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ANNUAL REPORT 2000

Novo Corporate Communications

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► Kristiina Lahikainen, management secretary, is most often the first person at Novo whom customers and partners are in contact with.



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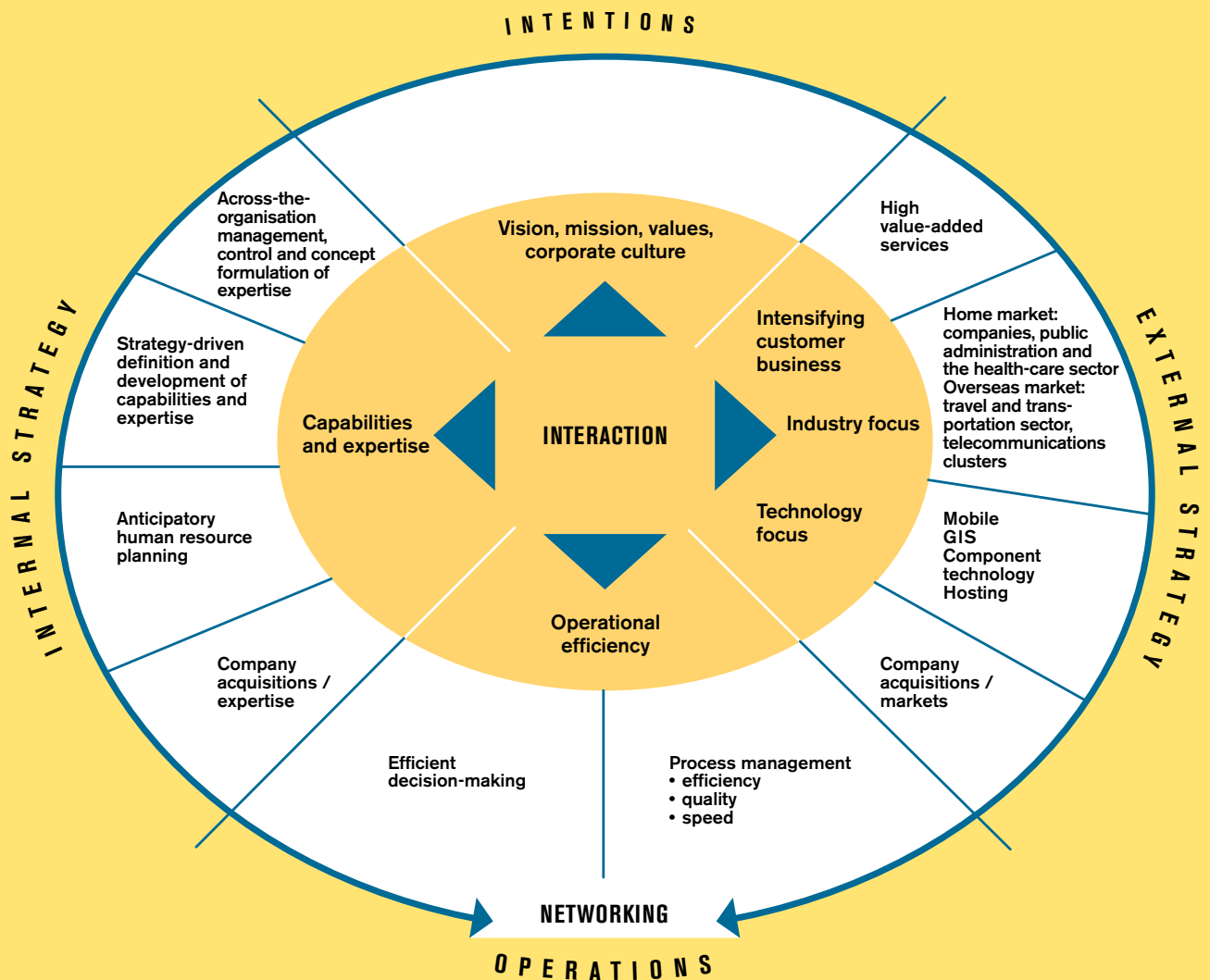
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NOVO IN BRIEF

Strategic intent

Novo Group is a profitably growing and internationalising expert organisation providing its customers with IT tools with a view to contributing to their business in terms of higher efficiency. In Finland, Novo offers its customers a full range of services. With its selected niche products and

services, Novo is in the process of internationalising through customer relationships and partnerships. Successful company performance is grounded on efficient and network-based processes.



▲ Novo Group's strategic business model is illustrated as a fourfold matrix: external strategy on the right side, internal strategy on the left side, factors related to the Group's strategic intent on top, and operational activities below. The four perspectives in the model have to be compatible and support each other.

The external strategy includes three critical success factors and the strategic decisions pertaining to them. The internal strategy includes those critical success factors, which, in the event

of their successful implementation, make it possible to implement the external strategy. Novo Group's resource management refers to the management of individual competencies and organisational capabilities. Through company acquisitions, Novo enter new markets and acquire new critical expertise.

The critical factor in operational activities is efficiency. By means of its strategic choice, Novo Group aims to become networked in all four areas in the model.

Novo provides its customers with IT consulting, software and other services as well as infra solutions. The company's strength lies in its capability to integrate a full range of extensive software, services and hardware. The company is expert in mobile and GIS-based Internet solutions.

The Group's customer base includes both private enterprises and public-sector organisations. In public administration, Novo has long traditions as an IT solutions provider for municipalities, in particular. Telecommunications cluster, travel and transportation businesses are among the growing customer sectors.

Novo Group parent company is Novo Group plc headquartered in Helsinki. The Group has offices and sites in 25 locations in Finland and foreign subsidiaries in the UK, Germany, the Netherlands, Estonia, China and the US.

Certifications

The entire service chain of Novo Group plc, Novosys Ltd. and Novobit Ltd. was granted an SFS-EN ISO 9001 quality certificate in 1995, in 1997 and in January 1998, respectively. Novotrust Ltd. was granted an SFS BS 7799 data security certificate in October 2000.

Mission

Novo is a powerful IT generator and partner.

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

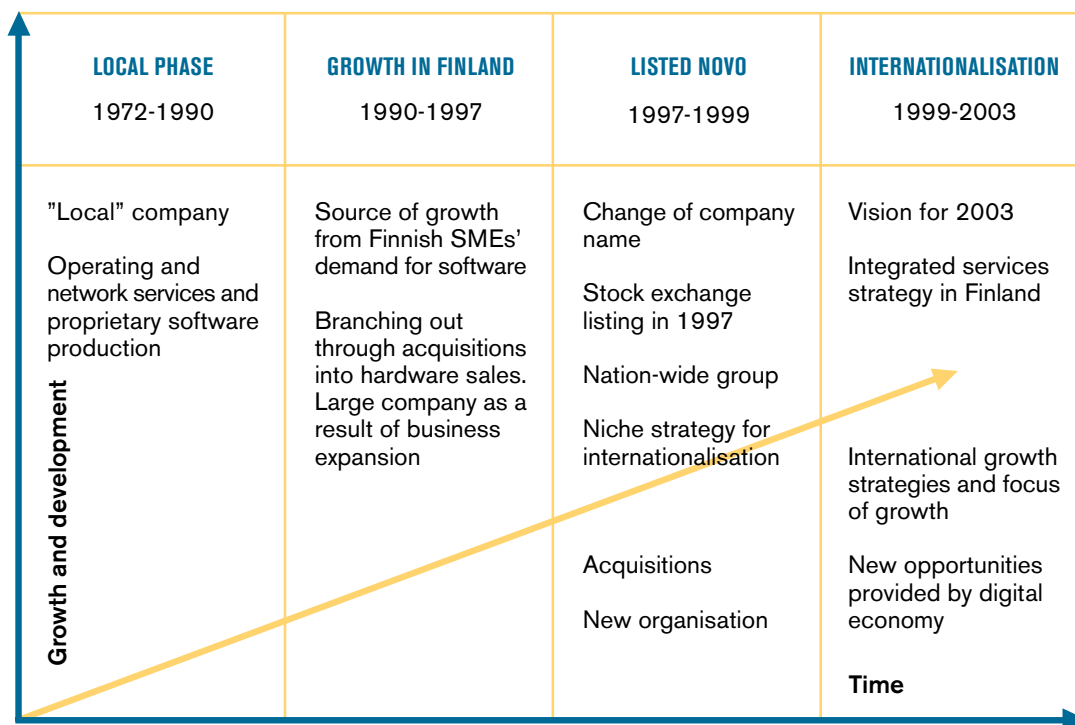
Vision

Novo aims to transform into a new-economy solutions provider and to grow into a major European IT service company.

Values

All Group companies and Novo employees are united by the pursuit of being ambitious, articulative and actual in all their operations.

▼ Novo's corporate history is characterised by several periods of internal and external changes, demonstrating that the company is good at reinventing itself. Novo's vision target is to establish itself as a major European IT service company.



Major events in 2000

- ▶ Novo and Benefon announced their co-operation in offering fleet and staff management systems. The solution presented is based on Novo's VCS system platform and Benefon's unique Benefon Locus telematics phone.
- ▶ CSC, the Center for Scientific Computing with its partners, acquired Compaq AlphaServer-based super cluster system from Novo. This system is the Nordic countries' largest cluster system designed for scientific computing.
- ▶ Novo introduced a WAP application based on report generator, what gives customers the possibility of making direct use of existing application databanks with a WAP terminal. The use of databanks is now possible regardless of time and place.
- ▶ Novo approved the arrangement for the acquisition of the Cetec B.V. company, based in the Netherlands. Cetec B.V. specialises in resource plan and optimising systems for airlines. The acquisition strengthens Novo's position as a software solution supplier for the passenger traffic in accordance with Novo's internationalisation strategy.
- ▶ Cities of Helsinki, Vantaa and Espoo, previously the three major share holders of Novo Group plc, sold their shares of Novo.
- ▶ Novo and IBM signed an agreement for the utilisation of IBM's Tivoli environment in the usability services' system control package which Novo offers its clients. With the agreement Novo becomes the only "Premium Partner" cooperative partner



- ▲ Jokerit Gold mobile portal is an example of an M-business solution implemented in 2000. Access to the portal, which provides ice-hockey news and statistics, is by a WAP device. Marko Kaukonen of Novo was involved in the implementation of the portal for Jokerit.

of IBM/Tivoli in Finland.

- ▶ Novo and F-Secure presented a data security product, that will make the construction of a secure network connection much easier and less expensive. The TrustVPN solution has been designed for organisations whose employees have a remote network connection to their workplaces.
- ▶ Novo's Internet and Mobile Business Unit merged Novostore's, SuperWeb's, and Profit Media's products and services to become Novo Extend. WebSite was acquired in March 2000.
- ▶ Novo established a Mobile Hosting Service Centre for wireless data communications connections. The Mobile Hosting Service Centre offers, among other things, services integrating mobile network connections with corporate information systems and ready-made platforms for the provision of WAP services.
- ▶ Novo penetrated the US market by a winning a contract to supply Continental Airlines with handheld hardware and software for the processing of duty free transactions on international flights.
- ▶ Novo and Go2map introduced the first mobile Internet-based tracking and communication system for logistic operations in China.
- ▶ Novo accepted the plan of expanding the business process outsourcing services by establishing a joint venture company with Mutual Insurance Company Varma-Sampo.

Key figures	1998	1999	2000
Net sales, MEUR	261,6	312,0	319,4
Operating profit before amortisation of goodwill, MEUR	14,1	16,5	6,1
Operation profit, MEUR	12,5	13,0	1,7
Operation profit before extraordinary items, MEUR	13,4	13,7	2,7
Profit for the financial year, MEUR	9,6	9,1	1,3
Balance sheet total, MEUR	118,0	147,6	144,4
Return on investment %	21,5	18,9	4,4
Equity ratio %	55,4	50,5	49,7
Cross capital expenditure, MEUR	22,6	31,6	16,4
Earnings per share, e	0,30	0,29	0,04
Shareholders equity per share, e	2,0	2,1	2,0
Average number of personnel	1279	1762	2026

Other financial indicators in page 32.

SHAREHOLDER INFORMATION

Annual General meeting

The Annual General Meeting of Novo Group plc will be held on Wednesday 21 March 2001 at 10:00 a.m. The meeting will take place at the Group's Head Office in Pitäjänmäki, Valimotie 17, Helsinki.

Those shareholders entered in the shareholders' register, maintained by the Finnish Central Securities Depository Ltd., by 9 March 2001 at the latest, are entitled to attend the shareholders' meeting.

A shareholder whose shares have not been entered in the book-entry securities system is also entitled to attend the meeting if the said shareholder was entered in the company's shareholders' register prior to 9 September 1997 or if the said shareholder has notified the company and rendered an account of obtaining title to sha-

res. In such a case, the shareholder shall submit to the meeting either the share certificates or an account of the whereabouts of the certificates, or some other account of why the title to the said shares has not yet been entered in the book-entry securities account.

▶ A shareholder wishing to attend the Annual General Meeting shall notify Tuula MacIntosh by post at Novo Group plc, P.O. Box 38, FIN-00381 Helsinki, by telephone +358 205 66 2301 or by fax +358 205 66 2770 no later than 4:00 p.m. on 16th March 2001.

Notifications by post shall arrive by the closing date. Any proxies shall be submitted to the same address by the closing date.

Profit distribution and dividend entitlement

The Board of Directors proposes that a dividend of EUR 0.06 per share be distributed. A shareholder who, on the record date of dividend distribution, was entered in the shareholders' register, maintained by the Finnish Central Securities Depository, is entitled to a dividend. The record date is 26.3.2001. The Board of Directors proposes that dividend be paid after the record date of 2 April 2001.

Those shareholders, who have not transferred their share certificates to the book-entry securities system by the record date, are entitled to dividend payment after their shares have been transferred to the book-entry securities system.

Financial reporting

Novo Group plc will disclose three interim reports in 2001 as follows:

- ▶ January–March 2001, on Tuesday, 8 May 2001, at 9.00 a.m.
- ▶ January–June 2001, on Wednesday, 1 August 2001, at 9.00 a.m.
- ▶ January–September 2001, on Tuesday, 30 October 2001, at 9.00 a.m.

The interim reports are available from Novo Corporate Communications (tel. +358 205 662 405, fax +358 205 663 830, e-mail info@novogroup.com) in Finnish and English.

Shareholders Register

Shareholders are requested to notify the account operator, with whom they have their book-entry securities account, of any change in their contact address.



▲ Novo is owned by 5,100 shareholders. The easiest way for shareholders to gain update information on the company's business operations, financial standing and other up-to-the-minute news is to visit the company's web site www.novogroup.com

SHAREHOLDER INFORMATION

Share performance and trading volume

During 2000, the lowest quotation of Novo Group's share on the Helsinki Exchanges was, converted to the prices corresponding to the share split, registered on 20 April 2000, EUR 2.6, and the highest quotation was EUR 16.4. Over the year, 54,521,184 shares were traded, representing 163,1 per cent of the company's shares and share capital.

At the end of 2000, the market capitalisation of Novo's shares was MEUR 100.9 (MEUR 310,2).

At the end of 2000, Novo Group plc's share was included in the Helsinki Exchanges Hex 20 index, consisting of the twenty most traded shares on the Helsinki Exchanges, and in the eTX All Share index maintained by the LSE and Financial Times' FTSE.

Shares, share capital and series of shares

Novo Group plc has one share series. Each share entitles to one vote at the shareholders' meeting.

Novo Group plc's Annual General Meeting, held 11 th April 2000, decided that, without changing the company's share capital, the number of the company's shares would be increased by splitting each company share into five shares. The shares' book value will change from EUR 0.84094 to EUR 0.168188. The share split was recorded in the Trade Register on 20 April 2000 and trading of the new shares began on 25 April 2000. As a result of the share split, the number of the company's shares increased to 34,378,980. The company's paid-in share capital entered in the Trade Register at the end of 2000 was MEUR 5.8.

Share issues and share buy-back

The Annual General Meeting also authorised the Board of Direc-

tors to decide on increasing the company's share capital through one or several rights issues. As a result of the share issues included in the authorisation, the company's share capital can not rise more than EUR 1,093,222. A maximum of 6,500,000 new shares can be issued. The authorisation is valid for one year.

During 2000, the Board exercised its right under this authorisation three times. The company's share capital was increased on 1 February 2000, 29 March 2000 and 10 April 2000. The new shares issued, which totalled 1,305,290, were used as consideration of corporate acquisitions.

The Annual General Meeting also authorised the Board of Directors to make decisions on buying back shares with distributable profit and on assigning such shares. The maximum amount of shares to be bought must be less than five (5) per cent of the company's total number of shares. On 31 December 2000, the company held 750,000 of its treasury shares. This represents 2.2 per cent of the company's shares and share capital. During the last financial year, no more shares were bought back.

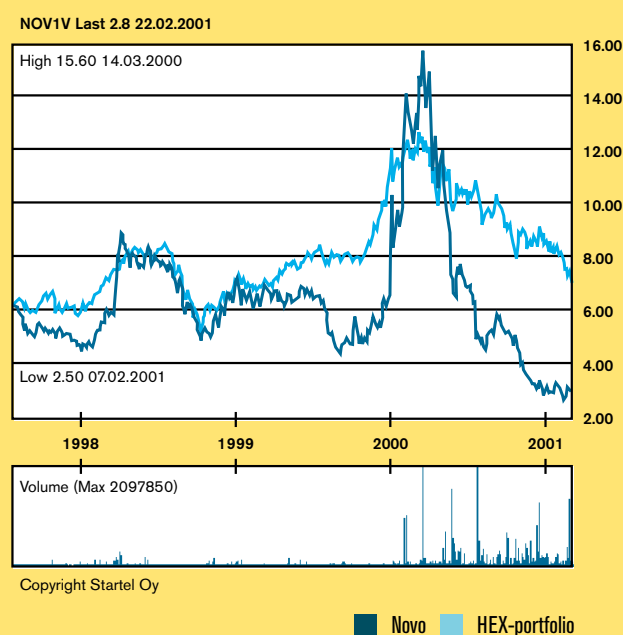
Stock-option schemes

Novo is running three stock-option schemes. Decisions on the implementation of the schemes were made before the share split in April 2000. In this specification, share subscription rights have been changed to correspond to the split ratio (1 : 5). In the original terms, the number of subscription rights corresponds to the then number of shares and book counter-value.

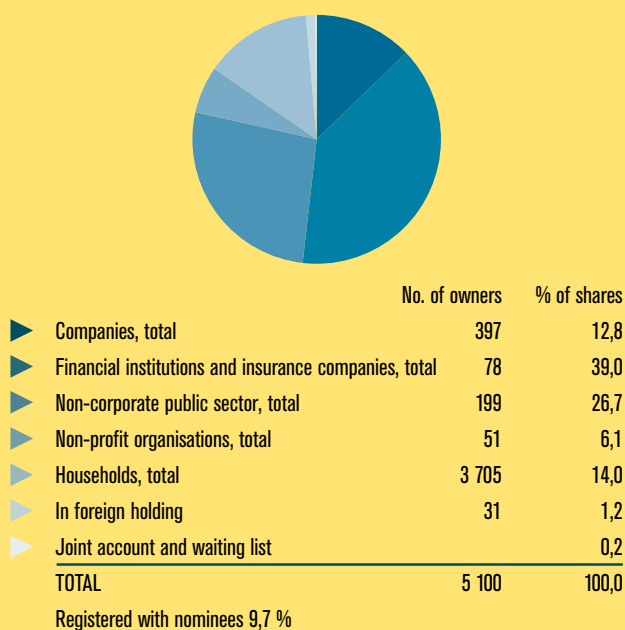
On 31 December 2000, the subscription rights, issued on the basis of Novo's option arrangements, together with the share subscription rights accounted for 13.8 per cent of Novo Group Plc's shares and share capital.

