

# EXTRACT FROM THE 2008 ANNUAL REPORT





## 2008 at a glance

Group revenue DKK 421.2 million in line with 2007, but major decline in Q4

Group results before tax DKK 9.2 million

Acquisition of treasury shares amounting to DKK 51.4 million

Increase of financial costs

Reduction of share capital by nominally DKK 2.2 million

No dividends to shareholders but proposal to decrease the share capital by DKK 864,400, equivalent to 8.8% of the share capital

## Outlook for 2009

Difficult market situation

Declining revenue

Considerable decline in group results

## Finance calendar 2009

26 February	Annual report 2008
23 April	Annual General Meeting at 17 pm at Migatronic
23 April	Interim statement
25 August	Half-year financial report 2009
22 October	Interim statement

# Contents:

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This summary is an extract from the Migatronic Group's Annual Report 2008 and cannot replace this.

Migatronic's annual report has been prepared in accordance with International Financial Reporting Standard (IFRS) and additional Danish disclosure requirements for annual reports of listed companies. Due to the implementation of new mandatory accounting standards and interpretations, the accounting policies applied have been changed compared to last year. The implementation has not had any impact on recognition and measurement.

The full annual report (available in Danish only) can be downloaded at [www.migatronic.dk](http://www.migatronic.dk) under Investor Relations or be obtained by phoning +45 96 500 600.

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## Mission statement:

Migatronic's mission statement is to develop and produce products related to the welding industry (primarily arc welding) and to market both internally generated and purchased products within the same line of business.

# Company details and shareholder information

## Svejsemaskinefabrikken Migatronic A/S

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DK-9690 Fjerritslev

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migatronic@migatronic.dk  
Website:  
www.migatronic.dk

Reg. No.: 34485216  
Established: 1970  
Registered  
office: Fjerritslev

## Supervisory Board

### Kjeld Ranum, Chairman

(Year of birth 1938, has served on the Supervisory Board since 1982)  
Supervisory board member of:  
JP/Politikens Hus A/S, UIE United International Enterprises Ltd.

### Jens Viskinge Jensen, Vice-Chairman

(Year of birth 1942, has served on the Supervisory Board since 1994)  
Supervisory board member of:  
Søby Værft A/S, Søby Værfts Fond

### Freddy Frandsen

(Year of birth 1944, has served on the Supervisory Board since 2000)  
Chairman of: Hans Følsgaard A/S  
Vice-Chairman of:  
Hans Følsgaard Fonden  
Supervisory board member of:  
Vestas Wind Systems A/S,  
Polaris Management A/S,  
Odense Stålskibsværft A/S,  
Aalborg Universitet, Nordsøen Oceanarium/Forskerpark, Utzon Fonden

### Anders Høiris

(Year of birth 1953, has served on the Supervisory Board since 2004)  
Chairman of: Intersport Danmark A/S, Brynje A/S, Kabooki A/S,  
Nørrebro Teater  
Vice-Chairman of:  
Tack International A/S

Supervisory board member of:  
Monk Automobiler A/S,  
Gyldensteen Golf A/S

### Leif Larsen

(elected by the employees)  
(Year of birth 1953, has served on the Supervisory Board since 2007)  
Semi-skilled worker Migatronic A/S

### Vibeke Kappel Andersen

(elected by the employees)  
(Year of birth 1971, has served on the Supervisory Board since 2009)  
Sales assistant Migatronic A/S

## Executive Board

### Peter Roed, CEO

(Year of birth 1943, employed with Migatronic since 1972)  
Supervisory board member of:  
Carsø & Aaby – Staal A/S, Stenhøj A/S, PanPac Engineering a/s

## Auditors

KPMG  
Vestre Havnepromenade 1A  
Postboks 710, 9100 Aalborg

## Bankers

Nordea Bank Danmark A/S,  
Aalborg

## Shareholder mix

	A shares Nominal amount DKK	B shares Nominal amount DKK	B shares Number of shares DKK 20 each	Capital %	Voting rights %
<b>Major shareholders (&gt;5%)</b>					
Roed Invest ApS, Aabybro, DK	1,300,000	2,180,700	109,035	35.44	70.53
Konsortium Via Veneto A/S, Herning, DK		2,254,700	112,735	22.96	10.48
Peter Roed, Aabybro, DK		601,100	30,055	6.12	2.79
Migatronic A/S		864,600	43,230	8.80	4.02
<b>Other shareholders</b>					
		2,621,300	131,065	26.68	12.18
<b>Total shares</b>	<b>1,300,000</b>	<b>8,522,400</b>	<b>426,120</b>	<b>100</b>	<b>100</b>

