

Interim report

January 1 – September 30, 2006



The Group's profit after financial items totaled SEK 16.2 M (18.4). The Building/Interior and Engineering Technology business areas reported substantial improvements in earnings.

- Net sales amounted to SEK 1,038 M (942).
- Operating profit totaled SEK 26.9 M (25.3). Profit after financial items was SEK 16.2 M (18.4).
- Profit after tax totaled SEK 10.6 M (12.4), or SEK 1.75 (2.24) per share.
- Cash flow from operating activities amounted to SEK 12.3 M (26.3). Cash flow after investments was a negative SEK 16.8 M (1.8).
- The Building/Interior and Engineering Technology business areas reported substantial improvements in earnings. The Electronics business area experienced a sluggish business trend.
- Continued strong demand for single-family homes. The Board of Directors intends to propose that the Building/Interior business area be spun off to shareholders.
- The Group's operations will focus on medical technology and precision mechanics.

Operations in general

Westergyllen is an industrial group organized on the basis of three business areas: Building/Interior, Electronics and Engineering/Technology.

Market conditions during the period were favorable for the Building/Interior and Engineering/Technology business areas. Net sales and earnings both rose sharply. Order bookings in both business areas were buoyant. The Electronics business area reported weak demand, with order bookings lower than delivery capacity. Rationalization programs and capacity adjustments were implemented in the business area.

Spin-off of the Building/Interior business area

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

The Board of Directors has decided to convene an Extraordinary General Meeting on November 16, 2006 to decide on distribution of the Forshem Group to Westergyllen shareholders in line with what is known as the Lex ASEA precedent. The aim is to list the Forshem B-shares on First North exchange after distribution.

A prospectus relating to the distribution will be presented at the end of October or early November 2006. The listing is expected to take place on November 23, 2006. Erik Penser Fondkommission has been appointed financial advisor.

The proposal is fully in line with the Group's shift towards fewer business areas. Also, the concentration and streamlining of operations is eventually expected to create more shareholder value. Another aspect of the strategy is to focus Westergyllen's operations on medical technology and precision mechanics following the spin-off of Forshem.

Invoicing and earnings, third quarter of 2006

Consolidated net sales totaled SEK 297 M (266) for the third quarter of 2006.

The Engineering/Technology business area reported higher earnings than in the corresponding quarter a year earlier. Due to shifts in deliveries, earnings in Building/Interior were slightly weaker than in the preceding year. However, earnings in the Electronics business area were considerably lower.

Operating profit for the quarter declined to SEK 4.8 M (11.6). Profit after financial items totaled SEK 0.4 M (9.4). Earnings were charged with nonrecurring costs of SEK 1.0 M relating to the distribution of the Forshem Group.

Invoicing and earnings January – September 2006

Consolidated net sales totaled SEK 1,038 M (942) during the period.

Operating profit totaled SEK 26.9 M (25.3). Profit after financial items totaled SEK 16.2 M (18.4). Earnings were charged with nonrecurring costs of SEK 1.0 M relating to the distribution of Forshem Group.

The Building/Interior and Engineering/Technology business areas reported substantially higher earnings compared with the preceding year, whereas earnings in the Electronics business area fell by some SEK 15 M.

Building/Interior

The Building/Interior business area consists largely of the single-homes builders Götenehus and Sjödalshus, which, combined, form one of the major players in the Swedish single-family homes market. Westergyllen's single-family homes operations comprise project activities that market and build groups of single-family homes as well as marketing and building individual single-family homes.

Demand in the Swedish single-family homes market remained favorable during 2006. Resale prices for single-family homes continued to rise. According to the forecast of the National Board of Housing, Building and Planning in September 2006, the number of starts-ups of single-family homes in 2006 will increase by a little more than 8 percent to some 13,000 units during 2006.

Net sales in Building/Interior rose to SEK 576 M (500). Operating profit improved and totaled SEK 26.0 M (17.4). Operating margin was 4.5 percent (3.5). Unit delivery capacity increased 18 percent from the year earlier period.

Order bookings for operations focusing on individual single-family homes were favorable during the period and in line with delivery capacity. The number of building rights in the project portfolio at the close of the period was 500 single-family homes, up 30 units from year-end.

Electronics

The Electronics business area comprises Elektromekan, which is one of Sweden's leading EMS (Electronic Manufacturing Service) companies. The company produces components and products for the engineering industry, other mobile communications, and the telecom sector and process control.

To offset falling demand from the telecom industry, Elektromekan has invested greater resources in the industrial segment in recent years. The major difference between these market areas is that the telecom industry is marked by a few customers that order large-scale series volumes, while the industrial segment has a broader customer base with orders mainly for smaller product series. To date, growth in the industrial segment has not been sufficient to offset the fall in telecom volumes.

