



## **S U M M A R Y**

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# Westergyllen in business

## Parent company

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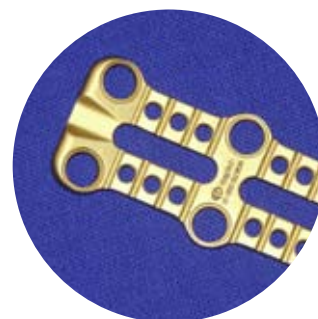
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# The Group in brief

## Streamlining and increased focus

Concentration and streamlining of Westergyllen's business operations are intended to give rise to value added for our shareholders in the long term. For this reason, the board of directors intends to propose that the shares in the Building/Interiors business area be distributed to shareholders. When this has been completed, it is the intention that the Group's resources are to primarily be reserved for operations pertaining to medical engineering and precision engineering.

- Net turnover amounted to SEK 1,328 m (1,467 m).
- Profit after financial items amounted to SEK 32.2 m (46.8 m).
- Operating profit totalled SEK 41.4 m (59.0 m).
- Cash flow from operating activities amounted to SEK 57.6 m (119.4 m).
- The cash flow after investment activities, excluding corporate acquisitions, amounted to SEK 21.4 m (95.9 m).
- The Danish medical engineering company Pinol A/S was acquired in November 2005.
- Liquidity remains healthy.
- The board of directors proposes a dividend of SEK 1.25 per share (1.25).
- The board of directors intends to propose that shares in the Building/Interiors business area be distributed to shareholders.



## Key ratios

		2005	2004	2003	2002	2001	2000	1999
Net turnover	SEK m	<b>1,328.3</b>	1,467.4	1,230.0	1,251.1	1,388.2	1,850.8	1,067.6
Profit/loss after financial items	SEK m	<b>32.2</b>	46.8	-5.3	-15.8	-35.5	40.6	-35.8
Risk capital ratio	%	<b>27.2</b>	27.8	24.2	24.6	25.9	24.1	26.1
Equity ratio	%	<b>24.3</b>	24.1	21.9	22.5	23.5	21.6	23.8
Return on capital employed	%	<b>8.1</b>	13.7	2.2	1.0	-1.8	12.8	-4.6
Return on equity	%	<b>10.7</b>	18.8	-4.5	-7.9	-14.9	13.8	-13.1
Earnings/loss per share after tax	SEK	<b>3.94</b>	5.62	-1.25	-2.35	-4.95	9.48	-9.10
Equity per share	SEK	<b>37.72</b>	32.65	27.04	28.53	30.90	70.88	63.30
Proposed dividend	SEK	<b>1.25</b>	1.25	-	-	-	2.25	2.00
No. of full-time employees		<b>700</b>	745	693	707	823	990	773

# Comments by the CEO

Improved performance and an enhanced structure in Building/Interiors and Engineering/Technology are leading to good potential for a continuing focus through the distribution of shares from the prefabricated housing business.

In 2005, we continued our initiatives to change and enhance the Group's structure in order to achieve a stronger market position as well as long-term and more stable profitability. One of the results of this work is the fact that we improved the operating result in 2005 for Building/Interiors and Engineering/Technology by 25 and 37 per cent, respectively. Our market position within medical engineering has been enhanced through the acquisition of Pinol, a Danish company. Together, Elos Medical and Pinol will become one of Europe's biggest players in their market. The improved earnings seen in Building/Interiors and Engineering/Technology were offset by the weak performance of the Electronics business area. As we have

seen in the past few years, we can report a stable and positive cash flow.

In order to streamline the Group's business and thus increase its focus, the board of directors has proposed that the shares of the Building/Interiors business area be distributed to shareholders.

The cash dividend is proposed at an unchanged SEK 1.25 per share.

For 2006, we assess that the prospects are good for continued favourable developments for Building/Interiors as well as Engineering/Technology. In the Electronics business area, deliveries to the telecommunications market will decline, causing turnover to drop over the course of 2006.

## Building/Interiors

Market conditions were favourable in 2005. The sales teams of Götenehus and Sjödalshus were enlarged during the year.

These circumstances have resulted in incoming orders exceeding deliveries by 33 per cent, meaning that the market position improved substantially during the year. Our project activities venture continued with our being able to boost our site bank by 150 instances of building rights to a total of 470 in 2005. The business area's margin was not satisfactory in previous years. Our efforts to achieve more standardisation have gradually brought results. In 2005, the margin improved by 0.8 per cent to 4 per cent. This margin is not yet completely satisfactory and should be higher.

We noted that the margin in the fourth quarter amounted to 5.2 per cent, which is a step in the right direction. The satisfactory order situation for 2006 so far means that business volumes will pick up. Although we are now seeing slightly higher interest rates, we project a stable market during the next 12 months. In metropolitan areas, the lack of plots raises costs and is a limiting factor.

## Electronics

In 2004, our Electronics business area performed very well. The situation was unfortunately the reverse in 2005. Lower demand and more competition from low-cost countries entailed dropping delivery volumes during the year. Due to newly developed technology, one of the volume products of the past few years, circuit boards for mobile telephone batteries, was gradually phased out between 2005 and early 2006. In order to respond to the dropping volumes from the telecommunications market, Elektromekan has invested more resources in this industry segment in



"I am convinced that the distribution of the shares in Building/Interiors will lead to the creation of two focused companies with good potential for growth to benefit shareholders and other interested parties within our business."

the past few years. Growth in this industry segment has been very promising but has nevertheless not yet been able to compensate for the dropping volumes in the telecommunications sector. To meet keener competition from low-cost producers, a larger proportion of labour-intensive production will be transferred to Elektromekan's partners in low-cost countries in 2006. Continued rising volumes to customers in this industry segment will not be able to fully compensate for the dropping volumes destined for the telecommunications market.

One important measure for 2006 is to identify a long-term structural solution ensuring Elektromekan's competitiveness as a major market player in Sweden.

### **Engineering/Technology**

In recent years, we have invested heavily in our precision engineering operations. I am pleased to report that over a three-year period, these operations more than doubled their business volumes thanks to their own efforts, and with good profitability.

In the medical engineering market segment, our acquisition of the Danish Pinol company has established us as a major player in Europe within the precision engineering market segment. All in all, this segment is expected to result in at least SEK 250 m in turnover in 2006.

In 2005, Elos Medical showed organic growth of more than eleven per cent. This did not meet our expectations from the beginning of the year. At the same time, however, we are pleased to mention that our expertise in developing a product all the way from functional description to sterilisation and packaging for use in operating rooms is a solid basis for continued international growth in the time ahead. We have established several new business relations in the orthopaedic areas Trauma and Spinal, which will serve as the basis for future growth. Now that Pinol is a member of the Group, we are now the leading precision engineering supplier in the dental segment. This area shows the highest growth - at approximately 20 per cent - of the areas in which we are a supplier. We shall now draw up a Group-wide strategy for our companies in the field of medical engineering. In certain respects, 2006 will be characterised by coordination efforts. I am convinced that the Group will experience favourable growth in this field in the years to come.

Our ambition is to continue our growth in this segment and become established as a major player in Europe. Our ambition is for our turnover in 2008 to amount to no less than SEK 400 m.

Elos Precision, which manufactures precision engineering products of the highest possible quality, also showed satisfactory growth in 2005. Its customers are primarily to be found in the turbine, offshore, defence, electronics and processing industries. We continued to make substantial investments in order to achieve an effective and efficient production structure that will be competitive in the long term. We will continue this work over the course of 2006. We will also enhance our customer base to achieve a clearer structure.

Following several years of poor profitability, Fixturlaser once again achieved satisfactory earnings. In 2006, a new generation of alignment instruments will be launched. This product generation will serve as the basis for several of the company's future products. Our expectations for these products are that they will establish a stable platform for the coming years.

### **The future**

2006 will be an exciting year. I am convinced that the distribution of shares in the Building/Interiors business area will create two focused companies with good potential for growth to benefit shareholders and other interested parties within our business. Prior to the extraordinary shareholders' meeting to be held this autumn, which will make the final decision about the distribution of shares, information materials will be prepared describing the two "new" companies' operations and future goals.

The market for the prefabricated housing business looks very promising and we expect continued satisfactory growth in 2006. On the other hand, the market conditions for Electronics, as mentioned previously, have deteriorated. In Engineering/Technology, we will see continued rising turnover and organic growth, primarily in the area of medical engineering.

