



The Group in brief

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

- Successive improvement in capacity utilisation and result during the year.
- Net turnover amounted to MSEK 1,230 (1,251).
- The result after net financial items was a loss of MSEK 5.3 (loss 15.8).
- The operating profit amounted to MSEK 9.2 (2.3).
- The cash flow from current operations amounted to MSEK 57.7 (96.3).
- The cash flow after investment activities amounted to MSEK 32.7 (57.1).
- The net debt declined by MSEK 17 during the year.
- Liquidity remains healthy.
- It is proposed that no dividend be paid.
- The Group's Engineering/Technology business area is to be split into to separate units.



Key ratios

		2003	2002	2001	2000	1999	1998
Net turnover	MSEK	1,230.0	1,251.1	1,388.2	1,850.8	1,067.6	920.0
Profit/loss after financial items	MSEK	-5.3	-15.8	-35.5	40.6	-35.8	31.4
Risk capital ratio	%	24.5	24.6	25.9	24.1	26.1	38.5
Equity ratio	%	22.0	22.4	23.4	21.6	23.8	34.1
Return on capital employed	%	2.2	1.0	Neg	12.8	Neg	10.8
Return on equity	%	Neg	Neg	Neg	13.8	Neg	12.5
Earnings/loss per share after tax	SEK	-2.50	-4.70	-9.90	9.48	-9.10	9.15
Equity per share	SEK	54.53	57.06	61.79	70.88	63.30	75.95
Proposed dividend	SEK	-	-	-	2.25	2.00	3.50
No. of full-time employees		693	707	823	990	773	696

Gradual improvement in earnings

Westergyllen's profitability gradually strengthened during the year, improving the prospects for the Group to once again achieve its stated goals.

These goals remain firm. However, based on last year's estimate of the entire Group's profitability, we reached the targets in only two of the four quarters.

This can be explained mainly by the fact that structural changes were made at the beginning of the year to adjust the operations and resources in our subsidiaries. In addition, demand in certain market segments turned out to be slightly weaker than expected.

If we are to be really successful – and achieve our targets – two factors have to work hand in hand. One of these factors is greater efficiency, which we ourselves can influence. The areas where efficiency-improvement measures were carried out were clearly identified, and these projects advanced well during the year, in some cases reaching conclusion.

The other factor is a degree of impetus provided by stronger market demand, or in other words, improved economic conditions.

All in all, the market conditions for the current year appear favourable even if it is difficult to gauge the trend on the electronics and telecommunication markets for the later part of 2004.

Building/Interiors

We have increased our project activities within the turnkey, prefabricated house business. We see good market prospects as a complement to large building contractors and local government direct labour. The project activities developed well during the year.

We can extract more synergies by co-ordinating between our two brands, Götenehus and Sjödalshus, more closely. Production, construction, purchasing and administration have already been harmonised. Now we are working hard to lower the management costs for customising the houses. One example of this is that we have standardised components that reduce drafting times but still offer house buyers just as much freedom of choice.

Project activities have doubled in two years and accounted for roughly 30 per cent of the total house deliveries in 2003. There is healthy demand for turnkey, prefabricated dwellings built in estates. However, access to attractive sites in the metropolitan regions is a limiting factor. With our site bank and partnerships with local authorities we foresee continuing expansion potential for our project activities.

Electronics

Elektromekan is expanding again although it is hard to draw any long-term conclusions about its rate of growth. The market decline has come to a halt and positive signals are beginning to emerge from customers in the mobile telephone segment and also within mobile systems.

Our order books look far healthier at the start of 2004 than they did one year ago. With the market stabilising, we have the opportunity to operate in a more

structured manner and take the measures necessary to raise our profitability.

It is also encouraging that customers in other industrial segments have stepped up their demand for Elektromekan's services. Our co-operation with Kapsch TrafficCom in particular has developed favourably. Elektromekan now has responsibility for the manufacture of the transponders used in the automated road toll systems that Kapsch Traffic Com supplies to a growing number of cities around the world.

Engineering/Technology

As of 2004, Westergyllen's precision engineering business is being divided into two separate companies, Elos Medical and Elos Precision. This will enable us to focus more effectively on the specific needs of the different customer groups. The costs incurred on this restructuring move had a significant effect on the result for 2003.

Our fast-growing subsidiary Elos Medical added to its production capacity during the year and acquired several new international customers in the medical engineering segment. Its competence – taking a product all the way from function description to sterilisation and packaging for use in operating rooms – is unique in Europe and a key factor behind the company's success. We still see considerable potential for organic growth within Elos Medical, possibly complemented by acquisitions to raise capacity or broaden the product range. Elos Medical's goal – to have an annual turnover of 150 million kronor in a couple of years – looks well within reach.

Elos Precision manufactures precision engineering components and products with high precision and quality requirements. The main customers are in the engineering and machinery industries. The two production units in Töreboda and Ärjäng streamlined their operations on certain types of processing during the year and relocated to new premises, which will lead to greater efficiency.

Fixturlaser had a weaker year than expected. Demand for investment products was low and the company also carried out costly product launches. However, a broader product programme will put the company in a good position to increase its deliveries when demand on the market rises once more.

Outlook

After a year of significant changes, it is essential not to lose control over costs as the pressure of demand rises. We are prepared for an upswing and will continue our efforts to create a better structure for the production organisations, balance capacity utilisation more effectively and increase our profitability.

Looking back over the past year and the measures taken – and given that some improvements in the Group's markets can already be discerned – there is good reason to be confident about the future.

Götene, March 2004

Göran Brorsson
President and CEO



The Westergyllen Group

Nature of business

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

The Building/Interiors business area is dominated by Westergyllen's prefabricated house business, which consists of Götenehus and Sjödalshus. The business area's dominating customer category consists of end consumers. The Electronics business area comprises Elektromekan i Årjäng AB, which is one of the Nordic region's major sub-contract manufacturers of electronic systems. The Engineering/Technology business area consists of Elos Medical, Elos Precision, Ferrocon and Fixturlaser. Elos Medical manufactures implants and instruments.

Strategy

Westergyllen's overall strategy is to focus the Group's companies and corporate structure on areas in which it can achieve a leading market position. The aim is to create a more concentrated operational base within each business area, giving priority to areas in which a critical size can be achieved.

Quality – Environment

All units in the Westergyllen Group 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



Elos Precision is a firm of precision engineers that manufactures products for the engineering industry and machine manufacturers. 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, whose head office is in Götene, also provides group support facilities such as strategic development, financing and financial control.

