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(17)

This is the exhibit marked "L-2"
referred to in the Affidavit of Lennart
Ljunggren
sworn/affirmed on this 17th day of October, 1984.

Before me,



A COMMISSIONER FOR OATHS

Chandra Mohan K. Nair
Commissioner for Oaths
Singapore

Report on Operations 1983 FORSHEDA AB

Annual Meeting

The annual general meeting of shareholders will be held on June 12, 1984 at 5.00 PM in the auditorium of the Forsheda school at Forsheda.

NOTIFICATION OF ATTENDANCE

Shareholders wishing to attend the annual meeting must — be registered in the share register of Värdepapperscentralen VPC AB by June 1st, 1984 at the latest and — notify the Company's Board of Directors by 4.00 PM June 8, 1984 at the latest, at the following address: S-330 12 Forsheda, Sweden, telephone 370/812 50 extension 111.

Shareholders who have had their shares registered in trust must temporarily have the shares registered in their own names. This registration must be made by June 1st, 1984 at the latest.

AGENDA

In addition to items in accordance with the articles of incorporation, the agenda will include the proposal of the Board of Directors to increase the share capital as described below.

DIVIDEND

The Board of Directors and the Managing Director propose a dividend of SEK 2,75 per share. If the Annual Meeting decides in accordance with the proposal, it is estimated that the dividend will be sent out from VPC on June 22, 1984 with June 15, 1984 as the record date for payment.

PROPOSAL FOR ISSUE OF BONUS SHARES AND NEW SHARES

The Board of Directors and the Managing Director propose an increase of the share capital by SEK 14.400 thousand to SEK 32.400 thousand by issuing bonus shares 1:2 and also thereafter new shares 1:5. When issuing bonus shares the increase is made by transferring SEK 9.000 thousand to the legal reserve. When issuing

new shares the company's shareholders have the right to subscribe for one new A-share for five old A-shares and one new B-share for five old B-shares respectively. The new stock will be issued at SEK 100 per share. Of the new capital SEK 5.400 thousand is being transferred to the share capital and SEK 16.200 to the legal reserve. If the Annual Meeting gives its approval the following schedules will apply:

BONUS SHARES

- Quotation of shares exclusive of stock rights on July 12
- Date of record July 16
- New shares and stock rights will be sent out from VPC on July 30
- Trade with stock rights from July 31.

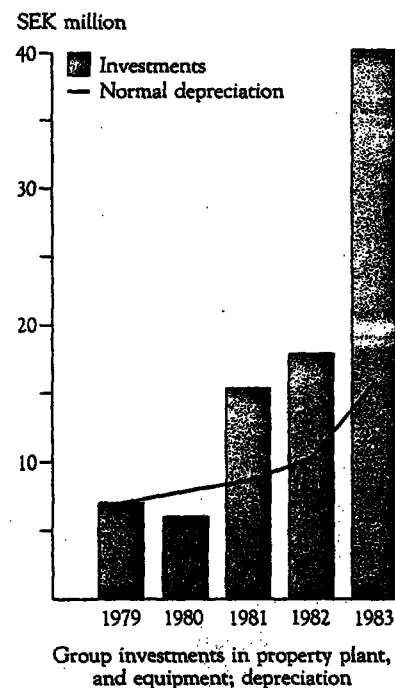
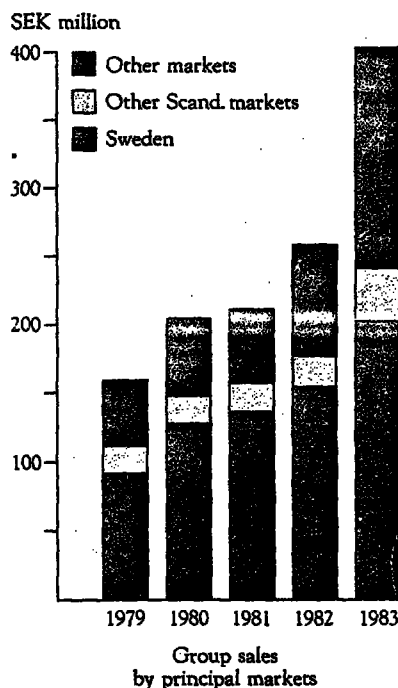
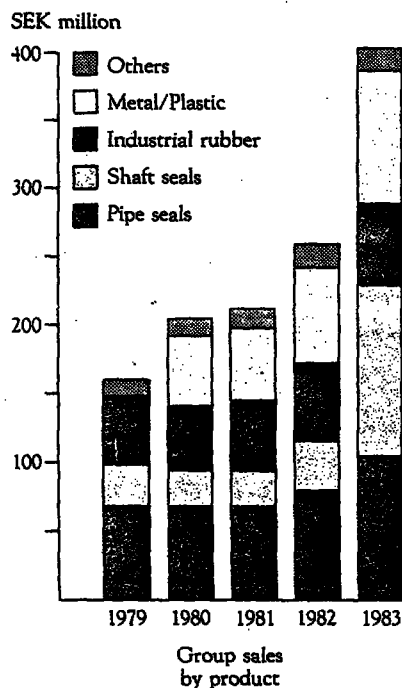
NEW SHARES

- Date of record September 13
- Subscription time September 28 — October 31
- Date of payment November 15.

Holder of new shares will be entitled to dividends beginning with the accounting year 1984.

CHANGES OF ADDRESS

Any change of address should be notified to VPC to ensure that dividends, new shares, and stock rights are sent to the correct address. Forms for notification of change of address are available at all Swedish bank offices.



The group in brief

Income rose by 39%
STEFA was aquired
Establishment in the Far East

	1979	1980	1981	1982	1983
Sales (SEK thousand)	158.904	209.619	210.807	256.891	401.700
of which to foreign markets (SEK thousand)	76.893	79.648	88.653	105.052	201.700
Income before non-recurring items (SEK thousand)	10.861	12.832	14.301	20.178	26.800
Income before year-end prov. and tax (SEK thousand)	10.861	12.832	14.301	20.178	26.800
Return on total assets (%)	13,4	13,1	12,5	14,8	15,9
Return on shareholder equity (%)	21,5	20,8	17,8	20,3	26,8
Profit margin (%)	6,8	6,1	6,8	7,9	7,0
Asset turnover	1,41	1,57	1,32	1,38	1,59
Solvency (%)	23	23	27	27	26
Number of shares	170.000	170.000	200.000	300.000	220.000
Dividend per share (SEK)	5:00	5:00	6:00	5:00	5:00
Dividend per share — adjusted (SEK)**	(1:51)	(1:51)	(1:81)	(2:27)	(2:27)
Earning per share (SEK)	31:95	37:75	35:75	33:70	33:70
Book value per share (SEK)	164:—	199:—	225:—	177:—	177:—
Investments in property, plant	6.798	5.913	15.204	17.649	17.649
Number of employees	699	853	783	827	827
Salaries and wages paid (SEK thousand)	41.086	54.677	55.590	63.531	63.531

* Proposal to the Annual Meeting

** The computation is based on the new issues of shares

DEFINITIONS

RETURN ON TOTAL ASSETS

Income before non-recurring items plus interest, as a percentage of average total assets.

RETURN OF SHAREHOLDER EQUITY

Income before non-recurring items less a 50% standard tax, as a percentage of average shareholder equity and 50% of untaxed reserves.

PROFIT MARGIN

Income before non-recurring items as a percentage of sales.

ASSET TURNOVER

Sales divided by average total assets.

SOLVENCY

Shareholder equity and 50% of untaxed reserves, as a percentage of total assets.

EARNING PER SHARE

Income before non-recurring items less a 50% standard tax, divided by the number of shares.

BOOK VALUE PER SHARE

Taxed shareholder equity plus 50% of untaxed reserves, divided by the number of shares.

Coming reports

Reports for the

first four months of 1984 around June 15
second four months of 1984 around October 15

Announcements of results
for the full year of 1984

around March 15, 1985

Statement by the Managing Director on 1983 operations.

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1983 was an eventful year for the Forsheda Group, characterized by high activity. The picture was dominated by the acquisition of Stefa, investments in the Far East, and higher capacity utilization at our plants as a result of increased orders. In addition, 250 new employees joined the Group; there was an extensive investment programme, and an improvement in earnings, although the profitability of many investments will not be realized for a few years. All this has been possible chiefly because of the very good effort made by our personnel.

Another interesting aspect of the year's operations was the formation of the regional investment corporation Smålandsinvest AB, with Forsheda AB as one of the initiating parties.

During the year the Group advanced its positions within a number of marketing and product areas. We are well prepared to take advantage of further increases in demand in 1984, in the event of further improvement of the economic situation.

THE ACQUISITION OF STEFA

On April 1st, 1983, we acquired Stefa Industri AB's operations from Trelleborg. We acquired the shares in Stefa's foreign companies — a factory in Italy and a number of marketing companies — and we purchased intangible assets, machinery and inventories from Stefa's division in Landskrona. Through the acquisition, our programme of shaft-seals was broadened and we acquired an interesting European marketing organization. We became Scandinavia's only manufacturer of seals for rotating shafts. Stefa was very unprofitable when we took over the operations (1982 sales 89 million Kronor, loss 16.5 million



Jan-Ove
Forsell

Kronor). Since our acquisition applied only to the machinery and equipment we could swiftly commence the work of restructuring the company. During the summer and autumn operations were moved from Landskrona to the Group's factories in Forsheda (rubber manufacturing) and Mullsjö (metal production). Considerable savings were achieved when the Stefa's production was phased into our factory operations. Only a few of the personnel followed the move from Landskrona, which made the move and the starting up process at the new sites strenuous, but on the other hand this meant that manpower resources could be adapted naturally to the new circumstances.

