

Saunalahti Plc



ANNUAL REPORT 1999



CEO's review



Harri Johannesdahl
CEO
Saunalahti Oy

The changing market and the new role of service operators

The Finnish telecommunications market has also now finally opened up to service operators. Everyone today understands that we need reliable, skilled service operators to back-up network owners, which means even more fierce competition for market shares and customers. It is the customer who will benefit from all this.

I believe that the Internet service operator business will act as a model for the entire telecommunications sector in the future. In the model, size measured in terms of mere turnover will no longer be the cornerstone of success. Instead the service operators are creating new policies and models to compete against larger rivals. Network builders are of course also needed, it is just that we have already passed a stage at which the mere network ownership would automatically guarantee customer relations.

The trend can also be observed in the content of the Internet. The most important elements even in the bit space are personal, positive experiences that can be a long set of essays introduced in discussion forums, the week's best score in minigolf or selecting the logo of the week. In fact, the Internet is the only medium that offers anyone a chance to be a star, if only for a while. To the modern man, this is very important.

In the above, the most important success factor is people. A well-functioning team guarantees the most high-quality service, for which customers will immediately give direct feedback. Organisational flexibility will be one of the most important challenges when developing new services in future.

Record growth

Saunalahti Serveri Oy changed its official name to Saunalahti Plc at the beginning of the year, which was quite natural, for the company had already been known under that name for some time.

Saunalahti's turnover rose to 75% and the company reached the objectives that it had set. We are currently Finland's fastest growing teleoperator. What was even more important from the point of view of our operation, however, was the strengthening of our balance in the course of the year, which enabled us to expand into the teleoperator business and to develop other new services to our customers.

1999 was a year of major change for the Saunalahti Group. We established our position as a major teleoperator, managed to launch new products onto

the market rapidly and introduced two major business areas: portal services and telecommunication services.

The challenge for the year 2000 will be the development of mobile communication services. We already introduced logo services for mobile phone users at the end of 1999, the first service of this kind available on the market. This is a good start, for the wealth of new features to be developed for mobile phones in the next few years will go beyond the present transmission of speech and SMS-based services. At the same time, mobile communications and Internet content services will come closer to each other.

Technically the most important change will take place in wireless data services. We can already offer wireless data connections to companies and flexible in-house office LAN solutions.

Internationalisation opportunities

As Finnish companies have the potential for developing innovative services, it is quite natural that these should be exported to a broader market. People and their needs are very similar throughout the world, of which the GSM system is a good example. That is why internationalisation to selected new market areas will be the most important new field in Saunalahti's operation in 2000.

We perceive internationalisation most of all as an opportunity of exporting our expertise abroad and offering services to new customers on new markets. Good examples of this in Finland include Nokia, Sonera and F-Secure.

A learning organisation

The average age of our staff is 28 years. I am one of the middle-aged staff at Saunalahti, aged over 35 years. I have been taught many things which I have simply had to replace with new patterns of thought in this post. My years at Saunalahti have taught me that combining enthusiasm and youth with solid experience and expertise lays a good foundation for success, enabling the employees to learn from each other and act as a team for implementing new services.

I wish to thank all of Saunalahti's customers, our staff, cooperation partners and shareholders for a very successful year. We are on the right track.



Harri Johannesdahl

Table of contents

| | |
|---|-------|
| CEO's review | 2 |
| Content | 3 |
| Saunalahti's organisation | 4 |
| Saunalahti Plc in 1999 | 5 |
| Consumer services | 6 |
| Business services | 7 |
| Portal services | 8 |
| Telecommunication services and business unit support functions | 9 |
| Board's annual report for the financial period 1.1.–31.12.1999 | 10 |
| Group's profit and loss statement and balance sheet | 11 |
| Saunalahti Plc's profit and loss statement and balance sheet | 12 |
| Financing reports | 13 |
| Enclosure to financial statement, statement compilation principles | 14 |
| Appendix | 15–19 |
| Balancing of the accounts note by the Board of Saunalahti Plc | 20 |
| Board of Saunalahti Plc | 21 |
| Terminology | 22 |

Saunalahti organisation

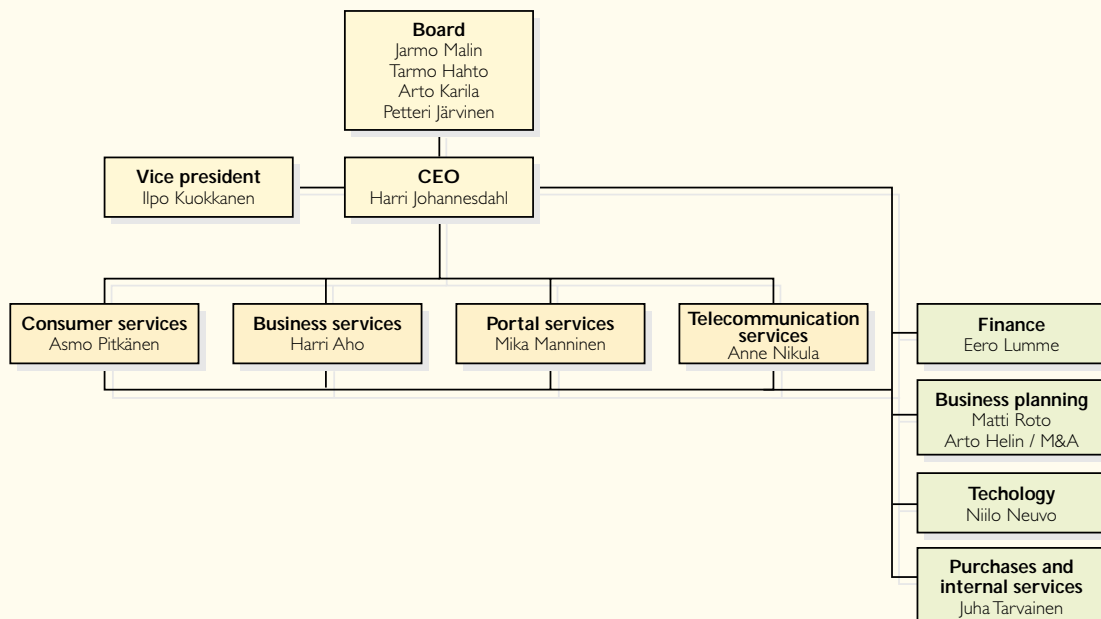
The board of Saunalahti consists of business unit managers and the Group CEO.

In the picture, from left:
Harri Aho, Business services
Eero Lumme, Finance
Mika Manninen, Portal services
Ilpo Kuokkanen, Vice president
Harri Johannesdahl, CEO
Anne Nikula, Telecommunication services
Asmo Pitkänen, Consumer services
Juha Tarvainen, Purchases and internal services



Not in the picture:
Niilo Neuvo, Technology
Matti Roto, Business planning
Petteri Järvinen, Communications
Arto Helin, M&A
Tom Lähdemaa, Software design

Saunalahti's effective team relies on a simple organisation. Saunalahti sets out to meet the challenges of the increasingly fierce competition through its flexible services and the excellent resources of its skilled staff. Combining enthusiasm and solid experience with high-quality expertise will guarantee success in growing markets.



Saunalahti Plc in 1999

Saunalahti Plc is Finland's second largest Internet operator which offers Internet connections, selected telecommunication services and value-added services to companies and private households. Its operating philosophy is to act as a service operator that develops its services for use via all types of network.

Saunalahti Plc comprises four business units: Consumer services, Business services, Portal services and Telecommunication services. These cover Internet connections, and data, portal and selected telecommunication services.

Saunalahti's roots go back to Nettilinja, an Internet operator founded at the end of 1996. A new company was formed at spring of 1998 as a result of the merging of DLC Data Link Connections Oy and Scifi Communications International Oy, two medium-sized Internet operators. In June 1998, the name Nettilinja was replaced by Saunalahden Serveri. Seven other operators were merged with Saunalahti in spring 1998 – early 1999: Atlas Internet Oy, Clari Net Oy, Dystopia Oy, Icenet Oy, Netlife Oy, Nettihansa Oy and WWW NET Finland Oy.

