

TECNOMEN CORPORATION INTERIM REPORT 1 January - 31 August 2000

- Net sales grew 52 % to EUR 38.3 (25.3) million
- Operating result was EUR 2.7 (-3.9) million
- Institutional investor share issue was oversubscribed more than tenfold; the retail and employee issues were also oversubscribed
- Result before taxes and minority interest was EUR 2.8 (-4.5) million
- The company's financial standing improved significantly, and the equity ratio was 86 % (26)

TECNOMEN'S BUSINESS AREA

Tecnomen develops and delivers value-added telecommunications service systems for telecom operators and service providers. Tecnomen's product areas consist of Messaging Systems and closely related Wireless Internet Solutions as well as Prepaid and Paging Systems. During the period under review, Messaging Systems and Wireless Internet Solutions accounted for 70 % of net sales, Prepaid Systems for 19 %, Paging Systems 9 % and other products 2 %.

COMBINED SHARE ISSUE AND SALE OF TECNOMEN SHARES

The Boards of Directors of Kyro and Tecnomen decided at their meetings on 9 June 2000 to initiate a combined share issue and sale of Tecnomen shares and to apply for listing on the Main List of the Helsinki Exchanges. The share issue and sale is used to expand Tecnomen's owner base, to strengthen the corporation's financing structure, to finance Tecnomen's growth and to create additional possibilities for developing personnel incentive and commitment programmes. Trading of Tecnomen shares started on the Pre-List of the Helsinki Exchanges on 30 June 2000 and on the Main List on 4 July 2000.

A total of 12,969,200 shares were subscribed and sold in the combined share issue and sale. Tecnomen issued 7,969,200 new shares. The subscription price in the institutional and retail issues was EUR 8.50, which was also the maximum price in the offering. The price was EUR 7.65 in the employee issue. The company's share capital was raised by EUR 318,768. The Kyro Group sold a total of 5,000,000 shares. The parent company Kyro owns 73.7% of Tecnomen's shares after the share issue and sale. Tecnomen's institutional issue was oversubscribed more than tenfold. The employee and retail issues were also oversubscribed.

NET SALES AND OPERATING RESULT

Tecnomen's net sales for the first eight months grew 52 % in comparison with the corresponding period last year and amounted to EUR 38.3 (25.3) million. The increase reflects both favourable market conditions and sales originating from a healthy order book at the end of last year. Additionally, messaging system orders received during the second tertiary period had a positive effect on sales growth already during the reporting period.

The company's operating result was EUR 2.7 (-3.9) million. Issue and listing expenses worth EUR 0.3 million have been included in the profit and loss statement while EUR 2.5 million have been booked into

shareholders' equity on the balance sheet by reducing the reserve fund. Large product development expenses for Prepaid Systems, relative to their sales, weakened the operating result still during the period. The profit before extraordinary items was EUR 2.8 (-4.5) million. Earnings per share amounted to EUR 0.05 (-0.11) and equity per share was EUR 1.66 (0.26).

FINANCING

Tecnomen's financial standing improved significantly following the share issue. Proceeds from the share issue after deduction of issue expenses amounted to EUR 64 million. Tecnomen's liquid funds amounted to EUR 44 million. The company repaid interest-bearing debts worth EUR 23 million during the second tertiary period. Interest-bearing liabilities amounted to EUR 1.5 (25.2) million. The debt to equity ratio (gearing) improved to -51 % (215). The balance sheet structure strengthened as the equity ratio rose to 86 % (26).

MARKETS

The market growth of value-added service systems continued. The continuing growth in subscriber numbers for messaging and prepaid services of mobile phone operators increased their capacity requirements, which created demand for new systems deliveries and expansions. Investments into new networks within Tecnomen's home market in Europe were minor as operators were preparing for upcoming third generation networks. The granting of licenses for third generation networks and merger plans among large operators are preparing the ground for future market growth and demand for system products.

New service providers continued to enter the market for value-added services. The expanding offering of services based on wireless data transfer promoted service providers to focus according to differentiating customer groups. Interest was focused especially on general data communications and entertainment services. The current and future services for Tecnomen eZoner and Unified Messaging products are well-targeted at these growing areas.

Demand for Paging Systems decreased further as a result of GSM messaging service development and proliferation.

SALES AND MARKETING

Tecnomen received orders for several new messaging systems and system expansions during the period under review. The company's order book was considerably larger at the end of the reporting period as compared to the end of the first tertiary period.