In the 1998 management stock-option scheme, a total of one (1) million stock options were issued, of which 25 per cent were marked with the letter A, 25 per cent with the letter B, 25

Trading volume and Novo's share performance
1997 - 20.2.2001



Shareholders by sector 22 of February 2001



per cent with the letter C and 25 per cent with the letter D. The exercise period for stock option A is from 1 June 2000 to 30 June 2004. The year-end subscription price for stock option A, adjusted for dividend and splitting, was EUR 7.60. The exercise period for stock option B is from 1 June 2001 to 30 June 2004. The imputed subscription price was EUR 8.10 at the end of the year. The exercise period for stock option C at EUR 8.61 is from 1 June 2002 to 30 June 2004. Each stock option D is exercisable at EUR 9.11 from 1 June 2003 to 30 June 2004.

Employee stock-option schemes

In the 1999 employee stock-option scheme, employees were provided with an opportunity to subscribe for units of the bond with warrants and to receive a total of two (2) million share subscription rights against the units subscribed. The bond with warrants was oversubscribed and all share subscription rights were granted. At the end of the year, each warrant attached to the bond was exercisable at EUR 5.78. Of the warrants 50 per cent are exercisable from 4 September 2001 to 4 September 2004 and the remaining 50 per cent from 14 June 2002 to 4 September 2004.

The bond with warrants issued in 2000, similar to that in 1999, provided 2.5 million share subscription rights and was oversubscribed. The Board of Directors decided to grant a total of two (2) million share subscription rights to the subscribers, in accordance with the terms, and to leave 500,000 share subscription rights in Novo's possession to be granted at a later date. Of the warrants 50 per cent are exercisable from 15 January 2003 to 20 September 2005 and the remaining 50 per cent from 15 January 2004 to 20 September 2005. The Board of Directors is authorised to regrant the options of the employees no lon-

ger on the company's payroll. Each warrant attached to the bond was exercisable at EUR 13.4 at the end of the year.

Dividend policy

Novo Group plc's objective is to pursue a dividend policy consistent with the year's financial performance with a view to maintaining, however, the amount of annual dividend constant. The company aims to pay a dividend of at least 25 per cent of profit after taxes. Nevertheless, dividend payments depend on the company's anticipated financial standing, financial performance, cash flows, working capital requirements and other factors, which the Novo Group plc's Board of Directors deem relevant, and ultimately on the decisions made by the Annual General Meeting.

Financial analysts

The financial analysts below, among others, follow Novo's share performance:

Aktia Securities	tel. +358 010 247 5000	Mr Paavo Ahonen
Alfred Berg Finland Oyj ABP	tel. +358 9 228 321	Mr Albert Haeggström
ArosMaizels Oyj	tel. +358 9 123 41	Mr Roland Müller
Conventum Securities Ltd.	tel. +358 9 549 930	Mr Peter Grönlund
D. Carnegie AB Finland Branch	tel. +358 9 618 711	Mr Mikael Huhtamäki
Deutsche Bank	tel. +358 9 252 5250	Mr Johannes Schulman
Enskilda Securities	tel. +358 9 6162 8700	Mr Mika Mikkola
Evli Securities Ltd.	tel. +358 9 476 690	Mr Heikki Sävelä
Mandatum Stock Brokers	tel. +358 010 236 10	Mr Erikka Pälä
Opstock Investment Banking	tel. +358 9 404 740	Mr Pekka Suhonen
Cazenove & Co., London	tel. +44 (0)20 7588 2828	Mr Henrik Olsson
Impivaara Securities Ltd.	tel. +44 (0)20 7284 3937	Mr Jeffrey Roberts

Distribution of shareholding by number of shares on 22 February 2001

Number of shares held	No. of shares %	No. of owners %
1 - 100	12,6	0,1
101 - 1.000	58,1	3,8
1.001 - 10.000	23,9	9,6
10.001 - 100.000	4,1	17,6
100.001 - 1.000.000	1,3	47,5
1.000.001 -	0,1	21,2
TOTAL	100,0	100,0

Joint account and waiting list 0,2 %

Twenty major shareholders 22 of February, 2001

Shareholders	%
1. LEL Employment Pension Fund	7,1
2. Mutual Insurance Company Tapiola	4,8
3. Varma-Sampo Mutual Pension Insurance Company	3,3
4. Leonia Finance Ltd	2,6
5. Leonia Bank plc	2,4
6. Novo Group plc	2,2
7. Mutual Insurance Company Pension-Fennia	2,1
8. The Finnish National Fund for Research and Development (SITRA)	2,0
9. Association of Finnish Local and Regional Authorities	1,6
10. Alfred Berg Finland Unit Trust	1,6
11. PT Pension Fund	1,6
12. Merita Fennia	1,6
13. Mutual Insurance Company Tapiola	1,3
14. Alfred Berg Small Cap Unit Trust	1,2
15. Alfred Berg Portfolio Unit Trust	1,2
16. Placeringsfonden Aktia Secura	1,1
17. Veikko Laine Oy	1,1
18. Alfred Berg Optimal Unit Trust	1,1
19. Enterprise-Fennia Mutual Insurance Company	0,9
20. Gyllenberg Optimum Fund	0,9
Others	58,3
TOTAL	100,0



YEAR OF SURPRISES TURNS TO NEW GROWTH

A host of forecasts regarding the demand for IT services were carried out before the turn of the millennium. All of them suggested that the IT market would grow at a steady but vigorous rate during the first years of the new millennium. Some special sectors, such as the markets for Internet, mobile, GIS and authentication services, were even expected to grow at an annual rate of 70-200 per cent. The slip in demand after the peak just before the turn of the millennium was reckoned to last for a couple of months.

Economies in Europe and in more distant regions flourished. Companies had all the necessary capacity for making investments, and new opportunities provided by innovative IT solutions that enhance competitiveness were expected to contribute to the businesses' willingness to maintain their investments at a high level. New companies were founded and incumbents reinvented themselves to meet market requirements,

which was expected to ensure top-level and versatile supply of services and products in the industry.

In its forecasts, Novo also reckoned that the year 2000 would be a period of strong development for the company. Admittedly, many IT companies will surely remember the year as the period of high hopes, which ended in a downfall.

Market was eroded by uncertainties

Brisk growth in the demand for electronic transactions enabling services, i.e. new-media services, was expected to result in market expansion in 2000. This prevailing belief last year led to the growing popularity of Internet and E-business companies, in particular, among investors around the world.

This belief was also manifested on the world's stock exchanges: a great number of new IT companies were listed and high expectations of company performance were reflected in

share prices. The belief was deeply rooted until the summer 2000 as the markets became aware of the lower-than-expected demand. Towards the autumn, the state of affairs was further confirmed by the weekly news of profits warnings and bankruptcies.

At the same time, the aftermath of Y2K somewhat depressed the market for more traditional IT products and services. Due to the non-implemented E-solutions and the a-close-shave mood caused by the Y2K, the decision-making procedures in the IT industry were also subject to reshaping. Hence, in an ever-increasing number of organisations, top management was regarded as being responsible for decisions, especially for strategic ones.

Moreover, the changes faced by IT companies in 2000 were further boosted by the IT users' uncertainty about the correct technology to be used. The uncertainties coupled with the users' stronger sense of responsibility were a considerable hitch in the organisations' decisions on IT purchases. Consequently, the resulting market disruptions were felt throughout the world.

All players affected by the changing environment

Unstable growth and development in an industry highly dependent on expert knowledge always cause anxiety, not least among staff. The customer- and market-based development of the company's personnel and service range may turn to a less solid basis.

Due to the weak demand for volume services and the according-to-plan investments made in the development of new businesses, services and employees as well as in internationalisation, Novo's financial performance fell far below the targets.

As a whole, the 2000 share performance of IT and technology companies did not give much joy to shareholders. This undesirable trend, experienced not only by the Helsinki Exchanges but also by other European stock exchanges, was especially affected by the less cheerful news about the US information technology industry. As to many companies, share performance did not actually follow company performance. Nevertheless, the turmoil was ubiquitous. In mid-year, Novo also announced profits warning.

Good news about the future

Despite the disturbances in the industry in 2000, Novo's business for the year can still be characterised as a period of good news and determined efforts to implement the company's strategy.

We continued implementing our internationalisation strategy by acquiring companies, by setting up new companies abroad and by winning new significant customers. Novo Cetec, acquired in the Netherlands, supplements our range of applications in the fields of travel and transportations sectors. The new companies set up in Germany and China consolidate our position as a service provider for the telecommunication cluster in these markets. At the end of the year, our other Chinese subsidiary, specialising in GIS solutions, entered into a major

agreement on the implementation of mTrack, a vehicle communication application, for a Chinese customer. Our US-based sales company is establishing a foothold among customers from selected industries.

In Finland, we were triumphant in markets where demand remained strong. Jokerit Gold-WAP portal became the customer of the mobile hosting service centre we established in Helsinki. Dozens of companies and public sector organisations adopted Rondo, an electronic purchase-invoice processing application. In the health-care sector, the year 2000 marked a breakthrough in E-health services. In addition, we announced a major acquisition of Atuline Ltd., an over-the-Internet virtual hospital service provider.

Unchanged target visions

Novo accounted for one-tenth of euros spent on IT in Finland in 2000. Foreign net sales came from customers of the Estonian, UK, Dutch, German, US and Chinese subsidiaries. With consolidated net sales of approximately MEUR 320, Novo is a major Nordic-wide IT service provider.

In early 2000, we created a vision for Novo. Our vision for the next few years is to become a major IT service provider in Europe.

Our strategy for achieving the targets incorporated in the vision is two-tiered. In Finland, we keep focusing on providing our customers with a full range of IT services ranging from consulting services to digital new-economy solutions or traditional software, operating services and equipment.

Our foreign operations will focus particularly on telecommunications clusters and customers in the travel and transportations businesses. We already have wide experience in services provided by Finnish companies with offices around the world in the telecoms clusters. We continue to cater for travel and transportations businesses by developing and marketing niche software products for their specific needs. The best example of our successful strategy is the on-board point-of-sale system already used by more than sixty airlines around the world. We believe that next we will make breakthroughs in the exploitation of GIS and mobile multi-channel solutions.

Our shared values, daily manifested in Novo's operations and its more than 2,000 professionals' work, permeate the entire Group. We believe that by nurturing our values – being ambitious, articulative and actual – Novo, as a first-rate IT service provider, will continue to be on course for sustained growth in 2001.

It gives me great pleasure to thank all our long-standing customers, shareholders and employees for the past year, not to mention our new customers, shareholders and partners who never stopped trusting us notwithstanding the turbulent year.



Jorma Kielemniva
President and CEO

FROM NEW ECONOMY TO M-VISION

The IT industry is in the midst of major changes. These changes imply a transformation where traditional business will integrate with new economy business models. In this change process, businesses will put an ever-increasing focus on broadband, wireless and mobile solutions.

The Group's M-strategies, among other things, will pay the way for Novo's transformation.



▲ Matti Mäkelin, Novos's management team member and HM&V Research Oy's Managing Director, has described the phenomenon in Transformation (Helsinki 2000, Hakapaino) published in 2000, a book he wrote with Aila Vuoria.

"Information society", "convergence" and "new economy" have each in their turn been the key strategic vision terms during the past few decades. Discussion on the information society started when technology and information were perceived as factors with the strongest influence on economic growth. Later, the importance of industry convergence, enabled by digitisation, was the focus of attention applied to the IT, telecommunications and media industries in particular. In the next phase it became evident that this evolution process in progress would lead to changes in the dynamics of the economy and corporate structures as well as to unprecedented and rapid globalisation. This is what is referred to as the "new economy".

In addition to basic technologies, the Internet and mobile voice (GSM) technologies had the greatest impact on the IT expansion in the late 1990s. The next wave of growth will be based on the services and business models enabled by the broadband round-the-clock mobile or wireless IP-based network. Hence, this is the origin of the fourth vision for the information society – M-vision.

Novo's M-vision

"M" refers not only to mobile but also multi-channel features. Services provision no longer requires a specific network connection or terminal equipment, but instead is based on real customer needs. Multi-channel features also imply that the value of the network connection is transferred to the service itself, i.e. the same service may incorporate several channels or it can be used through various channels.



The concept of the channel is broad. It may include GSM or GPRS, UMTS (the 3G network) or the WLAN. The channel may also refer to a PC, TV set or some virtual entity. "M" also refers to media-independence, i.e. data and voice, a computer and telephone are finally integrated under the IP platform.

M-POS and M-GIS – Novo's niche areas

The progress towards mass markets very often involves a niche phase. In its internationalisation process, Novo implements a niche strategy in two areas in particular.

- ▶ Novo is a world market leader in M-POS solutions for passenger traffic. More than sixty airlines use Novo's point-of-sale solution, operable in palmtops.
- ▶ Another of Novo's long-term developments includes M-GIS, i.e. markets for LBS (Location-Based Systems) that combine mobility, the Internet and geographic information. For the time being, the most notable applications deal with traffic and transport management systems.

Novo's M-strategy

Novo aims to become a major player in the global data services markets. The goal of the M-strategy is to provide customers with solutions where new terminal equipment as well as wireless and multi-channel network connections are integrated.

The new services will focus on selected segments by initially providing M-services for transport companies and telecommunications clusters. Customers will be implemented information systems and services where mobile network connections

▲ The task of Novo's Group-level competence leaders is to provide the management team's decision-making with their expertise and be in charge of the services their sector provides both for the organisation and customers. Matti Partanen (on left), Martti Ala-Härkönen, Tarja Virrala and Harri Mäkitie were among the contributors to Novo's M-business strategies.

and terminal equipment are integrated into multi-channel solutions. Many of these solutions will also utilize geographic information. Novo's expertise in the field of operating services (hosting), user identification, data security and telecommunications as well as palmtops and GIS solutions will also be exploited in mobile data services.

Novo's M-project

In 2000, Novo launched an M-project, in which experts from all units engaged in M-business were involved. The aim of the project is to pool the Group-wide mobile expertise and to develop new mobile and multi-channel solutions that make good use of Novo's units' expertise.

The project also aims to upgrade Novo's software production processes and technological capabilities. The M-project spans the entire Group with a view to creating and developing a uniform M-service development technology, training employees and exchanging experiences as well as examining the opportunities of M-business and E-services in co-operation with customers.

BOARD OF DIRECTOR'S REVIEW

The year 2000 was turbulent for the IT sector. At the beginning of the year, growth expectations in the market were high. However, investments made in the previous year, in preparation for the turn of the millennium, quietened down the basic information technology market. Demand for new economy services also underperformed expectations. Market growth was achieved towards the end of the year. According to preliminary information (International Data Corporation Finland Oy), overall market growth in Finland was around 8 per cent.

Novo offers a complete IT service package in Finland: consulting, software, product and operating services as well as separate services for supporting the use of information technologies, such as data security and authentication solutions.

In the international market, Novo offers niche solutions to selected target groups. These solutions include, for example, passenger traffic point-of-sale systems and mobile GIS solutions. Novo's internationalisation concentrates on the fields of passenger traffic and goods transport and the telecommunications cluster. During 2000, the number of Novo's foreign subsidiaries grew from three to six.

In 2000, the growth of Novo's net sales underperformed market growth. Growth was concentrated in the field of consulting services and expert services, especially in the customised software solutions sector. The share of the Group's overall sales in new technology-based solutions, such as the Internet, continued to grow. Foreign operations accounted for 10.8 per cent or MEUR 34.6 (MEUR 36.3) of net sales. The reduction in foreign net sales is due to the reduction in commission sales.

Novo's operating profit in 2000 underperformed the target figure. This was mainly affected by the focus of demand for IT services in areas different from those where Novo has traditionally been strong and by the fact, that in spite of that, Novo carried out its planned investments in the development of new business operations and in internationalisation.

Net sales

Novo Group's consolidated net sales were up by 2.4 per cent on the previous year and totalled MEUR 319.4 (MEUR 312.0). Net

sales of the parent company Novo Group plc picked up by 1.4 per cent and rose to MEUR 103.5 (MEUR 102.0).

The Infra Solutions Division posted net sales of MEUR 227.8 (MEUR 225.0), which is 71.3 per cent (72.1 per cent) of consolidated net sales. The number of employees was 727.

Net sales of the Software Product Solutions Division amounted to MEUR 44.3 (MEUR 47.5), which is 13.9 per cent (15.2 per cent) of consolidated net sales. The number of employees was 518.

The Customised Software Solutions Division recorded net sales of MEUR 20.2 (MEUR 18.7), representing 6.3 per cent (6.0 per cent) of consolidated net sales. The number of employees was 240.

Net sales of the New Business Solutions Division totalled MEUR 10.0 (MEUR 3.0), which is 3.1 per cent (1.0 per cent) of consolidated net sales. The number of employees was 222.

The foreign subsidiaries and GIS Solutions Division booked net sales of MEUR 16.6 (MEUR 17.0), accounting for 5.2 per cent (5.5 per cent) of consolidated net sales. The number of employees was 189.

Operating profit and financial position

In 2000, Novo Group's operating profit was MEUR 1.7 (MEUR 13.0). Profit before goodwill amortisation was MEUR 6.1 (MEUR 16.5). Pre-tax profit was MEUR 2.7 (MEUR 13.7). Earnings per share was 0.04 EUR (0.29). The parent company Novo Group plc made an operating profit of MEUR 5.5 (MEUR 6.9) and profit before appropriations and taxes of MEUR 8.0 (MEUR 11.0). Equity ratio was 49.7 % (50.5 %) at the year end.

Capital expenditure and product development

The Group's gross capital expenditure amounted to MEUR 16.4 (MEUR 31.6), of which the parent company accounted for MEUR 11.4. The investments included business acquisitions and IT purchases. Business acquisitions were partly financed through private placings. Product developments are treated as annual expenses.

Development of Novo's customer services

The Group's sales and customer relationship management operations were harmonised during 2000. The new sales organisation is built on customer industries. The primary objective of Group-level sales operations is to ensure a customer-oriented approach by allowing customers full use of services offered by the entire Group without their having to be in individual contact with the different companies of the Novo Group. Business area-based thinking is strongly anchored into the Novo values of ambitious, articulative and actual.

The business area division is complemented by the international sales team, responsible for promoting Novo's internationalisation objectives and the development of the Group's overseas sales network.

Group's structure and its development

The parent company of the Novo Group is Novo Group plc. At the end of the year, active Finnish subsidiaries were Novosys Ltd. and its subsidiary Nouveltech Ltd., Novobit Ltd., Novo Meridian Ltd. and its subsidiary Pohjolan Paikkatieto Oy, Novo Extend Ltd., HM&V Research Ltd. and its subsidiary HM & V Telecommunications Oy, Novosat Ltd., Novotrust Ltd., Karjalan Tietovalta Ltd., Citisoft Ltd., Novo Astra Ltd. and Kiinteistö Ltd. Novo Estate.

At the end of the year, the foreign subsidiaries of Novo Group plc were Novo Ivc Ltd., Novo Cetec B.V., Novo BCS AS, Beijing Novo Information Technology Co. Ltd., Guangzhou Novo Information Technology Development Co. Ltd., and Novo Group GmbH.

Novo Group plc's associate companies include IT-Solicom Oy (40 per cent) and Medici Data Oy (36 per cent). Novo's holding of its previous associate company Solid Information Technology decreased to 12.7 per cent in October as a result of a share issue targeted for new investors. In addition to these companies, Novo Meridian Ltd. owns 29.8 per cent of the shares of Komartek Oy.

On 24 January 2000, the Finnish Competition Authority approved the Profit Mediat Oy deal signed in December 1999. In February, Novo acquired WebSite, an Internet company, in

order to strengthen its range of new business operations solutions. The Finnish Competition Authority confirmed the deal on 27 March 2000.

Novo App Oy and Hebritt Oy were merged into the parent company on 29 February 2000.

In March, Novo acquired a Dutch specialist in human resource planning systems, Cetec B.V., in order to strengthen its supply of services aimed at airlines. Sateenkaarisuunnittelu and Quater Pendelum Oy were merged into Karjalan Tietovalta Oy on 31 March 2000.

Newcontrol Oy, a forestry IT solutions specialist acquired in May, was incorporated into Novo Group plc.

In June, the subsidiary Novo Group GmbH was founded in Germany, and in July the subsidiary Guangzhou Novo Information Technology Development Co. Ltd. was founded in China. The companies provide integrated IT infrastructure services and engage in the construction and operation of hosting service centres.

