Annual Report 1999

TEKLA

Tekla 2000

Tekla develops and delivers model-based information solutions based on advanced open technology to builders, owners and users of the intelligent infrastructures in today's information society.

Tekla

- is a technology leader and pioneer for customers converting their IT systems from a document to model based in a fast-changing network environment.
- develops infrastructure management systems that support mobile and life-cycle long use
- opens up potential for quantum leaps in IT-applications
- seeks growth and profitability from rapid internationalization
- concentrates on the attractive markets with the greatest growth and profit potential
- aims to be the leading brand on selected global markets

Tekla's customers operate in

- construction
- energy distribution
- public infrastructure
- the infocom sector

Tekla products and systems

- form the X product family, pioneered internationally by Xsteel, a system for modeling and detailing of steel structures and Xpower, a network management system for electricity distributors. The other products in the family are Xcity, Xstreet, Xpipe, Xforest, Xroad, Xcable and Xenvi. In addition Tekla supplies customer specific systems for selected clients that are leading players in their own specialties.

Annual Report 1999

TEKLA

Annual Report 1999

General Review

Operational Reviews

Financial Statements

Competence Centers

Management

Operating Network

The year 1999 in brief

Strong internationalization continued

The Tekla Group continued the systematic development of its success factors and rapid internationalization. Net sales from international operations increased by 141%, rising to 52% of consolidated net sales. At the beginning of the year, Tekla had companies in Finland, Sweden and Malaysia. At year end, it had eight units in seven countries. Its international partners numbered 26 by the end of the year.

In an IT growth segment

The information society is made up of mobile users and intelligent infrastructures. Tekla's core competence lies in serving the former and developing the latter. The company applies a new model-based approach in its own special fields. The growth potential here is many times the annual growth rate of around 15% for conventional document-based spatial information and design applications.

Good prospects in the future, too

The positive trend in Tekla's business is expected to continue during 2000. Rapid internationalization will continue and growth is expected to accelerate thanks to new operational units and to the strong references earned by company's spearhead products.

Highlights in 1999

- Net sales rose 39.5% to FIM 108 million.
- Over 2,300 licenses have been sold for Tekla's most international product, Xsteel, developed for the modeling and detailing of steel structures.
- Net sales of the other spearhead product, Xpower, rose by nearly 130%. The biggest contract in 1999 was an extensive network information system for the electricity works of Hamburg.
- The order backlog grew substantially in 1999. The number of new orders and delivery agreements grew faster than net sales.
- The company invested heavily in product development and technology, as in earlier years. Measured in terms of personnel, the input represented about 30% of net sales.
- The first Internet-based electronic transaction systems for municipality residents were delivered during the year.

Five year review

Key figures 1995 – 1999

	1995 FIM	1996 FIM	1997 FIM	1998 FIM	1999 FIM	1999 €
Extent of operations						
Net sales, million	41.0	60.1	66.6	77.1	**107.6**	**18.1**
Change%	12.8	46.5	10.7	15.8	**39.5**	**39.5**
Exports and international operations, million	6.2	12.5	16.1	23.4	**56.5**	**9.5**
Change%	12.8	103.3	28.4	45.8	**141.1**	**141.1**
% of net sales	15.0	20.8	24.1	30.4	**52.5**	**52.5**
Order backlog, December 31, million				24.5	**41.2**	**6.9**
Balance sheet total, million	41.3	53.0	53.4	65.8	**58.4**	**9.8**
Capital expenditures, million	7.0	27.5	6.7	6.3	**7.6**	**1.3**
% of net sales	17.1	45.7	10.1	8.2	**7.0**	**7.0**
Personnel, average	95	111	130	156	**205**	**205**
Net sales per person, thousand	432	542	512	494	**525**	**88**
Personnel expenses per person, thousand	260	288	276	271	**285**	**48**
Profitability						
Operating profit, million	0.2	7.4	7.9	5.3	**1.3**	**0.2**
% of net sales	0.4	12.3	11.8	6.9	**1.2**	**1.2**
Income before extraordinary items, million	1.2	8.4	7.0	4.3	**1.7**	**0.3**
% of net sales	2.8	14.0	10.5	5.6	**1.6**	**1.6**
Income before appropriations and taxes, million	–0.9	0.0	–3.2	0.6	**6.0**	**1.0**
% of net sales	–2.1	0.1	–4.8	0.7	**5.6**	**5.6**
Return on equity (ROE),%	4.0	43.5	32.9	27.2	**7.8**	**7.8**
Return on investment (ROI),%	6.8	27.3	21.1	14.6	**7.6**	**7.6**
Operating profit per person, thousand	2	67	61	34	**6**	**1**
Financing and financial position						
Shareholders' equity, million	11.5	11.4	11.0	20.6	**16.4**	**2.8**
Interest-bearing debt, million	15.6	25.1	26.0	23.4	**12.6**	**2.1**
Non-interest-bearing debt, million	11.0	13.3	16.5	21.7	**29.4**	**4.9**
Equity ratio,%	34.8	26.9	21.1	16.5	**31.9**	**31.9**
Net gearing ratio,%	130.5	206.0	223.5	199.6	**48.3**	**48.3**
Share related data						
Earnings / share (EPS)	21.03	218.83	147.55	106.80	**35.02**	**5.89**
Equity / share	418.72	412.47	398.95	386.53	**528.71**	**88.92**
Dividend / share	5.00	15.00	12.00	0.00	**18.00**[1)]	**3.03**[1)]
Dividend / earnings,%	23.8	6.9	8.1	0.0	**51.4**	**51.4**
Number of shares, end of period	27,527	27,527	27,527	27,527	**30,977**	**30,977**
Average number of shares	27,527	27,527	27,527	27,527	**30,208**	**30,208**

1) The Board's Proposal to the Annual General Meeting

Review by the CEO

Photo: Tuomas Marttila

Sharper strategies and faster growth

Tekla strengthened its position significantly during 1999. We continued to develop success factors for future and fine-tuned the strategies. International operations were solidified by consolidating relations with our associates and the partner network. The focus of the operating organization was sharpened by clarifying the responsibilities of business areas and product areas on one hand and of staff functions and competence centers on the other. The potential for inorganic growth was also charted. The process of integrating Cadex, which was acquired in 1998, was completed.

"Tekla's core competence serves the mobile people of the information society and develops its intelligent infrastructures."

Identifying the key factors for future operations took place in a period of rapid growth. Consolidated net sales for 1999 rose by 39.5% from FIM 77 million to FIM 108 million. International operations increased by as much as 141% and now account for more than half of net sales, as opposed to less than one-third for the previous year. Growth was fueled in particular by the success of two spearhead products, Xsteel and Xpower. Both rely on Tekla's core competence – modeling the real world through advanced database applications. The former makes steel structure design more effective and the latter supports life-cycle-long operation of electricity distribution grids.

The information society consists of mobile users and intelligent infrastructures; Tekla's core competence is related to serving and developing them. Xsteel and Xpower have consolidated their positions in international competition; Xsteel is a ready-to-install product package application and Xpower includes both system installation and commissioning. Other Tekla products also have excellent potential for international breakthroughs.

The uniqueness of the market positions of Tekla's products is evidenced by the fact that they do not compete against other products of the same kind, but represent an entirely new approach. Since Tekla's clientele are constantly seeking new ways to make their operations more efficient, the potential for growth provided by new systems of this kind is considerable. A customer satisfaction survey showed that 95% of the users of Tekla systems are also willing to recommend them to others. This rate of satisfaction indicates an excellent reception on the market. Start-up of Tekla's Customer Service Business Area at the beginning of 1999 is based, in fact, on the concept of further rapid improvement of customer support, covering the entire life cycle of the system delivered and including updates and enhancements.

Focusing on growth and productivity

Strong growth in net sales and international operations had their effects on profitability. Tekla's operating profit for 1999 was FIM 1.3 million. Investment in increasing the potential for growth and in product development was financed out of cash flow from operations.

"Tekla's potential for significant growth in net sales and international operations will remain excellent in the future, too."

"Tekla's potential for significant growth in net sales and international operations will remain excellent in the future, too. It is supported by the breakthroughs already made by spearhead products on the international markets, especially in Europe; this will ensure prospects for expansion in already established markets. The uniqueness of the modeling systems we have developed will open up significant opportunities for growth especially in the United States and the Far East. Tekla's positions will also be strengthened by the fact that its level of expertise is the result of many years of development work. Developing products for modeling the real world has proved a high threshold for newcomers to the market.

By improving the way of working, technological base and customer partnership, Tekla is seeking continued growth. To secure development, we must also strengthen our market presence through inorganic growth. Setting up an international development organization in Malaysia opens up new opportunities, particularly in the Far East. Securing the financing necessary to maintain this growth rate will increase in importance.

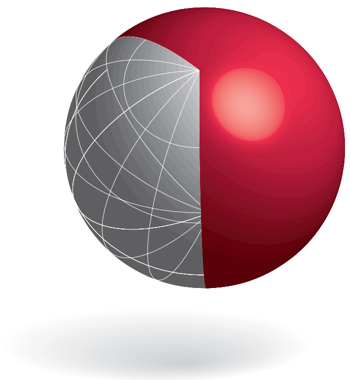
I would like to thank our customers, partners and employees for the excellent co-operation during the past year. Our own organization has had to stretch itself in many ways. Positive stretch creates the challenges and motivation needed for performance and success in our "dream team" of Tekla experts.

March 2000

Seppo Ruotsalainen
President and CEO

Products

Risto Räty, Product Director



Share of consolidated net sales, 63%

This business area combines Tekla's product business into an entity of product processes, product management and business methods that form the Tekla approach. The common technological base and business strategy for the products of all product areas ensure the best possible capacity for the success of products in a rapidly globalizing environment.

Four Product Areas

The Products Business Area comprises four product areas: Building and Construction, Energy, Public Infra and Infocom. The product areas were formed around the leading systems of Tekla's X-product family and they are organized according to clientele. Customer and market orientation are key success factors in supplying demanding information systems. The purpose of the business area organization is to ensure uniform methods and consistent use of the basic technology in all product areas; maximization of internal synergy and expertise is the aim.

A year of strong growth

Tekla Products grew and expanded internationally at a fast pace in 1999. Net sales rose to FIM 67.4 milion, which is 61% more than in the previous year. During 1999 international operations rose to 69% of the total net sales of Tekla Products.

Careful allocation of resources

Tekla's products are designed with the international market in mind. The spearhead products – the Xsteel for steel construction industry and the Xpower for the energy distribution enhanced their already strong positions on the international market in 1999. All Tekla's system areas are based on spatial information management technology and on special expertise related to 3D modeling. Distribution of available resources to growth areas while maintaining the standard of performance at the same time comprises a key function for the Products business area. Careful allocation of resources is important, particularly during the current period of rapid international development. Transfer of the experience obtained from different areas to benefit Products as a whole is also important, because the time factor is crucial for moving the product from the development stage to the market. Any competitive advantages must be exploited immediately.

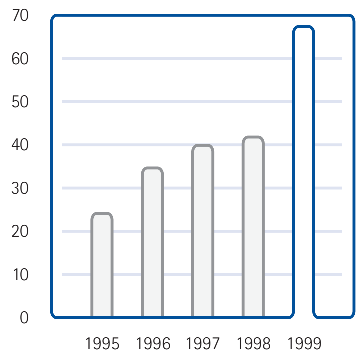
Key figures for the Business Area

	1999	1998	Change %
Net sales, FIM million	67.4	41.8	61.2
International operations, %	69	–	–
Personnel Dec. 31	83	–	–

Development – a vital success factor

Securing international growth in Products and developing new product generations in response to market needs requires the internationalization of basic resources. While Tekla continues to do the bulk of its development work in Finland, this work is now becoming international as well. In autumn 1999, Tekla founded its first international product development unit located in Malaysia. In the initial phase, the unit will operate as part of the product development process of the Building and Construction product area, but is also expanding its operations to serve Energy and Public Infra, especially in the Far East. Securing application resources near customers is a key area for successful internationalization alongside establishment of sales, support and partner networks. Tekla's products require proximity to the customer, good local knowledge and effective, customer-specific support services during start-up. Also, development of new system generations derives benefit from international contacts. An adequate supply of well trained professionals in a growing expert organization, where the emphasis is on technology, also calls for an international recruiting base.

