

Samlink

ANNUAL REPORT 1997



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KEY FIGURES

Samlink Ltd is a solid expert on information technology solutions and other support services to the financial sector. Our areas of operation are retail banking systems, securities, payment services and systems, and solution sales products.

| Samlink Ltd | 1997 | 1996 | 1995 |
|--|-------|-------|-------|
| Annual sales, FIM mil. | 193.8 | 180.9 | 204.6 |
| Operating margin, FIM mil. | 25.1 | 29.3 | 39.9 |
| % of annual sales | 12.9 | 16.2 | 19.5 |
| Profit before reserves and taxes, FIM mil. | 9.4 | 15.4 | 25.9 |
| % of annual sales | 4.8 | 8.5 | 12.7 |
| Return on Investment, % | 11.3 | 18.6 | 34.1 |
| Profit/share, FIM | 47.6 | 84.7 | 156.0 |
| Equity/share, FIM | 457.5 | 449.9 | 389.1 |
| Investments, FIM mil. | 29.3 | 10.4 | 9.0 |
| Solvency ratio, % | 50.3 | 51.5 | 42.4 |
| Staff at end of year | 223 | 203 | 213 |

MANAGING DIRECTOR'S REVIEW



The dramatic structural shake-up in the financial sector continued during the year. There were historic changes within the Finnish banking field and a definite blurring of sector boundaries. These developments bear out the general predictions made about the effects of European integration and market liberalisation, but their faster than expected pace, more erratic nature and deeper scope took analysts by surprise. One of the more significant market changes from Samlink's perspective was the formation of the Local Cooperative Bank Group

More and more financial service companies are switching over to information networks since the general infrastructure, home micro-computer capabilities, rational modes of payment and positive attitudes toward technology in Finland provide an ideal setting for this type of financial service provision. For the moment, the commitment of service providers to the Year 2000 and Euro projects ties up resources required for developing network-supplied services. Samlink, however, rose to the big information network challenge by offering new Internet banking services in 1997.

In keeping with its overall strategy, Samlink focused on developing and providing services to promote its customer banks' business activities. In order to reinforce the company's customer-oriented business approach, in-company development and the cooperation between the joint teams of the Savings Banks Association, the savings banks and Samlink were emphasised. According to the large-scale customer satisfaction survey carried out in the autumn of 1997, users gave Samlink's services the top rating as regards their quality and performance.

Samlink's past year of operations was a period of major development projects and undertakings. As far as our problem-solving, renewal and technology exploitation capacity are concerned, we were put through our paces not only in the Year 2000, Euro and workstation system projects but also during the customer and account data

transfer project carried out for regional cooperative banks.

The preparations for the introduction of the single European currency require significant input by experts. In close cooperation with our customer banks, we managed to agree on the basic solutions to be employed in designing the data systems. The transitional period for introducing the euro spans several years and places great demands on planning, co-ordination and cooperation with customer banks.

The approaching turn of the millennium issues a challenge for the reliable and proper functioning of data systems. Our Year 2000 project, intended to ensure a smooth transition of operations into the next millennium, has progressed according to plan. Testing the compatibility and operating of all system elements will be the most crucial phase of this project.

Our workstation project reached the testing stage. When the new system is commissioned during 1998, the offices of Samlink's customer banks will be totally re-equipped, enabling them to further develop their own operations and customer service.

When the Local Cooperative Bank Group was established in April 1997, it did not take long for a cooperation agreement between regional cooperative banks, Samlink and savings banks to be reached. This cooperation agreement significantly expands Samlink's service operations. The contribution by regional cooperative banks to this volume increase is approx. 40%. The related service transfer project was launched in the autumn of 1997 and the concrete transfers of customer and account data are to take place in the autumn of 1998.

Samlink's positive development continued. As the operations of our customer banks keep expanding, so does their demand for our services. This growing service provision allowed Samlink to adjust its pricing

downwards. The financial result for the accounting period was in line with shareowner requirements even though it was burdened by major investments in large projects, in software and hardware acquisitions necessary for upgrading the workstation system as well as in the support and training services facilitating the commissioning of the workstation system during 1998.

The company's product range was broadened and developed to meet the business requirements of our customer banks. The Internet payments services initiated in October proved very popular and reached the 10,000 user mark by the end of the year.

The prerequisite for attaining goods results in a networked operation is maintaining close cooperation between customers and partners. Thanks partly to Samlink's tight-knit constructive cooperation with customers and strategic partners, the company managed to attain its operative goals during the year.

Our knowledgeable and motivated staff contributed a great deal towards achieving the corporate goals set. During the period under review, Samlink employees fulfilled all expectations in producing the services and carrying out the development projects required by our customer banks. At the same time, personnel knowhow was expanded and deepened. Despite the increasing demand for IT expertise, the staff turnover at Samlink remained at a low level. My thanks go to each and every Samlink staff-member for their important and skilled contribution; together we can accomplish very much indeed.

Espoo, 13th February 1998

Tapio Saarelainen

SAMLINK'S BUSINESS OPERATIONS

BUSINESS TRENDS

Samlink's business activities developed favourably during the year. Thanks to the successful operations of our basic clientele, the savings banks, their demand for IT services clearly increased. The growth was most marked in machine-language payment and self-service transactions and sufficient to allow Samlink to adjust its service prices downward.

The local cooperative banks opting out of the Cooperation Bank Association decided to procure their IT and other banking support services from Samlink in the future. A skeleton agreement stipulating the terms was signed in April 1997. The aim is to transfer the customer data of local cooperative banks into Samlink's data systems and initiate service provision by the end of 1998. The expanding user base will significantly enhance the company's development potential and thanks to economies of scale benefit all service users in the form of reduced prices.

DEVELOPMENT PROJECTS

As far as customer service is concerned, the most important development project was the construction of the new Windows NT based workstation system which progressed into the pilot phase on schedule. The system will for years to come provide the technical basis for the development of value added services essential for our customer banks' business activities. The workstation system is also the largest software and hardware investment in Samlink's corporate history. The system will be commissioned in both savings and local cooperative banks during 1998.