# Operating review

## Profit for the year - Consolidated

DKK'000	2008	2007
Revenue	421,182	417,142
Operating profit	16,326	19,578
Profit before tax	9,164	17,927
Profit for the year	8,220	12,368

In the 2008 financial year, the Migatronic Group reported a profit before tax of DKK 9.2 million as against DKK 17.9 million in 2007, equivalent to a decrease of 48.6%. The decline relative to 2007 is primarily caused by financial items which in 2008 amount to a net cost of DKK 7.2 million as against a cost of DKK 1.7 million in 2007.

The profit was considerably down on the company's forecast at the beginning of the financial year but up on the forecast stated in the Group's Stock Exchange Announcement dated 23 December 2008 with a forecast profit of approx. DKK 4-6 million. The deviation can primarily be attributed to financial items.

The Migatronic Group realised revenue of DKK 421 million as against DKK 417 million in 2007. Group revenue was DKK 217 million in the first half-year and DKK 204 million in the second half-year, however with a strongly downward trend at the end of the year.

Operating profit (EBIT) went down from DKK 19.6 million in 2007 to DKK 16.3 million in 2008, equivalent to approx. 17%, primarily caused by the fact that the expected growth in revenue was not realised.

The Supervisory Board considers the profit satisfactory under the given market conditions. However, an operating margin of min. 5% remains the company's target.

In the first half-year, the Migatronic Group saw a high level of activity with a great demand for standard welding machines in particular. In the second half-year, the market changed markedly, and at the same rate as the global finan-

cial crisis developed, there was a marked decline in demand for standard welding machines on all markets. Despite the fact that the recession within standard welding machines was partly compensated for by a relatively high volume of sales within automation in the second half-year, the Migatronic Group did not achieve the anticipated growth for the whole year.

The decline in demand applies to most types of machines but the reduced activity is felt in particular among Migatronic's industrial customers who report about declining order intake in all segments and consequently a downward trend in investments in new production equipment, including welding machines. Even in India and China, the two large growth markets, where Migatronic has its own production and sales units, the demand is weakening. These countries are still interesting growth markets for Migatronic's products, however, and Migatronic expects growth in both countries in the years ahead. On the whole, Migatronic focuses its attention on the "new" large growth markets in the world because of the growth which is expected primarily in these countries in the years ahead.

As a result of the development in world economy there is still a downward trend in demand for welding machines and combined with the fact that the supply of welding machines is still characterized by over-capacity, Migatronic is up against intensified competition and prices.

This makes heavier demands on the development of new products. Migatronic maintains a high level of development in order to be able to introduce new state-of-the-art

products to the market on a regular basis, so as to make sure that our customers are constantly presented with new and better products in terms of improved welding properties and user-friendliness.

### Automation

In the financial year, Migatronic Automation A/S has continued to have an increase in volume of sales relative to 2007, in particular in Automotive. This new business area has developed successfully in the passed year and resulted in several major orders.

The company's focus on export to the near markets has proved profitable in the past year. Sales efforts on new export markets have also been initiated at the same time as the company has greatly improved its core competences.

The downward business trend has been measurable throughout the year but in particular in the fourth quarter, there has been a marked decline in the order intake.

The company anticipates decline in some business areas in 2009, but with work in hand in the automotive sector and options for additional orders, there is an overall belief in a minor increase in volume of sales in the year ahead.

Great interest still attaches to the company's standard robot welding solutions. However, many customers are at present reluctant to place orders or are awaiting secure financing terms.

### Share repurchase scheme

As part of optimisation of the company's capital structure, a share repurchase scheme, comprising repurchase of 137,605 B-shares at rate 350, equivalent to a total purchase price of DKK 48,161,750 has been implemented in the period.

Subsequently, the share capital was reduced by nominally DKK 2,200,000. After the capital reduction, the company's share capital amounts to DKK 9,822,400.

