

ANNUAL REPORT
2013



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Financial information

Elos intends to provide the following financial information for the financial year 2014:

| | |
|--------------------|-------------------------|
| Interim report for | Jan-March 29 April 2014 |
| Interim report for | Jan-June 22 August 2014 |
| Interim report for | Jan-Sep 24 October 2014 |
| Year-end report | February 2015 |
| Annual report | March/April 2015 |

Elos' financial information is available at: www.elos.se





This is Elos

The Group operates in two business areas – Medical technology and Metrology. Operations include development, manufacture and marketing for international customers that require complex products for use in demanding environments.

Medical Technology

This business area is one of Europe's leading development and production partners for medical technology products and components, such as dental and orthopaedic implants and instruments. The business area is marketed as Elos Medtech. Operations are conducted at facilities in Sweden, Denmark and China. Our customers are mainly medical technology companies with an international market.

Metrology

The operations within the Business Area Metrology comprise Elos Fixturlaser, which is considered the market leader in the field of laser-based measuring instruments for the alignment and positioning of rotating machinery. Elos Fixturlaser has the whole world as its market. Development and production take place in Mölndal, Sweden.

The year in brief

- Net sales rose to SEK 479.4 million (433.8), up approximately 12 per cent*. New orders increased approximately 4 per cent* to SEK 460.5 million (447.6).
- Operating profit was SEK 48.0 million (18.1). The improvement is attributable to the Medical Technology business area. Positive volume development combined with the measures taken have created stable profit development.
- Profit after net financial items was SEK 41.6 million (8.6). Net financial items have been positively affected by exchange rate differences of SEK 0.4 million (-1.5).
- Profit after tax totalled SEK 32.6 million (8.2), equivalent to SEK 5.39 (1.35) per share before dilution.
- Cash flow after investments improved to SEK 66.9 million (-2.0).
- The Board of Directors proposes that a dividend of SEK 2.00 (1.00) per share be paid.

*Adjusted for exchange rate fluctuations during the year.

| Key figures | | 2013 | 2012* | 2011 | 2010 | 2009** | 2009*** | 2008*** |
|---|------|-------|-------|-------|-------|--------|---------|---------|
| Net sales | SEKm | 479.4 | 433.8 | 414.2 | 358.2 | 320.9 | 422.0 | 499.4 |
| Profit/loss after financial items | SEKm | 41.6 | 8.6 | 17.9 | 16.2 | -3.1 | 0.5 | 37.0 |
| Operating margin before depreciation (EBITDA) | % | 18.5 | 12.5 | 13.4 | 14.1 | 10.5 | 11.2 | 17.0 |
| Operating margin after depreciation (EBIT) | % | 10.0 | 4.2 | 5.5 | 6.4 | 1.7 | 2.3 | 10.1 |
| Share of risk-bearing capital | % | 48.7 | 42.4 | 45.6 | 47.3 | 41.1 | 41.1 | 40.0 |
| Equity/assets ratio | % | 43.9 | 37.5 | 40.6 | 43.2 | 35.8 | 35.8 | 34.9 |
| Return on operating capital | % | 11.7 | 4.4 | 6.0 | 6.0 | 2.3 | 2.3 | 11.0 |
| Return on equity | % | 15.0 | 3.9 | 6.0 | 19.2 | 1.1 | 1.1 | 15.0 |
| Earnings per share after tax, continuing operations, before dilution | SEK | 5.39 | 1.35 | 2.11 | 1.92 | -0.18 | 0.26 | 4.62 |
| Earnings per share after tax, continuing operations, after dilution**** | SEK | 5.32 | 1.35 | 2.11 | 1.86 | -0.17 | 0.25 | 4.58 |
| Earnings per share after tax, total, before dilution | SEK | 5.39 | 1.35 | 2.11 | 4.75 | | 0.26 | 4.62 |
| Earnings per share after tax, total, after dilution **** | SEK | 5.32 | 1.35 | 2.11 | 4.60 | | 0.25 | 4.58 |
| Equity per share | SEK | 38.48 | 33.37 | 35.74 | 34.75 | | 31.01 | 32.91 |
| Dividend (2013 proposal) | SEK | 2.00 | 1.00 | 1.50 | 1.50 | - | - | 1.50 |
| Average number of employees | | 424 | 424 | 373 | 298 | 273 | 343 | 368 |

*) Comparative figures for 2012 have been adjusted due to an amendment to IAS 19R, the accounting policy for pensions.

**) Adjusted for the sale of Elos Precision, which took place in 2010 and is reported as discontinued operations.

***) Unchanged from previous year, i.e. including Elos Precision.

****) Convertibles issued on 1 July 2008 and 1 July 2011 have been taken into account.

Comments by the CEO

Increased growth, improved productivity and stronger market positions accompanied by a positive profit trend

In spite of considerable competition in practically all markets, it was possible to strengthen Elos' position as a leading supplier in its market areas in 2013. The major investments in both Elos Medtech and Elos Fixturlaser in recent years produced a good return in 2013, resulting in increased growth, improved productivity and stronger market positions.

Sales increased by approximately 12 per cent to around SEK 479 million and operating profit by approximately 165 per cent to SEK 48 million. These developments show that we made the right investments at the right time. With the rapid strengthening of the Group's cash flow, we now have the financial freedom to make the most of new opportunities in the market.

Macro economic development in 2013 was in a more positive direction, compared with the previous year. The Medical Technology business area has achieved good growth throughout the year, whereas the Metrology business area, after a strong first six months, saw weakening demand towards the year end.

Medical Technology

Elos Medtech was able to move its market positions forward during the year. Sales rose, market share increased and growth targets were exceeded. As previously mentioned, it was largely the extensive previous investment that laid the foundation for improvement. Initiatives in the area of quality, in particular, are now bringing results. Our purposeful work on the market has also played an important role in development. The organisation has been strengthened and the work of further developing existing customer relations and extending the overall customer base has given positive results.

Overall Elos Medtech confirmed its role as one of Europe's leading players in our priority market segments, especially in dental implants and hearing aids. Efficiency in Timmersdala increased significantly. Sales rose, while costs were reduced. In Gøriløse development continued on supplementing contract manufacture with in-house products, especially our torque wrench and CAD/CAM range, which includes products for intra-oral scanning. Development of our own products has been going on for several years and demand has taken longer than anticipated. We saw an increase in sales of around 40 per cent during 2012, however, and the share of the business area's net sales amounted to six per cent. An exciting future awaits.

In the production facility in Tianjin too, a great deal of the year's efforts were devoted to increasing efficiency. Production increased by about 25 per cent compared with the previous year, with no change in staffing. Since more of our customers are es-

tablishing operations in China, the significance of our presence in Tianjin is increasing.

Microplast, which develops and manufactures small precision components in various types of advanced structural plastics, is a highly effective operation that widens the scope of the business area's competence.

Sales for Elos Medtech in 2013 rose by approximately 14 per cent to SEK 368.1 million (327.3). In terms of profit, there was a substantial turnaround to an operating profit of SEK 36.4 million (-2.8). The operating margin was 9.9 per cent (-0.9). New orders increased by about 7 per cent to SEK 356.5 million.

Metrology

Development work in Elos Fixturlaser continued to be very active during 2013 and during the first half year the new Fixturlaser NXA system was launched. The introduction was initially disturbed by quality problems, but these could soon be actioned. The market has reacted positively to the performance of the new products and Fixturlaser NXA was nominated by the American industry magazine Plant Engineering as "Product of the Year". Toward the end of the year another new product in the Fixturlaser NXA was launched, Fixturlaser NXA Ultimate, which now represents the most advanced system in the product portfolio.

Sales for Elos Fixturlaser in 2013 rose by approximately five per cent to SEK 111.3 million (106.5). Operating profit was SEK 20.8 million (27.4) with an operating margin of 18.7 per cent (25.7). New orders fell by about five per cent to SEK 104.0 million.

The future

After several years of hard work on improving efficiency and developing new products in both business areas, we are now looking toward an exciting future. The investment programme that has been completed means that we are now well equipped for continuing growth. With our existing production equipment and personnel, we have the capacity to increase our business volumes significantly over the coming years with limited additional investment.

With this kind of capacity behind us, our objective is to continue to develop collaborations with existing customers so as to develop our offerings and evolve completely new products. In the current year we are involved in several launch processes from which we can expect new business. At the same time, the increased resources in the marketing organisation will enable us to reach completely new customers.

In the Medical Technology business area, we can see good opportunities for continuing growth in line with our objectives.

With continuing improvements at all facilities, the introduction of new technology in the form of automation and production cells and ever-improving cost control, conditions are being created for future growth, hand in hand with increased profitability.

In the Metrology business area, development work is continuing to reinforce Elos Fixturlaser as the most innovative player in its market niche. New products in the Fixturlaser NXA family are being launched in the first quarter of 2014. Further product launches to complement our existing range will follow later in the year. This means that Elos Fixturlaser will have at its disposal product series that cover the entire spectrum, from relatively simple to advanced but easy-to-use systems for laser-based shaft alignment and geometric applications. The overall assessment is that the new Fixturlaser NXA products and the other product launches will give a positive volume development in 2014.

