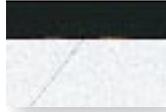




Annual Report

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KT-TIETOKESKUS

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Business idea of KT-Datacenter

KT-Datacenter offers services to companies, municipalities and government organisations.

KT-Datacenter's objective is to increase the productivity and profitability of its clients by offering them high-quality information technology solutions.

The company, the market, *the year*

The company is KT-Datacenter, an information technology service company with customers in the corporate sector and in public administration.



We consistently focus on the customer's needs. Our strength lies in the range of services geared to these needs: software products, operating services, implementation services, operational support services as well as output services, consultation and training.

If needed, our comprehensive service also includes hardware, supplied by our subsidiary Novosys Ltd.

The market is in turmoil. The information technology market in Finland was hit by the recession in the early 90s much more severely than in most other European countries. As a result, Finland was left behind in information technology utilisation. In 1994, the market turned slightly upwards, but it was not until 1995 that the level of 1990 was exceeded.

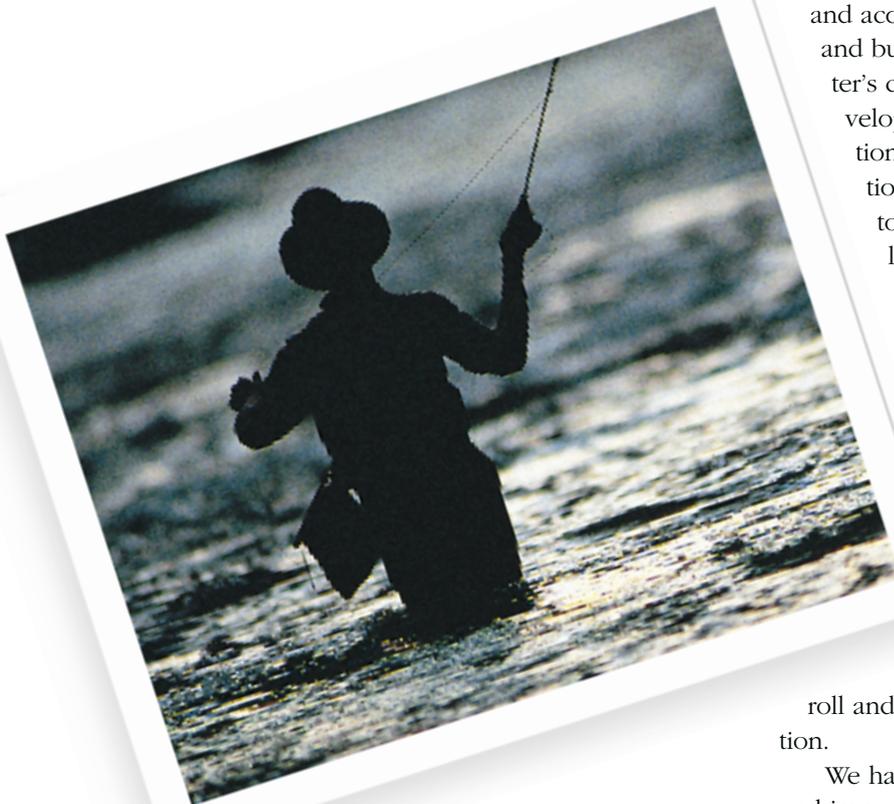
The market is predominated by hardware. Hardware is estimated to have accounted for almost half of the total market in 1995.

Hardware sales are extremely sensitive to economic fluctuation and may swing violently along with changes in the economy. It is estimated that the growth of hardware sales will stop this year.

Demand accumulated during the recession is now breaking out in the market. Systems investments will probably continue to be high for some years to come. Homes have become an important market segment. The increasing importance of the home segment and the predominance of hardware sales make the market even more sensitive to economic fluctuation and forecasts even more difficult.

The year 1995 was a successful one for us, as you will find if you take a closer look at the following pages.

The Managing Director's *report*



In 1995, the information technology business enjoyed positive development. Demand for services increased more than in the year before. The demand was divided over the segments fairly evenly, with the most significant growth still in the corporate sector.

Although the market grew, competition remained fierce. As a result, the business continued to reorganise itself through mergers and acquisitions of companies and businesses. KT-Datcenter's contributions to this development were the acquisition of the business operations of Optimi-Ohjelmistot Oy from the Aamulehti Group in the first months of 1995, and the health care information system business of Tietosavo Oy towards the end of the year. The acquisitions strengthen our position as a systems supplier for financial, personnel, payroll and materials administration.

We had set intensive growth and improved profitability as our goals for 1995. We are proud of having achieved both these goals. Group turnover rose to FIM 816 million, some FIM 100 million more than the year before. A considerable improvement in profitability was secured.

Tukiset Companies did not perform quite as well as expected. Optimi-Ohjelmistot Oy was merged with Tukiset during the year, which made Tukiset one of the largest suppliers of administrative applications for small and

medium-sized enterprises in Finland.

Hardware sales continued to rise vigorously, and the sales figures of Novosys followed, as in previous years. Homes have become a substantial sector in the information technology market. Novosys opened Novoshop sales outlets aimed at private consumers in Helsinki and Turku.

When competition grows more intense, the success of a business enterprise depends more and more on the quality of its products and the satisfaction of its customers. Knowing this very well, we have developed quality and customer satisfaction. An important milestone is the SFS-EN ISO 9001 quality certificate awarded to KT-Datacenter in June. The award is particularly important because the certificate is the first one in the information technology business that covers all aspects of the company. This is also why it has been more demanding to construct the quality system. It is, however, a conscious choice. Had we left parts of the service chain out of the quality system, we could not have been certain of the high quality of our comprehensive service offering or customer satisfaction.

KT-Datacenter subsidiaries are in the process of building up their own quality systems. These will be one of the focus areas of their internal development work.

Our clients are more and more dependent on information technology. At the same time, client-specific computing environments are becoming more common. These changes necessitate new types of services. In order for the operation to be efficient, disturbances in the computing envi-

ronment have to be eliminated.

The scope of users is becoming wider, and some users have no experience of information technology. That is why these users have to be trained to use the systems, and provisions have to be made for them to quickly receive advice and support if problems arise. It is for such needs that we have developed new network monitoring and support services, as well as training and Help Desk services.

When operation methods and environments are changing and technologies continue to advance, new requirements are facing software products as well. KT-Datacenter's answer is the development of new software products. They give our clients a platform to modernise and develop their own operation towards improved efficiency and profitability.

The outlook for 1996 is good. We expect our turnover to increase clearly more than the business average. We also believe in a continuing positive development of our profitability. One of the most central targets is to introduce more and more client orientation in our operations.

I want to extend my warmest thanks to all KT-Datacenter staff for the excellent results. I would also like to thank all of the Group's clients and partners for another year of positive cooperation.



Jorma Kielenniva
Managing Director

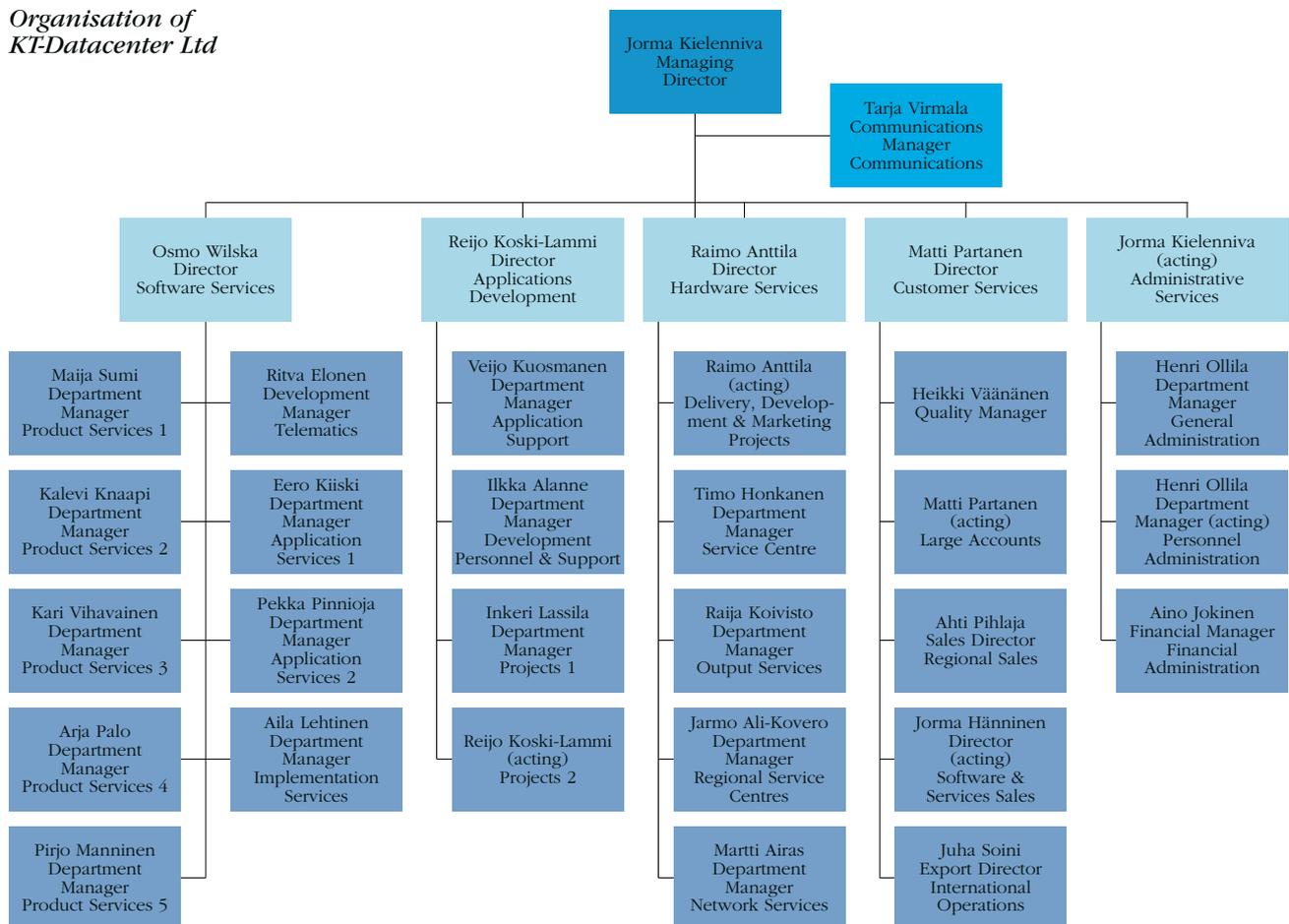
| <i>KT-Datacenter Group, summary of operations</i> | 1995 | 1994 | 1993 |
|---|------|------|------|
| Turnover FIM million | 816 | 697 | 548 |
| Increase in turnover % | 17 | 27 | 24 |
| Operating margin FIM million | 71 | 54 | 39 |
| Operating margin % | 9 | 8 | 7 |
| Turnover per employee FIM thousand | 968 | 971 | 788 |
| Operating margin per employee FIM thousand | 84 | 75 | 56 |
| Return on investment % | 16 | 7 | 1 |
| Solvency ratio | 35 | 30 | 30 |
| Personnel | 843 | 718 | 695 |

Calculation of indicators

$$\text{Return on investment \%} = \frac{\text{profit before extraordinary items} + \text{financial expenses} - \text{taxes}}{\text{equity} + (\text{voluntary reserves} - \text{calculated unpaid taxes}) + \text{interest-bearing liabilities}} \times 100$$

$$\text{Solvency ratio} = \frac{\text{equity} + (\text{voluntary reserves} - \text{calculated unpaid taxes})}{\text{balance sheet total} - \text{advance payments}} \times 100$$

Organisation of KT-Datacenter Ltd



1995 in short

In the beginning of January, Tukiset Companies bought the business operations of Optimi-Ohjelmistot Oy from Aamulehti Group. The deal made Tukiset one of the largest suppliers of administrative applications to the small and medium-sized enterprises in Finland.