The Stefa operations reduce 1983 earnings by 6.5 million Kronor whereof 4.5 million Kronor are reported as extraordinary expenditure. During 1984 we shall reach the break-even point. We have started an extensive investment programme which in our own estimation will lead to good profits in the Stefa operations by 1985-86.

INVESTMENTS IN THE FAR EAST.

Up to the present our marketing

activities have been concentrated on Scandinavia, the rest of Western Europe and the USA. Today the American market is very important for us. In only a few years we have obtained a considerable share of the market.

During 1983 we decided to give priority to investment in the Far East, and in the first instance in the so called, Oceanic countries. In our view we have very good prerequisites for achieving a significant position in the market, with our special products in the area of pipe-seals. There is a high rate of building and construction activity in that part of the world and qualified products are in demand.

We have established a wholly-owned sales company based in Singapore. Further we concluded an agreement to acquire 30% of the shares in an existing rubber company in Malaysia. That company is now building a new plant outside the Capital City of Kuala Lumpur. We will handle the marketing of the pipe-seal products that are being manufactured and we are entering into technical cooperation with our Malaysian partner.

We have already achieved successful sales in the Far East but our investment is a long term one and it will take a certain amount of time before that marketing investment pays dividends.

IMPROVED CAPACITY UTILIZATION.

The utilization of capacity in our plants has improved successively during the year. One of the strongest reasons is that more orders were received from the Swedish automotive industry as a result of an increase in the rate of automobile production and the need for new automotive parts. This applies both to rubber and plastic compo-

nents.

Deliveries of gas-masks have increased sharply. We supply gas-masks both to the Swedish Civil Defence Board and to certain of our export customers.

Our pipe-seals show stable growth enabling good utilization of capacity at our plants in France and the USA.

Within the product area of pipe-seals for plastic pipes, we took a decisive step forward through the purchase of all patents and intangible assets included in the so called Rieber-system. We have previously supplied seals used in that system, on a non-exclusive basis. Through having acquired the ownership rights to the patent we now have the opportunity for dynamic engagement in further developments which will produce very good possibilities for growth, later on.

Most of the Group's requirements for rubber compounds are now obtained from the Forsheda plant since the mixing department in France was "mothballed". The US plant also purchases its rubber compounds from Forsheda.

In 1983 the total sales of the Group amounted to 401.3 million Kronor (1982, 256.9 million Kronor) of which Stefa accounted for 85.7 million Kronor. The increase in sales for comparable units was then 39%. At least half consists of an increase in volume. The increase accelerated during the second half of the year.

INCOME IMPROVEMENT

Income improved for the eighth year in succession. Before non-recurring items income amounted to 28.1 million Kronor compared to 20.2 million Kronor in 1982. After taking non-recurring items into account earnings were 26.3 million Kronor. It has thus been

possible for us to "absorb" Stefa without it showing negatively on our income curve.

The net profit margin has decreased due to the fact that we recorded large sales (Stefa) which did not give any additional earnings in 1983. The Stefa transaction increases the balance sheet total. However, despite that, the Key figures continue to be satisfactory:

Return on total assets	15.3%
Return on shareholders' equity	21.3%
Solvency	26%

PERSONNEL AND INVESTMENTS.

During the year the Group had an average of 1,080 employees, an increase of 253. Of the total, 329 were employed outside Sweden.

1983 has been an intensive year, which has meant that our employees have had to give a little extra. Thanks to their fine efforts the result has been positive. Further many new qualified staff members have joined the Group.

Investment in plants and equipment amounted to 39.8 million Kronor, the highest figure in many years. The plant at Forsheda has been expanded by a 2,000 sq. metre addition.

1984

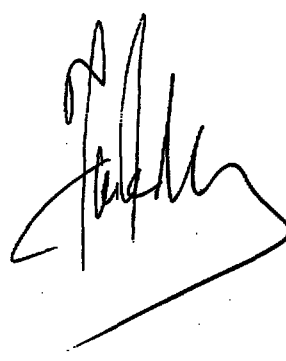
We commence 1984 with high capacity utilization and a good stock of orders. The outlook for the economy as a whole seems brighter than it has for a long time. All indications are that the Swedish automotive industry will have another good year, which is important for us. The market for trucks also seems to be improving.

We are planning an ambitious investment programme for 1984 including continued expansion of the plants at Forsheda and Mull-

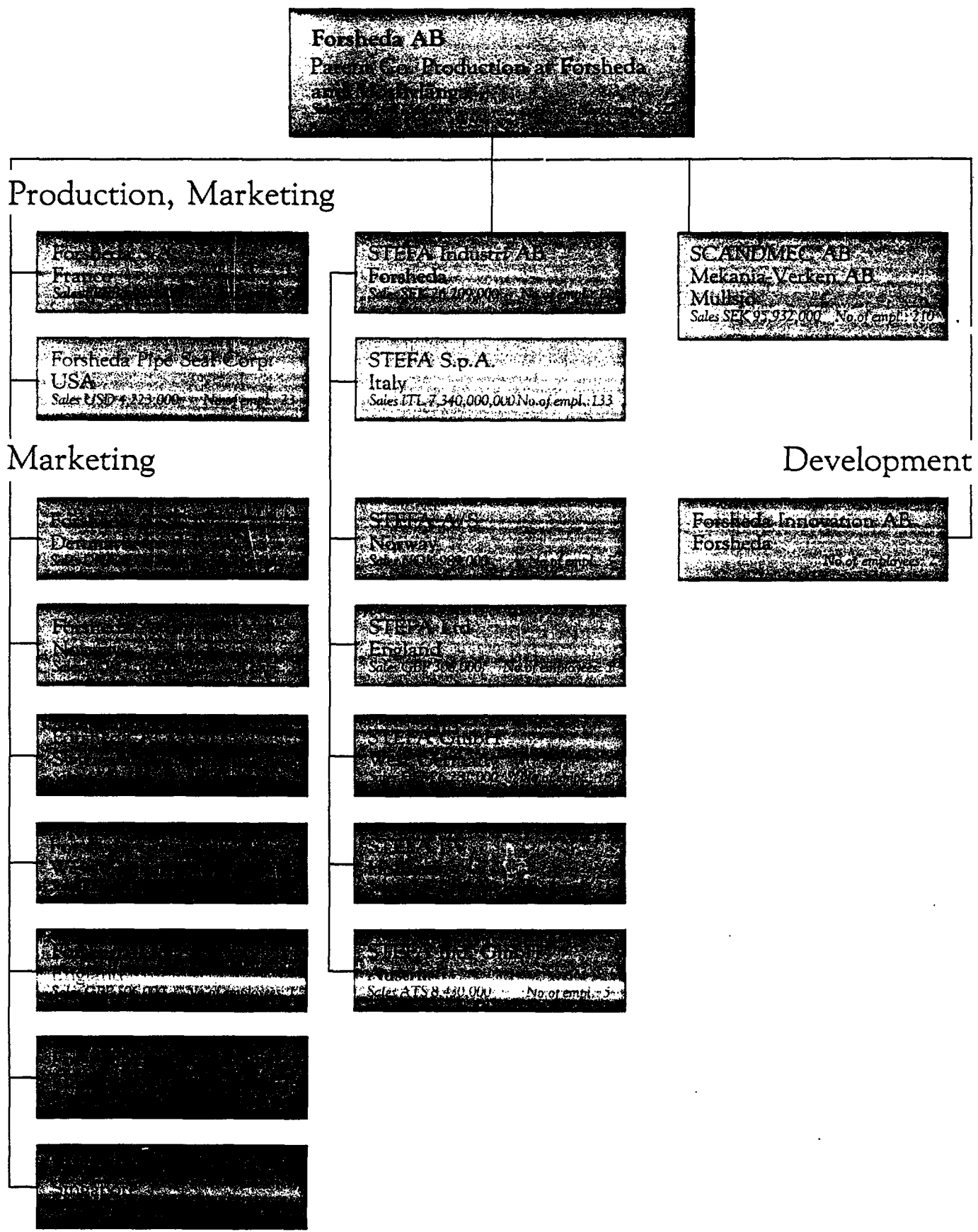
sjö. Investment in machinery will be extensive both in order to increase capacity and to increase the degree of automatization and efficiency. The final step in the programme of measures for Stefa includes the purchase of new machinery and equipment. The total investment budget is at a level of approximately 50 million Kronor.

The investment programme and the anticipated increase in business activity will require capital. We also want to improve our liquidity reserves in order to be able to take advantage of business opportunities that may arise. The Board of Directors is therefore proposing to the Annual General Meeting, that in addition to the bonus issue, the Annual General Meeting shall approve a new issue of shares that would raise 21.6 million Kronor in new equity capital.

