GWS

annual report 1997

C O N T E N T S

GWS's position in international markets was consolidated in 1997.

OY G.W. SOHLBERG AB

Board of Directors

Board of Management

CEO Kari O.Sohlberg

GWS SYSTEMS OY
Board: Kari O. Sohlberg (Chairman),
Jussi Nirkkonen, Mika Sohlberg, Matti Virtaala

Managing Director Klaus Pinomaa

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

GWS PIKVAL OY
Board:Kari O.Sohlberg (Chairman),Seppo Niva,
Klaus Pinomaa,Sara Vähäpassi

Managing Director Juhani Markkanen
(Acting MD Klaus Sohlberg)

GWS FINNCONT OY
Board:Kari O.Sohlberg(Chairman),
Jan Hasselblatt, Pekka Ritvanen,Risto Summa

Managing Director Hans Johanson

GWS PLAST OY
Board:Kari O.Sohlberg(Chairman),
Raimo Keskinen, Tua-Maria Lidman

Managing Director Risto Summa

Associated Company
PERLOS OY
Board:Kari O.Sohlberg (Chairman),Mikael Lilius
(Vice Chairman),Harry Faulkner,Sten-Olof
Hansén,Jan Ståhlberg, Matti Vartia

Managing Director Timo Leinilä

Perlos Ltd,UK
Managing Director Teemu Saloranta

Perlos (Texas),Inc.,USA
Managing Director Matti Jääsalo

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Olavi Mantere (Vice Chairman)
M.Sc.(Eng.)
Rolf Hasselblatt
Counsellor of Trade
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LL.Lic.
Kari O. Sohlberg
CEO, M.Sc.(Econ.)
Teppo Taberman
M.Econ.
Heikki Tulenheimo
M.Sc.(Eng.)

*term of office expiring

THE BOARD OF MANAGEMENT

Kari O. Sohlberg (Chairman)
Hans Johanson
Juhani Markkanen
Klaus Pinomaa
Ari Saarenmaa (from 10.12.1997)
Pekka Soveri
Risto Summa

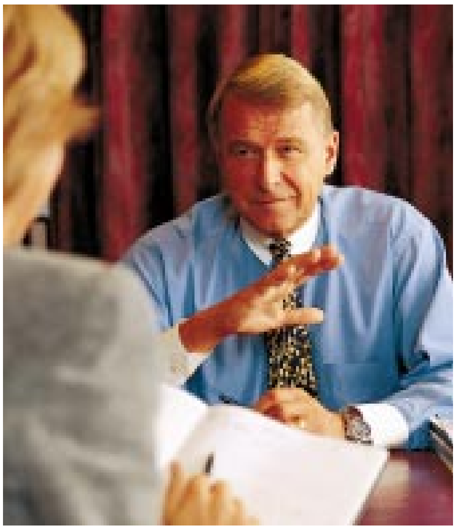
AUDITORS

Kari Manner, C.A.
Arthur Andersen Kihlman Oy

DEPUTY AUDITOR

Jarmo Lohi, C.A.

Members of GWS Board of Directors, front from left right: Klaus Sohlberg (Chairman) and Olavi Mantere (Vice Chairman). Back row, from left to right: Kari O. Sohlberg, Rolf Hasselblatt, Teppo Taberman, Kauko Pihlava and Heikki Tulenheimo.



The GWS Group continued to develop in a positive manner in 1997. The Group's financial result considerably exceeded target and was good. Operating profit amounted to FIM 80.2m and profit before extraordinary items came to FIM 74.4m.

The Group's financial accounts for 1997 are not comparable to those of 1996 and the previous years due to the Perlos deal.

GWS's comparable turnover was FIM 382m, marking a growth of 10.1%. Exports and overseas operations together accounted for 41% of the turnover.

GWS's long-term strategic targets concerning capital structure and operating profit were attained. In practice GWS remains a debt-free company.

The associated company, Perlos, continued to develop vigorously. Turnover amounted to FIM 810.1m, showing a growth of 24.2%. Operating profit before depreciation on goodwill was FIM 149.1m. Working on the Perlos board in accordance with the new shareholding structure was in many respects rewarding and most efficient.

The present financial position of GWS enables the Group to follow a strategy supporting rapid growth in those business sectors where growth can be attained while achieving the profitability targets confirmed by the board. Prospects concerning the four subsidiaries belonging to GWS are in this respect positive from their basic starting points.

The Group's development projects were accomplished according to plan. Incorporation has been implemented with the four companies possessing actively operating boards. A new profit sharing scheme was put into operation covering the entire staff.

With regard to GWS values a basic analysis of the existing situation was carried out among the staff. This survey proved to confirm the aims presented by the company founder, Gabriel Wilhelm Sohlberg, and also to stress those matters that the company's board and present generation have emphasised in their operations. GWS's basic values comprise productivity, customer satisfaction, fairness and tradition.

GWS Systems' development in domestic markets was substantial. Success in exports, however, was a little uneven. Most noteworthy was the strengthening of demand in the USA and a slower pace in France and Germany. Favourable trends in exchange rates, especially in the US dollar, which averaged a 13% rise, bolstered the Industrial Group's result. The international success achieved by the flexible production system (FPS) continued. Applications of new technology employed in the Tulip project were used in international marketing.

1997 was GWS Pikval Oy's most successful year. In accordance with strategy the company focused on comprehensive interior operations for department stores and shops and selected public-facility projects. At the same time the Vaajakoski plant has developed in-house metal and wood manufacture that enables flexible and rapid operations in different projects. The most essential matter in all activities has been an emphasis on the quality focus.

GWS Finncont Oy exceeded targets. Turnover was good due to a huge growth in volume (46%) and cost-effective activities. The IBC business burgeoned (60%). The share represented by exports in the entire product range rose to 70%. The rotation-moulding business also developed favourably. Growth amounted to 15%, hampered by insufficient capacity. This will be remedied when the new factory in Virrat is put into operation in the second half of 1998. In connection with this, most positive cooperation with the Virrat town council note should be noted.

1997 meant great changes in the structure of production for GWS Plast Oy. Plast's investments rose to a record level amounting to FIM 14m. The most significant change in accordance with strategy was starting up injection-moulding production at the Klaukkala plant in November. Layout in blow-moulding production was also given clearer definition to better meet the needs of the market. Active work by the GWS Plast management in environmental matters helped set up a Finnish solution to the EU packaging directive. GWS Plast also committed itself to the independent Responsible Care programme.

The targets for 1998 are based on the standpoint that trends in the business sectors important to GWS and those in Nordic countries, Europe and the USA will continue to be positive. The financial situation in Asia is an uncertain factor together with its possible impacts on markets. We shall pay special attention to any changes and trends occurring in the markets and analyse the competitive situation. The profit trend for the beginning of the year indicates that we have founded our targets on a realistic basis.

I would like to thank our customers and all business associates for their fine cooperation and the trust we have received.

I also wish to thank our shareholders and all GWS and Perlos employees for the past year. This is a good situation to go forward from.

