
07
Annual Report
Elektronik Gruppen

The audited annual report consists of pages 21–48.

This Annual Report is a translation from a Swedish original. In the event of any difference between the original and the translation, the Swedish Annual Report (Årsredovisning) shall govern.

# ElektronikGruppen in brief

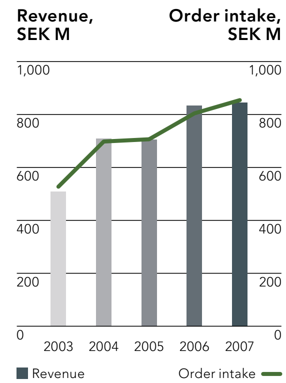
ElektronikGruppen is one of the Nordic region's leading suppliers of high-tech electronic components, systems and production equipment for the electronics industry. Operations are conducted in three business areas based on specialised knowledge in electronics and electromechanics, providing the best possible conditions to create added value for the Group's customers.

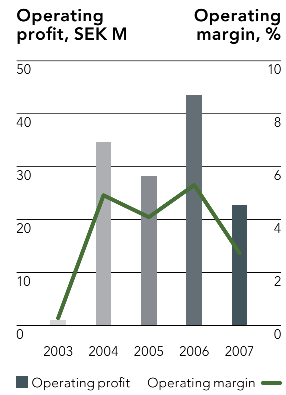
The Nordic region is the home market, but ElektronikGruppen is also established in the Baltic countries, Poland, Germany, Great Britain, China and Sri Lanka, and through cooperation with distributors in some 25 additional countries. The key customers are found in the telecom, commercial vehicle, automation and medical technology industries.

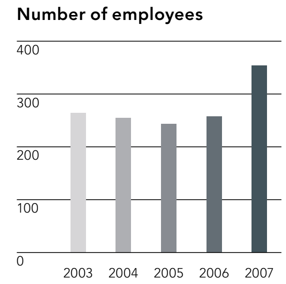
Consolidated revenue for 2007 reached SEK 839 M and the number of employees at year-end was 355. ElektronikGruppen's overall objective is to grow with good profitability, both organically and through acquisitions in well defined niches. The share is quoted on the Small Caps list of the OMX Nordic Exchange Stockholm.

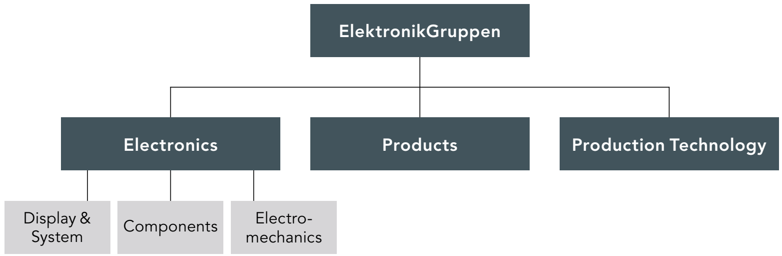
2007 by the numbers

| | |
|---|---|
| Revenue | SEK 839 M (827) |
| Order intake | SEK 853 M (806) |
| EBITDA | SEK 42.2 M (50.5) |
| Operating profit | SEK 22.2 M (43.5) |
| Profit before tax | SEK 19.6 M (42.2) |
| Earnings per share | SEK 2.66 (5.45) |
| Cash flow from operating activities | SEK –3.2 M (19.9) |
| Proposed dividend per share | SEK 2.10 (2.10) |



# President's comments

**Stronger positions and restructuring for the future**

It is no simple task to write a brief summary of 2007, an eventful year that left a mixed range of impressions. In several parts of the Group's operations we were able to take advantage of robust market conditions and even advance our positions in key customer segments, which resulted in a satisfactory order intake. But we also felt the effects of cost increases among contract manufacturers in Asia and implemented a number of rationalisation measures in response to these. Additional factors were a shortage of display components and a steeply falling US dollar, which had a particularly strong impact on both sales and earnings in the Group during the second half of the year.

Looking back, I see 2007 mainly as a year when we took several important structural steps to strengthen and streamline ElektronikGruppen and bore the costs necessary to build a platform for sustainable long-term growth and profitability. We also made three acquisitions – followed by yet another at the beginning of 2008 – that have given us a wider customer base and a better product mix, and whose annual revenue essentially matches that from the unprofitable products we phased out the year before. These acquisitions have given us operations in the UK and Sri Lanka, as well as Germany since January this year, after which ElektronikGruppen is established in 10 countries.

**Stronger organisation for deeper customer relationships**

At year-end 2006 we introduced a new group structure with three business areas, each with a clearly defined offering and focus. Electronics, our largest business area, is now responsible for all marketing and sales of electronic components and systems. Products sells customer-specific components that are developed and manufactured in-house, while Production Technology offers equipment, consumable materials and aftermarket services to the electronics manufacturing industry.

One fundamental motive for the new structure is to facilitate more efficient utilisation of joint resources. In 2007 we also centralised much of the Electronics business area's inventory management in a pan-Nordic solution and have started the deployment of a new group-wide ERP system. Both of these measures caused strain on the organisation during the year, but will lead to cost savings and tighter control over operations.

Although far-reaching decentralisation is a cornerstone of the Group's management model, there is much to gain by raising the level of cooperation between business areas. I see this as a critical focus area for the future, not least considering that our customers increasingly demand a strategic partner able to enhance their competitiveness through more customer-specific products, increased packaging of total solutions and an expanded range of service and training capabilities.

## Specialisation and proprietary products create unique value

In order to meet customer expectations it is necessary to prioritise among product segments and identify the niches where we can use our in-depth specialist expertise and high-tech offering to achieve strong market positions and healthy margins.

A central element of this strategy is to increase the share of proprietary products. Already in 2006 it was clear that we have an attractive offering of in-house developed inductive components for the telecom and power technology industries. However, to achieve stable long-term profitability we saw the necessity of realising increased scale economies and building a more stable production platform.

The acquisition of Profec Technologies in Finland was an important step in this direction. This acquisition has given us larger volumes and new customer relationships in Finland, as well as a production facility on Sri Lanka. This will give us better control over production and provide new opportunities for rationalisation. In 2007 we transferred production from contract manufacturers to our own plant in Estonia, and in the current year will move parts of production from Chinese subcontractors to the new facility in Sri Lanka. However, China will continue to serve as an important manufacturing base for our Asian customers.

## Wider customer base and focus on growth segments

Recent turmoil in the international financial markets has led to growing uncertainty about future trends in the European industrial cycle, but as yet we see no indication of a general slowing in demand. However, a continued weak US dollar will have a negative impact on the Group's margins.

Due to ElektronikGruppen's determined development in the past few years and the considerable energy and commitment represented by all our employees, we are now better equipped to withstand to any deterioration in the business climate. Our restructuring and efficiency improvements have created better scope for growth and profitability. With a wider customer base we are less dependent on the telecom industry, although this remains our single most important customer segment. Furthermore, we have established strong positions in a number of niche areas that we consider particularly interesting from a growth and earnings perspective, such as TFT displays and electromechanical components for the automotive industry. The ambition is to further advance our positions in these areas, among other things by opening offices or acquiring operations in new geographical markets.

Vällingby, March 2008

Johan Ålander
President and CEO

# Strategic focus

### Business mission and primary customer segments

ElektronikGruppen is a leading supplier of high-tech components, systems and production equipment to the Nordic market. ElektronikGruppen is organised in three business areas with specialised knowledge in design, distribution and production of electronics and electromechanics. This special expertise, in combination with an in-depth understanding of customer needs and local market conditions, enables the Group to offer value-added in the form of technical advice and flexible, customer-specific solutions.

The most significant customer groups include manufacturers of telecommunications equipment, commercial vehicles and automation products, as well as medical technology companies and contract manufacturers of electronic products. ElektronikGruppen's ambition is to serve as a vital link in the customer's value chain.

### Business areas and offering

The *Electronics* business area sells customer-specific electronic components that require advanced technical and commercial expertise. Activities are organised in three business units: Display & System, Components and Electromechanics. The main markets are the Nordic and Baltic regions, Poland, Germany and China.

Operations in the *Products* business area are focused on development, manufacturing and sales of inductive components, and on a lesser scale also fiber optic and copper cables. Sales are conducted globally and production is carried out in ElektronikGruppen's own facilities and through contract manufacturers in Asia.

The *Production Technology* business area sells production equipment and consumable materials to the electronics industry in the Nordic and Baltic regions and Poland. The business area also offers aftermarket services and training.

### Goals

ElektronikGruppen's overall objective is to grow with good profitability, and thereby create value for the shareholders. With respect to ElektronikGruppen's assessed long-term earning ability and capacity for growth, the Board of Directors has adopted the following long-term financial goals:

- Organic sales growth of 8–10 per cent over a business cycle, with an operating margin of 7 per cent. In addition, ElektronikGruppen will grow through acquisitions.
- A return on average equity of at least 20 per cent over a business cycle.
- An equity/assets ratio of at least 35 per cent.

### Strategic guidelines

To meet its goals, ElektronikGruppen is working according to a number of overall action plans that can be summed up in four points:

- Increase the share of system solutions and value-added services
- Increase the share of in-house developed products
- Focus on selected niches and seek economies of scale
- Strengthen positions outside the Nordic region – become a multi-regional supplier

### Increase the share of system solutions and value-added services

ElektronikGruppen's strategy is to go from mainly supplying individual components to increasingly offering comprehensive system solutions with a higher value-added content. This will be accomplished through continuous enhancement of technical expertise among the employees and development and packaging of system solutions in close dialogue with the customers.

The importance of aftermarket services and training is also rising in several areas. By offering services of this type, ElektronikGruppen can increase the value of its total offering and thereby tie customers and suppliers closer to the Group. At the same time, a higher share of service sales can contribute to more stable earnings and improved margins.

### Increase the share of in-house developed products

ElektronikGruppen's core business is trading of high-tech components and system solutions, but the strategy also includes growth for in-house developed products with an advanced technical content. By offering in-house developed and customer-specific solutions, ElektronikGruppen can strengthen its customer relationships at the same time that these products generate unique values that justify higher margins than distribution operations. In-house developed products also provide scope for sales on a global basis.

### Focus on selected niches and seek economies of scale

Because ElektronikGruppen is a small player in a global perspective, it is necessary to focus on a number of well defined product and/or customer niches with good development potential and to attain critical mass in these operations. Operations that are not deemed capable of generating adequate long-term profitability or reaching critical mass will be sold or phased out, while those with good future potential will be developed and strengthened through selective acquisitions.

For ElektronikGruppen it is vital to stay at the leading edge of technological development in these niches in order to offer the most value-creating products and expertise, and to continuously strive for economies of scale and more efficient utilisation of resources in the organisation.

### Strengthen positions outside the Nordic market – become a multi-regional supplier

The Nordic region is ElektronikGruppen's home market. In addition, the Group has operations in the Baltic countries, Poland, China, and since 2007 also the UK and Sri Lanka. Starting in 2008 the Group is also represented in Germany. The ambition is to strengthen the positions in prioritised niches outside the Nordic region – to become a multi-regional supplier.

One notable trend in the electronics market is that manufacturers are narrowing down the number of distributors they work with, at the same time that customers are seeking to work with fewer suppliers. In addition, customers increasingly expect their supplier to function as a strategic partner, which places demands on geographic proximity and flexibility. By establishing a presence in more markets and strengthening its position in these, ElektronikGruppen can become a more attractive business partner for both multinational customers and manufacturers.

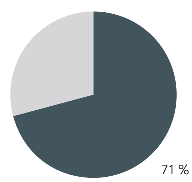
# Business areas

## Electronics

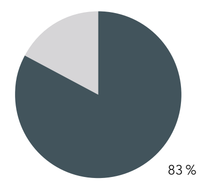
The business area sells electronic components and systems to companies in the telecom, medical technology, commercial vehicle and industrial automation industries. The main markets are the Nordic and Baltic regions, Poland, Germany and China.

| SEK M | 2007 | 2006 |
|---|---|---|
| Revenue | 600 | 634 |
| Order intake | 604 | 610 |
| Operating profit | 34.5 | 42.9 |
| Operating margin, % | 5.9 | 7.0 |
| No. of employees at year-end | 108 | 100 |

**Share of the Group's revenue in 2007**




**Share of the Group's operating profit in 2007**

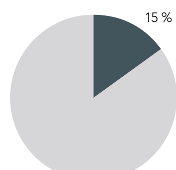



## Products

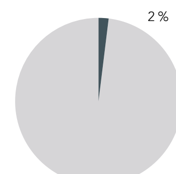
The business area develops, manufactures and sells inductive components and, to a lesser extent, fiber optic and copper cables, to companies that are globally active in the electronics and telecom industries.

| SEK M | 2007 | 2006 |
|---|---|---|
| Revenue | 122 | 83 |
| Order intake | 134 | 88 |
| Operating profit | 0.8 | 6.0 |
| Operating margin, % | 0.7 | 7.4 |
| No. of employees at year-end | 178 | 113 |

**Share of the Group's revenue in 2007**




**Share of the Group's operating profit in 2007**

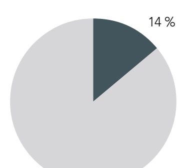



## Production Technology

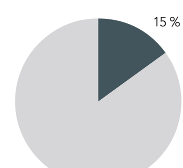
The business area sells production equipment, consumable materials, service and process training to the electronics industry in the Nordic region, Poland and the Baltic countries.

| SEK M | 2007 | 2006 |
|---|---|---|
| Revenue | 121 | 119 |
| Order intake | 115 | 108 |
| Operating profit | 5.3 | 11.8 |
| Operating margin, % | 4.6 | 10.4 |
| No. of employees at year-end | 55 | 39 |

**Share of the Group's revenue in 2007**




**Share of the Group's operating profit in 2007**



# Electronics

- **Strong demand and profitability trend for Electromechanics**
- **Lower revenue for Components due to discontinued operations, a falling US dollar and a weak market in Finland**
- **A component shortage held back sales in Display & System**

Through the Electronics business area, ElektronikGruppen is one of the leading distributors of components in the Nordic market. The business area is made up of the three business units Display & System, Components and Electromechanics[1], all of which offer selected components and systems with an advanced technical content that places high demands on technical expertise and knowledge about the customer's operations.

Aside from the four Nordic countries, Electronics has operations in Poland, Estonia and China, and as of 2008 also Germany. The customers are found primarily among manufacturers in the telecom, medical technology, commercial vehicle and industrial automation industries. Contract manufacturers of electronics are also a key customer group.

## Business units and offering

The product offering in *Display & System* consists mainly of TFT displays, industrial PCs and storage media, where one common denominator is that all are designed for industrial use in demanding environments. These are often used in systems that are required to run without interruptions around the clock in an outdoor environment, regardless of changes in humidity and temperature, and that must also be resistant to shocks and other rough treatment. Such applications can include computers with displays in trucks and other commercial vehicles, or for use in the healthcare sector or mobile base stations.

*Components* primarily sells specialised integrated circuits, passive components and connectors, as well as microwave and shielding products. By offering customer-specific solutions, ElektronikGruppen is able to compete with global component distributors whose offering is typically limited to standard solutions. The business unit therefore works extensively with

[1] At the beginning of 2007 a new group structure was introduced in which all technical sales of electronic components and systems were gathered in the Electronics business area. This meant that the former Electromechanics business area and certain parts of the Products business area were transferred to Electronics. The comparison figures for 2006 have been restated for this change.

The above picture shows a hydraulic control cable for connection and signal transmission between vehicle and trailer. The solution, consisting of components from different suppliers, has been developed by ElektronikGruppen in close cooperation with the customer and includes sensors, magnet valves and an embedded circuit board for signal distribution.

**Products**
- Displays
- Industrial PCs
- Storage media
- Semiconductors
- Microwave and shielding products
- Connectors and cables
- Level and temperature sensors
- Switches and automatic circuit breakers

**Primary customer segments**
- Telecom
- Commercial vehicles
- Industrial automation
- Medical technology

# Electronics


A


B

A A surface mounted hybrid connector for mounting on a printed circuit board (PCB). The PCB is then used in various power amplification applications, such as mobile base stations where the hybrid connector helps to amplify signals to mobile telephones.

B 6.5-inch Open Frame display solution, designed by ElektronikGruppen for simple integration with the customers' products. Typical areas of use include maritime, digital signalling and automation applications.

design-in projects, where technically proficient sales staff support customers in their product development with product specifications, adaptations and selection of components for larger solutions.

The *Electromechanics* business unit – based on the company Österlinds El-Agentur – offers high quality components in connector, sensor and switch technology. This area is also seeing the emergence of more pre-assembled units and solutions that give customers greater added value. The customers consist mainly of Swedish but also Finnish manufacturers of commercial vehicles, machinery and technical instruments.

## Market and trends

Although the market conditions vary between the business units and between the countries where they operate, the Nordic market for distributed electronic components has generally stabilised after the structural crisis that marked the first few years of the new millennium. There is an ongoing migration of standardised production to low-cost regions, but in recent years the robust industrial cycle and new technologies have dampened the effects of this trend through a certain remigration of high-tech production and several new projects put into production.

ElektronikGruppen's assessment is that total production volumes in the Nordic electronics industry increased during 2007. Despite this, the year's continued price erosion and dollar depreciation meant that the distribution market has not shown a corresponding increase in value.

Powerful demand growth is being noted in certain product segments such as displays, where new behavioural patterns and applications are creating new needs. Examples of expanding application areas include information displays in hotels, hospitals and other public buildings, and for gaming, entertainment and payment in commercial establishments. Denmark has come especially far in this area and the other Nordic countries are expected to follow suit.

One result of the powerful growth in global demand for displays is that the major manufacturers in Asia have not been able to keep pace, leading to a worldwide component shortage in the distribution market. This undercapacity is expected to persist throughout 2008 and to have an inhibiting effect on a fundamentally very strong market.

Market development in the Electromechanics business unit was positive in 2007, with growth driven mainly by increased volumes among manufacturers of commercial vehicles.

There is a distinctive trend in the market in which customers are seeking to work with fewer suppliers, each of which must be a strategically valuable partner. This is raising the pressure on suppliers like ElektronikGruppen to prioritise among their product and customer segments in order to offer in-depth specialist expertise and a targeted range of products in the selected niches. There is also a growing emphasis on the capacity to offer more comprehensive solutions rather than individual components and to provide support and design services.

## Competitors

The competitive situation for electronics distributors is highly fragmented and the differences between their product ranges are typically greater than the similarities. Players with partially similar products in the Nordic market include the global component distributors Arrow



Electronics, Avnet and Abacus, as well as Nordic trading companies such as OEM International and Lagercrantz. ElektronikGruppen also competes with certain large manufacturers that sell directly to industrial customers.

C Rocker switches for mounting on the dashboards of trucks and other commercial vehicles. The design and pressure sensitivity of switches are important attributes, and the materials must meet the vehicle maker's strict environmental requirements with regard to attributes like recyclability.

D A so-called Automotive hard disk has a very high tolerance to vibrations and can operate in temperatures from –20°C to 80°C, which makes it especially well suited for data storage in demanding environments such as the automotive, agricultural and maritime industries.

### Development in 2007

The business area's revenue for 2007 fell to SEK 600 M (634). Order intake was SEK 604 M (610). Operating profit declined to SEK 34.5 M (42.9) and operating margin to 5.9 per cent (7.0). The drop in revenue is attributable to the Components business unit and the discontinuation of unprofitable products during 2006, combined with weak sales in Finland. A steep fall in the US dollar rate during the year also had negative impact on both sales and margins.

