

**Slow start in the first quarter of the year, transition towards enhanced service offering**

*The quarter ended strong after a weak start but overall sales in the first quarter decreased by 1% compared to last year. Operating profit was SEK 1 million which was considerably lower than the same period last year. Operating capital turnover improved further in the quarter and Electronics, our largest segment, continues to develop well despite a slow start in USA and China. Within Machining, volumes from the defense segment have continued to decrease sharply and low capacity utilization has led to further measures for rationalization. Despite the slow start to the year we have taken the next step in the transition to increasingly be able to meet the customer's needs for technically advanced products as an industrial partner. As part of this we have established a new function, Development & Services, to further enhance our service offering. We have also clarified our business structure whereby Machining will be part of Metal Precision Technology and consist of the units in Karlskoga and Moss and specialize in processing metals and other difficult materials, which allows greater focus on for example the oil&gas industry. Although I can establish that we have made good progress, continued great efforts are required from our employees to move the business towards higher efficiency and increased value for our customers.*



*Leif Thorwaldsson, President and CEO*

**First quarter of 2014**

- Net sales were SEK 548 million (554)
- Operating earnings totaled SEK 1 million (8)
- Profit/Loss after tax amounted to SEK -2 million (2)
- Earnings per share after tax amounted to SEK -0.17 (0.14)
- Cash flow after investments amounted to SEK -15 million (-51)
- The equity/assets ratio was 40 percent (37) on March 31<sup>st</sup>

PartnerTech AB is obligated to make the disclosures in this report public pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for public disclosure at 8.30 am on April 22<sup>nd</sup>, 2014.

As a global industrial partner PartnerTech offers customized solutions throughout the product lifecycle, from product development to manufacturing and aftermarket services, in a number of market areas such as MedTech and Oil&Gas. With approximately 1,400 employees at its plants in Sweden, Norway, Finland, Poland, the UK, the United States and China, PartnerTech reports annual sales of more than SEK 2.2 billion. PartnerTech AB, the parent company, has its head office in Malmö, Sweden, and is listed on the Nasdaq OMX Stockholm Exchange. For more information [www.partnertech.com](http://www.partnertech.com).

<b>Key ratios</b>			<b>Jan-Dec</b>	<b>Apr 2013-</b>
Amounts in SEK million unless otherwise stated	<b>Q1-14</b>	<b>Q1-13</b>	<b>2013</b>	<b>Mar 2014</b>
Net sales	547.6	553.9	2,237.1	2,230.8
Operating profit	0.6	8.1	31.7	24.2
Operating margin	0.1%	1.5%	1.4%	1.1%
Annual capital turnover ratio, times	3.4	3.3	3.3	3.3
Return on operating capital	0.3%	4.8%	4.7%	3.6%
Return on equity	-2.0%	1.6%	1.5%	0.6%
Operating capital	658.4	690.9	645.8	658.4
Equity	463.4	439.0	466.9	463.4
Interest-bearing net debt	198.4	262.8	182.5	198.4
Equity/assets ratio	39.7%	37.1%	40.2%	39.7%

## FIRST QUARTER

First quarter sales were SEK 547.6 million (553.9), a decrease of 1% compared with the same period of the previous year. For comparable units and currency exchange rates, the figure represented a 3% decline from the same period of the previous year.

Operating earnings for the first quarter totaled SEK 0.6 million (8.1). The decrease was primarily related to the lower operating earnings for the Machining segment.

First quarter net financial items totaled SEK -1.0 million (-6.0), including SEK -2.0 million (-2.2) in net interest expense. Unrealized exchange-rate effects had a positive impact on net financial items.

First quarter effective tax was negatively affected by the fact that additional deferred tax assets were not taken into consideration for units with negative result.

Cash flow from operating activities after investments amounted to SEK -15.3 million (-51.5). Cash flow from investments was SEK -2.8 million (-3.7).

Operating capital turnover rate improved compared to the same period previous year. Working capital came to SEK 340.2 million (379.9) at the end of the first quarter.

Interest-bearing net indebtedness was SEK 198.4 million (262.8) on March 31.

The group had equity of SEK 463.4 million (439.0) at the end of the period. Translation effects due to exchange-rate fluctuations had an impact of SEK -1.3 million (-19.1) on equity during the first quarter.

