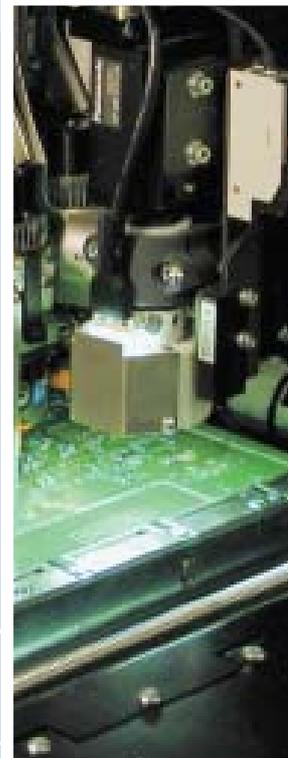




**WESTERGYLLEN**

SUMMARY 2002



# The Group in brief

Westergyllen is an industrial group. It is organised in three business areas: Building/Interiors, Electronics and Engineering/Technology.

- The Group has responded to weak demand by cutting costs.
- Net turnover amounted to MSEK 1,251 (1,388).
- The result after net financial items improved by MSEK 20 and amounted to a loss of MSEK 15.8 (loss 35.5).
- The operating profit amounted to MSEK 2.3 (loss 11.3).
- The cash flow from current operations improved considerably, and amounted to MSEK 96.3 (52.3).
- The cash flow after investment activities increased to MSEK 57.1 (24.1).
- The net debt decreased by MSEK 48 during the year.
- Liquidity remains healthy.
- It is proposed that no dividend be paid.



## Key ratios

		2002	2001	2000	1999	1998
Net turnover	MSEK	<b>1,251.1</b>	1,388.2	1,850.8	1,067.6	920.0
Profit/loss after financial items	MSEK	<b>-15.8</b>	-35.5	40.6	-35.8	31.4
Profit/loss for the year	MSEK	<b>-13.0</b>	-27.4	26.2	-25.2	25.3
Risk capital ratio	%	<b>24.6</b>	25.9	24.1	26.1	38.5
Equity ratio	%	<b>22.4</b>	23.4	21.6	23.8	34.1
Return on capital employed	%	<b>1.0</b>	-1.8	12.8	-4.6	10.8
Return on equity	%	<b>-7.9</b>	-14.9	13.8	-13.1	12.5
Earnings/loss per share after tax	SEK	<b>-4.70</b>	-9.90	9.48	-9.10	9.15
Equity per share	SEK	<b>57.06</b>	61.79	70.88	63.30	75.95
Proposed dividend	SEK	-	-	2.25	2.00	3.50
No. of full-time employees		<b>707</b>	823	990	773	696

# The Westergyllen Group

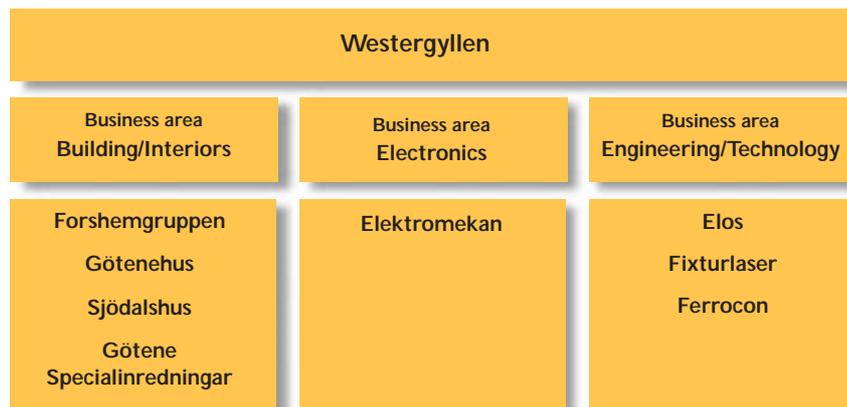
## Nature of business

Westergyllen is an industrial group. It is organised in three business areas: Building/Interiors, Electronics and Engineering/Technology.

The Building/Interiors business area is dominated by Forshemgruppen AB, the parent company of Westergyllen's prefabricated house business, whose products are marketed under the Götenehus and Sjäodalshus brand names. The end consumer is the business area's dominating customer category. The Electronics business area comprises Elektromekan, which is one of the Nordic region's major electronic manufacturing service (EMS) company. The Engineering/Technology business area consists of Elos, Ferrocon and Fixturlaser. Elos is a precision engineering company that manufactures dental and ortho-

paedic implants and instruments as well as products for the engineering and machinery industries. Ferrocon manufactures a variety of structural steel products for construction companies and the engineering industry. Fixturlaser develops and markets measuring equipment for alignment and positioning. The customer base for the Electronics and Engineering/Technology business areas consists of commercial enterprises, including other industrial companies and distributors.

Besides handling central management issues, the parent company, which is based in Götene, also provides group support facilities such as strategic development, financing, financial control and technical support.



## Business idea

Westergyllen's business idea is to aid the long-term development of industrial companies in a limited number of areas in which they can achieve a strong market position in selected market segments. The Group's companies are developed and managed so as to generate long-term growth for the company's shareholders.

## Strategy

Westergyllen's overall strategy is to focus its Group companies and corporate structure on areas in which it can achieve a leading market position. The aim is to create a more concentrated base for operations within its business areas. Priority is given to areas in which a critical size can be achieved.

## Quality - Environment

All Westergyllen Group companies adopt a proactive approach to quality and the environment. A management system that embraces a quality assurance system

and an environmental management system is considered to successfully support the activities conducted at each company. Today, several Group companies have obtained quality and environmental certification. Our goal is for all operative companies in the Westergyllen Group to be certificated in accordance with ISO 9000 for quality management systems and ISO 14000 for environmental management systems.

## Economic and Financial Targets

- The return on equity should, depending on each company's risk capital ratio, exceed the risk-free long-term interest rate by 5 to 10 per cent. Under present conditions, the return should exceed 15 per cent.
- The return on capital employed should amount to at least 15 per cent.
- The risk capital ratio should amount to at least 30 per cent.
- Liquid funds, including approved but unused credits, should correspond to between 6 and 12 per cent of the Group's annual turnover.

## Continuing process of concentration

When summing up the 2002 financial year, two pictures of Westergyllen emerge.

Turnover declined by MSEK 140, all of which was attributable to a lower level of activity in the electronics segment. The result improved but a loss was still incurred. At the same time, the financial balance was maintained, with a very strong cash flow and a reduction in the level of debt.