On 21 August, Novo divested its water supply and facilities management-related software operations by transferring them to Komartek Oy. The deal was executed as a business transfer. Subtiili Oy was merged into Novo Group plc on 31 August 2000.

SuperWeb Oy and Profit Mediat Oy were merged into Novostore Oy on 30 September. Novostore's name was changed to Novo Extend Ltd. WebSite Oy was merged into Novo Extend on 31 December 2000.

The acquisition of Atuline in December strengthens Novo's expertise in the field of health care. Atuline's virtual hospital services were integrated into the rest of Novo's range of health-care solutions.

In December Novo founded a new company specialised in providing GIS solutions, Novo Astra Oy. Novo signed a letter of intent with Varma-Sampo regarding a joint venture specialised in personnel services. The venture is to begin its operations on 1 April 2001.

Shares and Share Capital

According to the Articles of Association, the parent company's minimum capital is EUR 2,600,000 and maximum capital is EUR 10,400,000, within which limits share capital can be increased or decreased without amending the Articles of Association. The company's paid-in share capital entered in the Trade Register at the end of 2000 was MEUR 5.8.

Novo Group plc's Annual General Meeting, held 11 th April 2000, decided that, without changing the company's share capital, the number of the company's shares would be increased by splitting each company share into five shares. The shares' book value will change from EUR 0.84094 to EUR 0.168188. The share split was recorded in the Trade Register on 20 April 2000 and trading of the new shares began on 25 April 2000. As a result of the share split, the number of the company's shares increased to 34,378,980.

The Annual General Meeting also authorised the Board of Directors to decide on increasing the company's share capital through one or several rights issues. As a result of the share issues included in the authorisation, the company's share capital can not rise more than EUR 1,093,222. A maximum of 6,500,000 new shares can be issued. The authorisation is valid for one year.

During 2000, the Board exercised its right under this authorisation three times. The company's share capital was increased on 1 February 2000, 29 March 2000 and 10 April 2000. The new shares issued, which totalled 1,305,290, were used as consideration of corporate acquisitions. A specification of the new shares and their subscription prices is presented in the notes to the financial statements. The basis for the subscription prices of the shares has been the book net-asset value.

The Annual General Meeting also authorised the Board of Directors to make decisions on buying back shares with distributable profit and on assigning such shares. The maximum amount of shares to be bought must be less than five (5) per cent of the company's total number of shares. On 31 December 2000, the company held 750,000 of its treasury shares. This represents 2.2 per cent of the company's shares and share capital. During the last financial year, no more shares were bought back.

On 31 December 2000, Karjalan Tietovalta Oy held 2,500 of the parent company's shares.

Share Trading and Share Performance

During 2000, the lowest quotation of Novo Group's share on the Helsinki Exchanges was, converted to the prices corresponding to the share split, registered on 20 April 2000, EUR 2.6, and the highest quotation was EUR 16.4. Over the year, 54,521,184 shares were traded, representing 163.1 per cent of the company's shares and share capital.

At the end of 2000, the market capitalisation of Novo's shares was MEUR 100.9 (MEUR 310.2).

Personnel and human resources development

At the end of 2000, the Group employed 2,025 (1,910) persons, with 129 (76) abroad or in Novo's overseas subsidiaries. The average number of personnel during the year was 2,026 (1,762). At the end of the year, the parent company employed 1,099 (1,074) people, and the average number of personnel during 2000 was 1,023 (1,015).

During 2000, the focus of human resource development was on value management and training in the field of project management skills as well as on improving the company's preparedness for the internationalisation process. The supervisor training programme, Novo Pro, initiated in the autumn of 1999 and attended by more than 200 supervisors, concluded according to plan at the end of 2000. Its objective was to improve the organisation's efficiency by harmonising the Group's management practices and to improve Novo personnel's job satisfaction by increasing the efficiency of management processes.

A range of training opportunities were provided in order to improve technical expertise, their objectives being the strengthening of expertise in the field of developing electronic, mobile and multi-channel customer solutions.

Human resource policies and incentive schemes were unified. The first ever reward model, based on Group performance and applicable to all the Group's companies, was adopted at Novo.

The bond with warrants arrangement initiated during 2000 was the second option scheme designed for the entire Novo personnel. A quarter of the personnel (512 persons) subscribed units.

Events after the period

The Group's organisation was restructured on 15 January 2001. The Foreign subsidiaries and GIS Solutions Division was dissolved. The GIS-based companies that were part of the division were transferred to the New Business Solutions Division, and the other companies were incorporated into the Customised Software Solutions Division.

In January Novo founded a subsidiary in the USA.

Administration

The President and CEO of Novo Group plc is Jorma Kielenniva. The Chairman of the Board of Directors is Veikko Kasurinen, and the Vice-Chairman is Ilkka Hallavo. The other members of the Board are Matti Packalén, Juha Voittis, Risto Parjanne, Reijo Paajanen and Jorma Kielenniva.

The company's auditors were authorised public accountant Jorma Jäske and the public accountant company Tilintarkastajien Oy Ernst & Young, the principal responsible auditor being authorised public accountant Mikael Holmström. The deputy auditors were authorised public accountant Kunto Pekkala and authorised public accountant Arto Kuusiola.

Novo's future outlook

Novo's objective for the years ahead is to achieve a growth rate that substantially exceeds the current rate, to increase net sales from foreign operations and to become a major European provider of IT services. Some of the growth will be achieved through corporate acquisitions.

Novo will pursue growth by seeking a stronger presence especially in the EU and by striving to win a global customer base in selected software sectors. The most vigorous growth is expected in the passenger traffic, goods transport and telecommunications sectors. In terms of technical solutions, emphasis will be placed on supplying multi-channel services and, often,

the related GIS-based mobile solution services. The objective is to become a major provider of integrated IT systems based on mobile connections and various types of terminal equipment.

We believe that strong expertise in the field of traditional information systems, combined with a strong emphasis on solutions based on new technologies, will provide Novo with the opportunities it needs to succeed in achieving its objectives.

In 2001, another objective will be increasing profitability. The key to improve profitability lies in positive development in the IT-market and in customer-oriented and high-quality service provision along with efficient and networked processes.

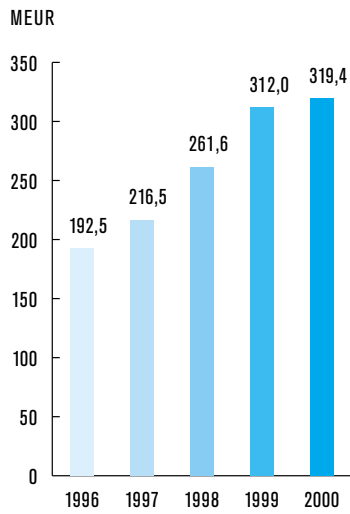
Proposal for the distribution of profits

The Board of Directors proposes that a dividend of EUR 0.06 per share, or a total of no more than EUR 2,062,738.80, be paid from the distributable profit and that the remainder be entered in retained earnings.

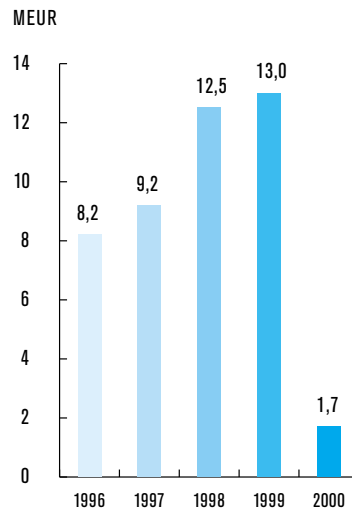
NOVO GROUP PLC
Board of Directors

FINANCIAL STATEMENT

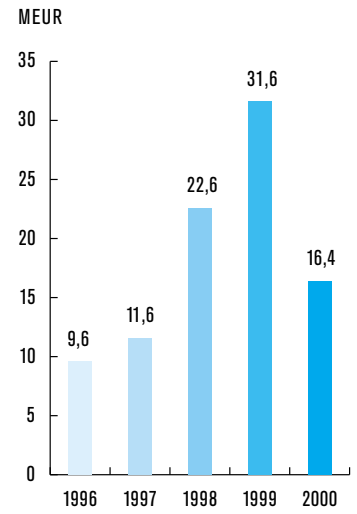
Net sales



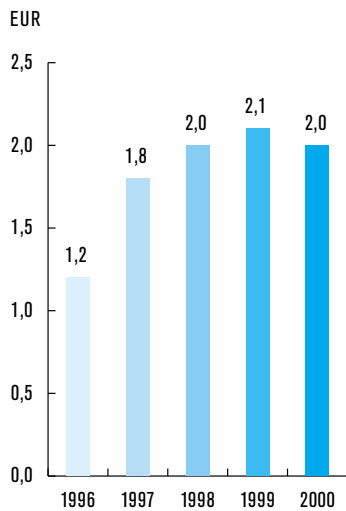
Operating profit



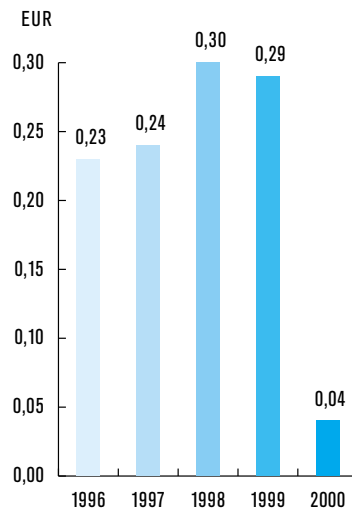
Gross investments



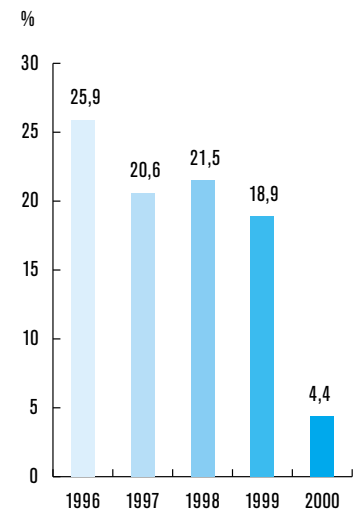
Shareholdersequity / share



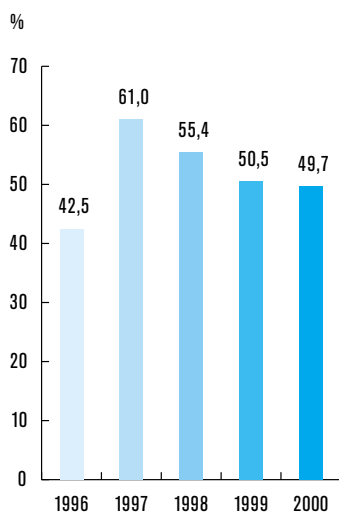
Profit / share



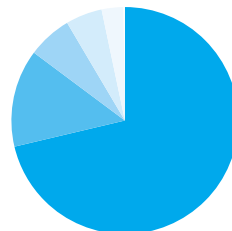
Return on investment



Solvency ratio



Net sales by divisions



- ▶ Infra solutions 71,3 %
- ▶ Software product solutions 13,9 %
- ▶ Customised software solutions 6,3 %
- ▶ Foreign subsidiaries and GIS solutions 5,2 %
- ▶ New bussiness solutions 3,1 %
- ▶ Others 0,2 %

THE NOVO GROUP

CONSOLIDATED INCOME STATEMENT	1.1.-31.12.2000 EUR 1000	1.1.-31.12.1999 EUR 1000
Net sales	319 389	311 982
Other operating income	2 592	479
Materials and services		
Materials and supplies		
Purchases during the year	168 814	163 757
Increase/decrease in inventories	-1 631	-669
Services purchased	5 513	9 716
Total materials and services	172 696	172 804
Personnel expenses		
Wages and salaries	69 895	59 250
Indirect employee costs		
Pension costs	10 380	9 225
Other indirect empl.costs	6 251	5 591
Total personnel expenses	86 526	74 066
Depreciations and value adjustments		
Depreciation according to plan	13 110	11 791
Depreciation on Group goodwill	1 959	1 174
	15 069	12 965
Other operating expenses	45 980	39 624
Operating profit	1 710	13 002
Financial income and expenses		
Equity earnings in partly-owned companies	1 117	184
Income from fixed asset investments		
from partly-owned companies	15	10
other investments	39	13
Interest receivable and financial income		
from partly-owned companies	2	2
other interest receivable and financial income	841	1 085
Interest payable and other financial expenses	-985	-600
Total financial income and expenses	1 029	694
Profit before taxes	2 739	13 696
Change in deferred tax liability	1 366	217
Income tax	-2 992	-4 898
Profit before minority interest	1 113	9 015
Minority interest of the financial year's profit	230	103
Profit for the financial year	1 343	9 118

THE NOVO GROUP

CONSOLIDATED BALANCE SHEET

ASSETS	31.12.2000	31.12.1999
Fixed assets		
Intangible assets		
Intangible rights	5 198	5 167
Goodwill	12 673	14 769
Group goodwill	7 905	6 774
Other long-term expenditure	153	69
Total intangible assets	25 929	26 779
Tangible assets		
Land	1 163	341
Buildings and constructions	5 819	4 886
Machinery and equipment	14 217	19 407
Other tangible assets	405	314
Total tangible assets	21 604	24 948
Financial assets		
Interests in partly-owned companies	2 518	2 274
Loans to partly-owned companies	9	958
Own shares	2 709	4 587
Other shares and interests	1 498	818
Other receivables	1 152	37
Total financial assets	7 886	8 674
Total fixed assets	55 419	60 401
Current assets		
Inventories		
Goods and products	13 378	11 747
Receivables		
Deferred tax income	638	-
Accounts receivable	47 116	47 281
Loans to partly-owned companies	703	824
Loan receivables	210	27
Other receivables	253	115
Deferred income	10 860	10 230
Total current receivables	59 780	58 477
Investments		
Other securities	2 983	3 096
Cash in hand and at banks	12 890	13 837
Total current assets	89 031	87 157
	144 450	147 558

THE NOVO GROUP

LIABILITIES	31.12.2000	31.12.1999
Shareholders' equity		
Share capital	5 782	5 563
Share premium account	32 511	31 770
Reserve for own shares	2 709	4 587
Retained earnings/losses	27 818	22 732
Translation difference	116	51
Profit for the financial year	1 343	9 118
Total shareholders' equity	70 279	73 821
Minority interest	630	557
Provisions for liabilities and charges		
Other provisions	650	845
Liabilities		
Deferred tax liability	-	728
Long-term liabilities		
Loans from financial institutions	5 843	7 043
Pension loans	4 187	4 509
Other long-term debt	1 231	948
Total long-term liabilities	11 261	12 500
Short-term liabilities		
Loans from financial institutions	6 576	1 329
Pension loans	322	345
Advances received	4 547	4 741
Accounts payable	22 937	27 743
Loans from partly-owned companies	543	31
Other debt	7 914	5 687
Accrued liabilities	18 791	19 231
Total short-term liabilities	61 630	59 107
Total liabilities	72 891	72 335
	144 450	147 558

THE NOVO GROUP

CONSOLIDATED FUNDS FLOW STATEMENT	1.1.-31.12.2000	1.1.-31.12.1999
Cash flow from operations		
Operating profit	1 710	13 002
Adjustments to operating profit		
Depreciations and value adjustment	15 069	12 965
Change in depreciation/business transfer	-9	-
Changes to obligatory provisions	-195	368
Change of working capital		
Inventories (- = increase)	-1 631	-669
Short-term receivables (- = increase)	-337	-11 651
Non-interest-bearing liabilities (+ = increase)	-2 504	10 331
Financial income and expenses		
Received dividends	341	366
Received interests	879	1 179
Paid interests	-886	-544
Proceeds from sales of fixed assets	-1 296	-83
Taxes	-3 690	-5 289
Total	7 451	19 975
Cash flow from investments		
Investments on other financial assets	-523	-2 353
Investments in tangible and intangible assets	-15 861	-29 282
Transfer earnings from other financial assets	1 656	20
Transfer earnings from tangible and intangible assets	5 137	342
Loans given	-560	-858
Repayment of loans receivable	393	63
Total	-9 758	-32 068
Cash flow before investing	-2 307	-12 093
Cash flow from financial operations		
Withdrawal of long-term loans	4 366	9 525
Repayment of long-term loans	-381	-930
Dividends paid	-3 972	-3 765
Rights issue parent/minorities	1 233	4 812
Other extraordinary items	-	-
Total	1 246	9 642
Net change in cash equivalents	-1 061	-2 451
Cash and cash equivalents 1 Jan.	16 934	19 385
Cash and cash equivalents 31 Dec	15 873	16 934

NOVO GROUP PLC

INCOME STATEMENT	1.1.-31.12.2000 EUR 1000	1.1.-31.12.1999 EUR 1000
Net sales	103 476	102 038
Other operating income	5 592	1 367
Materials and services		
Materials and supplies		
Purchases during the year	4 344	6 204
Increase/decrease in inventories	-44	-501
Services purchased	7 160	7 975
Total materials and services	11 460	13 678
Personnel expenses		
Wages and salaries	39 914	35 584
Indirect employee costs		
Pension costs	5 790	5 444
Other indirect empl.costs	4 068	3 573
Total personnel expenses	49 772	44 601
Depreciations and value adjustments		
Depreciation according to plan	9 667	8 800
Other operating expenses	32 628	29 419
Operating profit	5 541	6 907
Financial income and expenses		
Income from interests in		
Group companies	61	1 216
partly-owned companies	467	467
Income from other fixed asset investments		
in Group companies	301	216
in partly-owned companies	15	10
other investments	36	12
Interest receivable and financial income		
from Group companies	271	116
from partly-owned companies	2	2
other interest receivable and financial income	593	630
Interest and other financial charges payable		
to Group companies	-113	-12
other interest payable and financial expenses	-619	-406
Total financial income and expenses	1 014	2 251
Profit before extraordinary items	6 555	9 158
Extraordinary items		
Extraordinary income	1 682	1 850
Extraordinary expenses	-220	-
Profit before appropriations and taxes	8 017	11 008
Appropriations		
Change in depreciation difference	1 912	292
Change in deferred tax income	317	-
Income tax	-2 543	-3 840
Profit for the financial year	7 703	7 460

NOVO GROUP PLC

BALANCE SHEET

ASSETS	31.12.2000	31.12.1999
Fixed assets		
Intangible assets		
Intangible rights	3 983	4 544
Goodwill	9 466	10 076
Other long-term expenditure	69	69
Total intangible assets	13 518	14 689
Tangible assets		
Land	341	341
Buildings and constructions	4 650	4 886
Machinery and equipment	10 715	15 737
Other tangible assets	368	314
Total tangible assets	16 074	21 278
Financial assets		
Interests in Group companies	17 841	14 887
Loans to Group companies	6 004	3 363
Interests in partly-owned companies	951	1 686
Loans to partly-owned companies	-	958
Own shares	2 700	4 539
Other shares and interests	1 271	468
Other receivables	1 152	36
Total financial assets	29 919	25 937
Total fixed assets	59 511	61 904
Current assets		
Inventories		
Goods and products	701	657
Receivables		
Deferred tax income	317	-
Accounts receivable	13 039	13 556
Loans to subsidiaries	11 248	6 768
Loans to partly-owned companies	689	824
Loan receivables	56	12
Other receivables	106	103
Deferred income	2 842	4 169
Total short-term receivables	28 297	25 432
Investments		
Other securities	2 778	2 775
Cash in hand and at banks	9 179	4 063
Total current assets	40 955	32 927
	100 466	94 831

NOVO GROUP PLC

LIABILITIES	31.12.2000	31.12.1999
Shareholders' equity		
Share capital	5 782	5 563
Share premium account	32 488	31 770
Reserve for own shares	2 700	4 539
Retained earnings/losses	11 508	8 107
Profit for the financial year	7 703	7 460
Total shareholders' equity	60 181	57 439
Accrued appropriations		
Depreciation difference	2 412	4 324
Provisions liabilities and charges		
Other provisions	613	639
Liabilities		
Long-term liabilities		
Loans from financial institutions	5 530	6 869
Pension loans	2 796	3 006
Other long-term loans	1 198	799
Loans to the Group companies	100	-
Total long-term liabilities	9 624	10 674
Short-term liabilities		
Loans from financial institutions	6 374	1 329
Pension loans	210	226
Advances received	456	198
Accounts payable	2 511	3 090
Loans from Group companies	5 025	2 666
Loans from partly-owned companies	526	31
Other loans	3 503	2 991
Accrued liabilities	9 031	11 224
Total short-term liabilities	27 636	21 755
Total liabilities	37 260	32 429
	100 466	94 831

FINANCIAL STATEMENT

NOVO GROUP PLC

FUNDS FLOW STATEMENT	1.1.-31.12.2000	1.1.-31.12.1999
Cash flow from operations		
Operating profit	5 541	6 907
Adjustments to operating profit		
Depreciations and value adjustment	9 667	8 800
Changes to obligatory provisions	-27	405
Change of working capital		
Inventories (- = increase)	-44	-501
Short-term receivables (- = increase)	-2 539	-4 140
Non-interest-bearing liabilities (+ = increase)	680	5 451
Financial income and expenses		
Received dividends	383	1 219
Received interests	1 034	1 037
Paid interests	-681	-366
Proceeds from sales of fixed assets	-1 126	-20
Taxes	-2 356	-3 174
Total	10 532	15 618
Cash flow from investments		
Investments on other financial assets	-3 770	-8 954
Investments in tangible and intangible assets	-7 654	-21 871
Transfer earnings from other financial assets	1 982	-
Transfer earnings from tangible and intangible assets	4 254	972
Loans given	-4 393	-1 689
Repayment of loans receivable	1 593	667
Total	-7 988	-30 875
Cash flow before investing	2 544	-15 257
Cash flow from financial operations		
Withdrawal of long-term loans	4 206	9 347
Repayment of long-term loans	-226	-665
Dividends paid	-3 972	-3 739
Received and paid Group allowance	1 850	1 766
Rights issue parent/minorities	937	4 345
Other extraordinary items	-220	-
Total	2 575	11 054
Net change in cash equivalents	5 119	-4 203
Cash and cash equivalents 1 Jan.	6 837	11 040
Cash and cash equivalents 31 Dec	11 956	6 837

CONSOLIDATED FINANCIAL STATEMENTS

Scope of Consolidated Financial Statements

The consolidated financial statements include the figures for all Group companies and associated companies, apart from Kiinteistö Oy Rukavari, which is not engaged in actual business operations and has no material effect on the Group's financial performance. More detailed information on Group companies and associated companies will be provided below under section 'investments'.

