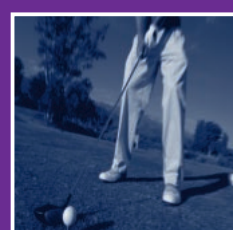
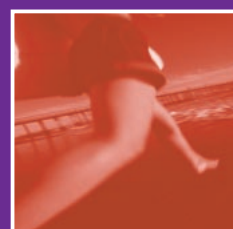


# KSP GROUP

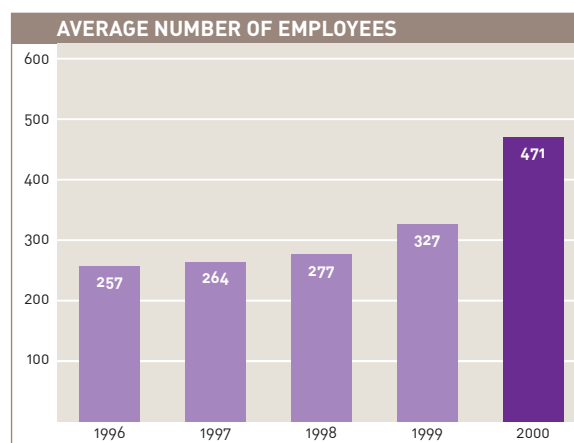
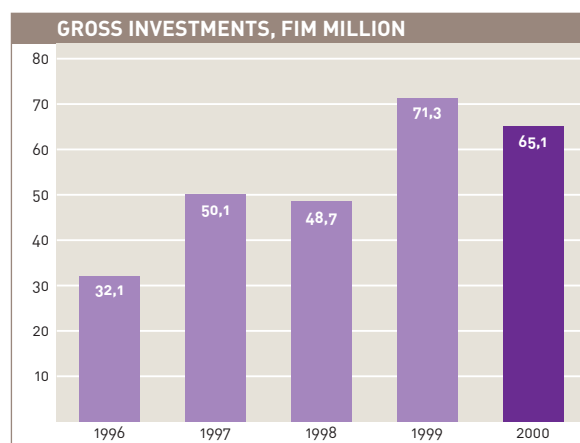
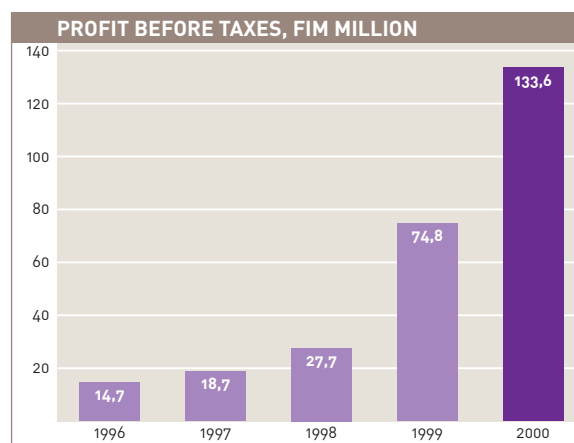
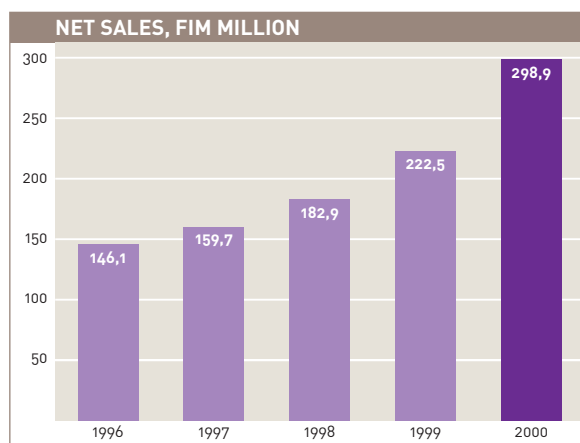
ANNUAL REPORT 2000



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	2000	1999	Change, %
Net sales, FIM million	298,9	222,5	34,3
Operating profit, FIM million	28,1	43,3	-35,1
Operating profit, %	9,4	19,4	-51,5
Profit before extraordinary items, FIM million	32,7	45,9	-28,8
Earnings/share, FIM	1,38	2,22	-37,8
Dividend/share <sup>*1</sup>	1,40	0,88	59,1
Return on invested capital % (ROI)	9,5	16,4	-42,1
Return on equity % (ROE)	5,9	11,8	-50,0
Equity ratio, %	79,3	73,6	7,7
Financing/Quick ratio	1,7	1,5	13,3
Investments, FIM million	65,1	71,3	-11,5
Average number of employees	471	327	48,3

<sup>\*1</sup> Board of Directors proposal to the Annual General Meeting





## INTO A NEW ERA



ERKKI KYTÖNEN

2000 was the first year of operations for the new group structure, KSP Group Plc. Founded 116 years ago in Central Finland, we have grown steadily from a local telephone company to an IT and communications company. At the beginning of the fiscal year, the KSP Group incorporated all of its business into subsidiaries and remained the holding company for them. To this extent, restructuring of the Group was concluded during the fiscal year.

The purpose of the restructuring was to convert our business into separate companies, each with its own business model. The reform proved effective during its first year.

We have announced that we will go increasingly into information and communication technology (ICT). In fact, most of the company's growth has been recorded in our subsidiaries in this sector, the Yomi Group. The company has invested heavily in the development of these companies. Investment in international operations, in particular, have also temporarily eroded profitability. Prospects for the Yomi Group, however, look good.

The ICT sector remains a growth area. New technological applications with diverse services will continue to expand the mobile market in the near future. This is so despite the fact that the wildest expectations were dampened at year end.

Rapid development was characteristic of the Jyväskylä area, the base of our operations, throughout last year. By a number of yardsticks, it has become one of the top five areas in Finland. Services and software production in our own area, in particular, have expanded significantly. Close cooperation between the university, the polytechnic, businesses and the public sector, combined with the desire to develop, have contributed here. Pulling together and concentrating on agreed areas of competence will continue to be a source of well-being and growth for the area.

The KSP Group has grown at a faster than average rate for the sector, last year's growth being 34%. Profitability, however, was less than expected at year end

because of large outlays of a non-current nature. Forecasts also indicate a bright future with respect to profitability.

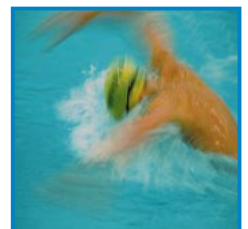
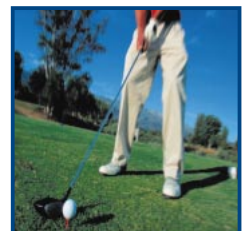
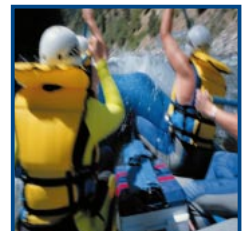
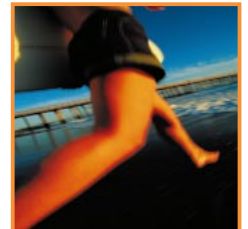
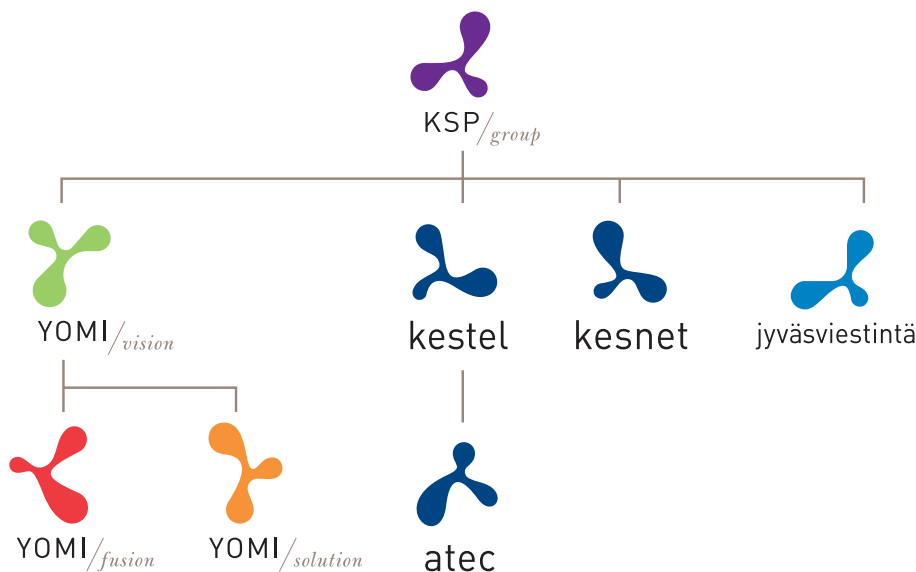
As a consequence of the new structure, the company has also renewed its image. This is partly because we ended cooperation with the Finnet Association and started closer cooperation with the Elisa Communications Corporation. The company seeks to convey an image of innovativeness, human orientation, pioneering spirit and security. The capacity for renewal is also an aspect of the new image.

Our traditional regional telephone company has, over the last few years, evolved into a modern national and also international group of companies in the IT sector. Nevertheless, we also remain a local supplier of telecommunications connections to every home.

The company's function as a supplier of services and customer solutions is extremely labor-intensive activity. Fast growth has also increased the number of employees significantly. During the past fiscal year, the personnel increased by 140 and numbered 485 by year end. Indeed, growth is likely to be constrained by the availability of well-trained employees. Close cooperation with universities is therefore essential and joint projects will help meet future recruiting needs by providing experts with exactly the right training.

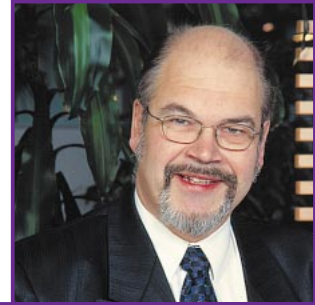
I would like to express my gratitude to our partners and customers for the confidence they have shown in us and to our personnel for their commitment and hard work on behalf of customers. We have a good foundation for moving forward and upward.

Erkki Kytönen  
President and CEO, KSP Group Plc





# A PROFITABLE TECHNOLOGY GROUP



ESKO MIIKKULAINEN

## TOWARD THE INFORMATION SOCIETY

Services in the information society are used via IT technology networks. The information society changes the way we work, go about our business, trade, communicate and entertain ourselves. To maintain competitiveness, businesses must renew their processes and services, making efficient use of new technology. Players go international and grow through acquisitions. Numerous new, innovative businesses emerge. The role of trademarks on the mass market is emphasized; the significance of expertise and operating concepts grows on the added value market. The availability of competent personnel becomes the main constraint on growth.

The general trends of development include integration of telecommunications and information technology, the realization of features with software, strong growth in the importance of wireless solutions and the need to expand telecommunications capacity.

## MOBILE WORLD

In wireless networks, the wave of investment in the next generation is beginning, and a large number of players will be involved. Growth in the number of subscribers to wireless networks is slowing and a growing proportion of revenues will come from advanced services.

The need for increased trunk network capacity is growing rapidly.

The fixed network also forms a significant base for the mobile networks and data networks.

The proportion of calls transferred to mobile networks is offset in fixed networks by the growth of Internet traffic. In the near future, the market for network services and the construction and maintenance of networks will expand substantially.

## THE VISION OF KSP GROUP

PLC IS TO BECOME A SIGNIFICANT TECHNOLOGY GROUP IN SELECTED AREAS OF TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY.

## A WORLD OF SERVICES

The services of the future will be implemented in mobile networks and fixed broadband networks. The greatest growth expectations for IT services continue to focus on mobile and Internet services.

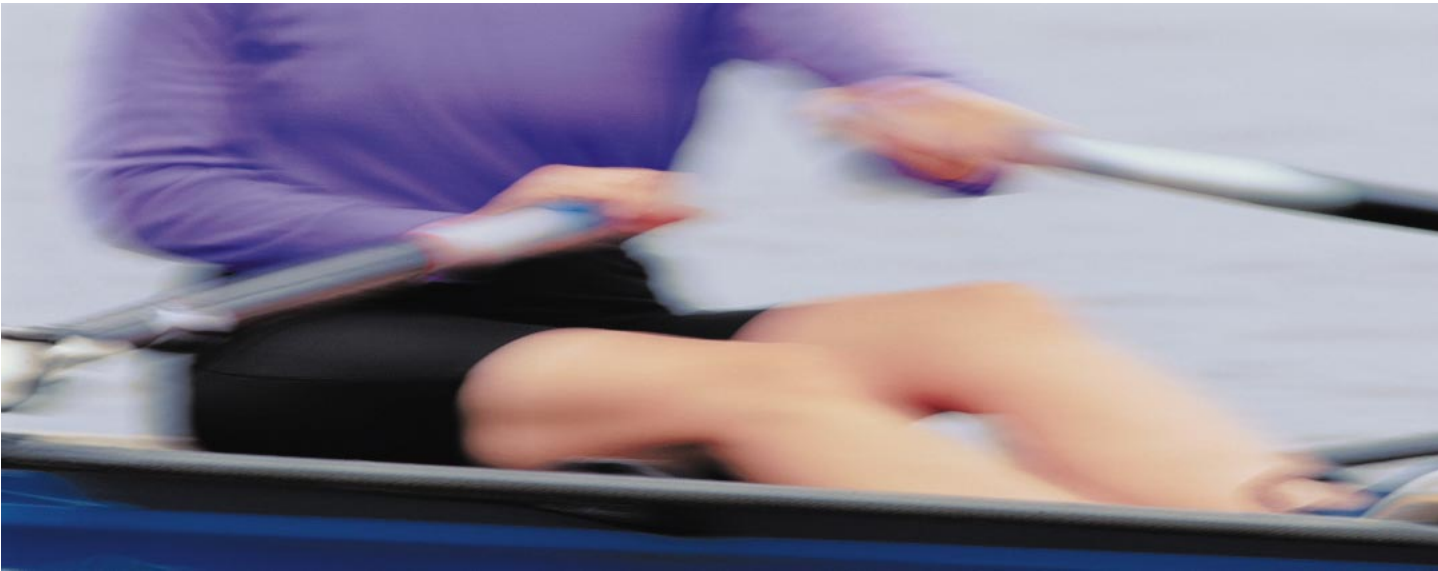
The market for mobile added-value services is expected to grow rapidly thanks to new m-business solutions. Finland is an international leader in this field.