In addition to the stable organic growth within Medical Technology, there are also opportunities for Elos to be actively involved in the structural changes that are expected to occur in the industry over the next few years. As customer demands for quality, capacity, competence and availability increase, acquisition becomes a natural way to increase competitiveness. The Group's stable cash flow means that Elos has the opportunity to make future acquisitions, although on the condition that the synergy effects are clear and that our offering to customers becomes even stronger.

It would be impossible to summarise activities at Elos in 2013 without presenting the important and committed work of the Group's employees. I would like to thank all employees who, by means of hard and purposeful work, have brought about significant changes in our way of working, with a strong focus on development and improvement. Together we have laid a firm foundation for the years to come. I would assess our opportunities for growth and further strengthening our position in the markets in which we are active as extraordinarily good.

Lidköping, March 2014



Göran Brorsson
President and CEO



The Elos share

Stock market trading

Elos' Series B shares have been listed on NASDAQ OMX Stockholm AB Small Cap since 13 June 1989. The high-voting Series A shares are not listed. The share price fluctuated between SEK 29.50 and SEK 63.00 during the year. The closing price at year-end 2013 was SEK 59.50 (30.50). At year-end 2013, Elos' market capitalization was SEK 294.6 million (151). In 2013, 1,153,365 shares were traded at a value of SEK 57.5 million.

Dividend policy

Elos' dividend policy stipulates that the dividend is to be based on the Group's earnings performance, while taking into account its future development potential and financial position. The long-term goal is for the dividend to increase at a constant rate and to be equivalent to 30-50 per cent of the profit after tax.

Proposed dividend

For the financial year 2013, the Board of Directors has proposed that a dividend of SEK 2.00 (1.00) per share be paid to shareholders. The Group's equity/assets ratio was 43.9 per cent on the reporting date. The equity/assets ratio adjusted for the proposed dividend was 42.6 per cent on the reporting date.

Share capital

At year-end 2013, Elos AB's share capital amounted to SEK 37.8 million. The share capital is divided into Series A and Series B shares. Apart from Series A shares each carrying one vote and Series B shares one-tenth of a vote, there is no distinction as regards the rights of the different share series in the company.

In accordance with Elos' Articles of Association, holders of Series A shares have the right to request in writing the conversion of Series A shares into Series B shares. In 2013, no Series A shares were converted into Series B shares.

Shareholders

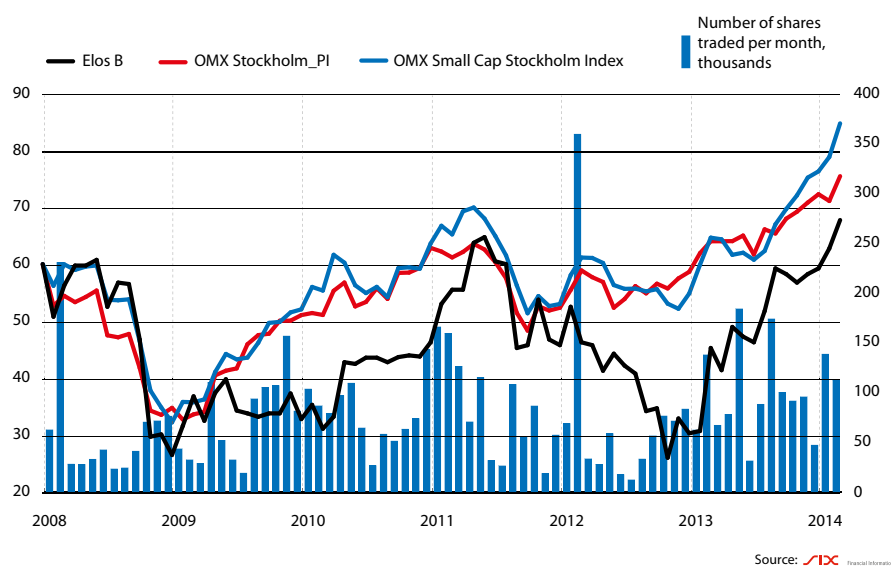
At year-end 2013, Elos had 1,468 shareholders. Elos' ten largest shareholders held shares equivalent to 56.1 per cent of the capital and 83.4 per cent of the votes. Swedish and international institutions held 20.9 per cent of the capital and 7.9 per cent of the votes.

| Shareholder structure, 31-12-2013 | | | |
|-----------------------------------|------------------------|------------------|-------------------------|
| Number of shares by size | Number of shareholders | Number of shares | Proportion of shares, % |
| 1-500 | 857 | 158,927 | 2.6 |
| 501-1,000 | 250 | 210,481 | 3.5 |
| 1,001-2,000 | 153 | 255,771 | 4.2 |
| 2,001-5,000 | 96 | 322,656 | 5.3 |
| 5,001-10,000 | 49 | 364,025 | 6.0 |
| 10,001-20,000 | 22 | 322,893 | 5.4 |
| 20,001-50,000 | 21 | 744,037 | 12.3 |
| 50,001-100,000 | 9 | 672,605 | 11.6 |
| Administrative expenses | 11 | 1,899,865 | 49.1 |
| Total | 1,468 | 4,951,260 | 100.0 |

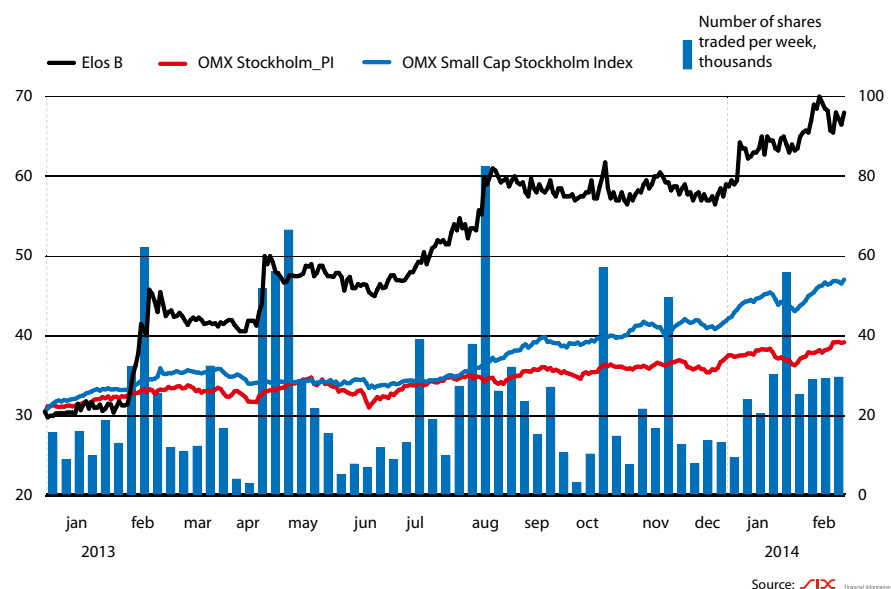
| Type of share, 31-12-2013 | | | |
|---------------------------|------------------|---------------------|-----------------------|
| Type of share | Number of shares | Share in % of votes | Share in % of capital |
| A | 1,099,740 | 69.0 | 18.2 |
| B | 4,951,260 | 31.0 | 81.8 |
| Total | 6,051,000 | 100.0 | 100.0 |

| The largest shareholders in Elos AB (publ) | | | | | |
|--|------------------|------------------|------------------|--------------------|--------------|
| According to Euroclear AB, 31-12-2013 | | | | | |
| | Series A shares | Series B shares | Total | % of share capital | % of votes |
| Öster family including companies | 378,826 | 187,980 | 566,806 | 9.4 | 24.9 |
| Runmarker family | 297,946 | 201,180 | 499,126 | 8.2 | 20.0 |
| Nilsson family | 260,880 | 107,227 | 368,107 | 6.1 | 17.0 |
| Molin family | 136,000 | 163,100 | 299,100 | 4.9 | 9.6 |
| Nordea Investment Funds | 0 | 672,777 | 672,777 | 11.1 | 4.2 |
| Magledal Holding APS | 0 | 365,400 | 365,400 | 6.0 | 2.3 |
| Ulrika Erlandsson | 26,088 | 72,304 | 98,392 | 1.6 | 2.1 |
| Unionen | 0 | 219,500 | 219,500 | 3.6 | 1.4 |
| Ulfenborg family | 0 | 181,560 | 181,560 | 3.0 | 1.1 |
| Jyske Bank General Settlement Acc | 0 | 131,620 | 131,620 | 2.2 | 0.8 |
| Other | 0 | 2,648,612 | 2,648,612 | 43.9 | 16.6 |
| Total | 1,099,740 | 4,951,260 | 6,051,000 | 100.0 | 100.0 |

