



TECNOMEN  
ANNUAL REPORT  
2000

## Tecnomen in a Nutshell

Tecnomen develops and provides value-added services systems to tele-operators and service providers. The company is one of the world's leading suppliers of unified messaging and a pioneer in the development of wireless Internet solutions. The company's products also include prepaid and wide-area paging systems.

Tecnomen markets its products and services globally. The company operates in 13 locations worldwide and its products have been supplied to over 30 countries.

In 2000 the company's net sales increased by 31 per cent totalling EUR 66.4 million. Its operating profit increased by 357 per cent to EUR 5.5 million.

The company was listed in June 2000 and its shares are quoted on the Main List of the Helsinki Exchanges under TCN1V.



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## Information for Shareholders

### Annual General Meeting:

Tecnomen's Annual General Meeting will be held on Tuesday, 15 May 2001, at 6 p.m. at LordHotel, Lönnrotinkatu 29, Helsinki. All shareholders who have been registered as shareholders by 4 May 2000 on the list of Tecnomen shareholders maintained by Finnish Central Securities Depository Ltd will be entitled to attend the Annual General Meeting.

Shareholders who plan to attend the Annual General Meeting are requested to register by 1 p.m. on Friday, 11 May 2001, either by post at:

Tecnomen Oyj, Tuija Kerminen, P.O. Box 93, FIN-02271 Espoo, Finland or by telephone on +358 9 8047 8767, by fax on +358 9 8047 8212 or by e-mail to [tuija.kerminen@tecnomen.com](mailto:tuija.kerminen@tecnomen.com).

Any proxies should be submitted at the time of registration.

### Payment of dividend

Tecnomen's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.025 per share be distributed in respect of the financial year ending on 31 December 2000. Provided that the Board's proposal is approved, the dividend will be distributed on 28 May 2001 to all shareholders who are registered on the list of shareholders kept by Suomen Arvopaperikeskus Oy at the verification date, 18 May 2001.

### Financial publications:

During the financial year 2001 Tecnomen will publish three interim reports:

Interim report 1/2001 (1 Jan to 31 March 2001) 8 May 2001  
Interim report 2/2001 (1 Jan to 30 June 2001) 16 Aug 2001  
Interim report 3/2001 (1 Jan to 30 Sept 2001) 7 Nov 2001

The interim reports and the annual report are published in both Finnish and English. These publications can be found on Tecnomen's website at [www.tecnomen.com/investor](http://www.tecnomen.com/investor) and can be ordered either by telephone on +358 9 8047 8205 or by e-mail at [nina.hedberg@tecnomen.com](mailto:nina.hedberg@tecnomen.com).

### Other events

For further information, please turn to "Demerger of the parent company Kyro Corporation" on page 34.

# Mission, Vision, Products and Markets, Values

## **Mission**

Tecnomen helps teleoperators and service providers to create and provide innovative and competitive value-added services, enabling them to continuously improve their service to customers.

## **Vision**

Tecnomen will be a leading global supplier of value-added services systems for the next generation communications networks. The company has the market's best reputation in providing value-added services systems that meet the evolving needs of different end-user segments.

Therefore, the sales of Tecnomen value-added services systems will grow faster than the average growth of the market. Fast growth will require Tecnomen to expand its customer base among the major operators and service providers as well as to cooperate more closely and extensively with global network and system suppliers. A prerequisite of strengthening market position will be a continually developing ability to bring to the market, both alone and with partners, the kind of system solutions and applications that fulfil end-users' requirements in the best possible way. New kinds of messaging applications will be introduced to an increasing extent in the existing (2G) telecommunications networks.

## **Products and Markets**

Tecnomen provides teleoperators and service providers with systems that enable them to serve end-users who demand services with different kinds of content: private consumers and corporate users. The company's products are value-added service systems: unified messaging systems, voice mail systems and wireless Internet platform products, to which different applications can be developed. The Tecnomen eZONER concept, Tecnomen's major product area, covers these systems as well as related services such as installation, maintenance, training and consulting. The company's prepaid systems expand operators' services and enable users to pay in advance for using the mobile phone network.

The paging systems supplied by Tecnomen to operators consist of complete paging networks and their components. The proportion of paging systems in Tecnomen's sales is gradually falling.

Tecnomen's asset is its long experience as a supplier of telecommunications systems. This experience and strong expertise in the implementation of large and demanding telecommunications systems is combined with an ability to develop and provide the market with innovative solutions. The company is particularly proficient in the delivery of scalable systems that allow the integration of Internet, mobile and fixed telephone networks. The supply and management of large systems extending to millions of users are Tecnomen's strength. The capacity of systems provided by the company can be expanded as their utilisation rate increases, and this is of prime importance in a rapidly growing and developing market.

Tecnomen operates all over the world. The company sells and markets systems via its own world-wide organisation and through its global and local partners. The company's market areas are divided operationally into Europe, Asia Pacific, Latin America, and the Middle East. Tecnomen is also preparing to begin its operations in North America. The company has regional offices in ten different countries and plans exist to expand the international network of its offices as the company grows.

## Values

The core values that guide Tecnomen's operations are

- open and honest cooperation,
- focus on right things to achieve results, and
- continuous development of skills and personal growth.

The company's values guide Tecnomen employees in their relationship with their customers, partners, subcontractors and other interest groups. They also provide a foundation for Tecnomen employees' work within their own organisation.

# CEO's Review

Tecnomen achieved the growth targets it set for net sales in 2000. The improvement in profitability was even more positive than predicted. The programmes of change implemented in the company's strategy and operations led to a profitable growth track in 1999 and this positive trend strengthened in 2000.

The accelerated change of the telecommunications market, the impact of the Internet's explosive growth on our everyday lives, the introduction of wireless Internet and new types of communication services, as well as the huge forecasts for their growth, have on the one hand presented opportunities but on the other made future development difficult to predict. The inordinately rapid rise in the market values of IT companies and their subsequent collapse did in fact result from extremely rosy views of the future and a simultaneous uncertainty about the trend and timing of development.

Tecnomen has been able to react quickly to market changes, but at the same time we have been able to develop the company systematically in line with our long-term goals. The emphasis has been on allocating resources to ensure long-term growth, while also improving profitability. During 2000 Tecnomen presented its first wireless Internet product,

eZONER, which forms the foundation for the market launch of new types of services. We also managed to ensure a clear development path, which will lead us towards the Multimedia Messaging systems for the third generation mobile phone networks. The result of our prepaid system operations also took a positive turn after two years of investing.

Tecnomen's market is advancing towards a stage of faster growth as new types of communication services are introduced along with the development of network technologies. At the same time, however,



the end-user market is fragmenting and making the operating environment for system providers more demanding. Mobile phones and the Internet have already clearly changed life in a large part of the world. From this perspective new kinds of services, to be utilised with the aid of mobile terminals, will transform people's lives to an even greater extent. In the use of information links and daily services – the kind that previously required movement and personal contact – we will be released from the straitjacket of time and the need to run around and queue. Correctly implemented, this will truly improve people's lives – even in less developed countries. For service providers, the new services and a partner such as Tecnomen will be supremely important.

What will the implementation of this vision require from Tecnomen and the other companies in the sector? We will have to understand the development trend, recognise users' needs, and work in cooperation with customers and partners. We must be able to implement not only quality, open systems, but also innovative solutions that fulfil in the simplest possible way the different needs of each user.

We at Tecnomen have a clear vision of what we want. We want to be one of the world's leading providers of innovative value-added services systems for the next generation telecommunications networks. Fulfilling this vision will require the ability to understand the changing needs of different end-users and the ability to deliver solutions for these needs. The central task of Tecnomen's management is to show direction and strengthen the company's values with its own actions. Personnel expertise, job satisfaction and a feeling of individual development are key factors in building the best solutions for our customers. Personnel expertise and job satisfaction, moreover, are closely linked with our goal to be in the forefront in customer satisfaction, profitability and providing shareholder value, as well as being an attractive employer and a desired partner.

During 2001 we will witness many changes, just as we have in recent years. There are question marks hanging over the schedule of third generation networks and general economic development, but Tecnomen is entering the new year stronger than before. Our wider customer base provides a solid foundation. Larger and faster-growing service providers will offer a significant growth opportunity for Tecnomen. The networking of operators and other industry players will also set new challenges in developing Tecnomen and in strengthening its market position. We have good prospects for realising these challenges into long-term growth, because the company has learned to act while listening to its customers. Our heavy investment in R&D is an important part of our growth strategy. Rapid growth will not only demand the strengthening of partnerships, but also openness at company level to new kinds of cooperation models. The growth of the market will bring a steady stream of new opportunities, but competition and demands will at the same time increase.

Tecnomen's listing on the Helsinki Exchanges in June 2000 was a great success, and this created a good foundation for future growth and development as a genuine international company. Now the company is advancing to the stage where it will separate from its parent company Kyro into an independent listed company. This will also open up new opportunities for Tecnomen's development.

We have embarked on a new year with confidence, but with a touch of humility. Many thanks to customers, personnel and shareholders for a successful year.

Vesa Helkkula  
President and CEO

# The Market

Tecnomen operates in the telecommunications value-added services system market, whose growth is marked by the rapid development of telecommunications technologies and intensifying competition between operators and other service providers for end-users. An increasingly important source of competitive advantage for operators is therefore the ability to deliver new, constantly developing messaging and other value-added services to end-users. With value-added services, e.g. services that combine voice, e-mail, fax and short messages, operators strive to obtain new customers, keep existing customers and increase billings per customer. As a result, the market is developing significantly faster than the growth in the number of subscribers. The unified messaging concept in particular is spreading rapidly in different parts of the world and the number of UM end-users is increasing.

The challenge for end-users is to manage the flood of information, find the most important content, and process the information irrespective of time or place. Private and corporate users expect a range of information services which they can access using their mobile phones or their computers. Service providers must be able to respond both to this and to other needs of customers in order to secure their competitive edge and market position.

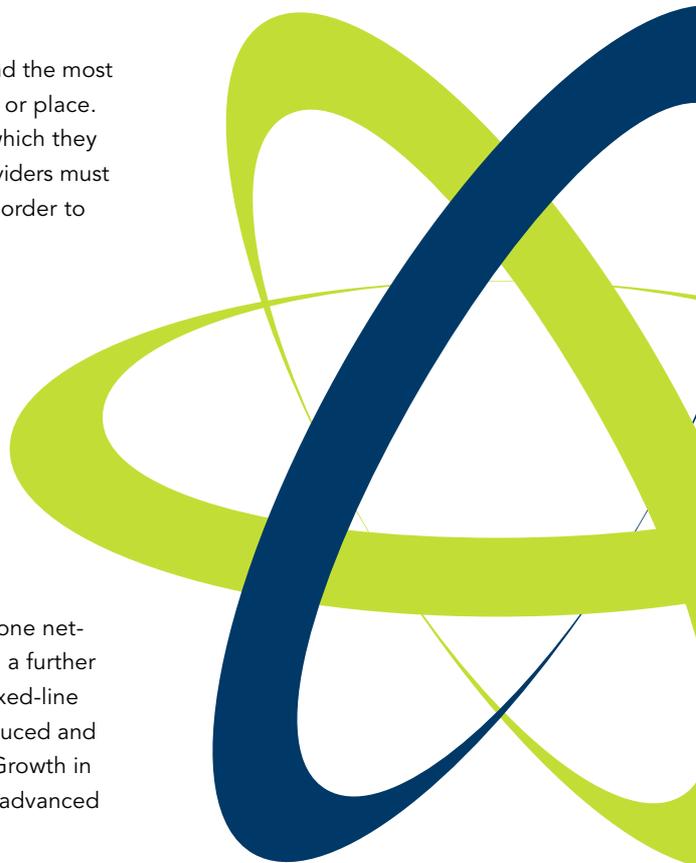
As the market and technologies constantly develop, end-users' requirements are changing. It is therefore vital to be able to bring new services quickly onto the market and to the attention of end-users. The growth in the number of mobile phone network subscribers has also led to a situation in which an increasing proportion of users pay for their calls – and in the future for other services too – in advance.

## **Demand for new kinds of messaging applications is growing along with new technologies**

The growth of new messaging applications that integrate mobile phone networks and Internet services is accelerating and it is expected to gain a further boost as new kinds of terminal devices come onto the market. On fixed-line networks, too, an increasing number of new services are being introduced and these services will continue to be integrated with wireless services. Growth in demand for simple voice mail systems is gradually slowing, as more advanced messaging systems quickly enter into widespread use.

With the arrival of GPRS, UMTS and IP technologies, mobile phone network transmission speeds will increase and even greater opportunities for messaging systems arise. Technological development will encourage the development and introduction of new utility and entertainment services that exploit higher capacity Internet technology on wireless terminals. The WAP standard already allows the wireless use of certain Internet services with a WAP phone, but the next generation Multimedia Messaging systems, developed as an extension of unified messaging systems, will increase the opportunities offered by the new networks and enable users to e.g. send and receive picture or video messages.

As telecom operators progress with the building of the broadband GPRS and UMTS networks, demand for messaging systems and wireless Internet solutions is expected to rise sharply. Different estimates suggest that global annual growth during the coming years will be many tens of percentage points and, according to some, may even be significantly higher than this in the future. Market growth will be divided among different segments according to services and user groups, and of these segments messaging and entertainment services are expected to be the most important areas of application. The first deliveries of messaging systems for the third generation networks are likely to start during the current year.