In June 1999, Saunalahti purchased Netti Finland Oy. As part of the deal, Turku Telephone Corporation obtained 10% of Saunalahden Serveri Oy's shares, using its option in November to increase its share by another 10% in accordance with the agreement concluded in summer. In November 1999, Saunalahti purchased the capital stocks of two Internet operators, i.e. Internet Connections Finland Oy, which offers Internet connections, and Q-Net Oy, which is stationed in Vaasa and produces Internet services. As agreed, Q-Net Oy continued its operations in Vaasa as a subsidiary, focusing on the installation and maintenance of LAN-networks and business data system services.

Saunalahti is primarily owned by its current management (34%), and the rest by the investment company Auratum Oy (33%), Turku Telephone Corporation and other 02 telephone companies (19%) and others (14%). Its entire staff, which numbered 160 persons of average age 28 years at the end of December 1999, is covered by the company's option programme.

January 1999

Saunalahti moved to new premises in the centre of Helsinki.

Saunalahti decided to merge DLC Data Link Connections Oy and Scifi Communications International Oy with the parent company.

Saunalahti purchased the entire capital stock of Netlife Oy.

Saunalahti obtained a telecommunications permit.

February 1999

A special issue of 75,000 shares was launched for the company management. The share capital was raised by 261,192 shares and the company board was given a right to subscribe 100,000 shares/options.

Saunalahti purchased 21% of Puhelin Oy Telekarelia's capital stock.

March 1999

Saunalahti signed an agreement for purchasing a switching exchange from Nokia Telecommunications.

June 1999

Saunalahti purchased Netti Finland Oy. As part of the deal, Turku Telephone Corporation obtained 10% of Saunalahden Serveri Oy's shares.

November 1999

Turku Telephone Corporation used its option based on the agreement of spring 1999 to purchase 10% of Saunalahti's shares.

Saunalahti purchased the entire capital stock of Q-Net Oy and that of Internet Connections Finland Oy.

Consumer services



Asmo Pitkänen,
Manager
Consumer Services

Saunalahti's Consumer services is responsible for the production, marketing and sales of Internet connections to private persons and households, and for the related customer services and user support.

In 1999, Saunalahti became Finland's second largest service operator to offer Internet connections to consumers, with a turnover of FIM 35 million and an approx. 45% share of the Group's turnover. The market share of the Consumer services unit rose from 19% to 25% during the year. The sales were accelerated greatly by the publication of the book "Internet-käyttäjän herkut" on 1.9.1999 which includes Saunalahti's consumer connection, an Internet installation CD, Internet information and examples of interesting www-addresses. It introduces the reader to using the Internet as an everyday communications tool.

Consumer services launched two new connection services in 1999: the Saunalahti Webmail service and a service that enables the customer to order e-mail to his mobile phone. Through the Webmail, Saunalahti's customers can read their e-mail by means of a www-browser directly from any computer that has a www-connection. Saunalahti's Internet customers can also read all incoming e-mail messages, for example, via an ordinary GSM phone.



"Internet-käyttäjän herkut" immediately enjoyed great popularity. It represents an entirely new approach to the Internet market. In addition to an Internet connection CD, it contains a wealth of information on Internet use, links and useful addresses.

netti  .com

Saunalahti launched an entirely new Nettiniimi service in 1999 for use by private and business customers to access domain names and hosting services. The popularity of the service concept is on the rise, and Saunalahti is one of the first to address these needs. Domain names are vital to anyone who wishes to obtain a personalised www-address and to companies that want to disseminate information on their services, for example, through the Internet. Nettiniimi automatically also includes hosting services that allow for tailored e-mail services and homepages, for instance.

The Consumer services unit had a staff of 70 persons at the end of 1999.

Future prospects

The monthly charges for consumers' Internet connections were reduced from FIM 59 to FIM 49 at the beginning of 1999. At the same time, Saunalahti introduced new invoicing alternatives to the connection it offered in "Internet-käyttäjän herkut", which extended the payment period by some months and contained more moderate operating charges (e.g. 6 months = FIM 280, 12 months = FIM 500). Non-switched connections are gradually also becoming more common among consumer customers despite the slow-down effect of the fairly high commencement fee and the availability of the service only in major growth centres. The prices for non-switched connections can of course also be expected to fall as more sophisticated equipment is developed. Saunalahti offers its consumer customers fast non-switched Internet connections based on SDSL technology at a rate of FIM 495/month (transmission speed 272 kbit/s). Fast connections of this kind offer customers an access to Internet calls.

The progress made in mobile phones also offers new Internet utilisation opportunities. Saunalahti is developing its services with this in mind by tailoring services to WAP users, for instance.

Business services

Saunalahti Business networks is responsible for the sales and development of data services to business customers, for producing the necessary connections and for business support. Business Networks also acts as the sales unit for Telecommunication services.

Saunalahti Business networks' market share rose to 14% in 1999. Its turnover was FIM 30 million, i.e. 39% of the Group's turnover. The volume of its invoicing increased by 75% in the course of 1999. Its staff numbered 42 persons at the end of the year.

Saunalahti Business networks signed an agreement with Innopoli, a technology centre situated in Otaniemi, in 1999 for offering non-switched data connections to the local technology enterprises. At the beginning of 1999, it also implemented fibre connections to Tampere Technology Centre Hermia and Karetek in Lappeenranta. The Business Networks unit also delivered connections to Nokia and Benefon.

Saunalahti was the first Internet operator in Finland to launch wireless data connections for enterprises to supplement the traditional copper wire and fibre connections.

Compared with the traditional fixed network, this offers the user fast non-switched data connections and extremely dynamic opportunities for utilising and expanding data networks.

Saunalahti Business networks has been developing value-added services, such as VPN solutions, for almost 2 years.

Products and services

The broad range of services offered by Saunalahti business services consist of the Dial-up BusinessPlus connection, a non-switched connection (XDSL, LAN), the linking of locations using the VPN technology, Web hosting service, maintenance of LAN networks and a virtual office service. Its value-added services contain domain name registration, routers, IP addresses, additional space, extra e-mail addresses, SMS-services, a statistics service, fax service and holiday answering service.

Future prospects

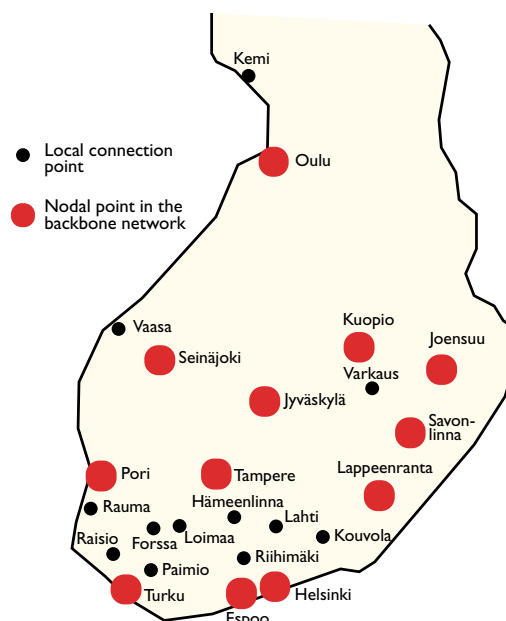
The sector will be characterised by major growth and internationalisation in a market packed with rival enterprises. In addition to traditional data solutions, customers need technically advanced, innovative value-added services. Data and voice will be available via the same network and companies will continue to network at a rapid rate.



Harri Aho
Manager
Business services

Business INTERNET

Saunalahti's backbone network



Portal services



Mika Manninen
Manager
Portal services

The portal Saunalahti.fi became Finland's second most popular Internet service in 1999. In December, more than half a million persons* were already using Saunalahti's extensive www-services.

