

## Year-end report January 1 – December 31, 2006



**The Group's profit after tax amounted to SEK 3.8 M (22.0). Continued growth and improved earnings in Medical Technology. Impairments charged against earnings in the Electronics business area.**

**Spin-off of Building/Interior business area implemented on November 17, 2006. Forshem Group listed on First North.**

### Summary January – December 2006

- Net sales for remaining operations amounted to SEK 619 M (627).
- Operating loss for remaining operations amounted to SEK 4.6 M (profit: 11.8). The loss after financial items was SEK 16.1 M (profit: 4.9). Impairments were charged against earnings in the Electronics business area. Profit after tax for remaining operations amounted to SEK -13.7 M (1.6) corresponding to SEK -2.27 (0.28) per share.
- Cash flow from operating activities for the remaining operations amounted to SEK 32.1 M (40.9). Cash flow after investments and sale of fixed assets was SEK 8.2 M (negative: 22.5)
- Significant growth and improvement in earnings in Medical Technology.
- Sluggish business trend in Electronics business area. Costs for capacity adaptation and impairments were charged against earnings.
- Consolidated earnings after tax, including discontinued operations, amounted to SEK 3.8 M (22.0). Earnings per share amounted to SEK 0.62 (3.94).
- The Board of Directors proposes a dividend of SEK 0.50 (1.25) per share.
- The Group's operations will focus on Medical Technology and Precision Technology.

## General information on operations

Westergyllen is an industrial group organized on the basis of three business areas: Building/Interior, Electronics and Engineering/Technology. At an Extraordinary General Meeting on November 16, a decision was made to spin off Forshem Group AB (formerly the Building/Interior business area) to Westergyllen's shareholders. The Group now consists of the Engineering/Technology and Electronics business areas. The decision is in line with the Group's orientation toward fewer business areas. In the future, Westergyllen's operations will focus on medical technology and precision engineering.

Market conditions during the year were favorable for the Building/Interior and Engineering/Technology business areas. Net sales and earnings improved. The Electronics business area reported substantially weaker demand, resulting in a sharp decline in net sales. Substantial costs were charged against earnings for the capacity adjustments and restructuring measures implemented within the business area during the year.

## Spin-off of the Building/Interior business area

The Building/Interior business area comprised the Group's single-family homes operations and a small biofuel-producing unit. During the second quarter of 2006, the business area was reorganized in a new corporate group under the Parent Company Forshem Group AB. The new group includes the subsidiaries Forshem Industri, Götenehus, Sjödalshus and Forshem Biobränsle.

At an Extraordinary General Meeting on November 16, 2006, the Board of Directors decided to spin off the Forshem Group to Westergyllen's shareholders in line with what is known as the Lex ASEA precedent. Following the spin-off, the Forshem Series B shares have been listed on the First North exchange since November 23, 2006.

The results from the Building/Interior business area for the period January 1 – November 16, 2006 are included in this report. These results have been excluded from all revenue and expense items in the income statement and are reported net, after tax, in the item "Results of discontinued operations."

## Invoicing and earnings for the fourth quarter of 2006

Consolidated net sales during the fourth quarter of 2006, for the remaining operations, totaled SEK 157 M (186).

The Engineering/Technology business area reported improved earnings for the quarter,

primarily as a result of highly favorable earnings in the Medical Technology segment, while the Precision Technology segment was to some extent negatively affected by extraordinary expenses. Earnings in the Electronics business area were charged with an inventory impairment in an amount of SEK 2.8 M. Adjusted for the impairment, earnings improved compared with the preceding quarter. In conjunction with the restructuring of the Electronics business area, earnings for the quarter were charged with impairments of Group goodwill value in an amount of SEK 9.2 M.

The operating result for the quarter declined to a loss of SEK 5.4 M (profit: 4.8). The loss after financial items amounted to SEK 8.8 M (profit: 2.9).

## Invoicing and earnings

Consolidated net sales for the remaining operations totaled SEK 619 M (627).

