

04

KYRO
TECHNOLOGIES

ANNUAL REPORT

04

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The tempered glass of the **Dentsu Headquarters** in Tokyo was processed using Glaston Technologies technology.



Asprey store in Trump Tower, New York, is a magnificent example of the use of safety glass.



Glass products of Tamglass Glass Processing have been used in the **Main Post Office** of Sweden in Solna.



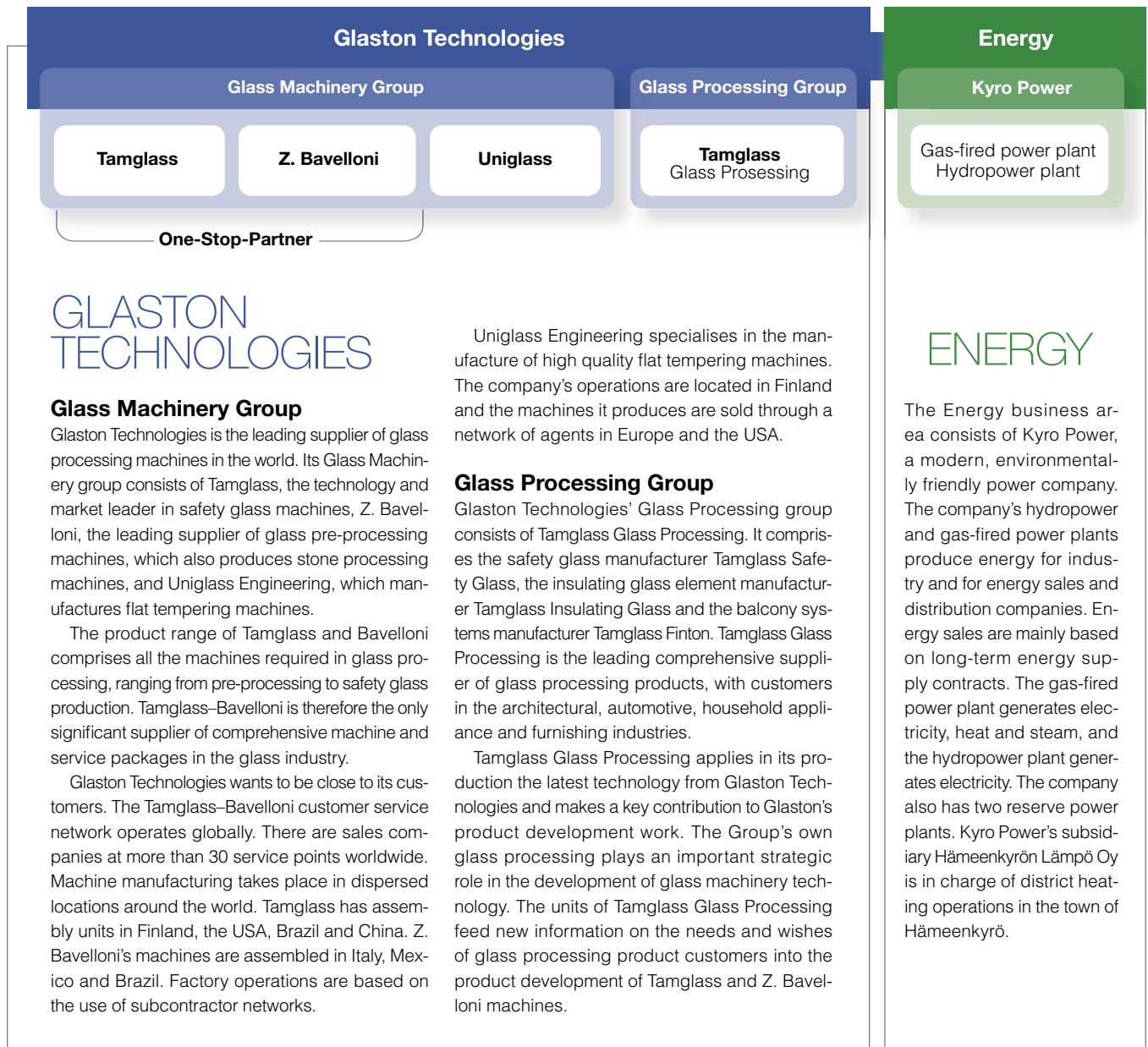
Valtra Oy uses in its tractors both tempered and laminated Tamglass safety glass.



KYRO IN BRIEF

Kyro is a growing, financially solid global technology group. Its main business area, Glaston Technologies, consists of the Glass Machinery Group, which operates world-wide, and the Glass Processing Group, which focuses on markets in Finland and neighbouring countries. The Energy business area consists of the electricity and heat generating plants of Kyro Power Oy.

KYRO TECHNOLOGIES



KYRO IN 2004

Kyro Group

Net sales EUR 231.7 (226.7) million
Operating profit before amortisation of goodwill EUR 21.8 (22.9) million
Profit before taxes and extraordinary items EUR 21.0 (20.4) million.
Profit for the financial year EUR 11.6 (12,2) million
Earnings per share EUR 0.15 (0.16),
equity per share EUR 1.64 (1.70)
Financial position good, equity ratio 62.6% (58.6%), gearing 6.1% (3.2%)
Order book EUR 86.7 (81.4) million
Personnel 1,208 (1,127)
Board's dividend proposal for the financial year EUR 0.06 per share

Glaston Technologies

Net sales grew to EUR 203.3 (198.4) million; net sales would have been EUR 6.0 million euros higher if calculated with foreign exchange rates from 2003
Tamglass' volume and result rose; local machine manufacturing compensated for the strong euro
Bavelloni's net sales grew, but profitability was weakened by the high euro exchange rate

Tamglass Glass Processing slightly increased its volume and market share. In December machine orders were a record-breaking EUR 27.7 million, the order book stood at EUR 62.2 (58.8) million. Global demand for glass machines was weak at the start of the year but picked up well towards the end of the year. After Sales and tool business grew strongly Tamglass and Bavelloni further developed their One-Stop-Partner concept.

Energy

Net sales EUR 28.4 (28.3) million euros;
Operating profit EUR 5.7 (5.6) million euros, amounting to 20.0% (19.6%) of net sales
Order book EUR 24.5 (22.6) million
Energy production by the gas-fired power plant exceeded the previous year's level
Hydropower production increased by nearly 60% compared to the very dry year of 2003

Kyro Group initiated a study project aimed at finding a possible energy partner.

Consolidated Income Statement, EUR million		
	2004	2003
Net sales	231.7	226.7
Other operating income	1.1	1.6
Expenses	204.2	198.6
Depreciation without amortisation of consolidated goodwill	6.9	6.8
Operating profit before amortisation of consolidated goodwill	21.8	22.9
% of net sales	9.4	10.1
Amortisation of consolidation goodwill	2.9	3.1
Operating profit	18.8	19.8
% of net sales	8.1	8.7
Net financial income and expenses	2.1	0.6
Profit before taxes and minority	21.0	20.4
Income tax	-7.5	-6.7
Minority interest	-1.9	-1.5
Profit for the financial year	11.6	12.2

Key figures		
	2004	2003
Return on invested capital, %	12.3	14.1
Return on equity, %	9.9	10.3
Equity ratio, %	62.6	58.6
Gearing, %	6.1	3.2
Investments, EUR million	4.6	62.7
% of net sales	2.0	27.7
Research and development, EUR million	9.4	9.8
Personnel, average	1 175	1 150
Personnel at end of year	1 208	1 127
in Finland	433	421
Order book, EUR million	86.7	81.4

MAIN EVENTS

January

- Z. Bavelloni, which is part of Glaston Technologies, acquired the product rights and operating systems of Makivetro, a Brazilian manufacturer of glass pre-processing machines, in order to set up a manufacturing and distribution unit in Brazil

March

- According to a proposal by the Board of Directors, Kyro's Annual General Meeting decided to distribute a dividend for 2003 of EUR 0.15* per share and a supplementary dividend of EUR 0.15* per share. The Annual General Meeting authorised the Board of Directors to acquire the company's own shares for the purpose of using them as consideration in possible acquisitions, to finance investments, or in other industrial arrangements, or to be transferred in other ways, or to be cancelled
- Kyro participated in the Sijotus 2004 investment event, which was held in the Tampere Hall.

April

- Glaston participated in the China Glass fair at Beijing and organised a Glass Processing Days local conference in China. A significant proportion of China's glass processors attended this event.

May

- Kyro participated in an investor tour organised by the Arvopaperi investment magazine, visiting the cities of Oulu, Joensuu and Tampere.

June

- The Bavelloni factory in Brazil delivered its first machines to customers.

September

- The Finnbuild International Building and Building Services Fair in Helsinki. Tamglass Glass Processing introduced a new balcony system and a range of fire glass products.
- New Tamglass-Bavelloni joint sales and maintenance companies started operating in Shanghai and Moscow.

*before adjustment for the bonus issue

October

- Kyro initiated a study to find a partner for Kyro Power, with the intention of strengthening its energy business.

November

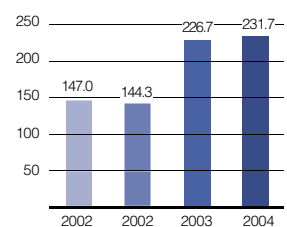


- The year's most important glass industry event was the Glasstec Fair in Dusseldorf. Glaston Technologies launched several new products at the fair.
- In connection with the Dusseldorf fair, Glaston Technologies agreed new orders worth a total of EUR 23 million. This was Glaston Technologies' best achievement to date in respect of orders generated by a fair.
- An Extraordinary Meeting of Shareholders on 25 November 2004 approved the proposal by the Board of Directors for a supplementary dividend of EUR 0.10 per share as well as a bonus issue in which shareholders were entitled to subscribe for one new share on the basis of each old share held. Accordingly, the company's number of shares and the share capital doubled in 26 November 2004.

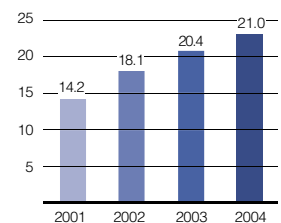
December

- Glaston Technologies achieved a new record of EUR 27.7 million for orders booked during one month.
- The largest Bauhaus store in the Nordic countries was opened at Pirkkala. Tamglass Glass Processing supplied tempered glass for this demanding building project.

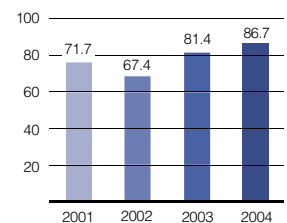
Net sales, EUR million



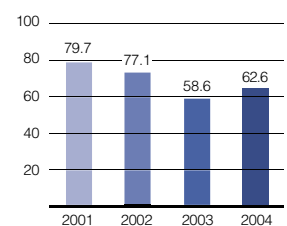
Operation profit before taxes, EUR million



Order book 31.12., EUR million



Equity ratio, %





PRESIDENT'S REVIEW

The beginning of 2004 was challenging for the world's glass processors, and accordingly also for Kyro's main business area, Glaston Technologies. Demand for glass machines went through its business cycle minimum early in the year, however, this was followed by a strong recovery. Our Machinery Group had prepared for this change; we received a record volume of new orders and strengthened our position in the market. With Kyro Power also increasing its output, we achieved the best annual net sales for Kyro as well as a good result – following a final quarter which was record-breaking in many areas. Taking the further strengthened euro into account, we can be very satisfied with these achievements.

Glass processing is growing globally

Glass processing is growing globally at an annual rate of 5–6 percent. In 2002 and 2003 the trend was below average and 2004 also began cautiously. Expansion of the global economy, however, stimulated fairly strong growth in the consumption of architectural, automotive and other glass products. At the same time, demand for glass machines rose at the end of the year to record levels in nearly all the main markets except for Central Europe.

Glaston's investments brought success

Glaston Technologies is aiming to grow organically and through acquisitions. While growth was limited by economic conditions in 2002–2003 we made substantial corporate acquisitions and related changes in the overall business structure in order to boost competitiveness and efficiency. This was continued in 2004.

As the market recovered and demand turned towards more demanding machines and more comprehensive deliveries, we were prepared. At the Glasstec Fair in autumn 2004 we agreed a record number of contracts for Tamglass safety glass machines and Uniglass tempering furnaces as well as Bavelloni pre-processing machines. The December figure of nearly EUR 28 million in booked machine orders was a new monthly record.

An important development area is after sales business, where our Machinery Group achieved record growth as the market

recovered; in Tamglass, this growth exceeded 20 per cent. In Bavelloni, the tool business also grew well and, at the end of the year, we opened a new production line for polishing tools.

Glaston strengthens in growing markets

Tamglass' machine manufacturing operates in four locations in the main foreign currency areas. This protected us against the strong euro so well that Tamglass further improved its record profit. Bavelloni's new factory in Brazil continues the same strategy. In 2005 we will study whether Bavelloni's machine manufacturing should follow Tamglass into China, too.

We strengthened also the sales network in 2004 through the opening of Tamglass-Bavelloni sales companies in Shanghai and Moscow. We also merged some Tamglass and Bavelloni sales companies. From the beginning of 2005, Tamglass and Bavelloni have joint sales, maintenance and business area organisations. This will further improve our efficiency and service capability as well as the sales and service of our One-Stop-Partner deliveries.

Developing expertise in glass processing

In terms of its product range, Tamglass Glass Processing is already the leading supplier of architectural glass solutions in Finland. Office construction was at a very low level in Finland last year. Even so, Tamglass Glass Processing improved its market position and will continue the production line investments it began in 2004 in order to improve its service capability and grow its balcony system business in particular.

Kyro Power emissions under control

The energy production of Kyro Power's gas-fired power plant exceeded the previous year's record in 2004, with increased deliveries of heat and electricity. Hydropower production also grew after the dry year of 2003. Under the Kyoto agreement, emissions trading aiming at restricting emissions began in Finland from the beginning of 2005. In the first stage the impact on the energy markets seems to be quite small. In the second stage of emissions trading, starting in 2008, the impact will be greater. Emissions trading will improve the competitive position of our low-emission power plants.

Kyro's development continues

At the beginning of 2005, our order and offer books are good, which promises organic growth. At the same time, we are

"The growing glass industry gives us many opportunities to develop and improve our operations further."

studying complementary partnership and corporate acquisition projects for both our Machinery and Glass Processing groups. In respect of Kyro Power, we are continuing partnership negotiations in pursuit of a cooperation model that will bring efficiency and economies of scale.

Tamglass and particularly Bavelloni are developing the global efficiency of their manufacturing operations and are preparing to launch important new products and improve their customer service. Through their new organisation, the companies will present themselves to the customer as a single entity that can supply efficiently and with high quality nearly everything that glass processors need in their production.

Last year's investments are indicative of our growth targets. This year our aim is to grow especially in South America, China, Russia and Eastern Europe. In all these areas the economy will grow and the glass market will develop strongly.

The sector's best, highly motivated employees are an important resource for us. We will continue and expand further the skills and occupational well-being projects that we began last year. In this way, our team will be highly equipped to strengthen its number one position in the market and fulfill its customer promises.

For us, 2004 was fascinating, challenging and profitable. The growing glass industry gives us many opportunities to develop and improve our operations further. I would like to thank our customers for their trust, as well as our personnel, shareholders and partners for their major contribution and commitment to Kyro's development.

– Pentti Yliheljo
President and CEO

KYRO AS AN INVESTMENT

During its time as a listed company, Kyro has shown its ability to grow profitably and to develop in accordance with customers' and shareholders' needs. The main business area Glaston Technologies has developed organically and through acquisitions into a global technology and market leader in glass processing machines. Being the leader in its field and a globally operating technology group, Kyro is also well positioned to continue to increase shareholder value in the future.

Structural changes initiated in the mid 1990s have developed Kyro into a competitive global technology group that generates shareholder value. These changes have included divesting forestry industry operations, developing Tamglass into a market leader in glass processing machines, constructing new power plants for Kyro Power, and withdrawing from the telecommunications sector through the public listing of Tecnomen. In recent years Kyro has invested strongly in developing its chosen main business area, Glaston Technologies, through acquisitions in both glass machinery and glass processing.

A profitable technology group

Kyro has developed through acquisitions into a group whose market leadership and good profitability create a strong foundation for future organic growth and further acquisitions. Use of glass, and especially safety glass, is increasing throughout the world. Glaston Technologies has therefore excellent opportunities to grow profitably at a greater rate than the market generally.

Increasing shareholder value

Kyro's successful operations and its ability to increase shareholder value are shown by its good profit development and its leadership position in its main business area. To investors looking for long-term growth, Kyro is an interesting investment due to Glaston Technologies' good prospects for profitable growth and the energy producer Kyro Power's stable business and steady cash flow. Kyro's positive profit development, financial solidity and an ability to continue its growth strategy ensure a good capacity for paying dividends.

Market leader in a growth sector

Growing demand for glass processing technology is creating a good outlook for Glaston Technologies as the sector's leading supplier. The growth of glass architecture, the development of safety glass regulations and the increased use of glass in renovation construction are increasing the demand for value-

added products processed with Glaston Technologies' machines. Growing faster than the general economic trend requires continuous development of glass processing technology and this will enhance Glaston Technologies' future growth prospects.

Mission, vision and strategy

The foundation of Kyro's financial success is the added value generated by its business activity, which improves the living environment and quality of life of people today. The Group's mission is to promote the development of a safe, attractive world through the advanced glass technology of Glaston Technologies.

Kyro's vision for the year 2010 is to benefit from increased skills and versatility in its business. The Group's growth strategy is focused primarily on developing the Glaston Technologies business area.

The main goals of Kyro's strategy are:

1. Good profitability based on technology and market leadership.
2. Long-term growth that is faster than the market in the main business area – both organically and through acquisitions.

The organic growth strategy is based on a strong competitive position and on maintaining and further developing good profitability.

The acquisition strategy is based on carefully considered acquisitions that support organic growth and utilise opportunities provided by it.