## SERVICES MADE WITH INFORMATION SYSTEMS

5

Markets for networked and tailored information systems and specialized software production are growing faster than IT markets on average.

The focus in corporate solutions is shifting toward complete deliveries and customer service solutions, in which customer management IT systems, the Internet and new software that controls telephone traffic are integrated.



## COMPANY TARGETS OF KSP GROUP PLC

KSP Group Plc's vision is to be a major technology group in selected areas of telecommunications and information technology. The Group's mission is to own, acquire and develop telecommunications and IT companies that will increase the Group's value.

Our business objectives are to achieve above-average profitability, growth and personnel satisfaction.

The Group forms a network of core competences that has close links with selected strategic partners.

The following will feature in reaching these targets:

- The telecommunications business will form the basis for profitability, expanding the business and the services.
- More focus will be placed on the information technology branch.
- The market position will be improved and growth accelerated through the acquisition of companies that provide nationwide mobile and Internet services. This will be done by realizing financial assets and through share trades.
- Ventures operations will be started.

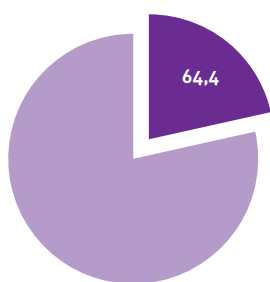
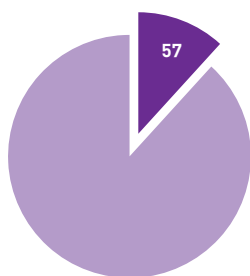
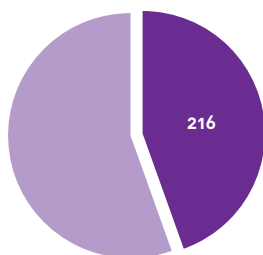
We also need to focus on top expertise and the international market and to invest in research and development. R&D inputs will be raised to 5% of net sales.



## GROWING INFORMATION SECTOR



OLLI VÄÄTÄINEN

CONTRIBUTION TO GROUP  
NET SALES (FIM MILLION)CONTRIBUTION TO GROUP  
BALANCE SHEET (FIM MILLION)CONTRIBUTION TO PERMANENT  
GROUP PERSONNEL 31.12.2000

Yomi Group is one of the leading Finnish players in the latest wave of information technology, in which the Internet, mobility, the new media and strong IT competence are all combined to boost customers' business operations and give them added value. Yomi Group forms the IT business area of KSP Group Plc, consisting of two advanced IT services: software products, and development and integration services for information systems as projects business.

The software product business develops and markets software used to develop and manage mobile value-added services for mobile phone operators, portal owners and service providers (ISP, ASP).

The project business serves selected major customers by engaging in demanding software development and developing and implementing e-business solutions that boost their operations and enable them to operate in new ways. Our main partners are major telecommunications companies (equipment manufacturers and operators).

We focus on selected areas and develop software, information systems and integration services as partners in areas where we can achieve superior expertise and good profitability. By concentrating on high value-added IT services and offering them to the international market we aim to achieve above-average profitability and faster growth in the long run.

Our areas of expertise are mobile Internet applications, high-reliability systems and e-business solutions that combine the Internet, mobility, media and IT into a package that will improve customer competitiveness and enable new modes of business. Some examples of our specialized services include Finland's largest electronic directory service

**AN INCREASING PART OF INFORMATION, SERVICES AND PRODUCTS WILL BE PRODUCED, MARKETED AND DISTRIBUTED BOTH ON THE INTERNET AND IN MOBILE NETWORKS, REGARDLESS OF TIME AND PLACE, PERSON TO PERSON.**



www.0100100.com and Europe's first Internet shop where musical recordings available only on the Internet can be legally downloaded (www.emma.fm). Downloaded recordings can also be paid for via mobile phone.

## **OPERATIONS IN 2000**

Year 2000 was a time when the foundation for growth was laid for the Yomi Group. We renewed our corporate structure to respond better to the challenges and focused further on key customers and areas of expertise. The IT know-how of the telecommunications business has a key role in the Yomi Group.

We continued to grow in 2000. The number of permanent personnel was 216 at the end of the year. Group net sales totaled FIM 64,4 million, an increase of 81%. Overall, however, the Group made a loss of FIM 5,1 million. This was due to the fact that our software product business went international and to our product development investments. The pro forma net sales of the software product business were FIM 8,2 million, with a loss of FIM 9,7 million.

The project business's performance was satisfactory in 2000, with pro forma net sales of FIM 56,2 million and pro forma operating profit of FIM 4,5 million. In our project business in 2000, e-business consulting and Internet projects were adversely affected by the generally poor trends in the branch. During the year, the focus was shifted towards project realizations in the telecommunications branch (equipment manufacturers and operators). We also strengthened the expertise needed in demanding IT system deliveries.

We started to develop software products for the international market and received an welcome boost when the KSP Group decided to invest FIM 100 million in software development in the next three years.

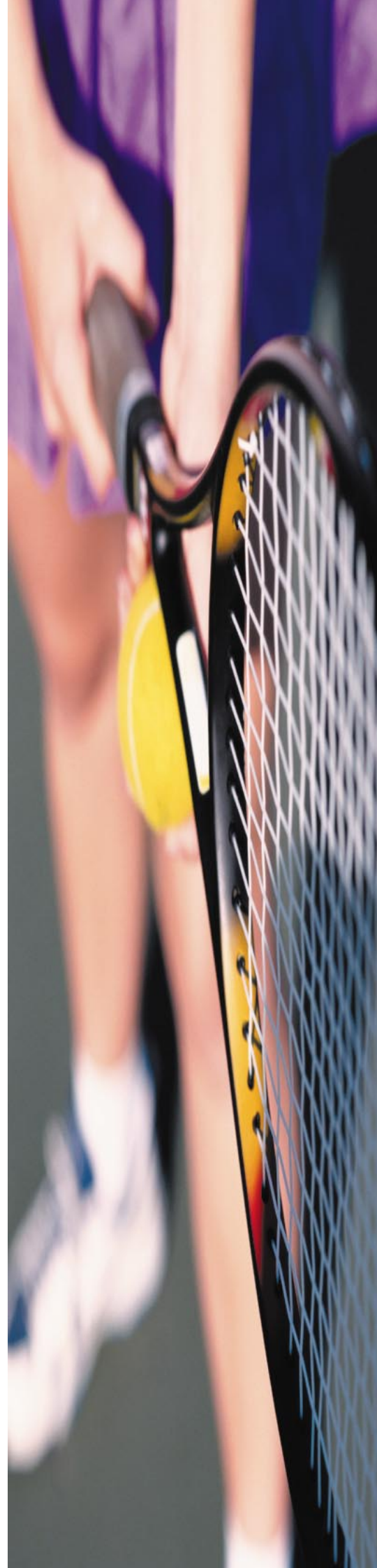
## **YOMI GROUP STRUCTURE**

The group acquired Yomi Oy, a software house from Jyväskylä, in April 2000.

In 2000, Yomi Group comprised the following companies: Yomi Media Oy, Relatech Oy, Fincommerce Oy and Yomi Oy. Corporate arrangements were made to improve management, measurability and supervision of product and service operations.

Yomi Vision Ltd, which merged with Yomi Oy at the end of the year, focuses on the software product business.

Yomi Fusion Ltd and Yomi Solution Ltd offer information system development and integration services.



At the end of 2000, agreement was reached on the acquisition of Acta Systems Ltd, an Oulu-based company offering software design services. The acquisition was carried out in January 2001 and business operations were merged with Yomi Group companies. With the acquisition, Yomi Group personnel grew to 310, of which 240 work in the service business and 70 in the software product business.

As of February 1, 2001, Yomi Group has had offices in Helsinki, Jyväskylä, Tampere, Kuopio and Oulu.

## MARKET PROSPECTS

The market for IT services is worth billions in Finland alone. An increasing share of this market is represented by e-business development projects.

The mobile Internet market is expected to grow rapidly. Mobile phones will number one billion globally within the next few years, and the number of mobile Internet users will exceed fixed Internet users in 2002. All this means that the need for top expertise in IT environments required by the mobile Internet will increase in the next few years.

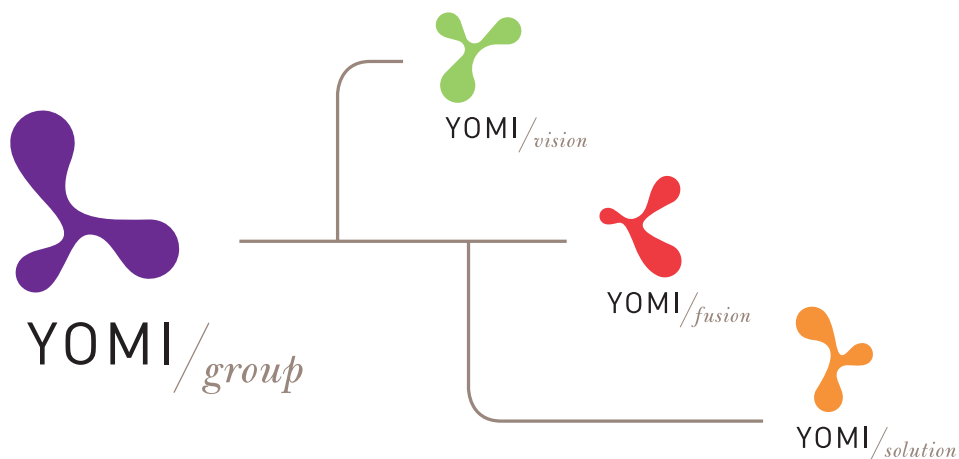
Mobility is an increasing part of the developing information society and our everyday life, in which more and more information, services and products are produced, marketed and distributed both on the Internet and in mobile networks, regardless of time and place, person to person.

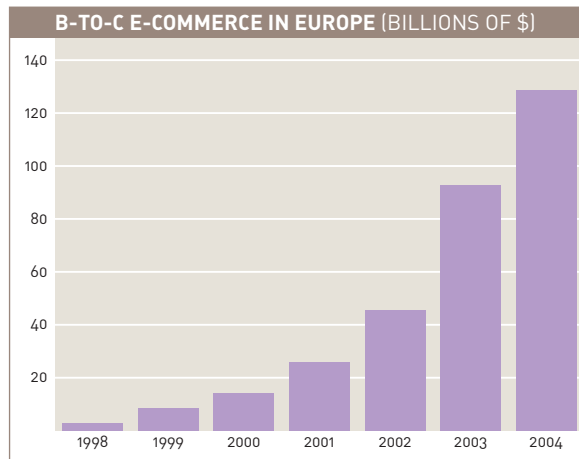
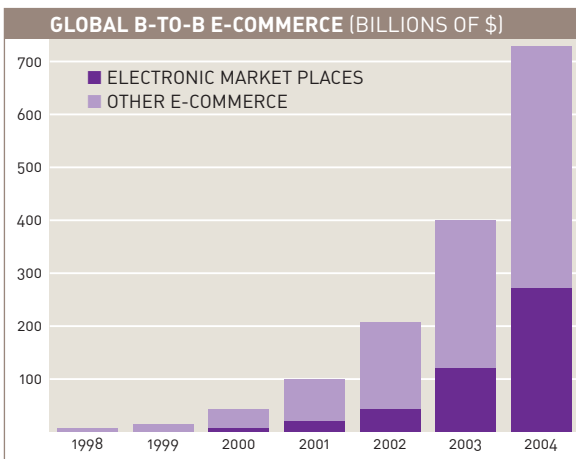
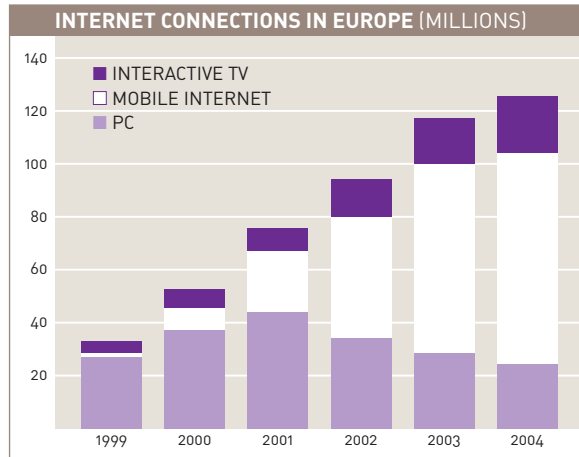
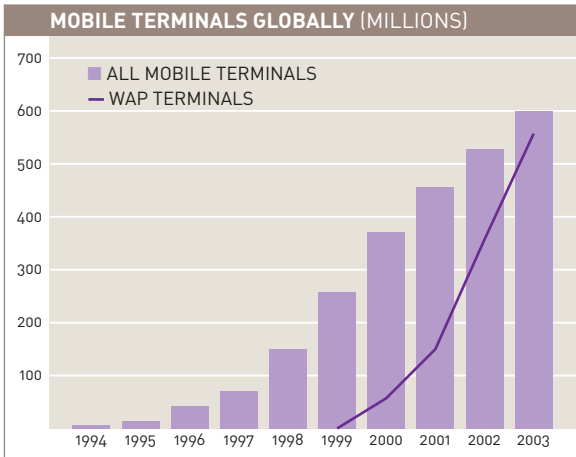
## YOMI GROUP PROSPECTS

Our strategy is to improve customer competitiveness with networked solutions. This means that we have to focus on the customers and branches where we can achieve superior expertise and by that means generate significant added value in our customers' business operations. Our own development and the international market where we operate makes a 60% growth prospect realistic within the next few years. Growth will come first from the project business, later from software product business operations. The growth target is also based on strategic company acquisitions.