## SOME SIGNIFICANT EVENTS DURING THE QUARTER

No significant events have been reported during the quarter.

## EVENTS AFTER THE END OF THE PERIOD

The company disclosed in April that it enhances its service offering by establishing a new function, Development & Services, as well as organizes the group into three divisions as of April 3<sup>rd</sup> 2014: Metal Precision Technology, Systems Integration Technology and Electronics Technology. In the clarified structure Metal Precision Technology will consist of the units PartnerTech Karlskoga and PartnerTech Aerodyn in Sweden as well as PartnerTech Moss in Norway and specializes in processing of metals and other difficult materials. The changes will also affect the company's financial reporting structure to some extent and these will be reflected from the second quarter interim report 2014.

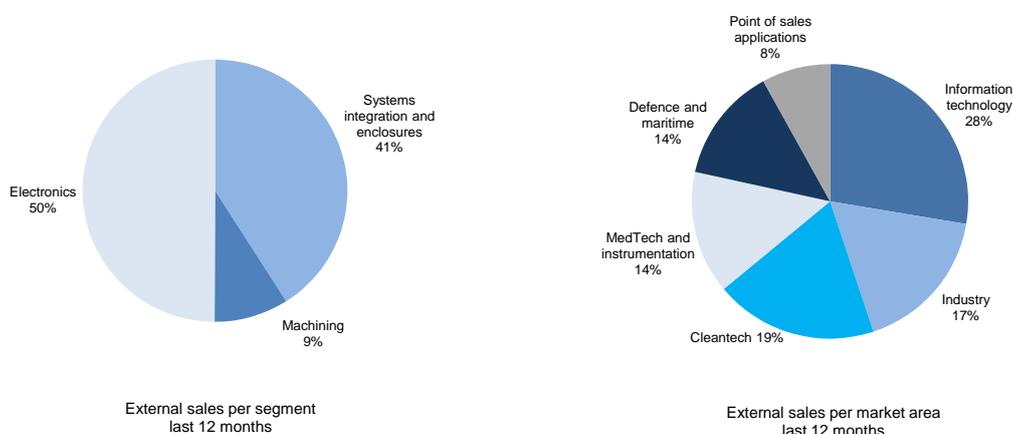
## OPERATING SEGMENT REPORTING

PartnerTech's operating activities are broken down into three areas that reflect its core skills:

- Electronics
- Systems Integration & Enclosures
- Machining

The areas constitute PartnerTech's operating segments. The idea is to focus even more on the core skills, as well as their specific challenges and opportunities, in order to better satisfy the technology, knowledge and quality needs of the customers. Each customer center and production unit is assigned to one of the three segments. The segments reflect the way that PartnerTech organizes, monitors and manages its activities.

PartnerTech's services target product owners in its six selected market areas: Information Technology, Industry, CleanTech, MedTech & Instrumentation, Defense & Maritime, and Point of Sale Applications. The company has specific applications expertise and is certified in accordance with quality standards that are often crucial to customers in these areas. For more information on our market areas, please see page 10 in this report.



## ELECTRONICS

PartnerTech manufactures printed circuit boards and encapsulated electronics (box build assembly) in this operating segment. The company has the capacity and equipment to handle both small-scale and development projects near the market, as well as large-scale production in low-cost Eastern European and Asian countries. Electronic components are manufactured in Vellinge (Sweden), Cambridge (UK), Sieradz (Poland), Atlanta (US), Chang'an and Guang Zhou (China). Most customers are in the IT, CleanTech, Industry and Defense & Maritime market areas. The segment also sells within the group, given that electronics are integral to systems integration.

Key ratios			Jan-Dec 2013	Apr 2013- Mar 2014
Amounts in SEK million unless otherwise stated	Q1-14	Q1-13		
Total sales	314.0	249.0	1,150.8	1,215.9
whereof external sales	283.6	218.9	1,049.6	1,114.2
Operating profit	15.4	11.4	72.4	76.4
Operating margin	4.9%	4.6%	6.3%	6.3%
Capital turnover ratio, times	4.2	3.2	3.7	3.9
Return on operating capital	20%	15%	23%	25%

- Sales for the segment increased with 26% in the quarter mostly due to higher volumes for Information Technology and Defence and maritime.
- A slow start and weak capacity utilization has had a negative effect on the operating profit.
- The return on operating capital meets the groups target of 20%.