**Existing messaging systems create a solid foundation for growth**

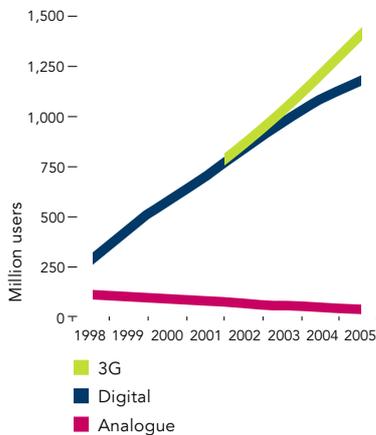
The use of the existing messaging systems is growing, because their capacity can be flexibly expanded and managed in line with demand and the number of users. The growth of mobile phone operators' subscriber volumes will continue, particularly in Asia and Latin America, where new mobile phone networks using second generation technology will continue to be built. In these regions the voicemail market will also develop favourably. In addition, the market for prepaid systems will also grow rapidly, because they enable services to be offered to an even wider customer base.

New features will continue to be introduced to existing messaging systems to correspond with end-users' changing needs. New services capable of handling wireless Internet, voice and text will spread on existing networks and will create a good foundation as the transition is made to exploiting GPRS and third generation network technologies. Messaging systems are capable of utilising simultaneously the existing telecom networks, the Internet and the new mobile phone networks. Most of the new services are nevertheless expected to use the existing networks in the near future. The updating of the GSM network technology into GPRS networks will generate a natural path for the expansion of existing messaging services. Of the existing value-added services, unified messaging systems in particular are increasingly being adopted.

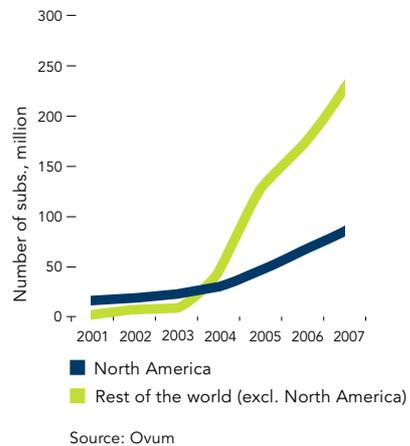
**Strong demand increases competition**

Rapid growth in demand and market development attract new competitors. Competition for customers will intensify as new service providers enter the market. At the same time, however, the market will consolidate as operators expand their activities and merge, as well as cooperate with other service providers. Strategic alliances and partnership agreements are common in the sector, because the smaller service providers seek to combine their strengths. Close cooperation and the forging of strategic partnerships with the leading players in the telecommunications sector will continue to be an important competitive asset for suppliers of value-added service systems like Tecnomen.

**Wireless subscribers by network type, growth estimate**



**Unified messaging market growth estimate**



# Sales, Marketing and Customer Service

Tecnomen sells and markets its products and services worldwide via its own sales staff and its partners. The company delivers to its customers complete solutions and related maintenance services. Tecnomen provides standard system products and carries out modification work in accordance with customers' requirements.

Tecnomen has four geographically distributed customer service units, each of which is responsible for sales and customer-service functions in certain designated countries. The company has 13 regional offices in ten countries. In addition, the company has concluded global agreements on the marketing and sale of its products with Nokia and Siemens, which sell solutions developed by Tecnomen as part of their own deliveries. Compaq and ICL Invia also sell Tecnomen products in different market areas. Tecnomen is studying opportunities to forge new strategic partnerships with the sector's leading operators.

During 2000 messaging systems and intelligent network products were delivered through partners to, among others, European and Latin American mobile phone operators. Cooperation with Nokia was also expanded to cover the reselling of Tecnomen's new wireless Internet service platform, eZONER. Cooperation in sales and distribution is often associated with cooperation in product development and marketing. Close cooperation with experts and sub-contractors in different product areas helps Tecnomen to understand the needs of customers and service end-users and accelerates the speed with which the company launches new types of solutions onto the market.

## **Sales growth targets achieved**

Tecnomen achieved its growth targets for 2000. Net sales grew 31% to FIM 394.5 million (EUR 66.4 million) and operating profit increased by 357% due to the higher sales volume. Sales of Tecnomen's messaging and prepaid systems and other intelligent network products grew to FIM 358 million as operator customers expanded the capacity of their messaging systems and introduced unified messaging systems. The strongest growth in subscriber volumes was in Asia and Latin America.



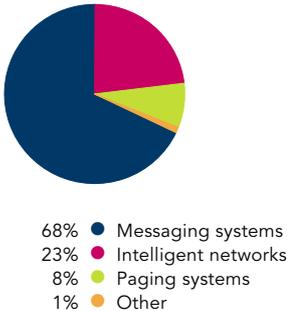
Tecnomen's systems have been delivered to over 50 customers globally. During 2000 deliveries were made, for example, to BT Cellnet in the UK, Sunrise in Switzerland and Nuevatel in Bolivia. Major system expansions were delivered to the Taiwanese company Chunghwa Telecom's Long Distance & Mobile Business Group and to the Malaysian company Celcom. In addition, a number of customers expanded their service offerings from voice mail systems to unified messaging systems. Unified messaging systems and system expansions were delivered for example to TDC (TeleDanmark), Swisscom and Telenor. The Tecnomen-developed wireless Internet service platform, eZONER, was ordered by the Irish company Eircell.

During 2000 Tecnomen raised its profile and strengthened its corporate image as a leading supplier of unified messaging systems. Close cooperation with partners and effective sales and marketing work will support the attainment of Tecnomen's growth targets also in the future.

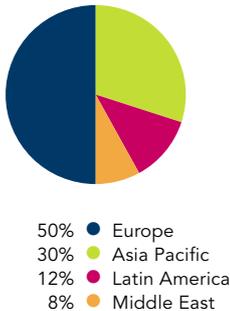
The most important goal for 2001 is to continue sales growth and to secure the company's long-term competitive position. A key objective in terms of sales is the forging of new customer relationships and the sale of new value-added services systems to existing customers. In terms of new customers, Tecnomen's focus will be placed on cooperation with major operators, rapidly growing service providers and the industry's leading network suppliers.

Tecnomen is continually enhancing its level of service and the company reacts quickly to customers' changing needs by launching new, quality products. Tecnomen's goal is to tighten cooperation with existing and new partners and to increase the proportion of sales channelled through partners. Tecnomen is also studying various options for beginning the marketing and sales of its products in North America, which is one of the largest value-added service markets.

Net sales by product group



Net sales by region



# Product Development

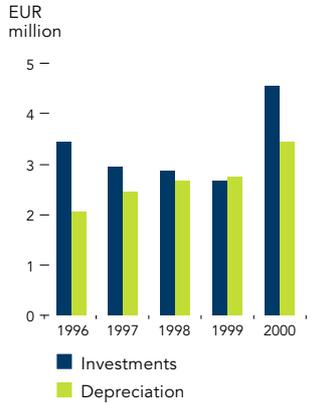
Tecnomen is continuing to invest heavily in product development and in maintaining its innovative capacity in order to ensure long-term growth. As sales grow the ratio of product development expenditure to sales is expected to decrease gradually.

Tecnomen's product development consists of the development of new products, system adaptations and customisations of existing products, and research of new technologies. Investments in new product development and in new technology research increased during 2000 as the relative proportion of customisations decreased. This trend was connected with measures taken in product structure and interface development work.

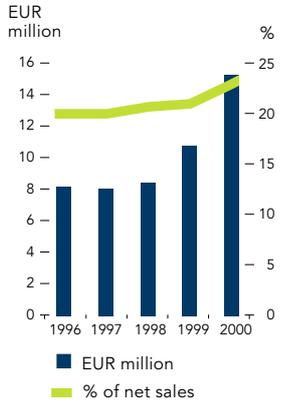
Tecnomen is actively developing products and services which work on existing networks and which also exploit the opportunities offered by the new broadband GPRS and third generation networks. In terms of messaging systems the most important step underway is the integration of unified messaging systems and the eZONER service platform into a system compatible with the third generation Internet Protocol-based networks and the development of new kinds of voice and text messaging services. At the end of 2000 Tecnomen announced a product path by which the company's unified messaging solution will be integrated with eZONER product roadmap to develop a third generation Multimedia Messaging solution. As the development path of Tecnomen eZONER is gradual, Tecnomen's customers can flexibly add new services to their own systems in line with end-user demand and the development of different network technologies and terminal devices.



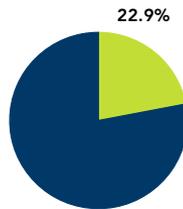
**Investments and depreciation**



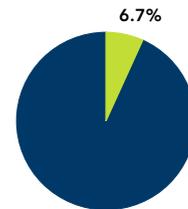
**Research and development costs and share of net sales**



Research and development costs  
as a proportion of net sales in 2000



Capital expenditure as a  
proportion of net sales in 2000



In the further development of intelligent network products, the emphasis is laid on developing prepaid services to fulfil the need for new product features and greater capacity requirements. The company will also seek to develop solutions which exploit new intelligent network technologies and widen Tecnomen's range of value-added services. As new data applications increase, the expansion of prepaid systems into new areas will be studied.

Tecnomen is seeking to further enhance its product development activities. At the same time the company is investing in the continual improvement of innovation and customer-orientation. The aim is also to shorten the time taken to bring new products to the market by developing the efficiency of processes and evolving new kinds of group and organisational solutions in which product development is carried out closer to the customer and to sales. Moreover, the company will develop more flexible ways of implementing customer-specific connections and will invest in improving its consulting expertise. The strategy is to acquire for Tecnomen know-how in core areas and use the company's external resources and partners as strategic frontiers.

During 2000 Tecnomen expanded its product development in Shannon, Ireland and Espoo, Finland and opened a new product development unit in Vaasa, Finland. In addition, the company founded in Espoo, Finland, an innovation centre, which will focus on the early creation of new technologies and business ideas. Tecnomen is also planning the establishment of a regional localisation and product development unit in Malaysia. New resources and goal-oriented recruitment will reinforce the company's growth in a rapidly developing market.

# Products and Services

Tecnomen supplies its customers with systems consisting of software, computer and processing units, installation and training services, and maintenance and support operations. Tecnomen's products and services are divided into three service concepts: Tecnomen eZONER, Tecnomen Prepaid and Tecnomen Paging. All service concepts are based on the same expandable service platform. The service platform is constructed on software and hardware designed by Tecnomen, as well as on third party equipment. All systems can also be managed using the same operation and maintenance centre.

Whenever possible, Tecnomen seeks to use known standard technologies and interfaces in its products in order to accelerate development, secure the functionality of solutions, and integrate third party applications. The products of third parties are used as part of the solutions offered by Tecnomen when this is technically and economically justified. Tecnomen's technology partners include e.g. Lernout & Hauspie, Temic, TimesTen and Kuulalaakeri.

The new three-part product structure was launched at the 3GSM World Congress in the French city of Cannes in February 2001. Behind the change was a desire to streamline Tecnomen's product range and to bring the company's products and services closer to the customer and customer's needs.

### Tecnomen eZONER

Tecnomen eZONER is a comprehensive messaging solution which incorporates both messaging systems and wireless Internet solutions. Messaging systems integrate voice, fax and e-mail messages into a single package and enable messages to be sent and received using the most suitable terminal and user interface for each situation. Tecnomen eZONER, by combining messaging systems with wireless Internet solutions, also allows personal message-exchange, entertainment and information services to be used wirelessly.

In addition to the development of unified messaging concepts and the continuous introduction of new value-added services on existing networks, the faster transfer rate of new mobile phone networks will encourage the development of completely new kinds of services. The GPRS and UMTS networks will open up the possibility of sending and receiving e.g. picture and video messages. Tecnomen eZONER will help service providers take a step towards third generation Multimedia Messaging, in which wireless, telecommunication and Internet services are combined. Tecnomen eZONER comprises four zones – voicezone, mailzone, funzone and timezone – with each zone complementing the others. Of these, the voicezone includes services intended for managing voice and fax messages. Mailzone, on the other hand, allows the integration of wireless e-mail into the service concept. Funzone comprises entertainment services, and timezone time management services.

## Tecnomen's service concepts

Tecnomen eZONER



Tecnomen Prepaid



Tecnomen Paging



eZONER will help end-users maintain control over different forms of information with maximum efficiency using their preferred terminal or user interface. For operators this flexible service configuration, which can be tailored specifically to end-users, offers a competitive advantage in the market and an opportunity to increase network traffic and, consequently, billing.

### **Tecnomen Prepaid**

Tecnomen Prepaid includes intelligent network components and systems, namely Intelligent Peripheral components and prepaid systems. These products complement Tecnomen's product range.

In a prepaid system, users pay for their calls in advance, for example by purchasing a telephone card with a code that allows them to feed into their telephone subscription a certain sum of money, which is consumed in real time as calls are made. When a specified limit is reached, this information is transmitted to the user's phone. When the account is empty, no calls can be made or even be received in some cases. Demand for prepaid systems is growing, as mobile phones become more popular in emerging market areas such as Asia and Latin America, and in Europe particularly among young people.

