



ANNUAL REPORT 1999

FINANCIAL INFORMATION

Novo Group Plc will publish three interim reports in 2000:

For the January-March period on Wednesday, 3 May at 9 a.m.

For the January-June period on Tuesday, 1 August at 9 a.m.

For the January-September period on Tuesday, 31 October at 9 a.m.

Financial reports are available in Finnish and English.

TO ORDER PUBLICATIONS AND FOR FURTHER INFORMATION,

PLEASE CONTACT:

Novo Corporate Communications Tel. +358 205 6686, fax +358 205 66 2370

Internet: www.novogroup.com or e-mail: info@novogroup.com

ANNUAL REPORT FOR THE NOVO GROUP FOR 1999

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SHAREHOLDER INFORMATION

NOVO IN BRIEF

IT Market

Novo is one of the largest IT service companies in the Nordic countries. Our key competences include identifying the business opportunities offered by the new economy, consultant services tailored to each client's specific needs, and production of IT services using firmly established methods.

We offer our clients a wide range of services built on our key competences: IT-focused management consultation, software products, customised software solutions, Internet, extranet and intranet solutions and a variety of infra solutions as well as operating, network and data communications services.

Novo employs more than 2,000 highly competent IT professionals.

Mission statement

Novo is a powerful IT integrator and partner.

Novo helps its clients achieve their business goals, increases shareholder value and provides its personnel with the opportunity to develop their skills and competences.

Clientele

Novo's clientele consists of enterprises, the health care sector and other public administration agencies. Novo operates a nation-wide service network in Finland. Foreign clients are served by the Group's subsidiaries in Estonia, China and the UK.

Novo values

Customer-Orientation, Reliability, Innovation.

Visio 2003

Our key objective in the next few years is global growth. Novo aims to become a major European IT service company. Growth will be achieved through increased volumes in our basic business operations, particularly activities associated with new economy and information networks, and through business acquisitions.

Business volume

Novo's objective is to reach net sales of EUR 1.3 billion by the end of 2003. The infrastructure solutions business will account for about a half of the net sales and consultation, software and services for the other half. Roughly half of the net sales will be generated by international sales.

Business performance

In a Nordic comparison, Novo wants to be among the three most profitable companies in the business. Improved profitability will be achieved by improving the efficiency of in-house processes and by capitalising on the synergy benefits created through business acquisitions.

Market position

Novo will be one of the two largest IT service companies in Finland. In the selected geographic regions, Novo will be one of the three major IT service providers. In the global market, Novo will be one of the three largest service suppliers of the selected niche software products.

Customer satisfaction

In customer satisfaction surveys, Novo will rank among the best two companies in all the selected customer groups and in all the market and business sectors.

Human resources

Novo's management systems, tools and processes represent the best practices in the IT industry. Novo has developed a flexible, reactive corporate culture.

The selected management methods bring more value to Novo's processes. The methods used to measure objectives are a valuable tool in striving to achieve the value-based financial and client-specific results as well the operational development results.



"A number of things reflect the fact that Novo is an international company. My working language, for instance, is English most of the time," says Mr Pekka Äikäs, Project Manager at the Foreign Subsidiaries and GIS Solutions Division.



"We need to regain our customers' and shareholders' trust every day. In the rapidly changing markets, we could not succeed without their trust and confidence," underlines Ms Nalle Karhunen, Key Account Manager at the Infra Solutions Division.

"Novo wants to invest more heavily in in-house personnel transfers because new assignments always provide an excellent opportunity for learning and self-improvement," says Mr Joel Mättö, a system engineer who transferred from Novo Meridian to the Software Product Solutions Division.



Organization

President and CEO Jorma Kielemniva					
Sales and Account Management Jouni Tulokas	Infra Solutions Jarmo Kuusivuori	Software Product Solutions Kari Kontula	Customised Software Solutions Kimmo Koivisto	New Business Solutions Heikki Tiihonen	Foreign Subsidiaries and GIS Solutions Juha Soini
Finance and Business Development Martti Ala-Härkönen	Tele Communications	Private Sector	Local Administration	Services for Digital Media	Novo Ivc Ltd
Research and Development Matti Mäkelin	Industry	Public Administration	Public Administration	Management Consulting	Novo BCS AS
Personnel, Marketing, Communications Tarja Virrala	Trade, Services and Finance	Social Administration and Healthcare	Private Sector	Business Process Outsourcing	Beijing Novo Ltd
Supply Processes and Quality Matti Partanen	The Public Sector	Financial Management	Finance and Insurance	Certificate and Data Security Services	GIS Services
	Expert Services	Personnel Management	Human Resource Management		Satellite Image Services
	Usability Services	Process Management			
	Product Services	Patient Management			

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting of Novo Group Plc will be held on Tuesday 11 April, 2000 at Novo Group Plc premises in Pitäjänmäki at Valimotie 17, 00380 Helsinki.

A shareholder who was registered as a shareholder in the shareholders' register of Novo Group Plc maintained by the Finnish Central Securities Depository Ltd, by 6.4.2000 at the latest, is entitled to participate in the meeting.

Furthermore, shareholders whose shares have not been transferred to the book-entry securities system are also entitled to participate in the company meetings, provided that the shareholders were registered as shareholders in the company shareholders' register before 9.9.1997, or that the shareholders have informed the company of their title and provided the required evidence. In such a case, the shareholders must present their share certificates at the meeting, or be able to account for their whereabouts, or provide an explanation as to why their titles have not been booked in the book-entry securities account.

Shareholders who wish to participate in the company meeting must register with the company by notifying Ms Tuula MacIntosh, either in writing to Novo Group Plc, P.O. Box 38, 00381 Helsinki, or by phone to +358 9 5067 2301, or by fax to +358 9 5067 2770, no later than 7.4.2000 at 16.00.

When registering for the meeting in writing, the letter should reach the company before the end of the registration day. Any proxies should be delivered to the same place within the registration period.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.6 per share be paid for the financial year ended on 31 December 1999. The record date for the payment of dividends is 14.4.2000 and the payment date 25.4.2000.

Share capital

According to the articles of association, the company's minimum capital is EUR 2.600.000 and maximum capital is EUR 10.400.000 within which limits the share capital can be increased or decreased without amending the articles of association. The company's fully paid share capital shown in the trade register at the end of 1999 was EUR 5.562.594.75. The share capital consists of 6.614.738 shares.

The company has one share series and each share is entitled to one vote at the company meetings.

Dividend Policy

Although the dividend paid in line with the year's financial performance, it is our objective to maintain a rather steady level of annual dividends. Novo Group Plc aims to distribute at least 25% of the post-tax profits to shareholders in dividends. The amount of dividends paid depends, however, on Novo Group Plc's and the Group's financial position, financial result of operations, cash flow, need for working capital and other factors deemed relevant by Novo Group Plc's Board of Directors and ultimately on the decisions made at the Annual General Meeting.

Bonds with warrants

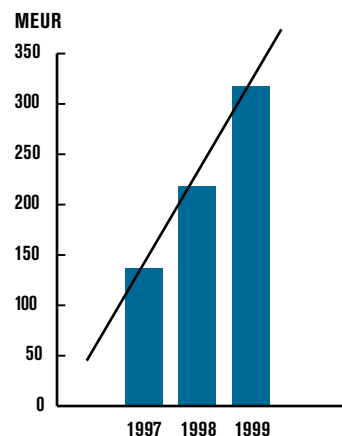
In the Annual General Meeting on 7 April 1998 it was decided that 200.000 rights of option be offered for subscription to the managerial personnel of the Novo Group and the group companies which entitle the holder to subscribe a total of 200.000 Novo Group Plc shares. As a result of the subscription, the share capital of Novo Group Plc can increase by a maximum of FIM 1.000.000, 50.000 of the option warrants will be marked with the letter A, 50.000 with the letter B, 50.000 with the letter C and 50.000 with the letter D. The subscription period for warrants marked with A begins no earlier than 1 June 2000, for warrants marked with B no earlier than on 1 June 2001, or warrants marked with C no earlier than on 1 June 2002 and for

DEVELOPMENT OF SHARE PRICE AND TRADING



The lowest price for Novo Group Plc share on the Helsinki Exchanges in 1999 was EUR 20.85 and highest EUR 49.0. A total of 1.791.563 shares were traded during the year which represents 27.7 percent of the company shares and share capital.

THE MARKET CAPITAL



The market capitalisation of Novo's share capital was EUR 317.5 million at the end of 1999.

warrants marked with D no earlier than on 1 June 2003. For all warrants, the subscription period will end on 30 June 2004.

With A warrants, the subscription price is the average trading price of Novo Group Plc shares at Helsinki Exchanges for a period between 1 May 1998 - 31 May 1998 plus twenty-five (25) Finnish marks; with B warrants, the average trading price of Novo Group Plc shares at Helsinki Exchanges between 1 May 1998 - 31 May 1998 plus forty (40) marks; with C warrants, the average trading price of Novo Group Plc shares at the Helsinki Exchanges between 1 May 1998 - 31 May 1998 at the Helsinki Exchanges plus fifty-five (55) marks; and with D warrants, the average trading price of Novo Group Plc shares at Helsinki Exchanges between 1 May 1998 - 31 May 1998 plus seventy (70) marks. Dividends payable after 1 May 1998 and before the subscription will be deducted from the share subscription price. The minimum share subscription price shall be the nominal value of the share.

In a shareholders' meeting held on 8 April 1999 it was decided that a bond loan with warrants in the amount of EUR 800 000 be offered for subscription by personnel regularly employed by a Group company of Novo Group Plc or a company in which the Group is a majority holder. The bond loan with warrants is intended to be a part of the personnel incentive scheme. The bonds were issued within the framework of the book-entry security system. The term of the bonds is 3 years and the interest is 3%. 40 000 bond certificates each with a nominal value of EUR 20 were issued. To each bond certificate, 10 warrant certificates were attached, five (5) of which were marked with the letter A and five (5) with the letter B. Warrant certifi-

cates marked with the letter A shall be separated from the bonds to form an independent type of security on 4 September 2001, and warrant certificates marked with the letter B on 14 June 2002. One warrant entitles the holder to subscribe one (1) Novo Group Plc share.

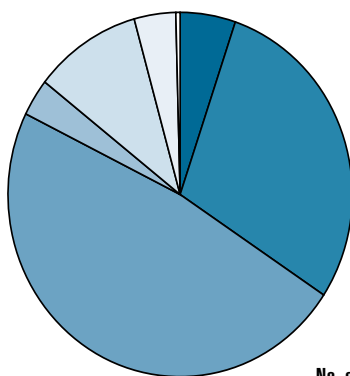
Subscription price is the average price of Novo Group Plc's share quoted during the period between 1 January and 28 February 1999, in other words EUR 31.9. The dividends paid after 14 June and before the subscription will be deducted from the subscription price on the balancing day of each dividend payment. The minimum subscription price shall be the countervalue of a share. As a result of the subscriptions, the share capital of Novo Group Plc may be increased by a maximum of 400 000 new shares or EUR 336 375.60.

The subscription rights granted under the option scheme plus other subscription rights represented 8.3 percent of the shares and share capital of Novo Group Plc on 31 December 1999.

MAJOR SHAREHOLDERS ON 10 FEBRUARY 2000*

Shareholders	No. of **	%
The City of Helsinki	1 020 320	15.4
The City of Vantaa	511 661	7.7
The City of Espoo	482 086	7.3
Varma-Sampo Mutual Pension Insurance Company	423 050	6.4
Leonia Bank Plc	243 401	3.7
Leonia Finance Ltd	201 837	3.1
LEL Employment Pension Fund	197 100	3.0
OP-Delta Investment Fund	122 600	1.9
FIM Forte Investment Fund	115 000	1.7
Placeringsfonden Gyllenberg Momentum	92 500	1.4
Others	3 204 683	48.4
TOTAL	6 614 238	100.0

SHAREHOLDERS BY SECTOR ON 10 FEBRUARY 2000*



	No. of shares**	%
Companies, total	345 031	5.2
Financial and insurance institutions, total	1 926 231	29.1
Public corporations, total	3 174 539	48.0
Non-profit organisations, total	215 944	3.3
Private households, total	665 087	10.1
In administrative registration and foreign holding	259 306	3.9
Joint account and waiting list	28 100	0.4
TOTAL	6 614 238	100.0

DISTRIBUTION OF OWNERSHIP BY NUMBER OF SHARES OWNED ON 10 FEBRUARY 2000*

Number of shares owned	Shareholders		Number of shares**	
	Number	%	Number	%
1 - 100	1174	45.8	78 827	1.2
101 - 1.000	1128	44.0	401 574	6.1
1.001 - 10.000	185	7.2	563 484	8.5
10.001 - 100.000	64	2.5	2 012 067	30.4
100.001 - 1.000.000	9	0.4	2 509 866	38.0
1.000.001 -	1	0.1	1 020 320	15.4
Total	2 561	100.0	6 586 138	99.6
Joint account and waiting list			28 100	0.4
Grand total	2 561	100.0	6 614 238	100.0

* The figures include 960 shares in joint accounts that were not distributed in the bonus issue in June 1996 (so-called remainder).

** According to share capital registered on 1. February 2000.

The number of own shares, 150 500 on 10. February 2000, has been deducted from the total number of shares after Karjalan Tietovalta Oy sold 950 of the Novo Group Plc shares it owned.

THE GROUP'S FINANCIAL INDICATORS

	1999	1998	1997	1996	1995
Net sales, MEUR	312.0	261.6	216.5	192.5	137.6
Operating profit before depreciation of goodwill	16.5	14.1	10.3	9.2	6.6
% of net sales	5.3	5.4	4.8	4.8	4.8
Operating profit, MEUR (incl. depreciation of goodwill)	13.0	12.5	9.2	8.2	4.6
% of net sales	4.2	4.8	4.2	4.2	3.3
Profit before extraordinary items, MEUR	13.7	13.4	9.5	8.0	4.5
% of net sales	4.4	5.1	4.4	4.1	3.2
Profit before taxes, MEUR	13.7	13.4	9.9	8.0	4.5
% of net sales	4.4	5.1	4.6	4.1	3.3
Profit for the financial year, MEUR	9.1	9.6	7.2	5.6	3.5
% of net sales	2.9	3.7	3.3	2.9	2.6
Balance sheet total, MEUR	147.6	118.0	94.4	76.4	54.1
Return on investment, %	18.9	21.5	20.6	25.9	19.6
Return on equity, %	13.7	16.1	15.5	22.1	18.6
Solvency ratio, %	50.5	55.4	61.0	42.5	35.0
Gross investments in fixed assets, MEUR	31.6	22.6	11.6	9.6	8.0
% of net sales	10.1	8.6	5.3	5.0	5.8
Average no. of personnel	1762	1279	1063	938	843

For the calculation of financial indicators, the reserve value of own shares has been deducted from the shareholders' equity.

Per-share ratios

	1999	1998	1997	1996	1995
Profit/share, EUR	1.44	1.51	1.19	1.13	0.64
Dividend/share, EUR ¹⁾	0.60	0.61	0.44	0.15	0.07
Dividend/profit, % (share issue adjusted) ²⁾	45.0	40.0	36.6	13.9	9.8
Equity/share	10.71	9.84	9.01	5.77	3.77
Effective dividend yield, %	1.3	1.8	2.0		
Price/earnings ratio (P/E)	33.3	22.6	18.0		
Development of share price and trading					
- lowest of the financial year, EUR	20.85	21.02	21.53 ³⁾		
- highest of the financial year, EUR	49.00	44.57	34.48		
- closing day rate, EUR	48.00	34.34	21.53		
- average rate for the financial year, EUR	30.18	33.33	25.88		
Market capitalisation, MEUR	317.5	217.8	136.6		
No. of shares traded	1 791 563	2 992 427	497 142		
- percentage of the share capital	27.7	47.7	7.8		
The share issue adjusted no. of shares in thousands					
- on average	6 320	6 343	5 797	4 989	4 987
- at the end of the financial year	6 463	6 272	6 347	5 587	4 987

For the calculation of per-share ratios, the number of own shares has been deducted from the total number of shares and the reserve value from shareholders' equity.

¹⁾ According to the proposal on dividend payment

²⁾ The maximum permitted by the proposal on dividend payment.

³⁾ The rate development and exchange of shares have been presented both for the brokers' list period and the official list period.

MAJOR EVENTS IN 1999

29 MARCH 1999 Novo and Siemens Business Services Oy reached an agreement regarding a business acquisition by which the Pegasos and Fenix software businesses were transferred to Novo. At the same time, a distributor agreement regarding Siemens equipment was signed.

6 MAY 1999 Novo disclosed its new business organisation. The new organisational structure consists of five Business Divisions and five group-level Centres of Expertise that offer services to the Divisions.

17 MAY 1999 Novo purchased the business operations of Jasokraft Oy, a supplier of workstation systems and related services in the Helsinki region.

18 JUNE 1999 Sateenkaarisuunnittelu Oy was incorporated into the Novo Group through an exchange of shares. One of the subsidiaries of Sateenkaarisuunnittelu is Karjalan Tietovalta Oy, a leading supplier of various applications for the public sector.

18 JUNE 1999 Novo acquired Citisoft Oy, a company specialising in customised operations control systems. Citisoft delivers customised and integrated IT solutions particularly for the industrial and wholesale sectors.

30 AUGUST 1999 A company was set up in Beijing, China, in collaboration with the Chinese Academy of Surveying and Mapping. The first products offered by Beijing Novo were mapping software produced by using satellite imagery and geographic information software. Novo owns 65 percent of the new company.

8 SEPTEMBER 1999 Novotrust Ltd, a company providing certification and data security services, was founded. Services are aimed at securing safe transmission of information in public data networks. Novo has a 74-percent interest in the company.

15 SEPTEMBER 1999 The software business of Contrain Oy was purchased. The key software products acquired from Contrain Oy are designed for the self-inspection required in the food processing and delivery chain.

1 NOVEMBER 1999 A decision was made to relinquish all Novoshop retail stores. Stores were located in Helsinki, Joensuu, Pori, Tampere and Turku.

