



**GWS**

Interim Report

**2007**

## Review by the Chief Executive

The year 2007 has so far been a year of change. Coming into the year, both listed Group companies, Perlos and Glaston, had just undergone a CEO change and both new CEOs have actively started to revitalize their respective companies.

Detection Technology also appointed a new CEO this summer.

Glaston announced a major transaction early in the summer. Through the acquisition of a global leading software house, based in Germany, Glaston secured crucial glass processing know-how. Glaston's order book has also developed favourably and the outlook for the glass processing industry in general looks balanced.

The difficult but unavoidable restructuring measures announced at Perlos early in the year have progressed as planned. The related one-off costs are, however, clearly reflected in the poor profitability of GWS during the first half of the year.

In August Lite-On Technology Corporation of Taiwan announced their intention to submit a tender offer for all the shares of Perlos. GWS views the offer as very favourable for

Perlos' shareholders and has given an irrevocable undertaking to render all its shares in the offer. When completed, the combination of Perlos and Lite-On would create a new powerhouse in the telecom supply chain.

Our challenges with Detection Technology have continued this year. Streamlining the company's operating model and strengthening its administration and management have, however, formed a solid foundation to build upon for the future. Its sound customer relationships and our dedicated commitment to the company will support Detection Technology on its path back to profitable growth.

The announced tender offer for Perlos would, when completed, generate a major positive effect on the GWS 2007 figures. It would also greatly support our ambitions to develop GWS with long-term strategic objectives in mind.

**Andreas Tallberg**  
Chief Executive

## Financial Review

At the end of June 2007 the GWS Group comprised the parent company, the associated companies, the Glaston Corporation, the Perlos Corporation, and the subsidiary, Detection Technology, Inc. GWS held a 33.1% stake in the Glaston Corporation, a 29.1% stake in the Perlos Corporation and a 61.4% stake in Detection Technology, Inc. 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 Glaston Corporation**

The turnover for the continuing operations of the Glaston Group for the period under review amounted to EUR 123.7m (EUR 98.6m). The comparable consolidated operating profit

came to EUR 5.5m (EUR 1.9m) and net profit for the review period to EUR 0.2m (EUR 4.3m). Net profit was burdened by non-recurring items, incurred through post-delivery costs concerning projects for 2006 and operational restructuring programmes. Glaston's financial position remains good. Group equity ratio stands at some 53 per cent (62 per cent). The order book at the end of June amounted to about EUR 122m (EUR 82m).

Investments made by Glaston's customers, namely glass manufacturers, are supported by the growth in the building industry throughout the whole world except for North America where housing construction is rather subdued. Public building is growing in all market areas. Glaston's unique OSP (One Stop Partner) concept is in ever greater demand as customer capacity and efficiency requirements are increasing.

Glaston's net profit for 2007 is burdened by non-recurring items booked to the second quarter. Glaston's order book in the summer of 2007 was at a very good level. Based on present market prospects Glaston will increase turnover and operating profit in 2007.

The GWS Group's six-month result includes the share of Glaston's profit after goodwill amortisation totalling EUR -1.2m. Dividends paid out by Glaston to the GWS Group have amounted to about EUR 2.4m during 2007.

### Associated Company the Perlos Corporation

The Perlos Group's turnover for the first half-year dropped significantly year-on-year, amounting to EUR 240.3m (EUR 355.0m). The half-year result was EUR -53.6m (EUR -3.4m), including non-recurring costs of EUR 38.9m related to the profitability improvement programme.

Net cash flow from operations came to EUR -0.5m (EUR 28.1m). The Perlos Group's liquid assets at the end of the review period amounted to some EUR 38m (EUR 24m). The Group's equity ratio fell to 27 per cent (35 per cent). Net interest-bearing debt dropped slightly to EUR 145.7m (EUR 171.0m).

The Group's gross investments amounted to EUR 24.9m (EUR 29.8m). The major investment targets for the beginning of the year were the new plants in Guangzhou, China, and Chennai, India. The construction of the new plants has proceeded according to plan with the plants ready for production during the first half-year.

The profitability improvement programme, initiated in January, has progressed ahead of schedule, and Perlos' operating profit before non-recurring items is forecast to be considerably better in 2007 than in 2006.

Perlos' turnover trend is being affected in the current year by the discontinuation of BenQ Mobile's production activities in Europe and a decline in demand for Perlos' services in

Finland and in North and South America. Turnover for 2007 is forecast to be over a quarter less than for 2006.

The GWS Group's six-month result includes the share of Perlos' profit (loss) totalling EUR -15.6m. Dividends have not been paid out by Perlos to the G.W. Sohlberg Corporation during 2007.

### Subsidiary Detection Technology, Inc.

The turnover of Detection Technology, Inc. (DT) dropped slightly from that of the previous year, amounting to EUR 4.5m (EUR 5.1m) for the review period. Operating profit remained at the same level of the previous year at EUR -0.2m (EUR -0.3m).

The company's comparable turnover is expected to remain at the level of the previous year and the net result to show a loss.

### GWS Group

The GWS Group's first-half result was unsatisfactory. The six-month result came to EUR -19.9m (EUR -2.6m). The GWS Group's financial result is most affected in the present corporate structure by the share of the profits of the associated companies, Perlos and Glaston.

Detection Technology's six-month result, consolidated in GWS Group figures, amounted to EUR -0.7m (EUR -0.7m). The GWS Group's result includes the share of the associated companies' profit (loss) amounting to EUR -16.8m (EUR 0.2m). The Group has not sold shares during the review period.

The Group's financial position remains satisfactory. Interest-bearing net liabilities amounted to EUR 112.0m (EUR 103.2m) at the end of the review period, also including the Detection Technology Group's debt. The GWS Group's official equity ratio is in the region of 30 per cent (41 per cent).

**Ari Saarenmaa**

CFO

### The GWS Group

EUR m (unless otherwise indicated)	1– 6/2007	1– 6/2006	1–12/2006
Turnover	4.5	2.5	4.6
Share of profit of associated companies	-16.8	0.2	-5.9
Operating profit	-17.8	-1.3	-13.2
Net profit	-19.9	-2.6	-14.8
Equity ratio	% 30.0	40.8	34.6
Shareholders' equity	52.7	85.8	73.7
Interest-bearing net liabilities	112.0	105.0	110.8
Balance sheet total	166.1	214.7	207.8