The overall target of the Yomi Group is to be profitable from 2001 onwards. The profit target for the project business is at least 12%. The software product business is expected to be profitable by 2003 at the latest, by which time the Yomi Group profit target is over 15%.

YOMI GROUP'S DEVELOPMENT, THE INTERNATIONAL OPERATING ENVIRONMENT AND COMPANY ACQUISITIONS SUPPORTING THE GROUP'S BUSINESS ENABLE US TO SET AN OVERALL GROWTH TARGET OF 60%.





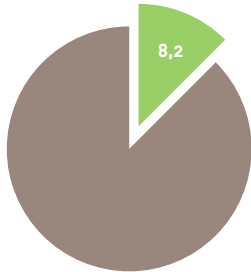
**GARTNER GROUP:**

“BY 2003, THE NUMBER OF MOBILE PHONE USERS GLOBALLY WILL REACH ONE BILLION AND THE MOBILE PHONE WILL BECOME THE CONSUMER’S E-COMMERCE DE FACTO STANDARD.”

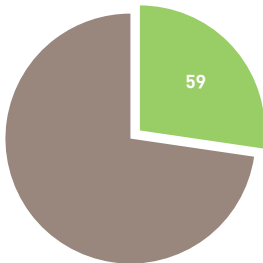
“BY 2003, A MAJOR PART OF ALL E-COMMERCE WILL TAKE PLACE THROUGH MOBILE CHANNELS.”

“BY 2005, THE VALUE OF CONSUMER TRADE TRANSACTED VIA PERSONAL MOBILE TERMINALS WILL EXCEED 1.8 TRILLION DOLLARS.”

## INTERNATIONAL SOFTWARE BUSINESS



CONTRIBUTION TO YOMI GROUP  
NET SALES (FIM MILLION)



CONTRIBUTION TO PERMANENT  
YOMI GROUP PERSONNEL 31.12.2000

Yomi Vision Ltd develops and markets Smartal software globally to mobile phone operators, portal owners and service providers (ISP, ASP). Smartal software is used to offer, develop and manage value-added mobile phone services.

The sales and marketing of software products is done through strong international distribution channels. We have a distribution and retail contract with Hewlett-Packard and an equivalent agreement has also been made with Comptel. Yomi Vision also continues cooperation with Nokia to develop Internet applications.

The Smartal platform and software consists of the following value-added applications for mobile phones:

### Smartal mStyle

- ringing tones - Harmonium
- logos - Iconium
- picture messages - SmartalCards

### Smartal mTouch

- chat - Chatium
- calendar

and the service provider Smartal Platform

### Smartal Platform -

#### Modular Multi-Access Portal

- Access Engine
- Business Engine (billing, pricing and rating)
- Location Engine

Mobile value-added services give service providers a tried and tested business model in a mobile environment. The Smartal Platform's open software environment offers the basic tools to run, develop and manage a business that offers value-added services.

### YOMI VISION LTD'S

STRATEGY IS BASED ON

INNOVATIVE PRODUCT

DEVELOPMENT THAT

CONSIDERS THE CUSTOM-

ER'S NEEDS; BUSINESS

GROWTH THROUGH INTER-

NATIONAL DISTRIBUTION

AND MARKETING PART-

ners; AND A COMPETENT

AND WELL-MOTIVATED

PERSONNEL.

## OPERATION IN 2000

Six Smartal software deliveries were made in 2000, all to customers outside Finland. Some orders were made at the end of the year, with deliveries due in the early part of 2001.

The pro forma net sales of the software product business were FIM 8,2 million, with a loss of FIM 9,7 million. The loss was caused by going international and by major investments in product development, totaling FIM 12 million. In 1999, net sales were about FIM 1 million. A total of 70 people worked in the software product business at the end of 2000.

## MARKET PROSPECTS

The mobile market is forecasted to expand tremendously in the next few years. The net sales of wireless portals are expected to grow to \$15 billion globally by 2005 and m-commerce is estimated to be over \$200 billion in 2005 (source: Ovum 2000).

## YOMI VISION LTD'S PROSPECTS

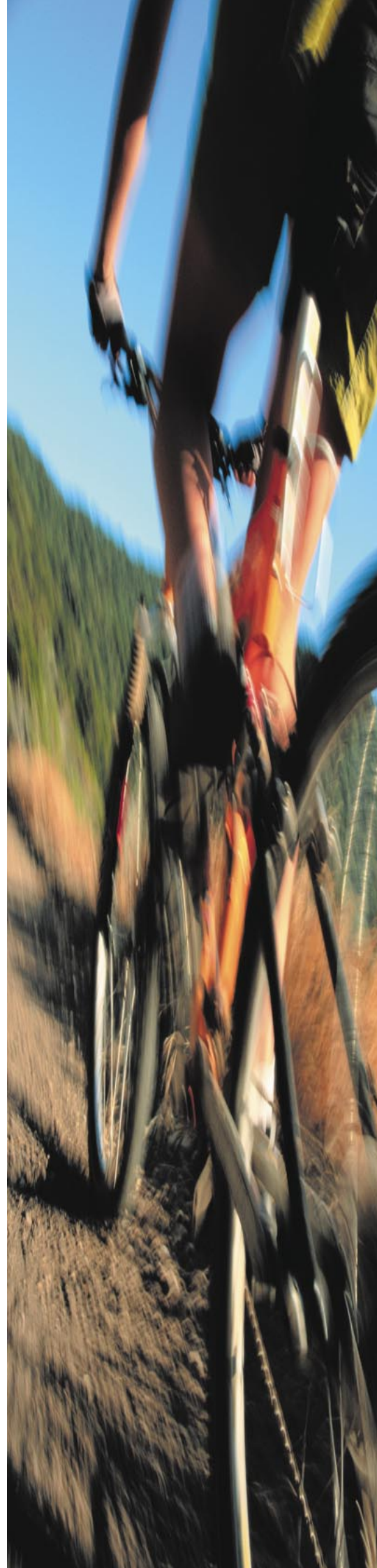
Our target is to achieve a good position in the international market as a developer and supplier of mobile Internet applications and service platforms. Our strategy is based on innovative product development that considers customer needs, on business growth through international distribution and marketing partners, and on a competent and motivated personnel.

During the next three years, KSP Group Plc will invest a total of FIM 100 million in the development of software products. The emphasis will be on:

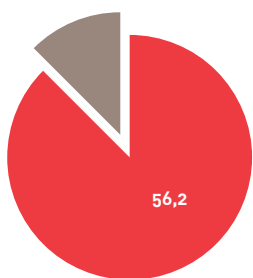
- a high software productization rate
- incorporating development of the mobile Internet in software product solutions
- openness of software products, which enables third parties to use our products as elements in their own solutions
- The acquisition of Acta Systems Ltd agreed on at the end of 2000 will strengthen the Smartal product family, when the electronic archiving software developed by Acta Systems will be included in the Smartal product family.

The growth targets for the software product business are high. Yomi Vision's target is to be profitable in 2003 at the latest.

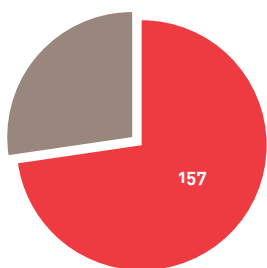
The software made and delivered by the company represents a high level of productization. The Yomi Group's other companies are used in the integration work needed in system deliveries. The company's profits mainly derive from user license fees based on the number of users.



## INFORMATION SYSTEM DEVELOPMENT AND INTEGRATION SERVICES



CONTRIBUTION TO YOMI GROUP  
NET SALES (FIM MILLION)



CONTRIBUTION TO PERMANENT  
YOMI GROUP PERSONNEL 31.12.2000

Yomi Fusion Ltd and Yomi Solution Ltd, which focus on the information system development and integration services, form Yomi Group's project business. The project business implements e-business solutions that boost their customers' business and pave the way to new types of business opportunity. The project business is also in charge of demanding software development projects to major Finnish companies.

Projects have included electronic directory services, b-to-b market places and customers' operative systems to improve quality and logistics. Some practical examples include Finland's largest electronic directory service [www.0100100.com](http://www.0100100.com) and Europe's first Internet shop where musical recordings available only on the Internet can be legally downloaded ([www.emma.fm](http://www.emma.fm)). Downloaded recordings can also be paid for via your mobile phone. The project business's main customers are large telecommunications companies (equipment manufacturers and operators).

The project business companies Yomi Fusion and Yomi Solution were formed in 2000 from the following companies: Relatech Oy, Fincommerce Oy and Yomi Media's project business.

### OPERATIONS IN 2000

The project business did well in 2000 on the whole, with pro forma net sales of FIM 56,2 million and pro forma operating profit of FIM 4,5 million. Internet projects and consulting for the e-business suffered along with the poor trend in the branch. During the year, the focus was shifted toward telecommunications projects, and we also strengthened the know-how required for demanding IT system deliveries.

THE PROJECT BUSINESS IS IN  
CHARGE OF INTEGRATION AND  
TAILORING YOMI GROUP'S SOFT-  
WARE PRODUCT DELIVERIES.



## LONG-TERM COOPERATION WITH CUSTOMERS



### THE YOMI GROUP

OFFERS CUSTOMERS TOP

TECHNOLOGICAL EXPER-

TISE AND A QUALITY-

CERTIFIED PROJECT

PROGRAM, COMBINED

WITH INNOVATIVE USES

IN BOTH INTERNET AND

MOBILE ENVIRONMENTS.

Quality systems were further developed in 2000. Yomi Fusion was awarded an ISO 9001 quality certificate and Yomi Solution is expected to get an equivalent certificate in 2001.

A total of 180 people were employed by the project business at the end of 2000. Towards the end of 2000, agreement was reached on the acquisition of Acta Systems Ltd. This will mainly strengthen our project business. After the acquisition, the personnel will number 240.

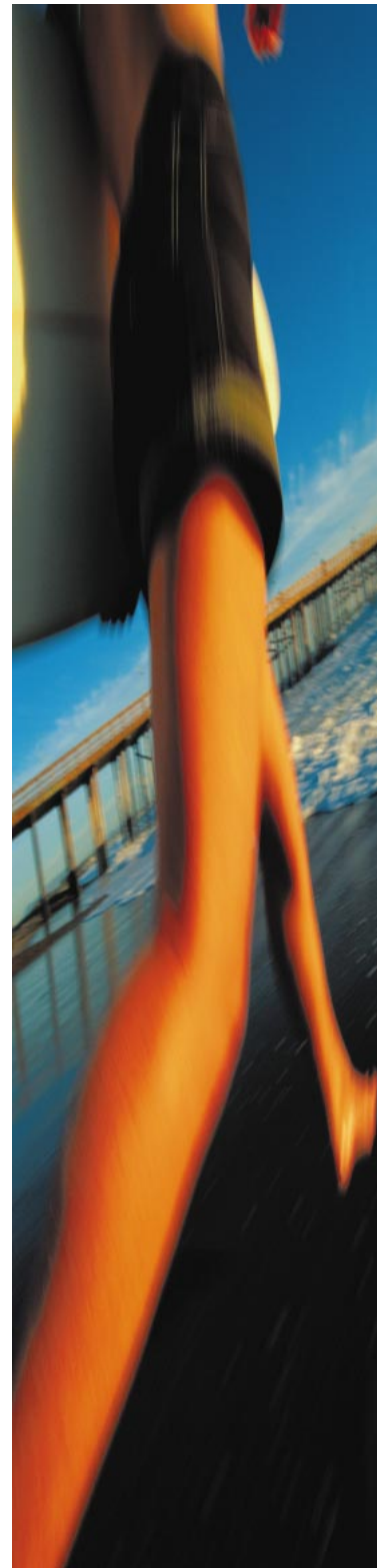
### PROSPECTS FOR YOMI FUSION LTD AND YOMI SOLUTION LTD

Operations will be expanded and made more international by closer cooperation with selected customers and by utilizing the international customer deliveries of Yomi Group's software products. Future success will depend on long cooperation with selected customers, to whom the Yomi Group can offer its leading technological expertise and quality-certified project programs, combined with innovative usability in Internet and mobile environments.

Demand is expected to remain high in key areas of the project business (b-to-b applications, mobile services and demanding customer orders).

The project business target is to grow profitably during the next few years. The annual growth target is over 40% and the profit target at least 12%.

Profits from the project business mainly derive from charging for personnel capacity and utilization of reusable software components and concepts. The project business is in charge of integration and tailoring work in the customer deliveries of Yomi Group software products. This integration work may also include systems from selected third parties.

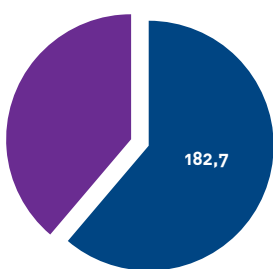
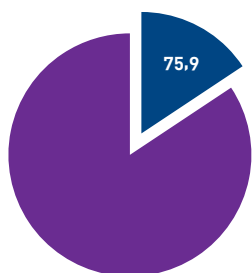
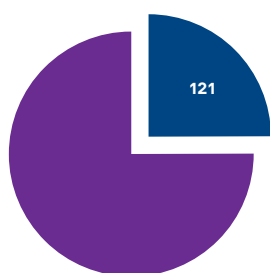




# COMPREHENSIVE TELECOMMUNICATIONS SERVICES



HEIKKI IHANAINEN

CONTRIBUTION TO GROUP  
NET SALES (FIM MILLION)CONTRIBUTION TO GROUP  
BALANCE SHEET (FIM MILLION)CONTRIBUTION TO PERMANENT  
GROUP PERSONNEL 31.12.2000

Kestel Oy's business consists of providing telecommunication services and services needed for IT solutions and the Internet. The cornerstone of our business is long-standing customers who use many of the services we provide.

We sell and supply services locally in Central Finland and also to some companies in other parts of the country. Our local service consists of the following: traffic and subscriber products, speech and data service applications, phone directory, 118 Directory Services, security solutions and sales outlets.

The services we offer to national customers include integration of telecommunications systems, security solutions, operator-independent installations and sale of data equipment. Kestel Oy is in charge of services and telecommunications solutions, while our subsidiary Oy Atec-Security Ltd, which we acquired in April 2000, is in charge of other operations.

