reinforced the confidence of both customers and the stock market in Addtech.

By always striving to be the leader in selected and clearly defined niches with a high knowledge and technology content our subsidiaries stand out from their competitors, who more often work with a wider range of products and are more like distributors. As proof that we are doing a good job, Addtech fought off tough competition from other medium-sized listed Swedish companies last autumn to be awarded the title of Sweden's best sales organisation. Veckans Affärer, one of the two leading Swedish weekly business magazines, and Prosales, a consultancy, sponsored the award.

Acquisitions and enthusiasm

One of our strategies for long-term, profitable growth consists of expansion through acquisitions. I am often asked about acquisitions and our rate of acquiring companies. We will continue to make acquisitions! The number per year is not important; what matters is that they fit in with our strategy, fundamentally use the same business model as we do and share our culture and approach to entrepreneurship. Acquisitions are a natural part of our business and a complement to the growth that our companies create themselves. In our subsidiaries and business units we have effective strategies for both organic growth and growth through acquisitions. Plenty of companies have expressed interest in us and can complement our operations.

Growth and success are ultimately based on the will, business skills and expertise of our employees. I am proud of the enthusiasm and innovative ability that I regularly see evidence of. This places demands on Addtech. We must become better at setting personal goals and creating opportunities for our employees to enhance their competence. Competition is intensifying, and we must be sure that we have and can retain the best employees in each area as well as being a sufficiently good employer to attract new employees.

Exciting times

Due to the prevailing turbulence in Europe, we are assuming that the market will not do us any favours in the new financial year. It is simply up to us to do a good job in order to grow and keep profitability high. Such a market trend is not detrimental to Addtech; in the present situation we have good opportunities

to expand and gain new market share. We are fundamentally a stable company with a good distribution of risks in terms of customers, suppliers and geographic markets.

The Addtech Group combines the flexibility, personal touch and efficiency of a small enterprise with the resources, networks and long-term thinking of a large corporation. We have many tasks to tackle during the year to further improve our small-scale approach on a large scale. One such task is to develop the two new business units that we established on 1 April of this year.

Our subsidiaries operate using a substantial measure of freedom with responsibility, but they know that they must meet Addtech's growth, profitability and development requirements. By combining continuity with development, we will achieve our vision of Addtech being the leading value adding tech provider. We will use all our power and ability to succeed in doing this.

Stockholm, June 2012

Johan Sjö

Group President and CEO