Those of us working at Westergyllen also see another picture, namely the process of focusing the group is undergoing. The business areas have seen far-reaching concentration and the extensive coordination of resources. Parallel to the streamlining process, we have identified areas where the Group can establish positions of market leadership. The areas we intend to develop are those with significant future potential, such as the project construction of small prefabricated houses, and Elos' business in the medical technology sector. Investments were made during the year in these areas, and they will be given further support in the coming years. They are enjoying steady organic growth and have the potential to make complementary acquisitions.

### Building/Interiors

Small housing is where Westergyllen began, and it will continue to be an important business for the Group. Investment needs are modest, and the business is capable of generating considerable positive cash flows.

Production, administration and other back and middle office functions were co-ordinated during the year. This has generated further economies of scale and the potential to increase production.

Small housing is marketed under the Götenehus and Sjödalshus brand names through their own marketing organisations that handle customer contacts, delivery and assembly. Sjödalshus offers prefabricated small houses to customers who appreciate classical design and high quality. The typical customer buys a ready-to-assemble kit, and arranges the purchasing of land and sub-contract work himself.

Götenehus's target group comprises customers who appreciate modern and functional design to whom it sells turnkey, ready-to-occupy housing. The profitable project market currently accounts for 30 per cent of the total volume and is an area that will be further developed. Götenehus's project business involves purchasing land, and the planning and construction of turnkey houses. There is considerable demand for this in suburban areas, which makes our land bank a key means of competition.

### Electronics

For obvious reasons, Elektromekan has been affected by the radical and abrupt changes in the telecom sector over the past two years.

Cost levels have been gradually adapted to a turnover of around MSEK 400, at which level the possibilities of earning a satisfactory return are quite good.

The need for electronic manufacturing services (EMS) is growing as more and more products are given a higher electronic content. The customer base was also broadened during the year.

Electromekan's current size, as a medium-sized company, could well become a major strength. Its large, international competitors have not demonstrated the same flexibility and its small competitors do not have the capacity required to satisfy the customer companies' growing needs.

### Engineering/Technology

The most positive event of the year was Elos, Westergyllen's precision engineering business, which amongst other things increased its invoiced sales by 20 per cent.

Elos has become more and more specialised in producing high-precision components from materials that require a great deal of technical expertise. Elos' production facilities were restructured in 2002, which, despite the short-term costs, will provide scope for rationalisation in the longer term.

Just under half of Elos' volume comprises products for the medical technology sector, such as dental and orthopaedic implants and instruments. Westergyllen's goal is for Elos to be one of the major international players in this field.

Our goal is for the total turnover of Elos' precision engineering business to increase from the current MSEK 115 to MSEK 300-400 within a three-year period.

We should be able to achieve half of this increase through organic growth; the remaining volume can be made up via acquisition.

We stepped up development measures considerably at Fixturlaser last year, as a result of which we are now launching several new products that will strengthen the company's already leading position in its market segments.

### The future

Despite incurring losses for two years, Westergyllen's finances are in good shape. Former problem areas are developing in the right direction and cost levels have been harmonised with lower volumes. There is also considerable potential in several of the Group's areas of activity, such as the project building of small houses and medical technology/precision engineering.

The Group's prospects of achieving profitability during the current year are good. We are confident that within the next few years we will once again be achieving our financial goals.



Götene, March 2003

Göran Brorsson  
President and CEO

# The Westergyllen share

## Stock market trading

Westergyllen's Series "B" shares have been listed on Stockholmsbörsen's "O" list since June 13, 1989. The high-voting Series "A" shares are not listed. The price of Westergyllen's shares fluctuated during the year between SEK 31.40 and 63.00. The closing transaction price in 2002 was SEK 32 (61). At the end of 2002, Westergyllen's market capitalisation was MSEK 88.5 (168.7). In 2002, 278,519 shares were traded for MSEK 11.3.

## Dividend policy

Westergyllen's dividend policy states that the dividend is to be based on the Group's earnings trend, taking into account its future development potential and financial position. The long-term goal is for the dividend to increase at a constant rate and to correspond to some 30 per cent of the profit after tax.

## Dividend proposal

The Board has proposed that no dividend be paid for the 2002 financial year.

## Share capital

At the end of 2002 AB Westergyllen's share capital amounted to MSEK 34.6. The share capital is divided into Series "A" and Series "B" shares. The Series "A" shares each carry one vote and the Series "B" shares one-tenth of a vote; otherwise, there is no difference in the rights in the company attached to each series.

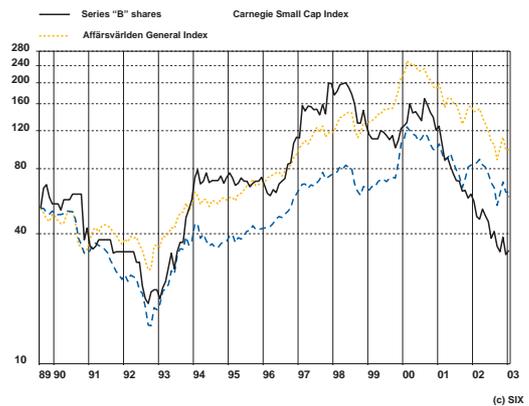
## Convertible loan

In 1999 Westergyllen issued a MSEK 4.6 convertible loan to Group employees. The loan, which was issued at its nominal amount, runs until June 30, 2004 and carries a fixed interest rate of 4 per cent per year. The loan may be converted before May 31, 2004 at a conversion price of SEK 156 per share. In the event of full conversion, the number of shares will increase by 29,300 Series "B" shares, which correspond to 1.0 per cent of the total number of shares and 0.3 per cent of the total number of votes after conversion.

## Warrants

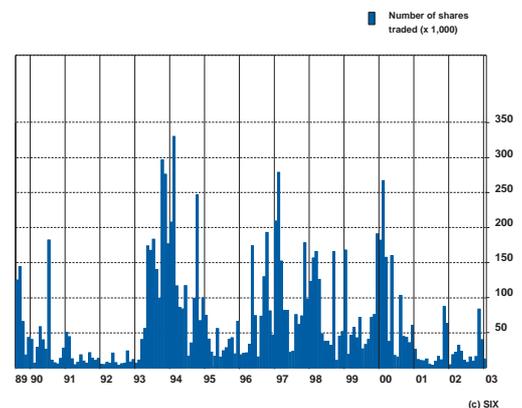
In 2001, Westergyllen issued a debenture loan for a nominal amount of SEK 1,000 carrying 50,000 detachable warrants for subscriptions to Series "B" shares. Following a decision by the AGM, the warrants have been offered to certain senior management personnel in the Westergyllen Group as part of an employee stock option programme. Each warrant entitles the holder to subscribe to one new Series "B" share in AB Westergyllen at a price of SEK 105 at any time before November 30, 2005. In the event of full exercise of all the warrants the proceeds to the company will amount to MSEK 5.2. The share capital will then increase by MSEK 0.6, divided into 50,000 Series "B" shares.