Götene, Sweden, March 2006



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 13 June 1989. The high-voting Series A shares are not listed. The price for Westergyllen's shares fluctuated during the year between SEK 48.25 and SEK 72. The closing transaction price in 2005 was SEK 70.50 (56.00).

At year-end 2005, Westergyllen's market capitalization was SEK 426.6 m (309.7 m).

In 2005, 1,152,843 shares were traded for SEK 89.7 m.

## Dividend policy

Westergyllen's dividend policy stipulates that dividend is to be based on the Group's earnings performance, while 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 around 30 per cent of the profit after tax.

## Dividend proposal

For the 2005 financial year, the board of directors has proposed a dividend of SEK 1.25 (1.25) per share for a total of SEK 7.6 m. The dividend corresponds to 34 per cent of the profit after tax.

## Share capital

At year-end 2005, AB Westergyllen's share capital amounted to SEK 37.8 m. 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.

According to Westergyllen's articles of association, holders of Series A shares are entitled to request in writing that the company restamp Series A shares to Series B shares. In 2005, 238,484 Series A shares were restamped to Series B shares.

## New share issues and share splits

As of 24 May 2005, a share split was carried out, whereupon the par value of the Westergyllen share was changed from SEK 12.50 to SEK 6.25.

Two new share issues were carried out during the year; 480,000 Series B shares were issued in conjunction with the acquisition of Pinol. In addition, 41,000 Series B shares were issued in connection with the exercise of previously issued employee options. Both new share issues were carried out following the share split.

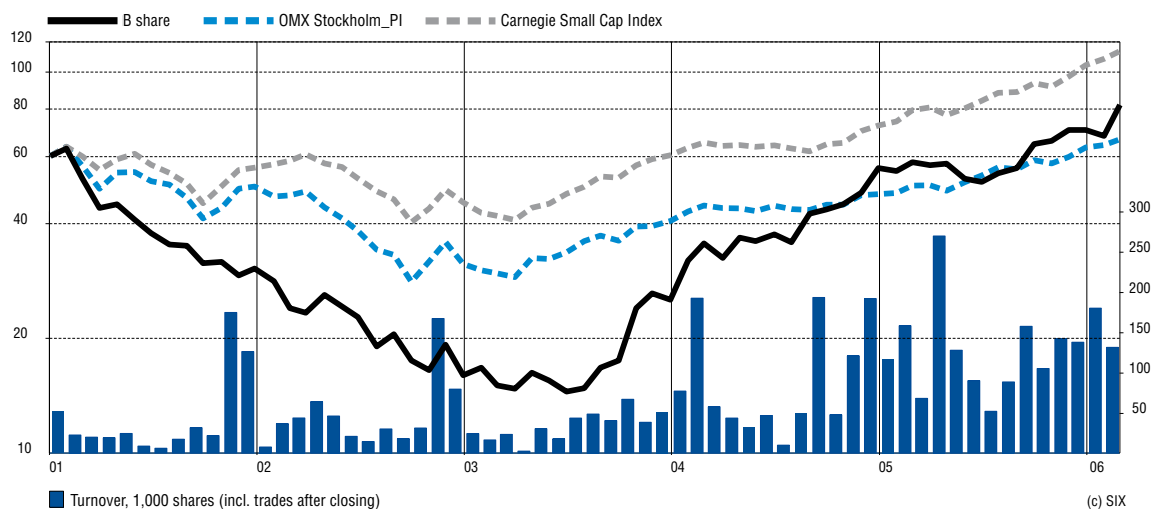
As a result of the share split and the new share issues, the number of shares in Westergyllen amounts to 6,051,000.

## Shareholders

At year-end 2005, Westergyllen had 1,293 shareholders. The holdings of the ten largest shareholders correspond to 57.7 per cent of the capital and 86.3 per cent of the votes. At the end of the year, Swedish and international institutions owned 13.8 per cent of the capital and 4.5 per cent of the votes.

Main shareholders					
The largest shareholders according to VPC as of 30 December 2005	A shares	B shares	Total	% of share capital	% of votes
Sture Öster, family and companies	378,826	156,760	535,586	8.8	21.2
Lars Runmarker, family	297,946	220,180	518,126	8.6	17.2
Bo Nilsson, family	260,880	154,880	415,760	6.9	14.8
Harald Ulfenborg, family	260,880	149,580	410,460	6.8	14.8
Elna Molin, family	136,000	166,400	302,400	5.0	8.2
Barbro Nilsson, family	64,264	289,876	354,140	5.9	5.0
Magledal Holding APS	0	265,400	265,400	4.4	1.4
Catella Case	0	241,400	241,400	4.0	1.3
AMF Pension	0	229,100	229,100	3.8	1.2
Svenska Industritjänstemannaförbundet	0	219,500	219,500	3.6	1.2
Nordea Småbolagsfond Norden	0	196,800	196,800	3.2	1.1
Other	0	2,362,328	2,362,328	39.0	12.6
<b>Total</b>	<b>1,398,796</b>	<b>4,652,204</b>	<b>6,051,000</b>	<b>100.0</b>	<b>100.0</b>

## The Westergyllen share's development and turnover, Jan. 2001 – Feb. 2006



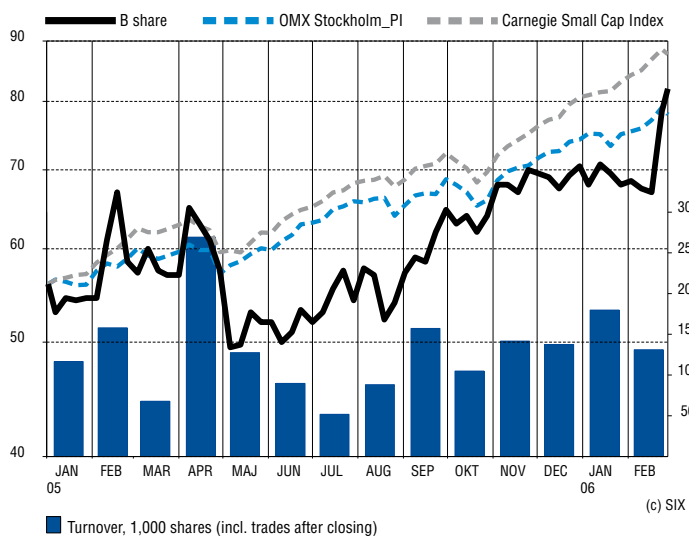
### Shares by class, 30 Dec. 2005

Class of share	No. of shares	% of votes	% of share capital
A	1,398,796	75.0	23.1
B	4,652,204	25.0	76.9
<b>Total</b>	<b>6,051,000</b>	<b>100.0</b>	<b>100.0</b>

### Shareholders by size of holding, 30 Dec. 2005

Size of shareholding	No. of shareholders	No. of shares	% of total no. of shares
1-500	740	157,419	2.6
501-1 000	216	174,679	2.9
1 001-2 000	161	266,192	4.4
2 001-5 000	76	249,458	4.1
5 001-10 000	40	289,774	4.8
10 001-20 000	17	283,326	4.7
20 001-50 000	23	771,652	12.8
50 001-100 000	4	333,450	5.5
100 001 -	16	3,525,050	58.2
<b>Total</b>	<b>1,293</b>	<b>6,051,000</b>	<b>100.0</b>

## The Westergyllen share's development and turnover, Jan. 2005 – Feb. 2006



Data per share		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Profit/loss after tax	SEK	3.94	5.62	-1.25	-2.35	-4.95	4.74	-4.55	4.58	3.90	1.30
Dividend (2005 proposal)	SEK	1.25	1.25	-	-	-	1.12	1.00	1.75	1.62	1.50
Equity	SEK	37.72	32.65	27.04	28.53	30.90	35.44	31.65	37.98	35.03	32.63
Listed price 31 Dec.	SEK	70.50	56.00	25.25	16.00	30.50	60.25	61.50	63.50	99.25	56.00
Direct yield	%	1.8	2.2	-	-	-	1.9	1.6	2.8	1.6	2.7
P/E ratio	%	186.9	171.5	93.4	56.1	98.7	170	194.3	167.5	283.4	171.6
Average no. of shares	000s	5,573	5,530	5,530	5,530	5,530	5,530	5,530	5,530	5,530	5,434
No. of shares at year-end	000s	6,051	5,530	5,530	5,530	5,530	5,530	5,530	5,530	5,530	5,530

In 2005, a share split was carried out (2:1). The data per share for other years has been recalculated for the sake of comparison.