4 NOVEMBER 1999 Novo acquired SuperWeb Ltd from Oy PC-SuperStore Ab, a Merkantidata Group company. SuperWeb is an Internet business solutions provider whose key competences cover a range of Internet, intranet and extranet solutions as well as database applications for e-commerce.

31 DECEMBER 1999 Novo signed an agreement to purchase the entire share capital of Profit Mediat Ltd, an Internet solutions provider. Profit Mediat specialises in Internet and intranet solutions and has introduced to the market the first Finnish database-driven publication system, an investor relations system for public companies, and the first product-profiled intranet system that requires a licence.



At the end of the year, Novo made business acquisitions aimed at strengthening the company's e-business competence. The acquired companies, SuperWeb and Profit Mediat, reinforced Novo's skills in electronic commerce both in the business-to-business and business-to-consumers sectors.



PRESIDENT'S REVIEW

In recent years, information technology has become the driving force of social and economic development. With the triumphant breakthrough of the Internet, electronic services available to users regardless of their whereabouts and the time of day have become a part of people's everyday lives. The web also reshapes the business environment of companies and affects the competition between them. The improvements in business process boosting systems have given rise to discussions regarding learning organisations and knowledge management as a way of sharpening the organisation's competitive edge.

In 1999, Finnish enterprises and organisations spent a total of EUR 3.4 billion on IT acquisitions. International Data Corporation Finland estimates that Finland repre-

sented approximately 1.6 percent of the IT market in Western Europe and roughly 0.4 percent of the global market.

Without a doubt, information technology will advance at an accelerating pace and the markets will continue to grow. Along with the introduction of new portable and wireless user interfaces, or TV interfaces, the number of service providers and users will grow.

Customers become more dependent on IT

For the IT industry and related fields, this development means increased demand but also higher demands in terms of the quality of services they provide. In an attempt to meet these demands, the sector will see more business acquisitions, mergers and reorganisation in the 21st century.

Succes is built on values

Novo offers its clients products and services that span the entire IT spectrum. We believe that only a partner with in-depth knowledge of the whole service chain can genuinely take full responsibility for the client's IT solutions.

Despite decades of development, information technology as an industry is in many ways still in its infancy. Throughout its history, Novo's operations have been guided by a set of values that focus on the customer. Listening to the customer and trying to find out their needs is a cornerstone of Novo's business. We believe that a long-term customer relationship can only be built on complete trust between the customer and the service provider.

The quality of IT services is an issue that will certainly provoke much discussion in the future. Elements that constitute quality in this business include excellence in product development and customer service processes. All of Novo Group Plc's service processes received the ISO SFS-EN 9001 quality certificate in June 1995. We were the first Finnish IT service company to receive this significant award.

From IT companies, the growing complexity of technology requires a strong ability to innovate. Novo's continued success throughout a quarter of a century of operations is an excellent indication of our innovative strength.

Our objective in the next few years is to continue to grow aggressively. Co-operation with clients outside Finland will account for an increasingly large part of growth.

As the company gets bigger, innovation also refers to our ability to look after and foster our basic strengths: flexibility and the skill to produce new information. Expertise is the foundation for the right strategic choices. Succeeding in tomorrow's competition is a challenge that Novo's management and personnel are faced with every day.

Future underlines the value of know-how

New economy emerging from the amalgamation of information technology and telecommunications will provide businesses and organisation with an opportunity to arrange their activities in line with entirely new structures as we move on to the 21st century. Although new economy provides opportunities, it also involves changes. The competitive scene will change both on the markets and within companies.

It has been said that Finland is a miniature test laboratory for new technologies. Thanks to the pro-technology attitude adopted by Finnish people and the Finnish society, a high level of expertise and the joint efforts of hi-tech companies across Finland, we are also fully equipped to transfer our know-how and solutions abroad.

The Finnish mobile phone giant Nokia predicts that the number of mobile phone users around the world will

double by the end of 2003. The value of e-commerce on the Internet is estimated to grow sixfold in the same period. According to a forecast published at the World Economic Forum in January 2000, this growth would raise the value of e-commerce to seven percent of total global trading.

Emergence of the new economy will also affect traditional value chains, which is why the ability to innovate quickly will become a major success factor. Customer relationship and business process management as well as marketing skills and the ability to generate new information will play an increasingly important part. Factors contributing to cost-efficiency and competitiveness will change.

IT service companies provide their customers with solutions that bring success in the new economy. Providing new solutions to a more global clientele is at the core of Novo's growth and competence.

More powerful growth from abroad

For Novo, 1999 marked a year of success. Firstly, we were able to cement our position as a skilled provider of solutions for the new economy. Secondly, we made notable progress in achieving our global growth objectives.

The average annual growth of Novo's business volume was 22.7 percent in the period between 1995 and 1999. In 1999, we booked net sales of EUR 312.0 million. About 11.6 percent of net sales was generated by our business activities abroad. In the next few years, our goal is to grow faster and achieve powerful global growth.

In net sales, our objective is to reach EUR 1.3 billion by the end of 2003. At this time, Novo will be a major European IT service company. We will continue to be recognised as a customer-driven, reliable and innovative partner.

Our 2003 global growth vision relies on sales systems for passenger traffic, corporate systems based on the Internet, extranet and intranet, highly versatile applications based on geographic information, and unrivalled excellence in providing infra services that bring added value to our clients.

I would like to thank our clients, shareholders and Novo personnel in Finland and abroad for a successful year. The company relies on you to succeed in tomorrow's competition.



Jorma Kielenniva

INFRA SOLUTIONS

The Infra Solutions Division booked net sales of EUR 225.0 million in 1999. The Division employed 728 personnel at the year-end. The Division is headed by Mr Jarmo Kuusivuori.



In the spring of 1999, measures were taken to merge the expert and usability services provided by the Infra Solutions Division into a more compact and integrated whole. "Expert and usability services have become an increasingly important element in our overall solutions," says Mr Jarmo Kuusivuori.

INFRA SOLUTIONS

-DIVISION

This Division offers services involved in the usability of information systems. It employs 728 people, 70% of whom are employed in service production and 30% in product sales and other functions. Of the total net sales, 68% comes from the sale of products manufactured by other companies and 32% from the sale of services. The Division has operations in 22 locations across Finland and in Beijing, China. In 1999, the Division's net sales rose to EUR 225.0 million, which accounts for 72.1 percent of the Group's net sales.

The Infra Solutions Division is comprised of Novosys Ltd and Nouveltech Oy, and the usability services provided by Novo Group Plc. The Division's operations are divided into three units: expert services, product services and usability services.

The Division provides its clients with planning, consultation and product services as well as services designed to secure the safe and reliable use of hardware, networks and data communications facilities. The Division also offers customer support, direct marketing and document output services. Clients include major corporations and public administration agencies from a variety of sectors. One of the most important client sectors is the telecommunications industry.

When reliability is the key requirement

Hardware or infrastructure solutions serve as a foundation for the successful utilisation of information technology. In line with the Group's full service strategy, Novo's Infra Solutions Division markets complete service packages that provide clients with added value. Off-the-shelf products, hardware and software are marketed to clients as a part of the overall delivery.

As IT becomes an integral part of companies' key business processes, increasingly high demands will be placed on the operational reliability and security of the technology. Furthermore, the fact that various mobile and remoteoperated solutions have become more common will boost the demand for suppliers who boast leading expertise in terms of both hardware and IT services.

According to surveys carried out by International Data Corporation (IDC), hardware sales have accounted for roughly half of the total IT market in Finland in the past few years. Despite a slight increase in the volume of hardware sales, the total value has remained unchanged or even fallen somewhat. This trend is expected to continue

in the next few years. Demand for agreements regarding long-term system usability services signed in conjunction with hardware deliveries and the demand for expert services will grow at an annual rate of 15–20 percent in the next few years. Sales of tool software is expected to pick up by 10–15 percent a year.

A year of growth in the service business

The Infra Solutions Division's core competence is associated with the integration of IT products and services, an important part of the integration being the safe and reliable use of that infrastructure.

One of the companies in the Division, Novosys Ltd, purchased the business operations of Jasokraft Ltd in May (press release 10 May 1999). Jasokraft is a supplier of workstation systems and related services in Helsinki area. This acquisition strengthened Novo's position as an infrastructure supplier, particularly for the telecommunications industry.

The Division expanded its expertise in various areas, particularly in the design and delivery of the infrastructure required for mobile solutions. Services developed during the year under review included new services based on VPN (Virtual Private Network) solutions. During the development process, special attention will be paid to testing methods associated with the reliability and security of VPN solutions.

Novo and IT Solicom Oy work together to produce IT services for VR Ltd, the Finnish railway company.



The Division decided to wind up the unprofitable chain of Novoshop retail shops (press release 8 October 1999).

During the year under review, demand was particularly high for basic infrastructure replacements and the system upgrading work required by the rollover into 2000. Demand for operating, control and maintenance services for decentralised networks and data communications systems increased sharply. Demand for consultation and expert services doubled. A number of projects involving expert services were carried out abroad.

Y2K played a key role in view of the usability services provided by the Infra Solutions Division. Novo has nineteen offices across Finland supplying system operations and maintenance services to its clients. During the year under review, the Kajaani service centre was opened. Preparing for the rollover into 2000 required considerable investments in the upgrading and testing work performed in different production environments. Over the year, the Division signed several new and important outsourcing agreements.

Global growth efforts began powerfully in 1999 with several international partnership projects and client projects. In addition, the Division set up a permanent office in Beijing, China, to provide infra solutions in China market. Approximately 10 percent of the Division's personnel is engaged in client projects abroad. One of the companies within the Division, Novosys Ltd, is a member of the Global Serve partnership network.

In its development activities, the Division placed special emphasis on training its personnel in order to enhance professional skills and expertise. In the spring of 1999, measures were launched to rebuild the service concept. The objective was to create a more seamless and unified whole of the expert and usability services. Operating models supporting the global growth efforts were also devised.

Increasingly seamless integration of products and services in the future

With the digital revolution, the role of information technology in companies will irrevocably change from serving as an administrative tool to being a key business process. The reliability of IT systems is becoming increasingly important to companies. At the same time, more alternatives are becoming available and the technological solutions behind them are becoming more complex. This means higher demands on the professional skill and expertise of the IT partner and on the reliability, security and cost-efficiency of the services. In the future, the service provider is also expected to be able to deliver integrated overall solutions and any value-adding services the customers may require. The future trend means that the threshold for entering into the business will rise.

The Infra Solutions Division will concentrate more heavily on expert and consultant services as well as on operating, monitoring and control services geared at guaranteeing uninterrupted usability. Hardware solutions are a part of the overall service concept.

A time of powerful growth and internationalisation

The objective of Novo's Infra Solutions Division for the next few years is to maintain its position as the major supplier of IT infrastructure and usability services in Finland. Business development priority is to produce complete services and solutions that require a high level of expertise. According to the Division's global growth plans, half of its net sales will be generated abroad by the end of 2003. Besides organic growth, increased business volumes will be sought through business acquisitions.



Novo played an active role in the development of Finland Post Ltd's delivery processes, as well as in the re-use and recycling of their IT equipment.





Approximately 10% of the Infra Solutions Division's personnel are engaged in international projects. Projects are under way in a number of countries, including France, Germany and Hungary. Pictured from the left are Novo employees Lauri Kukko, Timo Räsänen and Mikko Lyttikäinen.



The long-term co-operation between Novo and the Finnish National Road Administration culminates in the Partnership ideology.

The Division employs 507 personnel
and its net sales increased to
EUR 47.5 million in 1999.

Mr Kari Kontula is the Head of Division.



SOFTWARE PRODUCT SOLUTIONS

-DIVISION

The Software Product Solutions Division is engaged in the development, marketing and maintenance of software for financial, personnel and enterprise resource management, patient administration and social services. The Division employs 507 personnel and its net sales increased to EUR 47.5 million in 1999, which represents 15.2% of the Group's total net sales. About 51% of personnel are involved in software development and maintenance work and 49% in marketing and support functions.

The Division covers the operations of Novobit Ltd and some of Novo Group Plc's operations. The organisation is made up of service units for the private sector, public administration, health care and social services, plus four product-focused units.

The Software Product Solutions Division focuses on the development, marketing, profiling, introduction and maintenance of software products designed to improve the efficiency of organisations' operations and to manage operations.

A year of reorganisation

The change seen in the Finnish software product market in the past few years can be primarily attributed to mergers and other business reorganisations. According to IDC's estimates, the annual growth rate for the software product market in Finland will be between 10 and 13 percent.

The arrival of the year 2000 had a dual impact: the demand for administrative systems increased, while at the same time demand was curbed by the generally increased IT costs associated with Y2K. The growth in demand is shifting from operations control systems to account management and delivery process management.

In March, Novo acquired the Pegasos and Fenix software businesses of Siemens Business Services Oy (stock exchange bulletin 29 March 1999). This deal helped Novo strengthen its expertise and market position in the health care sector and with energy distribution companies, and improve its position as the supplier of personnel administration solutions for large enterprises. With the acquisition, 203 new employees joined Novo.

Integrating the personnel, products and processes of Novo Group Plc, Novobit Ltd and Siemens into one profitable unit that could successfully exploit the synergy benefits was one of the key challenges for the year under review.

The software product acquired from Contrain Oy in September (press release 30 September 1999) is well-suited for the self-regulation of food handling that became mandatory in all EU member states in accordance with EU regulations, and it complements the Aromi product line designed for operations control.

Product improvement continued

The key to success in the software products market is identifying the market potential and successfully developing product solutions that can be duplicated. Clients that purchase Novo's software products include thousands of SMEs, hundreds of public administration agencies and dozens of clients in the health care sector all in all, more than 3,000 organisations.

Product development and integrated services based on accurately identified customer needs, a high level of business-specific expertise and technological excellence provide the framework for the Software Product Solutions Division's operations. The Division's core competence areas include applications that manage the basic operations of differently sized enterprises, public administration agencies and the health care sector. In addition, the Division delivers special applications for a few specific lines of business. In the sale of products and related services, as well as in introduction and customer service, our own organisation is supported by a nation-wide partnership network.

Last year, the Division completed extensive year-2000 upgrades to secure the reliability of its clients' systems.

Over the year, several products were improved considerably. A new Web-based customer service solution was designed for electricity distribution companies. The Fenix personnel management software was equipped with an intranet-based management reporting system. Solutions for paper-free financial management were improved. Software for enterprise resource management (ERP) was expanded to feature an option for using images. An on-line shopping site combined with Fenix materials management was produced for a few clients, including Paperipalvelu and Printel Oy.

The Division developed two new products for reporting. One makes effective use of existing data storage and features an option to use graphics in the operating sequence follow-up. The other represents the latest mobile technology, which enables clients to access data storage for reporting purposes with a WAP device, regardless of the

time or location. Furthermore, Novo developed a program that allows people to apply for a place for a child in day care over the Internet, using an electronic ID card. Tuusula acts as a test municipality for e-services.

Gaining new ground in the health care sector

The Kone Corporation introduced the Fenix payroll accounting and personnel management system, which is compatible with the global SAP R/3 personal data register. Extensive personnel management systems were delivered to Kemira Chemical Oy, VR Group Ltd and VR-Rata Oy. A financial management system was delivered to Janton Oy.

Last year, the Sonet software product for financial and personnel administration and materials management in small and medium-sized enterprises was delivered to the 800th client.

In the municipal sector, Novo participated in regional projects in Hyvinkää-Riihimäki and Valkeakoski aimed at improving the utilisation of information systems. The Status product, designed for customer service as well as for financial management, payroll accounting and personnel management in the public administration sector, was delivered to the 600th client.

Novo's 'seamless service' product concept combines the operations of basic health care, social services and special medical care. This ensures that service providers always have access to reliable, up-to-date information on the customer, and information is transferred safely between organisations without the need for constant repetition.



This seamless care concept is supported by the extensive information management upgrading project carried out by the City of Turku health care services. The so-called 'Primus' project will end in 2002. In addition to Novo, other participants in the project include Sonera and Nokia.

Approximately 40 health care centres decided to introduce the materials management system included in the Sonet product line.

The Kymenlaakso medical care district was the first in the Finnish health care sector to sign an agreement regarding the introduction of the SAP R/3 system. This system covers the entire spectrum of materials management from calls for bids and orders to care, laundry and food logistics.

The co-operation between Novo and SAP combines the expertise of the leading international operations control systems supplier and Novo's business-specific competence in the health care and materials management sectors. Novo acts as the Finnish agent for the SAP R/3 public administration service and is also in charge of system introduction and the sale of licences.

Popularity of integrated corporate software continues to grow

What typifies the software product market is the rapidly growing popularity of integrated corporate software and an increase in the number of international products available. While new technologies are gaining ground, it becomes more and more important to have business-specific expertise and an in-depth knowledge of the client's processes. Different, innovative ways of using software have a profound impact on the structure of the software market. The narrow market segments in particular, which require a high degree of specialisation, open up new opportunities for software exports and global growth.

In the rapidly changing software product market, the key factors that will help us achieve our goals are product and service development, excellent processes, competent personnel and a business policy built on networking.

Our objective in the next few years is to maintain our position as the major supplier of software products for the public administration sector. At the same time, we want to strengthen our position in the corporate and health care sectors. Our goal is to be the leading supplier in Finland in the selected market segments. We also plan to raise the share of international operations of our net sales to one third.

SOK is one of Novo's long-standing clients. Novo's financial management systems are used by SOK's Sokos department stores.



In the health care sector, information technology allows seamless transfer of data between different units providing basic health care, social services and special medical care. The photograph shows Merja Sarjanen from the Lohja Health Centre.

At the end of 1999, the Division employed 245 personnel and recorded net sales in the amount of EUR 18.7 million. Mr Kimmo Koivisto is the Head of Division.



The Kulti project involved designing an information system for the ground transportation of the armed forces. In the photograph are Eila Oikari from Novo, Colonel Pentti Väänänen and Kimmo Koivisto.