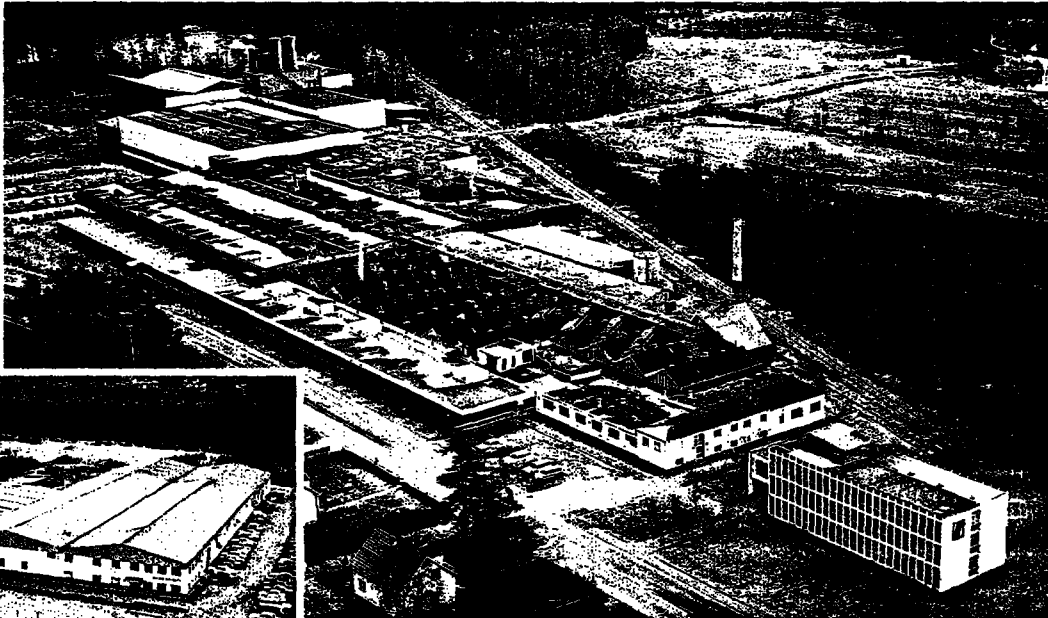
High capacity utilization, continued success for our special products, and the achievement of balance in the Stefa operations should lead to another good year for the Group and a considerable improvement in Group earnings.



Group Units

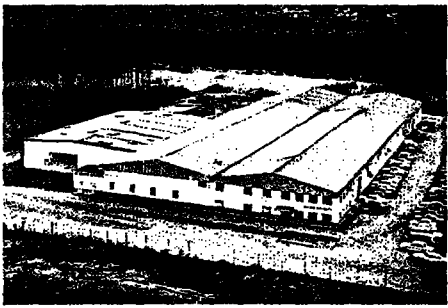


Forsheda from the outside

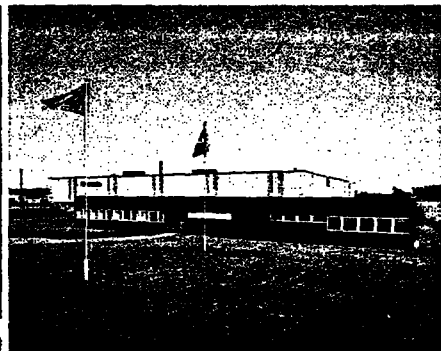
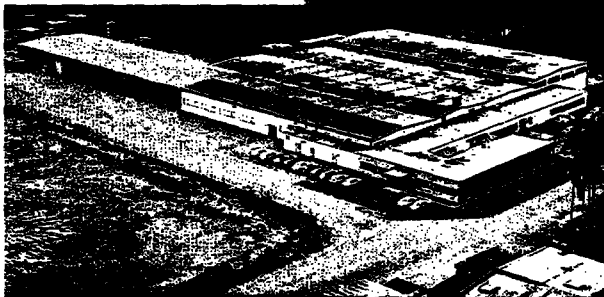


The main plant at Forsheda manufactures the Group's entire programme of rubber products.

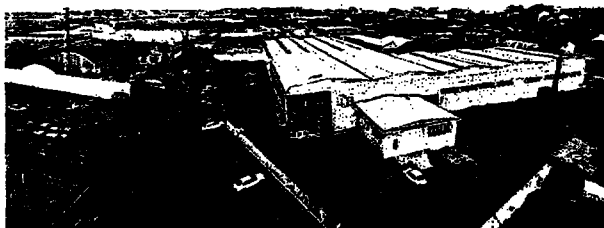
Mekania-Verken at Mullsjö specializes in metal processing.



Scandmec AB in Mullsjö engages chiefly in injection moulding of thermoplastics.



The Öland plant produces rubber components for use in industry.



The plant at Turin produces shaft seals.



The plant in France, north of Bordeaux, manufactures pipe seals and shaft seals.



The plant in the USA is located at Anderson, South Carolina and it is completely geared for the manufacture of pipe-seals for the American market.

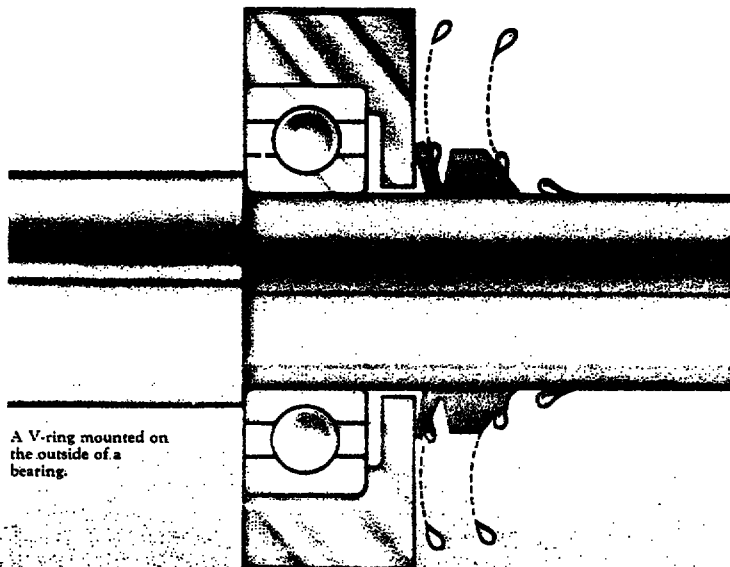
Shaft Seals



The V-RING

The V-ring has long been one of Forsheda's better-known products both in Sweden and internationally. The major success of this product requires that the V-ring continues to be backed by constant sales promotion.

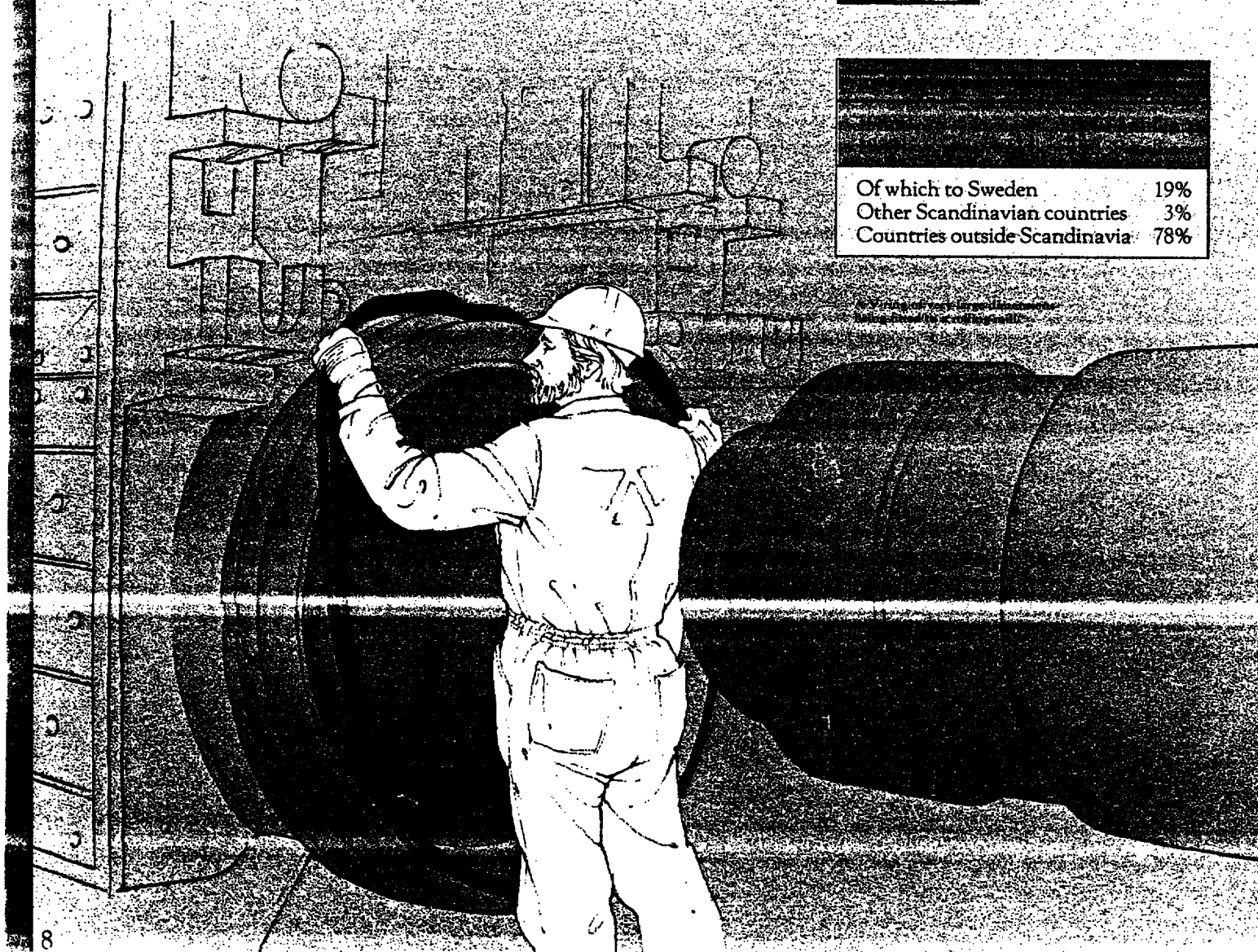
Our strong side is that we have solid know-how concerning the diversity of uses of the V-ring. This know-how constitutes the foundation of our marketing efforts and has given us a strong position as market leader. For the future we are relying on that unique competence and on continuous measures to improve manufacturing efficiency.