# The Westergyllen Group

## Building/Interiors business area

This business area primarily consists of the Group's prefabricated housing operations. Forshemgruppen is the parent company of Götenehus and Sjödalshus, which together are one of the largest players on the Swedish single-family home market. Business operations are carried out in the form of projects, through which single-family homes in estates are marketed and constructed, and consists of a company carrying out sales and construction of single-family homes.

In 2005, net turnover totalled SEK 699 m (686 m) and the number of full-time employees was the equivalent of 243 persons (252).

## Electronics business area

This business area consists of the Elektromekan operation, a major Swedish sub-contract manufacturer of electronic systems. The company manufactures components and products for the telecommunications sector, other mobile telephone communications, process control and the engineering industry.

In 2005, net turnover totalled SEK 390 m (584 m) and the number of full-time employees was the equivalent of 231 persons (290).

## Engineering/Technology business area

The main focus of this business area is the manufacture of precision engineering components and other products. The business area consists of the medical engineering companies Elos Medical and Pinol A/S as well as Elos Precision and Fixturlaser, which specialise in industrial engineering. One top priority is increasing the proportion of the medical engineering business in relation to Westergyllen's overall operations.

In 2005, net turnover totalled SEK 258 m (222 m) and the number of full-time employees was the equivalent of 222 persons (199).

## Miscellaneous

At year-end, Westergyllen owned 24.6 per cent of Hemapure AB in Uppsala, a medical engineering company that is developing a system to facilitate access to the vascular system for dialysis purposes. As of 2005, Hemapure is accounted for as an associated company.

## Parent company

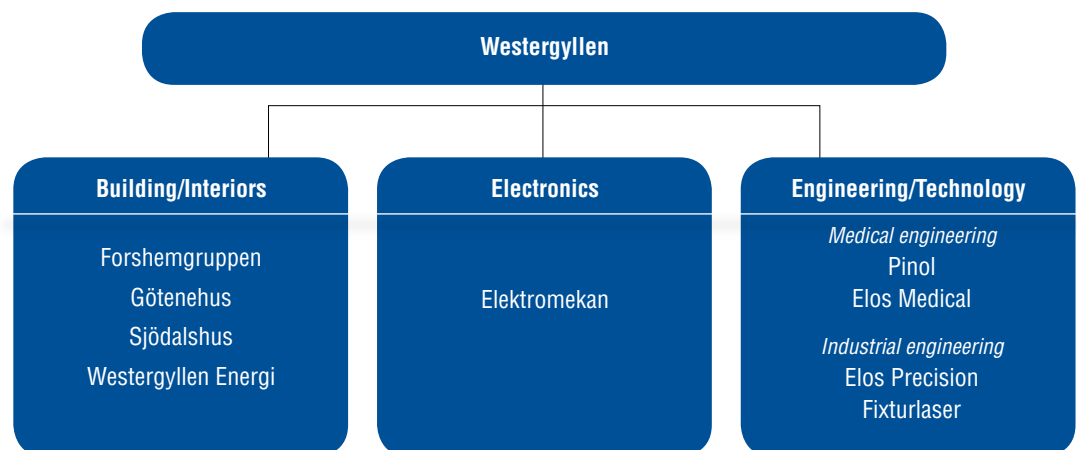
The parent company, whose head office is located in Götene, Sweden, manages key management issues and Group support activities such as strategic development, financing and financial control.

## Business concept

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

## Strategy

Westergyllen's overall strategy is to have the Group's companies and structure focus on areas where a significant market position can be achieved. The aim is to establish a more focused operational base in the Group's business areas. Priority is given to areas where a critical size can be achieved.





## Quality and the environment

All levels of the Westergyllen Group have a proactive approach to quality control and the environment. A management system consisting of quality assurance and environmental management systems is considered to be a successful approach to the operations of each company. Several Group companies have obtained quality and environmental certification. Our aim is for the certification of all operative companies in the Westergyllen Group to ISO 9000 for quality management systems and to ISO 14000 for environmental management systems.

Environmental work is an important component of Westergyllen's daily operations, and the Group's environmental policy can be summarized as six items:

- Legislation and regulations are to be adhered to. Specific requirements are to be fulfilled and preferably exceeded.
- We are to initiate and develop methods and approaches to conserve resources, prevent pollution and minimize the overall environmental impact of our operations and products.
- We are to consider new approaches for the improvement of our working environment to minimize risks that can lead to accidents and pollution.
- Upper management is to see to it that this policy is observed and followed up by all divisions of the Group. This is to take place through the active provision of information, training, assessments and reporting of environmental targets.
- We encourage transparency and communication of our policy, measures and results.
- We apply this policy during business negotiations with suppliers and partners.

## Employees

Westergyllen's success is dependent on continual professional development and up-to-date information on working environment issues as regards daily operations as well as during long-term planning.

- Westergyllen Business School (WBS) is a tailored internal training programme for employees and managers at subsidiaries. Its aim is to support them in their current role, but also provide inspiration for new tasks in the Group.

The programme consists of six modules, with each level taking two days. Fifteen to twenty participants attend each session. Participants are also expected to spend some time on personal studies.

- Continuous professional development permeates all levels of the Westergyllen Group. Planning and decisions regarding content, methods

and goals are the responsibility of each subsidiary. Programmes can consist of everything from one-day seminars to extensive courses. Professional development can also take place in project form. Involvement by all divisions of subsidiaries and the effectiveness of professional development are the responsibility of upper management.

## 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. Currently, 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 amount to 6 to 12 per cent of the Group's annual turnover.

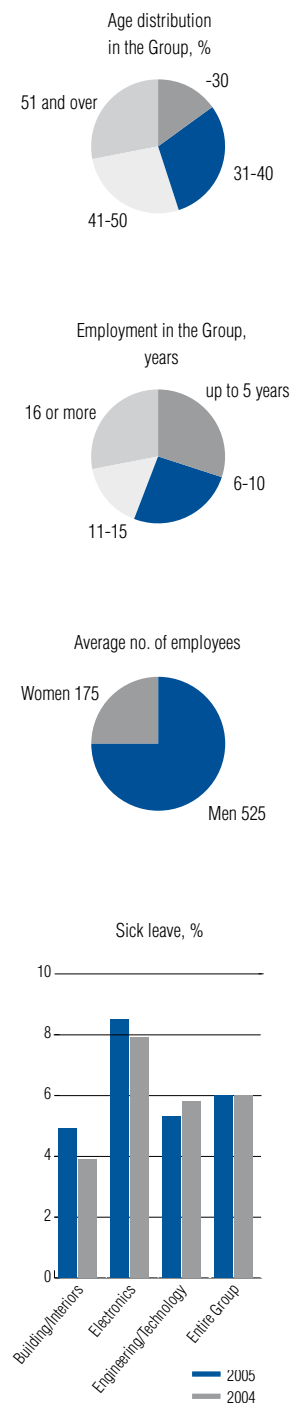
## Distribution of shares in the Building/Interiors business area

Westergyllen's recent approach involves concentrating its operations to fewer yet larger business segments. The operations of the Building/Interiors business area and the Group's other industrial operations have virtually nothing in common. As several other players have done, the board of directors has arrived at the conclusion that both the growth potential and market prospects for prefabricated housing are favourable. For this reason, the Board has decided that an autonomous and more focused division has the best prerequisites for achieving a strong market position and sound growth.

Therefore, the Board announced in early 2006 that it intends to propose that the business operation of the Building/Interiors business area be organised in a separate division and its shares distributed as per Lex Asea to Westergyllen's shareholders and that a separate application for quotation be submitted for the company shares to be distributed. The complete proposal from the Board pertaining to this situation will be presented in August 2006 and submitted to an extraordinary meeting of shareholders for approval in the autumn.

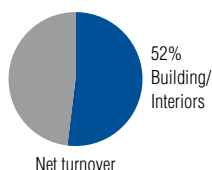
## Group focus

When the Group's business operations have been streamlined through the distribution of shares in the Building/Interiors business area, the intention is for Group resources to be devoted to the areas of medical engineering and precision engineering.