The Intelligent Peripheral component is the part of the intelligent network whose task is to handle certain functions, such as announcement management. It can therefore be used to expand the capacity of systems supplied by others. The Intelligent Peripheral can be supplied separately as part of a third generation IN system, but it is also always included in Tecnomen's comprehensive prepaid system deliveries.

### **Tecnomen Paging**

Tecnomen Paging comprises wide-area paging systems that consist of Tecnomen-developed software and Tecnomen-manufactured hardware, plus equipment made by third parties. Tecnomen sells and markets high-capacity paging systems, which support all of the most important standards. Typical services in a paging system are the traditional "call request" function, different announcement services, such as Tecnomen's voice and fax mail services, as well as Internet applications such as the routing of e-mail to a pager.

The market for paging systems has been contracting for a long time now, as users replace services with newer and more versatile systems.



# Personnel

To meet its growth targets and to strengthen its market position, Tecnomen requires high-quality, talented and enthusiastic employees. The company seeks to offer its personnel an excellent setting for delivering high performance and an opportunity to constantly develop individual expertise. By its actions Tecnomen strives to create the kind of working environment that supports each employee's individual development.

## **Developing expertise as part of the management system**

Personnel occupy a key role in determining Tecnomen's success. Personnel development is supported by the company's values, which by providing an unshakeable foundation in a rapidly changing operating environment are truly significant for the company's progress. Tecnomen's values are open and honest cooperation, focus on right things to achieve results, and continuous development of skills and personal growth. These values guide work done in cooperation with customers, partners, subcontractors and other external interest groups, and form an excellent and consistent basis for internal operations.

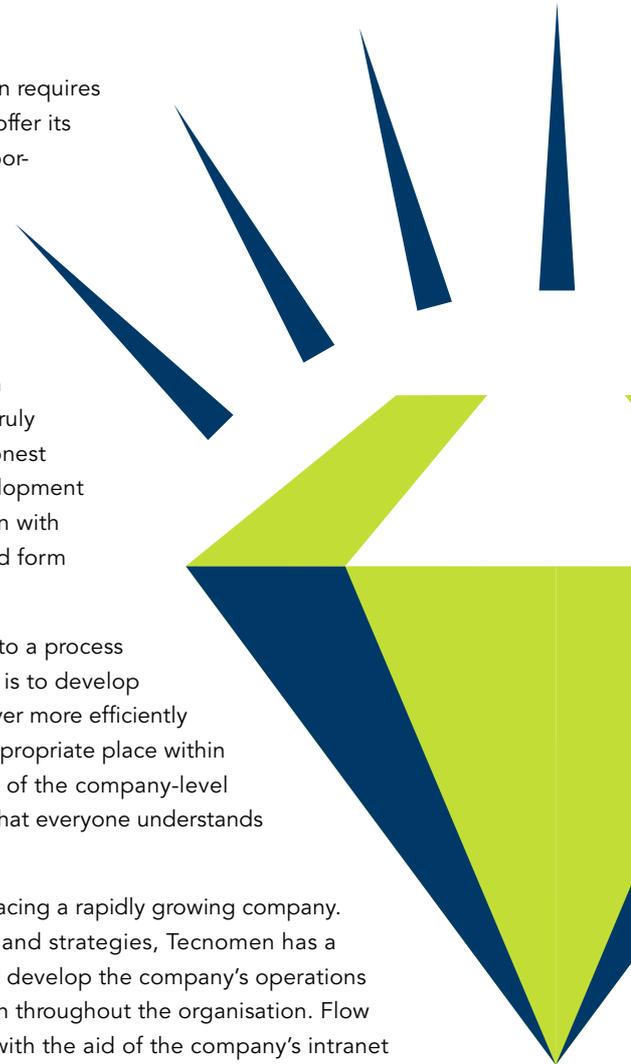
Tecnomen's goal is to transform the continual development of expertise into a process which is an important part of the company's management system. The aim is to develop the organisation and management system so that decisions can be made ever more efficiently and quickly. It must always be possible to make decisions from the most appropriate place within the organisation. That's why it is important that employees are fully aware of the company-level goals and strategy, as well as the auxiliary goals defined for each unit, and that everyone understands their own role in fulfilling the company's targets.

Efficient internal distribution of information is one of the major challenges facing a rapidly growing company. For the formulation and distribution of company-level information, goals and strategies, Tecnomen has a Management Board. The Management Board's main task is to monitor and develop the company's operations in accordance with set goals and values, as well as to distribute information throughout the organisation. Flow of information is also promoted through active internal communications, with the aid of the company's intranet and information sessions directed towards personnel.

## **Investment in human resource development**

The starting points for personnel development are the company's operating practices and values, as well as the company's business objectives. These are used to determine Tecnomen's key development measures, which are connected particularly to skills management, the continual development of the entire workforce, and Tecnomen's image as an employer. Skills management signifies management of tasks necessary for securing the company's future profit-making capacity. These include the development of the employees' knowledge, abilities and attitudes. In addition, Tecnomen also invests in the adoption of effective joint working practices and in a market-oriented approach to operations.

Everyone has a responsibility for their own development. Tecnomen's different functions and organisations support and monitor employees' progress and training, while providing good opportunities for such endeavours. Personnel are actively informed of a wide range of courses and training options. The company's personnel and administration function is responsible for developing management and leadership potential, as well as for personnel training in general. During 2000 development programmes were targeted at Tecnomen's operational management, and senior management participated, among other things, in a series of seminars entitled "Strategy Implementation", specially adapted for Tecnomen. Basic training includes, for example, induction training arranged for new employees, different levels of product training and language courses.



The key areas of focus for personnel development in 2000 were technology, marketing, linguistic and cultural expertise, as well as the leadership skills at different levels of the organisation required by Tecnomen's controlled growth. For its employees the company organises both internal and external training, of which the latter accounts for roughly a half. During 2000 Tecnomen's employees spent an average of 11 days per person in training and external training costs totalled around EUR 1,300 per person.

**Supply of new personnel improved during 2000**

The supply of new personnel improved significantly during the year owing to enhanced recruitment communications and the development of Tecnomen's corporate image. During 2000 the number of people employed by the company grew as planned to 517 (421). The increase was divided uniformly between the Finnish and Irish offices. Product development was particularly strengthened and it represented nearly 40% of the entire workforce at the end of the year. In addition, the company's senior staff functions were improved to meet with the challenges posed by rapid growth and the market listing. Staff turnover decreased again despite of the intense competition for resources within the sector. The average age of Tecnomen employees is around 34 years.

In order to achieve its growth targets, Tecnomen will continue its recruitment of new personnel for selected product development and product management tasks, for sales roles, and for expert positions in customer service. The company will, moreover, encourage its existing staff to participate in job rotation and to accept possible international postings.

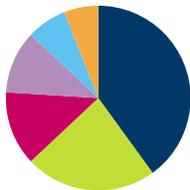
**Business strategies supported by incentive schemes**

Tecnomen operates an extensive personnel incentive scheme, which takes into account the Group's financial targets as well as the achievement of individual and team-related goals. All of Tecnomen's employees are covered by an incentive scheme. Other, country-specific benefits include different types of remuneration, such as patent bonuses and funding for recreational activities and hobbies.

Furthermore, the company also has a longer-term commitment and incentive scheme, namely a share option programme (see page 33) directed at the company's key personnel. Around ten per cent of the employees currently belong to the share option programme.

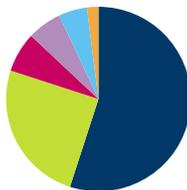
As an incentive to personnel, shares were also offered for subscription in an employee offering connected with Tecnomen's IPO in June 2000. In the employee issue the subscription price for the shares was ten per cent below the subscription price of the public offering. Participation in the employee issue was very extensive.

**Personnel by function**



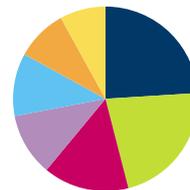
- 40% ● Product development
- 23% ● Customer operations
- 13% ● Management and support
- 11% ● Sales and marketing
- 7% ● Logistics and manufacturing
- 6% ● Product management

**Personnel by area**



- 55% ● Finland
- 25% ● Ireland
- 7% ● East and Southeast Asia
- 6% ● Latin America
- 5% ● Other Europe
- 2% ● Middle-East

**Competence development by topic**



- 24% ● Induction training
- 22% ● Product training
- 15% ● Other
- 11% ● Research and development
- 11% ● Sales and marketing
- 9% ● Management and leadership
- 8% ● Culture and languages

# Report by the Board of Directors

## **Net sales and operating profit**

Tecnomen's net sales increased by 31% and totalled EUR 66.4 million (50.7). Mobile telephone operators expanded the capacity of their messaging systems as the volume of subscribers increased and the use of unified messaging systems became more popular. The Company's net sales increased fastest in Asia and Latin America where significant supplementary capacity and services were supplied to several customers.

The Company's operating profit improved substantially and totalled EUR 5.5 million (1.2), or 8.2% (2.4%) of net sales. The profit before extraordinary items was EUR 5.8 million (0.4). Earnings per share were EUR 0.09 (0.00) and equity per share was EUR 1.71 (0.37). EUR 0.3 million of the listing expenses has been incorporated in the profit and loss statement and EUR 1.8 million has been allocated to equity on the balance sheet by reducing the reserve fund, taking the effect of taxes into consideration.

## **Financing and investments**

Tecnomen's financial standing was significantly improved by the share issue. Proceeds from the share issue, less expenses incurred in the process, totalled EUR 64.6 million. Tecnomen's liquid cash funds amounted to EUR 45.2 million. During the fiscal year under review the Company reduced its interest-bearing debts by EUR 22.4 million. The Company's interest-bearing liabilities totalled EUR 1.4 (23.8) million. The net debts to equity ratio (gearing) improved, being -51.3% (136.8%). The balance sheet structure was strengthened and the equity ratio was 86% (31%).

Tecnomen's gross investment outlay in the year 2000 was EUR 4.5 million (2.7). The most significant investments were made in the development of the Company's product development environment.

## **Markets**

The growth in the messaging and prepaid systems market continued in 2000 as the mobile telephone operators' subscriber volumes soared. The unified messaging systems were becoming more popular, particularly in Europe and the Asia Pacific region. These systems enable voice, fax and e-mail messages to be sent and received using the most convenient terminals available. New services such as the above mentioned unified messaging systems grew in importance as tools of competition for service providers. End-users' awareness of the opportunities provided by these services also increased.

European operators were preparing to construct wide band GPRS and UMTS networks that make it possible to send and receive picture and video messages for instance. The next system generation to be developed on the basis of the current unified messaging systems, the so-called Multimedia Messaging systems, will increase the opportunities provided by new networks, and the systems are predicted to experience considerable growth in the near future. New service providers on the market speeded up development of the market.

## **Sales and marketing**

The sales of Tecnomen's messaging and prepaid systems increased as its operator customers expanded the capacity of their messaging systems and introduced new unified messaging systems. The highest increases in subscriber volumes were experienced in Asia and Latin America. The largest product group, i.e. messaging systems and wireless Internet solutions, represents about 68% of Tecnomen's net sales. Sales of prepaid systems and other intelligent network products represent about 23% whereas the share of paging systems' decreased to about 8% of net sales.

Messaging systems and intelligent network products were supplied through Siemens, Nokia and Compaq to mobile telephone operators in Europe and Latin America for instance. Co-operation with Nokia was expanded during the period under review to also cover the distribution of Tecnomen's new wireless Internet service platform, the eZoner.

## **Research and product development**

Research- and product development expenses totalled EUR 15.2 million representing 22.9% of net sales (EUR 10.7 million and 21%) and these expenses are booked as they arise.

During 2000, Tecnomen continued its heavy investments in product development in order to achieve a pioneering status in the messaging systems that will be used in the third generation mobile telephone networks. Tecnomen also introduced to the market its wireless Internet service platform, the eZONER. In order to ensure the rapid introduction of new types of applications on the market, Tecnomen strengthened its collaboration with strategically important partners and suppliers. Collaboration in short message- and entertainment service products continued with Aersoft Ltd.

Tecnomen expanded its product development operations in Ireland and in Espoo, Finland and opened up a new product development unit in Vaasa, Finland. Moreover, an innovation centre was set up in Espoo to concentrate on the early creation of new technologies and business ideas. Tecnomen was awarded the Multimedia Super Corridor (MSC) status in Malaysia, and the Company is now planning to set up a regional product development and localisation unit there.

### **Personnel**

At the end of the year under review Tecnomen employed 517 (421) personnel. The Company's workforce increased during 2000 as planned. A healthy growth and strengthening of strategic areas of know-how was divided evenly between the operating units in Finland and Ireland and the Company's sales offices. Product development operations, which represented almost 40% of the entire personnel at the end of 2000, were singled out for particular strengthening.

The recruiting of new personnel became clearly less problematic during the year under review owing to our programme of active recruitment communications and the enhancement of Tecnomen's company image. The employee turnover rate continued to slow down regardless of the ever keener competition for people with the relevant know-how in the industry.