# Operating review

## Comments on the financial statements

Revenue was up by DKK 4.1 million to DKK 421.2 million, equivalent to an increase of 1.0%. In addition, gross profit rose by DKK 2.5 million, equivalent to 1.0%, on 2007.

Operating profit decreased from DKK 19.6 million in 2007 to DKK 16.3 million in 2008, equivalent to a decrease of 17%.

Depreciation/amortisation and impairment of non-current assets totalled DKK 15.4 million, which was DKK 0.6 million up on 2007.

Financial items were a net expenditure of DKK 7.2 million as against DKK 1.7 million in 2007. The most important reason for this is increased exchange adjustments (expense) of DKK 2.7 million, capital losses on securities portfolio increased by DKK 1.7 million, and increased financing costs caused by raising of loans for financing the share repurchase scheme.

The profit before tax came in at DKK 9.2 million, representing a decrease of DKK 8.8 million or 48.6% on 2007.

The balance sheet total in the financial year went down by DKK 16.8 million which is primarily caused by lower amounts receivable from sales and accounts payable related to the development in the activity.



The 2008 financial year closed with cash at bank and in hand of DKK 12.1 million, equivalent to a decrease of DKK 6.2 million. In addition, the company's portfolio of securities amounted to DKK 6.9 million, which is easily realisable in case of any increased cash requirements.

Cash flows from operating activities were positive at DKK 14.5 million, which was DKK 1.7 million up on 2007.

Cash flows from investing activities were DKK -8.7 million, which is the same level as in 2007.

Cash flows from financing activities were negative at DKK 12.1 million, which primarily resulted from purchase of own shares at the amount of DKK 51.4 million and raising of loans of DKK 43.5 million.

## Outlook

The decline registered in the market in the second half-year of 2008, is expected to continue throughout 2009 and for this reason, the Migatronic Group will see a major decline in business in 2009.

Consequently, both parent company and sales subsidiaries will have to be adjusted to the given market conditions. Adjustment was initiated already at the end of 2008 and will continue in 2009.

The profit for the year 2009 will be significantly affected by costs for structural adjustments. Wherever possible, attention will be focused on maintaining a high level of development and sale in order to maintain the long-term strategy of creating growth in the company but also to constantly increase market shares in a market that is very much characterized by competition.

In China and India, the two countries in which Migatronic has production abroad, growth is still expected under the given market conditions.

As a consequence of the present global financial situation, there is great uncertainty on developments in the year ahead. Despite the planned and already implemented initiatives in the Group, a substantial decline in the consolidated result in 2009 is expected.

## Business risks

### Business trends

The Migatronic Group is dependent on the development in the overall economic trends, in particular within the iron and metal processing industries. Negative business trends within these segments have an adverse impact on the earnings of the Migatronic Group, as a cost adjustment to a lower revenue level will have to take place over a long time period.

# Operating review

The Group strives to obtain geographically diversified sales, reducing its dependency on Danish business trends.

## Markets

The Migatronik Group has held a very strong position on the Danish market for several years.

Further progress is to be made primarily on the foreign markets. Today, group revenue is derived from numerous countries, mainly in Europe, which is instrumental in reducing the above-mentioned risk. The vast part of the geographical diversification in Europe takes place through the Group's own subsidiaries, but also through its importers.