ANNUAL REPORT

STOCK EXCHANGE RELEASES

15.01.2004

Orders worth EUR 23.5 million for Glaston Technologies in December 2003

04.02.2004

Kyro's net sales and operating profit grew

05.02.2004

Oy G.W Sohlberg Ab's holding in Kyro Corporation decreased to 16.42 percent

24.02.2004

Invitation to the annual general meeting of shareholders

12.03.2004

Kyro Corporation's electronic annual report for 2003 published

17.03.2004

Decisions of the annual general meeting on 17th March 2004

05.05.2004

Profit before extraordinary items grew

12.08.2004

Kyro Group interim report 1–6/2004: order book grows

04.10.2004

Kyro seeks cooperation partner for its energy business

03.11.2004

Kyro Corporation: extra dividend, bonus issue

03.11.2004

Kyro Corporation: interim report January–September 2004

05.11.2004

Extraordinary shareholder's meeting of Kyro Corporation

22.11.2004

Glaston Technologies received orders for approximately EUR 23 million

25.11.2004

Decisions of the extraordinary general meeting on 25th November 2004

03.12.2004

Kyro's financial information for 2005

BROKERAGE FIRMS PROVIDING ANALYSIS

Enskilda Securities

Tommy Ilmoni/
Kaisa Ojainmaa
Eteläesplanadi 12
P.O. Box 599
FIN-00101 HELSINKI
FINLAND
Tel. +358 9 6162 8900

FIM Fondkommission Ab

Mikko Linnanvuori
Pohjoisesplanadi 33 A
FIN-00100 HELSINKI
FINLAND
Tel. +358 9 613 4600

Mandatum

Fondkommission Ab
Robin Johansson
Unioninkatu 22, P.O. Box 66
FIN-00131 HELSINKI
FINLAND
Tel. +358 102 3610

Opstock Oy

Henri Parkkinen
Teollisuuskatu 1 b
P.O. Box 362
FIN-00101 HELSINKI
FINLAND
Tel. +358 10 252 7400

Evli Bank Abp

Matti Riikonen
Aleksanterinkatu 19 A,
4th floor
P.O. Box 1081
FIN-00101 HELSINKI
FINLAND
Tel. +358 9 476 690

eQ Pankki Oy

Teemu Salonen
P.O. Box 359
FIN-00100 HELSINKI
FINLAND
Tel. +358 9 231 231

Kaupthing Bank Oyj

Mika Metsälä
Pohjoisesplanadi 37 A
FIN-00100 HELSINKI
FINLAND
Tel. +358 9 478 4000

GLASTON TECHNOLOGIES

GLASS MACHINERY GROUP

The product and service range and customer service network of the Glass Machinery group within Glaston Technologies are the most extensive in the glass processing machine industry. The group consists of Tamglass, the technology and market leader in safety glass machines, and Z. Bavelloni, the leading supplier of glass pre-processing machines, which also produces tools and stone processing machines. The group also includes Uniglass Engineering, a supplier of the flat tempering machines.



– Pentti Yliheljo
Tamglass, CEO

“Glaston Technologies seeks to fulfil the growing demands of the market with good customer service, quality high-technology products and comprehensive deliveries under its One-Stop-Partner concept. Record orders at the end of the year plus a growing order book are proof of our success in achieving these objectives.”

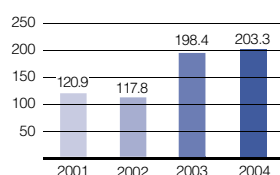
Use of glass and safety glass technology

In 2004 around 37 million tonnes of a float, i.e. raw glass, was produced in the world. Of this, around two thirds was used in the construction industry, around one quarter in the automotive industry and around one tenth in household appliances, furniture and special applications. Approximately two thirds of all float glass produced is processed into safety glass.

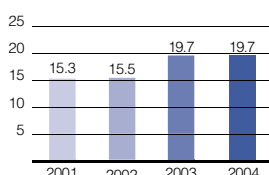
Float glass is processed into safety glass either by tempering or laminating. In the tempering process, glass is heated to the tempering temperature and cooled quickly, creating on the surface of the glass a



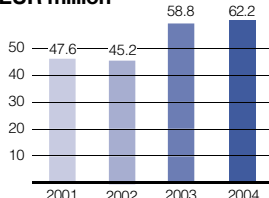
Net sales, EUR million



Operating profit before amortisation of goodwill, EUR million



Order book 31.12., EUR million



Glaston Technologies operates and is the leading supplier in a growing sector that demands increasingly advanced technology. The use of glass is growing in architecture, vehicles, household appliances and furniture. Glass is capable of answering to greater design demands for a brighter and more attractive living environment, and it is also an environmentally friendly and recyclable material. Advanced glass products help to save energy, filter solar radiation and enhance safety.

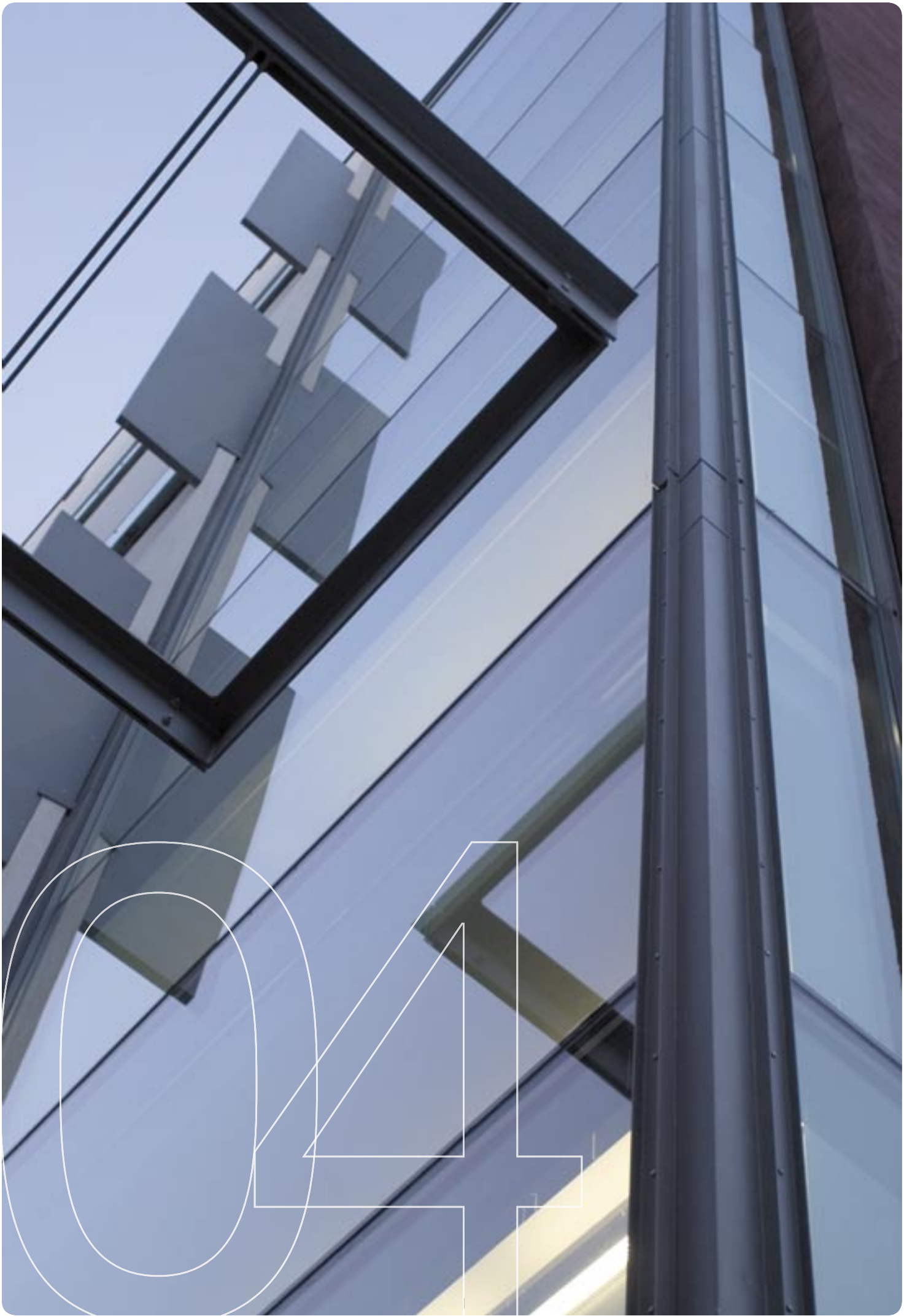
compression stress that makes the glass many times more durable. In the event of the glass breaking, properly tempered glass disintegrates into small, harmless pieces. In the lamination process, sheets of ordinary or tempered glass are bonded together using a durable PVB film. Laminated glass remains attached to the plastic film when it breaks and stays in its frame.

End-use requirements for glass are growing

Nowadays, glass products are to an increasing extent made of safety glass, because the processing of glass into safety glass improves its durability and expands its possible uses. Furthermore, new types of glass, such as coated energy saving glasses, contain higher added value and require greater strength to enable them to withstand the increasing temperature loads imposed on them. A growing need for higher safety levels and tighter regulations are also significantly increasing the proportion of safety glass in the total amount of glass used.

Glaston Technologies – Key figures

	2004	2003	2002
Net sales, EUR million	203.3	198.4	117.8
Operating profit before amortisation of goodwill, EUR million	19.7	19.7	15.5
Order book 31.12., EUR million	62.2	58.8	45.2
Personnel, average	1 175	1 093	482





GLASTON TECHNOLOGIES

Market strengthened towards the end of the year

Global demand for glass processing machines was weak at the beginning of the year, but it picked up to record levels at the end of the year. Economic conditions emphasized demand for basic machines early in the year. At the end of the year, demand was strong for all the main products, i.e. for safety glass machines and glass preprocessing machines as well as for tools. Orders exceeded the previous year's level and interest shifted to larger and more demanding machines.

In the field of architectural glass, trends concentrate on the use of larger glass sizes, bent shapes and coated energy-saving glasses, particularly in the developed markets. In construction, the use of natural light, energy economy and shorter building times require glass processors to provide faster and more flexible processing as well as a wider product range. Demand for architectural glass machines grew at the end of 2004 to record levels in most markets, the exception being the German-language area of Central Europe.

Demand for automotive glass machines was generally more buoyant towards the end of the year. Growth in the developing countries of the Far East was evident in higher orders for Tamglass automotive glass machines. In traditional vehicle manufacturing countries, investments are weighted towards replacement investments as new vehicles come on the market. In automotive glazing, the new technologies increasingly being adopted are energy-saving coated windscreens and, in sidelites, laminated glass, which improves upon tempered glass in terms of sound insulation properties and anti-theft security.

The favourable development of the market means that Glaston Technologies' maintenance business also grew strongly. Demand for renewal packages and machine options particularly increased, as did business based on maintenance contracts. Demand for second-hand machines also grew. Sales of glass grinding tools manufactured by Bavelloni also improved.

Glaston Technologies performed strongly in the latter part of the year. October sales boosted the order book to a new record and this was followed by a successful Glasstec Fair. A monthly record in December of EUR 27.7 million increased the order book, which stood at EUR 62.2 million euros on 31 December 2004.

Customers' needs fulfilled with One-Stop-Partner concept

The diverse uses and processing needs of glass require manufacturers of glass processing machines to offer a wide range of products and serv-

ices as well as to continuously develop processing technology to match new glass products.

During 2004 Glaston's One-Stop-Partner concept was developed further to fulfil customers growing needs for production efficiency and flexibility. Glaston Technologies' industry-leading range of products and services consists of machine and production line deliveries, maintenance services and tools. From the different modules of the concept, customers can select products and services according to their needs, all the way to a complete glass processing factory, from a single supplier.

The industry's most comprehensive service network

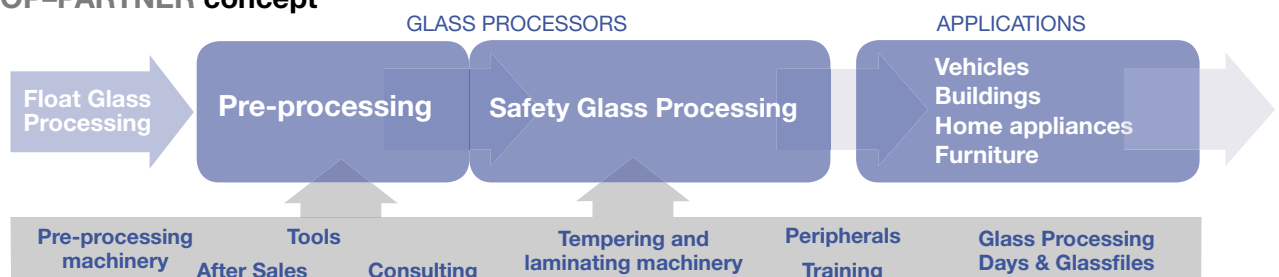
During 2004 the Tamglass and Bavelloni sales and maintenance companies in France, Singapore and the UK were merged, and new joint sales and maintenance companies were established in Shanghai and Moscow to improve customer service in the growing Chinese and Russian markets. A new sales organisation, which came into effect on 1 January 2005, combines the Tamglass and Bavelloni sales units into a single entity, supporting customer service operations under the One-Stop-Partner model. Maintenance operations were also merged into a single unit at the same time. All units will now operate under the name Tamglass-Bavelloni.

Several products launched at Glasstec Fair

Glaston Technologies brought several new products to the market at the Glasstec 2004 Fair. The most notable product launches were the Tamglass ProE MAGNUM™ (the world's largest coated Low-E glass tempering machine) for architectural glass processors, as well as the ProConvection™ flat tempering machine, which is automatically controlled with machine vision. Among the significant new Bavelloni products were the Rev™ series of cutting machines, the CNC grinding machine for large glass sizes incorporating the Alpa N™ remote system, and a new series of polishing tools. Uniglass launched on to the market the Plasma™ flat tempering machine for the household appliance industry.



Glaston Technologies' ONE-STOP-PARTNER concept



GLASTON TECHNOLOGIES



”Due to strong product development investments, Z. Bavelloni has achieved a leading market position as a manufacturer of glass pre-processing machines and tools.”

– Dino Bavelloni
Z. Bavelloni, President

Technology leader

The developing glass processing industry and its target markets are demanding higher energy economy and efficiency than previously as well as new glass shapes and larger surfaces. These factors, as well as the rise in demand for safety glass, are creating good growth prospects for glass processors and for Glaston Technologies in turn as a supplier of individual safety glass machines and comprehensive services.

Glaston Technologies' investments in research and development have made it the leading player in the sector. Glaston's own Glass Processing group, together with a wide customer service network, continually produces up-to-date information about customer needs and wishes in order to support the development of machines and equipment. Glaston Technologies develops and promotes the glass processing industry by organising, for example, the Glass Processing Days™ conferences and by actively participating in international standardisation work. The industry's leading, Glaston-developed global portal Glassfiles.com® furthers the networking of the glass industry in conjunction with the Glass Processing Days™ conferences.

In recent years Tamglass product development has concentrated particularly on the development of thermal processing and bending technology in a market where new coating types and more demanding shapes represent a clear trend. Bavelloni concentrates on developing the quality and speed of grinding as well as on related tools that deliver greater cost efficiency to the customer. Another important area of Bavelloni's product development is faster, new generation cutting machines.

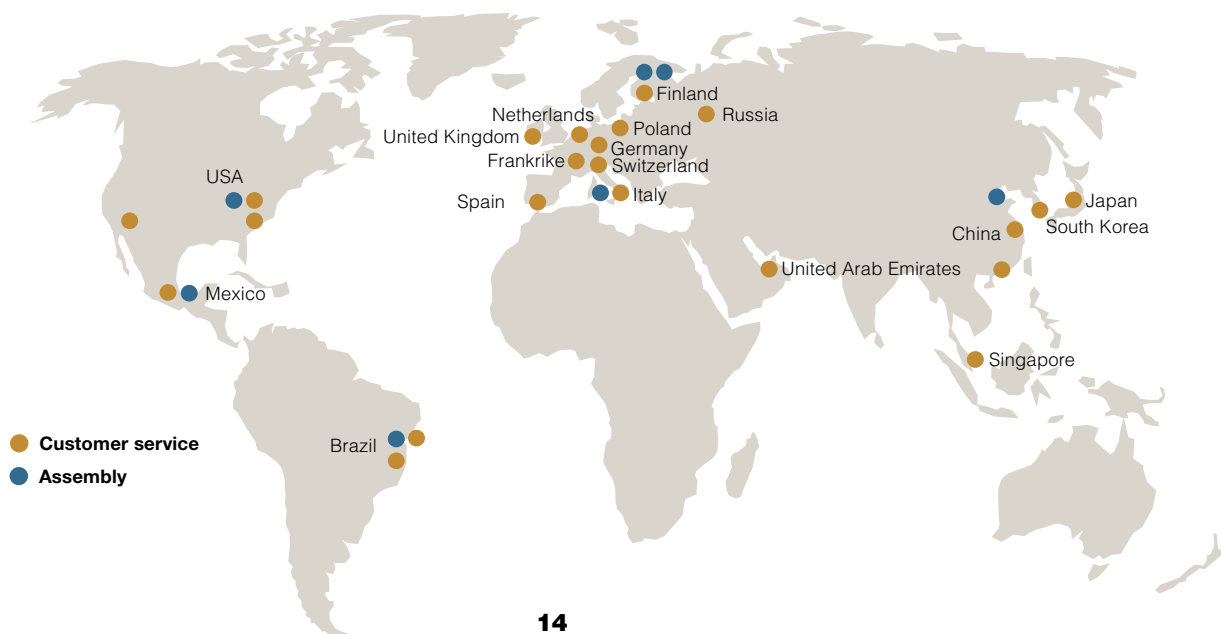
Range of quality machines

Research and development has generated the industry's best-selling success products. The Tamglass high-capacity ProConvection flat tempering machine has a leading position in the most demanding market segment of processing coated architectural glass. The latest products from Tamglass are the world's largest flat tempering machine for coated Low-E glass and a flat tempering machine automatically controlled by machine vision, which enables production capacity and flexibility to be increased. The new products supplement the Tamglass family of flat tempering machines, which is the market leader in its field.

Due to strong product development investments, Z. Bavelloni has achieved a leading market position as a manufacturer of glass pre-processing machines and tools. New products include faster cutting machines and the ALPA CNC shape grinding machine, which is suitable for grinding large glass sizes. Together with the new tool series, Bavelloni grinding machines enable the customer to achieve lower production costs and enhance production flexibility.

Uniglass develops flat tempering

Uniglass Engineering specialises in the manufacture and development of high quality flat tempering machines as well as related services. By specialising and focusing on flat tempering, Uniglass has attained a significant market position e.g. in Europe and the USA.



Maintenance – a significant part of comprehensive service

Glaston Technologies' maintenance contract services provide customers with economic and functional benefits. They cover regular servicing, training and information, as well as repair and consulting services. These services have been packaged and marketed as a maintenance contract concept. A well organised spare parts service functions effectively on all continents and in all time zones. The expertise of the original equipment manufacturer offers customers improved performance and technology updates for a wide range of machines.