### **Combined share issue and sale**

Kyro's and Tecnomen's Boards of Directors took the decision at their respective meetings held on 9 June 2000 to initiate a combined issue and sale of Tecnomen's shares and to apply for a listing of the Company's shares on the Main List at the Helsinki Exchanges. The issue and sale of shares were used to expand Tecnomen's ownership basis and to strengthen the Group's financing structure. The listing also created further opportunities for developing incentives and commitment systems for the personnel. Trading in Tecnomen's shares on the Pre-List at the Helsinki Stock Exchange started on 30 June 2000 and on the Main List on 4 July 2000.

A total of 12,969,200 shares were subscribed and sold during the combined issue and sale of shares. Tecnomen issued a total of 7,969,200 shares. The share subscription price in the public and institutional issues was EUR 8.50, and this was also the maximum offer price. The subscription price in the issue of shares to personnel was EUR 7.65. The share issue increased the Company's share capital by EUR 318,768. The Kyro group sold a total of 5,000,000 shares. Tecnomen's institutional issue was oversubscribed more than tenfold. Public and personnel issues were also oversubscribed. As of 31 December 2000, the Parent Company owned 73.3% of Tecnomen's shares.

### **Shares and share performance**

Trading in Tecnomen's shares started on 30 June 2000 on the Pre-List of the Helsinki Exchanges and on 4 July 2000 on the Main List. During the year under review, a total of 12,356,411 Tecnomen shares were traded. The highest price quoted for the shares during the period was EUR 10.89 and the lowest EUR 4.30.



### **Demerger of the parent company Kyro Corporation**

On 9 June 2000 the Kyro Corporation's and Tecnomen's Boards of Directors took a decision to start preparations for the demerger of Kyro to form two new companies, their proposed names being Tecnomen Holding Corporation and Kyro Corporation, and for the subsequent merger of Tecnomen into the Tecnomen Holding Corporation. At their meeting held on 5 October 2000, Kyro's Board of Directors approved the demerger plan and took the decision to present it to the Extraordinary General Meeting of Kyro's shareholders for approval.

The Extraordinary General Meeting of Kyro's shareholders held on 22 November 2000 approved the Board of Directors' proposal for the demerger of the Company to form two new companies. By approving the demerger plan the Extraordinary General Meeting decided to set up a new Kyro Corporation and the Tecnomen Holding Corporation and approved the articles of association for these companies.

Kyro's assets and liabilities will be divided between the new companies in such a way that the Tecnomen shares held by the demerging Kyro Corporation plus a corresponding amount of shareholders' equity will be transferred to the Tecnomen Holding Corporation, and the shares in Tamglass Ltd and Kyro Power Ltd owned by the demerging Company as well as the rest of the Company's assets and the remainder of the shareholders' equity will be transferred to the new Kyro Corporation set up after the demerger.

Dividing the Kyro Corporation into two separate Groups will increase transparency and enable investors to invest in the particular business activities whose characteristics, growth prospects and profit expectations match their interests. As the Kyro Corporation is divided, one existing Kyro share entitles the Holder to one share in the new Kyro Corporation and one share in the new Tecnomen Holding Corporation.

### **Board of directors, management and auditors**

During the year under review, Tecnomen's Board of Directors consisted of Pentti Yliheljo, Vesa Helkkula and Esko Rantala. Pentti Yliheljo served as Chairman of the Board. Erkki Hautaniemi, who retired from his post as Chief Financial Officer of Kyro Corporation, submitted his resignation to Tecnomen's Board of Directors on 31 August 2000. The Tecnomen Annual General Meeting held on 6 April 2000 appointed KPMG Wideri Oy Ab as auditor.

### **Future targets and prospects**

Tecnomen's aim is to strengthen its position as one of the leading suppliers of messaging systems. Increasing emphasis is being placed on co-operation with the industry's leading network suppliers, operators and service providers. At the same time new-generation Multimedia Messaging applications are also on the way.

An increase in the demand for Tecnomen's messaging and prepaid systems is continuing as the mobile telephone operators' subscriber volumes keep soaring. Timetable estimates for the commissioning of third generation mobile telephone networks in Europe in 2001 and 2002 vary. The growth of subscriber volumes on the existing networks will continue particularly in Asia and Latin America. New second generation gsm-networks are still being built in these areas.

The Company is expected to receive its first orders during the current year for the messaging systems designed for the third generation mobile telephone networks.

Tecnomen aims to achieve in 2001 at least the same sales growth level as the year before. The operating profit is estimated to improve.

Espoo, 7 February 2001

Tecnomen

Board of Directors

# Income Statement

EUR	Note	Group		Parent Company	
		Jan. 1–Dec. 31, 2000	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 2000	Jan. 1–Dec. 31, 1999
<b>Net sales</b>	1	66,354,732	50,731,362	66,020,124	47,552,972
Increase (+) and decrease (-) in inventories of finished products and work in progress		113,906	-10,080	113,906	-120,926
Production for own use (+)			316,284		315,347
Other operating income		314,451			
Materials and services	2	12,945,972	11,327,248	24,488,409	16,643,195
Personnel expenses	3	26,444,723	20,149,030	17,788,724	13,449,689
Depreciation	4	3,412,802	2,677,246	2,895,310	1,713,667
Other operating expenses	5	18,505,900	15,686,375	17,430,432	14,692,542
<b>Operating result</b>		5,473,692	1,197,667	3,531,157	1,248,299
<b>Financial income and expenses</b>	6	347,323	-780,919	324,703	-755,059
<b>Profit before extraordinary items and taxes</b>		5,821,016	416,748	3,855,860	493,241
<b>Profit before appropriations, minority and taxes</b>		5,821,016	416,748	3,855,860	493,241
Increase (+) and decrease (-) of accumulated depreciation	7			-230,441	60,612
Direct taxes	8	-1,886,758	-237,555	-1,706,754	-157,888
Minority interest		10,387	-25,518		
<b>Profit for the financial year</b>		3,944,644	153,674	1,918,666	395,964

# Balance Sheet

EUR	Note	Group Dec. 31, 2000	Group Dec. 31, 1999	Parent Company Dec. 31, 2000	Parent Company Dec. 31, 1999
<b>Assets</b>					
Fixed assets					
Intangible assets	9	634,584	480,018	605,602	446,223
Tangible assets	10	12,655,753	11,779,979	8,948,726	8,402,071
Investments	11	14,355	23,647	313,781	23,647
Share and participations in Group companies	11			1,143,355	1,434,381
		13,304,693	12,283,645	11,011,463	10,306,322
<b>Current assets</b>					
Inventories	12	2,546,980	1,819,491	1,400,922	957,675
Long-term receivables	13	5,818,429	6,847,794	5,808,645	6,847,794
Short-term receivables	14	33,505,728	27,977,667	36,758,464	25,846,135
Cash at bank and in hand		45,248,435	2,139,833	44,611,834	913,323
		87,119,572	38,784,785	88,579,865	34,564,927
<b>Assets</b>		<b>100,424,265</b>	<b>51,068,430</b>	<b>99,591,328</b>	<b>44,871,248</b>
<b>Equity and liabilities</b>					
<b>Shareholders' equity</b>					
Share capital	15	2,003,060	1,668,244	2,003,060	1,668,244
Share premium fund		66,863,430	1,387,784	66,783,858	1,308,211
Retained earnings		12,662,769	12,387,079	7,080,587	6,684,622
Profit for the financial year		3,944,644	153,674	1,918,666	395,964
		85,473,905	15,596,782	77,786,170	10,057,042
Minority interest		99,825	110,212		
Accumulated depreciation	16,17			1,573,221	1,342,780
Provisions	18			890,000	
<b>Liabilities</b>					
Deferred tax liability	17	456,234	389,406		
Long-term liabilities	19	1,392,076	20,792,403	676,976	20,076,205
Short-term liabilities	20	13,002,226	14,179,627	18,664,961	13,395,221
		14,850,535	35,361,436	19,341,937	33,471,426
<b>Equity and liabilities</b>		<b>100,424,265</b>	<b>51,068,430</b>	<b>99,591,328</b>	<b>44,871,248</b>

# Cash Flow Statement

EUR	Group Dec. 31, 2000	Group Dec. 31, 1999	Parent Company Dec. 31, 2000	Parent Company Dec. 31, 1999
Cash flow from business operations				
Payments from sales	63,849,146	41,244,054	59,544,930	38,993,651
Payments from other operating income		871		
Operating costs	-57,421,507	-43,149,487	-54,149,425	-39,530,947
Cash flow from business operations before financing items and taxes	6,427,639	-1,904,562	5,395,505	-537,296
Paid interest and payments for other financing of business operations	-1,252,028	-1,292,692	-1,327,415	-1,267,731
Received interest on business operations	1,808,128	392,177	1,680,015	366,920
Paid direct taxes	-1,667,261	-27,657	-1,721,951	37,976
Cash flow before extraordinary income	5,316,477	-2,832,733	4,026,155	-1,400,131
Cash flow from extraordinary income		5,617,477		5,617,477
Net cash flow from operations	5,316,477	2,784,744	4,026,155	4,217,346
Cash flow from investments				
Investments in tangible and intangible assets	-4,491,136	-2,674,030	-2,711,344	-1,452,558
Disposal of tangible and intangible assets		58,220		3,482
Repayment of loan receivables		-33,433		-1,033,662
Other investments				-337,995
Cash flow from investments	-4,491,136	-2,649,243	-2,711,344	-2,820,733
Cash flow from financing				
Cash flow from share issue	64,642,124		64,642,124	
Payment of loan to Kyro Corporation	-22,200,807	-543,786	-22,200,807	-543,786
Decrease in short-term liabilities				-23,972
Decrease in long-term liabilities	-158,056	-120,591	-57,617	-143,036
Cash flow from financing	42,283,261	-664,377	42,383,701	-710,794
Increase (+) and decrease (-) in liquid funds	43,108,602	-528,876	43,698,512	685,819
Liquid funds at the beginning of the financial year 1 Jan.	2,139,833	2,668,709	913,323	227,503
Liquid funds at the end of the financial year 31 Dec.	45,248,435	2,139,833	44,611,834	913,323

# Accounting Principles

## Consolidated financial statements

The consolidated financial statements include all Group companies in which the direct or indirect ownership of the Parent Company exceeds 50%. The consolidated financial statements have been drafted on the acquisition cost method. Intra-group transactions, unrealised margins on inter-company deliveries, and internal receivables and debts as well as internal profit distribution have been eliminated. Minority interests have been separated from the consolidated shareholders' equity and profit and are presented as a separate item.

The income statements of the Group companies operating outside Finland have been converted applying the average rate for the financial period, and the balance sheet items, excluding the profit for the financial year, have been converted into euros using the exchange rate quoted on the balance sheet date. Translation gains and losses generated by the conversion of shareholders' equity, elimination of the equity of foreign subsidiaries, and the conversion of the income statement and balance sheet using different rates have been entered under distributable equity.

## Items denominated in foreign currencies

Receivables and liabilities denominated in non-eurozone currencies have been converted into euros using the exchange rate quoted by the Bank of Finland on the balance sheet date. Receivables and liabilities denominated in the national currencies of the eurozone have been converted into euros from the original currencies, using the official exchange rates of the euro. Receivables and liabilities hedged with derivative contracts have been entered at the exchange rate quoted on the balance sheet date. The interest portions of forward contracts are allocated over the duration of the contract. The exchange rate differences on derivative contracts made for hedging purposes have been used to balance the exchange rate differences of the corresponding hedged items.

## Net sales

Net sales comprise sales revenue from which indirect taxes, exchange rate differences, and discounts have been deducted. Project deliveries are entered in income mainly in connection with equipment deliveries. Estimated costs incurred from installation work associated with project deliveries are entered as project provisions under accrued expenses and deferred income in connection with equipment deliveries.

## Pension arrangements

In Finland, statutory pension security as well as additional, voluntary pension security are arranged by pension insurance companies. The pension security of personnel in companies operating outside Finland has been arranged in accordance with relevant local legislation and practice.

## Leasing

Leasing payments have been entered as rentals. Unpaid leasing fees are presented under off-balance sheet liabilities in the notes to the financial statements.

## Extraordinary items

Extraordinary items comprise Group contributions received.

## Research and development expenses

Research and development expenses are expensed as incurred, excluding machinery purchases which are written down over three years on the straight-line method.

The annual depreciation on machinery purchases as regards the year 2000 figures have been posted under research and development investment expenditure.

## Valuation of inventories

Inventories are valued using the FIFO principle at the lower of acquisition cost, repurchase price or probable selling price. Fixed manufacturing costs have not been capitalised.

## Valuation of fixed assets

Fixed assets have been capitalised on the acquisition costs. Depreciation according to plan has been calculated on a straight-line basis over the useful life of the fixed assets.

Depreciation periods according to plan

Intangible rights	3–10 years
Other capitalised expenses	5 years
Buildings and fixtures	25 years
Machinery and equipment	3–5 years
Hardware and software	3–5 years

## Accumulated year-end appropriations

The difference between accumulated depreciation and depreciation according to plan has been divided into deferred tax liability and shareholders' equity in the consolidated balance sheet. The portion entered under shareholders' equity is not included in the Group's unrestricted equity. In the consolidated profit and loss account, appropriations have been divided between profit for the period and change in the deferred tax liability.