The introduction of the European single currency will bring about changes in many of the company's data systems, interbank cover transfers as well as statutory reporting. The scope and the practical measures to implement these changes starting from the beginning of 1999 were charted during an EMU-related project.

The Year 2000 project, intended to ensure a smooth transition of operations into the next millennium, progressed in all systems areas. Since Samlink uses fairly recently developed systems, less modification work will be needed than usual. Debugging all the systems will, however, take over 10 man-years and temporary outside labour will be engaged to perform some of the work.

The customer data transfer project of local cooperative banks entered the initial mapping phase. Actual data transfers and service commissioning will take place some time in 1998. A great deal of specialist input is required to complete this large-scale transfer project, critical for bank customer service. Samlink has gained the competence necessary for this undertaking during previous structural changes within the banking

sector. This local cooperative bank project calls for more personnel resources, mostly in the form of temporary service commissioning work.

NEW PRODUCTS, SERVICES AND CUSTOMERS

Our savings bank customers were offered an Internet payments system in the autumn of 1997 and the new service proved very popular. In constructing the system, the data security problems associated with an open data network were especially addressed.

The lending system continued to undergo renewal and e.g. features supporting subsidised-interest loan management were incorporated. The first batches of existing subsidised-interest loans were transferred over from the old special loans system.

A home-computer credit line facility was introduced. The payment system was further developed by initiating night-time payment runs.

The structure of the deposit system became even more product-based, covering now also accounting printouts. A new feature facilitating the transfer of old current account funds into the deposit system was introduced.

The Suomen Arvopaperikeskus Oy securities company launched planning projects related to the proposed centralisation of book-entry securities registers and contracts between market players. Samlink participated actively in these projects as the register keeper. The company started offering book-entry and insider register services to local cooperative banks in the autumn of 1997. The Samstock asset portfolio management software was utilised in the company's and its customer banks' investment portfolio accounting and user licences were sold and adapted to new customers.

The real-time POPS system for transferring express giros and cheques incorporated new procedures for major FIM interbank payment transactions. The system was expanded to process central bank cheques and bank drafts. A large technical improvement was realised in machine-language customer services when a new UNIX-based foreground system, Pankkilinja, was introduced.

The statutory reporting services were broadened to match the new requirements by authorities. In keeping with its strategy, Samlink decided to focus on the services provided to its core customers and sold the rights to its Virlink system designed for statutory reporting to TT Tieto Oyj. The charting and development work in the field of management planning and monitoring systems carried out in cooperation with end user representatives resulted in e.g. a proposal for selecting a new budgeting system.



At the Talous (Economy) '97 event in May and the Sijoitus-Invest '97 event in October, Samlink presented its multi-bank Windows-based interchange programme as well as multi-purpose Windows-based Samstock programmes, designed for use by investment experts.

SERVICE QUALITY

In our customer banks' assessment, the standard and quality of Samlink's services remained, as in previous years, relatively high and rated over 3.5 on a scale of 1 to 4. During 1997, the first ever customer satisfaction survey covering 200 users interviewed over the phone was conducted by an external research firm. Users gave Samlink an excellent appraisal in this study.

The average availability of the ADP systems during banking hours stood at the peak level of 99.5% over the year (compared with 99.4% for 1996). The availability of user and printout services fulfilled the high quality requirements set.

The first quality manager, responsible for the future development of the quality assurance system, was nominated at Samlink.

PARTNERS

Savings banks, our close partners, constitute the core clientele of Samlink. The systematic teamwork practice initiated with savings banks is intended to ensure that user views are better reflected in service development. In 1997, representatives for our new customer group, the local cooperative banks, started participating in the joint teamwork groups.

Samlink participated in the cooperation between bank groups e.g. in EMU-related projects arranged through the Banking Association.

The production service cooperation as well as statutory

reporting and the Year 2000 project were continued and developed in collaboration with TT Tieto Oyj.

ICL Data Oy was Samlink's major partner in developing the workstation system and ATM (cash and automatic payment terminal) services.

Samlink continued as a Quality Partner of SAS Institute Oy.

PERSONNEL AND ADMINISTRATION

The strategic and operational development project launched within Samlink during 1997 reached all organisational levels in the form of cooperation training and resulted in the establishment of five company-wide strategic teams.

As part of the new workstation system, the intra-company LAN (local area network) and workstations were renewed. The workstation project and other intensified development efforts led to a major emphasis on improving personnel skills during the year.

Natural wastage remained at a low 3.8%. During the year, 32 new employees were engaged, 8 of them having an employment contract of definite duration. Most of those hired are experienced professionals, but in the spring of 1997 new talent just starting out in the working world were taken on. Despite all the recruiting, the company's permanent staff at the end of the year is at the same level as in 1994, the year of Samlink's founding.

A separate personnel report is included in Samlink's 1997 annual report.



Samlink's customer base expanded significantly during the year after local cooperative banks decided to obtain their IT and other banking support services from Samlink.



The new Internet banking service was introduced in October 1997. By the turn of the year, over 10,000 savings bank customers had already started using the service.

ANNUAL STATEMENTS

BOARD OF DIRECTORS' REPORT

COMPANY'S FIELD OF OPERATION AND SHAREHOLDERS

Samlink Ltd's corporate mission is to serve companies and associations operating in the banking and finance sectors. The company offers marketing, development, information technology, payment transaction, securities, book-entry securities and other services to support especially banking and financial operations and related customer service. It is also engaged in the sale and hiring of requisite hardware and equipment.

Samlink founded a wholly owned subsidiary, Samerka Ltd, during the accounting period. Samerka is in the business of purchasing, selling and leasing banking-related equipment, technical support and software packages. Since the company had no actual operations during the accounting period under review, consolidated financial statements were not drafted. This has, however, no appreciable effect on the assessment and analysis of the 1997 closing of the accounts.