The Tamglass Reactor™ production monitoring service helps to develop the entire manufacturing process. The service, based on remote technology, provides customers with analyses of their machines' production efficiency. The refurbishment and sale of second-hand machines lowers the investment threshold for new companies entering the industry.

The Tamglass and Bavelloni maintenance business grew significantly in 2004. Growth is driven by the increasing number and technical sophistication of glass processing machines as well as the growth in demand for machine updates and second-hand machines together with customers' need to increase their capacity utilization. An increasing number of customers enter into a service and maintenance contract already when purchasing their machine.

The development of shared maintenance operations between Tamglass and Bavelloni has been worked on already during 2004. In 2005 operating practices will be unified and extended. A joint spare parts e-business application is also under development.

The contacts that the maintenance business maintains with customers also play a significant role in continuously keeping track of customers' needs for new technology and capacity investments.



GLASTON TECHNOLOGIES

GLASS PROCESSING GROUP

Tamglass Glass Processing focuses on markets in Finland and neighbouring areas. It comprises the safety glass manufacturer Tamglass Safety Glass, the insulating glass element manufacturer Tamglass Insulating Glass, and the façade and balcony glazing manufacturer Tamglass Finton. Tamglass Glass Processing is the leading comprehensive supplier of architectural glass solutions in Finland.



"Tamglass Glass Processing is strengthening its position as a comprehensive supplier of architectural glass solutions in Finland."

– Pertti Iivanainen
Tamglass Glass Processing, Director

Tamglass Glass Processing, together with Kyro's glass machine manufacturing, places Glaston Technologies a unique position in the industry. Glaston's glass processing and machine manufacturing expertise represents a significant competitive advantage, extending from glass and machine technology to the needs of glass processors, end-users and designers.

Glaston Technologies' overall expertise is strengthening and its market knowledge is expanding as Glass Processing plays a key role in its product development and understanding of customers. The Glass Processing group trains glass machine customers and tests the Glass Machinery group's new products, providing valuable ideas for the development of machinery and equipment.

Tamglass Glass Processing's customers include construction and glazing firms, window and door manufacturers, and vehicle, household appliance and furniture companies. Glass Processing supplies tempered and laminated safety glasses, balcony glazing systems and insulating glass elements in standard and customised shapes and sizes.

Glass Processing also supplies its customers with comprehensive deliveries that include internal and external glazings as well as balcony systems. For

special vehicles, Glass Processing is manufacturing an increasing number of special glass elements which utilise safety glass.

Market share strengthened and volumes grew

Office construction was at a very low level in Finland in 2004. The renovation, residential and commercial construction sectors picked up, however. In a tight market, Tamglass Glass Processing increased its volumes and boosted its market share. Glass Processing utilized its versatility by delivering during 2004 notable comprehensive solutions to projects such as Bauhaus Pirkkala, the Scandic Hotel in Linköping and two luxury cruise ships.

In cooperation with important customers, Tamglass Glass Processing developed its supply chain, ranging from raw material procurement to end-customer deliveries. Glass Processing's goal is further networking and improved cooperation with subcontractors, raw material suppliers and customers.

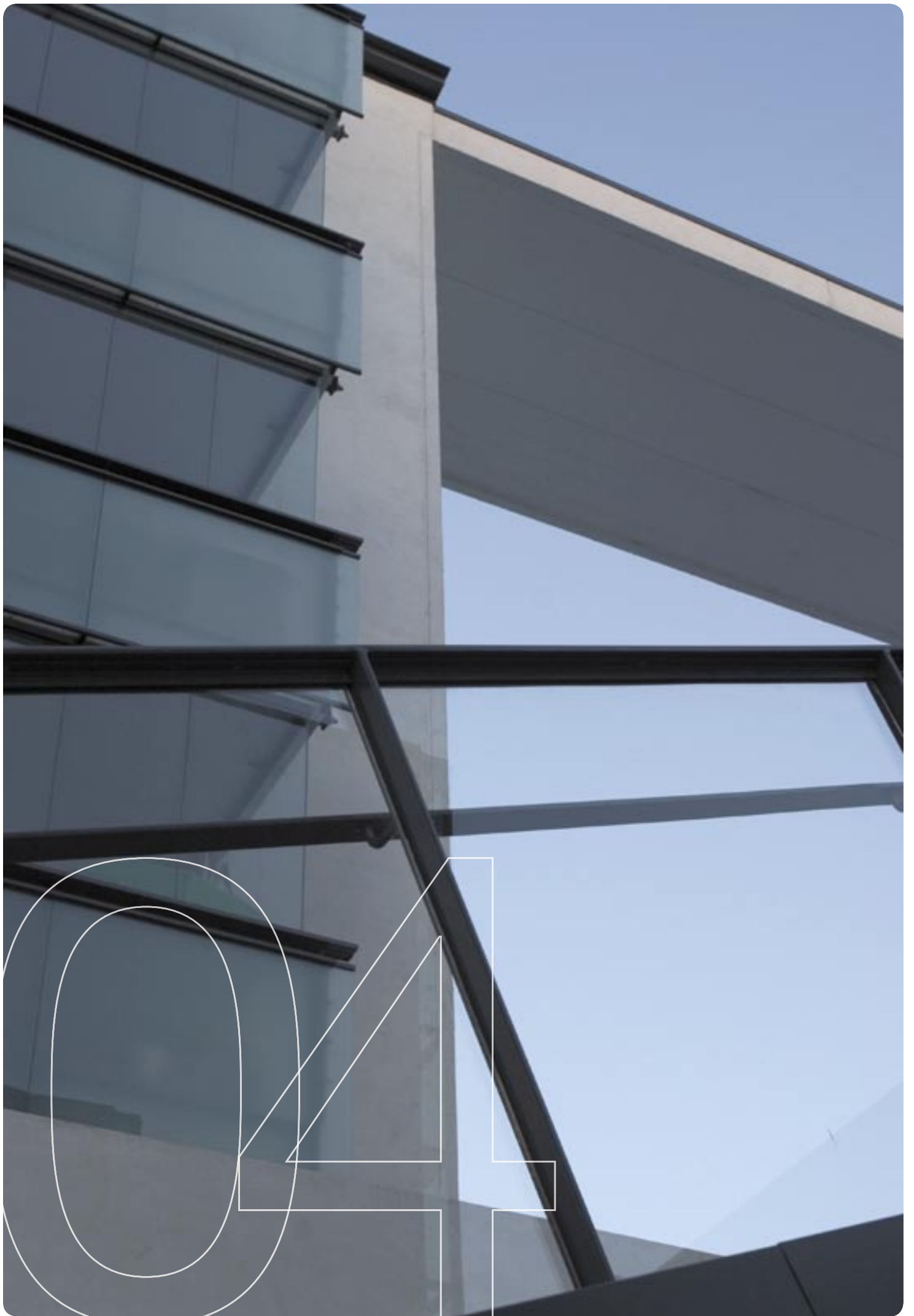
In 2004 Tamglass Glass Processing's main capital investments were special-glass and glass-cutting lines. These acquisitions enabled the group to increase its product range and improve its competitiveness.



Tamglass Glass Processing at the FinnBuild Fair

Tamglass Glass Processing participated in the FinnBuild Fair, which was held in Helsinki in late September/early October. At its own stand, Glass Processing exhibited a terrace built with a balcony system and glazing solution as well as two different types of balcony. Glass Processing also presented at the fair a new balcony glazing system and a range of fire resistant glass products, which supplement the group's comprehensive solutions concept. Deliveries of the new glazing system will begin in the first half of 2005.

The fair was attended by nearly 50,000 visitors. Tamglass Glass Processing received very positive feedback on its comprehensive solutions concept and made many new contacts.





ENERGY

KYRO POWER

Kyro Power is a modern, environmentally friendly energy supplier whose production is based on gas-fired and hydroelectric power plants located in Hämeenkyrö. The company supplies electricity and heat to industry, electricity wholesalers and the electricity market, as well as district heat to households via its subsidiary Hämeenkyrön Lämpö Oy.



– Esa Kujala
Kyro Power, Managing Director

Kyro Power's environmentally friendly business is based not only on the efficient cogeneration of electricity and heat at its gas-fired power plant but also on hydropower, which has been harnessed for more than a century. Responsibility for a clean environment is fundamental to the company's operations. The power plants have held ISO 14001 environmental certificates since 2003.

Environmentally friendly cogeneration

The recently refurbished gas cogeneration plant is the core of the company's operations. It produces electricity, steam and district heat from pure natural gas. The plant's gas turbine is equipped with Dry-Low-Nox combustion technology, which minimises emissions. The gas, back-pressure and condensate turbines generate electricity up to a maximum output of more than 60 megawatts. Steam and district heat are produced from the gas turbine's combustion gases in a heat-recovery boiler. The power plant's thermal power is more than 100 megawatts. The company also has a gas-fired reserve power plant.

The gas-fired power plant's energy production in 2004 exceeded the record levels of the previous year. The increase resulted from forest industry customers' greater need for heat and from growth in the amounts of electricity supplied.

Emissions trading improves Kyro Power's competitive position

The situation is good in terms of emissions trading and related restrictions on emissions, which come into effect in 2005. The emission rights granted to the gas-fired power plant are sufficient for the first three-year period at the present level of production. When the actual Kyoto period begins in 2008, the benefits of the cogeneration of electricity and heat will be emphasised. Because the plant burns low-emission natural gas, its carbon dioxide emissions are low compared to energy generation processes based on other fossil fuels.

A significant part of the energy of the gas burned in a gas turbine is recovered as electricity, steam and district

heat. The Kyro Power cogeneration plant's overall efficiency is more than 80 percent. This is indicative of the plant's economical and environmentally friendly nature.

Clean hydropower

The Kyrökoski rapids are among the highest in Finland and they have been used for energy production since the 14th century. Kyro Power's new hydroelectric power plant opened in 1997. The old hydropower plant was left in reserve for times of maximum flood. The new, efficient power plant has evened out the surface fluctuations on Lake Kyrösjärvi and created better opportunities for recreational use of the area.

At the heart of the power plant is a vertical 12 megawatt Kaplan turbine. The plant is located in facilities excavated within the bedrock, where the powerhouse and technical units as well as the watercourses are located. The only structure visible from outside is the surge basin and its lock devices. The basin area has been landscaped into a park popular with local residents.

Despite dry weather early in the year, hydropower production was nearly 60 percent higher than in the extremely dry 2003 and was 31 gigawatt hours. Despite this growth, the figure was around one third smaller than in a year with normal water conditions. An improved water situation means that production in the 2004–2005 winter season has been at near record levels.

District heat result exceeded expectations

The first full operating year of Kyro Power's new subsidiary, Hämeenkyrön Lämpö Oy, which is responsible for district heat operations in Hämeenkyrö, was in line with targets. At the end of the year, it was agreed to connect the Tippavaara industrial area to Hämeenkyrön Lämpö's network. This will increase district heat delivery volumes by around 15 percent.

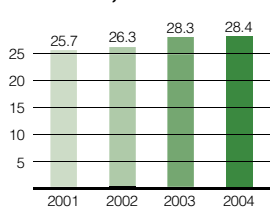
Electricity price more stable

On the electricity market the price level remained good, although prices declined as the water situation improved towards the end of the year. Overall, despite the fluctuating water situation, the market price was clearly more stable than in previous years.

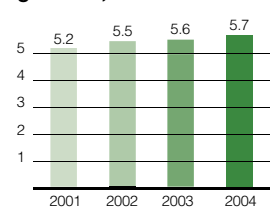
Energy business to be developed

At the end of 2004, Kyro Group initiated a project to find a possible partner in the sector for its energy business. The objective is to strengthen capabilities to develop and boost operations as well as simultaneously to improve the service capability and operating fundamentals of the energy business.

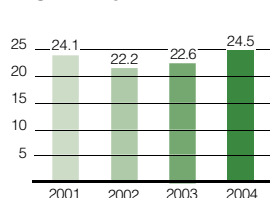
Net sales, EUR million



Operating profit before amortisation of goodwill, EUR million



Order book 31.12, EUR million



Energy – Key figures

	2004	2003	2002
Net sales, EUR million	28.4	28.3	26.3
Operating profit before amortisation of goodwill, EUR million	5.7	5.6	5.5
Order book 31.12., EUR million	24.5	22.6	22.2
Personnel, average	23	24	24

PERSONNEL

In 2004 Kyro Group had 1,208 employees, of whom 36 percent worked in Finland, 36 percent in Italy and 28 percent in 17 other countries. The largest increase in personnel numbers was in Brazil, where Bavelloni opened a new factory. The key aims of the Group's personnel policy are: the best expertise and staff in the industry, an open working atmosphere that facilitates change, and global personnel policies that support the Group's growth targets.

Vitamin programmes support operational objectives

Kyro Group companies have in recent years initiated working community development programmes to support the Group's strategic goals. The aim of these so-called Vitamin programmes is to improve customer satisfaction and productivity as well as job satisfaction. This includes promoting a culture of discussion, developing management skills and know-how, and providing incentive schemes that motivate employees to perform at a high level. A development programme that had been launched in Tamglass is being rolled out and is now at various stages of implementation within Group companies. In 2004 it was introduced into the Glass Processing Group, where the personnel strategy is currently being revised. The aim is to extend the programme to Bavelloni and Uniglass in the current year.

Developing expertise to produce the best personnel

Tamglass' personnel strategy has important, strategically defined elements for which development plans have been formulated. Responsibility for fulfilling these plans lies with the company's management. Individual development plans are formulated in collaboration with all employees in performance appraisals held at least once a year.

Tamglass and several other companies in the Pirkanmaa province have launched a regional skills development centre, the Tampere

Business Campus (TBC). Member organisations make use of each others' know-how and experience to create new learning methods, share skills and initiate joint learning schemes. Tamglass employees actively participate in TBC training and development programmes and are also involved in their planning. In training, the emphasis has been on improving management and supervisory skills. Tamglass staff have also attended training courses in financial and business expertise, languages and globalisation, and project management.

Good leadership and open discussion create well-being

Almost every Tamglass Uniglass supervisor has participated in TBC's long-term supervisory and management training programmes. A leadership training programme is next to be launched.

Internal communications have been enhanced by regular meetings, among other means. Tamglass units in Tampere have introduced a monthly discussion forum, held on the company's premises, at which the leaders of various functions discuss topical themes and answer questions. The Group publishes a number of personnel magazines in different languages, and access to the intranet has been extended to nearly all of the Group's units.

The company grows, personnel measures develop

The challenge for the current year is to define the main Group- and unit-specific personnel processes and to deploy them in all of the Group's units. A joint electronic human resources information system (eHR) will be introduced to support the management of personnel skills. The project will proceed in stages and will eventually cover the entire global organisation.





SAFETY AND ENVIRONMENTAL RESPONSIBILITY

Kyro's objective is to continually improve the level of environmental protection and work safety. The Group's units are guided by environmental, health and safety principles.

Tamglass Engineering Ltd. Oy and Tamglass Safety Glass Ltd. are participating in the Haastamme (We Challenge) working environment competition, which aims to boost companies' productivity, safety and job satisfaction to top levels. The competition is open primarily to all metal and electronics industry companies, and its measurement indicators include a separately agreed evaluation method, safety awareness questionnaires aimed at staff and the previous year's absence and accident figures. Evaluation visits are performed by occupational health and safety inspectors who are specially trained in this evaluation method.

A number of Tamglass units have environmental systems compliant with the ISO 14001 standard. Glass processing, particularly the safety glass process, uses high temperatures, which means that energy efficiency is a significant issue. Machine design is based on low energy consumption with minimum energy loss. The structures, materials and control technology of the machines have been designed so that Tamglass products are the most energy-efficient on the market. When new safety glass machines are sold, the customer's old Tamglass machine is most often accepted in part-exchange. These machines are then refurbished by Glaston Technologies and resold as second-hand machinery with a new guarantee.

Kyro Power's environmentally friendly energy production has been granted an ISO 14001 environmental certificate. Kyro Power's gas-fired power plant mainly uses clean natural gas, and its turbine is equipped with low-emission combustion chambers. In hydropower production, the water situation in Lake Kyrösjärvi and the Kyröskoski rapids is taken into consideration.

Maintaining health and working capacity

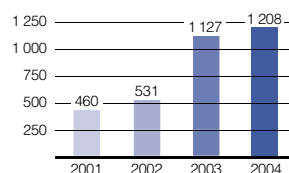
December 2004 saw the launch of the three-year Iso Sydän (Big Heart) project, which is organised by Suomen Medisport Oy in cooperation with Tampere Työterveys ry. Initially, around 60 employees from Kyro, mainly Tamglass assembly plant workers and production staff, are participating in the project.

The Iso Sydän project is a long-term action programme which aims to improve and maintain health and working capacity. The programme began with a personnel questionnaire which surveyed the physical and mental load of the employees' work, and also served as an indicator of workload and physical performance capacity. The workload questionnaire will be repeated annually and performance capacity measured on a six-monthly basis. Based on the measurements, each employee is given recommendations for exercise and receives guidance in either an independent or group exercise programme. The project's objective is to achieve permanent changes in employees' exercise activity, but other areas of well-being are also taken into account. The exercise-oriented Iso Sydän programme, the Vitamin projects and goal-directed skills development provide comprehensive support to occupational well-being.

Geographical distribution of personnel, %



Personnel development



INFORMATION FOR THE SHAREHOLDERS



Kyro Corporation

Vehmaistenkatu 5,
PO Box 25,
FIN-33731 Tampere,
Tel. +358 3 382 3111,
fax +358 3 382 3016

Helsinki Headquarters
Kalevankatu 3 B,
FIN-00100 Helsinki
Tel. +358 9 5422 3300,
Fax +358 9 3487 2500

The Annual General Meeting

of Kyro Corporation will be held on Tuesday, 15 March 2005, at 4:00 p.m. at Hilton Helsinki Kalastajatorppa, Helsinki.

Shareholders entered in the register maintained by the Finnish Central Securities Depository Ltd. on 4 March 2005 are entitled to attend the Annual General Meeting.

Shareholders whose shares have not been transferred to the book-entry system are also entitled to attend the Annual General Meeting, provided that they were on the company's share register before 22 December 1995. Such shareholders must present their share certificates, or other proof that title to their holdings has not been transferred to a book-entry account, at the Annual General Meeting.

Shareholders wishing to attend the Annual General Meeting must inform the Company by 4:00 p.m. on 10 March 2005 either in writing, addressed to Kyro Corporation, FIN-39200 Kyröskoski, Finland, or by telephone on + 358 3 382 3072 (Ms Terttu Uusitalo), or by e-mail at terttu.uusitalo@kyro.fi.

