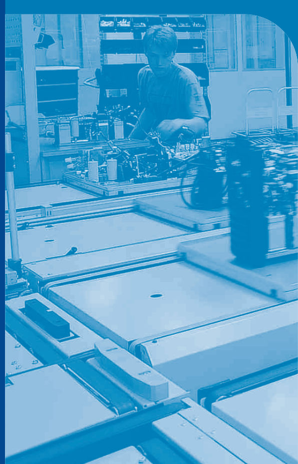
GWS

ANNUAL REPORT 1999



A simple, clear-lined fittings system was designed for the Akateeminen Kirjakauppa bookstore's Micronia.

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ORGANISATION 1.1.2000

G.W. SOHLBERG CORPORATION

Board of Directors

Board of Management

CEO Kari O. Sohlberg

GWS SYSTEMS OY

Board: Kari O. Sohlberg (Chairman), Hans Johanson, Mika Sohlberg, Matti Virtaala

Managing Director Klaus Pinomaa

GWS Industri AB, Sweden

G.W. Sohlberg GmbH, Germany

GWS Industries S.A.R.L., 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

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 OYJ

Board: Mikael Lilius (Chairman), Kari O. Sohlberg (Vice Chairman), Matti Aura, Sten-Olof Hansén, Jan Ståhlberg, Matti Vartia

Managing Director Timo Leinilä

Subsidiaries:

Perlos Ltd., UK

Managing Director Teemu Saloranta

Perlos (Texas) Inc., USA

Managing Director Matti Jääsalo

Perlos Precision Plastics Moulding Ltd., Hungary

Managing Director Matti Hokka

Perlos (Guangzhou) Engineering Plastics Company Ltd., China

Managing Director Paavo Mujunen

BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND AUDITORS

THE BOARD OF DIRECTORS

Klaus Sohlberg, Chairman, Consul, B.Sc.(Econ.)

Olavi Mantere, Vice Chairman, M.Sc.(Eng.)*

Rolf Hasselblatt, Counsellor of Trade

Kauko Pihlava, 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

Pekka Soveri

Risto Summa

AUDITORS

Jarmo Lohi, C.A.

Arthur Andersen Oy, C.A. Corporation

DEPUTY AUDITOR

Juha Selänne, C.A.

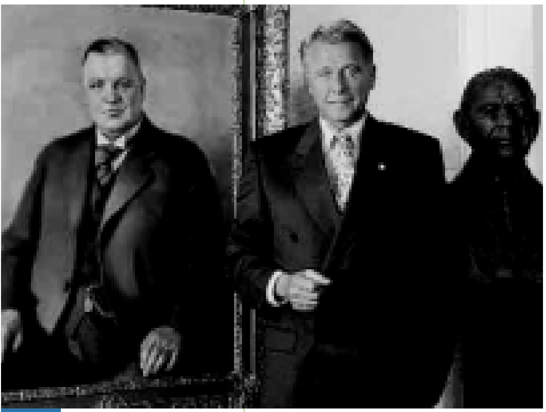
GWS Board of Directors, from left to right: Rolf Hasselblatt, Klaus Sohlberg (Chairman), Teppo Taberman, Olavi Mantere, (Vice Chairman), Kauko Pihlava, Heikki Tulenheimo and Kari O. Sohlberg.

Group development continued to be good. Operating profit exceeded target and was FIM 155m, whereas for the previous year it stood at FIM 125m. The net profit of FIM 383m was exceptionally good due to extraordinary income attributable to listing the associated company, Perlos, in June.

Developments in the four subsidiaries have been uneven. GWS Pikval achieved the best result in terms of marks. Targets for turnover and operating profit were exceeded. GWS Systems' year was particularly marked by a weaker than expected demand in Eastern Europe. The months following the summer holidays were clearly better than for the beginning of the year, providing a better starting point for the year 2000. The target for operating profit was not met. GWS Finncont continued to attain good, consistent results and achieved its target. The company was the best in GWS in terms of the operating profit percentage rate. GWS Plast, which achieved a positive result, did not meet its target largely due to declining demand.

All our subsidiaries are market leaders in their respective domestic markets and we are among the leaders in Europe in some product lines.

The Group equity ratio, calculated just from the balance sheet, was 70 percent. The book value in the parent company balance sheet for Perlos shares was FIM 171m, whereas the market value was at FIM 4,264m at the balance sheet date.



We are in a situation where we are able to fulfil the strategic aim that will enable vigorous profitable growth based on corporate acquisitions. We have defined the vision for coming years in the Group's board of directors. In accordance with this GWS will remain an industrial firm. Growth in companies belonging to the Group will be supported through corporate acquisitions in those fields of operations whose growth potential seems best also on an international scale. Even a move into a new field is under consideration.

Thorough studies will be carried out this year concerning the business sectors, to which GWS Systems and GWS Finncont belong. The operations of the two other subsidiaries, GWS Pikval and GWS Plast, will be developed also along the lines of good partnerships.

Our firm strategic aim is to remain the largest shareholder in the associated company, Perlos, and develop its business in cooperation with the other shareholders. In this respect, I would like to extend my thanks to the investment company, EQT, for the fine cooperation, which started at the end of 1996 and continued throughout the entire period, now that they have virtually sold off the shareholding, owned directly by their equity fund and by groups represented by them .

GWS will attain its 125th anniversary in February 2001. This rare special occasion will be mainly spent working.

On 17 March the name of the new GWS chief executive was made public. Heikki Mairinoja, M.Sc.(Eng.), B.Sc.(Econ.), 53, will start in the company as vice CEO and deputy chief executive on 1 October during the present year. He will assume the responsibilities of chief executive in 2001 after the annual general meeting. I am fully convinced that we have obtained an outstanding person to implement the GWS vision.

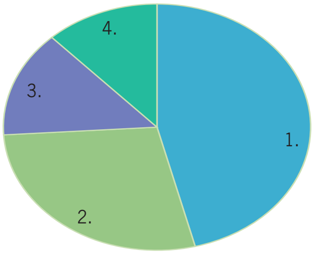
The profit plan for the year 2000 covers the company's main targets for operating profit, cashflow and total profitability. The trend for the beginning of the year has been promising, even though we are slightly below target as per February.

I would like to thank all our customers and other business associates for the fine and productive cooperation and the trust we have received. The year just passed shows that the GWS employees are committed to attaining the company's targets. I wish to thank you all for our fine cooperation.

Espoo, 20 March 2000

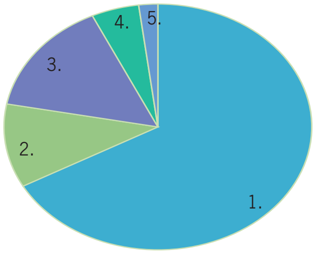
GROUP DEVELOPMENT KEY FIGURES

TURNOVER BY BUSINESS SECTOR



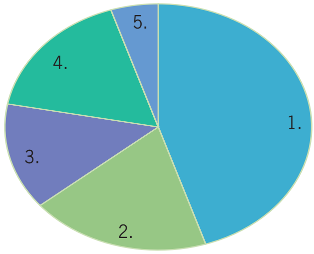
	FIM m	%
1. Industrial systems	190.8	46
2 Shop and public-facility fittings	112.4	28
3. Containers	58.9	14
4. Packaging	49.1	12
Total	**411.2**	**100**

TURNOVER BY MARKET AREA



	FIM m	%
1. Finland	275.3	67
2 Other Nordic countries	45.9	11
3. Other Europe	62.1	15
4. USA and Canada	20.0	5
5. Other countries	7.9	2
Total	**411.2**	**100**