There were no changes in the ownership structure of Samlink during the period. The company's largest shareholders were:

| Number of shares and votes | |
|---------------------------------|----------------|
| 31.12.1997 | |
| TT Tieto Oyj | 39,563 |
| Aktia Säästöpankki Oyj | 27,615 |
| Etelä-Karjalan Säästöpankki | 11,810 |
| Säästöpankki Optia | 7,730 |
| Länsi-Uudenmaan Säästöpankki | 7,212 |
| Someron Säästöpankki | 3,756 |
| Liedon Säästöpankki | 3,296 |
| Närpiön Säästöpankki | 3,058 |
| Ekenäs Sparbank | 2,124 |
| Parkanon Säästöpankki | 2,085 |
| 10 largest owners in all | 108,249 |
| Other owners (31) | 29,251 |
| Total shares | 137,500 |

BUSINESS OPERATIONS

The company signed a major ADP and banking support service agreement with local cooperative banks left outside the Cooperative Bank Consortium. These 44 cooperative banks will become Samlink's IT clients in the autumn of 1998. The requisite design work and transfer preparations were started. The new business generated by these cooperative banks represents an estimated 40% expansion of Samlink's volume of operations.

In keeping with its strategy, Samlink focused on the

services provided to its largest customer group, the savings banks. The company sold its Virlink system designed for statutory reporting to TT Tieto Oyj. After the closing of the annual accounts, a decision was taken to sell off the Samstock asset portfolio management product. It would not have been financially viable owing to the poor input/output ratio to continue offering these services, which mostly go to non-core customers.

The level of use of the basic banking system services and machine-language customer links increased considerably. The prices of the company's services were reduced by almost 5%. The availability and interference resistance of our services remained high and user satisfaction, measured by means of a weekly service barometer, was excellent.

ANNUAL GENERAL MEETING

The annual general meeting of shareholders was held on 18th March 1997.

TURNOVER

The company's net sales were divided by sector as follows (in FIM millions):

| | 1997 | 1996 |
|---------------------------|--------------|--------------|
| System services | 102.3 | 90.4 |
| Other services | 8.9 | 9.9 |
| Consultancy and training | 12.1 | 9.9 |
| Equipment hire services | 14.8 | 20.5 |
| Sales of goods | 16.5 | 11.6 |
| Direct securities trading | 16.4 | 12.8 |
| Mailing charges | 9.4 | 8.3 |
| Other revenue | 13.4 | 17.5 |
| Total | 193.8 | 180.9 |

BUSINESS RESULT AND BALANCE SHEET DATA

The profit before appropriations and taxes amounted to FIM 9.4 million, or 4.8% of sales. The company attained its profit target.

The operating margin totalled FIM 25.1 million, or 12.9% of sales.

The balance sheet total was FIM 125.0 million.

The equity ratio equalled 50.3% and the return on investment (ROI) 11.3%.

HUMAN RESOURCES

The corporate personnel averaged 212 employees.

The average age of staff-members was 43.1 years, those with a vocational institute, college or academic background accounted for 77%, and employees had an average of 14.1 years of experience in the sector.

During the year, especially the tool training relating to the workstation project and teamwork training relating to the corporate development project were prioritized.

SALARIES AND WAGES PAID

The members of Samlink Ltd's Board of Directors and the Managing Director were paid remuneration and emoluments in the amount of FIM 1,089,862. Management received perquisites totalling FIM 34,460. The rest of the personnel were paid FIM 48,663,825 in salaries and remuneration and FIM 222,290 in perquisites.

CAPITAL SPENDING AND SALE OF FIXED ASSETS

The company's gross capital outlays totalled FIM 29.3 million, of which equipment rented to customer banks accounted for FIM 1.8 million, software for FIM 14.8 million, microcomputers and servers for FIM 8.8 million and other fixed assets for FIM 3.9 million. The gross sales of fixed assets totalled FIM 0.4 million.

RESEARCH AND PRODUCT DEVELOPMENT

The new bank workstation development project launched in 1996 progressed according to plan. The system will be commissioned in 1998 in both savings and cooperative banks. The project and the related development and testing environments will entail considerably higher capital spending than in previous years.

A new Internet-based payment service was developed and taken into production use. The service soon surpassed the 10,000 end-user mark.

The Year 2000 project reached the implementation stage. Outside programmers also participated in the work.

A project in anticipation of the single currency (the

Euro) and, among other things, consequent changes in statutory reporting duties was initiated to ensure the proper functioning of basic banking service systems in the Euro environment starting 1999.

The project for combining the Finnish markka and foreign currency credit systems proceeded according to plan.

Development projects were charged to expenditure in their entirety.

DEPRECIATION

Allowance for depreciation was made according to plan, based on the expected useful life of the fixed assets.

PENSION LIABILITIES

The statutory pensions (employment pensions) of the company's employees were administered by the Vakuutusyhtiö Verdandi Oy insurance company. The company does not have any uncovered pension liability.

PROSPECTS FOR 1998

The volumes of basic banking system services provided by the company are expected to increase markedly during the last quarter of 1998 when the agreement with local cooperative banks comes into effect. The current year's profit situation appears promising and will enable Samlink to lower its customer prices. Major projects include commissioning of the new workstation system, beating the Millennium Bug and managing the introduction of the single currency.



The Kauniainen branch office of Aktia savings bank. The new office system will be commissioned in all savings and local co-operative bank offices in the course of 1998.



Training for the new office workstation system, QuickStep, started during the year. A group of savings bank representatives familiarising themselves with cash register management under the guidance of Raija Lemlin. During the year, a total of 180 savings bank employees went through this training programme which will continue throughout 1998.