CUSTOMISED SOFTWARE SOLUTIONS

-DIVISION

The Customised Software Solutions Division develops and delivers IT solutions that are customised to meet each client's specific needs. At the end of 1999, the Division employed 245 personnel and recorded net sales in the amount of EUR 18.7 million, which is roughly 6.0 percent of the Group's net sales. 95 percent of the personnel work with client projects that are invoiced on the basis of manhours.

This Division comprises some operations of Novo Group Plc and two independently operating companies, Karjalan Tietovalta Oy and Citisoft Oy. Business operations are conducted through five business units, four of which focus on particular client groups: Public Administration, Local Administration, Private Sector, and Finance and Insurance. The fifth unit specialises in Human Resources Management.

The Division's clients are almost always large organisations. Building customised software for a client places special requirements on the IT partner; the partner must have in-depth knowledge of the client's operations and have a strong command of system work methods. Novo works in a long-term partnership with its clients, and the systems require ongoing maintenance and development work.

Studies carried out by International Data Corporation (IDC) showed that, over the next few years, the implementation of Web-operated systems will contribute to the most significant growth in the market for customised system work. The growing popularity of e-services and wireless data transmission as well as the significance of data security will also boost demand. Furthermore, component architecture, data warehousing solutions and system integration as well as account management solutions are becoming more and more important. The market is estimated to grow by about 10–13 percent per year.

The system work processes Novo performs for its clients are based on the company's in-house system work-guidelines, the Novo Model, which complies with the SFS-EN ISO-9001 quality system.

Novo boasts special expertise in the trade, insurance, industrial and public administration sectors. Novo's assets as an IT partner include excellent references from previous clients and the wide range of services the Novo Group can offer.



Oodi is an information system developed for universities. The system can be used to plan curricula and supervise courses. Students can use the system to sign up for exams, access their personal registration data, such as studies and courses completed, and make changes of address through the Internet. Universities covered by this system are the University of Helsinki, Helsinki School of Economics, Lappeenranta University of Technology, the University of Oulu, Helsinki University of Technology and the Sibelius Academy.

Services for e-business

Long-term customer relations are at the heart of the Customised Software Solutions Division's business activities. This Division offers its clients a partnership based on a high level of expertise in specific business sectors as well technological, subcontracting and process competence.

Karjalan Tietovalta Oy, a subsidiary of Sateenkaarisuunnittelu Oy that was incorporated into Novo in June through an exchange of shares (press release 15 June 1999), boasts considerable expertise in demanding IT-system projects. This arrangement boosted the Division's expertise in the public/government administration sector. With the acquisition of Citisoft Oy, Novo enhanced its competence in the operations control software business.

In 1999, a large number of projects associated with the year 2000 were carried out, all of which were completed well before the rollover into 2000. In connection with the system upgrades, the foundation was laid for future upgrading needs such as the introduction of the euro and Internet-driven user interfaces. The majority of the system projects launched in 1999 are based on new technologies such as component technology, which enables systems to

be flexibly improved after introduction. The growing popularity of e-services is reflected in the customised solutions the Division delivers: a significant portion of the new solutions were based on a browser.

New agreements were signed with several clients, including the Population Register Centre, the Academy of Finland, the State Treasury, the National Road Administration, Vehicle Administration Centre, the National Board of Education, the Local Government Pensions Institution and the municipal federation of Helsinki-Uusimaa. The agreement signed with the Population Register Centre covered population data services regarding clients in the public administration sector. In addition, a guardianship register system was built. A road register and an accident register were delivered to the National Road Administration. An agreement regarding the replacement of the State Treasury's lending system was signed. This system will be introduced in 2002 in conjunction with the switchover to the euro.

The employment register project for the Local Government Pensions Institution was completed. The data warehousing system for the medical records of the Health Office of the City of Helsinki was expanded and the delivery of a similar system for the medical care district of Helsinki and Uusimaa began. The database system of the City of Helsinki Social Services was expanded for the compilation of statistics.

An information system designed to support teaching and studying was delivered to a consortium of six universities. Extensive e-service systems were also introduced with the National Board of Education and the Academy of Finland. An e-service system will be supplied to the Academy of Finland for the research funding procedure. A general application system based on electronic identity authentication will be delivered to Finnish Polytechnics.

The Töölön Matkatoimisto Oy travel agency introduced a customer service system designed by Novo. The retail system replacement project was completed in the Veho car dealer network and an overall car sales system was introduced by all Veho dealers.

Management support services launched

In June, a new business unit, Human Resources Management, was established within the Division. This business unit focuses on supporting the corporate strategy and management-driven competence development and human resources management. The unit provides consultation services and utilises the opportunities offered by new technologies in its human resources development efforts. It focuses on the growing markets and specialises in services and Internet solutions that capitalise on companies' intellectual property.

The first project carried out by the Human Resources Management unit involved software developed for Finnair's airline crew to support crew resource management as a part of production management. The software was developed in co-operation with the Dutch Cetec B.V.

Over the year, a project was launched to improve resource management software for Finnair's Station Operation services in Helsinki. In addition to Cetec, a German partner also participated in this project. The project is a part of a larger Station Operation Resource Management project.

Growth in existing businesses

The popularity of Internet-based systems will grow in practically all IT applications. Particularly dramatic growth is expected in global applications, and services will be accessed more and more often from a wireless user interface. Novo's customised software solutions will also expand into new services offered through the Internet.

With strong expertise in special fields, there are good chances of succeeding in the export markets, too. By 2003, about one third of the Customised Software Solutions Division's net sales is expected to come from international activities. To maintain its competitive position, the Division seeks to deepen its competence in selected business sectors through networking.



Co-operation between Novo and the Finnish Red Cross began in 1998 when the Finnish Red Crosses Blood Transfusion Service unit outsourced its IT operations, including software development, to Novo.



FOREIGN SUBSIDIARIES AND GIS SOLUTIONS

The Foreign Subsidiaries and GIS Solutions Division posted net sales of EUR 17 million. The Division employed 184 personnel at the year-end, about half of whom worked in Finland and half abroad. The Head of Division is Mr Juha Soini.



Novo is the leading supplier of point-of-sales systems used in aircraft. The hand-held TouchPC enables the sale of products and currencies during flights.

FOREIGN SUBSIDIARIES AND GIS SOLUTIONS

-DIVISION

The Foreign Subsidiaries and GIS Solutions Division posted net sales of EUR 17 million, which represents about 5.5% of the Group's total net sales. The Division employed 184 personnel at the year-end, about half of whom worked in Finland and half abroad.

Novo's Foreign Subsidiaries and GIS Solutions Division is made up of two business groups. Novo's Finnish subsidiaries Novo Meridian Ltd and Novosat Ltd and the China-based Beijing Novo Information Technology Co. Ltd offer geographic information services (GIS). Other foreign subsidiaries include Novo Ivc, a UK-based company delivering point-of-sales and logistics solutions for passenger traffic and Novo BCS in Estonia, which provides IT services to the Baltic market.

Information technology has introduced new ways of using maps, satellite images and other geographic information in land-use and infrastructure planning. Data networks allow more up-to-date geographic information to be provided to companies and individuals alike. The market for GIS applications has grown at a steady rate. The sale of GIS software showed the largest growth, with a share of more than one-third of the entire market. There is a clear trend indicating that GIS technology will become an integral part of organisations' enterprise resource management.

Developments in the market for Novo Ivc's point-of-sales solutions, follow the development of the passenger traffic market. Abolishment of intra-European taxfree sales did not impact sales system purchases. In fact, Novo Ivc recorded its best financial result ever in the year under review.

In Estonia, the recovery of the Estonian market is also beginning to show in the local companies' IT investments.

GIS solutions becoming more Internet-based

Novo Meridian develops and markets systems that utilise geographic information. In the municipal sector, Novo Meridian is the market leader. As a developer of complete system packages, Novo Meridian makes full use of the American ESRI and ERDAS software for which it acts as an agent in Finland.

In April, Novo purchased the Pegasos software business from Siemens Business Services Oy. The real estate and GIS products of the Pegasos software product line were incorporated into Novo Meridian's municipal services. This helped focus all services related to the municipal real estate

systems into one business unit.

More and more often, Novo Meridian's GIS solutions are dictated by the client's need to make the geographic information a part of its Internet services. These solutions include equipping all municipal register software and the Primas real estate management programme with an Internet-based server solution for information services. As the register information can be accessed with a browser, it is available to a large number of users.

In addition to the growing popularity of Internet-driven solutions, there is also a growing need for wireless access to geographic information. Responding to the needs of its client, Novo Meridian developed a mobile network services management system (Services Positioning System). In addition, the company developed a number of new Geoserver applications based on wireless networks and the Internet, such as a server solution designed for clearly targeted banner advertising. Commercially, the most significant product in this sector is the Vehicle Communication System, VCS; a solution for the efficient utilisation of rolling stock or mobile service resources. VCS was used in a major client project to develop a vehicle monitoring and management system that employs satellite location technology and wireless data communications networks.

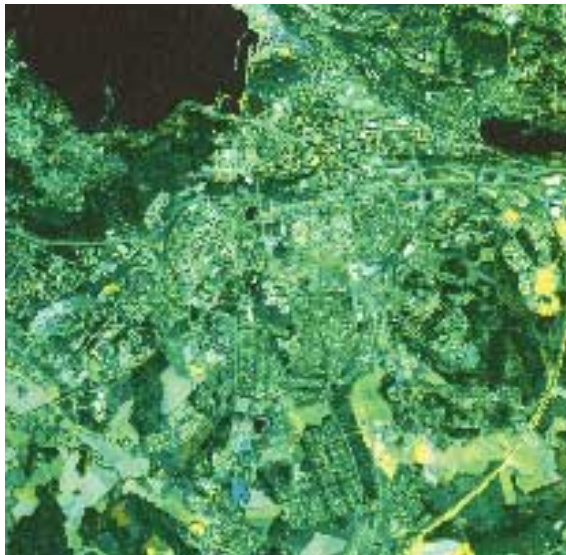
Satellite imagery software for telenetwork planning

Novosat Ltd, a Novo Group company since the beginning of 1999, is engaged in the import and sale of satellite images, and provides image processing services and other expert services related to remote sensing. Novosat has developed satellite image-based applications for a number of end-uses, such as the calculation of mobile phone network reception areas, environmental monitoring, and maintenance of map databases. Major client sectors include telecomms network planning, mapping and forestry. A large number of telecomms projects were carried out in Turkey.

The company's product portfolio covers the majority of the satellite imagery data distributed commercially world-wide. Novosat also distributes imagery acquired by the USA owned Ikonos satellite launched in September.

Novosat has participated in the development projects carried out in Novo Beijing in China. During the year under review, Novo began to import Chinese image-processing

software designed for the processing of remote sensing material. Cooperation with Novo Meridian began covering the sale of the American ERDAS imageprocessing software.



This picture, created from satellite imagery shows all the roads and buildings constructed in Lahti after 1996 (yellow colour). Timber cuts are shown in yellowish green, and in some cases the seedlings left on the felling areas can also be distinguished. This geographic information is used in the information systems of municipalities, forest industry companies, and telecommunications network designers. This change detection image was produced by Novosat by using IRS-IC images from 1999 and 1996.

A new company in China

In August, Novo started up a joint venture in China. The company, Beijing Novo Information Technology Co. Ltd was co-established with Finnfund and China SIWEI Surveying and Mapping Technology Beijing Company. Novo owns 65% of the company, Finnfund 20% and the Chinese partner 15%. The company provides the Chinese authorities and companies operating in China with solutions designed for real estate registers and for land-use planning.

Beijing Novo's operations focus on developing a new software product that utilises satellite images and other geographic information, and on individual customer projects associated with development work. Map solutions created using high resolution satellite images have been designed particularly to produce a digital field model needed for the design of telecommunications networks. Another newly developed product features a real estate data management program specially developed for Chinese surveying conditions. The product line is called Tellux.

Beijing Novo also provides system integration services particularly to Finnish companies with operations in China. Towards the end of 1999, the company began to explore the possibility of offering the Group's other products and services in the Chinese market. The objective is to introduce Novo's solutions, such as e-commerce solutions, to the Chinese market.

Record sale of passenger traffic sales systems

Sales and logistics systems used in passenger carrier vehicles are provided through the co-operation of two Novo teams: Novo Ivc makes software for Touch-PC, a hand-held computer used for sales activities, settlement of accounts and related services in passenger traffic, while the parent company's Helsinki-based airline team develops ground systems for storage and sales accounting.

Novo Ivc provides point-of-sales and logistics solutions used in passenger carrier companies, such as airline, railroad and shipping companies world-wide. A new product introduced during the year under review was the airline personnel resources planning system. The product range was expanded by incorporating the currency exchange system of Sky Teller Ltd into Novo IVC's applications, enabling the sale of currency onboard the aircraft.

Novo Ivc's clientele included 46 airline companies at the end of 1999. With a market share of roughly 25%, the company is the leading supplier of point-of-sales solutions for aircraft. Other customers include four railroad companies and one shipping company.

During the year under review, agreements were signed to deliver sales systems for passenger traffic to KLM, Sabena, Britannia and Cyprus Airways, and an existing agreement with the Hapag Lloyd charter flight company was extended. An agreement was signed to deliver an airline crew shift planning system to Sri Lanka Airlines. This system will be delivered in co-operation with the Dutch Cetec B.V.

Estonian company firmly established

The Estonia-based Novo BCS is a supplier of customised IT system solutions to the Estonian public administration sector and to companies operating in Estonia. In addition, it acts as a subcontractor for other Novo Group companies. 1999 was the first full year of operations for the company; a year in which the company became more firmly established.

The most significant project for Novo BCS in the Baltic countries was the creation of a forestry information system for the Estonian National Board of Forestry. Novo BCS was also a subcontractor in Novo Group's storage system project and in Ivc's project in the UK.

Increased demand expected in the wireless future

Demand for wireless, such as WAP, and Internet-based solutions is expected to rise significantly. Novo's GIS business is becoming more sharply focused on solutions that are used to produce Internet, intranet, extranet and mobile services or that are offered through these networks.

The market for satellite images is expected to grow, thanks to new satellite images that feature extremely high spatial resolution. Within the next few years, a large number of new satellites with excellent resolution will be launched. These will help reduce or replace many traditional tasks involved in land surveying or in land-use, town and network planning. Novosat will focus its business on the sale of processed products and services instead of simply selling imagery. The objective is to bring geographic information updated from satellite images into e-business. The sale of material and software will become a tighter package and will often form a part of a larger system delivery. Growth is sought in the corporate sector in particular.

Novo Ivc seeks to expand its product selection into ground sales systems used by airline companies. It also intends to focus on personnel resource optimisation and to expand its point-of-sales business to non-airline passenger traffic as well. The company's objective is to establish a presence in the North American market and subsequently in South America. Crew resource planning systems are expected to represent the largest growth. Novo BCS' objective is to expand its subcontracting services to non-Group companies. Furthermore, the positive development of the Estonian economy is expected to prompt more IT investments.

The Division's target is to boost its net sales dramatically in the next few years. The objective for 2003 is for 80 percent of net sales to be generated by companies operating abroad. Global growth is pursued through two strategies: focusing on narrow specialist niches globally and focusing on selected geographic regions. The largest growth is expected in the passenger traffic, especially airline traffic, business.

The Kotijäätelö ice cream van benefits from Novo Meridian's GIS expertise when looking for the best places to stop. Best stops are in neighbourhoods with a high concentration of children under the age of 13 in a small area.



NEW BUSINESS SOLUTIONS

The New Business Solutions Division reported net sales of EUR 3.0 million at the end of 1999. The Division employed 101 people. Mr Heikki Tiihonen is the Head of Division.



"E-business is much more than just commerce that takes place in the web. When it comes to new business solutions, Novo's strength comes from mastering the entire IT service chain from infrastructure to certification services to customer relationship management systems," Mr Heikki Tiihonen points out.

NEW BUSINESS SOLUTIONS

-DIVISION

The New Business Solutions Division reported net sales of EUR 3.0 million at the end of 1999, which represents 1.0% of Novo Group's total net sales. A large part of the net sales came from expert services. The Division employed 101 people at the end of the year. (Figures do not include the net sales and personnel of Profit Mediat Ltd, which was acquired at the end of the year.) The Division has seen extremely fast growth both in terms of net sales and number of personnel. About half of the increase in personnel can be attributed to organic growth.

The New Business Solutions Division comprises Novo's mutually supportive businesses, which focus on developing solutions for the new economy and e-business. Companies within the Division include HM&V Research Ltd, specialist in management consultant services; Novostore Ltd, a specialist in electronic commerce, Internet expert services and knowledge engineering; the e-business companies SuperWeb Ltd and Profit Mediat Ltd, which were purchased at the end of the year, and the certification service company Novotrust Ltd. The Division is also in charge of Novo's business process outsourcing operations.

Many sectors in which the New Business Solutions Division operates have seen incredibly fast growth and technological progress. Electronic business involves operational models devised for the new economy as well as the use of the Internet to improve existing operating models. The growth in Internet connections, mobile phones and wireless communications provides access to new geographic market areas and opportunities for entirely new types of services. New operating models are built on two basic characteristics of the new economy: new structures and a new dynamic, such as easy duplicability. Mergers and business acquisitions continuously shape the rapidly growing market. Sharper focus on core competencies promotes networking and co-operation between organisations.

The market for Internet expert services was estimated to have grown by nearly 70 percent in 1999, and IDC anticipates the growth to continue at an annual rate of 20–40 percent for at least the next three years. Novo wants to be one of the leading providers of e-business solutions in Finland. Novo's major asset in e-business is expertise that spans the entire IT service chain.

With the increasing popularity of e-services and e-commerce, demand for data security and certification services will increase. Interaction within and between organisations

is taking place more often through public networks. The certification service company established by Novo in the autumn specialises in providing certification services to businesses.

Thanks to advanced information technology, geographic location has essentially become insignificant in many administrative and production support operations. Now that buying IT services from outside the company became almost the norm, companies have become more interested in outsourcing their non-key business processes, such as payroll accounting. The popularity of outsourcing is soaring in both the US and Europe. According to International Data Corporation (IDC), business process outsourcing in Finland will grow by 38% a year. Novo provides outsourcing services in its core competence areas. Combining IT expertise and process expertise produces significant large-scale production benefits. For the client, improving the efficiency of processes means systems development and quality management.

