



GWE

Interim Report 2004

Review by the Chief Executive

The GWS Group's profit trend for January-June was positive. A good profit from operations and profits made on the sale of shares boosted the Group's operating profit to EUR 20.1m (2.4m), of which profits on share sales amounted to EUR 11.8m. Net profit of EUR 17.0m (1.7m) already exceeds last year's annual profit. The improvement in Perlos' profits are primarily behind this good trend; however, GWS Pikval and GWS Systems also improved their results considerably over the previous year with GWS Pikval even attaining a good operating profit level of 9%. The Kyro Corporation also managed to maintain profitability despite a weak economic trend in the field.

GWS has some 450 shareholders, so that it is natural that the company's shares are also continuously being traded. Marketplaces have come into being for such unlisted shares. On the Privanet exchange GWS shares have been one of the two most traded shares this year. Determining GWS's share value is a daunting task when the company's holdings comprise subsidiaries, real estate and shares listed on the stock exchange.

This year GWS's share value is for many reasons substantially raised by the corporation tax reform in progress: GWS's shares in Perlos and Kyro were acquired at considerably lower prices than present stock exchange share prices. When tax on the sales profits is revoked by the reform, the present book value of a GWS share is for this reason alone over EUR 10 per share.

At the Annual General Meeting we presented the viewpoint of corporate management on the existing value of a GWS share. We want to continue this kind of service to our shareholders. In order to obtain an independent opinion of the share value, we have commissioned a valuation as at 30.6.2004 from a specialist company called Pro Value. According to this valuation the value of a GWS share was then EUR 70.5 per share, while the share price of a Perlos share was EUR 8.56 and that of Kyro EUR 7.55.

We shall update this valuation at least biannually and pass on this information to our shareholders.

Outlook for the near future

We expect the Group's positive profit trend to continue and the yearend operating profit to be at the same level as for the first half year.

In accordance with strategy GWS's holding in the present subsidiaries will decrease in the long term, while at the same time we are searching for one more new business sector for the Group. We shall provide information on the ensuing solutions separately.

Heikki Mairinoja

Chief Executive

Financial Review

At the end of June 2004 the GWS Group comprised the parent company, the associated companies, the Perlos Corporation and the Kyro Corporation, and the fully-owned subsidiaries, GWS Systems and GWS Pikval. At the end of June GWS held a 31.9% stake in the Perlos Corporation and 16.2% in the Kyro Corporation.

The following information on the results of the listed associated companies and future outlooks is based on stock exchange releases and interim reports issued by the companies themselves.

Associated Company the Perlos Corporation

The Perlos Group's turnover for the first half year was clearly up by 36% on the corresponding period for last

year, amounting to EUR 262.8m (193.3m). Half-year profit was EUR 23.4m (-2.3m). In addition cashflow from operations improved to EUR 36.7m (8.7m). The Perlos Group's financial position has remained good and at the end of June non-restricted cash assets amounted to some EUR 32m (17m). The Group's equity ratio increased to 45% (41%).

The growth in mobile-phone sales has continued to be buoyant. Several estimates put first-half volume growth in the range of 35%. Growth is expected to continue, while a number of mobile-phone manufacturers and research institutes have revised their estimates for sales for the present year upwards to some 600 million handsets, signifying a growth of about 20%.

Perlos' most important markets in the pharmaceutical sector are forecasted to maintain annual growth of around 10%.

Turnover of the Telecommunications and Electronics business sector is expected to grow in 2004 in line with volume growth in global mobile-phone markets. Turnover for the Pharma business sector is expected to increase slightly on the previous year.

Operating profit and net profit for the second half year are forecasted to be at the same level as, or slightly lower than, those for the first half year.

The GWS Group's six-month profit includes the share in the profit of Perlos amounting to EUR 7.7m. Dividends from Perlos have been paid out to the parent company, G.W. Sohlberg Corporation, to the amount of EUR 1.8m during 2004.

Associated Company the Kyro Corporation

The turnover of the Kyro Corporation dropped slightly during the period under review from the previous year, amounting to EUR 107.8m (109.5m). Profit for the period under review of EUR 4.7m (4.6m) remained at the level of the previous year. Kyro's financial position remains good. The Group's equity ratio is about 60% (57%). The Group's orderbook grew from the end of the first quarter, amounting to some EUR 79m (76m) at the end of June.

The basic set-ups of the Kyro Group's activities for the present year are positive. Glaston Technologies is world leader in a growing business sector. Kyro Power's business activities are stable and profitable.

Glaston Technologies' orderbook has turned to growth and the offer book level is good. The Glass Technology Group's leadership position in the market and basing manufacturing in subcontracting provide the capabilities to utilise an upturn.

The present exchange rate of the euro and the weakness of the Central European market will nevertheless reduce the Kyro Group's turnover and growth in profitability for the present year. Turnover and net profit for 2004 are estimated to be at the same level as for the previous year.

The GWS Group's six-month net profit includes the share in the profit of Kyro totalling EUR 0.4m. Dividends from Kyro have been paid out to the parent company to the value of EUR 1.9m during 2004.

Subsidiaries

The respective turnovers of the Group's fully-owned subsidiaries have developed according to plan.

The profit trend for both companies, GWS Systems and GWS Pikval, has been positive, while six-month net profits showed a marked improvement on the previous year, exceeding budget.

For both GWS Systems and GWS Pikval annual net profits for 2004 are expected to be clearly positive and exceed budget targets. The result of both companies is improved by a stable market situation and the readjustment programmes already started in 2003. Net profit for both companies is impaired by reorganisations of overseas operations.

The GWS Group

The GWS Group's first half net profit is good. Net profit for the six months amounts to EUR 17.0m (1.7m). The financial result of the GWS Group in its present corporate structure is most influenced by the shares in the profits of the associated companies, the Perlos Corporation and the Kyro Corporation, as well as the profit on the sale of shares realised through changes in shareholdings.

EUR 8.1m (3.9m) of the Group's net profit is generated by the share in the profits of the associated companies. Consolidated net profit includes EUR 11.8m (0.0m) from profits on the sale of shares.

The Group's financial position is solid. Interest-bearing net liabilities have decreased from the previous year by EUR 30m, standing at present at EUR 38.4m (68.4m). The GWS Group's official equity ratio has risen markedly and is now at the level of about 52% (38%).

Ari Saarenmaa

GWS Group

EUR m	1-6/2004	1-6/2003
Turnover	20.6	17.3
Share in profit of associated companies	8.1	3.9
Operating profit	20.1	2.4
Net profit	17.0	1.7
Equity ratio %	52.1%	38.0%
Shareholders' equity	87.4	67.8
Interest-bearing net liabilities	38.4	68.4
Balance sheet total	168.8	180.0