A V-ring mounted on the outside of a bearing.

Of which to Sweden	19%
Other Scandinavian countries	3%
Countries outside Scandinavia	78%

A V-ring of very large dimensions, designed for a large machine.

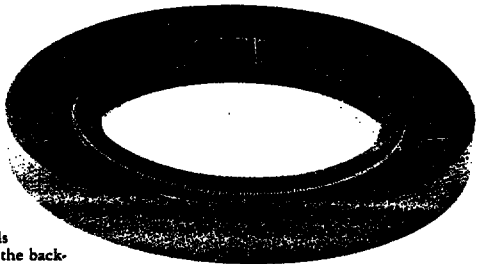


STEFA

The primary reason for the acquisition of STEFA was to broaden and supplement Forsheda's programme of shaft-seals.

The STEFA companies run by Forsheda, market seals for rotating shafts, for hydraulics and pneumatics, and O-rings.

STEFA's shaft seals — radial-seals are manufactured at the STEFA plant in Italy, STEFA S.p.A., Turin, and radial seals for the



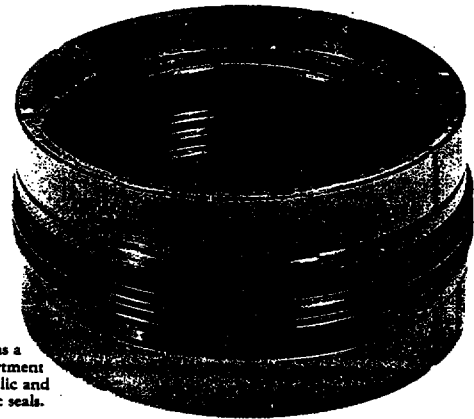
Radial-seals constitute the backbone of the manufacturing programme.

Scandinavian vehicle market are manufactured at Forsheda AB. The type of manufacturing done at Forsheda is unique in Scandinavia.

Marketing is handled by STEFA sales companies in Austria, England, Holland, Norway, Sweden and West Germany.

The acquisition of STEFA necessitated the removal of the existing production facilities at Landskrona to our plants at Forsheda and Mullsjö. This was accomplished during the summer vacation period.

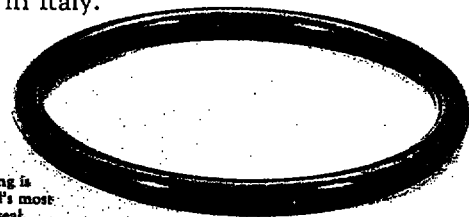
Since only a few of the former personnel joined the move from Landskrona, almost a totally new crew had to be recruited to set up operations at Forsheda.



STEFA has a wide assortment of hydraulic and pneumatic seals.

Enthusiasm and extraordinary effort soon produced results — the smoothly functioning production of radial seals. We had succeeded in taking over production and marketing without losing shares of the market.

We are now working on the sharpening of our Swedish sales organization and our productive efficiency at both Forsheda AB and the STEFA plant in Italy.



The O-ring is the world's most versatile seal.

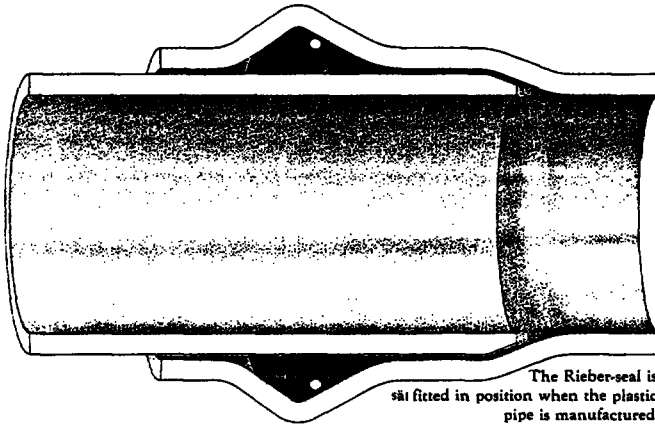
Now we are also experiencing an increase in customer confidence due to the fact that we can offer our customers greater know-how within the shaft seal area through our access to both the V-ring and STEFA's radial-seals. We will be able to recommend the absolutely best solution for every particular sealing requirement. This will further accentuate our specialist know-how.

Of which to Sweden	26%
Other Scandinavian countries	3%
Countries outside Scandinavia	71%



Pipe Seals

Activity in the building and construction sector continued to be low in Forsheda's main markets Scandinavia, Western Europe and North America. Towards the end of the year a certain improvement could be detected in the USA and West Germany.



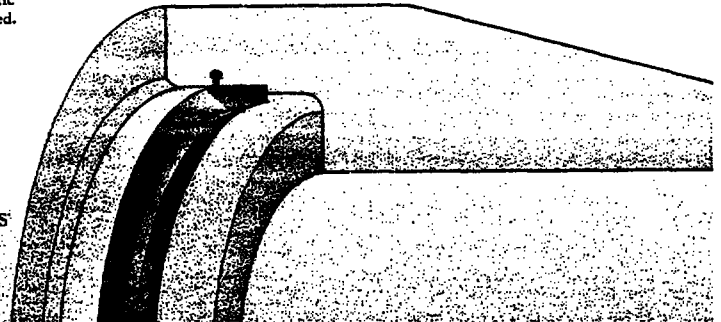
The Rieber-seal is fitted in position when the plastic pipe is manufactured.

We were able to increase our volume despite the low volume of construction. Our shares of the market grew in several important markets. We reached an agreement to supply our new sealing ring for concrete pipes to a major Swedish manufacturing group and to important customer groups in Norway and Denmark.

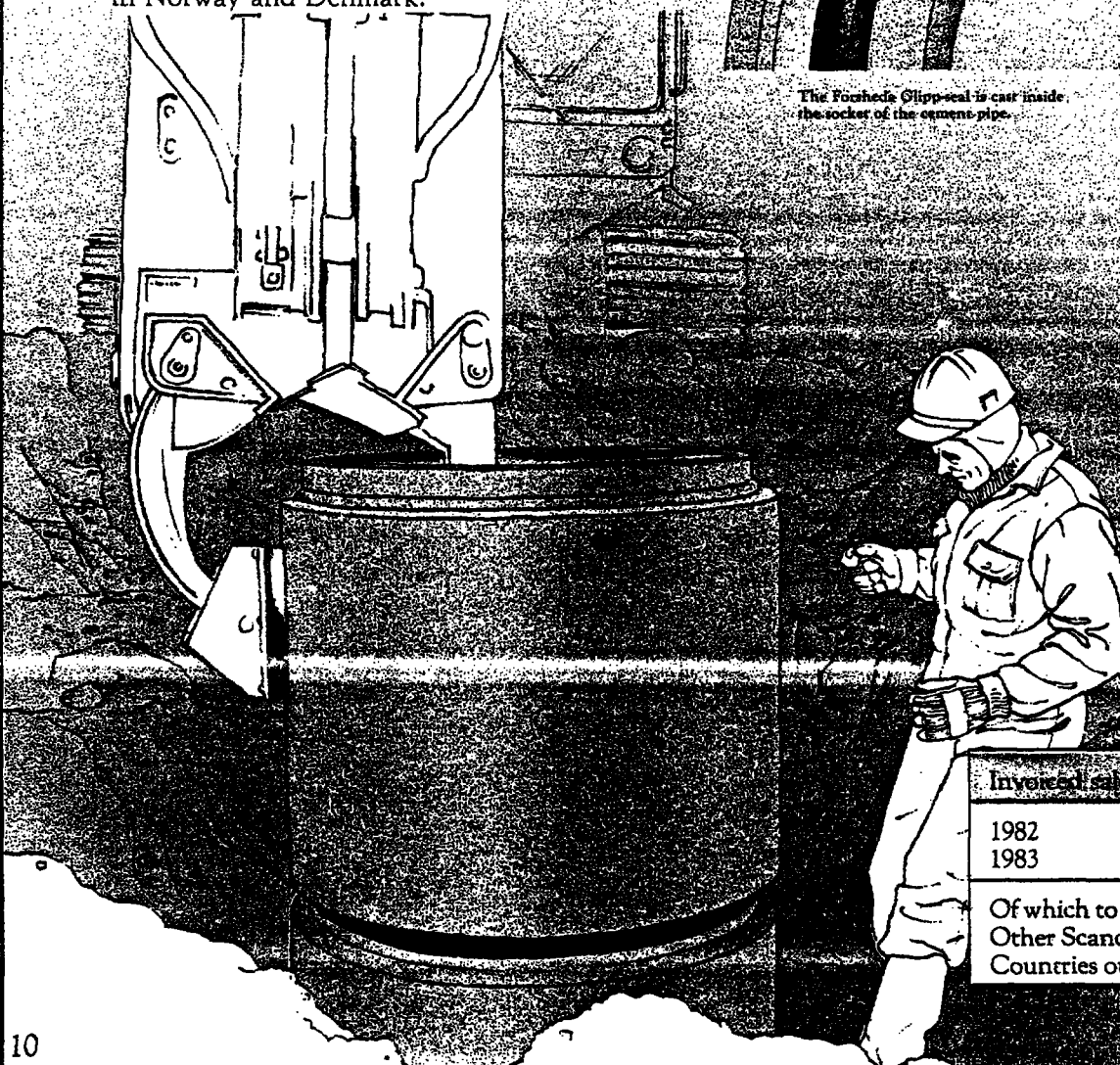
Sales to the Middle East have increased. Despite the slow down in investment within these countries, we have created a position as market leader in a number of countries through a consistent emphasis on our assortment of locked-in seals for plastic pipes. In addition, we delivered a large order of seals for cast iron pipes to Iran during the year.