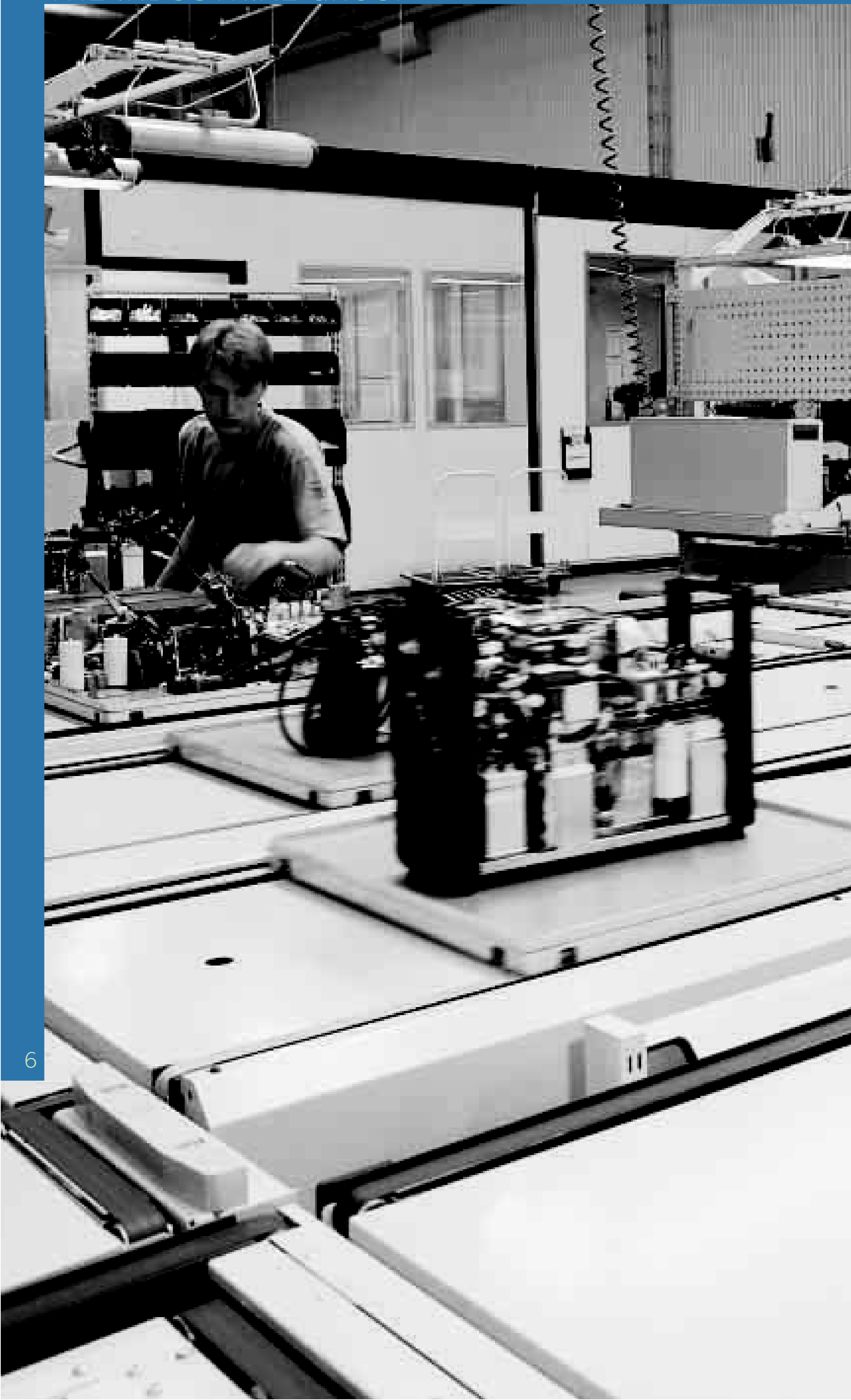
STAFF BY BUSINESS SECTOR



	Persons	%
1. Industrial systems	315	45
2 Shop and public-facility fittings	133	19
3. Containers	96	14
4. Packaging	122	17
5. Other units	35	5
Total	**701**	**100**

HIGHLIGHTS

	1999	1998	1997
Turnover, FIM m	411.2	404.7	382.0
Plan depreciation, FIM m	20.5	19.3	16.9
Operating profit,FIMm	155.5	124.6	80.2
as % of turnover	37.8	30.8	21.0
Profit before extraordinary items, FIM m	156.8	120.6	74.4
Profit before appropriations and taxes,FIMm	479.2	119.7	74.4
as % of turnover	116.5	29.6	19.5
Shareholders' equity	701.5	449.2	438.7
as % of balance sheet total	69.2	70.5	64.6
Liabilities (gross),FIMm	308.2	182.7	234.8
Investments,FIMm	33.9	35.4	35.,8
as % of turnover	8.3	8.7	9.4
Staff,persons	701	697	640



The FPS unit developed for Vaasa Control Oy a production system for the manufacture of frequency meters, on which the products are made from the component stage to despatch.

The facilities of Patria Finavitec's technical department were renewed with GWS Systems cleanroom fittings.

A new efficient FPS was designed for the assembly of Kemppi Oy's welding machines.

GWS SYSTEMS OY

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

The Industrial Group's operations showed a positive development, even if all the targets were not met. Demand for products in virtually all market areas was slow at the beginning of the year, but picked up considerably in the second half of the year. The best developments were achieved with workstation fittings and Sovella products in domestic sales. Demand in exports varied according to product line and market, but was well below target. The turnover of FIM 192m was somewhat down on last year. Targets for turnover and operating profit were not attained. Operating profit was satisfactory. Marketing targets for production systems and workstation fittings were largely met only in Sweden, France and Germany, but there was a decline in sales in other export countries. Overseas business represented 49.8% of the turnover.

GWS SYSTEMS OY

GWS Systems reinforced its position as an international supplier of assembly production equipment and systems to some extent, even though the trends in export markets were not in line with expectations. Turnover amounted to FIM 153.6m and was below target. Operating profit was satisfactory. Activities to improve quality and develop production were continued.

The best product line to develop was workstation fittings, where demand in telecommunications clusters in Finland, Sweden and France was good. On the other hand, investments in the workshop industry were at a low level, because of which the Workshop line was below target in virtually all market areas. An uncertain economic situation and tighter competition in the most important export markets hindered marketing of flexible production systems (FPS) and targets were not met in all areas. The Sovella product line showed a positive development especially in Finland and the main export markets, which contributed to meeting targets.

The product development project, System 2001, was completed. Upgrading the model improves the functioning and design of the workstations and enables new combinations to be formed using present products.

GWS Systems carried out a comprehensive renewal of its information network, covering upgrading cables and switches in the Keljonkangas plant and office and network cards. Investments totalled FIM 13.8m and were targeted on production. R&D expenditure amounted to FIM 3.9m.

	1999	1998	CHANGE	%
Turnover, FIM m	192	203	-11	-5.4
as % of the Group	46	50		
Investments, FIM m	14	8	6	75.0
Staff, persons	315	316	-1	-0.3
Profitability	• Almost satisfactory		• Improving	

Klaus Pinomaa

The movable, flexible workstations, supplied by GWS Systems to Veho Olari, are top-class in their efficiency.

New fittings boost production at SEW-Componenta Oy's Karkkila plant, manufacturing modular gear series.

Tamglass' new production facilities were supplied with Workshop fittings and movable workstations.

Changing demand in world markets affected exports of GWS Systems' products in different market areas during the year and only a part of targets could be achieved.

Economic growth was stronger in Sweden during 1999, but investments in industrial production systems were below target. On the other hand, there was a positive trend in the sale of industrial workstation fittings and targets were met. The sale of Workshop products, sold through the Tibnor chain, was on target. The market position continued to be reinforced through various campaigns and sales support activities.

Economic development in Germany was inconsistent and all the targets were not met. Demand for workstation fittings increased in the electronics industry and others, due to which targets were met. The sale of production systems did not develop in accordance with expectations, even though the MTS product line reinforced its market position. The company believes that growth in new markets and more efficient targeted marketing will contribute to the positive development of business.

In France the amount of industrial investment did not increase fundamentally, but targets for the marketing of workstation fittings could be met. The sale of production systems remained at a low level, even though in certain new industrial sectors promising development prospects opened up. Demand for the MTS product line continued to develop positively. Important new customers included Peugeot, Lucent and Sagem.

The business trend continued in the UK, while the level of investment rose. Demand for industrial workstations was uneven due to, among other things, a downturn in the electronics industry, but with increased efforts in marketing targets were almost met. The MTS product line continued to reinforce its position in the market and demand is expected to develop positively in the future as well. It is believed that growth in UK markets will continue to be vigorous. Investments in a retail network and diversifying marketing will increase growth in business in the near future.

The weak demand in US markets continued and targets were not met in all product lines. Expected investment in the electronics industry did not materialise, while competition continued to become tighter. Attempts were made to reinforce operations by upgrading increased marketing efforts and distribution channels for products.

The year showed positive developments in the Chinese market, but the customer base still remained narrow. There was an increase in demand from the electronics industry for workstation fittings and production systems, which meant targets could be attained. It is expected that the growth of industrial investment will continue in the Chinese market, which will provide a good basis for a growth in business.

Other major market areas were Norway, Spain, Denmark, Holland, Hungary and Estonia. Targets for exports of Sovella products were almost achieved. The main markets were Germany, Holland, Belgium and the USA.

The new model for System GWS products improves possibilities to compete and provides a new customer potential in several market areas. Exports of Workshop products increased in various market areas by investing in competitiveness and distribution channels. Upgraded production of production systems and new products considerably increases growth potential in exports.