Underlying demand in the Display & System business unit remained strong. However, an emerging component shortage held back sales and therefore also earnings in the third and fourth quarters. The customer base has been widened through a number of strategic contracts in new customer groups, such as the power technology and defence industries.

Sales and profitability in the Electromechanics business unit showed positive development, driven by a better product mix, a more efficient operating structure and strong sales growth, above all in the commercial vehicle segment.

The business area's fourth quarter earnings were charged with total inventory and goodwill impairment losses of SEK 6.1 M. Furthermore, steps were taken during the year to centralise the business area's purchasing and inventory management. A joint logistics function and the deployment of a new group-wide ERP system will streamline the flow of goods and boost profitability in a longer perspective.

### Strategic focus for 2008

One overall priority is to continue strengthening ElektronikGruppen's position as value-creating partner by raising the level of advanced customer-specific solutions. Other significant aspects of this ambition are to increase the share of services in the total offering and strengthen the presence in geographical markets where significant manufacturers and customers are active. Here, additional acquisitions can be a viable means.

Efforts to improve efficiency in purchasing and inventory management and to steer the product range towards more fast-growing areas will continue. The ambition is also to increase cross sales to shared customers in the business area.

### Subsequent events

In January ElektronikGruppen acquired 91 per cent of the shares in the German display company PriDis Solutions GmbH, which later changed name to EG Electronics GmbH. The company sells TFT-LCD displays and related equipment, mainly in Germany but also in Italy and the UK. Aside from a broader customer base, the acquisition will also expand the collaboration with several key suppliers. The company recorded revenue of approximately SEK 27 M in 2007, and is consolidated in the Electronics business area as of 1 January 2008.

# Products

- **Increased revenue and order intake through acquisition**
- **Weak earnings due to cost increases among subcontractors, capacity build-up in production and integration of acquired units**
- **Foundation laid for more stable and cost-effective production**

The picture above shows an inductive component in the form of a toroidal inductor. This type of component is used for signal filtration/equalisation and is found in most electronic products, from consumer devices to industrial applications.

**Products**
- Inductive components
- Fiber optic and copper cables

**Primary customer segments**
- Telecom
- Power technology

The Products business area manufactures and sells in-house developed inductive components, and to a lesser extent also fiber optic and copper cables. Sales are conducted through subsidiaries or branch offices in Sweden, Finland, Estonia, the UK, China and Sri Lanka, and through distributors in some 25 additional countries. Production takes place in the company's own facilities in Sweden, Estonia and Sri Lanka and through contract manufacturers in Asia.

The most important customer group for the business area's inductive components is the telecom industry, where the products are used in devices like printed circuit boards (PCBs) for mobile and fixed telephony base stations. Another significant customer group is manufacturers of equipment for power transmission. Cables are sold mainly to the telecom industry, energy companies and metropolitan area networks.

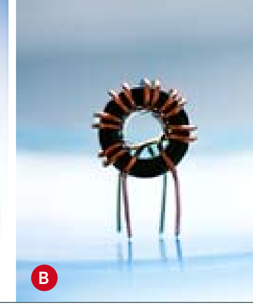
Starting in 2008, most of the business areas operations are conducted under the name of ETAL Group. The Finnish group Profec Technologies, which was acquired during 2007, has been integrated with the business area's operations in ETAL Group.

## Market and trends

The business area's customers consist primarily of global companies with manufacturing in many parts of the world. Since 2004 the business area is represented in China. The objective for this establishment is partly to capture and serve customers moving their production to China, but also to increase sales to local customers in the Asian market. In 2007 the presence in Asia was expanded to include Sri Lanka.

The market conditions for inductive components and cables differ considerably. Development for inductive components remains positive and because the majority of these products are custom-designed for specific applications, this allows ElektronikGruppen to establish more long-term partnerships with its customers. Continuous development is also being pursued in new application areas, which is contributing to growth in demand. However, the past year saw rising price pressure in the market, particularly in the telecom segment, and this trend is expected to continue in 2008.

For fiber optic and copper cable products, which are comparatively homogenous and have a relatively low technical content, price is a key competitive tool. Some excess capacity still remains among Nordic suppliers and the market showed weak development after a positive start to the year.



## Competitors

At the global level, there are a number of major manufacturers with a relatively standardised range of inductive components that cater to a wide range of customer groups. These include US-based Pulse Engineering, German Epcos and Japanese TDK. Competition at the Nordic level is more fragmented, with players that are focused on specific customer segments. Among the most significant are AQ Gruppen in Sweden, Dantrafo in Denmark and Trafox in Finland.

## Development in 2007[1]

The business area's revenue for 2007 rose to SEK 122 M (83) and order intake improved to SEK 134 M (88). Operating profit declined to SEK 0.8 M (6,0) and operating margin to 0.7 per cent (7.4).

The increase in order intake and revenue is essentially attributable to the acquisition of Profec Technologies, which was consolidated as of 1 March 2007. The company is a leading supplier of inductive components to manufacturers of telecom and power technology equipment. Through the acquisition, the business area established trading operations in the UK and a production unit in Sri Lanka.

The plunging dollar rate during the year had a negative impact on both sales and margins. Sales of inductive components were also initially weak, mainly due to financial restraint in the Finnish telecom sector, but then gradually recovered. On the other hand, robust demand was noted throughout the year from power technology manufacturers, as well as the smaller but increasingly important industrial automation and medical technology segments. In cable operations the trend was essentially reversed, with a strong start to the year and a weak finish.

The year's unsatisfactory earnings are explained by several factors. Profitability was adversely affected by a high rate of employee turnover and quality problems among the business area's subcontractors in Asia. Costs were also incurred for capacity build-up in the production plant in Estonia and the integration of Profec Technologies, the latter of which included staff reductions arising from the closure of production units in Sweden and Russia. In addition, measures have been taken to improve efficiency in Finland and England.

## Strategic focus for 2008

As earlier, the year's strategy work was devoted to identifying the areas where the market structure and demand growth provide scope for sustainable profitability. Inductive components for the telecom and power technology industry are segments where the business area has a strong position and an ambition to expand. At the same time, the business area aims to widen its customer base and boost sales to selected segments aside from the above, such as medical technology, industrial automation and the defence industry. Additional acquisitions are a possible means for achieving this.

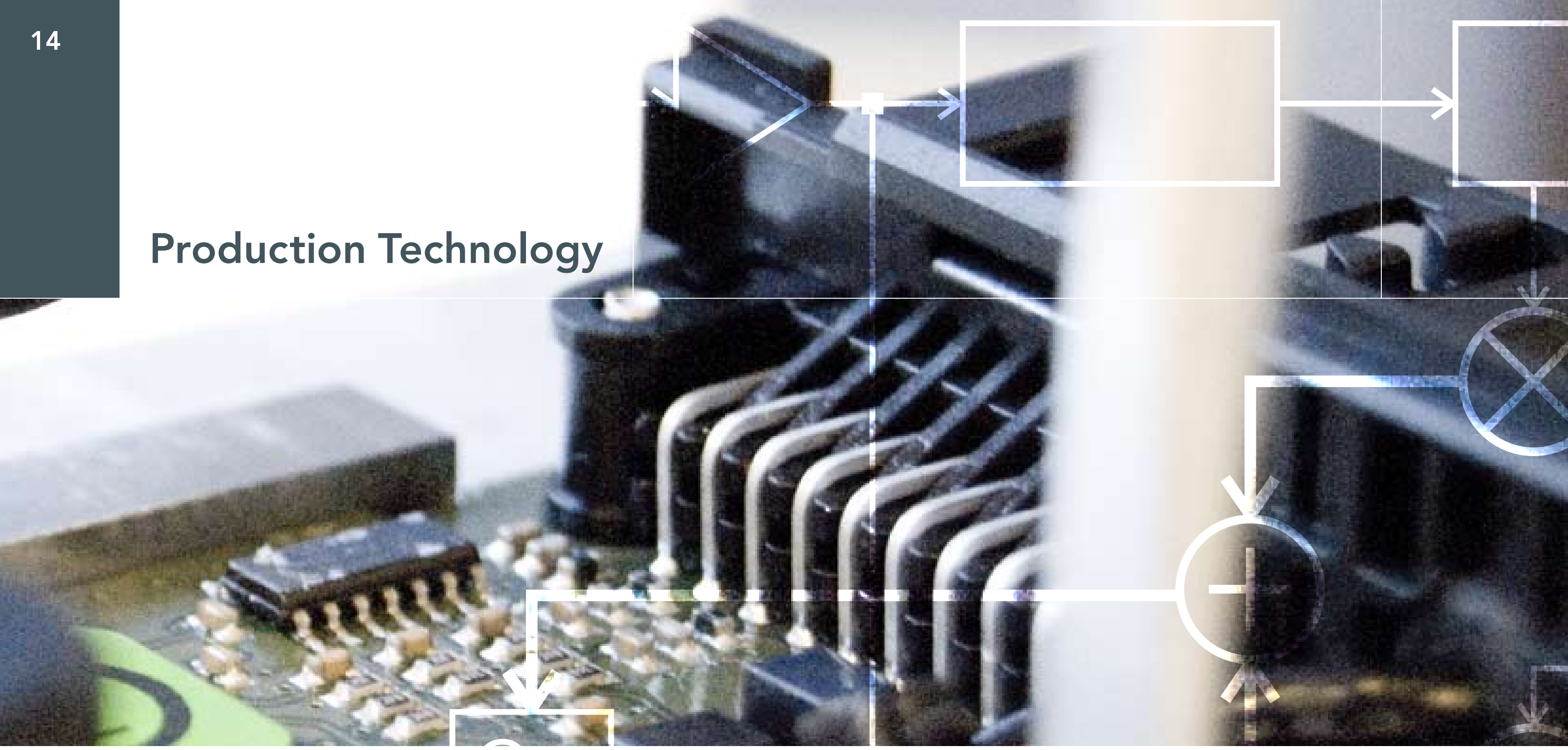
In 2007, a great deal of energy was devoted to laying the foundation for a reliable and cost-effective production structure. In-house production resources were expanded and reinforcements were made in quality and logistics management, which has significantly improved the opportunities to steer operations toward higher profitability.

[1] In connection with the introduction of a new group structure at the beginning of 2007, operations corresponding to around SEK 25 M in annual sales were transferred from the Products business area to the Electronics business area. The comparison figures for 2006 have been restated for this change.

A Planar components are used mainly for power supply applications and are found in devices such as PCB assemblies for mobile base stations. The business area's planar components are characterised by high efficiency and very compact design, enabling integration of multiple components in a single module, as shown above. The high efficiency saves energy and reduces the need for coolant material, which is positive from an environmental standpoint. The relatively small size of the component also enables more efficient use of the PCB surface.

B The Products business area offers toroidal components integrated in a capsule, or in an open design as in the picture above. The construction is compact, since the copper wire is wound directly on the toroidal core.

# Production Technology



- **Positive development for consumable materials and services**
- **Weaker equipment sales in Poland and Finland**
- **Position in the Nordic market strengthened through acquisitions in Finland and Denmark**

Among other things, the business area sells equipment and materials for manufacturing of PCB assemblies. The picture above shows a surface mounted PCB assembly with a mounted connector.

**Products**
- Equipment and materials for manufacturing of electronic products and PCBs
- Laser cut stencils for manufacturing of PCB assemblies
- Service and training

**Primary customer segment**
- Electronics manufacturers

The Production Technology business area is made up of the Equipment and Services business units, which sell production equipment, consumable materials, service and process training to the electronics manufacturing industry. Production equipment accounts for approximately 60 per cent of revenue. Operations are conducted in four companies with sales in Sweden, Finland, Denmark, the Baltic countries and Poland. The customers are found among both OEMs and contract manufacturers.

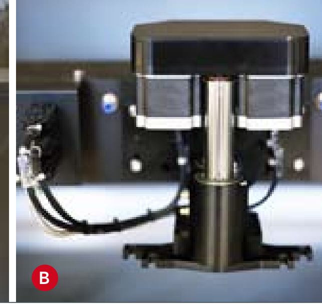
Production Technology is one of the leading players in the Nordic market through Scanditron and its stencil units Holtek and Tavron. In addition, Scanditron has a strong position in Poland.

## Market and trends

In the first few years of the new millennium, the Nordic market for machinery and equipment for manufacturing of electronic products underwent dramatic restructuring. In particular, production of low tech volume products moved to low-cost regions on a large scale. In a short span of time the Nordic market decreased by half, leading to excess capacity and downward price pressure. Not until 2006 did the market regain momentum, partly as a result of vigorous industrial growth but also because much of the machinery used by the industry was outdated.

Market development in 2007 varied between product segments and countries. Demand for equipment remained good in Sweden and Denmark, but was weaker in Finland and Poland. In Finland this slowing was mainly due to increased outsourcing and in Poland many manufacturers have struggled with excess capacity following relatively heavy investments in 2006. Equipment sales in the Baltic countries were largely unchanged. At the same time, demand for laser cut stencils and other consumable materials has grown in the majority of markets.

The customers are generally placing more stringent flexibility requirements on their production equipment, which must allow the fast tool changes needed for competitive manufacturing. Behind this trend lies a more general changeover to “lean production” among manu-



facturers. Consequently, to meet competition primarily from Asian electronics manufacturers it is necessary to continuously maximise machine capacity utilisation and eliminate everything not deemed essential to the processes. In certain areas of production, where the technical content is high or the product series are short, the lean production model has resulted in manufacturing being moved back to Europe and the Nordic countries.

ElektronikGruppen's assessment is that there is still a pent-up need for investment in parts of the Nordic and Baltic industries. Parallel to this, there is an ongoing shift toward new and more advanced production technologies. On the whole this is positive for the business area, since it is creating new business opportunities in areas with greater needs for technical expertise and aftermarket services.

A A laser head cuts a customized pattern in a stencil of stainless steel. Production Technology adapts the customer's data with the help of CAD/CAM software to design a stencil that results in optimised solder paste release during screen printing.

B Pressure head on a screen printer. With extreme precision, solder paste is printed onto a PCB as a first step in the manufacture of a PCB assembly.

### Competitors

The business area competes with other Nordic distributors of production equipment, such as Cyncrona (part of OEM International), Tecono (part of Addtech) and Svenska Kretsteknik, as well as manufacturing companies like Siemens, Assembléon and Panasonic.

### Development in 2007

The business area's revenue for 2007 reached SEK 121 M (119) and order intake rose to SEK 115 M (108). Operating profit decreased to SEK 5.3 M (11.8) and operating margin to 4.6 per cent (10.4). Demand for equipment decreased in Poland and Finland during the year, while sales in other markets were stable or rising. The drop in profit is due partly to weaker equipment sales in Finland and Poland and partly to increased amortisation in connection with acquisitions. The consumable materials and stencil segments developed well in most markets, partly thanks to the successful launch of Vectorguard stencils in Finland and the Baltic countries.

The business area carried out two acquisitions during 2007 – Trondicap Oy[1] in Finland, which was consolidated on 1 January, and PC Trading (Denmark) A/S[1], which was consolidated on 1 November. These acquisitions have given the business area a broader customer base and expanded the geographical partnerships with several major suppliers. The position in the Nordic market for production equipment has thus strengthened substantially, and ElektronikGruppen is now assessed to be the market leader in stencil manufacturing.

### Strategic focus for 2008

Production Technology is working continuously to adapt its operations and improve efficiency as a means for enhancing competitiveness. For example, the year's two acquisitions have provided scope to improve resource utilisation in the joint sales and service functions. Another central theme is to continue developing the offering toward more complete process solutions and to increase the share of service and training sales.

The business area's goal is also to expand its geographical presence while at the same time consolidating its positions in the existing markets. Daily nurturing of existing customer and supplier relationships and responsiveness to market needs and business opportunities are critical for success. Additional acquisitions are one way to support and accelerate this trend.

[1] The companies have changed name to Scanditron Finland Oy and Scanditron Danmark A/S.

# Share capital and ownership structure

Since 1985 the ElektronikGruppen's class B share has been quoted on the OMX Nordic Exchange Stockholm (former Stockholm Stock Exchange), currently on the Small Caps list, the Information Technology sector.

## Share price trend

ElektronikGruppen's class B share fell by 40 per cent in 2007. The OMX Stockholm IT Index dropped by the same amount and the Stockholm all-share index (OMX Stockholm PI) lost 6 per cent over the same period. The highest price paid during the year was SEK 83.00 on 26 April and the lowest was SEK 40.10 on 27 December. The last price paid on 28 December was SEK 41.50, which corresponds to a market capitalisation of SEK 232 M (376) for ElektronikGruppen. The total trading volume in 2007 was 2.8 million shares, equal to an annual turnover rate of 51 per cent (67). Shares were traded for a total value of SEK 184 M (237). A trading block consists of 200 shares.

## Share capital

The share capital on 31 December 2007 amounted to SEK 28 M. The share capital is divided between 150,000 class A shares and 5,447,200 class B shares, each with a quota value of SEK 5. All shares grant equal entitlement to the company's assets and profits. Each A share carries 10 votes and each B share one vote. No convertible debentures or subscription rights have been issued.

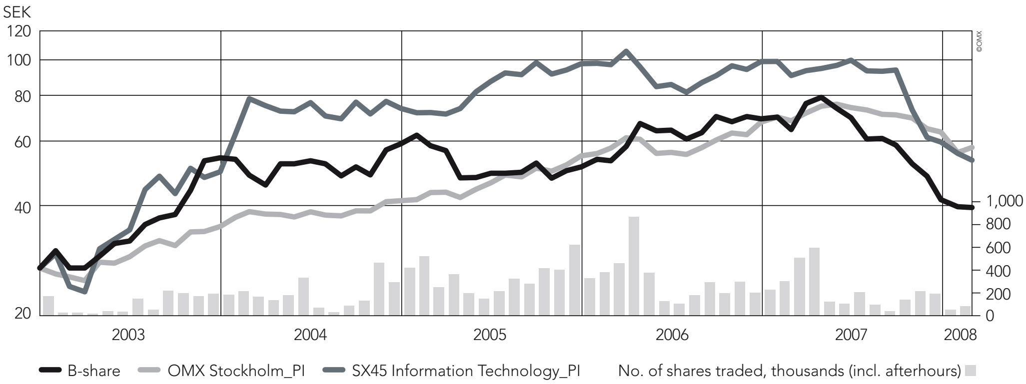
## Dividend policy and proposed dividend

The dividend is determined with respect to the Group's profitability, financial position and future development potential. An even and rising share dividend is strived for. For the financial year 2007, the Board proposes a dividend of SEK 2.10 per share (2.10).

## Shareholders

At year-end 2007 ElektronikGruppen had 2,373 shareholders (2,835). Foreign investors held 14 per cent (20) of the share capital and Swedish institutional investors held 20 per cent (22). Of the total number of shareholders, 62 per cent (70) held fewer than 500 shares each.