Net sales, FIM million



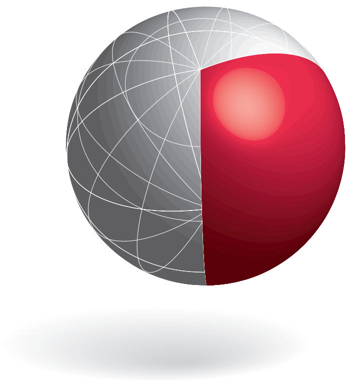
The international focus of growth

Tekla's main products have strong positions on the domestic market. In many cases, Finland's progressive competitive environment and long technological tradition have also provided the foundation for developing international operations. Tekla's spearhead products have entered the markets of the Nordic countries and Central Europe. The prospects for marketing many new system areas internationally are being surveyed and the outlook for all product areas is very good. Tekla is preparing to enhance its positions significantly in North America and Japan. Although bridgeheads have been established in these major markets, the expansion phase is still ahead.

Product Area

Building and Construction

Ragnar Wessman, Product Manager



Share of consolidated net sales, 32%

Building and Construction serves construction industry, at present especially those working with steel structures. The unit's main product is Xsteel, a three-dimensional modeling and detailing system. In a little over five years, it has taken the lead in its main markets around the world.

International growth continues

Xsteel has become Tekla's best known product worldwide. Compared with the conventional blueprint-based systems used by detailers and structural engineers, Xsteel offers an entirely new approach. 3D modeling technology represents the most advanced product segment in detailing tools and international growth has been very fast. On the European market, the system has already achieved the leading position. As a result, accelerating growth in the manner of previous years can no longer be expected in this market. In other key markets, Xsteel has excellent prospects for growth. In North America, 3D modeling technology represents new thinking in a market still dominated by conventional 2D CAD technology. In the Far East, and particularly in Japan, Xsteel also represents a new approach to detailing. It is estimated that modeling systems still account for substantially less than 10% of the tools currently used by detailers for tasks of this kind.

2,300 Xsteel licenses

Xsteel is a ready-to-install system program for global clientele. Typically, several detailers employed by the same customer use the system. On average, Xsteel customers use 2.5 systems. Xsteel's growth is therefore based on both new customers and on internal growth at existing customers. In 1999, a total of 850 new licenses were sold, bringing the installed base up to more than 2,300. The system is now used in nearly 50 countries. There was growth in all the main markets, although the rate in North America still fell short of expectations in 1999. Strong bridgeheads were achieved in the Japanese market and a total of 30 licenses were granted to Japanese customers. Europe is Xsteel's strongest market. It accounted for approximately one-half of net sales in 1999 and for some two-thirds of the licenses.

Xsteel's international success is based on the fact that the system was designed from the outset to be a leading international product. The first systems were delivered to customers in 1993–94, and growth has been steady for more than five years. There are only a few comparable competitive systems worldwide and there are regional competitors in the major markets. Nevertheless, Xsteel's main competition comes from conventional detailing systems. Hence, Xsteel's marketing involves expansion of the positions of the new procedure as an alternative to conventional design tools.

Strong references

Xsteel is a detailing tool; it has not been expanded in the direction of operative manufacturing systems. Production control systems in the steel construction industry are typically fragmented and country-specific. There is no strong international application and plenty of scope for development remains. The Xsteel system utilizes effective interfaces with production systems to allow electronic entry of design data. Customers are provided with training and support for starting up the system. Customers typically place repeat-orders for use by their detailers. Xsteel's largest customer has more than 70 licenses.

Photo: Tuomas Marttila

Photo: Tuomas Marttila

Building and Construction increased its net sales during 1999 by 93% to FIM 35 million. The number of Xsteel installations increased by some 60%. To maintain and increase growth, the cooperation network was expanded in new markets through both regional organizations and partners. The number of Xsteel partners at the end of 1999 was 23.

Investment continues

In 1999, efforts concentrated on Xsteel product development and marketing. The aim of product development is to bring out new Xsteel generations, ensure competitiveness and meet the demands of new markets. The significance of area-specific system modifications has increased, as the system has continued to expand internationally. Building and Construction has used Xsteel to spearhead all of Tekla's international marketing and also opened the way for the company's other products. Prospects for further strengthening the worldwide market position of Xsteel, which is marketed as a ready-to-use package, are very good. The emphasis in marketing has thus far been on creating basic capabilities. The United States, Japan and Germany will have geographic priority in 2000.

Growth in new markets

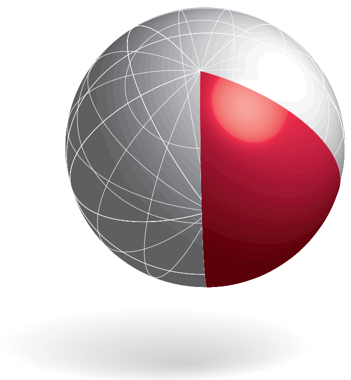
At present, steel building accounts for approximately one-fifth of the (total) global construction volume which is dominated by concrete construction. However, the proportion of steel construction is on the rise, and modeling technology is spreading into the area of concrete construction. Growing demand for the technology represented by Xsteel improves the outlook for the product area. Growth expectations in the current year are nevertheless shifting increasingly to new markets.

Xsteel

is a three-dimensional modeling system for steel construction. It was designed especially for use by the steel construction industry. The system significantly increases productivity, flexibility and quality between detailing and manufacturing at steel work fabricators and reduces through-put times.

Energy

Risto Räty, Acting Product Manager



Share of consolidated net sales, 20%

The Energy Product Area serves the management needs of energy distribution networks. The Xpower is an integrated network information system for the data management, design, maintenance and operation of electricity distribution networks. The Xpower system is designed to serve distribution networks throughout their life cycles.

International Xpower

The international growth of the Xpower system, which has taken over market leadership in Finland and Sweden, accelerated rapidly in 1999. Deliveries have been made or are under way to Norway, Germany and Estonia. Xpower, which adapts readily to varying numbers of electricity consumers, is used by small and large distribution companies alike. The large Xpower system supplied to Hamburg is designed to serve 900,000 consumer.

Systems delivered to the European market are very similar with respect to technical structure, thanks to the similarity of electricity distribution technologies. Since the system readily lends itself to modification, it is extremely adaptable globally. Country-specific versions are adapted to the norms and operating modes of each user environment. Tekla's subsidiaries and international partner network have provided valuable local support that has improved the competitive positions of Xpower.

Demand picks up

The general trend in the energy market during 1999 enhanced Xpower's positions. In response to deregulation of the electricity market, distribution companies have reviewed their methods and sought increased efficiency and customer service capacity. To increase productivity, they have formed alliances, outsourced non-core functions and sought new means to make network operations more efficient. Deregulated competition and the ceiling on electricity prices have brought about a considerable change in the conventional operations of the energy sector and underscored the importance of new tools.

This change has increased demand for the Xpower system. In ten years, the conventional, technology-oriented mode of electricity network operations has been replaced by one in which the technical network management system must also serve the life-long needs of the network for accurate capacity analysis information, planning and operation. In 1999, the market was characterized by a release of pent up demand when the new operating models for the changed market situation were put into effect and investments in improvements were made. Xpower's net sales doubled in 1999 to FIM 22 million and considerable growth is foreseen for the year 2000 as well.

International dimensions

The high standard of Finland's electricity network technology has served as an excellent platform for Xpower, for which development work started some ten years ago. The international competitiveness of the system is strong. This is evidenced by the significant strengthening of Xpower's position in the Nordic countries during 1998. Rival systems have proved to be very local and to lack the international dimensions of Xpower. Construction of a comprehensive marketing network through subsidiaries and local partners has strengthened Tekla's presence in key export areas and facilitated development of special regional-specific applications, in accordance with the requirements and conditions of each operating environment. Start-up of an Xpower system in a new user environment always calls for transfer of the client's existing data to the new system. This builds a close, long-term relationship between Tekla and its clientele. Xpower applications, which is started up with the customer's existing basic data, improves productivity, competitiveness and the quality of customer service.

Xpower

is an integrated network management system designed for energy distribution companies. The system serves design, construction, operation and maintenance. It provides an efficient tool for optimization of distribution network operation, increased efficiency and improved customer service throughout the life cycle of the network.

Strong product development continues

Experience accumulated from customer installations serves continuous system development and thereby enhances the competitiveness of future system generations. During 1999, almost one-third of the growth in net sales for the year in question was plowed back into development of Xpower maintaining the prospects for profitable growth. The local requirements of new markets such as Central Europe and Southeast Asia have also been taken into account directly in product development.

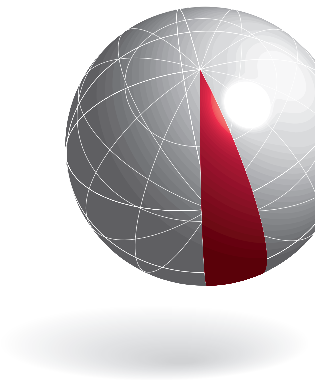
Competitive advantages work

The prospects for expanding the market positions of Xpower are excellent. Expectations of success are based on the international applicability of the system in competitive environments when key rivals mainly operate with local solutions. The continuing pace and acceleration of change in the electricity market will impose growing pressure on energy companies to actively seek new technologies and tools to improve their own operations. These prospects were also strengthened at the beginning of the new year by a hefty backlog of orders, which provide a foundation for growth estimates and for continuation of concerted internationalization efforts.

Product Area

Public Infra

Kai Lehtinen, Product Manager



Share of consolidated net sales, 7%

Public Infra develops and supplies the spatial information systems needed for the administration of public infrastructure and city planning. The main products are the Xcity information system for management of city spatial information and land-use planning, the Xstreet information system for designing civil engineering, the Xpipe system for the management of water and sewer networks and the Xforest forest information system.

A favorable operating environment

The market development for public sector spatial information systems progressed favourably. The pursuit of more and more advanced operative systems for technical structures continues and the need to produce a variety of information services based on spatial information is growing. The customers in this sector – cities, municipalities, public utilities – actively seek the means with which to develop operations and services and to increase cost effectiveness with new information service systems and working methods. The position of spatial information systems has strengthened as the public sector has sought to make its planning and service units more efficient. The net sales of the Product area in 1999 were FIM 8 million.

Strong system input

For Tekla the year 1999 was marked by strong development of new information products for public infrastructure. Xcity, a basic information system for land usage and map production, has preserved its strong position on the Finnish market. Significant success was achieved on the Swedish market when the City of Hälsingborg decided to acquire Xcity in spring 1999. Positive feedback on start-up of the system has been received. Efforts to internationalize Xcity were stepped up and the applicability of the system for various operating environments was surveyed. The market interest in this new generation system, which will be launched in 2000, has been encouraging, especially because of the features in the system that make planning more efficient. The first phase of work on a new generation of Xpipe, an information management system for water and sewer networks, was completed.
Reception of the new product on the market has been very positive. Xpipe's strong competitive advantage is the process support it provides in addition to network documentation. It allows water and sewer networks to convert from CAD documentation to information systems supporting operating processes.

Xcity

is an information system developed for the production, maintenance and use of spatial information by municipalities and intended for land-use planning.