Westergyllen's shares 1989-2003



(c) SIX

Number of shares traded



(c) SIX

## Shareholders

At the end of 2002, Westergyllen had 1,437 shareholders. The holdings of the company's ten largest shareholders correspond to 62.9 per cent of the capital and 89.9 per cent of the votes. At the turn of the year, Swedish and international institutions owned 15.4 per cent of the capital and 4.2 per cent of the votes.

Main shareholders					
According to VPC, the largest shareholders at December 31, 2002	"A" shares	"B" shares	Total	% of share capital	% of share votes
Sture Öster <sup>1)</sup>	189,413	78,980	268,393	9.7	19.5
Lars Runmarker <sup>2)</sup>	148,973	110,690	259,663	9.4	15.8
Bo Nilsson <sup>2)</sup>	130,440	85,940	216,380	7.8	13.7
Harald Ulfenborg <sup>2)</sup>	130,440	79,790	210,230	7.6	13.7
Barbro Nilsson <sup>2)</sup>	101,374	75,690	177,064	6.4	10.7
Elna Molin <sup>2)</sup>	68,000	83,200	151,200	5.4	7.5
Rune Bigsten <sup>2)</sup>	50,000	4,130	54,130	2.0	5.0
SEB small companies funds	0	212,250	212,250	7.7	2.1
Swedish Union of Clerical & Technical Employees in Industry	0	109 750	109,750	4.0	1.1
Kjell Andreasson <sup>1)</sup>	0	79 183	79,183	2.9	0.8
Lannebo small companies funds	0	58 400	58,400	2.1	0.6
Other	0	968 357	968,357	35.0	9.5
<b>Total</b>	<b>818,640</b>	<b>1,946,360</b>	<b>2,765,000</b>	<b>100.0</b>	<b>100.0</b>

<sup>1)</sup> Including family and companies <sup>2)</sup> Including family

Data per share		2002	2001	2000	1999	1998	1997	1996	1995	1994
Profit/loss after tax	SEK	-4:70	-9:90	9:48	-9:10	9:15	7:80	2:60	10:85	4:80
Dividend (2002 proposal)	SEK	-	-	2:25	2:00	3:50	3:25	3:00	3:00	2:50
Equity	SEK	57:06	61:79	70:88	63:30	75:95	70:05	65:25	65:60	57:25
Listed price Dec 31	SEK	32	61	120:50	123	127	198:50	112	73	73
Direct yield	%	-	-	1.9	1.6	2.8	1.6	2.7	4.1	3.4
P/E ratio	%	56.1	98.7	170	194.3	167.5	283.4	171.6	111.3	127.5
Av. no. of shares	x 1,000	2,765	2,765	2,765	2,765	2,765	2,765	2,717	2,650	2,650
No. of shares at year-end	x 1,000	2,765	2,765	2,765	2,765	2,765	2,765	2,765	2,650	2,650

Data per share after conversion of outstanding debenture loan and exercise of outstanding warrants have not been calculated as the difference is marginal.

Shareholders by size, December 31, 2002			
Size of Shareholding	No. of shareholders	No. of shares	% of share capital
1-500	1,032	193,954	7.0
501-1 000	214	184,160	6.7
1 001-2 000	78	124,770	4.5
2 001-5 000	53	183,030	6.6
5 001-10 000	22	166,813	6.0
10 001-20 000	14	185,668	6.7
20 001-50 000	12	346,899	12.6
50 001-100 000	4	290,812	10.5
100 001-	8	1,088,894	39.4
<b>Total</b>	<b>1,437</b>	<b>2,765,000</b>	<b>100.0</b>

Shares by Series			
Series	No. of shares	% of votes	% of capital
"A"	818,640	80.8	29.6
"B"	1,946,360	19.2	70.4
<b>Total</b>	<b>2,765,000</b>	<b>100.0</b>	<b>100.0</b>



## Forshemgruppen

Forshemgruppen is the parent company of Westergyllen's prefabricated housing business, whose products are marketed under the Götenehus and Sjödalshus brand names. Central functions such as production, design/construction, purchasing and administration are organised within Forshemgruppen. The Group is one of Sweden's leading manufacturers of prefabricated small housing. With strong brands, customised products and efficient production the conditions are favourable for profitable expansion.

During the year, production and other back office functions were co-ordinated and concentrated at the production unit in Götene. The co-ordination of production improves production management, planning and purchasing efficiency, which, all in all, result in higher productivity. With higher production volumes the Group can benefit to the full from economies of scale. The goal is to achieve an operating margin of some 5 per cent.

The prospects for expansion are bright. In its long-term forecast, the National Board of Housing, Building and Planning foresees the Swedish private house market growing by approximately 5 per cent a year until 2008.

The two brands - Götenehus and Sjödalshus - have different profiles and are marketed through two separate marketing companies with independent sales organisations. Each company has responsibility for all market contacts and product development.

Together, they have some 10 per cent of the market for customised prefabricated small housing, and the critical volume required for profitable expansion. The intention is to further strengthen their position on the Sweden market as well as their presence on selected export markets. Götenehus and Sjödalshus both focus their activities, particularly their sales campaigns, on metropolitan areas and university towns, where such housing is in strong demand. Along with low interest rates and rising property prices, this creates a favourable environment for both brands.

Export sales have also been concentrated over the past few years, with Sjödalshus canvassing the German market and Götenehus the Norwegian.

### The market

For 2002, the Swedish market for small, prefabricated houses was estimated at some 8,000 houses, which corresponds to a value of MSEK 6,000.

#### The market can be divided into three categories:

- Timber houses built on-site
- Project-built houses built by major sub-contractors
- Prefabricated houses

This last category, which represents some 45 per cent of the market, is the area where Forshemgruppen is active.

#### Prefabricated houses can in turn be divided into three sub-categories:

- Low-price options/bulk production
- Medium range housing/less customised housing
- Customised larger houses, in which Götenehus and Sjödalshus are active, both with strong market positions.

There is a clear trend in the market for more and more customers to demand individual solutions, which benefits both Götenehus and Sjödalshus.

### Norway

The small housing market is stable. The area most likely to see future growth is the Oslo region.

### Germany

After several years of healthy growth, housebuilding is now experiencing a decline. Like all other sectors, the market for prefabricated timber houses has been hit by the economic conditions in the country.

### Developments in 2002

As a whole, the demand for new-built small housing in Sweden was healthy during the year, and remains so in metropolitan areas. Otherwise house prices have risen, which has indirectly boosted the market for new-built properties.