Work on developing the portal began in January 1999, at which point some 700,000 weekly loadings were recorded on Saunalahti's pages, and as many as 5,000,000 in December:

Saunalahti's portal comprises the Saunalahti.fi services, the Jippii! search service, and the Mesta.net site that is intended for young people. Opened in November 1999, Jippii! also contains a free e-mail which received more than 150,000 registered users in the first two months. The rapid growth in the number of Saunalahti.fi's users is attributable not only to the wealth of news and utility services available through it, but also to services that offer experiences and create a sense of belonging to a community. These include discussion forums, and Pasimaailma, Finland's most popular on-line game site.

Future prospects

Saunalahti's portal services will be expanded onto the international market in 2000 under the Jippii brand. The Portal services unit also houses Saunalahti Innovations, a hi-tech development unit of the new-generation products of which to be launched in 2000 will include the DoubleCast (transmission of sound and images through the net) and a www-page index and search software capable of identifying dozens of languages.

*) The Web Traffic Monitor Survey conducted by Taloustutkimus Oy



Implemented using the Java technology, Pasimaailma offers a chance to play billiard or minigolf, for example, against other players in the net, using an ordinary www-browser.



www.jippii.fi

Jippii rapidly received more than 150,000 new users. Registered users have access to a free e-mail for sending and receiving messages regardless of time and place.



Saunalahti became Finland's second most popular portal. Its broad news, information, discussion, game and entertainment centre offers something to everyone.

Telecommunication services and business unit support functions

The duties of the Telecommunication services unit established in September 1999 are to develop, produce, market and sell telecommunication services to private and business customers. At the end of 1999, it was mainly responsible for offering SMS-based value-added services to consumers and enterprises (SMS, short message services).

Saunalahti palvelut

Saunalahti introduced its first two short message, or SMS, services in November, which made e-mail and logos available via the mobile phone. The GSM e-mail service enables the user to read e-mail in the form of an SMS-message from the mobile phone display while the latter provides access to more than 3000 images that can be displayed on the phone.

Saunalahti was the first operator to launch logo services in Finland, thus gaining a market leader position. Its aim is to continue to introduce new innovative SMS-based services.

Saunalahti ulkomaille

Calls with the Saunalahti 991 code will be available from all parts of Finland to any location in the world. Saunalahti's international call charges are the same regardless of the time of day and can be monitored easily through the customer information shown on the www page.

Saunalahti's 991 charges are very moderate. The charge for a call to the USA, the most popular destination of international calls in Finland, is FIM 1/minute + local access charge. Access to Saunalahti's international calls can be obtained by registering at Saunalahti's portal or by contacting Saunalahti's customer service, tel. +358 9 4243 0991.

Future prospects

Voice and data will be available via the same network. Mobile services will become more common and users will be increasingly interested in personalised, easy-to-use value-added services. Saunalahti will assign major resources to developing its services to meet their future needs.

As a new service concept, Saunalahti has launched international calls and will also introduce GSM connections, WAP and VoIP services and a service platform for other content producers for SMS and WAP services. These will all be integrated into a single whole to be launched in the year 2000.

Saunalahti's strengths as a service operator and content producer lie most of all in its independence from operators and in its rapid, flexible service development both as regards content and software.

Business unit support functions

Technology unit

Working in close cooperation with Saunalahti's business units, the Saunalahti technology unit is responsible for planning and implementing the company's telecommunications network to meet the prevailing market situation and customers' needs.

One of the most important projects of 1999 was the acquisition of a switching exchange, and starting call termination and work on building a fibre network in Helsinki. The unit also combined the networks it had purchased from other players in the market, integrating these into Saunalahti's backbone network.

Financial administration

The Financial administration unit is responsible for the balancing of the accounts, accounting, financial planning and supervision, budget planning and reports. The unit was set up at the beginning of 1999 by making external accounting and reporting into a unit of their own.

Purchases and internal services

The purchases and internal services unit is responsible for Saunalahti's acquisition chain, collaborating closely with the company's business units.

Business planning

The business planning unit is responsible for preparing strategic alliances, preparing and executing acquisitions, negotiating major agreements that concern the entire company, and monitoring the market situation in Finland and abroad.

This year the unit will focus on preparing internationalisation and launching stage I measures on the selected market.



Anne Nikula
Manager
Telecommunication services

Saunalahti Plc

Report of the Board of Directors for the period 1.1.–31.12.1999

General

Saunalahti Plc operates in producing, marketing, selling and leasing of Internet services and products and data connections. In addition, the company expanded into telephone operator business in July and SMS services in November. Saunalahti Plc offers services both for consumers and business enterprises.

The fiscal year 1999 was the third for the parent company and the second for Saunalahti Group.

The company changed its official name to Saunalahti Plc (previously Saunalahden Serveri Oy) at the shareholders' meeting on January 24, 2000.

Changes in Group structure

The following changes took place in the Group structure:

- In January 1999 Saunalahden Serveri Oy purchased the entire capital stock of Netlife Oy.
- In February 1999 Saunalahden Serveri Oy purchased 21% of Puhelin Oy Telekarelia's capital stock.
- In April 1999 Saunalahden Serveri Oy decided to merge the business functions of its subsidiaries VVV NET Finland Oy, Netlife Oy, Clari Net Oy and Nettihansa Oy with the parent company by dissolving them through voluntary liquidation. The dissolution process will be completed during the first half of 2000.
- In June 1999 Saunalahden Serveri Oy purchased the entire capital stock of Netti Finland Oy, DLC Data Link Connections Oy and Scifi Communications International Oy, subsidiaries owned completely by Saunalahden Serveri Oy, were merged with the parent company on 30.6.1999.
- In November 1999 Saunalahden Serveri Oy purchased the entire capital stock of Q-Net Oy and Internet Connections Finland Oy.
- In December 1999 Saunalahden Serveri Oy purchased the entire capital stock of Jippii-Internetpalvelut Oy and set up with Puhelin Oy Telekarelia the Kuituverkko Kahdeksan Oy company of which it owns 80% and Telekarelia 20%.
- In January 2000 the subsidiaries Jippii Internet Services SA (Belgium) and Jippii Internet Services PLC (England) were established, owned entirely by the Group.

Financial development

The turnover of the Saunalahden Serveri Oy Group in 1999 was FIM 77,4 million (1998: FIM 44,2 million), and that of the parent company FIM 66,0 million (1998: FIM 24,1 million).

The Group's operating loss for the financial period was FIM 12,1 million (1998: FIM 15,1 million) and loss before extraordinary items FIM (14,1 million) (1998 FIM (16,3 million)). The profitability of the Group noticeably improved, however, in that the result before extraordinary items for the last quarter of 1999 was already positive. The group enjoyed a solid financial position at the end of the year.

Investments

The most extensive equipment investment of 1999 was a switching exchange delivered by Nokia Telecommunications Oy for telecom operator use.

Changes in share capital

The company's share capital was increased during the financial period as follows:

- on February 9, 1999 a directed share issue to the company management, 75,000 shares, and increase of the share capital by 261,192 shares and subscription authorisation to the Board of Directors for a maximum of 100,000 shares or options,
- on April 22, 1999 increase of the share capital by 341,558 shares

- on May 25, 1999 a directed share issue of 557,992 shares to Turun Puhelin Oy and the management of Netti Finland Oy
- on September 1, 1999 a directed share issue of 14,500 shares to a member of the management

The share issues increased the company's share capital from FIM 4,103,894 to FIM 5,354,136 and its share premium fund from FIM 12,062,949.80 to FIM 44,722,713.40.

The Board of Directors received on February 9, 2000 subscription authorisation for a maximum of 100,000 shares or options. The Board of Directors has used the authorisation by launching a share option programme with a total of 100,000 options for the personnel. Of the said programme 14,500 options were unsubscribed by December 31, 1999. The programme has been fully subscribed by January 14, 2000.

The shareholders meeting decided on October 6, 1999 on granting option rights to regular members of the Board of Directors. The members of the Board of Directors subscribed the 65,000 option right in their entirety, by virtue of which the share capital can be increased by a maximum of 65,000 shares.

In addition, a directed share issue was launched for the company management on January 24, 2000, comprising a total of 335,000 shares, and a subscription authorisation for the Board of Directors for a maximum of 100,000 shares or options.