Kestel's clientele, numbering over 50,000, mainly includes companies and consumers in Central Finland.

THE IMPORTANCE OF TELECOM-  
MUNICATIONS WILL RISE IN BOTH  
COMPANIES AND HOMES.  
SPEECH WILL INCREASINGLY  
MOVE TO MOBILE NETWORKS,  
AND THE IMPORTANCE OF DATA  
SERVICES IN FIXED NETWORKS  
WILL RISE.



## OPERATIONS IN 2000

Kestel Oy is KSP Group Plc's service provider. From the beginning of the year, we expanded operations to include not only corporations and organizations but also telecommunications services to private households. A special marketing campaign was launched on our expanded operations to better ensure that customers have all the communication services they need to be able to communicate effectively in today's world.

A total of 67 million fixed-line phone calls were made (down by 2.5%), or 392 million minutes (up by 13%). Mobility and increased Internet use are the main reasons for these changes in the fixed network.

At the end of the year, we had an equivalent of 58,350 subscriber lines (down by 0.5%). Subscriber connection churn was 9%. ISDN connections account for 7.3% of individual subscriber lines supplied with ISDN services (the number increased by 31.2%). The flat rate priced ISDN connection that was launched towards the end of the year was well received.

Due to changes in tariffs and subscriber connection products on July 1, 2000, income made from phone calls remained almost at the same level as the previous year. Increased mobile phone traffic and Voice over IP (VoIP) may cut phone call income in the future.

Sales of telephone systems to corporate customers remained at the previous year's level despite the great Y2K demand the year before. The 6-8% growth rate expected for PC equipment is reflected in data communication as growing demand for LAN capacity.

The phone directory is still the most popular printed directory and media product — everyone knows it, and it is comprehensive, reliable, and easy to use.

The number of calls made to 118 Directory Services follows the general fixed-line calls trend, that is, it is slightly downward. The prerequisites for a local service are also diminishing, partly due to increased use of Internet-based services. We have created new service concepts to cater for those who want a personal telephone service.



Since the beginning of the fiscal year, we have also been in charge of Setele and Mäkitorppa franchising in Central Finland. Because of fluctuating markets, the financial result of retail outlets did not reach the targets set. The termination of a business deal with Oy Radiolinja Ab contributed to making the sale of connections less profitable. To make for better performance, operations have been streamlined and costs cut.

To increase our customer base and to serve existing customers better, we constantly strive to provide improved services. In addition to our own product and service development, we form networks with other service providers to reach our targets. The first example of this development is the server hosting services we provide jointly with TietoEnator Corporation.

**KESTEL SPECIALIZES AS A SUPPLIER OF  
TELECOMMUNICATIONS SOLUTIONS.**

**OUR TARGET IN THE NEXT FEW YEARS IS AN  
ANNUAL INCREASE OF 15% IN NET SALES  
AND AN OPERATING PROFIT OF AT LEAST 7%.**

## MARKET PROSPECTS

Telecommunications will become increasingly important in both companies and households. More and more speech calls are made via mobile networks, and the importance of data calls will increase in fixed networks.

The focus in IT companies is shifting from cutting expenses to creating new business opportunities and thereby creating new profit, increasing the need for speech and data service applications even more.

## KESTEL OY'S PROSPECTS

Kestel specializes as a supplier of telecommunications solutions. The target in the next few years is an annual increase of 15% in net sales and operating profit level will be at least 7%.

On the national level, we aim to grow in the field of telecommunications system integration by specializing in Contact Center and VoIP solutions. Contact Center solutions will be a central element in developing and intensifying organizations' customer service channels. We also see potential in carrying speech in data networks in what are known as VoIP solutions. We are also developing expert services as part of the solutions we sell. These expert services help our customers to understand their own customers' operations and by that means to create new customer contacts.

As a rule, the need for integrated solutions is increasing, highlighting the importance of expertise. Kestel's success is greatly influenced by the number of users on the fixed network and by the professional competitiveness we can offer.



## A PARTNER IN SECURITY, DATA AND INSTALLATION SERVICES



The subsidiary acquired by Kestel in April 2000 has operated under the name Oy Atec-Security Ltd since 1992. Atec, which is based in Vaajakoski, Finland, is the leading supplier of electronic security systems in Central Finland. Since the beginning of 2001, Atec has also been responsible for installation of Kestel's corporate systems and for sales of security services and data equipment. The above-mentioned functions were transferred from Kestel to Atec to simplify the division of labor, to make business more efficient and to eliminate overlapping.

### DEVELOPMENT PROSPECTS

Telecommunications, data and security services are converging technologically at a rapid pace. Convergence is a fact in the sector and the systems supplied to customers are more extensive and complex. Security systems, for example, increasingly include telecommunications components that used to be the domain of telephone companies. As a result, we are developing Atec into a nationwide expert in its own core competences. To achieve this goal, we are relying on the comprehensive knowledge accumulated over the years by personnel in supplying telecommunications systems to our customers. As systems become more complex, they are integrated more and more closely into the business of our customers. This places demands on the reliability of the supplier. As part of the KSP Group, Atec has the expertise and financial wherewithal to act as a long-term partner in this business area.

Most of Atec's security system customers already operate nationwide. The basis for growth in the installation sector and for expansion of the operating area is provided, for example, by an installation contract with Elisa's nationwide customers concerning the installation and maintenance of telephone systems in an area larger than Central Finland. Atec is also negotiating other cooperation agreements. Growth of 12% in the security business is predicted for the near future.

**WE ARE DEVELOPING  
ATEC INTO A  
NATIONWIDE EXPERT  
IN ITS OWN CORE  
COMPETENCES.**

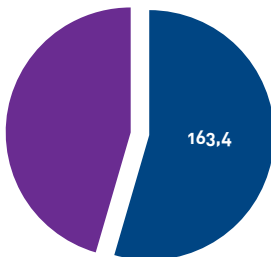
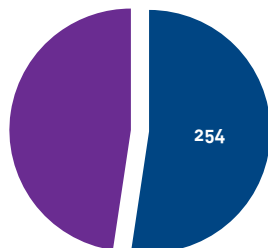
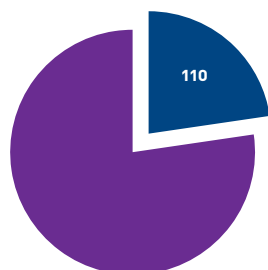




# YIELD FROM COMMUNICATION NETWORKS



ERKKI NURMINEN

CONTRIBUTION TO GROUP  
NET SALES (FIM MILLION)CONTRIBUTION TO GROUP  
BALANCE SHEET (FIM MILLION)CONTRIBUTION TO PERMANENT  
GROUP PERSONNEL 31.12.2000

Kesnet Oy is a network operator set up at the beginning of 2000 which owns base stations, antenna places on radio masts, fixed optical fiber and copper networks, and the trunk connections and transfer systems for all the network types in use, primarily in Central Finland. The company also operates a fixed telephone network and a local broadband network and does network contracting.

We provide solutions and systems that service operators can use to increase business profitability and customer satisfaction. During 2000, we established business relations with several service and network operators. Our main cooperators are Kestel Oy, Oy Radiolinja Ab, Datatie Ltd, and Sonera Corporation.

## OPERATIONS IN 2000

Our first year of operations surpassed expectations, with respect to both operations and financial results. Net sales totaled FIM 163,4 million and operating profit FIM 45,9 million. Permanent staff numbered 110 at year end. In particular, contracting, which expanded more rapidly than expected, and network leasing contributed to the positive trend. Network leasing accounts for a significant part of our business.

**KESNET'S STRATEGY IS TO SUBSTANTIALLY EXPAND ITS OPERATING AREA AS AN OWNER, IMPLEMENTER AND MAINTAINER OF MOBILE AND DATA NETWORKS.**

During 2000, contracting for mobile telephone networks expanded regionally outside Central Finland into Ostrobothnia and Savo. We will continue to expand in these operations. Contracting for optical fiber networks and transmission capacity hiring will also increase.

Our network investments during the fiscal year were significant, and focused on the optical fiber network. In 2001, there will also be a significant volume of investment, with concentration on the construction of optical fiber connections between numbering areas. Investments and future operations have been surveyed and planned jointly with the Elisa partner companies.

### MARKET PROSPECTS

The market for network operations is divided into three rapidly growing areas: optical fiber networks, new technologies using copper networks (for example xDSL) and mobile networks. Behind the growth in all the areas is a rapidly increasing need for data transfer capacity, especially for IT connections. The need for capacity is expected to increase significantly in years to come.

The new telecommunications service providers themselves build the parts that immediately affect the content

of the service and represent large volumes. For us, this approach offers good prospects for growth.

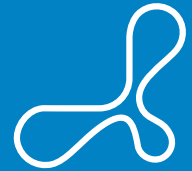
Significant growth is expected in hiring and installation in years to come, due in part to the nationwide network ventures of new mobile operators and also to rapidly developing technical solutions in the use of copper networks.

### KESNET OY'S PROSPECTS

Kesnet's strategy is to substantially expand its operating area as an owner, implementer and maintainer of mobile and data networks. We will improve the profitability of existing networks by diversifying their use and by investing in the quality of networks and the reliability of connections.

At the beginning of 2001, new regulations concerning leased lines and switching places further strengthened our growth prospects. We expect net sales to increase by 15% annually in the near future and profitability to remain good, with an operating profit of more than 25%. We will also secure growth and profitability by acquiring new network and service operators as customers.

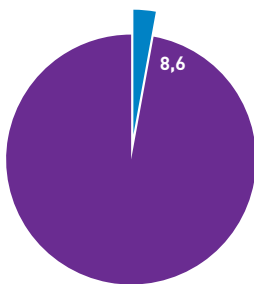
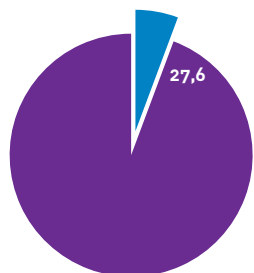
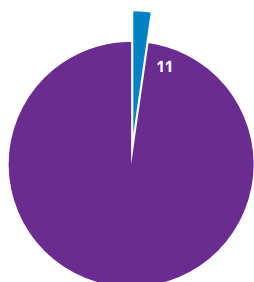




## DIGITAL CHANNELS AND INTERNET SERVICE VIA CABLE TV



MARKKU HÄKKINEN

CONTRIBUTION TO GROUP  
NET SALES (FIM MILLION)CONTRIBUTION TO GROUP  
BALANCE SHEET (FIM MILLION)CONTRIBUTION TO PERMANENT  
GROUP PERSONNEL 31.12.2000

Jyväskylän Viestintä is a cable television operator in the Jyväskylä area. Business is based on the operation of a cable television network, a basic element in today's world. It comprises marketing subscriptions to the network, building the network and connecting real estates to the network.

Via cable television subscriptions to apartment buildings, row houses and single-family homes, occupants gain access to national channels, a local channel and currently to the programs of six satellite channels (excluding Eurosport) without additional charge. By an additional payment, household customers can also get packages of TV programs and a broadband Internet service via a cable modem connected to the TV outlet (KaNetti).

### OPERATIONS IN 2000

The number of cable television subscriptions on which our operations are based increased by 9% (to 24,300) and subscription fees by 25%. The growth figure for subscription fees is higher because we have obtained new subscribers, particularly in areas where single-family homes predominate.

Net sales plus subscription fees increased to FIM 11,1 million (up 16%) and operating profit calculated in the same way to FIM 2,7 million (up 13%).

We launched a cable data service under the product name KaNetti as planned, at the end of August. Customers have been very interested in the service and there were more than 400 KaNetti subscribers.

Expanding and modernizing the network and starting the KaNetti service more than doubled the volume of investment, to FIM 6,6 million. We financed investments out of income.

## MARKET PROSPECTS

Internet use of the cable television network is growing rapidly and cable television subscriptions are becoming an increasingly comprehensive information network for households. We expect digitalization of television to increase demand for cable television subscriptions. Start-up will, however, be gradual and there may be delays due to national developments.

The Jyväskylä area is a growth center where building construction is expected to remain brisk, increasing

INTERNET USE OF THE CABLE TELEVISION NETWORK IS GROWING RAPIDLY AND CABLE TELEVISION SUBSCRIPTIONS ARE BECOMING AN INCREASINGLY COMPREHENSIVE INFORMATION NETWORK FOR HOUSEHOLDS.

demand for cable television subscriptions and services. A continued high volume of building construction and increased interest in KaNetti service is expected to keep demand for network subscriptions at last year's level.

## JYVÄSVIESTINTÄ OY'S PROSPECTS

Jyväsviestintä's strategy is to expand its cable television operations into profitable areas. We also seek rapid growth in Internet services. We expect KaNetti service net sales to increase in a few years to the level of basic subscriptions.

We expect growth in net sales during the current year to be well over 20%, mainly thanks to growth of the KaNetti service. We expect operating profit to remain at more than 20% of net sales, taking subscription fees entered directly in shareholders' equity into account.

In 2001, investment in the network and in cable modem equipment will continue at the same level as in 2000. By the end of 2001, digital television and cable data services will be available to all network subscribers. Expansion and diverse use of the cable television network will improve profitability.



# REPORT ON OPERATIONS, KSP GROUP PLC JANUARY 1ST, 2000 TO DECEMBER 31ST, 2000



## THE OPERATING ENVIRONMENT

Telecommunications became an even more crucial sector, especially in Finland.

Applications that facilitate customers' operations and permit new business are increasingly combinations of telecommunications and information technology, turning the sector from mere IT into ICT (Information and Communication Technology).

The market for wireless value-added services is expected to expand rapidly as new solutions for e-commerce are developed. In this area, Finland is a world leader. The market for customized, networked information systems and specialized software production is growing more rapidly than that for information technology on average.

The significance of wireless solutions in telecommunications continued to increase, although there were no noteworthy changes in the competition.

In 2000, we prepared specifically for the introduction of new wireless technologies and for the next change in the market situation.