STATEMENT OF PROFIT AND LOSS

| | 1.1.-31.12.1997 | 1.1.-31.12.1996 |
|---|----------------------------|-----------------------------|
| | FIM | FIM |
| TURNOVER | 193,840,653.28 | 180,939,242.96 |
| OTHER BUSINESS REVENUE | 957,750.00 | 41,460.00 |
| EXPENDITURE | | |
| Materials, equipment and supplies | | |
| Purchases during accounting period | 27,726,350.90 | 19,697,461.26 |
| Change in stock | -1,160,322.18 | 703,904.48 |
| Outside services | 4,388,033.70 | 1,950,717.75 |
| Personnel costs | 68,245,437.71 | 66,605,240.07 |
| Rents | 9,539,636.12 | 8,877,057.99 |
| Other expenses | 60,968,430.54 | 53,830,538.43 |
| TOTAL EXPENDITURE | <u>169,707,566.79</u> | <u>151,664,919.98</u> |
| OPERATING MARGIN | 25,090,836.49 | 29,315,782.98 |
| Depreciation on fixed assets and other long-term expenses | 15,988,124.15 | 14,710,745.52 |
| OPERATING MARGIN | 9,102,712.34 | 14,605,037.46 |
| FINANCIAL INCOME AND EXPENSES | | |
| Interest income from short-term investments | 1,988,852.09 | 3,297,654.78 |
| Interest expenses | -1,703,737.02 | -2,458,247.85 |
| Other financial expenses | 0.00 | 0.00 |
| TOTAL FINANCIAL INCOME AND EXPENSES | <u>285,115.07</u> | <u>839,406.93</u> |
| PROFIT BEFORE EXTRAORDINARY ITEMS | | |
| APPROPRIATIONS AND TAXES | 9,387,827.41 | 15,444,444.39 |
| INCIDENTAL INCOME AND EXPENSES | | |
| Incidental income | 0.00 | 0.00 |
| Incidental expenses | 0.00 | 0.00 |
| TOTAL INCIDENTAL INCOME AND EXPENSES | <u>0.00</u> | <u>0.00</u> |
| PROFIT BEFORE ALLOCATIONS AND TAXES | 9,387,827.41 | 15,444,444.39 |
| Change in depreciation differential | 0.00 | 754,318.89 |
| Direct taxes | | |
| for accounting period | -2,838,000.00 | -4,540,564.23 |
| for previous accounting period | 2,590.59 | -7,552.32 |
| ACCOUNTING PERIOD PROFIT | <u><u>6,552,418.00</u></u> | <u><u>11,650,646.73</u></u> |

BALANCE SHEET

| | 31.12.1997 | 31.12.1996 |
|---|------------------------------|------------------------------|
| | FIM | FIM |
| ASSETS | | |
| FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS | | |
| Intangible assets | | |
| Intangible rights | 15,230,807.67 | 977,464.83 |
| Business value (goodwill) | 0.00 | 5,250,000.00 |
| Other multi-period expenses | 0.00 | 0.00 |
| | <u>15,230,807.67</u> | <u>6,227,464.83</u> |
| Tangible assets | | |
| Machinery and equipment | 21,548,835.32 | 19,426,779.34 |
| | <u>21,548,835.32</u> | <u>19,426,779.34</u> |
| Fixed assets securities and other long-term investments | | |
| Shares of subsidiaries | 2,000,000.00 | |
| Stocks and shares | 457,488.00 | 457,488.00 |
| | <u>2,457,488.00</u> | <u>457,488.00</u> |
| QUICK AND CURRENT ASSETS | | |
| Current assets | | |
| Goods | 2,373,710.26 | 1,538,975.26 |
| Other current assets | 900,975.33 | 575,388.15 |
| | <u>3,274,685.59</u> | <u>2,114,363.41</u> |
| Receivables | | |
| Sales receivables | 17,009,449.11 | 14,147,558.40 |
| Prepaid expenses and accrued revenue | 3,992,748.09 | 3,643,778.46 |
| Other receivables | 4,416,434.66 | 3,532,660.26 |
| | <u>25,418,631.86</u> | <u>21,323,997.12</u> |
| Current asset securities | | |
| Other securities | 32,455,635.13 | 52,980,050.52 |
| Cash and cash equivalents | <u>24,649,743.64</u> | <u>17,695,939.01</u> |
| TOTAL ASSETS | <u><u>125,035,827.21</u></u> | <u><u>120,226,082.23</u></u> |

| | 31.12.1997 | 31.12.1996 |
|---------------------------------------|------------------------------|------------------------------|
| | FIM | FIM |
| LIABILITIES | | |
| SHAREHOLDERS' EQUITY | | |
| Restricted equity | | |
| Share capital | 13,750,000.00 | 13,750,000.00 |
| Reserve fund | <u>18,250,000.00</u> | <u>18,250,000.00</u> |
| | 32,000,000.00 | 32,000,000.00 |
| Non-restricted equity | | |
| Retained earnings | 24,354,566.60 | 18,203,919.87 |
| Accounting period profit | <u>6,552,418.00</u> | <u>11,650,646.73</u> |
| | 30,906,984.60 | 29,854,566.60 |
| APPROPRIATIONS | | |
| Accumulated depreciation differential | 0.00 | 0.00 |
| BORROWED CAPITAL | | |
| Long-term liabilities | | |
| Loans from financial institutions | <u>36,120,000.00</u> | <u>36,120,000.00</u> |
| | 36,120,000.00 | 36,120,000.00 |
| Short-term liabilities | | |
| Advances received | 0.00 | 0.00 |
| Accounts payable | 7,492,540.09 | 3,812,098.24 |
| Accrued expenses and prepaid revenue | 18,516,302.52 | 18,439,417.39 |
| Other short-term debt | <u>0.00</u> | <u>0.00</u> |
| | 26,008,842.61 | 22,251,515.63 |
| TOTAL LIABILITIES | <u><u>125,035,827.21</u></u> | <u><u>120,226,082.23</u></u> |