## Prefabricated housing market

BUILDING/INTERIORS  
BUSINESS AREA



Income statement, SEK m	2005	2004	2003
Net turnover	699.3	686.0	672.3
Cost of goods sold	-568.0	-553.8	-551.1
Gross profit	131.3	132.2	121.2
Selling expenses	-85.4	-83.3	-84.7
Administrative expenses	-18.5	-25.7	-26.2
Other operating income/ expense	0.7	-1.0	-0.1
<b>Operating profit</b>	<b>28.1</b>	<b>22.2</b>	<b>10.2</b>

Key ratios			
Operating margin, %	4.0	3.2	1.5
Return on capital employed, %	31.7	22.8	8.5
Gross capital expenditure excl. shares, SEK m	6.2	4.9	4.4
No. of full-time employees	243	252	257

Westergyllen's Building/Interiors business area mainly consists of the individual home businesses of Götenehus and Sjödalshus, which comprise one of Sweden's leading producers of prefabricated individual homes. The business area consists of project activities with an emphasis on single-family homes in estates, in addition to an operation carrying out sales and construction of single-family homes under the respective brands. Production, design, purchasing and administration are all coordinated by Forshemgruppen, which is the parent company of Westergyllen's prefabricated housing business.

### Marketing and sales focus on the Götenehus and Sjödalshus brands.

The strong trend of the past few years, with rising demand for single-family homes in Sweden, continued during 2005. This demand was driven in particular by stronger household confidence in future economic trends, low interest rates as well as continued rising prices for previously owned houses.

In 2005, the overall market grew by approximately 15 per cent for single-family homes in Sweden. The demand was the strongest in Skåne and western Sweden. In the Stockholm region,

the market stagnated, mainly as a result of the shortage of plots. In southern and central Sweden, demand remained satisfactory, particularly in and near university towns.

The market for individual homes can be divided into three categories: timber houses built on site, prefabricated housing and housing projects carried out by major contractors. In the category prefabricated homes, where Götenehus and Sjödalshus belong, there are three subcategories:

- Low price options based on bulk production
- Medium-range housing with limited customization
- Customized single-family homes

The single-family home businesses of Götenehus and Sjödalshus belong to the category of customized houses, with their main competitors producers such as Myresjöhus, Trivselhus and Eksjöhus. Housing projects belong to the medium-range housing category.

### Developments during 2005

In 2005, Westergyllen prioritised its efforts to further expand its site bank and enhance its sales organisation. The sales teams were expanded during the year, leading to greater market coverage, above all in central and southern Sweden.



Demand for single-family homes in 2005 grew by approximately 15 per cent, driven in part by low interest rates and rising prices for previously owned single-family homes.

Net turnover for the prefabricated housing business amounted to SEK 687 m (663 m). Delivery volumes were unchanged in relation to 2004, whereas profitability continued to show improvement. Operating profit came to SEK 26.0 m (21.7 m), an increase largely the result of greater cost efficiency in design and production but also higher gross margins.

Incoming orders during the year far exceeded delivery volumes. In the single-family home operation, incoming orders rose by 32 per cent compared with 2004 and were 33 per cent higher than the delivery volumes. The number of building rights granted in the project portfolio rose by nearly 50 per cent during the year, corresponding to 470 homes (320) at the end of the year.

#### The future

According to a long-term forecast by the National Board of Housing, Building and Planning, demand for single-family homes is expected to continue increasing in the years to come.

The continued growing project portfolio and enhanced sales organisation serve as a good basis for a continued favourable sales trend.

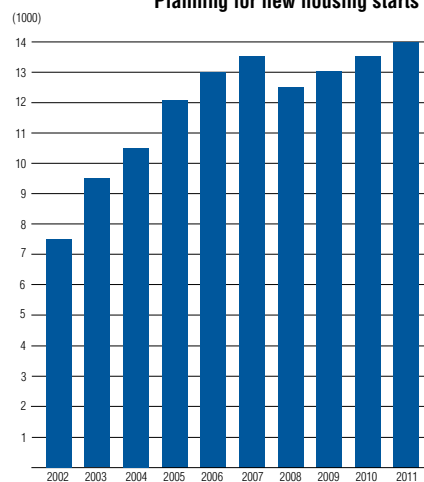


With the help of a larger sales organisation, Westergyllen's prefabricated housing operations have enhanced their market coverage, particularly in central and southern Sweden.



Incoming orders to Westergyllen's individual home businesses in 2005 exceeded delivery volumes by 33 per cent.

Figures and forecasts from the National Board of Housing, Building and Planning for new housing starts



The years 2005 to 2011 are forecasts.

# Prefabricated housing projects

**Westergyllen has extensive experience from the management of large projects related to the construction of single-family homes.**

**The projects are marketed under the Götenehus brand name and are predominantly projects comprising 10 to 35 homes.**

**Project development of single-family homes is a turn-key solution, from the purchase of land to the sale of the finished houses.**

During the year, projects comprised one-third of the Building/Interiors business area, and are thus a key business for Westergyllen. Westergyllen's expertise in this type of development is substantial and the Götenehus brand enjoys a good reputation on the market. The demand for single-family homes in estates – sold in the form of tenant-owned housing or housing with ownership rights – is favourable.

The geographical market for project development is primarily the Stockholm region, south-western Skåne and Västra Götaland.

The part of the market focused upon by the Group's project activities is conveniently positioned between major construction companies, for example JM, Peab and NCC, as well as small local contractors.

The land that is purchased has a local plan. Lead times for large single-family housing projects, i.e. the time between the purchase of building rights to sale of the houses and moving in, average two years.

An important success factor for these projects is planning the right product for the right area of land, for example, single-family homes for families with children, housing for the elderly, etc.

## Developments during 2005

Westergyllen's total delivery volumes of single-family housing projects carried out by major contractors dropped somewhat in 2005. Several projects with delivery slated for the fourth quarter were delayed. One contributing factor was more construction work being carried out in Sweden, which meant longer processing times for building permits and similar matters in local government.

Efforts to expand the site bank were prioritised in 2005 in order to boost volumes in the next few years. At the end of the year, the project portfolio contained the equivalent of 470 granted building rights for single-family homes, which is an increase of nearly 50 per cent since the end of 2004.

Turnover from project activities came to SEK 212 m (247 m) and profitability was satisfactory.



Lead times for prefabricated housing projects, i.e. the time between purchase of building rights and when the houses are sold and ready for moving in, amount to an average of two years.



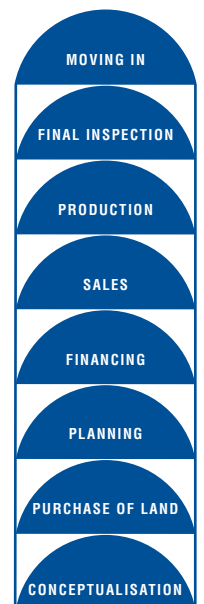
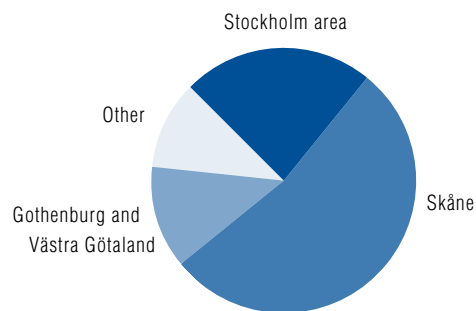
### The future

The intention of the expanded site bank is to lead to continued growth in Westergyllen's project activities in 2006.

Purchasing attractive areas of land will continue to have top priority, while the intensity of marketing is likely to increase. During the first quarter of 2006, for example, Götenehus entered into new agreements concerning several major projects in Skåne.

Processing times for building permits in some parts of the country may be a limiting factor as regards volume growth.

**Geographic distribution  
of Westergyllen's site bank**



**THE PHASES OF PROJECT  
DEVELOPMENT**

The substantially expanded site bank should mean continued growth in project activities in 2006.

## Götenehus



Götenehus' target group is consumers that value modern design, high quality and the ability to influence house design.

**Götenehus develops, produces and sells prefabricated single-family homes for the Swedish market.**

**The target group is consumers who appreciate modern design and quality as well as the possibility to provide a personal touch to the design of the house.**

**Most customers choose turnkey housing where Götenehus offers a fixed price for the total commitment.**

### **Developments during 2005**

Götenehus' primary market is central and southern Sweden, with an emphasis on the Stockholm region, western Sweden and Skåne.

During the year, the sales organisation was supplemented with five new employees in order to enhance coverage of the Swedish market.

Götenehus' presence on the Norwegian market came to an end in 2005.

Compared to the previous year, Götenehus' earnings improved substantially. Incoming orders were at a much higher level than in 2004.

### **The future**

Demand for customized homes is likely to remain favourable in the next few years. Götenehus' intention is to further boost sales volumes through a stronger sales organisation and a continued focus on offering customers a layout that meets their needs.