## Competitive situation

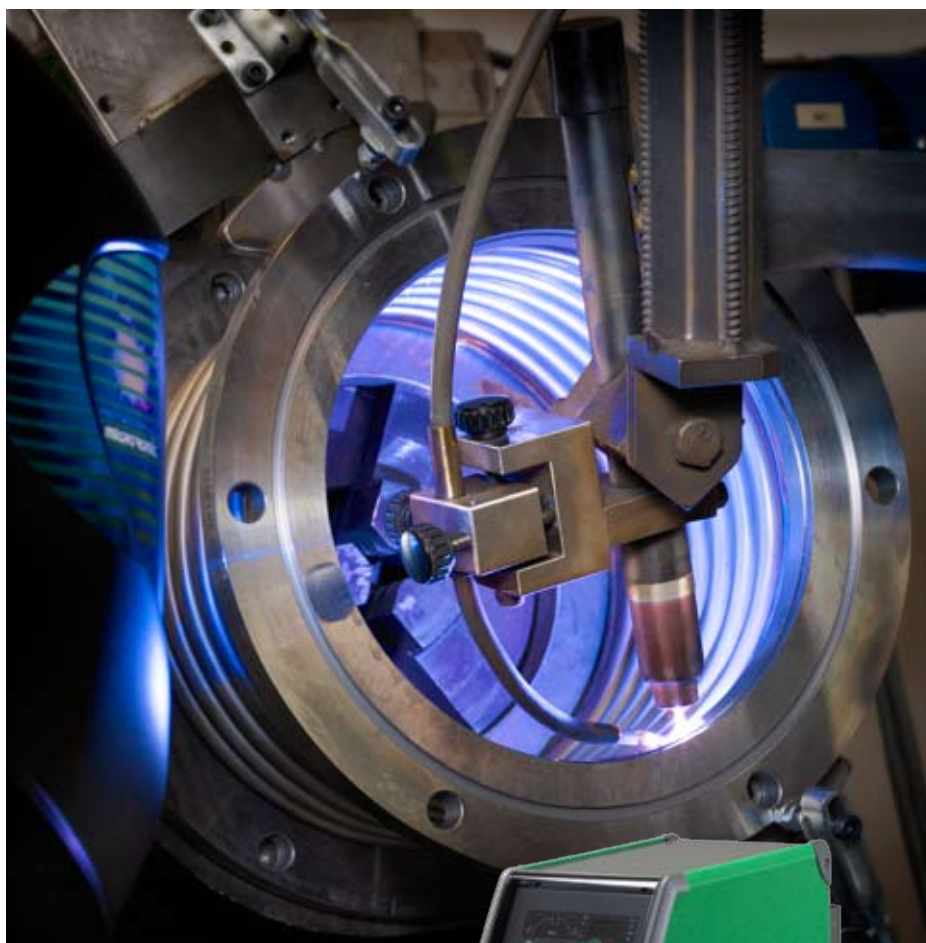
The market for the manufacture of welding machines is exposed to fierce price competition. The Migatronik Group is faced with major international competitors both in Denmark and abroad and with local competitors on the individual export markets.

The market for welding machines seems to offer easy penetration, as the capital requirements, etc. in connection with the production start-up of welding machines are fairly modest.

As a result of the above, it is difficult to pass on changes in costs of materials and payroll to selling prices. As a consequence, a period with increasing costs of materials and payroll will, all things being equal, involve a corresponding risk of reduced earnings.

## Insurance, etc.

The Group strives to take out insurance against risks which may jeopardise the financial position. In addition to statutory insurance, the Group has taken out product liability insurance and consequential loss insurance.



Buildings, operating equipment and inventories are insured at replacement cost.

## Environment

All production departments of Migatronik have obtained the necessary environmental approvals from the public authorities, and the Group is not a party to any environmental cases.

## Events after balance sheet day

In addition to conditions already allowed for, no events of importance to consolidated accounts for 2008 have taken place after year-end closing of accounts.



# Key figures

Key figures		2008	2007	2006	2005	2004
Revenue	DKKm	421.2	417.1	356.7	296.4	284.9
Ordinary operating profit (EBIT)	DKKm	16.3	19.6	14.3	6.8	0.0
Profit/loss from financial items	DKKm	-7.2	-1.7	-0.3	1.9	1.0
Profit before tax	DKKm	9.2	17.9	14.0	8.7	1.0
Profit for the year	DKKm	8.2	12.4	9.8	6.1	0.4
Total assets	DKKm	277.1	294.0	271.6	245.4	235.6
Equity	DKKm	149.0	196.1	180.5	172.4	165.9
Cash flows from operating activities	DKKm	14.5	12.8	27.9	28.7	15.8
Cash flows from investing activities	DKKm	-8.7	-8.2	-19.8	-15.4	-12.6
Portion rela. to invest. in prop., plant and equip.	DKKm	-9.9	-9.2	-14.9	-6.8	-5.9
Cash flows from financing activities	DKKm	-12.1	3.8	-6.1	-2.7	-9.7
Total cash flows	DKKm	-6.3	8.4	2.0	10.6	-6.5
Number of employees		447	449	396	353	366
Staff costs per employee	DKK'000	325	318	335	327	317
Revenue per employee	DKK'000	942	929	901	840	778