We have strengthened our position as the leading manufacturer and supplier of seals for plastic pipes in the US market. We experienced growth in volume and growth in our shares of the market.

Investments in the Far East, including Australia, New Zealand and Japan were initiated. We established an office in Singapore and planned for manufacturing in Malaysia. Our first order for the new seals for concrete pipes was signed with a manufacturer in Hong Kong.

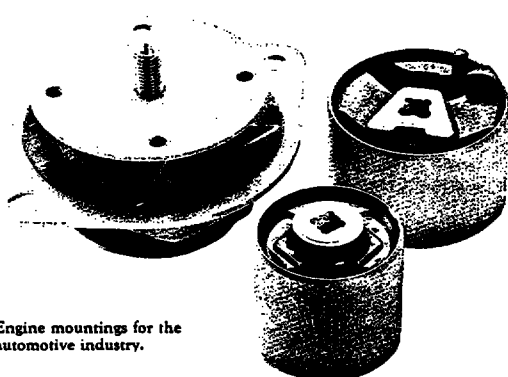


The Forsheda Olipp-seal is cast inside the socket of the cement pipe.



Increased sales of Pipe Seals	
1982	SEK 79 million
1983	SEK 103 million
Of which to Sweden	22%
Other Scandinavian countries	18%
Countries outside Scandinavia	60%

Industrial Rubber



Engine mountings for the automotive industry.

Through the successive improvement in orders received especially during the second half of the year, the industrial rubber division achieved an extensive increase in volume and high utilization of capacity.

Continued emphasis on more complicated products and an intensification of development work, especially concerning joint projects with the automotive industry, has already given good results. Through these projects we have obtained a large proportion of products for the new generation of Swedish passenger cars.

Protective products have developed well with an increase in growth volume. We have received our first big order, from the Swedish Civil Defence Board, for a completely new product, the children's protective jacket.

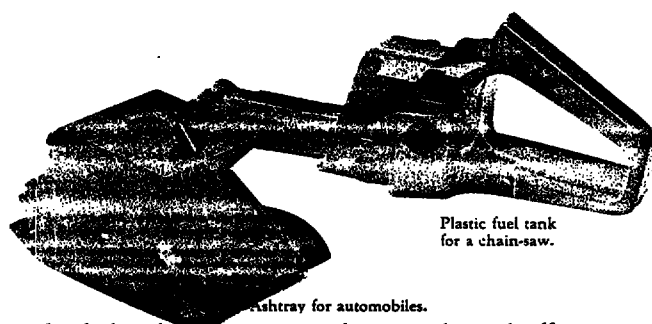
Invoiced sales of Industrial Rubber		Other Products
1982	SEK 59 million	SEK 15 million
1983	SEK 60 million	SEK 18 million
Of which to Sweden	90%	72%
Other Scandinavian countries	3%	18%
Countries outside Scandinavia	7%	10%

SCANDMEC

As sub-contractors to the automotive industry both of the Scandmec companies in Mullsjö (Scandmec AB and AB Mekania-Verken) have had a successful year. The sales successes achieved by the Swedish automotive industry led to a good flow of orders and full capacity utilization at the plants.

Significant investments were made during 1983 in both plant and equipment. For example, a new painting facility was installed.

The Mullsjö companies specialize in injection moulding of thermoplastics, eccentric pressing of metal and aluminium components, and welding. An advanced joining technique is used on plastic components. Another speciality is the manufacture of composite products. The companies operate with

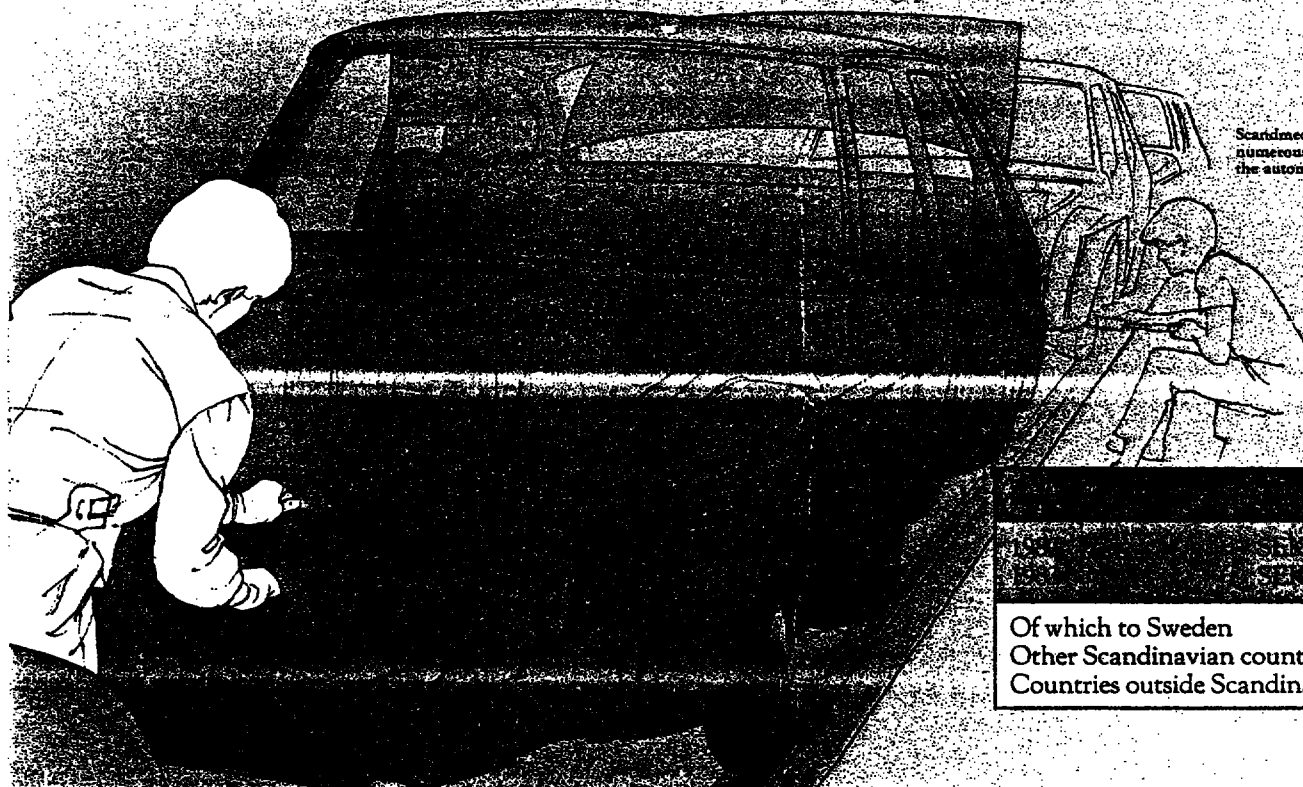


Plastic fuel tank for a chain-saw.

Tray for automobiles.

a high level of service as their goal, and effective organization ensures that the automotive industry obtains continuous prompt deliveries of the right quality.

A new type of heating-element for automobile seats has been designed by the Scandmec development division. A new control system for seat heating elements has also been constructed. These products constitute further development of the tradition which the company has maintained for more than ten years, as a leading manufacturer of heating pads.



Scandmec manufactures numerous components for the automotive industry.