### The share




| Major shareholders at 31 December 2007 | A-shares | B-shares | % of capital | % of votes |
|---|---|---|---|---|
| Kenneth Lindqvist, with family and company | 49,500 | 1,462,680 | 27.0 | 28.2 |
| Thomas Wernhoff, with company | 100,500 | 300,000 | 7.2 | 18.8 |
| Dnb/Carlson Funds | 0 | 259,700 | 4.6 | 3.7 |
| Länsförsäkringar Funds | 0 | 234,300 | 4.2 | 3.4 |
| Danny Lindqvist, with family and company | 0 | 221,200 | 4.0 | 3.2 |
| Barclays Bank PLC | 0 | 155,000 | 2.8 | 2.2 |
| Banque Carnegie Luxembourg SA | 0 | 114,200 | 2.0 | 1.6 |
| Wilhelm Bergengren | 0 | 88,400 | 1.6 | 1.3 |
| Nordnet Pensionsförsäkring AB | 0 | 70,000 | 1.3 | 1.0 |
| Bengt Karlöf | 0 | 61,400 | 1.1 | 0.9 |
| Other 2,363 shareholders | 0 | 2,480,320 | 44.2 | 35.7 |
| **Total** | **150,000** | **5,447,200** | **100.0** | **100.0** |

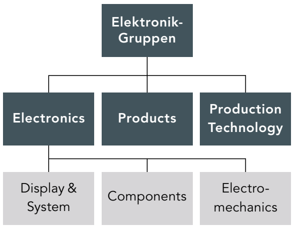
### Ownership structure at 31 December 2007

| No. of shares | No. of shareholders | % | No. of shares | % |
|---|---|---|---|---|
| >100,000 | 7 | 0.3 | 2,909,780 | 52.0 |
| 50,001–100,000 | 4 | 0.2 | 273,400 | 4.8 |
| 20,001–50,000 | 14 | 0.6 | 428,700 | 7.7 |
| 10,001–20,000 | 25 | 1.1 | 423,670 | 7.6 |
| 5,001–10,000 | 45 | 1.9 | 348,364 | 6.2 |
| ≤5,000 | 2,278 | 95.9 | 1,213,286 | 21.7 |
| **Total** | **2,373** | **100.0** | **5,597,200** | **100.0** |

| Data per share | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Basic earnings per share, SEK | 2.66 | 5.45 | 3.58 | 4.51 | –0.21 |
| Diluted earnings per share, SEK | – | – | – | – | –0.20 |
| P/E ratio at end of year | 15.6 | 12.7 | 14.2 | 13.5 | neg |
| Equity per share, SEK | 38.27 | 37.06 | 34.29 | 35.09 | 30.39 |
| Diluted equity per share, SEK | – | – | – | – | 29.70 |
| Dividend per share, SEK | 2.10* | 2.10 | 1.75 | 1.50 | 1.25 |
| Direct yield, % | 5.1 | 3.0 | 3.4 | 2.5 | 2.3 |
| Dividend payout ratio, % | 79 | 39 | 49 | 33 | neg |
| Cash flow per share, SEK | neg | 3.60 | 5.30 | 2.30 | 3.00 |
| Diluted cash flow per share, SEK | – | – | – | – | 2.90 |
| P/CF ratio at end of year | neg | 19.1 | 9.6 | 26.1 | 18.3 |
| Number of shares, thousands | 5,597 | 5,597 | 5,597 | 5,597 | 5,597 |
| Average number of shares, thousands | 5,597 | 5,597 | 5,597 | 5,597 | 5,597 |
| Share price at end of year, SEK | 41.50 | 69.00 | 51.00 | 59.00 | 54.00 |

*As proposed by the Board

# Organisation and employees




## Group structure with three business areas…

At the beginning of 2007 a new group structure was introduced in which all technical sales of electronic components and systems were gathered in the Electronics business area. This meant that the former Electromechanics business area and certain parts of the Products business area were transferred to Electronics. The change was made to achieve more rational logistics and product range management, and a stronger service offering.

As of 2007 the Group is organised in three business areas – Electronics, Products and Production Technology – each with its own unique offering and business model.

## …and operations in ten countries

The acquisitions in 2007 gave the Group operations in two new countries, the UK and Sri Lanka, at the same time that a small operation in Russia was discontinued. At year-end, the Group consisted of 15 operating companies that were together active in nine countries: Sweden, Norway, Finland, Denmark, Estonia, Poland, the UK, China and Sri Lanka. Through the acquisition of PriDis Solutions in January 2008, Germany was added as the tenth country. Furthermore, there are distributor partnerships in some 25 countries where the Group has no operations of its own.

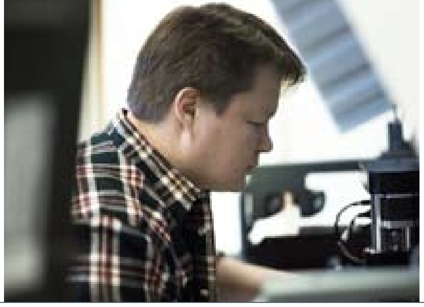
Through the Products business area, ElektronikGruppen has three production facilities in Sweden, Estonia and Sri Lanka. Production Technology also conduct in-house manufacturing of laser cut stencils in Sweden, Denmark and Finland.

## Employees by the numbers

The average number of employees in the Group during 2007 was 359 (260), an increase of 38 per cent that is essentially attributable to the acquired companies and the build-up of production capacity in Estonia. 35 per cent of the employees, or 127 people (129), worked in Sweden. Outside Sweden, the highest concentrations are found in Estonia with an average of 112 employees (72), Finland with 48 employees (15) and Denmark with 31 employees (15).

Of the total number of employees, 50 per cent are women (45). The average age in the Group is 39 years (37) and the average term of employment is 5.9 years (5.0). Value added per employee in 2007 was SEK 436 thousand (626). Employee turnover[1] in the Swedish operations was 7 per cent (14). The higher value for 2006 is due to organisational changes.

[1] Employee turnover is defined as the number of permanent employees who left during the period divided by the average number of employees during the year.



### Decentralised organisation promotes entrepreneurship

The Group uses short decision-making paths and seeks to give each employee a sense of involvement and responsibility. At the same time that ElektronikGruppen strives for clearly defined goals and a distinctive corporate identity at the group level, it is important that the individual companies be allowed to retain and develop their own entrepreneurial spirit. ElektronikGruppen has therefore chosen a management model based on far-reaching decentralisation of responsibilities and powers, where the employees are given a large degree of freedom to pursue the group-wide objectives on the basis of personal sub-goals.

One advantage of the decentralised organisation is that the sales staff and other employees are easily accessible to the customers. Close collaboration with customers and suppliers is gaining importance in pace with the growing emphasis on joint development projects.

### Retaining and developing key competencies is vital

To realise the business mission of becoming a leading supplier of high-tech components, systems and production equipment, the employees must feel involved in and committed to the company's business. It is also the employees, through their expertise, that enable the Group to offer products and services with a high value added content. Retaining and developing key competencies is therefore crucial for the Group's future development.

Against this background, ElektronikGruppen must be able to offer its employees competitive terms of employment and a pleasant work environment. It is also essential that the employees are given room and resources to grow, both in their current professional roles and through opportunities for advancement, where one central aspect is to always consider internal hiring to fill vacant positions as an alternative to external recruitment.

At the same time, it is vital that ElektronikGruppen can also attract new employees with the right profile and qualifications. In working to make contact with potential future employees, ElektronikGruppen participates in events such as job fairs that are arranged by technical institutes and universities.

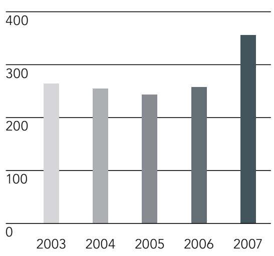
### Knowledge sharing in a decentralised organisation

With 16 companies in 10 countries, the Group has a considerable number of contact interfaces with suppliers and customers. One defining characteristic of the Group is its vast aggregate experience of technical sales and knowledge of what is needed for successful business in each market. Sharing of knowledge and experiences within the Group is already widespread, but there is an ambition to create forums to further boost the effectiveness of this exchange.

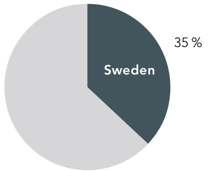
One such example is the sales development programme that was conducted in the Electronics business area during 2007 and resulted in the formulation of a documented group-wide business process that will be introduced during 2008. Another basic idea behind the programme was to promote cooperation between sales staff in the various business units as a stimulus for effective sales methods and increased cross sales.

Furthermore, in the past year a large number of employees from the logistics, sales and accounting/finance functions in all of the Group's companies received training in connection with the deployment of a new group-wide ERP system.

Number of employees




The share of employees in Sweden and abroad




Refers to the average number of employees in 2007

# Quality and environmental management

## Product development and quality

Product development in the electronics industry is often driven by a need to reduce price, weight, volume or energy consumption, which also leads to positive environmental effects. In addition, the products and solutions are generally subject to rigorous quality requirements. ElektronikGruppen conducts R&D for proprietary product development and in collaboration with customers. The process of developing a new product is undertaken either to meet specific customer requirements or as a general solution for a wider market. One area with a high proportion of in-house development is inductive components.

ElektronikGruppen works consistently to ensure high quality throughout the chain from purchasing to production and final delivery of solutions. The focus on quality also includes areas such as business processes, employee development and occupational health and safety. In-house manufacturing in the Products business area is certified according to the ISO 9001 quality standard and most of the products are also certified according to the American UL quality standard. In the Electronics business area, the new purchasing, inventory and logistics management functions will be certified according to ISO 9001 in 2008.

## Environment

The level of environmental commitment among the customers is growing successively, and is raising the requirements on the Group as a supplier. This trend is also creating new business opportunities in which ElektronikGruppen can help its customers to reduce their environmental impact by assisting them in the choice of solutions and materials.

In its own operations, ElektronikGruppen strives to minimise environmental impact through efficient resource utilisation at every stage. In trading activities this mainly involves optimising transports and reducing consumption of packaging materials, etc. As far as commercially justifiable, ElektronikGruppen strives to use suppliers and transport companies that are environmentally certified.

In-house manufacture in the Products business area also strives for environmentally friendly processes and materials. Production in Estonia is certified according to the ISO 14000 environmental standard and efforts are underway to certify the rest of the business area's manufacturing. Environmental activities have also been adapted to the EU's RoHS directive (The Restriction of Hazardous Substances directive), effective 1 July 2006, which among other things prohibits the use of lead and other hazardous substances in electronic components.

# Five-year summary

| Group | 2007 | 2006 | 2005 | 2004 | 2003* |
|---|---|---|---|---|---|
| **Income statement, SEK M** | | | | | |
| Revenue | 839.2 | 826.9 | 715.7 | 729.4 | 517.1 |
| Operating profit | 22.2 | 43.5 | 28.6 | 35.2 | 0.9 |
| Profit before tax | 19.6 | 42.2 | 27.4 | 34.9 | 0.1 |
| Income taxes | –4.7 | –11.7 | –7.4 | –9.7 | –1.2 |
| Minority share in profit | – | – | – | – | –0.1 |
| **Profit for the year** | **14.9** | **30.5** | **20.0** | **25.2** | **–1.2** |
| | | | | | |
| **Balance sheet, SEK M** | | | | | |
| **Assets** | | | | | |
| *Non-current assets* | | | | | |
| Goodwill, other intangible assets | 105.3 | 55.5 | 50.8 | 48.1 | 45.8 |
| Buildings and land | 18.0 | 17.2 | 17.9 | 18.6 | 11.9 |
| Plant and machinery | 26.0 | 16.2 | 21.0 | 19.7 | 11.6 |
| Other non-current assets | 16.6 | 1.9 | 4.1 | 4.7 | 6.9 |
| | | | | | |
| *Current assets* | | | | | |
| Cash and cash equivalents | 24.2 | 33.8 | 36.5 | 37.8 | 39.9 |
| Other current assets | 251.5 | 205.6 | 195.1 | 179.7 | 148.1 |
| **Total assets** | **441.6** | **330.2** | **325.4** | **308.6** | **264.2** |
| | | | | | |
| **Equity and liabilities** | | | | | |
| Equity | 214.2 | 207.0 | 191.9 | 193.9 | 170.6 |
| Minority interests | – | 0.5 | – | – | 1.4 |
| | | | | | |
| *Non-current liabilities* | | | | | |
| Interest-bearing liabilities | 82.7 | – | – | – | – |
| Provisions and other liabilities | 19.9 | 13.8 | 11.2 | 12.5 | 9.2 |
| | | | | | |
| *Current liabilities* | | | | | |
| Interest-bearing liabilities | 10.3 | 1.1 | 10.9 | 9.7 | 17.1 |
| Provisions and other liabilities | 114.5 | 107.8 | 111.4 | 92.5 | 65.9 |
| **Total equity and liabilities** | **441.6** | **330.2** | **325.4** | **308.6** | **264.2** |
| | | | | | |
| **Key ratios** | | | | | |
| Gross margin, % | 5.1 | 6.1 | 5.5 | 5.6 | 0.3 |
| Operating margin, % | 2.7 | 5.3 | 4.1 | 4.9 | 0.2 |
| Profit margin, % | 2.4 | 5.2 | 3.9 | 4.9 | 0.0 |
| Return on equity, % | 7.1 | 15.3 | 10.4 | 13.7 | neg |
| Return on capital employed, % | 9.3 | 22.8 | 16.6 | 19.7 | 1.3 |
| Return on total assets, % | 6.2 | 14.1 | 10.3 | 13.4 | 0.9 |
| Equity/asset ratio, % | 48.5 | 62.8 | 58.2 | 63.7 | 65.1 |
| Debt/equity ratio, times | 0.43 | 0.0 | 0.0 | 0.0 | 0.1 |
| Share of risk-bearing capital, % | 52.7 | 66.6 | 61.0 | 66.7 | 68.5 |
| Interest coverage ratio, times | 6.7 | 58.4 | 37.8 | 55.2 | 1.1 |
| Net expenditure on tangible assets as a % of revenue | 2.4 | 1.1 | 1.4 | 0.8 | 1.0 |
| Number of employees at end of year | 355 | 265 | 251 | 260 | 276 |
| Number of shares, thousands | 5,597 | 5,597 | 5,597 | 5,597 | 5,597 |
| Basic earnings per share, SEK | 2.66 | 5.45 | 3.58 | 4.51 | –0.21 |
| Diluted earnings per share, SEK | 2.66 | 5.45 | 3.58 | 4.51 | –0.20 |
| Equity per share, SEK | 38.27 | 37.06 | 34.29 | 35.09 | 30.39 |
| Share price at end of year, SEK | 41.50 | 69.00 | 51.00 | 59.00 | 54.00 |

* 2003 reported according to the previously applied accounting principles.

# Administration report

**The Board of Directors and the President of ElektronikGruppen BK AB (publ.) hereby present the annual report and consolidated financial statements for the financial year 2007. The company is domiciled in Stockholm and its corporate identification number is 556072-2547.**

## General

ElektronikGruppen is one of the Nordic region's leading suppliers of high-tech electronic components, systems and production equipment for the electronics industry. Operations are conducted in three business areas based on specialised knowledge in electronics and electromechanics. The Nordic region is the home market, but ElektronikGruppen is also established in the Baltic countries, Poland, Germany, Great Britain, China and Sri Lanka.

The company is quoted on the Small Caps list of the OMX Nordic Exchange Stockholm.

## Revenue and profit

Consolidated revenue for the full year reached SEK 839 M (827). Order intake rose by 6 per cent to SEK 853 M (806). Profit for the year amounted to SEK 19.6 M (42.2). Profit for the year was negatively affected by foreign exchange effects of SEK –1.1 M (–3.6). Depreciation and amortisation of tangible and intangible assets doubled to SEK 15.8 M (7.0), mainly as a result of acquisitions carried out during the year. Profit was also charged with one-time inventory and goodwill impairment losses of SEK 7.0 M. Earnings per share were SEK 2.66 (5.45). Intra-group sales between the business areas amounted to SEK 11.1 M (17.6) and non-allocated costs to SEK 18.4 M (15.4).

Revenue in the Parent Company is reported at SEK 7.6 M (8.7). Operating loss was SEK –20.0 M (–16.7) and loss for the year was SEK –11.8 M (–11.2). Cash and cash equivalents in the Parent Company at 31 December 2007 amounted to SEK 0.0 M (6.9).

## Financing and equity/assets ratio

The Group's financial position remains strong. Cash and cash equivalents at 31 December 2007 totalled SEK 24 M (34). Equity on the same date was SEK 214.2 M (207.5) and the equity/assets ratio was 49 per cent (63).

## Acquisitions

Three acquisitions were carried out during 2007. In January ElektronikGruppen acquired Finland-based Trondicap Oy, which later changed name to Scanditron Finland Oy. The company is a provider of production equipment and consumables to the Finnish electronics industry and had annual revenue of approximately SEK 25 M at the time of acquisition. The company is consolidated in the Production Technology business area as of 1 January 2007.

In March ElektronikGruppen acquired the Finland-based company Profec Technologies Oy, which later changed name to ETAL Group Oy. The company develops, manufactures and sells inductive components to manufacturers of telecommunications and power technology. Profec had annual revenue of approximately SEK 70 M the time of acquisition. The company is consolidated in the Products business area as of 1 March 2007.

In November ElektronikGruppen acquired PC Trading (Denmark) A/S, which later changed name to Scanditron Danmark A/S. The company is active in manufacturing, sales and service of production equipment for the electronics industry. The company had annual revenue of just over SEK 25 M at the time of acquisition and is consolidated in the Production Technology business area as of 1 November.

### Business areas

*Electronics*

The business area sells components and systems to companies in the telecom, medical technology, automotive and industrial automation industries. The primary markets are the Nordic and Baltic countries, Poland and China.

At the beginning of 2007 a new group structure was introduced in which all technical sales of electronic components and systems were gathered in the Electronics business area. This meant that the former Electromechanics business area and certain parts of the Products business area were transferred to Electronics. The comparison figures for 2006 have been restated for this change.

The business area's revenue decreased to SEK 600 M (634) and order intake to SEK 604 M (610). Operating profit was SEK 34.5 M (42.9).

The Components business unit recorded weaker revenue for the period, which is partly explained by the prior year's discontinuation of unprofitable products. A sharp drop in the US dollar rate and lower sales in Finland also had an impact. In addition, an emerging component shortage in the second half of the year held back both sales and earnings in the Display & System business unit. The third business unit, Electromechanics, showed favourable development in both revenue and earnings during the year.

Profit for the fourth quarter included a one-time inventory impairment loss of SEK 1.9 M. Fourth quarter profit was also charged with a goodwill impairment loss of SEK 4.2 M, attributable to previously acquired companies whose operations have subsequently decreased in scope. If these items were excluded, profit would be on par with the preceding year.

*Products*

The business area develops, manufactures and sells inductive components and, to a lesser extent, fiber optic and copper cables, to companies that are globally active in the electronics and telecom industries.

The business area's revenue rose to SEK 122 M (83) and order intake to SEK 134 M (88). Operating profit declined to SEK 0.8 M (6.0).

The increase in both order intake and revenue is essentially attributable to the acquisition of ETAL Group Oy. Profitability during the year was negatively affected by a high rate of employee turnover and cost increases among the business area's subcontractors in Southeast Asia. Through the acquisition of ETAL Group Oy, the business area has increased its aggregate production resources and created greater potential for efficiency gains.

In 2007 the business area also closed production units in Sweden and Russia and took measures to improve efficiency in Finland and England. The cost of these restructurings amounted to approximately SEK 7 M, which has been charged to profit for the year. Excluding these costs, profit was on par with the preceding year.

*Production Technology*

The business area sells production equipment, consumable materials, service and process training to the electronics industry in the Nordic region, Poland and the Baltic countries.

The business area's revenue amounted to SEK 121 M (119) and order intake was SEK 115 M (108). Operating profit decreased to SEK 5.3 M (11.8).

The drop in profit is due partly to weaker equipment sales in Finland and Poland and partly to increased amortisation in connection with acquisitions.

The market for electronics production equipment showed uneven development during the year, with weaker demand in certain countries and stable demand in others. At the same time, higher sales were noted for consumables such as stencils for printed circuit board manufacturing and for aftermarket services. These two segments currently account for approximately 40 per cent of the business area's total revenue.