Accounting principles

The consolidated financial statements have been prepared using the acquisition cost method. The price paid for the subsidiaries' shares in excess of shareholders' equity is shown in Group goodwill. Inter-company transactions, the unrealised profit margins of inter-company deliveries, inter-company receivables and debts as well as inter-company profit distribution are eliminated as part of the consolidation process. Minority interests are presented separately from consolidated shareholders' equity and profit and are treated as a separate item. The income statements of foreign subsidiaries have been translated into Finnish markka using the financial year's average exchange rate, and balance sheets have been translated into Finnish markka at the exchange rate valid on the closing day of the accounts. These translation differences and the differences generated in the translation of shareholders' equities are treated as a separate item under shareholders' equity. Associated companies have been consolidated using the equity method. The Groups' proportion of the associated companies' profit for the financial year, equivalent to the Group's holding in these companies, is shown in financial items. Accrual-based deferred

tax liabilities and claims due to periodisation differences are entered as separate items in the income statement and balance sheet.

Principles for the preparation of financial statements

Research and development costs are expensed in the financial period during which they are incurred. The parent company employees' pension scheme is funded through payments to pension insurance companies. Pension costs are expensed in the financial year during which they are incurred. Income from long-term projects is recognised on the percentage of completion. The percentage of completion is calculated by proportioning the realised costs to the total cost estimate. Anticipated losses involved in the projects are expensed in full. Extraordinary items include significant items not included in the Group's business activities. The parent company has entered deferred taxes for the financial period in the books for the first time. The balance sheet includes the deferred tax claim in full.

Valuation principles

Fixed assets are capitalised at the acquisition cost. Planned depreciation is recorded on a straight-line basis over the expected useful lives of the assets. In accordance with the FIFO principle, inventories are stated at the lower of cost or the probable net realisable value. The value of inventories is determined by using their average price. Short-term investments are valued at the acquisition cost or at a lower market value. Receivables, debts and other liabilities in foreign currencies are translated into Finnish markka at the exchange rate quoted by the Bank of Finland on the closing day of the accounts.

NOTES TO THE INCOME STATEMENT

1. Net sales by business operation and market area, EUR 1000

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Distribution by operation				
Software services	60 828	61 057	104 670	100 340
Operating and network services	40 347	37 415	54 088	52 595
Hardware sales	2 301	3 566	160 631	159 047
Total	103 476	102 038	319 389	311 982
Distribution by market area				
Finland	102 012	101 569	284 794	275 655
Other European countries	1 447	446	25 736	17 597
Other countries	17	23	8 859	18 730
Total	103 476	102 038	319 389	311 982

2. Partial income recognition, EUR 1000

Recognised income in net sales according to the percentage of completion	2 166	2 074	2 365	2 559
Total amount entered in net sales for non-delivered long-term projects	2 226	2 633	3 228	3 983
Total net sales of non-delivered projects	5 317	3 864	6 579	5 552

3. Other operating income, EUR 1000

Capital gains on fixed assets	1 264	133	1 486	200
Contributions received etc.	16	90	127	177
Other	4 312	1 144	979	102
Total	5 592	1 367	2 592	479

4. Financial performance of the Group, rolling figures for 12 months, EUR 1000

	1-3/00	4-6/00	7-9/00	10-12/00	1/00-12/00
Net sales	76,5	81,6	68,5	92,8	319,4
Operating profit	2,3	-1,7	-3,4	4,5	1,7
Net financial income	0,1	-0,2	0,3	0,8	1,0
Profit before taxes	2,4	-1,9	-3,1	5,3	2,7

Operating profit after goodwill amortisation in 2000: Finland 3,380 TEUR, Estonia -260 TEUR, UK -1 TEUR, China -865 TEUR, Netherlands -154 TEUR, Germany -390 TEUR. Operating profit after goodwill amortisation in 1999: Finland 12,480 TEUR, Estonia 3 TEUR, UK 636 TEUR, China -117 TEUR.

5. Performance-related personnel expenses, fringe benefits and the average number of personnel

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Average number of personnel during the financial year	1 023	1 015	2 026	1 762
Personnel at year-end	1 099	1 074	2 025	1 910
Design engineering personnel	503	515	842	791
Operative personnel	267	245	536	479
Sales, marketing and customer service	218	217	429	431
Administration	111	86	186	154
Others	-	11	32	55
Total	1 099	1 074	2 025	1 910
Finland	1 093	1 071	1 896	1 834
Estonia	-	-	30	37
UK	-	-	18	20
China	1	3	29	19
Netherlands	-	-	16	-
Germany	4	-	35	-
USA	1	-	1	-
Total	1 099	1 074	2 025	1 910

Payments to members of Supervisory Board and Board of Directors and to President and CEO				
- salaries	271	209	1 338	1 035
- remunerations and emoluments	-	11	12	55
- fringe benefits	7	7	75	112
Other salaries	39 643	35 364	68 545	58 160
Other fringe benefits	683	492	1 805	1 460
Pension expenses	5 790	5 444	10 380	9 225
Other social expenses	4 068	3 573	6 251	5 591
Total	50 462	45 100	88 406	75 638

A total of 90 TEUR of Group-level emoluments were paid to Board members. Salaries to the Group's managing directors amounted to 1,248 TEUR, fringe benefits to 75 TEUR and remunerations 12 TEUR.

FINANCIAL STATEMENT

6. Other operating expenses, significant items, EUR 1000

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Software and hardware servicing	6 877	7 741	6 879	7 258
Rents	5 009	3 905	8 650	6 295
Fixed external services	4 828	4 088	4 708	4 495
Telecommunications	3 149	2 469	5 075	4 090

Other operating expenses
include obligatory reserves of 186 568 214 490

7. Financial income and expenses, EUR 1000

Dividend income

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
from Group companies	44	875	-	-
avoir fiscal income	17	340	-	-
total	61	1 216	-	-

Dividend income

from associated companies	336	336	-	-
avoir fiscal income	131	131	-	-
total	467	467	-	-

Dividend income

from other companies	4	7	5	8
avoir fiscal income	1	3	2	3
total	5	10	7	11

Interest income and financial income

include exchange rate gains
or losses (net) 54 211 82 470

8. Extraordinary items, EUR 1000

Group contributions	1 682	1 850	-	-
Merger or dissolution loss	220	-	-	-

Group, EUR 1000

Intangible assets	Intangible rights and other long-term assets	Goodwill	Group goodwill	Total
Acquisition cost 1 Jan. 2000	8 958	19 254	8 146	36 358
Translation difference	-	-16	-	-16
Increases	3 389	614	3 091	7 094
Decreases	-1 685	-406	-	-2 091
Acquisition cost, 31 Dec. 2000	10 662	19 446	11 237	41 345
Accumulated depreciation, 1 Jan. 2000	-3 722	-4 485	-1 373	-9 580
Accumulated depreciation, new companies	-30	-	-	-30
Translation difference	1	25	-	26
Depreciation on elimination 1 Jan.-31 Dec. 2000	472	140	-	612
Depreciation 1 Jan.-31 Dec. 2000	-2 032	-2 453	-1 959	-6 444
Accumulated depreciation 31 Dec. 2000	-5 311	-6 773	-3 332	-15 416
Book value 31 Dec. 2000	5 351	12 673	7 905	25 929

The amount of non-depreciated Group assets held
by associated companies on 31 Dec. 2000 31

Tangible assets	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan. 2000	341	7 694	35 666	520	44 221
Translation difference	-	-	3	-	3
Increases	822	1 169	6 950	219	9 160
Decreases	-	-	-5 857	-6	-5 863
Acquisition cost 31 Dec. 2000	1 163	8 863	36 762	733	47 521
Accumulated depreciation 1 Jan. 2000	-	-2 808	-16 260	-206	-19 274
Accumulated depreciation, new companies	-	-	-195	-3	-198
Translation difference	-	-	2	-	2
Depreciation on elimination 1 Jan.-31 Dec. 2000	-	-	2 173	5	2 178
Depreciation, 1 Jan.-31 Dec. 2000	-	-236	-8 265	-124	-8 625
Accumulated depreciation 31 Dec. 2000	-	-3 044	-22 545	-328	-25 917
Book value 31 Dec. 2000	1 163	5 819	14 217	405	21 604

Balance sheet value of machinery and equipment on 31 Dec. 2000 11 882

9. Direct taxes, EUR 1000

Income tax on extraordinary items	487	518	-	-
Income tax on business operations	2 056	3 322	2 992	4 898
Change in deferred tax liability	-317	-	-1 366	-217
Total	2 226	3 840	1 626	4 681

NOTES TO THE BALANCE SHEET

10. Fixed assets and other long-term investments, EUR 1000

Depreciation and amortisation periods according to plan are as follows:

INTANGIBLE RIGHTS AND OTHER LONG-TERM ASSETS

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

BUILDINGS AND STRUCTURES

Buildings	35
Building materials	15
Fallout shelters	35
Asphalt work	5

MACHINERY AND EQUIPMENT

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

OTHER TANGIBLE ASSETS

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

Parent company, EUR 1000

Intangible assets	Intangible rights and other long-term assets	Goodwill	Total
Acquisition cost 1 Jan. 2000	7 503	11 417	18 920
Increases	2 317	614	2 931
Decreases	-1 656	-	-1 656
Acquisition cost 31 Dec. 2000	8 164	12 031	20 195
Accumulated amortisation 1 Jan 2000	-2 890	-1 340	-4 230
Amortisation on elimination 1 Jan.-31 Dec. 2000	455	-	455
Amortisation 1 Jan.-31 Dec. 2000	-1 677	-1 225	-2 902
Accumulated amortisation 31 Dec 2000	-4 112	-2 565	-6 677
Book value 31 Dec. 2000	4 052	9 466	13 518

Tangible assets	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan. 2000	341	7 694	26 743	520	35 298
Increases	-	-	4 545	178	4 723
Decreases	-	-	-5 151	-6	-5 157
Acquisition cost 31 Dec. 2000	341	7 694	26 137	692	34 864
Accumulated depreciation 1 Jan. 2000	-	-2 808	-11 006	-206	-14 020
Depreciation on elimination 1 Jan.-31 Dec. 2000	-	-	1 990	5	1 995
Depreciation 1 Jan.-31 Dec. 2000	-	-236	-6 406	-123	-6 765
Accumulated depreciation 31 Dec. 2000	-	-3 044	-15 422	-324	-18 790
Book value 31 Dec. 2000	341	4 650	10 715	368	16 074
Balance sheet value of machinery and equipment on 31 Dec. 2000			9 558		

The acquisition cost of non-depreciated assets in active use are presented only.

11. Taxable value of fixed assets, EUR 1000

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Land	724	723	724	723
Buildings and structures	3 086	3 122	3 418	3 122
Holdings in subsidiaries	12 545	8 166	-	-
Holdings in associated companies	1 003	1 083	1 027	1 097
Other shares and holdings	520	4 240	723	4 459
	17 878	17 334	5 892	9 401

12. Investments, EUR 1000

Group	Associated companies	Others*)	Total
Holdings			
Acquisition cost 1 Jan. 2000	2 275	5 405	7 680
Translation difference	-	-	-
Increases	993	1 041	2 034
Decreases	-750	-393	-1 143
Acquisition cost 31 Dec. 2000	2 518	6 053	8 571
Write-downs	-	-1 846	-1 846
Book value 31 Dec. 2000	2 518	4 207	6 725
	From associated companies	From others	Total
Long-term loan receivables			
Acquisition cost 1 Jan. 2000	958	36	994
Translation difference	-	-	-
Increases	9	1 152	1 161
Decreases	-958	-36	-994
Acquisition cost 31 Dec. 2000	9	1 152	1 161

*) Book value of treasury shares included in other shares amounts to 2 709 te.

Parent company

Holdings	Subsidiaries	Associated companies	Others*)	Total
Acquisition cost 1 Jan 2000	14 887	1 686	5 007	21 580
Increases	3 464	-	1 041	4 505
Decreases	-510	-735	-238	-1 483
Acquisition cost 31 Dec. 2000	17 841	951	5 810	24 602
Write-downs	-	-	-1 839	-1 839
Book value 31 Dec. 2000	17 841	951	3 971	22 763

Parent company

Long-term loan receivables	Subsidiaries	Associated companies	Others	Total
Acquisition cost 1 Jan. 2000	3 363	958	36	4 357
Increases	3 240	-	1 152	4 392
Decreases	-599	-958	-36	-1 593
Acquisition cost 31 Dec. 2000	6 004	-	1 152	7 156

*) Book value of treasury shares included in other shares amounts to 2.700 te.

13. Shares and holdings on 31 Dec. 2000

Group companies	Holding / votes %	No. of shares	Proportion of shareh. equity	Nominal value	Book value	In accordance with the latest financial statements	
						Shareh. eq. Of	Profit / loss of
Held by parent company							
Novosys Ltd, Helsinki	100 %	15 000	13 514	252	269	13 514	-68
Novobit Ltd, Helsinki	100 %	200	1 273	34	1 455	1 273	-281
Novo Bcs AS, Tallinn, Estonia	65 %	975	-143	EEK 975	190	-220	-286
Novo Extend Ltd, Helsinki	100 %	13 492	1 206	1 135	5 207	1 206	-774
Novo IVC Ltd, UK	100 %	600 000	603	£ 600	918	603	-424
Novo Meridian Ltd, Espoo	100 %	27 510	1 560	463	3 459	1 560	123
HM & V Research Oy, Espoo, Group	60,1 %	966	333	16	1 543	553	195
Novosat Ltd, Helsinki	60 %	600	53	101	101	88	-81
Karjalan Tietovalta Oy, Joensuu	100 %	15	782	3	657	782	7
Citisoft Oy, Tampere	100 %	101	33	17	395	33	-346
Novotrust Ltd, Helsinki	84,29 %	3 540	320	595	866	379	-765
Beijing Novo Information Technology Co. Ltd Beijing, China	65 %		295	RMB 6 500	780	454	-720
Novo Cetec B.V., Netherlands	100 %	440	445	NLG 44	477	445	30
Novo Group GmbH, Germany	100 %		-110	EUR 300	300	-110	-410
Guangzhou Novo Information Technology Development Co. Ltd, China	100 %		74	RMB 1 656	214	74	-143
Novo Astra Oy, Helsinki	100 %	100 000	868	EUR 500	1 000	868	-132
Kiinteistö Oy Novo Estate, Helsinki	100 %	50	4	8	8	4	-4
Held by subsidiaries							
Nouveltech Oy, Lahti	100 %	2 000	736	34	1 886	736	10
HM & V Telecommunications Oy	77,5 %	1 550	part of the HM & V Research Group				
Pohjolan Paikkatieto Oy, Espoo	64,9 %	960	31	16	16	48	-
Associated companies							
Held by parent company							
Medici Data Oy, Oulu	36,34 %	250	473	42	252	1 302	386
Kiinteistö Oy Rukavarri, Kuusamo	33 %	10	323	2	363	978	1
IT Solicom Oy, Helsinki	40 %	100	1 378	168	336	3 446	695
Held by subsidiaries							
Komartek Oy, Lappeenranta	29,8 %	2 107	228	18	212	765	-147

The Group companies' and partly-owned companies' financial statements were prepared on 31 December 2000.

Other shares and holdings

Held by parent company	Holding %	No. of shares	Nominal value	Book value
Own shares	2,2 %	750 000	126	2 700
Real estate company Kuusankosken Ostoskeskus, Kuusankoski	6,91 %	225	25	136
Solid Information Technology Oy, Helsinki	12,7 %	6 818 002	23	1 041
Shares in telephone companies		3 306		9

Held by subsidiaries

Other shares				
Novo Group PLC, Helsinki		2 500		17
Lupporinki Oy	17 %	14	16	57
Asunto Oy Itätuulenkujja 7	1,6 %	162	-	103
Shares in telephone companies		2 106		54

14. Inventories EUR 1000

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Materials and supplies	60	54	12 689	11 126
Other inventories	641	603	689	621
Total	701	657	13 378	11 747

15. Fire insurance value of fixed assets and inventories, EUR 1000

	38 479	37 034	72 657	52 449
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16. Receivables, EUR 1000

Receivables from Group companies

Accounts receivable	838	396		
Loans receivable, short-term	3 538	2 931		
Other receivables	-	-		
Accrued income and deferred expenses	6 872	3 441		
	11 248	6 768		

Receivables from associated companies

Accounts receivables	689	768	699	768
Loans receivable, short-term	-	50	3	50
Other receivables	-	-	-	-
Accrued income and deferred expenses	-	6	1	6
	689	824	703	824

17. Receivables with maturity of one year or more, EUR 1000

Accrued income and deferred expenses	50	54	50	54
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18. Significant items included in accrued income and deferred expenses, EUR 1000

Prepayments	2 045	1 028	2 343	1 533
Accrual of social security payments	-	-	4 128	3 227
Non-invoiced sales revenue	617	1 352	1 122	5 107

19. Partial income recognition, EUR 1000

Netting principle has been applied to income partially recognised in the balance sheet

Accrued income and deferred expenses

Non-invoiced receivables	2 226	2 633	3 203	3 846
Advances received	2 025	2 198	2 601	3 032

20. Short-term investments, EUR 1000

Market value	2 779	2 839	2 987	3 165
Book value	2 778	2 775	2 983	3 096
	1	64	4	69

21. Changes in shareholders' equity, EUR 1000

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Share capital on 1 Jan. 2000	5 563	5 337	5 563	5 337
Share issues	219	226	219	226
Share capital on 31 Dec. 2000	5 782	5 563	5 782	5 563
Issue premium fund on 1 Jan. 2000	31 770	27 651	31 770	27 651
Share premium	718	4 119	718	4 119
Capital gains on treasury shares	-	-	23	-
Issue premium fund on 31 Dec. 2000	32 488	31 770	32 511	31 770
Total	38 270	37 333	38 293	37 333
Reserve for treasury shares on 1 Jan. 2000	4 539	2 265	4 587	2 265
Increase / decrease	-1 839	2 274	-1 878	2 322
Reserve for treasury shares on 31 Dec. 2000	2 700	4 539	2 709	4 587
Retained earnings on 1 Jan. 2000	15 567	14 133	31 901	28 741
Dividend distribution	-4 059	-3 752	-4 058	-3 752
Transfer to treasury share reserve	-	-2 274	32	-2 322
Transfer to issue premium fund	-	-	-5	-
Change in translation difference	-	-	64	116
Retained earnings on 31 Dec. 2000	11 508	8 107	27 934	22 783
Profit for the financial year	7 703	7 460	1 343	9 118
Total 31 Dec. 2000	19 211	15 567	29 277	31 901
Total	21 911	20 106	31 986	36 488
Total shareholders' equity	60 181	57 439	70 279	73 821
Calculation on distributable funds				
Other reserves	2 700	4 539	2 709	4 587
Retained earnings	11 508	8 107	27 934	22 783
Profit for the financial year	7 703	7 460	1 343	9 118
- reserve for treasury shares	-2 700	-4 539	-2 709	-4 587
- proportion of accumulated depreciation difference and voluntary reserves	-	-	-1 749	-3 122
	19 211	15 567	27 528	28 779

Parent company share capital consists of 34,378,980 shares, each with a counter-value of EUR 0.17 (one vote per share). The counter-value of a share is not an exact value. The parent company held 750,000 of treasury shares, each with a counter-value of EUR 0.17, totalling EUR 126,137, the original acquisition cost at 4.539 thousand euros. Karjalan Tietovalta Oy held 2,500 parent company shares, which the Group received in conjunction with a business acquisition. The acquisition cost was 48 thousand euros.

