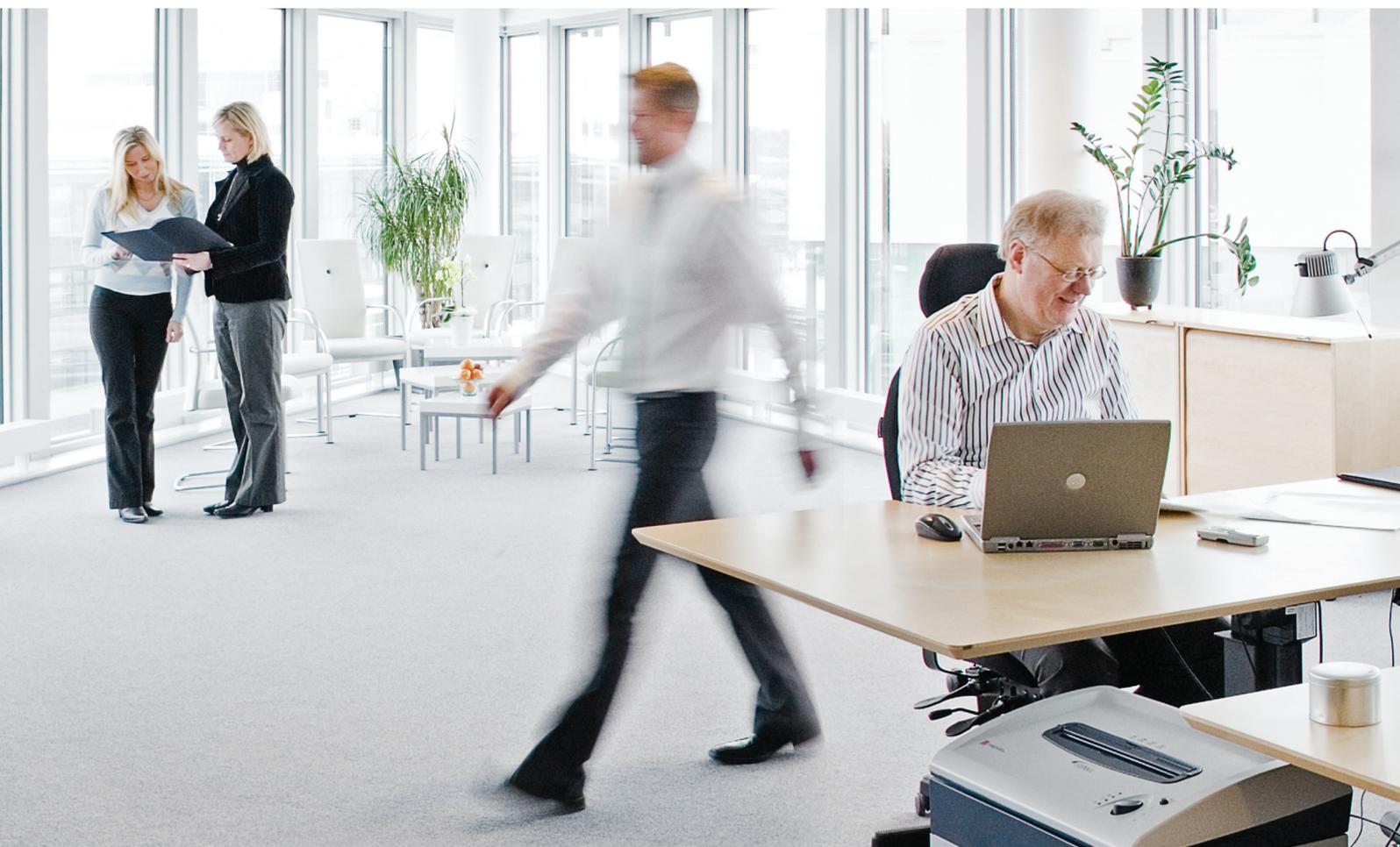


# Summary of Annual Report 2006



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## ANNUAL GENERAL MEETING

Annual General Meeting at 6:00 p.m. on Thursday, May 3, 2007, at Scandic Hotel Anglais, Humlegårdsgatan 23, in Stockholm.

## NOTIFICATION

Shareholders who wish to participate in the Annual General Meeting ("AGM") must:

- be recorded in the register of stockholders maintained by VPC AB (the Nordic Central Securities Depository) not later than Thursday, 26 April 2007,
- provide notification of their intention to participate in the AGM not later than Friday, April 27, 2007, in writing to Nocom AB (publ), Kista Science Tower, SE-164 51 Kista, Sweden, by telephone +46 08-410 920 35, fax +46 8-410 920 01 or Internet at [www.nocom.se](http://www.nocom.se). The notification should include name, address, telephone number, personal identity number and registered holding.

To be entitled to participate in the AGM, shareholders whose shares are registered in the name of a trustee must have their shares temporarily re-registered in their own name with VPC AB. Stockholders must notify their trustees well in advance to ensure that an entry is made in the register of stockholders by April 26, 2007. When applicable, proof of authorization, such as forms of proxy and certificates or registration should be sent to the Company prior to the AGM. Shareholders who wish to be accompanied by one or two assistants must inform the Company by the same date and in the same manner applicable to shareholders.

## PROPOSED DIVIDEND

The Board proposes an ordinary dividend of SEK 0.20 per share and an extra dividend of SEK 0.10 per share. No dividend was paid in 2005.

## FINANCIAL CALENDAR

Interim report January - March 2007	May 3, 2007
Interim report January-June 2007	August 21, 2007
Interim report January-September 2007	November 7, 2007



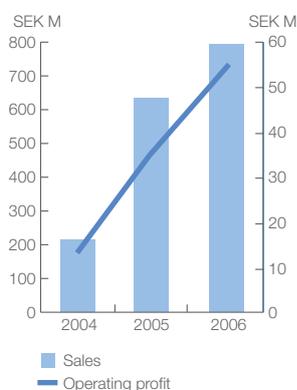
## HIGHLIGHTS OF 2006

- Sales increased to SEK 771.5 (635.6) million, and operating profit improved to SEK 54.6 (34.8) million through an increased focus on Software.
- IAR Systems exceeded its performance objectives through expansion and by doubling operating profit.
- Northern was acquired in April 2006. The business showed fast growth and improved earnings in pace with investments in sales resources.
- Distribution established stability in its market mix. The biggest successes were posted by Deltaco and Nocom Software.
- The organization was further streamlined via the sale of the Services business area and subsidiary Webcontrol, formerly part of Distribution.
- Nocom's financial position was further consolidated by a sharply improved cash flow from operations. Net cash rose to SEK 89.2 (39.9) million, while the cash flow from operating activities increased to SEK 44.4 (7.4) million.
- Nocom B shares are quoted on the OMX Nordic List (Small Cap). At December 31, 2006, the closing share price was SEK 7.90 (7.25), and Nocom's market capitalization was SEK 923 (723) million.

Nocom	
Software	Distribution
<p>Subsidiaries: IAR Systems och Northern</p> <p>Market: Global</p> <p>Sales in 2006: 155 SEK M</p> <p>Operating profit in 2006: 30 SEK M</p>	<p>Subsidiaries: Deltaco, Network Innovation, Nocom Security, Nocom Software and Nocom Drift (Jan. 1, 2007)</p> <p>Market: Norden and Baltikum</p> <p>Sales in 2006: 605 SEK M</p> <p>Operating profit in 2006: 35 SEK M</p>

KEY RATIOS	2006	2005
Sales (SEK M)	771,5	635,6
Operating profit (SEK M)	54,6	34,8
Taxes (SEK M)	3,4	22,3
Profit after taxes (SEK M)	53,4	57,0
Operating margin (%)	7,1	5,5
Earnings per share (SEK)	0,55	0,57
Cash flow from operating activities (SEK M)	44,4	7,4
Number of employees as per Dec. 31	261	250

Sales and operating profit



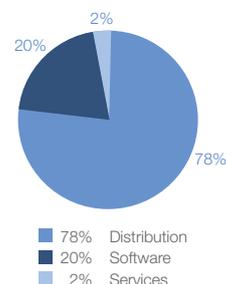
Both sales and operating profit improved. Growth was both organic and acquisition-driven. Our improved profitability is due to the strong performance of Software and a close focus on profitability in Distribution.

Cash flow from operating activities



The Group's financial position strengthened during the year. The growth in earnings generated a sharply improved cash flow from operating activities.

Sales per business area



Today, Distribution accounts for the bulk of the Group's business, but Software is the fastest-growing business area. The Services business area was sold off during 2006.

# Comments from the CEO

The past year was Nocom's most successful ever. Our ventures in the software sector quickly produced results. In addition, profitability in the distribution sector firmed up.

## WHAT IS THE SECRET OF YOUR STRONG RESULTS LAST YEAR?

Our strong results are due to our focused efforts to secure long-term profitability and to our successful acquisitions in recent years. In 2006, profitability improved in our Distribution operations, where we achieved stability because our subsidiaries operate in different markets. However, our biggest ventures were in the Software business area, and it is there, too, that we reaped our greatest successes during the year. The acquisition of Northern and our investments in IAR Systems quickly delivered impressive results, not only in sales but also sharply higher profits.

## WHAT IN THE PAST YEAR GAVE YOU MOST SATISFACTION?

We are very satisfied with the way that IAR Systems developed—earnings improved and operating profit doubled. Above all, we see that demand for embedded systems for mobile applications drove up license sales. At the same time, several important contracts on software development for new microprocessors were signed. These contracts generated higher development income in 2006 and offer the potential for future license revenue once the microprocessors are placed in production. Another important event during the year was the acquisition of Northern, a profitable software company with efficient information storage products. The company is notable for its high-level expertise, an impressive list of customers, and a strong position in a fast-growing global market. Northern adds a further dimension to the Group's software offering. At the same time, Nocom has the resources to enable Northern to invest in new sales channels and develop its market initiatives. In Northern, we have identified a huge potential for growth.