# Administration report

The companies acquired during the year, Scanditron Finland Oy and Scanditron Danmark A/S, have developed according to plan.

## Cash flow

The year's cash flow from operating activities amounted to SEK –3.2 M (19.9), and included paid tax of SEK –15.1 M (–9.3) and changes in working capital of SEK –28.3 M (–18.8). Total cash flow expressed as change in cash and cash equivalents was SEK –10.2 M (–1.5).

## Capital expenditure

Net expenditure on tangible assets totalled SEK 20.2 M (5.4) and referred mainly to production equipment added to the Group through the acquisitions of ETAL Group Oy and Scanditron Danmark A/S. Expenditure on intangible assets totalled SEK 58.5 M (7.0), of which SEK 50.1 M was attributable to acquisitions and SEK 8.4 M to assets under development in connection with the implementation of a new ERP system.

## Tax

The year's income tax expense was SEK –4.7 M (–11.7) and included current tax of SEK –8.0 M (–10.8).

## Environment

ElektronikGruppen strives to minimise external impact on the environment through effective resource utilisation at every level. The Group's own manufacturing in Estonia, within the Products business area, is certified according to ISO 14000 and efforts are underway to obtain environmental certification for the other manufacturing units in the business area. Environmental activities are carried out in compliance with the EU's RoHS (Restriction of Hazardous Substances) directive, which is effective 1 July 2006. Among other things, the directive forbids the use of environmentally hazardous substances such as lead in electronic components and solder paste.

## Product development

The Group's product managers and other staff participate in development of existing and new products in close cooperation with customers and suppliers. The Products business area has its own technological laboratory for development and production of inductive components. Direct costs for R&D amounted to approximately SEK 2.5 M (3.0). No development projects that meet the criteria for capitalisation were carried out during the year.

## Employees

The number of employees on 31 December was 355 (265). The average number of employees during the year was 359 (260). The increase is attributable partly to the year's acquisitions and partly to the build-up of production capacity in Estonia.

## Principles for remuneration to the Executive Management

The 2007 AGM adopted principles for remuneration to the members of the Executive Management, consisting of the President and an additional eight individuals. These principles essentially state that the members of the Executive Management shall be offered competitive, market-based salaries and terms of employment that make it possible to attract, motivate and retain qualified employees. The total remuneration package shall consist of fixed salary, variable salary, pension and other benefits. The variable salary component shall be limited and based on the Group's earnings performance and the attainment of certain other individual and predetermined targets. The Board of Directors shall have the right to deviate from these principles in individual cases when there is deemed to be special reason for doing so. Information about remuneration to the President and Executive Management is presented in Note 4.

*The Board's proposed new principles for remuneration to the Executive Management*

Ahead of the 2008 AGM, the Board proposes that the amount of variable salary to the members of the Executive Management be limited to a maximum of six monthly salaries.

In the event of termination by the company, it is proposed that the term of notice for the members of the Executive Management be limited to no more than 12 months, and that the President furthermore be entitled to termination benefits amounting to no more than six monthly salaries. In the event of termination on the part of the employee, it is proposed that the term of notice be limited to no more than six months for all members of the Executive Management.

It is proposed that pension benefits for the Executive Management be paid according to the so-called ITP plan or similar.

In other respects, the Board proposes unchanged principles for remuneration and other terms of employment for the Executive Management.

### Share capital

The share capital at 31 December 2007 amounted to SEK 27,986,000, divided between 150,000 class A shares and 5,447,200 class B shares, each with a quota value of SEK 5. All shares grant equal entitlement to the company's assets and profits. Each A share carries 10 votes and each B share one vote. No convertible debentures or subscription rights have been issued.

### Dividend

The Board of Directors proposes an unchanged dividend of SEK 2.10 per share, equal to a total distribution of SEK 11,754 thousands (11,754 thousands).

### Significant risks

ElektronikGruppen remains strongly dependent on developments in the telecom industry but also in the market for commercial vehicles, which together account for a significant share of the Group's total revenue. See also Note 35, Financial risks and finance policy.

### IFRS

With effect from 1 January 2005, ElektronikGruppen presents its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS) as endorsed for application in the EU.

### Future outlook

ElektronikGruppen's restructuring and efficiency improvements in 2007 have improved the conditions for sustainable growth and profitability.

### Subsequent events

In December 2007 ElektronikGruppen announced its intention to acquire 91 per cent of the shares in the German display company PriDis Solutions GmbH. The company sells TFT-LCD displays and related equipment, mainly in Germany but also Italy and the UK, and recorded revenue of approximately SEK 27 M in 2007. The acquisition was completed in January 2008 and these operations are consolidated in the Electronics business area as of 1 January. Aside from a broader customer base, the acquisition will also expand the collaboration with several key suppliers. Under the agreement, ElektronikGruppen will acquire the remaining nine per cent of the company's shares over a three-year period.

# Consolidated income statement

| SEK 000s | Note | 2007 | 2006 |
|---|---|---|---|
| Revenue | 2 | 822,426 | 804,625 |
| Other operating income | 3 | 16,816 | 22,250 |
| *Cost of goods sold* | | | |
| – Raw materials and consumables | | –51,559 | –38,176 |
| – Goods for resale | | –538,194 | –554,934 |
| Other external expenses | 5, 6 | –75,939 | –62,508 |
| Personnel costs | 4 | –130,738 | –119,137 |
| Amortisation/depreciation and impairment | 2, 7 | –19,942 | –7,032 |
| Other operating expenses | 8 | –643 | –1,578 |
| **Operating profit** | | **22,227** | **43,510** |
| Financial income | 10 | 1,787 | 1,780 |
| Financial expenses | 11 | –4,423 | –3,130 |
| **Profit before tax** | | **19,591** | **42,160** |
| Income tax | 26 | –4,682 | –11,661 |
| **Profit for the year** | | **14,909** | **30,499** |
| *Attributable to:* | | | |
| Equity holders of the Parent Company | | 14,911 | 30,459 |
| Minority interests | | –2 | 40 |
| Basic earnings per share, SEK | | 2.66 | 5.45 |
| Diluted earnings per share, SEK | | 2.66 | 5.45 |

# Consolidated balance sheet

| SEK 000s | Note | 31 Dec. 2007 | 31 Dec. 2006 |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets* | | | |
| Intangible assets | 13 | 105,249 | 55,525 |
| Tangible assets | 14 | 44,013 | 33,427 |
| Financial assets | 17 | 1,129 | 474 |
| Deferred tax assets | 26 | 15,516 | 1,440 |
| **Total non-current assets** | | **165,907** | **90,866** |
| *Current assets* | | | |
| Inventories | 18 | 73,191 | 62,658 |
| Trade receivables | 19 | 161,932 | 132,111 |
| Current tax receivables | | 3,945 | 2,668 |
| Other receivables | | 5,619 | 1,322 |
| Prepaid expenses and deferred income | 20 | 6,863 | 6,800 |
| Cash and cash equivalents | 21 | 24,168 | 33,794 |
| **Total current assets** | | **275,718** | **239,353** |
| **Total assets** | | **441,625** | **330,219** |
| **Equity and liabilities** | | | |
| *Equity* | | | |
| *Attributable to equity holders of the Parent Company* | | | |
| – Share capital | | 27,986 | 27,986 |
| – Other contributed capital | | 22,914 | 22,914 |
| – Reserves | | 2,789 | –820 |
| – Retained earnings including profit for the year | | 160,528 | 156,848 |
| Minority interests | | – | 525 |
| **Total equity** | | **214,217** | **207,453** |
| *Non-current liabilities* | | | |
| Interest-bearing liabilities | 24 | 82,724 | – |
| Provisions for pensions and other similar commitments | | 1,223 | 1,019 |
| Other provisions | 25 | 19 | 368 |
| Deferred tax liabilities | 26 | 18,684 | 12,461 |
| **Total non-current liabilities** | | **102,650** | **13,848** |
| *Current liabilities* | | | |
| Interest-bearing liabilities | 24 | 10,327 | 1,066 |
| Trade payables | | 58,838 | 59,315 |
| Current tax liabilities | | 2,108 | 8,999 |
| Other liabilities | 27 | 15,944 | 10,832 |
| Accrued expenses and prepaid income | 28 | 37,268 | 28,706 |
| Provisions | 25 | 273 | – |
| **Total current liabilities** | | **124,758** | **108,918** |
| **Total liabilities** | | **227,408** | **122,766** |
| **Total equity and liabilities** | | **441,625** | **330,219** |

# Consolidated statement of changes in equity

| SEK 000s | Attributable to equity holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | |
| | Share capital | Other contributed capital | Fair value reserve | Translation reserve | Retained earnings including profit for the year | Total | Minority interests | **Total equity** |
| **Opening balance, 1 January 2006** | **27,986** | **22,914** | **445** | **2,329** | **138,184** | **191,858** | **–** | **191,858** |
| The year's translation differences | | | | –3,057 | | –3,057 | | –3,057 |
| Hedging of net investments in foreign operations | | | | –128 | | –128 | | –128 |
| Change in fair value reserve | | | –445 | | | –445 | | –445 |
| Tax on income/expense recognised directly in equity | | | | 36 | | 36 | | 36 |
| Additional purchase price for minority shares | | | | | –2,000 | –2,000 | | –2,000 |
| Acquisition of minority shares | | | | | | – | 485 | 485 |
| **Net income/expense recognised directly in equity** | **–** | **–** | **–445** | **–3,149** | **–2,000** | **–5,594** | **485** | **–5,109** |
| Profit for the year | | | | | 30,459 | 30,459 | 40 | 30,499 |
| **Total recognised income/expense** | **–** | **–** | **–445** | **–3,149** | **28,459** | **24,865** | **525** | **25,390** |
| Dividend | | | | | –9,795 | –9,795 | | –9,795 |
| **Closing balance, 31 December 2006** | **27,986** | **22,914** | **–** | **–820** | **156,848** | **206,928** | **525** | **207,453** |
| | | | | | | | | |
| **Opening balance, 1 January 2007** | **27,986** | **22,914** | **–** | **–820** | **156,848** | **206,928** | **525** | **207,453** |
| The year's translation differences | | | | 3,529 | | 3,529 | | 3,529 |
| Hedging of net investments in foreign operations | | | | 112 | | 112 | | 112 |
| Tax on income/expense recognised directly in equity | | | | –32 | | –32 | | –32 |
| Acquisition of minority shares | | | | | 523 | 523 | –523 | – |
| **Net income/expense recognised directly in equity** | **–** | **–** | **–** | **3,609** | **523** | **4,132** | **–523** | **3,609** |
| Profit for the year | | | | | 14,911 | 14,911 | –2 | 14,909 |
| **Total recognised income/expense** | **–** | **–** | **–** | **3,609** | **15,434** | **19,043** | **–525** | **18,518** |
| Dividend | | | | | –11,754 | –11,754 | | –11,754 |
| **Closing balance, 31 December 2007** | **27,986** | **22,914** | **–** | **2,789** | **160,528** | **214,217** | **–** | **214,217** |

# Consolidated cash flow statement

| SEK 000s | Note | 2007 | 2006 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 19,591 | 42,160 |
| *Reversal of non-cash items* | | | |
| – Amortisation/depreciation and impairment | 7 | 19,942 | 6,267 |
| – Capital gains/losses and other items | | 765 | –493 |
| Paid taxes | | –15,128 | –9,258 |
| **Cash flow from operating activities before changes in working capital** | | **25,170** | **38,676** |
| | | | |
| **Changes in working capital** | | | |
| Inventories (increase –/decrease +) | | 4,399 | 2,982 |
| Operating receivables (increase –/decrease +) | | –13,022 | –14,294 |
| Operating liabilities (increase +/decrease –) | | –19,699 | –7,450 |
| **Cash flow from operating activities** | | **–3,152** | **19,914** |
| | | | |
| **Investing activities** | | | |
| Acquisition of operations | 32 | –46,453 | –7,216 |
| Sale of operations | 33 | – | –187 |
| Investments in intangible assets | | –8,435 | –11 |
| Investments in tangible assets | | –10,348 | –9,355 |
| Sale of tangible assets | | 1,678 | – |
| Investments in financial assets | | –1,121 | – |
| Sale of financial assets | | 918 | 5,157 |
| **Cash flow from investing activities** | | **–63,761** | **–11,612** |
| | | | |
| **Financing activities** | | | |
| Borrowings | | 79,578 | – |
| Repayment of borrowings | | –11,106 | – |
| Paid dividends | | –11,754 | –9,795 |
| **Cash flow from financing activities** | | **56,718** | **–9,795** |
| | | | |
| **Cash flow for the year** | | **–10,195** | **–1,493** |
| | | | |
| Cash and cash equivalents at beginning of year | | 33,794 | 36,533 |
| Cash flow for the year | | –10,195 | –1,493 |
| Exchange rate differences in cash and cash equivalents | | 569 | –1,246 |
| **Cash and cash equivalents at end of year** | 21 | **24,168** | **33,794** |
| | | | |
| Interest received | | 1,664 | 1,048 |
| Interest paid | | 3,452 | 735 |

# Parent Company income statement

| SEK 000s | Note | 2007 | 2006 |
|---|---|---|---|
| *Operating income* | | | |
| Revenue | | 7,551 | 8,460 |
| Other operating income | 3 | 1 | 221 |
| **Total operating income** | | **7,552** | **8,681** |
| *Operating expenses* | | | |
| Other external expenses | 5, 6 | –13,418 | –12,067 |
| Personnel costs | 4 | –13,546 | –12,946 |
| Amortisation/depreciation and impairment | 7 | –552 | –371 |
| Other operating expenses | 8 | –17 | – |
| **Total operating expenses** | | **–27,533** | **–25,384** |
| **Operating loss** | | **–19,981** | **–16,703** |
| *Result from financial investments* | | | |
| Result from participations in group companies | 9 | 1,399 | –584 |
| Result from other securities and receivables that are non-current assets | 10 | – | 48 |
| Interest income and similar profit/loss items | 10 | 1,046 | 969 |
| Interest expense and similar profit/loss items | 11 | –3,133 | –1,221 |
| **Total result from financial investments** | | **–688** | **–788** |
| **Loss after financial items** | | **–20,669** | **–17,491** |
| Appropriations | 12 | 3,791 | 2,279 |
| **Loss before tax** | | **–16,878** | **–15,212** |
| Income tax expense | 26 | 5,053 | 3,973 |
| **Loss for the year** | | **–11,825** | **–11,239** |

# Parent Company balance sheet

| SEK 000s | Note | 31 Dec. 2007 | 31 Dec. 2006 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 13 | 8,879 | – |
| Tangible assets | 14 | 13,727 | 11,748 |
| *Financial assets* | | | |
| – Participations in group companies | 15 | 163,523 | 122,962 |
| – Receivables from group companies | 16 | 15,122 | 216 |
| – Deferred tax assets | 26 | 30 | 53 |
| **Total non-current assets** | | **201,281** | **134,979** |
| | | | |
| *Current assets* | | | |
| *Current receivables* | | | |
| – Receivables from group companies | | 22,853 | 16,033 |
| – Current tax assets | | 600 | 153 |
| – Other receivables | | 1,305 | 320 |
| – Prepaid expenses and accrued income | 20 | 617 | 836 |
| Cash and cash equivalents | 21 | 6 | 6,900 |
| **Total current assets** | | **25,381** | **24,242** |
| **Total assets** | | **226,662** | **159,221** |
| | | | |
| **Equity and liabilities** | | | |
| *Equity* | | | |
| *Restricted equity* | | | |
| – Share capital | | 27,986 | 27,986 |
| – Statutory reserve | | 31,765 | 31,765 |
| *Non-restricted equity* | | | |
| – Retained earnings | | 64,721 | 74,533 |
| – Loss for the year | | –11,825 | –11,239 |
| **Total equity** | | **112,647** | **123,045** |
| | | | |
| Untaxed reserves | 23 | 566 | 4,357 |
| | | | |
| *Non-current liabilities* | | | |
| Interest-bearing liabilities | 24 | 72,185 | – |
| Liabilities to group companies | | 12,663 | 11,299 |
| **Total non-current liabilities** | | **84,848** | **11,299** |
| | | | |
| *Current liabilities* | | | |
| Interest-bearing liabilities | 24 | 4,875 | – |
| Trade payables | | 3,771 | 1,663 |
| Liabilities to group companies | | 14,011 | 14,439 |
| Other liabilities | 27 | 2,856 | 420 |
| Accrued expenses and deferred income | 28 | 3,088 | 3,998 |
| **Total current liabilities** | | **28,601** | **20,520** |
| **Total equity and liabilities** | | **226,662** | **159,221** |
| | | | |
| Pledged assets | 29 | 8,300 | 8,300 |
| Contingent liabilities | 30 | 1,165 | 1,165 |

# Parent Company statement of changes in equity

| SEK 000s | Restricted equity<br>Share capital | Restricted equity<br>Statutory reserve | Non-restricted equity<br>Retained earnings | Total equity |
|---|---|---|---|---|
| **Opening balance, 1 January 2006** | **27,986** | **31,765** | **72,808** | **132,559** |
| Group contributions received | | | 16,000 | 16,000 |
| Tax effect of group contributions received | | | –4,480 | –4,480 |
| **Net income/expense recognised directly in equity** | **–** | **–** | **11,520** | **11,520** |
| Loss for the year | | | –11,239 | –11,239 |
| **Total recognised income/expense** | **–** | **–** | **281** | **281** |
| Dividend | | | –9,795 | –9,795 |
| **Closing balance, 31 December 2006** | **27,986** | **31,765** | **63,294** | **123,045** |
| | | | | |
| **Opening balance, 1 January 2007** | **27,986** | **31,765** | **63,294** | **123,045** |
| Group contributions received | | | 18,200 | 18,200 |
| Tax effect of group contributions received | | | –5,096 | –5,096 |
| Merger profit | | | 77 | 77 |
| **Net income/expense recognised directly in equity** | **–** | **–** | **13,181** | **13,181** |
| Loss for the year | | | –11,825 | –11,825 |
| **Total recognised income/expense** | **–** | **–** | **1,356** | **1,356** |
| Dividend | | | –11,754 | –11,754 |
| **Closing balance, 31 December 2007** | **27,986** | **31,765** | **52,896** | **112,647** |

# Parent Company cash flow statement

| SEK 000s | Note | 2007 | 2006 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss after financial items | | –20,669 | –17,491 |
| *Reversal of non-cash items* | | | |
| – Amortisation/depreciation and impairment | 7, 9 | 10,459 | 7,271 |
| – Capital gains/losses and other items | | 344 | –273 |
| Paid tax | | –467 | – |
| **Cash flow from operating activities before changes in working capital** | | **–10,333** | **–10,493** |
| | | | |
| **Changes in working capital** | | | |
| Operating receivables (increase –/decrease +) | | 5,801 | 27,423 |
| Operating liabilities (increase +/decrease –) | | –3,963 | 8,634 |
| **Cash flow from operating activities** | | **–8,495** | **25,564** |
| | | | |
| **Investing activities** | | | |
| Investments in subsidiaries | | –63,901 | –11,956 |
| Investments in intangible assets | | –8,418 | – |
| Investments in tangible assets | | –2,531 | –322 |
| Increase in financial assets | | – | 2,842 |
| Sale/disposal of financial assets | | – | 39 |
| **Cash flow from investing activities** | | **–74,850** | **–9,397** |
| | | | |
| **Financing activities** | | | |
| Borrowings | | 89,830 | 518 |
| Repayment of borrowings | | –1,625 | – |
| Paid dividends | | –11,754 | –9,795 |
| **Cash flow from financing activities** | | **76,451** | **–9,277** |
| | | | |
| **Cash flow for the year** | | **–6,894** | **6,890** |
| | | | |
| Cash and cash equivalents at beginning of year | | 6,900 | 10 |
| Cash flow for the year | | –6,894 | 6,890 |
| **Cash and cash equivalents at end of year** | 21 | **6** | **6,900** |
| | | | |
| Interest received | | 1,047 | 720 |
| Interest paid | | 2,820 | 871 |

# Notes

All amounts are stated in SEK thousands unless otherwise specified.