## SYSTEMS INTEGRATION & ENCLOSURES

Systems integration involves the assembly of all or part of a customer's product, which includes electronics, plastic or metal components and software in addition to the actual enclosure. PartnerTech also manufactures enclosures in the form of sheet metal casings, cabinets and frames for various types of applications. Expertise when it comes to applications, product development and new product introduction, as well as certification for industry-specific requirements, is vital to the segment. Production takes place in Myslowice (Poland), Åtvidaberg (Sweden), Moss (Norway), Vantaa (Finland), Atlanta (US) and Chang'an (China). Most customers are in the MedTech, Point of Sale Applications, CleanTech or Industry market areas.

Key ratios			Jan-Dec	Apr 2013-
Amounts in SEK million unless otherwise stated	Q1-14	Q1-13	2013	Mar 2014
Total sales	224.5	259.3	966.4	931.6
whereof external sales	221.1	256.9	949.6	913.8
Operating profit	-3.4	-2.1	-10.7	-12.0
Operating margin	-1.5%	-0.8%	-1.1%	-1.3%
Capital turnover ratio, times	3.3	3.9	3.5	3.4
Return on operating capital	-5%	-3%	-4%	-4%

- Owing primarily to a sharp decline for the Information Technology market area, sales for the segment were down by 13%. This is primarily related to the previously announced phase-out of a larger customer. The CleanTech and Point of Sales market areas reported positive growth.
- The segment still operated at a loss, mainly as a result of low capacity utilization at the Myslowice plant.
- The Norwegian operations reported a better result compared to the same period previous year, but is still below break-even.

## MACHINING

PartnerTech manufactures milled and turned metal components in this operating segment. In addition to ultramodern and technically sophisticated machinery and advanced skills, PartnerTech has the capacity to handle both large-scale production and prototype manufacturing in close cooperation with the customer. Production takes place in Karlskoga (Sweden) and Myslowice (Poland), and customers come from all market areas, notably Defense & Maritime and Information Technology.

Key ratios			Jan-Dec	Apr 2013-
Amounts in SEK million unless otherwise stated	Q1-14	Q1-13	2013	Mar 2014
Total sales	43.9	80.4	247.6	211.2
whereof external sales	42.9	78.1	237.9	202.7
Operating profit	-9.9	-2.5	-22.9	-30.4
Operating margin	-22.6%	-3.1%	-9.2%	-14.4%
Capital turnover ratio, times	2.0	2.8	2.4	2.2
Return on operating capital	-46%	-9%	-22%	-32%

- Owing primarily to a sharp decline for the Defense customer segment, sales for the segment were down by 45%.
- A continued lower capacity utilization from customers in Defense also had a negative impact on operating earnings.
- Major cutbacks in production volumes reduced the operating capital turnover rate as well.
- The order intake for the Maritime segment has a continued positive development.

## OTHER

Other includes income and expense not assigned to the operating areas, primarily intra-group functions at the parent company as well as group-wide adjustments that cannot be allocated to the segments. PartnerTech AB is the parent company in the PartnerTech Group. The company serves primarily as a holding company. The parent company's net sales are for billing of intra-group services.

Reconciliation of Result before tax, Group SEK million			Jan-Dec	Apr 2013-
	Q1-14	Q1-13	2013	Mar 2014
Electronics	15.4	11.4	72.4	76.4
Systems integration and enclosures	-3.4	-2.1	-10.7	-12.0
Machining	-9.9	-2.5	-22.9	-30.4
Other	-1.5	1.2	-7.2	-10.0
Operating profit	0.6	8.1	31.7	24.1
Financial net	-1.0	-6.0	-11.9	-6.9
Result before tax, group	-0.5	2.1	19.8	17.2

## EMPLOYEES

The group had 1,368 (1,443) full-time equivalent employees on March 31.

## TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the period.

## OPTION PROGRAM

Pursuant to a decision of the May 5, 2011 annual general meeting, an option program for the CEO, management team, plant managers and other key employees of the group has been launched. The program runs through May 30, 2014, and new shares based on these warrants can be subscribed for from March 1 to May 30, 2014 at a price of SEK 51.70 each. Ninety-three percent of the approved action program has been subscribed for, which will generate an estimated maximum dilutive effect of approximately 2.7%. The option program is being carried out on market-related terms.

## SIGNIFICANT RISKS AND UNCERTAINTIES

Events related to operating activities during 2014 are not deemed to represent any decisive change in terms of essential risks or uncertainties for the PartnerTech Group. A detailed description of PartnerTech's risks, uncertainties and how they are handled appears in the group's 2013 annual report.

## ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. For the parent company, RFR 2, Accounting for Legal Entities, of the Swedish Financial Reporting Board has been followed.

This interim report has applied the same accounting policies and calculation methods as the 2013 annual report.

No other new or amended standards or interpretations have had any impact on the group's financial reports for 2014.

## UPCOMING FINANCIAL REPORTING

April 28, 2014	Annual General Meeting, Malmö
July 16, 2014	Interim report, January - June
October 23, 2014	Interim report, January – September

PartnerTech AB, April 22, 2014

Leif Thorwaldsson  
President and CEO

The company's auditors have not reviewed this interim report.

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<b>Income statement, in summary</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Group (SEK million)</b>	<b>Q1</b>	<b>Q1</b>	<b>Jan-Dec</b>
<b>Net sales</b>	547.6	553.9	2,237.1
Cost of goods and services sold*	-523.0	-522.9	-2,113.3
<b>Gross profit</b>	<b>24.6</b>	<b>31.0</b>	<b>123.7</b>
Gross margin	4.5%	5.6%	5.5%
Selling and administration costs	-23.8	-23.3	-89.4
Other operating income and costs, net	-0.2	0.3	-2.6
<b>Operating profit</b>	<b>0.6</b>	<b>8.1</b>	<b>31.7</b>
Operating margin	0.1%	1.5%	1.4%
Net financial income/expense	-1.0	-6.0	-11.9
<b>Profit/Loss after financial items</b>	<b>-0.5</b>	<b>2.1</b>	<b>19.8</b>
Profit margin	-0.1%	0.4%	0.9%
Taxes	-1.7	-0.3	-13.1
<b>Profit/Loss for the period</b>	<b>-2.2</b>	<b>1.8</b>	<b>6.7</b>
Net margin	-0.4%	0.3%	0.3%
Depreciation and write downs included in Operating profit	10.9	10.4	43.6
Earnings per share before dilution, SEK	-0.17	0.14	0.53
Earnings per share after dilution, SEK	-0.17	0.14	0.53

The Profit/loss for the period is 100% attributable to the parent company's shareholders.

<b>Statement of comprehensive income</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Group (SEK million)</b>	<b>Q1</b>	<b>Q1</b>	<b>Jan-Dec</b>
<b>Profit/Loss for the period</b>	<b>-2.2</b>	<b>1.8</b>	<b>6.7</b>
Components to be reclassified to net profit:			
Exchange rate differences arising on translation of foreign operations	-1.3	-19.1	3.2
Actuarial gains/loses	0.0	0.0	0.7
<b>Other comprehensive income, net of tax</b>	<b>-1.3</b>	<b>-19.1</b>	<b>3.9</b>
<b>Total comprehensive income for the period</b>	<b>-3.5</b>	<b>-17.3</b>	<b>10.6</b>

The comprehensive income for the period is 100% attributable to the parent company's shareholders.

<b>Changes in equity</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Group (SEK million)</b>	<b>Q1</b>	<b>Q1</b>	<b>Jan-Dec</b>
<b>Opening balance</b>	<b>466.9</b>	<b>456.3</b>	<b>456.3</b>
<b>Changes in equity</b>			
Comprehensive income for the period	-3.5	-17.3	10.6
<b>Closing balance</b>	<b>463.4</b>	<b>439.0</b>	<b>466.9</b>
Number of shares at end of period (thousands)	12,665	12,665	12,665
Average number of shares in the period (thousands)	12,665	12,665	12,665
Equity per share, SEK	36.59	34.66	36.86

Equity is 100% attributable to the parent company's shareholders.