## Deferred tax liability and tax receivable

Taxes and changes in deferred tax liabilities and tax receivables calculated from the results of Group companies have been entered on the basis of local tax regulations in the income statement.

Deferred tax liability in its entirety and tax receivable to the size of the estimated probable benefit are included in the balance sheet.

# Notes to the Financial Statement

INCOME STATEMENT, EUR	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
<b>1. Net sales</b>	<b>66,354,732</b>	<b>50,731,362</b>	<b>66,020,124</b>	<b>47,552,972</b>
Net sales by market area				
Finland	2,005,277	4,111,839	1,223,044	3,250,853
EU	27,243,175	23,266,797	28,401,000	21,702,129
European countries outside EU	4,002,000	3,884,468	4,002,000	3,884,468
Middle East and Far East	25,190,000	13,040,680	25,190,000	13,065,921
North and South America	7,914,280	6,427,578	7,204,080	5,649,601
<b>Total</b>	<b>66,354,732</b>	<b>50,731,362</b>	<b>66,020,124</b>	<b>47,552,972</b>
Net Sales by product group				
Messaging and wireless Internet solutions	45,084,000	35,625,000		
Intelligent Networks	15,124,532	5,818,262		
Paging	5,363,200	8,042,000		
Other	783,000	1,246,100		
<b>Total</b>	<b>66,354,732</b>	<b>50,731,362</b>		
<b>2. Materials and services</b>				
Materials and supplies				
Purchases during financial year	10,336,171	8,866,000	11,722,409	10,043,048
Changes in inventories of materials and supplies	-613,582	331,178	-329,340	771,117
	9,722,589	9,197,178	11,393,069	10,814,165
External services	3,223,383	2,130,069	13,095,340	5,829,030
<b>Total</b>	<b>12,945,972</b>	<b>11,327,248</b>	<b>24,488,409</b>	<b>16,643,195</b>
<b>3. Personnel expenses</b>				
Salaries and fees	20,786,798	16,599,599	13,554,235	10,849,059
Pension expenses	2,292,435	1,805,414	1,963,360	1,648,250
Other personnel expenses	3,365,489	1,744,017	2,271,129	952,380
<b>Total</b>	<b>26,444,723</b>	<b>20,149,030</b>	<b>17,788,724</b>	<b>13,449,689</b>
Salaries and remuneration paid to Members of the Board and Managing Director	784,602	622,295	177,875	107,026
The CEO of the Parent Company is entitled to retire at the age of 60 years. The Members of the Board are covered by a pension insurance.				
There is no loan granted to the Board of Directors of Tecnomen Corporation.				
The Group and Parent Company employed during the financial year on average				
Clerical staff	484	423	308	248
<b>4. Depreciation</b>				
Depreciation according to plan				
Intangible assets				
Intangible rights	144,806	108,338	139,066	101,141
Other expenditure with a long-term impact	19,252	19,252	19,252	19,252
Tangible assets				
Buildings and fixtures	334,052	327,789	274,018	274,018
Machinery and equipment	2,914,691	2,221,867	1,572,974	1,319,256
Write-downs of long-term investments			890,000	
<b>Depreciation total</b>	<b>3,412,802</b>	<b>2,677,246</b>	<b>2,895,310</b>	<b>1,713,667</b>
<b>5. Other operating expenses</b>				
Rents	1,911,928	1,517,892	1,153,355	748,892
Other expenses	16,593,972	14,168,483	16,277,077	13,943,650
<b>Other operating expenses total</b>	<b>18,505,900</b>	<b>15,686,375</b>	<b>17,430,432</b>	<b>14,692,542</b>

INCOME STATEMENT, EUR	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
<b>6. Financial income and expenses</b>				
Interest income				
From the Kyro Group companies	914,399	6,967	922,809	19,238
From others	87,386	79,602	78,669	39,621
Other financial income				
From others	685,031	418,822	613,128	418,269
<b>Financial income total</b>	<b>1,686,816</b>	<b>505,391</b>	<b>1,614,606</b>	<b>477,128</b>
Interest expenses				
From the Kyro Group companies	-497,284	-853,594	-496,584	-855,945
From others	-225,494	-91,887	-185,868	-41,066
Other financial expenses				
From others	-616,714	-340,829	-607,451	-335,176
<b>Financial expenses total</b>	<b>-1,339,493</b>	<b>-1,286,310</b>	<b>-1,289,903</b>	<b>-1,232,187</b>
<b>Net financial income and expenses total</b>	<b>347,323</b>	<b>-780,919</b>	<b>324,703</b>	<b>-755,059</b>
Other financial income and expenses include foreign exchange differences (net)	37,623	156,364	37,312	155,911
<b>7. Appropriations</b>				
Differences between tax depreciations and depreciation according to plan			-230,441	60,612
<b>Change of reserves total</b>			<b>-230,441</b>	<b>60,612</b>
<b>8. Direct taxes</b>				
Income taxes from business operations	-2,054,625	-241,099	-1,706,754	-157,888
Change in deferred tax liability	167,867	3,544		
<b>Total</b>	<b>-1,886,758</b>	<b>-237,555</b>	<b>-1,706,754</b>	<b>-157,888</b>

#### BALANCE SHEET, EUR

##### Fixed assets and other long-term investments

	Immaterial rights	Other long-term expenses	Total
<b>9. Intangible assets, Group</b>			
Acquisition cost 1 Jan. 2000	1,865,342	233,839	2,099,181
Increase	318,625		318,625
Acquisition cost 31 Dec. 2000	2,183,967	233,839	2,417,806
Accumulated depreciation 1 Jan. 2000	-1,422,739	-196,424	-1,619,163
Depreciation for the period	-144,806	-19,252	-164,059
Accumulated depreciation 31 Dec. 2000	-1,567,545	-215,677	-1,783,222
<b>Book value at 31 Dec. 2000</b>	<b>616,422</b>	<b>18,162</b>	<b>634,584</b>
Book value at 31 Dec. 1999	442,604	37,415	480,018
<b>Intangible assets, Parent Company</b>			
Acquisition cost 1 Jan. 2000	1,807,284	233,839	2,041,123
Increase	317,697		317,697
Acquisition cost 31 Dec. 2000	2,124,982	233,839	2,358,821
Accumulated depreciation 1 Jan. 2000	-1,398,476	-196,424	-1,594,901
Depreciation for the period	-139,066	-19,252	-158,318
Accumulated depreciation 31 Dec. 2000	-1,537,542	-215,677	-1,753,219
<b>Book value at 31 Dec. 2000</b>	<b>587,439</b>	<b>18,162</b>	<b>605,602</b>
Book value at 31 Dec. 1999	408,808	37,415	446,223

	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
<b>10. Tangible assets, Group</b>					
Acquisition cost 1 Jan. 2000	2,015,644	7,511,117	14,690,336	29,256	24,246,353
Increase	53,128		4,072,971		4,126,099
Decrease			-21,967		-21,967
Acquisition cost 31 Dec. 2000	2,068,772	7,511,117	18,741,340	29,256	28,350,485
Accumulated depreciation 1 Jan. 2000		-1,729,142	-10,732,229		-12,461,372
Depreciation for the period		-334,052	-2,899,309		-3,233,361
Accumulated depreciation 31 Dec. 2000		-2,063,194	-13,631,538		-15,694,733
<b>Book value at 31 Dec. 2000</b>	<b>2,068,772</b>	<b>5,447,923</b>	<b>5,109,802</b>	<b>29,256</b>	<b>12,655,752</b>
Book value at 31 Dec. 1999	2,015,645	5,776,972	3,958,107	29,256	11,779,979
<b>Tangible assets, Parent Company</b>					
Acquisition cost 1 Jan. 2000	1,653,524	6,045,274	9,717,144	29,256	17,445,198
Increase	11,696		2,381,950		2,393,646
Acquisition cost 31 Dec. 2000	1,665,220	6,045,274	12,099,094	29,256	19,838,844
Accumulated depreciation 1 Jan. 2000		-1,506,691	-7,536,436		-9,043,127
Depreciation for the period		-274,018	-1,572,974		-1,846,992
Accumulated depreciation 31 Dec. 2000		-1,780,709	-9,109,410		-10,890,119
<b>Book value at 31 Dec. 2000</b>	<b>1,665,220</b>	<b>4,264,566</b>	<b>2,989,684</b>	<b>29,256</b>	<b>8,948,726</b>
Book value at 31 Dec. 1999	1,653,524	4,538,584	2,180,707	29,256	8,402,071

11. Investments	Shares Group companies	Shares Others	Investments Others	Total
<b>Group</b>				
Acquisition cost 1 Jan. 2000		23,647		23,647
Transfer between items		-9,292		-9,292
Acquisition cost 31 Dec. 2000		14,355		14,355
<b>Book value at 31 Dec. 2000</b>		14,355		14,355
Book value at 31 Dec. 1999		23,647		23,647
<b>Investments, Parent Company</b>				
Acquisition cost 1 Jan. 2000	1,434,381	23,647		1,458,028
Transfer between items	-291,026	-9,292	299,426	-892
Acquisition cost 31 Dec. 2000	1,143,354	14,355	299,426	1,457,135
<b>Book value at 31 Dec. 2000</b>	1,143,354	14,355	299,426	1,457,135
Book value at 31 Dec. 1999	1,434,381	23,647		1,458,028

Group companies	Domicile	Group ownership, %	Parent Company ownership, %	Number	Parent Company's shares Nominal value/ share, EUR	book value, EUR
Tecnomen Ltd.	County Clare, Ireland	100	100	131,428	1.35	124,363
Tecnomen GmbH	Dreieich, Germany	100	100	200,000	0.50	91,535
Tecnologia de Mensajes Tecnomen SL	Madrid, Spain	100	100	500	6.05	30,577
Tecnomen System Solutions Oy	Espoo, Finland	66	66	3,115	16.81	91,475
Tecnomen Hong Kong Ltd	Wan Chai, HK	100	100	500,000	0.13	58,824
Tecnomen Sistemas de Telecomunicação Ltda.	Sao Paulo - SP CEP, Brazil	100	100	1,154,251	0.54	738,181
Tecnomen Japan Oy	Espoo, Finland	100	100	500	16.80	8,400
<b>Total</b>						<b>1,143,355</b>

In addition, Tecnomen corporation owns all shares in Tecnovation Oy, which has no operations.

	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
<b>12. Inventories</b>				
Materials and consumables	1,985,183	1,444,930	1,182,105	891,240
Unfinished products	88,716	140,803		
Finished products/goods	473,081	233,758	218,817	66,435
<b>Total</b>	<b>2,546,980</b>	<b>1,819,491</b>	<b>1,400,922</b>	<b>957,675</b>
<b>13. Long-term receivables</b>				
Receivables from others				
Accounts receivable	5,515,015	6,847,794	5,505,231	6,847,794
Other receivables	303,414		303,414	
<b>Long-term receivables total</b>	<b>5,818,429</b>	<b>6,847,794</b>	<b>5,808,645</b>	<b>6,847,794</b>
<b>14. Short-term receivables</b>				
Receivables from Kyro Group companies				
Accounts receivable		9,715	2,093,364	170,436
Loans receivable			2,761,235	798,180
Prepaid expenses and accrued income	27,809	1,964	28,653	3,006
<b>Total</b>	<b>27,809</b>	<b>11,679</b>	<b>4,883,251</b>	<b>971,622</b>
Receivables from others				
Accounts receivable	30,950,293	26,594,135	30,349,133	23,892,050
Loans receivable	117,447	182,717		
Other receivables	948,855	230,138	285,135	97,834
Prepaid expenses and accrued income	1,461,323	958,998	1,240,944	884,629
<b>Total</b>	<b>33,477,918</b>	<b>27,965,988</b>	<b>31,875,212</b>	<b>24,874,513</b>
<b>Short-term receivables total</b>	<b>33,505,728</b>	<b>27,977,667</b>	<b>36,758,464</b>	<b>25,846,135</b>
Prepaid expenses and accrued income				
Receivables related to sales	623,262	191,963	623,262	191,963
Other receivables	865,870	768,999	646,335	695,672
<b>Total</b>	<b>1,489,132</b>	<b>960,962</b>	<b>1,269,597</b>	<b>887,635</b>