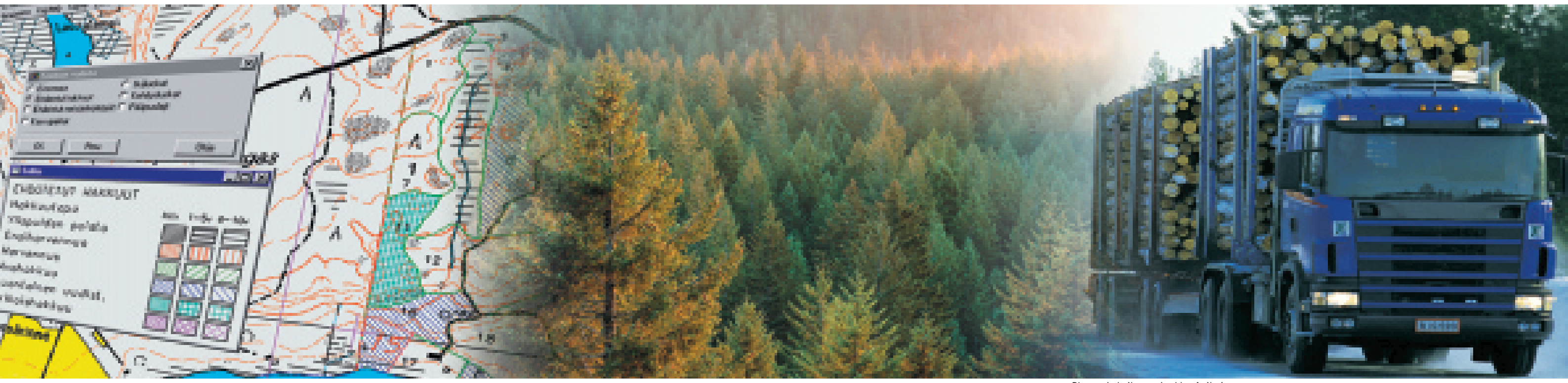


Photo: Lehtikuva, Jaakko Avikainen

New product concepts

The first customer installations of the WebMap information service system for use in intranets, extranets and the Internet and developed together with customers have been completed and start-up has proceeded smoothly. The Xforest forest information system developed successfully by the Projects Business Area with StoraEnso and the Central Forestry Board (Tapio) is now destined for commercialization, primarily as a tool for forestry associations and cities, where Xforest has been favorably received. Active development of Xforest in the Projects Business Area together with StoraEnso and Tapio will continue.

Good prospects

The market outlook for spatial information systems serving public infrastructure remains good. The main change factors have been identified and their effects successfully taken into account in Tekla's system development. The applicability of the main product areas to the international market are chartered and related pilot projects are prepared. Systematic internationalization of the products are based on functional analyses and new conclusions from these. Exploitation of the synergy provided by these products will increase their value to customers. Identification of customer needs and the offering of new systems will also open up the market in municipal applications and thus accelerate growth.

Xstreet

is a spatial information system developed for municipalities and civil engineering design and it is intended for the planning of streets and civil technology.

Xpipe

is an operational network information system planned for water and sewer networks to support documentation, maintenance and network management.

Xforest

is a spatial information system intended for the maintenance of forest resource information and the planning of forest economy.

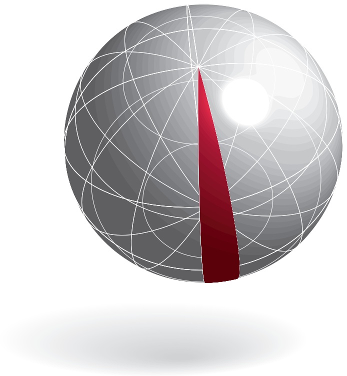
WebMap

is a system that facilitates analysis and distribution of spatial information and analysis of related attribute data in intranet, extranet and Internet environments.

Product Area

Infocom

Jarmo Haukilahti, Product Manager



Share of consolidated net sales, 4%

Infocom develops and supplies the special systems needed for management of telecommunications networks. The main product is the Xcable system for fixed networks. Xenvi, an environmental supervision system, is a new product developed by the product area.

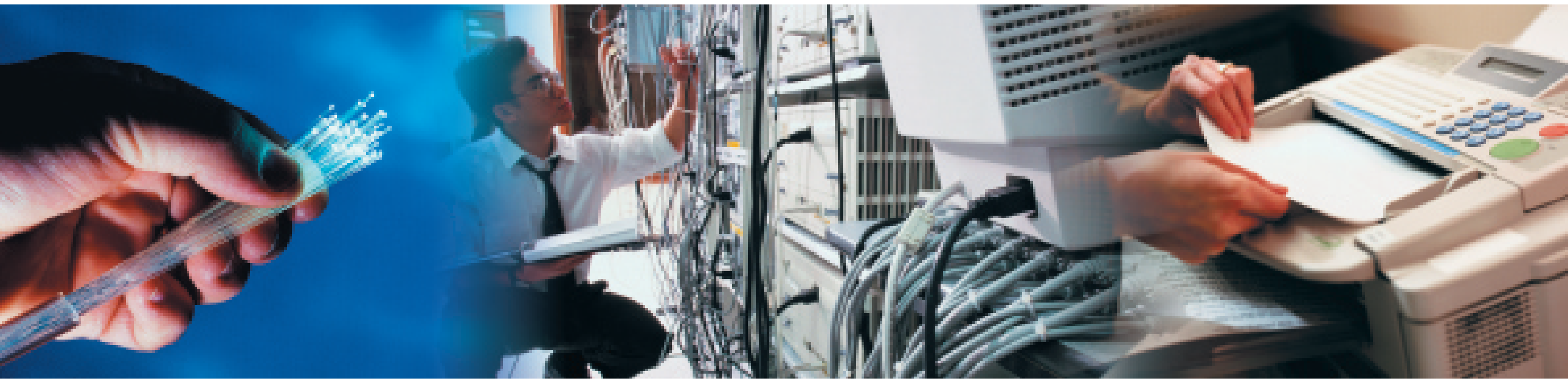
Market-oriented system work

Xcable is the product of cooperation between seven telecom operators and Tekla. Demand for the system intended for the management of fixed networks among domestic telecommunications companies has been encouraging. Demand has been boosted especially by the high applicability of the system product to the Finnish telecommunications market and its well-tuned delivery capacity. This system entity tailored for teleoperators has demonstrated a competitive edge over standard systems using map data. The system was originally developed for Finland's advanced telecommunications infrastructure and its applicability for export markets is now under study.

A strong foundation for growth

Operators participating in the development project that began in 1992 were the first to use Xcable. During the past year, three new operators bought the system, bringing the total number of operators to 16 in different parts of Finland at the end of 1999. Xcable is by nature a system delivery that also includes extensive recording of the customer's network information, customer training and maintenance service. The growing need for telecommunications is taken into account in the systems delivered by means of expansions and additional applications. Delivery of a system is a beginning of a long-lasting partnership, which also enables customers to join in the future development of the system. The Xcable system therefore generates growth through new deliveries and further development of existing ones.

Increasing attention is being focused on the standard of corporate environmental protection and security systems. Tekla's Xenvi system was developed especially for chemicals control and rescue services in industries handling and storing hazardous substances. The Xenvi system collects real-time information from the gas detectors at industrial plants and from weather stations, for example. On the basis of the information received, the system calculates the probable emission site and estimates the extent of gas dispersion. On the basis of this information, it is possible to take charge of the emission situation efficiently in the case of an accident and injuries and property damage. In addition to industry, ports and in railway yards where chemicals are handled are also potential surveillance objects.



Xenvi's application architecture facilitates use of its basic technology in the monitoring of underground premises and in assessing the situation in fires where smoke formation is substantial. One specialized application of the Xenvi system is in the monitoring of the Helsinki Metro tunnel network. The net sales of the Infocom Product area in 1999 were FIM 4 million.

A positive outlook

The growth prospects for Xcable are favorable. The primary aim is to boost its already strong market position in Finland. Work on the first international installation is already under way. Preparation of a new Xcable system generation equipped with a renovated user interface is among the main goals for the near future. Xenvi's international outlook is promising. Cooperation with the first significant international partner will open a comprehensive sales network for the system in Europe. A growing natural demand for Xenvi type applications in densely populated areas is foreseen.

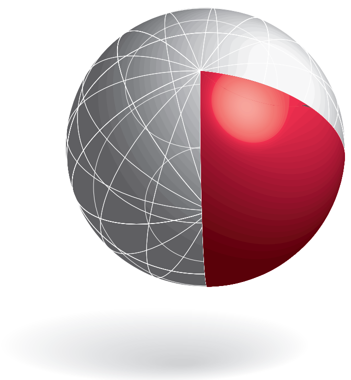
Xcable
is designed for the planning, building, use and maintenance of fixed telecommunications and cable television networks. It is an operating system intended to cover the entire life cycle of the network.

Xenvi
is a system designed for real-time environmental monitoring and emergency management based on spatial information. It is especially suited for modeling the possible dispersion of hazardous substances and for the organization of rescue measures in emission situations.

Business Area

Customer Service

Heikki Multamäki, Vice president, Director



Share of consolidated net sales, 23%

Customer Service commenced operations at the beginning of 1999, with responsibility for the delivery, start-up and customer support for products developed by Tekla. Efficient system start-up and customer support are key factors for competition in the rapidly developing information systems market.

Procedures improved

The principal function of the Customer Service Business Area during 1999, its first year of operations, was to standardize Tekla's product support practices and bring them up to the level of the best in the sector. In reseller products, such as Xsteel, operations were concentrated on partner support, and thereby on customer service. In system products, priority was on streamlining start-up projects and in ensuring information management throughout. Consolidation of Customer Service into a separate business area was also evident in the division of project tenders into system delivery and project delivery. Customer Service refers specifically to Tekla's Products Business Area, with the Projects Business Area handling its own deliveries on a turn-key basis.

Expectations met

The results of customer service in 1999 met expectations. Growth, in fact, exceeded targets. Net sales rose to FIM 25 million, of which the hardware in system deliveries accounted for nearly one-half. Deliveries of both systems and equipment have proved an effective approach; the customer obtains a package including systems which have been installed ready-to-use by Tekla's leading experts. Customers have expressed their appreciation for this approach and demand for start-up services of this kind has proved greater than expected. Update deliveries of the latest product versions and Help Desk customer support strengthened Tekla's competitive positions on the market. Customer service after conclusion of a delivery project is especially important, especially in systems modernization and enhancements.

Starting with the tests

For Customer Service's own personnel, the opportunity to take part in systems testing together with product development experts has become a key factor for improving competence and service capacity. Preservation of customer service capacity in rapidly developing projects requires thorough and continuous updating of product knowledge on the part of service personnel and close interaction with product developers.

Personnel in the Customer Service Business Area are accomplished experts in their sector. With respect to recruiting, the sectors represented by Tekla's spearhead

Key figures for the Business Area

	1999	1998	Change %
Net sales, FIM million	25.0	17.6	42.0
International operations, %	39	–	–
Personnel Dec. 31	45	–	–

products – Xsteel in building and construction and Xpower in energy distribution – have not been as difficult as in information technology itself. Personnel have been readily available and have made their own contribution to Tekla's capacity to meet customer demand for service.

Adapting to the customer's needs

The nature of customer service differs between reseller friendly products such as Xsteel and large implemention products such as Xpower. In the former, customer service focuses on supporting the user´s personnel in the start-up and every-day use of systems through the information network service, for example. Prompt feedback and availability are key factors for competition in this sector.

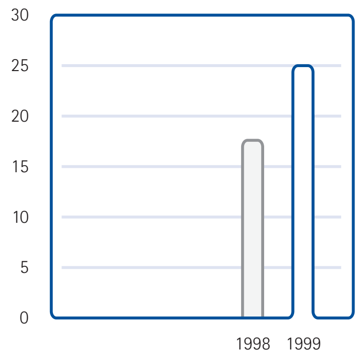
From the customer's point of view, the development and acceleration of the installation process is essential. Rapid progress toward complete operational readiness in the process of transferring and editing the data and installing the system for operational use, which may take several months, saves money for customers and provides for a fast payback time.