## CAN YOU IMPROVE PROFITABILITY IN DISTRIBUTION?

There are two ways to be profitable in distribution. You either have to be a global player with big volumes and benefits of scale, or you have to focus on a profitable niche in a more local market. We concentrate on well-positioned, competitive niche distributors. Our subsidiaries Deltaco and Nocom Software are successful examples of this strategy. Some of our other distribution companies operate in markets with a high proportion of volume-based sales at lower margins. If these companies are to achieve our profitability objectives, it is not enough for volume-based sales to be reduced; they must be wholly replaced by offerings that enable the companies' expertise to be used to best effect. This is a challenge and a continuing area of focus.

## HOW IS DELTACO SUCCEEDING IN COMBINING GROWTH WITH STRONG PROFITABILITY?

Deltaco is a niche distributor with a strong corporate culture, dedicated employees, and a high level of service. The company has focused consistently and in a goal-focused way for many years—on long-standing supplier relationships, quality products, and an efficient purchasing and delivery organization. In 2006, Deltaco intensified its activities in sales and succeeded not only in expanding its market shares at customers, but also in growing in new market segments. As a result of the current

branding program, Deltaco anticipates further strengthening both customer relationships and competitiveness.

## HOW DO YOU DESCRIBE YOUR FINANCIAL POSITION?

We have a strong cash reserve, and our excellent earnings performance sharply improved the cash flow from operational activities during the year. As a result, we can step up our investments to develop the business. Our stockholders will also benefit from this strong financial position. The Board has prepared proposals for the Company's Annual Meeting in May, on both dividend and a program to buy back shares in the Company.

## HOW DO YOU SUM UP YOUR FIRST YEAR AS CEO?

I took up the position of CEO in May, and it is of course a pleasure to look back on a year as successful and exciting as 2006. In the spring, we left five years of "have to" behind us. Years dominated by cutbacks and redundancies, tough action to reduce losses and conserve liquidity, and firm efforts to achieve profitability and growth. The outcome is that we have been able to enter a new era, one in which we can develop Nocom by putting what we "want" into practice. What we want is to grow through our own products. In 2006, we already made good progress—through the acquisition of Northern, our investments in IAR Systems, and Deltaco's branding program. And it is in these areas that we posted our biggest successes during the year—evidence that we are on the right track.

## WHAT ARE YOUR MOST IMPORTANT OBJECTIVES FOR 2007?

Our most important objectives for 2007 are higher profitability for the Group and growth in Software. With that in view, we are working intensively to improve profitability in Distribution, by moving quickly to strengthen our offering in niche distribution. At the same time, we are maintaining our focus on the profitable software sector, with the ambition of expanding our global presence by new sales offices and more sales personnel. Our first actions in 2007 were to increase our investments in marketing and sales resources, with the single aim of developing the considerable potential for growth of the software companies.

The sharply improved operating profit, growth in the software sector, and our strong financial position have equipped us more strongly for the New Year. The year 2007, too, will bring both challenges and opportunities. Ambition, freedom of action, and professionalism have been key principles in the past few years—and we have no intention of renouncing them. The year 2007 offers every prospect of being yet another in the series of successful years for Nocom.



**Stefan Strom**  
President and CEO



*"The acquisition of Northern and our investments in IAR Systems quickly produced impressive results."*



# Objectives and strategies

Nocom's objectives demand ongoing development of the organization to maximize the return from various business opportunities that arise in the meeting between technological development and customer needs. Long-term shareholder value is created via the development and distribution of software and IT products.

## MISSION STATEMENT

Nocom's mission is to develop and distribute software and IT products through independent, profitable, and growth-oriented subsidiaries.

## OPERATIONAL OBJECTIVES

- Stable and rising profitability.
- Create conditions for growth.
- All subsidiaries independently profitable.

## STRATEGIES

- To develop independently profitable and growth-oriented subsidiaries by preserving their distinctive attributes.
- To create conditions for value growth by diversifying risks, entering new markets, and enhancing the Group's products.
- To promote dedicated, responsible, and instructive leadership aimed at developing the business and personnel.

## BUSINESS MODEL

Nocom is an IT group of independent companies operating in the development and distribution of software and IT products. The Group has a well-adjusted portfolio of companies in which stable, profitable units with a relatively low risk profile are balanced against units with major potential for profit and growth.

Nocom creates value for customers and shareholders by providing support to its subsidiaries in the form of expertise in strategic analysis, business management, financial management, financing, and company acquisition.

## SUCCESS FACTORS

- In-house developed software creates high gross margins.
- Distribution of IT products in a combination of markets spreads risk and offers increased stability.
- Global sales channels.
- Independent subsidiaries with strong own brands.

## OUTLOOK

Nocom anticipates that business conditions will continue to favor IT investments in 2007, creating a strong market position for the Group and opportunities for further positive growth. The Group's long-term objective is to outperform the IT market in general. This will be achieved by increasing investments in sales resources, product development, and a global presence.

Nocom's strong results and strategic focus, along with growth in the market, will create new opportunities for refining the Group's portfolio and business focus. The Group's financial focus is to maintain stable long-term profitability, increased growth in Software, and stronger profitability in Distribution.



Nocom is an IT group with subsidiaries that operate both as suppliers and distributors of software and IT products. Sales are conducted via the Group's own sales offices, as well as by distributors and resellers. The diagram illustrates where in the business flow Nocom's subsidiaries operate.

# Market

Nocom's judgement is that the pace of IT investments by customers will continue to rise. The Group's long-term objective is, by well-positioned products, to outperform the IT market in general. This will be achieved by increasing investments in sales resources, product development, and a global presence.

Digitalization is driving the global IT market and demand for new products with more functionality. Nocom is well placed for this development, with strong brands in Software and Distribution. Three clear, significant market trends are driving demand for Nocom's software and IT products.

## SHARP GROWTH IN MARKET FOR EMBEDDED SYSTEMS

Demand for embedded systems is continuing to rise as these systems are being used in more and more products, most notably in consumer products and mobile applications. These products are acquiring sophisticated functions, which in turn are demanding greater numbers of, and more powerful, microprocessors in every product. For example, cell phones incorporate advanced embedded systems that integrate more and more functions, including image and sound processing.

Increased use of embedded systems, shorter product life cycles, and more functions in final products are forces that are escalating the pressure for shorter development times and more developers. As a result, the demand for efficient development tools is also rising, which favors sales of software from IAR Systems.

## GROWING NEED FOR COST-EFFICIENT DATA STORAGE

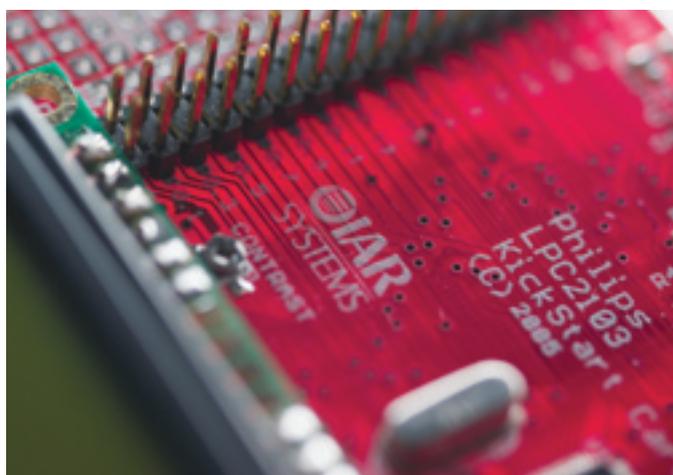
Data volumes at businesses are growing fast, and cost-efficient data storage has become a business-critical issue. More and more organizations are realizing the need to manage and control the growing volume of information, as administration is starting to cost more than the actual hardware. Software known as storage resource management (SRM) enables organizations to effectively control their costs, improve accessibility of information, and guarantee information security. The world market in SRM solutions totaled around USD 10 billion in 2006, up around 10 percent on the preceding year (IDC 2006).

Northern's product—Northern Storage Suite—is technologically a market-leading software product for efficient data storage management. The product gives customers a tool to rapidly rationalize their IT environment. Nocom has identified major areas of potential for boosting sales of Northern's products in a globally fast-growing market.

## STRONGER DEMAND FOR COMPUTER ACCESSORIES

A direct result of the explosive growth in consumer electronic products is the fast expansion of the market in computer accessories. This is a multibillion dollar market, in which most goods are manufactured in the low-cost countries of Asia and sold worldwide. Distribution of computer accessories is typified by huge volumes and tough competition. Against that background, carefully considered strategic choices are a precondition of success. The Nordic market for computer accessories and peripherals has both major global distributors and smaller, local niche distributors. It is assumed that those who emerge as victorious from the battle will be the major players who enjoy benefits of scale, as well as fast-footed niche businesses that are capable of adapting to new conditions and customer needs (IDC 2005).

Deltaco is one of the leading niche distributors of computer accessories in the Nordic market. This position has been secured via a broadly based offering and high-quality service. In 2006, Deltaco bolstered its efficient purchasing and delivery organization by a closer focus on sales. To reinforce its market position and reach out to new customers, Deltaco launched a number of own-brand products. The initiative will improve the company's prospects for long-term profitable growth.



# Software Business Area

The Software business area is the Group's fastest-growing business area and the one with the highest operating margin. Both IAR Systems and Northern report sales successes, and both companies show major potential for further growth. Software is becoming ever more central to the Group.

The business area consists of IAR Systems and Northern. IAR Systems offers development tools, software that is used during programming of microprocessors in embedded systems. Northern offers software products for data storage management, storage resource management (SRM).

The in-house developed software products are technologically leading-edge in their respective market segments. Sales are conducted globally via the companies' own sales offices and distributors. In all, the products are represented in around 30 countries worldwide.

Revenue for the software companies derives from software licenses, support agreements, and development contracts. License sales deliver a high gross profit, and associated support agreements secure stable revenue streams in subsequent years. An intensified focus on license sales will create conditions favoring both growth and stronger profitability. The development contracts are important in creating opportunities for future license sales.

## PROFIT AND DEVELOPMENTS IN 2006

The year was dominated by a strong focus on growth, with the emphasis on developing license sales. Sales rose to SEK 154.6 (93.9) million. IAR Systems expanded due to sales advances. Demand was especially strong in mobile applications. The acquisition of Northern in April 2006 reinforced the business area's offering.