Forshemgruppen's consolidated net turnover was MSEK 615.5 (555.1). Its operating profit excluding depreciation of goodwill was MSEK 2.5 (1.7), after charging write-downs of MSEK 2.6 (1.5) in the value of the land bank and other non-recurring write-downs of MSEK 4.8 (1.0) against the result.

# Sjödalshus

Sjödalshus develops, markets and sells prefabricated timber housing, focusing mainly on detached houses. Its target group comprises private individuals who appreciate classical design and high quality. Sales are conducted via the company's own sales organisations in Sweden and Germany.

Only a small proportion of Sjödalshus's deliveries are turnkey houses. The vast majority of customers purchase land and organise the labour themselves. The main markets in Sweden are the metropolitan regions. The company focuses on offering its customers personalised homes with unique designs that unite tradition and modern functionality. Surveys conducted indicate that Sjödalshus's selection is well in line with customers' requirements.

Sjödalshus's exports have been concentrated for some time on the German market, where the company has an extensive network of dealers and has been one of the leading Swedish players for many years. The company is well placed to meet more buoyant demand when the economy recovers.



Almost half of Sjödalshus's sales currently go to the German market.

## Developments in 2002

The number of units delivered declined during the year by 20 per cent, just over half of which is attributable to lower export volumes. The decline in the German market during the year was offset by a reduction in the cost-base. The order intake, measured in terms of the number of units, decreased by about 10 per cent, most of which was due to the German market. Net turnover amounted to MSEK 165.1 (204.7). The operating result was a loss of MSEK 4.2 (loss 8.1). Non-recurring write-downs of MSEK 2.2 (0.8) were charged against the result.





## Götenehus

Götenehus develops, markets and sells prefabricated small housing, either as individual houses or as groups of houses through its own project building unit.

The target group comprises consumers who appreciate modern and functional design. The bulk of sales take the form of turnkey, ready-to-occupy housing, a concept that Götenehus introduced on the private housing market many years ago.

An expanding area of business is the project activities, in which Götenehus constructs turnkey houses in residential estates of 10 - 20 houses built at the same time but with certain customised adaptations. Götenehus has its own project developer, who identifies suitable projects and has responsibility for their completion.

The project segment is an area in which Götenehus intends to further extend its canvassing of the market. It has an extensive land bank and high-calibre expertise in land development and project management.

During the 1990s, many local authorities wound down their own organisations for building new housing estates and are now, to an increasing extent, outsourcing the work to private developers through competitive bidding. Götenehus won a number of such bids in 2002, and consequently the project portfolio has been enlarged.

The priority regions for Götenehus are Greater Stockholm, Western Sweden, the Öresund region and the major university towns. Demand remains firm,



primarily in the metropolitan regions in general and in Greater Stockholm in particular.

Götenehus's export activities are focused on the Norwegian market, and as one aspect of its marketing the sales organisation there has been reinforced and a new sales office opened in Oslo.

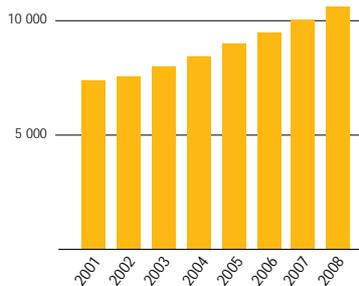
#### Developments in 2002

The total number of units delivered was some 20 per cent higher than in 2001. This means that Götenehus has strengthened its position on the market for pre-fabricated, customised housing. Measured in terms of the number of units, the order intake increased by some 10 per cent. In addition, the project portfolio was enlarged by the acquisition of several large blocks of land for new group housing projects. Net turnover amounted to MSEK 450.9 (376.7) and the operating profit was MSEK 7.5 (9.7). Write-downs of MSEK 2.6 (1.5) in the value of the land bank and other non-recurring write-downs totalling MSEK 2.6 (0.0) were charged against the result.



The Svaneholm model, a neo-functionalist villa from Götenehus.

#### The National Board of Housing, Building and Planning's forecast for small house building starts



2002-2008 is a forecast



## Götene Specialinredningar

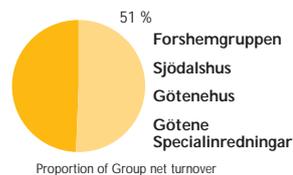
Götene Specialinredningar manufactures and markets interior systems for public spaces and offices. The product range consists mainly of tabletops, shelves and drawer units as well as pharmacy fittings, for which the company is also responsible for installation and assembly.

Götene Specialinredningar's main markets are office furniture and pharmacy fittings. The company's product development and design take place in close consultation with interior architects and end customers. Its goal is to be able to offer products that create an aesthetically appealing yet ergonomic environment.

#### Developments in 2002

The subdued economic conditions caused the demand for office furniture to weaken in 2002, while the demand for pharmacy fittings remained stable. Net turnover decreased to MSEK 15.3 (17.1). The operating result was a loss of MSEK 0.9 (0.0).

#### Business area Building/Interiors



Key ratios	2002	2001	2000
Operating margin, %	1.0	0.4	-2.5
Return on capital employed, %	4.3	2.5	-9.8
Gross capital expenditure excl. shares, MSEK	5.1	4.8	2.1
Number of full-time employees	255	269	302

Income statement MSEK	2002 <sup>1)</sup>	2001	2000
Net turnover	637.5	578.7	657.1
Cost of goods sold	-518.6	-474.1	-575.2
Gross profit	118.9	104.6	81.9
Selling costs	-82.3	-75.7	-70.3
Administrative costs	-32.0	-28.0	-31.5
Other operating income/costs	1.8	1.9	0.3
Interest in earnings/losses of associate companies	0.1	-0.2	2.9
Operating profit/loss	6.5	2.6	-16.7

<sup>1)</sup> Write-downs of MSEK 2.6 (1.5) in the value of the land bank and other non-recurring write-downs of MSEK 3.3 (1.0) have been charged against the result.



## Elektromekan

Elektromekan is one of Sweden's leading electronic manufacturing service (EMS) companies. Its production facilities in Årjäng, with six fully automated production lines for the surface mounting of printed circuit boards, is one of the largest of its kind in the country.

The dramatic reduction in volumes in the telecom market over the past two years has radically changed the EMS market throughout the Nordic region, including Sweden. The process of consolidation in the industry will continue. At the same time, there is a growing trend towards outsourcing for the manufacture of electronic products.

While many industrial products are gradually being given a higher electronics content, most large manufacturers are trying to avoid investing in purpose-built machinery for electronics production since they cannot be fully utilised with production within their own company.