22. Obligatory reserves, EUR 1000

Guarantee reserves	553	564	572	638
Other reserves	60	75	78	207

23. Long-term liabilities, EUR 1000

Debts with maturity of five years or more

Pension loans	2 092	2 249	3 146	3 284
Other long-term debt	420	1 261	454	1 261
	2 512	3 510	3 600	4 545

Deferred taxes

Deferred tax assets				
from accrual difference	-	-	1 353	-
Deferred tax liabilities				
from appropriations	699	1 254	714	1 275
from accrual difference	-317	-283	-	-547
	382	971	714	728

24. Short-term liabilities, EUR 1000

	Parent company 2000	Parent company 1999	Group 2000	Group 1999
Payables to Group companies				
Advances received	-	-		
Accounts payable	1 649	2 075		
Other payables	-	168		
Accruals	3 376	423		
	5 025	2 666		
Payables to associated companies				
Accounts payable	526	31	527	31
Accruals	-	-	16	-
	526	31	543	31
Non-interest bearing liabilities	21 051	20 200	70 075	58 161

25. Significant items included in accruals, EUR 1000

Holiday pay with social security expenses	6 128	6 004	10 105	9 028
Accrual of statutory insurance premiums	489	223	1 038	1 844
Tax liabilities	1 080	1 047	1 160	1 543

26. Pledges and other contingent liabilities, EUR 1000

Loans involving mortgages as security

Pension loans	1 860	2 000	2 293	2 465
Mortgages given	3 196	3 196	3 196	3 196

Other collateral given

For own debt				
Pledges	1 412	1 405	1 546	1 578
Mortgages on real estates	4 373	4 373	4 373	4 373
Mortgages on company assets	-	-	2 781	2 859
	5 785	5 778	8 700	8 810

For Group company's debt

Pledges	-	-	-	-
Guarantees	14 563	11 651	-	-

Other contingent liabilities

Pension loan liabilities	43	46	43	46
Other liabilities	8 501	2 435	8 813	2 435

Leasing contracts

Leasing payments 2001 / 2000	2 116	868	2 966	1 272
Leasing payments 2002 / 2001 or later	4 362	971	5 414	1 599

Open foreign exchange forward contracts

Forward rate contracts	value of underlying asset		92	2 408
	going price in 2000		8	2 399

Forward rate contracts are used to hedge the future payments for sales orders, but they, however, play a minor role.

27. Share issues

The Annual General Meeting of 7 April 1998 decided that 200,000 option rights be offered for subscription to Novo Group's management and Group companies, entitling to subscribe a total of 1,000,000 Novo Group plc shares. As a consequence of the subscription, the share capital of Novo Group plc may increase by a maximum of FIM 1,000,000. Of the bond with warrants, a total of 50,000 will be marked with the letter A, 50,000 with the letter B, 50,000 with the letter C and 50,000 with the letter D. The subscription period for A warrants begins no earlier than 1 June 2000, for B warrants no earlier than on 1 June 2001, for C warrants no earlier than on 1 June 2002 and for D warrants no earlier than on 1 June 2003. For all warrants, the subscription period will end on 30 June 2004. The subscription price of A warrants is the average trading price of Novo Group plc shares quoted on the Helsinki Exchanges from 1 May 1998 to 31 May 1998 plus five (5) FIM; with B warrants, the average trading price of Novo Group plc shares on the Helsinki Exchanges from 1 May 1998 to 31 May 1998 plus eight (8) FIM; with C warrants, the average trading price of Novo Group plc shares on the Helsinki Exchanges from 1 May 1998 to 31 May 1998 on the Helsinki Exchanges plus eleven (11) FIM; and with D warrants, the average trading price of Novo Group plc shares on the Helsinki Exchanges from 1 May 1998 to 31 May 1998 plus fourteen (14) FIM. Dividends payable after 1 May 1998 and prior to the subscription will be deducted from the share subscription price. The minimum share subscription price shall be the nominal value of the share.

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

On 15 December 1999, the Board of Directors decided to increase share capital by EUR 126,141. The increase was carried out by means of a private placement of 150,000 shares to Profit Mediat Oy's shareholders. The subscription price was EUR 1.51 and the increase of share capital was entered into the trade register on 1 February 2000.

The Board of Directors decided on 24 February 2000 to increase share capital by EUR 63,071. The increase was carried out by means of a private placement of 375,000 shares to Website Ltd's shareholders. The subscription price was EUR 0.78 and the increase of share capital was entered into the trade register on 31 March 2000.

On 31 March 2000, the Board of Directors decided to increase share capital by EUR 30,323. The increase was carried out by means of a private placement of 180,290 shares to Cetec B.V's shareholders. The subscription price was EUR 2.32 and the increase of share capital was entered into the trade register on 10 April 2000.

The Board exercised its right to issue options by placing a bond with warrants worth EUR 500,000 with its personnel. Based on the share subscription rights derived through the options, Novo Group's share capital can increase by a maximum of EUR 420,470, which corresponds to 2,500,000 shares. The subscription period for options is 15 January 2003–20 September 2005 for A warrants and 15 January 2004–20 September 2005 for B warrants.

*) The change in the share's book counter-value registered on 20 April 2000 has been taken into account in average trading price calculations.

INFORMATION ON FINANCIAL INDICATORS

28. Increases in share capital between 1995 and 2000

	Subscription price, eur 1)	Subscription period capital, te	Increase of share dividend for the financial	Right to year	Number of new shares 1)
Bonus issue 1996		1.5. - 30.6.96	1 573	1997	9 350 580
Private placement 1996					
Personnel	2,35	18. - 20.12.96	22	1997	130 940
Institutional investors	2,61	30.12.96	483	1997	2 869 060
Private placement 1997		Offer period			
Personnel	4,88	1.9.-12.9.97	13	1997	76 550
Institutional investors, general public	4,88	1.9.-12.9.97	626	1997	3 723 450
Private placement 1999		Subscription period			
To Siemens Business Services Oy	6,39	1.4.99	84	1999	500 000
Private placement 1999	1,65	29.6.99	35	1999	204 750
To shareholders of Citisoft Oy					
Private placement 1999	1,65	29.6.99	14	1999	84 000
To shareholders of Hebritt Oy					
Private placement 1999	2,49	18.6.99	42	1999	250 000
To shareholders of Sateenkaarisunnittelu Oy					
Private placement 1999	0,17	15.12.99	51	1999	300 000
To shareholders of SuperWeb Oy					
Private placement 2000	0,30	28.1.2000	126	1999	750 000
To shareholders of Profit Mediat Oy					
Private placement 2000	0,78	30.3.2000	63	2000	375 000
To shareholders of Website Ltd					
Private placement 2000	2,32	6.4.2000	30	2000	180 290
To shareholders of Cetec B.V					

1) The subscription prices and the number of shares issued between 1996 and 1999 have been changed to correspond to the change from EUR 0.84094 to EUR 0.168188 made in the counter-value on 20 April 2000.

29. Group key figures

	2000	1999	1998	1997	1996
Net sales, me	319,4	312,0	261,6	216,5	192,5
Operating profit before goodwill amortisation	6,1	16,5	14,1	10,3	9,2
% of net sales	1,9	5,3	5,4	4,8	4,8
Operating profit, me (incl. goodwill amortisation)	1,7	13,0	12,5	9,2	8,2
% of net sales	0,5	4,2	4,8	4,2	4,2
Profit before extraordinary items, me	2,7	13,7	13,4	9,5	8,0
% of net sales	0,8	4,4	5,1	4,4	4,1
Pre-tax profit	2,7	13,7	13,4	9,9	8,0
% of net sales	0,8	4,4	5,1	4,6	4,1
Net profit for the financial period	1,3	9,1	9,6	7,2	5,6
% of net sales	0,4	2,9	3,7	3,3	2,9
Balance sheet total, me	144,4	147,6	118,0	94,4	76,4
Return on investment, %	4,4	18,9	21,5	20,6	25,9
Return on equity, %	1,6	13,7	16,1	15,5	22,1
Equity ratio, %	49,7	50,5	55,4	61,0	42,5
Gross capital expenditure on fixed assets, me	16,4	31,6	22,6	11,6	9,6
% of net sales	5,1	10,1	8,6	5,3	5,0
Average no. of personnel	2026	1762	1279	1063	938

The reserve value of treasury shares has been deducted from the shareholders' equity in key figure calculations.

30. Per-share ratios

	2000	1999	1998	1997	1996
Earnings per share, EUR	0,04	0,29	0,30	0,24	0,23
Dividend / share, EUR 1)	0,06	0,12	0,12	0,09	0,03
Dividend / profit, % (share issue adjusted) 2)	185,4	45,0	40,0	36,6	13,9
Equity / share	2,0	2,1	2,0	1,8	1,2
Effective dividend yield, %	2,0	1,3	1,8	2,0	
Price / earnings ratio (P/E)	74,6	33,3	22,6	18,0	

Share performance and trading volume 3)

- lowest quotation, EUR	2,6	4,2	4,2	4,3	
- highest quotation, EUR	16,4	9,8	8,9	6,9	
- closing day quotation, EUR	3,0	9,6	6,9	4,3	
- average quotation, EUR	9,9	6,0	6,7	5,2	
Market capitalisation, MEUR	100,9	310,2	215,2	136,6	
No. of shares traded, in thousands	54 521	8 958	14 962	2 486	
- % of share capital	163,1 %	28,3 %	47,2 %	8,6 %	
Number of share issue adjusted shares, in thousands					
- average	33 420	31 599	31 715	28 985	24 945
- at the end of the financial period	33 626	32 316	31 360	31 735	27 935

In per-share ratio calculations, the number of treasury shares has been deducted from the total number of shares and the reserve value from shareholders' equity. The per-share ratios for 1996-1999 have been adjusted to correspond to the 5:1 split of the nominal value of shares on 20 April 2000.

1) According to the proposal for dividend payment

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

3) Share performance and trading volume is shown for periods of listing on the brokers' list as well as on the official list.

31. Shareholders by sector on 29 December 2000*

	No. of shares**	%
Companies, total	3 809 961	11,4
Financial institutions and insurance companies, total	9 827 065	29,2
Non-corporate public sector, total	9 125 670	27,2
Non-profit organisations, total	2 129 420	6,3
Households, total	4 709 851	14,0
Registered with nominees and foreign	3 942 613	11,7
Joint account and waiting list	81 900	0,2
Total	33 626 480	100,0

32. Distribution of shareholding by number of shares on 29 December 2000*

Number of shares held	Shareholders		Number of shares**	
	no. of	%	no. of	%
1 - 100	566	12,6	42 199	0,1
101 - 1.000	2633	58,4	1 296 999	3,9
1.001 - 10.000	1066	23,7	3 285 549	9,8
10.001 - 100.000	180	4,0	6 067 560	18,0
100.001 - 1.000.000	57	1,2	15 449 600	46,0
1.000.001 -	4	0,1	7 402 673	22,0
Total	4 506	100,0	33 544 580	99,8
Waiting list and joint account			81 900	0,2
Grand total	4 506	100,0	33 626 480	100,0

* The figures include a total of 4,800 shares in the joint account that were not distributed in the bonus issue of June 1996 (so-called remainder)

**The number of treasury shares, which totalled 752,500 shares on 29 December 2000, has been deducted from the total number of shares.

33. Major shareholder on 29 December 2000*

Shareholders	no. of shares held**	%
LEL Työeläkekassa, employment pension fund	2 349 200	7,0
Tapiola Mutual Insurance Fund	1 534 850	4,6
Varma-Sampo Mutual Insurance Fund	1 100 000	3,3
Leonia Finance Ltd	909 185	2,7
Pension-Fennia, mutual insurance company	845 000	2,5
Leonia Pankki Plc	831 175	2,5
Finnish National Fund for Research and Development, Sitra	732 950	2,2
Alfred Berg Finland Unit Trus	577 350	1,7
The Association of Finnish Local and Regional Authorities	554 140	1,6
PT Pension Fund	547 650	1,6
Others	23 644 980	70,3
Total	33 626 480	100,0
Number of shareholders	4 506	
Administrative registration and foreign holding	3 942 613	11,7 %
Total number of shares held by the Board of Directors and the President	39 300	0,12 %
Proportion of warrants held by the President of the company shares		0,6 %

* The figures include a total of 4,800 shares in the joint account that were not distributed in the bonus issue of June 1996 (so-called remainder)

**The number of treasury shares, which totalled 752,500 shares on 29 December 2000, has been deducted from the total number of shares

Copies of Novo Group's consolidated financial statements are available at the Group headquarters, Valimotie 17, 00380 Helsinki.

Calculation of key ratios

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

AUDITORS REPORT

To the shareholders of Novo Group plc

We have audited the accounts, the accounting record and the administration of Novo Group plc for the financial year from 1 January to 31 December 2000. The financial statements prepared by the Board of Directors and the President include a report on operations, an income statement and a balance sheet for both the Group and the parent company, and notes to the financial statements. Based on our audit, we give our opinion on the financial statements and administration.

We have conducted our audit in accordance with the Finnish Generally Accepted Auditing Standards. Those standards require that we examine the accounting record and the preparation principles, the contents and the presentation of the financial statements to a sufficient extent to obtain reasonable assurance that the financial statements are free of material misstate-

ment or deficiencies. The purpose of our audit of company administration is to ensure that the Board of Directors and President have complied with the Companies Act.

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

Helsinki, 14 February 2001.

TILINTARKASTAJIEN OY –
ERNST & YOUNG
Auditors

Mikael Holmström
Authorised Public Accountant

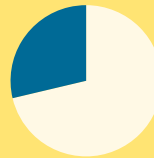
Jorma Jäske
Authorised Public Accountant

INFRA SOLUTIONS

Safe and reliable infra to guarantee customer operations

The Infra Solutions Division is engaged in the developing and marketing of IT systems platforms and the integration, development and maintenance services that support usability services. The operating environment of the solutions are more and more often Internet-based, multi-channel and networked in nature. The Division is comprised of Novosys Ltd., Nouveltech Ltd., Novo Group GmbH and Guangzhou Novo Information Technology Development Co. Ltd. and the usability services provided by Novo Group plc.

The Division's net sales for the financial year 2000 increased by 1,2 %, or to MEUR 227,8 (225,0) accounting for 71,3 % (72,1 %) of consolidated net sales. At the end of 2000, the Division had a staff of 727 (728).



The Division's net sales accounted for 71,3 % of consolidated net sales.



The number of employees accounted for 36 % of all Group employees.



▲ "One of the most important fruits of Novo's expertise in 2000 is related to the building of wireless and device-independent systems", describes Senior Vice President Seppo Pahta, Head of Infra Solutions as of 12 February 2001.

The Infra Solutions Division, with its expertise and a wide range of services, is a major IT infrastructure and usability services provider in Finland. The emphasis is on high value-added services, firmly related to usability and comprehensive service package with platform solutions.

The Division has offices in 22 locations in Finland. New Control Ltd., a company based in Varkaus, was acquired in 2000 with a view to expanding the service network in Finland (Press Release, 8 May 2000).

In line with the company's strategy, operations were also expanded to international markets. The companies established in Düsseldorf, Germany (Press Release, 26 June 2000) and Guangzhou, China (Press Release, 3 July 2000), provide comprehensive service packages related to IT infrastructures as well as services for building and operating hosting service centres.

The Division's customers include both companies and public-sector organisations, the telecommunications industry being its largest customer group.

The Head of Division from 1 November to 31 December 2000 was Jarmo Kuusivuori. Jari Hahl headed the Division from 1 January to 31 October in addition to his regular job. Seppo Pahta started as a Head of Division on 12 February, 2001.



Y2K slackened demand at the beginning of the year

Demand for the Division's expert services particularly slackened after the turn of the millennium. Growth in the demand for servers, equipment and accessories was slow at the beginning of the year, but picked up during the last months and reached the expectations at year level. Demand for high value-added services picked up during the last couple of months of the year. In particular, demand for projectmanager and consulting services as well as IT security solutions recovered.

Year of wireless and overseas solutions

One of the most significant new service entry during the financial year was the establishment of the Mobile Hosting Service Centre in autumn 2000 (Press Release, 20 September 2000). The Service Centre offers operator-independent services to customers wishing to provide their own customers with wireless and portable network services. In autumn 2000, Jokerit HC Oy's "Jokerit Gold" sportportal became the first customer of the Mobile Hosting Service Centre offering its customers dedicated wireless services. The agreement between Novo and Jokerit also covers the implementation of the tailored WAP application and IT system necessary for the service (Press Release, 27 November 2000).

A number of major international service projects were

▲ The Managing Director of Novo Germany and Novo Guangzhou, Pertti Nokka and Guangzhou Office Director Jaana Niukkala offer Novo's services in the international market.

implemented in telecommunications sector. For instance, several contracts concerning IT infra standardisation projects home and abroad were concluded with Perlos plc.

Microsoft EA Subscription agreement was made and a standardisation pilotproject of IT infrastructure was started with Wärtsilä.

Operating services were extended to cover the resource planning of hospital districts. For example, Novo entered into an agreement with the Hospital District of the Kymenlaakso and Etelä-Karjala provinces on the implementation of the SAP Financial Management and Controlling system. In addition, a contract was signed with the Hospital District of the Kymenlaakso province to transform its materials management into a web-based system (Press Release, 17 November 2000).

Outsourcing contracts of the basic IT infrastructure were, for example, made with Excel Oyj (Press Release, 19 April 2000). Contracts were also signed with the cities of Espoo and Kajaani to implement an e-mail operating service for the cities' e-mail traffic (Press Releases, 28 August 2000 and 18 December 2000).

The year's most significant agreement in the area of server systems, on the implementation of super cluster system de-



▲ Offering high value added services especially to telecommunications sector abroad is heavily expanding area. January 2001 an IT-service agreement was concluded with Perlos plc for Perlos' IT projects home and abroad. Photo of Perlos' IT Manager Jussi Vuorinen.

signed for scientific computation, was made with the Centre for Scientific Computing (CSC) and the Laboratory of Physics and the Laboratory of Computational Engineering at Helsinki University of Technology (Press Release, 10 April 2000).