# Sjödalshus

**Sjödalshus develops, manufactures and sells prefabricated timber homes characterised by high quality and considerable flexibility.**

**This target group is characterised by being able to choose a house in a classic and elegant design from a wide selection of small houses to large villas. Sjödalshus offers few turnkey houses, however.**

**Sjödalshus' markets are Sweden and Germany, which are covered through the company's own sales organisation.**

## **Developments during 2005**

Swedish delivery volumes in 2005 matched those of 2004. In Germany, there was a slight drop in deliveries, where market demand remained sluggish.

During the year, the sales organisations in both Sweden and Germany were expanded.

Sjödalshus' earnings for 2005 fell compared with the previous year. Incoming orders for both Sweden and Germany were nevertheless at a substantially higher level than 2004.

## **The future**

Demand for customized single-family homes with adapted design, layouts and quality has been rising in the past few years. Sjödalshus' ambition is to – through enhanced sales initiatives and clearer marketing of the flexibility of prefabricated types of housing – boost volumes and to improve the market position in Sweden and Germany.



Sjödalshus' target group is consumers who want housing in classic and elegant design, with high quality and a high level of flexibility.



## Elektromekan

**Elektromekan, which constitutes the Electronics business area run by Westergyllen, is one of Sweden's largest sub-contract manufacturers in the field of electronics. It manufactures components and other products for companies within the fields of telecommunications, communications, process control as well as the engineering industry.**

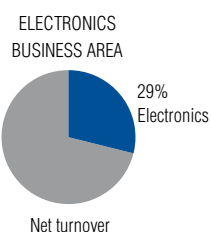
**As a sub-contract manufacturer, Elektromekan primarily serves as a supplier to companies without their own electronics production and that often require a partner that can manage production, assembly and delivery, while actively participating in continual product development.**

Rapid technological progress demands the utmost from electronics manufacturers, and in pace with ever shorter product life cycles, volumes often shrink while manufacturing costs are being squeezed. Cost trends are largely controlled by the rapidly growing markets of China and India, which offer low-cost production with an emphasis on bulk production. The capacity building being carried out in the Baltic states and other areas of the former Eastern bloc has also contributed to this situation. This is why Elektromekan has striven to position itself as a medium-sized player on the Nordic market in the past few years.

Conveniently positioned between major bulk producers and small contractors unable to supply services beyond standardised production, Elektromekan has a niche where it can fully utilise its strengths. Offering expertise within surface mounting, testing, documented commercialization know-how and the ability to smoothly adapt to changes in volume, Elektromekan is the natural partner for many customers.

### Reduced exposure to the telecommunications sector

Traditionally, Elektromekan's deliveries are predominantly components and products for the telecommunications sector. In 2000, over 85 per cent of its products were attributable to the telecommunications sector. It is very likely that 2006 will see the beginnings of a reduction of this percentage to below 40 per cent. The fluctuations in the demand from the telecommunications market in recent years have been considerable, for which reason focused efforts are being made to change the customer base. Elektromekan's goal is to continue striving to be a player with customers in both the telecommunications and industrial electronics sectors.



Income statement, SEK m	2005	2004	2003
Net turnover	389.6	583.5	380.0
Cost of goods sold	-362.3	-518.9	-339.1
Gross profit	27.3	64.6	40.9
Selling expenses	-13.4	-10.7	-10.9
Administrative expenses	-16.3	-27.0	-21.7
<b>Operating profit /loss</b>	<b>-2.4</b>	<b>26.9</b>	<b>8.3</b>

Key ratios			
Operating margin, %	-0.6	4.6	2.2
Return on capital employed, %	-2.8	27.2	7.1
Gross capital expenditure excl. shares, SEK m	8.7	8.0	4.9
No. of full-time employees	231	290	207

An increasing number of big European cities are introducing automatic payment systems for road tolls in order to reduce traffic in city centres. Kapsch TrafficCom is a leading supplier of such payment systems and is an Elektromekan customer. Elektromekan manufactures the transponders fitted in vehicles and which enable automatic toll payment.



New customers for the 2005 financial year include Flir, which manufactures thermal imagers, and Peltor, which develops hearing protectors with communication solutions. Other important customers that have boosted their volumes include Atlas Copco and Husqvarna.

There were many deliveries to Sony Ericsson in 2004, but these volumes dropped in 2005. Due to new technology, one of Elektromekan's volume products, circuit boards for mobile telephone batteries, was gradually phased out. Kap-sch TrafficCom, which develops payment systems for road tolls, is an Elektromekan customer. Elektromekan manufactures the transponders fitted in vehicles, thus making automatic toll payment possible.

In order to come closer to customers and broaden its sales initiatives, a sales office in Gothenburg was opened.

The value of the Nordic market for sub-contract manufacturers of electronics, EMS (Electronic Manufacturing Services), was estimated at some SEK 27 billion in 2005. Annual growth is estimated at 7–8 per cent.

Elektromekan's main competitors are NOTE, Partnertech and Kitron.

#### Developments during 2005

Elektromekan's turnover in 2005 came to SEK 390 m (584 m).



In 2005, Elektromekan began production of electronics for Flir, which manufactures thermal imagers.



Elektromekan manufactures electronics for the Peltor company, which supplies hearing protectors with communication solutions.

The level of automation at the production facility in Årjäng rose during the year while some of the most labour-intensive production was moved to production partners in low-cost countries.

There was an operating loss totalling SEK 2.4 m (profit of 26.9 m), as a result of SEK 5 m in impairment losses pertaining to receivables and stocks, due to the bankruptcy of a customer. Earnings were also impacted by the structural changes carried out during the year.

In April 2005, adjustment of the company's structure and personnel was initiated. The number of employees in 2005 dropped from around 270 to approximately 170. Costs were gradually cut by some SEK 20 m year-on-year.

#### The future

Today's trend of situating labour-intensive manufacturing in low-cost countries will continue. In the first quarter of 2006, Elektromekan decided to move more labour-intensive production to low-cost countries.

In Årjäng, future ventures focus on investments in continual upgrades of machinery and additional professional development of personnel in order to reinforce competitiveness in the long term.

In terms of the market, the focus on developing the customer base will continue.

## Medical engineering

**Westergyllen's express ambition is to become established as a leading European development and production partner within the field of medical engineering.**

Westergyllen's medical engineering operations were developed at Elos Medical. As a part of its ambition to boost growth, Pinol, a Danish company, was acquired in November 2005.

Elos Medical's turnover in 2005 was SEK 85 m, and Pinol's SEK 142 m. This year, it is our assessment that the two companies will together have a turnover exceeding SEK 250 m, making Westergyllen one of Europe's largest suppliers of precision engineering components and other products to the medical engineering sector.

### Greater attractiveness as a development partner

As a major player, Westergyllen will become even more attractive as a development partner to medical engineering companies in the world market.

Elos Medical's main areas are dental and orthopaedic implants, particularly in the areas of

Trauma and Spinal. Pinol's focus is on dental implants as well as products pertaining to diabetes.

Elos Medical and Pinol complement one another in a market where major customers seek large suppliers that can guarantee that medical engineering regulations are met and delivery reliability and flexibility are assured.

Developments toward more collaboration between suppliers and customers are becoming more pronounced each year. Both Elos Medical and Pinol have extensive experience from collaboration with customers related to the design and development of new features and products.

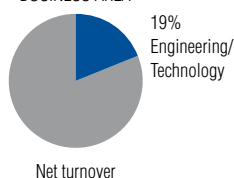
In 2006, collaboration between the two companies' expertise and capacity will be prioritised.

The aim is to widen the range of services further, increase production, achieve more flexibility during production, utilise synergies in marketing and sales as well as use more resources to enter new market segments.

### The market

The medical engineering market is characterised by strong growth. Growth within the segments

ENGINEERING/TECHNOLOGY  
BUSINESS AREA



Income statement, SEK m				
	2005	2004	2003	
Net turnover	258.1	222.1	191.6	
Cost of goods sold	-179.0	-151.0	-142.2	
Gross profit	79.1	71.1	49.4	
Selling expenses	-31.6	-33.8	-32.6	
Administrative expenses	-25.4	-19.8	-17.8	
Other operating income/expense	0.9	-0.7	0.2	
<b>Operating profit/loss</b>	<b>23.0</b>	<b>16.8</b>	<b>-0.8</b>	

Key ratios				
Operating margin, %	8.9	7.6	-0.4	
Return on capital employed, %	10.2	12.6	-0.6	
Gross capital expenditure excl. shares, SEK m	30.4	29.9	23.9	
No. of full-time employees	222	199	225	



Developments in the medical engineering market toward deeper collaboration between producers and customers are becoming more pronounced each year. The picture illustrates a product for thigh bone fractures developed by Elos Medical together with the customer.