The goal of many customers is to simplify their own processes, and they are therefore demanding a broader service content than sub-contract manufacture, as such, offers.

Over the past few years, Elektromekan has built up resources for meeting these demands, and can therefore be seen as a partner in the industrialisation of the electronics sector. Its competitive edge comes from its ability to apply its expert knowledge and solid experience to help its customers in the process of industrialising their products, the adaptation of their production, the construction of prototypes right up to production, and at a later stage in the logistics and aftermarket segments.

Elektromekan's market niche in the sector is the medium-sized segment. An important strength of Elektromekan is that it has sufficient capacity to handle large volumes while being personal enough for each customer to be important.

Elektromekan lowered its cost base during the 2002 financial year in line with a sales volume of some MSEK 400, at which level it can generate sustainable profits. The production lines are well suited to extracting economies of scale from series production, and the company has the critical mass and flexibility needed for supporting the other services demanded by its customers in addition to production.

The telecom industry will continue to be an important customer for EMS companies operating on the Swedish and other Nordic markets, including Elektromekan. However, during the past year the company concentrated on broadening its customer base in the engineering industry. Some of its major contracts outside the telecom sector are for electronic systems for forestry machines (Timberjack) and parking and road toll payment stations (Kapsch Traffic-Com AB).

### Hungary

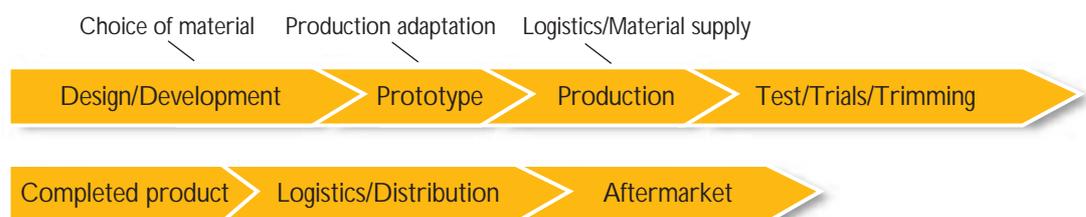
Elektromekan has had a partnership with a Hungarian company since 2000 for the manufacture of labour-intensive products.

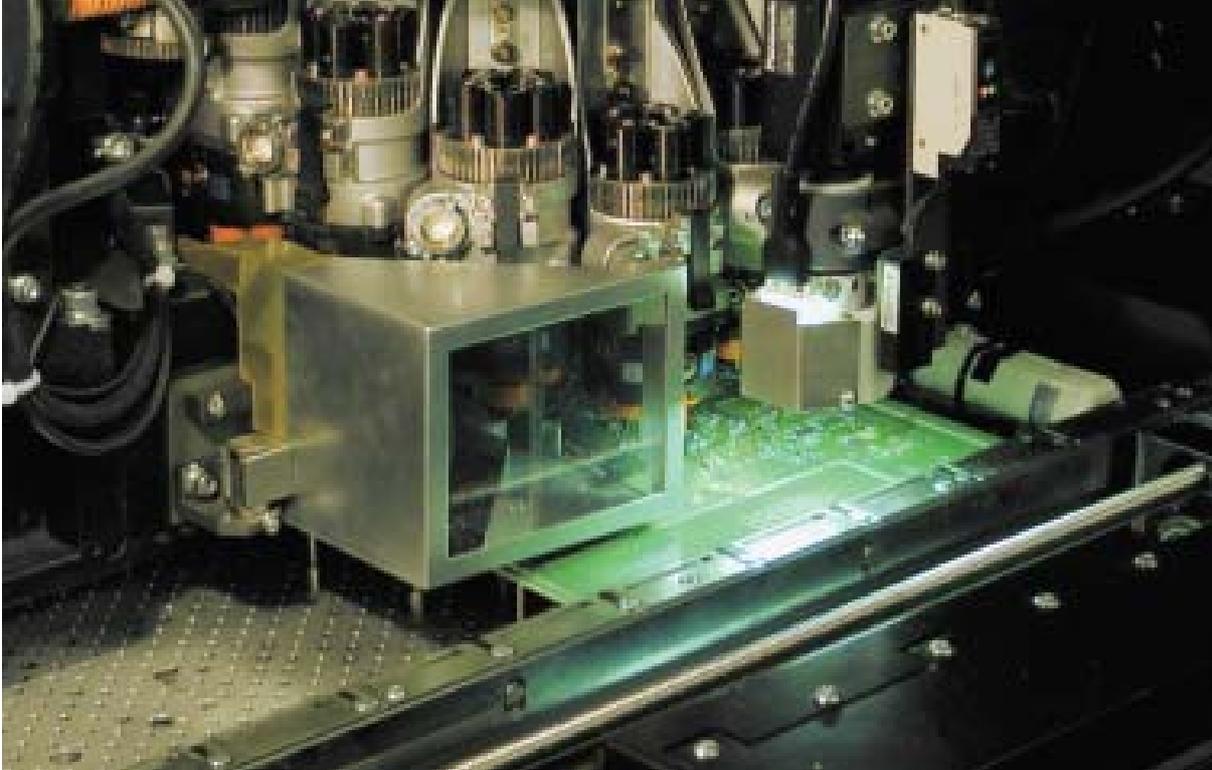
### Market and competitors

In 2001, the global EMS market was estimated to be worth some MSEK 1,000,000. The ten largest companies accounted for 70 per cent of the market. It is estimated that some 15 per cent of all electronic hardware was manufactured by EMS companies, a figure that is expected to reach over 30 per cent by 2005. The main products lie outside the telecom segment, and consist of IT equipment, servers, printers and other computer accessories.

There is a clear trend in the OEM industry towards outsourcing from EMS companies. Parallel to this, the customers (the OEM companies) are demanding a broader range of products from the EMS companies. Over and above manufacture and assembly, they are

### Elektromekan's offer as industrialisation partner





Integrated quality assurance is an important aspect of modern surface mounting techniques.

looking for assistance with design, development, distribution and maintenance.

Whereas the market for electronic products is forecast to grow by seven per cent a year until 2004, the EMS market is expected to grow by 28 per cent during the same period.

The reason for the higher rate of growth in EMS is the greater degree of outsourcing and the broader range of services provided by EMS companies.

In 2001, the Nordic EMS market was estimated to be worth MSEK 50,000, of which Sweden accounted for MSEK 20,000. On the Swedish market, Ericsson has been by far the largest customer. Only 25 per cent of the market in Sweden is not in telecoms and IT.