Financial ratios		2008	2007	2006	2005	2004
Operating margin		3.9%	4.7%	4.0%	2.3%	0.0%
Return on equity		4.8%	6.6%	5.6%	3.6%	0.2%
ROIC		8.7%	11.2%	8.6%	4.1%	0.0%
Equity ratio		53.8%	66.7%	66.5%	70.3%	70.4%
Current ratio		2.3	2.5	2.5	3.0	3.3
Net asset value per share of DKK 20	DKK	333	331	302	287	276
Market price at year end	DKK	105	380	298	234	119
Earnings per share of DKK 20 (EPS)	DKK	15.8	20.8	16.4	10.2	0.6
Price Earnings ratio (PE)	DKK	7	18	18	23	196
Dividend per share of DKK 20	DKK	0.00	5.00	5.00	3.00	-
Payout ratio		0	24	30	29	-
Cashflow share of DKK 20	DKK	32.3	21.6	46.7	47.8	25.8
Price/Cashflow	DKK	3.2	17.6	6.4	4.9	4.6

The financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2005". Financial highlights for 2004 have been restated to IFRS.

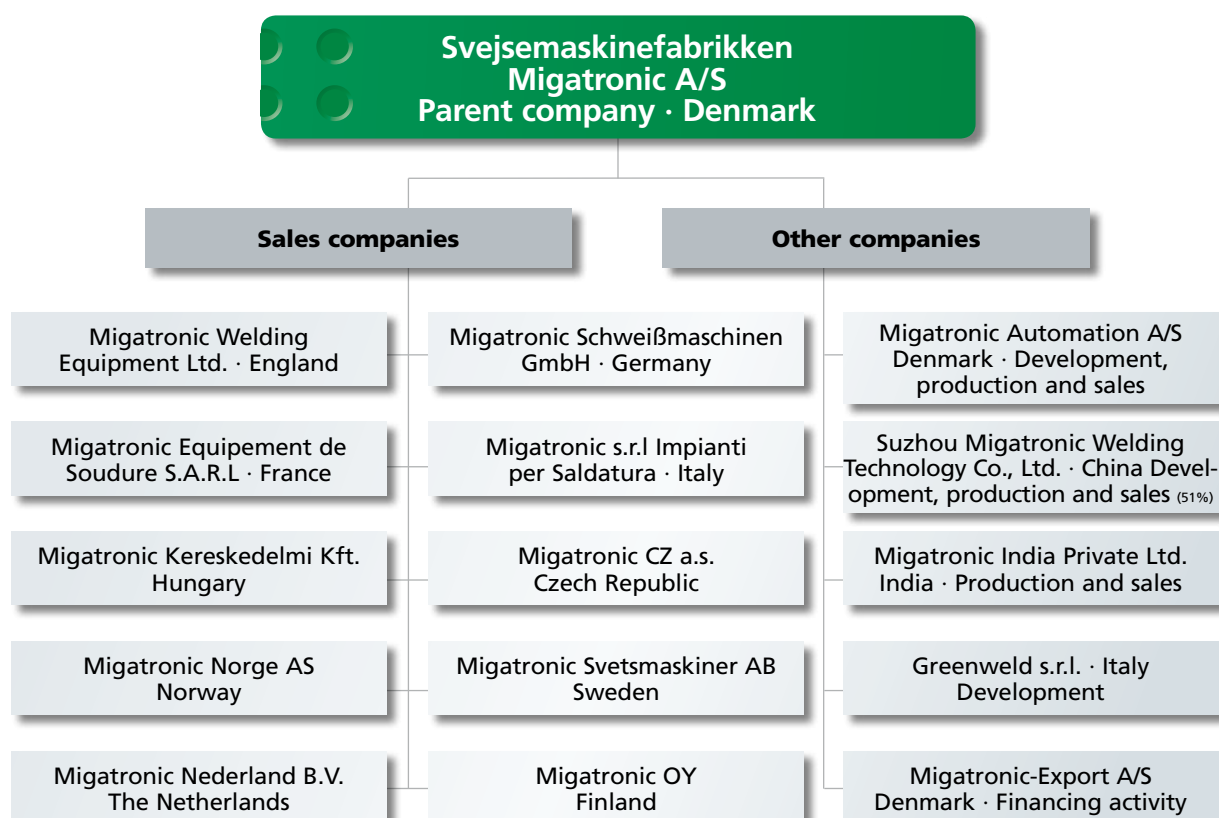


# Income statement

## Consolidated income statement for 1 January – 31 December

DKK'000	2008	2007
Revenue	421,182	417,142
Changes in inventories of finished goods and work in progress	-711	13,399
Other operating income	699	1,498
<b>Total income</b>	<b>421,170</b>	<b>432,039</b>
Costs of raw materials and consumables	183,687	196,519
Other external costs	63,847	61,184
Staff costs	141,465	138,028
Depreciation/amortisation and impairment of non-current assets	15,441	14,797
Other operating income	404	1,933
<b>Operating profit</b>	<b>16,326</b>	<b>19,578</b>
Financial income	1,290	1,898
Financial expenses	8,452	3,549
<b>Profit before tax</b>	<b>9,164</b>	<b>17,927</b>
Tax on profit for the year	944	5,559
<b>Profit for the year</b>	<b>8,220</b>	<b>12,368</b>
<b>Attributable to:</b>		
Shareholders of Svejsemaskinefabrikken Migatronic A/S	10,521	16,579
Minority shareholders	-2,301	-4,211
	<b>8,220</b>	<b>12,368</b>

## Group structure

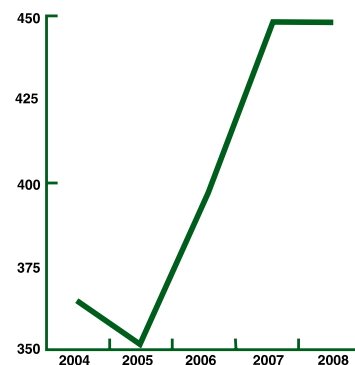


# Consolidated balance

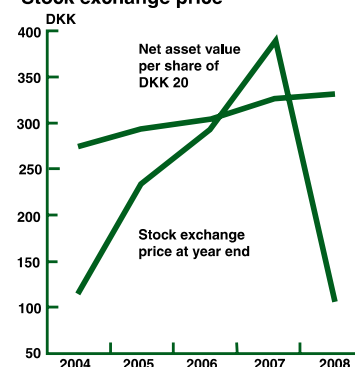