Success built on by both Novo's services and its partners brands

The Infra Solutions Division offers its customers leading-edge brands from servers and peripheral equipment to accessories, which are integrated into well-performing packages with value-added services. Successful customer service requires smooth co-operation with a number of international partners. In 2000, the Division entered into a co-operation agreement with Swedish-based IMS Ab on Nordic-wide customer service (Press Release, 8 March 2000).

The Division also negotiated an agreement with Säkkiäinen plc to intensify the recycling and reuse of IT equipment (Press Release, 10 January 2000).

An IBM Tivoli agreement was concluded on using Tivoli platform in the systems management of the usability services with a view to further developing the management and control systems of the operating service (Press Release, 26 April 2000).

In 2000, Cisco authorised Novo to act as a systems integrator for its products. The co-operation with Cisco puts a particular emphasis on the development of IT data security, convergence and E-business solutions (Press Release, 10 February 2000).

During the financial year, the Division also entered into a dealership agreement on Veritas Software's data management applications.

Increasing use of M-services through reliability and IT security

The first wireless operator-independent Mobile Hosting and ASP (Application Solution Provider) service solutions were developed, tested and rolled out in 2000.

The Mobile Hosting Service Centre's services related to the terminal- and operator-independent connections to the companies' own operating systems were further developed. The next stage involves integrating electronic user identification and data security services into multi-channel services.

In its service development, the Division created a full range of integrated services that provides the end-user with a reliable and secure operating environment within the new economy and spans the entire life cycle of the workstation.

Growing importance of integration expertise

Recently, demand for the expert services of IT infrastructure has been growing vigorously, and market researches (IDC) suggest that it is anticipated to continue to rise. Novo expects growth particularly in multi-channel solutions, consulting services and services related to the integration of customers' existing applications and systems into Internet technology. Moreover, demand for the services in the fields of systems consulting and design as well as of telecommunications and IT data security is expected to increase. When it comes to the operating services, the demand is directed to the applications and systems (e.g. SAP R/3, MS Exchange, BAA, electronic invoicing).

Novo's Infra Solutions Division develop and provide organisations operating in Finland and abroad with high value-added services related to IT and its usability. Novo aims to become one of the major infra and usability services integrator in Finland and to strongly internationalise in tandem with customers. The share of high value-added services and turn-key solutions of net sales will be further increased. Service competitiveness is determined by the satisfaction of customers pertaining to the service contents and to the quality and efficiency of the production of these services.

Environmental burden of the IT industry in the spotlight

The knowledge work based IT industry's burden to the environment is less heavy when measured by traditional indicators. At Novo, environmental aspects and impacts are part of the decision-making process when considering, among other things, the premises' energy, lighting, air-conditioning and audio systems solutions. Novo applies established and Group-wide methods for recycling technical equipment and paper as well as other office waste.

Agreement on equipment recycling

Novo annually delivers tens of thousands of IT equipment from various vendors to its customers. The vendor is responsible for the environmental friendliness of its production processes and the recyclability of their products. The equipment received by Novo is always pre-packed by the vendor. After any pre-installation work by Novo, the equipment is packed in their original packages for further delivery. The end-user is responsible for recycling the disused equipment or its disposal in an environmentally sustainable manner.

More than 2,000 Novo's employees use up tens of thousands of kilograms of IT equipment and accessories each year. An agreement on the recycling and disposal of the equipment was concluded with Säkkipäline plc in 2000. The equipment to be recycled is transported to Säkkipäline's terminal where the equipment is dismantled and sorted for reuse and hazardous waste treatment purposes. The aim is to recycle all of the equipment's suitable electronic parts including PC's mechanical components, computer displays, mainframes, printed circuit boards, mouse devices, keyboards, printers and copying machines. The dismantled components are delivered to authorised companies exploiting the components for reuse. From the perspective of data security, the sensitive random access memory (RAM) of the equipment is always destroyed and disposed of separately.

Recycling principles part of the employee's induction scheme

Novo also aims to reduce its environmental impact by discour-



aging excessive paper consumption and unnecessary movement of employees in everyday operations. In connection with the employee's induction programme, Novo provides recruits with information on local waste management rules and regulations as well as on the practices it follows in its own waste management. The amount of hazardous waste is monitored on an ongoing basis. Waste paper and excessive energy consumption caused by transporting goods and people are reduced by encouraging electronic storing of documents, electronic data transfer and exchange as well as teleworking.

Working conditions based on individual's needs

Considering individual's needs is part of the knowledge industry company's environmental friendliness. Novo seeks to optimise temperature, air-conditioning, lighting and noise levels as well as other ergonomic working conditions for its professionals on an individual basis.

The Annual Report has been printed by the printing house authorised to use environmental label.



SOFTWARE PRODUCT SOLUTIONS

Solutions for a variety of needs and industries

The Software Products Division's business is based on in-house software products and software developed by international companies. These software products include solutions for resource planning designed for companies, public sector organisations and the health-care sector. The Division also provides services related to the rollout and use of software.

The Division consists of Novobit Ltd., Citisoft Oy and operations of the Novo Group plc.

The Division's net sales totalled MEUR 44,3 (47,5) accounting for 13,9 % (15,2 %) of consolidated net sales. At the end of 2000, the Software Products Division had a staff of 518 (507).



The Division's net sales accounted for 13,9 % of consolidated net sales.



The number of employees accounted for 26 % all Group employees.

◀ Novo has a long IT experience in the health-care sector. Product development and customer service are based on Novo's broad-based know-how, which is also supplemented by health-care professionals' expertise. In the photo, Doctors Jarkko Koskinen (left) and Jari Forsström as well as nurse Hannele Hannula (left) and head of laboratory Hanna Haavisto.

▶ "In 2000, we also strengthened our position in E-health market", says Kari Kontula, Senior Vice President, Head of Division.



The Software Products Division consists of service units catering for companies, public administration organisations and the health-care sector, and of three product units. The service units, supported by a nation-wide partnership network, deal with software sales and rollout and customer service functions. The product units specialise in the development of products and the related new versions.

Citisoft Oy's business was transferred from the Customised Software Solutions Division to the Software Products Division in August 2000. The aim was to better integrate the sales, marketing and development activities of Novo's different Enterprise Resource Management systems.

The Division's customer service and product development functions – a result of several business consolidations since 1999 – involve a number of corporate and business cultures. During 2000, their business processes were specified and modelled, the indicators for their resource planning and monitoring were created and the related supporting operating systems were adopted. A Help Desk service was also launched to upgrade customer consultation, to facilitate phone call monitoring and to contribute to clearing up problem situations.

In 2000, Novo strengthened its position as an E-health solutions provider by acquiring Atuline Oy. The virtual hospital, providing online medical consultation services, makes use of modern and secure Internet technology in the communication between patients and health-care professionals, thus offering a new type of service for various health-care organisations. (Press Release, 31 October 2000).

Novo and Oy ProWellness Ltd. concluded a co-operation agreement on integrating ProWellness Oy's diabetes management system with Novo's electronic medical record system with a view to supplementing Novo's software range and adding to the functionality of diabetes treatment.

Mild demand for basic software products

Most Finnish companies and public sector organisations wanted to ensure the interference-free turn of the millennium by modernising their business-critical basic software in the late 1990s. Consequently, these investments resulted in weak demand for basic software products in 2000, which was particularly evident in the corporate sector. Due to the modernisati-

on projects in the health-care sector, demand for the Division's products remained satisfactory as the demand for Novo's Pro Consona was on the rise.

Except for the last couple of months of 2000, only those services which relate to supplementary products and to products that intensify the use of the products were sought-after. As a whole, demand for the Rondo application, designed for invoice processing and filing, was brisk during the year.

Solutions for various sectors

The Software Products Solutions Division caters for both the corporate and public sector. The major customer groups in the corporate sector are found in retailing, services and industry, while those in the public sector include municipalities, parishes, health-care service providers and state administration.

At the end of the year, the Division served some 300 retail customers of which Alko, Sokos and Stockmann are Novo's long-standing customers.

The software products are highly flexible in various environments, as evidenced by the agreement on implementing the Fenix logistics management system for Finland Post's Philatelic Centre. The agreement covers applications designed for sales, purchasing, warehousing and production as well as the Rondo application designed for digital document processing and storing. Rondo was also implemented for Kesko for example.

The number of service-sector customers totalled 900 at the end of the report period. Novo strengthened its position as a software products provider for the insurance sector when Vakuutusyhtiö Pohjantähti purchased Novo Sonet designed for financial and personnel management. Pohjola, Sampo and Verdandi, all insurance companies, are already Sonet users. Other service-sector customers include, among others, Alprint, Finland Post and the VR Group. Rondo was successful in the service sector as well, as evidenced by the agreements on implementing the application for Vakuutusyhtiö Pohjantähti and KPMG Wideri, for example.

At the end of the year, the number of industrial customers totalled 600, the major ones including Fundia, Halton, Kone, Nokia and UPM Kymmene.

During the report period, systems rollout agreements were signed with Atria, a foods manufacturer, and Sampo Rosenlew.

During the report period, more than a hundred companies adopted Novo's Fenix application and more than 900 companies became users of Sonet. For instance, Atria, Megavest and Sinebrychoff were among the companies that adopted Rondo.

In the health-care sector, Novo has some 140 customers. In recent years, a seamless health-care chain model has been developed for the needs of the sector to smoothly link basic health-care, specialised health-care and social services together. Of the large cities, Helsinki and Turku use Novo's Pro Consona solution. During the report period, the cities of Kuopio, Tampere and Tornio, for example, decided to adopt the solution.

The approximate number of public-sector customers totalled 1,000. Novo is an undeniable market leader in software products in the municipal sector. The most significant project of the year was Hyrinet with a view to promoting the use of E-services in four municipalities in southern Finland. Of the large parishes, Novo's customers include the groups of parishes in Helsinki, Tampere and Turku, for example, and the company's major public-sector customers are the Ministry of Justice and the Ministry of Education, the Frontier Guard and Statistics Finland. Rondo was also in great demand in the public sector with deliveries to the cities of Vaasa, Savonlinna, Valkeakoski and Varkaus.

Product development dictated by customer needs

Novo's software products range from applications guiding the basic functions of companies, public administration and the health-care sector, to supplementary products related to their use and other applications for various industry requirements.

Market-drivenness is a key to software product development with a view to reaching a balance between the fast-changing technology and customer needs so that the products perform as intended.

During the report period, Novo launched Rondo, an application designed for digital document filing and paperless purchase invoice processing, which provides its users with cost-savings. Through Rondo, Novo is also able to expand its expertise in E-business management and to meet the growing needs for outsourcing services.

During the report period, eHRMinfo, a new browser-based human resource management system, was introduced on the market. In co-operation with the Sampo Group, Novo developed a new occupational health-care system for corporate use.

A new web-based logistics chain management solution was developed with a view to processing the whole chain from the customer's purchase decision to after-sales services. The solution operates both under Windows user interfaces and a web-browser. A new version of the meal production management software designed for central kitchens was launched onto the



▲ Sampo Rosenlew, based in Pori, is one of the industrial companies that has purchased Novo's large-scale integrated solution. The company manufactures combine harvesters, forest harvesters, industrial washing machines and steel components. In the photo, Marketing Manager Raimo Maijala of Sampo Rosenlew.

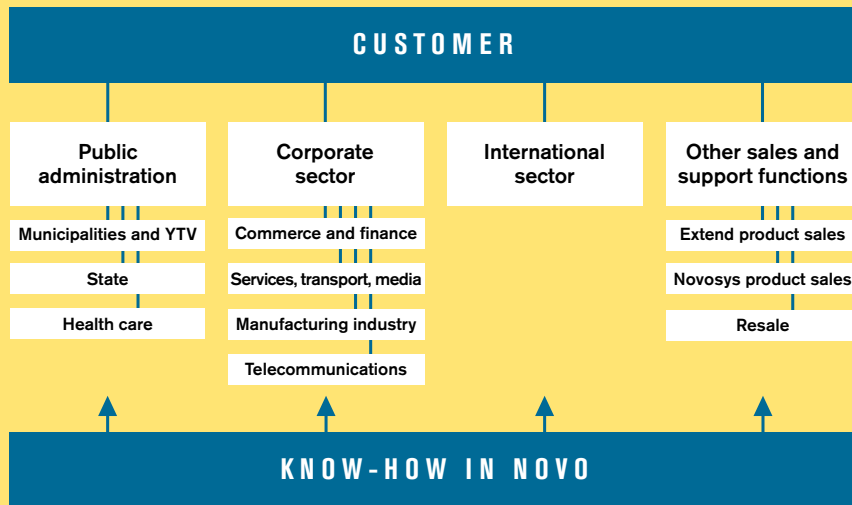
market, and a new project management application for the engineering firms' ERP was completed.

The year 2000 was a time for E-health solutions, which enable not only local hospital and health-care centre staff but also mobile medical personnel and over-the-Internet consultants to make use of the centralised patient database. Novo's E-health solution is a case in point of a modern health-care service that is within the reach of ordinary citizens.

Confident about the future

According to market researches, demand for software products is expected to increase. In particular, growth is expected in supply chain management software, customer relationship management software and value added services for financial administration.

The aim of Novo's Software Products Solutions Division is to maintain its leading position as a software supplier for the needs of municipalities and parishes, to continue expanding its market share in the health-care sector and to increase the market share in the private sector as well as in public administration. To reach these goals, special emphasis will be put on increasing in-depth knowledge of each customer sector and on the processes' quality criteria as well as on product development based on customer needs. Additionally, the partnership network will play an important role in the future.



Industry focus - a new basis for selling operations

The Novo Group consists of several IT companies ranging from niche players to companies offering a wide range of integrated services to large corporations. In the course of 2000, the companies' sales and customer relationship management processes were harmonised and a new industry-specific service structure was phased in covering the entire Group.

The engine of the changes has been the need to sharpen accountabilities between Group companies, to focus selling operations on relevant industries from the Group's perspective and to pool sales resources in the most efficient way possible. Both at Group and company level, the driving force behind the changes has been the need and desire for greater customer focus.

Novo's corporate values – ambitious, articulative and actual – form a solid basis for this industry-specific approach. In-depth knowledge of the customer's line of business and the ability to find a solution to the customer's problem and fulfil their needs act as a starting point for high-quality service, long-standing customer relationships, strong references as well as for demand matching.

Five sectors

The corporate sector sales and customer relationship management is divided into five teams by sector: industry, trade, finance, service and transport. The public sector is catered through three teams by sector: municipalities, state administration and health

care. The team in charge of international sales aims to give a boost to Novo's internationalisation process and to further develop the overseas sales network, for example.

The Group-level sales organisation manages sales in Finland through its local offices in Tampere, Turku, Oulu, Vaasa, Pori, Lappeenranta, Kuopio, Joensuu, Jyväskylä, Kotka, Kouvola and Lahti. Novo's sales offices abroad are located in Estonia, Germany, the Netherlands, the UK, China and the USA.

One contact point

The primary purpose of the Group-level sales organisation is to ensure that the customer gets what they need in one go, i.e. the fundamental idea is that Novo provides the customer with a range of services that meets customer needs and industry standards without having to make several contacts with different Group companies.

The Group-level sales and customer relationship management unit is also a process co-ordinator acting on the basis of the customer's line of business. The Software Products Solutions Division entered into one of the most significant agreements in 2000 with Pori-based Sampo Rosenlew Oy. Supported by the Division's own sales force, the Group-level sales team in charge of industrial sector sales co-ordinates selling operations and after-sales services through the Novo Group's versatile service offerings.

CUSTOMISED SOFTWARE SOLUTIONS



The Division's net sales accounted for 6,3 % of consolidated net sales.



The number of employees accounted for 12 % all Group employees.

In-depth industry knowledge ensures quality

The Customised Software Solutions Division provides IT expert services adapted to customer needs. Reliability and long-standing customer relationships are high on the Division's agenda. Thorough knowledge of the customer's industry and expertise in information technology form the basis of the Division's operations.

The Division consists of Karjalan Tietovalta Oy and some operations of Novo Group plc.

The Division's net sales in 2000 rose by 8,0 %, to MEUR 20,2 (18,7) accounting for 6,3 % (6,0 %) of consolidated net sales. At the end of the financial year, the number of employees totalled 240 (245).



▲ "Our in-depth knowledge of the customer's line of business and our recognised expertise in project management form the basis for long-term customer relationships", describes Senior Vice President Kimmo Koivisto, Head of Division.

The Customised Software Solutions Division offers its customers expert services based on in-depth industry knowledge and technological expertise. The Division's expertise ranges from services related to data warehousing, enterprise application integration, project management, electronic transactions to customer relationship management (CRM) solutions and solutions pertaining to personnel expertise management. A major part of the Division's revenue flow stems from long-term customer contracts.

The Division's services are organised into five business units, four of them operating on the basis of customer groups: Municipal Services, Corporate Services, Financial Services and Government Services. The fifth business unit is comprised of Personnel Management Services.

Though the majority of personnel work at the Helsinki office, the Division also has offices in Turku, Tampere, Kuusankoski, Oulu and Joensuu.

The Division's key competitive advantages lie in its skilled personnel and management of employee expertise. In support of the employee expertise management, the Division adopted an eHRM (Human Resource Management) service concept in 2000.

Increasing demand for the expert services

For the most part, the Division's customers are large organisations, and customer relationships are long-standing in nature.



Demand for the Division's expert services in 2000 was brisk. The generally subdued demand after the turn of the millennium did not reflected in the Division's business operations; instead, markets showed a strong growth.

For customised information-system projects, the year 2000 can be characterised as a time of component architecture. The component-based development work with special advantages – componentreusability and replacability – made its breakthrough. The parts of the component system are suited for various platforms and operating environments. In addition, the life cycle of the systems lengthens.

The expert service deliveries increased in all business units except for the Municipal Services where demand remained unchanged. Demand for the expert services particularly grew in the Government Services.

More extensive electronic services under constant development

During the financial year, the Division launched several large-scale systems development projects, the most outstanding of which included implementing E-solutions for the Academy of Finland's research information system as well as planning and implementing a recovery proceedings data system for the Ministry of Justice. The recovery proceedings data system is also ready to employ Internet

▲ Sonja Pietilä, Project Manager from Turku, visits Helsinki on a regular basis to see other team members such as Jouni Hänninen and Juha Närvänen.

and WAP technologies (Press Release, 21 March 2000).

The systems of the Local Government Pension Institution, Novo's customer since 1978, were modified into component-based systems. In co-operation with the Ministry of Agriculture and Forestry, the Division launched a HANKE 2000 project based on the component technology. The contracts with Veho and the Helvar Merca Group were extended. The Division concluded an agreement with the Finnish State Treasury on the implementation of lending systems with a view to extending the modernisation project launched a year ago. The information system will be up and running by the adoption of the euro. The new project launches commenced in the financial year 2000 also included the implementation of an enterprise resource planning system for Net Kitchen (otherwise known as DB2B Oy) and the development of a student management system to be used by school welfare officers and psychologists in Helsinki, Espoo, Kotka, Lohja and Karjaa.

In addition to developing totally new systems, the Division also modernises the existing ones by exploiting new technology. This kind of modernisation project was implemented with

the cities of Helsinki, Espoo and Vantaa and with the Helsinki Metropolitan Area Council, YTV, with a view to modify their personnel data systems to a browser-based system. Vantaa City will also renew its social services' customer data system by adopting the same browser-based system (Press Release, 23 November 2000).

In the spring 2000, the Division provided the National Board of Education with a solution which allows student candidates to apply for polytechnics by submitting an electronic application form over the Internet (Press Release, 3 March 2000). At the same time, in co-operation with the Association for Educational Activities, the Division launched a large-scale project with the aim of developing a virtual education centre for studying via the Internet.