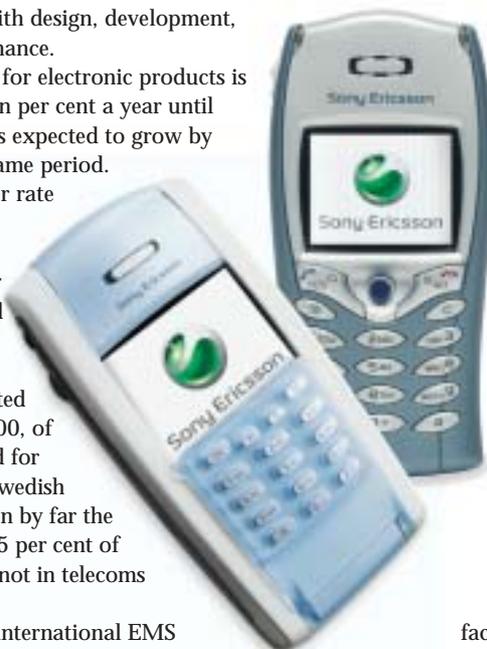
Many of the major, international EMS companies are active on the Swedish market, such as Flextronics, Sanmina-SCI, Solectron and Elcoteq. Apart from Elektromekan, notable amongst the medium-sized companies (annual turnover MSEK 200-2,000) are Partnertech, Kitron and Note.

There are also a number of small companies with limited surface mounting capacity.

The international trend suggests that the EMS industry will grow rapidly, even though conditions have only been weak over the past two years. On the Swedish market, Ericsson's problems have adversely affected the entire sector.

#### Developments in 2002

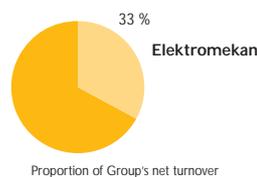
The situation on the telecom market, which is Elektromekan's single largest market, remained weak and



uncertain. Delivery volumes were unexpectedly low, far lower than in 2001. In response to the slackening demand, cost and capacity adjustments were made regularly, which involved the work force being reduced by a total of 100 people. The cost reductions will have their full effect in 2003.

Net turnover declined by 34 per cent to MSEK 414.6 (628.3), and the operating result was a loss of MSEK 5.8 (loss 13.5). Write-downs of MSEK 10.1 (20.0) in the value of stocks were charged against the result. The year's write-downs are largely attributable to a customer going bankrupt. The result includes a positive effect of MSEK 7.2 resulting from a change in the depreciation period for surface mounting lines for PCB manufacture.

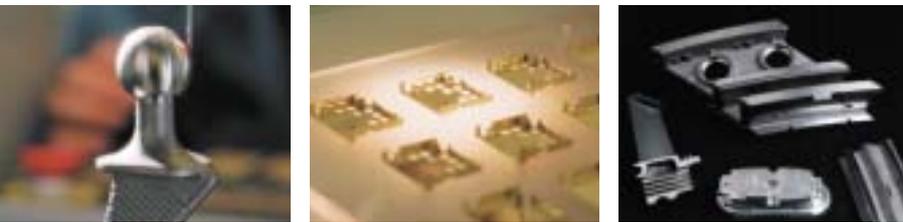
#### Business area Electronics



Key ratios	2002	2001	2000
Operating margin, %	-1.4	-2.1	5.6
Return on capital employed, %	-2.6	-7.7	29.8
Gross capital expenditure excl. shares, MSEK	2.2	16.0	48.7
Number of employees	223	331	412

Income statement MSEK	2002 <sup>1)</sup>	2001	2000
Net turnover	414.6	628.3	967.4
Cost of goods sold	-386.1	-610.5	-880.2
Gross profit	28.5	17.8	87.3
Selling costs	-10.1	-7.8	-8.5
Administrative costs	-24.2	-23.5	-25.1
Operating profit	-5.8	-13.5	53.7

<sup>1)</sup> Write-downs of MSEK 10.1 (20.0) in stocks have been charged against the result. The result includes a positive effect of MSEK 7.2 resulting from a change in the depreciation period for surface mounting lines for PCB manufacture.



## Elos

Elos is a precision engineering company that manufactures components with stringent demands on material handling and precision. The business is divided into three business segments: Medical, Telecom and Parts. Elos is one of the Nordic region's leading sub-contract manufacturers of surgical and orthopaedic implants and instruments. It also operates within the telecom, engineering and machinery sectors.

Elos has modern machinery and highly skilled and experienced personnel. Production takes place at Timmersdala, Töreboda and Årjäng. These three facilities are specialised in their respective fields. Elos offers to serve as a competence partner for its customers at all stages from development to delivery of final product.

During the year, the production of medical products was concentrated at the Timmersdala facility. The machine pool there will be expanded to enable Elos to handle the volume increase that is expected from 2003 and thereafter. A



new plant has been built in Töreboda and the operations in Årjäng have been relocated to more practical premises.

### Developments in 2002

Elos notably advanced its market position in 2002, particularly on the medical engineering market. The capacity for the manufacture of medical engineering products was increased in order to handle future growth. Relocation costs and the cost of running-in problems in connection with the relocation of operations in Töreboda and Årjäng were charged against the result. Net turnover increased by just over 20 per cent and amounted to MSEK 111.6 (92.5). The operating profit was MSEK 6.7 (3.2).

### Elos Parts and Telecom

Elos has contracts with customers in the engineering and machinery industries for the manufacture of components and parts. Typically, the contracts involve

high demands for precision and, frequently, the processing of complex materials and alloys.

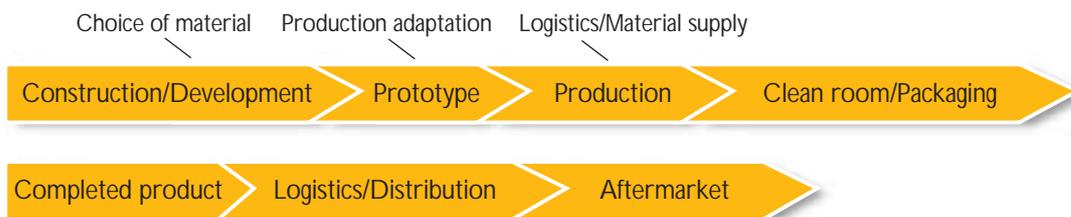
The company uses modern and advanced machines and has highly skilled and experienced personnel.

Contracts include turbine blades and heat shields for gas turbines and vital weapons components with high precision requirements.

Elos has supplied the telecom industry with metal components, both mass-produced and short series products, for more than 15 years.

Elos' competitive strength, over and above its quality and precision capabilities, lies in its ability to contribute to the entire industrialisation process, from design and construction to end product.