Industrial investment is expected to increase in the main export markets and Finland. In addition, investments in marketing and business development together with a record orderbook at the end of the year, especially in the FPS business sector, will enable positive developments in the Industrial Group.

The FPS business sector moved to new production facilities in Muurame at the beginning of the year 2000 and is investing heavily in staff.

The shops in Sundsvall and Farsta (in the picture), belonging to the Clas Ohlson chain, received a new appearance from the "Butik 2000" concept developed by GWS Pikval.

Shelving fittings at the library of Åbo Akademi represent the latest trend.

GWS Pikval fitted almost half of the shopfloor space at Jumbo, the second largest shopping mall in Finland. The largest projects were Citymarket, Anttila and the Suomalainen Kirjakauppa bookstore.

GWS PIKVAL OY

GWS Pikval Oy 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 in combining different fittings materials. The main markets are Finland, Russia and the Baltic countries.

Demand for shopfittings increased considerably in domestic markets. Exports also developed positively especially due to deliveries to Sweden. GWS Pikval's business grew rapidly, exceeding targets. Sale of products was particularly lively at the beginning of the year and remained at a good level till the end of the year. Turnover grew by 35.5% as compared to the previous year, amounting to FIM 114m. Operating profit exceeded target and was good. The main focus of operations continued to be on Finland.

The amount of market and grocery store projects increased substantially. With a growth in volume in the market there was also tighter competition from overseas suppliers. The largest fittings project for the year even on a European scale was the Jumbo shopping mall in Vantaa. Pikval fitted slightly over 50% of the mall's 55,000 m^2 floorspace. Other large shopfitting projects were Kesko Citymarkets, Anttila department stores and the Tampere Stockmann. Many public-facility fittings projects were carried out, of which the library at Åbo Akademi was the most diversified.

Export activities to Russia went according to expectations with some regular customers investing in fittings despite the uncertain economic situation in Russia. At the end of the year marketing was made more efficient in the Moscow economic region by opening a company location in Moscow. Through this measure the company is trying to enable targets to be met in the future in this market. The largest projects in exports were the Clas Ohlson hardware chain in Sweden and the Dom Knigi bookstore in St.Petersburg.

Investments amounted to FIM 3.1m and were mainly aimed at boosting production. R&D expenditure totalled FIM 2.6m. In the coming years GWS Pikval will increase investments in the quality and rapid reaction capabilities in its operations, rising to the level of the best fittings companies in Europe.

Business for the year 2000 is expected to continue in a positive manner and the prerequisites for achieving targets are good. Investments were made especially in the staff and new manufacturing methods in developing the business.

	1999	1998	CHANGE	%
Turnover, FIM m	114	84	30	35.5
as % of the Group	28	21		
Investments, FIM m	3	4	-1	-25.0
Staff, persons	133	122	11	9.0
Profitability	• Good		• Will remain good	

Juhani Markkanen

Production of rotation-moulded plastic products has further diversified.

Plastic seats for motor-boats are a new product line.

Demand for plastic tanks continued to increase last year.

The food industry is a pioneer in the development of IBC logistics. Chocolate mass is being processed at the Fazer plant.

GWS FINNCONT OY

GWS Finncont Oy is one of the leading manufacturers of metal and plastic IBCs (intermediate bulk containers) in Europe. IBCs are environmentally-friendly logistics solutions. GWS Finncont is also the leading subcontractor for rotation-moulded plastic products in the Nordic countries. The company's main markets are the Nordic countries, the UK, Belgium and Holland.

GWS Finncont Oy's turnover amounted to FIM 59.2m, slightly down on the previous year. The decrease in turnover was due to the slowdown in demand for IBCs in the first half of the year. Growth targets were not met, but due to cost-effective operations operating profit continued to remain good. The drop in demand for IBCs, which began in the second half of 1998, continued in the first half of the year of operations. The most positive developments in new market areas were Denmark and the Far East. The share of exports in turnover for IBCs grew to 75%. Exports went to fourteen different countries.

There were intensive product development activities for containers. The active container product line was supplemented by a new heatable container, which is the most efficient in the market in terms of transportation logistics. A new safe product was developed for the collection of household waste. Finncont's know-how in metals and plastics was combined for pressurised IBCs. The steel container for the distribution of chemicals has been coated on the inside with plastic using rotation-moulding. The new products also have UN approval. Development in manufacturing was focused on developing product modulation and the deployment of a new robotic welding cell.

The rotation-moulding business grew more modestly than for previous years. Developing operations emphasised improving productivity and quality with the aim of fully utilising the comprehensive investments made in 1998.

GWS Finncont is the leading firm in the Nordic countries concentrating just on rotation-moulding subcontracting manufacture. The concept provided by Finncont comprises developing the customer's product idea into a 3-D diagram, designing and making the corresponding mould and finally manufacture of the product and its delivery logistics. Products for existing customers are connected to land and water construction and technology related to the environment and tanks. The large price increase for PE, the main raw material, in the second half of the year caused unplanned cost pressures for the entire business environment.

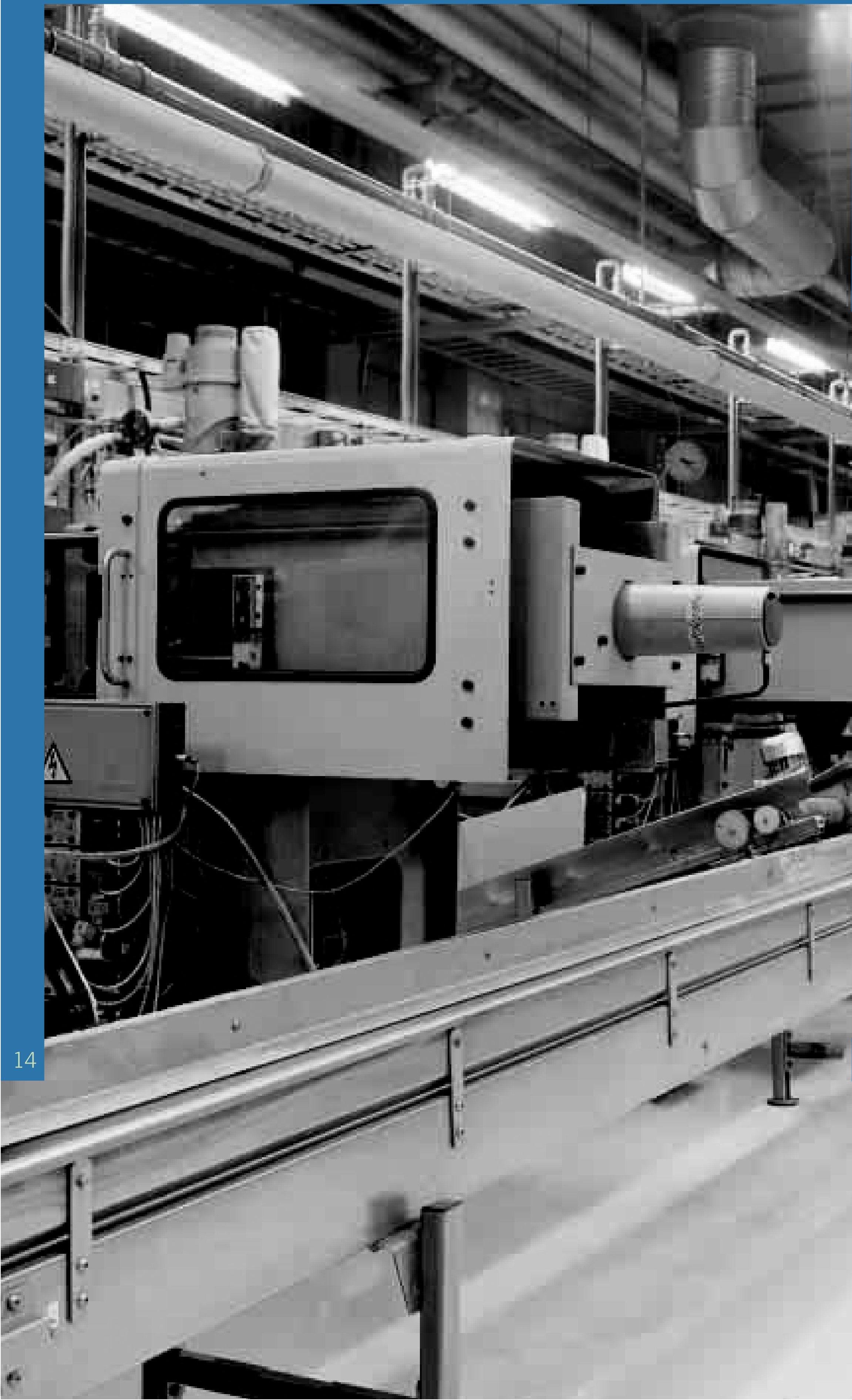
The quality system, developed as the basis for managing and improving GWS Finncont's operations, obtained certification at the end of the year and operations were granted ISO 9001 quality certification at the beginning of the year 2000. A new operations control system was put into operation during the year, which will continue to be developed vigorously during the year 2000.