Global operations

Investment in Customer Services concentrates on the training of its staff and on the introduction of the latest technologies, including network solutions, in the training process. Constant readiness is particularly important when international installations are made in different time zones and customers require availability of service in all time zones.

The operating environment for Customer Service is entirely global. Separation of the unit into a business area of its own will support development on this basis. Henceforth, it will also be able to provide the best possible service for Tekla's international operations.

Net sales, FIM million

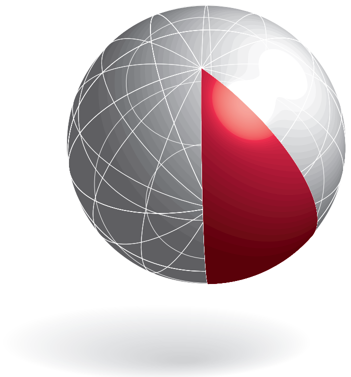


The figures for 1995–1997 are included in the net sales of the Tekla Products Business Area.

Business Area

Projects

Petri Raitio, Director



Share of consolidated net sales, 14%

The Projects Business Area is responsible for customer-specific development projects related to Tekla's core competence. The extent and duration of the projects vary greatly. Product entities related to the X product family, such as Xforest for forest resource management, are the outgrowth of projects; Xfamily products have also been used in them, in accordance with the need and situation. The XroadNT road planning system for the Finnish National Road Administration was also developed by Projects.

Distinct project entities

In 1999, the work load in Projects was divided among seven projects. National defense remained the largest customer segment; other significant projects were related to forestry and telecommunications. As in any project work, the volume of operations varies annually. Cuts in appropriations hit the defense sector in 1999 and substantially reduced volume. Customer-specific projects are by nature long-term partnerships in which the customer relationship is preserved while the work load varies. The priority in Projects has traditionally been in Finland. Participation in international projects mainly takes place through domestic clientele. Development of the Baltic Watch system for monitoring the security of the Baltic Sea area is an example of a project of this kind.

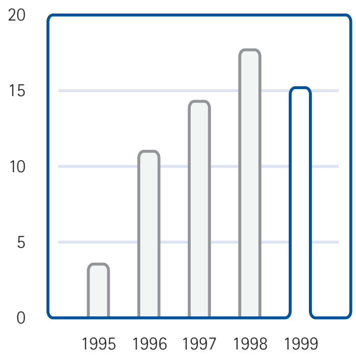
Based on Tekla's core competence

Major undertakings by Projects for forest industry and telecommunications continued during 1999 as planned. Development of Xforest together with StoraEnso and the Forestry Development Centre Tapio produced important new features for the system. A new project agreement related to development of telecommunications infrastructure was made with Nokia Group. Cooperation with Sonera's Mobile Communications also proceeded smoothly. Progress was made in discussions with the Finnish Defense Forces concerning development of the next generation of management systems. As a whole, Projects concentrated on Tekla's core areas of competence where spatial information management and real time modeling of the environment are key strengths. Thorough familiarity and understanding of customer needs are crucial to success in project operations. Projects generated net sales of FIM 15.2 million in 1999 compared with FIM 17.7 million the previous year.

Key figures for the Business Area

	1999	1998	Change %
Net sales, FIM million	15.2	17.7	–14.1
Personnel Dec. 31	26	–	–

Net sales, FIM million



Unique expertise

Tekla Projects builds partnerships. Projects may result in a product system that can be included in a system family once the venture is finished. The Xforest system is part of Tekla Products offerings just as the Xroad system will be converted into a product and become available to other customers. In 1999, Projects also started co-operation with Infocom in the development of new product offerings.

Investment in the business area concentrates heavily on people and knowledge, in cooperation with the customer. Charting new technologies and methods is typical of Projects operations. New software based on information networks is becoming a significant area in the 21st century.

Developing top technology

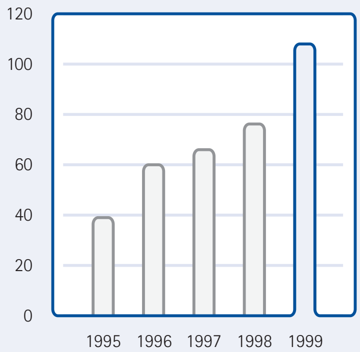
The recruiting of staff for Projects has proceeded smoothly. The challenges posed by the new developments have been received positively. Projects has started 3 to 5 new projects annually, which have attracted considerable interest both within Tekla and among professionals outside the firm. Those who have already worked with more conventional technology for a few years appreciate the opportunities offered by Projects for sharpening their own skills in connection with customer-centered development projects. Projects is seeking a controlled increase in its own volume of operations during the next 2 to 3 years, especially with domestic partners.

Xforest
is an information system serving the use and management of forest resources. It was developed together with forest sector customers and serves forest management organizations, the forest industry, towns and municipalities.

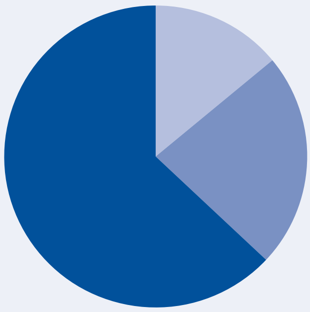
Xroad
is a planning system developed to meet the ground improvement needs of civil engineering. It provides management for civil engineering projects throughout their life cycle, for soil analyses, landscaping and road planning.

Review by the Board of Directors 1999

Net sales, FIM million



Net sales by Business Area



The year in brief

1999, Tekla's 33rd year of operations, was a time for sharpening the strategies. Success factors for future years were systematically developed, and the internationalization process was consistently promoted. Net sales for 1999 rose by 39,5% and international operations by as much as 141%. Fast growth and internationalization, the establishment of new subsidiaries and one-off expenses generated by changes in the Group structure all burdened the result. Despite such heavy investment and one-off costs, however, the operating results were profitable. Profit before appropriations and taxes totaled FIM 6.0 million, or 5.6% of net sales.

Group structure

Tekla's international growth relies on its local presence and expanding cooperation network. Starting off the year with its own companies in Finland, Sweden and Malaysia, the Tekla organization had eight units in seven countries at year end. At the end of the year, the total number of international partners representing Tekla products and systems was 26.

In February, a Tekla Inc. office opened in San José, California. Later, a second office was opened in Atlanta. In May, Tekla (UK) Ltd. started up in Leeds, UK, in July Tekla GmbH in Frankfurt, Germany, and in September a Tekla Oy representative office in Osaka, Japan.

In January 2000, a decision was also made to set up an office in China. The offices in Southeast Asia are all coordinated from the Tekla (M) unit in Kuala Lumpur. At the end of February a company was acquired in France from which a local Tekla subsidiary called Tekla Sarl was formed. Tekla Software AB, which was founded in 1996, continued to operate in Västerås, Sweden.

The decision was taken to merge the Tekla Oy subsidiaries in Finland with the parent company to simplify the Group structure. Their personnel were transferred to Tekla Oy's service as of January 1, 2000. The actual merger took place according to plan in March 2000.

The business operations and personnel of the Cadex companies acquired at the end of 1998 were integrated with Tekla during 1999. At year end, the shares of these companies were sold to Tekla's parent company Gerako Oy.

Markets

Tekla has established itself globally very rapidly. The world market for conventional document-based spatial information and design applications is estimated to expand at a rate of around 15% a year. Tekla applies a new model-based approach in the solutions that it has developed for its own special fields. Market expansion is fueled by the thrust of new technology and customer eagerness to use it as a means of competition. Thus Tekla's growth potential is many times that of the above-mentioned conventional areas.

The rapid global success of the Xsteel and Xpower products has given Tekla an important reference point. There are less than ten global competitors for these products. Xsteel's growth rate has been around 100% a year for several years now. Xpower's competitiveness is illustrated by the fact that net sales rose 129% last year and well over 50% of the bids submitted were successful.

Net sales, profits and profitability

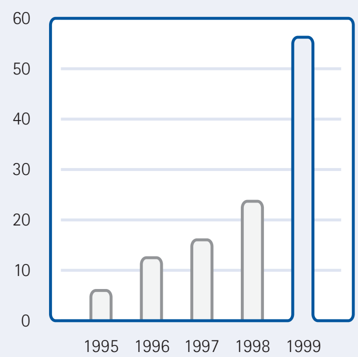
The net sales of the Tekla Group in 1999 were FIM 108 million (1998: FIM 77m), an increase of 39,5%. The contribution made by international operations rose from the previous year's 30% to 52%. This means an annual growth rate of 141% for international operations.

In terms of end customers, Tekla's biggest market area in 1999 continued to be Finland, which accounted for 48%. The rest of Europe accounted for 39%, North America for 8% and Asia and Australia for 5%.

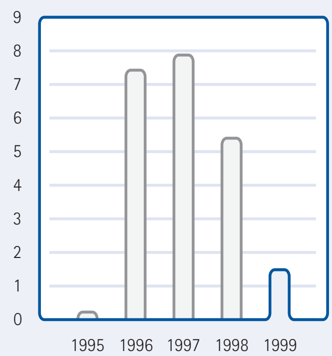
Intensive investment in internationalization, the establishment of new subsidiaries, and certain one-off expenses naturally affected profits. Product development costs have been entered in full as expenses, contrary to the practice in earlier years. In addition, a FIM 1.3 million depreciation was made on product development expenses in former years, and this also cut into profits. Total one-off expenses connected with acquisition of the Cadex companies and the above-mentioned depreciation included in the consolidated income statement for 1999 came to some FIM 3.4 million excluding subsidiary establishment costs.

The Tekla Group showed an operating profit of FIM 1.3 million (FIM 5.3m) and income before extraordinary items, appropriations and taxes was FIM 1.7 million (FIM 4.3m). Extraordinary income from sales gains on the sale of the real estate, amounting to FIM 4.3 million, was entered. Income before taxes stood at FIM 6.0 million (FIM 0.6m), or 5.6% of net sales.

Exports and International operations, FIM million



Operating profit, FIM million



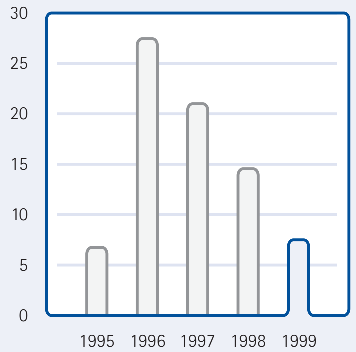
The net sales of the Tekla Group, by Business Area, are shown in the following table.

Consolidated net sales (FIM million)

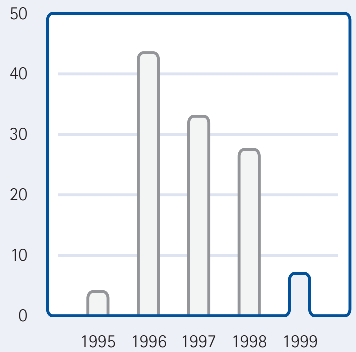
	1999	1998	change %
Products	67.4	41.8	61.2
Customer Services	25.0	17.6	42.0
Projects	15.2	17.7	–14.1
Total	107.6	77.1	39.5

Consolidated return on capital invested was 7.6% (14.6%) and return on equity 7.8% (27.2%). Earnings per share were FIM 35.02 (106.80) and equity per share was FIM 528.71 (386.53).

Return on investment (ROI), %



Return on equity (ROE), %



Business Areas

The Products Business Area expanded and internationalized rapidly during 1999. Net sales rose to FIM 67.4 million, up 61.2% from 1998. The spearhead products – the Xsteel construction system and the Xpower energy system – reinforced their standing on the international market. In the case of these two products, internationalization is an established fact. The potential for many new Products to go international is currently being investigated and prospects look good for all product areas.