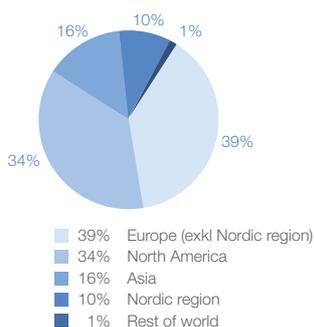
More than 90 percent of the business area's sales take place outside Sweden. North America is the biggest market, with a third of total sales.

Operating profit more than doubled, and the operating margin also improved sharply. The strong profitability is attributable to higher license sales at both IAR Systems and Northern. Operating profit totaled SEK 29.8 (13.0) million, and the operating margin was 19.3 (13.8) percent over the year.

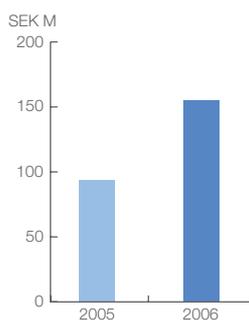
For more on the subsidiaries in the business area, please turn to page 8.

	2006	2005
Sales, SEK M	4,6	93,9
Operating profit, SEK M	29,8	13,0
Operating margin, %	19,3	13,8
Number of employees	115	95

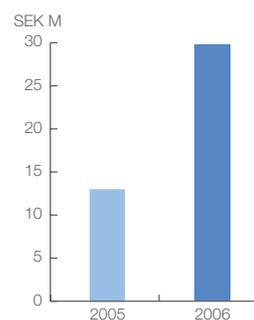
Sales per geographical area



Sales in 2005–2006



Operating profit in 2005–2006



# IAR Systems — strong position in global market

Software supplier IAR Systems holds a strong, independent position in a global market. The key to IAR Systems' successes is a technologically market-leading compiler packaged as a user-friendly, all-purpose development tool. Customers are product developers and makers of embedded systems throughout the world.

## EMBEDDED SYSTEMS EVERYWHERE

Embedded systems are integrated computer-based systems designed to control different functions in electronic products. Embedded systems are everywhere, even where we normally do not suspect that functions are computer-controlled. Embedded systems are used in cars, refrigerators, cell phones, toys, sewing machines, TV sets, CD players, and many other devices. The most important component in an embedded system is a microcomputer, which consists of a microprocessor, memory, and an operating system. A high proportion of all computers made are incorporated into embedded systems. What we know as personal computers are only a small fraction of the total.

## COMPILER AFFECTS PERFORMANCE

To develop an embedded system, a compiler is used. This is software that translates into ones and zeros the developer's programming language, i.e., the language that controls what a microprocessor does. An efficient compiler improves the performance of the products and so is very important in the development not only of new products but also of more advanced functions. Depending on the complexity of the product, different microprocessor architectures are used, all of which need a specially adapted compiler. IAR Systems supports around 25 different architectures and, over 20 years, has built specialist expertise in the field.

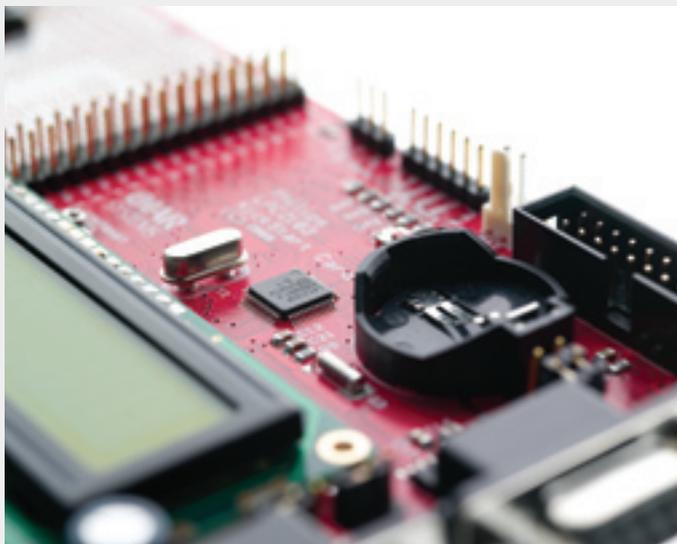
## IN EVERYTHING FROM REFRIGERATORS TO CELL PHONES

IAR Systems' products are well known for their wide range of applications, high efficiency, and high quality. IAR Systems' software products enable developers, in one and the same development environment, to provide functions for everything from refrigerators and toys to cell phones. Customers include companies in the automotive, telecom, medical technology, industrial automation, and consumer electronics sectors.

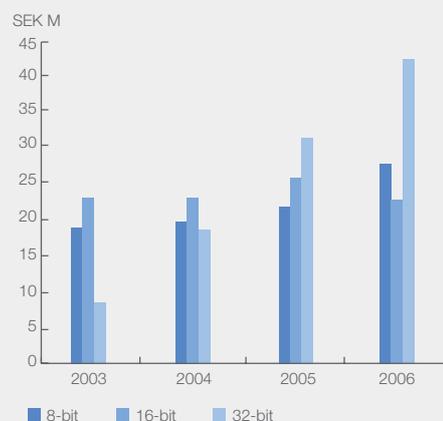
## LICENSE SALES RISING

Four powerful forces are driving demand for software products from IAR Systems:

- The number of embedded systems is rising sharply, in pace with the growth in intelligent products in the market; for example, consumer electronic products with mobile applications.
- These products are featuring ever more advanced functions, requiring more microprocessors and more development time for each product. This is accentuating the need for an efficient development tool.
- Shorter product life cycles are adding to the pressure for shorter development cycles. Because of the time factor, more developers work on every project and there is a demand for more development tools.
- IAR Systems has a unique position in the market as one of the few independent suppliers.



Sharp rise in license sales by IAR Systems



Rising demand for mobile applications is driving the development of more advanced microprocessors based on 32-bit technology. License sales by IAR Systems in this area rose by 25 percent in 2006, and they now account for nearly half of total license sales.

## IAR SYSTEMS

Established in 1983, IAR Systems has been part of the Nocom Group since 2005. The company is an independent, world-leading supplier that specializes in developing software to program microprocessors for embedded systems. The software consists of development tools marketed under brands including Embedded Workbench (EW). These development tools are both technologically leading-edge and user-friendly.

Customers include many of the world's leading makers of cars, industrial robots, medical equipment, cell phones, and other consumer electronic products. IAR Systems is represented in some 30 countries, via its own subsidiaries and distributors.

The competition may be roughly divided into two categories: software companies that offer tools for programming of microprocessors, and microprocessor manufacturers with in-house development units offering similar tools. The company's main competitors are CodeSourcery, Green Hills, Rowley Associates, TASKING, and Wind River.

IAR Systems has 97 employees, is headquartered in Uppsala, and has sales offices in the USA, Japan, China, the UK, Germany, Belgium, and Brazil. CEO is Olle Eriksson.

### Developments during the year

From its strong position in the market, IAR Systems grew strongly, doubling its operating profit. Sales totaled SEK 139.5 (93.9) million.

The sales increase arose through higher license sales and several development contracts in 2006. Under development contracts, IAR Systems is commissioned by a customer—for example, a refrigerator manufacturer—to develop a compiler that is customized for a specific microprocessor. Development contracts provide short-term growth and profitability, but may also lead to further sales when the microprocessor is launched in the market.

License sales in mobile applications rose by 25 percent, representing nearly half of total license sales by IAR Systems in 2006. Nocom anticipates that sales in this market segment will continue to rise sharply, driven by customer demands for shorter development times and faster time-to-market. The market for mobile applications is largely based on 32-bit technology, where IAR Systems has invested heavily in ARM technology, the leading microprocessor architecture. In November, IAR launched PowerPac™ for ARM, a new product that meets the rising demand for a more highly integrated development tool for embedded systems.

More than 90 percent of sales by IAR Systems are to international customers. The biggest growth has been in the USA and Germany, but Asia remains an important market. In 2006, two major license deals were concluded, as well as a wide-ranging development contract with leading Japanese electronics companies. In early

2007, IAR Systems expanded in the Asian market to further accelerate the pace of growth.

In view of the company's stronger position in the growing market for mobile applications and the earnings model, the profitability objective was raised to 15–20 (10–15) percent at mid-year. Over the full year of 2006, operating profit rose by SEK 15 million to SEK 27.8 (13.0) million, while the operating margin was 19.9 (13.8) percent. The improved profit was attributable chiefly to higher license sales and improved efficiency in sales.

## NORTHERN

Established in 1995, Northern joined the Nocom Group in April 2006. The company offers market-leading, in-house developed software for storage resource management. The product, Northern Storage Suite, offers improved control of constantly growing volumes of information.

Sales of Northern's software products are conducted via distributors and the company's own sales offices throughout the world. Around 90 percent of sales are international, with the USA accounting for nearly half the total.

Competitors offering similar products are NTP Software (Storage M&A and Storage QFS) and Symantec (Storage Exec).

Northern has 18 employees, is headquartered in Stockholm, and has sales offices in the USA. CEO is Thomas Vernersson.

### Developments during the year

Since being acquired by Nocom, Northern has increased its investments in sales and marketing resources. Changes in pricing, expansion of marketing, and a focus on sales have quickly impacted on both profits and sales, which showed improvements in every quarter. Sales between April 6 and December 31, 2006, totaled SEK 15.1 million. In the same period, the operating profit was SEK 2.0 million and the operating margin 13.2 percent.

Northern posted big sales successes in the North American market. Two substantial license agreements were signed with the US Department of Defense, as well as an agreement with a global mobile network operator. Northern also signed joint venture agreements with EMC and NetApps, two global suppliers of hardware for data storage. These agreements pave the way for growth in new market segments.

# Northern Storage Suite—immediate business benefit

Several of the world's biggest companies use Northern's in-house developed software for secure information storage. The company's main competitive edge lies in its intuitive and technologically leading system for managing volumes of information.

## AUTOMATED MANAGEMENT OF USER DATA

Northern's cost-efficient data storage systems enable tighter control of the growing volumes of information that need to be stored. Fast-growing volumes of information are a problem shared by businesses and other organizations throughout the world.