In June, Finnish Standards Association SFS certified KT-Datacenter's quality system. The operations of the company meet the requirements of the SFS-EN ISO 9001 standard.

In June, a consumer sales outlet under the name of Direktori was opened in Varisto, Vantaa. It was later renamed Novoshop. This instance marked the start of building a nationwide chain of Novosys retail outlets.

In November, the first shop starting under the Novoshop name was opened in Turku.

In the autumn of 1995, a joint venture called Eisdata Süsteemide AS was established in Estonia. Eisdata supplies information services with support and training to all businesses.

Through the acquisition of the health care information system business of Tietosavo

we strengthened our footing in the financial and materials administration market of the health care sector.

The first Municipality 2000 software product, the Regis mapping and register system, was being developed for the City of Helsinki.

The other large-scale application development project in 1995, the new social services and health care system, advanced well enough and the first Soster applications were taken into use in early 1996.

The Ministry of Labour took delivery of its new Ipana software. The object-oriented Ipana is being used, for example, at the self-service terminals of the employment service agencies.

An integrated map system called Kirave was developed for the computing services office of the Defence Forces. The system encompasses information on the estate, buildings, networks and natural resources of Defence Force locations.

Novosys reached new record sales: the 20,000th PC was delivered in December.

As municipalities in Finland will adopt commercial bookkeeping practices in 1997, they are updating their financial administration systems. Dozens of public administration organisations made the decision to purchase KT-Datacenter's AdeEko+ system.

Among the numerous new corporate clients were the ABB Group, the property management company Arsenal Oy and the mutual insurance company Yrittäjainvakuutus-Fennia.

New government clients included the Swedish School of Economics, the University of Art and Design, Agricultural Economics Research Institute, Motor Vehicle Registration Centre and Vehicle Administration Centre.

Fifteen new municipal organisations who had made a comprehensive information technology solution became KT-Datacenter's clients.

Two new regional service centres were opened in Oulu and Vaasa respectively. The Kuusankoski regional service centre relocated in Kouvola.

The SFS-EN ISO 9001 quality certificate awarded to KT-Datacenter is the first in the information technology business that covers all of the company's services.



KT-Datacenter – software products and services

Functions

Customer administration

Customer service

Personnel administration

Estate administration

Materials administration

Patient administration

Financial administration

Technical administration

Technical planning

Communications

General administration

Software products

Sonet

is a hardware-independent client-server solution for all corporate information processing needs: sales, materials administration, financial administration, personnel administration, production control and cost calculation.

Primas

incorporates a wide range of products and can be customised in many ways according to the client's needs.

Mediser

is a product and service concept for the health care sector. It is an open and reliable comprehensive solution with products and services that can be flexibly combined to address the client's needs. The Mediser system is integrated to allow all its constituent subsystems to handle the information in the same way.

Status

is a comprehensive package of public administration software products. It is designed for use at all levels of public administration, from basic functions to management.

Client-specific software

We design and implement individual information systems for our clients – from scratch if necessary. Standard products, such as financial or personnel administration software, are complemented by solutions pertaining to the client's particular business and requiring special expertise. Another alternative is to enhance our own software products with standard corporate software products and special features required by the client.

KT-Datacenter is a service company guided by client needs and drawing strength from its wide selection of services.

We offer software products,

operating services, implementation services, operational support services as well as output services, consultation and training. If needed, our comprehensive service al-

so includes hardware, supplied by our subsidiary Novosys Ltd.

We have developed and delivered hundreds of software products with thousands of users.

Services

Training

KT-Datcenter is one of the largest information technology training organisations in Finland. We offer courses on specific software products and general training: basic and general courses in information technology as well as basic and advanced training on the most popular software products.

Implementation services

In order to guarantee to our clients the most efficient utilisation of their information technology – be it our software products or standard off-the-shelf software – we can produce implementation plans, chart the organisation's training needs and provide support after the training.

Hardware support

Our hardware support takes the responsibility for continuous maintenance and trouble-free operation of our clients' hardware. The equipment may be located either at the client's own premises or at KT-Datcenter's service centre.

Help Desk

KT-Datcenter's LAN Help Desk provides assistance in solving network problems. The Help Desk in connection with our normal operating service offers telephone support in questions related to software products and the operation of individual pieces of equipment.

Network support services

Netcenter monitors networks, network connections and network devices in real time. Our Internet services include Internet access, access maintenance, firewall protection and complete WWW service.

Operating services

KT-Datcenter's service centres located in different parts of the country offer clients an economical operating service: the client uses the centre's equipment according to his needs and KT-Datcenter takes care of the operability of the equipment. Machine time on the service centre computers is available on flexible terms for clients who want to run their own software.

Output and mailing services

Our output and mailing services can take overall responsibility for the output and mailing of the client's correspondence, invoices and information bulletins through a nationwide network and efficient state-of-the-art equipment. KT-Datcenter is a direct mailing professional.

Integrating services

Based on open solutions, KT-Datcenter products and services work on all hardware platforms. That is why we can integrate our client's disparate software, services and equipment into workable entities.

Hardware

The KT-Datcenter Group is the reseller of many major names in computers, minicomputers, PCs and peripherals. Special expertise in the client's hardware purchases is provided by our subsidiary Novosys. We also provide support and maintenance for operating systems and system software.

Installation

It is only natural for us to take overall responsibility for the installation and smooth implementation of our client's equipment and software.

Product development focuses on connectivity and openness. We actively develop and maintain software products for all important needs of corporations and

organisations.

Some of our products form clearly definable product families. They are comprehensive services from which the clients can pick

the products they need.

KT-Datcenter additionally has many special products and resources to build virgin systems.

Report by the Board of Directors

Development of the operating environment

Economic growth continued, which led to increasing investment in information technology. Despite good demand, competition remained hard.

Many information technology companies and business operations were bought during the year. The buyers were mainly large corporations already operating in the business. Thus the polarisation of the business, going on since many years, continued.

Good demand brought about a shortage of labour. At the same time, however, a large number of people made redundant during the recession were still unemployed. The problem is created by the quick pace of development in the information technology business, which quickly renders professional skills obsolete. This is a major challenge to reeducation.

The first year of EU membership ended under good signs. Many Finnish information technology companies managed their way into EU-funded development projects. The high level of Finnish information technology know-how and applications has become known in other parts of Europe. This can be expected to assist the internationalisation of Finnish information technology companies.

Development of turnover

The turnover of the Group continued its rapid growth and clearly exceeded average growth in the business. Consolidated turnover increased by 17% over the previous year and reached FIM 816.0 million. The growth is attributable partly to the overall growth of the

business and increases in market share, partly to business acquisitions. Market share grew most in the corporate sector.

The turnover of the parent company rose 11.4% over the year before and amounted to FIM 299.3 million. The turnover of Novosys Oy grew by 19.3%, and that of Tukiset Companies by 73.8% due to the acquisition of the business operations of Optimi Ohjelmistot Oy.

Result and solidity

The Group's result developed favourably. Operating margin rose to FIM 71.0 million, an increase of 32% over the previous year. Profit before reserves and taxes also increased significantly, now being FIM 26.9 million as contrasted by FIM 11.2 million the year before.

The operating margin of the parent company rose 39.1% over the previous year to FIM 42.2 million. Relative profitability measured by operating margin improved from 11.3% to 14.1%. Profit before reserves and taxes rose from FIM 7.0 million the year before to FIM 11.0 million.

The Group's solvency ratio improved from 30% to 35%.

Investments and product development

Group net investments totalled FIM 45.7 million, of which the parent company's share was FIM 31.3 million. Some 3% of the Group's turnover and approximately 9% of the parent company's turnover were allocated to product development. The main emphasis in product development was in systems for social services and health care, financial adminis-

tration and estate management. The major part of product development was carried out in-house. Product development was self-financed and entered as annual cost.

Structure of the Group and its development

The KT-Datacenter Group includes KT-Datacenter Ltd and subsidiaries Novosys Oy and Tukiset Companies made up of Tukiset Companies Oy and Ercin Oy.

Tietotuki Oy was merged with Ercin Oy and Novocenter Oy with KT-Datacenter Ltd during the financial year. Tukiset Companies bought the business operations of Optimi Ohjelmistot Oy in the beginning of January, and KT-Datacenter Ltd the health care systems operations from Tietosavo Oy in December.

Novosys Oy purchased the entire stock of VTKK-Toimistojärjestelmät Oy in January 1996.

Personnel and human resources development

The total number of employees of KT-Datacenter Group at year-end 1995 was 877. The average number of employees in the Group was 843. At year-end, the parent company had 631 employees, with an average of 602.

Wages, salaries and perquisites paid by the Group totalled FIM 151.1 million, of which FIM 1.8 million were paid to the Supervisory Board, the Board of Directors and the Managing Directors, and FIM 149.3 million to other personnel.

In the parent company, wages, salaries and perquisites totalled FIM 110.2 million, of which

FIM 0.9 million were paid to the Supervisory Board, the Board of Directors and the Managing Director, and FIM 109.3 million to other personnel.

Human resources development focused, besides technical skills, on the development of customer service skills, cooperation and other personal abilities.

Outlook for 1996

Information technology companies expect business conditions to develop favourably. Four out of five companies in the business believe their turnover will increase over the previous year. The most difficult problem will be the lack of skilled labour.

Focus points in the business are shifting. The significance of networks and communications is increasing rapidly. At the same time, client-server solutions are

becoming more common. New software generations and object orientation are gaining ground.

Organisations are outsourcing their information technology functions at an increasing pace. Technological development and the expansion of information technology into the work of more and more people will give rise to a significant increase in the demand for various support services.

The goal of KT-Datacenter Group is to continue its rapid growth while at the same time improving profitability. Other central goals include the development of customer service and quality issues. It is intended that the SFS-EN ISO 9001 quality certification – awarded to the parent company as the first major provider of information technology services – will be expanded to include the subsidiaries as well.

Proposal by the Board of Directors on the distribution of profit

According to the balance sheet, the consolidated unrestricted equity amounts to FIM 39,371,189.76. The unrestricted equity of the parent company KT-Datacenter Ltd as shown on its balance sheet is

| | |
|------------------------|------------------------|
| retained earnings from | |
| previous years | 24,835,592.25 mk |
| profit for the year | <u>9,679,407.58 mk</u> |
| | 34,514,999.83 mk |

The Board proposes that a dividend of FIM 1,870,123.20, corresponding to 12% on equity, will be paid, and the remaining amount be transferred to retained earnings.