Dividend

The board proposes that a dividend of EUR 0,06 per share, a total of EUR 4,7 million, be paid for the fiscal period 2004. The dividend is paid to shareholders listed on the shareholder list of the Finnish Central Securities Depository Ltd on the date of record, which is 18 March 2005. In accordance with the Board's proposal, the dividend will be paid on 29 March 2005.

More information:

Information about the Kyro Group and its business areas is available through the company's www-pages, interim reports, and customer magazines of subsidiaries. Group www-pages:

www.kyro.fi

Subsidiary www-pages:

www.tamglass.com

www.bavelloni.com

www.uniglass.com

www.glassprocessing.tamglass.com

www.kyropower.fi

In addition, Glaston Technologies publishes the most extensive information portal for the global glass industry, the www.glassfiles.com service, which contains more than 5 000 pages of technical articles on the latest innovations in the glass industry.

Kyro Corporation's financial reporting during 2005

The financial statement was published on 3 February 2005, and the annual report will become available during week 11.

Interim reports will be published as follows:

Interim report	1/2005	11.5.2005
(1.1.–31.3.2005)		
Interim report	2/2005	17.8.2005
(1.1.–30.6.2005)		
Interim report	3/2005	4.11.2005
(1.1.–30.9.2005)		

The annual and interim reports will be published in Finnish, Swedish and English. Kyro's annual and interim reports can be ordered by phone on +358 3 382 3111, or by e-mail at aula@kyro.fi.

Ordering stock exchange to your e-mail address

It is possible to order stock exchange releases published by Kyro Corporation directly to your e-mail account. As soon as the releases become available at the Helsinki Exchanges, they are sent automatically by e-mail to those who have signed up for the distribution service on the company's home pages, at www.kyro.fi.

The Annual Report is a translation of the original Finnish text.



KYRO
TECHNOLOGIES

FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

KYRO GROUP STRUCTURE

Kyro's main business area, Glaston Technologies, consists of the Glass Machinery group, which operates worldwide and is the world market leader in glass processing machines, and the Glass Processing group, which focuses on markets in Finland and neighbouring countries, and is the leading comprehensive supplier of glass processing products in Finland.

The Glass Machinery group's products are glass pre-processing machines as well as safety glass machines for the architectural, automotive and furnishing industries. The group consists of Tamglass, the technology and market leader in safety glass machines, Uniglass, which manufactures flat tempering machines, and the leading supplier of glass pre-processing machines Z. Bavelloni, which also produces stone processing machines.

The Glass Processing group consists of the units of Tamglass Glass Processing, whose products are safety and insulating glasses as well as railings and balconies and their installation.

Kyro's second business area is Energy, which consists of the electricity and heat generating plants of Kyro Power Oy.

NET SALES AND PROFIT

Kyro Group's net sales in 2004 were EUR 231.7 (226.7) million. The continuing strength of the euro had an adverse impact on net sales and profitability. If calculated at the foreign exchange rates from the corresponding period in 2003, net sales would have been EUR 237.7 million, i.e. 5.0 percent higher than in the previous year.

The Group's operating profit before amortisation of goodwill was EUR 21.8 (22.9) million. This represented 9.4 (10.1) percent of net sales. Amortisation of goodwill was EUR 2.9 (3.1) million and operating profit after amortisation amounted to EUR 18.8 (19.8) million. Operating profit was weakened by the strength of the euro and investments by Glaston Technologies in Bavelloni's new Brazilian factory and in the development of the sales and service network.

Net financial items totalled EUR 2.1 (0.6) mil-

lion. These include interest, dividend and other financial income of EUR 4.0 (2.5) million, and interest and other financial expenses of EUR 1.9 (1.9) million.

Profit before taxes was EUR 21.0 (20.4) million. This represented 9.1 (9.0) percent of net sales. Profit for the financial year was EUR 11.6 (12.2) million. Return on invested capital stood at 12.3 (14.1) percent. Earnings per share were EUR 0.15 (0.16) (after adjustment for the bonus issue) and equity per share EUR 1.64 (1.70).

The Group's order book rose to EUR 86.7 (81.4) million due to a good business performance in the final quarter. The order book of Glaston Technologies, the main business area, grew to stand at EUR 62.2 (58.8) million on 31 December 2004. This represented 5.8 percent growth from the previous year.

The business of the Group's parent company consists of financing and investing activities, as well as group administration services. The parent company's net sales totalled EUR 0.8 (0.7) million and its profit for the financial year was EUR 10.5 (41.2) million. The result was influenced by a Group contribution received of EUR 11.1 million.

FINANCING

The Group's financial standing is good. Equity ratio was 62.6 (58.6) percent. A total of EUR 15.8 million was paid as dividends, EUR 11.8 million as dividends decided by the Annual General Meeting and EUR 4.0 million as supplementary dividends decided by an Extraordinary Shareholders' Meeting in December.

Cash flow from business operations was EUR 13.4 (19.6) million. The Group's liquid funds totalled EUR 11.5 (29.1) million. Interest-bearing net liabilities amounted to EUR 8.2 (4.4) million. Gearing stood at 6.1 (3.2) percent.

INVESTMENTS

Kyro Group's investments totalled EUR 4.6 (62.7) million. They consisted mainly of new production lines in Glass Processing as well as maintenance investments.

RESEARCH AND PRODUCT DEVELOPMENT EXPENSES

Research and development expenses entered in the income statement for the financial period totalled EUR 9.4 (9.8) million. All of these related in practice to Glaston Technologies.

PERSONNEL

At the end of the period under review, the Kyro Group had 1,208 (1,127) employees, of whom 775 (706) worked outside of Finland. The average number of employees was 1,175 (1,150). The start-up of Bavelloni's factory in Brazil as well as the opening of Tamglass-Bavelloni sales offices in Shanghai and Moscow contributed to the growth of personnel.

Personnel 31.12.		
	2004	2003
Glaston Technologies	1,175	1,093
Energy	23	24
Kyro Corporation	10	10
Kyro Group	1,208	1,127

SHARES AND SHARE PRICES

An Extraordinary Shareholders' Meeting held on 25 November 2004 approved the proposal by the Board of Directors to increase the company's share capital through a bonus issue of EUR 6,348,000 from EUR 6,348,000 to EUR 12,696,000. In the bonus issue, one (1) old share conferred the right on 30 November 2004 to receive one (1) new share without consideration. The number of shares rose by 39,675,000 shares to 79,350,000 shares.

A total of 15,424,328 Kyro Corporation shares were traded on the Helsinki Exchanges in 2004, which equals 19.4 (7.9) percent of the total number of shares. The lowest price paid for a Kyro Corporation share on the Helsinki Exchanges was EUR 3.40 and the highest price EUR 4.16, after adjustment for the bonus issue. The average price during the year was EUR 3.92.

ACQUISITION AND DISPOSAL OF OWN SHARES

On 17 March 2004, the Annual General Meeting of Kyro Corporation authorised the Board of Directors to acquire the company's own shares, provided that the combined nominal value of the acquired shares together with any shares already in the possession of the company corresponds to a maximum of 5 percent of the company's total share capital at the moment of acquisition. The company's own shares may be used as consideration in possible business acquisitions, to finance investments and in other industrial

Net sales, operating profit and order book, EUR million

	Net sales		Operating profit*		Order book	
	2004	2003	2004	2003	2004	2003
Glaston Technologies*	203.3	198.4	19.7	19.7	62.2	58.8
Energy	28.4	28.3	5.7	5.6	24.5	22.6
Parent company, other operations	-0.1	0.0	-3.6	-2.4		
Group total	231.7	226.7	21.8	22.9	86.7	81.4

* Operating profit before amortisation of consolidated goodwill

arrangements in a way and scope determined by the Board of Directors.

The Annual General Meeting authorised the Board of Directors to decide on the transfer of acquired own shares. The company's own shares may be transferred for use as consideration in possible business acquisitions, to finance investments and in other industrial arrangements or otherwise transferred or cancelled.

The authorisation granted by the Annual General Meeting on 17 March 2004 to acquire and transfer the company's own shares is valid for a period of one year beginning from the decision of the Annual General Meeting. The company had not exercised the authorisation by 2 February 2005.

On 31 December 2004, Kyro Corporation held 329,904 of the company's own shares, representing 0.4 percent of total share capital.

MANAGEMENT INCENTIVE SCHEME

The Group operates a management incentive scheme, approved in 2002, which covers key Tamglass personnel and Kyro's management. The management incentive scheme consists of 35,000 A options, with an exercise period of 1 May 2005 to 31 May 2009, and 35,000 B options with an exercise period of 1 May 2007 to 31 May 2009. The options entitle their holders to subscribe for a maximum of 70,000 Tamglass Ltd. Oy shares, corresponding to 8.0 percent of the company's shares.

In accordance with restrictions in the incentive scheme, share subscription by exercising the options is possible only with the permission of Kyro Corporation, but the options may be sold to Kyro Corporation during their exercise period at a price which is defined as the difference between the imputed value of the share and the subscription price. Two thirds of the imputed value of the share is based on the results of the Tamglass and Kyro Groups and one third on the development of the Kyro share price.

BOARD OF DIRECTORS AND AUDITORS

The term of office of Kyro Corporation's Board of Directors is 2004–2007. The following were elected members of the Board of Directors at the Annual General Meeting on 17 March 2004: Klaus Cawén (new), Lars Hammarén, Barbro Koljonen, Heikki Mairinoja, Carl-Johan Numelin, Carl-Johan Rosenbröijer and Christer Sumelius. Carl-Olaf Homén and Gerhard Wendt were members of the Board of Directors up until the Annual General Meeting. They were not candidates for membership of the new Board of Directors due to an age provision in the Articles of Association.

On 17 March 2004, the Board of Directors elected Carl-Johan Numelin to continue as the chairman and Christer Sumelius to continue as the deputy chairman.

Under the Articles of Association the company has one auditor, which must be an auditing firm approved by the Finnish Central Chamber of Commerce. The auditor's term of office covers the current financial year and ends at the conclusion of the Annual General Meeting that follows its election. The 2004 Annual General Meeting elected as auditor the authorised public accounting firm KPMG Wideri Oy Ab, with the responsible auditor being Sixten Nyman APA, who supervises auditing guidelines and coordination for the entire Group.

BOARD'S DIVIDEND PROPOSAL FOR THE FINANCIAL YEAR 2004

Kyro Corporation's Board of Directors proposes that a dividend of EUR 0.06 per share be distributed for the financial year ending 31 December 2004. Shares conferring entitlement to a dividend totalled 79,020,096 on 2 February 2005. The dividend shall be paid to shareholders entered in the register of shareholders maintained by the Finnish Central Securities Depository Ltd by the date of record 18 March 2005. The Board proposes that the dividend be paid on 29 March 2005.

CORPORATE GOVERNANCE

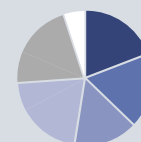
Kyro Corporation adheres where applicable to the recommendation on the corporate governance of listed companies issued by the Helsinki Exchanges on 1 July 2004. At the beginning of 2005 a re-evaluation and revision of the principles of corporate governance was under way within the Group.

The Board of Directors of Kyro Corporation has established Audit and Remuneration Committees consisting of its own members. The members of the Audit Committee are Lars Hammarén, Heikki Mairinoja and Carl-Johan Numelin (chairman). The members of the Remuneration Committee are Klaus Cawén, Carl-Johan Numelin (chairman) and Christer Sumelius.

IFRS ACCOUNTING POLICIES

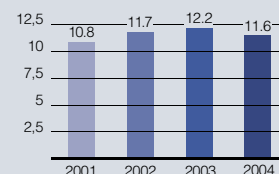
Kyro Group will adopt accounting policies compliant with the international IFRS standard as of 1 January 2005. Financial statements and interim reports for 2004 will be based on the old accounting principles, but the company will also prepare financial statements for 2004 in accordance with IFRS principles, which will be used as comparison data for 2005. The most significant differences

Geographical distribution of net sales 2004

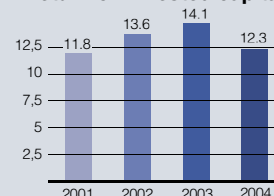


Finland	19.3 %
Other EU	17.8 %
Other Europe	15.6 %
North and South America	21.3 %
Far and Middle East	21.0 %
Others	5.0 %

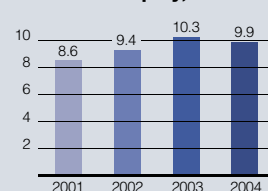
Profit for the year, EUR million



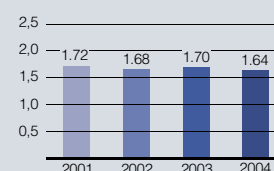
Return on invested capital, %



Return on equity, %



Equity per share, EUR



will be changes in the principles of sales recognition and the replacement of goodwill amortisation with annual impairment testing. Kyro Group will publish an opening balance sheet according to IFRS as well as its 2004 financial statements on 6 April 2005.

GLASTON TECHNOLOGIES – NET SALES, OPERATING PROFIT AND ORDER BOOK

Glaston Technologies' net sales totalled EUR 203.3 (198.4) million in the period under review. Net sales would have been EUR 6.0 million higher if calculated with foreign exchange rates from 2003. Operating profit before amortisation of goodwill was EUR 19.7 (19.7) million, representing 9.7 (9.9) percent of net sales. Operating profit amounted to EUR 17.5 (17.6) million.

Glaston's machinery group improved its efficiency and productivity. Tamglass' volume and profit rose. Regional machine manufacturing in Tamglass has been set up to partly hedge against strong exchange rate fluctuations and this partly compensated for the impact on profits of the euro, which strengthened further during 2004. Successful products and more efficient logistics also contributed to the improvement in profitability. Bavelloni's net sales improved, but profitability was weakened by the high euro exchange rate.

Glaston Technologies' order book grew to EUR 62.2 (58.8) million thanks to a record level of machine orders in December worth EUR 27.7 million. Bavelloni's order book is clearly smaller than that of Tamglass relative to business volumes because the company's products are mainly supplied from stock, except for some of the biggest machines.

GLASTON TECHNOLOGIES – GLASS MACHINERY GROUP

Glaston Technologies' glass machinery group consists of Tamglass, the market and technology leader in safety glass machinery, Z. Bavelloni, the market leader in glass and stone preprocessing machines and tools, and Uniglass Engineering, which supplies flat tempering glass machines.

Markets and sales

The developing glass processing market requires increasingly higher energy economy and efficiency as well as new glass shapes and larger surfaces. These factors, as well as growth in demand for safety glass and, in turn, for safety glass machines, are expanding the market for machines manufactured by Glaston Technologies.

Global demand for glass processing machines was weak at the beginning of the year, but it picked up to nearly record levels at the end of the year. Economic conditions emphasized demand for basic machines early in the year. At the end of the year, demand was strong for all the main products, i.e. safety glass machines and glass preprocessing machines, as well as for tools and maintenance services. Orders exceeded the previous year's level and interest shifted towards larger and higher specification machines.

One-Stop-Partner concept

During 2004 Tamglass and Bavelloni further developed their One-Stop-Partner concept. Glaston Technologies' industry-leading full range offering of products and services consists of machine and production line deliveries, maintenance services and tools. From the different modules of the concept, customers can select products and services according to their needs from a single supplier, all the way to a complete glass processing factory.

Production and new products

The manufacturing of all machinery companies is based on own assembly and a strong input from subcontracting. For that reason, capacity utilisation is flexible, which was evident e.g. as the good throughput of high volume at the end of the year.

Tamglass' most important new products were the world's largest Low-E glass flat tempering machine, the ProE MAGNUM™, and the ProConvection flat-tempering furnace with TAPC automation. In addition to the tempering of large glass sizes, the most significant new products in 2004 were developed for flat laminating and bending-tempering. Among Bavelloni's new products were the new Rev™ series of high-speed cutting machines, the Alpa N™ remote CNC grinding machines as well as new polishing tool set.

Uniglass Engineering improved its position as one of the world's leading suppliers of flat tempering machines

Maintenance services

Glaston Technologies' maintenance business grew strongly. Demand for machine options particularly increased, as did business based on maintenance agreements. Demand for second-hand machines also grew. Sales of glass grinding tools manufactured by Bavelloni also improved.

Tamglass launched the Tamglass Reactor production-monitoring service, which develops the entire manufacturing process. The service, based on remote technology, helps customers analyse the production efficiency of their machines.

GLASTON TECHNOLOGIES – GLASS PROCESSING GROUP

Glaston Technologies' Glass Processing group consists of the safety glass manufacturer Tamglass Safety Glass, the insulating glass element manufacturer Tamglass Insulating Glass and the balcony systems manufacturer Tamglass Finton.

Markets and sales

Office construction was at a very low level in Finland in 2004. The renovation, residential and commercial construction sectors picked up, however. In a tight market, Tamglass Glass Processing succeeded in increasing its volumes and market share.

The Glass Processing group has supplied a number of challenging comprehensive projects. It delivered tempered insulating glass to, for example, Bauhaus Pirkkala and the Scandic hotel in Linköping. In addition, Tamglass Glass Processing delivered external and internal glazing to two luxury cruise ships.

At the FinnBuild Fair in September, Tamglass Glass Processing presented its fire resistant glass product range and a new balcony glazing system, deliveries of which will begin in early 2005.

In cooperation with important customers, Tamglass Glass Processing developed its supply chain, ranging from raw material procurement to end-customer deliveries. Glass Processing's goal is further networking and improved cooperation with subcontractors, raw material suppliers and customers.

ENERGY

Net sales, operating profit and order book

The net sales of the Energy business area totalled EUR 28.4 (28.3) million in the period under review. Operating profit amounted to EUR 5.7 (5.6) million. The operating profit represented 20.0 (19.6) percent of net sales. Kyro Power's order book at the end of the year was EUR 24.5 (22.6) million.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	1 Jan–31 Dec 2004	%	1 Jan–31 Dec 2003	%
Net sales	1	231,659	100.0	226,689	100.0
Increase (+) and decrease (–) in inventories of					
finished products and work in progress		3,509		1,164	
Production for own use		201		80	
Other operating income	2	1,071		1,566	
Materials and services	3	114,116		109,181	
Personnel expenses	4	52,703		50,970	
Amortisation and write-downs	5	9,797		9,900	
Other operating expenses	6	40,982		39,635	
Operating profit		18,841	8.1	19,813	8.7
Net financial items	7	2,145		578	
Profit before taxes		20,986	9.1	20,391	9.0
Income tax	10	-7,532		-6,716	
Minority interest		-1,892		-1,458	
Profit for the financial year		11,562	5.0	12,217	5.4

Development of the energy market

In 2004 energy production at the gas-powered plant exceeded the previous year's record. The increase resulted from forest industry customers' increased need for heat and from a growth in the amounts of electricity supplied.