Business idea

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

within each company. Several Group companies have now obtained quality and environmental certification. Our goal is for the quality management systems of all operative companies in the Westergyllen Group to be certificated in accordance with ISO 9000 their environmental management systems in accordance with ISO 14000.

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 be at least 30 per cent.

Liquid funds, including approved but undrawn lines of credit, should correspond to between 6 and 12 per cent of the Group's annual turnover.

The Westergyllen share

Stock market trading

Westergyllen's Series "B" shares have been listed on OM Stockholmsbörsen "O" list since 13 June 1989. The high-voting Series "A" shares are not listed. The price for Westergyllen's shares fluctuated during the year between SEK 27.20 and 59.00. The closing transaction price in 2003 was SEK 50.50 (32.00). At the end of 2003, Westergyllen's market capitalisation was MSEK 139.6 (88.5). In 2003, 200,834 shares were traded for MSEK 7.6.

Dividend policy

Westergyllen's dividend policy states that the dividend is to be based on the Group's earnings performance, 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 2003 financial year.

Share capital

At the end of 2003 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 stock

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

pays a fixed interest rate of 4 per cent per year. The loan may be converted before 31 May 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 corresponds 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 were offered to certain senior management personnel in the Westergyllen Group as part of an employee stock option programme. At the end of the year 35,000 warrants (40,000) were held by employees. The remaining warrants were owned by a subsidiary of Westergyllen. 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 up to and including 30 November 2005. Exercise of the warrants is conditional on the holder being an employee of the Group at the time of the exercise. 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.

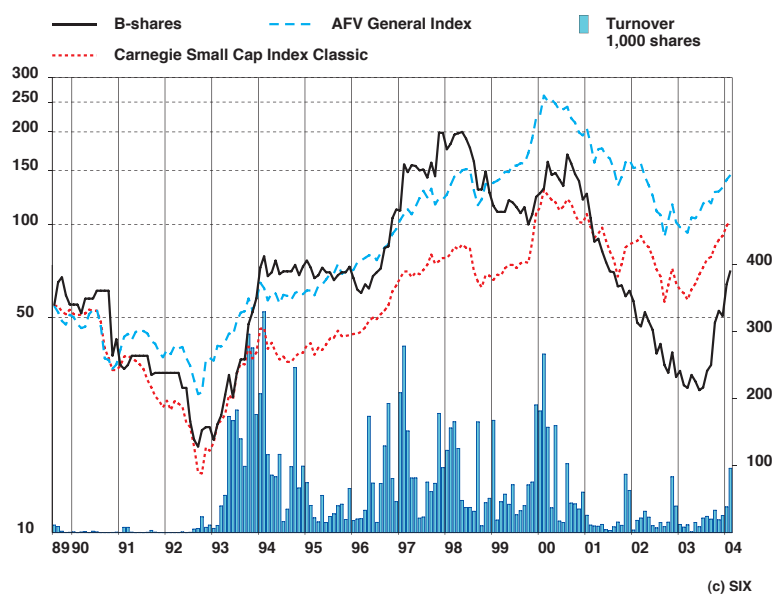
Shareholders

At the end of 2003, Westergyllen had 1,406 shareholders. The holdings of the company's ten largest shareholders correspond to 62.4 per cent of the capital and 89.8 per cent of the votes. At the turn of the year, Swedish and international institutions owned 15.2 per cent of the capital and 4.2 per cent of the votes.

Main shareholders					
According to VPC, the largest shareholders at 31 December 2003 were					
	A-shares	B-shares	Total	% of share capital	% of votes
Sture Öster ¹⁾	189,413	80,080	269,493	9.7	19.5
Lars Runmarker ²⁾	148,973	110,690	259,663	9.4	15.8
Bo Nilsson ²⁾	130,440	85,340	215,780	7.8	13.7
Harald Ulfenborg ²⁾	130,440	79,790	210,230	7.6	13.7
Barbro Nilsson ²⁾	101,374	65,652	167,026	6.0	10.6
Elna Molin ²⁾	68,000	83,200	151,200	5.5	7.5
Rune Bigsten ²⁾	50,000	2,180	52,180	1.9	5.0
SEB Small Cap Funds	0	212,250	212,250	7.7	2.1
Swedish Union of Salaried Employees in Industry	0	109,750	109,750	4.0	1.1
Kjell Andreasson ¹⁾	0	77,183	77,183	2.8	0.8
Lannebo Small Cap Funds	0	58,400	58,400	2.1	0.6
Other	0	981,845	981,845	35.5	9.6
Total	818,640	1,946,360	2,765,000	100.0	100.0

1) including family and companies 2) including family

Westergyllen



Shareholders by size of holding, 30 December 2003

Size of shareholding	No. of shareholders	No. of shares	% of total no. of shares
1-500	1,009	185,925	6.7
501-1,000	203	173,410	6.3
1,001-2,000	81	129,799	4.7
2,001-5,000	53	176,430	6.4
5,001-10,000	19	141,913	5.1
10,001-20,000	17	226,368	8.2
20,001-50,000	12	350,449	12.7
50,001-100,000	4	291,812	10.6
100,001-	8	1,088,894	39.3
Total	1,406	2,765,000	100.0

Shares by class

Class of share	No. of shares	% of votes	% of share capital
A	818,640	80.8	29.6
B	1,946,360	19.2	70.4
Total	2,765,000	100.0	100.0

Data per share		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Profit/loss after tax	SEK	-2.50	-4.70	-9.90	9.48	-9.10	9.15	7.80	2.60	10.85	4.80
Dividend (2003 proposal)	SEK	-	-	-	2.25	2.00	3.50	3.25	3.00	3.00	2.50
Equity	SEK	54.53	57.06	61.79	70.88	63.30	75.95	70.05	65.25	65.60	57.25
Listed price 31 December	SEK	50.50	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	%	92.6	56.1	98.7	170	194.3	167.5	283.4	171.6	111.3	127.5
Average no. of shares	x '000	2,765	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 '000	2,765	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 has not been calculated as the difference is marginal.



Forshemgruppen

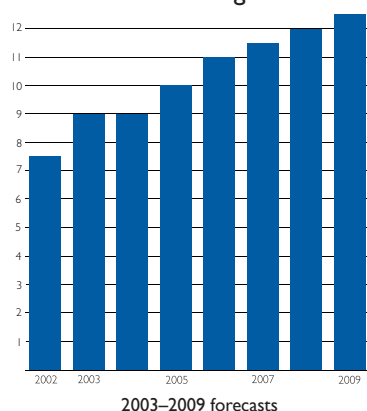
Forshemgruppen is the parent company of Westergyllen's prefabricated housing business, whose products are marketed under the Götenehus and Sjödalshus brand names. The business is divided into two main areas: marketing of individual homes, and the construction and marketing of residential estates by the company's projects unit. Central functions such as production, design/construction, purchasing and administration are organised within the parent company. The Group is one of Sweden's leading manufacturers of prefabricated houses.