Income statement, KT-Datacenter Ltd (FIM 1,000)

| | 1.1. – 31.12.1995 | 1.1. – 31.12.1994 |
|--|-------------------|-------------------|
| Turnover | 299,302 | 268,497 |
| Other operating income | 2,321 | 741 |
| Costs | | |
| Materials and supplies | 7,389 | 5,985 |
| Change in inventories | 77 | 591 |
| External services | 18,776 | 14,541 |
| Personnel expenses | 142,944 | 124,107 |
| Rents | 16,912 | 27,546 |
| Other costs | 73,282 | 66,100 |
| | 259,380 | 238,870 |
| Gross margin | 42,243 | 30,368 |
| Depreciation on fixed assets and other long-term expenditure | 31,974 | 26,248 |
| Operating profit | 10,269 | 4,120 |
| Financial income and expenses | | |
| Dividend income | 47 | 7 |
| Interest income | 4,629 | 6,209 |
| Interest expenses | - 3,213 | - 3,815 |
| Other financial expenses | - 506 | - 626 |
| | 957 | 1,775 |
| Result before extraordinary items, reserves and taxes | 11,226 | 5,895 |
| Extraordinary income and expenses | | |
| Extraordinary income | 640 | 1,067 |
| Extraordinary expenses | - 836 | - 2 |
| | - 196 | 1,065 |
| Result before reserves and taxes | 11,030 | 6,960 |
| Change in accelerated depreciation | - 8,526 | 307 |
| Decrease in voluntary reserves | 10,321 | - |
| Income taxes | | |
| Financial year | - 3,146 | - 3,686 |
| Previous years | - | - |
| | - 3,146 | - 3,686 |
| Profit for the financial year | 9,679 | 3,581 |

Consolidated income statement (FIM 1,000)

| | 1.1. - 31.12.1995 | 1.1. - 31.12.1994 |
|--|-------------------|-------------------|
| Turnover | 815,971 | 697,197 |
| Other operating income | 7,033 | 701 |
| Costs | | |
| Materials and supplies | 449,864 | 363,221 |
| Change in inventories | - 16,051 | - 458 |
| External services | 19,301 | 14,924 |
| Personnel expenses | 195,780 | 163,370 |
| Rents | 23,265 | 33,255 |
| Other costs | 79,870 | 69,876 |
| | 752,029 | 644,188 |
| Gross margin | 70,975 | 53,710 |
| Depreciation | | |
| Fixed assets and other long-term expenditure | | |
| Amortization of goodwill on consolidation | 35,528 | 33,769 |
| | 8,045 | 8,045 |
| | 43,573 | 41,814 |
| Operating result | 27,402 | 11,896 |
| Financial income and expenses | | |
| Dividend income | 47 | 7 |
| Interest income | 4,162 | 6,063 |
| Other financial income | 26 | 133 |
| Equity earnings in associated companies | 132 | - 170 |
| Interest expenses | - 4,337 | - 6,114 |
| Other financial expenses | - 890 | - 810 |
| | - 860 | - 891 |
| Result before extraordinary items, reserves and taxes | 26,542 | 11,005 |
| Extraordinary income and expenses | | |
| Extraordinary income | 673 | 1,067 |
| Equity earnings in associated companies | - 110 | - 801 |
| Extraordinary expenses | - 181 | - 47 |
| | 382 | 219 |
| Result before reserves and taxes | 26,924 | 11,224 |
| Change in accelerated depreciation | - 9,241 | 457 |
| Change in voluntary reserves | 10,321 | - |
| Income taxes | | |
| Financial year | - 6,464 | - 5,756 |
| Previous years | 75 | - 72 |
| | - 6,389 | - 5,828 |
| Net result for the financial year | 21,615 | 5,853 |

Balance sheet, KT-Datacenter Ltd (FIM 1,000)

| | 31.12.1995 | 31.12.1994 |
|---|------------|------------|
| Assets | | |
| Fixed assets and other non-current investments | | |
| Intangible assets | | |
| Intangible rights | 11,912 | 13,689 |
| Goodwill | 5,568 | 1,591 |
| Other long-term expenditure | 405 | 405 |
| | 17,885 | 15,685 |
| Tangible assets | | |
| Land | 2,029 | 2,029 |
| Buildings | 34,515 | 35,950 |
| Machinery and equipment | 52,487 | 46,382 |
| Other tangible assets | 691 | 338 |
| | 89,722 | 84,699 |
| Financial assets | | |
| Shares | 14,421 | 21,631 |
| Loan receivables | 5,000 | 5,600 |
| | 19,421 | 27,231 |
| | 127,028 | 127,615 |
| Current assets | | |
| Inventories | | |
| Goods | 818 | 895 |
| Receivables | | |
| Accounts receivables | 33,619 | 29,744 |
| Loan receivables | 24,932 | 18,880 |
| Deferred charges | 9,096 | 13,126 |
| | 67,647 | 61,750 |
| Investments | | |
| Other investments | 13,036 | 18,824 |
| Cash and bank receivables | 6,145 | 17,289 |
| | 87,646 | 98,758 |
| | 214,674 | 226,373 |
| Liabilities | | |
| Equity | | |
| Restricted equity | | |
| Share capital | 15,584 | 15,584 |
| Reserve fund | 24,057 | 24,057 |
| | 39,641 | 39,641 |
| Unrestricted equity | | |
| Retained earnings | 24,836 | 22,813 |
| Net result for the financial year | 9,679 | 3,581 |
| | 34,515 | 26,394 |
| | 74,156 | 66,035 |
| Reserves | | |
| Accelerated depreciation | 21,013 | 12,487 |
| Voluntary reserves | 20,642 | 30,963 |
| Obligatory reserves | 3,438 | 6,439 |
| | 45,093 | 49,889 |
| Liabilities | | |
| Long-term debt | | |
| Convertible bond loans | 3,997 | 7,994 |
| Loans from financial institutions | 100 | 200 |
| Pension loans | 33,561 | 36,087 |
| Other long-term debt | 1,100 | 2,300 |
| Current portion of long-term debt | - 7,546 | - 7,823 |
| | 31,212 | 38,758 |
| Short-term debt | | |
| Loans from financial institutions | 4,097 | 4,097 |
| Pension loans | 2,349 | 2,526 |
| Advance payments | 973 | 3,166 |
| Accounts payable | 15,724 | 15,538 |
| Deferred credits | 33,128 | 39,591 |
| Other short-term debt | 7,942 | 6,773 |
| | 64,213 | 71,691 |
| | 95,425 | 110,449 |
| | 214,674 | 226,373 |

Consolidated balance sheet (FIM 1,000)

| | 31.12.1995 | 31.12.1994 |
|---|----------------|----------------|
| Assets | | |
| Fixed assets and other non-current investments | | |
| Intangible assets | | |
| Intangible rights | 11,453 | 13,869 |
| Goodwill | 13,353 | 7,292 |
| Goodwill on consolidation | 2,515 | 10,560 |
| Other long-term expenditure | 405 | 405 |
| | <u>27,726</u> | <u>32,126</u> |
| Tangible assets | | |
| Land | 2,029 | 2,029 |
| Buildings | 34,515 | 35,950 |
| Machinery and equipment | 62,063 | 52,497 |
| Other tangible assets | 696 | 349 |
| | <u>99,303</u> | <u>90,825</u> |
| Financial assets | | |
| Shares in associated companies | 2,554 | 3,074 |
| Other shares | 3,403 | 3,293 |
| Loan receivables | - | 600 |
| | <u>5,957</u> | <u>6,967</u> |
| | <u>132,986</u> | <u>129,918</u> |
| Current assets | | |
| Inventories | | |
| Goods | 43,219 | 27,169 |
| Receivables | | |
| Accounts receivables | 109,088 | 90,946 |
| Loan receivables | 1,662 | 1,004 |
| Deferred charges | 10,886 | 12,816 |
| Other receivables | - | 50 |
| | <u>121,636</u> | <u>104,816</u> |
| Investments | | |
| Other investments | 13,036 | 18,824 |
| Cash and bank receivables | | |
| | 11,001 | 27,752 |
| | <u>188,892</u> | <u>178,561</u> |
| | <u>321,878</u> | <u>308,479</u> |
| Liabilities | | |
| Equity | | |
| Restricted equity | | |
| Share capital | 15,584 | 15,584 |
| Reserve fund | 24,057 | 24,057 |
| | <u>39,641</u> | <u>39,641</u> |
| Unrestricted equity | | |
| Retained earnings | 17,756 | 13,462 |
| Net result for the financial year | 21,615 | 5,853 |
| | <u>39,371</u> | <u>19,315</u> |
| | <u>79,012</u> | <u>58,956</u> |
| Reserves | | |
| Accelerated depreciation | 21,824 | 12,583 |
| Voluntary reserves | 23,755 | 34,076 |
| Obligatory reserves | 3,438 | 6,439 |
| | <u>49,017</u> | <u>53,098</u> |
| Liabilities | | |
| Long-term debt | | |
| Convertible bond loans | 3,997 | 7,994 |
| Loans from financial institutions | 500 | 5,747 |
| Pension loans | 46,504 | 49,952 |
| Other long-term debt | 1,100 | 2,300 |
| Current portion of long-term debt | -8,852 | -9,254 |
| | <u>43,249</u> | <u>56,739</u> |
| Short-term debt | | |
| Loans from financial institutions | 4,497 | 4,509 |
| Pension loans | 3,255 | 3,545 |
| Advance payments | 2,634 | 4,054 |
| Accounts payable | 76,685 | 55,432 |
| Deferred credits | 50,208 | 59,730 |
| Other short-term debt | 13,321 | 12,416 |
| | <u>150,600</u> | <u>139,686</u> |
| | <u>193,849</u> | <u>196,425</u> |
| | <u>321,878</u> | <u>308,479</u> |

Funds statement, KT-Datacenter Ltd (FIM 1,000)

| | 1.1. - 31.12.95 | 1.1. - 31.12.94 |
|-----------------------------------|-----------------|-----------------|
| Source of funds | | |
| Income | | |
| Gross margin | 42,243 | 30,368 |
| Obligatory reserves | - 3,001 | 6,439 |
| Financial income | 4,676 | 6,217 |
| Income from sale of fixed assets | 365 | 6,536 |
| Other income (net) | - 196 | 332 |
| | <u>44,087</u> | <u>49,892</u> |
| Financial income | | |
| Increase in long-term debt | - | - |
| | <u>44,087</u> | <u>49,892</u> |
| Application of funds | | |
| Distribution of profits | | |
| Interest on liabilities | 3,719 | 4,441 |
| Taxes | 3,146 | 3,685 |
| Dividends | 1,558 | 1,247 |
| Capital expenditure | | |
| Fixed assets | 32,353 | 29,367 |
| Other long-term expenditure | - | - |
| Change in valuation items | - | - 175 |
| Return of capital | | |
| Decrease in long-term liabilities | 7,823 | 8,091 |
| | <u>48,599</u> | <u>46,656</u> |
| Change in financial assets | - 11,635 | 15,957 |
| Change in inventories | - 77 | - 591 |
| Change in short-term liabilities | 7,200 | - 12,130 |
| | <u>- 4,512</u> | <u>3,236</u> |

Consolidated funds statement (FIM 1,000)

| | 1.1. – 31.12.95 | 1.1. – 31.12.94 |
|-----------------------------------|-----------------|-----------------|
| Source of funds | | |
| Income | | |
| Gross margin | 70,974 | 53,710 |
| Obligatory reserves | - 3,001 | 6,439 |
| Financial income | 4,236 | 6,202 |
| Income from sale of fixed assets | 1,028 | 8,219 |
| Other income (net) | - 163 | 287 |
| | 73,074 | 74,857 |
| Financial income | | |
| Increase in long-term debt | - | 1,391 |
| | 73,074 | 76,248 |
| Application of funds | | |
| Distribution of profits | | |
| Interest on liabilities | 5,228 | 6,924 |
| Taxes | 6,389 | 5,828 |
| Dividends | 1,558 | 1,247 |
| Capital expenditure | | |
| Fixed assets | 47,591 | 33,196 |
| Change in valuation items | - | - 175 |
| Return of capital | | |
| Decrease in long-term liabilities | 13,892 | 15,405 |
| | 74,658 | 62,425 |
| Change in financial assets | - 6,319 | 28,107 |
| Change in inventories | 16,050 | 458 |
| Change in short-term liabilities | - 11,315 | - 14,742 |
| | - 1,584 | 13,823 |

Notes to the financial statements (FIM 1,000)

The consolidated financial statements include all Group companies and all associated companies, with the exception of Kiinteistö Oy Rukavarri, which does not engage in business operations and has only a minor effect on the consolidated net result.

Separate consolidated financial statements have been prepared for Tukiset Companies.

The consolidation has been performed using the acquisition cost method where the portion of the price paid for the shares of the subsidiaries that exceeds the equity of the subsidiaries is recorded under goodwill on consolidation.

The associated companies of the Group are Suomen Tietoverkkopalvelu Oy, Solid Information Technology Oy, Opti Inter-Consult Oy, Kiinteistö Oy Rukavarri and Eisdata Süsteemide AS which was established during the financial year. The shares of Medici Data Oy have been sold during the financial year.

The associated companies have been consolidated using the equity method. The Group's proportionate share of the result of associated companies is shown under financial items, and its share of their result from previous years under extraordinary items.