STATEMENT OF CHANGES IN FINANCIAL POSITION

| | 1997 | 1996 |
|--|-----------------------|----------------------|
| | FIM | FIM |
| SOURCES OF FUNDS | | |
| Internally generated funds | | |
| Net result | 6,552,418.00 | 11,650,646.73 |
| Depreciation | 15,988,124.15 | 14,710,745.52 |
| Change in reserves | 0.00 | -754,318.89 |
| Capital loss/profit on fixed asset sales | -207,750.00 | -41,460.00 |
| Total income financing | 22,332,792.15 | 25,565,613.36 |
| Change in long-term current assets | 0.00 | 0.00 |
| Sale of fixed assets | 380,812.11 | 87,448.52 |
| Increase in long-term liabilities | 0.00 | 0.00 |
| Share issue | 0.00 | 0.00 |
| | <u>22,713,604.26</u> | <u>25,653,061.88</u> |
| APPLICATION OF FUNDS | | |
| Investments/capital spending | 29,286,585.08 | 10,421,973.47 |
| Repayment of long-term debts | 0.00 | 3,880,000.00 |
| Distribution of dividend | 5,500,000.00 | 3,300,000.00 |
| | 34,786,585.08 | 17,601,973.47 |
| Change in net working capital | -12,072,980.82 | 8,051,088.41 |
| | <u>22,713,604.26</u> | <u>25,653,061.88</u> |
| CHANGE IN NET WORKING CAPITAL | | |
| Cash and bank deposits | 6,953,804.63 | -11,968,423.25 |
| Short-term current assets | 4,094,634.74 | 35,016,431.57 |
| Current assets | 1,160,322.18 | -703,904.48 |
| Current asset securities | -20,524,415.39 | -25,494,766.57 |
| Short-term borrowed capital | -3,757,326.98 | 11,201,751.14 |
| | <u>-12,072,980.82</u> | <u>8,051,088.41</u> |
| Net working capital as per 1st Jan | 71,862,834.43 | 63,811,746.02 |
| Net working capital as per 31st Dec | <u>59,789,853.61</u> | <u>71,862,834.43</u> |

FOOTNOTES TO BALANCE SHEET, 31ST DECEMBER 1997

| | 1997 | 1996 |
|--|----------------------|---------------------|
| | FIM | FIM |
| PERSONNEL COSTS AND PERQUISITES | | |
| Salaries, pension and other compulsory and optional social costs charged to expenditure as well as the taxation value of perquisites | | |
| Salaries and wages | 50,439,001.77 | 48,992,912.27 |
| Perquisites | 256,750.00 | 269,621.16 |
| Pension costs | 8,216,103.96 | 8,361,589.48 |
| Other personnel costs | <u>9,590,331.98</u> | <u>9,250,738.32</u> |
| Total | 68,502,187.71 | 66,874,861.23 |
| DEPRECIATION ACCORDING TO PLAN | | |
| Other long-term expenditure | 5,726,771.10 | 5,582,551.38 |
| Machinery and equipment | <u>10,261,353.05</u> | <u>9,128,194.14</u> |
| Total | 15,988,124.15 | 14,710,745.52 |
| Depreciation differential | | |
| Machinery and equipment | 0.00 | -754,318.89 |
| DEPRECIATION PERIODS ACCORDING TO PLAN | | |
| Business value (goodwill) | | 4 years |
| Microcomputers (used) | | 24 months |
| - new acquisitions | | 36 months |
| Mainframes (used) | | 24 months |
| Mini computers (used) | | 24 months |
| - new acquisitions | | 36 months |
| Central printers (used) | | 24 months |
| - new acquisitions | | 36 months |
| Vehicles (used) | | 24 months |
| - new acquisitions | | 48 months |
| Office machinery | | 36 months |
| Other machinery and equipment | | 36 months |
| Hired equipment: | | |
| Terminals, 3 and 5 items | | 36 months |
| Automatic cash terminals | | 48 months |
| - new acquisitions | | 60 months |
| Automatic payments terminals | | 60 months |
| Other hired equipment | | 36 months |
| New terminal hardware/test hardware | | 36 months |
| Intangible rights/software programs | | 4 years |
| - new acquisitions | | 48 months |

| | 1997 | 1996 |
|--|---------------------|----------------------|
| | FIM | FIM |
| SHAREHOLDERS' EQUITY | | |
| Share capital | | |
| 1st Jan | 13,750,000.00 | 13,750,000.00 |
| 31st Dec | 13,750,000.00 | 13,750,000.00 |
| Reserve fund | | |
| 1st Jan | 18,250,000.00 | 18,250,000.00 |
| 31st Dec | 18,250,000.00 | 18,250,000.00 |
| Non-restricted equity | | |
| 1st Jan | 29,854,566.60 | 21,503,919.87 |
| Distributed dividend | -5,500,000.00 | -3,300,000.00 |
| Accounting period result | <u>6,552,418.00</u> | <u>11,650,646.73</u> |
| 31st Dec | 30,906,984.60 | 29,854,566.60 |
| Total shareholders' equity | 62,906,984.60 | 61,854,566.60 |
| Non-restricted equity (distributable as dividends) | 30,906,984.60 | 29,854,566.60 |
| Consolidated non-restricted equity (distributable as dividends), pro forma figure only | 30,905,166.60 | |
| CONTINGENT LIABILITIES | | |
| Pledges and contingent liabilities | | |
| Pledges on own liabilities | | |
| Investment deposit | 1,174,800.00 | 1,174,800.00 |
| Other contingent liabilities | | |
| Leasing liabilities | <u>236,829.00</u> | <u>284,989.60</u> |
| Total | 1,411,629.00 | 1,459,789.60 |