Powerful growth in e-commerce and Internet-related expert services

Novo aims to be one of the leading e-business companies in Finland. To build up the company's e-business expertise, business acquisitions and transfers within the organisation were made. In November, Novo purchased SuperWeb Ltd, the Internet-based business services arm of Oy PC-SuperStore Ab Ltd, a member of the Merkantildata Group (press release 10 November 1999). SuperWeb specialises in designing on-line shopping sites for private consumers and enterprises. In December, Novo acquired Profit Mediat Ltd, a company known particularly for its intranet solutions (stock exchange bulletin 29 December 1999). There are plans to merge both companies with Novostore in 2000 to form a single business unit. This consortium of the electronic businesses of three companies employed 130 people at the end of 1999, and about half of them joined Novo in conjunction with the business acquisitions.

To focus its Internet expertise more sharply, Novo moved its library and information services team from the Software Product Solutions Division to the New Business Solutions Division in September. A growing number of library and information services can currently be accessed through the Web. In the e-commerce sector, an agreement

was signed in early 1999 to join the export circle of the Finnish Foreign Trade Association (FinnPro).

Rekry.com, an Internet-based recruitment service opened by Novostore in September, attracted more than 100,000 users in its first month. This service is an upgraded version of Novo's earlier service, which was the first Web-based recruitment service in Finland. A significant agreement was also signed in September with the consortium of Finnish Polytechnics regarding the construction of a software application based on the same core competence. The system covers all 30 Polytechnics operating in Finland and a total of 100,000 students. Employers can place job advertisements in the system or find a suitable employee based on the applications submitted by students.

E-business made its way to management consulting

HM&V Research Ltd offers IT-based business management consultant services. The key theme in 1999 was e-business. HM&V's consultation focused on three things: e-business strategies, the development of operating and service processes and account management, and IT strategy, architecture and data security consultation. A new theme introduced during the year was the utilisation of wireless Internet solutions in business. Three multiple-client projects were under way in 1999: Knowledge Networking, E-ser-

vices and E-business 2000. Two books on the new economy were also published during the year.

A new certification service company launched operations

Novotrust Ltd is a company specialised in providing certification services for electronic communications purposes. It launched operations in the autumn and was entered into the trade register on 8 September 1999. Novo has a 74-percent interest in the company; other owners include Pietarsaaren Seudun Puhelin Oy and Efektia Oy.

IT-based business requiring special data security and certification services will see tremendous growth in the near future. When transactions take place via public networks, it is crucial that the identity of the person using an electronic service can be verified, that the data remain unchanged, that confidentiality be secured and, in many cases, that the time a message was sent be verifiable.

Novotrust offers a certification service for e-services in which the message is protected, or encrypted, using a certification card that requires a PIN code. This card contains the personal encryption key of the cardholder. When a person sends an e-mail message encrypted with the personal certification card, only the authorised receiver of the message can open it using his/her own certification card. The same technology allows messages to be signed digitally.



The rapidly growing Novostore relocated to new premises in Sörnäinen, Helsinki, in the summer. Pictured from the left are Harriet Eriksson, Umi Iivonen, Toni Strandell, Pekka Tonteri and Katri Tuulensuu.

Novo's certification service is based on an asymmetrical encryption method that requires two keys; one public and one private. This certification solution complies with the international PKI (Public Key Infrastructure) architecture. Novotrust ensures that the encryption keys are dependable, and it acts as the distributor and administrator of the keys. The cardholder pays a single payment for the certification service.

The first agreements were signed at the end of the year. More extensive business operations will begin in the first quarter of 2000.

Increased demand for business process outsourcing

Novo offers its clients outsourcing services for payroll accounting, financial administration and invoicing, and for document management and filing. The benefits of outsourcing are derived from a high level of IT expertise combined with process development. During the year under review, operations expanded considerably. A payroll accounting unit was set up in Turku. During the year, 13 people from the companies purchasing outsourcing services joined Novo. At the end of the year, 26 companies purchased business process outsourcing services from Novo.

Targeting the international market

The market for Internet-related expert services is expected to grow by about 40 percent in 2000. E-services and e-commerce as well as extranet applications businesses will see the fastest growth. Considerable growth is expected to continue at least until 2003. Formed through business acquisitions in 1999, Novo's e-business unit offers a complete service concept that includes intranet, extranet and Internet solutions.

In addition to e-business solutions, Novo's new economy unit offers a seamless service package complete with certification and outsourcing services, which are expected to generate considerable growth, and new economy consultant services. HM&V Research estimates that the market for certification services will triple in Finland in 2000. According to IDC's forecast, the business process outsourcing market will grow by 40 percent next year. Our objective is to secure a leading market position for Novo's business process outsourcing services in the selected sectors.

The Division's objective is to grow globally so that approximately 40 percent of its net sales will be generated abroad by the year 2003. Special emphasis will be placed on product-profiled applications for e-commerce, e-services and knowledge engineering. XML and mobile technologies will play a key role in the delivery of these solutions.



The first Prosign card was handed over to Mr Kari Jalas, Managing Director of the Central Chamber of Commerce, in February 2000. The card was presented by Ms Güliz Arifulla, Customer Service Manager at Novostrust.



Five Centres of Expertise provide support to the business operations. The photograph shows the Directors of these Centres Tarja Virmala, Matti Partanen, Jouni Tulokas, Martti Ala-Härkönen and Matti Mäkelin.

CENTRES OF EXPERTISE

In the spring of 1999, business support and management operations were organised into five Centres of Expertise. These centres concentrate on operations whose successful management across the Group is crucial for business success. The principal task of the Centres of Expertise is to help the Divisions reach their objectives. Centres are expected to be fully operational at the beginning of 2000.

Sales and Account Management

DIRECTOR JOUNI TULOKAS

Sales to Novo's partners are based on co-operation between the partners and Novo's business teams. These teams boast special skills and knowledge of their respective lines of business. Their purpose is to provide clients with complete service concepts that make full use of all the products, services and solutions offered by the Novo Group. Each Division and company also offers their individual products and services to their own clients.

Finance and Business Development

DIRECTOR MARTTI ALA-HÄRKÖNEN

This Centre is in charge of the Group's business development activities, strategy co-ordination and business arrangements. It is also responsible for the Group's internal and external reporting. The Centre searches and tests new ways of producing administrative services for the Group. As a result of its work, the parent company introduced rondo, a new programme for electronic purchase invoice processing, at the beginning of 2000.

Research and Development

DIRECTOR MATTI MÄKELIN

The Research and Development unit carries out Group-level product development projects and consults the business units in issues related to new technology. The Centre is made up of the Group's information management and technology development units. The technology development unit is responsible for developing the Novo Model work methods and for identifying new business opportu-

nities. Over the year, research focused on services designed for the wireless IP environment and Enterprise Application Integration, which helps put together enterprise resource planning, account management, knowledge management and data storage. The unit was equipped with a broadband radio LAN to facilitate the research.

Communications, Marketing and Personnel

DIRECTOR TARJA VIRMALA

This Centre features three operations: communications, marketing and personnel affairs. The One Novo strategy promotes the effectiveness of these support activities and creates synergy benefits. Starting from the beginning of 2000, the personnel unit will also offer Group-level services to all Novo companies. Group marketing and communications operations focus primarily on co-ordinating and developing measures and activities associated with building the Novo brand.

Supply Processes and Quality

DIRECTOR MATTI PARTANEN

The Supply Processes and Quality unit consults, supervises and trains the Group's various units in matters related to quality and quality improvement. It also provides methods and recommendations as to how quality should be developed in Novo and what issues should be taken into account in quality improvement activities. The Centre's task is to maintain and develop Novo's quality system, and to ensure that a quality system covering the entire Group will be complete in the year 2000.

Operating model in the traditional vs. the new economy

	TRADITIONAL	NEW ECONOMY
Information systems focus on	Internal efficiency	External opportunities
Datacommunications architecture	Closed	Open, yet secure
Communications between companies	Rigid, limited	Flexible
Value chain between goods and knowledge	Connected	Separate
Relationship between IT and business	Supporting	Enabling
Information content of products	Insignificant	Digitalised
The importance of time and place	Great	Small
Competitors	Local	Global
Business operating model	Self-sufficient	Networked
Scarce resource	Capital	Expertise

Novo's Group-level Centres of Expertise have accepted the challenge of modifying the traditional operating models to meet the requirements of the new economy.

BOARD OF DIRECTORS' REVIEW

Novo's year 1999 saw major growth in solutions for the new economy

Year 1999 marked a period of significant change and reorganisation for the Novo Group.

Growth of net sales clearly exceeded market growth, as planned. In accordance with the corporate strategy, services focused more sharply on web-based solutions for the new economy. In terms of the Group's global growth efforts, important provisional goals were reached.

The Group's operating profit rose. However, financial result after the depreciation of goodwill did not meet the objectives. Profit was taxed by heavy investments made in the development of new businesses, business acquisitions made to expand the Group's service selection, resource allocation required by the global growth efforts and the disappointing performance of the Infra Solutions Division in the first half of the year. Business acquisitions had a positive impact on the financial performance.

According to the International Data Corporation (IDC) Finland Oy research company, the IT market in Novo's main business areas in Finland grew by some 13 percent in 1999. Finnish national economy developed favourably last year, providing a good basis for a high demand for IT. Demand was also prompted by the Year 2000 projects of companies and other organisations, as well as investments in new e-service solutions that provide a competitive asset.

Novo's strategy is to provide its clients with a complete IT service package. Novo's core competencies include identifying the opportunities provided by the new economy, offering customised consultation to meet each client's needs, and delivering IT services such as software, operating, network, data communications and infra solutions by employing established methods.

Novo's customer base in Finland spans the corporate sector as well as the health care and public administration sectors. The Group runs a nation-wide service network in Finland, and it had three foreign subsidiaries at the end of 1999.

Net sales

Novo Group's consolidated net sales were up by 19.3 percent on the previous year and totalled EUR 312.0 million (EUR 261.6 million). Net sales of the parent company Novo Group Plc picked up by 30.1 percent to EUR 102.0 million (EUR 87.4 million).

Approximately 11.6 percent of the Group's net sales were generated by the foreign subsidiaries or foreign invoicing.

Infra Solutions Division posted net sales of EUR 225.0 million. The Division covers the business operations of Novosys Ltd and Nouveltech Ltd and some operations of Novo Group Plc. The Division employed 728 personnel at the year-end.

Net sales of the Software Product Solutions Division amounted to EUR 47.5 million. This Division includes the business operations of Novobit Ltd and Novo App Ltd and some operations of Novo Group Plc. Number of personnel at the year-end was 507.

Customised Software Solutions Division recorded net sales of EUR 18.7 million. The Division is comprised of parts of Novo Group Plc, Sateenkaarisuunnittelu Group (Karjalan Tietovalta Oy) and Citisoft Oy. At the end of the year, the Division employed 245 people.

Net sales of the New Business Solutions Division totalled EUR 3.0 million. At the end of 1999, the Division included the business operations of Novostore Ltd, the HM&V Research Group, Novotrust Ltd and the business process outsourcing unit of Novo Group Plc. Number of personnel at the year-end was 101. Net sales of SuperWeb Oy, which was acquired at the end of the financial year, were not included in these figures.

Foreign Subsidiaries and GIS Solutions Division booked net sales of EUR 17.0 million. The Division contains the following business units: Novo Meridian Group, Novosat Ltd, Novo BCS AS, Novo Ivc Ltd and Beijing Novo Information Technology Co. Ltd. The Division employed 184 personnel at the year-end.

Operating profit and financial position

The Group performed as expected. Operating profit was up 3.7 percent and totalled EUR 13.0 million (EUR 12.5 million). Profit before the depreciation of goodwill was EUR 16.5 million (EUR 14.1 million). Profit before taxes increased by 2.5 percent from the previous year to EUR 13.7 million (EUR 13.4 million). Profit per share rose to EUR 1.4 (1.5). The parent company Novo Group Plc made an operating profit of EUR 6.9 million (EUR 4.7 million), showing an improvement of 46.4 percent on the previous year. Profit before appropriations and taxes was up by 16.2 percent from the previous year and totalled EUR 11.0 million (EUR 9.5 million).

Investments and product development

The Group's gross investments amounted to EUR 31.6 million (EUR 22.6 million) of which the parent company accounted for EUR 30.8 million. The investments mainly included business acquisitions and computer equipment purchases. Business acquisitions were partly financed with shares issued through private placing. Product development costs were booked as annual expenses.

Group's customer service reorganisation

The operations of the Novo Group were reorganised in 1999. The organisation is now made up of five business divisions and five centres of expertise that offer services to the divisions. Group-level Centres of Expertise are Sales and Account Management, Finance and Business Development; Communications, Marketing and Personnel; Research and Development, and Supply Processes and Quality.

The total number of personnel working at the Centres of Expertise was 145 and the Centres generated total net sales in the amount of EUR 0.8 million in 1999.

The objective of the reorganisation was to provide Finnish clients with easier access to all the services the Group can offer. It is extremely important to ensure in-house co-operation across company and divisional boundaries and the efficiency of service processes in order to execute full service strategy.

By grouping international activities and the powerfully growing new businesses under the same Divisions Novo seeks synergy benefits and improved efficiency in the execution of the Group's growth strategies.

Group structure and structural developments

The Group's parent company is Novo Group Plc. At the end of the year, active Finnish subsidiaries were Novosys Ltd and its subsidiary Nouveltech Ltd; Novobit Ltd, Novo Meridian Ltd and its subsidiary Pohjolan Paikkatiety Oy; Novostore Ltd, Novo App Ltd, HM&V Research Ltd and its subsidiary HM&V Telecommunications Oy; Novosat Ltd, Novotrust Ltd, Sateenkaarisuunnittelu Oy and its subsidiaries Quater Pendelum Oy and Karjalan Tietovalta Oy; Citisoft Oy and SuperWeb Oy.

In March, Novo purchased the Fenix and Pegasos software businesses of Siemens Business Services Oy. With this acquisition, Novo gained a stronger position as the supplier of administrative software for companies, municipalities and the health care sector. Furthermore, 208 new IT professionals joined Novo in conjunction with the acquisition. These business operations were incorporated into Novo Group Plc.

The business operations of Jasokraft Oy that were pur-

chased in May were incorporated into the operations of Novosys Ltd. With this acquisition, Novo received a large number of significant new clients in the infra solutions sector.

The acquisition of Sateenkaarisuunnittelu Group (Karjalan Tietovalta Oy) and Citisoft Oy in June helped Novo strengthen its position as a supplier of customised software solutions. Karjalan Tietovalta specialises in system deliveries to government agencies and educational institutions, while Citisoft's strength lies in enterprise resource planning systems for the business sector.

Novotrust Ltd, a certification service provider, launched its business activities at the end of 1999. The establishment of this company was entered into the trade register on 8 September 1999.

An agreement was signed in November 1999 (press release on 4 November 1999) to buy the entire share capital of SuperWeb Oy, a company specialised in Internet, intranet and extranet solutions. The Office of Free Competition approved the deal on 15 December 1999.

In the autumn, Novosys Ltd divested the chain of Novoshop retail shops.

Jussi Puttonen Development Oy was wound up on 31 July 1999, and New Generation Software (NGS) Oy and Oy Artis Ltd on 31 December 1999. Novo App Ltd and Hebritt Oy will be merged with Novo Group Plc. A decision has been made to merge Sateenkaarisuunnittelu Oy and Quater Pendelum Oy with Karjalan Tietovalta Oy.

Novo Group Plc's foreign subsidiaries are Novo Ivc Ltd, Novo BCS AS and Beijing Novo Information Technology Co. Ltd.

The China-based Beijing Novo Information Technology was founded in 1999. Its business operations are based on co-operation with a Chinese partner regarding geographic information solutions. In addition, the company offers infra solutions and services to Finnish companies operating in China.

The Group has a participating interest in three companies: VR-Data Oy (40%), Medici Data Oy (36%) and Solid Information Technology Ltd (24%). On 3 February 2000, VR-Data Oy announced its intention to change its name to IT Solicom Oy.

Share capital

According to the articles of association, the company's minimum capital is EUR 2.600.000 and maximum capital is EUR 10.400.000 within which limits the share capital can be increased or decreased without amending the articles of association. The company's fully paid share capital shown in the trade register at the end of 1999 was EUR

5.562.594.75. The share capital consists of 6.614.738 shares.

The Annual General Meeting convened on 8 April 1999 authorised the Board of Directors to make an exception to the shareholders' subscription privilege and to raise the share capital. The Board was authorised to issue a maximum of 1.100.000 new shares. The authorisation will be effective for a year.

Under the authorisation, the share capital was raised three times in 1999, on 28 April, 8 July and 17 December. The new shares, a total of 267.750, were used as payment for business acquisitions.

Detailed information on the new shares and subscription prices is presented in Notes to the Financial Statements. In the private placing to Siemens Business Service Oy, the share subscription price was based on market capitalisation. In other private placings, the subscription price was based on the book value of the company's net assets.

The Annual General Meeting also authorised the Board of Directors to make decisions on purchasing the company's own shares with distributable profit funds and on assigning such shares. The Board was authorised to purchase shares to improve the company's capital structure and to use them as payment when the company acquires assets for its business operations, and as payment for potential business acquisitions.

The maximum total amount of shares currently held by the company and shares to be purchased may not exceed five percent of the total number of shares and the voting rights to which the shares entitle.

On 31 December 1999, the company held 150.000 of its own shares. This represents 2.3 percent of the company shares and share capital. During the financial year ended on 31 December 1999, the company purchased 75.000 of its own shares at a price of EUR 30.3 per share.

At the time of acquisition, Karjalan Tietovalta Oy held 1.950 of Novo Group Plc shares. At the end of the financial year, Karjalan Tietovalta held 1.450 shares.

Share trading and share price development

The lowest trading price of Novo Group's share was EUR 20.85 and the highest EUR 49.0. Over the year, 1.791.563 shares were traded, representing 27.7 percent of the company's shares and share capital.