Espoo, 27.03.1998

TURNOVER BY BUSINESS SECTOR

	FIMm	%
1. Industrial systems	190.6	50
2. Shop and public-facility fittings	82.6	21
3. Containers	60.2	16
4. Packaging	48.6	13
Total	**382.0**	**100**

TURNOVER BY MARKET AREA

	FIMm	%
1. Finland	225.7	59
2. Other Nordic countries	48.0	13
3. Other Europe	73.9	19
4. USA and Canada	32.7	9
5. Other areas	1.7	0
Total	**382.0**	**100**

STAFF BY BUSINESS SECTOR

	Persons	%
1. Industrial systems	308	48
2. Shop and public-facility fittings	113	18
3. Containers	77	12
4. Packaging	107	17
5. Other units	35	5
Total	**640**	**100**

HIGHLIGHTS

	1997	1996
Turnover, FIMm	382.0	993.9*
Plan depreciation, FIMm	16.9	49.9*
Operating profit, FIMm	80.2	125.7*
as % of turnover	21.0	12.6
Profit before extraordinary items, FIMm	74.4	85.5*
Profit before appropriations and taxes, FIMm	74.4	524.7*
as % of turnover	19.5	52.8*
Shareholders' equity, FIMm	438.7	437.8
as % of balance sheet total	64.6	41.4
Liabilities (gross), FIMm	234.8	614.1
Net investments, FIMm	21.9	84.8*
as % of turnover	5.7	8.5*
Staff, persons	640	1768*

* incl. figures for Perlos Group

GWS Systems Oy is a manufacturer of industrial production systems and fittings. The company's overseas activities account for over half the turnover. In Finland product development, manufacturing and marketing are based in the Jyväskylä and Vaajakoski production units. Sales companies operate in Sweden, Germany, France and the USA. In addition there is a sales office in the UK.

Klaus Pinomaa

The Industrial Group's operations continued to develop equally in nearly all market areas. Sales of production systems and workstation fittings grew in Finland as well as in certain export markets, but especially in the USA. Turnover amounted to FIM 192m and was slightly down on the previous year. Turnover and operating profit were somewhat below target. Operating profit was satisfactory. Demand for industrial fittings increased considerably in the USA, the UK and Sweden. In France sales remained at the level of the previous year, as did sales in Germany. Overseas operations represented 55.9% of the turnover.

GWS SYSTEMS OY

GWS Systems Oy consolidated its international market position as a supplier of production equipment and systems in several market areas. Turnover amounted to FIM 149.5m, somewhat below the level of the previous year. Targets for turnover and operating profit were not met. Operating profit was still satisfactory. GWS Systems acquired the entire shareholding of GWS Industri Ab from Oy G.W.Sohlberg Ab at the end of the year. The other sales companies are owned by the Group parent company, Oy G.W.Sohlberg Ab. Growth in demand for the flexible production system (FPS) continued to be the largest in exports of all product lines. Applications of new technology introduced in the Tulip Computers project were implemented in international marketing. Sales of System GWS workstation fittings and GWS Workshop industrial fittings grew in the USA and the UK.

Demand for Sovella fittings increased in domestic markets, while the sales of office fittings remained stable. The product line's target for turnover was attained. There was a wider use of Sovella products in refurbishments.

Efficiency in the Jyväskylä plant's body paintshop was upgraded. During the year the Intranet internal information system was introduced. The EMIS data administration project was also concluded.

Investments totalled FIM 6.6m and were aimed at production.

The largest project in R&D was the application of new technology to develop testing stations and software for assembly lines. The total expenditure amounted to FIM 2.2m.

Sales of GWS Systems's industrial production systems continued to develop positively in export markets.

Industrial investment is expected to increase in all major export markets in Europe and the USA, which means that the Industrial Group's prospects and basis for profitable operations are good.

THE INDUSTRIAL GROUP

	1997	1996	Change	%
Turnover, FIMm	192	190	2	1.1
as % of the Group	50	55		
Investments, FIMm	7	4	3	75.0
Staff, persons	308	307	1	0.3
Profitability	• Satisfactory		• Improving	

GWS INDUSTRI AB

GWS Industri AB's turnover attained target amounting to FIM 25.5m. Growth in sales of FPS and Systems GWS products remained strongest in the telecommunications industry. GWS Industri continued to reinforce its position in the market as a supplier of industrial fittings. Success in the market was also achieved by the Tibnor chain, acting as dealer for GWS Industri products. The largets customers included Ericsson, BT-Products and Partner Tech.

Sovella products consolidated their position in the market, especially in exports.

G.W. SOHLBERG GMBH

Economic development in Germany was slow with investment continuing to lag. Despite this GWS GmbH almost attained its targets in marketing System GWS products and the FPS, but did not meet target for disassembly lines, as several major investment decisions were postponed on account of austerity measures taken by the state. Turnover came to FIM 12.6m and profit improved on the previous year. During the year the company focused on marketing and logistics and administration processes were developed. The situation for projects for the present year provides a good starting point for growth in 1998.

GWS INDUSTRIES S.A.

Business trends in France continued to be uncertain, weakening the desire for industrial investment. GWS Industries' turnover amounted to FIM 14.8m, meeting target. The company increased its market share for workstation fittings due to new customer projects. During the year the new MTS was introduced to the market, achieving a good reception in the assembly industry. Demand for the FPS is also expected to become stronger in new market areas. The largets customers were Alcatel, Matra Defense and Philips.

GWS SYSTEMS OY, UK

Industrial investment in the UK remained at a high level. GWS Systems UK's operations continued to develop favourably and the target for turnover was exceeded. The position in the market was also reinforced due to a wide-ranging development programme.

GWS Workshop and the MTS marketing was upscaled in the UK and Ireland to attain new growth potential.

GWS Systems UK's prospects for the near future are most positive in all market areas, which means that the company's position as a supplier of different industrial systems will continue to become stronger.

Workshop industrial fittings provided greater efficiency for UPM-Kymmene Rauma plant's new maintenance department.

GWS INC.

Burgeoning demand in North American and Canadian industrial systems markets continued, further expanding GWS Inc.'s market share and customer base. Despite tight competition GWS Inc. reinforced its position among the leading suppliers of industrial systems. Turnover exceeded target, amounting to FIM 30.1m. Due to the launch of the FPS and new markets GWS Inc.'s operations are expected to continue their positive development.


CHANEL
CHANEL
CHANEL
CHANEL

GWS Pikval is a full-service supplier of fittings for department stores, shops and other public facilities. The company's main strengths are in project know-how and combining different fittings materials. The main markets are Finland, Russia and the Baltic countries.

Juhani Markkanen

Growth in demand for shopfittings continued from the previous year in Finland. Developments in the main export markets were also favourable. 1997 was a most successful year for GWS Pikval Oy. In all sectors of operations the company exceeded targets and the figures for the previous year. Turnover grew by 20.4% as compared to the previous year, rising to FIM 83.6m. Operating profit attained target.

The most important shopfitting projects were Stockmann in Turku, the Prismas in Turku and Lahti, Sokos in Tampere and Kaubamaja in Helsinki. The building firm, Starckjohann, upgraded its chain's appearance by renewing the interiors of several shops and also by opening some new speciality stores. The long-term cooperation between the Suomalainen Kirjakauppa bookstore and GWS Pikval continued to flourish.