| | 1997 | 1996 |
|---|-----------------------|-----------------------|
| | FIM | FIM |
| FIXED ASSETS AND OTHER MULTI-PERIOD EXPENSES | | |
| Intangible and tangible assets | | |
| Intangible assets | | |
| Acquisition costs as per 1st Jan | 22,663,270.29 | 21,813,289.90 |
| Increases | 14,771,809.88 | 849,980.39 |
| Deductions | -41,695.94 | 0.00 |
| Acquisition costs as per 31st Dec | <u>37,393,384.23</u> | <u>22,663,270.29</u> |
| Accumulated depreciation | <u>-22,162,576.56</u> | <u>-16,435,805.46</u> |
| Book value as per 31st Dec | 15,230,807.67 | 6,227,464.83 |
| Depreciation differential as per 31st Dec | 0.00 | 0.00 |
| Tangible assets | | |
| Machinery and equipment | | |
| Acquisition costs as per 1st Jan | 38,455,666.99 | 29,000,462.43 |
| Increases | 12,432,275.20 | 9,571,993.08 |
| Deductions | -427,945.63 | -116,788.52 |
| Acquisition costs as per 31st Dec | <u>50,459,996.56</u> | <u>38,455,666.99</u> |
| Accumulated depreciation | <u>-29,290,240.70</u> | <u>-19,099,687.65</u> |
| Accumulated depreciation on deductions | <u>379,079.46</u> | <u>70,800.00</u> |
| Book value as per 31st Dec | <u>21,548,835.32</u> | <u>19,426,779.34</u> |
| Depreciation differential as per 31st Dec | 0.00 | 0.00 |
| STOCKS AND SHARES | | |
| Shares in subsidiaries | | |
| Samerka Ltd | | |
| Number of shares as per 1st Jan | 0 | 0 |
| Number of shares as per 31st Dec | 1000 | 0 |
| Book value as per 31st Dec | 2,000,000.00 | 0.00 |
| Nominal value | 1,000,000.00 | 0.00 |
| Ownership share | 100% | 0.00 |
| Other stocks and shares | | |
| Helsinki Telephone Company | | |
| Number of shares as per 1st Jan | 150 | 150 |
| Number of shares as per 31st Dec | 150 | 150 |
| Book value as per 31st Dec | 457,488.00 | 457,488.00 |
| Nominal value | 705,000.00 | 705,000.00 |
| Taxation value | 750,000.00 | 450,000.00 |

ACCOUNTING PERIOD RESULT AND ITS ALLOCATION

The profit for the period amounts to FIM 6,552,418.00. The non-restricted equity stands at FIM 30,906,984.60 and the consolidated non-restricted equity, if a consolidated annual report had been drafted, at FIM 30,905,166.60. The Board of Directors proposes to the Annual General Meeting of Shareholders that

- FIM 6,875,000.00 be divided among the shareholders at FIM 50 per share
- FIM 24,031,984.60 of earnings be retained.

Espoo, 26th February 1998

BOARD OF DIRECTORS

| | |
|--|------------------|
| Markku Ruutu Chairman | Erik Bärnas |
| Timo Hanttu | Kim Henriksson |
| Johan Horelli | Veli Pohjolainen |
| Pentti Suvanto | Juhani Virtanen |
| Tapio Saarelainen Managing Director | |

The final accounts were drawn up in accordance with good accounting practice.
An audit report relating to the inspection of the 1997 accounts was issued today.

Espoo, 3rd March 1998

SVH Coopers & Lybrand Oy
Association of Chartered Accountants

| | |
|---------------------------------------|---------------------------------------|
| Joe Sundholm, Chartered Accountant | Juha Tuomala, Chartered Accountant |
|---------------------------------------|---------------------------------------|

AUDITORS' REPORT

TO THE SHAREHOLDERS OF OY SAMLINK AB

We have audited the accounting records, final accounts and management of Oy Samlink Ab during the accounting period between January 1, 1997 and December 31, 1997. The financial statements drafted by the Board of Directors and the Managing Director consist of the Board of Director's report on business activities, statement of profit and loss, balance sheet and explanatory notes to the above statements. Based on the results of our audit, we now issue a statement concerning the closing of the accounts and corporate management.

The audit was carried out in accordance with generally accepted auditing principles. The accounting records and the principles applied in closing the accounts as well as their contents and presentation were reviewed to an extent necessary for determining that they do not contain errors or omissions. In investigating corporate management, the legality and compliance with the provisions of the Finnish Companies Act, the business practices employed by the Members of the Board and the Managing Director were ascertained.

It is the opinion of the undersigned that the company's accounts were closed in accordance with the provisions of the Finnish Bookkeeping Act and the other rules and regulations relating to accountancy. The final accounts present an accurate and adequate picture of the company's operational results and its financial standing. We can confirm these financial statements and also ratify the acts of the Board Members and the Managing Director during the accounting period in question. The Board of Directors' proposal as to income allocation complies with the provisions of the Finnish Companies Act.

Espoo, 3rd March 1998

SVH Coopers & Lybrand Oy
Chartered accountants

Joe Sundholm
Chartered accountant

Juha Tuomala
Chartered accountant

ADMINISTRATIVE BODIES

BOARD OF DIRECTORS ON 18TH MARCH 1997 (STILL VALID)

Regular members

Markku Ruutu, Espoo, Chairman of the Board
Johan Horelli, Helsinki, Deputy Chairman of the Board
Pentti Suvanto, Huittinen
Erik Bärnas, Närpiö
Timo Hanttu, Lappeenranta
Kim Henriksson, Inkoo
Veli Pohjolainen, Espoo
Juhani Virtanen, Hyvinkää

Deputy members

Jan Björklund, Vöyri
Eugen Friman, Nauvo
Hannu Lanteri, Espoo
Matti Lehti, Helsinki
Yngve Lindberg, Vantaa
Eino Linnakangas, Lohja
Jouko Lonka, Helsinki
Asko Rintala, Helsinki

AUDITORS

Joe Sundholm, Chartered Accountant

SVH Coopers & Lybrand Oy, Association of Chartered Accountants
Responsible auditor Juha Tuomala, Chartered Accountant

Substitute auditor

Pentti Kuusinen, Chartered Accountant

MANAGING DIRECTOR

Tapio Saarelainen, B.Sc. (Econ)

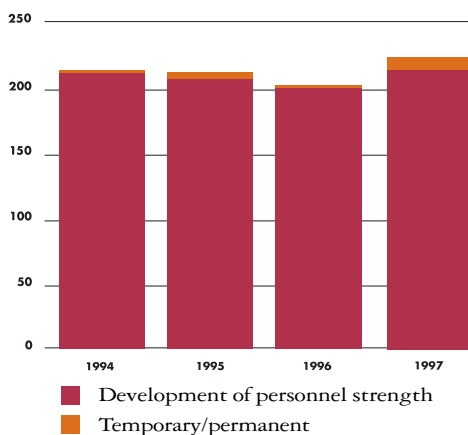
PERSONNEL

NUMBER OF EMPLOYEES

In the end of 1997, Samlink had a payroll of 223 people, 215 of them permanent and 8 temporary employees. The average corporate personnel for the period was 212 staff-members.