### Elos' offer as competence partner



## Elos Medical

Elos' medical technical business, which has a turnover of just under MSEK 50, is one of Westergyllen's priority segments. Its aim is to achieve a turnover, through organic growth, of MSEK 150 within a three-year period. To accelerate growth in the area, bolt-on acquisitions may also be made.

Elos has considerable experience of designing and developing medical technical products and instruments in consultation with medical professionals. This has created broad expertise, which in recent years has enabled the company to penetrate the international market as an industrialisation partner for companies. Unique for the company is its clean room processing, which means that Elos is able to take a product the whole way from functional description to sterilised and packaged item for use in operating theatres.

In the past year, Elos has become established as a supplier to several large, international medical technical companies. More and more of these companies are opting for outsourcing solutions for many of their products. This gives Elos a competitive edge since it is one of few European companies able to offer its products and services along the entire development chain up to finished product.

The business is certificated in accordance with the ISO 9001 quality standard and the ISO EN 46001 medical standard. Elos Medical is also authorised to CE-label its orthopaedic and dental products in accordance with the 93/42/EEC Medical Device Directive. Elos also operates in accordance with the QSR American quality standard.

### Important areas for Elos include:

- **Dental products.** Elos manufactures dental implants for a number of customers, primarily European. Deliveries have been expanded from simple fixtures to entire systems, packaged and ready for use. The demand for Elos' services is high.
- **Trauma.** Elos manufactures fixation products, such as plates and screws and surgical instruments adapted to each plate and type of fracture. Customers include some of the largest international companies in the segment.

Fixation product made for Stryker by Elos.



Function controls, packaging and labelling of medical technical products take place in Elos' clean rooms prior to delivery.

- **Back, knees and hips.** Elos manufactures implants and the accompanying instruments for these areas. A more recent addition to the portfolio is products for finger joints and wrists. The manufacture of special products for some of the largest companies in the sector has put Elos in a good position to win major contracts. Current capacity, however, is a limitation.
- **Other products.** Elos also manufactures specialised niche products for applications such as brain surgery, heart problems, hearing problems and incontinence. Many of its customers have their products in an introduction phase. Some have planned radical volume increases for 2003.

### The market for medical technical components in Elos' segment

The American market accounts for roughly half the global market for the product areas on which Elos focuses. Some of the suppliers do all their production in-house, while others are opting increasingly to buy capacity from specialised suppliers. The companies that choose this latter strategy often demand a higher service content than straightforward production.

The sub-contract market in Europe is fragmented, and most companies also operate outside the medical technical sector.

Segment	Total market, SEK <sup>2)</sup>	Major companies	Annual growth, %
Dental implants	6 billion	Nobel Biocare Strauman 3i, Friadent	15
Trauma	16 billion	Synthes Stryker Smith & Nephew Mathys, Zimmer	8-10
Back, knees, hips	60 billion	Johnson & Johnson Stryker Mathys, Sulzer Sofamor Danek	7-10

<sup>2)</sup> The estimated market refers to the value to the end consumer. Approximately half of the market is expected eventually to be open to sub-contract manufacturers while the rest will be manufactured by each supplier on own account.

Source: Orthopaedic instrumentation, Global Industry Analysts Inc., Knowledge Enterprises Inc.



## Fixturlaser

Fixturlaser develops, manufactures and markets laser-based systems for the alignment and positioning of rotating machines and machine components. Some 90 per cent of sales are exported to approximately 70 countries. Fixturlaser's products are mainly used in the pulp and paper, steel, power and petrochemical industries. With a market share of just over 30 per cent, the company is market leader in the axial alignment segment.

Growing awareness in the industry of the need for preventive maintenance to save energy and for more trouble-free operating is creating a rising need for Fixturlaser's products. Fixturlaser has focused consistently on expert applications know-how and an understanding of the customer's need for added value, and it applies all this in the technical development and marketing of its products.

Fixturlaser's development work is based on close cooperation with leading manufacturers and users in

the different technical and market areas. Using the specific knowledge and experience generated by its projects, Fixturlaser is able to build standard systems of technical and commercial interest to the entire industrial sector.

The more advanced systems are marketed under the Fixturlaser brand name. Parts of the product portfolio are also marketed by large key customers with their own international distribution networks under their own brand names (private label).

The international marketing channels consist of independent operators with regional distribution and sales and these large key customers. In Sweden, the company sells direct to the end customer using its own sales personnel.

### Development and co-operation

In Fixturlaser's experience, the introduction of new products greatly improves growth on the market, which was especially the case in 2002. Several new employees have been recruited and the company now has specialist competence within optics, laser technology and optronics (optical electronics).

Fixturlaser is also concentrating on expanding its product portfolio to include products for geometric measurement. Thanks to a cooperation agreement with Leica, the company can now offer products for use in advanced geometric measurement. The experience possessed by Leica also provides Fixturlaser with valuable information and know-how on applications in new market segments.

*Fixturlaser is world-leader in laser-based systems for axial alignment.*



The components used in all products are purchased from sub-contractors, while assembly and final inspection, upon which the quality of the product depends, are carried out by Fixturlaser.

### Developments in 2002

Fixturlaser stepped up its development of new products, and in so doing created an important platform for faster growth and higher earnings. Several new products were launched at the end of the year and early in 2003. Of the year's development costs, MSEK 6.4 (0.0) was capitalised. The development costs taken against the year's income were MSEK 1.5 higher than in 2001.

Net turnover amounted to MSEK 69.3 (71.3). The operating profit amounted to MSEK 5.7 (7.8).



A new scanning laser for measuring flatness, developed by Fixturlaser.



## Ferrocon

Ferrocon designs and manufactures customised steel elements for construction companies and industry. The company also offers on-site assembly of these products on construction projects. Major customers include the motor vehicle industry and construction companies.

Over the past five years, Ferrocon has accumulated further competence in construction and the prototype manufacture of transport packaging for Volvo's and SAAB's different models. This complements the company's original orientation towards structural forging.

### Developments in 2002

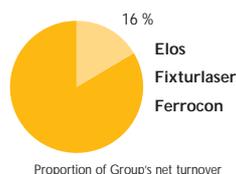
The market for transport packaging was subject to intense price pressure, and the result suffered, despite a considerable increase in volume. The construction-related market was more stable. Net turnover increased to MSEK 27.3 (22.8). The operating result was a loss of MSEK 0.8 (profit 0.8).

## Other

At the turn of the year, Westergyllen owned 16 per cent of the shares in Hemapure AB, Uppsala, a medical technical company that is developing Hemaport, a system for gaining easy access to the vascular system for purposes of dialysis etc. The clinical studies begun in 2001 continued in 2002. Several patients undergoing continual dialysis treatment had the device implanted and the results of the clinical trials conducted so far have met expectations and are considered highly satisfactory.