The operating result declined to a loss of SEK 4.6 M (profit: 11.8). The loss after financial items amounted to SEK 16.1 M (profit: 4.9). The profit after tax for remaining operations amounted to SEK -13.7 M (1.6) corresponding to SEK -2.27 (0.28) per share. The lower net sales and weaker earnings were mainly attributable to the Electronics business area. As a result of the restructuring of the Electronics business area, earnings were charged with impairments amounting to SEK 12.0 M (0).

The Group's financial net deteriorated by SEK 4.5 M during 2006 and amounted to an expense of SEK 11.5 M (expense: 6.9). The increase was attributable to the full-year effect of the acquisition of the subsidiary Pinol, implemented during November 2005.

Earnings from the Building/Interior business area for the period January 1 – November 16, 2006 are included in the income statement under "Discontinued units" and amounted to SEK 17.5 M after tax.

Consolidated profit after tax including discontinued operations totaled SEK 3.8 M (22.0). Earnings per share amounted to SEK 0.62 (3.94).

## Engineering/Technology

The Engineering/Technology business area comprises the medical-technology companies Elos Medical and Pinol, as well as Elos Precision and Fixturlaser in the Precision Technology segment. In future, the business area will be reported as two segments: Medical Technology and Precision Technology.

Net sales in Engineering/Technology rose 56 percent to SEK 402 M (258). For comparable units, the increase amounted to 10 percent. Operating profit improved to SEK 34.2 M (23.0).

#### *Medical Technology*

Medical Technology, which is a prioritized growth area within the Group, performed well during 2006. Demand was strong during the year and the Group's market position strengthened. This was especially true of the dental segment. During the year, active coordination work and experience exchanges took place between Elos Medical and Pinol. Pinol started up a number of new products during the year, which initially resulted in increased costs. Pinol's earnings improved substantially during the fourth quarter, partly as a result of nonrecurring items. Net sales totaled SEK 251 M (114), corresponding to an increase of SEK 30 M (14 percent) for comparable units. Operating profit gradually improved during the year and amounted to SEK 26.3 (8.5), giving an operating margin of 10.5 percent (7.5). The operating margin for the second half of the year was 14.9 percent.

#### *Precision Technology*

Net sales amounted to SEK 151 M (145). Restructuring of Elos Precision's unit in Töreboda, which included closing down the punching and die-cutting operations and concentration to turning, had a negative impact on sales and earnings during the year. Operations at the unit in Årjäng continued to develop positively. During 2006, an extensive investment program was implemented at both units, thus creating a competitive structure for the future. Demand for Fixturlaser's products improved during the year. A new generation of alignment instruments was launched during 2006 and received a positive response from the market. Earnings improved. Combined operating profit totaled SEK 7.9 M (14.5), while the operating margin amounted to 5.2 percent (10.0)

#### **Electronics**

The Electronics business area comprises Elektromekan, which is a leading EMS (Electronic Manufacturing Service) company. The company produces components and products for mobile communications, process control and the engineering sector.

During the past few years, the market for contract production of electronic components has been characterized by significant fluctuations in demand, particularly in the telecom market, which has historically been Elektromekan's largest market segment. As a result of newly developed technology, one of the volume products of the past few years – circuit boards for mobile-telephone batteries – was gradually phased out during 2005

and the early part of 2006. During 2006, deliveries to the telecom segment declined by SEK 200 M compared with 2005. To offset reduced demand from the telecom market, Elektromekan has dedicated increased resources to the industrial segment during the past few years. However, growth within the industrial segment, which increased by approximately 75 percent by around SEK 50 M, has not yet been able to compensate for the reduced volumes in the telecom segment.

Net sales in the Electronics business area declined by 43 percent to SEK 221 M (390). The operating loss totaled SEK 24.7 M (loss: 2.4), which included a negative impact in an amount of SEK 2.8 M due to inventory impairments. Earnings were significantly burdened by the costs for laying off redundant personnel due to the decline in volumes. The operating margin was a negative 11.2 percent (negative: 0.6).

#### **Other**

Impairment of goodwill and consolidated surplus value in machinery and equipment pertaining to the Electronics business area was charged against earnings in an amount of SEK 9.2 M.

During the second quarter of 2006, Gambro acquired the assets and operations of the partly owned company Hemapure. The ultimate purchase price depends on the future performance over the next few years of the operations sold, and is difficult to estimate definitively. The book value at year-end was SEK 8.5 M.

