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# THE GWS GROUP ORGANISATION 1.3.1995

**Oy G.W. Sohlberg Ab**  
**Board of Directors**

CEO Kari O. Sohlberg

**Board of Management**

**Finance**

Finance Director Pekka Soveri

**GWS Perlos Oy**  
**Board of Directors**

Kari O. Sohlberg, Chairman  
Carl Johan Tingren, Vice Chairman  
Sten-Olof Hansén  
Matti Jääsalo  
Sakari Salminen  
Matti Vartia

Managing Director Matti Vartia

Technical Plastics  
Division Director  
Matti Herranen  
Deputy Division Director  
Olavi Pesonen

CEP Plastics  
Division Director  
Paavo Mujunen  
Deputy Division Director  
Seppo Arento

Connectors  
Division Director  
Hannu Mönkkönen

Tools  
Division Director  
Keijo Riuttala  
Deputy Division Director  
Esa Vuorinen

Perlos Ltd., UK  
Managing Director  
Teemu Saloranta

GWS Perlos (Texas), Inc., USA  
President  
Matti Jääsalo

**GWS Systems Oy**

Managing Director  
Klaus Pinomaa

GWS Industri AB, Sweden  
G.W. Sohlberg GmbH, Germany  
GWS Industries S.A., France  
GWS Inc., USA

**Packaging**

Plastic Packaging Group/Klaukkala Plant  
Canpak/Pori Plant  
Director  
Risto Summa

Container Group  
Director  
Hans Johanson

**GWS Pikval Oy**

Managing Director  
Juhani Markkanen

# THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND AUDITORS

## The Board of Directors

Chairman  
Klaus Sohlberg\*)  
Consul, B.Sc. (Econ.)  
Vice Chairman  
Olavi Mantere  
M.Sc. (Eng.)  
Rolf Hasselblatt  
President  
Kauko Pihlava\*)  
LL.Lic.  
Jorma Routti  
Professor  
Kari O. Sohlberg  
CEO  
Heikki Tulenheimo  
M.Sc. (Eng.)

\* term of office expiring

## The Board of Managers

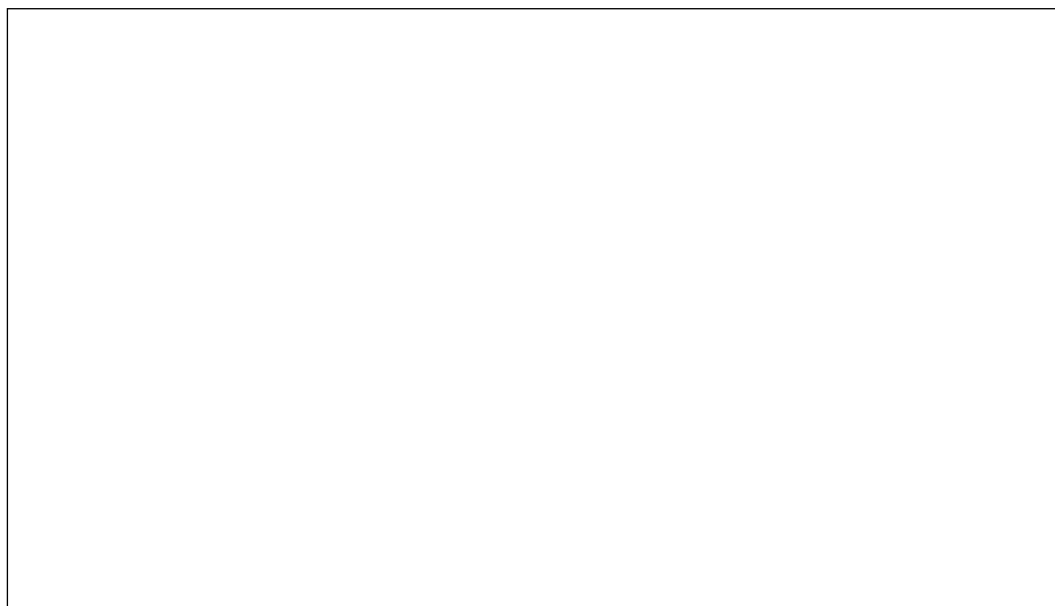
Chairman  
Kari O. Sohlberg  
CEO  
Matti Jääsalo  
President  
Pekka Soveri  
Finance Director  
Matti Vartia  
Managing Director

## Auditors

Kari Manner  
C.A.  
Juhani Virkkunen  
Juhani Kairamo

## Deputy Auditors

Jarmo Lohi  
KHT  
Anneli Cederberg  
Kihlman Oy



## Members of the GWS Board of Directors.

Front row, left to right: Olavi Mantere (Vice Chairman), Klaus Sohlberg (Chairman) and Kari O. Sohlberg.

Back row, left to right: Kauko Pihlava, Rolf Hasselblatt, Heikki Tulenheimo and Jorma Routti.

## REVIEW BY THE CHIEF EXECUTIVE

1994 marked a clear turnaround for the GWS Group. Gross liabilities decreased by FIM 184m. Profit after financial items improved by almost FIM 140m to FIM 26.6m. Turnover did fall, but, if the figures for the disposals are eliminated from 1993, the comparable figure for turnover shows a 20% increase. Targets for turnover and profit were exceeded. Return on shareholders' restricted equity was 18.3%. The good

development attained is mainly due to the development programme already carried out in 1993 as well as to considerable improvements in the profit figures for the subsidiaries and Parent Company's profit centres. All Group units made a profit at the operational level. I wish to extend the warmest thanks to all GWS employees for the fine, productive work they have done throughout the year. The years of difficulty are over.

The particularly rapid growth attained by GWS Perlos Oy and its UK based subsidiary, Perlos Ltd, continued. The entire Perlos Group once again achieved a good result. Perlos' objective to serve its main customers, operating in global markets, has meant a firm commitment to carrying through an extensive investment programme. The UK plant has been expanded. A new plant, built in cooperation with Kontiolahti local council, was put into operation in Finland at the turn of the year. Manufacturing operations are starting up in Forth Worth, Texas, at the beginning of the summer. The technical plastics unit in Joensuu is moving into new premises, and in Ylöjärvi near Tampere tool manufacture is starting during the spring. Carrying out the 1994-95 investment programmes provides Perlos with over 20,000 sq.m. of new production space. Special attention has also been devoted to machinery automation, new production methods and the overall training and recruitment of personnel.

Developments in the Industrial Group have been most positive. GWS Systems Oy attained a 21% rise in turnover and its result was most satisfactory. The most successful result by foreign sales companies belonging to the group was achieved by Sweden. Improved profitability was also encouraging in France and the UK.

Export of System GWS workpoints to Nordic countries,

Europe and North America increased and also domestic demand clearly picked up. Overseas operations accounted for 51.5% of the turnover. The most positive growth in demand among the product lines was for the FPS (flexible production system).

The fine growth achieved by the Plastic Packaging Group at the beginning of the year dropped off at the end of year. The three month raw-materials price increase of some 80% during the autumn weakened the operational prospects of the group Klaukkala and Pori plants. The result of the Plastic Packaging Group did not meet budget and was only fair. Investments on machinery substantially improve the group's competitiveness.

Developments in the Virrat Finncont unit were satisfactory. The result improved considerably and met budget. A new plastics rotation-moulding machine enables delivery capability of higher-quality products in burgeoning environmental markets. Exports of IBCs rose sharply and exports accounted for 46% of the entire turnover.

GWS Pikval's operations were much better than forecast. Large deals made throughout the year increased the turnover, which exceeded budget. There was an excellent improvement in the result with respect to the previous year. The Pikval-to-the-Top project for the development of internal operations was implemented during the spring, aimed at improving customer satisfaction and boosting profitability.