During the fiscal year, Elisa Communications Corporation gained a controlling interest in KSP in terms of competition law. In terms of legal ownership, Elisa Communications Corporation and Tampereen Puhelin Oyj now jointly hold about 55% of KSP.

## GOALS

KSP Group Plc is an IT and communications company with 116 years of steady growth behind it as a local telephone company in Central Finland.

Because of substantial changes in the operating environment and the prospects for previously acquired new business, a new goal was approved for the KSP Group. The vision of KSP Group is to become a significant technology group in selected areas of telecommunication

and information technology. Our purpose is to own, acquire and develop companies operating in telecommunications and information technology in a manner that enhances the Company's value.

The following will feature in reaching these targets:

- More focus will be placed on the information technology branch.
- The telecommunications business will form the basis for profitability, expanding the business and the services.
- The market position will be improved and growth accelerated through the acquisition of companies that provide nationwide mobile and Internet services.

The fastest growth has been recorded by the Yomi Group, which concentrates on information technology. The KSP Group has invested heavily in this sector, and international expansion, in particular, has temporarily eroded profitability. Forecasts for the future of the Yomi Group look good, however.

As a consequence of the new goal, KSP has also renewed its image. This is partly due to conclusion of cooperation with the Finnet Association and to closer cooperation with the Elisa Communications Corporation. With the new image, the company seeks to convey innovativeness, human orientation, a pioneering spirit, and security. Capacity for renewal is also part of the new image.

In keeping with the new goal, the organization will rely greatly on the competence and professional skill of personnel and the Group's success will depend on the availability and permanence of skilled employees. For this reason, the company arranged its first combined issue of shares and warrants for personnel. 64% of the company's employees took part.

## GROUP STRUCTURE

The name of Keski-Suomen Puhelin Oyj was changed to KSP Group Plc on June 21, 2000 by decision of an Extraordinary General Meeting of shareholders.



The business operations of KSP Group Plc were transferred to its subsidiaries at the beginning of 2000. After this transfer, the Parent Company of the Group became a holding company, producing services for the Group as a whole. The purpose of the structural reform was to convert the business functions into separate companies, each observing its own business model. The structural change will also simplify formation of the various operator activities into separate functions and facilitate Group development in keeping with the goal. The restructuring proved effective immediately, during its first year.

Business operations are thus divided into four areas: the Yomi Group (IT), Kestel Oy (service operator), Kesnet Oy (network operator) and Jyväsviestintä Oy (cable and local television).

On April 11, 2000, Kestel Oy acquired Oy Atec Security Ltd, a security service company in Central Finland.

On April 14, 2000, KSP Group Plc acquired Yomi Oy.

On June 7, 2000, Yomi Media Oy acquired the holdings of Keskiuomalainen Plc and Helsingin Puhelin Oyj in Fincommerce Oy, thus eliminating the Group's minority holding.

On June 21, 2000, Kestel Oy was divided and dissolved. In this connection, two new companies, Kestel Oy and KSP New Media Oy, were founded.

On September 20, 2000, KSP Group Plc acquired Fiaset Oy, which was dormant. This now serves as KSP Group's warrant reserve.

The Yomi Group was converted into a subgroup consisting of Yomi Vision Ltd, a software company, and its subsidiaries Yomi Fusion Ltd and Yomi Solution Ltd, which focus on software projects.

Yomi Fusion Ltd was formed on October 1, 2000 from Finncommerce Oy through a name change and by transferring to it the project business of Yomi Media Oy. The name of Relatech Oy was changed on October 1, 2000 to Yomi Solution Ltd and the name of Yomi Media Oy on October 1, 2000 to Yomi Vision Ltd. Yomi Oy and Yomi Vision Ltd were merged on December 31, 2000 with KSP New Media Oy, whose name was at the same time changed to Yomi Vision Ltd. On December

15, 2000, KSP Group Plc concluded an agreement to acquire Acta Systems Ltd, a provider of software design services based in Oulu. The acquisition was concluded on January 24, 2001.

## COMPARATIVE DATA ON THE PREVIOUS YEAR

The change in entry procedure for inter-operator charging was not taken into account in the figures for the previous year. Yomi Solution Ltd (Relatech Oy) has been included in the comparative figures since October 1, 1999 and Oy Atec Security Ltd and Yomi Oy since the second interim review for 2000.

## NET SALES

Consolidated net sales totaled FIM 298,9 million (FIM 222,5 million the previous year). Growth was 34.3%.

The net sales of the business divisions was as follows: IT (Yomi Group) FIM 64,4 million (FIM 35,5 million), service provider (Kestel Group) FIM 182,7 million (FIM 58,5 million), network operator (Kesnet Oy) FIM 163,4 million (-), cable television (Jyväsviestintä Oy) FIM 8,6 million (FIM 7,7 million) and the Parent Company of the Group FIM 11,1 million (FIM 133,7 million). Internal invoicing was FIM 131,4 million.

The growth in net sales was the result of acquisitions, rapid growth in Yomi Group's project business, network growth, especially in mobile networks, start-up of Setele and Mäkitorppa retail operations at the beginning of the year and entry of inter-operator charges as net sales. The net sales of Kestel Oy and Kesnet Oy were increased by transfers of business from the Parent Company. The comparative figures for the previous year are based on the financial statements, in which the companies were treated in accordance with the grouping before the business transfers.

## FINANCIAL RESULT

Consolidated operating profit was FIM 28,1 million (FIM 43,3 million the previous year), a fall of 35.1%. Operating profit was 9.4% (19.4%) of net sales.

The operating profits of the business units were as follows: IT FIM -5,2 million (FIM 7,1 million), service provider business FIM 5,5 million (FIM 6,7 million), network operator business FIM 45,9 million (-), cable

television FIM 0,2 million (FIM 0,4 million) and the Parent Company of the Group FIM -14,0 million (FIM 29,6 million).

The financial results of the business units are shown without any depreciations on goodwill, which totaled FIM 3,5 million (FIM 0,5 million).

FIM 153,4 million in gains from the sale of Oy Radiolinja Ab, Oy Datatie Ab and Oy Omnitele Ab shares and valuation of the Elisa Communications Corporation shares at the quotation at the time of closing (FIM -52,4 million) were entered under extraordinary items. Profit before taxes stood at FIM 133.6 million (FIM 74,8 million).

At FIM 42,1 million (FIM 22,2 million), the taxes recorded correspond to the result for the year under review and the change in deferred tax liability. Taxes on extraordinary items came to FIM 29,3 million (FIM 8,1 million).

The fall in operating profit from 1999 was caused by rising inputs in Yomi Group product business and internationalization, the slower than expected launch of these operations, the poorer than expected profitability of retailing, higher goodwill depreciations, the cost of acquisitions and changing the Group's corporate image, and other one-off costs.

## FINANCING

KSP Group Plc sold its 17 Oy Datatie Ab shares to Helsinki Telephone Corporation on January 26, 2000 at FIM 550,000 per share, making the total price FIM 9,4 million.

KSP Group Plc sold Helsinki Telephone Corporation all its 401 Oy Radiolinja Ab series A shares on April 18, 2000, at FIM 320,000 per share and its 644 series L shares at FIM 29,000 per share. Kestel Oy also sold all its 37 series L shares in Oy Radiolinja Ab. The total price for the A and L shares was FIM 148.1 million.

At the same time, KSP Group Plc subscribed 257,567 Helsinki Telephone Corporation series E shares at FIM 498.20 per share, to a total equivalent to the sales price of the Oy Radiolinja Ab A shares. As a result, KSP Group Plc now owns 0.5% of Elisa Communications Corporation.

On September 12, 2000 KSP Group Plc sold 29 Oy Omnitele Ab shares for FIM 1,6 million.

Despite the rapid expansion of operations, the Group's financial situation remained good, and the quick ratio was 1.7 (1.5) on December 31, 2000. All investments were financed out of income. The equity ratio was 79.3% (December 31, 1999 73.6%). Non-current liabilities stood at FIM 29,4 million (FIM 33,5 million), loans from financial institutions accounting for FIM 9,2 million (FIM 12,6 million) and the deferred tax liability for FIM 20,2 million (FIM 20,7 million).

## INVESTMENTS AND PRODUCT DEVELOPMENT

Discounting the impact of the Helsinki Telephone Corporation share subscription (FIM 128,3 million), the Group's investments in fixed assets totaled FIM 65,1 million (FIM 71,3 million), accounting for 21.8% of net sales. Investments during the fiscal year focused on expanding the optical cable network for the regional fixed broadband network and extending the mobile phone network, and constructing systems hired to customers and other customer networks.

On December 21, 2000 KSP Group Plc signed an agreement making the Group the main tenant in a roughly 15,000 floor square metre complex in Jyväskylä. The premises will be ready early in 2002, and will house Yomi Group, among others.

Inputs in research and the development of products, services and Group processes totaled around FIM 20 million. FIM 12 million was invested in Yomi Vision product development during the year.

In addition, Group companies charged customers some FIM 40 million for product and service development.

## PERSONNEL

At the end of the fiscal year the Group employed 485 permanent personnel (345 on December 31, 1999). The average figure during the period was 471 (327).

## SHARES

The KSP Group Plc shares are divided into A and K series. At the beginning of the year there were 2,823,474 series A shares, with a nominal value of FIM 10 and

carrying one vote per share. There were 40,000 series K shares, with a nominal value of FIM 10 and carrying 15 votes per share. The total number of shares was 2,863,474 and share capital stood at FIM 28,634,740.

Following authorization from the Annual General Meeting on March 28, 2000, the Board of Directors KSP Group Plc floated a series A share issue targeted at the shareholders of Yomi Oy, thereby acquiring Yomi Oy total stock. The Board was also authorized by the Annual General Meeting to decide on the principle for specifying the share price, the price itself and the manner of payment, i.e. shares can also be subscribed as contributions in kind or on other specific terms.

The shares were subscribed and acknowledged as paid on April 14, 2000. The nominal value of the series A share was FIM 10 and the subscription price FIM 456.50. The latter was based on the principle agreed between the parties according to which the average closing price over the ten business days prior to the date of the deed of sale, February 25, 2000, was set as the share value used as the selling price of the shares.

The Yomi Oy shareholders transferred the company's entire stock as contribution in kind against the subscription price in accordance with the above-mentioned deed of sale. The price used for working out the contribution was the calculated yield value, using the previous year's result before taxes and a yield requirement of around 17%.

After the share issue, KSP Group Plc had 2,838,824 series A and 40,000 series K shares. After subscription, the amount subscribed by Yomi Oy shareholders corresponded to around 0.5% of the company's shares and 0.4% of the votes.

On June 29, 2000 the number of shares was increased five-fold. Thereafter, there were 14,194,120 A shares and 200,000 K shares, i.e., a total of 14,394,120. To ensure an equal distribution of shares to all shareholders, capital stock was raised EUR 196,107.61 in a bonus issue, making the countervalue of each share EUR 0.35 and abandoning the nominal share value. Capital stock rose to FIM 29,954,242.89.

At least one and at most 40,000 A shares, countervalue EUR 0.35, and at least 10 and at most 400,000 options were offered for subscription by the personnel of KSP Group Plc as part of the company's pay and incentive

policy. KSP Group Plc's subsidiary, Fiaset Oy, was also entitled to subscribe 140,000 options. The options offered to the subsidiary were meant for employees working for the company or recruited by it at some future date in a manner decided by the KSP Group Plc's Board of Directors.

All the shares and options were subscribed. The share subscription price was EUR 13.08 for the issue and EUR 15.26 for the options. After the subscription, shares subscribed by personnel accounted for 0.28% of the total and 0.23% of votes. Series A shares subscribed on the basis of options accounted for 3.61% of shares diluted by the number of A shares and 3.04% of votes.

The increase in capital stock achieved through the personnel issue was entered in the Trade Register on October 12, 2000, and the 40,000 shares concerned have been offered for trading with the old shares since October 16, 2000. Following the increase in capital stock, the company had 14,234,120 series A shares.

There were altogether 14,434,120 series A and K shares, and capital stock totaled EUR 5,051,942.00.

On December 14, 2000 the Board of Directors decided to propose to an Extraordinary General Meeting of KSP Group Plc shareholders on January 9, 2001 that the capital stock should be reduced by canceling the 200,000 K shares held by the company at the time of the meeting. The shares were acquired from Fiotele Oy on January 8, 2001 under an agreement signed on December 14, 2000, at a sales price of FIM 1,800,000. This sales price was based on authorization granted by the Annual Meeting of KSP Group Plc on March 28, 2000 and on the merger plan approved by Annual General Meeting on April 29, 1998. The sales price comprised the original purchase price plus all additional costs. The canceled K shares accounted for some 1.4% of the total number of shares at the end of the year and about 17% of votes.

Altogether 4,387,882 shares were traded on Helsinki Exchanges during the fiscal year, corresponding to 30.8% of all series A shares. The value of trading was FIM 386,3 million. The lowest quotation during the year was FIM 34.78 and the highest FIM 148.64, the average price being FIM 78.10. At the end of the year, the price was FIM 36.27 and the company's market capitalization was FIM 516,3 million. The change made in the number of shares on June 29, 2000 has been taken into account in calculating the number of shares and the prices.

## GENERAL MEETINGS AND MANAGEMENT

The Annual General Meeting was held on March 28, 2000. It approved the financial statements, released the Board of Directors and CEO from liability, and decided to distribute a dividend of FIM 4.40 per share in accordance with the Board proposal, that is a total of FIM 12,599,285.00. The dividend pay-out date was April 7, 2000.

The Annual Meeting elected the following to replace the Board members in turn to resign for the upcoming three-year term: Heikki Salmenkangas (re-elected, chairman) and Esa Pennanen (new). Continuing as Board members were Erkki Poranen, Klaus Sohlberg, Erkki Ripatti, Pekka Kettunen, and Erkki Talvitie. Erkki Kytönen is the President and CEO. SVH Pricewaterhouse Coopers Oy was elected as the company auditors.