During the financial year, the Division implemented a transport data system for the Finnish Defence Forces as well as a public transport register system, timetable planning and compensation calculation systems for the Helsinki Metropolitan Area Council. Data warehousing solutions were developed for the Social and Health Care Office of Helsinki City and for the Hospital District of Helsinki City and Uusimaa province. The Division was also involved in a project regarding an information service adopted in June 2000 by the Vehicle Administration Centre. This new information system provides ordinary citizens with access to information related to motor vehicles via the GSM short messaging system or the Internet. The Ministry of Trade and Industry was provided with the TUKI 2000 solution which enables the Ministry and the Employment and Economic Development Centres to process investment and development aids earmarked for companies.

The flight operations unit of Finnair adopted a manpower planning system which is part of the company's enterprise resource planning solution. The development project of the human resource management system of Finnair's ground handling unit continues in co-operation with Novo Cetec.

In 2000, an eHRM (Human Resource Management) concept was also launched. By means of the concept, employee performance and expertise as well as the development of employee expertise can be ensured through process-like IT solutions. The browser-based service concept suited for a variety of customers is developed in co-operation with HYK Oy Konsulttitoimisto.

Longer life cycle through component technology

Predictably, demand for the customized software solutions in 2001 will develop as favourably as it did in 2000. According to Market-Visio Oy, an analysis and research service company, the most strategic projects companies will launch for the next few



▲ A browser-based user interface is being implemented for Libri Logistiikka. The user interface allows customers to maintain and browse over the Internet their own product, booking and order information incorporated in Libri Logistiikka's customer service system, to check their contact information as well as information on their campaigns and own customers. Photo of Libri Logistiikka's storeman Aki Vanhala and Division Director Ilmari Ala-Käkelä.

years are concerned with the solutions related to the implementations of browser-based user interfaces and customer relationship management as well as to the integration of an increasing number of E-solution features into existing information systems. In addition, demand for application architecture consulting is expected to grow.

If companies continue to place heavy emphasis on the development of their employees' skills and competence, as is anticipated, demand for IT services related to these services is also expected to rise. And Novo is well-prepared to fulfil this growing demand.

Exploiting the component architecture in implementing and developing the customers' systems coupled with the interface standardisation of the component architecture form a solid basis for the Division's operations. For example, as industry standards have been evolving further, the component-based systems development has become ever more vital. Component-based solutions also facilitate the development of systems in decentralised working environments, the share of which is growing further.

The Division's strength lies in its long-standing customer relationships, which naturally has contributed to in-depth knowledge of the customer's industry, and to provide top-quality project management services.

Satisfied customers through quality management

Novo aims to implement high-quality and well-performing IT solutions to meet customer needs. The goals of the quality management systems, independent of the type of operations, are consistent throughout the Novo Group. Novo's aim is that the work to be performed meets the standards jointly set with the customer. The key quality criteria covering all Novo's operations are as follows: faultless performance, keeping within the schedule, fast services and the doing-the-right-thing-in-one-go principle.

HENRI, the employment register of the pension insured maintained by the Local Government Pensions Institution, was completed in December 1999. In 2000 the HENRI project was further extended with a view to adding new features to the employment register application, such as statistics compilation and automated checking. Keeping the project within the fixed schedule was of paramount importance to the customer. The extended project received positive feedback from the customer. Right from the beginning, Novo's proprietary Novo model, a systems work method aiming at top-quality work performance, was applied in the project.

Novo model describes the phases of the systems work

Quality improvements mainly result from process development. Therefore, the measuring and development procedures of processes are an integral part of the quality management system. Project work instructions and the Novo model, among other things, provide guidelines for process implementation.

The Novo model is a systems work method describing the phases of the work, the tasks involved in the systems work and the final results, as well as the methods to be applied in performing the tasks. In other words, the Novo model provides instructions on how the application development process is implemented so that it meets the requirements set for Novo's quality management system and that the outcome comes up to the customer's expectations in the best possible way.



The project work instructions describe how Novo together with the customer manage the project or other implementation, and by means of the instructions it is possible to monitor whether the project keeps within the schedule and whether the doing-the-right-thing-in-one-go principle is followed. The Novo model and the project work procedure as an integrated whole are applicable to systems work projects independent of their scale and to ongoing maintenance services.

The first Finnish IT company with a Group-wide quality certificate

Novo Group plc's quality management system was certified in 1995, the first certification ever in the Finnish IT industry covering all operations of the large IT service provider. Novosys and Novobit, Group subsidiaries, were granted certificates in the following years. The Finnish Defence Forces is one of Novo's customers to have certified Novo Group plc's quality management system in 1999 regarding the information systems implemented for the Defence Forces. In October 2000 SFS Standardointi granted a data security certificate to Novotrust. Novo Group's quality management system covering all domestic operations is scheduled to be certified in summer 2001.

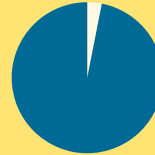
NEW BUSINESS SOLUTIONS

Reliable, versatile and innovative solutions

The New Business Solutions Division offers solutions that allow the modernisation of production structures by means of Internet technologies.

The Division consists of the operations of HM&V Research Ltd., Novo Extend Ltd., Novotrust Ltd. and one unit of the Novo Group.

The Division's net sales in 2000 rose by 233,3 %, to MEUR 10,0 (MEUR 3,0) The acquisition carried out at the beginning of the year and the increasing demand for the Division's solutions contributed to higher net sales. The New Business Solutions Division's net sales accounted for 3,1 % (1,0 %) of consolidated net sales. At the end of the financial year, the number of employees totalled 222, representing a year-on year increase of 121 employees.



The Division's net sales accounted for 3,1 % of consolidated net sales.



The number of employees accounted for 11 % of all Group employees.





▲ "Net sales also rose through organic growth and company acquisitions", says Senior Vice President Heikki Tiihonen, Head of Division.

The New Business Solutions Division showed a strong expansion thanks to acquisitions in late 1999 and early 2000. On 29 February 2000, Novo acquired WebSite Oy, a company specialised in Internet and extranet solutions (Stock Exchange Bulletin, 29 February 2000). With its twenty-six employees, WebSite supplemented Novo's E-business service range with its expertise in concept and visual planning. Previously, E-business expertise was enhanced in November 1999 and late-December 2000 when SuperWeb Oy, an Internet business solutions provider and Profit Mediat Oy, specialising in the development of intranet solutions, were acquired.

Through these acquisitions, the staff of Novo's E-business unit, rose to 157 by the end of the first quarter, representing a year-on-year increase of 130 employees. Novostore, SuperWeb and Profit Mediat were merged on 1 October 2000 with the result that the new company is called Novo Extend. WebSite merged into Novo Extend in December.

In December, Novo decided to widen the range of its business process outsourcing services. Novo has already signed a letter of intent regarding a joint venture with Mutual Insurance Company Varma-Sampo with a view to widening HRM services (Stock Exchange Bulletin, 20 December 2000).

Moderation in growth expectations

In early 2000, expectations were high for the solutions exploiting new technologies, mainly Internet-based technologies, and plenty of E-business solutions providers, in particular, were founded. Demand for Internet expert services and business pro-

◀ Secret of success is the ability to combine innovativeness and experience. Heikki Vorne, Anita Ingman, Jukka Wallasvaara and Mira Aarinen are experts in new solutions.

cess outsourcing services was expected to climb at an annual rate of 40 %. Demand for authentication services was predicted to triple. However, it became evident in the first half of the year that demand would not meet the expectations.

While the market has tried to recover its balance, electronic trading has become an integral part of IT service range. The systems implementations related to electronic trading and solutions are today carried out on a wider basis and are ever more closely related to the organisation's other information systems. Although authentication services were used less than anticipated, the need for the service, however, was more widely recognised in the course of the year.

When it comes to growth expectations in the industry, excessive optimism has now turned into moderation. The 70 % growth estimate for the IT markets exploiting new media and new technologies has been revised down to some 30 %. The new media market is estimated at some FIM 1,1 billion in 2000, whereas in 2001 the corresponding figure is estimated to reach some FIM 1,4 billion. (Market-Visio).

Greater demand for consulting and outsourcing services

At the beginning of the year, demand for new media and new technology services was considerably weaker than expected.

In spring, Novo provided the cities of Hyvinkää and Jyväskylä with the first intranet solutions designed for the local government sector. JOBSTEP online recruitment service for use by Finnish polytechnics was implemented in the summer. Extend intranet publication and communications solution, the first part of the Extend product family, was introduced in August, and the first customer deliveries were carried out in November. In November, operations were started in the UK with the aim of providing Internet-based supply chain management solutions for passenger traffic and goods transport.

Throughout the year, demand for authentication services was milder than expected. Novo launched the encryption and electronic signature services for e-mail and implemented the first authentication services. These PKI standard-based authentication services have been further developed in co-operation with pilot customers. The first authentications abroad were implemented in Estonia in the spring.

Together with F-Secure, a TrustVPN product was launched in August, which incorporates an authenticated Virtual Private Network (VPN) solution in one package. In the autumn, SFS-Standardointi Oy granted a data security certificate based on the BS7799 standard to Novotrust's in-house data security system. On 27 October 2000, the Council of State granted Novo the sta-

tus of the certificate authority. (Press Releases 15 August, 3 October and 27 October 2000).

Demand for outsourcing services was in line with expectations, but still came mainly from corporate customers while the public sector's demand was significantly lower than expected. Novo concluded several major agreements with corporate customers, the most lucrative of which was the one signed with Finland Post to outsource its payroll accounting. Agreements on payroll accounting outsourcing services were also made with Altia Group, Nordkemi Group and Vaasan & Vaasan Oy. (Press Releases 2 February, 10 November, 20 November and 20 December 2000). Demand for outsourcing services is expected to strengthen further.

Demand for management IT consulting continued vigorous. HM&V Research is implementing a number of consultation projects related to various E-solutions and strategic E- and M-business solutions. Technical consulting focuses on architectures and IP platforms, i.e. on enhancing expertise in voice and data convergence solutions.

Integration of the new business solutions into the organisation's other information systems

It is becoming ever more important that Internet-based E-business solutions be integrated into the organisation's other information systems. Great importance is also attached to multi-channel features, i.e. solutions are operable independent of the type of the terminal equipment. New, mostly Internet-based solutions are expected to increase by about one-third in 2001.



accounting for 5–8 per cent of the overall Finnish IT market (Market-Visio).

Industry restructuring is expected to revive the Internet markets in the first half of 2001. Additionally, intensifying internationalisation in the industry will considerably increase competition in the Finnish market as well. Application portability, over-the-Internet services and intensifying internationalisation will play an ever-important role. In addition to their need for new business solutions, organisations find it necessary to modernise their ageing systems, which requires knowledge of both new technologies and traditional systems, integration expertise, high-quality project management skills and integrated service solutions.

Remaining competitive in the fast-changing new technology markets requires not only technological expertise but also special skills in project implementation and management. Ultimately, the customer often bases their purchase decision on trust.

The merger of the Internet companies acquired in 1999 and 2000 to become one entity in late 2000 will provide solid foundations for competitive business operations in 2001. The aim is to integrate services with a view to cater for the customer better than ever through a full range of services. Novo is now aiming to target its Internet-based solutions at telecoms companies in particular.

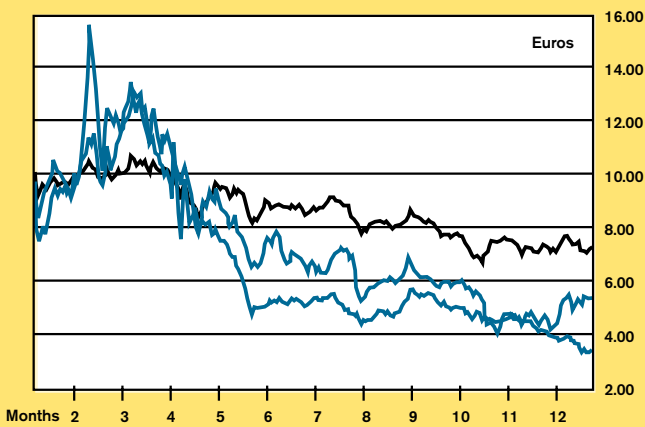
The outsourcing services business seeks to expand by widening its service range from payroll accounting to other human resource-related services such as pension accounting, personnel reporting as well as services related to employees' training need development and the maintenance of employees' working capacity. The joint venture with Varma-Sampo is scheduled to start providing these services as of 1 April 2001.

Novo's strength as a new business solutions provider is grounded on the combination of long experience and expertise in new technologies as well as project management know-how based on wide experience over the years. Those solution providers with encouraging working environment and innovative corporate culture will prosper. Novo is convinced that it will be among those solution providers being able to create a rewarding working culture without killing innovativeness and the ability to find new solutions.

The risks involved concern with the right business focus, attracting knowledgeable personnel and the ability to react to fast technological and demand changes in the industry.

◀ One of the largest bakeries in Finland, Vaasan & Vaasan, outsourced its payroll accounting to Novo in November. In the photo Yrjö Holopainen.

E - b u s i n e s s - y e s t e r d a y ' s m a n t r a b e c a m e t o d a y ' s b u s i n e s s



Helsinki Stock Exchange, Price Development in 2000

- All listed companies
- HEX-portfolio
- NM-list, including several Internet-companies

In 2000, E-business was perhaps the most widely spread IT term with multifarious connotations associated with it. E-business refers to both electronic commerce and the use of administrative E-services by using public information networks as well as using Internet-based technology in other processes of an organisation, eg. in enterprise resource management.

Of Novo's division, the New Business Solutions Division is in charge of most of the E-business solutions implemented for the corporate sector. The Division's services include Internet-based trading and communications systems, business process outsourcing services and authentication services as well as IT consulting.

In addition to the New Business Solutions Division's services almost all Novo's software products and customised software solutions fall into the category of "E-business".

For instance, all Novo's financial and logistics management software can be integrated into the companies' electronic trad-

ing systems. The new Internet-based paperless invoice processing application, Rondo, introduced in early 2000, was an immediate success amongst all customer groups ranging from companies to public administration. In addition, an ERP system Powered, for example, was extended to operate on the Internet, and now the information on the over-the-web order transfers automatically through the entire supply chain from sales and production to invoicing.

More efficient administrative tasks

E-business solutions have for some time been used by many public administration organisations. Novo's solution enables parents to electronically submit their child's day-care application. It is also possible to browse the range of services the library provides and to order books via the Internet. Health-care centres and hospitals are now able to exploit public data networks when transferring medical records, and thanks to more sophisticated data security, the so-called virtual hospitals provide an ever wider range of services for ordinary citizens.

For the Academy of Finland Novo implemented an extensive Internet-based information system to process scholarship applications, and in the summer Novo implemented a solution for the Vehicle Administration Centre, which enables the motorist to check the identity of the person of the passing or oncoming car via a mobile phone.

'E' is not enough

E-business does not only refer to order processing systems operable over the Internet. Electronic business and transactions set totally new requirements for the organisation's information systems. Novo's extensive range of services also include the following features: data-security consulting and solutions, authentication services with smart cards related to user identification and data encryption, round-the-clock usability services seven days a week and 365 days a year, servers, user support and M-servers that allows use of applications by means of various terminal equipment.

FOREIGN SUBSIDIARIES AND GIS SOLUTIONS

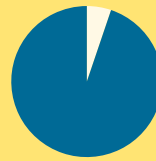
Novo's spearheads in the internationalisation process

The Foreign Subsidiaries and GIS Solutions Division develop and offer geographic information services (GIS) both home and abroad. In addition, the Division provides point-of-sales and human resource planning solutions especially for passenger traffic and cargo transport.

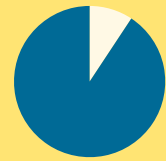
The Division is made up of Beijing Novo Information Technology Co. Ltd. based in Beijing, China; Novo Ivc Ltd. based in Leamington Spa, the UK; Novo Cetec B.V. based in the Netherlands; Novo BCS based in Tallinn, Estonia; and Novo Meridian Ltd., Novosat Ltd. and Novo Astra Ltd. based in Finland.

The Division's 2000 net sales was MEUR 16,6 (17,0). The Division's net sales accounted for 5,2 % (5,5 %) of

consolidated net sales. Foreign operations accounted for 10,8 % of the Division's net sales. At the end of 2000, the number of employees totalled 189 (184).



The Division's net sales accounted for 5,2 % consolidated net sales.



The number of employees accounted for 9 % all Group employees.



▲ "Mobile GIS is the breakthrough of the year in the field of geographic information solutions, and Novo is among the global leaders in this business", says Senior Vice President Juha Soini, Head of Division. "In 2000, we also broke into the American on-board-sales solutions markets."

The solutions provided by the Division are twofold: Beijing Novo, Novo Meridian, Novo Astra and Novosat offer solutions based on technological expertise, i.e. expertise in GIS solutions, and Novo Ivc, Novo Cetec and Novo Meridian implement solutions based on in-depth knowledge of the customer's line of business, i.e. expertise in solutions designed for passenger traffic and cargo transport. In the future, the passenger traffic and cargo transport industries are also expected to capitalise more often on GIS solutions when monitoring the transport of valuable goods, for example.

Novo BCS in Tallinn, Estonia, provides programming expertise for both local customers and other Group companies.

The core business area of Novo Cetec B.V., a Dutch-based company Novo acquired in March (Stock Exchange Bulletin, 31 March 2000), includes human resource planning and optimising systems. Novo Astra Ltd., established in October and specialising in the development of GIS-based solutions, did not commence operations in 2000. Novo Information Technology Inc., established in December in the USA (Press Release, 3 January 2001), first specialises in point-of-sales solutions for passenger traffic and, later on, in GIS solutions as well.

Novo's Chinese operations were sharpened in July by setting up Guangzhou Novo Information Technology Development Co. Ltd. specialised in infra solutions. The two companies in different parts of China, Novo Beijing and Guangzhou Novo Information Technology Development, will enhance lo-



▲ The number of foreign subsidiaries' personnel of the Group's entire personnel doubled. Sandrine Iksill (second from left) works at Novo Ivc in Leamington. Shunxing Chen, Stefan Fronzek, Stuart Fish and Paul Matthews contribute to the Finnish expertise in Helsinki.

cal presence and sharpen the service range. Novo Beijing specialises in GIS solutions which include, in addition to their proprietary Tellux, other applications based on satellite images, and Novo's mobile GIS applications such as mTrack.

Novo will put an ever-increasing emphasis on Internet-based and mobile GIS solutions. In line with this strategy, Novo Meridian's water supply and facilities management operations were sold to Komartek Oy in August (Press Release, 21 August 2000). As of the beginning of 2001, Novo Meridian's municipal register operations are to be transferred to the Software Product Solutions Division, which already operates the majority of Novo's services targeted at municipalities.

Widening customer base in the passenger traffic and cargo transport industries

With the SkyPOS solution Novo is a world market leader in the point-of-sale systems used on aeroplanes. From Novo's perspective, the future looks bright for the solutions targeted at airlines as its competitor, World Duty Free Inflight, closed down in early 2000. Many other airlines and railway companies became

more and more interested in Novo's sales and material management solutions in the latter half of the year.

The human resource management and work shift planning markets are characterised by very long decision-making processes. The technologically highly advanced and flexible solutions developed by Novo Cetec would seem to have good chances of success as airlines start to modernise their ageing planning systems.

When it comes to the so called traditional GIS solutions, the GIS markets have grown at the same rate as the overall IT markets. GIS solutions are becoming an ever more integral part of other corporate information systems. In 2000, the Finnish GIS market is reckoned to have grown by about 30 %.

On-board-sales solution conquered new continents

An material management application supporting mobile on-board-sales in passenger traffic was completed in mid 2000, and the first customer to be provided with both the sales and material management system was Saudi Arabian Airlines. In addition to airlines, the sales system was sold, among others, to railway companies Eurostar and First Great Western. The first agreement in the US market was concluded with Continental Airlines. American airlines decided to trial the system in the first quarter of 2001. (Press Releases 18 September, 25 July, 18 October and 9 November 2000.)

The acquisition of Cetec B.V., with customers such as Finn-

air, Martinair and Sri Lankan Airlines, strengthened Novo's position as a software solutions provider for passenger traffic.

Novo BCS was involved for instance in the development of the material management application that supports sales in passenger traffic.

Novo provides the first Internet-based vehicle communications system in China

GIS applications focus on solutions applied in the provision of Internet, intranet, extranet and mobile services or on solutions offered via these networks. As a data provider, the goal is to shift from providing satellite images to providing higher value added services.