## NOTE 1 Accounting principles

### General information
The consolidated financial statements of ElektronikGruppen BK AB (the Parent Company) for the financial year ended 31 December 2007 were approved by the Board of Directors and President for publication on 17 March 2008 and will be put before the Annual General Meeting on 8 May 2008 for adoption. The Parent Company is a Swedish public limited company (publ.) domiciled in Stockholm, Sweden. The Group's primary business operations are described in the administration report.

### Compliance with norms and laws
The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application in the EU. Furthermore, the consolidated financial statements have been prepared in compliance with Swedish law through the application of the Swedish Financial Accounting Standards Council's recommendation RR 30:06 Supplementary Rules for Consolidated Financial Statements.

The annual report of the Parent Company is presented in accordance with Swedish law and with the application of the Swedish Financial Accounting Standards Council's recommendation RR 32:06 Accounting for Legal Entities. This means that the IFRS valuation and disclosure rules are applied with the exceptions described under "Parent Company accounting principles".

### Basis of presentation
The consolidated financial statements are based on historical cost, with the exception of financial derivatives, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The carrying amounts of the assets and liabilities that are hedged, and are normally recognised at historical cost, have been adjusted for fair value changes attributable to the hedged risks. All amounts are stated in SEK thousands unless otherwise specified (SEK 000s).

### Critical accounting estimates and assumptions
When preparing the financial statements according to generally accepted accounting practices, the Board and Management are required to make certain estimates and assumptions that affect the company's results, financial position and other disclosed information. These estimates and assumptions are based on historical experience and are evaluated on a regular basis.

The assumptions made in measurement of goodwill can have a significant impact on the Group's results and financial position. In the Group, goodwill is tested for impairment at least annually. The impairment test requires an assessment of the value in use of the cash-generating unit or groups of cash-generating units to which the goodwill is attributable. This, in turn, requires estimation of the expected future cash flow from the cash-generating unit and determination of a relevant discount rate for calculating the present value of this cash flow. Information about the carrying amount of goodwill and other intangible assets is provided in Note 13.

### New and changed accounting standards
In 2007 the Group applied the following EU-endorsed new and changed accounting standards and interpretations from the IFRIC. The following summary includes only those standards and interpretations that are applicable to the Group.

*IFRS 7 Financial Instruments* This standard requires extensive disclosures about the significance of financial instruments for the company's financial position and performance, as well as qualitative and quantitative disclosures about the nature and scope of risks.

*IFRIC 10 Interim Financial Reporting and Impairment* This interpretation concludes that where an entity has recognised an impairment loss in an interim period for goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim or annual financial statements.

The application of these standards and interpretations has not had any impact on the Group's results or financial position.

### New accounting standards not yet effective
The following standards are not yet effective and have not been early applied by the Group.

*IFRS 8 Operating Segments* The new standard requires additional disclosures about the Group's operating segments, and replaces the earlier requirement to identify primary and secondary segments for the Group on the basis of business segments and geographical segments. IFRS 8 is effective for annual periods beginning on or after 1 January 2009.

*Revised IAS 23 Borrowing Costs* The revised standard requires capitalisation of borrowing costs when these relate to assets that take a substantial period of time to get ready for use or sale. The revised IAS 23 is effective for annual periods starting on or after 1 January 2009. This standard is not expected to have any impact on the Group's results or financial position.

*RFR 1.1 Supplementary Accounting Rules for Groups* This standard is a revision of the Swedish Financial Reporting Board's recommendation RR 30:06 Supplementary Accounting Rules for Groups and is effective for annual periods beginning on or after 1 January 2008.

### Scope of consolidation
The consolidated financial statements include the Parent Company and all subsidiaries in which the Parent Company directly or indirectly has a controlling influence.

All subsidiaries are consolidated according to the purchase method, whereby the equity of the acquired subsidiaries is measured at the fair value of identified assets and liabilities on the acquisition date. In cases where the fair value of consideration given exceeds the fair value of acquired assets and liabilities according to the above, the difference is recognised as goodwill in the balance sheet. Goodwill is not amortised but is tested for impairment at least annually, see Note 13. The acquisition of a minority interest is recognised as a transaction between shareholders, meaning that equity is reduced by the amount of consideration given.

All intra-group balances and transactions, including unrealised gains or losses arising from intra-group transactions, are eliminated in full on consolidation.

The Group's foreign subsidiaries operate in an economic environment that uses a currency (the functional currency) other than the Group's presentation currency, which is Swedish kronor (SEK). The assets and liabilities of foreign operations are translated to SEK at the closing day rate of exchange. Income and expenses in foreign operations are translated to SEK at the average rate during the year. Translation differences arising on the translation of foreign operations are recognised in a translation reserve within equity.

### Exchange rates used in the financial statements

| | | Closing day rate | | Average rate | |
|---|---|---|---|---|---|
| | Currency code | 2007 | 2006 | 2007 | 2006 |
| Denmark | DKK | 1.2684 | 1.2117 | 1.2393 | 1.2397 |
| Estonia | EEK | 0.6059 | 0.5763 | 0.5893 | 0.5900 |
| EU | EUR | 9.4480 | 9.0238 | 9.2246 | 9.2368 |
| Lithuania | LTL | 2.7336 | 2.6107 | 2.6688 | 2.6724 |
| Norway | NOK | 1.1851 | 1.0920 | 1.1503 | 1.1489 |
| Poland | PLN | 2.6114 | 2.3470 | 2.4335 | 2.3628 |

**Associated companies**
Associated companies refer to companies that are not subsidiaries but where the Parent Company directly or indirectly holds at least 20 per cent of the voting power or otherwise has a significant influence.

In the consolidated financial statements, associated companies are reported according to the equity method. The Group's share in the fair value of net identifiable assets of the associated company including goodwill and the effects of any fair value adjustments is recognised in shares and participations in associated companies. The Group's share in retained earnings of associated companies is added/subtracted from the Group's retained profit. When the Group's share in reported losses of an associated company exceeds the carrying amount of the Group's investment in the associated company, the value of the investment is reduced to zero.

The Group's share in net profit/loss of an associated company is recognised in the consolidated income statement. Unrealised profits/losses on transactions with associated companies are eliminated to the extent of the Group's interest in the associated company.

**Segment reporting**
For accounting purposes, a segment is an identifiable component of the Group that provides products or services (business segment), or provides products and services within a particular economic environment (geographical segment) and is subject to risks and opportunities that are different from those of other segments/areas. In accordance with IAS 14, information about segments is provided only for the Group.

For ElektronikGruppen, business segments are the primary segment and geographical segments the secondary segment. The Group reports the following business segments:

*Electronics,* sales of electronic components and systems to companies primarily in the Nordic region, Poland, the Baltic countries and China.

*Products,* development, manufacturing and sales of inductive components, as well as fiber optic and copper cables, to globally active companies in the electronics and telecom industries.

*Production Technology,* sales of production equipment, consumable materials, services and process training to the electronics industry in the Nordic region, Poland and the Baltic countries.

The geographical segments consist of the Nordic region, Rest of Europe and Rest of World.

**Revenue recognition**
The Group's revenue consists of the sale of goods, services in production technology, and training in production processes. Revenue arising from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. The sale is reported net after deduction of VAT and discounts. Revenue relating to the sale of services and training is invoiced on running account and is recognised upon performance of the service. All intra-group revenue is eliminated on consolidation.

**Classification of assets and liabilities**
In the Group, assets and liabilities are classified as either current or non-current. Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or settled more than 12 months after the closing date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within 12 months from the closing date. Assets and liabilities in foreign currencies are translated at the closing day rate of exchange.

**Financial instruments**
The financial instruments recognised in the balance sheet include cash and cash equivalents, securities, other financial assets, trade receivables, trade payables and borrowings.

*Cash and cash equivalents:* Cash and cash equivalents are defined as cash in hand and at bank. These are exposed to an insignificant risk for value fluctuations.

*Securities and other financial investments:* Securities and other financial investments that are intended for long-term holding and can be sold are measured at fair value. Changes in fair value are recognised in a fair value reserve within equity. On disposal of the assets, the amounts deferred in equity are recycled to the income statement. Available-for-sale financial assets are measured at cost, essentially corresponding to fair value. All transactions are recognised on the trade date.

*Trade receivables:* After individual assessment, trade receivables are reported in the amount in which they are expected to be received after deduction of doubtful debts. Impairment losses on trade receivables are recognised in operating expenses.

*Trade payables:* Trade payables are classified as other financial liabilities and are stated in the nominal amount.

*Borrowings:* Borrowings are initially measured at cost. If the initially recorded amount differs from the amount to be repaid on maturity, the difference is amortised over the period to maturity. Interest expenses are recognised in the income statement.

*Derivatives:* Derivatives consist of forward exchange contracts that are used to reduce exposure to fluctuations in exchange rates. In accordance with IAS 39, forward exchange contracts are stated at fair value. Hedged receivables and liabilities are translated at the closing day rate and the forward exchange contract is stated at fair value in the balance sheet. Changes in fair value are taken directly to the income statement.

**Intangible assets**
Goodwill comprises the amount by which the Group's cost of acquisition for the shares in a subsidiary exceeds the fair value of net assets in a subsidiary as determined in an acquisition analysis on the acquisition date. Other intangible assets are amortised on a straight-line basis over the estimated life of the asset as follows:

| | |
|---|---|
| Brands | 10 years |
| Licences | 3–5 years |
| Sales rights | 3–5 years |

**Tangible assets**
A tangible asset is recognised as an asset in the balance sheet when it is probable that the economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Tangible assets are recognised at cost less accumulated depreciation and impairment losses.

Gains/losses on the sale of tangible assets are calculated as the difference between the net realisable value and carrying amount of the item less direct costs to sell. In the income statement, these are recognised in other operating income/expenses.

Tangible assets are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Office buildings | 20–90 years |
| Land improvements | 10 years |
| Plant and machinery | 5 years |
| Equipment, tools, fixtures and fittings | 3–5 years |

The carrying amounts of tangible assets are tested if circumstances indicate a possible impairment. When impairment is indicated, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised in the income statement.

# Notes

The Group applies component depreciation for buildings, which means that the building is divided into sub-components with different useful lives and therefore also different depreciation periods.

**Leased assets**

IAS 17 Leases is applied for classification of finance and operating leases in the Group. Assets held under finance leases are recorded as non-current assets in the consolidated balance sheet. The obligation to pay future lease payments is reported in the balance sheet under current and non-current liabilities. The leased assets are depreciated on a straight-line basis, while the lease payments are recognised in interest expenses and repayment of debt.

Leases where substantially the risks and rewards of ownership are not transferred to the Group are classified as operating leases. The related lease payments are charged to the income statement on a straight-line basis over the lease term.

**Impairment**

Goodwill and other intangible assets are tested for impairment at least annually, or more frequently if circumstances indicate a possible impairment. The need for a write-down (impairment loss) is determined according to IAS 36 Impairment of Assets

The carrying amounts of other assets, aside from inventories, held-for-sale assets and deferred tax assets which are excepted from mandatory impairment testing, are tested if circumstances indicate a possible impairment.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Historical cost is measured according to the First-In, First-Out (FIFO) principle. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

**Provisions**

A provision is recognised in the balance sheet, divided into current and non-current liabilities, when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. Provisions are recognised at the best estimate of the amount required to settle the obligation. When the timing effect of payment is significant, provisions are measured at discounted present value.

**Income tax expense**

In the Swedish and foreign group units, current and deferred income tax are reported in the income statement under "income tax expense". The reported income taxes include tax payable or receivable with respect to the current year, adjustments pertaining to current tax for prior years and changes in deferred tax.

All tax liabilities/assets are measured at the nominal amount according to the tax regulations and tax rates that have been enacted or substantively enacted on the balance sheet date.

For items recognised in the income statement, the related tax effects are reported in the income statement. The tax effects of items recognised directly in equity are also recognised in equity. Group companies are liable for tax according to the applicable laws in each respective country. The national income tax rate in Sweden during 2007 was 28 per cent and is computed on nominal reported profit plus non-deductible items less non-taxable income and other deductions.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amount of an asset or liability and its tax base.

Deferred tax liabilities/assets are computed at the anticipated tax rate on the expected settlement/recovery date of the temporary difference. Temporary differences pertaining to deferred tax assets have arisen primarily through the difference between the carrying amounts and tax bases of tangible assets and loss carryforwards. Temporary differences pertaining to deferred tax liabilities have arisen primarily through the difference between the carrying amounts and taxable values of tangible assets and untaxed reserves.

Deferred tax assets comprising tax loss carryforwards and other future tax deductions are recognised to the extent that it is probable that these can be used against future taxable profits.

**Cash flow statement**

The cash flow statement shows incoming and outgoing movements in cash. The indirect method has been used for presentation of cash flow from operating activities. Cash and cash equivalents are defined as cash in hand and at bank and short-term investments with an original maturity of less than three months.

**Employee benefits**

The Group has both defined contribution and defined benefit pension plans. Pension costs for the defined benefit plans are allocated over the working lives of the employees. The defined benefit plans consist primarily of ITP plans that are insured in Alecta. For the financial year 2007, the company has not had access to sufficient information for these to be recognised as defined benefit plans. Consequently, ITP pensions secured through insurance with Alecta are reported as a defined contribution plan. The year's contributions for pension insurance with Alecta amounted to SEK 3.6 M (2.5). Alecta's surplus can be distributed to the policyholders (the employers) and/or the insureds. At year-end 2007, Alecta's collective funding ratio was 152.0 per cent (143.1). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of insurance obligations calculated in accordance with Alecta's assumptions, which do not conform to IAS 19. Other defined benefit plans are of minor significance.

**Parent Company accounting principles**

The financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 32:06 Accounting for Legal Entities. RR 32:06 states that the Parent Company shall apply all EU-endorsed IFRSs and interpretations as far as possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation.

**New accounting standards not yet effective**

The Swedish Financial Reporting Board's recommendation RFR 2.1 Accounting for Legal Entities is a revision of the Swedish Financial Accounting Standards Council's recommendation RR 32:06 Accounting for Legal Entities. The recommendation is effective for annual periods beginning on or after 1 January 2008 and has not been early applied by the Parent Company.

**Group and shareholder contributions**

Group and shareholder contributions are reported in accordance with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 7. Shareholder contributions are recognised directly in equity by the recipient and are capitalised in shares and participations by the giver, to the extent that impairment is not indicated. Group contributions are reported in accordance with their financial significance. This means that Group contributions paid to minimise the Group's overall tax burden are reported directly in retained earnings less the current tax effect.



## NOTE 2 | Segment reporting

**Information about business segments and geographical segments**

Business segments are the Group's primary segment. Geographical segments are the Group's secondary segment.

**Business segments**

| 2007, SEK M | Electronics | Products | Production Technology | Other (Parent Company, eliminations, etc.) | Group |
|---|---|---|---|---|---|
| External revenue | 598.5 | 121.4 | 120.6 | –1.3 | 839.2 |
| Internal revenue | 2.1 | 1.0 | 0.3 | –3.4 | 0 |
| **Total revenue** | **600.6** | **122.4** | **120.9** | **–4.7** | **839.2** |
| Operating profit | 34.5 | 0.8 | 5.3 | –18.4 | 22.2 |
| Assets by business segment | 170.9 | 68.3 | 37.1 | 145.9 | 422.2 |
| Unallocated assets | | | | | 19.4 |
| **Total assets** | **170.9** | **68.3** | **37.1** | **145.9** | **441.6** |
| Liabilities by business segment | 106.6 | 58.2 | 22.0 | 19.8 | 206.6 |
| Unallocated liabilities | | | | | 20.8 |
| **Total liabilities** | **106.6** | **58.2** | **22.0** | **19.8** | **227.4** |
| Capital expenditure | 2.5 | 0.5 | 3.5 | 12.2 | 18.7 |
| Amortisation/depreciation | 5.1 | 4.4 | 5.2 | 1.0 | 15.7 |
| Impairment | 4.2 | | | | 4.2 |

| 2006, SEK M | | | | | |
|---|---|---|---|---|---|
| External revenue | 631.5 | 79.9 | 115.1 | 0.3 | 826.8 |
| Internal revenue | 2.8 | 2.6 | 4.2 | –9.6 | 0.0 |
| **Total revenue** | **634.3** | **82.5** | **119.3** | **–9.3** | **826.8** |
| Operating profit | 42.9 | 6.0 | 11.8 | –17.2 | 43.5 |
| Assets by business segment | 148.1 | 26.2 | 31.1 | 120.7 | 326.1 |
| Unallocated assets | | | | | 4.1 |
| **Total assets** | **148.1** | **26.2** | **31.1** | **120.7** | **330.2** |
| Liabilities by business segment | 85.4 | 15.6 | 19.8 | –19.5 | 101.3 |
| Unallocated liabilities | | | | | 21.5 |
| **Total liabilities** | **85.4** | **15.6** | **19.8** | **–19.5** | **122.8** |
| Capital expenditure | 1.3 | 1.0 | 6.7 | 0.4 | 9.4 |
| Amortisation/depreciation | 2.6 | 1.0 | 3.2 | 0.2 | 7.0 |

**Geographical segments**

| 2007, SEK M | Nordic region | Rest of Europe | Rest of World | Group |
|---|---|---|---|---|
| Total external revenue | 622.5 | 89.8 | 126.9 | 839.2 |
| Assets | 413.9 | 7.9 | 0.4 | 422.2 |
| Capital expenditure | 18.5 | 0.1 | 0.1 | 18.7 |

| 2006, SEK M | | | | |
|---|---|---|---|---|
| Total external revenue | 616.4 | 135.9 | 74.5 | 826.8 |
| Assets | 310.8 | 15.9 | 0.0 | 326.1 |
| Capital expenditure | 9.2 | 0.2 | 0.0 | 9.4 |

## NOTE 3 Other operating income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Commission-based income | 11,412 | 14,455 | – | – |
| Invoiced expenses | 3,982 | 3,010 | – | – |
| Rental income | – | 3 | – | – |
| Exchange gains on the sale of non-current assets | 95 | – | 1 | – |
| Exchange rate differences | – | – | – | 17 |
| Other | 1,327 | 4,782 | – | 204 |
| **Total** | **16,816** | **22,250** | **1** | **221** |