Russia was again the main focus of GWS Pikval's exports. Targets set for exports were fully achieved. The most important shopfitting export projects were the Polskaia Moda carried out in Moscow in conjunction with Rakennusliike Lemminkäinen, the Passage and Kiirovskii department stores in St.Petersburg, and the Yves St. Laurent and Partner stores in Siberia.

The turnover for public-facility fittings was twice the amount set for target. The most important projects were the Holiday Inn Exhibition Hotel in Helsinki, the St.Petersburg Library and a number of locations for the Finnish Post Office.

The most significant development effort was made in customer applications of shopfittings. No great changes were made to the standard models. In the field related to various developments of methods an operations control system was introduced together with CAD and production development projects. R&D expenditure totalled FIM 2.6m.

No great changes are expected in developments for 1998. GWS Pikval's turnover will increase slightly and comprise the same type of customer structure and product range. The present year will see the completion of several development projects started earlier that are aimed at developing operations control, design, payroll and production through in-house manufacture and outsourcing. Due to development activities GWS Pikval's capability for quick and quality deliveries will improve.

The Finnish Post Office introduced a common corporate image to its outlets by installing GWS Pikval fittings.

The refurbishment of the Sokos Tampere department store was one of Pikval's most significant shopfitting projects in Finland.

GWS PIKVAL OY

	1997	1996	Change	%
Turnover, FIMm	84	70	14	20.0
as % of the Group	21	20		
Investments, FIMm	5	6	-1	-16.7
Staff, persons	113	101	12	11.9
Profitability	• good	• will remain good		


LÄNNEN
241
LÄNNEN
130

GWS Finncont Oy is one of the leading manufacturers of metal and plastic IBCs (intermediate bulk containers) in Europe. IBCs are environment-friendly logistics solutions. GWS Finncont also manufactures ecotechnical waste sorting and recycling products. The company's main market areas are the Nordic countries, the UK, Belgium and Holland.

Hans Johanson

GWS Finncont Oy's turnover amounted to FIM 60.6m, a growth of 46% compared to the previous year. Due to a rapid growth in volume and cost control the financial result was also good. Targets for turnover and operating profit were exceeded.

There was a marked increase in IBC business, over 60% up on the previous year. Exports accounted for some 70% of the IBC product sector. Growth was achieved in all major markets, with greatest developments occurring in the UK. The favourable development was based on both attaining a stronger position in the market and the success attained by leasing customers for IBCs. Growth in the near future will be gained from the developing markets in Asia, especially in Japan and South Korea.

The Virrat plant continued with development of the robotic welding cell, which represents the latest technology and increases manufacturing capacity. Great effort will be invested in further boosting competitiveness through upscaling product moduling, manufacturing capacity and quality in operations.

Growth continued in the rotation moulding business even if the increase was lower than for previous years due to limited capacity. The profit for rotation moulding was weaker than for the previous year owing to the rapid increase in the price of plastic raw materials. Development activities in the product sector will continue to focus on upgrading the manufacturing process and quality in operations.

At the end of the year construction work was started on a new plastics plant for the manufacture of rotation-moulded products. The area of the plant to be completed next spring will be some 2,900 m^2. All the present machine capacity and production machinery that is receiving investment in 1998 will be transferred to the newly built plant. The new plastics plant will be put into full operation next autumn.

Investments on product development amounted to FIM 1.7m.

GWS Finncont will increase resources to develop its existing operations and to create the basis for future growth during the present year. Due to investment on development the result for 1998 is estimated to be somewhat lower in comparison to the previous year, but will still remain at a good level.

New rotation-moulded products included a range of fuel and oil tanks for snow-scooters and forklift trucks.

IBCs strengthened their position, for instance as providing a logistics solution for dairies.

GWS FINNCONT OY

	1997	1996	Change	%
Turnover, FIMm	61	42	19	45.2
as % of the Group	16	12		
Investments, FIMm	2	1	1	100.0
Staff, persons	77	64	13	20.3
Profitability	• good	• will remain good		

GWS Plast Oy is the largest domestic manufacturer of plastic bottles, plastic canisters and plastic closures for the food, beverage and technochemical industries and also oil companies. GWS Plast Oy uses the latest production technology to meet customer requirements in its operations and actively contributes to the solution of environmental issues.

Risto Summa

1997 was GWS Plast Oy's first year of operations as a subsidiary of Oy G.W.Sohlberg Ab. Turnover amounted to FIM 48.6m, the same as for the previous year. Operating profit was unsatisfactory, but up on the previous year. The price of plastic raw materials rose considerably during the year. The price rises could not be transferred to product prices, which meant that all targets were not met. For the above mentioned reasons a thorough monitoring of the Klaukkala plant's strategy was carried out. In connection with this, one of the greatest changes in the company's history was implemented during the latter half of the year, involving a partial realignment in production.

On 01.09.1997 GWS Plast Oy bought Perlos Oy's closure business. The necessary production facilities were refurbished and production machinery and equipment, including twenty seven injection-moulding machines, together with the staff transferred to the Klaukkala plant mainly in November. At the same time a rationalisation of the sector was carried out, as a result of which the company more clearly concentrated on packaging for the car chemical, oil and food industries. In this way, blow-moulding production layout could achieve greater efficiency and be better focused.

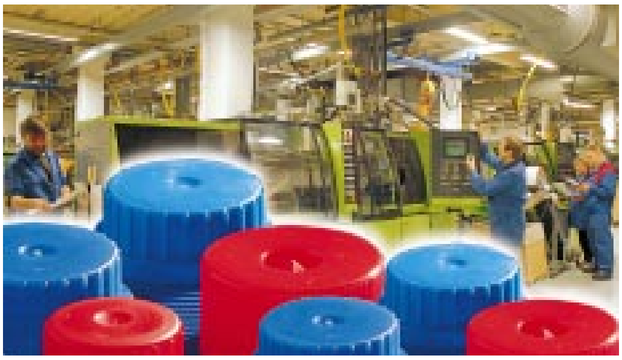
Diverging from the usual annual trend, demand picked up towards the end of the year. At the end of the year the Klaukkala plant's largest ever contract was signed concerning a multi-year agreement for the supply of packaging.

The company carried out a customer satisfaction analysis related to the ISO 9001 quality system and targets set for the year based on other quality measurements to lower, among other things, internal quality expenditure and boost delivery capability. The strategy also includes a cautious entry into Russian markets, which embraces establishing operations including machine deals and the signing of a cooperation contract.

The Finnish solution concerning EU packaging directives on environmental matters was implemented. GWS Plast actively influenced the groundwork in the sector-wide arrangements made by the packaging and plastics industries. At the end of the year GWS Plast was among the first plastics firms to commit itself to the Responsible Care programme drawn up by the international chemistry industry.

The drive required by the new strategy was also apparent in investments, which rose to some FIM 14m. The investments were aimed at starting up injection-moulding production and transferring the previously leased blow-moulding machinery to GWS Plast ownership. In this way a new and better basis for operations was set up for the company's future growth.

GWS Plast Perlos Oy's closure business. Production was started at the Klaukkala plant in refurbished facilities.