#### **Investments**

The Group's investments in buildings, land, machinery and equipment totaled SEK 45.1 M (37.9). In addition, SEK 6.5 M (5.8) was invested in intangible fixed assets.

#### **Financial position and liquidity**

The Group's total assets declined by SEK 332 M to SEK 607 (939). The spin-off of the Building/Interior business area reduced total assets by SEK 253 M.

The Group's net loan debt declined by SEK 40.8 M during the year and totaled SEK 295.5 M (336.3). The Group's cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 63.1 M (171.2).

The share of own risk-bearing capital was 27.3 percent (27.2). The equity/assets ratio was 24.5 percent (24.3).

The Group's cash flow from remaining current operations was SEK 32.1 M (40.9). Cash flow after

investments and sale of fixed assets amounted to SEK 8.2 M (negative: 22.5).

#### **Personnel**

At the end of the period, the Group had 495 full-time employees (528), which amounts to a reduction of 33 during the year.

#### **Dividend**

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 0.50 (1.25) per share. The total dividend in accordance with the proposal amounts to SEK 3.0 M.

#### **Parent Company**

In addition to central management issues, the Parent Company also handles Group support activities, such as finance and financial controls. The Parent Company's net sales amounted to SEK 7.1 M (10.3). Profit after financial items totaled SEK 2.9 M (2.4). Earnings included intra-Group dividends and impairments of shares in subsidiaries in a net amount of SEK 11.7 M (11.3). Earnings were charged with costs for the spin-off of the Building/Interior business area in an amount of SEK 3.8 M. The share of risk-bearing equity was 65.9 percent (55.2). The equity/assets ratio was 65.9 percent (54.0). The Parent Company's cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 50.1 M (129.0).

#### **Accounting principles**

This interim report for the Group was prepared in accordance with IAS 34, Interim Financial Reporting, which is in line with the requirements stipulated in the Swedish Financial Accounting Standards Council's Recommendation RR 31, Interim Reports for groups. The accounting principles and basis of calculation are unchanged compared with the Annual Report for 2005.

#### **Forecast for 2007**

Westergyllen's strategy is that its operations should focus on Medical Technology and Precision Technology.

The prospects for continued stable growth for Medical Technology are judged to be excellent for 2007, although the early part of the year is not expected to show the same strength as the latter part of 2006.

Within Precision Technology, volumes are expected to increase gradually during the year.

Delivery volumes and earnings for the Electronics business area are expected to improve.

Overall, earnings are expected to improve significantly during 2007.

#### **Annual General Meeting**

The Annual General Meeting will be held in Götene on April 25, 2007.

#### **Nominating Committee**

At the Annual General Meeting in 2006, it was decided that the Nominating Committee should consist of the Board Chairman, one representative for each of the three largest shareholders on September 30 each year, and one representative for the smaller shareholders. The Nominating Committee's task prior to the 2007 Annual General Meeting is to submit proposals for Board members and the fees to be paid to Board members and auditors.

The Nominating Committee prior to the 2007 Annual General Meeting comprises Bo Nilsson, Lars Runmarker and Sture Öster as representatives for the largest shareholders, and Ingemar Johansson as the representative for the smaller shareholders.

#### **Annual Report**

Westergyllen's Annual report is expected to be completed around the end of March 2007, and will be available from the company upon request. It will also be sent to shareholders.

#### **Financial information in 2007**

The interim report for the first quarter will be published on April 25, 2007.  
The interim report for the second quarter will be published on August 16, 2007.  
The interim report for the third quarter will be published on October 25, 2007.