The ability to supply products ready for use in operating rooms is a strong competitive advantage.

where Elos Medical and Pinol's customers operate varies from 7 to more than 20 per cent annually.

On the world market, North America represents approximately 50 per cent of the demand. The fastest demand growth was seen in Asia, albeit from a low level.

Customers in the medical engineering market are very demanding. In order to be a supplier to the largest companies, quality assurance and high capacity in clean-room processing are both necessary.

Many customers also require total commitments, i.e. managing the entire chain from design and production to sterilisation and ultimately the packaged product.

Westergyllen's competitors include multinational companies such as La Precision in France,

C & M, Ruetschi and Hader in Switzerland, UTI in the United States as well as global medical engineering companies.

#### The future

Westergyllen's ambition is continued growth in the medical engineering market. Its strategy is to develop the group of companies through organic growth and acquisitions.



One of Pinol's specialities is processing tiny details in advanced materials.

# Elos Medical

**Elos Medical is the only precision engineering company in Sweden specializing in medical engineering. During the 2005 financial year, the company strengthened its position as a leading Nordic supplier of dental and orthopaedic implants.**

Elos Medical mainly operates in the following product areas:

## Dental products

Its production of dental products encompasses everything from individual fixtures to complete systems delivered pre-packaged and ready for use. The past few years' investments in capacity, new measuring technology and the ambition to manufacture bigger series have boosted turnover substantially. The market for dental products is growing by 15–18 per cent annually.

## Trauma

This product area features specialisation in plates and screws for different types of fractures as well as specially designed operating instruments for each plate and respective type of fracture.

## Spinal

Elos Medical has extensive production expertise within the area of implants and instruments for back-related applications. The market has shown strong growth for several years now with global growth exceeding 20 per cent.

## Miscellaneous

Elos Medical also manufactures special products for use during brain surgery, ear implants in ad-

dition to details for colostomy patients and pace-makers. This product area also encompasses the development and design of completely new products, usually in collaboration with specialised development companies.

## Concept for total commitments

Elos Medical has developed a concept for the medical engineering market. "Complete Performance" means a total commitment, encompassing design, production, clean-room processing and logistics/distribution.

The past few years of expansion in production and clean-room capacity in addition to focused efforts involving quality assurance have piqued the interest of major companies in the market.

Quality assurance encompasses EN ISO 9001, the medical standard EN ISO 13485 and 93/42 EEC authorising CE-marking of orthopaedic and dental products. The company is also registered with the FDA in the US.

## Developments during 2005

The 2005 financial year was characterised by several new deals, resulting in some initial expenses. Net turnover rose to SEK 85 m (75 m). Operating profit amounted to SEK 7.3 m (9.2 m).

## The future

Elos Medical's objective is to utilise the good business potential achieved in the past few years. 2006 will see a continued investment in capacity-building in conjunction with harmonization of the Danish sister company, Pinol. The aim is for growth in 2006 to exceed that of 2005.



Products within the Spinal area comprise one of the fastest growing segments within the field of medical engineering.

# Pinol

**Pinol has extensive experience from the development and manufacture of precision engineering components and other products to the medical engineering industry. Situated just north of Copenhagen, Pinol has grown to become a major player in Northern Europe.**

Pinol's speciality is the manufacture of precision engineering components and instruments for the medical engineering industry. Dental products are the company's largest market segment. Other important areas include parts for diabetes products and hearing aids.

Thanks to its experience from the processing of small parts in advanced materials, extensive clean-room processing and a wide range of services, Pinol has become established as a reliable partner to several large medical engineering companies. Pinol offers product development, constructs prototypes, manufactures and assembles products, packages them in clean rooms and delivers them ready for use.

Its main geographical markets are Sweden, Denmark and Germany.

## **Rapid growth**

One of Pinol's strengths is state-of-the-art laser processing of specialty steels and titanium. Pinol's production facility is one of the most modern in Europe, dimensioned for efficient production of large and small batches.

Quality assurance is carried out at a customer-specific level and involves EN ISO 9001, the medical standard EN ISO 13485 in addition to the US quality norm GMP.

The company's own division for development, its ability to quickly produce prototypes combined with a focus on the expansionary dental product area resulted in rapid growth.

## **Developments during 2005**

In 2005, net turnover rose by 15 per cent to SEK 142 m (123 m). Pinol had an operating loss amounting to SEK 2.4 m (operating profit of SEK 2.1 m). The financial result is partly due to one-off items in the form of stock write-downs and other revaluation items totalling approximately SEK 4 m. Also during the year, several new products were put into production, entailing large start-up costs.

## **The future**

Pinol's position in the area of dental products serves as a good basis for further development. Growing collaboration with Elos Medical is also likely to generate positive synergy effects. As for Elos Medical, the company's close collaboration with customers is an important factor for success.

The potential for continued growth over the next few years is likely to be favourable.



Continual follow-ups of small manufactured single parts are an important part of quality assurance.

# Elos Precision

**Elos Precision manufactures components and subsystems for industrial firms demanding precision.**

**Production is characterised by processing of complicated small parts, often in difficult materials.**

**Elos Precision manages two modern production facilities, which are situated in Töreboda and Årjäng.**

Elos Precision offers customers collaboration as an industry partner, which may include design, production adaptation, processing and assembly.

Siemens Industrial Turbomachinery has gradually evolved to become Elos Precision's biggest customer, buying components for stationary gas turbines. Production of components for Siemens takes place at the plant in Årjäng. The division's main focus is grinding, spark machining and milling. The Töreboda plant specializes in turning.

Other major customers are to be found in the offshore, defence, hydraulics, process and electronics industries.

## **Strong market**

The demand for advanced processing using complex materials is favourable. The company's collaboration with several customers progressed during the year. Deliveries to Siemens Industrial Turbomachinery have risen substantially.

Elos Precision's production structure offers good potential for widening the customer base. One market segment growing very quickly in Europe is small parts for turbine manufacturers.

Elos Precision's competitors include several small and medium-sized companies, for example Ekets Mekaniska, Willo and Exir.

## **Developments during 2005**

Investments to boost capacity were made. Net turnover amounted SEK 85 m (73 m), which is an increase of 16 per cent.

Capacity utilization was high and incoming orders picked up significantly. Operating profit came to SEK 9.5 m (8.9 m).

## **The future**

In order to meet the rising demand, Elos Precision will continue to invest in production equipment. In order to counter the estimated decline in punched products, crucial investments will be made in the Töreboda plant to boost its turning capacity.

Deliveries to the turbine and offshore markets are expected to show strong growth while deliveries of punched products to the electronics industry are likely to drop.



In the past few years, Siemens Industrial Turbomachinery has gradually evolved to become Elos Precision's biggest customer.



# Fixturlaser

**Fixturlaser develops, manufactures and markets measurement systems and services for alignment and positioning of machines and machine components. Its customers are mainly to be found in the process, power, shipbuilding and engineering industries.**

Fixturlaser is one of three major players on well-defined markets in Europe, Asia and the USA. With its more than 20 years of experience in laser-based systems, Fixturlaser has developed a wide range of products, above all in the area of shaft alignment, as well as in geometric measurements of flatness and parallelism.

The demand for Fixturlaser's products and services is assessed as favourable in the long term. Customers continuously strive to improve machine reliability and thus efficiency during production. At the same time, however, the number of people involved in operational maintenance is dropping. This means that there is a greater need for measurement systems with high precision and which guarantee quick, convenient and accurate measurement, alignment and documentation.

Fixturlaser has a solid reputation, and with its extensive experience within applications and engineering, it understands customers' special needs.

Fixturlaser's biggest competitors are the German Prüftechnik company and Damalini, a Swedish firm.

## **Development of a completely new product family**

One crucial aspect of product development is carried out in close collaboration with customers and leading machinery manufacturers. This results in unique know-how and solid experience from various applications, creating a base in the development of standard systems for further use by broad groups of customers.

In 2005, the company continued to develop a new general and open platform for shaft alignment. A completely new product family in this area will be introduced on the market in 2006.

Fixturlaser enjoys close collaboration with selected subcontractors, who together manage the production of all components. Assembly and quality and functional testing in addition to final inspection are all managed by Fixturlaser.