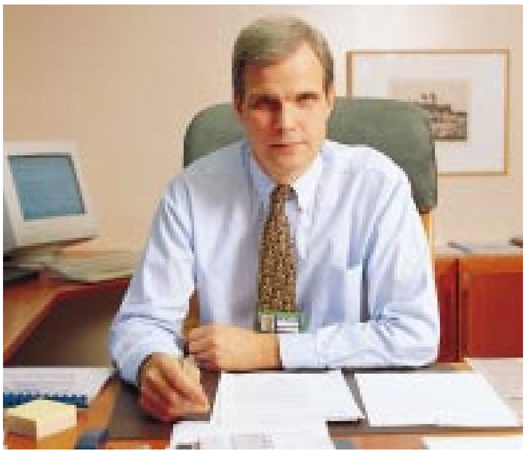
The delivery contract between the Shell Group and GWS Plast for lubrication and car-chemical packaging was further expanded.

GWS PLAST OY

	1997	1996	Change	%
Turnover, FIMm	49	47	2	4.3
as % of the Group	13	13		
Investments, FIMm	14	2	12	
Staff, persons	107	114	-7	-6.1
Profitability	• fair	• improving		


NOKIA
3110

Perlos Oy is one of Europe's leading manufacturers of injection-moulded precision plastic parts, products assembled from these parts and electromechanical components made for industrial users. The main customer base consists of electronics, pharmaceutical, automobile and mechanical engineering firms operating on a global scale. The Perlos Group has eleven production units, located in Joensuu, Kontiolahti, Nurmijärvi and Ylöjärvi in Finland, and subsidiaries, Perlos Ltd in the UK and Perlos (Texas),Inc. in the USA.



Timo Leinilä

The Perlos Group achieved substantial growth in all sectors of operations. Turnover rose to FIM 810.1m, 24.2% up on the previous year. Profit met target and was good. Operating profit not including depreciation increased to FIM 149.1m. A larger share of production, representing 63.3%, went to industrial users operating overseas.The greatest increases in turnover were attained in the Nordic countries and the USA. The largest and most rapidly growing customer sector continued to be the electronics industry, followed by the pharmaceutical industry. Net investments amounted to FIM 92.6m.

As a result of expanding operations, the company was able to create a large number of new jobs. The Perlos Group's staff at the end of the year amounted to 1,412, growing by 212 over the previous year. The company is the largest firm in Finland in terms of personnel to manufacture plastic products. Perlos Ltd's staff numbered 125 at the end of the year and that of Perlos (Texas),Inc. came to 90.

Growth at Perlos is expected to be buoyant in 1998. Investments made during the previous year and investment in personnel enables such development. Growth in demand in the electronics industry and in particular for mobile phones will continue to become heavier. However, financial developments in Asia are a destabilising factor with impacts on markets. Growth in the sale of pharmaceutical products is expected to remain steady. Feasibility studies are being carried out for setting up operations in China by Perlos. The aim is to start production activities during the present decade provided that the economic situation in Asia does not lead to a deeper than expected recession.

Perlos Oy's operations are divided into four divisions: Technical Plastics, CEP Plastics, Connectors and Tools.

Perlos employs state-of-the-art technology.

Global demand for mobile phones increased rapidly. Finland is among the heaviest users of mobile phones in the world.

THE PERLOS GROUP

	1997	1996	Change	%
Turnover, FIMm	810	652	158	24.2
as % of the Group	92,6	83	18	21.7
Staff, persons	1412	1149	263	22.9
Profitability	• good	• will remain good		

There was an increase in export of parts for seat belts to Germany.

CEP Plastics' new products were parts for the FemiScan treatment device and a wallet for migraine tablets.

Connectors developed several new connectors for the electronics industry.

TECHNICAL PLASTICS

The plants belonging to the Technical Plastics Division manufacture parts and subassemblies for the following main products: mobile phones with accessories, car seat belts, electronic components and devices, heating, plumbing and air-conditioning equipment and cosmetics packaging.

Technical Plastics accounts for 47.4% of the Perlos Group's turnover. Turnover grew by 14.7% over the previous year. Exports accounted for 49% of the turnover. The most important export markets were Spain, Hong Kong, Korea, Sweden, Germany and the USA.

A large number of new development projects were completed during the year. The Lehmonharju plant in Kontiolahti completed an extension covering some 5,000 m^2. Injection moulding of lenses is one of the activities taking place in the new facilities. A phase of vigorous development continued in Nurmijärvi. New assembly and tampoprinting techniques were implemented on a large scale. The Ylöjärvi plant's first full year of operations went according to expectations and the budget for turnover was achieved.

Technical Plastics is upgrading its production control system. It is already operating at the Ylöjärvi and Lehmonharju plants. The system is being put into operation in the other units during 1998.

CEP PLASTICS

The CEP Plastics (Controlled Environment Precision Plastics) Division is specialised in the manufacture of high-standard plastic products for the pharmaceutical industry and healthcare. Typical products comprise various medication dispensers and dosers, diagnostic devices and patient care equipment.

CEP Plastics accounted for 19% of the Perlos Group turnover. Growth amounted to 25.8% with exports representing 93.4% of turnover. The most important export areas were Sweden, the UK, France and the USA.

The division also comprises a unit manufacturing automatic equipment situated in Kontiolahti. The Automation unit manufactures exacting automation devices used in production, which may vary from piece handling equipment to highly automated and robotic lines. Demand has grown immensely for such technology over the past few years.

As a result of the positive trend Automation's production facilities and staff have almost doubled during the year.

CONNECTORS

The Connectors Division designs and manufactures both standard connectors and customised electromechanical connectors. The customers are international firms in the telecommunications, mechanical engineering and automation industries that use demanding electronics.

Connectors' turnover for 1997 grew by 30.1%, generating 12.9% of the Perlos Group's turnover. Exports represented 50.8% of the turnover. The most important export markets were Belgium, the UK, Holland, Hong Kong, Sweden and the USA. Increased main customer demand and focused investment by the division in products and production equipment form the background to growth.

During the year special attention was paid to enhancing cooperation with the customer and in-house product development. Design resources were doubled, the upgrading of products made considerable progress, and the amount of new products under design grew to record levels. To meet increased demand the division's production capacity was raised and diversified.

TOOLS

The Tools Division makes injection-moulding tools for all the other production units in the Perlos Group.

The division's in-house competences developed rapidly and internal structure was strengthened. The Nurmijärvi unit's facilities were refurbished and new-tool manufacture was transferred to the Karhunkorpi industrial plant. The relocation of toolmaking and the concurrent development of tooling technology succeeded well despite heavy workloads.

The Ylöjärvi unit consolidated its position as a reliable toolmaker. The Joensuu unit concentrated on developing control of operations and boosting efficiency.

Investments amounted to FIM 8m and were aimed at state-of-the-art CNC machine tools and further upgrading CAD/CAM technology.

Production of tools was started at the new Karhunkorpi plant in Nurmijärvi.

PERLOS LTD

Perlos Ltd operates according to the same concept as the Technical Plastics Division. The company's operations developed positively. Turnover amounted to FIM 62.7m. Investments came to 12% of turnover. Profit was on target and better than for the previous year. Exports accounted for 26.6% of the turnover. Growth in UK markets was slower at the beginning of the year, but picked up towards the end of the year.

Capacity at the Perlos Washington and Hartlepool plants increased by a third. The company further upgraded toolmaking and assembly of plastic components especially for the electronics industry. The main focus was on shortening tool leadtimes and automating piece handling.