Investments amounted to FIM 3.9m. Expenditure for R&D activities totalled FIM 1.5m.

In the year 2000 demand and the market situation for GWS Finncont's products is expected to develop positively. This situation is clouded by the continuous heavy rise in the prices of stainless steel and PE. The aim of the company is to increase turnover through new customers and products as well as new market areas. The result for the year 2000 is estimated to be at the same level as for the previous year.

	1999	1998	CHANGE	%
Turnover, FIM m	59	63	-4	-6.3
as % of the Group	14	15		
Investments, FIM m	4	6	-2	-33.4
Staff, persons	96	95	1	1.1
Profitability	• Good		• Will remain good	

Hans Johanson



In the production of caps for shower soap and car chemicals the assembly and liner glue stage is carried out automatically, making a finished product.

The sleever label for the 0.5-litre fabric-softener bottle is the latest product development.

The prices of the main raw materials, HDPE and PP, rose by over 50% in the second half of the year.

Condenser bodies form a new line in products at the Klaukkala plant.

GWS PLAST OY

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 for oil companies. One part of the new trend in production is subcontracting for the manufacture of technical plastic parts. GWS Plast Oy uses the latest production technology to meet customer requirements in its operations and actively contributes to the solution of environmental issues in its field.

Business development for GWS Plast Oy was uneven in 1999 and not all targets were met. The continued weak situation in the Russian economy practically halted both direct and indirect exports of plastic packaging to these markets. A change in the situation was expected when making the budget, which however did not significantly materialise. As a result turnover fell by 13.6% to FIM 49.1m. Operating profit was at the level of the previous year and did not meet target. A major factor affecting the result was the almost record price rises of over 50% for the main raw materials, HDPE and PP, in the second half of the year.

Sales of injection-moulded closures and packaging accessories improved towards the end of the year, as did the export of these products to Russia and the Baltic countries. The downturn in Russian markets for the entire year was visible in the sales of bottles and canisters. In connection with reorganisations in production activities bottle and canister manufacturing machinery and the relevant know-how was sold to Russia.

Considerable development work was successfully undertaken to find new markets. In the beginning of the year cleanroom production was started to manufacture canisters and closures for the health-care market, which is a completely new technology at the Klaukkala plant. Another example of new production would be the fabric-softener bottle, decorated with a sleever. As a result of long negotiations the manufacture of condenser bodies was started for Evox Rifa Oy, which is a significant breakthrough into new technical-plastics product markets. At the end of the year a long-term supply contract was signed with Oy Shell Ab covering canisters where the crucial factor in winning the contract was long-range development work. The filled oil canisters go to market in several different countries.

Investments amounted to FIM 2.5m and were primarily aimed at a complete change in ADP based production control and payroll systems as well as assuring preparation for the euro and the year 2000. Other investments were mainly aimed at maintaining the high level of quality in basic production activities. R&D expenditure totalled FIM 0.6m.

A customer-satisfaction survey was carried out in the autumn in connection with ISO 9001 quality certificate. The study showed that GWS Plast Oy has succeeded in confirming its position as supplier of both packaging and closures. The quality of operations has clearly improved over the past few years.

As regards environmental issues, the company has, among other things, actively participated in developing the activities of Sum Oy, a producer organisation for plastic packaging set up in connection with the EU packaging directive. The packaging fee for plastic packaging, which was 6p per kilo in 1999, will rise to 8p per kilo in 2000. A part of the chemical industry's international EHS program, "Responsible Care", has been developed locally in terms of both instructions and activities.

Business is expected to grow and develop positively in the year 2000. The result will, however, be essentially affected by the price trend in raw materials.

	1999	1998	CHANGE	%
Turnover, FIM m	49	57	-8	-13.6
as % of the Group	12	14		
Investments, FIM m	3	5	-2	-40.0
Staff, persons	122	128	-6	-4.7
Profitability	• Almost satisfactory		• Improving	

Risto Summa

Perlos made several substantial investments last year to boost production of mobile-phone parts.

PERLOS OYJ

Perlos' worldwide operations are based on competences throughout the entire processes and management over logistics and materials technology. Perlos is one of the world's leading manufacturers of injection-moulded precision plastic parts, injection-moulding tools, electronic connectors and assembly equipment. The company focuses on the mass production of small, technically exacting components and subassemblies, upon which stringent demands are placed in terms of precision, quality and finish. Perlos has production activities in Finland, the UK, Hungary, the USA and China.

Listing Perlos on the Helsinki Stock Exchange was one of the main events of 1999. The decision to list was made at a meeting of the board on 20.5.1999, while the sale of shares started on 7.6.1999. Perlos Oyj was quoted on the Helsinki Stock Exchange prelist on 22.6.1999 and the company moved to the main list on 28.6.1999. The company has received a good reception in the share market with great interest shown in the shares.

Even though the listing process took a large part of the management's time, it did not, however, slow down the process of Perlos' rapid growth. The company's strategy is to be a full-service supplier of components and subassemblies to large telecommunications and pharmaceutical firms operating on a global scale. Perlos' know-how is based upon injection-moulding technology in plastics. The manufacture of high-precision metal parts has also assumed greater significance in products made by Perlos. This specialised skill has been gained in the manufacture of connectors. Perlos is no longer restricted to manufacture only in plastics nowadays, but other materials are also possible.

Perlos Oyj offers its customers ever increasing intergrated packages by combining the above-mentioned technologies and by contributing at an earlier stage in the customers' product-development projects. Management of worldwide, demanding projects are to an ever increasing degree the product that will provide support to customers in their burgeoning growth process. Perlos established an in-house R&D centre in the beginning of 1999 to further this strategy. The goal of the centre is to focus on the development and deployment of materials and production technology in future customer projects. Development activities have got off to a lively start. The company will further boost the organisation of development work during the year 2000.

	1999	1998	CHANGE	%
Turnover, FIM m	1 674	1 207	467	39
as % of the Group	254	150	104	69
Investments, FIM m	2 378	1 753	625	36
Profitability	• Good		• Will remain good	

Perlos' central aim is profitable growth. The 30% growth target in turnover set for recent years was achieved in 1999. Turnover amounted to FIM 1,673.8m, growing by 38.7% during the year under review. Profit before depreciation on goodwill was 24.5% of the turnover, exceeding the minimum 22% target set for recent years. Investments to support growth were even slightly higher than forecast for the last third of the year. A good example of this is the recruitment of almost 300 employees during November and December, which impacted on profit somewhat more than estimated. Development was, however, positive compared with the previous year with profit before depreciation on goodwill improving by 53.5%.

Perlos made heavy investments during 1999 to ensure growth for the near future. During the year almost 1,000 new employees were hired, after which the staff numbered 2,925. The Young Professionals training programme was initiated at the end of the year with the aim of fostering future experts for Perlos' increasingly international operations.

Locations were expanded in Finland, the UK and the USA, while new plants were built in Hungary and China. All these expansions will have been gradually put into operation during the first half of the year 2000. This provides the prerequisites for a continuation in growth during the year 2000 at least at the level of 1999. Net profit as a percentage of turnover for the entire year 2000 is estimated to remain at the level of the previous year. Operating profit before depreciation on goodwill (EBITA) as a percentage of turnover is estimated to remain at the level of the previous year.

Timo Leinilä

THE TELECOMMUNIACTIONS AND ELECTRONICS INDUSTRY

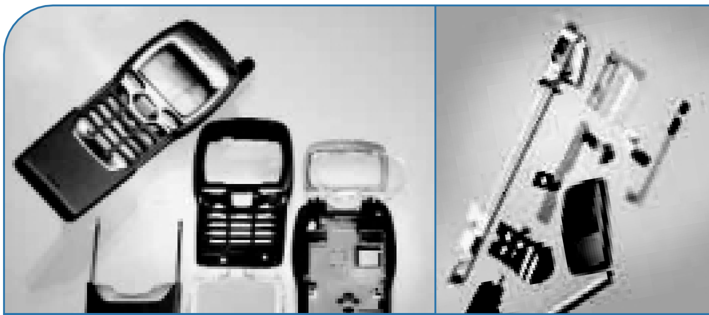
Perlos' largest customer sector with the most rapid growth over the past few years is the telecommunications and electronics industry. Turnover for this customer sector in 1999 amounted to FIM 1,388.7m, which represents 83.1% of the Group's turnover. Growth in turnover for this sector was 54.3% compared to the previous year.