Götene, February 27, 2007

Göran Brorsson  
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## CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Oct-Dec 2006	Oct-Dec 2005	Jan-Dec 2006	Jan-Dec 2005
Net sales	157,1	186,4	619,2	626,9
Cost of goods sold	-122,0	-149,3	-503,0	-513,5
<b>Gross profit</b>	<b>35,1</b>	<b>37,1</b>	<b>116,2</b>	<b>113,4</b>
Selling expenses	-10,0	-11,9	-37,7	-42,0
Administrative expenses	-15,4	-17,8	-60,1	-47,2
Development expenses	-4,5	-5,1	-15,3	-10,3
Other operating income/expenses	-10,6	2,5	-7,7	-2,1
<b>Operating profit</b>	<b>-5,4</b>	<b>4,8</b>	<b>-4,6</b>	<b>11,8</b>
Financial income	0,4	0,6	1,3	0,8
Financial expenses	-3,8	-2,5	-12,8	-7,7
<b>Profit after financial items</b>	<b>-8,8</b>	<b>2,9</b>	<b>-16,1</b>	<b>4,9</b>
Taxes	1,0	-1,3	2,4	-3,3
<b>Profit for the year from remaining operations</b>	<b>-7,8</b>	<b>1,6</b>	<b>-13,7</b>	<b>1,6</b>
<b>Profit from discontinued operations</b>	<b>2,2</b>	<b>8,0</b>	<b>17,5</b>	<b>20,4</b>
<b>Profit for the year</b>	<b>-5,6</b>	<b>9,6</b>	<b>3,8</b>	<b>22,0</b>
Depreciation charged against earnings for remaining operations	<b>11,0</b>	12,1	<b>46,4</b>	41,4
Earnings per share (SEK), remaining operations	-1:28	0:28	-2:27	0:28
Earnings per share (SEK), discontinued operations	0:37	1:40	2:89	3:66
Earnings per share (SEK)	-0:91	1:68	0:62	3:94
Number of shares (thousands)	6 051	5 704	6 051	5 573
Number of shares after exercise (thousands)	6 051	6 051	6 051	6 051

## NET SALES AND OPERATING PROFIT/LOSS PER BUSINESS AREA

Net sales SEK M	Oct-Dec 2006	Oct-Dec 2005	Jan-Dec 2006	Jan-Dec 2005
Medical Technology	67,4	52,1	251,1	113,5
Precision Technology	42,5	43,0	151,0	144,6
Electronics	49,4	96,6	221,2	389,6
Other	-2,2	-5,3	-4,1	-20,8
<b>Total remaining operations</b>	<b>157,1</b>	<b>186,4</b>	<b>619,2</b>	<b>626,9</b>
<b>Operating profit/loss SEK M</b>	<b>Oct-Dec 2006</b>	<b>Oct-Dec 2005</b>	<b>Jan-Dec 2006</b>	<b>Jan-Dec 2005</b>
Medical Technology	11,8	3,3	26,3	8,5
Precision Technology	-0,1	4,5	7,9	14,5
Electronics	-7,1	0,2	-24,7	-2,4
Other	-10,0	-3,2	-14,1	-8,8
<b>Total remaining operations</b>	<b>-5,4</b>	<b>4,8</b>	<b>-4,6</b>	<b>11,8</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	2006-12-31	2005-12-31
<b>Assets</b>		
Intangible fixed assets	50,2	64,1
Tangible fixed assets	251,2	307,4
Financial fixed assets	10,1	11,3
Other current assets	275,9	499,9
Cash and bank balances	19,7	56,1
<b>Total assets</b>	<b>607,1</b>	<b>938,8</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders equity	148,9	228,2
Long-term liabilities	246,8	341,3
Current liabilities	211,4	369,3
<b>Total shareholders' equity and liabilities</b>	<b>607,1</b>	<b>938,8</b>

## CONSOLIDATED CASH-FLOW STATEMENT

SEK M	Jan-Dec 2006	Jan-Dec 2005
Profit after net financial items	-16,1	4,9
Adjustment items	56,4	47,7
Income tax paid	-5,9	-3,7
Change in working capital	-2,3	-8,0
<b>Cash flow from remaining operations</b>	<b>32,1</b>	<b>40,9</b>
Investments in subsidiary	0,0	-33,3
Investments in other fixed assets	-28,1	-30,1
Long-term claims	-1,6	0,0
Sales of other fixed assets	5,8	0,0
<b>Balance after investments in fixed assets</b>	<b>8,2</b>	<b>-22,5</b>
Change in interest-bearing loans	-8,0	-2,4
New issue of shares	0,0	2,1
Dividends	-7,6	-6,9
<b>Cash flow for the year from remaining operations</b>	<b>-7,4</b>	<b>-29,7</b>
<b>Net cash flow from discontinued operations</b>	<b>19,9</b>	<b>22,6</b>
<b>Cash flow for the year</b>	<b>12,5</b>	<b>-7,1</b>
Liquid funds at beginning of the year	56,1	63,2
Liquid funds from discontinued operations	-48,9	0,0
Exchange-rate differences in liquid funds	0,0	0,0
<b>Liquid funds at end of the period</b>	<b>19,7</b>	<b>56,1</b>