At the turn of the year, Westergyllen's interest in Hemapure had a book value of MSEK 10.3. In addition to this, Westergyllen invested a further MSEK 1.5 at the start of 2003 in connection with the issue of a convertible loan. Other major shareholders in Hemapure are the Swedish Industrial Development Fund, the Plena Group and the company's founder, Bo G Danielsson.

### Business area Engineering/Technology



Key ratios	2002	2001	2000
Operating margin, %	5.7	6.3	2.4
Return on capital employed, %	9.8	10.4	4.7
Gross capital expenditure excl. shares, MSEK	30.8	16.7	14.7
Number of employees	224	210	262

Income statement MSEK	2002	2001	2000 <sup>1)</sup>
Net turnover	206.8	187.1	234.2
Cost of goods sold	-146.9	-131.0	-184.5
Gross profit	59.9	56.1	49.7
Selling costs	-31.8	-28.7	-29.4
Administrative costs	-16.7	-15.7	-15.9
Other operating income/costs	0.3	0.1	1.3
Operating profit/loss	11.7	11.8	5.7

<sup>1)</sup> Stenestams Industri, which was divested on December 19, 2000, is included in the figures for 2000.

# Consolidated income statement

(thousands of SEK)	2002	2001
Net sales	1 251 141	1 388 156
Cost of goods sold	-1 043 728	-1 209 734
<b>Gross profit</b>	<b>207 413</b>	178 422
Selling expenses	-124 209	-111 737
Administrative expenses	-78 187	-74 077
Other operating income	3 957	2 375
Other operating expenses	-6 836	-6 137
Profit participation from associated company	117	-178
<b>Operating profit/loss</b>	<b>2 255</b>	-11 332
<i>Result from financial investments:</i>		
Result from other securities and receivables accounted for as fixed assets	-123	-71
Other interest income and similar profit items	2 395	1 761
Other interest expenses and similar loss items	-20 361	-25 907
<b>Loss after financial items</b>	<b>-15 834</b>	-35 549
Tax on profit for the year	2 782	8 142
Minority interest	58	24
<b>Net loss for the year</b>	<b>-12 994</b>	-27 383

# Consolidated balance sheet

(thousands of SEK)	2002-12-31	2001-12-31
<b>ASSETS</b>		
<b>Fixed assets</b>		
<i>Intangible assets</i>		
Capitalized expenditure for development	6 384	-
Goodwill	15 331	20 314
Other intangible assets	89	88
	21 804	20 402
<i>Tangible assets</i>		
Land and buildings	74 714	64 355
Plant and machinery	113 165	128 768
Equipment, tools, fixtures and fittings	35 537	34 887
Construction in progress	-	1 785
	223 416	229 795
<i>Financial assets</i>		
Participation in associated companies	45	888
Shares and participation	8 570	8 283
Other long-term receivables	893	6 693
	9 508	15 864
<b>Total fixed assets</b>	<b>254 728</b>	<b>266 061</b>
<b>Current assets</b>		
<i>Inventories etc.</i>		
Raw material and consumables	70 329	113 402
Products in progress	17 385	19 017
Finished products	27 436	47 184
Development property	122 831	114 455
	237 981	294 058
<i>Current receivables</i>		
Accounts receivable	125 092	112 389
Current prepaid tax	298	1 604
Recognised but not invoiced income	25 940	6 930
Other receivables	17 221	16 995
Prepaid expenses and accrued income	12 451	24 862
	181 002	162 780
Cash and bank balances	30 657	8 134
<b>Total current assets</b>	<b>449 640</b>	<b>464 972</b>
<b>TOTAL ASSETS</b>	<b>704 368</b>	<b>731 033</b>

# Consolidated balance sheet

(thousands of SEK)	2002-12-31	2001-12-31
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<i>Restricted equity</i>		
Share capital	34 563	34 563
Restricted reserves	40 122	40 142
	<b>74 685</b>	74 705
<i>Non-restricted equity</i>		
Non-restricted reserves	96 085	123 538
Loss for the year	-12 994	-27 383
	<b>83 091</b>	96 155
<b>Total equity</b>	<b>157 776</b>	170 860
<b>Minority interest</b>	<b>683</b>	741
<b>Provisions</b>		
Provisions for pension	19 041	15 609
Deferred tax liability	14 851	17 795
Warranty provision	1 842	1 855
<b>Total provisions</b>	<b>35 734</b>	35 259
<b>Long-term liabilities</b>		
Bank overdraft	-	15 925
Liabilities to credit institutions	254 165	271 566
Subordinated loan	4 571	4 572
	<b>258 736</b>	292 063
<b>Current liabilities</b>		
Liabilities to credit institutions	31 859	27 516
Advance payments from customers	7 828	5 338
Accounts payable	120 516	122 195
Invoiced income not yet recognised	21 686	-
Other liabilities	13 480	17 471
Accrued expenses and deferred income	56 070	59 590
<b>Total current liabilities</b>	<b>251 439</b>	232 110
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>704 368</b>	731 033
<b>PLEDGED ASSETS</b>	<b>512 116</b>	462 051
<b>CONTINGENT LIABILITIES</b>	<b>37 065</b>	76 490

# Consolidated statements of cash flow

(thousands of SEK)	2002	2001
<b>Operating activities</b>		
Loss after financial items	-15 834	-35 549
Adjustments for non-cash items, etc.	66 142	50 362
	<b>50 308</b>	14 813
Income tax paid	1 227	-1 692
<b>Cash flow from operating activities before working capital changes</b>	<b>51 535</b>	13 121
<i>Cash flow from working capital changes</i>		
Change in inventories	42 588	76 547
Change in operations receivables	-12 780	95 956
Change in operations liabilities	14 986	-133 297
<b>Cash flow from operating activities</b>	<b>96 329</b>	52 327
<b>Investing activities</b>		
Investment in shares	-1 797	-
Investment in other fixed assets	-39 324	-33 860
Decrease in long-term receivables	973	2 734
Sales of other shares	-	142
Sales of other fixed assets	951	2 774
<b>Cash flow from investing activities</b>	<b>-39 197</b>	-28 210
<b>Financing activities</b>		
Decrease in liabilities to credit institutions	-34 609	-20 720
Dividend paid	-	-6 221
<b>Cash flow from financing activities</b>	<b>-34 609</b>	-26 941
<b>Cash flow for the year</b>	<b>22 523</b>	-2 824
<b>Cash and cash equivalent at the beginning of the year</b>	<b>8 134</b>	10 958
<b>Cash and cash equivalent at the end of the year</b>	<b>30 657</b>	8 134



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