The motive for the directed share issues and new issues has been to commit key members of personnel, financing of investments and improving the financial position and enhancing and developing the ability to function. The share issues were based on the fair value of the shares at the issuing point.

Administration

Members of the Board of Directors:

| | |
|------------------|------------------|
| Jarmo Malin | (chairman) |
| Petteri Järvinen | |
| Arto Helin | until 4.6.1999 |
| Kai Keinänen | until 4.6.1999 |
| Niilo Neuvo | until 4.6.1999 |
| Jaakko Rytsölä | until 6.10.1999 |
| Tarmo Hahto | as of 4.6.1999 |
| Arto Karila | as of 6.10.1999. |

The company's CEO is Harri Johannesdahl.

SVH PriceWaterhouse Coopers Oy, Authorised Public Accountants, acted as the company's auditor, with Kari Miettinen, Authorised Public Accountant, as the auditor in charge.

Outlook for the current year

The company will continue to invest heavily on its existing and new business functions both in Finland and abroad. Its turnover is expected to continue to grow rapidly in 2000, with clear improvements in profitability.

Board proposal as to the result of the financial period

The Group and the parent company do not have any distributable funds. The Board of Directors proposes that the loss for the financial period be transferred to the account of accumulated losses and that no dividend be paid to shareholders.

Group profit and loss account and balance sheet

Profit and Loss Account

| | Note | 1.1.-31.12.1999 | 1.1.-31.12.1998 |
|--|------|-----------------|-----------------|
| Turnover | 1.1 | 77 378 078,79 | 44 203 079,80 |
| Share in associated comp. profit | | 2 131 032,29 | 0,00 |
| Other operating income | 1.2 | 25 621,61 | 0,00 |
| Materials and services | 1.3 | 30 392 420,88 | 21 264 104,41 |
| Personnel expenses | 1.4 | 27 248 331,93 | 18 073 140,92 |
| Depreciation and amortisation | 1.6 | 7 756 124,83 | 4 999 692,91 |
| Other operating expenses | | 26 261 266,40 | 14 947 925,75 |
| | | 91 658 144,04 | 59 284 863,99 |
| Operating loss | | -12 123 411,35 | -15 081 784,19 |
| Financial items | 1.7 | -2 002 191,24 | -1 261 537,70 |
| Loss before extraordinary items and taxes | | -14 125 602,59 | -16 343 321,89 |
| Extraordinary items | 1.8 | 5 629 950,09 | 0,00 |
| Loss before taxes | | -8 495 652,50 | -16 343 321,89 |
| Income taxes | 1.9 | 3 794 234,04 | 22 579,22 |
| Net loss | | -4 701 418,46 | -16 320 742,67 |

Balance sheet

| | Note | 31.12.1999 | 31.12.1998 |
|--------------------------------|------|----------------|----------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 2.1 | 10 865 104,54 | 8 031 769,26 |
| Goodwill on consolidation | 2.1 | 20 077 643,03 | 6 155 896,09 |
| Tangible assets | 2.1 | 21 524 141,28 | 12 370 123,02 |
| Investments | 2.2 | | |
| Shares in associated companies | | 9 172 632,29 | 0,00 |
| Other investments | | 2 772 492,66 | 100 916,66 |
| Total investments | | 11 945 124,95 | 100 916,66 |
| Total fixed assets | | 64 412 013,80 | 26 658 705,03 |
| Current assets | | | |
| Inventories | 2.5 | 538 613,16 | 448 731,40 |
| Long-term receivables | 2.6 | 1 299 003,50 | 0,00 |
| Current receivables | 2.6 | 17 788 800,86 | 7 862 444,06 |
| Deferred tax asset | | 9 479 251,48 | 0,00 |
| Cash and bank receivables | | 11 351 877,82 | 556 257,07 |
| Total current assets | | 40 457 546,82 | 8 867 432,53 |
| | | 104 869 560,62 | 35 526 137,56 |
| Equity and liabilities | | | |
| Equity | 2.8 | | |
| Share capital | | 5 354 136,00 | 3 505 158,00 |
| Share issue | | 0,00 | 598 736,00 |
| Share premium fund | | 44 722 713,40 | 12 062 949,80 |
| Accumulated profit/loss | | -21 101 039,86 | -4 780 297,19 |
| Net profit/loss for period | | -4 701 418,46 | -16 320 742,67 |
| Capital loans | | 0,00 | 5 526 053,95 |
| Total equity | | 24 274 391,08 | 591 857,89 |
| Liabilities | | | |
| Long-term liabilities | 2.11 | 44 670 223,95 | 2 496 152,00 |
| Short-term liabilities | 2.13 | 35 924 945,59 | 32 438 127,67 |
| Total liabilities | | 80 595 169,54 | 34 934 279,67 |
| | | 104 869 560,62 | 35 526 137,56 |

Parent Company profit and loss account and balance sheet

Profit and Loss Account

| | Note | 1.1.-31.12.1999 | 1.1.-31.12.1998 |
|-------------------------------|------|-----------------------|-----------------------|
| Turnover | 1.1 | 65 966 046,30 | 24 107 214,03 |
| Other operating income | 1.2 | 265 595,83 | 0,00 |
| Materials and services | 1.3 | 26 360 843,25 | 13 022 632,29 |
| Personnel expenses | 1.4 | 25 541 461,70 | 12 351 012,07 |
| Depreciation and amortisation | 1.6 | 4 333 014,65 | 1 514 982,36 |
| Other operating expenses | | <u>22 018 355,29</u> | <u>11 206 492,17</u> |
| | | 78 253 674,89 | 38 095 118,89 |
| Operating loss | | -12 022 032,76 | -13 987 904,86 |
| Financial items | 1.7 | -1 752 335,72 | -721 724,02 |
| Loss before taxes | | -13 774 368,48 | -14 709 628,88 |
| Income taxes | 1.9 | -25 453,00 | 0,00 |
| Net loss | | <u>-13 799 821,48</u> | <u>-14 709 628,88</u> |

Balance sheet

| | Note | 31.12.1999 | 31.12.1998 |
|-------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 2.1 | 11 541 548,73 | 5 082 387,51 |
| Tangible assets | 2.1 | 19 115 837,03 | 5 896 202,51 |
| Investments | 2.2 | | |
| Shares in subsidiaries | | 21 628 175,82 | 8 006 647,00 |
| Other investments | | <u>9 877 608,00</u> | <u>390 000,00</u> |
| Total investments | | 31 505 783,82 | 8 396 647,00 |
| Total fixed assets | | <u>62 163 169,58</u> | <u>19 375 237,02</u> |
| Current assets | | | |
| Inventories | 2.5 | 444 764,16 | 448 731,40 |
| Long-term receivables | 2.6 | 1 299 003,50 | 0,00 |
| Current receivables | 2.6 | 19 183 044,23 | 9 089 909,66 |
| Cash and bank receivables | | <u>10 413 500,75</u> | <u>303 989,82</u> |
| Total current assets | | 31 340 312,64 | 9 842 630,88 |
| | | <u>93 503 482,22</u> | <u>29 217 867,90</u> |
| Equity and liabilities | | | |
| Equity | 2.8 | | |
| Share capital | | 5 354 136,00 | 3 505 158,00 |
| Share issue | | 0,00 | 598 736,00 |
| Share premium fund | | 44 722 713,40 | 12 062 949,80 |
| Accumulated profit/loss | | -19 489 926,07 | -4 780 297,19 |
| Net profit/loss for period | | -13 799 821,48 | -14 709 628,88 |
| Capital loans | | 0,00 | 5 526 053,95 |
| Total equity | | <u>16 787 101,85</u> | <u>2 202 971,68</u> |
| Liabilities | | | |
| Long-term liabilities | 2.11 | 42 699 373,95 | 450 000,00 |
| Short-term liabilities | 2.13 | <u>34 017 006,42</u> | <u>26 564 896,22</u> |
| Total liabilities | | 76 716 380,37 | 27 014 896,22 |
| | | <u>93 503 482,22</u> | <u>29 217 867,90</u> |