<b>Balance sheet, in summary</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Group (SEK million)</b>	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Dec</b>
<b>Assets</b>			
Intangible assets	131.6	125.6	132.8
Tangible assets	186.6	185.3	193.8
Financial assets	0.2	0.2	0.2
Other non-current assets	21.4	21.0	20.0
<b>Total non-current assets</b>	<b>339.8</b>	<b>332.1</b>	<b>346.7</b>
Inventories	328.9	370.1	312.7
Accounts receivable	411.7	367.0	393.9
Other current receivables	56.7	83.6	50.7
Cash and bank balances	29.3	30.0	58.7
<b>Total current assets</b>	<b>826.6</b>	<b>850.7</b>	<b>816.1</b>
<b>Total assets</b>	<b>1,166.4</b>	<b>1,182.8</b>	<b>1,162.8</b>

#### Liabilities and shareholders' equity

<b>Shareholders' equity</b>	<b>463.4</b>	<b>439.0</b>	<b>466.9</b>
Interest-bearing liabilities	23.2	34.9	26.8
Non interest-bearing liabilities	-	6.9	-
Other provisions	16.0	13.7	16.0
<b>Total long-term liabilities</b>	<b>39.3</b>	<b>55.6</b>	<b>42.8</b>
Interest-bearing liabilities	204.5	257.9	214.5
Accounts payable	331.3	282.6	315.8
Other current liabilities	126.8	147.8	121.7
Other provisions	1.1	-	1.1
<b>Total current liabilities</b>	<b>663.8</b>	<b>688.3</b>	<b>653.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,166.4</b>	<b>1,182.8</b>	<b>1,162.8</b>

Equity is 100% attributable to the parent company's shareholders.

<b>Cash flow statement, in summary</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Group (SEK million)</b>	<b>Q1</b>	<b>Q1</b>	<b>Jan-Dec</b>
Operating profit	0.6	8.1	31.7
Items in operating profit not impacting cash flow as well as interests and taxes	7.9	4.2	26.9
Change in funds tied up in operations	-21.0	-60.0	13.3
<b>Cash flow operating activities</b>	<b>-12.6</b>	<b>-47.7</b>	<b>71.9</b>
Cash flow investing activities	-2.8	-3.7	-24.9
<b>Cash flow after investments</b>	<b>-15.3</b>	<b>-51.5</b>	<b>47.0</b>
Cash flow financing activities	-14.0	42.5	-28.0
Translation differences in liquid assets	-0.1	-0.3	0.4
<b>Change in liquid assets</b>	<b>-29.4</b>	<b>-9.3</b>	<b>19.4</b>
Cash flow per share	-2.32	-0.74	1.53

<b>Income statement, in summary</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Parent company (SEK million)</b>	<b>Q1</b>	<b>Q1</b>	<b>Jan-Dec</b>
<b>Net sales</b>	22.4	23.0	79.5
Cost of services sold	-	-9.8	-30.8
<b>Gross profit</b>	<b>22.4</b>	<b>13.2</b>	<b>48.8</b>
Selling and administration costs	-15.9	-12.5	-50.5
Other operating income and costs, net	0.0	-0.1	0.4
<b>Operating profit</b>	<b>6.5</b>	<b>0.7</b>	<b>-1.3</b>
Net financial income/expense	2.2	-2.3	-12.4
<b>Profit/Loss after financial items</b>	<b>8.6</b>	<b>-1.6</b>	<b>-13.7</b>
Taxes	-1.9	-0.1	-0.1
<b>Profit/Loss for the period</b>	<b>6.7</b>	<b>-1.7</b>	<b>-13.8</b>

<b>Statement of comprehensive income</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Parent company (SEK million)</b>	<b>Q1</b>	<b>Q1</b>	<b>Jan-Dec</b>
<b>Profit/Loss for the period</b>	<b>6.7</b>	<b>-1.7</b>	<b>-13.8</b>
Other comprehensive income, net of tax:			
Fair value reserve	0.0	-1.5	1.8
<b>Total comprehensive income for the period</b>	<b>6.8</b>	<b>-3.2</b>	<b>-11.9</b>