The company invested in further enhancing injection-moulding techniques and CAD/CAM technology. As a new form of service to the customer Perlos can offer printing of components in connection with injection moulding.

Perlos Ltd started manufacture of plastic parts for Psion plc hand-held computers.

PERLOS (TEXAS), INC.

Perlos (Texas),Inc. manufactures injection-moulded and assembled plastic products for the electronics industry. The company also makes the majority of tools used in production.

The company's turnover amounted to FIM 73m, an increase of 134.3% on the previous year. Profit was better than estimated. Substantial growth is expected to continue in 1998. Investments came to FIM 10.3m. They were mainly focused on developing toolmaking technology and machinery and equipment required by InMold techniques. Due to burgeoning demand for assembly lines the Texas plant set up its own in-house automation department.

As a result of favourable developments it was decided at the end of the year to relocate to new production facilities that will allow growth to continue and enhance customer service. Perlos Inc.'s operations will move to the new plant during the first half of 1998.

There was a considerable increase in toolmaking at the Texas plant.

THE REPORT BY THE OY G.W.SOHLBERG AB BOARD OF DIRECTORS 1997

1997 was Oy G.W.Sohlberg Ab's 89th financial year and 122nd year of operations.

GENERAL DEVELOPMENTS

Economic growth was maintained in Finland in 1997. GNP increased by 5% on the previous year. Consumer prices were 1.2% up on the previous year. Unemployment averaged 14.5% for the year. Industrial output grew by 7.5% and by some 11% in the metal industry. The volume of visible exports grew by some 10% and that of imports by about 9%. Investment increased by some 10% on the previous year.

THE GROUP STRUCTURE

GWS Perlos Oy's business activities were transferred on 31.12.1996 to the new firm, Perlos Oy, in which Oy G.W.Sohlberg Ab and Scandinavian Equity Partners Ltd's supervisory group were involved each with an equal 50% stake. This arrangement has a considerable influence on the Group's income statement figures for 1997. The associated company, Perlos Oy, together with its subsidiaries have been included in the group accounts using the equity accounting method, whereby the figures for turnover and other items in the income statement are no longer displayed in the consolidated figures except as the Group's share of the Perlos Group's profits.
The business operations, assets and liabilities of the GWS Plastic Packaging Group, based in Klaukkala, were transferred from the parent company to the newly incorporated GWS Plast Oy on 1.1.1997. The parent company has since been operating as a provider of centralised services for the Group. The shares in GWS Industri AB were sold off by the parent company to GWS Systems Oy. The capital structure of the sales companies, G.W.Sohlberg GmbH in Germany and GWS Inc. in the USA, was reinforced by increasing the equity capital of the companies. The consolidated accounts have been drawn up using the acquisition accounting method.

TURNOVER

Group turnover amounted to FIM 382m. When the change in the Group structure related to the Perlos Group is taken into account, comparable turnover rose by FIM 35.2m, or 10.1%. Growth was most pronounced in GWS Finncont Oy (46%) and GWS Pikval Oy (20.4%). Direct exports and overseas operations together totalled FIM 156.7m, representing 41% of the Group turnover.

FINANCIAL RESULT

The Group's financial result substantially exceeded targets and was good. Profit before extraordinary items amounted to FIM 74.4m (FIM 85.5m).
Profits developed especially favourably in GWS Finncont Oy, GWS Pikval Oy and the Perlos Group.

INVESTMENTS

The Group's net investments amounted to FIM 21.9m, which is 5.7% of the turnover. The major part of investments were allocated to investments on machinery made by GWS Plast Oy. The Group's data network was upgraded and ADP applications and equipment enhanced. FIM 9m was invested in R&D.

FINANCING

The Group's key figures for financing have continued to improve considerably on the previous year. The Group's liabilities decreased by FIM 379.3m. Interest-bearing liabilities fell by FIM 131.5m to FIM 163.8m. The Group had cash assets of FIM 199.2m, which is FIM 35.4m more than interest-bearing liabilities. The ratio of shareholders' equity to balance sheet total for the Group rose from 41.4% for the previous year to 64.6%.

PERSONNEL

The Group had an average staff of 640 as compared to 619 for 1996, with 32 employed by the parent company versus 30 for 1996. The Oy G.W.Sohlberg Ab pension fund was closed during the accounting period by transferring management of its liabilities and assets to an insurance company.

PROSPECTS FOR THE FUTURE

The year 1998 has started positively. The Group's turnover is estimated to grow by over 10% and staff by over 5%. The Group's financial result is forecast to improve.

THE BOARD'S PROPOSAL FOR THE DISPOSAL OF EARNINGS

Group disposable unrestricted shareholders' equity equals	FIM 289,107k.
The parent company's disposable unrestricted shareholders' equity equals	FIM 524,062k.
The Board recommends that the above mentioned earnings be allocated as follows:	
-distributed as dividends to shareholders at FIM 8 per share plus a bonus dividend of FIM 15.50 per share totalling FIM 23.50/share	FIM 63,450k
-deposited in the account for accumulated profit from previous years	FIM 460,612k
	FIM 524,062k

INCOME STATEMENT 1.1. - 31.12.(FIM k)

GROUP 1997	%	1996	%		PARENT COMPANY 1997	%	1996	%
381 979	(100)	993 922	(100)	TURNOVER	11 204	(100)	50 366	(100)
4 338		1 094		Finished products and WIP change in inventories	-		-501	
922		415		Manufacture for own use				
54 171		-		Share in associated companies' profits	-		-	
19 538		12 396		Other income from operations	11 243		6 026	
				Materials and services				
				Materials,supplies and products				
-149 854		-317 114		Purchases during the accounting period	-		-15 452	
-4 086		12 986		Change in inventories	-4 012		-2 165	
-5 910		-56 865		External services	-		-	
-159 850		**-360 993**		**Total**	**-4 012**		**-17 617**	
				Staff expenditure				
-96 078		-245 942		Wages and salaries	-8 879		-22 266	
				Staff social expenditure				
-14 716		-60 244		Pension costs	-1 712		-10 656	
-10 666		-21 736		Other staff social expenditure	-961		-1 830	
-121 460		**-327 922**		**Total**	**-11 552**		**-34 752**	
				Depreciations and write-downs				
-16 918		-47 877		Depreciation according to plan	-3 240		-7 894	
-		-2 011		Depreciation on Group goodwill	-		-	
-16 918		**-49 888**		**Depreciations total**	**-3 240**		**-7 894**	
-82 525		**-143 344**		**Other operational expenditure**	**-12 359**		**-24 405**	
80 195	(21.0)	125 680	(12.6)	OPERATING PROFIT/LOSS	-8 716	(-77.8)	-28 777	(-57.1)
				Financial income and expenditure				
-		-		Long-term interest income from Group companies	9 529		12 745	
376		513		Long-term interest income from other companies	367		577	
-		-		Other interest and financial income from Group companies	2 590		514	
10 453		1 610		Other interest and financial income	8 647		726	
-		-		Write-downs on investments	-6 428		-	
-		-		Interest expenditure and other financial expenditure to Group companies	-4 555		-720	
-16 673		-42 345		Interest expenditure and other financial expenditure to others	-15 079		-31 217	
-5 844		**-40 222**		**Financial income and expenditure total**	**-4 929**		**-17 375**	
74 351	(19.5)	85 458	(8.6)	PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	-13 645	(-121.8)	-46 152	(-91.6)
				Extraordinary items				
7 226		587 258		Extraordinary income	25 496		928 447	
-7 224		-148 030		Extraordinary expenditure	-17 961		-126 362	
2		**439 228**		**Extraordinary items total**	**7 535**		**802 085**	
74 353	(19.5)	524 686	(52.8)	PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-6 110	(-54.5)	755 933	
-2 862		-242 590		Income tax	-368		-241 523	
71 491	(18.7)	282 096	(28.4)	NET PROFIT/LOSS FOR THE YEAR	-6 478	(-57.8)	514 410	