Although Group solidity showed a clear improvement, it still remains too weak. Outlook for earnings in the near future and implementation of the connected project to improve the balance sheet together mean that the target of reaching a 30% shareholders' equity ratio in 1996 is set at a realistic level. The solidity target for the end of the decade is 40%.

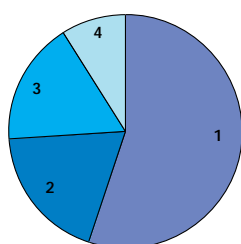
The plan for the 1995 result calls for a rapid growth of 25% in turnover. Developments in the Group profits are getting stronger and ROI is forecast to rise to 22%. Figures for first three months indicate the plan is being realised.

An important year of change is over. All at GWS wish to thank all related groups for their trust and fine cooperation.

Espoo, 30 March 1995

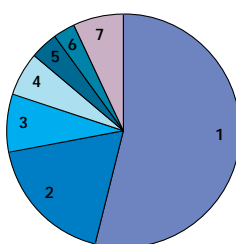
## GROUP DEVELOPMENT KEY FIGURES

**Turnover by business sector**



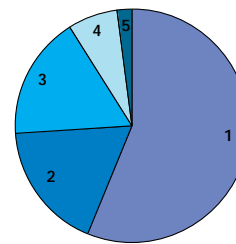
1. Technical plastics	FIM	359.4m	55%
2. Industrial fittings	FIM	124.9m	19%
3. Packaging	FIM	109.6m	17%
4. Interior fittings	FIM	55.5m	9%
	FIM	649.4m	100%

**Turnover by market**



1. Finland	FIM	353.2m	54%
2. Sweden	FIM	118.8m	18%
3. Germany	FIM	49.4m	8%
4. UK	FIM	40.1m	6%
5. France	FIM	25.3m	4%
6. USA	FIM	18.2m	3%
7. Others	FIM	44.4m	7%
	FIM	649.4m	100%

**Staff by business sector on average**



1. Technical plastics	732 persons	56%
2. Industrial fittings	230	18%
3. Packaging	222	17%
4. Interior fittings	96	7%
5. Other units	33	2%
	1,313 persons	100%

### Highlights

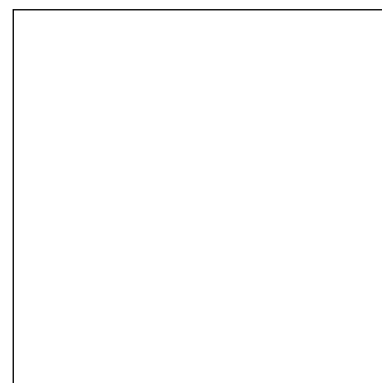
	1994	1993	Change %
Turnover, FIM m	649.4	750.4	-13.5
Operating margin, FIM m	118.9	46.3	+156.8
as % of turnover	18.3	6.2	
Depreciation according to plan, FIM m	47.8	50.5	- 5.3
Profit before extraordinary items, allocations and taxes, FIM m	26.6	-110.9	
Profit before allocations and taxes, FIM m	24.0	- 88.5	
as % of turnover	3.7	- 11.8	
Shareholders' equity, FIM m	148.0	86.4	+71.3
as % of balance sheet total	16.1	8.1	
Liabilities (gross), FIM m	760.7	944.8	-19.5
as % of turnover	117.1	125.9	
Net investments, FIM m	68.4	42.9	+59.4
as % of turnover	10.5	5.7	
Staff, persons	1313	1657	-19.6

*Global demand  
for mobile  
phones is  
graphically  
reflected in  
Perlos' produc-  
tion of plastic  
components*



# THE PERLOS GROUP

GWS Perlos Oy is one of Europe's leading suppliers of precision plastic parts and electromechanical components to industry. The main customers comprise global manufacturing firms operating particularly in the electronics, pharmaceutical and automobile industries. The Perlos Group consists of GWS Perlos Oy located in Joensuu, Kontiolahti, Nurmijärvi and Ylöjärvi in Finland and the subsidiaries, Perlos Ltd in the UK and GWS Perlos Inc. in the USA.



*Matti Vartia*

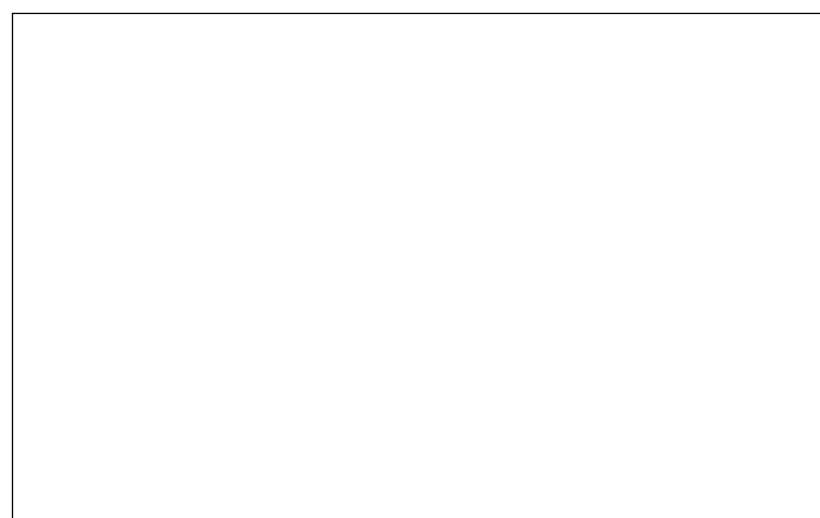
There were positive developments in all sectors of the Perlos Group's operations. Turnover grew by 32.1% to FIM 363.1m. Sales in Finland increased by 39.5% to FIM 159.7m. Exports from Finland rose by 27.9% to FIM 174m and accounted for 52.2% of the turnover from the Finnish units' operations. Sales to the international electronics industry grew by over a half. This sector was the largest customer group with the pharmaceutical industry as the second largest. The financial result was good, enabling exceptionally large investments of FIM 61.1m aimed at expanding production facilities and developing automation.

## GWS PERLOS OY

### Technical Plastics

The turnover of the Joensuu Plastics and Nurmijärvi Plastics units, manufacturing technical plastic parts and products, grew by 46.3%. In collaboration with the

Kontiolahti local council a new 5,000 sq.m. factory building was completed at the end of the year with production starting up in January 1995. Among the most important products for which components were manufactured were mobile phones with accessories, car seat belts, automobile and other electronic devices, televisions, accessories for heating, plumbing and air-conditioning and products connected with the packaging industry. The most important export areas were Germany, Sweden, the USA, Hong Kong and Belgium. The Joensuu and Nurmijärvi technical plastics units employ an ISO 9002 accredited quality system.



*Matti Herranen and Olavi Pesonen*

The Perlos Group				
	1994	1993	Change	
			FIM m	%
Turnover, FIM m	363	275	88	32
as % of the Group	56	37		
Investments, FIM m	61	31	30	97
Staff, persons	754	671	83	12
Profitability				
• good				
• will remain good				

*The nasal adapter, used in the treatment of nasal allergic conditions, was one of the CEP Plastics unit's successful products, especially in the USA.*



## CEP Plastics

CEP Plastics is an abbreviation of Controlled Environment Precision Plastics. The CEP Group comprises the Kontiolahti and Nurmijärvi CEP Plastics units and Perlos Automation in Kontiolahti. Turnover increased by 7.3% and represented 22.2% of the entire Perlos Group's turnover. Plastic products and components were supplied to the pharmaceutical industry for the manufacture of various medication dispensers, syringes, diagnostic equipment and birth control products.

Perlos Automation manufactures automation equipment and systems, used for workpiece handling, product assembly and packaging in production, for both the Perlos units and external customers.

With the help of a consultant the CEP units have developed quality systems enabling operations to comply with the American FDA GMP stipulations for the manufacture of health care products. Exports developed favourably, mainly going to Sweden, France, the UK and the USA.