Market capitalisation of Novo's shares was EUR 317.5 million at the end of 1999.

Options

During the year under review, the Board exercised its right to issue options twice, on 18 February 1999 and 9 June 1999.

Decisions made on 18 February 1999 were based on the authorisation given at the Annual General Meeting in 1998. Holders of management options are entitled to subscribe to a total of 200.000 shares during the subscription period.

Decisions made on 9 June 1999 were based on the authorisation given at the Annual General Meeting on 8 April 1999 to issue personnel options. The option holders are entitled to subscribe to a total of 400.000 shares during the subscription period.

In total, the subscription rights attached to options represent 8.3 percent of Novo Group Plc's shares and share capital.

Guidelines for Insiders

Novo Group Plc follows its own insider rules drawn up in conjunction with its stock exchanging listing. These rules are stricter than the new Guidelines for Insiders issued by Helsinki Securities and Derivatives Exchange which will enter into force on 1 March 2000.

The year 2000 and Euro

Novo Group launched its Y2K project in 1997. Year 2000 upgrades and testing of Novo's own systems and those of its clients were completed by the end of November 1999. As expected, the rollover into year 2000 took place without any disruptions thanks to careful preparations.

Since the beginning of 1999, Novo Group Plc has used Euro as the currency in external reporting. The official financial statements for 1999 will still be presented in Finnish markka, but Euro is the currency used in the annual report for 1999.

Personnel and human resources development

The Novo Group employed 1.910 people (1.457) at the end of 1999. The average number of personnel grew by 31.1 percent on the previous year. The average number of personnel during the year was 1.762 (1.279) and turnover was 13.9 percent.

At the end of the year, the parent company employed 1.074 (889) people, and the average number of personnel in 1999 was 1.015 (842).

The objective of Novo's human resources development measures was to expand the company's core competencies and to prepare for the future growth and globalisation development. To promote the human resources development process, all the Group's personnel services were directed into one Centre of Expertise. The personnel services unit provides the business units with the full range of personnel services from recruitment to job-related services and human resources development. The payroll

accounting of the Group companies was delegated to the unit in charge of business process outsourcing services.

In 1999, human resources development measures focused on improving professional and project management skills and on supervisor training. A great deal more supervisor training was offered with the objective to improve the efficiency of the organisation through management, to streamline the Group's management practices and to improve the job satisfaction of Novo personnel.

Events after the period

In its meeting on 14 December 1999, the Board of Directors of Novo Group Plc decided to raise the company's share capital by issuing 150,000 new shares by way of derogation from the shareholders' subscription privilege. The new shares were used as payment for the acquisition of Profit Mediat Ltd. The subscription price was based on the book value of the company's net assets. The increase in share capital was entered into the trade register on 1 February 2000. Profit Mediat Ltd is a software house that specialises in Internet, intranet and extranet solutions.

The Office of Free Competition approved the acquisition of Profit Mediat Ltd on 24 January 2000.

Administration

The President and CEO of Novo Group Plc is Jorma Kieleniva. Chairman of the Board of Directors is Lauri A. Manninen and vice-chairman is Ilkka Hallavo. Members of the Board are Christel von Martens, Marketta Nordman, Martti Lipponen, Matti Packalen and Juha Voittis.

Chairman of the Supervisory Board is Timo Kietäväinen, first vice-chairman is Juhani Paloheimo and second vice-chairman is Reijo Hautala. The Supervisory Board was dissolved at the end of 1999.

The company's auditors were Tilintarkastajien Oy - Ernst & Young public accountant company and Jorma Jäske, authorised public accountant.

Outlook for the IT market

IT offers an increasingly wide variety of possibilities for organisations and businesses, and it helps improve cost-efficiency and productivity. Furthermore, IT will be at the heart of operations in a large number of organisations. More and more often, the services produced with advanced software are accessed from a mobile phone, a wireless terminal, or a mobile workstation. Remote computing through data networks will serve the organisations' key businesses or form an integral part of them. As systems become more complex and more mission-critical, the demands placed on their usability and reliability become higher. With modern technological advances, clients

require a higher level of expertise of their IT partner.

Novo markets value-adding services or services that allow clients to focus more sharply on their key business. Services cover a wide spectrum from new economy consultation, e-business and software services to a range of hardware solutions, services that guarantee the reliability and security of systems, and outsourcing services. The Group's products and services are constantly being developed to meet customers' needs.

Novo's business is anchored on key values: innovation, dependability and customer-orientation. In accordance with the Vision 2003 objectives, Novo will continue to offer its clients a wide range of IT services in the age of the new economy, too.

Novo's future outlook

In the next few years, the Novo Group will continue to transform into a provider of solutions for the new economy. Novo's objective is to clearly exceed the present growth rate in the next few years, to improve profitability and become a major European IT service company by the end of 2003.

Novo aims to achieve net sales of EUR 1.3 billion (FIM 8 billion) in 2003. Growth will be partly achieved through business acquisitions.

Novo also pursues growth by seeking a stronger presence in the EU region and by striving to gain a global clientele in selected software sectors. The most powerful growth is expected in the sale of systems for passenger carrier companies, Internet, intranet, extranet and e-business systems, geographic information systems and infra solutions.

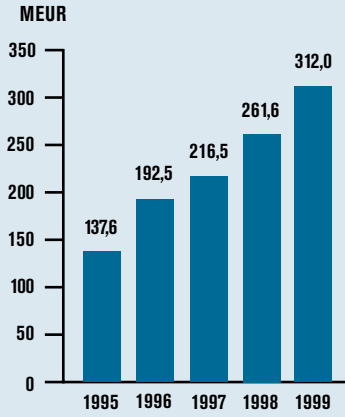
The growing popularity of new e-business solutions and success in the efforts to grow globally with clients will help Novo meet its objectives. Furthermore, a favourable economic development in Novo's market areas provide a solid foundation for this development.

Proposal for the distribution of profits

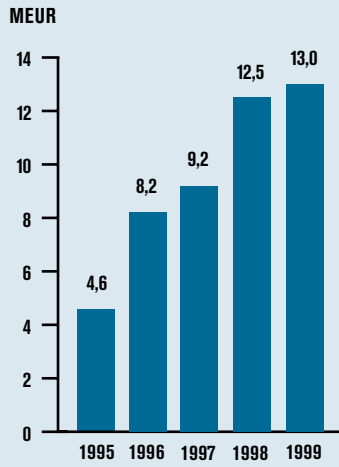
The Board of Directors proposes that a dividend of EUR 0.60/share, or a total of no more than EUR 4,058,842.80 be paid from the year's profits and that the remainder be kept on the account of retained earnings.

NOVO GROUP PLC
Board of Directors

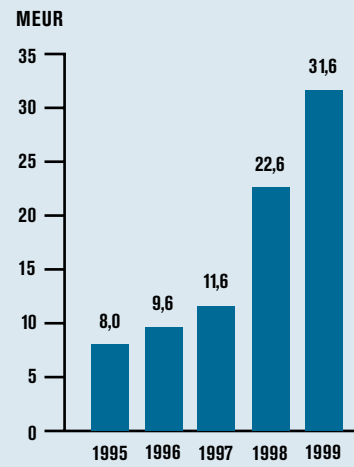
NET SALES



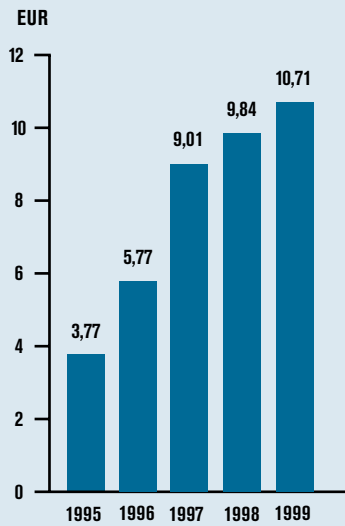
OPERATING PROFIT



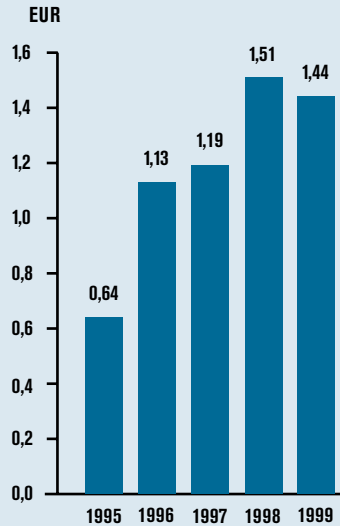
GROSS INVESTMENTS



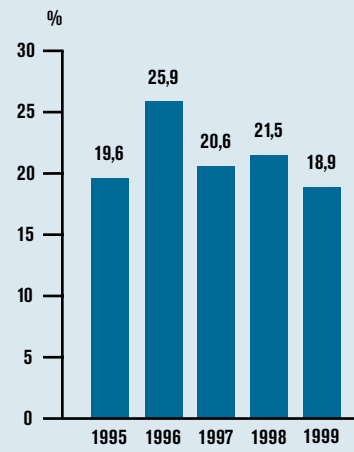
SHAREHOLDERS EQUITY / SHARE



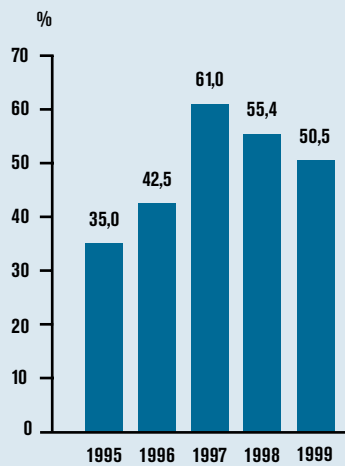
PROFIT / SHARE



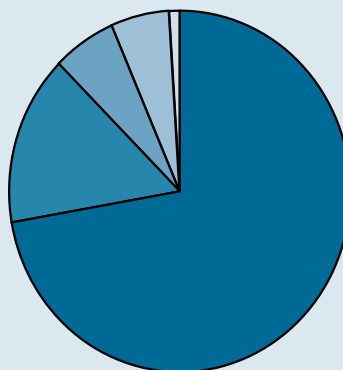
RETURN ON INVESTMENT



SOLVENCY RATIO



NET SALES BY DIVISIONS



- Infra Solutions
- Software Product Solutions
- Customised Software Solutions
- Foreign Subsidiaries and GIS Solutions
- New Business Solutions

THE NOVO GROUP

CONSOLIDATED INCOME STATEMENT	1 Jan.- 31 Dec.1999	1 Jan.-31 Dec.1998
	EUR 1000	EUR 1000

NET SALES	311 982	261 614
Other operating income	479	1 166

Materials and services**Materials and supplies**

Purchases during the year	163 757	156 015
Increase/decrease in inventories	-669	-2 808
Services purchased	9 716	6 473
Total materials and services	172 804	159 680

Personnel expenses

Wages and salaries	59 250	41 523
Indirect employee costs		
Pension costs	9 225	6 146
Other indirect empl.costs	5 591	4 194
Total personnel expenses	74 066	51 863

Depreciations and value adjustments

Depreciation according to plan	11 791	9 097
Depreciation on Group goodwill	1 174	629
	12 965	9 726

Other operating expenses	39 624	28 971
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OPERATING PROFIT	13 002	12 540
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Financial income and expenses

Equity earnings in partly-owned companies	184	395
Income from fixed asset investments		
from partly-owned companies	10	9
other investments	13	3
Interest receivable and financial income		
from partly-owned companies	2	39
other interest receivable and financial income	1 085	1 037
Interest payable and other financial expenses	-600	-656
Total financial income and expenses	694	827

PROFIT BEFORE EXTRAORDINARY ITEMS	13 696	13 367
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Extraordinary items

Extraordinary income	0	0
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PROFIT BEFORE TAXES	13 696	13 367
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Change in deferred tax liability	217	622
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Income tax	-4 898	-4 407
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PROFIT BEFORE MINORITY INTEREST	9 015	9 582
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Minority interest of the financial year's profit	103	40
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PROFIT FOR THE FINANCIAL YEAR	9 118	9 622
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THE NOVO GROUP

CONSOLIDATED BALANCE SHEET

ASSETS	31 Dec.1999 EUR 1000	31 Dec.1998 EUR 1000
FIXED ASSETS		
Intangible assets		
Intangible rights	5 167	3 869
Goodwill	14 769	4 506
Group goodwill	6 774	4 452
Other long-term expenditure	69	69
Total intangible assets	26 779	12 896
Tangible assets		
Land	341	341
Buildings and constructions	4 886	5 121
Machinery and equipment	19 407	16 863
Other tangible assets	314	317
Total tangible assets	24 948	22 642
Financial assets		
Interests in partly-owned companies	2 274	2 429
Loans to partly-owned companies	958	151
Own shares	4 587	2 265
Other shares and interests	818	806
Other receivables	37	49
Total financial assets	8 674	5 700
TOTAL FIXED ASSETS	60 401	41 238
CURRENT ASSETS		
Inventories		
Goods and products	11 747	11 077
Receivables		
Deferred tax income	0	55
Accounts receivable	47 281	37 081
Loans to partly-owned companies	824	445
Loan receivables	27	19
Other receivables	115	271
Deferred income	10 230	8 430
Total current receivables	58 477	46 301
Investments		
Other securities	3 096	3 344
Cash in hand and at banks	13 837	16 041
TOTAL CURRENT ASSETS	87 157	76 763
	147 558	118 001

THE NOVO GROUP

CONSOLIDATED BALANCE SHEET

LIABILITIES	31 Dec.1999 EUR 1000	31 Dec.1998 EUR 1000
SHAREHOLDERS' EQUITY		
Share capital	5 563	5 337
Share premium account	31 770	27 651
Reserve for own shares	4 587	2 265
Retained earnings/losses	22 732	19 184
Translation difference	51	-65
Profit for the financial year	9 118	9 622
TOTAL SHAREHOLDERS' EQUITY	73 821	63 994
MINORITY INTEREST	557	185
PROVISIONS FOR LIABILITIES AND CHARGES		
Other provisions	845	476
LIABILITIES		
Deferred tax liability	728	1 001
Long-term liabilities		
Loans from financial institutions	7 043	179
Pension loans	4 509	4 855
Other long-term debt	948	175
Total long-term liabilities	12 500	5 209
Short-term liabilities		
Loans from financial institutions	1 329	0
Pension loans	345	369
Advances received	4 741	3 927
Accounts payable	27 743	25 380
Loans from partly-owned companies	31	104
Other debt	5 687	4 736
Accrued liabilities	19 231	12 620
Total short-term liabilities	59 107	47 136
TOTAL LIABILITIES	72 335	53 346
	147 558	118 001

BALANCE SHEET

THE NOVO GROUP

CONSOLIDATED FUNDS FLOW STATEMENT	1 Jan.- 31 Dec.1999	1 Jan.- 31 Dec.1998
	EUR 1000	EUR 1000
SOURCES OF FUNDS		
Income financing		
Operating profit	13 002	12 540
Depreciations	12 965	9 726
Capital gains/losses	-83	330
Provisions	368	-29
Financial income	1 110	1 088
Profit from the assignment of fixed assets	360	514
Decrease in loan receivables	63	-
Other income financing (net)	358	94
	28 143	24 263
Capital financing		
Increases in shareholders' equity		
parent co./minorities	4 812	-
Increase in long-term liabilities	9 526	275
	42 481	24 538
APPLICATION OF FUNDS		
Distribution of profits		
Interest on liabilities	600	656
Taxes	4 898	4 407
Dividends	3 778	2 775
Investments		
Investments in fixed assets	31 635	22 600
Increase in loan receivables	857	200
Repayment of capital		
Decrease in long-term liabilities	930	396
	42 698	31 034
Change in current assets	9 780	8 047
Change in inventories	669	2 808
Change in short-term liabilities	-10 666	-17 351
	-217	-6 496

NOVO GROUP PLC

INCOME STATEMENT	1 Jan.- 31 Dec.1999	1 Jan.-31 Dec.1998
	EUR 1000	EUR 1000
NET SALES	102 038	78 439
Other operating income	1 367	1 385
Materials and services		
Materials and supplies		
Purchases during the year	6 204	3 663
Increase/decrease in inventories	-501	153
Services purchased	7 975	5 874
Total materials and services	13 678	9 690
Personnel expenses		
Wages and salaries	35 584	28 112
Indirect employee costs		
Pension costs	5 444	4 267
Other indirect employee costs	3 573	2 892
Total personnel expenses	44 601	35 271
Depreciations and value adjustments		
Depreciations according to plan	8 800	6 981
Other operating expenses	29 419	23 165
OPERATING PROFIT	6 907	4 717
Financial income and expenses		
Income from interests in		
Group companies	1 216	2 204
partly-owned companies	467	131
Income from other fixed asset investments		
in Group companies	216	152
in partly-owned companies	10	8
other investments	12	3
Interest receivable and financial income		
from Group companies	116	90
from partly-owned companies	2	39
other interest receivable and financial income	630	855
Interest and other financial charges payable		
to Group companies	-12	-1
other interest payable and financial expenses	-406	-488
Total financial income and expenses	2 251	2 993
PROFIT BEFORE EXTRAORDINARY ITEMS	9 158	7 710
Extraordinary items		
Extraordinary income	1 850	1 766
PROFIT BEFORE APPROPRIATIONS AND TAXES	11 008	9 476
Appropriations		
Change in depreciation difference	292	903
Income tax	-3 840	-2 973
PROFIT FOR THE FINANCIAL YEAR	7 460	7 406