## NOTE 4 Employees and personnel costs

| Average number of employees | 2007 | Of whom, women | 2006 | Of whom, women |
|---|---|---|---|---|
| PARENT COMPANY | | | | |
| Sweden | 13 | 3 | 12 | 3 |
| **Total Parent Company** | **13** | **3** | **12** | **3** |
| SUBSIDIARIES | | | | |
| Sweden | 114 | 37 | 117 | 37 |
| Denmark | 31 | 8 | 15 | 6 |
| UK | 7 | 1 | – | – |
| Estonia | 112 | 101 | 72 | 61 |
| Philippines | – | – | 6 | 2 |
| Finland | 48 | 21 | 15 | 2 |
| China | 8 | 2 | – | – |
| Lithuania | 3 | – | 3 | – |
| Norway | 10 | 3 | 11 | 3 |
| Poland | 9 | 3 | 9 | 3 |
| Sri Lanka | 4 | 1 | – | – |
| **Total subsidiaries** | **346** | **177** | **248** | **114** |
| **Total Group** | **359** | **180** | **260** | **117** |

| | 2007 | | 2006 | |
|---|---|---|---|---|
| Gender distribution in management | Women | Men | Women | Men |
| PARENT COMPANY | | | | |
| Board of Directors | 2 | 4 | 2 | 4 |
| Senior executives | – | 4 | – | 4 |
| GROUP | | | | |
| Boards | 3 | 30 | 3 | 26 |
| Senior executives | – | 8 | – | 8 |

| Breakdown of salaries and other remuneration by country and between management and other employees | 2007 Board and President | 2007 Other employees | 2006 Board and President | 2006 Other employees |
|---|---|---|---|---|
| PARENT COMPANY | | | | |
| Sweden | 3,330 | 5,326 | 3,306 | 5,692 |
| – of which bonuses, etc. | – | | 694 | |
| **Total Parent Company** | **3,330** | **5,326** | **3,306** | **5,692** |
| – of which bonuses, etc. | – | | 694 | |
| SUBSIDIARIES | | | | |
| Sweden | 3,919 | 44,020 | 3,566 | 46,759 |
| – of which bonuses, etc. | 240 | | 288 | |
| Denmark | 1,284 | 7,539 | 514 | 7,382 |
| – of which bonuses, etc. | 68 | | 114 | |
| UK | – | 1,900 | – | – |
| – of which bonuses, etc. | – | | – | |
| Estonia | 324 | 4,981 | 299 | 3,948 |
| – of which bonuses, etc. | – | | 27 | |
| Philippines | – | – | – | 346 |
| – of which bonuses, etc. | – | | – | |
| Finland | 1,180 | 13,855 | 859 | 7,020 |
| – of which bonuses, etc. | 221 | | – | |
| China | – | 513 | – | – |
| – of which bonuses, etc. | – | | – | |
| Lithuania | 200 | 72 | 198 | 45 |
| – of which bonuses, etc. | – | | – | |
| Norway | 842 | 6,160 | 1,495 | 6,100 |
| – of which bonuses, etc. | 37 | | 123 | |
| Poland | 295 | 1,156 | 284 | 851 |
| – of which bonuses, etc. | – | | – | |
| Sri Lanka | – | 65 | – | – |
| – of which bonuses, etc. | – | | – | |
| **Total subsidiaries** | **8,044** | **80,261** | **7,215** | **72,451** |
| – of which bonuses, etc. | 566 | | 552 | |
| **Total Group** | **11,374** | **85,587** | **10,521** | **78,143** |
| – of which bonuses, etc. | 566 | | 1,246 | |

| Salaries, other remuneration and social security contributions | 2007 Salaries and remuneration | 2007 Social security contributions | 2006 Salaries and remuneration | 2006 Social security contributions |
|---|---|---|---|---|
| PARENT COMPANY | 8,656 | 5,015 | 8,998 | 4,567 |
| – of which, pension costs | | 1,632 | | 1,538 |
| SUBSIDIARIES | 88,305 | 29,034 | 79,666 | 26,035 |
| – of which, pension costs | | 9,954 | | 7,741 |
| **Total group** | **96,961** | **34,049** | **88,664** | **30,602** |
| – of which, pension costs[1] | | 11,586 | | 9,279 |

[1] Of the Group's total pension costs, SEK 1,501 thousand (1,517) refers to the Group's Board of Directors and President.

| | Basic salary/Board fees | Bonus | Other benefits | Pension costs | Other remuneration | Total |
|---|---|---|---|---|---|---|
| Kenneth Lindqvist, Chairman of the Board | 200 | | – | – | 10 | 210 |
| Thomas Wernhoff, Vice Chairman | 150 | | – | – | 5 | 155 |
| Catharina Lagerstam, Board member | 100 | | – | – | – | 100 |
| Magnus Norman, Board member | 100 | | – | – | – | 100 |
| Jan Pettersson, Board member | 100 | | – | – | – | 100 |
| Johan Ålander, President and CEO | 1,533 | | 125 | 384 | – | 2,042 |
| Jens Hansson, Vice President | 919 | | 87 | 253 | – | 1,259 |
| Other senior executives (7 persons) | 5,491 | 240 | 481 | 1,251 | – | 7,463 |
| **Total (14 persons)** | **8,593** | **240** | **693** | **1,888** | **15** | **11,429** |

The President and CEO has an agreement for termination benefits granting a maximum of six monthly salaries in addition to a 12-month notice period in the event of termination by the company, as well as payment of pension premiums according to the ITP plan.

The terms of employment for other members of the Executive Management include notice periods of up to 12 months on the part of the company.

| | Parent Company | |
|---|---|---|
| Sickness absence, % | 2007 | 2006 |
| Total sickness absence as a percentage of total normal working hours | 0.34 | 1.14 |
| Percentage of total sickness absence for 60 consecutive days or more | 0.00 | 0.00 |
| Sickness absence for men | 0.11 | 1.10 |
| Sickness absence for women | 1.18 | 1.31 |
| Sickness absence, employees under 30 years | 1.63 | 2.81 |
| Sickness absence, employees 30–49 years | 0.25 | 0.89 |
| Sickness absence, employees 50 years and older | 0.00 | 2.09 |

## NOTE 5 Fees to auditors

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Ernst & Young | | | | |
| – Auditing assignments | 1,243 | 682 | 462 | 150 |
| – Non-auditing assignments | 412 | 1,640 | 251 | 1,621 |
| Other auditors | | | | |
| – Auditing assignments | 77 | 79 | – | – |
| – Non-auditing assignments | 9 | – | – | – |
| **Total** | **1,741** | **2,401** | **713** | **1,771** |

## NOTE 6 Operating leases

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| The year's lease expenses | 11,392 | 9,127 | 502 | 542 |
| Contracted future lease payments fall due as follows: | | | | |
| Within one year | 10,357 | 7,663 | 416 | 380 |
| Between one and five years | 11,838 | 5,951 | 393 | 324 |
| Later than five years | 514 | – | – | – |
| **Total** | **22,709** | **13,614** | **809** | **704** |

## NOTE 7 Amortisation/depreciation and impairment

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Amortisation/depreciation** | | | | |
| Brands | –1,050 | – | – | – |
| Licenses | –75 | –42 | – | – |
| Sales rights | –4,881 | –1,744 | – | – |
| Buildings | –749 | –705 | –281 | –237 |
| Machinery | –5,624 | –3,016 | – | – |
| Equipment and tools | –3,389 | –1,525 | –271 | –134 |
| | **–15,768** | **–7,032** | **–552** | **–371** |
| **Impairment** | | | | |
| Goodwill | –4,174 | – | – | – |
| **Total** | **–19,942** | **–7,032** | **–552** | **–371** |

## NOTE 8 Other operating expenses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Capital losses on the sale of non-current assets | –449 | –549 | – | – |
| Exchange rate differences | –194 | – | –17 | – |
| Other | – | –1,029 | – | – |
| **Total** | **–643** | **–1,578** | **–17** | **–** |

## NOTE 9 Result from participations in group companies

| | Parent Company | |
|---|---|---|
| | 2007 | 2006 |
| Dividends | 11,306 | 6,737 |
| Impairment loss on shares in subsidiaries | –9,907 | –6,900 |
| Capital loss on the sale of shares | – | –421 |
| **Total** | **1,399** | **–584** |

## NOTE 10 Financial income/Interest income and similar profit/loss items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Gains on other securities | 48 | 14 | – | 48 |
| Interest income from group companies | – | – | 683 | 555 |
| Interest income, other | 1,739 | 1,048 | 363 | 165 |
| Exchange rate differences | – | 282 | – | 249 |
| Other | – | 436 | – | – |
| **Total** | **1,787** | **1,780** | **1,046** | **1,017** |

## NOTE 11 Financial expenses/Interest expenses and similar profit/loss items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Losses on the sale of shares in group companies | – | –1,170 | – | – |
| Losses on the sale of shares in associated companies | – | –12 | – | – |
| Interest expenses from group companies | – | – | –577 | –268 |
| Interest expenses, other | –3,452 | –735 | –2,270 | –586 |
| Exchange rate differences | –940 | –1,033 | –286 | –191 |
| Other | –31 | –180 | – | –176 |
| **Total** | **–4,423** | **–3,130** | **–3,133** | **–1,221** |

## NOTE 12 Appropriations

| | Parent Company | |
|---|---|---|
| | 2007 | 2006 |
| Reversal of tax allocation reserves | 3,808 | 2,828 |
| Provisions to tax allocation reserves | –17 | –549 |
| **Total** | **3,791** | **2,279** |

## NOTE 13 Intangible assets

**Group**

| 2006 | Goodwill | Brands | Licenses | Sales rights | Assets under development | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 49,115 | – | 207 | 2,300 | – | 51,622 |
| Business combinations | | | | 7,026 | | 7,026 |
| Investments | | | 12 | | | 12 |
| Translation differences | –494 | | –3 | | | –497 |
| **At 31 December** | **48,621** | **–** | **216** | **9,326** | **–** | **58,163** |
| | | | | | | |
| **Amortisation and impairment** | | | | | | |
| At 1 January | – | – | –150 | –704 | – | –854 |
| Amortisation | | | –42 | –1,744 | | –1,786 |
| Translation differences | | | 2 | | | 2 |
| **At 31 December** | **–** | **–** | **–190** | **–2,448** | **–** | **–2,638** |
| | | | | | | |
| Carrying amount at 1 January | 49,115 | – | 57 | 1,596 | – | 50,768 |
| Carrying amount at 31 December | 48,621 | – | 26 | 6,878 | – | 55,525 |

| 2007 | Goodwill | Brands | Licenses | Sales rights | Assets under development | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 48,621 | – | 216 | 9,326 | – | 58,163 |
| Business combinations | 22,217 | 14,564 | 3,270 | 15,229 | | 55,280 |
| Investments | | | 17 | | 8,418 | 8,435 |
| Translation differences | 1,003 | 300 | 77 | 334 | | 1,714 |
| **At 31 December** | **71,841** | **14,864** | **3,580** | **24,889** | **8,418** | **123,592** |
| | | | | | | |
| **Amortisation and impairment** | | | | | | |
| At 1 January | – | – | –190 | –2,448 | – | –2,638 |
| Business combinations | | –2,029 | –3,198 | | | –5,227 |
| Amortisation | | –1,050 | –75 | –4,881 | | –6,006 |
| Impairment charge | –4,174 | | | | | –4,174 |
| Translation differences | –115 | –67 | –75 | –41 | | –298 |
| **At 31 December** | **–4,289** | **–3,146** | **–3,538** | **–7,370** | **–** | **–18,343** |
| | | | | | | |
| Carrying amount at 1 January | 48,621 | – | 26 | 6,878 | – | 55,525 |
| Carrying amount at 31 December | 67,552 | 11,718 | 42 | 17,519 | 8,418 | 105,249 |

The Group's reported goodwill in continuing operations is allocated by segment as follows:

| | 2007 | 2006 |
|---|---|---|
| Electronics | 24,574 | 27,904 |
| Products | 21,486 | 1,122 |
| Production Technology | 21,492 | 19,595 |
| | **67,552** | **48,621** |

**Impairment testing of goodwill**

For the first year, the future cash flows used in calculation of value in use are based on the budget for 2008. For the period thereafter, cash flows are based on the Group's strategic plan through the year 2010. The cash flows forecasted after 2010 are based on projected cash flows for 2010. For the years after 2012, a terminal value has been forecasted. The forecasted cash flows have been discounted to present value at a rate corresponding to a weighted average capital cost of 16 per cent before tax. With a rate of 16 per cent, value in use exceeds the carrying amount of goodwill after adjustment for impairment losses of SEK 4,2 M recognised in 2007.

Key assumptions, i.e. assumptions where changes can have a significant impact on cash flows, consist primarily of assumptions about future volume development and growth. In the business and strategic plans on which the cash flows are based, the company's management has estimated an increase of 3 to 5 per cent annually through 2009. This estimate is based on historical experience and anticipated growth in the industry. The management's assessment is that reasonably possible changes in the assumptions used in these calculations would not have such significant effects that any of these could individually reduce the recoverable amount to a value lower than the carrying amount.

The sales rights refer partly to an agreement with Digital Logic for the sale of the company's products, and partly to an agreement with several manufacturers of production equipment for the sale of their products in Finland and Denmark. These are amortised over a period of three to five years.

The brands are connected to the acquisition of Profec Technologies and are amortised over a period of ten years.

| **Parent Company** 2007 | Goodwill | Assets under development | Total |
|---|---|---|---|
| **Cost** | | | |
| At 1 January | – | – | – |
| Merger of subsidiaries | 461 | | 461 |
| Investments | | 8,418 | 8,418 |
| **At 31 December** | **461** | **8,418** | **8,879** |
| | | | |
| Carrying amount at 1 January | – | – | – |
| Carrying amount at 31 December | 461 | 8,418 | 8,879 |

## NOTE 14 Tangible assets

| **Group** 2006 | Buildings and land | Plant and machinery | Equipment, tools, fixtures and fittings | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 20,362 | 26,867 | 39,065 | 86,294 |
| Business combinations | | | 1,398 | 1,398 |
| Investments | | 6,978 | 2,377 | 9,355 |
| Disposals | | –5,227 | –5,131 | –10,358 |
| Reclassifications | | | –10,128 | –10,128 |
| Translation differences | | –879 | –519 | –1,398 |
| **At 31 December** | **20,362** | **27,739** | **27,062** | **75,163** |
| | | | | |
| **Depreciation and impairment** | | | | |
| At 1 January | –2,480 | –18,644 | –26,264 | –47,388 |
| Business combinations | | | –142 | –142 |
| Depreciation | –705 | –3,016 | –1,525 | –5,246 |
| Disposals | | 3,334 | 3,954 | 7,288 |
| Reclassifications | | | 2,987 | 2,987 |
| Translation differences | | 485 | 280 | 765 |
| **At 31 December** | **–3,185** | **–17,841** | **–20,710** | **–41,736** |
| | | | | |
| Carrying amount at 1 January | 17,882 | 8,223 | 12,801 | 38,906 |
| Carrying amount at 31 December | 17,177 | 9,898 | 6,352 | 33,427 |
| | | | | |
| Tax assessment value in Sweden | 8,005 | | | |
| Property mortgages | 8,300 | | | |

| 2007 | | | | |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 20,362 | 27,739 | 27,062 | 75,163 |
| Business combinations | | 62,070 | 10,173 | 72,243 |
| Investments | 1,542 | 4,012 | 4,794 | 10,348 |
| Disposals | | –3,682 | –4,749 | –8,431 |
| Translation differences | | 1,858 | 638 | 2,496 |
| **At 31 December** | **21,904** | **91,997** | **37,918** | **151,819** |
| | | | | |
| **Depreciation and impairment** | | | | |
| At 1 January | –3,185 | –17,841 | –20,710 | –41,736 |
| Business combinations | | –52,666 | –8,007 | –60,673 |
| Depreciation | –749 | –5,624 | –3,389 | –9,762 |
| Disposals | | 2,145 | 4,254 | 6,399 |
| Translation differences | | –1,652 | –382 | –2,034 |
| **At 31 December** | **–3,934** | **–75,638** | **–28,234** | **–107,806** |
| | | | | |
| Carrying amount at 1 January | 17,177 | 9,898 | 6,352 | 33,427 |
| Carrying amount at 31 December | 17,970 | 16,359 | 9,684 | 44,013 |
| | | | | |
| Tax assessment value in Sweden | 9,484 | | | |
| Property mortgages | 8,300 | | | |

# Notes

**Parent Company**

| 2006 | Buildings and land | Plant and machinery | Equip-ment, tools, fix-tures and fittings | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 13,163 | 3,280 | 9,556 | 25,999 |
| Investments | | | 323 | 323 |
| Reclassifications | | | –1,303 | –1,303 |
| **At 31 December** | **13,163** | **3,280** | **8,576** | **25,019** |
| **Depreciation and impairment** | | | | |
| At 1 January | –1,544 | –3,280 | –8,463 | –13,287 |
| Depreciation | –237 | | –134 | –371 |
| Reclassifications | | | 387 | 387 |
| **At 31 December** | **–1,781** | **–3,280** | **–8,210** | **–13,271** |
| Carrying amount at 1 January | 11,619 | – | 1,093 | 12,712 |
| Carrying amount at 31 December | 11,382 | – | 366 | 11,748 |
| **2007** | | | | |
| **Cost** | | | | |
| At 1 January | 13,163 | 3,280 | 8,576 | 25,019 |
| Investments | 1,542 | | 989 | 2,531 |
| Disposals | | | –19 | –19 |
| **At 31 December** | **14,705** | **3,280** | **9,546** | **27,531** |
| **Depreciation and impairment** | | | | |
| At 1 January | –1,781 | –3,280 | –8,210 | –13,271 |
| Depreciation | –281 | | –271 | –552 |
| Disposals | | | 19 | 19 |
| **At 31 December** | **–2,062** | **–3,280** | **–8,462** | **–13,804** |
| Carrying amount at 1 January | 11,382 | – | 366 | 11,748 |
| Carrying amount at 31 December | 12,643 | – | 1,084 | 13,727 |

## NOTE 15 Participations in group companies

| | 2007 | 2006 |
|---|---|---|
| **Cost** | | |
| At 1 January | 129,918 | 118,237 |
| Acquisition of subsidiaries | 47,988 | 9,956 |
| Acquisition of minority shares | – | 2,000 |
| Group contributions rendered | 6,456 | – |
| Group contributions repaid | – | –275 |
| Merger of subsidiaries | –3,976 | – |
| **At 31 December** | **180,386** | **129,918** |
| **Impairment** | | |
| At 1 January | –6,956 | –56 |
| The year's recognised impairment losses | –9,907 | –6,900 |
| **At 31 December** | **–16,863** | **–6,956** |
| **Carrying amount at 31 December** | **163,523** | **122,962** |

| The Parent Company's direct holdings in group companies | No. of shares | Holding, % | Carrying amount 2007 | Carrying amount 2006 |
|---|---|---|---|---|
| About Industrial Computers AB | 1,366 | 100 | 4,956 | 4,956 |
| EG Components Sweden AB | 1,000 | 100 | 150 | 150 |
| EG Electronic Components AB | 1,000 | 100 | – | 1,200 |
| EG Fiberoptics AB | 1,000 | 100 | – | 700 |
| ETAL Group AB | 1,000 | 100 | 4,930 | 4,930 |
| EG MTC Försäljnings AB | 270,000 | 100 | – | 2,076 |
| EG Electronics AB | 100 | 100 | 4,680 | 4,680 |
| Sincotron Holding AB | 1,000 | 100 | 37,107 | 42,000 |
| Österlinds El-Agentur AB | 10,000 | 100 | 23,139 | 23,139 |
| AS Scanditron | 400 | 100 | 264 | 264 |
| EG Components Denmark A/S | 500 | 100 | 20,856 | 25,870 |
| EG Components Finland Oy | 152 | 100 | 7,563 | 7,563 |
| EG Components Norway AS | 2,500 | 100 | 5,434 | 5,434 |
| Scanditron Danmark A/S | 500 | 100 | 13,327 | – |
| EG (Shanghai) Commercial Co., Ltd. | – | 100 | 935 | – |
| EG Power Electronics (India) Private Ltd. | 10,000 | 100 | 26 | – |
| ETAL Group Oy | 38,039 | 100 | 33,858 | – |
| Scanditron Finland Oy | 1,500 | 100 | 6,298 | – |
| Scanditron UAB | 100 | 100 | 0 | 0 |
| **Total** | | | **163,523** | **122,962** |

| Information about the group companies' corp. ID numbers and domiciles – operating companies | Corporate ID number | Domicile |
|---|---|---|
| About Industrial Computers AB | 556567-5922 | Gothenburg |
| EG Components Sweden AB | 556268-4224 | Stockholm |
| ETAL Group AB | 556309-9133 | Stockholm |
| EG Electronics AB | 556648-7335 | Stockholm |
| Sincotron Holding AB | 556598-4555 | Stockholm |
| Österlinds El-Agentur AB | 556080-0863 | Täby |
| Scanditron Sverige AB | 556447-9029 | Stockholm |
| AS Scanditron | | Tallinn, Estonia |
| EG Components Denmark A/S | | Brøndby, Denmark |
| EG Components Finland Oy | | Helsinki, Finland |
| EG Components Norway AS | | Oslo, Norway |
| Scanditron Danmark A/S | | Lystrup, Denmark |
| EG (Shanghai) Commercial Co., Ltd. | | Shanghai, China |
| EG Power Electronics (India) Private Ltd. | | Chennai, India |
| ETAL Group Oy | | Nummela, Finland |
| Scanditron Finland Oy | | Helsinki, Finland |
| Scanditron UAB | | Vilnius, Lithuania |
| Scanditron Sp. z o.o. | | Lodz, Poland |

## NOTE 16 Receivables from group companies

| | Parent Company | |
|---|---|---|
| | 2007 | 2006 |
| At 1 January | 216 | 4,851 |
| Borrowings | 14,672 | – |
| Amortisation/impairment | – | –1,873 |
| Reclassifications to current liabilities | – | –2,711 |
| Exchange rate differences | 234 | –51 |
| **At 31 December** | **15,122** | **216** |

## NOTE 17 Financial assets

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| Investment shares | – | 53 |
| Deposits | 1,042 | – |
| Other assets | 87 | 421 |
| **Total** | **1,129** | **474** |

## NOTE 18 Inventories

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| Raw materials and consumables | 13,916 | 6,891 |
| Goods in progress | 387 | 445 |
| Finished goods and goods for resale | 58,888 | 55,322 |
| **Total** | **73,191** | **62,658** |

The Group's cost of goods sold includes inventory impairment losses of SEK 3 M (4).