## KEY FIGURES

SEK M		Jan-Dec 2006	Jan-Dec 2005
Return on capital employed	%	-0,6	8,1
Return on shareholders' equity	%	-7,3	10,7
Share of risk-bearing capital	%	27,3	27,2
Equity/assets ratio	%	24,5	24,3
Net debt	SEK M	295,5	336,3
Investments excluding shares remaining operations	SEK M	51,6	43,8
Number of employees from remaining operations		503	457
Shareholders' equity per share	SEK	24:61	37:72

## QUARTERLY FIGURES - GROUP

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2006	2006	2005	2005	2005	2005
Net sales	157,1	132,0	158,5	171,6	186,4	127,4	158,6	154,5
Cost of goods sold	-122,0	-106,5	-132,9	-141,6	-149,3	-102,9	-130,0	-131,3
<b>Gross profit</b>	<b>35,1</b>	25,5	25,6	30,0	37,1	24,5	28,6	23,2
Selling, admin. and developm.expenses	-29,9	-24,9	-29,1	-29,2	-34,8	-18,7	-24,1	-21,9
Other operating items	-10,6	-0,1	0,8	2,2	2,5	-0,6	-1,0	-3,0
<b>Operating profit/loss</b>	<b>-5,4</b>	0,5	-2,7	3,0	4,8	5,2	3,5	-1,7
Net financial items	-3,4	-2,8	-2,0	-3,3	-1,9	-1,7	-1,4	-1,9
<b>Profit/loss after financial items</b>	<b>-8,8</b>	-2,3	-4,7	-0,3	2,9	3,5	2,1	-3,6
Taxes	1,0	0,7	1,0	-0,3	-1,3	-1,7	-0,9	0,6
<b>Profit/loss after taxes for remain.operations</b>	<b>-7,8</b>	-1,6	-3,7	-0,6	1,6	1,8	1,2	-3,0

## QUARTERLY FIGURES - BUSINESS AREAS

Net sales	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2006	2006	2005	2005	2005	2005
Medical Technology	67,4	62,6	63,6	57,5	52,1	20,5	23,5	17,4
Precision Technology	42,5	31,1	34,4	43,0	43,0	35,1	35,5	31,0
Electronics	49,4	38,5	61,3	72,0	96,6	76,6	105,5	110,9
Other	-2,2	-0,2	-0,8	-0,9	-5,3	-4,8	-5,9	-4,8
<b>Total</b>	<b>157,1</b>	132,0	158,5	171,6	186,4	127,4	158,6	154,5

Operating profit/loss	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2006	2006	2005	2005	2005	2005
Medical Technology	11,8	7,4	4,5	2,6	3,3	1,4	2,1	1,7
Precision Technology	-0,1	2,3	0,7	5,0	4,5	5,7	2,7	1,6
Electronics	-7,1	-7,5	-6,5	-3,6	0,2	0,1	0,7	-3,4
Other	-10,0	-1,7	-1,4	-1,0	-3,2	-2,0	-2,0	-1,6
<b>Total</b>	<b>-5,4</b>	0,5	-2,7	3,0	4,8	5,2	3,5	-1,7

## CHANGES IN SHAREHOLDERS' EQUITY

	Jan-Dec	Jan-Dec
SEK M	2006	2005
Opening balance	228,2	181,2
Acquisition of minority interests	-	-0,7
Translation difference	-2,8	-1,1
Net gain on hedge of net investment	0,7	0,4
New issue of shares	-	33,3
Dividends	-7,6	-6,9
Dividends of the Forshem Group AB	-73,4	-
Profit for the period	3,8	22,0
<b>Closing balance, shareholders' equity</b>	<b>148,9</b>	228,2