Cash flow statement

| Group | 1.1.-31.12.1999 | 1.1.-31.12.1998 |
|--|------------------------|------------------------|
| Cash flow from operations | | |
| Operating profit | -12 123 411,35 | -15 081 784,19 |
| Adjustments to operating profit | 7 756 124,83 | 4 999 692,91 |
| Change in net working capital | -12 962 991,87 | 10 532 901,51 |
| Interest received | 0,00 | 31 526,46 |
| Interest paid | -2 002 191,24 | -1 004 817,50 |
| Other financial items | 0,00 | -288 246,66 |
| Taxes | 3 794 234,04 | 22 579,22 |
| Extraordinary items | 5 629 950,09 | 0,00 |
| Net cash flow from operations | -9 908 285,50 | -788 148,25 |
| Investments | | |
| Purchase of shares | -11 844 208,29 | -7 018 603,75 |
| Purchase of fixed assets | -34 040 094,88 | -23 097 283,88 |
| Sale of fixed assets | 374 869,57 | 159 506,67 |
| Net cash flow from investments | -45 509 433,60 | -29 956 380,96 |
| Cash flow before financing | -55 417 719,10 | -30 744 529,21 |
| Financing | | |
| Increase in long-term liabilities | 42 174 071,95 | 2 046 152,00 |
| Decrease in long-term liabilities | 0,00 | -900 000,00 |
| Long-term receivables increase/decrease | -1 299 003,50 | 0,00 |
| Short-term liabilities increase/decrease | -3 045 680,25 | 11 451 649,33 |
| Capital loan/subordinates loan increase/decrease | -5 526 053,95 | 2 820 340,20 |
| Share issue | 33 910 005,60 | 15 666 843,80 |
| Cash flow from financing | 66 213 339,85 | 31 084 985,33 |
| Change in cash and equivalents | 10 795 620,75 | 340 456,12 |
| Cash and equivalents 1.1. | 556 257,07 | 215 800,95 |
| Cash and equivalents 31.12. | 11 351 877,82 | 556 257,07 |
| | | |
| Parent company | 1.1.-31.12.1999 | 1.1.-31.12.1998 |
| Cash flow from operations | | |
| Operating profit | -12 022 032,76 | -13 987 904,86 |
| Adjustments to operating profit | 4 333 014,65 | 1 514 982,36 |
| Change in net working capital | -3 076 646,41 | 7 034 133,99 |
| Interest received | 128 045,84 | 20 122,48 |
| Interest paid | -1 558 085,43 | -631 880,36 |
| Other financial items | -322 296,13 | -109 966,14 |
| Taxes | -25 453,00 | 0,00 |
| Net cash flow from operations | -12 543 453,24 | -6 160 512,53 |
| Investments | | |
| Purchase of shares | -23 279 136,82 | -8 006 647,00 |
| Purchase of fixed assets | -24 011 810,39 | -10 791 555,40 |
| Increase of long-term investments | 0,00 | -390 000,00 |
| Decrease of long-term investments | 170 000,00 | 0,00 |
| Net cash flow from investments | -47 120 947,21 | -19 188 202,40 |
| Cash flow before financing | -59 664 400,45 | -25 348 714,93 |
| Financing | | |
| Increase in long-term liabilities | 42 249 373,95 | 0,00 |
| Decrease in long-term liabilities | 0,00 | -900 000,00 |
| Long-term receivables increase/decrease | -1 299 003,50 | 0,00 |
| Short-term liabilities increase/decrease | 439 589,28 | 7 849 719,80 |
| Capital loan/subordinates loan increase/decrease | -5 526 053,95 | 2 820 340,20 |
| Share issue | 33 910 005,60 | 15 666 843,80 |
| Cash flow from financing | 69 773 911,38 | 25 436 903,80 |
| Change in cash and equivalents | 10 109 510,93 | 88 188,87 |
| Cash and equivalents 1.1. | 303 989,82 | 215 800,95 |
| Cash and equivalents 31.12. | 10 413 500,75 | 303 989,82 |

Accounting principles

Scope of group accounts

All the Group's subsidiaries have been consolidated into the group accounts except for Helsingin Netti Media Oy, Jippii Internetpalvelut Oy and Kuituverkko Kahdeksan Oy, which are dormant. These companies do not have any impact on the distributable equity of the Group.

Principles of consolidation

Internal share ownership

The group accounts have been drawn up using the purchase method. The difference between the subsidiary acquisition costs and equity is presented as Goodwill on consolidation. The subsidiaries have been consolidated with the Group from the beginning of the acquisition month.

Inter-company transactions

Inter-company business transactions, receivables and liabilities have been eliminated.

Associated companies

The associated company has been consolidated using the equity method. The group's share of the associated company's profit, equivalent to the Group's share of ownership, and the negative goodwill on consolidation is included in the consolidated accounts as a separate item after turnover. Negative goodwill on consolidation arises when the acquisition cost is lower than the acquired share of equity.

Valuation principles

Valuation of fixed assets

Fixed assets are stated in the balance sheet at acquisition cost less depreciation according to plan. Depreciation is calculated on a straight-line basis over the economic lifetime of the assets.

Depreciation times

| | |
|-------------------------------|------------|
| Establishment expenses | 4 years |
| Intangible rights | 3 years |
| Goodwill on consolidation | 5-10 years |
| Other capitalised expenditure | 3-10 years |
| Machinery and equipment | 3-10 years |

Valuation of inventories

Inventories are valued at the lower of cost (first-in, first-out) or market value.

Other capitalised expenditure

Brand creation expenditure amounting to FIM 6,8 million have been capitalised in 1998. Book value of the aforementioned capitalisations as of December 31, 1999 is FIM 4,7 million (1998: FIM 6,3 million).

Pension liability

The pension security of the personnel of the parent company and the Group companies is administered by an outside pension insurance company.

Research and development

Research and development costs have been expensed as they are incurred.

Turnover

Indirect taxes and discounts have been deducted from the sales revenue when calculating the turnover. The sales revenue is recorded as income based on its nature either at delivery or with elapse of time.

Leasing

Leasing payments have been treated as rental expense. Future leasing commitments are disclosed as a contingent liability in the notes to the financial statements.

Deferred tax

A deferred tax asset regarding the parent company has been recorded in the group balance sheet as of December 31, 1999. The deferred tax asset has been calculated in accordance with the principle of prudence on the tax loss for 1999 and on tax losses from previous years using the current tax rate (29%). The deferred tax asset based on prior years tax losses has been recorded as extraordinary income in the group profit and loss account. The impact of the deferred tax asset on group net income in 1999 is FIM 9.5 million. The deferred tax asset has been recorded in the group financial statements only.

Appropriations

The change in depreciation difference is recorded as an appropriation in the profit and loss account of the parent company and the subsidiaries. The accumulated depreciation difference is recorded as accumulated appropriations in the balance sheets. In the group accounts the appropriations are divided as income for the period, retained earnings and deferred tax liability. The deferred tax asset and deferred tax liability have been netted in the group balance sheet and specified in the notes to the financial statements.