Performance in Customer Services achieved the targets set for 1999. Net sales rose to FIM 25.0 million. During the year, the main focus was on commercializing services, polishing up operating methods and strengthening resources. The development inputs already invested make an excellent foundation for further growth in customer satisfaction and net sales.

For Projects, the work load in 1999 was divided among several projects carried out jointly with customers. Net sales came to FIM 15.2 million, against FIM 17.7 million a year earlier. The biggest customer sector continues to be the Defense Forces, but there were also important projects in forestry and telecommunications. A joint project with Stora Enso and Forestry Development Centre Tapio, designed to improve forest resources management, generated many interesting new features in the Xforest system. Cooperation with the Nokia Group and Sonera Corporation also continued well.

Balance sheet and financing

The Group released some capital tied up in real estate by selling its office building for FIM 26.4 million. The balance sheet total decreased a good 11%, i.e. to FIM 58.4 million, compared with 65.8 million the previous year. The FIM 10 million capital loan on the balance sheet at the end of 1998 was paid back to the main shareholder, Gerako Oy, in December 1999.

In 1999 Tekla's net financial income totaled FIM 0.4 million, the year before financial expenses exceeded income by about one million marks. At year end, interest-bearing liabilities came to FIM 12.6 million (FIM 23.4m) and net gearing was 48.3% (199.6%). The equity ratio rose, ending the year at 31.9% (16.5%).

Product development and investments

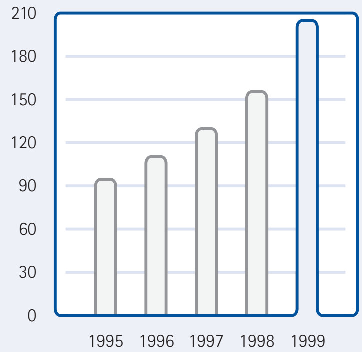
As in previous years, a considerable sum was invested in product development and technology, which accounted for around 30% of personnel resources. The standing of Tekla technology strengthened as a result of growing interest in model-based life-cycle systems.

In an organization like Tekla, the most important investments are in its skilled personnel. The computer hardware and software used as tools naturally call for related investments, but these are small compared with inputs in know-how. Development expenses have been entered in full as expenses for the year, though the work inputs concerned in fact apply to new products and systems in future years.

Tekla Group investments in 1999 mainly comprised purchases of software and hardware, but the Group also invested in subsidiary shares and office furniture and fittings. Total investments came to FIM 7.6 million (FIM 6.3m).

Tekla's office building was sold in order to release capital for normal operations. The sales price was FIM 26.4 million, and the sales gain of FIM 4.3 million was entered under extraordinary items. A long-term lease on the premises was signed with Fennia Pension Insurance.

Personnel, average



Shares and capital stock

Tekla Oy's capital stock is FIM 3,097,700. The company has A and B shares, with a nominal value of FIM 100. There is a redemption right attached to the B shares, but both series have the same voting right.

An extraordinary shareholders' meeting on January 15 decided to raise the Tekla Oy capital stock by offering key personnel the opportunity to subscribe the company's B shares. 3,000 new shares were thus issued to 12 persons in a new flotation between January 15 and February 15. All the shares were subscribed, increasing capital stock to FIM 3,052,700.

An extraordinary shareholders' meeting on October 28 decided to offer altogether 450 B shares to three persons. All the shares were subscribed during the subscription period (October 28 – November 15, 1999), raising capital stock to FIM 3,097,700.

In both share issues the amount paid in excess of the nominal value of the shares, a total of FIM, 1,000,500, was entered in the premium fund.

At the end of 1999, Tekla Oy was owned as follows:

Shareholder	**Number of shares**		**%**
	A series	**B series**	
Gerako Oy	26,438		85
Ereka Oy	1,067		4
Seppo Ruotsalainen		400	1
Management and staff (14 persons)		3,050	10
Other	22		
Total	27,527	3,450	100

Members of the Board of Directors and the President and his deputy control altogether 28,555 shares out of 30,977, that is, 92.2% of the votes.

In March 2000, the Tapiola Group became a Tekla Oy shareholder, with a 10% holding, under an agreement made in 1999 between Gerako Oy and the Tapiola Group.

Environment

Tekla's own operations do not result in any environmental risk. The waste generated in information technology is normal office waste. The Group has several product systems that can be used to avert and combat environmental risks in industry and communities. One example is the Xenvi system, which has been designed to model the spread of dangerous gases and manage rescue operations in accident situations. Xforest, the system for maintaining forest resource data and planning forestry, is another Tekla product that serves the care for the environment.

Authorizations

At the end of 1999, the Tekla Oy Board had no valid authorizations to raise capital stock or issue convertible or warrant bonds.

Shareholders' meetings

Three shareholders' meetings were held in 1999. The extraordinary meetings decided on the ownership arrangements outlined above.

The annual shareholders' meeting was held on April 8, 1999. The meeting approved the Board proposal for the disposal of profits, under which no dividend was distributed and the year's profit was carried over in retained earnings.

The meeting elected the following to the Board of Directors: Aaro Kohonen (chairman), Risto Siirilä (vice chairman), Reino Heinonen and company CEO Seppo Ruotsalainen.

Timo Taurén is the general deputy member.

Veijo Riistama and Arvi Hurskainen, both Authorized Public Accountants, were elected as auditors, and SVH Pricewaterhouse Coopers Oy as deputy auditor.

Corporate governance

The administration of the company complies with the provisions of the Finnish Companies Act and the Articles of Association. Members of the Board have no special duties or separately specified supervisory responsibility. The salaries, fees and other remunerations paid to the Board and the managing directors are itemized in section 4 of the Notes to the Financial Statements.

Y2K

Due to the nature of its operations, the information systems delivered by the company are extremely up-to-date. Thus no problems were encountered in product and system operations as a result of Y2K. The company's own information systems were also updated in good time before the end of the year and operated perfectly throughout. The company's partners did not experience any IT problems that affected Tekla's operations, either.

Development and personnel

The main focus areas of development are the company's personnel and competence quality and way of working, and information management. In the last mentioned, central points for development were charted and basic premises were defined which can be used as a basis for IT solutions affecting processes and way of working in future. Tekla has deployed a quality system in accordance with the ISO 9001 standard ever since 1992, and this was certified in 1995. In future, quality approach will be developed in the process-based direction, using quality award criteria as the frame of reference.

The personnel's willingness to change and develop is a key resource during a time of rapid growth. Challenges related to customer needs and technology application, and new job opportunities within the company are the main incentives used, together with various bonus schemes. About five percent of total working time was put into staff training, orientation and other development, as in earlier years.

The Group's average personnel strength was 205, compared with 156 the previous year. At year end the total staff was 241 (1998: 182), including part-time employees.

83 new employees were engaged by the Group during the year. The turnover rate was 11 %. The parent company employed an average of 37 people (25). Details of salaries and other staff-related costs can be found in section 4 of the Notes.

Dividend policy

Tekla Oy follows a dividend policy in line with its performance. On average, the aim is to distribute about a third of annual profits in dividends, leaving two-thirds to promote the company's fast-growing business competence and internationalization. Tekla strives to ensure a steady rise in the value of its shares by operating in the front rank of international "players" in its chosen field.

The Board's proposal for dividend distribution for 1999 is in line with the above policy, in which annual profits are viewed as the consolidated profit before extraordinary items.

Prospects

In 2000 Tekla's operations are expected to go on expanding. Rapid internationalization will continue and the growth rate is expected to accelerate thanks to the excellent reference positions acquired by the new units and the systems in the X product family. The number of licenses for the Group's most international product, Xsteel, has already topped 2,300 and expectations are great, especially on the large German, North American, Japanese and Far Eastern markets. The rapid increase in orders for Xpower software is also expected to continue in 2000. The Group's orderbook was substantially augmented during 1999, and the number of new orders and delivery contracts increased faster than net sales.

The Group therefore expects the rapid growth of net sales to continue. The inputs in growth during 1999 have created the preconditions for better profitability and net profit in 2000 is expected to improve over that of 1999.

Income Statement

FIM 1,000		Consolidated		Parent company	
	Note	**1999**	**1998**	**1999**	**1998**
Net sales	**1**	**107,584**	**77,122**	**101,022**	**74,253**
Change in inventories of finished products and in work in progress (+/-)		147	–695	–519	–695
Production for own use		0	2,174	0	2,174
Other operating income	2	6,434	3,051	32,273	23,660
Materials and services	3	–12,025	–9,194	–82,088	–54,848
Personnel expenses	4	–58,338	–42,307	–12,123	–7,921
Depreciation and value adjustments	5	–6,109	–6,712	–3,886	–4,932
Other operating expenses		–36,409	–18,146	–32,692	–14,509
Operating profit		**1,284**	**5,293**	**1,987**	**17,182**
Financial income and expenses	6	434	–1,011	1,283	141
Income before extraordinary items		**1,718**	**4,282**	**3,270**	**17,323**
Extraordinary items	7	4,280	–3,725	2,967	–16,425
Income before appropriations and taxes		**5,998**	**557**	**6,237**	**898**
Income taxes	8	–1,858	–352	–1,814	–318
Net income for the period		**4,140**	**205**	**4,423**	**580**

Balance Sheet

FIM 1,000		Consolidated		Parent company	
	Note	**1999**	**1998**	**1999**	**1998**
ASSETS					
Fixed assets and other long-term investments	**9**				
Intangible assets		6,125	4,923	5,987	4,785
Goodwill		0	1,129		
Tangible assets		5,497	27,716	2,464	24,334
Long-term investments		207	228	1,487	1,186
Total fixed assets and long-term investments		**11,829**	**33,996**	**9,938**	**30,305**
Current assets					
Inventories	10	842	695	176	695
Deferred tax assets		346	0	0	0
Short-term receivables	11	40,638	28,919	43,074	27,505
Cash and cash equivalents		4,707	2,205	1 339	964
Total current assets		**46,533**	**31,819**	**44,589**	**29,164**
TOTAL ASSETS		**58,362**	**65,815**	**54,527**	**59,469**
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	12				
Capital stock		3,098	2,753	3,098	2,753
Share premium account		1,001	0	1,001	0
Legal reserve		7,867	7,867	7,867	7,867
Translation differences		44	-1		
Retained earnings (losses)		227	-187	672	92
Net income for the year		4,140	205	4,423	580
Capital loan	13	0	10,000	0	10,000
Shareholders' equity total		**16,377**	**20,637**	**17,061**	**21,292**
Minority interest		0	3		
Liabilities					
Long-term liabilities	14	8,458	11,274	8,458	11,074
Short-term liabilities	15	33,527	33,901	29,008	27,103
Liabilities total		**41,985**	**45,175**	**37,465**	**38,177**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**58,362**	**65,815**	**54,527**	**59,469**