Energy production

In 2004 energy production at the gas-powered plant exceeded the previous year's record. The increase resulted from forest industry customers' increased need for heat and from a growth in the amounts of electricity supplied.

Despite dry weather early in the year, hydropower production was nearly 60 per cent higher than in the extremely dry 2003 and was 31 gigawatt hours. Despite this growth, the figure was one third smaller than in a normal year for water conditions. An improved water situation means that production in the 2004–2005 winter season has been at near record levels.

Strengthening of business operations

At the beginning of October, Kyro Group initiated a study project aimed at finding a possible energy partner. The objective is to safeguard

and boost operations as well as simultaneously to improve the service capacity and operating fundamentals of the energy business. Negotiations with possible partners are continuing.

FUTURE OUTLOOK

Kyro Group's basic set-up as it enters 2005 is fundamentally sound. Glaston Technologies is the world technology and market leader in a growing business sector. Its order and offer books are at a good level. Kyro Power's business is stable and profitable.

The industry's most extensive customer service network, widest product range and the One-Stop-Partner concept give Glaston Technologies good opportunities to further improve its response to customers' needs.

Kyro aims to improve its net sales and profit by utilising its strong position in the market and by boosting its operations through synergy benefits.

The strength of the euro and the weakness of demand for glass processing machines in Central Europe are the most significant risk factors that may slow growth of Kyro Group's net sales and profitability in the current financial period.

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	31 Dec 2004	31 Dec 2003
ASSETS			
Fixed assets			
Intangible assets	11	53,102	57,514
Tangible assets	11	54,051	55,973
Investments	12,13	3,293	4,202
Treasury shares	12	950	950
Fixed assets, total		111,396	118,640
Current assets			
Inventories	14	34,719	32,218
Deferred tax asset	15	5,723	8,347
Long-term receivables	16	4,643	4,599
Short-term receivables	16	57,577	53,187
Marketable securities	17	5,319	8,400
Cash and equivalents		6,183	20,747
Current assets, total		114,164	127,498
		225,560	246,138
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	12,696	6,348
Share premium fund	18	25,270	31,618
Reserve shares	18	950	950
Retained earnings	18	79,972	84,501
Profit for the financial year	18	11,562	12,217
Subordinated loan	18		245
Shareholders' equity, total		130,451	135,879
Minority interest		4,113	2,235
Obligatory reserve	20	5,865	5,574
Liabilities			
Deferred taxes	21	7,175	8,425
Long-term liabilities	22	602	1,432
Short-term liabilities	23	77,355	92,594
Liabilities, total		90,996	108,024
		225,560	246,138

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

EUR 1,000	31 Dec 2004	31 Dec 2003
Cash flow from business operations		
Payments from sales	235,976	238,506
Payments from other operating income	474	610
Operating costs	-214,034	-213,486
Cash flow from business operations before financial items and taxes	22,417	25,631
Paid interest and other financial expenses	-3,541	-2,225
Interest from business operations	3,609	1,429
Dividends from business operations	369	263
Direct taxes	-9,473	-5,474
Cash flow from business operations	13,382	19,623
Cash flow from investments		
Investments in tangible and intangible assets	-4,275	-5,543
Proceeds from tangible and intangible assets	62	226
Acquisition of subsidiaries	-3	-69,425
Cash flow from investments	-4,216	-74,742
Cash flow from investments		
Assignment of treasury shares		8,000
Change in current receivables		1,396
Increase in short-term liabilities	-11,886	31,000
Decrease in long-term liabilities	-1,037	-2,132
Dividends paid and other distribution of profit	-15,852	-11,746
Other financial items, purchase/sale (+/-)	5,046	69
Cash flow from financing	-23,729	26,587
Change in cash and equivalents	-14,564	-28,533
Cash and equivalents at the start of the financial year	20,747	49,279
Cash and equivalents at the end of the financial year	6,183	20,747
	-14,564	-28,533

INCOME STATEMENT OF THE PARENT COMPANY

EUR 1,000	Note	1 Jan–31 Dec 2004	1 Jan–31 Dec 2003
Net sales	1	761	722
Other operating income	2	1	26
Personnel expenses	4	1,940	1,888
Depreciation	5	161	129
Other operating expenses	6	1,682	1,270
Operating profit		-3,020	-2,539
Net financial income	7	2,990	42,084
Profit before extraordinary items		-30	39,544
Extraordinary items	8	11,100	17,800
Profit before appropriations and taxes		11,070	57,344
Appropriations	9	-130	-8
Income tax	10	-466	-16,164
Profit for the financial year		10,474	41,172

BALANCE SHEET OF THE PARENT COMPANY

EUR 1,000	Note	31 Dec 2004	31 Dec 2003
ASSETS			
Fixed assets			
Intangible assets	11	63	61
Tangible assets	11	4,821	2,537
Investments	12,13	60,853	56,737
Treasury shares	12	950	950
Fixed assets, total		66,688	60,284
Current assets			
Long-term receivables	16	40,110	23,460
Short-term receivables	16	17,812	57,251
Bonds and securities	17	4,377	7,630
Cash at bank and in hand		1,891	11,593
Current assets, total		64,190	99,934
		130,878	160,218
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	12,696	6,348
Share premium fund	18	25,270	31,618
Reserve for own shares	18	950	950
Retained earnings	18	48,001	22,633
Profit for the financial year	18	10 474	41,172
Shareholders' equity, total		97,390	102,721
Accumulated appropriations	19	150	20
Liabilities			
Short-term liabilities	23	33,338	57,477
Liabilities, total		33,338	57,477
		130,878	160,218

PARENT COMPANY SOURCE AND APPLICATION OF FUNDS

EUR 1,000	1 Jan–31 Dec 2004	1 Jan–31 Dec 2003
Cash flow from business operations		
Payments from sales	696	633
Payments from other operating income	1	17
Operating costs	-3,688	-3,272
Cash flow from business operations before financial items and taxes	-2,990	-2,621
Paid interest and payments for other financing of business operations	1,547	-1,319
Received interest from business operations	3,741	583
Received dividends from business operations	31,365	10,263
Paid direct taxes	-4,501	
Cash flow before extraordinary items	29,162	6,906
Cash flow from extraordinary items in business operations	17,800	3,800
Cash flow from business operations	46,962	10,706
Cash flow from investments		
Investments on tangible and intangible assets	-79	-231
Acquisition of subsidiaries		-22,463
Profit from sales of other investments	3	50
Cash flow from investments	-76	-22,644
Cash flow from financing		
Assignment of own shares		8,000
Change in current receivables	-53,319	-19,563
Increase in short-term liabilities	7,500	3,859
Dividends paid and other distribution of profit	-15,814	-11,746
Other financial items, purchase/sale (+/-)	5,046	68
Cash flow from financing	-56,587	-19,382
Change in liquid assets	-9,701	-31,320
Liquid assets at the start of the financial year	11,592	42,913
Liquid assets at the end of the financial year	1,891	11,593
	-9,701	-31,320

ACCOUNTING PRINCIPLES

The financial statements of the Kyro Group, the parent company, and the subsidiaries domiciled in Finland have been prepared in compliance with the Accounting Act (1997/1336), the Accounting Decree (1997/1339), and other statutes and regulations related to financial statements. The financial statements of foreign subsidiaries have been adjusted to comply with the Finnish principles applied in the preparation of financial statements.

Scope of the consolidated financial statements

The consolidated financial statements include all Group companies of which the direct or indirect ownership of the Parent Company exceeds 50 percent, excluding housing corporations.

Intra-Group shareholding

The consolidated financial statements have been prepared using the acquisition cost method. The price paid for the shares of subsidiaries, which exceeds the shareholders' equity, has in part been allocated to fixed assets, in part been entered as Group goodwill [KM1]. The items included in fixed assets will be depreciated in accordance with the relevant depreciation plan.

Internal transactions and margins

The Group's internal transactions, the accrued margins of inter-company deliveries, internal group profit distribution and inter-company receivables and debts have been eliminated.

Minority interests

Minority interests have been separated from the consolidated shareholders' equity and result, and they are entered as a separate item in the income statement and balance sheet. Obligations resulting from Tamglass bonds with warrants are recognised as a minority share.

Foreign subsidiaries

The income statements of Group companies outside the euro zone have been changed to euro based on the average rate of the fiscal year, and balance sheet items, excluding the operating profit of the fiscal year, have been changed to euro based on the exchange rate of the European Central Bank on the date of the financial statements. Profits and losses on foreign exchange generated by the translation of shareholders' equity, elimination of the equity of foreign subsidiaries, and the translation of the income statement and balance sheet using different rates, have been entered under unrestricted equities.

Items denominated in foreign currencies

Receivables and liabilities denominated in foreign currencies have been translated into euro using the exchange rate quoted by the Bank of Finland on the date of the financial statements. Receivables and liabilities hedged with derivative contracts have been entered at the exchange rate quoted on the date of the financial statements. The inter-

est portions of forward contracts will be divided into different periods throughout the duration of the contract. The exchange rate differences on derivative contracts made for hedging purposes have been used to correct the exchange rate differences of the corresponding hedged items. The exchange rate gains and losses related to actual business operations are managed as correction items for net sales and operational costs. Exchange rate differences caused by financial activities have been entered under financial income and expenses.

Net sales

Net sales comprise sales profits from which indirect taxes, exchange rate differences and discounts have been deducted. Revenue recognition takes place in connection with delivery.

Pension arrangements

In Finland statutory pension security as well as additional voluntary pension security, are arranged by pension insurance companies. The pension security of personnel of companies operating outside Finland has been arranged in accordance with local legislation and practice.

Leasing

Leasing payments have been processed as rental costs. Outstanding leasing payments have been entered as liabilities in the financial statements.

Research and development expenditure

Research and development expenditure has been entered as an expense for the financial year during which it has occurred, except for machine purchases, which are depreciated on a straight-line basis over 3 to 10 years.

Valuation of fixed assets

Fixed assets have been valued at the original acquisition cost in the balance sheet, decreased by accrued straight-line depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis over the useful life of the fixed assets. Other long-term expenses include, among other things, a natural gas participation fee for which the depreciation period is 10 years. Other tangible assets include the tunnel and dam structures of the hydropower plant for which the depreciation period is 40 years. Depreciation of goodwill shall take place during its validity, however, no later than within 20 years. The determination of the depreciation period is based on the Group's

strategic planning and long-term profit expectancy resulting from the nature of operations.

Depreciation according to plan:

Intangible rights	5–10 years
Group goodwill	5–20 years
Other long-term expenses	5–10 years
Buildings and structures	25–40 years
Heavy machinery	10–40 years
Other machinery and equipment	3–5 years
Computer hardware and software	3–10 years
Other tangible assets	5–40 years

Valuation of inventories

Inventories are presented at the variable costs of purchase and manufacturing, or at the lower repurchase price or the probable selling price. Fixed purchase and manufacturing costs have not been capitalised.

Own shares

Own shares have been entered as fixed assets at their acquisition price. When calculating the key ratios, own shares have been eliminated from equity and the number of shares.

Accrued financial statement transfers

The difference between accumulated depreciation and depreciation according to plan has, in the consolidated balance sheet, been divided into deferred tax liability and shareholders' equity. Funds entered under shareholders' equity are not included in the Group's distributable assets. In the consolidated income statement, the year-end transfers made during the financial year have been entered under the result of the financial year and under change in deferred tax liability.

Compulsory provisions

The severance pay of the Italian personnel, spread in accordance with local legislation and practice, as well as the resulting obligation, have been recorded as compulsory provisions

Deferred tax liability and tax claims

Deferred tax liability and tax claims have been calculated for the accrual differences between taxation and the financial statements, using the tax rates of the following years as confirmed on the date of the financial statements. The balance sheet includes the deferred tax liability in its entirety and the deferred tax claim to the amount of the estimated probable claim.

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

EUR 1,000	Group		Parent company	
	2004	2003	2004	2003
1. Net sales				
Net sales by business area				
Parent company	229	223		
Glaston Technologies	203,298	198,393		
Energy	28,132	28,074		
Net sales, total	231,659	226,689		
Net sales by market area				
Finland	44,696	45,252		
EU Member States	68,650	61,821		
European countries outside EU	8,596	19,988		
North and South America	49,415	42,796		
Middle East and Far East	48,545	45,407		
Others	11,757	11,426		
Total	231,659	226,689		
2. Other operating income				
Sales revenue from selling fixed assets	72	169		
Rental income		46		
Other income	999	1,352	1	26
Other operating income, total	1,071	1,566	1	26
3. Materials and services				
Materials and supplies				
Purchases during the financial year	83,669	77,738		
Changes in inventories of materials and supplies	1,244	2,320		
	84,913	80,058		
External services	29,204	29,123		
Materials and supplies, total	114,116	109,181		
4. Personnel expenses				
Salaries and fees	40,686	39,283	1,504	1,513
Pension expenses	3,583	3,427	364	310
Other personnel expenses	8,433	8,261	72	65
Total	52,703	50,970	1,940	1,888
Salaries and remuneration paid to members of Board and Presidents	2,182	2,021	900	844
<p>The President of the Parent Company is entitled to retire at the age of 55. The pension liability in question is covered. The retirement age of the managers of certain Group companies is set at 60-62 years. The members of the Board are covered by voluntary pension insurance accrued from board membership fees. The president of the Parent Company has been granted a loan of EUR 84,093. The interest rate charged on the loan is the basic rate confirmed by the Ministry of Finance.</p>				
Group and Parent Company employees during financial year, average				
Management and administrative personnel	546	537	10	10
Production personnel	629	613		
Total	1,175	1,150	10	10

EUR 1,000	Group		Parent company	
	2004	2003	2004	2003
5. Depreciation and amortisation				
Depreciation according to plan				
Intangible assets				
Intangible rights	839	776	17	9
Group goodwill	2,941	3,070		
Other capitalised expenditures	259	325	3	6
Tangible assets				
Buildings and structures	1,212	1,299	90	66
Machinery and equipment	4,002	3,933	27	25
Other tangible assets	544	498	24	23
Depreciation according to plan, total	9,797	9,900	161	129
6. Other operating expenses				
Fixed assets sales loss	3	11		
Rents	3,699	3,277	140	139
Other expenses	37,281	36,348	1,542	1,131
Other operating expenses, total	40,982	39,635	1,682	1,270
7. Net financial items				
Dividend income				
from Group companies				43,656
from others	544	363	544	363
Dividend income, total	544	363	544	44,020
Interest income from long-term investments				
Other interest and financial income				
from Group companies			1,612	1,053
from others	3,462	2,108	1,656	617
Interest income, total	3,462	2,108	3,268	1,670
Interest income from long-term investments and other interest and financial income, total	3,462	2,108	3,268	1,670
Investment depreciation write downs				
Depreciation on fixed asset investment	-109	-6		44
Depreciation on securities carried as current assets	-94	689	-94	689
Depreciations total	-203	683	-94	733
Interest and other financial expenses				
to group companies			-188	-520
to others	-1,658	-2,577	-540	-3,819
Interest expenses, total	-1,658	-2,577	-728	-4,339
Interest and other financial expenses, total	-1,658	-1,894	-823	-3,606
Net financial items, total	2,145	578	2,990	42,084
Other financial income and expenses include foreign exchange gains (net)	839	-665	0	-1

NOTES TO THE FINANCIAL STATEMENTS

EUR 1,000	Group		Parent Company	
	2004	2003	2004	2003
8. Extraordinary income				
Extraordinary income				
Received Group contributions			11,100	17,800
Extraordinary income and expenses, total			11,100	17,800
9. Financial statement transfers				
Difference between depreciation according to plan and actual depreciation in taxation			130	8
Total			130	8
10. Income taxes				
Income tax for extraordinary items			3,219	5,162
Income taxes for actual business operations	5,742	8,365	-2,753	11,002
Change in deferred tax receivable				
Based on Group companies' own financial statements	-440	-595		
Consolidation measures	125	73		
Timing differences	3,031	-897		
Change in deferred tax liability				
Appropriations	-925	-231		
Total	7,532	6,716	466	16,164

BALANCE SHEET

EUR 1,000	Intangible rights	Goodwill	Group-goodwill	Other capitalised long-term expenses	Total
11. Fixed assets and other long-term investments					
Intangible assets, Group					
Cost basis 1 January 2004	5,438	1,284	58,756	5,133	70,611
Translation difference	-16			-46	-63
Additions	530		5	263	797
Disposals			-1 000	-231	-1 231
Reclassification of items	27			-8	19
Acquisition cost 31 December 2004	5,979	1,284	57,760	5,110	70,134
Accrued depreciation 1 January 2004	-3,552		-5,280	-4,265	-13,097
Translation difference	7			4	11
Accrued depreciation from deductions and transfers				89	89
Depreciation during the fiscal year	-704	-132	-2,941	-259	-4,036
Accrued depreciation 31 December 2004	-4,249	-132	-8,220	-4,431	-17,032
Book value 31 December 2004	1,731	1,152	49,540	679	53,102
Book value 31 December 2003	1,886	1,284	53, 476	868	57,514
Intangible assets, Parent Company					
Cost basis 1 January 2004	182			180	362
Increase	22				22
Acquisition cost 31 December 2004	204			180	383
Accrued depreciation 1 January 2004	-126			-175	-301
Depreciation during the fiscal year	-17			-3	-20
Accrued depreciation 31 December 2004	-143			-177	-321
Book value 31 December 2004	61			2	63
Book value 31 December 2003	56			5	61