The same meeting authorized the Board of Directors to decide on the acquisition of all the series K company shares from Fiole Oy and to decide on the principles for setting the price and canceling the shares. The acquisition formed part of the liquidation of Fiole Oy ownership in accordance with the April 29, 1998 merger plan. Agreement was reached on the acquisition on December 14, 2000 and it was carried out on January 8, 2001.

The meeting also authorized the Board to decide on a maximum increase of FIM 1,400,000.00 in capital stock in one or more lots. Up to 140,000 new series A shares could be offered for subscription at a price set by the Board and otherwise on terms decided by it. The Board utilized part of the authorization on April 27, 2000 when it issued 15,350 shares to Yomi Oy shareholders to acquire company's entire share capital.

An Extraordinary General Meeting of KSP Group Plc shareholders on June 21, 2000 decided to offer the staff of the Group and its subsidiaries up to 40,000 shares for subscription with a countervalue of EUR 0.35, and up to 400,000 warrants at the same time. It also decided to offer the company's fully owned subsidiary 140,000 warrants. The meeting also decided to change the company's name from Keski-Suomen Puhelin Plc to KSP Group Plc.

The subscription period for shares and warrants was from August 28, 2000 to September 22, 2000.

The subscription price was EUR 13.08 for the issue and EUR 15.26 for the warrants. Those subscribing shares were entitled to subscribe two free options under warrant A, three under warrant B and five under warrant C against every share subscribed.

All the shares and subscription rights offered were subscribed. 306 of the company's permanent staff exercised their subscription right, that is 63.9% of all personnel. KSP Group Plc's subsidiary Fiaset Oy subscribed all 140,000 warrants offered to it. After the capital stock increase, there were 14,234,120 series A shares. The subscription period for shares with A warrants begins on December 1, 2001, for B warrants on December 1, 2002, and for C warrants on December 1, 2003, ending in all cases on January 31, 2007.

On December 14, 2000 the Board of Directors proposed to an Extraordinary General Meeting of shareholders convened on January 9, 2001 that all current new issue authorizations should be cancelled, that the Board of Directors should be authorized to decide on an increase in capital stock through a new issue, on issue of options and on flotation of a convertible bond in one or more lots to the effect that the Board would be entitled to issue up to 2,846,824 series A shares in a new issue, diverging from the prior subscription right of shareholders, and to cancel all the series K shares held by the company by reducing capital stock by EUR 70,000.

## EVENTS AFTER THE FISCAL YEAR

The Extraordinary General Meeting of shareholders on January 9, 2001 unanimously approved the above Board proposals. The cancellation of the K shares was entered in the Trade Register on January 15, 2001.

On January 19, 2001 the Board of Directors decided under authorization from the above meeting to target an issue of 1,075,000 series A shares at the shareholders of Acta Systems Ltd in order to acquire that company's entire capital stock. The subscription was carried out on January 24, 2001 and was registered on January 25, 2001. There is a trading restriction on some of the shares.

Thereafter, KSP Group Plc's capital stock totaled EUR 5,358,192 and the total number of shares was 15,309,120. There are no longer any series K shares.

## PROSPECTS FOR THE REST OF 2001

Consolidated net sales are expected to continue to grow rapidly in 2001, especially in information technology, partly as a result of corporate acquisitions. Profitability should also improve thanks to greater efficiency in project business and higher product sales.

In telecommunications, growth is expected to continue at the planned level, equally in network operator, service provider and cable TV business. Profitability should improve in all the above mentioned as a result of greater efficiency.

Jyväskylä, February 15, 2001



Erkki Poranen

Chairman of the Board of Directors



Heikki Salmenkangas

Board member



Klaus Sohlberg

Board member



Erkki Ripatti

Board member

## DISPOSAL OF PROFITS

Board of Directors' proposal to the Annual Meeting:

Consolidated shareholders' equity stood at FIM 384,799,412.56 according to the December 31, 2000 consolidated balance sheet, with distributable funds accounting for FIM 196,607,024.47. Shareholders' equity according to the KSP Group Plc balance sheet per December 31, 2000 was FIM 277,789,300.84, with distributable funds at FIM 140,156,416.93.

The Board of Directors proposes to the Annual Meeting that KSP Group Plc distribute a dividend for 2000 of FIM 0.75 per share, plus an additional dividend of FIM 0.65 per share, making a total of FIM 21,047,768, and that FIM 200,000 be retained for use by the Board at its discretion for charitable donations.



Esa Pennanen

Board member



Erkki Talvitie

Board member



Erkki Kytönen

President and CEO

## AUDITORS STATEMENT

The financial statements have been drawn up in accordance with current accounting principles in Finland. An auditors' report has been submitted today.

Jyväskylä, February 20, 2001

SVH Pricewaterhouse Coopers Oy, Authorized Public Accountants



Henrik Sormunen, Authorized Public Accountant

The financial statements have been drawn up in accordance with the new Accounting Act.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company KSP Group Plc and its subsidiaries Jyväsviestintä Oy, Kestel Oy and its subsidiary Oy Atec-Security Ltd, Kesnet Oy, Fiaset Oy, and Yomi Vision Ltd and its subsidiaries Yomi Solution Ltd and Yomi Fusion Ltd.

Kestel Oy (founded by the Parent Company) has been in the Group since 1990, Jyväsviestintä Oy since 1992, Yomi Vision Ltd (formerly Yomi Media Oy) since 1996, Yomi Fusion Ltd (formerly Fincommerce Oy) since 1998, Yomi Solution Ltd (formerly Relatech Oy) and Kesnet Oy since 1999. The consolidated financial statements are a combination of the income statements and balance sheets of the Parent Company and the subsidiaries. Mutual shareholdings have been eliminated using the historical cost method.

The statements of source and application of funds were drawn up as calculations of net working capital, as in previous years.

### FIXED ASSETS AND DEPRECIATIONS

Fixed assets have been entered in the balance sheet at direct historical cost, less planned depreciations. The planned depreciations were calculated on the straight-line principle, using the following economic lives:

Consolidated goodwill	5 years
Buildings	25 years
Network and exchanges	10-15 years
(15 years applies to a small proportion of investments, the most recent made in 1995)	
Machinery and equipment	3-5 years
Other long-term expenditures	5 years

Software updates at exchanges are entered as annual expenses. Product and product development expenses are not capitalized.

### INVENTORY AND FIXED ASSET STOCKS

The acquisition cost of subscriber equipment and supplies that will be transferred to the customer as such or for direct use in connection with telecommunications and other business operations are capitalized under inventories without tax. Expenses related to equipment and supplies used for construction and maintenance of the transmission network and exchange equipment and other fixed assets are capitalized under fixed asset stocks at acquisition cost.

### PENSION ARRANGEMENTS

The pension security of KSP Group personnel is covered through Finnish insurance companies.

### DIRECT TAXES

Direct income taxes for the fiscal year are entered in the income statement on an accrual basis. The change in deferred tax liability and receivable is entered in the consolidated financial statements and calculated based on accrual differences. No deferred tax liability and receivable is entered in the Parent Company balance sheet. Deferred taxes have been calculated at the tax rate valid when the financial statements were drawn up.

	1.1.-31.12.2000	1.1.-31.12.1999
1. CONSOLIDATED INCOME	298 876	222 550
Change in finished and non-finished stocks	-156	-1 045
Production for own use	0	0
2. Other operating income	2 561	2 383
3. Materials and services	67 245	33 474
4. Personnel expenses	107 454	69 488
5. Depreciation and value adjustments	51 645	44 098
6. Other costs from business operations	46 797	33 557
	273 142	180 618
OPERATING PROFIT	28 139	43 270
7. Financing income and expenditure	4 568	2 601
PROFIT BEFORE EXTRAORDINARY ITEMS	32 708	45 871
8. Extraordinary items	100 880	28 910
PROFIT BEFORE TAXES	133 588	74 781
9. Direct taxes	-42 057	-22 189
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>91 531</b>	<b>52 592</b>

<b>ASSETS</b>	<b>31.12.2000</b>	<b>31.12.1999</b>
<b>FIXED ASSETS</b>		
10. Intangible assets	22 230	14 379
11. Tangible assets	252 469	249 363
12. Investments	79 659	8 745
	<b>354 357</b>	<b>272 487</b>
<b>CURRENT ASSETS</b>		
13. Inventories	6 856	5 142
14. Non-current receivables	0	11 795
15. Current receivables	83 309	41 511
Cash in hand and at banks	40 727	68 179
	<b>130 892</b>	<b>126 627</b>
	<b>485 249</b>	<b>399 114</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
16. Share capital	30 037	28 635
Above-par-value fund	107 595	98 880
Other funds	2 482	0
Profit from previous financial years	153 154	113 281
Profit for the financial year	91 531	52 592
	<b>384 799</b>	<b>293 388</b>
<b>MINORITY SHARE</b>	<b>0</b>	<b>440</b>
<b>LIABILITIES</b>		
18. Non-current liabilities	9 226	12 853
Deferred tax liability	20 157	20 667
19. Current liabilities	71 067	71 767
	<b>100 450</b>	<b>105 287</b>
	<b>485 249</b>	<b>399 114</b>



<b>SOURCE OF FUNDS</b>	<b>1.1.-31.12.2000</b>	<b>1.1.-31.12.1999</b>
<b>INTERNAL FINANCE</b>		
Operating profit	28 139	43 270
Depreciation	51 645	44 098
Financing income and expenses	4 568	2 601
Extraordinary items	100 880	28 910
Taxes	-42 057	-22 189
	143 176	96 691
<b>CAPITAL FINANCING</b>		
Increase in shareholders' equity	12 600	1 972
Sales of fixed assets	0	1 062
Minority share	0	0
	12 600	3 034
	<b>155 776</b>	<b>99 724</b>

<b>APPLICATION OF FUNDS</b>	<b>1.1.-31.12.2000</b>	<b>1.1.-31.12.1999</b>
Net investments	133 515	71 332
Distribution of dividends	12 599	3 436
Decrease in non-current liabilities	4 137	7 719
Donation	120	170
Decrease in minority interest	440	0
	150 811	82 657
Change in net working capital	4 964	17 068
	<b>155 776</b>	<b>99 724</b>

<b>CHANGE IN NET WORKING CAPITAL</b>		
Liquid assets: increase + / decrease -	2 551	45 559
Inventories: increase + / decrease -	1 713	835
Current liabilities: decrease + / increase -	700	-29 327
	4 964	17 068

	1.1.-31.12.2000	1.1.-31.12.1999
1. NET SALES	11 142	133 714
2. Other operating income	11	3 014
3. Materials and services	889	18 177
4. Personnel expenses	9 317	36 272
5. Depreciation and value adjustment	3 356	34 877
6. Other operating costs	11 620	18 298
	25 181	107 624
OPERATING PROFIT	-14 028	29 104
7. Extraordinary items	3 420	2 660
PROFIT BEFORE EXTRAORDINARY ITEMS	-10 608	31 764
8. Extraordinary items	99 007	28 710
PROFIT BEFORE APPROPRIATIONS AND TAXES	88 399	60 474
9. Appropriations	54	2 369
9. Income taxes	-25 890	-17 987
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>62 563</b>	<b>44 856</b>

<b>ASSETS</b>	<b>31.12.2000</b>	<b>31.12.1999</b>
<b>FIXED ASSETS</b>		
10. Intangible assets	1 793	2 957
11. Tangible assets	30 516	214 847
12. Investments		
Intra-Group shares	132 931	10 942
Other shares and holdings	78 561	7 953
	<b>243 802</b>	<b>236 699</b>
<b>CURRENT ASSETS</b>		
13. Inventories	0	792
14. Non-current receivables	34 668	20 551
15. Current receivables	36 562	28 392
Cash in hand and at banks	34 353	63 289
	<b>105 583</b>	<b>113 025</b>
	<b>349 385</b>	<b>349 724</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>16. SHAREHOLDERS' EQUITY</b>		
Share capital	30 037	28 635
Above-par-value fund	107 595	98 880
Profit from previous financial years	77 593	45 456
Profit for the financial year	62 563	44 856
	<b>277 789</b>	<b>217 827</b>
17. Accumulated appropriations	0	64 938
<b>LIABILITIES</b>		
18. Non-current liabilities	59 942	22 282
19. Current liabilities	11 654	44 677
	<b>71 596</b>	<b>66 959</b>
	<b>349 385</b>	<b>349 724</b>

<b>SOURCE OF FUNDS</b>	<b>1.1.-31.12.2000</b>	<b>1.1.-31.12.1999</b>
<b>INTERNAL FINANCE</b>		
Operating profit	-14 028	29 104
Depreciation	3 356	34 877
Financing income and expenses	3 420	2 660
Extraordinary items	99 007	28 710
Taxes	-25 890	-17 987
	<b>65 866</b>	<b>77 364</b>
<b>CAPITAL FINANCING</b>		
Increase in the shareholders' equity	10 118	0
Business transfer and sale, fixed assets	245 357	816
Increase in non-current liabilities	37 660	0
	<b>293 135</b>	<b>816</b>
	<b>359 001</b>	<b>78 179</b>
<b>APPLICATION OF FUNDS</b>		
	<b>1.1.-31.12.2000</b>	<b>1.1.-31.12.1999</b>
Investments in fixed assets, net contribution in kind under business transfer	255 816	45 129
Distribution of dividends	12 599	3 436
Depreciation difference on business transfer	64 884	5 564
Donation	120	170
	<b>333 420</b>	<b>54 300</b>
Change in net working capital	25 581	23 880
	<b>359 001</b>	<b>78 179</b>
<b>CHANGE IN NET WORKING CAPITAL</b>		
Liquid assets: increase + / decrease -	-6 649	33 844
Inventories: increase + / decrease -	-792	-1 419
Current liabilities: decrease + / increase -	33 023	-8 545
	<b>25 581</b>	<b>23 880</b>

	GROUP 1.1.-31.12.2000	GROUP 1.1.-31.12.1999	PARENT COMPANY 1.1.-31.12.2000	PARENT COMPANY 1.1.-31.12.1999
<b>1. NET SALES</b>				
Service business area	182 687	58 533		
Network business area	163 372	0		
IT business area	64 444	35 546		
Cable TV business area	8 611	7 652		
Group management	11 142	133 714	11 142	133 714
Intra-Group business	-131 380	-12 897		
Consolidated net sales	298 876	222 550		

