MANKATO, MN -- Winland Electronics reported fourth-quarter net sales fell 18.8% to $7.5 million versus last year on lower demand from its top customer. Net income fell 86% to $7,000.

For the year ended Dec. 31, net sales decreased 8.4% to $34.7 million. The net loss was $263,000, down from net income of $1 million in 2006. Gross profit was $4.8 million, and total operating expenses were $5.4 million, up 13.6%. The operating loss of was 620,000, versus income of $1.7 million in 2006.

For the quarter, gross profit was $1.2 million, or 16% percent of sales, down from $1.5 million (16.1%) in 2006. Operating expenses were $1.4 million in the fourth quarter, up $100,000. The company accrued $197,000 in the quarter for severance to its former chief executive. The loss from operations was $189,000, down from income of $132,000 in 2006. The fourth quarter decrease was primarily due to lower sales from Winland's major customer, **Select Comfort.**

In a press release, Thomas de Petra, Winland's interim chief executive said, "2007 was a disappointing year. The biggest setbacks were in our EMS business, which has accounted for approximately 88-90% of our sales in recent years."

He also disclosed a major restructuring in the first quarter, including new management assignments and data analyses.

de Petra said, "Our objective is to reliably support an aggressive growth strategy combining organic growth and selective acquisitions, and to expand and enhance our product and service offerings geographically. Industry data indicates significant revenue and profit opportunities in high-service, customer-intimate industry segments where low-cost, offshore providers don't align well to customer needs."