The main part of growth in this customer sector is generated by the telecommunications industry as a force driving Perlos' growth. Perlos sold to its customers subassembled products, which typically include various parts for mobile phones, such as mobile-phone cases, made in-house by Perlos, lenses, connectors, metal parts, telephone accessories and bought-in components. In addition, the telecommunications industry was sold standard connectors for telephone exchanges, transfer systems for data transfer, base stations for mobile phones, data traffic units for computers and for other purposes.

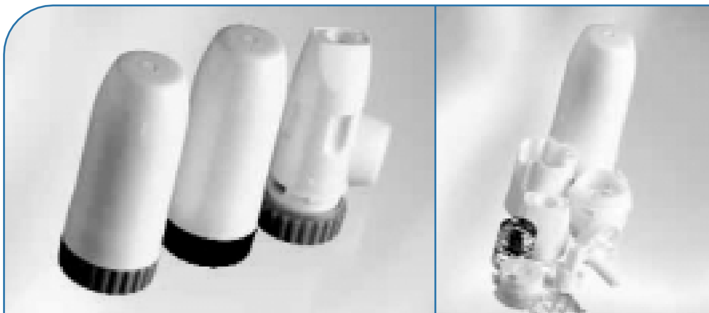
The latest forecasts on the growth of mobile-phone markets predict that the billion-user threshold will be reached during 2002-2003. According to these forecasts burgeoning demand for the products is to be expected during the coming years, although there are different expectations concerning the pace of growth from the different forecast centres.

Perlos has made numerous substantial investments to boost capacity during 1999 in order to be able to meet the demand in the near future. New plants in Hungary, China and the UK, and a plant extension in the USA will support all the growth requirements in the telecommunications industry. In addition, extensions in the automation unit and paintshop, carried out in Finland, and the decisions taken at the end of the year on expanding two existing plants during 2000 will enable production on a larger scale than at present.

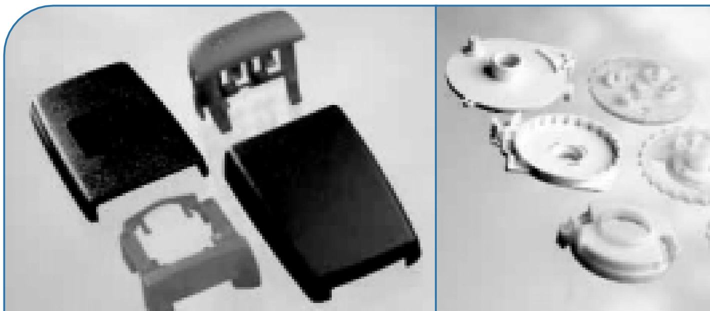
The significance of the Hungary and especially China plants is immense, as they essentially support the position of Perlos as a robust, global manufacturer. Both production units are estimated to attain an important position in Perlos' ser-



Perlos has broadened its experience in metal processing from its production of connectors by adding metal components to the product range for customers in the telecommunications and electronics sector. The company also assembles the components into ready or wip products.



The development of new products in the pharmaceutical industry lasts for years, but the life-cycle of the products are long. The Turbuhaler® asthma inhaler is an example of a top product in its field.



The parts of safety belts made by Perlos are used in many car makes manufactured throughout the world. The reliability of the seat belts in all conditions places great demands on the plastic parts in terms of precision.

Perlos manufactures the plastic and metal parts for connectors in-house.

vice concept even during the year 2000. The aim is to serve customers quickly, flexibly and efficiently as close as possible to the customers' production units.

Good demand and a stronger machine base provide the capabilities for the continuation of positive growth. In line with the nature of Perlos' business achievable growth is considerably dependent on the trend in demand for products made by Perlos' customers. At present there is no reason to suspect that growth will not continue at least to the level of the previous year, if not faster.

THE PHARMACEUTICAL INDUSTRY

The significance of the the pharmaceutical industry as a customer sector to Perlos is important. Perlos is making efforts to reinforce the position of the Pharmaceutical Industry customer sector, preparing itself for the stage after the rapid growth in the telecommunications industry.

Turnover on deliveries to the pharmaceutical industry for 1999 amounted to FIM 213.2m with growth amounting to 23.3%. The pharmaceutical industry accounted for 12.7% of the Group's turnover for 1999. The pharmaceutical customer sector also includes packaging for cosmetic products. Their share of the turnover in the customer sector is, however, small.

The main products delivered to the pharmaceutical industry comprise inhalers used in the treatment of asthma, solid medication capsule dispensers used to treat cancer, various contraceptive products and insulin dispensers used to treat diabetes.

The largest therapy sectors in the pharmaceutical industry markets are heart and vascular diseases, metabolic diseases, neurological and central-nervous diseases, infections and respiratory diseases. The largest therapy sectors requiring dispensers are asthma and diabetes care. The annual growth in recent years for worldwide asthma-care products is estimated to come to 11-13% as opposed to an annual growth of 6-8% for the entire pharmaceuticals industry. Diabetes especially in the aged is rising at an alarming rate and the amount of patients is predicted to double by 2010.

The aim of Perlos is to add at least one new pharmaceutical industry product per year to the production programme. In the manner of previous years this aim was achieved in 1999. Our customers launched a cervical hormone suppression device made by Perlos and insulin dispenser with components made by Perlos.

During 1999 Perlos invested heavily in upscaling the Pharmaceutical Industry customer sector's production capacity. The investments, ongoing throughout the years 2000-2001 on the acquisition of machinery and equipment, will raise capacity especially in the manufacture of asthma inhalers and dispeners for solid medication capsules.

The capacity boosting investment items are gradually being deployed in the first half of the year 2000. Training for new staff before starting in production will to some extent impair profit for the first third of the year. Growth is predicted to continue favourably.

AUTOMOTIVE AND OTHERS

Turnover for the Automotive and Others customer sector was FIM 70.1m for 1999, which is some 4.2% of the Group turnover. Turnover for this customer sector dropped by 9.4% from the previous year.

The main part of the turnover for this customer sector comes from deliveries to the automotive industries. The most important products supplied to the automotive industry are components for car seat belts. The sector also manufactures precision components needed in power tools and machinery.

As with other customer sectors at Perlos quality holds a central position in production for the Automotive and Others customer sector. The ability of Perlos to make technically high-quality, defect-free products and a smooth management of logistics have enabled Perlos to consolidate its position as a major supplier to the target group. The company contributes to the customers' product development work at an early stage prior to start-up of actual production.

Perlos believes that the share of the Automotive and Others customer sector in the Group turnover will remain at the present level or possibly fall.

1999 was the G.W.Sohlberg Corporation's 91st financial year and 124th year of operations.

General trends

Economic growth continued in Finland in 1999. GNP increased by 3.5%. Consumer prices were on average 1.2% up on the previous year. Unemployment averaged 10% for the year, standing at a seasonally adjusted rate of 9.7% in December. The rate of unemployment dropped in Finland to the level of EU countries. This decrease accelerated partly due to new methods of calculating statistics, which were changed to better comply with international and especially European statistical norms.

Industrial output increased by some 5.5% in 1999. The output in the metal and electronics industries rose by about 10% for the year largely due to buoyant growth in the telecommunications sectors. Visible exports increased by 4% in volume and imports by 0.4%. Investment grew by some 7% on the previous year.

Turnover

Group turnover amounted to FIM 411.2m. Operating profit grew by FIM 6.5m, or 1.6%. The largest growth was attained by GWS Pikval Oy. Direct exports and overseas operations accounted for a total of FIM 135.9m, which represents 33.1% of the Group turnover.

Financial result

The Group's financial result considerably exceeded targets and was good. Profit before extraordinary items amounted to FIM 156.8m (cf.1998 FIM 120.6m). Extraordinary items totalled FIM 322.4m due to the listing of the associated company, Perlos Oyj, on the Helsinki Stock Exchange.

Profits showed a positive trend in GWS Pikval Oy and the associated company, Perlos.

Investments

The Group's net investments, not including the purchase of shares, amounted to FIM 33.9m, or 8.3% of the turnover. At the beginning of the year GWS Systems Oy obtained 2,500 m² of new production space. Some 3,300 m² of rented facilities were deployed on the Muurame industrial estate and refurbishment began at the turn of the year. The Group's production machinery and IT networks were developed, while ADP applications and hardware were upgraded. FIM 8.6m was invested in R&D, aimed mainly at product development.

Financing

Key figures for Group financing have further improved on the previous year due to proceeds on the sale of shares related to the listing of Perlos Oyj and to the extra sales price on the Perlos business deal made earlier. Group liabilities amounted to FIM 308.2m, of which FIM 122.4m was interest-bearing. At the same time the Group has cash assets of FIM 489.6m. The ratio of shareholders' equity to the balance sheet total was 69.2%.