## Tools

Each of the Perlos Group's injection moulding plants operates as its own tool manufacturing unit. In order to meet the sharp growth in demand for tools, capacity at all the units has increased at an annual rate of 20%.


Major investments were made in CAD/CAM and high-speed milling. In 1995 manufacture of new tools at Joensuu Tools is being transferred to rented premises



*Seppo Arento and Paavo Mujunen.*



*Tuula Karmalahti and Anneli Ojapalo check the documentation of trial results on raw materials.*



*Keijo Riuttala and Esa Vuorinen.*

and tool maintenance combined with Joensuu Plastics operations. Tool manufacture is starting in Ylöjärvi at factory premises owned by the GWS Group.

**Perlos Connectors**

Turnover of Perlos Connectors rose by 39.4% and formed 20.2% of the entire group's turnover. The connector unit supplies standard and customised connectors and their accessory plastic and metal

*Hannu Mönkkönen*

components to the electronics industry. The most important customer sectors are manufacturers of telephone exchanges and mobile phone base stations and manufacturers of production control equipment and machinery in various industrial sectors. The factory extension started in 1993 was put into operation during the year. As a result of growing demand a new extension is being carried out during 1995.

Exports continued to develop in a favourable manner. The most important export areas were Sweden, Germany, the UK and Taiwan. In addition, promising and interesting new contacts were forged with, among other areas, South Africa and Hong Kong. Perlos Connectors operates with an ISO 9001 accredited quality system.

*Telephone exchanges and mobile phone base stations are the most important area of application for Perlos connectors.*

# GWS PERLOS LTD

## Perlos Ltd

The upswing in the UK economy continued to grow stronger. Turnover of Perlos Ltd rose by 18.7% to FIM 29.3m. Turnover and profit targets were exceeded and the result was good. This positive trend was particularly affected by the export successes of the electronics and machine-building industries operating in international markets.

During the year Perlos Ltd's operations continued to expand in the most important market sectors. The most important customers were Black & Decker, Philips and Bonas Ltd. The sale of plastic components to the automobile industry stayed at the same level. However, increased

*Teemu Saloranta*

demand for new tools anticipates growth starting in the near future.

Investments amounted to FIM 4.7m, principally aimed at the 1,166 sq.m. factory extension and new production technology. The new factory extension will enable a doubling of production.

*Perlos Ltd supplies various plastic components to the world-leader in the manufacture of mechanical looms, Bonas Ltd.*

*The ABB Industry  
Oy Power  
Electronics plant  
in Helsinki has  
acquired a  
multimedia PC  
information  
support system  
developed by  
TKK with GWS  
Systems  
supplying the  
flexible  
production  
system.*

## THE INDUSTRIAL GROUP

GWS Systems Oy is an internationally experienced supplier of production systems and a leader in its field. The company creates profitability and job satisfaction in human terms to meet the needs of its customers.

Operations in the Industrial Group developed positively. There was a substantial increase in the sale of production systems and workpoint fittings in both domestic and export markets. Turnover was FIM 129m. Turnover and profit

targets were exceeded and the result was most satisfactory. Demand for industrial fittings increased in Finland, Sweden, Denmark and the UK, but it weakened in Germany and in particular in the USA. Overseas operations accounted for 51.5% of the turnover.

### GWS Systems Oy

GWS Systems Oy continued to reinforce its position as a supplier of assembly production equipment and systems in international markets in all major market sectors.

Turnover amounted to FIM 106.5m, marking an increase of 14.6%. Turnover and profit targets were exceeded. There was a considerable improvement in profit over the previous year and the result was good. The most positive development in the product groups was in the demand for flexible production systems (FPS). Standard workpoint fittings also form a significant

The Industrial Group				
	1994	1993	Change	
			FIM m	%
Turnover, FIM m	129	112	17	15
as % of the Group	20	15		
Investments, FIM m	2	4	- 2	-50
Staff, persons	230	260	-30	-12
Profitability				
• most satisfactory				
• improving				

portion of deliveries of these systems, which meant continued favourable growth in the sale of GWS Systems' basic products.

Turnover for Sovella and office fittings met target and was 10% up on the previous year. Despite a deep recession

in the construction industry there was an increase in the use of Sovella products in refurbishments.

The recovery in industrial investment is expected to continue in Finland and the main export markets during 1995. Consequently prospects for production systems are promising. Investments totalled FIM 1.5m and were aimed at developing production.

### G.W. Sahlberg GmbH

Industrial investment continued to stay at the same low level even if demand started to pick up slightly at the end of the year. Attaining targets proved difficult in several market areas, especially in Eastern Germany. Turnover amounted to FIM 14m and did not reach the level of the previous year. There was a considerable increase in the sale of flexible production systems. The largest customer was DOM Sicherheitstechnik GmbH.

# THE INDUSTRIAL GROUP

## **GWS Industri AB**

GWS Industri AB has a turnover of FIM 11.4m, which was 59.1% up on the previous year. The financial result improved over the previous year and was satisfactory. Sales of the FPS and System GWS products increased especially in the electronics industry and targets were met. GWS Industri's market share as a supplier of production equipment and systems grew despite tight competition. The most important new customers included Ericsson Radio Access, Partner Tech and Astra Hässle.

## **GWS Industries S.A.**

Recovery in the French economy had a positive effect on investment growth. GWS Industries S.A.'s turnover was FIM 12.8m, 29.3% up on the previous year. The financial result improved and exceeded target. GWS Industries' position in the electronics-industry market developed in a positive manner. An important new customer in the assembly industry was Matra Defense.

## **GWS, Inc.**

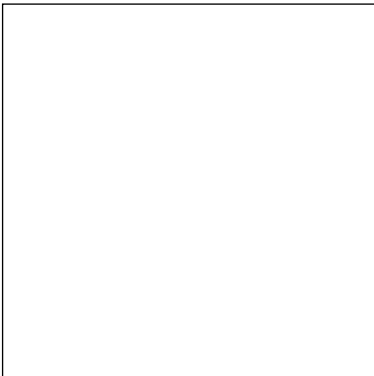
GWS, Inc., operating in North America and Canada, did not attain its targets due to continued heavy competition. Turnover amounted to FIM 6.6m. The company continued to diversify into new markets, resulting in a large number of promising customer contacts. At the end of the year the company moved into new premises in Atlanta. At the same time the organisation was renewed to upgrade customer service.

*A customised workpoint and conveyor system was designed for Oy Fiskars Ab's UPS (uninterrupted power supply) equipment production.*

*Exports of Sovella products to the USA and other areas rose.*

# THE PLASTIC PACKAGING GROUP

The Plastic Packaging Group is the largest manufacturer in Finland of blow-moulded and injection-moulded packaging for the food, beverage and technochemical industries as well as oil companies. The group makes good use in its operations of its extensive network of international contacts and state-of-the-art production technology and is also an active participant in the solution of environmental issues in the field.



Risto Summa

The Plastic Packaging Group had a turnover of FIM 78.2m, which was on target. The continuing recession in the domestic-market industry also affected the group's operations. In the first half of the year some firms in the food industry met with success in their sales drive directed mainly at Russia, which compensated for the weak demand in domestic markets.

After the summer the price of the group's main raw materials, PE and PP, rose at an unprecedented pace, which continued month-by-month throughout the year. At the same time exports to Russia dropped dramatically. Consequently, profit did not meet target, but was nevertheless positive.

The Plastic Packaging Group				
	1994	1993	Change	
			FIM m	%
Turnover, FIM m	78	79	-1	- 1
as % of the Group	12	11		
Investments, FIM m	3	5	-2	-40
Staff, persons	165	164	1	1
Profitability				
• fair				
• improving				

The recycling and reuse of packaging waste has for years been under discussion in the EU and in Finland. The packaging industry has over the past year prepared a voluntary accord between the packaging sector and the ministry of the environment

concerning future principles and targets. In this respect used plastic packaging will be the most problematic packaging material unless Finland decides on energy reutilisation as is the case in several western countries. High-level research has been carried out in Finland on the reutilisation of energy whereby plastic-packaging waste would be a fully viable alternative, replacing imported fuels, as a supplementary source of energy. This would, if implemented, clearly reduce rubbish dump loads.