## NOTE 19 Trade receivables – age analysis

| **Group** | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| Days | Gross amount | Impair-ment | Carrying amount | Gross amount | Impair-ment | Carrying amount |
| Not past due | 119,753 | 392 | 119,361 | 101,890 | 326 | 101,564 |
| < 30 | 30,525 | 159 | 30,366 | 22,421 | 49 | 22,372 |
| 31–60 | 5,248 | 277 | 4,971 | 3,208 | 5 | 3,203 |
| 61–90 | 2,107 | 65 | 2,042 | 1,447 | 126 | 1,321 |
| 91–120 | 804 | 63 | 741 | 1,405 | 94 | 1,311 |
| > 121 | 4,711 | 260 | 4,451 | 2,743 | 403 | 2,340 |
| **Total** | **163,148** | **1,216** | **161,932** | **133,114** | **1,003** | **132,111** |

| **Provisions for doubtful debts** | 2007 | 2006 |
|---|---|---|
| At 1 January | 1,003 | 1,398 |
| During the year | | |
| – provisions made | 377 | 433 |
| – provisions utilised | – | –340 |
| – provisions reversed | –265 | –443 |
| Acquisition of subsidiaries | 14 | – |
| Translation differences | 87 | –45 |
| **At 31 December** | **1,216** | **1,003** |

## NOTE 20 Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Prepaid goods | – | 1,384 | – | – |
| Prepaid rents and lease charges | 1,456 | 1,252 | 66 | – |
| Prepaid insurance | 545 | 867 | – | 505 |
| Prepaid service | 284 | 360 | – | 95 |
| Prepaid pensions | 130 | 187 | 80 | 78 |
| Accrued income from the sale of associated company | – | 1,020 | – | – |
| Accrued commission-based income | 741 | 784 | – | – |
| Other | 3,707 | 946 | 471 | 158 |
| **Total** | **6,863** | **6,800** | **617** | **836** |

## NOTE 21 Cash and cash equivalents

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Cash and bank | 24,168 | 33,794 | 6 | 6,900 |

Cash and cash equivalents comprise cash in hand and at bank (or equivalent institutions) and other highly liquid short-term investments with original maturities of less than three months.

## NOTE 22 Share capital and dividends

The Parent Company's share capital consists of 5,597,200 shares (5,597,200) with a quota value of SEK 5 each. The shares are divided between 150,000 class A shares and 5,447,200 class B shares.

The Board proposes the AGM that the shareholders receive a dividend of SEK 2.10 per share (2.10), amounting to a total distribution of SEK 11,754,120 (11,754,120).

## NOTE 23 Untaxed reserves

| | Parent Company | |
|---|---|---|
| | 2007 | 2006 |
| Tax allocation reserve, tax assessment year 2002 | – | 3,808 |
| Tax allocation reserve, tax assessment year 2007 | 549 | 549 |
| Tax allocation reserve, tax assessment year 2008 | 17 | – |
| **Total** | **566** | **4,357** |

## NOTE 24 Interest-bearing liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Utilised bank overdraft facilities | 50,224 | 1,066 | 39,685 | – |
| Borrowings | 42,827 | – | 37,375 | – |
| Less: current portion of borrowings | –10,327 | – | –4,875 | – |
| **Total non-current liabilities** | **82,724** | **1,066** | **72,185** | **–** |
| Credit ceiling for bank overdraft facilities | 70,184 | 35,652 | 53,671 | 28,904 |
| **Maturity structure for loans** | | | | |
| 2008 | 10,327 | – | 4,875 | – |
| 2009 | 4,875 | – | 4,875 | – |
| 2010 | 4,875 | – | 4,875 | – |
| 2011 | 4,875 | – | 4,875 | – |
| 2012 | 4,875 | – | 4,875 | – |
| 2013 and later | 13,000 | – | 13,000 | – |
| **Total** | **42,827** | **–** | **37,375** | **–** |

# Notes

## NOTE 25 Other provisions

| 2006 | Group Guarantees | Other provisions | Total |
|---|---|---|---|
| At 1 January | 595 | – | 595 |
| The year's provisions | 250 | 14 | 264 |
| The year's utilisation of provisions | –491 | – | –491 |
| **At 31 December** | **354** | **14** | **368** |
| – of which, non-current provisions | 354 | 14 | 368 |
| – of which, current provisions | – | – | – |
| **2007** | | | |
| At 1 January | 354 | 14 | 368 |
| The year's provisions | 280 | – | 280 |
| The year's utilisation of provisions | –342 | –14 | –356 |
| **At 31 December** | **292** | **–** | **292** |
| – of which, non-current provisions | 19 | – | 19 |
| – of which, current provisions | 273 | – | 273 |

## NOTE 26 Taxes

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Current tax | –7,984 | –10,838 | 5,076 | 4,018 |
| Deferred tax | 3,302 | –823 | –23 | –45 |
| **Reported tax** | **–4,682** | **–11,661** | **5,053** | **3,973** |

**Tax on items recognised directly in equity**

| | Group 2007 | Group 2006 | Parent Company 2007 | Parent Company 2006 |
|---|---|---|---|---|
| Tax effect of group contributions | – | – | –5,096 | –4,480 |
| Revaluation of hedges | –32 | 36 | – | – |
| **Total** | **–32** | **36** | **–5,096** | **–4,480** |

**Reconciliation of effective tax**

| | Group 2007 | Group 2006 | Parent Company 2007 | Parent Company 2006 |
|---|---|---|---|---|
| Reported profit before tax | 19,591 | 42,160 | –16,878 | –15,212 |
| Estimated tax of 28 per cent (28) | –5,485 | –11,805 | 4,726 | 4,259 |
| Effect of foreign tax rates | –202 | 263 | – | – |
| Consolidated goodwill | 1,242 | 300 | – | – |
| Dividends from group companies | – | – | 3,165 | 1,886 |
| Non-deductible expenses | –374 | –320 | –28 | –27 |
| Non-taxable income | 226 | 6 | – | 2 |
| Impairment losses on shares in subsidiaries | – | – | –2,774 | –1,932 |
| Impairment losses on loans to group companies | – | –49 | – | –49 |
| Tax on profit in foreign group companies for which no tax is computed | 9 | 231 | – | – |
| Uncapitalised loss carryforwards | –43 | – | – | – |
| Interest on tax allocation reserves | –191 | –170 | –31 | –44 |
| Tax attributable to prior year | 136 | –125 | –5 | – |
| Other items | – | 8 | – | –122 |
| **Effective tax** | **–4,682** | **–11,661** | **5,053** | **3,973** |

Swedish income tax has been applied. The tax rate is 28 per cent (28).

Temporary differences pertaining to the following items have given rise to deferred tax assets and liabilities.

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Deferred tax assets** | | | | |
| Plant and machinery | 650 | 387 | 30 | 53 |
| Inventories | 112 | 157 | – | – |
| Trade receivables | 141 | 153 | – | – |
| Forward contracts | – | 25 | – | – |
| Pensions | – | 286 | – | – |
| Loss carryforwards | 14,613 | 13 | – | – |
| Other | – | 419 | – | – |
| **Total deferred tax assets** | **15,516** | **1,440** | **30** | **53** |
| **Deferred tax liabilities** | | | | |
| Plant and machinery | 153 | 487 | – | – |
| Buildings | 1,490 | 1,623 | – | – |
| Forward contracts | 7 | – | – | – |
| Trade payables | 31 | 36 | – | – |
| Intangible assets | 7,857 | 1,694 | – | – |
| Untaxed reserves | 9,146 | 8,621 | – | – |
| **Total deferred tax liabilities** | **18,684** | **12,461** | **–** | **–** |
| **Net deferred tax liabilities** | **3,168** | **11,021** | **–30** | **–53** |

The capitalised loss carryforwards attributable to the acquisition of ETAL Group Oy can be utilised within 10 years (between the years 2011–2016), of which the bulk will expire between 2013–2016. In addition, there are uncapitalised loss carryfowards of approximately SEK 5 M attributable to the above acquisition.

## NOTE 27 Other current liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Prepayments from customers | 468 | 418 | – | – |
| Other liabilities | 15,476 | 10,414 | 2,856 | 420 |
| **Total** | **15,944** | **10,832** | **2,856** | **420** |

## NOTE 28 | Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Accrued vacation pay | 11,510 | 8,986 | 818 | 952 |
| Accrued social security contributions | 5,670 | 5,418 | 649 | 684 |
| Accrued payroll costs | 2,221 | 7,598 | – | 1,080 |
| Other accrued expenses | 17,867 | 6,704 | 1,621 | 1,282 |
| **Total** | **37,268** | **28,706** | **3,088** | **3,998** |

## NOTE 29 | Pledged assets

| Assets pledged to secure own interest-bearing liabilities | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Property mortgages | 8,300 | 8,300 | 8,300 | 8,300 |
| Floating charges | 60,611 | 6,400 | – | – |
| **Total** | **68,911** | **14,700** | **8,300** | **8,300** |

## NOTE 30 | Contingent liabilities/Guarantees

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Guarantees furnished on behalf of subsidiaries | – | – | 1,165 | 1,165 |
| Bank guarantees | 236 | 226 | – | – |
| **Total** | **236** | **226** | **1,165** | **1,165** |

## NOTE 31 | Intra-group transactions

| | Parent Company | |
|---|---|---|
| | 2007 | 2006 |
| Purchases, % | 0 | 0 |
| Sales, % | 100 | 100 |

## NOTE 32 | Business combinations

| **Production Technology business area** | Scanditron Danmark A/S | | | Scanditron Finland Oy | | |
|---|---|---|---|---|---|---|
| 2007 | Book value | Fair value adjustments | Carrying amount | Book value | Fair value adjustments | Carrying amount |
| Intangible assets | 23 | 7,812 | 7,835 | | 4,148 | 4,148 |
| Tangible assets | 2,417 | | 2,417 | 81 | | 81 |
| Other assets | 2,511 | | 2,511 | 114 | | 114 |
| Inventories | 1,566 | | 1,566 | 470 | | 470 |
| Trade receivables | 4,596 | | 4,596 | 2,538 | | 2,538 |
| Cash and cash equivalents | 1,036 | | 1,036 | 1,040 | | 1,040 |
| Other liabilities and provisions | –4,470 | | –4,470 | –2,828 | | –2,828 |
| Deferred tax liabilities, net | –212 | –1,953 | –2,165 | | –1,078 | –1,078 |
| **Identifiable net assets** | **7,467** | **5,859** | **13,326** | **1,415** | **3,070** | **4,485** |
| Goodwill | | | – | | | 1,813 |
| **Purchase price paid** | | | **13,326** | | | **6,298** |
| Conditional purchase price not yet paid | | | – | | | –1,805 |
| Cash and cash equivalents in acquired operations | | | –1,036 | | | –1,040 |
| **Effect on the Group's cash and cash equivalents** | | | **12,290** | | | **3,453** |

In January ElektronikGruppen acquired Finland-based Trondicap Oy, which later changed name to Scanditron Finland Oy. The company sells production equipment and consumable materials to the electronics industry in Finland. The company's annual revenue at the date of acquisition was approximately SEK 25 M. After the date of acquisition, the company has contributed revenue of SEK 20.5 M and operating profit of SEK 0.8 M. In November ElektronikGruppen acquired PC Trading (Denmark) A/S, which later changed name to Scanditron Danmark A/S. The company is active in manufacturing, sales and service of production equipment for the electronics industry. Annual revenue at the date of acquisition amounted to more than SEK 25 M. After the date of acquisition, the company's revenue amounted to SEK 3.3 M and operating profit to SEK –0.2 M.

| **Products business area** | ETAL Group Oy | | | Acquired net assets | | |
|---|---|---|---|---|---|---|
| **2007** | Book value | Fair value adjustments | Carrying amount | Book value | Fair value adjustments | Carrying amount |
| Goodwill | 10,136 | –10,136 | – | | | – |
| Intangible assets | 75 | 12,509 | 12,584 | | 3,269 | 3,269 |
| Tangible assets | 8,497 | | 8,497 | 575 | | 575 |
| Other assets | 629 | | 629 | | | – |
| Inventories | 11,775 | | 11,775 | | | – |
| Trade receivables | 10,053 | | 10,053 | | | – |
| Cash and cash equivalents | 537 | | 537 | | | – |
| Interest-bearing liabilities | –23,105 | | –23,105 | | | – |
| Other liabilities and provisions | –22,095 | | –22,095 | | | – |
| Deferred tax liabilities, net | 11,376 | –3,252 | 8,124 | | | – |
| **Identifiable net assets** | **7,878** | **–879** | **6,999** | **575** | **3,269** | **3,844** |
| Goodwill | | | 20,404 | | | – |
| **Purchase price paid** | | | **27,403** | | | **3,844** |
| Cash and cash equivalents in acquired operations | | | –537 | | | – |
| **Effect on the Group's cash and cash equivalents** | | | **26,866** | | | **3,844** |

In March ElektronikGruppen acquired the Finnish company Profec Technologies Oy, which later changed name to ETAL Group Oy. The company develops, manufactures and sells inductive components to international manufacturers of telecommunications and power technology. Profec had annual revenue of approximately SEK 70 M at the date of acquisition. After the acquisition date, the company's revenue amounted to SEK 45.5 M and operating profit to SEK –0.2 M.

The acquisition analysis for ETAL Group Oy was adjusted after the most recently published information in the interim report for June 2007. Since the conditional purchase price was never subject to any payment, the items purchase price paid and goodwill have been reduced by SEK 14.1 M compared to the previous acquisition analysis. In addition, tax loss carryforwards have been judged to be recoverable, for which reason a deferred tax assets of SEK 11.4 M has been capitalised and a corresponding reduction made in goodwill. The goodwill arising on the acquisition of ETAL Group Oy is entirely attributable to the synergies that have been made available through the acquisition.

| **Group** | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Book value | Fair value adjustments | Carrying amount | Book value | Fair value adjustments | Carrying amount |
| Goodwill | 10,136 | –10,136 | – | | | – |
| Intangible assets | 98 | 27,738 | 27,836 | | 7,026 | 7,026 |
| Tangible assets | 11,570 | | 11,570 | 108 | | 108 |
| Other assets | 3,254 | | 3,254 | 53 | | 53 |
| Inventories | 13,811 | | 13,811 | | | – |
| Trade receivables | 17,187 | | 17,187 | 3,134 | | 3,134 |
| Cash and cash equivalents | 2,613 | | 2,613 | 4,741 | | 4,741 |
| Interest-bearing liabilities | –23,105 | | –23,105 | | | – |
| Other liabilities and provisions | –29,393 | | –29,393 | –2,653 | | –2,653 |
| Deferred tax liabilities, net | 11,164 | –6,283 | 4,881 | | –1,967 | –1,967 |
| **Identifiable net assets** | **17,335** | **11,319** | **28,654** | **5,383** | **5,059** | **10,442** |
| Minority interests | | | – | | | –485 |
| Goodwill | | | 22,217 | | | 2,000 |
| **Purchase price paid** | | | **50,871** | | | **11,957** |
| Conditional additional purchase price not yet paid | | | –1,805 | | | – |
| Cash and cash equivalents in acquired operations | | | –2,613 | | | –4,741 |
| **Effect on the Group's cash and cash equivalents** | | | **46,453** | | | **7,216** |

**Changes in 2006**
On 1 July 2006 ElektronikGruppen acquired 91 per cent of the shares in About Industrial Computers AB. Furthermore, an additional purchase price was paid for a remaining minority interest acquired in EG Display & System AB.

## NOTE 33 | Sale of operations

No operations were sold during 2007. In the previous year, Magnetron Technology Philippines Corp. was sold on 31 May.

| Assets and liabilities in sold operations | Carrying amount |
|---|---|
| Tangible assets | 453 |
| Inventories | 352 |
| Operating receivables | 1,049 |
| Cash and cash equivalents | 187 |
| Operating liabilities | –1,335 |
| **Identifiable net assets** | **706** |
| Purchase price paid | 0 |
| Cash and cash equivalents in the sold operation | –187 |
| **Effect on the Group's cash and cash equivalents** | **–187** |

## NOTE 34 | Related party transactions

Aside from those included in the consolidated financial statements, ElektronikGruppen's related party transactions consist mainly of transactions with associated companies. However, all participations in associated companies were sold during 2006.

## NOTE 35 | Financial risks and finance policy

ElektronikGruppen's operations are exposed to several types of financial risk. Financial risks are defined as fluctuations in the Group's cash flow due to changes in exchange rates and interest rates, as well as refinancing and counterparty risks. The task of the Parent Company's financing function is to support operating activities and to identify and minimise the Group's financial risks in an optimal manner. ElektronikGruppen's financing and financial risks and managed under the control and supervision of the Board. ElektronikGruppen's financial policy provides a framework of rules and guidelines for management of financial risks and financing activities in general. Below is a summary of the various types of exposure and the applied principles.

**Liquidity risk**

Liquidity risk is the risk that ElektronikGruppen will be unable to obtain financing, or only at a significantly higher cost. Aside from the reported cash and cash equivalents, the Parent Company has an unutilised bank overdraft facility of SEK 20.0 M (34.6) of which the Parent company's share is SEK 14.0 M (28.9).

The Group's policy is to invest surplus cash primarily in Swedish government securities, certificates of deposit, commercial paper and corporate bonds with a rating of A1/P1 or higher. The Group had no such investments on the balance sheet date.