Performance and turnover of the Elos share, January 2008 – February 2014



Performance and turnover of the Elos share, January 2013 – February 2014



| Data per share | | 2013 | 2012* | 2011 | 2010 | 2009** | 2009*** |
|---|-----------|-------|-------|-------|-------|--------|---------|
| Profit/loss after tax, continuing operations, before dilution | SEK | 5.39 | 1.35 | 2.11 | 1.92 | -0.18 | 0.26 |
| Profit/loss after tax, continuing operations, after dilution | SEK | 5.32 | 1.35 | 2.11 | 1.86 | -0.17 | 0.25 |
| Profit/loss after tax, total, before dilution | SEK | 5.39 | 1.35 | 2.11 | 4.75 | 0.26 | 0.26 |
| Profit/loss after tax, total, after dilution | SEK | 5.32 | 1.35 | 2.11 | 4.60 | 0.26 | 0.25 |
| Dividend (2013 proposal) | SEK | 2.00 | 1.00 | 1.50 | 1.50 | - | - |
| Equity | SEK | 38.48 | 33.37 | 35.74 | 34.75 | - | 31.01 |
| Closing share price | SEK | 59.50 | 30.50 | 46.00 | 46.50 | - | 33.00 |
| Dividend yield | % | 3.4 | 3.3 | 3.3 | 3.2 | - | - |
| Share price/Equity | % | 154.6 | 91.4 | 128.7 | 133.8 | - | 106.4 |
| Average number of shares on full conversion | thousands | 6,180 | 6,180 | - | 6,193 | 6,237 | 6,37 |
| Number of shares at year-end | thousands | 6,051 | 6,051 | 6,051 | 6,051 | - | 6,051 |

Convertibles issued on 1 July 2008 and 1 July 2011 have been taken into account.

*) Comparative figures for 2012 have been adjusted due to an amendment to IAS 19R, the accounting policy for pensions.

**) Adjusted for the sale of Elos Precision in 2010, which is reported as discontinued operations.

***) Unchanged from previously reported data, i.e. including Elos Precision.



Clear strategies for growth with continuing profitability

Vision

Elos is the preferred partner of innovative and demanding customers, offering integrated solutions to improve the customer's competitiveness. We provide advanced expertise and an uncompromising focus on quality, creating value for our customers.

Strategy

The overall strategy is to focus the Group's operations and structure on segments where a significant market position can be achieved. The goal is to create a more concentrated business base in segments where a critical mass can be achieved

| Target fulfilment | | 2013 | 2012 |
|-------------------------------|--------|------|------|
| Growth | % >10 | 11.8 | 4.3 |
| Return on operating capital | % >15 | 11.7 | 4.4 |
| Return on equity | % >15 | 15.0 | 3.9 |
| Share of risk-bearing capital | % >30 | 48.7 | 42.8 |
| Available liquidity/sales | % 6-12 | 15.9 | 14.2 |

| | Objectives | Strategic tools | Outcome 2013 | Activities 2014 |
|---------------|--|---|---|---|
| Customers | Elos is the customers' first choice. | High quality. Active partner with customers in developing products. Able to deliver total solutions. | Position as the leading supplier in dental implants strengthened. Market positions strengthened in other segments. | Offer increased service content. Continuing work on existing customers to develop business relationships. |
| Growth | Achieve stable annual growth in excess of 10 per cent. | Even closer co-operation with existing customers. Key Account Management. Selective processing of new customers. Developing own products. | Organic growth of 11.8 per cent. Sales of OEM products increased by 40 per cent. Launch of new Elos Fixturlaser NXA product platform. | Clearer marketing of what the Group offers customers. Introduction of three new strategically important customers to Elos Medtech. |
| Profitability | Elos shall be one of the most profitable companies in the Group's areas of activity. | Increased automation. Faster turnover rate of assets. Active cost control. | Operating margin improved. EBITDA margin was 18.5 per cent and EBIT margin was 10.0 per cent. | Focus on increased utilisation of capacity. Invest in increased automation and increased capacity in Tianjin. Continuing good cost control. |
| Employees | Elos shall be perceived as an attractive employer. | Continuous employee surveys. Development of Performance Management. | Creation of activity plans with the focus on competence development. | Breakdown of targets to be done at individual level. |



Medical Technology business area – Elos Medtech

Strong growth and improved market positions have contributed to improved profitability

Elos Medtech has been progressively developed into one of Europe's leading developers and manufacturers of technical medical products, such as dental and orthopaedic implant systems and instruments. Other important business areas for Elos Medtech are hearing aids, injection systems for diabetics and diagnostic products. Elos Medtech's customers are leading global companies in their business areas.

Elos Medtech's strategy is based on close co-operation with customers and, as a strategic development and production partner, it will lead the whole process from development, design and construction to production and delivery of finished products. Regardless of the segment, Elos Medtech supplies individual, complete solutions for the customer, generating savings or improving efficiency, which also makes it possible for the customer to focus on its core operations.

In 2013, Elos Medtech experienced strong growth, increased market shares and improved profitability.

Demand for medical technology products is partly dependent on economic cycles, which is especially noticeable with products where the patient covers a significant portion of the cost, such as dental implants and hearing aids. Elos Medtech recorded improved demand in 2013, and at the same time was able to benefit from the efficiency improvements within production and other processes resulting from the extensive investment programme implemented during the period 2010-2012, totalling around SEK 190 million. Investments included expansion, streamlining and quality improvements in production in both Timmersdala and Gørløse, building up the operation in Tianjin and the acquisition of Microplast.

The investments made mean that Elos Medtech now has at its disposal an efficient production structure in which production volume can be considerably increased with existing resources.

The investments had a very beneficial effect in Timmersdala. Initiatives to improve quality have eliminated bottlenecks in pro-

Medical Technology business area

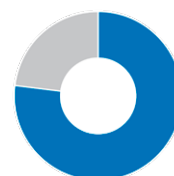
| Income statement, SEKm | 2013 | 2012 | 2011 |
|---------------------------------|-------------|-------------|-------------|
| Net sales | 368.1 | 327.3 | 295.6 |
| Cost of goods sold | -272.9 | -270.2 | -241.1 |
| Gross profit | 95.2 | 57.1 | 54.5 |
| Selling expenses | -15.7 | -17.1 | -17.1 |
| Administrative expenses | 34.7 | -34.3 | -30.3 |
| Development costs | -9.1 | -8.9 | -8.6 |
| Other operating income/expenses | 0.7 | 0.4 | 1.1 |
| Operating profit | 36.4 | -2.8 | -0.4 |

Key data

| | | | |
|--------------------------------------|------|------|------|
| Operating margin, % | 9.9 | -0.9 | -0.1 |
| Gross investments excl. shares, SEKm | 11.5 | 34.7 | 79.6 |
| Average number of employees | 371 | 376 | 327 |

The Group's net sales

| | |
|--------------------|------|
| Medical Technology | 77 % |
| Metrology | 23 % |



Sales by segment

| | |
|-----------------|------|
| Dental | 34 % |
| Orthopaedics | 11 % |
| Medical devices | 47 % |
| Diagnostics | 8 % |



duction and productivity has been improved. In Timmersdala, volumes were increased considerably during the year while costs could be reduced. In Gørløse too, work continued on streamlining at all stages to improve production. The focus in 2013 has been on increased automation, including the installation of six robot systems. In Tianjin, several projects to increase quality have been implemented. These efforts had a notable effect and sales for the year increased by 25 per cent, with no significant change in staffing. In terms of production, most of the increase referred to the phasing in of new products, including deliveries to Novo Nordisk's facility in Tianjin, which manufactures insulin pens for repeated use.

The plant in Tianjin is now being developed into a base for deliveries to Elos Medtech's medical technology customers that are currently setting up on the Chinese market.

Microplast has a modern production plant in Skara. The company has successfully created a niche for its development and production of small precision components in various types of advanced structural plastics for medical technology and biotech customers. Capacity is also available for finishing and assembly in clean room environments. The facility in Skara is highly efficient, with production 24 hours a day, 7 days a week. Capacity for both production and warehousing has been extended and Microplast is now attracting increasing numbers of major customers in Europe and North America.

Work on realising synergies between Microplast and the other units of Elos Medtech continued through the year. The combined expertise in being able to provide both mechanical and polymer products means that Elos Medtech can expand the range of its offerings to customers, which in turn increases the Group's competitiveness.

Elos Medtech's offering

Elos Medtech's customers are mainly international companies with a global market. The demands made on suppliers of medical technology are considerable. To meet the ever-increasing requirements of both customers and the authorities for quality, development and production, continuous competence development is essential. This is especially true of the demands from the regulatory authorities of many countries for increased quality levels and documentation.

In order to develop long-term customer relations, a supplier also has to be able to offer a turnkey solution that generates value, from development to delivery of the finished products. In addition, alongside quality requirements, it also has to be able to guarantee the continuous development, evaluation and validation of processes.

Elos Medtech's "Complete Performance™" customer offer is a value creating total solution, encompassing development, design and regulatory requirements by means of prototypes, testing and trial production runs, through to production, clean room processing and logistics. This is a strategic way of working that is based on a high level of internal competence and understanding of the product's application and close collaboration with the customer. The design and development work creates the important foundation for being able to guarantee function and achieve the necessary cost-effectiveness in construction and production.