BALANCE SHEET 31.12. (FIM k)

GROUP 1997	%	1996	%	ASSETS	PARENT COMPANY 1997	%	1996	%
				FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
				Intangible assets				
-		74		Intangible rights	-		-	
1 324		696		Goodwill	424		696	
2 353		1 131		Other long-term expenditure	148		741	
-		28		Advances	–		-	
3 677	**(0.5)**	**1 929**	**(0.2)**	**Intangible assets total**	**572**	**(0.1)**	**1 437**	**(0.1)**
				Tangible assets				
61 707		62 462		Land and installation charges	4 817		8 125	
171 151		173 208		Buildings and constructions	33 904		58 762	
50 417		34 070		Machinery and equipment	3 883		11 727	
1 950		1 375		Other tangible assets	726		883	
4 171		10 992		Advances and purchases in progress	-		6 119	
289 396	**(42.6)**	**282 107**	**(26.7)**	**Tangible assets total**	**43 330**	**(4.3)**	**85 616**	**(6.3)**
				Investments				
-		-		Shares in Group companies	285 238		238 491	
-		-		Receivables from Group companies	168 911		190 221	
54 171		-		Shares in associated companies	212 500		212 500	
6 064		10 792		Other shares and holdings	4 982		9 713	
60 235	**(8.9)**	**10 792**	**(1.0)**	**Investments total**	**671 631**	**(67.1)**	**650 925**	**(48.1)**
353 308	**(52.0)**	**294 828**	**(27.9)**	**FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS TOTAL**	**715 533**	**(71.5)**	**737 978**	**(54.5)**
				INVENTORIES AND FINANCIAL ASSETS				
				Inventories				
12 373		10 141		Materials and supplies	-		1 147	
7 772		6 844		Work in progress	-		510	
24 721		24 128		Other products/goods	-		2 355	
44 866	**(6.6)**	**41 113**	**(3.9)**	**Investments total**	-		**4 012**	**(0.3)**
				Receivables				
				Long-term				
91		331		Accounts receivable	92		331	
-		-		Receivables from Group companies	5 833		-	
517		2 094		Loans receivable	515		2 094	
1 079		1 318		Prepaid expenditure and accrued income	-		-	
-		-		Other receivables	-		66	
1 687	**(0.2)**	**3 743**	**(0.4)**	**Long-term receivables total**	**6 440**	**(0.6)**	**2 491**	**(0.2)**
				Short-term				
58 047		67 073		Accounts receivable	736		9 773	
-		-		Receivables from Group companies	77 398		26 619	
-		7 917		Receivables from associated companies	-		-	
691		210		Loans receivable	581		55	
9 374		9 348		Other receivables	9 024		9 123	
11 755		6 618		Prepaid expenditure and accrued income	4 351		2 367	
79 867	**(11.8)**	**91 166**	**(8.6)**	**Short-term receivables total**	**92 090**	**(9.2)**	**47 937**	**(3.5)**
81 554	**(12.0)**	**94 909**	**(9.0)**	**Receivables total**	**98 530**	**(9.8)**	**50 428**	**(3.7)**
126 420	**(18.6)**	**136 022**	**(12.9)**	**INVENTORIES AND FINANCIAL ASSETS TOTAL**	**98 530**	**(9.8)**	**54 440**	**(4.0)**
199 193	**(29.4)**	**625 346**	**(59.2)**	**CASH AND BANK ACCOUNTS**	**186 897**	**(18.7)**	**562 670**	**(41.5)**
678 921	**(100)**	**1 056 196**	**(100)**	**ASSETS TOTAL**	**1 000 960**	**(100)**	**1 355 088**	**(100)**

BALANCE SHEET 31.12. (FIM k)

GROUP 1997	%	1996	%	LIABILITIES	PARENT COMPANY 1997	%	1996	%
				SHAREHOLDERS' EQUITY				
				Restricted equity				
108 000		108 000		Share capital	108 000		108 000	
4 000		7 000		Revaluation reserve	1 000		4 000	
14 491		14 245		Other restricted equity	14 175		14 175	
126 491	**(18.6)**	**129 245**	**(12.2)**	**Restricted equity total**	**123 175**	**(12.3)**	**126 175**	**(9.3)**
				Unrestricted equity				
240 744		26 447		Accumulated profit from previous years	534 491		92 295	
71 491		282 096		Net profit for the year	-6 478		514 410	
312 235	**(46.0)**	**308 543**	**(29.2)**	**Unrestricted equity total**	**528 013**	**(52.8)**	**606 705**	**(44.8)**
438 726	**(64.6)**	**437 788**	**(41.4)**	**SHAREHOLDERS' EQUITY TOTAL**	**651 188**	**(65.1)**	**732 880**	**(54.1)**
				COMPULSORY RESERVES				
5 379	**(0.8)**	**4 350**	**(0.4)**	**Other compulsory reserves**	**3 579**	**(0.3)**	**4 350**	**(0.3)**
				LIABILITIES				
				Long-term liabilities				
84 562		132 343		Loans from financial institutions	82 562		129 292	
27 177		35 269		Loans from pension institutions	27 177		35 270	
8 994		9 349		Deferred tax liability	1 536		5 026	
-		-		Debt to Group companies	774		774	
175		71		Other long-term loans	-		-	
120 908	**(17.8)**	**177 032**	**(16.8)**	**Long-term liabilities total**	**112 049**	**(11.2)**	**170 362**	**(12.6)**
				Short-term liabilities				
49 680		34 463		Loans from financial institutions	48 621		28 363	
2 349		93 161		Loans from pension institutions	2 321		93 043	
1 591		200		Advances	-		125	
22 672		25 770		Accounts payable	1 393		9 214	
-		-		Debt to Group companies	172 137		54 902	
10 048		22 850		Other short-term liabilities	2 009		17 025	
27 568		260 582		Accrued liabilities and prepaid income	7 663		244 824	
113 908	**(16.8)**	**437 026**	**(41.4)**	**Short-term liabilities total**	**234 144**	**(23.4)**	**447 496**	**(33.0)**
234 816	**(34.6)**	**614 058**	**(58.2)**	**LIABILITIES TOTAL**	**346 193**	**(34.6)**	**617 858**	**(45.6)**
678 921	**(100)**	**1 056 196**	**(100)**	**SHAREHOLDERS' EQUITY, RESERVES AND LIABILTIES TOTAL**	**1 000 960**	**(100)**	**1 355 088**	**(100)**