Cash Flow Statement

FIM 1,000	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
Cash flow from operating activities				
Income before extraordinary items	1,718	4,282	3,270	17,322
Adjustments:				
Depreciations according to plan	6,109	6,712	3,886	4,932
Other operating income and expenses (not received or paid)	934	0	0	0
Financial income and expenses	-434	1,011	-1,283	-141
Other adjustments	554	-25	554	-25
Cash flow before change in working capital	8,881	11,980	6,427	22,088
Change in working capital:				
Incease (-) / decrease (+) in				
non interest-bearing short-term receivables	-14,578	-9,712	-12,823	-9,958
Increase (-) / decrease (+) in inventories	-147	695	519	695
Increase (+) / decrease (-) in				
non interest-bearing short-term liabilities	7,876	-6,152	5,133	-8,398
Cash flow from operations before financial items and taxes	2,032	-3,189	-744	4,427
Paid interest and payments of other financial expenses	-1,064	-1,643	-349	-488
Dividend received	7	0	7	0
Interest received	529	632	664	629
Other financial income	962	0	961	0
Income taxes paid	-589	-80	-567	-53
Cash flow before extraordinary items	1,877	-4,280	-28	4,515
Cash flow from operating activities (A)	**1,877**	**-4,280**	**-28**	**4,515**
Cash flow from investing activities:				
Investments in tangible and intangible assets	-7,301	-5,091	-5,191	-4,825
Proceeds from sale of tangible and intangible assets	26,262	21	26,254	633
Increase (-) / decrease (+) in loans receivable	830	-1,364	-3,142	-1,100
Acquisition of Group companies	-190	0	-190	0
Proceeds from sale of shares in Group companies	-152	0	0	0
Other investments	-107	0	-107	0
Proceed from sale of other investments	565	0	565	0
Acquisition of subsidiaries	0	-1,211	-727	-853
Cash flow from investing activities (B)	**19,907**	**-7,645**	**17,462**	**-6,145**
Cash flow from financing activities:				
Share issue	1,345	0	1,345	0
Incease (+) / decrease (-) in short-term liabilities	-7,561	8,421	-4,026	9,944
Incease (+) / decrease (-) in capital loan	-10,000	10,000	-10,000	10,000
Proceeds from long-term liabilities	3,098	2,083	3,099	2,083
Payments of long-term liabilities	-6,164	-3,761	-6,164	-3,761
Dividends paid and distribution of profits	0	-330	0	-330
Corporate internal contributions	0	-3,700	-1,313	-16,400
Cash flow from financing activities (C)	**-19,282**	**12,713**	**-17,059**	**1,536**
Incease (+) / decrease (-) in cash and cash equivalents (A+B+C)	**2,502**	**788**	**375**	**-94**
Cash and cash equivalents at the beginning of the year	2,205	1,417	964	1,058
Cash and cash equivalents at the end of the year	**4,707**	**2,205**	**1,339**	**964**

Notes to the Financial Statements

The company's parent company is Gerako Oy, domiciled in Espoo. Copies of the Gerako Group financial statements are available from Gerako Oy, Koronakatu 2, 02210 Espoo.

ACCOUNTING PRINCIPLES

Principles used for the consolidated financial statements

The consolidated financial statements include the parent company Tekla Oy and the subsidiaries in which the parent company owns over 50 % of the voting rights, either directly or indirectly. The subsidiaries acquired during the year are included from the date of acquisition. The Cadex companies sold to the parent company Gerako Oy have not been included in the consolidated income statement because their impact on consolidated income statements is minimal. The sales loss on the shares has been entered under 'other operating expenses'.

All inter-Group transactions, unrealized margins, liabilities and receivables, and profit distribution are eliminated.

In the consolidated financial statements, the income statements of foreign subsidiaries are translated into Finnish markka at the average rate for the year and balance sheets at the exchange rate on the balance sheet date. An exchange rate difference resulting from the translation of the income statement and balance sheet at different rates, is entered under 'retained consolidated earnings'.

Comparability of data on the previous year

The financial statements have been compiled in accordance with the new Finnish Accounting Act, comparison data have been restated accordingly.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate on the transaction date. At the end of the year, all outstanding liabilities and receivables are valued at the exchange rate of the balance sheet date of closing. All exchange rate gains and losses are entered in the income statement as an exchange rate difference under 'financial income and expenses'.

Revenue recognition

When net sales are calculated, indirect sales taxes and discounts are deducted from sales income.

Revenue from goods or services sold is recognized at the time of delivery except for revenue on significant long-term contracts, which is recognized on the percentage of completion method. The degree of completion is calculated on the basis of the actual expenses and the total cost estimate.

Research and product development expenses

As of the beginning of 1999, all research and product development costs are expensed in the financial period during which they are incurred. The development costs capitalized in former years are related to the development of the X product family. The amortization period on capitalized development costs is 4 years.

Fixed assets

The balance sheet figures for fixed assets are based on historical cost. The fixed assets are depreciated or amortized by using the straight-line method, based on the useful life of the asset. The useful lives are as follows:

Intangible rights	10 years
Other capitalized expenditures	2–4 years
Building	50 years
Machinery and equipment	5 years

Fixed assets are stated in the Notes at acquisition cost less accumulated depreciation. Acquisition cost includes only the commodities for which the acquisition cost has not yet been depreciated or amortized totally according to plan.

Ordinary sales gains and losses on intangible fixed assets and machinery and equipment are included in ‘other operating income and expenses’. The sales gain on the building has been entered under ‘extraordinary income’.

Leasing

Operating lease payments are treated as monthly rental expenses. Outstanding rents on leasing contracts are presented as contingent liabilities in the Notes.

Pension arrangements

Group companies’ pension expenses entered in the consolidated financial statements are calculated according to the local practice of each country.

The pension arrangements of Group companies comply with local regulations and practices. Employee pension security is organized through outside pension insurance companies.

Income taxes

Income taxes include taxes based on the results of Group companies and are calculated according to the local tax rules of each country. Income taxes include tax adjustments on previous years and deferred taxes. The deferred tax asset has been calculated with extreme prudence, for temporary differences between the tax basis of assets and liabilities and their values in financial reporting.

Dividends

The dividend proposed to the annual shareholders’ meeting by the Board of Directors has not been recorded in the financial statements, until they have been approved at the meeting.

CALCULATION OF KEY FIGURES

Equity ratio, %

$$\frac{\text{Shareholders' equity – capital loan}}{\text{Balance sheet total – advances received}} \times 100$$

Net gearing ratio, %

$$\frac{\text{Interest–bearing liabilities – cash and cash equivalents}}{\text{Shareholders' equity – capital loan}} \times 100$$

Return on investement, %

$$\frac{\text{Income before extraordinary items + financial expenses}}{\text{Balance sheet total – noninterest–bearing liabilities (average for the year)}} \times 100$$

Return on equity, %

$$\frac{\text{Income before extraordinary items - taxes}}{\text{Shareholders' equity – capital loan (average for the year)}} \times 100$$

Earnings / share

$$\frac{\text{Income before extraordinary items – taxes}}{\text{Average number of shares}}$$

Equity / share

$$\frac{\text{Shareholders' equity – capital loan}}{\text{Number of shares at the end of the year}}$$

Dividend / earnings, %

$$\frac{\text{Dividend / share}}{\text{Earnings / share}}$$

NOTES TO THE FINANCIAL STATEMENTS

In FIM 1000, unless otherwise noted.

	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
1. Net sales by market area				
Finland	51,087	53,686	50,999	53,237
Rest of Europe	42,409	22,828	36,048	20,408
America	8,246	608	8,170	608
Asia and Australia	5,789	0	5,752	0
Other countries	53	0	53	0
Total	**107,584**	77,122	**101,022**	74,253

The revenue on long-term contracts entered under net sales according to the percentage of completion method amounted to FIM 3.6 million. Sales receivables and advances received are presented as a net amount in the balance sheet.

	Consolidated 1999	Consolidated 1998	Parent company 1999	Parent company 1998
2. Other operating income				
Sales gains from fixed assets	476	0	476	0
Service charges from Group companies	157	0	26,032	20,609
Product development and other subsidies	5,801	3,051	5,765	3,051
Total	**6,434**	3,051	**32,273**	23,660
3. Materials and services				
Purchase of materials during the year	7,660	6,255	7,481	5,905
External services	4,365	2,939	74,607	48,943
Total	**12,025**	9,194	**82,088**	54,848
4. Personnel expenses				
Salaries and fees	47,366	34,716	9,729	6,540
Pension expenses	7,020	5,137	1,597	925
Other social expenses	3,952	2,454	797	456
Total	**58,338**	42,307	**12,123**	7,921
Salaries and fees paid to Board members and the Managing Directors	3,528	1,639	1,528	817

Management pension arrangements
Retirement ages in Group companies are determined according to the pension legislation of each country.

	Consolidated 1999	Consolidated 1998	Parent company 1999	Parent company 1998
Personnel:				
Average personnel	205	156	37	25
Total personnel at year end,	241	182	49	26
of which part-time employees	33	31	3	2

	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
5. Depreciation				
Intangible assets				
Development costs	1,291	2,161	1,291	2,161
Intangible rights	68	57	68	57
Goodwill		559		559
Other capitalized expenditure	1,149	792	1,058	782
Tangible assets				
Buildings and constructions	782	751	782	751
Machinery and equipment	2,819	2,392	687	622
Total	**6,109**	6,712	**3,886**	4,932
6. Financial income and expenses				
Dividend income from others	**7**	**0**	**7**	**0**
Other interest and financial income				
From Group companies	514	618	651	618
From other companies	15	14	13	11
Total	**529**	632	**664**	629
Exchange rate differences	**962**		**961**	
Interest and financial expenses				
To Group companies	–692	–1,134	0	0
To other companies	–372	–509	–349	–488
Total	–1,064	–1,643	–349	–488
Financial income and expenses total	**434**	–1,011	**1,283**	141
7. Extraordinary items				
Extraordinary income				
Gains of sales of buildings	4,280	0	4,280	0
Other	0	69	0	69
Extraordinary expenses				
Corporate internal contributions	0	–3,700	–1,313	–16,400
Other	0	–94	0	–94
Total	**4,280**	–3,725	**2,967**	–16,425
8. Direct taxes				
Income taxes from operations	1,006	1,342	983	4,910
Income taxes from extraordinary items	1,198	–990	831	–4,592
Change in deferred tax assets	–346	0	0	0
Total	**1,858**	352	**1,814**	318

9. Fixed assets

Group	Intangible assets					Tangible assets		
	Capitalized development costs	Intangible rights	Goodwill	Other capitalized expenditure	Total	Buildings	Machinery and equipment	Total
Acquisition cost Jan. 1	5,166	565	1,129	2,925	9,785	24,246	9,917	34,163
Additions		213		3,572	3,785		3,479	3,479
Disposals			–1,129		–1,129	–24,246	–42	–24,288
Acquisition cost Dec. 31	**5,166**	**778**	**0**	**6,497**	**12,441**	**0**	**13,354**	**13,354**
Accumulated depreciation Jan. 1	2,372	87		1,344	3,803	1,496	5,041	6,537
Exchange rate difference				5	5		25	25
Accumulated depreciation of disposals					0	–2,278	–28	–2,306
Depreciation for the year	1,291	68		1,149	2,508	782	2,819	3,601
Accumulated depreciation Dec. 31	**3,663**	**155**	**0**	**2,498**	**6,316**	**0**	**7,857**	**7,857**
Net book value Dec. 31	**1,503**	**623**	**0**	**3,999**	**6,125**	**0**	**5,497**	**5,497**

Parent company	Intangible assets					Tangible assets		
	Capitalized development costs	Intangible rights	Goodwill	Other capitalized expenditure	Total	Buildings	Machinery and equipment	Total
Acquisition cost Jan. 1	5,166	565		2,845	8,576	24,246	2,380	26,626
Additions		213		3,407	3,620		1,572	1,572
Disposals					0	–24,246	–5	–24,251
Acquisition cost Dec. 31	**5,166**	**778**		**6,252**	**12,196**	**0**	**3,947**	**3,947**
Accumulated depreciation Jan. 1	2,372	87		1,333	3,792	1,496	796	2,292
Accumulated depreciation of disposals					0	–2,278		–2,278
Depreciation for the year	1,291	68		1,058	2,417	782	687	1,469
Accumulated depreciation Dec. 31	**3,663**	**155**		**2,391**	**6,209**	**0**	**1,483**	**1,483**
Net book value Dec. 31	**1,503**	**623**		**3,861**	**5,987**	**0**	**2,464**	**2,464**

Investments	Consolidated			Parent company			
	Shares in Group companies	Other shares and holdings	Total	Shares in Group companies	Capital loan receivables	Other shares and holdings	Total
Acquisition cost Jan. 1	0	189	189	977	20	189	1,186
Additions	190	107	297	917	396	107	1,420
Disposals	–190	–89	–279	–1,030		–89	–1,119
Acquisition cost Dec. 31	**0**	**207**	**207**	**864**	**416**	**207**	**1,487**

Shares in subsidiaries

	Country	Holding %
Tekla Erikoisjärjestelmät Oy	Finland	100
Tekla Ohjelmistomyynti Oy	Finland	100
Tekla Ohjelmistotuotteet Oy	Finland	100
Tekla Verkkotietojärjestelmät Oy	Finland	100
Tekla GmbH	Germany	100
Tekla Inc.	USA	100
Tekla (M) Sdn. Bhd.	Malaysia	100
Tekla Software AB	Sweden	100
Tekla (UK) Ltd.	England	100

Parent company capital loan receivables from subsidiaries

Tekla Oy has granted a total of FIM 416,000.00 in capital loans to subsidiaries. The primary terms of the loans comply with chapter 5, section 1, subsection 1 of the Companies Act. The annual interest rate is the base rate plus one percentage point.