Sales are carried out via three channels:

- Distributors
- Key accounts and joint development of products sold under the customer's own brand ("private label")
- Individual customers where products are fitted with special solutions as per the customer's requirements

## **Developments during 2005**

Net turnover totalled SEK 61 m (60 m) and the operating profit amounted to SEK 4.6 m (loss of 0.9 m). The improved earnings are attributed to cost adjustments carried out in 2004 as well as improved gross margins.

## **The future**

The market introduction of the new product family in the area of shaft alignment will begin in 2006. Marketing directed at major customers with own brands will continue to be a prioritised area.

The manufacturing industry's ambition to continuously increase the reliability of machinery is leading to an increased need for easy-to-use and high-precision measurement systems.



**Sture Öster**



**Agneta Bengtsson  
Runmarker**



**Stig-Arne Blom**



**Mats Johansson**



**Stig Malm**

## Board of directors, senior management and auditor

### Members

#### **Sture Öster**

Lidköping, born 1937, business administration graduate.  
Chairman. Member since 1981.  
Member of the boards of several Group companies.  
Chairman of Hemapure AB.  
Member of the chamber of commerce and industry of western Sweden  
and The Bräcke Diakoni foundation, Gothenburg.  
Shareholding: 378,826 Series A shares, 156,760 Series B shares including  
family and via companies.

#### **Agneta Bengtsson Runmarker**

Stockholm, born 1960, Master of Laws  
Member since 2003. Data manager at the Swedish Data Inspection Board.  
Board member of Runmarker Fastighets AB.  
Shareholding: 14,600 Series B shares including family.

#### **Stig-Arne Blom**

Ulricehamn, born 1948, engineer.  
Member since 2002.  
President of IRO AB. Chairman of Borås Wätveri AB, AP & T AB and Lidhs Förvaltnings AB.  
Board member of Atlet AB, Pulsen AB, Broström AB and other companies.  
Shareholding: 200 Series B shares.

#### **Göran Brorsson**

Lidköping, born 1952, business administration graduate.  
President and CEO. Employed in 2000.  
Chairman of Group subsidiaries.  
Chairman of Gentswear AB and SystemSeparation  
Sweden Holding AB.  
Shareholding: 50,000 Series B shares.

#### **Mats Johansson**

Göteborg, born 1944, sales director.  
Employee representative for PTK. Member since 1982.

#### **Stig Malm**

Göteborg, born 1954, wood industry employee.  
Employee representative for L.O. Member since 1995.  
Shareholding: 800 Series B shares.

#### **Lennart Mårtensson**

Huskvarna, born 1946, engineer, business administration graduate.  
Member since 2000. Chairman of Flexi Ice AB.  
Board member of Pinol A/S, Elos Medical AB, Elos Precision AB,  
Protolab AB and other companies.  
Shareholding: 400 Series B shares.

#### **Lars Sponberg**

Stockholm, born 1945, business administration graduate, Master of Laws  
Member since 2003. Partner, Nordic Capital.  
Board member of Munters AB, Addtech AB, Fixturlaser AB,  
Skyways Holding AB, Intervallor AB and other companies.  
Shareholding: 400 Series B shares.

### Deputy members

#### **Sven-Olof Hermansson**

Göteborg, born 1946, personnel director.  
Employee representative for PTK. Member since 1985.

#### **Bo Nilsson**

Lidköping, born 1938, engineer.  
Member since 1982. Shareholding: 260,880 Series A shares,  
154,880 Series B shares including family.

#### **Thomas Öster**

Sydney, Australia, born 1961, engineer.  
Member since 2005. Head of Customer Operations, Ericsson Australia Pty. Ltd.  
Board member of Elektromekan in Årjäng AB. Shareholding: 48,100 Series B shares.



**Lennart Mårtensson**



**Lars Sponberg**



**Sven-Olof Hermansson**



**Bo Nilsson**



**Thomas Öster**



**Göran Brorsson**



**Claes Hansson**

## Group management

### **Göran Brorsson**

Lidköping, born 1952, business administration graduate.  
President and CEO. Employed in 2000.  
Chairman of Group subsidiaries.  
Chairman of Gentswear AB and SystemSeparation Sweden Holding AB.  
Shareholding: 50,000 Series B shares.

### **Claes Hansson**

Lidköping, born 1957, business administration graduate.  
CFO. Employed in 1984.  
Chairman of RNB Retail and Brands AB.  
Board member of Ferrocon AB and Skaraborgs Provinsbank.  
Shareholding: 20,000 Series B shares.

## Auditor

### **Ernst & Young AB**

## Head auditor

### **Björn Grundvall**

Gothenburg, born 1955.  
Authorized Public Accountant, Ernst & Young AB, Gothenburg.  
Westergyllen's auditor since 2003.

## Presidents of subsidiary companies

### **Elektromekan i Årjäng AB**

Johan Halling, engineer.  
Särö, born 1963  
Employed in 2005.

### **Pinol A/S**

Søren Olesen, engineer and business administration graduate.  
Gørsløse, Denmark, born 1961  
Employed in 1994.

### **Elos Medical AB**

Kjell-Erik Johansson, engineer.  
Göteborg, born 1954  
Employed in 1999.

### **Elos Precision AB**

Christer Alm, engineer.  
Hjo, born 1953  
Employed in 2004.

### **Fixturlaser AB**

Hans Svensson, engineer.  
Mölndycke, born 1960  
Employed in 1995.

### **Forshemgruppen AB**

Sören Larsson, engineer.  
Lidköping, born 1965  
Employed in 2003.

# Consolidated income statement

SEK 000s		2005	2004
Net turnover	Notes 3,4,6	<b>1,328,288</b>	1,467,419
Cost of goods sold		<b>-1,089,356</b>	-1,214,883
<b>Gross profit/loss</b>	Note 6	<b>238,932</b>	252,536
Selling expenses		<b>-130,384</b>	-122,844
Administrative expenses	Note 7	<b>-65,778</b>	-66,668
Other operating income	Note 9	<b>2,276</b>	2,781
Other operating expense	Note 10	<b>-126</b>	-6,780
Profit participation and impairment losses in associated companies	Note 12	<b>-3,500</b>	-
<b>Operating profit</b>	Notes 4,8,49	<b>41,420</b>	59,025
<i>Result from financial investments</i>			
Result from other securities and receivables accounted for as fixed assets	Note 13	<b>155</b>	-74
Other interest income and similar profit/loss items	Note 14	<b>998</b>	778
Other interest expense and similar items	Note 15	<b>-10,419</b>	-12,843
<b>Profit/loss after financial items</b>		<b>32,154</b>	46,886
Taxes	Note 17	<b>-10,173</b>	-15,838
<b>Net profit/loss for the year</b>	Note 33	<b>21,981</b>	31,048
Attributed to:			
Parent company shareholders		21,981	31,061
Minority interests		-	-13
Earnings per share (SEK)	Note 46	3.94	5.62
Data per share after exercise of the warrants outstanding in 2004 did not give rise to a dilution effect.			

# Consolidated cash flow statement

SEK 000s		2005	2004
<b>Operating activities</b>			
Profit/loss after financial items		<b>32,154</b>	46,886
Adjustments for non-cash items	Note 47	<b>56,280</b>	50,251
		<b>88,434</b>	97,137
Income tax paid		<b>-9,262</b>	-2,877
<b>Cash flow from operating activities before working capital changes</b>		<b>79,172</b>	94,260
<i>Cash flow from working capital changes</i>			
Decrease/increase in inventories		<b>15,528</b>	-10,209
Increase in operating receivables	Note 45	<b>-5,396</b>	-19,457
Decrease/increase in operating liabilities		<b>-31,718</b>	54,838
<b>Cash flow from operating activities</b>	Note 47	<b>57,586</b>	119,432
<b>Investing activities</b>			
Investments in subsidiaries	Note 2	<b>-33,350</b>	-
Investments in shares and participations		<b>-2,401</b>	-
Investments in other fixed assets		<b>-34,256</b>	-25,562
Decrease/increase in long-term receivables		<b>101</b>	-4,031
Sale of subsidiaries	Note 2	<b>-</b>	4,275
Sale of other fixed assets		<b>328</b>	1,821
<b>Cash flow from investing activities</b>		<b>-69,578</b>	-23,497
<b>Financing activities</b>			
Increase/decrease in interest-bearing liabilities		<b>9,642</b>	-60,310
New share issues		<b>2,152</b>	-
Dividends paid		<b>-6,912</b>	-
<b>Cash flow from financing activities</b>		<b>4,882</b>	-60,310
<b>Cash flow for the year</b>		<b>-7,110</b>	35,625
<b>Cash and cash equivalents at the beginning of the year</b>		<b>63,140</b>	27,675
<b>Exchange rate differences in cash and cash equivalents</b>		<b>50</b>	-160
<b>Cash and cash equivalents at the end of the year</b>	Notes 40,47	<b>56,080</b>	63,140