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|---|----------------|----------------|---------------|---------------|
| 1. Turnover by function | | | | |
| Software services | 180,757 | 152,548 | 233,131 | 183,229 |
| Operating services | 115,047 | 112,638 | 114,750 | 116,934 |
| Equipment sales | 3,498 | 3,311 | 468,090 | 397,034 |
| Total | 299,302 | 268,497 | 815,971 | 697,197 |
| | | | | |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| 2. Personnel costs and perquisites | | | | |
| Wages and salaries | 108,361 | 94,677 | 147,763 | 125,369 |
| Pension liabilities | 16,044 | 14,389 | 22,487 | 18,388 |
| Statutory personnel costs | 13,183 | 11,930 | 17,103 | 15,155 |
| Voluntary personnel costs | 5,357 | 3,111 | 8,427 | 4,458 |
| | 142,945 | 124,107 | 195,780 | 163,370 |
| Perquisites | 1,407 | 1,425 | 3,894 | 3,650 |
| | 144,352 | 125,532 | 199,674 | 167,020 |
| | | | | |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| 3. Depreciation according to plan | | | | |
| Intangible rights | 6,344 | 6,114 | 6,689 | 7,076 |
| Goodwill | 1,137 | 84 | 3,539 | 1,964 |
| Non-recurring depreciation | 2,666 | - | - | - |
| Buildings | 1,435 | 1,435 | 1,435 | 1,435 |
| Machinery and equipment | 20,278 | 18,527 | 23,745 | 23,198 |
| Other tangible assets | 115 | 88 | 120 | 96 |
| Goodwill on consolidation | - | - | 8,044 | 8,044 |
| | 31,975 | 26,248 | 43,572 | 41,813 |

Fixed assets are valued at immediate acquisition cost. Depreciation according to plan is calculated on a straight-line basis according to the economic life of the fixed assets. The following depreciation times are used:

Intangible rights and other long-term expenditure

| | years |
|--------------------------------|-------|
| PC software | 3 |
| Software | 5 |
| Goodwill | 5 |
| Other long-term expenditure | 5 |
| Buildings | |
| Buildings | 35 |
| Structural parts of buildings | 15 |
| Air-raid shelters | 35 |
| Paving works | 5 |
| Machinery and equipment | |
| Computers | 5 |
| PCs | 3 |
| Other fixed assets | 5 |
| Vehicles | 5 |
| Other tangible assets | |
| Other tangible assets | 5 |

Notes to the financial statements (FIM 1,000)

| | Parent 1995 | Parent 1994 |
|--|----------------|----------------|
| 4. Intercompany financial income and expenses | | |
| Financial income from Group companies | 1,102 | 635 |
| Interest income from short-term investments | | |
| Financial expenses paid to Group companies | 22 | 9 |
| Interest expenses | | |

5. Extraordinary items

The extraordinary income is constituted by returned turnover tax payments from the years 1989–1992. The extraordinary expenses include the depreciation of the shares of the associated company Suomen Tietoverkkopalvelu Oy.

6. Obligatory reserves

The decrease in the obligatory reserves of the parent company during the financial year 1.1.–31.12.1995 is FIM 3,001,000. FIM 3,000,000 from the previous year's reserves for future rents of unoccupied premises have been transferred to the result, because parts of the premises have been taken into own use. Unpaid taxes, corresponding to the amount of voluntary reserves, amounted to FIM 12,762,154 on 31 December 1995 and FIM 11,664,700 on 31 December 1994.

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|--|----------------|----------------|---------------|---------------|
| 7. Intangible and tangible assets | | | | |
| Intangible assets | | | | |
| Intangible rights and other long-term expenditure | | | | |
| Acquisition cost 1 Jan | 29,902 | 27,877 | 33,977 | 32,120 |
| Increase | 4,574 | 6,334 | 4,278 | 6,296 |
| Decrease | - 31 | - | - 31 | - |
| Acquisition cost 31 Dec | 34,445 | 34,211 | 38,224 | 38,416 |
| Accumulated depreciation 1 Jan | - 15,789 | - 14,003 | - 19,683 | - 17,066 |
| Depreciation on decrease 1 Jan–31 Dec | 6 | - | 6 | - |
| Depreciation 1 Jan–31 Dec | - 6,344 | - 6,114 | - 6,689 | - 7,075 |
| Book value 31 Dec | 12,318 | 14,094 | 11,858 | 14,275 |
| Accumulated difference between total and planned depreciation 1 Jan | 3,206 | 2,571 | 3,204 | 2,567 |
| Increase in difference 1 Jan–31 Dec | 3,270 | 635 | 3,284 | 637 |
| Accumulated difference between total and planned depreciation 31 Dec | 6,476 | 3,206 | 6,488 | 3,204 |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Goodwill | | | | |
| Acquisition cost 1 Jan | 1,675 | - | 11,120 | 9,370 |
| Increase 1 Jan–31 Dec | 7,779 | 1,675 | 9,600 | 1,750 |
| Acquisition cost 31 Dec | 9,454 | 1,675 | 20,720 | 11,120 |
| Accumulated depreciation 1 Jan | - 84 | - | - 3,827 | - 1,864 |
| Depreciation 1 Jan–31 Dec | - 3,803 | - 84 | - 3,539 | - 1,964 |
| Book value 31 Dec | 5,567 | 1,591 | 13,354 | 7,292 |
| Accumulated difference between total and planned depreciation 1 Jan | 251 | - | 270 | 10 |
| Increase in difference 1 Jan–31 Dec | 605 | 251 | 605 | 260 |
| Decrease in difference 1 Jan–31 Dec | | | | |
| Accumulated difference between total and planned depreciation 31 Dec | 856 | 251 | 875 | 270 |
| | | | Group 1995 | Group 1994 |
| Goodwill on consolidation | | | | |
| Acquisition cost 1 Jan | | | 34,614 | 32,581 |
| Increase 1 Jan–31 Dec | | | - | 2,033 |
| Acquisition cost 31 Dec | | | 34,614 | 34,614 |
| Accumulated depreciation 1 Jan | | | - 24,055 | - 16,010 |
| Depreciation 1 Jan–31 Dec | | | - 8,044 | - 8,044 |
| Book value 31 Dec | | | 2,515 | 10,560 |

Notes to the financial statements (FIM 1,000)

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|--|----------------|----------------|---------------|---------------|
| Buildings | | | | |
| Acquisition cost 1 Jan | 46,265 | 46,265 | 46,265 | 46,265 |
| Acquisition cost 31 Dec | 46,265 | 46,265 | 46,265 | 46,265 |
| Accumulated depreciation 1 Jan | - 10,315 | - 8,880 | - 10,315 | - 8,880 |
| Depreciation 1 Jan–31 Dec | - 1,435 | - 1,435 | - 1,435 | - 1,435 |
| Book value 31 Dec | 34,515 | 35,950 | 34,515 | 35,950 |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Accumulated difference between total and planned depreciation 1 Jan | 4,842 | 4,757 | 4,842 | 4,757 |
| Increase in difference 1 Jan–31 Dec | - | 85 | - | 85 |
| Decrease in difference 1 Jan–31 Dec | - 80 | - | - 80 | - |
| Accumulated difference between total and planned depreciation 31 Dec | 4,762 | 4,842 | 4,762 | 4,842 |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Tangible assets | | | | |
| Machinery and equipment | | | | |
| Acquisition cost 1 Jan | 85,329 | 81,288 | 103,222 | 97,683 |
| Increase | 26,594 | 21,215 | 34,139 | 24,987 |
| Decrease | - 2,522 | - 3,735 | - 3,364 | - 4,250 |
| Acquisition cost 31 Dec | 109,401 | 98,768 | 133,997 | 118,420 |
| Accumulated depreciation 1 Jan | - 37,070 | - 34,404 | - 48,848 | - 43,270 |
| Depreciation on decrease 1 Jan–31 Dec | 434 | 545 | 660 | 545 |
| Depreciation 1 Jan–31 Dec | - 20,278 | - 18,527 | - 23,745 | - 23,198 |
| Book value 31 Dec | 52,487 | 46,382 | 62,064 | 52,497 |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Accumulated difference between total and planned depreciation 1 Jan | 4,115 | 5,342 | 4,269 | 5,666 |
| Increase in difference 1 Jan–31 Dec | 4,359 | - | 4,995 | - |
| Decrease in difference 1 Jan–31 Dec | - | - 1,227 | - | - 1,397 |
| Accumulated difference between total and planned depreciation 31 Dec | 8,474 | 4,115 | 9,264 | 4,269 |
| Share of machinery and equipment in total book value 31 Dec | 46,942 | 41,258 | 48,232 | 42,709 |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Other tangible assets | | | | |
| Acquisition cost 1 Jan | 630 | 524 | 1,137 | 1,031 |
| Increase | 467 | 106 | 467 | 106 |
| Acquisition cost 31 Dec | 1,097 | 630 | 1,604 | 1,137 |
| Accumulated depreciation 1 Jan | - 291 | - 204 | - 788 | - 692 |
| Depreciation 1 Jan–31 Dec | - 115 | - 88 | - 120 | - 96 |
| Book value 31 Dec | 691 | 338 | 696 | 349 |
| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Accumulated difference between total and planned depreciation 1 Jan | 72 | 124 | - 3 | 40 |
| Increase in difference 1 Jan–31 Dec | 372 | - | 438 | 9 |
| Decrease in difference 1 Jan–31 Dec | - | - 52 | - | - 52 |
| Accumulated difference between total and planned depreciation 31 Dec | 444 | 72 | 435 | - 3 |

Notes to the financial statements (FIM 1,000)

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|-----------------------|----------------|----------------|---------------|---------------|
| Shares | | | | |
| Book value 1 Jan | 21,631 | 25,035 | 6,367 | 10,747 |
| Increase 1 Jan–31 Dec | 201 | 48 | 274 | 57 |
| Decrease 1 Jan–31 Dec | - 7,410 | - 3,452 | - 684 | - 4,437 |
| Book value 31 Dec | 14,422 | 21,631 | 5,957 | 6,367 |

Acquisition cost is shown only for usable assets not amortized.

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|---|----------------|----------------|---------------|---------------|
| Total change of difference in depreciation | | | | |
| Accumulated difference between total and planned depreciation 1 Jan | 12,487 | 12,794 | 12,583 | 13,040 |
| Increase in difference 1 Jan–31 Dec | 8,605 | 971 | 9,321 | 992 |
| Decrease in difference 1 Jan–31 Dec | - 80 | - 1,278 | - 80 | - 1,449 |
| Accumulated difference between total and planned depreciation 31 Dec | 21,012 | 12,487 | 21,824 | 12,583 |

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|--|----------------|----------------|---------------|---------------|
| 8. Taxable values of fixed assets | | | | |
| Land | 4,304 | 4,304 | 4,304 | 4,304 |
| Buildings | 18,085 | 18,485 | 18,085 | 18,485 |
| Shares in subsidiaries | 3,803 | 5,902 | - | - |
| Shares in associated companies | 1,419 | 1,403 | 1,419 | 1,403 |
| Other shares | 2,418 | 2,591 | 2,587 | 2,758 |
| | 30,029 | 32,685 | 26,395 | 26,950 |

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|---|----------------|----------------|---------------|---------------|
| 9. Fire insurance values of fixed assets and inventories | | | | |
| | 182,415 | 169,425 | 228,973 | 200,509 |

Notes to the financial statements (FIM 1,000)

| | Share/ voting rights | Number of shares | Equity share | Nominal value | Book value | Profit/loss according to the latest financial statements |
|--|-------------------------|---------------------|-----------------|------------------|---------------|---|
| 10. Shares 31 Dec 1995 | | | | | | |
| Shareholdings of parent company in Group companies | | | | | | |
| Novosys Ab, Helsinki | 100 % | 15000 | 17 740 | 1 500 | 1 599 | 9 635 |
| Tukiset Yhtiöt Oy, Raisio *) | 100 % | 2250 | -3 202 | 23 | 7 073 | 6 267 |
| Shareholdings of parent company in associated companies | | | | | | |
| Suomen Tietoverkkopalvelu Oy, Helsinki | 41 % | 41 | 31 | 6 | 31 | -189 |
| Opti Inter-Consult Oy, Turku | 31,5 % | 315 | 425 | 315 | 508 | 224 |
| Solid Information Technology Oy, Helsinki | 20 % | 35000 | 93 | 70 | 350 | 50 |
| Kiinteistö Oy Rukavarri, Kuusamo | 33 % | 10 | 1 819 | 10 | 1 863 | 1 |
| Eisdata Süsteemide AS, Viro | 25 % | 375 | | EEK 375 | 141 | |