<b>Balance sheet, in summary</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Parent company (SEK million)</b>	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Dec</b>
<b>Assets</b>			
Tangible assets	0.2	0.2	0.2
Financial assets	540.6	530.6	540.6
Other non-current assets	0.0	0.9	0.0
<b>Total non-current assets</b>	<b>540.8</b>	<b>531.7</b>	<b>540.8</b>
Other current receivables	82.5	133.8	81.9
Cash and bank balances	18.5	4.3	34.0
<b>Total current assets</b>	<b>101.1</b>	<b>138.1</b>	<b>115.9</b>
<b>Total assets</b>	<b>641.9</b>	<b>669.8</b>	<b>656.8</b>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>	<b>470.4</b>	<b>472.5</b>	<b>463.7</b>
Interest-bearing liabilities	2.8	5.5	2.8
<b>Total long-term liabilities</b>	<b>2.8</b>	<b>5.5</b>	<b>2.8</b>
Interest-bearing liabilities	2.8	63.0	3.7
Accounts payable	5.2	3.2	5.8
Other current liabilities	160.8	125.5	180.9
<b>Total current liabilities</b>	<b>168.7</b>	<b>191.8</b>	<b>190.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>641.9</b>	<b>669.8</b>	<b>656.8</b>

## PartnerTech's Market Areas



### INFORMATION TECHNOLOGY

Customers in this area are fueled by rapid technological progress, and PartnerTech often receives major orders for production of advanced, encapsulated electronics (box build assembly). The short life cycles that frequently characterize the products require short time-to-market and ramp-up to large-scale production, for which Poland or China are perfectly suited.



### INDUSTRY

Customers in this area are linked to industry and are spread throughout a number of different sectors. PartnerTech's main assignments are products and subsystems for most industrial applications, such as operator panels and power & range control units. The company's established supply chain in Asia, Europe and the United States is well adapted to the growing need for final assembly at the regional level, along with the area's stringent requirements when it comes to durability, flexibility and cost-effectiveness.



### CLEANTECH

The expanding CleanTech market area reflects the direction of public policy and regulations. Customers outsource both components and systems and are increasingly demanding regional production. PartnerTech's skills and experience in mechanics, electronics and systems integration provide a solid foundation for production, and customers often take advantage of the company's integrated expertise.



### MEDTECH & INSTRUMENTATION

Customers in this area are subject to strict technical, regulatory and safety standards. PartnerTech, which possesses far-reaching skills in the development and production of medical devices and instruments, meets both basic standards and industry-specific requirements such as ISO 13485. The company has also delivered to the U.S. market for many years and is well acquainted with FDA requirements.



### DEFENSE & MARITIME

The products of customers in this area, such as the oil industry and maritime applications, are often designed for inaccessible and demanding environments in which quality, safety and security are crucial. PartnerTech typically manufactures components and subsystems characterized by precise tolerance, quality and traceability requirements. Customer relationships tend to be long-term. PartnerTech meets AS 9100 and a number of other industry-specific standards.



### POINT OF SALES APPLICATIONS

Strict technical requirements for product function represent a distinctive feature of this area. Users demand a high level of accessibility and cannot afford to lose bills, coins or other valuables due to equipment that is out of order. Thus, superior technical solutions and production quality are vital. PartnerTech has many years of experience and skills when it comes to developing and manufacturing products with large mechatronic content. Customers often outsource production of complete systems.

## DEFINITIONS

Operating margin	Operating profit/loss as a percentage of net sales
Profit margin	Profit/loss after net financial income/expense, as a percentage of net sales
Return on operating capital	Operating profit/loss, as a percentage of average operating capital
Return on equity	Net profit/loss as a percentage of average equity
Working capital	Operating capital less intangible and tangible non-current assets
Operating capital	Total assets less financial assets, other non-current assets, current tax assets, financial derivatives and cash and cash equivalents, and less non-interest-bearing liabilities (excluding tax liabilities, financial derivatives and provisions)
Interest-bearing net debt	Interest-bearing liabilities less cash and cash equivalents
Annual capital turnover ratio	Net sales divided by average operating capital
Equity/assets ratio	Equity as a percentage of total assets
Earnings per share after tax	Net profit/loss divided by average number of shares