Notes

| | Group | | Parent company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 1999 | 1998 | 1999 | 1998 |
| I.1 Turnover by business line | | | | |
| Internet business, Finland | 77 378 078,79 | 44 203 079,80 | 65 966 046,30 | 22 891 319,03 |
| Charges from group companies | 0,00 | 0,00 | 0,00 | 1 215 895,00 |
| Total | 77 378 078,79 | 44 203 079,80 | 65 966 046,30 | 24 107 214,03 |
| I.2 Other operating income | | | | |
| Group management fees | 0,00 | 0,00 | 240 000,00 | 0,00 |
| Other income | 25 621,61 | 0,00 | 25 595,83 | 0,00 |
| Total | 25 621,61 | 0,00 | 265 595,83 | 0,00 |
| I.3 Materials and services | | | | |
| Materials | | | | |
| Purchases | 29 153 639,25 | 20 805 376,07 | 25 208 296,14 | 12 777 434,34 |
| Change in inventory | 89 881,76 | -448 731,40 | 3 967,24 | -375 075,66 |
| | 29 243 521,01 | 20 356 644,67 | 25 212 263,38 | 12 402 358,68 |
| External services | 1 148 899,87 | 907 459,74 | 1 148 579,87 | 620 273,61 |
| Total | 30 392 420,88 | 21 264 104,41 | 26 360 843,25 | 13 022 632,29 |
| I.4 Personnel expenses | | | | |
| Salaries | 22 801 338,89 | 14 085 196,07 | 21 139 304,18 | 9 421 809,63 |
| Pension expenses | 2 327 676,58 | 2 243 081,06 | 2 291 684,42 | 1 773 662,16 |
| Other social expenses | 2 119 316,46 | 1 744 863,79 | 2 110 473,10 | 1 155 540,28 |
| Total | 27 248 331,93 | 18 073 140,92 | 25 541 461,70 | 12 351 012,07 |
| I.5 Average number of personnel | | | | |
| Average number of personnel | 154 | 112 | 131 | 81 |
| I.6 Depreciation and amortisation | | | | |
| Establishment expenses | 10 285,58 | 10 285,13 | 10 285,58 | 10 285,13 |
| Intangible rights | 212 823,30 | 133 046,94 | 152 916,82 | 35 911,74 |
| Goodwill | 151 601,70 | 77 998,06 | 198 487,68 | 45 948,06 |
| Other capitalised expenditure | 1 950 326,07 | 1 242 469,30 | 1 633 461,62 | 585 245,79 |
| Goodwill on consolidation | 2 234 056,53 | 761 791,00 | | |
| Machinery and equipment | 3 197 031,65 | 2 774 102,48 | 2 337 862,95 | 837 591,64 |
| Depreciation on intangible and tangible assets | 7 756 124,83 | 4 999 692,91 | 4 333 014,65 | 1 514 982,36 |
| I.7 Financial income and expenses | | | | |
| Other interest and financial income | | | | |
| From others | 134 459,89 | 37 951,29 | 128 045,84 | 26 463,31 |
| Other interest and financial income, total | 134 459,89 | 37 951,29 | 128 045,84 | 26 463,31 |
| Interest and other financial expenses | | | | |
| To others | -2 136 651,13 | -1 299 488,99 | -1 880 381,56 | -748 187,33 |
| Interest and other financial expenses, total | -2 136 651,13 | -1 299 488,99 | -1 880 381,56 | -748 187,33 |
| Financial income and expenses, total | -2 002 191,24 | -1 261 537,70 | -1 752 335,72 | -721 724,02 |
| I.8 Extraordinary items | | | | |
| Extraordinary income | 5 629 950,09 | 0,00 | 0,00 | 0,00 |
| Total | 5 629 950,09 | 0,00 | 0,00 | 0,00 |

The extraordinary income in 1999 is the part of the deferred tax asset, which is based on losses in previous years.

Notes

| 1.9 Income taxes | Group | | Parent company | |
|-----------------------------------|---------------------|------------------|-------------------|-------------|
| | 1999 | 1998 | 1999 | 1998 |
| Income tax on extraordinary items | 0,00 | 0,00 | 0,00 | 0,00 |
| Income tax on ordinary income | -72 292,00 | 22 579,22 | -25 453,00 | 0,00 |
| Change in deferred tax asset | 3 849 301,39 | 0,00 | 0,00 | 0,00 |
| Change in deferred tax liability | 17 224,65 | 0,00 | 0,00 | 0,00 |
| Total | 3 794 234,04 | 22 579,22 | -25 453,00 | 0,00 |

2.1 Intangible and tangible assets

Parent company

| | Establishment expenses | Intangible rights | Goodwill | Other capitalised expenditure | Total, intangible assets | Machinery and equipment |
|-------------------------------------|------------------------|---------------------|---------------------|-------------------------------|--------------------------|-------------------------|
| Acquisition cost 1.1.1999 | 41 145,00 | 274 808,85 | 393 842,00 | 5 495 244,34 | 6 205 040,19 | 6 926 106,17 |
| Increase | 0,00 | 821 010,63 | 1 268 859,62 | 7 560 340,32 | 9 650 210,57 | 19 003 063,76 |
| Decrease | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Acquisition cost 31.12.1999 | 41 145,00 | 1 095 819,48 | 1 662 701,62 | 13 055 584,66 | 15 855 250,76 | 25 929 169,93 |
| Accumulated depreciation 31.12.1999 | 20 570,71 | 401 936,12 | 244 435,74 | 3 646 759,46 | 4 313 702,03 | 6 813 332,90 |
| Book value 31.12.1999 | 20 574,29 | 693 883,36 | 1 418 265,88 | 9 408 825,20 | 11 541 548,73 | 19 115 837,03 |

Group

| | Establishment expenses | Intangible rights | Goodwill | Other capitalised expenditure | Total, intangible assets | Goodwill on consolidation | Machinery and equipment |
|-------------------------------------|------------------------|---------------------|-------------------|-------------------------------|--------------------------|---------------------------|-------------------------|
| Acquisition cost 1.1.1999 | 41 145,00 | 724 268,42 | 659 342,00 | 8 825 279,54 | 10 250 034,96 | 6 917 687,09 | 16 443 261,50 |
| Increase | 0,00 | 443 608,65 | 214 999,83 | 4 514 822,78 | 5 173 431,26 | 16 155 803,47 | 13 697 215,37 |
| Decrease | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | -374 869,57 |
| Reclassifications | 0,00 | 0,00 | 0,00 | 10 000,00 | 10 000,00 | 0,00 | -10 000,00 |
| Acquisition cost 31.12.1999 | 41 145,00 | 1 167 877,07 | 874 341,83 | 13 350 102,32 | 15 433 466,22 | 23 073 490,56 | 29 755 607,30 |
| Accumulated depreciation 31.12.1999 | 20 570,71 | 439 166,01 | 229 599,76 | 3 879 025,20 | 4 568 361,68 | 2 995 847,53 | 8 231 466,02 |
| Book value 31.12.1999 | 20 574,29 | 728 711,06 | 644 742,07 | 9 471 077,12 | 10 865 104,54 | 20 077 643,03 | 21 524 141,28 |

2.2 Investments

Parent company

| | Shares in subsidiaries | Shares in associated companies | Other shares | Receivables, subsidiaries | Total |
|------------------------------------|------------------------|--------------------------------|---------------------|---------------------------|----------------------|
| Acquisition cost 1.1.1999 | 8 006 647,00 | 0,00 | 0,00 | 390 000,00 | 8 396 647,00 |
| Additions from mergers | 50 666,66 | 0,00 | 50 250,00 | 0,00 | 100 916,66 |
| Increase | 14 764 960,16 | 7 041 600,00 | 2 565 758,00 | 0,00 | 24 372 318,16 |
| Decrease | -1 194 098,00 | 0,00 | 0,00 | -170 000,00 | -1 364 098,00 |
| Acquisition cost 31.12.1999 | 21 628 175,82 | 7 041 600,00 | 2 616 008,00 | 220 000,00 | 31 505 783,82 |
| Book value 31.12.1999 | 21 628 175,82 | 7 041 600,00 | 2 616 008,00 | 220 000,00 | 31 505 783,82 |

Group

| | Shares in associated companies | Other shares | Total |
|------------------------------------|--------------------------------|---------------------|----------------------|
| Acquisition cost 1.1.1999 | 0,00 | 100 916,66 | 100 916,66 |
| Additions from acquisitions | 0,00 | 30 720,00 | 30 720,00 |
| Increase | 9 172 632,29 | 2 656 076,00 | 11 828 708,29 |
| Decrease | 0,00 | -15 220,00 | -15 220,00 |
| Acquisition cost 31.12.1999 | 9 172 632,29 | 2 772 492,66 | 11 945 124,95 |
| Book value 31.12.1999 | 9 172 632,29 | 2 772 492,66 | 11 945 124,95 |

Notes

2.3 Group companies / Subsidiaries

| | Group holding % | Parent holding % | Domicile | Equity |
|---------------------------------|-----------------|------------------|--------------|-------------|
| Clari Net Oy | 100 % | 100 % | Helsinki | |
| Nettihansa Oy | 100 % | 100 % | Kaarina | |
| WW NET Finland Oy | 100 % | 100 % | Lappeenranta | |
| Netlife Oy | 100 % | 100 % | Helsinki | |
| Internet Connections Finland Oy | 100 % | 100 % | Helsinki | |
| Q-Net Oy | 100 % | 100 % | Vaasa | |
| Netti Finland Oy | 100 % | 100 % | Turku | |
| Helsingin Netti Media Oy | 100 % | 100 % | Helsinki | 50 000,00 * |
| Jippii-Internetpalvelut Oy | 100 % | 100 % | Helsinki | 50 000,00 * |
| Kuituverkko Kahdeksan Oy | 80 % | 80 % | Helsinki | 50 000,00 * |

*) The companies have not been consolidated because they are dormant.