Elektromekan's operations were restructured during the year. The manufacture of labor-intensive products was gradually shifted to Elektromekan's production partners in low-cost countries, parallel with the targeted automation of operations in Sweden. The workforce was reduced by about 50 people. Restructuring will have an impact during the final quarter of the year.

Net sales in Electronics fell to SEK 172 M (293). Sales outside the telecom area rose 23 percent during the period and totaled SEK 128 M (104), while sales to the telecom market were more than halved to SEK 44 M (189). The operating loss totaled SEK 17.6 M (loss: 2.6). The operating margin was a negative 10.2 percent (neg: 0.9).

Order bookings during the period totaled SEK 151 M (299).

Engineering/Technology

The Engineering/Technology business area comprises the medical technology companies Elos Medical and Pinol as well as Elos Precision and Fixturlaser.

Market conditions were good during the period, with major increases in sales and earnings. The process to coordinate the recently acquired Pinol and Elos Medical, which started at year-end 2005, continued during the period. The explicit, high-priority strategy is to raise medical-technology sales as a proportion of total Group sales.

Net sales in Engineering/Technology rose steeply during the period, amounting to SEK 292 M (163). Excluding the Pinol unit acquired last year, sales rose 8 percent. Operating profit improved and totaled SEK 22.5 M (15.2), representing an operating margin of 7.7 percent (9.3). During the period, Pinol commenced the manufacture of new products, resulting in initial costs. Thus, Pinol reported only a small positive operating profit during the first six months. Pinol's earnings rose during the third quarter.

Order bookings in the business area totaled SEK 290 M (191) during the period. Excluding Pinol, order bookings rose 2.6 percent compared with the same period a year earlier.

Other

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 of the operations sold and is currently difficult to estimate. The book value of the shareholding in Hemapure was SEK 10.3 M at the end of the period.

Investments

The Group's investments in buildings, land, machinery and equipment totaled SEK 48.5 M (33.5). In addition, SEK 5.1 M (2.8) was invested in intangible fixed assets.

Financial position and liquidity

The Group's total assets, which increased by SEK 62 M since year-end, amounted to SEK 1,001 M (939). The rise was largely attributable to an increase in holdings of sites and show houses in the Building/Interior business area.

The share of own risk-bearing capital was 25,6 percent, compared with 27,2 percent at year-end. The equity/assets ratio was 22.9 percent (24.3).

The Group's cash flow from operations was SEK 12.3 M (26,3). Cash flow after investments was a negative SEK 16.8 M (1.8). The increased site portfolio, which had an adverse effect on cash flow, was funded partly through loans. Excluding the site portfolio, cash flow was positive. The Group's net debt rose by SEK 46.6 M during the period and totaled SEK 382.9 M (336.3). The Group's cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 128.3 M, compared with SEK 171.2 M at year-end.

Personnel

At the end of the period, the Group had 756 full-time

employees, unchanged since year-end. The number of employees in the Building/Interior business area amounted to 252 (229) at the end of the period.

Parent Company

The Parent Company's net sales amounted to SEK 6.3 M (7.2). Profit after financial items totaled SEK 31.3 M (18.6). Earnings include intra-Group dividends and net capital gains of SEK 35.8 M (25.1). The share of risk-bearing equity was 56.6 percent (55.2). The equity/assets ratio was 55.5 percent (54.0). The Parent Company's cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 113.1 M (129.0).

Accounting principles

This interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting. The company's auditors have not audited the report.

Forecast for 2006

The Board of Directors has decided to convene an Extraordinary General Meeting on November 16, 2006 to decide on whether to spin off the Building/Interior business area to Westergyllen's shareholders. The market prospects for the business area are currently deemed to be highly favorable. Operating profit for period totaled SEK 26.0 M. Operating profit for the first quarter was SEK 11.6 M, and subsequently totaled SEK 10.2 M for the second quarter. Due to the vacation period and delivery shifts in deliveries, earnings were weaker in the third period and amounted to SEK 4,2 M. Delivery volumes in Building/Interior are expected to be favorable during the last quarter of the year. Operating profit for the final quarter is expected to be on a par with that for the first quarter.

Market conditions are also deemed favorable for the Engineering/Technology business area. The proportion of the business area's volume attributable to the medical technology business is expected to rise during the final quarter. Operating profit for the third quarter totaled SEK 9.7 M. Operating profit for the fourth quarter is expected to be on a par with earnings for the third quarter.