The company's main product, Northern Storage Suite, rationalizes administration of data storage servers according to criteria determined in advance by the customer. The system is intuitive and easily instructed to:

- **Reclaim** inefficiently used storage capacity by liberating unused disk space.
- **Plan** long-term storage requirements by analyzing and simulating user behavior.
- **Automate** storage management so that certain investments in increased capacity are fact-based.
- **Delegate** control over data so that users themselves are encouraged, via a Web-based interface, to actively contribute to the storage solution.
- **Finance** the data storage costs incurred by IT departments, by enabling clear internal debiting that allocates costs fairly to the respective units.

## BUSINESS-CRITICAL DIMENSION

Growing data volumes are not just a costly administrative problem. Secure data storage is also becoming increasingly business-critical. In today's knowledge-intensive, service-based society, modern businesses and other organizations are often totally reliant on efficient, secure access to the organization's stored information.

## WORLD-LEADING CUSTOMERS

Northern's technology lead is confirmed by the fact that more than half of the companies in the Global Fortune 100 have chosen the company's systems for information storage needs in some part of their organization.

Northern's biggest name customers include Microsoft and Boeing. These have chosen Northern as a partner because Northern offers a world-leading SRM system for Windows servers.



# Distribution Business Area

The Distribution business area consists of companies that distribute IT products and software to resellers in the Nordic and Baltic regions. These companies operate in different markets, which makes for stable profitability in the long term. The aim is to establish well-positioned, competitive niche distributors.

The business area includes subsidiaries Deltaco, Network Innovation, Nocom Security, and Nocom Software. Since January 1, 2007, the Distribution business area has also included Nocom Drift. The companies distribute leading software and IT products via resellers and partners in the Nordic and Baltic region. Each operates in clearly defined markets, offering a high level of technological expertise to resellers via technical sales backup, training, and support. Nocom Drift provides operating and hosting services.

The business area strives for stability in sales and profits via a strategy of having subsidiaries operate in different markets. Conditions in each of these markets—computer accessories, image processing IT products, IT security, and system integration—are entirely different.

Sales are conducted in the Nordic and Baltic regions, with Sweden accounting for nearly 70 percent.

## PROFIT AND DEVELOPMENTS IN 2006

Nocom's objectives for Distribution in 2006 were stronger profitability and an operating margin of 10 percent, depending on any rise or fall in the proportion of volume-based sales.

In 2006, Nocom achieved stability in both profits and sales in the business area. Sales rose to SEK 605.3 (509.7) million. The increase was primarily attributable to the acquisition of Deltaco and Network Innovation in March 2005.

Demand rose sharply in computer accessories, but declined in advanced IT security systems. In addition, Nocom identifies a trend in which volume-based sales are rising in the markets for IT security and image processing IT products. Volume-based sales cover an area of distribution where competitive advantages are gained through logistics and price, not expertise and product selection.

Operating profit totaled SEK 34.8 (26.1) million. The operating margin increased to 5.7 (5.1) percent, but the objective of an operating margin of 10 percent was not achieved. However, distribution of computer accessories and system integration software showed good profitability throughout the year. The challenge remains to improve profitability above all in the IT security sector with a high proportion of volume-based sales.

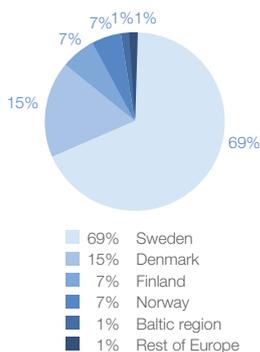
## Webcontrol sold

The Webcontrol subsidiary was part of the business area throughout 2006. The business developed from one specializing in distributing Web analytics tools into a service and consulting business that did not fit with Nocom's market offering. As a result, the company was sold on January 1, 2007. Webcontrol had eight employees. As required by particular legislation known as *Leolagen*, the decision to approve the sale has been referred to Nocom's Annual Meeting, to be held on May 3, 2007.

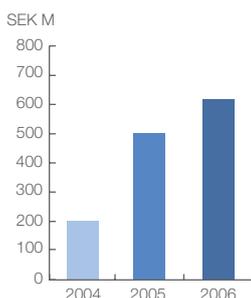
For more information on subsidiaries in the business area, please turn to pages 12–13.

	2006	2005
Sales, SEK M	605,3	509,7
Operating profit, SEK M	34,8	26,1
Operating margin, %	5,7	5,1
Number of employees	146	131

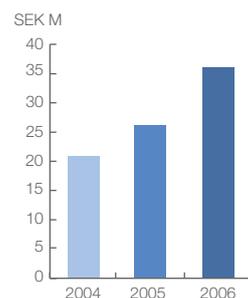
Sales per geographical area



Sales in 2004–2006



Operating profit in 2004–2006



# Deltaco — investing in its own brand

Deltaco was nominated as Distributor of the Year in 2006 by IDG's *IT.Brandschen* magazine. The company is now investing substantially in branding in order to further strengthen its competitiveness. As a result, millions of Deltaco-branded products will be sold in the Nordic region every year.

Deltaco has for many years worked consistently and purposefully on long-term supplier relationships, high-quality products, and an efficient purchasing and delivery organization. In 2006, Deltaco stepped up its activities in sales. Through the current branding program, Deltaco expects to further strengthen both customer relationships and competitiveness. In order to build a brand, the company is using its relationships with more than 5,000 resellers and its market leading position in the Nordic region.

## OWN BRAND, HIGHER MARGINS

The branding program is strengthening Deltaco's competitiveness. Feedback from the reseller sector indicates that the brand has become more and more important in sales to end-users.

In addition to bringing improved competitiveness, the Deltaco branding program provides a greater measure of control over the product offering, greater freedom and flexibility in pricing, and higher gross margins and profitability.

## MORE THAN 1,000 PRODUCTS LAUNCHED

Deltaco's plan is to market around 1,000 products under the Deltaco brand in a two-stage process. The first 500 will be in

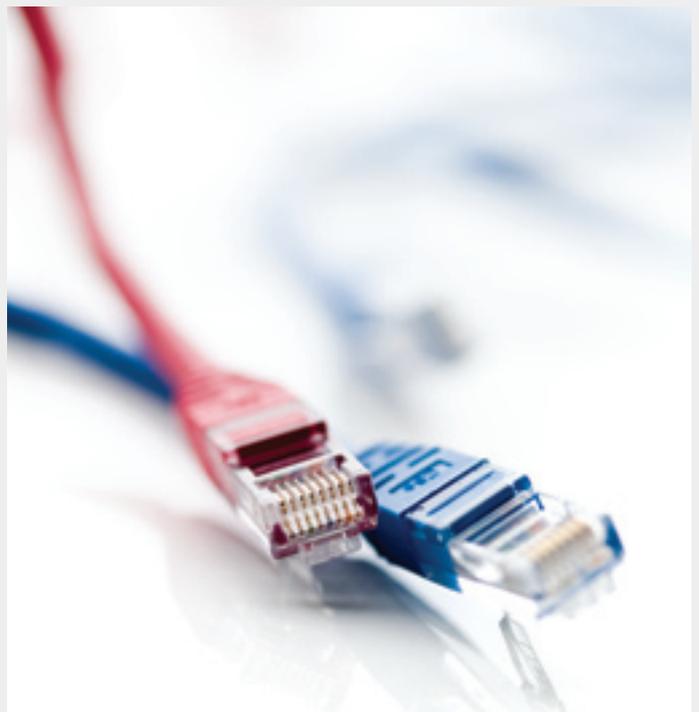
place at resellers in August 2007, and the remaining 500 early next year. Products include cables, keyboards, mice, network and multimedia products, and digital TV accessories.

## EVEN STRONGER CUSTOMER RELATIONSHIPS

Deltaco's long-standing customer relationships have been built up via product quality, a customized offering, and high-quality service. The branding program will further enhance benefit to the customer, since the company will, to a greater extent than previously, be able to offer:

- More value-for-money products, complete with warranty.
- Access to end-user support.
- Product descriptions and manuals in the local language.

The service offered represents an important competitive advantage and is a high-value factor to all consumers who buy computer accessories on the Internet, in consumer stores, and in hypermarkets.



## DELTACO

Deltaco is one of the leading niche distributors of computer accessories in the Nordic region. Established in 1991, the company has been part of the Nocom Group since 2005. Deltaco offers a wide range of computer accessories, cables, network products, and multimedia products. A high proportion of these products are marketed under Deltaco's own brand, but the product range also includes major brands such as D-Link, Sennheiser, and Maxell. Deltaco's customers are resellers, independent computer shops, industrial customers, PC makers, and mail-order companies.

Deltaco faces many competitors in areas of its product range, but none that can offer the same breadth, the same prices, and the same high delivery capacity. Competitors in particular segments include Isolda, SMG/GNT, and Green Computer.

Deltaco has 54 employees, is headquartered in Stockholm, and has subsidiaries in Finland and Denmark. CEO is Siamak Alian.

### Developments during the year

Deltaco's successes through the years have resulted from a consistent, purposeful focus—on long-standing supplier relationships, high-quality products, and an efficient purchasing and delivery organization. In 2006, Deltaco intensified its activities in sales.

Deltaco showed 20 percent growth during the year and good profitability. As a result of the current branding program, Deltaco anticipates further strengthening both customer relationships and competitiveness.

The accessories market is changing, and more customers are buying in larger volumes and demanding a customized range of products.

In response to this development, Deltaco has gradually increased the number of own-brand products it offers, with customized packaging and enhanced services. Deltaco has gained market shares, both among existing customers and within new customer segments.

IDG's *IT.Branschen* magazine nominated Deltaco as Distributor of the Year in 2006. The nomination noted that Deltaco's high level of expertise, high quality of service, and positive attitude have produced good margins, long-term profitability, and satisfied resellers, all of which have taken the distributor to the top.



## NOCOM SECURITY

Nocom Security is a value-adding IT distributor operating in information security. The business was established in 2003 as part of Nocom Distribution, which in 2006 was divided into three independent companies.

Nocom Security represents a series of leading suppliers in the Nordic and Baltic market, including Symantec, SonicWALL, Utimaco, SurfControl, Celestix, and Vasco. In addition, Nocom Security offers service, support, expert backup, training, and certification in the area. All sales are conducted via partners and resellers. IT security is a market where competition is tough. Nocom Security's major competitors include DNS, SecureSoft, and Azlan.