Invoiced sales of Industrial Rubber		Other Products
1982	SEK 59 million	SEK 15 million
1983	SEK 60 million	SEK 18 million
Of which to Sweden	86%	72%
Other Scandinavian countries	12%	18%
Countries outside Scandinavia	2%	10%

(28)

Board of Directors Auditors Executive Management

Board of Directors

ELECTED BY THE ANNUAL MEETING:

Sten G Carlston, chairman
Attorney at Law, Stockholm
Sigurd Tedenstad, vice chairman
Managing director, Värnamo
Gunnar Hambræus
Professor, Stockholm
Rolf Jinglöv
Managing director, Malmö
Sten Sporre
Managing director, Falkenberg
Sven Sporre
Managing director, Växjö
Jan-Ove Forsell, managing director

DEPUTIES:

Bengt Ahlgren
Managing director, Floda
Bengt Sporre
Managing director, Värnamo
Lennart Sporre
B. Sc., Lund
Eva Törn
Mrs, Värnamo

ELECTED BY THE EMPLOYEES:

Bertil Persson
Jan-Erik Rönnbäck

DEPUTY:

Lennart Svedberg

Auditors

Ragnar Fernholm
Authorized public accountant, Stockholm
Lennart Huldén
Authorized public accountant, Göteborg

DEPUTIES:

Ulf Gometz
authorized public accountant, Göteborg
Kurt Hammarström
authorized public accountant, Stockholm

Executive Management

Jan-Ove Forsell MD
Bo Eveborn
Staff Accounting/Finance
Leif Larsson
Staff Engineering
Lars Losman
Staff International
Jan Magnusson
Pipe Seal Division
Lennart Jörnhagen
Shaft Seal Division
Arne Ekedahl
Industrial Division
Nils Ferm
Materials Division

Ownership Structure

Number of shareholders: 1.100

Founders and their families
Others

Distribution of shares

Number	%	Votes	%
55		82	
45		18	
100		100	

Forsheda Aktiebolag

Annual report for 1983

Report from the Board of Directors

SALES

Group sales in 1983 amounted to SEK 401.288 thousand compared to SEK 256.891 thousand in 1982. This means that sales volume has increased considerably. The newly acquired Stefa activities account for 85.678 thousand. The largest increase is shown by the industry and plastics and metals groups as a result of favourable demand especially from the Swedish automobile industry.

INCOME

Group income before non-recurring items amounted to SEK 28.054 thousand compared to SEK 20.178 thousand the previous year.

DELIVERIES WITH IN THE GROUP

Of parent Company sales of SEK 164.156 thousand, SEK 46.091 thousand were delivered to other Group companies. Purchases by the Parent Company from other Group companies amounted to SEK 10.042 thousand.

NUMBER OF EMPLOYEES

The Group had an average of 1.080 employees in 1983 (827 employees in 1982), distributed among the following locations

	1982	
<i>Parent Company</i>		
Värnamo	436	
Mörbylånga	55	491
<i>Subsidiaries</i>		
Värnamo	—	
Mullsjö	191	
Norway	3	
Denmark	4	
England	3	
West Germany	4	
Switzerland	4	
Austria	—	
Holland	—	
France	98	
Italy	—	
USA	29	336
<i>Group total</i>		827

SALARIES, WAGES AND OTHER COMPENSATION (SEK THOUSAND)

	1983	1982	
<i>Parent company</i>			
Board of directors, managing director and deputy managing director of which bonus 90	905	828	
Other employees Sweden	40.460	36.266	37.094
<i>Subsidiaries</i>			
Sweden	19.107	14.285	
Norway	782	353	
Denmark	523	548	
England	644	344	
West Germany	4.259	860	
Switzerland	1.068	897	
Austria	—	—	
Holland	2.427	—	
France	7.419	6.403	
Italy	11.080	—	
USA	5.884	2.747	26.437
<i>Group total</i>			63.531

CHANGES IN HOLDING OF SHARES

During the year the Stefa activities have been taken over from Trelleborg AB. Forsheda Trading AB has in this connection changed its name to Stefa Industri AB and its share capital has been increased to SEK 10.000 thousand. There are activities besides Sweden also in Austria, England, Holland, Italy, Norway and West Germany.

During the years 1982/83 the production and marketing of pipe seals in the US have been brought together in a single unit. This has been done by merging Forsheda Rubber Corp and Forsheda Pipe Seal Corporation into one company named Forsheda Pipe Seal Corporation. The business is managed from Anderson, South Carolina.

In order to co-ordinate the American operations a holding company was established in the US under the name of Forsheda Inc. The company holds all the shares in Forsheda Pipe Seal Corp and Forsheda Shaft Seal Corp.

In 1983 Forsheda AB entered into a joint venture agreement for the production of pipe seals

in Kuala Lumpur, Malaysia. The activities will be managed in a company called Hume-Forsheda Sdn.Bhd. Forsheda AB will hold 30%. Furthermore a sales company has been established in Singapore.

To protect the trade names earlier used in the company Forsheda Gummifabrik AB and Forsheda International AB have been registered with a share capital of SEK 50 thousand each. The companies have no activities.

In connection with the establishment of Smålandsinvest AB — a regional investment company — Forsheda AB signed for 105.000 shares of which 25.000 B-shares were sold during the year to employees within the Group.

Sedaplast AB — a company manufacturing injection moulded plastic products — situated in Gislaved has during the year been acquired to 20% each of Forsheda Innovation AB and Smålandsinvest AB respectively. The company which is newly started has a number of interesting products.

INVESTMENTS (SEK THOUSAND)

The group's investments in property, plant and equipment were divided as follows:

	Parent company	Group
Property	4.708	10.801
Plant and equipment	8.858	29.045
Patents etc	8.460	8.921
Total	22.026	48.767

In 1983 an agreement was made with A/S Inventor Norway about Forsheda taking over all the patented rights for the so called Rieber System.

Of the Group investments 2.629 relate to the Stefa property and 12.845 to the Stefa plant and equipment.

LIQUIDITY AND FINANCING

Liquid assets of the Group as of December 31, 1983 amounted to SEK 30.969 thousand; in addition there were unused overdraft facilities of SEK 21.464 thousand. The corresponding amounts as of December 31, 1982, were SEK 34.124 thousand and SEK 15.136 thousand.

Liquid assets of the parent company as of December 31, 1983 amounted to SEK 14.357 thousand; in addition there were unused overdraft facilities of SEK 10.050 thousand. The corresponding amounts as of December 31, 1982 were SEK 16.805 thousand and SEK 10.050 thousand.

Loans available at the acquisition of the Stefa companies remain and have in certain cases been increased. For the financing of Stefa Industri AB a

loan of SEK 5.000 thousand as well as bank draft facilities of SEK 5.000 thousand have been taken.

ISSUE OF NEW STOCK AND SPLIT

After a decision at the Annual General Meeting on May 2, 1983, the company's share capital has been increased by SEK 3.000 thousand to SEK 18.000 thousand through an issue of new shares. The increase was made by the company's shareholders using their priority right to subscribe for one new B-share for every five old shares of series B and/or A. The new stock was issued at SEK 200 per share of which amount SEK 50 were transferred to the share capital and SEK 150 to the legal reserve. At the same Annual General Meeting it was decided to change the par value of each share from SEK 50 to SEK 25.

GROUP RETAINED EARNINGS

According to the consolidated balance sheet, Group retained earnings amount to SEK 14.368 thousand. An allocation of SEK 2 thousand to restricted reserves has been proposed.

DISTRIBUTION OF PROFITS

The Board of directors and the managing director propose that the profits of SEK 11.620 thousand at the disposal of the Annual Meeting be distributed as follows:

	SEK thousand
— the shareholders receive a dividend of SEK 2,75 per share	1.980
— the balance be brought forward	9.640
	11.620

INCREASE IN SHARE CAPITAL

The Board of Directors propose an increase of the share capital by an issue of bonus shares 1:2 and after that also an issue of new shares 1:5. At the bonus stock a transfer of SEK 9.000 thousand from the legal reserve is made. At the new issue of shares the company's shareholders have the priority right to subscribe for one new A-share for each five old A-shares and one new B-share for each five old B-shares. The new stock will be issued at SEK 100 each share. Of the new capital SEK 5.400 thousand is transferred to the share capital and SEK 16.200 thousand to the legal reserve. Subscription shall take place during the period September 28 — October 31, 1984. The new shares will be entitled to dividend beginning with the accounting year 1984. Prospectus, subscription rights, and registration forms will be sent to shareholders registered as of September 13, 1984, the date of record for the stock issue.

For other information please refer to the consolidated income statement balance sheet and funds statement and to the corresponding financial statement for the parent company on the following pages.