*) sub-group

The financial statements of the Group and associated companies have been prepared on 31 Dec 1995 and are based on 12-month financial years.

| Other shares | Share | Number of shares | Nominal value | Book value |
|--|-------|---------------------|------------------|------------|
| Owned by parent company | | | | |
| Kiinteistö Oy Kuusankosken Ostoskeskus, Kuusankoski | 7 % | 225 | 151 | 808 |
| Kiinteistö Oy Satakunnankatu 19-21, Tampere | 4 % | 102 | 102 | 926 |
| Tietovara Oy, Helsinki | 10 % | 42 | 42 | 42 |
| Datatie Oy, Helsinki | 1 % | 10 | 50 | 117 |
| Telephone shares | | 288 | | 885 |
| Owned by subsidiaries | | | | |
| Other shares | | | | |
| Lupporinki Oy | 17 % | 14 | 98 | 341 |
| Telephone shares | | 70 | | 186 |

| | Parent 1995 | Parent 1994 |
|--|----------------|----------------|
| 11. Intercompany receivables and debt | | |
| Receivables | | |
| Consolidated debt | 5,000 | 5,000 |
| Accounts receivables | 333 | 247 |
| Loan receivables, short-term | 23,300 | 18,000 |
| Deferred charges | 1,036 | 1,990 |
| | <u>29,669</u> | <u>25,237</u> |
| Debt | | |
| Accounts payables | 3,286 | 3,651 |
| Deferred credits | 432 | 264 |
| | <u>3,718</u> | <u>3,915</u> |

Notes to the financial statements (FIM 1,000)

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|---|----------------|----------------|---------------|---------------|
| 12. Receivables and debt /associated companies | | | | |
| Receivables | | | | |
| Long-term loans receivables | - | 600 | - | 600 |
| Accounts receivables | 5 | 53 | 39 | 54 |
| Short-term loans receivables | 1,586 | 880 | 1,586 | 880 |
| Deferred charges | 440 | 53 | 445 | 111 |
| | 2,031 | 1,586 | 2,070 | 1,645 |
| Debt | | | | |
| Accounts payable | 51 | 126 | 88 | 297 |
| Deferred credits | 7 | 374 | 7 | 374 |
| | 58 | 500 | 95 | 671 |
| 13. Receivables due after one year or more | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Deferred charges | 388 | 402 | 388 | 402 |
| Loan receivables | 5,000 | 5,600 | - | 624 |
| | 5,388 | 6,002 | 388 | 1,026 |
| 14. Unpaid advance payments | | | Group 1995 | Group 1994 |
| Advance invoices | | | 19,322 | 19,976 |
| 15. Debts due after five years or more | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| Pension loans | 23,348 | 25,105 | 32,352 | 34,715 |
| 16. Contingent liabilities | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
| For own account | | | | |
| Pledges | 8,038 | 14,149 | 9,038 | 15,199 |
| Mortgages on land areas and buildings | 41,000 | 41,000 | 42,000 | 41,000 |
| Company mortgages | - | - | 14,000 | 14,000 |
| For group company | | | | |
| Pledges | 1,000 | 1,000 | - | - |
| Guarantees | 35,751 | 44,122 | - | - |
| Other own commitments | | | | |
| Pension liability | 365 | 391 | 365 | 391 |
| Leasing liabilities | | | | |
| Leasing payments 1995/ 1994 | 4,417 | 608 | 5,082 | 1,619 |
| Leasing payments 1996/ 1995 | 6,148 | 415 | 6,460 | 925 |
| Repurchase liabilities | 17 | 21 | 17 | 21 |

Notes to the financial statements (FIM 1,000)

| | Parent 1995 | Parent 1994 | Group 1995 | Group 1994 |
|--|----------------|----------------|---------------|---------------|
| 17. Convertible bond loans | | | | |
| PSP convertible bond loan 4/86/104, maturing on 31 Dec 1996, outstanding portion | 3,997 | 7,994 | 3,997 | 7,994 |
| 18. Changes in equity | | | | |
| Restricted equity | | | | |
| Share capital 779,218 x FIM 20 | 15,584 | 15,584 | 15,584 | 15,584 |
| Reserve fund | 24,057 | 24,057 | 24,057 | 24,057 |
| Total | 39,641 | 39,641 | 39,641 | 39,641 |
| Unrestricted equity | | | | |
| Retained earnings | 26,394 | 24,060 | 19,315 | 14,709 |
| Dividends | -1,558 | -1,247 | -1,558 | -1,247 |
| Result of financial year | 9,679 | 3,581 | 21,615 | 5,853 |
| Total | 34,515 | 26,394 | 39,372 | 19,315 |
| EQUITY TOTAL | 74,156 | 66,035 | 79,013 | 58,956 |

Helsinki, 7 March, 1996

Lauri A. Manninen

Simo Lämsä

Ilkka Hallavo

Jouko Juppala

Christel von Martens

Marketta Nordman

Antti Salonen

Jorma Kielessiva
Managing Director

Auditors' Report

To the shareholders of KT-Datacenter Ltd:

We have examined the the accounting records, the annual financial statements and the administration of KT-Datacenter Ltd for the financial year 1.1.–31.12.1995. The financial statements prepared by the Board of Directors and the Managing Director include an annual report on activities, as well as the income statement, balance sheet and notes to the financial statements for both the Group and the parent company. On the basis of this examination, we report the following on the financial statements and the administration:

The audit was carried out in accordance with generally accepted auditing practices. Accounting, as well as the prin-

ciples applied in preparing the financial statements, their contents and their presentation have been sufficiently examined to state that the financial statements do not include any essential flaws or shortcomings. When examining the administration, the actions of the members of the Supervisory Board, the Board of Directors and the Managing Director have been examined from the point of view of compliance with the regulations of the Companies Act.

We state that the financial statements, showing a profit of FIM 9,679,407.58 in the parent company and unrestricted equity in the amount of FIM 39,371,189.76 in the Group, have been prepared in accordance with the Accounting Act

and other valid regulation governing the preparation of financial statements. The financial statements give, as stipulated in the Accounting Act, correct and sufficient information on the result of the activities and the financial performance of the Group as well as the parent company. The financial statements, together with the consolidated financial statements, can be adopted and the members of the company's Supervisory Board, the members of its Board of Directors and the company's Managing Director can be discharged from liability for the financial year audited by us. The proposal of the Board of Directors for dealing with unrestricted equity as stated in the balance sheet complies with the regulations of

Helsinki, 8 March, 1996

TILINTARKASTAJIEN OY – ERNST & YOUNG Chartered Accountants

Jorma Jäske CA

Jan Rönnberg CA

Statement by the Supervisory Board

The Supervisory Board has familiarized itself with the financial statements for the year 1995 and with the Auditors' Report. The Supervisory Board recommends that the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet be adopted and expresses its agreement to the Board of Directors' proposal for dealing with the unrestricted equity.

Helsinki, 25 March, 1996

Timo Kietäväinen
Chairman

KT-Datacenter Ltd

Supervisory Board

Chairman: Timo Kietäväinen,
Deputy Managing Director,
Association of Finnish Local Authorities

1st Deputy: Juhani Paloheimo,
General Manager, Postipankki Ltd

2nd Deputy: Pekka Alanen,
Deputy Managing Director,
Association of Finnish Local Authorities

Olli Ahovaara, Chief Analyst,
KT-Datacenter Ltd

Seppo Hakalin, Town Treasurer,
City of Kuusankoski

Esko Hanninen, Town Manager,
City of Riihimäki

Reijo Hautala, Director of Finance,
City of Tampere

Anja Höök-Tiihonen,
Deputy Executive Director,
Helsinki Metropolitan Area Council

Veijo Jalava, Deputy Managing Director,
Local Government Pensions Institution

Erkki Laakkonen, Town Clerk,
City of Vantaa

Veikko Lehikoinen, Municipality Manager,
Hausjärvi

Elina Lehto, Town Manager,
City of Hämeenlinna

Gunnar Lindberg, Development Manager,
Helsinki

Berndt Långvik, Director,
Association of Finnish Local Authorities

Jouko Malinen, Chief Analyst,
KT-Datacenter Ltd

Hannes Manninen, Town Manager,
City of Tornio

Aulis Mattila, Director of Finance,
City of Joensuu

Pertti Mattila, General Manager,
PSP-Municipality Bank Ltd

Jyrki Myllyvirta, Town Manager,
City of Mikkeli

Juhani Nylund, Chief Analyst, Helsinki

Matti Pelttari, Town Manager,
City of Rovaniemi

Rauno Saari, Town Manager, City of Raisio

Jouko Sillanpää, Project Planner, Helsinki

Maarit Toveri, Financial Manager, Helsinki

Marja-Liisa Viherä, Group Manager, Helsinki

Kim Zilliacus, Regional Secretary, Vantaa

Board of Directors

Lauri A. Manninen, Director of Budgeting,
City of Helsinki

Ilkka Hallavo, General Manager,
Postipankki Ltd

Jouko Juppala, Director of Administration,
City of Vantaa

Simo Lämsä, Managing Director,
Local Government Pensions Institution

Christel von Martens,
Development Manager,
Association of Finnish Local Authorities

Marketta Nordman,
Development Director, City of Espoo

Antti Salonen, Municipal Manager, Kalvola

Advisory Committee

Antero Anttonen, Information Systems
Manager, City of Pori

Jouko Grönroos, Town Clerk,
City of Riihimäki

Tapio Huttunen, Information Systems Man-
ager, City of Vantaa

Jouko Ikonen,
Information Systems Manager,
City of Kuopio

Pekka Ikonen, Town Manager,
City of Kitee

Matti Jormakka,
Information Systems Manager,
City of Jyväskylä

Leena Jousjärvi,
Information Systems Manager,
City of Espoo

Hannu Kallunki, Social Services Director,
City of Kuusamo

Tuomo Karakorpi,
Information Systems Manager,
City of Helsinki

Erkki Karimaa, Senior Advisor,
Association of Finnish Local Authorities

Jukka Kasvi,
Information Systems Manager,
City of Helsinki

Reijo Kempainen, Information
Systems Manager, City of Lappeenranta

Peter Kjällman, Director of Finance,
Porvoo Rural Municipality

Raimo Kokkonen,
Information Systems Manager, Helsinki
Metropolitan Area Council

Pauli Kruhse, Assistant Director,
Local Government Pensions Institution

Heikki Kunnas,
Information Systems Manager,
City of Turku

Heikki Lunnas, Senior Advisor,
Association of Finnish Local Authorities

Seppo Orjatsalo, Assistant General
Manager, Postipankki Ltd

Antero Peräkasari, Planning Secretary,
City of Anjalankoski

Esa Pulkkinen,
Information Systems Manager,
City of Joensuu

Martti Pysäys,
Information Systems Manager,
Central Finland Central Hospital

Seppo Pyykkö,
Information Systems Manager,
City of Oulu

Juhani Romppanen,
Information Systems Manager,
City of Kemi

Heikki Sinervo,
Information Systems Director,
City of Tampere

Pirkko Taina, Town Treasurer,
City of Kauniainen

Tuulikki Tiainen, Financial Secretary,
City of Savonlinna

Anders Wikholm,
Director of Finance,
Western Uusimaa Regional Hospital

Kalevi Väättänen,
Organizational Manager, City of Lahti

Auditors

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Kaivokatu 8, 00100 Helsinki

Jan Rönnerberg, CA

Jorma Jääske, CA

Management Group

Jorma Kielesseniva, Managing Director
Raimo Anttila, Director
Aino Jokinen, Director (from 1 April, 1996)
Reijo Koski-Lammi, Director
Matti Partanen, Director
Osmo Wilska, Director

Shareholders

| | |
|---|-------|
| City of Espoo | 12.1% |
| City of Helsinki | 25.6% |
| Local Government Pensions Institution | 7.8% |
| Postipankki Ltd | 15.1% |
| PSP-Finance Ltd | 5.0% |
| Association of Finnish Local Authorities | 14.4% |
| City of Vantaa | 12.2% |
| Others | 7.8% |

KT-Datcenter *participates* in EU Fourth Framework Programme

When Finland joined the European Union, it opened up new possibilities for Finnish companies to participate in EU-funded research and development programmes. All EU-backed R&D programmes are included in the 4th Framework Programme to be implemented in 1994–98.