Nocom Security has 41 employees, is headquartered in Uppsala, and has subsidiaries in Norway, Denmark, Finland, and the Baltic region. CEO is Peter Strand.

### Developments during the year

To strengthen profitability, Nocom Security streamlined its organization and business processes. In the autumn, a new Nordic region management team was formed under Peter Strand, who formerly headed Nocom Security's operations in Sweden.

The proportion of volume-based, lower-margin sales increased during the year, both generally in the market and at Nocom Security. In addition, in late 2006, the company's sales of advanced, higher-margin security solutions declined. If the company is to achieve Nocom's profitability objective, it is not enough for volume-based sales to be reduced; they must be wholly replaced by offerings that enable the expertise of the company to be used to best effect. Our focus on this goal was intensified in early 2007.



## NOCOM SOFTWARE

Nocom Software is a value-adding distributor operating three areas: Integration, Development Tools and Databases, and System Management. Nocom Software began operations in 1985 as part of Nocom Distribution, Nocom's original core operation. In 2006, Nocom Distribution was divided into three independent businesses.

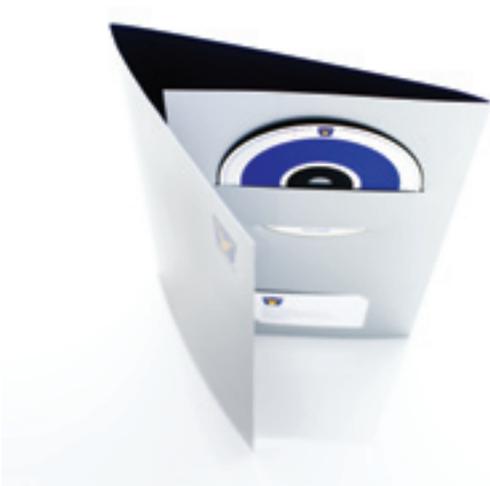
The company's suppliers include Attachmate, NetManage, Hummingbird, GUPTA, Northern, and RealNetworks. Nocom Software also offers advanced services, support, and training. All sales take place via partners and resellers in the Nordic market. Nocom Software is strongly placed in the market in Integration, Development Tools, and Databases. The company has sole distribution rights to a high proportion of its products. The strongest competition is from distributors of other products in the same sectors.

Nocom Software has eight employees, is headquartered in Uppsala, and has subsidiaries in Norway. CEO is Martin Forslund.

### Developments during the year

With the division of Nocom Distribution into three businesses early in the year, Nocom Software became a focused niche distributor. As a result of the company's clearer profiling and its established customer base, stable profitability was maintained throughout the year at a high level. In early 2006, Nocom Software landed its biggest order ever for products and services in host computer access. The order, worth nearly SEK 15 million, was for the software product Attachmate WRQ Reflection.

Nocom Software also extended its product offering in the form of the System Management product area and started sales of products from Northern during the summer.



## NETWORK INNOVATION

Network Innovation, established in 1994, has been part of the Nocom Group since 2005. The product offering includes image scanners, image editing software, large format printers, color calibration software, and camera and laptop computer cases. Network Innovation also offers support and training and an in-depth knowledge of graphic production flows. Network Innovation represents around 30 leading suppliers in the graphics and photography industry in the Nordic region. Its major suppliers are Epson, Crumpler, Extensis, Quark, EIZO, Enfocus, and Wacom. Customers are professional players in the graphics industry. Network Innovation holds a strong sales position via exclusive rights to distribution of specific products. In certain limited markets, Agfa, Heidelberg, and Fuji are competitors.

Network Innovation has 19 employees, is headquartered in Stockholm, and has sales offices in Norway. CEO is Erik Näsman.

### Developments during the year

Network Innovation signed extended distribution agreements for the Nordic region with several existing suppliers in the graphics industry.

During the autumn, Network Innovation established a presence in Norway.

## NOCOM DRIFT

Established in 1997, Nocom Drift has been part of the Nocom Group since 1999. The operating company was part of the Services business area in 2006 but was transferred to Distribution effective January 1, 2007. Nocom Drift operates a secure, modern hosting facility, offering a full range of services from server operation to advanced services for business-critical IT solutions.

Competition in operating and hosting services is fierce, and the industry is grappling with severe pressure on prices. Nocom Drift's main competitors are Qbranch, TietoEnator, and IBM.

Nocom Drift has nine employees and is headquartered in Stockholm. CEO is Leif Hamrén.

### Developments during the year

Nocom Drift's sales and profits for 2006 are included in the Services business area. Sales in 2006 totaled SEK 11.6 million, but the business reported an operating loss of SEK 0.3 million. With the sale of fellow subsidiary Nocom Networks, Nocom Drift further concentrated its focus on specialized operating services. The company has a competitive offering, but the market remains exposed to heavy pressure on prices.



# Organization and personnel

## ORGANIZATION

The Nocom Group has a flat organization with few employees at the Parent Company. Operations are conducted via independent subsidiaries operating under their own brands in two separate business areas, Software and Distribution. Each subsidiary reports direct to Group management, operating under a strong management that controls and develops the organization.

In 2006, the major part of the Services business area was divested, and the remaining operations transferred to Distribution as of January 1, 2007. The Software business area consists of IAR Systems and Northern, which develop software.

The Distribution business area comprises Deltaco, Network Innovation, Nocom Security, and Nocom Software, which distribute software and IT products via resellers and partners in the Nordic and Baltic regions, together with Nocom Drift, which offers operating and hosting services.

The activities of the Parent Company consist of Group management, financial management, and investor and media relations. The Parent Company supports the Group's subsidiaries with expertise in strategic analysis, business management, financial management, financing, and company acquisition.

## GROUP EXECUTIVE MANAGEMENT

Group Executive Management consists of Stefan Ström, President and CEO, and Torbjörn Nilsson, CFO.

## PERSONNEL

Nocom's competitiveness depends on the ability of the subsidiaries to recruit, retain, and develop qualified personnel. The success of the Group's companies is determined by how well they develop their leadership resources and inspire the commitment of their personnel.

## Corporate cultures that strengthen the business

The diverse types of business conducted by the different subsidiaries require different corporate cultures to deliver success. All corporate cultures are characterized by openness, social responsibility, and professionalism.

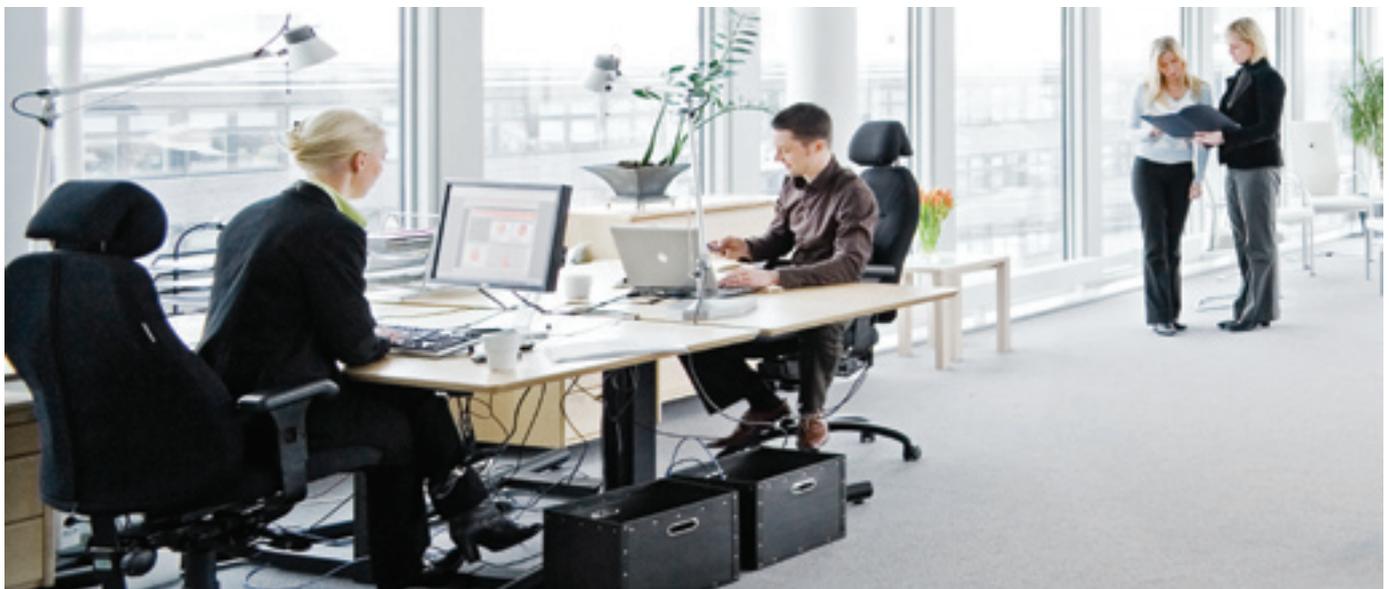
The Group strives for a personnel policy and work environment that inspire the members of personnel to want to develop in their professional role. This involves everything from creating a sense of well-being in each person's day-to-day working situation to offering ample opportunities for development.

An open, two-way system of communication and opportunities for members of personnel to influence their working situation are very important in giving members of personnel a sense of involvement and commitment. It is essential that members of personnel should understand the business model for the organization and their individual contributions to making it work.

## Expertise as a competitive factor

The required experience, training, and type of expertise vary from one subsidiary to another. As a result, every subsidiary is individually responsible for its own personnel policy. Nocom's ability to retain, and inspire commitment among, its personnel is one success factor. A high level of technical expertise and long industry experience are typical qualities among Nocom's personnel. However, the levels of education vary among the subsidiaries. The software business above all shows a high proportion of members of personnel with high university-level qualifications. In the distribution business, long industry and sales experience, as well as broadly based technological expertise, are important qualities.

At Nocom as a whole, more than 60 percent of personnel have higher post-upper secondary school level qualifications, just over 30 percent upper secondary school qualifications, and 3 percent other qualifications.



### Equal opportunity and diversity

The average age of Nocom personnel is 36 years. As in many other IT companies, the Group shows an unequal gender balance. At year-end 2006, 24 (23) percent were women and 76 (77) percent men.