The market

The demand for new-built houses depends on several factors such as the pressure of demand, interest rates and the general state of the economy. The price differential between new and used houses and property on the secondary market is another significant factor.

Outside the metropolitan regions house prices are still lower than the cost of building new homes, in some regions far lower. Because of this the market for newly built houses has for some time been concentrated in the metropolitan regions. Recently, especially in 2003, housebuilding has also been increasing in the provinces.

National Housing Board's forecast
of new housing starts



One factor holding down production, especially in the Stockholm area, is the scarcity of attractive plots at reasonable prices. The number of new housing starts in Sweden in 2003 is estimated at around 9,000, having a

market value of more than SEK 6 billion. This is an increase of some 20 per cent on the previous year. The market is fairly stable and, according to the National Housing Board's long-term forecast, it is expected to grow by some five per cent per year between now and 2009.

The market can be divided into three categories:

- Timber houses built on site
- Project-built houses constructed by major building contractors
- Prefabricated timber houses

This last category, which represents some 45 per cent of the market, is the area in which Westergyllen's companies are 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.

The largest competitors on the customised housebuilding market are Trivselhus, Eksjöhus and Myresjöhus. On the project side, the main competitors are local building contractors and large, traditional building companies.

Developments during the year

The demand for new houses has generally been running at a fairly healthy level. However, economic conditions in the Stockholm region have caused weaker demand, especially for houses in the upper price ranges. Expansion of the project activities has, however, enabled sales volumes to be kept unchanged in relation to the previous year.

Forshemgruppen's net turnover amounted to MSEK 644.3 (615.5). The company's operating profit excluding goodwill depreciation amounted to MSEK 7.3 (2.5), much of which was earned by the project activities.



Sales of standardised houses by the projects division represent a growing proportion of Götenehus' business.

Projects

The Group possesses unique competence as a housebuilder in the management of building projects on own account. The projects, which are marketed under the Götenehus brand name, accounted for some 30 per cent of Forshemgruppen's business in 2003. Götenehus intends to strengthen and develop its project activities, since turnkey, prefabricated houses are in good demand. The company has a site bank at its disposal and long experience of developing land and managing projects.

Residential project development involves a continual process of acquiring land, improving and developing the land with housing, selling the houses and purchasing more land.

Götenehus' project activities are based on turnkey houses in estates, normally of 10–25 properties. Götenehus has its own project developer, who identifies suitable projects and has responsibility for their completion.

Götenehus' strength lies in its expertise as a building contractor, i.e. its ability to run entire projects from undeveloped land to ready-to-occupy estates.

Good relations with the local authorities

In the 1990s, many local authorities wound down their own organisations that were active in the house construction sector. It is now becoming more and more common for these local authorities to outsource the work to private developers through competitive bidding. Götenehus has been successful in the bidding processes in which it has competed, which has enabled it to enlarge its project portfolio. This will show through in delivery volumes over the coming years.

Much of the land that is developed is, however, bought from private landowners. Götenehus is familiar local name in many towns and has the added strength of belonging to a listed company.

Invested capital and cash flow

It takes about two years from the purchase of a site to the invoicing of completed house that is ready to occupy. The processing of planning permission by the local authorities alone can, in metropolitan regions, take up to six months.

The time taken to complete a competitive bidding process can be shortened in that the local authorities have already done the planning work, which makes the planning permission process much shorter. Municipal land is often in attractive areas, and in metropolitan regions the projects are often small and well suited to Götenehus' project expertise.

The financial risk is borne by Götenehus, which also enjoys the profit potential, regardless of whether the land is procured on the market or via competitive bidding. Götenehus acquires land, develops the area in terms of number and type of buildings, accepts responsibility the entire building contract and sells the ready-to-occupy houses at a market price.



Financing and cash flow are important parameters in these projects. No project may start without being financed. A high turnover rate is another factor that affects profitability and the amount of capital tied up.

Method of profit/loss recognition

Most of Götenehus' project activities involve the sale of houses as freehold or tenant-owner properties, the former being the most common form of tenure. In order to calculate the day-to-day result of the project business, Götenehus applies continual profit/loss recognition. The principle is based on reporting the result of projects in relation to the degree of completion. The purpose of this is to create a direct link between the activities during the period and the financial reporting. The recognition of the result is accelerated as confidence grows in the accuracy of assessment of the final result.



Most of Götenehus' projects relate to the sale of houses as freehold or tenant-owned properties.

Business areas

Knowledge of the local market as regards purchasing power and which areas are attractive to potential customers is important in the acquisition of land and the start of new projects. Götenehus' project activities are therefore concentrated in the Greater Stockholm area, the Göteborg region, western and southern Skåne, and the local market in the former Skaraborg County.

Developments during the year

Götenehus' project houses were in firm demand in 2003. Delivery volumes were up on 2002 by about 15 per cent. The project portfolio was enlarged during the year with the addition of a number of major land acquisitions, particularly in the Stockholm area and Skåne.

The result trend was good. Most of Forshemgruppen's aggregate result is attributable to Götenehus' project business.



Götenehus and Sjödalshus

The two brands, Götenehus and Sjödalshus, are marketed through two separate marketing companies that act as independent sales organisations and that have responsibility for all market relations and product development. Together they have some 10 per cent of the market for customised housing in Sweden, their goal being to strengthen their market position in Sweden even further.

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. One of the competitive advantages that both Götenehus and Sjödalshus enjoy is the ability to offer customised prefabricated houses. The handling costs of these customisations are often high, but can be reduced

by the use of standardised components. The Group puts a great deal of effort into offering different combinations that enable each individual customer to obtain their own unique solution.

The selective enlargement of the sales team continued during the year, as part of an ongoing process designed to make the best of the growth potential that exists on the market.

GÖTENEHUS

Götenehus develops, markets and sells individual prefabricated houses. The target group comprises consumers who appreciate modern, functional design.

The bulk of sales take the form of turn-key, ready-to-occupy housing, a concept that Götenehus introduced to the private housing market many years ago. The priority regions for Götenehus are Greater Stockholm, Western Sweden, the Öresund region and the major university towns. There are also some deliveries to the Norwegian market.

Developments during the year

The metropolitan regions, particularly greater Stockholm, constitute the largest market for customised housing. As economic trends, with cutbacks in IT, telecom and finance sectors, have depressed demand, house sales were weak during the year.