SOURCE AND APPLICATION OF FUNDS (FIM m)

GROUP 1997		PARENT COMPANY 1997
	SOURCE OF FUNDS	
	Income financing	
71.5	Net profit	-6.5
16.9	Depreciation	3.2
1.0	Change in compulsory reserves	-0.8
89.4	Income financing total	-4.1
	APPLICATION OF FUNDS	
	Change in fixed assets and	
77.9	other long-term investments	-14.2
56.1	Change in long-term liabilties	58.4
67.5	Distribution of dividends	67.5
-112.1	Change in net working capital	-115.8
89.4	Application of funds total	-4.1
	CHANGE IN NET WORKING CAPITAL	
44.9	Inventories	-
81.2	Receivables	98.5
199.2	Cash and bank accounts	186.9
-113.9	Short-term liabilties	-234.1
211.4	Total	51.3
323.5	Net working capital 1.1	167.1
211.4	Net working capital 31.12	51.3
112.1	Change	115.8

Espoo, 17.3.1998

Klaus Sohlberg
Chairman

Olavi Mantere
Vice Chairman

Rolf Hasselblatt

Kauko Pihlava

Kari O. Sohlberg
CEO

Teppo Taberman

Heikki Tulenheimo

GROUP SUPPLEMENTARY INFORMATION

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

The accounts have been drawn up in compliance with the Accounting Act and Ordinance in force from 31.12.1997. The income statement has been changed to a cost-based formula. The activity-based income statement for 1996 has also been altered to the new cost-based formula.

Calculation principles for the consolidated accounts

1. The consolidated accounts have been drawn up using the acquisition accounting method.
2. The price paid for the shares in the subsidiaries in excess of shareholders' equity is partly presented under fixed assets and partly under Group goodwill. The items entered under fixed assets are depreciated on a five-year schedule. Goodwill has been fully depreciated.

Intragroup transactions and margins

1. Intragroup transactions, unrealized margins on intragroup deliveries, intragroup receivables and payables have been eliminated.

Exchange rate and translation differences

1. The income statments and balance sheets of the overseas subsidiaries have been translated into Finnish marks using the average rate of exchange on the balance sheet date. The exchange rate differences have been entered under financial expenditure. The translation differences related to the acquisition costs of the overseas subsidiaries have been entered on the balance sheet under unrestricted shareholders' equity.

Associated company

1. The associated company, Perlos Oy together with its subsidiaries, has been entered using the equity accounting method. The goodwill transferred to Perlos Oy in 1996 included an internal margin amounting to FIM 398.3m, of which FIM 212.5m has been eliminated against the acquisition cost of the shares in Perlos Oy. The extra sale price received in 1997 contains an internal margin of some FIM 0.6m. The remainder of the internal margin totalling FIM 186.4m will be eliminated from the Perlos Group's accumulated profits for future years.

Presentation and comparability of the accounts

1. The figures for the income statement of 1996 includes the figures of the Perlos Group, as the latter were GWS Group companies. The associated company, Perlos Oy, started actual operations in the beginning of 1997, which means that the share in its profits only appears in the income statement for 1997.
2. Fixed assets have been capitalized at acquisition cost. Depreciation according to plan has been calculated on a straight-line basis based on the useful economic life of the assets. The items, land and buildings and constructions, also include revaluations from previous years amounting to FIM 29.1m.
3. Inventories are presented according to FIFO principles at acquisition cost or at the lower of replacement cost or probable market price. Purchasing and manufacturing variable costs have been capitalized under inventories. The fixed costs capitalized under inventories for 1996, amounting to FIM 3m, have been closed and entered in the income statement under finished products and WIP change in inventories.

Items from previous accounting periods (FIM 1000)

Extraordinary income:	
Income on Group company disposals	5 675
Extraordinary expenditure:	
Expenditure on Group company acquisitions	3 590
Income tax:	
Additional tax and tax rebates	
Net rebate	448

Supplementary information to income statement

1. Turnover by business sector and market area

Turnover by business sector:	1997
Industrial systems	190 650
Shop and public-facility fittings	82 614
Containers	60 164
Packaging	48 551
Total	381 979

Turnover by market area:	
Finland	225 720
Other Nordic countries	48 004
Other Europe	73 859
USA and Canada	32 748
Other countries	1 648
Total	381 979

2. Extraordinary income and expenditure

Extraordinary income	
Income on Group company disposals	5 675
Closing pension fund liability deficit	1 551
	7 226
Extraordinary expenditure	
Expenditure on Group company acquisitions	3 590
Losses on sale of real estate	2 371
Write down of group companies shares	1 263
	7 224

3. Depreciation according to plan

Goodwill	371
Other long-term expenditure	906
Buildings and constructions	5 173
Machinery and equipment	9 703
Other tangible assets	765
Total	16 918
Depreciation decrease due to sale of fixed assets	-6 366
Depreciation difference increase	4 263
Total book depreciation	14 815

Depreciation according to plan has been calculated according to useful economic life from acquisition cost.

The periods for depreciation according to plan are as follows:	
Goodwill	10 years
Other long-term expenditure	3-10 years
Buildings	40 years
Constructions	10 years
Machinery and equipment	5-10 years
Other tangible assets	5 years

4. Financial income and expenditure

Interest income on other long-term investments from other companies	376

Interest income	
From other companies	10 453
Interest expenditure and other financial expenditure	
To other companies	16 673
Financial income and expenditure total	5 844

5. Appropriations

Distribution of decrease in depreciation difference and change in voluntary reserves	
Change in deferred taxes in reducing income tax	340
Profit for the year	871
Change in depreciation difference total	1 211

Supplementary information on balance sheet assets

1. Revaluation

Fixed assets includes the following revaluations carried out during previous accounting periods:

	1.1.	Change	31.12.
Land	3 100	0	3 100
Buildings	29 000	-3 000	26 000
Total	32 100	-3 000	29 100

In making revaluations the going value of the asset has been found to be essentially higher than the original acquisition value, which means that in compliance with the principle of conservatism the mean between the going value and book value has been entered as the revaluation. Going values have been assessed by external assessors. The change in 1997 is due to the sale of real estate in Pieksämäki.

2. Prepaid expenses and accrued income

Long-term	
Prepaid leasing costs and rents	1 079
Short-term	
Proceeds on sale of Group companies	3 533
Tax receivables	3 301
Others (items under FIM 1m)	4 921
Total	11 755

3. Fixed assets and other long-term investments
*) see chart at the bottom of the page

4. Undepreciated part of acquisition cost of machinery and equipment 29 449

5. Tax values/book values

Land	33 767
Buildings	92 975
Shares and holdings	58 729

Supplementary information on balance sheet liabilities

1. Shareholders' equity

11. Restricted

Share capital 1.1 and 31.12	
Parent company shares are divided as follows:	
Common 900 000	
(one share/one vote)	36 000
Preferred 1 800 000	
(ten shares/one vote)	72 000
Shares total 2 700 000	108 000

The preferred shares are entitled to a dividend of eight percent on net profit for the year, after which common shares are entitled to a dividend of upto eight percent. If there is a distribution of dividend above this figure, each share is entitled to the same amount. (Articles of Association §16)