In order to maintain Elos Medtech's high quality, while having the capacity to meet the increasing regulatory requirements, Elos Medtech has quality assurance departments in its various subsidiaries that meet international certification standards and the standards that the individual countries set for medical prod-



ucts. The requirements involve tasks such as developing documentation, manufacturing prototypes and implementing subsequent testing in our own laboratories. These tests are both static and dynamic and mainly focus on durability. The testing laboratory in Timmersdala is accredited in accordance with ISO 17025. Production of pre-series is always done on the machines where subsequent series production will occur, which permits validation in a large-scale environment and is an effective way of safeguarding the quality requirements.

Elos Medtech's production structure is continuously adapted to manage both large and small volumes with short lead times and to enable similar products to be manufactured at all three production plants in Sweden, Denmark and China. Performance testing, product assembly, sterile packaging and labelling – all to current standards – are carried out in clean rooms.

Finally, in the logistics area there are various value-creating and flexible solutions for the purpose of easing and simplifying customers' warehousing. For example, Elos Medtech has developed a VMI (Vendor Managed Inventory) system that enables continuous delivery of the right products at the right time, according to the changing needs of the customer.

The market

Demand for Elos Medtech's products improved progressively during 2013, influenced by the improved economic development in the western world.

In general, demand is governed by three factors:

- Demographics, since the global population is ageing
- The rapid rate of skills development in orthopaedics and surgery results in an increasing number of complex operations being performed each year
- Developments in economic welfare, which affect both the level of funding that is provided to the healthcare budgets in the social insurance systems, as well as how much individual consumers are prepared to pay themselves, particularly when it comes to dental procedures.

Elos Medtech's customer structure consists of three groups:

- Large global companies
- Specialists that mainly work with niche products
- Local and regional companies whose operations are concentrated within a given geographical area.

Whatever the customer group, the comprehensive regulatory requirements apply in full and the trend is that the requirements of the FDA in the USA and the corresponding authorities within the EU become more stringent every year.

Elos Medtech mainly faces competition from other global players with a global market. In Europe, our main competitors are Cendres & Métaux, Maillefer, Diener, Ruetschi and Hader (Switzerland) and Gbr Brassler and Helmut Klingel (Germany). In the

USA, our most important competitors are Symmetry, Orchid and Veridiam. Global medical technology companies with their own production are also competitors.

Dental

The dental products at Elos Medtech can be divided into three groups: the premium, value and low-cost segments. The middle segment - value - is growing and it is Elos Medtech's ambition to increase market share here.

Elos Medtech's production of dental products consists mainly of implants, components for implant-borne prosthetics and instruments for dental implant work. As a contract manufacturer, Elos Medtech has been the global market leader in this area for several years.

The most important geographical markets are North America, Germany, China and Russia. Overall, global market developments showed a weak positive growth in 2013, which is an improvement on the zero growth of 2010-2012. Growth in demand is unevenly distributed however. North America, the Asian market and Russia were strongest, while demand in southern European countries was receding.

The profitability of Elos Medtech's customers in the field of dentistry has been under pressure since 2008. To a very great extent, this has led to the larger customers choosing to reduce the number of suppliers and setting more stringent requirements for existing suppliers. This development has in fact favoured Elos Medtech, since the size of the company and its presence in both Europe and China are proof that the Group is a long-term, international company with high credibility.

Within Elos Medtech there is also a strong ambition to complement the Group's contract manufacturing with its own products. We have seen strong development here in recent years, primarily for our torque wrench and our digital range, which is marketed under the brand name "Elos Accurate™". The digital product range consists of products for both intra-oral scanning and scanning at dental technical laboratories, as well as CAD/CAM produced individual prosthetics. Growth in the own-brand products amounted to about 40 per cent in 2013.

Orthopaedics

The Orthopaedics segment mainly focuses on the development and manufacture of screws and implants for the upper and lower back and scoliosis treatment (Spine), as well as the development and manufacture of implants and plates for fracture surgery (Trauma) and small prostheses for hand surgery.

Elos Medtech's customers are major international medical technology companies as well as local European specialist companies. The market's six largest players have a combined global market share of around 70 per cent.

The Orthopaedics segment is potentially Elos Medtech's largest growth area. As a relatively small supplier, the objective is to increase in size while maintaining profitability. Development work

will initially occur within the trauma and spine areas, in which our expertise has increased markedly in recent years.

Demand in Orthopaedics increased by about five per cent during 2013. Elos Medtech's strategy is to grow by extending the offering in the field of trauma, which can primarily be achieved by further developing partnerships with some key customers.

Medical Devices

The Medical Devices business unit focuses on the development and manufacture of high precision products for diabetes treatment, neurosurgery and heart surgery, as well as the development and manufacture of other implants and components, such as surgically implanted hearing devices and components for traditional hearing aids.

Medical Devices demonstrated good growth during the year. Stable growth continues in the diabetes market, while the area for hearing aids in general is showing weak growth with the exception of certain niche markets. Collaboration with Novo Nordisk has been extended still further and in Tianjin production of parts for repeat-use insulin pens increased. The manufacture of several new products began during the year, primarily parts for hearing aids. In the cardiovascular field, Microplast manufactures parts intended for pacemakers.

Diagnostics

Within the Diagnostics segment, activities are focused on the manufacture of products that are used in conjunction with analyses of allergies, auto-immune diseases and similar types of analyses. In addition, components included in various types of analysis equipment are also supplied.

The Diagnostics segment continues to demonstrate good growth. The customers are active in global markets, often in market-leading positions. The ambition is to strengthen Elos Medtech's position in Diagnostics. Competition is tough, but in 2013 there has been a very great deal of development work with a number of customers that will be concluded during the current year and will hopefully lead to future series production.

Developments during 2013

Net sales increased approximately 14 per cent to SEK 368.1 million (338.2). Operating profit was SEK 36.4 million (-2.8) and the operating margin was 9.9 per cent (-0.9).

The improved profit is mainly due to the Group's earlier investment programme, regarding streamlined production from which full effect progressively was reached during the course of the year, as well as positive volume development.

The future

Since the investment programme has brought good returns in the form of higher quality and improved productivity, there is good reason to aim even higher over the coming years. The strategies that were put in place for achieving growth with existing customers and starting partnerships with new ones for the purpose of increasing sales and improving profits have been successful. Positive development in the future will be based on the ability to increase flexibility, to adopt new technology in production at an early stage and to work towards continuous improvement.

Development of the Group's service offering is based on a high level of market knowledge and an understanding of changing circumstances. The value for Elos Medtech's customers is in the form of new business opportunities, which are based on our extensive expertise and our total commitment and undertaking. Shorter delivery times and the ability to react quickly to meet variations in demand are strong competitive factors.

The strengthening of the marketing organisation that was implemented in 2013 means that we are intensifying the work of widening our customer base and developing growth opportunities through closer collaboration with our customers. Our ambition is to deepen our customer relationships, based on mutual trust and a long-term approach, by means of a more structured way of working according to the KAM (Key Account Manager) sales model. A relationship and partnership characterised by trust are important for achieving success, with understanding, flexibility and reliability creating competitive values for the customer. At Elos Medtech, intensive development work has been going on with a number of customers for some time. There is every reason to hope that several of these projects will convert into regular series production during the current year.





Metrology business area – Elos Fixturlaser

Elos Fixturlaser has confirmed its position as the most innovative developer and supplier in shaft alignment

Global market trends in 2013 showed only lateral movement which for Elos Fixturlaser meant a market that showed satisfactory growth in the first half, but with demand slackening off towards the end of the year. It was gratifying to note that deliveries to the wind power industry recovered during the year, after a decline in 2012.

Elos Fixturlaser is a global player, and a leader in terms of developing, manufacturing and marketing innovative and user-friendly equipment for shaft alignment. The majority of the end customers are to be found in the process, power, workshop and wind power industries. The products are used to ensure the correct alignment of machines, which minimises unnecessary wear and unplanned production stoppages.

Continuous development work is proceeding at Elos Fixturlaser to closely adapt construction and user-friendliness to each other. The product range consists of a complete range of instruments for shaft alignment, geometric measurements of flatness and straightness, shaft journal measurements, and belt drive alignment. The different functions can be combined in a simple system for upgrading and are thus able to meet different types of measurement and alignment needs.

What the instruments have in common is that the operator is guided through the task sequence with large, clear screens right through to finished measurements and documentation of the work performed. The common characteristic of all shaft alignment tools from Fixturlaser is that two measuring units are used, two laser beams and two detectors. With integrated, innovative technology, CCD sensors and line lasers, the need for rough alignment has in practice been entirely eliminated.

Elos Fixturlaser is certified in accordance with ISO 9001 and ISO 14001, and is also a certified supplier of EX-classified alignment systems.