	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
<b>15. Shareholders' equity</b>				
Share capital 1 Jan. 2000	1,668,244	1,650,462	1,668,244	1,650,462
Increase	334,816	17,782	334,816	17,782
<b>Share capital 31 Dec.</b>	<b>2,003,060</b>	<b>1,668,244</b>	<b>2,003,060</b>	<b>1,668,244</b>
Share premium fund 1 Jan.	1,387,784	1,405,567	1,308,211	1,325,994
Increase	65,475,646	-17,782	65,475,646	-17,782
<b>Reserve fund 31 Dec.</b>	<b>66,863,430</b>	<b>1,387,784</b>	<b>66,783,858</b>	<b>1,308,211</b>
Retained earnings	12,540,754	12,452,416	7,080,587	6,684,622
Conversion differences and other changes	122,015	-65,337		
Profit for the financial year	3,944,644	153,674	1,918,666	395,964
<b>Total</b>	<b>16,607,413</b>	<b>12,540,754</b>	<b>8,999,253</b>	<b>7,080,587</b>
<b>Shareholders' equity 31 Dec.</b>	<b>85,473,905</b>	<b>15,596,782</b>	<b>77,786,170</b>	<b>10,057,042</b>
Due to the share issue the share capital of Tecnomen Corporation was increased by EUR 318,768. New shares subscribed on option rights increased the share capital of the company by EUR 16,048. Nominal value of Tecnomen Corporation's share at 31 Dec. 2000 was EUR 0.04.				
Unrestricted equity				
Retained earnings	12,662,769	12,387,079	7,080,587	6,684,622
Profit for the financial year	3,944,644	153,674	1,918,666	395,964
Amounts transferred from accumulated depreciation differences and voluntary reserve fund to shareholders' equity	-1,116,987	-953,374		
Costs of share issue	-1,801,873		-1,801,873	
<b>Unrestricted equity</b>	<b>13,688,553</b>	<b>11,587,380</b>	<b>7,197,380</b>	<b>7,080,587</b>
<b>16. Accumulated appropriations</b>				
Accumulated depreciation difference 1 Jan. 2000			1,342,780	1,403,392
Increase (+), decrease (-)			230,441	-60,612
<b>Accumulated depreciation differences at 31 Dec.</b>			<b>1,573,221</b>	<b>1,342,780</b>
<b>17. Deferred tax liability</b>				
Deferred tax liability				
Deferred tax liability on appropriations at 1 Jan.	389,406	392,950		
Increase (+), decrease (-)	66,827	-3,544		
<b>Deferred tax liability at 31 Dec. 2000</b>	<b>456,234</b>	<b>389,406</b>		
Deferred tax receivables				
Deferred tax receivables at 1 Jan.				
Increase (+)	234,695			
<b>Deferred tax receivables at 31 Dec. 2000</b>	<b>234,695</b>			
<b>18. Provisions</b>				
Provisions at 1 Jan.				
Increase, write-downs of long-term investments			890,000	
<b>Provisions at 31 Dec. 2000</b>			<b>890,000</b>	
<b>19. Long-term liabilities</b>				
From the Kyro Group companies				
Other debt		19,341,612		19,341,612
From others				
Loans from financial institutions	654,828	654,828		
Pension loans	682,418	733,776	667,726	717,985
Other loans	54,829	62,187	9,250	16,609
<b>Total</b>	<b>1,392,076</b>	<b>1,450,791</b>	<b>676,976</b>	<b>734,593</b>
<b>Total</b>	<b>1,392,076</b>	<b>20,792,403</b>	<b>676,976</b>	<b>20,076,205</b>
Maturity of long-term liabilities				
Time of maturity				
1-2 years	188,156	141,002	55,991	50,259
2-3 years	183,301	145,146	43,469	46,741
3-4 years	188,730	150,341	40,426	43,469
4-5 years	180,088	19,483,093	37,596	19,382,038
over 5 years	651,799	872,822	499,493	553,698
<b>Total</b>	<b>1,392,076</b>	<b>20,792,403</b>	<b>676,976</b>	<b>20,076,205</b>

	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
Interest-free long-term liabilities				
Interest-free long-term liabilities	12,950,861	11,169,727	18,623,953	10,456,972
Deferred tax liabilities	456,234	389,406		
<b>Total</b>	<b>13,407,095</b>	<b>11,559,133</b>	<b>18,623,953</b>	<b>10,456,972</b>
<b>20. Short-term liabilities</b>				
From the Kyro Group companies				
Accounts payable		6,637	7,243,109	1,063,726
Other liabilities		2,859,195		2,859,195
Accrued liabilities and deferred income		23,338		167,519
<b>Total</b>		<b>2,889,170</b>	<b>7,243,109</b>	<b>4,090,441</b>
Short-term liabilities to others				
Loans from financial institutions		67,434		
Pension loans	51,364	55,230	50,259	54,042
Advances received	1,052,242	544,164	1,052,242	489,988
Accounts payable	2,727,663	2,510,088	1,717,898	1,257,997
Other liabilities	471,777	780,244	413,200	551,416
Accrued liabilities and deferred income	8,699,179	7,333,296	8,188,254	6,951,338
<b>Total</b>	<b>13,002,226</b>	<b>11,290,457</b>	<b>11,421,852</b>	<b>9,304,781</b>
<b>Short-term liabilities total</b>	<b>13,002,226</b>	<b>14,179,627</b>	<b>18,664,961</b>	<b>13,395,221</b>
Accrued liabilities and deferred income				
Wages and salaries and other employee payments	4,774,030	3,073,626	4,774,030	3,073,626
Interest		39,173		39,173
Agent commissions	1,037,782	849,768	1,037,782	849,768
Project reservations	1,978,279	2,128,204	1,978,279	2,128,204
Other	909,088	1,265,862	398,162	1,028,085
<b>Total</b>	<b>8,699,179</b>	<b>7,356,634</b>	<b>8,188,254</b>	<b>7,118,857</b>
<b>21. Contingent liabilities</b>				
Securities on behalf of Group companies and on own behalf				
Mortgage on company assets	235,463	235,463	235,463	235,463
For Group companies' loans on property as security			322,985	322,985
	<b>235,463</b>	<b>235,463</b>	<b>558,448</b>	<b>558,448</b>
Debts with mortgages on property as security				
Debts to financial institutions				
Real estate mortgage	722,262	722,262		
	<b>722,262</b>	<b>722,262</b>		
Contingent liabilities and liabilities not included in the Balance Sheet				
Leasing liabilities	1,110,353	564,270	462,209	260,352
With due date in the current financial year	385,710	339,774	182,442	111,360
With a later due date	724,643	224,496	279,767	148,992
Pledges				
On own behalf	3,499,416	3,658,616	3,705,143	3,658,616
Other liabilities	86,811	585,635	74,598	575,330
	<b>4,696,580</b>	<b>4,808,521</b>	<b>4,241,950</b>	<b>4,494,298</b>
<b>22. Values of underlying instruments of derivative contracts, EUR million</b>				
Currency forward contracts/Market value	20,4	8,5	20,4	8,5
Value of underlying instruments	21,6	8,0	21,6	8,0

#### Management of financial risks

The Group's financial risks comprise currency, credit, interest and liquidity risks. The Group's principle is to hedge itself against the possible negative impact of such risks on profit and balance sheet items. Risk management relating to currencies and counterparties in connection with normal business transactions is a part of the Group's operational activities. The Group's financial activities are centralised in the Parent Company. However, until 31 March 2001, the investment of funds is the responsibility of the Tecnomen Group's parent company, Kyro Corporation.

The Group has not hedged the shareholders' equity of its subsidiaries outside Finland.

The Group has no foreign currency denominated loans in Finland. Currency positions consist of receivables and liabilities by currency, as well as off balance sheet purchasing and sales commitments. The net positions are primarily hedged by means of forward contracts. Currency derivative contracts are generally for a maximum of one year. The currency risk has mainly been caused by changes in the rates of euro and US dollar.

Liquid funds are invested prudently to ensure that the Group retains the capability to make investments and acquisitions. Funds are invested in money market deposits.

# Key Financial Indicators

	2000	1999	1998	1997	1996
<b>Income Statement</b>					
Net sales, EUR million	66.4	50.7	40.3	39.5	40.4
change, %	30.8	25.8	2.2	-2.4	12.8
Operating profit, EUR million	5.5	1.2	-4.5	-4.7	3.3
% of net sales	8.2	2.4	-11.1	-11.8	8.2
Profit before extraordinary items, EUR million	5.8	0.4	-5.6	-5.4	3.1
% net sales	8.8	0.8	-14.0	-13.5	7.7
Profit before minority and taxes, EUR million	5.8	0.4	0.0	0.0	2.0
% of net sales	8.8	0.8	-0.1	-0.1	4.8
<b>Balance Sheet</b>					
Fixed assets, EUR million	13.3	12.3	12.3	12.1	11.6
Current assets					
Inventories, EUR million	2.5	1.8	2.2	2.7	1.9
Receivables, EUR million	84.6	37.0	34.9	26.5	17.2
Shareholders' equity, EUR million	85.5	15.6	15.5	15.6	15.8
Minority interest, EUR million	0.1	0.1	0.1	0.1	0.1
Liabilities					
Long-term liabilities, EUR million	1.8	21.2	2.0	2.7	3.2
Short-term liabilities, EUR million	13.0	14.2	31.9	22.8	11.5
Balance sheet total, EUR million	100.4	51.1	49.4	41.3	30.6
Return on equity (ROE), %	7.8	1.1	-35.6	-34.4	19.3
Return on investment (ROI), %	10.4	3.6	-13.0	-19.6	18.1
Equity ratio, %	86.1	31.1	31.8	38.8	52.7
Debt/Equity (gearing) ratio, %	-51.3	136.8	138.3	72.1	13.9
Investments, EUR million	4.5	2.7	2.8	2.9	3.4
% of net sales	6.7	5.3	7.0	7.4	8.5
Research and development, EUR million	15.2	10.7	8.3	7.9	8.1
% of net sales	22.9	21.0	20.7	20.0	20.0
Order book, EUR million	10.7	11.4	3.0	7.2	5.7
Personnel, average	484	423	399	353	265
Personnel, at the end of year	517	421	410	381	299
<b>Key ratios per share</b>					
Earnings per share, EUR	0.09	0.00	-0.13	-0.13	0.07
Earnings per share (diluted), EUR	0.08	-	-	-	-
Equity per share, EUR	1.71	0.37	0.37	0.38	0.38
Adjusted number of shares at the end of year, 1,000 shares	50,077	41,706	41,706	41,706	41,706
Adjusted number of shares during the period (diluted), 1,000 shares	47,721	-	-	-	-
Adjusted number of shares during the period, 1,000 shares	45,827	41,706	41,706	41,706	41,706
Share price trend, EUR					
Average price	8.15	-	-	-	-
Lowest price	4.30	-	-	-	-
Highest price	10.89	-	-	-	-
Share price at the end of year, EUR million	4.70	-	-	-	-
Market value of share capital at the end of year, EUR million	235.4	-	-	-	-
Share turnover, millions of shares	12.4	-	-	-	-
Share turnover, % of total number	24.7	-	-	-	-
Share turnover, EUR million	100.7	-	-	-	-
Dividend per share, EUR	0.025*	-	-	-	-
Dividend/Result, %	29.04	-	-	-	-
Effective dividend yield, %	0.53	-	-	-	-
P/E ratio	54.6	-	-	-	-

\* Board of Directors' proposal

# Calculation of Key Indicators

Return on equity (ROE), % =	$\frac{\text{Profit or loss before extraordinary items and tax} - \text{taxes for the financial year}}{\text{Shareholders' equity} + \text{minority interest (average)}} \times 100$
Return on investments (ROI), % =	$\frac{\text{Profit before extraordinary items and tax} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average)}} \times 100$
Equity ratio, % =	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share (EPS) =	$\frac{\text{Profit before extraordinary items and taxes} - \text{taxes for the financial year} \pm \text{minority interest}}{\text{Adjusted average number of shares during the financial year}}$
Dividend per share =	$\frac{\text{Dividends distributed for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$
Dividend/Result, % =	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Equity/Share =	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$
Debt/Equity ratio, % (gearing) =	$\frac{\text{Net interest-bearing liabilities} - \text{cash and other liquid financial assets}}{\text{Shareholders' equity} - \text{consolidated loans}} \times 100$
Market capitalisation =	Number of shares at the end of financial year x last trading price of financial year
P/E ratio, % =	$\frac{\text{Adjusted share price at the end of financial year}}{\text{Earnings per share (EPS)}}$
Effective dividend yield, % =	$\frac{\text{Dividend per share}}{\text{Last trading price of financial year}}$

In 1997–1998, the company received Group contributions from companies belonging to the Kyro Group. In 1996, the company made a Group contribution to Kyro. The effect of Group contributions on key indicators is taken into account in the same way as in the income statement and balance sheet of the relevant financial year.

# Shares and Shareholders

## Share capital

Tecnomen's minimum capital is EUR 1.6 million and maximum capital EUR 6.4 million; the share capital can be increased or decreased within these limits without the need to amend the Articles of Association. At the end of 2000 the company's share capital was EUR 2,003,060 million, divided into 50,076,500 shares with a face value of EUR 0.04. In connection with the listing issue the company's share capital was increased by EUR 318,768. New shares subscribed on the basis of option rights increased the company's share capital by EUR 16,048.00 during 2000. By the end of 2000 the number of shares diluted by exercised share options amounted to 53,456,950.

## Combined issue and sale of shares

At their respective meetings held on 9 June 2000, Kyro's and Tecnomen's Boards of Directors decided to initiate a combined issue and sale of shares and to apply for the company's shares to be listed on the Main List of the Helsinki Exchanges. The purpose of this issue and sale of shares was to expand Tecnomen's ownership basis and to strengthen the Group's financing structure. Moreover, the listing of the company's shares created further opportunities to develop incentive and commitment systems for the personnel.

A total of 12,969,200 shares were subscribed and sold during the combined issue and sale of shares. Tecnomen released a total of 7,969,200 shares and the Kyro Corporation sold a total of 5,000,000 shares. The subscription price per share for the public and institutional issues was EUR 8.50, which was also the maximum price in the offer. The subscription price for the personnel issue was EUR 7.65. Tecnomen's institutional issue was oversubscribed more than tenfold. The personnel and public issues were also oversubscribed.