2.4 Associated companies

| | Group holding % | Parent holding % | Domicile |
|------------------------|-----------------|------------------|----------|
| Puhelin Oy Telekarelia | 21 % | 21 % | Eno |

| 2.5 Inventories | Group | | Parent company | |
|---------------------|------------|------------|----------------|------------|
| | 1999 | 1998 | 1999 | 1998 |
| Materials and goods | 538 613,16 | 448 731,40 | 444 764,16 | 448 731,40 |

| 2.6 Receivables | 1999 | 1998 | 1999 | 1998 |
|-----------------|------|------|------|------|
|-----------------|------|------|------|------|

LONG TERM RECEIVABLES

Receivables from non-group companies/others

| | | | | |
|-------------|--------------|------|--------------|------|
| Prepayments | 1 299 003,50 | 0,00 | 1 299 003,50 | 0,00 |
| Total | 1 299 003,50 | 0,00 | 1 299 003,50 | 0,00 |

TOTAL LONG TERM RECEIVABLES

| | | | | |
|--|--------------|------|--------------|------|
| | 1 299 003,50 | 0,00 | 1 299 003,50 | 0,00 |
|--|--------------|------|--------------|------|

CURRENT RECEIVABLES

Receivables from group companies

| | | | | |
|-------------------|--|--|--------------|--------------|
| Other receivables | | | 3 214 753,60 | 2 197 668,91 |
|-------------------|--|--|--------------|--------------|

Receivables from others

| | | | | |
|--------------------------------|---------------|--------------|---------------|--------------|
| Accounts receivable | 14 517 674,57 | 5 760 473,98 | 13 130 132,52 | 5 671 549,59 |
| Loan receivables | 17 000,00 | 0,00 | 17 000,00 | 0,00 |
| Other receivables | 452 674,03 | 396 904,51 | 298 077,66 | 169 469,91 |
| Prepayments and accrued income | 2 801 452,27 | 1 705 065,57 | 2 523 080,45 | 1 051 221,25 |
| Total | 17 788 800,87 | 7 862 444,06 | 15 968 290,63 | 6 892 240,75 |

TOTAL CURRENT RECEIVABLES

| | | | | |
|--|---------------|--------------|---------------|--------------|
| | 17 788 800,87 | 7 862 444,06 | 19 183 044,23 | 9 089 909,66 |
|--|---------------|--------------|---------------|--------------|

2.7 Prepayments and accrued income

| | 1999 | 1998 | 1999 | 1998 |
|------------------|--------------|--------------|--------------|--------------|
| Leasing payments | 1 805 449,49 | 0,00 | 1 805 449,49 | 0,00 |
| Other | 996 002,78 | 1 705 065,57 | 717 630,96 | 1 051 221,25 |
| Total | 2 801 452,27 | 1 705 065,57 | 2 523 080,45 | 1 051 221,25 |

Notes

| 2.8 Equity | Group | | Parent company | |
|---------------------------------------|----------------------|-------------------|----------------------|---------------------|
| | 1999 | 1998 | 1999 | 1998 |
| Share capital I.I. | 3 505 158,00 | 500 000,00 | 3 505 158,00 | 500 000,00 |
| New issue | 1 848 978,00 | 3 005 158,00 | 1 848 978,00 | 3 005 158,00 |
| Share capital 31.12. | 5 354 136,00 | 3 505 158,00 | 5 354 136,00 | 3 505 158,00 |
| Share issue I.I. | 598 736,00 | 0,00 | 598 736,00 | 0,00 |
| Increase/decrease | -598 736,00 | 598 736,00 | -598 736,00 | 598 736,00 |
| Share issue 31.12. | 0,00 | 598 736,00 | 0,00 | 598 736,00 |
| Share premium fund I.I. | 12 062 949,80 | 0,00 | 12 062 949,80 | 0,00 |
| New issue premium | 32 659 763,60 | 2 096 231,80 | 32 659 763,60 | 2 096 231,80 |
| From share issue | | 9 966 718,00 | | 9 966 718,00 |
| Share premium fund 31.12. | 44 722 713,40 | 12 062 949,80 | 44 722 713,40 | 12 062 949,80 |
| Accumulated loss | -21 101 039,86 | -4 780 297,19 | -19 489 926,07 | -4 780 297,19 |
| Net loss for period | -4 701 418,46 | -16 320 742,67 | -13 799 821,48 | -14 709 628,88 |
| Capital loans I.I. | 5 526 053,95 | 0,00 | 5 526 053,95 | 0,00 |
| Increase | 0,00 | 5 526 053,95 | 0,00 | 5 526 053,95 |
| Conversion of capital loans to equity | -5 526 053,95 | 0,00 | -5 526 053,95 | 0,00 |
| Capital loans 31.12. | 0,00 | 5 526 053,95 | 0,00 | 5 526 053,95 |
| TOTAL EQUITY | 24 274 391,08 | 591 857,89 | 16 787 101,85 | 2 202 971,68 |

| 2.9 Distributable funds 31.12. | 1999 | 1998 | 1999 | 1998 |
|--------------------------------|------|------|------|------|
| Distributable funds | 0,00 | 0,00 | 0,00 | 0,00 |

2.10 Option rights

The company has a share option plan as part of the personnel incentive system. 100.000 shares can be subscribed for FIM 27,00 each from June 1, 2001 to May 31, 2003 with the options in the personnel share option plan. 85.500 options in the plan have been subscribed by December 31, 1999. The remaining options in the plan have been subscribed subsequent to the end of the financial year. 65.000 shares can be subscribed for FIM 30,00 each from June 1, 2001 to May 31, 2003 with the options in a share option plan directed to the Board of Directors. All options in the share option plan have been subscribed by December 31, 1999. The share capital can be increased with a maximum of FIM 165.000 based on the share option plans.

| 2.11 Long-term liabilities | 1999 | 1998 | 1999 | 1998 |
|-----------------------------------|----------------------|---------------------|----------------------|-------------------|
| Loans from financial institutions | 14 754 170,00 | 2 496 152,00 | 14 533 320,00 | 450 000,00 |
| Other long-term liabilities | 29 916 053,95 | 0,00 | 28 166 053,95 | 0,00 |
| Total | 44 670 223,95 | 2 496 152,00 | 42 699 373,95 | 450 000,00 |
| Interest bearing liabilities | 44 670 223,95 | 2 496 152,00 | 42 699 373,95 | 450 000,00 |

2.12 Long-term liabilities repayable after five years

| | 1999 | 1998 | 1999 | 1998 |
|--------------|-------------|-------------|-------------|-------------|
| Total | 0,00 | 0,00 | 0,00 | 0,00 |

2.13 Short-term liabilities

| | 1999 | 1998 | 1999 | 1998 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| SHORT-TERM LIABILITIES | | | | |
| Loans from financial institutions | 6 370 085,63 | 1 501 924,00 | 6 203 425,63 | 1 350 000,00 |
| Received prepayments | 8 549 483,21 | 5 512 149,41 | 7 845 395,84 | 3 844 969,76 |
| Accounts payable | 7 883 455,85 | 7 352 273,86 | 7 460 921,77 | 7 154 407,38 |
| Accrued liabilities | 5 967 437,32 | 5 265 424,94 | 5 593 459,42 | 4 870 684,15 |
| Other short-term liabilities | 6 682 077,38 | 12 806 355,46 | 6 392 897,86 | 9 344 834,93 |
| Total | 35 452 539,39 | 32 438 127,67 | 33 496 100,52 | 26 564 896,22 |