However, Nocom is striving for a more even balance between the genders, so that competence, experience, and values can contribute in the best way possible to the Group's competitiveness.

### Rise in employee numbers through acquisition

In 2006, the number of employees rose to 261 from 250. The average number of employees was 264 (212).

The number of employees during the year was affected by two organizational changes. The acquisition of Northern in April brought an increase of 22 in the number of employees, while the divestments of Nocom Networks and UNC Systems led to a decrease of eight employees.

### INCENTIVE SCHEME

To further strengthen commitment to the business, a series of warrants, aimed at all employees of the Group, was launched during the year.

The Group's employees, divided into four main categories based on type of job, were each offered the opportunity of buying between 2,000 and 200,000 warrants on market-level terms. In all, 1,750,000 warrants were issued, of which 923,500 were subscribed to in June 2006.

Nocom believes that a personal long-term ownership commitment on the part of senior executives and other personnel increases motivation and a sense of identification with the Company. This also stimulates interest in development of the business and growth in profits.

### SOCIAL RESPONSIBILITY

Nocom's policy on social responsibility is to conduct its business in accordance with relevant laws and ordinances. Integrity, sincerity, frankness, and honesty are vitally important in all business and social relationships. The Group expects all its employees to be honest in their dealings with the Company's customers, suppliers, and competitors, and to discharge their duties in a way that sustains the good name and reputation of the Company.

Nocom encourages its subsidiaries to analyze their operations with regard to social responsibility and to establish guidelines as to how the Company should act in a responsible and ethically correct way. To do this, the Group's subsidiaries must inform themselves about and comply with relevant laws, ordinances, and international conventions.

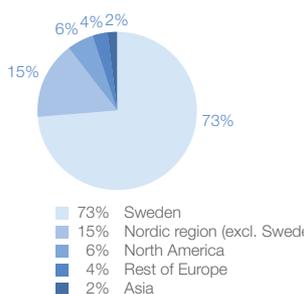
In addition, the Parent Company must strive to ensure constant improvement in the impact of its subsidiaries on the environment, as well as in their actions on a social level and in connection with human rights. The Group must also encourage all suppliers to work towards similar social responsibility objectives.

However, the risks may vary for different companies, and in different industries and countries. Against that background, Nocom considers that it is of the utmost importance that subsidiaries should determine which risks exist in their particular business.

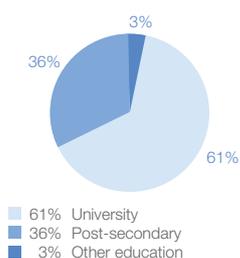
#### KEY RATIOS

	2006	2005
Average number of employees	264	212
Number of employees, December 31	261	250
Average age	36	38
Sales per employee, SEK T	2 923	2 998
Operating profit per employee, SEK T	207	164
University, %	61	62
Post-secondary school, %	36	35
Other education, %	3	3

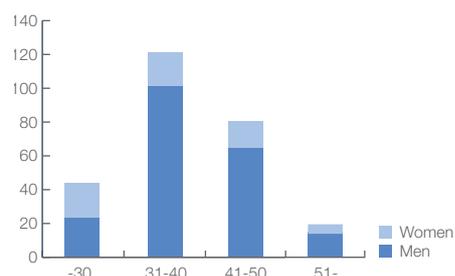
Number of employees per geographical area



Educational qualifications



Breakdown by age and gender



# The Nocom Share and ownership structure

Nocom's class B share has been quoted on the Stockholm Stock Exchange since January 1999. The share is traded on the OMX Nordic List (Small Cap). The share price on December 31, 2006, was SEK 7.90, and Nocom's market capitalization was SEK 923 million.

## SHARE DATA

Nocom's class B share (NOCM B) is traded on the OMX Nordic List (Small Cap) of the Stockholm Stock Exchange. A round lot consists of 2,000 shares. The closing share price paid during the year varied between a low of SEK 6.95 (3.73) and a high of SEK 11.60 (7.55). The share price at December 31, 2006, was SEK 7.90 (7.25), a rise of 9 percent. Nocom's market capitalization at December 31, 2006, was approximately SEK 923 (723) million.

Calculation of the market capitalization included 9,930,487 subscribed and paid-up shares issued at redemption of series 2B warrants issued in December 2006.

The number of shareholders in Nocom at December 31, 2006, totaled 17,646 (18,613). Of these shareholders, 1,104 (1,151) held more than 10,000 shares each. Foreign investors held around 12 (13) percent of the capital stock and 11 (11) percent of the votes.

Nocom's share capital at December 31, 2006, amounted to SEK 116,885,614 million, represented by 116,885,614 shares, of which 1,000,000 were class A shares and 115,885,614 class B. All shares entitle the holder to equal rights to the Company's assets and profit. Class A shares carry ten votes each, and class B shares one vote at annual meetings of shareholders, where each holder of voting share is entitled to exercise the full number of votes held directly or by proxy without restriction.

## STOCK ISSUES

New stock in Nocom was issued during the year as a result of company acquisitions and the exercise of warrants:

- 10,663,924 class B shares were issued in conjunction with the exercise of warrants in Nocom for subscription to new shares in Nocom.
- 546,125 class B shares were issued in conjunction with the acquisition of Northern.
- 5,895,892 class B shares were issued in conjunction with the acceptance of Nocom's offer for TurnIT.

After completion of the issues, the total number of shares outstanding in Nocom amounted at December 31, 2006, to 1,000,000 class A shares and 115,885,614 class B shares, including the new stock issue carried out in conjunction with the exercise of series 2B warrants, which expired on December 20, 2006. Upon full exercise of the 923,500 outstanding series 3B warrants, the number of class B shares outstanding will rise to 116,779,114.

## DIVIDEND

The Board of Directors proposes a dividend of SEK 0.20 per share for the 2006 financial year, plus an extra dividend of SEK 0.10 per share.

No dividend was paid in 2005. The record date for payment of dividend is May 8, 2007.

## DIVIDEND POLICY

The Board of Directors intends annually to propose a dividend, or other similar transfer of value, amounting to 30–50 percent of profit after tax. In addition, the Board may recommend a further transfer of capital back to the stockholders, provided that the Board considers such an action to be justified in view of the anticipated future cash flow and the Company's investment plans.

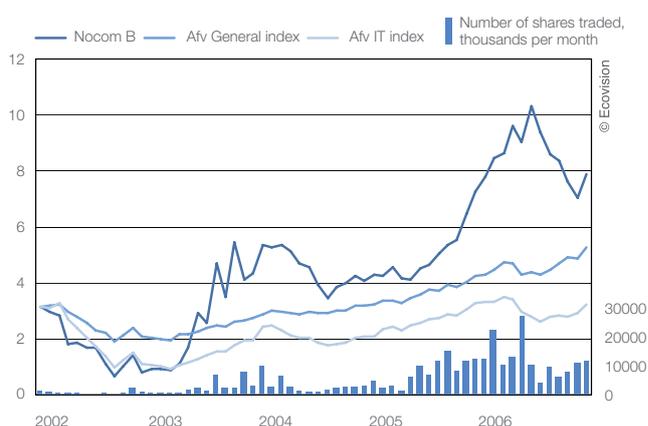
## WARRANTS

In spring 2005, the TO2B series of warrants was issued in conjunction with Nocom's acquisition of TurnIT. One warrant entitled the holder to subscribe to one new class B share in Nocom at a price of SEK 3.00 by no later than December 20, 2006. In all, 10,985,522 TO2B warrants were issued in 2005 and 2006, of which 10,885,865 were exercised. In 2006, Nocom raised extra capital of around SEK 32.7 million.

At the Company's Annual Meeting, held on May 3, 2006, a resolution was approved to introduce a stock-based incentive scheme. The offer of warrants on market-level terms was aimed at all employees of the Nocom Group. The Group's employees, divided into four main categories depending on type of job, were each offered the opportunity of buying between 2,000 and 200,000 warrants. In all, 1,750,000 warrants were issued, of which 923,500 were subscribed to in June 2006.

The market value, calculated using the Black-Scholes valuation model, was set at SEK 1.21 per warrant. Each option entitles the holder to subscribe to one new B class share in Nocom at a price of SEK 11.66 during May 2008. The subscription price is equal to 130 percent of the average of highest and lowest prices paid for class B shares in Nocom in the period May 22–June 2, 2006. The warrant series, Nocom TO3B, was quoted on the Stockholm Stock Exchange in July. Remium was appointed market maker for the warrant series. The incentive scheme was not offered to the Board of Directors and the CEO.

Nocom share price trend, 2002–2006



## LARGEST SHAREHOLDERS

	No. of class A shares	No. of class B shares	Total no. of shares	Total no. of votes	% of capital	% of votes
Stefan Skarin	1,000,000	2,250,000	3,250,000	12,250,000	2.78	9.73
Catella Case Fond		6,785,000	6,785,000	6,785,000	5.80	5.39
Bliwa Livförsäkring		4,704,000	4,704,000	4,704,000	4.02	3.74
AMF Pensionsförsäkring		3,208,000	3,208,000	3,208,000	2.74	2.55
Purpose AB		2,050,000	2,050,000	2,050,000	1.75	1.63
Länsförsäkringar småbolagsfond		1,818,400	1,818,400	1,818,400	1.56	1.44
AMF Pension aktiefond småbolag		1,676,000	1,676,000	1,676,000	1.43	1.33
Carnegie fond småbolag		1,430,000	1,430,000	1,430,000	1.22	1.14
Altad AB		1,292,805	1,292,805	1,292,805	1.11	1.03
Kaupthing Time		1,130,000	1,130,000	1,130,000	0.97	0.90
<b>Total, 10 largest shareholders</b>	<b>1,000,000</b>	<b>26,344,205</b>	<b>27,344,205</b>	<b>36,344,205</b>	<b>23.39</b>	<b>28.87</b>
Others		89,541,409	89,541,409	89,541,409	76.61	71.13
<b>Total</b>	<b>1,000,000</b>	<b>115,885,614</b>	<b>116,885,614</b>	<b>125,885,614</b>	<b>100.00</b>	<b>100.00</b>