NOTES TO THE FINANCIAL STATEMENTS

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Investments in progress	Total
Tangible assets, Group						
Acquisition cost 1 January 2004	3,407	28,738	52,318	7,423	316	92,202
Translation difference	-5	18	-65	-23		-75
Increase		1 881	3,375	177	561	5,994
Decrease		-3,072	-572	-3		-3,646
Transfers between items		2	178		-207	-27
Acquisition cost 31 December 2004	3,402	27,567	55,235	7,573	670	94,447
Accrued depreciation 1 January 2004		-10,989	-23,303	-1,937		-36,228
Translation difference		-13	73	5		66
Accrued depreciation from deductions and transfers		1,354	171			1 525
Depreciation during the fiscal year		-1,212	-4,002	-544		-5,758
Accrued depreciation 31 December 2004		-10,859	-27,061	-2,476		-40,396
Book value 31 December 2004	3,402	16,708	28,174	5,098	670	54,051
Book value 31 December 2003	3,407	17,750	29,015	5,486	316	55,973
Tangible assets, Parent Company						
Acquisition cost 1 January 2004	1,533	1,056	350	425		3,364
Increase	106	2,256	64			2,426
Acquisition cost 31 December 2004	1,639	3,312	414	425		5,790
Accumulated depreciation 1 January 2004		-267	-265	-296		-827
Depreciation during the fiscal year		-90	-27	-24		-141
Accumulated depreciation 31 December 2004		-357	-292	-320		-968
Book value 31 December 2004	1,639	2,955	122	106		4,821
Book value 31 December 2003	1,533	789	85	129		2,537
Group	2004	2003				
Book value of the production machinery and equipment	26 539	26 840				

1 000 EUR	Shares Group companies	Shares Others	Own Shares	Total
12. Investments, Group				
Acquisition cost 1 January 2004		4,202	950	5,152
Decrease		-909		-909
Acquisition cost 31 December 2004		3,293	950	4,243
Book value 31 December 2004		3,293	950	4,243
Book value 31 December 2003		4,202	950	5,152
Investments, Parent Company				
Acquisition cost 1 January 2004	52,547	4,189	950	57,687
Increase	5,000			5,000
Decrease		-883		-883
Acquisition cost 31 December 2004	57,547	3,306	950	61,804
Book value 31 December 2004	57,547	3,306	950	61,804
Book value 31 December 2003	52,547	4,189	950	57,687

NOTES TO THE FINANCIAL STATEMENTS

13. Companies owned by the Group and the Parent Company		Ownership, %		Parent Company shares/holdings		
Group companies	Domicile	Group	Parent Company	Number	Nominal value EUR 1,000	Book value EUR 1,000
Kyro Power Oy	Hämeenkyrö, Finland	100.0	100.0	1,505,500	3,011	9,470
Hämeenkyrön Lämpö Oy	Hämeenkyrö, Finland	100.0				
Uniglass Engineering Oy	Tampere, Finland	100.0	100.0	20,000	400	6,351
Tamglass Ltd. Oy	Tampere, Finland	100.0	100.0	800,000	1 600	6,728
Tamglass Engineering Ltd. Oy	Tampere, Finland	100.0				
Tamglass Turvalasi Oy	Tampere, Finland	100.0				
Tamglass EMA Sales Ltd. Oy	Tampere, Finland	100.0				
Tamglass Far East Ltd.	Shatin, NT, Hong Kong	100.0				
Tamglass America, Inc.	Pittsburgh, PA, USA	100.0				
Z. Bavelloni USA Inc.	Greenboro NC, USA	100.0				
Tamglass Tempering Systems, Inc.	Cinnaminson, N.J., USA	100.0				
Tamglass UK Ltd.	Nottinghamshire, UK	100.0				
Tamglass S.A.R.L.	Chassieu, France	99.8				
Z. Bavelloni France SA	Chassieu, France	100.0				
Tamglass GmbH	Nürnberg, Germany	100.0				
Tamglass Japan, Inc.	Osaka, Japan	100.0				
Tamglass Project Development Oy	Tampere, Finland	100.0				
Tamglass Singapore Pte. Ltd.	Singapore	100.0				
Cattin Machines, S.A.	La Chaux-de-Fonds, Switzerland	100.0				
Tamglass South America Ltda.	São Paulo, Brazil	85.0				
Tamglass Tianjin Co. Ltd.	Tianjin, China	100.0				
Tamglass Finton Oy	Lahti, Finland	64.9				
Tamglass Lämpölasi Oy	Lempäälä, Finland	70.0				
Tamglass-Bavelloni Machinery Trading	Shanghai, China	100.0				
Tamglass-Bavelloni OOO	Moscow, Russia	100.0				
Kiint. Oy Kauppilaisenkatu 2	Tampere, Finland	100.0				
Kiint. Oy Alhonmetsä	Tampere, Finland	100.0				
Z. Bavelloni S.p.A.	Bregnano, Italy		100.0	10,000 000	10,000	16,479
Glasto Holding BV	Sittard, Netherlands		100.0	200	18	19
Glasto Finance BV	Sittard, Netherlands	100.0				
Z. Bavelloni Netherlands BV	Hoensbroek, Netherlands	100.0				
Z. Bavelloni UK Ltd.	Rugby, UK	100.0				
Z. Bavelloni Mexico S.A. de C.V.	Jalisco, Mexico	100.0				
Z. Bavelloni Servicios S.A. de C.V.	Jalisco, Mexico	100.0				
Z. Bavelloni Singapore Pte Ltd	Singapore	100.0				
Z. Bavelloni Imp. e Export Ltda	São Paulo, Brazil	100.0				
Total						57,547
Other shares and holdings owned by the Parent Company						
Shares and holdings	Ownership, %	Number	Nominal value EUR/share	Book value		
Kiinteistö Oy Torikyrö	63.4	804	84	240		
Other housing companies				194		
Other shares and holdings				35		
Total				470		
Other Parent Company investments						
Pohjolan Voima Oy C		52,877	2	2,472		
Pohjolan Voima Oy V		7,788	2	364		
Pohjolan Voima Oy H		1,860	2			
Total				2,836		

1 000 EUR	Group		Parent Company	
14. Current assets	2004	2003	2004	2003
Materials and supplies	9 510	10,904		
Work in progress	15 069	12,067		
Finished goods	10 140	9,247		
Fixed assets, total	34 719	32,218		
15. Deferred tax assets				
Inputed tax receivables				
In the Group companies' own balance sheets	3 702	3,145		
Periodising differences	1 244	4,372		
Combination measures	778	830		
Inputed tax receivables, total	5 723	8,347		
16. Receivables				
Long-term receivables				
Accounts receivable	4 230	4,114		
Other receivables	413	486		
Receivables from Group companies				
Loan receivables			40,110	23,460
Long-term receivables, total	4 642	4,599	40,110	23,460
Short-term receivables				
Accounts receivable	49 536	45,484		
Loan receivables	122	177	85	88
Other receivables	1 381	2,300		
Prepaid expenses and accrued income	6 539	5,226	1,258	426
	57 577	53,187	1,344	514
Receivables from Group companies				
Accounts receivable			144	
Loan receivables			3,966	2,641
Prepaid expenses and accrued income			12,358	54,096
			16,468	56,737
Short-term receivables, total	57 577	53,187	17,812	57,251
Prepaid expenses and accrued income				
Personnel expenses	38	160	2	4
Interest income	17	16	1,261	910
Income taxes	3 208	1,826	1,041	
Indirect taxes	2 317	1,473	189	375
Dividends receivable				30,996
Group contribution			11,100	17,800
Others	958	1,751	24	4,437
Prepaid expenses and accrued income, total	6 539	5,226	13,616	54,522
17. Marketable assets				
Financial assets include publicly traded equities and debt instruments.				
Replacement value	6 016	9,100	5,073	8,330
Book value	5 319	8,400	4,377	7,630
Difference	697	700	697	700

NOTES TO THE FINANCIAL STATEMENTS

EUR 1,000	Group		Parent Company	
18. Shareholders' equity	2004	2003	2004	2003
Share capital 1 January	6,348	6,348	6,348	6,348
Bonus issue	6,348		6,348	
Share capital 31 December	12,696	6,348	12,696	6,348
Share premium account 1 January	31,618	31,332	31,618	31,332
Profit from the assignment of own shares		286		286
Bonus issue	-6,348		-6,348	
Share premium account 31 December	25,270	31,618	25,270	31,618
Reserve for own shares 1 January	950	8,548	950	8,548
Assignment of treasury shares		-7,598		-7,598
Reserve of own shares 31 December	950	950	950	950
Retained earnings 1 January	96,718	90,453	63,805	26,876
Dividends	-15,804	-11,841	-15,804	-11,841
Exchange rate and translation difference	-942	-1,709		
Assignment of own shares		7,598		7,598
Retained earnings 31 December	79,972	84,501	48,001	22,633
Profit for the financial year	11,562	12,217	10,473	41,172
Subordinated loan		245		
Shareholders equity on 31 December	130,451	135,879	97,390	102,721
Account of distributable funds, 31 December				
Retained earnings	79,972	84,501	48,001	22,633
Profit for the financial year	11,562	12,217	10,473	41,172
Reserve of own shares	950	950	950	950
Activated research and product development expenses	-114	-99		
Portion of accrued depreciation differences and voluntary reserves entered under shareholders' equity	-16,179	-16,220		
Acquisition cost of own shares	-950	-950	-950	-950
Distributable funds	75,241	80,399	58,474	63,805

1 000 EUR	Group		Parent Company	
	2004	2003	2004	2003
19. Accumulated appropriations				
Accumulated depreciation difference 1 January			20	12
Increase (+) Decrease (-)			130	8
Accumulated appropriation difference 31 December			150	20
Accumulated appropriations in the Parent Company consist of accumulated depreciation difference.				
20. Obligatory reserves				
Obligatory reserve for personel in Italy	5,865	5,574		
Obligatory reserves	5,865	5,574		
21. Deferred taxes				
Deferred taxes				
Financial statement transfers	7,175	8,425		
Deferred taxes	7,175	8,425		
22. Long-term liabilities				
Loans from financial institutions	101	1,150		
Other liabilities	501	282		
Long-term liabilities	602	1,432		
Long- and short-term non-interest-bearing liabilities				
Non-interest-bearing liabilities	64,015	66,161	1,579	1 540
Deferred tax liability	7,175	8,425		
Non-interest-bearing liabilities, total	71,189	74,585	1,579	1 540
23. Short-term liabilities				
Loans from financial institutions	19,448	2,197	15,000	
Other liabilities	89	30,000		
Advances received	11,338	11,530		
Accounts payable	20,277	17,292	104	50
Short-term liabilities, total	51,152	61,019	15,104	50
Liabilities to Group companies				
Accounts payable			2	5
Other liabilities			16,759	44,836
Accrued liabilities and deferred income			110	142
Liabilities to Group companies, total			16,871	44,983
Other short-term liabilities	6,294	6,654	199	7,913
Accrued liabilities and deferred income	19,909	24,921	1,164	4,532
Short-term liabilities, total	77,355	92,594	33,338	57,477
Accrued liabilities and deferred income				
Salary and other periodised personnel expenses	4,561	4,513	930	968
Interest	183	469	41	190
Direct taxes	418	4,203	27	3,388
Other	14,747	15,737	276	128
Accrued liabilities and deferred income, total	19,909	24,921	1,274	4,674

1 000 EUR		Group		Parent Company	
24. Contingent liabilities		2004	2003	2004	2003
Mortgages as securities for loans					
Loans from financial institutions		45	64		
Company mortgages		420	420		
Securities on behalf of Group companies and on own behalf					
Mortgage on company assets					
On own behalf		168	168		
Contingent liabilities and liabilities not included in the balance sheet					
Leasing liabilities					
With due date in the current financial year		635	777	7	17
With a later due date		821	648	7	20
Total		1,455	1 425	14	37
Normal conditions apply to the leasing agreements.					
Pledges					
On own behalf		1,491	1 423		
On behalf of Group companies				6,036	28 097
Repurchase obligations		1,705	2 060	1,378	1 486
Other liabilities		10,733	13 534	86	34
25. Values of the underlying instruments of derivative contracts					
Currency derivatives					
Forward agreements	Market value	17,593	22 697	5,234	4,624
	Value of underlying instrument	18,176	24 122	5,414	4,767
Derivative contracts for electricity	Market value	2,315	2 534		
	Value of underlying instrument	2,846	2 664		

MANAGEMENT OF FINANCIAL RISKS AND ENERGY PRICE RISKS

Management of financial risks

The Group's financial risks comprise currency risks, interest risks, and liquidity risks. The Group's principle is to hedge itself from the negative impact these risks may have on the result and on the balance sheet. Management of risks related to currency and counterparties in connection with normal business transactions is a part of the operational activities of the Group companies. The rest of the Group's financial activities are concentrated in the Parent Company, which is in charge of bank relations, arrangements for long-term financing, investments, and the Group's internal allocation of funds according to the need for liquidity in the Group companies.

The Group has no foreign currency denominated loans in Finland. Credit limits of a fixed asset nature secured by subsidiaries outside Finland are held

in the currencies of the countries concerned. Currency positions consist of receivables and liabilities by currency, and of currency income and expenses based on binding orders. The net positions are primarily hedged by means of forward contracts for a maximum of 12 months. After the introduction of euro at the beginning of 1999, the currency risk has mainly been caused by the changes in the rates of euro and US dollar.

The Group has not hedged the shareholders' equity in its subsidiaries outside Finland.

Liquid funds are invested prudently to ensure that the Group retains the capability to make investments and acquisitions. Funds are invested in market deposits, long-term bonds, and, to a limited extent, in shares. The board of Directors of the Parent Company has approved the Group's investment principles and risk limits.

Energy price risk

The Group company Kyro Power Oy operates as an independent party within the free electricity market producing electricity, process steam and district heating at its power stations. Uncertainties associated with the sale of electric power and production costs are managed by the Kyro Power Oy management according to the operating principles confirmed by the Kyro Power Oy board, with the aim of ensuring profitability of operations. The sale price risk of electric power is managed through long-term electric supplier contracts and derivative contracts for electricity.

On 31 December 2004, Kyro Power Oy had financial contracts for electricity worth 88,6 GWh (2003: 82,5 GWh). Kyro Power Oy electricity sales in 2004 amounted to 494 GWh (2003: 485 GWh).

FINANCIAL PERFORMANCE INDICATORS

EUR million				Official	pf	Compact pf*	pf
	2004	2003	2002	31.3–31.12.01	2001	2000	2000
Consolidated income statement							
Net sales	231.7	226.7	144.3	110.9	147.0	117.3	117.3
change	2.2	57.1	-1.8		25.2	18.5	18.5
Exports and international operations	187.0	181.4	112.1	85.0	111.0	85.0	85.0
as % of net sales, %	80.7	9.0	77.7	76.6	75.5	72.4	72.4
Depreciation and amortisation without consolidated goodwill	6.9	6.8	5.2	3.9	5.0	4.7	4.7
Operating profit before amortisation of consolidated goodwill	21.8	22.9	18.9	13.2	17.3	16.6	55.5
as % of net sales, %	9.4	10.1	13.1	11.8	11.7	14.2	47.3
Amortisation of consolidated goodwill	2.9	3.1	0.2	0.1	0.1	0.2	0.2
Operating profit	18.8	19.8	18.7	13.1	17.2	16.4	55.3
as % of net sales, %	8.1	8.7	13.0	11.8	11.7	14.0	47.2
Net financial items	2.1	0.6	-0.6	1.1	-0.9	-4.9	-4.1
Profit before taxes	21.0	20.4	18.1	14.2	16.3	11.5	51.2
as % of net sales, %	9.1	9.0	12.5	12.8	11.1	10.0	43.6
Income tax	-7.5	-6.7	-5.7	-3.7	-4.3	-3.4	-14.9
Minority interest	-1.9	-1.5	-0.6	-1.1	-1.2	-1.7	-1.7
Profit for the fiscal year	11.6	12.2	11.7	9.5	10.8	6.3	34.5
Balance sheet							
Fixed assets	111.4	118.6	73.6	71.9	71.9		65.1
Current assets							
Inventories	34.7	32.2	15.7	15.7	15.7		15.0
Deferred tax assets	5.7	8.3	6.1	4.0	4.0		2.9
Receivables	73.7	86.9	91.7	99.7	99.7		107.7
Shareholders' equity	130.5	135.9	137.1	139.7	139.7		140.7
Minority interest	4.1	2.2	0.7	3.4	3.4		2.2
Obligatory reserves	5.9	5.6					
Liabilities							
Interest-bearing liabilities	19.8	33.4	3.7	4.5	4.5		5.9
Non-interest-bearing liabilities	58.1	60.6	38.7	36.7	36.7		34.8
Deferred tax liability	7.2	8.4	6.9	7.1	7.1		7.0
Balance sheet total	225.6	246.1	187.1	191.4	191.4		190.7
Return on capital invested, %	12.3	14.1	13.6	14.1	11.8		36.3
Return on equity, %	9.9	10.3	9.4	10.5	8.6		28.3
Equity ratio, %	62.6	58.6	77.1	79.7	79.7		80.9
Debt/equity ratio, %	6.1	3.2	-40.5	-45.0	-45.0		-47.0
Interest-bearing net liabilities, EUR million	8.2	4.4	-52.2	-60.4	-60.4		-67.2
as % of net sales, %	3.5	1.9	-36.2	-40.8	-41.1		-57.3
Gross investments	4.6	62.7	6.8	2.6	3.5		6.6
as % of net sales, %	2.0	27.7	4.7	2.3	2.4		5.6
Research and development	9.4	9.8	6.6	6.3	7.4		5.4
as % of net sales, %	4.0	4.3	4.6	5.7	5.1		4.6
Order book	86.7	81.4	67.4	71.7	71.7		87.7
Personnel, average	1,175	1150	536	471	464		428
Personnel at year-end	1,208	1127	531	460	460		435
in Finland	433	421	370	302	302		301

* Comparative income statement without the effect of the gain from sale of Tecnomen shares.

CALCULATION OF KEY RATIOS

Equity ratio, % =

$$\frac{\text{Equity + minority share – own shares}}{\text{Balance sheet total – received advance – own shares}} \times 100$$

Gearing in % =

$$\frac{\text{Net interest-bearing liabilities}}{\text{Equity + minority share – own shares}} \times 100$$

Net interest-bearing liabilities =

Interest-bearing liabilities – interest – bearing receivables – cash and other liquid financial assets

Return on equity, % (ROE) =

$$\frac{\text{Profit or loss before extraordinary items – income taxes}}{\text{Equity + minority share – own shares (average)}} \times 100$$

Return on invested capital, % (ROI) =

$$\frac{\text{Profit or loss before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total – non-interest bearing liabilities – own shares (average)}} \times 100$$

Earnings per share (EPS) =

$$\frac{\text{Profit or loss before extraordinary items – income taxes +/- minority share}}{\text{Average share amount of the financial period without own shares}}$$

Equity/share =

$$\frac{\text{Equity – own shares}}{\text{Number of shares at the end of the fiscal year – own shares}}$$

Dividend/share =

$$\frac{\text{Dividend distribution during the fiscal year}}{\text{Number of shares at the end of the fiscal year – own shares}}$$

Dividend/result, % =

$$\frac{\text{Dividend/share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, % =

$$\frac{\text{Dividend/share}}{\text{Adjusted share price at the end of the fiscal year}}$$

P/E ratio =

$$\frac{\text{Adjusted share price at the end of the fiscal year}}{\text{Earnings per share}}$$

Market capitalisation =

Number of shares x adjusted share price on 31 December

BOARD'S PROPOSAL FOR THE ANNUAL GENERAL MEETING

According to the consolidated balance sheet on 31 Dec 2004, equity amounts to EUR 92,484,678 of which distributable assets amount to EUR 75,241,431.