## Quotation of the shares

Tecnomen's shares are quoted on the Helsinki Exchanges. The company's trading code is TCN1V and its shares are quoted in euros. Quoting of the shares started on the Pre-List on 30 June 2000 and on the Main List on 4 July 2000.

## Shareholders

All of Tecnomen's shares, a total of 50,076,500, have been entered into the book-entry securities register, and on 31 December 2000 Tecnomen had a total of 3,455 shareholders recorded in the book-entry securities system. Of these 3,439 were direct ownerships and 6 ownerships through nominee registrations. Tecnomen's parent company, Kyro Corporation, owned 73.3% of the company's shares on 31 December 2000 (Demerger of the Kyro Group see page 34). The ten largest shareholders owned a total of around 91% of the shares and voting rights. On 31 December 2000, a total of around 13.1% of Tecnomen's shares were in foreign hands, of these 0.37% were direct ownerships and 12.7% ownerships through nominee registrations. Details of Tecnomen's major shareholders are shown in the table below. The shareholder information is maintained by Finnish Central Securities Depository Ltd.

## Management shareholding

The total number of Tecnomen shares owned by members of Tecnomen's Board of Directors and President and CEO on 31 December 2000 amounted to 255,550 shares. These shares represent 0.51% of the company's share capital.

## Trading in and performance of the shares

In 2000, a total of 12,356,411 Tecnomen shares, i.e. 24.7% of the total number of shares, were traded on the Helsinki Exchanges. The highest share price quoted during the year was EUR 10.89 (5 September 2000) and the lowest EUR 4.30 (29 December 2000). The mean price was EUR 8.15. On 31 December 2000 the closing price of Tecnomen shares was EUR 4.7. The market value of the share capital at the close of the financial year was EUR 235,359,550. The performance of and trading in the shares are shown in the graph on page 34.

### Increases in share capital

	Subscription	New shares, number	Increase in share capital, EUR	New share capital, EUR
Institut. issue	22 June	6,000,000	240,000	1,908,244
Public issue	22 June	877,950	35,118	1,943,362
Personnel issue	22 June	422,050	16,882	1,960,244
Supplem. shares	27 July	669,200	26,768	1,987,012
Shared subscribed with option rights, total				
1997 A option		215,900	8,636	1,995,648
1998 A option		185,300	7,412	2,003,060

### Largest shareholders on 31 Dec. 2000

	No. of shares	% of shares and votes
Kyro Corporation	36,706,100	73.30
Merita Pankki Plc*	4,993,460	9.97
Svenska Handelsbanken Ab*	1,058,600	2.11
Varma-Sampo Mutual Pension	899,000	1.80
Evli Nordic Small Co Mutual Fund	438,000	0.87
Fim Forte Mutual Fund	342,200	0.68
Alfred Berg Small Cap Mutual Fund	325,600	0.65
Sampo-Leonia Plc	297,800	0.59
Evli Finland Small Tech Mutual Fund	275,900	0.55
Fim Tekno Mutual Fund	230,300	0.46
Total	45,566,960	90.98

\* Nominee registrations

During 2000 the HEX General Share Index fell by 15% (13,033.74 on 31 December 2000) and the portfolio index fell by 28%. This fluctuating development has continued during the first months of 2001. On 8 March 2001 the price of Tecnomen shares stood at EUR 3.65 and the market value of the share capital was EUR 182,779,225.

### Dividend for the year 2000

Tecnomen's Board of Directors is proposing to the Annual General Meeting that the company distribute a dividend of EUR 0.025 per share in respect of the listing year.

### Taxable value of the shares in Finland

The taxable value of Tecnomen shares in Finland for the fiscal year 2000 has been confirmed as EUR 3.57 per share.

### Authorisations

Tecnomen's Board of Directors has the authority, conveyed by the Extraordinary Shareholders' General Meeting held on 18 May 2000, to decide on increases in the share capital through issues of new shares, on the allocation of option rights or on taking convertible debenture loans in either one or several instalments. The authority is valid for one year. The authority also conveys the right to make exceptions to shareholders' prerogative to subscribe new shares, option rights or convertible debenture loans as well as the right to make decisions on subscription prices, on persons entitled to subscribe, on the conditions of subscriptions and on the conditions of option rights and convertible debenture loans.

At the shareholders' meeting held on 18 May 2000 the Board of Directors was authorised to grant subscription rights to a maximum of 8,341,220 shares with a face value of EUR 0.04. On the basis of this authorisation the share capital can be increased by a maximum of EUR 333,648.80.

In the year 2000 the Board of Directors made use of this authorisation as follows:

- In the combined issue and sale of shares a total of 669,200 supplementary shares were used in order to cover the institutional issue and sale.
- At its meeting held on 9 June 2000 the Board of Directors took the decision on the granting of option rights that give entitlement to the key personnel of the Tecnomen Group and to Tecnomen's wholly owned subsidiary to subscribe 2,082,500 shares.

The portion of the subscription rights, as provided by the said authorisation, that still remained unused at 31 December 2000 represented 5,589,520 shares. Of the authority to increase the share capital, a portion of EUR 223,580.80 yet remains to be used.

The Shareholders' Meeting of Tecnomen Corporation has not granted to the Board of Directors any authorisation to purchase or transfer the company's own shares.

### Option rights

Tecnomen's Annual General Meetings have decided in successive years 1997, 1998 and 1999 as well as 2000 to grant option rights to people in Tecnomen's and the Kyrö Corporation's management groups as well as to a company that belongs to the Kyrö Corporation, which will then be able to grant options to the Group's key personnel at a later date. On the basis of the shares subscribed on the strength of the option rights granted, Tecnomen's share capital was increased between 2 May 2000 and 31 December 2000 by a total of EUR 16,048.00, which corresponds to 401,200 shares. On the basis of the option rights that remain unused, Tecnomen's share capital can still be increased by a maximum of EUR 147,152.00, which corresponds to 3,678,800 shares and to around 7.4% of the total share capital.

#### Largest shareholders, by number of shares held

No. of shares	Holders	% share	Number of shares	% of share capital
1-500	2,759	80.09	549,865	1.10
501-1,000	335	9.72	273,585	0.55
1,001-5,000	259	7.52	558,185	1.11
5,001-10,000	37	1.07	286,200	0.57
10,001-50,000	24	0.70	597,900	1.19
50,001-100,000	14	0.41	1,015,005	2.03
100,001-500,000	13	0.38	3,138,600	6.27
500,001-	4	0.12	43,657,160	87.18
Total	3,445	100.00	50,076,500	100.00
Of which nominee registered	6		6,361,460	12.70

#### Distribution of shareholding, by sector

Type	No. of shares	% of shares and votes
Private companies	37,790,078	75.46
Finance houses and insurance cos.	2,532,920	5.06
Public sector	998,450	1.99
Non-profit making associations	569,850	1.14
Households and private persons	1,640,037	3.28
Foreign holders	6,545,165	13.07
Total	50,076,500	100.00

The numbers of shares that remain to be subscribed on the basis of unused option rights, and the respective subscription periods and subscription prices, are: 506,600 shares over the period 2 May 2000 - 30 June 2004 and 722,500 shares over the period 2 May 2002 - 30 June 2004 at the price of around EUR 0.64 per share; 175,950 shares over the period 2 May 2000 - 30 June 2004 and 361,250 shares over the period 2 May 2002 - 30 June 2004 at the price of around EUR 0.51 per share; and 956,250 shares over the period 2 May 2000 - 30 June 2004 and 956,250 shares over the period 2 May 2003 - 30 June 2004 at the price of around EUR 0.37 per share. Should Tecnomen decide to pay out a dividend, the subscription prices per share will be reduced by the amount of dividend paid. All shares subscribed during the fiscal year give entitlement to a full dividend in respect of the year 2000.

The Board of Director's and the President and CEO's combined holding of outstanding share options from the years 1997 to 1999 amounted to 24.4% at 31 December 2000.

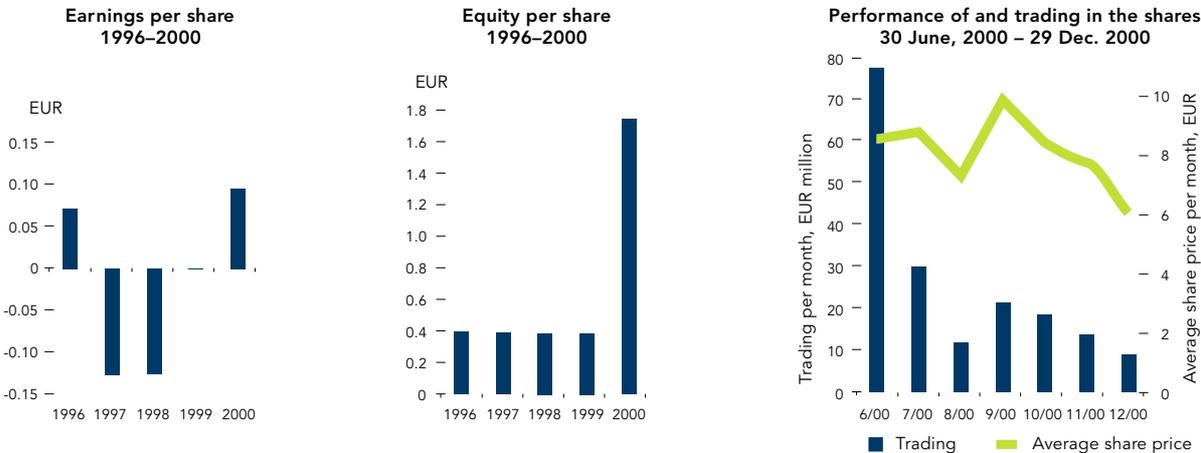
Moreover, Tecnomen's Board of Directors has at its meeting held on 9 June 2000 in accordance with the authorisation granted by the Extraordinary General Meeting held on 18 May 2000, decided to grant option rights giving entitlement to subscribe 2,082,500 shares, to the Tecnomen Group's key personnel and to Tecnomen's wholly owned subsidiary, which then, at a later date, will be able to pass these on to people employed by the Group. The subscription period for 833,000 shares with option right A is 1 October 2002 - 31 May 2005 and for 1,249,500 shares with option right B it is 2 May 2004 - 31 May 2005, the subscription price being EUR 8.5 per share. Should Tecnomen decide to pay out a dividend, the subscription prices per share will be reduced by the amount of dividend paid. No further option rights have been granted during the financial year under review.

**Demerger of the parent company Kyro Corporation**

On 9 June 2000 the Kyro Corporation's and Tecnomen's Boards of Directors took the decision to start preparations for the demerger of Kyro in order to form two new companies, their proposed names being Tecnomen Holding Corporation and Kyro Corporation, and to start making initial plans for the merger of Tecnomen and the Tecnomen Holding Corporation, to be implemented later in the autumn 2001.

The Extraordinary General Meeting of Kyro Corporation held on 22 November 2000 approved the Board of Directors' proposal for the demerger of the company to form two new companies. Kyro's assets and liabilities will be divided between the companies that are to be set up in such a way that the Tecnomen shares held by the demerging Kyro Corporation plus a corresponding amount of shareholders' equity will be transferred to the Tecnomen Holding Corporation. The shares in Tamglass Ltd and Kyro Power Ltd owned by the demerging company as well as the rest of the company's assets and liabilities and the remainder of the shareholders' equity will be transferred to the new Kyro Corporation to be set up after the demerger.

The demerger of the Kyro Corporation in order to form two separate Groups will increase transparency and enable investors to invest directly in the particular business activities whose characteristics, growth prospects and profit expectations match their personal interests. As the Kyro Corporation demerges, one existing Kyro share entitles the holder to one share in the new Kyro Corporation and to one share in the new Tecnomen Holding Corporation. The operating policy of the Tecnomen Holding Corporation is primarily to own shares in Tecnomen. It has been planned that Tecnomen will merge with Tecnomen Holding after the demerger of Kyro, and this is expected to take place in autumn 2001. Following the merger, Tecnomen Holding will carry on Tecnomen's business activities.



# Proposal by the Board of Directors

The Group's distributable funds, as per the balance sheet dated 31 December 2000, total EUR 13,688,553. The parent company's distributable assets were EUR 7,197,380, including EUR 1,918,666 in profit for the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.025 per share be distributed, representing a total of EUR 1,251,913. The Board of Directors further proposes that the rest of the profit for the financial year, equalling EUR 666,753, be transferred to retained earnings.

Tecnomen Corporation  
Espoo 7 February 2001

Pentti Yliheljo

Esko Rantala

Vesa Helkkula

## Auditors' Report

### To the Shareholders of Tecnomen Corporation

We have audited the accounting, the financial statements and the administration of Tecnomen Corporation for the year ended 31 December 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the Board of Directors and the President and CEO have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Companies Act.

Espoo, 7 February 2001

KPMG Wideri Oy Ab  
Sixten Nyman  
Authorised Public Accountant

# Corporate Governance

## Principles

Tecnomen Corporation is administered in conformity with the Finnish Companies Act, securities market legislation, as well as other relevant official rules and regulations governing the administration of public limited companies, and the principles recorded herein are only supplementary to legal provisions.