Indirect exports of ketchup and mustard packaging to Russia grew rapidly at the beginning of the year.

# THE PLASTIC PACKAGING GROUP

## The Klaukkala Plant

The turnover of the Klaukkala Plant amounted to FIM 61.1m and was 0.9% up on the previous year. Exports were negligible. On the other hand, the increase in indirect exports was positive in all customer sectors. The financial result did not meet target.

*The Klaukkala plant took part in plastic-asphalt trials. The asphalt bonding agent containing plastic waste is manufactured on equipment developed by Suomen Muovikartonki Oy.*

*The packaging industry's environmental requirements were taken into account when Canpak participated in trials of packaging for the chemical industry, manufactured from as high as one-hundred percent recycled process waste-material.*

## Beverage and food packaging

The sale of fruit-juice packaging did not meet target mainly due to a considerable decrease in indirect exports to Russia. The sale of food packaging well exceeded target as a result of the favourable trend at the beginning of the year. Indirect exports accounted for a substantial amount. However, domestic demand continued to be slow.

## Technochemical packaging

Demand for technochemical packaging remained relatively stable and attained target. In this sector the share of imported packaging and prepackaged products is considerable, which is presenting a challenge to domestic industry.

## Investments

Investments amounted to FIM 1.8m and were predominantly aimed at renewing production technology in tool production, blow-moulding and printing.

## Canpak

Canpak had a turnover of FIM 17.2m, of which 9.9% was in exports. The ongoing recession in domestic markets was reflected in the demand for Canpak packaging. New products and market sectors have not yet managed to affect this trend. However, Canpak managed to maintain its position as market leader.

## Food packaging

Sales of food packaging dropped slightly from the previous year, which was due to a virtually complete cessation of indirect exports and a stagnant domestic market situation. Food packaging continued to represent a considerable portion of the entire turnover.

## Technochemical packaging

The sale of technochemical packaging picked up slightly due to indirect exports. Demand for technochemical packaging in domestic markets continued to slump.

## Investments

Investments amounted to FIM 0.8m and were mainly aimed at the maintenance of tools and production equipment.



# THE CONTAINER GROUP

The GWS Container Group is one of Europe's leading manufacturers of metal and plastic IBCs. IBCs are an environmentally friendly logistics solution. The Container Group also manufactures ecotechnical waste sorting and recycling products. The main market areas are the Nordic countries, the UK, Belgium and Holland.

## The Container Group

	1994	1993	Change	
			FIM m	%
Turnover, FIM m	28	25	3	12
as % of the Group	4	3		
Investments, FIM m	1	1	-	-
Staff, persons	58	58	-	-
Profitability				
• fair				
• improving				

The Container Group had a turnover of FIM 28m, an increase of 12%. Turnover and profit targets were achieved. Exports accounted for 46% of the turnover and went to the Nordic countries, Central Europe and the UK. A more effective sales organisation succeeded in expanding the customer base in the main market areas. The largest growth was achieved in the UK, Belgium and Finland.

During the year a recovery was visible in all market sectors, which reinforced the Container Group's position as a supplier of IBCs. Investments particularly by chemical firms in upgrading logistics increased demand for containers in the chemical industry. The sale of ecotechnical plastic products also continued to rise. Collaboration with customers in the development of new products is an integral part of R&D activities. Prospects for this line of products are favourable due to an increase in waste sorting and recycling.

Investments amounted to FIM 0.8m and were aimed at developing production.

*Finncont acquired a new Rotospeed RS-330 rotation-moulding machine, enabling greater efficiency in production.*

*Greater environmental requirements and the desire by firms to enhance logistics have increased the use of IBCs in Finland and in export markets.*

*The largest fittings project in St. Petersburg was the Passage department store. The main aim in design was to combine modern shop-fittings in a historical setting.*

GWS Pikval Oy is a leading full-service supplier of fittings for department stores, shops and other public facilities. The company's main strength is in the combination of different materials and its overall control of projects. The main market areas are Finland, Russia and the Baltic states.



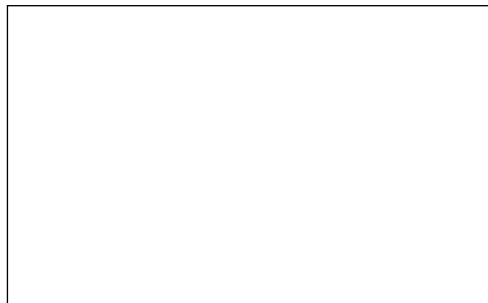
*Juhani Markkanen*

On 1 May 1994 the shopfitting group's operations were incorporated under the name GWS Pikval Oy. The name Pikval represents decades of tradition in the Finnish shopfitting sector. Domestic demand virtually remained at the level of the previous year. Despite hard competition turnover rose better than estimated to FIM 51m.

Eastern exports also developed favourably, exceeding target. There was a considerable improvement in the financial result, which was positive but did not attain a satisfactory level due to overcapacity in the field.

The main domestic shopfitting projects were the partial refurbishment of the Oy Stockmann Ab department store in Turku, Anttila in Myyrmäki and City Market in Jyväskylä, Turtola and Lielähti.

<b>Interior Fittings</b>				
	1994	1993	Change	
			FIM m	%
Turnover, FIM m	51	51	-	-
as % of the Group	8	7		
Investments, FIM m	1	3	- 2	-67
Staff, persons	96	136	-40	-29
<b>Profitability</b>				
• fair				
• improving				



*Supermarket fittings represent an important part of GWS Pikval's activities.*



*The most wide-ranging public facilities fittings project was the French-Finnish school in Munkkivuori-Helsinki.*

The main export projects in Russia were renovating the Passage and Kuminsky department stores in St. Petersburg and Stockmann's Zachevsky Val in Moscow. St. Petersburg operations were upgraded by the establishment of a sales office in the Finndecor export centre.

Demand for public facility fittings continued to weaken and targets were clearly not met. The most important projects were the the French-Finnish school in Helsinki and the Olympia Hotel in Tallin.

During the year the "Pikval to the Top" project was started with the aim of enhancing operations and improving customer satisfaction.

# OY G.W. SOHLBERG AB

## ANNUAL REPORT 1994

### General Developments

1994 was Oy G.W. Sohlberg Ab's 86th financial year and 119th year of operations.

The Finnish economy made a strong recovery in 1994. Total output grew by 5.5% over the previous year. Consumer prices were on average 1.1% up on the previous year. Unemployment stood at 18.4% on average for the year. Production in the manufacturing industry rose by 12% and by 15% in the metal industry. The volume of visible exports increased by 12.2% and that of imports by 12.5%.

There was a surplus of FIM 7bn in the balance of trade. Investment was 4% up on the previous year.

### The Group Structure

The most significant change in the Group structure was the disposal of GWS Mertens N.V. of Belgium at the beginning of the year. In connection with this the operations of the following companies were also wound up: GWS Mertens S.A. in France, International Fittings B.V. in Holland and S.A. Finnholding in Belgium. During the accounting period the shopfittings group, belonging to the Parent Company, was incorporated under the name of GWS Pikval Oy. After the close of the accounting period GWS Perlos (Texas) Inc., manufacturing plastic components, and its parent company, GWS Perlos Holding Inc., were established in the USA.

The consolidated accounts have been drawn up using the acquisition accounting method.

### Turnover

The Group had a turnover of FIM 649.4m, which was 13.5% down on the previous year. However, when the figures for the disposals, GWS Mertens N.V. and metal packaging production, are eliminated from the 1993 figures, the turnover of the comparable units increased by 20%. The Group's largest unit, GWS Perlos Oy, attained a very sharp rise in turnover by as much as 33%. Direct exports and overseas operations together totalled FIM 301.8m, representing 46.5% of the Group's turnover.