NOVO GROUP PLC

BALANCE SHEET

ASSETS	31 Dec.1999 EUR 1000	31 Dec.1998 EUR 1000
FIXED ASSETS		
Intangible assets		
Intangible rights	4 544	3 673
Goodwill	10 076	569
Other long-term expenditure	69	69
Total intangible assets	14 689	4 311
Tangible assets		
Land	341	341
Buildings and constructions	4 886	5 121
Machinery and equipment	15 737	13 765
Other tangible assets	314	311
Total tangible assets	21 278	19 538
Financial assets		
Interests in Group companies	14 887	8 238
Loans to Group companies	3 363	3 135
Interests in partly-owned companies	1 686	1 691
Loans to partly-owned companies	958	151
Own shares	4 539	2 265
Other shares and interests	468	468
Other receivables	36	49
Total financial assets	25 937	15 997
TOTAL FIXED ASSETS	61 904	39 846
CURRENT ASSETS		
Inventories		
Goods and products	657	156
Receivables		
Accounts receivable	13 556	9 739
Loans to subsidiaries	6 768	5 103
Loans to partly-owned companies	824	412
Loan receivables	12	12
Other receivables	103	254
Deferred income	4 169	5 749
Total short-term receivables	25 432	21 269
Investments		
Other securities	2 775	3 226
Cash in hand and at banks	4 063	7 814
TOTAL CURRENT ASSETS	32 927	32 465
	94 831	72 311

NOVO GROUP PLC

BALANCE SHEET

LIABILITIES	31 Dec.1999 EUR 1000	31 Dec.1998 EUR 1000
SHAREHOLDERS' EQUITY		
Share capital	5 563	5 337
Share premium account	31 770	27 651
Reserve for own shares	4 539	2 265
Retained earnings/losses	8 107	6 727
Profit for the financial year	7 460	7 406
TOTAL SHAREHOLDERS' EQUITY	57 439	49 386
ACCRUED APPROPRIATIONS		
Depreciation difference	4 324	4 652
PROVISIONS FOR LIABILITIES AND CHARGES		
Other provisions	639	234
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	6 869	71
Pension loans	3 006	3 233
Other long-term loans	799	0
Total long-term liabilities	10 674	3 304
Short-term liabilities		
Loans from financial institutions	1 329	0
Pension loans	226	243
Advances received	198	537
Accounts payable	3 090	2 351
Loans from Group companies	2 666	1 490
Loans from partly-owned companies	31	104
Other loans	2 991	2 303
Accrued liabilities	11 224	7 707
Total short-term liabilities	21 755	14 735
TOTAL LIABILITIES	32 429	18 039
	94 831	72 311

BALANCE SHEET

NOVO GROUP PLC

FUNDS FLOW STATEMENT	1 Jan.-31 Dec. 99 EUR 1000	1 Jan.-31 Dec. 98 EUR 1000
SOURCES OF FUNDS		
Income financing		
Operating profit	6 907	4 717
Depreciations	8 800	6 981
Capital gain/loss from the sale of fixed assets	-20	383
Provisions	405	-52
Financial income	2 669	3 481
Profits from the assignment of fixed assets	972	301
Decrease in loan receivables	667	0
Depreciation difference adjustment in conjunction with the transfer of business operations	-36	0
Extraordinary income	1 850	1 765
	22 214	17 576
Capital financing		
Increase in share capital	4 345	-
Increase in long-term liabilities	9 347	-
	35 906	17 576
APPLICATION OF FUNDS		
Distribution of profits		
Interest on liabilities	418	489
Taxes	3 840	2 973
Dividends	3 752	2 775
Investments		
Investments in fixed assets	30 789	17 541
Increase in loan receivables	1 689	2 494
Repayment of capital		
Decrease in long-term liabilities	665	172
	41 153	26 444
Change in current assets	-40	-4 927
Change in inventories	501	-153
Change in short-term liabilities	-5 708	-3 788
	-5 247	-8 868

NOTES TO THE FINANCIAL STATEMENTS

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the figures for all Group companies and partly-owned companies, apart from Kiinteistö Oy Rukavarri and Infokeidas Oy, which are not engaged in actual business operations and have no significant effect on the Group's financial performance.

More detailed information on Group companies and partly-owned companies will be provided below under section 'financial assets'.

PREPARATION PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared using the acquisition cost method. The price paid for subsidiaries' shares in excess of shareholders' equity has been shown as Group goodwill.

Internal business transactions, the unrealised profit margins of internal deliveries, internal receivables and debts as well as internal profit distribution have been eliminated.

Minority interests have been removed from consolidated shareholders' equity and profits and booked as a separate item.

The income statements of foreign subsidiaries have been translated to Finnish marks using the financial year's average exchange rate, and balance sheets have been translated into Finnish marks at the exchange rate valid on the closing day. These translation differences and the differences generated in the translation of shareholders' equities have been booked as a separate item under shareholders' equity.

Partly-owned companies have been consolidated using the equity method. The Groups' share of the partly-owned companies' profit for the financial year, equivalent to the Group's holding in these companies, is shown under financial items.

Accrual-based deferred tax liabilities and receivables have been shown as separate items in the income statement and balance sheet.

PRINCIPLES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Research and development costs have been booked as annual expenses for the year in which they were generated.

Long-term projects are booked as income based on their degree of completion. The degree of completion is calculated by proportioning the real costs to the total cost estimate. Anticipated losses involved in the projects have been booked as expenses.

Extraordinary items include significant items not included in the Group's business activities.

VALUATION PRINCIPLES FOLLOWED IN THE PREPARATION OF FINANCIAL STATEMENTS

Fixed assets have been valued at the direct acquisition cost. Depreciation according to plan has been calculated as straight-line depreciation based on the useful economic life of assets.

In accordance with the FIFO principle, inventories have been shown at the acquisition cost, at a lower replacement value or at the likely sales value.

Investments have been valued at the acquisition cost or at a lower market value.

Receivables, debts and other liabilities in foreign currencies have been translated into Finnish marks at the exchange rate quoted by the Bank of Finland on the closing day.

NOTES TO THE INCOME STATEMENT

1. NET SALES BY BUSINESS OPERATIONS AND BY MARKET AREAS (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Distribution by business operations				
Software services	61 057	44 585	100 340	69 617
Operating and network services	37 415	32 914	52 595	40 634
Hardware sales	3 566	940	159 047	151 363
Total	102 038	78 439	311 982	261 614
Geographical distribution				
Finland	101 569	78 306	275 655	197 456
Other European countries	446	116	17 597	35 624
Other countries	23	17	18 730	28 534
Total	102 038	78 439	311 982	261 614

2. PARTIAL INCOME RECOGNITION (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Booked as income under net sales according to the degree of completion	2 074	1 534	2 559	1 534
Total amount booked under net sales for non-delivered long-term projects	2 633	2 397	3 983	2 397
Total net sales from non-delivered projects	3 864	4 019	5 552	4 019

3. OTHER OPERATING INCOME (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Capital gain from the sale of fixed assets	133	485	200	554
Contributions received etc.	90	383	177	408
Other	1 144	517	102	204
Total	1 367	1 385	479	1 166

4. FINANCIAL PERFORMANCE OF THE GROUP, ROLLING FIGURES FOR 12 MONTHS, (MEUR)

	1-3/99	4-6/99	7-9/99	10-12/99	1/99-12/99
Net sales	69.6	75.4	70.1	96.9	312.0
Operating profit	2.4	1.0	3.3	6.3	13.0
Net financial income	0.3	0.0	0.1	0.3	0.7
Profit before taxes	2.7	1.0	3.5	6.5	13.7

Financial results in 1999: Finland EUR 12 480 thousand, Estonia EUR 3 thousand, UK EUR 636 thousand, China EUR -117 thousand.

Financial results in 1998: Finland EUR 12 409 thousand, Estonia EUR -176 thousand, UK EUR 307 thousand.

5. PERFORMANCE-RELATED PERSONNEL EXPENSES, FRINGE BENEFITS AND THE AVERAGE NUMBER OF PERSONNEL

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Average number of personnel during the financial year				
Average number of personnel during the financial year	1 015	842	1 762	1 279
Personnel at the year-end				
Design engineering personnel	515	573	791	840
Operative personnel	245	125	479	161
Sales, marketing and customer service	217	112	431	291
Administration	86	66	154	98
Others	11	13	55	67
Total	1 074	889	1 910	1 457
Personnel by geographical area				
Finland	1 071	889	1 834	1 398
Estonia	-	-	37	43
UK	-	-	20	16
China	3	-	19	-
Total	1 074	889	1 910	1 457

Payments to members of the Supervisory Board and Board of Directors and to the President

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
- salaries	209	176	1 035	586
- remunerations	11	16	55	88
- fringe benefits	7	7	112	63
Other wages and salaries	35 364	27 920	58 160	40 849
Other fringe benefits	492	347	1 460	973
Pension costs	5 444	4 267	9 225	6 146
Other indirect personnel costs	3 573	2 892	5 591	4 194
Total	45 100	35 625	75 638	52 899

Within the Group, payments to the Supervisory Board totalled EUR 12 thousand and to members of the Board of Directors EUR 63 thousand. Salaries to the Group's President and Vice Presidents amounted to EUR 960 thousand, fringe benefits to EUR 112 thousand and remunerations to EUR 55 thousand.

6. OTHER OPERATING EXPENSES, SIGNIFICANT ITEMS (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Software and hardware servicing	7 741	6 193	7 258	6 258
Rents	3 905	2 970	6 295	4 645
Fixed external services	4 088	3 639	4 495	3 835
Datacommunications	2 469	1 908	4 090	2 756

Other operating expenses include				
Provisions for liabilities and charges in the amount of	568	8	490	251

7. FINANCIAL INCOME AND EXPENSES (EUR 1000)

Interests receivable and financial income include exchange rate gains/losses (net)	211	-248	470	-259
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8. EXTRAORDINARY ITEMS (EUR 1000)

Group contribution received	1 850	1 766	-	-
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9. DIRECT TAXES (EUR 1000)

Income tax on extraordinary items	518	495	-	-
Income tax on business operations	3 322	2 478	4 898	4 407
Change in deferred tax liability	-	-	-217	-622
Total	3 840	2 973	4 681	3 785

NOTES TO THE BALANCE SHEET (EUR 1000)
10. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS
DEPRECIATION PERIODS ACCORDING TO PLAN ARE AS FOLLOWS:
INTANGIBLE RIGHTS AND OTHER LONG-TERM EXPENDITURE

	years
PC software	3
Software	5
Goodwill	5-10
Other long-term expenditure	5
Group goodwill	5

BUILDINGS

Buildings	35
Building materials	15
Fallout shelters	35
Asphalt work	5

MACHINERY AND EQUIPMENT

Computer hardware	5
Personal computers	3
Other fixed assets	5
Cars	5

OTHER TANGIBLE ASSETS

Other tangible assets	5
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Depreciation period for the acquisition cost of goodwill is determined case by case. If the effect of goodwill is longer than five years, the acquisition cost will be depreciated over the period of effectiveness or no later than over 10 years.

GROUP

Intangible asset	Intangible rights and other long-term expenses	Goodwill	Group goodwill	Total
Acquisition cost on 1 Jan. 99	6 704	7 229	4 665	18 598
Translation difference	-	495	-	495
Increases	3 096	11 981	3 510	18 587
Decreases	-46	-	-	-46
Acquisition cost on 31 Dec. 99	9 754	19 705	8 175	37 634
Accumulated depreciation 1 Jan. 99	-2 767	-2 723	-212	-5 702
Accumulated depreciation, new companies	-112	-	-15	-127
Translation difference	0	-96	-	-96
Depreciation on elimination 1 Jan.-31 Dec. 99	42	167	-	209
Depreciation 1 Jan.-31 Dec. 99	-1 681	-2 284	-1 174	-5 139
Accumulated depreciation 31 Dec. 99	-4 518	-4 936	-1 401	-10 855
Book value 31 Dec. 99	5 236	14 769	6 774	26 779

The amount of non-depreciated Group assets held by partly-owned companies on 31 Dec. 99

49

Tangible assets	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan. 99	341	7 767	30 971	463	39 542
Translation difference	-	-	5	-	5
Increases	-	-	10 716	94	10 810
Decreases	-	-	-3 026	-21	-3 047
Acquisition cost on 31 Dec. 99	341	7 767	38 666	536	47 310
Accumulated depreciation 1 Jan. 99	-	-2 645	-14 109	-146	-16 900
Accumulated depreciation, new companies	-	-	-224	-	-224
Translation difference	-	-	-16	-	-16
Depreciation on elimination 1 Jan.-31 Dec. 99	-	-	2 589	15	2 604
Depreciation 1 Jan.-31 Dec. 99	-	-236	-7 499	-91	-7 826
Accumulated depreciation 31 Dec. 99	-	-2 881	-19 259	-222	-22 362
Book value on 31 Dec. 99	341	4 886	19 407	314	24 948

Balance sheet value of machinery and equipment on 31 Dec. 99

16 331

PARENT COMPANY

Intangible assets	Intangible rights and other long-term expenses	Goodwill	Total
Acquisition cost on 1 Jan. 99	6 122	1 172	7 294
Increases	2 450	11 144	13 594
Decreases	-83	-755	-838
Acquisition cost on 31 Dec. 99	8 489	11 561	20 050
Accumulated depreciation 1 Jan. 99	-2 380	-604	-2 984
Depreciation on elimination 1 Jan.-31 Dec. 99	42	168	210
Depreciation 1 Jan.-31 Dec. 99	-1 538	-1 049	-2 587
Accumulated depreciation 31 Dec. 99	-3 876	-1 485	-5 361
Book value 31 Dec. 99	4 613	10 076	14 689

Tangible assets	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan. 99	341	7 767	24 169	442	32 719
Increases	-	-	8 183	94	8 277
Decreases	-	-	-2 854	-	-2 854
Acquisition cost on 31 Dec. 99	341	7 767	29 498	536	38 142
Accumulated depreciation 1 Jan. 99	-	-2 645	-10 405	-131	-13 181
Depreciation on elimination 1 Jan.-31 Dec. 99	-	-	2 530	-	2 530
Depreciation 1 Jan.-31 Dec. 99	-	-236	-5 886	-91	-6 213
Accumulated depreciation 31 Dec. 99	-	-2 881	-13 761	-222	-16 864
Book value 31 Dec. 99	341	4 886	15 737	314	21 278

Balance sheet value of machinery and equipment on 31 Dec. 99 14 410

Only the acquisition cost of non-depreciated assets in active use are shown.

11. TAXABLE VALUE OF FIXED ASSETS (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Land	723	723	723	723
Buildings	3 122	3 066	3 122	3 066
Shares of subsidiaries	8 166	4 427	-	-
Shares of partly-owned companies	1 083	1 164	1 097	1 170
Other shares and interests	4 240	605	4 459	806
	17 334	9 985	9 401	5 765

12. FINANCIAL ASSETS (EUR 1000)

GROUP

Shares	Partly owned companies	Others*)	Total
Acquisition cost on 1 Jan. 99	2 429	3 071	5 500
Translation difference	-	-	-
Increases	15	2 337	2 352
Decreases	-170	-3	-173
Acquisition cost on 31 Dec. 99	2 274	5 405	7 679

Long-term loan receivables	From partly owned companies	From others	Total
Acquisition cost on 1 Jan. 99	151	49	200
Translation difference	-	-	-
Increases	857	-	857
Decreases	-50	-12	-62
Acquisition cost on 31 Dec. 99	958	37	995

*) The book value of own shares included in other shares is EUR 4 587 thousand.

PARENT COMPANY

Shares	Subsidiaries	Partly owned companies	Others*)	Total
Acquisition cost on 1 Jan. 99	8 238	1 691	2 733	12 662
Increases	6 649	-	2 274	8 923
Decreases	-	-5	-	-5
Acquisition cost on 31 Dec. 99	14 887	1 686	5 007	21 580
Value adjustments	-	-	-	-
Book value on 31 Dec. 99	14 887	1 686	5 007	21 580

Long-term loan receivables	From partly-owned			Total
	From subsidiaries	companies	From others	
Acquisition cost on 1 Jan. 99	3 135	151	48	3 334
Increases	506	857	-	1 363
Decreases	-278	-50	-12	-340
Acquisition cost on 31 Dec. 99	3 363	958	36	4 357

*) The book value of own shares included in other shares is EUR 4 539 thousand.

13. SHARES AND INTERESTS ON 31 DECEMBER 1999 (EUR 1000)

Group companies Owned by the parent company	Holding/ votes	Proportion of, No. of shareholders' shares equity		Nominal value	Book value	The latest financial statements showed	
						Shareh. eq. of	Profit/loss of
Novosys Ltd, Helsinki	100 %	15 000	13 581	252	269	13 581	2 515
Novobit Ltd, Helsinki	100 %	200	1 555	34	1 455	1 555	393
Novo BCS AS, Tallinn, Estonia	65 %	975	43	tEEK 975	190	66	-16
Novostore Ltd, Helsinki	100 %	13 492	1 289	1 135	1 832	1 289	-163
Novo IVC Ltd, England	100 %	600 000	1 020	t£ 600	918	1 020	64
Novo Meridian Ltd, Espoo, Group	100 %	27 510	1 688	463	3 459	1 688	352
Novo App Ltd, Helsinki	100 %	80	255	13	342	255	54
HM&V Research Oy, Espoo, Group	60.1 %	966	259	16	1 543	431	33
Novosat Ltd, Helsinki	60 %	600	101	101	101	169	1
Sateenkaarisuunnittelu Oy, Joensuu, Group	100 %	120	757	3	657	757	483
Citisoft Oy, Tampere, direct and indirect holding	100 %	100	379	17	395	379	288
Hebritt Oy, Tampere	100 %	400	48	10	147	48	16
Novotrust Ltd, Helsinki	73.75 %	1 475	137	248	307	186	-235
Beijing Novo Information Technology Co. Ltd Beijing, China	65 %		558	tRMB 6 500	657	780	-118
SuperWeb Oy, Helsinki	100 %	100 000	125	168	2 632	125	-82
Suomen Tietoverkkopalvelu Oy, Helsinki	100 %	100	12	3	12	12	0
Owned by the subsidiaries							
Nouveltech Oy, Lahti	100 %	2 000	726	34	1 873	726	415
HM&V Telecommunications Oy	77.5%	1 550	part of the HM&V Research Group				
Karjalan Tietovalta Oy, Joensuu	100 %	165	part of the Sateenkaarisuunnittelu Group				
Quarter Pendelum Oy, Joensuu	100 %	120	part of the Sateenkaarisuunnittelu Group				
Pohjolan Paikkatiety Oy, Espoo	64.9 %	960	part of the Novo Meridian Group				
Partly-owned companies							
Owned by the parent company							
Medici Data Oy, Oulu	36.34 %	250	333	42	252	915	275
Solid Information Technology Oy, Helsinki	23.85 %	63 584	-271	21	735	-1 138	-1 590
Kiinteistö Oy Rukavarri, Kuusamo	33 %	10	321	2	363	979	-5
VR-Data Oy, Helsinki	40 %	100	1 515	168	336	3 680	1 493
Owned by the subsidiaries							
Infokeidas Oy, Joensuu	42.7 %	90		15	15	32	-9

Financial statements of the Group companies and partly-owned companies were prepared on 31 December 1999.