Metrology business area

| Income statement, SEKm | 2013 | 2012 | 2011 |
|---------------------------------|-------------|-------------|-------------|
| Net sales | 111.3 | 106.5 | 118.6 |
| Cost of goods sold | -46.5 | -43.8 | -46.0 |
| Gross profit | 64.8 | 62.7 | 72.6 |
| Selling expenses | -21.5 | -21.3 | -20.3 |
| Administrative expenses | -9.1 | -9.6 | -8.6 |
| Development costs | -14.2 | -4.9 | -13.2 |
| Other operating income/expenses | 0.8 | 0.5 | 2.2 |
| Operating profit | 20.8 | 27.4 | 32.7 |

Key data

| | | | |
|--------------------------------------|------|------|------|
| Operating margin, % | 18.7 | 25.7 | 27.6 |
| Gross investments excl. shares, SEKm | 8.2 | 14.8 | 1.8 |
| Average number of employees | 48 | 44 | 42 |

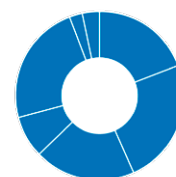
The Group's net sales

| | |
|--------------------|------|
| Metrology | 23 % |
| Medical Technology | 77 % |



Sales by segment

| | |
|---|------|
| Distributors in North and South America | 30 % |
| Distributors in Europe | 24 % |
| Distributors in Asia | 10 % |
| OEM market | 29 % |
| Rest of the world | 3 % |
| Special customers | 4 % |



Global market

Elos Fixturlaser's market is global. The products are sold in more than 70 countries, chiefly in markets in Europe, North and South America, Asia and Australia. The total market is estimated to be worth SEK 700-800 million at end customer prices. Elos Fixturlaser's market share amounts to approximately a third and there is competition in all markets, mainly from two other suppliers, Prüftechnik of Germany and Damalini of Sweden.

Customers are reached through four distinct sales channels. The majority of sales occur through a network of distributors and our own marketing companies, which operate in limited geographical markets. The competitive advantages of Elos Fixturlaser's products are user-friendliness and a range that covers the needs of the industry. Also important to customers is ease of access to servicing of machines and competence in calibration, software upgrades and training. The third sales channel is made up of so-called private labels, consisting of customers on the OEM market that market and sell Elos Fixturlaser products under their own brands. Finally, products are developed and manufactured for a group of special customers, which are users with very specific requirements. These customers often demand customised technical solutions for special needs.

Developments during 2013

Sales for Elos Fixturlaser in 2013 rose by approximately five per cent to SEK 111.3 million (106.5). Operating profit was SEK 20.8 million (27.4) and the operating margin was 18.7 per cent (25.7). In a market situation in which demand for input goods for the vast majority of industry segments generally showed zero growth, recovery was noted in the wind power industry, where investment in new plant and machinery increased after a weak 2012.

Over the year as a whole, demand for Elos Fixturlaser's products was uneven: during the first half there was a satisfactory development with good growth, while towards the end of the second half demand weakened, with a considerable reduction in sales compared with previous years.

Development work at Elos Fixturlaser during the year was marked by the completion and launch of the Fixturlaser NXA system during the first half, followed by further development of a premium version of the Fixturlaser NXA system. The introduction was initially affected by quality problems but these were soon corrected. Towards the end of the year, Fixturlaser NXA was nominated as "Product of the Year" by the American industry magazine Plant Engineering. At end November, Fixturlaser NXA Ultimate was launched, the most advanced system to date in the Elos Fixturlaser product portfolio.

The future

The market for Elos Fixturlaser products is often directly related to global economic cycles and the general view among analysts is that the current year will be one of limited growth for the industry.

In order to improve competitiveness and gain even further global market share, Elos Fixturlaser continues to focus on the development of both new applications for existing systems and completely new products. The new Fixturlaser NXA family is complemented by an "entry level model", which was launched in March 2014 at Scandinavia's leading maintenance fair in Gothenburg.

With completely new platforms, offering a high level of flexibility, Elos Fixturlaser is confirming its position as the most innovative developer and supplier in shaft alignment.

Combined with the Fixturlaser Go system in the medium price segment, Elos Fixturlaser will have at its disposal during the current year newly-developed, modern product series that cover all needs in laser-based alignment. As a total supplier, there are good opportunities for increasing marketing efforts, from our own organisation and through the network of distributors. The overall assessment is that the new Fixturlaser NXA products and the other product launches will give a positive volume development in 2014.



Corporate Social Responsibility (CSR)

Elos is a global company, with the whole world as its market.

Activities in the form of development, production and quality work occur in Sweden, Denmark and China.

As an international organisation, Elos is well aware of the need for and the benefits of corporate social responsibility. It is an important driving force within Elos that we are perceived as a company that takes responsibility for employees and our environment from a social perspective. The company should therefore not only focus on finances and profitability, but also assess the outcomes of operations, in order to continue operating efficiently without having a negative impact on people and our environment.

Elos' working methods correspond well with the ethical, legal, commercial and public expectations placed on business operations by the societies in which we operate. Social responsibility is a guiding principle for every decision made and in all areas of the company.

Elos' policy for responsible business is based on CSR activities that secure a safe workplace for all employees and that strengthen the Group's business opportunities in a highly competitive market. The aim is that Elos will be perceived as a commercially successful company that at the same time stands for reliability, responsibility and high ethical standards.

As a company, Elos has a number of stakeholders: customers, employees, owners, suppliers, politicians, opinion formers and local, national and international authorities. Elos has the largest impact on its customers, employees and owners – and they also have the largest opportunity for influencing our operational work.

For our customers, it is crucial that we deliver products and services with documented quality. There is also an expectation that the environment will be taken into account in quality aspects. For our employees, it is important that Elos is a responsible employer with a safe and attractive work environment. Elos' employees are in many cases specialists with unique competencies. It is therefore vital that we always show by our actions that we offer an attractive workplace and act responsibly in the event of changes. It is also of importance that skills development is continuous and that owners and management are successful in communicating how Elos is developing and the future opportunities available within the company. The owners require Elos to contribute to long-term value creation but also, as a company in our chosen market area, to work towards sustainable development and identify sustainable business opportunities that secure growth.

In Elos' business partnerships with other companies, such as new product development, there are mutual requirements for clarity and transparency. Elos' credibility with politicians, opinion formers and local, national and international authorities is based on our taking responsibility for the environment and human beings and always standing for impeccable business ethical conduct. Our conduct requires analysis and careful consideration, especially as the Elos Group is expanding through the establishment and development of operations in non-Scandinavian countries.

There are a number of other stakeholders in our environment who are also affected by or influence Elos. This affects all people

who directly or indirectly come into contact with our business and we have a responsibility to act in a correct and open manner towards all of these stakeholders.

Common values

Elos has been working for a number of years on creating a set of common basic values, so as to achieve long-term and sustainable development. By consistently communicating the basic values within the Group and ensuring that we live up to them, Elos generates trust among customers, employees, suppliers and owners. The aim is to always live up to the expectations that those around have for the Group for quality in everything we do. A vision of how we are to develop, alongside carefully drawn up policies, form the basis for Elos' operations. This is summarised in three words that describe our common values:

Passionate – We are committed, determined and dedicated. With a positive attitude, we drive our development forwards and find solutions. Co-operation and solidarity are important, resulting in job satisfaction for our customers and ourselves.

Trustworthy – At Elos, we are open and honest. We take responsibility for our actions and products and keep our promises. We apply our policies in our daily work and influence our suppliers and partners to work in line with our way of working.

Result-oriented – We achieve the targets that create value for the customer by taking initiative and wanting to win. Our targets should be ambitious and achievable as well as firmly established internally and with our customers. We create the best value for all parties through co-operation and participation.

Equality and diversity

Elos offers all employees and job applicants equal opportunities, irrespective of ethnicity, caste, nationality, religion, age, disability, gender, marital status, pregnancy, sexual orientation, trade union membership or political affiliation.

In 2013 the average number of employees was 424 (424), of whom 67 (67) per cent were men and 33 (33) per cent women. In management posts, the breakdown was 71 (77) per cent men and 29 (23) per cent women. The objective within the Group is to progressively increase the number of female managers.

Human rights

Elos should respect the human rights of employees and treat them with dignity and respect.

Child labour must not occur. Employee freedom of association and collective bargaining are a matter of course, as well as freedom of communication. Elos' employees should be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. No forms of discrimination are tolerated.

Elos should treat its employees with respect and dignity, and must not subject them to any kind of inhuman or degrading pun-

ishment, physical, verbal or sexual abuse, or threat of abuse or harassment. Employee surveys should be performed on a regular basis.

Labour practices

Elos should pay its employees a fair market wage on time, in accordance with the law or the prevailing industry standard (whichever is higher) in the country concerned, and should provide all statutory benefits, such as medical insurance, social insurance and pensions in full.

Elos should not breach local regulations on working hours and should remunerate overtime in accordance with local laws and regulations as a minimum. Employees should be entitled to at least one day off in every seven-day period and should receive paid annual leave and public holidays in accordance with local legislation.

Wage deductions as a disciplinary measure should not be permitted, nor should any wage deductions that are not stipulated by national legislation be permitted without the express permission of the worker concerned. All disciplinary measures should be recorded.

From a health and safety perspective, it is a matter of course that Elos provides all employees with a safe, healthy and hygienic workplace.