The restructuring of operations in the Electronics business area is expected to have a full impact towards year-end. Operating profit for the final quarter is expected to be weak, although better than that for the past quarter.

The long-term strategy is to focus Westergyllen's operations on medical technology and precision mechanics.

Financial information in 2006

The year-end report for the 2006 financial year will be presented on February 21, 2007.

Götene, October 27, 2006

Göran Brorsson
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CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	July-Sept 2006	July-Sept 2005	Jan-Sept 2006	Jan-Sept 2005	Oct-Sept 2005/06	Jan-Dec 2005
Net sales	297,2	266,4	1 037,9	942,2	1 424,0	1 328,3
Cost of goods sold	-243,5	-215,8	-851,4	-779,7	-1 161,1	-1 089,4
Gross profit	53,7	50,6	186,5	162,5	262,9	238,9
Selling expenses	-31,3	-27,5	-103,5	-91,0	-142,9	-130,4
Administrative expenses	-17,5	-10,9	-59,1	-41,9	-83,0	-65,8
Other operating income/expenses	-0,1	-0,6	3,0	-4,3	6,0	-1,3
Operating profit	4,8	11,6	26,9	25,3	43,0	41,4
Financial income	0,3	0,1	1,1	0,4	1,9	1,2
Financial expenses	-4,7	-2,3	-11,8	-7,3	-14,9	-10,4
Profit after financial items	0,4	9,4	16,2	18,4	30,0	32,2
Taxes	-0,5	-3,3	-5,6	-6,0	-9,8	-10,2
Profit after taxes	-0,1	6,1	10,6	12,4	20,2	22,0
Depreciation charged against earnings	13,1	11,1	39,6	33,1	53,0	46,5
Earnings per share (SEK)	-0:02	1:11	1:75	2:24	3:45	3:94
Average number of shares (thousands)	6 051	5 530	6 051	5 530	5 850	5 573
Number of shares in end of period (thousands)	6 051	5 537	6 051	5 537	6 051	6 051

NET SALES AND OPERATING PROFIT/LOSS PER BUSINESS AREA

SEK M	July-Sept 2006	July-Sept 2005	Jan-Sept 2006	Jan-Sept 2005	Oct-Sept 2005/06	Jan-Dec 2005
Net sales						
Building/Interior	165,4	138,3	576,4	500,1	775,6	699,3
Electronics	38,5	76,6	171,8	293,0	268,4	389,6
Engineering/Technology	93,7	55,6	292,2	163,0	387,3	258,1
Other	-0,4	-4,1	-2,5	-13,9	-7,3	-18,7
Total	297,2	266,4	1037,9	942,2	1 424,0	1 328,3

SEK M	July-Sept 2006	July-Sept 2005	Jan-Sept 2006	Jan-Sept 2005	Oct-Sept 2005/06	Jan-Dec 2005
Operating profit/loss						
Building/Interior	4,2	5,9	26,0	17,4	36,7	28,1
Electronics	-7,5	0,1	-17,6	-2,6	-17,4	-2,4
Engineering/Technology	9,7	7,1	22,5	15,2	30,3	23,0
Other	-1,6	-1,5	-4,0	-4,7	-6,6	-7,3
Total	4,8	11,6	26,9	25,3	43,0	41,4

CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	2006-09-30	2005-09-30	2005-12-31
Assets			
Intangible fixed assets	67,0	17,3	64,1
Tangible fixed assets	312,9	202,4	307,4
Financial fixed assets	11,1	13,2	11,3
Other current assets	558,8	459,7	499,9
Cash and bank balances	51,3	48,0	56,1
Total assets	1 001,1	740,6	938,8
Shareholders' equity and liabilities			
Shareholders' equity	229,7	186,0	228,2
Long-term liabilities	364,0	243,1	341,3
Current liabilities	407,4	311,5	369,3
Total shareholders' equity and liabilities	1 001,1	740,6	938,8

CONSOLIDATED CASH-FLOW STATEMENT

SEK M	Jan-Sept 2006	Jan-Sept 2005	Jan-Dec 2005
Profit after net financial items	16,2	18,4	32,2
Adjustment items	42,1	37,8	56,3
Income tax paid	-14,5	-6,1	-9,3
Change in working capital	-31,5	-23,8	-21,6
Cash flow from operating activities	12,3	26,3	57,6
Investments in subsidiary	-0,6	0,0	-33,4
Investments in other fixed assets	-31,6	-24,8	-36,5
Sales of fixed assets	3,1	0,3	0,3
Balance after investments in fixed assets	-16,8	1,8	-12,0
Change in interest-bearing loans	19,7	-10,2	9,6
New issue of shares	0,0	0,0	2,2
Dividends	-7,6	-6,9	-6,9
Cash flow for the year	-4,7	-15,3	-7,1
Liquid funds at beginning of the year	56,1	63,1	63,1
Exchange-rate differences in liquid funds	-0,1	0,2	0,1
Liquid funds at the end of the period	51,3	48,0	56,1