	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
10. Inventories				
Work in progress	176	397	176	397
Finished goods	666	298	0	298
Total	**842**	695	**176**	695
11. Short-term receivables				
Receivables from others				
Accounts receivable	33,289	23,609	27,151	21,991
Loans receivable	0	144	0	0
Other receivables	2,057	2,334	1,951	1,795
Prepaid expenses and accrued income	5,193	1,569	4,772	1,211
Total	40,539	27,656	33,874	24,997
Receivables from Group companies				
Accounts receivable	99	43	3,947	668
Loans receivable	0	1,220	4,586	1,840
Other receivables	0	0	444	0
Prepaid expenses and accrued income	0	0	223	0
Total	99	1,263	9,200	2,508
Short-term receivables total	**40,638**	28,919	**43,074**	27,505
Prepaid expenses and accrued income				
Product development and other subsidies	4,300	1,137	4,300	1,025
Other prepaid expenses and accrued income	893	432	695	186
Total	5,193	1,569	4,995	1,211

	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
12. Shareholders' equity				
Capital stock Jan. 1	2,753	2,753	2,753	2,753
New issue	345	0	345	0
Capital stock Dec. 31	**3,098**	**2,753**	3,098	2,753
Share premium account Jan. 1	0	0	0	0
Share premium	1,001	0	1,001	0
Share premium account Dec. 31	**1,001**	0	**1,001**	0
Legal reserve Jan. 1	7,867	7,867	7,867	7,867
Legal reserve Dec. 31	**7,867**	7,867	**7,867**	7,867
Change in translation adjustments	**44**	–1		
Retained earnings Jan. 1	18	362	672	422
Payment of dividend	0	–330	0	–330
Changes in Group structure	213	–219		
Exchange rate differences	–4	0		
Retained earnings Dec. 31	**227**	–187	**672**	92
Net income for the period	**4,140**	205	**4,423**	580
Capital loan Jan. 1	10,000	0	10,000	0
Change	–10,000	10,000	–10,000	10,000
Capital loan Dec. 31	**0**	10,000	**0**	10,000
Total shareholders' equity	**16,377**	20,637	**17,061**	21,292
Specification of distributable funds				
Retained earnings Dec. 31	227	–187	672	92
Net income for the period	4,140	205	4,423	580
Total	**4,367**	18	**5,095**	672

13. Capital loan

Tekla Oy received a FIM 10 million capital loan from Gerako Oy in December 1998. The primary terms of the loan comply with chapter 5, section 1, subsection 1 of the Companies Act. The loan was repaid in December 1999.

	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
14. Long-term liabilities				
Loans from financial institutions	1,150	1,810	1,150	1,610
Pension loans	0	2,469	0	2,469
Other long-term liabilities	7,308	6,995	7,308	6,995
Total	**8,458**	11,274	**8,458**	11,074
Loans maturing in more than five years				
Pension loans	0	1,277	0	1,277
Other long-term liabilities	1,025	399	1,025	332
Total	**1,025**	1,676	**1,025**	1,609
15. Short-term liabilities				
Loans from others				
Loans from financial institutions	460	460	460	460
Pension loans	0	237	0	237
Advances received	7,019	1,513	2,110	1,512
Accounts payable	5,436	4,344	4,727	3,553
Other liabilities	8,567	9,889	3,152	4,374
Accrued expenses and deferred income	10,367	8,653	4,152	2,547
Total	31,849	25,096	14,601	12,683
Liabilities to Group companies				
Advances received	0	0	2,187	0
Accounts payable	301	329	1,662	329
Other liabilities	1,377	8,476	10,527	14,091
Accrued expenses and deferred income	0	0	31	0
Total	1,678	8,805	14,407	14,420
Short-term liabilities total	**33,527**	33,901	**29,008**	27,103
Accrued expenses and deferred income				
Salaries and other social expenses	8,122	7,728	2,598	1,858
Income taxes	1,880	265	1,511	265
Other items	365	660	74	424
Total	**10,367**	8,653	**4,183**	2,547

	Consolidated		Parent company	
	1999	**1998**	**1999**	**1998**
16. Collaterals, contingent liabilities and other commitments				
Liabilities and commitments for which real estate				
or business mortgages are pledged as collateral				
Loans from financial institutions	1,610	2,070	1,610	2,070
Guarantees on behalf of own commitments	6,458	2,261	5,398	552
Guarantees on behalf of subsidiaries´ commitments			1,060	1,709
Other Group Companies´ liabilities	10,542	28,054	10,542	28,054
Total	**18,610**	32,385	**18,610**	32,385
Mortgages				
Real estate mortgages	0	12,000	0	12,000
Business mortgages	3,000	3,000	3,000	3,000
Total	3,000	15,000	3,000	15,000
Leasing and rental agreement commitments				
Premises				
Due during the next financial year	4,581	392	3,212	67
Due later	22,984	392	21,280	67
Total	**27,565**	784	**24,492**	134
Other				
Due during the next financial year	3,975	3,049	3,608	3,022
Due later	4,317	2,968	3,701	2,957
Total	**8,292**	6,017	**7,309**	5,979
Total	**35,857**	6,801	**31,801**	6,113

17. Derivatives contracts

There are no derivatives contracts.

Board of Directors' proposal for the distribution of net profit

According to the consolidated balance sheet of December 31, 1999, the Group's distributable net profit is FIM 4,367,398.

The parent company profit for the year is FIM 4,423,298, making its distributable net profit FIM 5,095,553.

The Board of Directors proposes that a dividend of FIM 18 per share, in total FIM 557,586, be distributed and that the remaining FIM 4,537,967 be carried over under non-restricted shareholders' equity.

Espoo, March 3, 2000

Aaro Kohonen

Risto Siirilä *Reino Heinonen*

Seppo Ruotsalainen
CEO

Auditors' report

To the shareholders of Tekla Oy

We have audited the accounting records, the financial statements and the corporate governance of Tekla Oy for the financial year 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and the corporate governance.

We have conducted our audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used 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 CEO have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the result of operations as well as the financial position of the group and the parent company. The financial statements including the consolidated financial statements can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors regarding the handling of the profit and retained earnings is in compliance with the Companies` Act.

Espoo, March 15, 2000

Veijo Riistama, A.P.A. *Arvi Hurskainen, A.P.A.*

Competence Center

Sales

Jukka Rouhe, Sales Director

The Sales department seeks orders for Tekla. The domestic sales unit forms a center of expertise; after specification of sales responsibilities sales managers are appointed for each product sector. The basic concept is a clear definition of responsibilities according to which the seller takes responsibility for the entire customer relationship. Sales work involves flexible and close cooperation with subsidiaries and business partners.

Photo: Lehtikuva

Representing the best international level, Tekla's products and systems have achieved very strong market positions in the demanding Finnish infrastructure. Securing further internationalization at the current fast pace will also require that strong product and system concepts are supported with the most advanced customer service possible and streamlined delivery processes. Seamless cooperation with Tekla Marketing and Customer Services provides Sales with carefully selected potential customers and a cooperation network that permits the focusing of sales efforts to where the readiness for investment in new software products is the highest possible. This is crucial on Tekla's major international markets in Europe, the Far East and North America, where the sales force must be focused with the greatest efficiency.

"Tekla sales people take responsibility for the entire customer relationship."

The emphasis and challenge in systematic international sales efforts is on making skilled selling a habit at Tekla. In sales work, strong individual performance is often decisive, although strengthening our worldwide presence successfully will also require efficiency from the entire sales system. This applies equally to Tekla´s own sales staff and its expanding marketing network consistin gof subsidiaries and partners. Success also requires that the sales tools and documentation are competitive.

Tekla works under quite varying sales conditions in different parts of the world. While the basic qualities of products and systems are well suited to an international environment, sales must be adapted to special, market-specific features. The rapidly internationalized Xpower system is a good example of this. Customers of this product, the electricity distribution companies, operate primarily on national markets where technical solutions are basically the same but where the number of operators may vary greatly. Extreme examples are Germany, with 900 distribution companies, and the Czech Republic with fewer than ten.

Competence Center

Marketing

Kari Aarvala, Marketing Director

Marketing is the center of expertise responsible for surveying markets and opening them to Tekla products and systems. Emphasis is on focused international openings backed by a support network comprising regional organizations and partners. Marketing is also responsible for Tekla's brand strategy and corporate identity and for the exploitation of the resulting synergy in ensuring of brand recognition.

Tekla has established itself around the world at a rapid pace. Branch offices in the UK, Germany and in Santa Clara, CA and Atlanta, GA in the United States were added in 1999 to the existing network in Finland, Sweden and Malaysia. A representative office was also opened in Japan. At the end of 1999, Tekla's international organization comprised eight offices in seven countries. In addition, a total of 26 partners operate in an international network primarily serving the Xsteel and Xpower systems. The function of Tekla's own regional offices and partners is to maintain local customer relations, to modify product systems in accordance with customer needs, and to sound out the local market for Tekla. The goal is well-balanced expansion of the partnership network during 2000, while concentrating on those partners that have the best potential for performance.

"A good reference base in growing markets."

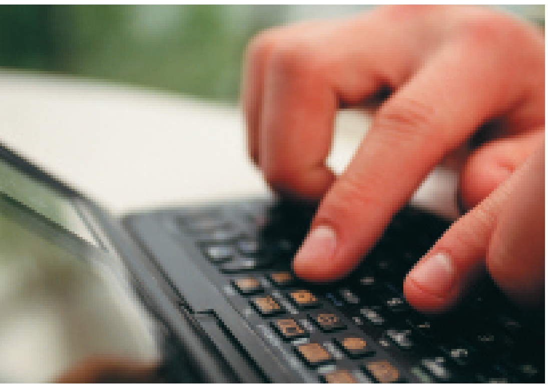
The rapid success of Xsteel and Xpower has provided Tekla with an important reference base. There are fewer than ten competitors worldwide. This is because the companies marketing systems for the same purposes have mainly developed national solutions and employed different system technologies. That is why Tekla's regional organizations, partners and sales personnel must stress the advantages of the new approach over the methods of a variety of regional competitors. This pioneering effort has been successful. For example, the success rate for Xpower offers has risen substantially above 50%.

It is estimated that the annual world market demand for conventional Geographic Information Systems (GIS) is around USD 1 billion and that it grows at a rate of some 15% per year. While most GIS suppliers offer a software platform and tools as solutions, Tekla applies new modeling technology in developing ready software products in its own special sectors. Growth in these markets does not depend that much on growth in conventional GIS markets; it is instead pushed by new technology and the capacity of companies to make use of this technology as a factor in competition. The approval of the technology developed by Tekla and the products based on it is evidenced, for example, by Xsteel, which has grown at a rate of 100% for several years. Tekla offers competitive international systems and an effective service support for these to a growing world market.