To safeguard employee conditions, Elos has a duty to:

- implement effective programmes and systems for ensuring employee safety by minimising work-related accidents and illnesses, and provide effective protection against exposure to chemical, biological or physical hazards in the work environment;
- identify and assess emergency situations, implement emergency plans and response procedures in the workplace and provide sufficient fire exits, escape routes and firefighting equipment;
- provide regular health checks and safety training for employees;
- provide hygienic toilet facilities and unlimited access to drinking water in the workplace;
- continuously improve safety performance by setting targets, initiating action plans and undertaking necessary improvements identified by internal or external assessments.

Elos must not use forced or involuntary labour (e.g. forced, bonded, or involuntary prison labour). Employers must not retain workers' identity papers or hold deposits from workers. Workers should have a copy of the written employment contract setting out the terms and conditions of their employment.

Training and skills development

Because the development and future success of Elos depends on high quality at every step from product development to delivery to the customer, training and continuous skills development is

Employees by business area

| | |
|--------------------|------|
| Medical Technology | 88 % |
| Metrology | 12 % |



Employment period in the Group

| | |
|---------------|------|
| < 5 years | 51 % |
| 6 - 10 years | 15 % |
| 11 - 15 years | 18 % |
| > 16 years | 16 % |



Employees by country

| | |
|---------|------|
| Sweden | 43 % |
| Denmark | 32 % |
| China | 24 % |
| Other | 1 % |



Age distribution

| | |
|---------------|------|
| < 29 years | 24 % |
| 30 - 39 years | 30 % |
| 40 - 49 years | 24 % |
| > 50 years | 22 % |



Proportion of men/women in the Group

| | |
|-------|------|
| Men | 67 % |
| Women | 33 % |



a priority area. This is pursued actively within the Group in both group-wide and decentralised forms. Job-related training is a cornerstone in the development of the Group's organization and competence. Implementation may vary, ranging from one-day courses to longer training programmes. These programmes are generally adapted to the specific requirements of the unit concerned. One example is the GMP training undertaken by employees of Elos Medtech. This is continuous training that is important for meeting the increasing demand for skills and expertise in regulatory conditions and the need for stable production and working processes.

During 2013, Elos has developed the employee survey programme, so as to create a clearer basis for future training initiatives and skills development. Within the framework of employee appraisal interviews, a system called Performance Management has made it possible to formulate defined goals for every single employee's development.

In order to create a more active exchange of experience and skills between the units of the Group, study visits to the various units have been organised, which gives a valuable basis for being able to establish best practice methods for various work processes.

Elos' training and continuous skills development initiatives also increases the company's attractiveness as an employer.

Working environment

The working environment and safety have a high priority at Elos. Within the Group there is a vision of zero occupational injuries. Sickness absence in 2013 totalled 3.3 per cent (3.0). Absence for 60 days or more amounted to 1.3 per cent (1.2). Sickness absence is relatively evenly distributed between women and men, as well as between age groups. Continuous follow-up and implementation of necessary measures takes place at a local level.

Quality is the foundation for all work within Elos

Elos' customers make demands on the security and safety of the products and processes we supply. To achieve zero defects, the Group's units comply with the requirements made by various types of standards. Independent quality departments ensure that regulatory requirements are met.

Operations are certified in accordance with ISO 9001, ISO 14001 and ISO 13485. In the USA, Elos is registered with the FDA (Food and Drug Administration) and complies with such US standards as QSR and GMP. Laws and regulations also govern our quality management, such as SFS 1993:584, which includes the sanctions that may be applied if statutory requirements are not fulfilled.

Individual customers also have special requirements, which are determined by their organizations and the requirements of public authorities in the countries in which they sell their products. This is further emphasized in the revised Medical Devices Directive 93/42/EEC, which came into force in March 2010, in which the importance of effective control of subcontractors is stressed. Increased documentation and control of the processes used are required to guarantee product safety. In addition, there are stricter documentation requirements for intended use, validation reports, clinical assessment etc. There is also an increased focus on chemical substance leakage from packaging material that comes into contact with the product.

The concept of post-market surveillance has also acquired a central role, which means that there must be a plan for systematically monitoring products released on the market. The above also results in more stringent demands on our customers with regard to monitoring their suppliers. This will lead in turn to a reduction in the number of suppliers, as very close collaboration between customer and supplier will be required to meet all the requirements. Together with several of Elos' major customers, a continuous programme is in progress to meet these new requirements.

Monitoring and audits are regularly carried out in all the Group's units. Audits relating to ISO, MDD 93/42/EEC etc. are

carried out by accredited organizations. Operations are also monitored by our customers, who check compliance with both standards and their own requirements.

In 2013, a total of 56 (38) man-days were spent on auditing the Group's operations. Moreover, additional time was spent by the Group's own staff, who take part in these audits as well as carrying out internal audits for monitoring purposes.

In addition, some of the Group's major customers have invested time together with Elos in the task of validating the processes used.

Number of audit days in 2013

| Production facility | Quality audits with customers number of days | Certification audits, number of days | CSR audits, number of days |
|-------------------------------|--|--------------------------------------|----------------------------|
| Elos Medtech Pinol A/S | 7 | 12 | 0 |
| Elos Medtech Timmersdala AB | 10 | 13 | 0 |
| Elos Medtech Tianjin Co. Ltd. | 4 | 3 | 0 |
| Elos Medtech Microplast AB | 3 | 1 | 0 |
| Total Medicinteknik | 24 | 29 | 0 |
| Elos Fixturlaser AB | 1 | 2 | 0 |
| Total Metrology | 1 | 2 | 0 |

Reduced environmental impact

Elos aims to protect resources and minimize the negative impact on the environment, health and safety, which can be associated with the operations and the products manufactured.

All the units in the Group have a limited environmental impact on their immediate surroundings and excellent control of their environment-impacting processes. Elos' ambition is that environmental activities should be preventive and strive to constantly improve products, processes and plants to minimize their environmental impact. The companies also have good relationships with their local authorities and neighbours.

The Group makes continuous efforts to reduce electricity consumption and energy surveys are an important basis for defining the active measures to be implemented to optimise resource utilisation.

Responsible enterprise strengthens business opportunities

Because Elos is a global company with the entire world as its market, a consistent method of working is essential. With development, production, marketing and sales centred on high product quality and very stringent regulatory requirements, the Group's purposeful work on sustainability and CSR issues legitimises the quality of everything we undertake.

Value is added to the Elos brand by clearly emphasizing the importance of responsible enterprise and by the ability to deliver what we promise. Externally, Elos is perceived as a reliable, stable and attractive business partner, which both reinforces existing business relations and creates new business opportunities.

Consolidated income statement and statement of comprehensive income

| SEK thousand | 2013 | 2012* |
|---|-----------------|--------------|
| Net sales | 479,448 | 433,753 |
| Cost of goods sold | -319,666 | -314,167 |
| Gross profit | 159,782 | 119,586 |
| Selling expenses | -36,934 | -38,048 |
| Administrative expenses | -52,827 | -50,276 |
| Development costs | -23,188 | -13,833 |
| Other operating income | 3,767 | 4,457 |
| Other operating expenses | -2,560 | -3,835 |
| Operating profit | 48,040 | 18,051 |
| <i>Result from financial investments</i> | | |
| Other interest income and similar profit/loss items | 3,460 | 6,594 |
| Other interest expenses and similar profit/loss items | -9,865 | -16,102 |
| Profit/loss after financial items | 41,635 | 8,543 |
| Tax expense | -8,999 | -392 |
| Net profit for the year | 32,636 | 8,151 |
| Attributable to parent company shareholders | 32,636 | 8,151 |
| STATEMENT OF COMPREHENSIVE INCOME | | |
| Profit after tax | 32,636 | 8,151 |
| Other comprehensive income | | |
| Items that will not be reclassified to the income statement | | |
| Actuarial gains and losses | 2,872 | -2,718 |
| Tax | -632 | 598 |
| | 2,240 | -2,120 |
| Items that may be reclassified to the income statement | | |
| Translation differences | 4,516 | -5,578 |
| Hedging of net investment | -2,972 | 5,290 |
| Tax | 553 | -1,124 |
| | 2,097 | -1,412 |
| Other comprehensive income, net | 4,337 | -3,532 |
| Comprehensive income for the year | 36,973 | 4,619 |
| Attributable to parent company shareholders | 36,973 | 4,619 |
| Earnings per share (SEK) | 5.39 | 1.35 |

*) Comparative figures for 2012 have been adjusted due to an amendment to IAS 19R, the accounting policy for pensions.