### Financial Result

**1994 marked a turnaround in the financial result. Profit after financial items amounted to FIM 26.6m, whereas for the previous year it was -FIM 110.9m. Profit before allocations and taxes was FIM 24m (1993, -FIM 88.5m).**

**The financial result for the Group substantially exceeded the annual target.** GWS Perlos Oy, GWS Systems Oy, GWS Pikval Oy and the Container Group considerably improved their profitability. Profitability of the Plastic Packaging Group was hit by the rapid rise in the price of raw materials. Strengthening of the mark contributed to foreign ex- change gains on loans denominated in foreign currencies, but on the other hand reduced export income. Loan capital expenditure decreased due to company disposals and a general drop in interest rates.

### Investments

Net investments for the Group amounted to FIM 68.4m, which is 10.5% of the turnover. Investments were predominantly targeted on expanding the operations of GWS Perlos Oy and Perlos Ltd. The accounting period saw the completion of a 5,000 sq.m. plant construction by GWS Perlos Oy in Kontiolahti and a 1,166 sq.m. plant expansion by Perlos Ltd in the UK.

### Finance

There was an improvement in Group liquidity. Calculated in Finmarks, liabilities fell considerably by FIM 184.1m. This reduction, despite heavy investments, was particularly affected by the clear improvement in the Group's profitability, the sale of GWS Mertens N.V. and payment received in 1994 concerning the 1993 sale of metal packaging production..

### Personnel and Payroll

The Group had an average staff of 1,313 (1993, 1,657), of which 285 (1993, 715) were in the Parent Company. Salaries, wages and directors' emoluments for the Group were as follows:

	1994	1993
Members of the Board	FIM k	FIM k
and Managing Directors	4,186	4,155
of which directors' emoluments	334	-
Other staff	178,441	210,094
<u>Total</u>	<u>182,627</u>	<u>214,249</u>

Salaries, wages and directors' emoluments for the Parent Company were as follows:

	1994	1993
Members of the Board	FIM k	FIM k
and Managing Director	1,618	1,205
of which directors' emoluments	-	-
Other staff	38,322	85,687
<u>Total</u>	<u>39,940</u>	<u>86,892</u>

### Prospects for the Future

1995 has been a positive year. Turnover and profits are forecast to increase considerably over the entire year.

### The Board's Proposal for the Disposal of Earnings

Group unrestricted equity	FIM 25,855,000.00
Parent Company unrestricted equity	FIM 96,934,075.45

The Board recommends that the above mentioned earnings be allocated as follows:

- distributed as dividend at FIM 36 per share	FIM 9,720,000.00
- deposited in account for accumulated profit from previous years	<u>FIM 87,214,075.45</u>
	<u>FIM 96,934,075.45</u>

## INCOME STATEMENT 1.1.-31.12. (FIM k)

GROUP					PARENT COMPANY			
1994	%	1993	%		1994	%	1993	%
649,392	(100)	750,401	(100)	Turnover .....	125,241	(100)	341,319	(100)
<u>-493,212</u>		<u>-631,943</u>		Purchasing and manufacturing expenditure	<u>-114,243</u>		<u>-328,184</u>	
156,180	(24.1)	118,458	(15.8)	Gross operating margin .....	10,998	(8.8)	13,135	(3.8)
- 46,122		- 70,159		Sales and marketing expenditure .....	- 5,319		- 22,159	
- 36,115		- 48,470		Administrative expenditure .....	- 22,413		- 27,051	
- 9,429		- 6,718		Other operating expenditure .....	- 2,949		- 4,088	
13,444		4,873		Other operating income .....	2,398		4,223	
603		-		Share in associated company profits .....	-		-	
<u>- 7,437</u>		<u>- 2,233</u>		Depreciation of Group goodwill .....	<u>-</u>		<u>-</u>	
- 85,056		-122,707		Total .....	- 22,283		- 49,075	
71,124	(11.0)	- 4,249	(-0.6)	Operating profit/loss .....	- 11,285	(-9.0)	- 35,940	(-10.5)
				Financial income and expenditure .....				
74		25		Dividend income .....	91		30	
2,273		895		Interest income on long-term investments ..	13,662		14,376	
33,929		4,360		Other financial income .....	33,619		3,900	
- 49,164		- 75,988		Interest expenditure .....	- 39,822		- 60,270	
<u>- 31,601</u>		<u>- 35,960</u>		Other financial expenditure .....	<u>- 30,650</u>		<u>- 35,173</u>	
- 44,489		-106,668		Total .....	- 23,100		- 77,137	
26,635	(4.1)	-110,917	(-14.8)	Profit/loss before extraordinary items, allocations and taxes .....	- 34,385	(-27.5)	-113,077	(-33.1)
				Extraordinary income and expenditure ....				
7,737		70,092		Extraordinary income .....	102,043		134,449	
<u>- 10,336</u>		<u>- 47,699</u>		Extraordinary expenditure .....	<u>- 18,719</u>		<u>- 42,967</u>	
- 2,599		22,393		Total .....	83,324		91,482	
24,036	(3.7)	- 88,524	(-11.8)	Profit/loss before allocations and taxes ...	48,939	(39.1)	- 21,595	(-6.3)
27,713		22,771		Difference in depreciation decrease .....	5,723		13,753	
3,288		18,076		Voluntary reserves decrease .....	-		-	
<u>96</u>		<u>- 1,290</u>		Direct taxes .....	<u>181</u>		<u>590</u>	
<u>55,133</u>	(8.5)	<u>- 48,967</u>	(-6.5)	Net profit/loss for the year .....	<u>54,843</u>	(43.8)	<u>- 8,432</u>	(-2.4)

The annual report does not include supplementary information on the Parent Company as this is basically included in that of the Group.

## BALANCE SHEET 31.12 (FIM k)

GROUP					PARENT COMPANY			
1994	%	1993	%		1994	%	1993	%
				ASSETS.....				
				Fixed assets and other long-term expenditure .....				
				Intangible assets .....				
401		543		Intangible rights .....	–		–	
1,359		3,571		Goodwill .....	1,358		3,571	
9,212		5,674		Group goodwill .....	–		–	
<u>2,264</u>		<u>9,281</u>		Other long-term expenditure .....	<u>2,570</u>		<u>3,655</u>	
13,236	(1.4)	19,069	(1.8)	Intangible assets total .....	3,928	(0.5)	7,226	(0.9)
				Tangible assets .....				
64,073		67,346		Land and installation charges .....	6,577		7,394	
266,352		291,629		Buildings and constructions .....	44,813		45,455	
247,002		228,741		Machinery and equipment .....	95,515		99,584	
1,034		1,994		Other tangible assets .....	695		1,001	
<u>2,927</u>		<u>2,704</u>		Advances and investments in progress .....	<u>639</u>		<u>28</u>	
581,388	(63.4)	592,414	(55.4)	Tangible assets total .....	148,239	(19.5)	153,462	(17.5)
				Fixed asset securities and other long-term investments .....				
–		–		Shares in subsidiaries .....	239,017		174,796	
1,603		1,000		Shares in associated companies .....	1,000		1,000	
16,371		11,407		Shares and holdings .....	14,921		11,103	
<u>53,704</u>		<u>57,456</u>		Long-term loans receivable .....	<u>272,410</u>		<u>282,166</u>	
71,678	(7.8)	69,863	(6.5)	Fixed asset securities and other long-term investments total .....	527,348	(69.3)	469,065	(53.6)
–		21,968	(2.1)	Valuation items .....	–		21,968	(2.5)
				Inventories and financial assets .....				
				Inventories .....				
27,724		22,111		Materials and supplies .....	5,245		5,867	
13,674		11,015		Work in progress .....	2,485		2,612	
29,699		31,173		Finished products .....	3,652		4,648	
<u>1,015</u>		<u>201</u>		Advances .....	<u>–</u>		<u>–</u>	
72,112	(7.9)	64,500	(6.0)	Inventories total .....	11,382	(1.5)	13,127	(1.5)
				Receivables .....				
110,036		101,928		Accounts receivable .....	28,662		33,490	
181		8,681		Loans receivable .....	175		15,625	
23,607		21,382		Prepaid expenses and accrued income .....	4,366		12,181	
<u>7,294</u>		<u>110,803</u>		Other receivables .....	<u>6,210</u>		<u>105,894</u>	
141,118	(15.4)	242,794	(22.7)	Receivables total .....	39,413	(5.2)	167,190	(19.1)
37,396	(4.1)	59,194	(5.5)	Cash and bank accounts .....	30,873	(4.0)	42,984	(4.9)
<u>916,928</u>	(100.0)	<u>1,069,802</u>	(100.0)	Assets total .....	<u>761,183</u>	(100.0)	<u>875,022</u>	(100.0)