## Shareholders' Meeting

The ultimate responsibility for the Group's administration and operations lies with Tecnomen Corporation's governing bodies, namely the Shareholders' Meeting, the Board of Directors and the President and Chief Executive Officer. Ultimate authority within Tecnomen Corporation is exercised by shareholders in the Shareholders' Meeting, which convenes at least once a year. The Annual General Meeting of Shareholders decides on the number of Board members and elects them. The term of office of the Board of Directors so elected expires at the end of the following Annual General Meeting. In addition to electing the Board of Directors, the Shareholders' Meeting also has the authority under the Companies Act to amend the Articles of Association, decide on the size of the dividend and elect the auditors.

The Annual General Meeting of Shareholders is held each year by the end of May on the date determined by the Board of Directors. The Shareholders' Meeting is held in the company's domicile, Espoo, or in Helsinki if the Board of Directors so decides. Each year, shareholders entered by the record date of the Annual General Meeting as company shareholders in the Tecnomen Corporation share register, maintained by Finnish Central Securities Depository Ltd, are entitled to attend the meeting. In 2001 the record date is ten days before the Shareholders' Meeting. The invitation to attend the meeting is published in one Finnish-language and one Swedish-language newspaper, as determined by the Board of Directors, no later than 17 days before the Shareholders' Meeting.

## Board of Directors

Tecnomen Corporation has a Board of Directors consisting of at least three and no more than seven members. The Board of Directors is elected each year at the Annual General Meeting and its term of office expires at the end of the next Annual General Meeting. No person who is 67 years of age or older may be elected on to the Board.

The tasks and responsibilities of Tecnomen Corporation's Board of Directors are determined on the basis of the Finnish Companies Act and other applicable legislation. The Board of Directors has supreme authority in all corporate affairs not designated by law or under the Articles of Association for decision or execution by other governing bodies. The Board of Directors is responsible for Tecnomen Corporation's strategic policy and for the appropriate organisation of business operations and corporate administration. The Board's actions in all situations shall be in the best interests of the company.

The Board of Directors elects from among its members a Chairman for a term of one year at a time. A meeting of the Board of Directors constitutes a quorum if more than half of its members are present at the meeting. Matters are decided by a simple majority of votes. In the event of a tie, the casting vote of the Chairman shall be decisive.

In 2000 the company's Board of Directors consisted of four members: Pentti Ylihjeljo, Esko Rantala, Erkki Hautaniemi (until 31 August 2000) and Tecnomen Corporation's President and CEO Vesa Helkkula. The Chairman of the Board of Directors was Pentti Ylihjeljo. Erkki Hautaniemi, who retired from his duties as Chief Financial Officer of the Kyro Group, resigned from the Board of Directors of Tecnomen Corporation on 31 August 2000.

Tecnomen's Board of Directors met 17 times during 2000.

## Board of Directors 2000

**Pentti Ylihjeljo**, b. 1945, M.Sc. (Eng.). Chairman of Tecnomen's Board of Directors since 1996. President and CEO of Kyro Corporation.

**Esko Rantala**, b. 1961, M.Sc. (Eng.) and MBA. Member of Tecnomen's Board of Directors since 1998. Senior Vice President, Corporate Planning of Kyro Corporation.

**Vesa Helkkula**, b. 1959, M.Sc. (Eng.) and MBA. Member of the Board of Directors and President and CEO of Tecnomen since 1999.

### **President and Chief Executive Officer**

Tecnomen has a President and CEO, who is selected by the Board of Directors. The post has been held since 1999 by Vesa Helkkula. The President and CEO's tasks are defined in the Finnish Companies Act and no special duties have been agreed for the President and CEO in addition to those laid down in law. The President and CEO manages the company's operations and is responsible for the day-to-day administration of the company in line with instructions given by the Board of Directors. In accordance with the Companies Act, the President and CEO is also responsible for ensuring that the accounting of the company is in compliance with the law and that the assets of the company are reliably managed.

### **Shareholdings of the Board of Directors and Management**

The total number of shares owned by the members of the Board of Directors and the President and CEO was 255,550 at 31 December 2000, representing 0.51% of the share capital.

### **Management Board**

Tecnomen has a Management Board consisting of eight members. In addition to the President and CEO, who also acts as Chairman, the Management Board consists of members who are each responsible for business-critical Tecnomen units and for their operational management and development. The Management Board's principle task is to assist the President and CEO and to supervise and develop the company's operations according to set objectives. In addition, the Management Board is responsible for distributing information and preparing investment decisions for consideration by the Board of Directors. The members of the Management Board are presented on page 38.

### **Group relationships and administration**

Tecnomen Corporation's parent company is Kyro Corporation until 31 March 2001. At the beginning of 2000 Kyro Corporation owned 100% of Tecnomen shares. In connection with the market listing of Tecnomen in June 2000, Kyro's holding fell to 73.3% (see page 32, "Combined share offering and sale"). The Group relationship will change on 1 April 2001 to be between Tecnomen Holding Corporation and Tecnomen Corporation, as Kyro Corporation demerges into the new Kyro Corporation and Tecnomen Holding Corporation (see page 34, "Demerger of parent company Kyro").

An Extraordinary General Meeting of Kyro Corporation on 22 November 2000 elected members of the Board of Directors and auditors of Tecnomen Holding Corporation. The following were unanimously elected members of the Board of Directors of Tecnomen Holding Corporation: Keijo Olkkola, Lauri Ratia, Timo Toivila, Hannu Turunen, Lars Hammarén, Carl-Johan Numelin and Christer Sumelius. KPMG Wideri Oy Ab was unanimously elected as the auditor.



Pictured from left to right: Pentti Yliheljo, Esko Rantala and Vesa Helkkula.

# Organisational Structure

President and CEO	Vesa Helkkula*
Global sales and customer operations	Jukka Hurri*
Product management and product marketing	Kai Kauto*
Product development and technology	Timo Ruoho*
Intelligent networks and paging systems	Timo Kangas
Manufacturing and logistics	Paul Fitzgerald*
Personnel and administration	Froste Ahlfors*
Finance and control	Riitta Järnstedt*
Marketing	Sari Aapola*
Legal affairs	Kristiina Hoppu
Business development	Tomi Saario

\* Member of the Management Board (March 2001)

## Regional Business Units

<b>Europe</b>	Jarmo Toivanen
Tecnomen Finland	Ari Paganus
Scandinavia, the Benelux countries, Eastern Europe	
Tecnomen Germany	Kai Honetschläger
German-speaking Europe	
Tecnomen Spain	José Ruiz
Southern Europe	
Tecnomen Ireland	Paul Fitzgerald
Ireland, the UK	
<b>Asia Pacific</b>	Jarmo Häärä
Tecnomen Malaysia	Christian Rönnblad
Southeast Asia	
Tecnomen Thailand	Jarmo Häärä
Thailand, Cambodia, Laos, Vietnam, the Philippines	
Tecnomen Beijing	Kai Kunnasmaa
Continental China	
Tecnomen Hong Kong Ltd.	Albert Wong
Hong Kong, Korea	
Tecnomen Taiwan	Pekka Tunttunen
Taiwan, Japan	
<b>Middle East, Africa</b>	
Tecnomen Middle East	Matti Kakko
Near and Middle East, Africa, India, Pakistan	
<b>Latin America</b>	
Tecnomen Brasil	Kimmo Aura
Latin America	
<b>Data Collection Systems</b>	
Tecnomen System Solutions Oy	Matti Loukunen

# List of Investment Analysts

The following banks and brokers are among those providing analyses of Tecnomen as an investment:

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# Key Concepts and Terminology

## **3G**

Third generation digital broadband mobile communications system. Third generation systems include, among others, the European UMTS and the American CDMA-2000 systems, which will enable faster data transfer and the handling of larger amounts of data on the terminal devices of the future.

## **Data transfer**

The digital transfer of text, images and sound over wireless and fixed telecommunication networks.

## **E-mail server**

Server that controls e-mail messages and manages e-mail boxes, and which enables e-mail services to be offered on the Internet.

## **GPRS**

(General Packet Radio Service) Packet-switched data transmission technology based on Internet technology and enabling a continuous IP connection from a telephone to a network. For each user several time slots and different channel codings can be used to speed data transmission.

## **Intelligent network systems and products**

Intelligent Network (IN) is a telecom network architecture based on intelligent network concepts and standards. The centralised use of databases, for example, facilitates the implementation of new services and features. Standardised interfaces between network elements secure independence from providers.

## **Intelligent peripheral**

Part of an intelligent network system that allows the recording of speech, the sending of messages, and the collection of characters pressed on a telephone keyboard.

## **IP**

(Internet Protocol) Packet-switched method of addressing and data transmission by which data can be directed from one place to another on the Internet. IP specifies numerical addresses for devices connected to the Internet.

## **Messaging systems**

Products providing the telecommunications services required to store and exchange messages. Messaging products enable the sending of messages between different telecommunications networks.

## **Multimedia messaging**

Standard-based service concept to be used on future digital broadband mobile communication systems. Multimedia messaging will enable the sending and reception of multimedia material, e.g. electronic postcards and sound/video attachments.

## **Operation and maintenance centre**

Telecommunications system control unit by which a system's operation and state can be monitored. Enables, for example, system configuration, management of services and statistics, and alarm processing.

## **Paging system**

A one-way telecommunications service used to locate a person. Tecnomen's product range includes high capacity paging systems providing wide coverage.

## **Portal**

A service that, in addition to its own functions, also offers access to numerous other services.

**Prepaid system**

A service technology enabling subscribers to pay in advance for calling time.

**Service operator**

Company providing telecom services to users. Service operators who do not maintain their own network can buy the network services they need from network operators.

**Service platform**

Platform for providing services which consists of the operating system as well as the system infrastructure.

**Service provider**

A company that produces services of varying content for the Internet and mobile phones. Such companies do not maintain a telecom network themselves; they purchase the network services they need from network operators.

**Short message transmission system**

A system that stores a short message (text message) and transmits it to the recipient. The system is used to transmit various applications by short message (e.g. ring tones, logos and icons).

**(Tele) operator**

An organisation that maintains a telecommunication network and provides telecommunication services. Operators can provide services both to service providers and directly to users.

**Text to speech conversion**

A service with which the text of an e-mail message, for example, can be converted into synthetic speech.

**UMTS**

(Universal Mobile Telecommunications System) Third generation worldwide mobile communications system based on the specifications of the IMT-2000 system of the international standardisation organisation ITU (International Telecommunication Union).

**Unified messaging**

(UM) A system of common "post-boxes" designed to collect a variety of messages, such as voice, fax, and e-mail, in a single location and in a user-defined format.

**WAP**

WAP is a network-independent set of communication protocols developed by the Wireless Application Protocol Forum. WAP enables the use of Internet-type services on wireless devices, such as WAP phones.

**Wireless Internet solution**

Enables Internet services to be used on mobile phones.

**VoIP**

Voice over Internet Protocol enables the delivery of voice and other telephone services using an IP network instead of traditional telecom networks. The goal is to achieve lower transmission costs, new service options and the integration of networks.

# Worldwide Offices and Addresses

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Tecnomen Vaasa, Finland  
Tecnomen Germany  
Tecnomen Spain  
Tecnomen Ireland

### ● **Asia Pacific**

Tecnomen Malaysia  
Tecnomen Thailand  
Tecnomen Beijing  
Tecnomen Hong Kong  
Tecnomen Taiwan

### ● **Middle East, Africa**

Tecnomen Middle East

### ● **Latin America**

Tecnomen Brasil



## Introduction

The following text discusses the importance of understanding the geographical context of the data presented in the subsequent sections. It highlights the need for a comprehensive analysis of the spatial distribution of the data points, taking into account the underlying geographical features and the potential impact of these features on the observed patterns.

## Methodology

The methodology employed in this study involves a combination of spatial analysis techniques and statistical modeling. The primary goal is to identify the underlying spatial structure of the data and to quantify the degree of spatial autocorrelation. This is achieved through the use of various statistical tests and the construction of spatial models that account for the geographical relationships between the data points.

## Results

The results of the analysis indicate a strong spatial autocorrelation in the data, suggesting that the observed patterns are not random but are influenced by the geographical context. The spatial models developed in this study provide a detailed description of the underlying spatial structure, allowing for a more accurate interpretation of the data and the identification of key geographical factors that influence the observed patterns.

## Conclusion

In conclusion, this study has demonstrated the importance of considering the geographical context in the analysis of spatial data. The results show that the underlying spatial structure of the data is highly influential in determining the observed patterns, and that a comprehensive understanding of this structure is essential for a meaningful interpretation of the data. The methodology developed in this study provides a robust framework for the analysis of spatial data and can be applied to a wide range of geographical contexts.

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## Appendix

The following table provides a detailed description of the data points used in the analysis, including their geographical coordinates and the corresponding values of the variables being studied. This information is essential for the reproduction of the results and for the interpretation of the spatial patterns.

The data points are distributed across the geographical area shown in the globe, with a higher density of points in the central and southern regions. The values of the variables range from 0 to 100, with a mean value of approximately 50. The spatial distribution of the data points is highly irregular, reflecting the complex geographical context of the study area.



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