A total of 8 employees left their jobs at Samlink during the year. Natural wastage thus remained at a fair 3.8% in the face of a brisk demand for information technology experts. Samlink's staff increased by 32 new employees during the year. Despite the significant number of new staff-members, personnel strength now stands at the same level as in 1994, the year of Samlink's founding. At that time, the size of the staff was principally dimensioned just to maintain operations. At present, the same number of employees is sufficient for both maintaining and developing business activities.

CHANGES IN PERSONNEL STRENGTH



PERSONNEL STRUCTURE

The average age of staff-members is 43.1 years, up 0.2 years from the previous period. The goal of recruiting during 1997 was to influence the age structure by engaging 'young talent'.

Employees have on average 14.1 years experience in the field.

Of the permanent staff, 46.5% are women and 53.5% men, i.e. almost the same gender distribution as the year before.

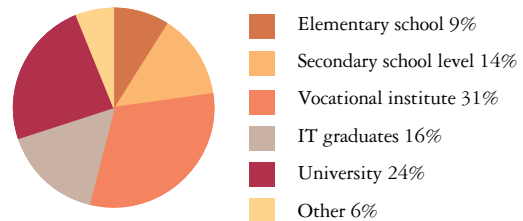
DEVELOPMENT OF PERSONNEL

Of permanent Samlink employees, 24% have a university or academic background and 53% institute-level qualifications.

During 1997, FIM 3.4 million, or FIM 16,346 per employee, was spent on personnel development, up 26% from the previous year. Training and self-studies took an average of 8.5 days/employee/year.

The focus of personnel development was on improving

EDUCATIONAL BACKGROUND OF PERSONNEL



staff IT skills especially in Visual Basic, C++ programming, NT architecture and NT workstation management.

Samlink's corporate development process was initiated in the beginning of 1997 with a series of strategy seminars for the Management Group. During these seminars, the corporate vision, strategy and their practical implementation as well as necessary operational changes were determined. As a starting point for developing operation methods, a working atmosphere (work climate) survey was conducted. Aspects requiring development were further elaborated during seminars arranged for foremen and at cooperation training sessions for the entire staff. Operational development efforts were boosted by establishing four new company-wide strategic teams in addition to the already existing systems development team. The teams are responsible for customer service, quality control, financial matters and know-how.

Two large introduction programmes were arranged as in-service-training for newcomers to Samlink. 'General study' lectures on topical issues, such as the EMU, Internet and local cooperative bank operations, were held. Language instruction was given in Swedish and English.

PERSONNEL COSTS

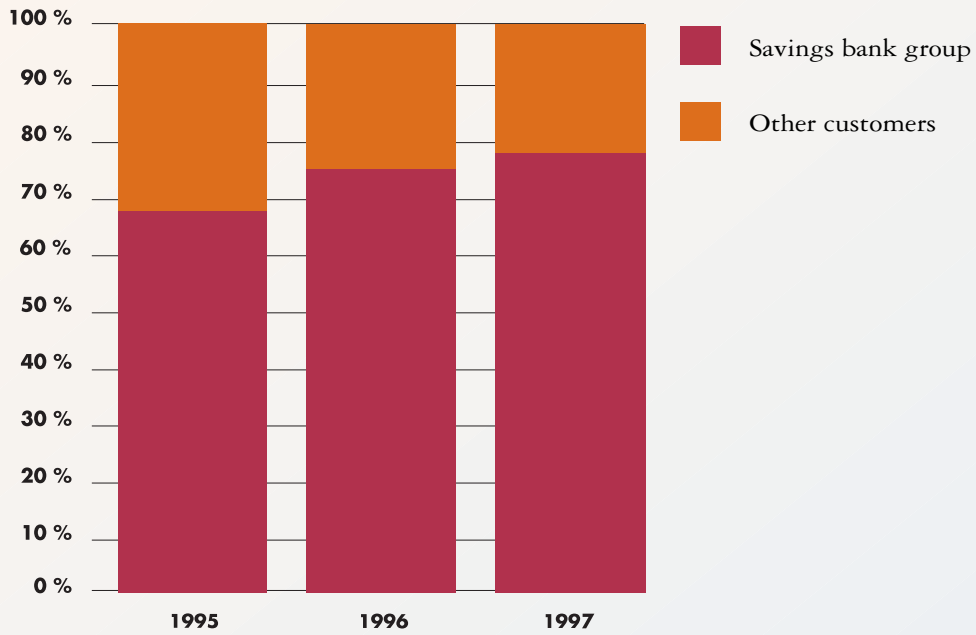
A total of FIM 49.8 million in wages, salaries and remuneration was paid during 1997, representing a 1.8% increase from the previous year. In accordance with the terms of the collective bargaining agreement, there was no general pay increase during the year.

Statutory social contributions were paid in the amount of FIM 13 million, equalling 26 % of total wage and salary expenditure. A total of FIM 927,000 was funnelled into voluntary social contributions. The FIM decrease in voluntary social costs is attributable to the diminished interest expenses for the loan benefit.