Liabilities to group companies

| | | | | |
|------------------------------|--|--|------------------|-------------|
| Other short-term liabilities | | | 48 500,00 | 0,00 |
| Total | | | 48 500,00 | 0,00 |

Notes

| | Group | | Parent company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 1999 | 1998 | 1999 | 1998 |
| Liabilities to associated companies | | | | |
| Accounts payable | 40 405,90 | 0,00 | 40 405,90 | 0,00 |
| Other short-term liabilities | 432 000,00 | 0,00 | 432 000,00 | 0,00 |
| Total | 472 405,90 | 0,00 | 472 405,90 | 0,00 |
| TOTAL SHORT-TERM LIABILITIES | 35 924 945,29 | 32 438 127,67 | 34 017 006,42 | 26 564 896,22 |
| Interest bearing short-term liabilities | 6 370 085,63 | 9 365 765,88 | 6 303 425,63 | 5 763 836,35 |
| 2.14 Accrued liabilities | 1999 | 1998 | 1999 | 1998 |
| Payroll and social charges | 3 469 284,48 | 4 546 750,36 | 3 221 340,18 | 4 496 005,36 |
| Interest expenses | 359 884,10 | 449 569,48 | 359 884,10 | 302 162,79 |
| Other | 2 138 268,74 | 269 105,10 | 2 012 235,14 | 72 516,00 |
| Total | 5 967 437,32 | 5 265 424,94 | 5 593 459,42 | 4 870 684,15 |
| 3.1 Liabilities with business mortgages as collateral | 1999 | 1998 | 1999 | 1998 |
| Loans from financial institutions | 18 112 510,00 | 3 923 076,00 | 17 750 000,00 | 1 800 000,00 |
| Amount of mortgages | 20 400 000,00 | 3 500 000,00 | 20 000 000,00 | 1 800 000,00 |
| Liabilities with shares as collateral | 1999 | 1998 | 1999 | 1998 |
| Other liabilities | 10 600 000,00 | 0,00 | 10 600 000,00 | 0,00 |
| Book value of pledged shares in the parent company balance sheet | 11 600 000,00 | 0,00 | 11 600 000,00 | 0,00 |
| 3.2 Other collateral | 1999 | 1998 | 1999 | 1998 |
| Pledges | 303 187,66 | 266 345,43 | 298 077,66 | 159 793,73 |
| 3.3 Contingent liabilities on behalf of group companies | 1999 | 1998 | 1999 | 1998 |
| Guarantees for loans | | | 0,00 | 1 325 000,00 |
| 3.4 Leasing commitments | 1999 | 1998 | 1999 | 1998 |
| Payable during the next financial year | 4 193 198,24 | 1 954 980,20 | 3 638 013,12 | 690 139,00 |
| Payable later | 7 699 807,17 | 1 247 374,15 | 7 426 689,42 | 804 546,40 |
| Total | 11 893 005,41 | 3 202 354,35 | 11 064 702,54 | 1 494 685,40 |

Leasing agreements do not contain commitments to buy the equipment.

3.5 Other commitments

The FIM 5.526.053,95 capital loans in the December 31, 1998 balance sheet have been converted to equity during the financial year. The company has no commitments remaining from the loans.

3.6 Legal disputes

The company has a legal case pending in Helsinki district court in which Novostore Oy has claimed FIM 3,5 million damages. In the opinion of the company's management the company is not liable to pay damages. The company has no knowledge of any other claims or disputes pending against the company or the group.



Signatures of the Board of Directors and the CEO

Helsinki, February 11th, 2000

Jarmo Malin
Chairman

Tarmo Hahto

Petteri Järvinen

Arto Karila

Harri Johannesdahl
CEO

Auditor's report

To the shareholders of Saunalahden Serveri Oy

We have audited the accounting, the financial statements and the corporate governance of Saunalahden Serveri Oy for the period 1.1 – 31.12.1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Chief Executive Officer. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of both the consolidated and parent company's result of operations and financial position. The financial statements with the consolidated financial statements can be adopted and the Members of the Board of Directors and the Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal of the Board of Directors regarding the distribution of retained earnings is in compliance with the Finnish Companies' Act.

Helsinki, February 21, 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Kari Miettinen
APA

Saunalahti Plc's Board of Directors



Saunalahti Plc's Board of Directors

from left to right:

Petteri Järvinen, Member of the Board of Directors,
Communications Director, Saunalahti Plc

Tarmo Hahto, Member of the Board of Directors,
Managing Director, Turku Telephone Corporation Oy

Jarmo Malin, Chairman of the Board of Directors,
Financial Director, Auratum Oy

Arto Karila, Member of the Board of Directors,
Professor, Helsinki University of Technology



Terminology

Domain name

The network name of an organisation in the web (e.g. company.fi). The name of Finnish companies usually ends with .fi and that of Swedish ones with .se. The names of companies registered in an international domain register end with .com, .net or .org in which case the domain name does not indicate the country in which they are located.

E-mail

A fast, easy-to-use system for sending written messages. The e-mail program sends the message directly to the recipient's mail system through the Internet network. In addition to text, e-mail messages can include images, programs and attachments.

Homepage

A user's or company's www-pages. Placing these on a www-server makes them available to all Internet users.

Hosting services

Customer www-services that physically utilise the operator's equipment. The operator maintains the equipment by guaranteeing their fluent operation, taking the necessary back-up copies and recognising data privacy issues, for instance.

Internet operator

A company selling its customers an Internet connection which is created either through a modem, an ISDN router or a non-switched line. The operator usually charges a fixed monthly fee on the use of the network plus fee possibly collected by the telephone company on telephone traffic and the use of modem/ISDN connection.

Internet protocol (IP)

A protocol, i.e. agreed procedure, for data transmission. A number of protocols have been defined for Internet use, required for transmitting files (FTP), www-pages (HTTP) or e-mail (SMTP).

Intranet

An organisation's internal network which is based on the Internet technology and protocol and used in particular for disseminating information and as a user interface for the company's operative systems.

ISDN

A digital data transmission technology with a speed of 64,000 b/s, or 128,000 b/s when using two parallel channels. The ISDN is a useful alternative for small-scale companies and households if they find the traditional modem too slow. It also enables another line to be used for ordinary calls when the other is reserved for the Internet connection.

ISP

See Internet operator (Internet Service Provider)

Modem

A device that converts digital computer signals to voice so that these can be transmitted to another the modem of another computer through the telephone network. Modem speed is currently 28,800-56,000 b/s and price some hundreds of marks.

Net

A more familiar name for the Internet particularly in connection with www-services.

Portal

A gateway to network services. It combines news, weather, community content and trade venue services some of which are available in the portal itself and some through links from outside network addresses.

Telecommunication services

A general terms for Saunalahti's wired and wireless telephone and data services (e.g. local calls, trunk calls, international calls, IP-calls and connections, GSM services and connections, SMS and WAP services and directory assistance services).

Web

A common name for the www-system.

WWW (World-Wide Web)

An Internet service in which HTML-coded text and image pages are placed in www-servers from which they can be read using browsers. Www pages typically comprise a company's or private user's homepages, and electronic magazines and shops.





Saunalahti Oyj
Annankatu 44 A
00100 Helsinki, FINLAND
tel. +358 9 4243 0001
fax. +358 9 4243 0777
firstname.lastname@saunalahti.fi
www.saunalahti.fi
Trade Reg. n:o 686 530

Tampere
Hermiankatu 6 A
33720 Tampere, FINLAND
tel. +358 3 289 9339
fax. +358 3 289 9155

Turku
Lemminkäisenkatu 14-18 A
20520 Turku, FINLAND
tel. +358 2 263 490 16
fax. +358 2 263 490 10

Q-Net Oy
Pitkätatu 28-30
65100 Vaasa, FINLAND
tel. +358 6 361 0600
fax. +358 6 361 0601
firstname.lastname@qnet.fi
www.qnet.fi