## BALANCE SHEET 31.12 (FIM k)

GROUP					PARENT COMPANY			
1994	%	1993	%		1994	%	1993	%
				LIABILITIES .....				
				Shareholders' equity .....				
108,000		108,000		Restricted equity .....	108,000		108,000	
-		1,915		Share capital .....	-		-	
14,175		18,105		Revaluation reserve .....	14,175		14,175	
<u>122,175</u>	(13.3)	<u>128,020</u>	(12.0)	Other restricted equity .....	<u>122,175</u>	(16.1)	<u>122,175</u>	(14.0)
				Restricted equity total .....				
				Non-restricted equity .....				
-29,278		7,332		Accumulated loss/profit from previous years	42,091		50,523	
55,133		-48,967		Net profit/loss for the year .....	<u>54,843</u>		<u>- 8,432</u>	
<u>25,855</u>	(2.8)	<u>-41,635</u>	(-3.9)	Non-restricted equity total .....	<u>96,934</u>	(12.7)	<u>42,091</u>	(4.8)
148,030	(16.1)	86,385	(8.1)	Shareholders' equity total .....	219,109	(28.8)	164,266	(18.8)
-		1,044	(0.1)	Minority interests .....	-		-	
				Reserves .....				
802	(0.1)	4,321	(0.4)	Voluntary reserves .....	-		-	
7,425	(0.8)	33,260	(3.1)	Other reserves .....	7,115	(0.9)	33,260	(3.8)
				Compulsory reserves .....				
				Liabilities .....				
				Long-term liabilities .....				
208,265		330,703		Loans from financial institutions .....	109,639		255,618	
116,377		126,834		Loans from pension institutions .....	95,864		104,445	
-		90		Accounts payable .....	-		-	
70		10,160		Other long-term liabilities .....	<u>3,836</u>		<u>6,349</u>	
<u>324,712</u>	(35.4)	<u>467,787</u>	(43.7)	Long-term liabilities total .....	<u>209,339</u>	(27.5)	<u>366,412</u>	(41.9)
				Short-term liabilities .....				
298,602		331,073		Loans from financial institutions .....	275,164		243,866	
8,575		8,883		Loans from pension institutions .....	6,699		7,198	
1,972		3,449		Advances .....	120		964	
50,280		41,431		Accounts payable .....	16,191		12,290	
63,596		68,662		Accrued liabilities .....	17,553		35,357	
12,934		23,507		Other short-term liabilities .....	<u>9,893</u>		<u>11,409</u>	
<u>435,959</u>	(47.6)	<u>477,005</u>	(44.6)	Short-term liabilities total .....	<u>325,620</u>	(42.8)	<u>311,084</u>	(35.6)
760,671	(83.0)	944,792	(88.3)	Liabilities total .....	534,959	(70.3)	677,496	(77.4)
				Shareholders' equity, reserves				
<u>916,928</u>	(100.0)	<u>1,069,802</u>	(100.0)	and liabilities total .....	<u>761,183</u>	(100.0)	<u>875,022</u>	(100.0)

## SOURCE AND APPLICATION OF FUNDS 1994 (FIM m)

<b>Group</b>		<b>Parent Company</b>
	Source of funds	
	Income financing	
55.1	Net income	54.8
20.0	Depreciation	7.3
-29.4	Change in reserves	-26.1
<u>22.0</u>	Change in valuation items	<u>22.0</u>
67.7	Income financing total	58.0
-1.0	Change in minority interests	-
6.4	Change in shareholders' equity due to Group disposals	-
<u>73.1</u>		<u>58.0</u>
	Application of funds	
68.4	Investments	57.1
-63.5	Change in fixed assets and other long-term investments due to Group disposals	-
143.1	Decrease in long-term liabilities	157.1
<u>-74.9</u>	Change in net fixed assets	<u>-156.2</u>
<u>73.1</u>		<u>58.0</u>
-110.5	Net fixed assets 1.1	-87.8
-185.4	Net fixed assets 31.12.	-244.0

Changes in the Group structure affect items in the Group source and application of funds.

Espoo 15 March 1995

Klaus Sohlberg

Olavi Mantere

Kari O. Sohlberg

Heikki Tulenheimo

Kauko Pihlava

Rolf Hasselblatt

Jorma Routti



## Principles for the preparation of the consolidated accounts, valuation methods and comparability

- \* The consolidated accounts have been prepared using the acquisition accounting method. The price paid for the shares of subsidiaries in excess of shareholders' equity is partly presented under fixed assets and partly under Group goodwill. The items for buildings, machinery and equipment are depreciated according to depreciation schedules for fixed assets.
- \* Intragroup transactions, unrealized margins on intragroup deliveries, intragroup receivables and payables have been eliminated.
- \* The figures for the accounts of foreign subsidiaries have been translated into Finnish marks using the official average exchange rate of the Bank of Finland at the balance sheet date. The translation gains and losses in eliminating the shareholders' equity of the foreign subsidiaries has been entered under unrestricted shareholders' equity.
- \* The associated company, Turenko Oy, has been included using the equity accounting method. The share in an associated company's net profit, based on the Group's stake in the firm, has been displayed as a separate item before the operating profit. Income from associated companies prior to 1994 has not been taken into account.
- \* The purchasing and manufacturing variable indirect and fixed costs in addition to purchasing and manufacturing variable direct costs have been capitalised under purchasing expenditure of inventories in contrast to the previous year. The positive effect of the change in the valuation method on the Group's profit for 1994 amounts to approximately FIM 8.5m. This has been entered in the income statement and has reduced purchasing and manufacturing expenditure.
- \* The figures for 1993 are affected by the ten-month inclusion of the Herttoniemi plant, sold off on 1.11.1993, and the inclusion for the entire year of GWS Mertens N.V. of Belgium, sold off at the beginning of 1994. Consequently, the figures for 1993 and for 1994 are not comparable. The valuation methods for the previous year have not been altered. The comparable figures for the previous year in the income statement and balance sheet have been entered under headings designated by the new accounting regulations. Supplementary information on the previous year has not been displayed due to its negligible informative value.
- \* Receivables and payables denominated in foreign currency have been translated into Finnish marks using the average exchange rates quoted by the Bank of Finland at the balance sheet date. An exception to this are payables hedged by futures contracts, which have been valued at futures contract rates.
- \* The liability deficit of the Parent Company's Pension Fund on 31.12.1994 amounted to FIM 2,546k as compared to FIM 915k for the previous year. The Group companies' pension commitments amounted to FIM 18,827k on 31.12.1994 as compared to FIM 23,849k for the previous year. The amount of and change in pension commitments have not been entered under pension costs and loans, but the amount of the pension commitment has been entered under commitments.
- \* The capitalised exchange rate losses from 1992 still in the balance sheet at 31.12.1993, amounting to FIM 21,968k, have been entered under other financial expenditure. Other financial income for 1994 includes exchange rate gains totalling FIM 31,865k.