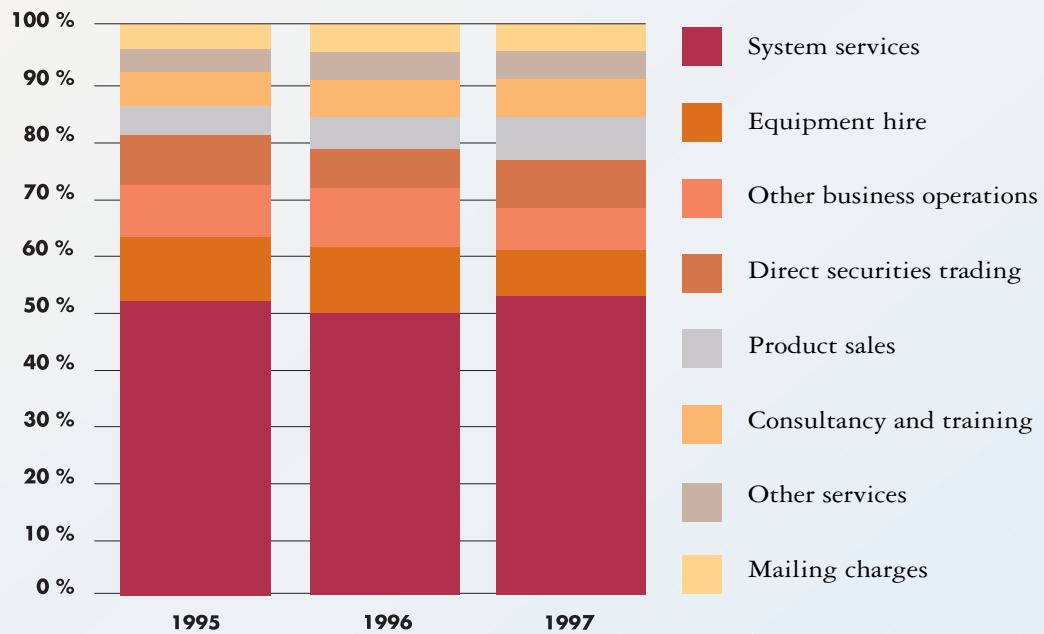
| Personnel expenses (in 1000 FIM) | 1997 | 1996 | 1995 |
|----------------------------------|---------------|---------------|---------------|
| Wages, salaries and remuneration | 49,811 | 48,914 | 48,224 |
| Statutory social contributions | 13,069 | 13,531 | 13,100 |
| Voluntary social contributions | 927 | 980 | 1,251 |
| Total | 63,807 | 63,425 | 62,575 |

STATISTICS

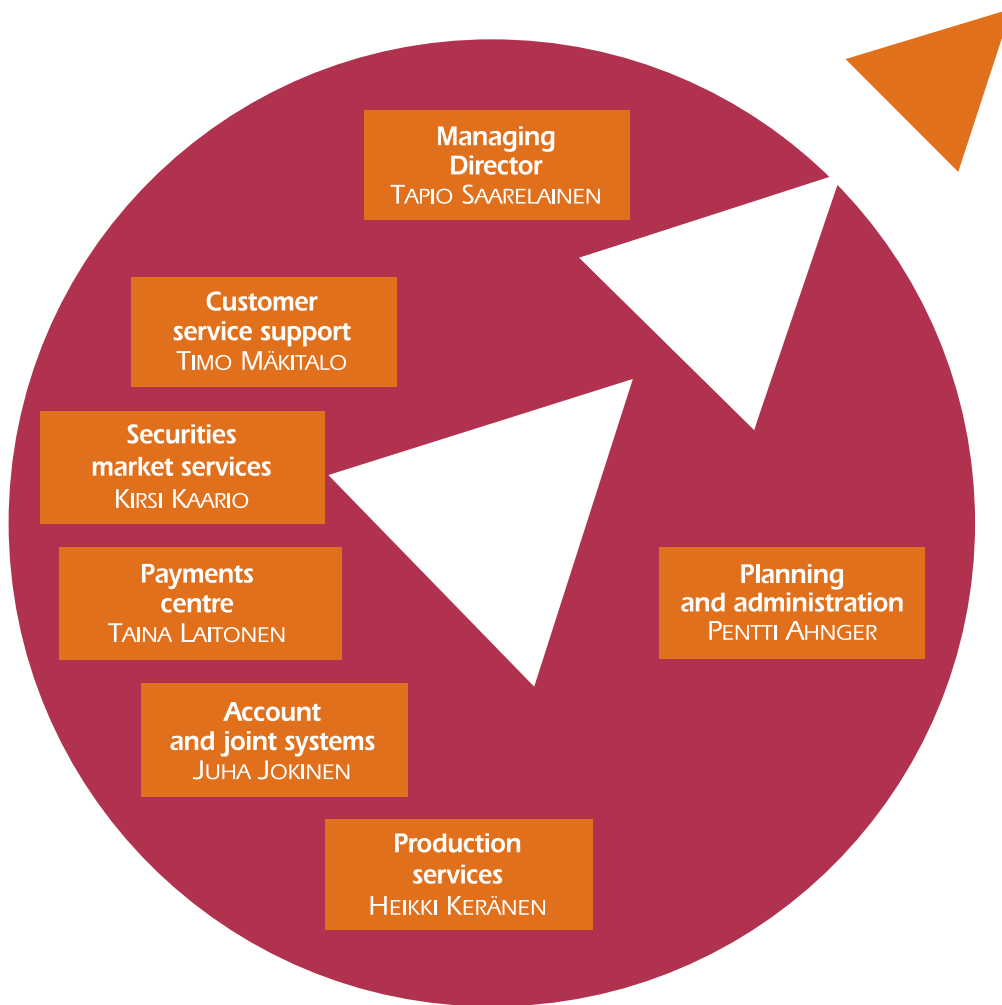
TURNOVER BY CUSTOMER CATEGORY %



TURNOVER BY SERVICE CATEGORY %



ORGANISATION





| | |
|------------------|---|
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