Consolidated income statement

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Amounts in thousands of SEK	1983	1982
Invoiced sales	401.288	256.891
Other operating earnings (Note 3)	12.236	10.005
Total revenues from operations	413.524	266.896
Expenses of production, selling, and administration	— 363.206	— 233.295
Operating income before depreciation	50.318	33.601
Normal depreciation (Note 1)	— 15.814	— 10.055
Operating income after depreciation	34.504	23.546
<i>Financial income and expenses</i>		
— dividends on shares	+ 30	+ 26
— interest earnings	+ 4.732	+ 5.377
— interest expenses	— 10.539	— 7.204
— rate of exchange losses	— 573	— 1.567
Income before non-recurring items	28.054	20.178
<i>Non-recurring items</i>		
— gain at the selling of shares and property	+ 2.848	—
— moving and structural costs for Stefa	— 4.636	—
Income before year-end provision and tax	26.266	20.178
<i>Year-end provisions</i>		
— change in inventory reserve	— 4.491	— 2.694
— change in payroll reserve	— 2.160	— 1.638
— book depreciation in excess of normal depreciation	— 3.659	— 3.408
— investment fund used for depreciation	+ 5.794	+ 3.691
— compulsory investment fund used for depreciation	—	+ 1.628
— allocation to general investment fund	— 5.220	— 10.357
— allocation to compulsory investment fund	— 3.315	—
Income before tax	13.215	7.400
Tax (Note 5)	— 4.614	— 5.215
Consolidated net income	8.601	2.185

Amounts in thousand of SEK	1983-12-31	1982-12-31
ASSETS		
<i>Current assets</i>		
Liquid assets	30.969	34.124
Bills receivable	2.401	2.368
Customer accounts receivable	31.728	31.169
Prepaid expenses and accrued income		846
Prepaid taxes		1.387
Other receivables	5.715	1.774
Inventories	94.404	54.376
Advance payments to suppliers	2.402	9
	126.122	126.053
<i>Blocked accounts with the Swedish Central Bank</i>		
For general investment fund	3.792	3.640
For compulsory investment fund		157
	5.792	3.797
<i>Fixed assets</i>		
Shares (Note 4)	4.301	1.178
Long term receivables	2.159	1.340
Advance payments to suppliers		45
Patents etc (Note 1)	74	74
Machinery and equipment (Note 2)	31.519	31.519
Fixtures (Note 2)	6.639	6.639
Buildings (Note 2)	26.178	26.178
Land improvements (Note 2)	1.576	1.576
Land (Note 2)	590	590
	69.139	69.139
Total assets	198.009	198.989
<i>Collateral securities</i>		
Property mortgages		42.467
Chattel mortgages etc		27.941
<i>Contingent liabilities</i>		
Guaranties		1.745
Surety bonds		114
Pension liability in excess of provision for pensions		5.747

balance sheet

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Amounts in thousands of SEK	1983-12-31	1982-12-31
LIABILITIES		
<i>Current liabilities</i>		
Bills payable	912	912
Owed to suppliers	19.137	19.137
Accrued taxes	1.502	1.502
Accrued expenses and prepaid income	18.081	18.081
Short-term loans	6.402	6.402
Other current liabilities	5.577	5.577
Advance payments from customers	5.171	5.171
	56.782	56.782
<i>Long-term liabilities</i>		
Bank overdrafts (limit 1983: 21.704; 1982 15.398)	262	262
Mortgage loans	25.253	25.253
Other loans	14.178	14.178
Provisions for pensions, PRI	10.680	10.680
Provisions for pensions, other	172	172
Deferred taxes on untaxed reserves acquired	8.285	8.285
Reserve for unrealized rate-of-exchange gains	2.581	2.581
	61.411	61.411
<i>Untaxed reserves</i>		
Inventory reserve	12.632	12.632
Payroll reserve	6.413	6.413
Accumulated book depreciation in excess of normal depreciation (Note 2)		
— Machinery and equipment	12.547	12.547
— Fixtures	3.818	3.818
— Buildings	7.301	7.301
— Land improvements	287	287
General investment fund	12.236	12.236
Compulsory investment fund	—	—
	55.234	55.234
SHAREHOLDER EQUITY (Note 6)		
<i>Restricted shareholder equity</i>		
Share capital	15.000	15.000
Legal reserve	3.280	3.280
	18.280	18.280
<i>Retained earnings</i>		
Undistributed profits from previous years	5.097	5.097
Consolidated net income	2.185	2.185
	7.282	7.282
Total shareholder equity	25.562	25.562
Total liabilities and shareholder equity	198.989	198.989

Consolidated funds statement

(34)

Amounts in thousands of SEK	1983	1982
SOURCE OF FUNDS		
<i>Funds generated by operations</i>		
Income before year-end provisions and tax	26.266	20.178
Depreciation charged to this income	15.814	10.055
Gain at the sale of shares and property	— 2.848	—
Dividend	— 1.500	— 1.200
Taxes	— 4.614	— 5.215
Deposits to/withdrawals from blocked accounts	— 1.995	543
	31.123	24.361
<i>Fund from external sources</i>		
Sale of shares	3.128	—
Sale of other fixed assets	506	—
Increase in long-term loans	22.629	7.993
Issue of new stock	12.000	—
	38.263	7.993
Total from all sources	69.386	32.354
APPLICATIONS OF FUNDS		
Investment in property, plant, and equipment	40.352	17.649
Investment in shares	3.501	590
Investment in patents etc	8.921	—
Increase in long-term receivables	774	433
Decrease in minority capital	—	1.490
Total application	53.548	20.162
Change in working capital	+ 15.838	+ 12.192
STATEMENT OF CHANGE IN WORKING CAPITAL		
Increase(+)/Decrease(—) in inventories	+ 40.118	+ 10.641
Increase(+)/Decrease(—) in short-term receivables	+ 32.107	+ 8.332
Increase(—)/Decrease(+) in current liabilities	— 53.232	— 6.645
Increase(+)/Decrease(—) in liquid assets	— 3.155	— 136
Change in working capital	+ 15.838	+ 12.192

Parent company income statement

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Amounts in thousands of SEK	1983	1982
Invoiced sales	164.156	143.199
Other operating earnings (Note 3)	15.259	9.801
Total revenues from operations	179.415	153.000
Expences of production, selling and administration	— 158.254	— 132.460
Operating income before depreciation	21.161	20.540
Normal depreciation (Note 1)	— 6.723	— 5.685
Operating income after depreciation	14.438	14.855
<i>Financial income and expenses</i>		
— dividends on shares in subsidiaries	+ 118	+ 1.800
— dividends other shares	+ 30	+ 26
— interest earnings	+ 3.102	+ 4.561
— interest expenses	— 5.627	— 5.812
— rate of exchange loss on long-term loans	— 638	— 1.614
Income before non-recurring items	11.423	13.816
<i>Non-recurring items</i>		
— gain on sale of shares and property	+ 2.848	—
— moving and structural costs for Stefa	— 1.630	—
Income before year-end provisions and tax	12.641	13.816
<i>Year-end provisions</i>		
— change in inventory reserve	— 1.742	— 2.051
— change in unrealised inter-company profits	— 1.828	— 1.143
— change in payroll reserve	— 862	— 333
— book depreciation in excess of normal depreciation (Note 1)	— 783	— 1.365
— general investment fund used for depreciation	+ 3.418	+ 2.313
— compulsory investment reserve used for depreciation	—	+ 750
— allocation to general investment fund	— 1.682	— 6.742
— allocation to compulsory investment fund	— 1.908	—
— group contribution	— 1.305	+ 1.500
Income before tax	5.219	6.745
Tax (Note 5)	— 1.397	— 2.326
Net income	3.822	4.419

Amounts in thousands of SEK	1982-12-31
ASSETS	
<i>Current assets</i>	
Liquid assets	16.805
Customer accounts receivable	15.417
Owed by subsidiaries	19.522
Prepaid expenses and accrued income	359
Prepaid taxes	—
Other receivables	369
Inventories	25.647
	78.119
<i>Blocked accounts with the Swedish Central Bank For general Investment Fund</i>	2.014
<i>Fixed assets</i>	
Shares in non-group companies (Note 4)	378
Shares in subsidiaries (Note 4)	26.474
Owed by subsidiaries	414
Customer accounts receivable	—
Mortgages held	447
Patents etc (Note 1)	—
Machinery and equipment (Note 2)	16.743
Fixtures (Note 2)	4.809
Buildings (Note 2)	16.719
Land improvements (Note 2)	1.039
Land (Note 2)	254
	67.277
Total assets	147.410

<i>Collateral securities</i>	
Chattels mortgages etc	37.450
	20.400
<i>Contingent liabilities</i>	
Guaranties	1.412
Surety bonds for nongroup parties	89
Surety bonds for subsidiaries	8.304
Pension liability in excess of provision for pensions	5.747

balance sheet

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Amounts in thousands of SEK	1982-12-31
LIABILITIES	
<i>Current liabilities</i>	
Owed to suppliers	8.328
Owed to subsidiaries	1.709
Accrued taxes	530
Accrued expenses and prepaid income	8.423
Short-term loans	3.543
Other current liabilities	3.006
Advance payments from customers	5.171
	30.710
<i>Long term liabilities</i>	
Bank overdrafts (limit 1983: 10.065; 1982: 10.065)	15
Owed to subsidiaries	305
Mortgage loans	19.636
Other loans	10.100
Provision for pensions, PRI	10.680
	40.736
<i>Untaxed reserves</i>	
Unrealised inter-company profits	2.148
Inventory reserve	11.541
Payroll reserve	7.411
Accumulated book depreciation in excess of normal depreciation (Note 2)	
— Machinery and equipment	10.391
— Fixtures	2.844
— Buildings	4.937
— Land improvements	295
General Investment Fund	9.829
Compulsory investment fund	—
	49.396
SHARE HOLDER EQUITY (Note 6)	
<i>Restricted shareholder equity</i>	
Share capital	15.000
Legal reserve	3.000
	18.000
<i>Retained earnings</i>	
Undistributed profits from previous years	4.149
Net income	4.419
	8.568
Total shareholder equity	26.568
Total liabilities and shareholder equity	147.410