For KT-Datcenter, the Telematics Applications Programme and ESPRIT 4, also known as the Information Technologies Programme, are among the most interesting ventures. The Telematics programme focuses on the development of new telematic applications and services, while the IT programme aims at furthering information technology know-how and basic research.

Telematics Applications Programme

Telematics is a term for applications that combine data processing and telecommunications. The Telematics programme is one way for the European Commission to implement the Union's policies. The main targets of the programme are securing the competitiveness of European industry, the furthering of the efficiency of public services and creating more jobs through telematic means.

The Telematics programme is divided into 14 sectors, the majority of which have reference to KT-Datcenter's services.

During 1995, KT-Datcenter participated in the application rounds of the Telematics programme with six applications. The Commission has provided funding for three of the programmes thus far.

Promise

The PROMISE project is an R&D project coordinated by Nokia Research Centre. It aims at developing a pan-European service system offering travellers an easy way to both plan and make their trip in an efficient way. The service is made available through a new type of portable and vehicle-mounted terminals using existing mobile telephone networks. KT-Datcenter's contribution is the integration of the information providers and service providers into the PROMISE system by means of Primas Media software.

The multi-national consortium includes participants from Finland, Sweden, Germany, the Netherlands, France and the UK.

Watis

The WATIS project, coordinated by Vlaamse Dienst Voor Arbeidsbemiddeling en Beroepsopleiding, the Flemish labour and education authority in Belgium, participates in the Information Planning Programme of the Telematics Programme. Its target is to develop a multi-language self-service customer system for supplying information about available jobs and training. It is intended that multimedia solutions be applied in providing the services.

KT-Datcenter and the Finnish Ministry of Labour are the Finnish participants in the project that includes organisations from Belgium, Finland, Ireland and Spain.

Equality

A number of European cities established the Telecities organisation to coordinate and further par-

ticipation in the Telematics programme. Of its member cities, the Hague, Newcastle, Leeds, Rome, Leghorn and Helsinki submitted a joint application for the EQUALITY project in the City and Country Living programme included in the Telematics programme. The programme is intended to improve living conditions in areas that have been subjected to social and economic deterioration as a result of outside influences such as structural changes. The EQUALITY project aims at improving services in city suburbs through telematics.

Esprit 4/the IT Programme

One of the European Union's targets is to advance information society. In information society, a significant portion of production and services are provided by utilising computer technologies. One of the research areas within the IT programme is software technology, seeking to develop and apply software development methods, standards and tools.

The software technology area is sub-divided into action programmes. KT-Datcenter participates in the ESSI/Software Best Practice programme with one project proposal.

International cooperation: joint venture in Estonia

KT-Datcenter, SKYRR from Iceland, the Estonian State Data Processing Centre RAK and the Association of Estonian cities (ELL) jointly established Eisdata Süsteemide AS in the autumn of 1995. Eisdata supplies information services and related support and training services to all businesses.



New products improve clients' service capabilities and efficiency

KT-Datacenter developed a new self-service system Ipana for the employment service agencies. The system gives information on vacancies to job seekers.

Primas - health care and social services

KT-Datacenter is developing a new information system for the health care and social services sector with the objective of improving the service and the efficiency of its organisations. New Primas products being conceived under this project, known as Soster, include customer data, identification, services and resources of the service organisation and its external service providers, application and order handling, appointment and treatment fees, management of the patient service process as well as invoicing, payments and reporting. The Soster project looks at the health care and social services as a whole.

Soster development advanced well under the year, and the first applications were taken into use in early 1996.

Municipality 2000 project: technical administration registers

KT-Datacenter, together with nearly 30 Finnish cities, will update their basic technical registers. The new system will enable

The first applications of the integrated information system of the social services and health care will be implemented in 1996.

shared use of information in all administrative branches of the municipality.

The system includes town planning, estate information, building inspection data, building and company data, population data and a map interface for the integration of the register system and a map system.

Optional extras include estate proceedings, service displays, statistics, external user services and a government interface.

All the different parts of this integrated whole can share information with each other.

Primas estate system

KT-Datacenter is building a comprehensive estate management system based on its ten years of experience in estate data systems and modern technology.

The Primas estate system covers the basic registers of estate management and related operations. The software is independent of hardware platforms, operating systems and databases and it features connections to financial, personnel and materials administration as well as banks and CAD software.

New financial planning software

KT-Datacenter's new financial planning software can be included as a part in comprehensive financial administration solutions. This product, designed with a view to easy operation, will support efficient, modern budgeting in public administration as well as the corporate world. It will be in production use in spring 1996.

The software is ideal for a

wide range of customer organisations. It features a flexible account coding system where the customer can determine the parts of the entry code to be used, as well as the order and length of the parts of the code.

Budgeting can be decentralised and an unlimited number of alternative scenarios for annual budgets spanning many years can be built using any coding system. Service products can be used as a basis for budgeting.

Info-Prima for hospital management

Info-Prima is being developed as a complement to the existing Hospital-Prima. It will be a management tool for personnel cost calculation.

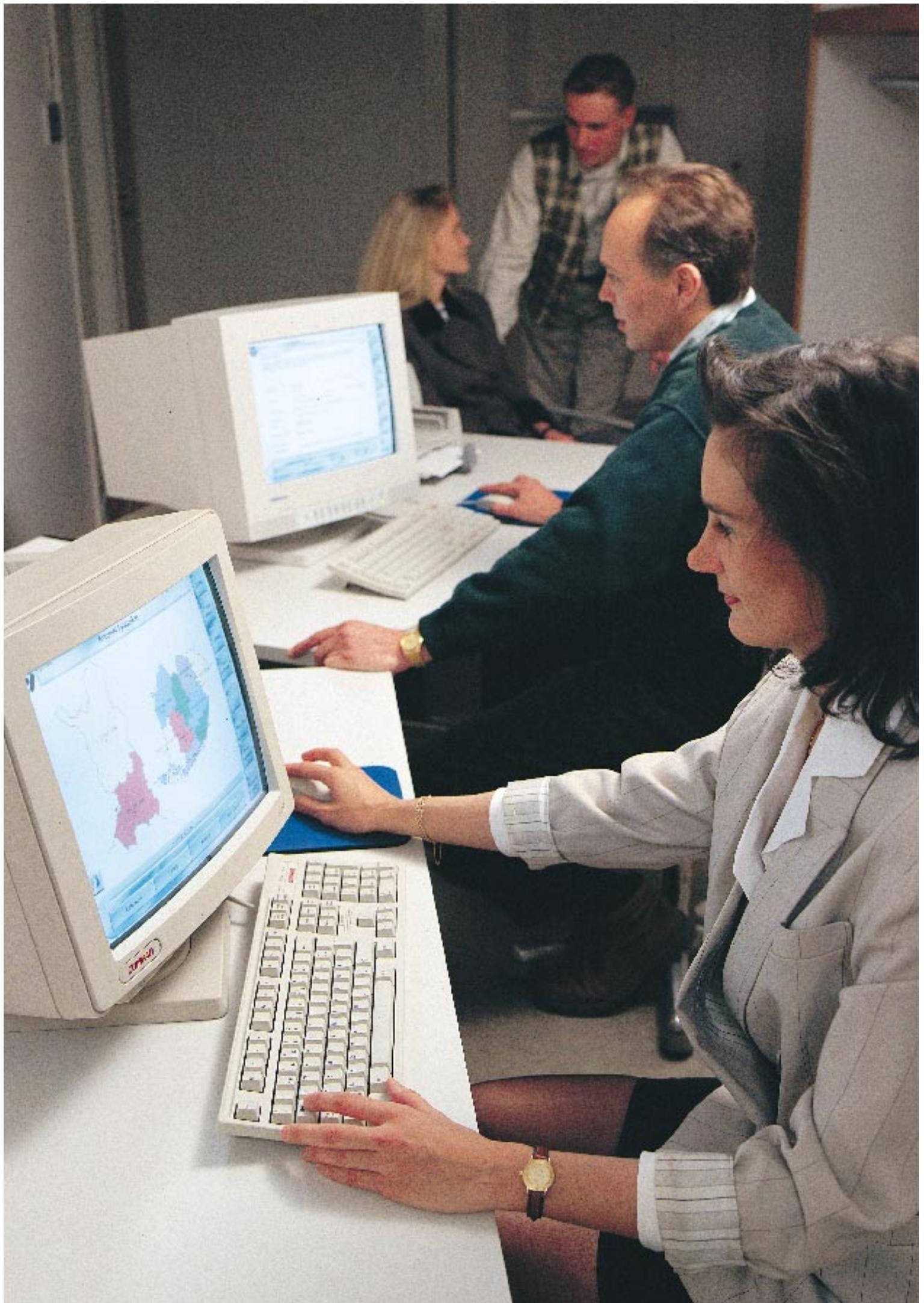
Info-Prima is a program that runs outside of the Prima database and produces staff-related reports and statistics. The database provides indicators of staff structure, turnover, work costs, absences and their costs.

All university central hospitals participate in Info-Prima development.

Telematic subsystems

KT-Datacenter and Helsinki Telephone Company are jointly developing and marketing services based on the use of telephones and telecommunications. Helsinki Telephone Company is responsible for voice automation and KT-Datacenter for application links. The objective is a new concept for developing new services.

Telephone-based services allow the development of new services which are independent



of time and location and may be made liable to charges.

The first actual projects are under way. Helsinki Social Services Bureau implements the system in the form of a messaging system. Mobile workers receive their instructions by phoning a certain number.

The system will allow citizens to call a certain number and cancel a doctor's appointment, give meter readings or reserve material from a public library, to name a few examples.

Customised projects

The new self-service system developed for the use of employment service agencies is easier to use and makes it possible to increase the number of self-service terminals for the customers' use. The *Ipana* system developed by KT-Datcenter was taken into use in autumn 1995.

The customer can use the system to browse information on vacancies intended for publication. In addition to Finnish jobs, the system includes those of Sweden and Norway. The system also enables the customer to search training supported by the labour authorities in Finland.

Self-service terminals are in use in the largest employment service agencies. New terminals will be installed in public libraries, garrisons and other public spaces that can be kept under surveillance.

With the Ipana system, job seekers can have information on jobs in Finland, Sweden and Norway. Self-service terminals are in use in the larger employment agencies.

Kirave is a map system for estate management within the Finnish Ministry of Defence. It consists of integrated estate, building, network and natural resource data. It is possible to go from a map to information on the items or vice versa.

This customer-specific system has unique requirements: all of its parts have to interoperate with other Defence Force systems. The solution must be database independent. Data integrity must be complete. As the system is intended for long-term use, its continuity has to be secured.

KT-Datcenter is also responsible for project management and supplier quality assurance in the project.

Regis is a map and register system being developed for the City of Helsinki. Based on integrated databases, Regis replaces the disparate databases used to date.

The system, due to be implemented in phases over 1996–98, targets lower operational costs, flexible use and quicker, more versatile customer service. The system is based on the results of the Municipality 2000 product development project.

