



GWE

*I n t e r i m R e p o r t 2 0 0 5*

## *Review by the Chief Executive*

The GWS Group's expectations for profit this year have not been fulfilled. From the very outset of the year it was apparent that the result of all units would be focused on the latter half of the year.

Kyro's profit trend has met expectations. The trend for Perlos unfortunately has moved into a considerably weaker direction than expected. Moreover, expectations for Perlos' full-year result have substantially diminished. Perlos' result is also encumbered by the reserve set up for costs incurred due to the closure of the Ylöjärvi plant.

As a result of Perlos' loss-making result net profit for the GWS Group shows a loss of EUR 3.7m for the first half year. The second half, however, is expected to be a marked improvement on the first. The level of profit even for the second half will nevertheless not be sufficient. Very robust measures will have to be taken to improve Perlos' profitability.

Due to the weak profit trend Perlos' share price has fallen sharply, thereby weakening the book value of GWS shares, which stood at EUR 60.1 per share as at 30 June 2005 according to the valuation carried out by Pro Value.

A substantial change occurred in the GWS Group structure in May of this year when the GWS Group's shareholding in the Kyro Corporation rose to 33.1%. This was an important step in trying to achieve a more stable value trend for GWS shares.

During the period under review the GWS Group also acquired a stake of about one fourth in Detection Technology Oy. The company's growth and profit trends have met expectations. In conjunction with the other owners we shall endeavour to take care that profitable growth continues.

We are going through a good stage in the business cycle. Demand for products offered by all GWS Group business units has remained strong and looks likely to remain so in the near future as well. In such a market situation corrective measures to solve profit-related problems are considerably easier to take than during a period of weak demand. We are optimistic that a turn for the better will be quickly accomplished.

*Heikki Mairinoja*  
Chief Executive

## *Financial Review*

At the end of June 2005 the GWS Group comprised the parent company; the associated companies, the Kyro Corporation, the Perlos Corporation and Detection Technology Oy, and the entire shareholding in the subsidiary, GWS Pikval Oy. GWS held a 33.1% stake in the Kyro Corporation, a 29.1% stake in the Perlos Corporation and a 26.4% stake in Detection Technology Oy at the end of June.

The profit information and outlook statements concerning the listed associated companies presented below are based on stock exchange releases and interim reports issued by the companies themselves.

### *Associated Company the Kyro Corporation*

Turnover of the Kyro Corporation for the period under review amounted to EUR 124.5m (EUR 120.7m). Operating profit came to EUR 10.8m (EUR 13.2m) and net profit for the review period to EUR 6.6m (EUR 9.5m). Kyro's financial

position continues to be good. Group equity ratio stands at about 61 per cent (57 per cent). The Group orderbook grew, amounting to EUR 145m (EUR 120m) at the end of June.

The Kyro Group's basic setups for 2005 are good. Its order and offer book is at a high level. The most extensive service network in the sector, the widest product range and the One Stop Partner concept give Glaston Technologies outstanding possibilities to better meet customer needs. Glaston Technologies is striving to reinforce its position in the market, boost its operations and exploit synergies.

Kyro is aiming to attain a better turnover and net profit than for the previous year. Success for the second half year will be decided by throughput of an even bigger orderbook, which in IFRS accounting depends more than before on the readiness of customers to accept orders.

The GWS Group's six-month interim result includes the share of Kyro's profit amounting to EUR 1.2m.

Dividends paid out by Kyro to the GWS Group amount to about EUR 1.2m for 2005.

#### *Associated Company the Perlos Corporation*

The Perlos Group's turnover for the first half year remained at the level of the corresponding period of the previous year, amounting to EUR 264.8m (EUR 262.8m). The half-year result stood at -EUR 14.8m (EUR 22.7m), including one-off costs related to the closure of the Ylöjärvi plant of EUR 13.6m. Net cash flow from operations came to -EUR 9.2m (EUR 35.6m). The Perlos Group's unrestricted liquid assets stood at about EUR 17m (EUR 32m) at the end of the review period. The Group equity ratio dropped to 36 per cent (40 per cent).

Worldwide growth in mobile-phone markets has been vigorous with growth in sales of mobile-phone handsets quite generally expected to be in the region of 15 per cent for the year. The most significant markets for Perlos in the healthcare sector are forecast to maintain an annual growth of some 10 per cent.

Perlos forecasts that full-year turnover for the Telecommunications and Electronics business sector will increase virtually in line with the growth in handsets in the mobile-phone market. Turnover of the Healthcare business sector is forecast to grow at a considerably faster rate than the healthcare market.

As a result of tight price competition and a loss-making first half-year full-year earnings per share, including non-recurring items charged to changes in corporate structure, are forecast to stay at a loss.

The GWS Group's six-month interim result includes the share of Perlos' profit amounting to -EUR 4.3m. Dividends paid out to the G.W. Sohlberg Corporation by Perlos amount to EUR 3.1m for 2005.

#### *Associated Company Detection Technology Oy*

Detection Technology Oy's turnover increased by about 28 per cent on the previous year, totalling EUR 4.9m (EUR 3.8m) for the period under review. Operating profit stayed at the level of the previous year, amounting to EUR 0.2m (EUR 0.2m).

Based on the orderbook and forecasts provided by customers the company's turnover is expected to increase substantially in the second half-year.

#### *Subsidiary GWS Pikval Oy*

GWS Pikval Oy's turnover amounted to EUR 8.5m (EUR 10.4m). Operating profit was EUR 0.1m (EUR 1.0m).

The reason for the drop in both turnover and net profit from those posted for the corresponding period of the previous year is that completion of major department store projects is timed to take place in the second half-year.

GWS Pikval's turnover and net profit for 2005 are expected to be at the level of the previous year.

#### *GWS Group*

The GWS Group's first-half result is unsatisfactory. The six-month result shows a loss of EUR 3.7m (EUR 17.0m). In the present corporate structure the GWS Group's financial result is most affected by the shares in the profits of the associated companies, Perlos and Kyro, as well as the profit on the sale of shares realised through possible changes in shareholdings.

The consolidated loss of EUR 3.1m (EUR 8.1m) is generated by the share in the profits of the associated companies. The Group result includes profit on the sale of shares amounting to EUR 0.7m (EUR 11.8m).

The Group's financial position continues to be good. Profit-bearing net liabilities came to EUR 84.1m (EUR 38.4m) at the end of the review period. This figure has increased mainly due to the purchase of Kyro Corporation shares. The GWS Group's official equity ratio is in the region of 48 per cent (52 per cent).

#### *Ari Saarenmaa*

#### *GWS Group*

EUR m (unless otherwise indicated)	1-6/2005	1-6/2004	1-12/2004
Turnover	8.5	20.6	29.6
Share in profit of associated companies	-3.1	8.1	18.9
Operating profit	-3.3	20.1	42.0
Net profit	-3.7	17.0	38.2
Equity ratio %	47.7%	51.8%	62.8%
Shareholders' equity	87.7	87.4	104.7
Interest-bearing net liabilities	84.1	38.4	33.8
Balance sheet total	184.0	168.8	166.8
Share value/Pro Value EUR	60.1 €	70.5 €	89.5 €