Competence Center

Technology

Leif Granholm, Technology Director



The Technology unit is responsible for the technological base of Tekla's system applications, which are based on common principles and a common approach to quality. The technology platform used is the product of Tekla's own development work. This technology, developed and constantly renewed since the beginning of the 1990s, differs from competing systems in that it is based on the real world and not on documentation. The paltform, which processes large volumes of information, is considered by customers to be functionally advanced, flexible and reliable. The technology is designed to serve applications on their own terms; general solutions have thus been avoided. Tekla's principle of supporting the object of modeling with a flexible system throughout its life cycle, has been a success and supported a customer-oriented approach from the very beginning.

"New information network solutions will be based on mobility."

Tekla Technology focused in 1999 on closer cooperation with the business organization developing applications. At the same time, preparations were made for development of a new basic technology generation. The new applications typically are of a distributed nature. Previous Desktop management systems are converted to systems that can be accessed from various parts of the user organization. Webmap solutions permit the management of large amounts of information in distributed form. Component-based architecture is one of the key factors in the new technological platform. Tekla's basic solutions in this area were completed in 1999 and will be incorporated into existing system applications.

The new technology base begins with the working models of the future. Mobile personnel need advanced tools as flexibly as possible. The Internet and mobility become the central design parameters. The significance of wireless links is increasing and fixed working environments are decreasing. Dynamic spatial management systems containing large volumes of information will be used under field conditions. In many areas of application, this will mean dramatic changes in procedures. In Tekla's key markets the changes will be evident especially in building, energy network management, and in the construction and use of public infrastructure.

Competence Center

Development

Henrik von Hedenberg, Development Director

The key priorities of the Development Unit are personnel, way of working, quality, processes and information management. These areas are being developed at Tekla to ensure that best practices are applied throughout all business operations. During a period of strong growth, a balanced increase in human resources, within the financial framework of the company, becomes a key challenge.

Critical development requirements in information management have been identified. Efforts have been made to determine the premises on which future information management technology for processes and practices should be based. Suitable solutions were charted during 1999. Gradual implementation of the relevant tools will begin in 2000.

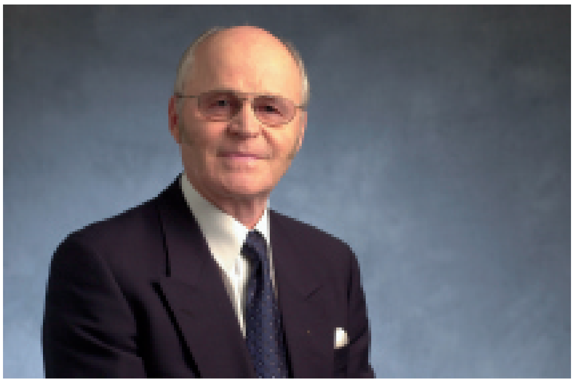
Conventional quality thinking has been replaced by an approach which embodies all aspects of business operations. Here the needs of the company's stakeholders, particularly the clientele, are crucial. The chain of operations has been reviewed from the product and service offering to customer support and after-sales marketing. The aim is to make sure that the requirements of customers better direct the Tekla approach.

"A balanced increase in human resources is the key challenge facing a growth company."

The personnel function is shifting from a request-based approach to a proactive consultative work mode which grapples actively with visible developmental needs in the organization. Fast growth poses a particularly serious challenge for this function. Tekla has changed from a conventional, home-market oriented software company into an international supplier of software products and services. Rapid conversion from product-centered operations to customer- and market-driven operations and simultaneous globalization have required an internal cultural transformation.

During the period of rapid development already in the offing, Tekla will have to deal effectively with various potential obstacles to growth, especially in the personnel sector. There must also be a balance between this requirement and the company's financial framework. Personnel are in the key position in a knowledge organization. Modes of operation, challenges and career development must constantly offer adequate new opportunities to a growing number of competent professionals. In addition to various reward systems motivation and commitment are boosted through the opening up of new career paths and assignments. All Tekla employees must have a clear conception of their personal opportunities to develop their skills and to share the company's measurable success.

The Board of Directors



Aaro Kohonen, MSc. & Eng., (b. 1930),
Chairman of the Board of Tekla Oy,
Chairman of the Board of Gerako Oy.

Risto Siirilä, MSc. & Eng., (b.1941),
Deputy Chairman of the Board of Tekla Oy,
Member of the Board of Directors of Gerako Oy.

Reino Heinonen, MSc. & Eng., (b. 1937),
Member of the Board of Tekla Oy,
Chairman of the Board of Ereka Oy.

Seppo Ruotsalainen, Lic. Tech., (b. 1954),
Chief Executive Officer and Member
of the Board of Tekla Oy.

Organization

Chief Executive Officer
Seppo Ruotsalainen

Development
Henrik von Hedenberg

Finance and Administration
Timo Taurén

Products
Risto Räty

Customer Services
Heikki Multamäki

Projects
Petri Raitio

Technology
Leif Granholm

Sales
Jukka Rouhe

Marketing
Kari Aarvala

Sweden
Benny Ageby

Asia and Australia
Ari Nässi

The Americas
Harri Nurmi

UK & Middle East
Tahir Sharif

Germany
Pekka Taavitsainen

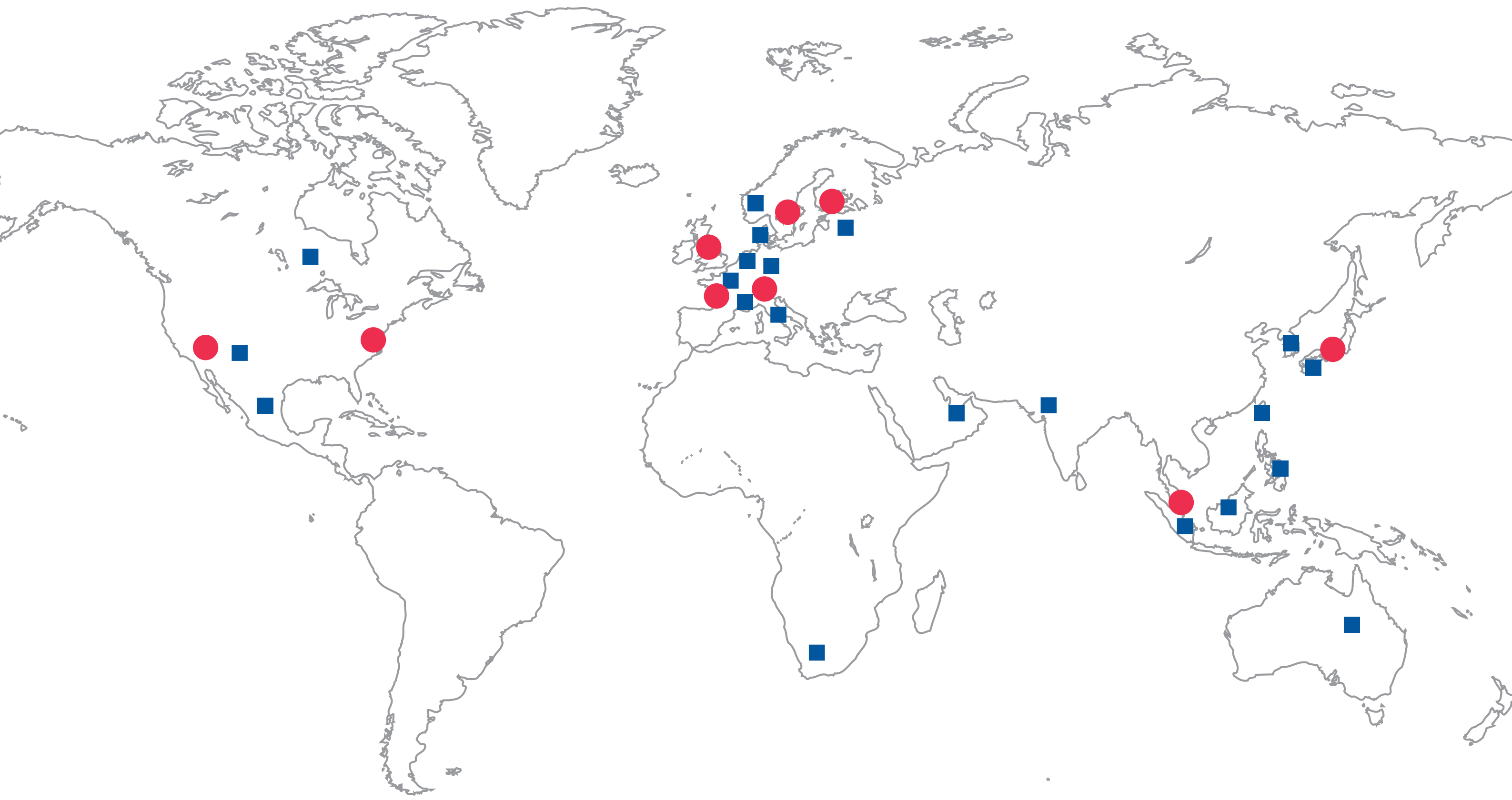
France
André Corniére

Management Team

From left, Timo Taurén, Jukka Rouhe, Heikki Multamäki, Seppo Ruotsalainen, Risto Räty and Henrik von Hedenberg.

Seppo Ruotsalainen, Lic. Tech. (b. 1954), President and CEO
Hekki Multamäki, MSc. & Eng. (b. 1940), Vice President
Timo Taurén, MSc. & Econ. (b. 1946), CFO
Risto Räty, MSc. & Eng. (b. 1961), Products
Jukka Rouhe, MSc. & Eng. (b. 1963), Sales
Henrik von Hedenberg, MSc. & Eng. (b. 1952), Development

Operating network



● Tekla
■ Partner*

*) In certain countries Tekla has several partners

Addresses

Tekla Oy

Koronakatu 1
02210 Espoo
FINLAND
Phone +358 9 8879 500
Fax +358 9 8039 489

Tekla Software AB

Sigurdsgatan 21
S-72130 Västerås
SWEDEN
Phone +46 21 10 96 00
Fax +46 21 10 96 09

Tekla (M) SDN BHD

Unit 2-3, Incubator 2
Technology Park Malaysia
Bukit Jalil
57000 Kuala Lumpur
MALAYSIA
Phone +60 3 8996 1191
Fax +60 3 8996 1192

Tekla, Inc.

4677 Old Ironsides Drv.,
Suite 290
Santa Clara, CA 95054 USA
Phone +1 408 855 8313
Fax +1 408 855 8326

Tekla, Inc.

1925 Vaughn Road NW,
Suite 225
Kennesaw, GA 30144 USA
Phone +1 770 424 8666
Fax +1 770 919 0574

Tekla (UK) Ltd.

Tekla House,
Prospect Road
Ossett Wakefield,
West Yorkshire WF5 8AF
ENGLAND, U.K.
Phone +44 1924 282 400
Fax +44 1924 282 401

Tekla GmbH

Rathausplatz 12-14
D-65760 Eschborn
DEUTSCHLAND
Phone +49 6 196 4730 830
Fax +49 6 196 4730 840

Tekla Sarl

5 rue de la Corderie
Centra 405
94616 Rungis CEDEX, FRANCE
Phone +33 1 468 76275
Fax +33 1 468 78068

Tekla Sarl

Zone de Ranteil
81000 Albi, FRANCE
Phone +33 5 6348 1160
Fax +33 5 6348 1161

Tekla Japan

2F Shinyu Mitsui Bldg
1-7-22 Utsubo Hommachi
Nishi-ku, Osaka 550-0004
JAPAN
Phone +81 6 6459 3426
Fax +81 6 6459 3427

www.tekla.com

www.tekla.com