Parent company funds statement

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Amounts in thousands of SEK	1983	1982
SOURCE OF FUNDS		
<i>Funds generated by operations</i>		
Income before year-end provisions and tax	12.41	13.816
Depreciation charged to this income	6.72	5.685
Gain at the sale of shares and property	—	—
Dividend	—	1.200
Taxes	1.397	2.326
Deposits to/withdrawals from blocked accounts	—	236
	12.38	16.211
<i>Funds from external sources</i>		
Sale of shares	—	—
Sale of fixed assets	—	—
Decrease of long-term receivables	—	1.544
Increase of long-term loans	2.149	1.577
Group contribution	—	1.500
Issue of new stock	12.000	—
	17.783	4.621
Total from all sources		20.832
APPLICATIONS OF FUNDS		
Investment in property, plant, and equipment	—	9.149
Investment in shares	—	2.074
Investment in patents etc	—	—
Increase of long term receivables	—	—
Group contribution	—	—
Total application		11.223
Change in working capital		+ 9.609
STATEMENT OF CHANGE IN WORKING CAPITAL		
Increase(+)/Decrease(—) in inventories		+ 4.556
Increase(+)/Decrease(—) in short-term receivables		+ 10.753
Increase(—)/Decrease(+) in current liabilities		— 1.439
Increase(+)/Decrease(—) in liquid assets		— 4.261
Change in working capital		+ 9.609

Notes to the Financial Statements

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ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS.

The consolidated financial statements have been prepared in accordance with the purchase method.

In the financial statements of Group companies outside Sweden, the income statements are converted to Swedish kronor (SEK) at the average rate of exchange for the year, except that for depreciation the rate at the time of the investment is used. As for items in the balance sheet, current assets and liabilities are converted to SEK at the rate of exchange on the date of the balance sheet. Property, plant, and equipment are converted at the rates in effect at the time of acquisition.

The converting differences which arise because different rates are used for different items in converting the balance sheets of the foreign subsidiaries, are treated in the following manner:

Rate-of-exchange gains are credited to a reserve which is reported as a long term liability. Rate-of-exchange losses are charged to income for the year to the extent that they cannot be absorbed by the previous reserve for unrealized rate-of-exchange gains.

VALUATION PRINCIPLES

Inventories have been valued at the lower of cost or market value, with the necessary deduction for non-saleable items.

As for assets and liabilities in foreign currencies, receivables have been converted to local currencies at the lower of the rate of exchange in effect at the time the receivable arose and the rate on the date of the balance sheet, and liabilities at the higher of the rate in effect at the time the liability arose and the rate on the date of the balance sheet.

NOTE 1. DEPRECIATION

Normal depreciation is taken on machinery and equipment at rates determined from an estimate of the economic and technical useful life of the assets. Depreciation is based on actual acquisition cost, and are divided into 3-10 years. Depreciation in excess of normal depreciation is reported as a year-end provision.

Patents etc are depreciated according to plan in 5 years.

Normal depreciation on buildings is based on the acquisition cost, divided into 20-25 years whereas fixtures are depreciated at the actual acquisition cost in 10 years. Book depreciation in excess of normal depreciation is reported as a year-end provision.

Depreciation for the year is divided among the following items (SEK thousand):

	Group		Parent company	
		1982		1982
NORMAL DEPRECIATION				
Patents etc		—		—
Machinery and equipment		7.189		3.745
Fixtures		1.348		1.007
Buildings		1.443		882
Land improvements		75		51
Total normal depreciation		10.055		5.685
EXCESS BOOK DEPRECIATION				
Machinery and equipment		161		599
Fixtures		733		669
Buildings		2.258		1.031
Land improvements		256		264
Total excess book depreciation		3.408		1.365
Total depreciation		13.463		7.050

NOT 2. FIXED ASSETS

Amounts in thousands of EK	Group		Parent Company	
	1983	1982	1983	1982
MACINERY AND EQUIPMENT				
Acquisition value		87.056		51.130
Accumulated normal depreciation		55.537		34.387
Estimated remaining value		31.519		16.743
Accumulated excess book depreciation		12.547		10.391
		18.972		6.352
FIXTURES				
Acquisition value		16.177		12.260
Accumulated normal depreciation		9.538		7.451
Estimated remaining value		6.639		4.809
Accumulated excess book depreciation		3.599		2.844
		2.821		1.965
BUILDINGS				
Acquisition value		37.063		25.292
Accumulated normal depreciation		10.885		8.573
Estimated remaining value		26.178		16.719
Accumulated excess book depreciation		7.301		4.937
		18.877		11.782
LAND IMPROVEMENTS				
Acquisition value		1.983		1.370
Accumulated normal depreciation		407		331
Estimated remaining value		1.576		1.039
Accumulated excess book depreciation		287		295
		1.289		744
LAND				
Acquisition value		590		254
TAX ASSESSMENT VALUE OF REAL ESTATE IN SWEDEN				
Value of buildings		21.615		16.165
Value of land		3.070		2.270
		24.685		18.435

NOTE 3. OTHER INCOME

In the amount there are investment contributions of
 — for the parent company
 — for the group companies

	1982
	658
	296
	954

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NOTE 4. SHARES AS OF DECEMBER 31, 1983

<u>Direct holding</u>		Par value in local currency (1000)	Book value (SEK thou- sand)
PARENT COMPANY HOLDING			
<i>Subsidiaries</i>	Number		
Forsheda Innovation AB	4.000		2.000
Stefa Industri AB	100.000		10.075
Scandmec AB	30.000		14.500
Forsheda S A, France	36.000	FRF	2.542
Forsheda A/S, Norway	50	NOK	48
Forsheda A/S, Denmark	6	DKK	226
Forsheda Inc., USA	1.175	USD	5.709
Forsheda A G, Switzerland	250	CHF	1.177
Forsheda GmbH, West Germany	200	DEM	38
Forsheda Ltd, England	10.000	GBP	100
Forsheda Gummifabrik AB	500		50
Forsheda International AB	500		50
			36.515
<i>Other shares</i>			
Smålandsinvest AB (17%)	80.000		2.400
GROUP HOLDING			
Fiberkonst AB (25%)			800
Sedaplast Försäljnings AB (20%)			1.000
Design & Engineering Co Ltd, England (10%)			101
Parent company holding of other shares as above			2.400
			4.301
<u>Indirect holding — 100%</u>			
AB Mekania-Verken	Stefa SpA, Italy		
Stefa A/S, Norway	Stefa B V, Holland		
Stefa Ltd., England	Forsheda Pipe Seal Corp, USA		
Stefa GmbH, Germany	Forsheda Shaft Seal Corp, USA		
Stefa Ind. GmbH, Austria			

NOTE 5. TAX

In the amount for 1983 a temporary profit tax of 396 thousands SEK is included.

NOTE 6. SHAREHOLDER EQUITY

The share capital is divided into 720.000 shares of SEK 25 par value. Of the shares 94.500 are A-shares (10 votes each) and 625.500 are B-shares (1 vote each).

	Share capital	Legal reserve	Retained earnings	Total
GROUP				
Balance sheet December 31, 1982	15.000	3.280	7.282	25.562
Dividend 1983			— 1.500	— 1.500
New issue of stock 1983	+ 3.000	+ 9.000	—	+12.000
Legal reserves		15	— 15	
			5.767	
Consolidated net income 1983			+ 8.601	+ 8.601
Balance sheet December 31, 1983	18.000	12.295	14.368	44.663
PARENT COMPANY				
Balance sheet December 31, 1982	15.000	+ 3.000	8.568	26.568
Dividend 1983			— 1.500	— 1.500
New issue of stock 1983	+ 3.000	+ 9.000	—	+12.000
			7.068	
Consolidated net income 1983			+ 4.552	+ 4.552
Balance sheet December 31, 1983	18.000	12.000	11.620	41.620

Forsheda, March 20, 1984

Sten G Carlston
Chairman

Gunnar Hambraeus

Rolf Jinglöv

Bertil Persson

Jan-Erik Rönnbäck

Sten Sporre

Sven Sporre

Sigurd Tedenstad

Jan-Ove Forsell
Managing Director

Our auditor's report for this annual report was issued on March 30, 1984

Ragnar Fernholm

Lennart Huldén

Auditor's Report

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We have the annual report, the consolidated financial statements, and the accounts for 1983, and the administration by the board of directors and the managing director for that year. The examination was carried out according to generally accepted auditing standards.

THE PARENT COMPANY

The annual report has been prepared in accordance with the Swedish Companies Act.

We recommended that:
the income statement and the balance sheet be approved
the profits be distributed as proposed by the board of directors
and the managing director
the board of directors and the managing director be relieved of all further responsibility for 1983.

THE GROUP

The consolidated financial statements have been prepared in accordance with the Swedish Companies Act.

We recommended that the consolidated income statement and the consolidated balance sheet be approved.

Forsheda, March 30, 1984

Ragnar Fernholm
Authorized
public accountant

Lennart Huldén
Authorized
public accountant

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FORSHEDA