## Consolidated balance sheet at 31 December

DKK'000	2008	2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Product development costs	22,646	22,745
<b>Property, plant and equipment</b>		
Land and buildings	48,183	48,598
Plant and machinery	11,520	12,220
Fixtures and fittings, other plant and equipment	12,357	10,760
	72,060	71,578
<b>Other non-current assets</b>		
Long-term lending	642	642
<b>Total non-current assets</b>	95,348	94,965
<b>Current assets</b>		
Inventories	85,073	85,255
Receivables	70,788	78,562
Construction contracts	4,573	2,614
Corporation tax	2,372	0
Securities	6,897	14,269
Cash at bank and in hand	12,053	18,305
<b>Total current assets</b>	181,756	199,005
<b>Total assets</b>	277,104	293,970
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	9,822	12,022
Translation reserve	-945	-63
Hedging reserve	-170	-56
Retained earnings	137,739	176,424
Proposed dividends	0	2,967
Equity attributable to the shareholders of Svejsemaskinefabrikken Migatronik A/S	146,446	191,294
Minority interests	2,514	4,815
	148,960	196,109
<b>Non-current liabilities</b>		
Deferred tax	11,964	11,550
Mortgage credit institutions	38,747	5,113
	50,711	16,663
<b>Current liabilities</b>		
Mortgage credit institutions	11,603	2,937
Prepayments for construction	2,218	3,876
Trade payables	17,272	28,257
Corporation tax	0	317
Provisions	5,783	5,971
Other payables	40,557	39,840
	77,433	81,198
<b>Total liabilities</b>	128,144	97,861
<b>Total equity and liabilities</b>	277,104	293,970

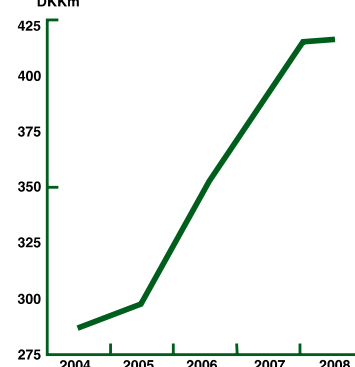
Number of employees



Net asset value  
Stock exchange price



Revenue  
DKK m



# Consolidated equity and cash flows

## Statement of recognised income and expense

DKK'000	2008	2007
Foreign exchange adjustments on the translation of foreign entities	-1,212	-1,108
Value adjustments of hedging instruments, interest	-152	137
Tax on items recognised in equity	368	-41
Profit for the year	8,220	12,368
<b>Total recognised income and expense</b>	<b>7,224</b>	<b>11,356</b>