## Supplementary information on the income statement and balance sheet for 1994

1. Turnover by business sector and market:	
Turnover of FIM 649,392k by business sector:	
Technical plastics	FIM 359,427k
Industrial fittings	FIM 124,845k
Packaging	FIM 109,636k
Interior fittings	FIM 55,484k
	<u>FIM 649,392k</u>
Turnover by market:	
Finland	FIM 353,212k
Sweden	FIM 118,765k
Germany	FIM 49,443k
France	FIM 25,279k
UK	FIM 40,142k
USA	FIM 18,148k
Russia	FIM 9,415k
Estonia	FIM 2,426k
Norway	FIM 4,400k
Others	FIM 28,162k
	<u>FIM 649,392k</u>
2. Staff costs and fringe benefits:	
Wages and salaries	FIM 182,627k
Fringe benefits	FIM 3,581k
Pension expenditure	FIM 30,521k
Other statutory staff costs	FIM 22,908k
Total	<u>FIM 239,637k</u>
3. Depreciation according to plan:	
Intangible rights	FIM 150k
Group goodwill	FIM 7,437k
Goodwill	FIM 2,212k
Other long-term expenditure	FIM 1,853k
Buildings and constructions	FIM 7,281k
Machinery and equipment	FIM 28,352k
Other tangible assets	FIM 471k
Total	<u>FIM 47,756k</u>
Difference in depreciation decrease	<u>FIM 27,756k</u>
Book depreciation	<u>FIM 20,043k</u>
Depreciation according to plan has been calculated as straight line depreciation based on the useful life of the fixed asset from its original acquisition cost.	
The periods for depreciation according to plan are as follows:	
Intangible rights	10 years
Group goodwill	5-10 years
Goodwill	10 years
Other long-term expenditure	5-10 years
Buildings	40 years
Constructions	10 years
Machinery and equipment	10 years
Other tangible assets	5 years
Depreciation by activity:	
Purchasing and manufacturing	FIM 31,154k
Sales and marketing	FIM 524k
Administration	FIM 2,399k
Other operating depreciation	FIM 6,242k
Group goodwill	FIM 7,437k
Total	<u>FIM 47,756k</u>
4. Tax value of fixed assets	
Land	FIM 22,723k
Buildings	FIM 118,328k

Shares and holdings	FIM 12,826k		
5. Shares and holdings: enclosed in a separate supplement on page 28.			
6. Valuation items			
Capitalised exchange rate losses 01.01.94	FIM 21,968k		
Entered under other financial expenditure	FIM -21,968k		
Capitalised exchange rate losses 31.12.94	<u>FIM 0k</u>		
7. Extraordinary income and expenditure			
Extraordinary income mainly consists of proceeds on the sale of fixed assets and exchange rate differences in connection with the elimination of intragroup transactions.			
Extraordinary expenditure mainly comprises expenses incurred in the disposal of Group companies.			
8. Loans to management and owners			
Loans to company and Group company managing directors and members of the boards	FIM 676k		
Loans to company and Group company shareholders (Joint Stock Co.Act:11:7.2)	<u>FIM 443k</u>		
Total	<u>FIM 1,119k</u>		
Loan conditions: Loans to members of Group company boards to be repaid by 31.12.2000 at +1.0% over the Bank of Finland base rate.			
Pension commitments concerning members of the boards and managing directors			
Retirement age of Chairman of the Parent Company Board of Directors and domestic Group company managing directors is 60.			
9. Shareholders' equity			
Restricted			
Share capital 1.1 and 31.12.94	FIM 108,000		
Revaluation reserve 01.01.94	FIM 1,915k		
Decrease 1994	-FIM 1,915k		
Revaluation reserve 31.12.94	FIM 0k		
Other restricted shareholders' equity 01.01.94	FIM 18,105k		
Decrease 1994	-FIM 3,930k		
Other restricted shareholders' equity 31.12.94	<u>FIM 14,175k</u>		
Restricted shareholders' equity total	<u>FIM 122,175k</u>		
Unrestricted shareholders' equity			
Accumulated profit from previous years 1.1.94	FIM 7,332k		
Net loss for the year 1993	-FIM 48,967		
Changes due to the disposal and winding up of Group companies and other changes	<u>FIM 12,357k</u>		
Accumulated loss from previous years 31.12.94	-FIM 29,278k		
Net profit for the year	FIM 55,133k		
Unrestricted shareholders' equity total	<u>FIM 25,855k</u>		
Shareholders' equity total	<u>FIM 148,030k</u>		
10. Compulsory reserves and changes in reserves			
1994 balance sheet			
- Reserve for bad debt 31.12.94	FIM 1,172k		
- Reserve for rental costs	FIM 750k		
- Reserve for guarantee expenses 31.12.94	<u>FIM 5,503k</u>		
	<u>FIM 7,425k</u>		
1994 income statement			
- Change in reserve for bad debts booked to bad debts in 1994 (excluding VAT)	FIM 736k		
- Reserve for rental costs	FIM 750k		
- Reserve for guarantee expenses booked to 1993 result	<u>FIM -k</u>		
Total	<u>FIM 1,486k</u>		
11. Liabilities falling due in five years or more			
Loans from financial institutions	FIM 25,473k		
Loans from pension institutions	FIM 78,579k		
Total	<u>FIM 104,052k</u>		
12. Commitments			
Pledges and commitments 31.12.1994			
A. Own debt			
Pledged shares	FIM 92,296k		
Mortgages on land and buildings	FIM 234,937k		
Company mortgages	<u>FIM 100,000k</u>		
	<u>FIM 427,233k</u>		
Pledged deposits and receivables	FIM 47,135k		
B. On behalf of others			
Guarantees			
For associated companies	FIM 2,535k		
For others' debt	<u>FIM 4,867k</u>		
	<u>FIM 7,402k</u>		
C. Leasing and instalment commitments			
Leasing commitments	FIM 19,028k		
Instalment commitments	<u>FIM 20,961k</u>		
	<u>FIM 39,989k</u>		
D. Totals			
Pledged share total	FIM 92,296k		
Mortgages total	FIM 334,937k		
Pledged deposits and receivables	FIM 47,135k		
Guarantees total	FIM 7,402k		
Leasing and instalment commitments total	FIM 39,989k		
13. Other commitments			
- Group company pension commitments	FIM 18,827k		
- Pension fund liability deficit	FIM 2,546k		
- Unpledged commitments on certain real estate properties owned by the Group.			
- Commitment based on sales option of Hansa-Mertens N.V. for the period 1.7.-31.12.1996 to find or show another buyer for the 1,435 sq.m. head office premises owned by Hansa-Mertens N.V. at book value at the address, Fotografielaan 30, Wilrijk, Belgium.			
This commitment includes a guarantee granted for DEM 5m on behalf of pledges by the Parent Company and Group companies.			
- A compensation commitment for bad debt that may be incurred on receivables owed by Michels Organisation B.V. to Hansa-Mertens N.V. amounting to BEC 19,726,475.			
- Items caused by the disposal and winding up of Group firms have been entered under accumulated profit from previous years in the shareholders' unrestricted equity.			

## NOTES TO FINANCIAL STATEMENTS

Further notes on the consolidated accounts are hereby presented in addition to the supplementary information on the presentation and valuation methods of the official consolidated accounts and supplementary information on the income statement and balance sheet: The consolidated accounts include the following firms:

Oy G W Sohlberg Ab (Parent Company)

GWS Perlos Oy

Perlos Ltd

Cleveland Precision Ltd

GWS Systems Oy

G.W. Sohlberg GmbH

GWS Industries S.A.

GWS Industri AB

GWS, Inc.