Service development

KT-Datcenter introduces new *Internet services* for clients who do not want to tie up their own resources to manage the use of the World Wide Web. The KT-Net and KT-Web services prevent network burglary and free up the client's server capacity for other uses. The client can focus on utilising the services instead of mastering the required technology.



Product development is continuous dialogue between KT-Datcenter experts and the customers.

The joint *Help Desk service* of KT-Datcenter and Novosys started in late 1995. The service is intended for solving problems in client systems and their operation. The client has one phone number under which he will find assistance in any technical problem situation. Questions can be asked about equipment maintenance, network operation, output or even the use of an application program.

All questions are logged in a database and reported back to the client at regular intervals.



High growth rate continues in the *corporate sector*

Corporate sector strategy:

KT-Datacenter will, on the basis of its own products and services, as well as international products, grow to the position of a significant software integrator with its high level of service and its quality as its main competitive advantages.

Novosys will offer equipment and software to companies, complemented with independent in-depth integration know-how.

Tukiset mainly operates within the small and medium-sized enterprise (SME) sector through a reseller net-

KT-Datacenter has important benefits to offer to corporate clients. We know financial and personnel administration, logistics and materials administration. Another benefit is that our programs flexibly incorporate changes in the client's needs. This combination of know-how and product range gives our clients a unique entity that is both economical and able to create added value.

The chosen strategy has proved to be right. KT-Datacenter has experienced record growth within the corporate sector: parent company turnover in this business increased by more than 60% in 1995. The largest number of new clients were won by

The manufacturer of the world-famous Nauticat motor-sailing vessels, Siltala Yachts in Pöytyä, Finland, uses Sonet software for its financial administration.

equipment services, with names such as ABB Group, property management company Arsenal and mutual insurance Yrittäjainvakuutus-Fennia.

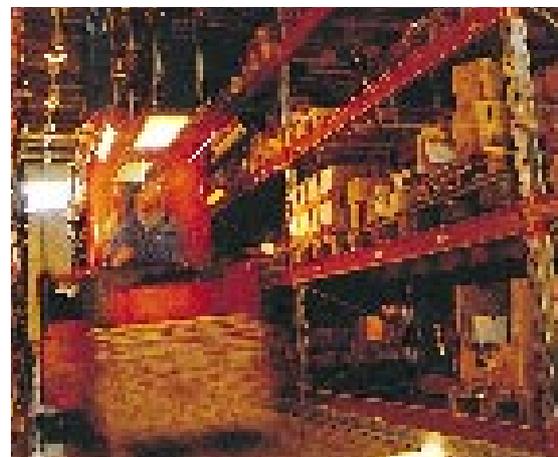
Outsourcing data processing places great demands on the company trusted with the operation. The users of such distributed data systems need more support services, and it is not feasible to incorporate support staff into the client's organisation. KT-Datacenter possesses know-how in many different operating systems and many different operating environments, which allows us to assume total responsibility for the data administration and act as an integrator for the largest corporations. The client can focus on his own business.

Better footing in the SME sector

For small and medium-sized enterprises, the Group has a compact product package called Sonet. This new-generation software package manages the entire information service a SME may need: external and internal accounting, ledger, payroll, materials administration, production control and so on. We are expecting the Sonet software to strengthen our position within the SME sector. The Group already counts some 3,000 SMEs on its customer list.

AdeEko+ is a more heavy-duty system with added possibilities for versatile cost calculations and active financial management. AdeEko+ system is in production use with, for example, the cash-and-carry operation of K-Noutotukku Oy.

For the national airline Finnair, KT-Datacenter implement-



"No product is assembled without bolts, and no service business is created without a good partner." KT-Datacenter planned and implemented an electronic information system for Mercantile Pultti. The EDI system ensures that the right bolts leave the warehouse for the right address.

ed the TaxTop inventory management system. This package, based on client-server technology, monitors the inventory of tax-free goods and controls the packaging function. Other new data management systems include a warehouse system for Amica catering company and a sales system for the car importer Veho.

In 1994, the Group acquired the financial and personnel administration businesses of SyPress Oy, which brought many new clients from the graphic industry. Many major printing companies have subsequently switched to Sonet software.

Emporium, the continuously updated inquiry database that KT-Datacenter operates, continues its operation. The system works electronically and in real time.



Information management know-how at the service of *municipalities*

Municipal sector strategy:

New software and new services improve administrative solutions in municipalities. They support the operation and processes of municipalities and make their service more efficient.

KT-Datcenter has a large offering of software and services for the many needs of local government, from municipal financial administration to library systems.

Our traditions in solving municipal information management problems go back a long time. Over the years, we have accumulated in-depth knowledge of the operation of municipalities. That is why we are able to act as consultants of change.

We have a particularly strong customer base within the largest quarter of municipalities, measured by the number of inhabitants. The smallest quarter, on the other hand, is the strong area of our competitors.

To our local government clients we can offer a secure and economical range of software and services, even in times of change. The offering includes maintenance services far superior to our competitors.

KT-Datcenter offers a powerful range of software and services to all branches of municipal administration.

Primas library system is an integrated system created in cooperation with library professionals that enables the nationwide networking of customer terminals and a real-time mobile library.

Our clients take an active part in our software development. During 1995, the most important municipal sector projects were the Primas applications for the health care and social services and the project management software related to the Municipality 2000 project. One result of the project is the Regis map system based on integrated databases that has the City of Helsinki as its first client.

New bookkeeping from 1997

Municipalities will adopt bookkeeping methods stipulated in the Bookkeeping Act at the beginning of 1997. They are anticipating the change by updating their financial administration systems. The process started in 1995 and will continue in the present year. AdeEko+ software complies with the new requirements and was acquired by many municipalities and related organisations in 1995.

New legislation governing municipalities includes requirements for giving more information. Our new Primas-Media, a client-server based information system, meets the new requirements.

Municipalities have followed the example of the government in setting up service points where citizens can get service from many branches of municipal administration. This makes it easier to visit municipal offices and reduces the time thus far needed for phone calls and queuing for service.

Kuusamo in the North of Finland is a pioneer in municipal information systems. There, Primas-



Adopting new bookkeeping methods from 1997 means a major reform in municipalities.

Media can, for example, be used by a busy housewife to order potatoes direct from a farmer to her kitchen using her home PC.

The increasing demand for services and the dwindling budgets to provide them can be reconciled through the use of Primas-Media. Municipalities can provide more services with less resources.



Challenger in the government and health care markets

Government sector strategy:

KT-Datcenter will become a major player in defined focus areas in the competition to supply government systems.

Health care strategy:

KT-Datcenter will maintain its leading position as a full-service supplier of health care software and information technology services.

A new deal is being forced in government data management. The government-owned VTKK used to have a strong position, and a new competitor, the recently established TT-Tieto, will now upset the entire market.

In the government sector, KT-Datcenter Group is the challenger – a motivating situation to be in. KT-Datcenter's keys to success are in-depth knowledge of financial and personnel administration as well as the functional and easily updated software products. They allow us to provide government agencies an economical and secure service offering. Being a supplier with no ties to hardware manufacturers or system software, we are a safe partner close to the customer in demanding information technology projects.

The KIRAVE system of the Defence Force is an integrated map system including information on estates, buildings, networks and natural resources.

Tailor-made solutions

KT-Datcenter's traditional stronghold is the market for government agencies' financial administration – some 40% of them are our customers.

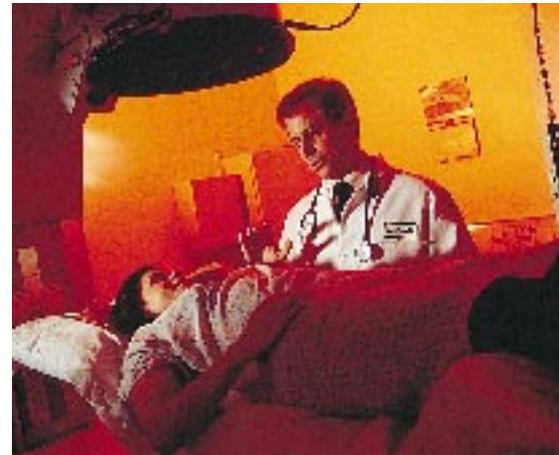
In 1995, personnel administration systems were delivered as well. Based on the Sonet package, a system was tailor-made for the National Board of Navigation, among other customers. A customised materials administration system was delivered to the Frontier Guard. The largest application development project, the client system for the Ministry of Defence, is still going on.

Integration know-how in health care

Information technology finds a multitude of uses in health care, from automation to administrative information systems.

A new service concept, Mediser, was introduced to the health care sector, utilising KT-Datcenter's accumulated integration know-how. Mediser is a service package consisting of software and services from different suppliers. KT-Datcenter is responsible for the core of the patient administration application as well as the software for personnel administration, payroll, financial and materials administration.

In keeping with the Mediser concept, KT-Datcenter assumes total responsibility for information technology solutions. The customised package includes all necessary software, equipment and services – if necessary, training and support included.



The reality in health care is an increasing flow of customers and diminishing possibilities to give them proper service. Information technology brings relief to the situation.

Better know-how in health care financial administration

Some years ago, KT-Datcenter constructed a hospital version of a system intended for municipal personnel administration. Today, Hospital Prima is being used in all university central hospitals and spreading quickly into the health care districts. HospitalPrima has secured a leading position for KT-Datcenter in health care payroll and personnel administration. During 1995, we purchased the financial and materials administration information system operations of Tietosavo, which gave us a sure footing in this systems market.

We are expecting substantial growth in the sector of health care financial administration the present year. We are also aiming at a larger market share.



The greatest *victory* for KT-Datcenter: the quality certificate

What will KT-Datcenter be like in the year 2000? Key elements in achieving continuous growth and profitability are customer orientation and quality thinking in everything we do.

In 1990, KT-Datcenter set itself a goal: the 1995 turnover should be more than FIM 700 million and the number of staff 900. This vision was commonly regarded as utopic.

Today, we notice that the prognosis was in fact fairly accurate. Consolidated turnover for 1995 was FIM 816 million and staff totalled 843.

Over the past five years, both turnover and the number of staff have increased drastically. In 1995, we ran out of office space in the Pitäjänmäki main office, and 50 people moved back to their old premises in the east of town which they had left just two years earlier.

And how will we go on from now? In the year 2000, we will have roughly doubled our turnover. We will have approximately twice today's number of personnel. We will be working internationally, and we will have received a quality award. KT-Datcenter will be a company people will want to be employed by, and our customer service will be better than that of the competition.

The modern head office of KT-Datcenter in Pitäjänmäki in Helsinki houses more than 600 people. This is also where the Group's information technology training facilities are concentrated.

Work continues on the quality system

On 15 June, 1995, Finnish Standards Association SFS awarded its quality certificate to KT-Datcenter's quality system. Our operation fulfils the requirements of the SFS-EN ISO 9001 standard. KT-Datcenter is the first major information technology supplier in Finland who certified its entire operation. The certificate is a token of a systematic approach to quality planning and development. At the same time, it is a challenge: customers and other interest groups are now expecting top quality in everything we do.

Quality is an all-encompassing concept, and quality thinking aims at customer satisfaction. Progress towards the goal is monitored with 30 different measurements, the status of which is available to all staff at all times.

Development of the quality system goes on. The next step is to expand it to cover the operation of our subsidiaries Novosys and Tukiset.

One of the best quality images in the business

A corporate image survey, completed in the spring of 1995 by I.R.O. Research Oy, had good news about how KT-Datcenter is perceived in the marketplace. The image is even better than before. KT-Datcenter was among the best known and most esteemed of all information technology service suppliers included in the survey. We were seen as particularly good at all points concerning customer service and customer orientation.

When these results are compared with those of ten years ago,



The Management Group of KT-Datcenter. From the left: Reijo Koski-Lammi, Matti Partanen, Jorma Kielemniva, Osmo Wilska, Raimo Anttila.

it is as if we were looking at two different companies. In 1985, the then Kunnallistieto was not among suppliers to be taken seriously. Now we were clearly better than the competition in many of the points researched, and shared the first place in all the other points.