## Statement of changes in equity

DKK'000	2008	2007
Equity at 1 January	196,109	180,527
Recognised income and expense for the year	7,224	11,356
Acquisition of treasury shares	-51,418	-1,810
Capital contribution	0	9,026
Dividends paid	-2,955	-2,990
<b>Equity at 31 December</b>	<b>148,960</b>	<b>196,109</b>

Equity attributable to minority interests at 31 Dec.	2,514	4,815
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## Cash flow statement

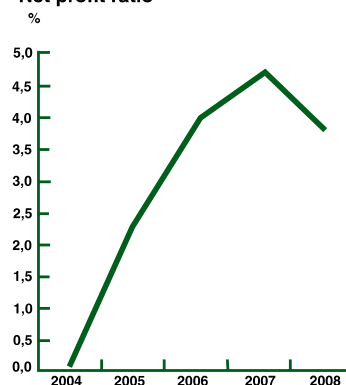
DKK'000	2008	2007
Operating profit	16,326	19,578
Financial income received	590	1,898
Financial expenses paid	-9,772	-3,549
Depreciation/amortisation and impairment	15,441	14,797
Other non-cash operating items	-126	-741
Exchange rate adjustment, etc.	447	-642
Changes in inventories	182	-14,630
Changes in receivables	5,815	-6,835
Changes in other provisions	-188	719
Changes in trade payables and other payables	-12,078	6,969
Corporation tax paid	-2,149	-4,734
<b>Cash flows from operating activities</b>	<b>14,488</b>	<b>12,830</b>

Acquisition of property, plant and equipment	-9,871	-10,767
Disposal of property, plant and equipment	496	1,616
Disposal of securities	7,313	7,638
Acquisition of intangible assets	-6,593	-6,665
<b>Cash flows from investing activities</b>	<b>-8,655</b>	<b>-8,178</b>

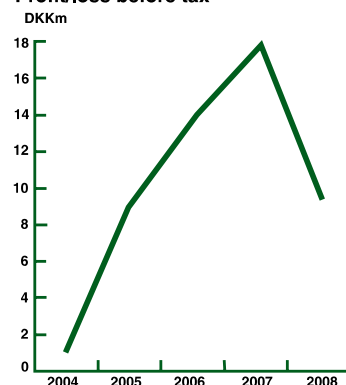
Distributed dividends	-2,967	-2,990
Acquisition of treasury shares	-51,418	-1,810
Repayment of mortgage debts	-6,816	-1,703
Loan proceeds	43,469	0
Changes in bank loans	5,647	1,234
Contribution from minority shareholder	0	9,026
<b>Cash flows from financing activities</b>	<b>-12,085</b>	<b>3,757</b>

<b>Net cash flows from operating, financing and investing activities</b>	<b>-6,252</b>	<b>8,409</b>
Cash and cash equivalents at 1 January	18,305	9,896
Cash and cash equivalents at 31 December	12,053	18,305

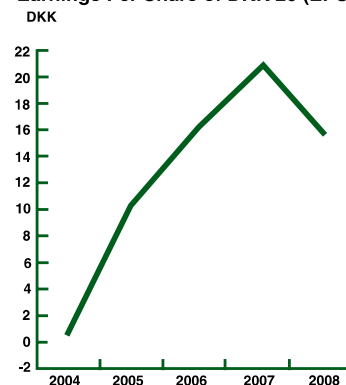
Net profit ratio



Profit/loss before tax



Earnings Per Share of DKK 20 (EPS)



# MIGATRONIC WORLDWIDE

## DENMARK:

### Main office::

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### MIGATRONIC-EXPORT A/S

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## MIGATRONIC EUROPA:

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### France

**MIGATRONIC EQUIPEMENT DE SOUDURE S.A.R.L.**  
21, Rue de l'Industrie, West Park,  
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### Italy

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### Czech Republic

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### Hungary

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### Finland

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### The Netherlands

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### Italy

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