KEY FIGURES

SEK M		Jan-Sept 2006	Jan-Sept 2005	Jan-Dec 2005
Return on capital employed	%	5,7	7,9	8,1
Return on shareholders' equity	%	6,2	9,0	10,7
Share of risk-bearing capital	%	25,6	28,3	27,2
Equity/assets ratio	%	22,9	25,1	24,3
Net debt	SEK M	382,9	202,1	336,3
Investments excluding shares	SEK M	53,6	36,3	50,0
Number of employees		761	676	700
Shareholders' equity per share	SEK	37:96	33:64	37:72

QUARTERLY FIGURES - GROUP

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004
Net sales	297,2	381,3	359,4	386,1	266,4	366,3	309,5	401,7	321,9	424,8	319,0
Cost of goods sold	-243,5	-317,4	-290,5	-309,7	-215,8	-304,1	-259,8	-333,8	-266,2	-351,3	-263,6
Gross profit	53,7	63,9	68,9	76,4	50,6	62,2	49,7	67,9	55,7	73,5	55,4
Selling and admin.ex	-48,8	-57,3	-56,5	-63,3	-38,4	-50,4	-44,1	-53,7	-40,8	-51,2	-43,8
Other operating items	-0,1	0,9	2,2	3,0	-0,6	-0,9	-2,8	1,1	-0,4	-3,0	-1,7
Operating profit/loss	4,8	7,5	14,6	16,1	11,6	10,9	2,8	15,3	14,5	19,3	9,9
Net financial items	-4,4	-2,4	-3,9	-2,3	-2,2	-2,2	-2,5	-2,3	-3,2	-3,1	-3,6
Profit/loss after financial items	0,4	5,1	10,7	13,8	9,4	8,7	0,3	13,0	11,3	16,2	6,3
Taxes	-0,5	-1,7	-3,4	-4,2	-3,3	-2,6	-0,1	-4,6	-3,4	-5,6	-2,2
Profit/loss after taxes	-0,1	3,4	7,3	9,6	6,1	6,1	0,2	8,4	7,9	10,6	4,1

QUARTERLY FIGURES - BUSINESS AREAS

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004
Net sales	297,2	381,3	359,4	386,1	266,4	366,3	309,5	401,7	321,9	424,8	319,0
Building/Interior	165,4	222,8	188,2	199,2	138,3	207,3	154,5	206,8	129,4	196,0	153,8
Electronics	38,5	61,3	72,0	96,6	76,6	105,5	110,9	148,1	147,3	174,3	113,8
Engineering/Technology	93,7	98,0	100,5	95,1	55,6	59,0	48,4	53,3	50,8	61,9	56,1
Other	-0,4	-0,8	-1,3	-4,8	-4,1	-5,5	-4,3	-6,5	-5,6	-7,4	-4,7
Total	297,2	381,3	359,4	386,1	266,4	366,3	309,5	401,7	321,9	424,8	319,0

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004
Operating profit/loss	4,8	7,5	14,6	16,1	11,6	10,9	2,8	15,3	14,5	19,3	9,9
Building/Interior	4,2	10,2	11,6	10,7	5,9	7,7	3,8	5,9	5,1	7,9	3,3
Electronics	-7,5	-6,5	-3,6	0,2	0,1	0,7	-3,4	5,8	6,9	10,7	3,5
Engineering/Technology	9,7	5,2	7,6	7,8	7,1	4,8	3,3	2,8	3,8	4,7	5,5
Other	-1,6	-1,4	-1,0	-2,6	-1,5	-2,3	-0,9	0,8	-1,3	-4,0	-2,4
Total	4,8	7,5	14,6	16,1	11,6	10,9	2,8	15,3	14,5	19,3	9,9

CHANGES IN SHAREHOLDERS' EQUITY

	Jan-Sept	Jan -Sept	Jan-Dec
SEK M	2006	2005	2005
Opening balance	228,2	181,2	181,2
Acquisition of minority interests	0,0	-0,7	-0,7
Translation difference	-1,6	0,0	-1,1
Net gain on hedge of net investment	0,0	0,0	0,4
New issue of shares	0,0	0,0	33,3
Dividends	-7,6	-6,9	-6,9
Profit for the period	10,7	12,4	22,0
Closing balance, shareholders' equity	229,7	186,0	228,2