Other shares and interests	Holding	No. of shares	Nominal value	Book value
Owned by the parent company				
Own shares	2.3 %	150 000	126	4 539
Real estate company Kuusankosken Ostoskeskus, Kuusankoski	7 %	225	25	136
Real estate company Satakunnankatu 19-21, Tampere	4 %	102	17	156
Shares of phone companies		25 598		164
Owned by the subsidiaries				
Other shares				
Novo Group Plc, Helsinki		1 450	1	48
Lupporinki Oy	17%	14	16	57
Etäyhteys Pace Oy	18%	9	2	0
Real estate company Itätuulenkujja 7	1.6%	162	0	103
Shares of phone companies		569		40

14. INVENTORIES (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Materials and supplies	54	69	11 126	10 927
Other inventories	603	87	621	150
Total	657	156	11 747	11 077

15. FIRE INSURANCE VALUE OF FIXED ASSETS AND INVENTORIES IN (EUR 1000)

	37 034	36 064	52 449	50 415
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16. RECEIVABLES (EUR 1000)

Receivables from Group companies				
Accounts receivable	396	37		
Loans receivable, short-term	2 931	2 739		
Other receivables	-	3		
Deferred income	3 441	2 324		
	6 768	5 103		
Receivables from partly-owned companies				
Accounts receivable	768	323	768	324
Loans receivable, short-term	50	50	50	81
Other receivables	-	-	-	-
Deferred income	6	39	6	40
	824	412	824	445

17. RECEIVABLES MATURING WITHIN ONE YEAR OR MORE (EUR 1000)

Deferred income	54	96	54	96
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18. SIGNIFICANT ITEMS INCLUDED IN DEFERRED INCOME (EUR 1000)

Advance payments	1 028	1 811	1 533	1 898
Accrual of social security payments	412	1 316	422	1 361
Non-invoiced sales revenue	1 352	556	5 107	1 338

19. PARTIAL INCOME RECOGNITION (EUR 1000)

Net principle has been applied to items booked partially as income in the balance sheet.

Deferred income				
Non-invoiced receivables	2 633	2 397	3 846	3 502
Advances received	2 198	1 923	3 032	2 835

20. INVESTMENTS (EUR 1000)

Market value	2 839	3 336	3 165	3 459
Book value	2 775	3 226	3 096	3 344
	64	110	69	115

21. CHANGES IN SHAREHOLDERS' EQUITY (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Share capital on 1 January	5 337	5 337	5 337	5 337
Share issue	226	-	226	-
Share capital on 31 December	5 563	5 337	5 563	5 337
Share premium account on 1 January	27 651	27 651	27 651	27 651
Share premium	4 119	-	4 119	-
Share premium account on 31 December	31 770	27 651	31 770	27 651
Total	37 333	32 988	37 333	32 988
Reserve for own shares 1 Jan.	2 265	-	2 265	-
Increase	2 274	2 265	2 322	2 265
Reserve for own shares 31 Dec.	4 539	2 265	4 587	2 265
Retained earnings 1 Jan.	14 133	11 767	28 741	24 226
Distribution of dividends	-3 752	-2 775	-3 752	-2 775
Transfer into reserve for own shares	-2 274	-2 265	-2 322	-2 265
Change in translation difference	-	-	116	-67
Retained earnings 31 Dec.	8 107	6 727	22 783	19 119
Profit for the financial year	7 460	7 406	9 118	9 622
Total 31.12.	15 567	14 133	31 901	28 741
Total	20 106	16 398	36 488	31 006
TOTAL SHAREHOLDERS' EQUITY	57 439	49 386	73 821	63 994
Calculation of distributable funds				
Other reserves	4 539	2 265	4 587	2 265
Retained earnings	8 107	6 727	22 783	19 119
Profit for the financial year	7 460	7 406	9 118	9 622
- reserve for own shares	-4 539	-2 265	-4 587	-2 265
- share of accumulated depreciation difference and voluntary provisions entered under shareholders' equity	-	-	-3 122	-3 496
	15 567	14 133	28 779	25 245

The parent company's share capital consists of 6 614 738 shares each with a countervalue of EUR 0.84 (1 vote/share). Countervalue is not an exact value. The parent company held 150 000 of its own shares each with a countervalue of EUR 0.84 and a total value of EUR 126 thousand, acquisition cost EUR 4 539 thousand. Karjalan Tietovalta Oy held 1 450 parent company shares which the Group received in conjunction with a business acquisition. The acquisition cost was EUR 48 thousand.

Shares purchased during the financial year

Purchase date	Unit price, EUR	No. of shares	Payment EUR 1000
13. Jan. 99	30.32	75 000	2 274

22. PROVISIONS FOR LIABILITIES AND CHARGES (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Guarantee provisions	564	234	638	476
Others	75	-	207	-

23. LONG-TERM LIABILITIES (EUR 1000)

Debts maturing within five years or more				
Pension loans	2 249	2 419	3 284	3 633
Other long-term debt	1 261	15	1 261	15
	3 510	2 434	4 545	3 648
Deferred tax liabilities and receivables				
Deferred tax receivables				
from accrual difference	-	-	-	55
Deferred tax liabilities				
from appropriations	1 254	1 302	1 275	1 364
from accrual difference	-283	-122	-547	-363
	971	1 180	728	1 001

24. SHORT-TERM LIABILITIES (EUR 1000)

	Parent company 1999	Parent company 1998	Group 1999	Group 1998
Amounts payable to Group companies				
Advances received	-	2		
Accounts payable	2 075	1 453		
Other liabilities	168	-		
Accrued liabilities	423	35		
	2 666	1 490		
Amounts payable to partly-owned companies				
Advances received	-	2	-	2
Accounts payable	31	102	31	102
	31	104	31	104
Non-interest bearing debts	20 200	14 492	58 161	47 768

25. SIGNIFICANT ITEMS INCLUDED IN ACCRUED LIABILITIES (EUR 1000)

Holiday pay with social security expenses	6 004	4 587	9 028	6 724
Accrual of statutory insurance premiums	223	413	1 844	981
Tax liabilities	1 047	854	1 543	1 304

26. PLEDGES AND OTHER CONTINGENT LIABILITIES (EUR 1000)

Loans involving mortgages as security				
Pension loans	2 000	2 150	2 465	2 651
Mortgages given	3 196	3 196	3 196	3 196
Other securities given				
For own debt				
Pledges	1 405	1 398	1 578	1 699
Mortgages on real estates	4 373	4 373	4 373	4 373
Mortgages on company assets	-	-	2 859	2 590
	5 778	5 771	8 810	8 662
For a group company's debt				
Pledges	-	-	-	-
Guarantees	11 651	6 807	-	-
Other contingent liabilities				
Pension loan liabilities	46	50	46	50
Other liabilities	2 435	2 764	2 435	2 764
Leasing liabilities				
Leasing payments 2000/1999	868	410	1 272	583
Leasing payments 2001/2000 or later	971	879	1 599	1 071
Repurchasing liabilities	-	4	-	4
Open currency forward contracts				
Forward rate contracts				
Value of underlying asset with the agreed bank rate			2 408	
Value of underlying asset with closing day rate			2 399	
translation difference			-9	

Forward contracts are used to hedge the future payments for sales orders in the order book from currency exchange risks.

27. SHARE ISSUES

In the Annual General Meeting on 7. April 1998 it was decided that 200.000 rights of option be offered for subscription to the managerial personnel of the Novo Group and the group companies which entitle the holder to subscribe a total of 200.000 Novo Group Plc shares. As a result of the subscription, the share capital of Novo Group Plc can increase by a maximum of FIM 1.000.000. 50.000 of the option warrants will be marked with the letter A, 50.000 with the letter B, 50.000 with the letter C and 50.000 with the letter D. The subscription period for warrants marked with A begins no earlier than 1. June 2000, for warrants marked with B no earlier than on 1 June 2001, for warrants marked with C no earlier than on 1. June 2002 and for warrants marked with D no earlier than on 1. June 2003. For all warrants, the subscription period will end on 30. June 2004. With A warrants, the subscription price is the average trading price of Novo Group Plc shares at Helsinki Exchanges for a period between 1. May 1998 - 31. May 1998 plus twenty-five (25) Finnish marks; with B warrants, the average trading price of Novo Group Plc shares at Helsinki Exchanges between 1. May 1998 - 31. May 1998 plus forty (40) marks; with C warrants, the average trading price of Novo Group Plc shares at the Helsinki Exchanges between 1. May 1998 - 31. May 1998 at the Helsinki Exchanges plus fifty-five (55) marks; and with D warrants, the average trading price of Novo Group Plc shares at Helsinki Exchanges between 1. May 1998 - 31. May 1998 plus seventy (70) marks. Dividends payable after 1. May 1998 and before the subscription will be deducted from the share subscription price. The minimum share subscription price shall be the nominal value of the share.

In a shareholders' meeting held on 8. April 1999 it was decided that a bond loan with warrants in the amount of EUR 800 000 be offered for subscription by personnel regularly employed by a Group company of Novo Group Plc or a company in which the Group is a majority holder. The bond loan with warrants is intended to be a part of the personnel incentive scheme. The bonds were issued within the framework of the book-entry security system. The term of the bonds is 3 years and the interest is 3%. 40 000 bond certificates each with a nominal value of EUR 20 were issued. To each bond certificate, 10 warrant certificates were attached, five (5) of which were marked with the letter A and five (5) with the letter B. Warrant certificates marked with the letter A shall be separated from the bonds to form an independent type of security on 4. September 2001, and warrant certificates marked with the letter B on 14. June 2002.

One warrant entitles the holder to subscribe one (1) Novo Group Plc share. Subscription price is the average price of Novo Group Plc's share quoted during the period between 1. January and 28. February 1999, in other words EUR 31.90. The dividends paid after 14. June and before the subscription will be deducted from the subscription price on the balancing day of each dividend payment. The minimum subscription price shall be the countervalue of a share. As a result of the subscriptions, the share capital of Novo Group Plc may be increased by a maximum of 400 000 new shares or EUR 336 375.60.

On 15. December 1999, the Board of Directors decided to increase the share capital by EUR 126 141. The increase was carried out by means of a private placement of 150.000 shares to the shareholders of Profit Mediat Oy. The subscription price was EUR 1.5 and the increase in share capital was entered into the trade register on 1. February 2000.

28. INCREASES IN SHARE CAPITAL BETWEEN 1995 AND 1999 (EUR 1000)

	Subscription price EUR	Subscription period	Increase in share capital	Right to dividend for the financial year	Number of new shares
Bonus issue 1996		1.5.-30.6.96	1 573	1997	1 870 116
Private placement 1996					
Personnel	11.73	18.-20.12.96	22	1997	26 188
Institutional investors	13.03	30.12.96	483	1997	573 812
Private placement 1997		Offer period			
Personnel	24.39	1.9.-12.9.97	13	1997	15 310
Institutional investors, general public	24.39	1.9.-12.9.97	626	1997	744 690
		Subscr. period			
Private placement 1999	31.96	1.4.99	84	1999	100 000
To Siemens Business Services Oy					
Private placement 1999	8.25	29.6.99	35	1999	40 950
To the shareholders of Citisoft Oy					
Private placement 1999	8.25	29.6.99	14	1999	16 800
To the shareholders of Hebritt Oy					
Private placement 1999	12.45	18.6.99	42	1999	50 000
To the shareholders of Sateenkaarisuunnittelu Oy					
Private placement 1999	0.84	15.12.99	51	1999	60 000
To the shareholders of SuperWeb Oy					

29. THE GROUP'S FINANCIAL INDICATORS

	1999	1998	1997	1996	1995
Net sales, MEUR	312.0	261.6	216.5	192.5	137.6
Operating profit before depreciation of goodwill	16.5	14.1	10.3	9.2	6.6
% of net sales	5.3	5.4	4.8	4.8	4.8
Operating profit, MEUR (incl. depreciation of goodwill)	13.0	12.5	9.2	8.2	4.6
% of net sales	4.2	4.8	4.2	4.2	3.3
Profit before extraordinary items, MEUR	13.7	13.4	9.5	8.0	4.5
% of net sales	4.4	5.1	4.4	4.1	3.2
Profit before taxes, MEUR	13.7	13.4	9.9	8.0	4.5
% of net sales	4.4	5.1	4.6	4.1	3.3
Profit for the financial year, MEUR	9.1	9.6	7.2	5.6	3.5
% of net sales	2.9	3.7	3.3	2.9	2.6
Balance sheet total, MEUR	147.6	118.0	94.4	76.4	54.1
Return on investment, %	18.9	21.5	20.6	25.9	19.6
Return on equity, %	13.7	16.1	15.5	22.1	18.6
Solvency ratio, %	50.5	55.4	61.0	42.5	35.0
Gross investments in fixed assets, MEUR	31.6	22.6	11.6	9.6	8.0
% of net sales	10.1	8.6	5.3	5.0	5.8
Average no. of personnel	1762	1279	1063	938	843

For the calculation of financial indicators, the reserve value of own shares has been deducted from the shareholders' equity.

30. PER-SHARE RATIOS

	1999	1998	1997	1996	1995
Profit/share, EUR	1.44	1.51	1.19	1.13	0.64
Dividend/share, EUR ¹⁾	0.60	0.61	0.44	0.15	0.07
Dividend/profit, % (share issue adjusted) ²⁾	45.0	40.0	36.6	13.9	9.8
Equity/share	10.71	9.84	9.01	5.77	3.77
Effective dividend yield, %	1.3	1.8	2.0		
Price/earnings ratio (P/E)	33.3	22.6	18.0		
Development of share price and trading			³⁾		
- lowest of the financial year, EUR	20.85	21.02	21.53		
- highest of the financial year, EUR	49.00	44.57	34.48		
- closing day rate, EUR	48.00	34.34	21.53		
- average rate for the financial year, EUR	30.18	33.33	25.88		
Market capitalisation, MEUR	317.5	217.8	136.6		
No. of shares traded	1 791 563	2 992 427	497 142		
- percentage of the share capital	27.7	47.7	7.8		
The share issue adjusted no. of shares in thousands					
- on average	6 320	6 343	5 797	4 989	4 987
- at the end of the financial year	6 463	6 272	6 347	5 587	4 987

For the calculation of per-share ratios, the number of own shares has been deducted from the total number of shares and the reserve value from shareholders' equity.

¹⁾ According to the proposal on dividend payment.

²⁾ The maximum permitted by the proposal on dividend payment.

³⁾ Development of share price and trading is shown for periods of listing on the brokers' list as well as on the official list.

31. SHAREHOLDERS BY SECTOR ON 10 FEBRUARY 2000*

	No. of shares**	%
Companies, total	345 031	5.2
Financial and insurance institutions, total	1 926 231	29.1
Public corporations, total	3 174 539	48.0
Non-profit organisations, total	215 944	3.3
Private households, total	665 087	10.1
In administrative registration and foreign holding	259 306	3.9
Joint account and waiting list	28 100	0.4
Total	6 614 238	100.0

32. DISTRIBUTION OF OWNERSHIP BY NUMBER OF SHARES OWNED ON 10 FEBRUARY 2000*

Number of shares owned	Shareholders		Number of shares**	
	No. of	%	No. of	%
1 - 100	1174	45.8	78 827	1.2
101 - 1.000	1128	44.0	401 574	6.1
1.001 - 10.000	185	7.2	563 484	8.5
10.001 - 100.000	64	2.5	2 012 067	30.4
100.001 - 1.000.000	9	0.4	2 509 866	38.0
1.000.001 -	1	0.1	1 020 320	15.4
Total	2 561	100.0	6 586 138	99.6
Joint account and waiting list			28 100	0.4
Grand total	2 561	100.0	6 614 238	100.0

* The figures include 960 shares in joint accounts that were not distributed in the bonus issue in June 1996 (so-called remainder).

** According to share capital registered on 1. February 2000.

The number of own shares, 150 500 on 10. February 2000, has been deducted from the total number of shares after Karjalan Tietovalta Oy sold 950 of the Novo Group Plc shares it owned.

33. MAJOR SHAREHOLDERS ON 10 FEBRUARY 2000*

Shareholders	No. of **	%
The City of Helsinki	1 020 320	15.4
The City of Vantaa	511 661	7.7
The City of Espoo	482 086	7.3
Varma-Sampo Mutual Pension Insurance Company	423 050	6.4
Leonia Bank plc	243 401	3.7
Leonia Finance Ltd	201 837	3.1
LEL Employment Pension Fund	197 100	3.0
OP-Delta Investment Fund	122 600	1.9
FIM Forte Investment Fund	115 000	1.7
Placeringsfonden Gyllenberg Momentum	92 500	1.4
Others	3 204 683	48.4
TOTAL	6 614 238	100.0
Number of shareholders	2 561	
Administrative registration and foreign holding	259 306	3.92%
Total number of shares owned by the Board of Directors and the President	8 200	0.12%
Proportion of warrants held by the President of the company shares		0.6%

* The figures include 960 shares in joint accounts that were not distributed in the bonus issue in June 1996 (so-called remainder).

** According to share capital registered 1 February 2000. The number of own shares, 150 500 on 10 February 2000, has been deducted from the total number of shares after Karjalan Tietovalta Oy sold 950 of the Novo Group Plc shares it owned.