## CHANGES IN SHARE CAPITAL<sup>1</sup>

Year	Quota value	Increase in no. of shares	Total no. of shares	Increase in capital share	Total capital share
<b>Transaction</b>					50,000
1990 Company formed	100	500	500	50 000	50,000
1993 Split 100-for-1	1	49,500	50,000	-	500,000
1994 Stock dividend 9-for-1	1	450,000	500,000	450,000	3,000,000
1996 Stock dividend 5-for-1	1	2,500,000	3,000,000	2,500,000	3,129,600
1996 New stock issue	1	129,600	3,129,600	129,600	3,350,520
1997 New stock issue	1	220,920	3,350,520	220,920	4,290,520
1998 New stock issue	1	940,000	4,290,520	940,000	4,321,720
1999 New stock issue/conversion	1	31,200	4,321,720	31,200	4,593,176
1999 New stock issue	1	271,456	4,593,176	271,456	5,133,176
2000 New stock issue	1	540,000	5,133,176	540,000	5,133,476
2000 New stock issue	1	300	5,133,476	300	5,329,176
2000 New stock issue	1	195,700	5,329,176	195,700	26,645,880
2000 Stock dividend 4-for-1	1	21,316,704	26,645,880	21,316,704	26,651,380
2000 New stock issue	1	5,500	26,651,380	5,500	26,678,880
2001 New stock issue	1	27,500	26,678,880	27,500	27,288,504
2001 New stock issue	1	609,624	27,288,504	609,624	28,288,504
2001 New stock issue	1	1,000,000	28,288,504	1,000,000	32,045,504
2004 New stock issue	1	3,757,000	32,045,504	3,757,000	85,748,465
2005 New stock issue	1	53,702,961	85,748,465	53,702,961	86,689,647
2005 New stock issue	1	941,182	86,689,647	941,182	99,093,861
2005 New stock issue	1	12,404,214	99,093,861	12,404,214	99,099,859
2005 New stock issue	1	5,998	99,099,859	5,998	99,310,929
2005 New stock issue	1	211,070	99,310,929	211,070	99,779,673
2005 New stock issue	1	468,744	99,779,673	468,744	99,833,827
2006 New stock issue	1	54,154	99,833,827	54,154	100,379,952
2006 New stock issue	1	546,125	100,379,952	546,125	100,411,038
2006 New stock issue	1	31,086	100,411,038	31,086	106,246,210
2006 New stock issue	1	5,835,172	106,246,210	5,835,172	106,506,084
2006 New stock issue	1	259,874	106,506,084	259,874	106,512,650
2006 New stock issue	1	6,566	106,512,650	6,566	106,955,127
2006 New stock issue	1	442,477	106,955,127	442,477	116,885,614
2006 New stock issue (under registration)	1	9,930,487	116,885,614	9,930,487	

<sup>1</sup> Operations began in 1985 and were conducted within Nocom Nordic Communication AB until February 1998. The current operating company was established in 1990.

## DISTRIBUTION OF SHAREHOLDINGS

Shareholders	No. of class A shares	No. of class B shares	% of capital	% of votes
1-1,000	11,493	0	2.83	2.62
1,001-10,000	5,049	0	15.88	14.75
1,0001-50,000	876	0	16.84	15.64
50,001-100,000	115	0	7.07	6.57
100,001-	113	1,000,000	57.38	60.42
<b>Total</b>	<b>17,646</b>	<b>1,000,000</b>	<b>100.00</b>	<b>100.00</b>

# Business risks

Changes in the IT industry are often rapid. This means that forecasts of future developments in businesses such as Nocom may be associated with a greater measure of uncertainty. The risks that Nocom is exposed to vary according to the activities of the respective subsidiaries. The risk factors described below refer in some cases to a specific subsidiary and in others to several different subsidiaries or the entire Nocom Group.

## OPERATING RISKS

### Suppliers

Several of Nocom's subsidiaries operate as distributors for major foreign manufacturers, and it is essential to Nocom's success that these partnerships with suppliers and manufacturers are maintained. Contracts have been signed with some suppliers—in many cases on an annual basis—while other relationships are based on long-standing, non-formalized contacts. Even though Nocom regards these arrangements as successful and enduring, it is possible for supplier relationships to change or be terminated at short notice.

### Resellers

The subsidiaries in distribution work with a large number of resellers, of whom no single reseller accounts for a dominant share of the Company's sales. Consequently, the subsidiaries' reliance on individual resellers is minor.

### Customers

The subsidiaries strive to build long-term relationships with their customers. In general, there is a relatively good spread over customer categories in terms both of industrial sectors and markets, which to a degree reduces risk. Despite this spread over customer categories, the loss of one or more major customers may adversely impact on Nocom's operations and results. Thanks to a stringent credit assessment policy, bad debts have historically been very low.

### Employees

Nocom is reliant on key personnel at its subsidiaries, normally the founder or senior executives. To reduce the risk that any of these will leave the Group, various types of incentive schemes are used. The long experience of employees in the Company's products and customer relationships also represents an important competitive advantage. Nocom's competitiveness is continuously maintained and nurtured through product certification, training, and knowledge-sharing.

To avoid excessive reliance on particular individuals, the businesses always have more than one person with expertise in a specific area and always several employees dealing with each customer. Personnel turnover is currently low. Nocom's development also depends on its ability to recruit new, qualified staff, which means that its ability to create an attractive workplace with good opportunities for development is of strategic importance.

### Technology

To any IT business, it is vital to be able to offer products and services in the latest technologies, as well as knowledge and experiences of established products. In software distribution, the risk of investments in the wrong products is determined mainly by the way sales develop. Because purchased software is usually downloaded

over the Internet, the risk of losses due to inventory obsolescence is very limited. In the computer accessories market, much of the product range consists of basic products with a considerably longer technological and commercial life. In the software market, Nocom holds technologically advanced positions. However, it cannot be ruled out that individual subsidiaries may be negatively affected by future technology shifts.

### Competitors

Nocom subsidiaries compete with companies in many different subareas of the IT industry. Competitors consist of major international and domestic enterprises. Certain competitors are financially strong and therefore able to act quickly in a way that changes the market positions of Nocom's subsidiaries.

### Business cycle

The business cycle and related customer IT investments are difficult to predict, and this impacts on the way the Group's sales and earnings develop. The acquisitions of 2005 and the resulting diversification in product offerings, markets, and industrial sectors have significantly reduced the Group's sensitivity to the business cycle.

## FINANCIAL RISKS

Through its operations, the Group is exposed to various financial risks. These include the risk of fluctuations in the Group's earnings and cash flow due to movements in exchange rates and interest rates, as well as financing and credit risks.

### Currency risk

Currency risk is the risk of variations in the value of financial instruments due to exchange rate fluctuations. The Group's procedures for management of transaction-related currency risk are laid down in the Group's financial policy. The objective is to minimize the short-term impact on earnings of exchange-rate movements, while at the same time create long-term freedom of action. One currency risk is associated with the translation of accounts receivable and payable in foreign currencies, primarily USD and EUR. The Group's sales in foreign currency, mainly in USD and EUR, make up around 44 percent of total sales. Of the cost of goods sold, roughly 61 percent of purchases are denominated in foreign currencies, also primarily USD and EUR. The Group's translation exposure, i.e., the risk of changes in the consolidated values of the net assets of foreign subsidiaries due to exchange rate fluctuations, is limited, and no measures are currently being taken to hedge translation exposure in foreign currency.

### Financing and liquidity risk

During the year, the Group carried out several new stock issues in conjunction with the subscription to shares by the holders of warrants at Nocom, at the acquisition of Northern and in connection with the acceptance of Nocom's offer for TurnIT. The Group's financial position was considerably strengthened during the year. Interest-bearing debts were reduced by around SEK 30 million to SEK 18.9 (49.6) million at year-end. Cash and cash equivalents at year-end totaled SEK 108.1 (89.5) million, while unutilized bank overdraft facilities amounted to SEK 15.0 (29.6) million.

### Credit risk

The Group's credit risk is mainly associated with the solvency of its customers. Nocom carries out routine credit assessments of customers according to established procedures. Some subsidiaries use credit insurance as a way of reducing credit risk. Credit risk has historically been low, and there is no significant concentration of risk attributable to any individual customer or any geographical area.

### Interest rate risk

Interest rate risk consists of the risk of variations in the value of financial instruments due to movements in market interest rates. The Group's loans carry variable interest rates. At present, Nocom has no investments in equity instruments.



# Five-year overview

## INCOME STATEMENTS

SEK million	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>1</sup>	2003 <sup>2</sup>	2002 <sup>2</sup>
Net sales	771.5	635.6	214.2	151.5	150.8
Operating expenses	-710.7	-598.8	-195.9	-135.1	-188.6
Depreciation of tangible assets	-5.3	-7.6	-4.2	-8.0	-21.3
Amortization of intangible assets	-3.9	-2.8	-0.2	-2.9	-6.6
Other income	3.0	8.4	-	-	-
Extraordinary items	-	-	-	-	-19.1
Shares in profit/loss of associated companies	-	-	-	-0.3	-1.5
<b>Operating profit/loss</b>	<b>54.6</b>	<b>34.8</b>	<b>13.9</b>	<b>5.2</b>	<b>-86.3</b>
Result from financial investments	-0.7	-0.8	-0.4	0.3	-0.8
<b>Profit/loss after financial items</b>	<b>53.9</b>	<b>34.0</b>	<b>13.5</b>	<b>5.5</b>	<b>-87.1</b>
Taxes	3.4	22.3	12.4	-2.2	-1.5
Profit for the period from discontinued operations	-3.9	0.7	-	-	-
<b>Profit/loss for the year</b>	<b>53.4</b>	<b>57.0</b>	<b>25.9</b>	<b>3.3</b>	<b>-88.6</b>