Götenehus: modern, functional design.



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 made via the company's own sales organisations in Sweden and Germany.

Only a small proportion of Sjödalshus' deliveries are turnkey houses. The vast majority of customers purchase land and either do their own building or organise the labour themselves. The main markets in Sweden are the metropolitan regions.

Developments during the year

Demand on Sjödalshus' two main markets, the Greater Stockholm region and Germany, was weak in 2003. However, a marketing drive enabled the company to increase deliveries by some 10 per cent.

A new catalogue was published in the spring and the sales team was strengthened, all of which resulted in an improved order intake, which is fairly uniformly distributed over the regions.

A stronger order intake was also noted in Germany during the autumn, although from a very low level.



Sjödalshus' homes are distinguished by the high quality of their fittings and their classic design.

Götene Specialinredningar

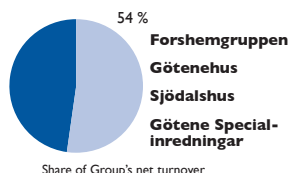
Götene Specialinredningar manufactures and markets interior systems for public spaces and offices. The product range consists mainly of tabletops, shelves and drawer units as well as pharmacy fittings.

Developments during the year

Despite the slack economy, demand for the company's products was good.

Net turnover amounted to MSEK 19.4 (15.3) and the operating profit to MSEK 0.3 (loss 0.9).

BUSINESS AREA BUILDING/INTERIORS



Key ratios	2003	2002	2001
Operating margin, %	1.5	1.0	0.4
Return on capital employed, %	6.3	4.3	2.5
Gross capital expenditure excl. shares, MSEK	4.4	5.1	4.8
Number of employees	257	255	269

Income statement, MSEK	2003	2002	2001
Net turnover	672.3	637.5	578.7
Cost of goods sold	-551.1	-518.6	-474.1
Gross profit	121.2	118.9	104.6
Selling costs	-84.7	-82.3	-75.7
Administrative costs	-26.2	-32.0	-28.0
Other operating income/cost	-0.1	1.8	1.9
Interest in earnings/losses of associate companies	0.0	0.1	-0.2
Operating profit	10.2	6.5	2.6



Elektromekan

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

Operations in 2003 were characterised by the measures taken to enable the company to match its costs to the lower volumes demanded by customers in the telecom sector. Costs have been adjusted to a sales volume of around MSEK 400 million on an annual basis.

The pressure on the prices of electronics goods is being felt, and every unit produced is being delivered at ever-lower prices. Elektromekan has been able to match these lower prices with by reducing material costs, and has consequently maintained its gross margin.

In their efforts to simplify their processes, customers (OEM companies) are demanding a broader service content than sub-contract manufacture, as such, offers. The trend is clear, and means that EMS manufacturers are growing faster than the customers' underlying markets.

Demands for greater service content

For some years now, Elektromekan has been building up resources for meeting these demands for greater service content, and is therefore recognised as a partner in the industrialisation of the electronics sector. Elektromekan has a high level of expertise and solid experience of helping its customers with their products: in the industrialisation process, the adaptation of production, and the construction of prototypes right up to production. It also helps later with logistics and the aftermarket.

In recent years, the company has established strategic alliances with several consultancy companies, such

as Telia and ÅF, in order to strengthen its position in the development and production of new products.

When it comes to the production of products containing bluetooth applications, Elektromekan is regarded as one of the leading players in the field.

The production lines are ideally suited for generating economies of scale from long-series production and the company has the critical size needed for supporting the services its customers expect in addition to production.

Elektromekan's market niche is projects with an annual volume of up to approximately MSEK 100. Its international competitors prefer to aim at considerably larger contracts, and it is hard for small companies to take on contracts of that size.

Elektromekan has sufficient capacity to handle large volumes while being personal enough for each customer to be important.

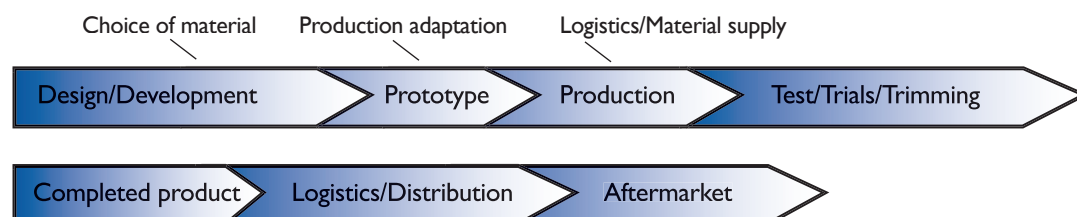
The telecom industry will continue to be an important customer for EMS companies operating on the Swedish and other Nordic markets, and this is also true of Elektromekan.

Outside the telecom sector, Kapsch TrafficCom AB is an important customer that has had considerable international success with its road toll payment stations. Elektromekan is responsible for manufacturing the transponders fitted to each vehicle as part of the automatic payment system at the toll stations that are being installed in more and more cities.



Elektromekan manufactures components for Ericsson's mobile systems.

Elektromekan's offerings as an industrialisation partner





Hungary

Elektromekan has had a partner in Hungary since 2000 for the manufacture of more labour-intensive products, which currently occupies around 100 employees.

Because of pressure on the prices of certain products, greater weight will be placed on assembly work in Hungary. The surface mounting and final testing of printed circuit boards will, however, remain at Elektromekan's plant in Årjäng.

Market

There are several factors driving the EMS market.

More and more industrial products are acquiring a greater electronic content. Many companies now endeavour to avoid investing in factories whose capacity cannot then be utilised to the full with production on own account.

In recent years, there has also been a tendency for the production that was once outsourced to low-cost countries in Asia to be brought back to European manufacturers. Customers have become aware especially of the rising management and control costs that such outsourcing entails. This is a particular problem with products that require a high degree of service and flexible lead times.

The level of investment is low in the EMS industry and several factories have been closed down. Elektromekan still has one of Sweden's largest automated

Integrated quality assurance is a crucial part of modern surface mounting methods.

surface-mount plants with a capacity to handle 500,000 components an hour.

Elektromekan's main competitors in the telecom sector are Flextronics and Elcoteq, while Partnertech, Kitron and NOTE are the foremost competitors in its other segments.

Developments during the year

Capacity utilisation was unequally distributed over the year, which had a negative effect on turnover and profitability.

Orders increased during the third quarter, primarily for mobile phone components and transponders for road toll systems. The order intake also increased in the mobile systems area, although from a relatively low level. Net turnover during the year amounted to MSEK 380.0 (414.6). The operating profit improved to MSEK 8.3 (loss 5.8).