CALCULATION OF KEY RATIOS:

Return on equity (ROE), %	$\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$
Return on investment (ROI), %	$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average)}} \times 100$
Solvency ratio	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$
Profit/share	$\frac{\text{Profit before extraordinary items - taxes - minority interest}}{\text{The average share issue adjusted number of shares}} \times 100$
Shareholders' equity/share	$\frac{\text{Shareholders' equity}}{\text{The share issue adjusted number of shares at the end of the period}} \times 100$
Dividend/share (share issue adjusted)	Dividend per share for the financial year divided by the adjustment factors based on subsequent share issues
Dividend/profit, %	$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$
Price/earnings (P/E) ratio	$\frac{\text{Share issue adjusted average rate on the closing date}}{\text{earnings/share}}$
Effective dividend yield, %	$\frac{\text{Dividend/share}}{\text{Average rate on the closing date}} \times 100$

AUDITORS' REPORT

TO THE SHAREHOLDERS OF NOVO GROUP PLC

We have audited the accounts, the accounting record and the administration of Novo Group Plc for the financial year from 1 January to 31 December 1999. The financial statements prepared by the Board of Directors and the President include a report on operations, an income statement and a balance sheet for both the Group and the parent company, and notes to the financial statements. Based on our audit, we give our opinion on the financial statements and administration.

We have conducted our audit in accordance with the Finnish Generally Accepted Auditing Standards. Those standards require that we examine the accounting record and the preparation principles, the contents and the presentation of the financial statements to a sufficient extent to obtain reasonable assurance that the financial statements are free of material misstatement or deficiencies. The purpose of our audit of company administration is to ensure that the Board of Directors, Supervisory Board and President have complied with the Companies Act.

The financial statements, which show a profit of FIM 44,357,765,58 have been prepared in accordance with the Bookkeeping Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Bookkeeping Act, of the Group's and the parent company's result of operations, as well as of their financial position. The financial statements can be approved, and the President and the members of the parent company's Board of Directors and Supervisory Board can be discharged from liability for the period audited by us. The proposal by the Board of Directors on the disposal of profits is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year. In our opinion, the interim reports have been prepared in accordance with the relevant rules and regulations.

Helsinki, 15 February 2000

TILINTARKASTAJIEN OY –
ERNST & YOUNG
Auditors



Mikael Holmstöm
Authorised Public Accountant



Jorma Jäske
Authorised Public Accountant

HUMAN RESOURCES

A year of shared corporate identity

The Novo Group employed 1.910 people at the end of 1999; an increase of 453 over the year. The number of personnel grew most in the New Business Solutions Division.

Continued business growth requires significant investments from Novo in the wellbeing and development of Group personnel. During the year under review, a number of development projects related to business growth, global growth and profitability growth were launched.

Behind these development projects is a vision that everyone at Novo appreciates personal competence, is free to choose an individual development path and takes responsibility for personal development.

Reorganisation of business activities into five Divisions and Centres of Expertise simplified the organisation and provided personnel with a clearer picture of their own development opportunities. The new organisation also facilitates the functioning of knowledge networks. These expert networks are centred on special areas of expertise and encompass the whole Group.

Organisation of personnel services

During the year under review, all Novo Group's personnel services were organised into one Centre of Expertise. The purpose of this centralisation is to streamline personnel development and training processes and to create a more solid foundation for improving Novo's competitiveness by comparing the practises in different Group companies and by employing the best ones. Payroll accounting of the Group companies was outsourced to one of the Group's own business divisions.

Bond loan with warrants

In 1999, the first option scheme covering the entire personnel was introduced. Approximately one third (489 people) exercised their right to subscribe to the bond loan with warrants. The loan was 2.1 times oversubscribed. The warrants attached to bonds entitled holders to subscribe to a maximum of 400.000 company shares. Subscription period for warrants marked with the letter A is from 4 September 2001 to 4 September 2004 and for warrants marked with the letter B from 14 June 2002 to 4 September 2004.

Human resources development

In 1999, human resources development measures focused clearly on supervisor coaching and on revising the job introduction processes.

In the course of 1999, a two-year programme entitled Novo Pro was launched with the objective to streamline

management practices and boost the efficiency of the organisation. More than 200 supervisors participate in this training programme. The purpose is to coach the supervisors to promote learning within the entire organisation. Novo Pro discusses themes that are vital for the success of operations, such as management based on visions and score cards as well as compliance with strategies.

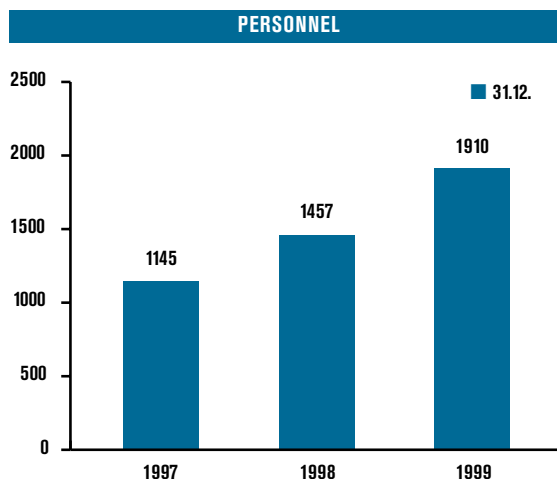
During the year, systematic work began to provide personnel with the appropriate skills and tools for working in an international environment. Practices regarding foreign assignments were revised.

Activities aimed at improving and maintaining working capacity

Overall responsibility for activities geared at improving the working climate and working capacity of personnel was delegated to the NovoEnergy team in 1999. The purpose of NovoEnergy activities is to promote a shared Novo spirit, to support personnel's recreational activities and to enhance wellbeing and job satisfaction. NovoEnergy is the umbrella organisation for roughly 30 different sports and other clubs. The team also arranges the rental of holiday cabins available for Novo personnel.

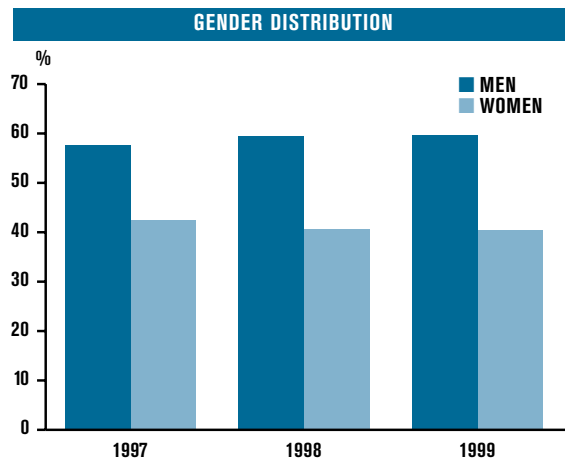
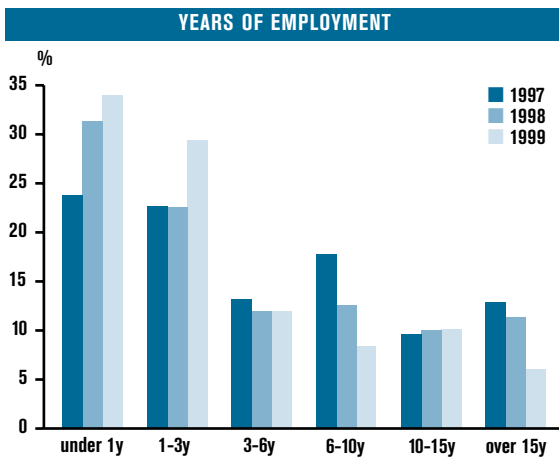
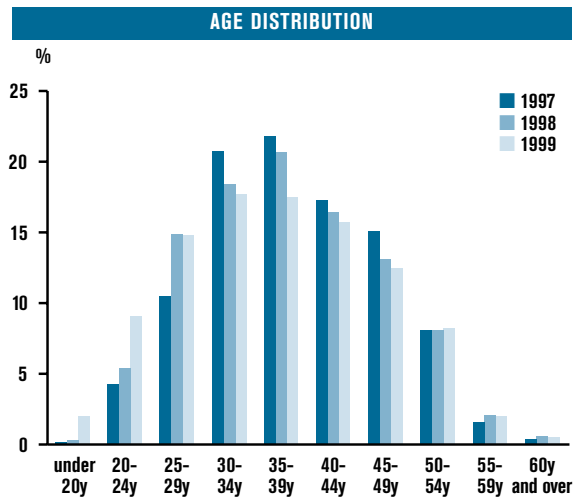
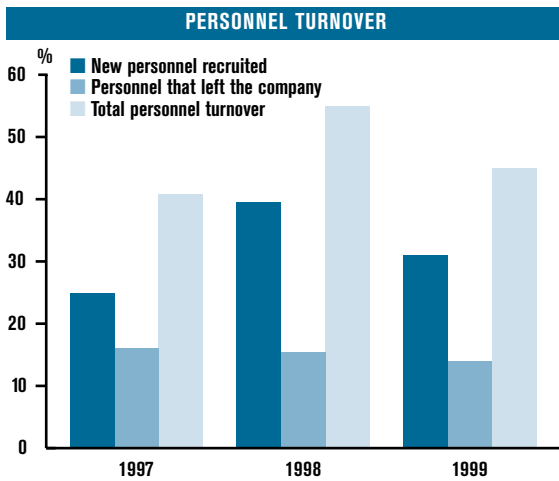
Incentive payment scheme

In 2000, Novo will introduce new incentive schemes that were prepared in 1999. The purpose of this incentive scheme is to help create a motivating and inspiring working environment.





The purpose of the NovoEnergy activities is to promote shared Novo spirit, to support the recreational activities of Novo personnel, and to improve well-being and job satisfaction among personnel. Novo runs more than thirty clubs for its personnel, including the riding club.



In the course of 1999, Novo grew powerfully through business acquisitions. Pekka Tonteri, the Managing Director of Novostore together with Are Saarinen, Managing Director of Profit Mediat Ltd and Jaakko Pellosniemi, Managing Director of SuperWeb Ltd, are in charge of the practical measures involved in the merger of the companies and the creation of a new e-business unit from the acquired companies in 2000.



CORPORATE GOVERNANCE

Supervisory Board, Board of Directors and President

The Board of Directors of Novo Group Plc comprises seven members. According to the company's articles of association, the Board of Directors shall take care of corporate governance and the appropriate organisation of activities: employ and dismiss the company's key personnel, decide on borrowing and the acquisition, lease and assignment of real property; and perform other functions that fall within the responsibilities of the Board according to the Finnish Companies Act.

The Annual General Meeting of Novo Group Plc held on 8 April 1999 decided to terminate the Supervisory Board. The termination was entered into the trade register on 31 December 1999. Until the end of the year under review, the company had a Supervisory Board of 15 members.

The Annual General Meeting elects the Members of the Board and decides on the remunerations to members of the Board of Directors, Supervisory Board and auditors that will be valid until the next Annual General Meeting.

The Board of Directors selects a Chairman in its constitutive meeting. Duties and responsibilities of the Board members and the President have not been specifically defined. Sub-committees and working groups can be appointed to attend to special matters. The President may participate in the working of these groups, but unless otherwise agreed, he cannot be a member of such groups.

Board of Directors

LAURI A. MANNINEN

Budget Manager, the City of Helsinki
Chairman of the Board since 1990

ILKKA HALLAVO

Vice Managing Director, Leonia Bank Plc
Member of the Board since 1993

CHRISTEL VON MARTENS

Development Manager, Association of Finnish Local Authorities
Member of the Board since 1995

MARTTI LIPPONEN

Deputy Mayor, the City of Vantaa
Member of the Board since 1999

MARKETTA NORDMAN

Budget Manager, the City of Espoo
Member of the Board between 1995-1997
and since 1999

MATTI PACKALÉN

Managing Director, Alma Media Plc
Member of the Board since 1999

JUHA VOITTIS

Managing Director, Oy Veho Ab
Member of the Board since 1999

The Board of directors of Novo Group Plc from left: Christel von Martens, Lauri A. Manninen, Marketta Nordman, Ilkka Hallavo, Martti Lipponen, Juha Voittis and Matti Packalén. In 1999, the Board of directors met 13 times.

The Board of Directors shall appoint the President and CEO for the company. The President may be elected member of the Board. The Board of Directors shall decide the remuneration and other benefits payable to the President and CEO. The main terms and conditions of the President's employment contract are defined in writing. The current President and CEO, Jorma Kielesseniva, is not a member of the Board.

Management ownership

According to the share register on 10 February 2000, the President and CEO and the Board of Directors of Novo Group Plc own 8 200 Novo Group Plc shares. These shares represent 0.12 percent of the total share capital and voting rights of Novo Group Plc. Portion of the President and CEO's warrants of the company's shares is 0.6%

Guidelines for insiders

Novo follows its own insider rules drawn up in conjunction with its stock exchanging listing. These rules are stricter than the new Guidelines for Insiders issued by Helsinki Securities and Derivatives Exchange (which entered into force on 1 March 2000.)

Financing

The Group's long-term financing is primarily arranged through the parent company and the subsidiaries receive funding through intra-Group loans. Decisions regarding loans from third parties shall be made by the Board of Directors. The financing department is in charge of liquidity management and financial planning.

Audit

The financing department is responsible for intra-Group audits. Two (2) auditors and two (2) deputy auditors carry out the external audit. One of the regular auditors and one of the deputy auditors must be an authorised public accountant approved by the Central Chamber of Commerce. The auditor can be a public accountant company approved by the Central Chamber of Commerce.

The auditors' term of office is the same as the company's financial year, and will terminate at the end of the first Annual General Meeting following the elections.

In the year ended 31 December 1999, the company's auditors were Jorma Jäske, Authorised Public Accountant, and Tilintarkastajien Oy - Ernst & Young public accountant company, with Mikael Holmström, Authorised Public Accountant, acting as the principal auditor.

Organisation of business activities

The Group's business activities are organised into five Business Divisions, which are divided into business units.

Group-level support and control functions are organised into five Centres of Expertise.

The Heads of Divisions and Directors of the Centres of Expertise are also members of the Group's Management Team. The Management Team makes decisions on major issues concerning the Group and Group companies. It approves and confirms the Group's business strategy, short-term plans, annual budgets and the most significant investments.

Management Team

JORMA KIELESSENIVA, President and CEO

JARMO KUUSIVUORI, Head of Division

Infra Solutions

KARI KONTULA, Head of Division

Software Product Solutions

KIMMO KOIVISTO, Head of Division

Customised Software Solutions

HEIKKI TIIHONEN, Head of Division

New Business Solutions

JUHA SOINI, Head of Division

Foreign Subsidiaries and GIS Solutions

MATTI MÄKELIN, Director

Research and Development

MARTTI ALA-HÄRKÖNEN, Director

Finance and Business Development

TARJA VIRMALA, Director

Communications, Marketing, Personnel

JOUNI TULOKAS, Director

Sales and Account Management

MATTI PARTANEN, Director

Supply Processes and Quality

RAIMO ANTTILA, Director

The Group's business units and subsidiaries share the responsibility for intra-Group and other accounting, and are responsible for producing accurate financial information regarding their respective business areas. The Group's financial administration defines and the Board approves the accounting principles and the preparation principles for financial statements used across the Novo Group. Preparation principles are explained in notes to the financial statements. The Group's financial administration issues instructions regarding the preparation of financial reports, budget plans and financial statements required by the Group's senior management. Financial administration is also in charge of preparing the parent group's and consolidated financial statements and ensures that consistent accounting and preparation principles are observed across the Group.

CONTACT INFORMATION

Novo Group Plc

Valimotie 17 (P.O. Box 38)
00380 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 662 370
www.novogroup.com

Novosys Ltd

Konalankuja 1-3,
00390 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 663 500
www.novosys.com

Novostore Ltd

Sörnäistenkatu 1,
00580 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 663 900
www.novostore.com

Novosat Ltd

Opastinsilta 12 B,
00520 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 665 505
www.novosat.com

HM&V Research Ltd

Piispanportti 9,
02240 ESPOO, FINLAND
Tel. + 358 205 6686
Fax + 358 205 660 501
www.hmv.fi

Novo Meridian Ltd

Piispanportti 12 B (P.O. Box 54),
02200 ESPOO, FINLAND
Tel. + 358 205 6686
Fax + 358 205 665 110
www.meridian.fi

Novobit Ltd

Itäinen Rantakatu 62,
20810 TURKU, FINLAND
Tel. + 358 2 526 414
Fax + 358 2 526 4460
www.novobit.com

Nouveltech Oy

Vesijärvenkatu 74 C,
15140 LAHTI, FINLAND
Tel. + 358 3 882 240
Fax + 358 3 882 460
www.novosys.com

Citisoft Oy

Itsenäisyydenkatu 17 A
33500 TAMPERE, FINLAND
Tel. + 358 3 278 0111
Fax + 358 3 278 0100
www.citisoft.fi

Karjalan Tietovalta Oy

Siltakatu 4 C (P.O. Box 321)
80100 JOENSUU, FINLAND
Tel. + 358 13 285 801
Fax + 358 13 285 800
www.kati.fi

Novotrust Ltd

Valimotie 17 (P.O. Box 38)
00380 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 662 370
www.novotrust.com

Profit Mediat Oy

Töölönkatu 30 B
00260 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 66 5220
www.pro.fi

SuperWeb Oy

Sörnäistenkatu 1
00580 HELSINKI, FINLAND
Tel. + 358 205 6686
Fax + 358 205 66 3900
www.superweb.fi

Novo Ivc Ltd

Westwood House
80 Warwick Street
Leamington Spa
Warwickshire CV32 4QG,
ENGLAND
Tel. + 441 926 831173
Fax + 441 926 330311
www.novoivc.com

Novo BCS AS

Türi TN 10 C
11313 TALLINN, ESTONIA
Tel. +372 6501 300
Fax +372 6501 309
www.novobcs.ee

Beijing Novo Information Technology Co. Ltd

Room 1810
Science and Technology Tower
Baishiqiao Road 11, Haidian District
100081 BEIJING, P.R. CHINA
Tel. +86 10 6847 6837
Fax +86 10 6847 6832



Novo Group Plc
P.O. Box 38 (Valimotie 17)
FIN-00381 Helsinki Finland
Tel. +358 205 6686
Fax +358 205 662 370
www.novogroup.com