At the beginning of the year, Beijing Novo completed the commoditisation of the Tellux product family designed for land-use management and planning. Tellux was admitted to the list of GIS systems recommended by the Chinese state, which has already led to influx of orders from the Chinese local governments. Tellux is also being utilised in a few land-use planning pilot projects related, for example, to the prevention of flood damage. Novo's geographic information systems were modified to meet the needs of the Chinese market. Novo entered into a co-operation agreement with the local flood authorities on implementing the solution to be used in the flood prevention project around the Yangtse river area.

In early 2000, Novo launched mTrack, a vehicle communications and tracking system which is already used by a number of transport and security organisations. International marketing efforts for the system started in China: in November, Novo concluded the first co-operation agreement with Go2map Inc., a Chinese company, on the implementation of the application.

Novo also entered into co-operation with Jiaxun Feihong Co. Ltd., which is a Chinese market leader in the production of telephone exchanges and other telecommunications products for the transport and defence industries. (Press Release 14 December 2000).

Teleoperators and telecommunications equipment vendors were supplied with country- and town-specific map databases drawn up on the basis of satellite images of Finland, Turkey, Germany, China, the USA and Russia.

Mobile solutions for transportation

Novo will seek strong growth in the passenger traffic and goods transport as well as telecommunications industries. As to the on-board point-of-sale systems, Novo aims to continue expanding in the North American markets, in particular. The service range offered to passenger traffic and goods transport will be supplemented by mobile GIS solutions.

More accurate GIS and faster data transfer create high growth expectations

The use of geographic information systems is expected to in-



▲ Tarkkalan Kuljetus Oy transports chips and sawdust from sawmills to market gardens and pulp mills. In their transport planning and control, Tarkkalan Kuljetus uses Novo's information system, in which computers installed in the office and vehicles exchange information by means of GSM short messaging system.

crease considerably during the next three years. The GIS market in 2005 is estimated at some EUR 28 billion (Ovum). The same forecast suggests that approximately 10 % of all mobile IT solutions would be based on geographic information systems.

Growth expectations in the GIS market rely on more accurate location information availability, faster telecommunications networks and wireless data transfer. In May 2000, location information became much more accurate when the US government refrained from interfering with the civil use of the GPS satellite system, the most widely used system in the world originally designed for US military purposes. Improvements in the accuracy of mobile networks and the development of European satellite systems will also increase the market demand for GIS services. Future UMTS and GPRS technologies will allow the transfer of accurate location information to mobile terminal equipment. Furthermore, satellite-based data is increasing in numbers and improving in terms of accuracy.

Novo's expertise in geographic information systems is based on long experience in GIS and the basic IT, coupled with expertise in new technologies. Novo developed geographic information services for its municipal customers as early as the 1970s. Novosat was one of the first companies in the world exploiting satellite images. Novo's full range of IT services, which include, among other things, usability services with servers provided by infra solutions, supplement the entire service range needed for exploiting geographic information.

When it comes to GIS, it is also important to integrate new technologies into the organisations' other information systems. Combining expertise in the latest Internet and mobile technologies with strong IT expertise will provide Novo with a solid basis for becoming a major mobile IT solutions provider even at an international level.

Internationalisation - an important goal

Foreign operations in 2000 accounted for 10,8 % of Novo's consolidated net sales. In 2000, the number of employees working abroad totalled 129, whereas in 1999 the figure was 76.

The Group's goal for 2003 is that 40-50 per cent of consolidated net sales will originate from foreign operations. There are two main ways to achieve this goal: by internationalising along with customers and by developing niche products and services for selected target groups.

Niche products include point-of-sale solutions and the supporting inventory management solutions designed for passenger traffic as well as human resource optimisation solutions and Internet-based, mobile geographic information solutions. The passenger traffic and transport industries as well as the telecommunications sector are among the key customer groups.

In 2000, Novo's internationalisation process focused on developing the international sales network. Existing products were modified for the needs of international markets.

Presence with customers in Germany and China

Along with its customers, Novo expanded to Germany and China in 2000. Novo Group GmbH and Guangzhou Information Technology Development Co. Ltd, both offer a full range of integrated services related to IT infrastructure and build and operate mobile hosting service centres including control and management services. The major customers of these subsidiaries as well as Novosat Ltd., are international telecommunications companies.

Innovative services for passenger traffic and cargo transport

Both Novo Ivc, Novo Cetec and Beijing Novo aim to become global market leaders in their niche industries. As to the mobile point-of-sale systems designed for airlines, the goal has already been achieved, and the year 2000 saw market penetrations in the Americas, Asia and Africa. Several railway companies also joined the customer base. Novo Cetec, which specialises in human resource optimisation, was acquired to supplement the service range provided for this customer group. Novo and Cetec have been co-operating since 1998 and their common goal is to be in the vanguard of the human resource planning systems designed for airlines.

Novo further strengthened its market position in the North American markets by establishing a subsidiary in Denver.

In 2000, Novo launched a project to develop Internet-based purchase order solution for the catering companies primarily serving passenger traffic. The development work is being done in Finland and in Great Britain. Estonian-based Novo BCS has also been involved in a project dealing with the development of software for passenger traffic needs.

In the internationalisation process, the goal is to also increase the share of net sales from foreign operations by means of partnership agreements, the first of which was signed with Go2map Inc., a Chinese company, in November. In China, this is the first agreement ever on an Internet-based vehicle communications system, which, through a local server, provides customers with a service that is based on Novo's proprietary software.



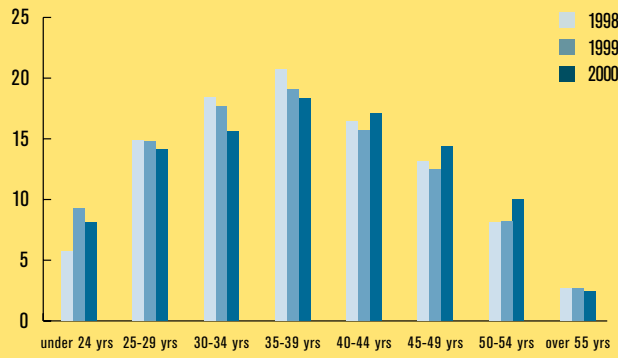
PERSONNEL

The organisation's capabilities refer to the ability of Novo's units to jointly generate business added value. These capabilities coupled with employee skills form the basis for Novo's critical success factors.

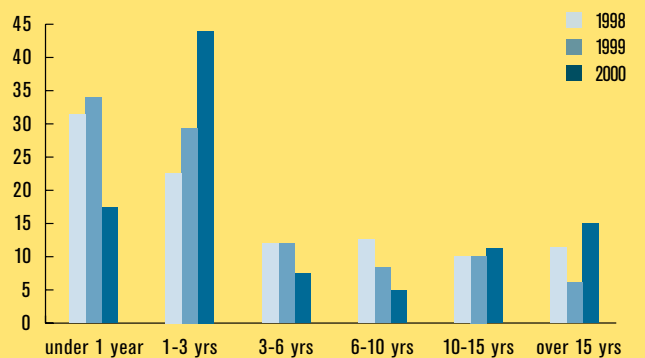
In 2000, the focus in human resource development was on the training schemes dealing with value management and project management skills as well as on impro-

ving technological expertise and enhancing capabilities needed for the company's internationalisation process.

At year-end, Novo had a staff of 2,025, representing a year-on-year increase of 115 employees. Women's share of total number of employees was 36 % (40 %) and men's share 64 % (60 %).



Distribution by age as % 1998-2000



Distribution by service as % 1998-2000



Striving for enhanced employee capabilities

Novo's capabilities were strengthened at the end of the year also through changes made in the organisational structure; all competencies within the Group that enhance competitiveness and provide support services were pooled in the Group-level competence centres. This organisational change affected employees in the Group companies' sales, customer relationship, human resources, marketing, corporate communications, financial and general management functions, and they were transferred to the parent company Novo Group plc's payroll as of 1 January 2001. This change aims to foster the network-like operating model and to provide ever-greater opportunities for developing the company's capabilities.

In managing and monitoring company performance, Novo uses Balanced Scorecard. Balanced Scorecard is a systematic management tool with scheduled events for the year. The pay-for-performance scheme based on the Balanced Scorecard was extended in 2000 to include top and middle management as well as sales personnel and pilot teams. Management performance and internal customer satisfaction were measured twice during the year, and a Group-wide value management survey was conducted at the end of the year.

Reward systems under constant development

The shareholders' meeting decided to issue bonds with warrants to be subscribed for by the entire personnel. This was the second ever option scheme offered to Novo's employees, and the oversubscription of the bonds with warrants was three and a half-fold. A total of one quarter of the personnel (512 employees) exercised their subscription right.

The Group's performance-related pay scheme was further developed and extended to cover all Group companies. In September, Novo's Board of Directors decided on an incentive scheme covering the entire Group personnel. When consolidated operating profit exceeds a certain specified limit, all Novo's employees will be paid incentive bonuses on the basis of an agreed formula. Various performance-related pay models were designed to be applied to different tasks and jobs with a view to encouraging entrepreneurship and entrepreneurial spirit within the Group.

Human resources policy was harmonised throughout the Group companies. Occupational accident prevention and joint discussion procedures were established to cover the entire Group.

◀ Providing training for internationalisation and working in a multicultural environment was on top of the agenda in human resource management in 2000. Novo employees Jaana Niukala, Jaana Kähkönen ja Arto Vuorela participated in training.

Dedicated effort into improved employee well-being

For the most part, good performance at work is due to physical well being. Through developing and maintaining employees' working capacity, Novo seeks overall employee fitness. Novo-Energy, dealing with employee well-being and working capacity within the Group, aims to provide the personnel with energising activities by creating physical exercise and recreational opportunities through its more than twenty clubs and holiday residencies. Novo rents out holiday residencies to its employees for holidays and leisure pursuits.

During the year, Novo conducted a survey among its key employees in an effort to map out their specific strengths and their need for further skills development. In addition, the survey sought to find out the similarities between the key employees and the circumstances under which their personal traits are best manifested. The greatest challenge human resource management faces is to be able to maintain key employees' overall fitness and work motivation as well as to nurture creativity.

A factor, significantly contributing to employee motivation, deals with the employees' chances of having their say in in-company matters. At Novo, one of these kinds includes in-house studies measuring both intra- and inter-team performances. The aim of these studies is to start up discussions for developing co-operation within the Group and to remove disincentives to successful performance.

Internationalisation

Internationalisation plays one of the most pivotal roles in Novo's strategic visions. Novo's training scheme for its personnel, with a view to improving language skills and cultural knowledge, aims to enhance the company's capacity for the internationalisation process. In 2000, Novo also updated its policy governing foreign assignments. The number of Novo's employees working abroad grew year on year by 53. A special internationalisation databank was also established to gather information on employees and their skills and willingness to take international assignments.

Consistent management practices across the Group

With more than 200 managers involved, Novo Pro management training programme, initiated in 1999, was completed at the end of the financial year. The training programme aimed to standardise management practices on a Group-wide basis and to convey the Group-level visions and strategies to the team-level. The training programme ended in a value management analysis where the manager's subordinates and colleagues were to evaluate their value-based performance and management style. On the basis of the analysis, each manager, participating in the training programme, was drawn up a personal development plan.

Novo Pro also included highly encouraging group-work sessions, where employees had a chance to make suggestions about existing management practices.



C O R P O R A T E G O V E R N A N C E

Board of Directors and President

Pursuant to the Articles of Association, Novo Group plc's Board of Directors may comprise a minimum of five and a maximum of nine permanent members and a maximum of three deputy members. In accordance with the Articles of Association, the Board is responsible for corporate governance, the appropriate organisation of the Group's activities, employing and dismissing key employees, making decisions on borrowing, and the acquisition, lease and transfer of real property, and for performing other duties and functions falling within the responsibilities of the Board under the Finnish Companies Act.

The Board of Directors of Novo Group plc is made up of seven (7) members. The Annual General Meeting elects the members of the Board and decides on the remunerations and emol-

uments of the Board of Directors and auditors.

The Board of Directors elects a Chairman of the Board at its constitutive meeting. Duties and responsibilities of the Board members and the Chairman have not been specifically defined. Sub-committees and task forces can be appointed for special assignments and the President may participate in their work, but, unless otherwise agreed, he cannot be a member of the sub-committees and task forces.

The Board of Directors shall appoint a President and CEO. The President may be an elected member of the Board. The Board of Directors shall decide on the compensation and other benefits payable to the President and CEO. The main terms and conditions of the President's service contract are defined in writing. Novo Group plc's President and CEO, Jorma Kielenniva, has been a Board member since 2000.

◀ The Board of Directors from left: Matti Packalen, President and CEO, Alma Media Corporation plc; Ilkka Hallavo, Director, Sampo; Juha Voittis, Senior Adviser, Talent Partners Ltd.; Veikko Kasurinen, President and CEO, Altia Group Ltd.; Reijo Paa-janen, President, Prinnox Oy; Jorma Kielessiva, President and CEO, Novo Group plc and Risto Parjanne, Managing Director, The Association of Finnish Local and Regional Authorities.

Since 2000, The Chairman of the Board has been Veikko Kasurinen and Vice Chairman Ilkka Hallavo.

Remuneration

During 2000, the emoluments and remuneration paid to Novo Group plc's Board of Directors and the President, including salaries, bonuses and perquisites, totalled TEUR 278.

Management ownership

According to the share register on 31 December 2000, the President and CEO held a total of 38 700 shares in Novo Group plc, accounting for 0.12 per cent of Novo Group plc's share capital and voting rights.

According to the share register on 31 December 2000, the members of the Board of Directors held a total of 39 300 shares in Novo Group plc, representing 0.12 per cent of Novo Group plc's share capital and voting right.

Guidelines for insiders

As to the Novo Group plc's insider policy, the company mainly follows the guidelines for insiders established in connection with the 1997 listing. As concerns the rules governing trading times, the company's in-house insider rules are stricter than the guidelines for the listed companies' insiders issued by the Helsinki Exchanges on 1 March 2000.

Organisation of business

At the end of 2000, the Novo Group consisted of its parent company Novo Group plc and of twenty Group companies. Novo's objective is to flexibly provide their customers with added value service packages while making good use of in-house synergies. Considering this objective, the Group companies are organised into business divisions, and their support and control functions into Group-level Competence Centres. The Heads of Divisions and Competence Centres (Senior Vice Presidents) are also members of the Management Team. The Management Team shall make decisions on significant issues regarding the Group and Group companies. Such issues include approving and confirming business strategy, annual budgets and major investments.

Management Team

Novo Group's Management Team members are President and

CEO Jorma Kielessiva, Heads of Divisions Seppo Pahta, Kari Kontula, Kimmo Koivisto, Heikki Tiihonen and Heads of Competence Centres Martti Ala-Härkönen (Finance and Business Development), Tarja Virrala (Personnel, Marketing and Communications), Harri Mäkitie (Sales and Account Management), Matti Partanen (Supply Processes and Quality) as well as Directors Raimo Anttila and Matti Mäkelin, Chief Shop Steward Jouko Malinen and Shop Steward Olli Ahovaara.

Financing

In accordance with the decision made in autumn 2000, the Group financial and management accounting is centralised on the Group's Financial Department, which is in charge of various financial reports, budgets, forecasts and the preparation of financial statements both at parent company and subsidiary level, home and abroad. The Group's financial administration defines the accounting principles and the preparation principles of financial statements for the Group. The preparation principles of financial statements are presented in the Notes to the Financial Statements. Furthermore, financial administration ensures that consistent accounting principles and financial statements preparation principles are observed across the Group.

Audits

The financial administration is in charge of internal audits while two (2) auditors and two (2) deputy auditors carry out external audits. One of the regular auditors and one of the deputy auditors must be authorised public accountants approved by the Central Chamber of Commerce.

A public accountant firm, approved by the Central Chamber of Commerce, can be elected an auditor.

The auditors' term of office equals the company's financial year and terminates at the end of the first Annual General Meeting following the election. In the year ended 31 December 2000, the company's auditors were Jorma Jäske, Authorised Public Accountant and Tilintarkastajien Oy - Ernst & Young public accountant firm, with Mikael Holmström, Authorised Public Accountant, acting as the principal auditor. Authorised Public Accountants Arto Kuusiola and Kunto Pekkala acted as deputy auditors.

Glossary

AGS = Application Generation System

An end-user's report generator via the intranet or WAP phone.

ASP = Application Solution Provider

Application rental services over the Internet (the customer rents equipment and applications from the service provider, who distribute, maintain, control and manage them through the Hosting Service Centre).

BBP

Business intelligence = A wide range of applications and technologies for data acquisition, warehousing, analysis and for access to useful information.

CRM = Customer Relationship Management

A system (database), enabling a company's well-organised customer relationship management.

Data mining = Analysing, scaling and combining information with a view to discovering new information on customers' behaviour, for instance.

Data warehousing = A central warehouse for all relevant information the company's various systems gather. It is usually managed through the mainframe server.

EAI = Enterprise Application Integration

Transforming information between non-compatible applications. Using gateways, application servers and other products, which offer a common service point.

eHRM = electronic Human Resource Management

GPRS = General Packet Radio Services

A wireless data-transfer standard supporting the Internet TCP/IP protocol, in which data is transferred in packets between a palmtop and a base station. Enabling continuous online connection to portable terminal equipment.

GPS = Global Positioning System

Consisting of twentyfour satellites orbiting the Earth giving geographical position to even the nearest metre.

GSM = Global System for Mobile communication

A pan-European digital mobile communication system with e-mail features via GSM phone.

Hosting = maintenance and operating services of integrated IT systems through a Hosting Service Centre.

Infrastructure Services = Integrated services related to IT equipment systems at all organisational levels, ranging from a single workstation to the usability of integrated systems and inter-company networks.

IP = Internet Protocol

A global open information network using TCP/IP protocols where a PC or terminal equipment connected to the Internet has an individualised numerical code. The IP address consists of four 1-3 digit figures (from 1 to 255) separated by a point.

LBS = Location-Based Systems

Mobile-hosting = Maintenance of mobile services through the so called Mobile Hosting Service Centre.

M-GIS, (GIS) = Geographic Information System

A digital and mobile system for mapping, background information and tracking. Exploiting satellites and aerial imaging.

M-POS = mobile-point of sale

Point-of-sale systems that convey data on a real-time basis by using PCs or terminal equipment connected to tills, reading wands, optical scanners and magnetic tape readers.

PKI = public key infrastructure

Enabling secure and private use of unsecured public information networks, such as the Internet, by means of a private encrypted pair of keys acquired from and distributed by a trustee organ.

SAP = Systems, Application and Products in Data Processing
Originally a German software covering all corporate customer's databases by using several applications. The software gives access to various applications and parallel services via the Internet.

SPI = Software Products Integration

A technological development project in 2000 with the aim of analysing and testing how the Software Product Solutions Division's products could be integrated from a technological viewpoint.

UMTS = Universal Mobile Telecommunication System

A fast, wireless broadband data-transfer network enabling the implementation of multimedia services. It is reckoned to be introduced in Europe sometime in 2002-2003.

VPN = Virtual Private Network

Connectivity based on public information network where communication is encrypted and the terminal equipment of the network operates as if it were in the same local area network.

WAP = Wireless Application Protocol

New generation mobile-phone technology enabling service providers to offer menu-based wireless services related to, say, banking, news services, timetable information and product orders.

WLAN = Wireless Local Area Network

A local area network that uses wireless connections as transfer media.

XML = Extensible Markup Language

An easily extensible description language of electronic data based on the sub-set of SGML especially for Internet use. For example, through extensions, new modules and features can be defined and different databases can be made compatible.

3G network = Third-generation network for wireless communication.

3T-Magda = three-tiered application developer

A Magda version in which the traditional two-tiered Client/Server solution is extended to a three-tiered solution. The execution of application logic and the user interface are separated as individual programs.

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This is an English-language translation of the Finnish-language texts.

In case of any discrepancy between the Finnish and English texts, the Finnish language documents are decisive.