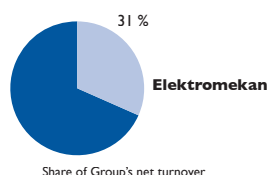


Sony Ericsson is one of Elektromekan's largest customers.



Elektromekan manufactures transponders for Kapsch TrafficCom. These devices are fitted in cars and used for the automatic debiting of road tolls.

BUSINESS AREA ELECTRONICS



Key ratios	2003	2002	2001
Operating margin, %	2.2	-1.4	-2.1
Return on capital employed, %	6.0	-2.6	-7.7
Gross capital expenditure excl. shares, MSEK	4.8	2.2	16.0
Number of full-time employees	207	223	331

Resultaträkning, mkr	2003	2002	2001
Net turnover	380.0	414.6	628.3
Cost of goods sold	-339.1	-386.1	-610.5
Gross profit	40.9	28.5	17.8
Selling costs	-10.9	-10.1	-7.8
Administrative costs	-21.7	-24.2	-23.5
Operating profit/loss	8.3	-5.8	-13.5



Elos Medical

The Group's medical engineering business will be conducted as of 2004 via a separate company, Elos Medical AB.

This change is intended to intensify the focus on customers in the medical technology segment so as to satisfy their specific demands and to make the most effective use of the unique expertise the company has built up.

Elos Medical is one of the leading Nordic manufacturers of dental and orthopaedic implants and instruments. It also functions as a partner in the industrialisation of meditech companies on the international market.

Elos Medical possesses considerable experience of the joint design and development of medical technical products and instruments together with its customers.

Elos Medical's clean-room processing is a strong competitive factor that enables the company to take a product the whole way from functional specification to sterilised and packed products ready for use in the operating theatre.

In 2003, production capacity was enlarged through investments in new machinery. Investments will also continue at a high level during the current year in response to the customers' growing demands.

During the year, the customer base acquired a more international character, and Elos Medical strengthened its position, especially in such areas as dental and trauma. The aim is to have four or five key accounts in each area.

Key areas for Elos Medical

Dental products

Elos manufactures dental implant systems for numerous customers, primarily European. The range has been expanded from simple fixtures to complete systems, packaged and ready for use. The demand for Elos' services is high and production capacity has been enlarged.

Trauma

Elos manufactures fixation products, such as plates and screws, and specially designed surgical instruments for each type of fracture. Elos' customers include some of the largest companies in the segment.

Back, hips and knees

Elos manufactures implants and the accompanying instruments for these surgical areas. Elos manufactures special products for some of the largest companies in the sector and the company is now well positioned to win major contracts. Production capacity has been a restricting factor, but it has been expanded as a result of an investment programme implemented in the autumn.

Other products

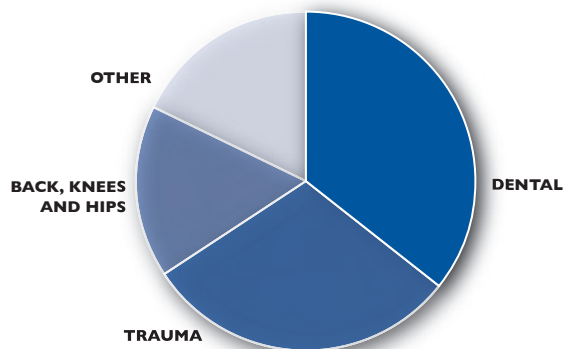
Elos also manufactures specialised niche products for applications in areas such as brain surgery, heart problems, impaired hearing, and incontinence. Many of its customers are planning to raise their volumes substantially in coming years.

Some meditech companies do all their production in-house, while others prefer to buy capacity from specialised sub-contractors. The companies that choose this latter strategy often need more design and development support. Elos Medical debits development and consulting activities separately.

The competitive advantage of having integrated clean-room processing grew during the year, which is reflected in the larger orders customers are placing. Elos is one of few European companies able to offer



Elos manufactures dental implants for numerous European customers.



Over the past few years, Elos Medical has built up a portfolio of international customers, mainly in the dental and orthopaedic implant segments.

products and services through the entire development chain to the finished product. By offering turnkey packages, Elos Medical can raise the added value of its processing capability.

The business is certificated in accordance with the ISO 9001 quality standard and the EN 13485 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 American QSR quality standard.

Markets and goals

Traditionally, the USA has accounted for half the global market for meditech products, but this situation is about to change as demand in Asia is growing rapidly. Growth in the segments in which Elos' customers are active is running at 7–15 per cent a year.

Competition in Elos Medical's area is fragmented and its competitors are often units within larger groups. Elos Medical's goal is to expand its turnover to around MSEK 150 within a few years. Much of the growth will be organic, but complementary acquisitions might also be considered. One possible growth strategy would be to offer a broader range to existing customers via the acquisition of companies in adjacent technical areas.

Developments during the year

The company strengthened its market position during the year and the facility in Timmersdala has been converted into a specialist meditech unit. Elos Medical has gradually built up its organisation to handle expansion in the future. Turnover increased by almost 30 per cent during the year. Costs associated with the restructuring and streamlining of the business were charged against the result.

Net turnover amounted to MSEK 49.9 (38.6), and the pro forma operating profit was MSEK 0.8 (2.8).



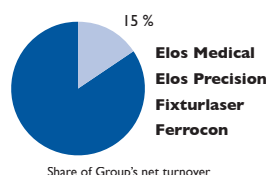
Elos' products often consist of complete systems that are packaged and delivered ready for use.



Meditech products undergo functionality testing, and are then packaged and labelled in Elos clean room prior to delivery to the customer.

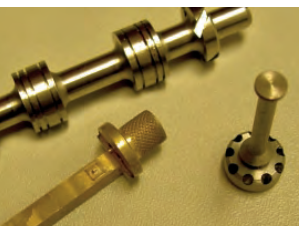


BUSINESS AREA ENGINEERING/TECHNOLOGY



Key ratios	2003	2002	2001
Operating margin, %	Neg	5.7	6.3
Return on capital employed, %	Neg	9.8	10.4
Gross capital expenditure, excl. shares MSEK	23.9	30.8	16.7
No. of employees	225	224	210

Income statement, MSEK	2003	2002	2001
Net turnover	191.6	206.8	187.1
Cost of sold products	-142.2	-146.9	-131.0
Gross profit	49.4	59.9	56.1
Selling costs	-32.6	-31.8	-28.7
Administrative costs	-17.8	-16.7	-15.7
Other operating income/costs	0.2	0.3	0.1
Operating profit/loss	-0.8	11.7	11.8



Elos Precision

Elos Precision is a sub-contract manufacturer of components and products for customers in the engineering and machinery industries. Typically the demands for precision are high, and production often involves the machining of complex materials

and alloys. Elos has modern machinery at its disposal and a highly experienced and highly skilled work force.