According to the balance sheet on 31 Dec 2004, the Parent Company's equity amounts to EUR 59,424,269 of which distributable funds amount to EUR 58,474,029.

On 2 February 2005, dividend-entitling shares numbered 79,020,096.

The Board proposed to the Annual General Meeting a dividend of EUR 0.06 per share, that is, a total of EUR 4,741,206. This leaves EUR 53,732,823 of unused profit funds at the Parent Company

Helsinki, 2 February 2005

Carl-Johan Numelin	Christer Sumelius
Lars Hammarén	Barbro Koljonen
Carl-Johan Rosenbröjjer	Heikki Mairinoja
Klaus Cawén	

Pentti Yliheljo, President

AUDITORS' REPORT

To the shareholders of Kyro Corporation

We have audited the accounting, the financial statements and the administration of Kyro Corporation for the financial period 1 January – 31 December 2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the President and Chief Executive Officer. Based on our audit we express an opinion on these financial statements and on administration.

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

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and Chief Executive Officer of the parent company can be discharged from liability for the financial period audited by us. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Companies Act.

Helsinki, 2 February 2005

KPMG Oy Ab
Sixten Nyman, Authorized Public Accountant

SHARES AND SHAREHOLDERS

Share capital

An Extraordinary Meeting of Shareholders on 25 November 2004 approved a proposal to increase the company's share capital through a bonus issue by EUR 6,348,000 to EUR 12,696,000. In the bonus issue, one old share conferred entitlement to receive one new share without consideration. A total of 39,675,000 new shares were issued, whereby the total number of Kyro Corporation shares increased to 79,350,000. The nominal value of each share is EUR 0.16. The company's minimum share capital is EUR 4 million and the maximum share capital is EUR 16 million, within which limits the share capital can be increased and decreased without amending the company's Articles of Association.

Voting restrictions

Shareholders are entitled to one vote per share in votes and elections held at the Annual General Meeting. No individual shareholder is entitled to vote at the Annual General Meeting using more than one fifth of the combined votes of the shares represented at the meeting (Articles of Association, Article 13).

Trading on the Helsinki Exchanges

Kyro Corporation's shares are listed on the Helsinki Exchanges (HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House). The quotation of the shares began on 2 April 2001.

During the period 1 January 2004 to 31 December 2004, a total of 15,424,328 Kyro Corporation shares were traded on the Helsinki Exchanges, equivalent to 19.44 per cent of the total number of shares outstanding.

At the end of the year, the market

value of the company's shares was EUR 325,335,000. On the same date, the company had 3,977 shareholders listed in the book-entry system.

Share price development

The highest price paid for a Kyro Corporation share on the Helsinki Exchanges (adjusted for the bonus issue) was EUR 4.16 and the lowest price EUR 3.40. The average price during the year was EUR 3.92.

Management ownership of shares

The members of the Board of Directors and the President and CEO owned a total of 6,254,200 shares on 31 December 2004. These shares account for 7.88% of the company's shares.

Management incentive schemes

An Extraordinary Meeting of Shareholders of Tamglass Ltd. Oy on 20 December 2002 approved a management incentive scheme, which can be made available to the Tamglass Group's key personnel and Kyro management. The management incentive scheme consists of 35,000 A options, with an exercise period of 1 May 2005 to 31 May 2009, and 35,000 B options with an exercise period of 1 May 2007 to 31 May 2009. The options entitle their holders to subscribe for a maximum of 70,000 Tamglass Ltd. Oy shares, corresponding to 8.0% of the company's shares.

In accordance with a restriction in the management incentive scheme, share subscription using options is possible only by permission of Kyro Corporation, but the options may be sold to Kyro Corporation during their exercise period at a price which is defined as the difference between the imputed value of the share

and the subscription price. Two thirds of the imputed value of the share is based on the results of the Tamglass and Kyro Groups and one third on the development of the Kyro share price.

The Group takes the obligations associated with the incentive scheme into account as a minority interest in its year-end and interim financial statements. In the financial statements of 31 December 2004, the minority interest is EUR 3.4 million euros.

Shareholder agreements

The company is unaware of any shareholder agreements which would substantially affect the ownership of Kyro Corporation's shares or the exercise of votes within the company.

Book-entry system

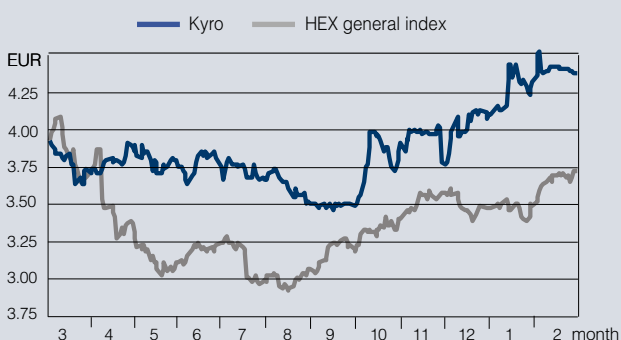
A total of 79,274,800 of the company's shares were registered in the book-entry system on 31 December 2004. A register of shareholders is maintained by the Finnish Central Securities Depository Ltd.

Board authorisations

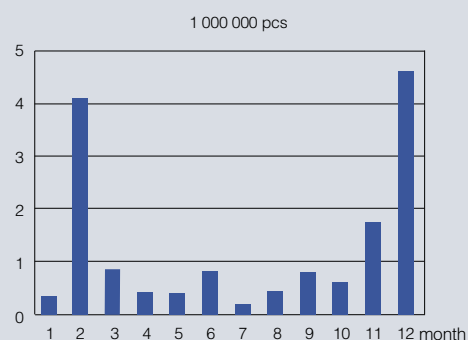
The Board of Directors has no authorisations to change the share capital.

On 17 March 2004, the Annual General Meeting of Kyro Corporation authorised the Board of Directors to acquire the company's own shares, provided that the combined nominal value of the acquired shares together with any shares already in the possession of the company corresponds to a maximum of 5% of the company's total share capital at the moment of acquisition. The company's own shares may be used as consideration in possible future business acquisitions, to finance investments and in other industrial

Kyro's share price development 1 March 2004–28 Feb 2005



Monthly Kyro share trading volume 2004



Distribution of share ownership

The ownership of Kyro Corporation shares was distributed on 31 December 2004 as follows:

Number of shares	Owners	% of owners	Number of shares	% of shares
1-500	1 295	32.56	403 780	1.51
501-1 000	934	23.49	736 102	1.93
1 001-5 000	1 211	30.45	2 680 430	3.38
5 001-10 000	225	5.66	1 660 256	2.09
10 001-50 000	161	4.05	3 844 412	4.84
50 001-100 000	50	1.26	3 831 060	4.83
100 001-500 000	77	1.94	18 112 852	22.83
500 001-	24	0.60	48 005 908	60.50
Total	3 977	100.00	79 274 800	99.91
On joint account			75 200	0.09
Total			79 350 000	100.00

Largest shareholders on 31 December 2004

	Shares	%
G.W.Sohlberg Corporation	12 819 400	16.2
Lars Hammarén	4 448 600	5.6
GWS Trade Oy	3 946 700	5.0
Henning Sumelius	3 642 600	4.6
Marina Sumelius	2 244 800	2.8
Svenska Litteratursällskapet i Finland	2 138 000	2.7
Oy Investsum Ab	1 820 000	2.3
The estate of Helena Suutarinen	1 802 400	2.3
Charlie von Christerson	1 600 000	2.0
Maria Sumelius	1 589 400	2.0
Bjarne Sumelius	1 464 000	1.8
Nordea Bank Finland Plc	1 391 208	1.8
Birgitta Sumelius-Fogelholm	1 114 000	1.8
Marianne Storhannus	970 000	1.4
Samuel Huber	908 800	1.1
Christer Sumelius	803 800	1.0
Karin Huber	800 800	1.0
Nominee registrations	1 753 522	2.2
Others	33 762 066	42.5
	79 020 096	99.6
Own shares in the company's possession	329 904	0.4
Total	79 350 000	100.0

Taxable value in Finland

The taxable value of a Kyro Corporation in Finland under 2004 taxation is EUR 1,435 per share (adjustment for the bonus issue).

arrangements in a way and scope determined by the Board of Directors.

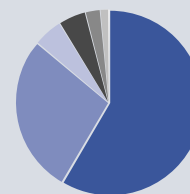
The Annual General Meeting authorised the Board of Directors to decide on the transfer of own shares acquired for the company. The company's own shares may be transferred for use as consideration in possible business acquisitions, to finance investments and in other industrial arrangements or otherwise

transferred or cancelled.

During the financial year, the company did not exercise the authorisations it has received.

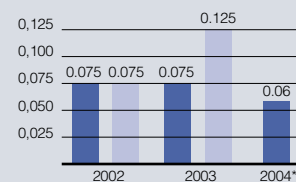
On 31 December 2004, Kyro Corporation possessed a total of 329,904 of its own shares, acquired at a price of EUR 950,240.69. The shares constitute 0.4% of all votes and shares.

Ownership by sector



Private households and individuals	58.4 %
Private companies	27.6 %
Foreign ownership	5.1 %
Non-profit organisations	4.8 %
Financial and insurance institutions	2.6 %
Public organisations	1.4 %
On joint account	0.1 %

Dividend, EUR



● Dividend
● Extra dividend

*) Board's proposal

KEY INDICATORS PER SHARE IN EURO

	2004	2003*	2002*	Official 31.3.-31.12. 2001*	pf 2001*	pf 2000*
Earnings per share, EUR	0.150	0.155	0.150	0.120	0.135	0.435
Equity per share, EUR	1.640	1.700	1.680	1.720	1.715	1.775
Dividend per earnings, %	40.0	129.0	96.8	145.8	129.6	15.2
Dividend per share**, EUR	0.060	0.075	0.075	0.070		
Extra dividend per share, EUR		0.125	0.075	0.105		
Effective dividend yield, %	1.5	5.1	4.7	6.3	6.3	
P/E ratio	27.3	25.5	20.5	23.3	20.7	
Number of shares, 1,000						
average	79,020	78,776	76,321	78,532	78,734	79,350
at end of year	79,020	79,020	76,382	76,178	76,178	79,350
**) Board's proposal						
Share price trend, EUR						
average price	3.920	3.580	3.125	2.590		
lowest price	3.400	2.700	2.500	1.800		
highest price	4.160	4.100	3.675	2.975		
Share price at the end of the year, MEUR	4.100	3.950	3.170	2.790		
Market capitalisation of all shares at the end of the year	325,3	313,4	251,5	221,4		
Turnover, no. of shares	15,424,328	6,232,942	6,168,378	26,543,348		
Turnover, % of the total number, no. of shares	19.4	7.9	7.8	66.9		
Turnover, MEUR	60,5	22,3	19,3	68,8		

The Kyro Corporation shares (KRO) have been quoted at the Helsinki Exchanges since 2.4.2001, for which reason the Performance Indicators associated with the trading price of the shares can only be calculated from 2001.

*) The total number of company shares and the company's share capital were increased by a bonus issue in November 2004. The number of shares rose by 39,675,000 shares to 79,350,000 shares. The key figures for previous years have been adjusted accordingly.

PRINCIPLES OF CORPORATE GOVERNANCE

Kyro Corporation's principles of corporate governance follow the provisions of the Finnish Companies Act and Securities Markets Act as well as Kyro's Articles of Association and the rules of the Helsinki Exchanges. Kyro primarily applies the Corporate Governance Recommendation for Listed Companies issued in December 2003 by Hex Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the company's highest decision-making body. The AGM is called by the company's Board of Directors. The AGM decides on, among other things, the adoption of the financial statements, the distribution of profits, the discharge of Board members and the President and CEO from liability, and the election and remuneration of the Board of Directors and auditor. In accordance with the Articles of Association, the AGM is held by the end of May each year. If necessary, the Board of Directors may call an Extraordinary Meeting of Shareholders.

The Annual General Meeting is called by publishing an Invitation to the Annual General Meeting as a stock exchange bulletin at the Helsinki Exchanges and by announcing the meeting in one Finnish- and one Swedish-language newspaper of the Board's choice.

At the Annual General Meeting, each shareholder has one vote per share. No-one, however, may vote with more than one fifth of the total number of shares represented at the meeting.

BOARD OF DIRECTORS

Duties and responsibilities

The Board of Directors' duties and responsibilities are determined primarily by the Finnish Companies Act and the company's Articles of Association. The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. The Board also directs and supervises the company's operational management. The main duties and operating principles of the Board of Directors and its appointed committees are defined in rules of procedure approved by the Board. The Board of Directors decides on far-reaching and fundamentally important issues affecting the Group. Such issues include the Group's strategy and objectives, the Group's budgets and operating plans, significant Group-level financial arrangements, the financial statements and annual report, the interim reports, company acquisitions and other significant investments, the Group's operational structure, management incentive schemes and principles of risk management. The Board of Directors appoints the President and CEO and decides on his salary and other conditions of employment.

The President and CEO, or another member of the company management designated by him, acts as presenter at Board meetings.

Members of the Board of Directors

The Annual General Meeting elects the members of the Board of Directors. According to the Articles of Association, the Board of Directors consist of a minimum of three and a maximum of eight members. The term of office of members of the Board of Directors expires at the end of the third Annual General Meeting that follows their election, after which they can be re-elected. The present Board of Directors was elected at the Annual General Meeting in spring 2004 and its term of office is 2004–2007. The company has deemed it appropriate that the Board of Directors' term of office is three years instead of one year. A person who has reached 67 years of age cannot be elected a member of Board. The Board of Directors elects from among its members

a Chairman and a Deputy Chairman for one year at a time.

In 2004 the Chairman of the Board of Directors was Carl-Johan Numelin and the Deputy Chairman was Christer Sumelius. The Board of Directors met 11 times in 2004 and the average percentage attendance of members was 94. Information about the members of the Board of Directors and their shareholdings in the company can be found on page 53.

All seven members of the Board of Directors are independent of the company.

Apart from Heikki Mairinoja, all the other members of the Board are independent of the company's most important shareholders, as none of the other members of the Board nor anyone belonging to the close circle of a member of the Board had more than a ten per cent holding of the company's shares or total number of votes at the end of 2004.

Committees of the Board of Directors

The Board of Directors annually appoints the necessary number of committees to prepare matters which are the Board's responsibility. In November 2004, the Board of Directors appointed an Audit Committee and a Compensation Committee.

The task of the Audit Committee is to handle matters relating to financial statements, auditing, financial reports, the company's internal monitoring and other matters relating to the Group's risk management. The members of the Audit Committee are Carl-Johan Numelin (Chairman), Lars Hammarén and Heikki Mairinoja. The committee met once during 2004.

The task of the Compensation Committee is to prepare for the Board of Directors a proposal on the company's senior management appointments and remuneration principles. The members of the Compensation Committee are Carl-Johan Numelin (Chairman), Klaus Cawén and Christer Sumelius. The committee met once during 2004.

PRESIDENT AND CEO

The Board of Directors of Kyro Corporation appoints the company's President and CEO, whose key terms and conditions of employment are specified in a written contract. The President and CEO is responsible for the operational management of Kyro Group in accordance with instructions given by the Board. The President and CEO of Kyro, Pentti Yliheljo, is also President and CEO of the subsidiary Tamglass Ltd. Oy.

The President and CEO's personal and company shareholding information can be found on page 53.

OTHER MANAGEMENT

Kyro Group has two business areas: Glaston Technologies and Energy. The main business area, Glaston Technologies, comprises Kyro Corporation's wholly owned operational subsidiaries Tamglass Ltd. Oy and Z. Bavelloni S.p.A., together with their own subsidiaries, and Uniglass Engineering Oy. The Energy business area consists of Kyro Power Oy, which is wholly owned by Kyro Corporation, together with its subsidiary Hämeenkyrön Lämpö Oy.

The senior management personnel of the business areas assist the President and CEO in implementing the company's strategy, operational planning and management, and in reporting the development of business operations.

The boards of directors of subsidiaries consist of management from the Kyro Group's parent company and subsidiaries as well as expert members from outside the companies.

Information about the Group's senior managers and their company shareholdings can be found on page 53.

REMUNERATION

The spring 2004 Annual General Meeting approved remuneration to the Chairman of the parent company's Board of Directors amounting to 40,000 euros, to the Deputy Chairman 30,000 euros and to members of the Board 20,000 euros. Employees of the Group do not receive separate remuneration for serving on the boards of the directors of Group companies.

In 2004 the company's President and CEO was paid salary and other benefits totalling 728,000 euros, including 353,000 euros in performance bonuses.

Tamglass Ltd. Oy operates a long-term management incentive scheme, the terms and conditions of which are decided by the Board of Directors of Kyro Corporation. The incentive scheme is outlined in the Shares and Shareholders section, on page 48 of this report. The company's President and CEO and other management were not paid bonuses from the Tamglass incentive scheme. Under the Tamglass 2002 incentive scheme, the President and CEO and other management have been granted a total of 23,250 A options, which can be exercised between 1 May 2005 and 31 May 2009, and 16,000 B options, which can be exercised between 1 May 2007 and 31 May 2009.

In addition, various units of Group companies have their own local short-term incentive schemes, which follow the practices of the location country and whose terms and conditions are decided by each company's President and CEO.

Kyro Corporation's present President and CEO has the right to retire on reaching 55 years of age. Deviating from statutory pension rights, the pensionable age of managers in certain Group companies is 60 or 62 years.

The President and CEO's term of notice is six months when the company serves notice of terminating his employment. The President and CEO receives compensation amounting to 12 months' salary in the event of the company terminating his contract of employment.

MONITORING SYSTEM

Overall responsibility for monitoring the accounting and the management of funds rests with the Board of Directors. The Board of Directors' Audit Committee examines and assesses the effectiveness of the company's internal monitoring system. The President and CEO is responsible for ensuring that the accounting complies with legal requirements and that the management of funds is arranged in a reliable manner.

The company uses a Group-wide internal reporting system for supervising business operations and monitoring the management of funds. The fulfilment of set targets is monitored monthly using the company's internal

reporting system. In addition to actual figures, forecasts of the Group's financial state are reported quarterly for the current year.