Consolidated balance sheet

| SEK thousand | 31 Dec 2013 | 31 Dec 2012* |
|---|----------------|--------------|
| ASSETS | | |
| Non-current assets | | |
| <i>Intangible assets</i> | | |
| Capitalised expenditure for R&D | 21,866 | 15,873 |
| Goodwill | 42,756 | 41,605 |
| Other intangible assets | 16,436 | 12,799 |
| | 81,058 | 70,277 |
| <i>Property, plant and equipment</i> | | |
| Buildings and land | 90,343 | 92,879 |
| Plant and machinery | 113,823 | 132,997 |
| Equipment, tools, fixtures and fittings | 12,166 | 14,588 |
| Construction in progress | 1,857 | 631 |
| | 218,189 | 241,095 |
| <i>Financial assets</i> | | |
| Deferred tax assets | 2,216 | 6,179 |
| Long-term receivables | 2,526 | 4,223 |
| Other shares and interests | 20 | - |
| | 4,762 | 10,402 |
| Total non-current assets | 304,009 | 321,774 |
| Current assets | | |
| <i>Inventories etc.</i> | | |
| Raw materials and consumables | 37,607 | 37,045 |
| Products in progress | 21,361 | 27,643 |
| Finished products | 56,623 | 54,202 |
| Advance payments to suppliers | - | 528 |
| | 115,591 | 119,418 |
| <i>Current receivables</i> | | |
| Trade receivables | 61,234 | 61,097 |
| Current tax assets | 2,358 | 1,324 |
| Other receivables | 9,120 | 7,249 |
| Prepaid expenses and accrued income | 6,920 | 4,762 |
| | 79,632 | 74,432 |
| Cash and bank balances | 31,189 | 23,488 |
| Total current assets | 226,412 | 217,338 |
| TOTAL ASSETS | 530,421 | 539,112 |

*) Comparative figures for 2012 have been adjusted due to an amendment to IAS 19R, the accounting policy for pensions.

Consolidated balance sheet

| SEK thousand | 31 Dec 2013 | 31 Dec 2012* |
|---|----------------|--------------|
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Equity attributable to parent company shareholders | | |
| Share capital | 37,819 | 37,819 |
| Other capital contributed | 55,526 | 55,526 |
| Reserves | -884 | -3,101 |
| Profit brought forward incl. net profit for the year | 140,393 | 111,688 |
| Total equity | 232,854 | 201,932 |
| Non-current liabilities | | |
| Provisions for pensions | 33,202 | 34,212 |
| Deferred tax liability | 25,427 | 26,825 |
| Other non-current provisions | 76 | 86 |
| Non-current interest-bearing liabilities | 108,469 | 141,418 |
| Total non-current liabilities | 167,174 | 202,541 |
| Current liabilities | | |
| Bank overdraft facility | 26,880 | 32,514 |
| Other interest-bearing liabilities | 32,231 | 39,164 |
| Advance payment from customers | 1,917 | 1,531 |
| Trade payables | 19,318 | 18,635 |
| Income tax liabilities | 6,767 | 1,502 |
| Other liabilities | 6,985 | 7,673 |
| Accrued expenses and deferred income | 33,295 | 33,620 |
| Total current liabilities | 130,393 | 134,639 |
| TOTAL EQUITY AND LIABILITIES | 530,421 | 539,112 |
| PLEDGED ASSETS | 166,527 | 178,688 |
| CONTINGENT LIABILITIES | 437 | 406 |

*) Comparative figures for 2012 have been adjusted due to an amendment to IAS 19R, the accounting policy for pensions.

Consolidated cash flow statement

| SEK thousand | 2013 | 2012 |
|--|----------------|----------------|
| Operating activities | | |
| Profit after financial items | 41,636 | 8,543 |
| Reversed depreciation | 40,562 | 36,151 |
| Adjustment for non-cash items | 2,660 | 171 |
| | 84,858 | 44,865 |
| Tax paid | -2,801 | 79 |
| Cash flow from operating activities before changes in working capital | 82,057 | 44,944 |
| <i>Cash flow from working capital changes</i> | | |
| Decrease /increase in inventories | 5,902 | -1,089 |
| Increase in operating receivables | -179 | -5,031 |
| Decrease/increase in operating liabilities | -498 | 654 |
| Cash flow from operating activities | 87,282 | 39,478 |
| Investment activities | | |
| Investment in non-current assets | -21,273 | -41,965 |
| Acquisition of other shares and holdings | -20 | - |
| Sale of non-current assets | 932 | 494 |
| Cash flow from investment activities | -20,361 | -41,471 |
| Financing activities | | |
| Decrease/increase in interest-bearing liabilities | -6,499 | 4,877 |
| Non-current loans taken up | - | 21,588 |
| Amortisation of non-current loans | -42,623 | -27,097 |
| Realised financial exchange rate differences | -4,338 | 5,885 |
| Dividend to shareholders | -6,051 | -9,076 |
| Cash flow from financing activities | -59,511 | -3,823 |
| Cash flow for the year | 7,410 | -5,816 |
| Cash and cash equivalents at beginning of year | 23,488 | 29,803 |
| Exchange rate differences in cash and cash equivalents | 291 | -499 |
| Cash and cash equivalents at year-end | 31,189 | 23,488 |

Ten-year summary

| Income statements | | 2013 | 2012* | 2011* | 2010** | 2009** | 2009 | 2008 | 2007** | 2006*** | 2005**** | 2005 | 2004 |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | SEKm | 479.4 | 433.8 | 414.2 | 358.2 | 320.9 | 422.0 | 499.4 | 432.8 | 400.4 | 626.9 | 1,328.3 | 1,467.4 |
| Operating profit | SEKm | 48.0 | 18.1 | 22.6 | 22.9 | 5.4 | 9.6 | 50.3 | 50.1 | 29.4 | 11.8 | 41.4 | 59.0 |
| Net financial items | SEKm | -6.4 | -9.5 | -4.6 | -6.7 | -8.4 | -9.1 | -13.3 | -12.8 | -9.3 | -7.0 | -9.2 | -12.2 |
| Profit/loss after financial items | SEKm | 41.6 | 8.6 | 17.9 | 16.2 | -3.1 | 0.5 | 37.0 | 37.3 | 20.1 | 4.9 | 32.2 | 46.8 |
| Taxes | SEKm | -9.0 | -0.4 | -5.1 | -4.6 | 2.0 | 1.1 | -9.1 | -9.4 | -1.5 | -3.3 | -10.2 | -15.8 |
| Net/profit loss for the year, continuing operations | SEKm | 32.6 | 8.2 | 12.8 | 11.6 | -1.1 | 1.6 | 27.9 | 27.9 | 18.6 | 1.6 | 22.0 | 31.0 |
| Net profit/loss for the year, discontinued operations | SEKm | - | - | - | 17.1 | 2.7 | - | - | -2.5 | -14.8 | 20.4 | | |
| Net profit/loss for the year | SEKm | 32.6 | 8.2 | 12.8 | 28.7 | 1.6 | 1.6 | 27.9 | 25.4 | 3.8 | 22.0 | 22.0 | 31.0 |
| Balance sheets | | | | | | | | | | | | | |
| Non-current assets | SEKm | 304.0 | 321.8 | 304.0 | 251.7 | 304.4 | 304.4 | 309.2 | 278.1 | 311.6 | 382.8 | 382.8 | 229.9 |
| Receivables and inventories | SEKm | 195.2 | 193.8 | 199.0 | 171.9 | 199.0 | 199.0 | 219.5 | 218.9 | 275.7 | 499.9 | 499.9 | 443.2 |
| Cash and cash equivalents | SEKm | 31.2 | 23.5 | 29.8 | 62.7 | 21.4 | 21.4 | 41.2 | 20.8 | 19.8 | 56.1 | 56.1 | 63.1 |
| Assets held for sale | SEKm | 0.0 | 0.0 | 0.0 | 0.6 | 1.5 | 1.5 | 1.5 | 1.5 | - | - | - | - |
| Total assets | SEKm | 530.4 | 539.1 | 532.8 | 486.9 | 526.3 | 526.3 | 571.4 | 519.3 | 607.1 | 938.8 | 938.8 | 736.2 |
| Equity | SEKm | 232.8 | 201.9 | 216.2 | 210.3 | 188.5 | 188.5 | 199.1 | 174.4 | 148.9 | 228.2 | 228.2 | 181.2 |
| Non-current liabilities | SEKm | 167.2 | 202.6 | 200.5 | 161.8 | 223.1 | 223.1 | 238.9 | 220.2 | 246.8 | 341.3 | 341.3 | 234.7 |
| Current liabilities | SEKm | 130.4 | 134.6 | 116.1 | 114.8 | 114.7 | 114.7 | 133.4 | 124.7 | 211.4 | 369.3 | 369.3 | 320.3 |
| Total equity and liabilities | SEKm | 530.4 | 539.1 | 532.8 | 486.9 | 526.3 | 526.3 | 571.4 | 519.3 | 607.1 | 938.8 | 938.8 | 736.2 |
| Cash flow | | | | | | | | | | | | | |
| Cash flow from operating activities | SEKm | 87.3 | 39.5 | 34.4 | 48.3 | 29.3 | 43.5 | 69.7 | 26.8 | 43.7 | 40.9 | 57.6 | 119.4 |
| Cash flow after investments | SEKm | 66.9 | -2.0 | -20.7 | 5.4 | 17.5 | 26.4 | 53.9 | 9.3 | 22.4 | -22.5 | -12.0 | 95.9 |
| Key data | | | | | | | | | | | | | |
| Operating margin before depreciation (EBITDA) | % | 18.5 | 12.5 | 13.4 | 14.1 | 10.5 | 11.2 | 17.0 | 18.8 | 15.2 | 8.5 | 6.6 | 7.1 |
| Operating margin after depreciation (EBIT) | % | 10.0 | 4.2 | 5.5 | 6.4 | 1.7 | 2.3 | 10.1 | 11.6 | 7.3 | 1.9 | 3.1 | 4.0 |
| Risk-bearing capital | SEKm | 258.3 | 228.8 | 243.2 | 230.5 | 216.3 | 216.3 | 228.8 | 196.8 | 165.6 | 255.1 | 255.1 | 204.4 |
| Share of risk-bearing capital | % | 48.7 | 42.4 | 45.6 | 47.3 | 41.1 | 41.1 | 40.0 | 37.9 | 27.3 | 27.2 | 27.2 | 27.8 |
| Equity/assets ratio | % | 43.9 | 37.5 | 40.6 | 43.2 | 35.8 | 35.8 | 34.9 | 33.6 | 24.5 | 24.3 | 24.3 | 24.1 |
| Return on operating capital | % | 11.7 | 4.4 | 6.0 | 6.0 | 2.3 | 2.3 | 11.0 | 11.4 | -0.6 | 2.4 | 8.1 | 13.7 |
| Return on equity | % | 15.0 | 3.9 | 6.0 | 19.2 | 1.1 | 1.1 | 15.0 | 17.3 | -7.3 | 0.8 | 10.7 | 18.8 |
| Interest coverage ratio | multiple | 5.2 | 1.5 | 2.9 | 3.3 | 1.1 | 1.1 | 3.5 | 3.8 | neg | 1.6 | 4.3 | 4.6 |
| Net debt | SEKm | 172.6 | 223.8 | 196.0 | 137.6 | 228.9 | 228.9 | 225.8 | 227.9 | 295.5 | 336.3 | 336.3 | 183.6 |
| Debt/equity ratio | multiple | 0.7 | 1.0 | 0.9 | 0.6 | 1.2 | 1.2 | 1.1 | 1.3 | 2.0 | 1.6 | 1.5 | 1.0 |
| Gross investments excl. shares | SEKm | 24.7 | 51.2 | 85.7 | 57.7 | 20.0 | 42.3 | 44.7 | 46.3 | 49.0 | 43.8 | 50.0 | 44.2 |
| Average number of employees | | 424 | 424 | 373 | 298 | 273 | 343 | 368 | 358 | 344 | 457 | 700 | 745 |