The company received in the second tertiary period a significant order valued at nearly EUR 7 million for a Unified Messaging system from the Taiwanese Chunghwa Telecom, Long Distance & Mobile Business Group. The Thai Total Acces Communication company ordered a voice mail system and an expansion of their prepaid system. The operator's previous voice mail system was from another supplier. Other orders for messaging and prepaid systems were received from the Swiss mobile phone operators Swisscom and Sunrise as well as from the Bolivian Nuevatel. Tecnomen continued deliveries to British Telecom's subsidiary BT Cellnet as a partially responsible supplier in a co-operative project begun in 1999. After the closing of the reporting period, Tecnomen received an order for a voice-mail system worth EUR

3 million from Telekom Cellular, which is part of the Telekom Malaysia Group.

During the period under review, Tecnomen continued to increase its awareness, and the company began strong investments in international press communications and the global Tecnomen brand. The company is strengthening its image as a leading supplier of messaging systems and wireless Internet solutions, which supports Tecnomen's sales activities towards major European service providers. The most significant exhibition in the second tertiary period was Communic Asia, where Tecnomen presented the eZoner 2.0 product version.

The introduction and further development of the first product in the wireless Internet solutions product area, the Tecnomen eZoner service platform, continued during the second tertiary period. New services, such as a mobile chat feature, are currently being developed for this wireless Internet service platform. Test systems have been delivered to several operators for assessment, and the outstanding offer volume for the product is good. Within the Tecnomen product portfolio, eZoner holds a significant future role in connecting Unified Messaging and 3G mobile phone communications. The corresponding development and testing of so-called Internet Protocol (IP) based messaging systems is proceeding according to plan.

Co-operation with overall system suppliers, Nokia Networks and Siemens, proceeded well during the period. Tecnomen delivered several systems through its partners, and the co-operation expanded to cover new products. The joint realisation of future IP-based solutions gained further emphasis in partnering relationships. As the role of sales through partners is growing alongside direct sales, Tecnomen invests in expanding its partnership network.

PRODUCT DEVELOPMENT

To meet the challenge of future market growth and the requirements for value-added services to 3G mobile phone networks, Tecnomen continued to invest heavily in product development. Product development expenses amounted to 26.6 % (24.5) of net sales during the reporting period. The majority of new staff employed during the second tertiary period began in product development units in Espoo, Ireland and Vaasa, of which the latter began operations at the beginning of June.

Tecnomen was awarded the Multimedia Super Corridor (MSC) status in Malaysia during the period under review. This status may be granted to those international IT and telecommunications companies operating in Malaysia, which are strong and innovative technology developers and also employ local staff. The granting of the status is linked to a decision to establish Tecnomen's Asian competence centre. A significant factor for granting the status is a company's own local product development.

PERSONNEL

Tecnomen's personnel numbered 504 (439) at the end of the period. The 15% increase mainly reflects growth in product development resources.

INVESTMENTS

Investments amounted to EUR 3.8 (1.4) million. Most significant investments during the reporting period were geared toward equipment environment renewal in Tecnomen's product development.

BOARD OF DIRECTORS AND AUTHORISATIONS

Tecnomen's Board comprises M.Sc. (Eng.) Pentti Yliheljo, M.Sc. (Eng.), M.B.A. Vesa Helkkula and M.Sc. (Eng.) M.B.A. Esko Rantala. Pentti Yliheljo serves as Chairman. M.Sc. (Econ.) Erkki Hautaniemi, who retired from his post as CFO of the Kyro Group, resigned from the Board on 30 August 2000.

The Extraordinary General Meeting of Tecnomen on 18 May 2000 authorised the Board to raise the company's share capital by a new issue, or by issuing options or convertible bonds in one or several lots within one year. The authorisation allows for an increase in share capital of up to EUR 333,640.80, which corresponds to 8.341.220 shares or 16.8 % of current share capital. As a part of the combined share issue and sale of shares, 669,200 so called additional shares have been issued pursuant to this authorisation. No options or convertible bonds have been issued pursuant to it.

According to conditions of the option programme approved by the Board on 9 June 2000 and covered by the above authorisation, Tecnomen's share capital may be increased by up to EUR 83,000, which corresponds to 2,082,500 shares or 4.2% of current share capital. Of this amount, 833,000 shares may be subscribed between 1 October 2002 and 31 May 2005 and 1,249,500 shares between 2 May 2004 and 31 May 2005, at a subscription price of EU 8.50 per share. If Tecnomen pays dividends, the subscription price is reduced by the amount of dividend paid per share.

SHARES AND SHARE PERFORMANCE

Trading of Tecnomen's shares on the Pre-List of the Helsinki Exchanges' began on 30 June 2000 and on the Main List on 4 July 2000. A total of 4,737,31 Tecnomen shares were traded during the period under review. The highest share price was EUR 10.15, while the lowest was EUR 5.91.