Risks of property, consequential and liability losses arising to the Group's operations have been covered by appropriate insurance, and management of financial risks is the responsibility of the Finance Department in the Group's parent company.

The company has no separate internal auditing organisation. The Group's auditor assesses the effectiveness of the Group's internal monitoring system as part of its statutory monitoring of operations. In addition, the company gives, when necessary, separate assignments to external experts to carry out internal auditing.

INSIDER OBLIGATIONS

Kyro Corporation applies the Guidelines for Insiders approved by the Helsinki Exchanges. By law, the members of the Board of Directors, the management of Kyro Corporation and the auditor are considered to be insiders. Due to their positions, presidents and members of the management groups of subsidiaries as well as people responsible for finance and communications in the various companies of Kyro Group are also considered to be insiders. Information about the company's permanent insiders and their shareholdings is available from the SIRE system of the Finnish Central Securities Depository and from Kyro Corporation's website. Kyro Corporation does not arrange investor meetings during the three weeks preceding the publication of financial statements or interim reports.

AUDITING

Under the Articles of Association, the company has one auditor, which must be an auditing firm approved by the Finnish Central Chamber of Commerce. The auditor's term of office covers the financial year during which it is elected and ends at the conclusion of the Annual General Meeting that follows its election. The 2004 Annual General Meeting elected as auditor the authorised public accounting firm KPMG Wideri Oy Ab, with the responsible auditor being Sixten Nyman APA, who supervises auditing guidelines and coordination for the entire Group.

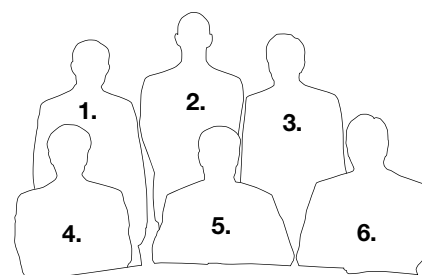
In 2004 the auditors of Group companies were paid a total of 249,600 euros. A total of 215,000 euros was paid to KPMG in fees unconnected with auditing in 2004. These fees related to tax consulting and the transfer to reporting under IFRS rules.

COMMUNICATION

The objective of external communications is to support the correct price formation of the company's securities by giving the market sufficient information about the company's business structure, its financial position and the development of the market as well as its objectives and the achievement of strategic goals.

The company publishes a printed annual report and three interim reports. Key information on the Kyro Corporation's administration as well as information which must be declared under listed companies' duty to disclose is published on the company's website, address www.kyro.fi. In addition, key management presentation material can be viewed on the company's website after publication.

BOARD, MANAGEMENT AND AUDITORS



1. Carl-Johan **Rosenbröijer**
 2. Klaus **Cawén**
 3. Heikki **Mairinoja**
 4. Lars **Hammarén**
 5. Carl-Johan **Numelin**
 6. Christer **Sumelius**
- Barbro **Koljonen** is absent from the picture.

BOARD OF DIRECTORS

Chairman **Carl-Johan Numelin**

(born 1937), M.Sc. (Eng)

Shareholding on 31 Dec 2004, 126,200 shares

From **Term of office**

1990 2004–2007

Deputy Chairman **Christer Sumelius**

(born 1946), M.Sc. (Eng)

Shareholding on 31 Dec 2004, 803,800 shares

1995 2004–2007

MEMBERS

Lars Hammarén

(born 1942), B.Sc. (Eng)

Shareholding on 31 Dec 2004, 4.448,600 shares

1982 2004–2007

Barbro Koljonen

(born 1953), M.Sc. (Agr.)

Shareholding on 31 Dec 2004, 785,600 shares

1996 2004–2007

Carl-Johan Rosenbröijer

(born 1964), Dr.Sc. (econ.)

Shareholding on 31 Dec 2004, 40,000 shares

1996 2004–2007

Heikki Mairinoja

(born 1947), M.Sc. (eng), B.Sc. (Econ.)

Shareholding on 31 Dec 2004, 4,000 shares

2003 2004–2007

Klaus Cawén

(born 1957), Master of Laws

Shareholding on 31 Dec 2004, 6,000 shares

2004 2004–2007

MANAGEMENT

President and CEO

Pentti Yliheljo

(born 1945), M.Sc. (Eng)

Shareholding on 31 Dec 2004
40,000 shares

From

1992

Chief Financial Officer

Vesa Hopia

(born 1955), M.Sc.(Econ.)

Shareholding on 31 Dec 2004
No shares

2004

Senior Vice President, Corporate Planning

Esko Rantala

(born 1961), M.Sc.(Eng.), MBA

Shareholding on 31 Dec 2004
100,000 shares

1998

Senior Vice President, Administration

Veli Kronqvist

(born 1954), M.Sc.(Econ.)

Shareholding on 31 Dec 2004,
No shares

1999

AUDITORS

KPMG OY AB

Responsible Auditor

Sixten Nyman, APA

KYRO'S CORPORATE STRUCTURE

PARENT COMPANY

Board of Directors

Chairman	Carl-Johan Numelin
Deputy Chairman	Christer Sumelius
Members	Lars Hammarén Barbro Koljonen Carl-Johan Rosenbröijer Heikki Mairinoja Klaus Cawén

Management

President and Chief Executive Officer	Pentti Yliheljo
Chief Financial Officer	Vesa Hopia
Senior Vice President, Administration	Veli Kronqvist
Senior Vice President, Corporate Planning	Esko Rantala

ENERGY/KYRO POWER OY

Managing Director	Esa Kujala
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Production units

Gas-fired power plant
Hydropower plant
Hämeenkyrön Lämpö Oy

GLASTON TECHNOLOGIES GLASS MACHINERY GROUP

TAMGLASS

President and CEO	Pentti Yliheljo
Commercial Director	Pentti Salin
Technology	Juha Liettyä
Manufacturing	Mauri Leponen
Finance	Vesa Hopia
Logistics	Matti Tukkimies
Personnel	Veli Kronqvist, Stiina Enqvist
Marketing Communications	Pia Salonen

BAVELLONI

President	Dino Bavelloni
Manufacturing and technology	Fiorentino Picariello
Tools manufacturing and Technology	Cosimo Gabriele
Product Development	Franco Bavelloni
Finance	Gianfranco Basurini
Accounting	Annibale Bertolini
Communications	Simona Bavelloni
Personnel	Franco Serra
Purchasing	Andrea Cassineri
Quality	Spartak Nasi

TAMGLASS-BAVELLONI

Corporate planning	Pentti Salin
Technology	Juha Liettyä

Business areas

Building glass industry	Mauri Leponen
Automotive glass industry	Tommi Salenius
Insulating glass industry	Stefano Bavelloni
Furniture and special glass industry	Stefano Bavelloni
Tools	Cosimo Gabriele
After sales	Tapio Rauhala

Machine manufacturing

Tamglass Engineering Ltd. Oy, Finland	Heikki Kaasalainen
Tamglass Tempering Systems Inc., USA	Ernie Thomas
Tamglass South America Ltda., Brazil	Jean Paul Clément
Tamglass-Bavelloni Tianjin Co. Ltd., China	Petri Mäkinen
Z. Bavelloni, Italy	Fiorenzo Talenti
Z. Bavelloni – Tools, Italy	Cosimo Gabriele
Z. Bavelloni Mexico S.A. de C.VC., Mexico	Idilio Bolchini
Z. Bavelloni South América	
Ind. E Com. Ltda., Brazil	Ezio Cabib



GLASTON TECHNOLOGIES GLASS MACHINERY GROUP

TAMGLASS–BAVELLONI Sales

President	Kaj Appelberg
North America Sales management and Bavelloni area sales management Tamglass area sales management	Jack Van Meerbeeck Raimo Nieminen
South America Sales management	Raimo Nieminen
Europe, Middle East, Africa Sales management Tamglass area sales management Bavelloni area sales management Bavelloni area sales management Bavelloni area sales management	Huub Naus Seppo Lautamäki Franco Pirola Yvan Mannekens Federico Bassi
Tamglass–Bavelloni Europe (UK) Ltd. Tamglass–Bavelloni Europe (GE) GmbH Tamglass–Bavelloni Europé (FR) S.A.R.L. Tamglass–Bavelloni Europe (NL) BV	Steve Brammer Andreas Brödel Richard Bazin Huub Naus
China Sales management Bavelloni area sales management Tamglass area sales management	Kaj Appelberg Sara Tacchino Pekka Nieminen
Tamglass–Bavelloni (Shanghai) Machinery Trading Co. Ltd.	Michael Tsui
Asia-Pacific Sales management Bavelloni area sales management Tamglass area sales management Tamglass Japan, Inc.	Kaj Appelberg Freddy Tan Jarko Salo Juhani Salminen

UNIGLASS

Managing Director	Petri Mölsä
Sales	Jukka Rantala
Product development	Arto Jantunen
Marketing Communications	Leena Kauhanen
After Sales	Anna Enroth

GLASTON TECHNOLOGIES GLASS PROCESSING GROUP

TAMGLASS GLASS PROCESSING

Director	Pertti Iivanainen
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TAMGLASS SAFETY GLASS LTD

Managing Director	Pertti Iivanainen
Marketing Director	Liisa Alftan
Plant Manager	Arto Korventausta

TAMGLASS FINTON OY

Managing Director	Sasu Koivumäki
Sales Director	Kimmo Norojärvi
Installation Manager	Jarno Pölönen

TAMGLASS INSULATING GLASS LTD

Managing Director	Jorma Nenonen
Sales Manager	Kai Korelin
Plant Manager	Ari Kurvi

LOCATIONS AND ADDRESSES

KYRO CORPORATION

Head office

Vehmaistenkatu 5
P.O. Box 25
FIN-33731 Tampere
FINLAND
Tel. +358 3 382 3111
Fax +358 3 382 3016
firstname.lastname@kyro.fi

Communications and Business Development

Kalevankatu 3 B
FIN-00100 Helsinki
FINLAND
Tel. +358 9 5422 3300
Fax +358 9 3487 2500

TAMGLASS GROUP

Head office

Tamglass Ltd. Oy
Vehmaistenkatu 5
P.O. Box 25
FIN-33731 Tampere
FINLAND
Tel. +358 3 372 3111
firstname.lastname@tamglass.com

Z. BAVELLONI

Head office

Z. Bavelloni S.p.A.
Via Milano, 93
22070 Bregnano (Co)
ITALY
Tel. +39 031 72 83 11
Fax +39 031 72 86 358
general@bavelloni.com

GLASTON TECHNOLOGIES

CUSTOMER SERVICE OFFICES

Tamglass America, Inc.

1007 Parkway View Drive
Pittsburgh, PA 15205-1424
USA
Tel. +1 412 787 7020
Fax +1 412 787 0534
sales.america@tamglass.com

Z. Bavelloni USA Inc.

204 South Westgate Drive
27407 Greensboro NC
USA
Tel. +1 336 299 8300
Fax +1 336 299 8388
general@zbavusa.com

Tamglass America Inc.

After Sales services
2615 River Road, unit #5
Cinnaminson, NJ 08077
USA
Tel. +1 856 786 1200
Fax +1 856 786 6599
service.america@tamglass.com

Tamglass-Bavelloni Europe (GE) GmbH

Hermannstr. 15
90439 Nürnberg
GERMANY
Tel. +49 911 61 50 05
Fax +49 911 61 39 66
germany@tamglass.com

Tamglass-Bavelloni Europe (GE) GmbH

c/o Mc Diam Sp. z.o.o.
Ul. Chocimska 28 p. 125
00-791 Warszawa
POLAND
Tel. +48 22 646 0483
Fax +48 22 848 7224

Tamglass-Bavelloni Europe (NL) BV

De Koumen 76
6433 KE - Hoensbroek
THE NETHERLANDS
Tel. +31 45 5630088
Fax +31 45 5225312
netherlands@glaston.net

Tamglass-Bavelloni Europe (UK) Ltd.

7 Swanwick Court
Alfreton
Derbyshire DE55 7AS
UNITED KINGDOM
Tel. +44 1773 545 850
Fax +44 1773 545 851
uk@glaston.net

Tamglass-Bavelloni Europé (FR)

S.A.R.L.
4, rue Paul Villard
69680 Chassieu
FRANCE
Tel. +33 478 902667
Fax +33 472 790482
france@glaston.net

Tamglass-Bavelloni Europé (FR)

S.A.R.L.
After Sales services in Spain
C/o Alexi Nottbeck Bechtejew
Calle Muñoz Torrero, 3 P-7A
San Fernando
11100, Cádiz
SPAIN
Tel. +34 956 888051
Fax +34 6 28 013301

Tamglass Ltd. Oy

After Sales services in Italy
C/o Pier Paolo Cavasin
Via Maffei 39
50133 Firenze
ITALY
Tel. / Fax +39-0555001931

Cattin Machines, S.A.

Rue Fritz-Courvoisier 105
2300 La Chaux-de-Fonds
SWITZERLAND
Tel. +41 32 925 7070
Fax +41 32 925 7071
switzerland@tamglass.com

Tamglass-Bavelloni Singapore Pte. Ltd.

50 Kallang Avenue
#01-03 Noel Corporate Building
SINGAPORE 339505
Tel. +65 62814448
Fax +65 62812622
singapore@glaston.net

Tamglass-Bavelloni (Shanghai) Machinery Trading Co. Ltd

69 Xiva Road - Shanghai Waigaoqiao
Free Trade Zone
CHINA
Tel. +86 21 5046 3099/5046 3101
Fax +86 21 50463098
shanghai@glaston.net

Tamglass-Bavelloni (Shanghai) Machinery Trading Co. Ltd.

Room 1605, Block B, Carrianna Plaza
2002 Renmin Road South
518001 Shenzhen
CHINA
Tel. +86 13823716097
Fax +86 755 25182539

Tamglass Japan, Inc.
703 Esaka Business Zone
18-37 Toyotsu-Cho, Suita-shi
Osaka 564-0051
JAPAN
Tel. +81 6 6330 5139
Fax +81 6 6330 5136

Tamglass Japan Inc.
c/o Taijoo Trading Co. Ltd.
Mujigae Shopping Center,
Room No. 202
1332-3, Seocho-Dong,
Seocho-ku, Seoul
REPUBLIC OF KOREA
Tel. +82 2 3472 3147
Fax +82 2 3474 3605

Tamglass Middle East
P.O. Box 17322
Dubai
UNITED ARAB EMIRATES
Tel. +971 4 8838 268
Fax +971 4 8836 779
middle.east@tamglass.com

OOO "Tamglass-Bavelloni"
Pr. Vernadskogo 9/10, off. XXXI
119311 – Moscow
RUSSIA
Tel. +7 095 1315101 / 1315103
Fax +7 095 1315105
russia@glaston.net

MACHINE MANUFACTURING UNITS

Tamglass Engineering Ltd. Oy
Vehmaistenkatu 5
P.O.Box 25
FIN-33731 Tampere
FINLAND
Tel. +358 3 372 3111
Fax +358 3 372 3190

Tamglass Tempering Systems, Inc.
510 Whitmore Street
Cinnaminson, N.J. 08077-1626
USA
Tel. +1 856 786 1200
Fax +1 856 786 7606

Tamglass South America Ltda.
Avenida Dona Ruyce Ferraz Alvim,
2906 - Jardim Ruyce
Diadema - SP
CEP 09961-540
BRAZIL
Tel. +55 11 4066 2506
Fax +55 11 4067 3911
tamglass@tamglass.com.br

**Tamglass-Bavelloni
(Tianjin) Co., Ltd.**
No 5 Xingwang Road
Wuqing Development Area
301700 Tianjin
PEOPLE'S REPUBLIC OF CHINA
Tel. +86 22 8210 1230
Fax +86 22 8212 2122
china@glaston.net

Tamglass Refurbishing Centre
Lenkkitie 11
FIN-35300 Orivesi
FINLAND
Tel. +358 3 334 0801
Fax +358 3 334 0802

Z. Bavelloni S.p.A.
Via Landri, 25
24060 Costa di Mezzate (BG)
ITALY
Tel. +39 035 66 66 011
Fax +39 035 68 25 70

**Z. Bavelloni South América
Ind. E Com. Ltda.**
Av. Dona Ruyce Ferraz Alvim,
3036 Jardim Ruyce Diadema – SP
CEP: 09961-540
BRAZIL
Tel. +55 11 4061 6511
Fax +55 11 4066 6020
z.bavelloni@bavelloni.com.br

RECONDITIONING UNIT
Z. Bavelloni Mexico S.A. de C.V.
Calle 30 n.2646 Zona ind. 1
P.O.Box 44940
Guadalajara, Jalisco
MEXICO
Tel. +52 333 145 2045
Fax +52 333 145 0143
sales@zbavmex.com.mx

TOOLS MANUFACTURING UNIT
Z. Bavelloni
Via dell'industria 1
22070 Bregnano (CO)
ITALY
Tel. +39 031 72 85 30
Fax +39 031 72 85 19
tools@bavelloni.com

TAMGLASS GLASS PROCESSING

Tamglass Safety Glass Ltd.
Vehmaistenkatu 5
P.O. Box 25
FIN-33731 Tampere
FINLAND
Tel. +358 3 372 3111
Fax +358 3 372 3890/Sales
Fax +358 3 372 3927/Production

Tamglass Finton Oy
Vesijärvenkatu 7 A
FIN-15410 Lahti
FINLAND
Tel. +358 3 877 177
Fax +358 3 877 1711

Tamglass Insulating Glass Ltd.
Teollisuuskyläntie 4
FIN-37550 Lempäälä
FINLAND
Tel. +358 201 422 600
Fax +358 3 375 2010

UNIGLASS ENGINEERING OY

P.O. Box 394
FIN-33101 Tampere
FINLAND
Tel. +358 20 7430 220
Fax +358 20 7430 221
info@uniglass.com

KYRO POWER OY

FIN-39200 Kyröskoski
FINLAND
Tel. +358 3 382 3111
Fax +358 3 382 3078
etunimi.sukunimi@kyro.fi

Hämeenkyrön Lämpö Oy
FIN-39200 Kyröskoski
FINLAND
Tel. +358 3 382 3111
Fax +358 3 382 3078



Kyro Corporation

P.O. Box 25, FIN-33731 Tampere, Finland
Tel. +358 3 382 3111, fax +358 3 382 3016

www.kyro.fi



Kyro Corporation

P.O. Box 25, FIN-33731 Tampere, Finland
Tel. +358 3 382 3111, fax +358 3 382 3016

www.kyro.fi