**Interest rate risk**

Interest rate risk is the risk for changes in the value of a financial instrument due to movements in market interest rates. Interest rate risk can consist of changes in fair value, known as price risk, or changes in cash flows, known as cash flow risk. One significant factor affecting interest rate risk is the fixed interest period. Long fixed interest periods mainly affect cash flow risk, while shorter fixed interest periods affect price risk. Due to the high level of self-financing in ElektronikGruppen, interest risk is low. All interest-bearing liabilities carry variable interest. The equity/assets ratio in the balance sheet date was 49 per cent (63) and interest-bearing liabilities amounted to SEK 93 M (1). A change in the interest rate by 1 percentage point would affect the Group's interest expenses in an amount of approximately SEK 900 thousand.

**Credit risk**

Credit risk refers to the risk for losses due to the insolvency of a counterparty. In a historical perspective, bad debt losses in ElektronikGruppen have been very low. The Group's customers consist mainly of large and well established companies with good solvency. ElektronikGruppen manages the risk for bad debt losses through established routines for credit assessment, claims handling and invoicing of penalty interest.

**Currency risk**

The foreign exchange effects that influence ElektronikGruppen's profit are the Group's cash flows in various currencies (transaction exposure) and translation of the income statements and balance sheets of foreign subsidiaries (translation exposure). Transaction exposure in foreign currency is partly attributable to purchasing in foreign currencies or currency-dependent purchasing where prices are regulated by a currency clause, and partly by invoicing in foreign currencies. Transaction exposure is reduced through forward exchange contracts equal to approximately 50–70 per cent of the net flow in USD, which is the currency where the Group has its primary exposure. Forecasted flows are not hedged.

The Group's foreign subsidiaries operate in a financial environment with a different currency (functional currency) than the Group's reporting currency, which is Swedish kronor (SEK). The assets and liabilities of foreign operations are translated to SEK at the closing day rate of exchange. Items in the income statement are translated at the average rate during the period. Exchange differences arising on translation are taken to equity as translation differences. The translation exposure arising as a result on translation of foreign subsidiaries is normally not hedged.

**Sensitivity analysis**

A translation of the accounts for 2007 at 2006 exchange rates would increase the Group's operating income by approximately SEK 20 M. The Group's profit before tax would have been approximately SEK 4 M higher. The main explanation for the relatively low sensitivity to exchange rate fluctuations is that the majority of all purchase and sales transactions are denominated in the same currency. Furthermore, a large share of currency flows are hedged.

## NOTE 36 | Events after the balance sheet date

In January ElektronikGruppen acquired 91 per cent of the shares in the German display company PriDis Solutions GmbH. Under the agreement, ElektronikGruppen will acquire the remaining 9 per cent of the shares over a three-year period.

| Acquired assets and liabilities | Acquired book value | Fair value adjustments | Carrying amount |
|---|---|---|---|
| Intangible assets | | 3,989 | 3,989 |
| Operating receivables | 6 | | 6 |
| Cash and cash equivalents | 234 | | 234 |
| Liabilities and provisions | –54 | | –54 |
| Deferred tax liabilities | | –967 | –967 |
| **Identifiable net assets** | **186** | **3,022** | **3,208** |
| Minority interests | | | –16 |
| **Purchase price** | | | **3,192** |
| Cash and cash equivalents in the acquired operation | | | –234 |
| **Effect on the Group's cash and cash equivalents** | | | **2,958** |

The company sells TFT-LCD displays and related equipment, mainly in Germany but also in Italy and the UK, and recorded revenue of approximately SEK 27 M in 2007. The company is consolidated in the Electronics business area as of 1 January 2008. Aside from a broader customer base, the acquisition will also expand the collaboration with several key suppliers. The acquisition analysis must be finalised no later than one year from the date of acquisition.

# Proposed disposition of earnings

The proposed dividend per share is SEK 2.10 (2.10), in line with the company's dividend policy. The following earnings in the Parent Company are at the disposal of the Annual General Meeting:

| | |
|---|---|
| Retained earnings | 64,720,627 |
| Net loss for the year | –11,825,427 |
| **Total, SEK** | **52,895,200** |

The Board of Directors proposes that the profits be distributed so that:

| | |
|---|---|
| The shareholders receive a dividend of SEK 2.10 per share | 11,754,120 |
| To be carried forward to new account | 41,141,080 |
| **Total, SEK** | **52,895,200** |

**Statement of assurance**

The undersigned give their assurance that the consolidated accounts and annual accounts have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU and in accordance with generally accepted accounting standards, and give a true and fair view of the financial position and results of operations of the Parent Company and the Group, and that the administration report for the Group and the Parent Company gives a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Vällingby, 17 March 2008

Kenneth Lindqvist
Chairman

Thomas Wernhoff
Vice Chairman

Catharina Lagerstam
Board member

Magnus Norman
Board member

Jan Petterson
Board member

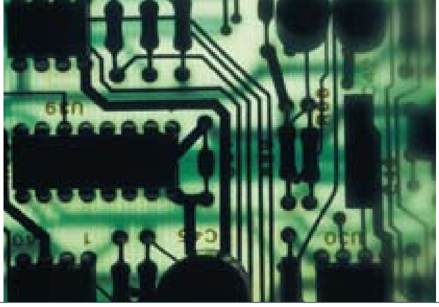
Madeleine Denker
Employee representative

Johan Ålander
President and CEO

Our audit was submitted on 17 March 2008

Björn Fernström
Authorised Public Accountant

Stefan Hultstrand
Authorised Public Accountant



# Audit report

## To the Annual General Meeting of shareholders in ElektronikGruppen BK AB
## Corporate identification number 556072-2547

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of ElektronikGruppen BK AB for the financial year 2007. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 21–48. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board of Directors and the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 17 March 2008

Björn Fernström
Authorised Public Accountant

Stefan Hultstrand
Authorised Public Accountant

# Corporate governance

**Responsibility for management and control of ElektronikGruppen is divided between the General Meeting of Shareholders, the Board of Directors and the President, as prescribed in the Swedish Companies Act and the Articles of Association.**

**Nominating Committee**
At the proposal of the Board of Directors and in close cooperation with the principal owners, the Annual General Meeting (AGM) has appointed a nominating committee whose task is to put forward proposals regarding the structure, size and composition of the Board and the amount of Board fees for approval by the AGM on 8 May 2008. This procedure was also applied in preparation for the 2007 AGM. The nominating committee ahead of the 2008 AGM consists of Board Chairman Kenneth Lindqvist, Vice Chairman Thomas Wernhoff, Hans Fletcher and Tommy Jägermo.

**Board of Directors and its work**
The statutory Board meeting on 26 April 2007 appointed Kenneth Lindqvist to serve as Chairman until the next AGM. In 2007, the Board of ElektronikGruppen consisted of five members elected by the AGM, with no deputies, and one member appointed by the employees. Chief Financial Officer Henrik Palm has served as Board Secretary. Other employees in ElektronikGruppen participate in Board meetings to present reports, etc. The members of the Board are presented on page 51.

The work of the Board is governed by a plan which is revised and adopted yearly. The plan regulates the Board's internal division of responsibilities, decision-making processes, signatory authority, the standing agenda for Board meetings and duties of the Chairman. The Board has chosen to appoint a remuneration committee from among its members. The Board as a whole functions as an audit committee. Furthermore, the auditors report to the Board once a year to present their observations from the audit and their assessment of the company's internal control.

A total of eight meetings were held in 2007, including one statutory meeting, six scheduled meetings and one extra meeting. One of the scheduled meetings in 2007 dealt with the formulation of strategic plans. In most cases, ElektronikGruppen's Board meetings are held at the Parent Company but are occasionally held at one of the Group's subsidiaries.

**Chairman**
The Chairman oversees the work of the Board to ensure compliance with the Swedish Companies Act and other relevant laws and regulations. He monitors the operations of the Group in dialogue with the President and is responsible for ensuring that the other Board members receive the information necessary to support high quality discussions and decisions. The Chairman is responsible for evaluating the performance of the Board members and making these assessments available to the nomination committee. The Chairman also takes part in evaluation and development of the Group's senior executives. The Chairman represents the company in matters related to corporate governance.

**Remuneration committee**
Within the Board, a committee has been appointed to propose salaries, other terms of employment and incentive schemes for the President and other members of the Executive Management for decision by the Board. The members of this committee are the Chairman, Kenneth Lindqvist, and Board member Catharina Lagerstam. At its meetings, the committee has dealt with a general salary audit and discussion of other remuneration to senior executives.

**Reporting**
The Board oversees the quality of the Group's financial reporting through instructions to the President. The President and Group Controller are responsible for ensuring the quality of all external financial reporting including financial statements, interim reports, annual reports, press releases with a financial content and presentation materials for meetings with the media, shareholders and financial institutions.

**Executive Management**
The Board has delegated responsibility for day-to-day management of the company to the President and Executive Management. The executive management consists of nine individuals, all of whom are men. Of these, one is the President, one is Vice President, five are business area/unit managers and two are heads of staff. The Executive Management meets once a month for discussion of routine matters and holds a longer strategy meeting once a year. The terms of remuneration to the company's senior executives are specified in Note 4.

**Internal audit**
ElektronikGruppen's finance and accounting functions are integrated through a joint financial management and accounting system, and also collaborate closely with the respective companies in financial accounting and reporting. Aside from this, ElektronikGruppen has no internal audit function.

**Code of Corporate Governance**
As of 1 July 2005, all companies listed on the Stockholm Stock Exchange with a market capitalisation of more than SEK 3 billion are required to comply with the Swedish Code of Corporate Governance, known as The Code. ElektronikGruppen has a market capitalisation of less than SEK 3 billion, for which reason the Board has decided not to apply the Code until further notice. It has been proposed that the Code to apply to all companies listed on the OMX Nordic Exchange Stockholm with effect from 1 July 2008, in which case ElektronikGruppen will comply with the Code from this date.

**Fees and attendance, Board of ElektronikGruppen**

| SEK | Board fees | Fees for committee work | Total | Attendance, no. of meetings |
|---|---|---|---|---|
| Kenneth Lindqvist, Chairman | 200,000 | 10,000 | 210,000 | 8 |
| Thomas Wernhoff, Vice Chairman | 150,000 | 5,000 | 155,000 | 8 |
| Catharina Lagerstam, Board member | 100,000 | | 100,000 | 8 |
| Magnus Norman, Board member | 100,000 | | 100,000 | 8 |
| Jan Petterson, Board member | 100,000 | | 100,000 | 8 |
| Madeleine Denker, Employee representative | – | | – | 8 |
| **Total** | **650,000** | **15,000** | **665,000** | |

# Board of Directors







**1. Kenneth Lindqvist**, born in 1947, Stigtomta. Member of the Board since 2005 and Chairman since April 2007. Other assignments: Chairman of Amplex AB, Kamic AB, Pronomic Industri AB and other own companies. Shares in ElektronikGruppen: 49,500 class A and 1,462,680 class B (with family and company).

**2. Thomas Wernhoff**, born in 1952, Linghem. Member of the Board since May 2001 and Vice Chairman since April 2007. Other assignments: Chairman of Euroventures Management AB, Horninge AB and GoSafe AB, board member of Dicentia A/S and others. Shares in Elektronik-Gruppen: 100,500 class A and 300,000 class B (with company).

**3. Madeleine Denker**, born in 1968, Hässelby. Employee representative since 2005. Shares in ElektronikGruppen: 0.

**4. Catharina Lagerstam**, born in 1962, Luxembourg. Senior Project Manager at Clearstream, Luxembourg. Member of the Board since 2004. Other assignments: Board member of Carnegie. Shares in ElektronikGruppen: 2,000 class B (with company).

**5. Jan Petterson**, born in 1941, Hässelby. Member of the Board since 2002. Other assignments: Chairman of Maria Invest AB, Jaypi Invest AB and Forward Ventures AB, board member of eWork Scandinavia AB and Sygn Software AB. Shares in ElektronikGruppen: 27,000 class B (with family).

**6. Magnus Norman**, born in 1953, Torshälla. Member of the Board since 2006. Other assignments: Vice Chairman of Nike Hydraulics AB, board member of Segerström & Svensson AB and PAX Electro Products AB. Shares in ElektronikGruppen: 0.

**Auditors**

**Björn Fernström**, born in 1950, Stockholm. Authorised Public Accountant. Auditor for the company since 2000. Ernst & Young.

**Stefan Hultstrand**, born in 1955, Stockholm. Authorised Public Accountant. Auditor for the company since 2004. Ernst & Young.

# Executive Management










**1. Johan Ålander**, born in 1959. President and Chief Executive Officer of ElektronikGruppen and Head of Electronics business area. Employed since 2004. Shares in ElektronikGruppen: 2,000 class B.

**2. Jens Hansson**, born in 1966. Executive Vice President of Elektronik-Gruppen. Employed since 2006. Shares in ElektronikGruppen: 10,000 class B (with company).

**3. Lars Lundin**, born in 1961. Head of the Display & System business unit. Employed since 2003. Shares in ElektronikGruppen: 0.

**4. Bardia Shakeri**, born in 1960. Chief Information Officer. Employed since 2006. Shares in ElektronikGruppen: 0.

**5. Tommy Jansson**, born in 1967. Head of the Products business area. Employed since 1995. Shares in ElektronikGruppen: 1,000 class B.

**6. Henrik Palm**, born in 1958. Chief Financial Officer. Employed since 2000. Shares in ElektronikGruppen: 200 class B.

**7. Anders Lind**, born in 1956. Head of the Production Technology business area. Employed since 1989. Shares in ElektronikGruppen: 0.

**8. Fredrik Celsing**, born in 1967. Head of the Components business unit. Employed since 2005. Shares in ElektronikGruppen: 200 class B.

**9. Lars Åleby**, born in 1965. Head of the Electromechanics business unit. Employed since 2004. Shares in ElektronikGruppen: 0.

# Glossary and definitions

## Technical glossary

**Active components or semiconductors** Components that amplify electronic signals. Active components are concept-controlling and have a high technological content. This group can be divided into discrete components, integrated circuits, CPUs (Central Processing Units) and memory. The computer and telecommunication industries are major users of these components.

**Electromechanical components** are used to connect and protect electrical circuits mechanically. This group includes components like switches, connectors and relays.

**Inductive components** are passive components with the ability to dampen oscillations in the electric current that passes through them. This is achieved by using a spool to generate an opposing electromotive force. The components are commonly used to selectively pass or block certain frequencies, or as shock absorbers for electric current. Inductive components can also be used as transformers to increase or decrease the level of voltage and/or create galvanic insulation between the input and secondary power terminals.

**Laser cut stencils** are used in manufacturing of printed circuit board assemblies. A stencil is made of thin sheet-metal through which small apertures are cut with high precision using a laser. Through these apertures, solder paste is deposited onto a printed circuit board. Components are then mounted onto the paste, and are soldered on when the paste reflows in an oven. The board is then called a printed circuit board (or PCB) assembly.

**Microwave components** are used to process electronic signals at very high frequencies. They are used in applications such as satellite communications, radio base stations, radio links and medical equipment.

**Passive components** are non-amplifying components which are used, among other things, to regulate the flow of electrical current. This group can be divided into resistors, capacitors and magnetic components (inductances, including transformers). Resistors and capacitors are often standard components and are used in all types of electronic devices. Magnetic components such as inductors, transformers, filters and ferrites, are often used in signal transmission and power supply. Magnetic components vary in complexity and are often adapted for different needs and applications.

**PCB assembly** is a printed circuit board onto which components have been mounted.

**Printed circuit boards (PCBs)** are the base onto which electronic components are mounted and which interconnect the components electronically.

**Shielding products** are used to prevent background radiation and electrical radiation from interfering with other electronic equipment.

**Solder paste** is a tin paste used to solder electronic components onto printed circuit boards.

**TFT** Thin Film Transistor, is a technology used in the industrial manufacture of colour LCD displays.

**UL** Underwriters Laboratories, one of the world's leading organisations for safety testing and certification of electronic products. Originally established in the USA, the organisation has testing and certification facilities in more than 60 countries, including Sweden.

## Financial definitions

**Capital employed** Total assets less non interest-bearing provisions and liabilities.

**Cash flow per share** Operating cash flow divided by the average number of shares.

**Debt/equity ratio** Interest-bearing liabilities divided by equity.

**Direct yield** Dividend per share as a percentage of the share price on closing day.

**Dividend payout ratio** Dividend per share as a percentage of earnings per share.

**Earnings per share** Profit for the year divided by the average number of shares.

**Equity** Reported equity in accordance with recommendation R1 of the Swedish Financial Accounting Standards Council, which means that 72 per cent of untaxed reserves have been transferred to equity.

**Equity/assets ratio** Equity plus minority interests as a percentage of total assets.

**Equity per share** Equity divided by the number of shares on closing day.

**Gross margin** Operating profit before depreciation/amortisation as a percentage of invoiced revenue.

**Interest coverage ratio** Profit after financial items plus financial expenses excluding exchange losses divided by financial expenses excluding exchange losses.

**Net margin** Profit for the year as a percentage of invoiced revenue.

**Operating margin** Operating profit after depreciation/amortisation as a percentage of invoiced revenue.

**P/CF ratio** Share price on closing day divided by operating cash flow per share.

**P/E ratio** Share price on closing day divided by earnings per share.

**Profit margin** Profit after financial items as a percentage of invoiced revenue.

**Return on capital employed** Profit after financial items plus financial expenses as a percentage of average total assets less non interest-bearing liabilities including deferred tax liabilities.

**Return on equity** Profit for the year according to the income statement as a percentage of average shareholders' equity.

**Return on total assets** Profit after financial items plus financial expenses as a percentage of average total assets.

**Share of risk-bearing capital** The sum of shareholders' equity and deferred tax liabilities including minority interests as a percentage of total assets.

**Value-added per employee** Total of operating profit after depreciation/amortisation plus payroll costs including payroll overheads divided by the average number of employees.

# Annual General Meeting and financial calendar

## Information about the AGM

The Annual General Meeting of shareholders in ElektronikGruppen BK AB (publ.) will be held at 5:00 p.m. (CET) on Thursday, 8 May 2008, at ElektronikGruppen's head office, Grimstagatan 160 in Vällingby, Sweden.

## Shareholders who wish to participate in the AGM

- Must be entered in the register of shareholders maintained by VPC AB (the Nordic Central Securities Depository) no later than 2 May 2008.
- Must notify the company of their intention to participate by mail: ElektronikGruppen BK AB (publ.), Box 39, SE-162 11 Vällingby, Sweden, or by telephone: +46 8-759 35 00, or by e-mail: info@egruppen.se, no later than Monday, 5 May 2008.
- The notification should include name, personal or corporate identification number, address, telephone number and registered shareholding.

Shareholders whose shares are registered in the name of a trustee must temporarily re-register the shares in their own names in order to participate in the AGM. Such re-registration must be completed no later than Friday, 2 May 2008, and should be requested from the trustee well in advance of this date.

The Board of Directors proposes a dividend of SEK 2.10 per share for the financial year 2007. The proposed record date is Tuesday, 13 May 2008, and dividends are expected to be disbursed by VPC starting on Friday, 16 May.

## Financial calender 2008

| | |
|---|---|
| 8 May | Interim report for the period 1 January – 31 March |
| 16 July | Interim report for the period 1 January – 30 June |
| 24 October | Interim report for the period 1 January – 30 September |
| February 2009 | Year-end report for the full year 2008 |

Visit ElektronikGruppen's website, www.egruppen.com, for more information about operations, corporate presentations and financial reports.

## Head office

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