Staff

The Group had an average staff of 701 (cf. 697 in 1998) with 31 in the parent company (cf. 33 in 1998). The Group followed an incentive based staff policy, one part of which was to pay PRP amounting to FIM 3.4m including staff social costs.

The year 2000 and changing to the euro

The move into 2000 was smooth concerning IT systems. Euro working groups operated in Group companies with the task of making preparations for the transfer to the euro. The Group will start to use the euro as domestic currency during 2001.

Group structure

At the end of the year a decision was made to merge GWS-Kiinteistöt Oy into the G.W.Sohlberg Corporation. The shareholding of Kiinteistö Oy Menotie 1, located in Ylöjärvi, was sold at the beginning of the year 2000.

The Group's parent company operates as a provider of centralised services to the Group.

Associated company

The associated company, Perlos Oyj, was listed on the Helsinki Stock Exchange in June. In this respect the G.W. Sohlberg Corporation's stake in Perlos oyj dropped from 50% to 40%. The associated company, Perlos Oyj, together with its subsidiaries has been included in the accounts using the equity accounting method, whereby the figures for turnover and other such items are not included in the consolidated figures except for the Group's share in the Perlos Group's profits displayed in the income statement and receivables from associated companies presented in the balance sheet.

Prospect for the future

The year 2000 has started as planned. The Group's turnover is forecasted to grow further and the number of staff to increase. The Group's operations and profitability are estimated to develop in a positive manner.

The Board's proposal for the disposal of earnings

Group disposable unrestricted shareholders' equity	FIM 547,949k
Parent company disposable unrestricted shareholders' equity	FIM 686,502k
The Board recommends that the disposable assets be allocated as follows:	
- distributed as dividends to shareholders at FIM 120 per share, totalling	FIM 324,000k
- deposited in shareholders' equity	FIM 362,502k
	FIM 686,502k

INCOME STATEMENT 1.1.-31.12. (FIM K)

GROUP 1999	%	1998	%		PARENT COMPANY 1999	%	1998	%
411 175	**(100)**	**404 665**	**(100)**	**TURNOVER**	**10 624**	**(100)**	**11 517**	**(100)**
				Changes in inventories				
1 291		5 190		of finished products and WIP	-		-	
3 787		1 016		Manufacture for own use	-		-	
134 779		96 474		Share in associated companies' profits	-		-	
21 644		30 642		Other operating income	4 241		15 509	
				Materials and services				
				Materials, supplies and goods				
-155 871		-157 412		Purchases during accounting period	-		-	
5 019		1 587		Change in inventories	-		-	
-8 822		-9 396		External services	-		-	
-159 674		**-165 221**		**Materials and services total**	**-**		**-**	
				Staff expenditure				
-115 066		-108 965		Wages,salaries and fees	-9 827		-8 909	
				Staff social expenditure				
-19 251		-18 433		Pension costs	-1 975		-1 702	
-13 288		-12 729		Other social expenditure	-905		-833	
-147 605		**-140 127**		**Staff expenditure total**	**-12 707**		**-11 444**	
				Depreciations and write-downs				
-20 473		-19 320		Depreciation according to plan	-2 184		-1 982	
-20 473		**-19 320**		**Depreciation total**	**-2 184**		**-1 982**	
-89 376		**-88 687**		**Other operating expenditure**	**-13 893**		**-14 421**	
155 548	**(37.8)**	**124 632**	**(30.8)**	**OPERATING PROFIT/LOSS**	**-13 919**	**(-131.0)**	**-821**	**(-7.1)**
				Financial income and expenditure				
				Long-term interest income				
-		-		from Group companies	3 934		7 841	
403		272		Long-term interest income from other companies	198		255	
				Other interest and financial income				
-		-		Write-downs on investments	2 982		3 017	
8 438		4 636		Interest expenditure and other financial	8 068		4 215	
-		-		expenditure to Group companies	-		-228	
				Interest expenditure and other financial				
-		-		expenditure to other companies	-365		-1 947	
-7 597		-8 914		Financial income and expenditure total	-6 997		-8 006	
1 244		**-4 006**		**Financial income and expenditure total**	**7 820**		**5 147**	
156 792	**(38.1)**	**120 626**	**(29.8)**	**PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS**	**-6 099**	**(-57.4)**	**4 326**	**(37.6)**
				Extraordinary items				
324 151		-		Extraordinary income	381 435		-	
-1 734		-929		Extraordinary expenditure	-1 734		-929	
322 417		**-929**		**Extraordinary items total**	**379 701**		**-929**	
				PROFIT BEFORE APPROPRIATIONS				
479 209	**(116.5)**	**119 697**	**(29.6)**	**AND TAXES**	**373 602**		**3 397**	**(29.5)**
				Appropriations				
-		**-**		**Change in difference in depreciaton**	**-944**		**-339**	
-96 234		**-7 082**		**Income tax**	**-89 185**		**-2 591**	
382 975	**(93.1)**	**112 615**	**(27.8)**	**NET PROFIT FOR YEAR**	**283 473**		**467**	**(4.1)**

BALANCE SHEET 31.12. (FIM K)

GROUP 1999	%	1998	%	ASSETS	PARENT COMPANY 1999	%	1998	%
				FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
				Intangible assets				
700		953		Goodwill	-		153	
6 411		6 146		Other long-term expenditure	540		570	
-		51		Advances	-		-	
7 111	**(0.7)**	**7 150**	**(1.1)**	**Intangible assets total**	**540**	**(0.1)**	**723**	**(0.1)**
				Tangible assets				
60 677		60 677		Land and installation charges	3 597		3 597	
174 417		174 247		Buildings and constructions	36 373		36 546	
67 950		54 088		Machinery and equipment	6 669		4 306	
3 332		5 608		Advances and purchases in progress	-		-	
306 376	**(30.2)**	**294 620**	**(46.3)**	**Tangible assets total**	**46 639**	**(4.4)**	**44 449**	**(6.3)**
				Investments				
-		-		Shares in Group companies	168 560		168 560	
-		-		Receivables from Group companies	116 214		118 040	
72 078		110 648		Shares in associated companies	170 733		212 500	
6 946		3 551		Other shares and holdings	6 508		2 403	
79 024	**(7.8)**	**114 199**	**(17.9)**	**Investments total**	**462 015**	**(43.5)**	**501 503**	**(70.4)**
392 511	**(38.7)**	**415 969**	**(65.3)**	**FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS TOTAL**	**509 194**	**(48.0)**	**546 675**	**(76.8)**
				INVENTORIES AND FINANCIAL ASSETS				
				Inventories				
17 897		13 842		Materials and supplies	-		-	
13 215		9 165		Work in progress	-		-	
27 760		27 972		Other products/goods	-		-	
155		-		Advances	-		-	
59 027	**(5.8)**	**50 979**	**(8.0)**	**Inventories total**	**-**		**-**	
				Receivables				
				Long-term				
-		-		Receivables from Group companies	-		5 833	
-		195		Loans receivable	-		195	
292		824		Other receivables	208		-	
45		-		Prepaid expenditure and accrued income	-		-	
337	**(-)**	**1 019**	**(0.2)**	**Long-term receivables total**	**208**	**(-)**	**6 028**	**(0.9))**
				Short-term				
54 288		58 788		Accounts receivable	272		176	
-		-		Receivables from Group companies	56 703		59 795	
2 308		138		Receivables from associated companies	-		72	
-		333		Loans receivable	-		60	
9 478		9 111		Other receivables	9 020		9 108	
6 930		6 905		Prepaid expenditure and accrued income	2 492		1 680	
73 004	**(7.2)**	**75 275**	**(11.8)**	**Short-term receivables total**	**68 487**	**(6.5)**	**70 891**	**(9.9)**
73 341	**(7.2)**	**76 294**	**(12.0)**	**Receivables total**	**68 695**	**(6.5)**	**76 919**	**(10.8)**
489 596	**(48.3)**	**94 158**	**(14.7)**	**Cash and bank accounts**	**483 209**	**(45.5)**	**88 570**	**(12.4)**
621 964	**(61.3)**	**221 431**	**(34.7)**	**INVENTORIES AND FIXED ASSETS TOTAL**	**551 904**	**(52.0)**	**165 489**	**(23.2)**
1 014 475	**(100)**	**637 400**	**(100)**	**ASSETS TOTAL**	**1 061 098**	**(100)**	**712 164**	**(100)**

BALANCE SHEET 31.12. (FIM K)