Elos Precision is a sub-contract manufacturer of components and products for customers in the engineering and machinery industries. Typically the demands for precision are high, and production often involves the machining of complex materials and alloys. Elos has modern machinery

at its disposal and a highly experienced and highly skilled work force.

The company's two production units in Töreboda and Årjäng were restructured during the year with the object of sharpening the focus on customer and market segments that match Elos Precision's competence more closely. The Töreboda unit concentrates on turning and metal stamping. A new facility with some 2,000 m² of floor space was commissioned at the end of 2002. Additional turning capacity has been installed and the metal stamping process has been automated.

The unit at Årjäng concentrates on milling, spark erosion, grinding and tool manufacture. The business was relocated to new purpose-designed premises at the beginning of 2003. Capacity has been increased by the installation of a new spark erosion machine, new grinding

Elos Precision concentrates on the manufacture of products that are very demanding in terms of precision, often in combination with materials that are difficult to work.

machine control systems and additional milling capacity.

Elos Precision specialises in the manufacture of complex components with exacting precision and quality standards for customers in the electronics, hydraulics and pneumatics, energy, offshore, defence and process industries.

Although the demands are not so high as for Elos Medical, experience can be transferred and adapted to the appropriate level within Elos Precision.

Customised high technology

The company manufactures turbine blades and heat shields for gas turbines to very high precision standards.

Vital parts of weapon systems also involve challenging precision requirements. Elos has close, long-standing relations with several of Saab's units in the defence sector. One of the competitive strengths of Swedish defence contractors is their ability to apply customised high technology, which involves special requirements and great care in the selection of suppliers and partners.

Elos has supplied precision engineering components to the telecom industry for more than 15 years, including not only volume products but also short-series components. Elos supplies Elektromekan with components for inclusion in circuit boards for mobile phones.

Apart from quality and precision, Elos has an additional competitive advantage in its ability to participate in the entire industrialisation process from design and prototype production to finished product.



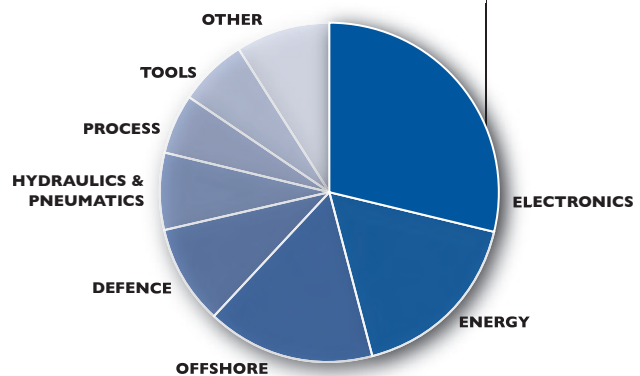


Gearbox for a customer in the defence sector.

Developments during the year

In 2003, new facilities were commissioned at both Töreboda and Årjäng. Products that were previously manufactured at Elos Medical's unit in Timmersdala have also been transferred to these factories. Running-in problems in connection with the above-mentioned changes had an effect on the result. After a weak first half-year, the company's capacity utilisation and result improved during the second half of the year.

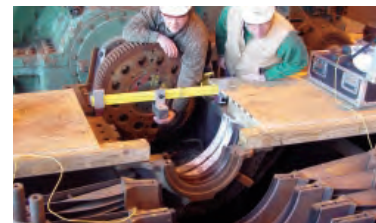
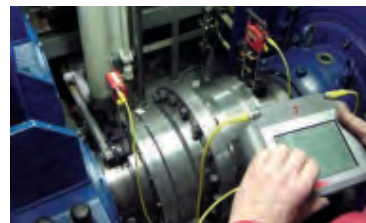
Net turnover amounted to MSEK 59.6 (73.0). The pro forma operating result was a loss of MSEK 2.7 (profit 4.0).



Elos Precision's market segments.

Fixturlaser

Fixturlaser develops and markets laser-based systems for the alignment and positioning of machines and machine components. The most important customers are in the pulp and paper, steel, power and petrochemical industries.



With a market share of just over 30 per cent, Fixturlaser is market leader in the axial alignment segment. The largest competitors are Prüftechnik (Germany) and Damalini (Sweden).

Fixturlaser has an extensive range of systems for alignment and positioning. They are upgradeable and support all phases of the alignment process: measuring, aligning and documentation.

Products for geometric measurements, such as flatness and parallelity, represent a growing share of the business.

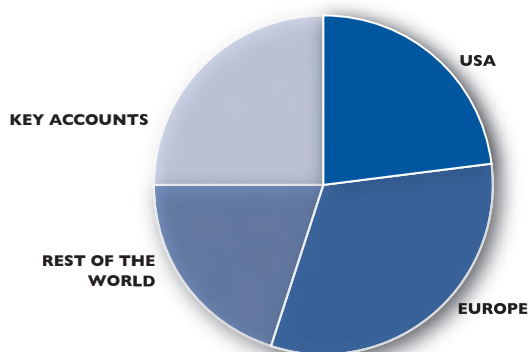
Several new additions to Fixturlaser's product range were launched in 2003.

Rising demand

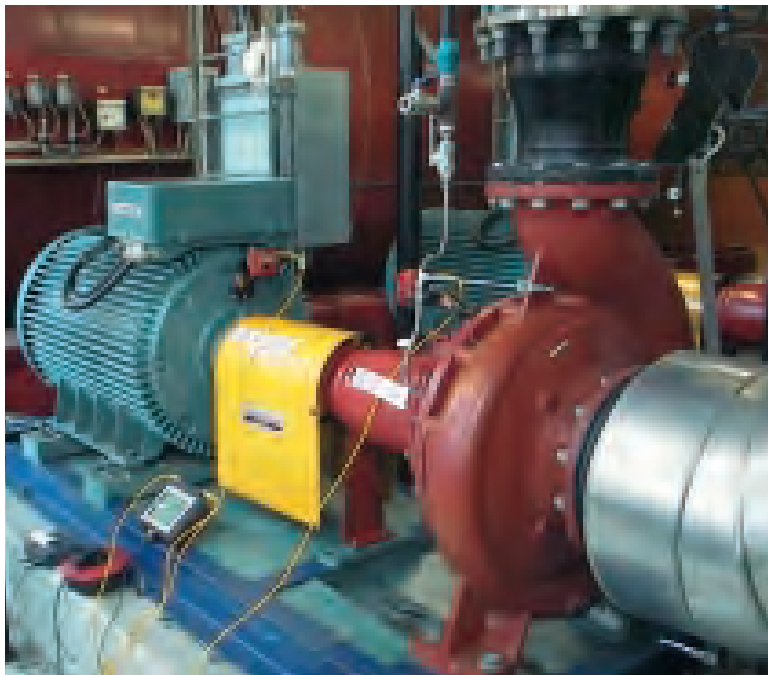
Growing awareness in industry of the need for preventive maintenance as a means of ensuring disturbance-free operating is stimulating rising demand. Fixturlaser has consistently focused on applications expertise and the understanding of customer demands, and then applied this in the technical development and marketing of its products. By accepting sophisticated measuring contracts, Fixturlaser can also propose solutions and develop its own applications competence.