The Distribution of the net sales represents the new corporate structure

<b>2. OTHER OPERATING INCOME</b>				
Income from rents and insurance benefits	638	475	0	1 308
Other income (sales of fixed assets and income of rents)	1 922	1 908	11	1 706
Total	2 561	2 383	11	3 014

<b>3. MATERIALS AND SERVICES</b>				
Materials, supplies and goods				
Purchases during the financial year	35 036	20 502	515	10 292
Change in inventories	-2 623	-401	0	64
	32 414	20 101	515	10 356
External services	34 831	13 373	374	7 821
	67 245	33 474	889	18 177

Effect of change in inventories on business transfer FIM 909,267.25

<b>4. PERSONNEL</b>				
Wages & salaries, social security and fringe benefits				
Wages and salaries	84 620	52 955	7 091	27 160
Pension expenses	14 869	10 645	1 479	6 111
Other secondary personnel costs	7 966	5 888	746	3 002
Total	107 454	69 488	9 317	36 272
Total personnel costs capitalized	6 770	6 488	0	6 241

Management's salaries, fees, loans, security collateral and pensions				
Salaries and fees				
CEOs	3 409	1 926	0	0
Board members	257	338	214	222

Loans, security collateral and liability engagements

There are no loans or liability engagements

Pension age of CEOs

According to the Pension Rule the pensionable age is 63

Pension obligation liabilities:

CEOs

Employment pension and, for some, supplementary pension

Board

No pension

Average number of personnel				
Workers	98	92	0	70
Employees	373	235	30	188
	471	327	30	188

<b>5. DEPRECIATIONS AND VALUE ADJUSTMENT</b>				
Other expenses with non-current effects & business value	4 976	1 595	653	928
Buildings and structures	3 485	3 319	2 247	3 319
Network, telephone exchanges and telecom equipment	29 063	33 625	0	27 776
Machinery and equipment	14 121	5 560	456	2 854
Total	51 645	44 098	3 356	34 877

6. OTHER COSTS FROM BUSINESS OPERATIONS	46 797	33 557	11 620	18 298
<b>7. FINANCING INCOME AND EXPENDITURE</b>				
Intra-Group interest income	0	0	873	410
Income from other investments and fixed assets	2 993	2 580	2 993	2 580
Other intra-Group interest and financing income	2 477	1 638	2 231	1 587
Intra-Group interest costs	0	0	-1 820	-303
Interest costs and other financing costs	-902	-1 617	-857	-1 614
	4 568	2 601	3 420	2 660
<b>8. EXTRAORDINARY INCOME AND COSTS</b>				
Extraordinary income	186 912	28 910	186 018	28 910
Extraordinary costs	-86 031	0	-87 011	-200
	100 881	28 910	99 007	28 710
Extraordinary income:				
Income from sale from shares:				
Datatie Oy, Radiolinja Oy, Omnitele Oy	153 290	28 910	152 397	28 910
VAT return to Kesnet Oy on business transfer and other returns	33 622	0	0	0
Group contribution	0	0	33 622	0
	186 912	28 910	186 018	28 910
Extraordinary costs:				
Valuation of Elisa Communications Corporation shares				
in the financial statements	-52 510	0	-52 510	0
VAT payment on business transfer	-33 522	0	-33 522	0
Group contribution	0	0	-980	-200
	-86 031	0	-87 011	-200
<b>9. APPROPRIATION AND INCOME TAX</b>				
Change in depreciation difference	0	0	-54	2 369
Change in voluntary reserves	0	0	0	0
	0	0	-54	2 369
Taxes				
Taxes on extraordinary income	-29 255	-8 039	-28 712	-8 039
Income tax on business operations	-13 313	-13 914	2 822	-9 949
Change in deferred tax liability	511	-236	0	0
	-42 057	-22 189	-25 890	-17 987

## FIXED ASSETS

	GROUP 31.12.2000	PARENT COMPANY 31.12.2000
<b>10. INTANGIBLE ASSETS</b>		
Group goodwill		
Acquisition cost 1st Jan.	11 470	0
Additions	9 829	0
Deductions	0	0
Acquisition cost	21 299	0
Accumulated planned depreciation at 1st Jan.	557	0
Accumulated planned depreciation of assignments	0	0
Planned depreciation	3 643	0
Accumulated planned depreciation	4 200	0
Book value	17 098	0

Other expenses with non-current effects		
Acquisition cost at 1st Jan.	15 769	12 871
Additions	3 770	384
Deductions	678	0
Transfer from one Fixed Assets category to another	0	0
Acquisition cost	18 861	13 254
Accumulated planned depreciation at 1st Jan.	12 449	10 795
Accumulated planned depreciation of assignments	168	0
Planned depreciation	1 449	666
Accumulated planned depreciation	13 730	11 461
Book value	5 131	1 793

	22 230	1 793
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#### 11. TANGIBLE ASSETS

Land and water areas		
Acquisition cost at 1st Jan.	8 423	3 851
Additions	798	0
Deductions	5	2 748
Book value	9 217	1 103

Buildings and structures		
Acquisition cost 1st Jan.	112 733	68 579
Additions	956	0
Deductions	0	1 352
Acquisition cost	113 688	67 227
Accumulated planned depreciation at 1st Jan.	64 869	39 278
Accumulated planned depreciation of assignments	0	0
Planned depreciation	3 382	2 247
Accumulated planned depreciation	68 252	41 525
Book value	45 437	25 702

Machinery and equipment		
Acquisition cost 1st Jan.	699 515	248
Additions	62 230	4 148
Deductions	8 625	0
Transfer from one Fixed Assets category to another	0	0
Acquisition cost	753 120	4 395
Accumulated planned depreciation at 1st Jan.	522 764	242
Accumulated planned depreciation of assignments	2 766	0
Planned depreciation	43 153	443
Accumulated planned depreciation	563 151	684
Book value	189 969	3 711

Incomplete acquisitions		
Acquisition cost 1st Jan.	15 083	15 083
Additions	0	0
Deductions	7 236	15 083
Book value	7 847	0

#### 12. INVESTMENTS

Acquisition cost 1st Jan.	8 745	18 895
Additions	78 454	199 349
Deductions	7 541	6 752
Book value	79 659	211 493

#### FIXED ASSETS, TOTAL

354 357

243 802

### SHARE OF OWNERSHIP BY GROUP AND PARENT COMPANY

Parent Company KSP Group Plc, Jyväskylä	
Ownership percentage	
Fiaset Oy, Jyväskylä	100
Jyväsviestintä Oy, Jyväskylä	100
Kestel Oy, Jyväskylä	100
Kesnet Oy, Jyväskylä	100
Yomi Vision Ltd, Jyväskylä	100
Ownership of subsidiaries	
Yomi Vision Ltd, Jyväskylä	
Yomi Solution Ltd, Jyväskylä	100
Yomi Fusion Ltd, Jyväskylä	100
Kestel Oy, Jyväskylä	
Oy Atec-Security Ltd, Municipality of Jyväskylä	100

### CURRENT ASSETS

	GROUP 31.12.2000	GROUP 31.12.1999	PARENT COMPANY 31.12.2000	PARENT COMPANY 31.12.1999
<b>13. INVENTORIES</b>				
Materials and supplies	6 853	4 845	0	653
Unfinished goods	3	159	0	0
Advances	0	139	0	139
	6 856	5 142	0	792
<b>14. RECEIVABLES</b>				
Non-current receivables				
Loan receivables	0	11 795	0	11 795
Intra-Group receivables	0	0	34 668	8 756
	0	11 795	34 668	20 551
<b>15. CURRENT</b>				
Sales receivables	43 386	36 952	184	24 523
Intra-Group receivables	0	0	6 093	1 379
Loan receivables	12 049	539	11 978	376
Other receivables	477	56	0	0
Accruals	27 396	3 963	18 307	2 114
	83 309	41 511	36 562	28 392
Specifications of accruals				
VAT receivables	0	113	1 231	0
Income on accrual basis	10 895	3 646	921	2 037
Pre-paid expenses	16 501	204	16 155	77
	27 396	3 963	18 307	2 114
Cash in hand and at banks	40 727	68 179	34 353	63 289
<b>CURRENT ASSETS, TOTAL</b>	<b>130 892</b>	<b>126 627</b>	<b>105 583</b>	<b>113 025</b>



## 16. SHAREHOLDERS' EQUITY

Share capital at 1st Jan.	28 635	28 635	28 635	28 635
Change	1 403	0	1 403	0
Share capital	30 037	28 635	30 037	28 635
Above-par-value fund at 1st Jan.	98 880	98 880	98 880	98 880
Change	8 715	0	8 715	0
Above-par-value fund	107 595	98 880	107 595	98 880
	137 633	127 515	137 633	127 515

Profit from the previous financial years at 1st Jan	165 873	114 915	90 312	49 062
Increase in subscriptions	2 482	1 972	0	0
Distribution of dividends	-12 599	-3 436	-12 599	-3 436
Donation	-120	-170	-120	-170
Profit from the previous financial years at 31st Dec.	155 636	113 281	77 593	45 456
Profit of the financial year	91 531	52 592	62 563	44 856

<b>SHAREHOLDERS' EQUITY, TOTAL</b>	<b>384 799</b>	<b>293 388</b>	<b>277 789</b>	<b>217 827</b>
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Minority share	0	440	0	0
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## Distributable funds

Profit from the previous financial years at 1st Jan.	165 873	114 915	90 312	49 062
Increase in subscriptions	2 482	1 972	0	0
Distribution of dividends	-12 599	-3 436	-12 599	-3 436
Donation	-120	-170	-120	-170
Profit from the previous financial years at 31st Dec.	155 636	113 281	77 593	45 456
Profit of the financial year	91 531	52 592	62 563	44 856

	247 167	165 873	140 156	90 312
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Share of accumulated depreciation  
entered into shareholders' equity

	50 560	50 560		
	196 607	115 313	140 156	90 312

The parent company's share capital is divided by the types of shares as follows

	No. of shares	2000 FIM	No. of shares	1999 FIM
A Series shares (1 vote/share)	14 234 120	29 621 282,01	2 823 474	28 234 740,00
K Series shares (15 votes/share)	200 000	416 201,10	40 000	400 000,00
	14 434 120	30 037 483,11	2 863 474	28 634 740,00

## 17. ACCUMULATED APPROPRIATIONS

Accumulated depreciation difference at 1st Jan.		0,00	67 308
Change in the financial year		0,00	-2 369
Depreciation difference		0,00	64 938

## LIABILITIES

18. NON-CURRENT LIABILITIES				
Deferred tax liability	20 157	20 667	0	0
Loans from financial institutions	9 226	12 600	9 000	12 600
Subscription loan	0	253	0	253
Intra-Group debts	0	0	50 942	9 430
Loans	9 226	12 853	59 942	22 282
19. CURRENT LIABILITIES				
Accounts payable	12 417	13 425	1 222	9 068
Loan instalments	3 643	4 600	3 600	4 600
Intra-Group debts	0	0	2 920	1 399
Other debts	9 623	8 260	312	4 139
Accruals	45 384	45 481	3 600	25 472
	71 067	71 767	11 654	44 677
Specification of accruals				
Costs on accrual basis	28 107	37 365	1 210	21 195
Holiday bonuses	10 839	5 896	838	2 995
Dividend debt	981	420	981	420
Advance income	234	51	51	51
Interests	77	100	77	100
Wages and salaries	5 145	1 650	442	711
	45 384	47 131	3 600	25 472
Intra-Group receivables and payables				
Group receivables				
Current			6 093	1 379
Non-current			34 668	8 756
			40 761	10 135
Group debts				
Current			2 920	1 399
Non-current			50 942	9 430
			53 862	10 828
Mortgages and guarantees given as security collateral				
Mortgages as collateral	26 520	27 020	26 520	27 020
Loans against mortgages	12 600	17 200	12 600	17 200
Liabilities				
Other liabilities	657	1 130	517	870

**TO THE SHAREHOLDERS OF KSP GROUP PLC**

We have audited the accounts, the financial statements and the corporate governance of KSP Group Plc for the financial period of 1st January – 31st December, 2000.

The financial statements drawn up by the Board of Directors and the CEO consists of the following: Report on Operations, Income Statement, Balance Sheet and Notes to Financial Statements. On the basis of our audit, we give the following statement on the financial statements and corporate governance.

The audit has been conducted in accordance with the Finnish Standards on Auditing. These standards require a sufficiently comprehensive audit of the accounts, the principles underlying the financial statements, and their contents and presentation, to establish whether the financial statements are materially correct. The audit of corporate governance has examined the legality of the actions of the Board of Directors and the CEO on the basis of the regulations laid out in the Companies' Act.

The financial statements of the Parent Company, showing a profit of FIM 62,563,443.26, have been prepared in

accordance with the Accounting Act and other applicable rules and regulations. The financial statements give a true and fair view, as defined by Accounting Act, of the Group's and Parent Company's result and financial position.

We propose that the financial statements, together with the consolidated financial statements, be approved, and the members of the Board of Directors and the CEO be discharged from liability for the financial period audited by us. The proposal of the Board of Directors concerning the disposal of the distributable funds is as per the Companies' Act.