GROUP 1999	%	1998	%	LIABILITIES	PARENT COMPANY 1999	%	1998	%
				SHAREHOLDERS' EQUITY				
				Restricted equity				
108 000		108 000		Share capital	108 000		108 000	
4 000		4 000		Revaluation reserve	1 000		1 000	
14 515		14 506		Other restricted equity	14 175		14 175	
126 515	**(12.5)**	**126 506**	**(19.9)**	**Restricted equity total**	**123 175**	**(11.6)**	**123 175**	**(17.3)**
				Unrestricted equity				
192 046		210 043		Accumulated profit from previous years	403 029		460 612	
382 975		112 615		Net profit for the year	283 473		467	
575 021	**(56.7)**	**322 658**	**(50.6)**	**Unrestricted equity total**	**686 502**	**(64.7)**	**461 079**	**(64.7)**
701 536	**(69.2)**	**449 164**	**(70.5)**	**SHAREHOLDERS' EQUITY TOTAL**	**809 677**	**(76.3)**	**584 254**	**(82.0)**
				ACCUMULATED APPROPRIATIONS				
-		**-**		**Accumualted difference in depreciation**	**6 770**	**(0.6)**	**5 826**	**(0.8)**
				COMPULSORY RESERVES				
4 768	**(0.4)**	**5 508**	**(0.8)**	**Other compulsory reserves**	**4 029**	**(0.4)**	**3 579**	**(0.6)**
				LIABILITIES				
				Long-term liabilities				
62 000		51 902		Loans from financial institutions	62 000		50 902	
17 743		22 326		Loans from pension institutions	17 743		22 326	
11 058		9 240		Deferred tax liability	-		-	
-		-		Debt to Group companies	225		927	
185		121		Other-long-term loans	88		-	
90 986	**(9.0)**	**83 589**	**(13.1)**	**Long-term liabilities total**	**80 056**	**(7.5)**	**74 155**	**(10.4)**
				Short-term liabilities				
38 053		32 569		Loans from financial institutions	37 049		31 523	
4 583		4 596		Loans from pension institutions	4 583		4 596	
6 487		1 227		Advances	-		-	
22 097		21 890		Accounts payable	904		2 382	
-		-		Debt to Group companies	7 631		123	
30		21		Debt to associated companies	-		-	
11 314		8 229		Other long-term liabilities	1 654		1 676	
134 621		30 607		Accrued liabilities and prepaid income	108 745		4 050	
217 185	**(21.4)**	**99 139**	**(15.6)**	**Short-term liabilities total**	**160 566**	**(15.2)**	**44 350**	**(6.2)**
308 171	**(30.4)**	**182 728**	**(28.7)**	**LIABILITIES TOTAL**	**240 622**	**(22.7)**	**118 505**	**(16.6)**
1 014 475	**(100)**	**637 400**	**(100)**	**SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES TOTAL**	**1 061 098**	**(100)**	**712 164**	**(100)**

SOURCE AND APPLICATION OF FUNDS (FIM M)

GROUP 1999	GROUP 1998		PARENT COMPANY 1999	PARENT COMPANY 1998
		SOURCE OF FUNDS		
		Income financing		
383.0	112.6	Net profit	283.5	0.5
20.5	19.3	Depreciation	3.1	2.3
-	-	Change in compulsory reserves	0.5	0
7.4	-37.3	Change in long-term liabilities	5.9	-36.3
410.9	**94.6**	**Income financing total**	**293.0**	**-33.5**
		APPLICATION OF FUNDS		
69.8	120.2	Change in fixed assets and investments	-35.3	-166.8
0.7	-0.1	Change in compulsory reserves	-	-
58.1	63.5	Distribution of dividend	58.1	63.5
282.3	-89.0	Change in working capital	270.2	69.8
410.9	**94.6**	**Application of funds total**	**293.0**	**-33.5**
		CHANGE IN NET WORKING CAPITAL		
59.0	51.0	Inventories	-	-
73.3	76.3	Receivables	68.7	76.9
489.6	94.2	Cash and bank accounts	483.2	88.6
-217.2	-99.1	Short-term liabilities	-160.6	-44.4
404.7	**122.4**	**Total**	**391.3**	**121.1**
122.4	211.4	Net working capital 1.1.	121.1	51.3
404.7	122.4	Net working capital 31.12.	391.3	121.1
282.3	**-89.0**	**CHANGE**	**270.2**	**69.8**

Espoo, 3 March 2000

Klaus Sohlberg
Chairman

Olavi Mantere
Vice Chairman

Rolf Hasselblatt

Kauko Pihlava

Kari O. Sohlberg
CEO

Teppo Taberman

Heikki Tulenheimo

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

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 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 in accordance with useful life. Goodwill has been fully depreciated.

Intragroup transactions and margins

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

Exchange rate and translation differences

1. The income statements of Group companies have been translated into Finnish marks using the average rate of exchange for the last date of the 12 months presented. Balance sheets have been translated using the average exchange rate at the balance sheet date. Exchange rate differences have been entered under financial expenditure. The translation differences related to the acquisition costs of overseas subsidiaries have been entered in the balance sheet under unrestricted shareholders' equity.

Items denominated in foreign currency

1. Accounts receivable and payable denominated in foreign currency for overseas subsidiaries have been translated into Finnish marks using the average rates for the euro quoted at balance sheet date.

Associated company Perlos

1. The associated company, Perlos Oyj, together with its subsidiaries has been entered using the equity accounting method.

The goodwill tranferred to Perlos Oy in 1996 included an internal margin amounting to FIM 389.9m, from which FIM 212.5m has been eliminated against the acquisition cost of the shares in Perlos Oy. The remainder of the internal margin totalling FIM 186.4m is being eliminated from the Perlos Group's accumulated profits for future years. FIM 146.4m remained of the internal margin on 1.1.1999. FIM 74.3m has been eliminated in the accumulated profit for 1999 from the group's accumulated profit from previous years. Perlos Oyj was listed on the Helsinki Stock Exchange in June 1999. In connection with this, GWS earned FIM 150m in the form of extra sales price in accordance with the shareholding conditions concerning Perlos Oyj made in 1996. Half of this amount, totalling FIM 75m, has been eliminated in the consolidated accounts from extraordinary income as an internal margin from the book value of the shares in the associated company.

In connection with the listing GWS sold shares in Perlos Oyj, reducing GWS's stake from 50% to 40%. The sales price of the shares has been decreased in the Group balance sheet by their part of the values at the time of sale. The profit on the sales of the shares has been entered under extraordinary income. In addition, both the net profit for the year and an amount of FIM 10.7m, corresponding to the reduction in shareholding, have been eliminated from the internal margin of 1996 included in the balance sheet. This amount has been subtracted from the extraordinary income and the balance sheet value of the shares in the associated company. On 31.12.1999 there is still FIM 61.4m remaining of the internal margin.

Fixed assets

Fixed assets have been capitalized at acquisition cost. Depreciation has been calculated on a stright-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.

Inventories

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.

Cash and bank accounts

Cash and bank accounts include cash assets, bank accounts, deposits of under three months and other assets comparable to cash.

Items from previous accounting periods

(Figures FIM K)

Financial income and expenditure includes:	**1999**	**1998**
Other interest and financial income	**568**	**0**
Income tax:		
Tax rebates b/f from previous years	**15244**	**0**
Taxes b/f from previous years	**-36**	**1415**

Supplementary information to income statement

1. Turnover by business sector and market areas

Turnover by business sector:	**1999**	**1998**
Industrial systems	190785	202425
Shop and public-facility fittings	112365	83140
Containers	58933	62293
Packaging	49092	56807
Total	**411175**	**404665**
Turnover by market areas:		
Finland	275240	255014
Other Nordic countries	45873	38442
Other Europe	62088	78926
USA and Canada	20039	27911
Other countries	7935	4372
Total	**411175**	**404665**

2. Extraordinary income and expenditure

Extraordinary income	**1999**	**1998**
Income from listing of associated company	**324151**	**0**
Extraordinary expenditure		
Expenditure on Group company disposals	**1734**	**929**

3. Depreciation according to plan

Goodwill	253	371
Other long-term expenditure	1923	1757
Buildings and constructions	5228	5086
Machinery and equipment	13069	12106
Total	**20473**	**19320**
Depreciation increase	5225	1077
Total book depreciation	**25698**	**20397**

Depreciation according to plan has been calculated on a straight-line basis based on the useful economic life at 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	3-10 years

4. Other operating expenditure

Other operating expenditure comprises purchasing and manufacturing, sales and marketing and administration costs, not including payroll costs.