## BALANCE SHEETS

SEK million	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>1</sup>	2003 <sup>2</sup>	2002 <sup>2</sup>
<b>ASSETS</b>					
<b>Fixed assets</b>					
Goodwill	299.8	227.6	22.6	10.1	13.1
Other intangible assets	37.9	38.3	2.8	-	-
Tangible assets	43.6	46.3	9.8	11.0	18.1
Financial assets	74.3	63.3	19.3	11.0	13.4
<b>Total fixed assets</b>	<b>455.6</b>	<b>375.5</b>	<b>54.5</b>	<b>32.1</b>	<b>44.6</b>
<b>Current assets</b>					
Inventories, etc.	72.2	66.7	4.8	1.0	1.7
Other current assets	31.7	27.3	6.1	5.4	6.9
Accounts receivable	137.1	150.4	57.2	40.3	30.6
Cash and cash equivalents	108.1	89.5	13.7	17.9	19.5
<b>Total current assets</b>	<b>349.1</b>	<b>333.9</b>	<b>81.8</b>	<b>64.6</b>	<b>58.7</b>
<b>TOTAL ASSETS</b>	<b>804.7</b>	<b>709.4</b>	<b>136.3</b>	<b>96.7</b>	<b>103.3</b>
<b>EQUITY, PROVISIONS, AND LIABILITIES</b>					
<b>Total equity</b>	<b>592.3</b>	<b>448.9</b>	<b>65.7</b>	<b>23</b>	<b>20.3</b>
<b>Long-term liabilities</b>					
Interest-bearing liabilities	16.8	32.2	2.8	1.7	0.2
Provisions	12.6	16.6	-	-	-
<b>Total long-term liabilities</b>	<b>29.4</b>	<b>48.8</b>	<b>2.8</b>	<b>1.7</b>	<b>0.2</b>
<b>Current liabilities</b>					
Accounts payable	84.9	81.1	27.6	23.1	19
Interest-bearing liabilities	2.1	17.4	0.8	1.4	3.6
Provisions	5.4	2.4	-	-	-
Other current liabilities	90.6	110.8	39.4	47.5	60.2
<b>Total current liabilities</b>	<b>183.0</b>	<b>211.7</b>	<b>67.8</b>	<b>72.0</b>	<b>82.8</b>
<b>TOTAL EQUITY, PROVISIONS, AND LIABILITIES</b>	<b>804.7</b>	<b>709.4</b>	<b>136.3</b>	<b>96.7</b>	<b>103.3</b>

## CASH FLOWS

SEK million	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>1</sup>	2003 <sup>2</sup>	2002 <sup>2</sup>
Payments from customers	808.5	639.2	198.5	143.8	178.4
Payments to suppliers and employees	-767.4	-631.0	-205.4	-142.8	-195.7
Interest received	1.8	0.9	0.5	0.9	1
Interest paid	-2.5	-1.8	-0.8	-0.5	-1.6
Income taxes paid	4.0	0.1	-0.3	0.3	-0.5
<b>Cash flow from operating activities</b>	<b>44.4</b>	<b>7.4</b>	<b>-7.5</b>	<b>1.7</b>	<b>-18.4</b>
<b>Cash flow from investment activities</b>	<b>-26.9</b>	<b>32.9</b>	<b>-13.5</b>	<b>-3.3</b>	<b>-9.3</b>
<b>Cash flow from financing activities</b>	<b>1.1</b>	<b>35.5</b>	<b>16.8</b>	<b>-</b>	<b>-</b>
<b>Cash flow for the year</b>	<b>18.6</b>	<b>75.8</b>	<b>-4.2</b>	<b>-1.6</b>	<b>-27.7</b>

## KEY RATIOS

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>1</sup>	2003 <sup>2</sup>	2002 <sup>2</sup>
Gross margin, %	7.9	5.8	8.5	10.7	-26.1
Operating margin, %	7.1	5.5	6.5	3.4	-57.2
Profit margin, %	7.0	5.3	6.3	3.7	-58.8
Cash flow, %	5.8	1.2	-3.5	1.1	-12.2
Equity/assets ratio, %	73.6	63.3	48.2	23.8	19.7
Return on equity, %	10.3	22.2	58.4	15.2	-137.2
Return on capital employed, %	10.2	12.6	29.9	24.2	-117.3
Interest coverage ratio	22.6	20.0	18.5	11.6	-47.1
Capital employed, SEK million	611.0	498.5	69.3	26.1	24.1
Net interest-bearing liabilities, SEK million	-89.2	-39.9	-10.1	-14.8	-15.7
Net debt/equity ratio	-0.15	-0.09	-0.15	-0.64	-0.77
Number of employees at end of period	261	250	91	76	92
Average number of employees	264	212	86	77	124
Sales per employee, SEK million	2.9	3.0	2.5	2.0	1.2

## SHARE DATA

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>1</sup>	2003 <sup>2</sup>	2002 <sup>2</sup>
Equity per share, SEK	5.07	4.50	2.05	0.81	0.72
Equity per share, adjusted for outstanding warrants, SEK	5.07	4.35	2.05	0.81	0.72
Equity per share, adjusted for full exercise of outstanding offers and warrants, SEK	5.06	4.41	2.05	0.81	0.72
Number of shares at end of period, million	116.9	99.8	32.0	28.3	28.3
Number of shares at end of period, adjusted for outstanding warrants, million	117.8	110.5	32.0	28.3	28.3
Number of shares at end of period, adjusted for full exercise of outstanding offers and warrants, million	118.7	117.4	32.0	28.3	28.3
Average number of shares, million	103.4	80.6	30.8	28.3	28.3
Average number of shares, adjusted for outstanding warrants, million	114.4	89.0	30.8	28.3	28.3
Average number of shares, adjusted for full exercise of outstanding offers and warrants, million	118.2	94.3	30.8	28.3	28.3
Cash flow from operating activities/share, SEK	0.43	0.09	-0.24	0.05	-0.65
Cash flow from operating activities/share, adjusted for full exercise of outstanding offers and warrants, SEK	0.38	0.08	-0.24	0.05	-0.65
Earnings per share, SEK	0.55	0.63	0.84	0.12	-3.13
Earnings per share, after dilution, SEK	0.55	0.57	0.84	0.12	-3.13
Earnings per share, adjusted for full exercise of outstanding offers and warrants, SEK	0.49	0.60	0.84	0.12	-3.13
Dividend per share, SEK	-	-	-	-	-
Closing share price at December 31, or similar, SEK	7.90	7.25	4.07	4.35	0.81

<sup>1</sup> Based on IFRS.

<sup>2</sup> Based on the recommendations and statements of the Swedish Financial Accounting Standards Council.

In the years 2002–2003, operating earnings were charged with goodwill amortization totaling SEK 6.6 million in 2002 and SEK 2.9 million in 2003. Following the adoption of IFRS effective January 1, 2005, goodwill is no longer amortized. In the Company's judgement, this is the most significant change in accounting policies.

## DEFINITIONS

### Gross margin

Operating profit before depreciation/amortization, as a percentage of sales.

### Equity

Reported equity, including 72 percent of untaxed reserves.

### Equity per share

Equity divided by the number of shares at the end of the period.

### Cash flow

Cash flow from operating activities, as a percentage of sales.

### Net cash

Cash and cash equivalents less interest-bearing liabilities.

### Net interest-bearing liabilities

Interest-bearing liabilities less interest-bearing assets.

### Net debt/equity ratio

Net interest-bearing liabilities divided by equity.

### Earnings per share

Profit for the year after tax divided by the average number of shares during the period.

### Earnings per share after dilution

Earnings per share after dilution is calculated by dividing profit attributable to stockholders in the Parent Company, by the weighted average number of shares outstanding during the period, including outstanding warrants.

### Return on equity

Profit after financial items less tax at the full rate, as a percentage of average adjusted equity.

### Return on capital employed

Profit after financial items plus financial expenses, as a percentage of average capital employed.

### Interest coverage ratio

Profit after financial items plus financial expenses, divided by financial expense.

### Operating margin

Operating profit after depreciation, as a percentage of sales.

### Equity/assets ratio

Equity as a percentage of total assets.

### Capital employed

Total assets less interest-free liabilities.

### Profit margin

Profit after financial items, as a percentage of sales.



## Board of Directors, Senior Executives and Auditors

**TRYGVE ANGELL**, born in 1960, M.B.A. and M.Acc.

Active in own business, Pidell AS, Norway. Extensive experience in the IT and telecom industries, including eight years at Oracle.

**Holdings in Nocom:** 192,000 class B shares.

**ALEXANDER OKER-BLOM**, born in 1964, Economics Studies at Stockholm University.

President of Alted AB. Board member since 2005.

Chairman of Orre & Nyberg Capital AB. Board member: Electra Gruppen AB (publ), SweDeltaco AB, and TurnIT AB.

**Holdings in Nocom:** 400,000 class B shares and 1,292,805 class B shares (via companies).

**LISBETH GUSTAFSSON**, born in 1947, B. Sc. Soc., Stockholm University. Management training at INSEAD, France.

Board member since 2006. Board duties: Karolinska University Hospital, Axel Johnson International, Prevas AB, 24H Holding AB, Svensk Handel, Swedish Retail Institute, Invest in Sweden Agency (ISA), Confederation of Swedish Enterprise.

**No Holdings in Nocom.**

**STEFAN SKARIN, Chairman**, born in 1962, IHM Business School's International Marketing, Communication and Leadership programs and economics courses at Stockholm University.

Chairman since 2006 and Board member since 2002. In the period 2001–2006, CEO of Nocom AB. Former positions include Sales Director at Adobe Nordic, President of Interleaf Norden, and several senior international positions at Oracle Corporation.

**Holdings in Nocom:** 1,000,000 class A shares and 2,250,000 class B shares.



### SENIOR EXECUTIVES

**Stefan Ström**, born in 1958, M.B.A. President and CEO, Nocom AB. Employed since 1997.

**Holdings in Nocom:** 103,450 class B shares and—via family—2,000 T03B series warrants and 100 class B shares.



**Torbjörn Nilsson**, born in 1967, M.B.A. CFO since 2006, Nocom AB. Employed since 2006.

**Holdings in Nocom:** 10,000 class B shares and 50,000 series T03B warrants.

### AUDITORS

**Leonard Daun**, born in 1964, auditor for Nocom AB since 1998. Authorized Public Accountant at Öhrlings PricewaterhouseCoopers AB.

**Lars Kylberg**, born in 1969, auditor for Nocom AB since 2004. Authorized Public Accountant at Öhrlings PricewaterhouseCoopers AB.

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