Revaluation reserve 1.1	7 000
Decrease	-3 000
Revaluation reserve 31.12	4 000
Other restricted shareholders' equity 1.1	14 245
Increase	246
Other restricted shareholders' equity 31.12	14 491
Restricted total	126 491

12. Unrestricted

Accumulated profit from previous years 1.1	44 534
Net profit from previous year 1996	239 968
Distributed dividends 1997	-67 500
Book part of accumulated depreciation difference	23 999
Other changes	-257
Accumulated profit from previous years 31.12	240 744
Net profit for the year	71 491
Unrestricted total	312 235
Shareholders' equity total	438 726

2. Liabilities maturing in over five years 16 250

3. Accruals

Accrued wages and salaries incl.social expenditure	18 007
Deferred taxes	3 225
Accrued interest	3 073
Other (items less than FIM 1m)	3 263
Total	27 568

4. Compulsory reserves

Guarantee reserves	1 800
Environment liability reserve	2 829
Reserve for rental costs	750
Compulsory reserves total	5 379

*) 3. Fixed assets and other long-term expenditure

	Land	Buildings and constructions	Machinery and equipment	Other tangibles	Acquisitions in progress	Shares and holdings	Goodwill	Other long-term expendutire
Acquisition cost 1.1	59 362	264 893	119 167	3 424	10 992	10 792	3 214	6 502
Increase	70	13 400	26 127	1 340	4 171	54 250	1 000	3 568
Decrease	-825	-12 109	-9 889	0	-10 992	-4 807	0	0
Accumulated depreciation and write-down	0	-120 685	-85 097	-2 049	0	0	-2 519	-6 811
Less accumulated depreciation and write-down	3 100	33 825	9 812	0	0	0	0	0
Plan depreciation during accounting period	**0**	**-5 173**	**-9 703**	**-765**	**0**	**0**	**-371**	**-906**
Write-down and rebates	0	-3 000	0	0	0	0	0	0
Balance sheet value 31.12	**61 707**	**171 151**	**50 417**	**1 950**	**4 171**	**60 235**	**1 324**	**2 353**

The guarantee reserves have been entered in the income statement under external services at FIM 1,200k and under other expenditure at FIM 600k.
The environment liability reserve has been entered under extraordinary expenditure at FIM 2,829k.

The parent company holds a commitment that the real estate at Terbkenhofdreef 51-53, Wilrijk, Belgium, owned by Hansa-Mertens N.V., does not comprise a hazard to the environment. Belgian law and regulations are observed. To cover the commitment an environment liability reserve of FIM 2.8m has been made.
The reserve for rental costs have been entered during previous accounting periods.

5. Accumulated appropriations
Accumulated depreciation difference divided into:

Deferred tax liability	8 994
Shareholders' equity	23 128
Depreciation difference total	32 122

6. Itemisation of deferred tax liabilities and their changes

Attributable to Group firms' balance sheet 1.1	9 334
Attributable to appropriations 1997	-340
Attributable to consolidation	0
Deferred tax liability total 31.12	8994

Supplementary information on income taxes

Income tax on regular operations	6 129
Income tax on extraordinary items	-2 278
Tax rebates from previous accounting periods	-1 475
Back taxes from previous accounting periods	826
Change in tax liability	-340
Total	2 862

Securities and commitments

Pledges and commitmnets

A. Own debt	
Mortgages on land and buildings	142 967
Company mortgages	75 000
	217 967
B. On behalf of others	
Guarantees for associated companies	9 036
Company mortgages on behalf of others	5 000
	14 036
C. Leasing and instalment commitments	
Leasing commitments	7 805
Instalment commitments	371
	8 176
D. Totals	
Mortgages	222 967
Guarantees	9 036
Leasing and instalment commitments	8 176
	240 179

Supplementary information on personnel and board members

1. Average staff

Wage earners	391
Salaried staff	249
Total	640

2. Managing directors and board members

Salaries and fees	4 989
of which directors' emoluments	679
Ancillary staff costs	
Pension costs	1 542
Other ancillary staff costs	503
Ancillary staff costs total	2 045
Wages and salaries total	7 034

3. Loans to management and owners

Company and Group company managing directors and board members	1 061
Company and Group company shareholders (per Joint Stock Act 11:7.2)	35
Total	1 096

Terms of loans:Loans to Group company board members and managing directors to be repaid on 31.12.2000 at +1.0% over Bank of Finland base rate.

4. Retirement age for Chairman of Parent Company and domestic Group company managing directors is 60.

Shares and holdings

Group companies in consolidated accounts	Group stake	Group voting rights	Group share in share capital, FIM k
GWS Systems Oy, Jyväskylä	100%	100%	50 395
GWS Industri Ab, Sweden	100%	100%	1 952
G.W. Sohlberg GmbH, Germany	100%	100%	-4 868
GWS Industries S.A., France	100%	100%	1 272
GWS Inc., USA	100%	100%	-850
GWS Pikval Oy, Helsinki	100%	100%	9 280
GWS Finncont Oy, Espoo	100%	100%	12 627
GWS Plast Oy, Nurmijärvi	100%	100%	27 811
GWS-Kiinreistöt Oy, Helsinki	100%	100%	21 248
Kiint. Oy Työnjohtajank. 1, Helsinki	100%	100%	59 094
Kiint. Oy Menotie 1, Ylöjärvi	100%	100%	17 521
Kiint. Oy Punamullant. 2, Nurmijärvi	100%	100%	14 907
As Oy Hgin Ehrensvärdint. 25, Helsinki	100%	100%	16 149
As Oy Niittysaarentie 7, Espoo	100%	100%	1 427
Pakopaikka Oy, Kuusamo	100%	100%	306
GWS Tarkkuusmuovi Oy, Nurmijärvi	100%	100%	112 715

OTHER SHARES AND HOLDINGS WITH SIGNIFICANT GROUP STAKE

	Group stake %	Group voting rights	Group share in share capital FIM k	Shares / stakes owned by the Group: Stake %	No.	Nom. Value FIM k	Book value FIM k
Associated companies							
Perlos Oy	50%	50%	212 500	50%	8 500 000	85 000	54 171
Other shares and holdings							
Helsingin Puhelin Oy					57		107
Kohdematkat Oy					50	50	250
Oy Nordgolf Ab					3	75	101
Pattistenrinne Asunto Oy					1	126	1 473
Oy Pickala Golf Ab					2	20	109
Vakuutusyhtiö Sampo					11 217	224	2 338
Keski-Suomen Puhelin Oy					100	10	166
Suomen Arvopaperikeskus Oy					3		210
Other shares							1 310
Other shares and holdings total							6 064

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 1.1-31.12.1997. The financial statements presented by the Board of Directors and the Chief Executive comprise an account the operations, the income statement and balance sheet of both the Group and the 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 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 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 the Parent Company in conformity with the Accounting Act. The financial statements and consolidated acounts can be adopted and the members of the Board of Directors and the Chief Executive discharged from liability for the accounting period under review. The proposal by the Board of Directors for the disposal of unrestricted equity as presented in the balance sheet is in accordance with the Joint Stock Companies Act.

Espoo, 27 March 1998

Arthur Andersen Kihlman Oy
Chartered Accounting Coporation

Kari Manner, C.A..

Jarmo Lohi, C.A.

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GWS