The year of Novosys: *continuing growth,* chain begins to take shape

Selling computer technology is selling trust. That is why a uniform image is important, just as the international trademarks.

Together with the rest of the Group companies, Novosys offers synergy benefits: when the other Group companies specialise in software and services, we focus on equipment, communications, operating systems and standard applications.

Novosys represents makes such as Compaq, Digital, Hewlett Packard, IBM, ICL and Toshiba. In addition to hardware, Novosys supplies software products, installation, support and consultation services as well as network and communications expertise everywhere in Finland.

We have the necessary experience and expertise to solve each new challenge as a whole, looking for new viewpoints and alternative solutions.

Novosys's first retail store was opened in April 1995 in Vantaa under the name of Direktori. The Novoshop store opened in Turku in November 1995 marks the beginning of Novosys Oy's chain of stores offering easily understandable, high-quality standard solutions from the world's leading manufacturers to the consumer market. The name of the Vantaa

The first Novoshop retail store for consumers was opened in Vantaa, Finland.

store was also changed to Novoshop. In 1996, new Novoshop stores will be opened in several locations. Novosys operates in 11 locations in Finland through 12 outlets and 17 KT-Datacenter regional service centres.

Cooperation from beginning to end

Practical cooperation with the customer starts by Novosys assuming the role of a consultant when the best data system is being looked for. The result may be a cabling plan, a proposal for network components, a hardware list or an installation scheme.

When the hardware platform has been chosen, the operating systems and application programs are installed. A Help Desk service offers trouble-shooting and telephone support services. Novosys can supply a temporary computer expert to cover support problems during the running-in period of the new system.

1995 highlights

The year just ended was a time of development and growth for Novosys. Turnover exceeded FIM 500 million. 1995 also saw another milestone: we delivered almost 20,000 PCs.

A large-scale project was initiated to ensure operational quality. The target of the project is the ISO 9001 quality certificate.

Changing the organisational model is another major project that started in 1995. Working methods have been developed towards customer-orientated process models that assist the development of customer satisfaction and reaction speed in a



Managing Director Jarmo Kuusivuori.

rapidly changing marketplace. Continuous measurement of customer satisfaction will be a standard part of our operation.

In 1995, we strengthened our skills base and hired new product managers. Consumer sales was developed, deliveries improved and a Help Desk function started jointly with the parent company.

The goals for the coming year of operation are closely linked to customer orientation and competitiveness: customer satisfaction, results, delivery quality, trouble-free operation of the organisation and cooperation, as well as the competitiveness of our operational models, products and services. We are also aiming at continuing growth as an equipment supplier.

Integration know-how is another important competitive factor: as an independent expert, Novosys knows how to combine components supplied by different manufacturers. We will continue to invest in our technical expertise in 1996.



Tukiset on its way to become *the largest* software supplier to small-to-medium-sized enterprises

In 1995, Tukiset Companies bought the business operations of Optimi-Ohjelmistot Oy and streamlined its activities in the new situation.

The agreement to buy the business operations of Optimi-Ohjelmistot Oy was signed on 2 January 1995. The 1994 turnover of Optimi-Ohjelmistot had been approximately FIM 19 million. At the time of the purchase, it employed some 55 people. Measured by these criteria, the company was slightly larger than Tukiset Companies. During the year, we dismantled double organisations and re-focused activities. This is why Optimi-Ohjelmistot experienced a loss of personnel of some 20 people.

According to its business idea, Tukiset Companies aims at being a clear market leader in Finland as the developer and marketer of administrative standard software for the small-to-medium-sized enterprise sector. Market leadership is measured by the number of clients. During 1995, Optimi and Tukiset products were purchased and taken into use by almost 200 new clients. Decisions were made to concentrate on the Tukiset Sonet product family in the private sector and on the Tukiset Status product family in the public administration sector.

Application development utilises modern, efficient tools, including some created by Tukiset itself.

Development objective: a satisfied customer

Intensive development work was begun on our operative processes. The aim is to increase customer satisfaction through increasing the quality of both processes and products. The core business processes are product development, version development, customer service and the delivery process.

The most important projects in product development are industrial production planning and collection of production data, member registration for parishes and maintenance liability control for the municipal sector.

The version development process ensures that our products always meet the requirements of legislation and collective labour agreements and that their content and operation meet our clients' expectations.

The customer service process provides services during the operation of the products. In 1995, support services for the municipal sector were particularly focused on together with KT-Datacenter. The main emphasis in developing the delivery process was on improving our network resources on Tukiset Sonet. In accordance with our product policy, our partners are the primary developers of business-specific add-on applications.

Owing to deep-reaching changes and the financial situation of small companies operating only in the Finnish market, Tukiset Companies failed to reach its 1995 turnover and profitability targets.

1996 - towards quality certification

The principal targets in 1996 for



Managing Director Kari Kontula.

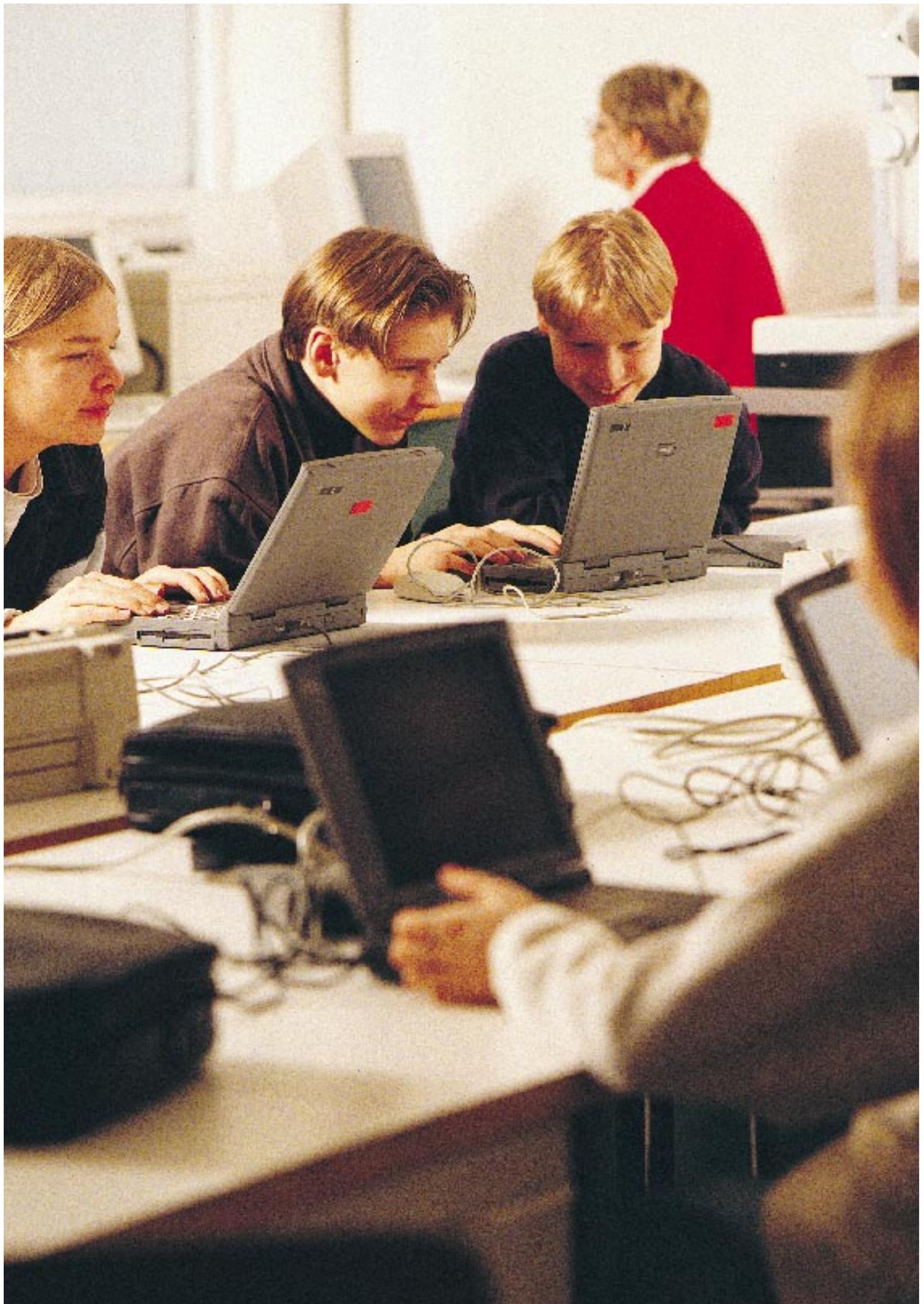
Tukiset Companies are in the areas of profitability, growth and customer satisfaction.

Municipalities will adopt bookkeeping methods stipulated in the Bookkeeping Act on 1 January 1997. This change will create a new market, for which we are developing a new Status version of Sonet software. Its implementation, as that of other new applications, is primarily done by our partners.

Prognoses on the financial development in 1996 of small and medium-sized enterprises operating on the home market and its effect on their software purchases are inconsistent. We believe the market will pick up. The entire network is well prepared for new challenges.

The development of our operational processes will continue. The target is to at least pass an internal audit by year-end and be certified within the Group.

We are looking for network partners who will develop business-specific add-on applications to the Sonet and Status product families.



Finland towards *information society*

In 1994, the government assigned the Ministry of Finance to prepare a national information technology strategy. A committee was set up from among representatives of public administration and the business community. One of the members is the Managing Director of KT-Datacenter, Jorma Kielesseniva.

The strategy aims at supporting the renewal of Finland's ability to survive and thrive as a nation.

The reasons behind this need for renewal are, more than anything else, the integration of the Finnish economy with open world economies undergoing constant change, the unemployment levels never seen before and the crisis in the national economy. However, part of the reason is the pressure towards change that new technologies are bringing about.

The information technology strategy alone will not solve national economic problems, but it will help society and citizens to adjust to the changes necessary to solve the problems.

Information technology the third supporting leg of the economy

The vision put forth in the strategy states that:

- Finland is networked information society; and
- Finland is among international leaders in applying information and communication technologies, and in the information industry.

Will the much-publicised networked economy provide the key to cutting unemployment? Is information technology a key to building up a networked economy? KT-Datacenter actively participates in shaping the national information technology strategy.

National guidelines have been prepared to streamline the combination of the vision, the goals and the strategy. They will also have a bearing to more detailed action plans.

The fourth guideline in the programme requires that all citizens have the possibility and the skills to use the services of information society.

In highly developed societies, computer literacy and the ability to use networks is a basic skill, such as reading or writing. Information systems are used in connection with almost all types of work. Many services are offered via information networks to be used at home or at the workplace, such as banking services or travel bookings. Information networks will be an alternative method of access to more and more services.

Information technology gives more chances to influence decision-making

At the advent of the twenty-first century, citizens will have many new alternatives made possible by information society:

- Everybody will have easy low-cost access to telecommunications networks for information gathering, transactions and communication. Price will not prevent the use of these services.
- All schools in Finland will have information technology equipment suitable for teaching purposes and access to telecommunication networks.
- All public libraries in Finland will have terminals everybody can use for self-service and lifelong education purposes.
- High-quality material will be

available for educational institutions and individual self-developing free of charge or at a reasonable price through information networks.

- A computer driving licence will be in widespread use in Finland as proof of people's information technology skills. Different versions exist for different purposes.

Reform with joint forces

The implementation of the information technology strategy should primarily be seen as an investment in the renewal of Finland.

A minimum of 0.2% of GNP or some one billion Finnmarks should be allocated for this purpose above the normal development and operating activities. The largest part of this investment will take place in normal business fashion to meet increasing demand.

The government's responsibility is to create a framework to make the reform possible. The annual budgets will be influenced by the desired speed of the implementation. The largest amount of budget money will be needed to equip the schools and the libraries with sufficient information technology. Other parts of the project can be financed through a more careful allocation of appropriations. Large-scale development projects and information campaigns will require separate financing.

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