Fixturlaser's development activities are based on close co-operation with leading manufacturers and users in a wide range of technical and market areas. By applying the specific expertise and experience acquired from development projects, Fixturlaser can then create standard systems that are of both technical and commercial interest to entire industrial segments.

The most advanced systems are marketed under the Fixturlaser brand name. Parts of the range are marketed by large industrial customers under their own names.



Fixturlaser is market leader in its segment. More than half of the products are sold in the USA and Europe.



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

Development and alliances

Fixturlaser possesses specialist competence in optics, laser control and optronics (optic-electronics).

Measures to broaden the range towards products for geometric measurement have been intensified over the past two years. A co-operation agreement with Leica has enabled Fixturlaser to offer products for photometric measurement for use in the measurement and positioning of machines and machinery components. The alliance with Leica also entitles Fixturlaser to make use of Leica's technology.

Fixturlaser also markets handheld instruments for measuring length and volume.

The components used in Fixturlaser's products are bought in from sub-contractors. Assembly and final quality control are carried out on own account because of their effect on quality.

Developments during the year

Fixturlaser launched several new products in 2003. However, slack demand for investment goods had an adverse effect on volumes.

Net turnover amounted to MSEK 60.8 (69.3) and the operating profit was MSEK 1.6 (5.7).

Ferrocon

Ferrocon designs and manufactures customised transport packaging for the vehicle industry and sheet steel structures for construction companies and industry.

Developments during the year

The first half-year was characterised by weak demand for structural forgings and severely depressed prices on the transport packaging market. Capacity utilisation and the result both stabilised during the second half of the year.

Net turnover amounted to MSEK 21.6 (27.3) and the operating result was a loss of MSEK 0.5 (loss 0.8).



Ferrocon's activities include the design and manufacture of customised transport packaging.

Other

Westergyllen has for many years owned shares in Hemapure AB, a medical engineering company that is developing a system for gaining simple access to the vascular system for purposes of dialysis.

Developments during the year

Hemapure's clinical studies continued in 2003 with the same good results. The number of observation days has now reached around 8,500 (corresponding to 23 patient-years), distributed among 26 patients.

The company's products are now approaching their commercialisation phase, which includes production, marketing and distribution. In connection with this the company intends to enter into strategic agreements with one or more companies in the industry.

During the year, Westergyllen subscribed to shares issued by the company. The closing book value of the Group's interest in Hemapure was MSEK 11.8. Hemapure plans to broaden its ownership in 2004 and to further strengthen its capital base. In January 2004, Westergyllen decided to invest a further MSEK 1.2 in the company in connection with an issue of convertible loan stock. Other major investors in Hemapure are the Swedish Industrial Development Fund, the Plena group and Bo G Danielsson, the company's founder.

Consolidated income statement

SEK '000		2003	2002
Net turnover	Notes 3,6	1,229,959	1,251,141
Cost of sold products	Note 4	-1,017,073	-1,043,728
Gross operating profit	Note 6	212,886	207,413
Selling costs		-128,124	-124,209
Administrative costs	Note 7	-70,927	-78,187
Other operating income	Note 10	740	3,957
Other operating costs	Note 11	-5,416	-6,836
Interest in earnings of associate companies	Note 12	-	117
Operating profit	Notes 3,8,9	9,159	2,255
<i>Income from financial investments</i>			
Income from/Loss on other securities and receivables stated as fixed assets	Note 15	116	-123
Other interest income and similar income statement items	Note 16	687	2,395
Other interest costs and similar income statement items	Note 17	-15,301	-20,361
Loss after financial items		-5,339	-15,834
Tax on year's result	Note 19	-1,545	2,782
Minority interests		-41	58
Net loss for the year	Note 35	-6,925	-12,994
Loss per share (SEK)	Note 53	-2.50	-4.70

Data per share after conversion of outstanding convertible loan stock and exercise of outstanding equity warrants, which do not give rise to any dilution effects.

Consolidated balance sheet

SEK '000

31 Dec 2003

31 Dec 2002

ASSETS

Fixed assets

Intangible fixed assets

Capitalised development costs	Note 20	7,572	6,84
Goodwill	Note 21	10,561	15,331
Other intangible fixed assets	Note 22	97	89
		18,230	21,804

Tangible fixed assets

Buildings and land	Note 24	72,555	74,714
Machinery and other technical plant	Note 25	106,331	113,165
Equipment, tools and installations	Note 26	31,416	35,537
		210,302	223,416

Financial fixed assets

Interests in associate companies	Note 28	45	45
Other shares and participations	Note 29	10,070	8,570
Long-term receivables	Note 30	2,573	893
		12,688	9,508

Total fixed assets		241,220	254,728
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Current assets

Inventories etc

Raw materials and supplies		74,829	70,329
Work-in-progress		30,509	17,385
Finished products		25,261	27,436
Development property	Note 31	109,118	122,831
		239,717	237,981

Current receivables

Accounts receivable		112,299	125,092
Tax receivable		1,044	298
Accrued income not yet invoiced	Notes 6,32	44,730	25,940
Other current receivables	Note 33	7,820	17,221
Prepaid costs and accrued income	Note 34	10,492	12,451
		176,385	181,002
Cash and bank		27,675	30,657

Total current assets		443,777	449,640
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TOTAL ASSETS		684,997	704,368
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Consolidated balance sheet