DE-MERGER PLAN OF PARENT COMPANY KYRO OYJ ABP

The Boards of Kyro and Tecnomen decided on 9 June 2000 to start preparations for a de-merger of Kyro into two new companies with the proposed names of Tecnomen Holding Corporation and Kyro Corporation, as well as the subsequent merger of Tecnomen with Tecnomen Holding Corporation. The board of Kyro approved the de-merger plan in its meeting on 5 October 2000, and decided to present the plan for approval by Kyro's Extraordinary General Meeting of Shareholders to be held on 22 November 2000. The de-merger plan will be made available to share holders of Kyro before the meeting.

According to the de-merger plan, Kyro Corporation will de-merge through the establishment of two new recipient companies. The assets and liabilities of Kyro are proposed to be divided between the recipient companies in the manner that the shares in Tecnomen Corporation owned by the de-merging company will be transferred to Tecnomen Holding Corporation along with a proportionate amount of shareholders' equity, and the new Kyro Corporation to be established will receive the shares in Tamglass Ltd. Oy and Kyro Power Oy and other assets held by the de-merging company as well as the remaining shareholders' equity.

In the proposed de-merger, one existing Kyro share entitles the holder to one share in the new Kyro Corporation to be established and

one share in Tecnomen Holding Corporation. The Board proposes that the de-merger take place on 1 April 2001. The separation of the Kyro Group businesses into two corporations makes it possible for investors to invest directly into that particular business whose characteristics, growth outlook and profit expectations match their interests.

FUTURE PROSPECTS

Tecnomen's long-term goal is net sales growth at least at a rate corresponding to market growth. This requires continuous investments in product development as well as sales and marketing. A key target is the expansion of the customer base among large international operators. This target is supported by the expansion of office and partner networks. To realise its growth strategy, Tecnomen will invest in acquisitions along with organic growth.

As a result of significant orders during the second tertiary period, Tecnomen's net sales and operating result during the first eight months were somewhat better than expected. The market outlook is good. Net sales for the entire year are estimated to increase clearly and the operating result is expected to improve from last year.

CONSOLIDATED INCOME STATEMENT	1-8/2000 EUR million	1-8/1999 EUR million	1-12/1999 EUR million
Net sales	38.3	25.3	50.7
Operating expenses	33.5	27.4	46.8
Depreciation	2.1	1.8	2.7
Operating profit	2.7	-3.9	1.2
as percentage of net sales	6.9	-15.3	2.4
Financial income and expenses	0.1	-0.7	-0.8
Profit before extraordinary items	2.8	-4.5	0.4
Extraordinary income and expenses	0.0	0.0	0.0
Profit before taxes and minority interest	2.8	-4.5	0.4
Taxes	-0.7	0.0	-0.2
Minority interest	0.0	0.0	0.0
Profit for the period in review	2.1	-4.5	0.2
CONSOLIDATED BALANCE SHEET	31.8.2000 EUR million	31.8.1999 EUR million	31.12.1999 EUR million
Fixed assets	14.0	12.0	12.3
Current assets			
Inventories	2.3	2.8	1.8
Financial assets	81.1	29.5	37.0
Assets	97.4	44.3	51.1
Shareholders' equity	82.6	11.0	15.6
Minority interest	0.1	0.1	0.1
Liabilities			
Interest-bearing liabilities	1.5	25.2	23.8
Non-interest-bearing liabilities	12.8	7.7	11.2
Imputed tax liability	0.4	0.3	0.4
Equity and liabilities	97.4	44.3	51.1
KEY FIGURES	1-8/2000	1-8/1999	1-12/1999
Earnings per share, EUR (diluted 0,05)	0.05	-0.11	0.00
Number of shares on average (1,000)	49,784,950	41,706,100	41,706,100
Return on capital invested, %	8.1	-15.3	3.6

Return on equity, %	6.2	-50.5	1.1
Equity ratio, %	86.1	25.7	31.1
Debt/equity ratio, %	-51.1	215.3	136.8
Equity per share, EUR	1.66	0.26	0.37
Investments, EUR million	3.8	1.4	2.7
Personnel on 31 Aug 2000	504	439	421
Personnel average	471	424	423

CONTINGENT LIABILITIES	31.8.2000	31.8.1999	31.12.1999
	EUR million	EUR million	EUR million
For own debt			
Mortgages	0.7	0.7	0.7
Other own commitments	4.5	4.9	5.1

Values of the underlying instruments of derivative contracts, EUR million

Currency forwards/Market value	9.0	6.6	8.5
Underlying value	8.0	6.5	8.0

The figures have not been audited.

Further information about Tecnomen's Interim Report is provided by Tecnomen's President and CEO Vesa Helkkula.

TECNOMEN CORPORATION

Vesa Helkkula
President and CEO

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