GWS Pikval Oy

GWS-Kiinteistöt Oy

Kiinteistö Oy Työnjohtajankatu 1

Kiinteistö Oy Menotie 1

Kiinteistö Oy Punamullantie 1

Asunto Oy Helsingin Ehrensärdintie 25

Asunto Oy Niitysaarentie 7

Pakopaikka Oy

Associated company:

Turenko Oy shareholding 50%

The official accounts have been drawn up using the activity based format stipulated in the new accounting regulations, which is more international than the old cost based format.

### Income statement:

- \*\* The turnover of FIM 649.4m is FIM 101m, or 13.5% down on the previous year due to changes in the Group structure. If the disposals, GWS Mertens N.V. and Herttoniemi metal packaging production, are omitted from the previous year's turnover, the growth in turnover amounts to FIM 68.7m, or 20%.
- \*\* Purchasing and manufacturing expenditure comprises purchases of materials and supplies, change in inventories, purchasing and manufacturing wages and salaries inclusive of fringe benefits, other purchasing and manufacturing expenditure and depreciation according to plan charged to these operations. Purchasing and manufacturing expenditure amounts to 75.9% of the turnover.
- \*\* The gross margin of FIM 156.2m is 24.1% of the turnover as opposed to 15.8% for the previous year. This improvement is due to the disposal of the loss-making operations, GWS Mertens N.V. and Herttoniemi metal packaging production, and the improved profitability of the Group's profit centres in 1994.
- \*\* Sales and marketing expenditure comprises sales and marketing wages and salaries inclusive of fringe benefits, other sales and marketing expenditure such as travel and entertainment expenses, car expenses, advertising expenditure etc., as well as depreciation according to plan predominantly on the departments' office machinery and equipment. Sales and marketing expenditure amounted to 7.1% of the turnover.
- \*\* Administrative expenditure covers the expenditure charged to the Group companies' management and financial administration and Group head office staff and other costs. Depreciation according to plan on their respective operations has been included in these costs. The ratio to turnover is 5.6%.
- \*\* Other operating expenditure and income mainly comprise the expenditure and income of the rental operations and the proceeds on the sale of fixed assets.
- \*\* The 50% share in the associated company Turenko Oy's profit amounts to FIM 603k.
- \*\* Group goodwill consists of the price of Group companies in excess of shareholders' equity that has not been entered under the heading of fixed assets. Undepreciated goodwill amounted to

FIM 9.2m at the end of the year with depreciation for the year totalling FIM 7.4m. Undepreciated goodwill almost entirely consists of the goodwill related to GWS Systems Oy (previously Halton-Trade Oy), which is being amortized during the period 1994-1998.

- \*\* The operating profit of FIM 71.1m is 11% of the turnover in comparison to the previous year's figure of -FIM 4.2m.
- \*\* The Group operating margin has also been calculated extra to the official accounts. The operating margin amounted to FIM 118.9m, or 18.3% of the turnover. In 1993 the operating margin was FIM 46.3m, or 6.2% of the turnover.
- \*\* The decrease of FIM 66.2m in financial income and expenditure is attributable to the reduction in liabilities, the general lowering of interest rates and exchange rate gains from foreign currency debts due to the strengthening of the Finnish mark. Other financial expenditure for 1994 includes exchange rate losses capitalised in 1992 amounting to FIM 22m. Capitalised exchange rate losses have all been entered in the result.
- \*\* Profit before extraordinary items, allocations and taxes amounts to FIM 26.6m. As the figure for 1993 was -FIM 110.9m, this marks an improvement of FIM 137.5m.
- \*\* Profit before allocations and taxes has similarly improved by FIM 112.5m.
- \*\* The decrease in depreciation for the whole Group amounts to FIM 27.7m. GWS Perlos Oy dissolved booked overdepreciation from previous years amounting to FIM 16.2m, after which there still remains overdepreciation of FIM 4.2m. The remainder amounting to some FIM 11m comprises underpreciation in the Parent Company, GWS Systems Oy and real estate companies.
- \*\* The decrease in voluntary reserves of FIM 3.3m mainly comprises GWS Perlos Oy's dissolution of its transitional reserve.
- \*\* Direct taxes are positive due to rebates from previous years' taxes. Less than FIM 100k was paid by Group companies on direct taxes during 1994.

### Balance sheet

- \* Fixed assets and other long-term investments:  
Investments in fixed assets for 1994 amounted to FIM 68.4m. The book values in the balance sheet are after book depreciations.
- \*\* Long-term loans receivable are receivables due after one year or more.
- \* The value of inventories also includes capitalised purchasing and manufacturing indirect variable and fixed costs, which were not included in the value of inventories in 1993.
- \* Accounts receivable are 17% of the turnover as opposed to 13.6% for the previous year.
- \* Changes in the revaluation reserve and accumulated losses from previous years in the shareholders' equity are mainly due to changes resulting from the winding up of the holding companies for the Group subsidiary, GWS Mertens N.V.. The Group's unrestricted shareholders' equity has improved from -FIM 41.6m recorded in the previous year to +FIM 25.9m, an improvement of FIM 67.5m. Shareholders' equity amounting to FIM 148m is 16.1% of the balance sheet total as opposed to 8.1% for the previous year.
- \* Liabilities have decreased by FIM 184.1m from the previous year's figure. The percentage of liabilities to turnover is 117.1% as compared to 125.9% for the previous year. Relative debt has thus improved. The reduction of debt is due to the disposal of GWS Mertens N.V. and the Herttoniemi plant and the drop in Finnish marks of the foreign currency loans due to the strengthening of the mark. The Group's income financing has also improved considerably. The portion of liabilities in the balance sheet total amounts to 83% as opposed to 88.3% for the previous year.

**Shares and holdings owned by the Group where the Group has a significant stake**

	Group stake %	Group voting rights %	Group share in shareholders' equity FIM k	Shares owned by the Group				Profit in latest accounts/ FIM k
				Stake %	No.	Nom. value FIM k	Book value FIM k	
<b>Associated companies</b>								
Turenko Oy	50%	50%	717	50%	1,000	1,000	1,000	1,205
<b>Other shares and holdings</b>								
GWS Metallipakkaus Oy	19.9%	19.9%	5,068	19.9%	4,999	5,000	5,000	
Kansallis-Osake-Pankki					750,000	3,750	4,768	
Vakuutus Oy Sampo					14,009	281	2,338	
Other shares							1,234	
							<u>13,340</u>	

**AUDITORS' REPORT**

To the Shareholders of Oy G.W. Sohlberg Ab

We have examined the accounting records, the financial statements and administration of Oy G.W. Sohlberg Ab for the accounting period 1.1.-31.12.1994. The financial statements presented by the Board of Directors and the Chief Executive comprise an account of operations, the income statement and balance sheet of both the Group and Parent Company and supplementary information. On the basis of our examination we submit our report on the financial statements and administration.

The audit has been conducted in accordance with good auditing practice. The accounting records and principles employed in drawing up the financial statements and the contents and presentation of the financial statements have thus been examined to a sufficient extent to determine that the financial statements do not contain any essential errors or shortcomings. Examination

of the administration shows that Members of the Board of Directors and the Chief Executive have acted in accordance with the law as stipulated by the Joint Stock Companies Act.

We hereby submit that the financial statements showing a net profit of FIM 54,843,313.64 have been prepared in accordance with the Accounting Act and other rules and regulations governing their preparation. The financial statements give a true and fair view of the result of the operations and the financial position of the Group and of the Parent Company in conformity with the Accounting Act. The financial statements and consolidated accounts can be adopted and the Members of the Board of Directors and the Chief Executive be discharged from liability for the accounting period under review. The proposal by the Board of Directors for the disposal of shareholders' unrestricted equity as presented in the balance sheet is in conformity with the Joint Stock Companies Act.

Espoo, 24 March 1995

Kari Manner, C.A.

Juhani Virkkunen

Juhani Kairamo

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