5. Financial income and expenditure	**1999**	**1998**
Long-term interest income from other companies	**403**	**272**
Other income and financial income from other companies	**8438**	**4636**
Interest expenditure and other financial expenditure to other companies	**7597**	**8914**
Financial income and expenditure total	**-1244**	**4006**

6. Appropriations

Distribution of decrease in depreciation and of change in voluntary reserves		
Increase in deferred taxation in income tax	1515	302
In profit for the year	3710	775
Depreciation difference total	**5225**	**1077**

Supplementary information on balance sheet assets

1. Revaluations

Fixed asets include the following revaluations made during previous accounting periods:

Land	3100	3100
Buildings	26000	26000
Total	**29100**	**29100**

In making the revaluations the going value of the assets has been found to be fundamentally higher than the original value at acquisition. In compliance with the principles of conservatism, therefore, the revaluation has been entered as the mean between the going value and the book value. Going values have been assessed by external assessors.

2. Prepaid expenses and accrued income

Long-term		
Prepaid leasing costs and rents	**45**	**824**
Short-term		
Tax receivables	1062	1826
R&D receivables	2128	1544
Others (items under FIM 1m)	3740	3535
Total	**6930**	**6905**

	1999	**1998**
4. Undepreciated portion of acquisition cost of machinery and equipment	**43002**	**30627**
5. Receivables from associated companies		
Short-term		
Accounts receivable	**2308**	**138**

Supplementary information on balance sheet liabilities

1. Shareholders' equity

1.1. Restricted

Share capital 1.1 and 31.12

Parent company shares are divided as follows:

Common 900000 (one share/one vote)	36000	36000
Preferred 1800000 (ten shares/one vote)	72000	72000
Shares total 2700000	**108000**	**108000**

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. and 31.12	**4000**	**4000**
Other restricted shareholders' equity 1.1.	14506	14491
Increase	9	15
Other restricted shareholders' equity 31.12.	**14515**	**14506**
Restricted total	**126515**	**126506**

1.2. Unrestricted

Accumulated profit from previous years 1.1	322658	312235
Distributed dividends	-58050	-63450
Eliminations* and adjustments	-72562	-38742
Accumulated profit from previous years 31.12.	192046	210043
Net profit for the year	382975	112615
Unrestricted total	**575021**	**322658**
Shareholders' equity total	**701536**	**449164**
Book part of depreciation difference	**27072**	**23759**
Distributable reserves from unrestricted shareholders' equity	**547949**	**298899**

* See section on associated company in principles for preparation of consolidated accounts.

2. Liabilities maturing in over five years	**1571**	**4714**

3. Fixed assets and other long-term investments

	Land	**Buildings and constructions**	**Machinery and equipment**	**Acquisitions in progress**	**Holdings in Group firms**	**Shares and holdings**	**Good-will**	**Other long-term expenditure**
Acquisition cost 1.1	57577	266671	136814	5608	110648	3551	4214	14302
Increase	0	5574	28229	2656	0	4255	0	2188
Decrease	0	-230	-12936	-4932	-38570	-860	0	0
Acquistion cost 31.12.	57577	272015	152107	3332	72078	6946	4214	16490
Accumulated depreciation 1.1.	0	-118424	-82726	0	0	0	-3261	-8156
Less accumulated depreciation	0	54	11636	0	0	0	0	0
Plan depreciation for period	0	-5228	-13069	0	0	0	-253	-1923
Revaluations	0	0	0	0	0	0	0	0
Accumulated depreciation 31.12.	0	-123598	-84159	0	0	0	-3514	-10079
Revaluations	3100	26000	0	0	0	0	0	0
Balance sheet value 31.12.	**60677**	**174417**	**67950**	**3332**	**72078**	**6946**	**700**	**6411**

3. Accruals	**1999**	**1998**
Accrued wages and salaries incl.social costs	22023	22567
Deferred taxes	108519	5594
Accrued interest	1205	1130
Other (items less than FIM 1m)	2874	1316
Total	**134621**	**30607**

3.1. Compulsory reserves		
Guarantee reserves	500	1929
Environment liability reserve	2829	2829
Reserve for rental costs	1200	750
Other compulsory reserves	239	0
Compulsory reserves total	**4768**	**5508**
The change in guarantee reserves entered in the income statement		
External services (expenditure)	50	-1000
Other expenditure (expenditure)	50	1129
Total	**100**	**129**
Accounts receivable written off from guarantee reserves	**1529**	**0**

The parent company holds a commitment that the real estate at Terbekenhofdreef 51-53, Wilrijk, Belgium, owned by Hansa-Mertens N.V. does not constitute 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 and has been entered in the income statement for 1997 under extraordinary expenditure.
The reserve for rental costs contains FIM 450k for the accounting period entered under other operating expenditure and FIM 750k for previous accounting periods.
Other compulsory reserves of FIM 238k have been entered under other operating expenditure.

4. Accumulated appropriations		
Accumulated depreciation difference divided into		
Deferred tax liability	11058	9240
Shareholders' equity	27072	23759
Depreciation difference total	**38130**	**32999**

5. Itemisation of deferred tax liabilities and their changes		
Attributable to Group firms' balance sheets 1.1	9240	8994
Due to change in tax burden	70	0
Attributable to appropriations	1515	302
Attributable to consolidation	233	-56
Total	**11058**	**9240**
Deferred tax from revaluations	**8439**	**8148**

6. Debt to associated companies		
Short term		
Accounts payable	**30**	**21**

Supplementary information on income taxes

Income tax on normal operations	3683	5105
Income tax on extraordinary items	106316	260
Tax rebates from previous accounting periods	-15244	0
Back taxes from previous accounting periods	-36	1415
Change in deferred tax liability	1515	302
Total	**96234**	**7082**

Securities and commitments

Pledges and commitments

A. Own debt	**1999**	**1998**
Mortgages on land and buildings	138467	142967
Company mortgages	0	75000
Total	**138467**	**217967**
Pledged deposits and receivables	**21600**	**0**
B. On behalf of others		
Company mortgages on behalf of others	**5000**	**5000**
Leasing and instalment commitments		
Leasing commitments	0	6349
Instalment commitments	116	0
Total	**116**	**6349**
D. Other commitments		
Tied up deposits for own commitments	**9020**	**9020**
E. Totals		
Mortgages	143467	222767
Tied up deposits	9020	9020
Pledged deposits and receivables	21600	0
Leasing and instalment commitments	116	6349
Total	**174203**	**238136**

Supplementary information on staff and board members

1. Average staff		
Wage earners	419	424
Salaried staff	282	273
Total	**701**	**697**

2. Management salaries and fees		
Managing directors	5248	4536
Board members	515	506
Total	**5763**	**5042**

3. The retirement age for the Chairman of the 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 equity capital FIM K**
GWS Systems Oy, Jyväskylä	100	100	59017
GWS Industri AB, Sweden	100	100	2368
G.W. Sohlberg GmbH, Germany	100	100	1471
GWS Industries SARL., France	100	100	3433
GWS Inc., USA	100	100	12422
GWS Pikval Oy, Jyväskylä	100	100	13474
GWS Finncont Oy, Virrat	100	100	17043
GWS Plast Oy, Nurmijärvi	100	100	20351
GWS-Kiinteistöt Oy, Helsinki	100	100	22554
Kiint. Oy Työnjohtajank. 1, Helsinki	100	100	60005
Kiint. Oy Menotie 1, Ylöjärvi	100	100	17994
Kiint. Oy Punamullant. 2, Nurmijärvi	100	100	14704
As Oy Hgin Ehrensvärdint. 25, Helsinki	100	100	19981
As Oy Niittysaarentie 7, Espoo	100	100	1493
Pakopaikka Oy, Kuusamo	100	100	529

OTHER SHARES AND HOLDINGS WITH SIGNIFICANT GROUP STAKE

	Group stake %	Group voting rights %	Group share in equity capital FIM K	Shares/stakes owned by the Group: stake %	No.	Nom.value FIM K	Book value FIM K
Associated companies							
Perlos Oyj, Nurmijärvi	40	40	260 678	40	20 488 000	68 000	72 078
Other shares and holdings							
ADR-Haanpää, EQT Finland C.VJ							4 255
HPY Holding Oyj					8 550		107
Keski-Suomen Puhelin Oy					600		144
Kohdematkat Oy					50		250
Oy Nordgolf Ab					3		101
Asunto Oy Pattistenrinne					1		1 473
Other shares							616
Other shares and holdings total							**6 946**

AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE G.W. SOHLBERG CORPORATION

We have examined the accounting records, the financial statements and administration of the G.W.Sohlberg Corporation for the accounting period 1.1.-31.12.1999. The financial statements presented by the Board of Directors and the Chief Executive comprise an account of 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 statement 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 Company 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 Parent Compnay 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 discharged from from liability for the accounting period under review. The proposal by the Board of Directors for the disposal of earnings is in accordance with the Joint Stock Companies Act.

Helsinki, 17 March 2000

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