Jyväskylä, 20 February, 2001

SVH Pricewaterhouse Coopers Oy  
Authorised Public Accountants



Henrik Sormunen  
Authorised Public Accountant

	1996	1997	1998	1999	2000
<b>ECONOMIC DEVELOPMENT OF THE GROUP</b>					
<b>INCOME STATEMENT INFORMATION</b>					
Net sales, FIM million	146,1	159,7	182,9	222,5	298,9
Change in the net sales, %	18,1	9,3	14,5	21,7	34,3
Operating profit, FIM million	15,5	21,6	26,9	43,3	28,1
% of the net sales	10,5	13,5	14,7	19,4	9,4
Profit before extraordinary items, FIM million	14,7	18,7	25,7	45,9	32,7
% of the net sales	10,0	11,7	14,1	20,6	10,9
Profit before appropriations and taxes, FIM million	14,7	18,7	27,7	74,8	133,6
% of the net sales	10,0	11,7	15,1	33,6	44,7
R&D expenses	—	—	—	14,5	20,0
R&D expenses - % of the net sales	—	—	—	6,5	6,7
<b>BALANCE SHEET INFORMATION</b>					
Balance sheet, total, FIM million	282,5	301,5	326,5	399,1	485,2
Shareholders' equity, FIM million	112,3	217,1	242,4	293,4	384,8
Minority share			0,4	0,4	0,0
Liabilities, total, FIM million	113,1	84,4	83,7	105,3	100,4
Share of subscriber loan, FIM million	57,8	10,8	3,3	0,2	0,0
Loans from financial institutions, FIM million	24,1	20,7	17,5	12,6	9,2
Deferred tax liability	—	18,8	20,4	20,7	20,2
Interest-free loans	31,2	52,8	62,8	92,5	91,2
Current, FIM million	31,2	34,0	42,4	71,8	71,1
Gross investments, FIM million	32,1	50,1	48,7	71,3	65,1
% of the net sales	22,1	31,4	26,6	32,1	21,8
<b>KEY INDICATORS</b>					
Return on investment %	6,4	11,1	11,7	16,4	9,5
Return on equity %	10,1	6,9	7,4	11,8	5,9
Equity ratio %	59,9	72,0	74,4	73,6	79,3
Quick Ratio	1,7	1,8	1,8	1,5	1,7
Average number of personnel	257	264	277	327	471
Dividend distribution, FIM million (2000 Board's proposal)		2,1	3,5	12,6	21,0
<b>KEY INDICATORS, SHARES</b>					
Earnings/share, FIM		0,97	1,19	2,22	1,38
Dividend/share, FIM ( 2000 Board's proposal)		0,16	0,30	0,88	1,40
Dividend/earnings, %		16,5	20,2	39,6	101,2
Dividend yield, %		0,9	0,9	1,6	3,9
Shareholders' equity/share, FIM		14,35	16,93	20,52	26,66
Price per earnings		19	24	25,1	26,2
Number of shares after share issue adjustment	9 171 770	2 763 479	14 317 370	14 317 370	14 434 120
Number of shares	58 642	264 619	2 863 474	2 863 474	14 434 120
Price of share at 31st Dec, FIM		18,60	28,00	55,77	36,27
Market value of the share capital, FIM million		249	401	798	523
Exchange of shares, number of shares		9 934 690	14 202 145	5 225 210	4 387 882
Exchange of shares, %		71,9	99,1	37,01	30,8

RETURN ON INVESTMENT, %

$$\frac{\text{Profit before extraordinary items + interest and other financing costs}}{\text{Total of balance sheet - interest-fee liabilities}}$$
  
 (average over the financial year)

RETURN ON EQUITY, %

$$\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity + reserves (1) + minority share}}$$
  
 (average over the financial year)

EQUITY RATIO, %

$$\frac{\text{Shareholders' equity + reserves (1) + minority share}}{\text{Total of balance sheet - advances received}}$$

EARNINGS/SHARE

$$\frac{\text{Profit before extraordinary items - taxes - minority share}}{\text{Average number of shares after share issue adjustment}}$$

DIVIDEND/PROFIT, %

$$\frac{\text{Dividend per share}}{\text{Profit per share}}$$

DIVIDEND YIELD, %

$$\frac{\text{Dividend per share}}{\text{Exchange rate of a share on 31st Dec}}$$

SHAREHOLDERS' EQUITY/SHARE

$$\frac{\text{Shareholders' equity + reserves (1)}}{\text{Average number of shares after share issued adjustment on 31st Dec}}$$

PRICE/EARNINGS RATIO

$$\frac{\text{Adjusted rate on 31st Dec}}{\text{Earnings/ share}}$$

MARKET VALUE OF THE SHARE CAPITAL

Number of shares x rate on 31st Dec

EXCHANGE OF SHARES, %

$$\frac{\text{Number of shares exchanged during the financial year}}{\text{Average number of shares during the financial year}}$$

The KSP Group Plc shares are divided into A and K series. At the beginning of the year there were 2,823,474 series A shares, with a nominal value of FIM 10 and carrying one vote per share. There were 40,000 series K shares, with a nominal value of FIM 10 and carrying 15 votes per share. The total number of shares was 2,863,474 and share capital stood at FIM 28,634,740.

Following authorization from the Annual Meeting, the Board of KSP Group Plc floated 15,350 series A shares targeted at the shareholders of Yomi Oy, thereby acquiring Yomi Oy's total stock. The shares were subscribed and acknowledged as paid on April 14, 2000. The nominal value of the series A share was FIM 10 and the subscription price FIM 456.50. The shares carry the right to full dividend for 2000. After the flotation, KSP Group Plc's capital stock stood at FIM 28,650,090.

On June 29, 2000 the number of shares was increased five-fold. Thereafter, there were 14,194,120 A shares and 200,000 K shares, i.e., a total of 14,394,120. To ensure an equal distribution of shares to all shareholders, capital stock was raised EUR 196,107.61 in a bonus issue, making the countervalue of each share EUR 0.35 and abandoning the nominal share value.

At least one and at most 40,000 A shares, countervalue EUR 0.35, and at least 10 and at most 400,000 options were offered for subscription by the personnel of KSP Group Plc as part of the company's pay and incentive policy. KSP Group Plc's subsidiary, Fiaset Oy, was also entitled to subscribe 140,000 options.

All the shares and warrants were subscribed. The share subscription price was EUR 13.08 for the shares and EUR 15.26 for the warrants. The shares carry the right to full dividend from the beginning of 2000. Series A shares subscribed on the basis of warrants accounted for 3.61% of shares diluted by the number of A shares and 3.04% of votes. The subscription period for shares and warrants was from August 28, 2000 to September 22, 2000. The share subscription period for shares with A warrants begins on December 1, 2001, for B warrants on December 1, 2002, and for C warrants on December 1, 2003,

ending in all cases on January 31, 2007.

The increase in share capital achieved through the personnel issue was entered in the Trade Register on October 12, 2000, and the 40,000 shares concerned have been offered for trading with the old shares since October 16, 2000. Following the increase in share capital, the company had 14,234,120 series A shares.

There were altogether 14,434,120 series A and K shares, and share capital totaled EUR 5,051,942.00.

Altogether 4,387,882 shares were traded on Helsinki Exchanges, corresponding to 30.8% of all series A shares. The value of trading was FIM 386,3 million. The lowest quotation during the year was FIM 34.78 and the highest FIM 148.64, the average price being FIM 78.10. At the end of the year, the price was FIM 36.27 and the company's market capitalization was FIM 516,3 million. The change made in the number of shares on June 29, 2000 and the shares targeted at the shareholders has been taken into account in calculating the number of shares and the prices.

On December 14, 2000 the Board of Directors proposed to an Extraordinary General Meeting of shareholders convened on January 9, 2001 that all current new issue authorizations should be cancelled, that the Board of Directors should be authorized to decide on an increase in share capital through a new issue, on issue of warrants and on flotation of a convertible bond in one or more lots to the effect that the Board would be entitled to issue up to 2,846,824 series A shares in a new issue, diverging from the prior subscription right of shareholders, and to cancel all the series K shares held by the company by reducing share capital by EUR 70,000.

## **SHARE OWNERSHIP BY BOARD MEMBERS AND CEO**

Board members, the CEO and deputy CEO own a total of 5,460 shares and 40,300 warrants to subscribe shares. The total number of shares is 45,760, equivalent to 0.3% of all shares and votes.

## DISTRIBUTION OF SHARE-HOLDING ON 31 DECEMBER, 2000

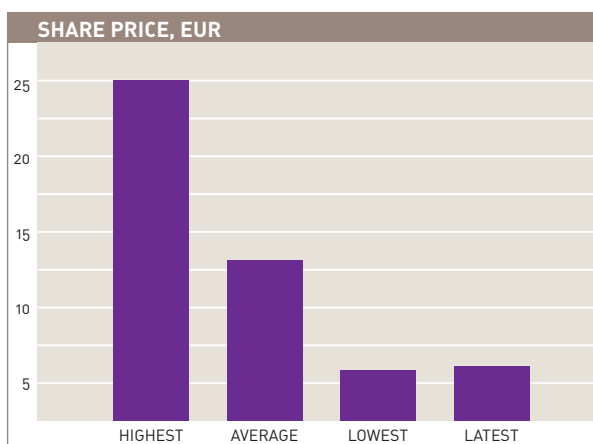
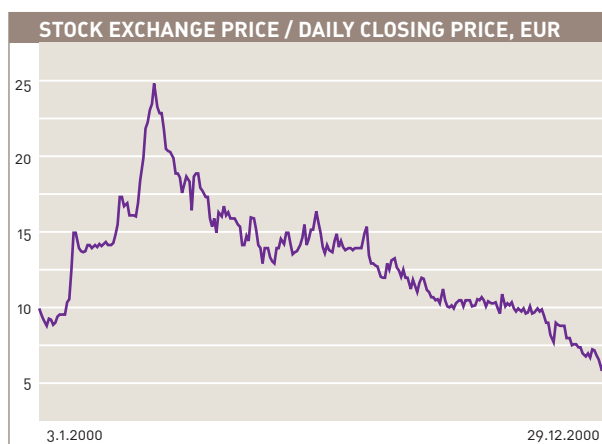
	Number of shares	Holding, %
Public enterprises	66 400	0,46
Private companies	9 201 080	63,75
Financial and Insurance companies	731 338	5,07
Public corporations	746 890	5,17
Non-profit making corporations	152 975	1,06
Households	2 684 297	18,60
Foreign	83 680	0,58
Joint account	767 460	5,32
<b>Total</b>	<b>14 434 120</b>	<b>100,00</b>

## DISTRIBUTION OF SHAREHOLDERS BY SIZE ON 31 DECEMBER, 2000

No. of shares	No. of Shareholders	Holding, %	Total No. of Shares	Holding, %	No. of Votes	Holding, %
1-100	3 704	27,15	217 495	1,51	217 495	1,26
101-500	9 130	66,91	2 160 425	14,97	2 160 425	12,54
501-1.000	477	3,50	333 370	2,31	333 370	1,93
1.001-5.000	262	1,92	543 222	3,76	543 222	3,15
5.001-10.000	24	0,18	156 780	1,09	156 780	0,91
10.001-50.000	32	0,23	717 343	4,97	717 343	4,16
50.001-100.000	5	0,04	307 645	2,13	307 645	1,79
100.001-500.000	8	0,06	1 153 250	7,99	3 953 250	22,94
500.001-	3	0,02	8 077 130	55,96	8 077 130	46,87
	<b>13 645</b>	<b>100,0</b>	<b>13 666 660</b>	<b>94,68</b>	<b>16 466 660</b>	<b>95,55</b>
Joint account			767 460	5,32	767 460	4,45
<b>Total</b>			<b>14 434 120</b>	<b>100,0</b>	<b>17 234 120</b>	<b>100,0</b>

## MAJOR SHAREHOLDERS 31 DECEMBER, 2000

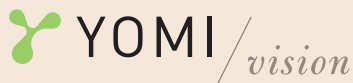
	Share series:			Holding, %		Holding, %		Holding, %	
	A	K	Total	A	K	A + K	No. of votes	% of votes	
Elisa Communications Corporation	3 372 175		3 372 175	23,75		23,36	3 372 175	19,57	
Ww Value Oy	2 897 455		2 897 455	20,41		20,07	2 897 455	16,81	
Tampere Telephone Plc	1 807 500		1 807 500	12,73		12,52	1 807 500	10,49	
Fiotele Oy	0	200 000	200 000	0,00	100,00	1,39	3 000 000	17,41	
Merita Bank Plc	169 790		169 790	1,19		1,18	169 790	0,99	
The Republic of Finland	160 050		160 050	1,12		1,11	160 050	0,93	
Skandinaviska Enskilda Banken Ab	139 250		139 250	0,98		0,96	139 250	0,81	
Svenska Handelsbanken Ab	136 000		136 000	0,96		0,94	136 000	0,79	
LEL Employment Pension Fund	124 750		124 750	0,88		0,86	124 750	0,72	
City of Jyväskylä	120 910		120 910	0,85		0,84	120 910	0,70	
Verdandi Insurance Company	102 500		102 500	0,72		0,71	102 500	0,59	
Tapiola Mutual Pension Insurance Company	70 000		70 000	0,49		0,48	70 000	0,41	
Municipality of Jyväskylä	65 520		65 520	0,46		0,45	65 520	0,38	
Wip Value Visions, Special Mutual Fund	60 000		60 000	0,42		0,42	60 000	0,35	
Extel-Parvenu Oy Ab	56 450		56 450	0,40		0,39	56 450	0,33	
Fondita Nordic Small Cap Placfond	55 675		55 675	0,39		0,39	55 675	0,32	
Leonia Bank Plc	48 000		48 000	0,34		0,33	48 000	0,28	
Tapiola Mutual Life Assurance Company	40 990		40 990	0,29		0,28	40 990	0,24	
Jyväskylä Parish	35 780		35 780	0,25		0,25	35 780	0,21	
Tapiola Corporate Life Insurance Company	35 000		35 000	0,25		0,24	35 000	0,20	
	<b>9 497 795</b>	<b>200 000</b>	<b>9 697 795</b>	<b>66,73</b>	<b>100,00</b>	<b>67,19</b>	<b>12 497 795</b>	<b>72,52</b>	
Joint account	767 460		767 460	5,39		5,32	767 460	4,45	
Other shareholders, total	3 968 865		3 968 865	27,88		27,50	3 968 865	23,03	
	<b>14 234 120</b>	<b>200 000</b>	<b>14 434 120</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>17 234 120</b>	<b>100,00</b>	





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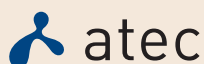
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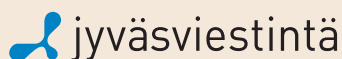
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