# Consolidated balance sheet

SEK 000s

31 Dec. 2005

31 Dec. 2004

## ASSETS

### Fixed assets

#### Intangible assets

Capitalized expenditure for development	Note 18	8,224	5,930
Goodwill	Note 19	55,022	10,544
Other intangible assets	Note 20	861	271
		<b>64,107</b>	16,745

#### Tangible assets

Land and buildings	Note 22	136,157	66,123
Plant and machinery	Note 23	141,490	106,415
Equipment, tools, fixtures and fittings	Note 24	27,322	28,187
Construction in progress	Note 25	2,432	-
		<b>307,401</b>	200,725

#### Financial assets

Participations in associated companies	Notes 27,29,48	10,756	45
Other shares and participations	Notes 28,48	300	10,860
Long-term receivables	Notes 29,48	213	1,564
		<b>11,269</b>	12,469

### Total fixed assets

**382,777** 229,939

### Current assets

#### Inventories, etc.

Raw materials and consumables		79,257	78,314
Products in progress		31,911	33,537
Finished products		57,864	33,713
Development property	Note 30	102,333	101,383
		<b>271,365</b>	246,947

#### Current receivables

Accounts receivable	Note 48	171,709	133,624
Prepaid tax		925	241
Accrued income not yet invoiced	Notes 6,31	22,287	32,033
Other receivables		22,060	18,192
Prepaid expenses and accrued income	Note 32	11,550	12,110
		<b>228,531</b>	196,200

Cash and bank balances	Note 48	56,080	63,140
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### Total current assets

**555,976** 506,287

## TOTAL ASSETS

**938,753** 736,226

# Consolidated balance sheet

SEK 000s

31 Dec. 2005

31 Dec. 2004

## EQUITY AND LIABILITIES

### Equity

Note 33

#### Equity held by parent company shareholders

Share capital	Note 34	37,819	34,563
Other contributed capital		55,526	25,430
Reserves		-745	3
Profit brought forward, including the year's earnings		135,631	120,562
<b>Total equity held by parent company shareholders</b>		<b>228,231</b>	<b>180,558</b>

Minority interests		-	711
<b>Total equity</b>		<b>228,231</b>	<b>181,269</b>

#### Long-term liabilities

Provisions for pensions	Note 37	28,909	27,293
Deferred tax liability	Note 38	26,840	23,140
Other provisions	Note 39	2,011	1,741
Long-term interest-bearing liabilities	Notes 41,44,48	283,555	182,466
<b>Total long-term liabilities</b>		<b>341,315</b>	<b>234,640</b>

#### Current liabilities

Short term provisions		1,827	1,131
Bank overdraft	Notes 40,44,48	37,276	-
Other interest-bearing liabilities	Notes 41,44,48	42,633	36,940
Advance payments from customers		10,748	10,192
Accounts payable - trade	Note 48	141,527	147,062
Tax liabilities		4,613	4,811
Invoiced but not accrued income	Note 42	21,606	21,743
Other liabilities		28,309	21,244
Accrued expenses and deferred income	Note 43	80,668	77,194
<b>Total current liabilities</b>		<b>369,207</b>	<b>320,317</b>

<b>TOTAL EQUITY AND LIABILITIES</b>		<b>938,753</b>	<b>736,226</b>
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<b>PLEDGED ASSETS</b>	Note 44	<b>624,632</b>	<b>542,070</b>
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<b>CONTINGENT LIABILITIES</b>	Note 45	<b>40,585</b>	<b>64,611</b>
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# Auditor's report

*To the Annual General Meeting  
AB Westergyllen (publ)  
Corporate identity number 556021 - 9650*

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of AB Westergyllen (publ) for the year 2005. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning

discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the president be discharged from liability for the financial year.

Gothenburg, 28 February 2006  
Ernst & Young AB

Björn Grundvall  
*Authorized Public Accountant*

# Ten-year summary

Income statement, SEK M		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net turnover	SEK M	1,328.3	1,467.4	1,230.0	1,251.1	1,388.2	1,850.8	1,067.6	920.0	753.2	710.8
Operating profit	SEK M	41.4	59.0	9.2	2.3	-11.3	62.1	2.0	45.1	35.1	23.4
Net financial items	SEK M	-9.2	-12.2	-14.5	-18.1	-24.2	-21.5	-37.8	-13.7	-0.6	-5.9
Profit/loss after financial items	SEK M	32.2	46.8	-5.3	-15.8	-35.5	40.6	-35.8	31.4	34.5	17.5
Tax on profit for the year	SEK M	-10.2	-15.8	-1.6	2.8	8.1	-14.4	10.7	-6.0	-12.7	-5.5
Net profit/loss for the year	SEK M	22.0	31.0	-6.9	-13.0	-27.4	26.2	-25.2	25.3	21.6	7.0

Balance sheet items		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Fixed assets	SEK M	382.8	229.9	241.2	254.7	266.1	273.9	301.1	270.5	270.3	245.7
Current receivables and inventories	SEK M	499.9	443.2	416.1	419.0	456.8	623.9	426.8	334.8	300.7	229.7
Cash and cash equivalents	SEK M	56.1	63.1	27.7	30.7	8.1	11.0	7.6	10.5	12.0	23.1
Total assets	SEK M	938.8	736.2	685.0	704.4	731.0	908.8	735.5	615.8	583.0	498.5
Equity	SEK M	228.2	181.2	150.2	158.5	171.7	196.8	175.9	210.7	194.4	180.9
Long-term liabilities	SEK M	341.3	234.7	257.0	294.4	327.3	341.6	270.9	251.4	204.2	164.1
Current liabilities	SEK M	369.3	320.3	277.8	251.5	232.0	370.4	288.7	153.7	184.4	153.5
Total equity and liabilities	SEK M	938.8	736.2	685.0	704.4	731.0	908.8	735.5	615.8	583.0	498.5

Cash flow		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Cash flow from operating activities	SEK M	57.6	119.4	57.9	96.3	52.3	-51.6	57.4	-8.4	-10.8	53.5
Cash flow after investing activities	SEK M	-12.0	95.9	32.9	57.1	24.1	-40.5	-14.9	-43.5	-41.1	-32.1

Key figures		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Risk-bearing capital	SEK M	255.1	204.4	165.9	173.3	189.4	219.4	192.0	236.8	221.0	205.8
Share of risk-bearing capital	%	27.2	27.8	24.2	24.6	25.9	24.1	26.1	38.5	37.9	41.3
Equity/assets ratio	%	24.3	24.1	21.9	22.5	23.5	21.6	23.9	34.2	33.3	36.3
Return on capital employed	%	8.1	13.7	2.2	1.0	-1.8	12.8	-4.6	10.8	12.5	9.7
Return on shareholders' equity	%	10.7	18.8	-4.5	-7.9	-14.9	13.8	-13.1	12.5	11.5	4.0
Interest-coverage ratio	times	4.3	4.6	0.7	0.2	neg	2.7	neg	3.0	4.5	2.9
Net indebtedness	SEK M	336.3	183.6	263.8	279.0	327.1	338.2	272.3	231.5	192.3	118.9
Debt/equity ratio	times	1.5	1.0	1.7	1.8	1.9	1.7	1.6	1.1	1.0	0.7

Other		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Gross investment excl. shares	SEK M	50.0	44.2	35.8	44.9	38.8	69.4	73.3	51.4	46.1	41.9
Average number of employees		700	745	693	707	823	990	773	696	654	598

## Definitions of key figures

### Risk-bearing capital

The total of shareholders' equity, minority interests and deferred tax liability.

### Percentage of risk-bearing capital

Risk-bearing capital as a percentage of total assets.

### Equity/assets ratio

Shareholders' equity including minority interests as a percentage of total assets.

### Return on capital employed

Financial results after net financial income less financial expenses as a percentage of average capital employed.

### Capital employed

Total capital as per the balance sheet less non-interest-bearing liabilities and non-interest-bearing provisions.

### Return on equity

Result for the year as a percentage of average shareholders' equity.

### Interest coverage ratio

Operating profit excluding profit participation in associated companies plus financial income, divided by financial expenses.

### Net debt

Interest-bearing liabilities less cash equivalents.

### Debt/equity ratio

Net debt in relation to shareholders' equity.



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