SEK '000

31 Dec 2003

31 Dec 2002

EQUITY AND LIABILITIES

Equity	Note 35		
<i>Restricted equity</i>			
Share capital	Note 36	34,563	34,563
Restricted reserves		39,828	40,122
		74,391	74,685
<i>Non-restricted equity</i>			
Non-restricted reserves		83,312	96,085
Net loss for the year		-6,925	-12,994
		76,387	83,091
Total equity		150,778	157,776
Minority interests		724	683
Provisions			
Pension provisions	Note 39	22,492	19,041
Deferred tax liability	Note 40	16,136	14,851
Provisions for guarantees	Note 41	2,057	1,842
Total provisions		40,685	35,734
Long-term liabilities			
Long-term interest-bearing liabilities	Notes 43,49	214,990	254,165
Loan stock	Notes 44,45	-	4,571
Total long-term liabilities		214,990	258,736
Current liabilities			
Cheque account credit	Notes 42,49	4,674	-
Loan stock	Notes 44,45	4,571	-
Other interest-bearing liabilities	Notes 43,49	42,975	31,859
Advance payments from customers		8,347	7,828
Liabilities to suppliers		124,937	120,516
Tax liability		195	-
Invoiced but not accrued income	Note 46	13,982	21,686
Other current liabilities	Note 47	15,547	13,480
Accrued costs and deferred income	Note 48	62,592	56,070
Total current liabilities		277,820	251,439
TOTAL EQUITY AND LIABILITIES		684,997	704,368
PLEGDED ASSETS	Note 49	523,595	512,116
CONTINGENT LIABILITIES	Note 50	39,285	37,065

Consolidated cash flow analysis

SEK '000		2003	2002
Current operations			
Loss after financial items		-5,339	-15,834
Adjustment for items not included in cash flow	Note 54	55,643	66,142
		50,304	50,308
Income tax paid		-965	1,227
Cash flow from current operations before changes in working capital			
		49,339	51,535
<i>Cash flow from changes in working capital</i>			
Increase/Decrease in inventories		-2,836	42,588
Decrease/Increase in operating liabilities	Note 50	5,363	-12,780
Increase in operating liabilities		5,825	14,986
Cash flow from current operations	Note 51	57,691	96,329
Investment activities			
Investments in shares and participations		-1,500	-1,797
Investments in other fixed assets	Notes 24,25,26	-22,030	-39,324
Increase/Decrease in long-term receivables		-1,680	973
Sales of other fixed assets		234	951
Cash flow from investment activities		-24,976	-39,197
Financing activities			
Decrease in interest-bearing liabilities	Note 43	-35,697	-34,609
Dividends paid		-	-
Cash flow from financing activities		-35,697	-34,609
Cash flow for the year		-2,982	22,523
Opening liquid funds		30,657	8,134
Closing liquid funds	Notes 42,52	27,675	30,657

Board of Directors

Members

Sture Öster

Lidköping, born 1937.
Chairman. Member since 1981.
Member of the boards of several Group companies. Chairman of Hemapure AB. Member: West Swedish Chamber of Commerce & Industry.
Shareholding: 189,314 "A" shares, 80,080 "B" shares, including family and via companies, convertible loan stock equivalent to 650 "B" shares.

Stig-Arne Blom

Hökerum, born 1948.
Member since 2002.
President of IRO AB. Chairman of Borås Wärfveri AB.
Member: Atlet AB, Pulsen AB, Broström AB etc.

Göran Brorsson

Lidköping, born 1952.
President and CEO.
Member since 2000. Chairman of Group subsidiaries.
Shareholding: 13,000 "B" shares, 10,000 options.



Sture Öster



Stig-Arne Blom



Mats Johansson



Stig Malm



Lennart Mårtensson



Richard Persson



Lars Spongberg

Mats Johansson

Göteborg, born 1944.
Representative of the employees, PTK. Member since 1982.
Shareholding: convertible loan stock equivalent to 650 "B" shares.

Stig Malm

Göteborg, born 1954.
Representative of the employees, LO. Member since 1995.
Shareholding: 400 "B" shares.

Lennart Mårtensson

Huskvarna, born 1946.
Member since 2000. Chairman of Flexi Ice AB.
Member: Elos AB, Totebo AB, Stenestams Industri AB etc.
Shareholding: 200 "B" shares.

Richard Persson

Vänersborg, born 1937.
Member since 1999. Chairman of VBG AB (publ).
Member: Elos AB. Shareholding: 1,000 "B" shares.

Lars Spongberg

Stockholm, born 1945.
Member since 2003. Partner in Nordic Capital.
Member: Munters AB, LGP Allgon Holding AB, Addtech AB, Fixturlaser AB, Skyways Holding AB, Intervalor AB etc.

Deputy members

Agneta Bengtsson Runmarker

Stockholm, born 1960.
Deputy member since 2003. Data manager at Datainspektionen.
Shareholding: 7,300 "B" shares including family.

Sven-Olof Hermansson

Göteborg, born 1946.
Representative of the employees, PTK.
Deputy member since 1985.
Shareholding: Convertible loan stock equivalent to 350 "B" shares.

Bo Nilsson

Lidköping, born 1938.
Member since 1982. Shareholding: 130,440 "A" shares, 85,340 "B" shares including family, convertible loan stock equivalent to 650 "B" shares.

Senior Management and Auditors

Group management

Göran Brorsson

Lidköping, born 1952.
President and CEO.
Joined the company in 2000.
Shareholding: 13,000 "B" shares, 10,000 options.

Claes Hansson

Lidköping, born 1957.
CFO. Joined the company in 1984.
Shareholding: 4,000 "B" shares, convertible loan
stock equivalent to 650 "B" shares, 5,000 options.



Agneta Bengtsson
Runmarker



Sven-Olof
Hermansson



Bo Nilsson



Göran Brorsson



Claes Hansson

Auditor

Ernst & Young AB

Head auditor

Björn Grundvall

Göteborg, born 1955
Authorised public accountant, Ernst & Young AB,
Göteborg.
Westergyllen's auditor since 2003.

Presidents of subsidiary companies

Elektromekan i Årjäng AB

Gunnar Axelsson
Åmål, born 1955
Employed 1996

Elos Medical AB

Kjell-Erik Johansson
Götene, born 1954
Employed 1999

Elos Precision AB

Göran Brorsson, acting president

Ferrocon AB

Joakim Holm
Varnhem, born 1970
Employed 1990

Fixturlaser AB

Kurt Carlson
Göteborg, born 1950
Employed 2002

Forshemgruppen AB

Sören Larsson
Lidköping, born 1965
Employed 2003

Götenehus AB

Roger Wändal
Götene, born 1958
Employed 1999

Sjödalshus AB

Sören Larsson
Lidköping, born 1965
Employed 2003

AB Götene Specialinredningar

Tommy Johansson
Götene, born 1950
Employed 1986



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