* Comparative figures for 2012 have been adjusted due to an amendment to IAS 19R, the accounting policy for pensions. ** Continuing operations, i.e. after divestment of Elos Precision in 2010 and divestment of Electronics business area in 2007. *** Income statement, cash flow, EBITDA, EBIT, gross investments and average number of employees refer to continuing operations. Other figures are unchanged compared with the previous year's reporting. **** Including Electronics business area but excluding Building/Interiors. Shares in the latter were distributed to shareholders in November 2006. Other values remain unchanged.

Definitions of key data and glossary

Operating margin Profit/loss before net financial items and tax as a percentage of net sales.

Risk-bearing capital The total of equity, any minority interests and deferred tax liability.

Share of risk-bearing capital Risk-bearing capital as a percentage of total assets.

Equity/assets ratio Equity including any minority interests as a percentage of total assets.

Return on operating capital Operating profit as a percentage of average operating capital.

Operating capital Total of intangible and tangible non-current assets and current assets excluding tax assets, less non-interest-bearing liabilities excluding tax liabilities and deferred tax.

Return on equity Net profit for the year as a percentage of average equity.

Interest coverage ratio Operating profit excluding profit participation in any associated companies plus financial income, divided by financial expenses.

Net debt Interest-bearing liabilities less cash and cash equivalents.

Debt/equity ratio Net debt in relation to equity.

FDA (Food and Drug Administration) The US food and drug authority.

GMP (Good Manufacturing Practice) Regulations that govern manufacturing, including packaging.

OEM (Original Equipment Manufacturing) Manufacturing for customers who sell the products under their own brand.

QSR (Quality System Regulation) A regulation for quality systems.

VMI (Vendor Managed Inventory) Inventory managed by supplier.

Board of Directors and auditor

Directors



Stig-Arne Blom

Ulricehamn, born 1948, Master of Engineering. Chairman of the Board. Director since 2002. Chairman of the Board of Plastal AB, Pulsen AB and Liljedahlsbolagen. Director of Handelsbankens Region Väst and others. Shareholding: 200 Series B shares.



Agneta Bengtsson Runmarker

Stockholm, born 1960, Bachelor of Law. Director since 2003. Legal Adviser at the Swedish Data Inspection Board. Chair of the Board of AB Westergyllen and its subsidiaries and Director of Investment AB Brunnslöykan and its subsidiaries. Shareholding: 14,600 Series B shares incl. family.



Göran Brorsson

Lidköping, born 1952, Bachelor of Economics. Director since 2000. President and CEO. Employed since 2000. Chair of the Board of the Group's subsidiaries. Chair of the Board of Gents Wear AB and Götene Construction AB. Director of Biovica AB. Shareholding: 100,000 Series B shares. Convertible debentures equivalent to 15,000 Series B shares.



Erik Löwenadler

Gothenburg, born 1945, Master of Engineering. Director since 2007. Deputy Director of HR Performance Sweden AB. Shareholding: 4,028 Series B shares.



Jeppe Magnusson

Lerum, born 1952, M. Sc. Doctor at Chalmers University of Technology, Gothenburg. Director since 2012. Partner in ISEA, Industry Senior Advisors. Director of Episurf Medical AB, Premune AB, Swecure AB and Auremune AB. Shareholding: No holding.



Mats Nilsson

Stockholm, born 1969, biologist, PhD. Director since 2010. Professor of molecular diagnostics at Stockholm University. Director of Olink Bioscience AB and Q-linea AB. Shareholding: 40,500 Series B shares.



Thomas Öster

Stockholm, born 1963, Master of Engineering. Director since 2005. Global Sales and Business Management Director, Ericsson AB Stockholm, Chair of the Board of Venova AB, Director of Lidköping Invest. Shareholding: 62,000 Series B shares incl. family.

Auditor

PwC Sweden

Öhrlings PricewaterhouseCoopers AB, Gothenburg

Auditor in charge

Bror Frid

Skövde, born 1957
Authorised Public Accountant, PwC, Gothenburg
Auditor of the company since 2012.

Senior management

Group management



Göran Brorsson

Lidköping, born 1952, Bachelor of Economics.
President and CEO. Employed since 2000. Chairman of the Board of the Group's subsidiaries. Chair of the Board of Gents Wear AB and Götene Construction AB. Director of Biovica AB.
Shareholding: 100,000 Series B shares. Convertible debentures equivalent to 15,000 Series B shares.



Ulrica Ehn

Lidköping, born 1967, Bachelor of Economics.
Financial Director. Employed since 2011.
Shareholding: Convertible debentures equivalent to 10,000 Series B shares.

Elos Medtech



Malin Gustavsson

Lerum, born 1972, economist.
Marketing Director Elos Medtech.
Employed since 2013.
Shareholding: No holding.



Tina Friis Poulsen

Køge, Denmark, born 1964, quality engineer. RA/QA Manager Elos Medtech. Employed from 2009 until February 2014
Shareholding: No holding.



Mathias Andersson

Lidköping, born 1971, engineer.
MD, Elos Medtech Microplast AB
Employed since 2012.
Shareholding: 7,000 Series B shares.



Kjell-Erik Johansson

Götene, born 1954, Master of Engineering.
MD, Elos Medtech Timmersdala
Employed since 1999.
Shareholding: No holding.



Søren Olesen

Gørlose, Denmark, born 1961, economist.
MD, Elos Medtech Pinol A/S Employed since 1984.
Shareholding: 365,400 Series B shares via companies. Convertible debentures equivalent to 15,000 Series B shares.



Stefaan Dewaele

Tianjin, China, born 1966, Master of Engineering.
MD, Elos Medtech Tianjin Co. Ltd. Employed from 2010 until 30 April 2014
Shareholding: No holding.

Elos Fixturlaser



Jürgen Moortgat

Tianjin, China, born 1964, Master of Engineering.
MD from 1 May 2014, Elos Medtech Tianjin Co. Ltd. Employed since 2014.
Shareholding: No holding.



Hans Svensson

Mölnlycke, born 1960, Master of Engineering.
President. Employed since 1995.
Shareholding: 400 Series B shares. Convertible debentures equivalent to 15,000 Series B shares.



Peter Strömberg

Gothenburg, born 1972, Master of Engineering. Development Director. Employed since 2001.
Shareholding: 1,000 Series B shares. Convertible debentures equivalent to 6,000 Series B shares.

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The English version of Elos' Annual Report for 2013 comprises selected parts of the Swedish Annual Report for 2013. The content of the text and tables has been translated from the Swedish version. The Swedish version has been audited by Elos' Authorized Public Accountant, Bror Frid, Öhrlings PricewaterhouseCoopers AB.





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